



World Council of Credit Unions, Inc.

Issue 1 • April 1999

# WORLD

*The Source for International  
Credit Union Information*

**Credit Union**

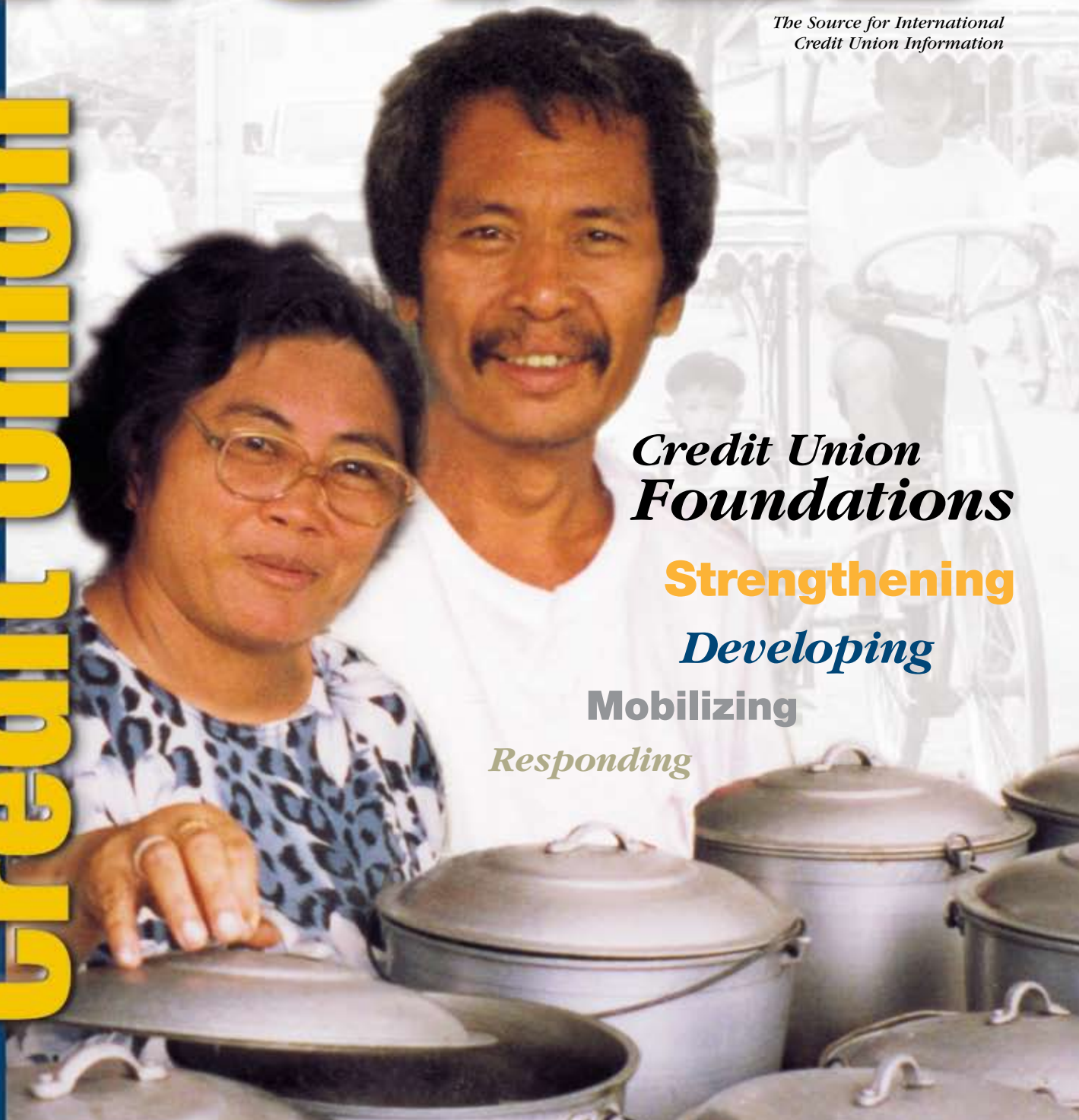
***Credit Union  
Foundations***

**Strengthening**

***Developing***

**Mobilizing**

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International Credit Union Forum  
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July 15-19



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## Nashville Welcomes Forum 2000!

Music City, USA – Nashville, Tennessee sets the stage for a world-class cast of dynamic speakers, four days of educational sessions, networking and camaraderie. With "Old South" country style and charm, Nashville welcomes Forum 2000 participants and offers an endless variety of experiences. Enjoy the Grand Ole Opry, Country Music Hall of Fame, river boat rides and more!

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The new millennium has arrived! Forum 2000 will focus on the strengths and opportunities to build an even stronger worldwide credit union movement. A world-class cast of dynamic speakers and facilitators will address the movement's most current issues.

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Belmont Mansion

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Hosted by Credit Union National Association, Inc. (CUNA)

The ICUF logo is respectfully used with sincere thanks to its creators, the National Credit Union Federation of Korea.



# For Members ... About Members

We are proud to present the first edition of *Credit Union World*, your source for information about the international credit union movement. As a benefit of membership and affiliation with World Council of Credit Unions, Inc. (WOCCU), *Credit Union World* is for our members...about our members.

This new quarterly magazine, replaces our newsletter "Perspectives." Inside every edition of *Credit Union World*, you'll find member updates, movement trends, economic or global commerce issues, development spotlights, WOCCU activity updates and other topics of importance to credit unions and related organizations.

In addition, each issue features a specific theme. The first edition of *Credit Union World* recognizes international credit union foundations and their work to develop credit unions, mobilize resources, promote cooperative principles and respond in times of disaster.

In 1998, reports of catastrophes dominated the international news. International credit union foundations played a pivotal role in responding to credit unions affected by terrorist acts, floods, hurricanes and other natural disasters. Through both the turbulent and the stable times, credit unions, cooperatives and their members pulled together to help others in need.

As the worldwide representative organization of credit unions and similar cooperative financial institutions, WOCCU is committed to promoting the exchange of ideas among our member organizations and affiliates. As such, we look forward to receiving editorial contributions from our members.

The activities of World Council and our members differentiate the international credit union movement from other financial intermediaries...***ultimately making a difference in the lives of 96 million credit union members worldwide.***

Chris Baker  
Chief Executive Officer



Alan Parry  
President



*Quality Credit Unions for Everyone*



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# Credit Union Foundations

Strengthening • Developing • Mobilizing • Responding

Extending the credit union promise and promoting cooperative principles, international credit union foundations are making a difference for millions of people throughout the world. Both at home and abroad, credit union foundations work to strengthen and develop credit unions, mobilize financial resources, promote the “*people helping people*” philosophy and respond in times of disaster.

For credit unions and their members, 1998 represented tumultuous times. Devastated by the destruction of floods in Asia, senseless bombings in Kenya and Ireland, Hurricanes Georges and Mitch, and other disasters, credit union foundations quickly rose to the challenge providing financial and technical assistance. Here’s a look back at the events that shaped the efforts of international credit union foundations last year.

## A Year of Rebuilding – a look back

**Floods in Asia** – Late last summer, severe flooding impacted vast areas of Asia. **ACCU Foundation** appealed for emergency assistance for two of its member countries, Bangladesh and Korea. Although a flood-prone area, Bangladesh suffered its worst flooding since 1988. The Cooperative Credit Union League of Bangladesh Ltd. (CCULB) reported that thousands of members in rural areas were impacted, their houses under three to five feet of water. Flood waters also submerged the newly built offices of CCULB. ACCU reported similar devastation in Korea.

**Terrorist Bombing in Nairobi, Kenya** – In a tremendous showing of support for Kenyans devastated by the August 7, 1998 terrorist bombing of the U.S. Embassy, international credit union and cooperative foundations collaborated to raise nearly US\$200,000 in funds and technical assistance for the rebuilding of organizations that suffered considerable losses. Among those most severely impacted were the Ufundi Savings and Credit Co-operative (SACCO) Society Ltd. and the Co-operative Bank of Kenya, that together lost 50 lives and millions in property damage.



James Bango, managing director of Kenya Union of Savings and Credit Cooperatives Ltd. lays a wreath at the site of the bombed-out Ufundi Savings and Credit Co-operative.

Contributions from the international credit union movement to **Worldwide Foundation for Credit Unions**, **Cooperative Development Foundation (U.S.)** and the **National Credit Union**

**Foundation** went toward rebuilding the Ufundi SACCO. Efforts included replacing furniture and equipment, renovating rented offices, purchasing supplies and conducting a recovery planning project led by credit union volunteers who had survived the Oklahoma City bombing (story on page 12).

Further assisting Ufundi SACCO, **Cooperative Development Foundation of Canada (CDF)** raised donations for a project to buy new computers and facilitate training of Ufundi SACCO staff to effectively utilize the new system. The blast killed all of Ufundi’s trained technicians and destroyed their computer equipment.

The **International Cooperative Alliance** is supporting victims and rebuilding other cooperative organizations in Kenya. Among ICA’s contributions, the British Government pledged up to one million pounds through the British Cooperative Movement.

(See page 4 for the list of contributors to Worldwide

## CREDIT UNION FOUNDATIONS

ABCU Foundation-Great Britain

Association of Asian  
Confederation of Credit  
Unions (ACCU) Foundation

Caribbean Confederation of  
Credit Unions Development  
Foundation

Cooperative Development

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Credit Union Foundation  
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Foundation (FECOLAC)  
Panama

Foundation for Polish  
Credit Unions

ILCU International Development  
Foundation - Ireland

National Credit Union  
Foundation - United States

Worldwide Foundation For

Foundation and others mentioned herein.)

## Car Bombing in Omagh, N. Ireland –

On August 15, the world wept again for the victims of the Omagh atrocity that killed 28 civilians, mostly women and children. The 500-pound car bomb destroyed Market Street, the main street of Omagh, which was at its busiest on a traditional Saturday shopping day. On the domestic home front, the **Irish League of Credit Unions** focused their efforts to help raise money for the Omagh Memorial Fund. Credit unions from both Northern Ireland and the Republic of Ireland contributed US\$120,000 to benefit relatives and dependents of those who died or were injured.





In Subaco, Nicaragua, farmers were hardest hit by Hurricane Mitch, losing newly planted crops of onions and soybeans. A farmer's son takes a break in the hammock that has now become his bedroom.

**Hurricane Georges in the Caribbean** – Seeking to assist the four St. Kitts and Nevis credit unions and their 2000 members impacted by the fury of Hurricane Georges, the **Caribbean Confederation of Credit Unions Development Foundation** raised funds to help victims rebuild and recover from the storm.

**Hurricane Mitch in Honduras & Nicaragua** – Early in November, Hurricane Mitch hit with a vengeance in Honduras damaging 800,000 houses, killing nearly 6,000 people, injuring 11,000 and leaving 10,000 missing or presumed dead. Federación de Cooperativas de Ahorro y Crédito de Honduras, Ltda (FACACH) reported that 20% of 257,000 credit union members lost family, homes, agriculture and small businesses. As a direct result of members' losses, Honduran credit unions are facing a liquidity and delinquency crisis. In addition, six credit unions suffered extensive damage to buildings, equipment and business records, with total losses estimated at US\$200,000.

Nicaragua was spared some of the initial force of the storm. However 36,000 homes were damaged or

destroyed, 3,300 people died, 300 injured and 970 people were left missing or presumed dead. Most of the credit unions in Nicaragua survived without major physical damage, although Mitch destroyed one WOCCU affiliated credit union and badly damaged another.

**Worldwide Foundation for Credit Unions** appealed to the international credit union community for assistance, and together with **National Credit Union Foundation**

announced the "Credit Union-to-Cooperativa Partnership." The partnership matched state leagues and their credit unions in the United States with the six damaged cooperativas de ahorro y crédito (credit unions) in Honduras and the Honduran League (FACACH). Designated contributions of nearly US \$70,000 received from the international credit union community and partnered U.S. state leagues went toward rebuilding the six credit union offices, restoring records, and replacing supplies and equipment.

### **Beyond Disaster – Developing Credit Unions**

Outside of the international credit union community, relief efforts of the credit union foundations in 1998 were both very visible and greatly appreciated. However, the work of credit union foundations is much broader than solely providing assistance to credit unions in times of disaster. Credit union foundations also work to develop credit unions, mobilize resources and promote cooperative principles. The following are just two examples of the many development works undertaken by international credit union foundations.

**Solomon Islands Credit Union League** – One of the Melanesian societies that inhabit the South West Pacific Ocean region is that of the Solomon Islands. This group of approximately 950 islands with a total population of 400,000 people is situated close to Papua, New Guinea



New Zealand Association of Credit Unions and **Credit Union Foundation New Zealand** responded to WOCCU's Hurricane Mitch appeal by mobilizing funds from their credit unions. "It was the first time in many years that we have done anything quite like this. What was especially gratifying was the renewal of our ability to touch the co-operative nerve among credit union people in New Zealand, and to give an international meaning to our operations," said Tim Bertram, NZACU.

(See page 5 for a list of contributors to Worldwide Foundation and others mentioned herein.)

and Vanuatu. Honiara, the capital city of the Solomon Islands is three hours flying time from Sydney, Australia, home of **Credit Union Foundation Australia (CUFA)**.

Credit unions have been active in the Solomon Islands for more than 15 years. In 1986, the Solomon Islands Credit Union League (SICUL) formed to coordinate national development and growth of credit unions. Registered with SICUL, there are currently 163 credit unions, serving 26,000 members. The majority of these members (representing 140 credit unions) are based in the rural provinces of the Solomon Islands, making transport and communications two of SICUL's major obstacles to integrated development.

Since May 1997, Credit Union Foundation Australia and SICUL have been

Continued on Page 15



## Contributors to the Kenya Credit Union and Cooperative Assistance Funds

World Council of Credit Unions, Inc. thanks all of its members and the many individuals who have contributed to rebuilding credit unions and cooperatives in Nairobi, Kenya. The following members and individuals have made contributions through World Council's Worldwide Foundation for Credit Unions\*, Cooperative Development Foundation of Canada, Cooperative Development Foundation (U.S.), the International Cooperative Alliance and the National Credit Union Foundation (U.S.).

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World Council of Credit Unions, Inc. thanks all of its members and the many individuals who have contributed to rebuilding credit unions in Honduras. The following members and individuals have made contributions through World Council's Worldwide Foundation for Credit Unions,\* Credit Union Foundation New Zealand and the National Credit Union Foundation (U.S.).

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SESLOC FCU  
Sperry, George  
Stanislaus County FCU\*  
Torrance FCU  
Travis FCU  
United Health CU  
Vintage CU  
Wagner, Pat

#### Colorado

Denver Public Schools CU\*  
Jeffco Schools CU  
Meyers, Janet

### District of Columbia

BNA Federal CU  
Jones, Karla Lee\*

### Florida

Lemon, Linda

### Georgia

Associated & Federal ECU  
Augusta Industrial FCU  
Augusta VAH FCU  
BEKA FCU  
CDC FCU  
Georgia CU Affiliates  
Gracewood FCU  
Gwinnett FCU  
Habersham County FCU  
MEA FCU  
Piedmont Hospital FCU  
Woods, Eloise

### Idaho

Boise Telco FCU  
Tribune CU

### Illinois

Decatur Earthmover CU  
Dodge, Philip J & Noni C.\*  
Echlin Midwest FCU

### Indiana

LaGrange, Neil  
Malott, Rita  
Smith, Virginia

### Iowa

Dunn, Gayle  
Hassman, Dotta or Larry  
Olsen, Dean  
Tri-County CU  
Zwanziger, Phyllis

### Kansas

Kansas CU Assoc. LSC\*  
Sorenson, C.J.

### Kentucky

Lancaster, Barbara  
Members Heritage FCU  
Tripp, Marjorie  
Wright, Wilma  
York, Richard

### Maryland

MTA Employees' CU, Inc.\*  
St. Agnes Employee's FCU\*

### Michigan

Michigan CU Foundation\*  
Taylor Community CU

### Minnesota

Wakota FCU\*

### Missouri

Missouri CU Foundation\*

### Montana

Fort Harrison VAF FCU

### Nevada

Pahrnagat Valley FCU\*  
Network FCU  
Sonapco FCU

### New Mexico

WTNM Florist FCU

### New York

Carbide Carbon N F FCU

### North Carolina

North Carolina CU Foundation\*  
Tharp, Judy

### North Dakota

Benson County Co-op CU  
First Community CU

### Oregon

First Technology CU  
Price, Cindy  
U-Lane-O CU\*

### Pennsylvania

Comeau, Mark  
GTE Erie FCU  
Patriot FCU\*  
Pennsylvania CU Foundation

### South Carolina

Florence Educators FCU  
Georgetown Kraft CU  
McEntire FCU

### South Dakota

Black Hills FCU  
Li'l Luke's FCU  
Watertown EFCU

### Tennessee – partnered with

**San Isidro CU**

AEDC FCU  
Aqua Glass ECU  
Blumenthal, Mike  
Bristol FCU  
Eastman CU  
Educators CU  
ETMA FCU  
First South CU

### Fulton CU

Greeneville Works Empl.  
Savings Association  
Interchange FCU  
Kimberly-Clark CU  
MSC FCU  
Murfreesboro Chapter of CUs  
Nashville Post Office CU  
ORNL FCU  
Postal ECU  
Tennessee CU League\*  
Tennessee Valley FCU  
UC Employees FCU  
Welch, Janice

### Texas – partnered with

**Guanaja CU**

### Virginia

McGill, Ruth

### Washington

PUD Federal CU\*  
Schroeder, Pablo  
Spokane Railway CU\*

### Wisconsin

Bertelrud, Alice  
Bewick, Ruth  
Blanchard, Larry  
Citizens First CU  
Community CU of Wausau  
Conway, Barbara  
Credit Union Foundation  
CUNA Employees  
CUNA Mutual Group Employees  
CUNA Mutual Group Foundation  
Edwardson, Alice  
Eikel, Charles and Claire\*  
Haack, Margaret  
Hill, Barbara  
Johnson, Mary  
Kempen, Ellen  
Messina, Tania  
Miller, Virginia  
Richard, Melanie  
Snell, Cindy  
Stewart, Jovey  
Stone, John  
Taylor, Charles  
Torkildson, Patricia

Wachter, Sarah  
Weidman, Judy  
Wheeler, Bruce  
Wittwer, Susan  
WOCCU Employees\*  
Ziegler, Kelly

**WOCCU's Worldwide  
Foundation for CUs\* – partnered  
with September 15 CU and  
Usula CU**

\* Contributors to WOCCU's Worldwide  
Foundation for Credit Unions



World Council of Credit Unions

# A Model To Follow



Since 1990, World Council of Credit Unions, Inc. (WOCCU) has implemented a new approach to credit union development in Nicaragua, El Salvador, Kenya, Jamaica, the Philippines and other countries. The new approach created outstanding results for the credit unions within those projects.

Coining the terminology Model Credit Union, this methodology results in positive changes to ideology, image, human resources and financial disciplines helping credit unions and credit union movements make a difference in the lives of their members.

## **Model Credit Union Strategy**

World Council uses the Model Credit Union Methodology through its long-term projects and short-term consultancies. The Model Credit Union is a unique and proven methodology that works with a defined number of credit unions in a country to establish minimum operating standards for others to follow. WOCCU's Model Credit Union development strategy focuses on:

- modernizing lending, collections, savings and internal control policies and practices
- mobilizing savings to assure a long-term, self-sustainable source of funds
- establishing financial disciplines to protect member savings
- improving the operational

efficiency of credit unions

- building institutional capital to strengthen earnings, absorb expanding losses and finance non-earning assets
- evaluating credit union performance using WOCCU's PEARLS™ system

## **Characteristics of a Model Credit Union**

A Model Credit Union exhibits financial responsibility in meeting the needs of its members. It commits itself to the selection and development of quality leadership and employees. Also, it has a strong potential for sustainable growth. "While this description may appear to be somewhat simplistic, it covers the most critical components of success," explained Brian Branch, WOCCU's Director of Technical Services.

A Model Credit Union reduces its dependence on external capital, while strengthening the credit union to become competitive and focused on savings mobilization, increasing liquidity for lending and accumulation of institutional capital (retained earnings).

Credit unions are expected to re-price and increase the variety of financial services offered, tighten up lending and collection practices and adopt new policies to maintain soundness. Branch noted, "In a relatively brief period, credit unions following the model typically experience unprecedented growth of loans, savings, capital and membership."

## **Indicators of a Model Credit Union**

Model Credit Union methodology uses a financial performance monitoring tool, known as PEARLS™. The components of this monitoring system are: **P**rotection, **E**ffective Financial Structure, **A**sset Quality, **R**ates of Return and Costs, **L**iquidity and **S**igns of Growth. (See chart for PEARLS™ standards.)

## **Working With a Model Credit Union**

The methodology of Model Credit Unions employs six components: diagnostics, business plan, participation agreement, implementation, monitoring and evaluation, and the renewal, modification or completion of a program.

In the beginning of a project, World Council performs credit union diagnostics evaluating the financial condition, services, policies, loan portfolio and market potential. Once WOCCU decides to work with a credit union, the next step is developing a business plan. When the planning stage is complete, WOCCU generates a participation

agreement with the credit union and sometimes the league. Program implementation includes technical assistance, on-site training, internships and sometimes financial assistance.

After implementation is under way, WOCCU staff monitor and evaluate the financial condition and growth of the credit union quarterly. "We compare the current ratios with their business plan and the Model Credit Union standards," explained Branch.

The final component of a Model Credit Union is to renew, modify or end the program based upon the evaluation results. WOCCU monitors a credit union's compliance with the Model Credit Union protocols annually.

This methodology helps develop safer and sounder financial intermediaries. Model Credit Unions in developing countries are just that – models for other credit unions in the country to follow.





## PEARLS<sup>TM</sup> Monitoring System

### INDICATOR

### MINIMUM STANDARD

#### PROTECTION

Provisions for Loan Losses/  
Outstanding Balance of Loans  
Delinquent more than 12 Months

100%

Remaining Provisions for Loan Losses/  
Outstanding Balance of Loans  
Delinquent less than 12 Months

35%

#### EFFECTIVE FINANCIAL STRUCTURE

Capital: Unencumbered Reserves and  
Retained Earnings/Total Assets

10%

Net Loans/Total Assets

70 - 80%

Deposits/Total Assets

70 - 80%

#### ASSET QUALITY

Outstanding Balance of Loans  
Delinquent > 30 days/Total Loans

< or = 5%

Non-Earning Assets/Total Assets

< or = 5%

#### RATES OF RETURN AND COSTS

Operating Expenses/Average Assets

5 - 10%

Net Income/Average Assets

Sufficient to Maintain  
Capital Ratio of  
10% or More

Return to Members on Shares

> Inflation Rate

#### LIQUIDITY

Liquidity Reserve/Withdrawable Savings  
and Deposits

10%

#### SIGNS OF GROWTH

Membership Growth  
Asset Growth

5%

> or = Inflation Rate

## Model Credit Unions in Ecuador

# Growing with Cooprogreso

Marcelo Lárraga joined Cooprogreso with only a small passbook account 12 years ago. "I am better off today and I owe that to my credit union. Cooprogreso was there to give me a hand when I needed it," Mr. Lárraga explained. He received his first loan, which he paid in quarterly installments. "The first quarter I only paid interest. In the second quarter, I started paying principal plus interest. That loan was the foundation for the business I manage today, as well as the base of my financial relationship with the credit union. Without this relationship I would not have the business or the sales I have today," he continued.

Mr. Lárraga now has a successful grocery store, which employs a purchasing manager, a delivery manager, two computer technicians and four cargo handlers. The growth of his business has been solid and substantial since the beginning. "In 1998, with the help of my credit union I bought a complete computer system and a delivery vehicle. The computer system allows me to have information about store stock and sales, which has become essential to business planning. Adding a truck made it possible to deliver goods to my customers, a service they greatly needed," he explained.

"My business plans for the future include having cashiers – complete with bar code readers – and a forklift to move the merchandise in the warehouse. I would also like to initiate a self-service sales process in the near future. Someday, I would like to expand my grocery operation with branches in other areas of the city. When that happens, I will again



### COUNTRY INDICATORS

National Capital: Quito  
Government Type: Republic  
Area: Total 283,560 sq km  
(includes Galapagos Islands)  
Population: 12,336,572 (July 1998 est.)  
Inflation Rate: 31% (1997 est.)  
Exchange Rate: 7,260 Sucres/US\$1  
(Jan. 1999)  
GNP: \$19 Billion (1997)  
GNP per Capita: \$1,590

Source: IMF/CIA World Factbook 1998, World Bank

### CREDIT UNION INDICATORS

Credit Unions in the Project: 19  
(= 63% of members, 681,720)  
Credit Unions: 276

Members: 860,000

Source: 1997 Statistical Report, Ecuador Project Data, WOOCCU

Continued on Page 8



Inside Mr. Lárraga's grocery store.

“I am better off today and I owe that to my credit union.”

- Marcelo Lárraga

turn to Cooprogreso to help me grow," he noted.

"Cooprogreso is and will be my only financial institution. I started with them and with them I shall continue to grow. We will grow together," shared Mr. Lárraga.

Mr. Lárraga is a member of Cooprogreso, one of the Model Credit Unions in the Ecuador program of World Council of Credit Unions, Inc. (WOCCU). He is an excellent example of a member that is able to take advantage of a number of the credit union products offered for micro-entrepreneurs.

Mario Galarraga, WOCCU Ecuador Program Director explained, "Our project in Ecuador focuses on expanding micro-enterprise services, in particular small business lending by credit unions." The basis of the effort is to strengthen the credit union movement in Ecuador,

enabling credit unions to improve their credit and savings services for micro-entrepreneurs and persons of limited resources. The Model Credit Union Program offers 11 different micro-enterprise products and has enjoyed considerable success with those programs. "In Ecuador, credit unions are strong and have been serving the people for many years," Galarraga continued.

Seventy-percent of the members in the Model Credit Union Program in Ecuador are micro-entrepreneurs. Sixty-percent of the loans that are processed qualify as micro-enterprise lending. "We have seen a large growth in the membership numbers of the credit unions. I attribute this to the current lack of faith in the uninsured banking institutions and the credit union system's image of stability in Ecuador," Galarraga explained.

"We have worked very hard to implement strict financial disciplines within the Model Credit Unions. This is one of the reasons that credit unions have survived, even through the disastrous conditions of El Niño. Model Credit Unions are here today because of the disciplines that we implemented," noted Galarraga.

Strong financial disciplines and the addition of new products offered to members are responsible for a great deal of growth within the Model Credit Union Program in Ecuador. Credit union members in the program have grown from 498,501 to 681,720. "The growth of membership well surpassed our program goal of 5%. We have also increased our institutional

The new delivery truck parked in front of Mr. Lárraga's grocery store.

capital from 2.54% to 8.24% and our liquidity went from 3.68% to 21.02%. We focus on making the Model Credit Unions more sound and secure, while offering more products, so that members come to us," summarized Galarraga.



Mr. Lárraga discusses inventory levels with an employee.

At publication of this article Marcelo Lárraga's Model Credit Union, Cooprogreso, along with the entire country had been shut down due to a country-wide strike. The current economic situation in the country remains unstable. However, Model Credit Unions in the country – because of their preparation – are best equipped in the hostile financial situation.



# From Small Beginnings . . .

To Feeding a Community



Crispina Canales and her husband Catalino prepare for the breakfast crowd at her eatery, Domanjog Carenderia.

Crispina Canales began with a small food stall in a rural community, located in southern Mindanao. The little restaurant served ten people at a time and featured five dishes, including her specialty – roasted pig.

While visiting with a credit union member, Crispina learned Nabunturan Integrated Cooperative (NICO) was offering loans for small business people to enhance their businesses. "I decided to give it a try; I deposited 300 pesos (US\$7.50) in share capital and attended the required pre-membership seminar," Crispina explained. "I was very surprised and pleased when I learned I could receive a loan for 1,500 pesos (US\$37.50) to enhance my business."

"With the loan, I purchased better equipment and hogs. Now instead of depending on a farmer to supply me with stock, I raise my own," Crispina continued. Interest in the eatery grew quickly in the small town, because the community did not have a restaurant for many years. She quickly repaid the loan as agreed and was granted a second loan of 5,000 pesos (US\$125) for improvements.

Three years later the eatery sales increased by 50%. "I continued to improve my business with help from the

cooperative. I was also careful and saved every peso I could," she noted. Crispina had saved so much that she was able to purchase one hectare (10,000 square meters or 2.5 acres) of rice farmland for 7,000 pesos (US\$175). She leases the land to her cousin, and today her investment is worth many times the amount of the original purchase price.

In 1987 with savings and assistance from the cooperative, the Canales family purchased a 600-meter lot, with a little home on it for 23,000 pesos (US\$575). "My home includes such luxuries as a TV, stereo, washing machine and a refrigerator. I am very fortunate to have a home and modern luxuries that are not common place here. Not only has my business improved, so has my family's way of life," explained Crispina.

**"My cooperative cares about my family and me. I have never used a bank, only the cooperative. There's no reason to go elsewhere, everything I need is here at NICO."**

## - Crispina Canales

Through hard work and determination, her businesses continued to grow. By 1990, with profits saved from the businesses and another loan from the cooperative, she was able to lease one hectare of coconut trees. Through the years, she has



## COUNTRY INDICATORS

National Capital: Manila  
Government Type: Republic  
Area: Total 300,000 sq km  
Population: 77,725,862 (July 1998 est.)  
Inflation Rate: 5.1% (1997 est.)  
Exchange Rate: 38.71 Pesos/US\$1 (Jan. 1999)  
GNP: \$89.3 Billion (1997)  
GNP per Capita: \$1,220  
Source: IMF/CIA World Factbook 1998, World Bank

## CREDIT UNION INDICATORS

Credit Unions in the Project: 12  
  
Savings and Share Capital: \$9.275 Million  
Loans: \$8.065 Million  
Source: 1997 Statistical Report  
Philippines Project Data, WOCCU

added more hectares, and now leases eight hectares of coconut trees. Crispina and her family do most of the labor themselves with occasional temporary help.

In 1999, Crispina took out her most recent loan to expand the eatery by adding a second stall from the market; that doubles the size of her eatery. She now offers 30 different dishes daily and can feed 50 people at a time. "I have hired six employees to meet the demand for my meals and still use the local market for all my needs. It's important to me that I support other small businesses in my community," she explained. Her eatery now serves breakfast, lunch and dinner, and she has increased the stock from one pig to fifteen. The average

# Member

**AFRICA (ACCOSCA)** – *Kenya* – With the government of Kenya embracing liberalization of the economy and the enactment of the new Co-operative Act last year, Kenyan SACCOs are facing new challenges that will materially impact their futures. SACCOs are beginning to adopt certain reforms that will make them more competitive in this liberalized economy including: 1) adjusting interest rates closer to the market, 2) permitting withdrawable savings, 3) expanding common bonds, 4) changing from formula-based to character-based lending and 5) adopting by-laws that permit directors to make routine business decisions.

**ASIA (ACCU)** – Credit unions have proven themselves to be sustainable financial institutions since the very first one formed 150 years ago. They remain so even in this time of economic crisis that hit and still embraces many countries in Asia. March 1999, ACCU graduated the first group from its two-week Professional Training Course on Micro-financing and Micro-enterprise Development. The group consisted of 21 credit union managers from Bangladesh, Cambodia, Laos, Nepal, Indonesia, Philippines, Sri Lanka and Thailand. The training course enables the graduates to develop skills in reviewing external and internal policies on micro-finance. Another two courses are scheduled in the year 2000.

**AUSTRALIA (CUSCAL)** – Credit unions are seeking to improve the Government's GST (Goods and Services Tax) legislation to ensure that GST 'input taxing' does not seriously reduce competition in the retail financial services mar-

ket. CUSCAL is proposing specific legislative measures to address the distortional and anti-competitive impact of 'input taxing.' CUSCAL briefed the Senate GST inquiry on February 11, 1999 and told Senators that GST would cause a dramatic increase in credit union costs. Unless remedial measures are taken, credit unions will cease to be a competitive force in the financial services market. The Senate inquiry is due to report April 1999.

**CANADA (CUCC)** – A major outcome of the Canadian Central Board planning session was the establishment of the National Initiative Task Force (NISTF), which guided the development of the National Initiative for changes in the system structure and delivery methods until the end of 1998. CUCC presented the model developed by NISTF to the credit union system through an extensive series of consultations held between October and December 1998. Feedback received from these sessions resulted in the receipt of Letters of Intent from the provincial Centrals, and the appointment of a National Initiative Steering Committee and a series of Working Committees reporting to the 1999 AGM in May.

**CARIBBEAN (CCCU)** – With the adoption in July 1998 of "Beyond 2000," the new strategic development plan, the confederation and its affiliates are restructuring leagues and credit unions along the Model Credit Union approach; to improve service delivery, returns to members and sustainability. As part of this effort, CCCU is spearheading a standardized CUBIS

software application in Caribbean credit unions.

The CCCU Secretariat itself is restructuring into a trade association, financed largely by member dues, a capitalized Business Service Center and the Development Foundation. CCCU's 42nd Annual Convention will take place July 18-23, 1999.

**CUNA MUTUAL GROUP** – CMG is regionalizing their Caribbean insurance operations. This regionalization project will serve as a model for other movements in the future.

**FIJI (FCUL)** – Working with the New Zealand Association of Credit Unions, FCUL recently hosted a marketing seminar for 12 credit union directors and managers.

**GREAT BRITAIN (ABCUL)** – The Association of British Credit Unions Ltd now has nearly 450 member credit unions – up from just 270 in 1993. ABCUL published a government consultation paper on amendments to credit union legislation and the future regulation of credit unions in November 1998. Although a number of the legislative proposals fell short of proposed amendments, ABCUL is hopeful that further negotiations will result in a more favorable legal framework and effective regulation for credit unions. ABCUL recently published "*Towards Sustainable Credit Union Development*." The research report contains recommendations on how credit unions can grow and become sustainable financial institutions.

**IRELAND (ILCU)** – The ILCU, celebrating 40 years in 1998, is a service organization for over 535 credit unions throughout Ireland, representing 2.3 million members.



# Updates

Credit unions in the Republic of Ireland prepare to switch from Irish punts to the Euro in 2002. An additional 156 credit unions in Northern Ireland are unaffected because the UK has opted out of the single currency for the European unit. ILCU's goal is to help credit unions make an orderly transition.

**LATIN AMERICA (COLAC)** – COLAC researched the causes of the financial crisis of the credit union movement in Panama, Costa Rica and Colombia with the purpose of identifying and preventing this from happening again to other countries in the region. Forty leaders of the Latin American credit union movement recently met to analyze the current problems in an international workshop. The board of directors of COLAC has met in different countries in Latin America to learn first-hand about the financial situations that credit unions face and assess how to help. FECOLAC is developing programs to teach the importance of regulation and supervision in credit unions.

**POLAND (NACSCU)** – In December 1998, 220 credit unions in Poland served almost 260,000 members through 300 member service centers, making credit unions the fourth largest financial service network in the country. Credit unions' total assets amounted to \$158,000,000. Similar to Ireland and the United States, credit unions in Poland became tax exempt as of January 1999. Last year NACSCU became the first credit union organization in Europe to obtain membership in VISA International and recently

started issuing debit and credit cards to members. Earlier last year, ATM cards also became available to credit unions giving members access to the 500 automatic cash dispensers throughout Poland.

**NEW ZEALAND (NZACU)** – A concerted effort is currently under way to raise the profile of credit unions in New Zealand, where banks are withdrawing services from many smaller communities and urban areas. Negotiations seeking greater freedom for credit unions to operate and compete are under way with the Ministry of Commerce. At the same time, the New Zealand Securities Commission has given notice to the movement that it intends to tighten up the regulatory regime which governs credit union prudential standards. As there is no insurance for credit union failures or insolvency in New Zealand, the movement views this as a challenge for its members, and one which will ultimately enhance public confidence in credit unions.

**ROMANIA (UNCAR)** – In Romania at the end of 1998 the CAR (credit union) system consisted of 4,653 individual CARs, 43 Territorial Unions and one National Union.

With WOCCU's help, UNCAR has started to modernise CARs to become free market financial institutions. That means CARs started mobilizing savings and issuing loans at market interest rates. The size of the loan now depends on the member's character, capacity to repay and available collateral. As of March 1999, there are 134 CARs that have modernized their services for members.

**RUSSIA (RCUL)** – In 1999 the Russian Credit Union League will celebrate five years of service. Currently 47 credit unions and four regional associations are RCUL members. As of February 1999, RCUL credit unions have 21,000 shareholders with total assets of 29,000,000 roubles. Now RCUL credit unions are trying to develop mutual financial ties to establish a Central Reserve Foundation, in which credit union reserve funds are accumulated to create an information infrastructure for credit unions, including application of telecommunication tools.

**UKRAINE (UNASCU)** – UNASCU is lobbying for a Credit Union Act. The Cabinet of Ministers has submitted the act to the Parliament for a vote. UNASCU is helping credit unions adjust to the consequences of last year's currency devaluation caused by the crisis in Russia.

**USA (CUNA)** – The U.S. credit union movement reveled in last year's passage of a law allowing millions of Americans greater access to credit unions. The nation's 77 million members can also rest assured that credit unions are well prepared for the contingencies of the Year 2000 "computer bug." Credit unions have been leaders in system preparation and testing. CUNA has been out front working with credit unions and government regulators to adequately plan for data systems and liquidity contingencies.

CUNA has also been working to develop a branding strategy for credit unions through its National Credit Union Values Campaign. The goal is to develop and deliver a strong and positive awareness of credit unions through a readily recognizable brand.

# Ufundi SACCO Recovering & Pulling Together



Joe May, Mr. Okello the General Manager, and a representative of the payroll division of the Ministry of Public Works and Housing. They are processing the first download of payroll deductions to be entered into the new computer system.

In 1994 World Council of Credit Unions, Inc. (WOCCU), the National Credit Union Foundation and CUNA Mutual Group joined to launch the People-to-People (PTP) Program. Administered by WOCCU, the People-to-People Program is one of the many ways the credit union movement shows the cooperative spirit of *"people helping people."* The PTP program brings together people from different credit union movements and encourages credit union leaders to get involved in partnerships, internships and volunteer program assignments.



## COUNTRY INDICATORS

National Capital: Nairobi  
Government Type: Republic  
Area: Total 582,650 sq km  
Population: 28,337,071 (July 1998 est.)  
Inflation Rate: 8.8% (1996 est.)  
Exchange Rate: 61.75 Shillings/US\$1 (Jan. 1999)  
GNP: \$9.3 Billion (1997)  
GNP per Capita: \$330

Source: IMF/CIA World Factbook 1998, World Bank

## CREDIT UNION INDICATORS

Credit Unions: 2,250

Members: 860,000

Source: 1997 Statistical Report, WOCCU

## Worlds Apart – United By Recovery

The August 7, 1998 bomb blast, targeting the U.S. Embassy in Kenya resulted in the considerable loss of 41 staff members and millions of dollars in property for the Ufundi Savings and Credit Co-operative (SACCO) Society Ltd.

"Given the similarity between this incident and the 1995 Oklahoma City bombing, which destroyed the Federal Employees Credit Union (FECU), we thought an exchange between staff members from FECU and Ufundi SACCO would help enhance Ufundi's recovery and future growth," explained Nelly Mitchell, World Council People-to-People Program Manager.

The two U.S. volunteers participating in the exchange were instrumental in FECU's recovery and rebuilding process: Raymond Stroud, Chief Financial Officer, Safeway Rocky Mountain Federal Credit Union (formerly of Federal Employees Credit Union) and Joe May, Data Processing Systems Manager, Federal Employees Credit Union.

The main goal of the People-to-People exchange was to evaluate how far Ufundi has come in their recovery since the bombing in August of last year. "We also were able to determine what recovery needs are still unmet," explained Joe May.

When the volunteers arrived in Kenya, the rebuilding efforts had already begun. "Ufundi's surviving employees are working diligently to recover the credit union's records. At Ufundi, record keeping is all done on paper. The bombing literally destroyed their entire record keeping system," Raymond Stroud noted. Credit union members are currently doing what they can to assist Ufundi SACCO by bringing in their personal records to verify accounts. The Kenyan government is also helping by verifying employed citizens' payroll account records. "The manual record keeping and their other operational practices are very interesting, and are much the way that credit unions in the United States must have begun," Stroud explained.

Through all of the madness, Ufundi SACCO was able to prepare school loan requests for parents in January, just as their members have always expected. Ufundi staff have also recreated policies and procedures for loans and account expenditures.

"I am impressed with the process they are going through to recover their operations. Although the recovery from the Oklahoma bombings and Nairobi are worlds apart – the com-



parison of the events, and the emotions experienced are still much the same. Ufundi staff members opened up to us once they realized the unique common bond we shared,” noted May.

“During the planning sessions with the credit union staff and board of directors, we discussed recovery needs that Ufundi had not been able to address. We also spoke at great length about the new technologies and computerization that Ufundi plans to implement. We discussed the potential impact these changes will have on their staffing, records and membership,” Stroud added.

In addition to helping with the recovery planning process, the volunteers also helped Ufundi look to the future. Identifying what they can do as a credit union to improve share balances and other ways to conduct credit union business.

May explained, “It has been a great privilege for Raymond and myself to meet and plan with the board of directors and employees of Ufundi SACCO. I look forward

to keeping in touch with Ufundi SACCO and monitoring their progress.”

From the planning meeting, May and Stroud put together the written results which included goals, objectives and continued action plans. “This is part of the road to physical recovery, planning for the future – looking beyond today,” noted Stroud. “We know that our credit unions are different in many ways, but we are also similar in our efforts to provide better services to members. We both assist members to help them achieve better

lives for themselves and their families,” continued Stroud.

“One Ufundi board member told me he had just left the credit union before the bombing. When the explosion occurred, he was thrown to the ground, in the middle of the street from the blast. After he was able to get up and look back at the massive destruction – where the credit union once stood – he wondered how they would ever put Ufundi back together again,” shared May.

Ufundi is putting itself back together again – through the generosity of dozens of countries, thousands of individuals and most importantly, through their own strong will and determination to go on. Stroud shared that in reading about Kenya for the People-to-People exchange, he learned the national motto is “haram-bee” – meaning pull together. That’s exactly what this exchange enabled these credit unions to do...pull together.



Ufundi board members, staff and the People-to-People volunteers at the planning session in Nairobi, Kenya.



The bombed out Ufundi SACCO office is only recognizable by its hanging signage.



# North Carolina & Suriname Form Partnership

In November, Mike Beall, development educator and executive vice president at North Carolina Credit Union Network along with Alice Bishop, CEO of Preferred Credit Union in Greensboro spent two weeks in South America's smallest country, Suriname. They experienced first-hand the credit union philosophy of "people helping people." The following are excerpts of Alice's account of their trip, which she entitled, "A Traveler's Tale."

## A Traveler's Tale

November 6, 1998 began a journey unlike anything we have ever experienced. World Council of Credit Unions, Inc. (WOCCU) asked us to become volunteers in their People-to-People Program in the country of Suriname, South America.

Our objectives were to address the following items as identified by the De Schakel and Godo Credit Unions: 1) board of directors responsibilities, 2) supervisory committee responsibilities, 3) suggestions on strengthening internal controls, 4) savings mobilization and marketing efforts. We were supposed to go there and teach them, but quite possibly, we gained more than they did.

At 6:00 a.m., November 7, we checked into our hotel rooms – after 24 hours of travel. Our first orientation to Suriname began on Saturday afternoon. After having lunch with the board of directors of De Schakel Credit Union, they took us to visit a village where we learned our first Suriname lesson: there are no strangers. We were amazed that André Misiekaba of the De Schakel Credit Union seemed to know everyone in the village. He and his board members could easily strike up conversations with everyone they encountered. Because most of their conversations were in Dutch, we didn't know what they had said. We learned later that our hosts knew very few people there. But in Suriname there are no strangers, including us.



There are no strangers in Suriname. Here, PTP volunteers and De Schakel credit union board members visit with the people of a nearby village.



### COUNTRY INDICATORS

National Capital: Paramaribo  
Government Type: Republic  
Area: Total 163,270 sq km  
Population: 427,980 (July 1998 est.)  
Inflation Rate: 8% (1997 est.)  
Exchange Rate: 401 Guilders/US\$1 (Jan. 1999)  
GNP: \$433 Million  
GNP per Capita: \$1,000

Source: IMF/CIA World Factbook 1998, World Bank

### CREDIT UNION INDICATORS

Credit Unions: 21  
Members: 30,000

Source: 1997 Statistical Report, WOCCU

We traveled to Span Makandra Credit Union, a small credit union that serves the rice industry, a leading crop in the western part of the country. We learned that although rice is a major crop in Suriname, the industry is very volatile. Because the credit union is tied completely to the company, a major drop in rice production results in great economic difficulties for both members and the credit union.

We spent Thursday and Friday of that week training volunteers, a group hungry for new information and ideas. We were able to explore different ways of keeping the credit union spirit alive. Credit unions sharing with credit unions happens worldwide; the larger credit unions were offering assistance to the smaller credit unions in various ways. Regardless of any preconceived notions, credit unions are basically alike wherever we may go!

On Friday night a reception was held at Godo to celebrate our visit and the signing of a protocol between the North Carolina Credit Union Network, Godo and De Schakel Credit Unions. The protocol is an agreement to fur-



ther work together for the betterment of the Suriname credit unions.

Our second weekend in Suriname was an adventure. Our hosts from Godo planned a weekend trip to the Brokopondo District. Eleven of us took this trip into the largely undeveloped interior of the country. We arrived in a beautiful mountainous section of the rain forest. We spent the night in the jungle, sleeping in a cabin devoid of any frills. We had limited water and electricity at night and none in the morning. Most of the people with us slept outside in hammocks.

Our next meeting was with Stanley Neslo, the general manager of the Suriname League. We learned that of approximately 30 credit unions in the country, about one-half were dormant, with 30 or fewer members. However, because Suriname does not have a regulatory system, they are allowed to continue in existence. We realized that this is an area in need of assistance.

Our final two days were spent wrapping up matters with the De Schakel



André Misiekaba looks at the computer program of the De Schakel Credit Union.

and Godo credit unions. We were able to identify some definite areas in which we would like to continue working with the credit unions in Suriname.

We truly felt that we had made new and permanent friends when we left. The people of Suriname are just like credit union people in North Carolina and the United States. Their main goal is to offer the best and most competitive financial products to serve their members.

## Challenges Faced by Credit Unions in Suriname

- Credit unions are not allowed to offer share draft accounts.
- Electricity is turned off during some part of each day in Paramaribo. The power company cannot produce enough electricity to meet demands, rotating power shut offs in different parts of the country each day.
- Banks are the only legal recipient for direct deposit and often times will not process member transfer requests to credit unions.
- Liquidity is a problem for the country because of high inflation rates. The only basic source of liquidity is from members – in a country where the value of the Surinamese guilder fell by 70% in the past year against the U.S. dollar. The inflation rate has grown so rapidly during 1998 that someone making the equivalent of \$400 a week a few months ago is only making the equivalent of about \$150 today. In addition, they do not have a corporate credit union system to help.

## Foundations – Cont'd

involved in a development partnership to strengthen the institutional capacity of the League and the Central Bank of the Solomon Islands, the credit union regulator. The Australian Agency for International



CUFA development educator and technical specialist volunteer, James Arvanitakis outside of the Solomon Islands National Teachers Association Credit Union, one of the largest in the country.

Development (AusAID) is funding the project which involves short-term technical assistance from 13 Australian volunteers, including development educators and two local Solomon Islands specialists. Peter Kaye, CUFA's South Pacific Coordinator is overseeing the project.

Over the course of the three-year project, CUFA estimates expenditures at A\$300,000. At its completion, the project will have resulted in:

- establishment of a Central Finance Facility with investment and credit services
- computerization of SICUL accounts and credit union auditing and monitoring
- establishment of a Credit Union Computer Bureau for software purchases and training
- monitoring and evaluation of credit unions
- SICUL Financial Management Systems
- development of credit union and member-owned micro-enterprises

**Fiji Credit Union League** – Selwyn Screen, CEO of Fletcher Challenge Employees Credit Union and Tim Bertram consulting staff of New Zealand Association of Credit Unions recently spent a week with the Fiji Credit Union League in Suva, Fiji Islands. They facilitated a successful marketing seminar for 12 directors and managers of Fiji credit unions. **Credit Union Foundation New Zealand**, the New Zealand Official Development Assistance Program (NZAID), and the Hanns Seidel Foundation of Germany jointly sponsored the seminar.

# Chinese Delegation Studies Credit Unions

World Council of Credit Unions, Inc. (WOCCU) was pleased to host a high-level delegation from the People's Bank of China (PBC) in March. The visiting delegation is studying WOCCU as the PBC plans for the future of credit unions and rural credit cooperatives in China.

Currently there are only a handful of credit unions in China, and about 44,000 Rural Credit Cooperatives (RCC) with 250,000 service outlets. Rural Credit Cooperatives are government financial institutions that are not currently member-owned.

The delegation is studying the international credit union system and the possibility of converting Rural Credit Cooperatives in their country to credit unions. "We view this as an important step for China and the credit union movement," noted Chris Baker, CEO, World Council of Credit Unions. Credit unions represent a democratically owned and operated financial institution. World Council hopes to continue its dialogue with the People's Bank of China to foster access to credit union financial services.

Beginning their trip to the United States in Washington, DC, the delegation studied

the National Credit Union Administration (NCUA) for the purpose of establishing a regulatory agency for the Rural Credit Cooperatives in China. Under their existing system, the PBC acts as the regulator, central finance institution and trade association for the RCCs. The group is looking at democratic economic alternatives to their current structure.

While in Madison, Wisconsin, headquarters of the World Council, the delegation also met with representatives from the Credit Union National Association (CUNA) and the CUNA Mutual Group.

CUNA Mutual Group is in the second year of having a representative office in Beijing, China – the first stage of creating a business in this country. To open a



Mr. Shi Ji-Liang, Deputy Governor of the People's Bank of China meets with Chris Baker, CEO of WOCCU.

business in China, a non-Chinese company must have a representative office in the country for two to two and a half years, after which it is able to apply for a license to conduct business. The license is issued for a specific city or for provincial use. CUNA Mutual continues to develop its relationship with the People's Bank of China and the government. They hope to provide services in China in the near future.



The PBC delegation was able to take a break from their meetings schedule to take a tour of the Wisconsin State Capitol building and the University of Wisconsin Credit Union.



From left to right: Mr. Wang Zhang-Feng, Ms. Zhu Xiu-Jie, Mr. David Kuo (CUNA Mutual Group), Mr. Wang Qi, Ms. Zhang Li-Xing, Mr. Zhang Gong Ping, Mr. Chris Baker (WOCCU), Mr. Shi Ji-Liang, Ms. Lucy Ito (WOCCU), Ms. Kecia Doyle (WOCCU), Mr. Liu Shi, Mr. Ge Huayong and Ms. Catherine Yao (NCUA). Not pictured: Ms. Cherie Umbel (NCUA).



# IRnet – Providing Money Transfers for Members

For credit union members like Maritza Salazar, who depend on money transfer services to send money to her family – there is a new alternative, called **IRnet**. World Council of Credit Unions, Inc. (WOCCU) developed **IRnet**, the International Remittance Network to meet the needs of an under-served member segment.

**IRnet** is a money transfer service developed for credit unions by WOCCU and its members to provide a safe, rapid and economical way for credit union members to send money internationally. WOCCUs developed its new service in conjunction with California Credit Union League, Texas Credit Union League, FENACOAC, FEDECACES, Caja Popular Mexicana, WesCorp and Southwest Corporate.

Maritza Salazar, a member of the Episcopal Community Federal Credit Union in Los Angeles, California was the first person to use **IRnet** in the pilot study. Ms. Salazar wired the money to her mother in El Salvador and the transaction was confirmed within minutes. Salazar called her mother to tell her where she could pick up the funds.

Within approximately 48 hours of sending the transaction, the funds will arrive at a credit union nearest to the members' family, friend or associate.

"I am very excited about the new **IRnet** service that my credit union is offering," exclaimed Salazar. "I regularly send money back to my mother in El Salvador through other money wire



(Left to right) Rev. John Bruno, Maritza Salazar and Dave Grace look at a photograph of Maritza and her family in El Salvador.

services. Now that my credit union offers **IRnet**, I can be sure that the money will get to my mother safely, and she will get a good rate of exchange at the credit union," continued Salazar. Maritza's mother, Hermelinda de Penenda was so excited about being able to receive the transmittal at a credit union nearby her home, she decided to join the credit union the same day.

Dave Grace, WOCCU **IRnet** Program Manager explained, "We recognized the serious need for this type of service when the initial analysis began over two years ago, and the need has only continued to grow. To assist credit unions with the development of financial services which meet members' needs, WOCCU developed **IRnet**."

The credit union areas that are included in the first stage of the **IRnet** pilot program are California, Texas, El Salvador, Guatemala and Mexico.



While the pilot stage includes four countries, the framework of **IRnet** is such that it can be applied worldwide and bi-laterally.

The Guatemalan and Salvadoran central banks estimate that \$1.5 billion in family remittances are transferred annually to El Salvador and Guatemala from the United States. Annual remittances to Mexico are approximately \$6 billion. The potential impact of these transfers are weakened dramatically as a result of exorbitant fees of some money transfer services, ranging from 5% to 29% of the transfer. "With **IRnet**, credit union members pay one low cost. The recipients are not charged fees for the receipt of the money and most importantly they receive a fair exchange rate," added Grace.

"The cooperation from the Guatemalan, Salvadoran and Mexican governments and credit union leaders has been overwhelming," continued Grace. **IRnet** is a program that is not only beneficial to credit union members who send money back to their countries of origin, but also to the communities that the money comes into. Immigrants provide a constant flow of dollars back into their home countries and have enabled the recipients to improve their standard of living, start small businesses, further their education and save for the future. For example, Mariano Cisneros, a member of Heritage Community Credit Union in Sacramento, transferred money to his sister on April 5 through a Caja Popular branch in Michoacan, Mexico so that she could receive medical care.

"**IRnet** represents the type of innovative financial services that credit unions need to remain responsive to our members' needs and competitive in the 21st Century," noted Chris Baker, Chief Executive Officer, WOCCU.



(Left to right) Antonio Larios Ponce, Mexican Consulate Representative in L.A.; Chris Baker, CEO, World Council of Credit Unions; Javier Huete, Board President, Comunidades Federal Credit Union; Uriel Gomez Price, CEO, Episcopal Community Federal Credit Union; Dave Chatfield, CEO, California Credit Union League, CCUL; Richard Ghysels, CCUL, Chairman of the Board; and Rev. John Bruno, Chairman of the Board, Episcopal Community Federal Credit Union.

# WOCCU Members Prepare For Y2K

The pressing issue that people in all fields of business are talking about is Y2K, Year 2000 computer compliance. The credit union movement, like other organizations could be severely affected if actions are not taken to avoid potential problems. As credit unions worldwide prepare for the problem, the probable impact on and the readiness of movements varies widely. World Council of Credit Unions, Inc. (WOCCU) gathered a sampling of information from member countries via telephone conversations in March 1999.



## *The Americas*

**CANADA** – In Canada the majority of large credit unions and national systems have completed the remediation of their computer mission critical applications. Credit Union Central of Canada (CUCC) is sending a “Year 2000 Preparation Tool Kit” to all credit unions in March. CUCC anticipates that this tool kit will mostly benefit smaller credit unions that have not yet received as much guidance on the problem. ATMs in the country are also under evaluation for compliance. Canada’s national regulator has asked for systems to be compliant by mid-year 1999.

There is a high degree of coordination within the financial community in Canada. Participants are striving for consistent communication and messages on the issue. Credit unions and bankers are working to prepare for potentially large liquidity demands and contingency plans.

**UNITED STATES** – According to figures from the National Credit Union Administration (NCUA), the United States credit union regulatory agency, at the end of the fourth quarter in 1998, 96.5% of all federally insured credit unions were progressing satisfactorily towards Y2K compliance.

Credit Union National Association (CUNA) has been working with the Treasury Department, NCUA, and the

Federal Reserve Board to ensure credit unions have an emergency liquidity source, should they require one, particularly in light of the June 30 deadline NCUA has set for liquidity plans to be in place. “We continue to believe that NCUA’s Central Liquidity Fund is the best mechanism for providing such liquidity and continue to advocate that position,” said Mary Dunn, CUNA’s vice president and associate general counsel for regulatory advocacy.

**MEXICO** – In Mexico, the largest credit union movement, Caja Popular Mexicana is receiving information on Y2K and working on the issue. However, there are also many other types of financial cooperatives not regulated by the CBNV, the Mexican Credit Union regulatory agency. These co-ops are receiving limited information.

**LATIN AMERICA** – In December 1998, the Banking Superintendents of Latin America participated in a Y2K conference in Chile. At the time, Supervisors in the larger, more advanced Latin American countries, (Mexico, Chile, Argentina, Brazil) appeared to be progressing much better than those in less developed nations of Latin America.

**CARIBBEAN** – The Caribbean Confederation of Credit Unions discussed Y2K at its annual meeting in July, followed by a more detailed Y2K training class in November. All computerized credit unions are aware of the problem and should be compliant early in the 4th quarter 1999. Many credit unions are choosing to replace rather than remediate their systems. A potential shortage of liquidity has not yet surfaced as a problem. In general, businesses have not developed contingency plans for Y2K-related problems, however, many of the governments will conduct public awareness campaigns in 1999.

## *Europe*

**IRELAND** – All credit unions have performed Y2K assessments. The Irish League of Credit Unions will install a new centralized Y2K compliant accounting system in mid-to-late 1999 for credit unions. Those credit unions operating on a non-compliant system will be the first ones migrated to the new system. In Ireland concerns about liquidity have not yet surfaced. They have developed a “work around” for processing Euro payments and will convert their systems to the Euro on January 1, 2000.



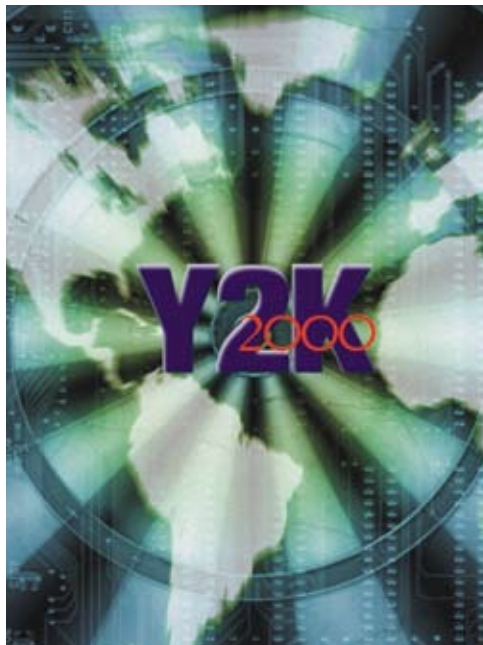
**BRITAIN** – Most of the smaller credit unions are not and may not become Y2K compliant in time. However, these credit unions also have manual back up available. The large credit unions are operating on compliant systems. Many small credit unions do not allow cash transactions and therefore, liquidity problems have not surfaced.

### *South Pacific*

**AUSTRALIA** – With minor exceptions, Credit Union Services Corporation (Australia) Ltd. (CUSCAL) has tested all of its critical systems. CUSCAL is participating in a cross-industry Y2K working group with the banking industry and financial regulator, which feeds information to the Joint Year 2000 Council at the Bank for International Settlements. The Australian Industry Group is in the process of performing end-to-end testing. The complexities of preparing for and executing these tests is proving to be resource intensive. Fifteen seminars on contingency planning attracted over 200 attendees. Each credit union is completing its own contingency plan to provide to the regulator by March 31. CUSCAL will complete its contingency plan by March 24. Using the information provided by WOCCU, CUSCAL is helping credit unions to estimate their anticipated liquidity demands. Working with cash suppliers to ensure sufficient delivery to credit unions and ATMs, CUSCAL has sufficient liquidity to handle the future demands. CUSCAL is preparing various communication pieces for credit unions to send to their members and has sent several national bulletins to credit unions.

**NEW ZEALAND** – New Zealand Association of Credit Unions (NZACU) has installed the new centralized share/loan system, which is Year 2000 compliant. NZACU still is in the process of checking on the status of key suppliers. Working with some small credit unions that will not be Year 2000 compliant, NZACU is developing strategies to address

the problem. Credit unions are sharing their contingency plans with each other. The greatest concern at this point is meeting the potential demands for Y2K cash withdrawals. The Reserve Bank will have an additional 75% of liquidity available and the NZACU will be in a strong cash position. The Internal Revenue Service has announced that it will not be Y2K compliant and plans to turn the dates on its systems back to 1980. This may cause problems for consumers and financial institutions as early as February and March 2000.



### *Developing Countries*

In developing countries, the situation is varied. Credit union operations are not automated and small in size. Interactions with payment and settlement systems are often manual. However in general, there has been less disclosure of information on the problem in developing countries. Those economies that have weak financial sectors may be more susceptible to Y2K-related problems.

### **World Council's Y2K Services for Members**

Continuing its Y2K awareness efforts, WOCCU conducts informational

presentations, assessments and mailing updates. Recently WOCCU distributed contingency and liquidity planning information to all direct members and national affiliates. In addition, WOCCU has developed worksheets to assist small financial institutions in estimating their liquidity needs and understanding the implications of the demand. These materials are posted on WOCCU's web site at [www.woccu.org](http://www.woccu.org).

WOCCU continues to represent the international credit union movement on the Y2K problem at the Bank for International Settlements (BIS). WOCCU has urged the BIS Joint Year 2000 Council to encourage supervisors in developing countries to address the problem and provide information at the financial industry level, not just to those organizations they regulate. "Through the BIS, we have encouraged the World Bank to take more of a leadership role in raising awareness in developing countries," said Dave Grace, WOCCU Y2K representative.

To keep movements updated, WOCCU developed an informal e-mail network of Y2K project managers from national movements to share and exchange information.

To find out more on the status of a country's infrastructure readiness for Y2K, go to [www.gartner.com/public/static/Y2K/Y2K](http://www.gartner.com/public/static/Y2K/Y2K). For additional information on the problem, contact WOCCU at (608) 231-8494 or [dgrace@woccu.org](mailto:dgrace@woccu.org).

### **Y2K Resource Websites Direct Links Available from WOCCU's Website at [www.woccu.org](http://www.woccu.org)**

Year 2000 • Bank for International Settlements Y2K Council • Credit Union Year 2000 • CUNA Mutual's Year 2000 Page • National Credit Union Administration Y2K Site • PC Bios Testing • U.S. Regulatory Information • World Bank Y2K Toolkit • Year 2000.com • Ymark 2000 Utility (free PC testing)



*Ms. Lydia Benedicto, manager of NICO – Crispina's credit union – poses with Crispina outside of her home.*

lunch at the eatery sells for 120 pesos (US\$3).

Today, Crispina uses all the services of her cooperative. She has regular passbook savings accounts, share capital and available credit. Her current loan size has grown to 95,000 pesos (US\$2,375) over the past seven years. She makes her loan payments daily, having no difficulty paying 1,000 pesos (US\$25). On average Crispina accesses credit from the cooperative five times per year and has paid every loan as agreed. The maximum loan term she has required is six months.

Crispina uses personal and micro-finance loans. "I can get loans when I need them and the service is very good. My cooperative cares about my family and me. I've never used a bank, only the cooperative. It seems the banks have too many requirements

and don't want the small borrowers. There's no reason to go elsewhere, everything I need is here at NICO. I have never been sorry that I joined the cooperative," explained Crispina.

Crispina's cooperative, NICO has 10,600 members with assets of 96 million pesos, according to figures from 1998. NICO is currently involved with a World Council of Credit Unions, Inc. (WOCCU) and Freedom From Hunger program called CUES (Credit Union Empowerment and Strengthening) Philippines. The program has two major components: Model Credit Union building and Savings and Credit with Education. The program has enabled nearly 600 women to receive access to micro-financial services and education about savings and credit.

Lois Kitsch, WOCCU Philippines Project Director added, "Since the program has started, NICO has been a leader in implementing financial disciplines. As of December 31, 1998 NICO has:

- balanced their general ledger to all subsidiary ledgers
- completed their own PEARLS<sup>TM</sup> Ratios (**P**rotection, **E**ffective Financial Structure, **A**set Quality, **R**ates of Return and Costs, **L**iquidity, and **S**igns of Growth) and used the information to analyze progress
- aged their delinquency based on amortization of entire loan balance
- charged off loans over 12 months past due
- established a liquidity reserve account to ensure enough liquidity to meet savings withdrawal demands
- developed a policy to control non-earning assets
- compiled monthly cash flow statements
- recognized loan interest income when it is received and are accruing dividends

"I attribute the success of this program to a skillful and dedicated management team and to NICO's board of directors who have embraced change and the strict, prudential standards and financial disciplines promoted by CUES Philippines. NICO is a leader in the cooperative movement in the Philippines and in convincing other cooperatives of the importance of the change," explained Kitsch.



*Crispina's credit union, Nabunturan Integrated Cooperative (NICO)*



The Honorable James Leach, US Congressional Representative for Iowa and The Honorable Marcy Kaptur, US Congressional Representative for Ohio receive a distinguished honor award from World Council of Credit Unions, Inc. for providing strong support of the legislation that secured USAID funding to develop credit unions in Poland. WOCCU board members, Gary Plank, director and Dennis Cutter, vice president present the awards to Kaptur and Leach, respectively.



Gary Plank, WOCCU director (L) presents a distinguished honor award to Marcy Kaptur (R) from Ohio. Photo provided by: Ohio Credit Union League



Dennis Cutter, WOCCU vice president (L) presents a distinguished honor award to Rep. Jim Leach (R), Republican from Iowa. Photo provided by: CUNA & Robert Knudsen



World Council of Credit Unions, Inc. (WOCCU) – the apex trade association and development organization of the international credit union system – is recruiting a dynamic visionary for the position of Chief Executive Officer.

Leading a global trade association, the CEO has representational responsibilities to WOCCU's members throughout the worldwide credit union movement, fostering information exchange and cooperation among cooperatives. In addition, as the key public relations figure, the CEO builds relationships with donor and government organizations to secure resources for credit union development activities.

A recognized undergraduate degree is required. A post-graduate qualification is also desirable. Related equivalent experience and training will be considered.

Send resume and requests for further information to WOCCU CEO Search, c/o Spokane Railway Credit Union, PO Box 6011, Spokane, WA 99217-6011 USA. Or send e-mail to [dcutter@srcu.com](mailto:dcutter@srcu.com)

We hope you enjoyed the first edition of *Credit Union World!* This publication is a benefit of your membership in or affiliation with World Council of Credit Unions, Inc. If you would like to continue receiving this publication, please complete the information below and return it to World Council.

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