



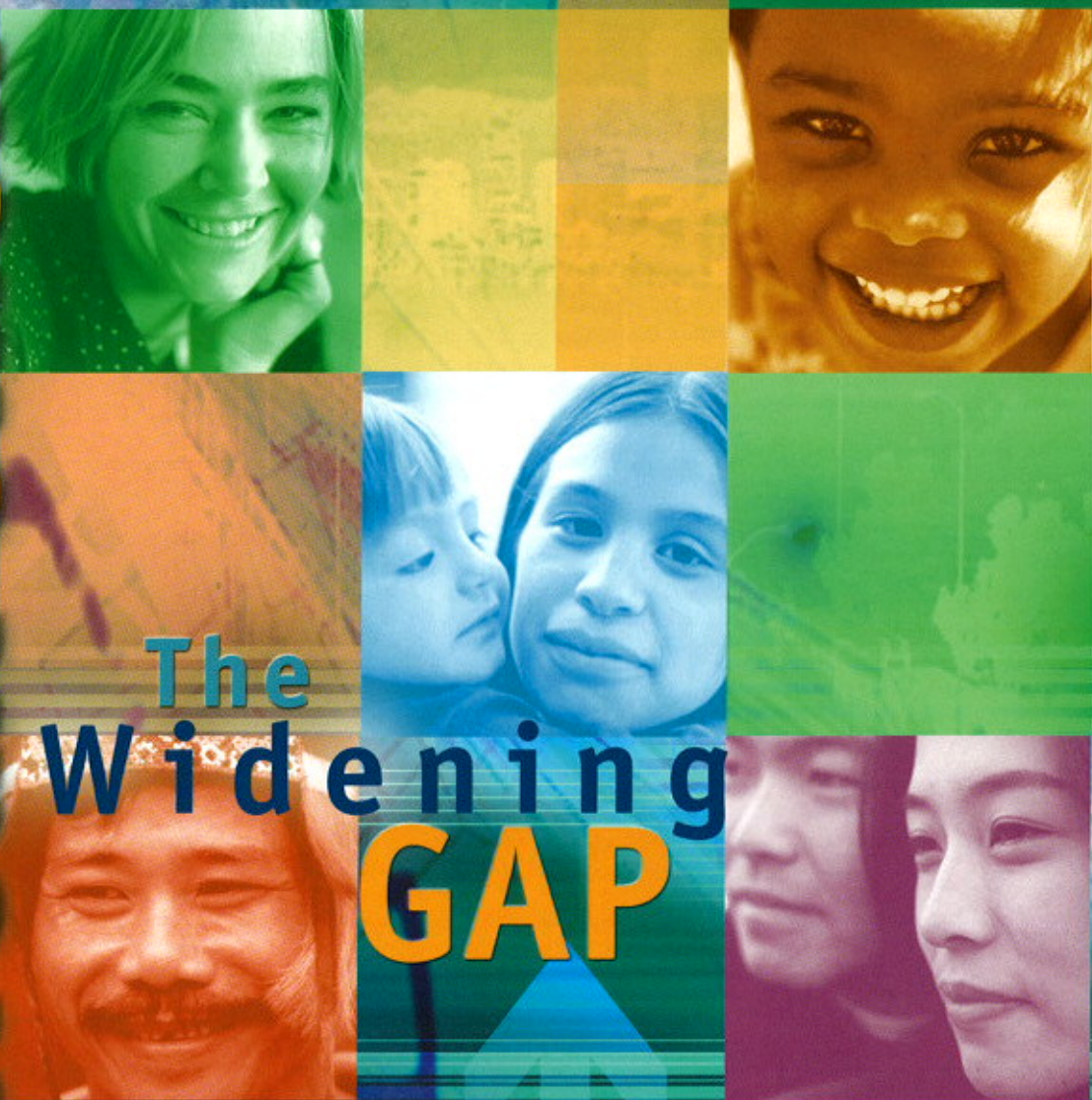
World Council of Credit Unions, Inc.

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WORLD

*The Source for International
Credit Union Information*

Credit Union



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WORLD**

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"Sound & Safe" Message Dominates WOCCU Agenda

Credit unions around the world are growing in size and numbers, not only in asset size, but more importantly, in the number of credit union members they are reaching out to by providing access to affordable financial services. In fact, the worldwide total of credit union members today exceeds 100 million people. And while that's a very impressive number, there's still more work to be done.

For many of those members, their credit unions are operating without credit union-specific legislation or regulation that mandates adherence to prudent financial disciplines. Without these, it ultimately compromises the safety and soundness, as well as long-term sustainability of credit unions.

Needless to say, this is an important issue for World Council of Credit Unions, Inc. In fact, it's so important that we are undertaking initiatives in each of our advocacy, platform and development missions to foster credit union safety and soundness.

In the area of advocacy, we are taking our message of sound and safe credit unions to government officials, regulatory agencies, credit unions, members and the public. That sound and safe message says:

"There cannot be economic or social progress in a country without a sound financial system; there cannot be a sound and safe financial system without a sound and safe credit union sector; and ultimately, there cannot be a sound and safe credit union sector without enabling legislation and regulation."

We're also meeting with the Bank for International Settlements in Basel, Switzerland to discuss this issue as it relates to capital adequacy requirements for credit unions.

In the platform mission, we hosted—along with the Irish Credit Union League—on June 1-4 our annual general meeting and International Conference, of which the theme and educational sessions focused on regulation and technology.

"There cannot be a sound and safe credit union sector without enabling legislation and regulation."

In the area of development, we continue to implement our model credit union methodology based on WOCCU's internationally accepted and recognized financial disciplines, called PEARLS (see related article on page 12). One such example is our Guatemalan Ratings Agency that received national recognition for contributing to the public confidence in credit unions at a time when banks are failing in Guatemala. In fact, the day that the WOCCU Board's Executive Committee was on-hand to attend the ratings agency press conference, three more Guatemalan banks failed.

Arthur Arnold
President & CEO



Dennis Cutter
Board Chairman



Along with Guatemalan credit unions and Federación de Asociaciones Cooperativas de Ahorro y Crédito (FENACOAC), World Council gained positive national media attention when we unveiled the Agencia Calificadora de Instituciones WOCCU, the ratings agency for Guatemalan credit unions. The ratings agency will strengthen credit unions and boost the national credit union movement by providing independent, external reviews of credit unions and building public confidence in participating cooperatives (credit unions) as safe, deposit-taking financial institutions.

The US\$5.4 million ratings agency project is funded equally by the World Bank's Consultative Group to Assist the Poorest, FENACOAC and its 28 member credit unions, which have 81 branches and serve 360,000 members with total assets of US\$160 million.

The success of the ratings agency is another example of how WOCCU has helped credit unions in Guatemala meet the "Sound & Safe" standards that form the basis of a sustainable credit union. Now more than ever, the Guatemalan people in need of reliable financial services have a reason to turn to credit unions as their savings and lending institutions of choice.



Representatives from World Council, FENACOAC and the WOCCU Credit Union Ratings Agency address the Guatemalan press.

Closing the Widening Gap

Making a difference in the lives of members is nothing new to credit unions. However, the services and tools credit union movements are utilizing have expanded beyond the reach of generic services to continue meeting the changing needs of members and the communities they live in, while also reaching out to the underserved.

With new products, services, education and outreach programs, credit unions are doing their part to close the widening gap between "the have mores" and "the have less" of our world. Of the world's 6 billion people, an astonishing five billion people have less, including less access to financial services that enable them to grow and climb the ladder of financial success. In Mexico, an estimated 60% of residents lack access to affordable credit; in South Africa that figure is higher at 80%. World Council sees access to affordable financial services as the key to enabling millions of people to grow.

The United Nations estimates there are 1.2 billion residents of developed countries and 4.9 billion residents in developing countries, including 160 million in our least developed nations. Credit unions have a tremendous opportunity to provide financial services to millions more people, both locally and globally—making the "human difference."

Encouraging Thrift

For some countries, the flood of access to credit isn't always a blessing. It can turn into a nightmare if mismanaged. In an era of excess for some developed countries, credit is easily available and the mind-set of living outside of a person's means is common. Keeping up with the neighbors

doesn't come without a price. Usually that price equates to high interest on an unmanageable debt.

Helping members see the light at the end of the tunnel, an Irish credit union founded the *Money Advice and Budgeting Service* (MABS). Six years after its inception, the program was taken over by Ireland's Department of Social, Community and Family Affairs Welfare and the service was extended to five other pilot locations. Today, there are 51 MABS offices spread throughout Ireland, providing free budgeting and advocacy services for people who find themselves in unmanageable debt.

A strong MABS emphasis is placed on practical, budget-based measures that will have success in removing people permanently from dependence on moneylenders and open up an alternative source of low cost credit through local credit unions.

People from different income brackets and backgrounds utilize the MABS service. "MABS has been attributed in getting many out of the money trap. We are proud that the league was very involved in the inception of MABS, but this is a grassroots project with credit unions doing much of the work on the ground," explained Tony Smyth, general secretary of the Irish League of Credit Unions.

In the United States, the National Credit Union Foundation (NCUF) recently launched a pilot program campaign called "Plan it. Save 4 it." as part of a Ford Foundation sponsored grant. The project promotes bundled savings products, targeting low-to-moderate income households. The two-year pilot savings campaign,

“

If we could shrink the earth's population to a village of precisely 100 people, with all human ratios remaining the same, it would look something like the following. There would be:

- 57 Asians
- 21 Europeans
- 14 from the Western Hemisphere, both north and south
- 8 Africans
- 52 would be female
- 48 would be male
- 70 would be nonwhite
- 30 would be white
- 6 people would possess 59% of the entire world's wealth and all 6 would be from the United States
- 80 would live in substandard housing
- 70 would be unable to read
- 50 would suffer from malnutrition
- 1 would be near death
- 1 would be near birth
- 1 would have a college education
- 1 would own a computer

When one considers our world from such a compressed perspective, the need for both acceptance, understanding and education becomes glaringly apparent.

Phillip M. Harter, MD, FACEP
Stanford University

”

The W i d e n i

Continued from Page 3

involving 3,000 randomly selected credit unions, is designed to help them enhance existing savings programs and services.

Pat Brownell, director of the National Credit Union Foundation explained, "Savings is the first priority in an effort to help members accumulate assets and change their financial situation."

In 1998, the U.S. savings rate declined to near zero. Over the past five years, consumers saved only 4.2% of their income. This lack of savings has left a majority of Americans unprepared for daily emergencies and future needs. When their limited savings can't meet their needs, many turn to payday lenders, check cashing outlets, title loan shops, pawnshops or add more credit cards to their wallet. The "Plan it. Save 4 it." campaign is designed to encourage members to use savings products.

The **Plan it**, a portion of the campaign theme encourages members to choose a savings goal and plan how they will reach it. Goals include things like: buying a home or car, paying for college education and planning for retirement. The **Save 4 it** portion of the theme serves to remind members to save every day toward their goal. Members are also encouraged to pay off their highest interest bearing debt. Brownell continued, "Our mission is to promote consumer financial independence through credit unions."

Credit Unions and Their Communities

Credit unions in many countries are making the difference locally

through programs encouraging social and community responsibility. To honor the work of Canadian credit unions, Credit Union Central of Canada (CUCC) gives an annual award for commitment to community economic development. Parameters for the award include: demonstrable benefit, community partnerships, level of involvement and the credit union leadership role in the project. Some of the previous credit union recipients include: St. Joseph's Credit Union (Isle Madame), Vancouver Savings Credit Union and this year's honoree, Assiniboine Credit Union (Winnipeg).

In 1994, Isle Madame, Nova Scotia was facing the collapse of its fishery, the loss of 500 jobs in a workforce of 1,500 and a potential social and economic breakdown of catastrophic proportions. Now, just four short years later, the Island is experiencing a dramatic turnaround, which can be greatly attributed to a series of bold initiatives by St. Joseph's Credit Union.

In partnership with the local community development group, St. Joseph's Credit Union launched Nova Scotia's first successful Community Investment Cooperative (CIC) and raised CAD\$150,000 (US\$97,083) in equity investment for the local aquaculture industry. Inspired by their initial success, St. Joseph's organized two other CICs and raised funds to regenerate a local building supply company and support the development of a community-owned shrimp fishery. Their commitment to the community didn't stop there; St. Joseph's Credit Union members

unanimously passed a resolution to allocate 10% of net earnings to a community development fund, thereby directly stimulating the fiscal health of Isle Madame.

This year's CUCC Community Economic Development award recipient, Assiniboine Credit Union in Winnipeg, Manitoba is demonstrating the credit union's commitment to and success in playing a leading role in a creative self-help strategy to address the social and economic needs of less advantaged community members.

Ten years ago, Assiniboine's board renewed their commitment to social responsibility by forming a Community Loan Center (CLC); a focal point of this CLC is a micro loan fund, which provides loans up to CAD\$20,000 (US\$12,944) to businesses with limited collateral. The outcome of that program is that the credit union has made 130 loans totaling CAD\$1.15 (US\$744,303) million to 75 small businesses that would have otherwise been unable to receive credit. Since 1999, the microcredit loans have more than tripled

ning GAP



through a product that is an alternative to conventional lending.

Serving the Unserved

In many countries, banks are pulling out of cities, neighborhoods and areas they feel are unprofitable, in some cases leaving the communities with no access to financial services. Such is the case in Australia, Fiji, New Zealand, Canada and elsewhere with banks disappearing from the rural areas. Credit unions are reaching out to those communities, forming new credit union branches and/or buying the banks' former branches.

Credit Union Services Corporation of Australia (CUSCAL) has an ongoing commitment to assist credit unions in providing services to regional, rural and indigenous communities. In 1995, CUSCAL implemented CreditCare. Working with many credit unions and regional communities around the country, CreditCare assisted 50 communities in gaining access to credit union facilities. Although the CreditCare program ended successfully in June 2000, CUSCAL continues providing support to rural credit unions.

Similarly, credit unions in many Canadian provinces have worked with their rural communities to purchase bank branches and turn them into credit unions, ensuring that these communities still have access to financial services. The trend for the last couple of years is to purchase outgoing banks. Just in 2000, 26 different credit unions, working with their respective provincial centrals, purchased 64 total bank branches in Alberta, British Columbia, Manitoba, New Brunswick and Saskatchewan.

Services Revolve Around Members' Unique Needs

For credit unions in many developing countries and emerging economies, the ability to offer basic savings and credit services is a tremendous accomplishment, in and of itself. Yet, often times, the extenuating circumstances faced by their members results in the creation of unique products and services.

In South Africa, loan protection and burial insurance are two of the most powerful and beneficial SACCO (credit union) member services. With over 4 million South African citizens infected with HIV/AIDS the product offers comfort to family members. SACCOs receive a small percentage of the product revenue, selling it for US\$2.00 per month, which is 50% less than usual market premiums—making it affordable for SACCO members, who are living below poverty levels. Currently 10% of SACCO members are taking advantage of funeral insurance.

David de Jong, manager of the Savings and Credit Co-operative League of South Africa (SACCOL) explained, "The product is so popular that groups are forming credit unions so they can obtain access to funeral insurance. This has been a powerful marketing tool and benefit of membership. At the same time it helps us reach out to people with no access to affordable financial services."

Once a SACCO begins generating income, as an incentive to save, the SACCO offers its members loan insurance. A SACCO typically pays for this insurance through its operating surplus. The loan protection insurance pays off a loan, should the member die, leaving the family free from the burden of a loved one's debt. SACCOL currently coordinates this product on behalf of its members, procured from Zimisele Insurance Brokers at very reasonable rates of 1.30 rand per 1,000 rand (US\$0.16 per US\$125) of the total loan balance insured. (For more information on the South African credit union movement, see related article on page 10.)

In Poland's emerging economy, SKOK (credit unions) recognize their particular socio-economic mission and undertake a variety of initiatives to assist low-income members, as well as non-members.

Citing transaction costs, Polish banks do not normally offer small loans, which are typically needed by low-and medium-income people. Reaching out

Continued on Page 19

Central & Corporate Credit Unions: Keeping Pace in the Global Marketplace



By Gigi Hyland
Executive Director
Association of
Corporate Credit Unions

You've heard it before: "Credit unions are member-owned and member-driven." It's the mantra credit unions hum to reinforce our uniqueness in a world filled with alternatives. It's the pivotal difference that distinguishes credit unions from other financial service providers. Proving the tangible value behind the words, however, is tough business. Tough for natural person credit unions and tough for central and corporate credit unions.

Early on, credit unions placed utmost importance on making loans to their members. As credit union movements around the globe have grown, the urgency for central credit unions—or credit unions for credit unions—became apparent. Central and corporate credit unions were born of that need. Over the years, credit unions have demanded financial services—from their cooperatively owned central and corporate credit unions—that kept pace with emerging technology, flexible service capabilities and income opportunities available in the marketplace. Central and corporate credit unions have responded by developing services and financial products to help credit unions assist their members. This has enabled credit unions to remain competitive and continue to flourish.

But, we live in a "What have you done for me lately?" world. Resting on past accomplishments assures extinction in the ever-changing business ecosystem. Central and corporate credit unions are meeting the tough challenges of technology, regulation and competition through more diver-

sified business activities and sophisticated products and service capabilities regardless of their time in existence and level of development.

Jamaica

"It's tough to rest on past accomplishments when your business is less than three years old," said Grace Solas, manager of the Jamaican Cooperative Credit Union League's Central Finance Facility (CFF). Since day one, the CFF has had to operate in a competitive and somewhat unstable financial market. Although the CFF is part of the league, it is in no way immune to the broader investment market in Jamaica.

With over 100 financial institutions on an island of 2.5 million people, there is an abundance of options for credit union investments and liquidity services. The CFF currently is holding its own in the market, managing 40% of the liquidity of the country's 59 credit unions. The CFF offers loans, savings accounts, fixed term deposits, liquidity management, mutual funds, securities purchases and payment services. However, this volume of investments is not yet sufficient for the CFF to qualify as a primary dealer in the securities market and therefore, it must work through a primary dealer intermediary.

Aside from this additional intermediary reducing margins for the CFF, the securities market is still paper-based adding the risks of security and fraud to moving physical securities. As a relatively new entity, the CFF is still working to establish its rules and position among the credit unions and implement an accounting and settlement system to interlink the credit unions. "Luckily we haven't had to go this alone. The visits with U.S. Central Credit Union and discussions with other CFFs have definitely helped us grow," noted Solas.


Guatemala

For 10 years, the national federation of Guatemalan credit unions has operated a Central Finance Facility as part of its association services. The CFF serves 28 credit unions. It offers money market accounts, reserve accounts, fixed deposits, loans to credit unions, operation of a settlement switch—among the 28 credit unions and their 75 branches for complete shared branching on a national level—and payment of international money transfers. This national shared branching capability gives the Guatemalan credit unions the largest network and geographical distribution of offices of any financial institution in the country.

"Last July, the government imposed a new 10% tax on the gross income of financial products," explained Oscar de Leon, financial manager of the CFF. This has radically altered the environment reducing the real margins by 25 to 50 basis points from 1.5 to 2%. Now more than ever squeezing efficiency out of our processes and investments is key." One of the CFF's strategies to improve efficiency is implementation of a common operating platform among the credit unions. (For more information on the Guatemalan movement, see related article on page 2.)

United States

In the U.S., corporate credit unions were founded over 25 years ago expressly to provide low-cost financial services and competitive investment and lending rates to their mem-



bers. Today, over 99% of the nation's 10,800 credit unions use their corporate credit union for one or more services.

"The building of this country's corporates has been the biggest success story in the credit union movement. They were formed by state leagues and built by credit union leaders to only serve the financial needs of credit unions," stated Dick Johnson, president and CEO of WesCorp, the nation's largest corporate credit union with assets exceeding US\$15 billion and headquartered in San Dimas, California. "Within the corporate system, we can serve every credit union from the largest to the smallest with quality products unavailable anywhere else."

Consider this. Last year, U.S. corporates processed over one billion items on behalf of their member credit unions. They transferred over US\$600 billion in funds through electronic payments services, such as wires and automated clearinghouse transactions. They facilitated over US\$17.1 billion in cash for their members and they offered over US\$13.7 billion in approved credit lines to members. But, like their members, U.S. corporates face regulatory and marketplace challenges.

Financial institutions' regulatory capital requirements seem to be perpetually under consideration by federal regulators. As part of its review of Part 704, the regulation governing corporate credit unions, the National Credit Union Administration (NCUA) is considering changes that would alter how

state and federally chartered corporate credit unions are capitalized.

Responding to NCUA, corporates proposed capital standards and ratios that address the interrelated issues of credit concentration limits, interest rate risk and credit risk measurements. The proposed standards correlate to other financial institution regulators' definitions and measurements while taking into account corporates' significantly lower risk profile.

Mark Schroeder, president and CEO of Wisconsin Corporate Central Credit Union and chairman of the Association of Corporate Credit Unions, noted that the definition of capital under the regulation is one of the prime challenges facing corporates. "Over the years, corporates have consistently and effectively increased their capital position. As of October 2000, corporates' regulatory capital (excluding U.S. Central) totaled 9.77%. Corporates propose to maintain the current regulatory capital ratio minimum of 4% while according full value to all existing capital instruments. Specifically, corporates urge NCUA to give 100% credit for three-year Membership Capital Accounts and all forms of paid-in capital and to utilize this uniform definition of capital in all other key ratio calculations. Corporates also recommend adding a minimum risk-based capital ratio of 8% in order to effectively compare corporates' credit risk to commercial banks," Schroeder explained.

In addition to regulatory issues, consolidation and competition pose interesting challenges to U.S. corporates. While corporates agree that competition is a good thing, mergers and overlapping fields of membership have resulted in an emerging polarization between large versus small corporates. This metamorphosis within the system has resulted in strategic alliances between corporates of differing asset size and cooperation on issues like Internet banking and electronic bill payment.

"The corporate network's strength comes from our combined efforts to serve credit unions," said Dan Kampen, president and CEO of U.S. Central Credit Union, the nation's only wholesale corporate credit union, which serves as a 'mini' Federal Reserve, providing products and services to corporate credit unions. 'Corporates' combined input provides the critical direction that leads to new initiatives. It is our collective strength that creates the foundation for developing products and services that meet the needs of today's credit unions and their consumer members."

What's Ahead for Corporate CUs?

While these are just a sampling of the world's corporate credit unions, other well-developed systems exist in Australia, Canada, Korea, parts of Latin America, Poland and Thailand, to name just a few. Although each of these national systems is at a different level of development, they were born out of similar needs among credit unions and to some extent hold similar futures.

So when is a movement ready for a corporate credit union? In the evolutionary process, the need for Central Finance Facilities typically arises after a group of credit unions is: able to effectively mobilize savings; have sufficient liquidity requiring professional investment and cash management services; and have begun offering products where centralized payment and settlement services are needed.

In the future, as globalization intensifies, we will likely see greater standardization in capital requirements for corporates, tighter margins on investment management, greater volumes of international transfers and continued reliance on technology to drive the payments system. While making forecasts is never easy, it's safe to say that credit unions will require their corporates to keep pace and that it will continue to be a tough business.

Advocacy in Action: U.S. "Hikes the Hill" for WOCCU



Leaders and volunteers from member credit unions of the California and Nevada Credit Union Leagues lent support to WOCCU's advocacy efforts helping to garner four of the nine signers of the letter to Representative Kolbe. Pictured (l-r): Judy Happ, Ron McDaniel, Mark Holbrook, Lynn Athens, The Honorable Bradley Sherman (D-California), Barry Kane, Mendell Thompson, Cheri Mora, Chris Kerecman and Jeff Rendel.

"...Exporting the American ideals of democracy and free-market principles..." were the words recently used by U.S. members of Congress to describe the efforts of credit unions and World Council in letters sent to the Honorable Jim Kolbe (R-Arizona), chairman of the House Appropriations Subcommittee on Foreign Operations. The ten legislators—all members of the Committee on International Relations and/or the Committee on Financial Services—expressed strong support for US\$9.3 million in funding from the fiscal year 2002 Foreign Operations Appropriations Bill for World Council's efforts in South Africa and Mexico.

Both countries have a long-standing need for credit unions. In South Africa, which is the largest economy on the African continent, 80% of the population lacks access to affordable financial services. Similarly, 63% of Mexicans lack access in the world's 13th largest economy. World Council is seeking US\$20 million over four years for two extensive, four-year projects to strengthen the movements, increase membership and improve the regulatory systems.

The letter, as well as other advocacy efforts, wouldn't have been possible without the support of the U.S. credit union movement. This year, Credit Union National Association (CUNA), several U.S. state credit union leagues and leaders from their member credit unions have been "Hiking the Hill" for WOCCU and making phone calls to introduce their legislators to the international credit union movement, World Council and the two projects.

Mike Beall, WOCCU's manager of partnerships and the People-to-People program said, "We have received a tremendously positive response from many members of Congress and their staffers, not only for the projects, but also for the activities of credit unions worldwide."



World Council wishes to thank CUNA and the state credit union movements that have been involved, thus far, in advancing the message and benefits of the international credit union system:

Alabama	Illinois	New Jersey	Pennsylvania
Arizona	Iowa	New York	Texas
California	Kentucky	Nevada	Utah
Georgia	Louisiana	North Carolina	Vermont
Hawaii	Michigan	Ohio	

World Council also thanks the ten U.S. Congressional representatives that signed the letter to the Honorable Jim Kolbe (R-Arizona):

Shelley Berkley (D-Nevada)	Paul Gillmor (R-Ohio)	Grace Napolitano (D-California)
Steve Chabot (R-Ohio)	Benjamin Gilman (R-New York)	Adam Schiff (D-California)
John Cooksey, M.D. (R-Louisiana)	Amo Houghton (R-New York)	Bradley Sherman (D-California)
Joseph Crowley (D-New York)		

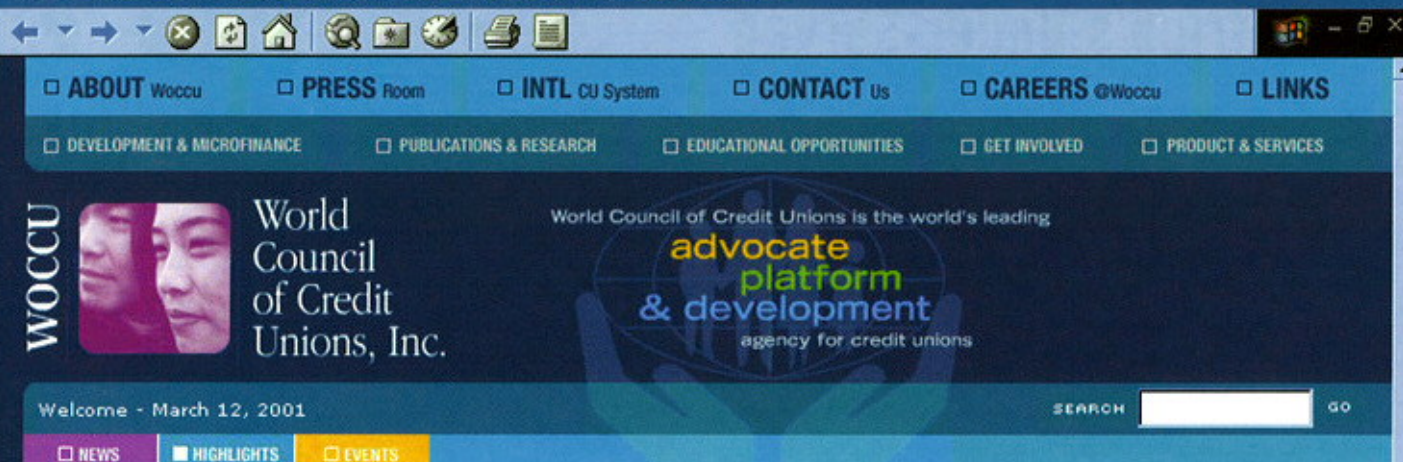
After the ten Congressional members sent their letters, World Council's president and CEO, Arthur Arnold and board treasurer, Gary Plank followed up by meeting with Representative Kolbe in his home state of Arizona. Advocacy activities on the Senate side include working with a select group of Senators from the Foreign Operations Subcommittee of the Appropriations Committee to earmark the funds in an appropriations bill.

"Thanks to the dedicated advocacy efforts of U.S. credit union people and the powerful lobbying voice of CUNA, the international credit union movement and World Council are receiving the best exposure we've ever had. I feel confident that we are making major progress in raising the profile of credit unions with federal and state legislators

in the U.S.," commented Arthur Arnold, WOCCU president and CEO. "It is becoming more evident to these elected officials how extensive the success story of credit unions really is—as far as outreach to enable people to grow and to make progress in their communities, not only in the U.S. but worldwide. We're proving to Congress that directing US tax dollars to fund World Council's credit union development projects is a sound investment, generating sustainable, high returns," emphasized Arnold.

Some of the information in this article is reprinted with the permission of CUNA's News Now. Go to <http://www.cuna.org/data/newsnow/newsnow.html> to read the full text of the April 2, 2001 article entitled, "Support Builds for International CU Funding."

WOCCU Launches New Website



International CU System

In this age of technological innovation, one of the keys to credit unions' distinguishing themselves from other financial institutions is staying at the forefront of technology. For international organizations like World Council, the website is an especially important tool, which spans geographic distances and enables global communication to reach an unprecedented level.

WOCCU's marketing team is undertaking an ongoing effort to update and improve the organization's website. Introduced in late February, the enhanced fourth generation version located at www.woccu.org, is designed to provide visitors with a global forum for communication and information exchange relating to the international credit union movement.

A Global Forum for Credit Unions

After surveying website visitors, WOCCU viewed flexibility and content expansion as primary goals. Research revealed that all

member segments wanted to access industry news data online.

"WOCCU's online pressroom is our answer to meeting members' requests for news," explained Kecia Doyle, marketing communications manager. "The purpose is to disseminate news and information of World Council and its member organizations—providing a global credit union wire service with instant access to news releases, publications, photos, digital clips and biographies at the click of a mouse."

In addition to the highly sought-after news section, other new features to the site include the online English and Spanish editions of *Credit Union World*, an expanded Microfinance and Development section, a credit union locator for WOCCU's International Remittance Network (IRnet), an interactive map for locating credit union movements and the products available through an innovative e-partnership between World Council and the Credit Union Executives Society (for more information see page 21). One exciting product available through that partnership is online learning—another service deemed highly desirable by survey respondents.

Functional Flexibility for All Users

"The users we reach through the site vary significantly in terms of access to technology," explained Melanie Tavera, website specialist. "With enhancements enabling users of all software and hardware capabilities to

navigate the site effectively, WOCCU online addresses the needs of a technologically diverse audience in developed and developing countries."

World Council and site designer Aesention, Inc. have implemented significant functional improvements. Flash modules and rollover links add to ease of navigability, but not all browsers support them. For those that don't, these elements appear as static text. Implementation of database technology has also enhanced content management, enabling WOCCU staff to constantly change the site and offer up-to-the-minute information.

The Road Ahead

"WOCCU online, as a forum for knowledge exchange, spans the globe to facilitate communication between all people interested in the international credit union movement," commented Arthur Arnold, WOCCU president and CEO. "We are extremely pleased with this latest version, which successfully conveys our vision of Quality Credit Unions for Everyone and the activities we undertake to enable millions of people to grow and gain access to affordable financial services."

Yet, WOCCU recognizes this is just the beginning. Because technology moves forward constantly and the needs of credit unions evolve and grow, World Council views the website as provisional. Look for more changes to come...stay tuned. Browse frequently.

www.woccu.org

Reaching Out to South Africa's Under-Served

Access to financial services is not something that South Africans take for granted. In fact, most are unaware that the opportunity to enrich their lives through savings and fair lending programs even exists. Among the 40 million people in South Africa, many are impoverished and an estimated 80% lack access to affordable financial services. This lack of opportunity is a remnant of apartheid, a political system that ate away South Africans' social, political and economic existence for more than 30 years, until it was abolished in 1994. Among the organizations damaged by apartheid were the South African credit unions, called savings and credit co-operatives (SACCOS).

In the past seven years, SACCOS have been working to establish a basis for addressing the needs of the South African people. Thirty percent of the country's population currently lives below the poverty line, with the unemployment rate at 30%. South Africa is also the most severely affected African country dealing with the HIV/AIDS virus. An estimated 10% of the population has AIDS and each day 1,700 newly infected citizens are added to this statistic. The actual numbers are thought to be much higher because of unreported and untreated cases.

To promote the social and economic well being of the country, South Africans need to mobilize themselves. Because credit unions are based on the concept of self-help and self-development, they are ideal vehicles for tapping into the potential in South Africa, empowering the people to better their lives.

World Council & SACCOL: Bringing Financial Services to the People

Today, efforts to boost the well being of all people through a revival of the credit union movement in South Africa are taking off. Over the last three years, World Council, the African Development Fund, The Louisiana Credit Union League and the National Credit Union Foundation (U.S.) have been supporting the efforts of the Savings and Credit Co-Operative League of South Africa (SACCOL) to increase credit union membership from 3,000 to nearly 10,000 members today. As of December 2000, total assets increased to 18 million rand (US\$2.27 million), total deposits to 13.6 million rand (US\$1.7 million) and loans to 11 million rand (US\$1.4 million). The loans-to-savings ratio stands at 80%.

"The need for assistance, the need for access to affordable financial services, the opportunities for SACCOS are here," commented Brian Branch, vice president of World

Council. "The people in townships, throughout South Africa, depend on loan sharks and other so-called loan providers which charge 55% per month and are not regulated, whereas SACCOS, which are regulated charge a fair market rate of 3.5% per month and provide members with access to savings services."

SACCOS are also providing the unique service of burial insurance policies to members at approximately US\$2.00 per month for the family, which is 50% less than the usual premiums quoted in the market. "In view of the devastating impact of HIV-AIDS in the lower income groups in South Africa and the importance of burials in the African culture, SACCOS are really making the human difference," said Arthur Arnold, WOCCU president and CEO.

South African credit unions are indeed making the difference, according to the members who have joined credit unions not just for access to financial services, but for the dreams and possibilities that credit unions are making into realities. World Council hopes that the momentum in South African credit unions demonstrated by SACCOL spreads throughout Africa, adding to the success stories of individuals and groups empowered through credit unions.



COUNTRY INDICATORS

National Capital: Pretoria
Government Type: Republic
Area: 471,442 sq miles
Population: 45,095,000 (1996)
Inflation Rate: 5.5%
Exchange Rate: 7.92 rands/US\$1
GDP: US\$296.1 billion (1999)
GDP per Capita: US\$6,900
Source: World Guide 1999/2000.

CREDIT UNION INDICATORS

Credit Unions: 25
Members: 8,584
Savings: 13,616,099 rands
(US\$1.72 million)
Loans: 11,008,185 rands
(US\$1.39 million)
Source: SACCOL Data (December 2000)

A 38-Year Reunion Made Possible

Gibson Taylor lives in Capetown with his wife and two daughters, ages 7 and 20. As an infant, he was separated from his father and older brother, who left for Malawi to begin a new life with hopes of the rest of the family joining soon after. Gibson didn't see his father and brother again; over the years he gave them up for dead.

Gibson Taylor





Theresa and Freddy Capping

In his 30s, Gibson was encouraged by his longtime friend and manager of Cape Metal Employees (CME) SACCO, Victor Botha, to join the CME SACCO credit union. Victor spoke of SACCO services and the opportunities for members. Gibson opened a savings account in 1998 and shortly after took out his first loan for 2,000 rand (US\$246) to add a carport to his modest home. Over time he took out 20 loans for various home improvements, such as building a two-room addition and updating it with modern conveniences.

Gibson learned some amazing news; his missing father and brother were alive and well. At age 38, Gibson took out what would become his most important loan, using the proceeds to visit his father in Malawi. Three weeks after the visit, Gibson's father passed away. Had Gibson not been able to borrow the money, he never would have seen his father alive.

Today Gibson, having been laid off from his factory job, is in the process of starting his own business—making decorative and protective window metal bars and door covers. To start his new microenterprise he took out a credit union loan. So far

he has transformed his carport into a workshop and purchased metal working supplies. Gibson's wife is employed outside the home; this income is helping develop the business.

CME SACCO has enabled Gibson to grow personally and financially. Gibson is giving something back, applying his appreciation and enthusiasm for his credit union to volunteer efforts: recruiting and educating potential members about the benefits of CME SACCO. Of his credit union membership, Taylor attests, "It makes your dreams possible."

Expanding a Food Stand into a Restaurant

Theresa and Freddy Capping have been in the food business for a long time. As Freddy says, "People never get tired of eating; the demand is always there." For three years, Freddy and Theresa have owned and operated a small takeout restaurant at the Malelela Taihan Tech, a factory near Vereeniging. With loans from their credit union, Anchor Tshiya SACCO, they have expanded their business, enabling them to please more hungry customers with a greater variety of delicious, home-cooked dishes.

Needing to improve their business, they joined the Anchor Tshiya SACCO and took out their first loan of 5,000 rand (US\$615). They used the money to purchase new equipment for their food stand, which is a small trailer with refrigerators, a stove, a chips fryer, new counter tops, microwave ovens and a nice

espresso-style coffee maker. A second loan of 5,000 rand was used to purchase food items to expand the menu. They also have one employee, Miriam Malane, who helps in the kitchen.

Today, business is going great. As a result, Freddy and Theresa's family is thriving. Their four children are well cared for and in school. They have a decent home, maintain a car and are able to easily pay back their loans.

Freddy and Theresa's financial success has given them confidence and inspired them to dream about future growth and change. Eventually, they would like to open their own full-service, sit-down restaurant, one that is not affiliated with the factory. They would also like to do some remodeling to their home in the future.

These projects will require loans and savings. As members of Anchor Tshiya SACCO, Freddy and Theresa are prepared to make informed choices about their financial options. They are also anxious to tell others about SACCOs. Freddy is a board member and volunteers in advising new members about the services of the SACCO. He feels that "many communities, especially poorer ones where access to banks is limited, really benefit from the services offered by credit unions."

From a 1-Room House to an 8-Room Home

For seven years, Jacob Motaung and his family of five lived in a tiny, one-room brick house in Selokeng, a

South Africa Flag
(background Detail)



PEARLS Boosts Romanian CUs

PEARLS

Over the past year, news of financial institution failures has dominated the international media services. Appearing most recently in the headlines were financial institutions in India, Japan, the Czech Republic and elsewhere. These examples, while extremely unfortunate, especially where credit unions are concerned, lend support and credence to World Council's message of sound and safe credit unions.

WOCCU emphasizes that there cannot be economic or social progress in a country without a sound financial system; there cannot be a sound and safe financial system without a sound and safe credit union sector; and ultimately, there cannot be a sound and safe credit union sector without enabling legislation and regulation.

Key to sound and safe credit unions are the implementation of sound business practices and prudent financial disciplines. Since the World Council first introduced the PEARLS Monitoring System in 1990, it has aided credit unions around the world develop into sound and safe financial institutions. Today, PEARLS—an acronym for **P**rotection, **E**ffective Financial Structure, **A**sset Quality, **R**ates of Return, **L**iquidity and **S**igns of Growth—has become an internationally recognized and accepted monitoring, ranking and business planning tool. By combining carefully attuned financial ratios with internationally-proven financial standards, PEARLS is able to provide managers with the guidance they need to safeguard members' deposits and offer adequate rates of return, despite the absence of credit union legislation and regulation in many countries.

Originally introduced in Guatemala, which today is touting the first credit union ratings agency based on PEARLS disciplines (see related story on page one), PEARLS is becoming an important tool in other WOCCU project countries. In Romania, a country hit hard by inflation, high interest rates on loans and turmoil in the banking sector, credit unions are using PEARLS to improve the quality and outreach of their institutions.



Nicoleta Capdefier
general manager,
FAUR Mutual
Assistance Society,
Romania

Each month, Nicoleta Capdefier, general manager of FAUR Mutual Assistance Society (credit union), enters balance sheet and income statement data into the PEARLS Monitoring System. From that information, she generates detailed reports that compare the society's operations with international credit union financial standards. "PEARLS has helped me both to understand international standards and implement them into my operations," said Capdefier.

One area of particular importance to FAUR is delinquency. "When delinquency is high, the liquidity and institutional capital of the credit union is reduced," Capdefier explained. "Since we began using PEARLS, the credit union has closely monitored delinquency and has established policies to ensure that loans are repaid in a timely manner. It has also helped us to create provisions for loan losses," she continued.

With inflation in excess of 40% annually, there is a constant need for FAUR to monitor interest rates and asset growth. Nicoleta uses PEARLS to periodically evaluate the society's rates on savings and loans to ensure that it is covering all of its costs and is growing at a rate that exceeds inflation. By monitoring net income and institutional capital, the society is able to purchase non-productive assets with zero-cost funds rather than tying up valuable savings or shares.

FAUR also uses PEARLS to track the income from the society's different loan products. Through the use of PEARLS, Nicoleta has discovered that by moving from traditional services that extend loans as a multiple of member shares to a loan strategy based on savings mobilization, the credit union has been able to maximize loans and revenue.

Later this month, World Council will make its PEARLS Monitoring System available to credit union movements outside of the organization's development projects. Based on a relational database, the software includes the monitoring tool with financial ratios, a ranking tool for credit union comparisons and a business planning tool. (More information on PEARLS can be found on page two.)

Nicoleta understands the need for following PEARLS standards from first-hand experience. "When a run on banks occurred in May 2000, we were able to meet the short-term liquidity needs of our members at a time when many banks closed their doors," Capdefier concluded. "PEARLS has definitely been helpful to me and to other Romanian credit unions."

Kenya, Pennsylvania & WOCCU Team Up



Seated at the table (l-r): Signing the partnership agreement are Arthur Arnold, president and CEO of World Council, Joel Ruhu, national chairman of KUSCCO and Bruce Foulke, chairman of PACUL (standing): Other representatives from the three organizations observe.

Although an ocean and more than 7,500 miles or 12,000 kilometers separate the U.S. state of Pennsylvania and the African country of Kenya, credit unions are providing a common ground and an opportunity for exchange and development. Demonstrating the success of the People-to-People program, the Kenya Union of Savings and Credit Cooperatives Ltd. (KUSCCO), the Pennsylvania Credit Union League (PACUL) and World Council of Credit Unions, Inc. (WOCCU) recently signed a formal partnership agreement during the Pennsylvania league's annual general meeting held in early April.

People-to-People initiates and nurtures partnerships between emerging and developed movements, matching a league and its member credit unions with another country, most often where World Council is carrying out a development project. Partners participate in continuing cross-border and cross-cultural exchange of ideas and experiences through internships and volunteer assignments. These partners strive towards a common worldwide vision of providing Quality Credit Unions for Everyone.

So why Pennsylvania and Kenya? Because in both places, credit unions are a way of life. In Kenya, 10% of the population belongs to more than 2,250 savings and credit co-operatives (credit unions). Thanks to credit unions, the standard of living of most members has improved—through access to affordable financial services—which has allowed members to send their children to school, purchase land, provide health care to their families and enable them to start small businesses. The same holds true for Pennsylvania where 26% of the state's population belongs to 803 credit unions.

In the past, the Pennsylvania league hosted a number of People-to-People interns from Kenya and with the newly signed partnership agreement, PACUL and its member credit unions have heightened their commitment to international credit union development.

"It gives me great pleasure to sign this landmark partnership agreement. For both of our organizations, it has created new opportunities to exchange programs and ideas, remarked Joel Ruhu, KUSCCO national chairman. "It is my prayer and anticipation that the league partnership shall grow in strength, as we look forward to a long, friendly relationship with Pennsylvania credit unions."

Jim McCormack, president and CEO, Pennsylvania CU League continued, "We, too, are extremely excited to participate in this partnership, as evidenced by the celebration at our annual meeting. We plan to carry over the same enthusiasm as we work hard to meet our project goals. Ultimately, we hope our partnership encourages other U.S. leagues to get involved."

PACUL and KUSCCO are planning to each form special partnership taskforces within their organizations to address common interests including technology, accounting standards, legislation and microenterprise services.

Prior to the AGM, the PACUL board of directors invited a delegation of Kenyan credit union leaders to give a presentation explaining the credit union system in Kenya and the WOCCU-Kenya project.

Later, the Kenya delegation, joined by Mike Beall,



COUNTRY INDICATORS

National Capital: Nairobi
Government Type: Republic
Area: Total 582,650 sq km
Population: 28,337,071 (July 1998 est.)
Inflation Rate: 2.5% (1998 est.)
Exchange Rate: 76 Shillings/US\$1 (Jan. 1999)
GDP: \$43.9 Billion (1998)
GDP per Capita: \$1,550

Source: IMF/IDA World Factbook 1998, World Bank

CREDIT UNION INDICATORS

Credit Unions: 2,250
Members: 120,353
Savings: 730,843
Loans: 53,616,637

WOCCU's manager of partnerships and the People-to-People program visited Tri Valley Service FCU and Hill District FCU to discuss U.S. credit union operating procedures, lending and liquidity issues in different types and sizes of credit unions. Representatives from the league and Pittsburgh Catholic FCU also played a vital role in this People-to-People exchange. In July, KUSCCO plans to reciprocate by hosting a Pennsylvania delegation in Nairobi to further the exchange and work on the goals outlined by the partnership.

Arthur Arnold, WOCCU president and CEO explained, "I am excited that we have facilitated yet another partnership between a U.S. state league, its credit unions and a WOCCU project country. It's a real example of 'people helping people to help themselves.' The self-help principle is what truly creates the human difference."

Unity Equals Strength Ecuadorian Credit Unions Form Strategic Alliance



Celebrating the launch of MEGARED (l-r): Federico Cuesta, WOCU-Ecuador; Mario Caiza, Alianza del Valle CU; Jorge Ortiz, Tulcán CU; a MEGARED communications representative; Carlos Acosta, Pablo Muñoz Vega CU; and Néstor Muñoz, El Sagrario CU.

In 1999, Ecuador experienced the most acute financial crisis of its history: the accelerated devaluation of the currency, the sucre, motivated emergency adoption of the dollar to make a definitive adjustment in monetary stabilization and abruptly halt the country's rising inflation. Credit unions were affected by the crisis, but the strength of their net worth and a business management approach reliant upon strict financial disciplines prevented their collapse. This was not the case for the banks, 18 of which failed.

Today's economic-monetary model has influenced the appearance of new scenarios in the global and national financial markets, in which discipline, productivity and competition are the main factors determining the success or failure of financial intermediaries. Emerging from that environment are innovative strategic alliances and mergers that have become centrally important for the national financial players in Ecuador, especially the credit union movement.

Creation of the MEGARED Cooperative Network

In July of 2000, four WOCU-Ecuador project credit unions: Tulcán, Pablo Muñoz Vega, El Sagrario and Alianza del Valle—all in different regions—began conversations to establish an agreement for joint participation in financial operations. Sharing financial services with the goal of greater market penetration was the guiding force behind what would later become their strategic alliance.

To transform this idea into a reality, the credit unions requested the support of the WOCU-Ecuador project. Under the current project, these credit unions were already part of an ongoing technical assistance program, but they wanted to take it one step further.

In the following months, the groundwork was laid and in September 2000 the four credit unions held the first meeting with their respective boards of directors and representatives from WOCU-Ecuador. During this meeting, they approved the creation of a strategic alliance among the four credit unions and formalized it with a signed letter of commitment, which was later ratified by their respective assemblies.

Shortly after ratification, the group created a Strategic Alliance Committee made up of a representative from each credit union along with the WOCU consultant. The next months were decisive for the development of this project, as the alliance began implementing the steps of the action plan and testing stages. They chose the name of MEGARED Cooperative to define this strategic alliance.

MEGARED was officially launched during a formal ceremony in February attended by representatives of the participating credit unions, WOCU-Ecuador, authorities from the Superintendency of Banks, political figures and leaders of international organizations. The new concept of a credit union alliance created an



COUNTRY INDICATORS

National Capital: Quito
Government Type: Republic
Population: 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. 1998)
GNP: \$19 Billion (1997)
GNP per Capita: \$1,590

Source: IMF/IDA World Factbook 1998, World Bank

CREDIT UNION INDICATORS

Credit Unions in the Project: 22
Credit Unions: 350
Members: 1,400,000

Ecuador Project Data, WOCU

enthusiastic stir amongst important representatives of the national press corps from television, radio and print media, which led to national coverage of the event.

4 cooperativas en alianza



MEGARED makes the headlines in Ecuador.

"This is the first time Ecuador has seen a strategic alliance of this type. MEGARED will enable highly mobile members to utilize financial services in six different provinces of Ecuador through 20 branch

Continued from Page 21

Exploring

Crédit Mutuel

la banque à qui parler

For the first time, World Council, in its role as the world's leading platform for international credit union innovation and exchange, has invited cooperative banking leaders to participate in the 2001 International Credit Union Leadership Institute in Paris, France, August 19-22. At the Institute, participants will have a unique opportunity to examine the issues and challenges facing both credit unions and cooperative banks during educational sessions and to network with their counterparts in the cooperative movement.

Sharing a history similar to credit unions—based on Friedrich Raiffeisen's first cooperative financial institutions—Crédit Mutuel and other European cooperative banks are member-owned, cooperative financial institutions whose directors are elected by members according to the principle of "one member, one vote."

As a full service cooperative bank dealing with private customers as well as businesses, Crédit Mutuel distinguishes itself from other banks by its organization and product offerings, as well as its team spirit. Cooperative banks have no shareholders, only members, even though they serve non-members.

The Crédit Mutuel group consists of 18 regional federations, each of which is a genuine regional bank whose growth and services are dedicated to the local market. Together, these groups form Confédération Nationale du Crédit Mutuel (National Confederation of Crédit Mutuel), a central institution charged notably with representing member banks, overall strategy, internal audits and compliance.

Crédit Mutuel forms a national network of regional banks on a

European scale. Its growth and employment strategies are driven by ambitious long-term goals. The group's operating coefficient and capital adequacy ratio are among the best in the banking sector.

Incorporated as a cooperative, Crédit Mutuel has gradually extended its product line from services for private customers to business loans. It currently provides a wide range of services to the entire spectrum of local and regional economic players.

Crédit Mutuel backs growth with innovative, high quality, local service. The group ranks as follows in the French banking sector: 5th by deposits, 2nd provider of electronic money services, 2nd agricultural bank, the leader in terms of bank card payments at retailers, the leading bank for associations and the leading French non-life insurance provider (bancassureur).

Crédit Mutuel president, Etienne Pflimlin will kick off the International Leadership Institute as the first featured keynote speaker in Paris, discussing cooperative banking and financial trends in France and throughout Europe. Lucy Ito, WOCCU vice president explained, "This is a wonderful opportunity to interact with leaders of the European cooperative banking network and credit union peers throughout the world. Paris sets an exciting stage for those interested in learning more about new technology and the European market."



Leadership Institute Schedule

August 15-18

Pre-Tour to Lyon, France

Sunday, August 19

9:00 a.m. - 4:00 p.m.

Registration at Le Meridien Montparnasse Hotel

6:00 p.m. - 7:30 p.m.

International Welcome Reception on the Seine River on the largest yacht in Paris (co-sponsored by CUNA Mutual Group)

Monday, August 20

9:00 a.m. - 5:30 p.m.

Opening General Session
Educational Breakout Sessions including
Conference Luncheon

Tuesday, August 21

9:00 a.m. - 5:30 p.m.

Educational Breakout Sessions including
Conference Luncheon

Wednesday, August 22

9:00 a.m. - 11:00 p.m.

Closing General Session

2:00 p.m. - 5:00 p.m.

Visit to Crédit Mutuel

7:00 p.m. - 11:00 p.m.

Closing Dinner Banquet

Thursday, August 23

Departure for Post-Tour to Nice on the French Riviera

Member Up



AUSTRALIA (CUSCAL)

– Credit Union Services Corporation Australia Ltd. (CUSCAL) is developing an e-commerce strategy and master plan for all affiliated credit unions. This plan will assist credit unions to act collaboratively, creating a brand and service strategy that will occupy the e-commerce world and position the movement as a leader in innovation and online service delivery. The goal is to develop a state-of-the-art credit union movement community portal—giving credit unions a unified image—while also promoting individual identities and brands. To head up the initiative, CUSCAL recently appointed a general manager of e-commerce.

The league is also focusing intensely on delivering commercial outcomes for credit unions by harnessing the scale of the Australian movement, striking strategic alliances and developing cost-effective, “best of breed” solutions from global providers to satisfy their members’ needs. Credit unions are renowned for providing high levels of personalized service while having a long history of offering innovative products and services in the Australian finance sector.



CANADA (CUCCU)

– In recent months, the Canadian movement has focused its attention on the series of Annual General Meetings (AGM) held at the provincial level, assessing the progress made last year and providing direction for the coming year.

Credit Union Central of Canada’s AGM is held each year in conjunction with the Canadian Conference for Credit Union Executives and the Members’ Forum. Under the theme “Building the Value of Membership,” the AGM was held in St. John’s, Newfoundland in May. A series of executive briefings followed the keynote opening address

and were aimed at highlighting the prevailing themes and critical strategic issues facing the Canadian system.

The Members’ Forum offered participants an opportunity to discuss and provide feedback on the basic strategic direction being taken by CUCC from a national perspective. In a departure from the past, the AGM was held post-conference this year to provide an opportunity for extensive member contact and formal feedback at the AGM and post-AGM board meetings.



CARIBBEAN (CCCUCU)

– The Caribbean Confederation of Credit Unions’ (CCCUCU) 44th Annual International Convention and 30th Annual General Meeting will be held in St. Marten, Netherlands Antilles from July 14-20th. The convention theme is “Credit Unions Empowered by Technology.” The convention features a number of exciting activities such as the International Trade Fair, Youth Business Camp and the Managers’ and Registrars’ Forum.

As part of its ongoing efforts to further develop the human resources capabilities of managers and supervisors within the credit union sector, CCCUCU has collaborated with the Center for Management Development of the University of the West Indies to offer an accredited Executive Diploma in Credit Union Management. The program will start in June 2001 and will feature a number of core courses.

Other CCCUCU efforts include officially launching its new and improved website, coming soon. This website will provide educational material on cooperatives in the Caribbean as well as CCCUCU’s development activities. It will also highlight training and special events.



FIJI (FCUL)

– The microfinance unit of the Fijian government is providing the Fiji Credit Union League (FCUL) with a grant of F\$200,000 for the first year to bolster the league’s training infrastructure. Of the funds, F\$80,000 will provide start-up capital for the Central Finance Facility, which will help advance the credit union movement towards becoming a more comprehensive financial institution system for wage earners and rural dwellers.

Spending a week with FCUL staff, a volunteer for the Credit Union Foundation of Australia (CUFA) provided training on credit committee roles and responsibilities. Representatives from CUFA also spent a day with the board of directors developing a five-year strategic business plan for the credit union movement in Fiji. The CUFA delegates also assisted the supervisory committee in its efforts to tighten up on compliance and supervision issues.

The political situation in Fiji has calmed down considerably and events are leading towards a general election in August. There is a return of investment confidence in Fiji and a positive response from regional and international governments. However, banks have withdrawn services from the rural areas and there is an acute need now, more than ever, for credit union services. The demand outweighs the supply of vehicles for savings.



ABCUL

GREAT BRITAIN (ABCUL)

– The new regulator for financial services, the Financial Services Authority (FSA), has been consulting with credit unions on their future regulatory regime for the sector. The FSA will take over the regulation of credit unions in July 2002. The Association of British Credit Unions, Ltd. (ABCUL) has received help from

updates 2001

colleagues around the world in refining its arguments in response to the FSA proposals. One of the credit unions' major concerns regards liquidity requirements.

Since April 1, credit unions have been able to take advantage of extended loan periods and an increase in the amount that a junior saver can hold in a credit union. This welcome change in legislation means that junior savers can now save £5,000 versus the previous £750.

The next few months will bring further consultations for credit unions on compensation schemes and the cost of regulation. ABCUL is working hard to make sure its members have the right information to form their responses.



IRELAND (ILCU) – The Irish League of Credit Unions (ILCU) was largely engaged in preparations for its Annual General Meeting in Cork, April 28-29, 2001. The ILCU decided to initiate a major review of all aspects of its operations and structures, and is currently engaged in consultation with affiliates regarding the remittance, timetable and appointment of a Review Committee. "It is now ten years since we last carried out a major review. It is apparent to many within the movement that we require a review of the League's structures, our role and purpose, our services and funding and our structures of accountability," says Tony Smyth, ILCU general secretary. The league presented proposals for the review process at the Cork AGM.

Meanwhile, the successful containment of foot and mouth disease has put great strain on Ireland's farming community and the economy as a whole, with around 40% of Irish gross domestic product directly linked to agri-business. Irish credit unions are readily responding to calls for financial institutions to

deal sympathetically with farmers who are facing financial crisis.



POLAND (NACSCU) – Two important laws were recently passed by the Polish Parliament that directly affect credit union operations with favorable positioning. Last fall, the Polish Parliament amended the Accounting Law, which in its new version lists SKOK (credit unions) as separate financial institutions, served by the National Association of Cooperative Savings and Credit Unions (NACSCU). The new law will result in credit unions submitting their financial statements—corresponding with credit union-specific needs and operations—in a different form than that of banks. The new balance sheet and profit and loss statements will also provide for a presentation of credit union results improving transparency of their operations to the members. Provisions of the Anti-Money Laundering Law now extends to credit union operations. In this law, NACSCU was empowered to exercise supervision of credit unions to counteract money-laundering practices.

Poland continues its successful branding campaign, highly visible in outdoor sporting events. SKOK, the acronym for credit unions, which also means "jump" in Polish, is ideal and synonymous with sporting events. The recent successes of the Polish national soccer team served the purpose of credit union promotion particularly well. Recently the branding image was visible at the World Cup soccer event, covered by national and international news media. When the final winning Poland goal was scored, the SKOK ad was highly visible to all of Poland.



NEW ZEALAND (NZACU) – On May 1, 2001 new government regulation made it compulsory for all

credit unions to operate under a registered Trust Deed. Most credit unions were able to comply with this law, meaning some smaller credit unions had to transfer engagements to larger credit unions. The government responded to a request from the New Zealand Association of Credit Unions (NZACU) to allow more time for the procedures to be completed properly, extending the deadline to October 31, 2001. Once the process is complete, it will result in a financially stronger credit union movement in New Zealand.

The government has announced that it will provide financial support for the state-owned New Zealand Post to establish a personal banking service, utilizing its existing network of Post Shops. Many financial commentators and taxpayers regard this as a controversial decision. The bank will handle only personal accounts, promoted as locally-owned; this could affect the performance of credit unions.



UNITED STATES (CUNA) – The U.S. credit union movement has seen one of its major legislative objectives, Bankruptcy Reform, passed by Congress in first quarter 2001. The bill updates bankruptcy law and tightens requirements for those claiming bankruptcy, implementing "needs-based" requirements. Credit unions were instrumental in helping pass the bill and in fashioning some of its provisions, including a requirement that filers receive credit counseling and that credit unions have a right to enter into reaffirmation agreements with bankrupt members. President Bush has indicated his willingness to sign the bill. It remains for a House-Senate Conference Committee to work out details of a final bill.

Supporters Corner



Dan Kampen
CEO, U.S. Central

In this ongoing column, WOCCU Supporters speak out on their reasons for wanting to foster credit union development and commit, connect and engage with the international credit union movement.

As the United States' only wholesale corporate credit union, U.S. Central Credit Union serves as a "mini" Federal Reserve, providing investment, liquidity, lending and payment services to corporate credit unions, which in turn provide these services to more than 10,000 natural-person credit unions nationwide. U.S. Central has 249 employees and is headquartered in Overland Park, Kansas. It is owned by 34 member corporate credit unions. Currently, U.S. Central has approximately US\$30 billion in assets. It is one of the world's most highly rated financial institutions.

U.S. Central and the World Council of Credit Unions share a similar goal: to support and advocate the importance and value of credit unions. For many years, these two organiza-

tions have enjoyed a warm relationship; and during the past two years, U.S. Central has provided direct support to help WOCCU extend the reach and impact of its important programs.

CU World: How do U.S. Central's values tie to international development?

Kampen: At the heart of U.S. Central's mission, as well as that of the credit union movement throughout the world, is a firm commitment to the philosophy of mutual self-help and cooperation. Even today, nearly a century after the first U.S. credit union was formed, these shared beliefs remain strong, stretching across country boundaries to all parts of the globe. At U.S. Central, we believe these values play a big role in our success and the success of credit unions everywhere, no matter what language we speak or what currency we use.

CU World: Why did U.S. Central choose to become a supporter of the World Council of Credit Unions?

Kampen: U.S. Central very much appreciates the World Council's efforts to advance credit union

education and advocacy worldwide, thus improving people's quality of life. We share many of the same ideals; and we recognize that by supporting the cause of credit unions throughout the world, we are also helping to strengthen U.S. Central and our own members. The World Council is well-positioned to make a significant global impact. Its work to extend the credit union philosophy worldwide makes our global credit union community stronger.

CU World: What are the benefits international development provides to credit unions, corporate credit unions and credit union leagues in the United States?

Kampen: U.S. Central exists only because of the strong belief in "people helping people" held by our founding credit union leaders in this country. These were some of the same leaders who saw a better way to help people improve their financial well being, based on the experience gained from pioneers in other countries, such as Friedrich Raiffeisen, Hermann Schulze-Delitzsch and Alphonse and Dorimène Desjardins. Our success is tied to the hard work of our predecessors, and it is linked to those who come after us throughout the world. We believe it is our role at U.S. Central to give back to the global credit union community by helping when and where we can.

Credit Union Honorees



The Savings and Credit Co-operative League of South Africa (SACCOL), the Louisiana Credit Union League and the African Development Fund receive World Council's Credit Union Ambassador Award. Pictured (l-r): Dennis Cutter, WOCCU board chairman; David de Jong, SACCOL manager; Eric Lose, SACCOL chairman; Helen Godfrey, African Development Fund chairperson; Anne Cochran, Louisiana Credit Union League president and CEO; Arthur Arnold, WOCCU president and CEO.



FENACOAC, the Guatemalan national credit union association receives World Council's Credit Union Ambassador Award in honor of their 35th anniversary. Pictured (l-r): Arthur Arnold, WOCCU president and CEO; Gerry Foley, WOCCU 1st vice chairman; Sincrito Cifuentes, FENACOAC general manager; Dennis Cutter, WOCCU board chairman; and Bobby McVeigh, WOCCU 2nd vice chairman.



The Poland/Georgia partnership was one of the National Credit Union Foundation's Herb Wegner Award recipients in 2001. Accepting the award (l-r): Dariusz Kijanka, Poland, National Association of Cooperative Savings and Credit Unions (NACSCU); John Fiore, chairman National Credit Union Foundation; and Dan Denning, vice president education, Georgia Credit Union League.

Widening Gap

Continued from Page 5

to this underserved segment of the population, Polish credit unions offer small loans, which are readily available with very few formalities. These instant popular loans serve as a powerful weapon against usury lending in low-income areas.

Credit unions are also taking a particularly active position in the process of economic transformation. This role is best visible in the Upper Silesia, the industrial stronghold of Poland and the area with a majority of SKOK (credit unions). Due to restructuring and privatization, a great number of coalmines, steel plants and other industrial sites—by far the largest employers in the region—are closing down, leaving thousands unemployed. With sizeable lay-off compensations provided by the state and no alternative employment in sight, thousands of former heavy-industry workers, many of them credit union members, are at a loss. Credit unions are advising workers of their savings options for compensation money and explaining how to establish small businesses, develop business plans and obtain loans.

Widening Horizons Across Borders

Credit unions are working on ways to better serve members and their communities through cross border services such as membership and money transfers. Through World Council's International Remittance Network (IRnet), it is possible to send money home to friends and family in different countries through credit unions. IRnet currently operates out of 24 credit unions in the U.S. and the number of participating credit unions is increasing every day. Transfers can be made to 40 different

countries through this service, while guaranteeing low remittance fees, safe transfers and favorable exchange rates in the destination country.

Immigrants in the United States are one of the most underserved population segments due to many factors: language and cultural barriers, perception of financial institutions, and the prevalence of undocumented workers. IRnet, a bilingually promoted product, is helping to better serve this highly unbanked segment of the U.S. and other countries. World Council has worked with Credit Union National Association (CUNA), and the National Credit Union Administration (NCUA), the U.S. credit union governing body, to enable U.S. credit unions to serve undocumented workers with IRnet transfers.

Many immigrants return a portion of their earnings to friends and relatives back home. In El Salvador, international money transfers equate to 12% of the country's gross domestic product, while eight billion dollars cross the border into Mexico each year.

Harriet May, chief executive officer of Texas-based Government Employees Credit Union, explained, "IRnet was a natural fit for us with our credit union branches being so close to the Mexico-United States border. The transfer for some people means the difference between being able to support a family, receive medical care, pay for school fees or provide a better quality of life for family members and friends."

Credit unions must be able to serve their members wherever they are, including Americans living abroad, and foreign nationals working in the overseas offices of U.S. based com-

panies. Mexico's president, Vicente Fox strongly supports modernization and coordination of financial services between Mexico and the United States, pointing to IRnet as an outstanding example of these international service arrangements. Facilitating cross-border services will greatly benefit all involved.

Providing Opportunities for Growth

"Enabling millions of people to grow: that's our biggest challenge in the 21st century. Offering people the opportunity to gain access to capital and affordable financial services is the only way to close the widening gap between the have mores and the have less," said Arthur Arnold, World Council president and CEO. "Then, it's up to the people to develop themselves. That's what we call 'self-help'...people helping people to help themselves. Self help creates respect, pride, success and sustainable growth. This article is the best proof of how credit unions all over the world are making it happen. Credit union people are making the human difference. Isn't it great to be a part of that?" concluded Arnold.

Products, services and community involvement determine the growth of credit union members, both personally and financially. In developed and developing countries, the initiatives credit unions undertake every day to reach out to their members and their communities help to close the widening gap. Today, credit unions provide more than 100 million members worldwide with an opportunity to grow through access to affordable credit, safe savings and the chance for a better tomorrow.

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Jacob Motaung washes up at his outdoor plumbing faucet.

black township near Vereeniging, outside of Johannesburg. Every night Jacob, his wife and his 3-year-old daughter slept in one bed, the only piece of furniture in the house. Jacob's 10-year-old son and 15-year-old daughter, slept on the floor beside them. There was no space in their home for peace, relaxation or other activities.

Jacob approached banks to obtain a loan to expand his house but was turned down on the grounds that he lived in Selokeng. Refused financial services because of his neighborhood, Jacob was without hope. Then he met Andile Khumalo, the manager of Anchor Tshiya SACCO. Khumalo encouraged Jacob to join the SACCO and apply for home improvement loans.

In 1999, Jacob received his first loan for 10,000 rand (US\$1,228) and began construction on his home. Jacob enlisted the skilled help of his father and a friend, paying them a small salary to assist in building a six-room addition to his little house. By October 2000, it was time to build the roof. Jacob took out another loan for 5,000 rand (US\$615).

A few years ago, disenfranchised by other financial institutions, Jacob could never have imagined the possibilities that the Anchor Tshiya SACCO has opened up for him. As his home has expanded from one to eight rooms, so have the lives of Jacob and his family members. Jacob and his wife now have a space where they can relax. The family is healthier, since they now have the kitchen space to prepare nourishing meals. The children have quiet places to study—perhaps the reason why Jacob's 10-year-old son is now at the top of his class. Jacob calls the SACCO "a miracle."

Advocating for the Next Step in South Africa

With millions of people like Gibson, Freddy, Theresa, and Jacob poised to benefit from the financial services that credit unions have to offer them. World Council—along with help and support from the U.S. credit union movement—feels that now is the time to push for greater depth and breadth of credit union membership in South Africa. To that end, advocacy efforts are underway in South Africa and the United States to mobilize funding for an extensive five-year "Growth for South Africa" credit union development project. The project will provide technical assistance enabling SACCOS to grow and increase their member impact.

The South African Reserve Bank has indicated that it considers SACCOS integral to a sound and safe financial system in South Africa. In the U.S., legislators have signed a letter demonstrating support

for funding a South Africa project (see related article on page 8). Adding to the momentum, in late February, Eric Lose, chairman of the Savings and Credit Cooperative League of South Africa (SACCOL), spoke at the International Credit Union Reception, held at the South African Embassy in Washington, D.C. He announced his organization's intention to become the first direct African affiliate member to World Council, paving the way for other leagues and credit unions in South Africa and throughout Africa. Later this year, SACCOL and WOCCU together will organize the SACCO Africa Congress 2001, July 30 to August 3 in Cape Town.

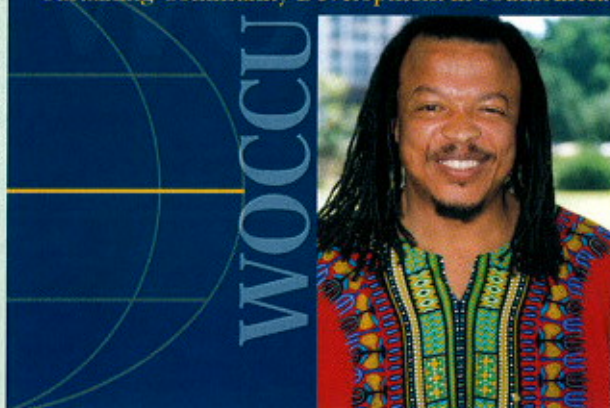
Editor's note: The pictures in this article are part of a photo journal featuring credit union members in South Africa. The journal is entitled, "Beyond Apartheid: Sustaining Real Community Development in South Africa." It can be viewed in its entirety on WOCCU's website at www.woccu.org/South_Africa/slides/01.htm. Photos were taken by Rebecca Janes of Janes Photo.

For more on South Africa, access our website at:

www.woccu.org/South_Africa/slides/01.htm

Beyond Apartheid

Sustaining Community Development in South Africa



Continued from Page 14



outlets," explained Mario Galarraga, WOCCU-Ecuador project director. "The credit unions retain their individual identities, while at the same time gaining the rewards of the alliance."

Sharing a Service, Technology and Marketing Platform

Since MEGARED Cooperative credit unions offered the same products and operated under the same policies and procedures prior to the joint venture, this made them an ideal group for the alliance. The MEGARED Cooperative alliance enables four credit unions to share financial services including: savings deposits, savings withdrawals and loan payments.

Three credit unions in the alliance also share the same software enabling a member of any participating credit union to use the services at all MEGARED branch outlets. Special deposit and withdrawal slips were designed for this purpose and a designated employee in each of the offices is responsible for MEGARED operations. Additionally, all MEGARED member communications are conducted through dedicated branch telephone lines.

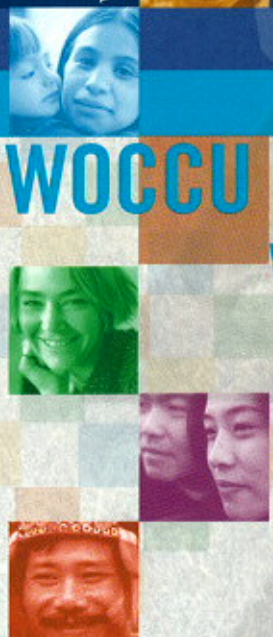


Through the alliance, credit unions have allocated a national cooperative marketing budget for advertis-

ing and promotion. A complete marketing campaign focusing on access and safety can be seen and heard during peak radio and television times by current and potential members. In the near future, the alliance is planning to offer access to ATMs and debit cards. Once these services are in operation, the alliance will research adding other new services to MEGARED's product line.

Providing Better Services for Members

What does this alliance mean for credit union members in Ecuador? Galarraga explained, "It means safety, access and better products. For example, when microentrepreneurs have to travel out of their local areas to purchase goods for their businesses, they don't have to travel with cash. Instead, they can withdraw the funds needed closer to their destination. For the MEGARED credit unions, they enjoy the negotiating power of a larger organization in purchasing products, services and rates on investments, which ultimately benefits the members, as well."

Projections for MEGARED are promising. The old adage applies, "Unity equals strength." Existing alliance credit unions consider it a real possibility that other credit unions may join in the future. Currently, five additional WOCCU-Ecuador project credit unions have expressed an interest in becoming part of the MEGARED alliance.



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