



World Council of Credit Unions, Inc.

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# WORLD

*The Source for International  
Credit Union Information*

**Credit Union**

*Savings  
Mobilization*





# Credit Union WORLD

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# Fostering Trust in Uncertain Times

—by Arthur Arnold, CEO & Gerry Foley, Board Chairman, WOCCU

For credit unions worldwide, our difference and advantage lies in our member-ownership and shared values—the values of access, trust, self-help and growth. Access to capital and affordable financial services is a basic human right and the foundation for enabling millions of people to grow through self-help. Credit unions provide that basic human right. When backed by enabling legislation and sound and safe operations, credit unions engender the trust of members to ensure future sustainability, even in times of economic uncertainty.

In this issue of *Credit Union World*, we emphasize how credit unions are living up to those values and leading by example, particularly when it comes to fostering trust. As this is World Council's "Year of Development," the feature article on savings mobilization demonstrates how credit unions in WOCCU's Model Credit Union Building projects are providing the "have less" with a safe place to save. Trust is also the underlying message of the articles on "offshore credit unions," disaster recovery plans, new legislation in Suriname and the featured WOCCU credit union development projects in Macedonia and Vietnam.

Indeed, trust is one of the greatest challenges WOCCU faces when we go into "have less" countries to conduct development projects. In "have more" countries with strong credit union movements, we take it for granted that our money is safe thanks to legislation, regulation and a deposit guarantee system. Not so in the vast majority or 90% of the "have less" countries where credit unions operate. These members trust their credit union leaders to be responsible managers. They have nothing else to fall back on.

That's why World Council works, on your behalf, with many legislators and regulators in both "have less" and "have more" countries to improve the legislative and regulatory framework by setting minimum standards of soundness and safety, based on our PEARLS Monitoring System. In past issues of this magazine, we've shared our successes in "have less" countries, such as Ecuador, Guatemala and the Philippines. Now, we can share an exciting development for a "have more" country.

In March of this year, chairman of the Financial Services Authority (FSA), Sir Howard Davies launched a major project to strengthen the British movement. With the financial sponsorship of Barclays PLC, the Association of British Credit Unions, Ltd. (ABCUL) is bringing WOCCU's PEARLS Monitoring System to credit unions in the United Kingdom. A pilot group of 10 credit unions will install the system and all ABCUL credit unions will receive an annual summary of their PEARLS ratios.

Shaun Spiers said, "I am delighted that

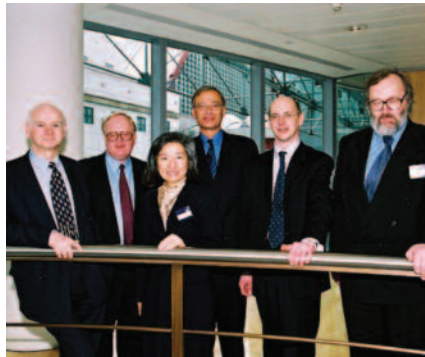


photo above: Sir Howard Davies (far left) launches the PEARLS project in Britain with leaders of Barclays, WOCCU and ABCUL.

photo at right: WOCCU Board members visit with leaders of United Nations FCU.



Arthur Arnold  
President & CEO



Gerry Foley  
Board Chairman

British credit unions will benefit from the international expertise that has gone into developing the PEARLS system. PEARLS provides the essential tools for monitoring, comparison and evaluation that credit unions need to get to grips with the new FSA regulatory regime and expand their services enabling more people to benefit from good-value, accessible financial services."

Following the PEARLS launch, we had the opportunity to visit one of the 10 credit unions that will be part of the pilot project, the Tower Hamlets Community Credit Union Ltd. in the East End of London. In this economically depressed area the banks are withdrawing, but Tower Hamlets has taken over the operations of one such bank. We give a lot of credit to the leadership and staff of this young, rapidly growing community credit union for committing to the PEARLS financial disciplines, becoming independent from local subsidies and filling a need in the community. Their story clearly demonstrates the credit union values.

Later in March, we had another chance to see the credit union values at work. Joined by 1st vice chairman, Bobby McVeigh, we visited with leaders of the New York CU

Continued on Page 17



—by Brian Branch, Vice President, WOCCU

Savings mobilization has become one of the cornerstones of success for World Council of Credit Unions, Inc. (WOCCU) in international credit union development. It is difficult enough to encourage savings in a developed market. So people ask how is it possible to do it successfully in a developing economy with members earning a subsistence living, as little as US\$25 to US\$100 a month? WOCCU has found that savings, although in very small amounts, is perhaps the most frequently desired financial service opportunity by the poor all over the world. For many in developing countries, credit unions are their first experience with access to a safe place to save. By using the credit union's savings and credit services, even the members earning the smallest of incomes can make the difference in their ability to open or expand small businesses, send their children to school, pay for medical treatments and just live more comfortably.

Through surveys in various regions of the world, WOCCU has observed a common pattern in what people look for in a place to deposit their savings. Savers frequently report that the most important feature they seek is safety. A credit union will only be successful if it can demonstrate to members that it's a safe and secure place to save. Next people look for convenience: access and liquidity. They want to have access to their savings when they need them. Thirdly, they also look for return on their savings. These preferences and priorities shape the way WOCCU builds savings programs and tailors savings products to meet member demands. Initial preconditions for mobilizing savings involve putting in place sound financial disciplines that will protect the value of savings. Then savings products are developed to provide members with the convenience and return they seek.

Lucy Ito, vice president, WOCCU explains, "There are three benefits to sav-

ings mobilization from the credit union perspective. It strengthens the financial self-sufficiency of the credit union and eliminates the dependency on external borrowing.

Savings represent a stable and cost effective source of funds and allow an institution to engage in community-based finance as opposed to other development methods where finance may be subject to the priorities of governments or donors. Lastly, members of credit unions have savings needs, as well as credit needs and savings mobilization gives members access to those much needed services in developing countries."

Savings products are constructed in three ways. Products are designed to offer various trade-offs between convenience (liquidity) and rate of return (compensation), depending on demand. Products are tailored to respond to the demand of particular market niches: farmers who save in large sums typically once a year, after a harvest and withdraw savings gradually through the year; or children and students who save small amounts due to their limited incomes. Alternatively, products are tailored to the purposes for which members save: to pay education fees for their children or to purchase large expense items, such as appliances or homes. As products are built to meet member demand, the defining characteristics are liquidity or access to savings, term, minimum balance, rate of return, interest rate structure and transaction costs.

Lower income savers often seek small accounts that offer high levels of liquidity. These savers exhibit strong preferences for accounts such as passbook accounts, with low minimum balances and complete and immediate access to savings at all times. These lower income savers have proven willing to sacrifice return for open

access to their funds. Greater volume savers seek to maximize their return on savings and have proven willing to sacrifice liquidity for higher return. These savers will generally trade off liquidity for the higher returns provided by products such as certificates of deposit and long-term accounts.

Many moderate to large savers prefer to build non-liquid longer-term savings in pursuit of long-run goals while maintaining a minimum amount in a liquid passbook account for immediate or emergency needs. Smaller savers may graduate from simple low balance, low return products to larger, higher return products as their income and assets grow.

### The Poor and Saving

Most development professionals no longer question if poor people save. Various studies demonstrate that the poor can and do save, although these savings are generally not often in liquid financial form. These studies also find that the majority of poor savers lack access to safe and sound institutions for depositing their savings. WOCCU savings-driven

# Savings





# Mobilization

## The Cornerstone of Credit Union Development

credit union development programs worldwide demonstrate that low-income people will substantially increase their voluntary savings deposits if provided with security, convenient service and market returns. Yet, millions of people continue to lack access to safe, reliable and convenient savings services. For example, tea and rice farmers in rural Kenya may or may not have access to a savings account,

which forces them to save in the form of buying livestock, jewelry or other items that could be sold quickly if the need arises. Credit unions in developing countries provide badly needed services for low- to moderate-income earners. Most of the time credit unions are the only institutions offering them loans and liquid deposit facilities.

What most distinguishes credit unions from other non-bank financial entities is the ability to mobilize mass numbers of small, voluntary savings accounts. Today, WOCCU project credit unions serve 2,239,453 members with a total savings volume of US\$345,776,475. In many credit unions that have mature savings offerings, net savers outnumber net borrowers by seven to one.

### Depth & Diversity of Outreach

The savings deposits mobilized by credit

unions represent significant depth of outreach, vast numbers of small accounts and diversity of outreach accounts of every size from savers of diverse income levels. The savings account distribution from WOCCU credit unions in Ecuador, Kenya, Romania and Rwanda reveals a pattern in which most of the accounts have deposits less than \$100, representing a small component of the total volume, while the majority of the volume is comprised of a small number of large accounts.

Numerous small deposits that characterize passbook savings accounts tend to be accompanied by the simultaneous presence of a few large accounts that help spread fixed costs and more moderate size accounts that provide a stable base of funds. The smaller accounts tend to be relatively stable with little movement, while the larger accounts are interest rate-sensitive and can be volatile. As such, the larger accounts must be managed with stronger liquidity reserving discipline.

The Ecuadorian credit unions display a pattern consistent with more mature credit unions: the proliferation of many small accounts, the small presence of large accounts over which to spread fixed costs and the moderate presence of a middle range group.

In many cases, savings services are demanded by clients for the purpose of creating financial safety nets to soften the costly repercussions of health emergencies or political or economic instability. In Kenya, increasing numbers of citizens save for expenses related to HIV/AIDS and in Rwanda, where citizens are struggling to rebuild a nation after the genocide of the mid-1990s, there is a strong need for savings services.

### WOCCU Savings Programs

PROJECT COUNTRY	DATE	NO. OF CREDIT UNIONS	NO. OF MEMBER-CLIENTS	TOTAL SAVINGS DEPOSITS	PASSBOOK DEPOSITS
Bolivia	12/31/01	10	60,179	\$32,682,018	\$10,700,175
Bulgaria	12/31/01	13	11,027	\$1,187,155	\$391,264
Ecuador	6/30/01	22	914,485	\$92,215,792	\$75,988,230
Guatemala	12/31/01	28	406,074	\$132,466,655	\$66,371,647
Honduras	9/30/01	21	194,679	\$34,120,182	\$16,471,616
Kenya*	9/30/01	6	45,438	\$4,524,854	\$4,524,854
Macedonia	9/30/01	1	1,273	\$155,545	\$4,551
Nicaragua	12/31/01	17	17,937	\$1,776,178	\$1,229,963
Philippines	12/31/01	18	171,561	\$15,758,701	\$7,416,128
Romania	12/31/01	26	105,069	\$5,181,554	\$591,314
Rwanda	12/31/00	145	229,453	\$23,413,012	\$23,413,012
Uganda*	12/31/01	15	10,785	\$2,274,270	\$2,274,270
<b>Total for 12 WOCCU Programs</b>		<b>322</b>	<b>2,168,000</b>	<b>\$345,755,916</b>	<b>\$209,447,024</b>

\* In Kenya and Uganda, most savings products offered have the passbook core characteristics. Passbook deposit data for these two countries was not separated out from total savings deposits. The Kenya project works with 16 credit unions total, serving 122,263 member-clients.



# Cross-Border Connections

## —Mexico Spotlighted

—by Kimberly Johnston, Marketing Communications Officer, WOCCU



seated l-r: Gerry Foley, chairman, WOCCU; Dave Chatfield, CEO, CCUL; Patsy Van Oeuwerkerk, chairperson, CCUL; Ramón Imperial Zuñiga, CEO, CPM; Ramón Mosqueda, chairman, CPM.

standing l-r: Adolfo Franco, asst. administrator for Latin America and the Caribbean, USAID; Carlos Gonzalez Gutierrez, Office for Latino Affairs, Mexican Embassy; Arthur Arnold, CEO, WOCCU; Dr. K. Philippa Malmgren, special asst. to the President, The White House; Dennis Dollar, chairman, NCUA; Dick Ensweiler, CEO, TCUL; Terry McCormick, chairman, TCUL; and Javier Gavito, CEO, Bansefi.

Earlier this year Mexican credit unions and the organizations that foster their development received acclaim at the Annual International Reception, co-hosted by World Council of Credit Unions, Inc. (WOCCU) and Credit Union National Association's World Affairs Committee. The event held at the Mexican Cultural Institute in Washington, D.C. treated attendees to comments from special guests of honor including: Dennis Dollar, chairman, National Credit Union Administration (NCUA); Dr. K. Philippa Malmgren, special assistant to President Bush; Adolfo Franco, assistant administrator for Latin America and the Caribbean, U.S. Agency for International Development; and Carlos Gonzales Gutierrez, Office of Latino Affairs, Mexican Embassy.

"The Mexican Cultural Institute provided the ideal venue to celebrate President Bush's signing of the appropriations bill, which included US\$2 million for credit union development projects in Mexico and South Africa," explained Arthur Arnold, WOCCU president and CEO. "The reception also provided a great opportunity for U.S. credit union leaders to learn more about WOCCU's Mexico project, along with credit union issues affecting both sides of the border."

One of the evening's speakers, Dennis Dollar made a statement in his remarks that received great applause from the crowd of more than 300 credit union attendees and dignitaries, "The NCUA leadership is looking at being more of a partner and facilitator in the IRnet effort

making affordable transactions accessible to credit union members in the U.S. and across the border." Dollar continued, "It is NCUA's role to remove regulatory impediments, where possible."

Also taking place during the event was a special WOCCU People-to-People Partnership signing ceremony between Caja Popular Mexicana, California Credit Union League, Texas Credit Union League and World Council. The four-organization partnership focuses on IRnet and other ways to share cross-border exchange. The group is looking at ways to reach out to more than 12 million Mexican immigrants in the U.S. "This partnership agreement exists as evidence of the commitment made by representatives of all the organizations to foster credit union development and knowledge exchange," said Arthur Arnold, WOCCU president and CEO. "These partnerships represent the best of what credit union people have to offer: people helping people to help themselves."

Following the events at the International Reception, a World Council delegation also met with the Mexican Ambassador, Juan José Bremer to discuss the long-term goals and objectives between U.S. and Mexican credit unions. As an out-

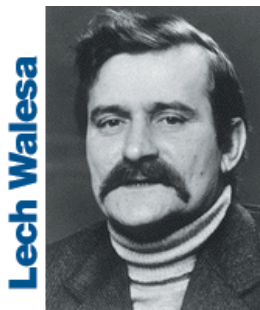
come of the meeting, Ambassador Bremer sent letters to all of the 48 Mexican consulate offices throughout the U.S. expressing his opinion that they should be working with credit unions. As a follow-up initiative, World Council is facilitating the connection of U.S. state leagues and Mexican consulate offices to work together toward providing greater access to financial services for Mexicans. In the letter sent to consulate offices Bremer closed by saying, "We consider the services that credit unions offer to be a benefit to our immigrants."



l-r: Katie Herberger, legislative affairs manager, CUNA; Dick Ensweiler, CEO, TCUL; Bill Cheney, CEO, Xerox FCU; Harriet May, CEO, Government Employees CU; Arthur Arnold, CEO, WOCCU; Ambassador Juan José Bremer; Dave Chatfield, CEO, CCUL; Richard McBride, executive vice president, CUNA; and Dave Grace, IRnet manager, WOCCU.

# Polish Leader to Kick-off Conference

—by Kimberly Johnston, Marketing Communications Officer, WOCCU



Lech Walesa

Addressing credit union leaders from around the world, Lech Walesa will be kicking off the 6th World Council of Credit Unions Leadership Institute in Warsaw, Poland, June 25-28. As the opening keynoter, Walesa will speak on “Solidarity in the New Millennium” and the important role credit unions have played in the past and their role in the future. His presentation will also emphasize the differentiation of credit unions, which is the theme of the Leadership Institute.

Walesa is best known by the world as the shipyard electrician who rose to world leadership ranks, becoming the first Solidarity Trade Union leader, winning a Nobel Peace Prize and going on to become Poland’s first democratically elected president. By themselves these are impressive accomplishments, combined they make up the story of one of the most fascinating leaders of our time.

Lech Walesa has made the name “Solidarity” more than an expression of the unity of a group campaigning for special interests. Solidarity has come to represent the determination to resolve conflicts and obliterate disagreement through peaceful negotiation, where all involved meet with a mutual respect for one another’s integrity.

“Conflicts and disagreements can be various and can lead to many different reactions. Those involved will inevitably be faced with complicated decisions,” Walesa explains. This was the situation one August day in 1980, when Lech Walesa climbed over the steel fence of the Lenin yards in Gdansk, took the microphone and became the leader

of Polish solidarity. He was faced with overwhelming difficulties; the choice of strategy was not easy. The goal was clear enough: the workers’ right to organize and the right to negotiate with the country’s officials on the workers’ social and economic situation. But which of the many available paths would lead him to this goal? Walesa’s chosen strategy was that of peace and negotiation.

One of Walesa’s less publicized accomplishments is the endorsement of SKOKs—the acronym for Polish credit unions. As Poland emerged from Communist rule, then President Walesa learned of the value of credit unions and their potential as democratic vehicles, which would improve the lives of working class and low-income Poles. Because of Walesa’s support, the seeds of the Polish credit union movement were planted and this year will celebrate its 10th anniversary. Today, Polish credit unions are one of the fastest growing movements in the world.

This year’s Leadership Institute focuses on the credit union difference. Speakers will help you to evaluate your credit union’s financial and social commitment. They will offer ideas for capitalizing on that commitment and making it transparent to members, staff, directors and the greater community. Credit union leaders are encouraged to register for the Leadership Institute and enjoy Poland, Europe’s best-kept secret. Poland is an historic and exciting venue for the world’s credit union and financial cooperative leaders to exchange information and explore ways to gain the competitive edge by differentiating ourselves through “Members First.”

Plan now to attend World Council’s International Credit Union Leadership Institute to strengthen your executive skills and the future of your organization in today’s global economy. To register for the conference go to [www.woccu.org/education](http://www.woccu.org/education) or contact Irene Scallon at-(608) 231-7601.



Busy street in Poland

## Schedule of Speakers

### Wednesday, June 26

#### Lech Walesa

A Century of Solidarity

#### Dennis Dollar

The Credit Union Difference in Action

#### Denise Wymore

Reaching Out: Marketing Your Credit Union to All Generations

#### Buck Joseph

Lead Employees in Placing Members First

#### Rob Nicholls and Barbara Kachelski

Outsourcing: Capitalizing on Your Credit Union’s Strengths

#### Teresa Freeborn and

#### Andrzej Sosnowski

Unify the Credit Union Message with Branding

#### Andrew Leys and Susan Davenport

Promote and Manage Rapid Growth

#### Dhun Karai

The Quest for Relevance in an eWorld

#### Marek Kaminski

Tackling Two Poles in One Year

### Thursday, June 27

#### Friedrich G. Zuther

The Future of the Internet

#### Leszek Balcerowicz

The Economic Transformation of Poland

#### Rep. Marcy Kaptur and Rep. Jim Leach

Salutes to the Success of Credit Unions in Poland

#### Mark Cifuentes and Martha Ninichuk

Building Credit Unions Internationally

#### Rich Woldt

Take Control and Safeguard Your Credit Union Against Terrorism

#### Linda Archer and Anne Cochran

Standards of Excellence in Credit Union Leadership

#### Jasmine Birtles

Corporate Responsibility and Other Laughing Matters

### Friday, June 28

#### John McKechnie

Project Differentiation: Committing to Members First

#### Rich Woldt

Working 9 to 5: Managing the Risk of Workplace Violence

#### Doug Whalen

Chip Cards and Other Products on the Credit Union Horizon

#### Tim Laing

5 Steps to Becoming a Great Credit Union Leader



# Fraudulent Offshore “Credit Unions”

—by Jennifer Chien, Credit Union Analyst, WOCCU

*Fraud is a multidimensional issue that credit unions must face every day. There can be fraud from within a financial institution, such as collusion or fraud directed at a financial institution, such as money laundering. An aspect of fraud that is less well known to many credit unions is fraud related to offshore “credit unions” and international banking companies (IBC). World Council of Credit Unions, Inc. (WOCCU) has learned of several organizations promoting schemes involving the sale of or membership in “international credit unions” who report to be credit unions but whose structure and activities in reality have nothing to do with credit unions and the credit union philosophy.*

## Offshore CUs – What They’re All About

Offshore banking is a lucrative and growing industry. It is currently estimated that roughly US\$6 trillion is held in offshore accounts. Many offshore accounts and financial organizations are perfectly legitimate and legal. However, there are several offshore financial operations whose purpose is to attract unwitting investors into impossibly lucrative financial investments that often vanish before clients ever see any returns. These organizations promote the opportunity to own or join private offshore “credit unions” or banks in such locales as the Bahamas, Panama and Europe to enjoy such benefits as high returns on investments, safe havens for tax-free money and financial privacy.

These operations typically follow a similar pattern. An organization’s website will promise to set up an IBC—a bank, trust, “credit union,” foundation, etc.—in an ideal offshore location for a large up-front fee. One website states that they have sought out a jurisdiction where one can set up their “own credit union for only US\$6,500.” Another organization offers a corporation package for

US\$4,900 that includes a certified certificate of incorporation by the State, certified articles of incorporation, by-laws, a records book, share certificates and a corporate seal. The “credit union” will have local stand-ins for real owners, thereby confusing ownership and ostensibly allowing individuals to move money and hide income from the Internal Revenue Service (IRS). Official registration of these “credit unions” often occurs through a public registry, such as in Panama, instead of with the Panama Institute of Cooperatives, where genuine credit unions are supposed to register.

Along with promoting the sale of these off-the-shelf, ready-made “credit unions” at what is claimed to be a bargain price, these organizations also tout the numerous benefits that customers will be able to take advantage of through their private “credit unions.” One organization lists the following variety of things you can do with your own credit union: issue your own bank references, grant yourself constructive credit ratings, grant your own loans and mortgages, minimize taxes and boost your corporate image by retaining your very own credit union.

After these “credit unions” are set up, the organization generally encourages investors to use the money in their IBCs to further invest in various enterprises that promise exorbitant returns. One offshore sales pitch provides current examples on investments that pay from 40%-150% per year, based on past results. However, these investments are not available to individual U.S. citizens because of U.S. government restrictions; therefore, any interested individuals must first set up an offshore entity like a “credit union” which can make the investments secretly on their behalf.

These organizations typically have a couple of employees on the ground, lawyers or offshore intermediaries who will obtain licenses, officially register the organizations and operate the


shell organization. There are generally multiple tiers to the organization, involving limited liability companies (LLC) based in one offshore location owning the “credit union” in another location. However, the main organization behind these complicated webs that oversees the various offshore entities and website marketing promotions frequently ends up being based in the U.S. or Canada.

## Why Be Concerned?

Types of operations such as those described can pose a danger to both credit unions and consumers. With their promises of easy access to financial institutions and high returns, offshore “credit union” and IBC schemes have been successful in luring investors that range from retirees to individuals from all income levels. One “international credit union,” which only allows members to join after they first form an LLC, a Corporation and a Limited Partnership, encourages members to cash out their individual retirement accounts and 401Ks and transfer this money offshore through the three business entities the members have formed. Some of these investors have lost all of their investments when these organizations folded or their investments vanished. “These ‘credit unions’ are just pieces of paper—they are not real credit unions. They are created to defraud and there is no shortage of gullible investors,” stated David Marchant, publisher of *OffshoreAlert*, a monthly newsletter that reports on offshore scams.

However, it is not always easy to fully assess an organization beforehand to judge its credibility, nor is it easy to prosecute an organization that has swindled its customers. It can be difficult to stop those operations involved in fraudulent activities due to the complexity and secrecy of these organizations, which multiplies the time and effort required by regulators and officials in scattered regions to investigate any wrongdoings. Additionally, laws protecting financial





privacy in offshore locations often make it problematic to gather substantive evidence.

One of the main problems with these types of international financial schemes for genuine credit unions is that they may technically be operating legally; or rather they are not acting illegally, in regards to the use of the “credit union” term. In many offshore jurisdictions, there lacks specific, detailed legislation or regulation regarding the use of the term “credit union.” “Presently there is no law in Panama regulating the brand name of ‘credit union’ as there is for ‘bancos’ and ‘cooperativas de ahorro y credito,’ therefore it is legally viable for a company to be chartered with the name of ‘credit union’ included in its registered name,” explained Angel Castro, an international credit union financial consultant based in Panama. “Loopholes in credit union-related legislation could be found if you search hard enough.”

Such schemes have a negative impact on the good name of credit unions. “We saw this happen in Mexico in 2000, where a number of fraudulent credit unions (cajas populares) committed acts that significantly undermined confidence in the credit union sector. Two years later, well-run credit unions are still struggling to overcome these perceptions,” stated Arthur Arnold, president and CEO of WOCCU. Beyond the fact, these false “credit unions” are not following cooperative principles, there is the added concern that some of these organizations may be involved in money laundering. “While there is nothing inherently illegal about an IBC or an offshore trust, they are frequently used to hide assets from legitimate creditors, to avoid paying taxes or to launder money made from criminal activities, according to the IRS.” (*Washington Post*, 11/4/99) Associations with fraud and money laundering are detrimental to the efforts of the credit union movement worldwide, particularly

given the current efforts to crackdown on criminals and terrorist financing.

## What’s Being Done

National financial industry and credit union regulatory bodies have been alerted to the issue of offshore credit unions after it was highlighted in the press several months ago. WOCCU has communicated with credit union leagues and regulators in several offshore locations regarding fraudulent “credit unions,” recommending that strong steps be taken to prevent such activity.

In the United States, the Bush Administration is also cracking down on money laundering and fraud through new legislation regarding the behavior of financial institutions. These actions may help diminish the number and operations of international “credit unions” operations due to increasingly strict regulations regarding what can be considered private financial operations. There have also been broader international efforts to target offshore financial centers. The Paris-based Financial Action Task Force targeted offshore financial centers in 1999 for refusing to bring their money laundering controls in line with universally accepted standards; these efforts will likely be strengthened by the renewed international focus on money laundering.

The best steps a credit union can take to help combat these fraudulent “credit unions” are to be alert for any suspicious activity and to communicate with officials regarding any known fraudulent activities. Given the new emphasis on terrorist financing, it is important to be highly vigilant for schemes such as these fake “credit unions” and to thoroughly check the background of any financial organization you are dealing with to be assured of its legitimacy. Alerting your credit union members and communities about these operations can

also be beneficial.

The most effective way to prevent schemes such as these international “credit unions” from taking place is to close the legislative loopholes that allow these operations to function in offshore locations. Specific legislation is required that prevents organizations from abusing any variations of the credit union name. “WOCCU strongly encourages individual credit unions and federations worldwide to advocate for better regulation. In light of the present day crackdown on terrorist money laundering and fraud, credit unions can take the opportunity to play a role in shutting down and preventing fraudulent activity,” stated Arnold. Informing regulators and government officials of the importance of more effective legislation and better supervision and oversight can help prevent organizers of financial schemes from taking advantage of the credit union name and their unwitting clients’ investments.

\*Sources: *OffshoreAlert* ([www.offshorebusiness.com](http://www.offshorebusiness.com)); [www.quatloos.com](http://www.quatloos.com), *Washington Post*; *Investment Dealers’ Digest*, 11/26/01; offshore promoters’ websites

# Member Updates



**CANADA** – Following direction received from the board of directors, Canadian Central's moved forward to prepare a business case examining the proposed National Learning Organization (NLO). The NLO will provide the credit union system with a single, integrated education capability using state of the art technology to support learning across the credit union system. This integrated approach is expected to reduce costs by eliminating duplication and delivering faster, broader learning due to improved access to professional development resources. The work to date on the NLO will be reviewed at Canadian Central's 2002 Canadian Conference in May.

**CARIBBEAN** – The Caribbean Confederation of Credit Unions (CCCU) celebrates its 30th anniversary August 17, 2002. A number of activities will be held throughout the year to highlight this milestone, among the main activities will be the 45th Annual International Convention & 31st Annual General Meeting held in Ocho Rios, Jamaica from July 20-26, 2002.

The theme for the convention is 30 Years...Celebrating the Past, Embracing the Future. The convention will highlight many of the past accomplishments of the co-operative sector made by individuals, leagues and others. It will also focus on a plan and strategies for some of the challenges the sector faces in the 21st Century. The International Youth Co-operative Business Camp, the Regulators Forum and the Managers' Institute, will also be held during the convention.

**DOMINICAN REPUBLIC** – AIRAC recently launched an image campaign for member credit unions as part of a World Bank financial project. After conducting a market study to measure the perception of credit unions and banks in comparison to



one another, AIRAC conducted focus groups to find out specific opinions of represented credit union groups. As a result of the research, AIRAC members will no longer be branded as credit unions; instead they will be marketed under the name Financial Services Cooperatives (FSC). The name, when translated into Spanish implies AIRAC members can offer more than basic credit and share draft accounts. The national association is also working on a project for FSCs to offer debit cards, additional ATM services and in the future remittances. AIRAC is kicking off an image campaign to support its new brand.

**FIJI** – Credit unions in Fiji are slowly recovering after the political problems of last year. With the economy still fragile, life is slowly returning to normal. An application to the European Union to computerize and provide electronic banking facilities to large credit unions in Fiji is underway and looking positive. Attempts are also still being made to get the Fijian government to review the Credit Union Act.



**GREAT BRITAIN** – ABCUL is being sponsored by Barclay's PLC to bring the PEARLS Monitoring System to credit unions in England, Scotland and Wales. PEARLS, a product developed by World Council of Credit Unions, is currently in use in more than 20 countries around the world. It provides a series of financial ratios to monitor the financial stability of credit unions and serves as an early warning system generating invaluable management information for future strategic planning. The system has been instrumental in the expansion of the credit union movement in other parts of the world. Barclay's support will enable a pilot group of 10 credit unions to install the system and all ABCUL credit unions will receive an annual summary of their PEARLS ratios.



**IRELAND** – Last year the ILCU undertook four major review projects dealing with: funding of the league, insurance products and services review, monitoring of credit unions and IT/communications. The Irish movement awaits the findings of the Independent Review Commission, which was established following the 2001 ILCU AGM. The Commission has a mandate to review all aspects of the Irish movement including credit union vision, the role of the league, movement structures, services and products provision, league funding, savings protection scheme, governance and accountability.



The initial findings of the commission will be shared with the Irish movement at a series of workshops. The commission will also present findings at the league AGM in April, with the final report of the commission being presented for debate and decision at a special general meeting of all league affiliated credit unions on June 9, 2002.

**MALAWI** – The major issue affecting SACCOs in Malawi is the devastating food shortage, which has hit the country and is affecting every sector of the economy, including credit unions, particularly in rural areas. Little member saving is taking place and loans are not being serviced as regularly as they would have been without this food shortage. The situation might improve in May after harvest of maize (corn), the major food staple and small farmers start selling their farm produce.



**MEXICO** – CPM is currently focusing attention on the WOCU-Mexico credit union development project kick-off program. The event, which is expected to host government officials from Mexico and the U.S., the U.S. Agency for International Development and credit union leaders will draw national press to promote the credit union strengthening project. CPM also held its national Annual





General Meeting in Leon.



**NEW ZEALAND** – As of January 2002, the NZACU member credit unions operate under a Trust Deed in compliance with revised legislation. This compliance enables credit unions to accept deposits up to NZ\$250,000 or 10% of total assets, whichever is the lower. The previous limit was a standard NZ\$40,000.

The NZACU has entered into an agency agreement with one of New Zealand's five



foreign owned banks for credit unions to enter into New Zealand's banking clearing system and be able to issue personal checks to their members. Testing of this Transactional Banking Facility (TBF) commenced in April with three credit unions and soon after will be rolled out to the 26 member credit unions that make use of NZACU's Computer Bureau. This will enable these credit unions to compete more aggressively with the new government-owned Kiwibank. As part of a marketing initiative a new standardized credit union logo is being introduced to member credit unions and the NZACU.

**NICARAGUA** – Nicaragua is in the process of computerizing its credit union information system. The Central is providing new hardware, software and training. This is a large task, especially with some credit unions converting from paper accounting and bookkeeping systems. When completed, all Nicaraguan credit unions that belong to CCACN will be interlinked. This will allow members to utilize any of the credit unions to make a deposit, withdrawal, cash a check or make a loan payment. The Central will become the clearinghouse for all credit unions in the system.



CCACN recently received copyright approval from the Nicaraguan government on its logo and brand. Credit unions in the system have the right to use the brand, as long as they follow financial and

cooperative standards.

**POLAND** – Late in 2001 NACSCU proposals were included in a Parliament-adopted amended law on physical person tax, which will enable credit union members to deduct costs from their pre-tax incomes of housing loans. Adoption of this amendment means inclusion of credit unions (along with banks) in the new government-introduced program aiming to assist Polish citizens in the realization of their housing needs.

The Polish movement has 680 credit unions serving over 520,000 members. Total credit union assets are US\$445 million, while deposits equaled US\$390 million. In January, SKOKs (credit unions) were included



in Poland's official Economic Development **SKOK** Program for three years, 2002-2005, in recognition of credit unions' significant potential to become a key element in the implementation of government's "Enterprise First" strategy for economic development.

**UKRAINE** – New credit union-specific legislation was introduced in December 2001. The new law sets out the organizational, legal and economic principles of the establishment and activity of credit unions, their associations, as well as the rights and duties of the members of credit unions and their associations. Under Article 10 of the new law, states members of a credit union may be Ukrainian citizens, foreigners and stateless persons domiciled on the territory of Ukraine, united by at least one similarity. The use of the term "credit union" is now also under regulation. Enterprises, institutions and organizations will not have the right to use "credit union" in their names and not be subject to state registration under the names including this term, if they have been established by procedure other than provided for by the present law.



**UNITED STATES** – U.S. credit unions demonstrated their commitment to the philosophy of "people helping people" in the wake of the September 11 terrorist attacks. Credit unions and credit union organizations raised over US\$650,000 for victims and their families through the Credit Unions Rebuild America (CURA) Fund and over US\$1 million through the New York Credit Union Foundation. Money raised is being distributed to victims and their families.

Bankruptcy reform continues to be a key issue for the U.S. credit union movement. At CUNA's 2002 Governmental Affairs Conference, Bankruptcy Conference Committee Chairman Jim Sensenbrenner (R-Wis.) announced he has sent a

compromise package to the Senate that could break the year-long stalemate on bankruptcy reform as early as this spring.



CUNA & Affiliates

# Business Continuity & Recovery Plans

—Foreword by Mary Chapman, Chief Financial Officer, WOCCU  
Reprint, *Dimensions*, CUNA Mutual, September/October 2001

In today's competitive marketplace any interruption to normal business operations is something to be concerned about. A business continuity and recovery plan is a credit union's first line of defense—a preparation for any unplanned, short or long-term interruption of business operations. Whether it is a natural disaster, terrorist attack or some unforeseen incident, credit unions should be prepared. World Council of Credit Unions, Inc. (WOCCU) feels strongly that priorities in the business con-

tinuity and recovery plan should be, first and foremost, employees and members, then currency and negotiables and lastly, property and equipment. A Business Continuity and Recovery Plan is the credit union's guide for procedures in different situations and levels of business interruption, whatever the cause. People need to know who to call, who does what and where to go. With a plan in place your most important assets—your employees—feel safe and will be prepared for their role in the plan.

## Planning for Disasters

Floods, fires, tornados and earthquakes—even nearby chemical spills and train wrecks—can devastate a credit union. Unpredictable acts of violence like armed robberies, employee shootings and bombings round out the list of potential disasters that can seriously threaten your credit union's livelihood. Many credit unions have an "it won't happen to us" attitude when it comes to disaster recovery planning. But these same credit unions should know that in the United States the National Credit Union Administration requires and reviews comprehensive contingency plans for all federally-insured credit unions—no matter what size. Credit unions that fail usually don't have plans in place or don't regularly update them. These organizations can face failure—or even worse—injury or loss of life if disaster strikes.

To protect your credit union and members' assets, your credit union should have a plan in place and board volunteers and staff, who know what to do in each case of disaster.

Disaster planning involves three major phases: preparing a disaster recovery plan; training staff and volunteers; and coping with a disaster and its aftermath. This article focuses primarily on phase one.

## Involve Everyone in Planning

With disaster recovery plans, it's important that each employee and board volunteer takes an active role from the beginning and remains responsible from that point on. The greater number of people involved, the less burdensome maintaining the plan will be and the greater the chance that most constancies will be dealt with. When researching a plan, front-line staff and employees from each department can help:

- Determine your current property assets
- Rank services that must be continued during recovery (What's most important to our members? Cash withdrawals? Loans? Transfers and deposits?)
- Find and contract resources in the community in advance to help in the aftermath of a disaster (i.e., offsite record storage)
- Uncover potential complications

Once you have done your homework, you can begin creating the plan. Include the worst possible scenarios: your entire community has been hit, roads and other means of access are blocked and emergency relief forces are focused elsewhere. "It's up to you and your super crew of employees and directors to save the day and begin the recovery process," says Jim O'Dell, process owner for risk management in the Credit Union Protection area of CUNA Mutual.

First and foremost, remember: employees and members first; currency and negotiables next; property and equipment last. No amount of money is worth anyone's life or well-being. Set clear documented guidelines and procedures for different situations. Make sure each employee understands his or her role and knows not to take unnecessary risks. For example, after a



credit union building has been damaged, no one should enter the structure until local authorities say it's safe.

### Don't Let Your Plan Gather Dust

Once the plan is in place, it should be updated annually, reviewed and approved by the credit union board and officially documented. Documentation showing plan maintenance, notes taken during simulations and written record of improvements can provide clarification, should your credit union be legally challenged.

The military does not wait to be attacked before training its personnel and neither should you. Once a plan is in place, drill your employees and directors using internal simulations. This often uncovers hidden flaws that point out how the plan can be improved. It also helps credit union staff be less afraid and thus, better able to act.

Hold simulations several times a year. It is crucial to make the simulations as real as possible. Have your most skilled writers meet with the security administrator and write a couple of drafts of the scenario. Keep it a secret, but go ahead and consult local authorities. In case of a simulation drill for a tornado, invite authorities to observe and give guidance to the staff participants.

Top managers should lead the charge instead of catching up on paperwork while everyone else scrambles. "Staying aloof," says O'Dell, "sends the wrong message to other staff, leaving top management unprepared in a real crisis and it undermines the simulation's overall effectiveness."

### Forming a Help Network

Assistance from other credit unions and retired employees can help your credit union recover more quickly. When Missouri Pacific Federal Credit Union was hit with 18 inches of rain run-off two local credit unions and their CEOs helped remove carpeting and move furniture. Although the credit union was able to resume service to its members after being closed only one day, it was at least two months before structural repairs were complete.

To ensure continuity of service in case of disaster, some credit unions are forming "brother-sister" relationships. This strategy entails becoming an alternative recovery site for a local damaged credit union and vice versa. The idea has a lot of advantages, particularly for credit unions with multiple branches. But make sure to test the credit unions' computer systems periodically for compatibility. You will also need to have additional alternative recovery sites for disasters with widespread impact, such as earthquakes or floods. Local authorities can aid you in determining the extent of likely disasters and you can inquire within your local credit union area about credit unions interested in reciprocal relationships.

### International Disaster Relief

World Council of Credit Unions manages the Worldwide Foundation for Credit Unions' a disaster relief fund that collects donations throughout the year to respond to credit unions in need when a disaster strikes. The foundation also solicits donations for specific disasters affecting credit unions around the world.

To make a contribution to the Worldwide Foundation send a check or money order to the World Council of Credit Unions' Worldwide Foundation, 5710 Mineral Point Road, Madison, WI, 53705. For questions regarding the foundation or how to make a donation, please contact Mary Chapman, World Council chief financial officer at [mchapman@woccu.org](mailto:mchapman@woccu.org).

## What to Include in Your Plan

- ✓ **Statement of Confidentiality**  
Individuals authorized to speak to the media.
- ✓ **An Order of Succession Statement**  
This statement, along with your most current organizational chart, so services can continue uninterrupted if key managers are sidelined.
- ✓ **Disaster Recovery Team (DRT)**  
A selected team that will take charge after the disaster specifying the DRT's authority and order of succession.
- ✓ **DRT & Damage Assessment Team**  
A list of DRT members who are also members of the Damage Assessment Team (DAT) and alternates. The DAT members should have specialized experience in areas like engineering, public relations and computer operations.
- ✓ **Command Post Locations**  
List three predetermined locations to temporarily relocate.
- ✓ **Recovery Procedures**  
Procedures to follow for each department or group.
- ✓ **Vendor List**  
Vendors who can supply the credit union with office space and other necessities during the time of recovery.
- ✓ **Off-site Storage**  
Designate an off-site storage facility within a reasonable distance from the credit union to protect stored property and records.
- ✓ **Secure Storage**  
Facilities to store back-up records the credit union needs to keep itself in operation.
- ✓ **Response Procedures**  
Immediate response procedures for the DRT and DAT.
- ✓ **Insurance List**  
List of asset protection and insurance coverage.
- ✓ **Trauma Counseling Resources**  
List of counseling resources readily available.
- ✓ **Plan Testing Procedures**



# The Way Forward

—by Michael Beall, Manager of Governmental Affairs and Partnerships, WOCCU



*l-r: André Misiekaba, CEO of De Schakel Credit Union; Harold Jap A Joe, chairman, GODO CU; Dennis Dollar, chairman, NCUA; Reginald Tjon A Kon, secretary, De Schakel CU; Agnes Choennie, director of CU supervision, Central Bank of Suriname; Ingeborg Geduld Nijman, director of supervision for financial institutions, Central Bank of Suriname; Carlho Wijdh, CEO, GODO CU.*

Some things seem destined to have a happy ending no matter what obstacles and challenges exist. The partnership between the Suriname and North Carolina credit union movements have that feeling. Both movements have survived some tough times in recent years—hyperinflation in Suriname that reached more than 500% in the late 1990s and the battle with the banks that started in North Carolina (NC) and ended up in the halls of the U.S. Supreme Court and Congress in 1998.

Marc Schaefer, CEO of Truliant Federal Credit Union, Winston-Salem, NC has been involved in both movements' battles. Schaefer grew up in Suriname, a country of 400,000 people located above Brazil on the northern coast of South America. In 1996, Schaefer was tapped by World Council to be involved in a project funded by the Inter-American Development Bank to assist the country's credit unions in reaching members who wanted to start micro-enterprise businesses. That work led to the Suriname – NC partnership, signed in 1998.

In that work, Schaefer met two men who are responsible for building much of the credit union movement in Suriname—Carlho Wijdh, CEO of GODO Credit Union and André Misiekaba, CEO of De Schakel Credit Union. Wijdh and Misiekaba are as different as night and day. Wijdh is a soft-spoken man who has built GODO by focusing on technology and delivery of services that stand out in a developing country. Misiekaba is immediately engaging and has built De Schakel by reaching out to serve many unbanked citizens of this tropical country. Both are passionate about the role credit unions can play in the development of Suriname.

The partnership is the vehicle for Schaefer, Wijdh and Misiekaba to focus on how to expand the reach of credit unions in Suriname. All are convinced that updating Suriname's credit union legislation

and regulation is crucial to enable credit unions to fulfill their mission of providing access to affordable financial services in Suriname. "GODO is willing to do whatever we need to do to strengthen our credit union and offer the services our members want, such as transaction accounts, foreign currency accounts and ATM access," stresses Wijdh. Updating the credit union law to allow for full supervision by the Central Bank of Suriname is the way forward in the opinion of De Schakel," adds Misiekaba.

Updating a credit union law is a task in which Larry Johnson, CEO of the North Carolina Credit Union Network (NCCUN) has some experience. Larry worked at NCCUN to lead credit unions' efforts to change the U.S. federal law on field of membership in 1998 and North Carolina law on predatory lending in 1999. Johnson says, "Plain and simple, credit unions need good legislation in order to grow and providing that platform is the main responsibility of any league. NCCUN is working with WOCCU and Suriname to make sure that this



## COUNTRY INDICATORS

National Capital: Paramaribo  
Government Type: Constitutional Democracy  
Population: 433,998 (July 2001 est.)  
Unemployment rate: 20% (1997)  
Inflation Rate: 78% (2000 est.)  
Exchange Rate: 2,178.50 guilders/US\$1  
GDP: US \$1.48 billion (1999 est.)  
GDP per Capita: US\$3,400 (1999 est.)  
Source: CIA Fact Book

## CREDIT UNION INDICATORS

Credit Unions: 19  
Members: 8,628  
Savings: US\$300,494  
Loans: US\$204,884



platform is built there as well."

To accomplish that end, WOCCU and NCCUN have been working via the partnership, funded in part by the National Credit Union Foundation, to advocate such a change with officials from the Central Bank of Suriname. That advocacy led to an internship for Ingeborg Geduld Nijman and Agnes Choennie of the Central Bank of Suriname to study credit union legislation and regulation, as well as credit union operations at the National Credit Union Administration

Continued on Page 17



# Changing Perception

## —Macedonia's FULM Savings House

—by Martha Ninichuk, Macedonia Project Director, WOCCU



World Council of Credit Unions, Inc. (WOCCU) has worked diligently in Macedonia, a country that has been in economic transition since it gained independence from Yugoslavia in 1991. As a result of the Republic's collapse, the banking system reorganized for an independent country. Many Macedonian citizens were victims of pyramid schemes in the late 1990s

Savings House.

Macedonia is now split into 14 regions and each region has an association club. When an interested person seeks information regarding FULM Savings House, he/she is directed to the club leader in the region. If the person wants to become a member, the club leader instructs him/her to contact the central offices of the savings house. With the association clubs in place, FSH is able to reach the entire population of Macedonia.

and lost personal savings. Further mistrust in financial institutions occurred with the failure of a major savings house in the Bitola Region of Macedonia in 1995. Skepticism is still evident, with approximately 70% of Macedonians saving in foreign currencies including: the deutchmark, Swiss franc and now the euro. The majority of these people do not save hard currencies in financial institutions. Instead, people keep currency hidden at home for easy access and ease of mind.

Because of regulatory restrictions and non-credit union specific legislation in the country, the WOCCU Macedonia-FULM Savings House (FSH) needed to be innovative and flexible. A financial system was developed to provide access to services for Macedonians, along with a consolidated program to educate members about credit unions. The program became successful working under the name Savings House, which was once widely mistrusted.

To reach the entire population of Macedonia, a network credit union system was devised. FULM Savings House currently has a network of four branches throughout the country and a central office located in the capital city Skopje. Each branch has its own field of membership. Even with the network of branches there still was a large segment of the population ineligible to join the savings house.

For people not covered within the branch network, the FSH central offices expanded its field of membership. FULM association clubs were formed and used as an organizational tool. Citizens of Macedonia could join an association club and through their membership become eligible to join FULM



### COUNTRY INDICATORS

National Capital: Skopje  
Government Type: Emerging Democracy  
Population: 2,046,209 (July 2001 est.)  
Population below poverty: 25% (2000 est.)  
Unemployment rate: 32% (2000)  
Inflation Rate: 11% (2000 est.)  
Exchange Rate: 65.904 denars/US\$1  
GDP: US\$9 billion (2000 est.)  
GDP per Capita: US\$4,400 (2000 est.)

Source: CIA Fact Book

### CREDIT UNION INDICATORS

Credit Union Locations: 6  
Members: 1,273  
Savings: US\$186,767  
Loans: US\$375,582

\*Loans made from founding capital (Dec. 2001)

The next step was to begin a marketing campaign. FULM Savings House developed an advertising campaign to promote that they are "different from the others." The campaign educated the public in regards to credit union philosophy, democratic structure and the FULM Savings House. Self-governance of the credit union structure proved to be an important link in reinstating the trust of Macedonians when joining FULM Savings House. Every brochure, pamphlet, radio advertisement and TV ad states the savings and credit cooperative message.

During December 2001, 10 members from the Bitola region applied and were approved for loans. The

central office promised the members they would receive loan disbursement immediately upon approval, but a snow storm dumping a foot and a half of snow made travel throughout the country virtually impossible. Knowing the importance of keeping a promise to instill trust, FSH central employee, Alexander Damjanovski, personally made a decision to disburse the loans, on time, as promised. Alexander took it upon himself



Official opening of the Kavadarci Branch FULM Savings House, Dec. 2001.

## FULM Savings House



Stephen Haynes (left), USAID mission director and Vlado Gurev, initiative group leader (middle) at the Kavadarci branch opening ceremonies of FULM Savings House.

to take a six-hour train ride to Bitola. Had he not made the trip, the waiting period for loan disbursement would have been greater than three weeks. Service like this is how the FULM Savings House is winning back the country.

### Making Headway

The results of the FULM Savings House are amazing. During the last 12 months, savings deposits have grown 280%, loan growth 446% and total membership is at 117%. Even working under the label of a “savings house,” people are learning the difference of FSH and are willing to put aside their perceived risk. At a meeting with Liljana Bozinovska, director of the Macedonia Deposit Insurance Fund, it was reported that when comparing FULM Savings House to other savings house institutions in Macedonia, FSH ranks first in the number of individual savers and second in the rate of growth. National statistics for 2001 reflect that FULM Savings House grew four times more in savings than other savings houses.

These statistics have even greater importance in view of the political climate of

Macedonia during 2001. From February to October 2001, Macedonia was in the midst of a crisis between ethnic Albanians and Macedonians. The west side of the country was completely involved in this conflict; police checkpoints were placed throughout the country and citizens felt a heavy military presence. There was real concern that the whole country would become involved in civil war. The Macedonian economy slowed and people were not willing to make long-range business commitments when the safety of the region was so unpredictable. People did not know if they would have jobs from one day to the next and were afraid they would have to flee their country.

During this entire period, FULM Savings House prospered. Members continued to deposit their savings and in return FSH continued to grant loans. Even though most other financial institutions in the country stopped granting loans, FULM Savings House did not have one delinquent loan—even within the branch located in Nerashte, the heart of the conflict region.

### The Future

For 2002 FULM Savings House is determined to open two additional branches within its network. An important fifth branch is scheduled to open in the Bitola region during the summer of 2002. Not only is it amazing that the region has shown support for the FULM Savings House, but more importantly the people in the Bitola region sought out WOCCU to serve their area.

Since WOCCU and FULM Savings House have prospered in an economically challenging and politically difficult time, the future looks bright for them. At the completion of the project in August 2002, Macedonia will have a savings house with a strong infrastructure and strong operational and financial management procedures. FULM Savings House will be a financial institution that works for the financial development of the individual in Macedonia.

### CUs Help People Become a Community

Slavjanka Gersimovska lives in the village of Dobroshte, in the Tetovo region of Macedonia. Gersimovska, a mother of three and her family manage to survive on the modest income they receive from her and her husband's pensions. The family also receives a small income from





embroidery pieces that Gersimovska and her eldest daughter produce and sell on consignment in local boutiques. “What is really important for me is that I secure a stable future for my children. We have three children; two are students at university, studying political science in Skopje. My youngest daughter also enrolled in the same courses at the university in order to save money on books.”

“One of the community members in Dobroshte told me there was a new credit union in Nerashte, a nearby village—so I visited the branch—where the branch manager went to a great deal of effort to explain about the services,” said Gersimovska. The credit union had loans for farmers and consumers, but they did not have a specific product to meet Gersimovska’s needs. Keen to help Gersimovska, they adapted the conditions of another product and developed a tailor-made loan that would meet her needs. Gersimovska borrowed \$400 to pay for her children’s university fees. “Because I am a pensioner, I needed to find two guarantors employed in budget companies, which was easy for me. I joined the credit union and they gave me a loan, which I have repaid. Now any extra money I have, I deposit as savings in the credit union,” she said.

Once her loan was disbursed, Gersimovska gave her payments to a friend from her village—who worked in Nerashte—to make the payments on her behalf. During the crisis there was no way of getting to the credit union to make loan payments. “I tried to call the branch but the telephones were also out in the village. I managed to get through to the central office and spoke to the director who ensured me that the credit union would not charge me a penalty for making a late payment,” said Gersimovska.



*Slavjanka Gersimovska poses with the manager of her credit union, Sheip Jaferi.*

“At the moment, I’m on a waiting list to receive a hip brace. If it doesn’t arrive by March, I will apply for another loan so that I can have an operation,” she continued. In the future, Gersimovska also hopes to take out a loan to further develop and promote her embroidery work as a small business, which will

“One of the things I miss from my childhood is the companionship and closeness within communities. These opportunities made available by credit unions...”  
– Slavjanka Gersimovska

generate income for her family and herself.

Gersimovska is grateful to the credit union for its customer service and the extent it went to help her. “Prior to FULM, I applied for loans at all of the banks in Tetovo and was declined because I was a pensioner. The company I was employed at

for 27 years had a bank as part of the company group and it was here that I was most disappointed,” she added.

### A Credit Union Community

“One of the things I miss from my childhood is the companionship and closeness in the communities. These opportunities are now made available by credit unions—to be involved and to be part of a community where people help each other—now days these opportunities are rare. That is why I’m so grateful to the credit union. When the bank declined my small loan request, the credit union was there to help me. It is these types of institutions that give back to the community that are so rare. I hope FULM will become part of more communities. With unemployment so high, it would be great to have small loans to help set up small businesses so that people can create employment for themselves,” explained Gersimovska.

# A Benchmark for Other Provinces

## –WOCCU Vietnam Project

–by Mike Collier, Public Relations Intern, WOCCU



Community Financial Institution staff in Can Loc district, Ha Tinh, Vietnam.

When World Council of Credit Unions, Inc. (WOCCU) takes on development projects around the world, the task that lies ahead is never an easy one. This has certainly been the case with WOCCU's Vietnam project in Ha Tinh province. Ha Tinh's community financial institutions (CFIs), which operate much like credit unions, are run by members of the Vietnam Women's Union, a popular association with 11 million members throughout the country. Though the CFIs are not legally registered, the Women's Union gains its legal status from the Communist Party of Vietnam. One goal for WOCCU's project, though, is true legal recognition for the CFIs, which will help facilitate enforcement of legal contracts, access to banking services and deposit insurance.

When U.S. armed forces withdrew from Vietnam following a ceasefire agreement in 1973, they left behind a war-torn shell of a country. A vast majority of Vietnamese people suffered from what seemed like hopeless circumstances, despite attempts by the United States and other countries to provide economic aid.

After what some consider a miraculous rebuilding process, the people of Vietnam, through internal programs as well as assistance from outside agencies, made tremendous headway toward reaching a more stable economy through sound financial systems.

Maintaining reliable and affordable financial services is often a challenge for staff and management of CFIs in provinces throughout Vietnam. WOCCU plans to assist the Vietnam Women's Union in alleviating these pressures and ensure long-term sustainability of the institutions in Ha Tinh, one of Vietnam's 58 provinces. Jointly funded by the United Kingdom's Department for International Development and the U.S. Agency for International Development, the 14-month, US\$500,000 project supports one of the poorest provinces in Vietnam, where per capita gross domestic product

(GDP) is US\$191. CFI services are focused on middle-class and poorer households, as well as microentrepreneurs. The Women's Union manages and staffs the CFIs.

Ranking high in the list of priorities for the project is the implementation of updated, consistent accounting and the introduction of supervision based on WOCCU's PEARLS Monitoring System. Many of the women running these CFIs work part-time and are busy farming people, often with relatively low levels of education. Shifting over to new accounting practices may be a difficult transition, but not impossible, as William Smith, project manager explained, "Overcoming obstacles will require building consensus on the content and design of any new accounting and supervisory tools to be introduced to the CFIs as well as ensuring that tools designed by the project are easy to use and understand."

WOCCU Vietnam works with representatives from the Central Women's Union, State Bank of Vietnam, Ha Tinh People's Committee and three non-governmental organizations to form a steering committee to help work on the framework for implementation of the project. "I expect this project will lead to a wider appreciation of the importance of institution building and financial safety and soundness among savings and credit organizations, projects and supporters in Vietnam," said Smith. "In particular, it is hoped that the project



### COUNTRY INDICATORS

National Capital: Hanoi  
Government Type: Communist State  
Population: 79,939,014  
(July 2001 est.)  
Area: 329,560 sq km (slightly larger than New Mexico)  
Inflation Rate: -0.6% (2000 est.)  
Exchange Rate: 14,530 Vietnam dong/US\$1 (Jan. 2001 est.)  
GDP: US \$154.4 billion (2000 est.)  
GDP per Capita: US\$1,950 (2000 est.)  
Source: CIA World Factbook



will develop a set of tried and tested tools (accounting system, internal controls, examination guidelines, etc.) that will be disseminated for wider application throughout the microfinance community." Moreover, WOCCU expects that the project will increase public and government confidence in Women's Union CFIs, an essential key to mobilizing savings.

Regular follow-up and assistance in the field should help to reinforce the impact of training. Despite being in its infancy, the project is already being viewed by locals as a sign of a promising future.



## People-to-People – (cont'd)

Continued from Page 12

(NCUA) and in North Carolina credit unions from February 22 – March 11, 2002. Wijdh, Misiekaba and credit union volunteers Harold Jap A Joe (GODO) and Reginald Tjon A Kon (De Schakel) joined the two officials for more than two weeks of training that included attending CUNA's Governmental Affairs Conference.

The six were welcomed by new NCUA Board member Joanne Johnson and spent time with Chairman Dennis Dollar getting his views on all topics credit union. The group spent two days discussing safety and soundness issues that included in-depth analysis of the agency's rule making process, supervisory efforts, examination procedures and answering the question, "How does a regulator regulate safety and soundness without standing in the way of credit union growth and innovation?" Senior NCUA staffers, Dennis Winans, Anthony LaCreta, Bob Fenner and Cliff Northup took part in the two day session.

"We have seen much about how credit unions are able to grow here in the U.S. Our challenge in Suriname is to have credit unions become even stronger financially, so the Central Bank may work with credit unions to add services members want. The dialog for meeting that chal-

lenge is now well underway," says Ingeborg Geduld Nijman. The Central Bank seeks to have a new credit union law in place by early next year, based in part on input from the Suriname credit unions, WOCCU and NCCUN.

The happy ending may be for Suriname credit union members who will have stronger credit unions offering a wider range of services as a result of the People-to-People Partnership between Suriname and North Carolina.

## Executive Forum – (cont'd)

Continued from Page 1



League and New York City credit unions, which had been affected either directly or indirectly by the September 11 attacks. We stopped at United Nations Federal CU, Bethex FCU, Entertainment Industries FCU, Saks Fifth Avenue FCU and Lower East Side People's FCU. In the aftermath of the events, each of the credit unions continued to reach out to their members and play an important role in re-establishing a sense of stability. Here again, more examples of the credit union values in action.

Sharing opportunities, enabling millions of people to grow, transparency and accountability, these are



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all cooperative principles that we as credit union people value so highly. Look for more on the credit union values in the upcoming 2001 WOCCU Annual Report to be released after our annual general meeting in June and visit our website at [www.woccu.org](http://www.woccu.org).

# Savings Mobilization

Continued from Page 3

## When to Mobilize Savings

Three key elements repeatedly stand out as prerequisite environmental factors for mobilizing savings: manageable inflation, legal authority and supervision.

The ability of a credit union to successfully mobilize savings is contingent first upon a macroeconomic environment which allows the savings institution to operate at rates which are viable and sustainable while providing a real positive return to protect the value of member savings.

Savings mobilization is a pact between parties: the institution receiving the savings and the individual placing savings in the institution. For that reason, savings services need to operate within an established legal framework that identifies which institutions, under which criteria are able to receive savings from members or from the public. The legal framework should also identify what recourse savers have to recover their savings from the institutions.

Credit unions are able to mobilize savings responsibly and more effectively within the safety of an adequate regulatory and supervisory framework. Institutions that mobilize voluntary deposits should be supervised by the government regulatory agency responsible for the financial sector. Effective supervision requires a sound legal system, formalized audit requirements, supervisory monitoring capacity, an established regulatory framework and authority for enforcement.

By depositing their funds in an institution, savers take a leap of faith in trusting

that institution to be able to safeguard their savings. In offering savings products, an institution takes on the responsibility of protecting the deposits of savers.

WOCCU's minimum critical elements for responsible savings mobilization include: entrepreneurial institutional vision, professional staff, effective governance structure, prudential financial discipline, capacity for credit risk analysis and risk management, institutional security and internal controls.

## Safe Money

"There are three principal lines of defense that WOCCU establishes to protect savings. The first line is simply provisioning for loan losses in response to the observed risk to the institution, the delinquency and expensing from the income statement. This serves to absorb normal losses. The second line of defense is the reserves, or institutional capital. The surplus that we accumulate over time acts as a cushion against the extraordinary losses that the credit union is unable to foresee and that provisions aren't able to absorb. Third is the paid-in capital or equity, the shares that members invest as risk capital in their institutions. We also highlight establishing standards for asset quality, delinquency, non-earning assets and earnings for the institution that generate the surplus and the capital.

The WOCCU standards of excellence require that savings institutions provision for 100% of loans delinquent more than 12 months and at least 35% of loans delinquent less than 12 months. Savings institutions should establish and maintain capital reserves and retained earnings at 10% of total assets.

## Risk Management

As a credit union mobilizes savings, liquidity increases and those funds are directed out as loans back into the community. It is crucial that the savings insti-

tution have in place strong policies and practices for credit screening and risk analysis so that the loans financed by savings are collectible. Credit risk management includes strict delinquency monitoring, provisioning and collection procedures.

## Measuring Health

In this article, we addressed savings disciplines along the lines of protection; we covered capital within the financial structure of the institution; and we talked about asset quality and liquidity. All of these are some of the indicators that World Council uses in our PEARLS Monitoring System. PEARLS was developed in response to a need for more accurate and useful financial information in WOCCU development projects. David Richardson, senior manager technical





development and co-author of PEARLS explained, "The PEARLS system measures these protection indicators. It also measures the structural indicators of the institution, so that one can see how the institution evolves over time. PEARLS measures growth, as well. It acts as an early warning system that alerts board members, managers, accountants and examiners to potential problems before they arise."

"World Council of Credit Unions is committed to make its vision of 'Quality Credit Unions For Everyone' into a reality, enabling millions of people to grow by providing access to affordable financial services. The tangible results as shown in our credit union development projects prove that 'real' returns on development dollars are achieved, and members' lives changed for the better," noted Arthur Arnold, president and CEO, WOCCU.

For more information on World Council's credit union developments projects, visit the new Microfinance and Development section of WOCCU's website at [www.woccu.org](http://www.woccu.org).

## Savings Best Practices

In order to strengthen and expand savings mobilization in underserved communities, WOCCU launched the Savings Best Practices project in 2000. The project offers credit unions the opportunity to share grassroots lessons learned with others. Concurrently, it offers credit unions the prospect of placing savings mobilization within the safety of an adequate regulatory and supervisory framework. Together with the German Confederation of Credit Unions, WOCCU has conducted training conferences in Latin America: *Best Practices in Savings Mobilization* and *Credit Union Supervision*. The project will culminate in the publication of a guide to savings mobilization, complete with operational tools for implementation, written by practitioners for practitioners. WOCCU plans to release the book at its seminal conference on Best Practices in Savings Mobilization November 5-6, 2002 in Washington, DC. For more information or to register for the conference visit the World Council website at [www.woccu.org/education/SavingsBP/index.htm](http://www.woccu.org/education/SavingsBP/index.htm).

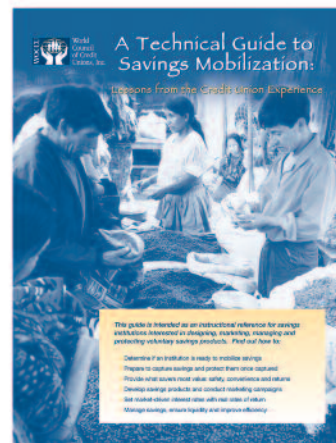
To learn more about savings mobilization and the marketing component, please contact Janette Klaehn at (608) 231-8848 for a free brochure.

protection

safe

secure

\*Sources: *Safe Money*, Glen Westley and Brian Branch; *Technical Guide to Savings Mobilization*, Janette Klaehn, Anna Cora Evans, Brian Branch



## A Long Tradition of Support



Wayne Nygren, president and chief executive officer, Credit Union Central of British Columbia

Credit Union Central of British Columbia (Central) is the central banking facility and trade association for the province's 65 independent credit unions. As the "umbrella organization," Central represents a consumer-oriented, full-service retail financial system that serves nearly 1.5 million members and has CAD\$25 billion in assets.

Central itself has some CAD\$3.8 billion in assets. From its office in Vancouver, B.C. 275 employees provide a wide range of services to credit unions, including payments settlement, liquidity management and trade association functions. *Credit Union World* recently interviewed Central's president and chief executive officer, Wayne Nygren, asking him about Central's support for the international development programs of World Council of Credit Unions, Inc.

**CU World:** How do Central's organizational values tie into international development?

**Nygren:** The provincial credit union system that Central represents has a long tradition of involvement on the international scene. One of our pioneering leaders, Rod Glen, was very active internationally.

He was the first non-American to be elected president of CUNA International and was instrumental in its restructuring, which saw the formation of WOCCU. He also took a special interest in helping to foster the credit union movements in Australia, the Caribbean and Latin America.

Since then, many other B.C. credit union leaders have followed Rod Glen's example. In my own case, I took part in a WOCCU-sponsored mission in the early 1990s to help pave the way for credit unions in post-Communist Hungary. And one of our former chairpersons, Tod Manrell, served on WOCCU's Board from 1989 to 1997, including a term as president.

Through this kind of involvement, B.C. credit unions are very conscious of the international credit union movement and the need to develop cooperatively-owned financial institutions, especially in countries where people have no access to basic financial services. Central's role reflects that consciousness.

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

It was a logical extension of the tradition I have just described. In 1997, Central co-hosted WOCCU's World Forum in Vancouver, together with Credit Union Central of Canada. Our perspective on the international movement was probably more focused than ever with hundreds of British Columbian credit union leaders having met their counterparts from around the world. When the opportunity to become a WOCCU Supporter arose some time later, it was a natural fit for Central.

**CU World:** What are the benefits that international development brings to credit unions in British Columbia?

**Nygren:** B.C. has a well-developed and mature credit union system that plays a leading role in the economic life of our province—one in three British Columbians is a member. Knowing what credit unions have done for B.C. we're eager to share what we have learned with those in movements elsewhere. During the 1997 World Forum, for example, many B.C. credit unions hosted interns, giving them a chance to see how we operate here.

And with so much international migration to Canada, it's obviously a big advantage if immigrants already have an understanding of credit unions, based on their experience in their home countries. That will make them more likely to join credit unions when they come

## Credit Union Honorees



Jim McMahon, president, ILCU presents a gift to CUNA for Credit Union House.



WOCCU-CUES Philippines accepts the Herb Wegner Award for outstanding program.

to Canada.

I mentioned the involvement of B.C.'s credit union leaders in various international activities. Every one of us found that experience to be tremendously inspiring, personally and professionally. The benefits are very much a two-way street.

One of our younger credit union managers, Lana Catalano, was among the first five recipients of WOCCU's new Young Credit Union Professionals scholarship last year. I'm sure that sharing experiences with her international colleagues will be invaluable to her career, and so the tradition continues.



# World Council Supporters

World Council of Credit Unions, Inc. (WOCCU) thanks the many individuals, credit unions and credit union organizations—such as corporate credit unions, leagues, foundations and credit union suppliers—that have chosen to become “SUPPORTERS.” Their desire to commit, connect and engage directly with World Council enables millions of people to grow.

## Individuals

### —Minimum of \$1,000 annually

Arnold, Arthur and Barbara - Madison, WI  
Cutter, Dennis and Shelby - Spokane, WA  
Chatfield, David and Rebecca - Upland, CA  
Development Educators - Class of 2001  
Development Educators - Summer Workshop 2000  
Jeffries, Jim - Detroit, MI  
Jollette, Barry - Redwood City, CA  
Mapother, William - Louisville, KY  
McCartney, Judy - Santa Ana, CA  
Nicholls, Rob and Chris - Pyrmont, Australia  
Western CUNA Mgmt School - Class of 2003  
WOCCU Project Directors (Keane & Kitsch)

## Credit Unions

### —Minimum of \$1,000 annually

#### Australia

Australian National CU Ltd. - Sydney  
CU Australia - Brisbane  
Education CU Co-operative - Victoria  
New South Wales Teachers CU - Sydney  
Queensland Teachers CU - Queensland

#### Brazil

- \* **COCEDAE CU - Rio De Janeiro**

#### Canada

CU Central of British Columbia  
CU Central of Nova Scotia

- \* **Envision CU - British Columbia**

HEPCOE CU Ltd - Toronto  
Hussar Credit Union - Alberta  
Woodslee CU - Ontario

#### Ireland

- \* **Dundrum CU Ltd. - Dublin**  
Newbridge CU Ltd. - Newbridge  
RTE CU - Dublin  
Rush CU - Rush

#### Jamaica

Kingston Co-op CU - City of Kingston

#### Kenya

AFYA Co-op Savings & Credit Society Ltd.-Nairobi  
Kenya Bankers SACCO Society - Nairobi

#### Scotland

Capital CU Trust - Edinburgh  
Dalmuir CU - Dalmuir

#### United States

- AEA FCU - Yuma, AZ
- America First CU - Ogden, UT
- American Baptist CU - Covina, CA
- American Heritage Federal CU - Philadelphia, PA
- Arkansas CU League - Little Rock, AR
- Arrowhead Central CU - San Bernardino, CA
- Atlantic Regional FCU - Brunswick, ME
- Bayer FCU - Elkhart, IN
- BF Goodrich FCU - Tuscaloosa, AL
- \* **Boeing Employees CU - Seattle, WA**
- Bond Community FCU - Atlanta, GA
- Boulder Municipal Employees FCU - Boulder, CO
- California Bear FCU - Los Angeles, CA
- California CU - Glendale, CA
- Cincinnati Central CU - Cincinnati, OH
- Citizens First CU - Oshkosh, WI
- Co-op Services CU - Livonia, MI
- CUNA CU - Madison, WI
- Denver Public Schools CU - Denver, CO
- Eastman CU - Kingsport, TN
- Educational Employees CU - Bridgeton, MO
- Farmers Insurance Group FCU - Los Angeles, CA
- First Education Federal CU - Cheyenne, WY
- First Entertainment CU - Hollywood, CA
- First Flight FCU - Havelock, NC
- First South CU - Bartlett, TN
- Florida Central CU - Tampa, FL

Fort Knox FCU - Ft. Knox, KY  
Gwinnett FCU - Lawrenceville, GA  
Heritage Family CU - Rutland, VT  
Houston Postal CU - Houston, TX  
Jet CU - Indianapolis, IN  
John Deere Community CU - Waterloo, IA  
Kinecta FCU - Manhattan Beach, CA  
MECU West - Scottsdale, AZ  
MetroPacific Community CU - Seattle, WA  
Motorola Employees FCU - Schaumburg, IL  
Mutual Savings CU - Birmingham, AL

- \* **New Mexico Educators FCU - Albuquerque, NM**

Numerica CU - Spokane, WA  
Orange County CU - Santa Ana, CA  
Orange County Teachers FCU - Santa Ana, CA  
Pacific Service CU - Walnut Creek, CA  
Pentagon Federal CU - Alexandria, VA  
Redwood CU - Santa Rosa, CA  
Research Federal CU - Warren, MI  
San Mateo CU - Redwood City, CA  
SEFCU - Albany, NY  
Selco CU - Eugene, OR

- \* **Self-Reliance Ukrainian FCU - Chicago, IL**

- \* **Service First CU - Danville, PA**

Service One CU - Bowling Green, KY  
Silver State Schools Family CU - Las Vegas, NV  
Southwest Airlines FCU - Dallas, TX  
Tennessee Teachers CU - Nashville, TN  
Texas Dow Employees CU - Lake Jackson, TX  
Tremont CU - Braintree, MA  
Truliant Federal CU - Winston Salem, NC  
United Nations FCU - New York, NY

- \* **USA Federal CU - San Diego, CA**

US FCU - Bloomington, MN  
Visions Federal CU - Endicott, NY  
Water & Power FCU - Los Angeles, CA  
Xerox Federal CU - El Segundo, CA

## Corporate CUs, Foundations, Leagues & Organizations

### —Minimum of \$10,000 annually

#### The Netherlands

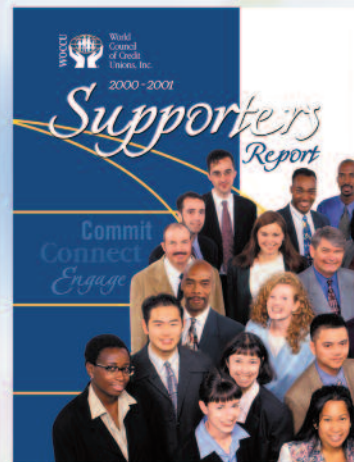
Rabobank Nederland - Amsterdam

#### United States

Alabama CU League - Birmingham, AL  
American Association of CU Leagues - Madison, WI  
Arizona CU League - Phoenix, AZ  
California & Nevada CU Leagues - Rancho Cucamonga, CA  
Colorado & Wyoming CU Leagues - Arvada, CO  
Credit Union Executives Society - Madison, WI  
Empire Corporate FCU - Albany, NY  
First Corporate CU of Arizona - Phoenix, AZ  
Georgia CU Affiliates & Georgia Central CU - Duluth, GA  
Massachusetts, New Hampshire & Rhode Island CU Leagues  
Michigan CU League - Southfield, MI  
Ohio CU League - Dublin, OH  
Pennsylvania CU League & Pacul Services - Harrisburg, PA, USA  
Texas CU League - Farmers Branch, TX  
Western Corporate Federal CU (WesCorp) - San Dimas, CA

### —\$50,000 annually and above

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National Credit Union Foundation - Madison, WI  
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## How to Become a WOCCU Supporter

For more information about the benefits of becoming a WOCCU Supporter contact:



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Fax: (608) 238-8020  
E-mail: mchapman@woccu.org

Get involved—see our website at:  
[www.woccu.org](http://www.woccu.org)

*As part of becoming a WOCCU Supporter, you will receive our current Supporters Report Booklet (pictured above) to show the many accomplishments which are a direct result of your contributions!*

\* New Supporters since January issue of Credit Union World.  
List current as of March 19, 2002.





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**Lech Walesa**, renowned shipyard electrician, Solidarity Trade Union leader, Nobel peace prize laureate and Poland's first democratically elected president has been invited to speak on his vision for a "Century of Solidarity."

**Marek Kaminski**, famed explorer and founder of Marek Kaminski Foundation, will share his adventures, including his triumph as the first man to have reached both the North and South Poles on foot in one year.

**Dennis Dollar**, chairman, National Credit Union Administration (NCUA) will cover "The Credit Union Difference in Action."

**Jasmine Birtles**, author of 21 books, plus countless comedy routines for the London comedy circuit and sketches on BBC radio and commercial stations speaks on "Corporate Accountability and Other Laughing Matters."

To view additional speakers, a complete schedule and updates on the Institute visit our webpage at [www.woccu.org](http://www.woccu.org)

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