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WORLD

*The Source for International
Credit Union Information*

Credit Union

**The
Credit Union
Difference**



world's leading **advocate,**
platform, development
& **governance** agency for credit unions

Credit Union WORLD

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Credit Union World

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Bringing The Credit Union Difference Around the World

Credit union development work is the lifeblood of World Council of Credit Unions, Inc. (WOCCU). Through this development work, the international credit union community comes together to bring the credit union difference around the world.

WOCCU programs in Mexico and Bolivia enable credit unions to provide services to those who otherwise would not have access to financial services. WOCCU credit union programs in the Philippines and Ecuador provide dignity to people who have few resources and choices available to them. WOCCU programs to start credit unions in Afghanistan and Uzbekistan democratize both financial markets and grassroots political participation. Credit unions are working with WOCCU in Rwanda and Colombia to rebuild societies and economies after war.

Credit unions all over the world are resilient, persevering as places where people come together, through all manner of economic shocks, natural disasters and civil strife. Credit unions are the great reformist elements of societies, providing people with a means to organize themselves for the common good.

World Council continues to engage in credit union development programs around the world with the United States Agency for International Development (USAID) and World Bank funding. With the shift of USAID development funding to large for-profit contractors, WOCCU received much less support for credit union projects from USAID in 2004. In response, the credit union system has stepped up to the plate. The World Council of Credit Union Supporters program provides funding for greater

involvement and work by the credit union system to continue the primary mission of World Council: international credit union development.

Through the International Partnerships program, credit union leagues and their credit unions provide experience, expertise and volunteer effort to assist WOCCU in the completion of its mission.


The Pennsylvania Credit Union Association assists the credit unions of Kenya with the development of credit union legislation. Oregon credit unions assist Uzbekistan credit unions in the development of examination systems while North Carolina credit unions provide their partner Surinam credit unions with training on credit union philosophy. Maine credit unions train Rwandan credit unions in products and services. Ohio credit union system volunteers assist their partner credit unions in Bolivia establish a corporate credit union and network. Michigan credit unions accompany Macedonian credit unions and Minnesota credit unions accompany Paraguayan credit unions in political advocacy. Washington state credit unions provide marketing training for Philippine credit unions while Washington, DC and Virginia credit unions and their league provide governance training for partner credit unions in Nicaragua. Arizona credit unions supported Mexico's Caja Libertad, which launched the first credit union ATM system in Mexico. The relationships also work in the other direction. While Texas and California credit unions help Mexico's Caja Popular Mexicana install today's information technology, Caja Popular Mexicana helps Texas and California credit unions market to the Hispanic community in their states.

Through collaboration with the National Credit Union Foundation

and the contributions of the U.S. credit union system, WOCCU's Worldwide Foundation for Credit Unions received generous contributions to rebuild the credit union system destroyed by the tsunami in Sri Lanka. The year 2005 will see the good work in rebuilding the credit union sector and providing a new start for the lives of the credit union members throughout Sri Lanka.

IRnet continues to grow, bringing many of the "unbanked" throughout the world into the financial system through credit unions. WOCCU research in Guatemala suggests that it is often the lowest income and most vulnerable households that receive remittances. As members of these households come in to credit unions to receive remittances, many open savings accounts for the first time, become members and later qualify for loans. People throughout Latin America are achieving a level of dignity and financial stability they have never experienced before. In 2005, WOCCU will expand the IRnet system to Africa and to Philippines. WOCCU will also work with CUNA and the U.S. State leagues to expand credit union financial services to the Hispanic population of the United States.

These are the programs which make the credit union difference in the lives of members all over the world. This credit union difference is made possible by Supporter contributions, the international partnership program, the international development fund and the donor-funded credit union projects.

Each day, WOCCU plays a role in making the credit union difference in the lives of people all over the world. Your commitment and dedication are what allow us to make this difference. 

The Credit Union *Difference*

As credit union advocates, we spend a lot of time and energy talking about “the credit union difference.” But what do we mean by this? Is it just a slogan? A holdover from the credit union past? Not at all. While other financial institutions have a profit-driven focus, credit unions understand that their first responsibility is their members and their communities. Credit unions have long understood that “doing well by doing good” is not just a wish, but an achievable goal.

Today, credit unions serve more than 120 million members in 87 countries around the globe. Credit unions are found in communities of all sizes and serve people at all economic levels. Credit unions help members increase their income, build wealth and security and provide homes for their families.

Since founded in 1971, World Council of Credit Unions, Inc. (WOCCU) has worked with credit union systems throughout the world to promote “the credit union difference,” to help people create a better future for themselves and their families.

How do we define the “credit union difference”?

The Credit Union Difference is

Access to Financial Services

The credit union difference is providing financial services to those who otherwise would not have access. While developed nations often take access to financial services for granted, those in many countries—especially individuals in rural areas, the poor and working poor—seldom have this access. Bank services are beyond the reach of many. Without credit unions these groups depend on moneylenders and have no safe place to save. Instead they invest in durable goods, livestock or property.

The growing international credit union movement has opened doors to financial services for many people who previously did not have access. In many countries, including Guatemala, Jamaica, Ecuador, Kenya, and rural areas of Honduras, Sri Lanka, Brazil and Mexico, credit unions, have become the largest source of small savings account and loan services.

Recognizing that some of the very poor lack the resources to become credit union members individually, WOCCU has worked to create member-driven solutions, such as Savings and Credit Associations. Members initially join as a group and eventually “graduate” to individual member status with their own savings accounts and loans.

Improving access is not just limited to developing countries. For example, in Canada and Australia, banks have often chosen to move out of rural or decaying urban areas. Credit unions in these countries have stepped in to fill the void by opening branch offices—often becoming the only financial services provider in these communities.

The Credit Union Difference is

Self-Help & Member Empowerment

As member-owned cooperatives, credit unions are uniquely positioned to create opportunities for





self-help and to provide members with the tools they need to improve their lives.

Credit unions often empower members by providing them with access to more than just financial services. In Bolivia, the Philippines and Ecuador, credit unions provide education services as well as savings and credit to poor rural women. These women, many of whom had never entered a financial institution before, now have access to savings and loans they need to build income and stability for their families. They also have access to health care and nutritional information to improve their families' quality of life.

The Credit Union Difference is

Low-cost Remittance Services

The credit union difference is banking the unbanked through low cost remittance services. Several years

ago, U.S. credit unions with large immigrant memberships observed that their immigrant members were paying exorbitant rates to send money home to their families.

IRnet—an international credit union remittance system that WOCCU created in partnership with the Credit Union National Association (CUNA)—allows credit union members to send remittances to their families at a fraction of the usual cost. Not only does *IRnet* provide immediate benefits to these families, it also helps to drive down remittance rates charged by other providers. *IRnet* brings many formerly unbanked individuals into credit unions to learn about financial services and eventually become members.

With the introduction of *IRnet*, credit unions in Guatemala, El Salvador, Mexico, Honduras, Jamaica and Nicaragua became major distributors for remittances in their countries.

Prior to this, remittances were usually received at a store or via a carrier. Previously unbanked, low-income individuals now can enjoy the benefits of credit union membership, where they receive their remittances, open savings accounts and later qualify for a loan. Through the remittance process, recipients gain entry into the financial system of their country.

The remittance service also created opportunities for cross-border partnerships. Credit unions and their state leagues in Texas and California provided assistance and support to partner credit unions in Mexico as they improved their management and information systems to safely and adequately process remittance transfers. In return, Mexican credit unions helped those in Texas and California learn how to more effectively reach out to the Mexican-American communities in their states.

Continued on Page 10

DISPUTE RESOLUTION

Another Example of the Credit Union Difference



Credit unions, like other financial institutions, typically do not want to draw attention to service problems: member satisfaction is a sensitive topic for all institutions, and this is particularly true for credit unions who pride themselves on offering better services. The sensitive nature of this issue has led to a split in methodology as to how to best resolve member disputes in credit unions. One school of thought believes that disputes can be dealt with at the credit union level. The other reflects the legal trend to utilize alternative dispute resolution (ADR) techniques such as mediation and ombuds services. Often, a combination of the two methods provides both members and credit unions with the best path to resolution and allows a credit union to settle disputes at costs that are much lower than typical court litigation cases.

To better understand resolution options it is necessary to define mediation and ombuds services. As a basic principle, both mediators and ombudspersons are neutral, independent parties who retain confidential information, assist the involved parties in addressing their concerns to develop mutually acceptable solutions. The ombudsperson might make use of a wider array of tools, such as information gathering, discussion and negotiation.

Let's take a closer look at how resolution techniques are being used by credit unions and leagues around the globe.

Australia

According to Louise Petschler, head of public affairs for Credit Union Services Corp. in Australia, "Credit unions in Australia have been strong supporters of ADR schemes for many years." The Credit Union Dispute Resolution Centre (CUDRC), created in 1996, offers independent and impartial dispute resolution services for credit unions and members. Following the growing trend of alternative dispute resolution, a federal law called the Financial Services Reform Act was passed in 2002, requiring all financial service providers in Australia to offer an approved ADR scheme.

The CUDRC is a professional service run under contract by the provider that operates the Banking and Financial Service Ombudsman service in Australia. As a benefit to credit union members, participating credit unions fund services provided by the CUDRC through an annual asset-based levy and hourly charges so CUDRC services are free to credit union members.

The CUDRC assists credit union members in several ways: it can provide general information about the Credit Union Code of practice in Australia, it can instruct members how to make a complaint to the credit union and it offers free, independent and impartial consideration of the complaint without prejudice. This means that the credit union member does not lose any legal rights, can withdraw

from the process at any-time and can pursue a complaint in a different jurisdiction if he or she is not satisfied with the CUDRC's decision. However, the decision of the CUDRC is binding on the credit union.

Petschler further explains, "Our data show that—as you would expect—credit unions have a lower proportion of complaints than banks. The CUDRC gets lots of inquiries and calls but generally deals with about 150 genuine complaints a year. Last year, outcomes of these complaints evenly favored credit union concerns, member concerns, and compromises between the two views."

Typically, complaints addressed to the CUDRC are related to payment systems such as ATM withdrawals or electronic payments. Petschler adds, "The CUDRC program requires a real commitment from the credit union industry, and it is one more example of a continued commitment to service and to members in Australia."





Canada

During the 1998 Credit Union Act re-write process in Saskatchewan, a commitment was made to introduce an effective complaint handling mechanism. In response, complaint handling became one component of a new Market Practices Code initiative. Although not officially approved, its focus is to ensure that credit unions can develop policies and practices to better protect members. According to Chad Boyko, director of governance and compliance at SaskCentral, “the proposed complaint handling process was developed to be consistent with the cooperative structure and shared values of the credit union system.”

This complaint handling and dispute resolution system involves a three-step resolution process. The first resolution attempt is made at the credit union, where ideally the matter should be resolved. If the complaint cannot be satisfactorily resolved, it is sent to SaskCentral, where the Governance and Compliance manager functions as the internal ombudsman to resolve concerns between the member and the credit union. Finally if the complaint cannot be satisfactorily resolved at SaskCentral, it is sent to the Ombudsman for Banking Services and Investments (OBSI), an independent organization that offers complaint management services to financial industry participants.

Ireland

The passage of the Credit Union Act 1997 in the Republic of Ireland and more notably the introduction of the Standard Rules for credit unions under the act formally outlined the process for handling disputes. This process included initial resolution

at the credit union level followed by an Irish League of Credit Unions (ILCU) subcommittee review and arbitration under the Arbitration Acts, if necessary.

Realizing the value of alternative dispute resolution procedures already established by the credit union system in Ireland, the Central Banks & Financial Services Authority Act of Ireland 2004 created a statutory position of Financial Services Ombudsman. As a result of this legislation, credit unions in Ireland will be required to use the Ombudsman's services for disputes brought by credit union members.

Given the legislation's recent passage, the terms and conditions for referring a complaint to the Ombudsman's office and the manner in which complaints will be handled have not been finalized. Most likely, credit unions will continue to try to resolve disputes at the credit union level before proceeding to the Ombudsman Office at the national level for investigation and/or mediation.

According to Liam O'Dwyer, ILCU chief executive officer, “ILCU looks forward to the appointment of the first Financial Services Ombudsman and our members look forward to establishing a close working relationship for the benefit of all credit union members.”

United Kingdom

Just over two years ago, credit unions in the United Kingdom agreed to participate in the Financial Ombudsman Service (FOS), an independent dispute resolution service for financial providers. Credit unions believed that the availability of an ombuds service would improve consumer confidence and help protect the reputation of credit unions and the credit union movement. To date, no credit union member complaints have been decided by the FOS—a real testament to credit union service and member commitment.


As a result, the FOS has discounted the rate it charges credit unions to participate in its services.

The FOS resolution process includes several steps. First, a FOS assessment team reviews the complaint to determine if the subject matter can be resolved through mediation. If it cannot, the case will be assigned to an adjudicator who considers the facts and writes an opinion letter on the best method to resolve the complaint. The FOS' ombudsmen will assist and advise the adjudicators and decide complaints that the adjudicators cannot settle. According to the FOS, 45% of the cases are resolved during mediation, 40% are resolved through adjudicator investigation and 15% are resolved by the ombudsmen.

Mark Lyonette, chief executive officer of the Association of British Credit Unions, Ltd. (ABCUL) believes that “packaged with proper regulation through the Financial Services Authority and with access to the Financial Services Compensation Scheme, the FOS adds credibility to the movement and gives credit union members the same protection as other financial services consumers in Britain.”

Concluding Thoughts

Despite the negativity associated with complaints, strong credit unions will benefit from open dialogue with their members. Complaints can be an opportunity for honest feedback and provide a chance to learn and improve. In the end, this will strengthen credit unions, allow us to provide even better services and products for members, and give us another way to make the Credit Union Difference.

For more information on alternative dispute resolution for credit unions, please contact Karen Cak Niederkohr at kcnieiderkohr@woccu.org. 

—by Karen Cak Niederkohr
Credit Union Analyst, WOCU

Implementing Good Corporate Governance



World Council welcomes Sherron Watkins, the former vice president for corporate development at Enron, to the 2005 World Credit Union Conference in Rome this summer. Watkins is the world famous Enron whistle-blower who predicted that hidden “improper—possibly illegal partnerships” would lead to the energy trading giant’s collapse, and informed then chairman Kenneth Lay of questionable financial practices at Enron. Watkins later testified in front of the United States Congress and was named one of Time Magazine’s Persons of the Year in 2002. Watkins recently spoke with *Credit Union World* on the importance of implementing good corporate governance principles.

In the years since Enron’s shocking collapse organizations have come to appreciate the importance of good governance principles—especially their effective implementation. “Enron had it all right on paper, but didn’t put good governance into practice. Putting it into practice is the key for all strong organizations,” said Watkins.

What issues should these principles address? Watkins offers this overview from Fortune magazine (October 27, 2003, Ten Questions Every Board Member Should Ask). The authors of this article concluded, “Even more critical than [the board] asking the questions is the process of questioning and interacting with the company’s management.” Their list is not only pertinent to board members but also to company management.

1. How does the company make money?
2. Are our customers paying?
3. What could really hurt—or kill—the company in the next few years?
4. How are we doing relative to our competitors?
5. If the CEO were hit by a bus tomorrow, who could run this company?
6. How are we going to grow?
7. Are we living within our means?
8. How much does the CEO get paid?
9. How does bad news get to the top?
10. Do I understand the answers to questions 1 through 9?

“Question number nine is the most critical, in my humble opinion. Not only the process by which bad news gets to the top, but the steps management follows to deal with the bad news,” said Watkins. “The organization must be intent on maintaining its value system, on living within the spirit of existing laws and regulations and not just some form-over-substance compliance. Pay a great deal of attention to question number nine.”

Watkins stressed the importance of the role of ombudsman—a role that she played informally at Enron as “... the person who saw the fatal hole in the Titanic and forced the company crisis team to act.”

“Typically an ombudsman-type role is established either formally or informally by the head of risk management, the general counsel’s office, or the head of internal audit. This group establishes anonymous employee reporting mechanisms and follows up on any alleged problems with a fairly standard tool kit available to root out problems. Depending upon the alleged issue, routine employee surveys within the particular department or division or half a dozen or more interviews with employees at various levels typically identifies whether or not a real problem exists. Next, it is up to management to decide the necessary steps to stop the problem, sooner rather than later.”

Whether you work at a Fortune 500 company, a national association or a small credit union, there has to be a method in place to identify and solve potential problems. “Companies that diligently safeguard their value system, their way of doing business and treating members, who report results to members in a transparent fashion, are able to avoid any semblance of corporate scandal, much less Enron-like mega scandal activities,” stated Watkins.



Sherron Watkins

In the United States, the Sarbanes-Oxley legislation aimed to improve transparency in corporate financial reporting, enhance the accountability of company executives and strengthen the independence of boards of directors as guardians of the stockholders' interests.

Watkins commented, "Although opponents of the new law claim it is attempting the impossible, to legislate morality, the law actually adds very little in the way of new rules and regulations. Certainly it does add a few, most notably and most personal to me, the private sector whistle-blower protections. But for the most part, the act addresses lapses in business and legal ethics, attempts to better define existing laws and regulations, and constructs a best practices system in the governance arena. The new law also makes it easier to penalize offenders with prison time, which I assume is the scariest part of the Sarbanes-Oxley legislation for CEOs."

The most costly aspect of the Sarbanes-Oxley legislation has been the additional requirements for internal control systems. Watkins continued, "I'm all for improvements in controls; however, a well functioning control system will not prevent fraud. What it will do is identify ethically-challenged employees so the company can rid themselves of them."

"When an organization's leaders discover an employee who has violated the company's control policies or its value system, a zero

tolerance policy must be in place; that employee must go. That's a tough one for most, often we feel it's compassionate to forgive and forget and give them a second chance. If the violator is a super star who is great with the customers or generating revenues, then you really want to forgive and forget," she continued.


The trouble is that once you do that you've sent the message throughout the organization that the value system is second to producing the numbers, second to being great with customers. Go ahead, push the edge of the envelope, if you get caught, you'll get a second chance.

Watkins stated, "There is a proven methodology to employ to make sure an organization abides by its stated set of values. It is simple but not easy: ethically-challenged employees cannot remain employed. In the long run, the focus on the value system will pay off in real dollars. Enron-like meltdowns are averted, reputation-killing embarrassments are avoided, customers remain loyal, employees stay motivated and customers or members are attracted to the company."

Organizational behavior is really not so difficult to understand; employees watch how the leaders behave and they pay attention to the reward and penalty system and act accordingly. A system of internal controls is never intended to prevent abuse; it is intended to identify and dismiss ethically-challenged employees.

She continued, "The attitude at the top is critical. The ethical aspects that are almost more important than the law's objective controls will only be as effective as the environment in which they are controlled."

Watkins noted that the fall of 2001 was clearly her bleakest time. She advised, "If you are ever in a similar situation, find others in the organization to help support your cause; don't go it alone."

To hear more from Sherron Watkins join us at the 2005 World Credit Union Conference, where she will explain what drove her to make the decision to come forward at Enron, give advice to others regarding what to do if ever put in a similar situation, and provide more information on Corporate Governance & Ethics—Lessons from Enron. 

—by Kimberly Johnston
Marketing & Communications Manager, WOCCU



Afghanistan

*Report on Developing
Afghanistan Credit Unions*

Two credit unions were opened in Afghanistan during 2004 despite gigantic cultural, educational, infrastructural, language and geographical challenges. Another three credit unions are planned to open in 2005, with a total of 15 to be opened during the five-year WOCCU-Afghanistan project.

The Balkh Savings and Credit Union opened in August in Mazar-e-Shariff, the second largest city in Afghanistan some 400 kilometers (248 miles) north of Kabul, the capital of this land-locked country of 18 million people. Compared to most cities, which were destroyed from decades of civil and external fighting, Mazar-e-Shariff is relatively intact.

The Jawzjah Savings and Credit Union opened in October in Sheberghan, 120 kilometers (74 miles) west of Mazar-e-Shariff. Sheberghan has a number of major gas fields and can be accessed only over hard terrain.

The new 1,700 plus credit union members work in a variety of professions: farmers, shopkeepers, carpet weavers, bakers, tailors, mechanics, teachers, doctors and engineers. Almost half of the new members are women.

Edgar Comeros, WOCCU-Afghanistan project leader, brings over thirty years of experience working in co-operatives and development projects. Work in a war-torn country is not new for him. One of his previous community organization projects was with a farming group in rebel-infested areas in the Philippines.

The project started in April, 2004. Comeros tackled his assignment by first hiring a translator, because he spoke neither Dari nor Farsi, the two Afghan languages. He and the translator arranged meetings with significant organizations and governmental groups in Mazar-e-Shariff. To present the concept of a credit union, he said they used the "A hah approach...we made use of drawings and illustrations in presenting ideas and concepts" until the audience reached an understanding...A hah.

The first reaction to the credit union concept was massive scepticism. Comeros, only somewhat daunted, summoned all his passion to plead the "why and what" of credit unions to a group of farmers.

When he finished, the farmers started pulling money from their pockets to support the planned credit union. Comeros was in a bind. There was still no credit union, no forms, no systems or procedures, but he was able to keep the enthusiasm going until he could accept the money and open a branch. He said, "I had never experienced a moment like that before in my thirty years of organizing work."

Why people want to have some control over their lives is easy to understand. Since the end of World War II, Afghans have seen nothing but fighting from the overthrow of a king to the Russians who left in the early 1990s. Their departure was followed by civil war between the different religious factions and years of repressive rule by the Taliban.

The United Nations has overseen much of the government since then. In 2004 the Afghans voted for the first time. Credit unions also offer Afghans a chance to participate in democratic processes. However, much of the country is still in disarray.

Comeros' next step was to find a location for the credit unions, and although they are not like bank and credit union offices in the West, they have been designed to be "bank-like," with modern furniture, fixtures and facilities.

Training the new staff also presented challenges. Most employees have between an elementary and high school education. This does not negate ability and intelligence, however. "Imagine teaching credit union technical subjects at an elementary grade level," Comeros said. Working through a translator also contributed to the difficulty. Factoring in the problems of foreign technical terms, it became necessary to use imagination and patience. To accomplish the training, they relied heavily on an LCD projector with a split screen showing Power Point slides in English and Dari with many illustrations.

Comeros began a standard credit union orientation, going into the why, what and how. So far the WOCCU-Afghanistan staff have completed training for human resources, cashier/tellers, loan officers and board of directors. They have also taught basic accounting and credit union by-laws courses.



Cultural adjustments also needed to be made. Although the burka is no longer required, many women still wear them, making identification of the member difficult. This problem was solved by asking the women to show their faces to female employees for identification.

Some female employees worried that waiting on men would hurt their community standing. The manager of Balkh Savings and Credit Union does not wear a burka now, although she did during the Taliban. Comeros said, "Some male members looked at her with contempt, but she seems not to mind. The position is not based on gender or culture, but on capacity."

"Female members are happy that the credit union does not discriminate and even accepts them as equal partners," Comeros said. Some say that their culture and traditions are better left at home.

Islamic tradition prohibits the charging of interest on loans. A service charge on borrowed money is permitted, however, and is the typical way of complying with prohibition.

Another development challenge is the power system. Electricity can be intermittent with breakdowns from four to eight times a day. To use a satellite phone it is necessary to go outdoors, even in below freezing winter temperatures or scalding summer ones. Mazar-e-Shariff does have an Internet cafe, where Comeros goes to send emails, but frequent power failures cause messages to be lost.

Further, with a practically non-existent banking system, keeping deposits safe is a problem. The fear of robbery is ever present. The new credit unions have a four-foot cash vault that takes nine people to move. Security personnel also guards the credit union buildings.

Comeros pointed out that the banking system is improving. In January government banks were allowed to receive deposits that would earn 3%. However, the regulation that they can only be withdrawn a month after


deposit makes them an unappealing alternative. WOCCU will work with Da Afghanistan Bank to draft enabling legislation to provide viability and sustainability of the fledgling credit unions.

The next three credit unions tentatively have been planned for the Northern Afghan provinces of Baghlam, Fariab and Samangan. The same methods will be used. In each new region the WOCCU project starts from scratch, first identifying groups and leaders, getting the people involved and finding locations to open, hire and train staff.

This project is funded by MISFA (Microfinance Investment and Support Facility) through funds provided by the World Bank and USAID.

For Comeros—a modern day Roy Bergengren or Friedrich Raiffeisen to some—his daily life is far from what he would experience elsewhere. He follows the United Nations practice of traveling with two cars whenever he is outside Mazar-e-Shariff. The second car is for backup in case of breakdown or security problems. Highway robberies and kidnappings are not uncommon. He says he often feels the danger. At one point there were rumors that a jihad had been declared against development workers by the Taliban.

Comeros lives in a house surrounded by a wall, but this is usual for Afghans. He also has two armed guards surrounding his property who work in three-hour shifts. There is a 5 p.m. curfew. He does go out walking, but disguised as an Afghan, and when he goes to the local markets to buy food, he is accompanied by a driver.

Comeros says he has been asked by many people he knows, "Why Afghanistan?" His response is "Why not Afghanistan? So many people have been helped by the co-operatives and credit unions, particularly the poor and the disadvantaged. And so I say: If you have a blessing, you have a mission." 

—by Bryn Olsen

Marketing & Communications Assistant

The Credit Union Difference is

Democratization of Societies

During the 1990's, Eastern European countries emerged from decades of Communist rule and built new economies. During this transition period, credit unions emerged both as vehicles for previously unknown consumer financial services and as local expressions of democratic participation. In Poland, Ukraine, Latvia, Lithuania, Romania and Russia, credit unions provided members with the resources they needed to embrace entrepreneurial opportunities as large state enterprises laid off workers and closed their doors. Credit unions, as democratic, member-owned and governed cooperatives, provided members with a unique opportunity to direct credit union policy, and gave them their first exposure to democracy in action. Democratization efforts continue today in Vietnam and Uzbekistan, where credit unions are leading efforts to democratize the financial sector and are taking these countries a step closer to political democratization.

The Credit Union Difference is

Post Conflict Rebuilding of Societies and Economies

More than just financial organizations, credit unions can also be tools for social change.

During the 1980s and 1990s the credit union systems in Guatemala, El Salvador and Nicaragua continued to operate as democratic, community-based institutions during periods of civil unrest and war. When these conflicts finally ended, WOCCU was there to help these credit unions restart economic activity in rural areas.

During 1994-1996, Rwanda saw one of the most brutal genocidal wars of recent history. When it was time to rebuild, the government looked to local credit unions to restart the shattered economy, and it was in these credit unions that Tutsis and Hutus sat down and began to work together again. World Council worked to strengthen and restructure Rwanda's national credit union federation, and the Maine Credit Union League provided on-the-job training for partner Rwandan credit union staff. Today, credit unions operate in most towns throughout Rwanda and finance much of the country's agricultural production.

In Colombia, fear of violence has severely limited access to financial services. Banks have fled most rural areas and small towns where they were often subject to violence and robbery by guerrillas, narcotics traffickers and the paramilitary. Credit unions have typically managed to escape the violence. All parties

perceive them to be institutions owned and financed by the communities themselves. Credit unions have also played an important role in building stability in Colombia's urban areas. Now home to millions of people displaced by violence, these cities provide little in the way of employment or financial assistance to these struggling newcomers. Credit unions have reached out to provide the displaced with services to help establish themselves and build a future (see pages 12-13).

In Afghanistan, when the new government looked to build the financial sector, government officials contacted WOCCU and said, "We have heard of credit unions, and we need a credit union sector." Today, pilot credit unions in Afghanistan provide community grassroots reconstruction and financial assistance for agricultural production. They also provide an opportunity for the local community to understand and participate in the democratic process.

The Credit Union Difference is

Rebuilding Communities and Economies after Natural Disasters

Credit unions are local, community-focused organizations where people come together and work to rebuild

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

- Marcelo Lárraga
credit union member



The Difference



after a natural disaster occurs. When Hurricane Mitch hit Nicaragua, community credit unions became centers for relief distribution. In addition, credit unions provided loans to those who had lost their crops, livelihood or homes. Similarly, when the tsunami hit Sri Lanka, it was the credit union system that was one of the first to provide relief, food and shelter to affected communities.

The credit union difference extends across international boundaries. Credit unions in the United States, Canada, Ireland, Poland, Australia and New Zealand stepped in with generous contributions to assist in the rebuilding of credit unions in Sri Lanka.

The Credit Union Difference is

Voluntary Commitment to Economic, Social and Democratic Growth Around the World

Credit unions are committed to promoting growth on an international level. An important example of this is

the WOCCU International Partnership Program, funded by Supporters' contributions to WOCCU. Through this program, U.S. state leagues and international partners work together to better understand and address the challenges faced by their partner organization.

The Pennsylvania Credit Union Association assisted the government and credit unions of Kenya by helping them to implement proper credit union legislation and regulation. Volunteers from the Ohio Credit Union League helped their partner credit unions in Bolivia to expand services to unserved rural areas. Michigan credit unions worked to help Macedonian credit unions lobby for enabling legislation. Credit union leaders from Minnesota trained Paraguayan credit unions in agricultural and rural product design. Washington state credit unions supported Philippine credit unions in providing basic health and nutrition training for credit union members. Credit unions and their

leagues in Washington, DC and Virginia provided financial management and democratic governance training for their partner credit unions in Nicaragua.

What is the "credit union difference"? It is not one thing, but many: an understanding of the power of the individual and the community, a willingness to work to create opportunities for change and stability on an international level and a commitment to economic and social growth for everyone. It's a valuable distinction: one that is making a real difference for people around the world. 🌍

—by Brian Branch
President & CEO (Interim), WOCCU
Chief Operating Officer



Colombia's Credit Unions

—A Resource For Survival



COUNTRY INDICATORS

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

CREDIT UNION INDICATORS

Credit Unions: 5
Members: 251,563
Savings: US\$94,264,606
Loans: US\$80,101,593

WOCCU-Colombia Project Credit Unions Only (2003)

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

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

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

WOCCU and Development

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

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

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



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

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

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

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



The Environment

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

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

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

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

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

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

—by Kimberly Johnston

Marketing & Communications Manager, WOCCU

Tsunami Relief

The Long Road to Recovery

With the help of the international credit union movement, Sri Lanka's credit unions are picking up the pieces following one of the world's worst natural disasters.

It was the day after Christmas and J.K. Reginold was relaxing with family in his home near the coast when the rumbling started. The noise continued to grow as friends and neighbors ran to the beach for a better look.

"The wave came in from the sea and kept coming. The water even came bubbling up through the ground," said Reginold, a regional program coordinator for Sri Lanka's credit union league, SANASA. "I ran as fast as I could and only barely escaped with my life."

Reginold survived the tsunami. Tens of thousands of his fellow Sri Lankans, however, did not. The deadly tsunami, triggered by a powerful earthquake off the coast of Indonesia, decimated nearly the entire coastline of this small, pearl-shaped island near

India. Almost as devastating as the death toll, however, has been the impact of the disaster on Sri Lanka's still fragile economy, battered by years of civil war between the government and Tamil separatists in the north.

With a total membership of over 1 million, SANASA is an important part of Sri Lanka's financial sector, and was badly affected by the tsunami. With assistance from World Council of Credit Unions, SANASA is currently finishing a nationwide survey of the impact of the tsunami on coastal credit unions. Final results are pending, but initial reports suggest that total losses could be in the millions of dollars.

Credit union members in the interior and the capital city Colombo responded swiftly to the tsunami. Members quickly gathered clothing, food and other supplies, shipping over 200 truckloads to the coast.

"We are not providing large scale humanitarian relief like the Red Cross," said Dr. P.A. Kiriwandeniya, chairman of the SANASA Development Bank, which functions like a second-tier institution for Sri Lanka's credit unions. "But we have an obligation to our members as fellow human beings."

Now, as the relief workers and journalists move on, the reconstruction begins. Through WOCCU's Worldwide Foundation for Credit Unions and the National Credit Union Foundation (United States), the international credit union movement has pledged over \$500,000 to help rebuild credit unions in Sri Lanka.

The task ahead of Sri Lanka's credit unions is daunting. According to L.B. Dasanayake, general manager for SANASA, experts are beginning only now to understand the full scope of damage. Reports from regional managers continue to come in, says Dasanayake. With the vast majority of the country living within a few miles of the coastline, 90% of which was affected by the tsunami, the impact has been devastating.

Initial reports, which have been hampered by the difficulties of working in the Tamil-controlled northern regions, suggest that several hundred credit unions have been completely or partially damaged by the tsunami, and will require extensive repair, as well as new equipment and furniture.

Further complicating the reconstruction process is a newly enforced law prohibiting new construction within 100 meters of the coastline. Although the law has been in place for several decades, political realities have prevented it from ever being enforced. As of mid-February, however, 152 credit unions are known to be within this 100-meter area. Managers do not expect to know for some time if or when they can rebuild in the same area.

Although reconstructing these buildings will be a challenge, it will be an even greater struggle to rebuild accounting systems and assess loan portfolios.



Few of the country's credit unions are computerized, says Dasanayake, making reconstruction an extremely difficult process. For some, such as Matara District Union, the process will be easier. The district office has long had a requirement that local credit unions send summary data monthly. From this data, district officers have already begun reconstructing balance sheets.

Those who did not have such requirements are finding reconstruction even more difficult. The Kaburugamawa Epitamulla Godakanola credit union building, for example, was completely destroyed by the tsunami, leaving little more than a pile of rubble on the beach. Managers are asking families to bring in their passbooks to attempt to rebuild records. For many members, however, this is an impossible task. Some are living in camps or temples miles away, and many have lost all their possessions, including passbooks. A few members have even begun claiming to have had extremely large deposits or are misreporting loan sizes. At nearby Modara Patuwatha credit union, near the colonial town of Galle, accounting records were less seriously damaged, although the credit union's building was flooded at one point. E. Benat, chairman of the credit union, explains, "We put the records out in the sun to dry and have been able to recover much of the data."

As for Kaburugamawa, some managers believe that a partial record can be created from their 2004 audit report, but say that it may take months to accomplish this.

The loss of safes, cash and furniture is another challenge for credit unions attempting to rebuild after the tsunami. For many, their entire store of cash has been swept into the sea. So much cash has been lost by coastal credit unions, other financial institutions and individuals that the Central Bank of Sri Lanka has begun printing additional currency to compensate.

The greatest risk to fragile credit unions, however, may not be from the physical damage they have sustained. Already, local government officials and borrowers are asking the credit unions to completely forgive all loans to coastal residents.

Pressure from some donors to create large-scale grant or subsidized credit programs and write off loan portfolios threatens to destabilize credit markets in Sri Lanka and undermine sustainable financial institutions. Most development experts believe that institutions should be trying to restructure loans in response to



Workers near the town of Ambalangoda on the Southern coast of Sri Lanka work to clear piles of rubble from the former site of a credit union.



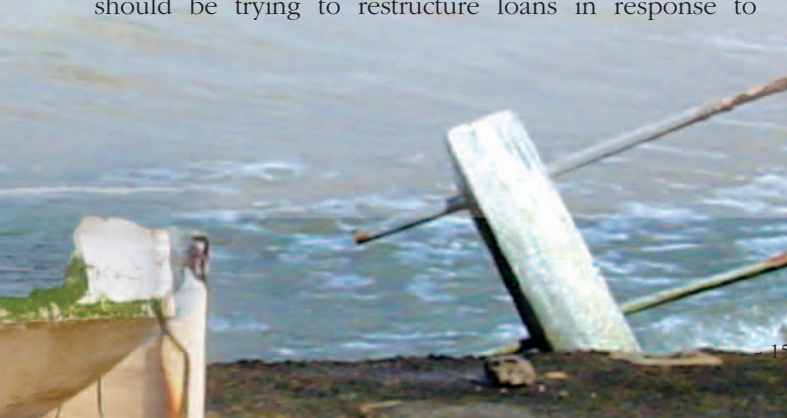
Pealiya credit union manager D.M.G. Pathama discusses the impact of the tsunami on her credit union with the WOCCU assessment team.



Onlookers survey a passenger train near the town of Abalangoda which was swept from its tracks by the force of the wave. Over 1,400 people are believed to have perished after climbing into the train to seek safety from the wave.



Hambantota credit union member G.S.P. Prithivirath and all that remains of his small grocery store.



the needs of their clients, but the loans should not be written off, as doing so would hurt the sustainability of these credit unions in the long run. Meanwhile, many victims of the tsunami continue to be frustrated by the slow pace of foreign aid, which has been hampered by a lack of coordination between international donors, as well as bureaucratic wrangling in the Sri Lankan government.

SANASA, however, plans to weather these challenges through the strength of its members and with the help of the international credit union movement.

WOCCU's Worldwide Foundation for Credit Unions, which provides for credit union development throughout the world, and the National Credit Union Foundation, reacted immediately by creating the Tsunami Disaster Relief Fund to channel credit union donations to affected credit unions.

Although Indonesia's Aceh province and several other countries sustained severe damage from the tsunami relative to credit unions throughout southeast Asia, Sri Lanka's credit unions bore the brunt of the damage. In mid-January, as the immediate relief effort began to stabilize, WOCCU sent an assessment team to Sri Lanka to measure the impact of the disaster and help SANASA develop a strategy for rebuilding.

Money from the fund will be transferred to SANASA in several stages, as field officers complete the damage survey, and the funds will be used to reconstruct buildings and purchase equipment and furniture. The first disbursement is set to cover credit unions outside of the 100-meter coastal zone, and repairs are slated to be completed within two months. Subsequent disbursements will continue based on access to the Tamil-controlled northern region of Sri Lanka, and further clarification on the moratorium on building within the coastal zone.

The strength of Sri Lanka's credit unions is built on the power and resilience of its members—members such as G.S.P. Jayaratna of Kudawalla West Credit Union, located in a small town on the southeast coast, which lost nearly half of its members to the tsunami.

Jayaratna, a fisherman and credit union member for over 13 years, lost several members of his family, his house and boat. His friends and neighbors, many also fishermen, saw their boats scattered across the small harbor and washed onto the beach. The force of the wave was so strong that the hull of one boat was swept to the top of a hill several hundred yards away. Weeks later, bodies continue to wash onto the beach and are hastily buried in an unmarked mass grave behind the local school. Many in the village have taken shelter in a nearby Buddhist temple, one of the few buildings not damaged by the giant wave.

Undeterred by the tragedy, Jayaratna plans to reform his shattered business. "Now will be a difficult time to rebuild, but I hope to do so with help from my credit union."

Fellow credit union member G.S.P. Prithivirath agrees. The owner of a small grocery store in the village, Prithivirath says that all that remains of his shop is the foundation. The building and his entire inventory were swept out to sea. Despite the setback, Prithivirath hopes his credit union will assist him in reconstructing the business.

V.V. Roshan, fellow fisherman and vice chairman of Kudawalla West Credit Union, hopes to see his credit union return even stronger than before. Said Roshan, "The credit union is here for its members, and it will always be here for them." 🌐

—by John Ikeda

Project Development Manager, WOCCU



Strathmore Project

—Providing Accreditation For CU Leaders



The first SWAMI participants pose for photo at the completion of the tier one accreditation program.

The first SWAMI (Strathmore World Council African Management Institute) took place in Nairobi, Kenya in November of 2004, thanks to financial support from CUNA Mutual Group (CMG) Foundation and the United States Agency for International Development (USAID). The SWAMI model of intensive training for board members and managers in sound leadership and safe financial management is designed to ensure that credit unions continue to promote effective service to their members.

World Council of Credit Unions, Inc. (WOCCU) and Strathmore University are the primary collaborators; Strathmore's specialization in accounting and information technology complements WOCCU's focus on instruction materials for the training institute.

This three-tiered training approach marks a departure from the format of prior training programs developed by WOCCU and Strathmore. In creating the current system, organizers considered the feedback of past participants, the need to focus on the training of board members and managers, and the success of the tiered approach as used at credit union training schools in the United States. "It is very exciting to see so many students from all over Africa participating in the institute this year," said Anne Cochran, CEO of the Louisiana Credit Union League (LCUL). "It has been a resounding success so far, with terrific evaluations of the courses and teachers. I strongly believe that in the near future the institute will come to represent a hallmark of Savings and Credit Cooperatives (SACCO) professionalism."

Credit union board members and managers are responsible for completing courses in safe financial management and accounting, including WOCCU's PEARLS monitoring system, good governance, marketing and information technology.

Twenty-six SACCO managers and management staff attended the full six day training and twenty-four SACCO board members joined for the last two days of the institute. The majority of the students were from Nairobi, Kenya; others were from various parts of Kenya, the Seychelles and South Africa.

Upon successful completion of their assignments, students will proceed to tier two in July, 2005. After completing all three tiers, SACCO managers and board members will be awarded the Certified SACCO Professional designation. The first SWAMI class will graduate in November, 2005.

Funds provided by CMG and USAID enabled the additional involvement of credit union volunteers from Louisiana and Pennsylvania. The efforts of Cochran, her staff, and Rick Myxter, vice president of the Pennsylvania Credit Union Association (PCUA), partner to Kenyan credit



COUNTRY INDICATORS

National Capital: Nairobi
 Government Type: Republic
 Area: Total 582,650 sq km
 Population: 31,639,091 (July 2003 est.)
 Inflation Rate: 1.9% (2002 est.)
 Currency: Shilling
 Exchange Rate: 76.5 Shillings/US\$1
 GDP: \$32.89 Billion (2002 est.)
 GDP per Capita: US\$1,100 (2002 est.)
 Source: IMF/CIA World Factbook 2004, World Bank

CREDIT UNION INDICATORS

Credit Unions: 2,500
 Members: 1,800,000
 Savings: US\$985,040,518
 Loans: US\$906,237,277
 WOCCU Statistical Report 2003

unions, have added valuable input to the design of the institute, curriculum and marketing materials.

Thanks to the support of the American Heritage Federal Credit Union, the PCUA, and a coordinated effort between the Southeast Regional Credit Union School and the LCUL, nine Kenyan students were awarded partial scholarships to attend the three tier training program. One South African student also received a full scholarship for the three tiers.

It is the expectation that this training will become a model credit union development program to be replicated around the world. World Council anticipates that the training agenda and structure established at SWAMI will complement the development of training programs in Ecuador and elsewhere. 

—by Catherine Ford

Technical Officer—Training & Research, WOCCU

Making the Credit Union Difference -Through Partnerships



Bahamas Cooperative and Credit Union League poses with the Massachusetts Credit Union League. (l-r) Francis Davis, CEO, BCCUL; Rufus Johnson, vice president, BCCUL; Karen E. Duffy, CEO, Worcester Credit Union; Daniel Egan, CEO, MA CU League; and Eugene Foley, chairman, MA CU League.

The credit union difference manifests itself in many ways; interest in international credit union development is one of them. There are many people in the world who have yet to experience the benefits of credit union membership or who could be receiving improved services from their financial institution. Establishing an international partnership provides opportunities for organizations to play a greater role in the development of the global credit union community.

Nations around the globe are becoming increasingly interdependent. World Council's experience with international partnerships shows that they go well beyond financial and philosophical aspects: they establish bonds that ultimately affirm democratic principles, offer opportunities to learn about other cultures and create good will. All parties that agree to enter into formal partnerships benefit.

New York & Puerto Rico delegations pose for a photo outside of the Cooperativa de Ahorro y Crédito Abraham Rosa. (l-r) Diane LaVigna Wixted, executive director, NYCUF; William Mellin, CEO, NYSCUL; John Gibardi, board chairman, NYSCUL; and Luis Lopez, CEO, Abraham Rosa Credit Union, Puerto Rico.



In the last few months there has been a significant increase in the level of partnership activities. In addition to 12 formalized partnerships, WOCCU is working toward establishing four new relationships: New York/Puerto Rico, New Mexico/Alianza (Mexico), Massachusetts/Bahamas, and Texas/Jamaica.

The first step in establishing a partnership typically occurs when the parties visit each other to become acquainted with business environments, membership structures, regulations, and other challenges. In November of 2004 representatives of the New York State Credit Union League (NYSCUL), the New York Credit Union Foundation (NYCUF) and Empire Corporate Federal Credit Union visited San Juan in hopes of forging a relationship with Puerto Rican credit unions. For three days Luis Lopez, CEO of Cooperativa de Ahorro y Crédito Abraham Rosa, hosted the delegation from New York. In early March, the group met again when a delegation of several Puerto Rican credit unions visited Albany, New York to learn about the services provided by the League, the Corporate and individual New York state credit unions.

The Puerto Rico/New York partnership will be the first between a U.S. state league and a U.S. territory. Federally registered credit unions on the island must comply with the same federal rules and regulations as their counterparts on the U.S. mainland. Thus, compliance and regulation will be a key area of focus for this partnership. Another area of collaboration is training. Certain provisions of the regulations mandate that board and staff members continue to perfect their credit union skills through education. NYSCUL has an extensive curriculum that can be used to help Puerto Rican credit unions fulfill these requirements.

Another partnership between a Caribbean nation and a U.S. state is that of Massachusetts and the Bahamas. In November of 2004 representatives of the Bahamas Cooperatives and Credit Union League (BCCUL) took the first step toward a partnership when they visited the Massachusetts Credit Union League to become acquainted with their scope of services and products.

Taking advantage of the presence of the Massachusetts Board for the event, the Bahamian delegation gave a background presentation on their movement and their current challenges. As a result, several areas of cooperation were identified: youth involvement programs, education and training, governance best practices, credit union identity and branding, and dealing with mergers and takeovers.



The New Mexico Credit Union League and Alianza delegation pose for a photo in Mexico. (standing l-r) Oscar De Leon, project director, WOCCU-Bansefi; Ramon Cortes, credit union training manager, Alianza; Ignacio Chichitz, operations manager, Alianza; and Tomas Carrizales, CEO, Alianza. (sitting l-r) Victor Corro, project manager, WOCCU; Winona Nava, CEO, Guadalupe Credit Union; Linda Medina, board member, Guadalupe Credit Union; and Sylvia Lyon, CEO, Credit Union Association of New Mexico.

Similarly, a new relationship has been forged between Alianza, a trade association for credit unions in central Mexico, and the Credit Union Association of New Mexico. In December, 2004 a delegation representing the New Mexico Association visited León, Guanajuato to learn about Alianza's work. Alianza and its credit unions are heavily involved in microenterprise lending. The visiting delegation had the opportunity to interview several microentrepreneurs that have created businesses with loans from Alianza's member credit unions. They visited a shoe factory that is now selling its products through catalogs, and two family-owned micro businesses: a traditional Mexican bakery and a shop that manufactures accessories for cowboy hats.

The New Mexico credit union delegation visits a microentrepreneur and member of Alianza.



Both organizations agreed the best way to learn is by observing each other's operations. Alianza is interested in learning about loan product marketing, new product development, management of ATMs, credit and debit cards, and finding a balance between providing services to small and large member credit unions. As for New Mexico, their credit unions are providing services to a large percentage of Hispanics, especially those of Mexican descent. Both partners will work closely to conduct a comprehensive review of the services and products offered by credit unions in New Mexico to ensure that enhanced outreach efforts are effective and relevant to the Hispanic credit union member.

The newest groups to forge a potential partnership are the Jamaican Cooperative and Credit Union League and the Texas Credit Union League. After meetings of these two organizations over the years, a formal partnership is emerging. In the late 1990s one of WOCCU's projects—funded by the Inter-American Development Bank—was the strengthening of the Jamaica League. Texas credit unions provided several volunteer consultants to help achieve the project's goals.

This relationship is bringing results still today. At the request of the Jamaican League, two representatives

from the Texas League and one from WOCCU will travel to Jamaica for two weeks in May to facilitate a nationwide strategic planning seminar to identify the key issues facing the credit union movement and the League and ultimately provide input in determining a strategic plan for the continued growth, development and sustainability of the Jamaican credit union movement.

In addition to this first activity, Jamaica and Texas will also work on improving risk assessment, marketing, product development and member communication.

Credit union partnerships at the international level represent one of the most promising ways to make the credit union difference. Partnerships increase understanding of development challenges and effectively channel the resources of the worldwide credit union movement to respond to these challenges. World Council is encouraged by the success of existing international credit union partnerships and views them as essential in achieving its mission. Partnerships require cooperation, commitment and participation, which are the components of successful credit union development and key elements in making the credit union difference. 🌐

—by Victor Corro
International Partnership Manager, WOCCU



Washington CREDIT UNION LEAGUE AND AFFILIATES



John Annaloro
President and CEO
Washington Credit Union
League and Affiliates



Bob Schumacher
Chairman
Washington Credit
Union Foundation,
Snohomish County
PUD Credit Union

Credit Union World spoke to Washington Credit Union League (WCUL) leaders, John Annaloro, CEO and Bob Schumacher, WCUL chairman and CEO of the Snohomish County PUD Credit Union, about their support of international development.

CU World: Why is the Washington CU League so actively involved in international development?

Annaloro: It's a natural outgrowth of our location on an international border and the commitment of our members. Many Washington credit unions have experimented with direct programs in Asia, Africa and Latin America, and we benefit from the enthusiasm of individual members with a strong commitment to international development.

Schumacher: I've had an interest in international development since my early days in the credit union industry; working for CUNA, I had constant exposure to World Council. I understand the power of international partnerships.

CU World: Why is the Washington CU League a WOCCU Supporter?

Annaloro: Our shared credit union mission makes the partnership a natural one, and many league members have played an important role in World Council's past. Dennis Cutter (president and CEO of Numerica Credit Union in Spokane, Washington) is a past WOCCU chairman and formalized the partnership between our league and the Philippines. Dale Magers (board chair at Columbia CU in Vancouver, Washington) has been active with World Council since 1980 and was instrumental in developing credit unions in Poland and other central European countries. Humanitarian Carol Schillios lives in Washington and has spent the last 30 years taking the credit union message around the world; she was the first trainer for World Council's Philippines Savings and Credit with Education program. Plus, one of my mentors, Al Charbonneau, a former WOCCU CEO, shaped many of my early perspectives.

Schumacher: World Council is unique. It allows us to take the strengths and knowledge gleaned from our credit unions and our league and insert them into an excellent international program. World Council is always our first choice for international development.

CU World: How has your league benefited from being a WOCCU Supporter?

Schumacher: The Philippine partnership helped me to better appreciate the resources available through World Council. We worked with one small co-op there that had embraced PEARLS. Every board member could tell you what each of the 41 ratios were for their co-op. In the United States we take regulations and good operating procedures for granted; we gain from this fresh perspective.

It has also taught me the importance of not making assumptions. When we first partnered with the Philippines, I taught quality service to some front-line staff there. I assumed that we had a common experience of what customer service meant, and I was wrong. I brought this realization home and now I don't assume; I know where my team is starting from or I find out. We've also changed our bylaws because of this relationship. My experiences overseas helped me to see that our bylaws were arcane, that they didn't reflect who we are or what we wanted to accomplish.

Annaloro: Sometimes it's easier to see the credit union mission without all the external distractions of modern financial technology, heavy government regulations and complex, competitive environments. I've also learned that the value of co-ops may be better understood in the rest of the world. In parts of Asia, a cooperative leader can be the equivalent of a Fortune 500 CEO. When the

governor's office sent a letter to a counterpart organization in the Philippines they requested my signature as well as the governor's!

CU World: How do you ensure the long-term sustainability of a partnership program?

Schumacher: That is a challenge and something that we've grappled with over the years. It's easy to respond to a specific need—like tsunami relief—but difficult to sustain enthusiasm on an everyday level. Strong commitment from the board is crucial, and you need a support mechanism, in our case the International Development Committee. When you find people with an interest in international development, bring them on board immediately. Don't be discouraged if your program occasionally has to take a back seat. You must constantly assess where the project fits into the overall priorities of your league and act accordingly.

The Washington Credit Union League represents the state's 130 credit unions with assets of more than \$21.6 billion and 2.4 million consumers/owners. Founded in 1933, the League has worked diligently since that time to support both credit union and individual growth in the state of Washington and the international community. WCUL is partnered with the Philippines in World Council's International Partnership Program and is an active WOCCU Supporter. In addition, the Washington League supports a number of local development programs. 

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Get involved—see our website at:
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Valerie Breunig

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