



World Council of Credit Unions, Inc.

Volume 8, Issue 2 • October 2006

WORLD

*The Source for International
Credit Union Information*

Credit Union

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Members are the Winners



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Credit Union World

Published by World Council
of Credit Unions, Inc.

Publishing and Editorial Staff

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Publishing Information

Credit Union World is published two times
a year by World Council of Credit Unions, Inc.
World Council reserves the right to edit letters
to the editor and all submissions. Send
submissions, requests for subscriptions and address
changes to Kimberly Johnston, Editor.

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Pete Crear
Chief Executive Officer

The Challenges of Today's Global Financial Marketplace

In this issue of *Credit Union World* we address key concerns for World Council of Credit Unions' members and the credit unions they serve. Increased competition is a concern we cannot ignore. It's also a challenge that credit union movements from Australia to Poland are finding innovative ways to address. The feature article presents strategies credit unions are employing to remain competitive.

Further examining the global situation for credit unions, the trends article provides a SWOT analysis offering an overview of strengths, weaknesses, opportunities and threats. Similarly, you can read about challenges to World Council's credit union development activities.

One of our challenges is to reverse the trend of low voter turnout at annual general meetings and make democracy more than just a word. Credit unions everywhere can learn a great deal from the burgeoning movement in Macedonia, where members' interests and the principle of "one member, one vote" won a resounding victory against personal interests and the lack of transparent information.

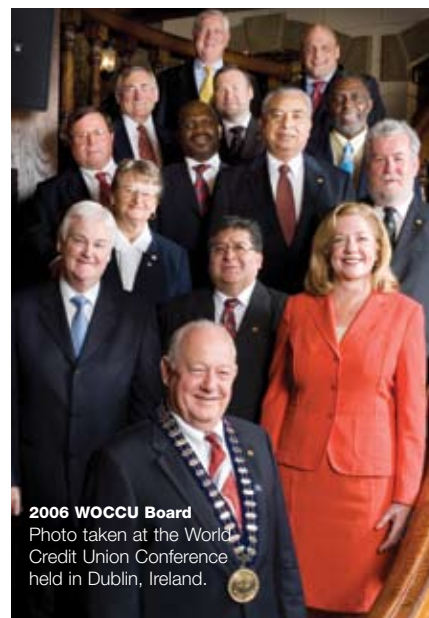
No matter what stage of development a movement is in, appropriate legislation and regulation is the single most important factor to ensuring sustainability. We exist to serve members and keep their money safe. In this issue we talk about Kenya—the largest credit union system in Africa—where a proposed credit union law will develop a sound, legal framework and require all credit unions be regulated for the first time in that country.

Also in this issue, we wrap up the 2006 World Credit Union

Conference, which provided an opportunity for more than 1,800 credit union leaders from around the world to gather in Dublin, Ireland and learn from each other.

As we look to the future of development India and China are two nations key to World Council's growth plan. India has two financial cooperative groups serving more than 350 million people, and China has 200 million people that belong to rural credit cooperatives. Dialogues with both of these countries have been promising, and we plan to make the discussions more formal and focused in the months ahead.

As we move into 2007, we must continue to learn from each other to find ways of doing more...until every country around the world has appropriate credit union legislation and regulation...until all people around the world have access to affordable financial services...until we have not only looked at how we can best serve our existing membership—but also reach out to the rest of the population—creating a larger "foot print" for development.



2006 WOCCU Board
Photo taken at the World
Credit Union Conference
held in Dublin, Ireland.

A photograph of four men in business suits crouching in starting blocks on a reddish-brown track, ready for a race. They are positioned diagonally from the top left towards the bottom right. The background shows a clear blue sky and some stadium seating.

CMPETITION

Members are
the Winners

Competition is a given in today's financial services environment, but determining the most effective ways to compete can be a real challenge.

It's natural to look to the world of sports—the ultimate example of competition—for clues. After all, sports are about competition. And what credit unions wouldn't benefit from the challenge to work as a team, optimizing their strengths and taking advantage of the opposition's weaknesses? From early childhood many of us competed in games or sports like soccer, baseball or track and field. Healthy competition is something people naturally take from the playground into the business world. The literal playing field differs from the figurative in a number of key ways.

Sports teams can rely on set rules, a clear understanding of the key players, a referee and a specific and

guaranteed prize. But in the business environment, the rules change constantly; the competition is fluid and unpredictable, referees are not always available and the prize—increased credit union membership—and what it takes to win it, seem to change on a near-daily basis.

So how can credit unions thrive in an increasingly competitive environment where members—and their needs—are ever more diverse?

It's a question that credit union leaders from around the world cited as one of their most pressing concerns in the 2006 World Council of Credit Unions Annual Survey and one that's shared by the regulators who govern them. But it's a challenge that credit unions are finding innovative ways to address.

Before citing some specific strategies credit unions around the world are using to remain competitive, let's

discuss what we mean by competition and some general solutions for leveling the playing field.

In a nutshell, the competition credit unions face today includes everything from banks and a multitude of financial service providers (mortgage brokers, retail stores and insurance companies just to name a few) to payday lenders and loan sharks. The world wide web adds a new twist: it eliminates geographical boundaries, making it possible for members to rate and service shop from the comfort of their own homes or offices.

Tactics for success also cover a broad spectrum. David Grace, World Council senior manager of member services explained, "Potential strategies for competing in today's tightening marketplace include finding opportunities for efficiency gains, nationally adopted branding strategies and a focus on service."



“Enabling legislation will help to ensure that we can compete effectively.”

Grace stressed that price isn't always the determining factor when it comes to choosing a financial services provider. “In many markets, the value proposition that credit unions offer has prompted consumers to cross over from focusing on price to making decisions based on trust.”

Reinvention is another valuable strategy. Grace suggested that credit unions focus on three areas: “First, constantly reinvent yourselves before shifting circumstances force you to; second, conquer denial by challenging your workforce to consider how emerging trends might affect the credit, and third, systematically remake the managerial process of brand building, decision making and resource allocation.”

Reinvention is important for all organizations, the best known example is the Microsoft Corporation, a master of reinvention. Think of the wide variety of products and services they've offered throughout their history. Reinvention and “outside-the-box” thinking have allowed Microsoft to rise to—and remain—at the top of Fortune 500 companies.

With that understanding in place, let's take a look at how credit unions are dealing with competition around the globe.

Great Britain

The Association of British Credit Unions, Ltd. (ABCUL) faces competition on a number of levels.

One major source of competition is door-to-door money lenders, called “doorstep” lenders, who serve those of modest means—the same market as British credit unions. These seemingly reputable national organizations charge interest rates up to 177% and make it easy for consumers to become addicted to the never-ending cycle of debt.

Another is community development finance institutions (CDFIs), which provide some personal lending services but were formed primarily for small business lending. Originally positioned to meet the needs of those of the poor—a tactic that won them government support—the CDFIs haven't backed their promises with concrete action.

“ABCUL is making the case that credit unions provide a broader range of cost-effective services to a more diverse membership than the CDFIs do. The UK Government has recognized this and the unique role credit unions can play by allocating £30m of the £34m available from their Financial Inclusion Fund to ABCUL's members. And we're successfully

lobbying the government Financial Inclusion Task Force to provide the bulk of government funding through credit unions,” said Mark Lyonette, ABCUL CEO.


Although the banking sector has not traditionally been a major source of competition for credit unions in Great Britain, that is changing as credit unions add services. Most credit unions in Great Britain still rely on volunteers and primarily serve those of modest means, but nine of the largest credit unions will soon offer a full range of financial services.

“The banking sector did not see credit unions as any sort of competition because we served the less profitable portion of the financial services sector. That's changing,” said Marlene Shiels, CEO, Capital Credit Union.

Ireland

Irish credit unions find themselves at a crossroads as competitive forces challenge them to revisit regulatory requirements.

One of the biggest challenges can be traced to escalating home values and the Credit Union Act of 1997. Over the past 10 years, property values have increased by 300-400% in many parts of Ireland. Unfortunately, the



“credit unions are in business to serve their members, not to necessarily beat the competition. In fact, beating the competition is a means to an end.”

Act, which restricts the loan book by permitting only 20% of it to be lent out over five years and 10% over 10 years, has caused most credit unions to not provide home loans. As the value of the average mortgage loans has risen, banks have stepped in to take advantage of the Act's irregularity.

“Banks are targeting all debt to be consolidated into mortgage debt. This reduces the immediate impact on the consumer but increases their interest payments in the long term,” said John O'Halloran, head of legal and secretariat services at Irish League of Credit Unions (ILCU). “Credit unions are losing members who choose to pay off their credit union loans with these mortgage loans.”

Credit unions are also missing out on opportunities as members are opting for overdrafts and credit cards—services that credit unions don't offer—instead of traditional personal loans. To combat this, the ILCU is researching a new revolving type of loan product and is in discussion with its regulatory body to evaluate restrictions on loans over five and ten years. Liam O'Dwyer, ILCU chief executive officer, explained, “We are looking at ways to meet the needs of our members, while working with our regulatory body to loosen requirements on longer term loans.

Networking with our colleagues from other credit union systems helps us address these challenges and explore alternatives.”

United States

In the United States, credit unions in Maryland and Ohio are successfully taking on predatory lenders and other usurious financial services providers. “Our real solutions for credit unions are going a long way to combat predatory lenders and provide an affordable service for members who are struggling to make ends meet,” said Mark Mayer, Filene Research Institute executive director.

One solution is the Stretch Pay Program, an idea that Maryland borrowed from the Ohio Credit Union League. The Stretch Pay Program allows credit unions to give out small loans of \$500 or less without a credit report. Members may receive up to 12 stretch pay loans a year at an interest rate of 28%—less than half the typical rate of check cashers and payday lenders. Participants pay a \$35 annual application fee, which goes into a pool to pay for losses experienced by participating credit unions.

Dan Mica, CEO of Credit Union National Association (CUNA) spoke about competition with a different

point of view. “In the U.S., competition is perceived as a very good thing, and it pervades every aspect of American life, from sports to prices. But competition can have its limits, and that's where cooperation picks up.”

Mica noted, “As cooperatives, it is vital that credit unions have the right mix of membership to support services to fulfill the needs of all their members, no matter what walk of life they come from. Let's be clear about something—credit unions are in business to serve their members, not to necessarily beat the competition. In fact, beating the competition is a means to an end, making sure members have an opportunity to avail themselves of credit union services.”

How can credit unions embrace the flexibility to offer members the other services they need? Mica believes effective legislation is the key. “We have been pushing legislation in the U.S. Congress and at the state level to update and improve the credit union charter, working with regulators to cultivate a regulatory framework that better matches the operating environment and developing programs and services that help credit unions best deal with the changing financial services marketplace.”

KENYA:

THE GATEWAY TO CREDIT UNION DEVELOPMENT IN AFRICA

Rural Kenya



“Banking Sector Experiences Financial Problems”... “Banks Closing Branches in Rural Areas”... “Regions Left Without Financial Services!” For many developing credit union movements, headlines like these mean opportunity. The question is whether the movement can capitalize on that opportunity and ensure long-term sustainability.

Such an opportunity presented itself to the Kenyan credit union (SACCO) movement back in the late 1990s. Savings and Credit Co-operatives (SACCOs) gained importance and increased size when they stepped in during the banking sector crisis to open branches in areas where banks had retreated. Today, SACCOs in Kenya constitute a critical part of the financial system.

The largest in all of Africa, the Kenyan credit union system comprises 4,200 registered SACCOs throughout the country, according to the Central Bank of Kenya. The Kenyan Ministry of Cooperative Development and Marketing (MoCDM), the government organization representing all cooperatives, estimates that SACCOs provide financial services to approximately 1.6 million members and mobilize approximately US\$1.5 billion in savings. However, a World

Council of Credit Unions impact assessment shows these numbers appear too low.

“SACCOs are a much bigger contributor to the Kenyan economy than the industry thought. The sector is also a major player in the financial market,” indicated Brian Branch, World Council chief operating officer. “The 148 SACCOs in our impact study represent 1.2 million members; so we believe SACCO membership exceeds 2 million.”

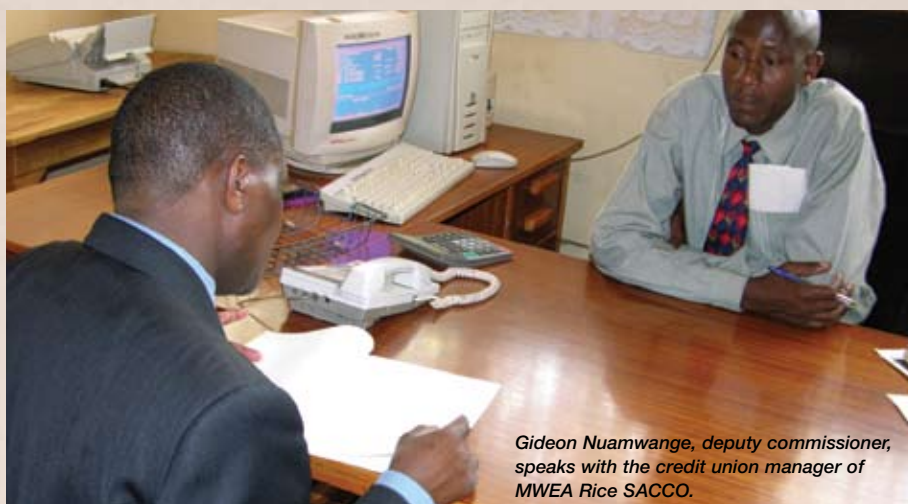
Given the movement’s tremendous outreach and the importance of maintaining SACCO sustainability, the Kenyan government, with World Council’s assistance, is trying to strengthen credit unions and make them safer for members by passing a proposed SACCO Act. Because the sector currently stands unregulated, the Act will provide a formal structure for implementing regulation and supervision.

World Council worked with MoCDM to draft a SACCO bill in late 2003. Before drafting the bill, World Council managed and implemented an impact study to determine the benefits, costs and risks of the proposed regulatory framework for the SACCO sector and its various stakeholders. Initial analysis included a

stakeholder workshop, an audit of the 20 largest SACCOs and a financial analysis of an additional sample of SACCOs—some of which offer withdrawable savings accounts.

Members of Marafiki SACCO sell their goods at the market.





Gideon Nuamwange, deputy commissioner, speaks with the credit union manager of MWEA Rice SACCO.

Jesús Chavez, World Council technical development and regulatory systems manager explained, “An important part of the SACCO Act is introduction of a regulatory body to supervise operations of the entire SACCO sector. Additionally, the Act proposes establishing a Depositors Protection Fund to safeguard members’ savings. Potentially, the regulatory entity, operating under MoCDM, will be autonomous and free from political influence.” Chavez continued, “We are strongly recommending that all SACCOs, regardless of size, be supervised and regulated by an independent regulator.”

Chavez, a key contributor to the SACCO Act, proceeded to explain, “The Act proposes clear demarcations of the responsibilities of members, elected officials, and SACCO employees to enhance transparency, accountability and adherence to World Council’s PEARLS prudential management standards.”


Chavez pointed out that much has to be done before regulation begins. He said, “Writing new accounting manuals and implementing reporting standards is key. Currently, SACCOs use financial statements in a format designed for the manufacturing sector. Everyone needs to be on the same sheet of music before beginning to play.” He added, “Education is also a key component in regulation, ensuring staff and board directors are trained on asset/liability management, PEARLS and other key operational areas.”

Having anticipated the need for formalized training, World Council partnered with Strathmore University in Nairobi to develop an intensive three-tiered accreditation program. Strathmore–WOCCU African Management Institute (SWAMI) focuses on providing SACCO staff and board members the necessary tools and training to safely manage and operate a SACCO. This year the program, which began in 2004, graduated its first class of 28 managers and 20 board members from the third tier.

With growth and addition of services, the importance of legislation and supporting regulations for credit unions has never been more critical than in developing countries, like Kenya. SACCO leaders knew changes had to be made to their lending practices and other services to survive in the marketplace. Today, because of reinventing the way they do business, Kenya SACCOs—especially those offering “front office services” (teller services)—are experiencing large and swift membership growth. Traditionally credit unions in Kenya provided basic services of share savings and share draft accounts, “back office services.” With change it brings new challenges: day-to-day liquidity management, accounting and overall financial management.

In order to achieve their regulatory and legislative goals, the government of Kenya will propose funding for the new regulatory project to the Department for International Development (DFID), an agency of the United Kingdom government. Through the proposed project, consultants will work with institutions, individuals and credit unions to build capacity and determine areas of change to help SACCOs comply with the proposed SACCO Act and prepare for regulation. For example, SACCOs will move from making loans based solely on a fixed ratio of three-times a member’s share to analyzing a member’s capacity to repay the loan.

Another key component to successful development is collaboration. Through World Council’s International Partnership Program, the Pennsylvania Credit Union Association (PCUA) partnered with the Kenyan credit union system in 2001. Since that time, both Pennsylvania and Kenya credit union leaders have deepened relationships and supported efforts to strengthen their respective systems. Recently, Rick Myxter from PCUA returned from his third visit to Kenya, where he addressed SWAMI participants and met with the Kenyan Permanent Secretary of MoCDM to encourage passage of the new SACCO Act. Myxter also met with USAID to discuss funding for training and the launch of IRnet® Kenya.

“In Kenya, we have a movement with incredible potential and a strong will where we can develop methodologies specific to African SACCOs,” noted Brian Branch, World Council chief operating officer. “Kenya is the gateway to credit union development in Africa.” 

—by Kimberly Johnston
Marketing & Communications Officer, WOCCU

ONE MEMBER- ONE VOTE IN ACTION

MACEDONIA MEMBERS TAKE BACK CONTROL



What happens when governance goes awry? When board members' personal interests supersede the good of the organization? Memories of debacles such as Enron, WorldCom and Tyco still linger in the minds of many international business professionals, stockholders and employees.

For FULM Savings House in Macedonia, poor governance by its founding organization resulted in a resounding victory for the members and the credit union principles of "one member, one vote."

FULM Savings House had experienced positive growth since opening in 1999, accumulating US\$4.2 million in assets. But to continue serving its 5,500 members, FULM needed to comply with changes in Macedonia banking law and meet the European Union "harmonization" requirements or obtain an exemption that other credit unions in Europe have received. Unfortunately, the path to meeting them was not without its challenges.

The challenges revolved around the lack of good governance by AC FULM, the "holding company" of FULM Savings House. This structure, with AC FULM established as the "owner" of FULM Savings House, came about due to the lack of appropriate credit union legislation following the war. But at a time when the board needed to take the next critical steps to meet these laws and requirements and ensure the long-term

sustainability of FULM Savings House, it appeared to make decisions based on some of the board members' personal agendas.

The Situation Unfolds

During the second quarter of 2004, FULM Savings House, National Bank of the Republic of Macedonia and World Council of Credit Unions (which has been working to develop credit unions in Macedonia since 1995) began meeting to discuss the necessary steps to meet the EU requirements. These requirements involve compliance with concise banking laws and regulations, such as rules regarding licensing structure, transparency and the connection between capitalization and the products and services financial institutions are allowed to offer.

Three basic issues surfaced in these discussions that, at a minimum, FULM Savings House needed to address before moving forward on the EU requirements:

- 1) Meet capitalization requirement of \$1 million euros,
- 2) Cease operating under its current license and re-license as a different type of institution (a credit union or a savings bank), and
- 3) Have AC FULM, the founder, relinquish ownership of FULM Savings House.

If these requirements were not met, FULM Savings House would have to merge or liquidate, and all remain-



ing institutional capital (after paying all liabilities) would become the property of AC FULM. Subsequently, World Council wrote a proposal to United States Aid for International Development (USAID), requesting additional funds to ensure FULM Savings House could meet the capitalization requirements and remain open for its members. For more than a decade, USAID has been instrumental in the growth of the credit union

пуги за Луѓето на Македонија



One of six branch offices of FULM Savings House in Macedonia.

movement in Macedonia, investing more than US\$400 million to support initiatives to accelerate economic growth, develop democratic institutions and educate citizens for a modern economy.

In June 2005, USAID approved a grant of US\$450,000. As with any World Council project, an agreement was drawn up, stating the obligations of the recipient (AC FULM),

the user (FULM Savings House) and World Council. Within this particular agreement, Article 2 stated that AC FULM would agree to meet any new legislation requiring the relicensing of savings houses and that all institutional capital would remain with FULM Savings House, not AC FULM. But by the spring of 2005—six months later—the AC FULM board of directors still had not signed the agreement, due to Article 2 #9. As a

result, the USAID grant money had not been transferred. It appeared that some of the AC FULM board members were making decisions for the potential benefit of the board itself, and not for the benefit of the seven-year-old financial institution. Anyone who attempted to oppose the board as it tried to stop the project was removed. For example, the board illegally discharged two managing directors who tried to stand up to the board and replaced them with AC FULM board members. Another indicator of the lack of good governance was the continued absence of accurate minutes from the AC FULM board meetings—which, had they been published, would have been proof of the board's violations of its own bylaws.

AC FULM's board actions to block the project and the grant funding were also having negative effects on FULM's operations. For example, Macedonia legislation requires savings houses to comply with a savings-to-capital ratio of 2:1, which means for every two denars saved, one denar must be reserved as capital. Since FULM had reached the maximum level in member savings, the financial institution had to turn members away who wanted to make deposits into their personal savings accounts. The financial impact was that FULM Savings House was unable to mobilize savings of US\$900,000 or make loans of US\$1.35 million to members. FULM also lost revenue from the interest income on these loans. Finally, FULM's reputation was at risk with members, international donors and the Central Bank of the Republic of Macedonia, which was on alert for a public run on FULM Savings House due to increasing member awareness of the situation.

"At this time, our small staff—20 employees—put in a lot of overtime," said Eleonora Zgonjanin Petrovic, chief executive officer, FULM Savings House. "We were getting questions from members, and we wanted to make sure people didn't panic. We wanted them to understand there was no problem with the institution

INTERNATIONAL PARTNERSHIPS

ECUADOR'S SHARED BRANCHING SYSTEM GROWS WITH COLORADO'S GUIDANCE

It was 2000, the year the Ecuadorian economy imploded, buckling under a 96% inflation rate that forced a number of state-run banks to fold, taking customers' deposits along with them. John Uchida, president of Space Age Federal Credit Union in Aurora, Colorado, arrived in Quito, Ecuador, that same year to see a line of angry customers stretched for blocks around a bank guarded by armed riot police. Uchida was visiting Ecuador on a mission to help build a stronger credit union movement and promote financial freedom on behalf of World Council of Credit Unions (WOCCU) International Partnership Program between Colorado and Ecuador credit unions.

Facing 70% poverty, civil unrest and inches away from bankruptcy, 2000

was also the year the Ecuadorian government converted its currency, devalued by 40%, to the U.S. dollar. In the two years that followed, the Ecuadorian economy grew by more than 5%, inflation dropped to 22%, and Ecuadorian credit unions—previously viewed as financial institutions to serve only the very poor—had a unique opportunity to change public perception and educate them on the credit union difference. Similar to the years following the Great Depression in the United States, people quickly recognized the value of democratic financial institutions owned and run by their members. Ecuador's credit unions were primed for growth and needed help doing it.

Uchida, along with Bill Sterner, president of Elevations Credit Union and Mark Lau, now president of Denver

Fire Department FCU, were among the first of several Colorado delegates to exchange visits with Ecuadorian credit unions through the World Council International Partnership Program. The program brings together credit union movements from around the world to exchange ideas and technical expertise to build stronger institutions for the benefit of members.

These principles are poignantly demonstrated in the nearly seven-year Colorado-Ecuador partnership. Credit unions from the two countries have been inspired by each other's ideas and initiatives across borders, language barriers and cultural differences. Ecuadorian credit unions have benefited from the partnership through the experience and expertise of Colorado credit unions, which have brought to the table insights and advice on infrastructure and technology. Colorado credit union people have been amazed by the Ecuadorians' enthusiasm and ability to mobilize their collective power in the true spirit of the credit union movement.

"As U.S. credit unions search for ways to make a positive social impact,



An Ecuadorian woman compares fruit that she is selling in the street market.



The Redcoop logo, shown on the exterior of CACPECO Credit Union, signals to members that a credit union is part of the shared branching network.



Representatives from Credit Union Association of Colorado (CUAC), Credit Union Service Network (CUSN) and Denver Community FCU staff members welcome the International Partnership delegation from World Council and Ecuador.



The International Partnership Delegation from CUSN and CUSC stand where the northern and southern hemispheres meet in Quito.

capture the entrepreneurial spirit for more local business and encourage a healthy economy, Ecuador's credit unions have already figured it out," Uchida observed. "They are micro-financing small businesses with as little as US\$7 and establishing medical and dental clinics simply because there is a need."

During his stay, Uchida and the Colorado delegation also visited several small businesses financed by credit union micro-loans, among them a bakery, trout farm and jeans factory.

Ecuador has approximately 300 credit unions with a total membership of 1.8 million people. World Council has worked to help improve the odds of success for the credit union movement in Ecuador in a Quito project since 1996,

funded by the United States Agency for International Development and the Consultative Group to Assist the Poorest.

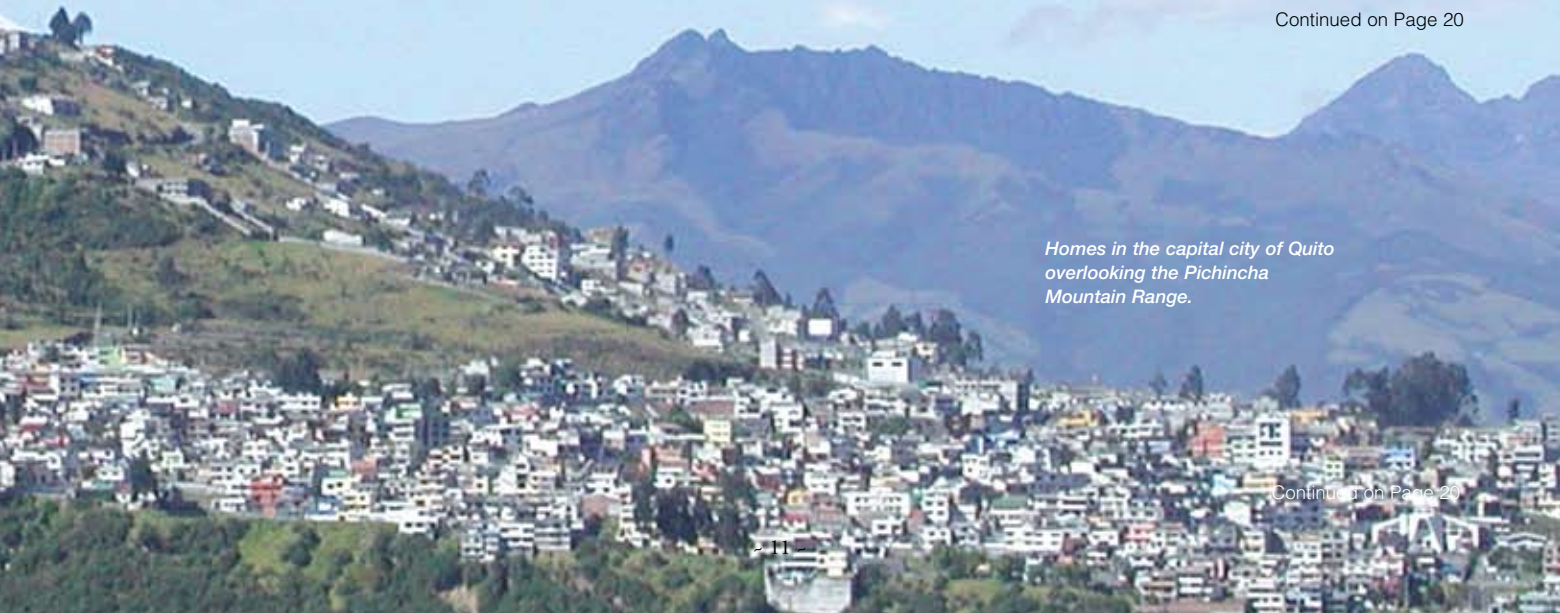
With 18% market penetration, the credit union movement in Ecuador is in full swing, and it is making all the difference in the world to a poverty-stricken population. Employing the credit union principle of "people helping people" and with an expanded social mission, credit unions in Ecuador are helping their members find paths to financial freedom and personal well-being by going above and beyond the typical directives of traditional financial services institutions.

Not only do credit unions support members in their entrepreneurial pursuits, provide financial educa-

tion and encourage them to build wealth through savings, they also underwrite much needed human services. One credit union's members voted to expense a large portion of their capital to a medical clinic that serves members. By providing these services, Ecuador's credit unions are not only improving the financial lives of their members, they are contributing to sustainable growth of the country's economy. It's no wonder that credit union members in Tulcan, a town in the Carchi province near the Colombian border, stopped the credit union managers the Colorado delegation was traveling with just to tell them how much they loved their credit union.

"World Council credit union partnerships are helping international communities learn to attain self-

Continued on Page 20



Homes in the capital city of Quito overlooking the Pichincha Mountain Range.

Continued on Page 20

World Conference Attendees as Varied as Dublin's Doorways

Over 1,800 Credit Union Leaders Converge in Ireland for Annual Event



Credit union enthusiasts from around the world gathered in Dublin for the 2006 World Credit Union Conference, co-hosted by World Council of Credit Unions and the Irish League of Credit Unions. "I think it's fair to say that this is an organization that has quite the reach," commented Ireland's Taoiseach (Prime Minister) Bertie Ahern as he opened the conference on July 27.

As has become custom, a record-breaking number of people from all over the world met to network and discuss pressing credit union issues ranging from demutualization to credit union board best practices. Irish celebrities such as former President Mary Robinson, economist and TV personality David McWilliams, Minister for Finance Brian Cowen and three-time peace prize winner and credit union advocate John Hume joined participants throughout the informative and inspiring weekend.

The day before the conference, regulators from 15 countries had the exclusive opportunity to meet and discuss important regulatory issues, and 35 young credit union professionals held their own networking session. World Council's Young Credit Union People (WYCUP) scholarship program participants discussed topics at the forefront of their movements. Of the 35 WYCUP scholarship participants, Tom Atkins (Canada), Alison Carr (USA), Anne-Marie Coffey (Ireland), Shoba Gunasekaran (Singapore) and Darcy Mykytyshyn (Canada) were honored as this year's leaders, earning a trip to the 2007 World Conference.

Surrounded by attendees from 42 countries, numerous dialects and

backgrounds as varied as Ireland's doorways, Iain Macdonald, director general of the International Co-operative Alliance, reminded the group of its cooperative responsibility amid diversity and adversity.

"I consider us as one," he said. "To understand a cooperative, you have to be part of it and benefit from it. We are the guardians of the international principles of cooperatives. We have to act more collectively and globally," he charged.

The success of Ireland's credit union movement is seen in the cooperative sentiment of its people. Credit union visits were so popular this year that they overbooked. Participants were greeted with *cead mile failte*—a hundred thousand welcomes—and abundant Irish hospitality during educational visits to 10 area credit unions.


In his signature style, keynoter Dan Mica, CEO of Credit Union National Association, explained the importance of credit unions' political involvement and outlined what he referred to as the three tenets of politics: all politics are local; all politics are out-of-sight and out-of-mind; and "what have you done for me lately?" He encouraged attendees with the reminder that credit unions "do the right thing for millions of people every single day."

The undertone of community reverberated throughout the conference and worked its way to the forefront of many presentations. Several presenters stressed the need to remain guided by the roots and spirit of the credit union movement.

"This is the type of spirit which provides the glue that is so essential for holding society together...a sense of community and belonging," Irish Minister for Finance, Brian Cowen said on the final day of the conference.

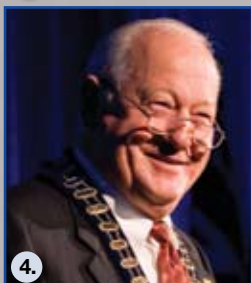
World Council welcomed new member associations, the Central Federation of Romanian Credit Unions, the Russian Credit Union League and the Ukrainian National Association of Savings and Credit Unions and presented them with World Council flags at the closing ceremony. Penny Reeves, Credit Union Central of Canada board director, also joined the World Council ranks as one of its 14 board directors. She replaces Wayne Nygren, who recently retired as CEO of Credit Union Central of British Columbia.

John Hume received a standing ovation at the closing ceremony as World Council presented him with the Distinguished Service Award in honor of his 40 years promoting credit unions. Though Hume is the only person in history to have won the three most prestigious peace prizes, he humbly considers his advancements in the credit union movement most noteworthy.

"Who could have forecasted in those first days that we would be gathered together like this?" Hume said in his compelling acceptance speech. "[Credit unions] show that people can live and work together and spill their sweat instead of their blood... common humanity transcends their differences." 

—by Jennifer Brink
Marketing Assistant, WCCU

**Join us in Calgary, Canada, for the 2007 World Credit Union Conference
July 29-August 1**



1. Mary Robinson, former President of Ireland, gives the keynote address at a general session.
2. l-r: Chris and Rob Nicholls, chairman, CUSCAL with World Council chairman, Gary Plank.
3. Keynote speaker, Irish economist and television personality, David McWilliams.
4. World Council chairman, Gary Plank.
5. Pete Crear speaks at the Regulators Roundtable.
6. Dan Mica, CEO of CUNA & Affiliates, talks about the importance of legislation to the credit union movement.
7. 2006 WYCUP Networking Group.
8. Prime Minister of Ireland, Bertie Ahern, welcoming the attendees at the opening ceremony.

THE CHALLENGES OF INTERNATIONAL

A PERSPECTIVE FROM THE FIELD

Africa • Asia • Caribbean



Steve Onyango Mwalo (center), member of the KITE SACCO credit union in western Kenya, shown with his family and staff.

World Council's vision of "Quality Credit Unions for Everyone" is not an idle dream. From 1962 to 2004, World Council has managed US\$272 million of international credit union development projects in 64 countries around the world. Our ideology is a powerful and compelling message of hope to the vast majority of people living on planet earth, but more particularly, to those who have been excluded from traditional financial services and products because of their destitute economic conditions.

Over the past 20 years, World Council has developed and implemented a Model Credit Union methodology which has harnessed the power of

our ideology through a variety of tools designed to transform weak and stagnant credit unions into vibrant, financial intermediaries. The results have shown impressive gains by credit unions in the market share of their community-based financial services.

Even though World Council has been very successful in its project development activities, I would like to share with the international credit union community five challenges that we face that are formidable barriers to achieving the World Council vision. These barriers are constant reminders that to bring about productive change in the world requires massive amounts of human energy and persistence.

Democracy

The principle of democracy is a time-tested truth. In his book *Crusade*, Roy Bergengren stated, "Democracy is a great moral principle predicated on...faith. [Democracy] must eventually find its complete realization in actions, in the association of man with his brother to create for them both the better life they crave."

Democracy's strength is found in the collective voice of the people, yet its impact can only come when translated into action, and unfortunately, such a process can be painstakingly long and drawn out. When the process is short-circuited because

CREDIT UNION DEVELOPMENT

• Europe • Latin America • Middle East • North America • South Pacific



A credit union member in rural Mexico makes a deposit.



In Asia, members tally transactions.

of time constraints or political expediency, autocracy raises its ugly head and sets in motion forces which give birth to leaders who set their own agendas instead of pursuing the agenda of the membership. Transparency of information is also vital, for if the people do not know the truth, they can never make correct decisions.

World Council aggressively promotes the importance of democratic decision-making and transparent financial disclosure, because when there is a high level of member participation in the process, the chances of making correct decisions are much greater. Low voter turnout at credit union annual general meetings continues to be one of our greatest challenges, as many credit unions do not come close to achieving even a 10% attendance rate. Our goal is to find ways to make democracy more than just a word. Membership is a veritable source of information and feedback waiting to be tapped. If credit union leaders could truly harness the power of democracy in a practical, operational way, we could flourish beyond our wildest imagination.

Legal Framework

In many credit union movements throughout the world, there is neither specific credit union legislation nor regulation. The appointed regulator in many instances does not have the training or the financial resources to carry out the regulation process. Lack of rules and regulations among credit unions has created anarchy in how a credit union is operated. Many times, the board of directors sets their own policies which may be at variance with what previous administrations approved. Most of the time, their policies do not adequately address safety and soundness issues which are fundamental to protecting the assets of the membership. In this type of environment, bad habits are formed, which create a very difficult precedent to change.

World Council tries to foment the creation of specific credit union legislation at a variety of different levels using its "Model Law for Credit Unions." Sometimes, our legal challenges are exacerbated by "expert" consultants hired by government lawmakers to draft rules and regulations for credit unions. These

people invariably have banking backgrounds, and so it is not surprising their proposals contain banking rules and regulations that do not apply to credit unions.

In the absence of a sound legal framework, World Council has effectively promoted its own international set of prudential standards which come from the PEARLS Monitoring System. After 16 years of testing and tweaking, PEARLS has proven to be a valuable guide for credit union leaders and managers in making sound financial decisions. Many credit unions that have accepted these standards on a voluntary basis have become dynamic institutions with uncompromised financial strength. It is impressive that they achieved this financial goal without external compulsion.

At the end of the day, however, there can be no substitute for effective legislation and regulatory oversight. Without legal power, there is no mechanism to persuade credit unions to take prompt corrective action. When credit unions in the United States started back in the 1920s, the first step in the creation process was

COMPETITION



Continued from Page 5

Mica also stressed that credit unions must expand their paradigm of what the competition includes. “Frankly, it is every single player in the market in which credit unions offer services to their members. That includes, but is not limited to, mutual funds, mortgage brokers, insurance companies, stock brokerages, investment houses, banks, payday lenders, check cashers, thrifts. It’s all around.”

To remain competitive, credit unions must understand what the credit union and the credit union member of the future “look” like. Today the U.S. is losing 350 credit unions annually—primarily through mergers. Assets are growing, but only at the same rate as other financial service providers, and growth has slowed to about 1.8 million members each year. CUNA is holding discussions about the meaning of the relatively slow growth in credit union membership and the impact of the decline in the number of credit unions.

Canada

Competition within Canada’s financial marketplace is not as heightened as elsewhere. David Phillips, interim CEO of Credit Union Central of Canada, noted, “That doesn’t mean Canadian credit unions are not formidable competitors. In Canada, there

are six very large financial institutions, and they are all concerned about competition laws. Credit unions have 16% of the market share, and banks see this as a good thing for them—and it’s also a good thing for us. We don’t have to go head-to-head; instead we can focus on providing the services our members need. We are, however, seeing that more and more mortgage brokers are strong competitors for Canada’s credit unions.”

Poland

Poland is one of the international credit union system’s youngest and fastest growing credit union movements. With a population that is almost 30% unbanked, the country offers huge opportunities for growth. The credit union movement is working diligently to serve members, especially those of modest means and the lower middle class.

One way is through education. The country’s anti-usury laws and interest rate caps were designed to fend off loan sharks and doorstep lenders, but have not been entirely successful. “It was a good plan, but these lenders found a loophole: they still charge the mandated percentages, but they have fees that create usurious rates,” said Grzegorz Bierecki, CEO of the

National Association of Cooperative Savings and Credit Unions. Credit unions are spreading the word that they offer a cost-effective lending alternative.

Credit unions are one of the major resources for savings products, offering competitive terms and conditions for deposits. However, banks are increasingly looking to this market segment as a potential source of revenue, and credit unions will have to continue to find ways to differentiate themselves.

One thing that will help credit unions better serve members and compete in the marketplace is the new amendment to the housing law scheduled to be passed in October. Because of the amendment, credit unions will be able to provide long-term loans for mortgages and other purposes. The bill also allows for investment funds to be provided to members at better terms. “Choice means growth for credit unions in Poland and options for members,” said Bierecki.

Australia

Cuscal is also no stranger to reinvention; it launched a new market identity in December 2005 to reflect an emphasis on expanded business opportunities. Their business now

Members are the Winners



includes non-credit union customers through expanded services that will position Cuscal to gain new business in financial services provision.

John Gilbert, Cuscal CEO, explained, “The key drivers for this change include the continuing consolidation of the credit union sector, the need to expand business offerings to non-credit union financial service providers, grow revenues for the business and continue improving returns for shareholders.” Changes to Cuscal's corporate structure now allow non-credit unions to become shareholders and the business to acquire non-credit union customers.

This new focus has necessitated a review of the brand, company culture and business procedures. Through a brand and operations review, the Cuscal board and executive agreed to transform the brand and re-position the business for growth by including income from non-credit unions.

Gilbert continued, “While this is a major shift in Cuscal's business focus, the company is cognizant of its heritage. Our history and commitment to the credit union core values (cooperation, moral integrity, trust, financial prudence, caring for members and social responsibility)

will ensure that new growth and business are competitive, yet focused on customer needs.”

The implementation of the new Cuscal brand is more than simply changing the brand imagery and corporate symbols. It also required fundamental change in terms of Cuscal's people and their service delivery, organizational reporting and profitability measures, internal and external communication, product development and delivery and even recruitment.

From a movement perspective, over the last five years the external influences driving the Australian credit union sector have been extreme, placing significant pressure on all participants to change.

A powerful response to these influences occurred in July of this year when Australian credit unions and mutual building societies united to protect the choice and competition in banking through a new industry association, Abacus. The new organization was formed as a joint venture with Cuscal's association arm and Australia's Permanent Building Societies. It will champion the role of both credit unions and permanent building societies in the retail market.

Caribbean

Originally designed as a complement to banks, credit unions in the Caribbean have begun to position themselves more competitively in recent years. “Enabling legislation will help ensure that we can compete effectively,” said Melvin Edwards, Caribbean Confederation of Credit Unions' (CCCU) representative to the World Council board.

Credit unions in Trinidad and Tobago, Jamaica and Barbados are all in the process of coming under Central Bank prudential supervision, while credit unions in Belize made the switch earlier this year. World Council's Model Law for Credit Unions is playing a prominent role in these reforms, as is CCCU. In addition, Edwards stressed the importance of improved management, technology and member-driven products and services.

“Investment in technology, boards, and capital requirements are crucial, as is proper management. We've effectively used mergers in the past; now we need to explore how joint ventures, credit union service organizations, shared branching and education can help us remain competitive,” Edwards said.

Credit Union Members— The Real Winners

There's no escaping the impact of competition or the positive impact it can have on our credit unions. After all, while dealing with competitive forces can be stressful and time-consuming, it can also help us do what we do best: meet the needs of our members. And frankly, it's a force that the credit union industry should embrace. Competition requires us to develop innovative, member-driven products, encourages efficiency and unique collaborative opportunities and pushes us outside our comfort zones. The real winners in the game are the credit union members. 🌐

—by Kimberly Johnston

Marketing & Communications Officer, WOCCU

GLOBAL TRENDS

AN ANALYSIS OF THE GLOBAL CREDIT UNION MOVEMENT

In a world that is figuratively “smaller” today than it was 20, 15 or even five years ago, it’s amazing how little information flows across international borders or, at times, even across a state or province. That’s why events like WOCCU’s World Credit Union Conference are so valuable to credit union leaders.

Participants at the recent conference in Dublin, Ireland, cited information sharing and networking opportunities as a major benefit of such events. Attending a gathering like the World Conference, an outsider might wonder how much credit union movements in different countries actually have in common. But as an organization that studies and interacts with national credit union movements, World Council sees amazing similarities across borders.

Usually we reserve this column for addressing specific global marketplace trends, but in this issue we’ll identify global strategic trends. World Council gathered this data through questionnaires, interviews and observations. We received responses from 22 national movements and 22 credit union regulators around the globe. World Council’s intention in collecting the data was to better understand activities in various markets as a way to better serve member organizations. However, in analyzing the data—despite the large variation in country development and credit union system maturity—certain indisputable patterns arise.

SWOT Analysis

Utilizing a basic analysis of strengths, weaknesses, opportunities and threats (SWOT), the following strategic issues surface for credit unions globally.

Strengths

Dedication of staff and volunteers:

World over, credit union movements are generally blessed with a dedicated staff who derive great satisfaction in working for an institution seeking to improve the lives of others. While there is a growing amount of divergence as to whether or not board members and other volunteers receive compensation for their service, their commitment to the credit union and its ideals is a significant advantage credit unions have compared to other financial institutions.

Member trust: Statistically demonstrable in many of the advanced credit union systems, members have strong feelings of trust and generally believe credit unions look out for their best interests. Credit unions can and should build on this major strength.

SWOT Analysis

• **Strengths**

- Dedication of staff and volunteers
- Member trust

• **Weaknesses**

- Restrictive legislation
- Aging membership
- Weak loan demand

• **Opportunities**

- Young members
- Small business lending
- Untapped markets

• **Threats**

- Competition

Weaknesses

Restrictive legislation/regulation:

Nearly every country surveyed identified a restrictive legislative and/or regulatory environment as a weakness the movement is facing. While non-denominational and non-discriminatory, most credit union movements have historical roots as part of a religious organization's drive for social justice. With that common ancestry came common legislative provisions, and many movements remain saddled with those outdated rules today.

Aging membership: It's evidence at credit union gatherings worldwide, there is an aging membership and volunteer base. These individuals have and continue to provide a bedrock of leadership to their credit unions, but we cannot deny demographic trends. In more mature markets, World Council is seeing limited membership growth and, in some cases, declining market share. While the World Council statistical survey revealed strong asset growth,

we see a clear trend of limited membership growth—often general population growth.

Weak loan demand: As a corollary of aging membership, many—but not all—movements are seeing depressed loan demand. This seems to be a function of membership life cycle needs, competition from new market entrants and weak marketing of credit union products.

Opportunities

Young members: The positive side of having an aging membership base is the opportunity to engage and attract young members. This may require movements to offer innovative products younger consumers require or desire from their financial institutions. One such example might include sending automated cell phone text messages when account balances dip below a set dollar amount.

Small business lending: While most credit union systems offer some degree of small business loans, in general it remains a minor piece of aggregated loan portfolios. This may require credit unions to acquire new skill sets for assessing the risks of such programs.

Untapped markets: In developing markets more so than developed ones, World Council continues to see low penetration rates of credit union members across economically active populations. While developed markets are much better positioned in this respect, few credit union movements have reached half their countries' populations.

Threats

Competition: World Council's surveys of credit union movements and their regulators made it abundantly clear that competition, competition and competition are the top three threats to credit unions. Some referred to this as "bank versus credit union" competition, some as

"non-bank financial institution versus credit union" and admittedly, some viewed the threat being "credit union versus credit union." Clearly, there is a widely shared perception in credit unions around the world that competition is the major threat. It should be no surprise the feature article for this issue of *Credit Union World* centers around this very topic.

So What?

The logical question is, "So what can or should credit unions and movements do with this information?" At World Council, we are convening the leadership of various movements to review and discuss the implications. However, the adage "Think Globally, Act Locally" is applicable. Don't wait for others to provide guidance. Seek out credit unions and movements that have dealt with or are dealing with similar issues.

For example, if you're struggling with the impact of credit union demutualization in Australia, the United States or Mexico, understand the experience of demutualization among Great Britain's building societies in the 1990s. If you're in India, New Zealand or Nepal seeking to maintain or regain tax exemption, study the formidable lobbying machines in the United States, Ireland and Poland. For movements in Trinidad and Tobago and Jamaica grappling with what happens if credit unions are no longer supervised by cooperative ministries but rather by banking and financial sector regulators, look to Great Britain, Ecuador and Bolivia to learn from their recent experiences. Lastly, credit union movements in New Zealand and Ireland wrestling with the transition of large saving protection schemes can learn from experiences in British Columbia and other Canadian provinces.

Like with any change, you can either embrace it or resist it. A smaller world—and ongoing efforts to reach out to colleagues across borders—may help you embrace it a tad easier! 🌐

—by Dave Grace
Senior Manager, Member Services, WOCCU



sufficiency and economic freedom by bringing the benefits of low-cost and innovative financial services to millions of people around the world,” said Eleni Sarris, executive director of the Credit Union Foundation of Colorado, which helps fund the partnership.

A number of Colorado and Ecuadorian delegations have exchanged visits since the partnership’s formation in 2000. With each exchange, Ecuador and Colorado credit unions are building on the success of the last, deepening and broadening the value of a rich cultural exchange. As a strong partnership formed between Ecuador and Colorado, and as the Ecuadorian credit union movement progressed and became more accustomed to working cooperatively, they also became interested in developing a shared branching system to better serve credit union members throughout Ecuador. With Credit Union Service Corporation (CUSC) and WOCCU support, and with the

help of Credit Union Service Network (CUSN), a provider of shared branching services in Colorado and surrounding states, Ecuadorian credit unions formed Redcoop, which translates as “cooperative network,” Ecuador’s first domestic shared branching system.

Shared branching is more than just a convenience in a country where, due to a well-warranted mistrust of financial institutions, many citizens have been unbanked until a recent stabilization in the financial services marketplace, thanks in part to credit unions. For a previously unbanked migrant worker to see his or her account balance and be able to withdraw and deposit money at a stable credit union, no matter where he or she is working, provides peace of mind that has not existed in Ecuador until now.

CUSN and CUSC recently traveled to Ecuador to evaluate and make recommendations on the country’s developing shared branching system,

implemented in May 2005. The Redcoop network allows Ecuadorian credit union members to conduct everyday financial transactions, including deposits, withdrawals and funds transfers through 12 credit unions at more than 100 locations across the country. Credit union members and their families can now make deposits and access funds at any service center, even if the breadwinner is working a long distance from home.

Doug Burke, president of CUSN, and Rosemary Paddock, manager of operations for CUSN, were among the CUSN/CUSC representatives that traveled to Ecuador in early July 2006 to evaluate the progress of the Ecuadorian shared branching system.

“To be involved with the credit union movement internationally and participate in a project focused on helping credit unions in countries like Ecuador expand their offerings



Ecuadorian micro-entrepreneurs learn about self-esteem during a savings and credit group meeting.



Members of the New Horizons savings and credit group in rural Ecuador review their account transactions.

and better serve members is incredibly exciting,” Burke said. “The partnerships we forged in this process and the lessons we translated to our own business model have been invaluable.”

CUSC, which provides shared branching services in conjunction with the Colorado network and has worked with World Council on the shared branching expansion project in Ecuador for the past two years, sent Laura Pizzarelli, VP of corporate relations, and Eric Skinner, director of IT, to provide consulting services on the operational and technological aspects of implementing a successful shared branching program.

“This is a major step for credit unions and shared branching,” Pizzarelli said. “Cooperation seems to never come easy, but the credit unions in Ecuador have exemplified the true credit union spirit and the reason for shared branching. We look forward to working with them further on this endeavor.”


Ecuadorian credit union representatives returned CUSN and CUSC’s visit when they came to Colorado at the end of July to visit credit unions and learn more about shared branching in the U.S.

The CUSN team accompanied them on visits to two Colorado credit unions participating in shared branching, Denver Community Federal Credit Union and Public Service Credit Union, as well as a shared branching service center. They also took part in discussions and presentations about shared branching and the U.S. credit union movement and learned more about the Credit Union Association of Colorado.

Burke noted that each time members of an Ecuadorian delegation have come to Colorado they have been eager and willing to learn and share ideas, information and cultures. “We easily overcome the language barrier and move on to serving members and enhancing credit unions. We are honored to be a part of this program and humbled by the Ecuadorian’s hospitality.”

Members from every Colorado delegation have been struck by the warmth and graciousness of Ecuadorian credit union people. Uchida recalled the first Colorado-Ecuador visit, which took place in Colorado, “We kept our guests busy with interesting activities, but they taught us a lesson in hospitality!”

The Ecuador-Colorado partnership has come a long way since Uchida’s first visit in 2000. Both the Colorado and Ecuadorian credit union movements have made incredible progress through the World Council International Partnership, honing their service offerings, improving skills and expanding an understanding of each other’s cultures.

“The World Council International Partnership Program is a unique opportunity to get involved in the credit union movement on a worldwide scale,” said John Dill, president and CEO of the Credit Union Association of Colorado. “In an increasingly global economy, idea and information sharing has never been more important—it provides a needed investment in protecting and growing the credit union movement in the U.S. and abroad.” He added, “If other leagues’ experiences are anything like Colorado’s, the payback will be three-fold the investment.” 

—by Molly Dynan

Marketing & Communications Manager
Credit Union Association of Colorado

Cotopaxi Volcano near Latacunga, Ecuador.

itself, just a few individuals with AC FULM. They needed reassurance that FULM Savings House was safe and sound and would continue lending and taking deposits.”

Members Battle for Democracy

To inform members of their rights, the governance misconduct and the intent of some of the AC FULM board of directors to close FULM Savings House and retain net assets, a grassroots campaign was initiated that included meetings at each FULM Savings House branch location. Three days before FULM's annual general assembly meeting, on May 28, 2006, World Council also

Good Governance

Good governance, which is essential to the safe and sound operations of a credit union, stems from clearly defined roles and responsibilities of the board of directors, committees and senior managers. It also embraces codes of conduct which directors and staff at every level of the institution agree to and respect in the completion of their tasks. Sound bylaws and policies seek to avoid conflicts of interest and provide mechanisms for dispute resolution when they do arise. While many factors contribute to the governance of an institution, good governance begins and ends with the board. It's governance that sets the tone of the credit union, and it's why members need to be informed of their elected credit union leaders' actions.



The five people elected by the membership to run the Annual General Assembly Meeting instead of the group set up by the AC FULM managing board were: at the microphone, Nikola Ogrenovski, president of the supervisory committee, and seated from left to right, Kiro Salvani, Ljube Bojkovski (chair president for the assembly), Veselinco Spasevski and—recording minutes from the assembly meeting—Gorgi Hristovski.



Because the very existence of FULM Savings House was at stake, members from regions all over Macedonia, as well as representatives from USAID and World Council of Credit Unions attended the annual general meeting.

“The AGM was one day, but the result will have an impact for years.”

organized a workshop so the member delegates would fully understand what was happening.

“Delegates were outraged when they realized how AC FULM had blocked FULM Savings House from serving its membership,” said Martha Ninichuck, former WOCCU-Macedonia project director.

“These meetings helped our members understand how difficult the situation was and that they could retake control of their institution by exercising their democratic right to vote,” added Stevo Androvic, current president of AC FULM, formerly one of the illegally discharged directors from the management board of the FULM Savings House.

At the FULM annual general assembly meeting, member delegates were well prepared. First, delegates demanded to make nominations from the floor for the assembly committee, which has the task of overseeing the meeting to ensure that bylaw and assembly protocol is met. In previous sessions, the AC FULM board appointed their personal representatives. The delegates held firm, electing the nominated representatives from the floor. Then the AC FULM board tried to cancel the meeting, and when that didn't work, the board requested an emergency meeting and left the premises. The delegates reacted by stating the board didn't need to be in attendance to continue the assembly since a valid quorum still remained.

In the end, the members' voices were heard: the delegates voted in a new organizational structure, replaced six members of the AC FULM board,

signed the agreement—with Article 2, and reinstated the two FULM Savings House managing directors who were illegally dismissed. The member delegates had regained control of their financial institution, clearly demonstrating democracy in action. The democratic process had been followed, sending a clear message to future elected leaders that they are accountable to the member owners.

“After the AGM, there was such a feeling of happiness among the staff and members when everyone realized that they were the financial institution, not the board only,” said Androvic. “It also showed that success is the result of a lot of people working together, and the credit union structure is functional. This was a great message to the regulators, auditors and central bank—members are not money-driven, but will work together to do the right thing.”

“The members are very proud of themselves for helping the institution,” Zgonjanin Petrovic added. “Our members made history, and they've gone back to their communities to tell what they did. The AGM was one day, but the result will have an impact for years.”

And, the confidence in FULM has soared. “What is most important is that members believe in their organization,” explained Zgonjanin Petrovic. “They know that democracy works.”



—by Caryn Vesperman
Marketing Manager, WOCCU

Credit Union Highlights

REGULATORS ROUNDTABLE



Thirty-three regulators from 15 countries around the world gathered a day before the World Conference to discuss regulatory issues.

HONOREE



John Hume received the honorary World Council Distinguished Service Award during the World Credit Union Conference in Dublin, Ireland.

WYCUP



The 2006 World Council of Credit Unions Young Credit Union Peoples Program Scholarship winners: l-r: Darcy Mykytyshyn (Canada), Shoba Gunasekaran (Singapore), Anne-Marie Coffey (Ireland), Alison Carr (United States) and Tom Atkins (Canada).



Philippine credit union members attend a member training session.

Continued from Page 15

to get a legal framework approved by state legislators. Looking back in time, this was one of the cornerstones of success for the American credit union movement.

Complacency

The ideology we inherited from our forefathers did not provide for complacency in the drive to deliver economic democracy to poor and disenfranchised people. It was meant to be a never-ending battle against those who would prey on the weak and downtrodden.

One curious outcome of the Model Credit Union methodology is that some credit union leaders and managers become complacent after they have achieved great financial success and impressive member outreach. Suddenly, they become risk adverse

and refuse to move out of their comfort zone to explore new opportunities and expand operations to reach more of the underserved. Instead of continuing to expand their membership base among people of modest means, they focus their services and products on the middle and upper middle class where risks are much lower and life is more comfortable.

Improved economies of scale from this financial discipline and reduced risk lead to much more favorable loan rates and dividend rates on member shares. In some countries, this economic advantage transformed into the payment of huge dividends of 50+% when the market rate of savings deposits was 5%. The principle of limited return to capital is completely turned upside down. While such dividend rates may be very

enticing, World Council promotes the concept that members should not join a credit union to get rich from high dividends, but rather from patronizing the ever-expanding array of financial products and services. Our collective effort should be focused on carrying these products and services to an ever-increasing number of the world's poor and underserved people. If this philosophy was rigorously followed, complacency could never sprout in our fertile fields of membership.

Governance

One of the other great challenges we face in our work is implementing World Council's good governance principles in credit unions. Good governance starts with a clear set of policies and operating rules that cement the concept of management by stewardship in our credit unions.



A boy smiles for the camera near a credit union in Mexico.



Member of the WOCCU-Sri Lanka project credit union pose for a photo.

Stewardship is defined as the faithful administration of community-owned assets held in trust. These assets are to benefit the membership by increasing the patronage of products and services and protecting those assets from loss or undue risk.

Too often we see cases of leaders who are unwise stewards using the credit union as their personal bank to promote their own agendas by enhancing personal wealth at the expense of the rest of the membership. Governance abuse is most commonly found in four areas: abuse of power, abuse of products and services, abuse of financial resources, and institutional abuse. At present, World Council is developing a governance tool to guide managers and leaders in the honorable role of placing group interests ahead of personal interests.

Permanent Change

The ultimate litmus test of success in international credit union development work is whether the project interventions produce a lasting, permanent change. At the onset of any new World Council project, some credit union leaders are motivated by the expectation of receiving subsidized or free assistance. Whether this assistance comes in the form of technical support, computers, network services, marketing, credit administration, conferences or workshops, the first true test of permanence happens only after a credit union adopts the new practices by making tremendous human and financial counterpart contributions. This is a significant milestone event of every World Council project.

The final acid test of permanence comes when a project ends and World Council leaves, thus placing

the burden of sustainability upon the shoulders of local leadership. The concept of people helping people can only be validated when those people who have been helped, have learned to help themselves, and can continue onward in a complete state of independence. Therein is found the true power of the credit union ideology!

Even though these five challenges are formidable, we can overcome them because of the collective effort of many people working together. I am persuaded to believe in the inspired words of Father Coady, first leader of the Antigianish movement in Canada, who said, "The people can do ten times what they think they can." I have seen this remarkable power of accomplishment in many emerging credit unions throughout the world.



—by Dave Richardson

Senior Manager, Technical Development, WOCCU

SUPPORTERS CORNER

SEEING FIRSTHAND THE CREDIT UNION MODEL AT WORK



Ed Gallaghy
CEO
Florida Central
Credit Union

The real way to succeed in development is economic self-help. Even in the smallest community, there is wealth of some kind—maybe with a small “w”. The secret is the economic engine that is the credit union.

In 40 years with credit unions, I have had the privilege to work in South America, Africa, Europe and Asia and as a World Council volunteer in Kenya, Zambia and Zimbabwe. I’ve helped evaluate credit union operations while trying to instill an economically sufficient mindset in Africa, where the system is becoming too reliant on external credit. During a time when Bolivia’s inflation was rampant, I worked with two of the country’s largest credit unions. Banks and credit unions there were failing because of the lack of regulatory controls. In reaction to the crisis, the Bolivian government gave credit unions mere months to meet new standards or face losing their status and eventual closure. We made many difficult changes, and those credit unions are thriving today.

The fiber of Florida Central Credit Union is influenced by what World Council of Credit Unions is doing around the world. Being involved with World Council has permeated our way of thinking. I encourage all staff to become involved locally first, and then carry the interna-

tional credit union message of World Council’s work through our chapter, at the state level and even nationally. We share stories about credit unions and what they mean to people in developing countries and make sure our senior managers understand World Council’s international efforts. The success American credit unions enjoy is because of what is happening in developing countries.

*“World Council
acts as the
conscience of
credit unions.”*

What concerns me the most now is many U.S. credit union CEOs will soon be retiring, and it is imperative World Council instills in those who take our place the credit union spirit—both in volunteers and professionals. I will always remember what one of the founders of the U.S. credit union system once said, “Keep purpose constant.” World Council acts as the conscience of credit unions.

We each have a responsibility to educate and indoctrinate on what credit unions are all about. The tax-exempt status, for example, is so imperative to retaining our credit union philosophy. If we lose that status,

credit unions will never be the same. As long as we walk the talk, we’ll stay on track.

There is so much more U.S. credit unions can do. Reading and hearing stories of World Council’s successes, I am compelled to continue my support and increase that of Florida Central Credit Union’s. My credit union supports the International Development Fund, which assists credit unions locally and internationally. We were one of the first to become an official World Council Supporter and today also contribute funds for special initiatives.

Involvement with World Council has changed my life profoundly, and I wish every person could have the same experience...to see the kindness, giving and understanding in credit union development work. If others had seen what I have been lucky enough to experience, we could have peace tomorrow.

World Council will continue to make this type of difference, and World Council Supporters can help provide the knowledge and funding necessary to prompt credit unions to flourish. It is my hope that credit unions continue to be meaningful and keep their mission at the forefront. A tremendous burden lies on all of us to tell the story for the future. 🌍

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Get involved—see our website at:
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In Bolivia, 70% of the population lives below the poverty line. For many of the working poor, long days are spent in city markets far from home.

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