

Annual Workplan

October 1, 2000 to September 30, 2001

**Cooperative Development Program
World Council of Credit Unions, Inc.
FAO-A-00-97-00008-00**

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I. Executive Summary

For the fourth year of the Cooperative Development Program, WOCCU will build upon the results already achieved in Brazil, Bulgaria, Jamaica, Romania, South Africa, and Uzbekistan.

The overall workplan for 2001 includes technical assistance for implementation of credit union regulation, legislation, examination, savings mobilization, credit administration, business planning, monitoring systems, collections, accounting, and computerization updates. In addition, WOCCU will plan four regional Technical Congresses and carry out several volunteer activities by U.S. State Credit Union League representatives and numerous internships through our People-to-People Program.

The Headquarters activities include updating the Advisor Web Page Tools; establishing an Advisor Web Page shared directory; conducting the Project Advisors Workshop (PAWS); further updating of PEARLS; implementing PEARLS in credit unions and one non-project country; pursuing funding for additional projects; increasing the development portfolio; expanding donor funding; partnering with other development agencies; improving micro credit projects; developing new practices/models/tools; developing Model Credit Union and Model Credit Union National System; expanding the International Remittance Transfer Network (IRnet); fostering of USA Credit Union League partnerships with focus country credit union movements; and adding a global implementation network.

II. Brazil

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>World Council tried to introduce various forms of supervision of credit unions used in other parts of the world to the Central Bank, however, this task could not be carried out. Central Bank would not allow legislative and supervisory changes to occur. In turn, World Council began pursuing long-term credit union development options.</p>	<p>2nd Quarter (Jan-Mar 2001): Brazil assessment and exploration mission.</p> <p>3rd Quarter (Apr-Jun 2001): Leadership development – U.S. universities exchange/training.</p>

III. Bulgaria

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>USAID approved a three-year, \$2.49 million program entitled, "Modernization of the Bulgarian Mutual Kasa System," on September 29, 1999. A project director was hired and relocated to Sofia in November 1999.</p> <p>The project's mission is to expand Bulgarian economic and employment opportunities by increasing micro-enterprise and household access to reliable financial services, both credit and savings. The goals are to strengthen mutual kisas and protect the savings of over 25,000 members by generating US\$1.9 million in savings and US\$2.1 million in total assets over 3 years. The micro-enterprise percentage of the loan portfolio will be increased from 20% to 40%, and loans to micro-entrepreneurs will exceed US\$700,000.</p> <p>Spring 2000, two Ohio Credit Union League staff traveled to Bulgaria to select kisas for the implementation of the institutional strengthening technical assistance project; perform financial and institutional diagnostics of selected kisas; and conduct recruiting workshops to identify potential kisas.</p>	<p>1st Quarter (Oct-Dec 2000): In November, meetings in Washington, DC with the Deputy Governor of the National Bank of Bulgaria and to consult with Credit Union National Association, the Ohio Credit Union League, National Credit Union Administration and WOCCU on regulatory framework for Bulgarian kisas and U.S. credit unions.</p> <p>2nd Quarter (Jan-Mar 2001): Bulgarian internship to the U.S. & Nicaragua - three Bulgarian project technicians will directly observe and learn from their Nicaraguan counterparts who work with similarly sized credit unions with parallel operational histories. This will strengthen the institutional capacity of the credit unions or kisas in the WOCCU CDP Focus Country.</p> <p>3rd Quarter (Apr-Jun 2001): A Regional Best Practices Technical Congress is planned with projected attendance of 50 participants from Central and Eastern Europe. The Congress will provide a forum in which participants can exchange their ideas, perspectives, and successes, and difficulties experienced in different areas (technical, legislative, etc.). Participants will include credit union practitioners, USAID technical staff, and WOCCU project staff from Bulgaria, Romania, Macedonia, Poland and Ukraine.</p>

IV. Jamaica

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>Three WOCCU technical staff were trained in NCUA's AIREX examination software which was then installed at the Jamaica Credit Union League for use as a tool for that examination unit to use.</p> <p>WOCCU Jamaica kicked off a new examination program for Jamaican credit unions with the primary focus of strengthening the credit union system in the country. It has been implemented to assist the management of credit unions in improving and strengthening their operations. Objectives: evaluate credit unions' financial soundness, appraise the quality of management, develop plans with officials to correct problems and determine the degree of risk to the stabilization fund.</p> <p>The primary purpose of the examination program is to protect the safety of credit union member savings. The examination team will visit all credit unions once each year, using a pre-established matrix, and will analyze data, supervision reports, financial performance reports and credit union management. Examiners will review credit union data and make recommendations for changes in the operations, if needed.</p> <p>Credit unions began with the implementation of the norms stated in the Jamaica League "Certification and Accreditation." The document encompasses prudential norms, accounting and financial standards, and training requirements for the volunteers, managers and staff. Credit unions have until September 30, 2001 to comply with the standards established in the document. To achieve accreditation, nine courses must be taken by managers, staff and volunteers.</p> <p>WOCCU/Jamaica met with the Government and the Jamaica Central Bank regarding a new credit union law in discussion. The proposed regulation is considering credit union supervision under the Central Bank; however, the proposal is a copy of the regulations pertaining to banks and mutuals. As a result, the League hired a consultant to develop a customized credit union legislation counter-proposal. The report will be submitted to the Government for its consideration.</p> <p>January 2000, the WOCCU publication, "Spotlight on Development," was completed (copy included).</p>	<p>1st Quarter (Oct-Dec 2000) NCUA travel to Jamaica League regarding AIREX.</p> <p>2nd Quarter (Jan-Mar 2001): Model Credit Union training in Jamaica, using Jamaican credit unions as models for all other Caribbean credit unions.</p> <p>3rd Quarter (Apr-Jun 2001): Caribbean Technical Congress to be held with projected attendance of 200 persons. The Congress will provide a forum in which participants can exchange their ideas, perspectives, and successes and difficulties experienced in different areas (technical, legislative, etc.)</p> <p>Field visit to Jamaica by Jesús Chavez to do follow-up maintenance with unit of the League.</p>

V. Romania

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>This four-year \$2 million program builds upon previous efforts in Romania supported by CUNA Mutual Group and the CDP grant. The program provides technical assistance to twenty CARs (credit union-like micro-finance institutions), which will help to improve their financial operations and experiment with new savings and loan products. The program will also implement a model CAR certification program.</p> <p>Individual CARs continued modernization of their financial activities. Twenty-six CARs continued to submit PEARLS financial reports to the project on a quarterly basis. WOCCU/Romania staff continued to monitor the group of CARs that attended the PEARLS training. By the end of September 1999, 209 CARs from 34 Territories had introduced the market driven savings and loans services.</p> <p>Twelve CARs were selected to participate in the WOCCU/Romania project. Selected CARs are affiliated at seven Territorial Associations of CARs and represent various industries as well communities in three cities.</p> <p>During the 4th quarter, project director Georgeta Rus traveled to Dallas, Texas and completed her 3rd and final year of the CUNA Financial Management School.</p> <p>PEARLS 2000 computer program was introduced to WOCCU/Romania staff in December 1999. PEARLS 2000 computer program was translated to Romanian.</p> <p>January 2000, the WOCCU publication, "Spotlight on Development," was completed (copy included)</p>	<p>1st Quarter (Oct-Dec 2000) Cori Evans, WOCCU staff person, will do an impact evaluation (study and member profile).</p> <p>2nd Quarter (Jan-Mar 2001) U.S. Central Credit Union volunteer advocacy visit.</p>

VI. South Africa:

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>WOCCU hired a consultant to evaluate the SACCO computerization bookkeeping system and identify what constraints each SACCO faces with regard to the processing of its ledger, reconciliation issues, trial balance, balance sheet and obstacles preventing production of their financial statements.</p> <p>John McGuire traveled to South Africa to present several workshops on Credit Administration Training including: procedures for analyzing loan application, cash flow analysis, collateral use and assessment, setting loan interest rates and loan collections. McGuire reviewed SACCOs' credit policies and practices and made recommendations to improve credit analysis.</p> <p>The Jamaica Project Advisor traveled to South Africa to review the SACCOs' saving practices and operations, provide technical training in savings mobilization, pricing, savings protection and financial disciplines for the SACCOs' managers. Recommendations were made for uniform savings policies and forms and marketing products to the SACCOs.</p> <p>A survey of micro-finance efforts in South Africa was conducted. Interviews were held with staff at the various banks and NGOS that currently promote micro-enterprise in various parts of the country. This information will be used to formulate a plan for SACCOs to target this market sector.</p> <p>South Africa SACCOs are growing beyond their initial start-up phases, however, existing legislative barriers must be removed to allow growth and meet the needs of the substantial unbanked population of South Africa. To this end, a delegation from World Council and the Savings and Credit Cooperative Leagues (SACCOL) carried out a review of the legislative environment for SACCOs in April. Their conclusions were that although the credit union movement of South Africa is in its infancy, during the last three years real growth has begun (over the last three years, SACCOL has increased credit union membership from 3,000 to just under 10,000). To ensure and encourage unencumbered growth of the movement, existing legislative impediments should be dismantled. It is likely that changes to the</p>	<p>1st Quarter (Oct-Dec 2000): Travel to Cape Town to meet with USAID.</p> <p>2nd Quarter (Jan-Mar 2001): Model Credit Union Legislation. Contract with SACCOL to place credit unions on PEARLS (financial monitoring systems).</p> <p>3rd Quarter (Apr-Jun 2001): Proposal to carryout the implementation of a Regional Technical Congress in SA with projected attendance of 200 participants. The Congress will provide a forum in which participants can exchange their ideas, perspectives, and successes and difficulties experienced in different areas (technical, legislative, etc.)</p> <p>4th Quarter (Jul-Sep 2001): Legislation follow-up.</p>

legal environment will occur incrementally over time and deposit limits are adjusted, common-bond restrictions are removed, taxation is reduced, regulations are enacted and legal foundations for SACCOs are formally established.

U.S lawmakers met with WOCCU and CUNA lobbyists to discuss credit union development in South Africa. All felt development of credit unions in South Africa would ensure the country's economic growth.

January 2000, the WOCCU publication, "Spotlight on Development," was completed (copy included).

VII. Uzbekistan:

A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>In January 2000, the Asian Development Bank funded a project to develop a legislative and regulatory framework for credit unions in Uzbekistan and to design a credit union start-up project.</p> <p>The CDP Grant enabled WOCCU to provide credit union legislation and regulatory expertise to the National Bank of Uzbekistan.</p>	<p>1st Quarter (Oct-Dec 2000): In October, the Oregon Credit Union League hosted two interns from the Uzbekistan National Bank.</p> <p>2nd Quarter (Jan-Mar 2001): Follow up of legislative and regulatory development.</p> <p>Technical assistance in institutional assessment of credit unions and develop technical assistance strategies.</p> <p>3rd Quarter (Apr-Jun 2001): Technical Congress planned with projected attendance of 50 participants. The Congress will provide a forum in which participants can exchange their ideas, perspectives, and successes and difficulties experienced in different areas (technical, legislative, etc.)</p> <p>4th Quarter (Jul-Sep 2001):</p>

VIII. Headquarters:

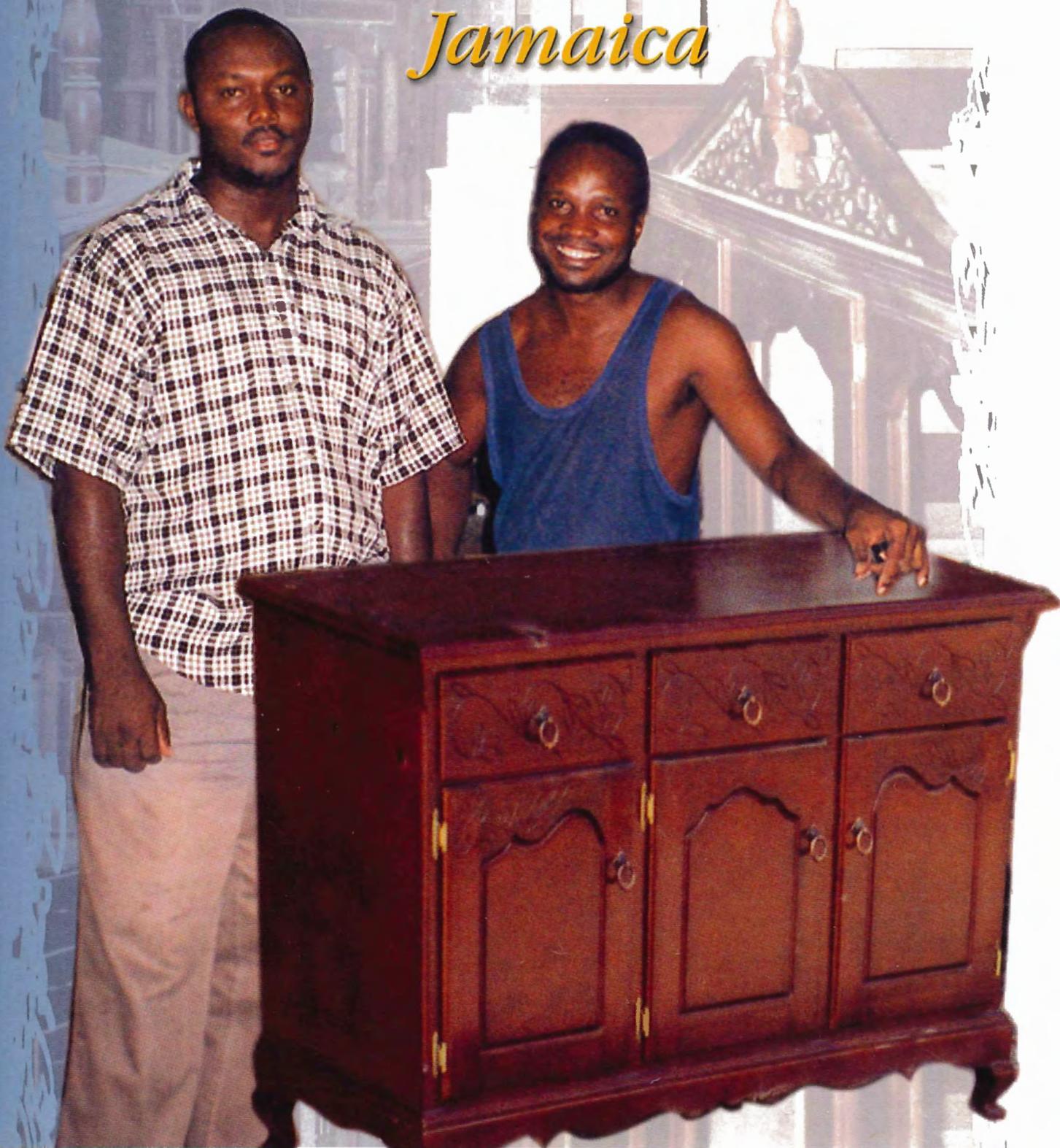
A. SUMMARY OF YEAR THREE ACTIVITIES (October 1999 – September 2000)	B. YEAR FOUR WORKPLAN (October 2000 – September 2001)
<p>Model Credit Union Tools developed: Asset Liability Management (ALM), Merger Manual, and Regulator’s Inspection Guide for Credit Unions.</p> <p>Staff and consultant continue re-programming the updated PEARLS monitoring system into a standardized Access database.</p> <p>WOCCU held a Y2K status conference call December 31 at 17:00 Central Standard Time with participants from the credit union movements of Australia, Canada, the Caribbean, Jamaica, Mexico and the United States. The purpose of the call was for the Australian member to share its experiences and credit union testing results with countries that hadn’t yet experienced the Y2K changeover.</p> <p>The Project Advisors Workshop (PAWS) was held in Orlando, Florida, July 31-August 4, 2000. Representatives from each project shared information on lessons learned and success stories. Participants from Bolivia, Bulgaria, Ecuador, El Salvador, Guatemala, Jamaica, Kenya, Latvia, Macedonia, Nicaragua, Philippines, Romania, South Africa, Sri Lanka attended the workshop.</p> <p>Research on credit union laws around the world led to the July publication of the second edition of “International Digest of Credit Unions Laws”.</p> <p>Brian Branch met with Marsha Thaler-Smith, Director and Project Development, of International Executive Service Corp (IESC). They collaborated to write a proposal for Rwanda that has three purposes: 1) strengthen the Rwanda Banque Populaire; 2) expand the range and depth of savings and credit services; 3) expand the access to financial services for small savers and producers in rural communities. USAID approved the proposal.</p> <p>Lucy Ito attended CUNA’s (WOCCU’s U.S. partner) Governmental Affairs Conference (GAC) in Washington, DC, and the World Affairs Committee Conference in Chicago.</p> <p>A consultant wrote an internal evaluation of the Cooperative Development Grant and reviewed</p>	<p>1st Quarter: Update Advisor Web Page Tools and establish Advisor Web Page shared directory.</p> <p>3rd Quarter: Project Advisors’ Workshop (PAWS).</p> <p>Ongoing: Consultant travel to Madison from Latvia to work on PEARLS 2001.</p> <p>Reproduce Technical Monographs.</p> <p>Update “International Digest of Credit Unions Laws”.</p> <p>Increase development portfolio and prepare for Egypt and Mexico in 2002.</p> <p>Expand donor funding from non-traditional sources such as foundations, corporations and credit union employer hosts.</p> <p>Partnership with other development agencies both non-cooperative for one partner agreement and sister cooperative for one partner agreement and two “do no harm” agreements.</p> <p>Develop new practices/models/tools.</p> <p>Improve micro credit projects with training in five projects.</p> <p>Share savings best practices with members.</p> <p>Develop national system model/policy with developed and developing movements.</p> <p>Develop rating agency’s role by monitoring/testing Guatemala’s example for application elsewhere.</p> <p>Update PEARLS and generate business plan to gain efficiency and risk</p>

<p>WOCCU's implementation activities and accomplishments against the proposals submitted to USAID. This included a review of:</p> <ol style="list-style-type: none"> 1. Proposed activities and proposed targets and indicators; 2. WOCCU implementation activities and accomplishments in focus countries; 3. WOCCU implementation activities and accomplishments against the annual work plans submitted to USAID; 4. Review and analysis of WOCCU expenditures to the CDP Grant, including personnel (by position), travel and consultancies and identifying outputs from said expenditures. 5. Identifying USAID/PVC strategic objectives and evaluate responsiveness of WOCCU activities and accomplishments to the USAID/PVC Strategic Objectives; 6. Provide recommendations to WOCCU for: <ol style="list-style-type: none"> (i.) Completion of the current grant to be responsive to USAID objectives, to be effective in expenditure of resources for maximum output and to complete proposal and workplan activities. (ii.) Proposed new activities for WOCCU follow-up on cooperative development grant proposal including an assessment of incorporating league to national association partnerships into WOCCU core grant activities and engaging in new WOCCU - CLUSA and/or WOCCU - Land O Lakes collaborative field activities. 	<p>management ratios and market and install PEARLS in one non-project country (Ireland or Taiwan).</p> <p>Identify credit union data processing software options and establish software information clearing house for worldwide accounting software usage.</p> <p>Share WOCCU's professional development impact through WOCCU advisors briefing local donor missions (five field consultations); document and distribute impact of WOCCU projects through two articles/publications; professional contributions to data, articles to development finance publications, and staff speaking at workshops/seminars/conferences.</p>
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Spotlights on Development

Jamaica



Building A Strong

Implementing An Examination Program in Jamaica



Jamaica, while rich in beauty, continues to face difficult economic circumstances, an uncertain political future and a high unemployment rate. Despite this, credit unions represent stability and safety to a swiftly growing number of members. When banks and other financial institutions recently experienced financial difficulties, it was the credit unions that remained strong.

In 1996, World Council working under contract with the Inter-American Development Bank proactively began a program of institutional strengthening for the Jamaica Co-operative Credit Union League and its credit union movement. The project strengthens the operational and management systems of the credit unions, restructuring and strengthening the league, developing incentives and adequate supervision for competitive financial institutions.

The league consolidated all of its financial services into the Central Finance Facility, unified and developed its technical services and monitoring unit. The league organized four divisions with distinct areas of operation: the Trade Association, a Technical Services Division, Stabilization Unit and the aforementioned Central Finance Facility.

Jesus Chavez, (at podium) WOCCU Jamaica project director introduces the new examination team l-r: Linton Heslop, Carmincita Soman, Sharon Braithwaite (Supervisory Examiner), Karlene Hall and Karan Fisher.

- 1) The trade association provides regional representation for the Jamaican movement, government lobbying on pertinent issues and marketing of the credit union movement.
- 2) The Technical Services Division provides training for credit union personnel, internal audit services, risk assessment and other technical support.
- 3) The Stabilization Unit establishes prudential standards for the credit union movement, monitors credit unions to advert crises and oversees the management of the stabilization fund.
- 4) The Central Finance Facility (CFF) provides savings products for credit unions, loans, investments and guarantees. The CFF also manages the liquidity pool, the total assets of the CFF, which is funded by the liquidity reserves of the credit union's. The liquidity reserve has been determined as a prudential standard by the Stabilization Committee of the League. This is 10% of members savings, deposits and accrued interest and dividends.

The new four-division structure strengthens the Jamaica league as a sustainable second tier institution providing financial services and technical assistance to credit unions. The league now also has the capacity to gather and analyze periodic reports from the credit unions.

One of the most significant events occurring in the project is the implementation of the Examination Unit in the Jamaican Co-operative Credit Union League (JCCUL.) The regulation of credit unions by the Bank of Jamaica is now proposed by the Minister of Finance. The new examination program performed the first examinations in July 1999. The program falls within the ambit of the Jamaican League's Stabilization Unit, which has the primary responsibility of guaranteeing the safety of credit union member savings. Program objectives are to evaluate financial soundness, appraise the management quality, develop plans to correct problems and determine the

**JAMAICA CO-OPERATIVE
CREDIT UNION LEAGUE**



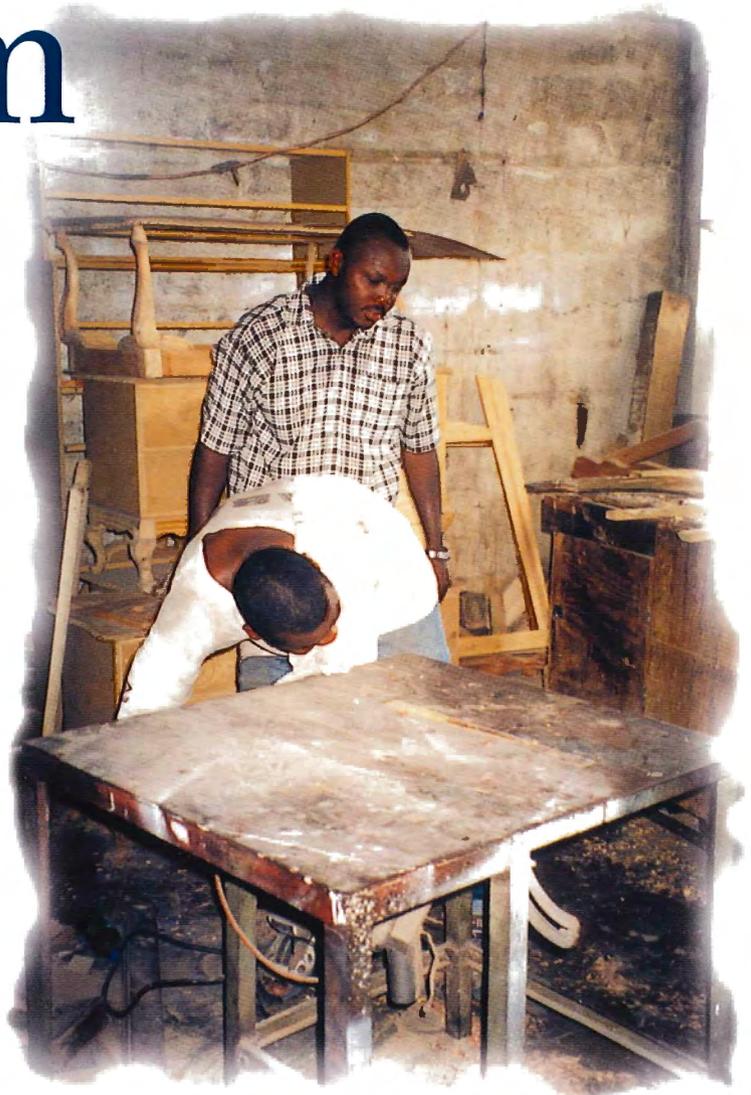
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degree of risk to the stabilization fund. Member credit unions that meet prudential standards and contribute to the stabilization fund are guaranteed their savings in the event of financial difficulty. Credit unions contribute a percentage of their savings to this fund, from which they can seek financial assistance if the need arises.

Examination of credit unions is not new to Jamaica; the program is merely an expansion of an existing system. Now a specific group of examiners that belong to the league's Stabilization Unit will carry out the work. "The examination team will be visiting all credit unions once each year, using a matrix we have established," explained Jesus Chavez, WOCCU Jamaica, project advisor. The examination team reviews financial performance, supervision reports and credit union management. An examiner assigns an overall composite rating to a credit union based on the PEARLS rating system. Examiners also make recommendations for changes, if needed.

"Given the worldwide expansion of regulatory supervision on financial institutions, the new program will improve practices and procedures that allow credit unions to meet international standards," explained Chavez. Developing the new examination system for credit unions within the Jamaica project has been a tremendous task. The examiners are currently funded in part by a grant from the Inter-American Development Bank. Eventually the Jamaican credit union movement will take over the operational costs.

Credit unions are the fastest growing financial institutions in Jamaica today. Some of the factors attributed to this growth are the expansion of service offerings to members, more visible marketing campaigns and the simple fact that people consider credit unions to be safe places to save and invest their money.



(standing), Mr. Foster and an employee demonstrate the usage of the company's first saw.

Courses

These are the courses that credit union officials and staff must attend to become accredited.

Board of Directors

Duties, Roles & Responsibilities

Strategic & Tactical Planning

Asset/Liability Management

Financial Management

Supervisory Committee

Credit Administration

Delinquency Control

Risk Based Lending

Micro-Enterprise Lending

Training

Setting Out on His Own

From a young age, Fortford Rehently Foster has adapted to change. In Mr. Foster's words, "To get the whole story—you must start from the beginning." After the death of his parents when he was still in primary school, the money for school fees was not available. Instead of a traditional education, he learned a skilled trade from his grandfather, an experienced carpenter. Mr. Foster went on to apprentice in woodworking through the assistance of a family friend, with whom he spent the next three years developing skills of the trade.

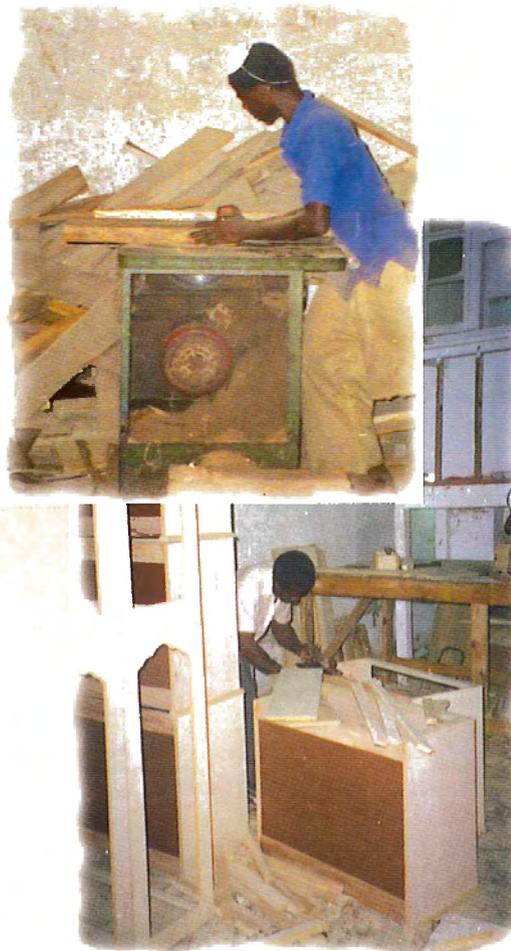
In 1991, a friend introduced Foster to credit unions as a means to save and receive reasonable credit. "I saved and saved—knowing one day I would need to get a loan to begin my business. At that time I had saved \$8,000 Jamaican dollars (US\$206)," shared Foster.

Setting out on his own, he started with just a circular saw and a lot of ambition, never dreaming of what the future held or the role his credit union would play in his success. "When I began, it was just me and my saw. I named my business Sunshine Furniture, a fitting name for Jamaica. Anxious to get into the market, I began to produce five different types of handcrafted bedroom and dining room pieces to show potential clients."

"At the time I began Sunshine Furniture I knew little about running a business, but I knew I could make a good product and sell the furniture I made. I began to get some orders, but needed money for materials and additional equipment, so I went to my credit union," explained Foster. After providing volume reports and other information, Foster received a loan of \$56,000 dollars (US\$1,443). His first loan was a large amount, but less than originally requested. The credit union explained that Mr. Foster needed to prove his ability to repay the loan and then the credit union would consider extending additional credit.

"Starting the company was difficult and brought up many issues that you don't think of when you work on your own," he shared. Pricing, selling the product and budgeting for rent, supplies and employee wages were all new for Foster. "I worked very hard, paying my loan as I went. Business was doing well and the time came when I needed another loan for working capital. Again, I went to my credit union," he explained. This loan of \$250,000 dollars (US\$6,443) was quite substantial in comparison to Foster's first loan. The loan enabled him to fill a greater number of orders and store the product during construction and before delivery.

Now, Sunshine Furniture is a thriving business, supporting 24 full-time employees, with three production locations in the same block area of a



Two of Mr. Foster's employees cut material in the chop shop.



COUNTRY INDICATORS

National Capital: Kingston
Government Type: Democratic
Population: 2.55 million (est.)
Population below poverty: 34.2% (1992)
Unemployment: 15.9% (1992)
Inflation Rate: 8.63%
Exchange Rate: 38.8 Jamaican dollars (J\$)/US\$1
GNP: US\$4.0 billion
GNP per Capita: US\$1,560
Source: New Internationalist 1997/98, World Bank 1999/99
#F/9/99

CREDIT UNION INDICATORS

Credit Unions: 66
Credit Union Members: 539,569
Savings: US\$205,746,865 million
Loans: US\$147,812,219 million
Source: 1998 WOCU Statistical Report

Duration: June 30, 1996 — June 30, 2000

Project Assistance:
IDB \$1,000,000

Participating Organizations:
World Council of Credit Unions, Inc., Inter-American Development Bank (IDB) and Jamaica Cooperative Credit Union League (JCCUL)

Expected Results: By the end of the project, the Jamaica credit union league will provide market-driven and self-sustainable services to its members. Model credit unions will provide needs-based services to their members at competitive rates, while at the same time, practicing financial responsibility. In addition, at least ten credit unions will provide valuable small microenterprise savings and loan services to their members.

Project Director:
Jesus Chavez

narrow Kingston alley. Producing for furniture stores and individuals in Jamaica, on the average he completes five handcrafted pieces a day. The detailed carvings in the furniture are still done tediously by hand, as are all of the stages of production. Sunshine Furniture's operations are located in the heart of Kingston, Jamaica in "Old Kingston" where it originally began.

"I am happy with my success, but I also have plans for the future of Sunshine Furniture. Someday I would like all of the stages of the craft process to be housed in one building, instead of the various stages of production being completed in different buildings. Currently the "chop shop" (construction), assembly, detailing, finishing and storage have their own areas. One day when I am able to expand, I hope the credit union will be there to help me as they have in the past," said Foster.

Today, not only is Mr. Foster a successful businessman, he is also an active member of his credit union. "I consider myself a long-time and hopefully lifetime credit union member. We've had an excellent relationship for the past eight years. I even became involved in my credit union acting as a loan committee member, helping others as the credit union helped me," he explained.



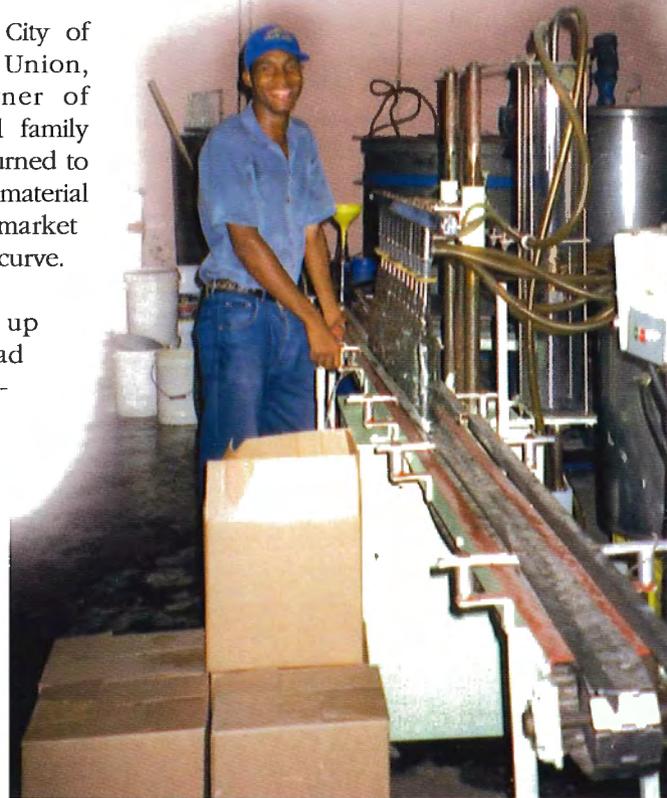
Mr. Foster's credit union, the City of Kingston Credit Union is the largest in Jamaica, with \$1.6 billion dollars (US\$4.12 million) in assets. The credit union has two branch locations and employs 150 staff members. Offering a full range of services, the credit union provides regular share savings, golden age (8%) and share deposits (2%), as well as loan services for education, car, home and micro-finance loans.

Helping Fulfill Commitments

Also a member of the City of Kingston Co-op Credit Union, Annette Chin, co-owner of Tropical Syrups, a small family owned syrup company turned to her credit union for a material loan when the sugar market threw her an unexpected curve.

"The price of sugar went up dramatically, we had orders to fill, but no materials for production. We went to the credit union for a loan to help us fulfill our orders and they were there for us. Receiving a loan for \$100,000 Jamaican dollars (US\$2,500) gave us the needed working capital to purchase supplies," noted Mrs. Chin. The syrups are seasonal, selling primarily when the climate is hot and during the holidays. It's convenient—you just add water and it is ready to serve. The new competition of inexpensive soft drinks on the market in Jamaica has influenced the production scheduling change for Tropical Syrups, now following the summer months and the holiday seasons.

Mrs. Chin first learned about the advantages of credit unions over 30 years ago at a church function, when she was still a school-girl. "I have been a member of my credit union for the last ten years. Today, I also take advan-

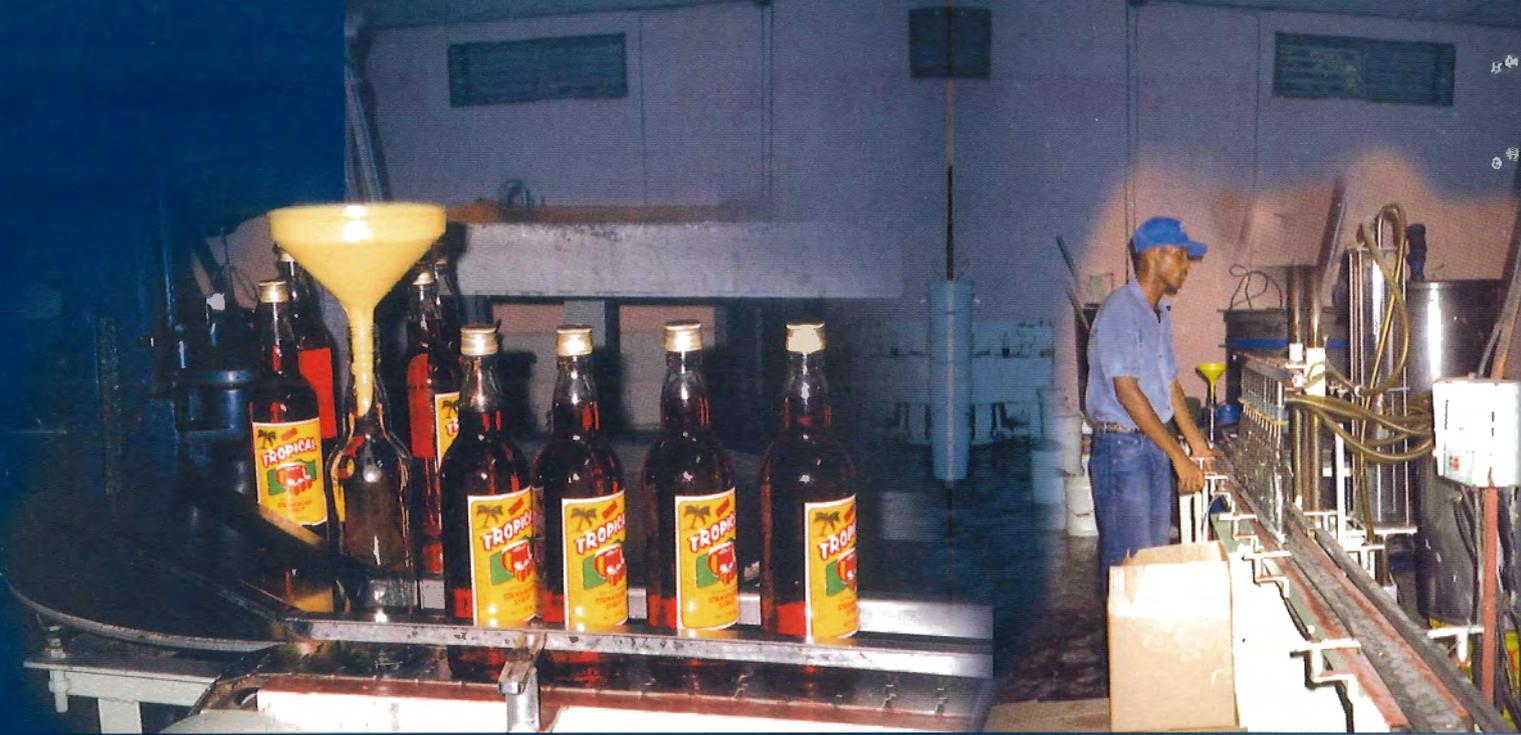


An employee works on one of Tropical Syrups' two bottle lines filling syrup bottles.

tage of the credit card service the credit union offers. They give me a lower rate than local bank credit card offers and when I pay the balance at the end of the month there is no charge. Being a credit union member has made a difference for me and my family's business," explained Mrs. Chin.

(l-r) Annette Chin and her son Gregory look over the product before it is boxed for shipment.





Credit union members and micro-entrepreneurs in Jamaica are benefiting from stronger, safer credit unions due to the WOCCU Jamaica project.



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Spotlights on Development



Romania

Transitioning into

Romania's CARs Modernize Services



WOCCU Romania project staff (l-r): Oana Iuliana Radu, Iuliana Ghergulescu, Georgeta Claudia Rus, project manager and Florin Simion. Not pictured: Ioana Pavel.

More than a decade ago, Romania's December 1989 uprising and coup marked the end of a political reign of corruption, squandering of national resources, human rights abuses and the economic destruction of a country rich in culture and natural beauty. As Romanians turned their backs on communism and toward democracy, the transition has been difficult.

Economic reforms characterized most significantly by the privatization of land ownership, state enterprises and industry, while necessary, have resulted in unemployment. As in other post-communist countries, pyramid lending schemes, financial scams, banking closures and high inflation have also taken their toll. Today, the vast majority of Romanians lack—among other things—reliable access to personal and microenterprise financial services.

All of these factors have opened the door for credit union development, as Romanians look for a trustworthy financial alternative to help them build for the future.

Thriving Despite Totalitarianism

Prior to communism, credit unions—previously called savings, credit and assistance associations—played an important role in providing financial

and social services for their members. In 1949, the government subordinated these associations to trade unions, transferred their funds to state property, canceled most of their services and changed their names to “casele de ajutor reciproc” (mutual assistance societies) or CARs (pronounced char-ays.) The only service allowed these communist-era CARs was small loan granting,



A credit union delegation visits CARs in Vâlcea. (l-r) Serban Dodoc, chief accountant, UTCAR in Vâlcea; Kate McKee, director of USAID's Office of Microenterprise Development; Georgeta Rus, WOCCU Romania project manager; Radu Savitchi, UNCAR executive secretary and Ion Modoi, president, UTCAR Vâlcea.

based on a multiple of three times a member's social savings fund.

Notwithstanding this, CARs remained the only support for the Romanian middle and poor classes, thus gaining credibility with the public and even

increasing in number, membership and assets, despite the totalitarian state.

Transitioning and Modernizing

During 1990 through 1996, CARs began transitioning into the free market economy, obtaining independence from the trade unions and striving to revert to pre-1949 services. But they also began to feel the impact of Romania's economic transition, as sponsor companies liquidated or privatized causing CAR members to lose their jobs and seek their livelihoods in self-employment. This, coupled with reliance on communist-era services—characterized by below-market rates on loans and savings—was eroding the capital adequacy of CARs and their ability to serve members.

Recognizing the potential of the CAR movement, in 1996 the U.S. Agency for International Development funded a two-year project to be carried out by World Council of Credit Unions, Inc. (WOCCU) in conjunction with the National Union of Employees Mutual Aid Houses in Romania (UNCAR) and the territorial unions (UTCARs). Working with 13 CARs, the WOCCU development project focused on the introduction of market-driven savings and lending services and the conversion from traditional social fund share accounts to voluntary savings and deposit services.



Growth of the 13 Romanian Project CARs

(In Thousands of Lei and as of 9/30/99)

	1996	1997	1998	1999
Members	44,344	43,362	54,481	54,344
Traditional Savings	19,957,647	33,095,643	55,194,974	70,353,563
Traditional Loans	19,572,470	32,854,609	55,660,803	76,705,878
Institutional Capital	891,741	1,884,426	4,391,471	6,240,416
New Savings Services	0	1,249,497	16,269,126	35,274,399
New Loan Services	0	1,056,636	15,452,343	31,605,346

Cover photo: (l-r) CAR manager, Nicoleta Capdefier and CAR member and microentrepreneur Ion Constantine present the gourmet-quality pastries made at the Constantines' cofetoria.

the Future

CAR Members Adjust to Privatization

From 1998 to 1999, support from CUNA Mutual Group enabled WOCCU to introduce financial disciplines. Further support also came from USAID's Office of Private Voluntary Cooperation to adapt a uniform accounting system, update policies and procedures, strengthen internal controls and establish computerized systems.

One of the most surprising outcomes of the project has been the widespread adoption of market-priced services by CARs outside the core group. To date, in addition to the 13 project CARs, UNCAR and its member territorial unions (UTCARs) have helped more than 200 CARs begin to modernize.

The Challenges Continue

The Romanian credit union movement is making tremendous progress, yet the challenges continue. Traditionally CARs have served employee groups. To ensure their sustainability in the future, they must open their doors to a wider segment of the community. In so doing, they must also prepare for the challenges—such as increased loan delinquency—that come with a broader membership base.

A New Project Begins

To further the Romanian credit union movement's progress in meeting these challenges, late in 1999, World Council received a second grant from USAID under the Implementation Grant Program of the Office For Microenterprise Development. The purpose of the project is twofold:

1. the continued modernization of 20 CARs to become market-driven, full financial intermediaries; and

2. a model CAR certification program to foster public confidence and establish the basis for a longer-term regulatory and supervisory framework.

Both components will contribute to the overall program objective of strengthening the microfinance capabilities of CARs so as to provide nearly 150,000 members with reliable financial services and self-employment opportunities as the privatization and transition to a free-market economy continues in Romania.

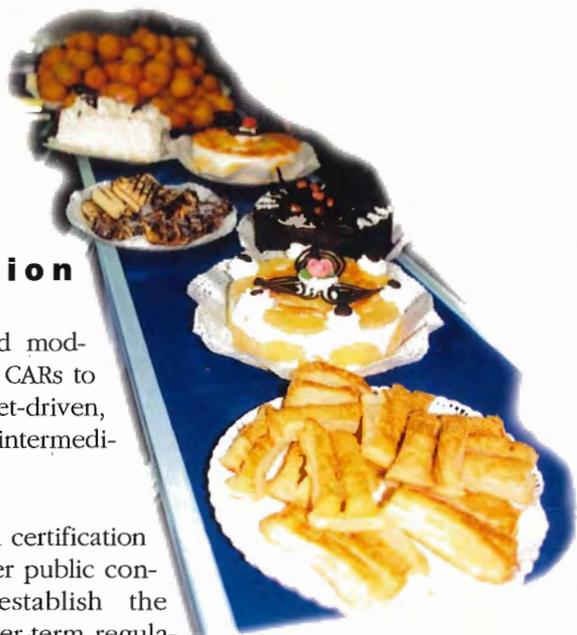
Baking Up a Sweet Deal

Tempting crème-filled pastries, chocolate-iced confections, fruit-filled tarts and many other sweet delights adorn the bright blue display cases of Ion Constantine's "cofetoria." Located in a bustling area of Bucharest, Ion co-owns the pastry shop with his brother.

Before opening the cofetoria in 1994, the two of them worked as engineers in government-owned plants. As they watched co-workers lose their jobs to privatization, Ion and his brother decided to quit and open their own business. Truth be told, they knew nothing of pastry making, but their love of sweets led them to the business.

They began by hiring people who already knew something about pastry making. Today, as a microenterprise, they employ four people. The bell on the shop door rings constantly, as customers come in seeking the delectable treats made by the Constantines' staff. "We also work with our neighboring businesses to provide pastries for their meetings and customers," notes Ion. "Business is good...we average 5.5 million lei (US\$300) in sales daily...but it wasn't easy getting there."

To purchase an oven and other equipment for start-up, Ion and his brother had taken a one-year loan of 50 million lei (US\$2,732) from a pyramid scheme that charged 84% interest of 42 million lei (US\$2,295) and required three houses to guarantee.



Ion Constantine (center) together with his sister-in-law (right) and staff member (left) stand near the first oven purchased for the cofetoria.



As the debt came payable, they realized they couldn't cover the interest. That's when they approached FAUR CAR for help.

FAUR CAR helped them cover the loan at a much better, market-based rate of 50% with three years to repay. They also had two previous short-term loans with the credit union for 5 and 6 million lei (US\$273 and \$327) to buy ingredients. Later, when Ion and his brother wanted to move the location of the cofetoria, they again approached the credit union for a loan of 60 million lei (US\$3,278) to cover a 25% leasing contract deposit.

The Constantine brothers are members of FAUR CAR and use both the traditional services and the new market-based services. Each has 15 million lei (US\$820) in the new savings accounts, which provided collateral for the rent deposit loan.

Ion continues, "When we finish paying this loan and have the capacity to pay, we'll borrow another 100 to 120 million lei (US\$5,500) for image improvements and staff training."

"If I may say so, owning our own business is a sweet deal. Unlike working for a state-owned enterprise, we can do what we think is best. Now, thanks to the CAR, we can afford to make things better," concludes Ion.

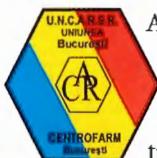
Making Health Care Available to a Community

Maria de Heleanu wants to make a difference in her community. Pharmacist and sole owner of the Theafarm Pharmacy, she sponsors the doctor's

offices, called medical cabinets, in three neighborhood schools, providing all of the bandages, medicines and other supplies. She also opened a medical cabinet in her own pharmacy, creating two jobs for local doctors and making health care services more accessible to her customers.

"I want to do more for my customers, says Maria, "especially because this is a very poor neighborhood."

Maria explains, "All of this would not have been possible, though, if it weren't for two things. First are the circumstances that enabled me to own the pharmacy when the state privatized and put these premises up for auction. And the second is the help I've received from Centrofarm CAR."



A CAR member since 1987 and an independent pharmacist since 1993, Maria has turned to Centrofarm CAR several times to borrow money. Her first loan was for 5 million lei (US\$273) to build the doctor's office in her pharmacy. Maria has taken subsequent loans of 10 million (US\$546), 15 million (US\$820) and 38 million lei (US\$2,076) to cover cash flow.

(continued on page 5)



(l-r) Felicia Tataru, manager of Centrofarm CAR and Maria de Heleanu, pharmacist, stand in the laboratory of Maria's Theafarm Pharmacy.



COUNTRY INDICATORS

National Capital: Bucharest
 Government Type: Republic
 Population: 22,510,000
 Population Below Poverty: 30%
 Unemployment Rate: 9.3%
 Inflation Rate: 45% (1999)
 Exchange Rate: 18,300 lei = US\$1
 GNP: US\$31.3 Billion
 GNP per Capita: US\$1,600 (1996)
 Source: 1999/2000 World Guide, The World Bank (1998), IMF (1999)

CREDIT UNION INDICATORS

Project Credit Unions: 13
 Members: 54,334
 Savings: 111,868,378 (Thousands of Lei)
 Loans: 108,311,224 (Thousands of Lei)
 Delinquency: 5.01%
 Source: 1999 WOOOU Project Quarterly Report

Duration: 2nd project, October 1999—September 2003

Project Assistance: 2nd project, US\$2,000,000

Participating Organizations:
 World Council of Credit Unions, Inc.
 U.S. Agency for International Development
 National Union of Employees Mutual Aid Houses in Romania (UNCAR)
 Territorial Unions of Employees Mutual Aid Houses (UTCARs)

Expected Results: 20 CARs will serve 145,751 member-clients with 215.03 billion lei (US\$13 million) in savings and 197.71 billion lei (US\$ 12.2 million) in loans outstanding. At least 5 CARs will attain model CAR status.

Project Advisor: Georgeta Rus

In Romania, pharmacists buy their medicine from pharmaceutical companies and then receive a 50% reimbursement from the government. Often, however, it takes several months to get the reimbursement, leaving pharmacists in difficult cash flow situations.

Maria has also purchased a car, copy machine and new plumbing, all with loans from the credit union. In the future, she would like to take out another loan to purchase the space she is currently renting from the city government. "I also plan to save money in the CAR, but with the very low margins on medicine sales and high expenses, I don't have that much right now. That's why being a member of the CAR is so important," explains Maria.

"When you are in need, the CAR is always there for you. As my pharmacy grows, I keep working with the CAR.

That kind of collaboration is good for every person involved in business."

When asked how her life has changed since becoming a business owner, Maria says, "My six staff members and I work long days, seven days-a-week, but that's okay. I like what I'm doing. The personal rewards of helping my community are important to me."

A Visible Change For the Future

Hanging neatly on dress racks and arranged by size are the well-made women's suits and dresses at Moda Estella. This small boutique belies the size of the operation that supports production of its clothing.

Forced out of her job by privatization in the mid-'90s, Maria Manea began designing and producing fashions on her own. Within the last three years, she has significantly increased the demand for her clothing and today operates a production facility with 10 sewing

machines on the second floor of her boutique. Each dress or suit sells retail for approximately 600,000 lei (US\$32).

"When I lost my job, I had to do something to survive. It wasn't an option. Starting from the ground up was very difficult, especially since I needed credit," explains Maria.

"Although, I did get my first loan from a bank, I had a very painful experience. Clothing sales are seasonal by nature, as such my retail distributors often pay late. The bank was unwilling to work with me in these situations and in one particularly difficult incident, they even blocked my account."

Three months ago, Maria joined Carpati CAR. She needed another loan of 30 million lei (US\$1639) to purchase fabric and working capital. "I heard about the CAR from a friend. They were very helpful. When I have more money, I plan to use their new savings services, as well."

Maria wants to expand her wholesale operation to sell in several towns and cities throughout Romania. "When my son returns from the army later this year, he will be my sales agent. This will be a big help, because it's very difficult to expand and sell as a sole owner."

"When I have enough collateral and can afford another loan, I know that I can go to Carpati CAR," she says confidently. "The credit union will help me make a real visible change for the future."



Maria Manea, fashion designer and owner of Moda Estella displays one of the suits made in her clothing production area.



Like Romanian-style architecture (shown above), CARs have a long tradition in the country. Today CARs are modernizing to meet the needs of members in the face of privatization and transition to a free-market economy.



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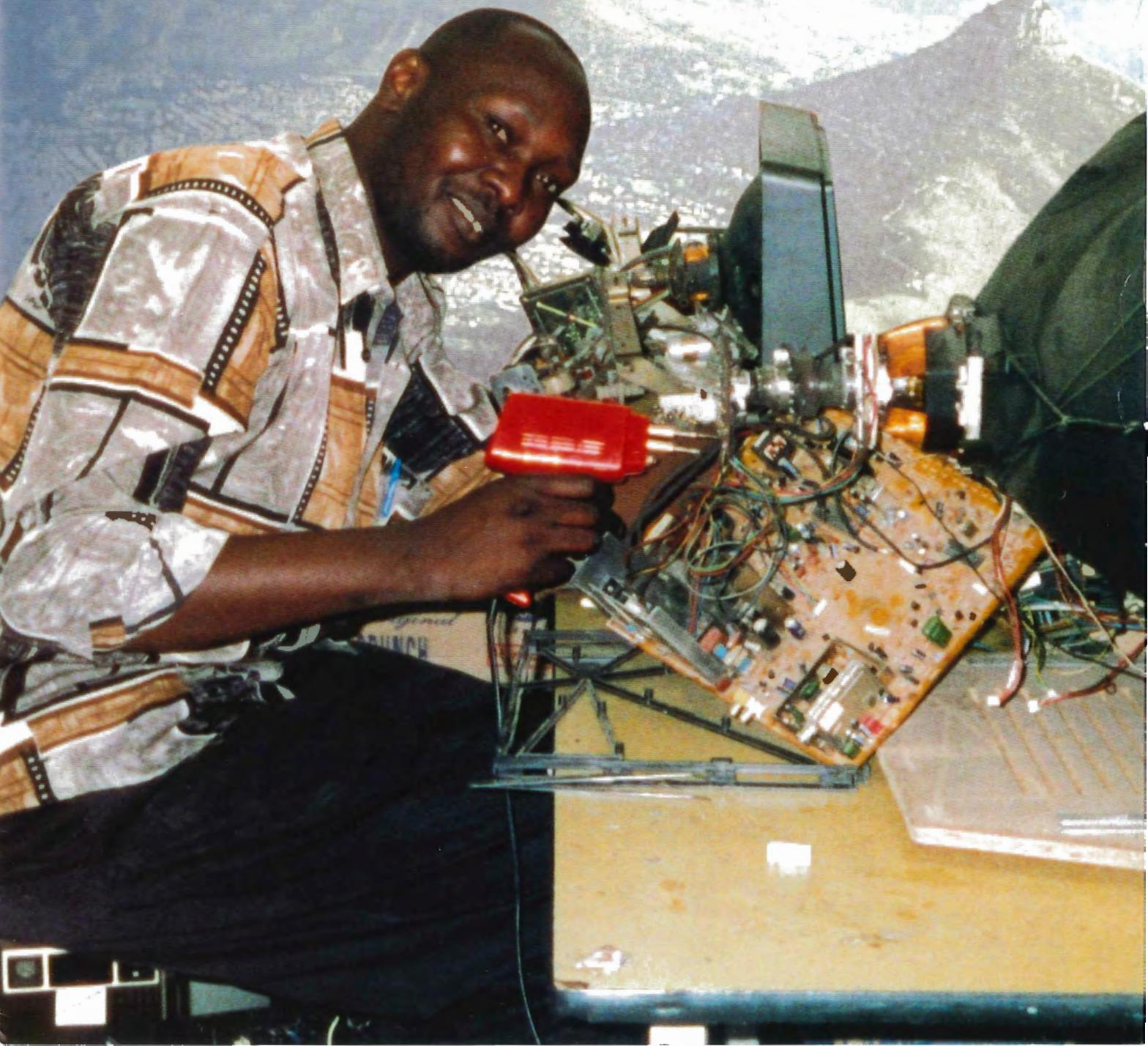
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Spotlights on Development

South Africa



Beyond Apartheid

Sustaining Real Community Development

Among the political and current events of the last decade, few hold more meaning in the struggle for freedom and a new world order than the 1994 abolishment of apartheid in South Africa. April 27th, now celebrated as Freedom Day marks the first-ever, multi-ethnic elections in the country. While the political barriers of apartheid were removed on that day and in the days that followed with the adoption of a new constitution, today many economic and cultural barriers remain.

It is in this fragile socio-political and economic environment that credit unions continue the struggle. Aided by World Council of Credit Unions, Inc. and core grant funds provided by the U.S. Agency for International Development and the African Development Fund of the U.S. National Credit Union Foundation, the South African Credit Co-operative League and its member credit unions are developing a fragile network of financial services to sustain real community development.

The Impact of Apartheid on Credit Unions

Called SACCOs, South African credit unions started in the 1940s and were one of the earliest movements established on the African continent. Although segregationist policies had been enforced in the country since the nineteenth century, the declaration of apartheid in 1964 eliminated all of the existing SACCOs. The movement was not to reappear again until the 1980s.

As in other parts of the world, foreign missionaries, especially from the Catholic Church, played an important role in re-introducing credit unions to impoverished communities. During the decade of 1980 to 1990, SACCOs faced a number of internal and external challenges. With their religious philosophies rooted in charity, these early credit unions were one of few grassroots organizations that provided service to people of low-income. However, they operated more as social organizations than business entities, granting cheap loans and paying less than market rates on savings. Additionally, the ongoing threat of imprisonment for black South Africans who took up leader-

ship roles, resulted in the reliance on parish priests—rather than the members—to run the SACCOs.

In the early 1990s, following a viability assessment conducted by World Council, in which only three of the then-existing 47 SACCOs were found to be financially viable, the movement refocused operations towards a business orientation. It was at this juncture the Savings and Credit Cooperative League of South Africa (SACCOL) formed in 1993. For the movement to survive, SACCOL needed to introduce new management systems, technology and products.

Where to From Here?

After a difficult transition period marked by credit union closures, and less than desirable growth, today SACCOL's efforts are focused on enhancing membership growth, the viability of credit unions and its own operations to sustain development.

Currently 20 credit unions are converting from small closed-bond, employee-based memberships—averaging 200 to 500 members to community-based charters operating with predominantly basic share and loan products. SACCOL is working with World Council to:

- merge some of the smallest employee-bond credit unions into larger more viable credit unions financially capable of supporting professional management;
- expand SACCO fields of membership to serve the communities in which they operate;

A SACCO member receives information about his accounts.





League employees working to implement the systems necessary to support growth in the movement.

- broaden the range and type of SACCO services to include a variety of savings and loan products;
- implement the administrative systems necessary to support growth, including accounting, information, credit administration, collections and financial management disciplines;
- mobilize savings and implement marketing efforts; and
- assess the legislative and supervisory framework of SACCOs to ensure the protection of members' funds.

SACCO Community Outreach

In 1995, President Nelson Mandela launched the Reconstruction and Development Program to create 2.5 million jobs and build one million homes by 1999. Progress on this initiative has been considerably slower than hoped for. As a result South Africa has a backlog of much-needed housing construction, coupled with high unemployment due to the opening of South African production to international competition.

Needless to say, a priority financial sector need in South Africa remains that of housing finance for the low-income and working groups, especially since banks currently do not provide support for low-income housing.

Another top priority is that of training people in production and service skills, along with providing them access to financial services.

Two key priorities of many of the SACCOs are working with other community organizations and government programs to: 1) find creative solutions to housing finance, and 2) develop financial services that support the needs of South Africans who are starting their own micro-enterprises.

The challenge ahead is great and the resources are small. South African credit unions and the league are out in the communities and the townships developing a fragile network of financial services to sustain real community development.

Growth of the SACCO Movement

	1995	1996	1997	1998	1999
# of SACCOS	8	14	16	20	21
Total Membership	1,558	2,707	3,248	4,665	6,397
Savings	432,447	602,530	888,156	1,319,562	9,980,239
Loans	1,394,687	2,101,483	3,307,612	4,454,389	8,447,925



Mr. & Mrs. Wilson pose next to the furniture and new appliances they acquired with the help of their credit union.

From Shanty Town to Home Ownership

Patrick Wilson has been a member of the Cape Metal Employees SACCO for approximately two years. As an employee of Advanced Galvanizing—a company within CME SACCO's field of membership—he found out about the credit union through his co-workers.

Patrick was specifically looking for a loan to improve his housing and living conditions. "I used to live in a bungalow with a couple of windows. It was a shack really. The credit union has helped me with loans to buy furniture and kitchen appliances. Most recently, the credit union loaned me 1,000 rand (US\$160) to cover the deposit for a house, which is currently in the building stage. I expect it to be finished sometime early this year. Thanks to the credit union we'll have our first real home." (Note: The average price of low-income housing in South Africa is 15,000 rand or US\$2,440.)

For Patrick's credit union, CME SACCO, their greatest achievement and key priority is a unique housing initiative. Working in conjunction with NURCHA—a program to facilitate financing of low income housing

projects—and the Western Cape Community Housing Trust, CME is able to offer home loans to members who would otherwise be considered a credit risk at most banks. "Many of our members live in squatter camps. But with this housing initiative, they have a chance to live in and own their own homes, with decent roofs over their heads," said Victor Botha, manager of CME SACCO.

Patrick was so impressed by the credit union's efforts to sustain community development that he decided to get involved as a member of the credit committee and as a plant agent promoting the credit union and acting as a liaison for his co-workers.

"It's tough to be a member of the credit committee, especially since I personally know the people who are seeking loans. But it's important to balance their needs with their capacity to repay so that we can ensure the continued success of the credit union. Being a plant agent is a bit easier because I get to talk to a lot of the guys about the benefits of the credit union and encourage them to join. I

also take applications and loan forms, process withdrawals and distribute information."

A successful promoter of the credit union, Patrick has encouraged nearly 90% of the staff at Advanced Galvanizing to join the credit union already and he promised that more are planning to join next year. He also encourages his fellow co-workers to save for the future, and sets the example with 3,000 rand (US\$490) in his share savings account.

"In general, I can say that I've never seen an organization that empowers people as much as the credit union. The credit union is doing a really good job helping people reach their financial goals."

(Member interviews and photos courtesy of Scott Logan, senior vice president, Northrop Grumman FCU and the South African Credit Co-operative League and their member credit unions.)



COUNTRY INDICATORS

National Capital: Pretoria
 Government Type: Republic
 Population: 42.39 million (1996)
 Inflation Rate: 13.86%
 Exchange Rate: 6.13 rands/US\$1
 GNP: US\$119 billion
 GNP per Capita: \$2,880

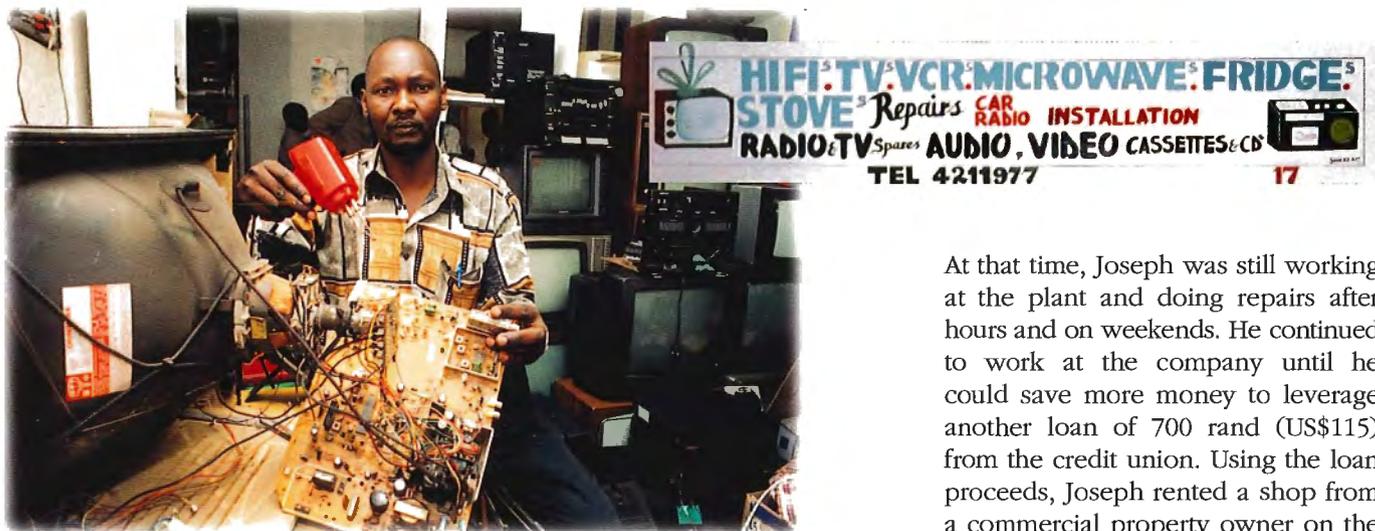
Source: The World Guide 1999/2000, The World Bank (1998)

CREDIT UNION INDICATORS

Credit Unions: 21
 Members: 6,397
 Savings: 9,980,239 rands
 (US\$1.63 million)
 Loans: 8,447,925 rands
 (US\$1.38 million)

Source: SACCOL Data (September 1999)

Using a tool financed by one of his credit union loans, Joseph Ogwal repairs a circuit board on an appliance.



Building a Stable Future for His Family

Coming to South Africa by way of Uganda, Joseph Ogwal is a refugee from Sudan—a country torn asunder by a 15-year long civil war. Educated in Sudan and Kenya, Joseph has a degree in electronics engineering. Though he has a family including his wife and two children, he has come to South Africa alone to build a stable future for his family who still remain in Uganda.

With the opening up of opportunities in South Africa, Joseph felt that the country might provide a suitable environment to raise his family and start his own business. He's been working and living there for the last two years, communicating with his family and sending them money until the day that he can bring them to their new home.

Helping him to achieve his goals is the Cape Metropole South African Credit Co-operative (SACCO) in Cape Town. Joseph became a member of the SACCO a little over a year ago, when he learned about the credit union from one of the representatives working in the refugee forum.

Joseph explained, "Being a refugee, I came here with literally nothing and didn't have any money in savings. I took the first job I could find working in a plant. After two months of working there, the plant still had not paid me.

I was getting very frustrated, especially since I wanted to start a business and was unable to do so without money. I went to several different places to gain financial assistance and the funds I needed to start the business. No institution or organization would honor my refugee papers and give me even a small loan. When I explained my situation to one of the refugee workers, he told me about the credit union."

It was the credit union who honored Joseph's refugee papers and gave him a loan for 700 rand (US\$115), which he used to start a repair business and buy replacement parts necessary to complete repairs of various household electronic items, such as televisions and radios.

"The people at the credit union were very willing to help. They advised me on how to start my business, to save more money, to acquire loans, all to become more self-reliant and achieve my goals."

Initially, Joseph started his business by setting up a table on a busy market street. "When potential customers would walk by, I explained what I was doing and asked them if they had anything that needed repairing. Eventually as time went by, my customers began asking me why I didn't have a shop to do business in."

At that time, Joseph was still working at the plant and doing repairs after hours and on weekends. He continued to work at the company until he could save more money to leverage another loan of 700 rand (US\$115) from the credit union. Using the loan proceeds, Joseph rented a shop from a commercial property owner on the same street where he had originally set up his table.

Harriet Stewart, manager of Cape Metropole SACCO said, "Many of our members are talented small business owners. We're striving to provide them with the services they need to grow those businesses and enhance the economic viability of our community and South Africa's future."

Joseph continued, "Thanks to the credit union, I have had my business for roughly a year and a half now. From that first place, the business grew and I've since added a second location within the last three months. Everyday now, I see at least three items come in for repair."

Five years from now, Joseph sees his business continuing to grow. With financial assistance from the credit union, he plans to expand his operations and start a training center for repair technicians. With some of the profits from his business, Joseph has also been able to set aside 2,100 rand (US\$340) in savings. More importantly though, Joseph knows that every day his business is successful brings him one day closer to reuniting his family.

"What I realize about credit unions is how much they help people and families. I came to know about them in South Africa. I wish that more countries, like my home country of Sudan had credit unions so that everyone could benefit from them."



Shanty towns are predominant sites in South Africa. Housing initiatives implemented by SACCOs are making home ownership a reality for members.



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