

Companies and Committees



IRELAND

ILCU International Development Foundation Ltd.

Introduction

The ILCU Foundation was established by the Irish credit union movement in 1980 with the aim of reducing poverty in developing countries by supporting credit unions, their representative bodies and other co-operative type organisations through financial and technical assistance.

Presently the ILCU Foundation is supporting major partners in The Gambia, Ethiopia, Albania, Russia, Sri Lanka and The Caribbean, while also providing funding to a number of small projects in the developing world.

Communication

During 2006, the Foundation aimed to improve its communication with Irish credit unions. To this end, with the support of the ILCU Board, it has secured two pages in each issue of the new CU Focus magazine, which allows the Foundation to profile the work of its partners on a regular basis. The Foundation has also made presentations to individual credit unions throughout the year, which has provided useful feedback. Finally, the Foundation is continuing to provide all credit unions with annual information leaflets and posters on its work.

Development Education

In 2006, in partnership with Concern, the Foundation issued a development education DVD and resource pack. The main aim of the project is to increase awareness and understanding among schools, credit union members and the general public on the role that the ILCU Foundation and Concern have played in assisting people in developing countries to access savings and credit facilities. This includes explaining what a credit union is and how the "Credit Union Model" is helping people in Ireland and in the developing world.

Policy Education

With funding of €20,000 from the Irish Government through its overseas development department (Irish Aid), the Foundation is developing formal internal policies.

This led to the development of a formal policy and operational guidelines on small projects. Also work is on-going to finalise similar documents for the areas of monitoring and evaluation and a selection of new countries/programmes.

International Credit Union Development

The following is the progress made with our major overseas partners in the past year:

Albania

Albania is a Balkan country in south-eastern Europe. Despite having a troubled history of an extreme communist dictatorship, the country has been classified as an emerging democracy since the 1990s. Albania is a poor country by West European standards and it is steadily making the difficult transition to a more open market economy. Over the last few years, Albania has experienced periods of relative political and economic stability.

The Foundation is supporting the credit union movement in Albania through its national apex body called Jehona. Currently, Jehona has a membership of 26 credit unions.

One of the big successes for Albanian credit unions in 2006 was the increase in total savings of their members to €1.6 million. This represents an increase of 60% from the end of 2005. This was mainly due to its new time deposit product, which is very popular with members. By the end of 2006, 25% of all savings in the credit unions were deposited in this savings product. This extra money has enabled credit unions to provide more loans to their members, in a movement where to date loan demand continues to exceed saving levels. As proof of this fact, the percentage of members with loans in the movement has increased in the last two years from 11% to 18%.

One of the big challenges for Jehona at present is to move towards a self-sustainable organisation. At its 2006 AGM, credit unions voted to start paying membership fees to Jehona. This was a major first step and acknowledgement of the assistance Jehona provides to credit unions and their members.

In October 2006, the Foundation sent a trainer to Albania to provide a one-week training course to Jehona's own training staff on Safety and Soundness. Following this course, Jehona staff presented this training in three regional locations to over 50 volunteers and staff of their credit unions.

No of credit unions	Members	Savings €	Loans €
26	7,643	1,600,000	1,600,000

Member's story from Albania

File Uruci is now 55 years old. She lives with her daughter in the village of Maminas in Durres. Her husband died 25 years ago and all her extended family live far away so she had a hard life raising her daughter alone.

She worked in the co-operative in her village but when it closed down she was left with no income at all. The majority of men in other families in the village were forced to emigrate to survive the difficult changes, but this was not an option for File as she didn't have a husband or a son. She undertook sewing during this time of unemployment to provide a small income for her family. File enjoyed sewing and she was known in the village as a good needlewoman.

One day, she went to one of the promotional meetings that Teuta Credit Union organised with the women of the village. She met Fatime, the treasurer of the credit union who explained how the credit union worked. File joined the credit union immediately and she started to save small amounts on a regular basis.

File then made up her mind to take a risk and to try her small business idea. File went to the credit union office and applied for a loan. She wanted the loan to buy a new sewing machine and some material to sew curtains for people in the village. The loan was approved.

File used a room in her house as a work-shop, she bought a new machine and good materials in the market for curtains. Her first client was one of her neighbours that was looking for new curtains in time for her daughter's wedding.

On the day of the wedding, the entire village went to her neighbour's house to congratulate the couple and no one failed to notice the new curtains. It was the best publicity for File's new business and soon afterwards many other women in the village approached File to make curtains for them.

File repaid her loan in the agreed period as her business idea really took off and provided her with the income to support her family and indeed turn her life around.



The Gambia

The Gambia is the smallest country on the African continental mainland. It is situated in Western Africa bordering the North Atlantic Ocean and Senegal. The river Gambia flows through the centre of the country and empties into the Atlantic Ocean. The Gambia has enjoyed a long period of stability since independence, unlike many of its neighbouring countries.

The Gambia has a liberal, market-based economy characterised by traditional subsistence agriculture. The country has no important mineral or other natural resources and has a limited agricultural base, with about 75% of the population depends on crops and livestock for its livelihood.

The Gambia suffers from poor standards of health care and relies on foreign aid to fill gaps in its balance of payments. It is in this context that the Foundation continues to support its League, the National Association of Co-operative Credit (NACCUG), through financial and technical assistance.

The Gambia has seen steady progress in its credit union development. NACCUG provides training, promotion and monitoring services to its growing membership, and has become a widely recognised and respected NGO in one of Africa's smallest and poorest countries. Through Foundation assistance, NACCUG continues to provide support to rural credit unions, which in turn is deepening the impact of rural development efforts.

Membership of credit unions in The Gambia increased significantly in 2006 and consequently a strong growth was also achieved in total savings. The membership increased by 16% from 2005 and savings grew by 29%.

During 2006, 196 Board Directors, 21 Supervisory Committee members, 33 Loan Committee members and numerous staff members all received training on various aspects of credit union operations. This included the development of business plans by thirteen credit unions.

No of credit unions	Members	Savings €	Loans €
67	26,044	3,056,712	2,033,424



Mrs. Fill Sarr, who has taken a loan from the credit union amounting to 1575.00 Gambian Dalais (€43) to start her own fish business

Russia

Russia, with its vast and diverse territory, remains a challenging area in terms of credit union development. Its transition from a communist regime has been difficult and has resulted in it becoming one of the most unequal societies in the world.

The Foundation is focusing its effort on strengthening the regional presence of credit unions. Currently, the Foundation is supporting the development of regional associations in the following three areas of Russia:

- ▶ St. Petersburg
- ▶ Karelia (North West Region of Russia)
- ▶ Dubna (Moscow Region)

The Foundation is supporting the development of these Regional Associations, to ensure that they acquire increasing influence, thereby giving credit unions a stronger voice at local and national level. With the assistance of the Foundation, they are also supporting new and emerging credit unions with technical and operational support.

Examples of this include:

In St. Petersburg, the association is currently researching the possibility of introducing their equivalent to the ILCU Savings Protection Scheme (SPS). It is planned that credit unions who are members of the association will contribute to the fund. The association plans to use PEARLS indicators to determine if a credit union will qualify to join the fund.

The association in Karelia continued to provide training during 2006 at a regional level. They have delivered a wide-ranging training programme consisting of seminars and consultations for credit union staff and volunteers in the region. During the year, 9 training seminars took place, which were attended by a total of 195 employees and volunteers of credit unions, covering areas including legislation, holding an AGM, marketing and promotion. The latter course was given in conjunction with the Russian Credit Union League (RCUL). The RCUL developed the course material and the association conducted the course, which was spread over 3 days and attracted people from Karelia and other parts of Russia.

The Dubna association, like the two other Foundation partners in Russia in 2006, developed an advertising campaign to increase awareness among the general public about the savings products of its credit unions. One of the aims of this activity is to increase the level of funds that credit unions have to lend out to members. Like all the Foundation partners, the members' demand for loans is continuing to exceed savings levels. The Foundation has provided financial support for the advertising campaign of all three of our Russian partners in the current year.

In August 2006, 16 staff and volunteers from Dubna, Karelia and St. Petersburg came to Ireland on a study trip. During the trip, training sessions took place on a wide range of topics including safety and soundness and strategic planning. Delegates participated in detailed discussions on the issues and they were keen to learn from the experience of the Irish movement in these areas.

The visit was also an opportunity for the representatives from the three regions to meet and share experiences with each other. The delegates visited three credit unions, which allowed them to see at first hand how three different Irish credit unions function in practice. The visits to Dunshaughlin Credit Union, St. Loman's Trim Credit Union and A.S.T.I Credit Union gave the delegates a sense of the potential that exists for their movement to develop into the future.



*Russian delegates visit to St. Loman's Trim Credit Union***

No of credit unions	Members	Savings €	Loans €
46	30,532	7,908,000	7,880,000

Sri Lanka

This island nation in South Asia lies just off the southern tip of India. At the end of 2004, Sri Lanka and its credit union movement was devastated by a tsunami which destroyed 200 credit unions (known there as primary societies) and damaged hundreds more, washing away member and financial records, currency, furniture and equipment.

Sri Lanka's credit union federation, SANASA, is one of the organisations helping those who have suffered from the effects of the deadly tsunami. With a nationwide presence and nearly a million members, SANASA had credit unions in virtually every affected area.

Following the Tsunami Appeal to the Irish credit union movement in January 2005, the proceeds of this appeal has been donated to a joint WOCCU/SANASA project to help credit unions in Sri Lanka.

This money has been mainly used for the re-construction of primary societies offices, purchase of furniture, stationary, supplies and manager's salaries for up to 6 months to oversee the office construction process and reconstruction of accounting records. By the end of 2006, 19 Primary Societies had been re-constructed.

From the time preceding the tsunami up until the end of the current year, savings and loans have increased on average by 50% and membership has increased by 30% in the rebuilt SANASA primary societies. This substantial growth highlights the positive impact that re-building of offices has had on the credit union communities in Sri Lanka.

The project has entered its final phase of re-constructing primary societies and continues to be monitored by Normands Mizis, who is based full-time in Sri Lanka as part of a larger WOCCU-funded project.



Credit union being re-built



Credit union after completion

Ethiopia

In 2006, the Foundation made a decision to fund another credit union movement in Africa. After extensive investigation, the chosen country is Ethiopia. Ethiopia is one of the poorest countries in the world and there is a dire need for savings and loans services in rural areas of the country as a means to facilitate people to help themselves.

The Foundation has entered into a partnership with SHDI to undertake this project. The Foundation will provide funding and finance management-based technical assistance. SHDI has been working in Ethiopia since the famine in 1984 and has focused its activities on assisting rural Ethiopian farming communities to access adequate food, health care and education.

In the last 6 years, SHDI in Ethiopia has developed a Savings and Credit Co-operative (SACCO) movement, providing both financial and non-financial services, which has a vision and ethos that is very similar to the Irish credit union model. The majority of SACCO members are women and to date huge benefits have been provided by SACCOs to its members. At present, the movement has over 9,000 poor rural members organised into 75 primary SACCOs.

SHDI is now commencing a 5-year project to increase the membership to over 31,000 members with more than 200 primary SACCOs split under 5 regional associations (called SACCO unions). It is hoped that this project will make the programme fully self-sustainable from a financial and administrative viewpoint.



Members of a SACCO in Ethiopia

The Caribbean Confederation of Credit Unions

The Caribbean Confederation of Credit Unions is entering the final phase of a project to promote the operational safety and institutional soundness of 6 co-operative credit unions and 25 rural credit unions in the Caribbean, which is being supported by the Foundation.

This project has focused on areas including institutional development, training and PEARLS.

Other Projects Funded

In addition to the main projects, the Foundation receives a wide range of applications for funding from small projects. In 2006, projects that were funded included the following:

Nigeria:

New three classroom blocks for primary school at Papiri, Niger State, Nigeria - €10,000.

This area is very isolated and under-developed. The people of the Kamberi tribe who make up over 80% of the population are predominantly farmers with 90% of them being illiterate.

This project was undertaken by the Society of African missions (SMA) and the Sisters of Our Lady of Apostles (OLA) who have worked in the region for over thirty years in the areas of education and agriculture.

The Kamberi people, out of fear and ignorance, never encouraged their children to go to school. SMA organised literacy classes for the people for three months each year when there is no farming. As a result, parents began approaching them asking the church to open a primary school.

Funding from the Foundation was used to help in the construction of the first three classrooms for the new school. The work was completed

in May 2006 and the pupils moved in immediately. Before these classrooms were built, the pupils and staff had to make do with the shade of a tree in which to conduct classes.



- Malawi:** Chidumula Model Organic Farming Initiatives – financial assistance to purchase maize, beans and other products - €5,686
- South Africa:** To provide training in woodwork, sewing and uniform manufacturing and to fund an extension of a community centre - €10,000
- Brazil:** Assistance with medical expenses and education for women living with HIV/AIDS - €4,000
- Tanzania:** Empowerment of widows and orphans in Nyakato Community by conducting training on management of income-generating projects - €5,000
- Kenya:** HIV/AIDS/FGM Education programme - €10,000
- Kenya:** To establish a co-operative for women bee-keepers, create employment and bring income to members of the organisation - €4,940

African Congress: The Foundation co-funded with WOCCU the annual African Congress held in Kenya in 2006. This event was attended by approximately 500 volunteers and staff of 15 African credit union movements. The Congress provides a unique format for educational and experience sharing in Africa - €10,000

Twinning:

A number of Irish credit unions continue to provide technical and financial support to their twinned partners in The Gambia. This mutually beneficial relationship promotes the strengthening of individual credit unions and the credit union movement as a whole in The Gambia. In addition, it provides Irish partners with the opportunity to play an active role in international credit union development and furthering their understanding of development issues and challenges.

The Foundation would like to take this opportunity to thank the following:

- ▶▶ The Irish League of Credit Unions for its support and for bearing staff and administrative costs.
- ▶▶ Individual credit unions (and their members) for contributions and support in various forms, including study visits and credit union twinning in The Gambia.
- ▶▶ The Irish Government, the European Union, the International Fund for Agriculture and Development and USAID.

Report of the Northern Ireland Committee

Introduction

The members of the Northern Ireland Committee are:

Samuel Adair	Chairman	ILCU Director
Patricia Kerr	Chapter 1	Pennyburn Credit Union Limited
William Breen	Chapter 2	Larne Credit Union Limited
Liam McCullagh	Chapter 3	Camlin Credit Union Limited
Shelagh Murphy	Chapter 4	Kilkeel Credit Union Limited
Pat Donnelly	Chapter 17	Fintona Credit Union Limited

ILCU staff support is provided by the Northern Ireland Unit in the ILCU office which is composed of Paul Thornton (Business Unit Manager), Marietta Bradley (Field Officer) and Marianne MacCorquodale (Marketing Services Executive). The ILCU Project Manager for the review of credit union legislation is Fiona Cullen (Supervisor, Legal & Secretariat Department).

A bi-monthly meeting is held by the Unit with the CEO and a representative from each Department in the league office to discuss and provide updates on issues of particular relevance to credit unions in Northern Ireland in order to provide a co-ordinated approach to providing services to these credit unions.

Ms. McCorquodale, who joined the ILCU in December, will be promoting brand awareness in Northern Ireland. Marianne will also have a key role in PR and dealing with the media. She will also provide support regarding marketing to the chapters.

Meetings

The committee had a busy and productive year, meeting in March, June, September and December.

The committee was also represented at the following meetings:

- ▶ Meeting with Rt Hon. John McFall – Chairman of the Treasury Select Committee. The meeting was arranged and hosted by Mark Durkan (MLA, MP, Leader SDLP). The purpose was to discuss financial inclusion and current issues affecting credit unions in Northern Ireland.
- ▶ Meetings with ABCUL to discuss its initiative for providing additional services to credit union members.
- ▶ Meeting with ABCUL and Registry Staff to discuss ABCUL's initiative.
- ▶ Numerous meetings with the Department of Enterprise, Trade and Investment (Northern Ireland) to discuss matters such as legislation, investments, EFT, receipt of members' benefit payments, bill payment and flexi-loans.

- ▶ Meeting with the Northern Ireland Bankers' Association concerning the issue of 'crossing cheques'.
- ▶ Joint meetings with the Inter Chapter Group to discuss such issues as EFT and marketing.
- ▶ Meeting with Davy Stockbrokers to discuss the proposals for investments by credit unions in Northern Ireland.
- ▶ Meeting with the Lord Mayor of Belfast on the invitation of Newington Credit Union Limited to discuss issues that may be raised with Rt. Hon. John McFall.
- ▶ Meeting with the Lord Mayor of Belfast (also attended by representatives from credit unions in the Belfast area and by Mr.Alistair McDonald MP) to discuss the means by which the items raised with Rt. Hon. John McFall at the recent meeting could be progressed.
- ▶ The launch of the current account by ABCUL at the House of Commons.
- ▶ In addition, a workshop in Cookstown in August 2006 was attended by representatives of ABCUL together with representatives from credit unions in the UK who are involved in the pilot scheme for the initiative (see below).

Updates

▶ **Legislative Review**

During the year, a number of changes in credit union legislation in Northern Ireland were made. New statutory rules are discussed in the legal and secretariat section of this Annual Report:

It is intended to hold discussions with HM Treasury on the following issues at a time that is opportune to do so:

- ▶▶ Regulation
- ▶▶ Taxation – Individual/Corporate
- ▶▶ Group/Society Membership
- ▶▶ Child Trust Funds
- ▶▶ Funding for money advice/social economy

▶ **Money/Debt Management Advice**

Mindful of the need to provide training to credit union personnel in the area, a pilot one-day course was run in conjunction with Chapter 3. The feedback was very positive from attendees. The ILCU has held discussions with Advice NI concerning the provision of courses, whether directly to credit unions through their own training or through courses organised by the ILCU. A report was prepared and discussed at the December meeting of the Northern Ireland Committee. Credit unions will be kept up to date on the issue.

▶ **Anti-Poverty Strategy**

A submission on behalf of credit unions was made to the Department for Social Development (DSD) on the following "A Strategy for Supporting Delivery of Voluntary Advice Services to the Community".

▶ **Money Laundering**

Credit unions are reminded that each credit union is obliged by legislation to provide anti-money laundering training to all new volunteers and staff. Training must also be provided at least once a year to all existing personnel. If your credit union requires assistance with the training (either in-house or via cluster training), please do not hesitate to contact the Training Department at the ILCU.

▶ **Social Welfare Benefit Payment**

The pilot scheme for the receipt of benefit payments on behalf of members has been running since March 2006. Four credit unions - Claudy, Newry, Pennyburn and Waterside - have been involved in the pilot scheme and the service has now been approved by the Registrar. A condition of that approval is that, in future, any credit union wishing to provide the service must directly apply to the Registrar for individual authorisation to do so.

The service also requires the approval of the Social Security Agency which is responsible for administering the payments. Senior management at the Agency has considered the various reports and recommendations of its staff and a decision on the issue was expected in December 2006.

The credit unions who participated in the pilot scheme are continuing to receive members' benefits. ILCU staff have contacted and met with credit unions which had previously indicated interest in providing the service in anticipation of the final approval. Any credit union wishing to receive more information on the service should contact Paul Thornton at the ILCU office.

▶ **Pay Point / Bill Payment**

The Registrar has also approved the establishment of the service whereby credit unions may receive member payments by electronic means through any Northern Ireland PayPoint agent. The service allows members to repay credit union loans and make share lodgements through any of the 500 Northern Ireland PayPoint agents through use of a Co-Operative Bank-issued plastic member identification card. In addition to the above service, credit unions may opt to join the existing PayPoint agent network and allow members to pay bills in the credit union office using the PayPoint service.

Experian/Credit Referencing

The ILCU Board has adopted a policy that credit unions should carry out a credit check on members who are applying for longer loans. As part of the move towards full credit referencing, Experian is offering a facility whereby credit unions may carry out public register searches on applicants. The facility would allow for the checking of registered judgments, electoral rolls etc. The only cost in utilising this service is a search fee of between £1.50 - £1.75 per search.

If credit unions wish to progress to full credit referencing, they should contact Experian. It is hoped to commence a pilot project to develop the necessary IT interfaces to allow credit unions utilise this service as soon as 2-4 credit unions are signed up. An information pack

outlining Experian services was issued to all credit unions in November 2006. Experian is also willing to develop a closed credit union bureau whereby credit unions share each other's credit/delinquency information to reduce the risk of members building up bad debts in multiple credit unions.

Flexi- loans

A Flexi-Loan account is one which provides for pre-approved credit up to a specified limit which can be drawn down in stages by a member as required, while minimising credit union administration through a single loan application.

It is an innovative product that would lead to better service provision for credit union members.

In general terms, the Registry was in agreement with the concept and further refinement of the product will be undertaken by ILCU staff prior to commencement of the pilot.

The ABCUL Initiative

ABCUL has decided to provide EFT and card services to its members. Such services will include the provision of a "debit card". As part of its explorations on the topic, ABCUL engaged with various groups and ultimately, through a tender process, decided that the Co-operative Bank would be the most appropriate structure through which these services could be provided to credit union members. ABCUL contacted the ILCU to investigate the possibility of affiliated credit unions in Northern Ireland coming on board. Clearly, the more credit unions involved, the lower the cost each would have to contribute to the development costs.

ABCUL and the Co-Op Bank made a presentation at a roadshow in Cookstown and explained the proposed initiative. A number of credit unions have indicated an interest in being involved with the project while ABCUL also attended a workshop in August for credit unions that had indicated an interest in the initiative. Representatives from credit unions in Britain which are taking part in the pilot also attended.

This service utilises Co-Op Bank technology to process and store members' electronic transactions. Credit unions maintain a Co-Op Bank terminal in their offices to allow them manage their members' (electronic) accounts and transactions. Traditional savings and loan transactions will be managed as before using existing IT systems. All funds and balances are maintained on the credit union balance sheet. Each credit union's transactions and balances are confidential to themselves and are not accessible by other credit unions or by Co-Op Bank staff. The service would provide for the use of credit union-branded debit/ATM cards. Cheque books would not be available.

At a recent meeting with the Registry staff, representatives from ABCUL and the Co-Op Bank made a presentation on the initiative which was also attended by representatives from the Northern Ireland Committee. Registry staff agreed to the project and it is planned to have a pilot scheme up and running by March 2007.

Cheque Crossing

Further to the receipt of correspondence in relation to 'cheque crossing' from the Northern Ireland Bankers' Association (NIBA), a meeting was arranged and the concerns of member credit unions discussed. Following the meeting and the receipt of subsequent correspondence, the ILCU prepared a guidance note which was returned to the NIBA for approval prior to its circulation to credit unions

Request for a return of details of members' dividends

During the year, a number of credit unions received a request for a return to be submitted to HM Revenue & Customs – National Compliance Risk Operations. The return requested details of interest paid to members in excess of £250. Subsequent to our request for clarification of our existing concession of £350, HM Revenue & Customs confirmed that the return will only be required for amounts in excess of £350 but that notification of the reversion to the £350 cut-off point be made through the ILCU office as an amended request will not be issued. It should be noted that the return related to the Tax Year ended 5th April 2005

Credit Union Brand Building

Following on from the lack of funding from the movement not to undertake a national advertising campaign, the Northern Ireland Committee met with the Inter-Chapter Group to discuss how credit unions in Northern Ireland could participate in a collective approach towards promoting the credit union brand and increasing the awareness of the benefits of credit union membership amongst the public. Following on from this, a request was made to the ILCU Board to consider appointing a person to co-ordinate marketing and promotional activities on a regional/chapter basis in Northern Ireland. The Board agreed and Ms. McCorquodale was appointed. The appointment is on a one-year pilot basis and the committee wishes Ms. McCorquodale every success in her appointment and looks forward to working closely with her in the future.

Budget Accounts

The Registrar is currently considering the possibility of credit unions providing a budget account service for members.