



**MISSION:**

The Mission of the ILCU International Development Foundation Limited (the Foundation) is to contribute to the relief of poverty, through the promotion, development and support of credit co-operatives in developing countries and Eastern Europe.

Millions of people in developing countries, still lack access to saving and credit facilities and fair financial services that can raise their living standards and allow them to make decisions about the future.

With the support of Irish credit unions, the Foundation has been promoting credit union development since 1980. Credit unions have contributed a total of €6,701,153 to the work of the Foundation to-date of which €663,089 was contributed in 2004.

**Gus Murray Memorial Endowment Fund**

In 1994, to protect the long term future of the Foundation and enable its work to continue in the event of drastic decline in its income, the Gus Murray Endowment Fund was established. In 2002 the fund reached its target of €1.27 million (IR £1 million)

**INTERNATIONAL CREDIT UNION DEVELOPMENT**

Significant progress has been made in the following five geographic areas where the Foundation supports credit union development.

**Albania - (€229,195)**

Albania still represents formidable territory for the development of credit unions. The crises of 1997–99 are now distant memories but Albania is still making the difficult transition to a more modern open-market economy. Social conditions are still such as to make this work hugely challenging.

At local level, the credit unions are regarded as democratic institutions which are improving the lives of ordinary people. The apex body 'Jehona' is in transition to become a fully operational League by the end of 2004, with training being carried out to strengthen the local leadership and management skills.

Regulation and supervision is now carried out by the Central Bank of Albania and support has been given to help the Savings and Credit Associations comply with reporting requirements. Negotiations are underway with state departments for payroll deduction as a prerequisite to improve credit union operation and increase membership.

No of credit unions	Members	Savings €	Loans €
42	7,000	700,000	630,000

In July 2004 a one week study visit was undertaken in Ireland by the Board of Directors of the emerging Albanian credit union apex body 'Jehona' to learn about the role of the Board of Directors, Safety and Soundness, Funding for an Apex Body, Strategic Planning and Budgeting, Conflict Resolution and Team Building.

The transition phase required to ensure that Jehona is competent to take on the role of representation of the Albanian credit unions will be completed by the end of 2004.

2005 will bring new challenges for 'Jehona' having taken on the role of a League in representing and supporting the development of the movement in Albania.

The Foundation has submitted a proposal to the European Union under its Local and Civil Society Development Programme for funding aimed at enhancing the role of civil society through active community participation in Credit Unions as local democratic institutions. The proposal focuses on developing local management skills and leadership capacity of credit union volunteers, members, staff and Boards of Directors. The project will also develop the role of the new Albanian League 'Jehona' and promote cross-country co-operation with the emerging credit union movement in neighbouring Macedonia. A response is expected in early 2005.

### **The Gambia (€132,646)**

The Gambia has seen steady progress in its credit union development. The Foundation continues to support the League, the National Association of Co-operative Credit (NACCUG) through financial and technical assistance.

The creation of favourable credit union legislation is being promoted with the Foundation assistance. NACCUG has continued to maintain a good relationship with the Registrar of Co-operatives and negotiations are now underway with the Secretary of State for Agriculture through the Office of the Registrar to develop the necessary stand alone credit union legislation.

The process of rationalisation and amalgamation has been underway in recent years, with a number of credit unions at different stages of consolidation, in particular ensuring the sustainability in the long run of smaller rural credit unions.

Through the Central Finance Fund, NACCUG is providing loans to credit unions which have loan demand in excess of available liquidity as well as investment advice to ensure that members' savings are placed in safe investments.



#### Credit Unions Statistics

No of credit unions	Members	Savings €	Loans €
67	20,424	1,503,135.88	1,220,021.44

#### **Russia – (€170,426)**

Russia, with its vast and diverse territory, remains a challenging area, with the Foundation focusing its effort on strengthening the regional presence of credit unions.

As a result of the Foundation's strategic support, Regional Associations have emerged in Dubna in the Moscow Central Region and in the Republic of Karelia, providing operational and technical support to existing credit unions and carrying out credit union development work. In St. Petersburg the Credit Union Service Centre has strengthened its role and provides technical support to credit unions in the area.

The Foundation is supporting the development of Regional Associations, to ensure that they acquire increasing influence, thereby giving credit unions a stronger voice at local and national level.

The Foundation was part of a consortium with three other organisations which submitted a tender for the Tacis Credit Co-operatives Project. While the project was awarded to a different consortium, the Foundation is currently in consultation with the Tacis Implementation Team to provide short term technical expertise on credit union operations, capacity building, legislation development and training.

The Tacis project will strengthen the role of regional representative organisations and develop the functions of the Federal Apex League, thereby both justifying and reinforcing the regional involvement of the Foundation in Dubna, St Petersburg and the Republic of Karelia.

The following are the combined statistics for the credit unions in the three regions supported by the Foundation:

#### Credit Unions Statistics

No of credit unions	Members	Savings €	Loans €
49	19,899	1,680,368	1,246,412

#### **South Africa**

South Africa is a country with great growth potential for credit unions, as only 11% of people are adequately served by the banking sector. This gap is increasingly being filled by credit unions. The Foundation undertook a three year funding programme in the Eastern Cape which concluded in

2004. While the target of Savings and Credit Co-operative Organisations (SACCOS) was achieved there was doubt about their financial viability. An appraisal was undertaken this year as a result of which the Foundation decided that it would not continue funding, but would provide funds to restore the SACCOS to solvency and provide training in Ireland for the newly established monitoring and examination staff. This is to ensure that no member will lose any savings and to enhance SACCOL's capacity to improve safety and soundness not only in the Eastern Cape, but throughout South Africa. SACCOL has been very successful in obtaining adequate funding for its ongoing activities for a number of other sources including the Swedish Co-operative Movement and USAID. On the receipt of audited accounts the Foundation will provide the funds to restore solvency to any of the Eastern Cape projects SACCOs which are proved to be insolvent.

The study tour of SACCOL monitoring staff was undertaken in July 2004. The visit focused on the role of field officers, the methodology for undertaking credit union examination, the application of PEARLS ratios, database operation and call reports.

In addition the staff from South Africa accompanied Irish Field Officers from ILCU on their credit union visits, acquiring practical experience on dealing with credit union issues and providing advice and support.

The Foundation has had a long association with credit union formation and development in South Africa and is confident that a strong movement will emerge there in the years ahead.

#### Project credit unions

No of credit unions	Members	Savings €	Loans €
8	2,166	227,000	130,000

#### **The Caribbean Confederation of Credit Unions**

The Caribbean Confederation of Credit Unions continue to receive technical and financial assistance from the Foundation to further the progress of the Credit Union Modernisation Project seeking to promote the operational safety and institutional soundness of 6 cooperative credit unions and 25 rural credit unions in the Caribbean.

The project has been focusing extensively on regulation, supervision, stabilisation and compliance aspects.

This project is entering the second year of a three year programme.



### Other projects funded:

The Foundation receives a wide range of applications for funding and responds as appropriate. In 2004 support was provided to:

- Guatemala - Micro credit and savings development by 23 women in three communities - €5,000
- South Africa - Niall J. Mellon Imizamo Yethu Township Initiative – financial support towards the building of two houses – €10,000
- Rwanda – Initiative for Sustainable Development – purchase of community centre as educational and training base - €5,000
- Malawi - Chidumula Model Organic Farming Initiatives - financial assistance to purchase maize, beans and other products - €1,000
- Goias, Brazil - Assistance for people living with HIV/AIDS – education programme - €5,000
- Kenya, East Pokot Medical Project – HIV/AIDS education - €4,000
- Nairobi, Mukuru Economic Empowerment Project - €5,000
- WOCCU –African Congress, Swaziland -- €10,000
- CCCU support for victims of Hurricane Ivan - €25,000 designated to rebuild credit union premises in Grenada.

### 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 is promoting 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 of playing an active role in international credit union development and furthering their understanding of development issues and challenges.

The Foundation wishes to take the opportunity to extend its gratitude for the continued support of its activities over the past year. Special thanks to:

- The ILCU, which bears administrative costs of Foundation activities.
- Individual credit unions, for their valuable financial contributions to the Foundation and other forms of support such as hosting study visits.
- The Irish Government, Development Cooperation Ireland, the European Union, the International Fund for Agriculture and Development and USAID.

### **Dermot Boucher**

The death of Dermot Boucher, the Development Manager of the Foundation occurred this year. The Board and staff of the Foundation wish to record their deep sadness at the loss of Dermot who was totally committed to the work of credit union development.



## 2004

### Introduction

Following the recommendations of the Review Commission, the Northern Ireland Committee (the Committee) was established in 2003 with the objective “to ensure that the key issues relating to the operation of credit unions of every size in Northern Ireland are represented, prioritised and supported by the Irish League of Credit Unions”.

The members of the Committee are:

Patricia Kerr	Chapter 1	Pennyburn Credit Union Limited
William Breen	Chapter 2	Larne Credit Union Limited
Liam McCullagh	Chapter 3	Camlin Credit Union Limited
Brendan Jackson	Chapter 4	Newry Credit Union Limited
Pat Donnelly	Chapter 17	Fintona Credit Union Limited

The Chairman of the Committee is Uel Adair, ILCU Director.

ILCU staff support is provided by -  
Marietta Bradley, Paul Thornton and Breege-Ann Murphy.

### Meetings

The Committee held normal quarterly meetings in March, June, September and December and attended a number of other meetings during the year. The Committee also attended the following:

- Meeting with the Social Economy branch of Department of Enterprise, Trade & Investment to discuss the strategy review for the social economy in Northern Ireland
- Meeting with the Inter-Chapter group as part of the legislative consultation process established by the ILCU
- Meeting with the Legislation Committee of the ILCU Board, also as part of the same legislative process
- Meeting with the Consumer Council of Northern Ireland
- Meeting with the Registrar and his staff to discuss the current position with the legislative review and other related matters

### Updates

#### ■ Northern Ireland Legislation Review.

One of the main priorities of the Committee has been the current review of Northern Ireland legislation for credit unions. As reported last year, the consultation process was put on hold following the Assembly elections. There was uncertainty as to when the consultation document would be issued but it was eventually released into the public domain in May last.

The Committee met and discussed the issues raised. As credit unions are aware, the ILCU

adopted a consultative process and credit unions were invited to discuss the Review document and respond to Chapter who in turn responded through the Inter-Chapter/Committee meeting.

The Legal Department took cognisance of all comments and finalised the response which was reviewed by the Committee, the Legislation Committee and the ILCU Board. The final response was issued to credit unions through a number of road-shows before forwarding to the Registrar. It is expected that the second stage of the consultative process will take place in early 2005.

#### ■ **Social Economy Network.**

A group has been established to examine all aspects and develop the area of community enterprise and related areas. Kevin Helferty, League Director represents the Irish League of Credit Unions, and the Committee has appointed William Breen as his alternate.

During the year, the Committee reviewed a consultation document on a strategy for Social Economy and made a response to the Department of Enterprise, Trade & Investment.

#### ■ **Money/Debt Management.**

It was intended last year to issue a document on this topic. The Department of Enterprise, Trade & Investment, currently reviewing the area of debt advice, is in the process of developing a strategy on it and the Committee has been represented at a number of meetings and information sessions over the last year.

#### ■ **Independent Voluntary Arrangements.**

An information note was issued to credit unions during the year. Credit unions are receiving more IVAs.

#### ■ **Proceeds of Crime Act 2002.**

The information concerning this legislation and money laundering requirements has been incorporated into the training/resource kit for money laundering.



### ■ **General Consumer Council of Northern Ireland**

A meeting was held with representatives of the GCCNI whose CEO, Ms Eleanor Gill, also attended a meeting with the Committee. The GCCNI has among its many objectives the goal of educating the public in their rights and duties as consumers but it can find it difficult to provide the information to the consumer.

The Committee agreed that as all our members are consumers then perhaps each credit union would try to provide such information through their offices and sub-offices. The Committee is of the opinion that credit unions have a positive role in assisting the GCCNI.

### ■ **Child Trusts**

With the development of new legislation in the UK, the matter of applying Child Trust legislation in Northern Ireland is being reviewed by the Committee, with support of the Research and Development Department.

### **Items for comment/information.**

It is very important that credit unions bring to their Committee representative any items or areas that they feel require examination, comment or follow-up.