

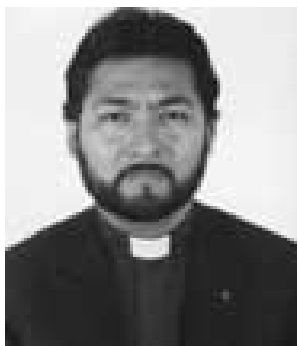
New HORIZONS



THE NEWSLETTER OF THE ECUMENICAL CHURCH LOAN FUND

JUNE 2002 ISSUE 27

Rescue of ECLOF Peru



Rev. David Limo Pajar reports on the crisis with which he had to deal from the first day of his appointment as President of ECLOF Peru.

The problem

On 22 February 2001, during the ECLOF Peru General Assembly, the report on the unbelievably high deficit in the Profits and Loss Statement of 31 December 2000 dumbfounded many of our members. Because of the way we had behaved over time, we had managed technically to bankrupt ECLOF Peru. As a result, all the members of the executive committee voluntarily resigned.

I then asked myself: "How had we let such a situation happen? Given the terrible situation in which we found ourselves, what was our responsibility now?"

There was no doubt that the omission and indifference of all the members had, over the years, produced such a large deficit. The matter became more personal when I heard my name nominated by the assembly as the next president of ECLOF Peru. Once my nomination had been unanimously approved, I wondered if I should interpret it as a personal honour or a Trojan horse.

contd p. 2

Director's message

The standards by which microfinance organizations operate figure large in this issue of *New Horizons*.

In his article, **Making microfinance work** (see below left), Howard Brady says, "Programme managers realise they have an obligation to run their credit programmes to the highest standards. The public has entrusted many micro-credit institutions to help solve a societal problem, viz. poverty. The reports and ratio definitions that programme managers use are the ones that will

contd p. 5

Making microfinance work

By Howard Brady

Like many that have ended up in the world of microfinance, I have a background in finance. I was an external auditor for PricewaterhouseCoopers and BDO Seidman prior to being lured away from high finance to microfinance. As you can imagine, this background influences how I relate to microfinance institutions (MFIs).

The 1997 Microcredit Summit declaration (see www.microcreditsummit.org/declaration.htm#Councils) made the point that the number of poor is so large that there will not be enough donor funds to allow a fraction of the economically

viable poor to receive a loan. Therefore, capital markets need to be brought into the microfinance industry.

Many capital market folks have a soft heart, but even these people realise that business propositions need to be evaluated on their merits, and not on how they pull at the heartstrings. If MFIs want to grow out of the shadow of limited donor funding, they will need to show the capital markets that they use meaningful standards to track performance.

contd p. 6

ECLOF family backs minimum standards



Last year, the ECLOF International secretariat distributed its new "Minimum Standards of Performance". This followed the

contd p. 4

In this issue

ECLOF Peru responds to fire disaster	3
MFIs and Business	
Development Services	7
ECLOF Philippines expands	8
Meet ECLOF clients	11
News from NECs	14
Capacity Building	16
Readers' Letters	18



ECLOF

**Rescue of
ECLOF Peru**

contd from p. 1

The challenge I faced as the new president was to accept the responsibility for dealing with the terrible situation in which we found ourselves. I was aware that the resources from the ECLOF family had to be administered efficiently not so that I or others would win professional recognition, but because the people ECLOF serves are the poor. And, considering the extent of poverty in Peru, the situation of our committee at the end of 2000 was simply unacceptable.

As I considered my position, I remembered the saying: "What is important for love, as for fire, is that it should be kept burning." It is impossible to separate real love from solidarity and, above all else, from commitment. Commitment, in the context of ECLOF Peru's perilous position, meant we had to evaluate our deficient ways of working and resolve to change them in order to serve the poor properly.

After my election, the first thing that my fellow board members and I did was to find and appoint the best available executive director in the field. After the arduous task of evaluating almost 400 CVs and conducting interviews with help from external consultants, we drew up a short list of candidates which, with our preferred choice, we sent to Geneva for advice. ECLOF International helped us by absorbing the expenses involved and giving their advice on who they considered the strongest candidate.

On 16 May 2001, the appointment of the new executive director, Martín Villafuerte Kanemoto, was approved. Martín is a 40-year-old professional with extensive experience in high level executive positions in the Peruvian financial sector, international organisations and microfinance programmes (*see page 14*).

After his appointment, the first thing Martín said to me was, "Reverend Limo, ECLOF Peru is technically bankrupt. We have to do something fast." I asked our new director how long it would take him to do a complete analysis of the institution. He answered, "One week."

The director's analysis revealed major organisational and operational weakness, and very poor relations with ECLOF International, who were generally seen as "a bunch of bureaucrats who did not understand our problem".

The solution

Faced with this analysis, the executive committee agreed that it was necessary to

carry out a rapid and radical restructuring process.

ECLOF Peru had to be transformed into a flexible and efficient institution to make loans to the marginalised people it exists to serve.

Tackling this task was a great challenge; so many things required a high priority. We took the following actions:

- Redefined our vision and mission and on that basis the new role the institution was to fulfil. One of the strategies adopted was the implementation of new loan products that give priority to general capital. My relationship with the church and other religious organisations in Peru helped to make ECLOF Peru an ecumenical institution. One of the challenges we set for ourselves was to make our National ECLOF Committee a leader in the use of general capital in a short period of time.
- Implemented a strict financial policy by bringing costs in line with income. This involved moving to cheaper offices, a decision that was opposed by some of the members, plus a reduction of staff positions and benefits.
- Opened new, independently managed accounts to differentiate between interest income and lending capital.
- Defined and enforced an aggressive collection policy.
- Engaged a more efficient lawyer who charged competitive fees.
- Advertised publicly for new staff (former staff resigned once they saw that the work dynamic was different).
- Rewrote the operations manual and statutes so they were more versatile.
- Invited new institutional members to join our assembly, and chose church and leading microfinance institutions in the country to do so. To date, seven new church and microfinance-related institutions have joined.
- Re-established our relationship with the global family and the international secretariat.

Since then, the support and intelligent advice given regularly by all ECLOF International staff has been invaluable to us.

Also, the adoption of ECLOF's *Minimum Standards of Performance*, to which all NECs should adhere, helped us consider-

ably to decide which corrective measures were the most suitable.

In the course of twelve months, ECLOF Peru has been able to overcome a very serious situation by using the professional skills of many people. I am thoroughly convinced that we would not have been able to do this without the grace of God.

Now, the financial records show, for the first time in the history of ECLOF Peru, we have achieved an operational surplus. More importantly, we have done this while expanding our outreach to more communities and churches. This really encourages us to keep up the struggle.

Keys to success

During our recovery process, I identified a number of keys to the success of the radical change we instituted:

1 A sense of opportunity translated into appropriate actions.

We did not become immersed in making analyses or studying possible solutions. Instead, speed in decision making and taking action was our main objective.

2 A feeling of complete confidence within the institution.

The members of the executive committee placed their trust in me as president, I placed my trust in our executive director and he, in turn, did the same with his staff.

3 A sense of great responsibility.

This came as a result of our understanding that we had been entrusted with the stewardship of resources that must be channelled efficiently to the poor, and that we cannot act foolishly in their service.

4. An inclusive and open feeling.

This was reflected in our ability to make necessary changes and incorporate new strategic members in order to strengthen the ecumenical nature of ECLOF Peru.

Now, with the new executive committee and the recent membership of three more institutions, a new stage has begun that will serve to consolidate the reforms undertaken and enable us to seek new sources of non-returnable financing and resources.

I still have faith that God will continue to accompany us in our daily decisions, that we will always try to do what is best, and that intelligence, willingness and grace will always be with us.

ECLOF Peru responds to fire disaster

On 29 December last year, many Peruvians were in the streets of their capital, Lima, taking advantage of end-of-year sales or making last minute purchases for the New Year. Street vendors were selling fireworks for the forthcoming celebration when suddenly one stand caught fire; the fire spread rapidly out of control. The result was appalling.



Reduced to ashes. Hundreds dead and livelihoods wrecked in the Mesa Redonda shopping gallery.

An estimated 300 people died in the blaze, out of whom 200 were burned beyond recognition. A further 400 people were reported missing.

The fire engulfed the 12 city blocks, or seven hectares of the commercial area known as *Mesa Redonda*. The main shopping gallery in *Mesa Redonda* alone was gutted in a matter of minutes. Nothing was left but rubble and ashes. Some 700 shops, many of them small enterprises, burned to the ground.



Martín Villafuerte, Director of ECLOF Peru (far left), supervises the signing of a loan contract by the head of the gallery merchants' association.

ECLOF one of first on scene

Within days, Rev. David Limo, President of ECLOF Peru, told staff that the Episcopal Anglican Church of Peru had received a contribution of US\$25,000 from Episcopal Relief and Development in New York. It was to be used by ECLOF Peru to set up and cover the operational expenses of a credit programme to help the victims of the *Mesa Redonda* fire.

Gallery shop owners

ECLOF Peru decided that the most rapid and effective strategy would be to concentrate on assisting the merchants in the different shopping galleries of *Mesa Redonda*. Martín Villafuerte, the director of ECLOF Peru, drew up a plan in consultation with the leaders of the merchants' association.

They agreed that shop keepers who wanted a loan to rebuild would sign for an ECLOF Peru loan, but that disbursement of the money would be made directly to the building contractor on presentation of invoices, once reconstruction was complete.

Government credit facility

Then in late January, one month after the disaster, the *Centro de Operaciones de Emergencia Provincial de Lima* (Provincial Emergency Operations Centre of Lima—*COEP*) announced the opening of a credit office and the availability of special loans for shop owners. As it was already actively implementing its own disaster credit relief programme, ECLOF Peru was designated as one of four lending organisations to participate in the *COEP* undertaking.

The four institutions agreed that a list of the kinds of loans available should be publicised and applicants could then choose from the different possibilities available. For example, there were merchants who needed loans for working capital. Others wanted credit to build or rebuild their shops or move locations. The *COEP* designated ECLOF Peru to grant loans for the building or rebuilding of shops. A committee headed by the Red Cross identified those who qualified for a loan.


A special *COEP* commission was also set up to oversee the work and to give advice to the merchants.

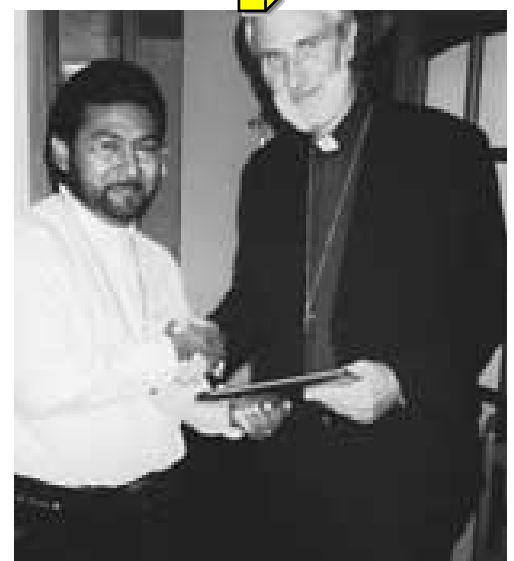


Putting the final touches to new shops after the fire that killed at least 300 and burnt 700 shops to the ground. On 2 March, exactly two months to the day after the agreement between ECLOF Peru and the Anglican Church went into effect, the merchants in the main shopping gallery of *Mesa Redonda* celebrated the gallery's official re-opening.

Taxi owners

As part of the overall *COEP* disaster relief programme, the Red Cross announced that it was making available US\$35,000 to be used to grant loans to taxi drivers who had lost their vehicles in the fire. ECLOF Peru was chosen, over three banks, to set up and administer the programme.

Today, through the three programmes, ECLOF Peru continues to offer fair loans for working capital and other needs to those whose livelihoods were destroyed by last year's fire. 



Rt Rev. William Godfrey (right), Bishop of the Anglican Church of Peru, and Rev. David Limo signed the Episcopal Relief and Development (New York) grant agreement between the church and ECLOF Peru to set up the Emergency Assistance and Rehabilitation Credit Programme for the Victims of the *Mesa Redonda* Fire.



ECLOF family backs minimum standards

contd from p. 1

Colombia

In February, the ECLOF Colombia (COFEP) board and staff met to discuss the *Minimum Standards of Performance*. The meeting took place on a Saturday, in order not to disrupt the regular work of COFEP. Except for snacks and a big pot of coffee, no other costs were incurred, as all participants attended

voluntarily. The aim of this first *Minimum Standards of Performance* workshop was to understand what the minimum standards are and to what extent COFEP is applying them.

A group is now drafting a report on the discussion. A further meeting will finalise

the report, which will then be sent to the ECLOF International Secretariat in Geneva.

So far, COFEP board members believe that the initial discussions have helped improve their understanding of ECLOF as a family, and given them a greater sense of involvement.



Dr Blanca Gaines, a lawyer and member of ECLOF Colombia's board representing the Anglican Church, leads discussion of the *Minimum Standards of Performance*...



...whilst other board members, including president Alicia Garzón (third from right), and staff follow along in their copies of the document.

publication of ECLOF's "Global Policy Guidelines". National ECLOF committees have been studying both documents closely. ECLOF Kenya reports on its experience.

ECLOF Kenya held three meetings in March to examine and discuss the documents.

First, our Programme Accountant, Mr Mutunga, guided staff through the publications page-by-page.

Staff members confirmed that they had understood the contents. Within the *Minimum Standards of Performance*, staff recommended that item A3 (page 5), which recommends that a NEC should have a least three full time staff, should have a more detailed structure in order to take care of internal controls and checks. This would safeguard ECLOF funds at the initial stage of operation. We proposed that the staff total should consist of a manager (for approvals), two loan

officers (for loan disbursement & group recruitment), a finance officer and an office assistant.

We discussed the issue of customer care and service, and recommended that where NECs have reached a particular level of sustainability, management should be empowered to ensure that there is a shorter time between applications for second and subsequent loans, and their disbursement. This would not only help in client

Dominican Republic

Ramón Álvarez, Executive Director of ECLOF Dominican Republic writes:

"We wish to inform you that comments from both the board and staff on the *Minimum Standards of Performance* document have been positive. Our Operations Manual is heavily inspired by the document. At its most recent meeting on 13 March, the board approved all the concepts in the document."

Zimbabwe

A February gathering of ECLOF Zimbabwe considered the *Minimum Standards of Performance* document; board members and staff attended. Mrs Mwashita led discussion of the Minimum Requirements of a National ECLOF Committee. Mr J. Banda took members through a consideration of the Minimum Operating Standards. Rev. Nyamaropa dealt with Performance Ratios/Impact Indicators, and Mrs Cheuka guided discussion of the Policies and Guidelines to be detailed in the Manual of Operation of each NEC.

Bolivia

ECLOF Bolivia (ANED) has commented that the *Minimum Standards of Performance* seem to have been drawn from ANED's own experiences. At a meeting to consider the new publication, the ANED board highlighted those standards in the document that require some adaptation in Bolivia because of the size of ANED's programme. The board also noted that their reporting standards were in fact higher than those outlined in the *Minimum Standards of Performance* because of the legal requirements imposed by Bolivia's Superintendent of Banks.

ECLOF Kenya discusses ECLOF's new *Minimum Standards of Performance and Global Policy Guidelines*



Board members:
(Left side, l to r) Esther Mombo, Jane Gitau, Alfred Lulu (Chairperson), Joyce Kimondo; (Right side, l to r) Andrew Mbaya, Loise Barmao, Alice Abok, Shadrack Mutunga (Programme Accountant). Mary Kuria, Chief Executive, also attended the meeting.



Staff:
(Left side, l to r) Anthony Murathi, Credit Operations Co-ordinator; Shadrack Mutunga, Programme Accountant; Stephen Kiluva, Accounts Clerk; (Right side, l to r) Salome Nkinote, Secretary; Charles Naimoi, Assistant Programme Accountant; Bernard Rotich, Accounts Clerk; Jane Nyambu, Business Unit Head, Limuru.

retention but also increase the turnover of the fund. Another consequence would be that the management committee would report to the projects committee regularly.

Other issues discussed included the employment of less qualified staff. Many of us did not favour this because we believed it would result in poor performance, and consequently increase the time it would take a NEC achieve sustainability. However, we agreed that things could be viewed differently from NEC to NEC depending on the local labour market.

ECLOF Kenya staff commended ECLOF International for the work it has done in publishing the *Minimum Standards of Performance* to ensure that there is uniformity and harmony within the global ECLOF family.

Board review

Our board members, under the guidance of their chairman, Mr. Lulu, met twice to discuss the documents. They noted that the Christian identity of ECLOF often led people to consider ECLOF loans as donations rather than credit. Members stressed that it is the NECs' responsibility to eliminate this belief and, instead, cultivate a microcredit culture at the initial stages of the formation of a NEC.

Board members also noted that client training is very important but observed that in most cases lack of funds hinders this training. They recommended that the availability of subsidies would assist NECs in this regard.

Sustainability was deliberated at length and members commented that a NEC's

Uganda



ECLOF Uganda staff study the *Minimum Standards of Performance and Global Policy Guidelines*. (L to r) Sylvia Bangi, Credit Assistant; Annette Muwonge, Acting National Programme Manager; Charles Kasule, Accountant.

ECLOF Uganda reports that the *Minimum Standards of Performance* is proving to be a useful guide to their operations, and that some of the standards were already being implemented. Implementation of others would follow in due course.

level of sustainability will depend on the support it receives at the beginning, and the structures that are put in place to ensure accountability, proper planning and the safeguarding of ECLOF's values.

The ECLOF Kenya board agreed to review with staff all their NEC manuals and revise them as necessary by June of this year, so that they comply with the *Minimum Standards of Performance and Global Policy Guidelines*.

All in ECLOF Kenya have received the two documents positively and agree they will ensure the high standards within ECLOF that are desired and necessary for an efficient operation.

Director's message

contd from p. 1

allow them to make decisions about how their programmes are managed."

After two years of discussions within the ECLOF network, we reached a consensus on the minimum standards that ECLOF should follow, and published *Minimum Standards of Performance* in September 2001 (see front page).

During the development of the minimum standards, we recognised the difficulties involved in using the same standards in sometimes very different country environments and in programmes at different stages of development. We consider, however, that the benefit of everyone working to common standards outweighs any drawbacks. This is more so in a network like ECLOF where we share

resources and practice mutual accountability, which sometimes calls for sanctions.

In this issue, we also include a number of comments from national ECLOF committees about how they are using the minimum standards. We are delighted at what has been an overwhelming and positive response since the publication of the standards, though not surprised because national ECLOF committees were fully involved in the development of them.

We are particularly grateful to Rev. David Limo Pajar, the President of ECLOF Peru, for his front page article **Rescue of ECLOF Peru**. Rev. D. Pajar candidly shares his experience of ECLOF Peru and the manner in which they have used the

minimum standards as a reference point, not only to take corrective measures but also to chart a new way forward.

It is my hope that our work together and our insistence on having the minimum standards fully operational will be seen as a service to improve ECLOF's performance for the benefit of the clients we serve.

Mubungi Kanyoro



Making microfinance work

contd from p. 1

Standards

Programme managers realise they have an obligation to run their credit programmes to the highest standards. The public has entrusted many microcredit institutions to help solve a societal problem, viz. poverty. The reports and ratio definitions that programme managers use are the ones that will allow them to make decisions about how their programmes are managed.

Those that have proposed microfinance standards believe that good decisions can come out of knowing and tracking results. I believe that the most useful tool in tracking standards is to measure tendencies over time and within the same institution. The only problem is if the standards are too weak to be meaningful. Comparing results from one programme to another is less useful than measuring improvement over time at the same institution, as results

may need adjustment for differences in mission, vision, and target market.

Interest rates

Regarding cost, many Latin American microfinance institutions charge 100% interest, or more. I agree that interest rates should be clearly stated so folks can make an informed choice on how they want their credit. Some may be happy to pay a premium for enhanced services. This can be seen in the case of a microfinance client who also takes out a loan from a loan shark at 1,000% interest. Such a loan carries with it a certain convenience in that there are no meetings to sit through, payment can be made daily at the market, and there are no other borrowers to guarantee.

The reasons why interest rates are higher in Latin America than elsewhere relates to

cost and scale. I am told that credit officers in Latin America receive four times or more in salary than credit officers receive elsewhere. Also, the population density is just not the same in Latin America. When you are serving fewer people in a higher cost environment, and self-sufficiency is important, interest rates seem to be the variable that needs to go up.

Finally, inefficiency in the programmes is not acceptable. Programme managers should do all they can to eliminate waste and maximise revenue through sound financial management techniques. Then (and only then) will the capital markets enter the arena of microfinance.

Howard Brady runs his own agency, MFI Consulting (www.mficonsulting.com). This article is an edited version of an open letter Mr Brady distributed by email.

Working for unity and peace in Colombia

Violence and distrust have become a part of daily life for many Colombians. For the people whom ECLOF serves, the struggle to make a living has been made much more difficult by demands for allegiance and support from both sides involved in the armed conflict going on in the country.

ECLOF Colombia (COFEP) was one of the first national ECLOF committees to

operate an extensive and successful solidarity collective lending programme. Although the situation in Colombia today is by no means conducive to the formation of solidarity collectives, COFEP continues its work of building solidarity among people and within communities as its contribution to achieving peace. To do this, COFEP has had to exercise a great deal of resourcefulness and flexibility in

its lending, not to mention a lot of hard and at times dangerous work on the part of dedicated staff to increase and broaden the scope of COFEP's activities. This part of the ECLOF family deserves commendation for not only maintaining its programme but for actually experiencing growth in an environment that is particularly hostile to principles of solidarity.

Ana's story

One day, thieves murdered Ana's husband as he entered his shop. Ana had to take over the running of the business. Eight months later, Ana's two sons were murdered as well. Both were university students who, after great sacrifice, were approaching the end of their studies. They were killed because they refused to join any of the warring groups in Colombia's internal strife.

Ana lives in a high-risk neighbourhood on the outskirts of one of Colombia's major cities. She can hear the constant fighting between the warring groups day and night. Public buses to her area have been cut off because the transport companies are afraid their employees and passengers will be killed in a guerrilla skirmish, or their vehicles will be destroyed.

To run her business, Ana rents premises in the commercial centre of the city. She received a first loan from a local microcredit organisation, but later and without any explanation they refused

to give her a second loan. According to ECLOF's analysis, Ana had been a good client. Perhaps the other microcredit agency was afraid because Ana is a widow and the victim of violence.

ECLOF Colombia (COFEP) visited Ana's business in December. Ana obtained an ECLOF loan through her local solidarity collective. Her business is growing and creating more jobs. Today, Ana promotes COFEP in her city.

What is amazing is that Ana does not tell her story with hate, bitterness or resentment. Even though she knows who killed her husband and sons—friends, acquaintances and neighbours in the same neighbourhood—her approach is one of forgiveness and silence.

Ana told COFEP that she bears her grief by getting more and more involved in her business. She says she also keeps pictures of her loved ones in her office.

MFI and Business Development Services

By ADA/CEREM-LUX

Linking business development services (BDS) and microfinance services is increasingly important, although experience shows it is difficult to achieve.

Those who provide microfinance services and BDS are intrinsically different. The two do different jobs; an organisation that specialises in offering financial services is not necessarily suitable for BDS, and vice-versa. For example, a major non-governmental microfinance institution (MFI) in Bolivia recently decided to stop its BDS and to channel clients to other specialised organisations, whilst it focused on financial services only. The main argument for the decision was the fact that the clients of BDS were not the same as the clients for financial services.

What are the clients looking for? We think they want adapted, permanent and diversified services. On a long-term basis, it is difficult for the same organisation to follow the needs of its clientele, both in terms of financial services and BDS.

Linkages between separate institutions

We have begun a programme in Mali to promote a close relationship between a social organisation, which provides professional training to young people, and an experimental microfinance institution.

The programme was needed in the light of the experience of one community organisation. In order to integrate vulnerable young people into society, this social organisation offered them professional training so they would be able to find formal employment, which is usually very limited, or to begin their own microbusinesses. Unfortunately, the young people lacked financial resources and often ended up back on the streets. To help solve this problem, the social institution then offered the young adults credit facilities. However, managing financial serv-

ices is very different from managing training programs and supporting youth. Therefore, the financial services the social organisation offered were neither sustainable nor adapted to the needs of the targeted group.

An MFI on the other hand is expert in offering financial services and is always looking for new clients, such as these young people who had been trained and who needed credit. Unfortunately, MFIs do not always know potential clients well enough and are somewhat reluctant to serve them. Getting to know these highly vulnerable people can seem too risky and time consuming for an MFI.

The solution we are supporting in Mali is to build a bridge between social youth support organisations that offer BDS and a professional microfinance institution.

For the young people concerned, this link between a social support structure that they know and trust, and a professional financial institution, allows them to have access on a permanent basis to the suitable and high quality financial resources they need to begin their businesses. The MFI, for its part, has the opportunity to diversify its clientele and to limit the risk related to this target group through the training provided by the BDS organisation.

For the BDS organization, the linkage allows it to establish a long-term relationship with the young microentrepreneurs it has trained. This could lead to the development of paid advisory services for the organization, which would improve its sustainability.

Of course, the success of all this depends on a collaboration agreement in which the responsibilities of the two organisations are made crystal clear, as well as the giving of accurate information to the young people concerned.



ECLOF at HIV/AIDS campaign launch

Dr Priscilla Daniel, ECLOF Programme Secretary in Geneva, led a discussion on HIV/AIDS and microfinance at the launch by the Ecumenical Advocacy Alliance of a plan of action for tackling HIV/AIDS.

The Alliance is a recent creation "designed to strengthen the prophetic voice and impact of ecumenical witness on the crucial social, political and economic issues of the day".

Under the theme, *I care...do you? The Churches say YES!*, the Alliance gave details of its three-year HIV/AIDS campaign at the Ecumenical Centre in Geneva on World AIDS Day last year (30 November).

Representatives from churches and a number of ecumenical and likeminded organisations attended a worship service in the chapel of the Ecumenical Centre and then expressed their support of the campaign.

Three group presentations and discussions followed. In addition to Dr Daniel's presentation on microfinance and HIV/AIDS, Dr Roggate Mshana, and Rev. Dr Kwame Labi of the World Council of Churches led a session on "An Economic Justice Perspective". Ms. Noerine Kaleeba from the Joint United Nations Programme on AIDS took as her topic "The Global HIV/AIDS Pandemic".

Campaign goals

Through its *I care...do you? The churches say YES!* campaign, the Ecumenical Advocacy Alliance will advocate for:

- Churches to work for the dignity and rights of people living with HIV/AIDS;
- An attitude of care and solidarity that rejects all forms of stigmatisation and discrimination;
- HIV/AIDS prevention activities that address the root causes of vulnerability;
- The mobilisation of resources to prevent HIV/AIDS and for the care and treatment of people living with and affected by HIV/AIDS;
- Increased access to care and treatment for people living with the disease.

ADA (Appui au Développement Autonome—Support for Independent Development) is a non-profit organisation based in Luxembourg. It works for the sustainable advancement of poor peoples in developing countries by enabling them to participate in the economy.

CEREM-LUX (Centre de recherche en microfinance—Microfinance research and documentation centre) was created in 1997 at the initiative of the Luxembourg government. It supports research and the exchange of information in microfinance, whilst developing Luxembourg expertise in this field. It focuses on the processes and techniques that promote the sustainability of microfinance institutions. Particular emphasis is placed on the relationship between microfinance and the banking sector.

For more information, visit the organisations' joint website at www.adaceremlux.lu

ECLOF Philippines expands

Almost three years ago, ECLOF Philippines began a new outreach programme. The work is now coming to fruition and two new branch offices recently opened in extremely poor communities.



An ECLOF client at her market stall. The woman is a member of Barrera & Partners, one of the 47 solidarity groups in Antipolo to whom ECLOF Philippines lent in 2001. Each member of the group received an ECLOF loan of PHP10,000 (US\$200) for their vegetable selling businesses.

Antipolo

Antipolo City is a squatter city of half a million inhabitants on the outskirts of the Philippines capital, Manila. It is a place where solidarity groups already existed and, following research, ECLOF Philippines presented a project for a new office in Antipolo to a funding agency, which approved the scheme.

Last September, a pilot office began to provide a comprehensive loan programme. This was such a success that ECLOF Philippines began granting loans from its funds. To date, it has provided microcredit to 47 solidarity groups, made up of over 200 members, in or near Antipolo City.

The decision of ECLOF Philippines to set up its first branch office in Antipolo was based on the socio-economic make up of the population, and the feasibility of establishing a successful loan programme there.

A large majority of Antipolo's residents live in shanties and survive from various informal economic activities; they have no access to conventional sources of credit.

ECLOF Philippines calls its Antipolo venture the Market Vendor Loan programme (MVL) because all its clients are micro-entrepreneurs involved in a wide range of

business undertakings. The people trade either from their homes or one of the thriving market places that have mushroomed in the city. ECLOF Philippines set up its new office in Cogeo, which is one of the two major market centres in Antipolo.

ECLOF's Antipolo branch achieved operational sustainability at the end of April this year, five months ahead of schedule.

Further growth

Following the success of the Antipolo office, ECLOF Philippines held a planning session in June 2001 to consider further outreach activities and the opening of another office.

Based on the Antipolo experience and additional research, ECLOF Philippines concluded that for a second branch to be successful and self-sustainable, they would first need to concentrate lending activities in a specific geographic area in order to minimise costs. Secondly, it would be necessary to identify an appropriate loan product through research among the potential client population rather than market a product designed on the basis of theory alone.

Buguias

Because many of ECLOF's clients in Antipolo City are small-scale produce

traders, it was no coincidence that ECLOF Philippines chose a peasant vegetable farming community as the location for its second branch office.

In February of this year, the Executive Director of ECLOF Philippines, Larry Millan, visited Buguias, an area that supplies 80% of the vegetables to Manila. He reported that despite near perfect growing conditions and demand for their crops, the peasant farmers of Buguias were still poor. ECLOF Philippines research revealed that production costs for small-scale vegetable growers in the area was excessively high. On that basis, ECLOF Philippines decided to launch a new loan package called Vegetable Farming Loan (VFL), to help peasant farmers increase their profits.

ECLOF discovered that, despite abundant natural resources, fertile land and high yields, the value of the Buguias farmers' harvest was seriously eroded by a number of factors:

- Only two banks serve the area. Like all conventional banks, they require more collateral than the peasant farmers possess. Private moneylenders in the area charge 48% to 70% annual interest. Such high rates eat up a large proportion of peasant farmers' income, and leave only enough for the barest necessities; there is no cash available for reinvestment.
- The absence of knowledge about alternative methods of farming has created a dependency on relatively expensive inputs.
- Labour costs are high because most of the work is done manually.
- The farmers have no contact with sellers in Manila and so must accept the low prices for their crops dictated by middlemen.

First results

The immediate objective of ECLOF's Vegetable Farming Loan programme in Buguias was to improve the food security of the farmers. This has been achieved. ECLOF Philippines' interest rate is in line with the official one, and considerably lower than the rates of unofficial money-lenders. In real terms, the interest the farmers save on an ECLOF loan of



Members of ECLOF's Vegetable Farming Loan programme in Buguias. Farming is the main industry and source of livelihood for the inhabitants of the district, which is the biggest vegetable producing area in the province.



ECLOF Philippines staff: (left to right) Larry Millan, Executive Director; Raymond Gregorio, Projects Officer; Kareen Biswilan, Credit Officer; Dan Santiago, Credit Officer.

PHP50,000 (US\$1,000) is the equivalent of two 50 kilo sacks of rice each month.

Long term

ECLOF Philippines plans to help Buguias peasant vegetable farmers increase their profits through other forms of support. These include:

- Making equipment available to peasant farmers through leasing arrangements in order to produce two harvests each year;
- Making crop and loan insurance mandatory to protect both the ECLOF programme and the peasant farmers themselves (see side panel);
- Providing a venue for regular meetings and seminars to improve management skills;
- Organising farmers into solidarity groups of at least five members, in order to foster interaction and help them address common concerns together;
- Holding an annual farmers' assembly for all Buguias clients;
- Requiring clients to save the equivalent of 8% of their loan amount each year in order to provide a collective source of capital;
- Networking with specialised non-governmental organisations to assist and educate the farmers in the latest environmentally friendly farming techniques, and to provide other information that can improve productivity.

Joint venture

Plans are now underway to bring together ECLOF clients from Antipolo and Buguias to discuss a possible business tie-up. Since both groups are subject to the whim of middlemen, the aim of any joint project would be to establish for the farmers' products a supply, delivery and distribution system to Antipolo City itself, and cut out the middlemen altogether.

Insurance

By Larry Millan, Executive Director, ECLOF Philippines

We have identified four major risks to our loan program: natural calamity, untimely death, market forces and family emergencies.

Insurance to cover family emergencies is not possible but it is possible to insure against natural calamity and untimely death. By working collectively, it is also possible to reduce the negative effects of market forces (see main article).

Crop insurance is very important both for the producers and for ECLOF Philippines. For a premium equal to 2% of the loan amount, ECLOF can claim 85% of the amount insured if the crop is destroyed by, for example, a typhoon or infestation. Since we can recover this sum, we can subsequently lend it again as a rehabilitation loan.

Loan insurance, equivalent to 1% of the loan, covers any outstanding balance in case of the untimely death of a client through, for example, an accident.

Clients pay both insurance premiums, which total only 3% of the amount loaned. Considering the loan term is from 120 to 180 days, this is very reasonable.



Buguias lies 330 kilometres north of Manila on the island of Luzon in the Cordillera Mountain range, around 1,700 metres above sea level. Buguias has a population of just over 33,000 from 14 villages (barangays). It takes eight hours to drive from Manila, due to a particularly rough and winding road.

International church condemnation of Zimbabwe elections

An international ecumenical team from the World Council of Churches (WCC) and the All Africa Conference of Churches (AACC) has judged the Zimbabwean presidential elections held in March to have been unfair.

The team visited Zimbabwe at the invitation of its president, Robert Mugabe, and under the auspices of the Zimbabwe Council of Churches to observe the election process.

The observers gave their critical verdict at a press conference in the Zimbabwean capital, Harare, the day after the elections.

Emphasising their belief in the universality of the Christian Church, team members said, "We consider it both a privilege and an inherent part of our Christian calling to accompany the people of Zimbabwe in their search for peace and justice via the democratic election of a Zimbabwean president. We are committed to non-partisanship, seeking the will of God, and observing the election process in line with human rights. In fulfilling our observer mission, we have been guided by the principles of universality, transparency, secrecy, fairness and freedom."

Universality

The team acknowledged the difficulty of reaching every voter in a country "struggling with economic hardships". It commended polling officers and monitors for what they had achieved, and applauded the voters "who turned out in millions, showing civic responsibility and endurance".

But huge numbers of people were denied the possibility of voting, the team added. In Harare Province, many people gave up queuing and thousands were turned away, even after waiting for days. The result was a "violation" of voters' dignity.

The team also expressed concern about the "high denial rate" of over 10% at polling stations, plus the inadequacies of the postal voting system.

Transparency

The international observers said that technically, the voting and counting followed the prescribed procedures, and they appreciated that the government had invited international election observers from most countries. However, it was a source of regret that only 109 out of more than 3,650 local observers from the churches had been accredited.

The team was also worried about a lack of public awareness of the registration process and the supplementary voters' roll. As the team had done its work, it had been aware of the call last year by the Zimbabwean Council of Churches for an independent electoral commission.

Secrecy

The ecumenical observers said they believed that most people had voted in secret, with the possible exception of postal voters, whom the team did not observe, and those who were helped to vote because they were illiterate. Voter education in advance of the election would have helped people exercise their franchise in secret.

Fairness

Media coverage of the election left much to be desired, concluded the observer mission. It said the print media in Zimbabwe were polarised; government owned media supported the ruling party whilst most privately owned media backed the opposition party. The team also pointed out that in Zimbabwe the governing party controls national radio and television stations, and that in many rural areas radio is the only means of mass communication.

The ecumenical observers said they had witnessed or had reported to them "many" cases of intimidation, and judged these to have been "a serious limitation to fairness".

Freedom

According to the ecumenical team, the most serious problem in Zimbabwe during the election was political violence. It had received information from the churches and human rights organisations that about 150 people had been killed in political violence since April of last year. "Many incidents of harassment, rape, malicious damage to property and general breakdown in the rule of law were reported to us, some of which took place during the days of the election. Both parties were behind violent episodes, but documentation from human rights organisations, as well as our own observations, indicate that the clear majority of cases should be blamed on the ruling party."

Pointing out that the Zimbabwean churches have repeatedly and strongly appealed to all parties to stop the violence, the ecumenical team appealed for an end to the arrest and harassment of opposition officials and others who voiced opposition.

Peace

Peace is now needed in Zimbabwe, the ecumenical team concluded, and truth, justice and reconciliation would be needed to achieve this. Team members believed sustainable peace required economic justice, and for earlier antagonists to engage in honest and open dialogue.

Global solidarity

Australia returns capital

ECLOF Australia, which has been operating as a committee of the Australian Council of Churches, has returned ECLOF capital so it can be used in other countries, in line with the policy of ECLOF international solidarity.

Over the years from 1961 to 2001, ECLOF Australia received US\$86,700 from central ECLOF funds. The funds were mainly used for the renovation and construction of church facilities, particularly for immigrant communities. Now, including accumulated reserves, the national ECLOF committee in Australia has sent back US\$145,350. Muhungi Kanyoro, Director of ECLOF International, Geneva, commented, "We thank ECLOF Australia for its sense of stewardship and solidarity".

Ecumenical team rejects "science fiction"

To claim that an international economic and financial system based on 'market forces' will address the fundamental challenges of financing for development is a form of 'science fiction', according to an ecumenical team that attended the United Nations International Conference on Financing for Development, at Monterrey, Mexico in March.

In a press release issued during the conference, the team said, "The debt burden of developing countries remains a fundamental obstacle to poverty eradication and human development for all within just and sustainable communities."

The team added, "All the conventional debt relief initiatives proposed so far by bilateral and multilateral creditors...have failed to adequately address the moral and

financial crisis faced by people in low income countries."

The ecumenical group called for the cancellation of "all illegitimate debts" and the "elimination" of structural adjustment programmes. It said the root causes of injustice and inequality underlying the debt crisis must be addressed, and claimed "the credibility of the Northern countries' commitment to financing for development in the post-Monterrey context hinges in a fundamental way on their willingness to take up this challenge".

Prior to the Monterrey conference, the ecumenical team said a "moral vision" was needed to deal with the world's debt crisis and that all communities should be involved, "especially those marginalized by poverty and disempowerment".

Geneva Board



Tim Ogborn, Head of the Organizational Development Department of Heifer International, has joined the ECLOF Geneva board.

Born in the UK, raised in Yemen, Uganda and Nigeria and now living in Little Rock, Arkansas, USA, Tim has over 20 years of experience in rural community development work, mainly in Africa, the Caribbean and Latin America.

A key aspect of Tim's present work is to assist Heifer's programme offices to become independent, sustainable affiliates, much as ECLOF does with its own national committees.

Meet ECLOF clients

Education and income

Thanks to a US\$29,000 ECLOF loan, the Calamba Evangelical Church in the Philippines has a new church education centre, which has turned into an income generating project as well.

The church is part of the Southeast Luzon Conference of the United Church of Christ in the Philippines (UCCP). It is located on Luzon, the main island of the Philippines. The Conference is made up of four provinces; the city of Calamba is the geographical and financial centre of the region. Calamba is growing and the Evangelical Church's membership has also grown steadily in recent years; it now stands at 253.

To accommodate the increasing number of children who come to the church, mainly

as a result of its ten-year-old kindergarten, the church council decided to expand its Christian Education Centre. The aim was to provide more space in which the children could study and play, whilst adults attended their own worship services.

The new building, which is now completed, will also serve as a training centre for Sunday School teachers, and be rented out for church activities, conferences, pastoral fellowship, seminars and youth activities. The new building also houses accommodation for the church's pastor, as well as the director of the Christian Education Centre.

The project was not designed to generate income but, through rental fees as well as



Calamba Christian Education Centre under construction. The church negotiated a contract to pay the contractor weekly on the basis of a percentage of the work done. The balance was paid when construction was completed.

savings on the rent previously paid for the pastor's house, the centre is expected to produce a financial surplus.

The ECLOF loan of US\$30,000 represents two-thirds of the cost of construction for the two-storey building, which is located just behind the church.

Meet more ECLOF clients on page 12

More ECLOF clients...

Top marks for school



Sister Hilda Morán (left) of the Niño de Jesús de Praga Order and Director of the Niño de Jesús school with Ms. Saturina Huamán, President of the School Parents' Association. Ms. Huamán told ECLOF Peru that the Parents' Association helped to raise funds to repay the school's first ECLOF loan by running three fund raising campaigns each year.

After successfully using a previous ECLOF loan, a school in Peru has applied for a second injection of cash to expand further.

The Niño Jesús de Praga (Baby Jesus of Prague) Parochial School is run by the Niño de Praga Parochial Missionary Order of nuns. The school is located in the town

of Tarma, high up in the Andes in the Huinco Valley and about 240km from Lima, the Peruvian capital. Almost 90% of the population of Tarma work in agriculture.

The school received its first ECLOF loan of US\$50,000 in 1997 to complete construction of the school gym, playground and science laboratories. *New Horizons* (No.21, June 1999) previously reported on the school's achievements in science and technology, which primarily related to agriculture in the Tarma area.



Students of the Niño de Jesús school have won a number of scientific awards including one for using fruit peel to make pectin, and another for a database project to improve soil and crops in Andean Peru.



The Niño Jesús de Praga School has 370 students. Almost half of the pupils receive either a full or partial scholarship. Tuition costs US\$18 per month.

The 1997 ECLOF loan was slightly less than one-third of the total cost of a project to expand the school. Repayment of the loan was by monthly instalments over four years. The school's loan repayment record has matched its high academic standards; all instalments were made either on time or in advance.

The Niño Jesús de Praga school is a prime example of how an educational establishment, if run efficiently and integrated into the life of the community, can win the respect and support of parents, and achieve not only academic success but also solvency and sustainability. ECLOF Peru is now processing the school's application for a second loan.

Home help

In Cameroon, the majority of people cannot afford decent housing because they are not considered creditworthy, and so are denied access to financing. The average monthly income in Cameroon is equivalent to US\$35; over 90% of the people live in deplorable conditions and are also unable to meet the cost of other basic needs.

The Home Builders' Mutual Association in Yaoundé, the capital of Cameroon, is officially registered as a 'common initiative group' under a government programme to encourage the poor to form groups and work together for their economic improvement.

The Mutual, as it is commonly known, began in June 2000 and has 35 members. A general assembly oversees activities and elects a management committee to coordinate the day-to-day running of the association.

With members' savings, the Mutual has created a lending pool to implement home

repair and construction activities that involve:

- The popularisation of collective home construction;
- The use of traditional means for home construction;
- Encouraging the Mutual's women members to produce and manage the production of housing materials;
- Encouraging the Mutual's youth to work in a fully equipped carpentry shop and play their part in solving the housing problem;
- The resumption of housing construction begun by members but interrupted for lack of capital;



Hard work and commitment, plus an ECLOF loan, is providing new homes in Cameroon.

- The construction of homes that members before could only dream about;
- The promotion of co-ownership.

To benefit from a housing loan, people must become members of the Mutual through the purchase of a minimum of one share valued at around US\$34. Members cannot hold more than 10% of the total share capital. They must also pay a membership fee of about US\$1.40 per day, and sign a contract by which they agree not to sell their new house for 20 years.

The process is decidedly slow. At the rate of four months to accumulate the financing for one house, it would take almost 12 years for all the members of the Mutual to have a home of their own.

The Mutual therefore applied for an ECLOF loan of US\$48,800 to increase their lending pool and speed up building operations. Now, instead of having to wait their turn, all members can begin construction of their homes and what the Mutual accumulates over time from members' contributions will be used to repay the loan.

Dangerous work

Colombian farmers continue despite violence



Victor Julio Ardilla of the **Fuzatama Solidarity Collective** in Fusagasugá, Colombia, with a low-tech cultivator. The collective grows vegetables and Mr Ardilla believes the cultivator is more economical than a tractor given the size of the group's activity and income. Members received an ECLOF loan of US\$452 each to purchase inputs and build a greenhouse made of wood and plastic sheeting, in which to grow organic tomatoes. The group uses natural pest control methods, such as plants that repel harmful insects, and pesticides made of garlic, peppers and detergent-free soap.

For the last 40 years, insurgent groups in Colombia have fought a succession of governments. The violence continues today and takes place largely in rural areas away from the cities. Villages are caught in the middle of the conflict and are attacked and threatened by the various factions. Many farmers have abandoned their land and

moved to safer urban locations; others have stayed. Over the last two years, and against this difficult and dangerous background, ECLOF Colombia (COFEP) has significantly increased its work.

In 2000, COFEP made 108 loans. In 2001, this figure rose to 255. In the same period,

the value of loans also increased from the equivalent of US\$427,000 to US\$623,000.

In 2001, COFEP also began, for the first time, to make rural solidarity collective loans. This is part of COFEP's support of rural workers to help restore stability, unity and peace to their communities.



The **Andaquies Solidarity Collective** in Antioquia, Colombia. The three-member group used its US\$3,500 ECLOF loan to buy seeds and other inputs. Among peasant families in the region, the labour to plant, work the fields and harvest crops is usually a joint effort that includes all members of the family and neighbours lending each other a hand. In the Antioquia region, COFEP works closely with the Franciscan and Laurita Orders of Sisters who recommend and introduce groups to COFEP.



An onion field belonging to **Aura Patiño Diaz** family, who are members of the **Guatapuri Solidarity Collective** in Antioquia, Colombia. The collective consists of three farming families. Two families cultivate small plots and grow fruit trees, coffee and vegetables, while the third family raises and sells chickens and eggs. Like many other peasant farmers in

the region, the collective practices traditional methods of producing fruits, vegetables and other agricultural products. The Patiños received an ECLOF loan equivalent to US\$1,300 as their part of the whole group's loan, and used it to buy seeds and inputs to increase fruit and yucca production.

News from NECs

Director joins new foundation

Mr Martín Villafuerte Kanemoto, Executive Director of ECLOF Peru, has been elected to the board of a new Latin American financial organization.

The election took place in La Paz, Bolivia, in March at the first assembly of the *Fundación Centro Internacional de Apoyo a las Inovaciones Financieras*

(International Centre of Support for Financial Initiatives Foundation—Centro AFIN).

Centro AFIN aims to contribute to the development and consolidation of the emerging microfinance industry in Latin America and the Caribbean. The mission of Centro AFIN is to offer excellent products and services in

order to improve the efficiency, sustainability and cohesiveness of the industry.

The specific objectives of Centro AFIN are to:

- Give support for the sustainable growth and consolidation of the emerging financial industry (i.e. microfinance);
- Help improve the managerial and administrative skills of institutions operating in the industry;
- Help financial institutions achieve operational and financial sustainability;
- Support continuing innovation of financial products and services that respond to the needs of micro and small-scale enterprise, and needy peoples in rural and urban areas;
- Encourage the exchange of experience and knowledge among institutions in the industry;
- Promote awareness and understanding of the industry.

The services of the new foundation will be available to all institutions in the global ECLOF family.



The Centro AFIN Board (l to r): Raul Boada Rodríguez, Member, and Executive Director FONDESIF; Mery Solares de Valenzuela, Secretary, and local representative Accion Internacional; Julio Cesar Herbas Gutierrez, Treasurer, and National Commercial Manager BANCOSOL; Martín Villafuerte Kanemoto, Member, and Executive Director ECLOF Peru; Miguel Hoyos Burgos, President, and Executive Director FUNDA-PRO; Gonzalo Flores G., Vice president, and Vice President Industria y Servicios Financieros; Martina Wiedmaier-Pfister, Member, and local representative German Development Co-operation; Jorge Noda Miranda, Trustee, and President AGROCAPITAL.

New Directors

Martín Villafuerte Kanemoto

took up his post as the new Executive Director of ECLOF Peru in May 2001. Martín is an economist and studied at the University of Montreal, in Canada, and the University of San Martín Porres, in Peru. He has also completed specialised training in international commercial negotiations at the Getulio Vargas Foundation Study Centre in Brazil; and studied project evaluation and guarantee funds at the Interamerican Development Bank in Washington, D.C.

Martín previously was assistant general manager with the Industrial Bank of Peru and then a consultant for the United Nations and other international organisations, including the World Bank. He is the author of three books on industrial financing, and research and application for alternative



financing and development. Martín has also worked as general manager of the Guarantee Fund of Peru, and director of the ADRA OFASA Microcredit Programme of Peru.

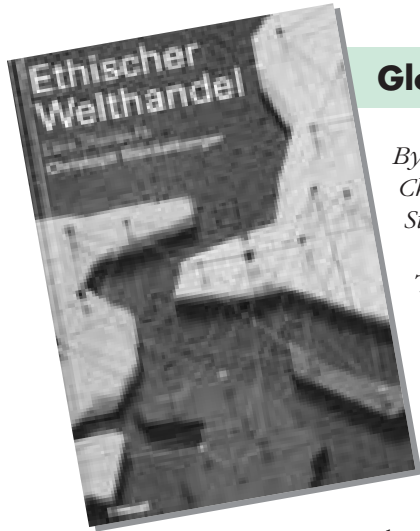


ECLOF Sri Lanka recently appointed **Gamini Samarasinghe** as its new Executive Officer. Gamini has worked in the banking industry for some 35 years, 30 of which he spent with a government bank that focused on rural development and the co-operative movement. The bank pioneered lending to small-scale farmers in Sri Lanka, and also made loans to self-employed small-scale entrepreneurs.

Gamini believes that ECLOF is a gift of God to be used to empower the poor and promote greater equity in the distribution of wealth.

Gamini was previously a member of the ECLOF Sri Lanka board, on which he represented the Baptist Church in Sri Lanka. He served as treasurer to the board for two and a half years before taking up his current post.

Books and publications



Global Trade Ethics – An Illustrated Overview

By Rev. Dr
Christoph
Stückelberger

The globalization of world trade arouses strong and mixed responses.

Some hope it will lead to increased wealth and the elimination of poverty. Others have great fears about relentless international competition, increased marginalisation and an increase in poverty.

Global Trade Ethics, by Christoph Stückelberger, considers whether an ethically responsible arrangement of trade at global, national, corporate and individual levels is possible.

The author says his book is meant to arouse hope, and demonstrate that ethical action is possible in the sphere of trade, as well as other areas of business.

The writer refutes the claim that business ethics is what he calls a “point one per cent phenomenon”. So-called ethical investments may only make up about 0.1% of all world-wide investments, but Christoph Stückelberger, who is associate Professor of Ethics at the University of Basel in Switzerland, believes ethical business practices must be at the heart of the global business economy and all of its agents.

Global Trade Ethics, already published in German, deals primarily with business ethics but also considers aspects of economic policy and the macro-economy.

Although the author is a theologian and has previously written on ethics from a theological perspective, he says *Global Trade Ethics* is not based on any specific theological approach. Therefore, Professor Stückelberger believes the ethical values and value judgements in globalised trade that he now proposes can be understood from various ideological perspectives.

Dr. Stückelberger outlines the questions that motivated his new book: “How can we achieve greater justice and sustainability in global economy and especially in global trade? How can we further develop global trade not only in the important niches like the Fair Trade movements and microfinance institutions like ECLOF, but also in the mainstream economy? I want to show in this book that there are not only many ethical instruments and opportunities but also specific ethical responsibilities of the different actors in global trade.”

Readers can begin almost anywhere in the book. Virtually every double page is a self-contained topic with an illustration on the left and an introductory text on the right. Chapters 1–3 deal with the basics of ethics, and chapters 4–6 cover the instruments, agents and applied fields of action of ethical trade.

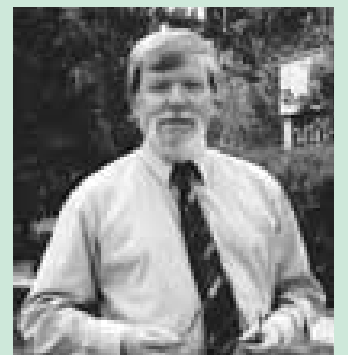
The ethics of global trade are of great interest to microfinance organisations, par-

ticularly those involved in financing small-scale manufacturing, and agricultural production and trade. A market that gives a fair return to micro-entrepreneurs is essential if they are to improve their standard of living. *Global Trade Ethics* should therefore be a useful tool for those involved in promoting micro-enterprise.

In a preface, Rubens Ricupero, Secretary General of UNCTAD, says, “A book on global trade ethics could not come at a more appropriate time. Indeed, at this early juncture in the new century, there is an increased realisation that the economy in general, and trade in particular, cannot be insulated from moral and spiritual values.”

Global Trade Ethics will be available in July/August from the World Council of Churches Bookshop, P.O. Box 2100, 1211 Geneva 2, Switzerland. Fax: + 41 22 791 6111; E-mail: rzp@wcc-coe.org

Christoph Stückelberger is chairperson of ECLOF International; General Secretary of Bread for All, the development agency of the Swiss Protestant churches, and Professor of Ethics at the Theological



Faculty of the University of Basel, Switzerland. He is involved in the work of Transparency International and has participated in many forums for developing a code of conduct to prevent corruption.

Solidaire

April 2002 – Number 165

“Microcrédit: prêts pour l’avenir!”
(“Microcredit: loans for the future!”).

Solidaire is the information bulletin of the *Déclaration de Berne* (DB), a Swiss association that promotes solidarity development through more equitable relations between Switzerland and the countries of the South.

The April 2002 edition of *Solidaire* is devoted to an examination of microcredit. It features an article on ECLOF, one of the four organisations of Swiss origin that has sponsored the issue.



Solidaire is published six times a year, in French and German. The ECLOF International Secretariat has a limited number of copies in French of the April issue for distribution (see page 20 for address). Requests for this or other issues may also be sent to *Déclaration de Berne*, C.P. 212, 1000 Lausanne 9, Switzerland.

Capacity building

Community banking

Directors and senior staff of national ECLOF committees have attended a five-day exposure programme on community banking in India. It was organised by ECLOF Geneva and run by the DHAN (Development of Humane Action) Foundation, an Indian professional development organisation.

During the past 10 years, India has combined the good practices from Village Banking, the Grameen Bank and credit unions, and has designed a “Self Help Groups–Bank Linkage” programme. Around 4.5 million poor clients have so far benefited from this programme. The poor have not only had access to credit but, in the process, village and community grass roots institutions have grown up. This has

empowered the poor both economically and socially.

Among other development projects, DHAN Foundation is involved in implementing a Community Banking Program to promote alternative banking efforts by locally formed self-help groups.

Dr Priscilla Daniel of ECLOF International, who organised the exposure programme, which took place in Madurai, India in January, explains that if no local microfinance organisation can legally accept savings, then the poor have to deposit their money in commercial banks, where customers do not have access to other services, such as loans, until they withdraw their savings. In the meantime, the money of

the poor is available to others. On the other hand, the “Self Help Group–Bank Linkage” programme enables the savings of the poor to remain in the villages and to be accessible. This allows for more money to be injected into the local economy; the poor therefore become proud owners of the equity in lending programmes.

DHAN Foundation provided ECLOF members with details of its Kalanjiam Community Banking Programme, which reaches over 92,000 poor women and promotes almost 6,000 primary groups, 400 Cluster Development Associations and 15 autonomous federations. The programme is spread over 15 districts in Andhra Pradesh, Tamil Nadu, Karnataka and Pondicherry, and covers a total of 2,210 villages. The programme has linked almost 2,300 groups and mobilised Rs.79.5 million (US\$16.3 million) for loans under the self-help group linkage programme.



(Back row, l to r) Shiron Prasantha, ECLOF Sri Lanka; Amos Bazageza, ECLOF Uganda; K'narender, DHAN Foundation; Leon Mushi, ECLOF Tanzania; Gamini Samarasinghe, ECLOF Sri Lanka; S. Gopalakrishnan, DHAN Foundation; Anthony Kangeche, ECLOF Kenya; Singarayar, DHAN Foundation. (Front row, l to r) Shanthi Bandara, ECLOF Sri Lanka; Olive Pagalilauan, ECLOF Philippines; Priscilla Mdala, ECLOF Malawi; Priscilla Daniel, ECLOF International, Geneva.

Tanzania workshop

A two-day national workshop last December provided an opportunity for ECLOF Tanzania to review its operation and the environment in which it works, as well as to consider wider issues.

Workshop members examined current trends and issues in microfinance, including potential challenges.

Dr Priscilla Daniel of ECLOF International, Geneva led a discussion on *Global Policies and Guidelines* in which the focus was on target groups for ECLOF's work and guidelines for co-operation.

The gathering received information on minimum standards, the global strategic plan, and three-year plans for national ECLOF committees.

The group also considered how to maximise the efficiency and effectiveness of ECLOF Tanzania. Time was additionally spent on discussion of the role of board members and with planning the way forward.



Participants of the ECLOF Tanzania national workshop: (Standing l to r) Dr A.A. Lema, Nrogonga Agricultural and Marketing Co-operative Society, Chairperson, ECLOF Tanzania; Mrs J.S. Mkuchu, Tanzania Ecumenical Dialogue Group; Miss H. Fliakos, YWCA; Mr S.D. Mandi, Christian Council of Tanzania; Dr J. Riria, Vice Chairperson, ECLOF Kenya, ECLOF International resource person; Dr W.L. Mtebe, General Secretary, Christian Council of Tanzania; C. Z. Kwayu, consultant, ECLOF International resource person; Mrs V. Malima, YWCA; Mrs S. Kessy, Afri-Youth Development Service; Mrs L.T. Ukio, Women's Development for Science and Technology Association (WODSTA); Mr L.C. Mushi, Executive Director, ECLOF Tanzania. (Front row l to r) Mr S.N. Chisongela, Christian Council of Tanzania; Dr Priscilla Daniel, Programme Secretary, ECLOF International, Geneva.

Workshop field visits



Sarah Kessy (second from left), head of the Afri-Youth Development Service and a member of ECLOF Tanzania, with staff at the Afri-Youth honey producing and packaging centre.



Sarah Kessy (left) and Lynet Ubio, ECLOF Tanzania project committee member, at the Afri-Youth high nutritional porridge production and packaging operation. The porridge, which contains over five different grains, is an inexpensive and tasty source of nutrition.

Readers' letters

HIV/AIDS

Dear New Horizons

In spite of awareness of HIV/AIDS, the situation in Zimbabwe affects both clients and ECLOF staff and is causing a slow down in our activities.

As readers of *New Horizons* will well know, Zimbabwe tops the list of the most affected countries in the world and the situation is not letting off. We are right now reaping the results of infections that occurred a number of years back, and were latent within the patients. In cases like this, preventive measures are not useful. We would welcome any ideas and details of coping mechanisms that others are employing in similar situations.

Very best wishes

*Khethiwe Mhlanga
ECLOF Zimbabwe*

We are always pleased to receive readers' letters. Please share your thoughts and opinions about the work of ECLOF and the world of microfinance.

Write to

New Horizons
ECLOF
Ecumenical Centre
PO Box 2100
1211 Geneva 2
Switzerland

Dear New Horizons

HIV/AIDS is truly a threat to a microfinance institution like ours in Malawi.

Our country has a population of over 10 million and official records indicate that 16% of the population is either infected or affected. Life expectancy is 45 years. HIV/AIDS is spreading at an alarming rate. The most vulnerable are young people between 15 and 30 years of age, which is a threat to the development and sustainability of the country. Most ECLOF Malawi clients are women; they are the most vulnerable to the pandemic, which has an effect on our lending programme.

Malawi is one of the five nations in the world most affected by HIV/AIDS. In fact, three out of ten of our clients are HIV-positive or tuberculosis patients. Therefore, it is evident that Malawi is facing a problem of non-serviced loans or loan arrears. Such situations arise from the early deaths of clients. For instance, five women from two different client groups in one locality died last year.

In addition to the direct effect HIV/AIDS has on microfinance institutions, there are also indirect effects. Clients have to spend much of their time nursing and caring for relatives with AIDS. Time invested in businesses falls and leads to poor business performance such that clients fail to service their loans.

The high death rate in Malawi from HIV/AIDS has led to a large number of orphans, and family expenditures have shot up in an effort to house, feed and support orphans. This has consequently affected people's cash flow and they find they cannot meet their loan instalments.

Against the background of this situation, ECLOF Malawi is investigating ways in which clients can be insured against such circumstances.

ECLOF Malawi secretariat now includes HIV/AIDS counselling in its training curriculum for newly recruited clients to sensitise them to the dangers of HIV/AIDS. We also work with non-governmental organisations involved in HIV/AIDS counselling in order to assist our existing clients in the same way.

May God bless you during this year.

Yours in Christ,

*Ethel Changa
ECLOF Malawi*

Dear New Horizons

Greetings in the new millennium year of our Lord, 2002. I received a copy of *New Horizons* this year. I like it very much. I am sure the next issue will bring world news, especially about the situation of the churches all over the world. Please send me *New Horizons* regularly so that it may bring the news about ECLOF into our Conference Office.

With many thanks,

Yours in Christ,

*Rev. Haokbojam
President
The Methodist Church
Upper Myanmar*

Dear New Horizons

It is our pleasure to inform you that *New Horizons* is one of the most informative and helpful publications we have seen. It is worth mentioning here that the organisation to which I belong, CARE Bangladesh, is also involved in similar work to ECLOF. In particular, our INCOME Project aims to increase the capacity of microfinance organisations.

It would be nice if you could arrange for us to receive a free subscription to *New Horizons*.

Thank you for your kind co-operation.

With warmest regards,

*Sabrina Khan
Technical Officer
Microfinance Resource Database
INCOME Project– CARE Bangladesh*

(Editor's note: New Horizons is a free publication. We shall ensure CARE Bangladesh is added to our distribution lists. Any others who wish to receive New Horizons should contact ECLOF International, Geneva – see page 20 for details)

K-Rep Bank

Dear New Horizons

Thank you for the December 2001 issue of *New Horizons*. I would like to make a correction to Petronella Chigara's comment on page 3 ("How to succeed at microfinance") that "The NGO, K-Rep, has begun the process to transform itself into a commercial microfinance bank".

K-Rep actually started the process of transforming its lending program (The Financial Services Division) into a specialised regulated financial institution way back in 1994. K-Rep Bank was licensed on 26th March 1999 and opened its first branch on 18th December 1999. It is the first microfinance bank in Kenya and the first NGO-based microfinance institution to transform itself into a commercial bank in Africa.

The bank aims to bring microfinance to the centre of the financial banking sector arena, as opposed to the peripheral financial activity it has hitherto been perceived to be. It seeks to demonstrate that lending and providing banking services to low income and poor people is both commercially viable and an important contribution to poverty eradication. This has been proved to be true by the impressive performance over the last two years.

For more information about K-Rep Bank please check our website at www.k-Repbank.com

Thank you.

*Harriet Kirimi
Executive Assistant
K-Rep Bank
Nairobi
Kenya*

News flash!

Tax break!

ECLOF is happy to announce that the Swiss tax authorities have recently ruled that any contribution above CHF200 from taxpayers in Switzerland to ECLOF is tax deductible.

To fulfil its mission and to meet an increasing demand for loans,

ECLOF is seeking an additional contribution of US\$23.6 million over the next four years. ECLOF would appreciate any contribution you can make to this effort.

For bank account information, see back page.

The Ecumenical Church Loan Fund (ECLOF) is an ecumenical lending institution. As a matter of policy, the ECLOF Secretariat in Geneva does not process loan applications or projects directly from applicants but works through National ECLOF Committees (NECs). If you wish, you may contact our Committee in your country.

How can I share and help through ECLOF?

- You, your church or your organization can send general or designated contributions to ECLOF in Geneva.
- You can make a contribution towards a specific country where ECLOF is operating.
- You can offer complementary support (training, equipment, fund-raising, additional credit, etc).
- You can invite an ECLOF member to make a presentation to your church or organization.
- You can tell others about ECLOF.
- You can request further information about the work of ECLOF and make sure you are on the mailing list to receive New Horizons.

To contact us or for further information:

Ecumenical Church Loan Fund (ECLOF)

Ecumenical Centre	Telephone	+41.22.791.63.12
PO Box 2100	Fax	+41.22.710.20.05
1211 Geneva 2	E-mail	eclof@eclof.org
Switzerland	Web site	www.eclof.org

ECLOF bank accounts

Darier, Hentsch & Cie	Account No 01-121477	Union de Banques Suisses	Account No 620 894 L Swiss franc account
4, rue de Saussure	in favour of ECLOF	Petit-Saconnex Branch	Account No 620 894 60 G US dollar account
1204 Geneva 11		1211 Geneva 2	in favour of ECLOF
Switzerland		Switzerland	

If you wish to receive New Horizons regularly please let us know.



New Horizons is published by the Ecumenical Church Loan Fund and distributed free of charge to the ECLOF constituency and all interested people upon notification.

New Horizons appears in English and Spanish.

The views in New Horizons do not necessarily reflect the views of ECLOF.

New Horizons is available on ECLOF's web site—www.eclof.org—in English, French, German and Spanish.

Writing and editorial consultants:
John and Bridget Newbury
Designer: Paul Coyle

Printed in Switzerland
June 2002