

# New HORIZONS



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## Management vacancy!

### Foot washer wanted

If we want to learn how to manage, then we must study the Bible and be prepared to learn some surprising lessons. That was the message ECLOF directors heard from Geraldo Orozco at the recent Latin America regional workshop in Brazil.

In his presentation, the Vice-President of ECLOF in the Dominican Republic left his listeners in no doubt that the highest management standards were needed if micro-finance organizations were to operate efficiently.

Mr Orozco is also the Executive Director of ASPIRE, a Dominican Republic programme of Opportunity International, a Christian development agency in the U.S. *New Horizons* is pleased to reproduce the text of what Geraldo Orozco said in Brazil.

#### Roles of board and management

This is a relevant topic; it is even in the



Bible. From the beginning, God defined the skills people should have for leadership. In Deuteronomy 17:14–20, God said that when a community chooses a king, he should not possess wealth, or many horses or many wives. He is to have a copy of this law by him and read it daily. Why did God ask for this? It is so that the leader will not think himself superior to his brothers, and not deviate from the commandments. God wanted to spare his people from arrogance. The son of Solomon, Rehoboam, was also alerted to this fact, but arrogance took control of his heart (*2 Chron. 10*). The result was the division of the kingdom of Israel.

*contd p. 2*

## ECLOF directors back new strategic plan

A major meeting of ECLOF directors in the Latin America/Caribbean region has given its support to a new five-year plan.



Young Afro-Brazilian drummers strike right note at ECLOF workshop (story, p. 7).

When ECLOF International Director Muhungi Kanyoro presented details of the organization's strategic planning for 2005–2009 to his directors, he emphasised four key points: sustainability, increasing outreach and impact, the mobilisation of resources, and developing relationships within the network of national ECLOF committees (NECs).

*contd p. 5*

## Tough work on the inside

The working day of one loan officer with ECLOF Brazil may seem normal to her, but it is a story of skill, determination and danger, as *New Horizons* discovered when it spoke to Cristiane Jesus Santos.



#### Why you are called Jesus?

It is a family name but also because of religion. It is a common name among girls in our culture. I am Roman Catholic and so is everyone in my family except my mother, who is a Baptist.

#### Do you live with your family?

I live with my mother and a niece who we adopted after my only brother died. Today, I am the "man of the house" and the primary breadwinner. I am 28 years old.

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ECLOF

## Director's message

In the recent past, there has been considerable discussion over the way in which some countries and regions are lagging behind in meeting targets to reduce poverty and hunger. The same is true concerning the response to the growing impact of HIV/AIDS. Whole societies are affected by this pandemic, with economic and food production particularly hard hit.

This issue contains articles that reflect these topics. There are also details of the impact food subsidies can have, as well as the problems that some rural small-scale farmers face in marketing their produce.

Against this background, I am reminded of the front-page article in the December 2003 issue of *New Horizons*. There, José Luis Pereira, the Executive Director of ECLOF Bolivia (ANED), reflected on the challenges of providing rural credit. He said that microcredit practices have created successful institutions but that these have mostly had little impact on rural grassroots people. José Luis believes

some basic conditions need to exist before anything will change and the living conditions of the rural poor improve.

In 2005, ECLOF will join others in marking the United Nations International Year of Microcredit, and celebrating the achievements of microcredit programmes. However, we should remind ourselves that for microcredit and related services to make a positive developmental impact, they must be accompanied by other policy measures. If they are not, then José Luis Pereira's description of the ways in which the rural poor are losing out will continue to be true.

The ECLOF International Board has approved ECLOF's strategic plan for 2005/9. The plan focuses on four themes: sustainability, outreach and impact, resource mobilisation, and relationships. The Board set two key targets: to maintain at least 50% of financing in rural areas, and at least 50% of total lending to finance enterprises for women.

We also share with readers the story of Cristiane Jesus Santos, a loan officer with ECLOF Brazil (CEADe). Many times, we

run the risk of focusing only on clients and forgetting those who deliver our services. This can be a risky job. Cristiane's story is amazing and it challenges us all to go the "extra mile". As Cristiane goes about her job, she does not simply deliver credit; she truly accompanies her clients.

We will continue to share stories like Cristiane's. In every country where we work, ECLOF hires local staff who are paid from interest income from clients. Our staff are also affected by many of the social issues that ECLOF works to overcome for its clients: gender discrimination, health care, access to education, violence, the need for more income. I take this opportunity to thank ECLOF staff and committee members everywhere for their dedication and commitment to our mission of providing fair credit for human development.



*Mubungi Kanyoro*

### Management vacancy *contd from p. 1*

Jesus, on different occasions, spoke about leadership to his disciples and followers. Once, when he was asked to make a special place for two of his followers in the kingdom of God, he said, "You know that rulers oppress nations and lord it over them. This is not to happen with you. Anyone who wants to become great among you must be a servant, and anyone who wants to be first among you must be your slave (*Matt. 20:25-27*).

### Crisis

I recently had the opportunity to learn about three organizations and to witness the moment of crisis they were each experiencing because of an inappropriate structure to deal with governance and the role of board and management. In all three cases, there was no clear division in the roles that the board and management should play. In certain instances, board members and management staff performed tasks and assumed roles that were not theirs. This led to negative practices in doing their jobs, operational inefficiency and weakened relations. The whole situation caused losses. A crisis resulted. The only good thing is that the crisis led to a change in the institutions, mainly in the relationship between management and board.

### Lessons learned

- 1 Any organization's vision, mission and values must be clear, and it should answer the following questions: Why does the organization exist? How is it going to fulfil its mission? What are the values it is founded on?
- 2 A performance objective must be defined. What does the organization want to accomplish in the coming years in terms of clients, impact and new products?
- 3 Microfinance institutions (MFI) parameters must be defined. This requires a strategic plan to be drawn up and accepted by both board and management.
- 4 Policies and procedures must be established to guarantee the achievement of objectives.
- 5 A monitoring system based on indicators and audits is also needed in order to make sure a number of questions are answered: How will the board supervise management? This will be done according to MFI indicators. How much will be spent in the process? What should the arrears level be? How much is the portfolio growing?
- 6 Ongoing training must be promoted. It is impossible to guarantee the

successful governance of an MFI without constant training for the board.

### Role of an MFI board

The role of the board is to look after the overall health of the management. The board must therefore exercise extreme caution in choosing a new manager. This means that it must have a professional selection process. In making a choice, the board must be satisfied with the candidate's references and verify that the person has the desired profile for the institution. The candidate must be chosen on merit and not because he has good relations with the members of the board.

The board must also draw nearer to management in order to understand the pressure people are under, e.g., the challenges and the failures someone in management is experiencing. Management must understand that it is dealing with friends and colleagues who are not only interested in the institution but also in their own emotional, physical, family and spiritual health.

Another role of the board is that of the constant monitoring of indicators and auditors' reports to avoid surprises, and even questioning the transparency of management. Stewardship is also important. Board members have to understand that

they are responsible for the organization's resources, including the management. The board must assume responsibility for the institution from a stewardship perspective.

### Role of MFI management

Management must similarly exercise appropriate stewardship. This means finding the right way to manage the organization's human and financial resources, as well as its physical equipment and material. Transparency is fundamental to the process. Management must share both positive and negative information with the board. Management must be able to inform the board of a mistake or miscalculation in the management of resources. The board must have the wisdom and patience to listen. The management must

be wisely independent of and healthfully dependent on the board. The management must not work alone but must consult with and present its goals and projects to, and seek the opinion of the board: "A variety of advice is the spice of wisdom".

### Harmony

The key to achieving harmony in developing a system of governance is for everyone to have a servant's attitude. We must follow Jesus's example. He was born as the most important leader of humanity without boasting about it. He tried to teach his followers and disciples. During dinner on the night before his crucifixion, he gave his disciples an example of humility, leadership and governance. He washed their feet (*John 13*). One of his followers asked him

to stop because it was a servant's work. The disciple never expected this of Jesus. However, Jesus said to those present, "If you call me Lord and master and I wash your feet, then you also ought to wash one another's feet."

Board members must understand that they are in the organization to serve and not to be served. We should not be arrogant and see ourselves as powerful bosses. Managers must also understand that they are in the organization to serve others and not to serve themselves. They must be humble before the board and their colleagues. They must not act out of servitude but rather out of service. When we follow Jesus's example, we can ensure the productive governance of organizations.

## Thinking about the future



*Two representatives of Armenia ECLOF have attended the seventh annual conference of microfinance institutions in Central and Eastern Europe and the Newly Independent States. Armenia ECLOF Board member Anahit Kozmalyan reports on what took place.*

The Microfinance Centre (MFC), a leading membership-based resource institution in Central and Eastern Europe and the Newly Independent States, organised the conference in Warsaw, Poland.

The MFC is almost six years old and promotes the development of a strong and sustainable microfinance sector in the region in order to increase access to financial services for low-income people, particularly micro-entrepreneurs.

Tigran Hovhannisyan, Director of Armenia ECLOF, accompanied me at the conference that took as its title, *Thinking about the future—strategic choices for microfinance*. Some 470 participants gathered, including microfinance practitioners, donors, experts, investors and policy makers.

According to MFC research, microfinance institutions (MFIs) in the region are becoming a significant power in the reduction of poverty, as well as making a contribution to small and medium enterprise development. The MFC believes that MFIs must adopt further development strategies in order to continue and deepen their mission; the conference aimed to help bring this about.



Armenia ECLOF members, Anahit Kozmalyan (back row, extreme left), and Tigran Hovhannisyan (kneeling, right) with other participants from Armenia at the seventh annual conference of microfinance institutions in Central and Eastern Europe.

### Workshops

Workshops held during the conference covered essential topics, including:

- the transformation and commercialisation of NGOs;
- the management of social performance;
- effective human resource management;
- cooperation between commercial banks and microfinance institutions to enable the provision of effective financial services to micro- and small enterprises;
- how increased information can serve the poor;
- corporate social responsibility in microfinance;
- strategic marketing in microfinance;
- innovative approaches to rural microfinance;
- the role of donors in supporting effective pro-poor financial systems;
- productivity maximization through effective leadership;
- reforms in the legal framework of microfinance;
- mergers in microfinance.

### Fair

Besides the workshops, several special events took place. The first was an investors' fair, at which investors and

donors presented their mission and strategic plans for the region. During this session, conference participants were able to meet potential donors and investors, and get information about what finances might be available. The Microfinance Information eXchange (MIX), whose large networks, which include ECLOF International, promote information exchange in the microfinance industry, helped organize the fair.

The presence of Armenia ECLOF at the conference enabled us to improve our integration with the microfinance community in our region, where MFIs are relatively young, compared with their global peers, and thus share similar local constraints and opportunities. Typical of these for Central and Eastern Europe, and the Newly Independent States are:

- regulatory constraints (taxes, interest rate regulation, collateral laws);
- funding difficulties (lack of affordable funds, limited diversity of funding sources, delays in fund disbursement);
- changes in client needs (new product design).

Microfinance institutions in Armenia, including ECLOF, experience a number of these restrictions, including an uncertain legal environment, shortcomings in tax legislation for MFIs, and a lack of product variety.

The knowledge I gained during the conference and the business relationships I made were valuable, and I know they will be useful to me as a member of the Armenia ECLOF Board and its Finance Committee.



**Tough work on the inside**

*contd from p. 1*

**How did you come to work for ECLOF Brazil?**

Through Professor Osvaldo Barreto who knows my mother. I therefore knew a little about its work and was interested in it. Of course, I learnt much more when I began working for ECLOF in 1998.

**How were you selected?**

I passed a first interview then had to do a "field test".

**A field test?**

Yes; we were taken to an urban market to see how we would interact with ECLOF clients, how we would approach them and what would be the people's reaction. The field test also showed how we would react in difficult situations.

**How does the "field test" take place?**

We are accompanied by another staff member. However, we were left alone with clients and observed from a distance.

**How do you approach prospective clients now?**

First, I observe a client to see how he or she works. I also observe the client's contact with his or her family, clients and friends. Then, because they see that I am really interested in what they are doing and that I can help, I start building a relationship. I think that is very important. I become their friend and show how I am available to help. Of course, I also stress that the money is not a grant but a loan, and that to allow ECLOF to keep giving loans and help others to improve their lives, it is necessary to make repayments on time.

**How do clients react to you?**

They treat me well. They call me "the woman of the money", of course only until I claim the repayment! (laughs)

**Do you have given areas where you work?**

Yes, we have our own zones. This is very important due to the trust that exists between client and credit officer. I usually go to the most sensitive neighbourhoods of Salvador.

**Aren't you afraid? Isn't it dangerous to be working in those zones?**

Of course I am afraid, but any place is dangerous. I just have to trust God that nothing will happen to me. I am also grateful because ECLOF Brazil has provided life insurance for its loan officers, and I know that if anything should happen to me, at least my family would not be left without money. Usually, however, when I go to sensitive neighbourhoods, everything has been prepared in advance.

**What do you mean?**

Usually a person comes to meet me at the outskirts of the neighbourhood to take me safely inside. It could not be done in any other way. Some of the neighbourhoods are dangerous and they do not want people from outside to come in. We have to have the agreement of the people from the neighbourhood and have a guide present all the time. Of course it is not 100% safe.

**What kind of transport do you use to visit your clients?**

I take the bus or the train, but more often the bus because ECLOF Brazil does not have its own means of transport like motorcycles or cars.

**Would a car or motorcycle help?**

Yes, but there is the problem of theft. A vehicle would probably be stolen in the neighbourhoods we work in.

**You take the bus? How long does it take you to go from one place to another?**

I usually take the first bus from my home at 7.30 in the morning and it takes me around one and a half hours to get to my first client. I usually see about eight client groups each day.

**Do you have a favourite client, and why?**

I do, it is Mrs Vera of the Felicidade (Happiness) Group, because she is a very hard working and courageous person. I also like her in a special way because

now, when I go see her, I can see the real improvement in her life. One day I went to visit and her daughter was sitting on the floor of the shop crying. When I asked why, she told me she wanted to be in school. So, I told her mother that her children ought to be at school (ECLOF Brazil now requires that clients' children attend school if they are to receive a loan). Mrs Vera told me that she wanted to send her children to school but could not afford to do so. The problem, you see, is that many people are not aware that the government has set up a school programme. I told Mrs Vera about it, got the government forms and helped her fill them out. On my next visit, I was very happy to learn that her children were at school. They are still attending which pleases me very much.

**Is this an unusual story?**

No. We help people all the time. I can think of at least four other children I have helped send to school.

**You seem to have a very good contact with people.**

(Smiles) Well, I like psychology; I even studied it for one year but had to give up because it was too expensive and I needed to support my family.

**What are your hopes for the future?**

I want to use my experience of microcredit work—I have been involved in this now for almost seven years—to help develop solid projects for the development of an increasing number of people from the most varied backgrounds and communities. I want to help increase the outreach of ECLOF in its work for a more just society. I also intend to go back to university to study psychology or to become a social worker. That is really my dream but I do not earn enough to do this yet. I am supporting my family and paying for all our food and my mother's medicines, as well as the water, electricity and telephone bills. I am working very hard to buy a house in order to provide a better home for my family.

*Cristiane, thank you very much for talking to New Horizons about your life and work. Even though your job description does not specify you are to act as a social worker, it seems in some way you have already achieved your dream of being one by the way you help so many people.*

**Condolence**

It is with sadness that we have to report the death of **Dr Anza Lema**, the Chairman of ECLOF Tanzania. Dr Lema, who died on 20 October 2004, will be remembered for his unflinching faith, and his efforts in bringing ECLOF back into operation in Tanzania. ECLOF International sends its sympathy to Dr Lema's family and colleagues at this time of loss.

*After this interview, New Horizons spoke to Antonio Carlos, the Executive Director of CEADe and asked him why he had not shared more stories like this one. Antonio said that Cristiane's story is just part of the daily life of loan officers and he was not aware it would be of particular interest to others in the ECLOF family. However, New Horizons is keen to include stories and photographs of other field staff and would be pleased to receive them for future issues (address, back page).*

**ECLOF directors back new strategic plan**

*contd from p. 1*

Commenting on the plan, the Latin American and Caribbean directors said that ECLOF's operations should not only be financially sustainable but also environmentally so. They added, "What is important is not how many more people we work with but how many we work with on a sustainable basis."

Regional workshops take place every four years. The latest one for the Latin America/Caribbean region took place in September in Salvador in the Brazilian state of Bahia in the north east of the country. Salvador is the third largest city in Brazil, and was the entry point into Latin America for hundreds of thousands of Africans during the time of slavery. The quay where slaves were offloaded into ships still exists, as does the colonial church on the quayside outside which slaves were forcibly baptised as water was sprayed over them. Today, a large proportion of Salvador's population is of African descent.

The President of ECLOF Brazil (CEADe), Bishop Adriel de Souza Maia, officially opened the workshop. Bishop de Souza Maia said that CEADe was happy to host the workshop and he prayed that God would continue to motivate all the participants to act in justice, peace and solidarity.

As always with regional workshops, a variety of key people from the region and beyond attended, and the agenda was a full one.

Worship and Bible study is the core of any ECLOF workshop and this proved to be true in Salvador.

Field visits to ECLOF clients enabled workshop participants to meet people whose lives have been dramatically changed by their own efforts and the provision of an ECLOF loan.

Staff from nine NECs came to Salvador for the workshop (Argentina, Bolivia, Brazil,

Chile, Dominican Republic, Ecuador, Jamaica, Peru and Uruguay). Representatives from two NECs in Africa (Ghana and Tanzania) also took part, along with four ECLOF International staff members, one ECLOF International Board member, two representatives of ECLOF USA, and four guests from other organizations working in partnership with ECLOF (Heifer Ecuador, Oikocredit and World Vision in Brazil, and Episcopal Relief and Development in the USA). In all, 48 participants took part in the seven-day workshop, heard a whole raft of interesting presentations and took part in many stimulating discussions.



Workshop in session

**Workshop presentations**

**Trends**

**José Luis Pereira Ossio,**

Director of ECLOF Bolivia (ANED), dealt with current trends in micro-finance and their impact on microcredit in Latin America



and the Caribbean. Among the trends, he noted the possibility of private capital as a source of finance for microfinance institutions (MFIs) and the implications of this for ECLOF. José Luis emphasised that transparency, governance, self-regulation, stability and solvency, guarantees and information systems are important elements in facilitating access to new sources of financing. He believed NECs must explore new sources of financing if they are to grow and consolidate.

institution. The bishop reminded participants that CEADe's commitment is to the marginalized of society and that the role of the board is to analyse and supervise the efficiency of the institution. The objective of microcredit, said Bishop de Souza Maia, must be social integration with social justice. As major challenges, he cited sustainable growth, commitment to the ecumenical cause, the strengthening of social movements as platforms to publicise and denounce injustice, and the search for new resources.

In the discussion that followed this presentation, one participant commented that what ensures the ecumenical character of an organization is not only the churches that are linked to it but how ecumenism is practised within the organization. It was also suggested that many people are ecumenical for the sake of convenience, and that it was necessary to deepen the understanding of ecumenism within ECLOF.

"When we get hot under the collar", and outlined ways to deal with such a situation. First, conflicts often arise because people, hoping to avoid conflict, do not say what they think. Second, we have to be aware of our preconceptions. These can restrict our ability to observe, change and explore opportunities and possibilities. Third, we have to humanise relationships. We must ask ourselves, "Are employees people or simply the means to achieve our ends?" Finally, teamwork is vital: people must be evaluated in terms of their performance in the team, and this should be an important aspect in determining promotion and salary raises.



**Intermediary organizations**

**Carlos Ventura Malasquez,**

Executive Director of ECLOF Peru, addressed the question of expansion and networking. He began by asking,

"Why lend through intermediary organizations (IOs)?" He outlined a number of reasons for doing so but stressed that careful criteria should be used to select IOs in order to protect the interests of the beneficiaries as laid down in the minimum standards adopted by ECLOF. Carlos

**Challenges**

**Bishop Adriel de Souza Maia,**

President of CEADe, spoke about the challenges and obligations of ECLOF as an ecumenical microcredit



**Hot collars!**

**Rev. David Limo,**

President of ECLOF Peru, spoke about the experiences of ECLOF Peru in dealing with conflict. He entitled his presentation,



recommended that ECLOF should work with IOs that are grassroots community organizations, non-governmental organizations (NGOs), cooperatives, and organizations with links to churches and financial institutions. He then shared ECLOF Peru's experiences with IOs, and cited a number of advantages of working with IOs, as well as the negative aspects that can make working with these organizations difficult.

Gladys Afua Brobbey, Director of the ECLOF Ghana Projects Committee, spoke about the criteria needed for effective group lending methodologies, best practices and how to avoid pitfalls. In response to questions about the role of the board of ECLOF Ghana, Gladys explained that the NEC employs only a few people but that the board is very active and helps with the work. "For the board members", Gladys explained, "being able to work with ECLOF is seen as a divine mandate".



**Networks**

During the workshop, participants had the opportunity to hear from people involved in ECLOF solidarity and support networks.

**Kay Dixon**, a member of the support group, ECLOF USA, described the difficulties and possibilities of fundraising in her country. She asked NECs to send her information about ECLOF's work, including loan amounts made, repayment terms, use of loans, and how loans perform and help the lives of clients. Kay wanted to share the information with other ECLOF volunteers in the USA.

Júlio César Lima Dias gave a short presentation of the work of World Vision in Brazil. He explained that in Brazil, World Vision acts to promote local empowerment and develops projects in the areas of health, education and microcredit.

**James Coe Economou**, representing the regional programme for Latin America of Episcopal Relief and Development, a US agency that supports ECLOF, said that



it was important for NECs to send reports to supporters on the impact of ECLOF's work in the lives of loan beneficiaries.



**Perry Jones** and Fernando Larrea, of Heifer Ecuador, followed up on the topic of food security. For Fernando, this topic

must focus on the struggle against injustice and mobilise people for change. Perry spoke briefly on the history of Heifer and its plans for the future. Fernando described the situation and pressure that peasants in Ecuador are facing as the result of an agricultural model designed by the neoliberal system that is socially and environmentally unsustainable. For him, change will only be possible if we believe in the abilities of peasants, support their struggles for greater social justice and defend a strategy for food sovereignty. He believed that microcredit is part of this strategy and must be managed by the peasants themselves.

Commenting on this dual presentation, some participants commented that the question of food security was not one of conflict between small-scale farmers and the predominant system. What needs to be done, it was argued, is to help small-scale farmers to be more competitive within current predominant models. For this to happen, all the necessary services (credit,

equipment, technical assistance, market access, etc.) must be made available to small-scale farmers. ECLOF's task is also to help peasant farmers gain access to the dominant market and defend their right to food security. If ECLOF does not do this, farmers will be isolated. They have to gain access to markets but must continue the struggle against unfair agricultural policies. (see *Hunger: Annan calls for green revolution for Africa*, p. 15; *Disease and hunger top list of world's problems*, p.11)



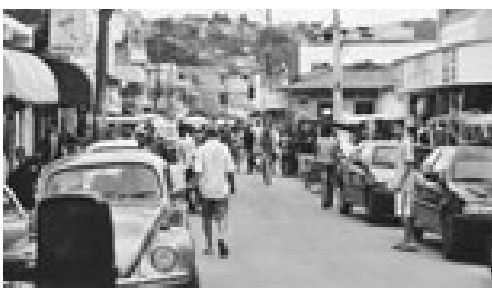
**Ms Katya Collao**, a board member of ANED, gave a presentation on promoting gender policies in a rural context. She began by defining the

word 'gender' and then described some of the characteristics of the situation of the majority of women, first on a general level, and then in Bolivia. She spoke about the need for promoting gender policies in microfinance and how to open the topic for discussion within institutions. For this to happen, it is necessary to build awareness of the importance of the subject and to incorporate it into institutions and their policies. Katya shared some statistical data on the participation of men and women in ANED, and described the work of *Juntas de Aborro y Crédito* (Village Savings and Credit Groups) in which women participate massively.

**IT**

Lúcia Spinola de Góis, Operations Manager of CONFIA, which is a microcredit organization in São Paulo, spoke about the role of information technology in MFIs. She gave a brief report on the process of creating the *Central de Crédito Popular* (Centre for Microcredit) in São Paulo. The challenge of the project, Lúcia said, was to respond to the enormous demand for credit in São Paulo.

**Field visits**



Salvador city

The weekend of the workshop was given over to the field visits, which provided an opportunity for workshop participants to visit groups, cooperatives, communities and micro-enterprises supported by ECLOF Brazil.

On Sunday, following joint Catholic/Lutheran worship in Our Lady of the Conception Catholic Church in the

Periperi area of the city, workshop members went to the parish's community hall for coffee and conversation, and heard details of how CEADe is working in Periperi. Afterwards, it was time to go to the centre of Salvador to attend the inauguration of CEADe's new offices. Then it was on to the Olodum Musical Group's School of Creativity.



Father Antônio de Oliveira (second from left) and Lutheran Pastor Armindo Klumb (right) lead worship in Periperi.



Pounding rhythms bring pride to Salvador's young people.

### Olodum

Anyone who has ever heard members of Olodum playing their drums will never forget the sound and the spectacle. The youngsters, who include some of the city's street children, beat out pulsating rhythms on their red, yellow and black ringed drums. When Olodum marches back and forth, swinging and tossing sticks into the air, and twisting and turning drums as they play, the experience for spectators is breathtaking. However, this is only part of the organization's work with young people.

Olodum began almost 26 years ago to provide Afro-Brazilian music for Salvador's annual carnival. Today, Olodum continues that role but also runs a creative school for 360 children who, in addition to Afro percussion, can attend classes in dance, computer training, Black people's history and civics.

*The range of other groups that the ECLOF visitors met displays an impressive variety of micro-enterprises in Salvador and its surrounding area.*

### Market

The *Grupo Garantia* (Guarantee Group) owns two clothing stores in the large Paripe market on the outskirts of Salvador. The group, made up of three members, has received five CEADe loans with a 3% interest rate for working capital to buy merchandise for the stores. For Mrs Zulmira Francisca de Jesus, a member of the group, the loan was very important

because it provided her with security and the means to sustain her family. CEADe is the only place the group goes for credit because of the preferential conditions it gives to small-scale entrepreneurs.

### Recycling

CAMAPET is a cooperative on the Itapagipe peninsula that collects rubbish (trash) and recycles it. The cooperative began after research showed that trash was one of two main causes of poor socio-environmental conditions on the peninsula (the other was unemployment). The cooperative is made up of thirty young people, both male and female, ranging in age from 16 to 24. Young people interested in becoming a member of the cooperative must attend a course on cooperatives and environmental education, and live on the Itapagipe Peninsula.

### Paper

The *Cooperativa Múltipla União Popular dos trabalhadores de Tancredo Neves* (Popular Union of Workers Mixed Cooperative of Tancredo Neves) began in April 2000 with 36 members, of whom 32 were women. Today, ten people belong to the group and they produce recycled paper products including picture frames, gift boxes, cards and A4 and A3 paper.

### Periperi

The Periperi Catholic Community has received three CEADe loans. The first helped to bring together residents of the neighbourhood and a group of ecological farmers. Each week the farmers would

come to Periperi to sell their products. The loan was used to buy supplies and a vehicle to transport the produce. The second loan was used to set up a people's medicinal plants pharmacy. The final loan paid for remodelling the community hall. In the view of the parish priest, Father Antônio de Oliveira, ECLOF's interest rates are not high and the loans have helped to develop important activities within the community.

## Bible reflections

Rev. Dr Afonso Ligório Soares from São Paulo led the daily Bible reflections at the Latin America/Caribbean workshop. He took passages from the Old and New Testaments that provided moments for deep reflection about God's justice and wish for all people to enjoy fullness of life. Dr Soares's choice of titles for his addresses reflected the scope of the Biblical witness to his theme:

- Jehovah is the righteous God who stands above all other gods;
- The "project" of Jehovah is synthesised in the Decalogue (Ten Commandments);
- Jesus's perplexing logic;
- Jesus's miracles in the past; our miracles today;
- Jehovah knows (loves) the way of the righteous.



ECLOF clients in Salvador, Bahia.

# Microfinance and HIV/AIDS

## Improving MFI and donor response



Assist the Poor (CGAP) ([www.cgap.org](http://www.cgap.org)), a consortium of 28 public and private development agencies working together to expand access to financial services for the poor.

The consequences of the HIV/AIDS virus are exponential, according to a briefing document published by the Consultative Group to

Affected households, says CGAP, can use financial services as one way to protect and build their economic resources. Launching a financial intervention specifically to target persons with AIDS, however, would not be appropriate, given that financial services depend on the on-going ability of clients to earn income. MFIs that operate in hard-hit regions can serve the families and supporters of infected people and can benefit by planning for the institutional risk posed by HIV/AIDS. They can also build effective links to specialised providers of health and insurance services.

Entitled, *Helping to Improve Donor Effectiveness in Microfinance—Microfinance and HIV/AIDS*, the briefing says that over 40 million people worldwide are living with the HIV/AIDS virus, and 15,000 are newly infected every day. The consequences, says CGAP, touch not only those infected with HIV/AIDS, but also deplete the economic and social resources of entire families and communities. In countries heavily affected by HIV/AIDS, microfinance institutions (MFIs) and the donors that support them are struggling to combat the impact of the epidemic on clients and MFI institutional viability.

In the last issue of *New Horizons* (“HIV/AIDS and microfinance”, p. 1) we reported on the microfinance work of ECLOF Zimbabwe (ZECLOF) with those living with HIV/AIDS, and in particular ZECLOF’s association with the National AIDS Council and the introduction of loan schemes linked to HIV/AIDS.

As a further contribution to the response to the HIV/AIDS pandemic, *New Horizons* is pleased to be able to reproduce the following extracts from the briefing paper.\*

### How does HIV/AIDS affect poor households?

About 95 percent of new HIV infections occur in the developing world, triggering a vicious cycle for poor communities. As poverty deepens, poor people’s vulnerability to the disease increases, and their ability to protect themselves against further economic losses decreases. Households where one or more persons suffer from prolonged HIV/AIDS-related illnesses experience a decline in income for three reasons:

- lost income of a sick adult;
- lost economic productivity of the healthy adults who become caregivers;
- dramatic increases in household expenses, especially for medical care.

Households handle economic stress in different ways, depending on their initial resource base. Economically diversified

households are usually better able to cope. Other families are forced to liquidate their savings, reduce food consumption, borrow from informal and formal sources, and cut back on non-essential expenses (including school fees and non-emergency health needs). As a last resort, households may sell their assets such as household items, tools, livestock, and land—leaving them less able to earn income in the future.

### How can financial services best be used in communities grappling with HIV/AIDS?

Financial services alone cannot solve the repercussions of HIV/AIDS. However, access to a broad range of financial services—especially savings—can help households build a safety net to deal with the impact of the disease.

The more vulnerable a household, the less likely it will be able to use microfinance

effectively. When faced with a crisis, families may find it impossible to continue investing in productive activities, saving, paying insurance premiums, or repaying loans. Social services or grant programmes may be better alternatives for such directly-affected poor households.

### How can financial institutions be effective in heavily affected HIV/AIDS areas?

**Linkage approach.** MFIs can leverage their relationship of trust and proximity to clients to provide basic messages on HIV/AIDS prevention and care. Beyond that, MFIs can serve as brokers, referring clients to specialised providers of health and insurance services. The linkage approach allows each institution to focus on its core competencies. For example, FINCA/Uganda negotiated an insurance plan for its clients with Microcare, a health plan provider that offers coverage of acute HIV/AIDS-related episodes, plus three weeks of hospital care every four months. The fee-based plan is offered as an option to MFI clients.

**Portfolio diversification.** MFIs can operate successfully in communities seriously affected by HIV/AIDS by maintaining a diverse portfolio. Explicitly targeting persons living with AIDS, however, can overly concentrate the portfolio and severely impair an MFI’s ability to achieve sustainability and scale. This approach can also overburden clients with debt they cannot

Who can use financial services in regions affected by HIV/AIDS?	What products and policies are responsive to their needs?
<ul style="list-style-type: none"> <li>■ individuals who are HIV-positive, but still productive;</li> <li>■ productive family members of HIV-positive individuals;</li> <li>■ surviving spouses, children, or parents;</li> <li>■ households unaffected by HIV/AIDS.</li> </ul>	<ul style="list-style-type: none"> <li>● flexible savings;</li> <li>● education trusts for minors;</li> <li>● emergency loans;</li> <li>● burial insurance;</li> <li>● loan insurance (in case of death);</li> <li>● acceptance of younger and older clients.</li> </ul>

\*Microfinance and HIV/AIDS, CGAP Donor Brief, no. 14 by the United Nations Capital Development Fund/Special Unit for Microfinance (UNCDF/SUM) with Joan Parker and CGAP staff (Washington, DC: CGAP, September 2003, rev. January 2003).

manage. In 1999, World Relief/Rwanda launched a pilot lending programme for people with AIDS. The programme was halted after 100 percent of clients in one borrower group defaulted on their loans.

**Risk management.** Financial institutions need to develop risk management strategies to prepare for the impact of HIV/AIDS. Such strategies include advance planning on how to respond to clients in crisis (i.e. clients who default due to illness); planning for reduced savings rates; monitoring for higher dropout, absentee, and (possibly) default rates; strengthening management information systems; and adjusting loan-loss provisioning.

### What can donors do to support an effective microfinance response to the HIV/AIDS crisis?

- **Avoid pushing MFIs to launch operations in markets specifically to respond to the HIV/AIDS crisis.**
- **Facilitate the exchange and dissemination of lessons learned across the microfinance community.**
  - Better understand the prevalence of HIV/AIDS and its impact on clients and MFIs;
  - Improve the ability of MFIs to respond to the crisis (e.g., workshops on operational planning);
  - Reduce the social stigma of HIV/AIDS;
  - Develop guidelines on non-discriminatory HIV/AIDS workplace policies.
- **Support financial institutions that are focused and specialised.** Only sustainable, efficient MFIs can provide communities affected by HIV/AIDS with permanent access to financial services. MFIs that directly integrate non-financial components into their microfinance activities are likely to incur high costs and overstretch the capacity of management and staff. Most integrated programmes have poor results for clients with regard to both the quality and appropriateness of financial and HIV/AIDS services.
- **Encourage innovations in linkages and broker strategic partnerships** between strong MFIs and organizations providing HIV/AIDS-related services, including seed funding for cross-sectoral collaboration, such as experimenting with separate-but-linked finance and health projects.

## The risks of crop insurance

The threat of climatic shocks, pests, fires, and natural disasters makes managing and mitigating risk an important part of the business of agriculture. In developed countries, modern risk management techniques and crop insurance are widely available. Farmers can count on having 30–70 percent of their crop insurance premiums subsidised by the government.

In developing countries, crop insurance tends to cover only a few crops and benefit a relatively small number of farmers. Governments can't afford the level of subsidy that would be needed to assure wider coverage. Thus, farmers in these countries are more dependent on on-farm techniques to minimise exposure, and on emergency relief to cover losses when catastrophic events occur.

At a roundtable on agriculture risk management at IDB headquarters, experts from the Spanish Agricultural Insurance Agency (ENESA) and representatives from the Ministries of Agriculture of the Dominican Republic, Peru and Uruguay reviewed crop insurance experiences in the United States, Canada, Western Europe and those three Latin American countries.

Most participants agreed that traditional subsidised crop insurance systems, such as those in the U.S., Canada and Japan, are not sustainable in the long run, especially in low-income countries, most of which face serious fiscal constraints.

Some participants argued that traditional multiple peril crop insurance is inherently unsustainable and plagued with moral hazard, such as false claims. Many of these schemes in both developed and developing countries generate political rent seeking and tend to benefit the better-off farmers. In the context of low and middle-income developing countries, additional weaknesses in information and legal infrastructure make design and operation of this type of insurance even more difficult.

There's also the additional challenge of demographics. In developing countries, where farmers can exceed 30 percent of

the total population, schemes that make it mandatory to purchase crop insurance would be unworkable, from the perspective of both farmers and the government. In Europe and other developed countries, farmers tend to make up less than seven percent of the population, so resources for subsidies are far less burdensome.

Two other models were presented as alternatives. Juan Carlos Cortés, president of the Mexican crop insurance company ProAgro, suggested that private insurers can profitably and sustainably underwrite multiple peril products by carefully designing products to minimise the risk of moral hazard. This would require highly skilled staff, extensive information systems, and statistical modelling. The other approach advocates experimenting with parametric instruments that tie indemnity payments to an easily observable trigger such as rainfall or temperature. These instruments completely eliminate moral hazard and dramatically lower administration costs associated with monitoring and making claim adjustments. This alternative would require a massive amount of information to design, as well as reliable and secure sensing devices.

The question of how to design an efficient and cost-effective risk management program to benefit a large number of rural agricultural producers remains unanswered. A number of countries are trying new crop insurance initiatives and experiments, but conclusive results are not in yet. Mark Wenner, a financial specialist at the IDB, urged that caution is needed. "Industrial countries can afford large subsidy outlays without too much fiscal strain, but for a struggling developing country you are in the position of robbing St. Peter to pay St. Paul", he argued. "Do I build a rural road, build a rural school, build a hospital, or finance a crop insurance scheme when there is only enough public money to do one of the things on the list?"

Source: *Inter-American Development Bank (IDB), April, 2004.*



The IDB Web site ([www.iadb.org](http://www.iadb.org)) describes the organization as "the main source of multilateral financing for economic, social and institutional development in Latin America and the Caribbean."



# Busted!

*EU & US farm subsidies illegal, says world trade watchdog*

The international development agency Oxfam has welcomed a World Trade Organisation ruling that the majority of subsidies the European Union (EU) and USA pay their sugar and cotton farmers are illegal.

In an 8 September 2004 statement on its Web site ([www.oxfam.org.uk](http://www.oxfam.org.uk)), Oxfam reports that, "In two separate cases brought by Brazil and other developing nations, the EU and US have been found guilty of paying subsidies that encourage overproduction and allow the dumping of excess farm produce overseas, which undermines the livelihoods of poor farmers in the third world."

"These rulings are a triumph for developing countries and a warning bell for rich countries who consistently flout the rules at the WTO, and whose unfair systems are creating misery and poverty for millions" said Phil Bloomer, Head of Oxfam International's *Make Trade Fair* campaign.

The cotton panel found that \$3.2 billion in US cotton subsidies and \$1.6 billion in export credits (for cotton and other commodities) are against WTO rules. This represents almost all cotton subsidies and close to 50% of all export credits used by the USA in 2002.

The sugar panel found the EU is violating its commitments to the WTO by exporting up to four times more subsidised sugar on to world markets than is allowed.

In each case, the parties will have the opportunity to appeal the rulings before the deadline for implementation next year. Oxfam is urging the countries not to appeal but to implement the rulings quickly and in good faith.

## Campaign

Oxfam has documented the effects of rich country agricultural subsidies as part of its *Make Trade Fair* campaign. Oxfam estimates that US cotton dumping cost Africa more than \$300m between 2001 and 2002, while Mozambique, Malawi and Ethiopia have lost \$238m since 2001 as a result of restricted access to Europe's markets for their sugar.

## Sugar scam

The WTO rulings follow the Oxfam "Great EU Sugar Scam" campaign. In an August

2002 briefing document, Oxfam claimed Europe's sugar regime is devastating livelihoods in the developing world, and that, under the Common Agricultural Policy (CAP), the EU has emerged as the world's largest exporter of white sugar. According to Oxfam, subsidies and tariffs generate vast profits for big sugar processors and large farmers, as well as vast surpluses that are dumped on world markets; smallholder farmers and agricultural labourers in poor countries suffer the consequences. Oxfam has called for an immediate end to EU sugar exports and improved market access for the poorest countries. Oxfam believes that no agricultural sector is in more urgent need of radical reform.

The agency argues that, under the sugar regime, quotas and high tariffs set Europe's sugar prices at almost three times world market levels. High guaranteed prices are said to result in huge surpluses that are dumped overseas with hefty subsidies. Each year, Oxfam adds, consumers and taxpayers foot a bill of €1.6bn (US\$1.57bn), and each year developing countries—many of whom the EU is encouraging to liberalise under IMF-World Bank auspices—suffer the consequences of the resulting unfair trade practices.

Allegations of export dumping are strongly denied by EU policymakers and the sugar industry lobby; they claim that the regime is self-financing. Yet, says Oxfam, the facts speak for themselves: "According to the World Trade Organisation, dumping is said to occur when a company exports a product at a price lower than the price normally charged in its home market. Europe exports sugar at prices around 50 to 65 per cent less than the high prices guaranteed under the CAP—far below European costs of production. This is only made possible by hidden export subsidies, raised through levies on farmers and processors—levies which they can afford because of the high price they receive for their sugar. Rather than being 'self-financing', the regime is ultimately paid for by Europe's consumers."

Oxfam states that the EU likes to justify the sugar regime as an investment in rural development and as an environmental benefit, though the development agency claims such arguments hide the real impacts. It believes that, as in other areas of the CAP, sugar subsidies are reinforcing

the gap between rich and poor farmers, and encourage inefficient resource use, and support environmental degradation. Less visible, adds Oxfam, is the social and economic havoc inflicted on farmers in some poor countries, who have not only seen their exports shut out by EU tariffs but also face EU competition in third markets.

According to Oxfam, developing countries are hit by Europe's sugar policies through four channels:

- **Restricting market access.** "High tariffs and import quotas prevent some of the world's poorest countries from gaining access to EU markets, with attendant losses for rural incomes, employment and foreign exchange earning."
- **Undercutting export opportunities.** "Because Europe dumps its excess production overseas, it pushes other exporters out of third markets. In 2001 Europe exported 770,000 tonnes of white sugar to Algeria and 150,000 to Nigeria—these are lost export opportunities for more efficient producers in southern Africa."
- **Undermining value-added processing.** "A handful of African, Caribbean and Pacific (ACP) developing countries receive valuable quota access to export their cane sugar to the EU at its high price. But even they can only export raw sugar, to be processed in the EU—so inhibiting the development of their own refining industries."
- **Depressing and destabilising world prices.** "Europe subsidises its sugar exports to bridge the gap between its own high price and low world prices. Even if world prices fall unsustainably low, Europe matches the difference. The effect is that the EU depresses world prices—often to levels below the costs of production of even the lowest cost producers such as Malawi, Mozambique and Zambia. This damages their investment prospects by shrinking expected foreign exchange earnings. In addition, the EU claims that its fixed export quotas are predictable, so helping to stabilise the world market. But this ignores the impact of its highly variable non-quota exports that actually exacerbate world market price fluctuations."

## Disease and hunger top list of world's problems



The fight against HIV/AIDS and malaria, eradicating hunger and promoting free trade are the most urgent problems on the planet, and much more pressing than global warming, a panel of top economists has decided.

Eight experts, including a number of Nobel Prize winners, announced their conclusions earlier this year at the end of the week-long Copenhagen Consensus conference, which had been called to prioritise how to spend an imaginary extra US\$50 billion to improve the world.

The panel gave the highest priority and 'allocated' US\$27 billion to combating HIV/AIDS because of its humanitarian urgency, in particular in Africa. "Although costs are considerable, they are tiny in relation to what can be gained", the group said in a statement. The AIDS virus has infected 43 million people globally and has killed more than 25 million. Hunger was ranked as the second most important problem and the panel wanted to spend US\$12 billion to fight malnourishment, especially among children.

The Copenhagen Consensus project is the brainchild of a group headed by Bjorn Lomborg, the controversial Danish author of "The Sceptical Environmentalist" and director of the Environmental Assessment Institute think-tank. Traditional "greens" criticise Mr Lomborg for his views on global warming.

The Consensus panel was faced with ten challenges: climate change, diseases, hunger, migration, sanitation, corruption, trade barriers, education, conflicts and financial instability. It ranked 17 solutions to seven of the challenges, and said there was insufficient information on the other three problems. However, it decided to assign money only to what it considered the four most urgent issues. "That encapsulates the big dilemma. Everyone would love to address all the problems if there were enough money. But as long as money is a scarce resource we have to focus on where should we do most good first", Lomborg told a news conference.

The organizers of this prioritising exercise say that the list of priorities identified could be beneficial to decision-makers all over the world.

# Costs, competition and interest

The following messages are part of an e-mail exchange on one of the major issues in the field of development finance.

**From: Dave Richardson**

*Subject: Development Finance: Interest versus costs*

I am a little surprised at Brother Claudio's response, below, although I know how difficult it is to put all of your thoughts in one succinct paragraph.

*(Claudio wrote) "Reductions in costs will come from greater efficiency in operations, from innovations in financial technologies (the ways financial services are produced), from economies of scale and economies of scope, from portfolio diversification and other means to improve risk management, among other paths for cost reduction."*

New technology or greater efficiency that reduces cost doesn't necessarily mean that lower interest rates will follow, especially if you are a for-profit company with demanding stockholders who want to retire early in life! Did MCI lower my phone bill when they fired thousands of people and moved their service centre to

India, where the labour costs are a fraction of the cost that they are here in America? I didn't see any check in the mail! The stockholders will benefit, not the consumer. Hence, MCI will only lower its rates if the competition makes it necessary to do so, and, therefore, competition seems to be the only true force that will benefit the poor. The many inefficient MFIs in the industry will not be forced to reduce costs until the competition makes it necessary to do so. The Day of Reckoning is quickly approaching.

There is one exception to this statement. If a business enterprise has the stated policy of passing along all cost savings from greater efficiency to the consumer, then a reduction will happen, regardless of the competition. Another reason why Claudio should join a credit union!!

Dave Richardson  
World Council of  
Credit Unions, Inc.  
dcr@bwn.net



**From: Chuck Waterfield**

Here's to competition! I agree, David. Competition is the primary incentive to lowering interest rates; we can't rely on the good intentions of MFIs, even if they started from non-profit social motives.

I think the general pattern is (and I emphasise "general"):

- 1 High interest rates are justified by high costs.
- 2 Competition comes along forcing MFIs to look at their interest rates.

- 3 The pressure to lower interest rates causes MFIs to look for ways to lower costs via efficiencies, technological innovations, etc.
- 4 Those successful in lowering costs then are able to lower their interest rates and are thus successful.
- 5 Those unable to lower their costs are stuck with high interest rates and eventually lose their client base (yes, clients ARE interested in the cost of credit!).

Chuck Waterfield  
waterfield@microfin.com



### New post for ECLOF chairperson

Rev. Prof. Christoph Stückelberger, chairperson of ECLOF International, has been appointed Director of the Institute for Theology and Ethics of the Federation of Swiss Protestant Churches.

Prof. Stückelberger moves to his new position after 12 years as the General Secretary of the Federation's agency for development services, Bread for All. He will, of course, continue in his role as ECLOF chairperson.

In his new job, Prof. Stückelberger will focus on ethics and theology while

working on current social, political, economic and ecclesiological issues. He expects to produce in-depth studies and position papers for the Federation's member churches. Dr Stückelberger will also remain Professor of Ethics at the Theological Faculty of the University of Basel.

*New Horizons* wishes the ECLOF chairperson all good things in his new appointment.

The new General Secretary of Bread for All is Rev. Reto Gmünder. He takes up his position in February after finishing a five-year assignment in Cameroon.

# International Board news

## Annual Meeting

The 2004 ECLOF International Board took place on 22, 23 and 24 November at La Longeraie conference centre in Morges, Switzerland.

### New strategic plan approved

After a full day's discussion, the annual meeting of the ECLOF International Board approved a strategic plan for the organization's work over the next five years (2005/9). The plan contains four main themes:

- sustainability;
- outreach and impact;
- resource mobilisation at global and national levels;
- relationships, with an emphasis on strategic partnerships and networking.

The new strategic plan calls for maintaining at least 50% financing of rural credit and the same percentage for the financing of women's enterprises.

Outreach work will be concentrated in those countries where ECLOF currently operates.

While commending the in-built local autonomy and participatory decision making that forms part of the ECLOF model of microfinancing, the strategic plan calls for a review of existing legal arrangements in order to enhance efficiency and to expedite decision making.

The plan also calls for diversifying the source of resources, as well as developing further new funding instruments in order to raise the US\$21.4 million required over the plan period.

## Education and training

At its meeting, the International Board considered a preliminary report of an evaluation being carried out of ECLOF's support for education and training projects.

The Board heard that the review had been set up because ECLOF's lending for education and training purposes has increased significantly over the past two years, and few other similar organisations finance this sector.



Dr. Makonnen Getu, one of those who is conducting the review, presented the first findings. He explained that the evaluation had been completed in Kenya, the Philippines

and India, is still being done in Peru, and that ECLOF Kenya and ECLOF India are studying the preliminary report in order to comment before final publication.

### Report so far

To date, the evaluation has shown that, in addition to its increasing focus on microfinance for business purposes, ECLOF International has continued to provide its traditional loans, including loans to education and training institutes. The preliminary evaluation report provides a review of the experiences and impacts of ECLOF educational loans in Kenya, the Philippines and India.

### Goals

Achieving universal primary education is one of the key components of the United Nations Millennium Development Goals (MDGs) declared in 2000. Since the world's leaders adopted the MDGs, the international community has been directing its efforts in various forms to promote education and fight illiteracy. Another goal, also related to education, is to promote gender equality and empower women by, among other things, achieving parity between girls and boys.

According to the August 2004 report of the UN General Secretary, sub-Saharan Africa, Southern Asia and Oceania are still short of meeting the goal of universal primary edu-

cation in contrast to all other developing regions that have experienced an increase in their primary net enrolment ratios. About 121 million children, of whom 65 million are girls, are estimated to be out of school; Africa, Southern Asia and the least developed countries are still home for the overwhelming majority of these children.

### ECLOF

ECLOF International has been one of the few microfinance institutions that has taken the issue of education and training, as well as gender parity, as a major concern in global development and responded in a positive way. By the scale of its operation both in terms of geography and portfolio size, ECLOF International is the leading microfinance institution in making a direct contribution to education and training. This positions ECLOF International as an important player in complementing national and global efforts in the implementation and achievement of the MDGs.

The overall global educational investment made by ECLOF International during 1999–2003 amounted to about US\$2.9 million. The loans were made to 438 education and training projects across Africa, Asia, the Caribbean and Latin America. Most of the loans went to Africa and Asia where, particularly in Africa, countries are

finding meeting the MDGs in fighting illiteracy and achieving development difficult.

In India, Kenya and the Philippines, three of the countries evaluated in this ECLOF exercise, the education sector is commonly characterised by high student-teacher and student-textbook ratios, and inadequate school infrastructure and facilities. Other problems include high absentee and drop out rates, as well as low completion rates. Of the three countries, Kenya is most affected by these problems and India is next; there are also regional and gender (female and male students) variations.

In all three countries, ECLOF loans have mostly been used for:

- completing school buildings constructed for the purpose of increasing classrooms or expanding from nursery to primary, or from primary to secondary levels;
- renovating old buildings;
- constructing laboratories and sanitation facilities;
- purchasing equipment, furniture and engineering machines.

The focus, therefore, has been on increasing quantity (providing more educational infrastructures) and less directly on quality, though the former has led to the latter.

### Improving standards

Generally, the construction of new classroom blocks and renovation, as well as equipping and improving the facilities of schools and training institutes, has increased the level of enrolment in the areas where these projects are located. The creation of well-equipped and conducive learning environments has also improved the satisfaction levels of both teachers and students. This has, in turn, led to improved retention rates among students, teachers and administrative staff. School attendance and performance have shown a corresponding improvement.

All this does not mean that the schools now enjoy ideal conditions. Although conditions might be better than in many other rural schools, the ECLOF supported schools are usually still far too rudimentary. One exception in Kenya is the Bethlehem Academy where basic standards are better met.

Although still limited, the contributions made by the schools and training institutes in Kenya, India and the Philippines in promoting education and vocational/technical skills are a clear indication that ECLOF educational and training loans have begun to bear fruit. When properly directed and managed, these loans are likely to strengthen national and global efforts to achieve the MDGs. To play its global role more effectively, ECLOF should:

- develop clear educational loan policies and strategies for implementation, against the background of specific national contexts;
- separate the management of educational loans from conventional microfinance in order to enhance efficiency, excellence and regular monitoring;
- develop criteria for ensuring that private schools and training institutes do not convert into profit-making ventures without a commitment to meet their social responsibility;
- increase human and technical capacities to mobilise both local and international funding.



## ILO support for microfinance

Dr Bernd Balkenhol, Head of the Social Finance Unit of the International Labour Organization (ILO), attended the annual ECLOF International Board dinner and spoke about the importance of 2005 being designated by the United Nations as the International Year of Microcredit.



Dr Balkenhol also explained why the ILO has an interest in microcredit, and gave details of the programmes the organization has developed both in training and other related issues. The ILO has published *Leasing for Small and Micro Enterprises* (see *New Horizons* 31, p. 23) as a guide for designing and managing leasing schemes in developing countries.

ECLOF already has links with the ILO. Recently, some managers from national ECLOF committees participated in ILO training programmes in Turin, Italy. For the future, ECLOF and the ILO are organizing a meeting of microfinance practitioners in May as a contribution to the International Year of Microfinance 2005. The next issue of *New Horizons* will include a report of this event, which will take place in Geneva.

# Board changes

*The ECLOF International Board has bid farewell to two of its members, and welcomed seven new members.*

## Farewells



Ms **Maria Blanca Juele** retired from the board after completing her term of office, which began following her nomination at the regional work-

shop in Peru in 2000. Unfortunately, Maria Blanca was not able to be at the dinner due to sickness. In a message to the Board, she wrote:

*I want to send you all my warmest regards and wishes for the next years.*

*Having worked with ECLOF for 16 years, I could evoke now thousands of memories. There were those difficult moments in the late 1980s and beginning of the 1990s when drastic changes were needed and we were called to start the process in our country. Then I can recall the following encouraging years, when we faced all kinds of challenging situations, ups and downs, joys and pains; discouraging days*

*and the ever renewed conviction of what our mission means.*

*Today, before leaving you, I want deeply to thank the ECLOF family for all I've learned in these years.*

In expressing his appreciation of Maria Blanca's work for ECLOF, the Chairman, Rev. Prof. Christoph Stückelberger, recalled her commitment to the mission of ECLOF and her contribution particularly in the Executive Committee. He also referred to the many workshops in which Maria Blanca had participated not only in Latin America but also in Ghana and Romania.



**Jessika Kehl-Lauff** retired after serving on the Board since 2000. In paying tribute to Jessika, the Chairman said that she had, very early in her term, participated at the

Africa regional workshop in Zimbabwe, a country in which she was supporting other

community initiatives. He pointed out that Jessika's legal background had always been evident in her contributions on matters that required precision thinking.

In her response, Jessika, adopting her usual good-natured attitude, said she had enjoyed participating in the work of ECLOF, and working with the great diversity of people who sat with her on the Board.

**New members**

Nine new members have been appointed to sit on the ECLOF International Board.

**Ricardo Bebiano Costa** is from Brazil where he is the founder and Executive Manager of CAPINA (Cooperative to Support Projects of Alternative Inspiration). Ricardo has qualifications in business management and electrical engineering. As if to show the range of his talents, this new ECLOF Board member is a past-President of the Brazilian Poultry Union. Ricardo was nominated for membership of the Board by the national ECLOF committees (NECs) of the Latin America/Caribbean region.

**Edgar Guardia** is an economist from Bolivia where he is currently the Executive Director of FDTA-Valles (Foundation for the Agricultural Technology Development of the Valleys). He previously worked as a consultant economist and is a former General Manager of the Centre for Social & Economic Development, which is a Bolivian non-governmental organization. Like Ricardo, Edgar was nominated by the Latin America/Caribbean NECs.

**Geneviève Jacques** is a senior staff member of the World Council of Churches

where she coordinates all the WCC's programme work. Geneviève is from France and a former General Secretary of CIMADE, the French Ecumenical Service Agency.

**Elizabeth Kisiigha** is from Uganda and holds a master's degree in economic policy management. Among a number of posts within development work that she has held in her country, Elizabeth was the Area Project Officer for a Rural Microfinance Support Project based in the office of the Prime Minister. Elizabeth will represent the national ECLOF committees of Africa on the Board.

**Alexandr Poghosyan** is an economist and comes from Armenia where he is the treasurer of Armenian ECLOF. He is a microcredit consultant and currently Managing Director of Alpha Plus Consulting, a joint US-Armenian venture, as well as Chair of the Centre for Microfinance Development and Research. Alexander has been nominated to represent NECs in the Eurasia/Pacific region.



**Zivaishe Zinyoro Ratisai** is the Chairman of ECLOF Zimbabwe and works professionally as a consultant in the areas of finance and economic planning and development

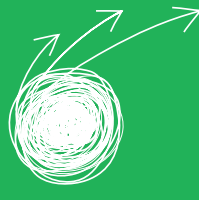
(see *New Horizons* 31, p. 14). Zivaishe was nominated to represent NECs in Africa.

**Karl J Rechsteiner** is from the German-speaking part of Switzerland and a member of the Roman Catholic Church. He was a journalist for over 20 years and now is the owner of the Café Hugo in his home

town of Oberdiessbach. Karl has been a member of the Board of Directors of Oikocredit International and Vice-President of the Board. He will represent the Swiss constituency on the ECLOF Board.

**Muriel Siki** will be a representative on the Board of the Swiss constituency. She is herself Swiss-American and has been a television journalist for over 25 years. Muriel currently lives near Geneva and makes programmes for the Swiss national television service.

**P. Yesuthasen**, representing the Eurasia/Pacific NECs, is a consultant and trainer in foreign exchange and interest rate risk management, as well as a director of an IT company in India. Since 1999, Yesuthasen has been a member of the ECLOF India Board and project screening committee. He is also a trustee of the East West Foundation of India which runs a clinic for rural underprivileged people.



**International Year of Microcredit 2005**

*Building inclusive financial sectors to achieve the Millennium Development Goals*

ECLOF International Chairperson, Rev. Prof. Christoph Stückelberger attended the launch, in New York, of the International Year of Microcredit 2005 by the UN Secretary General Kofi Annan. Prof. Stückelberger was attending a World Council of Churches meeting in New York at the same time and so could attend the launch, which took place on 18 November at the UN headquarters in the city.

The International Year of Microcredit 2005 is an effort to build support for making financial services more accessible to poor and low income sectors of society.

At the ECLOF International Board meeting, members discussed the need for the ECLOF International Secretariat, national ECLOF committees and all partners to take part in the different activities planned for the International Year of Microcredit in 2005.

The joint ECLOF/ILO seminar planned for next May (see *ILO support for microfinance*, p. 13) will be one of ECLOF's contributions to the special year.

**Season's Greetings**

*The ECLOF International Board and staff send seasonal greetings of peace and goodwill to all of our partners and New Horizons readers.*



**Front row:** Günter Rath, Mathews George, Alexandr Poghosyan, Jessika Kehl-Lauff, Karen Prudente, Edgar Guardia, Priscilla Daniel (staff), Elizabeth Zimba Kisiigha, Christoph Stückelberger, Muhungi Kanyoro (staff), Geneviève Jacques.  
**Back row:** George Petty (staff), Guillaume Taylor, Nils-Gunnar Smith, Henk Moll, P. Yesuthasen, Nejib Ababor (staff), Ely Vandenberg, Tor Gull (Oikocredit). Not in photo: Zivaishe Zinyoro.

## Caught in the middle

*In Kenya, The Daily Nation newspaper has described the struggle to earn a living for one group of farmers who live on agriculturally rich land yet reap a poor return for their labours.*

In a signed article, John Mbaria, who writes on environmental issues, tells the story of a community of farmers who own small plots of land perched along the eastern escarpment of the Rift Valley in Kenya, where the volcanic soil is fertile and rainfall is good throughout the year.

The farmers grow a variety of staple crops: maize, beans, potatoes, kales and cabbages. In addition, plum and pear trees produce large quantities of fruit.

However, says John Mbaria, just like many other agriculturally rich zones of Kenya, the area is characterised by poverty and an intense struggle for survival that is based on a rhythm of production that repeats itself year in and year out.

For instance, as soon as the first plums and pears ripen, respectively, in December and February, an army of middlemen invades the area in search of produce. Others employ collectors who, for a song, gather the crops in sacks during the day and place them along the Nairobi to Nakuru highway to be picked up in the evening by buses and trucks en route to Nairobi, Mombasa, western Kenya and beyond.

To raise their crops, the farmers must put in long hours and somehow find a way of paying for fertilisers and pest control chemicals.

In his article, John Mbaria says each farmer must wake early every morning as he is always worried about what might have become of his crops whilst he has been asleep: "The very thought that the village thief might have stolen his potatoes at night gives him shivers. Three to four months down the line, he is ready to

harvest. He picks the first fruits of his labour amidst hope, prayers and worry. He is hopeful that the crops will fetch good prices and prayerful that God will continue to bless the land with rain."

Mbaria then describes how the farmers lose control over the price their harvest will fetch. Reluctantly, they have to accept what is offered, even though they are angry about it. They cannot wait to see if prices will rise. Not only will their crop rot but the farmers also need cash to buy other foodstuffs, pay school fees and other expenses.

As a result, a complex web of middlemen have a field day and the price of the fruit and vegetables goes up and up as the produce makes its way to the consumer in the shop.

Mbaria also claims, "(There are others) who upset the order in the chain. These are the manufacturers of potato products, who, having fried and packed potato crisps in polythene, land for themselves very handsome profits so that today a 400 gram pack of crisps from a factory in any of Nairobi's super stores, sells at Sh154. It takes little imagination for one to guess how many such packs, and how much the factories can make from a 20 kilo bucket of raw potatoes."

"Despite the obvious exploitation, the farmer continues with the same hope, same complaints, same powerlessness, same prayers. Resignedly, he prays to God and to the government for intervention. Sometimes, God intervenes in ways the farmer cannot recognise. But the government continues in the business as usual manner with its key officials making run of the mill statements when they are not treating Kenyans to some political comedy."

Mbaria says that the farmer finally realises the government might never come to his aid. "He and his spouse lose hope as age catches up with them... Eyes get cloudy. Diseases creep into their systems. And, since they had been working for 'nothing' throughout their most productive years, they succumb. The man of the house usually leads."

## Hunger: Annan calls for green revolution in Africa

UN/DPI Photo by Sergey Bermeiev



ECLOF International has noted with interest the recent call by UN Secretary General Kofi Annan for a green revolution to feed Africa's hungry.

According to a 6 July report in the Kenyan newspaper, *The Standard*, Mr Annan said the world's poorest continent must kick-start food output if it is to achieve long-term peace.

The UN leader was speaking in Addis Ababa at a food conference, ahead of the African Union summit in the Ethiopian capital. Africa, Annan claimed, was unlikely to reach its target of halving hunger by 2015. This would leave millions doomed to chronic poverty and vulnerable to everything from natural disasters to the global AIDS epidemic.

"Let us generate a uniquely African Green Revolution—a revolution that is long over-

due, a revolution that will help the continent on its quest for dignity and peace", Mr Annan told the conference, which was attended by African leaders as well as scientists, food experts and representatives from rich donor countries.

*The Standard* commented that Africa has largely missed the benefits of earlier green revolutions that harnessed technological advances to triple food output in Asia and Latin America, and dramatically lowered the number of undernourished people.

According to the newspaper, nearly 200 million people, or one-third of adults in sub-Saharan Africa, remain severely undernourished, and food output is declining in 31 out of 53 African countries despite a population expected to double to 1.5 billion by 2030.

*The Standard* added that Africa's AIDS crisis, which infects roughly 27 million people across the continent, is also playing havoc with food output, killing millions of

agricultural workers and forcing even more off the fields to care for the sick.

Participants at the food conference presented strategies for dealing with hunger in Africa. Some are already in practice in countries ranging from Ethiopia to Ghana, and included improving small-scale irrigation and water collection, the broader use of fertilisers to heal exhausted soil and school food programmes both to improve child nutrition and provide new markets for farmers.



The UN Secretary General also urged African countries—some of which resist the use of

genetically modified crops—not to shy away from biotechnology as long as it is developed judiciously and used with adequate safety and transparency measures.

# Maximum knowledge in minimum time



**In a Geneva-based internship of just five weeks, Rajadurai Norton, Accounts Officer for ECLOF India, gained an amazing amount of new insights, as he now reports.**

Finance has been my professional life since 1987, when I began work as an audit clerk with a firm of chartered accountants in Chennai (formerly known as Madras) in South India. I then moved to the Church of South India, and am now in the same city with ECLOF India.

During my July/August internship with ECLOF International, I was able to reflect on and learn about a number of areas of microfinance work.

## New practices and innovations

I found a number of areas where ECLOF India could introduce new ways of working. For example, the Consultative Group to Assist the Poor (CGAP) ([www.cgap.org](http://www.cgap.org)), a consortium of 28 public and private development agencies working together to expand access to financial services for the poor, has published financial standards and a ratio analysis for microfinance institutions. ECLOF India could use this information in order to compare its own operational performance with other similar microfinance institutions (MFIs).

ECLOF India should also divide its General Fund from its Development Capital Fund, in conformity with the ratio of these funds as reflected in the balance sheet, as well as to meet the requirement of ECLOF's Minimum Standards of Performance. I would like this bifurcation to be completed before the end of this year.

We should also make use of the exchange programmes that ECLOF International arranges between national ECLOF committees (NECs). This makes possible the sharing of and learning from each other's valuable experiences.

During my internship, I also came to a new realisation of the importance of the sharing of databases and other information with all management staff in order to quicken the delivery of credit to the poor. People are waiting for our product and we should get it to them as speedily as possible!

We also need to fine tune our existing systems to adhere closely to the provisions in ECLOF's Global Policies Guidelines, and its Minimum Standards of Performance in all operational areas, particularly as all NECs were involved in the consultation process that produced these two documents. This would strengthen our internal control systems and facilitate the building of an even more fruitful relationship between ECLOF International and our NEC.

## Future action

I left Geneva determined to encourage ECLOF India to put into operation within two months the practice of a quarterly review of its budget, and to compare this with the actual performance of the staff and board in order to arrive at concrete measures to improve our surplus and to arrest any deficit.

I also am now aware of the need to strengthen ECLOF India's networking

operations with other MFIs in which we are already enrolled as members, in order to gain good credit ratings.

We need to ensure that we have the most up-to-date information and communication systems, in order to increase the efficiency of all staff. We also need to subscribe to, and ensure staff read, appropriate journals and periodicals on microfinance so that we are properly briefed about the latest developments and thinking in our field of work.

## Other learning

During my time with ECLOF International colleagues, I gained an increased awareness of the need to provide for loan losses, not only when there are loans in arrears but also at times when a loans portfolio is performing well, so that there is provision for dealing with future uncertainties.

There is also the need to provide a way for dealing with inflation in order to secure an NEC's capital against any possible loss in its purchasing power.

In our operations, I am convinced that it is vital to plan ahead for at least three years. I also believe we should improve our transparency and integrity with outsiders by arranging for clients directly to confirm their loan balances with the auditors.

My internship programme was well planned to expose me to all operational matters, and to gain the maximum possible knowledge on the topics covered. I hope other NEC staff may have a similar internship opportunity. This would help them gain a better understanding of the systems and procedures that are necessary in order to develop and build mutual confidence among the NECs and ECLOF International, and all who make up the global ECLOF family.

any property to cultivate, they stay in camps waiting for assistance from NGOs and international agencies but this is never sufficient. So, in order to meet their family's needs, they are forced into prostitution. This exposes the women to sexual violence and hinders the women from enjoying their full human rights as enshrined in various international conventions."

## War, poverty and HIV/AIDS

*Poverty is the main cause of the spread of HIV/AIDS in times of war, according to research carried out by an international women's group.*

Isis-Women's International Cross-Cultural Exchange (Isis-WICCE), based in Kampala, Uganda, interviewed 50 African women in Burundi, which is one of the countries in the Great Lakes area of Africa. Asked to choose factors that contribute to the prevalence of HIV/AIDS in times of war, all of the women selected poverty. Promiscuity and rape were the next most chosen categories, with only seven women choosing indifference to AIDS as a cause.

"Poverty can drive someone to do the unimaginable in order to feed her child", said Isis-WICCE. "Sometimes women are forced to sell their bodies in order to cater for their children's vital needs."

Those interviewed said that in war, poverty is exacerbated by the impossibility of getting into

their fields to grow food to feed their families, and to sell. In addition, former neighbours now occupy much of the land, and its former owners are unable to claim it back.

Isis-WICCE says that women are particularly impacted by war: "Desperately poor widows find themselves forced to have commercial sexual intercourse without condoms since they find that this service is all they can offer to people to earn a living." Moreover, says Isis-WICCE, the more women have unprotected sex the greater are the financial rewards because the highest paying clients do not want to use condoms.

The agency, which exists to promote the self-determination of women, says that poverty cannot be separated from the challenge of HIV/AIDS: "Since many women do not have

*Main factors contributing to HIV prevalence in times of War (50 women interviewed)*

Causes	Number	%
Poverty	50	100%
Promiscuity	39	78%
Rape of Women & Girls	35	70%
Alcohol and drugs	32	64%
Widowhood	28	56%
Juvenile delinquency	18	36%
Culture-related facts	8	16%
Indifference to AIDS	7	14%

# Meet ECLOF clients

## Strawberries, ripe strawberries!

Benguet Province, about 250 km north of Manila, the capital of the Philippines, is a major centre for the growing of strawberries and flowers. The area provides 98% of the strawberries eaten in the Philippines. At harvest time, tourists pour in to pick and buy their own fruit.

Now, 16 solidarity groups of strawberry farmers and two groups of flower growers in the region have increased their earning capacity as a result of receiving ECLOF loans. In all, there are 65 project holders and 203 beneficiaries.

The strawberry farmers belong to the Igorot tribe and come from various regions of Benguet Province. However, in order to improve their standard of living the farmers migrated to the town of La Trinidad, which is the centre of the region's strawberry and flower growing industry.

Farmers from 11 of the solidarity groups use land set aside at Benguet State University which itself has become a centre for growing strawberries. The project is located on five hectares of reclaimed swamp land.

Twenty years ago the land was not farmed because during the rainy season of May to July it is covered with water. However, when the land proved to be useful for farming for the rest of the year, the university began to rent out garden plots to farmers at a minimal cost. Today the swamp

area is suitable for growing strawberries, onions and other upland vegetables.

The other strawberry farmers live and work at Tublay and Longlong. Here, growing can take place all through the year because the area is hilly and protected from typhoon and flood.

The farmers have used their ECLOF loans to buy seedlings, cellophane to cover the

ground and protect the fruit, fertilisers and pesticides.

Because the farmers are migrants they do not own titled land and cannot access regular sources of credit. In the past they have borrowed money from individual lenders at extremely high rates of interest.

As well as selling fresh fruit, the farming families process the strawberries, and make jams, sweets (candies) or wine. This minimises waste and makes products which bring an income the whole year round.

### ECLOF Philippines guidelines for solidarity loans

- Solidarity loans must target low-income families and those directly engaged in economic activities in order to generate or augment family income.
- Each group must have a minimum of five and no more than ten members.
- The group must be formed by members voluntarily coming together to address the need to improve their families' economic situations.
- All members must be involved directly in the economic activity proposed. If individual members have their own businesses and the loan is to be collective, a revolving fund must be set up among the members.
- All members must be accessible to one another and must be within a two-kilometre radius from the site of business or the group's business or home address.
- Members' businesses must be registered with the local government. They should have paid the required business tax and obtained a business permit.
- Members must also secure an endorsement from the Barangay (local government) to confirm they are residents in good standing.
- Group members must elect their leaders democratically and produce their own written rules and guidelines, which should be reflected in a partnership agreement.
- Each member must complete an ECLOF information form and supply a recent photo and two character references.



Harvesting in the strawberry fields of the Philippines.

# Mediation Northern Ireland

**As Northern Ireland makes its tentative way to peace and full democracy, an ECLOF loan has helped a mediation group in its efforts to enable members of the region's two main communities live together, as Rob Fairmichael of ECLOF Ireland reports.**

Northern Ireland has had ceasefires in place for most of the time since 1994, and a political agreement of sorts in place since 1998, but it is still a society in transition. Northern Ireland remains part of the United Kingdom but is a small part of the island of Ireland and has 1.7 million people; a slight majority are Protestant and a large minority are Catholic. The problem largely stems from the differing political and cultural identities that go with those labels of 'Protestant' and 'Catholic', and the fact that most people live in areas which are one or the other. This means, for example, that if things go wrong there can be trouble at the "interface" between the different areas.

Mediation Northern Ireland is the largest agency of its kind in Northern Ireland. It attempts to provide mediation in relation to a wide range of issues: political, community, workplace, housing, and disputes between neighbours. Mediation Northern Ireland has been working since 1987 and at times has had a high profile because of engagement with issues such as disputes over parades (there is a big parading culture, particularly on the Protestant side with the Orange Order).

Mediation Northern Ireland is involved in long term, low profile work, as in setting up local good relations forums (which provide an opportunity for discussions to take place between key people locally), because the group sees the task of relationship building as a key element of building a stable, peaceful future. In a divided society where any position taken is going to get a negative reaction from some people, quietly getting the work done is the best approach.

The task of providing monitors (also known as observers) at times of local tension is done in cooperation with communities and community organizations on both sides of the Catholic/Protestant divide. As in many other situations around the world, in depth monitoring is an excellent way to help people be on their best behaviour, and to prevent any problems that arise from escalating into rioting, destruction and possible injury or death. The presence of impartial outsiders watching what is happening, and being on hand to deal with issues as they arise, is important to have in a divided society.

Northern Ireland has all the normal problems of any western society, for example, some neighbours are always going to have disputes over the height of hedges and trees, or a dog being a nuisance. However, there are also disputes unique to Northern Ireland because of its divided nature. Personality and other clashes in voluntary organisations can lead to serious repercussions, and one community group can resent another community group taking up an issue which it considers is its task.

Mediation Northern Ireland provides regular training in mediation, negotiation and related activities. This is important in spreading the work and in helping to build a mediative culture where more and more people become aware that there are positive ways to deal with conflict. Northern Ireland has had thirty years of violence in which several thousand people have been killed and tens of thousands of people injured (in a population of just over one and a half million). On the world scale this is not such a big conflict. However, on a local scale the violence has had tragic consequences for the injured and the families of those killed or affected. The conflict has

also created hatred, antipathy and fear across much of society. Not dealing with past conflicts and current causes of conflict can be the seeds of future conflict, so Mediation Northern Ireland helps to build a future where people are empowered to work their way through the conflicts that arise.

The organization has a staff of around twelve and a further thirty or so associate practitioners, who are called in to provide mediation and training as needed. Currently in a rented building that is not ideal for the demands made on it, Mediation Northern Ireland will soon be moving to its own premises. The loan from ECLOF Ireland that has been granted will assist with adapting the new building.

Northern Ireland still has a long road to travel to become a healthy society where everyone is at ease with, and accepting of, everyone else. Mediation Northern Ireland ([www.mediationnorthernireland.org](http://www.mediationnorthernireland.org)) is working hard to provide its piece of the jig-saw so that a whole picture can emerge from the mass of peace efforts currently underway.

## Bringing peace to the streets

For 72 days between June and December 2003 a group of 60 volunteers took turns, in shifts of up to eight hours, to support the work of local community workers to minimise violence in Northern Ireland by providing a mediative presence through monitoring. All of the group underwent training and helped local people deal with missiles such as bottles, stones and ball bearings being thrown over the walls that have been built to keep conflicting communities apart. So successful were the monitors in diffusing the violent incidents that the number of reported incidents at one



Mediation Northern Ireland volunteers work where divided communities meet and mix.

"interface" dropped from 100 on 27 July 2003 to zero by the end of August. The conflicts in the areas where the monitors have worked have not been resolved, but thanks to the efforts of Mediation Northern Ireland, the outbreaks of street violence are less serious than they once were.

# Self-sufficiency through solidarity

Pamplona Alta is a *pueblo joven* or “young town”. It is one of the vast ring of shantytowns that surround Peru’s capital city of Lima, and reach into the foothills of the Andes. The towns are home to thousands of people; many have been displaced from rural areas by terrorism or economic hardship.

In Pamplona Alta, ECLOF Peru assists residents to improve their living conditions. As in much of Peru, life in the town is harsh; people struggle with severe shortages of food, water, medicines and housing. Political instability and economic uncertainty, lack of work and at times military repression, also threaten the fabric of daily life.

In the eleven months up to the end of August this year, ECLOF Peru made micro-credit loans totalling almost US\$47,000 to 106 members of solidarity groups. Here are the stories of two of those who received ECLOF loans; they show the theology and ideology that underlies the ECLOF vision, and the difference that can take place when the vision is put into action.

## People not puppets

My name is **Amparo Luz Huachua Pallín** and I am the coordinator of the solidarity group *Solidaridad* to which I belong. I have a four-year-old boy and I live in Pamplona Alta. To make a living, I sell clothes, toys, gifts, shoes—in fact, almost anything! I began my business after I lost my previous job. Things were difficult then and I thought, “My God! What can I do now?” However, with faith, things worked out and I began my new business. Soon, I wanted to expand my activities and the opportunity to take out an ECLOF loan presented itself.



More in control of her own life:  
Amparo Luz Huachua Pallín in her clothes and gift shop.

I found out from a neighbour that the local Anglican church was working with ECLOF Peru to provide credit in my town. I con-

tacted the church and the Revd Julio Montoya invited me to come along for a meeting with two ECLOF credit officers. I attended accompanied by two friends.

The conversation was very beautiful because the ECLOF representatives not only outlined how we could obtain credit but also spoke to us as human beings, as children of God and individuals. Often, we feel like puppets at the mercy of forces we cannot control, and believe that others see us as people so wrapped up in scraping an existence that they believe we care nothing for God, or do not pray and reflect on all the good things that God has given us.

It was not an easy thing to form a solidarity group; it took me time to find trustworthy people. Once we had become a solidarity group we realised that we met the requirements for an ECLOF loan. Our agreement with ECLOF commits us to making our repayments on time, to ensure that the loan is really invested in the business, and to generate profits. The way solidarity groups work also means I am in constant communication with my partners; we meet the day before each repayment is due to make sure our money gets to ECLOF Peru on time.

The loan I received has helped me a lot. I have invested the money and I am now earning more from my work. Thanks to God, I am doing very well and I am confident I will repay my loan on time. I want to do this and I hope to take out a further loan as quickly as possible. In order to make sure this happens, I must make sure that my solidarity group partners and I remain credit worthy.

## Learning lessons of life (and perhaps helping Peru win the next World Cup!)

I am **Micaela Medina Paucar**, president of the Huerto de los Recuerdos Village Bank. I have three children and six grandsons. I breed and sell ducks. I have 200 birds, and keeping them fed is a full time job; in all, they eat almost two sacks of food a day. For extra income, I also cook and sell food at night from my house.

I am thankful for the help I have received from ECLOF Peru and the local Holy Trinity Anglican Church. They are examples of faith in action as they serve others selflessly, as Jesus did. Sometimes, we are tempted to help others just to win a place in heaven but I have learned that I must

give food to the hungry, help the blind to see and the invalid to walk, because this is the only way to make God happy and for me to make sense of my life.

I found it straightforward to obtain an ECLOF loan. Along with the other members of my solidarity group, I attended three information sessions run by ECLOF Peru at the Anglican church. We heard how to go about applying for a loan, and of some of the documentation we would have to produce: our identification cards plus photocopies of a water or electricity bill. Receiving credit is a serious commitment; I have visited the businesses of my partners to see how they are getting along and am pleased to say they are working hard and doing well.



Micaela Medina Paucar at her night time food stall.

My loan has provided me with more working capital for my business and I have used the cash to buy food for my ducks. I have now begun to sell them at the market.

ECLOF has also given my solidarity group members the opportunity to save and to learn how to be better organized and more responsible. Previously, we used to wait until the end of the month to gather the money to make our repayments. Now, from our daily earnings we put aside money so that it is not spent on other things.

I save my money in the village bank of which I am the president. When all of us in my solidarity group have repaid our ECLOF loans, we will then receive our savings. At that point, we will have our own capital and no longer need further loans.

I am very grateful to God for the credit I have received and the work that I am able to do as a result of it. In this way, I am able to support my son who is studying to become a soccer coach with the Peruvian Confederation of Sports. He has nine months to go and then he will be qualified.

# News from NECs

## New appointments



**Francisco ('Fran') Melo** is the new **Executive Director of ECLOF in the Dominican Republic**. Fran has a professional background in administration and finance. He has also been involved in youth work with the Mennonite Evangelical Church throughout his life and is an ordained minister of his church. For the past 15 years, he has worked in a voluntary capacity as an assistant to the pastor of his local church.

He continues to be involved with a non-government organization (NGO) dedicated to health-related work and education in an extremely poor area of his home village of San Juan. Recently, Fran stepped down from the presidency of this NGO and is now the vice-president.

Following the announcement of his appointment to ECLOF Dominicana, Fran commented, "As a pastor, I have worked among the poor for many years and tried to help them in the spiritual, educational and social aspects of their lives. Belonging to ECLOF makes me believe that I can help the poor people of my country even more through giving them access to credit that will enable them to improve their economic situation. I am sure it will be a wonderful experience to work with the ECLOF family and I look forward to being involved with the organization for many years."



The new **Executive Director of ECLOF Peru** is **Carlos Ventura**, who is a member of the Roman Catholic Church and married with two children. Carlos is an industrial engineer and he also holds a master's degree in administration. During his master's course, Carlos specialised in finance. In 1990, he became the Director of Administration and Finance for Caritas Peru. He moved on in 1999 to manage the agency's micro-enterprise unit, which had a portfolio of US\$1.65 million distributed from seven offices throughout the country.

Carlos Ventura joined ECLOF Peru in July 2003 as Finance Officer, and took over as Executive Director last September.

Commenting on the task that lies ahead for him and his team, Carlos said, "The main aim of ECLOF Peru is to have an institution whose work is in line with ECLOF's values, mission and vision. We must become a sustainable and innovating organization so that we can be of maximum benefit to poor people."



Leading **ECLOF Ecuador** through a time of radical reorganization is its new **Executive Director Jorge Batallas**.

Jorge is an economist and has 30 years of financial experience with major companies in the national and international corporate sector. He has taught at the School of Business Administration of Quito Central University. He has also served as a naval engineer, so knows something about getting his hands dirty.

Prior to his new appointment, Jorge was Treasurer of ECLOF Ecuador. His first task as Director was to work with the new President and Board on reducing staff costs, which were running at unacceptably high levels and leading to substantial annual deficits in the budget.

Jorge believes that ECLOF staff and board members must exercise a high level of stewardship and represent value for money. Some of the changes that Jorge has had to make have been painful but he believes there was no other way to ensure that ECLOF Ecuador continues its work. He says, "In this way, we believe that we have laid the foundation for ECLOF Ecuador to be viable and sustainable in serving the poor and not its employees."

Jorge is also of the opinion that ECLOF International should be responsible for the appointment of national ECLOF directors.

**Edouard Yao** is the new **President of ECLOF Cote d'Ivoire** (Ivory Coast). With a background in management, Edouard has worked in the health and marketing sectors. He has a degree in English and was Manuscript Examiner for West Africa for the United Bible Societies. Edouard Yao initiated and co-founded the Pan-African Institute of Community Health for West Africa, and also worked with UNAIDS (the United Nations Programme on HIV/AIDS) as a consultant to the Inter-country Team for West and Central Africa. In addition, Edouard is a member of the West Africa Reference Group for the Ecumenical HIV/AIDS Initiative in Africa.

## New ECLOF partnership in Armenia

Armenia ECLOF has expanded its work thanks to a family-based Armenian foundation.

In 1990, the children of Sarkis and Marie Izmirlian established the Izmirlian Foundation to help improve the lives of

Armenians throughout the world, and especially in Armenia.

With a concentration on education, health and community development projects, the Izmirlian Foundation seeks to play a role in poverty reduction. Among other major

projects in the Republic of Armenia, the foundation has helped fund the completion of Yerevan University library, and also provided support for the Armenian Apostolic Church.

As part of its developing work, the Izmirlian Foundation has formed partnerships with a number of organizations in order to implement loan programmes for small and medium sized businesses in Armenia. In 1999, the foundation joined forces with the Eurasia Foundation of Washington D.C. Then, in 2003, the Black Sea Trade and Development Bank (based in Thessaloniki, Greece) and the Izmirlian Foundation became partners in a loan program for medium sized business enterprises.

Now, the foundation has signed an agreement with Armenia ECLOF. Preparation



Mr Jacques Sarkissian (left), Senior Vice-President of the Izmirlian Foundation, Geneva, and Mr Tigran Hovhannisyanyan, Director of Armenia ECLOF, at the signing of the agreement between their two organizations.

work for this new partnership began in May 2001 through the support and help of the Armenian Apostolic Church. The result is that the Izmirlian Foundation has provided ECLOF with US\$100,000 for use as new lending capital.

Before agreeing the partnership, the Izmirlian Foundation thoroughly screened ECLOF's global policies, as well as the work ECLOF is already doing in Armenia. The foundation liked what it saw and now, as a result of its support, Armenia ECLOF has already been able to finance many solidarity group projects, mainly in rural areas. The loans have given an opportunity for some very poor farmers to hold on to their farms and make a living from them, and for micro-entrepreneurs to increase their income.

Armenia ECLOF and the Izmirlian Foundation are currently exploring the possibility of additional capital for microfinance loans.

## Swedish visit to Armenia

*Armenia ECLOF has hosted a visit from a Church of Sweden delegation who were keen to find out about ECLOF's work in the country and to meet some of those who have received loans, as Tigran Hovhannisyanyan, the Director of Armenia ECLOF, reports.*

We drew up a full timetable for the five members of the Church of Sweden group when they came to us for a week at the end of October.

We began by giving an overview of the work and future plans of Armenia ECLOF, as well as a briefing on the current situation in the country.

Then, over the next four days, we took the group on project visits, mainly to rural solidarity groups that have received ECLOF loans. We provided long days for our Swedish friends, with early starts and very late finishes!

On the project visits, our visitors could see the hard circumstances under which the Armenian people currently live. However, the group also saw how ECLOF loans have assisted people to increase farm production and improve their standard of living.

The team went to the Lory region in the north of the country, which was destroyed by the 1988 earthquake in Armenia that killed 25,000 people and caused US\$14 billion in economic losses. The Swedish visitors went to villages mainly occupied by refugees and met eight people who had come from Azerbaijan in 1988 and who are now members of a solidarity group that had

received an ECLOF loan of US\$2,250. This had enabled the people to increase their number of cows. The Swedish team also heard about the daily difficulties of life, including the lack of transport, bad roads and problems with water supplies. However, the solidarity group members told their visitors that they were very happy to be cooperating with ECLOF and that it had given them the opportunity to improve their livelihoods.

Two other visits were to cattle and agriculture projects. Here, ECLOF loans have enabled group members to increase their number of cows, and also to buy seeds, fertilizers, fuel and other commodities needed to grow potatoes and breed cattle, and then to sell vegetables and milk.



His Holiness Karekin II in conversation with members of the Church of Sweden delegation.

The Swedish group also visited a school and hospital in the Lory region and then moved on to the Armavir region in the central part of the country to visit dry fruit production projects.

Our visitors told us that they were very impressed with all that they had seen and expressed their amazement at how much could be achieved with relatively small microcredit loans.

Towards the end of the visit His Holiness Karekin II, Supreme Patriarch and Catholicos of all Armenians received the delegation. His Holiness spoke warmly of the cooperation that exists between the Church of Sweden, Armenia ECLOF and ECLOF International.

On the last day of their time in Armenia, the Swedish delegation met various key people from government departments, the United Nations and non-governmental organizations concerned with various poverty reduction strategies. This enabled the Church of Sweden members to see how closely Armenia ECLOF is working with other institutions in the country.

We enjoyed having our northern European visitors with us, and they told us they had found the experience very worthwhile.

## ECLOF Brazil director meets WCC leader

The Executive Director of ECLOF Brazil (CEADe), Antonio Carlos, was among those present at a meeting with Rev. Dr Samuel Kobia, the general secretary of the World Council of Churches (WCC), during Dr Kobia's first visit to Latin America since taking up his post a year ago.

During his visit to the continent, which took place in November, Dr Kobia visited five countries: Argentina, Bolivia, Brazil, Chile and Uruguay, and met leading members of governments, ecumenical organizations and other religious communities, as well as representatives from civil society.

In Brazil, the WCC leader spoke at a gathering of personnel from the Ecumenical Service Coordinating Committee (CESE) in Salvador, and other ecumenical and social organizations.



Rev. Dr Samuel Kobia (centre) with Archbishop Dom Geraldo Magella, Primate of the Roman Catholic Church in Brazil, in the company of Eliana Rollemberg, CESE Director (right), and other representatives of ecumenical and social organizations.

Dr Kobia, who is an immediate past vice-chairman of ECLOF International, outlined the global concerns with which the WCC is dealing, answered questions about ecumenism, and gave details of the WCC's forthcoming ninth assembly, which will take place in February 2006 in Porto Alegre. He invited people to become involved in the assembly and particularly to participate in the *mutirao*, a Brazilian name for the activities that will take place around the assembly. Dr Kobia suggested that contributions on the issues of water, foreign debt, childhood and adolescence would be welcome, as well as input that would contribute to making the *mutirao* a festival and celebration, which he believed are elements essential to the experience of the poor of the continent.

Full details of Dr Kobia's visit to Latin America are available in the "Press Corner" section on the WCC's Web site: [www.wcc-coe.org](http://www.wcc-coe.org).

## Readers' letters

### Dear Friends at ELCOF

Somehow, a copy of your newsletter, *New Horizons*, appeared in my mailbox. I coordinate the Resource Centre at Holden Village, an ecumenical retreat centre in the Lutheran tradition in the North Cascades of Washington State, USA.

An important mission of Holden Village is to help bring about God's new creation by educating our guests and staff about issues of social, economic and environmental justice. We have a number of files in our Resource Centre with materials on those topics. I am most impressed with *New Horizons*, and would like to continue to receive it. I believe micro-enterprise loans have an important part to play in sustainable alleviation of hunger and poverty in the majority world.

I notice that *New Horizons* is available in both Spanish and English. We are trying to reach out to the Hispanic community in our region, so receiving both Spanish and English language versions would be wonderful. We are located too remotely to have access to telephone or e-mail service, so we would need to receive hard copies via the mail.

Thank you for all you do to promote a more just world.

*Diane Armbrust*  
Coordinator Resource Centre, Holden Village  
Washington State, USA  
[www.holdenvillage.org](http://www.holdenvillage.org)

### Dear Friends

Greetings from Isis—Women's International Cross-Cultural Exchange (Isis-WICCE)!

We acknowledge, with thanks, receipt of the latest issue of *New Horizons* (June 2004).

The contents of your publication are a great contribution towards enriching the global knowledge base of information about women, as well as human rights issues in general. *New Horizons* is a very useful resource and also a good addition to our documentation centre, where we are sure various visiting researchers, activists and students will find it a great help.

We look forward to continued collaboration.

Sincerely,

*Juliet Were Oguttu*  
Assistant Programme Officer, Information and Documentation  
Isis-WICCE, Kampala, Uganda  
[isis@starcom.co.ug](mailto:isis@starcom.co.ug)

(See also, "War, poverty and HIV/AIDS", p. 16)

### Dear New Horizons

Greetings!

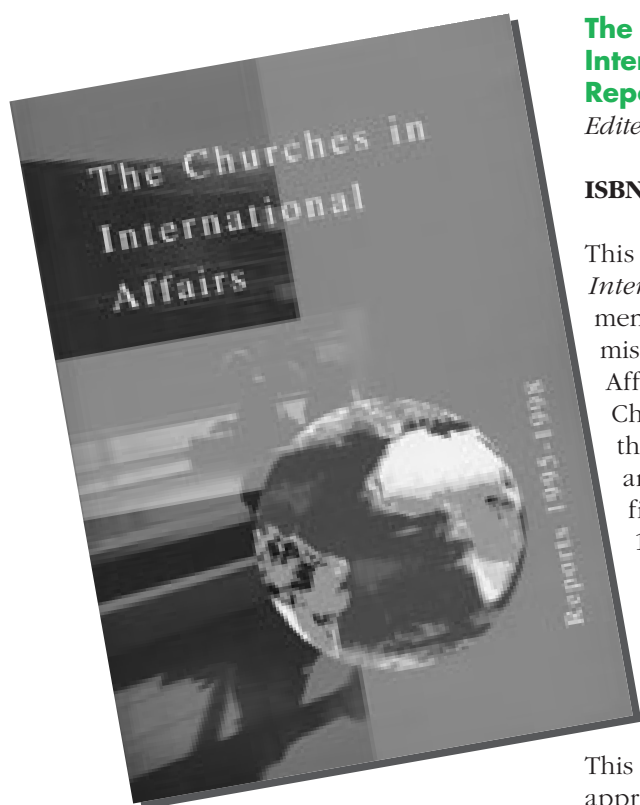
I recently came across and read the June 2004 edition of your very informative and spiritually reviving magazine. I would be most grateful if you could put me on the mailing list for *New Horizons*. I look forward to receiving my first copy. Please accept my sincere thanks in advance.

*John Morfaw*  
Institute of Agricultural Research for Development  
Bamenda, Cameroon

**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  
Email: [eclof@eclof.org](mailto:eclof@eclof.org)

# Books and publications



## The Churches in International Affairs: Reports 1995-1998

Edited by Dwain C. Epps, WCC, Geneva

ISBN 2-8254-1328-3

This seventh volume of *The Churches in International Affairs* reproduces documents related to the work of the commission of the Churches on International Affairs (CCIA) of the World Council of Churches (WCC). The contents cover the development of ecumenical policy and actions taken by the WCC in the field of international affairs between 1995 and 1998.

The WCC strives to achieve a consistency in what it says on particular subjects; current opinion is based on and grows out of past policies. Maverick comment rarely appears.

This book provides clear evidence of this approach, and is also a marvellous resource for anyone who wishes to know

what the WCC thinks about a whole range of complex and sensitive issues.

Over two hundred documents are helpfully arranged by subject area; the material in the regional section is listed by region and then by nation.

For the first time, documents are reproduced in the original languages with, where necessary, English language translations.

In an introduction, Rev. Dwain Epps, who was the CCIA director for the period the documents cover, admits that, "Experience shows that only very seldom have WCC statements, appeals, studies and programmes had a notable impact on the immediate course of events. Results, if they come, are often only seen after decades of patient work." However, Dwain Epps believes the churches' determination to stay together even in the face of conflict of opinion and political adversity is itself a witness to the redeeming power of the Holy Spirit throughout the whole world.

## Renewing our Voice: Code of Good Practice for NGOs Responding to HIV/AIDS

By Julia Cabassi, edited by David Wilson

ISBN 0-85598-553-4

This code is published by The NGO HIV/AIDS Code of Practice Project, which is a joint initiative of eleven non-governmental organizations (NGOs) including the World Council of Churches and the International Federation of Red Cross and Red Crescent Societies.

The code runs to 110 pages and sets out a number of guiding principles that apply a human rights approach to the range of HIV/AIDS-specific health, development and humanitarian work being done by NGOs. These principles provide a common framework applicable to all NGOs engaged in responding to HIV/AIDS, and are embodied within good practice principles that can be used to guide the work of NGOs. There is a chapter on key resources available, such as tool kits and manuals that can assist in putting the principles into practice. There is also information about

the process of signing on to the code, and its implementation.

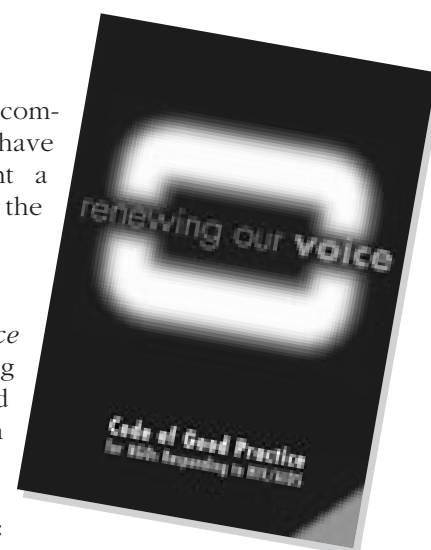
Dr Musimbi Kanyoro, Secretary General of the World YWCA launched *Renewing Our Voice* in Geneva on World AIDS day (1 December). Speaking on behalf of more than 160 organizations that have already endorsed the code, Dr Kanyoro said it was an attempt by NGOs to use their collective power to make a difference. "The code will enable us to learn from each other and to enhance collaborative work for greater effectiveness", Dr Kanyoro explained.

Commenting on the lack of control that women and girls have over their sexual choices, Dr Kanyoro added, "The code provides a framework for advocating for a legislative and policy environment that promotes the rights of women and girls in order to shift the dynamics that underscore women's vulnerability to HIV/AIDS. In this regard, the code will enhance the work of the Global Coalition on Women and AIDS, which includes many NGOs."

Representatives of ECLOF International attended the launch, and all national

ECLOF committees have been sent a copy of the code.

*Renewing Our Voice* is being distributed by Oxfam GB, and is available from:



**Oxfam Publishing, 274 Banbury Road, Oxford, OX2 7DZ, UK**  
**Tel: + 44 (0) 1865 311311**  
**e-mail: [publish@oxfam.org.uk](mailto:publish@oxfam.org.uk)**  
**Web: [www.oxfam.org.uk/publications](http://www.oxfam.org.uk/publications)**

and from its agents and representatives throughout the world.

*Renewing Our Voice* is also available on the Web site of the International Federation of Red Cross and Red Crescent Societies:

[www.ifrc.org/what/health/hiv/aids/code/](http://www.ifrc.org/what/health/hiv/aids/code/)

**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*.

### ECLOF USA tax deductible status

On December 5, 2003, the Internal Revenue Service of the United States of America accorded ECLOF USA exemption status from federal income tax as an organization described under section 501(c)(3) of the Internal Revenue Code. This means that all donations to ECLOF USA are tax deductible. Any contribution you could make to ECLOF USA would be greatly appreciated.

#### ECLOF USA bank account

TCF National Bank  
801 Marquette Avenue  
Minneapolis  
MN 55402  
Beneficiary:  
ECLOF USA, Inc.  
Account N°: 4866277185

#### ECLOF USA contact address

Ms Kay Dixon  
President  
ECLOF USA  
121 Washington Ave S  
Minneapolis  
MN 55401

### ECLOF International tax deductible status

According to Swiss Tax Law (art. 56) all donations made to organizations of social or public entity and legally based in Switzerland, are tax exempted under the condition that donations amount to a minimum of CHF 100 during the fiscal year. ECLOF International was granted Tax Exemption Status by the Swiss authorities in 2000. Any contribution to ECLOF International will be appreciated.

#### ECLOF International Bank Accounts

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Darier Hentsch & Cie  
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1211 Geneva 11  
Switzerland  
Beneficiary: ECLOF  
Account N°: 01-121477  
SWIFT: LOCYCHGG

Union de Banques Suisses  
Petit-Saconnex Branch  
1211 Geneva 2  
Switzerland  
Account No 620 894 L  
Swiss franc account  
Account No 620 894 60 G  
US dollar account

*in favour of ECLOF*

### New!

It is now possible to make tax deductible donations to ECLOF in Germany.

#### Details:

Stiftung Ökumene/ECLOF, Frankfurter Sparkasse  
Bank number: BLZ 500.502.01. Account N°: 100.008. *Beneficiary: ECLOF*

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

#### ECLOF International contact address

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P.O. Box 2100 email: [eclof@eclof.org](mailto:eclof@eclof.org)  
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Switzerland

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*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](http://www.eclof.org)—in English, French, German and Spanish.



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