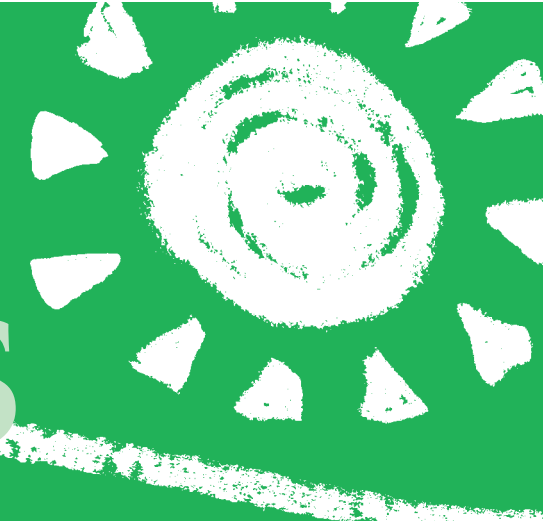


New HORIZONS



THE NEWSLETTER OF THE ECUMENICAL CHURCH LOAN FUND

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ECLOF tsunami response

Following last December's tsunami that hit the east coast of Sri Lanka with such devastating force, ECLOF Sri Lanka has geared up its operations to help those affected by the disaster.

ECLOF Sri Lanka is now examining the possibility of making loans available for reconstruction-related activities, as well as for working capital to allow people who lost premises and tools to restart their businesses or begin new ones.

Following a visit to Sri Lanka after the tsunami for discussions with the ECLOF Sri Lanka board, ECLOF International director Muhungi Kanyoro announced that ECLOF Sri Lanka would be expanding its operations in order to help those in need. "We will be targeting people and activities related to reconstruction", said Mr Kanyoro. He



Shanthy Siriyalatha shows Muhungi Kanyoro (centre), director of ECLOF International, and ECLOF Sri Lanka programme manager Gamini Samarasinghe, her ruined sawing machine, the only thing left of her workshop and its contents after the tsunami.

added, "We also plan to provide microcredit to enable people to get back to work. Many, such as Shanthy Siriyalatha, whom I met,

have lost their means of livelihood and need new working capital to replace destroyed workshops and tools." *contd p. 4*

Banks urged to invest in people

ECLOF International chairman Rev. Prof. Christoph Stückelberger has called on financial institutions to integrate microcredit into mainstream banking, and to devote a proportion of their profits to microcredit schemes.



Rev. Prof. Christoph Stückelberger (left), chairman of ECLOF International, and Tor Gull, director of Oikocredit, at the opening of the International Year of Microcredit in the New York headquarters of the United Nations. ECLOF and Oikocredit are working closely together in this special year.

In a powerful presentation on microfinance to a Commission for International Development and Co-operation set up by the Swiss government, Prof. Stückelberger called on northern banks to invest up to 10% of their profits and 1% of their pension funds in microcredit funds.

Turning to microcredit organizations themselves, the ECLOF chairman said they stood or fell by the confidence they showed in the poor, and in their credibility and credit-worthiness.

In his submission to the Swiss commission, Prof. Stückelberger drew upon the experience of ECLOF and its ecumenical partner, Oikocredit, to illustrate some of the challenges and opportunities in today's microfinance world.

Prof. Stückelberger reminded the Swiss commission that 2005 is the United Nations International Year of Microcredit. He said that the year reflected the increasing importance and rapid development of microfinance, which in turn called for a thorough assessment of the tools and forms adopted by the institutions involved in delivering microcredit. *contd p. 3*

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ECLOF

Director's message

This being the UN International Year of Microcredit, several events have taken place and others are planned to focus on the potential and challenges of microcredit as a tool for development and the eradication of poverty. It is also a time to assess to what extent microcredit is contributing to the achievement of the Millennium Development Goals (MDGs). ECLOF International and its national ECLOF committees are participating in these events, as well as taking stock, all the more so given that 2005 also marks the beginning of ECLOF's new five-year strategic plan.

While reflecting on the role of microcredit in attaining the MDGs during a recent meeting that reunited ECLOF and its ecumenical partners, Carin Gardbring of the Church of Sweden reminded participants

that poverty is more than a lack of material resources. She said it is also a lack of power and ability to influence decisions, vulnerability to shocks, be they conflicts or natural disasters, and lack of education and training among others. Therefore, for microcredit to be effective all these factors need to be addressed.

In this issue of *New Horizons*, we share experiences of how ECLOF has worked with different communities and families in realising their entrepreneurial spirit, not only in business activities but also in meeting their educational needs. We also share challenges faced by communities. We include the story of Shanthi Siriyalatha, a client of ECLOF Sri Lanka, who saw her hopes and those of her family dashed by the destruction brought by the recent tsunami. Mrs Siriyalatha's determination and that of the members of the Molpe Society, to which she belongs, is a testimony to their will to stand on their own again, with a little outside help, and to avoid becoming dependants. This par-

ticular case and others have pushed us to share the CGAP's (Consultative Group to Assist the Poor) Guidelines on how microfinance organisations should respond to disasters. We are reminded that a credit organisation must distinguish between credit activities, which is its realm, from relief activities.

In a thought provoking reflection on MDGs, God's strategy for life, Rev. Prof. Christoph Stückelberger reminds us that God's 'basic needs strategy' is more radical than that of the MDGs. God's basic needs include community, liberation and spiritual goods. Prof. Stückelberger challenges ECLOF to perform actions founded on God's basic needs strategy. As we continue focusing on growth and performance, we are reminded to keep in focus our roots and founding principles which are inspired by the message of the Gospel and motivated by the experiences of the poor and excluded.

Mubungi Kanyoro

Tsunami hits ECLOF clients

Last December in Sri Lanka, Shanthi Siriyalatha proudly paid off the first instalment of an ECLOF loan that she was using to help her family earn their living. She obtained a second loan and bought further supplies for her timber business. Then the Indian Ocean tsunami hit and the woman's hopes and materials were all swept away in a tidal wave of destruction.

In Sri Lanka, the tsunami directly affected at least eight ECLOF clients and ECLOF Sri Lanka has had to make special arrangements to help the people cope with their situation by giving them more time to repay old loans, and new loans to restart their businesses.

Shanthi Siriyalatha lives in Moratuwa, a town on the west coast of Sri Lanka, and is a member of a women's group called the Molpe Society of Moratuwa.

Siriyalatha is in her early thirties and married to Premasiri. They have two sons; one is 13-years-old and the other is seven. Both children attend school. Siriyalatha and Premasiri have lived all their lives in Moratuwa; it is a town famous for its timber-related products. In almost every household someone is involved in manufacturing furniture. The items are sold on to merchants who put a few final touches and then sell the products at high prices. Premasiri's parents and other family members were all in the timber trade and Premasiri learnt his skills from them as he grew up.

After Premasiri and Siriyalatha married, they began their own business by purchas-

ing small quantities of timber that they cut up into various sizes suitable for house construction.

Finance

There was a high demand from house builders for prepared timber but Siriyalatha and Premasiri had no spare cash to buy more raw materials so they were forced to borrow from moneylenders at a rate of 6% per month. As Siriyalatha and Premasiri's business grew, they decided they needed an electric sawing machine to increase production. However, an electric sawing machine is no good without electricity so the enterprising couple had to contact local government officials, who agreed to provide a suitable electricity supply for a payment of LKR25,000 (US\$251).

Set back

Siriyalatha and Premasiri did not have the money to pay either for the machine or the electricity supply so Premasiri went abroad to work. However, his wages were not paid and after three months he returned home with nothing. The couple decided to pawn all their jewellery and borrow LKR200,000 (US\$2008) in order to buy the machine and get the electricity supply.

This was all successfully done and production increased but Siriyalatha and Premasiri still faced a shortage of raw timber.

Moving on

At this point, Siriyalatha approached the Molpe Society of Moratuwa for help. She joined the group, which then applied to ECLOF for a loan on behalf of Siriyalatha and about 75 other members. Siriyalatha received a loan of LKR5,000 (US\$50) in October 2003 and repaid it on time. In fact, she was one of the first to arrive with her repayment each time it was due.

Siriyalatha used her first ECLOF loan to buy a chainsaw that her husband used to cut up logs in readiness for machine sawing. The chainsaw helped improve the business's turnover. While Premasiri attended to the day-to-day operation of sawing timber, Siriyalatha handled the buying of raw materials, measuring the timber, payments and all other cash dealings.

After paying off their first ECLOF loan, the couple still faced the problem of not having enough timber. Therefore, last November Siriyalatha applied for a second ECLOF loan of LKR25,000 (US\$253). The loan was granted and Siriyalatha bought more wood.

Disaster

It was just after making her first repayment on the second loan that the tsunami struck. Siriyalatha and Premasiri's small home and workshop were right in the path of the waves, which destroyed everything. The



The wreckage of one family's home and business premises after the tsunami had done its worst.



Shanthi Siriyalatha (left), accompanied by her son, gives ECLOF loan officer Kinkini Manjula details of the destruction caused to her home and livelihood by last December's tsunami.

sea swept away the logs that Siriyalatha had recently bought for LKR40,000, and the sawing machine and other equipment were damaged beyond repair as they were dashed against rocks and water got in and ruined everything.

Escape

When the first tsunami wave hit, Siriyalatha, Premasiri and their two boys ran inland and escaped but they were also left without anything. Since then, the family has been living in a camp and the children attend school from this camp. Premasiri is now doing labouring work to supplement the small amount of money the family receives from the government.

When Kinkini Manjula, the ECLOF Sri Lanka loans officer, met Siriyalatha to dis-

cuss her future plans, the young mother gazed at her for a while. Then, with tears rolling down her cheek but with a determined voice, Siriyalatha told Kinkini that she and her husband were going to work hard to get their business back on its feet, and to settle down to a normal life. They were, she said, tired of living in a camp for displaced people. However, Siriyalatha and Premasiri may not be able to rebuild their home and workshop in their original place as this is within 100 metres of the sea and the local government has suggested that it may ban people from living so close to the ocean in case another tsunami occurs.

As she spoke to Kinkini Manjula from ECLOF, Siriyalatha was very apologetic about her inability to repay her loan at the

moment. However, she was firm in saying that she would never let down either ECLOF or the women's society through whom the loan was obtained and whose president, Ms Violet de Mel, had always encouraged her and introduced ECLOF to her in the first place.

The eight members of the Molpe Society of Moratuwa who now cannot repay their loans because of the tsunami have asked the society for extra time; the society in turn has appealed to ECLOF to give them the time necessary to deal with this difficult situation. The clients' faith in ECLOF remains: "We are sure ECLOF will understand our fate and bear with us and give us some sort of relief in our repayment schedule until things are sorted out and we are able to earn a livelihood."

ECLOF Brazil visitor

Bishop Adriel de Souza Maia, the President of ECLOF Brazil (CEADe) and Presiding Bishop of the Methodist Church in Brazil, held talks with ECLOF International director Muhungi Kanyoro and his executive colleague, George Petty, during an April visit to Geneva.

Bishop Souza mentioned his interest in issues regarding access to clean water and explained that he is part of a group that has written a policy paper on the right to unprivatised water.

Reflecting on the next assembly of the World Council of Churches, which will take place in Porto Alegre early next year, the bishop said he hoped that CEADe and other regional national ECLOF committees would play a prominent role in the life of the assembly.

Muhungi Kanyoro asked the bishop to pass on greetings from ECLOF International to the forthcoming CEADe general assembly. Muhungi and the bishop agreed that among its other aims

of being ecumenical and serving the poorest in society, CEADe had to become a sustainable institution.



(l to r): George Petty, Bishop Souza, Muhungi Kanyoro

Banks urged to invest in people

He acknowledged that commercial micro-credit institutions could achieve higher profits if they concentrated on clients who posed little risk. However, such an approach would not achieve the goal of poverty eradication. Those in the commercial sphere, argued Prof. Stückelberger, must be prepared to take risks and make loans in rural areas and in risky countries. That would mean accepting a decrease in profits.

The challenge for microfinance institutions (MFIs), the ECLOF chairman explained, was to increase volumes, lower costs, and increase the clear separation between credit for the poorest of the poor, who needed a donor-based approach, and credit for those on lower middle incomes for whom a business-oriented approach was appropriate.

Prof. Stückelberger said that governments in the South also faced a number of chal-

lenges. They needed to create appropriate regulatory and operational environments within which MFIs could work. Governments also had to promote property titles and other ownership rights for the poor so that they had acceptable credit collateral. In addition, governments should grant fiscal privileges or exemptions to MFIs. He also believed that southern banks should be obliged to invest more in micro-credit funds.

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Scaling Social Impact

Adopting practices from the corporate business world is not the simple path to growth and success that many not-for-profit organizations assume it to be, according to a specialist in helping foundations and corporations create greater value for society.

Writing in the 3 February 2005 issue of the Washington-based *The Chronicle of Philanthropy*, Mark Kramer claims that, "The business metaphor has imprisoned much new thinking in the social sector."

In his article, "Scaling Social Impact", Mr Kramer, who is the founder and managing director of the Foundation Strategy Group, says, "Over the past decade, many principles borrowed from corporate management, venture capital, entrepreneurship, and investment portfolios have been grafted on to the work of foundations and non-profits. These new ideas have stimulated a considerable amount of innovation, bringing to the field venture philanthropy funds, social entrepreneurs, capacity building grants and the increasingly common goal of taking small non-profit organizations to scale."

Mark Kramer continues, "It is true that certain basic principles of strategy, expertise and efficiency apply to the non-profit sector, just as they do to every other kind of enterprise. But these broad principles need to be thought through carefully in the specialised context of the non-profit sector if they are to be usefully applied... the limitations are most apparent in this widespread ambition, shared by many funders and non-profit leaders alike, of 'going to scale' through rapid organizational growth."

The FSG founder is clear that good business practice and proper long-term funding are necessary if non-profits are to produce good results. However, Kramer believes that it is important to realise that the goal within the for-profit world is to make money, and businesses do this by retaining ownership and legal rights over any use of their concepts or brands by others. Elsewhere, according to Kramer, it is a different story: "In the non-profit sector... the goal is social impact—not profit—and no one owns social impact. If others use the social entrepreneur's idea, then they are scaling the social impact, even if the entrepreneur has no control or legal relationship to them. That means non-profits have an advantage over businesses: they can

achieve scale in more ways than just through organizational growth."

Kramer cites the world of microfinance as an example of this latter point. He explains that originally two agencies introduced this radically different way of lending to the poor, and achieved great success. However, Kramer continues, "The scale of their idea has far eclipsed both of its originators, with several thousand microfinance lending institutions around the world serving 41.6 million households and supporting over 200 million individual family members. Nearly all of these lending institutions are unrelated to the originators, but all employ the approach that they invented."

He continues, "Achieving social impact by spreading an idea hardly seems like an original concept. Replication has been the Holy Grail of philanthropy for decades. Foundations often fund a small pilot project in the hopes of demonstrating its efficacy so that others will replicate it around the world, infinitely leveraging the impact of the initial grant. Of course this almost never happens. Ideas don't spread themselves and people often resist change even when it would be beneficial. Most foundations tend to move on to the next new project after funding the pilot and its evaluation, leaving the idea to wither. Those few foundations that have successfully replicated a programme have often had to launch a major campaign, dedicating large amounts of money, personal leadership and years of effort to spreading its adoption."

Although it is not easy for non-profits to increase the social impact of their work, Kramer argues that it is possible but needs long term work: "Given persistent and substantial funding, well researched strategies, and bold leadership toward clearly-defined goals, there are many paths to broad impact. Targeted communications campaigns, educational programmes, conferences, advocacy, publications, websites, even advertising can scale social impact without scaling non-profit organizations themselves."

Kramer concludes, "Perhaps the real lesson is not that the non-profit sector should imitate business, but that a certain set of practices will yield social change—and those practices have yet to be adequately understood and adopted."

ECLOF tsunami response

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For other people, their traditional way of earning a living has disappeared. Some, for example, have had to move away from the coast and have lost their land. ECLOF plans to introduce to this group of people new employment opportunities, such as brick making for the new homes that are now required after the tsunami.

"Some of the people involved will be existing ECLOF clients; others will be new contacts", Muhungi Kanyoro explained. He added that for clients like Shanthi Siriyalatha, ECLOF Sri Lanka would review

each case and, where appropriate, agree to a delay in repayments as well as the granting of a new loan. "People must have the means to start again", said Mr Kanyoro.

The ECLOF International director also explained that with the psychological damage that people had suffered, it might take them a little time to settle down and be emotionally able to return to work. "It is important to realise this", the director explained, "because ECLOF will remain a lending organization and not one that gives grants. Therefore, ECLOF Sri Lanka will have to evaluate a person's capacity to begin work again before making a new loan."

During his visit to the island, Muhungi Kanyoro, accompanied by the chairperson of ECLOF Sri Lanka, Ms Shanika de Mel, also held talks with Rev. Dr Jayasiri.T. Peiris, who is the general secretary of the National Christian Council of Sri Lanka. Dr Peiris explained the council's co-ordination role among the churches. He added that he felt ECLOF had an important role to play in post-tsunami reconstruction efforts, and also offered to link ECLOF clients to the trauma counselling work of the churches in order to aid people's return to normal life. He said it was important to avoid creating dependence among those affected by the tsunami.

All in a day's work

Many frontline ECLOF staff are relatively young but take on huge responsibilities and not insignificant risks as they deliver loans to those with no other access to credit. Kinkini Manjula, a loan officer with ECLOF Sri Lanka, has also had to deal with the added consequences of the tsunami that hit her country last December. New Horizons invited Kinkini to introduce herself to readers.



Kinkini Manjula receives the keys to her new motorcycle from ECLOF Sri Lanka board member, Mr V Vijayakulasingham.

I am 24-years-old and I live with my mother and 14-year-old brother, who is in grade nine at school. I come from the Western Region of Sri Lanka and completed my school education in 2000.

I then went to the School of Agriculture in Kuliyaipitiya and obtained a National Diploma in Agriculture. I was on a residential course that lasted for two and a half years. I took a range of subjects including animal husbandry, horticulture, agriculture and computer literacy.

In 2002, having finished my course, I joined the Food Crop Research Centre as a research assistant. From there, I moved to an export company dealing in fruits, vegetables and fish.

I started work with ECLOF as a loan officer last September. I had seen an advertisement for the job in our national newspaper. One of my relations knew about ECLOF because he works for another microcredit organization that provides loans to women.

I was appointed to the ECLOF Sri Lanka staff after an interview and an introduction to the organization. This was followed by field visits during which I observed how the programme manager introduced ECLOF products to new clients, and evaluated projects. Then the manager accompanied me as I did the same thing and watched to make sure I was doing the job properly.

Molpe Society

After my training, I was put in charge of the Western Region. The Molpe Society of Moratuwa, is within my region. Shanthi Siriylatha (*see p.2*) is one of my clients in the society, which has 100 members. When I came on the scene, the society had already repaid its first ECLOF loan and was seeking a second one.

The society has a strong leadership and is very strict and disciplined on financial matters and repayments. The membership is very much satisfied with the way their group is run. I visit the society twice a year and it is doing well. This is mainly due to the dedication of the president and the other leaders.

Tsunami

The tsunami badly affected some of the members of the Molpe Society; these people lost their means of making a living and cannot repay existing loans. It is unfortunate that it is taking the authorities some time to make settlements to those adversely affected and unable to restart their micro-enterprises. Other Molpe Society members rallied round and met their colleagues' immediate needs by providing clothes, food and other household items.

This situation was a difficult one for the programme manager and me but we have been able to assure our borrowers that ECLOF will continue to support them. The people are extremely keen to begin rebuilding their lives but the delay in

receiving any resettlement payments from the government is delaying things.

Our clients are confident that if ECLOF were able to consider granting loans for a longer than normal period they would be able to repay not only these loans but also the outstanding ones they had before the tsunami.

Daily credit

The Molpe Society of Moratuwa has a mix of members at various economic levels, including people who can only live from day to day. These people borrow small amounts of money through a special Day-to-Day Loan Scheme, and buy other members' produce: fruit, vegetables, fish, etc., to sell. The Day-to-Day Loan Scheme began as a way of enabling the very poor to escape the clutches of exploitative moneylenders.

Taking care

As I set off early each day to travel to my clients, many challenges lie ahead. Often I have to go to very lonely areas, where I must trek through villages and fields to reach my destination. Some of the men I meet on the way can be drunk, even though it is early in the day, but I have confidence and I am not afraid; I have taken a course in karate. One morning, as I stood and waited for a bus, two men came along and grabbed my necklace. I put the two men down on the ground, recovered my necklace, and then went and reported the incident to the police.

I enjoy my work, particularly evaluating projects and giving advice on agriculture and animal husbandry to my clients. It is satisfying to know that the knowledge I learnt at college is now helping others to improve their standard of living.

New transport

Until now, I have had to travel to clients by bus and train, and on foot. I have often had to walk for long distances. This is time consuming, especially as some of my clients live far away from each other.

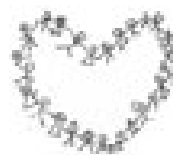
ECLOF Sri Lanka recently provided me with a motorcycle and this is now helping me to cover more ground, visit clients more often and increase the size of the overall loan portfolio. There are many in my country who need access to microfinance so it is important that ECLOF maximizes its impact.

The work that I do makes me proud that ECLOF is able to help people make ends meet and see some improvement in the quality of their lives. When my clients proudly show me what they have gained through an ECLOF loan and say, "Thank you", it gives me the courage to reach out to the many other people who need us.



Food security and HIV/AIDS

HIV/AIDS has led to many deaths. A lack of food for those who are left is one of the other serious consequences of the pandemic. However, as Jacinta Maingi, Eastern Region coordinator of the Ecumenical HIV/AIDS Initiative in Africa (EHAIA) explains, there is much that can be done to increase food security, and ECLOF must be right in the thick of the



action.

Today, HIV/AIDS constitutes a global emergency and one of the most formidable challenges to human life and dignity. It is not only a health issue but also a serious setback for the development hopes of millions.

Because of HIV/AIDS, the average life expectancy in many countries in sub-Saharan Africa is less than 40 years. This has enormous implications for the future sustainability of the nations involved. As a result of HIV/AIDS, one of the most serious problems today is an increase in what is termed food insecurity. This is a situation that must be addressed.

Food crisis

Food insecurity in Africa in recent years resulted from the complex interplay of structural neglect, economic isolation, environmental issues, bad governance and social breakdown. Most policy documents directing Africa's agriculture today are pressing for the opening-up of the markets and lifting of subsidies. At the farm level, this translates into an inability to access information, seeds, tools, pesticides and fertilisers. When a meagre harvest is finally obtained, African farmers have to compete in their local markets with cheaper, imported foreign goods. Farmers also find it very difficult to get their goods on to the world market because too few farmers have the technical knowledge, or due to the existence of protective tariffs and regulations.

It must be repeated and stressed that well before the serious effects of the AIDS pandemic are taken into account, Africa is already vulnerable to food insecurity. Sub-Saharan Africa, in particular, experiences chronic food shortages as production fails to meet the consumption needs of its growing population.

Given the low levels of earnings and the rural nature of most of the population, food production in Africa is mainly based on rain-fed agriculture. Unfortunately, this is usually adversely affected by natural calamities and human-made disasters, especially armed conflicts and deforestation.

Consequences

The numbers of people infected and dying as a result of HIV/AIDS only reveal part of story. HIV/AIDS not only infects and kills people; it also tears families apart, destabi-

lises communities, and puts into reverse the evolution of farming systems, rural livelihoods and economies.

It is estimated that in the 25 hardest-hit countries in Africa, AIDS has killed around seven million agricultural workers since 1985 and could kill 16 million more before 2020. The most-affected African countries could lose up to 26 percent of their agricultural labour force within two decades.

Population change

Perhaps even more important than the total numbers of people sick or dying from HIV/AIDS is the emerging population structure in terms of age, gender and economic activity. An AIDS-impacted society contains proportionally fewer mature adults (especially women) and more teenagers and other young adults. The latter groups are likely to be less socially engaged and to contribute less to the overall workforce.

HIV/AIDS increases present and future food insecurity through its impact on the:

- ability of households to produce food because of labour shortages and the loss of knowledge about farming methods;
- ability of communities to produce and buy food because the epidemic reaches every home, and neighbours become too over-burdened to help each other with food, loans or by lending a hand in the fields;
- ability of countries to import food because HIV/AIDS reduces growth by an estimated one percent annually in Africa.

In addition, rural communities also bear a higher burden of the cost of HIV/AIDS as many urban dwellers and migrant labourers return to their villages when they become sick. At the same time, household expenditures rise to meet medical bills and funeral expenses, and while the number of productive family members declines, the number of dependants grows.

The negative impact of AIDS on labour are many and include the:

- inability of households to buy food due to the loss of productive family members and of assets;

- illness of productive members of the household, especially women;
- death of an adult that leads to a sharp decline in production and income;
- diversion of labour from production to funerals;
- protracted nature of AIDS and the high costs of care and treatment;
- psychological impact of the illness and death of an individual that commonly leads to depression and a lack of motivation to work hard among other family members;
- declining health of other family members; children and adults in AIDS-affected homes are less well nourished, more likely to be sick, and more likely to die from a range of illnesses;
- severe impact upon household viability because of the loss of skills and experience from a deceased adult; HIV/AIDS breaks the chain of knowledge transfer and labour sharing between generations; survivors, including children and the elderly, often cannot manage the family farm due to lack of knowledge and experience.

Gender issues

Women from 15 to 29 years old are at least six times more likely to be infected by HIV/AIDS than are men. The main reason for this vulnerability is rooted in women's limited sexual power or autonomy. A host of economic, social and political disadvantages further limit women's economic independence and other opportunities.

Yet, it is women who are crucial in the production sector and transfer of knowledge chain for nearly all smallholder farm families across the African continent. Moreover, most of the additional burdens of responding to the impact of HIV/AIDS fall upon women. They are the main producers of food, and the main caregivers for the sick and children. It is also clear that the adjustments made by women to "cope" with the impact of HIV/AIDS in the short term have major implications in the longer term, such as the withdrawing of girls from school to help with domestic duties.

Many widows lose access to land, labour, supplies, credit and support services.

HIV/AIDS stigmatisation compounds the situation because assistance from the extended family and the community is cut off. As a result, elderly women become the economic and emotional safety net for grandchildren orphaned by HIV/AIDS.

The extended family structure where women are at the centre has been the most effective community response to the AIDS crisis. Measures directed towards the alleviation of poverty, food insecurity and HIV/AIDS management are less likely to take into consideration the special needs and capacities of women who now carry added and heavy responsibilities.

AIDS worsens existing gender-based differences in the access to land and other resources. Today, many widows are homeless and outcasts because their deceased husbands' relatives claim the family homes and lands, and sometimes even the children.

The appalling impact that HIV/AIDS is having on Africa's women is only now becoming fully apparent. Today, women constitute 58% of those infected in sub-Saharan Africa.

Coping with the situation

Households faced with HIV/AIDS-related labour shortages and loss of skills tend to adopt a variety of coping mechanisms. These include:

- intra-household relocation of labour, including the removal of children, especially girls, from school and an increased reliance on orphan labour;
- relying on the elderly, children and extended family networks to cover for ill or deceased adult household members;
- changing from labour intensive to less labour intensive farming methods, from cash to subsistence crops, and from growing vegetables to producing survival foodstuffs;
- reduction or complete loss of livestock, or switching from cattle to pigs, goats and chickens because there is no one with the skills required to care for larger animals;
- relocation of household members, especially children and orphans, to wider social networks in order to spread the burden, though the capacity of the extended family to cope is becoming highly questionable;
- for those who can afford it, replacing lost family labour with hired labour and increasing the use of fertilisers.

Questionable coping

Less effective ways of dealing with the impact of HIV/AIDS have been tried and they include:

- piecework strategies where some household members (adults and children) sell their labour for short-term access to food or cash; households can become perpetual labour providers and may experience food shortages even amidst bumper harvests in their communities;
- out-of-season farming activities, such as late planting and late weeding, though this leads to a reduction in production and increases a crop's vulnerability to pests and disease;
- compromising critical land conservation and soil protection activities, such as mulching, terracing and leaving land fallow, and replacing them with bush burning and the abandonment of weed and pest control;
- sale of household assets, including land;
- withdrawal from marketing activities in favour of subsistence farming; when households reach this stage, mitigation measures, such as microcredit for off-farm income-generating activities, become much more difficult or even impossible.

Other options

Among the ways to help rural people cope with AIDS-related labour stress, and arrest increased food insecurity there is a need to consider the following:

- non-labour intensive crops without compromising the need to address overall nutritional needs;
- agricultural diversification dependant on expected rainfall and the natural environment;
- community water harvesting and management systems to improve the production/labour ratio;
- community farming oriented to support food security and nutrition among the most vulnerable households and people, including female-headed households and community-based school feeding programmes;
- crops and farming systems that reduce vulnerability to ecological and social factors, such as drought-resistant crops, and agricultural diversification as a means to strengthen subsistence components and reduce one's vulnerability to erratic market fluctuations;

- increased food utilisation, such as ensuring that vegetable production serves not only marketplace trading but also household nutritional needs, and increased food equity to ensure equal access to adequate nutrition for all family members, particularly children, women and the sick.

Alternative medicines

Many people infected by HIV/AIDS will be cared for at home where access to health institutions and the availability of modern scientific treatment may not be guaranteed or affordable. Hence, there may be the need to influence and encourage farmers and people in the rural areas to consider growing plants and herbal remedies.

ECLOF in the mainstream

ECLOF should ensure that there is an HIV/AIDS component in all its projects. This "mainstreaming" of HIV/AIDS would ensure that all ECLOF staff and clients are aware of HIV/AIDS and its possible effects.

Making HIV/AIDS a "must have" component of all ECLOF products and training will contribute to the fight against stigma, discrimination and denial, and thus enable those infected and affected by the pandemic to benefit from local initiatives.

ECLOF beneficiaries could also be trained as community animators and pillars of a community support system.

ECLOF should make funds available to those infected and affected by HIV/AIDS without discrimination, so long as they are able to fulfil normal ECLOF lending criteria. At times, giving a chance to someone who has lost hope due to infection might give him or her the energy to live positively.

ECLOF must identify and design mainstreaming mechanisms, and ensure that accurate and up-to-date information and knowledge on HIV/AIDS is available to all ECLOF stakeholders.

Since the Ecumenical HIV/AIDS Initiative in Africa (EHAIA) operates in four regions (Eastern, Western, Central and Southern) ECLOF can tap into EHAIA's experience.

Although AIDS kills, stigma and discrimination are more lethal because they destroy even those who are not infected. In addition, even though AIDS destroys, bad governance at all levels is more devastating since its effects are felt for a long time. Finally, even if timely rainfalls are scarce in most parts of Africa, hard work at community level continues to pour down in spite of all the adversities that exist.

ECLOF holds talks with ecumenical partners

ECLOF has held its first meeting in a number of years with its ecumenical partner agencies (EPAs). The timing was chosen to fall within the United Nations International Year of Microcredit.

The gathering discussed the growth and evolution of ECLOF in the recent past, as well as its 2005/09 strategic plan. The meeting was also a forum for partners to share their activities, best practices and policies related to the promotion of credit within the context of the Millennium Development Goals (MDGs) and the UN Year of Microcredit.

ECLOF International had the pleasure to welcome 25 old and new friends, who came mainly from countries in Europe and North America. They also had the pleasure to greet ECLOF colleagues from Sri Lanka and Ghana.

Poverty multidimensional

Introduced by the Rev. Prof. Christoph Stückelberger, President of ECLOF, the opening session on Friday 13 May was dedicated to presenting the work of ECLOF and microcredit against the background of the UN Millennium Goals.

Carin Gardbring

from the Church of Sweden, underlined the fact that poverty is more than the lack of material resources: it is multidimensional. She detailed poverty's four major aspects: restricted human development (including education and training); deprivation of material goods; lack of empowerment and ability to influence decisions and vulnerability to shocks (conflicts, natural disasters, etc.).



Swedish pledge

With its diverse range of financial prod-

ucts, microfinance has an essential role to play in helping the poor to begin income-making activities, build assets and improve the sustainability of their lives. Setting the example for all, Carin told the gathering that the Church of Sweden has decided to dedicate 15% of its total income to credit and credit-related activities. Using microcredit as a development tool, the church's strategy includes local resource mobilisation, "help to self-help", empowering women and, in as far as possible, developing new models for development and finding key areas for change and renewal.

Carin challenged participants to share ideas, expertise, experiences and goodwill to develop these new models together, and to promote microfinance as a development tool worldwide.

Strategic plan

Muhungi Kanyoro, ECLOF International director, introduced ECLOF's strategic plan for 2005–2009. This gives a strong focus to rural credit and the promotion of women's micro-enterprise development. Muhungi also outlined details about new financing instruments that ECLOF is developing to meet increasing lending capital requirements. He further spoke about lessons learned from recent evaluations of national programmes. The director underlined the importance for EPAs and ECLOF continuously to find ways to sustain and strengthen their partnership, given their mutually supportive and enhancing missions and programmes.



ECLOF partnerships

Commenting on the role of enterprise development within rural development, **Dr Barry Colley** of Heifer

International pointed out that as part of their agricultural programmes, Heifer is

developing on-the-farm research, training and technical education. This focuses more broadly on food security than just "passing the gift of a cow", for which Heifer is popularly known. Enterprise development, said Dr Colley, ensures sustainability. He commented that the newly-signed partnership of Heifer and ECLOF is recognition of the complementarity of the two organisations.

Indeed, partnership, community organisation and food production have become important areas of action for ECLOF over the past three years. This was illustrated in the work done by ECLOF Ghana (GECLOF).

Magnus Amoa-Bosompen

gave a very informative presentation on the development of GECLOF, which now serves 5000 clients, 95% of whom are women. Activities are concentrated on agriculture and the marketing of farm products such as yam and cassava. GECLOF has developed a new product specifically for fish processing by using improved traditional technology, and hopes to double the number of its clients this year.



Partners present

After lunch, EPAs presented their individual organisations and spoke on topical issues. Joy Cadangen Lumbag, newly appointed finance manager for ECLOF International, considered the role that



evaluation plays as an instrument for improvement and innovation. **Sonja Van der Eijk** from ICCO believed in using grants, loans and investing in shares to promote

microfinance, and Ms Tamara Appel-Cless from Bread for the World, in Germany, talked about EPA experiences at global and regional level.

On the second day, discussions considered how best to support churches and the mission of the church to the poor, as well as improving networking, engaging partners more deeply in the work of ECLOF and facing up to the unexpected.

Shanika de Mel presented the work of ECLOF Sri Lanka and how they faced the



When ECLOF and its ecumenical partner agencies met, they discussed a whole host of microcredit issues.

impact of the recent tsunami. The work of ECLOF is even more important now than before, as the sooner people get a new income-generating activity going, the better.

Tamara Appel-Cless stressed the importance of the sharing of experience between partners, NECs and the ECLOF family at large. It was proposed that EPA representatives should be invited to regional workshops as one way to promote the work and understanding of ECLOF, and generally involve EPAs more in its activities. The aim would be for EPAs to see that ECLOF and microcredit is an integral part of their work agenda, and that their individual contribution is important to the development of the organization, as well as to that of the partnership at large.

The importance of developing advocacy, communication and fundraising was also discussed. **Matthias Elsermann** from the Evangelical Lutheran Church of Westfalia, gave examples of public relations work done in Germany. He cited the example of an OikoCredit Support Association, of which he is the



President, that showed the impact that results from being known nationally and also having the support of people at the local level. Alison Kelly from Christian Aid in the U.K. stressed the importance of uniting to promote microcredit as a development tool because “funders generally prefer larger coalitions and larger networks, which also have the advantage of having more visibility”. **Omega Bula** of the United Church of Canada added that this would help to make organizations located in both hemispheres feel united in their work and efforts and that the coordination of microcredit work would increase efficiency and impact.



Future

The response to the meeting was extremely positive. All participants asked for such a gathering to be held on a more regular basis. Work will continue on finding ways to develop the network and the sharing of information, and to promote microcredit as a development tool within a common, mutually supportive and enhancing framework.

Geneva groups mark UN year of microcredit

On 12 May, ECLOF, the International Labour Organization (ILO) and the University of Geneva held a meeting for those in and around Geneva who are involved in microfinance. Over 40 people attended from UN organizations, non-governmental organizations, banks, academia, local microfinance efforts and independent consultants. The meeting was an opportunity for people to meet each other and discuss the possibility of establishing a Geneva microfinance forum where practitioners and interested people can meet to share ideas.

Opening the meeting, Bernd Balkenhol of the ILO in whose offices the meeting was held, referred to the Protestant Reformer, John Calvin, and his writings on lending and his call for “equitable” interest rates. Mr. Balkenhol commented, “*Genève, le Calvinisme et la micro-finance: ce n’est pas une association quelconque; il y a une certaine logique; c’est presque... un mandat.*” (Geneva, Calvinism and microfinance: this is not just another association, there is a certain logic here. It’s almost... a mandate.”).

The Mayor of Geneva, Pierre Muller, who participants at ECLOF’s 50th anniversary in 1996 will remember for welcoming them to Geneva, told the meeting what the Canton of Geneva was doing in the field of microfinance. He noted that recently a local newspaper had published a full-page article on microfinance activities and actors in his canton that included a quotation from ECLOF.

The meeting generated a lot of interest from participants, particularly from the banking sector, and lively discussions were held. One of the topics of interest related to what investment returns should be expected. On the one hand, it was noted that the financial investments in developing markets have higher returns than in mature markets. On the other hand, some investors (in organizations such as resonsAbility and Oikocredit) accept having lower than market rate returns. There was also recognition that all the commercial sources of lending capital (Citibank, Oikocredit, Blue Orchard) to microfinance organizations go to only a handful of such groups. Discussions about developing a local Geneva and national Swiss platform for microfinance are under discussion.

Ecumenical expectations

George Petty, executive staff member of ECLOF International, reports on a seminar designed to give people a better understanding of the ecumenical movement and what is expected of those within it.

We gathered first at the Ecumenical Institute in Bossey, about half an hour from Geneva, Switzerland under the aegis of the World Council of Churches (WCC). There were 27 of us from specialised ministries and agencies that have a close relationship with the WCC in the area of emergency relief and development work.

During the ecumenical formation seminar, as it was called, we heard presentations on ecumenism and the ecumenical movement, as well as the role of religion in development. The organisers’ aim was to enable us to reflect together on matters of professional concern and build good working relationships with one another.

I found the seminar very helpful in that it provided a history of the ecumenical movement and an overview of the WCC’s current work.

As those taking part came from WCC partner agencies, as well as the WCC

itself, we were all asked, “What do we each expect of our partner organizations?” The answers given are instructive for the entire ECLOF family, and we should keep them in the front of our minds as we work. They are:

- common goals;
- dedication and commitment to the cause;
- mutual understanding and respect;
- transparency;
- competence;
- reliability;
- timely reports;
- timely applications;
- accountability;
- reflection;
- support;
- innovative ideas;
- networking and coordination.

Much more than loans: people sharing bread

In the last issue of New Horizons (p. 21), we reported on how Armenian ECLOF welcomed visitors from the Church of Sweden. Roger Marklund, from the church's international department, tells the story from his point of view.

We had not heard much about Echmiadzin before our trip. Now, the former capital of Armenia is a familiar place to us as a result of our visit to Armenian ECLOF and the work they are doing from their base in the city.

Most members of our five-person delegation came from local parishes in Sweden, where they play a crucial role in promoting development education and raising money for development projects. The idea to make this visit came out of a Church of Sweden national training course on the theme of "Everyone's right to good food", during which special attention was given to microfinance as a means by which people can make this right become a reality. We wanted to see what effect microcredit schemes were having in various countries, and so we arranged study visits to Cambodia, Peru and Armenia.

Solidarity groups

Armenian ECLOF's director, Tigran Hovhannisyian, and his staff took us to some very poor areas of Armenia in the Lory Region. There, we met "solidarity groups" that had received ECLOF loans.

When Aida Movsisyan and her family came to live in the village of Ardjut in 1992, the village helped her family to build a house, acquire land and begin agricultural activities. Many years ago, Mrs Movsisyan adopted and raised two children whose mother had died when they

were still very small. One of these children is Arshak Srappyan. Today, he is a member of the Luys Solidarity Group, which is a client of Armenian ECLOF in Ardjut. The group consists of 13 members, who, all together, received a loan for the equivalent of US\$3,400. With this sum, they were able to develop cattle-breeding activities and see their farms grow. The Luys Solidarity Group says that ECLOF was the first organization to help them to improve their living conditions by giving them the loans necessary to keep and develop their farms. They have now regained hope for a much brighter future.

The Arghasar-1 solidarity group in the town of Stepanavan told us that its members are collectively responsible for their loans and repayment. They explained that this is a good system because it is almost impossible for individuals who are poor to manage these things on their own.

Eight young men make up the Arghasar-1 group. Previously, they were all unemployed, could not see any future in Armenia, and were considering emigrating. They approached several Armenian microfinance institutes but their interest rates were too high. In any case, the men were told that they were not eligible for loans. This is when they turned to ECLOF. With ECLOF, they found a different approach and felt treated with respect and dignity. ECLOF showed the men how to form a solidarity group, what to use as collateral, and

how to complete a project proposal to see if their ideas were realistic and sustainable.

The Arghasar-1 group has now been granted a second ECLOF loan. When we met the men on the outskirts of Stepanavan, it was a sunny afternoon and they had just filled their barn with fodder for the winter season. The group owns five cows, 14 calves and four pigs. The group's main activity is meat production but they have recently begun bee keeping and now have around 20 hives. The sale of honey will add substantially to their overall income.

In the same area, we met the Katnarat-1 solidarity group. Thirteen young men, two of them Russians, belong to Katnarat-1. Their re-built farmhouse is in an area that was seriously damaged by the 1988 earthquake. There is still a lot of rubble around from the remains of destroyed houses.

As with Arghasar-1, this group is also into a second ECLOF loan, which it is using to expand its meat and milk production business. The group has 25 cows and 40 calves, and its members also plan to expand into cheese making. The area used to be famous for its cheese, and exported much of it.

In Armenia, unemployment is high and many young men remain idle after their military service. However, the members of both the solidarity groups that we met have found that with hard work, and backed up by an ECLOF loan, it is possible to make a decent living.

Refugees

We also visited some remote villages in the area around the town of Tashir. Many of the villagers are refugees, who fled from Azerbaijan to Armenia in 1988 and 1989 as a result of the war between the two countries. Times are tough for everyone in Armenia as a result of the war, the earthquake, the collapse of the Soviet Union and the subsequent collapse of the country's industries and infrastructure. However, the situation is even worse for refugees. Therefore, ECLOF has focused on some of the areas where many of the refugees live.

We met several refugees who are now ECLOF clients. Many had recently begun small-scale farming and cattle breeding enterprises. They told us that one of their problems had been the high cost of transporting the milk produced by individual



Mrs Aida Movsisyan (centre) is the adoptive mother of Arshak Srappyan, a member of the Luys Solidarity Group located in Ardjut, a village in the Lory Region of Armenia. She welcomes Andrea Sclée (left), a Church of Sweden pastor, and Armine Baghramyan, an Armenian ECLOF administrative assistant (right), with some home-made, mouth-watering bread and cheese. When Christians say the Lord's Prayer, they ask, "Give us today our daily bread". Much of the work of ECLOF is centred on helping that prayer become a reality for those who have too little to eat.

farms. The farmers began discussions with ECLOF to see what could be done. They found that the cost of fuel for the truck used to transport the milk could be drastically lowered if the truck were to use gas instead of diesel. The technology is well known and commonly used in Armenia. Filling stations for gas are as common as those that sell other fuels. ECLOF provided a loan to pay for the conversion of the truck's engine, and, today, farmers are making a profit from their milk production businesses. We felt that ECLOF's openness to all aspects of production and consumer chains is benefiting all its partners.

Lives enriched

The ECLOF clients we met told us how microcredit had changed their lives. By cooperating with their neighbours and working together, people can now pay for their children's education, enjoy a better standard of living and contribute to the development of their communities. They have also learnt project management and economic planning skills, and now that they are taxpayers feel much more part of their society and able to contribute to its development.

Armenian ECLOF is still a small agency with less than 3,000 clients and a relatively

small loan portfolio. However, Armenian ECLOF is a learning organization, and it is continually strengthening its ability to serve the Armenian people. ECLOF definitely has a role to play in shaping the country's future at national, regional and local levels.

Those of us from the Church of Sweden who visited Armenia are proud to be part of the ECLOF family. We are now spreading news of ECLOF and its activities in Armenia throughout our parishes in order that more people will support this vital work.

God's strategy for life

In 2000, the United Nations declared eight Millennium Development Goals (MDGs) to guarantee basic needs for everybody. These secular goals reflect biblical ones, though God's 'basic needs strategy' is more radical, as Rev. Prof. Christoph Stückelberger, Director of the Institute for Theology and Ethics of the Federation of Swiss Protestant Churches and Chairperson of ECLOF International, explains.

The story that Jesus told of the Last Judgement is a tough one. It is about a vision of how things will be at the end of time when good and evil people will be separated. The sheep—those who have lived a good life—will be placed on the right with the promise of being with God. The goats—those who have neglected God's way—will find themselves on the left, and bound for eternal punishment. However, this story is not primarily about separation in some afterlife but about ethical behaviour and doing good here and now.

Here is part of what Jesus said:

Then the King will say to those on his right hand, "You have my Father's blessing; come, enter and possess the kingdom that has been ready for you since the world was made. For when I was hungry, you gave me food; when thirsty, you gave me drink; when I was a stranger you took me into your home, when naked you clothed me; when I was ill you came to my help, when in prison you visited me." (*Matthew 25: 34–36*).

Elsewhere, in Luke's gospel, Jesus is even more radical and talks about not only visiting prisoners but also releasing them (*Luke 4:18b*).

Six actions of love

From these two passages, we can see that God's basic needs strategy includes six concrete actions of love:

- hunger – provide food
- thirst – provide water
- stranger (exclusion) – community (inclusion)
- nakedness – give clothing (protection, dignity)
- sickness – provide health care
- prison – visit and release the prisoner

This simple but profound list of basic human needs shows the things that we need to live in dignity. We do not require luxury or sophisticated life styles but food, clothes, a home, protection,

security and community. God wants us to care first of all for the basics!

UN basic needs strategy

The UN General Assembly will evaluate the progress being made to achieve the Millennium Development Goals in September 2005, five years after their introduction. The MDGs include eight fundamental goals:

- 1 Eradicate extreme poverty and hunger
- 2 Achieve universal primary education
- 3 Promote gender equality
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS and other diseases
- 7 Ensure environmental sustainability
- 8 Develop a global partnership for development.

These goals include four of the six biblical goals leading to actions of love: food, water, clothes (housing, protection), health. However, two important biblical goals do not appear: the integration of strangers in the community, i.e., for the world to become an inclusive community; and caring for and liberating prisoners. The United Nations avoids mentioning sensitive issues such as migration, foreigners, political prisoners and the violation of human rights. However, according to God, basic needs include not only material goods but also community, liberation and spiritual goods. The UN excludes sensitive and politically controversial issues in order to unite humanity behind the eight other goals, which is understandable. However, God in Jesus openly calls for the liberation and inclusion of all people and, indeed, for the whole of creation.

It should be noted, however, that the UN goals also challenge the biblical list. For example, the MDGs contain the promotion of gender equality but Jesus does not explicitly mention this in his strategy. Implicitly, however, it is there and today it must be made explicit. God's call for love for all by all, as well as the call for justice, includes gender justice and gender equality.

God's offer

God's basic needs strategy should also be the foundation of ECLOF's work and the organization's point of reference and orientation for its own vision and strategy. God promises us that not only will we see God's Kingdom if we follow God's strategy but that God is accompanying us on the way with his spirit. That is a great promise and encouragement!

Foreign exchange

ECLOF International Board member Mercedes Canalda reports from the Dominican Republic, where she is a member of a government committee looking at ways to increase the effect of money sent home by those who have gone abroad to work.

One of the most important items in many Latin American economies is the income from remittances sent by emigrants, especially those now living in places such as the United States and Spain.

In many Latin American countries, remittances have become an important means of support for poor households.

The total sums involved are substantial. The Dominican Republic is the fourth biggest remittance receiver in Latin America after Mexico, Brazil and Colombia. It received more than US\$2.2 billion in 2003.

Because of the significance of this movement of money, both multilateral and national bodies have begun to develop norms and policies on procedures and costs, and to study the macro-economic effects of the phenomenon.

Those who receive remittance money use it in a variety of ways. Often, as in the Dominican Republic, people pay for basic items they could not otherwise afford.

Today, however, the idea is gaining ground that remittances could be better used for investments and savings, thus giving the poor a better long-term future.

One of the most widely discussed questions today relates to whether remittances should continue to be made through formal banking systems. Some now suggest it would be better to channel the money through development organizations so that

it can be used as microcredit to fund savings, house building, loan provision, health programmes, education and business development.

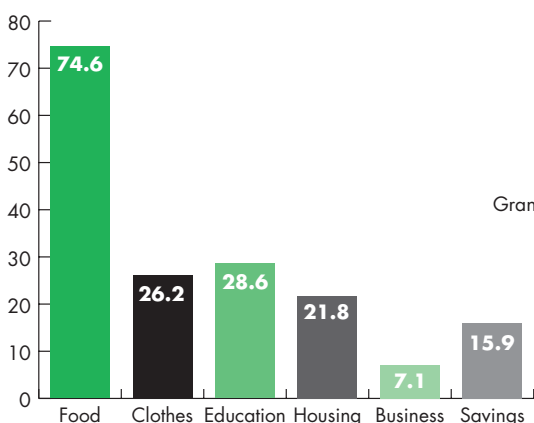
However, those who send remittances have to bear in mind a number of important factors including the speedy and economic delivery of their cash, and the possibility of making money available to their families back home in local currency or US dollars, in order to minimise currency exchange costs.

In many countries, the delivery of remittances is centralised in the hands of a limited number of distributors, who are considered to have developed useful tools and provide a good service to customers. It is interesting to note that banks are now developing additional distribution methods to ensure that remittances can be used for other than immediate needs.

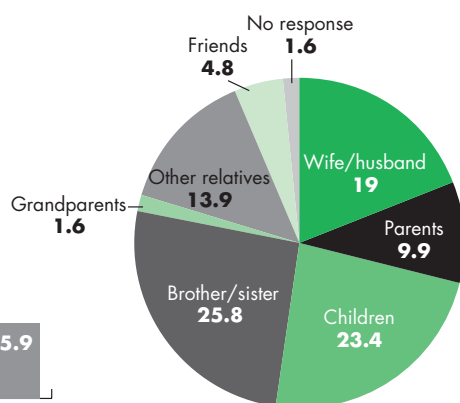
If microfinance institutions are to become effective channelling agents for remittances they will have to design microcredit products that regard remittances as collateral and that will appeal to those who receive money sent home.

In some countries, regulatory systems only allow supervised institutions to receive and deliver remittances. Therefore, it will be necessary for the microfinance world to develop strategic alliances between themselves and these approved institutions in order to provide a better remittance service to underprivileged people.

How remittances are spent (%)



Who sends remittances (%)



SIDI seminar

In November 2004, ECLOF International staff attended a seminar organised by DanChurchAid, during which representatives of the International Solidarity for Development and Investment Company (SIDI) explained the aims of their organization.

The French Committee against Hunger and for Development established SIDI in 1983. The company specialises in the financial and technical support of microfinance institutions, promotes viable economic activities, and fosters the establishment of a social and economic environment capable of promoting sustainable development.

The DanChurchAid seminar and the SIDI briefing showed once more how important it is for those involved in microfinance to share their experiences and knowledge.



Oikocredit celebrates 30 years!

Founded by the World Council of Churches in 1975 as an ecumenical development bank, Oikocredit is this year marking three decades of achievement. During its thirty years, Oikocredit has mobilised €203.5 million of investment capital from 571 members.

With a record €52 million in new project funding approvals in 2004, Oikocredit has become both a leading specialised development finance institution, particularly for microfinance organizations, as well as a recognised "socially responsible investment" instrument.

ECLOF congratulates Oikocredit on its 30th birthday, its excellent performance to date, its continued efforts to reach out to more people in need of financial resources, and its mobilising of investments from those who wish to realise a social return on their capital.

Tell me by text



The cell phone is becoming more and more part of everyday life. Many have a love-hate relationship with their 'mobile'. However, as ECLOF Philippines reports, it has provided a solution to a problem that threatened to prevent microcredit reaching those who could put it to good use.

Rev. Mario Abellera is a Methodist pastor with a small congregation in the far-flung town of Bataraza in the Palawan province of the Philippines. He is also chairman of the Tribal Christian Multi-Purpose Cooperative (TRICAMCO). Bataraza is 250 kilometres from the provincial capital, Puerto Princesa. It takes more than six hours to travel from Bataraza to Puerto Princesa by bus because of the unpaved and rough road. Worse, public transport is only available until three in the afternoon. Anyone missing this bus must wait until the next day to travel.

ECLOF Philippines has a branch in Puerto Princesa. Last year, we agreed to provide microfinance for TRICAMCO so that it could provide credit to its members. The

cooperative organized 19 groups and ECLOF conducted the necessary loan evaluation. Those clients who passed the evaluation were granted loans. The total due to be received by members for their first loans came to US\$14,600.

However, one problem prevented us from releasing the loan. We had no office in Bataraza where TRICAMCO is based. For an ECLOF staff member to travel to Bataraza to monitor repayments of the loan would be too costly and eat up all the income from the loan. Though there was a bank in Bataraza, it was not connected to the Internet because there was no landline available. Without any staff or office in the area, how could the ECLOF Palawan

branch know if clients were making their repayments on time? We had had some poor experiences with other cooperatives, and so we were naturally cautious this time.

Faced with this dilemma, we contacted the bank in Bataraza where repayments were to be made. To our astonishment and delight, the bank manager told us there was an easy answer to our problem, and one the bank had been using for over a year.

In 2003, a telecommunications company had installed a mobile phone network in Bataraza. It was like manna from heaven for the bank because it meant it could send details of repayments by SMS, or text messaging to whomever needed them. With this technology available, our Palawan branch was able to make the loans and now receives daily reports of amounts repaid at the bank. If any payments have not been made, details are included in the messages and we then contact TRICAMCO so that Pastor Abellera and his colleagues can deal with the problem before it gets out of hand.

News from NECs

Cuba hosts microfinance talks

Last December, José Luis Pereira Ossio, the director of ECLOF Bolivia (ANED), took part in the Seventh International Conference on Micro and Small Businesses.

The conference met in the Cuban capital of Havana under the theme, "The globalization of financial services for micro-businesses and its impact on the fight against poverty". More than 500 people attended and debate was intense. José Luis reports that it was generally agreed that microfinance institutions need to increase the ways in which they integrate with and complement other development factors, particularly national governments.

In a contribution to a panel on "Microfinance, globalization and poverty", the ANED director spoke about the way in which financial and political powers are increasingly becoming involved in microfinance for development. José Luis told his audience that the current model shows a series of factors and processes that have led to the creation of institutions consid-

ered successful from a financial viewpoint but that have weak social and economic impact on groups with high poverty levels. He added that the term "microfinance industry" refers to a global concept where the unequal relationship that countries have with each other has been reproduced. The same is true of the inefficiency of economic development models that are exclusively market oriented.

Appointment

Alongside the international conference in Cuba, the Network of Alternative Financial



José Luis Pereira Ossio (left) in discussion with ECLOF International Director Muhungi Kanyoro, on a recent visit to Geneva.

Institutions—Latin America (INAFI-LA) held its assembly. The meeting appointed José Luis Pereira as secretary to the board of directors. INAFI-LA is made up of 17 microfinance institutions from various Latin American countries.

From ECLOF Bolivia (ANED)

We are sad to report the death in a car accident of Javier Flores, the Chief of Office at our Tupiza-Potosí branch. Javier died on 27 December last year. The loss of our colleague and friend makes us reflect deeply on the commitment of all ECLOF staff and the risks they run in carrying out their work in rural areas. Javier believed in the building of a better and fairer society. In sincere homage to him, we renew our commitment to ANED and the role it must play in the development of the poor.

ECLOF International expresses its sincere condolences to the family of Javier Flores and his ANED colleagues.

On your bike!

New Horizons has regularly reported on the increased use of motorbikes by national ECLOF committees. Colleagues in Kenya now reflect on how their work has benefited from the introduction of two-wheeled travel.

Our clients are predominately in rural areas that can only be reached on unpaved roads. In bad weather, travelling by motorbike is almost the only option.

Motorbikes also bring other advantages, as a look at the figures involved shows. Our branch in the town of Meru currently handles 1,605 clients, who belong to a total of 118 groups. Using a motorbike, a credit officer can visit five groups a day, with each group having an average of 15 borrowers. This means a staff member can see at least 75 clients in a day and it makes the monitoring of groups much easier. Groups also know that the ECLOF person will turn up on time and not be subject to public transport delays.

The use of a motorbike also means more individual clients can be visited. A credit officer on a bike can make up to 30 appraisal visits in a day.



Peter Mutuma (by motorcycle), ECLOF Kenya credit officer in Meru, about 300 kms from Nairobi, with some of his clients from the Kawira Solidarity Group at their shop. Peter comments, "One thing I really appreciate about using the motorbike is my ability to reach marginalized communities. Due to their inaccessibility, they would not otherwise receive microcredit services. A case in point is a group of small-scale wheat producers. Now they have received microcredit loans, their incomes have significantly increased."

More people visited means more people can benefit from ECLOF loans.

Surprise

If a credit officer travels to clients by public bus, then everyone knows when to expect him or her to arrive. Travelling by motorbike gives more flexibility and makes possible 'surprise' visits, which we have found are vital in carrying out effective monitoring of a client's performance.

We have also discovered that using a motorbike makes it much easier to track down loan defaulters and help them sort out their repayment problems. Sometimes we are able to trace people right to their isolated homes. This would not be possible if we had to rely only on public transport.



Enoka Tunya (left), ECLOF credit officer in the town of Eldoret, at the welding shop of his client, Morris Onyango, who is a member of the Ua La Kondeni Solidarity Group.

If a group gets into repayment difficulties, it can sometimes be better for two officers to deal with the problem together. Motorbikes make this much easier to achieve because a second staff member simply hops on to the pillion seat, and no extra travelling costs are incurred. In addition, when making outreach and promotional visits, two officers travelling to an area together can increase the outreach considerably compared to what it would have been if one person had gone by public transport.

All of this sends signals to ECLOF clients that we are a serious and efficient organization, and one with whom it is worth doing business.

COFEP president calls for strengthening of links with ECLOF family



On a visit to ECLOF Colombia (COFEP), George Petty (back row, centre), executive staff member of ECLOF International, met the new COFEP president, Ana Sofia Franky Silva (back row, fourth from right) and the new COFEP director, Maria Victoria Aguirre, (back row, fourth from left), together with the staff team. Also in the photograph is COFEP board member, Enna Sofia Lemus Cañon (back row, third from left).

As soon as **Ana Sofia Franky Silva** took up her post as president of ECLOF Colombia (COFEP) in March 2003, she began the task of implementing a new strategy designed to make the organization financially sustainable. COFEP had faced a

number of difficulties, and reform was necessary. New board members and member institutions were appointed, including a new director, **Maria Victoria Aguirre**, who took up her post in December 2004. The new strategy has been implemented and additional support from ECLOF International is being discussed.

Against this background, Ana Sofia has called for a strengthening of COFEP's links with the rest of the ECLOF family. This, she believes, is necessary if COFEP is to continue its work of assisting the development of poor communities that have placed their trust in ECLOF for more than 20 years.

The COFEP president holds a degree in business administration and has spent a long career mostly working in the field of credit risk management with various financial institutions in Colombia.

Ana Sofia Franky Silva has been a member of the executive and finance committees of Women's World Banking Colombia since 2002. For the last five years, she has also worked as an independent consultant with small and medium-sized businesses, and is a consultant to a national guarantee fund institution that is part of Colombia's Ministry of Development.



The new director of ECLOF Colombia (COFEP), Maria Victoria Aguirre, has numerous finance and microcredit qualifications, including

at post-graduate level. She has been working in Colombia within the banking world since 1991. Immediately before joining COFEP, Maria Victoria provided consultancy services to micro- and medium sized companies. She was also a consultant to the Colombian government's Ministry of Economic Development.

Meet ECLOF staff

On a recent visit to ECLOF Ecuador, and for New Horizons, George Petty, executive staff member of ECLOF International, interviewed Nelly Abara, who is based in ECLOF's Quito office. Nelly, like many women, has to combine a demanding job with being a mother but she still makes time to think big.



ECLOF staff member Nelly Abara visits some of her clients on their broccoli farm.

NH Nelly, where are you originally from?

NA Riobamba City. It is the capital of Riobamba province, and has a population of about 250,000. The province itself has the highest percentage of indigenous people in the country, and agriculture is the biggest activity. There are few jobs in Riobamba City other than public services. The result is that many people leave to find work elsewhere.

NH Is that why you left for Quito?

NA Yes. I did my university graduate and post-graduate studies in Riobamba. After graduation and despite my academic qualifications, it was hard to get a job because I lacked experience. Therefore, I studied business management and got a job with an oil transportation company. However, I really wanted to work for an organization whose concerns went beyond profits. Eventually, I joined a financial co-operative. It was during this time that I married and had two children. My job was two hours away from Quito, where my husband worked. In the end, I left the cooperative and joined my husband in Quito with the children. There, I found another job with a co-operative. From that job I went on to the Christian Youth Association (ACJ) and then to ECLOF Ecuador.

NH How did you manage childcare throughout this time?

NA Working and being a mother is hard. We had domestic help but this brought its own problems. I like work, and I want to work and do so professionally, but this was a difficult situation. It is hard to balance home and work responsibilities.

NH Is the situation better now?

NA Yes, my in-laws help. We moved close to them. This is especially beneficial for

the children. Now, they are happier and I do not have to worry about them.

NH How long have you been with ECLOF and what do you do?

NA Since October 2003. I am the Director of Projects but my responsibilities are a bit of everything. I administer the portfolio, review loans, work with the budget, etc. I like the work because it has different aspects to it. I enjoy my contact with clients; it is very satisfying to see the progress they make. Lending is ECLOF Ecuador's primary business and we need to focus on it. However, in the future I hope we can also develop non-financial services. Clients ask us for them and, rather than sending people elsewhere, we could have a database of service providers to whom we could refer clients, and thereby earn a commission from these referrals.

NH What is most difficult in your job?

NA We work as a team but sometimes we could do with planning together more. However, there are so few of us that we do not always have time to do this. We are also in a period of transition with new staff that have come on board. One of our problems is arrears. The older the loans, the more difficult they are to collect. Things move slowly in the legal system.

NH But your arrears have dropped!

NA Yes, that is true and I sometimes look at how long I spend collecting old loans and wonder if it is worth it. However, if we are to continue to grow, we need the capital that is tied up in arrears, as well as new income.

NH I understand you have just been appointed to a body known as the Rural

Finance Network (RFR). What is that about?

NA The RFR is a self-regulation committee and I represent ECLOF on it. The RFR is an association of microfinance institutions (MFIs) and co-operatives that are not regulated by the central bank. They work on issues of transparency, training, growth of member organisations, and the provision to members of financial indicators software.

NH Does the RFR help you meet people from other MFIs?

NA Yes! I have clients that I met through the RFR (these are institutional clients). The benefit of meeting others is really important. It shows that we are not alone. We can make alliances. In fact, ECLOF Ecuador has made several new relationships thanks to the RFR. Before we joined the RFR, we were not very well known but now we are! The RFR also helps with making contacts outside the country, as with the Inter-American Development Bank (www.iadb.org) and the Microfinance Information eXchange (www.themix.org).

NH How do you see ECLOF Ecuador's future?

NA There are lots of possibilities and plans for new products. I see us growing to a US\$14 million loan portfolio. We could become a regulated finance institution and collect savings. In Ecuador, this is one level off being a bank. We have the ability to grow and become really big. Obviously, to achieve this we will need more money and support from ECLOF International, as well as a strong board.

NH What does its relationship with ECLOF International mean for ECLOF Ecuador?

NA It is a strength for us. It helps us grow. We see we are part of a global family with a common mission and vision. It helps us strengthen our relations. Your presence is very important. I am able to tell our clients that we are part of a global network.



Ecuadorian discussions

Jorge Salinas (*right*), Executive Director of ECLOF Ecuador, and Manuel Quintero, communications director of the Latin American Council of Churches (CLAI), during a visit by ECLOF international to their two organizations. During the meeting, ECLOF and CLAI representatives discussed their respective activities and exchanged views about areas where they could work more closely together. Since this meeting, Manuel Quintero has been appointed the new director of Frontier Internship for Mission, which is based at the Ecumenical Centre in Geneva, Switzerland.

ECLOF Uruguay

Top posts for board members



The government of Uruguay has appointed **Alicia Melgar**, a former board member of ECLOF Uruguay (FEDU), to head up the National Institute of

Statistics. Alicia is an eminent economist and her appointment, which is a non-political one, recognises her expertise. Alicia Melgar was a board member of FEDU from its inception. She completed her term of office at the end of 2004.



Celia Barrato, who joined the FEDU board last December, has been appointed director of the Technological Laboratory of Uruguay (LATU).

Created in 1965, LATU is a collaboration of private and public sectors to develop new technologies and improve the quality and

marketing of products through the establishment of alliances within South and Central America.

ECLOF International congratulates Alicia and Celia on their important appointments and wishes them well in their new spheres of work.

New president



Mario García has been appointed president of FEDU. Mario first joined the FEDU board in 1999 as a representative of the

Uruguayan ecumenical organization, *Servicio Ecueménico Solidario* (SES), which promotes co-operatives and solidarity groups in order to provide solutions to issues of health, housing, food and work. Mario García has been part of the SES management team since 1998, and in charge of assessing the administrative and accountancy needs of groups and co-operatives.

New faces at ECLOF International

Someone already well known in the ECLOF family has joined the international staff in Geneva. **Joy Cadangen Lumbag**, a former international board member, is now our finance manager. Joy, a former treasurer of ECLOF Philippines, belongs to the Igorot indigenous people of the Cordilleras in the Philippines. Joy holds qualifications in accountancy and business administration. She has a wealth of experience in microfinance and is a former finance officer of the Episcopal Diocese of North Central Philippines as well as Chief Executive Officer of her church's pension fund.



Former ECLOF International finance manager Nejib Ababor hands over his responsibilities to Joy Cadangen Lumbag. Nejib has overseen major changes in the

transformation of ECLOF finances, accounting, monitoring and reporting since joining the organization some nine years ago. ECLOF appreciates the dedication and professional manner with which Nejib has handled his responsibilities, and wishes him well in his future career.



In April, **Perrine Bell** took up her post as executive assistant at ECLOF International. Perrine is Anglo-French by birth and enjoyed a multicultural

education in England and France. She is bilingual in English and French, and also writes and speaks Spanish. Brought up in West Africa as a child, Perrine studied communication and diplomacy at university in England. She has worked abroad for *Médecins sans Frontières* as a field administrator, and also held several communications-related posts with international organizations in Geneva.



Jérôme Michel Clark is the new executive director of ECLOF Côte d'Ivoire (Ivory Coast). He took up his post last September. Jérôme holds a master's degree in business administration from Kansas State University in the USA. To gain his MBA, Jérôme specialised in finance and accountancy. Prior to joining ECLOF, he was chief accountant for Cargill West Africa S.A. Cargill is an international provider of food, agricultural and risk management products and services. Jérôme was also previously involved in the

training and evaluation of microfinance institutions, including ECLOF Côte d'Ivoire. He is an active member of the Full Gospel Businessmen's Fellowship.

Planning for the future



Mr Nils-Gunnar Smith, microfinance adviser at the Church of Sweden and member of ECLOF's International board and executive committee, visited three African national ECLOF committees (NECs) in Kenya, Uganda and Zambia in March of this year, and held discussions about some of the challenges and opportunities ECLOF faces.

After his visit, Nils-Gunnar said he had been extremely touched by the warm welcome he had received in all three countries. This, together with his meetings and conversations with ECLOF officers, staff and clients had made him proud to be part of the ECLOF family.

The subjects Nils-Gunnar discussed with colleagues included:

- how to improve loan collections;
- fundraising and how NECs can increase their capital from local resources in addition to those coming from ECLOF International;
- NECs becoming regulated microfinance institutions (MFIs) and the new MFI banking laws that have been put into place in Uganda, will probably be implemented soon in Kenya, and are likely to reach Zambia later;
- requirements arising from becoming an MFI, for example, becoming

shareholder-based and finding shareholders;

- capacity building, the training of staff and how to keep trained staff in the ECLOF family;
- effective risk management in the face of HIV/AIDS, and how to develop credit programmes to respond to the needs of those infected and affected.

All these issues and more will be addressed in ECLOF's 2005/2009 strategic plan and are currently issues being discussed during consultations, regional workshops and visits by the international secretariat.

Meet ECLOF clients

House of education

The *Mi amigo Jesús* (My friend Jesus) school located in the village of Mariscal Caceres—35 kms from Lima, the capital of Peru—just cannot seem to stop growing.

Rosa and Eugenio Trujillo opened the school in 1998 after moving to Mariscal Caceres, when Mr Trujillo retired from the navy. To do so, they used Eugenio's retirement pension and the family savings. Their decision was motivated by the fact that the only state school in the district was overcrowded and the level of education there notoriously low. There were good local private schools but many parents could not afford to pay the expensive fees.

The school began in the Trujillo's home with eight pupils. Within three years there were 95 children and the family home was bursting at the seams! Today, the Trujillos continue to look after the administration of the school, and employ high quality teachers.



Over the years, the solidarity group formed to operate the school has received a number of ECLOF loans. The first one, in 1998, helped the school to get going. A second loan, in 1999, made possible the building of a second floor to provide more teaching space. Two years later, the school used a further loan to equip a kindergarten, as well as first and second grade classrooms.

Further loans paid for a third floor to be added to the building, more classrooms, and a computer laboratory with ten workstations and PCs. The school received its latest loan of US\$8,000 last January and has used the money to provide new bathrooms and three more classrooms.

Today, the school has more than 200 students in classes from elementary to 10th grade.



Growing up in Peru and becoming well educated, thanks to a very special school.

In some ways, *Mi amigo Jesús* is unconventional. It bans chocolate, sodas and artificial sweets in favour of natural more healthy food snacks. Pupils take home what they grow in the school's vegetable gardens. The school is modern in outlook; it provides computer training for children from nursery age. Parents are directly involved in the running of the school and meet regularly to discuss policies and plans.

The *Mi amigo Jesús* school is another example of what a series of ECLOF loans can achieve over a period of years. One wonders how much higher the Trujillo's home can get!

Many of the pupils at the *Mi amigo Jesús* school come from very poor families.

Tania Gutiérrez, aged seven, was in the first grade of the *Mi amigo Jesús* school. Tania lived with her mother and her 20-year-old sister. Their father had abandoned them. Tania's mother was terminally ill with cancer, and her sister, who worked as a housemaid, was the only one who brought any money into the home. From her income, Tania's sister just about managed to pay for Tania's schooling. After their mother died, Tania's sister could no longer afford to pay the school fees so *Mi amigo Jesús* awarded Tania a scholarship for the rest of the school year. In 2004, Tania's sister enrolled her again and the school was able to help by allowing her to pay as and when she could.

Fivefold success in Arazap!

In Armenia, shortly after the collapse of the Soviet Union in the early 1990s, the privatisation of former state properties began to take place. As a result, individuals each received animals, buildings or small plots of land. Many families were then able to begin farming.

However, people had received so little that for many it was almost impossible to produce enough food for personal consumption, let alone enough to run a business. The answer was for individuals to form small groups.

That is what five members from three families did in the small village of Arazap in the Valley of Ararat. The outcome was the Arazap-3 solidarity group. Between them, group members already owned ten cows. The five farmers took out a first ECLOF loan of US\$2500 (\$500 each) to buy ten more cows, and with the addition of US\$2400 of their own money, they also bought ten bull calves and some fodder.

The farmers housed all of their animals in a cattle shed owned by the group leader, Hmayak Asatryan, who had received the building in the share-out of state properties during the privatisation process.

The members of Arazap-3 come from a variety of backgrounds. Hmayak Asatryan used to work in the top management of a state collective farm. He has good farming knowledge and experience, including a university diploma. Marjanik Arakelyan is also a university graduate and was previously a director of the local government-run kindergarten. Mamikon Kostanyan used to work as a herdsman. The remaining two members, who are in their late twenties and much younger than their colleagues, went straight into farming from school. By the time they joined Arazap-3 they had enough experience to be eligible for an ECLOF loan.

To date, the Arazap-3 group has received three ECLOF loans that have been well used to expand cattle breeding activities, as well as the production of milk and meat. The farmers plan to increase milk production further, and diversify into cheese making.

Enterprising expansion

Eleven years ago, a group of 23 Kenyan women, who individually made and sold knitted goods and tablecloths, got together to try to increase their incomes and expand their businesses by finding sources of additional capital.

Since then, many group members have taken out a series of ECLOF Kenya (KECLOF) loans. Today, the results of the

Ngecha Tablecloth Women's Group, as the women call themselves, show that micro-credit coupled with strong leadership can produce long term development.

The group's name, explains founder member Miriam Njeri, derives from where the women live and work. Ngecha is an area with a population of about 10,000, and lies within the Kiambu district, some 25 kms

from Nairobi, the capital of Kenya. The average age of the Ngecha Tablecloth Women's Group members is 47, and it is the longest standing client of KECLOF's regional office in the nearby town of Limuru. To date, the group has received six increasingly substantial loans. The latest credit was for a total of just over one million Kenyan shillings (US\$13,300).

With her first KECLOF loan, **Mary Wangui Mbiyu** increased her stock of materials for making tablecloths. A second loan meant she could increase the range of items in her shop; sales increased substantially. As a result, Mary Mbiyu bought a plot of land with the hope of having a house on it one day. After a third loan that enabled Mary to expand her business even further, this enterprising woman built her planned home. Then came a fourth loan and Mary Mbiyu diversified her business. She bought three cows and also began to buy other goods from a southern African company. She sold these goods in her shop on commission. Mary used a fifth loan to buy some laying hens, and was then able to sell eggs to local schools. Currently, Mary is repaying a sixth loan that she has used to increase her number of hens and buy the feed they need.



Everything starts somewhere. Mary Mbiyu begins another tablecloth for sale in her shop. From small origins, her business has increased thanks to a series of ECLOF loans.



A pay phone, bought with an ECLOF loan, has increased the takings in Miriam Njeri's shop.

Miriam Njeri says she has greatly benefited from the ECLOF loans she has received over the years. "Poverty used to create a strain between me and my husband because we were not able to pay to educate our children", Mrs Njeri explains. "Now we can do so, and this is helping the general fight on illiteracy and dependency in our country."

With a first loan, Miriam increased the stock of her tablecloth business. She bought a dairy cow with a second loan, more stock with a third, and then, with a fourth, built some rooms for rent at the Ngecha trading centre, where she is based. Mrs Njeri also added to this loan money she had saved as a result of increased income because of her earlier loans. With a fifth loan, Miriam bought a pick up truck to transport her goods and animal feedstuffs. This saved the hefty monthly rental bill she previously had to pay for a pick up truck, and now Mrs Njeri also has the flexibility to use her truck whenever she needs it. Today, her shop sells a wide variety of food and household goods. Miriam is currently repaying a sixth loan with which she bought a payphone for her shop, plus added stock. She hopes to open a supermarket in Ngecha in the future.

According to **Pauline Njeri**, ECLOF's loan programme has made her dreams come true. She recently bought a piece of land and is hoping to develop it soon.

A decade ago, Pauline used her first two loans to expand her tablecloth business and also to buy a cow and sell milk.

With a third loan, Pauline bought a sewing machine to make dresses. Her business expanded and with two more loans she bought two more sewing machines and increased her stock. Her business continued to grow; now her tailoring shop employs other members of the community. Pauline is on her sixth loan with which she bought some land on which she plans to build a more substantial shop.



With a series of ECLOF loans, Pauline Njeri built up her tailoring business, now owns three sewing machines, and can provide employment for others in her community.

Whatever happened to...?

Five years ago, *New Horizons* (Issue 24) told the story of Daniel Moreno and his passion for bee-keeping, on which he had based his family business in Uruguay. *New Horizons* has contacted Daniel again to find out how things are going today.



Daniel Moreno (right) and his business partner, Marcos, carefully tend their bees.

NH Daniel, you have received two loans from ECLOF. What were you able to achieve because of these?

DM The results have been significant, particularly because we received the loans at a time when the price of honey was low and there were restrictions in Uruguay's foreign exchange system. Without the ECLOF credit, we would not have been able to develop our business.

NH From your experience, is it always right for micro-enterprises to seek loans?

DM It is a very positive thing to do but some considerations should also be taken into account. First, before any individuals

request a loan, they must calculate whether their business plans will bring in enough money to repay the debt as well as make a living. The calculation should also take into consideration the fact that the market price of what is produced may go down, and production costs may rise. Then, there is always a chance that there might be bad weather, when little or nothing can be produced.

NH What happened to you after you received your loans?

DM On this point, let me tell you that during the 1999/2000 season, we endured a period of drought caused by the *El Niño* phenomenon. During this time, we produced no honey and, to make matters worse, we lost a high percentage of our beehives. As a result, we were late in making our loan repayments. Thankfully, the next season we recovered and paid the amount we owed.

NH How is your family business doing now?

DM Thank God, it is doing well and we are in a healthy situation. The high prices we received for our honey from the last two harvests have allowed us to pay all our bills; we are now planning a 30% growth in the business through the use of our personal assets.

NH Why are you concentrating so firmly on bee-keeping?

DM Because it has many advantages compared to other agricultural activities. For example, honey can be exported and we get paid in US dollars. In addition, the market is such that we can sell everything we produce. The business provides permanent jobs for local people; this prevents migration from our area. Investment costs are low and we also do not have to own the land on which we keep our hives.

NH Do you work outside your family business?

DM Yes, I am an adviser to others who wish to invest in bee-keeping. For the last three years, I have been a consultant to a group in Artigas, a region in the far north of Uruguay. I also belong to a group of bee-keepers in my own region and we work with seven similar groups from other parts of the country. As an association, we act as consultants to more than 130 honey producers. In addition, the members of this association now combine efforts and we have begun the direct exporting of the honey that we all produce. There are many other ways in which we cooperate with each other. For example, we buy and sell bees to each other, and we support various research projects to improve both the quantity and quality of the honey we produce.



Daniel Moreno.

NH Do you think these experiences can apply to other regions or countries?

DM I believe so but they must be adapted to local and regional realities.

Youth job creation in Tanzania

Many young people have found employment in Tanzania thanks to a project that has grown significantly over the years.



Bottling honey needs a steady hand at the Afri-Youth Development Services, where many youngsters find steady employment.

Back in 1983, Afri-Youth Development Services (AYDS) was created to tackle malnutrition among children and sick elderly people, as well as to provide

vocational training for young men and women who were not able to go on to secondary education from primary school.

AYDS now produces clothes and foodstuffs, such as flour, soya drink, soya

meal, cinnamon and honey. Originally based in the city of Arusha, where there has always been a good demand for AYDS products, the group has expanded and recently opened new branches in Moshi and the capital, Dar es Salaam.

Afri-Youth Development Services received a loan from ECLOF Tanzania in 2002 and ploughed back into the business the extra profits the loan made possible. In turn, the group was able to improve and increase its business with the result that AYDS opened its two new branches.

Young people who complete their training at AYDS are able to remain with the project at a guaranteed regular

salary, though some opt to leave and begin their own businesses. After completing a tailoring course, fourteen girls branched out on their own. Three others remained with AYDS and, as part of their work, look after beehives in their backyards.

From food production, the group has moved into food processing. The market for its goods is so buoyant that AYDS



Feeding corn into the mill to produce fine flour.

finds it cannot keep up with demand. More financial support will be needed if Afri-Youth Development Services is to build on its current success and fulfil its potential.

Sporting chances in Brazil

An ECLOF loan of just over US\$28,000 has enabled a sports clothes manufacturer in Brazil to expand and provide significant additional work for local people.

Onda Sport is based in *Barrio Uruguay*, which is a poor area of the city of Salvador in the State of Bahia. In this region, a low-income family needs three salaries in order to meet their basic costs. Almost 55% out of a total population of 54,000 are in this position.

Until the 1940s, *Barrio Uruguay* and the surrounding area was the centre of Brazil's textile industry. Then, it moved elsewhere and people had to find other ways of earning a living. Recently, a shopping centre opened in *Barrio Uruguay* with products and prices suitable for residents in the area. Items on sale include goods produced by local micro-enterprises, such as jewellers, tailors and other clothing manufacturers. Most of the 240 shops and businesses in the centre have signed a Local Production Agreement. This agreement is a local initiative of organizations in the textile industry to develop cooperation and common policies.

Onda Sport

One of the businesses that has helped to re-introduce the clothing industry to the *Barrio Uruguay* area is Onda Sport. In

1991, Onda Sport began to make a number of clothing items, including shirts, blouses and swimsuits. Six people, using four sewing machines, worked in the factory at the beginning. After a year, Onda Sport received a commercial bank loan to buy more sewing machines and increase its working capital. In 1999, the factory began to make polo shirts, and in 2000 moved to its current location, where many micro-enterprises connected to the clothing industry are located.

More than profit

The enterprise has an impressive approach to social responsibility. On one day each month, the clothes produced are donated to local children in need. Any fabric left over from making these garments is given to community groups to use for handicrafts and other small income-generating products.



Quality control at Onda Sport is a key part of the company's success.

Onda Sport is well known for its high quality and well designed products. Over the past 14 years, it has increased its workforce substantially. As a result of the ECLOF loan, Onda Sport was able to take on 20 new employees. The total workforce now stands at around 80, of which 92% are women. Many of these women have had little schooling (25% reached first grade and 51% second grade). In addition, 40% of Onda Sport's female workers are mothers who represent the only source of income for their families.

Onda Sport used its ECLOF loan to increase further its working capital in order to improve its ability to buy raw materials and keep production lines running all year round. This means workers can be employed continuously rather than on a seasonal basis. It also ensures that stock is available in periods of high demand, for example, around Christmas and the end of the year.

Onda Sport sells almost three-quarters of its production to retail shops. Interestingly, the factory also sells 20% of its clothing to *sacoleiras*: women who sell in market places and door-to-door. Many of these women belong to micro-enterprise solidarity groups. The women have not only improved their own life chances but through their doorstep selling in remote communities, they also provide quality clothing products to those who have no access to regular shops.

Lending to lenders

To serve a population it could not otherwise reach, ECLOF Uganda has moved into providing loans to other microfinance institutions (MFIs).

Uganda has one of the lowest GDPs in the world. An estimated 80% of the population lives below subsistence level. Most citizens (more than 80%) depend on subsistence farming and small-scale trading activities for their livelihood. Therefore, the demand for microfinance services is very high. The large financial institutions have traditionally failed to provide credit to the poor, which makes organizations such as ECLOF vital.

On its own, ECLOF Uganda does not have the capacity to reach and service large numbers of additional clients. One answer to this is for ECLOF to lend through other microfinance institutions (MFIs). It increases client and area reach at reasonable cost, whilst minimising risks. For ECLOF, it also means lower overheads and increased networking, and staff are freed to concentrate on loan collection.

Problems and solutions

This approach is not without its drawbacks. It takes at least three months to set up a new process and disburse the first loan. Some smaller MFIs that could be involved chose not to be, whilst larger MFIs have more options open to them. Smaller MFIs represent a larger risk than bigger agencies, and their need for capital is seasonal and unpredictable. It is also difficult to standardise terms and conditions for all MFIs. In addition, most smaller institutions do not have property to offer as collateral.

To cope with these problems, it is necessary to set fairly stringent conditions and target a few well-established institutions. In doing this, it makes sense to use local microfinance associations to market products and vet applications from MFIs. Strict

collateral conditions that apply to MFI directors' personal assets are also required.

Women gain from new approach

In line with its policy of lending to the poor and most marginalized, ECLOF Uganda has formed a partnership with the Uganda Finance Trust Limited, which is a microfinance institution formed in March 2004 to assume the financial services business of the Uganda Women's Finance Trust Limited (UWFT).

UWFT offers a woman-friendly financial environment whereby women are counselled and introduced to the benefits of saving and using credit appropriately. Today, UWFT has over 21,000 borrowers and 90,000 savers. Operations are run at 21 branches in 20 districts. ECLOF Uganda supports the organization by providing capital for on-lending activities to UWFT's clients.

Books and publications

Sustaining Microfinance in Post-Disaster Asia

Guidance for MFIs and Donors

By The Consultative Group to Assist the Poor



As the communities most affected by the recent devastating

tsunami continue to rebuild their lives, microfinance institutions (MFIs) can play a powerful part on the path to recovery. Since the immediate aftermath of the tragedy, MFIs have been providing and coordinating emergency relief, and a few are beginning to help local communities reconstruct homes and return to economic activity.

Against this background, The Consultative Group to Assist the Poor (CGAP) has published guidelines for microfinance institutions and donors. The guidelines are intended to help MFIs provide the appropriate range of emergency and longer-term assistance to their clients, while enabling both MFIs and donors ensure that the ulti-

mate mission of the MFI—to be a sustainable provider of financial services—is not compromised.

MFIs

The CGAP briefing contains some key principles for MFIs:

- maintain a commitment to sustainable operations;
- customise solutions according to clients' needs (CGAP suggests that specific criteria should be defined for loan officers to make decisions about rescheduling and providing grants);
- be realistic about MFI role.

Amongst some suggested guidelines, CGAP says MFIs should lift compulsory savings requirements in branches affected by the tsunami until the emergency stage has passed and clients have begun reconstruction. It adds that rescheduling loans on a case-by-case basis can help MFIs avoid losses and defaults on their loan portfolio, and ensure that any cash flow earned by those hardest hit stays in the household.

Any MFI thinking of going into new areas to provide emergency financial assistance is advised to plan its long-term presence in these areas carefully. Clients without prior knowledge of an MFI's commercial rates and commitment to sustainability may initially view the organization as another relief agency or temporary donor programme.

Donor support

CGAP says that donors must understand the options available to MFIs in post-disaster situations, as well as the corresponding constraints. Donors should be responsive to the local context, ensure the separation between relief and microfinance (MFIs are not relief agencies), stick to microfinance good practices, and avoid setting disbursement targets (this may tempt an MFI to take on clients who will not be able to repay their debt).

The full text of Sustaining Microfinance in Post-Disaster Asia is available, free of charge, on the CGAP Web site at: www.cgap.org/docs/CGAPBrief_03_03_05.pdf.

Microcredit: Sound business or development instrument

Gert van Maannen, Oikocredit/ICCO



The author of this accessible book, Gert van Maannen, is a former Managing Director and board member of Oikocredit. This is an ecumenical development cooperative society founded at the initiative of the World Council of Churches in 1975 as an alternative investment instrument for churches, and designed to operate closer to the values of the Sermon on the Mount than to Wall Street.

Microcredit: Sound business or development instrument is a revised version of a paper presented by Gert van Maannen during his farewell symposium in June 2001 at the Royal Tropical Institute in Amsterdam.

As the title indicates, the book examines whether microfinance institutions should primarily be commercially or development oriented. In addressing this question, the

author provides an excellent introduction to the world of microcredit. In fact, this is Gert van Maannen's aim. The publication is not for experts. Instead, it is a primer for those who are relatively new to microcredit, which exists to serve those Mr van Maannen calls "unbankable".

It is worth reading this book for many reasons, and not least because of the challenging slant the author puts on familiar facts and figures. For example, today, microcredit supports around 50 million people. This sounds impressive, says Gert van Maannen, until one realises that the figure represents only 5% of those who try to survive on less than one dollar a day. He also describes this yardstick as "too simplistic... because, first of all, it creates the impression that one dollar a day is an

acceptable level and therefore a relevant development target." Even more challenging are the author's thoughts on what would be the implications for the distribution of world income and entitlements if the figure were to be raised from one to two dollars a day.

In answering the question posed by the book's sub-title, and when push comes to shove, the author plumps for microcredit as a development instrument rather than a commercial one. However, he also believes that sooner or later microfinance institutions have to stand on their own feet, and not always depend on friendly donor capital. Discovering how van Maannen reaches this conclusion is well worth the time it will take to read his book.



New Web site for ECLOF USA

New Horizons is pleased to announce that ECLOF USA, which supports and promotes the work of ECLOF in the United States, has launched its own Web site. Check out what our colleagues have to say at www.eclofusa.org.



Mobilizing Savings – Key issues and Good Practices in Savings Promotion

Isabel Dauner Gardiol, Swiss Agency for Development and Cooperation

This publication is aimed at all those involved in the promotion of savings services to the poor. As readers of *New Horizons* will be aware, this is a topic of current high interest to microfinance organizations such as ECLOF.

Mobilizing Savings has been developed by Intercooperation, a Swiss development organization, on behalf of The Swiss Agency for Development and Cooperation (SDC), which stresses the strategic importance of savings for development. The author is from Intercooperation.

In an introduction, SDC says that, “Even poorest households want to save and do save, be it in kind or in cash, to overcome difficult periods. They save in financial institutions if they have access to those institutions and if they trust in them”.

There are four chapters: 1)Why and how do poor households save?; 2)Mobilizing monetary savings from low-income households: The institutional perspective; 3)Product development, diversification and innovation; 4)Legal and economic framework for savings mobilization. All chapters contain examples and case studies.

Mobilizing Savings is available on the Intercooperation Web site at: <http://www.intercooperation.ch/finance/download/tec-notes-savings/technical-note-saving-final-eng.pdf>, and is also available in French and Spanish.

Capacity building

The ART of “upscaling”

Tissa Jayawardena, a programme officer with ECLOF Sri Lanka, has taken part in a three-week workshop on “The ART (Advanced Reflective Training) of upscaling microfinance”. New Horizons asked Tissa to tell us about the experience and what he had learnt.

The workshop began in Madurai, India, and then moved to Dhaka in Bangladesh in order for participants to consider microcredit in different contexts. The Development of Humane Action Foundation (DHAN), a professional Indian development agency, organized the ART course, during which we looked at:

- the context of microfinance for the rural poor;
- organizing the unorganised for microfinance;
- organizational models for upscaling microfinance;
- upscaling microfinance programmes;
- microfinance and poverty reduction;
- microfinance and livelihood promotion;
- information technology for microfinance.

“Upscaling” in this context means reaching large numbers of people by providing more high quality products, and doing so over a wider geographical area more quickly, more equitably, and on a long lasting basis. There is a serious need for upscaling microfinance because huge numbers of poor people around the world who need microcredit have still to be reached.

Lending to the poor

We considered the fact that microfinance institutions (MFIs) have to realise that money lent to the poor is not always used for the purpose for which it is given; sometimes loans are diverted for other purposes. This is because the poor often have to convert their assets, including basic possessions, into cash in order to provide food or other basic daily needs. So, when cash comes into a household, it may well be spent on survival needs rather than business development. Therefore, a loan applicant’s family circumstances must be assessed before microcredit is provided. Then, where appropriate, credit can be provided, and sometimes the terms of a loan can cover a combination of various expenditure items including consumption/income generation/entrepreneur loans/agriculture/general purpose loans (e.g. for housing).

Savings

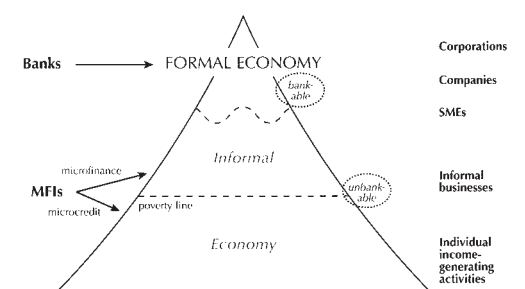
The workshop examined the provision by MFIs of savings schemes. Savings can be especially helpful to the poor because it helps them deal with expenditure over a period of time, and to draw on past income or against future earnings, particularly if current income is low or non-existent.

Follow up

When I returned to ECLOF Sri Lanka, I made various suggestions to my col-

leagues for ways in which we could upscale our portfolio. This included diversifying the loan products we offer, and providing higher working capital loans to suitable micro-entrepreneurs, who could then be expected to provide employment for others in their communities. I also suggested that ECLOF Sri Lanka should provide seasonal loans to clients irrespective of any outstanding loans, but only if clients have a good record with ECLOF. I also recommended that we should organize regional workshops for rural clients.

Profile of the clients of an MFI/NGO



Used by permission from Microcredit: Sound Business or Development Instrument by Gert van Maanen (p.55, see also Books and publications, p.21)

Those at the top of the pyramid receive bigger loans, and those at the base benefit from smaller loans.

When focusing on the rural poor, microcredit needs to promote a progression from:

- survival activity to enterprise activity;
- poverty lending to enterprise lending;
- consumption capital to working capital;
- microfinance to development finance.

Learning in Ghana



Financial training workshop participants.

Finance

An ECLOF financial training workshop for managers, finance officers and credit officers took place in Accra, Ghana, at the end of 2004. **Ben R. N. Mbai** from MNA Business Advisory Services in Nairobi, Kenya, led the workshop. This was the second time that Mr Mbai has provided training for ECLOF staff.

Participants from seven African national ECLOF committees attended the workshop together with ECLOF staff from the Philippines and India, as well as ECLOF International's financial manager, Nejjib Ababor.

Participants said they had found the one-week course very relevant to their work and that they would apply the skills learned immediately.

At the end of the workshop, Mr Mbai made a number of recommendations to

ECLOF International to ensure that the results of the training had maximum effect:

- follow up on the implementation of what has been learnt by individual course participants at the institutional level, and monitor the impact of the training;
- encourage participants to pass on their knowledge to other ECLOF colleagues;
- evaluate training needs through a structured process;

- provide regular learning opportunities for all staff in the fast-growing and dynamic world of microfinance;
- design a structured training programme that will become part of ECLOF's institutional development.

Feedback

All ECLOF staff who took part in the financial workshop in Ghana completed a feedback questionnaire. In his answers, **Lindsay Sathyanesan** from ECLOF India said that as a result of what he had learnt during the workshop he believed ECLOF India could now better address the issue of "delinquent loans", though ECLOF



India already had a plan in place for increasing overall income and decreasing expenditure.

Lindsay also believed that ECLOF India's loan processing and lending methodology, which is somewhat time consuming at the moment, could be simplified. He added that he had benefited from hearing from other ECLOF colleagues at the workshop about innovative and demand-based products that had been introduced in countries such as Kenya, the Philippines and Zimbabwe.



ECLOF Ghana board members include:
 1. Anna B. Netey, 2. Jervis Djokoto, 3. Albert Essamuah, 4. Celeste Krahene Williams, 5. Florence Kyei-Kwakye, 6. Seth Appeadu Mensah (President), 7. Clara Fosu, 8. Beatrice Bernice Boateng, 9. Gladys A. Brobbey.
 Also in photo: 10. Ben Mbai (consultant), 11. Nejjib Ababor (ECLOF International).

Board training

ECLOF Ghana board members attended a one-day training course on the role of the board and the responsibilities of members. This event took place after the financial training workshop.

There are 15 members on the ECLOF Ghana board; nine are women. Six church organisations are represented on the board. In addition, there are three representatives from the Christian Council of Ghana, and six members from non-governmental organizations linked to microfinance and women's development organizations. The outreach possible as a result of all the training that took place in Ghana was therefore multiplied because partners, as well as ECLOF staff, were able to benefit and will in turn be able to pass on their newly-acquired knowledge to their own organizations.

Dealing with delinquency: the Zambian way

Jane Ogutu, head of ECLOF Kenya's (KECLOF) branch office in the town of Meru, has learnt how one microfinance institution (MFI) in Zambia is bringing down its level of arrears, a process known in the microfinance world as "delinquency management".

The African Rural and Agricultural Credit Association (AFRAC), of which KECLOF is a member, organized and part-financed Jane Ogutu's capacity building visit to Zambia, which was one of a number of

exchange learning experiences that AFRAC facilitates each year.

Jane visited the Micro Bankers Trust that was formed in 1996 to act as a channel through which the Zambian government could lend to MFIs. The trust has achieved some level of success in delinquency management, thanks to the positive partnerships it has formed with the solidarity groups and their members to whom loans are made. This relationship has made pos-

sible the high quality training and capacity building of group members and officials.

On her visit to the trust, Jane Ogutu heard how it has also tackled the problem of delinquency rates through the use of a participatory approach in the appraisal of loan applicants. The trust requires that savings be provided as collateral, and retains 20% of a group's savings to offset possible loan defaulting. Borrowers have to pledge items, and the trust takes possession of these if repayments are not made. The trust has found that thorough and regular monitoring of clients helps keep defaulting rates down.

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*.

Giving to ECLOF

ECLOF invites your support, and all contributions to any of the bank accounts listed below will be greatly appreciated.

For those who qualify, it is now possible to make tax-deductible contributions to ECLOF in Germany, Switzerland and the USA.

Germany

Tax deductible donations in Germany may be sent to:

Stiftung Ökumene/ECLOF
Frankfurter Sparkasse
Bank number: BLZ 500.502.01
Account No: 100.008
Beneficiary: ECLOF

Switzerland

ECLOF International has tax exemption status according to Swiss tax law (art. 56), which says that 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 CHF100 during the fiscal year.

USA

ECLOF USA has exemption status from federal income tax as an organization described under section 501(c)(3) of the Internal Revenue Code.

ECLOF USA bank account

TCF National Bank, 801 Marquette Avenue
Minneapolis, MN 55402
Beneficiary: ECLOF USA, Inc.
Account No: 4866277185

ECLOF International bank accounts

Lombard Odier	Union de Banques Suisses
Darier Hentsch & Cie	Petit-Saconnex Branch
rue de la Corraterie 11	1211 Geneva 2
1211 Geneva 11	Switzerland
Switzerland	Account No: 620 894 L
Beneficiary: ECLOF	Swiss franc account
Account No: 01-121477	Account No: 620 894 60 G
SWIFT: LOCYCHGG	US dollar account

In favour of ECLOF for both accounts

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

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