

New HORIZONS



THE NEWSLETTER OF THE ECUMENICAL CHURCH LOAN FUND

JUNE 2004 ISSUE 31

Making life simple

Facts, figures and microfinance



"The cost of installing MIS may be high but the cost of not having information is higher."
V. Chandar Rao

"Information systems development is not a one-time activity; it is a continuous affair." This was the message of a computer science engineer to the ECLOF EurAsia/Pacific Regional Workshop in India (see p. 18).

much ... at the least cost ... and fulfil your mission."

Mr Rao is Manager-IT Initiatives with BASIX, a group of companies that operate in ten states covering 10,000 villages in India.

BASIX (www.basixindia.com), founded in 1996, has so far loaned two billion rupees (approx. US\$44.5 million) to more than 200,000 borrowers. BASIX promotes sustainable livelihoods through loans and non-financial services, and works, among others, with the rural poor and women.

Drawing on his wide experience with microfinance institutions in India, Mr Chandar Rao outlined key advice for those involved in running microfinance programmes: "Make your life simple ... adopt Information Technology (IT) in the local situation ... acquire a good Management Information System (MIS) ... accomplish

In a presentation on The Role of IT in Microfinance Institutions (MFIs)-MIS for MFIs, Mr Rao stressed that microfinance providers, such as ECLOF, need a good and reliable MIS. Correct information at the right time is the key to success, he said. *contd p. 3*

HIV/AIDS and microfinance



In the face of the current HIV/AIDS pandemic, ECLOF Zimbabwe has introduced an impressive programme to work with those infected and affected by the disease, as Mukaiso Shava, Senior Credit Officer at ECLOF Zimbabwe, explained to staff at the Ecumenical Centre in Geneva during his recent internship with ECLOF International (see page 11). This is an edited version of Mukaiso's presentation.

Southern Africa is home to about 30% of the people living with HIV/Aids worldwide, yet the region has less than 2% of the world's population. In Zimbabwe, 25% of the adult population is infected with the deadly disease. In 2000, there were 1.1 million AIDS-related deaths, which represented an increase of 67% on the previous year's figure.

High levels of morbidity and mortality have reversed previous improvements in all sectors. Health and education are particularly affected, and are directly linked to the capacity of the breadwinner to work. As with most countries that have a prevalence of HIV/AIDS, the vast majority of people in Zimbabwe who have contracted the disease are in the prime of their working lives. *contd p. 3*



In India, members of women's self-help groups and their families hosted visits from participants of a recent ECLOF workshop (story p. 18).

Presentation (power) points

In a wide ranging Powerpoint presentation to ECLOF EurAsia/Pacific Workshop participants on the role of information technology in microfinance organizations, Chandar Rao examined important principles and practices. Here is a taste of what ECLOF members heard:

Challenges in microfinance

- high volume of financial transactions;
- majority of financial transactions are off-site; *contd p. 2*

In this issue

Women and Microfinance	5
Hunger Bigger Problem than AIDS	7
Hold the front page!	11
Spotlight on ECLOF Staff	11
Taking on the VAT man	16
Capacity Building	17
Meet ECLOF clients	19



ECLOF

Director's message

Four years ago, while reviewing loan applications from one of the national ECLOF committees, we noticed an increase in the number of dependants, mainly children, among young families. In one group that had received an ECLOF loan but was having problems with repayments, we discovered that some of the members had died from unspecified causes. This had affected the overall group performance. Further detailed study revealed the same was true in a number of other countries where ECLOF works. It turned out the cause of the deaths was related to HIV/AIDS.

ECLOF Zimbabwe (ZECLOF) quickly responded to this situation and successfully piloted a scheme to mitigate the effects on those infected and affected by HIV/AIDS. In this issue, we share ZECLOF's experi-

ence, as well as other HIV/AIDS-related work by our partners. We hope that national ECLOF committees elsewhere will follow Zimbabwe's example.

Our lead article is a presentation made by Mr V. Chandar Rao on information technology and microfinance at the EurAsia/Pacific regional workshop. The need for appropriate software to manage a credit programme has been a focus of discussion in the ECLOF network for some time. Some have spent considerable amounts changing from one software package to another but have yet to discover the ideal one! Mr Rao's advice included: identify and specify your needs, and determine your priorities; do not try to reinvent the wheel; verify software developers' claims by speaking to those who have used their products; there is no software that will answer all your needs.

We are also delighted to publish highlights of the new EurAsia/Pacific regional

workshop, hosted by ECLOF India, as well as visits to ECLOF India clients.

You will also find details of ECLOF Ghana's new loan product to support women in their traditional fish processing businesses. We share the success of small-scale farmers from Zimbabwe; this demonstrates that ECLOF continues to focus on providing credit to women, and for food production. It is worth recalling that a 2001 external evaluation of our global programme said, "The profits made from economic activities are used principally to maintain the family ... buy food, pay school fees and take care of medical problems."

Mubungi Kanyoro



Presentation (power) points

contd from p. 1

- high geographic spread of operations and low density of customers;
- has to work with poor infrastructure facilities;
- unsecured lending and no documented financial history available;
- must meet low income group financial needs;
- all of above lead to high operating costs.

Why a Management Information System?

- right information at right time is key to success;
- leads to better management of resources;
- key tool for scaling up operations;
- to analyse critical operational parameters;
- strengthens financial performance;
- aids strategic decision making.

Information requirements of MFIs

- field staff operations information;
- management reporting;
- statutory requirements;
- funding agencies reporting;
- customer MIS.

Information requirements of field staff

- loans appraised/sanctioned + disbursement particulars;
- daily collection statements;
- loans overdue reports;
- portfolio performance reports.

Management reporting

- operating summaries;
- employee performance reports;
- key portfolio indicators (financial health).

In search of the (MIS) Holy Grail

No consensus

During his presentation of information technology (IT) use by microfinance institutions (MFIs), Chandar Rao addressed the question of whether a standard management information system (MIS) is available or even desirable.

Consensus on the issue does not exist, said Mr Rao, because MFIs operate in a variety of ways. They have different lending methodologies and do not all calculate interest in the same way. In addition there are issues to be considered that relate to scale and the centralisation or decentralisation of operations, as well as individual preferences of management and the lack of agreed standards in the industry.

A number of MIS possibilities exist, from off-the-shelf systems that are low cost but unlikely to match needs fully, through to customised but expensive in-house systems.

From Microfin News

(www.microfin.com/newsletters.htm)

"I have been asked if I would develop an MIS that all MFIs could use. I have replied that I wouldn't attempt it if you offered me a million dollars! What is best for one user may be just barely acceptable – and perhaps even a disaster – for another. Every user has specific and unique needs, and only by carefully evaluating them, then examining the pluses and minuses of the available products, can a user begin to match requirements with product capabilities.

Chuck Waterfield, consultant, and former micro-enterprise director for CARE International.

"Like the Holy Grail, 'a' software, i.e. the universal MFI information system may be unattainable. The best microfinance software doesn't exist."

Normand Arsenault

Making life simple *contd from p. 1*

He added that good management information systems aid the better management of resources. This key tool for scaling up operations is needed to analyse critical operational parameters and to strengthen

financial performance, and plays a vital role in the making of strategic decisions.

Chandar Rao also told workshop participants that an MIS would also help an agency like ECLOF plan to maximise the use of its funds. It would make it possible

to analyse targets versus achievement, expand client outreach, monitor programme status, pinpoint areas that require immediate attention, increase the efficiency of human resources, motivate field staff and create healthy competition.

Mr Rao discussed the particular information requirements of those, such as staff, management, government, funding partners, clients and other partners, who would be interested in ECLOF's information. A poor and unreliable MIS, Chandar Rao explained, would lead not only to wrong information being produced, but also to decisions being taken on the basis of it.

He outlined to the EurAsia/Pacific Workshop the ingredients of an appropriate MIS, including the principles needed, steps involved, expectations, sources of information, and clarification about who will do what.

Chandar Rao challenged ECLOF always to remember that information systems development is not a one-time activity but a continuous engagement in which it is always necessary to learn from experience.



Right in the palm of your hand

BASIX field staff use palmtop computers when they are out of the office, in order to record disbursements, collections, and data of clients and others.

The palmtops come with printers and modems. This means that field staff can print a client's balance, or other information requested by the client, right there and then, whilst they are with a client, even in remote areas. Then, at the end of each day, field staff send all data collected during the day back to their office via their modem and through any telephone landline available.

With thousands of clients, BASIX has found that using palmtops is very helpful. It also cuts costs to the minimum; staff no longer need to meet every week to file their reports.

The program used is secure; only auditors have access to sensitive data for purposes of internal control. Who can access the data is very clearly defined so it is easy to pinpoint fraud, error or any wrongdoing.

Palmtop computers are not expensive and are user-friendly. BASIX took just one week to train field staff to use them.

HIV/AIDS and microfinance

contd from p. 1

By 2005, Zimbabwe will have lost 19% of its workforce to AIDS. Between 1985 and 2020, Zimbabwe will have lost 23% of its agricultural labour force because of AIDS.

ZECLOF response

ECLOF Zimbabwe (ZECLOF) has over 4,000 clients. Its main office is in Harare, and ZECLOF has a team of eight staff members. Three of the four loan officers are based in Harare and are involved with ZECLOF's new HIV/AIDS loan programme.

In 2000, ZECLOF realised that part of the default rate it was experiencing in loan repayments could be attributed to unplanned medical expenses linked to HIV/AIDS.

An ECLOF International-commissioned study on HIV/AIDS and microfinance in 2001 showed that HIV/AIDS was a serious concern to microfinance institutions generally, although they were not explicitly doing anything about it in terms of loan protection and affirmative product development. It also revealed that no new techniques of risk management had been designed in the light of the pandemic. The study also showed that no institution was tracking information about the effect of HIV/AIDS on its portfolio, and that few institutions had an explicit policy on HIV/AIDS.



Five out of the 20 children at this Harare day care centre have been orphaned by AIDS. Rosemary Zitsantu (right) received a loan from ECLOF Zimbabwe's new HIV/AIDS credit programme to help finance the centre.

As a result of this study, ZECLOF decided in 2002 to work with the Zimbabwe National Aids Council (NAC) through its District Aids Action Committees in order to develop a pilot microfinance loan product for people affected and infected by HIV/AIDS.

NAC

In 2001, the Zimbabwean Government put in place a National AIDS Council as a decentralised response to combat HIV/AIDS. Civil society, the private sector, religious organizations and development





partners, including United Nations agencies and bilateral organizations, are involved with the NAC. It is responsible for "mobilising, co-ordinating, facilitating and monitoring an expanded response to HIV/AIDS as well as ensuring transparency and accountability in the management and utilisation of the resources" for all AIDS-related activities and finances.

DAACs



Districts AIDS Action Committees (DAACs) implement programmes recommended by

How HIV/AIDS affects microfinance clients

Study results:




-  AIDS patients cannot work and end up using their loan capital to buy medicine, if available. Most people die early due to lack of medication.
-  HIV patients are unable to apply for loans through banks or microfinance institutions that are not willing to take any risk.
-  Microfinance clients who are relatives of AIDS patients take care of the children of their sick or dead relatives, and do so in an economic environment in which it is already hard enough to cover one's own family expenses.
-  Children of AIDS patients often end up as the heads of their households even though they have no income, as well as no resources to continue their own education. Children then run the risk of ending up on the streets as prostitutes or thieves in order to provide for younger siblings and themselves.

the NAC. Each quarter, the DAACs apply to the NAC for the funding of their various activities, which include:

-  Home-based care programmes, where trained members of the community provide basic home care to sick people who have been discharged from hospitals, as they are no longer responding to treatment. The home-based care staff also advise relatives at home on ways of nursing the sick.
-  Food distribution to those who are sick and, not being able to work, mostly have no income or access to food.



Josephine Maleka (left) and Nadowa Benjamin have benefited from ZECLOF's pilot scheme to assist people living with HIV/AIDS. The two women, who are HIV/AIDS positive, used their loans to generate income from selling bananas and knitting.

-  Training of trainers by specialised staff on HIV/AIDS prevention and other health issues. ZECLOF credit officers have participated in some of the training.
-  Hospitals as reference centres for medication and training. Most of the peer trainers are trained by matrons and other hospital staff on technical aspects and methodologies.
-  HIV/AIDS mitigation programmes to fund group or individual projects run by people affected and infected by HIV/AIDS. *This is the programme in which ZECLOF is involved.* Each DAAC has to identify a microfinance agency of its choice. ZECLOF is the only MFI that has been working with the DAACs so far.

ZECLOF and the HIV/AIDS Credit Programme

Five DAACs in Harare asked ZECLOF to implement loan schemes linked to HIV/AIDS. The amounts provided to ZECLOF by the DAACs are kept separately from ZECLOF's main portfolio.

The DAACs select potential beneficiaries because it is the DAACs who monitor those affected and infected by HIV/AIDS.

HIV-infected people are registered in order that they can have access to medication, but they are still active, able to work and need to take care of their families. However, as they are officially registered as being HIV positive, they are no longer able to apply for loans from banks and MFIs.

Those who are "affected" are the relatives of AIDS patients, because these relatives have taken the responsibility of raising or supporting a patient's or deceased person's family. Among affected people, there are also older children, who need to take care of their younger siblings, as there is no longer a grandmother, aunt or other relative to do so.

Once a DAAC has selected people, they are referred to ZECLOF for loan assessments. All proposed micro-enterprise projects need to be legal activities (selling "mbanje" – marijuana – for instance is not acceptable). ZECLOF favours projects that have a daily or weekly return of profits.

Training

ZECLOF offers training to all applicants so that they understand policies and procedures. Training is over a period of four days and takes place in a community centre. It covers policies and procedures, record keeping, group formation and busi-

ness management. It also includes a session on AIDS: prevention, treatment and options for treatment. Psychological and practical issues are also discussed.

Loans are never made to individuals but to groups, and then only after applicants have completed the training module. ZECLOF believes that for people affected and infected by HIV/AIDS, groups can have a tremendous impact on issues, such as dealing with everyday life and even grief. During the training, these issues are discussed; DAAC members are invited to participate as resource persons.

Good results

ZECLOF is pleased to report that with its new HIV/AIDS Credit Programme it has experienced a 100% repayment rate, with 95% of repayments being made on time.

Sadly, four of our clients died during the period of their loan agreement. In each case, a family member took over the micro-enterprise and ZECLOF transferred the loan to that person.

To date, ZECLOF has had 170 beneficiaries under its HIV/AIDS Credit Programme. Women make up 91% of our clients in this programme. Of these women, 40% are infected with HIV/AIDS and are aged from 25 to 40. The remaining 60% are affected by HIV/AIDS and are mostly over the age of 50, although three women are under 18.

Possibilities and hopes

ZECLOF hopes that organizations engaged in HIV/AIDS programmes will use existing MFIs to implement HIV/AIDS mitigation programmes. This would save those running HIV/AIDS programmes from experimenting with lending themselves, and putting their funds at risk.



An ECLOF loan has enabled Annie Ngindi from Epworth, near Harare, to sell clothes and edible caterpillars so that she can look after four orphaned children whose parents had all died of AIDS-related illnesses.

So far, no other MFI in Zimbabwe has shown interest in working with the DAACs on loans linked to HIV/AIDS. The reasons include the lack of monitoring on behalf of MFIs regarding the impact of the disease on their portfolio. The low returns available also act as a disincentive. Interest rates are low compared to usual MFI rates in Zimbabwe and the number of clients is restricted because of the very limited funds made available by the DAACs for this activity.

However, the Association of Zimbabwe MFIs (ZAMFI), which has 28 registered members, is working actively on promoting credit programmes for those living with HIV/AIDS.

ZECLOF is convinced of the positive impacts of the programme. We have been able to show that people living with HIV/AIDS are as good as others in repay-

ing their loans. We are also convinced that enabling people to be involved in a structure such as a loan grouping has a very positive effect on the coping process, as well as on the solidarity that exists in the community.

Finally, ZECLOF itself benefits directly from the fund because it allows us to continue serving our clients even when they fall sick. The HIV/AIDS portfolio is directly linked to ZECLOF's regular fund. Then, if one of ZECLOF's regular portfolio clients contracts HIV, that person can still get a loan, though this time through our special other portfolio.

The pilot stage of ZECLOF's HIV/AIDS lending programme has proved successful. ZECLOF is now seeking to increase the scale of this programme in the areas where it is already operating. ZECLOF also sees the need to expand this financial product



A typical house in the township of Epworth. A 16-year-old boy and his 12-year-old sister now fend for themselves in this home after both their parents died of AIDS-related illnesses two years ago.

to rural areas where we already provide regular microcredit. By extending the programme it will eventually become self-sustainable and thus able to make microcredit available to more people who need it.

Women and microfinance

By Dr A.K. Shiva Kumar

Myth: Poor women do not benefit from microcredit programmes.

Answer: False. Women account for the vast majority of people who receive microcredit loans. Studies have shown that women have higher repayment rates and are more likely to maintain sustainable businesses.

Since it was first developed in the 1970s, microcredit has emerged as a tool for empowering people living in poverty, especially women. It has enabled millions of women in developing countries to become self-reliant business owners who have more control of their lives and futures. The potential benefits of microcredit can be far-reaching and surpass mere increases in incomes. Successful initiatives serve to promote gender equality and reduce vulnerability created by poverty.

Women who seek microcredit loans are often, but not always, in situations where they are the sole income earners, or must earn vital supplemental income, for their families. She may be widowed, a single mother, or the caregiver of a sick husband who is unable to work. In these cases, for example, microcredit programmes enable women to become income-earning entrepreneurs who are decision-makers for their businesses as well as their families. As a result, they enjoy a boost in self-confidence; their contributions as business owners can improve their social status and, in some cases, help change traditional views of women's roles in society.

Studies have shown that increasing women's incomes through such programmes is more likely to result in benefits for the entire household than when men are the recipients of microcredit. Women balance the diverse needs of the family—food, clothes, education, and health—while also putting money aside to increase profits and establish a safety net for the future.

Women, as recipients of microcredit, often forge alliances with other women to form networks of personal and professional support. Forming these "self-help" groups to mobilize savings and gain access to credit creates conditions for collective action by women. In many instances, such groups have been able to effectively stop domestic violence and abuse. Group meetings have become valuable forums for discussing both business and social issues, including those relating to health, education and human rights.

Women's empowerment, however, is not an automatic outcome of microcredit. There are complex obstacles—cultural and political—which keep women from accessing and benefiting from such programmes, and which deserve appropriate consideration. In some cases, women have suffered repercussions, including violence, as a result of their participation in microcredit programmes. Challenging male-dominated environments while allowing women more personal freedom demands government and civil society action along many fronts.

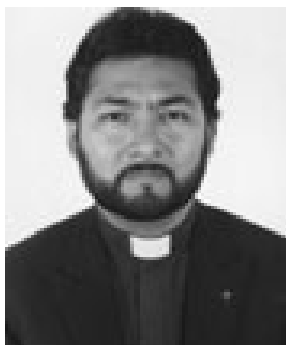
Microcredit programmes must also go hand-in-hand with other provisions. Women borrowers must be allowed to control their loans and the incomes generated from their small businesses (microenterprises). It is also important to have complementary services that enhance the skills of borrowers, serving to strengthen and grow their ventures. Again, microcredit programmes may not provide solutions to the very poorest in society—especially individuals who cannot afford to pay back their loans, and those who lack the entrepreneurial capabilities to start and maintain even a small household enterprise.

For news of ECLOF's microfinance work with women, see p. 21



Dr A.K. Shiva Kumar is a development economist, teaches economics and works on UNDP's human development reports. He also undertakes research on human security, and advises UNICEF on children's issues in India. Dr Kumar lives in New Delhi and can be reached at forshiv@yahoo.com

Rosa Blanca marks World AIDS Day



For the last seven years in Peru, on World AIDS Day (1 December), the Rosa Blanca Ecumenical Parochial Centre has organized a gathering to show solidarity with those living with HIV/AIDS. David Limo Pajar, the Parochial Centre's Director, as well as President of ECLOF Peru, reports on the latest event.

We meet on World AIDS Day every year and take as our theme, *Joining Hands*.

However, as we gather we are conscious that with regard to those who live with HIV/AIDS and with whom we wish to show solidarity, we have often been slow to speak and act, and as believers we have been too quick to judge and condemn.

The AIDS pandemic challenges our different expressions of faith, and challenges our churches and us to become people and places of healing. In the past, we have been paralysed by the fear of and bias against those who live, think or act differently.

Joining Hands is a united testimony of confession, sincerity, justice and conversion towards the dignity of women and men affected by AIDS. In the liturgy we held at our 7th Ecumenical Encounter in Peru, we prayed: "May your Holy Spirit break the silence in us so that we shall love you with the dignity you deserve, and serve our brothers and sisters in your Holy Name!"

Accompanied by chants, the reading of the Gospel, testimony from the affected families, prayer and silence, we celebrated the hope of something new happening in our lives and in our communities of faith.

All who gathered in this ecumenical encounter took advantage of the opportunity to testify to their united commitment to humanity.



The liturgy included a procession of families living with HIV and AIDS, who broke the cords that hampered their going to the altar of the Anglican Cathedral of The Good Shepherd.

This meeting was ecumenical not because of its statements, and even less so because of the speeches of our leaders, but because it expressed our acknowledgement of our silence as believers from different confessions and faiths (Anglicans, Lutherans, Roman Catholics, Methodists, the Salvation Army, Evangelicals, Jews, Muslims and Buddhists).



The participation of many religious leaders including Elías Szczytnicki of the Jewish community, William Godfrey, Bishop of the Anglican Church, the President of the Peruvian Lutheran Evangelical Church Pastor Adita Torres, Roman Catholic Maryknoll Missionary Rev. P. José Fedora, Archimandrite José Roberto Oliveira of the Orthodox Church, Duberly Hassan of the Muslim community and Rev. Jens Frandsen of the Swedish Church, showed us that none of us was alone.

Undoubtedly, the Christ who "cast out the spirits, and healed all that were sick" (Matthew 8:16-17) involved us in a healing power that lies in Christ's capacity to assume the suffering of all ("With his stripes we are healed", Isaiah 53:5).

It is true! Jesus does not heal by eliminating and making diseases go away, but by loading them on to himself. As a great theologian once said, "Jesus heals not because of his divinity, but because of his humanity. Not because of extraordinary powers, but because of his commitment".

These ecumenical opportunities for *Joining Hands* have helped us understand that the sharing with others of their joys and losses, struggles and hopes, dreams and failures, always has a purpose. In the end, it is about our will to let the history of others affect our lives and communities.

Personal stories

Erica's testimony in our latest *Joining Hands* gathering was captivating. Erica is a poor young mother living with HIV and AIDS, and she wrote a lullaby to say, 'Goodbye' to her two-year-old son. Erica is a heartbreaking symbol of the many people in our country who do not have access to medication, and whose life is worsened by poverty.

VIHDARTE is a drama group made up of young people who are living with HIV/AIDS. They put on an impressive stage play in which they shared their conflicts, as well as their experiences with discrimination, and the church and its leaders who have forgotten them, as well as the ignorance of the state and civil society.

All of these testimonies became the Gospel for that evening.

There were no answers; we were left with many questions, and with many challenges!



Candles were lit one-by-one as activists bore witness to the struggle and hope of the affected community.

Finally, the leaders of our religious communities took a multi-coloured canvas and extended it throughout the church, and over a community united in faith, repentance and prayer, as we accepted the challenge to make the struggle and hope of the families living with HIV and AIDS our own.

Rev. P. David Limo Pajar is a priest within the Anglican Church of Peru and connected to The Cathedral of the Good Shepherd in Lima. As well as being President of ECLOF Peru, he is also President of the National AIDS Council in Peru.

Hunger bigger problem than AIDS

A leading Kenyan newspaper has claimed that hunger rather than AIDS is the deadliest result of poverty because some of the drugs used to treat AIDS will not work on an empty stomach.

According to an 8 December 2003 editorial in the *Daily Nation*, even if the drugs did work, the poorest would still perish sooner or later if their stomachs remained empty. The newspaper adds that more Kenyans are dying, and at a much younger age, than ever before. Not only has productivity gone steadily down since independence, says the editorial, but also over the last two decades the effects of AIDS have greatly increased the national death rate.

However, the paper says AIDS must not be used as the scapegoat for the "policy failings" of those in power: "Just as, in the seventies, our government used to blame all its economic

difficulties on 'worldwide inflation', the present government might be tempted to blame everything on AIDS."

To blame AIDS for Kenya's increasing mortality rate and decreasing life expectancy is to evade the problem, says the *Daily Nation*.

The paper points out that although AIDS affects people of all classes, it takes its highest toll among the poor because "poverty is the mother of all the other nooses around the necks of members of the lower classes". The poor are more likely to catch AIDS because they do not know how to take preventative measures. In addition, when the poor are infected by HIV/AIDS, they are more likely to die faster because they cannot afford the drugs to manage AIDS or the opportunistic diseases that come in its wake.

The *Daily Nation* concludes, "We can get complete mastery over disease only if we have adequate food supplies. This presupposes greater and better-distributed wealth. But, where our government seems to prefer to equivocate over wealth production and poverty elimination, how can we avoid more cemeteries nationwide?"

U.S. churches declare on just trade

"We believe that current economic arrangements, international financial institutions and trade and investment treaties, e.g., the North American Free Trade Agreement (NAFTA), unjustly distort the rules governing trade and investment to the advantage of the affluent and powerful."



This was one of the conclusions of a consultation in January on just trade organized by North American churches at Stony Point, New York. The statement is included in a *Declaration for just trade in the service of an economy of life*, which, together with a "Plan of action", forms the main outcome of the meeting.

The consultation took place at the same time as 30 leaders of American nations were meeting in Monterrey, Mexico, where they issued a declaration pledging support for the setting up of a free trade area for the Americas in 2005.

Exclusion or enough

"While technological and other advances have made it possible for a small segment of humanity to achieve unprecedented material prosperity", says the Stony Point declaration, "billions of people are marginalized, oppressed and excluded from the economy of life, experiencing poverty, hunger, disease, hopelessness and even death".

Understanding themselves as "people of God" gathered "in a community of solidarity", participants evoked the concept of "economy of life" to express the theological ground in which their concern and approach to the issues at stake are rooted. "In God's gracious economy, there is enough for all to enjoy abundant life if we but share", the Stony Point declaration affirms.

Entitled "What does God require of us?", the core of the declaration consists of twelve "Principles for just and fair trade agreements". These stress that international law and human rights, as well as the rights of indigenous peoples need to be respected by trade and investment agreements.

The document also emphasises the need for greater participation by civil society, transparent negotiations and greater corporate social responsibility and accountability. While looking for mutually beneficial agricultural trade, trade and investment agreements should also give a special and differential treatment to small, weaker and less developed states.

Among the goals that trade and investment agreements should pursue, according to the declaration, are the reversal of the deterioration in terms of trade experienced by primary exporters, and the promotion of respect for the sovereign rights of peoples and nations to choose a diversity of development paths.

The Stony Point declaration is available at: <http://www.wcc-coe.org/wcc/what/jpc/stonypoint-declaration.html>

The Stony Point plan of action is available at: <http://www.wcc-coe.org/wcc/what/jpc/stonypoint-poa.pdf>

Condolences and prayers

Members of the ECLOF family will be saddened to learn of the deaths of three colleagues earlier this year.

Nhlanhla Khumalo, Treasurer of ECLOF Swaziland died on 8 February. Mr Khumalo was 49 and worked as Chief Accountant for the Swaziland Building Society. He was also actively involved with the work of The Evangelical Lutheran Church of Southern Africa, both in Swaziland and at the regional level. In addition, Nhlanhla Khumalo was Treasurer for the Council of Swaziland Churches.

With great sadness and sorrow, ECLOF Uruguay (FEDU) have sent news that **Herman Kruse**, a FEDU Board Member, died on 8 March. Board members and staff sent a floral tribute to Mr Kruse's funeral, and arranged for an announcement of the death to be published in *El Pais*.

And ECLOF Zimbabwe has reported the death of its Administrative Secretary, **Christine Gwenzi**, who died on Friday, 19 March. Christine was laid to rest two days later in the town of Mutare. May her soul rest in peace.

Our prayers and condolences go to the families, friends and colleagues of these three servants of God. ECLOF gives thanks for their lives and the service they gladly gave to their communities.

Making micro-insurance work



By Ezekiel Esipisu, Director Kenya ECLOF

Last November, I attended a micro-insurance course in Uganda provided by Bankakademie International (Microbanking

Competence Centre). The training focused on all aspects of what micro-insurance products should contain and consider, many of which are critical to ECLOF Kenya as it seeks to introduce more micro-insurance components into its loan programmes.

Fundamentals

The course considered the characteristics of an insurable event that include, but are not limited to, the event being unpredictable and having a low chance of occurring during the period of insurance, and the adverse financial consequences of an event taking place. We also covered the terms of micro-insurance policies, as well as premiums.

Prerequisites

It is imperative for any microfinance institution (MFI) interested in venturing into the area of developing an insurance product to consider five key elements:

- capacity and competence to enter a new type of business (a self assessment focusing on institutional strategy, organizational culture, human resources, delivery networks, systems, marketing and financial viability are critical);
- confirmation that there is indeed demand for insurance (determining what risks the clients are most vulnerable to or most concerned about, ascertaining their current coping mechanisms and whether they are satisfied with those methods, assessing the target market's current understanding of insurance);
- information about potential competitors and collaborators (a market analysis with the twofold objectives of seeking out potential collaborators that can supply the expertise that MFIs lack, and identifying and learning from other insurance services that are targeted at the low income market);
- assurance that the provision of insurance is acceptable to regulatory authorities;

- access to sufficient data to make sound pricing decisions (for life insurance it is important to have death rates for the segment of the market that is insured based on characteristics such as age, gender and income level of the MFI client).

Products

The course recommended five micro-insurance products:

- **credit life**—covers the outstanding balance (plus lost interest) of the loan if the borrower dies;
- **credit disability**—covers the outstanding loan balance (plus lost interest) of the loan in the event of permanent disability;
- **additional benefit**—a term life policy for borrowers that corresponds with the loan term so that if the borrower dies during the loan term, his/her beneficiaries would receive a fixed pay out to cover funeral and other immediate expenses;
- **additional lives**—always sold with additional benefits, it covers a certain number of additional household members, and the insurance term corresponds to the loan term;
- **continuation**—this one-month renewable policy is a continuation of the additional benefit policy.

Outsourcing

Currently, MFIs are providing insurance mostly in-house. The course strongly recommended that MFIs should develop expertise in managing 'credit life' before they consider offering further micro-insurance products.

It is accepted that low-income people need more than credit and savings. But MFIs accept that they cannot address all, or even most, of their clients' needs, at least not on their own.

Outsourcing, however, allows an MFI to focus on its core business while increasing the breadth of the services that it provides to its clients. Outsourcing also helps to keep an MFI's overhead structure lean by drawing on external technical expertise when and if it is needed. Outsourcing is, therefore, an attractive solution in the provision of microfinance.

A partnership or outsourcing relationship with an insurance company can enable an MFI to offer clients a broader menu of services without layering on additional overhead costs. MFIs can also reduce their level of risk by outsourcing all (or some) of it to an insurer or re-insurer. Outsourcing has the potential to create a 'win-win' situation for MFIs, their clients and insurers.

Within any outsourcing arrangement, an MFI must devote energy to managing relationships; experience of outsourcing elements of micro-insurance suggests that it is worth the effort. Clients get better products at a cheaper price, the MFI shares or virtually eliminates some or all the risk and/or responsibility with insurance experts, and the insurance industry gains access and exposure to low income markets.

Within ECLOF, it is imperative for each NEC to analyse its own capacity to develop and manage a micro-insurance business, and then consider ways of minimising the risk and administrative burden. Each NEC needs to look at what product or products it wants to offer (based to some extent on market research findings), and then objectively assess the capacity of the NEC to provide the insurance product within the existing regulatory environment.

ECLOF Kenya

ECLOF Kenya currently manages an in-house insurance product ('credit life'). We introduced this in 1999, and so far we have paid out on about 10% of the policies. We recognise that our portfolio is growing at a fast rate and we may never be able adequately to manage the scheme in-house. Therefore, we are now in the process of negotiating with a professional partner. The training I received on the micro-insurance course I attended provided the information that we need to strengthen our negotiations with the partner. We believe that we shall provide better services by establishing an external relationship with an external partner.

NECs interested in furthering their understanding of this subject should visit www.usaidmicro.org or www.microinsurancecentre.org.

ECLOF at AACC assembly

ECLOF Cameroon was well represented at an exhibition held in conjunction with the 8th General Assembly of the All African Conference of Churches (AACC), in Yaounde, the capital of Cameroon, last November.

Against the background of the assembly theme, "Come, let us rebuild", a phrase taken from the Bible (Nehemiah 2:17-18), all exhibitors reflected a concern for the daily life of Africa and Africans.

On its stand, ECLOF Cameroon presented the different products that make up its credit programme and which, like all ECLOF products, provide affordable credit to some of the poorest people in society, and help many individuals and communities to live better and more joyful lives.

The AACC general assembly opened when thousands of local churchgoers and delegates streamed into a stadium in Yaounde to hold a memorable three-hour ceremony featuring several choirs.

Ecumenism

The vision at the heart of the ecumenical movement and the challenges it faces at the beginning of the 21st century in Africa were highlighted by both the outgoing and



Rev. Dr Konrad Raiser

incoming general secretaries of the World Council of Churches (WCC).

In a plenary called "AACC celebrates world ecumenism", the Rev. Dr Konrad Raiser, who completed his term of office at the WCC in December, spoke about the reconfiguration of the ecumenical movement. An in-depth discussion on reconfiguration has been launched under the WCC's lead; Dr Raiser pointed out that the success of reconfiguration depends on the ability to recreate an "ecumenical vision" for the 21st century.

Recalling various attempts over recent years to spell out "the ecumenical vision for the present context", Dr Raiser noted that the WCC's 1998 assembly had identified "the visible oneness of the body of Christ, the healing of human community, the liberating power of forgiveness, and a culture of dialogue and solidarity" as key elements of such a vision.

The vision is a "life-centred" one and, as such, is "in tension with" economic globalization, Dr Raiser suggested. It also has concrete consequences for the "organized life of the ecumenical movement": it requires "increased cooperation and partnership for mutual support", instead of competition; "multilateral instead of bilateral relationships", and "conciliar structures rather than ... denominationalism".

African challenges

In his turn, the incoming WCC general secretary, the Rev. Dr Samuel Kobia, who took up his post in January, stressed that the ecumenical movement in Africa is called to provide "an alternative vision of a renewed future in which all should have

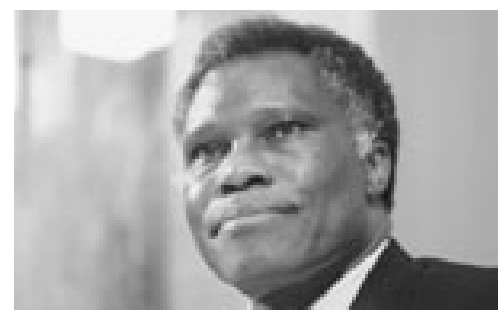


Photo: Peter Williams/WCC

Rev. Dr Samuel Kobia

life in abundance". The challenge of the ecumenical movement, said Dr Kobia, is "to develop alternative paradigms, social grids and indices conducive to a comprehensive understanding of the prevailing historical moment."

Speaking "as one of the sons of this great continent", Dr Kobia, who is Kenyan, stated that, "While poverty and disease are on the increase in most parts of the continent, the struggles for the well-being of the poor and the weak must remain on top of our agenda together".

He believed that the churches are called together "to be creative and not driven by ideological but theological imperatives". It is "vitaly important", Dr Kobia stressed, that churches "bring theology back to the people, and craft new themes of spirituality that are congenial to our unique experience and place in the world".

Dr Kobia recalled the WCC Programme to Combat Racism, created in 1968, as "one of the greatest programmatic milestones in the life of the WCC". However, he added, "To combat new and old forms of racism, including ethnic strife, that lead to genocide, remains on the agenda of the WCC in its journey together with Africa".



Peru Director meets new WCC head

During a visit to the ECLOF International Secretariat in Geneva, Martin Villafuerte, Executive Director of ECLOF Peru, paid a courtesy call on the recently appointed General Secretary of the World Council of Churches (WCC), the Rev. Dr Samuel Kobia.

Martin outlined to Dr Kobia details of the changes that ECLOF Peru has made, particularly in the widening of its ecumenical engagement and networking, as well as the establishing of relationships with the government in order to extend financial services in rural areas. The ECLOF Director explained that, as an ecumenical organization, ECLOF Peru

knows that it cannot work in isolation. One consequence, Martin told Dr Kobia, is that his team follows closely the work of the WCC on social and economic issues.

Referring to his long involvement with ECLOF, not only as a former Vice-Chairperson of the ECLOF International board but also as a staff member of the WCC and National Council of Churches of Kenya, Dr Kobia said he had come to appreciate the work of ECLOF. He told Martin Villafuerte that he was particularly impressed with the institutional changes that ECLOF has put in place so that churches and other civil society organizations can be jointly engaged in

the fight against poverty by using the specialised instrument of microfinance.

The WCC General Secretary also said he was delighted at the way that ECLOF Peru had dealt with recent problems and in a relatively short time had transformed its programme so that it was now dynamic.



Rev. Dr Samuel Kobia (left) and Martin Villafuerte

Displaced, disregarded and destitute



“Woe to those who enact unjust laws and issue oppressive decrees! Woe to those who rob the poor of their rights and deprive my people of justice!” (Isaiah 10: 1–2)

ECLOF International recently was privileged to receive a visit in Geneva from the Rev. Jairo Suárez, Director of the Office on Justice and Life of the Evangelical Lutheran Church of Colombia, and Director of the Lutheran School of Theology in the country. Mr Suárez is also active within the Ecumenical Network of Churches and Christian Organizations of Colombia. During his visit, Jairo Suárez briefed staff and guests at the Ecumenical Centre on the current situation in Colombia. This is a summary of his report.

The situation in Colombia is what we commonly call a sustainable emergency. Our hope of finally being able to be in a country of peace is diminishing everyday.

In respect of human rights, the situation in Colombia is not getting worse every month or every week, but every day. We ask ourselves, ‘Where is hope when tomorrow is worse than yesterday?’

Civil war

For 40 years, a civil war has raged in Colombia. One of the most serious results has been the forced displacement of people within the country. One of the root causes of the conflict is the poverty of low-income farmers for whom land reform would be of great help. However, a powerful clique of landowners, government officials and paramilitaries has blocked any serious attempt to bring this about.

In response to the intensification of the conflict and worsening humanitarian crisis, and following the failure of a negotiated peace in early 2002, President Uribe launched a new attempt to regain control over territories held by rebels and paramilitaries by increasing the military presence and intensifying the fumigation of illicit crops in an attempt to destroy the insurgents’ economic basis.

While the administration reported considerable progress in the fight against armed groups, many measures adopted to reach this goal, including anti-terrorist legislation granting the military judicial powers, have met strong disapproval from human rights organizations.

Indeed, the “democratic security” policy ignores core principles of international humanitarian law by blurring the distinction between civilians and combatants through the militarization of society. Under this policy, the government has established a contingent of peasant soldiers, unofficially estimated at 15,000, and a network of over one million paid informants. In November 2002, the Constitutional Court declared unconstitutional a number of other measures that gave the army judicial powers, removed judicial supervision,

restricted freedom of movement and interfered in civilians’ private lives.

Deliberate strategy

Forced displacement in Colombia is widely seen as a strategy of war rather than a by-product of the conflict. All warring sides operate such a strategy.

Fumigation of lands has stripped peasants of their basic means of survival by indiscriminately destroying food alongside coca crops. An estimated 30,000 people were displaced in this way in 2003. Most remain legally unrecognised, as they are considered “migrants” by the authorities and are excluded from official registers of internally displaced peoples (IDPs).

The government has proposed a number of measures that, if implemented, would further undermine IDPs’ right to legal protection.

The government has also paid insufficient attention to the specific protection needs of vulnerable groups such as Afro-Colombians and indigenous people, who have suffered disproportionately from displacement.

In order to protect themselves, members of minority groups have formed “peace communities” to demonstrate their neutrality in the conflict. Nevertheless, authorities have done little to prevent attacks, blockades and the displacement of these communities.

Urban scene

The increased presence of armed groups in urban centres has created complex networks of organized crime. “Cleansing squads” have been set up to purge major cities of “undesirable” residents, and IDPs and community leaders are primary victims of urban warfare. The principal agents of intra-urban displacement are paramilitary-backed militias. Intra-urban or intra-municipal displacements are rarely recognised by the authorities because these people have not fled beyond their “habitual place of residence”. This severely limits the access by these displaced people to humanitarian assistance.

Destitution

Eighty per cent of Colombian IDPs live in extreme poverty and have insufficient

access to nutritional foods. As government assistance is limited to three months, the nutritional status of IDPs considerably deteriorates after this point. Moreover, two-thirds of IDPs live in inadequate housing and with no access to basic sanitation.

National response

While Colombia has probably the most advanced IDP legislation in the world, the law remains poorly implemented not least because insufficient resources have been allocated to deal with the situation.

The government has also largely failed to implement measures that have been approved to assist IDPs and has shown little political will in bringing perpetrators of displacement, in itself a war crime, to justice.

Action despite attacks

In 2000, IDP representatives formed a national coordinating body to advocate for better government assistance. However, attacks on civil society leaders remain a major obstacle to the work of those who seek to assist IDPs in Colombia, and hundreds of leaders of displaced communities have been assassinated.

Despite security risks, local human rights and humanitarian agencies have been increasingly active in providing IDPs with legal advice, psychosocial support, and food and medical assistance.

Unsafe returns

The government’s stated objective is to facilitate the return of some 150,000 displaced persons by 2006. To date, just over 11,000 displaced families have been assisted to return home. In many cases, however, conditions in areas of return are not conducive to sustainable reintegration. The government return policy envisages the provision of housing subsidies, income-generation projects, vocational training and land titling, but this is rarely implemented.

In other cases, assisted returns have taken place amidst continuing conflict, and with the continued presence of those who prompted the displacement in the first place. Returnees also face the problem of

landmines, a lack of school facilities (because teachers are military targets), and frequent embargoes on medical and food supplies. As a result of such conditions, people have often been forced to flee again, particularly returned Afro-Colombian and indigenous communities.

The prevailing impunity enjoyed by the groups that cause forced displacement also undermines the reintegration of returnees and the restitution of their property.

The principle of voluntary return is often not respected under the current policy.

Sometimes, state institutions threaten to cut off assistance if IDPs choose not to return. In addition, a lack of adequate assistance and increased violence in places of refuge have motivated returns to unsafe areas.

Hold the front page!

A national newspaper in Zimbabwe has praised the work of ECLOF in the country and credited it with changing many lives.

In a March 2004 article by Farai Mabeza, *The Herald* reported that the Zimbabwe Ecumenical Church Loan Fund (ZECLOF) had disbursed more than 800 million Zimbabwe dollars to small-scale farmers in various parts of the country.

The newspaper said that ZECLOF's clients include both communal and resettled farmers, and that in one rural area a link office had become necessary to cater for the needs of the large clientele in the region.

The Herald told its readers that farmers had used ZECLOF loans to grow a variety of crops including paprika, cotton and soya beans, or for animal husbandry.

John Banda, the ZECLOF Director, is quoted in the newspaper report. He told *The Herald* that, in line with ECLOF's Christian background, the target recipients for microcredit loans are the economically active poor who can make use of viable commercial ventures to improve their welfare, but are unable to do so because of a lack of capital.

"ZECLOF is an operationally sustainable organization as it does not depend on donors for administration and operational expenses", Mr Banda said. He also explained that ZECLOF had diversified its portfolio from being urban-based to a predominantly rural one when more compelling needs were identified.

He said that ZECLOF was in the process of registering with the Reserve Bank of Zimbabwe as a microfinance institution, in line with the central bank's new regulations.

The Herald report concluded that ZECLOF has had a major impact in transforming the lives of its clients with many buying their own machinery and trucks after selling their crops at auction.

Spotlight on ECLOF staff

Warm welcome in cold climate



*In February, ECLOF International welcomed **Mukaiso Shava**, Senior Credit Officer of ECLOF Zimbabwe (ZECLOF), who came to serve an internship at the Secretariat. Mukaiso's time with colleagues in Geneva gave him a wide insight into the Secretariat's work. He also became acquainted with Geneva itself and the Swiss winter weather! For New Horizons, ECLOF International Director, Muhungi Kanyoro spoke to Mukaiso at the end of his internship.*

I would like first of all to let our readers know a little more about you. So my first question will be, are you married?

Yes I am, to Winnet (*smiles*). I also am a proud father of three children, two girls, Fiona and Esinath and a boy, Garie, who is the youngest.

Are you a member of a church?

I am a member of the Pentecostal Church, and my wife is a Roman Catholic.

What was your experience before you joined ECLOF Zimbabwe?

In 1989, I was a District Credit Manager with the Organization of Collective Cooperatives in Zimbabwe. In 1997, I started working with the Self-Help Development Foundation (SHDF). With SHDF, I became acquainted with the structures and systems of microfi-

nance. 2000 saw me arriving at the Small Enterprise Development Cooperation (SEDCO). I moved to ZECLOF in June 2001.

What did you learn from these past experiences?

The initial drive of the government policies was to improve development through cooperatives. Yet, this proved to be tricky due to the system of collective cooperatives in which benefits and losses are equally shared. Therefore, for the farmers in these cooperatives, the issue of "control" was not clear.

What I mean by "control" is that people were not committed to the project because of the idea of "sharing". Although the commitment percentage and the input provided into the project was different, the profits were equally shared.

Then, what is the difference with ZECLOF's work? What makes its people committed?

With ZECLOF, although people are working cooperatively, they are working in small units and they are sure it is their own project. This notion of property ensures project drive. The notion of "control" is present. People are aware it is "their" project. This drives people to put 100% of their time into the project.

What were you expecting to do when you joined ECLOF Zimbabwe?

I wanted to bring it to light; to let it be in the position it deserved. When I applied, I didn't have any degrees to show, but I was selected because of my extensive experience in the field. I know every little detail of what is happening in the field and that is, believe me, very helpful. Besides, I also attended many courses, workshops and training programmes.

In the beginning what did you think of your work as a ZECLOF Credit Officer?

In the beginning I was checking what inputs my colleagues were bringing and checking the way people were working. After a while, I decided to take some initiatives and I began to set up programmes and to compile loans manuals. I was, of course, guided through some aspects of this.

What were the immediate adjustments you had to make?

I saw that no big loans, like the ones I had known at SEDCO, were made, yet I had no major difficulties in adjusting. It has been three years and I think that now I am well acquainted with all the portfolios. The major difficulty for me was to incorporate church values into microfinance, although this connection is rather interesting.

Do you feel that ECLOF's General Capital Loans are making an impact?

Yes. The atmosphere itself shows it. Positive impacts are easy to see. It immediately shows; you just need to pay attention to exterior signs.

Take the example of the Kwenda Mission School and Nyamuzuwe High School. When you visit them, you see that the morale of students is high because they are in new hostels instead of old dormitories. Therefore, students' concentration increases and pass rates improve.

What is a regular day of a Credit Officer?

During the morning in the office, I check my itinerary and check the best route and whom I should see first, so as not to lose time. Some clients might be far away so time and route planning is important.

In the field, lots of improvements make our visits more efficient. We can easily and more frequently visit our clients now we have motorcycles and do not have to depend on public transport. The introduction of the cluster system has also made it easier for everyone to be reached.

Most of my time is taken up with giving advice on agriculture, on lending, on when and how lending is given, so if I didn't plan my day well or have a motorcycle to travel around, I could easily lose an entire day!

Usually, when we arrive back at the office towards the end of the day, we have people waiting there wanting to get loans, or to check balances, or seeking a whole lot of different information. This is the reason why laptops would be a very good asset for credit officers to do the required office work. In the office virtually nothing can be done. Taking a laptop to the field would allow us to write our reports on the spot, to take care of all the administrative aspects of the lending programme and avoid incomplete information.

Isn't there a knowledgeable person that could filter enquiries?

We have tried that option, which would unload a lot of pressure from us, but it just didn't work. People only trust the Credit

Officer. As you know, the relationship between the Credit Officer and the client is critical. The trust element makes it easier to deal with the client and the loan.

You are a Senior Credit Officer. What does this entail?

Really, we are the credit managers. It is a big responsibility. We have to make sure there is good productivity and that performance is according to plan. All the "system" depends on this, and therefore on us. Concretely, we set realistic targets every month. We are also still trying to come up with a rating system to stimulate and improve performance.

What do you feel you would be able to do on the field if your portfolio was not as large as it is?

We are not really checking on the impact of our programmes. An additional staff person, someone to do baseline services, could do that. I could also concentrate on networking. Networking is important to check what others are doing in the same field, and to improve methods. I would also have more time to check reports to make sure all information is correct.

How many credit officers are there in ZECLOF?

Four, including myself.

When visiting clients, what do you usually talk about?

Well, I do some coaching, and discuss agricultural techniques, and repayment issues.

What type of things have you been able to develop in order to have such a privileged relationship with your clients?

I always establish a clear understanding of what I do and what ZECLOF is before we start anything. We set the rules, and then agree them. Once again, the element of trust is important. Sticking to what has been agreed makes the relationship solid. Commitments are important. The element of communication is the important link here. I also try to solve every crisis that comes along, and during my private time if necessary. Of course, then the family should know exactly what I am doing so as not to create conflict.

Who else are you networking with?

With marketing organizations, the Ministry of Agriculture and Farmers World, who supplies inputs.

Do you encourage competition among farmers?

Yes, we always ask the Ministry of Agriculture to select the best farmers. They give good ratings to our clients; of course this motivates them a lot.

How do you establish a relationship with the Government?

We do this at the district level so there is no misinterpretation of our work. We make their work easier and vice-versa.

What social effects do you think ZECLOF has achieved?

Working with ZECLOF has made our clients stronger. They meet every month to try to solve problems and to discuss issues that were previously agreed on and organized. They created a committee during those monthly meetings to deal with all the issues discussed. All the communication with clients is then done through that committee.

Do they also discuss any problems they might have concerning ZECLOF?

Yes, they do. That is why we make sure rules are straightforward, and if a problem arises the clients can discuss it with us. Once more it is about the element of trust!

How about projects involving livestock?

We tried to work with another group on that but we failed to come up with a good product. Dairy cows are very expensive and they need more looking after than beef cattle.

What about beef cattle?

Beef cattle are cheaper and easier to maintain. They do not need special care like dairy cows. The farmers also use them as a "cash-flow" system. They buy and sell beef cattle according to needs. With dairy cows that system does not work.

You mean that if cash is needed, cattle are sold?

Yes, it is a cash management system—their own private bank!

How is ZECLOF able to do all it does, given all the challenges—inflation and political—in the country?

We have not recruited more staff but, rather, have increased our portfolio/workload. We also try to make sure our interest rates take into account the inflation rate. Overall, we have increased productivity whilst maintaining quality.

What were your expectations when you came to Geneva?

Actually, we often wondered what the environment is like in the Geneva Secretariat, so I came wanting to compare the office I knew back home with the one in Geneva. I discovered the hard work that goes on in Geneva to provide support to us. We are always busy in ZECLOF but Geneva is as busy, and more so sometimes. In addition, I had a chance to discover Europe and different cultures. But I also discovered the cold and the snow!

Geneva board news

New Board members



Dr Hendrik Aart Johan Moll has been elected for a first term in the Agencies Category to represent The Netherlands/United Kingdom/Ireland agencies on the ECLOF International Board. Dr Moll is an agricultural scientist and currently on the staff of the Wageningen University in The Netherlands, which is his home country. He chairs the credit committee of the Interchurch Organization for Development Co-operation (ICCO).

Professor Moll has a considerable number of publications to his name on a wide range of topics relating to small and medium scale agricultural activities in many countries where ECLOF

operates. His research work has included microfinance and rural institutions.

Dr Matthews George has also been elected to a first term on the ECLOF International Board in the World Council of Churches (WCC) category.

Dr George is currently on the WCC staff as Programme Executive for Asia. From Chunakara in Tamil Nadu, India, Matthews George belongs to the Mar Thomas Syrian Church of Malabar. He has a Ph.D. in international relations, as well as degrees in political science and English literature.



Before coming to the WCC, Dr George worked at the Christian Conference of Asia (CCA) in Hong Kong, where he held the international affairs portfolio.

Eight years of learning and serving



Joy Cadangen Lumbag, from the Philippines, recently completed her second four-year term on the ECLOF International Board as a representative of the ECLOF committees in Asia. At the recent EurAsia/Pacific regional workshop, Joy reflected on her time as a Board member.

ECLOF in my home country of the Philippines was not reorganized until 1995, so my first exposure to the ECLOF global family took place in Sri Lanka in 1994. When I attended my first International Board meeting in 1996 I did not have as much knowledge of ECLOF as I do now. Learning very quickly about and understanding the ECLOF programme was therefore a must for me when I became involved with the agency.

Coming from the grassroots, I see things differently from many other members of the ECLOF family, and, at first, much, if not everything was strange for me. I later realised that the ECLOF International Board is designed in a unique manner such that all the stakeholders are represented and are given the privilege to share their ideas on how best ECLOF can serve its clients. Respecting and understanding the perspective of each Board member is a requirement if one is to join the Board because it helps one appreciate the issues being discussed around the table.

Time

An ECLOF Board member needs to give his or her time in visiting the national ECLOF committees (NECs) and their projects; this

is something that all prospective Board members should take into consideration. However, visiting clients and projects gives members a better understanding of ECLOF's work and the impact of decisions made in Geneva, as well as the struggles of NECs and the support they need from ECLOF International. Time is also required of a Board member in order to represent ECLOF before prospective funding partners. Last year, I was privileged to have been sent to the USA to represent ECLOF to the Episcopal Church in the USA. Time is also required when a Board member sits on the projects committee, takes part in the reviewing of project loan applications and has to meet deadlines because the clients are waiting for answers.

I have also been privileged to be a member of the ECLOF Executive Committee, and to serve on various working groups during my eight years on the International Board.

Clients

I have learnt that in everything ECLOF does, whether in making recommendations or decisions, the clients' interests must always come first. This is because clients are the only reason for ECLOF's existence. We take as our mandate the promotion of human development, and therefore our focus within ECLOF should always be on the persons targeted for development.

Protecting the interest of clients as the first priority is never easy. My experience has taught me that there will always be a clash between the clients' interests over against the self-sustainability of the NEC, the social responsibility of the church and the survival of the global family. However, all of these must be balanced so that the interests of the clients are protected. This will sometimes mean taking painful decisions against a member of the family, self-criticism and a very high degree of professionalism.

Member qualities

Becoming a Board member requires a skill for financial matters as much as commitment. It also requires good health in order to be able to travel from a 35 degrees Celsius heat to a below zero temperature!

Independence and initiative is a must for an International Board member. He or she must know how to reach an ECLOF workshop in the Dominican Republic when stranded in a strange place like San Juan Airport, Puerto Rico due to a last minute flight cancellation.

I thank God for the privilege of having served ECLOF clients through my membership of the International Board. I also thank the ECLOF International Secretariat for the trust and confidence they have had in me.

News from NECs

Years of work reap rewards

Fausto Jordán of ECLOF Ecuador reviews the achievements of the microfinance movement in his country over the past 30 years.

A national ECLOF committee in Ecuador, South America, was set up at the end of the 1970s at a time when the Agrarian Reform Process, begun by law in 1964, was still underway. Three decades ago in Ecuador, the struggle to gain access to land was a complex issue and one for which many landless peasants made great sacrifices.

Peasant groups also lacked access to many basic services despite people's demands for them to be supplied. It was a boom time for development non-governmental organizations (NGOs), who established themselves in the country and worked in rural areas, especially with poor peasant groups.

CESA

The Ecuadorian Agricultural Service Federation (*Central Ecuatoriana de Servicios Agrícolas*—CESA) implemented the Agrarian Reform process and established new models to assist the peasant economies of the coastal and mountainous regions.

Within the framework of equality and transparency, CESA entered into alliances with public and private entities to supply irrigation infrastructure to areas that had considerable concentrations of peasants. The people needed water for cattle and crops, as well as for human consumption.

The federation also began to provide credit services through the use of a methodology different from the one employed by the commercial and state banking sectors. This move laid the foundations for the organization of Ecuador's indigenous peoples at a national level.

CESA received support for its credit venture from international sources of funding and later from national bodies.

It is the specialised approach and credit products that ECLOF Ecuador, like all NECs, offers to the rural poor that is attractive to those for whom ECLOF exists. There is mutual trust and professionalism between ECLOF and its clients, and the NEC supports enterprises that add value to agricul-

tural and livestock production. We also encourage NGOs to support solutions for organizations of small-scale rural producers.

1990s

By the 1990s, the economy of Ecuador had become very dependent on the oil sector; investment opportunities were concentrated in the urban sector, with rural economies ignored. Conventional banks were not interested in small-scale producers because of the high risks inherent in the banks' archaic risk mitigation methods.

In 1994, we organized a workshop to analyse the intentions of the commercial banking sector towards peasant economies.

New methodologies

Those of us in the alternative financial sphere designed new methodologies based on an understanding of who people are rather than what they have. Methodologies have been developed for different niches. Peasant economies have diversified their activities and modified their cash flows in order to be less susceptible to risk if they apply the methodological approaches microfinance services offer. In the face of the synergy created by the informality, innovation and transparency that exists within micro-enterprises, some commercial banks are now making efforts to offer opportunities based on new financial products.

Over a period of six years, ECLOF Ecuador engaged in scores of conversations with formal and informal financial service providers. This enabled all concerned to learn about the programmes and methods of each other.

New network

In 2000, and with ECLOF Ecuador's full support, the Rural Financial Network (*Red Financiera Rural*—RFR) was created. Today, the network has 45 members who include commercial banks, microfinance institutions, NGOs, cooperatives, the National Women's Council (*Consejo Nacional de la Mujer*—CONAMU) and the National Peasant Training Institute (*Instituto Nacional de Capacitación Campesina*—INCCA).

RFR members come from all over the country, and, as of September 2003, represented approximately 344,000 clients with a combined portfolio of US\$259 million. Client savings account for 56% of the total portfolio.

Almost twenty-five years after the foundation of ECLOF Ecuador, the institution is in a process of self-regulation under the programme implemented by the RFR, and operates in conformity with the global policy guidelines and minimum standards agreed upon by the global ECLOF family. These guidelines and standards act as points of reference with regard to ethics and transparency, and contribute to the strengthening of national democracy. In the last six months, ECLOF Ecuador has re-diversified its portfolio by introducing new products and expanding its services.



ECLOF Zimbabwe elects new chairman

Zivaishe Zinyoro Ratisai, a financial and strategic planner, has taken over as the Chairman of ECLOF

Zimbabwe. His election took place in October 2003.

Born in 1951, Mr Ratisai comes from the district of Mberengwa in Zimbabwe, where he is a member of the local Lutheran Church. From the University of Zimbabwe, he has gained an MBA and a B.Sc. degree in economics.

Zivaishe Ratisai has been a member of the ECLOF Zimbabwe Board since 1999. He represents the Lutheran Development Service on the Board, and is also the Chairman of the Lutheran Development Service, which is now registered as a non-governmental organization in Zimbabwe.

Working professionally as a consultant in the areas of finance and economic planning and development, Mr Ratisai also holds directorships and is a shareholder in three companies.

New ECLOF presidents



Dominican Republic
Meran Reynoso is the new President of ECLOF Dominicana. Meran has extensive experience with non-governmental organizations and is currently the Executive Director of *Casa Caribeña*, which is a Dominican Republic microcredit institution with around 550 clients, and is supported by the Reformed Church in America.

ECLOF's new President is an accountant by profession and in the 1990s was the General Accountant of the Foundation Against Hunger.

Among his many other commitments, Meran holds the presidency of the Evangelical Mennonite Churches in his country. He is also Secretary of the Board of the Social Services of the Dominican Churches, and Vice-President of the Board of the Manantial, Inc. Library.



Brazil
Bishop Adriel de Souza Maia of the Methodist Church of Brazil has been appointed as the new President of ECLOF Brazil.

Bishop de Souza Maia is also President of the National Council of Christian Churches in Brazil, a member of the Board and Treasurer of the Ecumenical Coordination of Services (CESE), a Board member of World Vision in Brazil, and Vice-President of CEADe (*Centro de Apoio e Desenvolvimento*—The Centre for Support and Development).

Speaking in February at the 20th Assembly of CEADe, which represents ECLOF in Brazil, Bishop de Souza Maia reaffirmed CEADe's aim to provide microcredit and to support grassroots people so that they can become "instruments of intervention" within their society.

Bishop de Souza Maia outlined a number of measures CEADe had taken to expand its lending portfolio. First results of this action were good and it was hoped that new partnerships would be established so that CEADe could offer more loans to help improve the quality of life in Brazil.

Commenting on the election last year of President Luiz Inácio Lula da Silva, the bishop said this had brought a significant degree of hope to many, although the government still had a long way to go to achieve the results it had promised by the end of 2004.

Archbishop visits ECLOF Cameroon

During a visit to his new archdiocese, His Grace Victor Tonye Bakot, the recently-appointed Roman Catholic Archbishop of Yaounde, made a call on ECLOF Cameroon.

The Catholic Church in Cameroon accommodates ECLOF in offices within the Church of Christ the King, in the parish of Tsinga in Yaounde. The archbishop's visit to ECLOF reflected the warm relationships that exist between the parish priest and ECLOF staff and officers. The Catholic Church is an institutional member of ECLOF Cameroon.

Archbishop Tonye Bakot talked with the ECLOF Cameroon President, Alice Kengne Youmbi, and personnel, and blessed their offices. During his visit, the archbishop said that the Church is standing beside ECLOF in its fight to alleviate poverty and give people the possibility to improve their own lives through fair credit.

During a friendly exchange of courtesies and conversation, the representation of the Catholic Church within the National Committee of ECLOF Cameroon was highlighted.

The archbishop's visit ended with the sharing of the 'Kola', in which the President and the Director of ECLOF Cameroon took part. In this traditional ceremony, a kola nut is offered as a gesture of friendship and hospitality.

ECLOF Cameroon played an active part in the preparation for the visit of Archbishop Tonye Bakot, which everyone involved considered had been a great success.



Alice Kengne Youmbi, President of ECLOF Cameroon and a member of the ECLOF International Board, with Archbishop Tonye Bakot.

ECLOF and Oikocredit



Dr Francis Julian

Staff of ECLOF and its sister agency, Oikocredit must give practical meaning to the strategic alliance into which they entered at the end of 2001 (*New Horizons* 26, p. 12).

Dr Francis Julian, an advocate of the Supreme Court of India and a member of the Oikocredit Board of Directors, made this call during the recent ECLOF EurAsia/Pacific workshop (*see p.18*).

Current joint work between ECLOF and Oikocredit in Bolivia was an important

step in the right direction, Dr Julian told workshop participants. He believed this kind of working should be expanded, and that exploring possibilities for joint action in areas such as capacity building would help realise the potential of the strategic alliance that now existed between ECLOF and Oikocredit. He urged field staff to visit each other and initiate discussions on how closer co-operation could be realised in individual country contexts.

❖ Talks are taking place in Brazil between ECLOF, Oikocredit and CEADe (*Centro Ecumenico de Apoio e Desenvolvimento*—Ecumenical Centre for Support and Development) to explore how the three microfinance organizations can work together. Representatives of the three agencies recently paid a joint visit to a project financed by Oikocredit at the Community Hospital of the Methodist Church in Porto Alegre. It is now hoped that a partnership can be established between ECLOF, Oikocredit and CEADe to support projects in Brazil of more than US\$50,000. Work continues on the drawing up of an agreement.

Taking on the VAT man

Faced with a new and swingeing tax, microfinance institutions in Armenia banded together to change the law. Armenian ECLOF Director, Tigran Hovhannisyan, and Executive Committee member, Dr Alexander Poghossian, explain how victory was achieved.

Since gaining its independence in 1991, Armenia has made significant progress to becoming an effectively functioning market economy. In matters of tax reforms, the country now has a relatively low tax base, which is an additional incentive for business development. Efficient mechanisms for tax collection exist; among other benefits, this reduces the opportunities for tax avoidance and evasion.

However, much still needs to be done in the areas of taxation policy development and enforcement. One of the major problems is that tax-related laws are usually drawn up and adopted by the government with little or no consultation with the private and non-government sector. As a result, sometimes irrelevant, controversial or even senseless provisions appear in tax legislation, which are then very hard to amend or overturn.

One example was a new law on Value-Added Tax (VAT), the most important indirect tax levied on goods sold or services rendered in the country. Legislation passed in December 2002 said that all lending activities, unless executed by a bank or licensed financial institution, were liable for VAT at 20%.

Shock

This legal development came as a real shock to members of the microfinance community. Most are unlicensed financial institutions, which is sensible since they do not attract deposits from the public. MFIs faced the unenviable situation of either having to add 20% to their interest rates to cover VAT, or paying the tax out of their current income, and thus reducing their profits. The microfinance sector knew it could not bear the additional burden this latter course of action would bring. Besides, MFIs are classed along with commercial entities within the common tax framework and already pay a tax on profits!

So, the new requirement to pay another 20% as VAT took most MFIs aback. Any increase in interest rates would negatively affect poor borrowers, who are, of course, the main beneficiaries of MFIs. To reduce income, on the other hand, would jeopardise the sustainability of MFIs.

Working together

After their initial dismay, microfinance providers began to look for measures to remove the VAT requirement. This was

done despite the fact that the products of most MFIs in the country overlap and, practically speaking, most MFIs are in competition with each other.

The VAT law was at the top of the agenda during the 2003 Microfinance Forum - an informal, regular gathering of most microfinance providers in the country. It should be mentioned that some microfinance projects, especially those financed by the United States Agency for International Development (USAID) and other international government-related programmes, already had a way open for them to deal with the issue. By virtue of inter-governmental agreements that free implementing agencies (not only MFIs) from all taxes, these MFIs were exempt from paying VAT. However, this was no solution to the basic problem, and the VAT-exempt MFIs, together with organizations like Armenian ECLOF, continued joint efforts to push for the removal of the VAT provision. In the meantime, Armenian ECLOF, along with all similar MFIs in the country, had to pay the VAT and this put a great burden on the agency.

Other agencies supported MFIs in their efforts and experts at the Centre for

Microfinance Development and Research (CMDR)—a non-government organization to provide economic, legal and technical support to the microfinance sector—joined the campaign.

In economic periodicals, as well as in business meetings with senior government officials responsible for tax policy development, CMDR pointed out the harm that the VAT provision inflicts on the borrowers with whom MFIs work. CMDR also pointed out that the law was fundamentally flawed: by definition, value-added tax must be levied on transactions that add economic value; lending does not do this! Therefore, the provision should be removed, not because other countries do not have it but because these countries do not have it since it makes no sense!

All these efforts eventually persuaded the Ministry of Finance and the Tax Inspectorate to delete the VAT clause from the law with effect from the beginning of 2004.

Armenian ECLOF had to pay, and therefore 'lost', around US\$7,000 during the time VAT was levied. Nevertheless, the outcome of the co-ordinated challenge to the law is an excellent illustration of ways in which MFIs, even if they are competing for clients, can and should deal with serious and common challenges together. When this happens, even governments take notice and can change their minds!

ECLOF official heads microfinance law review



John Banda, Director of ECLOF Zimbabwe, has been appointed to lead a national task force that will look at microfinance law in the country.

The task force will be made up of members from the Government and Parliament, as well as representatives from the Zimbabwe Association of Microfinance Institutions (ZAMFI).

This move follows a regional workshop in South Africa on "Regulation and supervision of microfinance institutions" in which Zimbabwean government and microfinance representatives took part, along with other Southern African Development Community (SADC) countries.

During exchanges at the workshop it emerged that SADC members were at various stages in terms of the regulation and supervision of the microfinance industry in their countries. The workshop called for the development of a framework for regulating and supervising the microfinance industry in all SADC countries.

To tackle this task, Zimbabwe subsequently resolved to set up its own national task force, made up of all relevant stakeholders.

Under the leadership of the ECLOF Zimbabwe Director, John Banda, the task force will consider all issues affecting microfinance institutions in Zimbabwe. Through its terms of reference, the task force will give special consideration to current law affecting money lending and rates of interest. It will also review existing legal instruments that relate to a borrower's fallback position in the event of default, including pledges and issues of security, collateral or otherwise.

Also on the task force's agenda will be the examination of current licensing rules and regulations, and the drawing up of proposals for the removal of regressive and retrogressive elements of existing laws.

The new body will review the registration requirements for microfinance institutions, and give special attention to initial capital limits in order to minimise the chances of widespread under-capitalisation and the resulting need to overprice products in order to make up for negative consequences.

Capacity building

Latin American and Caribbean financial training

Since 2001, ECLOF International has organized training for finance and loan officers. To minimise costs and bring together staff from relatively similar cultural backgrounds and economic situations, courses are run on a regional basis.

Quito, in Ecuador provided the venue for the latest course for ECLOF staff from Argentina, Bolivia, Brazil, Ecuador, Peru, Uruguay and the Dominican Republic. Staff from ECLOF International also attended.

A day of field visits preceded the training sessions. Participants went to the Andean city of Riobamba and the surrounding area in order to see agricultural projects financed by ECLOF Ecuador.

The programme in Ecuador focused on three major topics: financial analysis and the interpretation of financial statements, delinquency management, and the setting of sustainable interest rates.

On the eve of the training course, however, political unrest in Bolivia

paralysed cities in the country, and closed the airport in La Paz. This made it impossible for instructors from the Bolivian-based microfinance training institution known as AFIN (Financial Innovation Support Centre) to travel to Ecuador to facilitate the workshop, as planned.

Thanks to efficient co-ordinating efforts by AFIN staff, the first part of the course was delegated to and successfully delivered by several senior staff members of the Banco Solidario—the first microfinance bank in Ecuador.

The dynamic approach of the bank's staff was much appreciated, and the hands-on



ECLOF staff from Latin America, the Caribbean and Geneva.

experience they provided for the participants led to useful insights into many aspects of financial analysis practices and decision-making processes at a microfinance bank.

Eventually, one of the AFIN instructors, Julio César Herbas Gutiérrez arrived just in time to deliver the second part of the training course.

During evening sessions, ECLOF International staff, Nejib Ababor and Anna Rudina, made presentations and led discussions on ECLOF reporting formats and what was required of audited accounts from NECs. During highly participatory sessions, discussion took place on common mistakes and unclear items in reporting formats and audited accounts schedules.

The Quito event proved to be an excellent opportunity for participants, not only to upgrade their professional skills and get a better understanding of the International Secretariat reporting requirements but also to build up a network based on personal relationships and shared experiences.

Kenya's path to microfinance policy

By Ezekiel Esipisu, Director ECLOF Kenya

The Government of the Republic of Kenya, in collaboration with the Association of Microfinance Institutions (AMFI), has developed a proposed microfinance bill.

The process has been a consultative one, and included a forum fifteen months ago, in April 2003, at which stakeholders discussed what should be in the bill.

Out of this emerged a broad consensus on the need for a policy and legal framework that would enhance the development and promotion of the microfinance industry in Kenya.

Policy development

Microfinance stakeholders agreed that the bill would not be a panacea for all the problems of the industry, and urged the government to formulate a comprehensive policy that would both address various problems affecting the microfinance industry, and provide a framework for its development.

To support and complete the process of developing the bill, the government, in collaboration with AMFI, further organized a high-level policy workshop last January.

The workshop provided a platform for an open dialogue between leaders and representatives of microfinance institutions, the donor community, government, civil society and the private sector.

Overall, there was strong agreement of the need for a policy framework for microfinance to provide guidelines and directions for the development of the industry.

Vision and goal

The vision of the proposed National Microfinance Policy is "a Kenya with access to financial services for all and a sector with a wide range of organizations, providing diversified commercially sustainable financial services to the poor and to underserved markets".

The goal of the policy is "to establish a basis for the development of the microfinance sector for the provision of pro-poor financial services, to create wealth and employment".

Strategies

The National Microfinance Policy will adopt strategies designed to:

- establish a framework within which microfinance operations will develop;
- lay out the principles that will guide the operation of the system;
- serve as a guide for coordinated intervention by the respective participants;
- describe the roles of the implementing agencies, and the tools to be applied to facilitate development;
- build capacity and institutional development.

The bill is now with the Attorney General for final drafting and publishing, after which it will go before the Kenyan Parliament for discussion and enactment into law.

Newly-named region meets

By Joy Lumbag



Part of the opening ceremony for the EurAsia/Pacific workshop.

ECLOF members from Asia/Pacific and Eastern Europe met in India for their four yearly regional workshop in February. India last hosted a similar gathering in 1991.

Forty-two delegates representing the six national ECLOF committees (NECs) in the region attended the workshop, which was held in Tiruchirappall (also known as Trichy) in Tamil Nadu. ECLOF India clients, funding partners, staff from the International Secretariat, International Board members, guests from other regions, and ECLOF India staff and Board members also participated in the event.

The workshop welcomed ECLOF Armenia, attending for the first time as a member of this region and thus bringing about the renaming of the region from the original Asia-Pacific to EurAsia/Pacific region. The workshop also welcomed ECLOF India, which recently rejoined the ECLOF global family.



ECLOF clients and some of the products they sell.



Clients' shop financed by ECLOF India.

The workshop's programme included the meeting of ECLOF clients and learning from them, as ECLOF reflects on the biblical basis of its work, how it should work, and with whom, to whom, for whom and when it should work. The event also provided a time for participants to meet, interact, discuss and resolve common issues.

Delegates spent the first two days of the workshop visiting twenty local client groups, including churches, within Trichy, which is a commercial centre, and neighbouring villages. Workshop members had a good exposure to the government-supported women's self-help groups (SHGs), and the role ECLOF plays in supporting the women. Participants were impressed by the way the SHGs are helping to empower women.

The conference discussed various issues which affect the work and mission of ECLOF, such as sustainability, methodologies, outreach, strategic plans, resource mobilisation, credibility, performance, global policies, minimum standards of performance, and client representation on national ECLOF boards.

Dr K. Manivasan, IAS, District Collector of the Tiruchipalli District, a high-ranking official of the Indian government, inaugu-



An ECLOF client prepares dye for sale.

rated the workshop, and Mr M. A. Krishnan, Chief General Manager of the State Bank of India, made a keynote address to the workshop. The Rt Rev. Dr D. James Srinivasan, Bishop of the Tiruchirappalli-Tanjavur Diocese of the Church of South India, also took part in the opening of the workshop.

Rev. George Samuel, Director of the Socio-Economic Development Board of the Tamil Evangelical Lutheran Church, attended the inaugural session of the workshop as the representative of the Rt Rev. Dr T. Aruldoss, Bishop of the Tamil Evangelical Lutheran Church in Trichy.

The EurAsia/Pacific workshop nominated four people, from whom the ECLOF International Board will select two to represent this region on the Board.



Tree plantation.

Meet ECLOF clients

Breaking and making

Stories of bricks, gems and jewellery

ECLOF India has been welcomed back into the ECLOF global family. During the recent EurAsia/Pacific regional workshop hosted by ECLOF India, Joy Lumbag, former International Board member, spoke to some of ECLOF India's impressive clients.

Smooth operator

"I broke with tradition", says Mrs Shanthi Thangaraj, the leader of a women's group committed to helping themselves through a community-based programme called the Women's Self-Help Group (SHG), in India.



Role reversals for Shanthi Thangaraj and her husband in their brick-making business.

Mrs Thangaraj took out an ECLOF loan of Rs10,000 (US\$230) last year to purchase a brick-making machine. Her husband mixes the sand, cement and water before putting it in the brick-making

machine. However, it is Mrs Thangaraj who operates the machine itself, despite this being traditionally men's work in her village. She says that her community did not at first accept the idea of her being an operator because it is not a woman's job to touch machines. However, Mrs Thangaraj says that she believed that she could work the machine herself, and so she did. She is the first woman in her village to have taken this step. The community is now convinced that, indeed, some jobs are not exclusively for men.

With their loan, Mr and Mrs Thangaraj began a brick making business and eventually employed two more workers. From being labourers who were unable to improve their earning capacity, Mr and Mrs Thangaraj have turned themselves into business entrepreneurs with the help of an ECLOF loan. This has improved their economic and social status, and they have become leaders in their village.

On a less optimistic note, the couple say that business was good until a new law was passed saying only the government can sell gravel and sand. Previously, private companies sold sand for about Rs600 per load. After the government gave itself the monopoly on this trade, the cost of sand rose to Rs1,600 per load. This means that Mr and Mrs Thangaraj will have to increase the price of their bricks and, in turn, this will mean losing many low-income clients.

More negative traditions go

"Empowerment and access to capital came when we were organized into a Self-Help Group (SHG)", members of the Vinmathee Manapparai SHG told me when I visited them in February. The group began in 2001 and took out a Rs50,000 (US\$1,150) ECLOF loan in the following year. The group has already paid back this loan and is now into its second one.

The Vinmathee Manapparai SHG has used its loans to finance the individual members'

businesses, such as dairy farming, gem cutting, and the production and sale of soap.

Asked what benefits other than loans they get from being an SHG, the members told me that their village now recognises them as a powerful body. For example, the group passed a resolution advising all parents in the village not to give their daughters into marriage before the age of 21 and, so far, the parents are abiding by this resolution. The SHG members also told me that as a result of their group membership and business activities, their husbands now allow them to speak to other men. Earlier, this was not allowed and the wives were required to stay at home. To the women of the Vinmathee Manapparai SHG, the breakthroughs they have made are a result of abandoning the old restrictive traditions for the benefit of many.



Joy Lumbag meets some of the impressive women of the Vinmathee Manapparai Self-Help Group.

I asked the women why they had decided to apply for an ECLOF loan when government loans were also available. They told me that government loans are more difficult to process, and second loans are given to very few SHGs. By contrast, as long as a first ECLOF loan is paid back on time, a second is easier to obtain.

The creation of the Vinmathee Manapparai SHG was co-ordinated by a non-government organization called the Village Development Centre, which is also a partner of ECLOF India.



ECLOF loans have helped Indian women find new power to work, meet and decide for themselves.

Working the land in Zimbabwe

In the face of hyper-inflation, many families in Zimbabwe have turned to the land in order to earn a livelihood. Such a strategy requires hard work and initiative, as the examples of two families show.

Mr Magarasadza is one of four members of the Hurumutumbu Farmers Association in Zimbabwe, of which Lazarous Munemo is the Chairperson. All the members belong to the Marange Apostolic Faith Mission. They grow cotton for their main crop, and also produce maize, paprika and groundnuts.



Mr Magarasadza ...



... two of his four wives.

The Hurumutumbu Farmers Association is part of the Huyuyu resettlement scheme, which was established in 1982.

Huyuyu is a resettlement area in the Mashonaland East province of Zimbabwe, and lies 200 kilometres east of the capital, Harare. This is a part of the country that receives good rainfall; it has never been affected by drought. The soil is good and crops grow quickly.

Mr Magarasadza and his colleagues were one of the first groups from Huyuyu to receive ECLOF Zimbabwe (ZECLOF) loans. For the 2002/3 growing season they borrowed Z\$800,000 (US\$3,696) and each member received Z\$200,000 (US\$909). These exchange rates are the ones for October 2002.

Mr Magarasadza has made significant progress in his production of cotton. During the 2002/3 season, he ploughed two hectares and then planted it with cotton, from which he harvested eight tonnes. Cotton, along with paprika and tobacco, is one the highest earning crops in Zimbabwe. Last year, cotton fetched an average of Z\$1 million per tonne and Mr Magarasadza received Z\$8 million from his cotton crop alone.

The family have also made money from maize and groundnuts. In the past they could only afford to buy enough maize seed to provide them with a crop for their own needs; they never had any surplus to sell. It was only the ZECLOF loan that enabled them to diversify into cotton, which is a cash crop, and then increase their production of maize and groundnuts.

From their profits, the family also managed to buy four head of cattle. This is how people in the region save. There are no banks,

and income is tied to the harvest. Even if one had access to a bank, annual inflation of around 600% would erode savings. So, after each harvest farmers buy cattle with their surplus cash and sell cattle during the year when they need income. They also keep some money for land preparation and fertilisers. This is the approach Mr Magarasadza adopted; for the 2003/4 season the family increased their growing land to four hectares. The cotton crop is very healthy and free of weeds; it is expected to produce 18 tonnes of cotton. Mr Magarasadza says he plans to buy a tractor with this year's profits because keeping money in assets is the answer to inflation.

Fledgling farmers

Mr Muzhuzha is a young married man with three children. He and his wife were born and grew up in the suburbs of Harare. Both are university graduates but lost their jobs in the commercial sector when their companies retrenched in 2000.

The couple could not find any other work and, as prospects appeared poor at home, they decided to go to London, England, along with many other Zimbabweans who were also looking for greener pastures. They managed to get jobs in the same factory in London but life was not as rosy as they expected, and so they packed their bags once more and returned home.

However, back in Zimbabwe, inflation, unemployment and a difficult political environment remained.

The only option open to the couple was to get a plot of land and become farmers, even



Huyuyu, where the ground is good, the rain falls and crops grow.

though they had no experience of rural life. Also, they discovered that what they had managed to save in London was not enough to buy the supplies they needed. They decided, therefore, to approach ZECLOF for a Z\$2 million (US\$9,091) loan, which was granted.

These new farmers choose ZECLOF because they needed some capital quickly, and they knew ZECLOF processed applications within a month.

Mr and Mrs Muzhuzha chose to go into paprika production and, incredibly for first time farmers, they were among the best paprika producers for the 2002/3 season. Buyers had to compete to buy the Muzhuzha's crop, from which they realised a profit of Z\$24 million (US\$36,923). Out of this, they repaid their Z\$2 million loan plus the Z\$1.8 million interest due to ZECLOF. They also bought two heifers and a tractor to beef up their production for the current season, and have diversified into other crops as well.

For this season, ECLOF Zimbabwe made a further loan of Z\$10 million (US\$2,857) to the Muzhuzhas, which they used to plant 18 hectares of crops including paprika, soya beans and maize. The crops are doing very well and from their second crop the fledgling farmers expect to make a profit of Z\$100 million (US\$28,571).

What is the reason for the exceptional success this couple have made of their new life? In part, it is due to their willingness to learn. They attend routine farmers' meetings and visit other farms to become acquainted with the practicalities of farming, and to see what the skill and knowledge of others can achieve. For the rest, success depends on hard work and determination.

Clarification

With reference to the article Meeting the Challenge that appeared in *New Horizons* 30, p. 8, we wish to clarify that ECLOF's partnership is with Episcopal Relief and Development (ERD), not the Episcopal Church USA. Furthermore, the funds that ECLOF has received from ERD have come from the many donations made by individuals and church bodies (parishes, dioceses and so on) to Episcopal Relief and Development.

Some of the donations received by ERD may have been as a result of the 0.7% resolution, but most have come as a result of ERD's ongoing relationship with donors, most of whom have supported ERD's mission for many years. ERD has committed to three-year grant support to ECLOF, which is subject to review.

Women united

Working together rather than separately can bring huge benefits, as women in the Dominican Republic have discovered.

FEMUGUE—the Federation of Women in Development of Guerra (*Federación de Mujeres en Desarrollo de Guerra*) was founded in September 1994, when 17 women’s associations in and around the village of Guerra united. Guerra is about 25 kilometres east of Santo Domingo, the capital of the Dominican Republic.

The Solidarity Centre for Women (*Centro de Solidaridad para la Mujer*—CE-Mujer), an institution devoted to the promotion and awareness-raising of women peasants and excluded women, organized and guided the associations.

Today, the Federation groups 42 associations and operates under the leadership of Mrs Ramona Familia, who is the General Co-ordinator and a member of the Evangelina Rodríguez Association, where she has worked for more than nine years.

Mrs Familia says, “FEMUGUE has been the institution that has made most efforts for the benefit of women in Guerra, and one of the first to fight for the development of Guerra. As part of the struggle, we travelled to the National Congress to insist on the conversion of the village of Guerra into a municipality. We won that struggle and the village has benefited in a number of ways, including by gaining access to its own economic resources”.

Culture

FEMUGUE focuses its activities on several

areas, including working with women on cultural activities, in order to preserve or rescue national and community values. Groups of poets, singers, writers and actors take part in workshops. Every year impressive cultural activities mark the International Day of Women.

Every association within FEMUGUE emphasises education because it is seen as the basis for the development of people and communities. With assistance and funding from a variety of national and international sources, FEMUGUE has built eight schools: one in the village of Guerra and seven in the surrounding communities and rural areas. As well as providing education for children, the schools run literacy training for adults.

Health care

Members of FEMUGUE also promote health care and organize workshops on a wide range of topics including the use of latrines and medicinal plants, environmental improvement and drinking water systems.

Communication

The Federation is also keen to promote its own activities as well as those of its member associations. Mrs Estebanía Rojas is in charge of FEMUGUE’s communication activities.

Earning a living

However, micro-enterprises constitute FEMUGUE’s most important area of concern. Members of the associations that make up the federation are involved in a variety of projects including coffee shops, the production of sweetmeats, cattle and poultry breeding, and ironmongery stores.

The Federation also trains women to become bricklayers, who then work in the FEMUGUE project that makes concrete modules to build houses for members of the associations. The houses are especially designed to protect against cyclones and other natural phenomena.

ECLOF involvement

It is worth underlining that ECLOF Dominicana has worked with CE-Mujer in a cattle-breeding project, with excellent results for women of the Association. Among other things, the milk produced through this project is being used in *Cochita Rica*, FEMUGUE’s new factory that makes sweetmeats. The factory currently employs 11 women from different associations; three other women distribute the sweetmeats to retail shops, FEMUGUE’s own coffee shop and individual customers.

This group of female entrepreneurs have big plans for the future. They hope they will be able to industrialise their small factory; to do so they will require financial assistance. The women say that their biggest dream is to create employment for more than 500 women so these people can earn a living. Such an increase in local employment would also help in the development of Guerra itself.



Leonedis Martinez, from the Juana Saltitopa Association, is one of 11 women who work in the *Cochita Rica* sweetmeats factory. The women are currently employed every other day.

By uniting together, the women of Guerra have provided eight schools for their area.

Stirring ingredients in the *Cochita Rica* factory and preparing the final products for distribution and sale.

Teamwork in Tema

ECLOF and government combine on microcredit

Give a woman a fish and you help her for a day. Give a Tema fish processor a loan and she does the rest.

The success of ECLOF Ghana’s lending activities with the Tema Area Fish Processors Association is the result of an

effective partnership between ECLOF Ghana and the Ghanaian government.

Tema

Tema is part of the Greater Accra Region. This is the smallest, yet most densely populated of the ten regions in Ghana. By tradition, it is Ghanaian women, and more



Women clean herring for smoking.

specifically the women of Tema, who dominate the country's fish processing industry.

These women are by any measure tough. Their only income is from fish processing and they all use a "Chorkor" smoker, an improved design of fish smoking oven. Once smoked, the fish can be stored for sale over a period of time. However, due to lack of funding, the women cannot buy fresh fish in large enough quantities when prices are low during the five peak months of the fishing season. Microcredit is one answer to this problem.

Anidaso

The ECLOF Ghana (GECLOF) Anidaso Loan Scheme provides loans to poor but economically active people to improve their small-scale income generating activities.

The programme functions on the basis of solidarity groups that have undergone training in GECLOF's programmes, criteria and requirements, and other basic techniques concerning credit. Each group consists of between 25 to 30 women. The programme encourages active participation of the beneficiaries in decision-making, and promotes individual and group savings through a Collateral Deposit Scheme.

For three months before receiving a GECLOF loan, members must make regular savings deposits into the Deposit Scheme. Weekly savings deposits are also required during the loan repayment period.

The savings serve as security for the loans GECLOF grants to the groups, and also help instil a savings habit. Clients can individually withdraw their savings, with interest, at the end of the loan period or leave it to earn further interest.

GECLOF is the only microfinance institution in Ghana where groups formed by the Ministry of Agriculture are willing to go for a loan. They like GECLOF's simple application procedures and affordable loan conditions. Moreover, commercial banks are not interested in these types of loans.

ECLOF Ghana finds the availability of affordable credit motivates women to work to change and improve their situation so they can increase their income, put their children back into school, and meet their families' daily needs. The savings component in the loans also provides women with the resources to meet future needs.

Partnership

Through their groups, members take out individual loans and run independent businesses. Both GECLOF and the Ministry of Food and Agriculture supervise the distribution of loans to individuals and then do necessary follow up work.

The Ministry plus the Tema Municipal Assembly originally organized the Tema fish processors into groups, and subsequently introduced the groups to GECLOF.

The Ministry also trains the women in improved processing and marketing technologies. However, it plays no role in loan disbursement and collection, but co-operates in monitoring mainly by paying follow up visits to the groups and individual members.

Currently, nine groups with a total of 330 members (all but four are women) belong to the Tema Area Fish Processors.

At the beginning of the herring season in September 2002, GECLOF granted first loans of between US\$3,780 and US\$7,927 for distribution to the members of only five groups. The average loan per member was US\$307. Lending was limited to five groups simply because demand from the Association exceeded ECLOF Ghana's expectations as well as its reserve of loan capital. 140 women benefited directly from the loans that were made.



Prepared herring are laid on wire mesh trays. The trays are then placed on the "Chorkor" ovens (background) for smoking.

Readers' letters

Greetings

It is nice to receive *New Horizons* regularly. I am now running my own micro business and training programme. If you have any advanced training materials, please send them to me. Thank you.

Victoria Bhajan
India

Dear New Horizons

I request you to add the address of the Literacy Mission Vidyakendram to the *New Horizons* mailing list. Please send us the English version of each issue.

Looking forward to hearing from you. God bless you and all your programmes.

Yours in Christ,

S.R. Sheeba
Literacy Mission Vidyakendram
Vanitha Bhavan Building, ariyancode
Ottasekbramangalam P.O.
PIN 695 125
Kerala, India

Greetings!

I am Rufus from Pakistan. In 2002, I completed my masters in anthropology from Quaid-i-Azam University in Islamabad. I am now youth co-ordinator for the Multan Diocese of the Church of Pakistan.

I would like to know whether you have an ECLOF office in Pakistan. Also, I would be very grateful if you would add my name to the mailing list for your newsletter.

Looking forward to your reply.

May God continue to bless you!

Yours in Christ,

Rufus Kamran
Christian Colony
Muzaffargarb, 34200
Pakistan

Editor's note: ECLOF has no office in Pakistan but we are happy to add Mr Kamran to the New Horizons mailing list.

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

Write to New Horizons, ECLOF,
Ecumenical Centre, PO Box 2100,
1211 Geneva 2, Switzerland
Email: eclof@eclof.org

Films and publications

World actress joins fight against HIV/AIDS



Emma Thompson, the well known international actress, appears in a new film on HIV/AIDS made by the World Young Womens' Christian Association (YWCA).

Along with Dr Musimbi Kanyoro, General Secretary of the World YWCA, and Dr Kathleen Cravero, Deputy Executive Director of UNAIDS, Emma Thompson speaks her mind in *Women are ... leading change*. The film lasts for just over 50 minutes and includes first hand testimony from women who are living with HIV/AIDS.

The film reminds us that women are biologically, socially and economically vulnerable to HIV and AIDS. Root causes such as violence or economic dependence disproportionately increase women's chances of contracting the virus. Discrimination or stigma then decreases the chance of obtaining adequate care. But women have solutions, as this film shows. Women are empowering themselves with knowledge. Women are helping one another through

associations and collective programmes. And, women are pushing governments to adopt practical solutions.

Those featured in the film describe their hardships, but they also provide direction. They show the value of having correct information. They prove the benefits of community support. They introduce people and organizations that are making a difference. We also see how the women's own commitment has helped change and save the lives of other women.

But the women in the film are also angry. They cannot understand those who have the power to change things but refuse to do so. They want HIV and AIDS to be higher on every government's list of priorities. They want gender imbalances to be addressed and women's rights to be respected. They aim to mobilise women worldwide because women everywhere count and can make a difference.

Those we see and hear in *Women are* know how many people have died, are dying and will continue to die unless concrete action is taken.

The World YWCA claims that, "If you were looking for a film about women and AIDS that tells it as it is, this is it ... Viewers walk away with both a sense of urgency and one of hope."

Women are had its premiere in Geneva and New York on 8 March to mark International Women's Day. Reaction afterwards indicates that the film is, indeed, very good:

"As a woman and a mum of two girls, I found it very powerful—it really emphasises in such a true way how the freedom of choice is a key to a woman's happiness."

"The questions of how persons are educated (sex and love, the responsibility of religion and theology) and what really does matter in a person's life and in a community was well presented from the female perspective."

Women are was made by Mondofragilis on behalf of the World YWCA, and with support of UNAIDS.

For further information:
communications@worldywca.org
or contact2004@mondofragilis.net.

WCC film wins international prize

A film about Sierra Leone produced by the World Council of Churches (WCC) for Danish television was voted the best film in the inter-religious dialogue category at the International Festival of Cinema and Religion, held in Trento, Italy last November.

Does God hide when the evil side of humanity takes over? In Sierra Leone thousands of people were massacred, had limbs amputated or were forced to fight as child soldiers in a meaningless civil war. Now a fragile peace has come to the country. Muslims and Christians are working together to heal the deep wounds, but what does it take to build reconciliation?



In *Roots of violence*, directed by Anders Laugesen for the WCC and the Ecumenical Council in Denmark, those who committed atrocities in Sierra Leone, as well as their victims, talk about what they have been through and how they experienced and understood God during the war.

For more information about *Roots of violence* visit:
<http://wcc-coe.org/wcc/news/videos/roots-of-violence.html>

The International Festival of Cinema and Religion web site is at:
http://www.religionfilm.com/gb_index.htm

Leasing for Small and Micro Enterprises

Published by the International Labour Office and subtitled "A guide for designing and managing leasing schemes in developing countries", this book is based on experiences of leasing schemes in many parts of the world, and is designed for those who are thinking about beginning such schemes.



One of the four co-authors of the book is former ECLOF staff member Mauricio Dupleich, who used to head up the Information Technology Department at ECLOF Bolivia. The other authors are Linda Deelen, Louis Othieno and Oliver Wakelin.

The guide explains what leasing is, how to design and market a lease product, and how to deal with regulatory and fiscal issues. The authors describe legal and fiscal practices from different countries to illustrate general notions on the regulatory aspects of leasing. For those weighing the pros and cons of offering a lease product, this book provides valuable insights.

Leasing for Small and Micro Enterprises, International Labour Office, 2003. ISBN 92-2-114186-1

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

How can I share and help through ECLOF?

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

ECLOF USA tax deductible status

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

ECLOF USA bank account

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

ECLOF USA contact address

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

ECLOF International tax deductible status

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

ECLOF International Bank Accounts

Lombard Odier
Darier Hentsch & Cie
rue de la Corraterie 11
1211 Geneva 11
Switzerland
Beneficiary: ECLOF
Account N°: 01-121477
SWIFT: LOCYCHGG

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

in favour of ECLOF

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

ECLOF International contact address

Director Phone: +41 22 791 63 12
ECLOF Fax: +41 22 710 20 05
P.O. Box 2100 email: eclof@eclof.org
1211 Geneva 2 Web site: www.eclof.org
Switzerland

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

New Horizons appears in English and Spanish.

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

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



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

Printed in Switzerland
June 2004