

# **Business Case**

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ICEP was founded in 1996 as a non-political, non-denominational non-profit association headquartered in Vienna, Austria. ICEP is convinced that global development can only be sustained if people in developing countries are integrated into economic cycles and get the opportunity to build their own independent lives based on their own incomes. ICEP regards market dynamics as a key tool in the fight against poverty and believes that all people should benefit from globalisation.

ICEP works with people in developing countries as well as with the private sector in Europe: In developing countries ICEP advises partners on how to build sustainable structures that allow for an integration of poor people into economic cycles. In Europe ICEP informs and counsels businesses on how to put their global responsibility into practice and on how to include poor people from developing countries into their value chains. Furthermore, ICEP supports the development of economic frameworks that benefit poor people by researching the synergies between business and development and mainstreaming the positive effects that a stronger cooperation between businesses and the development cooperation actors have on the societies in emerging and developing countries.

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Fundación Codespa is a non-profit-making organisation, which has no political or religious purposes and more than twenty years of experience in the field of international development cooperation. Codespa's mission is, based on the organisation's confidence with regard to the human potential to build a fairer world, to give opportunities to people so that they can, through their work, develop their abilities and play a leading role in their own development. Codespa administers more than 100 projects in 19 countries in Latin America, the Near East, Asia and Africa through nine international delegations. One of its strategic lines is promoting the involvement of the private sector in development as a means to find long-term solutions for poverty alleviation. The honorary chairman of Codespa is the Crown Prince of Spain.

## **Business and Poverty: Innovative strategies for global CSR.**

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# Caixa Catalunya: Pioneering paths for microfinance

Angel Font confidently entered the headquarters of Caixa Catalunya, a savings bank based in Barcelona, Spain. Minutes later, he took the seat in the office of Josep Maria Loza, the bank's CEO offered to him. Font anxiously waited through the small-talk before the interview commenced.

Caixa Catalunya was looking for a managing director for a new area they were going to set up. It would be the fourth foundation within *Obra Social* (Social Work), the bank's social project department, and would start in January 2001, within a few months. Until now, the range of Obra Social did not reach beyond Spain's borders. Yet Caixa Catalunya was increasingly aware of the need to show commitment within the developing world; the directors thought they should and could address this. The new foundation would promote the social and economic inclusion of low-income population-groups in developing countries and in Spain. It was to be called *Un Sol Món* (Only One World). Font smiled, expressed his approval of its chosen name and eagerly listened.

Loza was quite positive he would hire Font. Previously, Font had worked for the international NGO Intermon Oxfam as project coordinator in various Latin American countries and as executive assistant to the general director. With his leadership capacities, his knowledge of the developing world and experience with social development projects, Font was without a doubt the most promising candidate for the new job. It depended on only one determining factor: Did Font have the ambition to start an entirely new foundation and fill it with life? Two main challenges lay ahead: First, the savings bank did not have any relevant experience in social and economic inclusion in developing countries. Second, *Un Sol Món* was a foundation set up by a savings bank and the project somehow had to reflect this fact. Still, Font was filled with optimism.

So Loza hired him – along with Martha Torras, who also had experience in international development. By January, Font and Torras and a few other employees completed the foundation's staff and were moved into the offices of *Un Sol Món* in La Pedrera, the prestigious seat of Caixa Catalunya's *Obra Social*.

## Caixa Catalunya: A profile

**The company at a glance:  
acting as a bank but  
created as a non-profit  
institution**

As of 2005, Caixa Catalunya was the second largest savings bank in the Spanish state of Catalonia, and the third largest in Spain. It ranked as number eight among all Spanish financial institutions. Operationally, Caixa Catalunya acted and was organized like a bank, subject to the same regulations and controls. However, its origin and mission were based on a non-profit aim: The financial surplus was devoted to increasing its financial strength and to setting up and managing its own social projects or social activities.

### History and competitive environment

The history of savings banks in Spain stretched back more than 150 years. Savings banks were created to meet regional needs. The Caja de Ahorros Provincial de la Diputación de Barcelona (Provincial Savings Bank of the Government of Barcelona), later Caixa Catalunya, was set up in 1926 by Diputació de Barcelona, the provincial government of Barcelona (the capital of Catalonia), with a grant of 50,000 pesetas as foundational capital. The tasks of the new savings bank were developing agriculture, industry and commerce and attracting customers for investment. Ingrained in Catalonia, one of the most prosperous economic zones of Europe, Caixa Catalunya started to widen its commercial area in the early 1960s – after the so-called *regional principle* was abolished, which had legally tied enterprises to certain regions of the country – with a definite focus on other fast growing economic regions in Spain like Madrid and Valencia. By the mid-1970s, Caixa Catalunya had become a modern financial institution.

**Assets of Spanish savings  
banks were higher than  
Spain's GDP in 2006**

In 2005, the Spanish financial market consisted of 129 banks, 83 credit cooperatives and 46 savings banks. The latter were represented nation-wide by more than half of the countries' total 41,600 branch-offices. With an exponential increase of credits (variation from 2002 – 2005: 79 percent), the savings banks exceeded banks with an outstanding volume of credits (EUR 567 billion). They also outranked banks in deposits (EUR 406 billion). In 2006, savings banks raised their balances by 20 percent each year, exceeding Spain's nominal growth rate by more than 13 percentage-points. Accordingly, at the end of 2006, the total assets of savings banks outnumbered Spain's GDP figure for the first time in history.

Spanish savings banks had neither shareholders nor shared capital. In order to maintain their capacity to compete, they were required to balance their dedication to social work. Recently Spanish savings bank have increased their investment activity in the industrial sector in order to raise their capital.

In their Technical Note on Regulation, Supervision and Governance of the Spanish Cajas 2006, the experts of the International Monetary Fund IMF highlighted the contribution of Spanish savings banks to broadening financial services, the high level of competition in the Spanish financial sector, their close relations with local communities and their support for social, cultural and educational projects, as well as their extensive branch networks and their deep sense of regional identity. The Bank of Spain additionally attested to high improvements in the efficiency of the savings banks in the last few years.

## Trends and challenges of the branch

With the highly saturated home markets, the last European Savings Bank Group Forum (September 2007) assessed a definite trend towards the consolidation and internationalization of the banking industry all over Europe with a growing part of retail net banking income generated by international business activities. Furthermore, with the building of an EU domestic market, what used to be international was becoming local. Accordingly, what used to be local needed to open up to cross-border operations and integrate new systems – and ways of working – within a constantly changing legal environment. Cross-border banking became an increasingly important structural feature for the EU banking sector.

In 2006, Caixa Catalunya operated almost exclusively with branches in its highly competitive home market of Spain. Additionally, it operated with 1,600 correspondent banks and had settled cooperation agreements with 20 financial institutions worldwide. As the case will show, Caixa Catalunya found an innovative way of combining its investment in social work with its aspiration to foster its international network.

**Internationalisation was a trend in the banking sector in Europe**

## Caixa Catalunya in detail

During the last few years, Caixa Catalunya successfully increased its credit business (by 24.8 percent from 2005 to 2006, to EUR 42.7 billion) as well as its private savings (by 18.2 percent from 2005 to 2006, to EUR 24.9 billion). By 2006, Caixa Catalunya had generated income before taxes of EUR 479 million and arrived at consolidated assets of EUR 67.5 billion. It had expanded to 7,000 employees with over 1,000 branch-offices in Spain (and one in France). Caixa Catalunya dedicated EUR 70 million to its social work (21.61 percent of profits of 2006).

In comparison, Spain's largest savings bank and third largest financial entity, La Caixa (the common name for the Caixa d'Estalvis i Pensions de Barcelona), generated an income before taxes of EUR 1.5 billion in 2006 (gross income: EUR 4.5 billion) with its Spanish banking sector alone. The total La Caixa group had 23,000 employees across almost 5,200 branch-offices, total assets of EUR 209 billion and dedicated EUR 400 million (25 percent of profits of 2006) to welfare projects.

## Caixa Catalunya's Social Commitment: The four foundations

When Caixa Catalunya was founded, it set up Obra Social as a commitment to social work. Obra Social, in turn, created its first foundation in 1987: Fundació Caixa Catalunya, which was aimed at the promotion of art and culture. Obra Social was the instrument, through which the savings bank performed these tasks outside its direct business scope. The aspiration of Obra Social in 2000 was, as the organisation's CSR Report stated, "to give back to society part of the business profits by providing an efficient, innovative response to social needs which received insufficient coverage or were somehow neglected." In 2000, Obra Social managed an annual budget of about EUR 20 million. With this amount of money, Obra Social's committee felt that there was a need of defining and focusing efforts on a few priority fields of action, so that projects were not spread thin. Obra Social created three more foundations: Fundació Viure i Conviure for social and healthcare projects, and support for infants, youth and the elderly; Fundació Territori i Paisatge for research programmes on

**The social commitment of the first foundation of the bank was promoting art**

environmental protection. In January 2001, Obra Social's staff sought to launch a fourth foundation: Un Sol M3n.

### Structure of foundations

Obra Social acted autonomously as a coordinator using the bank mainly as a financial resource. The four foundations had access to central services such as administration and communication management. However, each foundation's specialised staff were free from daily bank operations. Each foundation had its own secretary, general manager and managing director independent from Caixa Catalunya's management structure. This management reported to Obra Social's committee, a board which was equal to but independent from the bank's board of directors. Additionally, independent advisers and specialists from all foundations could sit on the board.

**Four foundations were created to give society a part of the profits**

### Obra Social's budget

Obra Social's budget was based mainly on yearly contributions from its parent Caixa Catalunya. The amounts that Caixa Catalunya set aside from net profits for Obra Social's activities increased annually and were only loosely correlated with the bank's yearly growth. Yet, Obra Social was not conceived as charity. On the contrary, its foundations were encouraged to generate income and thus prove that their activities were sustainable. In 2006, for example, a little less than 8 percent of Obra Social's EUR 69 million budget was generated by income from its foundations.

Obra Social was accountable for each foundation. Since 2001, the distribution of funds varied slightly. Un Sol M3n's share grew only 4 percent in five years compared to the other foundations, but the total amount almost quadrupled: from EUR 2.56 million in 2001 to EUR 9.8 million in 2006 (see *Exhibit 1* for Un Sol M3n's annual budgets and *Exhibit 2* for its 2006 origin of funds).

## A new foundation: Un Sol M3n

Un Sol M3n was focused on working for the benefit of the developing world as well as for the poverty-stricken communities in Spain. This was an uncommon aspiration in the Spanish banking world. Traditionally, most savings banks sponsored cultural, environmental and sporting events. Meanwhile Spanish society, including Caixa Catalunya's clientele, developed an interest in solidarity and poverty issues. Un Sol M3n's mission was to respond actively to this demand. Occasionally, Spanish savings banks provided financial help to organisations in emerging countries, but Caixa Catalunya wanted to play a more active role. The new foundation Un Sol M3n would promote the social and economic inclusion of low-income populations both in Spain and in developing countries.

When the year 2001 began, the recently hired managing director of Un Sol M3n, Angel Font, invited his staff to present their ideas for different action plans. They came up with microfinance as the first choice. It was a relatively new method of helping the poor, but it was a very promising one. Marta Torras argued: "In some ways, it is logical that a savings bank works in microfinance as it is directly in line with the knowledge of the corporate business and it is connected with the genetic code of the original Savings Bank's mission."

**Un Sol M3n focused on working for the benefit of the developing world**

Font was convinced. The first thing was to design a plan and present it to Obra Social for approval.

### Gathering information, gaining approval

Caixa Catalunya did not have any previous experience in microfinance, and they could not locate another Spanish savings bank which did. What was even worse was that neither Font nor Torras had direct experience in the subject. They had to acquire knowledge by means of personal studies and specialist consultancies. They decided to take their time to look for experts in Spain and in the rest of Europe and establish relations with those from whom they could learn most. Torras explained: “We decided to join several international networks of NGOs that were working with similar strategies. We undertook a study to select which network would best suit Un Sol M3n’s interests. Finally, we joined SIDI in France, ALTERFIN in Belgium and ETHIMOS in Italy. Each institution had a way of promoting microfinance. We had our own, but the exchange of views and knowledge helped us to contrast our model, polish it and introduce some changes.”

Budget constraints left Font and Torras opting for a low-cost model. Therefore, creating their own local institutions from scratch was discarded from the beginning. What were the synergies they could use? NGOs which supported microfinance in developing countries often worked with specialised NGO-partners, best known as microfinance institutions MFIs. The advantages of this were numerous: These partners were settled in the country and knew the social and economic situations. They had some infrastructure, specialised local capacity, a number of clients, a network with financial institutions and a track record. Torras said: “We would invest Un Sol M3n’s scarce resources in fostering and strengthening their work, instead of paying for the learning curve of newly created institutions. This was the biggest advantage of the local partner support model. Secondly, the collaboration with different MFIs allowed Un Sol M3n to broaden its operations and influence. This might be all too convincing for the committee to pass up.”

This proposition was accepted by the members of the board. The decision was supported by the fact that many of them were familiar with the non-profit sector in Spain and had a certain confidence in the work of national and international NGOs. Some of them were even spending time volunteering in these institutions.

### The beginning: Recruiting personnel

With the committee’s stamp of approval, Font and Torras now faced an important question: Who should they recruit for the project? They saw a need for three types of experts: (1) high-level consultants who were able to evaluate the reliability of potential MFIs and draft action plans with the MFIs; (2) people with banking experience who could instruct the MFIs; and (3) diverse staff members to administer and promote the foundation’s work in each country.

For the consultants, Font wanted high quality personnel from Caixa Catalunya. In addition, they would also search for experts in target countries. The idea was to have a pool of experts for each geographical focus who were specialised in local microfinance operations. Un Sol M3n wanted to utilise Caixa Catalunya practitioners for working directly with MFIs. Depending on future necessities, external specialists were also an option. Font and Torras, however, had their doubts: Would the committee permit them

**Proposal to begin  
microfinance activities  
in the developing world**

**Acquiring knowledge  
from international NGOs  
to find the best  
microfinance models**

to recruit Caixa Catalunya staff for the task? They would prepare an extra proposal on this issue. They knew that some staff had to be local. For this, they would rely on the partner organisation.

### Partnering with MFIs: The selection process

The primary question arose: With which MFIs would they cooperate? Whatever institution they chose, they would need to hold long-term relations with the bank. They preselected the regions where they would look for potential partners: South America, with the advantage of having the same mother tongue, and North Africa, with the advantage of being geographically close. Countries were then chosen on the basis of income and sufficient political stability to allow microfinance sector development. Torras explained: “We defined the international microcredit portfolio as a development tool which aimed to provide poor members of low-income countries with economic opportunities so that they could escape from poverty by their own means.”

After reducing the number of prospective countries, Torras and her colleagues evaluated the remaining countries based on three criteria:

- preference to countries where Spanish development organisations were working;
- special interests of private and public Spanish financial donors;
- preference also to those countries from which Spain had migrants.

The second criterion could outweigh Caixa Catalunya’s preferences one and three. With this they drafted the first list of target countries. In South America: Ecuador, El Salvador, Paraguay, Colombia and Nicaragua; and in Africa: Mozambique, Morocco and Senegal. The next steps were clear: They had to inform the microfinance sector in the target countries of their project and, from the feedback, Un Sol M6n could select its partners. The call for proposals was kept brief. They informed the countries that Caixa Catalunya was looking for young, ambitious, non-profit financial institutions serving the poor that were interested in cooperating with the bank on microfinance services. Fundaci6 Un Sol M6n received more than 100 requests from different MFIs. To make sure they found the best partners, the foundation decided to sketch a partner profile to assess prospective MFIs during the selection process.

### Assessment of MFIs

How would they select their partners? From the start, it was clear that *Un Sol M6n* would only rely on institutions that were committed to financial sustainability and at the same time did not abandon their social orientation. They wanted to be sure that their input in money would not be lost and their input in kind was not in vain. MFIs that had expanded to a wider range of customers, addressing not only the underserved population, were thus excluded. Sketching the profile of possible partners, they identified the following criteria:

- Institutions should have a similar focus and mission as the foundation (because sharing common goals was the basis of understanding and collaboration between people from both institutions).

The to-be chosen MFIs would need to hold long-term relations with the bank

Criteria were developed to select MFIs

- Institutions should be at an early stage of development but show potential for growth.
- Institutions should be able to prove their minimum capacities and organisation levels in order to maximise the support received.

For some institutions risk ratings were available which were also taken into account. After the foundation's pre-selection of the applicants, they presented the prospects to Caixa Catalunya consultants who evaluated them and chose the MFIs they saw fit for partnership. A team from the central office including Torras then visited the candidates in their respective countries. Torras concluded: "For us, the local management team was the determining factor. We thoroughly assessed the motivation, leadership, capacity and commitment of the staff involved in the local institution."

The foundation compared their observations with the opinions of the consultants and finalised the partnerships. The first two contracts were made with AMC in El Salvador and Tchuma in Mozambique. Both were credit and savings cooperatives – with AMC offering financial services to SMEs that worked for socio-economic change, and Tchuma offering savings and loan facilities for emerging micro-enterprises, especially those of women. Between 2001 and 2006, Fundació Un Sol Món worked with 12 MFIs in seven countries.

**First two contracts were made with MFIs in El Salvador and Mozambique**

#### Measures taken: Financial and technical assistance

What would Un Sol Món offer the MFIs? How exactly would it support them? Torras proposed that financial support through credits was always needed. This was visible aid to the country and a benefit to Caixa Catalunya's reputation. More importantly, they would offer technical assistance in training and improving the operation of their partner MFIs. The two different support strategies would act independently from each other but in the same accord. Torras said: "Technical support was the priority for Un Sol Món. Financial support was aligned with technical support in order to provide an added value to the local partners. From the very beginning, support to local partners was conceived in this way and this approach became clearer with time and experience."

**Two different types of support: financial and technical assistance**

#### Financial support

One of the preconditions for selecting MFIs was potential growth and the ability to continue rendering financial services to the deserving poor population. Caixa Catalunya was prepared to grant them funds to do so. The social committee allocated each country an annual budget, which was expected to increase in relation to the MFIs local returns (see *Exhibit 3* for the 2006 distribution of funds per country). Un Sol Món's financial support had to meet two conditions:

The funds were not to be granted blindly and without expected returns. MFIs had to reimburse Un Sol Món within a designated time frame. Torras explained: "Returns were used to sustain the value of the portfolio and to pay for variable costs related to the supervision of the activities, such as travel expenses, etc. Without this, Un Sol Món would have needed to charge the MFIs higher interest rates."

Given that they wanted to benefit not only the MFIs and their clients, but the country as a whole, they did not want any competition with local commercial funds.

In no way did they want to disturb the local market. Instead, they wanted to act as a bridge fund for those institutions without access to funds. Torras assured: “We do not want to work against the local markets. Our aim is to promote sound local financial markets. When the institutions do not have access to local funds, we provide the finances, adjusting our terms in the most favourable way to the MFIs.”

In Latin America, where local commercial banks were more available for MFIs, Un Sol M3n worked close to the market conditions. In contrast, in Africa, where access to local funds was further out of reach, Un Sol M3n provided finances with adjusted conditions. Un Sol M3n offered three financial products:

**Three loans offered:  
warranty, equilibrium,  
conventional**

- *Warranty funds:* These were commonly used in countries with a high devaluation risk, with the help of a local bank in order to give the MFI credits in local currency.
- *Equilibrium loans:* Provided there was a high level of trust and shared goals, they offered loans of lower interest rates (4 to 6 percent) to long-term local partners.
- *Conventional loans:* Such loans were based on an analysis of the local financial market (e.g., whether commercial funds were available for the MFI). These had flexible conditions adapted to the needs of the institution – in terms of length of loan, interest, grace period, etc. It increased the institution’s funds, hence strengthening its financial situation vis-à-vis other institutions. The foundation shared the risk with the MFI and the return depended on the profits earned. This type of loan was granted for a longer period, in particular, between seven and ten years.

How should they organise financial support if they wanted to achieve the maximum effect and minimise the risks of losing funds? With the aid of Caixa Catalunya consultants, the team created a strategy for the process of attributing funds. First, investments would always be based on recommendation from the country specialist – the consultant hired by Un Sol M3n – and an analysis from Font. The committee authorised Font to invest even more if the MFI presented new high quality proposals and if Un Sol M3n had collected fund reserves. Field monitoring was second. This was in the hands of the local consultants in the field, but all evaluations were sent to the Barcelona headquarters where overall portfolio data was gathered.

As an example, in 2005, AMC de RL in El Salvador signed a long-term conventional loan for EUR 260,000, from which EUR 50,000 would be received in 2006 and the remainder in the following years. With that capital, the MFI would be capable of gathering more financial resources and, therefore, developing greater social impact. One of AMC de RL’s clients, Rosa Aminta, had a small enterprise where she manufactured about three hammocks a day. Thanks to a EUR 530 microcredit, she improved her facilities and managed to increase production up to eight units per day, helping her achieve income growth.

### Technical support

Successful microfinance programmes relied heavily on the quality of service and client satisfaction of MFIs. Furthermore, they depended on the institution’s outreach and whether its microcredits reached new markets of unattended lower

income populations. Technical support aimed to balance the social and financial performance of the MFIs.

To reach this goal, Torras suggested that Un Sol Món improved the MFIs' organisation and management with training and consulting from Caixa Catalunya. There was not one sweeping general approach to all 12 MFIs, because each MFI was differently positioned when taking into account know-how, experience, technical equipment and budget, among other attributes.

Financial support was simple: Money transactions would be conducted from Barcelona. Technical assistance programmes required more personnel, but who was to fill the positions? If Caixa Catalunya aspired to strengthen these financial institutions in developing countries it was logical that it would want the best practitioners available and these, they believed, were its own staff. The foundation decided to rely upon its own: Caixa Catalunya volunteers. Additionally, Un Sol Món had invested a large amount of capital and therefore had an interest in being represented on the boards of its local partners. This was also envisioned as an opportunity to strengthen the institutions from the inside.

### Volunteers from Caixa Catalunya

The volunteering system allowed direct transfer of know-how from Caixa Catalunya to other institutions that lacked experience. Volunteers became connected to the company, as it was personally and professionally rewarding. They gained a deeper insight into new cultures which, in turn, led to a higher commitment for Caixa Catalunya. Long-term volunteers provided a means to create a close relationship with the local MFI.

These arguments were more than persuasive for Caixa Catalunya's committee to agree to send staff volunteers abroad. The board of directors valued the volunteer programme as a means to achieve their social mission and to provide an opportunity for their employees. They granted them permission to recruit full-time volunteers among Caixa Catalunya's staff.

In 2002, they started recruiting. Un Sol Món published a call for volunteers via the internal communication system, requiring certain expertise and experience in the field. One volunteer per partner MFI was sufficient. He or she would spend one to two years working with a local partner and living abroad. The salaries for the volunteers were assumed by the foundation, as well as all travel and accommodation expenses. The call was well received: 70 people applied for one year of volunteering. Two staff members with ten years experience were selected to work closely with the partner MFIs in Mozambique and El Salvador. Torras commented: "The programme was very successful with respect to its acceptance within the company. Demand for volunteering would always exceed the number of available placements. There were some difficulties with long-term volunteering, however. It was difficult to reintegrate our staff into the company after spending a year abroad. For the company it was difficult to hand over some of its most qualified employees for a year or two – and to reacquaint them when they returned."

In 2003, collaboration with four microfinance institutions required six Caixa Catalunya employees. But a decision was made to shorten the duration to three or four months. In 2006, the bank stopped sending volunteers abroad in order to gather the information from the different experiences and assess the performance of each project. Torras said: "In the end, we came to the conclusion that short-term, well-

**Successful microfinance programmes relied on quality of service and client satisfaction**

**Technical assistance programmes required more personnel than financial support**

**Volunteering system allowed direct transfer of know-how**

defined technical assignments were more convenient and efficient. Now volunteers only spend three to four weeks abroad. The key was that the volunteer profile perfectly suited the MFIs' need and that the assignments were clearly designated."

Technical assistance from volunteers complemented the work of permanently employed locals. Years later, Torras said looking back: "With respect to the difficulties, we found that having a team of involved, qualified and demanding professionals was highly important."

### Caixa Catalunya as Un Sol M3n's financial backbone

Strategy was to invest as much money as possible in the first years

From the annual budget that Obra Social contributed to Un Sol M3n for investments and fixed overhead costs, the foundation invested EUR 325,000 in 2001 into funds for microcredits (12.7 percent of the year's EUR 2.56 million budget). In 2006, it again invested the same amount, this time representing only 3 percent of its budget (see *Exhibit 4* for Un Sol M3n's annual microcredit investments). Their strategy was to invest as much money as possible in the first years with expectations of interest returns. Interest then supported the funds and Un Sol M3n reduced its fresh money input. The plan was that the microcredits would become entirely self-sufficient, easing themselves from dependence on Un Sol M3n and Caixa Catalunya's resources. If they released the foundation from investing in the microcredits, Un Sol M3n would free up money for other projects.

To achieve this goal, Un Sol M3n realised it needed to raise additional money from outside the bank's resources. The circumstances were favourable. The programme was shaping up well and 2005 was the designated International Year of Microcredit, promoting microfinance as a means to reach the MDGs. Un Sol M3n was welcomed with open arms. The Catalan Agency for Development Cooperation channelled EUR 500,000 to Un Sol M3n annually for five years to be used for MFI grant loans. Un Sol M3n also received support from some private institutions such as Fundaci3n Roviralta.

With this, Font and Torras decided to appeal to the public. Caixa Catalunya promoted its credit card through its Total Plus Programme. Private customers accumulated points with their credit purchases that they could exchange for gifts, cash or donations to Un Sol M3n's projects. The first year they launched the point system (in 2006), they collected EUR 16,400. Although this was a modest sum in comparison with the MFIs funds, Caixa Catalunya was able to bring its social work to the public light.

MFIs were to become entirely self-sufficient

In 2005, the estimated self-sufficiency rate amounted to 40 percent. One year later, the accumulated microcredits totalled an impressive EUR 1.9 million, nearly Un Sol M3n's entire budget for 2006, and the organization had plans to reach 100 percent self-sufficiency by 2007.

### Linking worlds: A transnational development programme

The microfinance programme had proved successful, but there was still one thing missing. After a 2003 visit to Ecuador, Torras discovered that many of the MFIs' clients had torn families. She met two children living with relatives who explained that their parents left for Spain years ago to find work. Torras was later told that 50 percent of the families were separated with parents living abroad and children remaining in Ecuador. She started thinking: How can our foundation help?

Upon return to Spain, Torras started to understand that the 200,000 Ecuadorian immigrants were quite an appealing target group for Un Sol M3n. As long as they were living in Spain, they were potential clients for Caixa Catalunya; if and when they returned to their home country they became potential customers for their partner, MFI Codesarrollo. She developed a project with shared interests of Ecuadorian immigrants, the MFI and Caixa Catalunya. The project was a co-development project, meaning that Un Sol M3n and Codesarrollo worked for the benefit of the same people. Torras wanted to foster development in Ecuador by using the knowledge immigrants had acquired living in Spain. This was mainly comprised of valuable experience in entrepreneurship. Torras said: “We knew that Ecuador immigrants would only return to their country if they could prove themselves winners. Going back as entrepreneurs surely coincided with this expectation.”

**200,000 Ecuadorian immigrants: an appealing target group for Un Sol M3n**

The plan unfolded. The new programme, Reinversi3n de Talento en Ecuador (RETALE – Reinvesting Talent in Ecuador), assisted immigrants in starting their own businesses. Un Sol M3n provided loans at 6 percent interest rates, no commission, up to a maximum of EUR 20,000 and with a four-year amortisation period. Additionally, they offered training and consulting in Spain, and when someone returned to Ecuador, Codesarrollo had stationed consultants in different areas to support them execute their business plans.

By 2007, RETALE had assisted the start-up of 30 businesses in Ecuador, ranging from retail shops such as digital photography studios and pharmacies, to textile workshops, agricultural greenhouses and a boot factory for export to Spain. Of these businesses, seven received microcredits in Ecuador; 13 received credits from Un Sol M3n; and the remaining ten did not require any additional credits. Over 100 jobs were effectively created. For example, Denny Zambrano from Guayaquil, Ecuador, worked as a gardener for three years in Spain. With the advice from RETALE, he decided to launch his own gardening services company in Ecuador. He returned home at the end of 2006 to manage his own business.

**Attempting to reunite torn families who split to find better work**

## Evaluation, results and outlook

Torras was more than pleased with the results, saying they were “better than expected.” By the end of 2006, the foundation had established partnerships with 12 MFIs in seven countries, granting EUR 2.2 million in microcredits to more than 13,000 people. Font said: “Microfinance is first and foremost an investment into the future, not a business. We most definitely do not expect high profits. Perhaps this is why, for the moment at least, we are the only Spanish savings bank that dares to venture into this area.”

Measuring impact in the target countries was difficult, above all because data of funds, credits and beneficiaries were hardly comparable when working with such different institutions, sometimes without a defined structure. And working toward 100 percent self-sufficiency was quite a challenge. Without a doubt though, the programme was a door opener. Caixa Catalunya and Fundaci3n Un Sol M3n, through its international microfinance program, were able to find a new way to foster the use of microcredits. The MFIs’ funds were so prosperous that Un Sol M3n had enough returns to spread partnerships in more countries such as Colombia and Gambia.

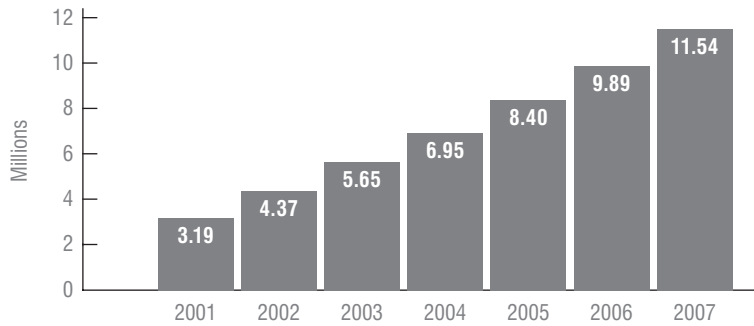
**RETALE project offers  
low interest loans and  
entrepreneurship  
training for emigrants**

Torras found RETALE, the spin-off project, was the most important initiative of the foundation. “We believe RETALE is a wealth creation project”, she affirmed. She was delighted that in December 2006 the programme was recognised in the category of *Assistance and Cooperation* at the Spanish Business Patronage and Sponsorship Awards promoted by AEDME (Spanish Association for the Development of Business Sponsorship). To her, the biggest challenge was replicating RETALE in other countries. Morocco was one future prospect.

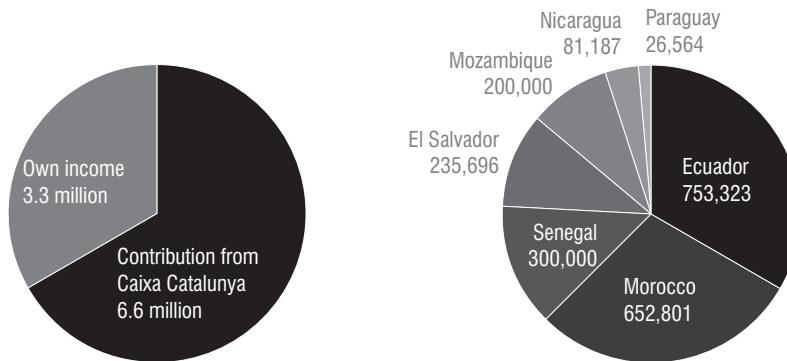
As of 2007, international microfinance was a strategic area still pursued by Caixa Catalunya. In April 2005, Caixa Catalunya joined the UN Global Compact, another public commitment toward global efforts in alleviating poverty. It was the only Spanish savings bank with microfinance activities in developing countries. Font knew in 2001 that they were about to begin some major pioneer work, but he assumed other banks would soon join the initiative. Font said: “My plan for the future: promoting microfinance in other countries and in rural areas. That is, let us foster microfinance to alleviate poverty and social exclusion worldwide.” ♦

## Exhibits

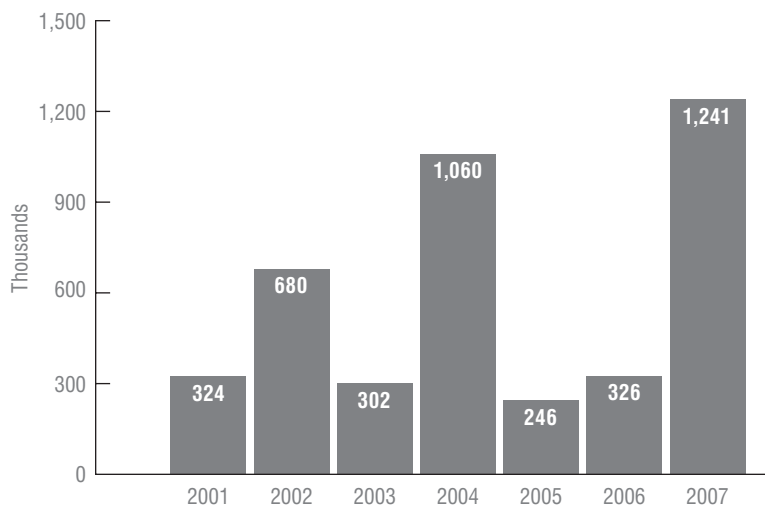
**Exhibit 1:** Fundació Un Sol Món’s annual budget (in EUR)



**Exhibit 2:** Fundació Un Sol Món’s origin and distribution of funds for 2006 (Euros)



**Exhibit 3:** Fundació Un Sol Món’s annual microfinance investments (in EUR)



Sources: Caixa Catalunya

## Credits

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## Teaching Note: Caixa Catalunya

*Caixa Catalunya: Pioneering paths for microfinance* introduces Angel Font, the managing director of Un Sol M6n, one of Caixa Catalunya's four foundations. In 2001, the then eighth largest financial institution of Spain decided to establish Un Sol M6n with the objective of promoting the social and economic inclusion of low income population groups in the developing world. To Font it made sense that the foundation of a large savings bank – which originally was created to meet socio-economic needs – should support microfinance institutions MFIs in developing countries. But instead of simply giving away funds, Font wanted to create a win-win situation that benefited the poor and Caixa Catalunya.

How did he proceed? He generated social value by granting technical know-how from Caixa Catalunya employees to selected MFIs in order to boost their efficiency parallel to selling financial products to them. He thereby chose organisations that provided financial services to the poor and represented possible strategic advantages for the bank: Potential partner MFIs had to be financially sustainable besides incorporating the capacity to grow. They had to be located in countries situated in Latin America (given the language advantage) or in North Africa (given the geographical proximity), that were considered to be politically stable, known to be appealing to Spanish investors and from which Spain had immigrants. Between 2001 and 2006, Un Sol M6n managed to pass on technical assistance to 12 MFIs in seven countries and sell financial products (namely warranty funds as well as equilibrium and conventional loans), which were adjusted to local capital markets (if available). The MFIs were expected to reimburse the provided funds and be self-sufficient. Expectations were met: By 2006, the foundation had disbursed EUR 2.2 million to more than 13,000 individuals via their partner MFIs. The self-sufficiency rate stood at 40 percent as early as 2005 and was expected to reach 100 percent by 2007.

In essence, corporate social commitment is as old as the industrialised societies we live in: Companies have always donated large sums for what they considered to be worthy causes in the social setting of their businesses. In this, foundations have also played an important role. Looking upon this donation practice from the perspective of the enormous processes of rationalisation that formed companies in the last 150 years, corporate social commitment has a lot of catching up to do: Instead of simply granting funds which tend to be strategically unfocussed from a corporate perspective, managers are increasingly orchestrating corporate social commitment within long-term business strategies – in order to contribute to the socio-economic development of communities and to companies' economic prosperity.

*Caixa Catalunya: Pioneering paths for microfinance* exemplifies how company foundations can transcend their classical fund-granting role: By strategically blending various company assets they can turn into company CSR-organs that benefit communities within the realm of business strategies. Font could have arbitrarily selected what he perceived to be supportable MFIs. But, instead, he chose those organisations that seemed to embody benefits for the poor and the company.

This approach may be considered to be self-centred. Instead of helping in an unreserved manner, one might think Caixa Catalunya helped in order to gain. But the

facts of this case suggest that helping in order to gain truly helps others and actually increases one's own capacity to help: As early as 2003, Un Sol M6n was able to initiate a spin-off project together with one of its partner MFIs in Central America aimed at reuniting families in Ecuador. Together they helped former Ecuadorian immigrants in Spain set up successful businesses in their mother country. ♦