

## Crédit Agricole Grameen Foundation

### Serving lenders of hope

By Andréane Fulconis-Tielens

The mission of the ten employees of the Crédit Agricole Grameen Foundation for microfinance is to support microfinance institutions and assist social business projects, preferably in Africa and in farming and rural areas.

Crédit Agricole SA launched its microfinance business in January 2008 under the aegis of Georges Pauget, its Chief Executive Officer, and Jean-Luc Perron [1], then in charge of European affairs for the Group. The “green” bank rapidly confirmed the project by creating a foundation [2] under Luxembourg law with an endowment of €50 million. Dedicated to providing financial and technical support to microfinance institutions in developing countries, the foundation took Muhammad Yunus, the winner of the Nobel Prize for Peace in 2006, as its partner. “The association with Professor Yunus was indispensable, since he was the inventor of microcredit and social business concepts, whose effectiveness in the fight against poverty has been demonstrated,” explains Jean-Luc Perron, the foundation’s Managing Director. “During this period, a microfinance unit was also created within Crédit Agricole SA, entirely dedicated to the foundation’s initiatives.” Since then, four operations have been approved by the Crédit Agricole Grameen Foundation project committee.

The most recent of these involves an Egyptian microfinance institution which has 150,000 small borrowers in Greater Cairo, of which 90% are women. To avoid any foreign exchange risk, a \$6 million loan will be granted in local currency by Crédit Agricole Egypt, 50% guaranteed by the Crédit Agricole Grameen Foundation and the remainder by another Grameen family entity specialized in the Middle East. The project is currently being approved.

#### AREAS OF INTERVENTION

The purpose of the foundation is to provide aid adapted to the needs of microfinance institutions, ranging from financial support to technical assistance and staff training. Whenever possible the foundation tries to work with CASA subsidiaries. It can grant credit lines, guarantee borrowings with the local banking system and contribute to increasing these institutions’ equity. On the basis of a long-term partnership, it will also provide access to an exchange of best practices and innovative technological solutions.

The institution Peace in Ethiopia, which has 25,000 borrowers of which 78% are women, is expected to benefit from a 75% guarantee for a five-year, \$1 million local currency loan.

“Currently there are just 400 bank branches in the country for a population of 80 million, i.e. 200,000 inhabitants per branch compared with 2,000 in France,” stresses Jean-Luc Perron.

“The needs are enormous.” The foundation has also granted financing to Kosovo Rural Kredit [3] and Hatta Kaksekar Limited [4] in Cambodia for €2 million and \$2 million, respectively.

Foundation staff from left to right: Julien Sciau, development manager; Dominique Weiss, senior analyst; Thierry Marotine, Deputy Managing Director – head of development; Anne Bossard, head of the middle office; Jean Luc Perron, Managing Director; Jurgen Hammer, head of financial engineering and investor relations; Seforah Benhamou, communications manager; Fatima El Moukhtafi, development and partnership manager; Ludivine Ventura, analyst intern; Pascal Webank, head of finance and administration; Baptiste Larnaudie, analyst.

## **SELECTION OF APPLICATIONS**

Among those who drive the microfinance mission are Thierry Marotine [5], previously a manager at the Nord-Est Regional Bank and now in charge of the foundation's development policy; Jürgen Hammer, a specialist in emerging markets and countries, head of the finance division and investment analysis; and Pascal Webank, an economist, who is the head of administration and operations management. The choice of institutions to be supported is based on Mix Market, a database created by CGAP [6], which lists 1,200 microfinance institutions around the world in terms of financial and social criteria. "We do not deal with the first 150 Mix Market institutions that make up the top tier. We aim at institutions of intermediate size that do not have easy access to domestic or international funding. In addition, our priority goes to institutions oriented towards the agricultural and rural sectors," adds Jean-Luc Perron. "We then have a range of financial and social criteria to verify that the institution is well managed and faithful to the primary purpose of microcredit: combating poverty." The €50 million endowment is to be entirely used to fund microfinance institutions. "Our purpose is not simply to give away the money. We operate with a microfinance rationale: the institutions we finance must have reached operational and financial autonomy."

## **FUTURE PROJECTS**

Looking beyond microfinance, the foundation plans to facilitate social business projects. This concept, explained in Muhammad Yunus's latest book [7], is based on the creation of a profitable business whose primary purpose is not to maximize profits. The principle involves optimizing economic and social benefits in favor of the poorest people by providing them access to essential services such as food, healthcare, education and energy. The business must of course be profitable, but its purpose is not to pay dividends. Lastly, to expand the overall volume of its resources, the foundation plans in the future to turn to institutional investors and large European corporations. With this in mind, a dedicated microfinance fund, under strict foundation surveillance, may be created in 2010 with the help of CAAM and its Ideam subsidiary [8].

**[1] Jean-Luc Perron was appointed Managing Director of the foundation on October 4, 2008.**

**[2] The foundation's Board of Directors is chaired by René Carron, the Chairman of Crédit Agricole SA, with the participation of Muhammad Yunus and the Grand Duchess of Luxembourg.**

**[3] The institution works with 36 village associations and has 5,754 borrowers.**

**[4] This fourth-largest microfinance institution in the country has 41,000 active borrowers, of which 77% are women.**

**[5] Thierry Marotine was also responsible for the Nord-Est Regional Bank's initiatives to support microfinance networks in Madagascar.**

**[6] A consultative World Bank subsidiary which provides assistance to the poor.**

[7] *Creating a World without Poverty: Social Business and the Future of Capitalism.*

[8] Ideam provides specialized fund management for socially responsible investing to institutional and private clients. Ideam has created and, together with Crédit Agricole Private Equity, manages the Danone.communities mutual fund dedicated to social business financing.

## KEY DATES

### February 18, 2008

The launch of the foundation is announced

### September 24, 2008

Legal formation in Luxembourg

### October 4, 2008

- First meeting of the Board of Directors with 11 members
- René Carron is elected Chairman of the foundation.
- Establishment of an investment committee made up of:
  - Luc Démazure, Chairman of the Nord Est Regional Bank;
  - Yves Couturier, former Secretary General of the Fédération Nationale du Crédit Agricole ;
  - Professor Islam Latifee, Chief Executive Office of Grameen Trust;
  - Jean-Luc Perron.

### March 6, 2009

The Board of Directors creates an ethics committee whose members are:

- Daniel Lebègue, Chairman of Épargne sans Frontière;
- Rahaël Appert, Chief Executive Officer of the Crédit Agricole Val de France Regional Bank;
- Professor Islam Latifee.

## CREDIT AGRICOLE AND MICROCREDIT

### The story of a meeting

In late July 2007, Georges Pauget, Chief Executive Officer of Crédit Agricole SA, traveled to Bangladesh to meet Muhammad Yunus and his colleagues at Grameen Bank in their home territory, one of the planet's poorest countries. The Crédit Agricole delegation spent four days in the country meeting groups of "Grameen ladies", borrowers from Grameen Bank, and visiting the Bogra pilot yogurt plant designed and managed by a partnership between Grameen and Danone. During this trip, an agreement in principle was concluded for the creation of the Grameen Crédit Agricole Foundation for microfinance.

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