



EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS

Corporate Social Responsibility:

The Performance of Cooperative Banks

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The European Association of Co-operative Banks

The Association of co-operative banks was created in 1970. It represents, promotes, and defends the interests of its members and co-operative banks in general. As such, the Association is the official spokesman to the European institutions. To this end, the missions of the Association include :

- To provide information to members on all initiatives and measures taken by the European Union that affect the banking sector;
- To organize an exchange of views and experiences and to coordinate member organisations' positions on issues of common interest;
- To carry out efficient and active lobbying to European institutions;
- To develop positions on issues of common interest.

The European Association of Co-operative banks fosters co-operation between co-operative banking groups. Furthermore, with the other representative co-operative organisations, the Association promotes the spirit of co-operation throughout the banking sector and beyond. In order to fulfil such goals, the Association is one of the founding members of the European Banking Industry Committee (EBIC), the European Payments Council (EPC), the European Committee for Banking Standards (ECBS) and the European Financial Reporting Advisory Group (EFRAG). The Association also maintains close contacts with UNICO and the International Confederation of Popular Banks (Confédération Internationale des Banques Populaires: CIBP). It is a founding member of the Co-ordinating Committee of European Union Co-operative Associations (CCACE). Moreover the Association chairs the European Regional Committee of the International Co-operative Banking Association (ICBA). The Association maintains close links with the International Raiffeisen Union (IRU), the Confédération Internationale du Crédit Agricole (CICA) and the World Council of Credit Unions (WOCCU).

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Executive Summary

Through their actions and their specific business model, cooperative banks have placed corporate social responsibility at the heart of their identity. Their contribution to attaining the goals of the Lisbon agenda should therefore be recognised and their specificities be taken into consideration in the European legislative context.

In particular, in terms of corporate governance, they practice transparency, democratic principles and a high degree of stakeholder involvement, be it of the member/shareholder, the staff, the customer or the local community.

Their financing of local sustainable development helps sustain employment opportunities in remote areas and often contributes to ensuring the continued livelihood of whole communities. Through their specialised sectoral knowledge, they are able to offer adequate products for SMEs, farmers and fisheries, for which they are among the main providers of credit.

Cooperative banks are also among the market leaders for Socially Responsible Investment, such as SRI-funds, SRI savings accounts and more. Green finance is increasingly gaining importance, as a variety of investment solutions allow the customers of cooperative banks to make a difference and to contribute to the preservation of the environment.

Based on their philosophy of fostering economic initiative of individuals and of an inclusive society, cooperative banks are also participating in various schemes, such as microfinance, to support the social reintegration of e.g. long-time unemployed. Similarly, cooperative banking networks have a long tradition of development work in developing countries, where they supply knowledge and funds to help setting up cooperative banking networks, which are key to local sustainable development and to fostering civil society structures. Of course, cooperative banks are also engaging in direct development initiatives, as their recent response to the Tsunami in South-East Asia has shown.

Finally, cooperative banks participate in the life and the development of their local communities through cultural sponsorship initiatives, responsible citizenship and foundation work.



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CSR and the cooperative identity

The policy context for CSR

In defining the Lisbon Strategy in the year 2000 at the European Summit in Lisbon, the European heads of State set themselves an ambitious agenda to turn Europe into “*the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion*” within a decade.

The Summit participants placed a particular emphasis on

CSR and the Cooperative business model

Due to their specific nature, cooperative banks and their business model are inherently socially responsible. In fact, CSR is naturally embedded in the cooperative identity, as both concepts involve social cohesion, openness and dialogue.

While the trend of CSR is a relatively recent one, cooperatives in general and cooperative banks in particular have practiced corporate social responsibility ever since their inception in the 19th century. Cooperative banks were founded to support their cooperative members, who otherwise had no access to other financial services at reasonable conditions, by pooling their financial resources.

Since the beginning, the cooperative values have been deeply rooted in the democratic constitution of society, reflected by the one-man-one-vote principle, and have promoted entrepreneurship through fostering self-help, responsibility, cooperation and solidarity, while emphasizing the common good of society at large. Credit decisions and business policy of cooperative banks are driven by a long-term commitment to their members, customers and local communities. Through their investments, they stimulate economic growth and job creation.

The cooperative contribution to the Lisbon agenda

Half-way through the exercise of implementing the Lisbon agenda, it appears that much still needs to be done. Following the findings of the Kok report, the new Commission under José Manuel Barroso has recently refocused the strategy, endorsed by the European Council on 22nd and 23rd March 2005. The Strategy proposes a concrete action programme for the EU and its Member States over the next five years, which centres on economic growth, job creation and innovation, placing among others an emphasis on such fields as SME finance, reduction of unemployment and eco-innovation.

Corporate Social Responsibility (CSR) as a means of achieving the goal of Lisbon Agenda. As defined by the Commission Green Paper on CSR (July 2001), “*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*” Consequently, through CSR, the private sector and cooperative banks in particular can make an important contribution to achieving the goals of the Lisbon Strategy.

Today, cooperative banks are efficient and profitable enterprises. As an integral part of the private sector they function without public subsidy. Serving their cooperative members by placing quality of service at the heart of their objectives, they naturally pursue customer value and social involvement with the aim of providing the best possible products and services at the lowest price possible. They are among the main providers of credit to small and medium-sized companies and households, which typically form the bulk of their membership base in the regional and local communities. Cooperative banks also make important contributions in such fields as microfinance, environmental protection, development aid, solidarity investments and sponsorship.

The commitment of cooperative banks to CSR is further evidenced by the participation of many national cooperative banking networks in International Agreements, such as the United Nations’ Global Compact (Human rights, Environment, working conditions) or the Equator Principles (environmental and social guidelines for project finance around the world). Many also signed national or international Codes of conduct and business principles in various areas related to CSR and sustainable development.

As stated above, the cooperative business model provides society with a constructive approach to business, helping to reconcile economic development both with the safeguarding of social and environmental concerns. The EACB therefore urges the European Institutions to recognise the important role cooperative banks play in this context and to improve the contribution they can bring to the European economy by further promoting their development in the 25 Member States. This involves taking their specificities into account in the different policy areas so that cooperative banks can continue to be a driver of social and economic policy in the EU on a level playing field with other actors of the economy.



Corporate Governance: Structure, principles and societal involvement

Through their principles and organisational structure, cooperative banks have placed CSR at the heart of their business model, as they naturally integrate social concerns in their business activities and interact with their local stakeholders and communities. This comes as a natural consequence of the fact that generally members, which own the cooperatives' capital, are at the same time customers and staff of the banks.

Democratic principles and subsidiarity

Being organised according to democratic principles, most cooperatives have a “one man – one vote principle”, which ensures fair representation of the interests of all individual members who would be minority stakeholders in Listed Limited companies (some cooperatives have pro-rata voting rights, however with capped levels).

Furthermore, administrative organs of local bank are usually staffed by benevolent and unremunerated members elected by the General assembly, allowing for transparency and management in the interest of the membership base. Of course appropriate supervisory mechanisms are in place to avoid situations of conflict of interest.

The proximity to the local member is reflected in the way cooperative banks are organised at national level. While in some cases (*as in Italy concerning Banche Popolari*) the cooperative banking model consists of a federate banking groups composed of a cooperative head group which controls some local banks, in most European countries the cooperative banks are organised in banking networks, that are usually composed of two-three tiers, comprising local banks, regional banks and national institutions, among which a central bank. Following an “inverse pyramid” hierarchy model, local banks are shareholders of the regional and central institutions. Consequently they elect the members of the latter's administrative bodies. Thus, contrary to a public limited company, power emanates from base and ensures that local needs are taken into consideration in any policy designed at central level.

CSR policies in cooperative banks

The cooperative banks' cooperative values and consequent commitment to CSR are reflected in concrete internal and external policies.

Most cooperative banking networks have set up CSR-committees, which define and monitor their members' so-

Therefore, cooperative banks serve first and foremost their members and the local community by striking a balance between the cooperative concepts of freedom, individual/collective responsibility, solidarity and social involvement with profitability and other financial objectives of their business activities.

In the interest of sustainable regional development, this structure allows for the right level of subsidiarity and good knowledge of market: proximity to the customer and adequate service with products adapted to the local needs are offered, while more sophisticated functions with cost-saving potential through economies of scale are rendered by regional/central bank. The advantages of this structure: A good trade off regarding the distribution of tasks between the local and central level has a positive impact on the profitability of the whole network, while the customer clearly has the advantage of a wide array of adequate products and services and members receive an attractive return on investment. The involvement of the member/customer can be exemplified by the Crédit Coopératif, part of Banques Populaires Group, which in each branch office has created a committee (“conseil d'agence”) involving representatives of its clients/shareholders. These members, who are also customers, express their opinions and advice about the bank's products and services, giving very precious information and an efficient feedback which allows it to adapt, when necessary, its commercial offer.

Cooperative banking networks are characterized by high degree of internal solidarity, e.g. through Internal Guarantee Funds, which help local banks that might be in difficulties or through “bad banks”, allowing to discharge problems loans in order to be able to conclude new needed business. Both features have a stabilising effect by decreasing systemic risk within network, improve rating of member banks (and provide cost savings to be passed on to members) and contribute to the health and efficiency of the whole banking system.

cially responsible activities. Many of them have CSR-reporting systems, which are based on the Global Reporting Initiative (GRI). GRI is an independent body, which collaborates with the United Nations Environment Programme (UNEP) and is focussing on the development and dissemination of universally recognised reporting standards for non-



financial CSR-reporting.

Most cooperative banking networks issue regular reports on their CSR-related performance. Among the most sophisticated examples of CSR reporting and management systems is the Cooperative Financial Services Sustainability Report, which tracks the UK's Co-operative Bank's and Co-operative Insurance's CSR performance against a number of economic, social and ecological indicators and targets (see example)¹. The Report was singled out as the best in the world by the United Nations in November 2004.

Example of indicators: The Co-operative Bank UK

The Co-operative Bank – now part of Co-operative Financial Services (CFS) - recognises the imperative of developing its business in a sustainable manner and seeks to deliver value to its customers, shareholders, staff, suppliers, society and the Cooperative movement, in a way that is consistent with the broader objectives of sustainable development. Over the years, the bank has sought to 'close the loop' between issue identification and performance improvement, through a process of accounting, auditing, reporting and target-setting. An internationally-renowned annual Sustainability Report provides a 'warts and all' account of CFS' performance against a series of economic, social and ecological indicators and targets, that are material to its business operations. Indicators are derived from a combination of stakeholder dialogue, CFS business strategy and emerging ethical and sustainability standards, and are intended to inform strategic decisions within the business, whilst helping Partners assess whether, when judged against the benchmarks presented in the Report, CFS is achieving the broader objectives of sustainable development. According to conventional business wisdom, indicators should meet a number of criteria referred to as SMART: Specific, Measurable, Achievable, Realistic and Timely. Whilst endorsing these general characteristics, CFS also believes that: **delivering value indicators** should be based on focused consultation with those Partners most affected; **social responsibility indicators** should be informed by the widest possible dialogue; and **ecological sustainability indicators** should be based on sound scientific principles.

CFS' approach to the identification, management and reporting of its key impacts is underpinned by the AA1000 management framework, while "The Natural Step" guides CFS' pursuit of ecological sustainability.

In many cases, cooperative banking networks have formalised their CSR commitment in voluntary codes of conduct towards their respective stakeholders, both at national or international level. Thus, e.g. Rabobank has signed a number of codes of conduct in diverse areas, ranging from corruption and bribery; discrimination; confidentiality of information; security of staff, business partners and customers; environment, health and safety; sustainability; genetic modification all the way to human rights. Often, the internal good governance is also codified, as is the case for the Cajas Rurales in Spain, addressing such issues as internal control, conflicts of interest, transparency, etc.

Cooperative banking institutions are members in a variety of national and international bodies involved in CSR-related matters. A number of networks have signed up to the "Global Compact", which was launched by the United Na-

tions in July 2000, with the mission statement to "seek to contribute to more sustainable and inclusive global markets by embedding them in shared values" aiming at fostering "a more beneficial relationship between business and societies, paying particular attention to the world's poorest people"². To achieve this goal, banks among others are encouraged by signing the Global Compact to cooperate on a number of key principles in the fields of human rights, labour standards the environment and the fight against corruption.

The Global Compact's ten founding principles aspire towards eliminating child labour and slavery, combating labour discrimination and to respect labour representation through trade unions. Businesses should aspire towards a green policy that aims at ecological sustainability and responsibility. Corruption in all forms, including extortion and bribery, is also targeted by the Global Compact.

It is a purely voluntary initiative, complementary to other voluntary initiatives and regulatory measures, rather than a regulatory compendium. Thus, in the

spirit of CSR, the Global Compact relies on the principle of self-regulation and self-compliance³.

The "Equator Principles" on responsible project management, initiated in 2003 by the IFC and ten leading banks from seven countries, among which two cooperative banking networks, are another important international initiative. According to the "Equator Principles", projects have to complete an environmental assessment dealing with baseline environmental and social conditions; with the sustainable development and use of renewable natural resources; with the protection of human health, cultural property, and biodiversity; with socio-economic impacts as well as with stakeholder involvement.

2 http://www.unglobalcompact.org/content/Public_Documents/mission_actors.pdf

3 http://www.unglobalcompact.org/Portal/?NavigationTarget=/roles/portal_user/aboutTheGC/nf/nf/theNinePrinciples

¹ <http://www.cfs.co.uk/sustainability2003/>



Social policies of cooperative banks

Employees are an important group of cooperative banks' stakeholders. In accordance with the cooperative principles, cooperative banks are fully committed to developing the competences of their staff through various tailor-made training programmes, which both meets employees' expectations and makes commercial sense. In order to ensure the highest standards of social responsibility, employees often sign a Code of Ethics, e.g. at the Cajas Rurales in Spain. In this case, the Code specifies ethical conduct, rights and duties of management and employees.

Also, as partners in the Social Dialogue in the Banking sector in the respective Member States and at EU-level, cooperative banks are actively engaged in a constructive dialogue with Trade Unions on social policies. As an example, the EACB has recently signed a joint statement with the other partners of the European Social Dialogue in the Banking Sector on "Some aspects related to CSR in Employment and Social Affairs in the European Banking Sector", which looks at CSR aspects related to Training, learning and development; Core labour standards; Work-life balance; Internal Communications and Equal Opportunity.

Sustainable Employment

With regards to employment policy, it has to be underlined that, while cooperative banking networks are key drivers in consolidation within the respective national banking sectors, mergers between cooperative banks typically do not result in considerable staff reductions, and they manage in retaining the local presence and services to their members.

Taken on a European level, employment in the member organisations of the EACB has progressed by 19 % to 674.000 staff from 31/12/1999 to 31/12/2003 despite ongoing consolidation and a particularly difficult period for the banking industry. This shows that cooperative banks are responsible suppliers of sustainable employment opportunities.





Local Sustainable Development

Strong local presence

Since the network structure of cooperative banks is decentralised, most of their business is local.

With over 4,500 banks and more than 56,000 branches, they provide an EU-wide territorial coverage, from the inner cities up to some of the most remote and smallest villages on the continent. This presence can be illustrated by the fact that in rural areas, their market share ranges from about 41% for Germany to up to 85% in France⁴. In this respect, they fulfil a vital economic role by providing access to finance to customers in regions which would typically not be served by some other players of the credit sector due to decisions based on profitability criteria alone.

Regarding the proximity to the customer, they rely on a multi-channel banking approach, which both embraces modern technologies, such as Internet-Banking, and maintains physical banking outlets in an effort to maintain the contact with the individual and give equal access to all segments of

the population, elderly people included. Their main focus remains on maintaining a long-term business relationship with their clients as well as on meeting the financial needs of the households and small and medium-sized enterprises, whether they are members or non-member customers.

With this approach, cooperative banks contribute to developing the economic tissue in less advanced areas through the financing of viable economic projects, which foster long-term activity and sustainable employment levels and consequently reduce regional inequalities.

The strong commitment of cooperative banks to the local stakeholders and communities, as well as the corporate governance addressed in the previous chapter, are well illustrated by the “New Covenant for the Development of Local Communities”, signed in 1999 by the Italian Banche di Credito Cooperativo (see example).

BCC: A New Covenant for the Development of Local Communities

In 1999, the Italian Banche di Credito Cooperativo (BCC) have signed a covenant for the development of the local communities, which formalises their cooperative principles and their socially responsible behaviour (excerpts):

1. The Primacy and Centrality of People

The Banche di Credito Cooperativo work to serve and foster the advancement of people. The Banche di Credito Cooperativo are a banking system, made up of people working for people.

The Banche di Credito Cooperativo invest in human capital - their members, their customers and their co-workers - for their continual development and advancement.

2. Our Commitment

The commitment of Banche di Credito Cooperativo is to focus specifically on meeting the financial requirements of their members and customers, constantly seeking to enhance the quality and relevance of their offering of products and services. Banche di Credito Cooperativo aim at generating profits and benefits, and economic, social and cultural value for the benefit of their members and the local community, and to "generate" trust and confidence.

Their style of service, their thorough familiarity with the local community, their excellent relations with their members and customers, their solidarity-based approach, and their constant concern for professionalism - these are the constant driving forces of the management of the Banche di Credito Cooperativo and those who supply them with their professional services. (...)

4. Encouraging Participation

The Banche di Credito Cooperativo encourage and foster in-house participation, particularly through the involvement of their members in the life of the cooperative.

The Banche di Credito Cooperativo facilitate the participation of local businesses in the economy, giving pride of place to families and small firms. They promote access to credit, and contribute to guaranteeing equal opportunities. (...)

7. Promoting Local Development

(...) Through their own banking operations and by an annual allocation of part of their operating profits they promote the local community's well-being and its economic, social and culture development. The Banche di Credito Cooperativo are busi-

⁴ “Cooperatives and cooperative banks”, Rabobank, 2000



nesses run "with social liability", and not only financial liability, serving the economy of civil society.

8. Continuing Education and Training

The Banche di Credito Cooperativo are committed to enhancing the skills, expertise and professionalism of their managers and co-workers, and fostering and disseminating an economic, social and civic culture among their members and within the local community.

9. Its Members

The members of the Banche di Credito Cooperativo pledge their honour to contribute to the development of the bank by working very closely with it, fostering its spirit and encouraging new members of the local community to join it, setting a transparent example of democratic control, equal rights, equity, and solidarity between the grassroots membership.

True to the spirit of the founders, the members believe in and uphold an ethical code of conduct based on honesty, transparency, social responsibility and altruism. (...)

Promotion of SME finance

Financing the SME-sector appropriately is crucial for Europe's economy. Indeed, according to EU-sources, 99.8% of private companies are craft or small and medium-sized enterprises (SME), which employ more than 53% of Europe's workforce and are responsible for half of Europe's total turnover. These enterprises are recognised to be a key source of jobs and a dynamic factor for innovation and employment as well as social and local integration in Europe.

SMEs are part of the very core business of cooperative banks. In Italy, for instance, where SME realize over 70% of the G.N.P., Banche Popolari destine to SME around 75% of their total loans in favour of enterprises (see example). The

knowledge of the cooperative banks regarding the local terrain together with the fact that many of their staff are themselves entrepreneurs from SMEs gives them a competitive advantage in assessing and properly handling SME-loans. It allows them to propose loan products which are adapted to the needs of their SME customers, including competent advice on available public support programmes (see example).

Cooperative banks accompany their SME-customers over the whole life-cycle of the business and provide them with specialised support services and documentation. A particular focus is on loans for start-ups, where a certain number of products offer loans with little to no interest for entrepre-

The local focus of Italy's productive system and Banche Popolari

Among EU countries, Italy is characterized by the most significant presence of small and medium sized enterprises (SME). Starting from 1970s, they strongly contributed to national economic growth. Official statistical figures show that more than four millions of SMEs are operating throughout the country, of which over 95% have less than 10 employees. Italian SMEs employ more than 80% of total workers and generate over 70% of GNP.

Italian SMEs often concentrate in circumscribed areas: Italian Statistical Bureau indicates 784 local productive systems (LPS), of which around 200 are industrial based. The greatest number of these Systems is located in Northern and Central Italy, nevertheless a significant amount is in the South. In the most developed cases, LPSs gave birth to industrial districts: A typical Italian feature consisting in deep organisationally advanced areas focused on specific productive segments (textiles, etc.).

Rooted into such LPSs, local banks played and play a fundamental role. A strong and deep relationship between the local bank and small enterprise have fostered the activity of cooperative banks, especially for Banche Popolari. At present time, Banche Popolari concentrate about two thirds of their outlets in areas where more than 90% of enterprises are SMEs and hold high market shares in more than 300 LPSs.

Grown along with the industrial tissue of their original areas, few major Banche Popolari reached in recent years for larger dimensions, generating banking groups of national relevance. A deep analysis of their network around the country and of their customers show Banche Popolari's business model is still inspired by their "localistic" mission, that consists in granting credit to households and SMEs belonging to local communities of relevance for the bank. In fact, Banche Popolari's powerful growth is mostly the result of mergers and acquisitions with pre-existing local banks, many of which operating in less or medium developed areas, maintaining their original business model and, therefore, their special relation with the local environment.



Example of SME-Service: GENO-Star

One example of SME support services is GENO-Star from the German cooperative banks. It is a system which helps the bank in establishing the ideal finance mix for the loan applicant, taking into consideration all available support programmes, even for specific sectors. Using the client's data, GENO-star drafts a financial plan presenting the applicable financial support schemes, calculates the minimum amount of bank finance with a detailed repayment plan and outlines the application requirements for the support programmes at local, national and EU level, with the aim of keeping the financing requirements of the SME as low as possible. The automated nature of the programme allows the information to be available instantaneously. Applications for public support programmes is handled on-line, further shortening the processing of the credit application.

adequate finance solutions and specialised support services, e.g. an exchange platform for business succession, where the respective potential partners can be matched (see example).

Cooperative banks also engage in Dialogue with SME-organisations at local or national level (Chambers of crafts and Chambers of industry and commerce) which produces many joint initiatives, working groups and reports dealing with issues related to SME-access to finance. They also take SME concerns into consideration when conducting lobbying initiatives towards their national or the

neurs who cannot raise collateral. One example for such products are the "Tremplin" loans, without interest or collateral, provided by the Crédit Agricole Caisse Regionale des Savoies. In France alone, of a total of 220,000 start-ups in 2004, 159,720 companies have been financed by cooperative banks, representing 72.6% of the total market share for start-ups.

European institutions. Thus, e.g., they have defended the interests of SMEs in the capital adequacy provisions of the new Basel II agreement.

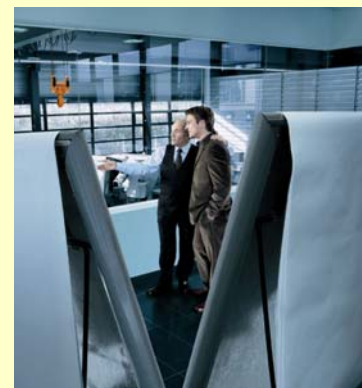
Another crucial phase in the business cycle which requires particular attention and finance are business transfers from a retiring entrepreneur to his successor. These situations are characterised by both a greater business risk and by a particular financing need. Failed business transfers would result in great losses both in jobs and in crucial infrastructure. Cooperative banks accompany their customers in this difficult period by both providing the

"Nexxt" Business Transfer Exchange Platform

To facilitate the matching of old and young entrepreneurs in business transfers, the Federal Association of German Cooperative Banks participates in the business exchange platform „Nexxt“.

The goal of this initiative, created by the Federal Ministry for Economics and Work in 2003 and to which over 25 organisations have signed up, is to match business "transferers" and "transferees" over an Internet-based contact platform, on which the businesses to be transferred and the CV's of potential take-over candidates can be posted.

All data is presented anonymously; the cooperative bank will establish direct contact between the parties, if there is serious interest in the offer.



Access to finance through mutual guarantees

One particular feature of the cooperative movement are mutual guarantee schemes, which are based on the fundamental cooperative idea of pooling of resources.

SMEs typically suffer from a particularly low level of own funds in their capital structure and cannot always provide sufficient bankable credit collateral. As a consequence, they are disregarded by many in the financial sector for being a cost-intensive, riskier and lower-profit business.

To address this problem, most cooperative banking networks, usually in cooperation with SME organisations, have therefore set up their own mutual guarantee scheme or cooperate with an external one. The aim of the funds is to avoid

that viable projects could be rejected simply on the basis of a lack of collateral. The guarantee, which replaces the missing collateral, is given mostly based on an analysis of the business plan, of management's relevant competence and of future expected cash flows.

Also, the sector-specific expertise supplied by the SME-organisations in the loan application process and the risk reduction resulting from the mutual guarantee often allows the SME to obtain more favourable credit terms than otherwise practiced in the credit sector.

This is a very efficient tool: Indeed, it is interesting to notice that a relatively small guarantee amount can have a high leverage effect on the volume of loans accessed and consid-



erably decrease risk exposure for the banks. Both of these features have a positive effect on the volume of SME loans granted. The effectiveness of mutual guarantee schemes in this respect has been highlighted by a recent Commission report⁵. Among the notable examples of Mutual Guarantee

schemes, there are the SOCAMA (see example) and the SIAGI in France, the Bürgschaftsbanken in Germany and the Confidi in Italy.

Examples of mutual guarantee schemes:

SOCAMAs developed in cooperation with Banques Populaires:

In France, a Law voted in 1917 authorised at the same time the creation of Banques Populaires and of Mutual Guarantee Societies. Most of the original MGS were founded among professionals of the same specialty (bakers, hair dressers, restaurants, hotels, taxi, electricians, plumbers, etc.) at the very local level to support their peers in order to let them have access to credit. At the end of the fifties, more than 100 MGS were active in France.

Then, in cooperation with Banques Populaires, many of them merged at regional level to form multi-professional MGS under the name of SOCAMA. A national Federation of the SOCAMAs was established in 1980 and the SOCAMAs were given the status of credit companies by the Banking Law dated 1984. Today, the SOCAMAs' members are professional organisations and Chambers of Crafts, representing over 250.000 SMEs, as well as the Banques Populaires.

Their role is to guarantee the repayment of loans granted by the Banque Populaire, after having reviewed the credit application on the ground of reputation, proficiency, capability of the individual and feasibility of the project submitted. To fulfill their commitments, the SOCAMA maintain a Guarantee fund built up with the contributions paid by all the members, and may use their total assets. Ultimately, their solvency is secured by a counter guarantee of the Banque Populaire.

SOCAMAs and Banques Populaires are offering together a special financing scheme called "SOCAMA Express loan", in order to simplify the application procedure and speed up the credit decision process. It may be used for the setting up of a new business or for the development of existing business and proved to be very successful. The SOCAMA may counter guarantee up to 100 % of the loan facilitating significantly the access to bank loans for small businesses that would have difficulties to be financed through traditional banking channels.



Interconfidi Nordest

SMEs Mutual Guarantee Consortia (confidi) have been active for many years in Italy, in order to make access to banking credit easier for their members. These entities have been subject to interesting developments as a result of the Basel II Capital Agreement and the new national legal framework produce.

This is the case of Interconfidi Nordest, the first Italian "confidi", which operates in the Italian region of Veneto and started to transform itself into a Guarantee Co-operative Bank. Thus it assumes the legal status of a Banca Popolare which will operate only with its members. This step was necessary to give a quick answer to the new financial needs of a large number of local SMEs. Right in the middle of Italian north-eastern economic system, which is characterised by a strong and widespread small and medium sized entrepreneurship (a productivity model for the rest of the country), Interconfidi Nordest will make its formal request to Banca d'Italia before the end of first semester 2005 for operating as a banking institution. The new Banca Popolare for Guarantees will enrich the scope of financial intermediaries available to SMEs by operating alongside ordinary credit banks.

⁵ Microcredit for small business and business creation: Bridging a market gap, European Commission, DG Enterprise, November 2003.

Special focus on agriculture and fisheries

Cooperative banks have strong ties to the agriculture and fishing industries. Many of them have grown out of farming and fishing cooperative movements and are therefore specialised in these particular types of financing.

The Raiffeisen banks have their origin in the Raiffeisen movement, which has been founded in the 19th century as a farming cooperative and nowadays exists in various European countries (Germany, Austria, Netherlands, Luxembourg, Finland, etc.). In the remaining Member States, similar types of cooperative banking networks with a strong presence in agriculture include among others the Crédit Agricole and the Crédit Mutuel (France), Caixas de Credito Agricola Mutuo



(Portugal), Cajas Rurales (Spain), Banche di Credito Cooperativo (Italy), etc. The Crédit Maritime (part of Groupe Banque Populaire, France), has a very strong presence in particular in Brittany, where it is focussed on the financing of fishing cooperatives.

As they are embedded in the respective agricultural and fishing industries, these cooperative banks have expert knowledge with regard to industry-specific investments, such as the acquisition of fishing vessels or the purchase of farming equipment. These financial services are often indispensable to the continued existence of entire communities.



Socially Responsible Investment and Green Finance

Cooperative banks are among the main suppliers of ethical and socially responsible investment vehicles. Different types of products are offered in this field: **Ethical funds** invest in shares or bonds of companies selected according to an ethical investment policy. The aim of such vehicles is to give retail or institutional investors the opportunity to finance investments in such fields as social housing, development aid, environmentally friendly technologies, etc. They also give the investor certainty that the fund, in which he is participating, will only finance projects and investments which meet the ethical and sustainability standards set by these funds (see example).

Socially responsible funds, but also some **savings account products**, in turn allow the customer to share a part of their gains with NGOs. Finally, there are innovative products,

such as the “Carte Agir”, issued by Banque Populaire, which gives a contribution to NGOs every time the card is used for a purchase, and the Rabobank coffee account, which allows gives customers the option of receiving their annual interest payment in form of coffee sourced from fair trade organisations.

Beyond offering Socially Responsible Investment funds, some cooperative banks pursue an integrated SRI approach, which gives the bank’s clients a say in the evolution of the institution’s SRI-policy. The Co-operative Bank UK is an outstanding example of this stakeholder involvement (see example). Similarly, at the GLS Gemeinschaftsbank, which is part of the Federal Association of German Cooperative Banks and is exclusively dedicated to culturally, socially and ecologically responsible finance, customers can also decide

Socially Responsible Investment policy at The Co-operative Bank UK and Banca Popolare Etica

An alternative model of Socially Responsible Investment is provided by **The Co-operative Bank in the UK**. This approach is based upon on a set of investment guidelines, which cover the management of all the bank’s assets and liabilities. Since 1992, the bank has regularly consulted with customers to establish how they want their money to be invested. The resulting Ethical Policy provides both positive and negative screening criteria, which determine the type of businesses and business activities the bank will and will not finance. The Policy is applied to all of the bank’s assets (e.g., retail and syndicated loans, corporate leasing), liabilities (e.g., retail deposits and savings, and treasury dealings), and the investment of all retained balances.

The present Ethical Policy followed consultation with almost one million corporate and personal customers and is **all but unique in UK retail banking**. An internal Quality Assurance Process, coupled with third party verification of Ethical Policy decisions, seeks to provide assurance to partners that the Policy is implemented in a full and rigorous manner. Since 2002, the bank has provided a detailed annual breakdown of all instances where business has been declined for ethical reasons, in its annual Sustainability Report. The bank reports that, in 2004, the annualised gross income foregone as a result of business opportunities declined by the bank’s Ethical Policy Unit totalled £8.7 million.

Banca Popolare Etica, founded in Padova (Italy) in 1999 by 22 non-profit organisations with the support of other Italian Banche Popolari, immediately made a name for itself as the first Italian bank to manage credit allocations based on rigorous ethical principles. To “provide financial support to any initiative that brings about social benefit”, the bank follows a selection process based on the following three elements:

1. **Sectors to be financed:** In Banca Popolare Etica’s articles of association those sectors which are to be financed are clearly indicated. They include: Social Welfare collaboration (health and education services, assisting the less fortunate find employment, etc.); Environment (nature preservation, eco-compatible development activities); International collaboration (collaboration towards development, microcredit, fair and equal trade, etc.); Culture and Society (quality of life, cultural and public service initiatives in the local areas etc.).

2. **Ethical-Environmental Preliminary Inquiries:** In the evaluation of loan requests the Bank, in addition to using the traditional economic investigative methods for evaluation, carries out an ethical-environmental investigation to check that the project to be financed meets the statutory indications mentioned above and furthermore to assess the credibility of the beneficiary. The evaluation of the beneficiaries is also takes into account their conduct with regard to: clarity in dealings, democratic participation in decision making processes, respecting the right to equal opportunities, attention to local communities, respect for the environment, social promotion, respect for working conditions, attention to voluntary services and solidarity.

3. **Loan Evaluations Committee:** Ethical environmental investigations are carried out by local Bank Committees which are made up of members of the Bank residing in the areas. The loan requests are presented to these local Committees who entrust one or more of their members with the evaluation. The Ethical Committee and Board of Management of the Bank regularly check the correct application of evaluation procedures.



in which projects their deposits are invested and are informed on the loan assessment. Another remarkable exam-

ple is the Italian Banca Popolare Etica, which grants every single loan according to rigorous ethical principles.

Socially Responsible Investment products at Banque Populaire and Crédit Agricole

After the creation of “Faim et Développement”, the first socially responsible fund in France (in 1984), **Banques Populaires** has developed a very large offer of socially responsible funds and banking products (socially responsible current account, credit card, saving accounts, ...).

All these socially responsible banking products give to their holders the opportunity to give a part of their financial interests (50%, 75% or 100%) to a chosen association, charity or NGO, acting in the field of humanitarian aid, social housing, health, environment and ecology, protection of children and disabled persons, ...

In 2004, the donations given through these socially responsible financial and banking products exceeded €1 million.

For an example of how a SRI fund work in practice, it is useful to consider **Credit Agricole’s** two socially responsible investment funds, FCP Pacte Solidarité Logement and FCP Pacte Vert Tiers Monde, for which half of the interest earned goes respectively towards Housing projects for the most vulnerable people and towards projects in developing countries. Individuals investing in one of these two funds benefit from a tax deduction of 60% of their donation. Since 2000, 57 projects have been financed for €766 000.

The proceeds are managed, and the investments selected, by Fondation Solidarité Mutualiste under authority of Fondation de France, a highly respected independent institution. The funds have the Finansol quality label which vouches for a transparent and responsible use of funds. The Foundation does not make direct investments, instead funds are channelled to specialised organisations.

Another fund by Crédit Agricole, FCP Atout Valeurs Durables, is an investment fund composed of shares from European companies which have subscribed to a sustainable development strategy with regard to business, social relations and the environment. Crédit Agricole has also a SRI specialist subsidiary, I.D.E.A.M (Integral Development Asset Management). This portfolio management company offers exclusively Socially Responsible Investment strategies to institutional and corporate clients based in Europe. I.D.E.A.M manages about €900 million and represents roughly 20 % of the French market.

Green Finance

An increasing focus lies on the development of green investment vehicles, as concerns about the sustainability of today’s economic activity without negative impacts on the environment grow.

Cooperative banks, with their traditional link to agriculture and the rural community are in a privileged position and have the responsibility to make a difference. Thus, they contribute both to the Sustainable development policies of the EU and to the respect of the Kyoto Climate Treaty.

At the local level, green finance can take place in as diverse fields as sustainable energy, e.g. through financing of wind-farms (see example) or bio-mass fermentation installations. Besides sustainable energies, other aspects cover investments into environmentally friendly green houses, the development of organic farming, biodiversity and agricultural nature conservation.



Green Finance at Rabo Green Bank

Since it was established in 2000, Rabo Green Bank, an entity of Rabobank Nederland, has flourished. In the last three years, the consolidated loan portfolio of Rabo Green Bank grew from €500 million at the end of 2000 to over €1.8 billion at the end of 2004. The total assets of Rabo Green Bank increased over the same period from €627 million to over €2.0 billion, making Rabobank the market leader for green finance in the Netherlands with a market share of 50%. In market segments such as organic farming, agricultural nature conservation, wind energy and green label greenhouses, Rabo Green Bank is the leading green fund in the Netherlands. The strong competitive position enjoyed by Rabo Green Bank is due partly to the contribution of private investors, the dedication of environmentally conscious entrepreneurs and the efforts of the local Rabobanks and other units of the Rabobank Group.

Rabobank financing windpower

Rabo Green Bank has financed 17 windmills in the polder of Flevoland. This province is primarily an agricultural area and most of the windmills have been erected on the property of farmers. In this project the farmers cooperate in a joint venture, and the financing has been arranged on a 'green' project basis. The farmers have also joined hands in negotiating an agreement with the power companies for the wind energy they produce. This wind farm is one of the largest onshore wind-mill projects in the Netherlands.



Among the products classes that cooperative banks offer in green finance are:

- Low-interest **loans** for ecological investments, such as "PREVair" by Banques Populaires. The loan decision in this case is made by an independent expert committee on the basis of an ecological assessment. Other loan products target ecological investments for professionals of specific industries, such as "prêts Express Socama Environnement » for SMEs in the car industry, or "Prêt environnement" by Crédit Agricole, which promotes sustainable ecological investments in agriculture. Similarly the Austrian Raiffeisenbank Niederösterreich has been active as an environmental bank by financing e.g. cars with catalytic exhaust system.
- Environmental **savings accounts** or environmental **investment funds**. E.g., the Italian BCCs have launched a green fund in partnership with the World Wildlife Fund, *Aureo WWF Pianeta Terra*, which adopts socially responsible criteria (negative and positive) to select investments and allocates a part of profits to WWF initiatives for the environment.
- "Green" **investment banking** services, such as structured finance and leasing for wind-mills and waste treatment plants. At international level, environmental and

social concerns are taken into consideration in the scope of development/project finance of Rabobank and Credit Agricole, which have signed the "Equator principles" on responsible project finance⁶. Where relevant, the banks make assessments of environmental risks and the impact on social issues from the point of view of both risk management and sustainability, such as compliance with social standards and human rights, respect for animal welfare, responsible use of genetic modification and environmental impact of energy projects. Wherever the requirements are not fulfilled, project finance is denied.

Other initiatives are aimed at promoting ecological awareness among the banks' customers. Thus, Crédit Agricole has a trophy for the best environmentally friendly projects in agriculture. The competition is organised in partnership with the « Forum de l'Agriculture Raisonnée Respectueuse de l'environnement (FARRE) », an ecologically minded farmers association. It should be underlined that the bank also follows an environmentally friendly management of its own 7000 hectares of forest according to a Sustainable Management Charter.

Of course, it goes without saying that the cooperative banking sector's commitment to the environment is also reflected in internal energy and paper saving policies.

⁶ <http://www.equator-principles.com/>

Microfinance, Social Integration and Cooperation

Social integration through microfinance

Microfinance is particularly important both from a social and an economical perspective and thus is of direct relevance to the EU's policies in the fields of CSR and social cohesion. The prominent role cooperative banks play in this field in the European Union has been underlined in a recent Commission report⁷.

and "Association pour le droit à l'initiative économique" both aiming at the economic reintegration of long-term unemployed (see example), the Italian "Radici project", focused on the specific needs of entrepreneurs of the immigrant community (see example), and the Policoro project supporting start-ups by young unemployed in the south of Italy in partnership with the Catholic Church.

ADIE (Association pour le droit à l'initiative économique)

The Crédit Mutuel, Crédit Agricole and Banques Populaires cooperate together with the « Association for the right of economic initiative » (ADIE), created in 1989, in order to facilitate the social inclusion of people, which are excluded both from the job market and the conventional banking system, by helping them to set up their own business and own jobs.

The ADIE and its local partners screen the projects for creation of microbusinesses and ensure the technical and social support for the projects. The participating cooperative banks finance and administrate these solidarity loans, which are examined and approved by a joint credit committee.

ADIE, which the Conseil d'Etat has recognised as supporting the « public interest » on 10 January 2005, has given 5700 loans in 2004 alone. The association, relying on a staff of 700 voluntaries, has since its beginnings in 1989 helped creating 24 897 companies and 29 876 new jobs.

ADIE supports a great variety of projects. The decision criteria hinge as much on the viability of the project as on the capabilities and determination of the entrepreneur. The survival rate of these companies (64 % after 2 years of existence and 54 % after 3 years) is higher than that of individual companies at national level. Considering the precarious situation of the credit recipients, payment defaults are relatively low with about 5,88%.

These results are the outcome of an efficient cooperation between the local partners, the ADIE and the French cooperative banks.



With microfinance, cooperative banks support the economic reintegration of vulnerable segments of the population, which are often considered less bankable than traditional customers by some providers of finance because they are so-called « working poor », long term unemployed or may belong to other disadvantaged parts of society. By granting access to credit, microfinance encourages self-employment and private sector initiative and thereby contributes to the stability of both the EU's economy and society.

There are many illustrative examples of microfinance and start-up schemes, among which the French "France Active"

difficulties; the direct financing of social housing through specialised loans, etc. Often, these investment projects are channelled through the respective banks' foundations, e.g. Rabobank foundation.

Finally, cooperative banks have an impact on unemployment levels by helping create new and maintain existing jobs, both by giving specific support for initiatives by young entrepreneurs and through their socially responsible internal restructuring policies. Some of them directly assist job-seekers in form of recruitment advice in competence centres, as is the case of the Bred (Banque Populaire).

⁷ See footnote 5



The Progetto Radici: Special services for immigrants provided by the Banche di Credito Cooperativo

Immigrants, which are often excluded from access to certain financial products and services, constitute a particular focus of the Italian Banche di Credito Cooperativo. Counting ca. 90.000 clients among the immigrant population, the BCC have recently conceived a special product range to address their specific needs, entitled the Radici Project. It is a multiservice bank account which combines traditional features of a bank account (ATM and POS, mortgage loans, loans to start business...) with special dedicated services such as money transfer, etc...

Overall *Radici* is a social banking tool, designed with Bologna University (*Economic Department*) and Immigrants' Associations, characterized by a global approach which provides customers with business, cultural and other relevant information, e.g. regarding the Italian Immigration Law. An intensive training program has been organized to skill more than 250 staff from commercial and front offices. Specific information materials have been distributed through several Trade Unions, Immigrant Associations, Public Agencies, NGOs, Catholic Churches and Associations, and through the involved BCCs network. Posters and leaflets are available in five languages: Italian, English, French, Spanish, and Arabic.

Among the products provided within the framework of "Progetto Radici" are:

- "Bonifico Friendly", which is a money transfer service towards the country of origin of the client. The transfer is affordable, fast and safe, and works even when the recipient does not have a bank account. The customer can transfer up to € 2.500 per order for a charge of €6.
- The BCC offer a prepaid credit card, "Tasca", with a three year validity. It is usable internationally and rechargeable up to €500 for a base cost of €5.
- The "Ethical Leasing" is the first Italian leasing product with social aims. This product is, among others, also intended for legally residing immigrants, which need to lease machines or automobiles for their business start-ups.

Cooperation in developing countries

In addition to their activities in social integration at national level, cooperative banks are strongly committed to international cooperation and development work. In doing so, their actions represent a significant complementary effort to national and EU development policies.

Cooperative banks bring a particular contribution to developing countries as they set up a grass roots financial sector, which pools the resources of the local communities and reinvests in them. The cooperative values of self-responsibility and democratic participation in the decisions of the cooperative reinforce the cohesion of potentially vulnerable populations and thus underpins the sustainable development of an efficient civil society. The banks' actions reside as much in a transfer of know-how with regard to modern financial management as in a financial participation in the newly created banking networks.

Nearly all national cooperative banking organizations dispose of specialized institutions (associations, foundations, independent banks or consultancies), which are active in setting up cooperative banking networks throughout the developing world. Most focus on a variety of countries mostly in Latin-America, Africa and Asia. Thus e.g. Rabobank

Foundation sustains over 150 projects every year in more than 40 countries. One of these is the "Working Women's Forum" (WWF), which is a non-political women's movement which started spontaneously 25 years ago in India. The aim of the Forum is to help women in their continuous battle for rights. Originally started by about 800 women, its membership now exceeds 700.000. Rabobank Foundation supported WWF since 1979, the UN Year of the Child. Noteworthy is her support for WWF's savings and credit cooperatives. Thanks to the support - not only financial, but also providing practical ground support to staff and members of WWF- from Rabobank Foundation and other donors, it has managed to raise the standard of living of many of the very poorest women.



Others cooperative banks have focused on single countries, e.g. the Italian BCC's "Microfinanza Campesina" project in Ecuador, where 120 Italian Banche di Credito Cooperativo are leading a partnership with Codesarrollo (a Co-operative Bank that represents, supports and promotes the birth of



Ecuadorian Co-operative Banks) to decrease poverty in Ecuador through microfinance and self-help projects, involving funds of about €13 Million.

But, aside from setting up financial services structures, development aid can also take the form of direct or indirect infrastructure projects. Thus, e.g. *Crédit Agricole Solidarité et Développement* supports projects aimed at fulfilling first needs, such as access to clean water, health, education, cattle breeding and crops, improvement of nutritive and sanitary quality of local agricultural production, renovation of health centres, participation in reforestation programme (in cooperation with French associations working with local NGOs), etc. The decisive criterion is that, in accordance with the cooperative principles, such projects are sustainable and that they develop responsibility. One of the main programmes is the Sahel Vert project covering Senegal, Niger, Burkina Faso and Mali. In 20 years, 280 projects have been



initiated for €4,3 million. Another example for direct development projects is the support by the Austrian Popular Banks for AMREF, which is an African association of “Flying doctors”, aiming at providing medical services to populations in remote areas of about 30 million people.

Some cooperative banking associations also enable their employees to make a difference by participating in development projects. Thus, staff of the *Bred* in the *Banque Populaire Group*, which cooperates with different NGOs, can bring in their specific competences in missions of 2 to 3 weeks in developing countries.

Of course, thanks to their extensive experience in development assistance, most cooperative banking networks have also swiftly responded to the urgent need following the South-Asian Tsunami catastrophe of the 26th December 2004 with a variety of projects (see example).

Last but not least, many national cooperative networks have also undertaken indirect action by sourcing products, notably coffee, from “fair trade” organisations.

Example of development activities: CICM

The International Centre of the *Crédit Mutuel* (CICM), France, has the goal to promote banking services for people in developing countries. It contributes to setting up cooperative savings and credit networks, which are financially sustainable as well as technically and politically independent. It is mainly active on the African continent in Congo (163 000 members), the Central African Republic (48 000 members), Sénégal (209 890 members), Mali (34 216 members) or Cameroon but also in Asian countries such as the Philippines (3600 members, since 2002) and in Cambodia. Most recently, the Bank of West-African Mutualist Institutions (BIMAO) has been licenced and will start proposing new products and services to its member organisations in Mali and Senegal at the beginning of 2005. *Crédit Mutuel* is a shareholder of the BIMAO by 34% and CICM participates in its Management Board.

The CICM assists the networks on their way to autonomy. It delegates leading personnel from *Crédit Mutuel* for missions between 2 to 5 years to cooperate on the respective projects; 32 staff have already concluded such assignments for the CICM. The work consists of informing the population and of ensuring the professional training of employees, elected representatives and the Chairmen of the cooperative banks. The CICM provides the local credit institutions with technical tools and know-how from the *Crédit Mutuel* in such areas as training, membership involvement but also on management, internal audit and controls.

Since its inception, the activities of the CICM have contributed to creating around 800 jobs in Savings and Credit Cooperatives, which nowadays freely manage credits of a total of 5 billion CFA francs. The main sectors supported are agriculture, livestock breeding, commerce and crafts. The final goal of *Crédit Mutuel* is to allow men and women to organise their economic independence freely and autonomously and to promote the cooperative model.

Some figures...	Mali	310 elected staff	Sénégal	1 050 elected staff
		220 employees		265 employees
		34 216 members		209 890 members
		26,5 bn francs CFA in savings		25,30 bn francs CFA in savings

Special Focus: Tsunami relief efforts:

Cooperative banking networks throughout Europe have acted swiftly to provide both emergency aid as well as medium- and long-term reconstruction support after the Tsunami catastrophe. While no final count is available, it is estimated that cooperative banks, their customers and employees gave donations in excess of €16.200.000. Among the cooperative banking networks taking part in the effort were, among others, the Rabobank, the Federal Association of German Cooperative Banks, the Banques Populaires, the Crédit Agricole, the Italian Banche di Credito Cooperativo, the Co-operative Bank UK, the Austrian Popular as well as Raiffeisen Banks, the Finnish OP-Bank and the Polish KZBS.

Most reconstruction efforts centre on youth centres, housing, water treatment and economic infrastructure. Thus, e.g. the Italian BCC aim not only at rebuilding the fishing sector's damaged infrastructure, but intend to seize the opportunity to lay the foundations for a more diversified and sustainable economic development by sponsoring other sectors, such as tourism, crafts and commerce. Rabobank Foundation in turn has included support for agricultural activities by initiating projects to rebuild local coffee processing and export capacities in Indonesia as well as agriculture and cattle farming in India.

There is a variety of concrete projects, many of which are partnership projects aiming at reaching economic sustainability. This is a form of long-term cooperation chosen, e.g. by the German cooperative banks or by the Italian BCC, which, in cooperation with Caritas Italy, have adopted a whole fishing community in the

Chilaw district of Sri Lanka and set up microcredit programmes. The Austrian Popular Banks started a project to gather funds for the purchase of fishing boats in order to support the economic livelihood of the victims. Likewise, the Austrian Raiffeisen Banks have collected €4 Mio to rebuild an entire village. Also, the Popular Banks participated in a coin collection action in favour of "SOS-Kinderdorf" with the aim of rebuilding schools and youth centres. Crédit Mutuel helped with the realization of a song, registered by famous French singers, which generated more than €1.2 million.



While the Polish cooperative banks (KZBS) have chosen to support cooperative partner organisations in both India and Sri Lanka, most other partner organisations are NGOs, among which Caritas Italy, the Red Cross, UNICEF, and others. In the case of the Co-operative Bank UK, e.g., half the money will benefit the Co-operative Aid Development Fund, set up in the wake of the disaster and co-ordinated by Cooperatives UK, to support the redevelopment and rebuilding of communities hit by the tsunami. The other half will be used to help support this year's "Make Poverty History" campaign, an alliance of charities including Oxfam, Christian Aid, and Comic Relief which aims to narrow the gap between the world's rich and poor countries. Cooperative bank's experience in development project management allows an efficient

use of resources. Thus, e.g. Crédit Agricole, will manage its financial participation of €2 million through its association Crédit Agricole Solidarité et Développement (CASD). Projects will be monitored four times a year to ensure efficient use of resources. Project staff will be able to rely on the expertise of the regional Calyon investment banking teams.

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Responsible Citizenship, Charities and Sponsorship

Cooperative banks are fully committed to, and part of, the society in which they operate. In this perspective, cooperative banks undertake numerous initiatives for the economic, social and cultural development as well as the cohesion of their local communities.

They use part of their proceeds to support actions, which often rely on the voluntary involvement of staff members. Most of these activities are undertaken by local cooperative banks at a local level, as they know the needs and customs of their communities best. To illustrate: in 2002, the Italian BCC supported about 58.200 initiatives in local communities (art, non profit organisation, education health...) for €66,5 million and in 2003, the Italian Banche Popolari granted the same kind of initiatives for €70 million; every year in Italy the cooperative banks destine to social contributions a share of their proceeds 3 times higher than the other Italian banks.

Where there is an added value, cooperative banking networks become active at national level. Their activities are usually channelled through Foundations set up for this purpose. These Institutions are active in social and economic development projects as well as in caritative initiatives in the fields of, e.g., social integration, literacy, orphanages (see example), etc. Thus, for example, the Polish cooperative banks sponsor medical equipment for hospitals, refurbish hospital and school facilities, etc. Likewise, the Austrian Popular Banks support the „Concordia“ project, started by the Jesuit Georg Sporschill, Caritas, in 1991 to build a house for Bucharest's street children and relieve their poverty.

Furthermore, cooperative banks also organise events as sponsors in the field of youth activities, sports, culture and local art venues. Among these initiatives are, e.g., youth contests and artistic events by the Polish cooperative banks, or the Foundation “Pays de France”, of Crédit Agricole, which supports projects to help maintaining architectural artistic and cultural heritage as well as traditional craftsmanship. Since its inception, about €18,9 million were spent on over 756 projects, ranging from the restoration works on historical landmarks over sponsorship for historical industrial architecture. The Group also sponsors the Musée Guimet, the Theatre du Châtelet and the creation of the Louvre's Internet website. In the area of sports sponsorship, Banques Populaires have pursued a particular focus on the marine environment: In cooperation with Fédération Française de la Voile its supports 1125 sailing clubs and 420 sailing schools, cofinances 1300 sails per year and supports the National Society for Sea Rescue (SNSM).

Cooperatives are also strongly committed to promoting social involvement of individuals in society in particular. On one hand, as is the case for development activities in third countries, the banks' employees are usually given the opportunity to participate benevolently in the projects. Also, some member organizations have set up platforms which inform clients and citizens in general about ways to become socially active and to make a difference, as show the example of the Federal Association of German Cooperative Banks (see example) and the support of the initiative “cittadinanzattiva” by the Banche di Credito Cooperativo (Italy).

Initiatives for literacy by the Cooperative banking sector

A number of cooperative banking foundations have sponsored initiatives to fight social exclusion due to illiteracy.

Thus, e.g., since 1992 the “Fondation pour la lecture” of Crédit Mutuel has been supporting national and regional activities to introduce all types of different publics to reading, with a particular focus on kids from difficult neighborhoods (Lire la ville, Vaincre l'illettrisme). The foundation also organises literature festivals (La voix des lettres). The projects are conducted together with the regional banking groups and favour long-term actions. In 2003, it has been able to finance over 70 projects for about €355 000.

Rabobank also has recognised the need for combating illiteracy. Given that there are an estimated 1.5 million people in the Netherlands who cannot read and/or write properly, this group risks being sidelined even further with the ongoing tendency of digitisation and computerisation.

The Reading & Writing Foundation (*Stichting Lezen & Schrijven*) is a societal platform set up to promote literacy. It plays a mediatory role by bringing together the activities of various existing organisations in this domain. First and foremost, it is essential that the taboo of illiteracy be broken so that the problem can be discussed and dealt with openly in society.

The Rabobank Group is closely involved with the Reading & Writing Foundation, which is chaired by Princess Laurentien. Rabobank Foundation was one of the founders of the project, and has agreed to provide funding for the Reading & Writing Foundation for a period of three years. In addition, the Group's ICT specialists at Rabofacit have made their internet and web-design expertise available to help create "the easiest website" especially for the target group.

Aktive Bürgerschaft - The Federal Association of German Cooperative Banks stimulates modern involvement by citizens.

„Aktive Bürgerschaft“ (Active Citizenship) has been serving as a competence centre for voluntary citizen and company involvement since 1997, and supplies information, advice and qualification. Its underlying intention is to stimulate rather than demand more societal involvement

Since 2002, the model of the Community Foundation is in the centre of its activities. The Community Foundation is a modern and particularly efficient organisational structure for local private involvement, which has been successful in the USA for quite some time. Under the heading “achieve more together”, “Active Citizenship” supports the establishment of community foundations throughout Germany, from the inception all the way to the realization – with success: today there are approximately 100 such foundations in Germany.

About half of these benefit from the support of the cooperative banks. Roughly 25 community foundations have been founded based on the joint initiative of a cooperative bank and “Active Citizenship”. These foundations are a tool for private citizens and companies to make a difference in the social and cultural live of their city or region.



„Promotional prize Active Citizenship“

„Active Citizenship“ serves as a federal platform for public discussion on the future of society. It stimulates the debate, among others through publications, extensive information over the internet, numerous events, but most of all by organising the country-wide contest „promotional prize Active Citizenship“. The prize ceremony, which takes place every year at the Brandenburg-gate in Berlin, rewards innovative projects which promote solidarity and responsibility at the local level.



Recognition for innovative ideas

The cooperative banks themselves received 2004 for the first time high awards for their societal involvement. The German PR-Industry bestowed the Golden PR-Prize on the BVR for the concept of the „Active Citizenship“. The concept was deemed highly innovative for the development of Corporate Citizenship due to its planned longterm corporate involvement.

„Freedom and Responsibility“ is the highest distinction awarded by the German Corporate world for corporate citizenship. In 2004, the Volksbank Hellweg eG received it for its creation of the community foundation Hellweg-Region. Set up in 2002 in cooperation with „Active Citizenship“, the foundation has already acquired 26 partner organisations, which undertake cultural and educational projects in the region.

Aside from the further development of Corporate Citizenship in Germany, a more intensive exchange is planned at international level, in particular with good corporate citizens from the cooperative sector in Europe.



Links for additional examples and information:

General Information about cooperative banks Europe:

- European Association of Cooperative Banks:
<http://www.eurocoopbanks.coop> (English)

CSR-Reports and Policy:

- BVR - The Federal Association of German Cooperative Banks' Report on Corporate Citizenship - Germany:
[http://www.bvr.de/public.nsf/F1AAA37F14DE504FC1256F5C005177B3/\\$FILE/CC_BERICHT_4.03.04.pdf](http://www.bvr.de/public.nsf/F1AAA37F14DE504FC1256F5C005177B3/$FILE/CC_BERICHT_4.03.04.pdf) (German)
- Crédit Agricole Report on CSR and Sustainable Development - France:
http://www.credit-agricole-sa.fr/images/documents2/1_f153081112091668.pdf (French)
- The Co-operative Bank's Sustainability Report 2003 - UK:
<http://www.cfs.co.uk/sustainability2003/> (English)
- Rabobank CSR report - Netherlands:
<http://www.rabobank.com/content/rabobank/sustainability/asr2004.jsp> (English)
- Rabobank CSR policy - Netherlands:
<http://www.rabobank.com/content/rabobank/sustainability/sustainability.jsp> (English)
- Rabobank GRI-Indicators - Netherlands:
<http://www.rabobank.com/content/rabobank/sustainability/globalreportinginitiative.jsp> (English)

Local Sustainable Development and SME Finance:

- "Banque Populaire's mutual guarantee schemes SO-CAMA - France:
<http://www.socama.com/> (French)
- BVR - Popular and Raiffeisen banks' SME financial adviser software GENO-Star - Germany:
<http://www.foerderberater.de/de/index.htm> (German)
- Confidi mutual guarantee schemes - Italy:
<http://www.fedartfidi.it/> (Italian)
- German guarantee banks:
<http://www.vdb-info.de/> (German)
- Nexxt" Business transfers exchange platform - Germany:
<http://www.nexxt.org/> (German)
- SIAGI mutual guarantee schemes - France:
<http://www.siagi.com/> (French)

Ethical and Socially Responsible Investment - Green Finance:

- Banca Popolare Etica - Italy:
<http://www.bancaetica.com/inglese/> (English)
- Banque Populaire's Banque Solidarités - France:
<http://www.banque-solidarites.coop/valeurs.htm> (French)
- Banque Populaire's PREvoir environmental loan scheme - France:
<http://www.prevoir.net/> (French)



- BVR - GLS Gemeinschaftsbank - Germany:
<http://www.gemeinschaftsbank.de/englishportrait.html>
(German)
- BVR - Bank für Sozialwirtschaft - Germany:
<http://www.sozialbank.de/> (German)
- Crédit Agricole on sustainable development and Global Compact - France:
<http://www.credit-agricole.fr/legroupe/fr/developpement-durable/engagement-fort.shtml>
(French)
http://www.credit-agricole.fr/legroupe/uk/sustainable_dvlpt.shtml (English)
- Crédit Agricole - IDEAM Socially Responsible investments - France:
<http://www.ideam.fr/> (French and English)
- The Co-operative Bank - Socially Responsible Investment Policy - UK:
<http://www.coopbank.co.uk/servlet/Satellite?cid=1075363440873&pagename=CoopBank%2FPage%2FtplPageCarousel&c=Page> (English)
- Rabo Green Bank
<http://www.rabobank.com/content/rabobank/sustainability/productsandservices.jsp> (English)

Microfinance and social inclusion:

- ADIE - France:
<http://www.adie.org/> (French)
- Banche di Credito Cooperativo - Radici Project - Italy:
<http://www.inbanca.bcc.it/servlet/page?pageid=314&dad=portccri&schema=PORTCCRI>
(Italian)

Cooperation in Developing Countries:

- Banche Credito Cooperativo - Microfinanza Campesina (Ecuador project)- Italy:
<http://www1.popolis.it/ecuador/> (Italian)

- Centre International du Crédit Mutuel - France:
<http://www.cmutuel.com/cicm/> (French)
- Crédit Agricole Solidarité et Développement - France:
<http://www.credit-agricole.fr/partenariats/autres/solidarite-developpement.shtml> (French)
- DGRV - German Cooperative Federation - Germany:
http://www.dgrv.org/main.php?ac-tion=&artid=211&catid=18&template=cat_sobredgrv.html (Spanish and English)
- Rabobank Foundation - Netherlands
<http://www.rabobankgroep.nl/rabobankfoundation>
(Dutch)

Responsible Citizenship, Charities and Sponsorship:

- BVR - Popular and Raiffeisen Banks - Active Citizenship initiative (Aktive Bürgerschaft) and sponsorship:
http://www.bvr.de/public_nsf/index.html!ReadForm&main=5 (in German)
- Fondation Banque Populaire and sponsorship - France:
<http://www.banquepopulaire.fr/sponsoring/sponsoring.htm> (French)
- Fondazione Banche di Credito Cooperativo - Italy:
<http://www.creditocooperativo.it/default.asp?imenuID=613&ipadre=0&ilivello=0> (Italian)
- Fondation Crédit coopératif - France:
http://www.groupe.credit-cooperatif.coop/fondation_cc.html (French)
- Fondation Crédit Agricole “Pays de France”- France:
<http://www.credit-agricole.fr/partenariats/autres/fondation-sommaire.shtml> (French)
- OKO Bank Art Foundation:
<http://www.oko.fi/english/> (English)