EMMAUS ETHICAL FUND
ACCESS TO CREDIT
FOR AN ETHICAL AND SOLIDARITY-BASED ECONOMY
The Emmaus movement strives to build a society where people can access their rights and live in dignity through work, with the aims of:

- Redistributing wealth, creating and defending public goods.
- Access to fundamental rights and fulfilling essential needs for the dignity of all.
- Empowerment and capacity-building for the most excluded.
- Experimenting with/implementing the concept of “buen vivir” (good living), which moves away from the notion of “development” and progress, and instead seeks a sustainable balance between individuals, communities and their environment.
- Effective alternatives to the neoliberal capitalist system, so that we can all live together in dignity.

**LOANS - ANOTHER TYPE OF SOLIDARITY**

This loan-based tool is complementary to the usual Emmaus International solidarity funding and can be used to further develop education and the efforts of the Movement to become self-sufficient and independent, through providing responsibility but also support for borrowers. Avoiding using donations to fund the development of activities linked to the social objective of the group (by using ethical credit for example) means that solidarity funds are not needed for these activities. As a result, these solidarity fund donations can mainly be used to support the most fragile groups of the Movement or those which are having most difficulties.

**A RESPONSE TO THESE ISSUES: THE EMMAUS ETHICAL FUND (FEE)**

The FEE is a strong commitment made by the Emmaus Movement, internally and externally, showing the will and capacity to mobilise and pool financial resources for its groups to be able to develop solidarity-based economy initiatives around the world, through access to credit.

The FEE was set up in 2007 after the reflection which began at the World Assembly in Ouagadougou in 2003 for defence and promotion of ethical finance. It was envisaged as an extra tool to combat the causes of poverty around the world, by calling on all groups worldwide to contribute to this innovative tool for justice, fairness and resource-sharing on an international scale.
This fund is a response to global problems linked to the need to fight for a truly ethical and solidarity-based economy and ethical finance. It allows all Emmaus groups around the world to access credit, through a global mutual fund. These objectives were mentioned by the groups at the World Assembly of 2016 and at the 1st World Forum of Alternatives led with the most excluded, organised by Emmaus International in September 2018.

**FUNCTIONING AND AIMS OF THE FEE**

Emmaus organisations and groups around the world can make voluntary financial contributions to the fund. These contributions constitute financial resources which can be used for 4 different purposes:

- **P** Collateral for bank loans to support the development of solidarity-based economy activities.
- **P** Direct loans to support the development of solidarity-based economy and self-sufficiency activities.
- **P** Bridge loans as a temporary source of cash flow while a group is waiting to receive subsidies/resources.
- **P** Assistance with Emmaus groups’ microcredit actions by means of mid-term financial support.

In all cases, the purpose of these loans is to set up or develop initiatives and activities in the field of a solidarity-based, social and citizen’s economy, with the aim of self-sufficiency and solidarity.

The funds deposited by Emmaus groups are blocked for a 3-year period. The depositing group is asked to provide any income which this deposit generates to Emmaus International. The deposit can be renewed after the end of each 3-year period or returned to the group if it wishes. If the depositing group is affected by a case of force majeure, the funds will be returned before the end of the agreed period.

In all cases, these deposits must be accompanied by the form attached in annex 1 which is specific to the FEE. This makes the deposit official and defines its characteristics (and based on this, an accounting receipt will be delivered to the depositing group).
WHAT IS IT?

The main objective of the Emmaus Ethical Fund is to provide guarantees for bank loans. Through providing security for the lending institution, it allows Emmaus groups to develop solidarity-based economy activities. This approach facilitates access to credit for groups which cannot provide sufficient collateral for loans.

This system can be accessed to fund groups' economic projects, and also potentially for projects which include a heavy focus on social measures, on the condition that the group proves that it has the capacity to generate income (current and future) in order to guarantee loan repayments in full and to schedule.

HOW DOES IT WORK?

A group seeking funding for an economically viable project must contact a financial institution (local or national bank, credit institution, or other) which agrees to grant a loan for which, after analysis, the FEE may be able to provide collateral.

It does not currently seem possible (in view of the financial context and the policies adopted by financial institutions in order to drastically reduce risk) for a French bank to directly lend to a group based abroad, even if guaranteed by the FEE.

The loan can be granted in local currency or any other official currency which the lending institution offers. The lending institution sets the interest rate, possibly after negotiation.

- **Minimum loan:** 50,000€ (loans of less than 50,000€ can be requested as a direct loan from the FEE)
- **Maximum loan:** 150,000€
SUPPORTING DOCUMENTS TO BE PROVIDED
- Group governance and internal control and monitoring methods planned for this activity
- Official decision by the governing bodies of the group
- Balance sheet and profit and loss account of the group for the last three years (official signed documents)
- Statement of debt
- Cash position at the date of the request
- Presentation of project: objectives, detail of project organisation, human, material and financial resources, etc.
- Development plan and description of return on investment
- Prior agreement of the bank to grant the loan for funding the project
- Written commitment to repay the loan
- Letter of acceptance of external support and monitoring of the activity concerned
- Written commitment to send an annual project report

DECISION-MAKING PROCESS

1. The processing time depends on the file provided by the group. Support from Emmaus International Secretariat can be requested.

2. 1st validation by the Executive Committee on the admissibility of the file.

3. Analysis by a supporting committee for the selection of files eligible for the loan guarantee: Emmaus International/banking partner/SIDI.

4. Final validation by the Executive Committee or at least by the Chair and Treasurer.
**WHAT IS IT?**

Direct loans provide support for the development of solidarity-based economy activities by Emmaus groups which have difficulty accessing bank loans. Direct loans can be accessed to fund groups’ economic projects, and also potentially for projects which include a heavy focus on social measures, on the condition that the group proves that it has the capacity to generate income in order to guarantee the repayment of loan instalments.

**HOW DOES IT WORK?**

- Minimum loan amount: 5000€
- Maximum loan amount: 50,000€ (loans of more than 50,000€ can be requested from the FEE as a loan guarantee)
- Maximum duration: 5 years
- Interest rate: between 0.25% and 0.50% (for loans in euros and dollars) depending on the situation of the borrowing group.

This interest rate serves two purposes:

- To educate and contribute to understanding of a different type of solidarity, which is not based on donations.
- To provide resources to cover risks linked to the commitments made by the fund.

It may be possible, as an exception, to provide loans in local currency. If the loan is granted in local currency, a special interest rate will be determined (at a lower rate than the standard rates used in the country), adapted to each local situation. This is a political decision made so that groups can borrow in local currency and meaning that the Movement takes responsibility for currency fluctuations linked to the global monetary system, without this affecting the borrowing group.
Similarly, these direct loans respect the co-financing principle of projects funded in this way in order to provide the groups with a certain level of accountability. Groups must fund a minimum of 10% of the supported project themselves.

**SUPPORTING DOCUMENTS TO BE PROVIDED:**

- Group governance and methods for internal control and monitoring which are planned for this activity
- Official decision by the group’s governing bodies
- Description of the group’s different activities – annual activity report
- Balance sheet and profit and loss account for the last three years. Official, signed documents.
- Project presentation: objectives, detail of project organisation, human, material and financial resources.
- Development plan and description of return on investment
- Letter of acceptance of external support and monitoring for the activity concerned
- Commitment to send an annual report on the development of the project
- Commitment to repay the loan and signature of loan contract and of amortisation table drawn up by Emmaus headquarters.

**DECISION-MAKING PROCESS**

1. 1st validation by the Executive Committee on the admissibility of the file
2. Analysis by a supporting committee for the selection of files eligible for direct loans composed of: Emmaus International/new banking partner
3. Final validation by the Executive Committee or at least the Chair and Treasurer
**ONE-OFF CASH ADVANCES**

**BRIDGE LOANS IN ANTICIPATION OF SUBSIDIES**

**WHAT IS IT?**

The new Emmaus Ethical Fund system allows bridge loans to be provided as a cashflow backup, for groups awaiting subsidies for example. This new approach provides direct loans as a cashflow backup (Emmaus International substitutes the bank), to help groups which are waiting for subsidies to be paid so that they can begin their projects immediately.

**HOW DOES IT WORK?**

These bridge loans are provided with zero interest and must be repaid within 8 months of their date of payment. They are not available for groups experiencing cashflow problems.

- **Maximum loan amount**: 50% of the subsidy to be received, up to a limit of 80,000€.

**SUPPORTING DOCUMENTS TO BE PROVIDED**

**One-off advance**

- Loan agreement letter from a national or international donor or foundation (must be officially identifiable)
- Balance sheet and profit and loss account from the two previous years
- Decision of the group’s governing bodies
- Cash position at the time of the loan request
- Commitment to repay the loan as soon as subsidies are received
DECISION-MAKING PROCESS

The process must be quick (within one month of validation of file)

1. Analysis by a supporting committee for selection of eligible files: Emmaus International/New partner bank

2. Final validation by the Executive Committee (possibly by email) or at least by the Chair and Treasurer

The speed of the decision depends on the file submitted and whether all required documents are provided.

The examination of requests will be carried out internally by the Treasurer, the Delegate-General, the Head of the Resources department and the expert assisting us.
WHAT IS IT?

Support for development of microcredit activities by Emmaus groups around the world represents a new ambitious goal for the FEE and, more generally, for the struggle for ethical and solidarity-based finance. Within our Movement, group microcredit actions and the needs stemming from this correspond to very different realities. Some groups are already carrying out microcredit actions and want to expand their activities, whereas others have very little experience and particularly need training, support and monitoring.

In the light of these many and varied needs, FEE support for microcredit initiatives can take two different forms:

- Long-term funding (6-7 years) can be provided for an Emmaus group which already offers microcredit to help it expand its operations, with extra support from a specialised institution.
- A deposit with one or several Micro-Finance Institutions which can directly or indirectly support Emmaus groups which would like to start this activity (training and monitoring) or other entities outside the Movement (communities/groupings/very marginalised populations. These actions are accompanied by general reflection on the way microcredit activities are carried out at Emmaus, with the definition of common rules, or even a charter which sets out our practices and the people targeted to make this tool into an instrument for social change.

HOW DOES IT WORK?

One of the objectives of this support is to allow groups to offer microcredit at a lower interest rate for beneficiaries, for example to offer 8% to Emmaus groups or borrowers, instead of 17% or 20% as borrowers from Micro-Finance Institutions usually pay.

These lower interest rates can be offered on the condition that the borrower fully repays the loan.

The difference between these two levels of interest would be funded by the FEE, which can cover this using different resources: income from deposits in France, mobilising Emmaus groups interested in the approach.
of maintaining the FEE deposit over the long-term or other solutions which would allow the partial or total restoration of the funds used. For a long-term deposit, the deposit should not be made in local currency and the management methods of the microcredit funds must take into account the cost of maintaining the value of the capital.

- **Ceiling: 50,000€**

**SUPPORTING DOCUMENTS TO BE PROVIDED:**

- Balance sheet and profit and loss account of the group for the last three years
- Qualitative and quantitative report and financial statement of the micro-credit activity over three years, or the years of activity if it is more recent
- Group governance and control and monitoring methods planned for this Micro-Finance Institution activity (current or future)
- Acceptance of external support and monitoring of the activity
- Official decision by the group's governing bodies
- If it is a new activity: project, objectives, detail on project organisation, human, material and financial resources.
- Commitment to send an annual report
- Commitment of repayment and signature of loan agreement (if depositing funds directly to an Emmaus group) and of amortisation table

*This file can be put together with assistance from headquarters or external support*

**DECISION-MAKING PROCESS**

1. **1st validation by the Executive Committee on the admissibility of the file**
2. **Analysis by a supporting committee for selection of files eligible for microcredit, composed of Emmaus International and the new banking partner (and potentially SIDI)*
3. **Final validation by the Executive Committee or at least by the Chair and Treasurer**

*A partnership is currently being set up with SIDI, which is very interested and has more than 30 years' experience in supporting Micro-Finance Institutions in several regions of the world.*
DECLARATION OF CONTRIBUTION
TO THE EMMAUS ETHICAL FUND

I, the undersigned,
In my capacity as (role):
Legal representative of (name of organisation):
Address:

Country:         Telephone number:

Email: @

Confirm that a contribution has been made on (date) / / 

In the form of: □ Bank transfer
    Account name:
    Eur Iban:
    BIC code:

□ cheque (payable to “Emmaüs International - Fonds éthique”)
□ cash

In order to support the actions of the Emmaus Ethical Fund, of a total of (both in figures and written out in full - please indicate currency)
I am aware that this sum will be blocked for a 3-year period, automatically renewable at the end of the period.

I have taken note that this period starts from the beginning of the half-year following the deposit (from 1st July or 1st January). I accept that any interest generated by this deposit will belong to EMMAUS INTERNATIONAL. In the case that the depositor experiences a case of force majeure, the deposit will be refunded regardless of the date upon which the commitment expires.

Signed at ______, on ______ in two copies

Signature of depositor preceded by the written note “Deposit for a period of X years agreed and signed”:

Signature of beneficiary: ___________________________ Stamp: ___________________________

To be returned to EMMAUS INTERNATIONAL by email: fee@emmaus-international.org or by post: 47 Avenue de la Résistance, 93104 Montreuil Cedex, FRANCE. A receipt with the details of your deposit will be sent back to you.
**FORM FOR LOAN REQUESTS**

TO THE EMMAUS ETHICAL FUND

TO BE COMPLETED AND RETURNED TO EMMAUS INTERNATIONAL WITH THE FOLLOWING DOCUMENTS:

- Opinion on the loan request by the Emmaus regional organisation concerned
- Financial statements of the organisation for the last 3 years
- Articles of association of the organisation

(Any other document considered relevant by the organisation can of course also be attached)

1. **TYPE OF LOAN REQUESTED**
(tick the loan requested)

- Loan guarantee
- Direct loan
- Cash advance
- Microcredit

2. **AMOUNT REQUESTED**
(indicate currency)

3. **DESCRIPTION OF PROJECT TO BE FUNDED**
4. DETAILS OF THE ORGANISATION

Name of group/Registered name

Legal status of group/Legal form

Group address
Country Region

Telephone

Heads and/or leaders of the group

Leader 1
Mr Ms First name: Surname: Role:

Leader 2
Mr Ms First name: Surname: Role:

Leader 3
Mr Ms First name: Surname: Role:

Leader 4
Mr Ms First name: Surname: Role:

Signature of the chair of the organisation

* Upon reception of your request you will be sent a form to provide further detail on your project.
INFORMATION AND CONTACTS

For the Emmaus International Ethical Fund:
fee@emmaus-international.org

For any questions, contact Grégoire Chauveau at:
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