

# How ETIMOS Foundation supports the ten principles of the UN Global Compact

*Communication on Engagement (COE)*

**COVERING PERIOD: JUNE 2013 – SEPTEMBER 2016**



## Table of contents

President's Statement .....	3
Foreword .....	4
Etimos' activities in relation to human rights .....	5
Etimos' activities in relation to labour .....	7
Etimos' activities in relation to the environment .....	8
Monitoring performance and impact .....	10
Local engagement .....	11



## President's Statement

October 13<sup>th</sup>, 2016  
Prot. 26/2016-US/PRES.

H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

Dear Mr. Secretary-General,

I am pleased to confirm Etimos Foundation's commitment in the support to the ten principles of the UN Global Compact, with respect to human rights, labour, environment, and anti-corruption. With this pledge, we renovate our intent to advance these principles within our sphere of influence, and will make a clear statement of this commitment to our stakeholders and the general public.



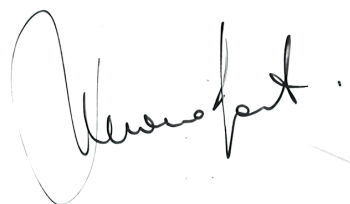
**Marco  
Santori**  
President

Since last 2013, when Etimos Foundation joined for the first time the UN Global Compact community, we operated to strengthen our mission of improving people's lives, through coherent and dedicated actions and programmes, oriented to spread the ten principles. In line with the UN Global Compact advice, Etimos decided to engage locally, joining the Italian Global Compact Network Foundation, as founding member, since April 2016.

With this purpose, we are honored to continue to participate in the activities of the UN Global Compact.

Sincerely yours,

Marco Santori  
- President of the Board -



## Foreword

Etimos Foundation has been investing in social business and development finance for more than 25 years in four continents. It is aware of the importance of combining financial sustainability, socio-economic impact, and ownership within its actions.

It has been working on financial inclusion, microfinance and development since 1999 and this engagement has been represented by almost one hundred million euros investments, to support over 250 among microfinance institutions, producer organizations, social enterprises and communities around Africa, Asia, and Latin America.

Etimos has its roots in the saving cooperatives, fair trade and ethic finance; it discovers and supports fair trade as a form of alliance between Northern consumers and producers from developing Countries.

Since 2009, Etimos also promotes microfinance in Italy, where a specialized financial social enterprise was set to this end, which has already provided financing for more than € 40M. to micro enterprise and families, previously excluded from the traditional banking system. Etimos believes micro-credit can be an instrument to boost local development, able to reduce the decline and the impoverishment, also within the wealthiest societies.

In line with the UN Global Compact principles, Etimos Foundation is also part of other networks promoting sustainable development and impact investments. It takes part in the *Global Impact Investing Network* (GIIN), the *European Federation of Ethical and Alternative Banks* (FEBEA), the *European Microfinance Network*, the *European Microfinance Platform*, and the *Italian Microfinance Network* (RITMI).





## Etimos' activities in relation to human rights

In regard to the two first principles of the UN Global Compact, affirming the importance of the human rights' protection in business activities, and the not complicity in human rights abuses, Etimos Foundation guarantees full compliance to these values, starting from its own mission. Etimos' commitment stems from a solidarity that is not limited to fight inequalities, but to remove their causes.

This means ownership of financial instruments, investments and credits to promote a development model that reduces distances, appreciate the difference, and gives priority to the dignity of the persons, guaranteeing the human rights enjoyment.

Etimos does it thanks to the wide Etimos' community, composed by more than 150 member organizations, representing its own value and the starting point of all project activities. A deep knowledge of the environment and a consolidate relationship with local implementing partners allow the promotion of a culture focused on the importance of *fair business*, pursuing the respect of human rights as a fundamental condition.

Through the concrete support of its local members, Etimos dedicates a strong attention to the most vulnerable groups, particularly women, children, indigenous peoples, and migrant workers. Microfinance aims to the financial inclusion of the people excluded from the traditional economic system, thus women and vulnerable categories are the main target for projects and social investments.

To exemplify how Etimos Foundation concretely pursues this objectives, a project started two years ago can be mentioned: **Remploy III**, a good practice in the sphere of migration and human rights.

The project, led by the International Organization for Migration (IOM) and funded by the Italian Ministry of the Interior, Department for Civil Rights and Immigration, and by the European Return Fund, started in 2014 to address the needs of migrants that had lost their job and were at risk of being illegal on the Italian territory.

The aim of the programme was to support migrants aiming to be micro-entrepreneurs in their countries of origin, providing them with adequate tools, such as pre-departure coaching on how to start a micro-enterprise, or how to draft a business plan, also to get funding by the IOM (in the form of goods and services) or attract third investments.

The programme has obtained very encouraging results. The vast majority of the supported migrants have been able to start a micro-enterprise and were satisfied by their achievements. In Bolivia, Ecuador, Ghana, Morocco, Peru, and Senegal, Etimos linked the returning migrants with its network of Microfinance Institutions, which

guided the aspiring micro-entrepreneurs in the enjoyment of their labour rights and in the development of their business ideas.

Through the years, Etimos proved to be a strong player on migration and development initiatives, playing a strategic part when it comes to support the role of migrants as development factor for their countries of origin. The financial and development expertise provided the chance to work in partnership with EU and third Countries' public authorities, migrant organizations, and international agencies on this theme. Migration and development has also been a priority in the framework of the Italian semester of presidency of the EU, and Etimos contribution in this framework appeared pivotal.

Micro-finance, allowing the access to credit even in absence of financial guarantees or stable incomes, is particularly suitable for returning migrants, who often cannot meet the requirements set by traditional banks to access loans.

At a different stage, financing small rural producers in the most remote rural areas, Etimos directly understands their commitment towards some fundamental rights. As in the **local market** of Sri Lanka, a focal area for Etimos' activities, where a new interest in buying local and sustainable products is growing. This happens thanks to the support to the processes of quality certification, organic and local origin labelling, also used to inform consumers on the production chain's conditions, such as sustainable salaries, health, water and air quality, disease control, and biodiversity.

In 2015 Etimos partnered with the University of Padua, Human Rights Centre in the drafting of the **"Human Rights, Society and Multi-level Governance+" project**, submitted to the Marie Skłodowska Curie – Innovative Training Network (ITN) programme of the European Union. The action expected to set a joint Ph.D. program on 'Human Rights, Society and Multi-level Governance', established in 2015 among four academic institutions (University of Padua, Athens Panteion, Zagreb - Faculty of Law, Western Sydney). The goal of the programme was to train high-level researchers in the multi-disciplinary and multi-sectoral aspects characterizing current human rights in business, and provide them with the necessary support and expertise to develop and apply innovative proposals. In the above perspective, a multi-disciplinary and multi-sectoral approach, driven by future projections of evidence-based analysis of socio-political trends, is expected to bring a significant contribution to improve and innovate how international, national and local actors address human rights-related concerns. The application of the human rights paradigm is affected by the evolving social, economic, political, cultural and technological milieu, from the local level to the global one. In order to face effectively these challenges, there is thus a strong need to



develop creative and innovative solutions that pose universal human rights at their root, and take into the utmost consideration the multi-dimensional and multi-sectoral facets underlying these processes.

### **Etimos' activities in relation to labour**

The UN Global Compact states the duty of the elimination of all forms of forced and compulsory labour in the business' activity, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. Etimos Foundation promote these conditions within each of its members and partners, even in the most remote areas of the globe.

The microenterprise sector is frequently affected by labour deregulation, since the majority of the micro-businesses are run in a familiar and informal way. On the other side, developing Countries are typically the environment where big corporations take profit from underpaid manpower, working in poor conditions, taking advantage of this labour force to reduce production's costs.

To fight illegal and child labour, Etimos Foundation follows **two main approaches**.

1) It directly takes part in development programmes, as in the case of the partnership set to draft a two years project (not yet implemented) to fight child labour in Central America (Honduras and Nicaragua), in accordance with the fourth Sustainable Development Goal *"Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all"*.

2) Etimos also collaborates with the CSR departments of some Italian firms, to promote the sustainable development approach within their international operations; Etimos Foundation partnered with Marie Tecnimont, an Italian energy and engineering company, in a project based in Cameroon, to improve the life conditions of the local smallholders, through the support to their rural business activities, with a revolving microcredit fund.

With the aim of improving the access to entrepreneurial paths among migrants willing to start a business initiative in the Countries of origin, Etimos has just started **MigraVenture**, an innovative programme led in partnership with the International Organization for Migration (IOM) and funded by the Italian Ministry of Foreign Affairs. The programme focuses on Senegal, Morocco, Tunisia, and Ethiopia, and represents a true challenge in the long term perspective of *"doing sustainable business together"*. The project thus adopts the principles described in the new Italian Cooperation Law, and defined by the European Union development cooperation policies.



## Etimos' activities in relation to the environment

*"Businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies."*

In accordance with the UN Global Compact principles, Etimos gives a special attention to the environment, modelling its actions in the fields of the post-emergency microfinance and climate change prevention and mitigation. Millions of people around the world experience climate change impacts, which have effects on health, agriculture, water resources and natural areas. In every part of the globe, this can be associated to the increase of the weather-related mortality, infectious diseases, and the respiratory illnesses caused by the air quality.

It has become clear that in developing countries and among the poorest people, climate change's effects are harder than in the rest of the world. Poor are likely to be hardest hit by strong natural phenomena and their capacity to respond to climate change is lower. Vulnerability to calamities is closely related to poverty, as the poor are less able to respond to climate effects. Natural disasters represent violent shocks in the areas where they occur: they actually paralyze local economy at various levels, preventing the circulation of money. In Etimos' post-emergency experiences, once the first critical phase of the emergency is completed, it is crucial to start restoring the liquidity into the system, supporting the lending capability of local financial institutions, which in turn provide the necessary support to recover to a large number of small and micro-enterprises.

**Climate change-related activities** also represent one of the most important topics of Etimos' action. In line with its mission, Etimos Foundation is operating in Asia, especially in Sri Lanka (where the activities started in response to the Tsunami in 2004), and in the Philippines, one of the Countries mostly hit by natural calamities. Etimos started to work in the Philippines in 2014, through the economic support to the microfinance sector, after that typhoon Haiyan hit the country in November 2013, devastating the main central islands and killing over 6.000 people.

Etimos Foundation, in partnership with local organizations, is currently implementing **LIFE** (*Livelihood Intervention Through Financing and Entrepreneurship*), a large post-emergency programme, with the objective to restart and diversify the livelihood activities for the most affected population, mainly micro-entrepreneurs operating in the small manufacturing and trading sectors.

Starting from the post-emergency intervention, Etimos aims to plan a "*green path*", oriented to mainstream the environmental protection and conservation into the



operations of the educational, institutional and micro-enterprise levels. The main purpose is raising the awareness into the communities on: a) the importance of preserving and taking care of the environment, b) the climate change phenomena and c) the best practices to mitigate its impact in the lives of the people and their economic activities.

Etimos is also pursuing its *green mission* in the fields of the renewable energies, biodiversity and the organic sector. Etimos started in 2014 a feasibility study, in partnership with two private partners, for the implementation of an **Eolic park** in the city of Hargeisa, the capital of Somaliland and the second-largest city in Somalia, located in the North-Western Woqooyi Galbeed province. This has required the involvement of public and private partners, local expertise and international resources. The area has a population of about 1 million inhabitants and the cost of energy is now the main limitation to the development of the country. At the same time, the region has one of the highest wind energy potential in the world, according to the *"National Development Plan (2012-2016)"* of the Ministry of National Planning and Development of December 2011. Etimos is working for *"meeting the energy needs of Somaliland in a sustainable, cost-effective, and socially/environmentally acceptable manner, developing and implementing Somaliland national energy policy and promote the development of environmentally friendly renewable sources of energy (solar, wind and tidal)"*.

In order to protect biodiversity and to enhance the organic agriculture, Etimos is investing in Brazil, in the sustainable development of the rural sector in Espirito Santo, through the setting up of the **Rural Development Fund**. This represents a joint initiative of different private and public stakeholders, to support the development and growth of the small rural enterprises. The fund uses impact investments to finance small rural companies, as vehicles for the socio-economic development of the related communities.

The RDF in Espirito Santo is an investment vehicle that combines affordable financial profitability with strong sustainability and social economic development. The instrument supports the economic activities based in the rural environment that can grow and demonstrate a good economic performance, as well as a strong socio and environmental impact. The aim is to promote the development of the target areas focusing on the socio-environmental indicators identified with the concerned local authorities, and to sustain the public local authorities in the drafting and implementation of policies related to the rural sustainable development.



Etimos is operating in this framework also in Italy, through its participation in **Alce Nero**, an organic food company, gathering more than a thousand organic farmers, beekeepers and producers who have, since the 1970s, striven to produce healthy, bio, and quality food, the product of an agriculture that respects the land. Etimos supports the vision behind the group and it is supporting Alce Nero as founding member.

### Monitoring performance and impact

Etimos has launched in recent years a research path that is enclosed under the definition of "responsible microfinance". The aim is to monitor the initiatives that are working in line with the original social role of microfinance, as a tool addressed to assist the most vulnerable part of the population.

Etimos has been part of the Italian Advisory Board at the Social Impact Investment Taskforce, established in 2013 at the G8 Social Impact Investment Forum in London. The aim of the Taskforce was to galvanise the development of an effective global social impact investment market, and to question about the need of an objective measurement of the impact created in the communities by the social investors.

Etimos also joined:

- ✓ The Social Performance Task Force (SPTF), a non-profit membership organization with almost 3,000 members from all over the world. Members come from every stakeholder group in inclusive finance. SPTF engages with these stakeholders to develop and promote standards and good practices for social performance management (SPM), in an effort to make financial services safer and more beneficial for clients.
- ✓ The Smart Campaign, a global effort to unite microfinance leaders around a common goal: to keep clients as the driving force of the industry. When microfinance institutions implement the Campaign's Client Protection Principles into their operations, they build strong, lasting relationships with clients, increase client retention, and reduce financial risk. Similarly, by incorporating client protection principles into their investment criteria and due diligence, microfinance investors can build a healthier, more client-focused industry. To help the microfinance industry remain both socially focused and financially sound, The Smart Campaign is working with microfinance leaders from around the world to provide microfinance institutions with the tools and resources



they need to deliver transparent, respectful, and prudent financial services to all clients.

## Local engagement

In line with the UN Global Compact advice, Etimos decided to engage locally, joining the Italian Global Compact Network Foundation, as founding member, since April 2016.

In September 25-26 Etimos participated in the 2016 Italian Business and SDG's Annual Forum in Venice, promoted by the Italian Global Compact Network Foundation, which gathered the main Italian actors, companies, and organizations promoting the Global Compact principles in business.

The following topics were discussed, in order to draft an Italian common strategy to promote the SDGs within the business sector:

1. Synergies and collaboration between companies and the civil society;
2. Circular economy: challenge or a threat;
3. How to make the SDGs a driver for the economic and financial growth of the enterprises;
4. What does sustainable tourism mean and how to manage it?
5. Mediterranean CSR Forum;
6. New Business Paradigms;
7. How to invest in new generations;
8. How to raise awareness on the SDGs;
9. How to engage business top management into sustainability practices;
10. How to involve the SMEs and the supply chain;
11. How to promote the demand and supply matching for environmental and societal sustainable products;
12. How to include users (citizens, consumers, active communities) to innovate the business models.