

EVER SINCE 1992, the 500th anniversary of the arrival of Spanish explorers in the Americas, modern-day Spanish adventurers have vigorously set out to establish new links with Latin America. The leaders of this new wave of Spanish presence in Latin America are big-business giants, the industrial and financial investors that have bought up Latin enterprises Repsol oil company, Telefónica de España and Enersis electricity utility and the banking groups Banco Bilbao Vizcaya Argentaria (BBVA) and Banco Santander Central Hispano (BSCH).

Connections

Spain Reaches Out to Latin American Microentrepreneurs



L-R: Enrique V. Iglesias, president of the Inter-American Development Bank; Jordi Pujol, president of the Generalitat of Catalunya; and Marguerite Berger, principal advisor to the Micro, Small and Medium Enterprise Division, IDB

The high-profile Spanish presence in Latin American enterprise tends to overshadow an equally important trend: developing ties with small and medium enterprises and the financing institutions that serve them. An array of Spanish groups, including aid agencies, businesses, cooperatives and local development organizations, actively support projects in Latin America that promote entrepreneurship and small enterprises. As the Spanish corporate presence in Latin America has expanded in the last decade, the Sustainable Development Foundation (Fundeso) has created programs to involve big business in community projects in the region.

In October 2000, the III Inter-American Forum on Microenterprise sponsored a meeting on Latin American and European experiences with the small businesses that create well over a third of the jobs in Spain, Latin America and the Caribbean. The forum's Barcelona venue emphasized the strength and diversity of alliances and cooperation between European and Latin American organizations that promote microfinance and microentrepreneurship. The Spanish effort to promote small enterprise

R-L: Her Majesty Sofia, the Queen of Spain; HRH, the Infanta Cristina of Spain



abroad takes a variety of forms, among them partnerships in which Spanish agencies provide funding to Latin American microfinance and microbusiness organizations and social entrepreneurship efforts in which Spanish officials and companies work to stimulate small and medium businesses in Latin America.

Spanish Agency for International Cooperation (AECI)

With the support of Queen Sofia of Spain, the Spanish Agency for International Cooperation (Agencia Española de Cooperación Internacional, or AECI) in 1998 created a microcredit fund of more than US\$225 million (40 billion pesetas) to support microcredit institutions overseas, especially in Latin America. The fund aims to reach low-income microentrepreneurs and provide them with access to market-driven financing so that they

vised institutions that want to become regulated institutions supervised by the local banking authority.

The large size of the AECI fund helps promote its goals. "It allows us to have sufficient leverage to have an impact in the world of microcredit," says Gracia. The overarching goals of all AECI projects, including the microcredit fund, are to alleviate poverty, promote equality of men and women and ensure respect for the environment. "Development is a capacity inherent in societies; international cooperation cannot do more than give support," he says.

Official Credit Institute (ICO)

The Instituto de Crédito Oficial, a fund created by the three major banking groups, supports develop-

L-R: Alvaro Rengifo, IDB executive director for Spain; HRH, the Infanta Cristina; Her Majesty Queen Sofia of Spain; IDB President Enrique V. Iglesias



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repay in full with interest, says Jesus Gracia, former secretary general of AECI.

Another goal of the fund is to have an impact on the financial sector so that, over time, more financing institutions will offer microcredit. "We believe we can influence the Spanish banking sector to influence the microenterprise sector," says Gracia. The AECI microcredit fund works in two ways: giving loans to financial institutions to fund microcredit operations, and providing technical assistance to upgrade the skills of financial institutions that have microcredit programs. The fund is targeted to supervised institutions that want to start or expand their lending to micro and small entrepreneurs and to nonsuper-

ment projects, including microenterprise, in some 41 countries. Latin America has received more than 60 percent of the ICO funds—a total of US\$68 million (12 billion pesetas) over the last 10 years. Acting as the

financial agent for the microcredit fund of the AECI, ICO has recently provided loans to financial institutions in Peru and non-governmental organizations in Bolivia that operate microcredit programs, and funded a small-business program in the Dominican Republic. ICO has also made a large loan to the Central American Bank for Economic Integration (CABEI) to give loan capital to financial institutions and non-governmental organizations for microcredit operations.



Rafael Guardans, director of Fundeso

Spanish Company of Development Financing (COFIDES)

Private banks and the Spanish government are shareholders in a mixed capital fund, the Compañía de Financiamiento del Desarrollo de España (COFIDES), which provides financing to help small and medium-size Spanish companies set up business overseas and promotes growth in developing countries, says Manuel Solbes, of

COFIDES. The foreign companies in Latin America and elsewhere which receive the funds are typically concessionaires that operate infrastructure or public utilities. The shareholders of COFIDES include three banks—BBVA, BSCH, Banco de Sabadell—and three public sector agencies—Instituto Español de Comercio Exterior, Instituto de Crédito Oficial and Empresa Nacional de Innovación. Funding to small businesses is provided through a special division, the Fund for Overseas Investments of Small and Medium Business, known by its Spanish acronym FOPYME. Spanish companies eligible for financing must have fewer than 250 employees and annual sales of no more than US\$42 million (40 million euros).

Catalunya

Spain's interest in microenterprise in Latin America draws from the compelling success of small business at home. In Catalunya, the state government and the municipal government of Barcelona are active in promoting the small and medium businesses that create employment and boost the economy. "Microenterprise is a pillar of sustainable development, and alleviates underemployment and poverty," says Josep Antoni Duran Lleda, governor of Catalunya. The Generalitat de Catalunya finances NGO projects in Latin America to promote a business culture, and can provide assistance to design policies and regulations that will enable the growth of microenterprise.

Barcelona Activa

The city of Barcelona runs a local development program, Barcelona Activa, which promotes the small and medium enterprises that boost the economic vitality of the city. The mission of Barcelona Activa is to create both employment and quality businesses with a future by promoting policies that nurture the development of those

businesses and enable innovation. "The city has made a special bet on entrepreneurial culture and the impulse and innovation linked to the development of the smallest enterprises," says Maravillas Rojo, president of Barcelona Activa.

The development organization offers various services: seminars, consulting, market information and conference center spaces for new businesses; a venture capital fund backed by the city and private companies; an employment promotion service to help workers find jobs; and a virtual business incubator—a Web community of businesses that provide advice and feedback on innovation to new entrepreneurs.

Barcelona Activa also is engaged in exchange programs with cities and business groups in Latin America, where a number of its efforts are being adapted to local conditions. In Santiago de Chile, the city government has created an incubator program, called Santiago Innova, to help launch small businesses; in the Maule region of Chile, businessmen have promoted the creation of a Maule Activa program, says Rojo. The virtual incubator is being studied by the Rio de Janeiro municipal government and in Mexico at the Technological Institute of Monterrey to see how the program can be adapted locally. Barcelona Activa would eventually like to find funding to set up a program of permanent cooperation with Latin America that would include creating entrepreneurship projects in Iberoamerica, says Rojo.

Sustainable Development Foundation (Fundeso)

Spain's Sustainable Development Foundation, known as Fundeso, is a non-governmental organization that promotes social responsibility among Spanish businesses by convincing them to provide financing or technical assistance to development projects overseas. Since the Fundeso philosophy is that genuine development requires the involvement of businesses which invest



Jesus Gracia of Spain's Ministry of Foreign Affairs

in developing countries, it has formed a Helpful Companies Network and an international consulting committee to link businesses overseas with the development needs of the countries where they work.

Rafael Guardans, director of Fundeso, has worked for the past 17 years setting up programs that promote the creation of productive employment in Latin America and engage Spanish businesses in local development projects. In Havana, Cuba, a water company from Barcelona, Aguas de Barça, is providing technical assistance to citizen brigades that go house-to-house repairing water pipe leaks in aging residences. Fundeso arranged the agreement that allows the volunteer brigades and the water technicians to enter the houses in Havana, says Guardans. The project was financed by Fundeso, AECL, a Spanish company and a Cuban firm.

Working with an electricity company, Fundeso is preparing a project in Bolivia that would set up mini-hydroelectric plants in remote hamlets that may not be included in the national grid and where electricity could help create jobs. Project participants will include equipment and technical personnel provided by the electric company; a technical team, based in Peru, provided by Intermediate Technology International; and the Bolivian communities themselves, which would manage and maintain the plants. "Our work is to coordinate all the pieces," says Guardans.

In Peru, Telefónica del Perú, which is owned by Telefónica de España, is funding a professional training center

L-R: Antonio Vives, IDB,
and Maravillas Rojo,
Barcelona Activa



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— Maravillas Rojo

run by the local private school system, Fé y Alegría. The program will train youths 14 years and older, providing them job skills so they can find work.

“All of this has been negotiated from the headquarters of the Spanish companies in Spain,” says Guardans. Persuading businesses to get involved in social projects is an art—and like many artistic endeavors, it also involves sweat. Constancy and persistence are perhaps the most important qualities for drawing businesses into social entrepreneurship, Guardans suggests. Some businesses are very receptive to partnerships for community development. The electric company, for instance, had already carried out a project in Honduras before Fundeso approached executives to ask for their help with the mini-hydroelectric plants in Bolivia. “They have a social conscience and

the will to do social work, an eagerness to cooperate,” he says.

Mondragón Corporación Cooperativa

One of the world’s leading cooperatives, the Mondragón Corporación Cooperativa, located in the Basque country, is a conglomerate of 120 companies. The companies include a financial group, a distribution group and an industrial group, which produces industrial machinery and automotive components and is an engineering and construction contractor. Supporting these business groups is Mondragón’s knowledge group, which includes a university, technical and business training programs and design, communication and engineering centers.

To share its knowledge with developing countries, in the last decade

Mondragón Corporation established Prodeso, an agency that works overseas to promote sustainable economic and social development. All Prodeso programs reflect the central values of Mondragón Corporation: cultivating solidarity between businesses and the local community and stressing the linkages between training, technological development and business operation. In developing countries, Prodeso can offer services in regional and local planning and legal reforms to promote social and economic development; design and curriculum for technical and professional training programs; technology transfer and research to develop technology; business and job creation, including motivation and identification of entrepreneurs and new business incubators; and legal and strategic planning for corporate development.

**The Microenterprise
Forum in Barcelona**

