EaSI Technical Assistance

Assessing the Environmental Performance of Financial institutions

Green Microfinance Workshop Series

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2 November, Online event
Training Description

This training provides an introduction to the concept of environmental performance assessment:

- The Green Index methodology
- The Green Index 3.0 tool: Standards, Essential Practices, Indicators

This training will:

- Guide the participants into the various options, activities, processes, and services that an institution can develop and provide to improve its environmental performance.
- Guide the participants into the process of how to fill a Green Index 3.0
Training Objectives

At the end of the training the participants will have first understanding of:

- Principles of an environmental performance assessment
- The Green Index 3.0
- The various possible options available to improve their environmental performance
The Agenda

0. Intro
1. Concepts
2. The Green Index 3.0
3. Green Index 3.0: Content & Data Collection
4. Green Index 3.0 & Dim 7 USSEPM
5. What’s next?
0. Intro
The Green Inclusive & Climate Smart Finance AG

The Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) is a Unique multi-stakeholder think-tank for environmentally responsible inclusive finance, hosted by the European Microfinance Platform [https://www.e-mfp.eu/gicsf-ag](https://www.e-mfp.eu/gicsf-ag)

**OBJECTIVES**

- Discuss current **challenges and strategies** in green inclusive finance
- **Improve knowledge and action** of inclusive finance actors in environmental issue
- **Enhance cooperation** among green inclusive finance actors
- **Increase international attention** for green inclusive finance
- **Develop dedicated tools**, recognized as “standard” by the inclusive finance sector, to support green inclusive finance
- Publicise and disseminate its findings
- Enhance the interest and concrete commitment of all actors (MFIs, investors, among others) in green inclusive finance
Members

Launched in Feb. 2013 in Berlin and hosted by the European Microfinance Platform (e-MFP) it has 135+ members with different level of engagement, affiliated to 75+ institutions and organized into activity sub-group, among which:


Coordinated by the GICSF-AG Heads:
- Natalia Realpe Carrillo, HEDERA & IASS Potsdam
- Davide Forcella, YAPU Solutions & CERMi
In 2021 Joining forces for Green in Europe

Join forces to foster knowledge and actions for Green Inclusive Finance in Europe and Central Asia

**At short term:**
- Series of trainings
- Study on Green Inclusive finance in Europe (2013-2021):
  - Website review (2021 and 2013): 400+
  - Surveys to MFIs: 6+ surveys, 500+ respondents
  - Case study/interview with MFIs

**At medium term:**
- Developing a joint strategy and activities for the European Inclusive finance sector
The origins of the Green Index

Tool developed by the European Microfinance Platform's Green Inclusive and Climate-Smart Finance Action Group (GICSF-AG) in 2014

2014 GICSF-AG meeting... conceptualizing the Green Index
Measure, Plan & Improve

The Green Index is the main indicator for assessing a FSP's current performance in inclusive green finance and for defining an action plan to improve it.

GREEN INDEX

A tool for evaluating the green inclusive finance performance of FSPs
(It is used with FSPs and not with its clients)

- Awareness raising
- Evaluation
- Commitment
- Planning
- Prioritise
- Monitoring progress
Green Index evolution

2014  Green Index 1.0
- The most accepted tool to assess MFIs’ environmental performance
- Publication available online on e-MFP AG webpage
- Green Index available in SPI4 (optional Dim 7)

2016  Green Index 2.0
- Incorporates lessons learnt from MFI’s use, ability, and willingness to track environmental management
- Quantitative components for green products
- Integrated into SPI4 (only qualitative)

2021  Green Index 3.0
- Inclusion of (climate) vulnerability
- Lessons learnt from 1000+ assessments & 6 years of use, 300+ stakeholders inputs
- Alignment to international initiatives
- Aligned with Universal Standards Env. Performance “Dim 7” developed with SPTF & CERISE, new mandatory dimension of USSEPM

The Origin  Upgrading  Mainstreaming

contact@e-mfp.eu  www.e-mfp.eu
It is based on extensive experience

6+ years of environmental assessments by the e-MFP GICSF AG + SPI4 + partners of the AG, among others:
- SIDI, Foundation Grameen Credit Agricole, CERISE, BNPP, HEDERA, YAPU Solutions, Enclude, Palladium, CERMI, MIX, ADA, MicroEnergy International, EMN, IDB-Lab, etc.

10+ years of green inclusive finance projects implementation and Key Projects:
- EcoMicro (IDB since 2012, 30+ FSPs)
- MEbA (since 2012, 40+ FSPs)
- P CAMBio (2008-2013, 28 FSPs)
- GPA (HIVOS, 2005)
- C&ESG (IFAD, 2019)
- FMO e-tool (2009)
- MEPI (2012)
- Energy & MF – CleanStart
- Green Energy – ADA
- ...

• Mapping and alignment to international initiatives
• In-depth interviews with MF stakeholders including MFIs and Investors
• Surveys to Investors and MFIs
• Establishment of steering committee with STFP and CERISE and alignment with USSEPM
• Assessment of needs for environmental performance from 250+ stakeholders
• Two rounds of reviews, 1st rev: 40+ reviewers, 300+ feedbacks; 2nd rev: 100+ participants

with 1000+ environmental assessments

2 “Green” e-MFP Microfinance Awards (Environment (2014) & Climate Change Adaptation (2019))
2021 Env. dim. part of Universal Standards

Development and implementation of the ‘green’ dimension of the USSEPM. A joint project GICSF-AG, SPTF and CERISE.
In a joint project, the GICSF-AG, the SPTF and CERISE has developed the ‘green’ dimension of the USSEPM, in alignment with the Green Index 3.0. The two tools are aligned for the benefit of the sector.
1. Concepts
3 key concepts for Green Inclusive Finance

- Vulnerability
- Adverse Impacts
- Economic Opportunities
3 key concepts for Green Inclusive Finance

- How clients and institutions are affected by the environment
- How clients and institutions affect the environment
- How green can satisfy demand and increase revenues
Vulnerability & Adverse Environmental Impacts

Of the client & the institution

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

On the environment due to clients & institution

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals
Indirect & Direct

**Indirect**

**Activities of clients:**
their adverse env. impacts and vulnerability

**Direct**

**Institution and human resources:**
their adverse env. impacts and vulnerability
Vulnerability & Adverse Environmental Impacts

Of the client & the institution

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

On the environment due to clients & institution

- Green house gas
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Vulnerability & Adverse Environmental Impacts

Vulnerability

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

Adverse Impacts

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals

Of the client & the institution

On the environment due to clients & institution

‘needs’
Vulnerability & Adverse Environmental Impacts

Vulnerability

Of the client & the institution

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

opportunities !

Adverse Impacts

On the environment due to clients & institution

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals
Green Inclusive Finance

Vulnerability

Adverse Impacts

Green Inclusive Finance !

Economic Opportunities
Green Inclusive Finance

“Green Inclusive Finance consists in risks management processes, financial products, and non-financial services (as part of a financial offer), embedded into environmental strategy and monitoring systems, enabled by policies and regulation, that support economic opportunities and needs of households, micro, small and medium-size enterprises (partially) excluded by the standard banking sector, in a clean, resilient and sustainable manner”

(GICSF-AG, working definition)
Making Green Inclusive Finance Operational

GREEN INDEX

It operationalizes the concepts and it translates them into actionable and material items that stakeholders of the inclusive finance sector can relate to and act upon.
2. The Green Index 3.0
Standards

GI.0  Environmental strategy
      definition and put in place

GI.1  Identification of Environmental risks and opportunities

GI.2  Management of Environmental risks and opportunities

GI.3  Green products and services
      Financial and non-financial
It is about how the environmental strategy is defined, and how it is put in place, including roles and responsibilities, alignment with local or international standards, and how the institution monitors and reports on the implementation of its environmental strategy.
It is about the institution's ability to identify the vulnerability of clients/portfolio and the institution itself, the negative environmental impacts generated on ecosystems by clients and the institution itself, and the clients' needs and demand for green practices and technologies.
Standards, Details

GI.0 Environmental strategy
definition and put in place

GI.1 Identification of Environmental risks and opportunities

GI.2 Management of Environmental risks and opportunities

GI.3 Green products and services
Financial and non-financial

It is about the processes and tools in place to analyse and respond to the vulnerability, negative environmental impacts, client demand and needs identified in GI.1.
It is about how the institutions translates vulnerability, negative environmental impacts, demands & needs into actual risks and opportunities.
It is about the supply and delivery of "green" products and services to customers. Both financial or non-financial services are assessed. Financial products include "green" credits, but also as insurance, savings or money transfer. Non-financial services include awareness raising, training, technical assistance, partnerships.
Standards & Essential practices, Details

**GI.0**
Environmental strategy
definition and put in place

- **GI.0.1**
  Definition of the Strategy

**GI.1**
Identification of Environmental risks and opportunities

- **GI.1.1**
  Identification of Indirect risks & opportunities

**GI.2**
Management of Environmental risks and opportunities

- **GI.2.1**
  Management of Indirect risks & opportunities

**GI.3**
Green products and services
Financial and non-financial

- **GI.3.1**
  Financial products & services

**GI.0.2**
Put in place the Strategy

- **GI.1.2**
  Identification of Direct risks

**GI.2.2**
Management of Direct risks

- **GI.3.2**
  Non-financial products & services
**Standards & Essential practices, Details**

**GI.0**
Environmental strategy
definition and put in place

- Detailed goals, mission, documented strategy.
- Compliance with applicable standards and regulation

**GI.0.1**
Definition of the Strategy

**GI.1**
Identification of Environmental risks and opportunities

- Identification of clients
  - Vulnerability
  - Negative Env impacts
  - Demand and needs

**GI.1.1**
Identification of Indirect risks & opportunities

**GI.2**
Management of Environmental risks and opportunities

- Inclusion of vulnerability, negative env Impacts and demand/needs in:
  - (financial) risks management processes, tools indicators
  - Credit processes & product

**GI.2.1**
Management of Indirect risks & opportunities

**GI.3**
Green products and services
Financial and non-financial

- Green Loans
  - Clean energy /energy efficiency
  - Sustainable agriculture
  - Clean water - sanitation
  - Circular economy / others
- Savings, remittances, emergency loans
- Climate / production insurance

**GI.3.1**
Financial products & services

- Awareness raising
- Training
- Technical assistance
- Partnerships

**GI.3.2**
Non-financial products & services
& Enablers and Outreach

GI.0 Environmental strategy
definition and put in place

GI.1 Identification of Environmental
risks and opportunities

GI.2 Management of Environmental
risks and opportunities

GI.3 Green products and services
Financial and non-financial

CAPACITY

TOOLS

OUTREACH (via Quantitative Indicators)
Visualising Green Inclusive Finance performance
Visualising Green Inclusive Finance performance II

The Risk management View

Indirect risks

Identification. & mgt of vulnerabilities

Direct risks

Identification. & mgt of neg env. impacts

The Green opportunities View

Green financial products

Identifying opportunities

Green non-financial products

Monitoring

GREEN INDEX 3.0
3. Green Index 3.0: Content & Data Collection
Joining forces for Green in Europe

Join forces to foster knowledge and actions for green inclusive finance in Europe and Central Asia

- Coordination by Davide Forcella, Head of the GICSF-AG, CERMi,
- The analysis and visualization of data done using the tools provided by Natalia Realpe, Head of the GICSF-AG
- GICSF-AG internship work of Mathieu François, GICSF-AG intern and EMP student.
- Data shared by the following parties: And all MFIs that kindly shared their data.

Until Oct 2021:
- Website review (2021 and 2013): 400+
- Surveys to MFIs: 6+ surveys, 500+ respondents (2011-2020)
- Case study/interview with MFIs (2021)
Joining forces for Green in Europe

In the forthcoming publication “Green Inclusive Finance in Europe“:
• You will find details on the actual environmental performance of MFIs in Europe
• Examples of green activities financed
• Case studies of actual experiences in green inclusive finance of MFIs in Europe

Stay tuned!

In the meantime we will provide here some examples of practices and tools from outside Europe
LET US GO!

Digital tool GI 3.0
developed by

HEDERA

https://hedera.online/gicsf-ag-gi-3.0.html
GI.0
Environmental strategy
definition and put in place

GI.0.1
Definition of the Strategy

GI.0.2
Put in place the Strategy
GI.0.1
Definition of the Strategy

- detailed goals, mission, documented strategy.
- compliance with applicable standards and regulation
GI.0.2
Put in place the Strategy

- Responsibilities & processes
- Management & governance
- Monitoring:
  - Economic
  - Vulnerability
  - Negative Env impacts.
Example: strategy implementation

Implementation of the green strategy

- Environmental policy
- Non-financial services
- Environmental risk management
- Ecological footprint
- Green credit

https://www.contactarcolombia.org
GI.1
Identification of Environmental risks and opportunities

GI.1.1 Identification of Indirect risks & opportunities

GI.1.2 Identification of Direct risks
GI.1.1
Identification of Indirect risks & opportunities

Identification of clients
- Vulnerability
- Negative Env impacts
- Demand and needs
Example: vulnerability assessment

Client vulnerability and portfolio vulnerability can be assessed and integrated into risk management through the use of appropriate indicators: Adaptive Capacities

Example: Indicators of EbA adaptive capacities

1. PRODUCTIVE CHAIN
2. ASSOCIATIVITY
3. SOIL QUALITY
4. NUTRIENT MANAGEMENT
5. PEST AND DISEASE MANAGEMENT
6. WATER ADMINISTRATION
7. ECOSYSTEM MANAGEMENT
8. WASTE MANAGEMENT
9. CULTURE MANAGEMENT
10. ANIMAL MANAGEMENT

Source: https://unepmeba.org/es/medios-y-publicaciones/
Example: measuring energy poverty of clients

Case: vulnerability assessment of energy access in remote rural areas. 
Goal: determine the market for clean energy products. 
Conclusion: access to electricity and electricity services acceptable with potential for improvement. Low demand for energy technologies. 

Source: HEDERA, 2019
Example: Assessing impacts on biodiversity

The negative impacts of customer activities on biodiversity can be assessed and managed with specific indicators, for example developed in the project: MEbA biodiversity platform.

Example: Biodiversity risk level indicators: MEbA biodiversity platform.

1. CHANGES IN LAND USE
2. OVEREXPLOITATION
3. CLIMATE CHANGE
4. POLLUTION
5. INVASIVE ALIEN SPECIES

Source: https://unepmeba.org/Fr/biodiversity-platform/
GI.1.2
Identification of Direct risks

Identification of building and staff
- Vulnerability
- Negative impacts Env.
Example: CO2 calculation

Welcome to the web’s leading carbon footprint calculator

First, please tell us where you live: [why?]

Country: United States
State: [average for country]

Carbon footprint calculations are typically based on annual emissions from the previous 12 months
Enter the period this calculation covers (optional):

from [ ] to [ ] Save

Next, select the appropriate tab above to calculate the part of your lifestyle you are most interested in, e.g. your flights.
Or, visit each of the tabs above to calculate your full carbon footprint.

Following your calculation, you can offset / neutralise your emissions through one of our climate-friendly projects.
GI.2
Management of Environmental risks and opportunities

GI.2.1
Management of Indirect risks & opportunities

GI.2.2
Management of Direct risks
GI.2.1
Management of Indirect risks & opportunities

Inclusion of vulnerability, negative env Impacts and demand/needs in:

- (financial) risks management processes, tools indicators
- Credit processes & product
GI.2.2
Management of Direct risks

Actions and processes to reduce the institution vulnerability and negative env Impacts
Example: Risk management

Inclusion of Climate Risks into risks processes and policy

Inclusion of environmental impacts into risks processes and policy

Example MFI: EcoMicro

https://ecomicroecuador.org.ec/en/
GI.3
Green products and services
Financial and non-financial

GI.3.1
Financial products & services

GI.3.2
Non-financial products & services
GI.3.1
Financial products & services

• Green Loans
  o Clean energy /energy efficiency
  o Sustainable agriculture
  o Clean water - sanitation
  o Circular economy / others
• Savings, remittances, emergency loans
• Climate / production insurance
Example: RE – EE products

a catalog developed by the Green Inclusive and Climate Smart Finance Action Group: it contains the description of 14 renewable energy or energy efficiency technologies financed or able to be financed by MFIs:

- the **technical characteristics**,
- installation and maintenance,
- **benefit** to IMF clients and the environment
- price and type of financing,
- **impacts** economic and social for end users

Source: [https://www.e-mfp.eu/actions-groups/microfinance-environment](https://www.e-mfp.eu/actions-groups/microfinance-environment)
Example: EbA solution

A catalog developed by MEbA ONU Environnement: it contains the description of 40 EbA solutions financed or able to be financed by MFIs:

- Description
- Place of application
- Dangers and impacts addressed
- Method of implementation
- Inputs and costs
- Ecosystem benefits and economical
- Limiting factors
- Lessons learned

Example: recycling products

Contact rag dealers and recycling collection centers

Eligibility criteria:

Having or wanting to create a recycling activity, and which are from:

- NOTTunisian nationality or residence permit valid in Tunisia
  • Be between 18 and 65 years old
  • Be resident in the intervention areas of Enda agencies
Example: Verification green credits: EbA

1. INTERNAL REPORT AND TO INVESTORS
2. DEMONSTRATION OF THE IMPACT
3. BENEFIT FROM GREEN FUNDING
4. ASSESS THE LEVEL OF PROMOTION OF BIODIVERSITY

Source: https://unepmeba.org/es/medios-y-publicaciones/
Example: Indexed Micro Insurance

Product Flood Insurance Indices

- **Project Manager:** Oxfam
- **Reinsurance Partner:** Swiss Re
- **Insurance Partner:** Pragati Insurance Limited (PI)
- **Funding Agency:** Swiss Agency for development Cooperation

BANGLADESH

Technical partner: Institute of Water Modeling (IWM)
Local level implementation: Manab Mukti Sangstha (MMS) (local NGO)
Project advisor: Palli Karma Sahayak Foundation (PKSF)
GI.3.2
Non-financial products & services

- Awareness raising
- Training
- Technical assistance
- Partnerships
Example: technical assistance / partnership

- Technical assistance to support clients to implement and maintain the green practices and technology financed with green credits
- Cost supported as part of the credit
Remember to Submit!
4. Green Index 3.0 & Dim 7 USSEPM
Integration of Environmental performance in USSEPM

In 2021 “Green” is now one of the 7 dimensions of the USSEPM and integrated in the SPI. The Dim 7 USSEPM is aligned with the Green Index 3.0, and it provides a lighter version aligned with USSEPM.
Standards

7A
Environmental strategy
definition and put in place

7B
Identification & Management of Environmental risks and opportunities

7C
Green products and services
Financial and non-financial
Standards & Essential Practices

**7A**
Environmental strategy
definition and put in place

- **7A.1**
  Definition of the Strategy

- **7A.2**
  Collection, analysis, and reporting data

- **7A.3**
  Governance and management structure

**7B**
Identification & Management of Environmental risks and opportunities

- **7B.1**
  Direct Risks Identification & Management

- **7B.2**
  Indirect Risks Identification & Management

- **7B.3**
  Indirect Opportunities Identification

**7C**
Green products and services
Financial and non-financial

- **7C.1**
  Financial products & services

- **7C.2**
  Non-financial products & services
Mapping

**GI.0**
Environmental strategy
definition and put in place

**GI.1**
Identification of Environmental risks and opportunities

**GI.2**
Management of Environmental risks and opportunities

**GI.3**
Green products and services
Financial and non-financial

**7A**
Environmental strategy
definition and put in place

**7B**
Identification & Management of Environmental risks and opportunities

**7C**
Green products and services
Financial and non-financial
5. What’s next?
The next workshop 9 Nov

Next week, on November 9, we will have the second workshop:

“Green Products in Inclusive Finance”

It will:

- Provide an introduction to methodology, processes, and key milestones related to green product development
- Cover how to disburse, monitor, and report on green products.

We look forward to meeting you, your partners and your colleagues in the next workshop!
Thanks a lot for your presence and attention!

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