Microfinance and climatic change: a new challenge for microfinance institutions?

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PlaNet Finance’s approach in the environment domains

Access to renewable energies and the rational use of energy

waste management and preservation of the environment

Biodiversity and value of the local natural resources
8 Programmes on environment being implemented

Projects in progress
- SET UP (Benin)
- FREEME (Egypt and Morocco)
- TONGWEI 2 (China)
- MORANDAVA (Madagascar)
- Micro-franchising (South Africa)

End of project
- TONGWEI 1 (China)
- CRECER CON ENERGIA (Bolivia, Paraguay)
- RENDEV (Indonesia, Bangladesh)
Climate change mainly affects the poor countries and the most vulnerable persons.

- 3.7 billion persons, with no access to financial services and 3 billion persons participate in climatic change for lack of means to use clean technologies.
- Efficient tool to fight against poverty, the Microfinance institutions mainly increased the financial access than mitigated the environmental impact of microentrepreneurs.

Microfinance will have to face up to this major challenge: how to encourage social and economic development in vulnerable populations through environmentally-friendly economic activities?
How microfinance institutions can mitigate the climatic change?

- To develop programs to fight against poverty and climatic changes.
- To finance activities, innovative technologies and systems friendly with environment,
- To sensitive communities and small business to promote a reasoned management of natural resources.

Green microfinance a new paradigm and complementary tool to support a sustainable and local development by combining financial mechanisms, Small and medium enterprises development and green technologies.
The implication of the microfinance sectors to finance new markets friendly with the environment requires:

- Financial and technical support,
- Favourable microfinance and institutional framework,
- Support of different stakeholders,
- Access to funding and new financial resources,
- A change of behaviour practitioners to promote a more responsible finance.
Objectives

- Provide technical support to local microfinance institution to develop microcredit and reduce the financial barriers to investment in biogas systems in the 8 villages of Tongwei area.
- Implementation of micro fund to €50,000 to finance biogas investment.
- Train and sensitize loan officers and end users.
- Develop new relationships between farmers, loan officers and the local energy bureau.

[1] Biogas digesters utilize the anaerobic digestion of manure to produce methane, a high quality cooking fuel.
Results

- 430 local households, in 8 villages, invested in biogas systems through microcredit (average loans €200) and micro fund (€50,000)
- Microcredit models proved to be successful with a repayment rate of 100%.
- 430 systems are operating optimally in this area of low average temperatures (5°C), even during winter.
- The local partner, the Energy Bureau has seen and understood the project impact and is lobbying for replicating the new model in other areas.
Objectives

- The project aimed to explore new ways to link microfinance and access to renewable energy in Bangladesh and Indonesia.
- To contribute positively to poverty alleviation by combining microfinance mechanisms tailored for low income people’s needs with microenterprise development and increased access to solar energy.
Results

- Six consultation workshops and one international conference organized with main stakeholders,
- Provision of 336 trainings and capacity building sessions in both countries for 8,770 people,
- Awareness of 40,000 stakeholders on renewable energy issues,
- Development of communication tools,
- New microfinance financial models proposed to MFIs and decision makers involved.

PlaNet Finance and its partners received the European Union « 2009 Sustainable Energy Award » in the “cooperation programme” category for it Rendev project.
Conclusions: lessons learned and new challenges for microfinance institutions

Infrastructures at the village level, small-scale energy and water facilities, are key factors for the social economic development of communities.

Financing green technologies has positive impacts on climatic change and sources of economic opportunities and new market development.

Concrete answers for microfinance institution:
- To finance activities and systems friendly with environment,
- to sensitize small business to promote a reasoned management of natural resources.

Involve donors and develop funding mechanisms.

Need to provide technical assistance to MFIs.

Need to make projects sustainable by supporting the development of new activities in rural areas (maintenance services, environmentally-friendly activities).

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Thank for your attention