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MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS



Investor's Perspective on the Green Index



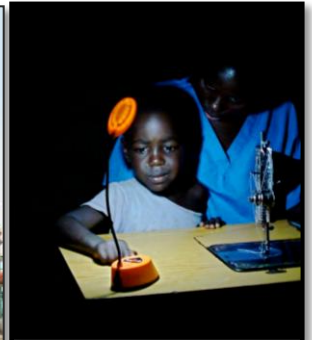
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Why “Green” Financial Inclusion in the first place?

- FMO (the Netherlands Development Finance Company) is the Dutch development bank.
- Investment portfolio of EUR 6.5 billion
- FMO focuses on three sectors that have high development impact: **financial institutions**, energy, and agribusiness



Green lines: Credit Line for on-lending to investments that produce environmental benefits: Households, SMEs, Corporates and **Microfinance**



Green Microfinance fits our strategy and green finance ambitions.



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How do we approach Green (Micro)Finance?

FI & Facility Specific

- ❑ **Eligibility Criteria**
 - ❖ *Predefined vs. tailor made*
- ❑ **Pricing & conditions**
 - ❖ *Preferential interest rates?*
 - ❖ Longer tenors ?
 - ❖ Risk sharing?
- ❑ **Technical Assistance**
 - ❖ Required by both FIs and end-users
- ❑ **Monitoring/Reporting**
 - ❖ Tools to monitor energy savings, GHG emissions and other environmental benefits

Market Conditions

- ❑ **Macro Economy**
 - ❖ Investment Activities and Climate
 - ❖ Funding costs for banks
 - ❖ **Market Potential \neq Demand**
- ❑ **Regulation**
 - ❖ Building codes and energy labeling
 - ❖ Feed in tariffs, long term PPA's
- ❑ **Energy Prices**
 - ❖ Electricity cost and reliability
 - ❖ Market price of fossil fuel
 - ❖ Taxes and subsidies



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It has to be a win-win approach, with a clear (future) business case

Financial Institutions

- Attracting new clients to bank with green product
- Potential first mover advantage
- Creation of green market niche and image
- Cross-selling opportunities to new clients

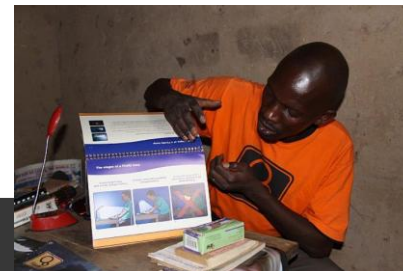


End Clients

- Reduced operation costs
- Reliability of energy/heat supply
- Access to energy/energy savings

Suppliers

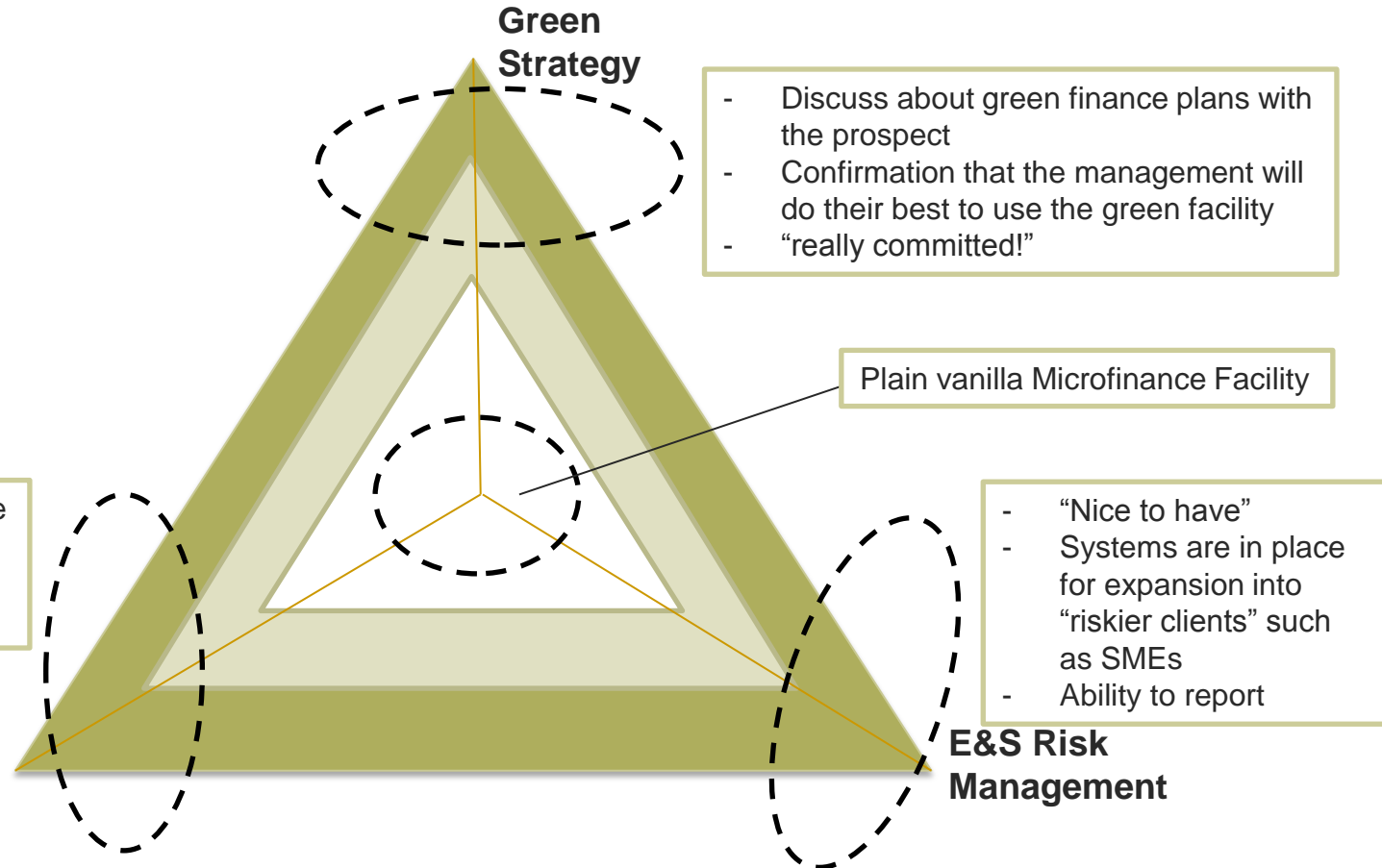
- Distribution channel
- Increased business





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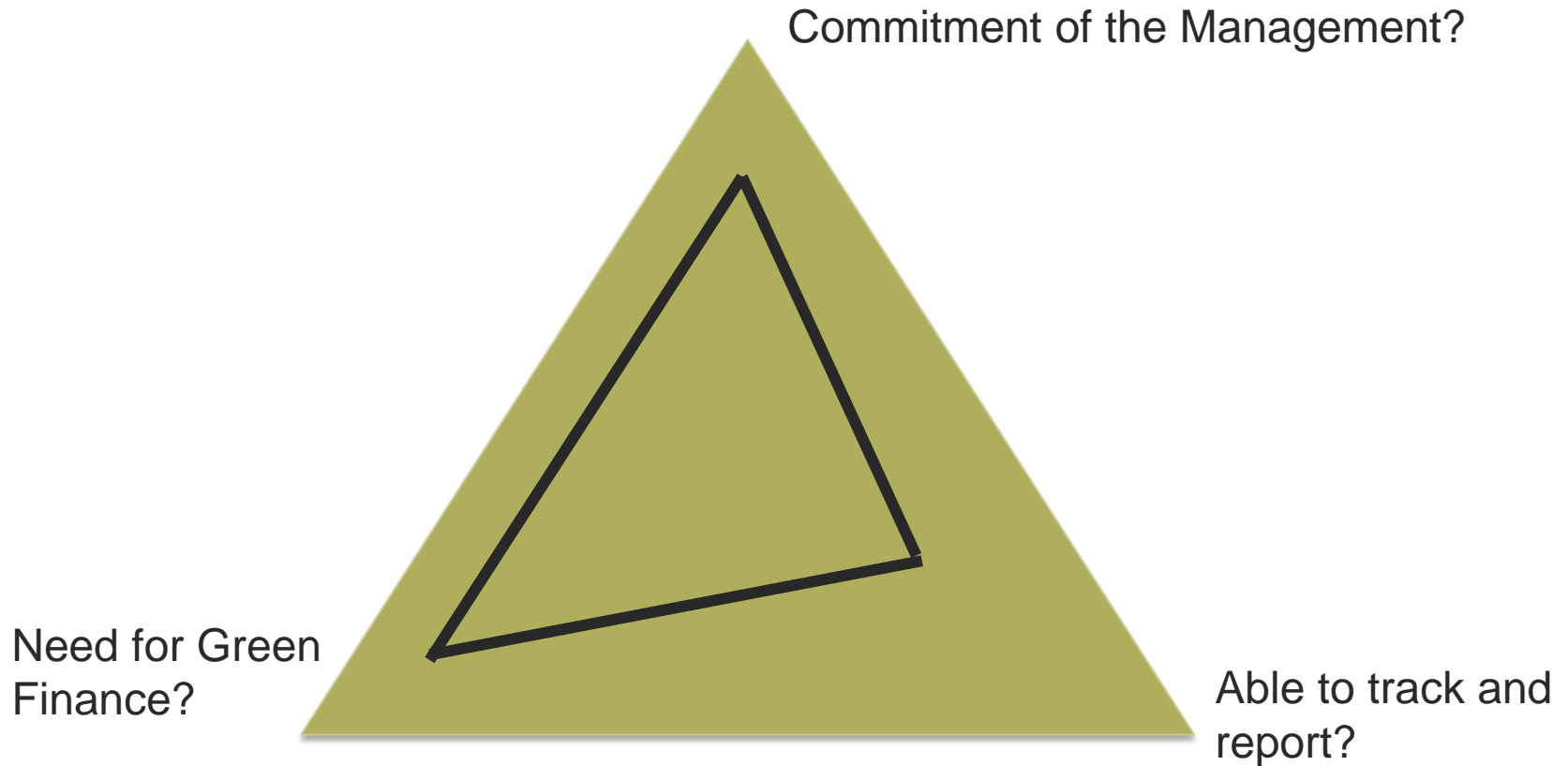
How can the Green Index help us as Investors?





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A useful overview with some more indicators to include (in a perfect world)

- A good tool to **raise awareness** (as we do with CPPs or Governance)
- **Standardization** of the tools towards one useful tool?

- How much (future percentage) toward green portfolio? (1% or 50%?)
 - No indication about the potential and the ambition of the MFI
 - Macro and market conditions for “green”?
 - How sustainable the model is? Is its relying on subsidized funding?
 - Explicit Incentive structures for green opportunities?
- “Readiness for green finance investment” score?



Thank you!

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