

Members' Spotlight on Climate Change

e-MFP is a member-led platform, and we always want to hear what our members are doing in different fields, to increase linkages and knowledge sharing both across the platform and with other stakeholders. During August 2019, e-MFP reached out to its members to see who was doing what in the area of this year's European Microfinance Award theme – *Strengthening Resilience to Climate Change*. We asked them three questions,

and we're very grateful to the following members for their contributions, which are reproduced (and edited for clarity and length) here:

ADA / BlueOrchard / BNP Paribas / CORDAID / FinDev Group, University of Bergamo / Frankfurt School of Finance & Management / Grameen Crédit Agricole Foundation / International Labor Organisation Social Finance Programme / IOB - Institute of Development Policy, University of Antwerp / MicroEnergy International / Microinsurance Network / MicroSave (MSC) / Oxfam Novib / VisionFund International

Question 1

How is your organisation working to strengthen resilience to climate change among vulnerable groups - particularly through financial services?



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ADA

For almost a decade, ADA has been working with MFIs to provide vulnerable populations with green solutions to mitigate climate change and strengthen resilience. ADA started developing financial products to facilitate access to energy with micro-credits and microleasing dedicated to the purchase of products running on renewable energies (solar energy in particular) or energy efficient products (such as high-efficiency wood stoves). More recently, ADA has also started working with 9 MFIs in Latin America and 3 MFIs in West Africa to develop financial products linked to the implementation of environmentally friendly agricultural practices (such as organic farming, rainwater harvesting system, drip or gravity-fed irrigation system, etc.).





BlueOrchard

Through the BlueOrchard-managed InsuResilience Investment Fund, we offer senior and subordinated debt financing and equity investments, complemented by technical assistance and premium support (a temporary subsidy to ensure affordability) to institutions along the climate insurance value chain. The goal is to make insurance protection from extreme weather events and natural catastrophes affordable and accessible for the poor and vulnerable in emerging and frontier markets. Special focus is on micro and SME clients (MSMEs) and also on the agricultural sector. The InsuResilience Investment Fund is one of the few blended finance mandates that focuses on climate adaptation. This makes it unique as the large majority of climate action funds in the market today are in climate mitigation.



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BNP Paribas

The 4th pillar of BNP Paribas' Corporate Social Responsibility strategy is combating climate change. It encompasses multiple actions as well as products and services development, amongst which some are dedicated to vulnerable groups. The Group has been working with MFIs for over 30 years. Recently, it has co-founded, with the UN and 2 MFIs the "Microfinance for Ecosystem-based Adaptation programme", to increase the resilience of vulnerable rural populations through microfinance. As a first step, a tool has been deployed by Yapu Solutions to better monitor the MFIs' risks in the objective of financing more farmers. Training is also given to help the beneficiaries of microcredit to have their practices evolve towards more sustainable agriculture.

CORDAID

We have been proactively searching for investment opportunities that contribute to climate change resilience in vulnerable countries. For example, we currently invest in an SME that distributes off-grid solar products and another that sells ultra-efficient wood burning stoves that can burn using agricultural residues, reducing household reliance on charcoal and firewood, which are becoming scarcer and more expensive due to climate change. We also have investments in agricultural SMEs, where specific agricultural methods help to strengthen the crops' resilience to climate change. In microfinance, one MFI runs a training programme to guide its clients involved in agriculture on how they can diversify their crops in order to have more than one harvest per year and avoid seasonal income.



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FinDev Group, University of Bergamo

Disaster risk management in microfinance has been one of the top research interests of the members from the University of Bergamo, especially after the establishment of the FinDev research group in 2010. Over the years, we have pursued three main objectives: study the impact of natural disasters on both MFIs and their clients; better understand the economic and financial behaviour of rural households that are affected by natural disasters; and contribute to the design of effective financial services that are suitable for managing and transferring climatic risks. We conducted field research on the topic, particularly in Africa and Asia. Different studies have also been conducted in Ethiopia since 2005.



Frankfurt School of Finance & Management (FSFM)

Through its International Advisory Services (IAS) and the FS-UNEP Centre for Sustainable Energy and Climate Finance departments, FSFM provides tailored capacity building for financial institutions and also government bodies. Through the InsuResilience Solutions Fund (IFS), FS promotes the development of innovative and sustainable climate risk insurance services and products to increase the resilience of poor and vulnerable households worldwide against the impacts of climate change and natural disasters. FSFM executed the Microfinance for Ecosystem-based Adaptation project in Colombia and Peru, the Climate-smart Microfinance Project in Ethiopia, Nepal, Colombia and Nicaragua and the EcoMicro Projects in Bolivia, Dom. Rep and Haiti, to identify suitable climate adaptation investments. In capacity building, FSFM is engaged with the Adaptation Finance Fellowship Programme Certified Expert in Climate Adaptation and the Certified Expert in Agricultural Finance.

ILO Social Finance (ILO)

A project in Côte d'Ivoire aims to complement Barry Callebaut's (an international chocolate and cocoa company) farmer finance offering, of facilitation of savings and productivity lending, with insurance solutions that address their risk factors in a holistic fashion – looking at production as well as household risks. The objective is to make businesses and households more resilient to events that impact cash flows, thereby increasing their willingness to invest in typically long-term productivity interventions on their farms. Another project targets small businesses in the Caribbean, which are frequently exposed to extreme weather conditions including extremely high wind speeds and excess rainfall. The CRAIC project, in collaboration with the Munich Climate Insurance Initiative, aims to promote insurance as a risk mitigation tool for such businesses.

IOB - Institute of Development Policy, University of Antwerp

As an academic institution, IOB studies the links between microfinance and climate change within a research agenda on the interrelated issues of poverty, inequality and environment. Part of this research is done in partnership with the Nicaraguan MFI Fondo de Desarrollo Local and its associate Institute Nitlapan-UCA, aiming to contribute to their policies for strengthening resilience to climate change in the territories where they are present. Our studies also focus on the evolving 'green microfinance' landscape more generally, investigating the potential and pitfalls for microfinance to support processes of positive socio-ecological change.

Grameen Crédit Agricole Foundation (GCAF)

The Grameen Crédit Agricole Foundation promotes the resilience of rural economies by supporting, with a portfolio of over 77 million Euros, 75 microfinance institutions and social impact companies that contribute to rural development in Africa, Asia and Europe. GCAF develops innovative projects with regional banks and Crédit Agricole Group entities. For example, the Foundation and Crédit Agricole Corporate Investment Bank combine their efforts to work on the structuring and financing of ZECI, a company that offers solar kits in Côte d'Ivoire. This funding will ensure, by 2020, access to prepaid solar equipment to approximately 100,000 households living in rural areas in Côte d'Ivoire.



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MicroEnergy International (MEI)

MEI, Analistas Financieros Internacionales and Perspectives Climate Change recently commenced a TA programme for the EcoMicro Green Finance for MSMEs and Low-Income Households program in Grenada. The programme aims to support the Grenada Development Bank in building the climate resilience of MSMEs (including smallholder farmers) and low-income households through the development of two distinct green finance products that would support the access to RE/EE technologies (mitigation finance) and adaptation technologies/measures (adaptation finance). The assignment has three mutually reinforcing and interlocking components, which includes the green financial product development, client portfolio vulnerability assessment and the implementation of environmentally friendly measures, including development of policies and guidelines for the bank.

Microinsurance Network (MiN)

In 2019, MiN has continued its efforts to support improved access to insurance by low-income populations. Building household and MSME resilience to the impact of climate change and natural disasters has been the theme of our Consultative Forums in 2019, organised in partnership with A2ii and the InsuResilience Global Partnership. We also ran an Expert Forum webinar on Agriculture insurance, climate risk and innovations in March and published a summary of the discussion. In November, we will host a session examining solutions for urban resilience at the 15th International Conference on Inclusive Insurance, which we co-organise with Munich Re Foundation and which has a special focus on climate risk this year.

MicroSave(MSC)

Climate change tests the resilience of vulnerable groups globally, including low- and moderate-income segments, agricultural communities and women, etc. Climate change resilience is therefore a key part of MSC's work. MSC has advised stakeholders in the Philippines, a country vulnerable to extreme weather events, to develop practical, climate risk financing solutions for MSMEs, a first of its kind. In India, we have helped an integrated climate change resilience-building program assess its impact and efficiency and identify the road ahead. Our policy work with the Indian Government has supported programmes like Ujjwala, (providing clean cooking gas to low income populations) – significantly bringing down use of wood and coal as cooking fuel.

Oxfam Novib

For many years, Oxfam has been a leader in supporting vulnerable populations to build resilience to climate change. Oxfam's use of cash transfers, delivered in partnership with FSPs, is one of the ways Oxfam has been addressing the root causes of vulnerability and increasing the resilience of populations who are victims of natural disasters. In 2018, Oxfam's humanitarian programs distributed cash to about 45 million people in 35 countries. In January 2019, Oxfam, PLAN International, Global Parametrics and local partners started the pilot B-Ready program in the Philippines. This tests the impact of forecast-based pre-emptive cash transfers through debit cards as a tool to strengthen the resilience of the most vulnerable before a typhoon comes in. The forecast of the path of the typhoon and its intensity is based on modelling of weather data by Global Parametrics.



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VisionFund International (VFI)

VisionFund International (VFI) is a major proponent for Recovery Lending; immediately following a disaster we lend back into the community. We provide clients and the community with the opportunity to restore livelihoods and mitigate negative coping mechanisms after disasters such as reduced food consumption, withdrawing children from school or selling assets. VFI's MFIs can instigate such programmes through the African, Asian and Americas Resilience in Disaster Insurance Scheme (ARDIS), which provides clients a mix of insurance and credit benefits linked to climate-indexed products. This type of responsive lending acts like insurance, allowing clients to resume business or agricultural practice while manageably repaying old and new loans.

QUESTION 2

Where do you see the focus areas that the financial inclusion sector can achieve the most impact in this area?



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ADA

Fostering climate change-resilient agriculture is a good way for the financial inclusion sector to achieve an impact in this area: indeed, a significant number of vulnerable people work in this sector, and agriculture is both responsible for and affected by climate change. Promoting environmentally friendly agricultural practices through specific financial products can contribute to climate change mitigation and resilience strengthening. On top of that, the financial inclusion sector should also focus on insurance, which seems to be the most adapted financial product to strengthen resilience.

BNP Paribas

An example is how BNP Paribas has joined with the UN Environment Programme to develop specific financing solutions adapted to developing countries. The Tropical Landscapes Finance Facility is a programme composed of a multi-tranche US\$95 million bond, which was issued to Royal Lestari Utama, a joint venture between Michelin and Indonesia's Barito Pacific Group. This money will help to develop a climate-smart natural rubber plantation, employing 16,000 people and, importantly, rehabilitating an area of land the size of Singapore.

BlueOrchard

Affordable micro-insurance products for farmers, low-income households and MSMEs can make a substantial difference to those exposed to the consequences of climate change. To make this happen, the insurance market in emerging, and frontier markets needs to be developed in a number of areas, from collecting and analysing the relevant climate data and developing efficient and affordable solutions for vulnerable populations, to enabling effective distribution.





CORDAID

The financial inclusion sector should look out for SMEs that provide innovative solutions to strengthening resilience to climate change that consider the local context. These organisations need patient capital to scale up their businesses, make them sustainable and replicate the model in similar countries/regions. Equally important is to provide guidance to the end clients of MFIs, for example through training.

FinDev Group

Contingent loans, climatic-insurance-linked loans, stand-alone climatic insurance and precautionary savings are complementary solutions, part of a broad and holistic approach. Insurance may become an enhancer of creditworthiness. And index-based products, although often still at a pilot stage, remain promising.



FSFM

(M)FIs that contribute to financial inclusion (particularly in rural areas) can generate substantial impact. Without access to relevant climate data, lack of information on how to respond to climate events and a lack of financial means to make the required investments, they are unable to anticipate, cope with, resist and recover from the impacts of climate change. Assisting (M)FIs to offer financial products that are tailored to climate change investment needs (e.g. climate-smart solutions) and changed crop cycles, and facilitating complementary technical assistance (such as climate data and information) in combination with relevant insurance products (e.g. weather index insurance) can realise very positive impact. Moreover, policy-makers can remove barriers to action on financial inclusion, such as reducing information gaps or increasing community acceptance for climate-resilient solutions. Here, strengthening of climate change management capacities for key institutions in the area is crucial.



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GCAF

There are some promising ways in which financial inclusion can contribute to advancing environmentally friendly solutions. In terms of climate change mitigation, access to finance can help households invest in improved cook-stoves, which are safer and cleaner than traditional biomass cooking fuels and contribute to reducing deforestation. PAYGo companies are providing access to clean energy for lighting, powering appliances or charging mobile phones. Furthermore on climate change adaptation, through green financial services that support sustainable agricultural practices, MFIs and other financial actors can play a major role in the transition to a low carbon economy.



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ILO

We have been looking at financial services, especially insurance, as a facilitator for building resilience and as an adaptive tool for climate change. Awareness creation, introduction and education of insurance services, and building the capacity of grassroots organisations to implement such programmes are important. Our projects in the Caribbean and India work with communities to improve their understanding on the use of financial services and insurance and its adoption. Through community and farmer group meetings, information is provided and linkages are created to available schemes as well as to insurers that are implementing the programme in the area. Special focus is given to women farm workers to ensure wider spread of information. Impact investors can facilitate mitigation capacities among vulnerable populations affected by climate change by providing access to technical assistance.



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IOB

A key focus area is the role of financial inclusion in rural areas and especially in relation to agriculture – with particular attention needed for understanding the underlying causes and consequences of social-environmental vulnerabilities. The specific products and services that are needed can be very different from one place to another, as they must be related to the local and collective processes of social change and building resilience. It is important not to try to have a single blueprint, but to aim for supporting those who are most excluded and who are likely to suffer most from the effects of climate change.



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MEI

Through the EcoMicro program, particularly regarding its focus on climate resilience in Grenada, we believe that access to financial services to cope with existing challenges associated with climate change, and the prevention of prospective issues, should be deployed simultaneously. A critical step before determining the most appropriate products or services that are best suited for preventing or adapting to climate change is a thorough understanding of the contexts. This technical assistance initiative for example aims to support the Grenada Development Bank in understanding the major areas in which their clients (MSMEs and low-income households) have been most affected by climate change and could be prone to these effects in the future and develop the appropriate green financial products.

MiN

There are two aspects to this. One is preparedness and risk mitigation, which may include early warning systems, evacuation plans, and systems for distributing assistance (food, shelter, medical services) immediately after disaster has struck. Preparedness involves adaptation too, extending to urban planning to increase resilience of construction. The other is insurance, which is a valuable tool that should also be used effectively to support post-disaster resilience. Government-led schemes can provide basic insurance, but these are rare in developing countries and emerging markets. Microinsurance therefore continues to play a critical role filling in these gaps, not least because best practice is to design products such that claims can be paid very quickly after an incident. However, there is an urgent need to scale up the availability and uptake of such products.



MSC

Climate change is complex. To counter it, inclusive financial services must enable climate change resilience. Insurance, as a risk-financing tool, is an obvious choice. We will see more and more insurance solutions addressing climate change impact in areas of agriculture and livestock, livelihoods, MSMEs and health. The MSME sector is increasingly recognised as both a contributor to and a victim of climate change, hence financing solutions for MSMEs must be nuanced, involving ideas to promote a green economy. Policy level assistance is required for regulators to help identify approaches to make providers and recipients of financial services more climate-responsible.



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Oxfam Novib

The availability of cash before and after a disaster is important to increase the resilience of vulnerable populations and has proven to be more cost-effective than aid delivered 'in-kind'. The Red Cross estimates that for each dollar spent on disaster preparedness, an average of four dollars is saved on disaster response and recovery. Oxfam believes that the better use of humanitarian cash is on the preparedness side, and as cash comes in different forms, as grants, credit, access to savings, pay-out of insurance or remittances, there is a clear role for FSPs to play, to support their clients and others with financial products to prepare for natural disasters. Humanitarian aid will increase in the future as natural disasters will increase in frequency and severity. Preparedness will reduce these costs. FSPs can add to this by developing business models focused on financial products for their clients to be used before and after disasters.

VFI

VFI believes that where traditional indemnity insurance is not available or too expensive for clients, a blended approach (providing a mix of insurance and credit to its institutions to on-lend) is an economic and viable solution, allowing clients to manage their risk through their own ingenuity and resilience. The provision of climate data to VFI's institutions through the African, Asian and Americas Resilience in Disaster Insurance Scheme (ARDIS) is assisting pre-planning of loan portfolios and monitoring of exposures to natural hazards. In influencing lending decisions, particularly in VFI's principal target market of rural and agricultural financing, climate data is also influencing agricultural practices for the better.



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Question 3

What are your organisation's future plans to address the needs of vulnerable populations dealing with the effects of climate change?



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BlueOrchard

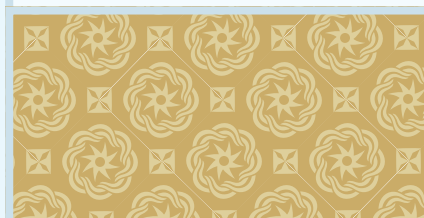
While climate change is a global challenge, its consequences will affect developing countries both before, and more severely than developed countries. BlueOrchard is therefore firmly dedicated to contribute to both the adaptation to, and mitigation of, climate change in frontier and emerging markets as part of our different asset classes and investment strategies. BlueOrchard is also spearheading these high-impact activities partnering with public actors and development finance institutions that play a pivotal role in mobilising commercial resources from mainstream private investors via innovative blended finance fund structures.

ADA

While ADA has been active in the development of green microfinance products for several years, ADA has recently started diversifying this kind of products, with new projects in Central America aiming at developing microcredits for green housing (1 MFI in Dominican Republic) or water and sanitation systems (2 MFIs in Guatemala and Salvador). ADA has also decided to focus on the development of credits dedicated to agro-ecological practices, as well as on insurance products, including for agricultural activities facing climate risks. New projects on these topics should start in the coming years, especially in West Africa and Central America.

BNP Paribas

By offering financing to all business sectors, BNP Paribas is one of the few economic actors that have the privilege of contributing to all UN Sustainable Development Goals. Indeed, green finance is embedded in all its businesses. Examples include the allocation of 15.4 billion Euros to renewable energies as of end-2018, the bank's action to focus savings towards energy transition and positive impact funds, and its financing of energy efficiency solutions for individual customers.





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CORDAID

We will continue to seek out investment opportunities that contribute to climate change resilience and have several exciting projects in the pipeline. One potential investee works with farmers to cultivate high value, drought-resistant crops to reduce their reliance on staple crops and subsistence farming. This reduces their vulnerability to food insecurity as a result of failed harvests. We are also evaluating a renewable energy company that promotes the use of solar energy by providing renewable energy to companies or businesses through independent power purchase agreements. Lastly, there is also a potential forestry project in Ethiopia that will help communities to valorise sustainable forest plantations.

GCAF

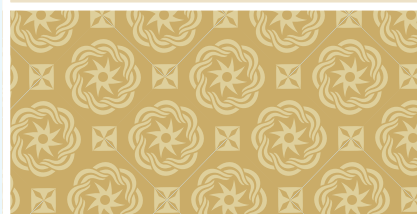
The Foundation intends to strengthen its own capacity to help rural MFIs and social businesses to be drivers of change in their ecological transitions. GCAF will support them with the financial and technical assistance they need to address the effects of climate change, and capacity building and digital and transformations will be at the heart of this. The Foundation will continue to play a leading role in advocating for social and environmental performance measurement. It will promote the transfer of proven practices from the microfinance sector to other impact investment areas and help partners and Crédit Agricole Group entities reinforce their own social and environmental performance measurement systems.

FinDev Group

The FinDev group plans to keep a focus on climate risk adaptation strategies. One specific objective is to study how climate change is shaping the local financial systems and the consequences for financial inclusion.

FSFM

FSFM plans to continue supporting the financial sector worldwide especially in the planning and implementation of projects that respond to the effects of climate change on rural populations. FSFM continues working directly with governments in developing and developed countries alike to advise on policies, laws and regulations for good practices in climate finance. As two specific examples, FSFM will continue to support the banking sector in how to apply the recommendations of the Task Force on Climate-related Financial Disclosure and climate scenario analysis tools to disclose climate-related risks and opportunities; and FSFM aims to create stronger linkages between private and policy-making stakeholders on implementing the climate adaptation-related Nationally Determined Contributions agreed under the Paris Agreement. Finally, FSFM plans to continue providing education in Climate Finance with up-to-date online courses and the summer academies.





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ILO

As well as a demand-side focus on beneficiaries' needs, it is equally critical to ensure good "supply" of such products and services. We strive to build FSPs' capacities to develop products and processes to align with the needs of the vulnerable populations. This includes governments, insurance and financial services providers, technology companies and distributors to enable better interactions with vulnerable communities. This can assist in providing the right product and services with improved value and sustainability for both consumers and providers. For example, these services can not only protect farmers against risks of crop failure, but also enable them to potentially employ more productive means such as better quality seeds and fertilizers.



IOB

In the years to come we will be involved in an action research project (TruePATH) in the cattle-driven agricultural frontier of North-Eastern Nicaragua, where we analyse the potential of a 'green microfinance plus' programme. We will study and support the microfinance sector's linkages with local development pathways by connecting sector stakeholders to decision-making and discussion in local forums, and advocate a citizen-science approach to generating local climate data. We will also remain involved in the e-MFP Green Inclusive & Climate Smart Finance Action Group and continue our teaching activities on this subject. We aim to positively influence microfinance practices and contribute to understanding how financial services can engage with the effects of climate change as well as other forms of exclusion and inequality.

MEI

We understand how crucial context-specific needs assessment is, in deploying financial solutions to support populations susceptible to the effects of climate change. We plan to support financial service providers by utilising this knowledge to customise climate adaptation and mitigation solutions.

MiN

MiN is unique as a multi-stakeholder platform that brings together players from across the inclusive insurance value chain, with the goal of building the resilience of vulnerable households and MSMEs. Working to improve the uptake and quality of responsible insurance services, alongside increasing the awareness and engagement of influencers are central to our mission. The effects of climate change are manifested in losses to life, the destruction of property, crop failure and livestock disasters, as well as health risks. All of these risks are the main concern of the inclusive insurance community and we therefore address the impact of climate change in concrete ways.



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MSC

MSC has, for 20 years, pushed the world towards meaningful financial, social, and economic inclusion. Our core philosophy that guides our efforts in inclusive finance, livelihoods, policy advisory and G2P work now encompasses enabling climate change resilience. MSC will continue its efforts to build capacities of financial institutions to be climate change responsible, and strengthen the resilience of livelihoods, especially of agricultural communities. Climate change and intelligent technology is reshaping the future of work – with huge implications on the world's youth and women in particular. This reality is pushing MSC to devise solutions to be the preferred partner for anyone looking to address these almost-existential challenges.

Oxfam Novib

After the pilot of the B-Ready Program, with forecast-based, pre-emptive cash transfers, we will work with FSPs to develop business models and financial products to support vulnerable populations in events of natural disasters. The experiences of VFI in the Philippines indicate a strong increase in demand for recovery loans after a natural disaster has taken place. The Natural Disaster Fund, managed by Global Parametrics, can supply the necessary liquidity for that. Our intention is that FSPs also can draw on that fund to support preparedness of their clients in the wake of a natural disaster, to answer an increased demand for preparedness loans and early access to savings accounts.

VFI

VFI believes that the financial and operational benefits of the African, Asian and Americas Resilience in Disaster Insurance Scheme can be applied to a wider audience, and is working towards bringing ARDIS to external parties. ARDIS is designed to help clients help themselves by providing the necessary tools to restore their livelihoods. Our MFIs are able to continue lending, and it enables them to remain financially strong at a time when they too might suffer. VFI continues to advocate for recovery lending as an insurance solution at all levels of disaster – whatever the event and whether community-level or individual – to negate the industry norm of not lending further to those in debt, regardless of the reason.

