

# GREEN INCLUSIVE FINANCE

## Case Studies Series on Essential Practices

### Essential Practice No.4:

Identify institutional-level  
environmental risks and opportunities



June 2023

Prepared by Juana Ramirez  
in collaboration with Isabelle Barrès and the e-MFP GICSF-AG

## About the Green Essential Practices Case Studies Series

The “Green Essential Practices Case Studies Series” highlights the experience of Financial Service Providers (FSPs) with good practices in the 8 key areas identified in the Green Index 3.0.<sup>1</sup> The Case Studies under this series offer practical examples of how an FSP developed its practices to inspire and facilitate the journey of others.

The **8 Green Essential Practices (EPs)** provide a roadmap for FSPs to maximize their green impact:

- **EP1:** Define their environmental strategy
- **EP2:** Implement their environmental strategy
- **EP3:** Identify client or portfolio-level environmental risks and opportunities
- **EP4:** Identify institutional-level environmental risks and opportunities
- **EP5:** Manage client or portfolio-level environmental risks and opportunities
- **EP6:** Manage institutional-level environmental risks and opportunities
- **EP7:** Offer green financial products and services
- **EP8:** Offer green non-financial products and services



Each Case Study in the series follows the same structure:

1. **Background** of the FSP and the context in which it operates.
2. **Evidence** of how the FSP is demonstrating good performance in the Essential Practice that is being highlighted. This is the main section of the Case Study and offers – as relevant – a review of what has enabled the FSP to reach its results, and what these results are:
  - *Capacity:* how did the FSP acquire the capacity to implement the activities needed? (e.g., internal training, training through external partnerships, technical assistance, financial support, etc.)

<sup>1</sup> For more details about the Green Index 3.0, refer to these links: [https://www.e-mfp.eu/sites/default/files/resources/2022/11/Green%20Index%203.0\\_final.pdf](https://www.e-mfp.eu/sites/default/files/resources/2022/11/Green%20Index%203.0_final.pdf) and [https://hedera.online/gicsf\\_ag\\_tools/green-index-digital.html](https://hedera.online/gicsf_ag_tools/green-index-digital.html)

- *Tools*: which tools did the FSP use to implement the needed activities? (e.g., indicators, documents, materials, IT solutions, etc.)
  - *Outreach*: what were the FSPs' quantitative results? (e.g., outreach, implementation status, etc.)
3. The FSP's **journey** to implement the identified good practice, and lessons learned.
  4. The FSP's **next steps** – if any – to continue to improve in this area.

## Green Essential Practice No. 4: Identify environmental risks and opportunities at institutional level

In **Green Essential Practice No. 4 (EP4)**, the focus is on identifying the institutional level environmental risks and opportunities for FSPs:

- The FSP assesses the environmental risks and the adverse environmental impact of its activities on its staff and property – both at the headquarters and branch levels – using a methodology and indicators specified in an international regulation or standards.
- The institution trains its loan officers and back-office staff on the assessment of the institution adverse environmental impact of its activities through its own internal human resources or experts (local or international).
- The institution assesses its own opportunities to develop and implement an environmental strategy, an environmental and/or climate risks management system, and green products and services - in relation to its objectives.

The FSPs highlighted in Case Studies on the **Green Essential Practice No. 4 (EP4)** demonstrate good practices in identifying institutional level risks and opportunities.

## EP4: Identify institutional environmental risks and opportunities at CACMU.

### A. Context

#### About CACMU

Cooperativa de Ahorro y Crédito Mujeres Unidas (CACMU) is a credit union in Ecuador. It has eight branches and one main agency. Its mandate is to help women access financial services such as savings accounts, credit, and insurance. The institution was created in 2000 to support the work of organizations in rural and urban low-income sectors by enhancing the productive capacity of micro-entrepreneurs, and mestizo, black and indigenous women and their families, through financial and non-financial assistance and strengthening grassroots socio-organizational capacity.<sup>2</sup> Recently the cooperative has been seeking to expand its services to benefit other vulnerable population groups, including migrants, youth and families with disabilities.

As of April 2023, CACMU had more than 34,000 members. The majority of members and credit recipients are women, and the green financing approach responds mostly to the needs of the agricultural business segment. 46% of the agricultural microenterprises financed by the cooperative are owned by women working at home.

The cooperative is interested in promoting green financing lines for other sectors or consumer segments, such as the use of electric cars, induction or electric stoves to reduce gas consumption, as well as the installation of solar panels and solar water heaters. CACMU seeks to promote the offer of inclusive and environmentally friendly products that can educate and satisfy the needs of a vulnerable and low-income population and diversify its portfolio of products and services.

#### Inclusive Green Finance Projects

CACMU participated in the [Ecomicro Ecuador](#) project in 2019, an initiative funded by [IDB Lab](#) and implemented in collaboration with the [Network of Financial Development Institutions \(RFD\)](#) in Ecuador and [YAPU Solutions](#). This project aimed to combine agricultural finance processes with smart data digital applications to facilitate climate adaptation of financial intermediaries in Ecuador. The results of the pilot phase of the project identified that more than 50% of the agricultural portfolio of the cooperative met the necessary criteria to be classified as green according to the taxonomy contained in the digital catalogs of [YAPU](#), a provider of technical assistance services through agroecological digital applications.

Participation in this initiative contributed to structuring CACMU's climate change adaptation and mitigation strategy and drives the design and deployment process of the "CACMU Casa Verde" Project. This is an initiative to build the infrastructure of a sustainable office or head office, which is aimed at refurbishing the workspace of the cooperative's main agency to make it more effective and efficient in terms of energy consumption.

The project to refurbish a house located in an area of high demand for financial inclusion and education services is presented as an opportunity to capitalize on the credit union's experience in climate change risk management, financial inclusion, and digital transformation. Investing in the restoration of the house with the aim of operating in an eco-efficient manner is not only an institutional adaptation strategy to diversify a portfolio of financed activities focused mainly on the agricultural segment, but also enables and upgrades the promotion and supply of specialized green financial services and products, mitigating risks among members and promoting new social and green ventures needed to boost economic dynamism in the region in the future.

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<sup>2</sup> CACMU who we are, in <https://www.cacmu.fin.ec/web/quienessomos/>

## Partners

Triodos Bank and the Hivos Foundation established the [Hivos-Triodos Fund \(HTF\)](#) in 1994, one of the first global funds to invest in financial inclusion. Through a blended finance strategy combining public and private resources, the fund invests in companies with scalability potential, to catalyze sustainability and growth in green, inclusive, and emerging economies. In line with its objective of contributing to the development of a sustainable, value-driven financial sector, the fund has invested in the "CACMU Casa Verde Project" as a way to contribute to the realization of Sustainable Development Goal number eight (SDG 8) - Decent Work and Economic Growth; valuing the commitment of the cooperative with the beneficiary women, the development of the region and an effort to innovate and adapt its agricultural financing processes to the benefits and applications of new information and communication technologies<sup>3</sup>.

Since 2021, the cooperative has been working in alliance with [FINANCOOP](#), a second-tier cooperative financial institution that provides a sustainable credit line for financing green, sustainable and planet-friendly projects.

It also works in partnership with the [Cresol Cooperative in Brazil, its Institute and Agri Agency Infocus Cresol](#). This cooperation facilitates the exchange of experiences among peers and the provision of inclusive financial services for women and young farmers through training programs for members funded by the French Development Agency (AFD). These agencies support the CACMU cooperative especially in providing technical assistance related to organic agriculture.

## Start of the green agenda

The cooperative has had green initiatives since 2016. However, the articulation of these initiatives is finalised in 2020 with the restoration of the house in which one of CACMU's branches operates, within the framework of the "Green House" Project. To restore the house, a bioclimatic architecture construction was carried out with an international green building certification granted by [EDGE](#), a sustainable construction certification system that focuses on making buildings more efficient. EDGE certification is an innovation of the International Finance Corporation (IFC), a member of the World Bank Group<sup>4</sup>.

## Green CACMU Project schedule

- **2016** - previous experiences of La Merced and Servimóvil branches.
- **2020** - Construction of the 'Green House' in which the main office operates.
- **2023** - Implementation of other dimensions of the Green CACMU project and ambition to diversify the supply of social, inclusive, and environmentally friendly products

## In what context does CACMU operate?

There is recognition by the national government, international organizations, and the private sector of the leading role of the Popular and Solidarity Economy in the fulfillment of the 2030 Agenda and the 17 Sustainable Development Goals<sup>5</sup>. Since 2021, actors of the popular and solidarity economy in Ecuador have shown a growing interest in incentivizing green credit lines with the main objective of supporting micro and small businesses in the country to access credits that promote a greener and more inclusive economic reactivation after the COVID-19 pandemic. The aim is to implement social and environmental standards more specifically and to integrate a more systematic and/or rigorous analysis of social and environmental risks in the sector.

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<sup>3</sup> [Catalyzing green, inclusive growth: How Hivos-Triodos Fund made a difference in 2018, Triodos Investment Management, April 2019.](#)

<sup>4</sup> EDGE is a cost-effective, fast and easy-to-use market transformation tool for efficient buildings. EDGE allows project developers and builders to quickly identify the costs of incorporating energy, water and material savings options into their buildings. These strategies, integrated into the design of the building project, are verified by an EDGE Auditor and certified by GBCI. GBCI administers EDGE certification in [most countries around the world](#).

<sup>5</sup> [Sustainable Financial Solutions for Ecuador's Popular and Solidarity Economy, September 9, 2022](#)

Thus, public entities such as the National Corporation of Popular and Solidarity Finance (CONAFIPS), which operates as a second-tier bank serving the actors of the popular and solidarity economy, has received advice and training from the United Nations Development Program (UNDP), for the placement of its credit lines and the development of digital methodologies in a one-year program between 2021 and 2022<sup>6</sup>. During this time of joint work, other multilateral organizations have also intervened, especially CAF and the Inter-American Development Bank. As a result, tools such as the Environmental and Social Risk Management System (Sistema de Administración de Riesgo Ambiental y Social - SARAS) within CONAFIPS and the definition of green, sustainable, and inclusive credit placement standards for savings and credit cooperatives should be highlighted. By March 2021, a total of 20 social and solidarity economy cooperatives had defined green credit lines and were adopting SARAS' best practices.

The interest in developing and implementing SARAS has also been evident in the private sector, stimulated mainly by the recognition of the consequences caused by climate change in various production chains, especially in agriculture, where the financial sector plays a key role by providing credit to small, medium and large enterprises affected in their ability to pay after being hit by the Covid-19 crisis as well as by damage caused by climate events. Already in 2020, entities such as FINANCOOP joined the United Nations Global Compact Red Ecuador, with the aim of working and contributing to the Sustainable Development Goals, aligning its strategy towards the sustainable growth of cooperatives, and improving their agro-climatic management systems through the adoption of new tools for the placement of green credits and to support farmers.

However, the implementation of a sustainable management model at the cooperative sector level also involves the development and deployment of organizational eco-efficiency strategies. In Ecuador, the population depends on oil exploitation. More than a third of the nation's income comes from this industry<sup>7</sup> and in the city of Ibarra, where the CACMU Casa Verde is located, particularly liquefied petroleum gas is used extensively for cooking and water heating.<sup>8</sup> The search for solutions to replace the use of fossil fuels at the national level will help to reduce the pressures of oil extraction in the Amazon region and provide alternative energy supplies and new forms of employment for the population.

## B. Essential Practices No.4 at CACMU

### CACMU identifies opportunity to invest in an eco-efficient, multi-service agency model

The house at the main headquarters of the CACMU cooperative is the fundamental axis on which the "Green CACMU" project is based. The building is an emblematic, heritage and sustainable building, located in the center of the city of Ibarra. Its construction was financed by Triodos Bank and developed by "EMCOPRODE" with the design of the architectural agency "Procesos Urbanos". At CACMU 'Casa Verde', vulnerable women and their families can find essential financial and non-financial services, such as health care, that they need to live productive and sustainable lives. Complementary services are offered at the house where the CACMU Verde project operates in addition to the green credit lines offered at all other agencies. These additional services are part of a strategy to diversify the cooperative's products and services.

The refurbishment of the house has allowed to create a laboratory for the greening of the cooperative's daily activities and to give a new life to the main agency of the cooperative, aiming to provide an exemplary and inspiring behavior for the other agencies, but also for the community. The main agency, where [CACMU](#)

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<sup>6</sup>[CONAFIPS and UNDP initiative promotes green credit and incorporation of environmental and social standards in SMEs](#), March 27, 2021

<sup>7</sup>[Ecuador tried to curb oil extraction and protect the Amazon, but the opposite happened](#), The New York Times, January 2023

<sup>8</sup>[In Imbabura there is a shortage of liquefied petroleum gas](#), in Comercio 2015.



[Verde' activities](#) are based, organizes its products and services offer into four components: 1) the provision of sustainable and inclusive financial services offering credit to members below the poverty line in partnership with KIVA, 2) the incubation of social enterprises, 3) the promotion of preventive health services, and 4) research and training for entrepreneurship.

Ibarra, is also known as "the white city", since the historic center is full of old houses with white facades, most of them built after the fatal earthquake that took place in the city in 1868<sup>9</sup>. The city and the surrounding natural landscape have an interesting tourist potential and CACMU has identified the opportunity to contribute and highlight this aspect by restoring one of these houses, enhancing the cultural heritage while making it productive at the same time. This workspace has allowed the development of new activities such as the management of a 100% virtual school and a network to promote entrepreneurship of young university students and immigrants displaced by violence, among other causes.

These activities are important in a city where the tertiary sector accounts for 70% of employment. Thus, thanks to the development of these new educational services, the cooperative has been able to structure new initiatives for the benefit of the Venezuelan migrant population in [a project in cooperation with the Inter-American Foundation of the USA](#) and [another project for the benefit of agriculture](#) and its member partners, with the [INFOCOS](#) network of Brazil and the French Development Agency (AFD). These two projects represent more than USD 650,000 in technical assistance, financial products and equipment. The CACMU "Casa Verde" project in Ibarra is thus a sustainable and multifunctional space that also operates a coworking area, as well as rooms for events and training.

The restoration process of the house implemented the EDGE system, a method that guides the implementation of eco-efficient construction parameters, establishing criteria to reduce energy consumption. EDGE certification requires a minimum 20% reduction in the use of energy, water and embodied energy in building materials compared to a local standard building. This certification ensures that the refurbished property has an estimated emissions reduction of 10.12 tons of carbon per year. In the case of CACMU, the certified construction project is also valued as the restoration of an old heritage house, in recognition of historical, aesthetic and social values that are part of the identity of its surroundings.

The restoration of the building is an opportunity to demonstrate to the cooperative's members and civil society in the region that investing in sustainable technologies and the use of clean energy can generate short- and long-term environmental, economic and social benefits for everyone. Thus, the restoration of the house has employed technical construction solutions that optimize the use of recycled materials to reduce energy and water consumption. Some of the technical construction solutions implemented for the construction of CACMU "Casa Verde" include:<sup>10</sup>

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### Energy

Reduced window to wall ratio, reflective paint for external walls, energy-saving lighting, and solar photovoltaics.

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### Water

Low-flow faucets for bathrooms, dual flush water closets, water-efficient urinals and a rainwater harvesting system.

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### Materials

Composite in-situ concrete and steel deck (permanent shuttering) for floor slabs, clay roofing tiles on timber rafters and thin precast concrete deck and composite in-situ slab for roof construction, re-use of

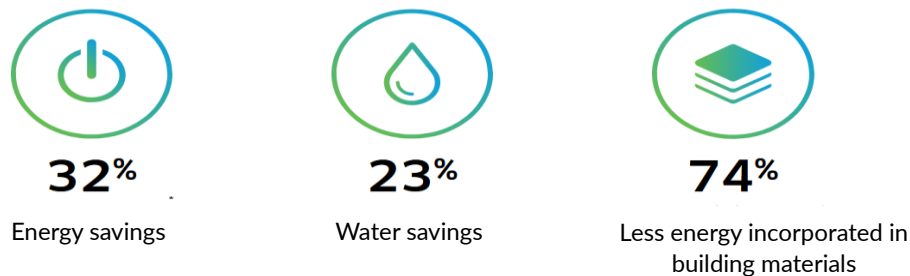
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<sup>9</sup> [15 things to see and do in Ibarra Ecuador](#)

<sup>10</sup> <https://edgebuildings.com/project-studies/cacmu-verde/>

existing internal and external walls, stone tiles/slabs and finished concrete for flooring and re-use of existing window frames.

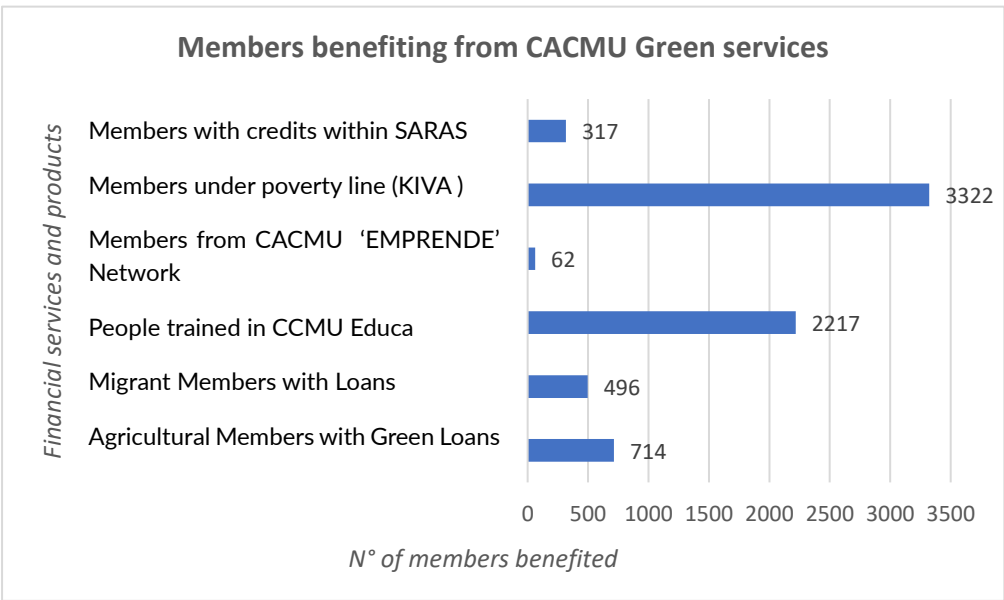
The expected savings according to the experts of the EDGE certification granted to the CACMU "Green House" in 2019 were:<sup>11</sup>



As of the date of this study, the building makes possible economic savings in energy and water consumption of approximately 42% per year.<sup>12</sup>

CACMU believes that credit unions must be sustainable, not only in the way they are built, but also through the services they offer to help vulnerable populations mitigate and adapt to the effects of climate change, and access the knowledge, technologies and tools needed to build resilience. That is why by investing in eco-efficiency technologies at its head office and providing innovative services, the cooperative expects to generate environmental, economic and social benefits for the country and its community in particular.

As of March 2023, the number of members benefiting from green financial services and products promoted from the CACMU "Casa Verde" lead agency has varied between green credit beneficiaries, migrant members with credits, people trained in CACMU Educa, beneficiaries of the CACMU Emprende Network, members under the poverty line with KIVA credits, and members with credits assessed under the recently implemented SARAS environmental and social management system.



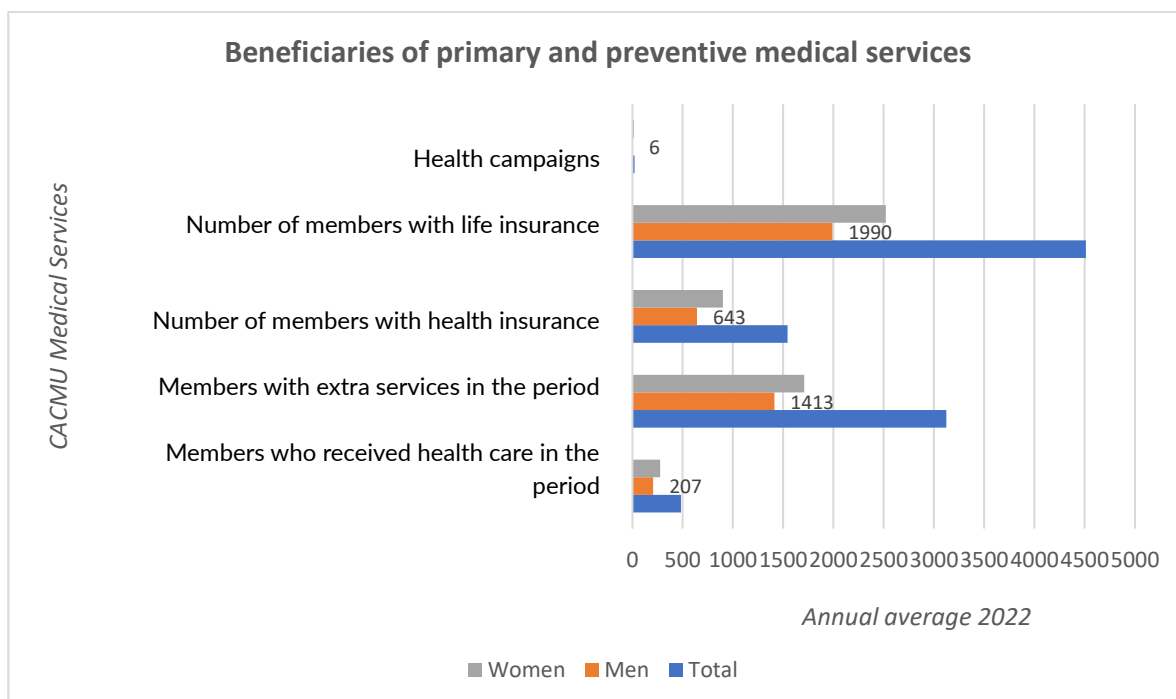
Source: CACMU 2023

<sup>11</sup> idem

<sup>12</sup> Data reported by CACMU, June 2023



The facilities of the new house have allowed the promotion of preventive medical services for both women and men, through the organization of health campaigns that bring together the community and promote the use of digital tools to access health insurance, life insurance or other specialized services, such as funeral services, for example. The consolidation of an offer of services through digital applications was very important during the pandemic period.



Source: CACMU 2023

## C. The CACMU of CACMU with Essential Practices No.4

### How did it start?

In 2010, the [financing needs of women and their families](#) in San Miguel de Ibarra, one of the largest cities in the province of Imbabura, were identified. To meet this demand, CACMU opened the La Merced Agency. Moreover, in 2011, it consolidated an offer of digital services through the creation of the agency SERVIMOVIL<sup>13</sup> (Services offered via cell phone or online), which began as a project aiming to provide specialized attention to the members allowing for a direct link with the communities by integrating the use of small and portable telecommunication devices, with wireless connection, capable of managing data, information and centralized applications from any point in the areas of incidence of the cooperative. Today, based on this experience, a mobile application has been developed that allows payment of services and collections in one place and has a credit and an investment simulator. This application is called [CACMU CONTIGO](#) and has boosted the remote offer of the cooperative's products and services from the main CACMU Verde headquarters where the information is centralized and the application data is managed.

In 2018, as a result of a growing and diversified demand for inclusive financial products in the region, the project to strengthen and expand the la Merced agency was initiated, which is why a corner house located

<sup>13</sup> SERVIMOVIL is an agency that has a dedicated staff specialized in the consolidation and management of data generated through digital applications. It works in partnership with parish councils and local governments. Each advisor specialized in this type of channel covers some areas or communities and based on credit applications or demand assessment, visits are made once or twice a month to the territories, processing credits, savings, and other services such as collection of basic services, payment of the human development bond (government program), insurance, etc.

on Sánchez y Cifuentes and Grijalva streets in the city of Ibarra was purchased. The challenge of designing new products and services in response to the needs of the community resulted in the opportunity to articulate the lessons learned from the experiences of the La Merced agency and the Servimóvil agency, to develop specific methodologies to serve vulnerable and excluded sectors, through the provision of specialized financial services and the incubation of new lines of business enhanced by digital tools.

### **What was the key to your success?**

In CACMU's opinion, the key to success has been building strategic alliances with different national and foreign, public and private institutions. These partnerships generate value and raise awareness of the institution's work, making it a national and international reference for the social, inclusive and environmental work it has been doing for 22 years.

### **What challenges have you encountered?**

According to CACMU, the project is complex and challenging. Integrating a product and service offering with high levels of quality that meet environmental, social, and good governance needs is a major challenge and requires additional operational work beyond what traditional financial service providers are used to. Meeting this challenge requires access to resources and liquidity. However, obtaining resources to finance inclusive and green financial products, with conditions in line with the products offered, is often an obstacle.

### **How did you overcome them?**

The lack of access to resources has been overcome through the alliance with FINANCOOP's central fund, which not only provides a line of credit to finance clients/partners, but also gives access to a network of knowledge and exchange of experiences with peers at the national and international level. Access to this information and exchange network has enabled CACMU to adopt new tools and technologies to better manage social and environmental risks and opportunities, as well as to prepare for compliance with new national regulations in this area.

### **What are the important lessons to share with other FSPs?**

CACMU currently employs two professionals in agricultural sciences, specialists in green agricultural credit management, the social and environmental risk management system (SARAS) and resilient agriculture. CACMU employs a professional with experience in social and training projects and a professional with experience in financial services for migrants. In CACMU's opinion, it is very important to have specialized staff, as well as to plan constant training for business staff and managers on the importance of integrating social and environmental issues into daily activities.

## **D. What is the next stage?**

CACMU is working in alliance with the CODESPA Foundation and the Network of Development Financial Institutions of Ecuador to improve and strengthen employability, entrepreneurship, and access to the ecosystem for the economic inclusion of visually impaired people in Ecuador. One of the specific objectives is the promotion, design, and implementation of customized financial services for entrepreneurs with disabilities. These services will be developed mainly in the facilities of the main agency, which will allow the integration of an inclusive service offer with access to green, inclusive and digital mobility technologies.

Both financing and inequitable access to regular labor market conditions and opportunities have been traditional bottlenecks in relation to business activities involving people with disabilities. It is therefore essential to support capacity building and the establishment of more inclusive small businesses incorporating social and environmental dimensions. CACMU is implementing a protocol manual for serving people with disabilities, which includes practices of the Universal Standards for Social and Environmental Performance Management (USSEPM) in order to provide inclusive products and services. The aim is to progressively incorporate adjustments that contribute to reduce physical, attitudinal and/or communication barriers that prevent its members and customers from accessing the products and services offered by the

cooperative, and to implement new technologies that accelerate the generation of action plans to mitigate social and environmental risks in view of the new SARAS requirements at the national level.

## Acknowledgments

e-MFP and the Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) would like to thank CACMU, particularly Estiwar Hidrobo, Inclusive and Sustainable Business Director, for sharing his time and knowledge about the bank's experience in green inclusive finance with Juana Ramírez and the Green Map team. Special thanks also to the Government of the Grand Duchy of Luxembourg for their financial support and for making this work possible.

## More information

For more information on CACMU's environmental track record, we invite you to consult the following resources:

- CACMU's website: [CACMU](#)
- Contact: Estiwar Hidrobo, [ehidrobo@cacmu.fin.ec](mailto:ehidrobo@cacmu.fin.ec)

For more information on Essential Practices, we invite you to consult the [Green Index 3.0](#).

## Contribute

We encourage you to actively participate in the creation of a pool of available resources on good environmental practices.

If you are interested in **contributing to the Green Essential Practices Case Study Series**, we invite you to contact Joana Afonso at the European Microfinance Platform (e-MFP) at [jafonso@e-mfp.eu](mailto:jafonso@e-mfp.eu).

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### **The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG)**

The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) is a unique multi-stakeholder think tank that brings together inclusive finance practitioners and researchers to enhance cooperation, exchange experiences and find a common path to deal with environmental issues, improve knowledge and disseminate findings, seize green opportunities and co-create common standards for the inclusive finance sector and new practical tools to advance green inclusive and climate smart finance. Created in 2013, today it counts today more than 150 members affiliated to more than 75 institutions worldwide and represents the majority of sector stakeholders.

### **The European Microfinance Platform (e-MFP)**

The European Microfinance Platform (e-MFP) is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers. Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. The Platform achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 400 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award, and its many and regular publications.

European Microfinance Platform  
39 rue Glesener  
L-1631 Luxembourg  
[contact@e-mfp.eu](mailto:contact@e-mfp.eu)  
[www.e-mfp.eu](http://www.e-mfp.eu)

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