

GREEN INCLUSIVE FINANCE

Case Studies Series on Essential Practices

Essential Practice No.3:

Identify client or portfolio-level environmental risks and opportunities



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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 3.0.¹ 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.)

¹ 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 and 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. 3 (EP3): Identify environmental risks and opportunities at customer or portfolio level

In **Green Essential Practice No. 3 (EP3)**, the FSP focuses on identifying client or portfolio level environmental risks and opportunities.

FSP Environmental Risks (clients/portfolio):

- The FSP identifies vulnerability of clients/portfolio to environmental risks and adverse environmental impacts of clients/portfolio as factors of risks to achieve its social mission or environmental objectives.
- The FSP trains its loan officers and back-office staff on how to identify, evaluate and categorize vulnerability of clients/portfolio to environmental risks and adverse environmental impacts of clients/portfolio as through its own internal human resources or through local or international experts.
- The FSP partners with technical or technologies providers to evaluate client or portfolio vulnerability of clients/portfolio to environmental risks and adverse environmental impacts of clients/portfolio as through Informal partnerships or formal agreements.

FSP Environmental Opportunities (clients/portfolio):

- The FSP conducts market research, and it identifies demand for/supply of green support.
- The FSP identifies the needs or demand of each client for green products and other objectives that can be supported with green activities.
- The FSP trains its loan officers and back-office staff on the identification, evaluation and categorization client and clusters of client needs and demand for green products and other objectives that can be supported with green activities through its own internal human resources or through local or international experts.
- The FSP has partnerships with technical or technologies providers to evaluate client needs or demand for green products and other objectives that can be supported with green activities through Informal partnerships or formal agreements.

The FSPs highlighted in Case Studies on **Green Essential Practice No. 3 (EP3)** demonstrate good practices in identifying risks and opportunities at the client and portfolio level.

EP3: Identify environmental risks and opportunities at the customer or COMUBA portfolio level

A. Background

About COMUBA

The Coopérative des Membres Unis Bethel Actions (COMUBA) began in 2000 as an initiative of a handful of people in Benin to meet the financing needs of its members. COMUBA has since evolved to become one of Benin's leading microfinance institutions, focusing on women. Its mission is to "Contribute to improving the well-being of low-income women through groups, by offering them quality financial and non-financial services". COMUBA has been recognized as a cooperative by the Ministry of Finance since 2008. It operates through 19 branches. In March 2023, COMUBA had 51,112 active customers, including 31,220 borrowers, with outstanding loans of EUR 5 million. 70% of customers are women, 80% live in rural areas, and 43% earn their living from farming.

COMUBA developed its environmental strategy in 2019, covering the period 2019-2023. The strategy focuses on the promotion of green products (solar and nature-based solutions for agriculture), the integration of climate risks into the analysis of credit applications, the reduction of the direct carbon footprint via energy savings and the use of renewable energies at headquarters and in 6 branches to date.

From 2019 to the present day, COMUBA has participated in the [MEBA project - Microfinance for Ecosystem-based Adaptation](#), promoted by the United Nations Environment Programme. Within this framework, COMUBA has adapted its credit methodology and its information management system (digitization) and has introduced indicators to verify whether the practices and technologies financed comply with the key principles of ecosystem-based adaptation ("EbA") and indicators of climate sensitivity and adaptation capacity.

In addition, COMUBA has issued interest-free loans to equip 100,000 households with gas cylinders over a 5-year period, thus avoiding the use of coal by customers.

What is COMUBA's background?

Benin is a low-income country, with 39% of rural households living below the poverty line (UNDP 2019). Although Benin is a low emitter of CO₂ (0.69 tons of CO₂ per capita, 73rd out of 184 countries according to [UN Climate](#)), it ranks 152^{ème} on the [ND-GAIN 2020](#) index out of a total of 182 countries. It is the 15th most vulnerable country to climate change and the 53^{ème} least prepared to cope with it. According to the [United Nations Common Country Assessment for Benin for 2022](#), "Benin should expect longer periods of drought and more intense rainy seasons. In coastal areas, rising sea levels could threaten the habitat of a large proportion of the population. Agricultural yields will suffer from extreme climatic conditions. Rising temperatures and rainfall intensity could also cause an increase in infectious diseases and energy shortages. Water resources will also be affected by extreme climatic conditions".

Benin is a signatory to the Paris Agreement and since 2018 has had a law on Climate Change. In terms of climate finance, the Fonds National pour l'Environnement et le Climat (FNEC) has, since 2019, been the national implementing entity for United Nations Green Climate Fund projects. The FNEC has also been accredited as the national implementing entity for Climate Change Adaptation Fund projects for the period 2020-2025. Benin has drawn up a [national climate change adaptation plan](#) for 2022.

A regulatory framework relating to the environment applies to activities financed by COMUBA, within the framework of sectoral provisions (agriculture, energy, vulnerable populations). Exclusion lists for environmentally damaging activities are common practice in Benin's decentralized financial sector. In addition to the sectoral ministries and the FNEC mentioned above, the key players encouraging the

adoption of green practices in Benin are specific projects. Among them, although it does not focus exclusively on the environment, the ADAPAMI project - Appui au Développement, à la Promotion et à l'Assainissement du secteur de la Microfinance au Bénin - implemented by the Association professionnelle des systèmes financiers décentralisés (APSF), has provided some microfinance institutions with specific support on environmental issues.

B. Essential Practice No.3 (EP3) at COMUBA

Integrating environmental risks into the credit granting process.

Since 2019, Comuba has gradually integrated environmental and climate risks into its credit approval process. The starting point was the participation in the [MEBA project - Microfinance for Ecosystem-based Adaptation](#), promoted by the United Nations Environment Program. Using the project's adaptation capacity indicator, COMUBA identifies the vulnerability of its portfolio and of each customer in particular to risks linked to climate change, water scarcity, and the storage, handling or inappropriate use of hazardous chemicals, including pesticides and fertilizers.

Portfolio risk mapping has been updated to include environmental risks and a risk management manual is available. The main risks identified are those linked to low rainfall and poor pesticide handling. This categorization has enabled the institution to consider transferring certain risks, such as those linked to rainfall and low crop yields, but the absence of agricultural insurance in Benin inhibits this intention.

COMUBA has identified the crops it is willing to finance, given their degree of exposure to climate risks. A directory of cultivation methods to cope with climate change is available.

Each loan application is now subject to an assessment of the customer's exposure to social and environmental risks, which is more thorough for agricultural loans. This has required the adaptation of the credit manual, as well as the digitization of COMUBA's credit process and the interconnection of branches with head office which was completed in 2022.

In addition, for customers whose farming activities have a negative impact on the environment, environmental impact studies are required, particularly for high loan amounts. Some requests are rejected. In cases where the impact is deemed to be moderate, COMUBA assists customers by raising awareness or providing support. For example, for a customer with a waste management problem, COMUBA helped him install a biodigester.

From integrating environmental risks to identifying green opportunities

The following green products are offered by COMUBA: credit for the purchase of gas cylinders to avoid logging, credit for the purchase of biodigesters, credit for the installation of greenhouses with efficient irrigation (off-season crops), domestic solar kit credits.

The key role of partnerships

The partnership with YAPU Solutions, as the executing agency for the MEbA program, has made it possible to apply a methodology for calculating an environmental risk index, integrated into the analysis of loan application files and digitized. Previously, ADA had provided technical assistance for risk mapping.

C. COMUBA's trajectory with Essential Green Practice No.3 (EP3)

Starting point

Given the relevance of COMUBA's agricultural portfolio (43% of the total), integrating climate risk is a major challenge, as it is reducing customers' vulnerability to this risk. This is why COMUBA seized the opportunity offered by the MEbA project.

Keys to success

There are four key factors:

- Training and awareness-raising for agents to overcome resistance to change;
- Raising customer awareness;
- Management commitment; and
- Support from financial partners.

Challenges and solutions

Financing green products involves longer maturities. In addition, training agents and raising customer awareness entails additional costs. Finally, COMUBA has a need for technical expertise in the environmental field.

The integration of environmental risks and opportunities has given COMUBA greater access to dedicated funding. More generally, it has given the institution greater visibility, which has also helped to attract more funding. Faced with the need for technical expertise, partnerships with suppliers of clean energy solutions have provided a solution.

Learning

The integration of environmental risks not only makes it possible to play one's part in protecting the environment, but also to improve financial performance by improving the credit portfolio through the control of climatic risks and other dangers linked to poor ecosystem management.

D. What's the next step?

In 2023, COMUBA set out to promote sustainable agricultural practices among its customers with several technical partners, including the CPETAKI agricultural college, where it has set up an experimental farm.

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Read more

For more information on CAURIE-Microfinance's environmental approach, please consult the following resources:

- Link to COMUBA's website: [COMUBA MICROFINANCE - Coopérative des Membres Unis Bethel Actions](#)
- Contact: Herman Jako - jako78@yahoo.fr

For more information on essential practices, please consult [Green Index 3.0](#).

Contribute

We encourage you to take an active part in enriching the resources available on good environmental practices.

If you would like to **contribute to the Green Essentials case study series or the Green Map**, please contact Joana Afonso at the European Microfinance Platform (e-MFP) at jafonso@e-mfp.eu.

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.

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