

## GREEN INCLUSIVE FINANCE

### Case Studies Series on Essential Practices

## Essential Practice No.2:

### Implement your environmental strategy



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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.<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 maximise 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. 2: Implement your environmental strategy

In **Green Essential Practice No. 2 (EP2)**, the FSP focuses on implementing the FSP's environmental strategy. EP2 focuses on having adequate systems and processes in place necessary to implement the environmental strategy.

EP2 evaluates the following:

1. *Responsibilities and processes*
  - What are staff responsibilities?
  - What processes are in place to achieve the goals? Do they include feedback loops and integrate lessons?
2. *Management and governance*
3. *Monitoring and evaluation*
  - Vulnerability
  - Adverse environmental impacts
  - Economic impact

The FSPs highlighted in Case Studies on **Green Essential Practice No. 2 (EP2)** demonstrate good practices in implementing their environmental strategy.

## EP2: Implementing an environmental strategy at Fortune Credit

### A. Background

#### About Fortune Credit

Fortune Credit is a microfinance institution founded in 2014 to catalyze economic empowerment of the rural population in Kenya through appropriate savings, credit, and insurance services. Fortune Credit's vision is to be the advocate for social-economic and ecological prosperity of the people of Africa. Its mission is to offer solutions designed to accelerate access to innovative financial products and services that have economic and social impact.

Fortune Credit is part of the [DRIVE program](#) - De-risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa. DRIVE started in 2022 and targets 250,000 households representing 1.6 million pastoralists and their dependents in Kenya, Ethiopia, Somalia, and Djibouti. Overall, the project is enabling USD 572 million in private capital to help pastoralists tap into drought insurance and savings, get access to digital accounts, and attract more private investment into pastoral areas. [The World Bank](#) funds the program, while [ZEP-RE](#), the reinsurance company of the Common Market for Eastern and Southern Africa, implements it. Fortune Credit is the only microfinance institution in Kenya participating along with banks. Fortune Credit engages the customers through financial literacy talks and in some cases finances 20% of the insurance premium.

Fortune Credit's main partners are the government of Kenya, technical solution providers ([Ecozoom](#), Kuson Agencies for biogas, [Fortune Twiganet](#) - Index based insurance, [Flex Bio](#)), as well as national and international donors ([The World Bank](#)) and investors.

Fortune Credit started to incorporate activities targeting the environment and tackling climate change in 2021. In 2022, it changed its approach and in February 2023 it released its environmental strategy, running until 2027.

#### What context does Fortune Credit operate in?

Kenya is a lower-middle income economy, with a population of 54 million. It is the largest economy in East Africa and has implemented significant economic and structural reforms, which have helped to sustain economic growth over the past decade. Nonetheless, key challenges continue to be seen in the country's inequality and poverty level: 34% of its population lives below the national poverty line, and 16% below the international poverty line.<sup>2</sup>

The [ND-GAIN 2020](#) index has ranked Kenya in the 149<sup>th</sup> place out of 182 countries. According to this index, Kenya is the 39<sup>th</sup> country most vulnerable to climate change and the 38<sup>th</sup> least prepared. Kenya's economy is indeed dependent on many climate-sensitive sectors, such as agriculture, water, energy, tourism, wildlife, and health. The country has faced a notable increase in climate-related disasters, such as droughts and floods.<sup>3</sup> According to the [Climate Finance Initiative](#), these events are estimated to create an economic liability of 2-2.8% of its gross domestic product every year. In addition, the high level of inequality increases the impact of shocks.

Kenya has signed and ratified the Paris Agreement. Although Kenya contributes less than 0.1% to the global greenhouse gas emissions annually, its Nationally Determined Contribution released in 2020 represents a commitment to reduce emissions by 30% by 2030 under 'business as usual' projections, with 79% of the financing committed from international resources to achieve this objective.

Kenya has introduced policies and frameworks to tackle climate change, including adaptation, by increasing the share of renewables in the electricity generation mix, increasing tree cover to at least 10% of land area, building a low carbon and efficient transportation system, and increasing the uptake of adaptation

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<sup>2</sup> [The World Bank](#)

<sup>3</sup> [World Bank Climate Risk country profile](#) (2021)

technology across all sectors, especially climate smart agriculture, and drought and flood risk management.<sup>4</sup>

## B. Essential Practice No.2 at Fortune Credit

Fortune Credit's environmental strategy, covering the period 2022 - 2027, targets three main objectives:

- **Objective No.1** – Contributing to the transition to clean energy and low carbon production by providing loans for clean energy and smart agriculture (biodigesters, electric motorbikes loans for young people);
- **Objective No.2** – Creating resilience among customers, through the participation in the World Bank program DRIVE which delivers index-based livestock insurance and savings for pastoralists as well as piloting other insurance products (area yield index insurance);
- **Objective No.3** – Managing climate risks using a digitalized appraisal process for loans and insurance products. In the case of loans, an activity assessment tool allows collection of information on possible environmental risks associated with the client's activity. In some cases, the contract is automatically customized with specific clauses to mitigate the environmental risk.

This case study aims at showcasing to which extent **Fortune Credit has set up systems to implement its environmental strategy.**

### Clear roles and responsibilities

Roles and responsibilities in the implementation of the environmental strategy are clear and formalized. On the Board, a director serves as impact and environment champion. She has helped the Board understand the benefits of having environmental priorities in their strategy. In addition, the CEO acts as a leader in implementing the green strategy, alongside the social and environment manager, a dedicated full time staff member, who acts as the impact and environment champion at the operational level. All staff is also responsible for achieving the environmental strategy (see below).

### Ensuring the implementation of the environmental strategy

Fortune Credit's Board and management track and use environmental data for each environment specific objective. Prior to the adoption of the environment strategy, Fortune Credit used to offer green products, but without specific monitoring. Now, Fortune Credit monitors specific indicators on the green product portfolio. This has facilitated greater outreach and more financial support from lenders and investors (see below).

Since February 2023, Fortune Credit is ensuring the implementation of the environmental strategy, through the following:

- Targets set up for all departments. The business operations team must achieve quantitative targets (green products delivery among others), while the administrative team rolls out actions for complying with Fortune Credit's direct environment footprint targets;
- Trainings for current and new staff: all Board and staff members receive an initial/on the job training covering the environmental strategy;
- Client awareness sessions;
- Partnerships as a means to bring technology and knowledge at a lower cost than contracting dedicated services. For instance, Fortune Credit rolls out the financial literacy training to clients while technical partners train the clients in the use of the technical solution (i.e., biodigesters with Kuson Agencies, biogas equipment with Eco Zoom);
- Technology to efficiently collect, analyze and share data. For instance, a technical partner based abroad analyzes data related to the index-based insurance products in real time.

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<sup>4</sup> [NAP\\_Final-Signed\\_22022017.pdf \(unfccc.int\)](#)

## Social and Environmental Management System and Procedures

Fortune Credit set up a Social and Environmental Management System and Procedures (ESMS&P) in February 2023, based on the [Green Index 3.0](#) and the [IFC standards](#). Both serve as a common platform for all stakeholders. The ESMS&P is formalized in a document. Its major features are:

- Integrates social and environmental thinking into Fortune Credit's main line functions (i.e., lending operations, and other staff functions);
- Aims to integrate social and environmental aspects in Fortune Credit's existing loan cycle as appropriate;
- It is not documentation intensive. Simple documentation structures have been adopted so that the focus of the ESMS & P remains implementation oriented.

## Monitoring progress

Fortune Credit has defined how to monitor progress. Indeed, key performance indicators are integrated into its Management and Information System and are collected on a daily basis.

### Objective No.1 – Transition to clean energy:

- Total loans disbursed for the year for clean energy
- Women and youth as clients of clean energy products
- Share of the portfolio in clean energy products
- Amount of savings collected by energy products clients

### Objective No.2 – Creating resilience among customers:

- Number of financial literacy talks on insurance
- Total amount of insurance premiums funded
- Total amount of insurance premiums not funded
- Number of clients for whom 20% of the insurance premium is financed through Fortune Credit.
- Total loans disbursed for smart agriculture products
- Share of the portfolio in smart agriculture products

### Objective No.3 – Managing climate risks:

- Number of loan applications
- Number of rejections based on the exclusion list out of the total number of loan applications
- Most common risks identified
- Most risky sectors financed

## Environmental data: vulnerability, side effects, impacts

While Fortune Credit has been collecting data related to the vulnerability of its new clients against weather threats, energy poverty and lack or reduced access to water within the design of its dedicated products, it recently started to embed the client vulnerability assessment into its credit process. Data will soon cover the whole portfolio.

In addition, Fortune Credit is interested in assessing potential side effects of its strategy. As an example, Fortune Credit would like to better understand the positive and negative outcomes of some products on the lives of clients. An example is inquiring into the opportunity cost of purchasing its products. What would the client have bought with the money that served to pay the insurance premium? What would the client who purchased an electric motorbike have done with the extra money needed to pay for it, compared to the thermic one?

Fortune Credit also collects data on environmental goals related to its own adverse impact, ensuring that the budget for water, electricity and paper consumption is achieved.



## Sharing results and ensuring feedback loop

Fortune Credit started to release environmental data reports and has conducted discussions on its environmental performance results with all stakeholders. Internal reports to the board and to investors, as well as employees, are released and discussed quarterly. Internal reports to the management are produced monthly.

## C. Fortune Credit's journey with Essential Practice No.2

### How did it start?

Fortune Credit's CEO attended a training in Rwanda in 2022 on the Green Index, organized by the [Microfinance African Institutions Network \(MAIN\)](#). Following this, Fortune Credit underwent an environmental performance assessment under the [Green Index 3.0 digital tool](#). Working from the gaps evidenced through this assessment, Fortune Credit designed its environmental strategy, with the technical assistance of [HEDERA Sustainable Solutions](#). With the HEDERA impact toolkit, Fortune Credit identified its clients' needs, and the analysis of the clients' level of access to basic services is helping focus the priorities and actions of the institution. The Environmental Strategy was released in February 2023, with a strong focus on monitoring and Fortune Credit immediately started its implementation.

### What was key to success?

After a few months of starting to implement its environmental strategy, Fortune Credit identified some key success factors:

- Board and management are willing to see real change and solve clients' problems;
- The approach based on the Green Index 3.0 is consistent and allows a smooth shift from identification of gaps and objectives to the implementation and monitoring of activities;
- Fortune Credit has an advantage as it hosts a technology company, which makes it easier to build the information system;
- Fortune Credit relies on strategic partners to support its green agenda;
- The Kenyan government has identified strategies favorable to the environmental agenda.

### What challenges did Fortune Credit encounter? How did Fortune Credit overcome them?

The first challenge regarding the implementation of the strategy is linked to its cost. Indeed, while investing in technology and client awareness are key, they also bring significant costs. Fortune Credit is overcoming this challenge by building partnerships with companies that share the same vision while complementing its strengths. For example, Fortune Credit partners with Diva Technologies and Shamba Network on an innovative [event-driven conditional donation scheme](#). Shamba Network provides ecological data and tools to monitor ecological impact, while Diva technologies acts as an operating system for insurance, and Fortune Credit acts as a financial inclusion hub for farmers.

The second challenge is linked to change management. Fortune Credit has invested extensive resources to raise awareness and train staff and clients to have everyone "on the same green page". This has helped considerably, and Fortune Credit is now working on building the needed new capabilities to support its green agenda (e.g., in technology, for CO2 footprint indirect calculation, for credit carbon methodology design). So far, partnerships with incubation centers and technical partners have proven to be efficient.

### Important lessons to share with other FSPs

Three main lessons can be drawn in terms of what is needed to support the successful implementation of the environmental strategy:

- Ensure buy-in from the Board and the management;
- Allocate specific budget for the implementation;
- Leverage partnerships, as these helps increase knowledge and decrease costs and ultimately decrease implementation risks.

## D. What's next?

The current broad goal for Fortune Credit is to stay consistent in implementing the strategy. More precisely, Fortune Credit is looking to fine-tune indicators that are more complex, such as identifying side effects of environmental actions (i.e., indirect carbon footprint), and implementing carbon credits, leveraging partnerships or technical assistance.

In the medium term, Fortune Credit plans to release climate-related financial disclosures.



## Acknowledgments

e-MFP and the Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) would like to thank Fortune Credit, and particularly Janet Kuteli, CEO, for sharing her time, information, and knowledge on the institution's experience on green inclusive finance with Caroline Brandt and the Green Map team. A big thank you also to Elizabeth Nasimiyu, Branch Manager at Fortune Credit, Natalia Realpe Carrillo from Hedera Sustainable Solutions for connecting us with Fortune Credit, and to the Government of the Grand Duchy of Luxembourg for the financial support that made this work possible.

## Learn more

For more information about Fortune Credit's environmental journey, we invite you to check the following resources:

- Fortune Credit's website: [Fortune Credit](#)
- e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) webinar (October 2022): [Green financial products in Kenya - enhancing climate resilience and energy access](#)
- [Drive program – ZEP-RE](#)
- [Diva protocol – Event-driven conditional donations for pastoralists by DIVA Technologies, Fortune Connect and Shamba Network](#)
- [Resilient Growth - Blockchain-based insurance product by Ensuro, Ibisa and Fortune Credit](#)
- Contact information: Janet Kuteli, CEO : [janetkuteli@fortunecredit.co.ke](mailto:janetkuteli@fortunecredit.co.ke)

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

## Contribute

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

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