

# GREEN INCLUSIVE FINANCE

## Case Studies Series on Essential Practices

### Essential Practice No.2:

Implement their 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: Implementation of an environmental strategy in Fundación Génesis Empresarial (FGE)

### A. Context

#### About Fundación Génesis Empresarial (FGE)

Fundación Génesis Empresarial (FGE) is a non-profit organization that began operations in Guatemala in 1988 and combines extensive experience in microfinance and business development services. FGE's portfolio is diversified with a customized offer for low-income households, smallholder farmers, micro, small and medium-sized enterprises, as well as self-help groups, and interventions specifically designed for women. As of March 2023, the Foundation's portfolio amounted to USD 385 million, with 80% targeting the rural market and an active borrower base of approximately 30,000.

#### Inclusive Green Finance projects in which FGE has participated

The organization has specialized in developing a rural microfinance model with technological innovation to contribute to poverty reduction. This experience has led it to progressively strengthen its environmental management tools, and to participate, in 2021, in initiatives related to climate risk management of its agricultural portfolio and value chain development in collaboration with [YAPU Solutions](#). In addition, in collaboration with [IDB Invest](#) and [Accion International](#), FGE has also worked to document and understand in detail the experience of clients exposed to multiple climate and health risks, especially in the aftermath of the pandemic.

FGE stands out for its comprehensive model to serve a vulnerable population, including rural and indigenous women. This gender focus allowed FGE to access, in 2022, long-term financing from the [International Finance Corporation \(IFC\)](#) of USD 35 million to increase the credit supply to Micro, Small and Medium Enterprises (MSMEs) in Guatemala, with an important focus on those led by women.

#### Start of the green agenda

In 2008, the Foundation began to develop productive recycling initiatives and training for customers in the production of eco-bricks, as eco-classrooms were built. These initiatives involve and raise awareness among both employees and customers. Since 2008, FGE has also been part of the [CAMBio Project](#), whose objective is to promote more sustainable activities as bankable and biodiversity-friendly businesses.

#### Timeline of the green strategy

In 2022, the formal design of a green strategy began. The implementation of the strategy is scheduled for 2023. In this process, the structuring of [dimension 7 on environmental management](#) of the Universal Standards for Social and Environmental Performance Management (USSEPM) is a key reference for the consolidation of FGE's environmental strategy, as it allows the institution to define clear objectives in relation to global environmental management standards in the microfinance sector.

FGE has obtained several certifications, such as the [ISO 9001](#) certification [by ICONTEC](#) granted in 2019, which guarantees a process of continuous improvement of the automated processes of quality management. This certification reflects an institutional commitment to build a robust management model that puts into practice [the Customer Protection Principles](#) and the welfare of workers.<sup>2</sup> This existing focus on social performance management is an advantage in terms of implementing an environmental performance strategy, as the organization's operating system can adapt in a more agile and comprehensive manner to clients' vulnerability to the impacts of climate change, as well as to the challenges of identifying and managing environmental risks and opportunities.

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<sup>2</sup> The organization was also recognized by the "Great Place to Work" program as one of the best institutions in the country with respect to the treatment and management of its human resources.

The pursuit of the "green office" seal awarded by the Cleaner Production Center in Guatemala is an important goal that the institution has set for 2023 in terms of eco-efficiency. No other financial institution in the country has this seal, so obtaining the certification is a significant learning and differentiation opportunity. The Environmental Policy, which is currently being implemented, sets out responsible consumption indicators and policies focused on raising awareness of water use per employee, electricity consumption, reams of paper used, fuel use for field activities, and waste sorting. FGE expects to have a methodology adapted to determine the organization's carbon footprint by the end of 2023.

Since its origins, FGE has incorporated environmental protection and health promotion activities for its customers and employees. Structured social performance management was formally introduced in the Foundation in 2010, and in 2015 the management recognized as a strategic element the implementation of systematic processes to incorporate social and environmental performance management indicators (SPM) in the analysis of credit proposals and its subsequent follow-up. The support of the board of directors and senior management in the implementation of processes and metrics to measure, monitor and make decisions focused on improving the living standards of vulnerable clients, has been key to execute an adequate social and environmental performance management. This has allowed the Foundation to consolidate a solid model that incorporates from the beginning social performance indicators and environmental aspects associated with health, hygiene, and decent housing conditions of the final clients.

### **In what context does Fundación Génesis Empresarial (FGE) operate?**

Guatemala is an upper middle-income country and the largest economy in Central America by population and economic activity.<sup>3</sup> However, "despite being one of the richest and most diverse countries in Central America, Guatemala suffers from one of the highest levels of inequality on the planet".<sup>4</sup> By 2023, the poverty rate is estimated to be higher than in 2019 (54.6% versus 54% respectively).<sup>5</sup> Although the pandemic had serious consequences for the population at the socio-economic level, there are structural conditions of concentration of wealth and power that impede the progress of the poor population in Guatemala, particularly affecting the indigenous population.

The country is highly exposed to the phenomenon of climate change and its population is vulnerable not only to global warming, but also to natural disasters caused by hurricanes that affect the country due to its geographical position.

## **B. Essential Practice No.2 at Fundación Génesis Empresarial**

### **FGE implements a comprehensive environmental and social management system**

FGE's management model prioritizes clients' needs and preferences according to financial and social segmentation. This segmentation allows the organization to measure the financial and technological inclusion of the population it serves, as well as its level of exposure to environmental and social risks or specific events related to climate change. Client protection principles are considered at all times, ensuring that all products, services and channels are designed to benefit and develop clients' capabilities.

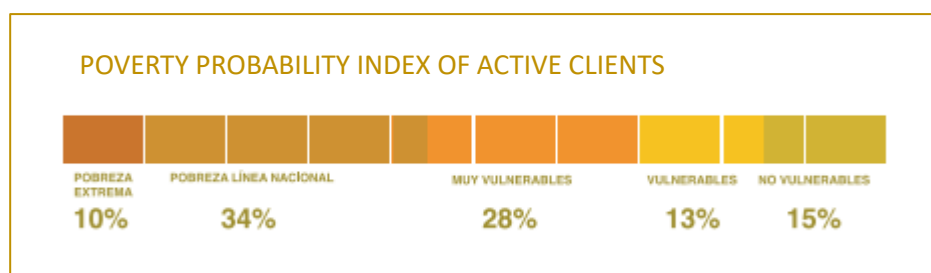
The segmentation model applied by FGE allows the institution to distinguish different levels of poverty and vulnerability among active clients by intervention or program area. The figure below presents this data for the Foundation at the end of December 2022:

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<sup>3</sup> [Guatemala Overview, World Bank](#)

<sup>4</sup> [Guatemala, between "the ground and the sky": extreme inequality in figures](#)

<sup>5</sup> [Economic and social outlook for 2023 in Guatemala](#)



Source: Social Performance Management, December 2022.

The organization's ability to differentiate its clients, identify their productive activities and the associated risks and opportunities, constitutes a significant advantage for implementing new strategies and offer tailored products with an environmental focus that are adapted to the needs of the agricultural segment, women and, in general, a population of active clients who are vulnerable and exposed to the consequences of climate change.

### **Management system which applies a gender approach with social and environmental awareness**

"40% of the active clients are served by the program generating financial inclusion through FGE's solidarity guarantee".<sup>6</sup> This model promotes the socioeconomic empowerment of women and takes into account their level of vulnerability in both urban and rural areas. FGE works with groups of women entrepreneurs who require a low amount of working capital to carry out economic activities that guarantee their economic independence. Since this segment of the active clients generally does not have the necessary collateral to access credit, joint liability methodologies are used. The evolution of the socioeconomic situation of the women clients is systematically documented, seeking to graduate them, according to their capacities, to individual loans and to the model of "La Ruta de Desarrollo" to get out of poverty.<sup>7</sup>

Environmental and climate vulnerability affects the poor population in a different way. Unlike the rich population, and due to their socioeconomic situation, the poor population has fewer alternatives and resources to adapt to unforeseen events associated with environmental risks, natural disasters, or climate alterations. In Guatemala, the state of vulnerability due to poverty is concentrated in women, and particularly affects the situation and living conditions of indigenous, illiterate, rural women, who are often also heads of households. Due to FGE's interest in meeting the needs of the vulnerable population, 72% of the Foundation's portfolio is comprised of women. The organization has not only designed a specific group program with a gender focus, in which 127,000 women actively participate, but the rest of the programs are also dominated by women, as a result.

Although the data regarding vulnerability allow establishing a relationship between poverty and a high exposure of vulnerable indigenous women to climate risks, it is also necessary to show that this population exposed to climate change, when it has access to adapted means of expression and communication, is able to show its capacity for adaptation, resilience and contribution to solutions. In the case of Guatemala, the indigenous community has created and convened spaces for dialogue, such as the [Indigenous Climate Change Roundtable of Guatemala \(MICCG\)](#). In which it is stated that "indigenous people have their own systems of indicators, monitoring and evaluation of the use and management of natural resources, contributing to the implementation of best practices to counteract the impacts of climate change in rural communities (Batzín, 2019). These systems have helped them to cope with the impacts of extreme climate events through practices such as seed selection and management, ancestral tillage techniques or the implementation of mixed cropping systems. For indigenous peoples, creole seeds are extremely valuable because they ensure a healthy diet for future generations, while conserving soils".<sup>8</sup>

<sup>6</sup> [Social performance management, December 2022](#)

<sup>7</sup> Management of Social Performance Management, December 2022

<sup>8</sup> Rosales Alconero, M. S. (2019). Climate change: how does it affect us and what are we doing in Guatemala? *Yu'am Magazine* 3(6): 37-45.



FGE, aware of this situation, serves under its individual model, 16,078 indigenous clients, women, who report an agricultural activity (excluding livestock activity) and who are included in FGE's vulnerability classification for April 2023, which recorded 24% of clients with low risk to climatic events, 59% with medium risk and 17% with high risk.<sup>9</sup>

### **Management system that applies an agro-climatic approach in search of building resilience.**

According to December 2022 data, FGE's financing programs for productive activities represent 87% of the organization's active clients. The value chains program represents 8% of active clients. This program focuses essentially on the production and marketing of agricultural crops. At present, with the increase in the intensity and frequency of climatic phenomena, agricultural activity is particularly exposed. This is not only because the risk of losing crops has increased, but also because the fluctuation of commodity prices has also increased, as has the rise in the price of agricultural inputs. This situation has a negative impact on the agricultural producer and also has negative consequences for food security, especially in a country like Guatemala where 32% of the economically active population works in this sector.<sup>10</sup> Through its management system and the analysis of client-focused indicators, FGE has been able to identify that "scaling up rural agricultural financing would have a positive impact on poverty reduction and rural economic reactivation."<sup>11</sup>

FGE's value chains program aims to finance and advise small-scale agricultural producers to consider climate risks and implement good agricultural practices or adaptation measures that will enable them to improve their production and become more resilient. These advisories are powered by artificial intelligence. The development promoters in this segment are agronomists and their knowledge is complemented by the integration of a very data-rich tool that works with satellite sensors to provide data on the state of the soil and climatic conditions in real time. This information, combined with the client's vulnerability information, facilitates the generation of personalized and very complete diagnoses that inform the decisions of the credit committee but are also provided to clients to alert them and anticipate risk situations due to climatic alterations, and to find alternative insurance products or adaptation projects to be financed. FGE has a team of more than 200 agronomists at the service of the value chain unit.

Within the framework of the ["Partnership for Central America"](#)<sup>12</sup> (PCA) promoted by the Vice President of the United States, FGE has found an opportunity to promote sustainable agriculture. An international cooperation and knowledge generation program has been launched, which aims, through FGE's management system, to facilitate the delivery of inputs to clients in the agricultural segment to improve their production in terms of seed quality, production volume and income. In collaboration with [Acción Internacional](#)<sup>13</sup>, a series of field studies have been conducted, including focus groups, to understand the farmers, their needs and the best way to influence their practices and to provide them with adapted inputs and technology packages. The idea of the program is to expand the ways and means of payment of producers, as well as their transactional and marketing capacity, and FGE has a whole digital ecosystem suitable for carrying out this ambition, including means of payment and transactionality.

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<sup>9</sup> Fundación Génesis Empresarial, 2023

<sup>10</sup> Population and Housing Census of the National Institute of Statistics 2018.

<sup>11</sup> [Genesis of success: agribusiness financing, success stories, IDB Invest, 2023](#)

<sup>12</sup> The Alliance for Central America is a non-governmental, non-partisan, non-profit organization that works with a multinational coalition of private organizations to promote economic opportunity among disadvantaged populations in El Salvador, Guatemala and Honduras. The Alliance serves as the coordinating body for Vice President Harris' Call to Action and aims to facilitate and support practical solutions to advance economic opportunity, address urgent climate, education and health challenges, and promote long-term investment and workforce capacity in support of a vision of hope for Central America.

<sup>13</sup> Acción Internacional promotes inclusive financial services through rigorous research in support of programs with an evidence-based theory of change.

## C. Fundación Génesis Empresarial's route to Essential Practice No.2

### How did it start?

Since its origins, the social mission of Fundación Génesis has included the objective of alleviating poverty and improving the quality of life of vulnerable people through the agile provision of financial and non-financial services. The focus on productive projects in rural areas of Guatemala, as well as sustainable small and medium-sized enterprises, with a special focus on women, reflects the institution's commitment to work to promote inclusive development in the country.

### What was the key to success?

In FGE's opinion, the key contribution from the recent process of structuring the institution's environmental agenda has been to demonstrate and evaluate the maturity and consolidation of the existing social performance management system as a mitigator of credit, social and environmental risk.

The development pathway ('Ruta de Desarrollo') model seeks to improve the quality of life indicators of the Foundation's beneficiaries by generating income. A segmentation model is applied to identify the characteristics of the clients and their needs, considering their situation when they begin the relationship with the institution. The living conditions of the clients (housing conditions, access to education, food, health, and basic services) and their income are recorded from the first loan, and with each renewal, quality of life and income generation indicators are compared to understand the evolution and promote the integral development of the clients and their families in a sustainable manner. The measurement of the multiple dimensions that determine the vulnerability of its clients, including environmental variables, allows FGE to contextualize the product offering to improve the quality of life of the population served and it makes a difference.

FGE certified its model with the ["TrueLift"](#) seal of excellence, to indicate a financial institution's commitment to generating positive and lasting change for people living in poverty.

### What challenges have been encountered?

FGE aims to align its client-centered approach with the cultural relevance and the values found in the richness of peoples, cultures, traditional practices, and customs. Guatemala is a country with multiple ethnicities and multilingualism and has a determining geographical challenge. "5% of the Guatemalan territory is in the "very high" and "extremely high" drought threat categories".<sup>14</sup> Awareness of nature conservation and education on the effects of climate change is fundamental, but language is a major barrier, as are the socioeconomic conditions of the population. Many clients do not know how to read or write, and Spanish sometimes limits dialogue with the indigenous population.

### How did FGE overcome them?

Through the adoption of an environmental strategy and the understanding that, in order to transmit and produce knowledge and promote inclusive education, it is necessary to invest in technologies and in the production of visual and didactically appropriate technical courses to share concepts, generate commitment and sensitivity. Aware of the diversity and cultural richness of the country, the Foundation has adapted its material and platform for training and provision of business development services to train clients in person and digitally in Q'eqchi, Kakchikel, Mam and Quiché indigenous languages, and to help them be agents of their own development in their language of origin. In general, FGE aims to develop capacities for clients to achieve better management of their finances, have a better quality of life and greater digital skills to advance along their 'Development Route' with environmental awareness. Bridging the gap in relation to the adoption of digital applications by clients and at the staff level is an important area of work. FGE is constantly working on these innovation issues and has its own Fintech, the Technological Foundation, which works on disruptive

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<sup>14</sup> [Claudia Benavente, The Challenges for Guatemala, June 2021](#)



projects that challenge the traditional operating model and provide solutions to move forward according to the new market conditions.

### **What are the important lessons to share with other financial service providers looking to improve their performance around EP2?**

In FGE's opinion, always aiming to align itself with the best management standards is something that has allowed the institution to innovate and be prepared to face the challenges of an ever-changing world. The emphasis on improving clients' living conditions through continuous improvement of processes that guarantee good social performance is an important mitigating factor in environmental and climate risk management. Environmental management policies must take into account the socioeconomic conditions of the target population, as this is the way to achieve adapted and fair interventions that generate structural changes for people living in extreme poverty, as is the case of the indigenous population in Guatemala.

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

It is important to fully use existing information in the management system both to be able to calibrate the environmental data management model and make good decisions, as well as to tailor products for housing improvement, water management and the delivery of sustainable and climate-smart agricultural management plans.

The new environmental specialist hired by the institution will focus on implementing an adoption strategy of the environmental management system that incorporates a structure for monitoring environmental objectives, enriching institutional practices and improving employee engagement. On the one hand, for example, within the framework of the partnership with "[Water for People](#)", it has been possible to identify the need of families who do not have a septic tank or who have one, but it is in very poor condition. It is estimated that there are more than 55,000 cases of people interested in investing in improving these water and waste management systems. On the other hand, the need to change dirt floors for concrete floors to simultaneously work on combating health, hygiene and nutrition issues is also part of the immediate implementation agenda.

In addition, the need to contribute to a sustainable economy in terms of energy consumption and access to energy has been identified. 10.74% of Guatemalan households still lack access to electricity supply,<sup>15</sup> therefore, continuing to provide access to financing for solar panels is relevant. Although the offer of financing to purchase improved cookstoves continues to be a technology available at FGE, it is a product that is difficult to adopt and the need for more training has been identified, with communication methods adapted to the client. In this sense, the next step will be to structure products and services to serve a vulnerable population from a socioeconomic and environmental point of view, as well as to optimize technological applications to be able to manage new information on climate change and opportunities for investment in adaptation measures in a more agile manner.

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<sup>15</sup> [Index of Electricity Coverage Guatemala, 2021, Government of Guatemala, Ministry of Energy and Mines, p. 9.](#)

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## More information

For more information on Fundación Génesis Empresarial's environmental trajectory, we invite you to consult the following resources:

- Fundación Génesis Empresarial's website: [Fundación Génesis Empresarial](#)
- Contact: Adela Sagastume, Manager of Social Performance and Public Relations, [asagastume@genesisempresarial.com](mailto:asagastume@genesisempresarial.com)

For more information on Essential Practices, please refer to 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).

### **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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