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# Investing in Green Inclusive finance: challenges, opportunities, strategies, the way forward

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## Why "Green" Financial Inclusion in the first place?

- FMO (the Netherlands Development Finance Company) is the Dutch development bank.
- Investment portfolio of ~EUR 9 billion
- FMO focuses on three sectors that have high development impact: **financial institutions**, energy, and agribusiness

**Green lines**: Credit Line for on-lending to investments that produce environmental benefits: Households, SMEs, Corporates and **Microfinance**

**Green Microfinance fits our strategy and green finance ambitions.**

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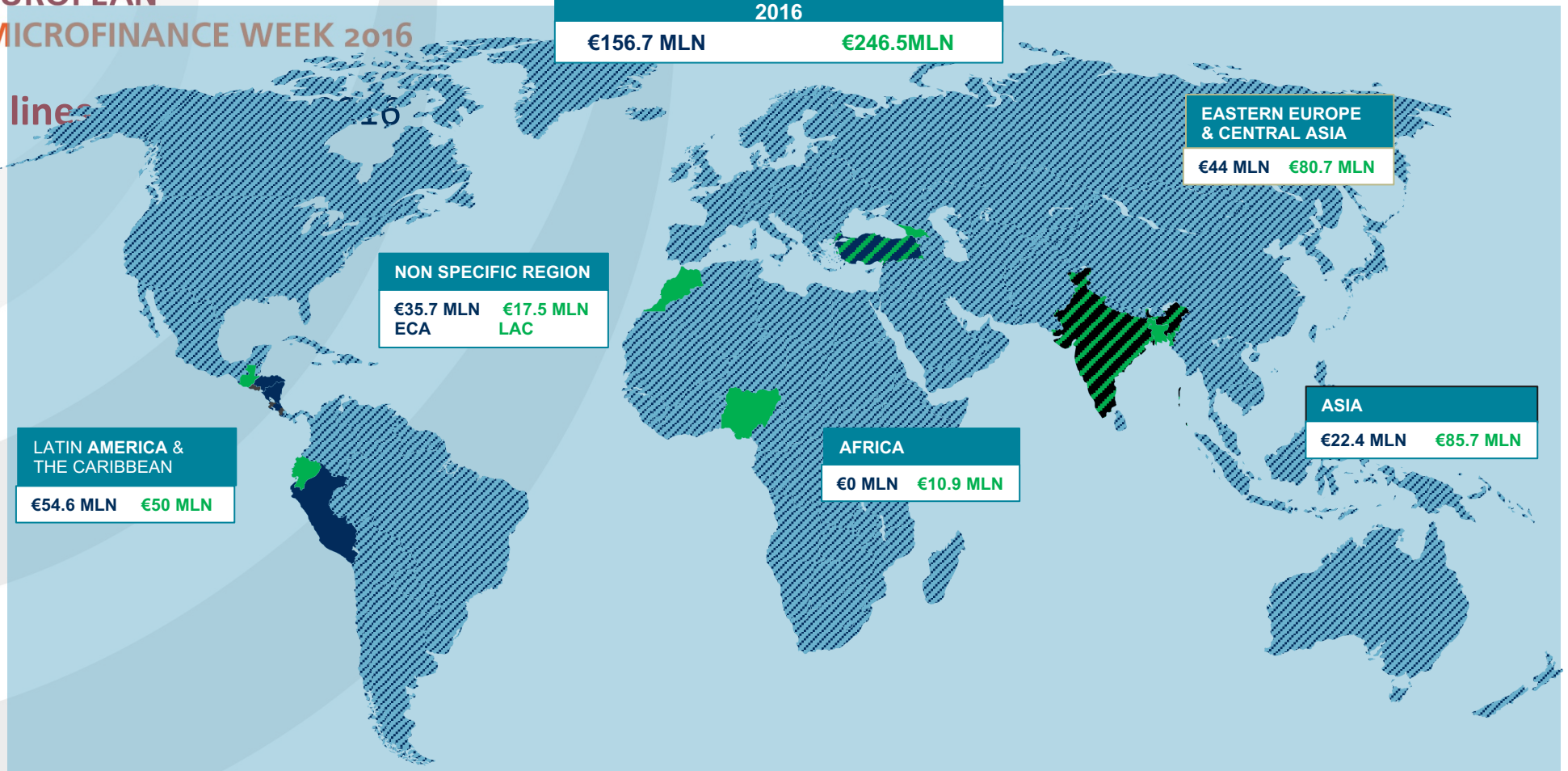
## Green lines 2016

**TOTAL FI GREEN LINE PORTFOLIO 2016**

€156.7 MLN | €246.5MLN




- Current green line exposure
- Green pipeline 2016 (incl. leads, CIPs and FPs)
- Combination of current and pipeline 2016 deals

* Pipeline info are manually collected, currently no easily accessible system information

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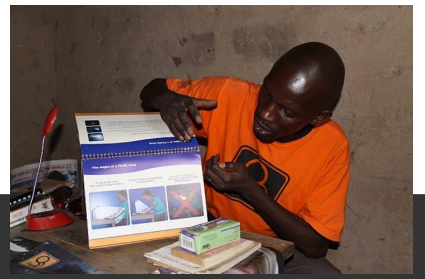
## It has to be a win-win approach, with a clear (future) business case

**Financial Institutions**
- Attracting new clients to bank with green product
- Potential first mover advantage
- Creation of green market niche and image
- Cross-selling opportunities to new clients

**End Clients**
- Reduced operation costs
- Reliability of energy/heat supply
- Access to energy/energy savings

**Suppliers**
- Distribution channel
- Increased business



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## Success Factors

*" We are in the business of distribution"*

- Buy-in of management and employees;
- Incentives for the loan officer and the MFI to disburse green loans;
- Partnership with an effective distributor;
- Provide good-quality, cost-effective products that require low maintenance;
- Good after-sale services (such as repairing), delivery of the energy devices, management of stocks;
- Raising awareness among clients and trust relationship
- Funds directly to the distributor and tenor adapted to the warranty;
- Ability to report on its green lending

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## Major Challenges

- Size!
- Some successes are due to the presence of a very specific policy, a unique subsidy model, or a particularly good infrastructure, and are therefore hard to replicate.
- Client Protection

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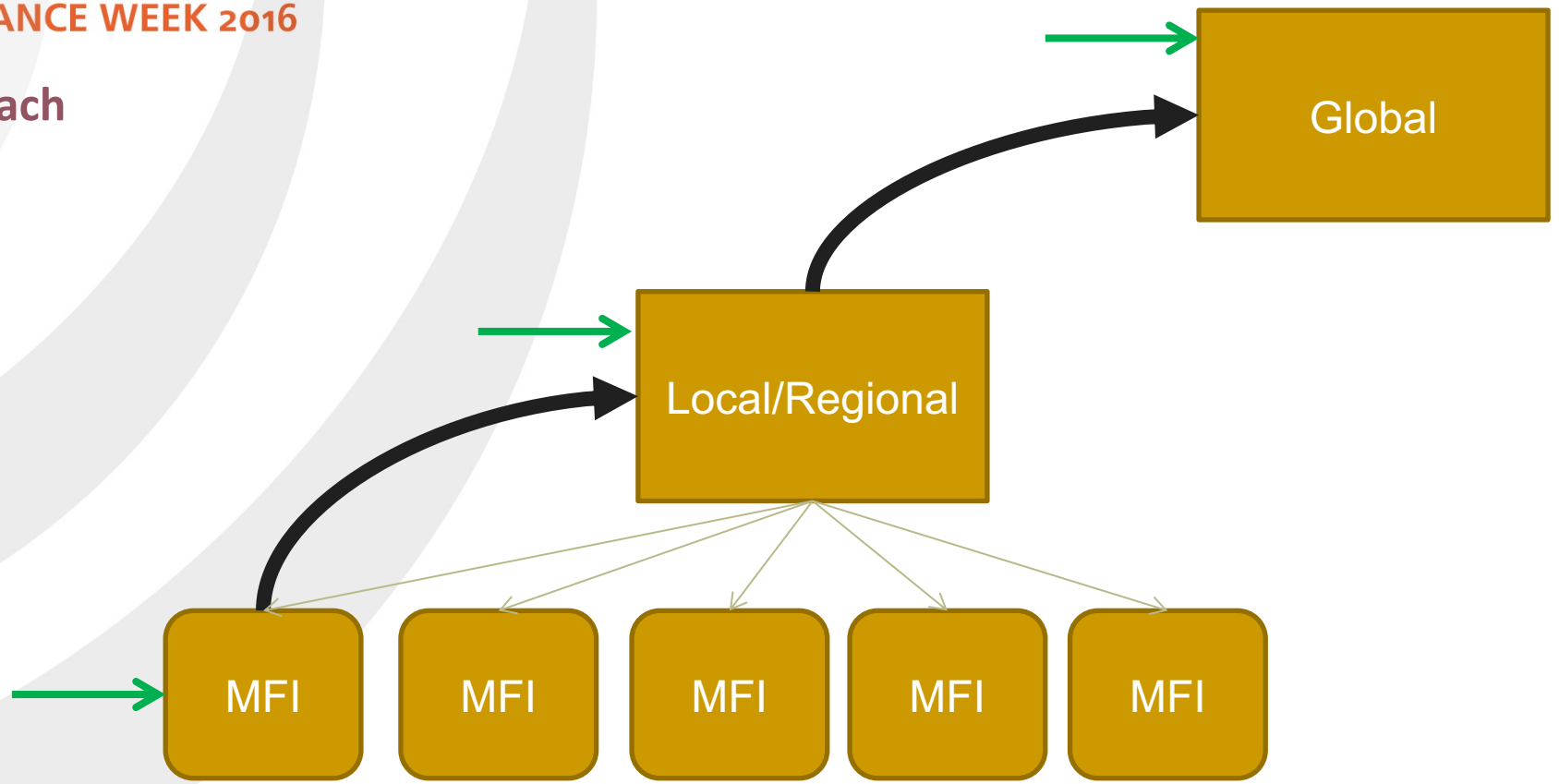
# Gradual approach




FMO Entrepreneurial Development Bank

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## Impact Findings

Initial findings – still ongoing

- Driven by specificities (loan officers actively pushing for new product adoption, high trust in the institution, etc.), than by demand waiting to be served
- Complementary usage: solar lamps, for instance, are used essentially in case of power outages
- Limited Awareness of the health benefits

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# Thank you!

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