





GREEN INDEX 3.0

&







DIM 7 of USSPM



By the Heads of the Green Inclusive and Climate Smart Finance Action Group

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The GICSF- Action Group

The Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) is a **Unique** multi-stakeholder think-tank for environmentally responsible inclusive finance

OBJECTIVES

- Discuss current challenges and strategies in green inclusive finance
- Improve knowledge and action of inclusive finance actors in environmental issues
- Enhance cooperation among green inclusive finance actors
- Increase international attention for green inclusive finance
- Develop dedicated tools, recognized as "standard" by the inclusive finance sector, to support green inclusive finance
- Publicise and disseminate its findings
- Enhance the interest and concrete commitment of all actors (MFIs, investors...) in green inclusive finance





Members

Launched in Feb. 2013 in Berlin and hosted by the European Microfinance Platform (e-MFP) it has **135+ members** with different level of engagement, affiliated to **75+** institutions and organized into activity sub-group, among which:

ADA, Advision Finance, Agora, Alterfin, Antwerp University- IOB, Babyloan, BBVAMF, BFC, BIO, BNP Paribas, Cerise, Clarmondial, COFIDES, Digital Frontiers Institute, Envest Microfinance, ESAF, European Microfinance Network, KIVA, FDL, GAWA Capital, Global Environment Facility, Grameen Crédit Agricole MF Foundation, HEDERA, IFAD, IFU, ILO, Inpulse, LMDF, MAIN, MFC, MFR, MicroEnergy International, Microfinanza Srl, M-CRIL, myclimate Sparkassenstiftung, Nitlapan, Palladium Europe, PAMIGA, reNature, SIDI, SOS Faim Belgium, Triple Jump, Univ. Bergamo, Univ. Genève, Univ. Lux, Rabo Foundation, RFR, REDCAMIF, ULB-CERMi, UNCDF, SPTF, World Bank, YAPU Solutions

Coordinated by the GICSF-AG Heads:

- Natalia Realpe Carrillo, HEDERA & IASS Potsdam
- Davide Forcella, YAPU Solutions & CERMi







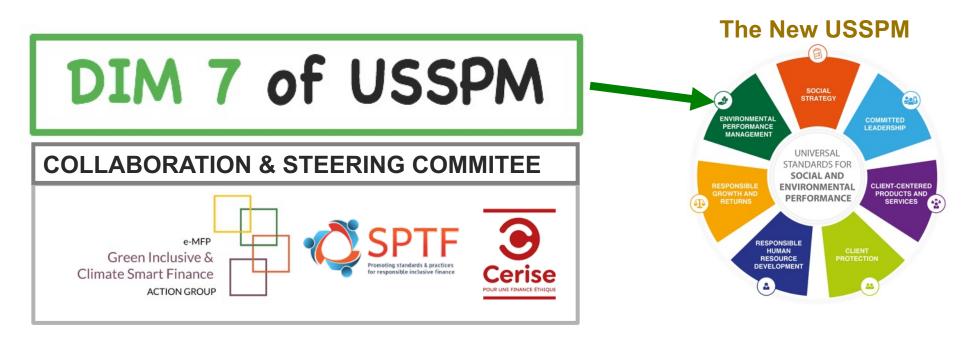






2021 Environmental dim. part of Universal Standards

Development and implementation of the 'green' dimension of the USSPM. A joint project GICSF-AG, SPTF and CERISE.







O. CONCEPTS





Vulnerability & Adverse Environmental Impacts

Vulnerability and adverse environmental impacts are the two key dimensions of Green Inclusive Finance. The aim is to reduce them, generate resiliencies, and promote positive environmental impacts.



Of the client & the institution

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

Adverse Impacts

On the environment due to clients & institution

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals





Vulnerability & Adverse Environmental Impacts II

Vulnerability and adverse environmental impacts translate into risks for the clients and the institution. These could be financial (physical or transition) risks, reputational, or environmental risks, among others.



Of the client & the institution

On the environment due to clients & institution

'risks'

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals





Vulnerability & Adverse Environmental Impacts III

Vulnerability and adverse environmental impacts are also related to institution and clients demand to satisfy basic needs, increase revenues or production,





Adverse Impacts

Of the client & the institution

On the environment due to clients & institution

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals

'needs'





Vulnerability & Adverse Environmental Impacts IV

Vulnerability and adverse environmental impacts are essentially opportunity to innovate, increase outreach, achieve institution social mission, by developing new green products and attract stakeholders.





Adverse Impacts

Of the client & the institution

opportunities!

- Climate change
- Env degradation, biodiversity loss
- Energy poverty
- Lack of clean water

On the environment due to clients & institution

- Green house gas
- Air, water, soil pollution
- Deforestation & land degradation
- Storage and use of chemicals





Green Products & Multiple Services Benefits

The development, disbursement and institutionalization of green products & services support risks management of clients & institutions, clients satisfaction, the achievement of the environmental strategy.







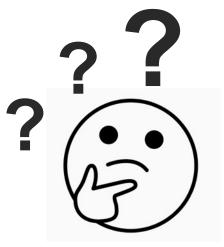
1. GREEN INDEX





Green Inclusive Finance

"Green Inclusive Finance consists in risks management processes, financial products, and non-financial services (as part of a financial offer), embedded into environmental strategy and monitoring systems, enabled by policies and regulation, that support economic opportunities and needs of households, micro, small and medium-size enterprises (partially) excluded by the standard banking sector, in a clean, resilient and sustainable manner" (GICSF-AG, working definition)







Making Green Inclusive Finance Operational



A tool developed and implemented by the Green Inclusive & Climate-Smart Finance Action Group (GICSF-AG) since 2014





To measure, to plan and to improve

The Green Index is the main indicator for assessing a FSP's current performance in inclusive green finance and for defining an action plan to improve it.



A tool for evaluating the green inclusive finance performance of FSPs (It is used with FSPs and not with its clients)

- Awareness raising
- Evaluation
- Commitment

- Planning
- Prioritise
- Monitoring progress





Green Index evolution

2014

Green Index 1.0

- The most accepted tool to assess MFIs' environmental performance
- Publication available online on e-MFP AG webpage
- Green Index available in SPI4 (optional Dim 7)

2016

Green Index 2.0

- Incorporates lessons learnt from MFI's use, ability, and willingness to track environmental management
- Quantitative components for green products
- Integrated into SPI4 (only qualitative)

2021

Green Index 3.0

- Inclusion of (climate)
 vulnerability
- lessons learnt from 1000+ assessments & 6 years of use, 300+ stakeholders inputs
- Alignment to international initiatives
- Aligned with Universal Standards Env.
 Performance "Dim 7" developed with SPTF & CERISE, new mandatory dimension of USSPM

The Origin

Upgrading

Mainstreaming





GREEN INDEX 3.0

It is based on extensive experience

 6+ years of environmental assessments by the e-MFP GICSF AG + SPI4 + partners of the AG, among others:

> SIDI, Foundation Grameen Credit Agricole, CERISE, BNPP, HEDERA, YAPU Solutions, Enclude / Palladium, CERMi, MIX, ADA, MicroEnergy International, EMN, etc.

with 1000+ environmental assessments

 2 "Green" e-MFP Microfinance Awards (Environment (2014) & Climate Change Adaptation (2019)) 10+ years of **green inclusive finance projects** implementation and Key Projects:

- EcoMicro (IDB since 2012, 30+ FSPs)
- MEbA (since 2012, 40+ FSPs)
- o P CAMBio (2008-2013, 28 FSPs)
- o GPA (HIVOS, 2005)
- o C&ESG (IFAD, 2019)
- o FMO e-tool (2009)
- o MEPI (2012)
- Energy & MF CleanStart
- Green Energy ADA
- o ...

- Mapping and alignment to international initiatives
- In-depth interviews with MF stakeholders including MFIs and Investors
- Surveys to Investors and MFIs
- Establishment of steering committee with STFP and CERISE and alignment with USSPM
- Assessment of needs for environmental performance from 250+ stakeholders
- Two rounds of reviews, 1st rev:
 40+ reviewers, 300+ feedbacks;
 2nd rev: 100+ participants





Aligning standards and enhancing value

In a joint project, the GICSF-AG, the SPTF and CERISE has developed the 'green' dimension of the USSPM, in alignment with the Green Index 3.0. The two tools are aligned for the benefit of the sector.





detailed view



global view











2. GREEN INDEX 3.0 Details





GREEN INDEX 3.0 Standards

GI.0
Environmental
strategy
definition and put in place

GI.1
Identification of
Environmental risks
and opportunities

GI.2
Management of
Environmental risks
and opportunities

GI.3
Green products and services
Financial and non-financial





GREEN INDEX 3.0 Standards & Essential practices

GI.0 Environmental strategy

definition and put in place

GI.0.1 **Definition of the Strategy**

GI.1 Identification of **Environmental risks** and opportunities

GI.1.1 Identification of Indirect risks & opportunities

GI.2 Management of Environmental risks and opportunities

GI.2.1 **Management of Indirect risks** & opportunities

GI.3 Green products and services Financial and non-financial

GI.3.1 Financial products & services

GI.0.2 Put in place the Strategy

GI.1.2 **Identification of Direct risks**

GI.2.2 **Management of Direct risks** GI.3.2 Non-financial products & services





GREEN INDEX 3.0 Standards & Essential practices, Details

GI.0 Environmental strategy

definition and put in place

GI.0.1 **Definition of the Strategy**

- · detailed goals, mission, documented strategy.
- compliance with applicable standards and regulation

GI.0.2 Put in place the Strategy

- responsibilities & processes
- Management & governance
- Monitoring:
 - **Economic**
 - Vulnerability
 - Negative Env impacts.

GI.1 Identification of **Environmental risks** and opportunities

GI.1.1 Identification of Indirect risks & opportunities

Identification of clients

- Vulnerability
- Negative Env impacts
- Demand and needs

GI.1.2 **Identification of Direct risks**

Identification of building and staff

- Vulnerability
- Negative impacts Env.

GI.2 Management of Environmental risks and opportunities

GI.2.1 **Management of Indirect risks** & opportunities

Inclusion of vulnerability, negative env Impacts and demand/needs in:

- (financial) risks management processes, tools indicators
- Credit processes & product

GI.2.2 **Management of Direct risks**

Actions and processes to reduce the institution vulnerability and negative env Impacts

GI.3 Green products and services

Financial and non-financial

GI.3.1 Financial products & services

- Green Loans
 - Clean energy /energy efficiency
 - Sustainable agriculture
 - Clean water sanitation
 - Circular economy / others
- Savings, remittances, emergency loans
- Climate / production insurance

GI.3.2 Non-financial products & services

- Awareness raising
- Training
- Technical assistance
- **Partnerships**





GREEN INDEX 3.0 & Enablers and Outreach

GI.0 Environmental strategy definition and put in place

GI.1 Identification of **Environmental risks** and opportunities

GI.2 Management of Environmental risks and opportunities

GI.3 Green products and services Financial and non-financial

Enablers

CAPACITY

TOOLS

OUTREACH (via Quantitative Indicators)



GREEN INDEX 3.0 & Enablers and Outreach, Details

GI.0 Environmental strategy definition and put in place

GI.1 Identification of **Environmental risks** and opportunities

GI.2 Management of Environmental risks and opportunities

GI.3 Green products and services Financial and non-financial

CAPACITY: It is assessed if the institution has acquired capacity to implement the activities in each standards. This can be internal through trainings to staff of the institution or external through partnerships

TOOLS: It is assessed which tools the institution is using to implement the activities in each standards. These can includes indicators, documents, material, IT solutions or other.

OUTREACH: Quantitative Indicators are included in each standard to assess the actual outreach of each action as well as to check the actual implementation, and support better monitor of progresses and plan implementation.

> The capacity of the institutions to execute actions in each standards and essential practices is assessed, as well as with which tool the institution is implementing its actions, and what is the outreach of such implementation.



GI.3

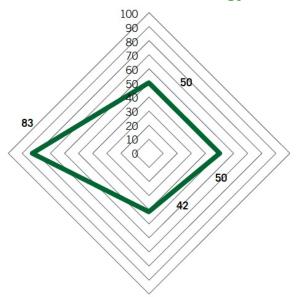
Green products & services



Visualising Green Inclusive Finance performance

GREEN INDEX 3.0

GI.0 Environmental Strategy



GI.1 Identification of Environmental risks and opportunities

GI.2 Management of Environmental risks and opportunities



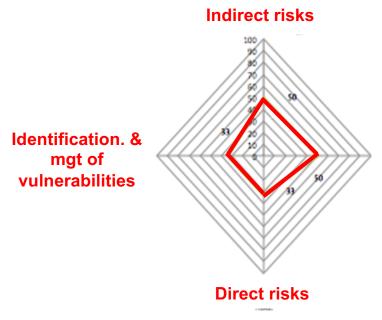


Visualising Green Inclusive Finance performance II

GREEN INDEX 3.0

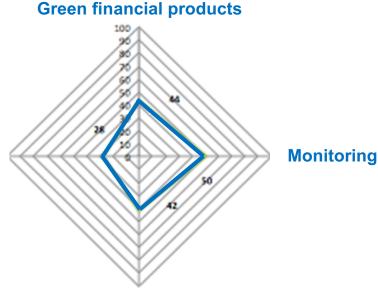
The Risk management View

The Green opportunities View



Identification. & mgt of neg env. impacts

Identifying opportunities



Green non- financial products









3. Dim 7 USSPM









DIM 7 of USSPM

Standards

7A Environmental strategy

7B
Identification & Management of Environmental risks and opportunities

7C
Green products and services
Financial and non-financial









DIM 7 of USSPM

Standards

7A Environmental strategy

definition and put in place

7A.1 Definition of the Strategy

7A.2 Collection, analysis, and reporting data

7A.3 Governance and management structure **7B**

Identification & Management of Environmental risks and opportunities

7B.1

Direct Risks Identification & Management

7B.2

Indirect Risks Identification & Management

7B.3

Indirect Opportunities Identification

7C Green products and services

Financial and non-financial

7C.1

Financial products & services

7C.2

Non-financial products & services





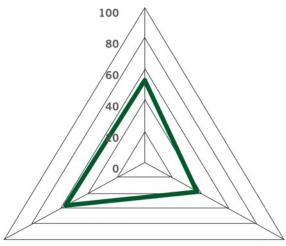




Visualising Environmental performance

DIM 7 of USSPM

7A **Environmental strategy**



7C
Green Products and Services

7B
Identification & Management of
Environmental risks and
opportunities





3. GREEN INDEX 3.0 & Dim 7 USSPM

www.e-mfp.eu









DIM 7 of USSPM

Mapping

GI.0
Environmental
strategy
definition and put in place

GI.1
Identification of
Environmental risks
and opportunities

GI.2
Management of
Environmental risks
and opportunities

GI.3
Green products and services
Financial and non-financial

7A
Environmental
strategy
definition and put in place

Identification & Management of Environmental risks and opportunities

7C
Green products and services
Financial and non-financial

The alignment of the Green Index 3.0 and Dim 7 USSPM ensures the benefit for the full inclusive finance sector.

Both tools are aligned with Universal Standards for Social Perfomance Management. The Green Index 3.0 adds additional details for a more in-depth analysis.





GREEN INDEX 3.0



DIM 7 of USSPM

Mapping, Details

By completing a Green Index 3.0 an FSP is able to report also to Dim 7 USSPM. It will moreover have a much more in depth view on its present status and opportunities to develop further the green agenda.

GI.0.1 **Definition of the Strategy**

7A.1 **Definition of the Strategy**

GI.0.2 Put in place the Strategy

7A.2 Collection, analysis, and reporting data

7A.3 Governance and management structure

GI.2.1 GI.1.1 Management of Indirect risks & Identification of Indirect risks & opportunities opportunities 7B.2 **Indirect Risks Identification & Management** 7B.3 **Indirect Opportunities**

GI.1.2 Identification of Direct risks

Identification

GI.2.2 **Management of Direct risks**

7B.1 **Direct Risks Identification & Management** GI.3.1 Financial products & services

7C.1 Financial products & services

GI.3.2 Non-financial products & services

7C.2 Non-financial products & services







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