

# *Green Microfinance*

## *Value Chains*



**11<sup>th</sup> UMM Workshop,  
Frankfurt School of Finance & Management  
3rd & 4th July 2014**

***Davide Forcella***  
(ULB, FNRS, CERMI)

**davide.forcella@yahoo.it**

# Introduction



*75% of the world's **poor are rural**, most are involved in farming (WB).*

*Globally over 1.3 billion people are **without access to electricity** and 2.6 billion people are **without clean cooking facilities**: 84% are in rural areas (IEA).*

*Poor people in developing countries are the **most exposed to CC and to environmental degradation**.*

*They **pay high energy cost**, they are vulnerable to **energy and food price volatility**.*

# Why MFIs should look at the environment?



- Activities of MFI's clients could *seriously damage* the local environment
- Poor are usually among the *most vulnerable* to environmental degradation
- It is an *opportunity* to link with markets at better conditions
- MF as any industry should have an *environmental responsibility* and in some cases could have a *comparative advantage*.

*Difficulties: missing human capital/funds/awareness*

*Potential trade off: need for long term vision, articulation with various strategies and actors*

# Green MF ?



MF is traditionally supposed to fulfill a *double bottom line*:  
***Economic sustainability + Social outcomes***

Green MF: add a ***third bottom line***:

***the environment !***

Sometime part of “*MF Plus*” ... but not only...

from “do not harm”... to “positively impact the environment”

*...it could be worth for some MFIs and not for others...different possibilities for different MFIs...*

# Green dimensions



- **Internal:** Environmental policies, reduction of MFI environmental footprint, environmental risk management
- **Active:** Green credits, environmental non financial services
- **Opportunity:** Linking with green markets and green value chains
- **Development:** Proactive role to foster environmentally friendly, inclusive, fair development

# Energy and technology but not only...



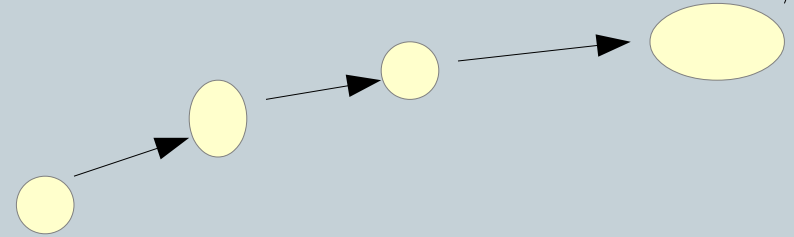
- renewable energies: solar, biogas, hydro, ...
- energy efficiency devices
- pollution and waste reduction, recycling, ...
- agroforestry and silvopastoral practices
- adaptation to climate change, biodiversity conservation, reforestation...
- ecotourism
- organic farming
- green micro-insurance for organic products, against climatic shocks, for adapted seeds or practices, ...

# Not only finance but link/support to chains



## *Think strategically: Green Value Chains*

*RE & EF chains, agriculture value chains*



- Look for entry points/opportunities to **upgrade and transform** activities of poor rural households in a green way:  
ex: solar dryers/irrigation, agroforestry, organic farming
- Reduce **risk**:  
ex: adapted seeds, diversification, ...
- **Green** agricultural value chains

# It is not just a matter of a credit



Green products/strategies need more than simply a credit

## *Need to provide an enabling environment*

- environmental **awareness** raising
- *support local value chains*: local technology and products, providers, assistance, repairing, waste disposal, ...
- existence of **market** and **environmental culture**
- **support to MFI to develop strategies/priorities** and assess its green performance, green indicators (Env & MF e-MFP)



# MF and biodiversity conservation



## ***Proyecto Cambio: CABEI, Central America***

(2007-2013 phase 1, 2014-2019 phase 2)

biodiversity conservation and development of rural environmentally friendly income generating activities:

*credits, guarantee, TA, conditional PES*

agroforestry, link with green commodity markets, certifications, organic farming, private-public partnership, working with cooperatives/groups;

# MF and CC adaptation



## ***MF portfolio risk: Agroamigo, North-East Brazil*** (2005-...)

Drought 2012-2013: the **livestock market value fell** by 28%-50%, **protest** for debts write off, **government intervention** allocated US \$1.5 billion in emergency loans (around eight-year of loan provision).

## ***Proactive: STEC, rural Cambodia, (2007-2009-2013)***

revolving fund managed by village representatives: saving-credits for **diversification** & assets building, TA, rice **insurance**, **adapted farming** calendar

## ***Post events: ASHI, Philippines (2007, 2013)***

After typhoons: **relief-recovery-rebuilding**, displacement, foster implementation of adapted less vulnerable incoming generating activities, partnership

# MF renewable energy market/chain



## ***Building market for RE: Parter, BH (2011-2014)***

credits, grants, TA to micro-enterprises to build solar collectors +  
credits to clients to buy RE + awareness raising and alliances

## ***RE & EF and chains: MEI catalogue,***

*MF & Env e-MFP Action group (2013-2014)*

*Rice husk gasifier* (clean energy, offset deforestation/waste, organic fertilizer),  
*solar dryer* (link to better market, resilience to price volatility and CC), *solar  
water pump* (link with biodigester, CC adaptation, organic farming)

# *Lesson from bad chains*



We can learn a lot from **unsuccessful** story: let us speak about them!

Ex: *rural Cambodia*

biodigester for cooking and light: good link with **organic fertilizers**, **gardening** and **livestocks**, **reduction in energy cost** and **deforestation**

**But**, even if good market and chain for biodigester, **missing** market/assistance to **repair/substitute** pieces, **local** behaviors/preference/culture.

=> **reduced use for cooking**,

if lamps (7USD) or stoves (25 USD) break down very **difficult to substitute** and it **undermines** the full project

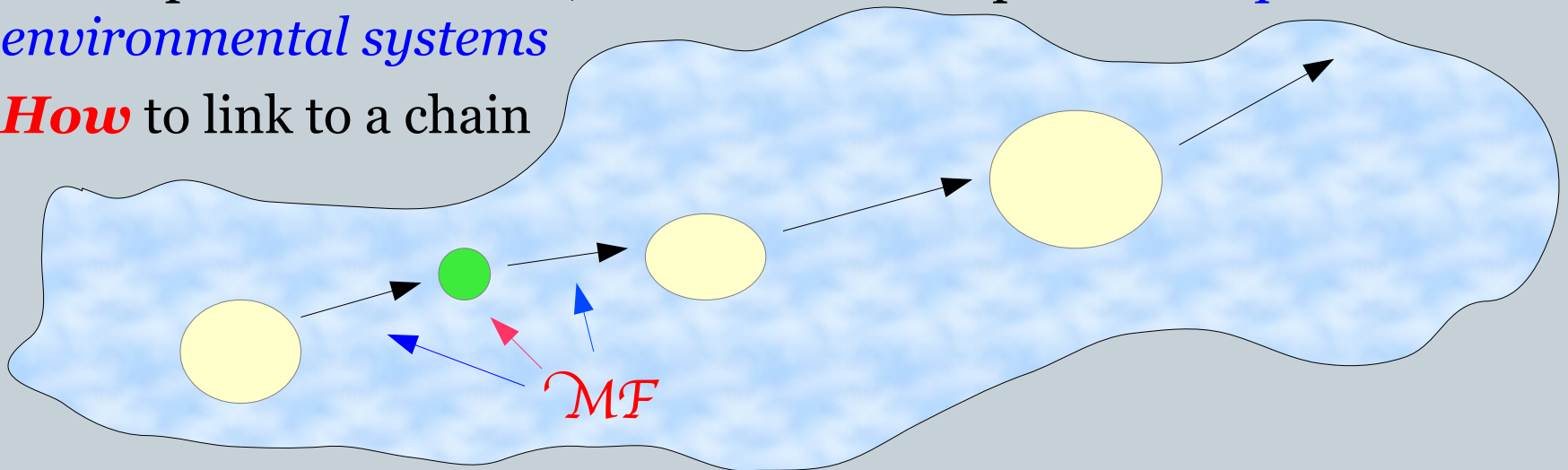
# *Not only a question of chains*



Value chains: **opportunity** and **threats**. Inequalities in bargaining power, risk of **income concentration**, social **exclusion**, detrimental environmental consequences.

Value chains are *embedded* in cultural-institutional environment, local power relations, that build up a *complex human-environmental systems*

**How** to link to a chain



**Proactive** role of MF, social embeddedness, working at territorial level, ...

# Let's the conference begin...



- The great majority of green MF program are **pilot programs**...
- Difficulty to influence the **behavior** of people (clients and staff)
- Various **barriers** to overcome: technology, market, how to support the full green value chains, how to coordinate with agricultural chains,...
- *How to efficiently provide an enabling environment?*
- *How to actually “green” upgrade small producers?*
- *How to help to foster environmentally friendly livelihood strategy and development pathways?*

# Book on Green MF



Together with Johan Bastiaensen and Frédéric Huybrechs  
we are editors for a

***Special Issue*** on **GREEN MF** for the journal  
**Enterprise Development & Microfinance (EDM)**

[www.practicalaction.org/edm](http://www.practicalaction.org/edm)

To appear September 2015.

Call for papers coming soon !

# Upcoming event



***“Green Microfinance: a new frontier of inclusive finance”***

4<sup>th</sup> December 2014, São Paulo Brazil

Center for Microfinance and Financial Inclusion Studies of  
Fundação Getulio Vargas (FGV)  
Planet finance Brazil





***Thanks for your precious attention !***

***I wish you a great conference !***