

# *Green Microfinance*

## *Value Chains*



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# 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 has an *environmental responsibility* and in some cases could have a *comparative advantage*.

*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: adding a **third bottom line**:*

***the environment !***

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

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

# 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...



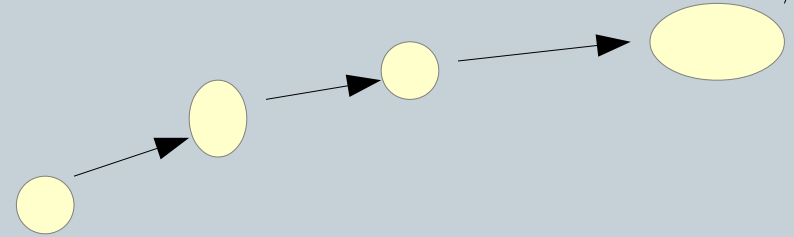
- renewable energies: solar, biogas, hydro, ...
- energy efficiency investments
- pollution and waste reduction, recycling, ...
- agroforestry and silvopastoral practices
- adaptation to climate change, biodiversity preservation, reforestation...
- ecotourism
- organic farming
- Green micro-insurance 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 chain, agriculture value chain*



- Look for entry points/opportunities to upgrade rural activities in a way that is environmentally friendly:  
ex: solar dryers/irrigation, agroforestry, organic farming
- Reduce risk,  
ex: adapted seeds, diversification, ...
- Green the agricultural value chains

# It is not just a matter of a credit



New products/strategies need more than simply a credit

*Need to provide an enabling environment*

- environmental awareness raising
- *Build support the value chain:* local technology and products, providers, assistance, repair, waste disposal, ...
- existence of market and environmental culture
- support to MFI to develop strategies/priorities and assess its green performance, green indicators



# MF and biodiversity preservation



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

2007-2013 phase 1, 2014-2019 phase 2

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

credits, guarantee, TA, conditional PES;

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

# MF and CC adaptation



***MF portfolio risk: Agroamigo*** (2005-...)

***North-East Brazil***

Drought 2012-2013: the livestock market value in the fell by 28%-50%, protest for their debts to be written off, government intervention allocated US\$ 1.5 billion in emergency loans, i.e. nearly as much as eight-year of loan provision.

***Proactive: STEC***, 2007-2009-2013, rural Cambodia

revolving fund, saving, credits for diversification & assets building, TA, rice insurance

***Post event: ASHI***, Philippine typhoons (2007, 2013)

relief-recovery-rebuilding, displacement, adaptation of incoming generating activity, partnership

# MF renewable energy market/chain



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

credit, grant, TA for enterprises to build solar collectors +  
credits to clients to buy RE + awareness raising and alliances

## ***RE & EF and chains: MEI action and Catalogue:***

*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*



## Ex: *rural Cambodia*

biodigester program for cooking and light: good link with organic fertilizers, gardening and livestock, reduction in energy cost, reduction in deforestation.

***But***, missing the market/assistance to repair/substitute pieces, local behaviors/preference/cultural attitude

=> reduced use of cooking,

if lamps (7USD) or stoves (25 USD) break down very difficult to substitute and it compromises the full product

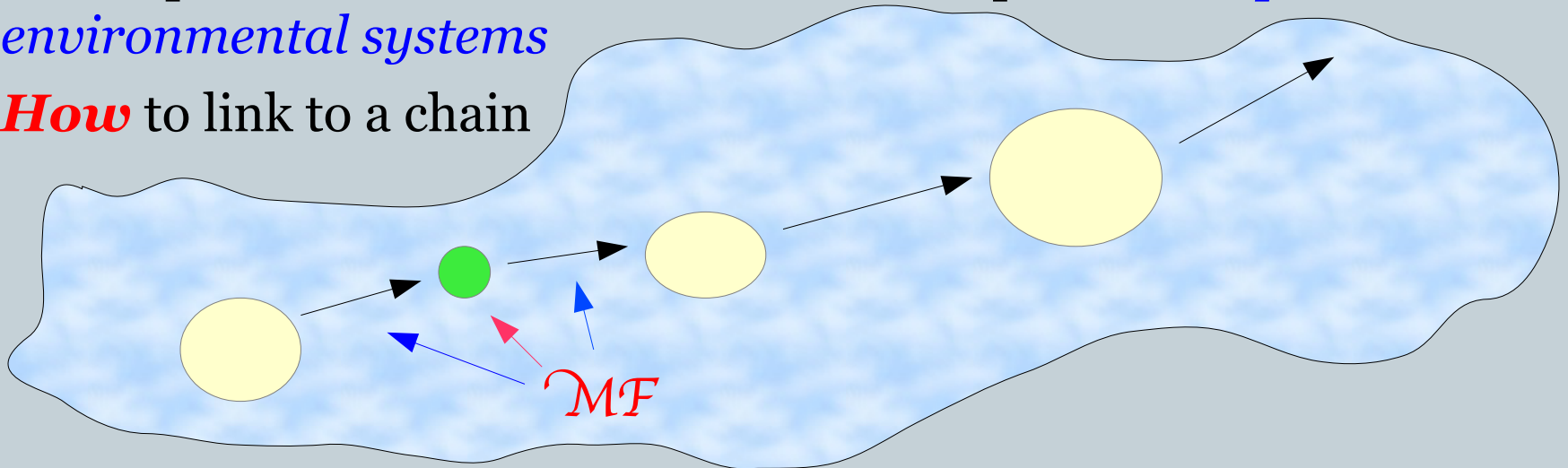
# *Not only a question of chains*



*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 upgrade small producers?



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

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