

Transforming MFIs for a greener and more inclusive finance



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GAWA Capital

Part of the webinar series by the Green Inclusive and Climate Smart Finance Action Group (AG-GICSF)

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 and others) in green inclusive finance

since 2013 with a long-term commitment!



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, 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, CIDR PAMIGA, 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



Impact & Traction, selection of (Estimation as of 30 June 2021)

Action Group members	Jan 2020 60	Jan 2021 90	June 2021 135	New requests to join the AG 50+
GICSF AG Newsletter	External subscribers (30 April 2021) +250		External subscribers (30 June 2021) +400	
Webinars & presentations – <small>(only GICSF-AG events, participation to external events is not included)</small>	1400 Participations since Nov 2021	17 Public Events	83 participants av per event	176 participants av per month
Green Index 3.0 / Dim 7 US	+ 25 meetings with SPTF - CERISE	Reviewers engaged + 60	Stakeholders engaged + 300	Feedback already received + 3000
Others	Consultants 2	Strategic collaborations Regulators Networks FSPs	Invitation to External events 10+	Engaging Green Heroes FSPs 10+
	Intern students 6			Analysis of 1000+ Env assessments

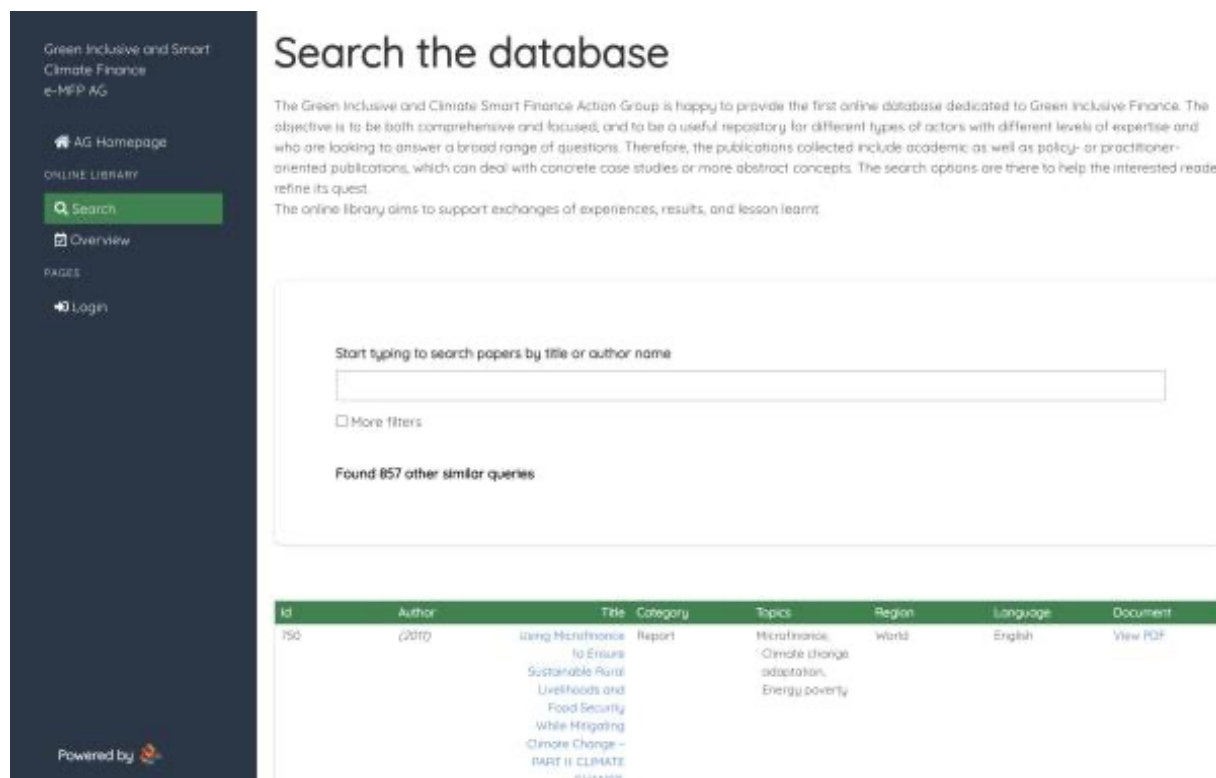
Ongoing activities 2021

- Finalisation of Green Index 3.0
- Finalisation of Universal standards for environmental performance: joint work with SPTF & CERISE
- Training Preparation on Green Index 3.0
- Preparation of the “State of the Art of Green Inclusive Finance”
- Regulation & Green Inclusive Finance, Digital & Green Inclusive Finance, Green Inclusive Finance in Europe (in collaboration with EMN)
- Guidelines for green products development/disbursement, “working with green heroes” FSPs
- Webinars, newsletters, preparation of two-pagers and discussion papers
- Digital tool Green Index 3.0

We are working to increase the sector understanding and action in green inclusive finance

- Online library dedicated to green inclusive finance only, publicly available, containing + 500 documents and growing!

<https://gicsf-ag.hedera.online>



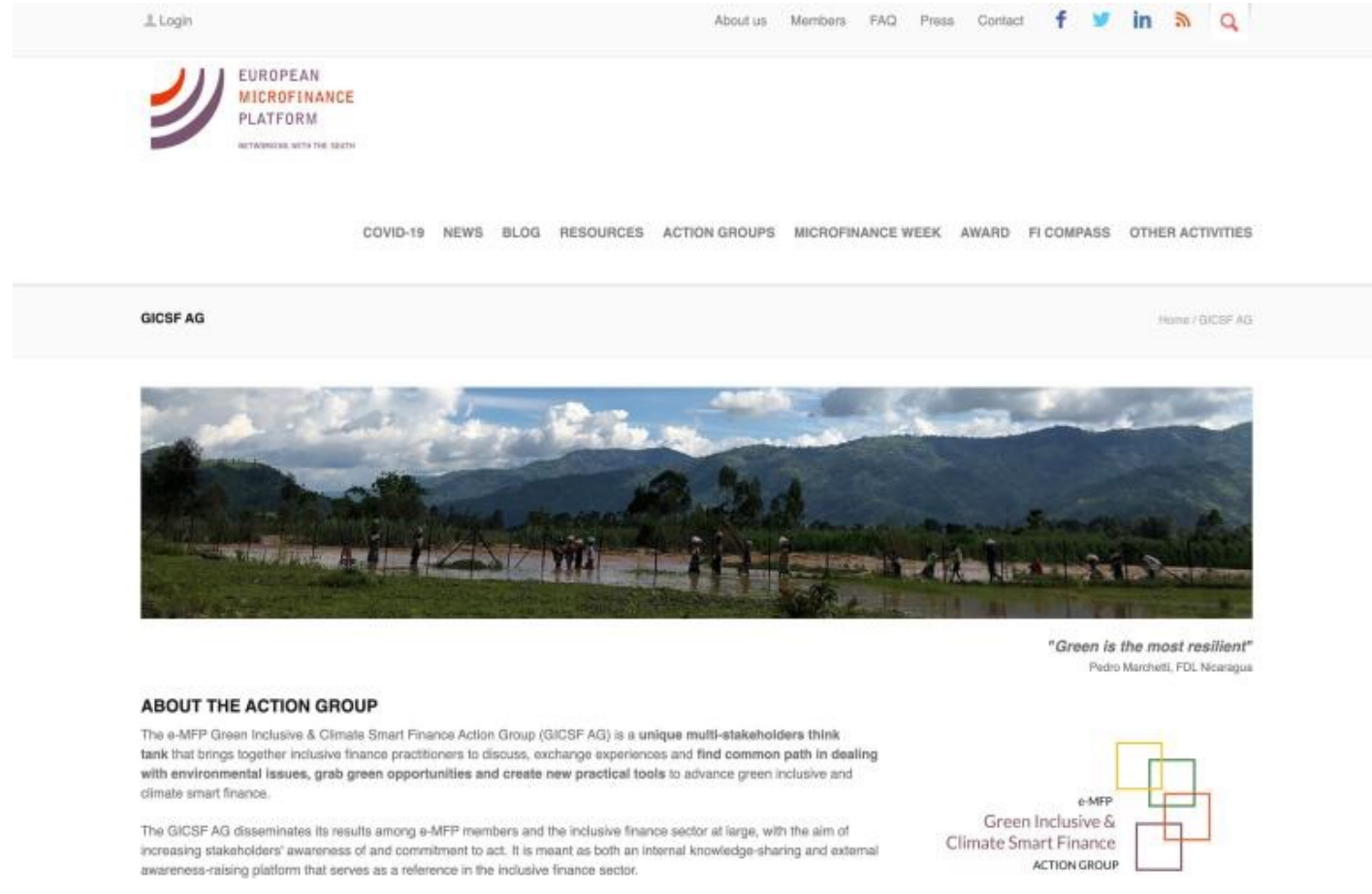
The screenshot shows the search interface of the Green Inclusive and Climate Smart Finance Action Group (GICSF AG) online library. The interface is dark-themed with a sidebar on the left containing navigation links: AG Homepage, ONLINE LIBRARY (with a Search button), Overview, and PAGES (with a Login button). The main content area is titled "Search the database" and includes a search box with the placeholder text "Start typing to search papers by title or author name". Below the search box is a "More filters" checkbox and a message "Found 857 other similar queries". A table of search results is displayed at the bottom, with columns for Id, Author, Title, Category, Topics, Region, Language, and Document.

Id	Author	Title	Category	Topics	Region	Language	Document
150	2010	Using Microfinance to Ensure Sustainable Rural Livelihoods and Food Security While Mitigating Climate Change – PART II CLIMATE CHANGE	Report	Microfinance, Climate change adaptation, Energy poverty	World	English	View PDF

We are working to increase the sector understanding and action in green inclusive finance

- New website!

<https://www.e-mfp.eu/gicsf-ag>



The screenshot shows the homepage of the GICSF AG website. At the top, there is a navigation bar with a 'Login' button and links for 'About us', 'Members', 'FAQ', 'Press', and 'Contact'. Social media icons for Facebook, Twitter, LinkedIn, and RSS are also present. Below the navigation bar is the European Microfinance Platform logo. A secondary navigation bar lists various topics: COVID-19, NEWS, BLOG, RESOURCES, ACTION GROUPS, MICROFINANCE WEEK, AWARD, FI COMPASS, and OTHER ACTIVITIES. The main content area features a large photograph of a rural landscape with mountains and a body of water. Below the photo is a quote: "Green is the most resilient" by Pedro Marchetti, FDL Nicaragua. The section is titled "ABOUT THE ACTION GROUP" and contains two paragraphs of text describing the GICSF AG's mission and activities. The e-MFP logo is visible in the bottom right corner of the website screenshot.

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)
 - P CAMBio (2008-2013, 28 FSPs)
 - GPA (HIVOS, 2005)
 - C&ESG (IFAD, 2019)
 - FMO e-tool (2009)
 - MEPI (2012)
 - Energy & MF – CleanStart
 - Green Energy – ADA
 - ...
- 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

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 US

Aligning standards and enhancing value

GREEN INDEX 3.0

e-MFP
Green Inclusive &
Climate Smart Finance
ACTION GROUP 

Detailed view

DIM 7 of USSPM

Global view



Webinar Series

- Series of webinars on topics related to green inclusive finance
- Brief presentations by practitioners & academics
- Opportunity for discussion and networking
- Material and video available online

**Everyone active in green inclusive finance is invited to speak
Contact us!**

Transforming MFIs for a greener and more inclusive finance

About GAWA Capital

Leading impact investing firm in Spain, having mobilized >€200m

ALL ABOUT GAWA CAPITAL

- Since its inception, **GAWA has pioneered the introduction of the impact investing asset class in Spain**, having launched three funds, in addition to advising a third-party fund - Magallanes Impacto FIL. Each of these funds invest equity and debt in emerging countries, in companies focused on providing market-based solutions to key societal issues such as poverty. To date, GAWA manages over EUR 200 million, with investments in 15 countries and a positive track record of 6.34% annual IRR to investors in our first fund and expected 7.0% annual IRR in our second one.

WHY WE DO WHAT WE DO

- We believe that **real, transformative change can only be driven by financially sustainable business models that provide tailor-made solutions to critical issues such as poverty or climate change**. More and more of these social enterprises are appearing around the globe, yet lack access to the funding which will enable them to reach their full potential. Impact investors aim to close this funding gap, attracting private investment to these companies by offering investors tangible social impact alongside a financial return.

HOW WE DO WHAT WE DO

- GAWA focuses on emerging countries, carefully selecting companies that provide opportunities for low-income communities to boost their livelihoods**. We seek companies that have a true social mission and a sustainable business model, balancing social impact with a market-rate of return for investors.
- Social impact is key to our philosophy, and thus inherent throughout our investment process. We seek to maximize the social imprint of our investees, carrying out an exhaustive Social Due Diligence prior to investment and actively improving investee social performance post-investment with Technical Assistance. Social covenants are present in all contracts and GAWA's performance fees are linked to the social impact of each investee, which is measured and managed throughout the life of the investment and audited by a social auditor chosen by the investors.

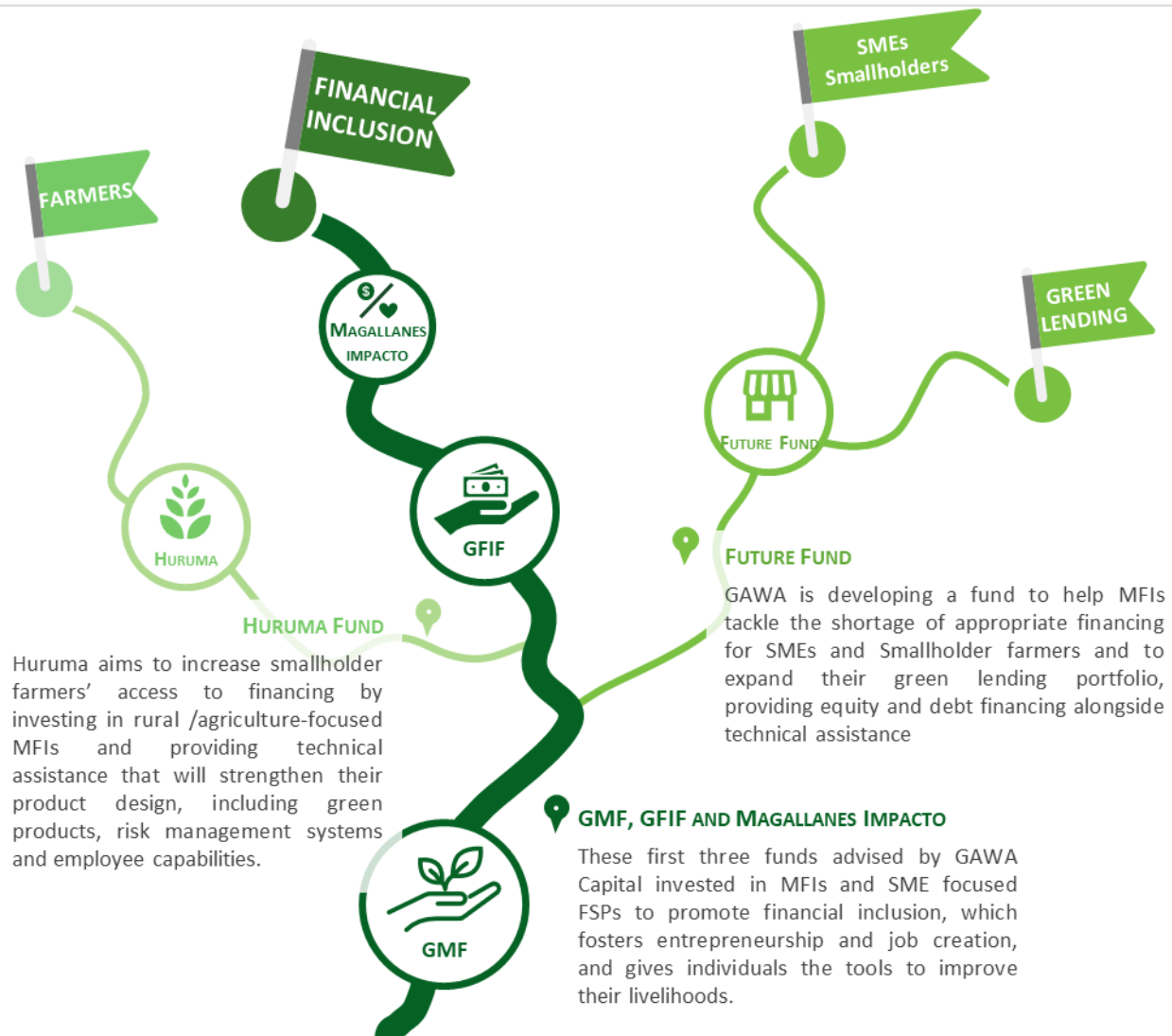
OUR MISSION IN PICTURES



Funds designed to solve specific challenges

🔍 TACKLING SPECIFIC ISSUES:

- Since its inception in 2009, GAWA Capital has been promoting **universal access to financial services** through its first three funds: Gawa Microfinance Fund (GMF), Global Financial Inclusion Fund (GFIF) and Magallanes Impacto.
- Before launching Huruma, GAWA decided that was time to start focusing on **investment strategies that tackle more specific social issues**, leveraging on our track record of investing in financial institutions where external capital is still much needed and has strong potential social impact.
- Although millions of adults still lack access to credit, financial inclusion has improved considerably. However, not all groups need the same type of financing. It is now necessary to **adapt these financial products to the particular needs** of groups such as farmers or SMEs.
- Management then decided to launch **Huruma Fund**, to leverage the knowledge and strong understanding of financial inclusion in rural areas GAWA had developed through the years. Most MFIs GAWA had invested in, were focusing on rural areas, though most of them were not prepared to adequately serve excluded farmers.
- GAWA is now working on launching **a new fund**, to increase SME and smallholder farmers access to finance, particularly through more sustainable financial institutions, leveraging on our prior investments in Huruma and SME lenders and our green assessments of financial institutions.





With a unique impact management system

IDENTIFYING MAJOR SOCIAL PROBLEM WHICH CAN BE ADDRESSED BY PRIVATE SECTOR

- Understanding how it can be solved by preparing a theory of change and back testing it with academic studies.
- Designing an investment strategy to facilitate the change we want to see.

MAXIMIZING SOCIAL IMPACT BY ACTIVELY MANAGING IT

- We actively work with investees to identify ways to improve the intended social impact.
- Supported by a Technical assistance facility to better transform them.

ALIGNING SOCIAL IMPACT WITH FINANCIAL INCENTIVES

- GAWA's carried interest depends on achieving not only financial but also social impact goals – the carried is closely linked to the audited Social Performance of the Fund.

INDEPENDENT VERIFICATION OF IMPACT

- Impact is audited by a third party chosen by the Investors Advisory Committee at the end of each investment.
- This impact will then be used to calculate the carried interest of GAWA Capital.

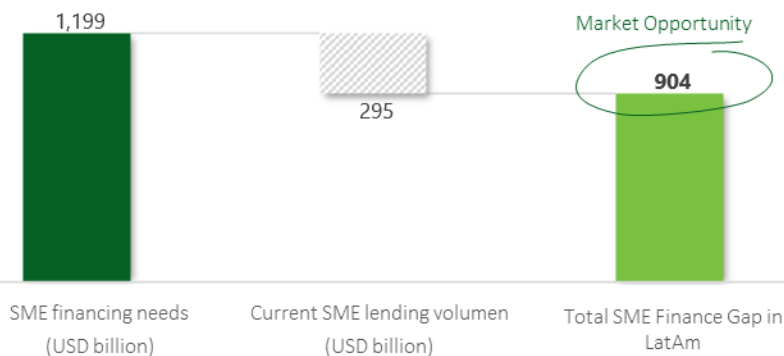


Our impact thesis



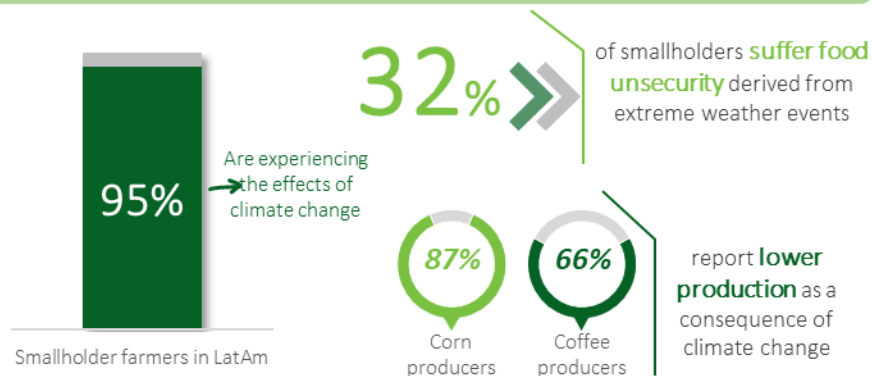
Huge untapped opportunity in green lending market

SME FINANCING GAP IN LATAM IS ESTIMATED TO BE OVER USD 900 BILLION



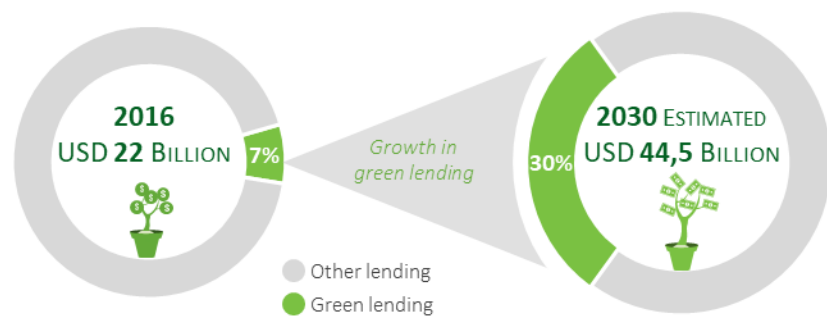
SMEs use obsolete and more contaminating machinery. Financial institutions can help SMEs in acquiring more equipment, with higher energy efficiency and economically more profitable

95% OF SMALLHOLDERS IN LATAM ARE BEING AFFECTED BY CLIMATE CHANGE



MFIs can play a key role offering green products that help smallholders' adaptation by financing more resilient inputs, irrigation systems, more efficient agricultural machinery, agroforestry, ecosystems-based adaptation, etc.

GREEN LENDING IS EXPECTED TO GROW AND DOUBLE ITS SIZE IN 10 YEARS



4 KEY ÁREAS NEED TO BE TRANSFORMED TO ACHIEVE THE IMPACT GOALS

- GAWA Capital has been working with financial institutions for over 10 years. As qualified SPI4 social and environmental auditors, the team has been analyzing the **environmental engagement of the investees** and **identifying the gaps** that need to transform to a more sustainable business model and start doing green lending:



PRODUCTS

ADAPT ITS PRODUCTS offering solutions that facilitate mitigation and adaptation to SMEs and smallholder farmers.



PEOPLE

TRAINING TO EMPLOYEES to explain benefits to customers, ensure that loan applications meet eligibility criteria, and to report on key indicators.



PROCESOS

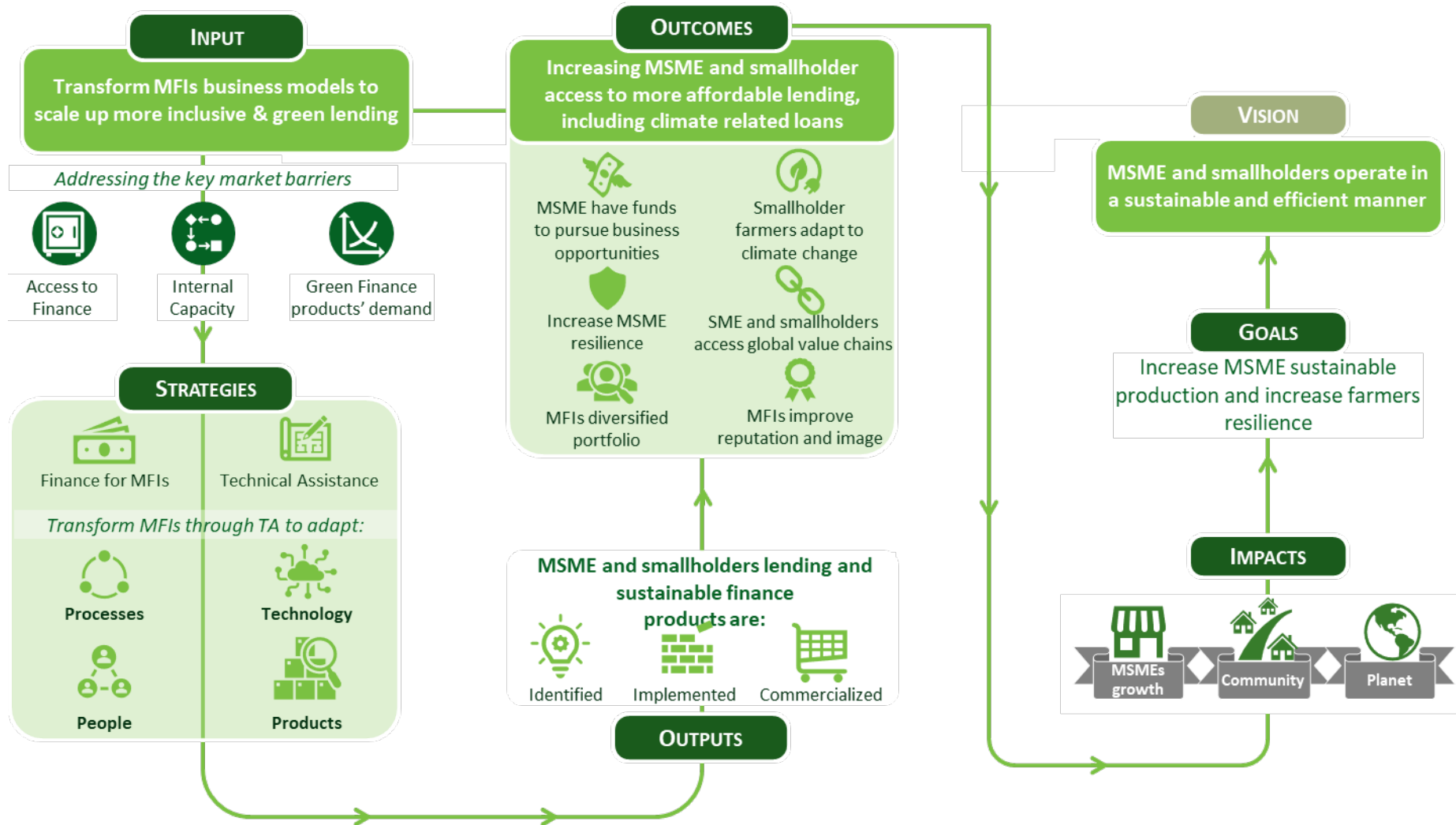
RISK MANAGEMENT SYSTEMS to implement internal environmental risk systems, including evaluating the environmental impact of clients.



TECNOLOGÍA

DIGITAL FINANCIAL SERVICES: transforming and speeding up the loan approval process.

Our theory of change



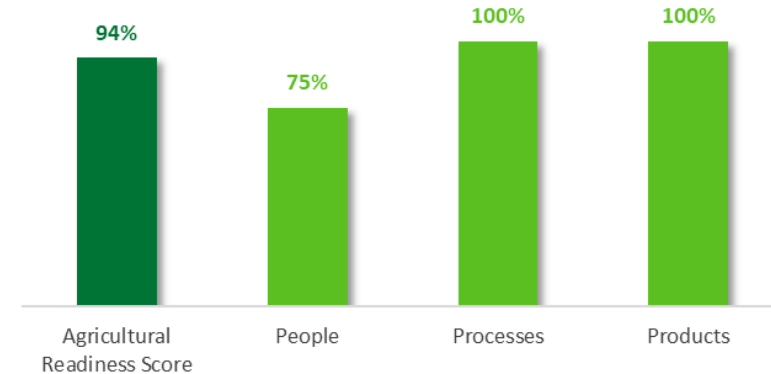
Example of an investment

Crezcamos is an MFI well adapted to serve smallholders

PEOPLE: SCORE 75%

- **LOAN OFFICERS WITH AGRONOMIST BACKGROUND OR AGRICULTURAL EXPERIENCE:** 21% of Crezcamos' loan officers (143) have agronomist backgrounds or agricultural experience, while 27% employees have technical studies. All loan officers are able to evaluate agri-loans after receiving appropriate training, yet under the supervision of Branch Managers whom have relevant experience on the subject.
- **BOARD OF DIRECTORS:** The Board of Directors and Management are trained on agriculture and relevant issues for farmers. Both Board and Management receive regular reporting on the status of agri-GLP.
- **AGRICULTURAL EDUCATION TO LOAN OFFICERS:** Educational program designed for credit officers on the specifics of the agri-loan appraisal process and best practices with respect to different crop types, with the aim of serving customers properly.

AGRICULTURE READINESS: SCORE 94%



PROCESSES: SCORE 100%

- **AGRICULTURE RISK MANAGEMENT SYSTEM:** Crezcamos has a specific agri-risk MIS, assessing client risk based on information gathered on 90 agricultural structures, gathering information about productivity, competitiveness, inputs (quality, quantity, cost), harvest duration, climate change etc.
- **DEMAND-SIDE RESEARCH:** Crezcamos performs demand-side research and collects statistical data prior to launching or changing a product to better understand client needs and ensure product offer is adapted to them.
- **ANNUAL OUTREACH TARGET FOR FARMERS:** Crezcamos sets targets & max. limits on agri-GLP, analysing crop and activity risk exposure.
- **SPECIFIC MIS REPORTS FOR AGRILENDING ACTIVITIES:** MIS system produces agri-specific reports, including crop, product and other key client information.
- **AGRICULTURAL NPL IN LINE WITH OTHER LOANS:** Agri NPL is in line with other portfolio products.

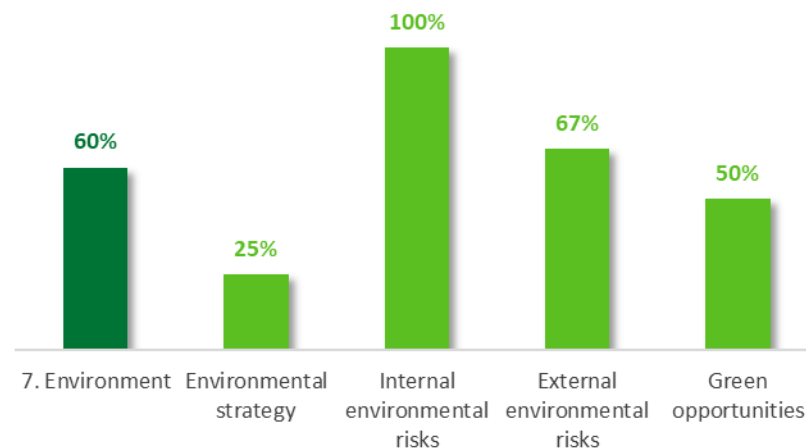
PRODUCTS: SCORE 100%

- **PRODUCTS DESIGNED FOR FARMERS:** Crezcamos offers specific agriproducts: microcredit for working capital (traditional/variable) and long-term investments (FINAGRO, preferential rate) and commercial agri-loans. Repayments can be monthly, quarterly or based on economic flows.
- **INSURANCE PRODUCTS FOR FARMERS:** Crezcamos offers parametric rain insurance and is launching a pilot for compensation insurance in Sep-21.
- **COLLABORATION TO FACILITATE THE PAYMENT OF RURAL CLIENTS:** Crezcamos has expanded its partners to facilitate repayment for remote clients. It is also launching digital payments on its client App (designed) and website.
- **AGRICULTURAL GLP:** 22.8% of Crezcamos' clients are farmers, with Agri-loans reaching 18.9% of GLP and 23.2% GLP related to agricultural activities.
- **AGRICULTURAL TRAINING OFFERED TO CLIENTS:** Strong financial and technical education campaign through its website (knowledge sheets for agri-clients) and loan officers (teaching what they learn in agri-trainings).

Crezcamos has still some areas of improvement in Its environmental activities (Green Index 2.0)

ENVIRONMENT (SCORE: 60%)

- **ENVIRONMENTAL STRATEGY:** Crezcamos has a committee appointed to manage environmental issues, included within its Social Performance area. Environmental impact measurement initiatives are included in SPM Policy but pending approval.
- **INTERNAL ENVIRONMENTAL RISKS:** Crezcamos implements different actions to increase energy efficiency, mainly related to recycling activities. Energy, water, paper and waste usage are tracked, setting quantitative targets at headquarters & branches.
- **EXTERNAL ENVIRONMENTAL RISKS:** Crezcamos creates informative content related to the implementation of climate change adaptation measures. Its partnership with SENA (Servicio Nacional de Aprendizaje) has allowed to develop a demonstration farm where several examples of adaptation measures are displayed. In the last year, Crezcamos has also been developing a range of agricultural climate insurance solutions with HDI. It does not currently use specific tools to evaluate environmental risks of client activities.
- **GREEN OPPORTUNITIES:** The institution does not currently have loan products which are specifically designed to finance Renewable Energies. However, Crezcamos promotes climate change adaptation measures through its portfolio of agricultural solutions. These products could finance energy efficiency technologies or other environmentally-friendly practices, among others. Crezcamos could look in to launching a specific green product to help finance renewable forms of energy given its agricultural rural focus. A product of this sort could have a significant positive social impact on the lives of its clients.



TA can help Crezcamos in launching green products

WITH A PORTFOLIO ADAPTED TO FARMERS' NEEDS

- Crezcamos is focused on increasing financial inclusion in Colombia's rural areas, identifying Agriculture as a key productive sector facing several challenges:
 - Low access to financing: concentrating 60% of rural jobs, but only 16% have access to formal credit.
 - Producers are spread across long distances among each other
 - Difficult infrastructure and security access conditions
 - Low education and technical training levels
 - Drastic climate variation, with low level of climate risk adaptation
- Crezcamos considers Climate Risk to be a key issue for its clients, promoting adaptation tools through a specialized training service:
 - Hundreds of clients trained and informed on Climate Change Adaptation
 - Loans disbursed with climate risk adaptation purposes
 - Ecosystem based adaptation tools with adaptive measures and indicators to clients
- Building an integral Agri-portfolio of solutions adapted to clients' needs:
 - **Credit:** complementary products with flexible repayment schedules
 - **CrediAgri:** for short-term WC needs (traditional microcredit)
 - **CrediAgri Mype:** for higher financing needs (commercial loan)
 - **FINAGRO:** long-term investments and low pricing (IBR+6.7%)
 - **Savings:** traditional savings' accounts and CDTs.
 - **Insurance:** Parametric (ca 5,000 farmers; 84% subsidy) and compensation (1,700 farmers; 50-100% subsidy) insurance², to protect against key climate risks (rains, draughts, fires, floods, strong winds).

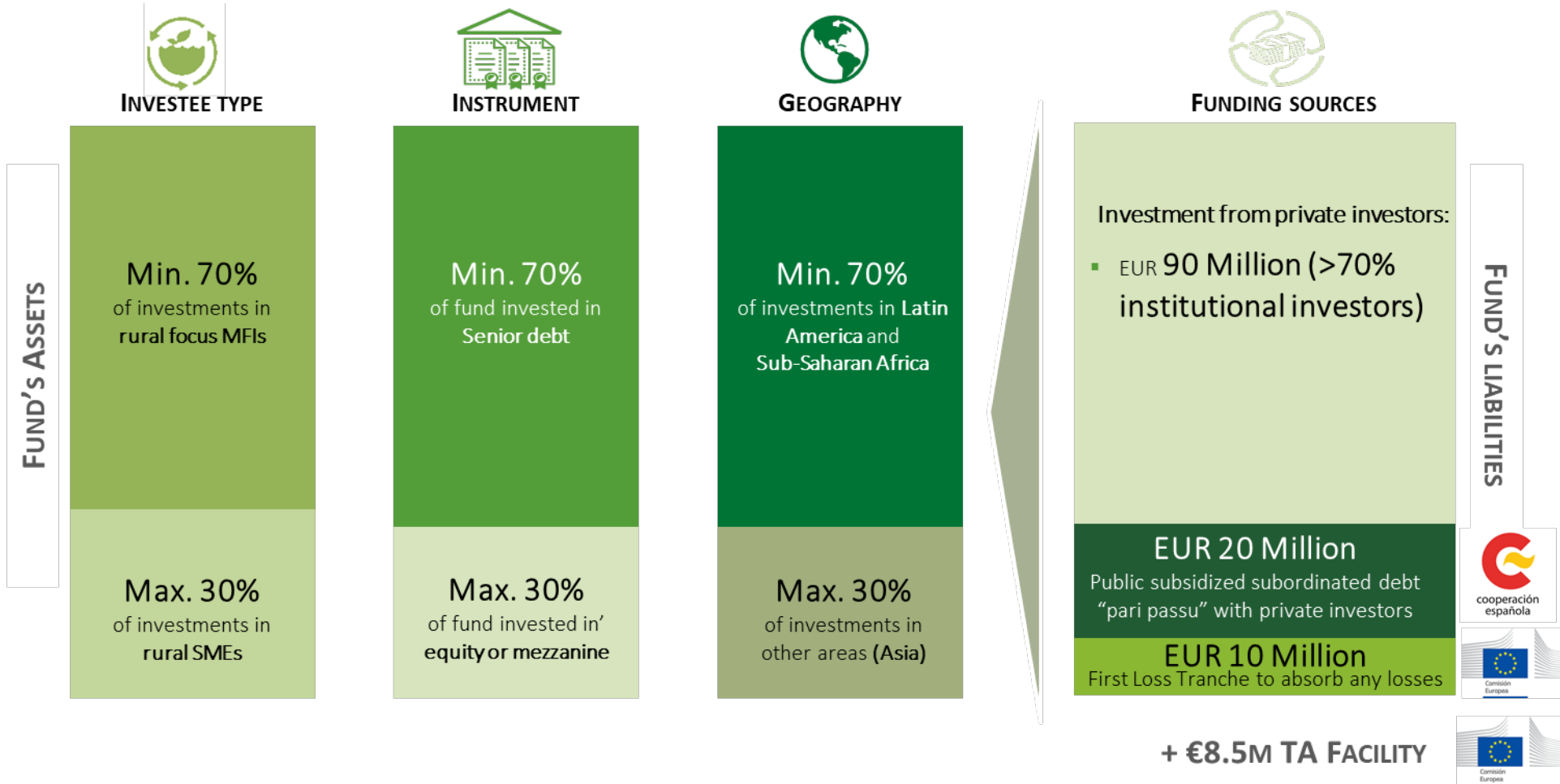
WORKING ON IMPROVING AGRICULTURAL PROGRESS

Working on 5 key issues to improve its Agricultural service and further contribute to its progress :

- Increasing access to public funding (FINAGRO), while implementing variable amortization schedules based on cash flows across its network, in order to reach more areas (only implemented in 1 region).
- Strengthening insurance offer:
 - Consolidating parametric insurance
 - Designing, developing and launching compensatory insurance to protect from other climate risks.
- Expanding its commitment to prepare Colombian farmers for the effects of climate change on their crops:
 - Training the clients about the importance of minimizing the impact of their activities on the environment. MEBA project to encourage farmers to implement measures that mitigate the effects of climate change
 - Continue with training to farmers on adaptation measures, with training videos and webinar for clients
- Developing an Agri-value chain model: approaching cooperatives and companies in the Agricultural sector to offer a package of integral solutions for their client.
 - First pilot: Agroince (Palma African)

Blended finance structure

Transformative impact with the right de-risking instruments to mobilize private investors at scale



Thanks for your attention!

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An event organized by the Green Inclusive and Climate Smart Finance Action Group (AG-GICSF)
Do you want to speak at the webinar series? Please contact us:

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