

Inclusive Green Finance Global Trends & Good Practice



15 September 2022

Speaker:

Marc de Sousa Shields
Lead Regional Technical Specialist, Rural
Finance, Markets, IFAD

Moderator:

Davide Forcella
JuST Institute Director
Co-head of the eMFP GICSF-AG

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

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 actions** of inclusive finance actors on environmental issues
- **Enhance cooperation** among green inclusive finance actors
- **Increase international attention** on green inclusive finance
- **Develop dedicated tools**, recognized as “standard” by the inclusive finance sector, to support green inclusive finance
- **Publicize and disseminate its findings**
- **Enhance the interest and concrete commitment** of all actors (MFIs, investors, etc.) in green inclusive finance

Members

Launched in February 2013 in Berlin and hosted by the European Microfinance Platform (e-MFP), the GICSF-AG has **150+ members** with different levels of engagement, affiliated with **75+** institutions, including:

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, JuST Institute & CERMi



GICSF-AG Website: <https://e-mfp.eu/gicsf-ag>



**Green Index: Assessing
Environmental
Performance**



Trainings & Workshops



**Publications & Online
Library**



Ongoing Activities



Webinars



**Definitions, Tools &
Initiatives**



Events



Podcasts



Green Index: Assessing
Environmental
Performance

<https://www.e-mfp.eu/green-index>



Developed by the
e-MFP GICSF-AG

Aligned with:

- International initiatives
- USSEPM Dim 7, co-developed with SPTF & CERISE

GREEN INDEX 3.0 Digital Solution



- The GICSF-AG is pleased to provide an online digital solution for the Green Index 3.0! The tool is publicly available and free of charge for everyone, to be used for data collection or training
- The Green Index 3.0 digital tool has been developed by HEDERA, IT partner of the GICSF-AG (<https://hedera.online/>)

https://hedera.online/gicsf_ag_tools/green-index-digital.html



Powered by 

The digital tool for the Green Index 3.0 has been conceptualized by Davide Forcella, Natalia Realpe Carrillo, and Alfonso Caiazza and developed by Alfonso Caiazza (HEDERA) as a service for the GICSF-AG

Green Inclusive Finance Online Library

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



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

Do you have a publication that should be there? Send it to us to share with the sector!

Green Inclusive and Smart Climate Finance
e-MFP AG

AG Homepage


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Search the database

The Green Inclusive and Climate Smart Finance Action Group is happy to provide the first online database dedicated to Green Inclusive Finance. The objective is to be both comprehensive and focused, and to be a useful repository for different types of actors with different levels of expertise and who are looking to answer a broad range of questions. Therefore, the publications collected include academic as well as policy- or practitioner-oriented publications, which can deal with concrete case studies or more abstract concepts. The search options are there to help the interested reader refine its quest.

The online library aims to support exchanges of experiences, results, and lesson learnt.

Start typing to search papers by title or author name

More filters

Found 857 other similar queries

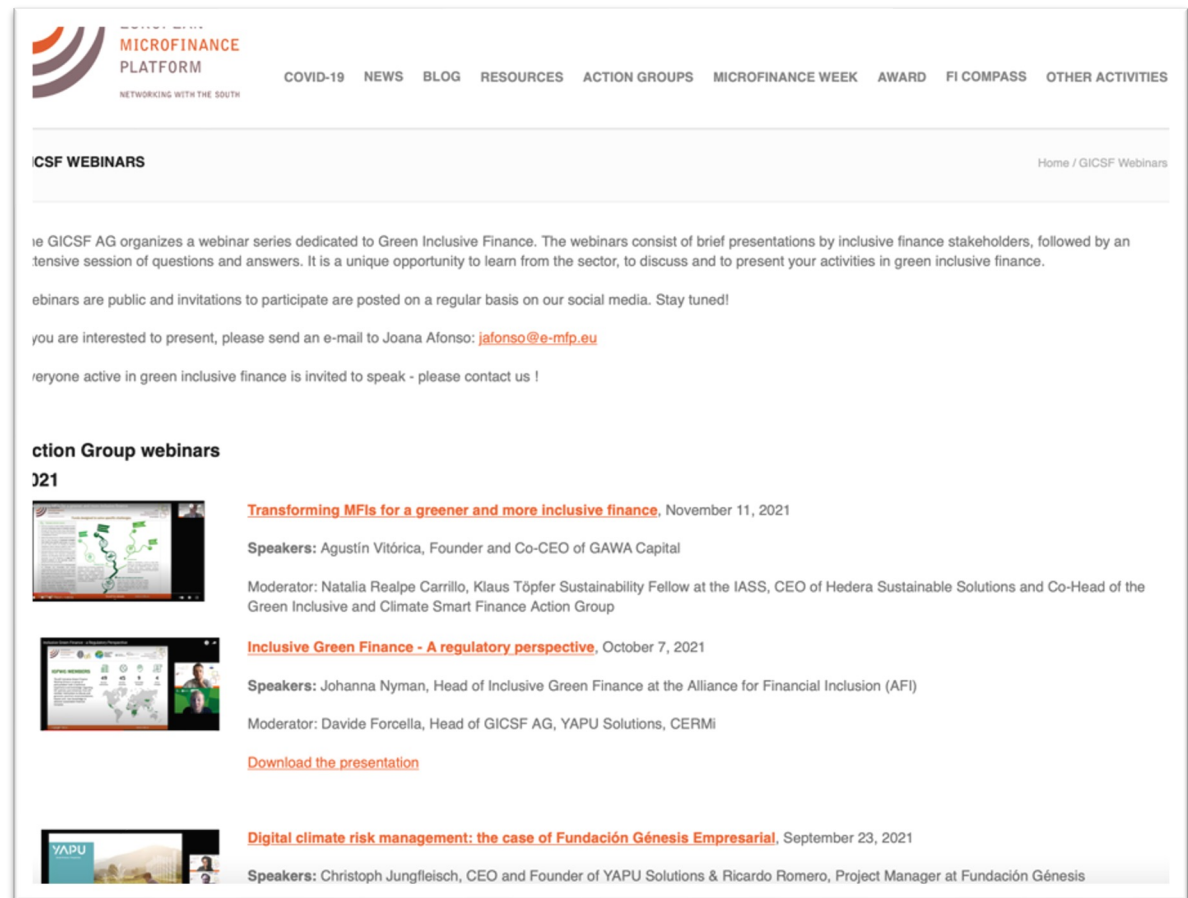
Id	Author	Title	Category	Topics	Region	Language	Document
750	(2011)	Using Microfinance to Ensure Sustainable Rural Livelihoods and Food Security While Mitigating Climate Change - PART II: CLIMATE	Report	Microfinance, Climate change adaptation, Energy poverty	World	English	View PDF

Monthly Webinar Series on Green Inclusive Finance



- Webinar videos and presentations available online
- Best practices in the sector
- 20+ webinars!
- Over 2000 attendees!

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



The screenshot shows the GICSF Webinars page on the European Microfinance Platform website. The page features a navigation menu with links for COVID-19, NEWS, BLOG, RESOURCES, ACTION GROUPS, MICROFINANCE WEEK, AWARD, FI COMPASS, and OTHER ACTIVITIES. The main content area is titled "GICSF WEBINARS" and includes a breadcrumb trail "Home / GICSF Webinars". The text describes the webinar series organized by GICSF AG, which consists of brief presentations by inclusive finance stakeholders followed by a Q&A session. It mentions that webinars are public and invitations are posted on social media. A contact email, jafonso@e-mfp.eu, is provided for those interested in presenting. The page lists three recent webinars:

- Transforming MFIs for a greener and more inclusive finance**, November 11, 2021. Speakers: Agustín Vitórica, Founder and Co-CEO of GAWA Capital. Moderator: Natalia Realpe Carrillo, Klaus Töpfer Sustainability Fellow at the IASS, CEO of Hedera Sustainable Solutions and Co-Head of the Green Inclusive and Climate Smart Finance Action Group.
- Inclusive Green Finance - A regulatory perspective**, October 7, 2021. Speakers: Johanna Nyman, Head of Inclusive Green Finance at the Alliance for Financial Inclusion (AFI). Moderator: Davide Forcella, Head of GICSF AG, YAPU Solutions, CERMI. A link to [Download the presentation](#) is provided.
- Digital climate risk management: the case of Fundación Génesis Empresarial**, September 23, 2021. Speakers: Christoph Jungfleisch, CEO and Founder of YAPU Solutions & Ricardo Romero, Project Manager at Fundación Génesis.

Training on Green Inclusive Finance



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

*Interested
in attending
a training?
Contact us!*

1. Green Inclusive Finance

2. Green Strategy

3. Assessment & Management of
Vulnerabilities

4. Assessment & Management of Negative
Environmental Impacts

5. Green Financial and Non-Financial
Products and Services

6. Green Inclusive Finance and Gender

7. Green Inclusive Finance and Digitization



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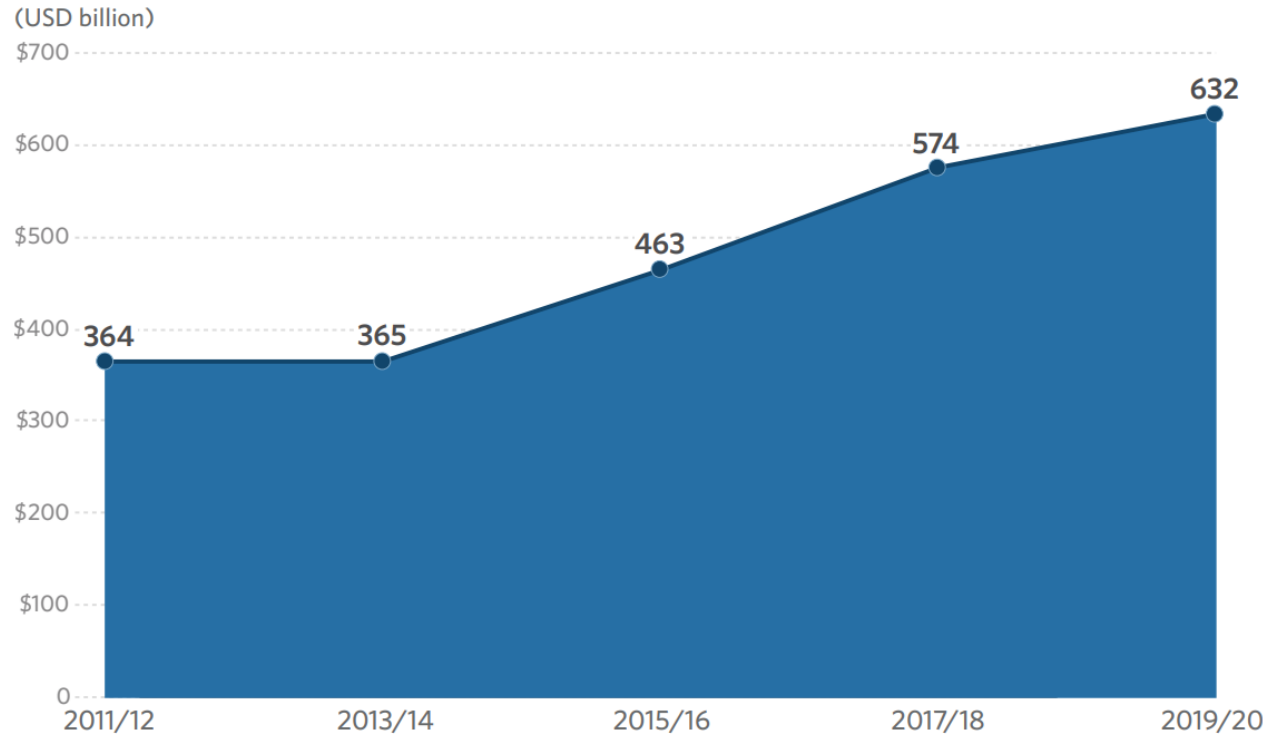
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Total climate finance flows over the last decade

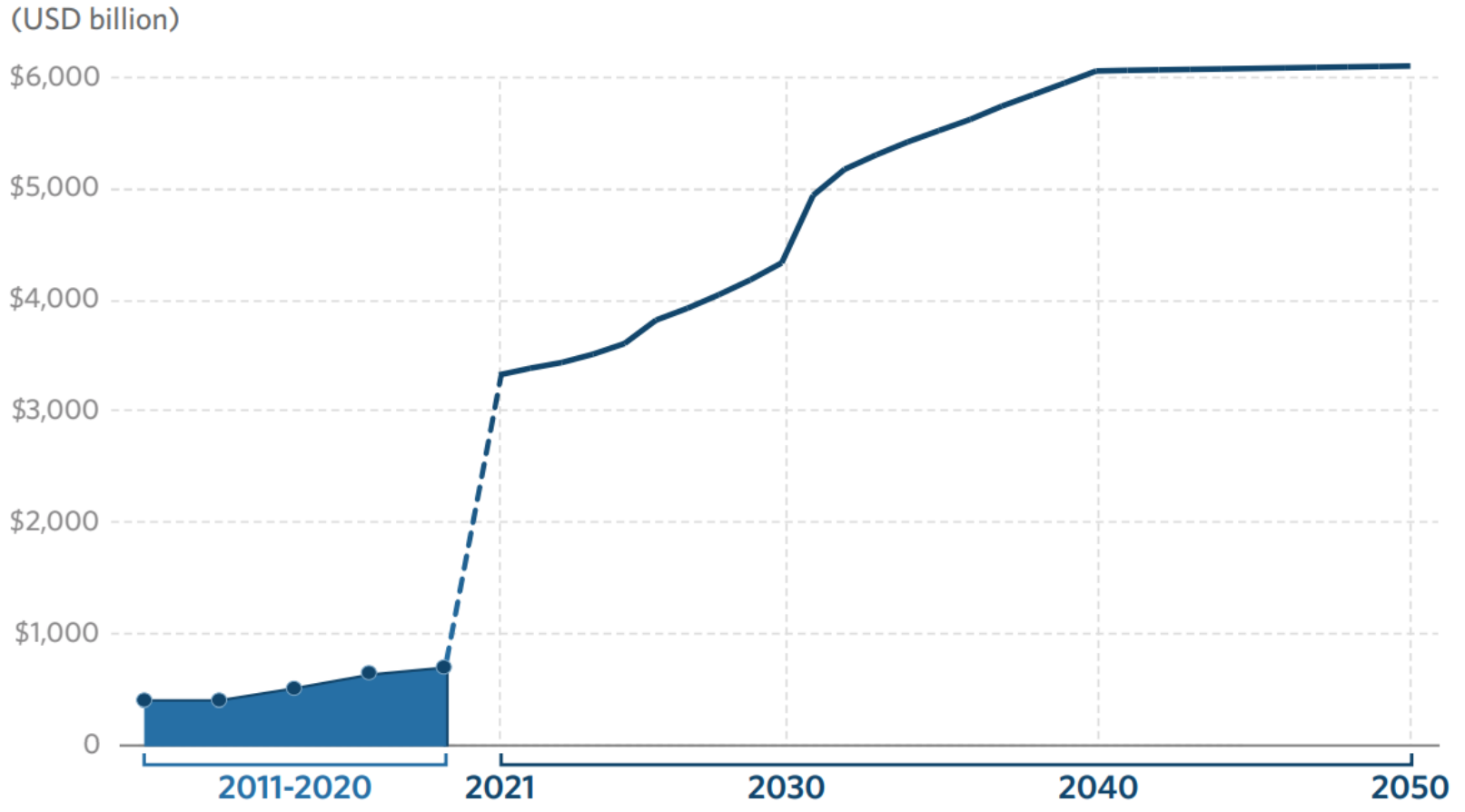


Rate of increase slowing
24% 2015/16 to 2017/18
10% 2017/18 to 2019/20

COVID19's impact on
climate finance yet to be
fully observed

Outlook is CF may
stabilize or even decline as
a result of COVID19 and
Ukraine war

Total climate finance flows vs needs



Climate finance needs in AFOLU

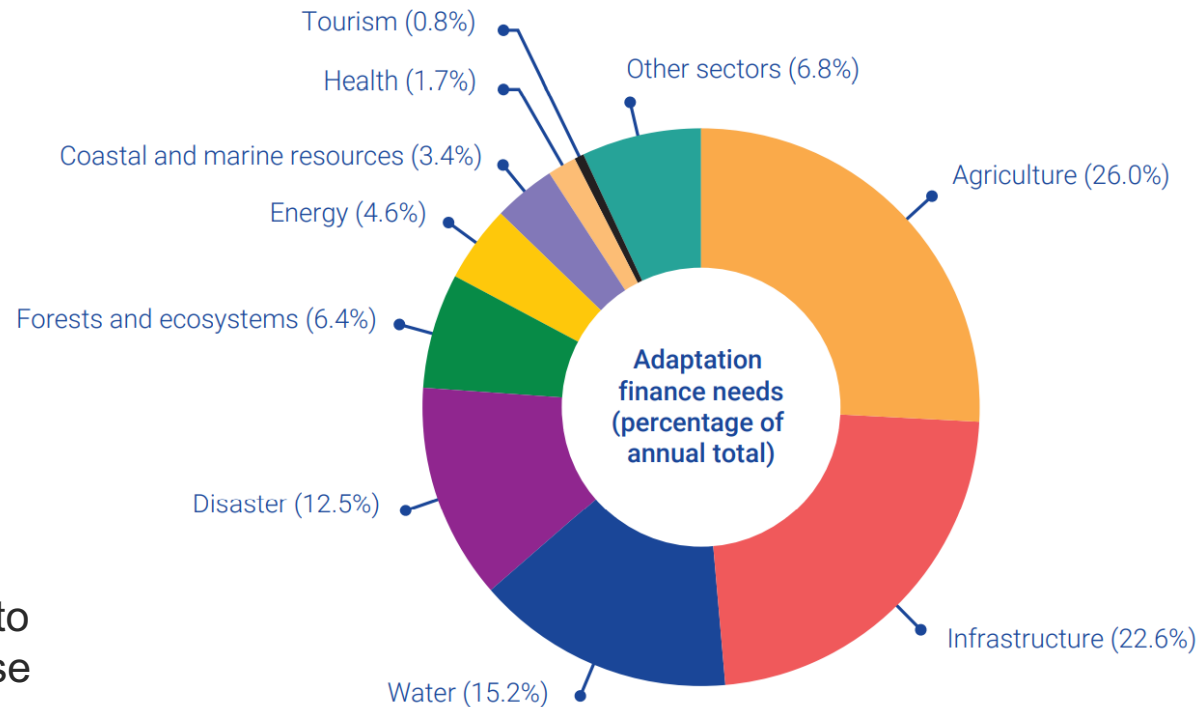
UNEP estimate of **annual** adaptation needs in developing economies

- \$155 to \$330 bn by 2030
- \$310 to \$555 bn by 2050

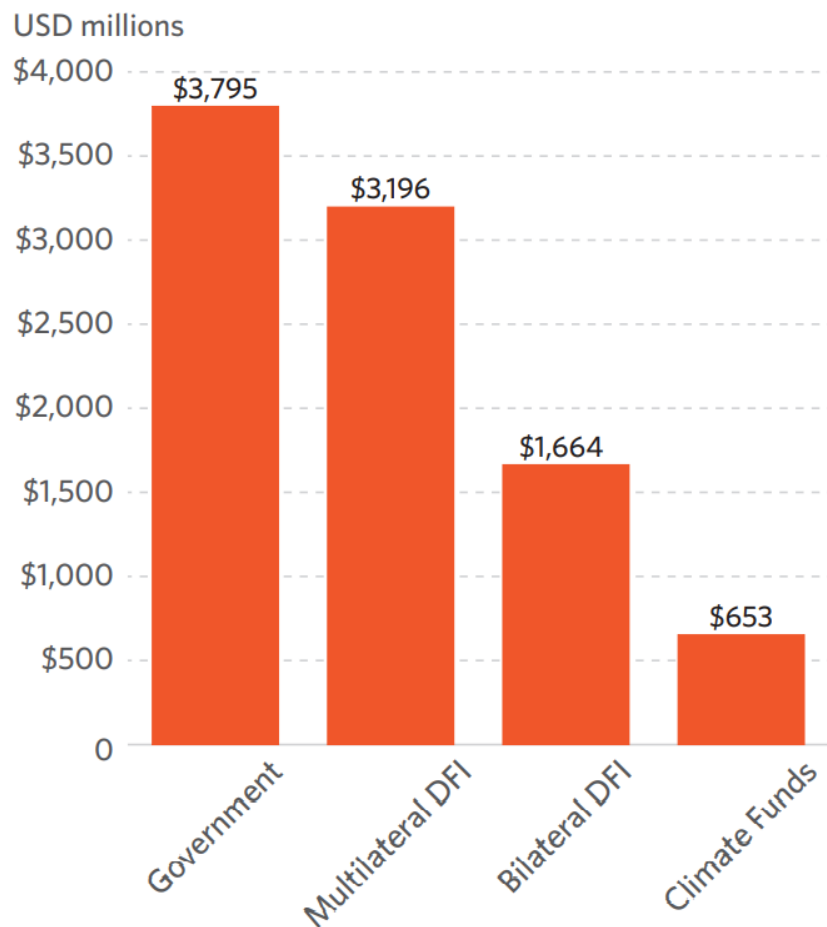
Overall financial needs of small-scale producers in developing countries at about \$240 bn annually

\$300 to 350 bn required to transition to sustainable food systems and land use while addressing climate change issues

Transforming food systems so they survive and thrive under climate change demands USD 1.3 trillion in investment every year over the next three decades



Climate finance to small-scale ag sector (2017/2018)



95% of CF to small-scale ag represented by public international finance flows

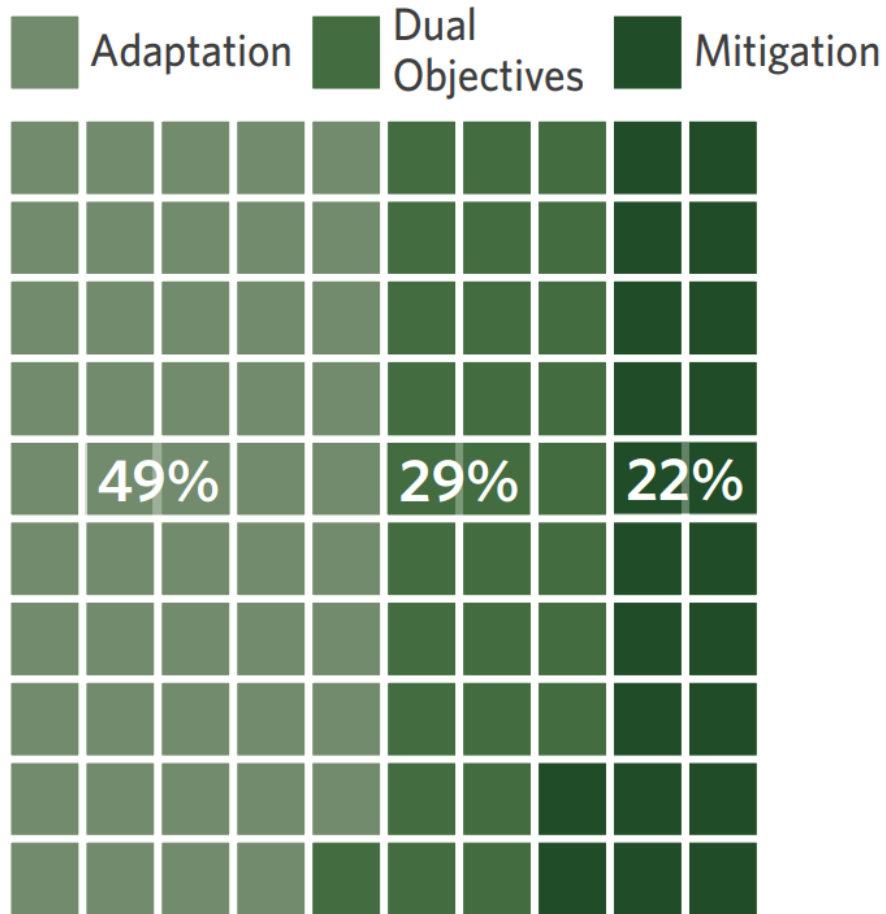
- 50% grants
- 33% concessional debt
- 16% non-concessional

Grants and concessional debt have potential to tackle some of the main barriers to finance

- capacity building to bridge the knowledge gap for the adoption of CSA practices
- de-risking or first-loss tranches to blended finance instruments to catalyze private investments

Public actors also invest project level equity and balance sheet financing in funds aimed at small-scale agriculture

Climate finance to small-scale ag sector (2017/18)

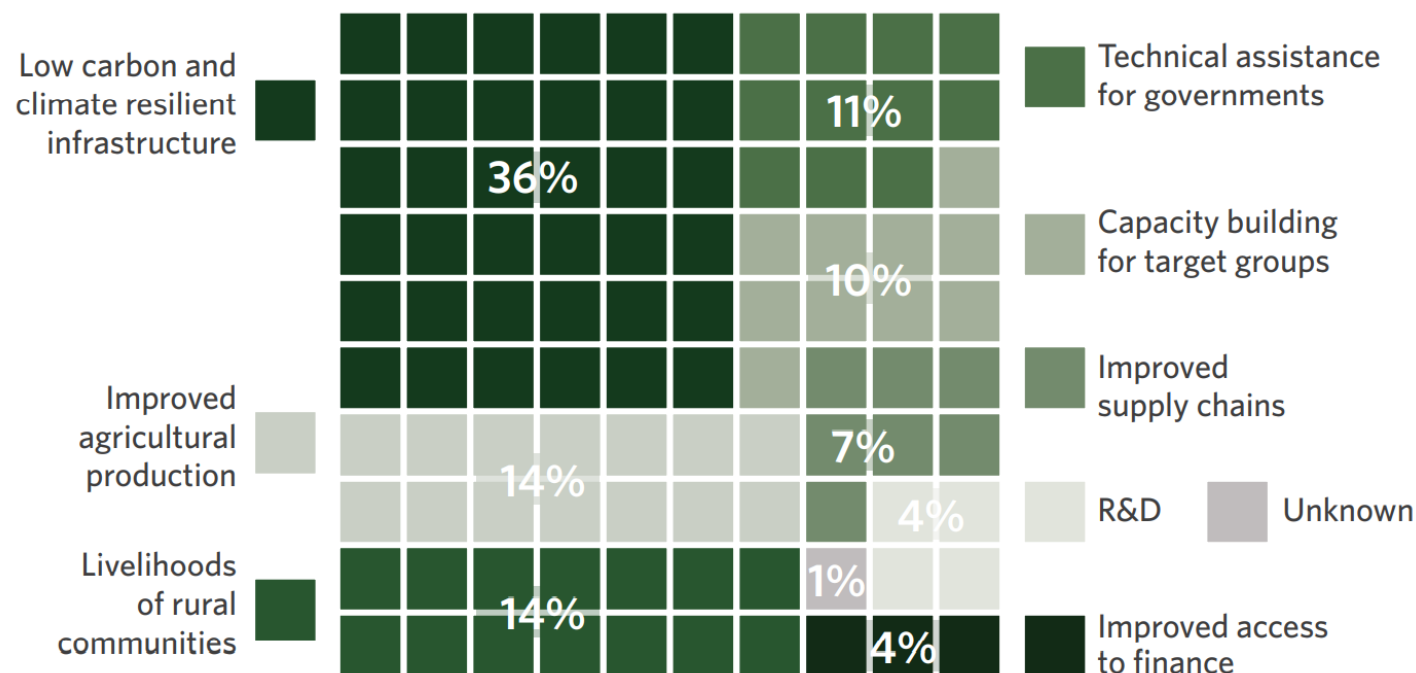


CF for small-scale ag has a more balanced distribution between adaptation and mitigation in comparison with total CF finance

Reflects the increased vulnerability of small-scale producers and rural poor to climate change impacts

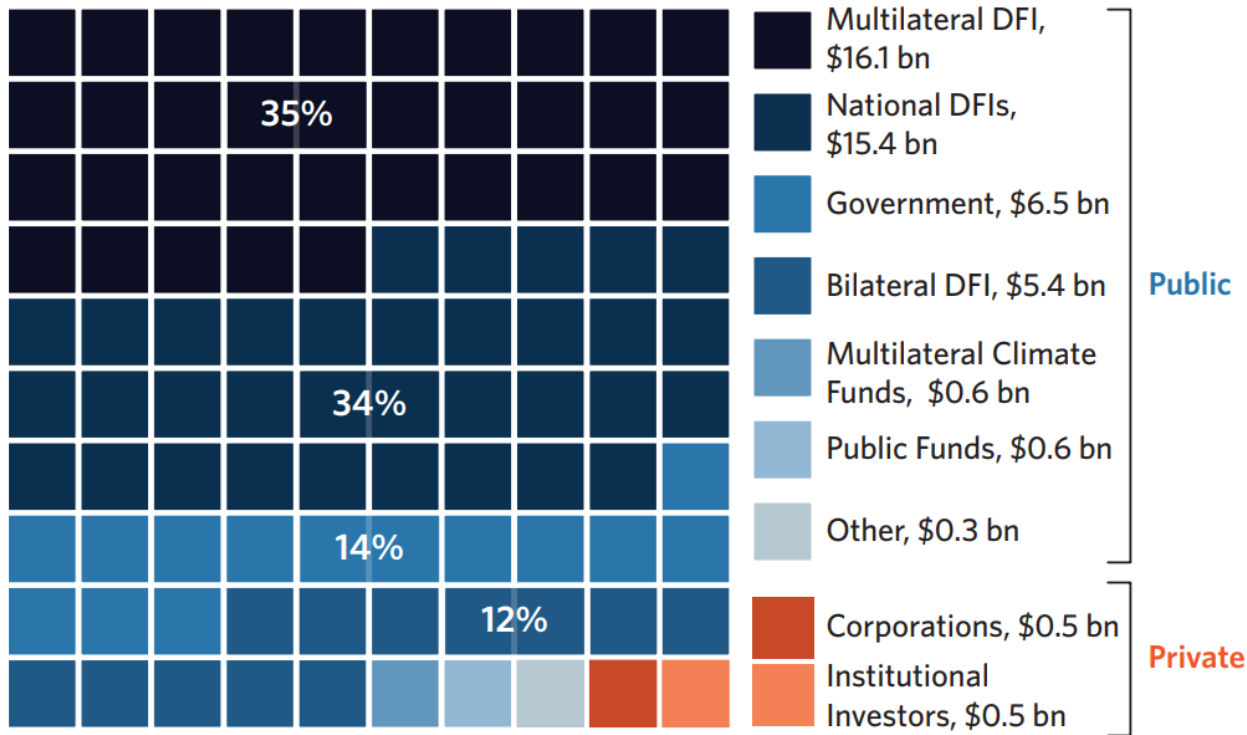
IFAD's CF adaptation to mitigation ratio is 90:10

Climate finance to small-scale ag sector (2017/18)



4% channeled through **domestic financial institutions** as intermediaries to facilitate credit lines and improved access to finance for small-scale producers and value chain actors. Further funding to financial institutions bundled with capacity building has the potential to produce transformative and scalable results

Adaptation finance (2019/2020)



Adaptation finance reached \$46 bn = 7% of total CF

↑ 53% from \$30 bn in 2017/18

≈100% public

UNEP estimate annual adaptation costs in developing economies

- \$155 to \$330 bn by 2030
- \$310 to \$555 bn by 2050

Recap of key messages

- **Level of investment needed** in the small-scale ag sector runs in the hundreds of billions annually
- **Funding gap** for the sector is large and likely to widen
 - *2019/20 drop in CF to AFOLU is a concern, share of CF to small-scale ag may have dropped to potentially 1.1% of total CF*
- **Blended finance and private sector** engagement instruments and mechanisms uptake and scale-up of is slow
- Growing climate risks **require a step change in ambition**, with increased ambition for international public climate finance and for overcoming barriers to private sector adaptation

Smallholder adaptation financing market development

Lessons learned from designing regional inclusive low emission and climate resilient agriculture smallholder finance programme



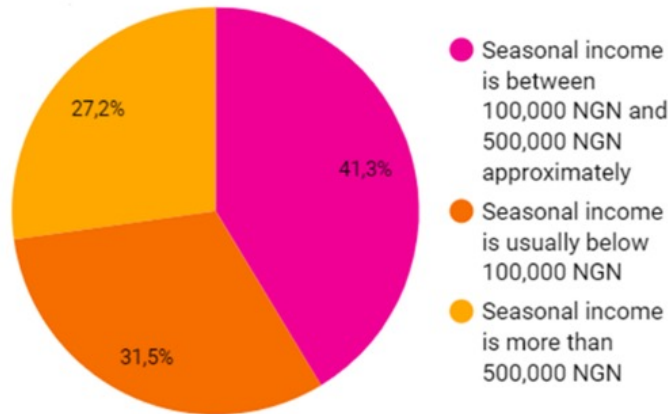
Limited Interest in Inclusive Green Finance

- Smallholders and green finance perceived as risky.
- Some financial institutions piloting climate finance (*solar product loans, biogas, shade measures etc.*)
- Lack of green finance market potential
- Lack of green finance know-how.

Demonstrate financial rational for smallholders

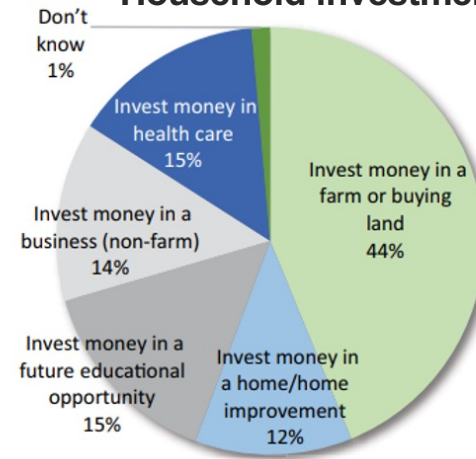
Understand household economics and finance

Household incomes



Source IFAD IGREENFIN 2 Feasibility Study, Nigeria 2021

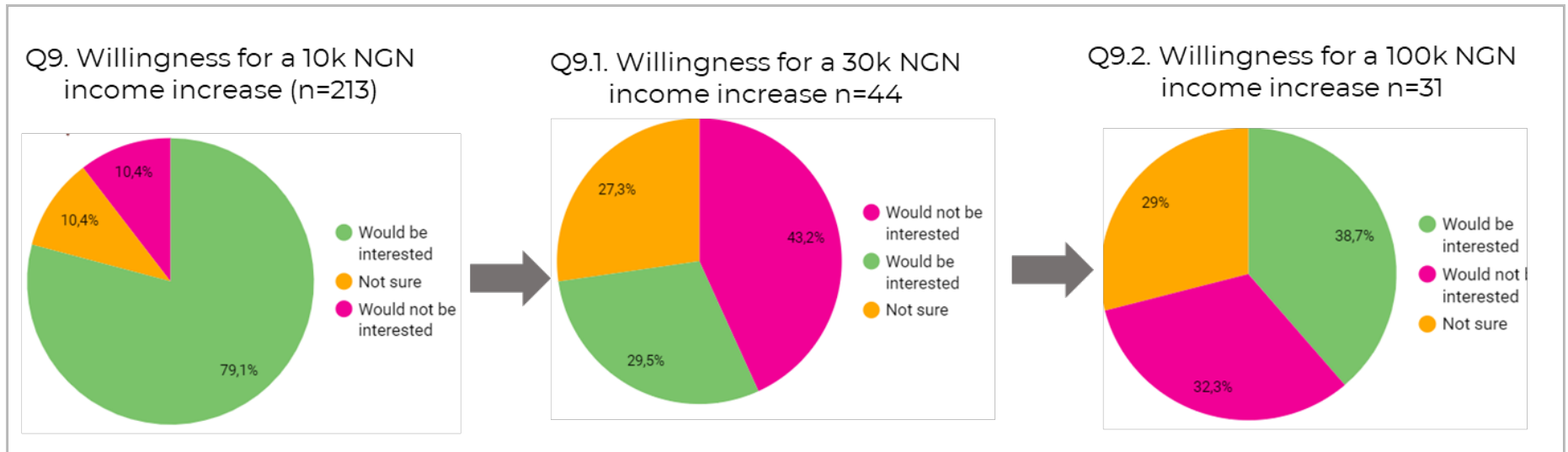
Household investments



Sample: Smallholder farmers who say any investments are important, n=2,707
Source: CGAP Smallholder Survey, 2017

Demonstrate financial rational for smallholders

Understand household economics and finance



42% mentioned the lack of funds and **33%** the lack of information on available technologies as major barriers to investment

Source IFAD IGREENFIN 2 Feasibility Study, Nigeria 2021

Demonstrate potential market

- 33 million rural poor smallholders farming households in Nigeria
- 33% Sufficient finance capacity, or 11 million smallholders
- 80% willing to take adaptation/ mitigation loan, or 8,8 million smallholders
- 400,000 NGN (~1,000 USD) average loan
- Potential smallholders green loan market 3.52 trillion NGN (8.8 billion USD).

Sources IFAD IGREENFIN 2 Feasibility Study, Nigeria 2021; and CGAP Smallholder Survey, 2017



Objective

Market analysis is consistent* & continuous**

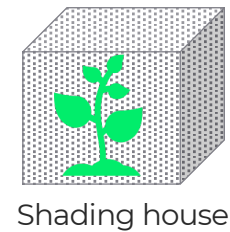
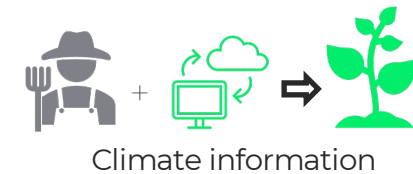
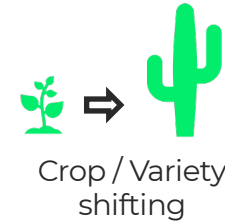


** same climate models & scenarios across all steps*

*** output from one step serve as input for subsequent one*

Adaptation categories & options

Increasing yield in a sustainable way requires more investments in climate change adaptation



Prioritization of Adaptation Options

Grade & Duration	1-year	3-year	5-year
Microfinance IRR > 24%	• Thin Crop Residue & Banana Pit (53.5% \$340)	• Medium Crop Residue & Half-Moon (85.7% \$620)	• Katumani (49.0% \$240)
	• Zai (161.7% \$320)	• Thin Crop Residue & Half-Moon (143.1% \$1,260)	• Windbreaker 150g & Half-Moon (33.1% \$1,370 sub.)
		• Half-Moon (210.7% \$1,540)	• Windbreaker 275g & Half-Moon (24.6% \$880 sub.)
Subsidized IRR > 9%		• Katumani (19.3% \$60)	• Windbreaker 100g & Half-Moon (18.6% \$820 sub.)
		• Windbreaker 150g & Half-Moon (13.9% \$420 sub.)	• Windbreaker 40g & Banana Pit (19.9% \$730 sub.)
		• Windbreaker 275g & Half-Moon (13.0% \$380 sub.)	• Windbreaker 40g & Five-by-Nine Pit (18.7% \$680 sub.)

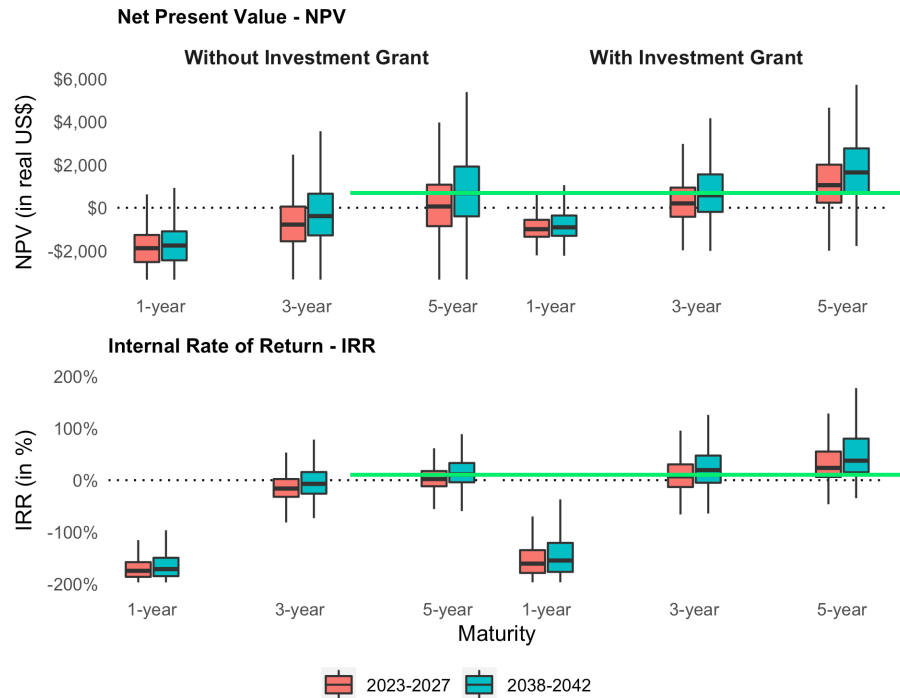
Example for Millet production in Madobi (Kano State, Nigeria)

Prioritization based on adaptation technology robustness/ profitability

- Investment grades defined according to supply & demand analysis
- Three maturities identified as relevant for investment purpose under IGF2: 1-, 3- and 5-year
- The simulation is based on about 2,900 individuals and packages of adaptation options
- In most cases analysed, few measures out of the 2900 show potential for commercial lending



NPV + IRR



- The figure provides NPV (top) and IRR (bottom) without investment grant (left) and with (right)
- The NPV and IRR profiles are for the same three maturities
- This transforms the climate / agronomic / pedological assessment into a finance-focused representation

Figure 2: NPV and IRR of Windbreaker 100g & Half-Moon for maturities of 1, 3 and 5 years and two time periods centered around 2025 and 2040.

Demonstrate Loan Product Viability

Good practice development

1. Main agricultural activities and climate vulnerabilities
2. Projected climate variability and impacts production and farmer income
3. Available adaptation technologies
4. Financial return potential of adaptation technology
5. Can financial institutions provide credit given operating and finance cost structures?
6. Market segmentation by adaptation option priorities
7. Design product

Nigeria

95% of 33 million smallholders are growing mainly sorghum, maize, millet, rice, and cassava.

Without robust adaptation crop yield are projected to **detrimentally decrease** (e.g. -18% for cassava.)

2900 packages only **~150** have a positive median IRR – with the majority falling in the 0 to 9% IRR category. Each degree of finanacabiliy.

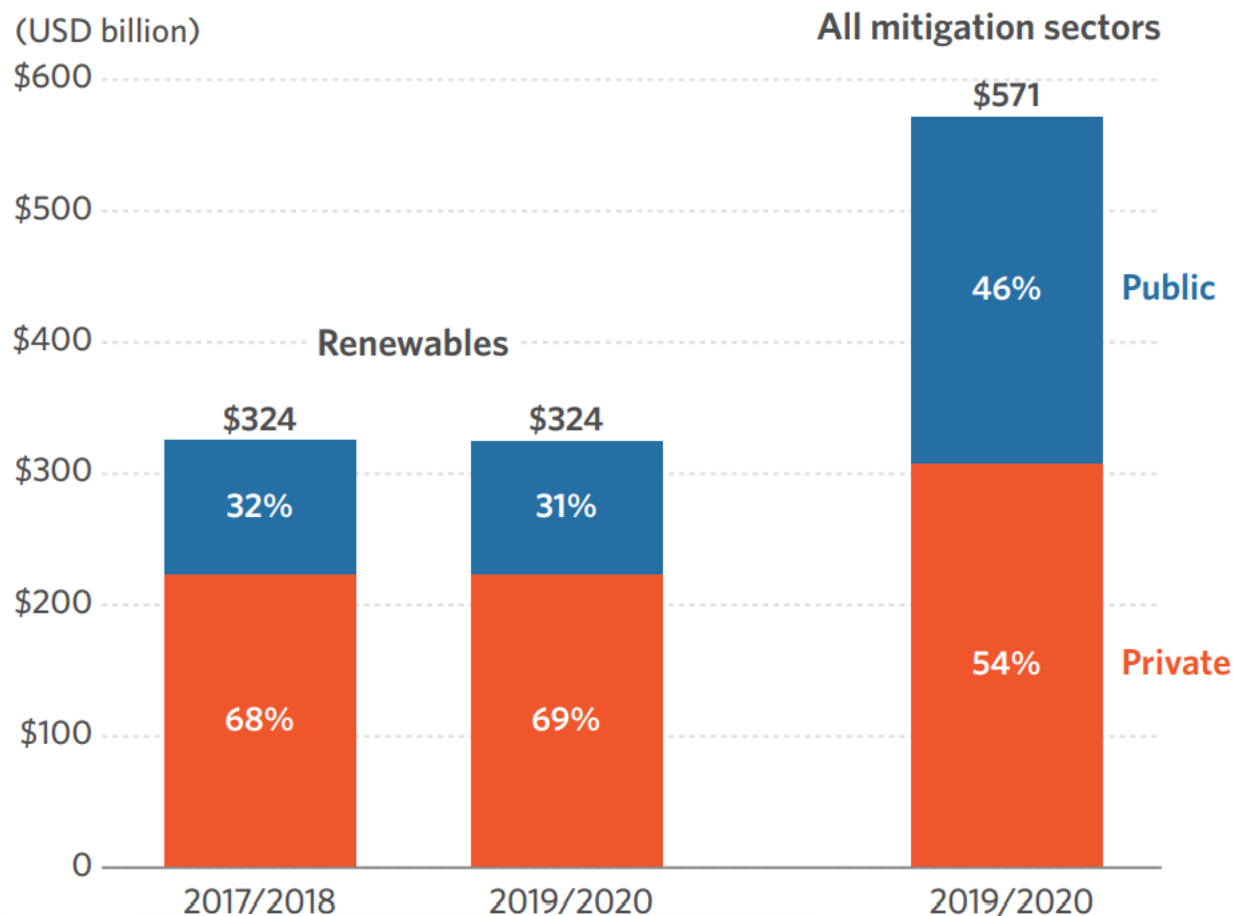
- Microfinance grade (IRR > 22%);
- Commercial grade (IRR > 15%);
- Subsidized interest rate grade (IRR > 5%).

Given size of loans and required interest rates determine maturities, payment schedule, risk mitigation measures.

THANK YOU



Mitigation finance (2019/2020)



Mitigation 90% of total CF

Renewables 57% of MF

MF in AFOLU \$8.1 bn
(1.4% of MF)

- ≈100% public
- 84% multilateral and national DFIs
- \$3.4 bn forestry
- \$2.3 bn agriculture



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ACTION GROUP



An event organized by the Green Inclusive and Climate Smart Finance Action Group (AG-GICSF)
Do you want to be a presenter or moderator in the webinar series? Please contact us:

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