Green Inclusive Finance

Status, trends and opportunities!

Initiators:

npm platform for inclusive finance

Hivos people unlimited

FMO Entrepreneurial Development Bank

Author:

Enclude

Colophon

Initiated by:
NpM, Platform for Inclusive Finance
Hivos
FMO

Authors:
Geert Jan Schuite and Davide Forcella, Enclude BV

Interviewees:
Claudia Belli (BNP Paribas)
Gabriela ERICE (eMFP)
Desmond Fortes (FMO)
Laura Hemrika (Credit Suisse AG)
Tanja Havemann (Clarmondial)
Neera vand der Geest (FairClimateFund)
Sonja Ooms (Oikocredit)
Frédéric Huybrechs (Ministry of Foreign Affairs)
Adriaan Loeff (Enclude BV)
Arantza Loza and Alma Garcia (IADB)
Armonia Pierantozzi (MIX Market)
Juana Ramirez (ADA)
FS-UNEP Collaborating Centre and especially Alicia Rondon-Krummheuer (FS-UNEP)
Wolfgang Ryll (KfW)
Josien Sluijs (NpM, Platform for Inclusive Finance)
Leo Soldaat (Hivos)

Preface

Each year NpM, Platform for Inclusive Finance (NpM) organises an international conference on Inclusive Finance for parties committed to or with interest in expanding access to finance in underserved regions. The topic of the 2015 conference is Green Inclusive Finance: "Extending the Impact of Investing". NpM organises this conference with Hivos and FMO, both members of the platform. Green Inclusive Finance extends the focus of Inclusive Finance a step further by providing access to financial services that promote sustainable solutions, green products and services to households on the base of the pyramid (BOP) and Micro, Small and Medium-Sized Enterprises (MSMEs).

NpM beliefs 'greening' the Inclusive Finance sector needs to be a priority on the sector's agenda. First and foremost, the high necessity to reduce our environmental footprint makes Green Inclusive Finance indispensable. Secondly, because of the potential 'Green investments' bring to generate innovative business opportunities. The 2015 conference focusses on both aspects of greening the sector; the sense of urgency and an insight in successful Green Inclusive Finance business models.

NpM, Hivos and FMO invited Enclude to prepare an overview on three levels: global level, investment level and product/project level. The trends and opportunities in the Green Inclusive Finance sector are described with the aim to open up the discussions, activities and engagements towards greening the sector. The complexity of the topic and its dependence on many actors makes partnerships necessary. NpM is a unique cooperation of different types of organisations that each need to play its role. The Dutch organisations are jointly the fourth largest investor in the world, with annual commitments of 2.5 billion euros (2014).

NpM hopes that this report will be useful and inspiring to explore and develop Green Inclusive Finance services and products that contribute to economic development as well as reduction of carbon emissions, climate smart adaptation and protection of biodiversity while strengthening local entrepreneurship and local communities. On our website we present more examples than mentioned in this report. NpM invites you to share with us your ideas, suggestions, comments or examples in response to this report!

Also on behalf of Hivos and FMO,
Josien Sluijs
Director NpM, Platform for Inclusive Finance

Remarks

This paper explores the status, trends and opportunities of the global state of Green Inclusive Finance. The authors do not intend to produce a comprehensive study, but present an overview to initiate further conversations, activities and engagements towards building more and better outcomes, and creating added value for financial institutions, investors, entrepreneurship, people and the environment.

The results provided in the papers come from different sources: literature review on existing documents and report, and elaboration on these data, analysis of data reported in the MIX Market, a common survey run by e-MFP Action Group: MF and Environment, and the MIX Market, internal survey and data from Enclude, and interviews with major actors involved in green inclusive finance - called "experts" in the rest of the paper.

The valuable contribution of all these actors is kindly acknowledged. In particular we would like to thank the people we have interviewed for this paper. They have provided major insights, contribution and support, and shared their valuable experience that highly contributed to the elaboration of this paper. The list of interviewees is included in the colophon.

Index

1. Introduction

The growing numbers of people in emerging economies and developing countries have an increasing need for food, clean water, fuel, energy, but also a fair redistribution of resources, capital and access to opportunities. At the same time, they are vulnerable to environmental degradation and to climate change: changing weather patterns, droughts, floods, etc. There is a need for jobs, healthy and safe living conditions. A comprehensive summary of these challenges as well as focused plans and objectives to address them can be found in the plethora of UN and other policy-focused reports and brochures published in parallel with the MDG, Rio+20, COP, and other global agendas and conferences.

Entrepreneurial projects and adapted financial solutions can contribute to address these urgent challenges, as they can increase and stabilize incomes, support job creation, build resiliency, foster innovation and deliver 'green' solutions.

In this article we provide a picture of the status and opportunities of Green Inclusive Finance – a financial sector that aims to support sustainable solutions, green products and services to poor households and Micro, Small and Medium-Sized Enterprises (MSMEs). The financial sector can facilitate in improving the situation in a variety of ways, depending on the actual demand, supply and socio-economic landscape. We will look at the cross-cutting elements of this complex reality, and try to introduce some of the recent activities in this field of green inclusive finance.

To do so we focused during our analysis on three main levels:

- Global: international and regional actors and initiatives;
- Investment: activities of financial intermediary institutions;
- Product/Project: examples of products, activities and services provided.

We will share the viewpoints of sector experts and summarize the latest thinking about the role of Green Inclusive Finance, the state-of-affairs, and emerging trends. We will also share some of our own field research data and hope to provide a meaningful and inspiring input to the on-going dialog and development of further actions.

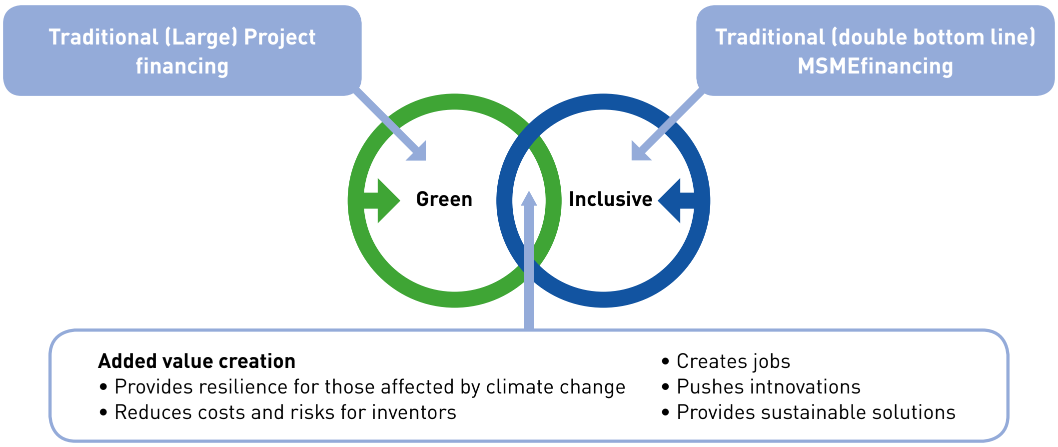
2. Say what?

We did not find a universally accepted definition for Green Inclusive Finance. While there is an overwhelming number of publications and reports available that relate to green inclusive finance, they mostly address related topics, such as *climate change*, or *landscape finance*, or *inclusive green growth*, etcetera. We decided to use a working definition for Green Inclusive Finance adapted from a recent IFC report[1]:

WORKING DEFINITION "Green Inclusive Finance are financial services that support economic growth in a clean, resilient and sustainable manner, and focus on the base of the pyramid (BOP) including micro, small, and medium-sized enterprises in low-income countries or such subsets of population within other developing countries."

Green Inclusive Finance has a multi-dimensional purpose: for economic development, for social inclusion and for environmental sustainability. It encompasses all traditional forms of **Microfinance as well as SME finance**, by specialized institutions, including Banks, Non-Bank Financial Institutions, Funds, etc. Green Inclusive Finance focusses on all instruments, products and services that address climate change: mitigation and adaptation, solutions for waste, water and sanitation management, land management and ecosystem conservation, organic farming, access to clean and reliable energy, energy efficiency, etc.

We can imagine green inclusive finance as the merging of green finance with inclusive finance. In the place where the two combine *added value* is created for end-clients, financial intermediaries as well as for investors.



[1] Mobilizing Public and private Funds for Inclusive Green Growth Investment in Developing Countries' (2013)

Green inclusive finance seem to have various important advantages supporting value creation:

- it targets MSMEs that are flexible and have innovative capacity[2] fundamental to foster the employment of innovative clean solutions.
- it combines the higher resiliency to economic downturn of social responsible banking, MF investments, social enterprises, with reduced vulnerability towards energy and food price volatility and environmental degradation, deducting risk for all stakeholders.
- it is in a privileged position (producers, consumers, collectors) to grab growing, economically rewarding, demand for green products (organic foods, solar panels, etc.), generating environmental higher value for society and economic return for stakeholders.
- it deals with financial intermediaries with high proximity to its clients, and MSMEs that are well embedded in society and community. They can generate qualified green jobs and profit stays in the community pushing for real local economic development
- if strategically implemented in green local value chains it support circular economy, reducing cost for planet, and people, and fostering socially and environmentally sustainable value creation.

OBSERVATION There is a great potential when the 'Green' sectors and 'Inclusive' finance sector move closer and increase the integrated 'Green Inclusive' field.

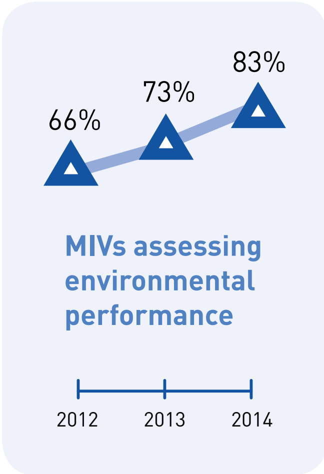
But if that is the case, then why green inclusive finance is not (yet) popping up everywhere?

High investment cost, low environmental awareness, establishment of complex partnerships, small scale are some of the hard challenges. To better understand the interaction between challenges and advantages we will give a look at how green inclusive finance behaves until today.

[2] Indeed to survive MSMEs need to diversify and take risk to get market share, more than larger firms that have and established position in the market.

3. Market trends

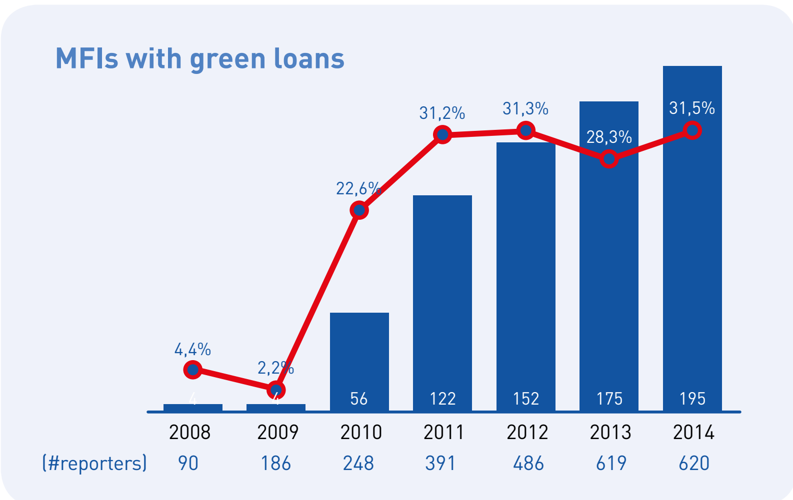
Experts see a growing interest in green investments: *donors and investors* increasingly look for green investment opportunities, the number of meetings and conferences dealing with green inclusive finance over the past years enormously increased. There is also a rising trend in MIVs that integrate environmental issues into their investment decisions (Symbiotics MIV survey, 2012, 2013, 2014) .At the same time the experts tell us that they find the demand for green inclusive financial services at the end-client level to be still weak (both at the level of local MSME financial institutions and their clients). The key element to bring to MSME financial institutions and their clients is education, because there is a perceived *lack of understanding and awareness* at field level. However, financial intermediary institutions mention environmental products and solutions to be of increasing importance, mainly due to social responsibility, competitiveness (strategic and economic benefits), and legitimacy (stakeholder pressure).



source: Symbiotics MIV Survey

OBSERVATION When local financial institutions become more involved and aware, the demand for green financial services increases.

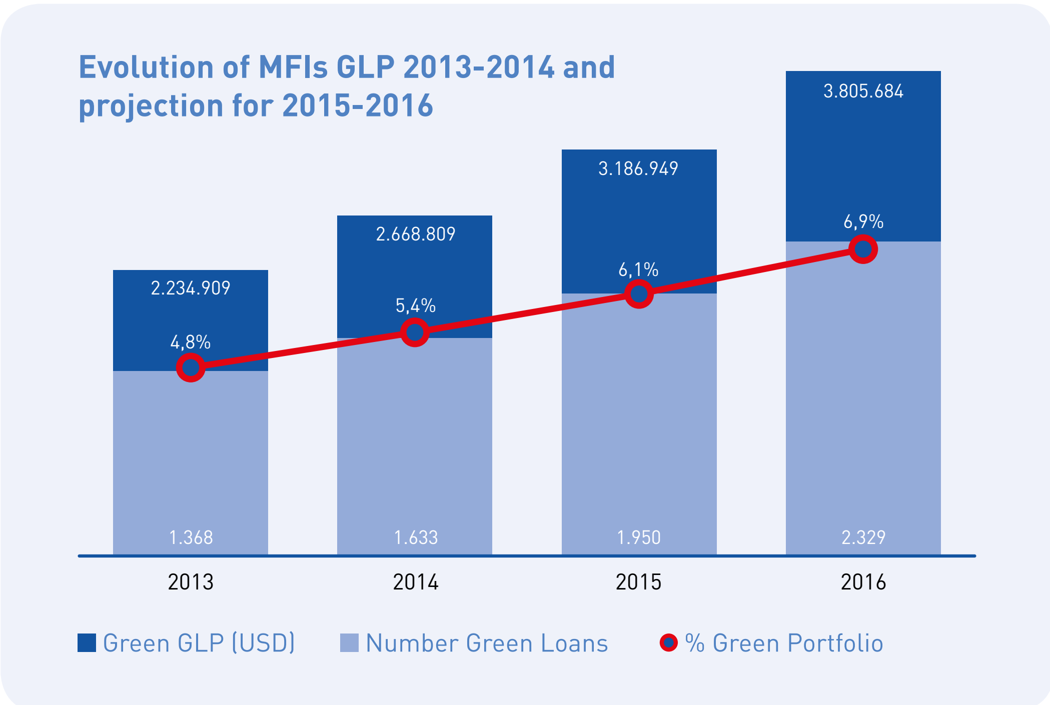
The number of MFIs that report in the MIX Market to have green products, policies and activities constantly grew since 2008. The graph shows the very positive trend of number of MFIs and percentage of MFIs (among the ones that report; 620 in 2014) in developing countries that provides green loans to their clients (self-reported), for solar, biogas, clean cook stoves, organic farming, agroforestry, etc.



source: MIX Market

OBSERVATION An increasing number of MFIs offer green (loans) to their clients.

The Mix Market together with the e-MFP Action Group Microfinance and Environment are currently (summer 2015) running a survey on quantitative indicators to track the environmental performance of MFIs. A first look to the survey response provides some interesting insights on the number of green loans, the green portfolio and the 'green' engagement of MFIs. Elaborating on a small number (52) of respondents, it is possible to extract some trends. The average number of green loans per MFI and the average amount of green portfolio per MFI has grown between 2013 and 2014. Assuming a similar trend for this year and the next the plot provides a projection for 2015-2016. We can conclude that outstanding green loans are still a minor part of the average MF portfolio, but its relevance is growing and consolidating.

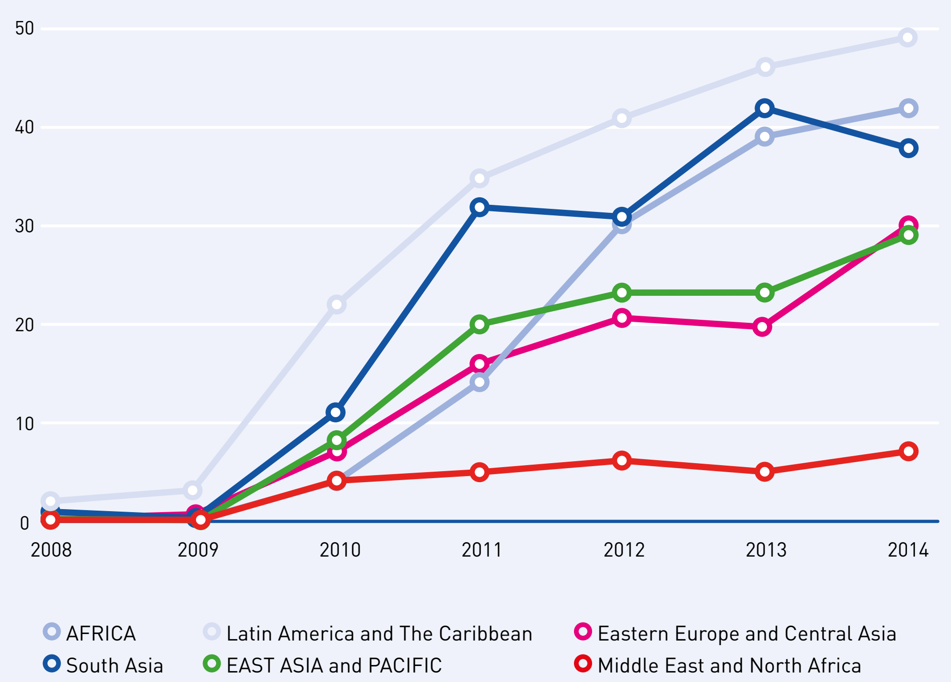


source: MIX Market

OBSERVATION The relative size of green loans in Microfinance portfolios shows a growing trend.

Such positive trends do not appear in a specific region but, as it can be seen from the graph below, it is a common trend of various regions in developing countries. This regional trend observed in the aggregate data reported in the MIX is confirmed also by some focused regional studies. Hivos and Enclude worked with 21 Indonesian MFIs, and performed an initial assessment in each MFI, to understand their current approach towards green performance[3]. Using the Green Performance Agenda guideline[4], the team then also performed a stakeholder analysis, based on which the MFI was enabled to evaluate it's 'optimal' green performance, that is used as a probe for tomorrow's green performance. The Green Performance Agenda is a joint initiative of Hivos and Enclude with the objective to improve the environmental performance of MFIs. The result is very clear: there is a gap between the current and 'optimal' (tomorrow) green performance that needs to be addressed (see graphs on next page), clearly showing demand and market opportunity for green inclusive finance in the near future. Similar projects in Eastern and Southern Africa confirmed these results.

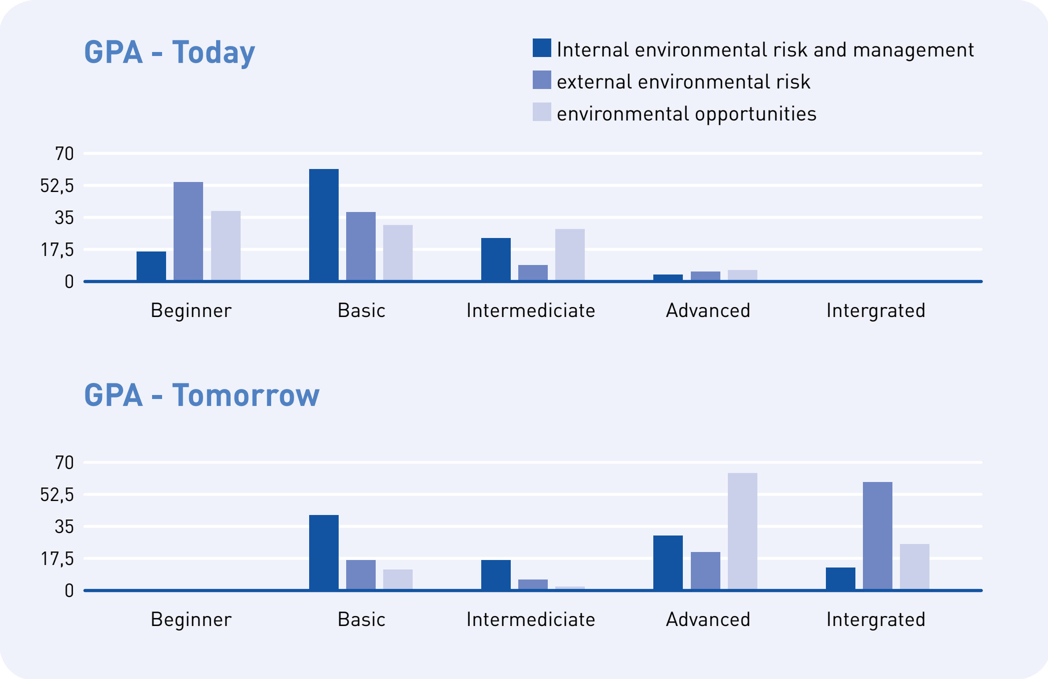
Number of MFIs with green loans per region



source: MIX Market

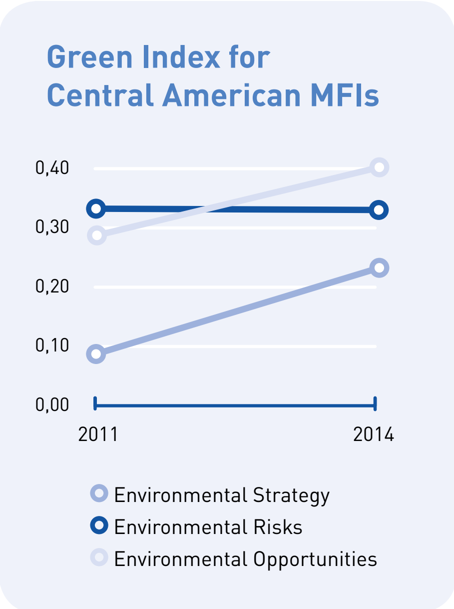
[3] internal environmental footprint, external portfolio risks and green product opportunities were assessed, and these 3 dimensions aspects were then for each MFI rated as 'basic', 'beginner', 'intermediate', 'advanced', or 'integrated'

[4] See www.gpa4mf.blogspot.com



source: Hivos/Enclude

Comparable trends were seen in a recent study in Central American countries (Forcella, Ramirez, Allet, 2015). The data collected in a survey done by M. Allet in 2011 were combined with data collected by ADA in 2014, and analyzed with the recently developed Green Index tool[5]. The analysis shows a clear positive trend in particular for the provision of financial and non-financial products to clients, and the development of environmental strategies for the institution.

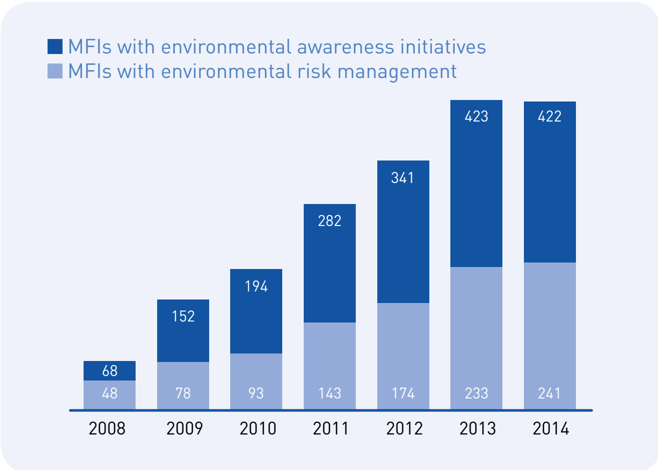


source: e-MFP

OBSERVATION Microfinance Institutions have room to improve their green performance, in terms of environmental footprint, portfolio green risk management, and green opportunities.

[5] The Green Index tool has been developed by the Microfinance and Environment Action Group in the e-MFP. It assesses the environmental performance of MFIs. It is presently integrated in the social Audit SPI4 of CERISE. The score goes from 0 to 1 for the various environmental dimensions.

These two regional studies underline progress not only in product development, but also in procedures, policies and risk management. Indeed the development of sound green inclusive finance requires not only green products development but also green institutions, procedures, policies. An aggregate analysis among MFIs in developing countries reporting to the MIX Market confirms this trend, and the greening of MFIs. The graph indicates the number of MFIs that provide specific services (such as trainings or information material) to clients aiming at raising environmental awareness, and it also indicates the number of MFIs that implement an active risk management strategy to reduce the environmental footprint of the organization. We see a growing trend in the number of MFIs reporting on green initiatives and strategies in the past 7 years. It could then be the right moment to define strategies and investment to support and consolidate such positive dynamics.



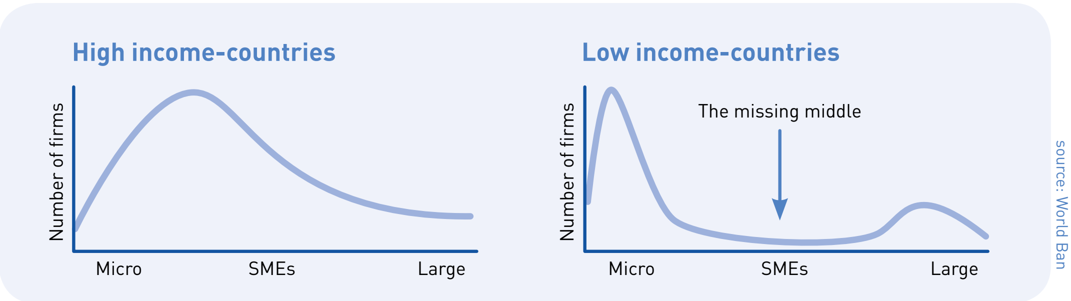
source: MIX Market

OBSERVATION The attention among MFIs for providing non-financial environmental services and –risk management is increasing, but may stagnate.

4. SME Opportunities

Green Inclusive Finance deals at least with two sectors: micro enterprises and households; and small and medium enterprises. It is natural to wonder if the field can be developed in a comprehensive way, or if it requires different strategies, and what are the synergies between the two sectors. Experts provide us a mixed picture. It seems clear that Micro and SMEs technologies, products and solutions are somehow different and need to be customized to their own market as well as to their own risks. For this reasons some experts claim that Micro and SME finance should be disconnected: different loan officers, different methodology etc. and the supporting institutions should address them in a different way. However, other experts sustain that there are possible important synergies between Microfinance and SME finance and the respective target clients and that it can be beneficial to support strategies that aim to strength the link between Micro and SMEs and build and enabling green ecosystem. One possible strategy is to push for graduation of Microenterprises to become SMEs. Another strategy is to support at the same time Micro and SMEs to construct sound and reliable green value chains also in the spirit of landscape finance.

It is indeed reasonable to believe that microenterprises, poor households, and MFIs alone will have a hard time to go green all by themselves. SMEs can assist them by supporting services, technology, market access, after-sales services, etc. However SMEs in most developing countries have difficulties in finding funding in the first place: the notorious 'missing middle'. SMEs have shown to be the economic backbone of most developed countries as they employ the majority of the population. When trying to develop green lending for SMEs it seems a *double challenge*. However according to recent study (InfoDev, 2014) the opportunities for SMEs to benefit from green finance are great:

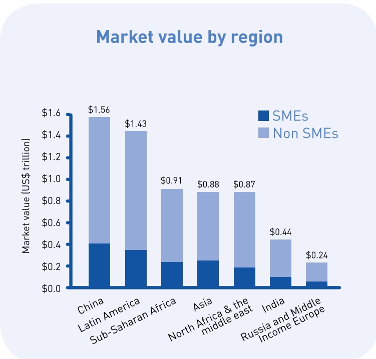


- There are important niches for SMEs in established clean technology value chains.
- SMEs are well positioned to uncover and address opportunities in local clean technology markets.
- SMEs play an important role in adapting existing technology for local conditions.

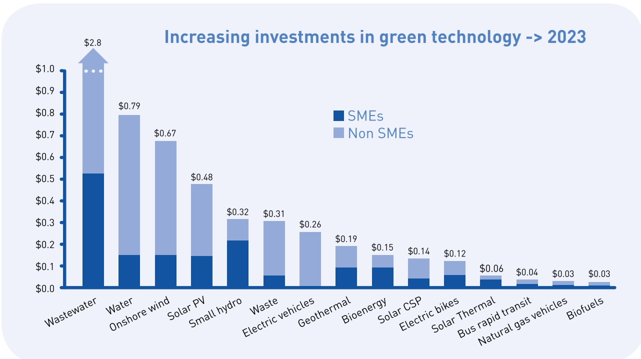
At the same time, SMEs face different obstacles to growth compared to large firms. Lack of access to finance, lack of economies of scale, and lack of operational efficiency are just a few of these challenges. *Innovative* SMEs face even more constraints due to greater asymmetries of information between sources of finance and SMEs, as well as higher rates of failure and longer-term returns on investments. Developing policy options that can specifically target clean technology SMEs is therefore critical to the successful development of clean technology industries in developing countries.

The global clean technology market is expected to grow around 4.1 percent annually (with low carbon and renewable energy, water and sanitation, waste management solutions and cleaner mobility as the key areas). Projections for markets and SME share within those markets indicate a total investment of 6.4 trillion USD until 2023, of which 1.6 trillion USD would be accessible to SMEs. The graph shows clean technology market value by region, and the shares of SMEs and non-SME (USD trillion).

> **OBSERVATION** SMEs have great opportunities to benefit from a growing green focus, especially in the clean tech sectors. SMEs however are still vulnerable and need active support from financial partners.



source: InfoDev. 2014



source: InfoDev. 2014

Much more is known in European countries. In a survey (Flash Barometer 381, December 2013) under more than 11,000 SMEs (in the EU) a general awareness about environmental issues emerges, with the majority (63%) of them mentioning cost savings as the main reason to take actions. The EU's domestic experience suggests that the green economy is indeed important to address poverty, mostly through economic growth in the environmental goods and services sector and subsequent job creation. The number of "green jobs" in the EU has increased from 2.9 to 4.2 million between 2002 and 2011, including by 20% during the recession years (2007-2011), mainly as a result of an increase in energy production from renewable sources and products for energy and heat savings, and clearly showing the resiliency of the green inclusive sector. The EU estimates that up to 20 million jobs could be created in the EU by 2020 in green economy sectors.

5. Global trends

At a global level the momentum for green finance is building up. In July 2015 in Addis Ababa, Ethiopia, UN Member States at the International Conference on Financing for Development defined goals and partnerships to realize the Sustainable Development Goals, with a focus on poverty eradication, shared prosperity and tackling of the core drivers of climate change.

In December 2015 France will be hosting the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21/CMP11). The conference will need to achieve a new international agreement on the climate, applicable to all countries, with the aim of keeping global warming below 2°C.

When asked about the difference between countries or regions, experts do not see specific regions or areas in which the green inclusive finance market is 'better' than others (some say that India is a typical hotspot in terms of green investment projects and businesses). The biggest challenges are experienced in those markets where it is difficult to reach clients in the first place, such as remote, rural areas.

The 2014 global survey by The Climate Policy Initiative concludes that the size of the global climate finance flows totaled 331 billion USD in 2013. Of the total 331 billion, approximately 50% was used for projects in non-OECD countries. In these countries, a portion of 13% was spent on adaptation, the rest on mitigation.

When we look at multilateral development financial institutions, their concern and focus on climate change is very clear. The **Inter-American Development Bank** develops economic tools and financing schemes, which serve to pool international resources and estimate investment impacts. According to IADB Public and private financial institutions, such as national development banks and commercial banks, play a fundamental role in channeling finance toward investment in activities that reduce greenhouse gas emissions. The IDB is working with commercial financial institutions and national development banks in the region to reduce their environmental impact and to develop "green" financial products and services.

The **Asian Development Bank** claims that environmental sustainability is a prerequisite for economic growth and poverty reduction in Asia and the Pacific. Through financing and knowledge-sharing, ADB is helping the region shift to a green growth path by building sustainable infrastructure, investing in natural capital, strengthening environmental management, and responding to climate change.

The **African Development Bank** developed a Strategy of Climate Risk Management and Adaptation aiming at reducing the continent's vulnerability to climate change and sustain the change to economies producing less greenhouse gas (GHG). The plan banks on AfDB resources but also on the contribution of its partners, multilateral and bilateral institutions, and the private sector.

In the past ten years, a global group of practitioners, networks, investors, and other stakeholders have collaborated in the **Social Performance Taskforce (SPTF)** to define common guidelines for social performance and client protection within the inclusive finance sector. The SPTF has developed Universal Standards for Social Performance, and is now preparing to adapt these Universal Standards to include environmental considerations in addition to the social and economic dimension.

In parallel, European inclusive finance stakeholders working together under the e-MFP have developed a voluntary set of indicators for financial institutions to assess their environmental performance, formulated as 'green index'.

OBSERVATION At the global, international stage the momentum for Green Inclusive Finance is growing.

6. Focal areas and winning strategies

In discussing the main areas that need attention in mainstreaming Green Inclusive Finance with experts, they tell us that:

A. Raising awareness on the materiality of environmental issues is key, both at the level of enterprises and in the financial sector.
B. Localizing the approach is very important, as often there seems to be a mismatch between a (universal) macro solution and the actual local environmental issues: having a strong local partner on the ground is important.
C. Commonly accepted (and used) set of metrics to assess and evaluate environmental impact of products need strong commitment from the financial sector.
D. It is important to develop a clear demonstration of the overall cost efficiency of green products for end-users.

Looking at the existing projects and activities related to green inclusive finance, experts see a few key components when asked to mention some winning strategies for green inclusive finance. In the first place, it is of key importance to understand the local context and people's needs and perceptions about the environment. In addition, a clear focus on partnerships that provide business opportunities for all partners is important, and clear incentives for all partners. This will only be possible if support is created for building an enabling environment, including a consensus on measurement and interpretation of outcomes.

OBSERVATION There is an abundance in experiences and successful strategies to build on in developing a Green Inclusive Financial approach.

7. Subsidies and sustainability

When asked for the role subsidies can play in achieving improved green inclusive finance, experts say that they can be helpful especially in the initial stage of projects, to push innovations, enable the use of information systems, and support the understanding of materiality. Subsidies often serve as a critical catalyser for capacity building and knowledge production, and as safety-nets for investors that want to reduce risks. There is a risk of market distortion, too: attention should be paid to not crowd out other initiatives. However we should remember that subsidies, such as in the agricultural sector, are rather common in the Northern markets as well.

We've asked experts how green inclusive finance can be made sustainable. They underlined some major elements that could allow to do so, including scale: involve multiple players and establish well defined partnerships. It is important to adapt solutions to local realities, provide different kinds of capital with different maturities, and support the full green value chain with technical assistance.
The link between subsidies and regulations (legislation-enforcement) should be supported and 'green' must be allowed to compete on fair grounds with other options. Moreover, there is evidence that green inclusive finance can be cheaper and healthier than business as usual finance, and it is important to get that message across.

OBSERVATION Subsidies are important enablers and often a catalyst for green innovation. They should be handled with care and prevent market distortion.

8. Investments and products

All along this paper we have been discussing various aspects, trends, opportunities and challenges for Green Inclusive Finance. But as-we-speak: who is doing what and what are the main products actually provided?
The range of actors involved and the products proposed is quite significant; in this section we would simply like to provide a snapshot of it.

Renewable energy plays a major role. Solar panels are sometimes seen as synonyms of green products, however the actual offer for solar energy is much broader: from Pico PV for small light and phone mobile chargers, until extended micro grids to provide electricity for village and community use, passing from solar home systems, solar water heaters, solar dryers, solar water pumps for irrigation, etc. some of these products have been recently reported in the "products catalogue" of the e-MFP action group Microfinance and Environment[6], or promoted by actors such as: ADA, MEI International, PAMIGA, UNCDF CleanStart, and many others actors, or at the level of institutions by famous examples such as Grameen Shakti or ESAF, to name a few. In the field of renewable energy improved cook stoves play an important role (see for example Global Alliance for Clean CookStoves). At larger scale MSEMs finance support micro-hydro and micro-wind products. **Energy efficiency** is another promising dimension with insulation (such as the product range of XacBank), and efficient appliances such as fridges and air conditioners as interesting examples. Some transversal examples touching on both climate change mitigation and adaptation can be found as promoted by EcoMicro.

Indeed Green Inclusive Finance is much more than energy alone. Various programs support **sustainable rural development** and the establishment of fair and more rewarding **green value chains**. There are interesting programs that deal with **agroforestry, silvopasture**, and **biodiversity conservation** (such as Proyecto CAMBio), **sustainable land use** (such as the one of the MFI Kompanion), and **organic farming**. Waste collection, **recycling** MSMEs, and ecotourism are emerging solutions. Some projects deal with **adaptation to climate change** thanks to credits for diversification of incoming generating activities, **microinsurance**, provision of **adapted seeds and practices**, etc. In certain cases adaptation to climate change is supported by investments in local territories with the strategy of **ecosystem-based adaptation** (such as for the MeBA project). Nontraditional solutions exist as well: **microleasing**, **pay as you go**, **environmental mortgage**, **green remittances** etc.

[6] www.e-mfp.eu/actions-groups/microfinance-environment

The programs suggested to us by the experts answering to our survey can be found in the world map below (with the link to relevant websites). We've indicated some example initiatives dealing more with SMEs as well as initiatives dealing more with Microenterprises and households, however we are conscious that in many markets the distinction of the two is quite blurry and we only aim to provide some guidance for the reader. In the map we report in red the initiatives dealing with energy (clean energy or energy efficiency), and in green the initiatives dealing with rural development, land management, agroforestry, adaptation to climate change. Also in this case we are aware that the distinction between the two can be a bit fuzzy, in various cases for example energy initiatives can contribute to rural development and climate change adaptation, or vice versa.

The map (page 24 and 25) shows a selection of projects and is intended for illustration only. A larger (but still far from comprehensive) list with initiatives and examples can be found on the website of NpM, Platform for Inclusive Finance: www.inclusivefinanceplatform.nl

9. Conclusions

This short paper was written to provide the reader with a picture of Green Inclusive Finance. It is still a young field but trends at global, investments and products level are promising. Moreover if Green Inclusive Finance would be strategically embedded in the financial sector it has great potential in terms of job creation, innovation, risk reduction, poverty reduction, environmental protection, and increased resiliency. These observations are supported by a large amount of interesting experiences and projects all over the world.

Green Inclusive Finance however is not a panacea. Investors and public actors should learn how, where, when to invest. The first step to do so is to keep raising awareness, and make people understand what their opportunities are when taking 'green' decisions. We found that the demand for green financial services increases if local financial institutions become more involved and aware.

Environmental criteria (at level of risk and opportunities) must be integrated in investment decisions and product development, taking into account existing trends for green products and of rewarding green value chains, energy and food price trends and volatility, climate change vulnerability, subsidies, local demand, etc. An increasing number of Microfinance Institutions report to provide green products and services, and more Microfinance investors develop instruments to support them.

Small and Medium-sized Companies have great opportunities to benefit from a growing green focus in many developing countries and emerging markets, especially in the field of clean tech. Their need for financing however is pressing.

Inclusive Finance with a green focus may prove to be a powerful element in fighting poverty while building resiliency for vulnerable people, a healthier environment, and fostering innovation and green jobs creation. Green Inclusive Finance is appreciated as a key asset to achieve sustainable development. We see Green Inclusive Finance as both an economic and environmental-social opportunity.

Our challenge is to find mechanisms to move 'green' and 'inclusive' closer, and explore how to foster value creation where they merge into 'Green Inclusive Finance'.

This overview provides a selection of projects and initiatives that illustrate ongoing action in the field of Green Inclusive Finance. More information and other examples can be found on www.inclusivefinanceplatform.nl

responsAbility Investments AG: investment fund in collaboration with founding partner Shell Foundation and anchor investor IFC. It is dedicated to providing debt financing to fast-growing companies which promote access to decentralized modern energy solutions, primarily in Africa and Asia. www.responsibility.org

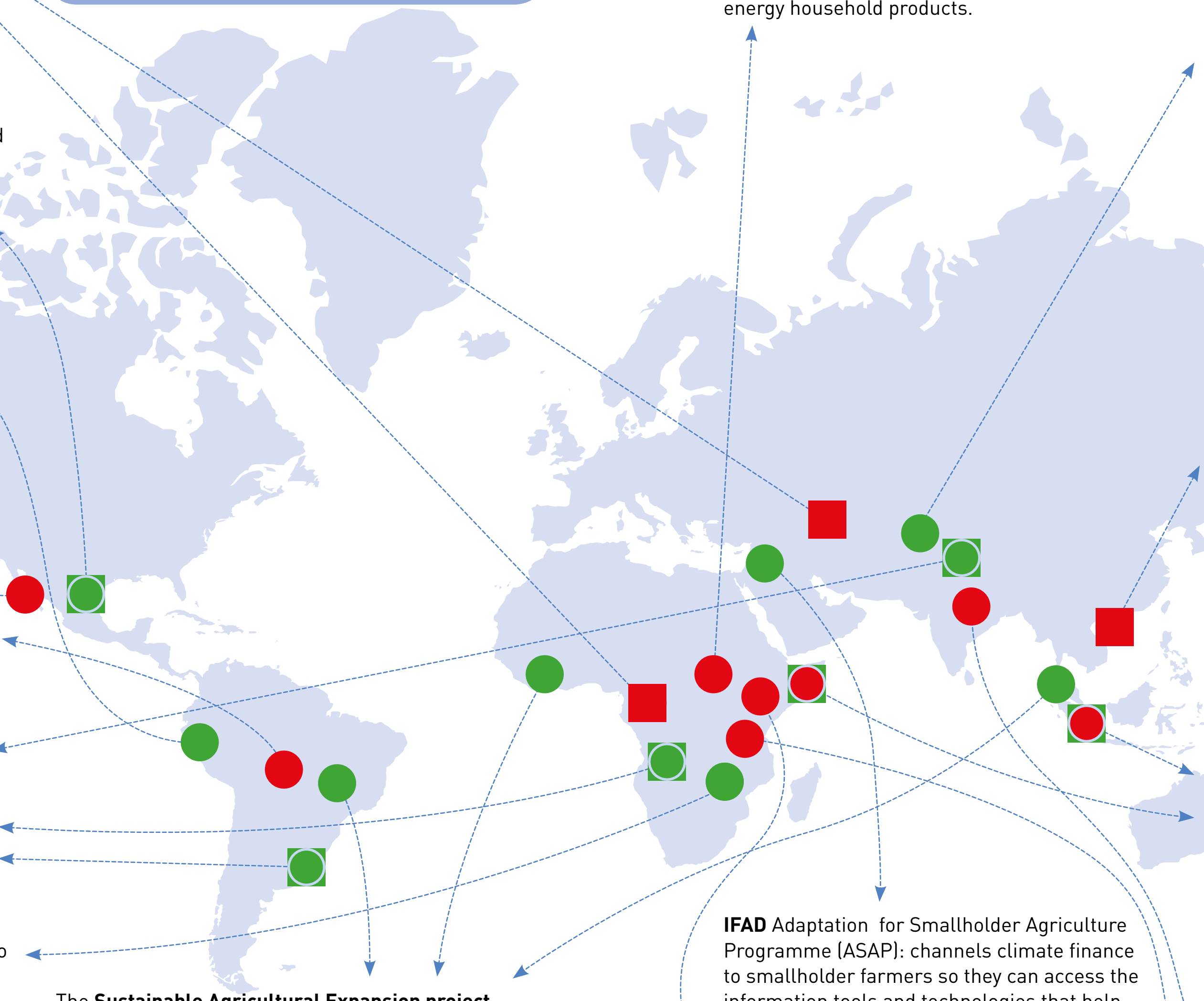
Proyecto CAMBio: CABEI-GEF-UNDP programme to support rural development and biodiversity, e.g. agroforestry, addressed to MSMEs, through 26 FIs: around 25,000 famers an SMEs financed for a total of 52 millions USD. Operating for 7 years in 5 countries. www.proyectocambio.org

MeBA: Microfinance for Ecosystem-based Adaptation (EbA) to Climate Change: German Ministry (BMUB) - UNEP- FS (2012-2017): 5MFIs in Colombia-Peru. It provides TA to MFIs to promote and support financial products for EbA. http://fs-unep-centre.org

Ecomicro: Technical cooperation program co-financed by the MIF and the NDF: Designed for LAC MFIs: develop green finance products so that MSMEs and low income households can access clean energy, increase energy efficiency, or adapt to climate change. Presently working with 12 MFIs. www.ecromicro.org

The Nature Conservation Notes: issued by Credit Suisse and Althelia Ecosphere: novel impact investing product designed to help reduce carbon emissions from deforestation and promote sustainable agriculture. Various projects in LA, Africa, Asia.

F3 stands for "farming, fishing and field"Provides credit and technical advice to smallholder farmers. Loans are designed to encourage better soil, water, reef and grassland management. F3's approach aims at building clients with long term sustainable and bankable businesses and links credit to sustainable environmental practice. www.f3-life.com



The **Sustainable Agricultural Expansion project** is a joint initiative of Triodos Investment Management, Enclude and Hivos supporting 8 MFIs in Africa, Asia and Latin America to expand financing of sustainable agriculture by smallholders.

MF initiative SME initiative Land/agri initiative Energy initiative

The **Sustainable Energy Market Accelerator program** (SEMA) is a joint initiative of Enclude, Hivos and the EU supporting partnerships between Renewable Energy Entrepreneurs and MFIs in East Africa. Consumers access loans from these MFIs to purchase sustainable energy household products.

IFAD Adaptation for Smallholder Agriculture Programme (ASAP): channels climate finance to smallholder farmers so they can access the information tools and technologies that help build their resilience to climate change. www.ifad.org

The **Global Alliance for Clean Cookstoves** is working with local partners to reach 3 million households or 15 million people with access to clean cooking technologies and services by 2017. www.cleancookstoves.org

MFI Kompanion developed the Pasture Land Management Training Initiative which provides a specialized "Credit for Conservation" loan linked to a training program for livestock farmers on grazing land management and preservation. Under this program, Kompanion works to address widespread land degradation in the country, particularly adjoining rural villages. Since the launch of the program in 2011, more than 24,000 farmers have participated in the trainings, increasing their incomes by 30%. www.kompanion.asia

The goal of the European Commission's **SWITCH-Asia** programme is to promote economic prosperity and help reduce poverty in Asia by encouraging a sustainable growth with low environmental impact from industries and consumers, in line with international environmental agreements and processes. More specifically it aims to promote sustainable products, processes, services and consumption patterns in Asia by improving cooperation with European retailers, producer and consumer organizations and the public sector. www.switch-asia.eu

Livelihoods Fund. Public-private partnership (Danone, CDC Climat, La poste, Crédit Agricole, Schneider Electric, Hermès, Voyageurs du monde, SAP, and institutional partners). It is a carbon fund providing a return on investment in the form of high quality carbon offsets. It invests in projects (agroforestry, rural energy, ecosystem restoration) over an investment period of 3 to 4 years, and then co-manages the projects with its local partners over a period of up to 20 years. It targets areas of more than 35,000 ha for restoration in 5 different areas (India, Indonesia, DRC, Senegal, Kenya), with the aim of generating more than 7 million tons of carbon offsets. www.livelihoods.eu

CleanStart: UNCDF programme partners with MFIs and energy enterprises – offering seed capital and advice – to test scalable financing solutions for low-cost clean energy in Nepal and Uganda and expanding to other countries. www.uncdf.org/fr/cleanstart

11. About

NpM, Platform for Inclusive Finance

NpM, Platform for Inclusive Finance, promotes inclusive finance as a contribution to poverty alleviation in developing countries. The platform, established in 2003, brings together development organisations, social investors, private foundations and commercial banks from the Netherlands. Together with the Dutch Ministry of Foreign Affairs, the 13 Dutch members share a commitment towards expanding access to finance in underserved regions and anticipate the changing need in the sector to grow towards a responsible industry.

npm platform for inclusive finance

FMO

FMO is the Dutch development bank. We believe in a world in 2050 in which nine billion people live well and within the planet's resources. In pursuit of this vision, FMO finances entrepreneurs from developing countries because we believe a thriving, sustainable private sector fuels economic and social progress. Our mission is to empower entrepreneurs to build a better world.
FMO has invested in the private sector in developing countries and emerging markets for more than 45 years. The bank's mission is to empower entrepreneurs to build a better world. FMO invests in sectors where it believes its contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, FMO invests in the infrastructure, manufacturing and services sectors. With an investment portfolio of EUR 8 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally.

FMO Entrepreneurial Development Bank

Hivos

Hivos is an international organisation that seeks new solutions to persistent global issues. With smart projects in the right places, we the organisation opposes discrimination, inequality, abuse of power and the unsustainable use of our planet's resources. Counterbalance alone, however, is not enough. This is why we Hivos cooperates with innovative businesses, citizens and their organisations. We Hivos has a dream with them of sustainable economies and inclusive societies. Focus areas in the green field are sustainable food and renewable energy.

Enclude

Enclude is an advisory firm dedicated to building more sustainable businesses and institutions by offering the integrated capacity and capital solutions that power economic growth, enterprise profitability and social transformation. By synergistically linking these two offerings, the firm creates greater value for its clients and deliver better outcomes. For enterprises, development organizations, financial institutions and governments, Enclude is the partner whose collaborative, interdisciplinary industry experts design, connect, finance and build demand-driven solutions that are responsive to local market realities, specific client circumstances and investor goals and expectations. Enclude creates unique value for its clients by leveraging synergies amongst the areas of expertise carried forward from its 20+ year track record as ShoreBank International and Triodos Facet.