

EaSI Technical Assistance to the European Microcredit Sector

European Commission
DG Employment, Social Affairs and Inclusion



Green Finance Webinar Series:
Green Finance Products



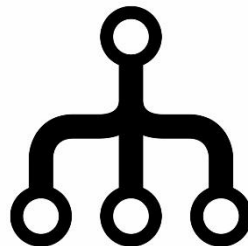
Session Structure & House Rules

This is the first from a series of EaSI Technical Assistance webinars on Green Finance at Microfinance Institutions

- Climate Change – Business Opportunity for MFIs: 26 September 2019
- Greening of Financial Institutions – A case study: 16 October 2019
- ✓ **Green finance products: 14 November 2019**
- Environmental & social risk management: 4 December 2019



60 minutes



Webinar
structure



Ask us
questions



Slides will
be shared
via email

Speaker Profiles



Ms. Inken Paysen

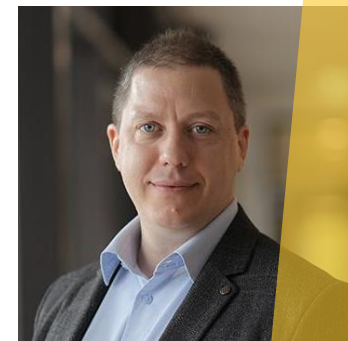
is assigned as **Key Expert in the EaSI Technical Assistance programme** and is responsible for designing tailor-made technical assistance and trainings for the programmes' beneficiaries, the European microcredit providers. Inken is also a Senior Project Manager at Frankfurt School of Finance & Management

Contact via email: i.paysen@fs.de

Mr. Marjan Stojiljkovic

is a **Senior Energy Finance Expert** with more than 10 years of experience in energy efficiency and renewable energy technology financing, currently heading the climate mitigation finance sub-unit within the Frankfurt School-UNEP Centre for Climate & Sustainable Energy Finance.

Contact via email: m.stojiljkovic@fs.de

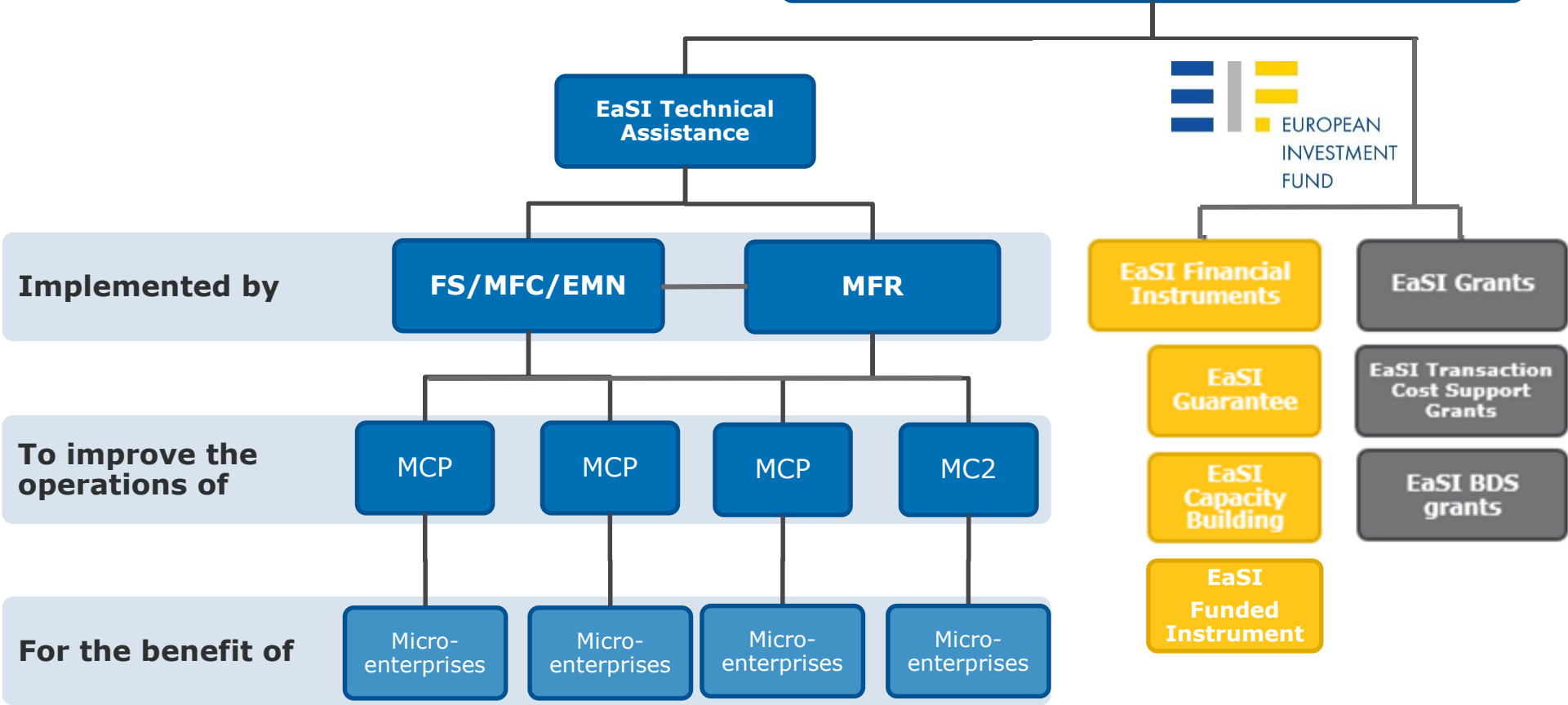


EaSI Technical Assistance – Programme Snapshot

Funded and managed by the European Commission



EaSI Funding Programme Microfinance and Social Entrepreneurship axis



Service Providers



Service Providers

Technical Assistance:

- » Frankfurt School of Finance and Management gGmbH (FS) – Consortium Leader for the Technical Assistance Services
- » Microfinance Centre (MFC) – Consortium Partner
- » European Microfinance Network (EMN) – Consortium Partner

Assessment, Evaluation and Ratings:

- » MF Rating – Provider of Institutional Assessments, Rating and Evaluations

Project Beneficiaries and Geographic Coverage

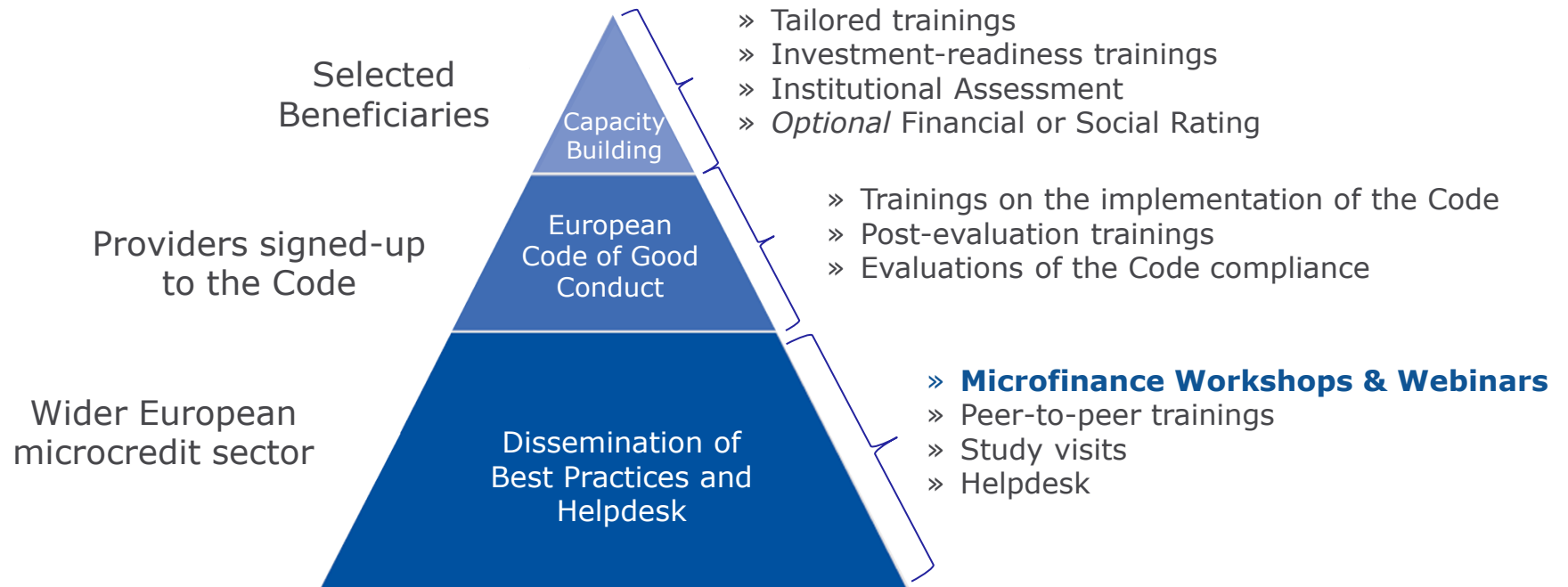
- » Public and private financial intermediaries (greenfield microfinance institutions, non-bank microcredit providers, licensed banks and guarantee granting entities) in **all Member States of the European Union**, as well as providers from **Albania, the Republic of North Macedonia, Iceland, Montenegro, Norway, Serbia and Turkey** may respond to dedicated Calls for Expression of interest to request EaSI Technical Assistance.

How to Apply for Technical Assistance?

- » Before applying eligible microcredit providers must first sign-up to or endorse the European Code of Good Conduct for microcredit provision.
- » To apply respond to the open [Call for Expression of Interest](https://ec.europa.eu/social/easi) published on the ec.europa.eu/social/easi webpage.

Services Overview

What is offered to whom?



July 2018

July 2022

Project Duration – 4 years

A Call for Expressions of Interest is now OPEN



The European Commission has opened a [new Call for Expression of Interest for EaSI Technical Assistance services](#) for microfinance with the goal of selecting microfinance institutions in need of technical assistance support and with a view to boost their institutional capacity in order to improve their operations

WHO CAN APPLY?

Microcredit providers such as:

- » Greenfield microfinance institutions,
 - » Non-bank microfinance institutions,
 - » Licensed banks,
 - » Guarantee-granting entities,
 - » Fintechs providing microfinance,
- registered in and operating from the EU Member States, as well as: Albania, Iceland, the Republic of North Macedonia, Montenegro, Norway, Serbia and Turkey

HOW TO APPLY & DEADLINE?

Please visit the European Commission's dedicated page at ec.europa.eu/social/easi to download:

- » [template for expression of interest](#)
- » [declaration on honour](#)

The Call is open-ended with no deadline for applications. The European Commission, however, reserves the right to close the Call at any time, with 2-weeks prior notice to its closure

APPLY TODAY

For any questions on the Call please contact easi.ta@fs.de



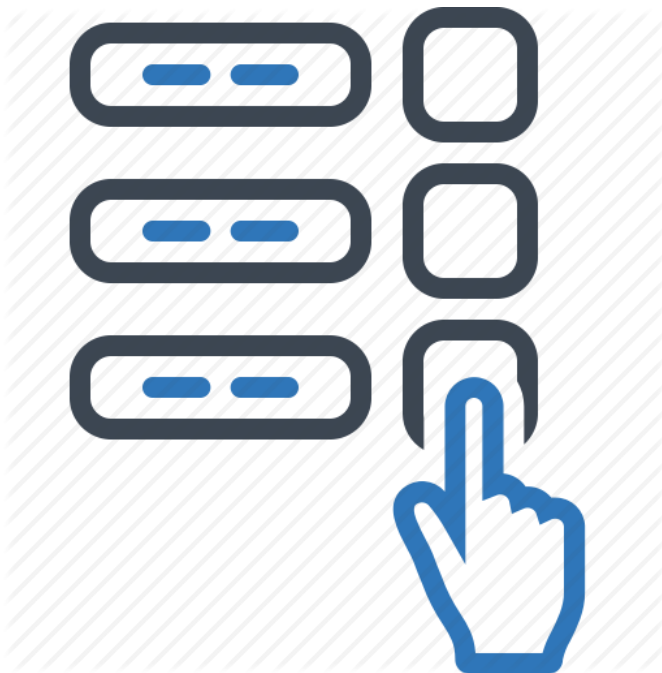
Climate Change – Business Opportunity for MFIs?

- Climate Change is a threat, the actions we need to take to stop it are not! They may present **opportunities and cost benefits**.
- Focus on **energy efficiency measures first**.

Greening of Financial Institutions – A case study

- Financial institutions like any other company generate a **carbon footprint** with their operation and activities
- Methods to **measure** your institutional Carbon Footprint
- Methods to **reduce and neutralize** your institutional Carbon Footprint: reduction of fuel & electricity consumption, air and other 'unnecessary' travel, solid waste and others
- **Internal environmental policy** is necessary for a **sustainable impact**

Audience Poll



Where is your institution in the process of introducing Green Finance products in its portfolio?

- A. In the design phase or will soon roll-out your first green finance product
- B. You already have rolled out a green finance product
- C. You are considering to create a green finance product
- D. You have never considered offering a green product



EaSI Technical Assistance

Green Finance Products

*Webinar Nr. 3 from the Green Finance
at Microfinance Institutions series*

Marjan Stojiljkovic,
Energy & Infrastructure Finance Expert
m.stojiljkovic@fs.de

14. November, 2019
Frankfurt am Main

Agenda

- ✓ Concept of Green Products
- ✓ Comprehensive Process of Green Product Development
- ✓ Product Promotion and Project Origination
- ✓ Internalization of Green Products and Lending within FIs
- ✓ Impact Tracking & Reporting

The Concept of Green Products

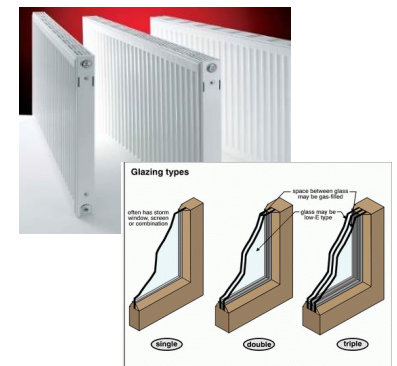
Classical Banking/ Microfinance Products

vs.

Green Products

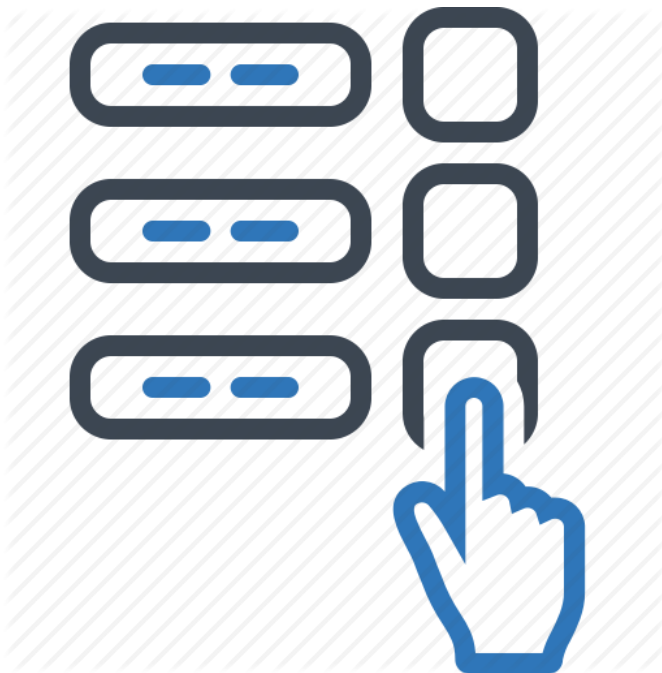


Environmental impact



SLAWEK JURCZYK, FÁBIO TESTA, RICHARD SCHUMANN, JUAN PABLO BRAVO, TARAS PASTUSHCHUK, TINA ABI HACHEM, SERGEY ZENZIN | NOUNPROJECT.COM

Audience Poll

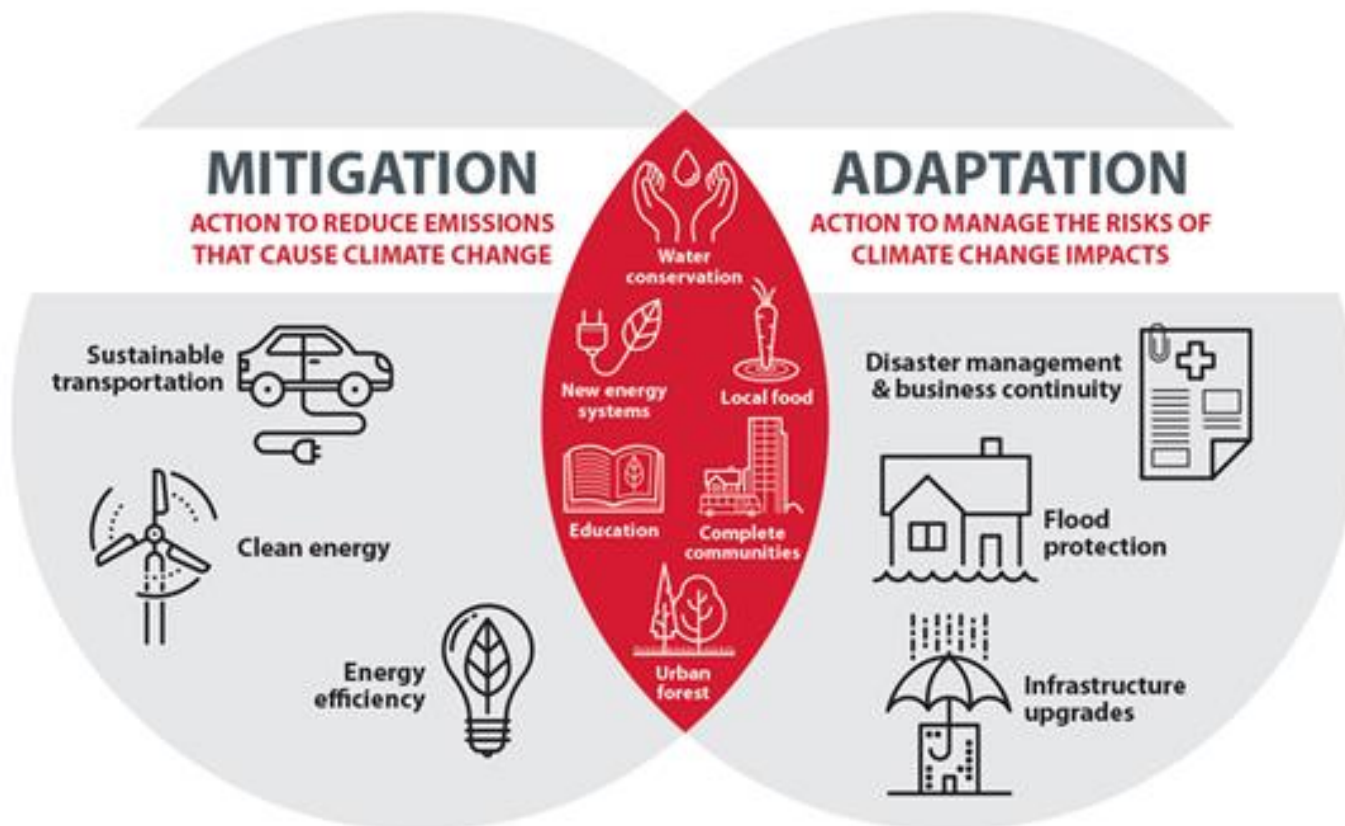


What is a defining characteristic of a green finance product?

- A. It tackles a Mitigation action
- B. It has a measurable impact on the environment
- C. It tackles an Adaptation action
- D. Its impact on the environment must be verifiable

The Concept of Green Products

To be “green” the products must tackle one of the climate change actions:



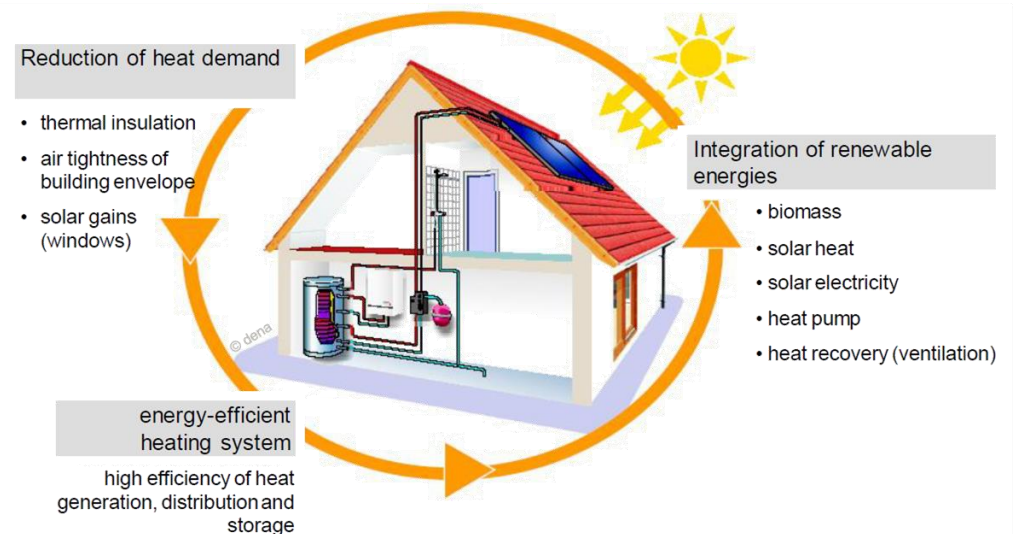
The Concept of Green Products

- To be “green” financial products **must have measurable attributes or impact** on a certain Mitigation or Adaptation action:
 - It must show decrease in per unit energy consumption or GHG emissions (CO₂); or
 - It must generate energy from a renewable source, or
 - In case of Adaptation, it must present adjustment in a natural or human system in response to expected climate event(s)
- Also, a “green” financial product must be **verifiable** by employing an efficient system of verification and reporting

The Concept of Green Products

Examples of “green” financial products:

- **Energy Loans** – for clients to purchase clean electricity systems or products for use at home or to improve their small businesses. The systems also improve health and safety by eliminating / decreasing the use of fossil fuel use.
- **Energy Leasing** – For entrepreneurs or small businesses who can not afford to buy at full cost they can instead lease equipment, agricultural machinery or vehicles.
- **Insurance** – against adverse weather events caused by the climate change



The Concept of Green Products

Examples of rolled out Green Financial Products (1/2)



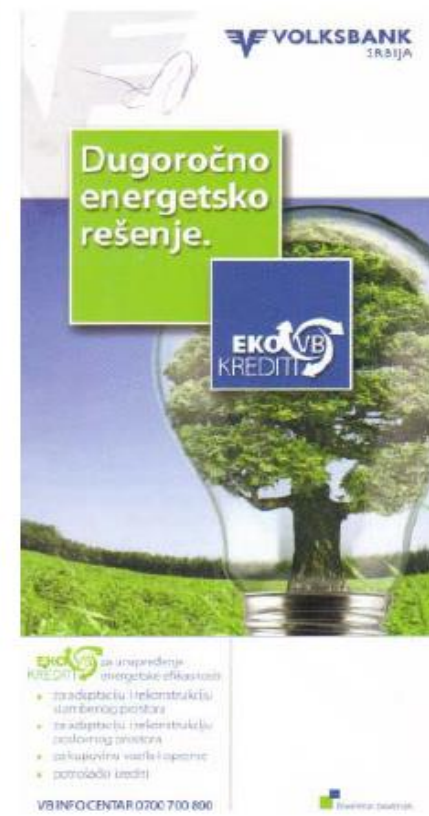
HIT ENERGY KREDITI

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*Zotëro energjinë,
ndriço të ardhmen tënd!*



Dugoročno energetske rešenje. VOLKSBANK SRBIJA

EKO VB KREDITI

- zadržavanje i rekonstrukciju stambenog prostora
- zadržavanje i rekonstrukciju postojećih objekata
- osposobljavanje i usluge ispostave
- potrošački krediti

VB INFO CENTAR 0700 700 800



Сметките ви задаваат главоболки?

Не и со **ЕКО** од ИК БАНКА

IK БАНКА

DEMIR HALK BANK (NETHERLAND) N.V. GROUP

The Concept of Green Products

Examples of rolled out Green Financial Products (2/2)




Агрокредитування

Фінансування енергозберігаючих проектів

- валюта кредиту — гривня, долари США, євро;
- сума кредиту — до 5 млн. грн.;
- термін кредитування — до 5 років.

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Ви маєте плани. Ми маємо рішення.




Кредитування бізнесу

Кредити для енергозбереження

- валюта кредиту — гривня, долари США, євро;
- сума кредиту — до 3 млн. грн.;
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Кредитування бізнесу

Кредити для енергозбереження

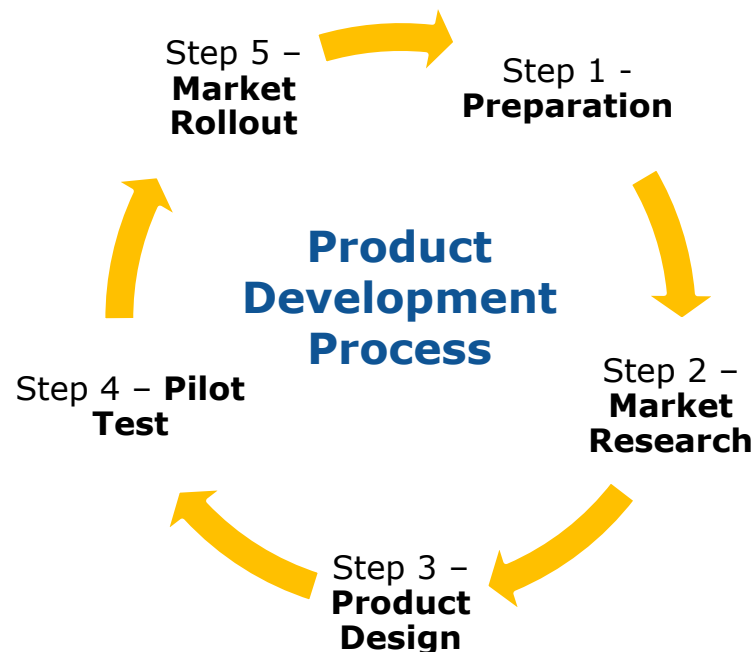
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- термін кредитування — до 5 років.

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Ви маєте плани. Ми маємо рішення.

Green Product Development

- To successfully launch a Green Financial Product, an institution should conduct a **determined analysis of the specific loan purpose, eligibility criteria**, the **customer segment** and the **investment logic** of each of the different technologies at hand.
- Green Financial Products should follow a structured product development process:



Green Product Development

Step 1: Preparation - Establish a Product Development Committee

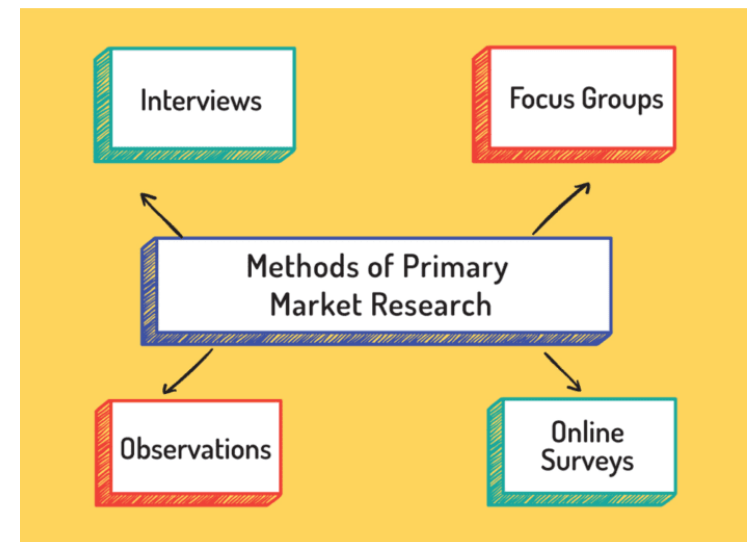
- Specialist team to oversee the product development and lifecycle process;
- Usually consists of in-house specialists, alternatively external advisors;
- Can be supported through an external Technical Advisory (TA) support programme.



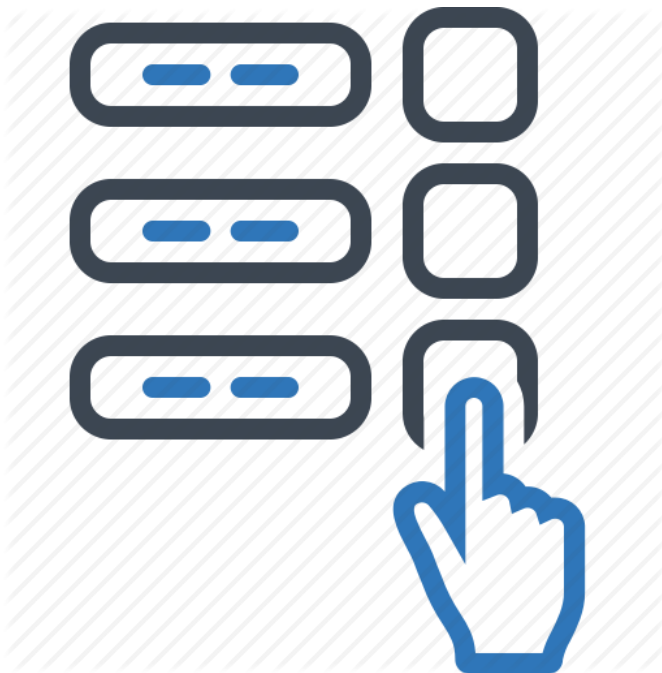
Green Product Development

Step 2: Market Research – analyse the demand and supply side of informal and formal sectors.

- Studying the demand for energy saving products and services by target clients (e.g. households, entrepreneurs);
- Collect data about existing financial products and services and governmental programs available in the market in support of green finance;
- Client target base definition: what factors motivate clients to invest in green measures; what are clients' dominant funding strategies; possible client segmentation;
- Internal Capability Evaluation
- Concrete conclusion and recommendation in support of green finance objective.



Audience Poll



What is the most important attribute of a successful green finance product?

- A. Favourable Conditions (interest rate, tenure, grace period, etc.)
- B. High Energy / CO₂ savings
- C. Good Marketing materials
- D. Established pipeline
- E. All of the above

Green Product Development

Step 3: Product Design

- As specialized lending products, green loans benefit from specific product design, regarding the **terms and conditions, lending process, pricing** and **collateral requirements** to best tailor to the purpose and the investment conditions of the customer;
- Well-defined outputs:
 - Loan eligibility criteria (types of products/services, technologies, etc.) and associated tools → which additional documentation will be added to the standard loan application?
 - Loan product concept and prototype (*min/max loan amounts, tenor/payback period, currency, interest rates, processing fees, collateral requirements, disbursement tranches, preconditions, etc.*);
 - Partners (suppliers/vendors, local utility companies, etc.)
 - Product promotion strategy (above-the-line / below-the-line marketing, joint promotion with product vendors, specialized fairs, etc.)

Green Product Development

Step 3: Product Design – example:

Criteria	Amount (EUR)	Currency	Payback period	Grace Period	Nominal Interest Rate %	Loan Processing Cost %	Effective Interest Rate %
Solar Energy Loan	1.000 – 5.000	Local currency	Up to 60 months	No	3,99	0	4,14
EE Home Improvement Loan	1.000 – 5.000	Local currency	3 to 120 months	No	17,99	2,3	20,37



PAMETNA ODLUKA

PARTNER
MIKROKREDITNA FONDACIJA

POSEBNA KREDITNA LINIJA

I ostvarite do **20%** povrata sredstava od iznosa investicije.

Ne štedite na komforu, štedite na troškovima!

- TERMOIZOLACIJA do **30%**
- EFIKASNO GRIJANJE do **35%**
- PROZORI I VRATA do **40%**
- SOLARNI SISTEMI do **70%**

Green Product Development

Step 4: Pilot Test – use results to make adjustments before a full rollout

- Selection of branches (number of branches, regions, availability of staff, proximity to the new target group);
- Set the length of the pilot phase (i.e. 6 months);
- Specific preparation (distribute a Green Products policy, conduct specific training sessions for branch managers and loan officers, integrate tools within IT/MIS, etc.);
- Run the pilot phase;
- Evaluation of the pilot phase results (client feedback on loan size, tenure, interest rate, eligible products, borrower profile, marketing, capacity building requirements and other results).

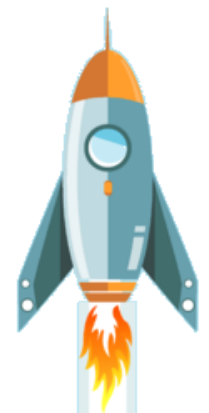
BETA VERSION

Green Product Development

Step 5: Market Rollout – concentrate on the following areas, based on the outcomes of the pilot test:

- Improve eligibility check and documentation requirements;
- Increase training activities at the branch level;
- More concise sales and marketing strategy;
- Increase internal awareness;
- Set clear and achievable targets;

**READY TO
LAUNCH?**



Product Promotion and Project Origination

Loan pipeline origination is **core** part of the effort to successfully offer green finance products. It includes specific activities:

- **Develop a generic marketing strategy and plan** to target existing and new clients;
- **Design sample brochures and pamphlets for green products** and advise on their effective dissemination;
- **Organize dedicated in-house marketing activities**, including roundtable meetings with branch heads, provision of guidance instructions to loan officers, institution-wide awareness raising, etc.;
- **Organize dedicated third-party marketing activities** intended for general population, manufacturers, installers, contractors, shops, etc.

Facility Own Tools	Suppliers/Vendors	Raising awareness	Other Stakeholders
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Printed Media	<input type="checkbox"/> Suppliers and Vendors of eligible equipment	<input type="checkbox"/> Launch event	<input type="checkbox"/> 1-on-1 meetings
<input type="checkbox"/> Marketing material (Brochures/flyers...)	<input type="checkbox"/> Customized products for their clients with PFIs	<input type="checkbox"/> Organization of seminars, workshops, trainings	<input type="checkbox"/> Joint Events
<input type="checkbox"/> Website/Online Application Tool	<input type="checkbox"/> Reaching out to their clients	<input type="checkbox"/> Attending at conferences	<input type="checkbox"/> Using their marketing tool
<input type="checkbox"/> Social Media	<input type="checkbox"/> Using their marketing tools	<input type="checkbox"/> Dissemination of case studies	<input type="checkbox"/> Close collaboration with other programmes

Internalization of Green Products and Lending within Financial Institutions

Perhaps the most challenging of all aspects...! Why?

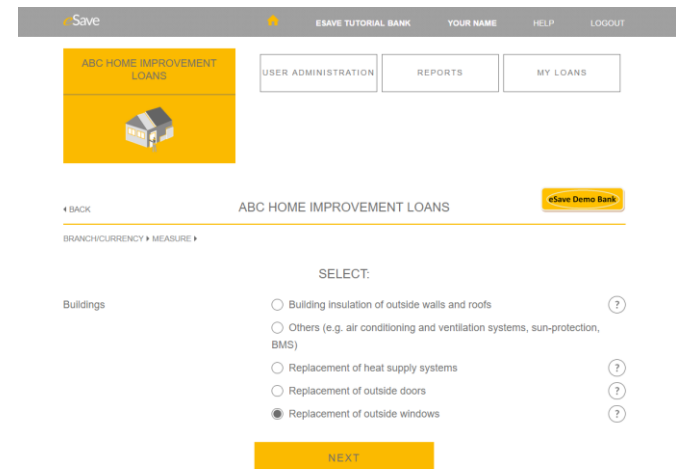
Green lending relies on solid understanding of both **financial** and **technical** aspects:

- Technical buzz-words (i.e. *EE/RE measures, greenhouse gasses, CO₂ savings; efficiency factors; baseline energy source, boiler, solar PV panels, hydro insulation, mineral wool, etc.*) need to be well understood and used in favor of product promotion;
- Most common EE/RE measures have to be understood and recognized during introductory (other simple) discussion with the Client;
- Loan assessment and approval process requires use of specific tools for calculating energy/greenhouse gas emission impact (which are user-friendly);
- As a dedicated finance product (purpose loan) it requires shielding the FI from any performance-related aspects of the products or services financed with the green loan.

Internalization of Green Products and Lending within Financial Institutions

Solutions:

- Develop and implement Capacity Building Plans - the strategic internalization of know-how about modern technologies and environmental standards, internal procedures (guidelines, protocols) and forms/documentation used,
- Implement structured training, including for use of any standard energy/CO₂ measurement tools (eSave, RETScreen, other custom-made tools)
- Provide advice on and case studies of incentive schemes;
- Design and implement Train-the-Trainer (ToT);
- Capacity-building of local engineers, and vendors (for banks);
- Awareness-raising and training of local vendors and suppliers;

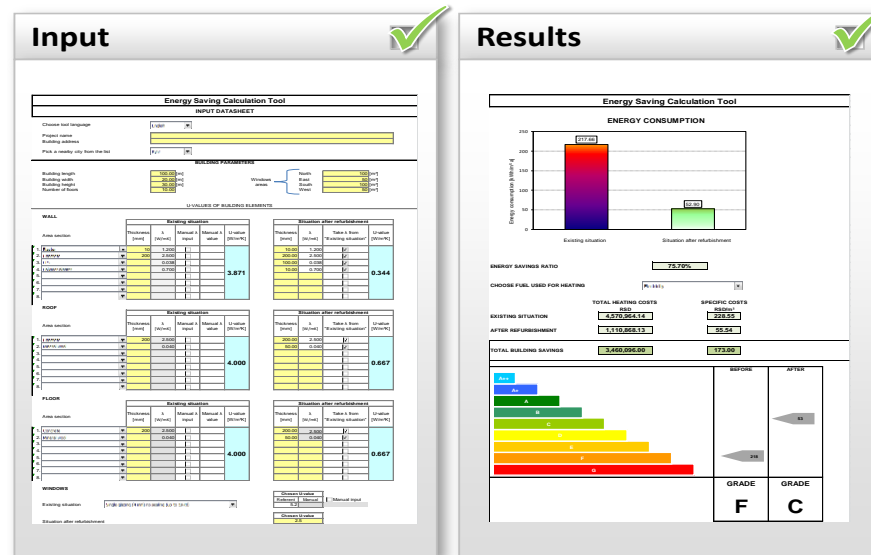


The screenshot displays the 'eSave' web application interface. At the top, there is a navigation bar with the 'eSave' logo and links for 'ESAVE TUTORIAL BANK', 'YOUR NAME', 'HELP', and 'LOGOUT'. Below this, a yellow sidebar contains the text 'ABC HOME IMPROVEMENT LOANS' and a house icon. The main content area features a breadcrumb trail: '← BACK' followed by 'ABC HOME IMPROVEMENT LOANS' and a 'eSave Demo Bank' button. Below the breadcrumb, there is a 'BRANCH/CURRENCY * MEASURE *' section. Under the 'MEASURE' dropdown, a 'SELECT:' section lists four options with radio buttons and question mark icons: 'Building insulation of outside walls and roofs', 'Others (e.g. air conditioning and ventilation systems, sun-protection, BMS)', 'Replacement of heat supply systems', 'Replacement of outside doors', and 'Replacement of outside windows' (which is selected). A yellow 'NEXT' button is located at the bottom of the form.

Green Loan Impact Tracking & Reporting

Eligibility (pre-investment) assessment, as well as impact (post-investment) assessments are important:

- It gives initial understanding of the impact associated with each loan and the portfolio as a whole;
- An **energy/CO₂ calculation tool** will be used for standardized measures. Examples of tools: (eSave, [RETScreen](#), other custom-made tools)



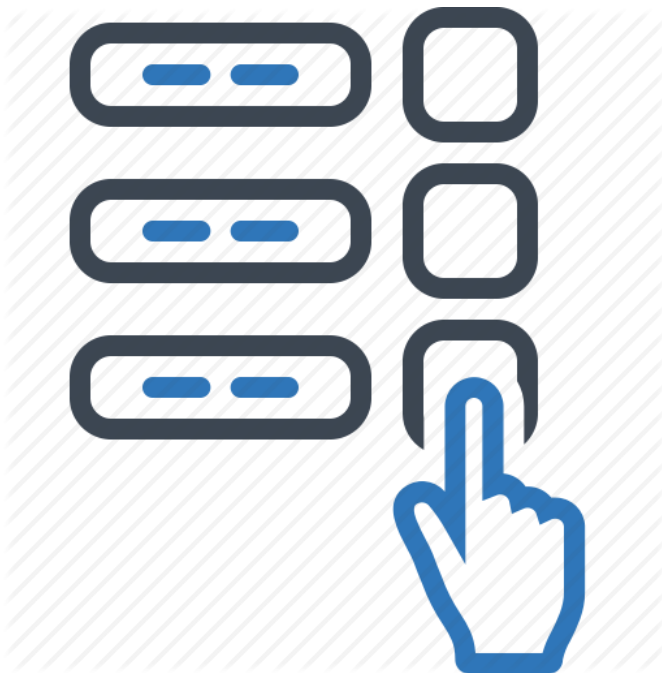
Green Loan Impact Tracking & Reporting

Post-implementation impact assessment and tracking is equally important:



- Different depth of project ex-post impact assessment for MFIs vs Banks (smaller standardized vs. larger non-standardized green investments);
- **Smaller standardized investments** require random ex-post appraisal, which can be done on-site or through informational exchange with the client;
- **Larger non-standard investments** require thorough energy appraisal by specialized technical teams to confirm environmental impact against those established during the assessment phase.

Audience Poll



What is critical to the process of development and roll out of green finance products?

- A. Conducting a market research;
- B. Secure top management support for the product(s);
- C. Streamline loan eligibility assessment criteria;
- D. Adopt tools and documentation requirements;
- E. All of the above

The factors critical to Green Finance Products and lending success

- Secure senior management support throughout entire process;
- Carefully set market research objectives and desired results;
- Conducting a critical review of the pilot, which helps hone the Green Loan and FI's marketing approach.
- Internalize Green Lending Products and Process → own the product within your FI including:
 - Appointing an “**green loan champion**” whose primary responsibility is to manage everything around green loans within FI;
- Continuous review of the performance of the Green Loan by management;
- Making green finance not only as an opportunity to bring new business and enlarge the outstanding portfolio, but also as an **commitment towards our environment and generations to come!**

Q & A

Next Session

The fourth session from the series of EaSI Technical Assistance webinars on Green Finance at Microfinance Institutions:

- Climate Change – Business Opportunity for MFIs: 26 Sep 2019
- Greening MFIs – A case study: 16 October 2019
- *Green finance products - A case study: 14 December 2019*
- **Environmental & Social Risk Management - A case study: 4 December 2019 – [register here](#)**

Please give us your feedback

Webinar Evaluation

<https://www.surveymonkey.de/r/NMJYLPT>



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For more information, about:

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Ratings and Evaluations, contact:
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The EaSI Programme, visit:
ec.europa.eu/social/microfinance

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