

SUSTAINABLE FINANCE IN THE MENA REGION:

State of Development,
Challenges, and
Opportunities



November 2022

Natalia Realpe Carrillo & Alexander Reviakin

Supported by:



In partnership with:



About this report

This report was developed on the initiative of the SANAD Technical Assistance Facility (TAF), and the research was conducted by HEDERA Sustainable Solutions GmbH.

Managed by Finance in Motion, the SANAD TAF works alongside the [SANAD Fund for MSMEs](#) that works closely with partners of the fund to conduct projects that equip the fund's beneficiaries with the knowledge and tools needed to best serve – and improve the potential of – entrepreneurs in the Middle East and North Africa (MENA). The TAF also develops the capacity of the financial sector across the region through its network of investees. As the threat of climate crisis becomes more evident across the MENA region, the SANAD TAF has been supporting partners in shaping their path to sustainability, meeting regulatory requirements, and conceptualizing climate risk.

[HEDERA Sustainable Solutions GmbH](#) (HEDERA) develops digital solutions to support microfinance institutions and impact investors in their impact data management processes, including data collection, analysis, reporting, and monitoring.

Cite as: Realpe Carrillo, N. and Reviakin, A. (2022) Sustainable Finance in the MENA Region: State of Development, Challenges, & Opportunities. Report of the SANAD Fund for MSMEs Technical Assistance Facility, 2022.

Contact: natalia@hedera.online and alexander@reviakin.me

Acknowledgments

This report was written by Dr.-Ing. Natalia Realpe Carrillo and Alexander Reviakin and was informed by case study inputs from the Tunisian MFI Enda Tamweel, the Lebanese Makzoumi Foundation, National Microfinance Foundation Yemen, and the Jordanian Tamweelcom Company. The report has been reviewed by Iveta Tancheva-Nikolova, Kateryna Morton, and Nina Neiss from Finance in Motion. Alfonso Caiazzo, Angélica Lozano, Dania Obert and Felipe Realpe (HEDERA Sustainable Solutions GmbH) assisted with the research. Cecilia Scott proof-edited the text. Cover illustrations artist: Artur Monteiro; design by Catalina Huertas Mateus.

Contributors

Interviews conducted with: Ayman Taboubi (Advans Tunisie), Ala Sahawneh (Ahli Microfinance), Yousuf Alkuraimi (Al Kuraimi Islamic Microfinance Bank), Lara Hassoun (AEP Lebanon), Ahmed Abdelwahab (Buy&Go), Peter Zetterli and Sabaa Nota (CGAP), Howard Miller (Center for Financial Inclusion), Amine Basly (CFE Tunisia), Youssef Meokuar, Mohammed Khaled and Matthew S. Leonard (IFC), Vartkes Keutelian (Makhzoumi Foundation), Sharaf Alkibsi (National Microfinance Foundation Yemen), Hassan El-Meligy (People Power Inclusion), Rany Saad and Sahar Tieby (SANABEL Network), Heba Hamarshah (Sharaka - The Palestinian Union for Small and Microinstitutions), Amer Hidmi (Vitas Palestine), Ahmed Baesia (Social Fund for Development Yemen), Abeer Obwah and Ali Ababneh (Tamweelcom Jordan Microfinance Company), and Ali Abutaleb (Yemen Microfinance Network).

Photos

Page 23: National Microfinance Foundation Yemen; page 24: Tamweelcom Jordan Microfinance Company; page 30: Enda Tamweel; page 32: Makhzoumi Foundation.

Contents

Executive Summary	5
Introduction	7
What is a Green Inclusive Finance approach to sustainable finance?	9
The Main Axes of Action in Green Inclusive Finance	9
1. Environmental Strategy	10
2. Environmental Risk Management and Opportunity Monitoring	10
3. Supply of Sustainable Financial Products and Non-Financial Services	11
Tools to evaluate green inclusive finance performance	12
Summary	13
Assessing Green Inclusive Finance in the MENA Region	14
The Green Inclusive Finance Penetration Framework	14
Enabling Environment	15
Execution	15
Offer	15
Research Methodology	16
Enabling Environment	17
Overview	17
Regulations & Challenges	17
Partners	18
Execution: Environmental Strategy & Risk Management	19
Overview	19
Environmental Strategy	19
Environmental Risk Management	21
Case Studies	23
Example 1: National Microfinance Foundation Yemen	23
Example 2: Tamweelcom (Jordan Micro Finance Company) - Jordan	24
Green Financial and Non-Financial Offer	26
Overview	26
Financial Products for Households and Businesses	26
Green Products for Agriculture	28
Green Product Outreach	29
Case Studies	30
Example 3: Enda Tamweel (Tunisia)	30
Example 4: Makhzoumi Foundation (Lebanon)	31
Conclusions	33
Main Results	33
Key Support Actions	34
Creation of enabling environment to ensure support for MFIs	34
Environmental strategy execution	34
Foster product development	35
Outlook	35
Participating institutions	37

Appendix	40
Scoring System - Green Microfinance Penetration Framework	40
Country Analysis	43
Egypt	44
Jordan	44
Lebanon	45
Morocco	45
Palestinian Territories	46
Syria	46
Tunisia	47
Yemen	47
Survey	48
References	66

EXECUTIVE SUMMARY

Climate change is already changing the way our economies operate and has huge implications for business resilience and livelihoods. Green inclusive finance is an approach that recognizes that there is a clear nexus between the effects of climate change and financial inclusion. The risks posed by climate change, from energy crises to severe weather events to resource scarcity and pollution/low water quality and sanitation, are particularly acute for low-income populations and micro, small, and medium-sized enterprises (MSMEs). This is especially true for the Middle East and North Africa (MENA), a region in which large swathes of the population live in areas that are threatened by desertification, rising sea levels, and water stress.

All actors in the region's financial ecosystem have a role to play in mitigating the impacts of climate change and designing new sustainable models of development. The microfinance sector in MENA, with its diversity of financial services, deep penetration levels, and experienced human resources, is in a prime position to address these challenges. By developing environmental strategies, implementing climate risk mitigation practices, and offering green financial and non-financial products and services, MFIs can ensure that the most vulnerable populations are equipped to mitigate and adapt to large-scale climate risk.

It is within this context that **HEDERA Sustainable Solutions** (HEDERA) launched a research project on sustainable finance in the MENA Region, financed by the **SANAD Technical Assistance Facility**, managed by **Finance in Motion**. The project was initiated with four primary objectives: 1) gauge microfinance institutions' (MFIs) awareness on the topic of sustainable finance; 2) measure progress towards implementing sustainability at the institutional and client level, by identifying existing environmental strategies, climate risk management practices, and sustainable financial and non-financial product and services; 3) determine the support MFIs need to develop their environmental strategies and integrate sustainability into their operations; and 4) to identify the local and regional stakeholders creating an enabling environment for sustainable finance.

To achieve these objectives, the research viewed sustainable finance through the lens of a 'green inclusive finance' approach, which considers the nexus between sustainability and microfinance. The methodology used was that of the 'Green Inclusive Finance Penetration Framework', developed by HEDERA. The research began with a survey of MFIs in the region, to better understand the sector's current level of development, MFIs' needs, and the extent to which MFIs comply with local and international standards and regulations. The survey was complemented by desk research and a series of interviews and was followed by a three-day workshop to raise awareness on the topic and have a concrete discussion about future strategies, approaches, and useful tools.

The study results indicate that this is a topic of great interest to MFIs in the region. Over 40 MFIs attended the workshop, and all those surveyed stated that they would like to receive further technical assistance on integrating a green inclusive finance approach into their operations. This report provides an overview of the actions implemented by MFIs in the region and insights into the penetration of green inclusive finance, and, by extension, sustainable finance, in each country. The results consider external factors such as climate risks, regulations and sector level initiatives, and internal activities related to institutional mission, vision, reporting, risk management, and product offerings.

The findings show that although some countries have begun to develop policies, regulations, and governmental strategies surrounding sustainable finance, the region is still at a nascent stage when it comes to specific support to guide MFIs in developing and integrating sustainable actions. In Tunisia, Morocco, and Yemen, national policies support the development of green economies and environmental protection,

but they do not specifically target the inclusive finance sector needs. In Jordan, the Central Bank is developing a National Green Inclusive Finance Strategy, which aims to differentiate the context and needs of the microfinance sector and facilitate the adoption of measures tailored to MFIs. Different international development cooperation entities have supported the development of sustainable finance in the region, especially in Yemen and the Palestinian Territories. In Egypt, Tunisia, Lebanon, and Morocco, international impact investors have supported MFIs. Nevertheless, so far, there are no sustainable microfinance programs in the region.

Established and mature institutions in the region are more advanced than the younger ones in their implementation of green inclusive finance approaches; they are more likely to develop environmental strategies, manage their environmental risks, and offer green financial products and non-financial services. Over 70% believe investors and consultants can support them in developing their environmental strategy, and close to 40% know about one of the existing sectorial tools to measure environmental performance. One-third of institutions monitor their clients' vulnerabilities, which primarily include limited access to water and energy and climate change effects such as heatwaves, droughts, and wildfires.

Sustainable agriculture emerged as a key topic of interest for MFIs, with half of the MFIs interviewed showing interest in more support from their investors and partnerships to promote sustainable practices in agriculture. Half also face challenges related to the complexity of the topic and the lack of tools. In particular, access to tools and know-how to identify and understand client needs in terms of basic services and sustainable agriculture practices could help institutions further develop their agriculture portfolio.

Microfinance stakeholders can play a decisive role in boosting sustainable finance in the region. International development cooperation organizations have designed programs for MFIs to deliver renewable energy (RE) technologies to smallholder farmers and low-income households. Impact investors have provided technical assistance to MFIs in Jordan, Morocco, the Palestinian Territories, and Tunisia to develop their green offers. Local microfinance networks are eager to support their member MFIs and can be ideal multipliers for know-how sharing, tool dissemination, and awareness raising campaigns for MFI staff. Assisting microfinance networks, investors, and international development cooperation actors, expert technical assistance providers may guide stakeholders in content and tool development and the establishment of fruitful partnerships. Ultimately, while the MENA MFIs highlighted the lack of support from governments and regulators, they think that investors and consultants could support them in developing their environmental strategies. Most of the MFIs do not know of any existing regulations or governmental programs focused on sustainability.

Based on the assessment results and discussions with various stakeholders, four lines of action are recommended:

- 1) Development of **capacity building programs** in partnership with local and regional microfinance networks
- 2) Dissemination of **digital tools and digital data management** for environmental risk evaluation, sustainable product demand assessment, and impact monitoring
- 3) Development of **internal capacity** for environmental risk management
- 4) Provision of **support to established and mature MFIs** to grow their sustainable portfolios.

INTRODUCTION

The Middle East and North Africa (MENA) is one of the most climate-vulnerable regions in the world. Rising sea levels, land degradation, desertification and more frequent extreme weather events risk destabilizing the region, exacerbating poverty, and forcing the migration of vulnerable populations.

Water scarcity is a pressing concern in the region, which has the lowest per-capita water supply. Over 70% of the region's gross domestic product (GDP) is exposed to high or very high water stress, which is extreme compared to the global average of 22 percent. Climate change will drastically exacerbate water scarcity in the region. This, in turn, will pose a major threat to the economy in general and the agricultural sector in particular, which is one of the largest sources of income for poorer, rural populations. The World Bank estimates that the MENA region will have the greatest economic losses from climate-related water scarcity, at 6-14% of GDP by 2050 [5].

Clean energy and electricity supply is another climate-related concern in the region. **Thirty percent of the MENA population (65 million people) has no access to electricity**, and over a quarter (60 million people) suffer from prolonged blackouts and lack of power supply [1]. In countries such as Iraq and Lebanon, the governments only provide electricity for a few hours per day, and the gaps in power supply are covered by private companies that run banks of diesel-powered generators. Moreover, fueled by the war in Ukraine, prices of electricity, food products, energy products, & fertilizers have increased. According to the International Monetary Fund (IMF), inflation in the MENA region was 14.8% in 2021, compared to an average of 7.3% in 2000-2018.

The consequences of climate change are particularly acute for low-income communities and businesses, which are most affected by climate-related disasters and environmental degradation.

Only 52% of adults in MENA have access to a basic bank account. This drops to 45% among women¹. The microfinance sector has experienced remarkable growth in the past decade and has played a pivotal role in expanding access to financial services and reducing the gender gap.

The microfinance sector in the MENA region is characterized by the diversity of its financial service providers and differentiated levels of development. As elsewhere, microfinance institutions (MFIs) operate as NGOs, commercial banks, and other structures. The sector is particularly well developed in Morocco, Jordan, Egypt, and Yemen; Egypt is the largest microfinance market in the region in terms of outreach, whereas Morocco has the largest Gross Loan Portfolio (GLP). Financial service providers (FSPs) in the region have gained penetration levels, developed experienced human resources, improved credit risk systems, and supportive infrastructure, including business development services, credit bureaus, rating agencies, and regional and national networks. Initially, the sector was dominated by NGOs and the group lending methodology, but in recent years, many MFIs have become more commercial and have begun to diversify their services and products to meet their clients' needs. They now offer additional loan products such as consumer loans, housing loans, education loans, seasonal loans, green loans, and Islamic loans. Moreover, the introduction of supportive legal and regulatory frameworks has strengthened the institutions in certain countries. For example, most MFIs in the region cannot offer savings products, but changes in the regulatory framework in Syria and Yemen have allowed financial institutions supervised by the Central Bank to do so.

¹Data from Global Findex 2021

Green inclusive finance has been developed as an approach to sustainable finance in recognition of the linkages between financial inclusion and sustainability and the potential of FSPs to tackle the risks posed by climate change to their clients. It is therefore a useful approach to apply in assessing the state of sustainable finance in the MENA region. Green inclusive finance is defined as the ensemble of services and practices microfinance institutions implement that pursue an environmental objective, aim to reduce the climate vulnerability of end-clients, and/or promote sustainable access to basic services or the implementation of sustainable agricultural practices. It entails multiple axes of action: integrating an environmental strategy, identifying and managing environmental risks and opportunities at the client and institutional level, and offering sustainable financial products and non-financial services to clients.

Overview & Objectives

This report is the result of a research initiative initiated by the SANAD Technical Assistance Facility and implemented by HEDERA Sustainable Solutions (HEDERA) to assess the state of sustainable finance in the MENA region using a green inclusive finance approach, and to forge future strategies.

The objectives of this assessment are the following:

- Assess the level of understanding of sustainable finance among MFIs in the MENA region and raise awareness about the adverse impacts of climate change on business resilience, both institutionally and for end-clients.
- Identify MFIs' existing environmental strategies, climate risk management practices, and current offering of sustainable financial products and non-financial services.
- Determine the support MFIs need to develop their environmental strategies and integrate a green inclusive finance approach into their operations.
- Identify local and regional stakeholders that can create an enabling environment to push sustainable finance forward among MFIs.

WHAT IS A GREEN INCLUSIVE FINANCE APPROACH TO SUSTAINABLE FINANCE?

FSPs, and in particular MFIs, have demonstrated their ability to build resilience and create economic opportunities for households and businesses excluded from or underserved by the formal banking sector. Green inclusive finance sits at the nexus between financial inclusion and sustainability. It is a framework that seeks to demonstrate how financial services can be leveraged to help low-income people, communities, and enterprises reduce climate-related vulnerability and transition towards more sustainable livelihoods, and, at the same time, how FSPs can implement actions at the institutional level to make their operations more sustainable and prioritize environmental protection.

Green inclusive finance approaches can be integrated into FSPs' operations to increase vulnerable populations' resilience to climate change, mitigate adverse environmental impacts at the institutional and client level, and ensure overall sustainability. At the client level, this involves the provision of sustainable, or 'green', financial products and non-financial services, which should go beyond clean energy and energy efficiency and cover sustainable agriculture, safe water and sanitation, green buildings, products, and materials, the circular economy, improved waste management, and clean transportation. At the institutional level, FSPs can develop an environmental strategy and integrate climate risk management practices, alongside training and capacity building programs, in order to foster sustainability in all departments and make it a core principle of the institution. It is therefore a powerful framework and guide through which MFIs can implement sustainability at all levels.

THE MAIN AXES OF ACTION IN GREEN INCLUSIVE FINANCE

Following the reference framework of the [Green Index](#), an environmental performance assessment tool developed by the [European Microfinance Platform Green Inclusive and Climate Smart Action Group](#) [3], institutions have a range of axes that they can pursue to commit to, manage, and foster environmental protection at the institutional and client levels: 1. development and implementation of an institutional environmental strategy; 2. identification and management of environmental risks and opportunities; and 3. development of an offer of green financial and non-financial products and services.

The Center for Financial Inclusion (CFI) has recently developed a framework to assess green inclusive finance from the offer perspective [4], e.g. how inclusive finance can help low-income populations prepare for and respond to climate change while improving green outcomes. The framework consists of the definition of four impact pathways financial institutions can support their end-customers in pursuing, namely, mitigation (investments in cleaner technologies to improve local environmental conditions for households and communities), adaptation (measures to cope with climate change, whether in rural or urban areas), resilience (the ability to reduce clients' vulnerability to climate-related events and enhance their ability to respond to them), and transition.

Given the research objectives of assessing MENA MFIs' level of understanding of sustainable finance and identifying their existing institutional practices and the support they require, this study uses the Green Index 3.0 (GI3.0) framework for its analysis. The Green Index framework has been chosen because it examines the institution's level of commitment and ways to integrate a green inclusive finance approach within the institution in detail. An overview of the GI3.0 axes of action of green inclusive finance, which align with dimension 7 of the USSEPM, is given below.

1. Environmental Strategy

Defining commitment FSPs can define their commitment to green inclusive finance by developing a vision, establishing key performance indicators (KPIs) to achieve in a specific period, and assigning clear responsibilities and a budget to reach the institution's goals. Institutions can develop a documented strategy to specify their objectives to reduce the clients' or portfolio's vulnerabilities and adverse environmental impacts, promote resilience or positive environmental impacts, or promote the adoption green practices and technologies, meeting the needs and demands of their clients.

Establishing goals By defining objectives and including quantifiable targets, actions, and resources (with defined responsibilities and a capacity building strategy), the institution can monitor the progress, processes, and achievements and internally report on the performance and execution of the strategy. Complying with local regulations, tracking performance using standard indicators, and aiming to improve the metrics may also be part of the institution's environmental strategy. Institutions can also establish partnerships to support the achievement of their environmental strategy.

Implementing standards To monitor progress, FSPs may opt to operate in accordance with non-mandatory industry initiatives (e.g. [Green Index 3.0](#), [Dimension 7 of the Universal Standards for Social and Environmental Performance Management](#), [CERISE ALINUS Tool](#), or evaluations on environmental, social, and governance (ESG) performance), international standards and regulations for disclosure and management of adverse environmental impacts at the institutional level (e.g. [European Union Sustainable Finance Disclosure Regulation \(EU SFDR\)](#), [OECD-UNDP Impact Standards for Financing Sustainable Development](#), [B Impact certificate](#), or [IRIS+ indicators](#)), or reporting on climate-related and environmental sustainability risks (e.g. [Task Force on Climate Related Financial Disclosure](#) or [Network of Central Banks and Supervisors for Greening the Financial System](#)).

Regular reporting on environmental performance is important to track an institution's progress and motivate staff to work towards the green inclusive finance goals. Institutions can report internally to the board of directors, showcase achievements to employees, and/or share their environmental strategy achievements with external parties and the general public. Institutions can also report their achievements in public annual reports.

2. Environmental Risk Management and Opportunity Monitoring

Identifying environmental risks Understanding and quantifying end-clients' risks and vulnerabilities is a key priority for institutions serving low-income communities. Climate risks can become financial when the production of MSMEs is exposed and vulnerable or the infrastructure for business development is severely affected. Institutions can identify the institution's, clients', or portfolio's vulnerabilities to climate change, extreme weather events, environmental degradation, biodiversity loss, energy poverty, limited access to water and sanitation, poor waste management, polluting transportation, diseases due to improper storage of chemicals or indoor pollution, and poor land and soil management.

In addition to identifying client risks, institutions can also identify the adverse environmental impacts caused by clients' activities, such as greenhouse gas emissions, air, water, and soil pollution, deforestation, land degradation, waste production, and overexploitation of natural resources. At the institutional level, the FSP can assess the effects of its own activities, such as its greenhouse gas emissions, waste produced, and energy, water, paper, cardboard, plastic, glass, metal, and fuel consumption.

Managing environmental risks All the abovementioned identification processes can be conducted internally by the institution or in partnership with experts and technical or technology providers. Institutions can train their loan officers and back-office staff on evaluating environmental risks to identify vulnerabilities and adverse effects on the environment, whether at the client or institutional level. Once identified, FSPs can incorporate these into their financial risk management policies, classifying the risks, defining procedures to manage the risk for each category, and, through established mechanisms (e.g. capacity building campaigns, technology, data management, etc.), monitoring the risks and vulnerability levels of the clients and institution.

These can then become clear action points to address at the institutional and client level. Institutions can identify sustainable practices or clean technologies that improve access to affordable, reliable, and clean energy, water, and sanitation, increase productivity, or reduce impacts and vulnerabilities. For their risk management, institutions can put a contingency plan in place to mitigate climate risks on their properties and human resources, purchase certified carbon credits, raise staff's awareness on the vulnerabilities and adverse impacts, and train staff on good practices.

Harnessing opportunities FSPs can conduct targeted market research to identify their clients' demand and need for financial products for green practices and/or technologies and non-financial services, such as awareness raising on environmental protection, training, and technical assistance. FSPs can help clients identify local providers for sustainable practices and technologies or training and assess their costs and return on investment, as well as the quality of the technologies, local market and regulatory incentives, technical support, and further mapping of threats, market segments, and related aspects.

By putting in place client-centric processes, institutions can select and propose specific financial or non-financial products and services to address clients' identified needs. Institutions can also assess their opportunities to develop and implement an environmental strategy, an ecological and climate risk management system, and green products and services based on the data acquired. Depending on the institution's priorities, exploiting green inclusive finance opportunities may entail attracting new clients, diversifying portfolios, attracting grants, aligning with existing trends in the region or country of operation, and/or fostering innovation. The use of tools and data is critical in these procedures, which, in turn, can generate economic opportunities to enhance climate resilience and environmental protection and decrease the portfolio risk.

3. Supply of Sustainable Financial Products and Non-Financial Services

Financing clean technologies and sustainable practices Institutions can offer products to finance the purchase of renewable energy systems² and energy-efficient technologies³, water, sanitation, and hygiene products⁴, sustainable agriculture practices, waste management activities⁵, and clean transportation⁶ through dedicated or non-dedicated loan products, pay-as-you-go solutions, and leasing services. Besides loans, institutions can offer savings products for climate resilience enhancement, remittances or money transfers for sustainable agriculture, green products, climate insurance, and emergency loans.

²Solar home systems, solar water pumps, pico photovoltaic (PV) kits, solar lamps, solar cookstoves, solar dehydrators, solar crop dryers, solar hydroponics, etc.

³Efficient biomass stoves, air conditioners, & refrigerators, thermal insulation for housing, improved cookstoves, biogasifiers, light-emitting diode (LED) lighting

⁴Clean water filters, desalination systems, water storage tanks, connections to piped water networks, solar water disinfection, improved private toilets, composting toilets, low-flow fixtures, drinking water pumps, etc.

⁵Recycling, collection of used materials for upcycling, resale of products, reduced food waste, etc.

⁶Electric or hybrid vehicles

Providing benefits for dedicated products Loans for financing sustainable practices and technologies can have unique characteristics. Institutions may adapt the loan limits to the needed investments, establish terms that ensure the investment has been recovered, design a repayment schedule that aligns with the cash flow that clients will obtain with the new technology or practice, reduce the interest rate, have credit risk guarantees, link insurance services to the loans, or offer technical assistance or training. Moreover, institutions can support the development of specific staff and client capacities to raise awareness of the practices or technologies, e.g. through regular capacity building sessions, establishing partnerships with local experts, suppliers, civil organizations, international development cooperation actors, and technical assistance providers for know-how transfer, and ensuring consumer engagement.

Non-dedicated green products and indirect sustainable practice financing FSPs' offer to finance green technologies and sustainable practices is not limited to fully dedicated products with specific characteristics and conditions for the clients. Through non-dedicated products such as working capital, asset financing, and housing improvement or agriculture loans, institutions can also finance green technologies and sustainable practices; for instance, FSPs may provide financing for working capital for implementing ecosystem-based solutions (e.g. beekeeping, greenhouses, etc.), the acquisition of clean energy technologies for the client's income-generating activity (e.g. solar egg incubators or water pumps), or energy-efficient appliances or installations for housing improvement in a housing loan (e.g. water-saving toilets, LED lighting, house insulation, etc.). By tracking the final purpose of the disbursed loan, institutions can analyze the demand and assess the viability of implementing a dedicated product, raising awareness, promoting environmental protection, and implementing the institution's environmental strategy.

Validating institutional sustainability To track the achievement of their environmental goals, institutions can monitor the delivery and disbursement of green loans. FSPs can apply specific procedures and implement tools to facilitate loan disbursement, e.g. technical documentation specifying the return on investment, business case, opportunities for income stream generation, & benefits of the systems in terms of resilience enhancement, dedicated marketing materials, and communication channels for customer service. These indicators enable the verification and tracking of the investment made by the client, using an environmental taxonomy/set of criteria or specialized software to implement or monitor a sustainable agriculture practice/energy system.

Offering non-financial services Generating demand and raising awareness on the relevance of environmental protection is fundamental for institutions with an environmental strategy. Institutions can raise awareness on a wide range of subjects, such as client vulnerabilities, mitigation strategies, adverse environmental impacts and how to decrease them, and the economic opportunities and social benefits of green practices and technologies. Training material can be delivered in-person, via remote client training, or through joint sessions and events for staff and clients. Case studies, games, promotional material, technical fact sheets, practical activities, technology demonstrations, and peer learning through field visits can be offered to institutional staff to develop their capacities to provide training and/or technical assistance to clients.

Tools to evaluate green inclusive finance performance

The axes of action mentioned above are dimensions where specific environmental performance assessment tools can guide MFIs in their green inclusive finance development. Such tools have

a variety of approaches with different perspectives and purposes, such as due diligence, ESG rating, and impact assessment.

The **Green Index 3.0**, launched in 2022, is a tool developed by the e-MFP GICSF-AG to help MFIs conduct an in-depth analysis of their green inclusive finance performance along a full set of qualitative and quantitative (outcome) indicators, in order to identify gaps, define priorities and an action plan for improvement, and receive training on the actions, processes, products, and tools that could be implemented in green inclusive finance to improve their performance.

The **SPI4** tool is a social performance audit tool developed by the French NGO CERISE that aims to help financial institutions achieve their social mission. The SPI4 helps microfinance institutions evaluate their level of implementation of the Universal Standards for Social Performance Management (USSPM). Since 2014, the SPI4 has offered the option to evaluate MFIs' environmental performance, integrating the qualitative indicators of the Green Index 1.0 and, since 2016, the Green Index 2.0.

In 2022, **CERISE+SPTF** launched an update of the USSPM with the integration of a new mandatory dimension, Environmental Performance Management, making it the Universal Standards for Social and Environmental Performance Management (USSEPM). The contents of Dimension 7 of the Cerise+SPTF's USSEPM and the e-MFP GICSF-AG's Green Index 3.0 are fully aligned at the conceptual level regarding standards and essential practices. The Green Index 3.0 provides an in-depth analysis and helps establish a detailed improvement action plan on green inclusive finance. Dimension 7, co-developed by Cerise+SPTF and the e-MFP GICSF-AG, helps establish a detailed improvement action plan in the framework of the Universal Standards.

The **Alinus** tool stands for "ALigning INvestors due-diligence and reporting with the Universal Standards". The SPI4-Alinus is a subset of CERISE-SPI4 indicators that allows investors in inclusive finance to conduct their due diligence with FSPs. In 2021, a group of investors collaborated with the GICSF-AG and CERISE+SPTF to integrate a subset of indicators of USSEPM Dimension 7 and Green Index 3.0 into the Alinus tool.

Other tools such as ESG rating tools may help institutions assess their environmental performance and commitments. Investors such as Innpulse, FMO, Agents for Impact, Triple Jump, and Invest in Visions have their own tools for due diligence and evaluation of the institution's environmental performance, along with their financial, social, and governance assessment.

Summary

The axes of action of green inclusive finance entail different levels of engagement and awareness from institutions to implement actions at the institutional and client level. The motivations and incentives to pursue green inclusive finance will depend on the institutional priorities, market conditions, risks, and enabling environment within which the institution operates. Alongside the axes of action, the environmental performance assessment tools evaluate the actions the institutions carry out, but not the environment, challenges, and ecosystem surrounding the institution.

Given the diversity of social and financial contexts, climate vulnerabilities, and energy security issues across the MENA region, a broader framework is needed to assess MENA MFIs' level of development in the green inclusive finance sector. In the following section, the methodology used for the assessment is described, including the dimensions of evaluation that assess the environment in which the institutions operate and the axes of action of green inclusive finance.

ASSESSING GREEN INCLUSIVE FINANCE IN THE MENA REGION

In order to assess the state of green inclusive finance in the MENA region, it is important to analyze not only institutions’ progress along the axes of action, but also their operating ecosystem and regulatory environment. To this end, this assessment has used the Green Inclusive Finance Penetration Framework for its analysis, implemented through desk research, a survey of MFIs, qualitative interviews, and a three-day workshop.

The Green Inclusive Finance Penetration Framework

The Green Inclusive Finance Penetration Framework is an approach developed by HEDERA to evaluate the drivers of green inclusive finance and actions implemented by FSPs.

The Framework focuses on three dimensions:

- Enabling environment: regulations, programs, & partners
- Execution: environmental strategy & risk management
- Offer: financial products and non-financial services

Each dimension is assessed using specific questions in a survey of MFIs. The answers are then assessed in consolidated indicators and scored between 0 and 100.

In each indicators, the scores are normalized in the considered sample, so that the range is 0-100. The resulting normalized indicator scores are averaged in order to compute the score in each dimension (between 0 and 100). These scores are equally weighted to provide a final assessment of the target group’s green inclusive finance penetration. The detailed scoring system is provided in the Appendix.

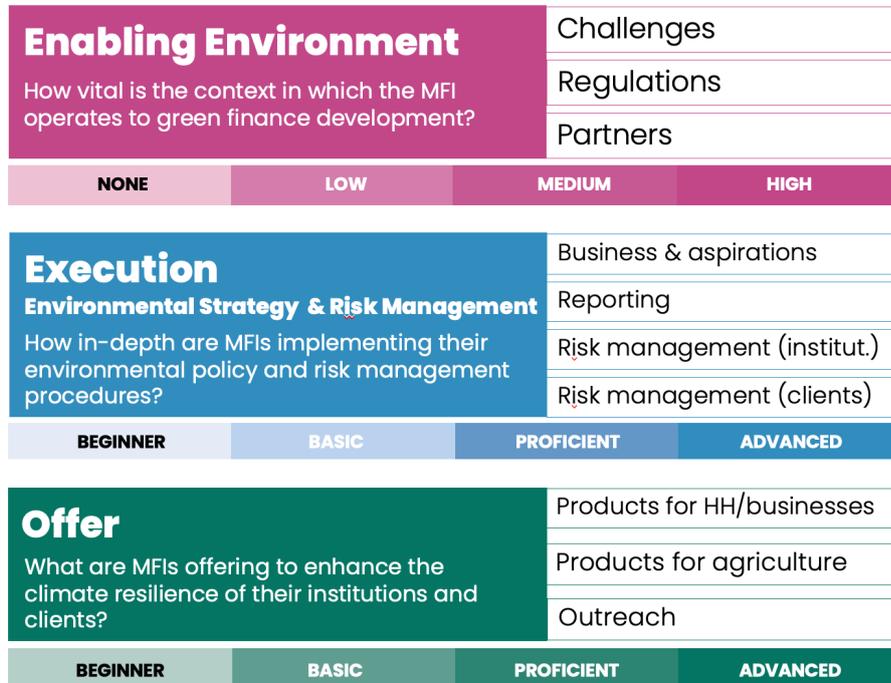


Figure 1: Summary of the dimensions and indicators considered in the Green Microfinance Penetration Framework

Enabling Environment

This dimension assesses the challenges, governmental support, and guidance that exist at the local level and affect FSPs' ability to pursue a sustainability agenda. It looks at current regulations, stakeholders, and programs to evaluate the context surrounding the development of green inclusive finance.

Execution

To assess the implementation of green inclusive finance, this dimension assesses the extent to which FSPs have progressed in implementing their environmental policy and risk management procedures, if at all. For this, FSP's business values and objectives are evaluated with regards to environmental protection, the level of reporting, and environmental risk management at the client and institutional level.

Offer

The last dimension evaluates the core business of FSPs, i.e., the provision of financial and non-financial services for households and MSMEs. It seeks to understand what the institutions offer to enhance the climate resilience of their clients and looks at the number of dedicated financial products and non-financial services for households/businesses and sustainable agriculture, as well as their respective outreach.

Research Methodology

Using the Green Inclusive Finance Penetration Framework, the assessment involved a sector survey of microfinance institutions, semi-structured interviews, and desk research. The sector survey was launched in early July 2022 and covered MFIs in Morocco, Tunisia, Egypt, Lebanon, Palestinian Territories, Jordan, Syria, and Yemen⁷.

Within two months (July 19 to September 19), 42 organizations completed the survey online. Participants included institutions from Yemen (8), Palestinian Territories (7), Egypt (6), Jordan (6), Lebanon (6), Morocco (5), Tunisia (3), and Syria (1). A quantitative description of the sample including age of the institution and number of clients is provided below.

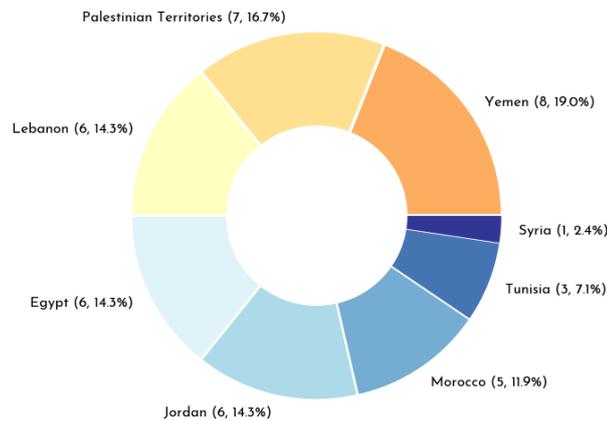


Figure 2: Survey participants distribution

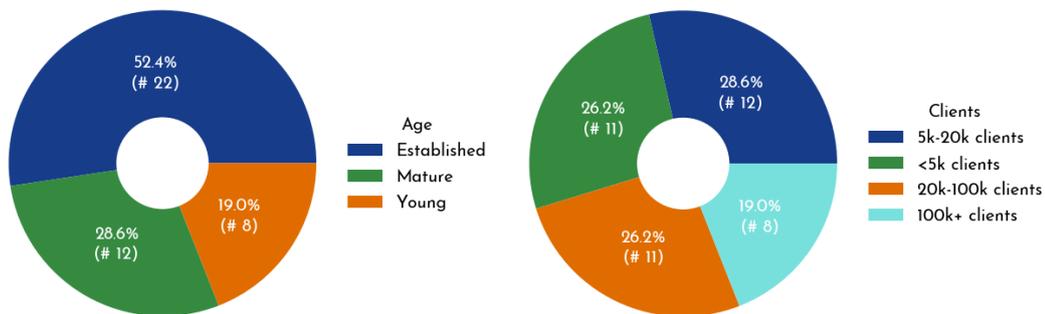


Figure 3: Brief description of sector survey participants. Total number of institutions: 42.

For the analysis, participating institutions have been divided into different categories according to their age (young: less than ten years since their establishment, mature: 10-20 years, established: over 20 years) and number of clients (small: less than 5,000 clients, medium: 5,000-20,000 clients, large: 20,000-100,000 clients, and very large: over 100,000 clients).

In parallel to the survey, semi-structured interviews were conducted with selected MFIs and other stakeholders in the microfinance sector. The interviews aimed to verify the statements given in the completed surveys, provide further information on the institution's operating environment, and explore the main challenges and support needed.

The survey results are presented in detail in the following sections according to the Green Microfinance Penetration Framework dimensions.

⁷The survey can be found in English, French, and Arabic [here](#)

RESULTS

ENABLING ENVIRONMENT

Overview

The survey results show that the best enabling environments for implementing green inclusive finance are found in Tunisia, Morocco, and Yemen, whereas currently the most challenges are reported by institutions in Lebanon and Jordan. Together Association (Egypt) and Attadamoune Micro Finance (Morocco) both operate in a highly enabling environment. Hadhramout Microfinance Program (Yemen), Advans IMF (Tunisia), and Enda Tamweel (Tunisia) are in ecosystems where governmental support, partnerships, programs, and demand for microfinance services provide a unique environment for developing green inclusive finance. On the other hand, institutions in Lebanon and Jordan highlighted the challenges institutions face in fostering green inclusive finance: lack of partners, regulations, supporting programs, and weak demand. Results show that regardless of the institution's age, the environment depends on external factors outside of the organizations' control.

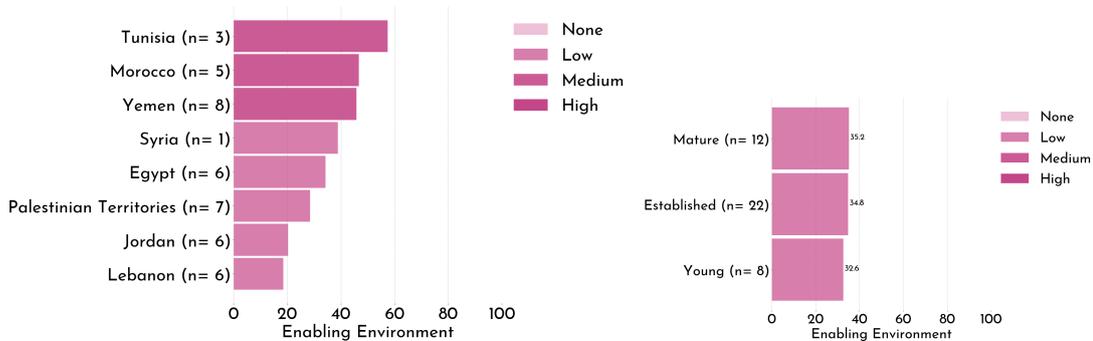


Figure 4: Average enabling environment score per country (left) and institutional maturity (right)

Regulations & Challenges

There are different ways that the government and regulators can encourage MFIs to adopt a green inclusive finance approach through setting policies requirements and providing incentives. Across the region, a few regulations and programs focused on getting the financial sector to take action on climate protection have emerged. In Egypt, it is possible to issue green bonds (e.g. to finance nature-based solutions), while in Jordan, though MFIs report a lack a lack of regulation, the Central Bank has started to develop a National Financial Inclusion Strategy with the support of The World Bank, which will have a component on green inclusive finance. In Morocco, different initiatives and programs have contributed to raising awareness within the microfinance sector on developing a green offer. Furthermore, in Tunisia, there is already a regulation benefiting companies that work on the green economy and promote sustainable development.

74% of MFIs report an absence of regulations that oblige them to take explicit action on environmental protection. 81% indicate there are no regulatory incentives for companies that are taking action on environmental protection. The 3 institutions (7.5% of the total) reporting awareness of the existence of national regulations are from Egypt, Tunisia, and Yemen. In Tunisia, however, although regulations were aimed to support institutions, during implementation, FSPs have identified additional challenges. Specifically, since the end of 2021, by law, institutions are supported in terms of tax exemptions when activities are related to the green

economy and sustainable development. However, FSPs claim there is a funding gap for the skills acquisition of internal staff⁸.

The lack of regulation is reflected in the top three main challenges perceived by the microfinance sector at the country level. 72% of the institutions claim that there is a lack of governmental support, lack of proper regulations on green finance, and a lack of funding for launching new products. At the same time, microfinance networks point to a reactive approach from governments that will take action when they believe there is sufficient demand from MFIs themselves. The close relationships between microfinance networks and central banks and regulators and a cooperative ecosystem among the microfinance institutions in the region would provide great potential for capacity building, awareness raising, and initiating cross-border programs.

A small percentage of MFIs (16%) considers high competition from commercial banks and energy companies to be a primary challenge, and a quarter (25%), complex processes for funding usage.

The CFI in partnership with the GIZ is currently working in a research aiming to mainstream green inclusive finance in the MENA region to provide inputs to policymakers on how to develop programs for green inclusive finance. The main objectives of the initiative is to understand what financial services can do to help vulnerable people in the MENA region manage risks associated with precipitation, sea-level rise and extreme temperatures, map the strategies and instruments that policymakers and regulators in the region have utilised to support green finance and finally, develop a new narrative for green inclusive finance in the region and how it can be mainstreamed into policymaking and development programming.

Partners

As for partnerships, 43% of survey respondents have agreements with other stakeholders to offer green products. Per country, the following organizations have supported or are currently providing assistance to the respondent MFIs in developing green inclusive finance:

- **Egypt:** Green for Growth, USAID Feed the Future Egypt, Food Security and Agribusiness Support (FAS) Project
- **Jordan:** Green for Growth, USAID
- **Lebanon:** Green for Growth, USAID
- **Morocco:** Elephant Vert, GERES, Green for Growth, MicroFinanza, SANAD, SIDI
- **Palestinian Territories:** Care International, Green for Growth, Kiva, SANAD
- **Tunisia:** ADA, Développement International Desjardins, MicroEnergy International
- **Yemen:** Local suppliers, Silatech, Social Fund for Development, United Nations Office for Project Services (UNOPS), the United Nations Development Programme (UNDP), USAID, World Bank

⁸In practice, this financial support, advanced by Article 29 of Decree Law No. 2021-21 of December 28, 2021, relating to the Finance Act 2022, is given in the form of a tax exemption for companies whose activities relate to the green economy and sustainable development. This tax exemption is specified in paragraph II bis in Article 39 of the Code of personal income tax and corporate tax, which states expressly: Interest from the issue green bonds, socially responsible bonds, and sustainable bonds as defined by the regulations in force are removed by the tax base, and this, within the limit of 10,000 Tunisian dinars per year. However, this measure has failed to include the generation of green jobs, neglected by the legal nomenclature and government's environmental policy. This financial law should provide for the pre-financing of training and capacity building for human resource development in green inclusive finance.

EXECUTION: ENVIRONMENTAL STRATEGY & RISK MANAGEMENT

Overview

This dimension of the Green Inclusive Finance Penetration Framework covers the implementation of environmental strategy and environmental risk management in the region. More advanced environmental strategies and risk management can be found among MFIs in Tunisia, Lebanon, Yemen, and Morocco, where MFIs in the Palestinian Territories and Jordan are at an earlier stage. Dependent on the maturity of an institution, different support can be offered to develop this dimension. Younger MFIs can best benefit from awareness raising and introductory workshops on the topics, while more in-depth advisory support and technical assistance on institutions' environmental strategy and environmental risk management should be provided to established institutions.

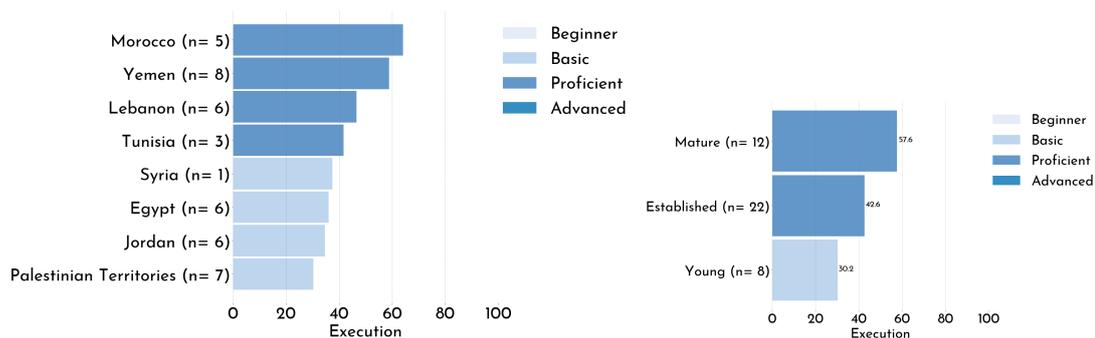


Figure 5: Average execution score per country (left) and maturity (right)

Environmental Strategy

There is a notable interest in incorporating environmental protection or climate resilience concepts into the institution's strategic plan. 41% of respondents indicated that they already have an environmental strategy, and 45% plan to do so in the future. Only 16% of institutions neither include any environmental aspect in their institutional strategic plan nor are planning to (Figure 6).

As for reporting, 45% of MFIs surveyed report internally on environmental performance. This proportion increases to 64% for institutions that have at least one green financial or non-financial product for households or MSMEs. Only 5 institutions already produce public reports on their environmental performance, though about the half of the MFIs surveyed are planning to do so in the future.

Concerning the type of support that is needed, institutions emphasized the need for financial and technical support for market assessment studies and product design and development.

When asked about which stakeholders they would approach for support in the development of their environmental strategy, three-quarters of the institutions agree that investors and consultants are in the best position to support them. Ratings agencies and local authorities were ranked last for providing support. While institutions stated that they mostly lack support from governments and regulators, these entities are not classified as the ideal stakeholders that could assist institutions in developing their environmental strategies.

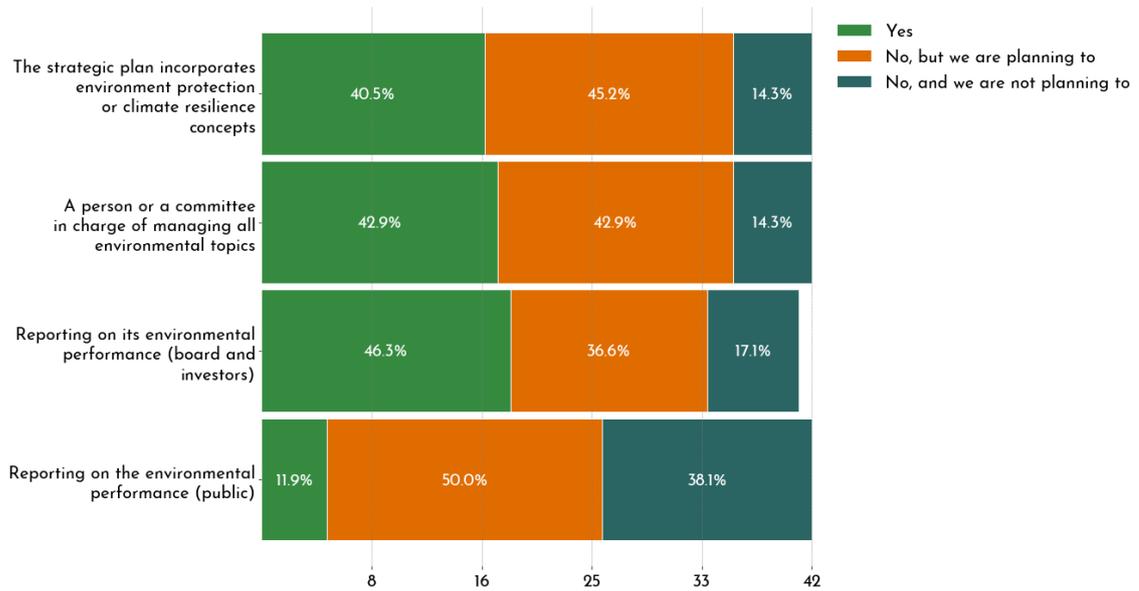


Figure 6: Development of environmental strategy

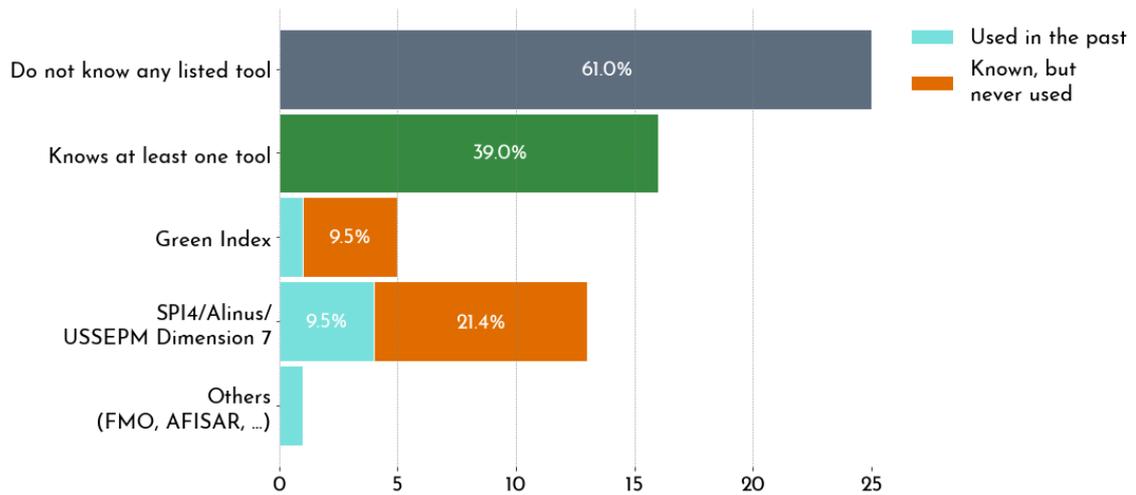


Figure 7: Awareness and experience with environmental performance assessment tools

61% of the surveyed institutions are not aware of environmental performance assessment tools (Figure 7), while 39% of the respondents know at least one tool. About 30% of the total respondents are aware of the SPI4 and Alinus tool, but only 4 institutions (9.5%) have used it in the past. Only 5 institutions know about the Green Index, and only one has used it in the past. Moreover, only 3 microfinance institutions out of 42 indicated that they had already undergone an ESG assessment.

Environmental Risk Management

Over half of the FSPs across the region are implementing different activities related to client environmental risk management. Institutions are primarily interested in raising awareness and conducting training for staff on practices to reduce or avoid adverse environmental impacts.

Risk management at the institutional level 62% of the institutions are currently implementing activities related to institutional environmental risk management (Figure 8). The activities that are most commonly implemented include environmental risk analysis of loan applications (38.1%) and categorization of loan applications according to this assessment (33.3%). In similar proportions, respondents also indicated that their institutions train the staff on environmental practices to reduce adverse impacts. 60.7% of institutions indicated that they are already receiving support for conducting actions related to risk management. Support is mainly provided by investors (e.g. IFC, SANAD), development programs (e.g. USAID), and consultants through technical assistance.

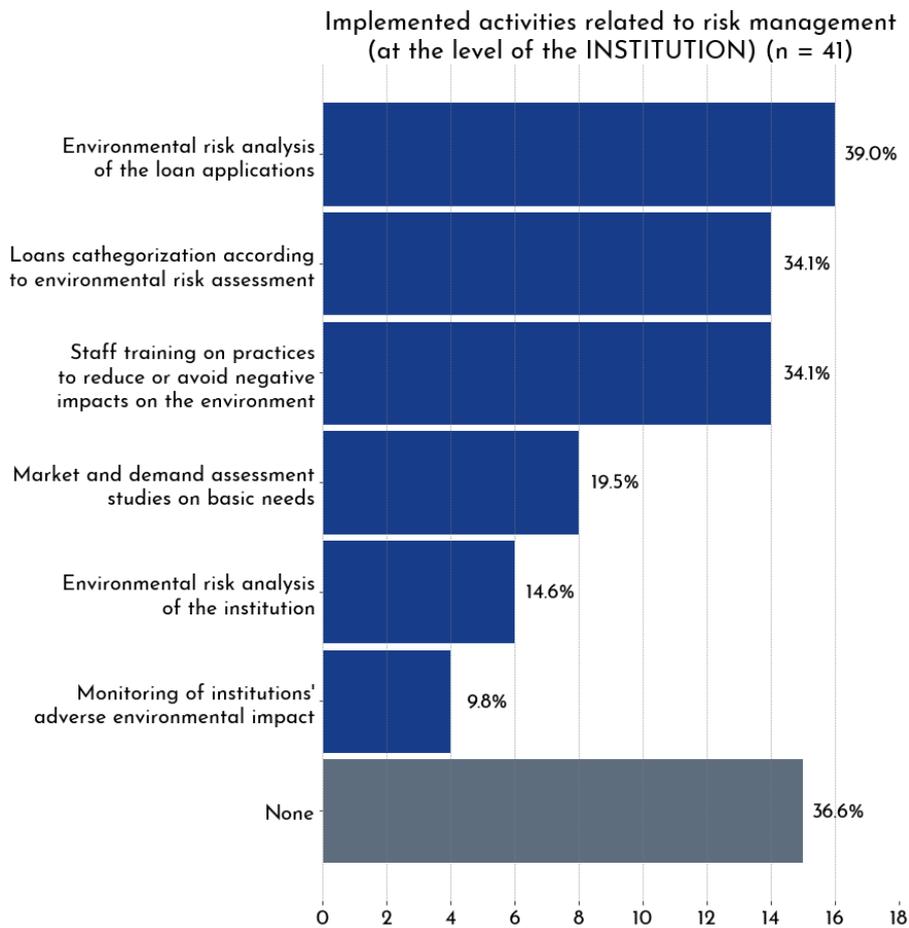


Figure 8: Risk management at the institutional level

Only 4 institutions monitor their negative environmental impact at the institutional level, and only 6 respondents perform institutional environmental risk analysis.

Among the institutions that perform client environmental risk assessment as part of loan application evaluation, the majority identify lack of access to clean water (93%) and energy (80%) as major challenges. 60% of respondents indicated droughts and heatwaves as major risks affecting their clients. Other risks reported included wildfires, cold waves, and torrential rains in Morocco, Tunisia, and Yemen; hailstorms in Morocco; tropical cyclones/hurricanes in

Yemen; and mudslides in Jordan.

Only 12% of the institutions indicated the environmental risks they are exposed to at the institutional level - energy and water access were also found to be the most relevant climate-related risks for the institution itself.

The lack of proper tools is the main barrier that institutions face with respect to risk management activities..

The lack of proper tools to conduct environmental risk management practices at the institutional level was highlighted by 89.2% of respondents, while two-thirds indicated the lack of knowledge as one of the main challenges. Staff motivation was not reported to be an issue.

Risk management at the client level Over 60% of the institutions do not implement any action to manage clients’ environmental risks. One-quarter of the institutions support their clients by assisting them in developing businesses promoting green practices or products. 17% train their clients on methods to reduce or avoid negative environmental impacts, whereas only one institution provides services to respond to environmental shocks. At the client level, the majority of institutions (90%) implementing risk management activities report a lack of proper tools for implementing additional environmental risk management practices, and 77% indicate they lack knowledge. Lack of collaborations with other stakeholders and the high complexity of the topic were also highlighted as challenges, though to a lesser extent (61% and 45%, respectively).

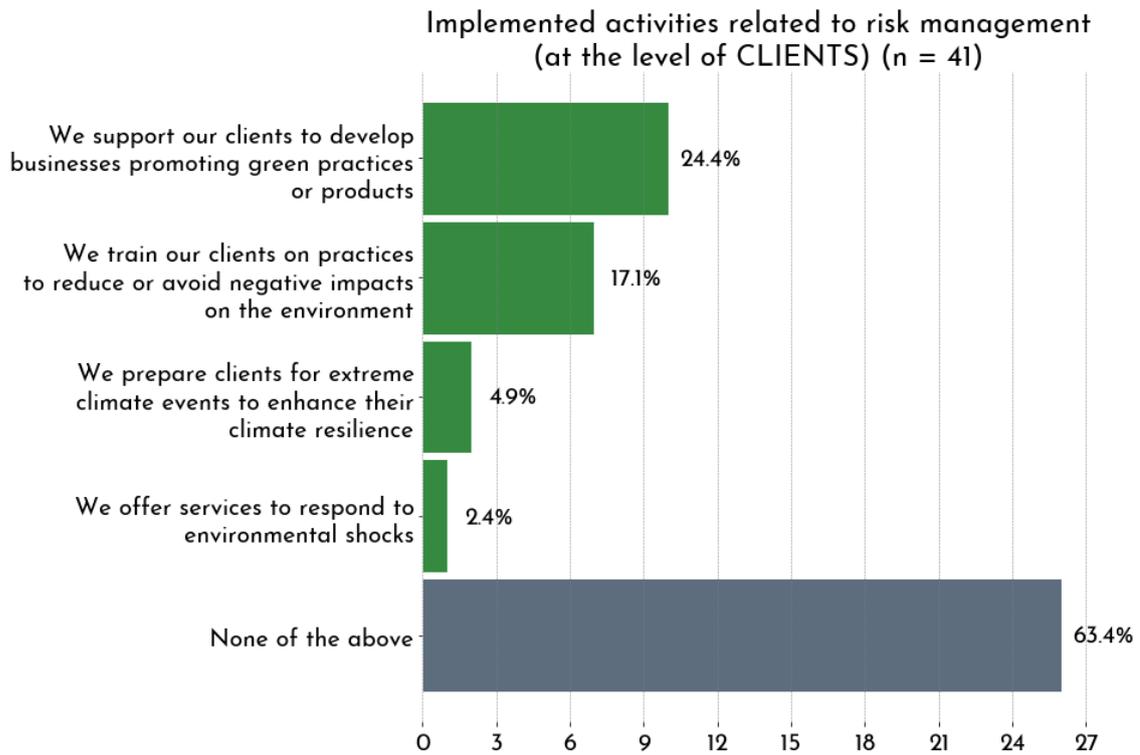


Figure 9: Risk management at the client level

CASE STUDIES - ENVIRONMENTAL STRATEGY & RISK MANAGEMENT

National Microfinance Foundation - Yemen

The National Microfinance Foundation - Yemen (NMFY) is an NGO operating in twenty branches in Yemen. Since 2015, due to the outbreak of the war and the consequent power outages, NMFY started delivering renewable energy financing. In 2015, when the grid went off, NMFY financed solar home systems of up to 3 kilowatt-hours (kWh). In 2017, due to the national fuel crisis, the institution started offering smallholder farmers 20kWh solar water pumps. In 2019, rural areas accessed subsidized 10 Watts pico-solar systems through NMFY. Various projects were supported by diverse international development cooperation programs (i.e., Silatech, Foreign, Commonwealth and Development Office (FCDO), KFW, World Bank).

As of the end of 2021, the Foundation has disbursed more than 5,000 energy loans, with an estimated volume between 10 and 15 USD million. The portfolio diversification of NMFY has helped differentiate them in terms of gathering expertise in technology selection, partnering with suppliers, managing inventories, and identifying their clients' needs. The effort was combined with challenges to raise awareness among value chain actors, technical engineers, technicians, farmers, distributors, and end users.

The national context has been a driving force for NMFY to innovate and deliver the products their target communities need. Seven years after, it has been evident for NMFY to streamline green inclusive finance across the organization. This implies: defining an environmental strategy, identifying the environmental risks and vulnerabilities at the client and institutional level, developing mechanisms for managing these and reducing adverse impacts on the environment, and supplying green financial products and non-financial services to their clients.

In 2022, NMFY developed a strategy to focus on the economic empowerment of MSMEs through sustainable development and responsible finance that promote clean energy and environmental protection. The steps to implement include raising awareness among employees and clients of green loans, developing incentives for green loan documentation, adding an environmental component to the risk identification and management matrix, and monitoring the strategy implementation (targets, achievements, team, resources, and opportunities).



Figure 10: Branch managers capacity building
(Photo: National Microfinance Foundation)

The environmental strategy defines tasks and responsibilities along the internal hierarchy of NMFY. General management is in charge of developing the green strategy and defining the green indicators to track. The risk department assists in the development and implementation of environmental risk identification and management to green the portfolio. The branch managers oversee the disbursement of green loans, manage partnerships with suppliers, and identify local opportunities. Finally, loan officers identify clients and facilitate the implementation of green loans for MSME customers. Complementary to the field staff efforts, the communications and marketing department is in charge of publicizing the success story of the winner of the best green loan every quarter in NMFY's social media channels.

NMFY is confident that this approach will differentiate its work at the institutional and client levels in the country. This is accomplished by i. obtaining a deep knowledge of the client's

business for the loan disbursement and assessing the environmental impact of the income-generating activity; ii. incorporating an ecological risk assessment component into the organization's risk matrix; iii. raising awareness about green products and services among employees; iv. including incentives for green loans for loan officers and branch managers; and v. showcasing green loans to promote an environmentally friendly organizational culture among employees and clients.

Tamweelcom (Jordan Micro Finance Company) - Jordan

The Jordan Microfinance Company Tamweelcom was founded in Jordan in 1999 as a non-profit organization, complying with the legal and regulatory framework of the Central Bank of Jordan. It started with JOD 30,000, five employees and one branch with the purpose of elevating employment rates, fostering socioeconomic advancement, empowering low-income individuals, financially excluded citizens, marginalized citizens and small entrepreneurs through reliable financing solutions.

After many milestones achieved, today Tamweelcom has 39 branches across the country with over 500 employees. As of the end of 2021, Tamweelcom served over 382,000 clients and enterprises, with 74% female borrowers, 49% youth borrowers and a gross loan portfolio of JOD 58 million (USD 81 million). Tamweelcom's policy aims, at the institutional level, to be in line with its core values - transparency, team spirit and collaboration, excellent service, and social and environmentally responsible performance - and at the client level, to ensure and verify that the businesses financed by Tamweelcom have a minimal social and environmental impact.

To accomplish this, Tamweelcom has implemented procedures to ensure the financed businesses have minimal adverse environmental or social impact. The first measure is to apply an exclusion list for loans, prohibiting the financing of any type of company listed. This procedure aims to ensure that the values of Tamweelcom are respected and contributes to raising awareness among clients on the damage to the environment and hazards that the activity may imply for society and the ecosystem. Once the safety of the business is confirmed, the institution ensures that the company's purpose is legally legislated and that the business documents, official permits, and approvals required by Jordanian law are available.



Figure 11: Risk assessment of loan application
(Photo: Tamweelcom)

Next, eligible business sectors are classified according to Tamweelcom's institutional Environmental and Social Risk Classification List. When the loan disbursement has been approved, the financing contract contains a clause on the client's pledge not to exploit finance in one of the excluded sectors. New business sectors not listed in the Environmental and Social Risk Classification List are evaluated explicitly by Tamweelcom's Risk Management Department, which decides on approval or rejection.

The business environmental risk identification consists of classifying the business activity's ecological impact into three categories: high, medium, or low environmental risk, with the letters A, B, and C, respectively, following the International Finance Corporation (IFC) standards. Businesses classified as A are not financed.

IFC Environmental and Social Categorization:

- **Category A:** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- **Category B:** Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and easily addressed through mitigation measures.
- **Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts.

This methodology is a framework IFC uses for environmental and social categorization to reflect the magnitude of their investments' risks and impacts. The resulting category is linked to corresponding institutional requirements for disclosure by IFC's Access to Information Policy ([IFC Environmental and Social Categorization](#)).

This two-step approach is part of the customer profile. The Customer Relations Manager fills out the form when visiting the client's business site, and the information is captured in Tamweelcom's core system. With these procedures, Tamweelcom is fulfilling its environmental protection policy by identifying and supporting low and medium-environmental-risk businesses. As a next step, Tamweelcom plans to set a new environmental strategy and incorporate specialized green financial products into its portfolio.

GREEN FINANCIAL AND NON-FINANCIAL OFFER

Overview

The offer of green financial products and non-financial services is not uncommon in the region; half of the MFIs are offering households and businesses renewable energy (RE) products and one-third, energy-efficient (EE) products. As for agricultural products, half of the respondents offer products related to sustainable crop production and 46%, financing for livestock management. One-third of institutions offer loans for improved water management for agriculture. Mature and established institutions in Yemen and Palestinian Territories are more advanced in their offer of financial and non-financial products and their outreach. To a slightly lesser extent, MFIs from Egypt, Lebanon, Tunisia, and Jordan are offering green loans. The age of the MFIs influences their capability to implement green inclusive finance; young institutions' offer is not as developed as that of mature institutions.

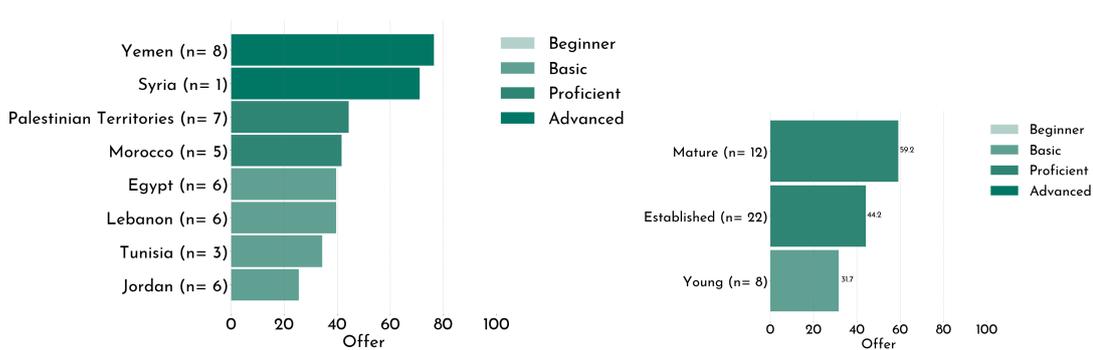


Figure 12: Average offer score per country (left) and maturity (right)

Financial Products for Households and Businesses

More than the half of respondents (53.5%) indicated that their institution offers financial products for RE technologies (Figure 13). Among these, solar home systems are offered by 19 institutions. Other popular products include solar water pumps (13 institutions), solar water heaters (10), and solar lamps (10).

- RE products are offered by all (100%) respondents from Yemen. 60% of institutions from Palestinian Territories offer RE, along with 50% in Lebanon.
- 56% of institutions offering RE products also finance EE measures.
- 34% of institutions offering RE products also offer clean water products.

Moreover, about one-third (32.6%) offers products for EE measures. These products mainly include efficient household appliances (9 institutions offering), machinery replacement (8), replacement of inefficient lighting with LED lamps (7), and cooling systems (7). 18.6% of institutions offer loan products for clean drinking water, such as financing for piped water connections (2 respondents) and portable solutions (2).

In the follow-up question (Do you plan to offer any of the following green financial products in the future?), one-third of institutions (33%) indicated plans for waste management-related products, and 35.7%, cleaner transportation.

Regarding the barriers that institutions have encountered when offering green products (or during the development process), around half of institutions emphasized the need for more support from investors (53%) and the government (47%), as well as a lack of demand (47%).

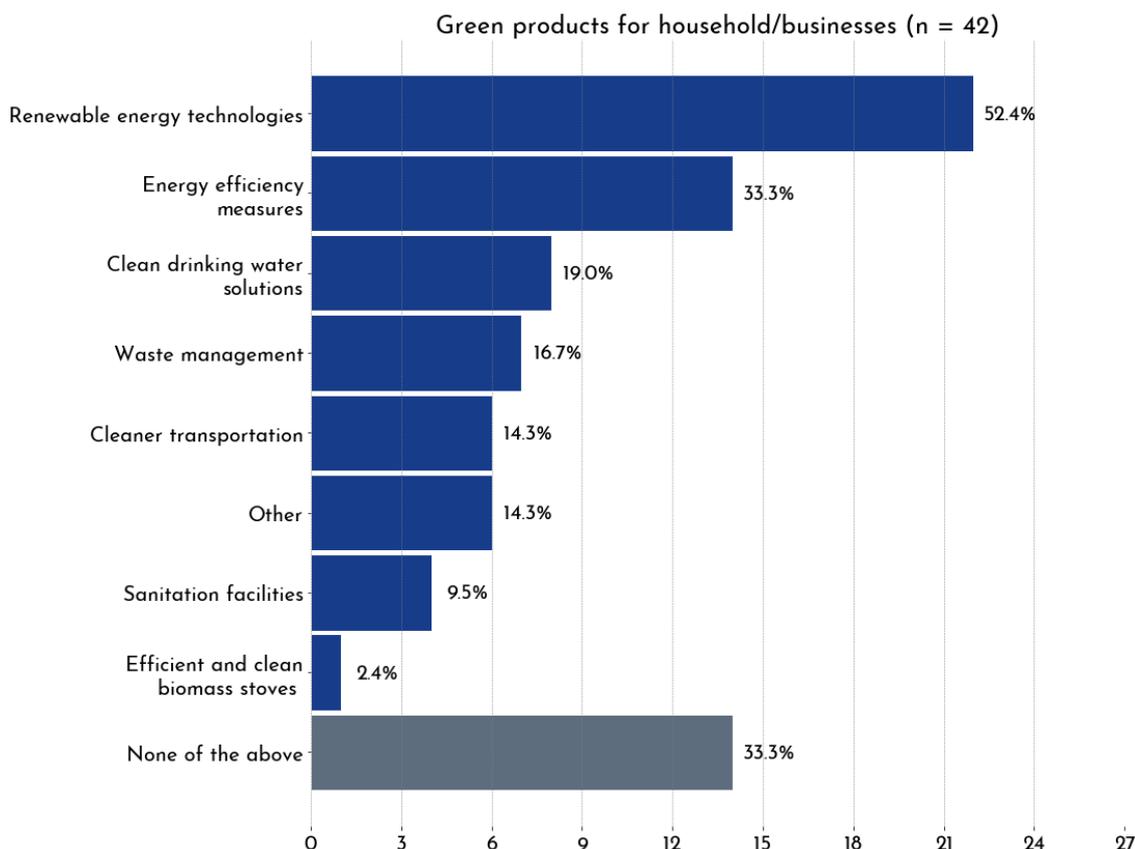


Figure 13: Green products for households/businesses

At the same time, one-third (33%) highlighted the lack of linkages with proper technology suppliers and/or the lack of available technologies (Figure 14).

Young microfinance institutions stated that the lack of demand and high complexity and limited supply of technologies are the main barriers to green product provision. Mature MFIs do not indicate having unmotivated staff, whereas three established MFIs in the region do so.

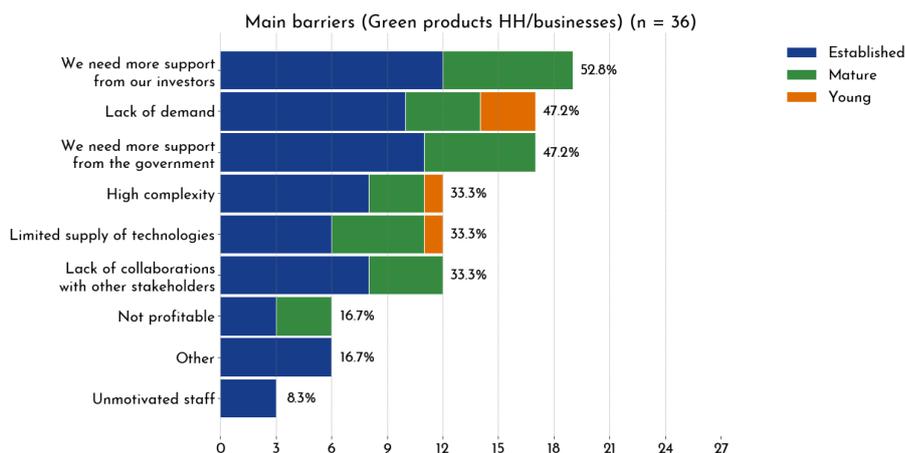


Figure 14: Challenges in developing or offering green products for households/businesses

Green Products for Agriculture

Over half of the institutions that completed the survey offer loan products for crop production, while about 46% offer dedicated loan products for livestock management. About one-third indicated that they do not yet offer green products for agriculture (Figure 15). FSPs with new portfolios in agriculture expressed their interest in receiving specialized support for sustainable practices such as ecosystem-based adaptation. Regional microfinance networks emphasized the potential of awareness raising on the different ecosystem-based adaptation measures.

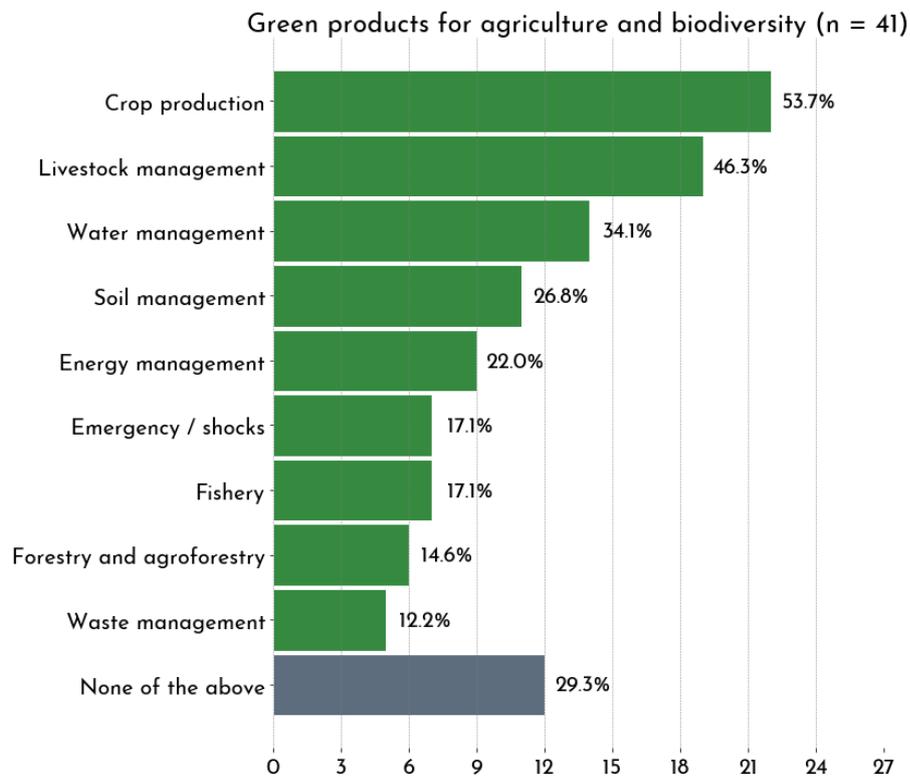


Figure 15: Challenges in developing or offering green products for agriculture

When asked about future plans, 56% of institutions offering products for agriculture indicated their plans to offer dedicated financial products for energy (RE or EE), 40% for transport, 36.7% for waste management, 30% for WASH, and 10% for cooking.

The major barrier, as in the case of green products for households and businesses, is the need for more support from investors. However, in the case of agricultural products, the lack of demand is only a challenge for about 35% of respondents. At the same time, there is the perception that the provision of sustainable agriculture loans is more complex than in the case of RE or EE loans. Furthermore, in contrast to the energy loan scenario, MFIs lack tools for data management for sustainable agriculture practices.

In the case of both household/business products and agricultural products, a limited number of institutions indicated that these products are not profitable (6 respondents (16%) in the former case, 7 respondents (20%) in the latter).

Of the 50% of institutions offering financing for crop management, 29% do not offer any dedicated green product to their clients (10% offer waste management and 60% energy products). For their agricultural products, these institutions face multiple challenges; 43% lack government support, 38% lack partners, 33% lack tools, and 24% lack demand and profitability.

Institutions offering financing for RE technologies mostly plan to offer financing for EE mea-

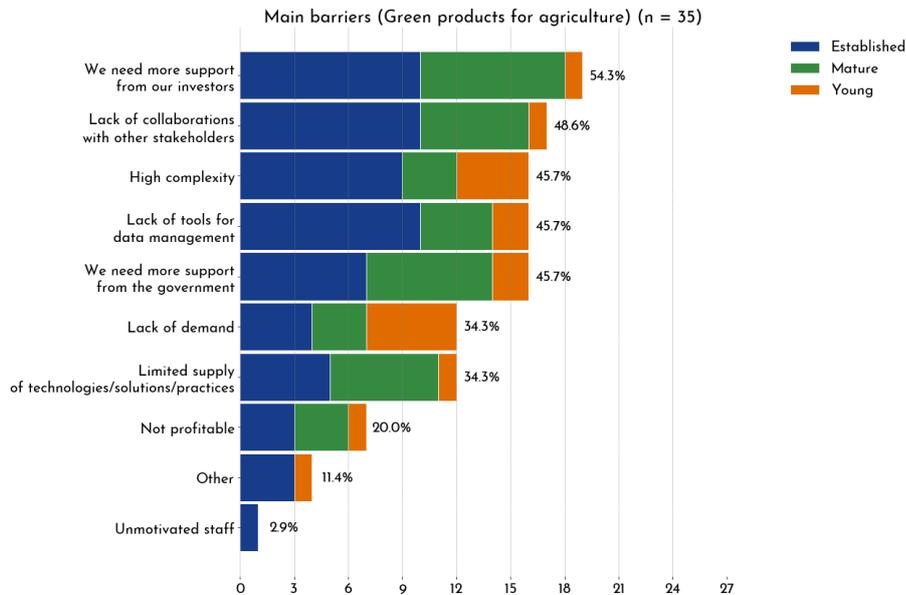


Figure 16: Challenges in developing or offering green agricultural products

...sures or equipment, RE technologies for agriculture (solar crop dryers, solar refrigerators for produce storage, etc.), and financing for improved water management in agriculture (water harvesting, irrigation systems, solar water pumps, etc.). MFIs that currently offer financing for sustainable crop production and livestock management mostly plan to offer financing for RE technologies, EE measures, and technologies for improving agricultural output with improved energy, water, and waste management (solar crop dryers, solar refrigerators, efficient irrigation methods, and composting, among others).

Outreach of Green Financial and Non-Financial Offer

In terms of outreach, the number of clients receiving financial products and non-financial services is relatively low. Three-quarters of institutions have fewer than 1000 clients receiving green financial products, and less than 80% have up to 500 clients receiving green non-financial services.

Institutions only offering products for households and MSMEs or agricultural products have limited outreach (with the exception of one institution in Morocco offering financial products for improved sanitation facilities), in comparison with institutions already offering products for both categories.

In terms of green portfolio size, one-third of the institutions offering green financial products have a green portfolio size below USD 1 million, and only 10% have a portfolio size above USD 5 million.

CASE STUDIES: GREEN FINANCIAL PRODUCTS AND NON-FINANCIAL SERVICES

Enda Tamweel (Tunisia)

The Tunisian microfinance institution Enda Tamweel was created by the NGO Enda Inter-Arabe in 2015. The MFI has a network of 105 branches across all Tunisian governorates and five mobile counters serving landlocked areas. As a pioneer institution in Tunisia, Enda offers a wide range of financial and non-financial services, covering all fields of activity. Since its foundation, Enda has served more than one million people and granted more than 4 million loans (EUR 2.17 billion).

Enda Tamweel has a unique financial product, Eco-loan, which finances waste collectors' working capital for mobility and, on a larger scale, the machinery needed for recycling or upcycling. The product, called Environmental Package, is classified as a microloan service and offered to waste collectors and collection centers (minimum amount of DT 200 (EUR 62.6), up to DT 200,000 (EUR 6,260)). The loan product targets adult residents and documented immigrants up to 65 years old residing in Enda's outreach areas. Currently, the main challenge to offering this type of product is the lack of governmental support and collaboration with other stakeholders. With a targeted marketing campaign, the demand for the product could be increased, as it is still minimal. Since 2015, 1700 Eco-loans have been disbursed for waste collection, recycling, and recovery activities for USD 1.3 million.



Figure 17: Enda Tamweel Eco-loan client
(Photo: Enda Tamweel)

In 2019, Enda Tamweel developed a dedicated financial product called Eco-chams to finance the acquisition of solar water pumps in rural areas in Tunisia, based on a survey conducted with their clients. Based on the results, the institution completed an energy needs assessment, identifying the leading clean energy technologies that could be financed, launched the product with a pilot test period, and, finally, officially integrated it into Enda's portfolio. The product, dedicated to agricultural micro-entrepreneurs special-

ized in date palm cultivation, benefits the users through solar irrigation and training on good irrigation practices. During the pilot phase in 2020-21, 130 loans were disbursed.

In the future, Enda Tamweel plans to offer EE financing and financial services for clean transportation. As not all microentrepreneurs are aware of the risks associated with climate change and its impacts on their projects' sustainability, the internal staff need to raise their awareness on the importance of environmental issues and the sustainability of the microfinance sector, along with the translation of climate risk into financial risk.

Regarding sustainable agriculture practices, Enda offers a variety of financing, for recovery from emergencies or shocks after adverse events, crop diversification, crop rotation, crop nutrient management, improved capture fisheries and aquaculture, enhancement of coastal and inland fishery management, improved farm siting and weather forecasting, livelihood diversification, and improved aquaculture. Sustainable practices that will be financed in the near future include solar dehydrators (solar crop dryers) and solar refrigerators for product storage. Due to the high complexity of understanding the return on investment, technical requirements, and durability of the technologies, access to assessment tools will enhance the understanding

of loan officers and, ultimately, the clients on the benefits of the products.

As Enda Tamweel is an experienced institution with a triple bottom line, it is critical for its strategy to raise awareness of the environmental objectives it is pursuing. The staff require motivation, client know-how, dedicated departments, thorough coordination in developing products, communication material, and marketing & business development training to reflect the customers' needs in financial products that protect the environment. Partnerships with technical assistance providers, impact investors, and local suppliers will help Enda Tamweel develop a vibrant ecosystem for promoting green inclusive finance in Tunisia.

Makhzoumi Foundation (Lebanon)

The Lebanese Makhzoumi Foundation, operating since 1997, with four branches across the country and over 100 employees, over 5000 clients (52% female), and a loan portfolio of around USD 2.5 million, has provided over three million services to over 650,000 beneficiaries. The Foundation has delivered healthcare services, training certificates, humanitarian assistance, and microfinance services such as microloans. With a focus on developing skills, preserving and improving the environment as a valuable asset for Lebanon on the road to sustainable development, and improving the socioeco-



Figure 18: Beekeeping training
(Photo: Makzhoumi Foundation)

nomical status of entrepreneurs and low-to-medium-income community members, Makhzoumi Foundation offers various environmental services in its areas of outreach. Committed to developing ecological programs, the Foundation is an accredited member of the United Nations Convention to Combat Desertification (UNCCD), a member of the Arab Network for Environment and Development (RAED), a strategic partner of the Mediterranean Information Office for the Environment, Culture and Sustainable Development (MIO-ECSDE), a council and board member in the Global Contact Network Lebanon (GCNL), and the first NGO in Lebanon to receive a greenhouse gas audit certificate from V4 company and the Ministry of Environment of Lebanon.

The non-financial services that the Makhzoumi Foundation has offered thus far include:

- non-organic waste collection
- training on solar cooking
- agri-forestry nursery in Akkar
- ornamental and fruit tree planting
- waste collection for recycling in Beirut
- beekeeping training for women and youth
- reforestation awareness raising activities
- scientific demonstrations on green buildings
- production of textile bags to decrease the use of plastic bags
- workshops for teachers on education for sustainable development (ESD)
- development and distribution of an educational toolkit on ESD to all schools in Lebanon
- production and diffusion of a spot on reduction of single-use plastic bags on TV and social media
- creation of a documentary with recommendations and hints about simple daily changes to live a more sustainable life

Makhzoumi Foundation's priority is to serve its community and sustainably respond to the community's needs. The institution categorizes loan applications according to environmental risk and trains the staff on practices to reduce and avoid negative environmental impacts. Considering the local energy needs and its track record of offering financial and non-financial services and supporting its clients in developing businesses promoting green practices, the Foundation plans to provide loans for RE and EE appliances/measures to meet the local electricity demand. However, technical complexity remains a challenge, and training on technical assessments would assist Makhzoumi Foundation in delivering green financial products. Besides the plan to offer energy technologies, Makhzoumi Foundation is also considering providing financing for waste and water management. Through workshops, courses, and initiatives, the experience of delivering awareness-raising campaigns has demonstrated the demand for financial products for water supply and cost-efficient and sustainable waste management. To effectively finance these services, partnerships with additional stakeholders (technical assistance providers and investors) and access to data management tools will be crucial.

CONCLUSIONS

This report sets the basis for further development of the sustainable finance sector in the region. In this chapter the main results, identified key support actions and ideas for research outlook are described.

MAIN RESULTS

A Green inclusive finance approach can enhance the sustainability of institutions and resilience of clients in adverse conditions

The MENA region is facing climate and socio-political crises that are affecting the needs and demands of the base of the pyramid. Limited access to energy and water are the most commonly identified risks (for both institutions and clients).

For several institutions, developing an environmental strategy and tailored green products has become vital to supporting borrowers' activities and ability to pay.

RE technologies and sustainable agriculture products are the most commonly offered products among the surveyed institutions. However, their outreach varies strongly across institutions, revealing that the sector still lacks standard processes for developing these activities.

Relying on renewable energy sources has also helped institutions in delivering their services to respond to fuel blockades, electricity outages, and increasing fuel prices.

Need for support & tools, especially for risk assessment and management and demand assessment

Robust environmental risk management (identifying the risks per activity financed and alternatives or risk mitigation measures) is vital to developing the green inclusive finance sector in a consistent way, addressing climate vulnerabilities and, at the same time, reducing the adverse environmental impacts of borrowers and the institution.

Many institutions are in the process of planning or developing products and strategies. These institutions require support to be able to set up and monitor their sustainability objectives while raising awareness among their clients and staff. Risk management activities and knowledge are currently very limited, although there is significant interest in staff training on environmental risks. Efficient data management through digital tools may help institutions in this respect.

Need for training for the MFIs' staff and clients

MFIs in MENA lack sufficient governmental support. Stakeholders such as microfinance networks, local, regional, and international consultants, investors, and development programs should develop and offer specialized training for MFI staff and clients help to sensitize them on environmental issues and on their impact.

The microfinance networks in the region play a vital role to upscale sustainable finance

Microfinance networks are keen to identify opportunities to further foster green inclusive finance in the MENA region. In this currently fragmented sector, in which the institutions have very diverse experiences, peer exchange can be a powerful tool to share know-how and lessons learned. Supported by local consultants, networks can become valuable multipliers for knowledge transfer and awareness raising among MFIs.

KEY SUPPORT ACTIONS

Based on the developments in the green inclusive finance sector, the diverse contexts and needs of the MENA countries, and the active stakeholders in the region, the industry has great potential. The actions recommended in this section will be essential and decisive for exploiting synergies and bringing actors together to upscale programs or initiate partnerships.

Enabling the environment to enforce support to MFIs

Support regional and local microfinance networks as multipliers The microfinance networks across the region provide various services to their members to strengthen their business development, aligned with their social mission and vision. The networks are interested in supporting their members in developing green inclusive finance via training, provision of materials, and enabling peer exchange or space for debate. Moreover, their capacity to organize events, coordinate logistics with third parties, and foster close relationships with regulators, consultants, and international investors can be an asset in promoting green inclusive finance.

Empower networks to systematically collect data Microfinance networks are in a strong position to systematically collect data from their members, analyze it, and provide an overview to the local stakeholders of where they stand in terms of the development of the green inclusive finance sector and related practices, opportunities, challenges, threats, microfinance institutions' needs, and compliance with local regulations. Regular reporting of methods and lessons learned can also inform national financial supervisors on the sector's development and specific policy needs to assist the institutions. For this, a global survey can be developed for each microfinance network, enabling a digital solution for data collection and access to the databases for data analysis and reporting.

Environmental strategy execution

Development of training materials MFIs are eager to learn, develop capacities, implement tools, and strengthen their skills internally to work on green inclusive finance or expand their existing portfolio. Through the development of training materials featuring case studies, environmental strategy development, environmental risk management, technologies, environmental performance assessment tools, and product development, including business cases, institutions can gain access to valuable knowledge and experience that can guide them in the implementation of their activities across the different axes of action of green inclusive finance. Moreover, through multipliers, whether microfinance networks, regional advisory agencies, technical assistance from impact investment funds, or international development cooperation, training materials can be delivered via dedicated workshops, ensuring successful knowledge transfer.

Provision of dedicated tailored support MFIs' diverse experiences across the region and different levels of knowledge on green inclusive finance translate into a wide range of individual institutional needs to address their specific challenges. While most institutions claimed they lack the support of governments and regulators in their countries, they also indicated that consultants and impact investors are in an ideal position to support them in developing their environmental strategy based on their business development, local context, and current risks and challenges.

Foster product development

Disseminate tools to facilitate financial product development The MENA MFIs are interested in developing profitable and successful green financial products for their clients. Tools for conducting market research, identifying environmental risks and adverse impacts, and monitoring their green financial and non-financial services will assist institutions in the development of their portfolio. In the long term, through the usage of digital solutions, MFIs can use the market information to analyze trends and clients' response to the offer, assess the vulnerability reduction and climate resilience enhancement achieved through the MFIs' offer, and, ultimately, measure their impact.

Enhance access to finance for sustainable financial product and non-financial service development Access to finance is a major challenge in the region impeding the scale-up of the green inclusive finance sector. Particularly in Lebanon, the Palestinian Territories, Syria, and Yemen, where various crises are at play in the financial sector and at the governmental level, the limitations to accessing funding pose a barrier to institutions to continue delivering their services, increase their offer, and expand their portfolio in terms of technologies or sustainable financial practices.

OUTLOOK

In the implementation of this assessment, four areas for further research have been identified. An in-depth assessment of the following issues will help inform microfinance stakeholders operating in the MENA region, facilitate the identification of pathways to further support local FSPs, and ultimately assist MFI clients in enhancing their climate resilience.

Islamic microfinance & sustainable finance In-depth research on the synergies between green inclusive finance and Islamic microfinance: Islamic microfinance has specific characteristics that differ from conventional microfinance and must be Shariah-compliant. Given the restrictions and conditions regarding the interest rate (i.e. Qard Hasan, loans with service charges, loans without service charges, and short-term loans requiring collateral in the form of gold or other assets), partnerships (e.g. Musharakah, Mudarabah, etc.), and exchange contracts (e.g. Bai Muajjal, Ijarah, Salam, and Istisna), technology financing requires a different approach in this context.

Financial performance of sustainable financial products in the MENA region Profitability and financial analysis of the green financial products available in the MENA region could highlight the investments undertaken by MFIs and where synergies between microfinance stakeholders and local suppliers should be developed. Integration of an institutional environmental strategy will be strengthened so that institutions recognize the potential to create sustainable businesses by growing their green portfolio and embedding climate risk financing in their operations. Moreover, it is necessary to examine the depth of the green market and potential cross-sectorial initiatives with the energy, water, agriculture, nature, and conservation sectors, among others, to exploit synergies.

Climate change adaptation scenario analysis, measures, & modern technologies for vulnerable populations FSP knowledge of potential climate change scenarios, adaptation measures, and improved energy, water, and waste management is crucial to raising awareness on the possibilities for institutions to identify, promote, and finance green products. Identifying the level of risk and what populations need to prepare for is fundamental for planning. The water challenges that the MENA region faces make microfinance customers highly vulnerable

to the effects of climate change. Droughts and heat waves threaten vulnerable populations' agricultural and economic activity, and rising sea levels put littoral areas at risk, forcing people to migrate. A transnational approach to supporting financial institutions on the front line in protecting the most vulnerable by exploiting modern technologies and local knowledge for better water management and soil restoration will enhance climate resilience.

Cooperation with central banks to promote sustainable finance The provision of guidance to local governments on how to support MFIs at the local level in fostering sustainable finance through a green inclusive finance approach will benefit all microfinance stakeholders and other related actors. Increasing pressure to decarbonize the energy sector and move towards renewable energy sources has the potential to reshape the regional order. As strategies are designed, bringing together regulators to develop green taxonomies and guide FSPs and investors can enable a fast track for sharing lessons learned and ways forward. Thus, it is vital to identify how to mainstream climate and environmental protection elements in the supervision of FSPs and establish the kind of guidance supervisors could provide.

PARTICIPATING INSTITUTIONS

Egypt Basata, CEOSS (Coptic Evangelical Organization for Social Services), Sandah Egypt, Tamweely Microfinance, TADE (Together Association)

Jordan Ahli Microfinance, FINCA Jordan, Jordan Microfinance Company Tamweelcom, Microfund for Women, National Microfinance Bank, Vitas Jordan

Lebanon AEP, Al Majmoua, Ibda'a Microfinance-Lebanon, Lebanese Development Cooperative, Lebanese Micro Finance Association, Makhzoumi Foundation, Vitas SAL

Morocco Al Amana, Attadamoune Microfinance, Attawfiq Microfinance, Fondation Ar-rawaj, INMAA (Institution marocaine d'appui à la micro-entreprise)

Palestinian Territories ACAD Finance, ASALA, Palestine for Credit & Development - FATEN, PBC Finance, Reef Finance, UNRWA (United Nations Relief and Works Agency) for Palestine Refugees, Vitas Palestine

Syria The First Microfinance Bank (AgaKhan Development Network)

Tunisia ADVANS IMF, CFE Tunisie Enda Tamweel

Yemen Al-Amal Microfinance Bank, Al Kuraimi Islamic Microfinance Bank, Al-Itihad Microfinance Program, Azal Microfinance, Hadhramout Microfinance Program, National Microfinance Foundation, Social Fund for Development, Tadhamon Microfinance.





APPENDIX

Scoring System -- Green Microfinance Penetration Framework

Enabling Environment

Enabling Environment			
Indicators	Question	Weight (%)	Score
Challenges	Barriers for market development	33.33	-20 for each mentioned obstacle
Regulations	Existence of national regulation for the development of green products	16.67	100 point (yes) 0 (no)
	Existence of incentives for the development of green products	16.67	100 point (yes) 0 (no)
Partnerships	Alliances with other stakeholders	16.67	100 point (yes) 0 (no)
	Support from external Partners for risk management activities	16.67	100 point (yes) 0 (no)

Execution

Execution – Environmental Strategy & Risk Management			
Indicators	Question	Weight (%)	Score
Business & Aspiration	Incentives in green loan conditions	8.33	100 points (yes), 0 otherwise
	Environmental protection and climate resilience concepts in the strategic plan	8.33	100 points (yes), 50 (planning), 0 (no)
	A person or committee in charge	8.33	100 points (yes), 50 (planning), 0 (no)
Reporting	Internal reporting (board) on environmental performance	8.33	100 points (yes), 50 (planning), 0 (no)
	Public reporting on Environmental Performance	8.33	100 points (yes), 50 (planning), 0 (no)
	Used tools for environmental performance assessment	8.33	100 points (knows and has used at least one tool), 50 (knows at least one tool), 0 otherwise
Risk (institution)	Activities related to risk management at the level of the institution	25	100 points (two activities or more), 50 (one activity), 0 otherwise
Risk (clients)	Activities related to risk management at the level of the clients	25	100 points (two activities or more), 50 (one activity), 0 otherwise

Offer

Offer			
Indicators	Question	Weight (%)	Score
Products for HH & businesses	Dedicated financing for green financial products for HH/businesses	33	100 points (more than 2 technologies), 50 (2 technologies), 25 (1 technology), 0 otherwise
Products for sustainable agriculture	Dedicated financing for green financial products for sustainable agriculture	33	100 points (more than 2 practices/technologies), 50 (2 practices/technologies), 25 (1 practice/technology), 0 otherwise
Outreach	Number of clients receiving green financial products	12.5	100 points (more than 5,000 clients), 75 (more than 2,000), 25 (more than 500), 0 otherwise
	Share of clients receiving green financial products	12.5	100 points (more than 5%), 75 (more than 2%), 25 (more than 1%), otherwise 0
	Number of clients receiving non-financial products	6	100 points (more than 2,000 clients), 75 (more than 500), 25 (more than 100), 0 otherwise
	Share of rural clients	3	100 points (more than 66% rural clients), 50 (more than 33%), 0 otherwise

Country Analysis

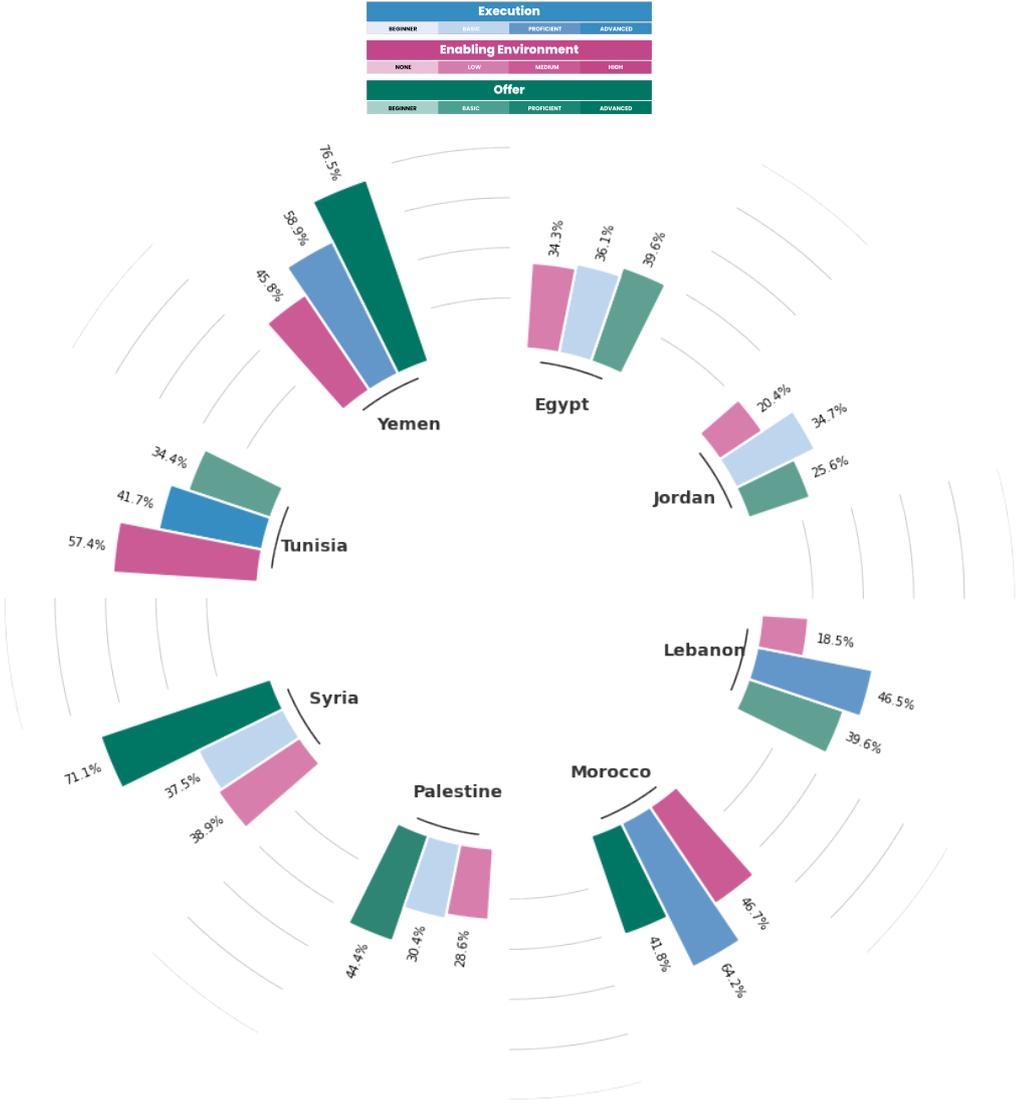


Figure 19: Average Score by Country

Egypt

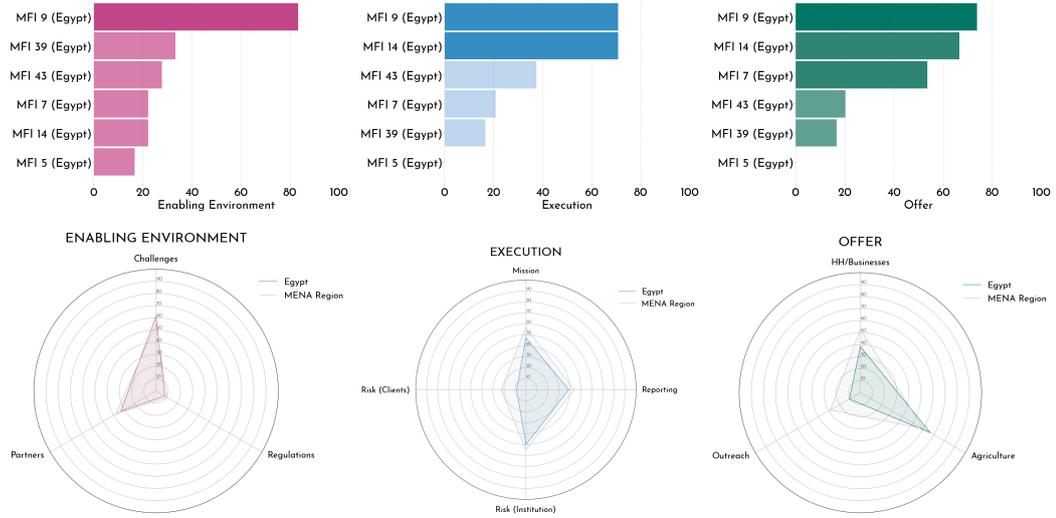


Figure 20: Score per institution and indicator (Egypt)

Jordan

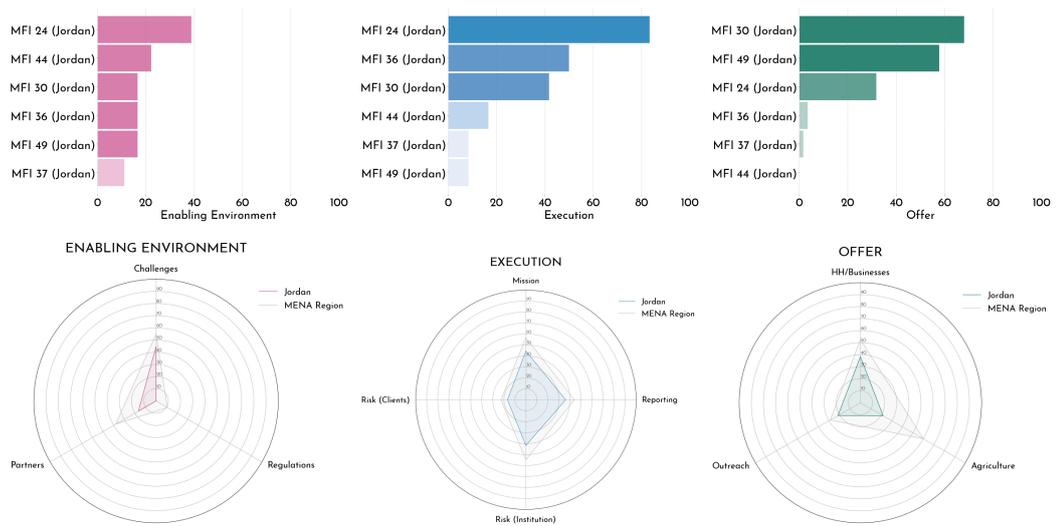


Figure 21: Score per institution and indicator (Jordan)

Lebanon

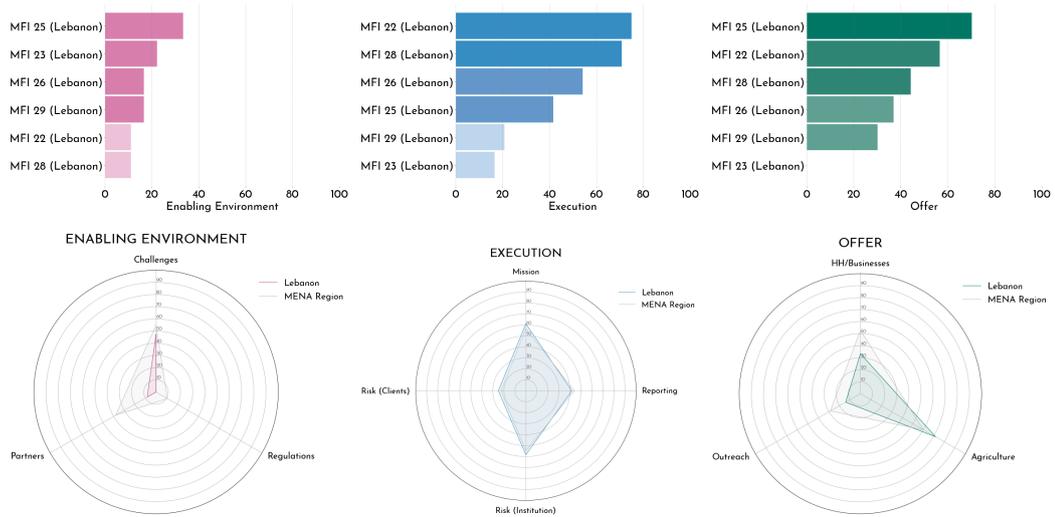


Figure 22: Score per institution and indicator (Lebanon)

Morocco

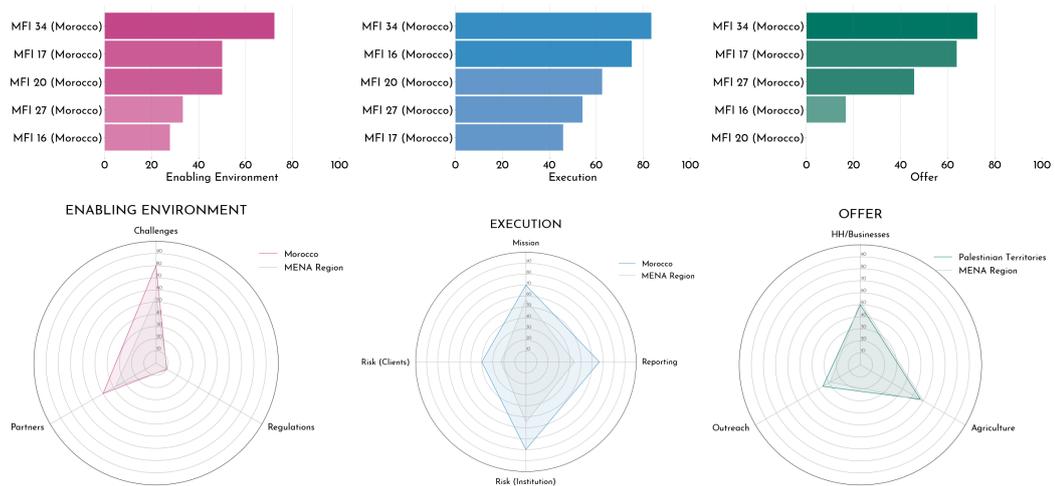


Figure 23: Score per institution and details of indicators (Morocco)

Palestinian Territories

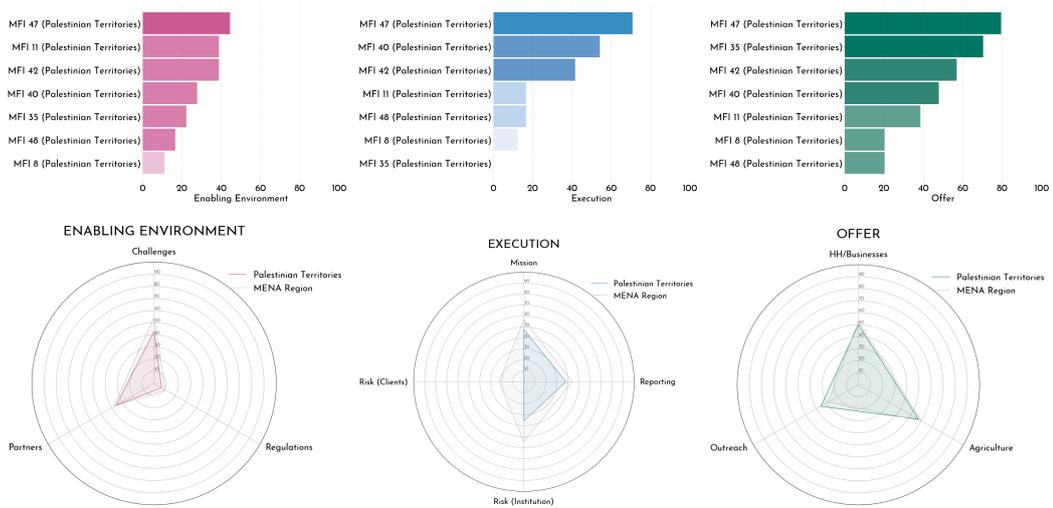


Figure 24: Score per institution and indicator (Palestinian Territories)

Syria

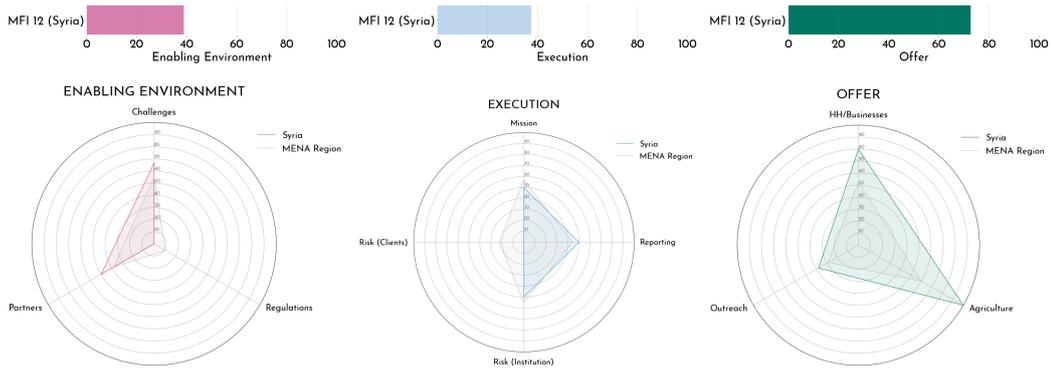


Figure 25: Score per institution and indicator (Syria)

Tunisia

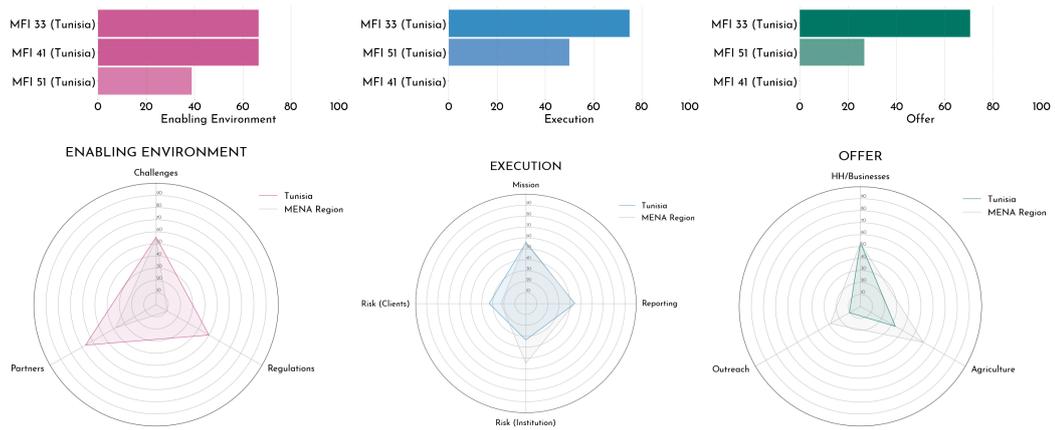


Figure 26: Score per institution and indicator (Tunisia)

Yemen

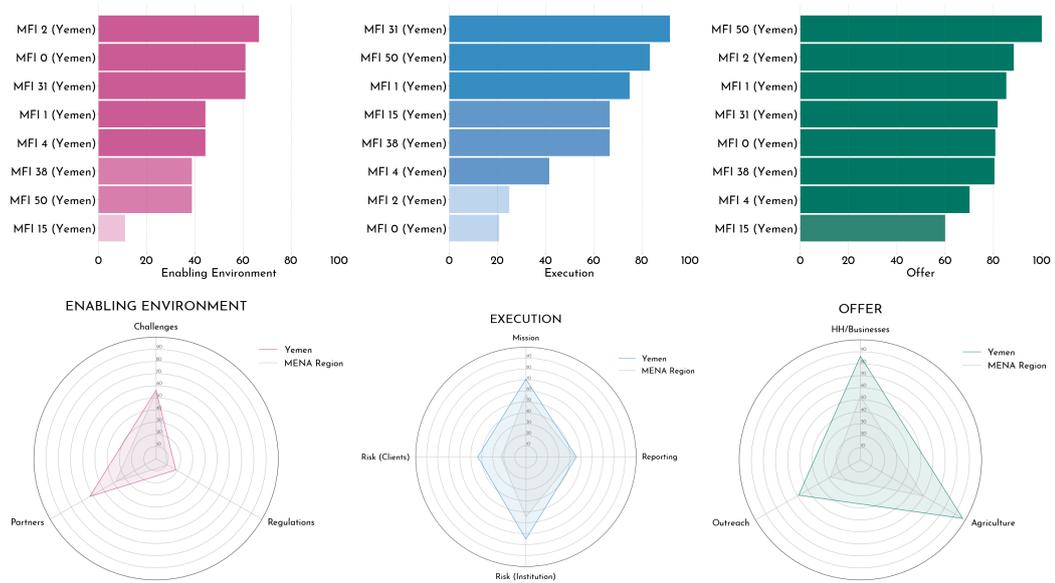


Figure 27: Score per institution and indicator (Yemen)

Survey

Preliminaries

Email

Name of institution

Country

Type: single choice

- Algeria
- Egypt
- Iraq
- Jordan
- Lebanon
- Morocco
- Palestinian Territories
- Syria
- Tunisia
- Yemen
- Other

Number of branches

Type: integer

Number of employees

Type: single choice

- Less than 10 employees
- Between 11 and 50 employees
- Between 51 and 100 employees
- Between 101 and 300 employees
- More than 300 employees

Legal status

Type: single choice

- Bank
- Non-Bank Financial Institution (NBFI)
- NGO
- Cooperative
- Public entity
- Other, please specify

Please specify:

Financial Offer to Clients

Green Financial Products for Households or Businesses

Does your institution offer dedicated financing to households and businesses for any of the following green products? Please select all that apply

Type: multiple choice

- Renewable energy technologies
- Energy efficiency measures
- Efficient and clean biomass stoves
- Clean drinking water solutions
- Sanitation facilities
- Waste management
- Cleaner transportation
- Other
- None of the above

Please specify which other green products are offered

Which RE technologies do you finance (optional)? Please select all that apply

Type: multiple choice

- Solar home systems
- Solar water heaters
- Solar water pumps
- Solar lamps
- Solar mini-grids
- Other

Please specify

Which EE measures do you finance (optional)?

Type: multiple choice

- Improved insulation
- LED lamps change
- Machinery replacement
- Industrial energy efficient technologies
- Energy efficient household appliances
- Efficient cooling systems
- Other

Please specify

Which cookstoves do you finance (optional)?

Type: multiple choice

- Improved cookstoves
- Biodigestors
- Other

Please specify

Which WASH solutions do you finance (optional)?

Type: multiple choice

- Water pipes connections
- Portable water business distribution
- Water disalination systems
- Other

Please specify

Which sanitation facilities do you finance (optional)?

Type: multiple choice

- Toilet facilities
- Portable sanitation facilities
- Sewage systems construction
- Other

Please specify

Which waste management solutions do you finance (optional)?

Type: multiple choice

- Recycling
- Upcycling
- Refurbishing machinery or materials
- Other

Please specify

Which low-carbo transportation assets do you finance (optional)?

Type: multiple choice

- Hybrid vehicles
- Electric motorbikes
- Electric vehicles
- Efficient cargo solutions
- Other

Please specify

Do you plan to offer any of the following green financial products in the future?

Type: multiple choice

- Renewable energy technologies
- Energy efficiency measures
- Efficient and clean biomass stoves
- Clean drinking water solutions
- Sanitation facilities
- Waste management
- Cleaner transportation
- Other
- None of the above

Please specify

Why your institution does not offer any of these products?

Type: multiple choice

- We do offer financing for these products, but with non dedicated loans
- We are not interested
- We are not familiar with these financial products
- Not profitable
- Low demand
- We offered some of these products in the past, but we do not do it anymore
- Lack of suppliers/technology
- Other

Please specify

In your opinion, what are the main barriers for offering these products?

Type: multiple choice

- Not profitable
- Lack of demand
- High complexity
- Unmotivated staff
- Limited supply of technologies
- Lack of collaborations with other stakeholders
- We need more support from our investors
- We need more support from the government
- Other

Please specify any additional challenges

Green Financial Products for Agriculture

Do you offer financing for more sustainable agriculture, such as:

Type: multiple choice

Index insurance

Emergency / shocks - loans for recovery after adverse events

Crop production - crop diversification, crop rotation, crop nutrient management

Energy management - solar dehydrators / solar crop dryers, solar fridges for produce-storage

Forestry and agroforestry - adoption of agroforestry practices, reforestation, afforestation

Improved capture fisheries and aquaculture - enhancement of coastal and inland fishery management, improved farm siting and weather forecasting, diversification of livelihoods, improved aquaculture

Livestock management - improved grazing management, appropriate manure management, livestock insurance, use of agroforestry species, nutritious diet supplements, use of feed additives that modify production of methane, animal breeding

Soil management - organic agriculture, trees in crop fields, improved grazing management

Waste management - composting, paper making, glass manufacture, ethanol production, cement additives production, biogas generation, heavy metal removal, silica production, soap production

Water management - water harvesting, irrigation systems, solar water pumps, improved capture and retention of rainfall

Other

None of the above

Please specify

Which of the following financial products does your institution plan to offer in the future?

Type: multiple choice

- Index insurance
- Emergency / shocks - loans for recovery after adverse events
- Crop production - crop diversification, crop rotation, crop nutrient management
- Energy management - solar dehydrators / solar crop dryers, solar fridges for produce-storage
- Forestry and agroforestry - adoption of agroforestry practices, reforestation, afforestation
- Improved capture fisheries and aquaculture - enhancement of coastal and inland fishery management, improved farm siting and weather forecasting, diversification of livelihoods, improved aquaculture
- Livestock management - improved grazing management, appropriate manure management, livestock insurance, use of agroforestry species, nutritious diet supplements, use of feed additives that modify production of methane, animal breeding
- Soil management - organic agriculture, trees in crop fields, improved grazing management
- Waste management - composting, paper making, glass manufacture, ethanol production, cement additives production, biogas generation, heavy metal removal, silica production, soap production
- Water management - water harvesting, irrigation systems, solar water pumps, improved capture and retention of rainfall
- Other
- None of the above

Please specify

Why your institution does not offer any of these products?

Type: multiple choice

- We do offer financing for these products, but with non dedicated loans
- We are not interested
- We are not familiar with these financial products
- Not profitable
- Low demand
- We offered some of these products in the past, but we do not do it anymore
- Lack of suppliers/technology
- Other

Please specify

In your opinion, what are the main barriers for offering these products?

Type: multiple choice

- Not profitable
- Lack of demand
- High complexity
- Unmotivated staff
- Limited supply of technologies/solutions/practices
- Lack of tools for data management
- Lack of collaborations with other stakeholders
- We need more support from our investors
- We need more support from the government
- Other

Please specify any additional challenges

Green Products Portfolio

Estimated number of clients receiving green financial products (end of 2021)

Type: integer

Estimated volume of green loans

Type: single choice

- Less than 1Mio. USD
- Between 1Mio. And 2.5Mio. USD
- Between 2.5Mio. USD and 5Mio. USD
- Between 5Mio. USD and 10Mio. USD
- Between 10Mio. USD and 20Mio. USD
- Between 20Mio. USD and 50Mio. USD
- Between 50Mio. USD and 100Mio. USD
- More than 100Mio. USD

Did you establish any type of incentive in the credit conditions different from the rest of the financial products?

Type: single choice

- Yes
- No
- I don't know

Can you comment on the incentives offered?

Does your institution have alliances with other actors to offer these loans? (for example, with investors, networks, funds, or technical assistance providers)

Type: single choice

- Yes
- No
- I don't know

Which partners are supporting you for the development or implementation of green loans?

What are your institution's sources of funds to provide green finance to your clients?

Type: multiple choice

- Deposits
- Investors credit lines
- Governmental programs
- Results-based finance grants
- Carbon finance
- Crowdfunding
- International development cooperation
- Other

Please specify any other sources of funds:

Context & Regulations

Is there a specific regulation in your country that obliges your organization to take action on environment protection?

Type: single choice

Yes

No

I don't know

Can you comment on these regulations?

Is there a specific regulation in your country that recommends / provides benefits to your organisation if you would take action on environment protection?

Type: single choice

Yes

No

I don't know

Can you comment on these regulations?

Is there any green microfinance program in the region in which you would like to participate?

Type: single choice

Yes

No

I don't know

Which one?

Strategy

Our institution's current strategic plan incorporates environment protection or climate resilience concepts

Type: single choice

Yes, we have it

No, but we plan to

No, and we don't have any plans to yet

Our institution has a person or a committee in charge of managing all environmental topics

Type: single choice

Yes, we have it

No, but we plan to

No, and we don't have any plans to yet

Our institution reports on our environmental performance to the board and investors at least once every two years

Type: single choice

Yes, we have it

No, but we plan to

No, and we don't have any plans to yet

Our institution publishes public reports on the environmental performance at least once every two years

Type: single choice

Yes, we have it

No, but we plan to

No, and we don't have any plans to yet

In your opinion, what challenges does your country's microfinance sector face in implementing a green agenda?

Type: multiple choice

Lack of governmental support

Lack of proper regulations for taking a role in green finance

Lack of funding for launching new products

Complex processes for funding usage

Weak local networks and lack of partner

Low demand for microfinance sector

High competition from commercial banks

High competition from energy companies

What support would your institution need to define your environmental strategy?

In your opinion, which type of stakeholders could support you to define and manage your environmental strategy?

Type: multiple choice

- Local authorities
- Governmental agencies
- Regulators
- Investors
- Consultants
- Rating agencies
- Networks
- NGOs

Environmental risk management (institutional level)

Which of the following activities related to risk management does your institution currently implement?

Type: multiple choice

We perform environmental risk analysis of the loan applications of our clients

We categorize loan applications according to environmental risk assessment

We perform environmental risk analysis of our institution

We conduct market assessment studies to understand the level of access to energy, access to clean water & sanitation of our clients, as well as the demand for green products

We monitor our negative impact on the environment (carbon footprint, electricity consumption, fuel consumption, waste, etc.)

We train our staff on practices to reduce or avoid negative impacts on the environment (on how to reduce waste, pollution, efficiently use water and electricity, among others)

None of the above

What are the main climate related risks your institution currently faces?

Type: multiple choice

Heatwaves

Cold waves

Tropical cyclones / hurricanes

Droughts

Torrential rains

Hailstorms

Landslides

Mudslides

Thunderstorms

Heavy smog (yellowish-black smog)

Wildfires

Limited access to water

Limited access to energy

None that we are aware of

What are the main climate related risks your clients currently face?

Type: multiple choice

Heatwaves

Cold waves

Tropical cyclones / hurricanes

Droughts

Torrential rains

Hailstorms

Landslides

Mudslides

Thunderstorms

Heavy smog (yellowish-black smog)

Wildfires

Limited access to water

Limited access to energy

None that we are aware of

Which of the following activities does your institution plan to implement?

Type: multiple choice

We perform environmental risk analysis of the loan applications of our clients

We categorize loan applications according to environmental risk assessment

We perform environmental risk analysis of our institution

We conduct market assessment studies to understand the level of access to energy, access to clean water & sanitation of our clients, as well as the demand for green products

We monitor our negative impact on the environment (carbon footprint, electricity consumption, fuel consumption, waste, etc.)

We train our staff on practices to reduce or avoid negative impacts on the environment (on how to reduce waste, pollution, efficiently use water and electricity, among others)

None of the above

What are the reasons for not implementing actions related to risk management?

Type: single choice

We are not familiar with these concepts

We are not interested

Lack of incentives

Lack of proper tools

Other

Please specify

In your opinion, what are the main challenges for the implementation of risk management practices at the level of the institution?

Type: multiple choice

Lack of knowledge

Lack of proper tools

High complexity of the topic

Unmotivated staff

Lack of collaborations with other stakeholders

Other

Please specify

Environmental risk management (clients level)

Which of the following activities related to risk management at clients' level does your institution currently implement?

Type: multiple choice

- We train our clients on practices to reduce or avoid negative impacts on the environment
- We support our clients to develop businesses promoting green practices or products
- We prepare clients for extreme climate events to enhance their climate resilience
- We offer services to respond to environmental shocks
- None of the above

What are the main adverse environmental impacts of your clients' activities?

Type: multiple choice

- Carbon emissions from machinery, transport, manufacture
- Mismanagement of land
- Mismanagement of waterway
- Mismanagement of waste
- Deforestation and biodiversity loss
- Monoculture, pesticides and soil degradation
- Pollution using raw materials or chemicals in water, air, land
- Unsustainable replenishment of raw materials
- Likelihood of accidents and spills
- Slash-and-burn farming
- None that we are aware of

Estimated number of clients receiving green non financial products (end of 2021)

Green non financial products include training, special events, webinars, faires, among others.

Type: integer

Which of the following activities related to risk management at clients' level does your institution plan to implement?

Type: multiple choice

- We train our clients on practices to reduce or avoid negative impacts on the environment
- We support our clients to develop businesses promoting green practices or products
- We prepare clients for extreme climate events to enhance their climate resilience
- We offer services to respond to environmental shocks
- None of the above

What are the reasons for not implementing actions related to risk management at the level of clients?

Type: single choice

- We are not familiar with these concepts
- We are not interested
- Lack of incentives
- Lack of proper tools
- Other

In your opinion, what are the main challenges for the implementation of risk management practices at the level of clients?

Type: multiple choice

- Lack of knowledge
- Lack of proper tools
- High complexity of the topic
- Unmotivated staff
- Lack of collaborations with other stakeholders
- Other

Please specify

Support

Does any international or national program or stakeholder support you for conducting actions related to risk management?

Type: single choice

- Yes
- No

Which one(s)?

Assessment Tools

Which of the following assessment tools focusing on environmental performance of MFIs do you know?

Type: multiple choice

- Green Index
- SPI4 (including environmental dimension)
- Universal Standards for Social and Environmental Performance Management (USSEPM) (USSPM including Dimension 7)
- Alinus
- FMO Environmental, Social, Governance (ESG) Toolkit
- Agents for Impact - AFISAR Tool
- Other tools/Tools used by our investors
- None of the above

Which of the following assessment tools have you used in the past 4 years?

Type: multiple choice

- Green Index
- SPI4 (including environmental dimension)
- USSEPM DIM 7
- Alinus
- FMO ESG Toolkit
- AFISAR
- Other tools/Tools used by our investors
- None of the above

Which of the following assessment tools do you plan to implement in the future?

Type: multiple choice

- Green Index
- SPI4 (including environmental dimension)
- USSEPM DIM 7
- Alinus
- FMO ESG Toolkit
- AFISAR
- Other tools/Tools used by our investors
- None of the above

Do you use any other tool or framework for green microfinance? (for example, tools provided by your investors)

Have you participated in an ESG rating in the last 5 years?

Type: single choice

- Yes
- No

Which type of rating? With which rating company?

Portfolio Information

Total number of clients of the institution (end of 2021)

Type: single choice

- Less than 5.000 clients
- Between 5.000 and 20.000 clients
- Between 20.000 and 50.000 clients
- Between 50.000 and 100.000 clients
- More than 100.000 clients

Share of women borrowers

Type: single choice

- Less than 20%
- Between 21% and 40%
- Between 41% and 60%
- Between 61% and 80%
- More than 80%

Share of rural clients (estimation) - Please enter a number between 0 and 100

Type: decimal

Gross loan portfolio (end of 2021)

Type: single choice

- Less than 2.5Mio. USD
- Between 2.5Mio. USD and 5Mio. USD
- Between 5Mio. USD and 10Mio. USD
- Between 10Mio. USD and 50Mio. USD
- Between 50Mio. USD and 100Mio. USD
- More than 100Mio. USD

Average loan size (USD)

Type: decimal

Loan portfolio - individual loans (end of 2021)

Type: single choice

- Less than 1Mio. USD
- Between 1Mio. And 2.5Mio. USD
- Between 2.5Mio. USD and 5Mio. USD
- Between 5Mio. USD and 10Mio. USD
- Between 10Mio. USD and 20Mio. USD
- Between 20Mio. USD and 50Mio. USD
- Between 50Mio. USD and 100Mio. USD
- More than 100Mio. USD

Loan portfolio - business loans (end of 2021)

Type: single choice

- Less than 1Mio. USD
- Between 1Mio. And 2.5Mio. USD
- Between 2.5Mio. USD and 5Mio. USD
- Between 5Mio. USD and 10Mio. USD
- Between 10Mio. USD and 20Mio. USD
- Between 20Mio. USD and 50Mio. USD
- Between 50Mio. USD and 100Mio. USD
- More than 100Mio. USD

PAR30

Type: decimal

Do your loan officers use digital tools for loan applications?

Are you planning to change your MIS in the next two years?

Type: text

References

- [1] del Guayo, Iñigo et al. (Eds.) (2020) Energy Justice and Energy. Law Oxford University Press. Online edition, Oxford Academic, 18 June 2020). Available [online](#).
- [2] Bergedieck, L. et al. (2017) Green Finance - A Bottom-up Approach to Track Existing Flows. IFC Report in partnership with the Germany's Gesellschaft für Internationale Zusammenarbeit (GIZ)
- [3] Forcella, D. and Realpe Carrillo, N. European Microfinance Platform Action Group Green Inclusive and Climate Smart Finance (2022). Green Index 3.0 Mainstreaming Green Inclusive Finance. e-MFP Publications 2022.
- [4] Miller, H. (2022) Green Inclusive Finance: A Framework for Understanding How Financial Services Can Help Low-Income People Weather Climate-Related Risks. Center for Financial Inclusion Blog Post. Available [online](#), 2022.
- [5] The World Bank. Beyond Scarcity: Water Security in the Middle East and North Africa. MENA Development Report. Available [online](#), 2018.