



Frankfurt School  
FS-UNEP Collaborating Centre  
for Climate & Sustainable Energy Finance

Supported by:



Federal Ministry for the  
Environment, Nature Conservation,  
Building and Nuclear Safety

based on a decision of the German Bundestag



# Microfinance for Ecosystem-based Adaptation (MEbA)

Key project aspects and progress to date  
Bonn, 20 May, 2016

# Project overview

## *Microfinance for Ecosystem-based Adaptation*

### Objectives

1. Increase MFI's capacity to finance EbA
2. Strengthen capacity of clients to implement adaptation actions
3. Influence national and international public policy to promote sustainable adaptation mechanisms through microfinance

### Partner MFIs



### Funds

#### Supported by:



based on a decision of the German Bundestag

- 4 M €

International Climate Initiative

### Implementation



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- Andean region of Colombia and Peru
- 2013-2017

### Results to date

- 40 EbA measures identified, 20 promoted by MFIs
- 5 MFIs trained, 3 strategic alliances for TA
- Software to include climate variables into credit assessment and other relevant tools
- 4000+ EbA credits disbursed (approx USD 6 M)



# Strategic orientation

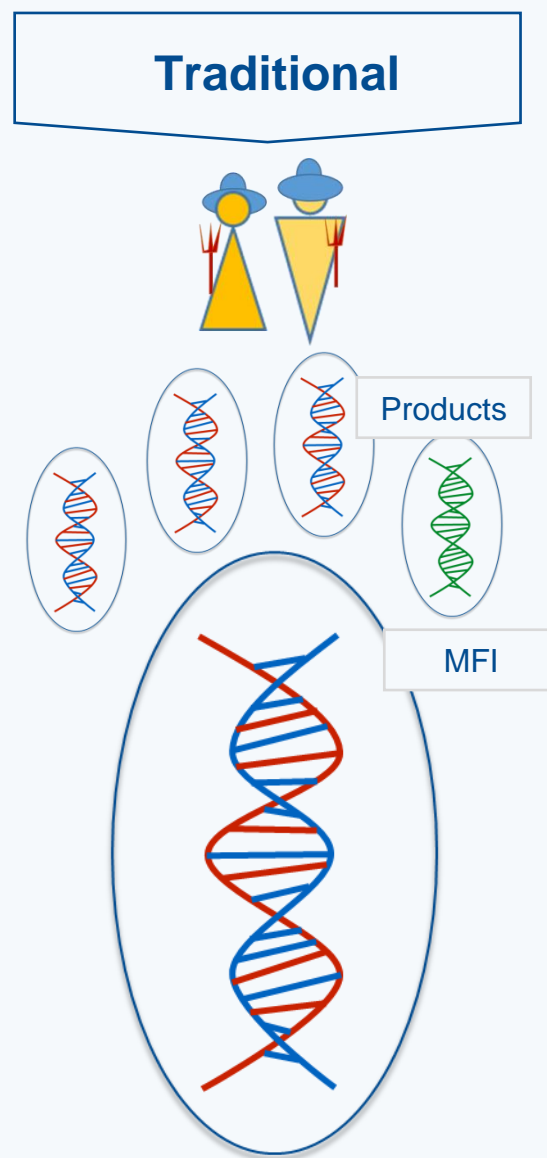
**MFIs: simplification and standardization of processes**

**MEbA: tools to integrate EbA approach into MFI methodologies**

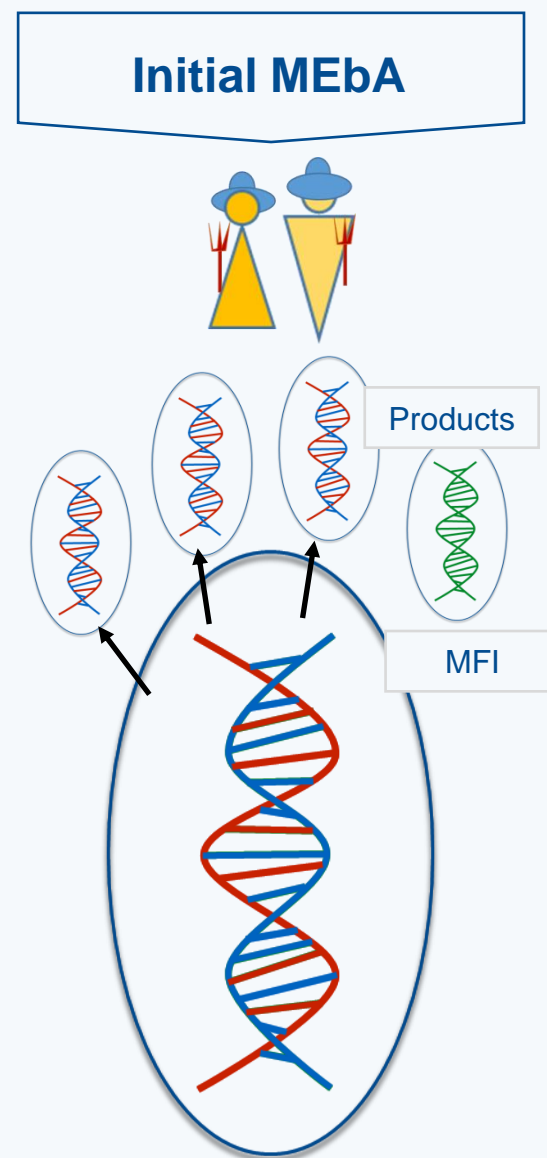
**Challenge 1**  
EbA requires thorough local analysis and ongoing capacity building

**Challenge 2**  
MFIs do not analyze and accompany clients

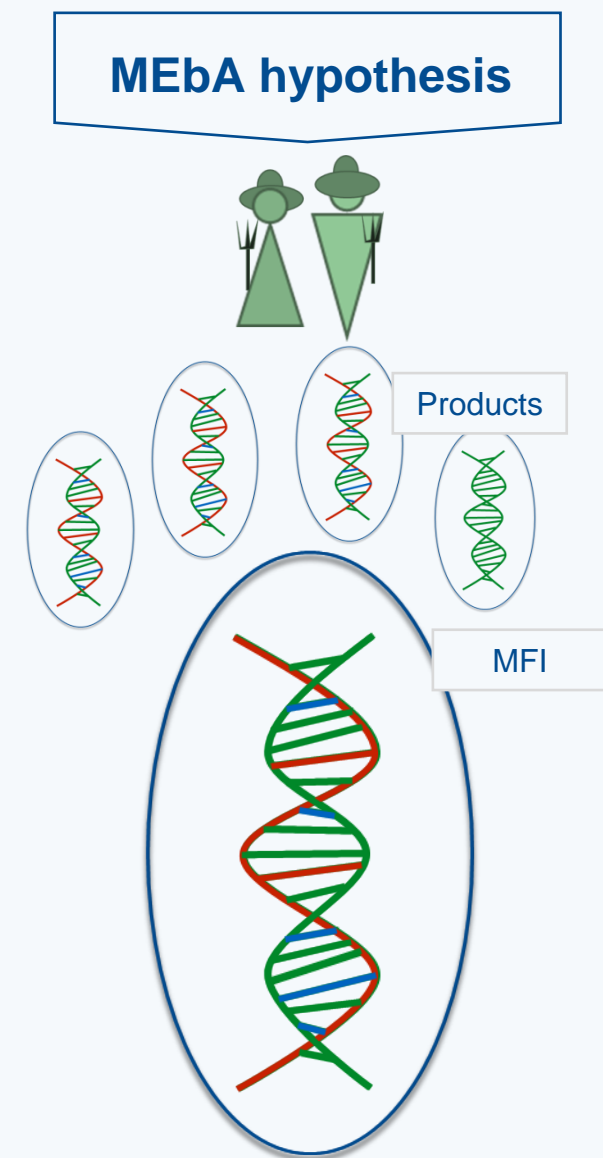
**Challenge 3**  
MFIs lack (infra-) structures for scientific analysis



**MFIs as reflection of their clients**



**MFIs create incentives for clients**



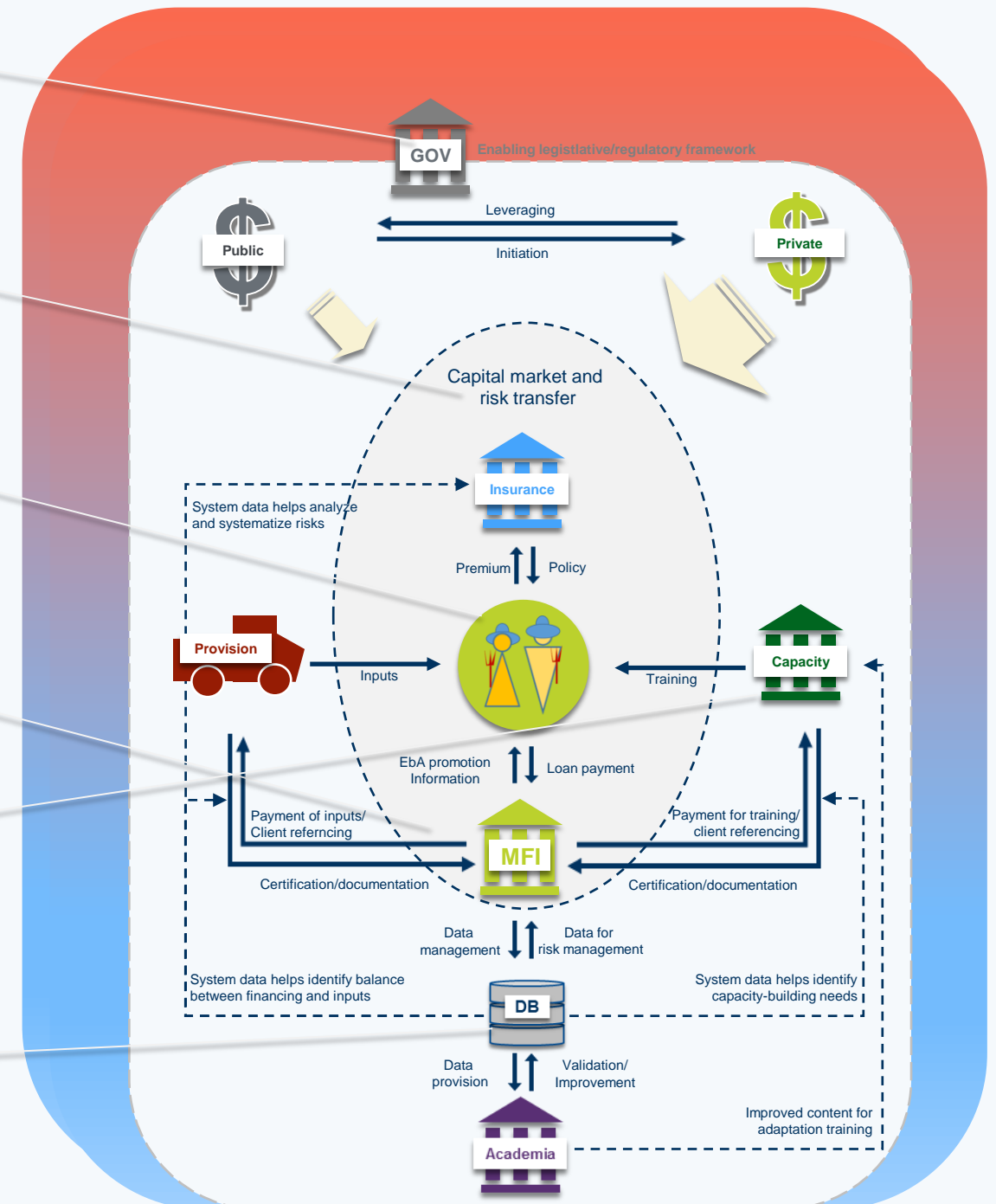
**Motivated clients further strengthen the concept**

# Scope of action – the MEbA “ecosystem”

## Fostering an enabling environment through tools for multiple stakeholders



### Microfinance for Ecosystem-based Adaptation

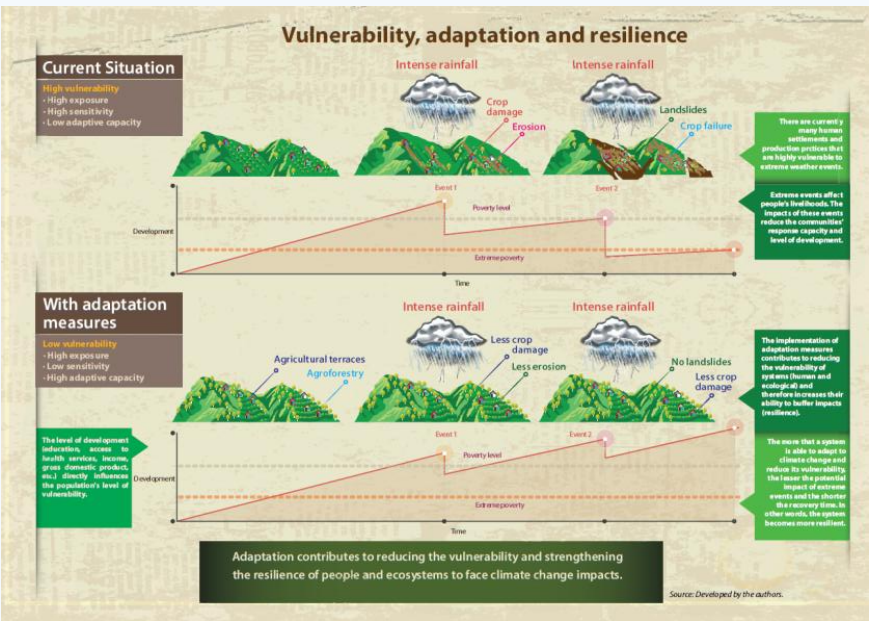
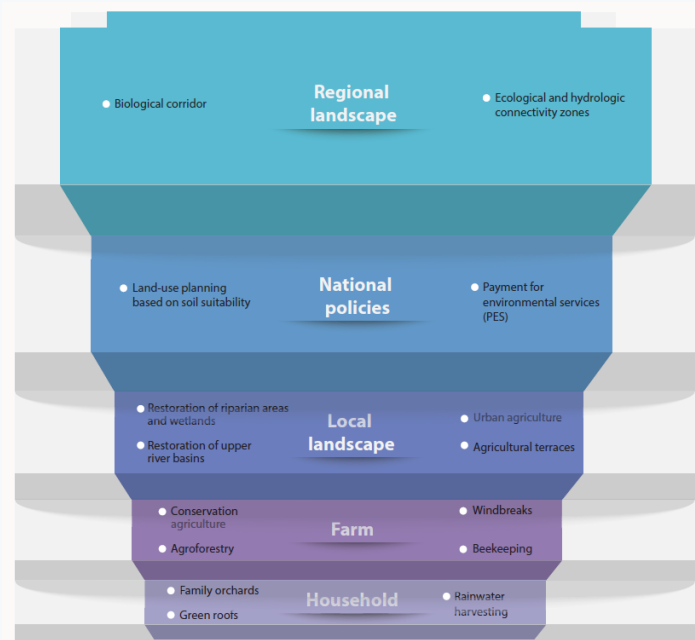




# EbA focus

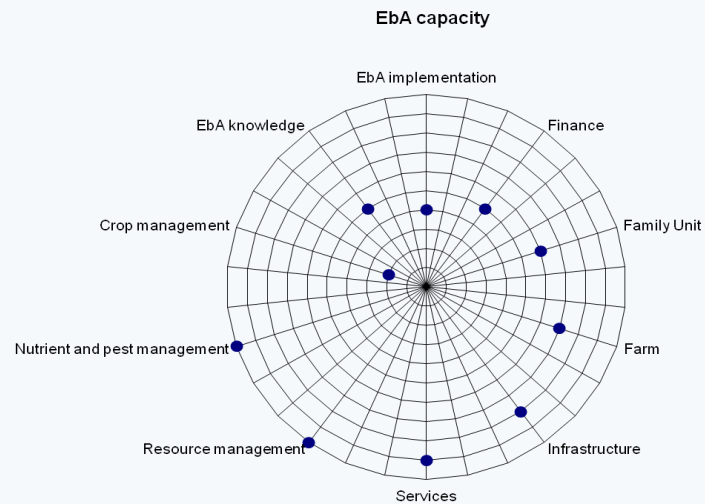
Client-specific solutions have been developed and piloted.  
Before replication and up-scaling, proper M&E systems must be established but EbA-thinking is permeating MFIs

**Criteria**  
Economic impact  
Ecosystem resilience  
Small loans  
Short term results



**Implementation**  
MFI training  
Publications  
EbA loans  
Strategic allies

**Sistematization**  
Climate risk  
Costs  
Methods  
Economic potential  
Adaptive capacity



**M&E**  
PPMS  
EbA capacity index  
EbA verification tool

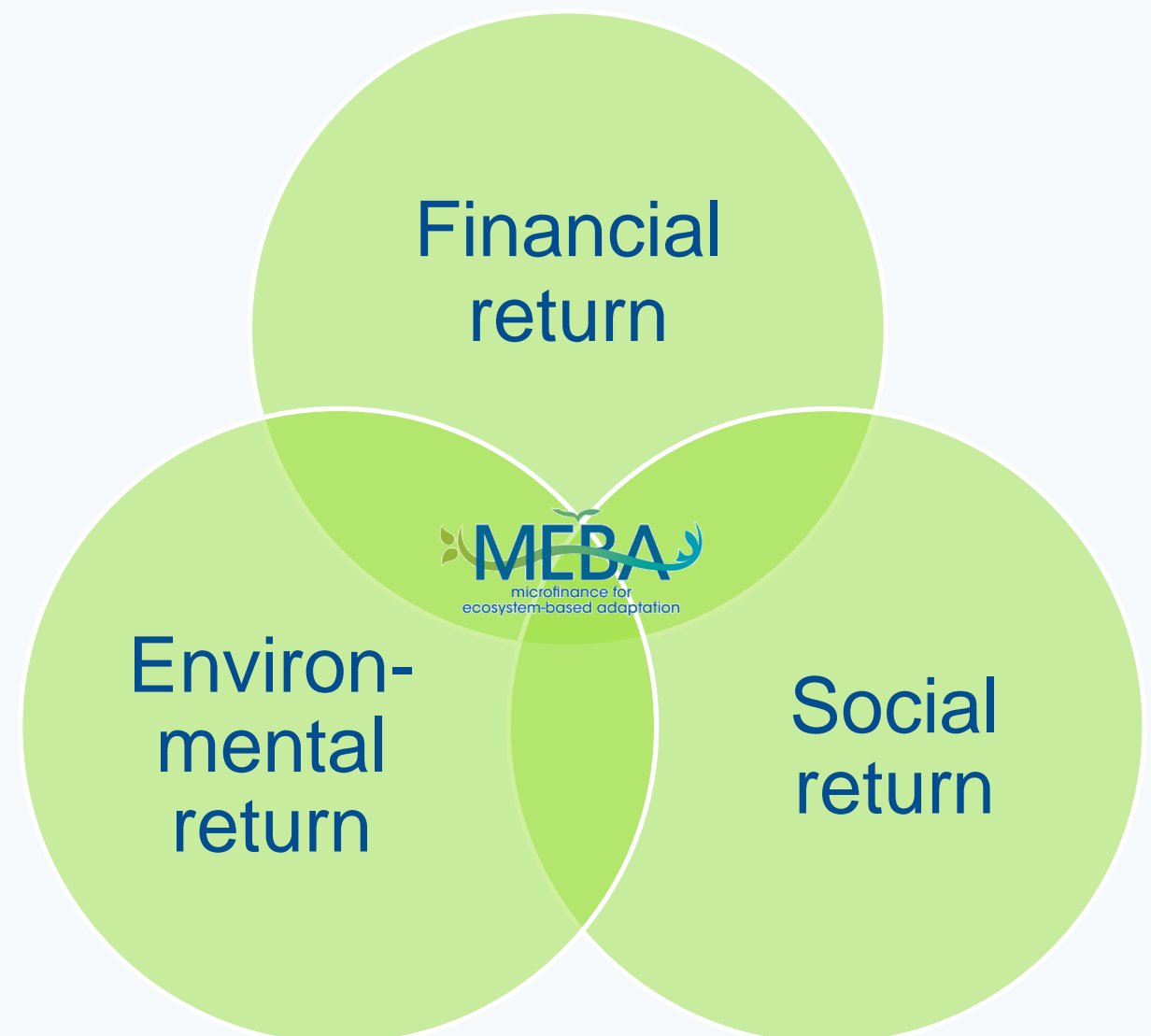
# Microfinance and adaptation



**Increasing MFI capacity building in adaptation  
→ results in the “triple bottom line”**

## “Climate Smart” Credit Methodology:

- Better products/services
- Efficiency increment
- Better risk management
- More transparency



# MEbA solutions

**Tools for a variety of stakeholders: MFIs, small farmers, strategic allies, governments, markets for better ecosystem management**

Tools are supported with internal policies on climate-risk management and put into practice through a climate-smart credit methodology

## Awareness-raising and capacity-building

- MEbA training programme\*
- Andean Agriculture in the Face of Climate Change
- Microfinance for Ecosystem-based Adaptation: Options, costs and benefits
- MEbA Economic game
- Simplified EbA fact sheets
- Communication guidelines

## Technical assistance

- Prioritization of EbA options\*
- EbA demonstration farms
- EbA verification tool
- EbA training of trainer's manual\*
- EbA cost matrix



## MEbA solutions

## Policy

- Micro-loans for reducing the vulnerability of small agricultural producers to climate risks – a perspective from the: [Colombian Andes](#), [Peruvian Andes](#)
- Climate change and microfinance policies in LAC\*

## Risk management for MFIs

- CEUS software
- Guidelines on management of agroclimatic risks
- Quick scan for MFIs
- EbA capacity index
- MFI policies and procedures

\* under development

# Key results and messages

## Project concept is widely accepted among partner MFIs

## Interest on replication within and outside the region is increasing



4000+ EbA-oriented loans  
600+ Farmers trained on EbA methods



Almost **USD 6 M** of private investment  
towards EbA



5 MFIs adopting **14+** MEbA tools  
Quarterly reports in PPMS



40 EbA measures identified and systemized  
20 measures promoted in financial products



3 collaboration agreements signed  
4 MoUs under revision for EbA farms



Seeking partnerships with IADB, CAF,  
Finance in Motion, KFW



Continued dialogue with target countries on  
MEbA-related policies  
Potential proposals for CTCN and GCF



Collaboration with **3** IKI projects  
Increased coordination with **UNEP FI**  
**12** MFIs seriously interested in replication



# Recent developments

Replication concept

MEbA website

Economic game

Deutsche Welle video on MEbA

**The MEbA Economic Game**

Colombia: Microloans for farmers

Project goal: Providing microloans so that small farmers in Colombia and Peru can adapt to climate change while protecting the environment

GLO: We shape the world

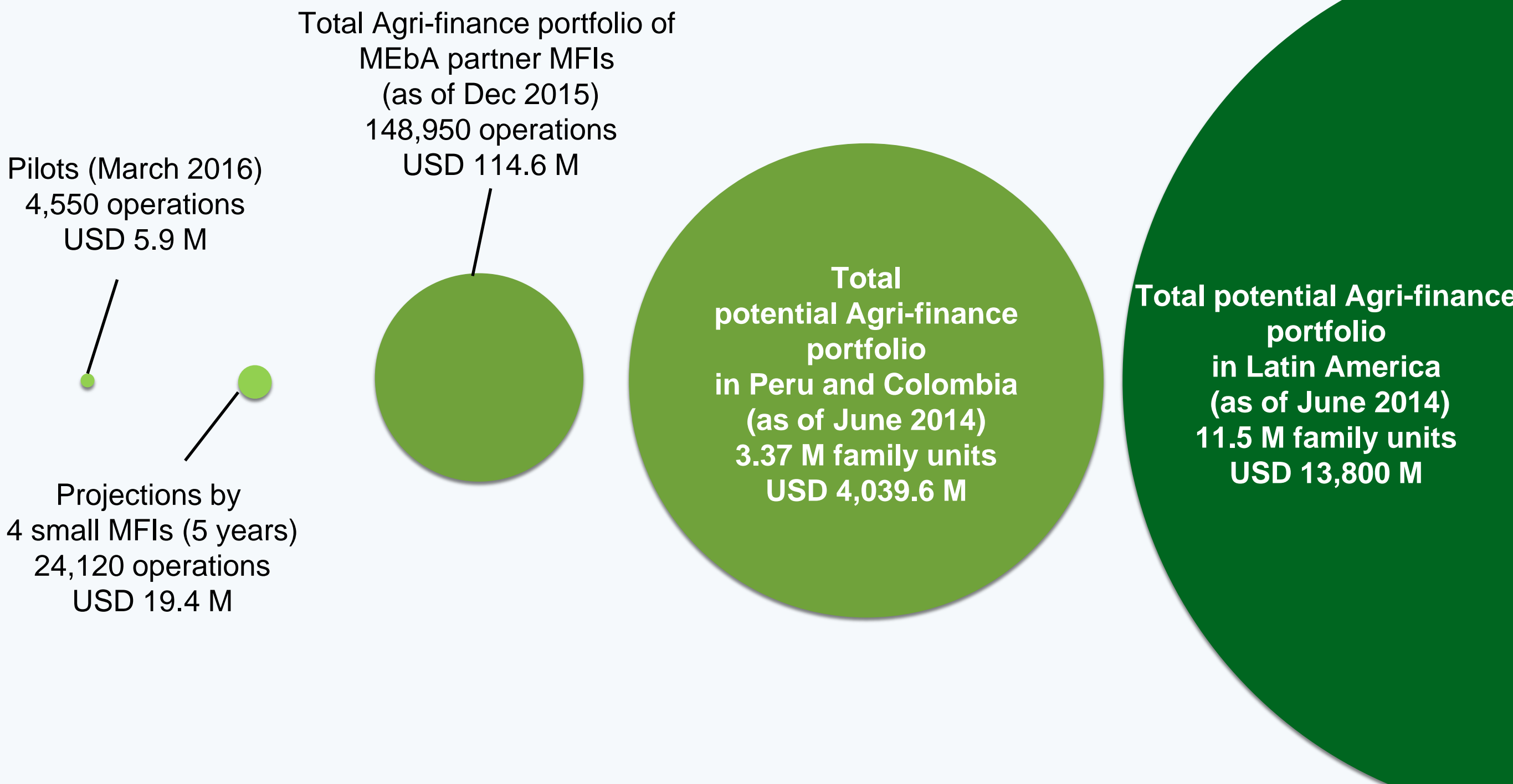
# Lessons learned

## Pilot experience shows promising results but there is still room for learning

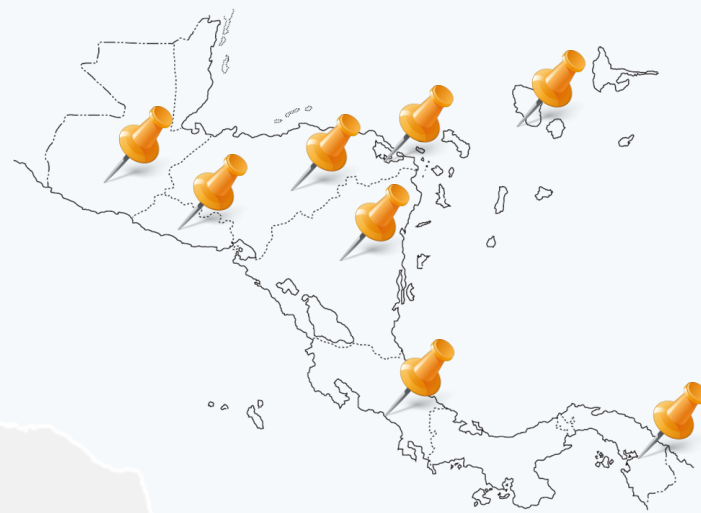
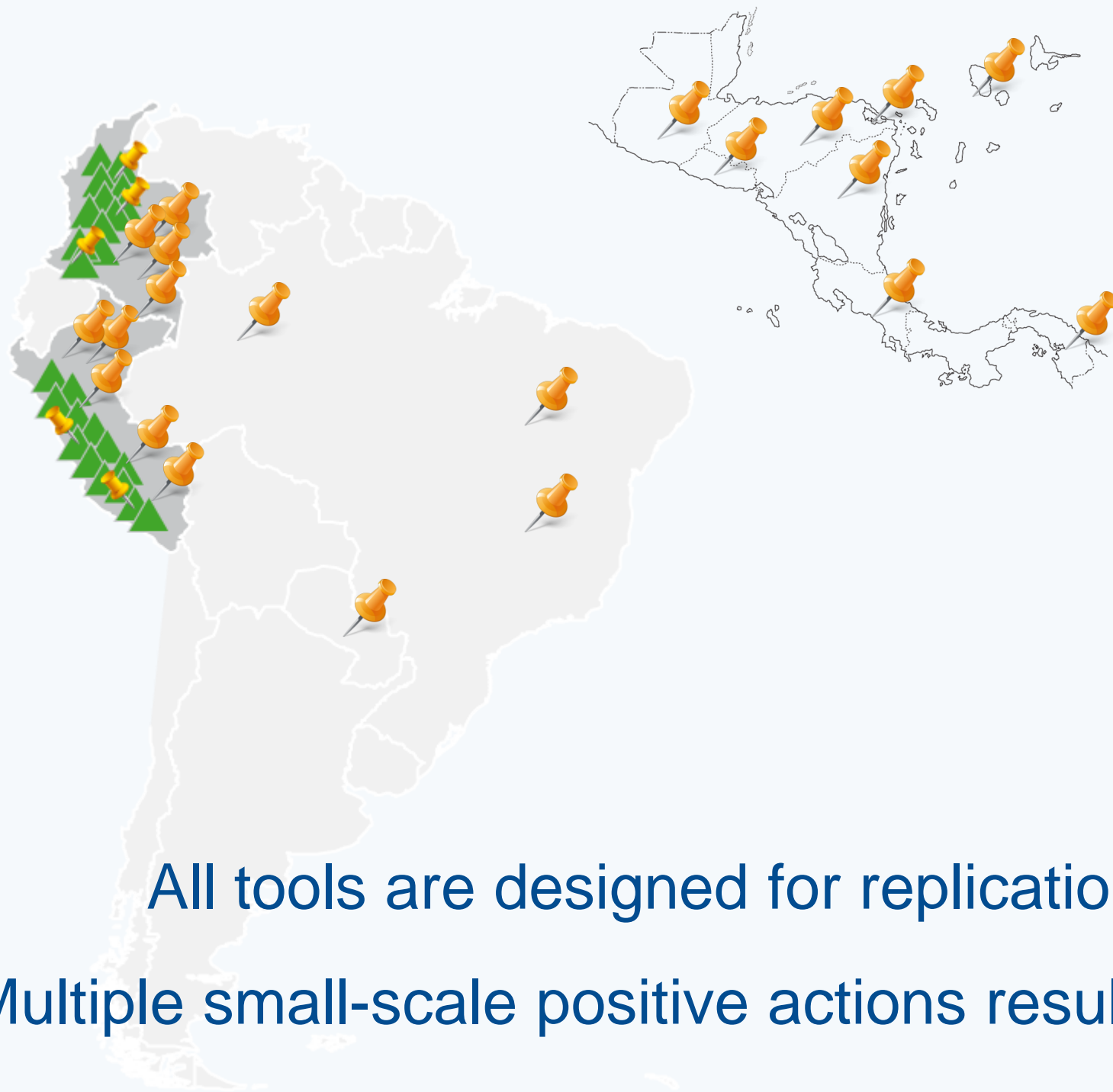
- ❖ The MEbA concept represents a business opportunity
- ❖ Not all tools are for all MFIs, ad-hoc solutions are needed
- ❖ Tools developed are a good starting point, not the entire solution
- ❖ The EbA approach can be complemented with other practices (CSA, renewable energy)
- ❖ Market mechanisms and policies take time to develop. They require proof of concept and financial needs assessments
- ❖ Involvement and leadership from MFI senior management results in greater incorporation of tools – small-medium MFIs are a good target for replication
- ❖ Reduced interest rates and **technical assistance** are needed for a sustainable replication approach

# Leverage of funds/credit lines

## Perspective for LAC



# Impact and potential



All tools are designed for replication and scale-up in mind

Multiple small-scale positive actions result in large-scale positive change



# GRACIAS

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