



WEBINAR

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## Building Climate Resilience: What Can FSPs Do?

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21 June 2022  
9:00 AM ET



# FinDev Hosts



**Abby Augusta**  
FinDev Editor

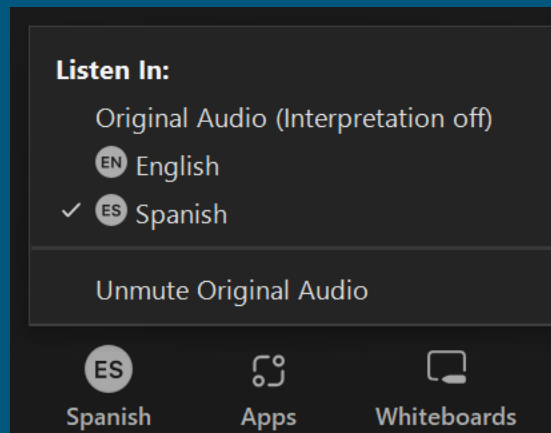


**Daniel Contreras**  
Technical Support

# EN ESPAÑOL

We have Spanish interpretation available for this webinar.

Hay interpretación al español disponible para este webinar.



# LOGISTICS



Attendee microphones will remain muted during the entire webinar session.



Ask questions using the Chat box. Send the questions to “Everyone.”



Please keep your webcam off to ensure your privacy and avoid bandwidth issues.



The webinar recording will be emailed to all attendees and registrants

# MODERATOR



**Calum Scott**  
Opportunity International



Send your questions through the chat box.

Select “**Everyone**” from the drop-down menu to ensure your question is seen by the moderator.

# PANELISTS



**Wendy Chamberlin**  
CGAP



**Sophia Watkins**  
Opportunity International



**Kartik Mehta**  
Pahal Financial Services  
India



**Pedro Marchetti**  
Financiera FDL  
Nicaragua



**Wendy Chamberlin**  
CGAP

# CGAP Climate Resilience Project

This project aims to **increase the effectiveness of financial services that help the vulnerable, especially women, to adapt and grow more resilient to climate change.**

Grounded in a strong focus on vulnerable people, it will **offer guidance to stakeholders** on the role that financial services can play in helping the vulnerable to **reduce the impact of and adapt to specific climatic risks**, which constraints are impeding that role, and what meaningful actions they can take to overcome those constraints

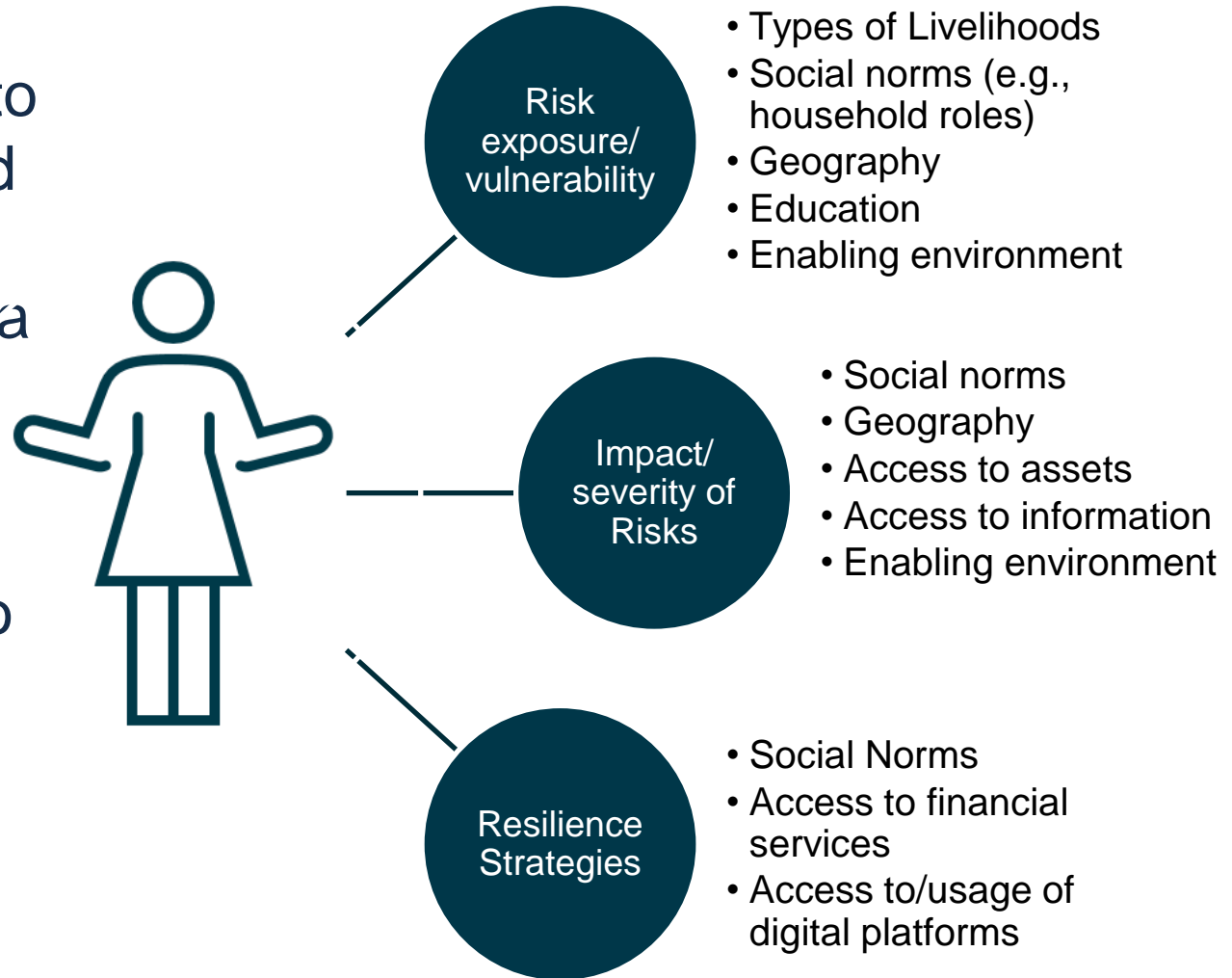
# Climate Resilience Project Work Plan - Phase 1



# What Gender aspects do we need to consider?

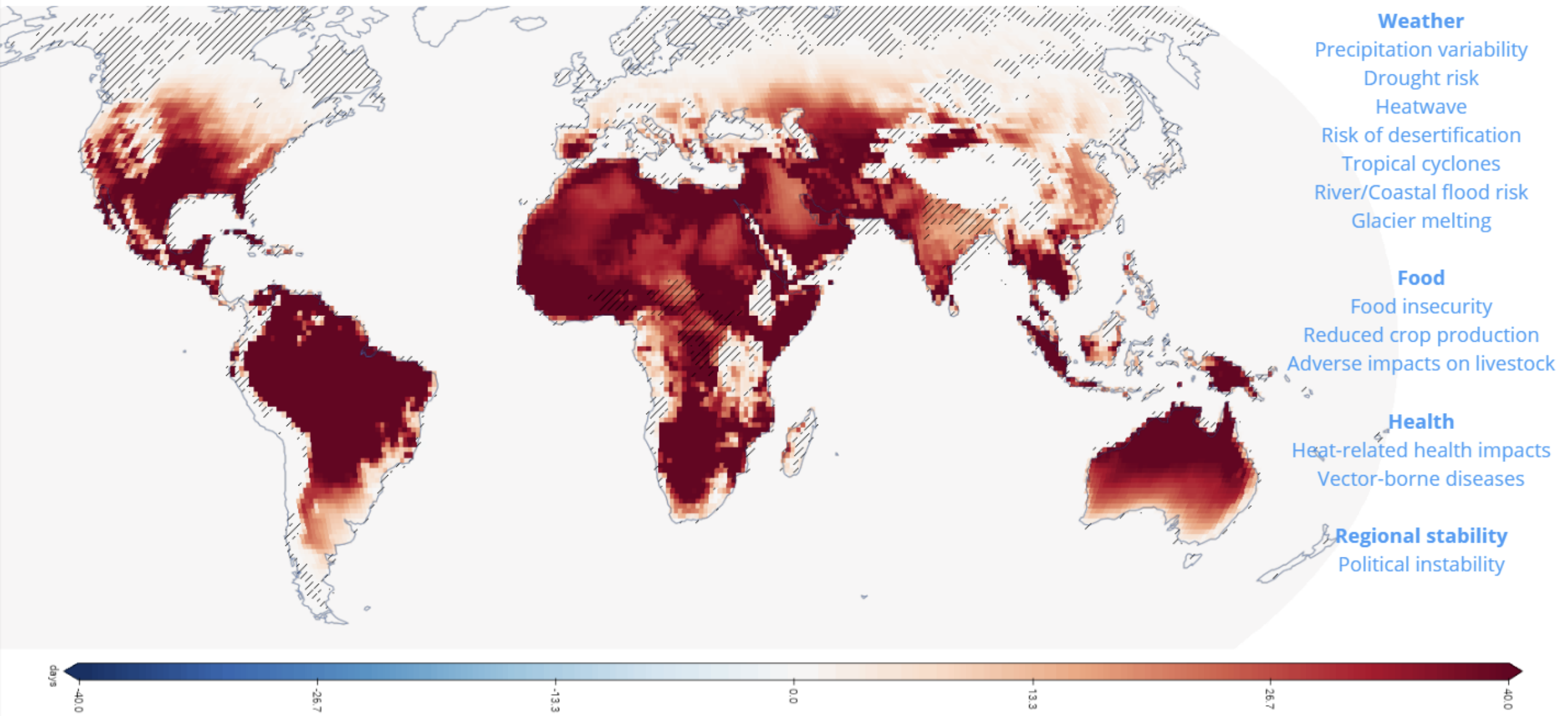
How women are exposed to risks, experience risks, and the resilience strategies they employ differs due to a variety of circumstances.

We will consider these perspectives as we seek to understand the experience of vulnerable women in response to climate risks.





**Sophia Watkins**  
Opportunity International



Bias Adjusted TX35 - Change (days)  
 Warming 2°C (SSP5-8.5) (rel. to 1961-1990)  
 CMIP6 - Annual (25 models)

□ High agreement  
 ▨ Low agreement

*external*

# CHALLENGES

**FSP**

Liquidity Constraints  
Operational Efficiency  
Expanding Rural Client Base  
Risk Exposure  
Assessing Credit Worthiness  
High Cost of Finance  
Compliance - Legal & Financial  
Regulatory Compliance

**SHF**

Land Tenure  
Seasonal Income  
Market Linkages  
Storage Facilities  
Access to Inputs & Trainings  
Financial Literacy  
Access to Financial Services  
High Interest Rates  
Gender Inequity

Political Instability

Exchange Rates

Export Markets

CLIMATE

Climate-induced  
Migration

Reporting Standards

Blended Finance  
Opportunities

Disasters

Weather Extremes and  
Unpredictability

Soil Health

**Farmer Support Agent Model**

**Trainings**

**Quality Inputs**

Market Linkages

Gaps - SMEs

Group Lending

**Collateral Easement**

**Market Assessments**

Financial Landscaping

**Trainings**

Digitization

Process Design

**Guarantee Facilities**

**Sourcing Blended Finance**





**Kartik Mehta**  
Pahal Financial Services  
India



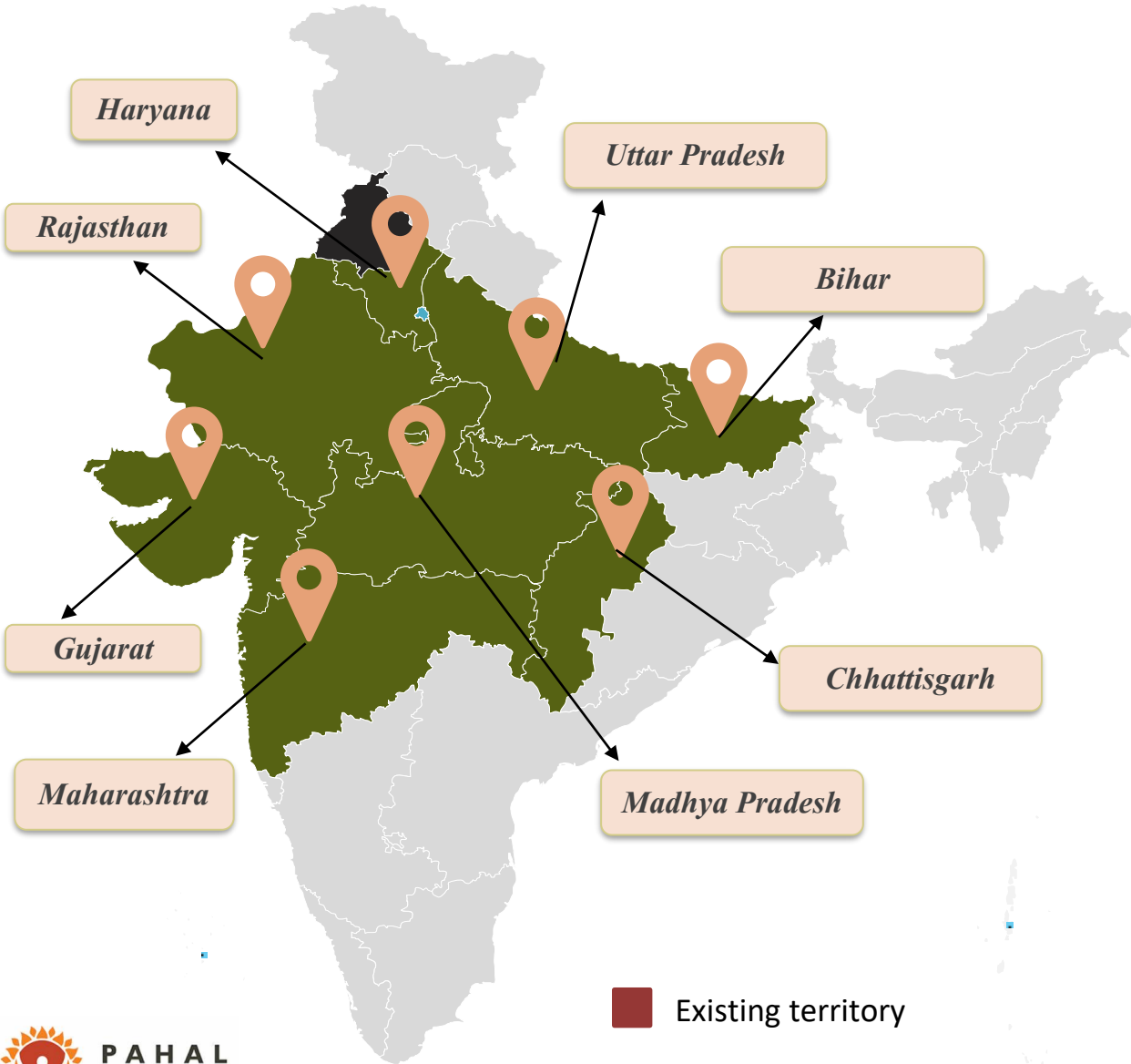
**PAHAL**  
A NEW BEGINNING

***Pahal Financial Services***  
***Private Limited***

Regd. & Corp. Office: 7<sup>th</sup> Floor, Binori B Square-2 , Opp. Hathising ni Vadi, Ambli Iscon Road, Ahmedabad (Guj.)- 380054

Website: [www.pahalfinance.com](http://www.pahalfinance.com)

# Pahal-Snapshot



## Summary (As of Mar'22)

130 USD Mn.

Total Loan Portfolio in INR mn.

8

States (Gujarat, Madhya Pradesh, Maharashtra, Rajasthan, Bihar, Chhattisgarh, Uttar Pradesh & Haryana)

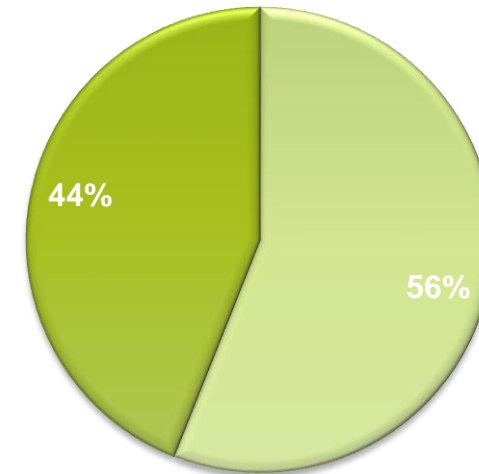
200+

Branches

1800+

Employees

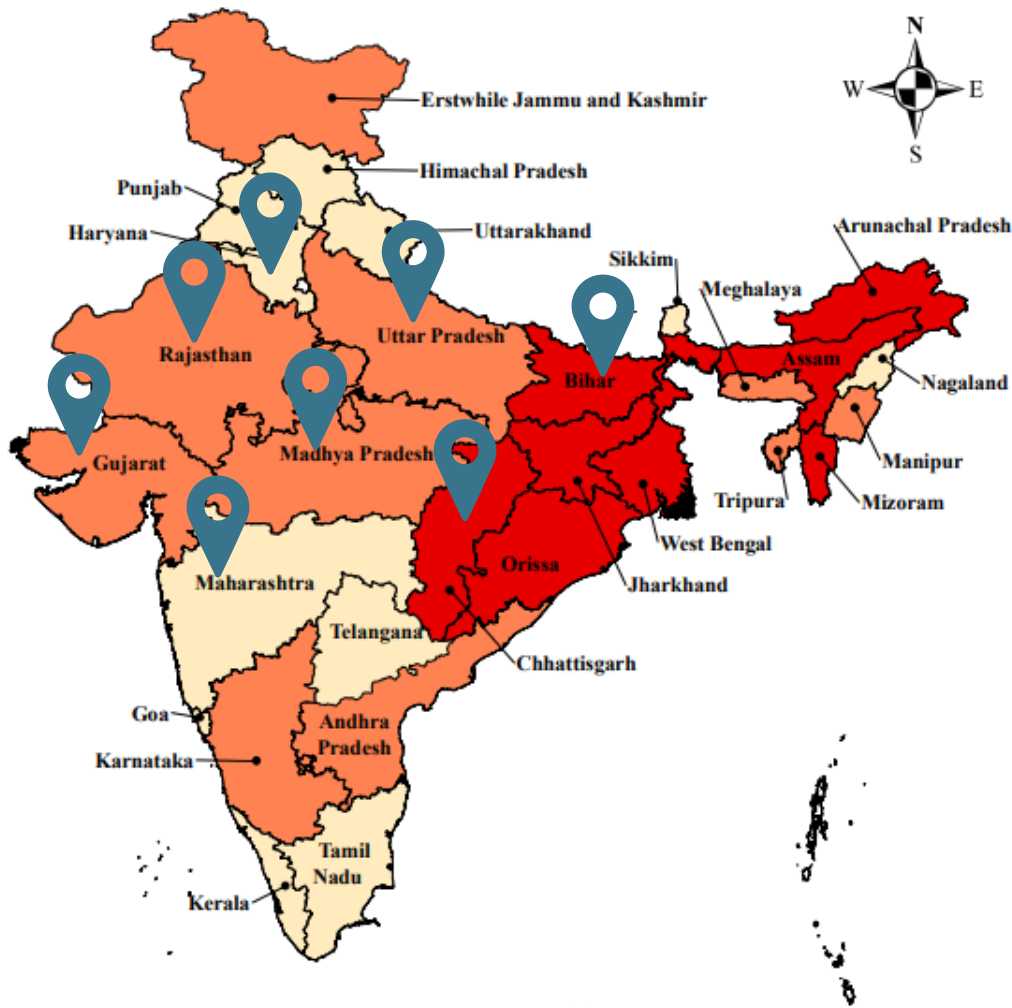
*Pahal has served nearly a million plus lives, mainly Women borrowers since inception*



■ Rural/Semi Urban

■ Urban/ Metropolitan

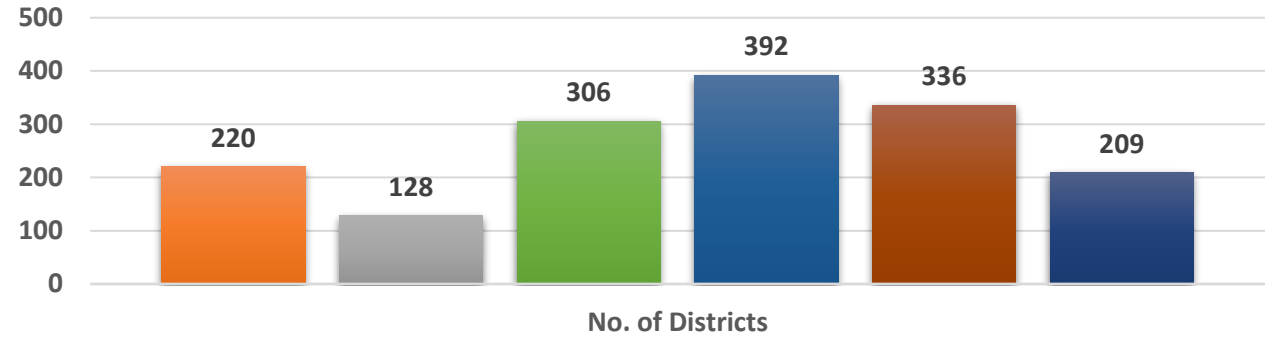
# Vulnerable States in India



**Vulnerability Index**

- Relatively high vulnerable (8 states; 0.58-0.67)
- Relatively moderate vulnerable (10 states; 0.50-0.58)
- Relatively low vulnerable (11 states; 0.42-0.50)

## Major Drivers of vulnerability



- Marginal and small operational holders
- Rainfed Agriculture
- Lack of crop insurance
- Low net sown area under horticulture
- Lack of forest area per 100 rural population
- Low road density

## Challenges in India

- Severe Heat Wave impacting the agriculture harvest
- Rapid degeneration of Land - the deterioration or loss of the productive capacity of the soils for present and future
- Increasing Carbon emission
- Drought (Dryland population exposed to water and heat stress and desertification)
- Floods (Increased population exposed to flooding)



## What can Financial Institutions do about it

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- ❑ Design funding products to mitigate/adapt to the climate change challenges
  - Recovery of livestock
  - Drip irrigation devices for effective last mile delivery of water
  - Land development to prevent soil erosion-tree plantation/Agro forestry
  - Enabling relief or resettlement for migrant families
  - Re-building of livelihoods/ restoration of dwellings

## Pahal's Initiatives

### Livestock funding/ Insurance

- Pahal has started giving loans to its borrowers for buying Cattle and Cattle insurance.
- *Encouraging small and marginal farmers to avail more of cattle loans and insurances*
- *Excessive cultivation will come down*
- *Though initially difficult, this project is taking off quite well.*
- **Total customers benefitted: 558 Clients (Cattle insured: 1,784)**

***\*Potential outreach required: 126 Million.***



### Pahal's Partnership with an Agri-Fintech Company

- Pahal has entered in a partnership with an **Agri-fintech**
- Enabling smallholder farmers to access quality agriculture inputs at affordable prices
- Improved soil health by inculcating R&D and optimum use of Agri-inputs
- Providing them with bio fertilisers and organic pesticides to protect the soil and the produce

***\*Currently, there are more than 450 Agritech companies in India that are increasingly empowering 150 million-odd farmers with data-led systems.***





**Pedro Marchetti**  
Financiera FDL - Nicaragua

# **Inclusive Resilient Microfinance in the Center of it All?**

**Webinar - 21/06/22**



P. Marchetti, Grupo Nitlapan-FDL Nicaragua

# Microfinance Narcissism

## Stand-alone credit

- without Green Technical Assistance,
- without payment for ecological services,
- without clients' construction of their own financial products,

Will not achieve inclusive resilience.

# FDL and Pahal are not typical MFIs or FSPs

Microfinance Industry	FDL and Pahal
Urban	Rural
Commerce and Service	Agricultural Production and housing construction
Financial Services (Stand alone Credit)	Non-Financial services (Technical Assistance, Territorial Multi actor Education, Incubation of microenterprises, Leasing, Water and Energy alternatives)
Insertion in existing food and other supply chains with minimal alliances	Alliances and attempts to improve governance and transform food and other supply chains

# What has been in the center?

- For microfinance, the relation, interface between FSPs and clients has always been at the center.
- 1st Revolution was transformation of the costs of transaction through embedding finance.
- All we have done since the '80s is add bottom lines to the first bottom line of financial sustainability.

# What should be in the center?

- Inclusion and resilience need a second microfinance revolution
- Putting the relation between people and the Ecosystem at the center

ESCALA 1:4,300,000



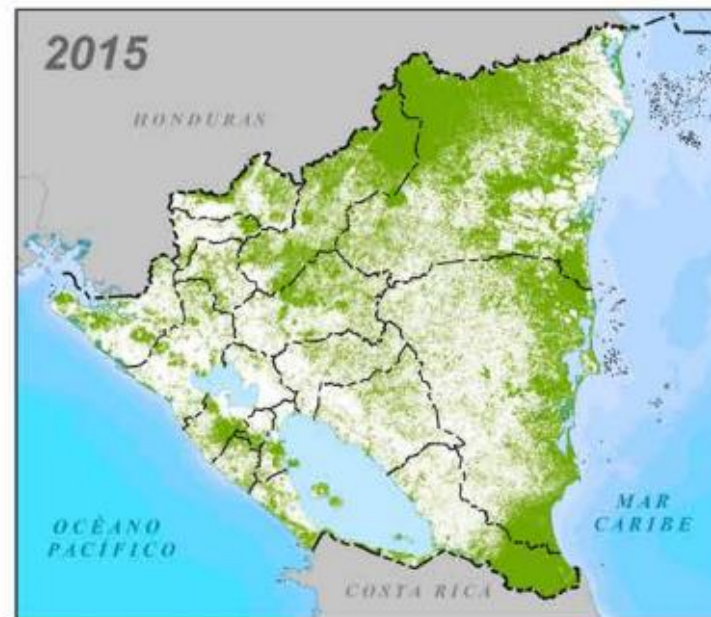
# Cambio Histórico en Cobertura Forestal

## NICARAGUA

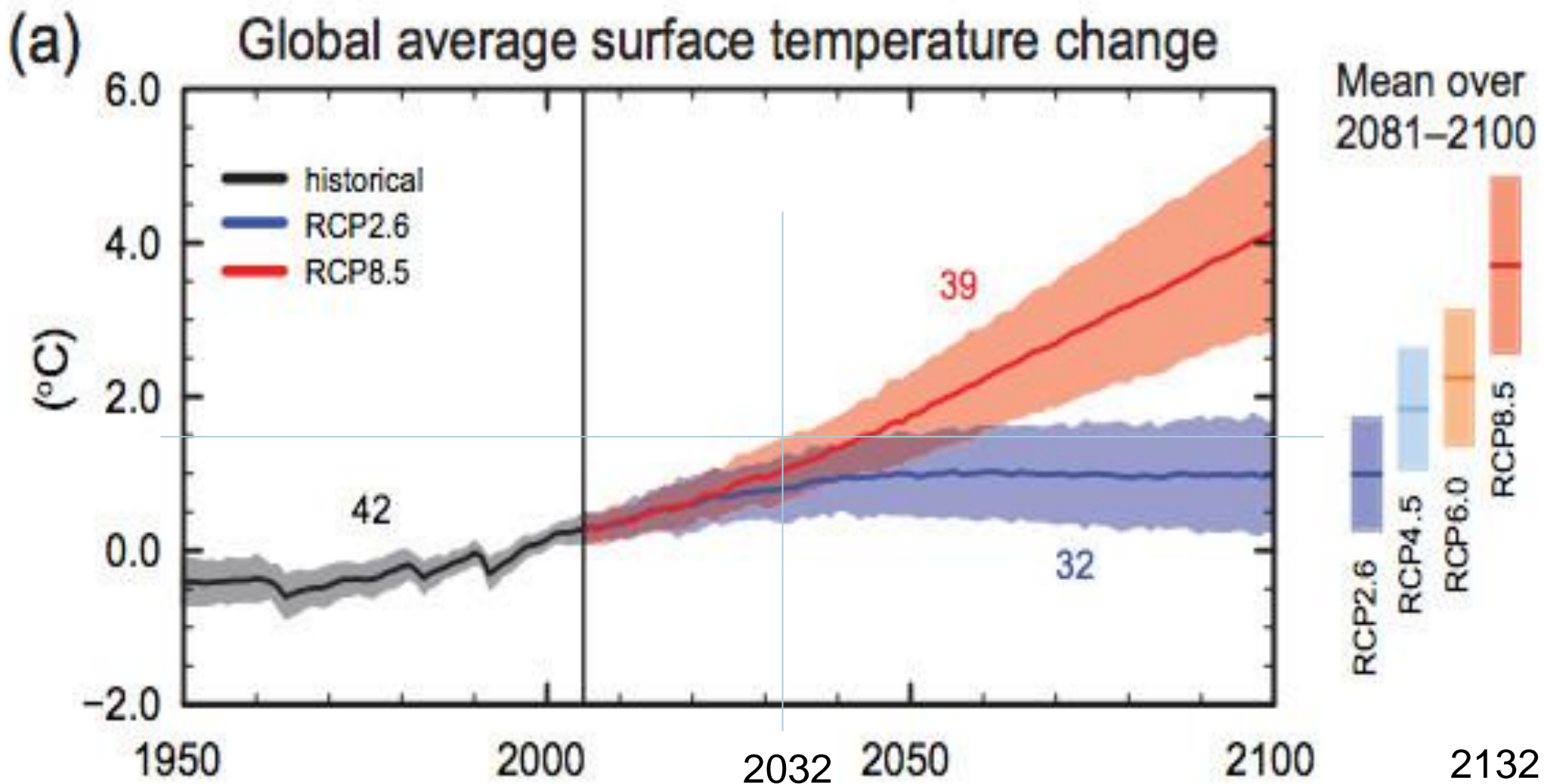


\* Cobertura del suelo 1969 y 1983: INETER.  
\* Cobertura del suelo 2000: MAGFOR.  
\* Cobertura del suelo 2005, 2010, 2015: INETER.

\* Edición: Jorge Rodríguez, MARINA 2016



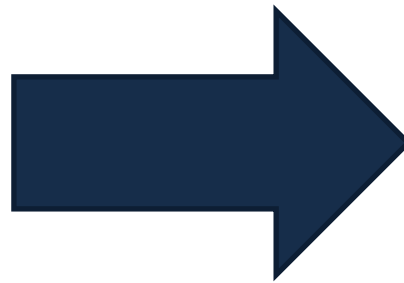
# Policy Architectures have Failed Energy, Financial and Environmental



# EcoMicro

## MEDIDAS DE ADAPTACIÓN

<b>1</b> COSECHA DE AGUA	<b>2</b> SISTEMAS DE RIEGO
	
<b>3</b> SISTEMAS SILVOPASTORILES	<b>4</b> SISTEMAS AGROFORESTALES
	
<b>5</b> MANEJO DE SEMILLA	<b>6</b> OBRAS DE CONSERVACIÓN DE SUELO Y AGUA
	



All Individual Entrepreneurship

Ecosystem trans

# Lessons learned after 10 years of experimentation with funds of World Bank, GEF, IADB and regional CA bank

## 1. **Combine**

- Green technical assistance
- Bio awards for ecological service
- Financial products which award green transformations promised by clients (the award is reduced interest rates)

## 2. **Fine tune** coordination between

- Credit officials
- Green technical assistance officials
- Board members

## 3. **Don't waste time** looking for international subsidies

# Lightning Quiz Inclusive Funding Priorities

## Funding Priorities

## Which funders?

- |  |  |
|--|--|
| 1. <u>Lower Risk</u> Loans for Microenterprise                                 | Everyone                                     |
| 2. Lower Risk, <u>Inclusive</u> Loans For Microenterprise                      | Very Few                                     |
| 3. Lower Risk Inclusive <u>Environmentally</u> Sound Loans for Microenterprise | Even Fewer                                   |
| 4. <u>Non</u> -financial Services for Microenterprise                          | Only Non-Profit Cooperation & some bilateral |
| 5. Resilient Ecosystems  | Clientelistic public subsidy programs        |

# Where does Green Financing go?

- In Latin America to the mega banks, for mitigating consumer footprint.
- Only agricultural microfinance can capture carbon in a way that reduces footprints of Texaco, BP, and Shell.

# Financing microentrepreneurial Resilience is simply not sustainable.

- FDL and other MFIs in Nicaragua have never financed more than 20% of the enterprises in ecology hotspots of destruction.
- No matter what our success with that 5 to 20%, the other 80% will destroy the natural resources the 20% need not to go bankrupt.
- FDL knows it must take the focus off entrepreneurs and concentrate on Ecosystem Resilience

# Financing Locally Led Regeneration of Ecosystems

MFIs would allow Multiactors at the local level to define:

- Portfolios
- Financial Products
- Bioawards
- Non-financial Services
- Monitoring, Follow-up and Evaluation

# Take Homes

- Another Microfinance Revolution for Resilient Ecosystems
- A new relationship between national FSPs and international FSPs
- Leadership from the World Bank and Regional Banks with new benchmarking criteria and strategies

# Q & A



**Calum Scott**  
Opportunity International



**Wendy Chamberlin**  
CGAP



**Sophia Watkins**  
Opportunity International



**Kartik Mehta**  
Pahal Financial Services



**Pedro Marchetti**  
Financiera FDL

# WHAT'S NEXT

- 1 Please take a minute to let us know what you thought about today's webinar by completing the survey which will appear on the screen after you leave the webinar.
- 2 We will email you when the webinar recording and related materials become available on the FinDev Gateway website.
- 3 For more resources on financial inclusion, visit [www.FinDevGateway.org](http://www.FinDevGateway.org) and [www.cgap.org](http://www.cgap.org)

# Thank you

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