

CASE STUDY

2017



Credit for women linked to green energies



Case study of the pilot project “Credit for women linked to green energies” carried out by the Foundation for the Economic Development of Nueva Segovia, FUNDENUSE S.A., an institution affiliated to the Nicaraguan Network of microfinance institutions ASOMIF, within the framework of the regional project program of the Central American and Caribbean Network of Microfinance (REDCAMIF) and ADA Luxembourg, aiming at the promotion of financial inclusion by means of innovation in the financial product implementation.



1. INTRODUCTION

ADA Luxembourg, in alliance with the Central American and Caribbean Network of Microfinance (REDCAMIF), developed a five year project to accelerate financial inclusion in the Central American region and the Dominican Republic through three specific work areas: i) Professionalization of the industry, II) Sustainability of the national networks and the development of services, and III) the Development of inclusive and innovating financial products, incorporating the implementation of innovative financial products in the areas of rural finances and progressive social housing in 33 affiliated Microfinance Institutions, evenly distributed among the 7 countries.

In the case of Rural Finance, the ADA - REDCAMIF alliance allowed for the development of four financial products for the rural sector that additionally offer “positive externalities for the environment”. The products that were developed are: i) Line of credit for environmental productivity; II) Financing for renewable energies; III) Rural financial leasing and; IV) Financing for rural enterprising women. In the case of progressive social housing it sought to expand financial services addressing the improvement in the quality of life of families. This VSB program has identified seven products which are progressive in the sense that they offer investment options starting with basic repair activities, improvements and construction up to more complex schemes of house construction. The identified products are: i) Progressive improvement of houses; II) Whole improvement of houses; III) Purchase of land and legalization; IV) House construction; V) House buying; VI) Credit for the introduction of community services in rural areas and; VII) Programmed savings for housing.

It is within this context that FUNDENUSE S.A., a Nicaraguan institution affiliated to ASOMIF¹, participated in the Project through two products i) Line of credit for environmental productivity and ii) Women linked to green energies.

The Foundation for the Development of Nueva Segovia (FUNDENUSE S.A.), was established as a nonprofit organization in 1993, along with the enactment of Law 769 for the Promotion and Regulation of Microfinance. FUNDENUSE S.A. decided to undertake a legal transformation in order to become a joint stock company in December 2012, with a capital of USD 175 000. This new entity was registered at the CONAMI.

Presently, FUNDENUSE S.A., operates in the northeastern zone of the country, through a network of 19 points of sale (18 branches and one counter) in 6 Departments of the Country: Nueva Segovia, Jinotega, Madriz, Matagalpa, Boaco, Leon and Estelí, belonging of the North, West and Central regions of Nicaragua.

These zones served by FUNDENUSE S.A. are characterized by their high levels of agricultural and cattle production, and the generation of an important economic activity for the branches

established mainly in the mountain ports (Yalí, El Cuá, Jalapa, Pantasma, Quilalí and Wiwili). The main products (coffee, cocoa and cattle) are commercialized at local, national and international levels.

FUNDENUSE S.A. is a well-developed institution; throughout the years it has specialized mainly in financing the rural sector, where over 70% of their client base is located; the innovation, the sustained and orderly growth and the development of products, adapted to the needs of their clients, are the strategic axis along which the institution advances in the search of alternatives to offer a wider range of products to their clients.

2. INITIAL CONTEXT

According to the Renewables Association analyses, Nicaragua has the lowest electrical generation capacity in Central America and its population has the least percentage of access to it. Additionally, it is the most dependent country in the region on fossil resources (petroleum and its derivatives) for the generation of electricity. It is in this sense that generating electricity out of renewable resources becomes important because of the potential of natural resources in relation to the population, although, as of now, private and public investments have prioritized installing thermal power plants. This tendency has intensified with the opening of the electricity market, which has occurred at the expense of renewable resources, thus generating greater dependency on petroleum.

Presently, over 60% of the installed capacity of Nicaragua for the generation of energy is thermal based, given that the main investments by the State, as well as those of private companies, have focused on thermal power plants using diesel and bunker fuel. Nevertheless, the situation has changed during the last few years; in 2007, the Government of Nicaragua through its Ministry of Energy and Mines (MEM), the governing entity of the power sector, established a high-priority for the development of a three-pronged strategy for the industry: i) transformation of the power matrix; ii) power efficiency; and iii) rural electrification. Specifically, for the transformation of the power matrix strategy, it is expected that a reduction of 4% in the generation of energy from non-renewable sources during 2017 is achieved, which entails a reduction of dependency on hydrocarbons and the sustainable use of the natural resources of the country.

It is important to emphasize that the energy consumption is directly linked to the satisfaction of basic needs such as cooking food, lighting, air conditioning, refrigeration and transportation, among others. This is why it can be said that the lack of access to electricity brings along low standards of living, mainly in the countryside.

As for climate change and the protection of natural resources, studies made by the Climate Change Center of Research and Technological Transfer show that this phenomenon is a very serious problem in Nicaragua. The expansion of the agricultural frontier, the use of environmentally unfriendly farming technologies, the indiscriminate use of pesticides and chemical fertilizers have generated a severe climatic deterioration in the rural sector, which calls for the implementation of actions to mitigate or counter these effects. It is particularly necessary to mitigate these effects, with the purpose of reducing greenhouse gases of which Nicaragua emits only 0,03% when compared to other countries in the region.

The sources of financing for rural electrification and the development of programs that contribute to the safeguard, adaptation and mitigation of climate changes are limited; the government lacks the capacity to assume an active role so as to improve these matters. As such, this leaves ample opportunities for micro-financial institutions to offer financial services to their clients in order to solve these problems. This allows MFIs to offer innovating products increasing the volume of their operations, fostering financial inclusion and the fulfillment of their social objectives linked to their missions.

Some institutions such as Financiera FDL and FUNDESER, have established strategic alliances so as to include in their portfolio financial products for the purchase of photovoltaic equipment to provide domestic energy to their clients. These projects have been carried out mainly in the countryside of the north of Nicaragua, nevertheless, these MFIs have still not reached an important volume of clients.

Within this context, in order to fulfill its strategic objectives related to the management of social performance (to develop products adjusted to its client's needs), environmental and financial inclusion and to take advantage of the market opportunity, FUNDENUSE S.A. has allocated several resources to serve clients. These resources serve in particular women that are also family heads, producers and microenterprise owners in the countryside, to provide them with equipment or machinery to improve their productive conditions and to contribute to produce energy savings, or initiatives of adaptation to the environment.

As a result of its participation in the Rural Finance and Environment program, the "Women linked to green energies" product was developed in order to help in the achievement of the objective of improving the quality of life of the clients, of connecting them to energy efficient activities and protecting their family's health, thus contributing to healthy housing and the rational use of natural resources.

FUNDENUSE S.A. decided to participate in the project because it found an opportunity to diversify its credit portfolio by offering access to credit for women who undertake productive activities, so as to improve their productivity through the use of equipment that also contributes to the environment, whilst also to increase

customer loyalty, to implement systems that are friendly with the environment and contribute to energy savings and efficiency, and for the safekeeping of family health.

The Institution, considered the opportunity of a pilot project in order to:

- strengthen its internal capacities by means of the recruitment of human resources;
- improve its Management Information System;
- develop an effective marketing strategy;
- establish a timely follow up system and develop the capabilities of its branch managers and credit advisers about energy efficiency and savings;
- reinforce the internal capabilities through the implementation of methodologies for the design and development of innovating products;
- improve its credit policies based on the demands of their clients;
- row in new market niches, and;
- attract investors.

3. DESCRIPTION OF THE PROJECT IMPLEMENTATION WITHIN THE MFI

The project consisted of developing and implementing the product "Women linked to green energies", with the objective of providing productive women owning microenterprises in the countryside with equipment or machinery to improve their productivity and to contribute to obtain energy savings or an adaptation to the environment, such as the use of improved kitchens, photovoltaic systems for the provision of energy to their houses, solar lamps, etc. The target group included women who are household heads having, or wishing to develop, a productive activity.

The product was marketed through the branches in Jalapa, Jícaro and Pantasma of Las Segovias and Norte zones, Nicaragua; the goal being sixty (40) women clients and a portfolio of fifteen thousand dollars. The institution made alliances with three suppliers of renewable energy equipment (Ideas, Solubrite and Tecnosol) and with Avanza, an improved kitchen manufacturer.

The institutional strategy of FUNDENUSE S.A. gears towards obtaining optimal financial results, without neglecting its social objectives and the protection of the environment; its final purpose is to offer financial services adapted to the needs of its present and potential clients.

Before the project, FUNDENUSE S.A. had not fulfilled its environmental objectives, so the project meant for the institution the development of a policy, the implementation of processes, the use of environmental indicators in their managerial systems and, the establishment of a cross-sectional strategy in order to take protection, conservation and mitigation actions related to the environment.



The institution decided on a process to strengthen the internal capabilities, instead of hiring external personnel. The methodology involved the participation of the branch's personnel in a course (giving right to a diploma) about rural finances and the training of equipment suppliers.

The project was characterized by previously analyzing the following: the market conditions, the strategic alliances allowing the institution to obtain greater knowledge about the preferences of the clients in relation to their needs and the provision of equipment and the internal processes for a suitable adaptation of the product to meet the demands of the clients.

The implementation of the pilot included the participation of several external consultants who supported the adjustment of the products to the client's needs; the equipment suppliers contributed with the training of the internal personnel in order to get to know the product, its benefits and how to use it.

REDCAMIF and ASOMIF, were relevant players in the process by offering advice and by sharing lessons learned in other programs at national and international levels, thus allowing the institution to count on information for its decision making.

For the implementation of the product the MFI made changes to its credit policies, to the processes and procedures for the granting of loans and to the definition of client profiles. The product incorporates conservation practices and energy efficient equipment that will contribute to taking care of, and preserving, the environment, and some mitigation measures for climate change.

For the distribution of the product it was necessary to strengthen the sales force in pilot branches, to ensure that besides knowing the product processes, policies and conditions it would also have some knowledge about environmental conservation and about the quality and the strong points of the equipment, in order to transfer the knowledge to the clients and to show them the advantages of using it.

The Board of Directors considered that the product had a potential impact for the growth of the portfolio, and for good customer service, so it decided that FUNDENUSE S.A. should widen the scope of the product implementation to include the Quilali branch.

3.1. RESULTS

At the product level

The product results at the end of the project were:

- 4 Branches offering the product (Jícaro, Pantasma, Jalapa and Quilali);
- 26 women clients received a loan for "women linked to green energies" for a total portfolio of U\$13,791.32;
- an increase in the portfolio at the branches where the products were offered;
- the creation of a Network of 8 women distributors of smaller equipment in their communities;
- the creation of a line of credit product for women who are in charge of the distribution of solar products in their communities.

At the institution level

As for the implementation of the product at FUNDENUSE S.A., it executed: a process of knowledge management for its personnel, capacity buildup for the design and development of products, the analysis of rural markets and value chains, and market mapping; all this knowledge was used in the elaboration of the manuals and implemented in the granting of loans to its clients.

The implementation of the project at FUNDENUSE S.A. translated into the strengthening of its internal capabilities through the integration of best practices in the:

- analysis of client payment capabilities based on the criteria for granting financing for working capital, for investing and implementing environmental practices;
- analysis and knowledge of the value chains and the dynamics of rural markets;
- implementation of nimble processes for the delivery of loans (from 10 to 4 days);
- incorporation of training and follow up of environmental practices of conservation and preservation;
- mapping of rural markets;
- creation of institutionalized environmental conservation and preservation policies;
- use of market research previous to the design and implementation of financial products;
- standardization of client prospection, promotion, marketing and product delivery processes;
- an incentive system for clients having successfully and steadily incorporated environmental practices;
- financing for vulnerable women;
- market knowledge and identification of business opportunities in the market.



4. MAIN CHANGES IN THE MFI SINCE THE PROJECT IMPLEMENTATION

Generally speaking the main change at the institutional level was the implementation of standardized processes for:

- market research;
- product design and implementation;
- development and modifications of internal policies;
- design of environmental policies;
- outlining for the implementation of product piloting;
- consultations with clients;
- consultations with credit officers and branch managers for the design, adjustment and implementation of new products;
- agreements and alliances with service suppliers;
- design of an incentive program for clients interested in participating in the project.

For all of the processes described above, standardized instruments were developed, the knowledges of the personnel were reinforced thus leaving an installed capacity for new projects, and the development of new products and negotiation strategies for alliances with equipment suppliers.

The standardization processes have allowed the institution to reduce its costs, to identify and manage risks at every step of the process, to establish a suitable internal results quality control system thus guaranteeing a proper internal control environment.



At client level changes occurred along two directions:

- education of clients about alternative energies, knowledge and responsibility about the deterioration of the environment, energy efficiency and savings by the use of environmentally friendly equipment.

- creation of employment sources: as a result of the implementation of the product, some women asked FUNDENUSE S.A for support in order to promote and sell less costly solar equipment in their communities; an equipment catalog was developed and a line of credit was granted so that these women would be able to market the equipment in the communities.

- improvements in the quality of health and housing: when they installed improved kitchens, they learned how to prevent respiratory diseases, to improve the cooking quality of their foods, and to preserve the natural resources (firewood) and to better organize their houses.

- improvement of incomes and reduction of expenses in their businesses: the acquisition of more efficient equipment produced savings of up to 50% in their electrical energy costs, for instance: a small sewing workshop in Pantasma with two workers received a loan for changing its fossil fuel-based system (commercial fluid) to a solar energy one that was used to operate its sewing machines.

5. FACTORS CONTRIBUTING TO THE SUCCESSFUL IMPLEMENTATION OF THE PROJECT

For the implementation of FUNDENUSE S.A. products, environmental policies were incorporated, as an institutional transverse axis, with the idea of having all sales personnel include them in their analyses and then transfer the information to their clients thus contributing to acting for the preservation, conservation and adaptation of the environment, as well as to raise their consciousness about the need to use energy efficient equipment in order to obtain savings and improve the health conditions at home; this decision allowed the institution to achieve its environmental objectives. The sales force in the pilot branches was reinforced, so that besides knowing about the processes, policies and conditions of the product the implementation would also enhance their knowledges about equipment efficiency, functionality and benefits, so as to be able to transfer the knowledge to the clients and show them how simple changes generate significant benefits in their quality of life.

The support and decisiveness of the Board of Directors: its members understood the potential of the product to increase the portfolio and to offer an adequate service to the clients in the fulfillment of the institutional mission.

Through its business department, FUNDENUSE, S.A. designed and implemented the market strategy, which was based on a campaign including internal marketing activities directed at current customers, and external marketing actions seeking the positioning of the product in the market; promotional and advertising material was developed to be used through channels adapted to the target client segment (radio, promotional campaigns in the branches, flyers, showing off success stories etc.).

Establishing alliances with strategic equipment suppliers willing to train business officers and clients about the characteristics, advantages and savings the equipment being offered generate; facilitating the exhibition of equipment in the branches of the institution so that clients can see them with their own eyes.

To expand and diversify the inventory of suppliers offering the greater variety of suitable technologies for the businesses of women clients in the zones of influence; given that this process is about the implementation of new technologies, it brings about resistance and doubts in women clients, and for that reason it was important to count on a variety of suppliers offering technologies that, according to clients, fulfilled their needs and expectations.

6. OBSTACLES ENCOUNTERED DURING THE IMPLEMENTATION OF THE PROJECT

- women clients of old at FUNDENUSE S.A. were selected as the target; nevertheless, it was necessary to include new women clients, and to think about doing more group credits to serve less capitalized women clients, with smaller equipment, and to select wealthier clients for bigger equipment.
- the acceptance of the equipment by the clients became complex due to the costs and the limited information that business officials possessed on the advantages and benefits of the product: its efficiency, savings and usefulness.
- in the selected segment, clients in zones where the flow of electricity is steady, the clients were not interested in changing their commercial energy providers.
- choosing women clients with very low levels of capitalization and not interested in changing their equipment.
- clients lack of knowledge about energy savings.
- lack of equipment knowledge in the branches about its benefits and capabilities (to have a suitable knowledge of what they will sell, and how)
- consulting with the clients about their equipment needs.
- there were no training processes for clients on the part of equipment suppliers.
- internal and operating conditions at the branches.
- business officials were not the most suitable for the product.
- to consider just old clients for the product and not including new clients.

- diversification and variety of equipment, cost and usefulness wise.
- not having the equipment physically in the branches.
- not having tools to show the clients the savings from the use of the equipment.

7. ROLE OF THE NATIONAL NETWORK AND REDCAMIF

REDCAMIF

It provided:

- the generation and management of knowledge;
- specific counseling about most of the products;
- knowledge transfer;
- recommendations and exchange of experiences;
- help with capacity building;
- linking of the Institution with the Local Network and ADA;
- operations outlines for the administration of the project's resources;
- methodologies for the project design;
- continuous follow up of the fulfillment of goals;
- support for adjustments and modifications to the projects according to other experiences in Central America, and developments in other markets.

In general, the contribution of RECAMIF was very important; starting with the design of the projects up to the support processes for the implementation of the developed products.

ASOMIF

The local network contributed to the continuous follow up of the project, but it mainly provided important information to the Institution for the appropriate decision making regarding the analysis of the equipment suppliers, the diagnosis of the institution's internal conditions; this allowed for action taking in order to strengthen them, to coordinate and follow them up, to guarantee the quality of the contractual services (consulting, training, etc.).

The knowledge and experience of the Network regarding market, environment, competition and other elements played a key role in the implementation of the pilot project.

The Network's added value was to try to ensure that all the internal processes were strengthened, that the internal personnel would be involved so as to make sure the Institution could count on an installed capacity.

Generally speaking, without the participation and the monitoring of the Network, the results would not have been reached, because even if FUNDENUSE S.A. is a well-structured and experienced institution, it did not have then the internal conditions required to drive the project.

The outline of the project was right; however, a year is a very short time to design, execute and obtain impacting results in a project.

8. RECOMMENDATIONS FOR OTHER ACTORS WISHING TO REPLICATE THIS SUCCESS STORY

To design a loyalty program for clients allowing to offer them differentiated conditions based on a good risk analysis with a high weighing for the credit record and the growth of the old clients who can afford equipment of greater value. This could include flexibility in interest rates, guarantees and terms, but additionally in the awarding of recognitions to loyal and enterprising clients.

To extend the run time of the projects: a year is not enough to reach the sustainability of a product and to create the necessary conditions for its massification.

These products require of a greater promotional effort from of the sale team, because of the need for the sensitization of clients, who have traditionally managed their businesses without caring for the environment, not considering as an opportunity the acquisition of energy efficient equipment.

Development of concrete training plans about the environment, offering a variety of easy to implement, low-cost actions with short to medium term results for the clients; use of “to learn by doing” methodologies of adult education inducing the clients to undertake environmental improvements, generating economic impact on their income and efficiency on their productive systems.

Development of a marketing plan focused on the sensitization of clients about environmental matters by means of radio campaigns, simple instruction leaflets allowing them to learn that acquiring energy efficient equipment derives in an important contribution in environmental protection, but that it also generates income allowing them to improve housing condition and the protection of the family.

The product “Credit for women linked to green energy” must focus the financing of energy efficient equipment through the quantification of cash flow savings for women clients, as measured by energy consumption. The important thing is to initiate a sensitization campaign about the use of efficient equipment and to train the credit advisors so they know about the benefits of the use of this equipment and they are able relay this information to the clients.

The choice of energy efficient equipment must be based on the needs of the clients, on the evaluation of suppliers, on the efficiency of the equipment, on their quality and the ease of use and maintenance for the clients, and on the opportunity to establish alliances with suppliers willing to do demonstrations about the handling the equipment.

To concentrate the product on equipment for commercial and domestic use, specifically in the segment of women clients using personal loans, this way energy efficiency could be oriented to reduction of the consumption of energy in urban homes where, in addition to the electrical coverage being higher, the impact of savings is more obvious.

To offer the product to farming clients through two types of equipment: i) productive use entailing energy savings and II) to identify segments of clients able to afford these investments.



Thank you to those who participated in this case study:



Since 1994, ADA has been working hard to develop the provision of microfinance to populations excluded from the conventional banking circuits. Its action is designed to reinforce both the autonomy and capacities of microfinance institutions (MFIs), professional associations and networks. ADA also assists governments in their efforts to support and structure the microfinance sector at the regional and national level.

With this aim in mind, ADA can propose and develop specific and innovative microfinance products which have a positive impact on the life of thousands of people, to organise education and training for microfinance professionals working in, and on behalf of, the South, as well as provide advice and support to MFIs in their search for funding. Furthermore, ADA has taken the decision to be involved in research with a view to anticipating the future needs of the world of microfinance and to gauge the social impact of its actions. Its flexible approach enables it to adapt each project according to the needs of our partners and the realities in the field.

ADA enjoys the High Patronage of HRH the Grand Duchess of Luxembourg.



REDCAMIF is a private, non-profit, apolitical, non-religious entity composed of associations and institutions specialized in microfinance in the Central American and Caribbean Isthmus. As a network, REDCAMIF seeks to strengthen the microfinance industry in the region through union representation, institutional strengthening, network sustainability and the generation of strategic alliances, with qualified and ethically committed human resources, in order to contribute, through its programmes, to improving the quality of life of low-income families.

REDCAMIF brings together the national networks of seven countries (Guatemala, Honduras, Dominican Republic, El Salvador, Nicaragua, Costa Rica and Panama) which, at the end of 2017, had 141 MFIs serving more than 1.8 million micro-entrepreneurs, 59% of them women.



ASOMIF is an association of microfinance institutions composed of diverse, solidarity-based, strong, dynamic, transparent, efficient and constantly growing actors, which supports the leading technology of the microfinance industry and offers a variety of microfinance products in Nicaragua. It is a leader in the microfinance and micro and small enterprise sector and contributes to the development of its members, equity (social and gender) and sustainable development of the country.



FUNDENUSE, S.A. is a Nicaraguan microfinance company, born in Ocotol, the departmental capital of New Ségvie in 1993. Since its creation, it has had a social mission focused on environmental affairs. It supports the growth of micro, small and medium enterprise and producer segments in the northern, central and western regions of Nicaragua. It offers quality financial and non-financial solutions that meet national and international performance standards through 20 branches, 13 rural and 7 urban. It has 200 employees and demonstrates corporate governance committed to social performance.
