

# PROJECT STATUS REPORT

JANUARY 2017 - JUNE 2017

## SECTION 1: PROJECT SUMMARY

**PROJECT NAME:** EcoMicro: Access to Financial Services

Project Number: JA-X1010 - Project Num.: ATN/NV-15061-JA

**Purpose:** Clients of Access Financial Services (AFSL), MSMEs and low-income households use green loans to access clean and efficient energy solutions

**Country Admin**

JAMAICA

**Country Beneficiary**

JAMAICA

**Executing Agency:**

ACCESS FINANCIAL SERVICES

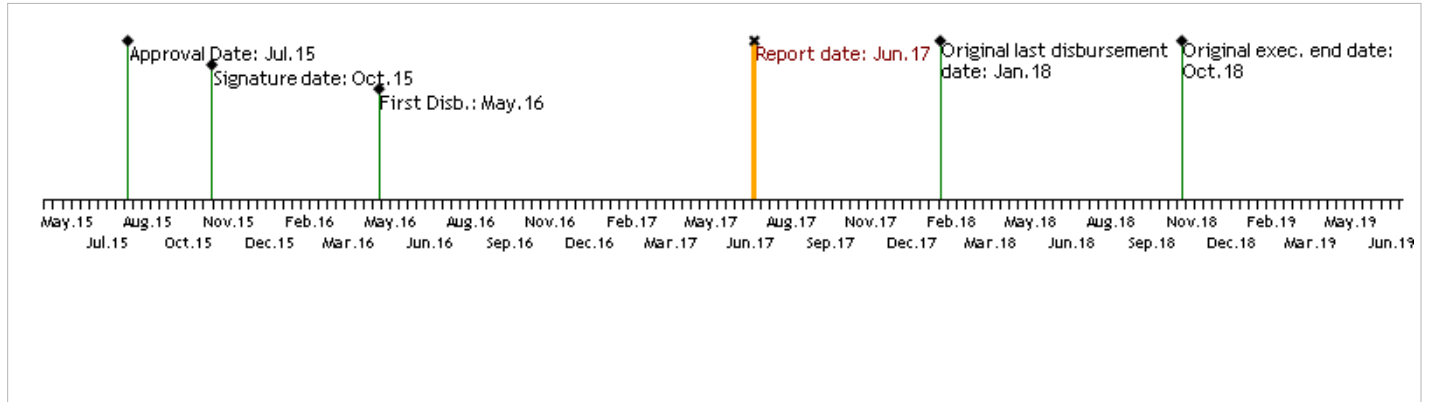
**Design Team Leader:**

GREGORY WATSON

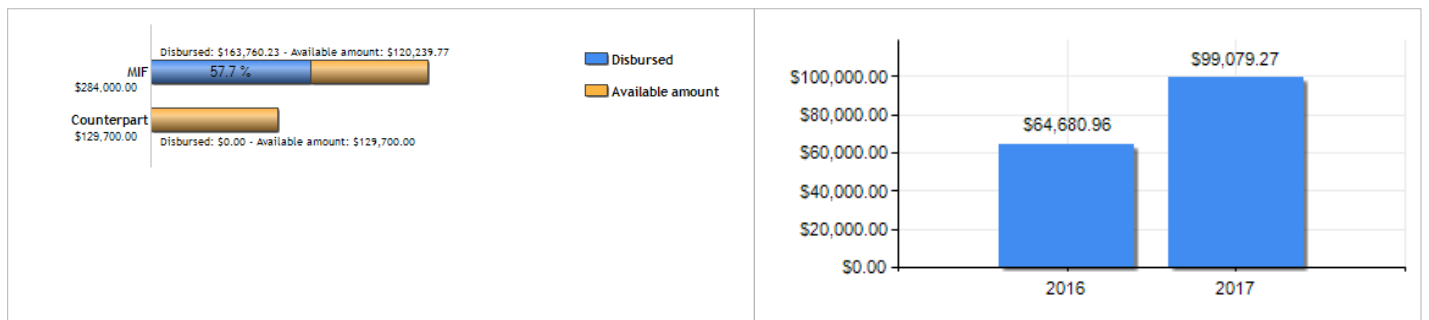
**Supervision Team Leader:**

WAYNE BEECHER

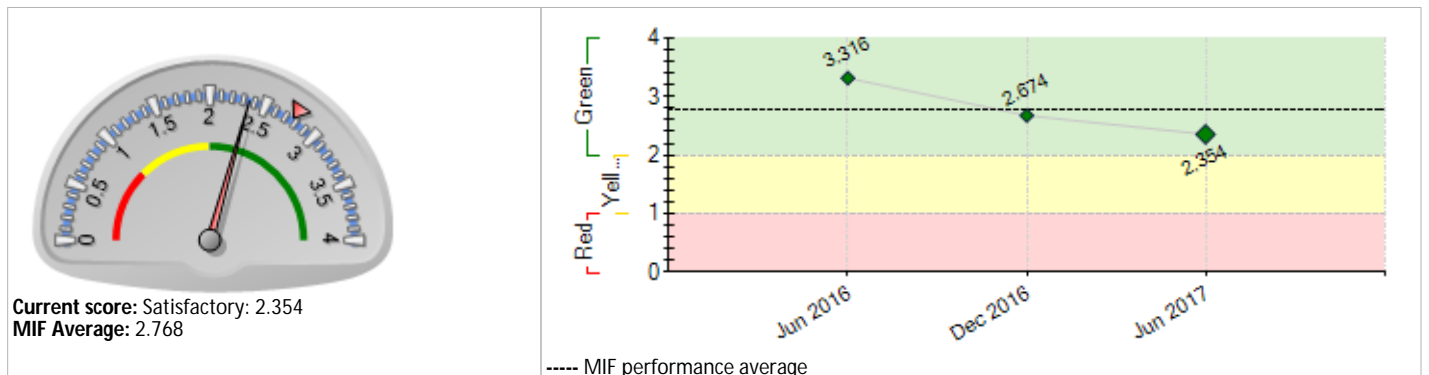
### PROJECT CYCLE



### FUNDS



### PERFORMANCE SCORE



### EXTERNAL RISKS

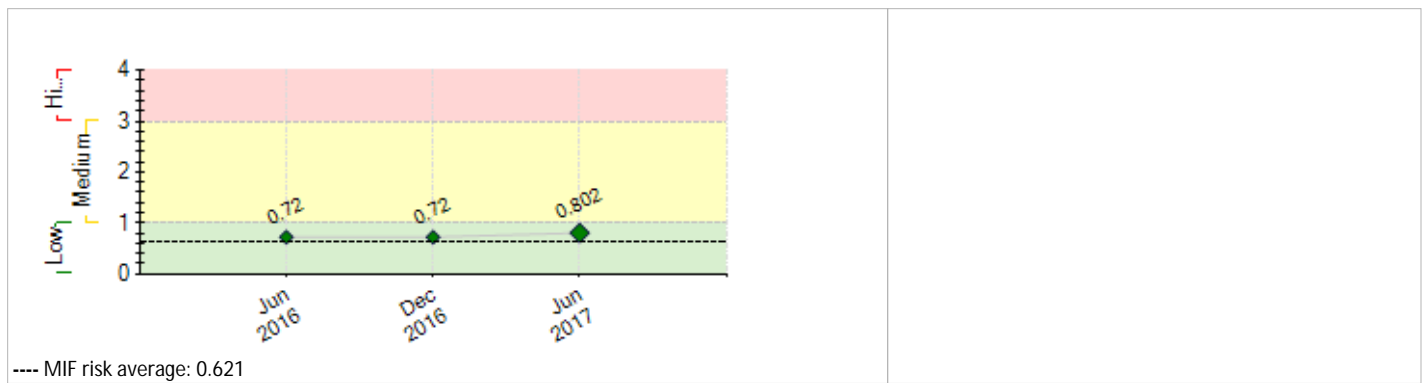
### INSTITUTIONAL CAPACITY

**Risk**

**Financial Management:** Low

**Procurement:** Low

**Technical Capacity:** Low



## SECTION 2: PERFORMANCE

### Summary of project performance since inception

**Component 1 Greening AFS Operations** Assessment of AFSL was completed, along with an environmental policy, training of staff and the completion of the GHG measurement tool. **Component 2-Loan portfolio assessment of climate change risk.** Preliminary work done on this area, we expect completion in the next semester. **Component 3 Development of a green financial product** completion of the market study and conceptualization of the loan products. **Difficulties or delays:** The project initially started later than planned due to the availability of the consulting team. However we have moved speedily to ensure that the project timeline will still be maintained. **Important risk identified:** One of the main risk we have identified is that of the viability of the product. The trend that has been identified by other financial institutions is that of limited uptake of the loan facility that are geared towards energy efficiency. As such we looked at mechanisms to make the loans attractive, however this depends much on the interest rates that we are able to offer which is tangential on our cost of funds. A delicate balance has to be achieved between the expense of the loan facility interest expense and the savings from energy reduction that the customer will enjoy. Another risk noted is that of the educational awareness of the populous and the mindset of immediate repayment for investments of this nature.

#### Comments from the Supervision Team Leader

Agree with the Executing Agency comments

### Summary of project performance in the last six months

**Component 1- Greening AFS Operations** - Environmental policy was completed and training held in strategic locations to facilitate inclusion of members of each branch. A Green House Gas (GHG) calculator was also developed to assist with measuring our impact internally. **Component 2- (Loan portfolio assessment of climate change risk)** - In March of the period preliminary work was done on the risk assessment aspect. The scope as it relates to this component was changed due to the current size of the portfolio that is susceptible to risk. Gathering the data requested proved to be a challenge, which showed some of the areas in which our IT system could be upgraded. The output from this process is a report on climate risk vulnerability of the credit portfolio and a tool to enable us to measure risk internally in a systematic manner. **Component 3-Development of a green financial product** - We conceptualized the products to be offered which looked at catering to our customers at all levels: Micro to SME. It also considered the lessons learned by other financial institutions who have also offered similar loan products. To ensure the success of the products we have built an ecosystem around them which entails an education program as well as a loyalty rewards program. The thought process is that this loan product will not be a standalone but will be incorporated into the overall framework and be balance by the ecosystem. A concept paper was drafted and submitted.

#### Comments from the Supervision Team Leader

Agree with the Executing Agency comments

## SECTION 3: INDICATORS AND MILESTONES

	Indicators	Baseline	Intermediate 1	Intermediate 2	Intermediate 3	Planned	Achieved	Status
<b>Goal:</b> Improve competitiveness of MSMEs through reduction of energy costs and increase of disposable income of households through lower energy costs	I.1 Average reduction in annual energy costs of MSMEs (330400) and of low-income households (320200). This reduction will depend on the type of technology implemented that will be defined as part of the Market Study in Component 3	0 Oct 2015				1 Jul 2017	0	
	I.2 Reduction of Greenhouses emissions: tons of CO2 in GHG emissions reduced as a result of the implementation of energy efficiency measures. (340100)	0 Oct 2015				1 Jul 2017	0	
	I.3 Average reduction in annual energy costs of the microfinance institution. Including headquarters (Kingston) and Montego Bay offices.	0 Oct 2015				1 Jul 2017	0	
<b>Purpose:</b> Clients of Access Financial Services (AFSL), MSMEs and low-income households use green loans to access clean and efficient energy solutions	R.1 Number of MSMEs (230500) and low income households (210800) that have access to new green loans developed by AFSL	0 Oct 2015				100 Apr 2017	0	
	R.2 Total value (US\$) of the new green loans commercialized by AFSL. This value will be determined depending on the technologies to be financed	0 Oct 2015				1 Apr 2017	0	
<b>Component 1:</b> Greening AFS Operations <b>Weight:</b> 20% <b>Classification:</b> Unsatisfactory	C1.I1 Diagnosis of the energy efficiency needs of AFSL and steps to reduce the institutional carbon foot print	0 Oct 2015				1 Apr 2016		Delayed
	C1.I2 Development of an environmental policy including carbon footprint calculator	0 Oct 2015				1 Oct 2016		Delayed
	C1.I3 Personnel from administrative unit will be trained on how to use the carbon footprint calculator and personnel from the human resources department, branch managers and all	0				150		Delayed

	branch personnel will receive general training on the new environmental policy	Oct 2015				Oct 2016		
<b>Component 2:</b> Loan portfolio assessment of climate change risk <b>Weight:</b> 13% <b>Classification:</b> Unsatisfactory	C2.I1	Assessment of vulnerability of portfolio to climate change carried out	0			1		Delayed
			Oct 2015			Apr 2016		
	C2.I2	Development of a risk management tool associated to climate change	0			1		Delayed
			Oct 2015			Oct 2016		
	C2.I3	Training of Credit administration department employees	0			60		Delayed
			Oct 2015			Oct 2016		
<b>Component 3:</b> Development of a green financial product <b>Weight:</b> 63% <b>Classification:</b> Satisfactory	C3.I1	Market study done	0			1	1	On Course
			Oct 2015			Apr 2016	Dec 2016	
	C3.I2	Green loan developed. The development of the green financial product will include loan methodology, marketing, operative process to work with technology providers, etc. The loan methodology and final product will be approved by the Board.	0			1	1	On Course
			Oct 2015			Oct 2016	Apr 2017	
	C3.I3	Training of employees about the new green loan	0			60		Delayed
			Oct 2015			Oct 2016		
	C3.I4	Report on evaluation of pilot	0			1		
			Oct 2015			Jul 2017		
	C3.I5	Plan for launching the new green loan at a larger scale	0			1		
			Oct 2015			Jul 2017		
<b>Component 4:</b> Knowledge management and strategic communication <b>Weight:</b> 4% <b>Classification:</b> Satisfactory	C4.I1	Number of MFIs that have access to the case study	0			10		
						Jul 2017		
	C4.I2	Number of technology providers that attend the Green Forum Expo	0			10		
						Jul 2017		

Milestones		Planned	Due Date	Achieved	Date of achievement	Status
M1	Conditions Prior	7	Apr 2016	7	Apr 2016	Achieved
M1	Market study	1	Dec 2016	1	Dec 2016	Achieved late
M2	Green loan developed	1	Mar 2017	1	Apr 2017	Achieved late
M3	Green loans disbursed as part of the pilot project	100	Aug 2017			

#### CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[None reported in this period]

### SECTION 4: RISKS

#### MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE

	Level	Mitigation action	Responsible
1. The new green product may not be feasible from a financing standpoint.	Medium	Green finance instruments could require new credit methodologies that will affect AFSL asset-liability management. Green finance loans could imply larger loan amounts and longer repayment periods. AFSL might find it risky both to increase loan size and repayment periods as their success is based on managing small short-term loans. Consulting consortium will address this risk by considering asset liability management of AFSL balance sheets and train risk management officers on this matter. New credit mechanisms might include energy savings as part of loan repayment reducing the amount of regular payment installments and collateral by using clean energy devices as the guarantee for the repayment of the loan, therefore reducing risk. Finally, partnerships with energy companies or other players might help reach greater scale and reduce unit costs and therefore loan amounts.	Project Coordinator
2. Mitigation/reduction of emissions of GHG may require high investments which are not economically viable.	Medium	A cost-benefit analysis will be done in order to give priority to those investments that have the most GHG and energy consumption impact relative to its required investment.  Clarity will be achieved in this regard once the finalized report is submitted.	Project Coordinator
3. Limited number of local technology suppliers.	Low	The market study has identified many new entrants in the market as well as established market participants. The issue of practicality of supply and cost minimization for customers will remain a key focus.	Project Coordinator
4. Limited appetite of AFSL clients for green financing products.	Low	The market research conducted indicated that there is demand for green financing products. It also indicated that this demand is not limited to only AFSL client but non AFSL clients as well. Additionally during the product design we will look at initiatives to raise awareness on climate change and its impact as a pull and or push strategy to build demand.	Project Coordinator
<b>PROJECT RISK LEVEL:</b> Medium <b>TOTAL NUMBER OF RISKS:</b> 4 <b>IN EFFECT RISKS:</b> 4 <b>NOT IN EFFECT RISKS:</b> 0 <b>MITIGATED RISKS:</b> 0			

### SECTION 5: SUSTAINABILITY

Likelihood of project sustainability after project completion: P - Probable

**CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY**

*[None reported in this period]*

**Actions related to sustainability which have been taken in the reporting period:**

During the period we pursued avenues of financing with the aim of reducing our cost of funds to be able to offer an interest rate that would make the loan product attractive. We considered the addition to the team of an individual with the necessary skill set to draft develop training modules and execute the training aspect of the ecosystem.

**SECTION 6: PRACTICAL LESSONS**

	<b>Relative to</b>	<b>Author</b>
1. To facilitate the risk assessment, data was requested and what we found was that some of the data was available but there was no report to easily access that information. As a result it took significant efforts to gather it. We also noted that there was some data requested that was not available though the system had the capacity to capture it. This showed that our IT systems required some improvements. Two steps we took to address these issues are the creation of a system generated report and the making of certain fields within the loan process as mandatory.	Implementation	Davis, Karen Felicia