Strengthening Climate Resilience:

Integrating Climate Risk and Green Finance Strategies in the Microfinance Sector

Takeaways and Recommendations for FSPs and Impact Investors from a Technical Assistance Project.



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About

HEDERA

HEDERA Sustainable Solutions GmbH is a German company specializing in green inclusive finance and impact data management. HEDERA provides advisory and software development to empower microfinance stakeholders, provide efficient digital solutions for data collection, analysis, and reporting, and foster the dissemination of green inclusive finance practices. **Technical assistance provider for VisionFund Senegal and RMCR VisionFund Mali.**

OXFAM Novib

The Oxfam Novib Fund (ONF) was established in 1998 to support financial service providers (FSPs) worldwide. Since 2007, Triple Jump has managed the ONF. ONF's mission is to help vulnerable people's climate recovery and resilience by providing (risk) finance and other support to FSPs to mitigate climate change-related risks. ONF believes FSPs are crucial in serving vulnerable people with adapted products and services while making a long-term social and financial return. **Co-sponsor of the technical assistance.**

Triple Jump

Triple Jump is a Dutch impact investment manager that focuses on providing financing to small and medium-sized enterprises (SMEs), microfinance institutions, and innovative financial service providers in emerging and frontier markets. Established in 2006, the company aims to improve access to finance for underserved communities and promote sustainable development. Triple Jump manages various funds and investment vehicles, offering financial solutions that support sectors like microfinance, SME lending, affordable housing, and renewable energy, always with an emphasis on social and environmental impact. **Co-sponsor of the technical assistance.**

VisionFund

Résau de Micro Finance de Croissance de Revenus RMCR VisionFund Mali is a microfinance institution in Mali that aims to provide financial services to low-income individuals, especially women and small business owners, to help improve their livelihoods and foster economic development. As part of the global VisionFund network, RMCR focuses on offering microloans, savings, and financial education to empower communities and promote financial inclusion in rural and underserved areas of Mali. **Beneficiary of the technical assistance.**

VisionFund

VisionFund Senegal is a microfinance institution serving over 57,000 customers nationwide, focusing on reaching rural areas and supporting women entrepreneurs. Part of the VisionFund International network, it offers microloans, savings products, and financial literacy programs designed to enhance financial inclusion and economic resilience. The majority of its customers are women, and its loan portfolio primarily supports sectors such as agriculture, trade, and small-scale manufacturing. With an average loan size below $1000, VisionFund Senegal is crucial in helping underserved communities access the financial resources they need to improve their livelihoods and foster sustainable development. **Beneficiary of the technical assistance.**

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Executive Summary

Climate change is increasingly and disproportionately threatening the livelihoods of vulnerable communities, particularly in developing countries where extreme weather, crop failure, and water scarcity disrupt daily life.Financial services are critical in helping these communities build resilience by providing access to funds, insurance, and savings solutions. **Green inclusive finance** combines these services with sustainability goals, enabling financial service providers (FSPs) to support both immediate needs and long-term resilience. This approach allows FSPs to design **tailored financial products** that help borrowers manage climate risks, invest in green technologies, and build climate resilience. By prioritizing green inclusive finance, **climate risk assessments** and collaborating **with key stakeholders** FSPs can better meet their borrowers' needs and drive sustainable development.

Impact investors, through financial support and specialized technical assistance, play a critical role in strengthening FSPs' ability to assess climate risks and build resilience within both the institution and the communities they serve.

Their support drives the climate agenda, enhances FSPs' risk management, and enables sustainable financing for low-income populations. This ensures that FSPs can maintain effective business operations and growth.

In 2024, Triple Jump and Oxfam Novib provided technical assistance to VisionFund Senegal and RMCR VisionFund Mali to support their climate risk assessment and strategy development. To assist these West African FSPs, they engaged HEDERA Sustainable Solutions GmbH, an expert in green inclusive finance with tailored digital tools and data-driven approaches to climate resilience. This project aimed to help the institutions understand their vulnerability to climate risks and design a response strategy.

This article, targeted at impact investors and FSPs, captures some of the lessons learned through the technical assistance provided. It underscores the importance of comprehensive climate risk assessment for advancing green inclusive finance for vulnerable communities.



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Key lessons learned from this initiative include:

1. **Climate impact directly affects financial institutions' operations, loan portfolios and the welfare of borrowers.** While institutions are already coping with climate risks through measures such as flexible repayment schedules and personal informal advisory services, FSPs should also prioritize understanding and addressing climate risks to safeguard their operations and borrowers.

2. **Climate strategy requires a systematic and integrated approach.** A comprehensive and integrated assessment approach is essential, as isolated efforts may lead to gaps in understanding and addressing climate vulnerabilities.

3. **Improved data management and adaptable IT systems enhance decision making.** Reliable data management systems and adaptable IT infrastructures are necessary for robust climate risk assessment and monitoring, enabling FSPs to make informed decisions and enhance their resilience to climate impacts.

4. **Investor engagement generates synergies and advances the climate agenda.** Collaborative efforts among FSPs, impact investors, and other stakeholders are crucial for effective climate risk assessment and response. Engaging in knowledge-sharing spaces such as innovation labs, workshops and webinars, can improve learning and facilitate the exchange of best practices.

Finally, the above learnings result in a set of recommendations for impact investors:

- **Coordination efforts:** Impact investors should collaborate closely with other investors, TA providers and stakeholders to ensure cohesive efforts in addressing climate risks and strategically align resources.

- **Data collection and impact monitoring:** Support FSPs to strengthen data management systems and collect borrower level data to track climate impacts effectively.

- **Effective climate strategy communication:** Facilitate clear communication of climate strategies among FSPs to ensure alignment and shared goals.

FSPs can offer inclusive services to meet immediate needs while enhancing long-term resilience. By focusing on climate risk assessment and building partnerships with stakeholders, FSPs can better meet the needs of their borrowers.

Abdou, Village Keur Seyni, Senegal. Read the full article here

"The quality of the soil is declining, and it has become harder to access groundwater. The loans from VisionFund Senegal allow us to start our sowing season on time. It is my hope to give my children a future where they can thrive without the need to leave our home for distant cities." - Abdou



Background

The impact of climate change presents significant challenges for vulnerable communities, particularly in developing countries. As conditions worsen, these communities face threats to their livelihoods and businesses, making financial services critical for preparing for or coping with climate risks.

Oxfam Novib Impact Investments is committed to fostering sustainable businesses in Africa, Asia, and Latin America. The Oxfam Novib Fund (ONF), managed by Triple Jump, supports FSPs in mitigating and adapting to climate change risks by providing adapted products and services to their customers. As an impact-focused investment firm, Triple Jump aims to overcome global challenges related to poverty, inequality, climate change, and nature loss. Together, Oxfam Novib and Triple Jump support FSPs in providing climate-smart finance to customers vulnerable to the effects of climate change.

In 2024, Triple Jump and Oxfam Novib commissioned HEDERA Sustainable Solutions to provide Technical Assistance (TA) to two microfinance institutions in West Africa: VisionFund Senegal (VFS) and Réseau de Micro-Institutions de Croissance de Revenus (RMCR) VisionFund Mali. This assistance aimed to assess climate-related risks and opportunities these FSPs face and help them develop their climate change resilience business strategies. The TA included evaluating the exposure and vulnerability of the FSPs to climate risks, assessing the impact of these risks on their performance and risk profile, and coaching to support the creation of climate change resilience business strategies for the short, medium, and long term.

In coordination with COFIDES and its Triple Inclusive Finance (TIF) program[1] in Latin America region, Triple Jump and Oxfam Novib delivered a series of webinars on building climate resilience for FSPs to disseminate results and exchange experiences. While the learnings from this project are derived from the contexts of Senegal and Mali, they provide valuable insights for other FSPs and stakeholders in their climate resilience journey.

[1] COFIDES is a state-owned Spanish enterprise that manages State funds, providing medium- and long-term financing for private investments aligned with public policy goals. Its TIF program aims to improve financing access for Latin America's low-income population while ensuring environmental and social sustainability. This is COFIDES's first blended finance project in Latin America, in collaboration with the Spanish Agency for International Development Cooperation (AECID) and EU – LACIF. More info at: https://www.programatif.com/.

1. Climate impact can directly affect the financial institutions' operations, loan portfolios and the welfare of borrowers

Climate-related risks, such as extreme weather events, droughts, and floods, significantly affect FSPs and their borrowers, particularly in agriculture, livestock, and small informal commerce in rural and peri-urban areas. These risks disrupt operations, affect loan repayments, and threaten the stability of both institutions and borrowers. To identify and mitigate these impacts, financial institutions should design or use existing assessment tools that appropriately assess climate vulnerabilities at the institutional, portfolio, and borrower levels.

RMCR VisionFund Mali operates in high-temperature regions. Extreme heat affects the electricity supply, causing lengthy outages and interrupting business operations.

In the eastern rural regions where VisionFund Senegal operates, high temperatures prevent loan officers from visiting borrowers during working hours, challenging the overall logistics of the FSP.

Approach for Climate Risk Assessment

A comprehensive approach for climate-risk assessment for the microfinance sector to design a holistic climate resilience strategy needs to consider three key interrelated dimensions: (1) the institution, (2) the portfolio, and (3) the borrowers.

Institutional Level

Assessing climate physical and transition[2] risks at the Institutional level involves examining how climate-related events and risks could impact the operations, processes, infrastructure, stakeholders, market, and overall financial health of the FSP itself.

For example, an institution operating in a region prone to floods may face disruptions in service delivery, higher operational costs, or challenges in maintaining branch accessibility.

Portfolio Level

A climate risk assessment examines how climate hazards could affect the range of financial products and services offered by the institution. It involves analyzing the potential impact on loan repayments, defaults, or the value of assets assessing the sensitivity of the portfolio to physical and transition risks in the sectors the FSP finances, which are particularly vulnerable to climate variations. This analysis enables institutions to refine lending strategies, diversify investments, and implement effective risk mitigation measures based on the exposure of different sectors within their portfolio to climate risks.

Risk mitigation mechanisms also may involve non-financial services: capacity-building and tailored technical assistance can help to raise awareness of staff and customers on the risks of the portfolio and clients' businesses.

Borrower Level

The Borrower level focuses on the specific vulnerabilities and adaptive capacities of the end-clients, who are often low-income individuals or small businesses operating in sectors highly susceptible to climate change. Borrowers' ability to repay loans, maintain business operations, or recover from climate-related shocks directly impacts the institution's financial health. Therefore, assessing how climate risks affect borrowers' livelihoods and understanding their vulnerability levels, for instance, based on a standard assessment of access to basic needs, such as energy, Water, Sanitation and Hygiene (WASH), food security, and socio-economic conditions, enables institutions to design tailored financial products that support and address the needs and capabilities of their borrowers, leading to more just solutions.

Financial products that can help to build climate resilience such as savings, housing improvements, water tanks, sustainable practices in agriculture and livestock, among others.

[2] Physical climate risks refer to the direct effects of climate change on the environment, including acute risks, extreme and immediate weather events (e.g., floods, hurricanes, heatwaves) and chronic risks, such as long-term changes (e.g., increased temperatures, rising sea levels, droughts). Transition climate risks are the economic and regulatory challenges that businesses face as societies shift towards a low-carbon economy (e.g., policy changes, technological changes, market changes, or reputation risks).

At the institutional level

FSPs have long been affected by infrastructure and climate risks, such as extreme heat affecting working conditions or electricity networks, floods disrupting branch operations, and increasing expectations for institutions to adapt to climate change impacts (e.g., renegotiating terms, extending repayment periods due to weather events). Despite these challenges, institutions have developed ways to adapt their operations, such as implementing backup energy generation systems, adjusting business hours, diversifying outreach methods (e.g., digitizing and enabling further communication channels), and setting up mobile branches in response to climate disruptions. By systematically analyzing and enhancing these adaptive practices, FSPs can strengthen their resilience and responsiveness to future climate events.

VisionFund Senegal has established processes to prepare the institution for hibernation in case of political or social risks or environmental catastrophes. This includes 'security trees,' where each employee is assigned a peer to keep communication in challenging times.



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To cope with electricity outages during working hours, 16 of the 27 RMCR VisionFund Mali branches have generators. Throughout the year, the institution's operations are affected by extreme heat and heavy rains.

At the portfolio level

FSPs that manage climate-related risks have adapted their business practices to recognize the risks of portfolio concentration. As a solution, they aim for diversified lending to manage climate shocks, thereby maintaining financial stability even in challenging conditions. Loan officers and branch managers possess valuable, yet often untapped, insights into mitigating climate risks. Their daily interactions with borrowers give them an intrinsic understanding of how climate impacts different communities, sectors that the FSPs finance, and financial behaviors. However, this knowledge is rarely systematized or formally tracked within their IT systems, meaning valuable data remains isolated within branch managers and loan officers rather than shared across the institution. Creating mechanisms to capture, document, and analyze these experiences allows FSPs to transform this know-how into actionable data, enhancing their ability to anticipate and respond to climate risks in a more structured and strategic manner. This approach not only strengthens risk management but also ensures that the accumulated wisdom of frontline staff contributes to more resilient and climate-informed financial services.

Information such as potential risks in financed sectors, reasons for defaults and loan rejections and available infrastructure at the household and business levels provide valuable data that can help FSPs refine their portfolio risk management.

At the borrower level

Resilience often depends on diversifying income streams. Many borrowers, particularly those in rural areas, already engage in multiple economic activities, such as combining small-scale farming with selling goods or offering services. This diversification helps them cushion the financial impact of climate shocks, reducing the risk of loan defaults. FSPs can support and optimize this resilience by offering products that encourage diversification, such as loans designed for multiple income-generating activities or savings schemes that buffer adverse climate events.

The climate risk assessment results at the borrower level of VisionFund Senegal revealed that households in Kolda, Kounkane, and Tambacounda exhibit a high incidence of extreme vulnerability. So do women: while 14% of women fall into the extremely vulnerable category, only 0.1% of men do. Moreover, the institution's financial services reduce borrowers' vulnerability over time. Based on data from over 18,000 borrowers, these findings showed that households with a larger number of loan cycles had significantly lower levels of severe and extreme vulnerability than households in their initial loan cycles. These findings highlight the importance of tailored financial services in reducing vulnerability, especially for women, and demonstrate how long-term financial access can play a crucial role in building resilience to climate risks at household level.

"When a borrower comes asking for loans for certain crops we already know are sensitive to droughts, we are advising them right away on alternative crops."



Mrs. Mame MBAYTA LO is the manager of the Notto sub-branch of VisionFund Senegal. She shared her observations on the impacts of climate change in the region, noting more pronounced dry seasons and higher temperatures, as well as the measures taken by borrowers and at the branch level. Although the knowledge gathered from listening to borrowers is not systematically documented, she acknowledges that they provide valuable advice on a daily basis.



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2. Climate strategy requires a systematic and integrated approach

A systematic and integrated approach involves an iterative process of continuous improvement, embedding climate vulnerabilities assessment into social performance efforts, developing assessment and monitoring tools, and implementing change management initiatives

While FSPs are concerned with building resilience to climate change, climate-related initiatives may not consistently rank as their highest priority due to the immediate challenges of maintaining financial sustainability, responding to investors, and serving borrowers' needs. This often leads to the introduction of isolated green inclusive financial or climate resilience related products or services. As highlighted in the recent Oxfam Novib publication "Green Inclusive Finance in Sub-Saharan Africa: Challenges and Opportunities"[3], it is crucial to recognize that merely launching pilot projects or developing new green financial products—without a corresponding strategic framework or thorough climate risk assessment—lacks long-term sustainability and scalability. Such efforts may fail if the institution is not entirely aligned.

A fragmented approach can lead to disjointed efforts across departments that fail to address the core vulnerabilities or opportunities presented by climate change, resulting in limited effectiveness and overall impact.

Financial institutions may have pressing priorities, such as managing high portfolio concentrations in sectors like livestock or expanding institutional reach, as seen with the partner institutions in Mali and Senegal.

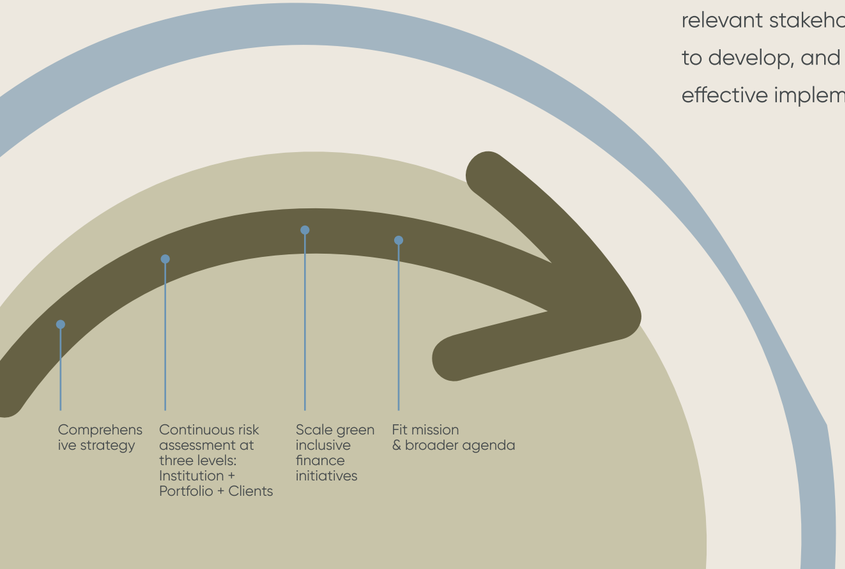
These immediate operational challenges often take precedence over exploring potentially limited markets for innovative green products, which explains why green finance isn't always prioritized.

[3] See https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/oxfam-novib-investments/rising-from-the-rubble-rukhsana-s-battle-against-climate-disasters/green-inclusive-finance-in-sub-saharan-africa

Iterative climate-risk strategy cycle

The climate strategy involves an iterative process comprising the design of a comprehensive strategy, continuous assessment of climate vulnerabilities, piloting and scaling climate solutions, and revising the fit with the mission to update the existing climate strategy.

Climate resilience related initiatives must be part of a comprehensive strategy that encompasses both the institution's internal efforts to enhance its resilience and its ability to support the staff and borrowers in adapting to climate challenges. A holistic strategy not only ensures that climate risks are managed proactively but also enables FSPs to establish clear objectives to address prevention, mitigation, and adaptation to climate change. This alignment with their mission contributes to their institutional agenda, scales climate resilience related initiatives, and facilitates communication and efforts across the organization.



Climate resilience should be integrated as part of Social Performance Management efforts

Together with introducing new climate resilience related product pilots, FSPs can benefit more from an integrated capacity-building approach that aligns with their broader Social Performance Management (SPM) activities. This integration ensures that climate resilience related initiatives are embedded into the institution's overall strategy and mission—client protection, poverty alleviation, and resilience improvement—rather than individual, non-interconnected projects.

When FSPs seek capacity-building support, coaching and guiding them in developing their strategic framework is crucial. This establishes a foundation for their actions across all aspects of their triple-bottom-line impact (social, environmental, and financial). It also identifies the relevant stakeholders to involve, the skills required to develop, and the partnerships to foster for effective implementation.


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In Mali, RMCR VFM ensured that all departments were involved in their climate risk assessment, environmental performance evaluation, and prioritization of their green inclusive finance activities within their existing operations. This approach allowed the TA to focus on coaching, providing training that equips them to sustain these practices independently in the future.



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In Senegal, VisionFund Senegal was eager to identify the key indicators to track and adapt processes for climate risk management, aiming to align these efforts with its ongoing digitalization initiatives.

Customized tools for climate resilience strategy implementation and monitoring

Most climate risk assessment references in the financial sector focus on macro-level or large financial institutions, which often are not adapted to the risks faced by smaller FSPs and their vulnerable borrowers. Dedicated and flexible tools to assess risks are necessary for FSPs to adapt their services, given their exposure to climate change events and operational models, such as group meetings, regular short visits, short loan cycles, and analog data collection. Equipping FSPs with tools for strategy development, risk assessment, needs evaluation, and staff training enables them to carry out their plans effectively. This comprehensive support fosters an environment where green inclusive finance becomes a sustainable and integral part of their operations rather than a standalone initiative. Sector tools such as the Green Index 3.0 for environmental performance assessment can support institutions in identifying gaps, prioritizing actions in their implementation of green inclusive finance, and guiding FSPs in evaluating risks along three main dimensions—institution, portfolio, and borrowers. These tools provide guidance for their climate strategy design.

Sectoral tools in the finance sector, such as the UNEP FI Climate Risk and TCDF Programme, are designed for institutions with advanced infrastructure and comprehensive data. However, standardized metrics used in the broader financial sector fail to reflect the social impact-driven performance of FSPs.

Limited digital infrastructure, time-constrained loan officers, and a lack of proper tools prevent information from being systematically captured. These challenges highlight the need for methods tailored to specific contexts that align with the realities of financial inclusion. Such tailored methods enable institutions to manage climate risks and improve their social, financial, and environmental outcomes. Additionally, they allow investors and other stakeholders to collaborate on developing more accessible and relevant climate risk assessment tools.

Change Management for staff and borrowers

Designing and implementing a change management plan helps FSPs successfully integrate climate resilience into their operations. This plan protects both borrowers and institutions from climate risks while promoting sustainability by identifying key areas for quick wins and medium-term behavioral changes. This process further develops skills and fully integrates the know-how and tools internally.

[4] See https://hedera.online/gicsf_ag_tools/green-index-digital.html

The Green Index 3.0[4] is a framework developed by the Action Group Green Inclusive and Climate-Smart Finance from the European Microfinance Platform (e-MFP GICSF-AG), for assessing the environmental performance of FSPs, identifying main gaps, and supporting institutions to plan a roadmap for improvement. The Green Index 3.0 is aligned with Dimension 7 of the Universal Standards for Social and Environmental Performance (USSEPM) co-developed by Cerise+SPTF and the e-MFP GICSF-AG, at the conceptual level of the 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, while Dimension 7 of USSEPM helps establish a detailed improvement action plan in the framework of the Universal Standards.



3. Improved data management and adaptable IT systems enhance decision making.

Understanding climate risks requires a significant amount of data and sufficient capacity to process it. FSPs operate at varying levels of maturity in their data utilization, which affects their capacity to assess vulnerabilities. Those with more advanced systems—using digital technologies for customer signup and loan application processes—can leverage data analytics to identify risks. In contrast, others struggle with unreliable data stored in voluminous paper files, hindering their ability to tailor products, provide timely guidance, accurately assess risks, and implement effective strategies for different borrower segments.

Despite the advantages of a network-based approach that VisionFund Senegal and RMCR VisionFund Mali experience as part of VisionFund International, such as knowledge sharing, resource optimization, and collaborative learning, several challenges must be addressed to fully capitalize on these opportunities. While standardizing processes is beneficial, it must be accompanied by updated data management systems that help FSPs adapt to evolving business needs and challenges, which are amplified due to differences in data availability.

In Mali, for example, a lack of digitized processes at the borrower acquisition level of RMCR VisionFund Mali hindered conducting more refined data analysis, making it challenging to track climate impacts over time and vulnerability levels, and tailor financial services accordingly. On the other hand, while VisionFund Senegal has advanced in implementing new IT systems, they are only partially adaptable to the data requirements needed for comprehensive climate risk and vulnerability assessments due to already established contracts with the IT provider with limited capability to redesign or modify.

To overcome these challenges, it is critical to prioritize integrating a customized IT system that can adapt to continuous changes in business needs to accommodate the specific data needs related to climate risks (e.g., recent hazards, measures taken, recommendations) and potential prevention, mitigation, and adaptation actions. Such integration would enable more precise data collection and analysis, thereby allowing FSPs to better understand the vulnerabilities within their borrower base and make informed decisions. FSPs can enhance their long-term climate resilience by focusing on structuring the required information for permanent climate risk identification and categorization, providing the necessary training, and fostering more coordination within the network. This ensures that strategies are implemented effectively and sustainably.

For an effective climate resilience strategy, it is important to ensure that existing IT systems and processes are flexible and capable of delivering essential data insights.



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4. Investor engagement generates synergies and enhances the climate agenda

Investors can leverage synergies by coordinating efforts across different projects to achieve optimal outcomes. A more synchronized approach among investors and support programs can ensure that climate resilience strategies are implemented more effectively, enhancing their scalability and sustainability. Investors can benefit from this project by gaining greater confidence in the FSPs' capacity to manage climate risks effectively and integrate climate resilience related initiatives, resulting in more sustainable and impactful investments aligned with long-term climate resilience goals.

The implementation of climate resilience strategies within FSPs requires strong network support and coordination at both internal and stakeholder levels, including board managers, investors, and donors. Collaborating with VisionFund International members, such as VisionFund Senegal and RMCR VisionFund Mali, enables these institutions to access shared knowledge and resources to enhance and support their climate resilience actions in alignment with the broader VisionFund International strategy. This collaborative context enables FSPs to adopt a proactive and flexible approach in designing and implementing climate resilience plans, which may involve adjustments to their usual processes.

At the partner stakeholder level, events such as conferences, workshops, or webinars provide valuable opportunities for institutions to share experiences, learn from others, compare approaches, and assess their progress. The webinars conducted[5] within this project allowed institutions to discuss common challenges, reflect on their plans, structure priorities of their climate resilience strategies, and differentiate between various approaches to environmental strategy development.

Participants highlighted the need for enhanced impact measurement techniques, including tracking the effectiveness of green financial products in terms of climate resilience. Additionally, discussions emphasized the importance of developing nature-based solutions and green technologies to better address climate risks and adaptation efforts. Investors can use these insights to design more targeted support and integrate these key themes into their projects.

[5] See https://programatif.com/noticias/fortaleciendo-la-resiliencia-climatica-estrategias-y-lecciones-para-proveedores-de

Recommendations for Impact Investors

As we have explored, the integration of climate resilience into the operations of FSPs is multifaceted, involving systematic approaches, improved data management, and strong stakeholder collaboration. To ensure these efforts are effective and sustainable, the role of impact investors becomes crucial. By strategically supporting FSPs, investors can drive meaningful change and enhance the overall impact of climate resilience related initiatives. The following recommendations outline key actions for impact investors to enhance their Contributions to climate resilience:

Coordination between impact investors and supporters is essential for driving meaningful change
Given the interconnected nature of climate risks, financial inclusion, and the microfinance sector, a fragmented approach can lead to inefficiencies and missed opportunities. A unified approach by impact investors, technical assistance providers, and stakeholders avoids fragmentation, maximizing the effectiveness of climate resilience efforts by strategically targeting resources and support.

Support data collection at the borrower level
Beneficiary data is crucial for understanding vulnerabilities, quantifying climate-related risks, and identifying adaptation strategies. As impact investors are key facilitators of financial support and technical assistance, investors should prioritize supporting FSPs in establishing processes for regular data collection at the borrower level. Investing in this area enables impact investors to empower FSPs to make informed decisions and develop targeted products that address the specific needs of their borrowers. This can be achieved through technical assistance that includes in-depth market studies and assessments of borrowers' willingness and ability to pay, laying the foundation for understanding the market and designing climate resilience related products or services.

Develop an impact data monitoring system
Establishing a robust impact data monitoring system is essential to track the effectiveness of climate resilience initiatives. Investors should work closely with FSPs to develop systems that regularly monitor, evaluate, and report on the social, environmental, and financial impacts of their investments. This will enhance transparency and enable investors to make data-driven decisions and refine their support strategies based on real outcomes.

Foster effective climate strategy communication among FSPs
Effective communication is critical to the success of climate resilience efforts. Investors should encourage open dialogue and regular communication among FSP partners (e.g., impact investors' TA teams, consultants, donors, microfinance networks, and rating agencies) to share experiences, challenges, and best practices regarding climate strategy implementation. By fostering a culture of collaboration and knowledge exchange, investors can help create a unified approach to tackling climate risks, ensuring that strategies are well-aligned and more impactful.



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VisionFund Senegal

Background
VisionFund Senegal aims to impact 940,000 children through 144,000 borrowers as part of World Vision's goal to improve the lives of 30 million children by 2030, particularly in low-income and rural communities. As part of the VisionFund International network, it provides tailored financial solutions to help households thrive. Operating in a challenging environment, VisionFund Senegal serves a population where over a third live below the poverty line, with chronic poverty affecting 75% of rural families. The agricultural sector, mainly subsistence farming, faces limited access to quality seeds, technology, and financing, and suffers from climate change, leading to land degradation and food insecurity. Rural poverty drives migration, leaving women, children, and the elderly especially vulnerable. Notably, 66% of rural residents live in poverty compared to 23% in Dakar, highlighting significant regional disparities.

Climate Risks of VisionFund Senegal
The climate risk assessment conducted by HEDERA in 2024 detailed vulnerabilities in the three dimensions, institution, portfolio, and borrowers levels. At the institutional level, VisionFund Senegal faces moderate risks in infrastructure, operations, partnerships, and finance, with processes and market conditions particularly susceptible to climate change impacts. Better protection of the branches against extreme heat and disaster risks, enhanced digitization of its physical archives, and securing operations vulnerable to flooding are key areas for improvement for the institution. On the other hand, operational disruptions due to extreme heat, wildfires, and floods underline the need for strengthened climate risk management strategies, including insurance coverage for natural disasters. In particular, the institution needs to continue diversifying its financial products -especially in livestock and agriculture, while advancing in its digitization journey to better meet borrower and investor expectations for climate adaptation. At the portfolio level, extreme heat, water scarcity, wildfires, and floods are the main risks that face over 80% of its total portfolio. Heavy rainfall and sea-level rise affect the portfolio to a lesser extent. The evaluation also highlighted that borrowers in Kolda and Tambacounda show higher vulnerability, while borrowers with longer financial track record with the institution demonstrate more resilience with better infrastructure at the household level.

Climate Resilience Strategy
VisionFund Senegal's climate resilience strategy developed within the project is guided by a vision of protecting future generations are protected from the negative impacts of climate change. At a local level, the vision is to be a leading financial institution in Senegal that champions climate resilience and sustainable development, ensuring that borrowers and communities flourish despite climate challenges. Its mission lies on empowering disadvantaged communities and households to transform in the face of climate change, promoting flourishing economies, sustainable environments, and resilient livelihoods

The strategy focuses on three main objectives:
i.) It aims to reduce climate and infrastructure vulnerabilities by financing solar pumps and clean technologies for borrowers, adapting institutional processes to withstand climate risks, and supporting sustainable agricultural practices through enhanced IT systems for climate risk assessment;

ii.) The strategy seeks to minimize adverse environmental impacts by reducing resource consumption, promoting green practices among borrowers, and building capacity to understand environmental impacts and sustainable practices;

and iii.) VFS aims to foster economic opportunities by assessing its green portfolio to identify opportunities for portfolio diversification and product adaptation, promoting sustainable practices within the institution, and installing solar home systems to reduce energy use and boost resilience.

RCMR VisionFund Mali

Background

Mali, despite being in a conflict-ridden environment since 2012, has sustained economic growth, with GDP rising to 3.7% in 2022 from 3.1% in 2021, driven mainly by cotton, cereals, and gold production. The economy is predominantly based on the primary and tertiary sectors, with agriculture employing around 80% of the workforce and contributing 44% to GDP. The population is youthful, with 47.3% under 14, and RMCR VisionFund Mali aims to impact children up to 18 years old. Poverty remains high, affecting 45.4% of the population in 2022. Due to insecurity, especially in central and northern regions, RMCR has scaled down its activities, closing five branches, and is now focusing on safer southern areas to support portfolio growth and children's welfare. The country's banking sector showed improvement, with non-performing loans dropping to 4.2% in 2022.

Climate Risks of RMCR VisionFund Mali

In 2024, the climate risk assessment conducted by HEDERA for RMCR VisionFund Mali identified vulnerabilities across its institutional, portfolio, and borrower levels in response to climate hazards such as extreme heat, floods, and droughts. The evaluation revealed a very high risk to operational activities, with moderately high risks for employees, the community, and market conditions, and moderate risks for logistics, regulations, and finance. Key challenges for the institution include the potential disruption of electricity reliability due to extreme heat, inadequate evacuation infrastructure, and dependence on well water vulnerable to climate impacts. Moreover, financial limitations hinder RMCR's capacity to invest in climate resilient infrastructure (to protect themselves fully), thereby affecting its adaptability to future challenges. Extreme weather conditions adversely impact employee productivity and community living standards, which highlights the need for specific support policies and training on climate issues. At the portfolio level, over 80% of the loan amounts are highly vulnerable to extreme heat and water scarcity, with moderate to high risks from other climate hazards, such as wildfires and flooding.

Climate Resilience Strategy

Aligned with VisionFund International's climate strategy, RMCR VisionFund Mali aims for a world where children can thrive free from the impacts of climate change. Their mission focuses on improving the lives of low-income entrepreneurs, especially women, by providing access to sustainable financial and non-financial services. This approach promotes economic growth, environmental stewardship, and community resilience. By fostering a culture of entrepreneurship and adhering to Christian principles, VisionFund Mali seeks to unlock community potential, enabling local economies to prosper in healthy and safe environments. This is achieved by focusing on strengthening customer resilience, minimizing its environmental footprint, and creating new economic opportunities in response to climate challenges.

The designed strategy in the framework of this project aims to i.) enhance customer resilience to climate impacts. ii.) improve internal risk management systems, and iii.) expand its portfolio of green financial products.

The first objective focuses on reducing vulnerabilities by utilizing solar panels as the primary energy source, educating borrowers about climate change risks, developing climate-resilient loan products, conducting regular climate risk assessments, and implementing early warning systems.

The second objective targets negative environmental impacts through training farmer borrowers in sustainable farming techniques, establishing partnerships for training, preparing staff for the adoption of the climate resilience strategy, and eliminating plastic use in offices.

Lastly, the third objective promotes economic opportunities by developing at least two green products for contractors between 2024 and 2029 and digitizing processes to reduce paper and energy costs.



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