PARTNER'S EXPERIENCE OF ENVIRONMENTAL RISK ASSESSMENT

Environmental Risk Assessment **The experience of Partner Microcredit Foundation, in Bosnia & Herzegovina**
Why did Partner decide to engage in environmental risk management?
At the beginning, Partner adopted environmental standards in response to the requirement of one of its investors. However, they quickly realized that it was for their own benefit and for that of their clients, deciding to extend the application of the standards to their whole portfolio.
How did Partner decide to manage its clients' adverse impacts on the environment?
Partner introduced environmental standards in their loan application and monitoring processes. These standards applied to their whole portfolio, from agriculture and livestock to trade and services activities. In addition to their regular loan application form, loan officers also had to fill an environmental form for each client applying for a loan. The environmental form consisted in a list of 20 multiple-answer questions. Its objective was to assess whether clients' activities entail environmental risks related, in particular, to chemical use and waste management. It was an easy-to-use form since loan officers just had to check adequate boxes when interviewing the client. According to the answers provided, an environmental score was given to each client. When the score was too low, clients could be considered not eligible. Clients who did not comply fully with the environmental standards but were still eligible for a loan had a period to change their business processes, procedures, or methodology in order to respect the environmental criteria. Three months after the loan disbursement, loan officers monitored the progress of the client by applying the same environmental form again. Partner sought to raise its clients' awareness of why managing these environmental risks is important.
What were the direct or indirect benefits of managing clients' environmental impacts?
Partner identified a main benefit in terms of public image and reputation. By managing environmental risks, they strengthened their image of a socially oriented institution, an institution that "really cares about clients, about their businesses." In a country where the competition between FSPs is high, Partner believed that engaging in environmental performance management was a strategy that enabled them to stand out from the other MFIs. Furthermore, Partner considered that clients appreciated receiving advice on how to manage environmental risks linked to their activities (especially regarding pesticides use) and how to comply with international standards. For Partner, this helped them retain clients and gain new markets thanks to their positive reputation.
What challenges did Partner face in developing environmental risk management?
At the beginning, clients did not understand why suddenly Partner was using environmental criteria. Partner thus worked on explaining to them why it is something important, not just for the institution, but also for the clients themselves. Beyond the environmental arguments, Partner stressed that complying with environmental standards was essential in terms of business, especially in a context where existing or future trade regulations were increasingly stringent on environmental standards. Partner, which is very active in rural areas, particularly raised clients' awareness of the importance not to use forbidden pesticides in agricultural production if they wanted to export to the EU market part of their production. These awareness-raising actions required a lot of time and energy and constituted a long-term process, but Partner considered that in the end it got paid off. Clients got used to the environmental form and better understood why such standards were important for their activities.
How much money and time did it involve?
Partner considered that it was a long-term process, since the objective was to change clients' awareness and practices. Yet, they did not consider it very costly in terms of resources. Partner had started by conducting a cost analysis of loan officers' activities. This analysis allowed them to identify some inefficiency in the loan approval process, such as the use of unnecessary forms. They decided to take these forms out and introduced the new environmental form. They opted for a very short and practical format, with only 20 questions and checking boxes. The environmental form thus did not come as an additional burden for the loan officers.