

Environmental Performance Management in practice

#6 – The experience of MiCrédito in Nicaragua

March 2024



In February 2022, Cerise+SPTF released the updated [Universal Standards 3.0](#). This third edition now includes a new Dimension 7 dedicated to Environmental Performance Management¹. This addition reflects a growing awareness that we all have a role to play when it comes to facing environmental and climate challenges. And yet, what this looks like for actors in inclusive finance remains elusive for many.

What does it mean to manage environmental performance, in practice?

We invited pioneering institutions to share their experience. In this blog, Verónica Herrera, General Manager of **MiCrédito** in **Nicaragua**, gives us her testimony, with the support of Natalia Realpe Carrillo, director of **HEDERA**, who has been working with MiCrédito to redefine its green strategy.

1. What ecological issues are facing the communities in which you work?

MiCrédito is a microfinance institution based in Nicaragua and Costa Rica that seeks to improve the quality of life for people living in vulnerable areas. We focus on agriculture and we emphasize women's empowerment. In addition, as a transversal axis, we guarantee that all our operations are developed with good environmental practices.

In our areas of intervention, the main environmental risks and problems are **the lack of water**, many **changes in the climate**, and **natural disasters**. In addition, the expansion of agriculture, illegal forest exploitation and wood extraction, have led to **deforestation**, affecting soils; the loss of forests causes erosion, loss of biodiversity, degrades the soil and contributes to climate change.

Events such as **drought**, **drastic temperature increases** and **climatic phenomena** such as hurricanes also affect Nicaragua, affecting agriculture, food security of the population and coastal ecosystems. Our country has many different ecosystems, such as wetlands, tropical forests, mangroves, and coral reefs. But both deforestation and environmental degradation **threaten the diversity of species** in the country. Finally, the discharge of untreated industrial and residential waste contaminates the water and affects the health of communities that depend on the affected water resources.

¹ Dimension 7 was developed by CERISE+SPTF in coordination with the [e-MFP GICSF Action Group](#). Dimension 7 is fully aligned with the [Green Index 3.0](#), which is the environmental performance evaluation tool developed and managed by the GICSF Action Group.

2. Why did your institution choose to manage its environmental performance?

The current context represents **several challenges** for an institution such as ours, considering the consequences of climate change and the weakness of the infrastructures in the communities we serve (in matters of access to drinking water, sanitation, and energy). Weather events have a **significant impact on the local economy**, as well as on rural communities (damage to properties, crops and other livelihoods), **increasing their vulnerability** and **increasing the credit risk of our institution**. These negative impacts force us to **offer financial products focused on our clients' climate needs**, and infrastructure solutions that improve their quality of life and increase their resilience to climate change.

As an institution, our mission is to create social and financial inclusive business solutions for micro and small entrepreneurs, to enable them to build a prosperous future. This mission can be segmented into three pillars: i) women empowerment, ii) environment protection, and iii) putting the client at the center of every decision regarding our internal and external actions. For us, improving environmental performance goes hand in hand with our lines of action: we develop loan products that meet our clients' needs and enable women to gain autonomy, take initiative, and make their lives better.

3. What have you done to improve your environmental performance?

Since our establishment, we have developed a **credit policy that prohibits financing activities with a negative environmental impact**, such as forest exploitation and water pollution. We are committed not only to providing credit for businesses but also to improving the quality of life of our clients and their families by promoting initiatives with a high social impact.



In 2013, we initiated the **Green Energy project** in the department of Boaco, in the rural area of Teustepe, to address the needs of the communities in matters of energy and health. By providing financial services, we identified the opportunity to promote clean and affordable energy, thereby reducing environmental pollution and improving the quality of life of our clients.

In 2014, we launched the **Water and Sanitation project** in two departments of the country: Masaya and Estelí. To implement this project, a Municipal Development Committee and a Technical Committee were established to identify families without access to sanitation systems and provide technical assistance to clients during the design and construction of decent sanitation facilities.

Both projects are carried out **in collaboration with local suppliers** of solar panels, clean water and sanitation tools, providing assets and technical assistance, while we provide financing. These projects have **now expanded to all of our 14 branches in Nicaragua**.

In addition, we recognize the importance of promoting climate action not only among our clients but also among citizens in general. Therefore, in 2016, we launched the first **reforestation days** in schools and other internal activities to raise awareness about environmental protection. In 2017, we inaugurated a **communication unit** dedicated to leading activities and creating internal and external communication campaigns **to raise awareness about environmental issues**. In 2021, the Shareholders' Meeting approved the creation of the **Social Impact Management plan** to continue promoting and working on actions based on the Sustainable Development Goals (SDGs).



In 2023, MiCrédito implemented [HEDERA's](#) digital tools (HEDERA Impact Toolkit²) to carry out a **study to assess how its clients have access to basic services**. The study covered all branches, **with the participation of all credit officers**. For more than 1,000 households, the

study analyzed the level of **access to water, electricity, sanitation, cooking equipment**, and the level of **environmental safety**. Results identified the need for improved access to drinking water, the construction of toilets for households that did not have them, and the need to offer cooking solutions that would not affect the health of our female-headed households.

Following the study, in July 2023, we launched a **Product Redesign Competition** entitled “*GreenFinTech Challenge - Developing a High Impact Financial Future*”. The objective was to **invite our employees to examine our financial products and suggest how they can be improved by integrating a sustainability component** that addresses the identified needs of our clients, scalable and cost-effective, achieving a triple bottom line approach.

Finally, with our commitment to improving people's well-being, and through **non-financial services**, we **promoted virtuous environmental practices** for our clients and the communities we are operating in. Among other actions, we conducted campaigns to improve waste management, preserve water resources, and celebrate Nature/Earth Day.

² The HEDERA Impact Toolkit (<https://hedera.online/en/hit/index.html>) was implemented using the ESMAP - Multi-Tier Framework surveys to evaluate access to electricity and cooking, the JMP/UNICEF Joint Monitoring Programme's access to drinking water and sanitation, and the Food Insecurity Experience Scale (FIES) of the Food and Agriculture Organization (FAO).

4. What are the results so far?

Since 2012, more than **9,000 people** have benefited from loans to improve access to **clean water and sanitation**; since 2014, **7,600 people** have financed access to **clean energy**; and from 2018 to May 2023, we have facilitated more than **5,500 satellite agricultural insurances** for farmer clients.

Thanks to the study we carried out with HEDERA, we achieved a **high level of staff awareness**. And with the **Product Redesign Competition**, all 15 branches of the institution (in Nicaragua and Costa Rica) participated, **11 loan products were reviewed**, and a board of 8 examiners, including external organizations and experts, was invited to listen and evaluate the proposals.



5. What lessons have you learned from these experiences?

In our journey to improve environmental performance, we gained experience and we learned that it is necessary to work in partnerships, create spaces for webinars and conferences, and build the commitment of our team.

Pursuing partnerships to achieve our environmental goals has been essential to our success. We have agreements with relevant stakeholders in drinking water, sanitation, and clean energy. These partnerships allow us to train our employees, support our clients with technical assistance, and create communication campaigns to promote the importance of our financial products. Moreover, thanks to the collaboration with HEDERA, we have been able to identify the most impactful actions for our clients.

Sharing our experience with the industry also helped us make progress. MiCrédito has led a webinar with the e-MFP GICSF Action Group; shared its experiences during a workshop hosted by Cerise+SPTF on Dimension 7 for Environmental Performance Management; and also participated in previous events hosted by the microfinance network [REDCAMIF](#). Each meeting has allowed us to identify our strengths, reflect on our work, and learn how to surpass our own standards.

In addition, **involving the team in the appropriate design of the products** has been fundamental in driving and sustaining progress toward better environmental management within the organization. This has helped employees to appropriate the topic, be aligned with the vision and values of the institution, generate innovative ideas, identify the real needs of the client and be willing to allocate time, effort and skills to achieve compliance with environmentally responsible practices in their day-to-day work. Moreover, they are willing to collaborate on projects related to sustainability and they want to learn and continuously improve in this aspect.

6. What are the next steps to improve your environmental performance?

After the competition held between July and August 2023, we seek to implement the winning products of the Product Redesign Competition, receive feedback from our clients, and we **plan the launch of the products**. In addition, our Social Impact plan foresees the **use of renewable energy in all our branches**, reducing pollution and improving people's quality of life.

We are always on a **constant learning journey**, continually curious to be inspired and implement ideas that can be successful in our organization.

7. What would you recommend to a microfinance institution that wants to get started in environmental performance management?

We would recommend to define environmental performance management as a priority for your institution, working in such actions as:

- Develop an environmental policy;
- Integrate environmental criteria into risk assessments;
- Train staff;
- Promote green financing;
- Incorporate sustainable technologies;
- Monitor and report environmental indicators;
- Develop strategic partnerships;
- Establish environmental goals;
- Promote environmental education;

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