



# 4<sup>th</sup> EUROPEAN MICROFINANCE AWARD

Microfinance for Food Security

EUROPEAN  
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MICROFINANCE AWARD**

**Microfinance for Food Security**



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## European Microfinance Award Background

Convinced that microfinance is an important tool for poverty alleviation, the Luxembourg Ministry of Foreign Affairs - Directorate for Development Cooperation announced the creation of the European Microfinance Award during the closing of the Microfinance Week, Luxembourg on 19th October 2005.

The European Microfinance Award is organised jointly by the Government of the Grand Duchy of Luxembourg; Ministry of Foreign Affairs - Directorate for Development Cooperation, Ministry of Finance, the Luxembourg Round Table on Microfinance and the European Microfinance Platform (e-MFP) to promote microfinance initiatives and highlight their contribution to the development of the sector.

Previous themes for the award were rural outreach, social responsibility in microfinance and value chain finance and former winners were: Zakoura Foundation, Morocco in 2006 for its programme on rural tourism; Buusaa Gonofaa, Ethiopia in 2008 for its client assessment system and Harbu, Ethiopia in 2010 for its initiative financing a soybean value chain.

## Microfinance for Food Security

In 2012, the 4<sup>th</sup> European Microfinance Award identified the issue of “Microfinance for Food Security” and focused on microfinance initiatives which contribute to improving food production and distribution conditions in developing countries.

The definition of food security, which first originated in the World Food Conference in 1974, has varied considerably over the last 38 years and stakeholders still debate specific terminology. For the purpose of this Award the following definition of food security has been adopted:

*“Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life”.<sup>1</sup>*

Food security is a broad issue, too broad to be effectively achieved by a single set of specific interventions. The issues of food security must be tackled comprehensively. Therefore, to address such a complex issue, microfinance can contribute only if coupled with other services. Strategic alliances and partnerships with meaningful actors have been seen to enhance the provision of diversified technical assistance, market linkage support or market access.

The objective of the 4<sup>th</sup> European Microfinance Award on Microfinance for Food Security is to highlight and stimulate such initiatives and partnerships that represent breakthroughs in promoting food security.

Microfinance institutions, by broadening financial inclusion, play an important role in fostering food security. Through their financial products and innovative partnerships, microfinance institutions can:

<sup>1</sup> FAO. 2006. Food Security. Policy Brief, issue 2. Rome: Food and Agriculture Organization of the United Nations. [ftp://ftp.fao.org/es/ESA/policybriefs/pb\\_02.pdf](ftp://ftp.fao.org/es/ESA/policybriefs/pb_02.pdf).



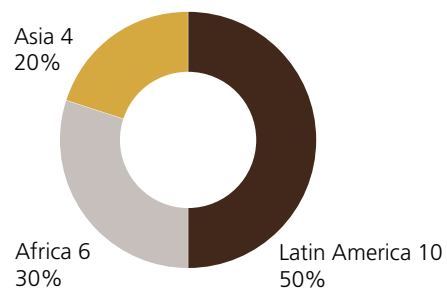
- enhance agricultural<sup>2</sup> production, productivity, and diversification,
- supply safe and better quality food,
- support food transformation,
- strengthen food distribution networks and food commercialization,
- ensure adequate food storage and preservation,
- reduce post-harvest losses,
- support defence mechanisms for speculating attacks in situations of price fluctuation,
- contribute to build 'shock-absorber' systems avoiding pre and post-harvest food crop loss,
- foster organic and sustainable farming,
- increase women's access to tools and/or processes that increase productivity in agriculture,
- guard and support valuable traditional farming practice,
- expand opportunities and empower communities and groups.

The major challenges faced by rural financial institutions are to reduce transaction costs, mitigate the risk of the loan portfolio, and find new forms of guarantees, adapted to every context of intervention.



## Selection Process

Twenty applications from eleven countries were received for the 4<sup>th</sup> European Microfinance Award. Most of the initiatives presented were from Latin America (ten) and especially from countries such as Bolivia, Peru and Ecuador. Six applications were received from Africa and four from Asia and Central Asia. The geographical location of the applications received is as follows:



<sup>2</sup> Agriculture, as utilized in this document, includes both crop and non-crop agriculture, livestock, fishing, etc.



Initiatives presented link financial services with other services to face the complex challenge of food security. Strategic alliances and partnerships with other actors provide different kinds of technical assistance, market linkages support or market access. The partnerships presented in the different initiatives are often done in collaboration with the public sector, producer organizations, NGO, rural entrepreneurs, government program, international cooperation programs, etc.

Each application went through a rigorous evaluation procedure and selection was based on a transparent range of indicators (financial viability, social performance, relevance of the initiative for microfinance for food security, financial sustainability of the initiative, up-scaling potential, replicability, innovation and quality of the proposal). e-MFP was responsible for the pre-selection of the first ten applications, from which the Luxembourg Round Table on Microfinance nominated the three finalists.

The High Jury composed of Professor Muhammad Yunus, Nobel Peace Prize Laureate 2006; Philippe Loop, Head of Unit, Private Sector Development, Trade and Region Integration at European Commission – EuropeAid; Marc Bichler, Executive Secretary UNCDF/e-MFP Chairman; Camille Thommes, General Director of the Association of the Luxembourg Fund Industry (ALFI); Thomas Seale, President LuxFLAG; Pit Hentgen, President of the Association of Insurance Companies, Luxembourg; Sanjay Sinha, Executive Director of M-CRIL; Tesfaye Befekadu, CEO of Harbu Microfinance and Edvardas Bumsteinas, Senior Investment Officer, European Investment Bank, had the difficult task of selecting a winner from these three finalists.

The 4th European Microfinance Award was presented on 15th November 2012 in the premises of the European Investment Bank (EIB), by Her Royal Highness The Grand Duchess Maria Teresa of Luxembourg, with Professor Muhammad Yunus, Chair of the High Jury, President of the Yunus Centre and Nobel Peace Prize Laureate 2006, in the presence of the Luxembourg Minister for Development Cooperation and Humanitarian Affairs, Marie-Josée Jacobs, the President of the EIB, Werner Hoyer and (by video link) the European Commissioner for Development, Andris Piebalgs.

Werner Hoyer, EIB President gave a warm welcome to the participants and hoped that the winner of the 4th Award “would seize this opportunity to use microfinance as an effective tool to foster financial inclusion and contribute to sustainable economic development”. Marie-Josée Jacobs, Minister for Development Cooperation and Humanitarian Affairs, reinforced the commitment of the Luxembourg Cooperation in fostering innovation in the research and development of new microfinance products and services, including the development of microinsurance, microenergy, and microfinance for education and for agricultural production. She introduced the video made in Ethiopia of the 2010 European Microfinance Award winner, Harbu Microfinance, which presented an initiative of integrated development for a rural community, through the creation of a soybean value chain.

After the video, Andris Piebalgs, European Commissioner for Development, declared that microfinance institutions must support greater rural development and agricultural production and offered his gratitude to the finalists for their valuable contributions.



The three finalists were announced: ASKI (Alalay Sa Kaunlaran Inc.) from the Philippines, Banco FIE (Banco para el Fomento a Iniciativas Económicas S.A.) from Bolivia, and Kompanion Financial Group from Kyrgyzstan.

Professor Muhammad Yunus then addressed the audience and explained how today we have come to a stage where things that used to be impossible, suddenly become possible, suddenly become routine and suddenly become uninteresting because they are so "routine". But yesterday these were completely impossible. Therefore, as we move forward, the distance between possible and impossible is shrinking". "Then", he went on to say, "why don't we take all the impossible things we have in front of us to make sure to make them possible tomorrow. If we make up our mind, we can do that, we can build a world

completely different from the one we have today. Microfinance is an initiative which demonstrated the power of this."

Professor Yunus and Her Royal Highness The Grand Duchess then presented the 4th European Microfinance Award with a prize of €100,000 to the Philippine Microfinance Institution ASKI, represented by its Executive Director, Mr. Rolando Victoria for the initiative "Increasing the small farmers productivity through financing, market linkages and capacity building programs".

Mr. Victoria said: "To date almost 19,000 Philippine farmers are benefiting from these loans, which are making a valuable contribution to the needed food security initiatives of our country. We are honoured to receive recognition from such an esteemed Jury. We will use the funds to invest in further opportunities for the farming community which would provide them with additional sources of income to sustain the daily needs of their family."

Professor Yunus also presented certificates to the two other finalists: Banco FIE from Bolivia and Kompanion Financial Group from Kyrgyzstan who were highly praised by the High Jury.

e-MFP is pleased to present the initiatives of the three finalists as a contribution to highlighting how microfinance can contribute to food security.





# ASKI, PHILIPPINES

## Name of initiative:

Increasing the small farmers' productivity through financing, market linkages and capacity building programs

## Snapshot

**ASKI's microfinance initiative for food security consists of providing micro agriculture loans to smallholder farmers, ad-hoc farmers support services and insurances, and sustains market linkages to private sector enterprises. The complete product enhances knowledge and productivity of small farmers and helps them increase yields, produce good quality harvests, and reduce postharvest losses.**



## Institutional overview<sup>3</sup>

<b>Legal Status</b>	Microfinance Institution
<b>Country</b>	Philippines
<b>N. of Active Borrowers</b>	72,212
<b>Year of Establishment</b>	1987
<b>Portfolio</b>	€ 20,799,597
<b>Av. Loan size</b>	€ 219
<b>e-MFP supporting member</b>	OikoCredit

The Alalay Sa Kaunlaran Inc. ASKI, was created in 1986 in the year of the 'EDSA people power revolution'. Since then, the institution has been promoting socio-economic development through client-focused financial and non-financial services anchored on Christian principles. ASKI is not only focused on providing micro-credit; the organization is also engaged in doing community development and social work, such as the children scholarships programme, the feeding programme, and the health programme for senior citizens.

## The food security challenge in the Philippines

In the Philippines the number of people undernourished grew from 15 million in 1990 to 16 million in 2012 while the proportion of undernourished to the total population has actually decreased from 24.2% to 17%<sup>4</sup>. The Philippines is frequently hit by typhoons, partly attributed to climate change, and throughout the year, even during summer, rains are frequent and often incessant for long periods of

<sup>3</sup> All data provided here refer to December 2011.

<sup>4</sup> "The State of Food Insecurity in the World", FAO, 2012.



time. Agriculture is one of the country's strengths in fostering food security, but small farmers especially in remote communities still suffer from the lack of infrastructure, such as irrigation facilities, crop-drying facilities, and bridges, and have limited information about agriculture innovations which results in low farm yield, lack of knowledge, and low land productivity. The Philippine government provides technical and infrastructure support to small farmers to meet the targeted food security and self-sufficiency (particularly for the staple food) however the support of the private sector is encouraged through public-private-community partnerships.

### How does the initiative work?

The initiative presented for the 4th European Micro-finance Award focuses on ASKI's agricultural loan product for farmers and agri-businesses. The product dating from 2004 is now the most popular financial product in ASKI's portfolio, accounting for 41% of the total portfolio. Credit is used by small farmers for crop production and other agro-enterprise needs. ASKI, in partnership with other private organizations and local officials, assists communities in buying farm

machinery, such as water pumps, infrastructure, solar dryers, and foot and hanging bridges to improve their productivity and reduce postharvest losses. The Agricultural Loan requires no collateral, applies individual liability, a lump sum repayment system (balloon payment after harvest), and charges a monthly interest rate of 3%. Crops produced and supported include rice, maize, onion and root crops.

ASKI's staff provides technical assistance in farming, while market linkage support is implemented in partnership with government agencies and NGOs. ASKI's staff has recently been certified as official trainers on the 'value-chain development methodology in agriculture'. For market linkages in particular, ASKI has an agreement with the San Miguel Foods Corporation and connects the cassava farmers to this large company. ASKI also has operational agreements with the National Livelihood Development Corporation (NLDC), the Catholic Relief Services (CRS), the Department of Agriculture and the Jollibee Foundation in helping onion farmers supply their produce to Jollibee Foods Corporation, one of the biggest hamburger chains in the Philippines. Because of the country's exposure to typhoons, all farmer clients are required to subscribe to the crop-insurance programme of the Philippine government. Through



these partnerships ASKI's farmer can address their needs and those of their families, as well as positively contribute to food security in the country.

### The outcomes of the initiative

The total number of farmers benefitting from the credit program as of December 2011, were 18,856 with a portfolio of € 7,513,047.84<sup>5</sup>. In addition ASKI provided irrigation facilities, 30 units of water pumps

benefiting 300 families in 9 villages, two solar dyers benefiting 380 families, and three hanging and foot bridges that are now being used by 700 families. These infrastructures contribute to reducing pre and post-harvest crop losses as farmers can dry their products easily using solar dyers, can expect a better harvest than from the previously non-irrigated plots, and ease the transportation from the farm to the market by using hanging bridges. ASKI also assists those engaged in livestock production.

<sup>5</sup> Exchange rate applied is of 56 Pesos to 1 Euro.



# BANCO FIE, BOLIVIA

Name of the Initiative: Agricultural Loan

## Snapshot

**FIE's Agricultural Loan is well tailored to the needs of rural smallholder farmers and to their production cycle (individual loan with no material guarantees). Although recent, Banco FIE's rural credit activity has been exemplary in sustainably financing rural entrepreneurs. In just over two years Banco FIE has become one of the five principal funders of the agriculture sector in Bolivia and encourages the traditional financial sector to move to rural areas and support agriculture.**



## Institutional overview<sup>6</sup>

<b>Legal Status</b>	Bank
<b>Country</b>	Bolivia
<b>N. of Active Borrowers</b>	175,579
<b>Year of Establishment</b>	1985
<b>Portfolio</b>	€ 449,784,093
<b>Av. Loan size</b>	€ 2,562
<b>e-MFP supporting member</b>	OikoCredit

BANCO FIE (Banco para el Fomento a Iniciativas Económicas S.A.) was initiated, first as an NGO, in 1985 thanks to the impetus and commitment of five Bolivian women in a context of profound social crisis. Banco FIE began operating as a bank in May 2010 and is now the largest microfinance institution

in Bolivia. Banco FIE provides microfinance services, such as loans, savings and other financial products, initially to urban entrepreneurs. Lately, Banco FIE ventured in rural areas, opened new branches and experimented with new microcredit products for rural entrepreneurs.

<sup>6</sup> All data provided here refer to December 2011.



## The food security challenge in Bolivia

In Bolivia the proportion of undernourished to the total population is very high but decreased from 34.6% in 1990 to 24.1% in 2012<sup>7</sup>. In 2008 the government responded to the rise of global food prices with a comprehensive set of actions aiming at stimulating local production and facilitating supply in local markets.

The Bolivian government launched an agricultural production model aimed at boosting food sovereignty by supporting small farmers, in order to generate surpluses to cushion the swings in international food prices. The new law (Law 144 - *Ley de la revolucion productiva comunitaria agropecuaria*) issued in 2011 established the institutional and political foundations for the new agricultural production model which combines modern scientific farming standards and techniques with ancestral indigenous traditions aimed at producing and storing food during periods of climate adversity and prioritizing organic production in harmony and balance “with the kindnesses of mother earth”. Like the economy at large, agri-

culture faces major structural obstacles which keeps it from reaching its vast potential. The lack of roads hinders farmers from getting their produce to domestic markets and a lack of credit for farmers is a long-standing problem caused by strict lending procedures of the commercial banking sector.

## How does the initiative work?

The initiative presented for the 4th European Micro-finance Award focuses on FIE's Agricultural Loan product for entrepreneurs engaged in agriculture and livestock production. The loan is used by entrepreneurs to invest in working capital and productive assets and is tailored to the needs of the production cycle of agricultural and forest crops, livestock, poultry, fish, and the breeding and reproduction of other animals. The Agricultural Loan is an individual loan where the spouse is a co-signer and no material guarantees are requested; the repayment schedule is tailored to the repayment capacity of the client and the interest rates are based on the riskiness of the initiative funded with, as an incentive, a 5 percent-

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<sup>7</sup> “The State of Food Insecurity in the World”, FAO, 2012.



age points discount compared to FIE's other loan products (on average it was 16.95% in December 2011). The average size of Agriculture Loans is below 3,700 USD. Banco FIE established an Agricultural Credit Unit, composed of experts in the agricultural sector; this Unit is central to the management of the Agricultural Loan and manages a database on yields, prices, weather and other external factors that could affect production and the markets. In addition, FIE creates strategic alliances with entities that offer technical assistance and market access to farmers and herders and with small producers associations involved in the production of milk, dairy, quinoa, coffee, cattle, fish, poultry, oil, chestnut, chocolate, winemaking, peanuts and fruits (22 partnerships established). The initiative is facilitated by a supporting environment, where the Government, with its policies and technical assistance, favours food sovereignty in Bolivia.

The Agriculture Loan has supported more than 40 products mainly: milk (10%), grains (10%), potatoes (5%), cattle raising (4%), poultry (4%), banana (5%) and coffee (10%). To reach the agriculture sector, FIE is opening new branches in rural areas which will have a direct impact on its agricultural portfolio.



## The outcomes of the initiative

FIE covers 14% of the 337 municipalities of Bolivia, affecting, directly and indirectly, 230,000 families. The Agricultural Loan is offered in the 121 branches at national level and represents 5.3% of FIE's gross portfolio (USD 30,764,000) accounting for 5.03% of its total clients (9,495 loans), with a default rate (1 day) of 0.33%.



# KOMPANION FINANCIAL GROUP, KYRGYZSTAN

## Name of the initiative:

The Home Garden Development Initiative:  
an Ethno-ecological Approach to Food Security

## Snapshot

Kompanion's Home Garden Development initiative consists of providing training on organic home garden production for year-round access to nutritious food, applying traditional management and dietary practices. Registered trainees are eligible for a specially designed loan product called Credit for Conservation to encourage households to invest in food security-promoting practices.



## Institutional overview<sup>8</sup>

<b>Legal Status</b>	Microfinance Institution
<b>Country</b>	Kyrgyzstan
<b>N. of Active borrowers</b>	137,310
<b>Year of Establishment</b>	2004
<b>Portfolio</b>	€ 46,396,623
<b>Av. Loan size</b>	€ 338
<b>e-MFP supporting member</b>	BlueOrchard Finance S.A.

Kompanion, founded in 2004, is the largest MFI in Kyrgyzstan. Its 1000 employees, working in 157 offices, offer financial services in remote areas where few or no other financial institutions are active. Kompanion's approach of providing micro loans (individual and group) along with science-based support helps small-holder farmers and

livestock holders build healthy and financially stable livelihoods for themselves and their communities. In 2010 Kompanion formalized its focus on food security and established the Development Department comprising 16 agronomists, 17 veterinarians and 15 community mobilizers for extension services.

<sup>8</sup> All data provided here refer to December 2011.



## The food security challenge in Kyrgyzstan

In the Kyrgyz Republic the number of people undernourished decreased by 50% between 1990 and 2012 while the proportion of population undernourished decreased from 15.5% to 6.4%<sup>9</sup>. Even though nearly every household in Kyrgyzstan has access to land, 36% of Kyrgyz households are still food insecure and up to 30% of their children are undersized due to micronutrient deficiencies. Kyrgyzstan has a harsh climate, volatile temperatures, and the challenges that Kyrgyzstani farmers face are many. Micronutrient deficiency is the heart of the food security problem in Kyrgyzstan thus enhancing dietary diversity is critical for improving Kyrgyzstan's food security. In addition to this, the lack of information and the decreasing land productivity keeps people in Kyrgyzstan in poverty and food insecure.

## How does the initiative work?

The Home Garden Development initiative consists of training small-holder farmers on improving their



home garden production using organic methods; the aim is to increase households' income from the sales of their produce, to promote biodiversity for long-term nutritional benefits and for sustainable land management. The specific trainings offered are based on the ethno-ecological approach (see Box 1) and provides trainees the possibility of accessing a tailored and discounted loan called Credit for Conservation. The first training scheme based on the ethno-ecological approach was developed by Kompanion in 2006 with the "Apple project". Given

<sup>9</sup> "The State of Food Insecurity in the World", FAO, 2012.



its success, in 2010 Kompanion started the Home Garden Development initiative which comprises four different training schemes: “Eco-Garden” focusing on the production of fruits in home gardens; “Alpine Greenhouses”, to improve production of vegetables in harsh growing conditions; “Garden-in-a-box”, to improve diversification of vegetable growing and consumption, and “Cellar”, to improve storage for year-round access to food. This initiative targets poor communities where participants are organized into groups, generally by location (neighbours), of 15-20 people. Trainings are one-year long with 5-10 training modules per initiative. Registered trainees, with regular attendance, are eligible for a *Credit for Conservation* loan for households to invest in food security-promoting practices that improve the long-term productivity of their home gardens. The *Credit for Conservation* is a group loan which requires no collateral and applies joint liability. These loans are priced lower (0.5% per month) than Kompanion’s break-even cost to encourage households to improve their long-term food security and their land value. *Credit for Conservation* loans can be used to purchase fruit tree saplings, seeds, fencing to protect the garden from livestock damage, insects for pest control, cellar improvements or construction, irrigation improvements, land, soil testing, manure or other organic inputs. Loan size depends of the repayment capacity of each group and monthly flat rates vary from 1.5% to 1.6% (flat). *Credit for Conservation* loans range from 70 to 2,000 US\$ (first loan), while the average size is of around 450 US\$.

## Box 1

### The ethno-ecological approach

Ethno-ecology is the interdisciplinary study of how people make decisions about natural resources management that draws, primarily, from ecology, anthropology, sociology and cultural factors. The ethno-ecological approach to food security deals with how people in different locations understand the ecosystems around them, the environment in which they live in and how they relate to it.

### The outcomes of the initiative

In 2011, 2,911 people were trained on the Home Garden Development Initiative (out of which 1,351 received a *Credits for Conservation* loan for a total of 917,000 \$ (94 loans were specific to the Home Garden Development Initiative amounting to a total 71,500 \$). 84.4% of participants shared training information with, on average, 4.1 other households<sup>10</sup> which means that the information reached approximately 12,000 households. A total of 240 training sessions were held on 14 different topics. The portfolio quality for the *Credit for Conservation* loans is very good (no delinquencies and no write-offs).



<sup>10</sup> Internal survey of Kompanion, July 2012.





## European Microfinance Platform

The European Microfinance Platform (e-MFP) was founded formally in 2006. e-MFP is a growing network of over 145 organisations and individuals active in the area of microfinance. Its principal objective is to promote co-operation amongst European microfinance bodies working in developing countries, by facilitating communication and the exchange of information. It is a multi-stakeholder organisation representative of the European microfinance community. e-MFP members include banks, financial institutions, government agencies, NGOs, consultancy firms, researchers and universities.

e-MFP's vision is to become the microfinance focal point in Europe linking with the South through its members.

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[www.e-mfp.eu](http://www.e-mfp.eu)

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