


European Microfinance Award 2019

Strengthening Resilience to Climate Change

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

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European Microfinance Award
2019

European Microfinance Award Background

The European Microfinance Award is a prestigious annual €100,000 award, which attracts applications from financial institutions around the world that are innovating in a particular area of financial inclusion. The Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, and is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg, in cooperation with the European Investment Bank. It serves two parallel goals: rewarding excellence, and collecting and disseminating the most relevant practices for replication by others.

Previous editions addressed the following subjects:

2018 Financial Inclusion through Technology
Winner: Advans Côte d'Ivoire (Ivory Coast), for its digital savings and payment solutions for cocoa farmers and cooperatives, and their small digital school loans for farmers.

2017 Microfinance for Housing
Winner: Cooperativa Tosepantomin, for its holistic housing programme serving rural communities and promoting environmental responsibility.

2016 Microfinance and Access to Education
Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

2015 Microfinance in Post-disaster, Post-conflict Areas & Fragile States
Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea.

2014 Microfinance and the Environment
Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.

2012 Microfinance for Food Security
Winner: ASKI (The Philippines), for its micro agriculture loans for smallholder farmers and agribusiness and support to market linkages to private sector enterprises.

2010 Value Chain Finance
Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain.

2008 Socially Responsible Microfinance
Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.

2006 Innovation for Outreach
Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.

Strengthening Resilience to Climate Change

The adverse impacts of anthropogenic climate change are significant. Extreme events, including drought, flooding, storms, extreme temperatures, and other climatic changes are occurring with greater frequency and intensity, increasing risks to health, livelihoods, food security, water supply, economic growth and human rights. And as these risks increase, so does the vulnerability of households, business, ecosystems and people, threatening to undermine sustainable development and efforts to eradicate poverty.

However, while the changing climate impacts all countries, sectors, and people, they are not all affected in the same ways. The severity of impacts, levels of vulnerability and the ability to recover from climate shocks depend on many factors. Climate change is particularly threatening to communities that rely on agriculture, forestry and fisheries - all primary economic activities deeply affected by climate conditions. And the most vulnerable to these changes are the poor and marginalised, including rural communities dependent on natural resources for their livelihoods and for food security, and also urban communities that are hit by more frequent and intense flooding and storms.

Many such communities live in countries whose limited economic and institutional capacities already limit their ability to cope in the face of existing weather-related challenges, which climate change exacerbates. And their vulnerability goes far beyond their own well-being - the impact of climate change is expected to force more than 143 million people from these vulnerable areas to migrate to major cities and urban centres by 2050. These "climate migrants" would be additional to the millions of people already internally displaced for economic, social, political or other reasons.[1]

1 Groundswell, Preparing for Climate Migration, World Bank Washington, DC, 2018, https://openknowledge.worldbank.org/handle/10986/29461

Climate change impacts and responses are closely linked to both human rights and sustainable development, which balances social well-being, economic prosperity and environmental protection. The 2015 United Nations Sustainable Development Goals (SDGs) provide an established framework for assessing the links between global warming of 1.5°C or 2°C and SDGs that include poverty eradication, reducing inequalities, and climate action.[2] For instance, SDG13 explicitly mandates "*urgent action to address climate change and its impacts,*" including strengthening resilience and adaptive capacity to climate-related hazards; improving education, and human and institutional capacity.

RESILIENCE refers to systems being climate-proofed for the future. It is the **capacity of ecological, social, or economic systems to adjust in response to actual or expected climatic stimuli and their effects or impacts** and "*…refers to changes in processes, practices, and structures to* ***moderate potential damages or to benefit from opportunities associated with climate change****".*

(UNFCCC - United Nations Framework Convention on Climate Change)

The path of climate change is uncertain, and depends greatly on the speed and scale of mitigation measures being put in place over the coming years. However, even in the most optimistic scenarios, climate change effects are unavoidable. Indeed, as a recent Intergovernmental Panel on Climate Change (IPCC) report clearly states, "Climate change represents an urgent and potentially irreversible threat to human societies and the planet"[3]. Even under the most ambitious and optimistic progress on climate change mitigation, it's clear that *adaptation* to a changing climate must be a critical and parallel process.[4]

Strengthening resilience to climate change requires investment at every level–country, community, and household. And to maximise the effectiveness of these investments, they must often be accompanied by education and awareness-building. There are no one-size-fits-all solutions to building climate change resilience. For example, at the household and community levels, which are the focus of this Award, some actions respond to a short payback period and may lead to a fast increase of household cash flow (e.g. drip irrigation), while others are long-term investments where the benefit received is not necessarily in the form of income, but mainly in the form of reduction of risks (e.g. coastal line protection).

WAYS TO STRENGTHEN RESILIENCE include a) reducing the exposure to risks, b) reducing the sensitivity of systems to shocks (e.g. using drought-resistant crop varieties) and c) increasing adaptive capacity (e.g. modifying a system). "Measures can be taken ex-ante, ex-post or during shocks and they comprise actions aimed at increasing resilience in ecosystems as well as in social and economic systems."

(FAO - Food and Agriculture Organisation)

2 Global Warming of 1.5°C, IPCC Special Report, October 2018, https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf

3 Global Warming of 1.5°C , IPCC Special Report, October 2018, https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf

4 Strengthening and Implementing the Global Response, Chapter 4, *Ibid,* https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter4_Low_Res.pdf


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The types of solutions differ greatly. Responses that are common for the agricultural sector[5] are, for example: adapting crops to shorter growing seasons, greater water stress, or extreme heat; investing in efficient water management practices, including irrigation and terraces. For the livestock sector, changing the management of pasture and grazing may be a suitable response. For the forestry sector, solutions may comprise improving the management of forest fires and pest/disease outbreaks through (for example) the introduction of resistant and native species. Other solutions that can be of value across sectors are building/improving drainage systems to manage more intense precipitation; building or reinforcing structures for greater wind and flood resistance, or transferring risks through insurance, or building greater resilience through more integrated and responsive financial systems.

What these solutions have in common is *resilience*. Resilient households adopt risk-reducing measures that help mitigate the catastrophic consequences of shocks; they demonstrate preparedness for future economic shocks; and they are able to smooth consumption without resorting to costly coping strategies, such as taking on unsustainable levels of debt or selling productive assets[6]. But resilience to climate change goes beyond managing shocks. It also entails adapting to permanently changed environments, for example a reduction in rainwater, a shift in the seasons, or higher temperature extremes. In both cases, access to financial services can help households to adapt.

A Landscape of Climate Finance Solutions

There is a broad range of financial and non-financial products and services that enable climate-resilient development in the financial inclusion sector, but that may differ between and within regions and nations, due to different market conditions and vulnerabilities. Nevertheless, there is an evolving landscape of ways in which organisations in the financial inclusion sector can strengthen resilience to climate change among vulnerable populations.

Firstly, financial products and services can facilitate **access to capital**, via:

- **Specific loan products** that fund investments in climate-resilient farms and businesses (e.g. asset building and diversification) and non-income generating purposes (e.g. home improvement or emergency loans). Successful credit products will

5 Partly from FAO, 2013, Climate Smart Agriculture – Sourcebook / Brooks et al., 2011, Tracking adaptation and measuring development, IIED - International Institute for Environment and Development, Climate Change Working Paper.

6 Building Resilience through Financial Inclusion, Innovations for Poverty Action, January 2019, https://www.poverty-action.org/sites/default/files/publications/Building-Resilience-Through-Financial-Inclusion-January-2019.pdf

have terms and conditions aimed at encouraging more resilient practices, for example sustainable soil and water management practices;

- **Targeted saving products** with the specific purpose of promoting climate change resilience, for example, by enabling the target population to undertake longer-term asset investments, manage predictable expenses and deal with emergency situations through access to appropriate savings products such as fixed-term deposits with the flexibility to allow withdrawal without penalty in cases of climate change-affected disasters;

- **Transfer & remittance facilities,** which facilitate the speedy and affordable sending and receipt of funds in emergency situations, ensuring recipients can purchase critical supplies, meet continuing obligations, or otherwise mitigate the effects of a climate change-driven event.

Secondly, financial products and services can help target populations **manage risk,** most commonly via:

- **Insurance products** to protect the livelihoods and investments of poor and vulnerable people against the adverse impacts of climate change. Examples may include index (or non-index) flood, weather, property, crop or livestock insurance - among others.

Thirdly, non-financial products and services can facilitate resilience and/or complement the financial products and services by **filling a capacity gap**, including via:

- **Awareness-raising and capacity building** concerning climate risks, such as technical assistance and training;

- **Encouraging development of and adherence to relevant standards** that strengthen vulnerable populations' resilience to climate change, for example minimum building standards; and

- **Technologies** that enable institutions and target populations to strengthen clients' resilience, lower costs, help to identify and address sector-specific risks and barriers, forecast extreme weather events and trends, conduct climate risk assessments, and provide information tools for climate risk screenings.

All of these activities can be further leveraged through **partnerships**, such as with insurance companies, researchers, FinTech or other technical services providers that specialise in the causes and consequences of climate change among vulnerable populations, and the solutions to mitigate its effects.

Assessment Criteria

The objective of the European Microfinance Award 2019 "Strengthening Resilience to Climate Change" was to recognise organisations active in the financial inclusion sector that provide financial and non-financial products and services aimed at strengthening the resilience of vulnerable communities to the effects of climate change. The Award sought to highlight good practice and innovative interventions offering products and services capable of responding to clients' vulnerability to climate change effectively and in a sustainable manner and thus driving economic, environmental and social benefits.

In order to be considered products and services that strengthen the resilience of target groups, these products and services had to clearly respond to the problems caused by climate change, and demonstrate a proven or potential positive impact on the lives and livelihoods of target groups. This means enabling groups to reduce their exposure to risks, reducing the sensitivity of livelihoods to shocks and increasing target populations' adaptive capacity.

These products and services also had to be strategically embedded and operationally integrated, and not only increase the resilience of the target populations but of the organisations themselves. Successful applicants had to demonstrate interventions that tackle the specific climate change risks faced in their communities, and show evidence of a targeted response to these risks.

The Award also recognised the role of partner organisations in this complex area, and encouraged inclusion of those who have been integral to the initiative.

Eligibility Criteria

Eligible applicants were organisations active in the financial inclusion sector that play an *integral* role in the provision of financial (and, where relevant, also non-financial) products and services focused on strengthening climate change resilience within low income, vulnerable and excluded groups. While many applicants would directly provide financial products and services, those that do *not directly* provide them had to play an *integral* and *ongoing* operational role in the project (for example, an agricultural NGO providing training and other support for clients investing in drought-resistant farming, funded through loans from a partner financial institution).

Eligible institutions had to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients[7]. Relevant products and services had to be fully operational for at least one year. Finally, eligible institutions had to be able to provide audited financial statements.

Selection Process

In the newly-introduced preliminary round, involving a shorter application process (outlining the initiative presented to the Award with audited financial statements provided), 41 applications were received from 27 countries. The organisations were diverse, comprising 18 non-bank financial institutions, 5 banks, 4 NGOs, 2 cooperatives/credit unions, 2 insurance companies, 2 networks/associations, 2 social enterprises, 2 companies, 1 technical service provider, 1 private foundation, 1 insurance broker, and 1 agricultural organisation. 26 of these organisations proceeded to the more comprehensive pre-selection round, providing much greater detail about their initiative, including supporting documentary and financial data. The initiatives they presented were diverse, including innovations in index insurance, improved agricultural practices, value chain development, enhanced nutrition, education, clean energy, use of technology such as geo data, and disaster preparedness.

18 were selected for evaluation by the Selection Committee composed of 17 e-MFP and InFiNe.lu members, which chose ten semi-finalists and three finalists to proceed to the High Jury.

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7 http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf


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Winner, Finalists and Semi-finalists of European Microfinance Award 2019

Institution	Country	Category
APA Insurance Ltd	Kenya	Winner
ASKI	Philippines	Finalist
Financiera Fondo de Desarrollo Local (FDL)	Nicaragua	Finalist
Action for Social Advancement (ASA)	India	Semifinalist
Agronomika Finance Corporation	Philippines	Semifinalist
Cooperativa de Ahorro y Crédito Fondesurco	Peru	Semifinalist
Cooperativa de Ahorro y Crédito Norandino	Peru	Semifinalist
Muktinath Bikas Bank Ltd	Nepal	Semifinalist
Tinh Thuong Microfinance Institution	Vietnam	Semifinalist
VisionFund Myanmar	Myanmar	Semifinalist

The High Jury, presided over by Paulette Lenert, Luxembourg's Minister for Cooperation and Humanitarian Affairs, was composed of seven members and evaluated the three finalists and reached a decision on the winner, which was announced at the Award Ceremony on the 21st November 2019.

European Microfinance Award 2019 Ceremony

On Thursday 21st November, APA Insurance of Kenya won the €100,000 European Microfinance Award 2019 on 'Strengthening Resilience to Climate Change' at the award ceremony at the European Investment Bank.

APA Insurance Ltd is a Kenyan insurance company that provides index-based agriculture insurance to cover yields and livestock, providing farmers with a safety net. Index-based insurance is an innovative approach to insurance whereby automatically triggered payments are linked to environmental and weather conditions such as the level of rainfall, yields or vegetation levels as measured by satellite) directly connected to the loss of agricultural output. In Kenya, where over 75% of farmers are smallholders, who are especially vulnerable to the economic impacts of climate change, APA Insurance Ltd currently covers more than 350,000 families whose livelihoods are largely based on agriculture.

The ceremony included speeches by Paulette Lenert, Luxembourg's Minister for Cooperation and Humanitarian Affairs, Dr. Werner Hoyer, President of the European Investment Bank, Sunita Narain, Director General of the Centre for Science and Environment. In recognition of this being the 10th edition of the European Microfinance Award, there was also a 'where are they now?' series of videos from several of the previous Award winners, with Crédit Rural de Guinée of Guinea, Kashf Foundation of Pakistan, Tosepantomin of Mexico, Buusaa Gonofaa of Ethiopia and Kompanion of Kyrgyzstan all sending in warm thanks to the Award organisers and short updates of how winning the Award has helped expand their respective initiatives.

As always, there was also a video presentation from the previous year's winner on how the organisation has benefited from the funds and exposure that the Award brings. Advans Côte D'Ivoire demonstrated how winning the 2018 Award on 'Financial Inclusion through Technology' has allowed increased training of accountants in cooperatives to become third party

agents – a personal, safe and discreet service for cocoa farmers to use as a financial intermediary.

Paulette Lenert, Luxembourg's Minister for Cooperation and Humanitarian Affairs, said that the Ministry's Luxembourg Development Cooperation has been among the first movers in the finance ecosystem worldwide, and observed the importance of facilitating services that go beyond just credit to the poor. "The focus of a donor country should not just be on the credit, but on the innovation," she said, including "business training, financial education and technical assistance".

Minister Lenert, who also chaired the High Jury this year, added that this year's Award "illustrates that inclusive finance has an essential role to play in strengthening the resilience of vulnerable communities to the effects of climate change, which threatens the livelihoods of disadvantaged communities, especially those relying on agriculture, forestry or fisheries."

Dr. Hoyer outlined the EIB's commitment to climate finance, announcing the recent decision to increase the Bank's share of climate activities from 28 to 50% by 2025, with the aim to mobilise 1 Trillion euros in climate projects via EIB activities in the coming decade. Dr. Hoyer praised the outstanding applications from the two other finalists, ASKI of the Philippines and Financiera Fondo de Desarrollo Local of Nicaragua, and said that climate change "is an existential threat for many nations and communities; how we combat and adapt to it will shape our future. The three finalists of the European Microfinance Award, and APA Insurance Ltd in particular, are delivering innovative solutions for the financial sector to support vulnerable communities in tackling the effects of climate change."

The ceremony keynote address was given by Sunita Narain, Director General of the Centre for Science and Environment, a passionate call for urgent efforts to mitigate and adapt to the effects of climate change on the world's most vulnerable, the "victims" who have not contributed to the problem, who are made "even more marginalised" and whose "pain makes the world more insecure". Giving jarring examples of the effects in her native India, she described the effects of variable and extreme rain events: " flood at the time of drought, drought at the time of flood…all the development dividends are destroyed and need to be rebuilt because of a double whammy of mismanagement and climate change impacts…the monsoon is the true finance minister of India," she said.

Following this moving keynote, Minister Lenert announced APA Insurance as the winner of the Award, which was accepted by Mr. Ashok Shah, who warmly congratulated the other two finalists, and expressed APA's sincere gratitude for the recognition and opportunity that winning the Award will offer – helping APA increase the number of people it is able to serve.

WINNER

APA Insurance Ltd
Kenya

Snapshot

APA is an insurance company in Kenya that provides Index-based insurance to mostly smallholder and subsistence farmers. The agriculture sector is the main source of livelihoods for the majority of Kenyan people. However, climate change is profoundly affecting them due to their low resilience and dependence on rain-fed agriculture – especially through the increased frequencies of flooding and droughts and changing rainfall patterns. APA has responded to this with two products – an Index Based Livestock Insurance (IBLI) and an Area Yield Index Insurance (AYII).

Initiative	Index Based Livestock Insurance & Area Yield Index Insurance
Year of establishment	1977
Legal status	Insurance company
Country	Kenya
Number of insured clients 2018	
organisation	649,382
initiative	354,754
Total insurance premiums 2018	
organisation	81,542,018
initiative	1,035,725
Total insurance claims 2018 (EUR)	
organisation	38,115,150
initiative	226,029
Branches	
organisation	33
initiative	30
Staff	
organisation	305
initiative	13
e-MFP supporting member	International Labour Organization (ILO)

Institutional Profile

APA Insurance is one of the leading general insurance companies in Kenya. It serves both individuals and corporates across the country with a wide range of insurance solutions, underwriting insurance risks such as Motor, Liability, Agriculture, Livestock, Marine, Aviation, Property and Micro Insurance. APA also underwrites Health Insurance (e.g. Corporate Health Insurance and Individual & Family Health Insurance).

Microinsurance, agriculture and livestock insurance products are of strategic importance for APA. They are distributed through financial institutions, farmers' organisations, cooperatives, individual agents, brokers, agriculture input suppliers, as well as government and international development organisations.

Climate Change Context

According to the GAIN-Index 2019[8], the Republic of Kenya is the 32^{nd} most vulnerable and the 40^{th} least ready country to respond to climate change. There is a great need for investments and innovations to improve readiness and a great urgency for action.

The agriculture sector (including crops and livestock) is one of the most important sectors of the Kenyan economy and is the main source of livelihoods for the majority of Kenyan people in terms of economic growth, employment creation, off-farm employment, and also foreign exchange earnings, and contributes greatly to food security. However, the sector is regularly experiencing the impact of climate change, including increasing frequencies of flooding and droughts and changing rainfall patterns. As a consequence, the yields of some crops and livestock numbers are decreasing. Over 75% of Kenyan farmers are smallholder subsistence farmers who are highly vulnerable to the economic effects of natural disasters; particularly due to the dependence on rain-fed agriculture and their low resilience to climate shocks. As a result, more prosperous farmers are pushed into poverty and poorer farmers into destitution.

Climate Change Initiative

APA provides an Index Based Livestock Insurance (IBLI) since 2015 and an Area Yield Index Insurance (AYII) since 2016. IBLI insures pastoralists against forage (food for grazing livestock) deterioration due to droughts that result in livestock deaths. Forage availability is determined by satellite data, via the Normalized Difference Vegetation Index (NDVI). Between 2015 and 2018, APA insured 37,034

8 The ND-GAIN Country Index summarises a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. The vulnerability score reflects a country's exposure, sensitivity and ability to cope with climate related hazards; accounting for the overall status of food, water, health and infrastructure within the nation. The readiness score considers those portions of the economy, governance and society that affect the speed and efficiency of absorption and implementation of adaptation measures. (Data accessed on 30.07.2019 (via http://index.gain.org/ranking.

pastoralists and paid approximately EUR 5.37 million in claims under this program. With the help of this solution, pastoralists are now able to buy forage to keep livestock alive or transport them to better grazing places during droughts.

The AYII product pays out claims to farmers when the average yield in their area falls below a set level, regardless of the actual yield on each client's farm. AYII protects farmers against the damage to the insured growing crops due to excessive rainfall, flood, frost, hail damage, excessive heat wave, windstorm, pestilence, disease and drought. APA has insured 582,504 farmers under this scheme from 2016 to 2018 and paid claims amounting to EUR 826,106 (i.e. financial support to farmers in the event of losses arising from major agricultural shocks).

IBLI as well as AYII were initially promoted by the Government of Kenya (the Ministry of Agriculture, Livestock and Fisheries) and the World Bank. At present, APA works with multiple partners; including the State Department of Agriculture (that provides a premium subsidy for Agriculture Insurance since 2015), International Reinsurers (including SwissRE that helped with the Product design and the Claims Management), international development organisations (that are involved in strengthening the agriculture sector) and on-the-ground financial institutions, crop aggregators, and seed and fertilizer companies.

Use of the Award

APA intends to use the Award prize money and exposure opportunities to enhance its activities in strengthening climate resilience by:

- Building Sand Dams for communities that are living in arid and semi-arid lands (ASAL) in Kenya – providing easy access to water (for human needs and also for watering animals); and
- Promote education and awareness for climate change resilience insurance solutions and overcoming traditional barriers to adopting new technologies and coping mechanisms (particularly in areas that are quite remote and lacking essential infrastructure).

FINALIST

ASKI
Philippines

Snapshot

ASKI is an MFI in the Philippines that builds clients' resilience to climate change by focusing on disaster preparedness at the institutional and community level. The Philippines is significantly affected by climate change, including increasing frequency and severity of typhoons, rising temperatures, rising sea levels, flooding and landslides. ASKI has increased disaster preparedness in several ways, including the setup of a Disaster Risk Reduction team; publication of a guidebook on Disaster Risk Reduction and Business Continuity Planning for MFIs; the establishment of a resiliency fund with dedicated client savings intended for disaster relief and recovery; creation of rehabilitation loans and bridge loans for heavily affected clients.

Initiative	Building resilient communities through disaster preparedness at the institutional and community level
Year of establishment	1987
Legal status	Microfinance Institution
Country	Philippines
Number clients 2018	
organisation	113,636
initiative	113,636
Outstanding portfolio 2018 (EUR)	
organisation	32,004,700
initiative	13,456,000
Branches	
organisation	79
initiative	79
Staff	
organisation	1,004
initiative	1,004
e-MFP supporting member	Oikocredit

Institutional Profile

ASKI was established in 1986 by a group of business leaders in Nueva Ecija (a province located in the Central Luzon region of the Philippines) to support the economic development of micro, small and medium-sized enterprises. They are officially registered with the Securities and Exchange Commission (SEC) as a non-stock, non-profit organisation.

ASKI targets micro-entrepreneurs, farmers and fishermen - clients living in rural communities without access to larger financial institutions. The organisation provides dedicated credit products (e.g. for business purposes, housing and green energy, etc.), a saving product, and micro-insurance and remittance services (in partnership with third party agents). ASKI's average loan balance per borrower is approximately 18% of GNI per capita (2018), and the average loan amount is EUR 311.

Besides financial products, ASKI offers complementary non-financial services, including financial education, basic entrepreneurship training and business development services, and preventive health services.

Climate Change Context

According to the ND-GAIN Index 2019, the Republic of the Philippines is the 71st most vulnerable and the 61st least ready country for climate change. Besides frequent earthquakes, volcanic eruptions and tsunamis, the country is significantly affected by climate change, including increasing frequency and severity of typhoons, rising temperatures, rising sea levels, flooding and landslides. As a consequence, many of ASKI's clients experience severe damage or even total loss of their produce and assets/properties, which leads to bankruptcy and clients becoming delinquent or defaulting on their loans.

Climate Change Initiative

Following the typhoons in 2009, ASKI recognised the need for strengthening the disaster preparedness efforts within the institution and at the community level, to mitigate the effects of climate change. ASKI addressed these challenges both in terms of processes and products. This includes:

- The setup of a dedicated Disaster Risk Reduction Team;

- Publication in partnership with Oikocredit of a disaster risk reduction manual (DRRM): "12 Steps to Resiliency: A Guidebook on Disaster Risk Reduction and Business Continuity Planning for Microfinance Institutions";
- Partnering with different stakeholders including local government units to conduct training for emergency response and disaster preparedness;
- The establishment of a resiliency fund (EUR 149,805 in 2018 and annual interest of 1%) with dedicated savings of ASKI clients intended for relief and recovery in times of disaster due to natural calamities;
  - The setup of a rehabilitation loan and bridge loan for heavily affected clients (with a grace period, lower interest rate and fees compared to regular loans);
  - The introduction of a Green Energy Loan Program (for solar light and irrigation system and biogas to increase resilience without generating GHG emission); and
  - The enrolment of clients in microinsurance to mitigate the risks on the part of the clients and ASKI (e.g. via the Philippine Crop Insurance Corp and the Agricultural Guarantee Fund). In 2018, 566 out of the 1,488 farmers who signed for Crop Insurance processed claims amounting to EUR 120,900.

Gradually, ASKI engaged a network of partners; including Oikocredit (providing financial and non-financial services and developing the DRRM guidebook), the CADYNAMCU Credit Cooperative, the Philippine Crop Insurance Corporation and Pioneer-CARD Crop Insurance, and the Build Change Foundation and Habitat (with a focus on resilient house designs).

FINALIST

Financiera Fondo de Desarrollo Local (FDL)
Nicaragua

Snapshot

Financiera Fondo de Desarrollo Local (FDL) is an MFI in Nicaragua that has responded to the consequences of climate change by providing local interventions to increase not only clients' resiliency, but also the resilience of the ecosystem. Climate change impacts the agricultural sector in particular due to irregular cycles of droughts and floods, increasingly extreme temperatures and desertification – reducing yields and lowering farmers' capacity to pay. FDL's "Green Microfinance-Plus Program" offers loans for green microfinance in the coffee/cacao highlands; loans for the 'Dry Corridor' to foster mitigation and adaptation practices; and loans for agroforestry-related income diversification activities.

Initiative	Green Microfinance-Plus - Consolidating quality and scope of client resilience through multi-actor synergies to increase the resilience of territorial ecosystems
Year of establishment	1997
Legal status	Microfinance Institution
Country	Nicaragua
Number clients 2018	
organisation	63,339
initiative	7,589
Outstanding portfolio 2018 (EUR)	
organisation	75,153,068
initiative	17,184,000
Branches	
organisation	46
initiative	34
Staff	
organisation	814
initiative	400
e-MFP supporting member	IOB - Institute of Development Policy and Management at the University of Antwerp

Institutional Profile

Between 1989 and 1994, Nitlapán (the Research and Development Institute of the Universidad Centroamerica de Nicaragüa) built up a system of microfinance branch offices in order to promote agricultural savings and loans cooperatives. Due to the rapid growth of microfinance activities, FDL separated from Nitlapán and is now a regulated financial institution providing financial services to urban and rural people in Nicaragua; including finance for urban micro- enterprises, SMEs, salaried workers and rural communities. The products offered by FDL include those for housing improvement, subsistence agriculture and animal husbandry, coffee plantation, and livestock, and green investments (addressing climate change adaptation in agriculture, livestock, coffee, silvopastoral livestock, water conservation and harvesting, irrigation systems and productive diversification).

Non-financial services are provided through the continuing strategic alliance with Nitlapán and other entities. These services include: productive and commercial technical assistance; training and group formation in producer schools; development of new products; capacity-building of staff on local development; and certification programs for local actors.

49% of FDL's clients are women and nearly 70% of all clients live in rural areas. 36% of all clients are agricultural producers and 32% are micro-entrepreneurs. The average loan balance per borrower is approximately 67% of GNI per capita (2018). The average loan size is EUR 1,187.

Climate Change Context

According to the GAIN-Index, 2019, the Republic of Nicaragua is the 74th most vulnerable and the 52nd least ready country in terms of climate change preparedness. Climate change affects the whole economy but the agricultural sector (such as coffee growing) in particular struggles due to irregular cycles of droughts and floods, increasingly extreme temperatures, and desertification. This leads to an increasing vulnerability and decreasing resilience of farmers, as crops face various problems including early flowering, rust and disease, which are reducing yields and lowering the farmers' capacity to pay. Without relevant information on how to adapt to changes and/or credit constraints for required investments, farmers are not able to strengthen their resilience.

Climate Change Initiative

For over two decades, FDL has promoted and experimented with various initiatives to increase their clients' resilience to climate change. FDL decided to react to the consequences of climate change by providing local interventions to increase not only clients' resiliency, but also the resilience of the ecosystem. FDL's "Green Microfinance-Plus Program" reduces transaction costs, combines technical assistance with payments for ecological services and adapted loans (e.g. for water-harvesting and irrigation systems, silvopastoral arrangements that allow for the intensification of cattle production based on natural processes) and agroforestry system developments, livestock intensification, pasture improvement, seed management and diversification and soil conservation).

FDL currently offers three "Green" financial products, all of which are accompanied by technical assistance:

- Since 2009, loans are provided for green microfinance in the coffee/cacao highlands (crédito ambiental cambio);
- Since 2015, loans are provided for the Dry Corridor (crédito ecomicro) to foster mitigation and adaptation practices; and
- Since 2013, loans are provided for agroforestry-related income diversification activities (e.g. establishing cocoa and coffee plantations as tree/shade balancing areas for corn and bean production) in the buffer zone of forest reserves.

While cooperating with various partners (incl. donors for financial support and assistance; e.g. GEF, BCIE, IDB, DANIDA, IFC, Norfund, Oikocredit, SIDA), two particularly essential initiative partners are Nitlapán (which provides technical assistance and applied research) and the Local Development Fund Association. FDL monitors some impact data, including the increased productivity of coffee and cattle farmers (yields/ha), carbon sequestration (tonnes CO_2/ha) - as well as the scope of diversification (e.g. cocoa-based agroforestry systems, and also non-agricultural activities).

High Jury Members

PRESIDENT

Ms. Paulette Lenert, Minister for Development Cooperation and Humanitarian Affairs, Luxembourg

MEMBERS

Ms. Mariam Djibo, Directrice Générale, Advans Côte d'Ivoire
Mr. Olivier Edelman, Head of Microfinance Unit, European Investment Bank
Ms. Mayada El-Zoghbi, Managing Director, Center for Financial Inclusion at Accion
Dr. Alfred Hannig, Executive Director, Alliance for Financial Inclusion
Ms. Laura Hemrika, Chairwoman, European Microfinance Platform
Ms. Sunita Narain, Director General, Centre for Science and Environment (India); Editor, fortnightly magazine *Down To Earth*

Selection Committee Members

Organisation	Representative
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European Microfinance Platform

The European Microfinance Platform (e-MFP) is the leading network of organisations and individuals active in the microfinance/financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote cooperation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

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