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Inclusive Finance for Food Security & Nutrition

**Lessons and Best Practices
from the European Microfinance Award 2023**

By Sam Mendelson

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**EUROPEAN
MICROFINANCE
PLATFORM**

ADVANCING FINANCIAL INCLUSION

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FOREWORD



In 2023, a year marked by crises that negatively affected the food security of countless people around the world, the European Microfinance Award focuses on the topic of 'Inclusive Finance for Food Security & Nutrition'. The aim of this year's Award has been to highlight how financial inclusion organisations can innovate in ensuring that low-income people have physical, social and economic access to sufficient safe and nutritious food that meets their needs - particularly in the context of increasing global uncertainty and risks.

It's with great joy and great pride that we at e-MFP can produce this annual publication which builds on a full year of talking to experts, publishing their ideas and innovations, and learning about this dynamic and emerging landscape and which profiles the ten most remarkable and innovative initiatives that the Award has presented. We know the previous editions in this series are widely read and have become valuable resources for the sector.

I would like to thank Myka Reinsch and Micol Guarneri as well as Hans Ramm, the consultants who so professionally assisted e-MFP's Award team over the evaluation and selection processes.

Thanks also to the many specialists who generously gave their time, and to Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs within the Ministry of Foreign and European Affairs, InFiNe.lu and all the members of the Selection Committee and the High Jury who took part in the rigorous evaluation process.

I would like to congratulate Sam Mendelson and the rest of the e-MFP team involved in both the Award and the production of this paper. And finally, we at e-MFP would like to express our gratitude to the 41 organisations who took part, and especially to congratulate the ten semi-finalists – and among them the three finalists – profiled in these pages. We are delighted and proud to have gotten to know you and your important work this year.

Christoph Pausch,
e-MFP Executive Secretary
European Microfinance Platform

INTRODUCTION

It is unlikely that many people reading this paper personally know what *real* hunger is, and how profound hunger, and the anxiety that comes from food insecurity, affects one's ability to do everything - to work, think, produce, and plan for the future.

Thankfully, *extreme* hunger is comparatively rare among the clients and households that the inclusive finance sector serves – although it surely does hide in the shadows. But hunger is only part of a continuum of food security that includes a whole range of other challenges, faced by a growing group of those struggling to meet basic needs, living precariously, facing stress and uncertainty on a day-to-day and meal-to meal basis. The clue really is in the name: it's *food insecurity*; to struggle to make ends meet is to be *insecure*, in every way. And when one's needs, like everyone's on earth, are safe, quality, sufficient and nutritious food, what compromises must be made? What of those criteria gets cast aside first?

This choice is the reality for many of the world's growing number of food insecure. And they are in large part the same group as those who most need access to inclusive finance - the excluded and underserved. They depend on food value chains that go from the consumer via the retailer, distributor up to the farmer-producer and beyond, to the supplier of agri-inputs - consumers, of course, themselves. This is why we talk not just about food security and nutrition, but about food *systems*. And the financial inclusion sector has a key role to play in making those systems work for everyone and ensure access to that most basic need – safe, quality, sufficient and nutritious food.



This paper is the culmination of a year's worth of work by the European Microfinance Award team. It presents a conceptual landscape of the topic of Food Security and Nutrition, introduces the Four Dimensions of Food Security, explores the role that the inclusive finance sector can play and then presents case studies of the ten semi-finalists (and among them, the three finalists) for the EMA 2023. It concludes with what we see as some of the best practice that underpins these organisations' initiatives – the 'factors for success'.

I would like to express my thanks and admiration to all the organisations that applied for the Award this year – and especially those presented in this paper. Finally, thanks as well to my colleagues (especially Daniel Rozas) for their support in pulling this paper together, as well as the various experts we spoke with over this year, who gave their time so generously to help us learn about this complex and important subject.

Sam Mendelson

Financial Inclusion Specialist
European Microfinance Platform

RETHINKING FOOD SECURITY & NUTRITION

“For the man who is extremely and dangerously hungry, no other interests exist but food. He dreams food, he remembers food, he thinks about food, he emotes only about food, he perceives only food, and he wants only food”

Abraham Maslow

The scale of the challenge

In 1944 a young agronomist accepted an appointment to direct the Cooperative Wheat Research and Production programme in Mexico. A joint undertaking by the Mexican government and the Rockefeller Foundation, the programme involved scientific research in genetics, plant breeding, plant pathology, entomology, agronomy, soil science, and cereal technology. The young agronomist's name was Norman Borlaug, and within twenty years, he had successfully developed a high-yielding, short-strawed, disease-resistant wheat. In 1970 he won the Nobel Peace Prize for this contribution to the ‘green revolution’ that is now virtually synonymous with his name. In the view of many who have been influenced by his work, he saved at least a billion lives.

That period heralded some incredible optimism that advances like Borlaug's would bring about the end of hunger and malnutrition – to put ‘famine in a museum’, to paraphrase another Nobel laureate. There was, after all, enough food now to go around, to escape the Malthusian trap and ensure everyone had sufficient, quality, and reliable food.

The reality since has been sobering. Because while there *are* enough calories produced to sustain a global population over twice that of 1970, the fact is that progress has reversed. There is now, according to the UN World Food programme, “a food crisis of unprecedented proportions, the largest in modern history.”¹

While there are enough calories produced to sustain a global population over twice that of 1970, the fact is that progress has reversed

It's clear that the choice of topic for this European Microfinance Award 2023 comes at a critical juncture. Food insecurity currently affects about 10% of the global population. According to the World Food Program (WFP) in late 2022, as many as 828 million people go to bed hungry every night. The number of those facing ‘acute food security’ has soared - from 135 million to 345 million - since 2019. WFP also estimates that more than 345 million people face ‘high levels’ of food insecurity in 2023 - more than double the number in 2020. The UN Food and Agriculture Organization (FAO) pointed out in its 2022 State of Food Security report that the number of people affected by hunger had grown by 150 million since the onset of the COVID-19 pandemic². And a total of 49 million people in 49 countries are on the edge of famine, according to the WFP³.

¹ See <https://www.wfp.org/global-hunger-crisis>

² <https://www.fao.org/3/cc0639en/online/cc0639en.html>

³ <https://www.wfp.org/global-hunger-crisis>

This crisis has many drivers. Climate change is wreaking havoc on agricultural production in much of the Global South. The Covid-19 pandemic has left a challenging legacy of high inflation and supply chain issues. Forced displacement and Russia's invasion of Ukraine have exacerbated this yet further; in 2022, the global supply of wheat had already declined for the first time in four years when the war in Ukraine nearly halted production and exports of a significant portion of the world's wheat and corn, disrupting international supply chains and pushing up the prices of many staples and other critical products, such as ready-to-use therapeutic foods for children with severe malnutrition.

Based on the current trajectory, global experts (including FAO, IFAD, UNICEF, WFP and WHO) predict

that 8% of the world's population will still be coping with hunger in 2030, the year by which the 2015 UN Sustainable Development Goals had targeted to end world hunger altogether.⁴

But hunger in this extreme sense is only part of the challenge. Insufficient *quality* of food caused by an unbalanced diet lacking the micronutrients critical to good health and mental function, sometimes referred to as "hidden hunger", is estimated to affect more than two billion people.⁵

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What is food insecurity – and what causes it?

The Maslow quote that opens this section might not have been first uttered by him (its origination is contested), but it would be appropriate that a man synonymous with thinking of needs as a hierarchy⁶ would have put it this way. The Maslowian pyramid puts access to food right at the base; it is a first-order, primal need. Its absence makes all higher-order priorities moot. This is at its core what food insecurity means. Put in more standard terms, food security "means that all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life"⁷.

Food security means that all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life

Food insecurity and malnutrition are caused by a complex combination of interrelated factors that occur at multiple levels of society. At the **macro** level, government policies – including agricultural sector incentives, international trade and transportation infrastructure investment and population growth – play a critical role. At the **micro** level, people's household food behaviours are in-



⁴ <https://www.fao.org/documents/card/en/cc0639en>

⁵ The global challenge of hidden hunger: perspectives from the field, <https://pubmed.ncbi.nlm.nih.gov/33896431/>

⁶ In *A Theory of Human Motivation*, 1943, <https://psycnet.apa.org/record/1943-03751-001>

⁷ <https://www.ifpri.org/publication/global-food-security-portal>

fluenced by income level, education, cultural and social norms, and which foods are affordable and locally available. Between these two levels are behaviours of all the actors in the **food system**, including small-scale and industrial farms, off-taking companies, consolidators, processors, distributors, transport services, marketing, packaging, storage facilities, importers, exporters, food companies, supermarkets and vendors, among others. And of course, **climate** (and increasingly, climate change) is an overarching driver – determining what can be cultivated, how much, where and when – and one that is increasingly causing food security disruptions and risk. All of these factors interact to determine the level of food security and nutrition of a given population.

So this is a simplified view of the factors that affect food (in)security. Particular drivers of food insecurity include: the unsustainability of food systems,⁹ the rising costs of food, and storage, transportation and quality of input materials for food production, among others. **Lack of access to financial services** – which we'll cover in the next section – exacerbates these challenges: when low-income households cannot safely and simply borrow, save, remit and receive money, and if producers or others up the value chain cannot invest or otherwise pay for the inputs they need to efficiently produce food at the optimal time, food insecurity will be the thing that grows fastest of all.

Four dimensions of food security

Before moving to the relationship between financial inclusion and food security, it's worth digging deeper into how to conceptualise food security. The UN's Food and Agricultural Organization (FAO) uses a rubric comprising four (or six¹⁰) **dimensions** of food security. They are **availability**, **access**, **utilisation**, and **stability**, and are defined in Figure 1 on page 10.

Figures 1 and 2 introduce and then conceptualise the four main dimensions of food security.

Availability is about the supply of food, which depends on domestic food production, imports, food stocks, food aid and maintaining

What are sustainable food systems?⁸

According to the FAO, food systems encompass the entire range of actors and their interlinked value-adding activities involved in the production, aggregation, processing, distribution, consumption and disposal of food products that originate from agriculture, forestry or fisheries, and parts of the broader economic, societal and natural environments in which they are embedded. The food system is composed of subsystems (farming, waste management, input supply, etc.) and interacts with other key systems (e.g. energy, trade, and health systems, etc.). Therefore, a structural change in the food system might originate from a change in another system; for example, a policy

promoting more biofuel in the energy system will have an impact on the food system. A sustainable food system (SFS) is a food system that delivers food security and nutrition for all in such a way that the economic, social and environmental bases to generate food security and nutrition for future generations are not compromised. This means that:

1. it is profitable throughout (economic sustainability);
2. it has broad-based benefits for society (social sustainability); and
3. it has a positive or neutral impact on the natural environment (environmental sustainability).

⁸ <https://www.fao.org/3/ca2079en/CA2079EN.pdf>

⁹ See <https://www.un.org/en/food-systems-summit/about>

¹⁰ Two other dimensions that are sometimes included in addition are **agency** and **sustainability**. Agency refers to people's ability to choose what they consume, and sustainability refers to the long-term environmental and economic capacity to continue producing, accessing and using food. These overlap considerably with Access and Stability respectively, and for the purposes of this paper, we'll confine ourselves to the four-dimension model.

FIGURE 1: FOUR DIMENSIONS OF FOOD SECURITY

Food security dimension	Definition
Availability	Sufficient and nutritionally appropriate food is available in the communities served.
Access	People can afford to buy (and produce) the kinds and quantities of food they need.
Utilisation	People have the knowledge and ability to consume and absorb nutritious food.
Stability	Nutritious food is available year-round, and ongoing availability is realistic over the long term.

all of these in step with population growth. **Access** means people's ability to buy or grow the food they need to thrive and varies according to socioeconomic status, among other factors. **Utilisation** encompasses not only people's knowledge about nutritious food choices and preparation, but also the nutritional content and safety

of food. Since disease impedes the body's ability to absorb nutrients and transform food into energy, the Water, Sanitation & Hygiene (WASH) and health care sectors also play an important role in this dimension. Finally, food security **stability** relies on all of the other dimensions being upheld over time – something that is threatened

by severe weather events, price fluctuations and political conflict, among others. Figure 2 presents some of the specific factors that affect each of these dimensions, and shows how the first three dimensions of availability, access and utilisation are in fact pre-conditions for the fourth – the **stability** of food security.

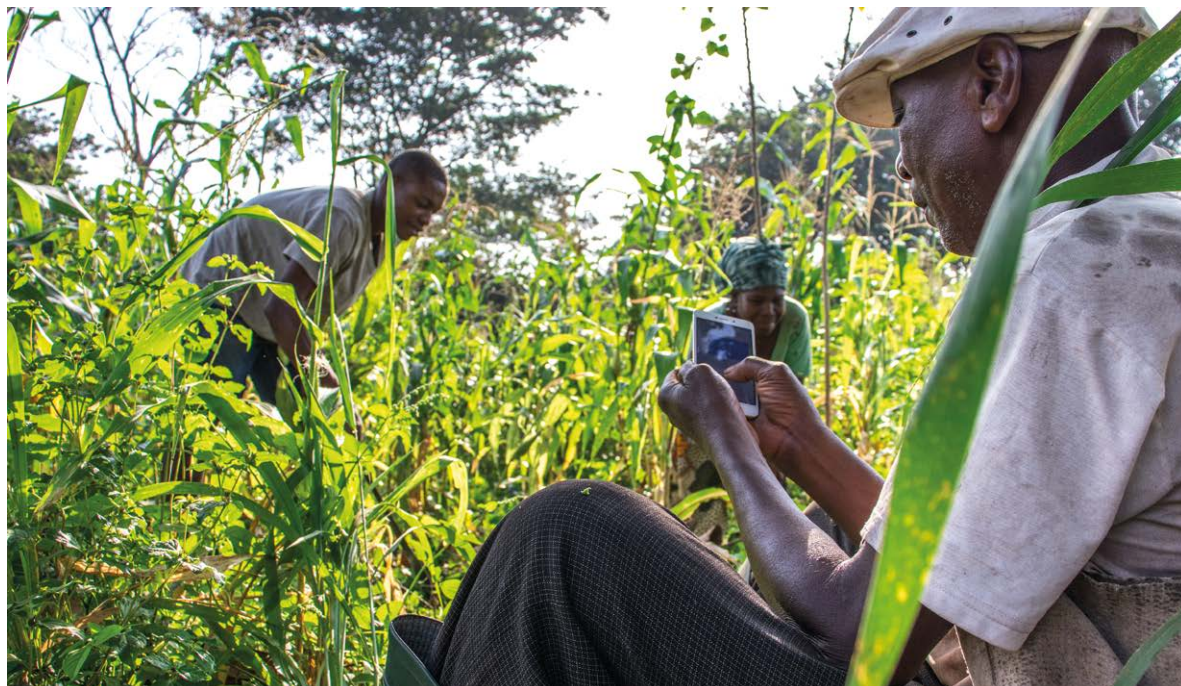
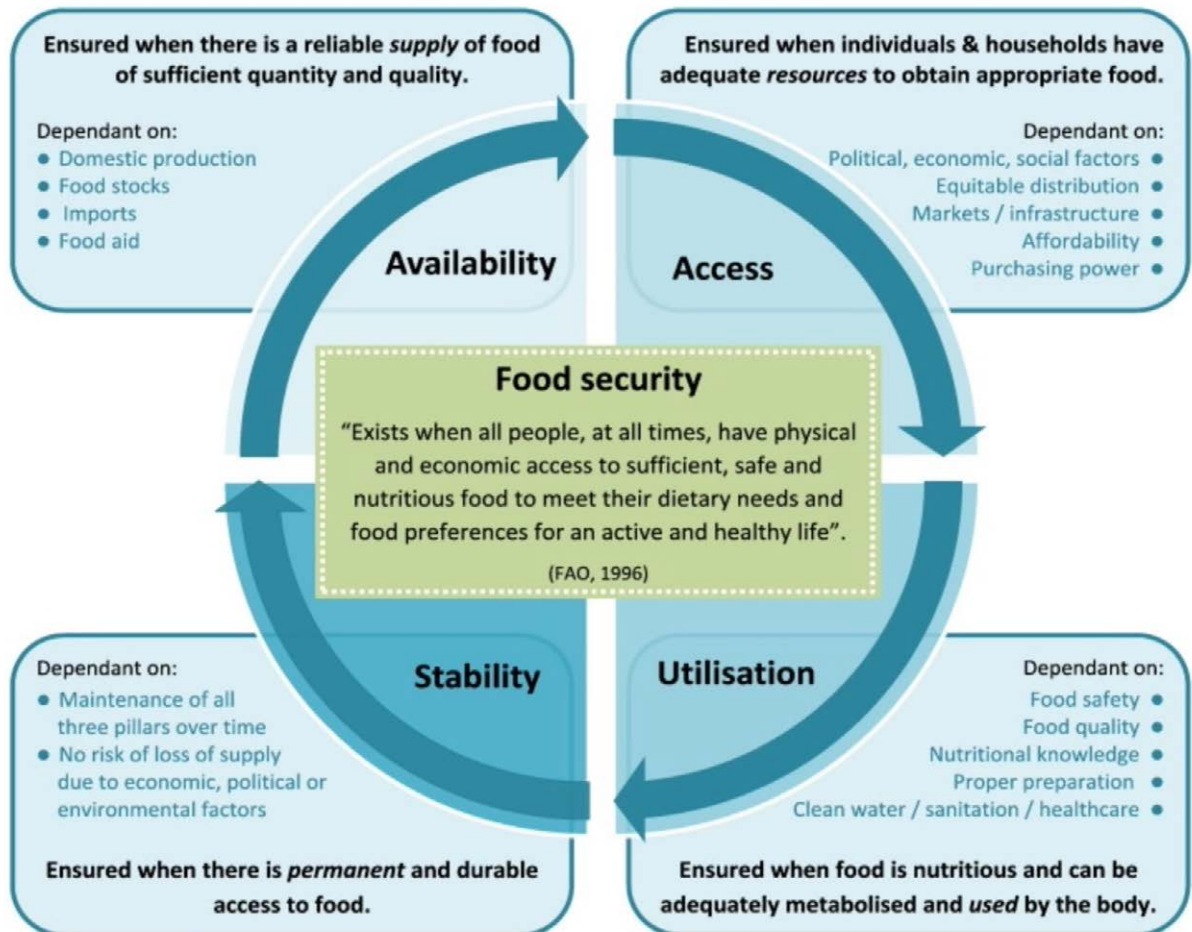


FIGURE 2: FACTORS UNDERPINNING FOOD SECURITY (SOURCE: FAO)



Food Security & Nutrition is not just about the first half of the phrase, but the second too. As Figure 3 also shows, **Nutrition** is not just about having inadequate food and vitamins but can comprise ‘**overnutrition**’ as well. Indeed, in middle income countries, as well as urban populations in low-income countries, people grapple simultaneously with high rates of *obesity and malnutrition* or nutrition-related chronic disease.

For example, in Mexico and the Philippines, an influx of cheap, high-fat, high-salt, high-sugar, low-nutrition convenience foods has led in recent decades to high rates of diabetes, heart disease and general malnutrition, especially among low-income communities. This is sometimes referred to as “obesogenic intake” and can be due to a complex combination of socioeconomic, cultural, or structural influences).

This phenomenon is sometimes due to the **replacement** of healthier foods that are crowded out of the local market when they become too ‘valuable’ to eat. In Bolivia for example, sudden increase in demand for quinoa in high-income markets led to the export of a nutrient-rich indigenous crop that was once an important and nutritious staple food in rural communities; people then used the cash earned from these crops to

Food Security as a Continuum

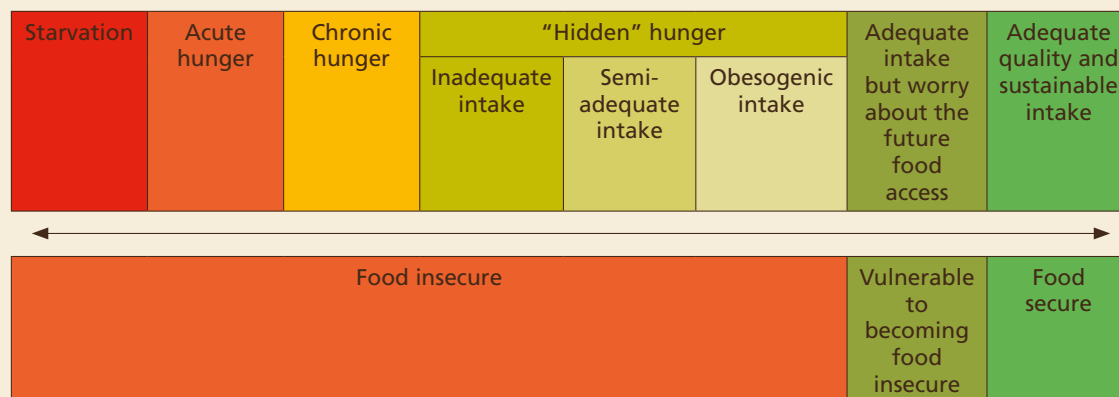
So far, we've referred to food *security* or *insecurity*, but food security is far from binary; it occurs on a **continuum**. People can be **persistently food insecure** (regularly and repeatedly unable to access and utilise sufficient nourishment), **chronically or seasonally food insecure** (facing periodic shortages, usually due to predictable circumstances), or can experience **'transitory' food insecurity** due to an unexpected event, such as drought or war.

Hunger is not just about the availability of and access to food, though; **malnutrition** also falls on the food security spectrum, and it is also serious. Sometimes called "hidden hunger," malnutrition can occur when there is inadequate caloric intake (insufficient quantity/frequency of food), especially during childhood development, or when the food

consumed lacks nutritional quality or balance. People may not feel 'hungry' because they have access to plenty of rice, for example, but consuming insufficient protein or other nutrients stunts children's development and undermines people's productive energy and long-term health – a frequent issue faced by children and women in South Asia, for instance. Undernourishment and malnutrition can lead to a negative cycle that reinforces intergenerational poverty. This is why, as in the title of the European Microfinance Award 2023, the term 'food security' is often accompanied by 'nutrition'.

Figure 3¹¹ illustrates the food security continuum, and how terms like 'food insecure' may fail to distinguish between a range of challenges, and in doing so, limit the effectiveness of responses.

FIGURE 3: THE FOOD SECURITY CONTINUUM



¹¹ From Hendriks, S (2015): *The food security continuum: a novel tool for understanding food insecurity as a range of experiences*, <https://link.springer.com/content/pdf/10.1007/s12571-015-0457-6.pdf?pdf=button>

buy and consume cheap, unhealthy foods such as instant noodles and other highly processed foods, leading to under-nutrition and obesity.

Approaches for tackling food insecurity and malnutrition

Given the scope of the challenge today and the broad array of interrelated reasons for food insecurity, it's clear – and intuitive – that **successful responses will require the coordination of numerous actors and interventions at the macro,**

micro and meso levels. The International Food Policy Food Institute notes that there is “*an urgent need for “adaptation strategies and policy responses to global change, including options for handling water allocation, land use patterns, food trade, postharvest food processing, and food prices and safety”*”¹².

Successful responses will require the coordination of numerous actors and interventions at the macro, micro and meso levels



It's clear therefore that many actors – public and private sector alike – will have to work together on agricultural, economic, financial, environmental, educational, infrastructural and health interventions. Various reports by the High-Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security¹³ argue that, rather than attempting to solve the symptoms of food insecurity and malnutrition piecemeal, policies need to apply a holistic approach that leverages and reinforces actors and solutions in a comprehensive way.

This approach must necessarily include the **financial inclusion sector**, and within it the financial service providers that serve low-income, vulnerable and excluded populations, which in partnership with governments, supervisors, private companies, researchers, funders and others, has a key role to play as part of this holistic and coordinated response.



¹² <https://www.ifpri.org/topic/food-security>

¹³ See <https://www.fao.org/cfs/cfs-hlpe/publications/hlpe-18>

WHAT ROLE CAN FINANCIAL INCLUSION ORGANISATIONS PLAY?



Financial inclusion and food (in)security

Food insecurity is present in all populations, but it remains disproportionately a problem of low and middle-income countries, and of the more vulnerable and excluded segments within them. These terms sound familiar to those working in the financial inclusion sector because for the most part, the world's food insecure are those excluded clients. The clients of financial inclusion organisations are more likely to live in countries of high inflation, poor or unreliable supply chains, higher susceptibility to climate change and extreme weather events, and with lower capacity to take advantage of emerging technologies to increase

agricultural efficiencies. As the example of Bolivia in the last section showed, it may be more profitable for producers to export quality food overseas than to supply domestic markets, leaving consumers with less choice of quality and affordable and varied food.

Put another way, the link between food security and financial inclusion is so strong, because the financially under-served or excluded are both the consumers and the producers (and all the households and businesses in between) in the very markets where food insecurity is rife and growing.

Financial inclusion is critical to – even inseparable from – food security. Without economic

resources, farmers cannot produce high-quality crops or livestock for food or sale (availability); households cannot buy adequate, nutritious food to feed their families (access); low levels of education, unaddressed health problems and poor sanitary conditions can impede people's ability to select and absorb healthful nourishment (utilisation); and people are less able to cope in the face of political unrest, climate disasters or seasonal food shortages (stability).

The link between food security and financial inclusion is so strong, because the financially under-served or excluded are both the consumers and the producers in the very markets where food insecurity is rife and growing

This comes with caveats, and access to financial services is no 'silver bullet'. Although financial inclusion can play a pivotal role, viable and sustainable solutions need to be multifaceted and multisectoral. Moreover, financial inclusion – particularly credit products to low-income and vulnerable clients – can have a very mixed impact; it can improve livelihoods, household income and food security, but it can undermine it as well. Because food spending is such a regular (and comparatively large) proportion of a poor household's expenditures, it is often among the first to be

affected by any financial pressures; ‘skimping’ on food, either in terms of quality or quantity, is among the most common mechanisms that households use to deal with financial shocks. This is true for households who have insufficient access to financial services, and also those that do: the pressure to make timely loan repayments can make clients choose to reduce food consumption or go hungry in order to direct available resources to maintain their credit history and thus ensure access to credit in the future. This **loan repayment-over-food trade-off** risks undermining the social mission of the financial inclusion sector.

The impact of financial services on food security is difficult to isolate, with various studies looking at caloric intake, food expenditure, or meals/household/day – among other proxies for food security. What we do know is that **food insecurity has mixed effects on vulnerable households’ financial lives**. Studies have found that depending on the type of service being used, financial services can have different impacts on food security in rural areas of low-and middle-income countries; in that cross-country study, only saving services (among savings, credit and payments), whether used alone or combined, reduce the individual’s probability of experiencing food insecurity. When savings are absent, use of payment services has no effect on food insecurity and taking a loan significantly

increases the individual’s probability of experiencing food insecurity. In that case, the authors argue that it is the *specific features* of financial products (rather than the range of services) offered that determines or influences food security, especially when they can be assigned to positive income effects¹⁴.

Food insecurity has mixed effects on vulnerable households’ financial lives

Financial inclusion products and services and food security

Because the financially excluded or underserved are more likely to be vulnerable to food insecurity or malnutrition, there is clearly a wide range of financial and non-financial products and services that will influence the food and nutrition status of clients, their households, MSMEs, and the broader community.

What can these interventions include? As the case examples in the following sections show, the range of options is large. They can be ‘direct’ or ‘indirect’. They might be ‘supply-side’ focused – such as finance to purchase fertiliser or machinery – or non-financial capacity building like agronomic expertise, for example. They might focus on those elsewhere in food supply chains, from those in logistics, packaging, distribution or retail. Or they might focus on the demand-side, helping low-income

households access higher-quality or more plentiful and nutritious food, via food aid, health protection services, nutrition education, or WASH programmes.

Alternatively, a financial services provider can focus not just on access but instead closer to its core mission and expertise. This means offering financial products designed to tackle the most defining characteristic of being poor, which is *volatility* of household cash flow, *smoothing* income and giving people the financial security to plan, save, purchase at economies of scale, and ultimately to make better food choices without having to compromise food quality or quantity when money is tight.

Beyond this, **digital financial technology** has revolutionised microfinance/financial inclusion in recent years, with outsized benefits to remote and rural populations benefiting from increased access to finance via mobile and increasingly smartphone technology that reduce barriers and costs for providers. Digital technology for agriculture, or “agritech”, is similarly transforming the landscape of financial and nonfinancial services available and accessible to smallholder farmers and MSMEs in low-income countries, including by linking farmers together to better coordinate and aggregate their inputs and outputs and improve their collective bargaining opportunities; uniting farmer-producers and their

¹⁴ Baborska et al, *The impact of financial inclusion on rural food security experience: a perspective from low-and middle-income countries*, https://mpr.ub.uni-muenchen.de/89249/1/MPRA_paper_89249.pdf

representative groups with input suppliers, processors, agri-SMEs and off-takers so they can forge trade relationships; and facilitating safe and efficient savings, loans, payments, remittances, and insurance for farmers.

These and other mobile money and agritech services can profoundly change the livelihoods and opportunities of agricultural producers, from digital platforms bringing together input finance with production contracts and satellite technology reducing the cost of agri-loan assessment, to digital agri-extension, training and weather alerts that improve farming outcomes, which in turn increases production and income. For specific examples of how digital technology can improve food security, see **Technology & Food Security** on page 27.



Agritech is transforming the landscape of services available to smallholders

Figure 4 illustrates just some of the ways that the financial inclusion sector can respond to the challenges of food security and

nutrition, categorised by the four dimensions introduced earlier. The middle column provides examples of the factors that will affect that particular dimension, and the right-hand column includes a mix of real and theoretical interventions by financial inclusion organisations to address that dimension. But while all these sample interventions are categorised within a particular dimension, this is in reality a fiction; like the very real interventions introduced in the next section – the semi-finalist and finalists of the European Microfinance Award 2023 – they straddle multiple dimensions. The solution to a complex problem is invariably complex, too.



FIGURE 4: EXAMPLES OF FINANCIAL INCLUSION INTERVENTION BY FOOD SECURITY DIMENSION

Food security dimension and definition	Determining Factors	Sample financial inclusion interventions addressing dimension
<p>Availability Sufficient and nutritionally appropriate food is available in the communities served.</p>	<ul style="list-style-type: none"> • Domestic/local agricultural production • Quality inputs (feed, fertiliser, etc) • Farm investment capital • Modern/efficient agricultural practices • Mechanisation/efficiency • Access to buyers/markets (including distribution, logistics, pricing) • Food stocks • Food aid 	<ul style="list-style-type: none"> • Ag input finance • Ag input “layaway” schemes • Farm mechanisation loans and micro-leasing • Digital platforms uniting ag VC actors; other B2B linkages • Solar power finance for irrigation and processing • Financing that attracts rural youth to agricultural sector • Linkages to agricultural extension and improved seed programmes
<p>Access Clients can afford to buy (and produce) the kinds and quantities of food they need. Clients can choose what they consume.</p>	<ul style="list-style-type: none"> • Income-generating livelihoods • Savings, income smoothing • Financial risk management to safeguard consumption • Purchasing power • Transport and market infrastructure • Decision-making power 	<ul style="list-style-type: none"> • Savings products (stable access to money for food) • Client-centred loans adapted to the agricultural calendar • Warehouse financing • Remittances to rural households • Finance for forcibly displaced persons/refugees
<p>Utilisation Clients have the knowledge and ability to consume and absorb nutritious food.</p>	<ul style="list-style-type: none"> • Food and crop safety • Hygienic practices (in production, harvesting, storage, processing, transport, retail, households) • Quality and diversity of foods • Nutritional knowledge and practice in households • General health enables absorption 	<ul style="list-style-type: none"> • Client nutrition education • Linkages to nutrition programmes • Women’s empowerment initiatives that increase decision-making power and agency
<p>Stability Nutritious food is available year-round, and ongoing availability is realistic over the long term. This food can continue to be produced and consumed over the long term (in terms of environment and health).</p>	<ul style="list-style-type: none"> • Political environment • Economic system and health • Climate variability • Market price fluctuations • Agricultural sustainability 	<ul style="list-style-type: none"> • Crop insurance and other microinsurance • Connecting farmers, offtakers and other value chain actors • Contract financing • Loan repayment flexibility • Demonstration plots to enable and promote transitions to sustainable agriculture and slow-growing crops • Climate change resilience mechanisms

THE EUROPEAN MICROFINANCE AWARD 2023



Objectives & Eligibility Criteria

The European Microfinance Award 2023 on **Inclusive Finance for Food Security & Nutrition** sought to highlight innovations by financial inclusion organisations to safeguard access to **quality** and **affordable food** for **vulnerable populations** and to **increase resilience of sustainable food systems**.

To be eligible, organisations had to be active in the financial inclusion sector, fully operational for at least two years, and based and operating

in a Least Developed Country, Low Income Country, Lower Middle Income Country or Upper Middle Income Country, as defined by the Development Assistance Committee for ODA Recipients.¹⁵

The EMA2023 was launched on March 15th, 2023, through a worldwide campaign thanks to the support of the e-MFP members, global, regional, and national networks around the world, as well as e-MFP media partners such as MicroCapital, NextBillion, FinDev Gateway, and others. The deadline to apply was

April 12th. 41 organisations from 25 countries applied, comprising 22 MFIs, 8 banks, 3 FinTechs, 2 networks, 1 NGO, 1 cooperative, and 4 'others'. 30 of these were selected to proceed to the more comprehensive Round 2, with more documentary requirements as well as a financial performance assessment. 18 of these were chosen by committee to proceed to a Selection Committee of experts (see page 48), who chose ten semi-finalists, and among them three finalists, to be evaluated by a High Jury during European Microfinance Week in late-November 2023.

¹⁵ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2022-23-flows.pdf>

THE AWARD SELECTION PROCESS

41 APPLICATIONS FROM 25 COUNTRIES

Round 1

(short application form)

Committee composed of the e-MFP Secretariat and the Award consultants



30 APPLICATIONS FROM 20 COUNTRIES

Round 2

(more comprehensive application form)

Committee composed of the e-MFP and InFiNe.lu Secretariats and the Award consultants
Eligibility criteria: sound financial performance; meaningful and significant



18 PRESELECTED APPLICANTS FROM 13 COUNTRIES

Selection Phase

Committee composed of e-MFP and InFiNe.lu members



10 SEMI-FINALISTS



3 FINALISTS

Final Phase

High Jury



WINNER



FIGURE 5: SEMI-FINALISTS & FINALISTS OF THE EUROPEAN MICROFINANCE AWARD 2023

Institution	Country	Category
Fortune Credit Ltd.	Kenya	Finalist
Fundación Génesis Empresarial	Guatemala	Finalist
Yikri	Burkina Faso	Finalist
Anh Chi Em programme	Vietnam	Semi-finalist
Annapurna Finance Private Ltd.	India	Semi-finalist
Co-operative Bank of Kenya Ltd.	Kenya	Semi-finalist
The First MicroFinance Bank - Syria	Syria	Semi-finalist
Friendship Bridge	Guatemala	Semi-finalist
Microloan Foundation Malawi	Malawi	Semi-finalist
Sinapi Aba Savings and Loans	Ghana	Semi-finalist

INCLUSIVE FINANCE FOR FOOD SECURITY & NUTRITION: A FOUR-DIMENSIONAL PERSPECTIVE

*“Dis-moi ce que tu manges,
je te dirai ce que tu es”
 (“Tell me what you eat and I’ll tell you
who you are”)*

Jean Anthelme Brillat-Savarin



All 41 initial applicants to this Award – and especially the **ten semi-finalists presented in this paper** – represent a rich and fascinating range of responses to a challenge that is not only severe (and growing) but is enormously context-specific. So of course, the characteristics that distinguish the semi-finalists and finalists are varied and cannot ever fit into a single discrete category.

Nevertheless, it is valuable, we believe, to conceptualise and categorise them within the four dimensions presented in the previous section – **Availability, Access, Utilisation and Stability**.

Of course, and as mentioned earlier, none of these organisations or initiatives fit *only* into one single dimension; they each have elements of all four, to some degree or another. But in framing these ten organisations (plus one ‘special mention’) in this way, we have tried to focus on one key element of their approach that best embodies that dimension of food security.

1

AVAILABILITY

Sufficient and nutritionally appropriate food is available in the communities served.

As we saw earlier, **Availability** is the first of the four FAO Dimensions for Food Security, and refers to *sufficient and nutritionally appropriate food being available in the communities served*. This is the 'supply side' question – what can financial inclusion organisations, including FSPs, do to help farmers and others up the value chain grow and reliably provide quality and sufficient food for consumers, in their communities and beyond?

In Kenya, where **Fortune Credit Ltd (Fortune)** is based, low farm productivity is often caused by lack of access to quality and certified inputs, insufficient knowledge of good agricultural practices and climate-related issues such as droughts. Inadequate storage and other critical infrastructure exacerbates this problem, while poor market linkages among smallholders lead to low profitability. Meagre livelihoods and limited capacity for saving, compounded by low education on nutrition, make it difficult for low-income people to purchase nutritious and varied foods. Moreover, land degradation from both natural and human causes threatens food sustainability.

Fortune offers a range of products and services to address food availability. Since 2014, the MFI has offered **land financing, improved cookstove loans and motorbike loans** which can facilitate market access for rural farmers. There are training sessions on financial literacy, food production and environmental sustainability and Fortune has developed a network of **village "champions" to provide peer-to-peer field training**. Water tank financing was implemented in 2021 to help pastoralists with access to water – important during the early-2023 drought. In 2022,

Fortune Credit Ltd



FORTUNE CREDIT
Delivering Dreams

Kenya



Fortune Credit Ltd, an EMA2023 finalist, is a Kenyan MFI established in 2014, which seeks to expand access to savings, credit, insurance and other financial services that have positive social, environmental and economic impacts on rural people. Serving smallholder farmers, small traders, women, pastoralists and youth, Fortune operates five physical branches and also provides digital financial services. Fortune's client base is growing fast, having doubled from 2022 to 2023. Around 65% of Fortune's clients are rural, and 53% fall under the national and international poverty lines.

Fortune's FSN initiative includes land financing and cookstove loans, motorbike loans to facilitate market access for rural farmers; water tank financing; and a certified seed programme in partnership with agri-dealers, where farmers can pre-pay in instalments. Fortune also offers training on financial literacy, food production and environmental sustainability.

Anh Chi Em (ACE) programme

Vietnam

ace.
anh chi em



Incubated by Entrepreneurs du Monde, Anh Chi Em (ACE) is a Vietnamese MFI, established in 2007, offering modified village banking-style financial and non-financial services to very poor, marginalised, ethnic minority women in an isolated, mountainous area of rural Vietnam. About 15% of ACE's clients (called "partners") fall under the national poverty line, while 51% live under the international poverty line. While ethnic minorities comprise only about 14% of Vietnam's population, they represent 58% of the country's poor. ACE's Credit Community Officers visit groups of 10-30 partners in their community on a monthly basis to provide voluntary savings accounts, micro-loans (no collateral or group liability required), non-formal education and agricultural extension services.

ACE's FSN initiative is based on an integrated package of savings, loans, group training, agricultural extension services and market linkages for minority women; rice and redworm sub-projects that focus on increased production and lower environmental impact; supported by monitoring of FSN-related indicators that include fridge ownership and reduction in use of chemical fertiliser.

Fortune launched a certified seed programme in partnership with agri-dealers, wherein farmers can make pre-payments in instalments. As of 2023, Fortune is developing **livestock insurance and germination warranties** (in which farmers have purchased warranties to receive pay-outs if insufficient rain results in failed crops) using blockchain to bring transparency to its farm inputs guarantee scheme (enabling Fortune to record and track parametric triggers, ensuring fair and reliable claim pay-outs, with smart contracts automating the claims process, eliminating human bias and expediting claim payments - historically a major challenge in insurance). Fortune has also launched an agritech platform to link value chain actors.

50,000 farmers are enrolled in the digital agritech platform with 7,000 users reportedly receiving higher prices for their farm products; 10,000 of Fortune's loan clients have received training and 30% of these have increased production of more sustainable food; 5,000 farmers have been trained on the value of intercropping; 3,000 farmers (50% of clients within the certified seeds programme) are now less susceptible to crop risks; and 2,000 youths have benefited from asset financing for motorbikes.



In Vietnam, **Anh Chi Em programme (ACE)** also focuses on improving agricultural practices among low-income and smallholder farmers to increase food availability. ACE focuses exclusively on Dien Bien province, which has a high rate of poverty and close to 60,000 "hungry households" and which is heavily impacted by climate change and harmful agricultural practices, with 87% of the province's land estimated to be degraded. Most local households are engaged in small-scale rice and other farming, and a substantial proportion are headed by women whose husbands have migrated to cities for work.

ACE provides non-collateralised, agricultural loans to ethnic minority women, along with financial education and other training adapted to illiterate participants. Two "sub-projects" (on rice and redworms) focus on specific agricultural practices that can **increase production while reducing negative environmental impacts**.

The rice sub-project promotes the cultivation of organic rice using recommended agricultural practices to increase germination and production without chemicals. The redworm sub-project equips women to incorporate redworms into manure for use as improved chicken feed and natural crop fertiliser – both for their own use and for sale to other farmers.

ACE's agricultural loans, used predominantly for rice and cattle farming, are up to 780 euros equivalent and a maximum term of 18 months, and repayment terms are highly flexible and adapted to the crops and specific needs of borrowers. All training and agricultural support is provided free of charge.

ACE's Credit Community Officers regularly track the impact of these services across a wide range of indicators, including household food budget, income, pesticide use, chemical fertiliser applied, income from redworm biomass sales, refrigerator ownership, volume of rice production, and cow or buffalo ownership. Data from 2022 indicate that 32% of households showed an increase in fridge ownership between their first and fifth loan cycle with ACE; a 49% increase in savings over the same period, and a 70% reduction in purchases of chemical fertiliser after joining the redworm sub-project. Further, 50% of partner farmers increased their rice production after joining the rice sub-project; and there was a 23% reduction in ACE partners' households with a national poverty card by loan cycle 5.



In Ghana, the food security context is also severe. According to the WFP, 6% of Ghanaians are classified as 'in crisis' and 19% as 'stressed', particularly in the northern regions, where **Sinapi Aba Savings and Loans Company Limited (SASL)** primarily operates. In this area, 30-40% of the population suffers from insufficient food consumption, which has led to a high child malnutrition and stunted growth, and malnutrition anaemia affects over three quarters of children.

Farmers – particularly women – face considerable barriers in food production and distribution to address these health issues, from poor literacy rates, inadequate resources, technology and finance. There

Sinapi Aba Savings and Loans

Ghana



Sinapi Aba Savings and Loans Company Limited (SASL) in Ghana started operations in 1994 and transformed into a deposit-taking microfinance institution in 2013. SASL offers credit, through both individual and group methodologies, saving and other banking services to over 500,000 low-income people and MSMEs, mainly in rural areas. With 44 branches SASL has national coverage. SASL's clients are 70% women, 72% rural and 5% youth. 9% of farmers reached are reported as living below the national poverty line, while 7% are below the \$2.15 per day international poverty line.

SASL's FSN initiative involves an integrated set of financial (value chain lending, input loans, improved seeds loans, warehouse receipting system crop insurance, savings) and non-financial services (training on smart-climate agriculture and appropriate agronomic practices, post-harvest storage, weather updates and info on food pricing via SMS) to increase farmers' resilience and access to food, with a main focus on women beneficiaries. Since 2018, and as of 2023, these initiatives have directly benefited over 9,000 rural women farmers and indirectly assisted 25,000 more.

is typically inadequate storage, transportation, and market infrastructure – all crucial for sustained food access, affordability, and availability beyond harvest. And gender norms mean women farmers have limited decision-making capacity in agricultural investments.

Since 2018, SASL's FSN initiative in Northern Ghana focuses on breaking down barriers for women farmers, ultimately boosting their agricultural output and income. On the financial product side, the SASL's agri-loans are designed to provide simple, reliable, tailor-made value chain lending, with flexible repayment options, to agricultural actors including farmers, aggregators, input dealers and processors. These financial products are augmented by a **technical knowledge component**, with smallholder farmer clients and their communities participating in training on climate-smart agriculture, agronomic practices, financial literacy, and gender-awareness – all in local languages and using picture-based materials where relevant. Smallholder farmers also receive daily weather updates to facilitate planning for ploughing and fertilising, as well as updated market prices for selected crops.

SALS works with a network of **'Nuclear Farmers'**, who are vetted to ensure they own equipment that can be rented to nearby farmers and can link farmers to reliable quality input suppliers and buyers. SALS also links farmers to the Government of Ghana's school feeding programmes, which provides them with reliable contracts at the same time ensuring a steady supply to schools. Finally, SASL's innovative **Warehouse Receipting System** facilitates storage of crops and allows farmers to use stored crops as loan collateral.

Between 2018-2021, quantitative and qualitative analysis carried out on linkages between the key programme interventions and client-level results showed increased yields (by 47%) due to agronomy training, weather/market updates and access to finance for inputs, labour, and time-saving equipment; improved supply of quality food (46% of clients were able to buy more vegetables, 44% more staple cereals, and 37% more dairy/animal products); increased income/savings (73% of farmers experienced increased income, leading to increased household food consumption); and diet – 53% of clients reported dietary improvements, and 86% reported that they did

not have to eat less or less well because of lack of food or lack of money to buy food over the past 12 months.



Of course, these are not the only semi-finalists that are working to increase food availability through supply-side support to farmers. **Yikri** in Burkina Faso (page 33) offers an agricultural credit product with favourable terms for rural borrowers, accompanied by **training on sustainable agricultural practices**. Yikri has developed and now offers 38 training modules on increasing crop production while reducing negative environmental impacts, has started monthly "field schools" to demonstrate recommended farming practices, and recently began offering value chain training that **connects farmers with input suppliers and buyers**. **'Co-operative Bank of Kenya Ltd'** (page 41) offers a product called the 'Nafaka' loan, to meet agro dealers' working capital needs, with repayment only at the end of the harvest season. **Friendship Bridge** in Guatemala (page 34) has an **Agriculture Credit and Training programme** for smallholder farmers, launched in 2014 and offering credit for agricultural production and customised technical training delivered by professional agronomists with the aim of enhancing soil fertility, reducing costs, increasing production and food quality. Friendship Bridge clients also have access to **community demonstration plots** where they learn advanced production techniques and can, with expert support, experiment with higher-value crops prior to incorporating them into their production strategies.

The First MicroFinance Bank – Syria (FMFB-S) (page 30) also offers agriculture credit to boost food production, increasing crop yields and quality and fostering resilience of the local food system. This is done through **greenhouse farming loans** (with a tenure of up to 36 months), as well as long-tenure and flexible loans for **agricultural inputs** (to purchase seeds, fertiliser, equipment and other inputs to enhance their crop yields and production); **livestock credit** (to purchase livestock such as cows, goats, or chickens to provide a source of food and income); **fisheries credit** (to individuals/MSMEs in the fisheries sector, helping them to acquire equipment,



boats, and other assets needed to enhance their productivity and income) – as well as land financing. Additionally, they offer **food processing** loans that target clients in that sector who need equipment and raw materials to increase efficiency, and **asset finance for solar water pumps** is available for crop irrigation and extraction of potable water. Most of these credit products are available in tenures up to 48 months and with high flexibility in repayment plans.

Finally, **Fundación Génesis Empresarial** in Guatemala (page 28) offers a range of credit products for capital investment and equipment/machinery to farmer clients via its **Agri-Livestock Value-chain Initiative**. Credit is coupled with **guidance from agronomists** and training on climate-smart agricultural practices, with app-based support providing alerts on climate or weather events, pests and diseases, along with recommendations.

Technology & Food Security

As with so many aspects of financial inclusion, effective adoption of digital technologies creates opportunities to further the goals of the mission, including in FSN. In many cases, this is accomplished by improving the efficiency and flexibility of the overall operation, with positive knock-on effects on FSN programmes. However, many applicants have leveraged the client-facing or back office digital solutions to further target the specific needs of clients facing food security and nutrition issues.

At **Annapurna**, **digitising payments and data collection** greatly increased operation efficiency and enabled better integration of government farm subsidies alongside its own products. However, the addition of GIS (Geographical Information System) to operation enabled better tracking of consumers affected negatively by different events, especially from climate change, and natural hazards. This, combined with payment relaxation **helps clients allocate their resources towards critical components like food, water, shelter, and healthcare**. In Vietnam, **ACE** has implemented digitised monitoring systems to track both socio-economic and agricultural data collected from clients. This system detected **soil quality deterioration and farm input prices rising during Covid**, resulting in the development of the red worm project. ACE also discovered that farmers experienced negative cash flow during specific months of the year, which resulted in the development of degressive loans with flexible repayment frequencies.

Several applicants have gone further, putting their technology investments directly to the service of their FSN goals. **Fortune** implemented **blockchain technology to bring transparency to its farm inputs guarantee scheme**. This enables Fortune to record and track parametric triggers, ensuring fair and reliable claim payouts. Smart contracts automate the claims

process, eliminating human bias and expediting claim payments, which has historically been a challenge in insurance.

In Guatemala, **Friendship Bridge** is using a **digital tool to assist farmers to identify plant diseases, implement cost-effective solutions and minimise production losses**. It also enables data collection for in-depth analysis of client challenges. Additionally, it uses WhatsApp to share educational content on healthy nutrition with clients. **Co-op Bank** in Kenya established *Co-op Bank Soko*, a digital marketing platform that enables farmers, cooperative movements, and food value chain players to receive better prices for their produce, access quality inputs, and utilise financial services.

Digital tools can also leverage **staff effectiveness**. **ACE** has four agricultural workers (AWs) on staff to provide individual counselling to over 4,000 beneficiaries living in remote areas. To reach them promptly, these staff sometimes provide counselling remotely through video calls. This is crucial in emergent cases to prevent crop or animal loss due to disease.

Finally, **SASL's** mobile banking platform, accessible via both USSD and a mobile app, allows clients not only to better manage their financial transactions, but it also provides a seamless integration between financial education and banking components. **Educational videos embedded in the app have made the app accessible to illiterate and semi-literate women**, increasing adoption especially among rural women who often lack trust in technology. This supports not only a positive savings culture, building resilience against unforeseen shocks. A recent evaluation noted that increased income and savings were key factors enabling households to afford necessities such as food and education.

2 ACCESS

People can afford to buy (and produce) the kinds and quantities of food they need.

Within the Four Dimensions of food security, Access switches focus from the supply to the demand side.

Can people afford to buy (but also produce) the kinds and quantities of food they need?

In Guatemala, where **Fundación Génesis Empresarial (FGE)** is based, there are two significant public health problems related to food security and nutrition: food shortages driving acute or chronic malnutrition or micronutrient deficiencies (a type of ‘hidden hunger’); and increasing obesity and chronic non-communicable diseases (NCDs), marked by changes in eating habits and increased consumption of foods with low nutritional value. The most affected segments are indigenous and rural communities, with severe levels of poverty and extreme poverty. Indeed, Guatemala ranks as the world’s 6th worst country for child malnutrition, and in rural areas with a significant Maya population, child malnutrition rates approach 80%. A diet primarily based on maize tortillas and processed foods causes lasting harm to children and the situation is aggravated by factors such as insufficient income, limited resources, low agricultural productivity and escalating costs of both fuel and food.

FGE is notable for the breadth of its focus on this topic, comprising an integrated combination of financial services, introduced in the previous section, and which includes working capital and agricultural assets loans and agronomist guidance and climate-smart agricultural practices via its Agri-Livestock Value-chain Initiative. Also of note is the **breadth of non-financial services** for low-income clients, especially rural and indigenous communities. This household well-being programme comprises training on nutrition, health, business and

Fundación Génesis Empresarial

Guatemala



Fundación Génesis Empresarial, an EMA2023 finalist, is a Guatemalan non-profit foundation specialising in sustainable rural development, through offering inclusive financial and non-financial services. It serves over 320,000 clients (almost all of them living below the national poverty line) across Guatemala. Its primary goal is to uplift indigenous women, reducing poverty and promoting the *Ruta de Desarrollo* (development path’) model for comprehensive development. Financial and social needs of clients are addressed through a combination of financial assistance and continuous training and assistance to enhance business skills for self-employment and contribute to good nutrition, health and holistic development of clients.

Génesis’ initiative involves an integrated combination of financial services such as working capital and assets loans for agriculture and health microinsurance, non-financial support for producers such as agronomist guidance and education on climate-smart agricultural practices via its Agri-Livestock Value-chain Initiative, and for consumer-clients, training on nutrition, health, business and financial management, and food bank support.

financial management, plus food bank support for the distribution of food and emergency assistance to poor populations.

Specifically, this programme includes support for **resilience against financial shocks** through individual and group health insurance with 24/7 service for unlimited medical consultations and preventive care through a toll-free line, as well as life insurance, medical advice via phone, telemedicine, free and/or discounted lab tests, as well as funeral assistance.

FGE is notable too for its **Community Health Initiatives**, with its Well-Being programme offering general medical consultations, paediatric care, medications, and nutritional supplements for children aged 6 months to 4 years.

However, it is FGE's commitment to meeting the needs of the poorest and most vulnerable Guatemalan households via its **food bank programme** that puts it in this 'Access'-focused section. The *Desarrollo en Movimiento* (DEM) ('development in motion') food banks programme tackles discrimination, exclusion, extreme poverty, the lack of job opportunities and other drivers of hunger and malnutrition. It does so by forging partnerships with businesses, organisations and communities to provide culturally relevant long-term support. This ushers in positive change through large amounts of donated or redistributed food, coverage for elderly people, women, and children, substantial improvements in the nutritional indicators of children and teenagers, volunteers and the number of hours of volunteer work.

The DEM food bank, starting in 2018 also includes sub-programmes called *Rescate Agrícola* ('agricultural rescue'); DEMOS; *Ruta de Alimentos* ('health path'); and *Manos al Rescate* ('hands to the rescue'). These programmes work respectively by: **rescuing unsellable fruits and vegetables** by returning them to the productive cycle and redirecting them to highly vulnerable populations; providing **food and nutritional education** to mothers and teachers as well as healthy school breakfasts in schools; partnerships with community leaders and institutions for the delivery of **nutritious food bags at low cost**; and **donating**

food bags for emergency situations, natural disasters and other natural/social crises.

FGE also provides health insurance and assistance, medical days, free medicines and nutritional supplements to assist highly vulnerable people, rural people, women of childbearing age and people at high risk of poverty.



Syria has faced 12 years of civil war, the result of which is a food security context that is especially complex, and exacerbated by an economic crisis, the Covid-19 pandemic and a series of droughts. To better understand and respond to these particular challenges, **First MicroFinance Bank – Syria (FMFB-S)** has been conducting frequent market surveys and focus group discussions on the different dimensions of food security and cross-referenced this with research published by the UN, WFP and FAO to put forward an FSN programme that supports producers and consumers alike.

Years of conflict have disrupted food production, distribution, and access, leading to food shortages, high prices, and limited access to nutritious food. According to the WFP, Syria ranks among the ten most food-insecure countries globally: 34% of children under five are stunted, and 6% suffer from acute malnutrition; nearly 55% of the population are food insecure, 12% are severely food insecure and 35% are internally displaced¹⁶. Moreover, FMFB-S' own client survey shows that 89% of households cannot afford a daily basic food basket, 84% lack confidence in securing sufficient food for their families, 63% only consume one meal per day, 90% consume meat only twice a year, and 83% are unable to access the desired food types, primarily due to their geographical location, disrupted supply chains, and inadequate storage facilities. Moreover, a third have no access to clean water for drinking and cooking, while over half lack adequate water for irrigation, livestock and other purposes.

FMFB-S has responded to this extremely complex context with an approach that focuses on support

First MicroFinance Bank – Syria

Syria



The First MicroFinance Bank Syria (FMFB-S) is the leading private-sector microfinance provider in Syria, whose major shareholders are Aga Khan Agency for Microfinance, EIB, IFC and KFW. Originally established in 2003 as a microfinance programme, FMFB-S completed its transition to a licensed microfinance bank in 2008, with the aim of providing financial services to low-income individuals, small businesses and marginalised communities to alleviate poverty and improve the quality of their life. Despite the difficulties due to the war, FMFB-S has a wide geographical coverage, serving over 127,000 clients through its 17 branches and partnerships with the two largest exchange companies (300 offices where clients can conveniently repay their loan instalments). In 2022, 63% of clients lived below the international poverty line.

FMFB-S' FSN initiative involves a multi-faceted approach, including agricultural finance (loans for agri-inputs, livestock, food stock, solar water pumps, land acquisition and agri-assets, savings for food consumption, food vouchers, etc.) as well as training and technical assistance to address various FSN barriers facing vulnerable low-income farmers.



to the most vulnerable families. This starts with a **personalised assessment**: engaging individually with clients to understand their food security needs and recommend tailored solutions. Indeed, not all needs are explicit, and shame may prevent people from asking for critical help, so staff are trained on **how to recognise signs of malnutrition** among clients and their families and how to survey clients about their food security status.

FMFB-S also works with UN agencies and NGOs to provide **immediate aid through food distribution and cash assistance** (via food vouchers) for the most vulnerable groups, such as displaced persons or widows. The organisation also engages in Food Stock Support, offering families finance to purchase bulk food supplies to meet basic needs (with a tenure of up to 36 months and particularly prioritised in the period before winter). This is alongside strong encouragement of a **savings culture**, both individual and group-based, to increase financial resilience of farmers, households and MSMEs. In particular, clients are incentivised to save for food-related emergencies or for investing in food-related activities.

The role of financial supervisors in addressing food insecurity - Toronto Centre



Ensuring food security has been a top human priority since the beginning of time. It is therefore no surprise that agriculture ranks as one of the largest industries globally.

In emerging markets and developing economies (EMDEs), agriculture demands greater innovative and market-based approaches to achieve national economic and social objectives. As populations continue to grow, a substantial global transformation must take place to increase food production by 70% – the estimated figure needed to feed the future population (FAO, 2009) – by 2050.

The safety and soundness of financial institutions, stability of the financial system, efficient and fair markets and consumer protection are core responsibilities of financial services' supervisors. Financial inclusion and gender equality are also part of the regulatory responsibilities of many regulatory authorities globally. However, achieving these social goals is threatened by food insecurity, particularly in EMDEs.

Geopolitical events and consequences such as supply chain disruptions and inflationary pressures, including rising fuel costs, are intensifying the challenges to meet the world's growing demand for food. These concerns are further worsened by climate change, one of the biggest threats to food security today. Extreme weather conditions such as heat, drought, and floods, biodiversity loss, and problems with pests

present formidable challenges for all farmers. This is particularly so for those in EMDEs who depend on farming for their livelihood.

Smallholder farmers play a disproportionate role in feeding the population in many EMDEs, particularly in Sub-Saharan Africa and Asia. Many do not have easy access to financial services. This is particularly unfortunate as many smallholder farmers are headed by women, thus frustrating the pursuit of inclusivity and gender equality. Here, too, geopolitical events, climate change including biodiversity loss, and the COVID-19 pandemic have all affected the agricultural sector. This in turn impairs financial inclusion and gender equality.

Digital transformation increased during the recent pandemic, and financial institutions have made strides in addressing long-standing challenges for people at the lower end of the socio-economic ladder. These people traditionally, and unfortunately, have limited access to financing, investing, and insurance services. This increase is an important development for the agricultural sector, particularly smallholder farmers in remote rural areas. Encouragingly, this promotes inclusivity and gender equality.

Farmers increasingly use access to finance to buy higher yielding, climate resilient seeds and more efficient grades of fertiliser. However, they face many challenges. Farmers are expected to not only increase food output but also do so in a way that fosters sustainability. At the same time, they have to consider environmental, social, and governance (ESG) issues.

Increasingly, important ways to help farmers increase their productivity and resilience include greater access to financing; traditional crop insurance and the increasing use of parametric /index insurance; more innovative embedded insurance, which facilitates greater transparency; and speedier and more efficient claims processing. These can reduce poverty,

create jobs, and foster economic growth, all helping promote inclusivity and gender equality.

Regulators have a role to play by influencing policymakers to take bolder steps to address the root causes of hunger and economic vulnerability. For example, building more weather stations results in more reliable and timely availability of weather-related data. This can boost parametric insurance use, as well as more effectively and efficiently encourage the participation of international reinsurers. Agriculture insurance (crop insurance and parametric insurance) promotes financial inclusion by providing access to banking services (savings, investing and loans). One way this can strengthen the resilience of farmers is by smoothing consumption patterns.

Financial inclusion, gender equality, and food security are interconnected. If addressed as a whole, solutions can support inclusive, efficient, and resilient food production. In the words of Michelle Bachelet, United Nations Commissioner on Human rights, “When women have an income, (they) dedicate 90% to health, education, to food security, to the children, to the family, or to the community. So, when women have an income, everybody wins.”

The target of Toronto Centre’s work over the past several years has been on financial inclusion, gender equality, digital transformation, and climate risks and biodiversity loss. In this effort, we’re doing our part to instill the need for supervisors to play a greater role in fostering food security.



3

UTILISATION

People have the knowledge and ability to consume and absorb nutritious food.

Within the Four Dimensions introduced earlier, Utilisation moves entirely to the demand-side, focusing attention on the nutritional needs of the client and their household. Do they have the **knowledge and ability to consume and absorb nutritious food?**

Burkina Faso, where **Yikri** operates, is among the world's most food insecure countries and ranks lowest in the Sahel region for food security and nutrition. As many as 3.5 million people are estimated to be affected in 2023 (of which 20,000 are facing famine). A convergence of factors has exacerbated the FSN situation in the country in recent years. Ongoing socio-political violence since 2015 has led to significant internal displacement, forcing rural villagers to abandon an estimated 450,000 hectares of formerly cultivated land, along with their market relationships, even though farming represented the livelihoods of over 80% of these families. Meanwhile, increasingly erratic weather with uneven rains leading to droughts and flooding have substantially reduced production in areas where people are still able to remain on their land. Furthermore, the war in Ukraine has cut off supplies of important staples. These combined impacts on food availability have led to high inflation, constricting people's ability to purchase foodstuffs. Child malnutrition is severe, with well over a quarter of Burkinabe children malnourished.

In 2015, Yikri began complementing its basic microloans and training with specific education on nutrition and linkages to social services. Field officers are trained to recognize the warning signs of malnutrition in mothers and children and to refer clients to one of six associations offering subsidised milk programmes.

Yikri

Burkina Faso



Yikri, an EMA2023 finalist, was established by the French NGO Entrepreneurs du Monde in 2014. An independent MFI with local management and board of directors, offering a full suite of financial services to 36,000 mostly women clients in a group setting. Having observed a notable decline in clients' ability to feed their families since its inception in 2014, Yikri prioritises the design and delivery of services that equip poor people to develop income-generating activities, improve their standards of living and protect against environmental degradation.

Yikri's FSN initiative comprises individual loans in group settings, savings, insurance, and an agricultural credit product with favourable terms for rural borrowers, accompanied by training on sustainable agricultural practices via 38 training modules on increasing crop production while reducing negative environmental impacts. Yikri has started monthly 'field schools' to demonstrate recommended farming practices, and recently began offering value chain training that also connects farmers with input suppliers and buyers. It also offers referrals for poor families to subsidised milk programmes; and linkage to health insurance. Monitoring of poverty and income levels, nutritional indicators, and other data to continually assess effectiveness.

Friendship Bridge

Guatemala



Friendship Bridge is a Guatemalan MFI-NGO established in 1998 with a mission to create opportunities that empower women to build a better life, through the provision of *microcredit plus* services including financial products, non-formal education (NFE), and health services. Friendship Bridge operates a group lending model through headquarters in Colorado and 11 branches in Guatemala. Its clients are all women, and almost all indigenous Maya, living in rural communities. 19% of Friendship Bridge's clients are youth under 25 years and 53% live below the national poverty line.

Friendship Bridge's FSN initiative involves an integrated set of agricultural finance and non-financial services. The Health for Life programme involves sensitisation and education on healthy eating habits and no-cost screenings for diabetes and hypertension. Medical care is provided by nurses via mobile clinics with a door-to-door approach - and all provided in local language, thanks to a partnership with Maya Health Alliance. A Poverty Stoplight tool helps clients, supported by loan officers, to self-assess their nutritional situation across a range of indicators, and they are supported with a plan to address the nutritional challenges they face.



Yikri has established partnerships and financing to promote clean energy for cooking to reduce the use of charcoal and wood. Finally, recognising that health events often lead to defaults and reductions in income, Yikri also partners with a mutual health insurance programme, *Tond Laafi*, to provide its clients with basic health insurance.

Yikri uses the Poverty Probability Index (PPI) tool to track clients' progress out of poverty. In 2022, the data showed that among clients living in extreme poverty (under \$1.90/day), there was a 3% increase in daily milk and sugar consumption. Yikri also gathers client data, conducts satisfaction surveys and other studies. In 2022, 96% of clients surveyed said that they had improved their agricultural knowledge and 83% had applied recommended practices for sustainable farming. 99% reported an increase in their crop production, and 83% said they had met their food and nutritional needs. Yikri also found that clients' net monthly incomes increased by 140% from their first cycle with the MFI to their fifth cycle, and that average savings balance increased by 29% over the same five cycles.



As described in the earlier section on FGE, malnutrition is a serious problem in Guatemala, where **Friendship Bridge** is also located. The prevalence of stunting in children under 5 is the highest in Latin America and one of the highest in the world: almost half of Guatemala's children are chronically malnourished, and in some rural areas, the rate reach peaks as high as 80%, according

to UNICEF. 80% of indigenous populations experience food insecurity as well as profound barriers to access to health care and education.

Friendship Bridge relies heavily on its 'Poverty Stoplight' tool to holistically understand the poverty of its clients and to benchmark it to the Multi-Dimensional Poverty Index and the Poverty Probability Index. In the Poverty Stoplight, Friendship Bridge clients, supported by loan officers, engage in a self-assessment of their multidimensional poverty status, including their nutritional situation. Specifically, clients self-evaluate across a range of indicators by identifying if they are red (extreme poverty), yellow (poverty) or green (no poverty). Upon completion, clients receive a life map where they can see the colours chosen throughout the indicators and then choose which area to prioritise. According to Friendship Bridge, providing clients with a choice on what to prioritise is crucial; when clients feel they are exercising choices they feel empowered and are more likely to sustainably transition to 'no poverty' and to use the financial and non-financial products and services to address the food security and nutrition challenges they face. Among the data provided by this tool is that 54% of clients have no refrigerator and 56% have no stove, compromising their ability to conserve and cook nutritious food. 15% of clients have reportedly lost a child under the age of 5 in the last ten years, with malnutrition being a frequent factor.

To support clients in improving their knowledge and capacity to consume nutritious food, Friendship Bridge provides an integrated set of products and services. Alongside various agriculture-specific financial products and services (described briefly in the Availability section on page 22), non-formal education (NFE) training sessions across 16 modules focus on education about nutrition, taught from a comprehensive guide. The **Health for Life programme**, launched in 2015, provides no-cost screenings and treatments for diabetes and hypertension, tracks weight and height and comprises various promotions of healthy nutrition habits. Medical care is provided by nurses via mobile clinics with a door-to door approach. Thanks to the



partnership with Maya Health Alliance, this service is offered in the local language and helps the indigenous Maya overcome barriers to health care.

Friendship Bridge has an extensive monitoring system, including regular client surveys, focus group discussions, monthly tracking of social KPIs, impact studies and programme evaluations. According to the May 2022 60 Decibels Microfinance Index, 42% of clients report "very much increased income", 48% report "very much improved quality of life", 26% report "very much increased number of meals", and 81% have never reduced food consumption to repay a loan.



The Crucial Role of Partnerships

Even as financial services are closely intertwined with FSN issues, few inclusive finance institutions have the in-house expertise needed to develop solutions for clients struggling with food security or deliver them on their own. Partnerships are a crucial part of an effective FSN programme – and they span the full range of expertise and capabilities.

Many EMA2023 applicants cite partnerships with **agricultural research institutes and specialised data providers**. In Vietnam, **ACE** works with the French Agricultural Research Centre for International Development (CIRAD) to identify opportunities to improve soil fertility, prevent erosion, and provide nutritious livestock feed in its forage peanut project. **SASL** in Ghana partners with the Council for Scientific and Industrial Research (CSRI) to focus particularly on climate-related issues, including soil, water and biodiversity conservation, climate change mitigation and adaptation, pollution and waste management, and green technologies. CSRI helped SASL to develop its Climate Smart Agriculture training.



Indeed, such training development exemplifies the role of **technical assistance** as an especially crucial area for partnerships, and many applicants work with specialised support providers to help implement FSN initiatives.

Fortune in Kenya relies on HEDERA Sustainable Solutions to conduct needs assessments, and then tailor its FSN initiatives and implement outcomes monitoring to ensure that its interventions meet the real challenges faced by its communities. Similarly, **MLF** has been collaborating with the Smallholder Safety Net Upscaling programme (SSNUP) to improve its agri-finance services by developing crop-specific agricultural loans, a credit scoring system, integrating mobile money transfer and savings services, and optimising its operational processes.

Other applicants leverage their efforts through partnerships with key **food and agricultural market actors**. **Fortune** has cultivated partnerships with organisations such as Bumula Farmer's Center, an agri-dealer that plays a crucial role in ensuring the availability of the right farm inputs at the right time. Their expertise in sourcing and distributing quality inputs is essential for maximising agricultural productivity.

Co-op Bank in Kenya has taken market partnerships to another level, working with multiple governmental and non-governmental organisations, including WFP, to implement initiatives directly related to FSN, including capacity building for many key agricultural value chains (both staple and cash crops and including dairy, poultry, rice, maize, coffee, and cotton) to improve cooperative governance, increase quantity and quality of production, enhance storage, access financial services and create employment opportunities. From 2015 to 2022, Co-op Bank partnered with the EU, the Government of Kenya, rural banks, private sector bodies, IFAD and farmer beneficiaries to implement KCEP-CRAL to improve the sustainable, climate-smart and profitable production of staple crops such as maize and beans.

The example of Co-op Bank also highlights a key partner for many FSPs working on food security – **government** and its affiliated institutions. In addition to the KCEP-CRAL programme, Co-op Bank partners with both national and local governments to identify and train farmers, while relying on the East African Grain Council to access national grain markets. For **ACE**, the government partner is the Agricultural Services Center, a government agency supporting farmers in their agricultural production in Dien Bien, whose network of agricultural workers at district and commune levels supplements ACE’s own training and counselling programmes. For **FMFB-S**, the government-affiliated Federation of Syrian Chambers of Agriculture provides technical assistance in farming, producing, marketing, storing and selling agri-products. And for **SASL**, the partnership with the Ghana Ministry of Food and Agriculture facilitates the development of agriculture products, especially for women and youth, and helps monitor regulation and policy changes related to agriculture portfolios.

One critical area for FSN partnerships is with specialised providers of **digital and technology services**. **Fortune’s** partnership with Twiganet

Technologies has revolutionised its onboarding and distribution processes. Their digital platforms enable seamless coordination and support for farmers, facilitate efficient delivery of farm inputs and credit, track production progress, and assist in selling products at fair market prices. For **SASL**, the online agricultural marketing and messaging service Esoko Ghana sends weather alerts and market price data via SMS directly to farmers’ mobile phones to reduce the risks caused by over-reliance on rain-fed agriculture and help them make informed decisions on when and where to sell their crops.

Finally, FSPs use partnerships with **other financial institutions** – especially insurers – to supplement their FSN-related suite of financial products. **SASL** partners with Ghana Agricultural Insurance Pool (GAIP) to tap into its portfolio of sustainable insurance products that mitigate the financial risks associated with the agricultural sector, including climate change and other hazards. SASL has been working with GAIP to pilot Area Yield Index Insurance and is looking to introduce Revenue Protection insurance, which will protect farmers from unforeseen shocks. And **Co-op Bank** looks to Pula to provide crop insurance to its clients.



4

STABILITY

Nutritious food is available year-round, and ongoing availability is realistic over the long term. This food can continue to be produced and consumed over the long term.

The fourth and final dimension of food security is Stability. Can financial inclusion organisations via their FSN initiatives **ensure availability of nutritious food all year round (for the consumer) as well as stable livelihoods for food producers and other stakeholders across the distribution and value chain?**

Although recent decades have seen remarkable progress, food insecurity and malnutrition remain widespread in India, especially in very poor states such as Bihar, Odisha and Assam, where 25-30% of women are malnourished. **Annapurna Private Finance Ltd (Annapurna)** (page 39) operates in many of these poorest states, but the challenges are nationwide: 25% of women of reproductive age suffer from malnutrition, as many as 45% of children are underweight for their age, and almost 44% of children are stunted. Barriers to food security and nutrition include limited access to resources, land degradation leading to low production, unpredictable rain and weather patterns, increasing climate-related disasters, suboptimal food storage facilities and distribution mechanisms, insufficient access to healthcare and education, and poor sanitation and hygiene practices.

Annapurna's FSN initiative combines financial and non-financial services that address all food security dimensions, with a particular focus on the stability of safe and healthy food to low-income populations and especially rural women. Annapurna offers group loans for agricultural inputs and water and sanitation loans to construct and maintain safe water sources and sanitation facilities. On the nonfinancial side,

Annapurna offers complementary group training on food and nutrition, hygiene and sanitation, financial literacy and business management. But it is the **priority given to dairy production** which epitomises Annapurna's contribution to food stability (dairy produce being markedly less seasonal than other agricultural sectors) while also increasing access and utilisation among consumers and producers.

Dairy loans provide funding for the establishment and expansion of dairy farming, an important source of income and nutrition for households. Milk, cheese, and yoghurt are rich sources of protein, calcium, and other essential nutrients, and year-round income from dairy farming adds to the nutritional stability of farmers' households' diets.



Food insecurity is also widespread in Malawi (where **Microloan Foundation Malawi (MLF)** (page 40) operates), especially during the "hungry season" before harvest time. This is due to inadequate production of food, owing to increasing impacts of climate change that are compounded by lack of capital and know-how to improve sustainable production of food. Women in Malawi lag far behind men in terms of access to land, capital and time devoted to cultivating high-quality and quantities of food – especially foods that carry a high market value. Since 90% of MLF's clients are female smallholder subsistence farmers, they are frequently trapped in a vicious cycle of poverty and food insecurity.

Annapurna Private Finance Ltd

India



Annapurna is an Indian MFI established in 2009 and is among the top five NBFC MFIs in India serving over two million clients, primarily rural women, through 1,000 branches across 21 states. The majority of Annapurna's portfolio is group loans for agricultural purposes, and the MFI provides complementary non-financial services in the form of non-formal financial, business, and other education.

Annapurna's FSN initiative involves group loans for agricultural inputs, dairy farming and sanitation, combined with training on nutrition, financial literacy, safe water and hygiene. Dairy loans provide funding for the establishment and expansion of dairy farming, an important source of income and nutrition for households. Milk, cheese, and yoghurt are rich sources of protein, calcium, and other essential nutrients, and year-round income from dairy farming adds to the nutritional stability of farmers' households' diets. Regular monitoring includes FSN-related indicators such as clients' average number of meals per day and change in agricultural income.

Annapurna regularly monitors the usage of loans and conducts customer satisfaction surveys and regularly monitors the impact of its loans. An annual socio-economic impact assessment monitors household-level change. According to its own data, 91% of clients in 2022 reported eating three meals per day, and 31% reported increased annual income. According to a 2022 report by 60 Decibels, 51% of Annapurna's clients reported that their quality of life had "very much improved"; 14% said that their number of meals had "very much increased"; and 25% stated that their resilience had "improved".

Since 2008, MLF has offered and continually expanded its range of agricultural finance products and training designed to improve women's farm livelihoods and **shift from subsistence farming to an entrepreneurial approach**. First, MLF launched a 7-month **soya and maize loan** to encourage women farmers' cultivation of these complementary crops (soya rotating well with maize) during the rainy season. This increases the stability of both farmers' income and low-income households' food access – and is complemented with a business loan during the dry season. In 2010, an **irrigation loan** was implemented, intended primarily for clients in Ntcheu, Dowa and Ntchisi who grow cash crops such as Irish potatoes all year round. In 2015, an 8-month **rice loan** was introduced; rice takes longer to grow, yield, process and sell than crops like maize and soya, so this loan has a grace period of four months and four 'bullet' payments.

In 2021, within the World Bank Financial Inclusion and Enterprise Scaling (FinES) project, MLF began offering a special 8-month **agri-loan** for existing or repeat clients. MLF also collaborates with agricultural cooperatives and provides **financing for seed multiplication for soy and groundnuts**, with one bulk repayment due only after the sale of the product.

MLF uses the Poverty Probability Index (PPI) to track changes in poverty indicators over time and collects impact data regularly using tablets in the field. In 2022, 94% of MLF's clients had not missed a meal, compared to 87% at baseline, and 18% of MLF clients previously living in extreme poverty (under US\$1.25/day) had moved out of that category in the past year. MLF also



monitors “negative coping mechanisms” to repay loans, such as selling assets, reducing meals, or turning to a loan shark; in 2022, only 1% of clients reported taking such measures.



Stability has a micro- or household-level component, as in the case of Annapurna and Microloan Foundation, but can also be seen through a **macro lens**: how can financial inclusion organisations increase food stability at the community, regional or national level? Food insecurity and malnutrition is a significant issue in Kenya’s arid and semi-arid land (ASAL) areas, which comprise 80% of the country’s landmass and are home to 36% of the population. Within ASAL areas in Kenya, where **Co-operative Bank of Kenya Ltd (Co-op Bank)** (page 41) operates, 4.4 million people (29% of the population) are food insecure, and 1 million children and 142,000 mothers are malnourished. These areas are heavily impacted by climate-related disasters (including five consecutive years of drought, the worst in 40 years, causing the deaths of over 2.6 million livestock), as well as weak transportation and other infrastructure to enable access to food. As a result, the population subsists mainly on maize and beans.

Co-op Bank contributes to stability of the food value chain as part of a public-private consortium project called Kenya Cereal Enhancement Program - Climate Resilient Agricultural Livelihoods (KCEP-CRAL), the goal of which is to reduce rural poverty and food insecurity for smallholder farmers in ASAL areas of Kenya by improving the sustainable, climate-smart and profitable production of staple crops such as maize and beans.

Co-op Bank’s role within KCEP-CRAL has been to develop and roll-out an e-voucher system for farmers to access farm inputs and equipment, provide financial education to farmers and entrepreneurs, enhance the population’s access to financial services, and provide technical support and coaching to farmers for

Microloan Foundation Malawi

Malawi



Microloan Foundation Malawi (MLF) is a subsidiary of MicroLoan Foundation UK, a charity focused on rural women’s empowerment and poverty alleviation. Established in 2002, MLF is a non-deposit-taking MFI that delivers uncollateralized loans to its over 40,000 (all-women) clients integrated with complementary business and financial training to groups of women in their rural communities using decentralised group lending methodology. In 2022, 88% of new clients lived below \$2.50 per day, while 62% were extremely poor, living on less than the extreme international poverty line of US\$1.25 per day.

MLF’s initiative involves agricultural loans (e.g., maize, soya and rice farming loans, seed multiplication financing for cooperatives, and irrigation loans) and training for women to overcome obstacles and transition from subsistence farming to sustainable and profitable agricultural entrepreneurship, backed by thorough monitoring and analysis of FSN-related outcomes and impacts such as clients’ change in poverty level and missed meals.

Co-operative Bank Kenya Ltd

Kenya



Co-operative Bank of Kenya Ltd emerged from the peasant farmer cooperative movement of the 1960s and became a full-fledged commercial bank in 1994. The bank serves nine million clients with a full range of services across retail, business, corporate and institutional and cooperative banking categories and via numerous channels that include ATMs, a mobile banking platform, an agency banking network, SACCO branches and “diaspora banking.” Despite its broad clientele at all socioeconomic levels, 60% of Co-op Bank’s clients live under the national poverty line, and 64% are under the international poverty line.

Co-op Bank’s initiative is a public-private sector consortium approach (KCEP-CRAL) to enhance climate-smart agricultural livelihoods and staple production on land heavily impacted by climate change. It offers working capital loans to meet the needs of agricultural input suppliers, mobile loans for farmers, and other value chain actors, stock-taking loans, stock financing, and e-vouchers for purchasing inputs from selected dealers.

the development of commercially viable agricultural livelihoods. The financial products offered under KCEP-CRAL are: ‘Nafaka’ loans, designed to meet the working capital needs of agricultural input suppliers; mobile loans – available to farmers, value chain actors and agro-dealers; stock-taking loans; stock financing; and e-vouchers for purchasing agricultural inputs and related goods with select agro-dealers.

Co-op Bank’s **stock financing product** is designed around an appreciation of the underlying trading cycle of the customer as well as the sector in which s/he operates. It allows them to pay for the various products they trade with and ease pressure on their working capital; they can pay for the agri stocks on time to ensure consistency and avoid stock outs; they minimise delay since payment is against invoices and made directly to the suppliers; and they can align financing with the trading cycle of the customer to match the financing repayment with the receivables for the financed products.

The **e-Voucher** solution is a card payment solution that allows access through various bank channels. Co-op Bank provides multiple channels for beneficiaries to load contributions for e-voucher and savings into their card accounts. The e-voucher card solution is tied to the POS machines of approved agro-dealers so they can only be used there. The value on the e-voucher wallet is only accessible through purchases at these appointed agro-dealers for farm inputs, post-harvest items, and payment for crop insurance and CA services. The bank undertakes administration, issuance, and replacement of the cards and deployment and maintenance of POS systems.



Special mention: OKO



OKO, one of the other applicants for the EMA2023, narrowly missed out on making the list of semi-finalists, but the Selection Committee requested that OKO be acknowledged in this publication with a 'special mention'.

OKO is a Fintech start-up established in Israel in April 2018 and which began operations in January 2019. It now operates in three markets: Mali (since end-2019), Uganda (currently paused, pending the renewal of subsidies by the National Agriculture Insurance Scheme) and Côte d'Ivoire (since 2022), and serving nearly 15,000 insured farmers during each growing season.

Only 6% of the estimated 77 to 100 million agricultural farms in Africa are equipped with irrigation systems, leaving the vast majority of African farmers completely dependent on unpredictable weather patterns. Despite this, only 3% of sub-Saharan farmers have access to agricultural insurance, mainly due to prohibitive fixed costs associated with conventional agricultural insurance (such as expert damage assessment and individual risk estimations). The absence of financial safeguards often results in

farmers being denied essential agricultural loans, which could be vital for acquiring necessary equipment or expanding production. This situation becomes even more critical in the context of climate change, where unpredictable seasons and frequent climatic anomalies exacerbate the vulnerability of these farmers.

In response to these challenges, OKO launched its insurance product in 2019. The **insurance covers climate-related risks**, primarily focusing on drought and flood events. It was initially only available for maize and only protecting against the risk of drought, but is **now available for six crops** (maize, millet, sorghum, sesame, cotton, and peanuts) and covers risks of insufficient and excessive rainfall (based on rainfall or evapotranspiration satellite data).

OKO has also tailored insurance payment methods to suit its target population: **payments are made through mobile devices**, eliminating the need for an internet connection or a bank account; instalments can be flexible without additional fees and if a client has not paid the full premium, the coverage is adjusted to match the actual payment. In collaboration with UNDP, OKO is also piloting a **deferred premium payment system**, so that farmers can pay at harvest when they have more liquidity.

By partnering with weather information providers using satellite or microwave technologies to obtain hyper-local data, OKO **automates payouts** based on satellite weather data, which minimises the premium and expedites and simplifies compensation, through an automated claim validation process, eliminating the need to contact their insurer or wait for an expert assessment.

FACTORS FOR SUCCESS



The organisations profiled in this paper have diverse approaches to the challenge of food insecurity, from agronomy support to digital nutritional education to agri input loans and asset finance, to name just some. Because the financial inclusion sector is no more a monolith than the problem itself or the food context in a particular country, there will inevitably be a breadth of what we can call ‘best practice’: what these organisations are doing which deserves a spotlight, with real scope for replication.

The EMA team has spent a year thinking about and working on this topic, learning about applicants and different approaches. What has struck us is the scope of the challenge, and also the **gaps remaining with enormous**

potential for the financial inclusion sector, especially FSPs, to do even more.

As the examples in the box on page 36 show, **partnerships** play a critical role in helping financial inclusion organisations. The skills and specialisation needed, whether supporting food producers at one end of the value chain or client consumers at the other, are beyond the capacity of any financial services provider. Depending on what role that organisation wants to take, and how it seeks to address FSN-related challenges, it will need partnership with government entities, funders, TA or support service providers, researchers, and even supranational bodies or INGOs. It takes the proverbial ‘village’.

Technology can revolutionise the food systems that are a precondition for access to quality, safe, affordable and sufficient food. Digital solutions, a selection of which are described in the box on page 27, can transform all parts of the food value chain, and include digitised payments, marketing, low-cost delivery of health and nutritional education, weather data for parametric insurance, market matching and value chain linkages, agritech and financial literacy. Fintechs as well as traditional providers have an important role to play, and so too do TA providers to support traditional FSPs in their digital transformation process.

As this paper has tried to make clear, food security is much more than just addressing hunger or



nutrition at the household level, but requires a **holistic, food systems-based perspective**; understanding how food is produced, by whom, when, what inputs they need to do so - as well as what future climate-based adaptations they will need to make. It includes how food is refined or processed, packaged, preserved, transported and sold. It includes facilitating and incentivising sustainable food *systems* that go beyond the mere supply of adequate *quantities* of food, but which considers food *quality* and the emerging issues of non-communicable diseases like diabetes, previously problems of the rich world, but now exported through hyper-processed and cheap fast food to developing countries too, which will struggle to bear the enormous health care costs it brings. These are complex roles, way beyond the sole purview of a financial inclusion organisation.

But access to financial services at all levels of the value chain is a necessary – if not sufficient – condition for it to work.

Finally, addressing these enormous challenges requires financial inclusion organisations to redouble their focus on **client-centricity**. Financial inclusion has a double edged nature, and with inherent limitations. A financial provider can at best only usually help with managing or smoothing household or business expenditure. But food needs are constant, multiple times per day, and make up a significant proportion of the household economy. It is a recurring and unignorable need, and qualitatively different from, for example, a small business needing a periodic loan to purchase inventory. Therefore, reliable **monitoring of impact and outcomes** to understand household consumption, needs and trade-offs is critical,

and will usually involve support from expert partners.

Perhaps, then, financial inclusion organisations should focus on their core expertise and try to look at clients' most granular needs, and address the **short-term, high frequency gaps in low-income households' finance** that may force them to make sacrifices in food quality or quantity – or have to purchase small and expensive amounts instead of availing economies of scale. To do this means looking far beyond credit to include more savings and insurance and payments, all of which give greater flexibility and resilience and autonomy to the client in making food expenditure choices. Put another way, there is a demand-side role for the financial inclusion sector that goes beyond the (understandable) focus on non-financial services like nutrition education that are widespread among the EMA applicants' initiatives. Responding to **volatility** of cash flows by better understanding **the relationship between income, consumption and expenditure** is at the heart of this – and there is enormous scope for innovation.

It's easy to miss it, but addressing food security may be less about **food** and much more about **security**. This is where the financial inclusion sector can truly lead the way.





ABOUT THE EUROPEAN MICROFINANCE AWARD



The European Microfinance Award is a prestigious annual award with €100,000 for the winner and €10,000 for the runners-up, which attracts applications from organisations active in financial services 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:

- **2022, Financial Inclusion that Works for Women**

How can financial inclusion organisations aim to understand and meet women's challenges

and aspirations in order to go beyond traditional gender outreach strategies?

Winner: Banco FIE (Bolivia), for a wide range of financial and non-financial products and services for women clients, as well as an innovative business management model for inclusive leadership, women's empowerment, violence prevention and access to equal opportunities

- **2021, Inclusive Finance & Health Care**

How can FSPs increase access to affordable and quality health care among low-income communities?

Winner: Fonkoze (Haiti), for *Boutik Santé*, a health screening and women entrepreneur-led education training initiative for very poor customers

- **2020, Encouraging Effective and Inclusive Savings**

How can FSPs design and offer savings products that respond to clients' real needs and encourage positive savings behaviour?

Winner: Muktinath Bikas Bank (Nepal), for its adapted solidarity group savings model with doorstep



services, including dedicated pension and insurance savings products, alongside extensive financial education

- **2019, Strengthening Resilience to Climate Change**

How can FSPs provide products and services to increase the resilience of vulnerable populations (and the institutions themselves) to climate change?

Winner: APA Insurance Ltd (Kenya), for its index-based livestock and area yield insurance products for farmers

- **2018, Financial Inclusion through Technology**

How can FSPs leverage technology innovations to improve efficiencies and service quality and increase

outreach to new, excluded populations?

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**

Can MFIs respond to the complex housing needs of low income and vulnerable populations, helping them access better quality residential housing?

Winner: Cooperativa Tosepantomín (Mexico), for its holistic housing programme serving rural communities and promoting environmental responsibility.

- **2016, Microfinance and Access to Education**

How can MFIs increase access to education for children, or provide skills training for youth and adults to enhance their employment and self-employment opportunities?

Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

- **2015, Microfinance in Post-disaster, Post-conflict Areas & Fragile States**

What can MFIs do in order to operate in exceptionally difficult environments and circumstances, helping increase the resilience of the affected communities?



Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea

• **2014, Microfinance and the Environment**

Is it possible to integrate environmental governance into the DNA of MFIs and promote initiatives to improve environmental sustainability?

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative

• **2012, Microfinance for Food Security**

Which microfinance initiatives contribute to improving food production and distribution conditions in developing countries?

Winner: ASKI (The Philippines), for serving smallholder farmers and fostering effective market linkages

• **2010, Value Chain Finance**

What are the outstanding microfinance initiatives in productive value chain schemes?

Winner: Harbu (Ethiopia), for an initiative financing a soybean value chain

• **2008, Socially Responsible Microfinance**

What innovative initiatives can MFIs undertake to promote, measure and increase the social performance of their activities?

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system

• **2006, Innovation for Outreach**

What are breakthrough initiatives within microfinance that deepen or broaden rural outreach?

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism

Selection Committee Members

ORGANISATION	Judge(s)
ADA	Christina Ehlert
Alterfin	Bernard Ornilla
European Investment Bank (EIB)	Emma-Jayne Paul
Grameen Foundation	Christine Violago; Lakshmi Iyer
HEDERA Sustainable Solutions	Natalia Realpe
Humundi (former SOS Faim)	Laurent Biot
Incofin Investment Management	Noémie Renier; Fallon Casper
Innpact	Chantal Genovese; Germán Martínez
International Labour Organisation (ILO)	Patricia Richter; Pranav Prashad
JuST Institute	Davide Forcella
Luxembourg Development Cooperation Agency (LuxDev)	Francesca Randazzo
Luxembourg Ministry of Foreign and European Affairs (MAEE)	Louis De Muysen
The Luxembourg Finance Labelling Agency (LuxFLAG)	Isabelle Delas; Penda Fall; Anna Letta; Solène Collin
Luxembourg Microfinance and Development Fund (LMDF)	Chiara Pescatori
Microinsurance Network	Stephanie Soedjede
MicroFinanza Rating (MFR)	Tanwi Kumari
Oikocredit	Beryl van Anandel; Diana Kos
Rabo Foundation	Michaël de Groot
World Food Programme	Marine Exposito



ORGANISERS OF THE EUROPEAN MICROFINANCE AWARD

Luxembourg Ministry of Foreign and European Affairs

Directorate for Development Cooperation and Humanitarian Affairs

<https://cooperation.gouvernement.lu>

The inclusive finance sector has been actively supported by Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs of the Ministry of Foreign and European Affairs over the last 30 years. The Ministry works closely with civil society stakeholders and networks specialised in microfinance to fund conceptual innovation, research and the development of new tools as well as political action in national and international fora, by focusing particularly on integrating the most vulnerable into the financial inclusion sector. Long-term commitment and strategic support have led to Luxembourg being globally recognised as a centre for financial inclusion.



The European Microfinance Platform

www.e-mfp.eu

The European Microfinance Platform (e-MFP) is the leading network of European 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 co-operation, 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.



Inclusive Finance Network Luxembourg

www.InFiNe.lu

The Inclusive Finance Network Luxembourg Asbl (InFiNe.lu) brings together Luxembourg stakeholders from the public, private and civil society sectors to promote economic inclusion and sustainable poverty alleviation through responsible and quality financial services for all. Capitalising on Luxembourg's leading position as financial and development centre, InFiNe.lu aims at catalysing expertise and know-how in inclusive finance and stimulating synergies and collaboration amongst its members in the sector. The network gathers 39 members and is supported by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs.



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