



European Microfinance Award 2019

Strengthening Resilience to Climate Change

Explanatory Note

The European Microfinance Award 2019 “Strengthening Resilience to Climate Change” highlights the important role of the financial inclusion sector in increasing the resilience of communities vulnerable to the effects of climate change.

The prize of €100,000 will be presented on 21st November 2019 during the European Microfinance Week in Luxembourg.

Organised by:



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 it serves two parallel goals: rewarding excellence, and collecting and disseminating the most relevant practices for replication by others.

It is jointly organised by the European Microfinance Platform (e-MFP), the Luxembourg Ministry of Foreign and European Affairs, and the Inclusive Finance Network Luxembourg (InFiNe.lu), in cooperation with the European Investment Bank (EIB).

The Award is presented in a ceremony which in the past has been in the presence of Her Royal Highness the Grand-Duchess of Luxembourg. The ceremony takes place during the European Microfinance Week in Luxembourg.

PREVIOUS EDITIONS AND WINNERS

2018, Financial Inclusion through Technology

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

Cooperativa Tosepantomin (Mexico), for its holistic housing programme serving rural communities and promoting environmental responsibility

2016, Microfinance and Access to Education

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

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

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

2014, Microfinance and the Environment

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

2012, Microfinance for Food Security

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

2010, Value Chain Finance

Harbu (Ethiopia), for its initiative financing a soybean value chain

2008, Socially Responsible Microfinance

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

2006, Innovation for Outreach

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

European Microfinance Award 2019

Strengthening Resilience to Climate Change

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

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

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

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

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

(UNFCCC - United Nations Framework Convention on Climate Change)

The path of climate change is uncertain, and depends greatly on the speed and scale of mitigation measures being put in place over the coming years. However, even in the most optimistic

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

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

scenarios, climate change effects are unavoidable. Indeed, as a recent Intergovernmental Panel on Climate Change (IPCC) report clearly states, “Climate change represents an urgent and potentially irreversible threat to human societies and the planet”³. Even under the most ambitious and optimistic progress on climate change mitigation, it’s clear that *adaptation* to a changing climate must be a critical and parallel process.⁴

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

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

(FAO - Food and Agriculture Organisation)

The types of solutions differ greatly. Responses that are common for the agricultural sector⁵ are, for example: adapting crops to shorter growing seasons, greater water stress, or extreme heat; investing in efficient water management practices, including irrigation and terraces. For the livestock sector, changing the management of pasture and grazing may be a suitable response. For the forestry sector, solutions may comprise improving the management of forest fires and pest/disease outbreaks through (for example) the introduction of resistant and native species. Other solutions that can be of value across sectors are building/improving drainage systems to manage more intense precipitation; building or reinforcing structures for greater wind and flood resistance, or transferring risks through insurance, or building greater resilience through more integrated and responsive financial systems.

What these solutions have in common is *resilience*. Resilient households adopt risk-reducing measures that help mitigate the catastrophic consequences of shocks; they demonstrate preparedness for future economic shocks; and they are able to smooth consumption without resorting to costly coping strategies, such as taking on unsustainable levels of debt or selling productive assets⁶. But resilience to climate change goes beyond managing shocks. It also entails adapting to permanently changed environments, for example a reduction in rainwater, a shift in the seasons, or higher temperature extremes. In both cases, access to financial services can help households to adapt.

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

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

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

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

How the financial inclusion sector can help

To increase Climate Change resilience, financial inclusion plays an important, and at times critical, role. In many cases, that means providing loans for working capital or investment in fixed asset; in other cases it is to support greater resilience to shocks, through products such as insurance; still more, it is to facilitate the long-term financial planning needed to build more adaptable economic activities. This is especially true for poor, remote and indigenous communities that are often especially vulnerable to the effects of climate change and that have limited means to respond effectively. In this context, the financial inclusion sector has both the opportunity and the responsibility to help these communities increase their resilience to climate change.

Moreover, because institutions in this sector are embedded in the communities they serve, they too are often vulnerable to the effects of climate change. To build resilience among their clients, these institutions must also become resilient themselves. That means adapting to the changing economic situations of their clients (including their debt-repayment capacity), as well as building systems that allow for rapid and effective responses following weather disasters, such as floods or hurricanes. It may also mean integrating climate monitoring and forecasting technologies into both strategic and operational decision making.

The evolving landscape of financial inclusion resilience initiatives

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

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

- **Specific loan products** that fund investments in climate-resilient farms and businesses (e.g. asset building and diversification) and non-income generating purposes (e.g. home improvement or emergency loans). Successful credit products will have terms and conditions aimed at encouraging more resilient practices, for example sustainable soil and water management practices;
- **Targeted saving products** with the specific purpose of promoting climate change resilience, for example, by enabling the target population to undertake longer-term asset investments, manage predictable expenses and deal with emergency situations through access to appropriate savings products such as fixed-term deposits with the flexibility to allow withdrawal without penalty in cases of climate change-affected disasters;
- **Transfer & remittance facilities**, which facilitate the speedy and affordable sending and receipt of funds in emergency situations, ensuring recipients can purchase critical supplies, meet continuing obligations, or otherwise mitigate the effects of a climate change-driven event.

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

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

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

- **Awareness-raising and capacity building** concerning climate risks, such as technical assistance and training;
- **Encouraging development of and adherence to relevant standards** that strengthen vulnerable populations' resilience to climate change, for example minimum building standards; and
- **Technologies** that enable institutions and target populations to strengthen clients' resilience, lower costs, help to identify and address sector-specific risks and barriers, forecast extreme weather events and trends, conduct climate risk assessments, and provide information tools for climate risk screenings.

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

THE AWARD

The objective of the European Microfinance Award 2019 “Strengthening Resilience to Climate Change” is to recognise organisations **active in the financial inclusion sector that provide financial and non-financial products and services aimed at strengthening the resilience of vulnerable communities to the effects of climate change.**

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

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

The Award seeks to highlight good practice and innovative interventions offering products and services capable of responding to clients' vulnerability to climate change effectively and in a sustainable manner and thus driving economic, environmental and social benefits.

The Award recognises the role of **partner organisations** in this complex area, and encourage inclusion of those who have been integral to the initiative. The Award organisers have discretion to promote such partners - with their consent - in any or all communications materials related to the Award.

Finally, Applications with interventions that promote gender-equality and inclusion of vulnerable groups are encouraged, and interventions that manage to generate synergies by combining new developments with traditional knowledge, knowledge of indigenous peoples and local knowledge systems are also of interest for this Award.

Eligibility criteria

- Eligible applicants are organisations active in the financial inclusion sector that play an *integral* role in the provision of financial (and, where relevant, also non-financial) products and services focused on strengthening climate change resilience within low income, vulnerable and excluded groups.

While many applicants will directly provide financial products and services, those that do *not directly* provide them must play an *integral* and *ongoing* operational role in the project (for example, an agricultural NGO providing training and other support for clients investing in drought-resistant farming, funded through loans from a partner financial institution).

- Eligible institutions have to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients. A list of Eligible Countries of ODA Recipients as defined by the DAC can be found at: [http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC List ODA Recipients2018to2020 flows En.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf)
- Relevant products and services must be fully operational for at least one year. “Fully operational” does not require that relevant products and/or services must be offered in all branches or locations (particularly when not all locations are equally affected by climate change).
- Eligible institutions must be able to provide audited financial statements.

e-MFP member support

Every applicant invited to apply for Round II (please see next section) must provide written support from an e-MFP member, e.g. a short message or a letter from the member addressed to the e-MFP Secretariat. A list of e-MFP members can be found at <http://www.e-mfp.eu/about-us>

AWARD TIMELINE & PROCESS

ROUND I	
Award launch	Mid-March 2019
Deadline for applications	9 th April 2019, 23:59 pm CET
Round I application assessment	April 2019
Communication to shortlisted applicants	1 st half of May
ROUND II	
Deadline for applications	End of May
Preselection Committee	June – August 2019
Selection Committee	September 2019
High Jury	November 2019
WINNER ANNOUNCEMENT	
Award Ceremony	21 st November 2019

ROUND I

Organisations interested in applying are required to submit the short Round I application form outlining the initiative they are presenting to the Award and provide their audited financial statements.

Selection for Round II will be based on verification of applicant eligibility and initial assessment of the relevance, quality, and innovation of the initiative presented in the Round I application.

ROUND II

Applicants successfully selected for Round II will be invited to fill in the Round II application form that will provide applicants with the opportunity to explain the initiative in greater detail, as well as provide supporting documentation.

These applicants will also be required to submit an e-MFP member support letter. For applicants successfully selected for Round II, but who do not have a relationship with an existing e-MFP member, the e-MFP Secretariat will assist in connecting with a member at that stage.

Preselection Committee

Applicants will be evaluated by the Preselection Committee on the basis of the relevance and effectiveness of the initiative presented in addressing the specific goal of the award, their financial performance and the quality, clarity and transparency of the application.

Selection Committee

The Selection Committee will evaluate the preselected applications in order to select 7 to 10 semi-finalists and from among those, the 3 finalists.

High Jury

A High Jury selects the winner from among the 3 finalists.

Winner announcement

The winner is announced at the Award ceremony on 21st November 2019 at the European Investment Bank (EIB) in Luxembourg. The Award ceremony takes place during the European Microfinance Week (EMW), 20th – 22nd November 2019.

In previous years the Award has been presented by Her Royal Highness the Grand-Duchess of Luxembourg.

Important information

During both Rounds, applicants might be contacted and asked to supply additional information on a case-by-case basis if deemed necessary.

All the information provided during the application process will be treated as confidential and only be used for the purposes of the Award.

The Organisers regret that information relating to the on-going evaluation of applications will not be released. The three finalists will be announced in the second half of September and the winner will be announced at the Award Ceremony.

The judges' decision is final and not subject to appeal. Neither the judges nor the organisers will enter into any correspondence relating to the decision.

The three finalists will be invited to attend the Award Ceremony and agree to ensure the presence of a senior management representative of the Applicant organisation at the Award ceremony. Travel costs will be covered by Award organisers.

HOW TO APPLY

The Award is launched in three languages: **English, French, and Spanish.**

Applications must be **submitted online.**

The **Award will be launched in Mid-March.** In order to apply, please go to the following website: <http://www.european-microfinance-award.com/>

ROUND I, Application deadline: 9th April 2019

ROUND II, Application deadline: end of May 2019 (exact date will be confirmed)

AWARD BENEFITS

WINNER

- €100,000 (one hundred thousand Euro)
- Winner's Certificate
- Short video highlighting the winner's initiative produced at the organisers' expense⁷; it will be featured during the Award Ceremony and available online afterwards
- Two press releases (September and November), circulated worldwide
- Media coverage by the Award organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Initiative presented for the Award featured in several publications

⁷ Note: This short video is produced independently by the Award organisers; applicants agree to have their organisation and initiative featured in it.

FINALISTS

- €10,000 (ten thousand Euro)
- Finalist's Certificate
- Short video highlighting the finalist's initiative produced at the organisers' expense⁸; it will be featured during the Award Ceremony and available online afterwards
- One press release (September), circulated worldwide
- Media coverage by the Award organisers' partners as well as by media covering the Ceremony and the European Microfinance Week
- Attendance at the Award Ceremony and the European Microfinance Week with unique networking opportunities, along with travel, lodging and conference fee covered by organisers
- Speaking opportunity at the European Microfinance Week
- Initiative presented for the Award featured in several publications

SEMI-FINALISTS

- Semi-finalist Certificate (electronic version)
- Initiative presented for the Award featured in several publications

All applicants participating in Round II will receive a **Certificate of Participation**.

Winner follow-up report

The Award winner will be requested to provide a follow up report by the 31st of January 2021 describing how the Award funds were used.

The instructions on how to prepare this report will be provided to the winner by the end of 2019.

⁸ Ibid., page 9