



IMPACT STRATEGY 2026-2030

FINAL VERSION
12 FEBRUARY 2026

TABLE OF CONTENTS

Table of contents.....	1
Purpose	2
Vision	2
Mission	2
Rationale	3
Commitments.....	4
Social commitment	4
Environmental commitment.....	4
Gender commitment.....	5
Contribution to SDGs.....	5
Core principles.....	6
Goals and objectives for 2026-2030.....	6
Social goals	6
Environmental goals.....	7
Gender goals	7
Impact measurement and management goal.....	7
Social objectives	7
Environmental objectives.....	8
Gender objectives	8
Impact measurement and management objectives	9
Annexes.....	10
Annex 1: Examples of products and services MFIs can provide to maximize social impact and reduce vulnerability.....	10
Annex 2: Examples of products and services SAOs can provide to maximize social impact and reduce vulnerability.....	12
Annex 3: Examples of value chains with positive environmental impact	13
Annex 4: Examples of products and services with positive environmental impact and boosting resilience for MFIs	16
Annex 5: Examples of sustainable agricultural practices within the principles of agroecology	18
Annex 6: Gender definitions	21

PURPOSE

The purpose of this document is to formalize Alterfin’s Impact Strategy by outlining the integrated social, environmental, and gender strategy that guides its investment activities.

Alterfin’s Impact Strategy provides a strategic framework that shapes Alterfin’s priorities and direction for actions aligned with its vision and mission. It consolidates and updates the Gender Strategy 2022-2025 and integrates the Environmental Strategy 2024-2027 that will be extended to align with the timelines of this integrated Impact Strategy.

To operationalize the Impact Strategy, Alterfin will develop Annual Action Plans that translate these strategic goals and objectives into concrete activities. This Impact Strategy will be reviewed and updated by 2030, following an assessment of the progress made towards the defined goals and objectives.

The main audiences for the integrated Impact Strategy are as follows:

1. Alterfin staff, to build shared understanding and encourage active commitment to Alterfin's social, environmental, and gender objectives, actions, and targets.
2. Cooperative members to inform and engage them strategically, enabling a clear understanding of Alterfin’s social, environmental, and gender commitment.
3. Institutional investors and lenders to communicate transparently about the allocation and use of their funds.
4. Impact investors receiving fund advisory services from Alterfin to clearly convey Alterfin’s social, environmental, and gender commitments, objectives and goals and how these align with the impact mandates entrusted to Alterfin.
5. Like-minded organizations and institutions and collaborators in the broader impact ecosystem to promote and support collaboration on shared intended impact commitments.
6. The public, media, and opinion makers to raise awareness and communicate Alterfin’s social, environmental, and gender impact commitments.

VISION

Alterfin’s vision is to enhance human dignity in the developing countries by promoting individual and collective economic activities that contribute to sustainable development.

MISSION

Alterfin’s goal is to improve the livelihoods and living conditions of socially and economically disadvantaged communities¹, predominantly living in rural areas of low- and middle-income countries around the world.

¹ **Socially and economically disadvantaged communities**, are groups systematically excluded from full participation in political, economic, and social life due to structural barriers and discrimination based on factors such as gender, age, race, ethnicity, location, occupation, religion, citizenship status, disability, or sexual orientation and gender identity (World Bank, 2013).

Rationale

About **1.1 billion people, 18.3% of the global population, live in acute multidimensional poverty²** (MPI, 2025³). Most of them live in **low- and middle-income countries**. About **83% of them reside in rural areas** where poverty is deeper and more persistent. In developing countries, rural areas still account for **around 44% of the population globally** (World Bank⁴). These communities often lack access to adequate and affordable financial services, markets, and infrastructure, limiting opportunities for decent employment and income generation. As a result, these socially and disadvantaged communities predominantly living in rural areas often face chronic insecurity, malnutrition, and limited educational prospects, perpetuating cycles of poverty and vulnerability. Rural households often depend on small-scale farming but lack the resources to invest in productivity or resilience, leaving them exposed to shocks and climate risks. Addressing these systemic gaps is essential to enable rural communities to build sustainable livelihoods and escape poverty.

Poverty and climate risks are increasingly intertwined. Nearly **80% of people living in multidimensional poverty**, about 887 million people, **are exposed to at least one climate hazard**, such as extreme heat, drought, flooding, or air pollution, and **309 million face three or more hazards simultaneously** (MPI, 2025). These overlapping risks undermine food security and agricultural productivity, particularly in rural areas dependent on small-scale farming. Without climate-resilient practices and access to risk-mitigating financial tools, households remain highly susceptible to shocks that erode livelihoods and deepen poverty. Building resilience through sustainable agriculture and inclusive financial systems is therefore critical to breaking this cycle.

Gender inequality amplifies these challenges. Women play a critical role in sustaining household income and driving local economies. Formal employment is rare, **only 7% of women have formal jobs** in low-income countries and between 20-25% in middle-income countries. **Most women rely on informal micro and small businesses, often in trade, services or home-based income-generating activities**. Rural women are also central to agriculture and food systems, **79% of economically active women in low-income countries work in agriculture**. These women face systemic barriers, such as restrictive norms, limited land rights, and lack of access to productive assets and financial services (CGAP⁵). The constraints reduce women’s ability to adapt to climate shocks and invest in their livelihoods. Climate change further exacerbates gender gaps. More than 4 out of 5 women without access to financial services live in a climate vulnerable country (World’s Women Banking⁶), leaving them highly exposed to shocks. By 2050, **up to 158 million more women and girls could be pushed into poverty due to climate impacts** (UN Women⁷). Empowering women through financial inclusion, market access, and climate-smart solutions is not only a

² Poverty is **multidimensional**, meaning it goes beyond income to include overlapping deprivations in health, education, and living standards. A person is considered multidimensionally poor when living in a household deprived in at least **one-third of weighted indicators**, which include nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, housing, and assets (MPI, 2025).

³ UNDP & OPHI. (2025). 2025 Global Multidimensional Poverty Index (MPI): Overlapping Hardships—Poverty and Climate Hazards. United Nations Development Programme. <https://hdr.undp.org/content/2025-global-multidimensional-poverty-index-mpi>

⁴ World Bank. (2024). *Rural population (% of total population)* [Data set]. World Bank Open Data. <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>

⁵ CGAP. (2023). *Bolstering women’s climate resilience and adaptation through financial services*. Consultative Group to Assist the Poor. <https://www.cgap.org/research/publication/bolstering-womens-climate-resilience-and-adaptation-through-financial-services>

⁶ Women’s World Banking. (2025). Updated climate, finance, & gender report: Empowering women as agents of change. <https://www.womensworldbanking.org/insights/updated-climate-finance-gender-report-empowering-women-as-agents-of-change/>

⁷ UN-Women and Kaschak Institute. (2025). “Gender Equality and Climate Policy Scorecard: Advancing Accountability in Nationally Determined Contributions.” Progress of the World’s Women Fact Sheets, No. 1. New York: UN-Women. <https://progress.unwomen.org/>

matter of equity but a proven strategy for resilience and community-level transformation. Evidence shows that when women have access to tailored financial services, they strengthen household wellbeing, drive economic growth, and lead climate adaptation efforts (CGAP, UN Women).

COMMITMENTS

In line with Alterfin's mission, the first social commitment is the primary one, guiding all investment decisions and operations. All other commitments directly or indirectly contribute to achieving this foundational commitment.

Social commitment

Alterfin is committed to contribute to promoting dignified livelihoods and living conditions of socially and economically disadvantaged communities. To fulfil its mission, Alterfin strives to empower and strengthen inclusive economic opportunities and the resilience of its partners⁸ and the communities they serve.

1. Building economic resilience and dignified livelihoods

By investing in Microfinance Institutions (MFIs) and Sustainable Agricultural Organizations (SAOs), Alterfin promotes smallholder farmers to access fair markets and individuals, and micro- and small-scale entrepreneurs to access inclusive financial services. This access enables productive investment, stabilizes income, and reduces vulnerability to shocks. Through this, Alterfin contributes to greater financial security, economic resilience, improved household wellbeing, and more dignified livelihoods.

2. Strengthening social enterprises⁹ as engines of development in vulnerable local economies¹⁰

By investing in and supporting MFIs and SAOs working in value chains and vulnerable local economies, Alterfin strengthens these organizations to function as engines of development. Partners create systemic impact by integrating producers and entrepreneurs into fair markets, adding local value-addition and processing, and building infrastructure that benefits entire communities. This catalyzes employment creation, skills development, economic diversification through financial access, and demonstration of inclusive models that inspire replication, contributing to sustainable production, decent employment, women's empowerment, and enhanced access to essential services.

Environmental commitment

Alterfin is committed to contribute to addressing climate change and environmental degradation, recognizing that vulnerable communities are disproportionately affected by these challenges. Alterfin integrates environmental and climate considerations into its investments to strengthen both the resilience of vulnerable communities and the ecosystems these rely on.

⁸ A **partner** or partner organization is an organization financed by Alterfin.

⁹ A **social enterprise** as a business that uses market-driven activities to address societal or environmental challenges by prioritising people and planet alongside financial sustainability.

In the case of Alterfin, the business may or may not explicitly articulate a social mission, but its core business model demonstrably contributes to improved livelihoods for underserved communities.

While generating profits, a social enterprise does not maximise returns at the expense of clients, workers, communities, or the environment, and applies its resources in a manner consistent with long-term social value creation.

¹⁰ **Vulnerable local economies** are Targeting the most at-risk communities within medium-low IHD countries— areas with high informality, climate exposure, limited infrastructure, or populations excluded from mainstream economic opportunities.

3. Strengthening resilience to climate change

Alterfin's investments will support communities, particularly low-income households, and smallholder farmers, to reduce their economic vulnerability to climate change and environmental degradation and increase their resilience. This will be achieved through appropriate integrated solutions (financial, social, and environmental) that mitigate and adapt to climate impacts thereby improving food security and economic stability.

4. Maximizing positive environmental impact

Alterfin's investments will help preserve and restore ecosystems and conserve natural resources in rural areas. By promoting sustainable farming practices, supporting positive value chains, and advancing environmentally positive solutions, Alterfin aims to preserve biodiversity, reduce carbon emissions, and contribute to broader climate change mitigation efforts.

Gender commitment

Alterfin recognizes that gender inclusion is a key component of realizing its mission to improve the wellbeing and resilience at the household and community levels.

5. Promoting gender equality and inclusive empowerment

Alterfin's investments will contribute to advancing gender equality and empowering women in rural and underserved communities. By supporting women-led and women-focused organizations, promoting inclusive financial products, and encouraging gender-responsive practices within organizations and in their operations with suppliers and beneficiaries, Alterfin aims to reduce gender disparities, enhance women's economic participation, and foster more equitable and resilient communities. This includes improving access to resources, decision-making roles, and income-generating opportunities for women, thereby contributing to broader social inclusion and sustainable development.

CONTRIBUTION TO SDGS

Alterfin's commitments to contribute to poverty alleviation, food security, and inclusive economic development contribute to the following United Nations Sustainable Development Goals (UN SDGs):

- *SDG 1: No Poverty, SDG Target 1.4*, which aims to ensure that by 2030, all men and women, particularly the poor and vulnerable, have equal rights to economic resources, access to basic services, ownership and control over land, and financial services, including microfinance.
- *SDG 2: Zero Hunger, SDG Target 2.3*, which aims to double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, and fishers, including through secure access to land, resources, and markets.
- *SDG 2: Zero Hunger, SDG Target 2.4*, Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
- *SDG 5: Gender Equality, SDG Target 5.1*: End all forms of discrimination against women and girls everywhere. *SDG Target 5.5*: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.
- *SDG 8: Decent Work & Economic Growth, SDG Target 8.3*, which promotes development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro, small, and medium-sized enterprises, including through access to financial services.
- *SDG 8: Decent Work and Economic Growth, SDG Target 8.5*: Achieve full and productive employment and decent work for all women and men, including equal pay for work of equal value.

- *SDG 10: Reduced Inequalities, SDG Target 10.2:* Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic status.
- *SDG 12: Responsible Consumption & Production, SDG Target 12.2:* Achieve sustainable management and efficient use of natural resources.
- *SDG 13: Climate Action, SDG Target 13.1,* Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- *SDG 13: Climate Action, SDG Target 13.3,* Promote improved education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning.

CORE PRINCIPLES

We pursue our mission, intended impact and social, environmental and gender commitment, by following the three core principles 1) impact-first, 2) ethical behavior and 3) cooperative solidarity.

We define the above as follows:

Impact First: Striving at any given conditions to maximize positive social and environmental impact in socially and economically disadvantaged communities, while ensuring overall long-term financial and operational sustainability, and to preserve capital in the long term with modest returns.

Ethical Behavior: Consistently acting with honesty, loyalty, integrity, compassion, and responsibility, guided by the moral commitment to preserve dignity, uphold transparency, ensure fairness, protect the environment, respect human rights, ensure equity in partnership, build trust, and promote locally led development. It is embedded in all interactions with all our stakeholders and serves as the foundation for every decision and action Alterfin takes.

Cooperative Solidarity: Promoting mutual benefits, shared responsibility, and collaboration among like-minded actors guided by Alterfin's member-based ethos is the foundation in all our interactions with our stakeholders.

With these core principles, Alterfin reinforces its commitment to contribute to poverty alleviation, food security, inclusive economic development, and environmental preservation, ensuring the communities it serves can thrive in harmony with the environment.

GOALS AND OBJECTIVES FOR 2026-2030

The above-mentioned impact commitments and core principles shape the specific goals we have set to guide our operations and ensure consistent progress toward their achievement. These goals are then translated into concrete objectives, outlining the necessary steps to reach them and informing the development of the Annual Action Plans. These Annual Action Plans will specify actions, roles and responsibilities, metrics for tracking progress, and timeframes for completion.

Social goals

1. Maximize the social impact¹¹ for beneficiaries to improve their livelihoods and reduce their vulnerability.
2. Invest in social enterprises¹² to strengthen vulnerable local economies and value chains.

¹¹ **Social impact** refers to the positive change for end beneficiaries, such as improvements in livelihoods, reduced vulnerability.

¹² A **social enterprise** is a **business that uses a market-driven approach** to address unmet needs or solve social

Environmental goals

3. Make Alterfin's partners and their beneficiaries resilient to climate change and environmental degradation impacts
4. Maximize the positive environmental impact of Alterfin's partners.

Gender goals

5. Deepen gender equality and inclusion of Alterfin's partners.

Impact measurement and management goal

6. Strengthen Alterfin's impact management system to drive evidence-based strategy, decision-making and continuous learning.

Social objectives

Goal 1: Maximize the social impact for beneficiaries to improve their livelihoods and reduce their vulnerability.

Objectives

1. Use impact data and evidence to prioritize investments in partners with highest potential for beneficiary outcomes¹³.
2. Provide financial products, technical assistance¹⁴, capacity-building, and facilitate partnerships with other organizations to support partners to enhance and deliver products/services.

Goal 2: Invest in social enterprises to strengthen vulnerable local economies and value chains.

Objectives

3. Target investments in organizations that demonstrate strong potential for systemic impact, prioritizing partners where Alterfin's financial and non-financial contribution is highly additional¹⁵ and best positioned to unlock their impact potential.
4. Provide financial products, technical assistance¹⁶, capacity-building, and facilitate partnerships with other organizations to support partners strengthen their organizational performance, governance, and ability to deliver systemic impact in their value chains and communities.

or environmental challenges. Social enterprises operate with an approach to prioritize people and planet, while they may generate profit, these are not maximized at the expense of clients or communities.

¹³ Through analytics of collected data and literature research Alterfin defined a set of markers that when found in partner organizations increase the likelihood of maximizing impact.

¹⁴ **Examples for MFIs:** Provide support to expand social services, such as financial literacy programs, health initiatives, and rural/agri-finance products tailored for vulnerable client groups (e.g., women-headed households, displaced persons, youth). (See Annex 1 for guidance)

Examples for SAOs: Provide support for producer empowerment, strengthening cooperatives, enhancing market access, and improving incomes of smallholder farmers, particularly in fragile contexts. (See Annex 2 for guidance.)

¹⁵ **Additionality** is the unique contribution Alterfin makes, with the financial and non-financial support, that enables development outcomes and systemic impact which would not occur without our involvement. Alterfin defines its additionality as a. Pioneer: where Alterfin is first lender, or b. Catalyst: Investments made that are likely/or have attracted other lenders and/or stimulated growth for the partner in terms of volumes, services and/or outreach or c. Partner-centric: Where Alterfin is able to demonstrate significant value add either through financial (loan terms) or non-financial offering (e.g. TA, advisory).

¹⁶ **For SAOs and their beneficiaries:** Provide support for producer empowerment, strengthening cooperatives, enhancing market access, and improving incomes of smallholder farmers, particularly in fragile contexts.

Environmental objectives

Goal 3: Make Alterfin’s partners and their beneficiaries resilient to climate change and environmental degradation impacts

Objectives

5. Evaluate climate risk and preparedness for each investment during due diligence to identify potential areas for improving resilience and enable progress tracking at renewal.
6. Explore developing new/adapt existing financial products or services.
7. Develop new/adapt existing non-financial services (e.g. technical assistance) based on climate change risks identified.¹⁷
8. Explore opportunities to provide financial and non-financial incentives¹⁸ to encourage Alterfin’s partners to improve resilience to climate change.

Goal 4: Maximize positive impact of Alterfin’s portfolio on the environment

Objectives

9. Evaluate the environmental performance for each investment during due diligence to identify potential areas for improving sustainability practices and enable progress tracking at renewal.
10. Target investments in:
 - a. SAOs showcasing robust sustainability practices (as defined in Annex 5).
 - b. SAOs active in value chains that have a positive environmental impact (as defined in Annex 3).
 - c. MFIs dedicated to environmental sustainability (as defined in Annex 4).
11. Explore developing new/adapt existing financial products or services.
12. Develop new/adapt existing non-financial services (e.g. technical assistance) focused on improving sustainability practices¹⁹.
13. Explore opportunities to provide financial and non-financial incentives²⁰ to encourage Alterfin’s partners to improve their sustainability practices.

Gender objectives

Goal 5: Deepen gender equality and inclusion of Alterfin’s partners.

Objectives

14. Target investments in women-led organizations (See Annex 6 for definition).
15. Target investments in women-focused organizations (See Annex 6 for definition).
16. Explore opportunities to provide incentives to women-led or women-focused organizations to encourage partners to meet this criterion and avail the financial incentive in the future.

(Examples in Annex 2).

For MFIs and their beneficiaries: Provide support to expand social services, such as financial literacy programs, health initiatives, and rural/agri-finance products tailored for vulnerable client groups (e.g., women-headed households, displaced persons, youth). (Examples in Annex 1)

¹⁷ **For SAOs and their beneficiaries:** Enhance resilience by identifying and implementing targeted solutions that address specific challenges posed by climate change (Examples in Annex 3).

For MFIs and their beneficiaries: Support MFIs in identifying and implementing solutions that enhance resilience to climate change for their portfolios and beneficiaries (Examples in Annex 4).

¹⁸ Examples: pricing, fees, and technical assistance.

¹⁹ **SAOs and their beneficiaries:** Enhance support to improve environmental practices (Annex 5).

MFIs and their beneficiaries: Support MFIs in developing environmentally sustainable products and services (Annex 1).

²⁰ Examples: pricing, fees, and technical assistance.

17. Develop a gender-lens Technical Assistance offering that will seek to:
 - a. Support partners to become more gender inclusive internally at an organizational level.
 - b. Support partners to become more gender inclusive through the products and services they deliver to customers or beneficiaries.
 - c. Equip women-led organizations with the skills and resources to grow their businesses.

Impact measurement and management objectives

Goal 6: Strengthen Alterfin’s impact management system to drive evidence-based strategy, decision-making and continuous learning.

Objectives

18. Establish and continuously improve integrated systems to measure and track social, environmental, and gender performance and impact.
19. Use impact data to guide investment decisions, set portfolio-level targets and KPIs, and allocate resources strategically toward impact goals.
20. Collaborate with partners to set annual performance objectives and provide targeted support based on impact measurement insights and learning.
21. Build internal capabilities and collaborate with external (research) partners and impact networks to improve measurement quality, deepen analysis, and advance evidence-based practices.

ANNEXES

Annex 1: Examples of products and services MFIs can provide to maximize social impact and reduce vulnerability

1. *Rural and Agricultural Loan Products*

Rationale:

- Facilitate access to adequate finance for smallholder farmers and rural micro-entrepreneurs.
- Support income-generating activities in underserved communities in rural areas.

Social Impact:

- Poverty alleviation, job protection and creation, economic inclusion, and rural development.

Watch Out For:

- Risk of over-indebtedness, need for tailored repayment schedules (e.g., seasonal repayments), need for inclusive practices.

2. *Women-Focused Financial Products*

Rationale:

- Empower women by targeting financial services towards women-led businesses, women-focused businesses and households.

Social Impact:

- Gender equality, improved household resilience, enhanced community wellbeing.

Watch Out For:

- Cultural barriers, gender biases in loan approvals.

3. *Microinsurance (Health, Crop, Livestock, Life)*

Rationale:

- Reduce vulnerability to shocks (climate events, health crises, loss of income).

Social Impact:

- Strengthened safety nets, job protection, reduced exposure to extreme poverty aftershocks.

Watch Out For:

- Client understanding of insurance mechanisms, affordability issues.

4. *Savings Mobilization Programs*

Rationale:

- Encourage financial resilience through savings, especially in rural and low-income populations.

Social Impact:

- Increased financial literacy and long-term financial planning capacity.

Watch Out For:

- Low savings practices in some regions, cultural barriers, liquidity constraints.

5. *Non-Financial Services (Financial Literacy, Health, Nutrition, Digital Literacy)*

Rationale:

- Build financial capability and promote broader social wellbeing.

Social Impact:

- Empowered clients with improved livelihoods and greater social cohesion.

Watch Out For:

- Requires linkages with local partners and context-relevant content.

6. *Agri-Finance Capacity Building*

Rationale:

- Equip clients with knowledge on sustainable agriculture and agri-business development.

Social Impact:

- Increased productivity, food security, and income diversification.

Watch Out For:

- Requires linkages with technical service providers and TA partners.

Annex 2: Examples of products and services SAOs can provide to maximize social impact and reduce vulnerability

1. *Cooperative Strengthening and Producer Empowerment*

Rationale:

- Strengthen governance, financial management, and bargaining power of producer organizations.

Social Impact:

- Improved incomes for smallholder farmers and greater market access.

Watch Out For:

- Risk of elite capture within cooperatives, need for inclusive practices. Risk of business continuity issues due to key people dependency.

2. *Market Access and Fair-Trade Certifications*

Rationale:

- Facilitate entry into premium markets through certifications (Fair-Trade, Organic, etc.).

Social Impact:

- Higher farmer income, improved working conditions, and community investments.

Watch Out For:

- Certification costs, market volatility.

3. *Smallholder Infrastructure Support (Storage, Processing Units, Irrigation)*

Rationale:

- Improve productivity, reduce post-harvest losses, and increase value addition locally.

Social Impact:

- Higher farmer incomes, job creation, and improved rural livelihoods.

Watch Out For:

- Infrastructure maintenance and long-term sustainability.

4. *Community-Led Development Initiatives (Health, Education, Nutrition Programs)*

Rationale:

- Address broader socio-economic needs of farming communities.

Social Impact:

- Reduced rural poverty, improved social cohesion and human capital development.

Watch Out For:

- Coordination challenges, funding sustainability and context-relevant adapted programs.

5. *Technical Assistance (TA) for Value Chain Development*

Rationale:

- Support SAOs build efficient, inclusive, and resilient value chains.

Social Impact:

- Increased local employment, more stable incomes, and reduced vulnerability to market shocks.

Watch Out For:

- Requires long-term engagement, market linkages, context-relevant support, and insufficient uptake or buy-in.

Annex 3: Examples of value chains with potential positive environmental impact

1. *Cooperative Strengthening and Producer Empowerment*

Rationale:

- Strengthen governance, financial management, and bargaining power of producer organizations.

Social Impact:

- Improved incomes for smallholder farmers and greater market access.

Watch Out For:

- Risk of elite capture within cooperatives, need for inclusive practices. Risk of business continuity issues due to key people dependency.

2. *Leguminous Seeds (Soybeans, Beans, Peas, etc.)*

Rationale:

- Climate Mitigation: Meat production is resource-intensive and a major contributor to climate change. Plant-based proteins, like legumes, offer substantial climate mitigation potential. The Drawdown Project ranks plant-rich diets as the 2nd most impactful climate action.
- Agronomic Benefits: Legumes fix nitrogen in the soil, enhancing soil fertility and reducing land pressure. They integrate well with traditional crop rotations, providing a sustainable land-use strategy.
- Commercial Opportunities: Rising international demand, especially from India and Asia, offers great market opportunities. Legumes also contribute to local food security and nutrition.

Countries of Interest:

- Togo, Benin, Ghana, Burkina Faso.

Investment Targets:

- Support cooperatives in diversifying into leguminous trading.
- Fund specialized cooperatives for legume aggregation and local processing.

Watch Out For:

- Land grabbing risks and need for careful contractual arrangements.
- Projects should balance export opportunities with local market benefits.

3. *Spices (Vanilla, Pepper, etc.)*

Rationale:

- Economic Value: Spices are labor-intensive and high value, with a lower risk of deforestation due to their requirement for forest proximity or cover.
- Comparative Advantage: Spices are suitable for regions with low labor costs and can serve as a revenue source for remote areas.

Countries of Interest:

- Madagascar, Uganda, Côte d'Ivoire, Cameroon, Morocco, Kenya.

Investment Targets:

- Support existing spice cooperatives or develop new spice value chains with a focus on local and international markets.

Watch Out For:

- Price fluctuations and market volatility.
- High commercial know-how required for successful spice trade.

4. *Tree Nuts (Cashew, Macadamia, Almonds, etc.)*

Rationale:

- High Value and Long-Term Benefits: Tree nuts provide high returns per unit of land and labor. They fit well into agroforestry models, reducing land pressure.
- Ecosystem Services: Trees offer shade, biodiversity shelter, and soil restoration.

Countries of Interest:

- Eastern Africa (Macadamia), West Africa (Cashew).

Investment Targets:

- Promote tree nut production in agroforestry systems and support local farmers.

Watch Out For:

- Intensive management practices and fluctuating market prices.

5. *Sesame*

Rationale:

- Climate Adaptation: Sesame is resilient to pests, drought, and requires minimal water, making it a good diversification option for farmers in dry regions.
- Growing Demand: Steady demand from India and Asia provides market stability.

Countries of Interest:

- Senegal, Mali, Burkina Faso, Niger, Nigeria, Chad, Sudan, Ethiopia, Tanzania, Mozambique.

Investment Targets:

- Support cooperatives and traders in flexible contractual arrangements to mitigate price fluctuations.

Watch Out For:

- Overproduction risks due to annual price cycles.

6. *Non-Timber Forest Products (NTFPs) (Mushrooms, Honey, Tree Seeds, etc.)*

Rationale:

- Forest Preservation: NTFPs support forest conservation and biodiversity by providing economic value to forest products.
- Local Food Security: Often linked to local food security.

Limitations:

- Niche markets and profitability challenges.
- Risk of overexploitation if demand exceeds production capacity.

Watch Out For:

- Potential overexploitation and negative ecological impacts if not managed sustainably.

7. *Breeding of Small Animals (Poultry, Agouti, Rabbit, Snails, etc.)*

Rationale:

- Land Efficiency: Small animal breeding requires minimal space and helps diversify household incomes.
- Food Security: Provides alternative sources of meat and contributes to local food security.

Countries of Interest:

- Eastern Africa (Poultry), West Africa (Agouti, Snails), Burundi (Rabbit).

Investment Targets:

- Support small-scale breeding initiatives and infrastructure development.

Watch Out For:

- Technical know-how requirements and initial capital constraints.

8. *Improving Rice Production Practices*

Rationale:

- Methane Reduction: Rice cultivation is a significant source of methane. Implementing improved practices can reduce emissions and water usage.
- Technical Assistance Needed: Adoption of new practices requires technical support and equipment investment.

Countries of Interest:

- East Asia, Latin America, Africa.

Investment Targets:

- Fund technical assistance and equipment for sustainable rice production.

Watch Out For:

- Collective water management issues and international market price fluctuations.

9. *Sustainable Agriculture Inputs*

Rationale:

- Transitioning to organic agriculture reduces reliance on mineral fertilizers and their negative impacts.

Watch Out For:

- Price fluctuations and dependence on chemical inputs.

Recapitulative Table of Proposed Sectors' Environmental & Social Impacts

Sector: Agri	Positive Impacts	Watch Outs
Leguminous Seeds	Climate mitigation, soil fertility, food security, commercial opportunities	Land grabbing risks, balancing exports, and local markets
Spices	High added value, low deforestation risk, economic opportunities for remote areas	Price volatility, commercial know-how required
Tree Nuts	Long-term revenue, ecosystem services, agroforestry benefits	Intensive management practices, market price fluctuations
Sesame	Climate adaptation, steady demand, low water needs	Price fluctuations, overproduction risks
NTFPs	Forest and biodiversity preservation, local food security	Niche market profitability, risk of overexploitation
Small Animal Breeding	Land efficiency, food security, income diversification	Technical know-how, initial capital constraints
Rice Production	Methane reduction, water usage reduction, improved practices	Water management issues, price fluctuations
Agri Inputs	Organic agriculture support carbon finance projects	Market dynamics, understanding carbon credits

Annex 4: Examples of products and services with potential positive environmental impact and boosting resilience for MFIs

1. *Improved Cookstoves*

Rationale:

- Reduces wood consumption and GHG emissions, improves health.

Watch Out For:

- Market dynamics and local SME development opportunities.

2. *Solar Home Systems and Mini-Grids*

Rationale:

- Provide clean energy solutions in rural and off-grid areas, reducing the need for kerosene or diesel-powered lighting and energy sources.

Watch Out For:

- Initial affordability for end-users can be a barrier; explore financing schemes or subsidies. Maintenance and technical support capacity must be considered to ensure longevity and user satisfaction.

3. *Energy Efficiency Equipment (Housing, Water Pumps, Refrigeration, etc.)*

Rationale:

- Promote the use of energy-efficient technologies, which reduce energy consumption and GHG emissions. Equipment like solar water pumps can significantly reduce dependence on fossil-fuel-based irrigation systems.

Watch Out For:

- High initial costs and the need for user education. Local market availability and potential challenges with distribution channels.

4. *Climate-Smart Agricultural Equipment and Technologies*

Rationale:

- Includes tools and inputs such as precision farming equipment, and soil health management technologies. Enhances productivity while minimizing environmental impact (e.g., water-efficient irrigation, zero-tillage techniques).

Watch Out For:

- High upfront investment in equipment may require specific financing arrangements. Need for technical assistance to ensure correct implementation and effectiveness.

5. *Water Management Solutions (Drip Irrigation, Rainwater Harvesting, etc.)*

Rationale:

- Improve water use efficiency and reduce the pressure on local water resources, especially in arid regions.

Watch Out For:

- Requires proper training for users to maintain systems. May face logistical issues in regions with limited access to technical support.

6. *Green Building Materials and Practices*

Rationale:

- Promote the use of sustainable materials (e.g., bamboo, compressed earth blocks) for construction. Reduce carbon footprint and improve thermal efficiency of buildings, enhancing living conditions.

Watch Out For:

- Potentially higher costs and availability of materials in some regions. Need for community sensitization and acceptance of non-traditional building techniques.

7. Waste Management & Recycling Solutions

Rationale:

- Promote recycling of materials like rice husks into briquettes, plastic into tiles, and organic waste into compost. These practices reduce landfill waste, cut emissions, and create valuable products, supporting a circular economy.

Watch Out For:

- Challenges in sorting, scaling technology, and ensuring community participation in waste segregation.

Recapitulative Table of Proposed Sectors' Environmental & Social Impacts

This comprehensive overview ensures that Alterfin can strategically target sectors with high positive environmental and social impacts while being mindful of potential risks and challenges.

Sector: MFIs	Positive Impacts	Watch Outs
Improved Cookstoves	Reduces wood consumption, lowers GHG emissions, improves household health conditions	Market dynamics, local SME development required, consumer affordability
Solar Home Systems & Mini-Grids	Provides clean energy for rural and off-grid communities, reduces dependence on fossil fuels, economic benefits for SMEs	Initial affordability barriers for end-users, maintenance, and technical support challenges
Energy Efficiency Equipment	Promotes energy-efficient technologies, lowers energy consumption and GHG emissions	High initial costs, user education required, challenges with distribution and local market availability
Climate-Smart Agricultural Equipment	Enhances productivity, minimizes environmental impact through efficient technologies (e.g., zero-tillage, soil management)	High upfront investment in equipment, need for technical assistance and financing arrangements
Water Management Solutions	Improves water use efficiency, resilience to drought, reduces pressure on local water resources	Proper training needed for users, logistical issues in regions with limited technical support
Green Building Materials	Reduces carbon footprint, promotes thermal efficiency, sustainable construction practices	Higher costs and material availability in some regions, need for community acceptance of non-traditional practices
Waste Management & Recycling	Reduce landfill waste, cut emissions, and create valuable products, supporting a circular economy.	Access to equipment, scaling, and challenges in sorting

Annex 5: Examples of sustainable agricultural practices within the principles of agroecology

1. **Agroforestry and Integrated Farming Systems:** Agroforestry involves integrating trees and shrubs into agricultural landscapes, which can provide shade, improve soil fertility, and support biodiversity. This approach is beneficial for value chains like tree nuts, coffee, and cocoa.

Recommended Practices:

- Intercropping with nitrogen-fixing species to enhance soil health.
- Planting diverse species to create multi-layered canopies, promoting resilience and pest management.
- Using tree species that provide both commercial and ecological benefits.
- Introducing silvopastoral systems that integrate livestock, trees, and pasture to enhance productivity and carbon sequestration.
- Establishing riparian buffer zones with native trees to protect water bodies from agricultural runoff.
- Utilizing fast-growing tree species for firewood to reduce deforestation pressure.
- Encouraging farmer-managed natural regeneration (FMNR) to restore degraded lands.

Geographic Focus:

- Sub-Saharan Africa, Latin America.

2. **Regenerative Agriculture:** Focuses on restoring soil health through practices such as cover cropping, reduced tillage, and organic composting.

Recommended Practices:

- Use of cover crops to reduce soil erosion and improve moisture retention.
- Implementing crop rotation and diversification to break pest cycles and improve soil structure.
- Applying organic fertilizers like compost and biochar.
- Incorporating livestock for managed grazing, which promotes soil aeration and nutrient cycling.
- Mulching with organic materials to suppress weeds and retain soil moisture.
- Using microbial inoculants to boost soil microbial activity and improve nutrient availability.
- Constructing contour bunds and terraces in hilly areas to prevent soil erosion and enhance water retention.

Geographic Focus:

- All regions, particularly where soil degradation is a concern.

3. **Climate-Smart Agriculture (CSA):** Integrates climate change adaptation and mitigation into agricultural production, aiming for higher productivity and reduced emissions.

Recommended Practices:

- Adopting water-efficient irrigation techniques like drip irrigation.
- Introducing drought-resistant crop varieties.
- Using weather data to guide planting and harvesting decisions.
- Agrometeorological services for real-time weather updates and advisories to help farmers adapt to changing conditions.
- Promoting agroecological practices like permaculture to enhance ecosystem resilience.
- Utilizing precision agriculture tools, such as drones and sensors, to monitor crop health and optimize resource use.
- Planting shelterbelts and windbreaks to protect crops from extreme weather events.

Geographic Focus:

- Arid and semi-arid regions, drought-prone areas.
4. **Conservation Agriculture:** Aims to achieve sustainable and profitable agriculture by minimizing soil disturbance, maintaining soil cover, and diversifying crop rotations.

Recommended Practices:

- Zero or minimum tillage to reduce soil erosion and preserve soil organic matter.
- Maintaining crop residues on fields to protect soil and retain moisture.
- Diversifying crop rotations to promote soil health and break disease cycles.
- Developing field contour farming techniques to enhance water infiltration and reduce runoff.
- Using permanent raised beds to improve drainage and reduce soil compaction.
- Establishing integrated pest management (IPM) strategies, including habitat management for natural predators.
- Adopting soil cover with living mulches like creeping legumes to ensure continuous ground coverage.

Geographic Focus:

- Areas with high soil erosion rates, mountainous regions.

5. **Organic Farming and Green Input Adoption:** Eliminates or minimizes the use of synthetic inputs and promotes the use of natural fertilizers and pest control methods.

Recommended Practices:

- Adoption of organic pest control methods such as natural predators and biopesticides.
- Use of organic fertilizers like compost and manure to enhance soil fertility.
- Certification and compliance with international organic standards
- Promoting vermicomposting to produce high-quality organic fertilizers efficiently.
- Cultivating trap crops to attract pests and reduce damage to main crops.
- Using bio fungicides and bio stimulants to control plant diseases and boost resilience naturally.
- Adopting on-farm biodiversity corridors to attract pollinators and enhance ecosystem services.

Geographic Focus:

- High-value agricultural zones targeting export markets with organic demand.

Recapitulative table of sustainable practices

Sector: SAOs	Positive Impacts	Recommended practices	Geographic focus
Agroforestry & Integrated Farming Systems	Enhances resilience, soil fertility, biodiversity, and farm-level diversification	<ul style="list-style-type: none"> • Intercrop with nitrogen-fixing species • Plant diverse, multi-layered canopies • Choose dual-benefit tree species • Silvopastoral systems • Riparian buffers • Fast-growing fuelwood species • Farmer-managed natural regeneration 	Sub-Saharan Africa; Latin America
Regenerative Agriculture	Restores soil health, increases carbon and water retention, and boosts ecosystem	<ul style="list-style-type: none"> • Cover crops • Crop rotation & diversification • Compost & biochar • Managed grazing • Organic mulching 	All regions, especially where soil degradation is

	function	<ul style="list-style-type: none"> • Microbial inoculants use • Contour bunds/terraces construction 	evident
Climate-Smart Agriculture (CSA)	Increases productivity, builds climate resilience, and reduces emissions	<ul style="list-style-type: none"> • Drip irrigation • Drought-resistant varieties • Weather-informed planting/harvest • Agrometeorological services • Agroecology/permaculture • Precision tools • Shelterbelts/windbreaks 	Arid & semi-arid zones; drought-prone areas
Conservation Agriculture	Maintains soil structure & organic matter, reduce erosion, and stabilize yields	<ul style="list-style-type: none"> • Zero/minimum tillage • Maintain crop residues • Diversified crop rotations • Field contour farming techniques • Permanent raised beds use • Integrated pest management • Soil cover with living mulches 	Areas with high erosion rates, mountainous regions
Organic Farming and Green Input Adoption	Eliminates/minimizes synthetics and promotes natural fertilizers and pest control methods	<ul style="list-style-type: none"> • Organic pest control • Organic fertilizer • Certification • Vermicomposting • Trap crops • Biofungicides & biostimulants use • Biodiversity corridors 	High-value zones with export organic demand

Annex 6: Gender definitions

	Microfinance institutions (MFI)	Sustainable Agricultural Organizations (SAO)
Women-led organizations	Founder/CEO is a woman AND >30% women in management	Founder/CEO is a woman AND >30% women in management
	OR	OR
	>30% Board of Directors is women AND >30% women in management	>30% Board of Directors is women AND >30% women in management
Women-focused organizations	>70% women clients	>30% women producers/members