



## Impact Update – Q3 2015

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### Guarantor & Staff Trip 2015

In January 2015, nineteen of MCE’s guarantors & staff traveled to Ecuador to assess the impact of MCE’s investments. Although demand for financial services remains high, approximately 63% of Ecuador’s 15 million people remain unbanked and 26% live below the poverty line. During the one week impact evaluation, the group visited entrepreneurs supported by MCE’s business partners across the country, who provide loans, insurance, and education to clients (mostly women) living in poverty.

The main objectives of the impact study trip were:

1. Assess the impact of MCE’s funding model in the country through interviews with MCE’s partners and their clients.
2. Review of the current products and programs offered by MCE’s local partners in an effort to help them design and implement new offerings.
3. Review of the progress of the health training and health product development program provided by MCE’s partner organizations.
4. Explore the possibility to develop new programs with Freedom from Hunger in Ecuador, an organization committed to eradicate poverty through access to health services (health expenses are one of the main reasons micro-entrepreneurs fall back in the poverty trap).
5. Develop relationships with new organizations working in remote parts of the country where MCE was not yet active: particularly the North/Northwest region.

Some of the benefits the end-borrowers enjoy as a result from borrowing from MCE’s local partners witnessed during the impact study were:

1. Increased sales and business expansion opportunities.
2. The ability to make educated financial decisions thanks to the financial education received from MCE’s partners.
3. Access to quality health services at affordable prices. For most of the clients it is the first time having access to preventive healthcare.
4. Social empowerment, especially for women.
5. As a result of increased revenue, clients are able to hire employees if needed, and pay for children’s higher education.

MCE and its supporters were humbled and inspired by the determination of its partners and left the research trip excited about the impact of MCE’s model. As a result, MCE has added new partners in Ecuador in 2015 and will continue to do so in 2016.

### Microfinance Institution: NPFC

NPFC is a small and medium enterprise (SME) lender based in Manila, which aims to finance the “missing middle” with the primary goal of employment creation. Secondary goals include the formalization of SMEs into tax-paying entities, empowerment of women and out-of-school youth, and the provision of opportunities for the physically challenged, minorities and indigenous people. As of November 2014, NPFC was lending to 461 different SMEs, comprising 7,736 employees.

NPFC aims to achieve three main goals through its work of financing SMEs:

- Create employment opportunities for the unemployed and underemployed who have been excluded from the formal labor market, tracking the number of jobs sustained by gender.
- Help to formalize SMEs in the Philippines to motivate an increased tax base, tracking the amount of taxes paid by their SME clients.
- Help create more stable businesses in the Philippines, allowing families to bring home Overseas Filipino Workers

MFI Profile				Social Impact	
Financial solidity	low	medium	high	% women	43%
Social impact	fair	standard	superior	% rural	N/A
Risk	high	medium	low	SMART campaign	No

### MCE Social Capital Loan: \$1m USD

#### Country Profile:

- The Philippines diverse population, speaking more than 80 languages and dialects, is spread over 7,000 islands.
- Approximately 25% of all Filipinos live below the poverty line and the country, given its position along the Pacific Ring of Fire, is highly prone to earthquakes and typhoons.
- The Philippines ranks 117 out of 187 on the U.N. Human Development Index

**Client Impact:** NPFC provides specialized loan products specifically for SMEs deliberately driving social impact, including empowering women, out-of-school youth, the physically challenged, minorities, and indigenous people. Each

NPFC borrower must show a commitment to positive social or environmental impact to qualify for a loan, in addition to promising business operations. Impact research found that one client opened a massage parlor that only employs blind message therapists; another founded an organic soap company that employs out-of-school youth.

- ✓ health education
- ✗ health services
- ✓ business training
- ✓ financial literacy training
- ✗ savings programs
- ✗ mobile banking
- ✗ start-up and technical assistance
- ✓ insurance
- ✗ energy efficient housing
- ✗ remittance services
- ✗ agricultural assistance

### Microfinance Institution: Friendship Bridge

Friendship Bridge is an organization with a strong social footprint that provides loans, educational and social services in some of the least developed regions of Guatemala. The organization focuses its work in overwhelmingly rural areas with some of the highest proportions of indigenous population in the country. As indigenous women, clients are among the most marginalized populations in Guatemala and suffer frequent discrimination because of their gender, economic status, and ethnicity. As a result, they often lack access to healthcare and education. Therefore, the institution's strong focus on education and social services is a key component of its social mission.

MFI Profile				Social Impact	
Financial solidity	low	medium	high	% women	100%
Social impact	fair	standard	superior	% rural	80%
Risk	high	medium	low	SMART campaign	Endorsed

### MCE Social Capital Loan: \$700k USD

#### Country Profile:

- Guatemala is the biggest economy in Central America but is among Latin American countries with the highest levels of inequality.
- Guatemala's poverty indicators – especially in rural and indigenous areas – and chronic malnutrition rates among the highest in the region (approximately 75 percent of the population lives below the poverty line).
- Guatemala ranks 125 out of 187 on the U.N. Human Development Index

women's rights, self-esteem, over-indebtedness, and how to support children in school. One client, Maria, uses services provided by Friendship Bridge to buy high quality fabric to make and sell traditional women's clothing. Another, Gumersinda, uses her loan and business education to raise and sell pigs and chickens.

- ✓ health education
- ✓ health services
- ✓ business training
- ✓ financial literacy training
- ✗ savings programs
- ✗ mobile banking
- ✗ start-up and technical assistance
- ✓ insurance
- ✗ energy efficient housing
- ✗ remittance services
- ✓ agricultural assistance

**Client Impact:** In addition to loans, Friendship Bridge offers education programs on topics like budgeting, marketing and sales, health, nutrition,

**Microfinance Institution: Fonkoze**

Fonkoze is Haiti’s largest microfinance institution and serves poor and ultra-poor women in rural Haiti throughout the country. In addition to financial services, Fonkoze provides access to remittances from abroad, insurance against natural disasters, and education and health programs. Driven by its commitment toward the poor, Fonkoze developed the “Staircase out of Poverty” methodology, which is a series of products and programs designed to meet clients wherever they are and accompany them on their journey out of poverty. Fonkoze continues to demonstrate impressive social impact through its exceptionally innovative programs.

MFI Profile				Social Impact	
Financial solidity	low	medium	high	% women	100%
Social impact	fair	standard	superior	% rural	88%
Risk	high	medium	low	SMART campaign	Endorsed

**MCE Social Capital Loan: \$250k USD**

**Country Profile:**

- 59% of Haiti’s population lives on less than US\$2 per day (nearly 25% live in extreme poverty, less than US\$1.25/day) and 30% is considered food insecure.
- Haiti ranks very low (168 out of 187) on the U.N. human development index.
- Almost 60% of Haitian women are illiterate and one in 16 die during pregnancy or childbirth.

Never on to give up, she used loans from Fonkoze to fund a business selling hot plates in her neighborhood. Myrtha is determined to set her children up for success stating, “I would love for them to become an engineer or a doctor.”

- ✓ health education
- ✗ health services
- ✓ business training
- ✓ financial literacy training
- ✗ savings programs
- ✗ mobile banking
- ✗ start-up and technical assistance
- ✓ insurance
- ✗ energy efficient housing
- ✓ remittance services
- ✗ agricultural assistance

**Client Impact:** During impact evaluation in Haiti, MCE interviewed one client whose house had collapsed in the 2010 earthquake and ruined the merchandise she had been selling from her home.

### Microfinance Institution: Fundación ESPOIR

ESPOIR is a microfinance institution that focuses its operations in the coastal area of Ecuador, the poorest region of the country. ESPOIR's clients are mostly women, who form groups and guarantee each other's loans. The financial institution provides additional non-financial services that help improve the borrower's income and quality of life. Some of the non-financial services offered are financial education, trade workshops and health services.

MFI Profile				Social Impact	
Financial solidity	low	medium	high	% women	80%
Social impact	fair	standard	superior	% rural	74%
Risk	high	medium	low	SMART campaign	Endorsed

### MCE Social Capital Loan: \$1m USD

#### Country Profile:

- Although Ecuador's recent economic growth has been inclusive, over 22% of the country's population still lives in poverty.
- In Ecuador, more than half of the population does not have access to formal financial services.

**Client Impact:** ESPOIR offers women both education and loans for business growth, home improvements, family emergencies, and education. One client used her financing to purchase a refrigerator, allowing her to stock and sell more shrimp and open an additional

stand. Another enthusiastically stated, "I am most proud that I am now able to pay for my children's university education".

- ✓ health education
- ✓ health services
- ✓ business training
- ✓ financial literacy training
- ✗ savings programs
- ✗ mobile banking
- ✗ start-up and technical assistance
- ✓ insurance
- ✗ energy efficient housing
- ✗ remittance services
- ✗ agricultural assistance