



SOCIAL CAPITAL

# *Impact Report* 2019

# Portfolio Snapshot /

AS OF Q4 2019

## Microfinance Institution (MFI) Portfolio

**\$57.3M**  
ACTIVE MFI PORTFOLIO

**45**  
MFI CLIENTS

**92**  
ACTIVE LOANS

**33**  
COUNTRIES REACHED

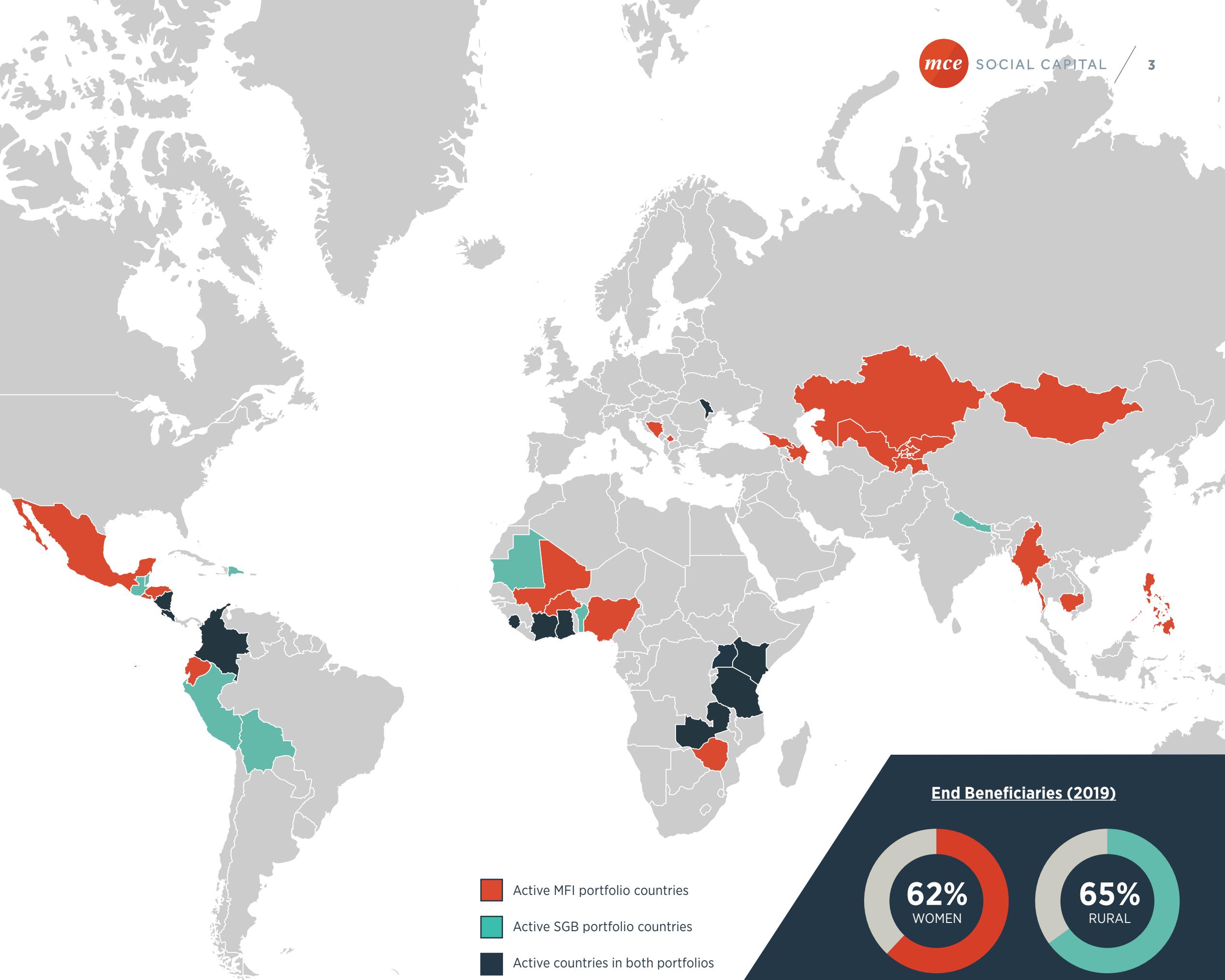
## Small and Growing Business (SGB) Portfolio

**\$5.6M**  
ACTIVE SGB PORTFOLIO

**24**  
ACTIVE LOANS

**17**  
SGB CLIENTS

**19**  
COUNTRIES REACHED





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**COVER:** Jose Humberto Cruz is a smallholder farmer and client of CrediCampo, a microfinance institution (MFI) in El Salvador that works in collaboration with Fundación Campo, its partner foundation, to alleviate poverty and empower rural communities through access to credit and community development services.

**PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL EL SALVADOR**

## Dear Friends of MCE,

At a village group loan meeting in Ecuador last year, the loan officer taught a lesson about maternal health and ended the session by asking the clients, all women, “Why did we form this group?” They responded, “To help each other” and “To guarantee the well-being of the group.” The women were clients of Fundación Espoir, one of MCE’s first local partners, which provides credit, health services, and financial literacy training to its 49,000 clients, 75 percent of whom are female and rural.

Three years before this village meeting, a 7.8 magnitude earthquake had devastated the area served by Espoir, leveling residences, markets and some of the health clinics run by Espoir. In response, Espoir gave its affected borrowers more time to repay their loans, and MCE donated diapers and other critical supplies and gave Espoir more time to repay its loan from MCE. Soon, the women were back in business and the health clinics were up and running again. Espoir repaid MCE in full.

As many of you know, I’m preparing to step down after 10 years as MCE’s CEO. My tenure, as it happens, has been bookended by the two largest global crises of my lifetime, the 2008-2009 financial crisis and the COVID-19 crisis. And in between, it hasn’t been easy, either. Besides the earthquake in Ecuador, MCE has navigated Ebola, SARS, the commodity meltdown of 2014-2016, the Russian invasion of Georgia, and many more challenges. Through it all, as this report shows, we have provided economic opportunity to millions of people in some of the world’s roughest neighborhoods while carefully managing our portfolio risk and finances.

I’m proud to have thrown in my lot with all of you on this bumpy but deeply gratifying ride. And I’m proud that, as COVID-19 menaces the most vulnerable people in the world, MCE stands with them, as we did with the women of Espoir, as we always have, and as I know we always will, in their hour of need.

Warm regards,



**Gary Ford, CEO**



An employee of Moringa Connect, a social enterprise that sources and processes moringa seeds from smallholder farmers in Ghana.

PHOTOGRAPHER: DOUG MAGEE / MCE SOCIAL CAPITAL  
GHANA

# 2019 highlights /

## \$3.7M GRANT RECEIVED FROM DEUTSCHE BANK MICROCREDIT DEVELOPMENT FUND

In 2019, MCE was selected to receive a \$3.7 million grant from the Deutsche Bank Microcredit Development Fund (DBMDF). The funds will be used to expand our lending to small and growing businesses (SGBs) in developing countries. By leveraging the grant, MCE plans to grow the SGB portfolio from \$5.5 million today to over \$12 million by the end of 2021.

## \$26.4M IN DISBURSEMENTS

MCE disbursed a total of \$26.4M to 25 MFIs and 12 SGBs across 23 countries in 2019, ending the year with \$62.9M in outstanding loans to 62 institutions in 35 countries.

## STRONG SGB PORTFOLIO GROWTH

In the third full year of MCE's SGB portfolio, the portfolio grew from \$3.7 million to \$5.6 million—a 54% year-over-year growth rate. The number of active SGB clients increased from 15 to 17, and MCE made SGB investments in three new countries—Costa Rica, Nepal, and Sierra Leone. Overall, MCE disbursed \$5.3 million to 14 SGBs across 12 countries in 2019, including six new clients across six countries.

## GROWTH IN GUARANTOR COMMUNITY

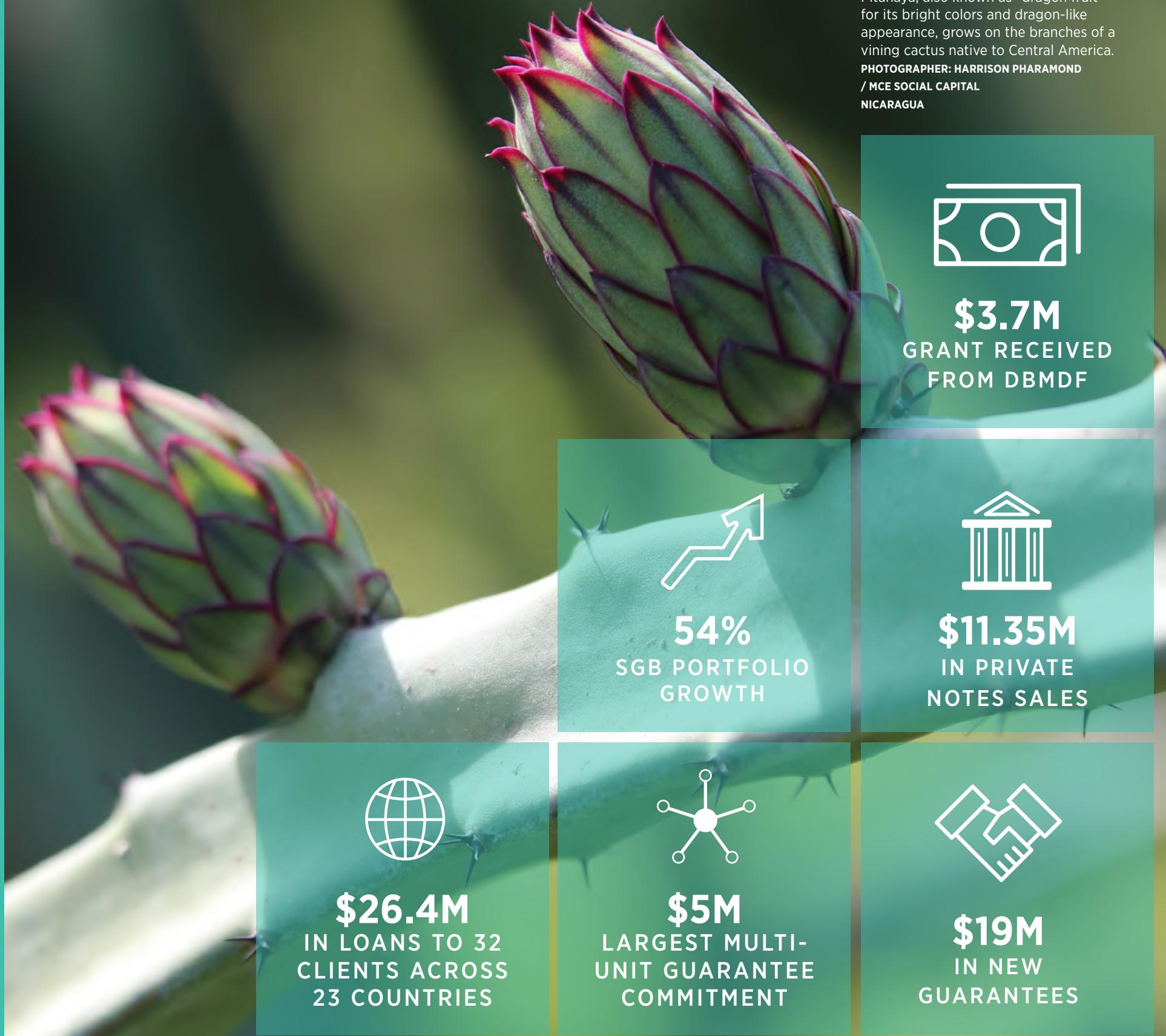
2019 was the biggest year in MCE's operating history in terms of Guarantor recruitment—MCE recruited an additional \$16 million in MFI guarantees and an additional \$3 million in SGB guarantees. As of December 31, 2019, MCE's Guarantor community consisted of more than 140 individuals and foundations representing \$128 million in MFI guarantees and \$14.5 million in SGB guarantees.

## GROWTH IN NOTE SALES

MCE sold a total of \$11.35 million in Global Economic Opportunity Notes in 2019, ending the year with the highest outstanding amount ever at just over \$26 million.

## LARGEST MULTI-UNIT GUARANTEE COMMITMENT

The Isenberg Family Charitable Foundation (part of Ceniarth LLC) joined MCE's Guarantor community with a five-unit, \$5 million guarantee commitment for the MFI portfolio, MCE's largest multi-unit guarantee commitment to date. Simultaneously, the Foundation also invested \$5 million in MCE's Notes.





## *our model /*

Our innovative loan guarantee model enables us to unlock capital to support institutions generating economic opportunities for underserved communities across the developing world.



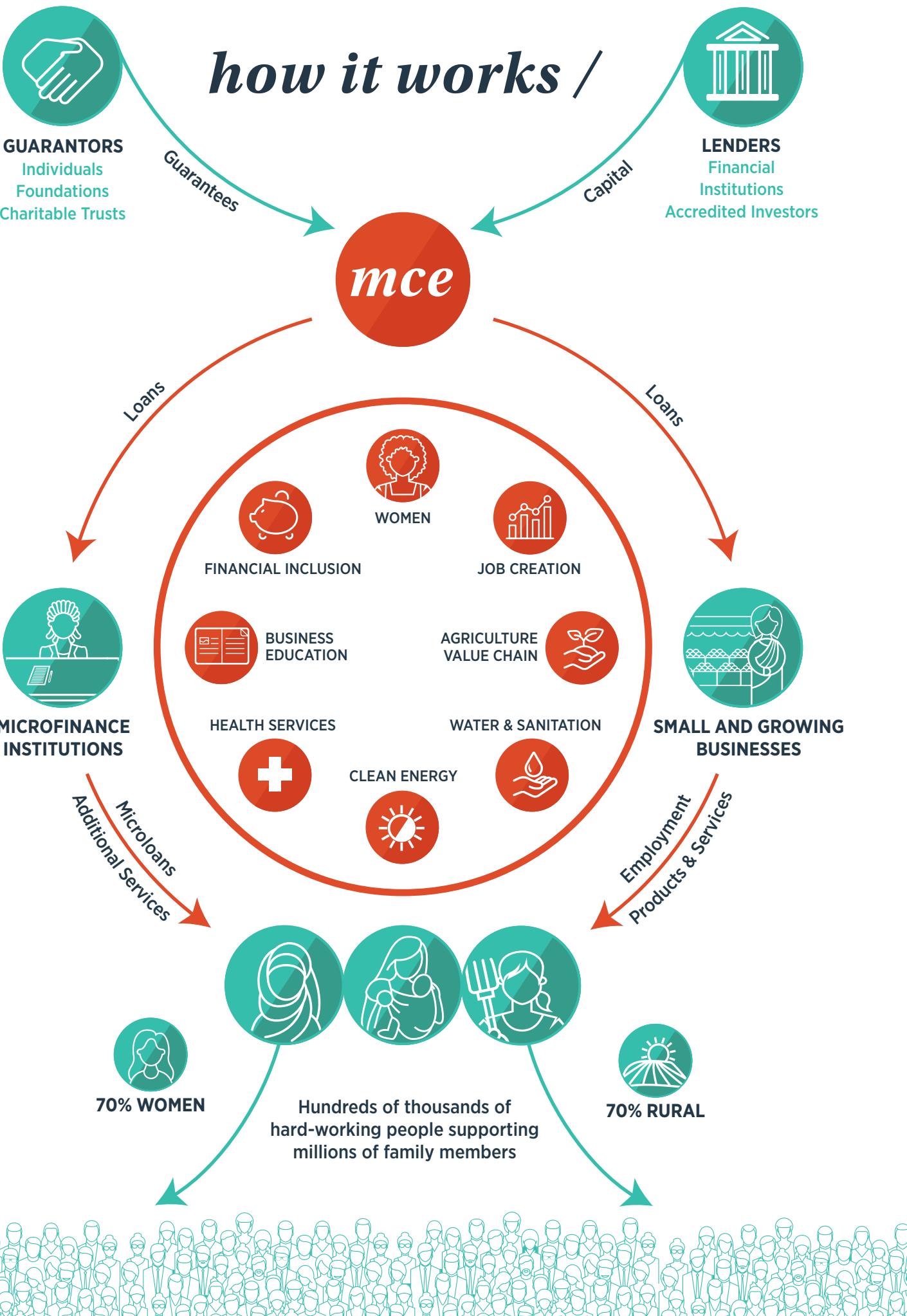
MCE supported my social enterprise in Haiti, and through the process of due diligence and paying off the loan, I became a convert—it's impressive to see the caliber and motivation of all the people involved with MCE, from staff to board members. That experience, and their innovative model for unlocking private capital, made becoming a Guarantor a no-brainer."

**Jim Chu**, Founder and CEO, dloHaiti and Untapped

MFI GUARANTOR SINCE 2017, SGB GUARANTOR SINCE 2019

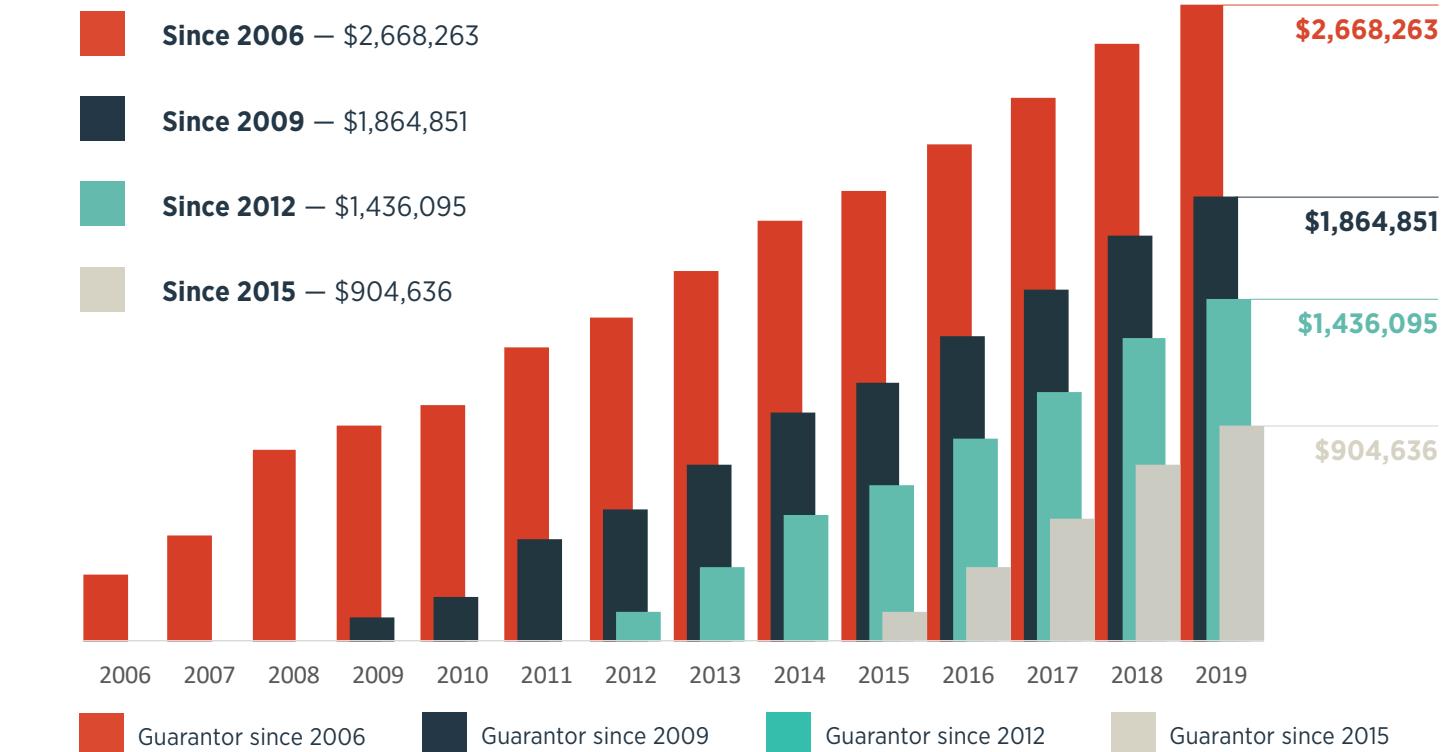
Artemio Tello is a lifelong potato farmer and the president of Pusacpampa, a small community in the central highlands of Peru. Thanks to Inka Moss, a social enterprise in MCE's SGB portfolio, Artemio and more than thirty other members of Pusacpampa are boosting their incomes by learning how to identify and sustainably harvest moss that grows naturally in the region. Inka Moss brings new economic opportunities to indigenous communities by purchasing this moss, processing it, and exporting it for use as substrate in horticulture, especially orchid cultivation.

PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL  
PERU



## *the power of a guarantee /*

Cumulative Amount Disbursed per MFI Guarantee



Philanthropic guarantees enable MCE to leverage the excellent credit of high net worth individuals and foundations (our Guarantors) to borrow capital from U.S. and European financial institutions and accredited investors. MCE then strategically deploys this capital to two types of organizations:

- **Microfinance Institutions (MFIs)** that help people living in rural areas gain access to credit, savings accounts, insurance, healthcare and health education, business education, and technical assistance.
- **Small and Growing Businesses (SGBs)** in the agriculture value chain, water & sanitation, and renewable energy sectors, to create reliable jobs in rural economies, raise smallholder farmers' incomes, and address basic needs in underserved areas.

An MFI Guarantor who joined in 2006 has personally enabled more than \$2.6M in disbursements to MFIs across the developing world. Compared to the total charitable gifts that same Guarantor has made to MCE since 2006 of \$46,100, the multiplier effect is significant.

An SGB Guarantor who joined in 2017 at the launch of the SGB Portfolio has personally enabled \$405K in disbursements to SGBs. As of the end of 2019, that SGB Guarantor had made \$7,800 in charitable gifts to MCE.



## *our portfolio /*

As of December 31, 2019, MCE's portfolio consisted of \$62.9 million, comprising over 116 loans to 62 institutions operating across 41 countries throughout the developing world.

“

2019 was a great year for MCE as we further affirmed our reputation as a flexible lender who adapts to its clients' needs. We disbursed new loans in 24 countries, placing more emphasis on small MFIs that bring creative approaches to their clients while increasing our investments in agricultural SGBs to solidify their business models and support more smallholder farmers.”

**Pierre Berard**, MCE Managing Director and Chief Investment Officer

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Ma San San Maw is an enterprise loan client of Proximity Finance in Pyapon, Myanmar. Her loan from Proximity has helped her expand her small retail business that sells fabrics and clothing.

**PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL  
MYANMAR**

# microfinance institutions /

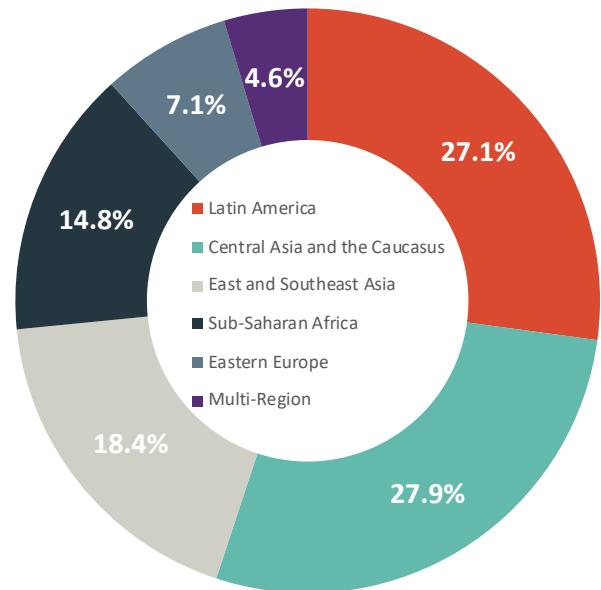
Since 2006, MCE has provided debt capital to MFIs that empower underserved populations with access to critical products and services.

Financial inclusion is a vital component of equitable and prosperous societies, and a key enabler of the U.N. Sustainable Development Goals. Despite the progress that has been made in recent years, 1.7 billion adults remain “unbanked,” virtually all of whom live in developing countries where the gaps between rich and poor, men and women, and rural and urban populations are exacerbated.<sup>1</sup> The MFIs in MCE’s portfolio address these gaps by offering loans, savings, insurance, and other

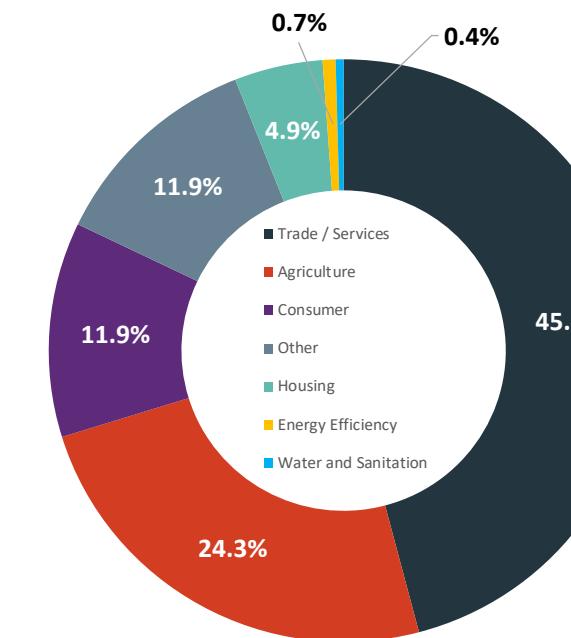
services to those who are left behind by traditional financial systems—particularly women and rural clients. Microfinance is a powerful mechanism that helps people build assets, manage risks, stabilize income, and gain the freedom to decide how to make and spend money. When combined with nonfinancial services such as business education and health services, microfinance can promote sustainable growth by improving livelihoods, strengthening institutions, promoting gender equality, and providing economic opportunity and security.<sup>2</sup>

As of December 31, 2019, MCE’s MFI portfolio consisted of \$57.3 million in outstanding loans to 45 MFIs operating in 33 countries.

## Geographic Diversification

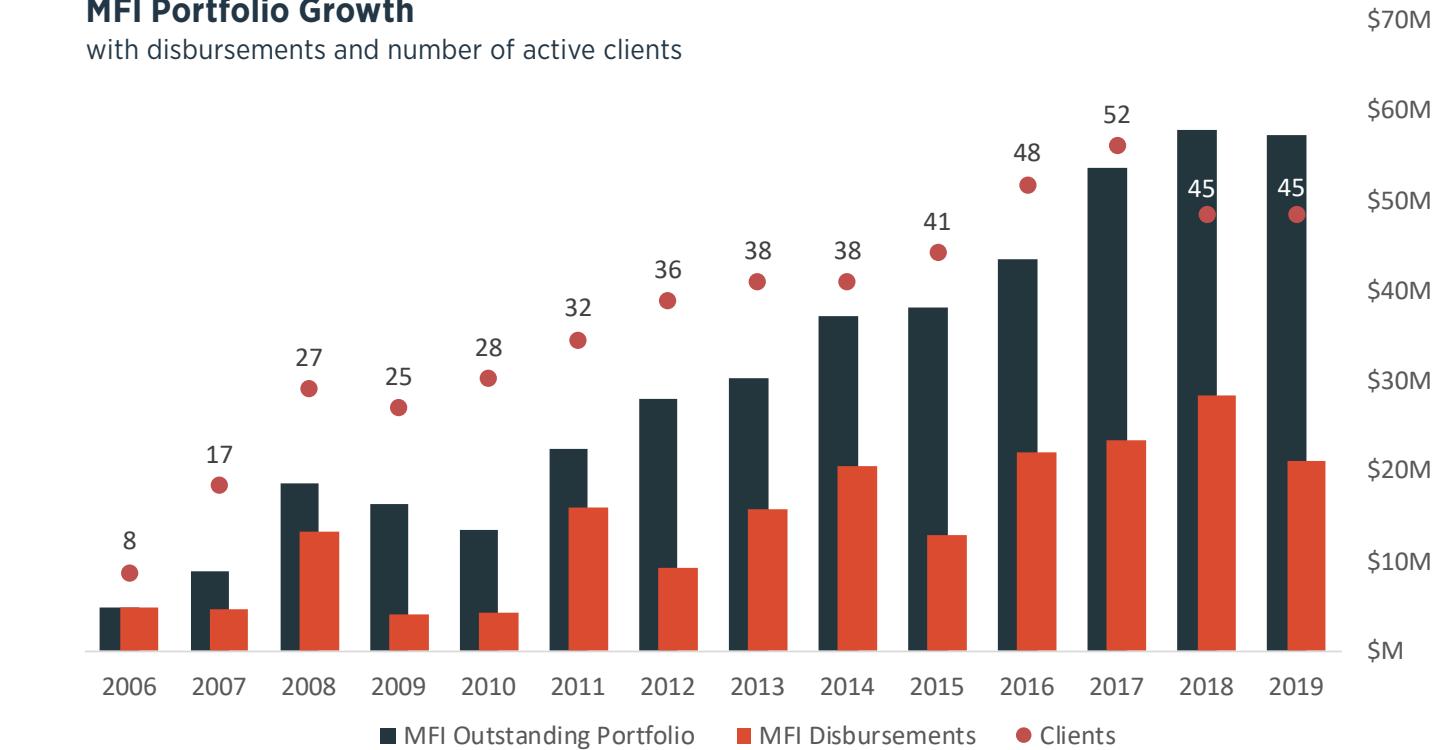


## Sector Diversification



## MFI Portfolio Growth

with disbursements and number of active clients



# *small and growing businesses /*

MCE provides catalytic debt capital to SGBs that strengthen rural economies through the agriculture value chain, water & sanitation, and renewable energy sectors.

Small and growing businesses (SGBs) are the dominant form of entrepreneurial activity in emerging markets and hold the potential to transform communities and alleviate poverty through the jobs they create and the products and services they offer.

However, these businesses often lack access to sufficient, appropriately structured growth capital. SGBs in low- and lower-middle-income

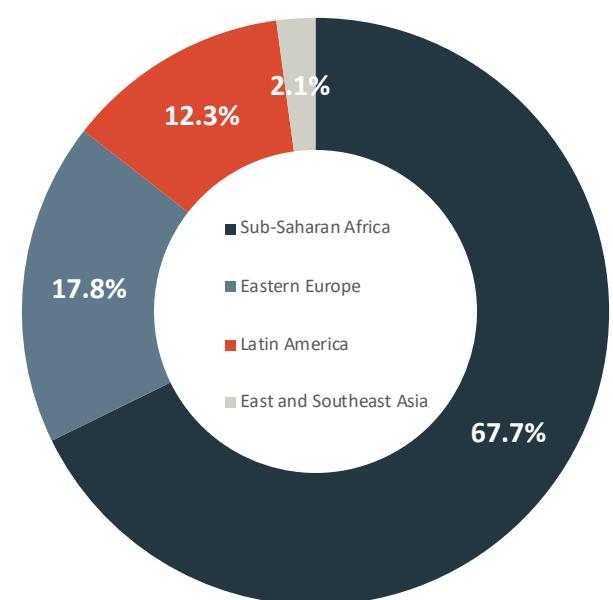
countries alone account for approximately \$980 billion in unmet financing needs.<sup>3</sup>

MCE provides catalytic loans to support SGBs that are too big for microfinance, yet too small for commercial lending—the so-called “missing middle.”

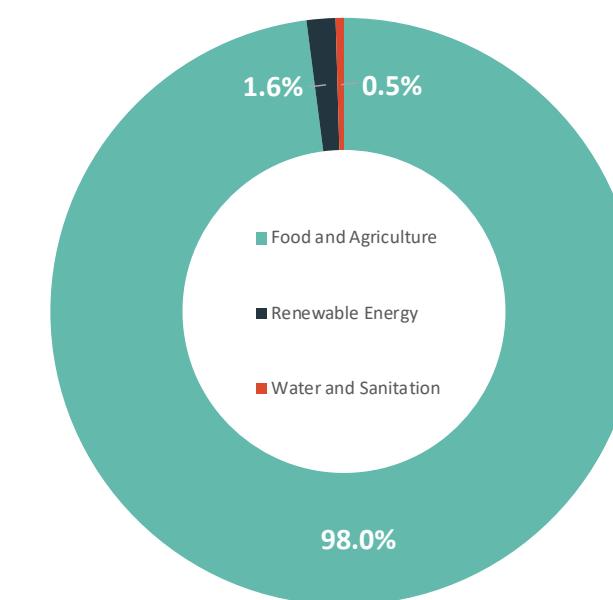
The SGBs in our portfolio are often the only sources of formal employment in the areas in which they operate. By financing and supporting their growth, we are able to create economic opportunities for people living in particularly marginalized communities.

As of December 31, 2019, MCE’s SGB portfolio consisted of \$5.6 million in outstanding loans to 17 SGBs operating in 19 countries.

## Geographic Diversification



## Sector Diversification

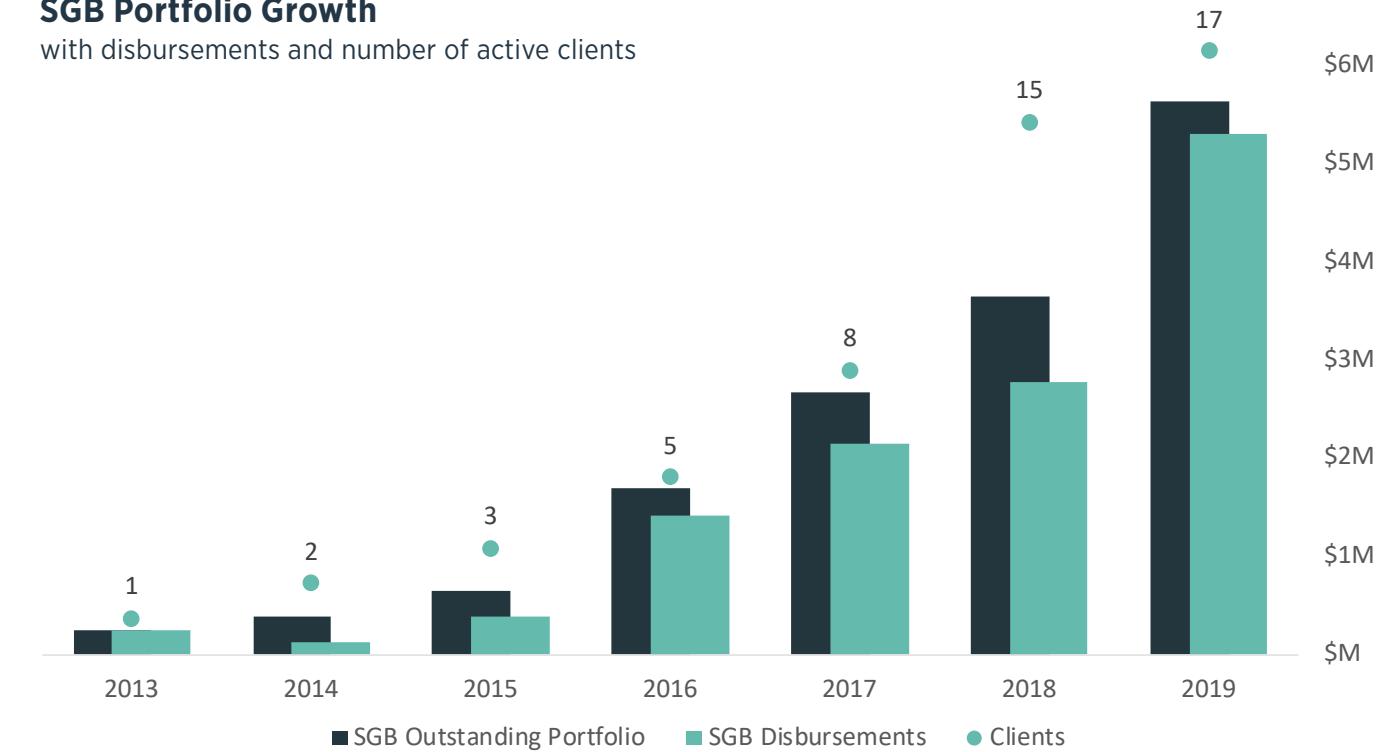


A smallholder farmer and client of Komaza, an agroforestry business in MCE’s SGB portfolio that provides the products, tools, and services needed to cultivate Eucalyptus trees in an environmentally sustainable manner, boosting clients’ incomes.

PHOTOGRAPHER: KOMAZA  
KENYA

## SGB Portfolio Growth

with disbursements and number of active clients





#### Lift Above Poverty Organization Sierra Leone

institution dedicated to providing affordable and innovative financial services to low-income communities across Sierra Leone, with a strong focus on empowering women and micro-entrepreneurs. LAPO SL operates in a particularly challenging environment—the MFI was established in 2007 when

Sierra Leone was still recovering from over a decade of civil war that ended in 2002. When the country's economy was devastated by the Ebola outbreak from 2014-2016, LAPO SL continued to push forward, holding itself to a high standard and continuing to lend to those who were most vulnerable. As of December 31, 2019, LAPO SL operated 24 branches across the country and served over 22,000 clients, 94% of whom were women and 76% of whom lived in rural areas.



## sub-saharan africa /

Micro, small, and medium-sized enterprises (MSMEs) are the engine of social and economic growth in Sub-Saharan Africa, representing 90% of businesses in the region.<sup>4</sup> The potential of African entrepreneurs is immense but remains largely untapped due to insufficient access to capital.

There are many challenges faced by African entrepreneurs—political instability, weak infrastructure, macroeconomic shocks, inconsistent government regulations, and fluctuations in commodity prices—but none as frequently cited as inadequate access to capital. African MSMEs face a credit gap of \$331 billion,<sup>5</sup> demonstrating the extreme lack of appropriately structured financing for early- and growth-stage enterprises.

Yet, given their unique understanding of and proximity to the communities in which they operate, these businesses are well-positioned to address the issues faced by low-income populations across the continent—lack of access to stable electricity, clean water and sanitation, and financial services, to name a few. There is a particularly untapped opportunity to support smallholder farmers, who make up an estimated 60% of the population but suffer from low productivity, inadequate market access, and a lack of resources, information, and fair pricing. MCE invests in social enterprises and MFIs that tackle these issues head-on and create opportunities for smallholder farmers, low-income families and rural communities to thrive.



In October 2019, MCE made a \$450,000 investment in **East Africa Fruits** (EAF), a social enterprise founded in 2015 that improves market access for smallholder farmers in Tanzania. The company seeks to modernize agribusiness and increase farmers' incomes by reducing post-harvest losses and streamlining the food value chain. EAF does this by collecting fresh

fruits, vegetables, and rice from farmers and selling their harvest to supermarkets, restaurants, hotels, and other retailers. This model allows EAF to pay farmers 18-25% price premium over other potential buyers, on average. In 2019, EAF purchased from 781 farmers (36% women) and provided agricultural training to 1,680 farmers (26% women). More than 1,200 farmers are registered in EAF's network. As of Q4 2019, EAF directly employed a total of 69 individuals (49% women).

# latin america /

Latin America has made significant socio-economic progress since the turn of the century. However, weak economic growth and an increasingly uncertain geopolitical environment have slowed this progress in recent years, emphasizing the need for inclusive business models that serve the region's most vulnerable populations.

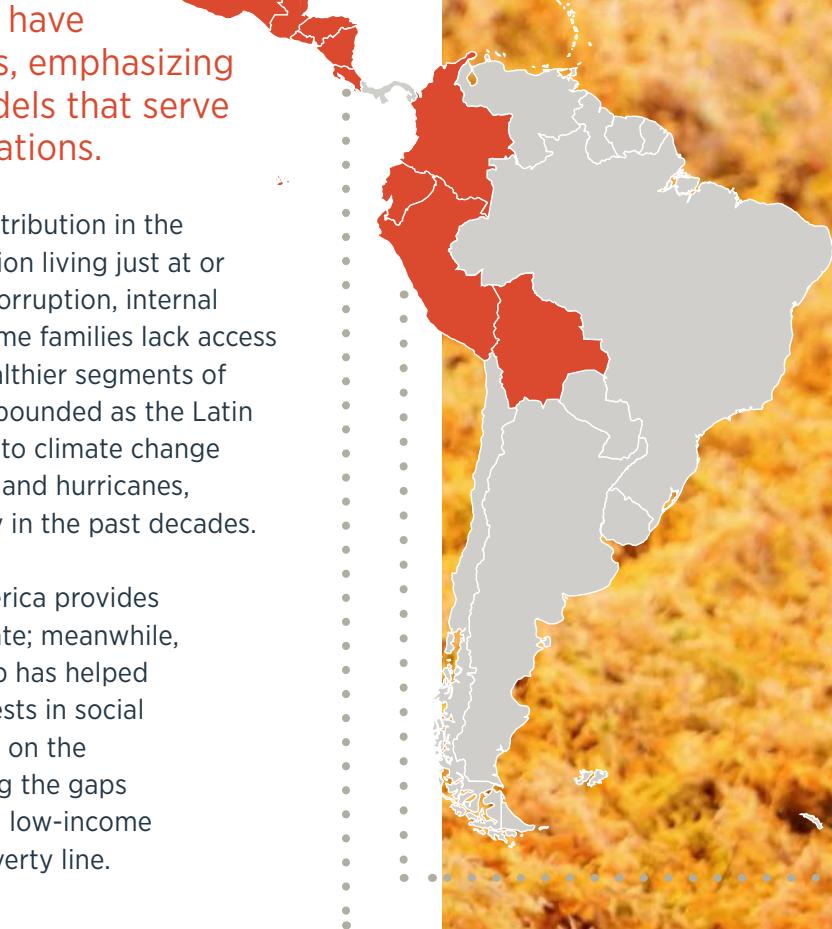
Latin America has the most unequal wealth distribution in the world, with more than half of the total population living just at or below the poverty line.<sup>6</sup> Due to high levels of corruption, internal conflict and political instability, many low-income families lack access to basic products and services available to wealthier segments of the population. These systemic issues are compounded as the Latin American poor remain particularly susceptible to climate change risk and natural disasters, such as earthquakes and hurricanes, which have occurred with increasing frequency in the past decades.

The excellent credit infrastructure in Latin America provides a strong foundation with which MFIs can operate; meanwhile, a thriving ecosystem of social entrepreneurship has helped SGBs drive innovation across sectors. MCE invests in social enterprises and financial institutions that focus on the region's central challenge of inequality by filling the gaps left unfulfilled by the government and supporting low-income families to ascend—and remain—above the poverty line.



**FUDECOSUR**

a strong focus on serving smallholder farmers and rural communities. The MFI involves communities in the creation of village-based credit committees that oversee the approval and disbursement of loans



**Fudecosur** is a nonprofit MFI established in 1993 to promote social and economic development in the poorest regions of southern Costa Rica, with to villagers, empowering communities to manage the process and lead their own development. As of December 31, 2019, Fudecosur had a loan portfolio of \$4.5 million serving over 3,800 clients, 34% of whom were women and 100% of whom lived in rural areas. Seventy-four percent of the MFI's portfolio were agricultural loans. In 2019, Fudecosur provided financial education to 830 individuals and technical assistance to 720 farmers. MCE has disbursed three loans totaling \$950,000 to Fudecosur since July 2012.



Mariela Sanchez Bravo is an employee of Inka Moss and mother of four in Jauja, Peru. She enjoys the tranquility of her work at the company's open-air processing plant where she dries and cleans the moss that is sourced from indigenous communities in the surrounding region. Her income helps support her children's education, and she is grateful to work for a company that helps others as well as her family.

PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL PERU



In March 2019, MCE invested \$150,000 in **Inka Moss**, a social enterprise that works with indigenous communities in the Peruvian Andes to source moss that grows naturally in the region, process it, and export it for use as substrate in horticulture. The company incorporates communities as suppliers in its value chain, providing technical assistance and education to ensure sustainable harvesting practices

that preserve environmental health and increase family incomes. Inka Moss seeks to catalyze community development and improve livelihoods by facilitating programs that help communities obtain legal property rights and develop infrastructure. Since Inka Moss was founded in 2009, the company has trained over 1,500 harvesters. In 2019, Inka Moss sourced from 545 harvesters across 33 indigenous communities and employed 27 individuals. Two-thirds of Inka Moss' harvesters and employees are women.

## east & southeast asia /

Following the brutal humanitarian disasters of the past few decades, Southeast Asia has shown incredible resilience. Today, the region boasts a mature microfinance market and a nascent, yet booming, social entrepreneurship sector.

In the wake of humanitarian crises such as the Khmer Rouge (which led to more than two million Cambodian deaths in the late 1970s and 1980s) and the more recent Rohingya crisis in Myanmar (which displaced hundreds of thousands of refugees), Southeast Asian enterprises have been forged through a spirit of resilience. With millions of people and micro-businesses unbanked, MFIs play a critical role in the financial services sector. In countries like Cambodia, MFIs are large institutions with the capability to develop innovative products for low- and middle-income families. In other countries like Myanmar, where the microfinance sector is rapidly developing, MFIs close a broad financial inclusion gap that disproportionately affects women and families in rural areas.

- Meanwhile, SMEs account for more than 89% of businesses
- and between 52% and 97% of employment across Southeast Asia.<sup>7</sup> These businesses represent a critical source of income
- and employment generation, as well as an opportunity to
- empower women, youth, and low-income families. MCE
- invests in such businesses and MFIs that demonstrate
- resilience and a strong commitment to closing the broad
- financial and socioeconomic gaps necessary to ensure the
- sustainable and inclusive development of the region.



A smallholder farmer client of Advans Myanmar. One-third of Advans Myanmar's gross loan portfolio is in the agricultural sector.

PHOTOGRAPHER: ADVANS MYANMAR  
MYANMAR



### ADVANS Myanmar

In October 2019, MCE made an investment of \$1,000,000 in **Advans Myanmar**, a microfinance institution founded in 2015 with the mission to provide easily accessible financial services to underserved clients in Myanmar. The organization is the newest affiliate of the broader Advans Group, a global microfinance network currently operating in nine countries across Sub-Saharan Africa, Asia, and

the Middle East. Advans Myanmar is the first of the Advans Group affiliates to offer a village banking product, which underpins the MFI's commitment to serving rural borrowers. The clients of these village banking loans are often farmers and micro-entrepreneurs with a monthly family income of only \$100 - \$600. As of December 31, 2019, Advans Myanmar had a loan portfolio of \$16.1 million serving 55,839 borrowers, 81% of whom were women and 56% of whom lived in rural areas.



In December 2019, MCE made a \$120,000 investment in **The Organic Valley**, a Dutch-based entity that directly supports the cultivation, sourcing, transformation, and export of organic herbs and spices in Nepal through a Nepalese enterprise called **The Organic Valley**. The Organic Valley trains farmers how to sustainably cultivate ginger, provides technical assistance

to increase yields, facilitates crop financing from commercial banks, and ensures a reliable source of income during the harvest season. The company has worked with over 3,000 farmers to date, helping more than 760 to become organically certified ginger farmers. In 2019, the company sourced from over 300 farmers (58% women) and trained twice as many. The Organic Valley also provides stable and well-paid jobs in remote villages in Western Nepal, where the main processing plant is located.

# *central asia & the caucasus /*

Microfinance plays a key role in the inclusive growth of Central Asia and the Caucasus, but the region is challenged by significant disparities between urban and rural areas, a large informal economy, and its history of economic turmoil following the collapse of the Soviet Union.

Central Asia and the Caucasus have some of the lowest regional rates of financial inclusion in the world—account ownership averaged just above 40% in 2017,<sup>8</sup> compared to the global average of 69%. The lack of economic opportunities in rural areas compels many to emigrate seasonally to support their families, resulting in a high dependence on remittances (as much as 33% of GDP in Kyrgyzstan in 2018) and informal employment. This makes it difficult for low-income households to prove their creditworthiness and receive a loan from financial institutions, which often have prohibitive collateral requirements and are discouraged by the difficulty and cost of serving rural communities.

This issue is exacerbated by a general distrust of financial institutions due to the region's recent history of macroeconomic crises—first, the collapse of the Soviet Union in 1991, which caused many to lose their savings in Soviet-run banks, then the global financial crisis of 2008-2009 and the commodity crisis of 2014-2015, which decimated the economy and led to sharp currency depreciations.<sup>9</sup> The microfinance sector is critical to repairing trust and ensuring the financial inclusion of low-income and rural communities. MFIs across the region, including some of MCE's oldest clients, have shown resilience by navigating these crises and emerging even stronger in their commitment to reaching underserved populations.



**Lazika Capital** was launched in 2000 by Oxfam Great Britain to address the needs of Georgia's internally displaced persons. Since becoming a separate, non-bank financial institution in 2007, Lazika has been a leader in the microfinance sector, maintaining its mission to empower low-income entrepreneurs in rural areas with access to financial services and promote economic development in Georgia. Over half of

the MFI's portfolio consists of loans to businesses conducting agricultural activities. As of December 31, 2019, Lazika Capital had a loan portfolio of \$17.1 million serving over 11,800 clients, 50% of whom were women and 72% of whom lived in rural areas. Lazika is one of MCE's oldest clients—MCE approved its first loan to Lazika in June 2007, when the MFI had a \$1.7 million portfolio. As MCE and Lazika have grown, MCE has disbursed six loans to the MFI totaling \$5,865,000.



Khalyam Toktakunova has been a client of Asian Credit Fund (ACF) since 2013. Her small business income has increased tenfold in that time. MCE made its first loan to ACF in May 2013.

PHOTOGRAPHER: ASIAN CREDIT FUND  
KAZAKHSTAN



**Asian Credit Fund (ACF)**, which was established in 1997 by Mercy Corps as a small- and medium-enterprise (SME) lending program in Kazakhstan, spun off as an independent entity in 2001. ACF focused on job creation through SME financing in urban and peri-urban areas until the global financial crisis in 2008-2009, which severely impacted the MFI's portfolio. In response, ACF shifted its strategy

to a group lending model focused on women and rural areas. As the microfinance landscape has evolved, ACF has adapted its lending strategy to maximize social impact. Today, the MFI offers a mix of individual, microenterprise, and group loan products. As of December 31, 2019, ACF had a loan portfolio of \$18.4 million serving over 28,000 clients, 75% of whom were women and 93% of whom lived in rural areas. MCE has made seven loans to ACF since 2013.



**FINCA Kosovo** was one of the first financial institutions to begin operating in Kosovo, disbursing its first loan just six months after the Kosovo War ended in June 1999. Established as a subsidiary of FINCA International, FINCA Kosovo is guided by its commitment to alleviating poverty and improving livelihoods through responsible financial services that enable low-income entrepreneurs and

small business owners to invest in their futures; to this end, the MFI's loan portfolio is concentrated in housing, agriculture, and small enterprise loans. In 2018, FINCA Kosovo launched a new loan product tailored specifically for women entrepreneurs, and has been steadily increasing its outreach to women for several years. As of December 31, 2019, FINCA Kosovo had a loan portfolio of \$55.4 million serving 22,400 borrowers, 22% of whom were women and 21% of whom lived in rural areas.



## eastern europe /

Eastern Europe is often overlooked by the impact investing community due to the region's proximity to its western neighbors. Nevertheless, the region's development is challenged by a host of systemic issues—including low industrial development, limited natural resources, and recent history of conflict—which threaten to leave many behind.

Such systemic issues have resulted in high levels of unemployment, particularly in the Balkans, where less than half of the working age population has a job.<sup>10</sup> Unemployment compounded by a poor education system leaves many people with little choice to either take a low-skilled, low-wage job, or enter the informal sector, where income can be extremely volatile. Much of the population lives off of informal activities, remittances and social welfare. This is most prevalent in rural areas and among women, particularly in countries like Kosovo where gender gaps in access to economic opportunities remain one of the country's main challenges.

When the poor have equal access to the same products and services as other segments of the population, they can build financial assets, contribute to their local economies, and build more dignified lives. MCE concentrates our portfolio in some of the poorest countries of this region—Moldova, Kosovo, and Bosnia and Herzegovina—that have been deeply affected by a long history of geopolitical conflict yet also have the most potential for social progress.



Prograin Organic is a social enterprise in Moldova that works with agricultural enterprises to produce and source organic grains for export to clients in the organic food and feeding sectors in the European Union. Prograin Organic is the first company in Moldova to promote organic agricultural products, supporting its farmers through organic input

supply, certification processes, collection and storage logistics, market access, and training to ensure effective land management and crop rotation. As of December 31, 2019, Prograin Organic sourced from 60 farmers who employed nearly 1,800 individuals, 56% of whom were women. In addition, these 60 farmers rented land from over 20,000 families in rural communities across Moldova, cultivating over 8,500 hectares of organic crops, including sunflower, corn, wheat, peas, and spelt, among others.



## *our impact /*

Since 2006, our lending activity has directly benefited the lives of more than 9 million people through access to financial services, business and health education, new markets, technical assistance, clean water, renewable energy, and economic opportunities.



It has been a pleasure to work together over these past two years. Your loan to MicroEnergy Credits has helped us grow as an organization. Both your rigor and your flexibility have benefited our organization's development and our ability to serve our social mission. I am very proud of our successful repayment of our loan."

**April Allderdice**, Co-founder and CEO, MicroEnergy Credits  
MICROENERGY CREDITS FULLY REPAYED ITS \$500,000 LOAN FROM MCE IN DECEMBER 2019

A smallholder farmer in Zambia and client of Good Nature Agro (GNA), an agribusiness in MCE's SGB portfolio.

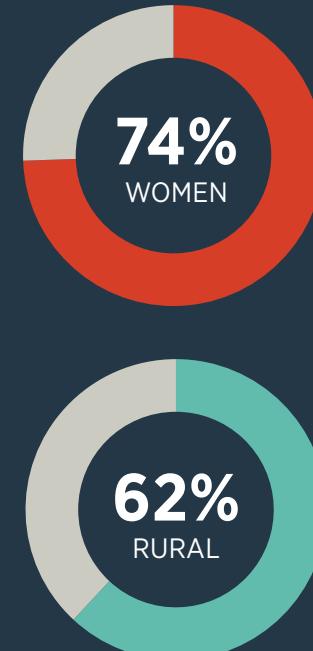
PHOTOGRAPHER: AMIE FLETCHER / GOOD NATURE AGRO  
ZAMBIA

# by the numbers /

## SINCE INCEPTION (2006)

 <b>\$12M+</b> DISBURSED	 <b>24</b> SGBs	 <b>25</b> COUNTRIES
<b>\$200M+</b> DISBURSED	<b>105</b> MFIs	<b>46</b> COUNTRIES
<b>\$213M+</b> DISBURSED	<b>129</b> INSTITUTIONS	<b>55</b> COUNTRIES

## END BENEFICIARIES



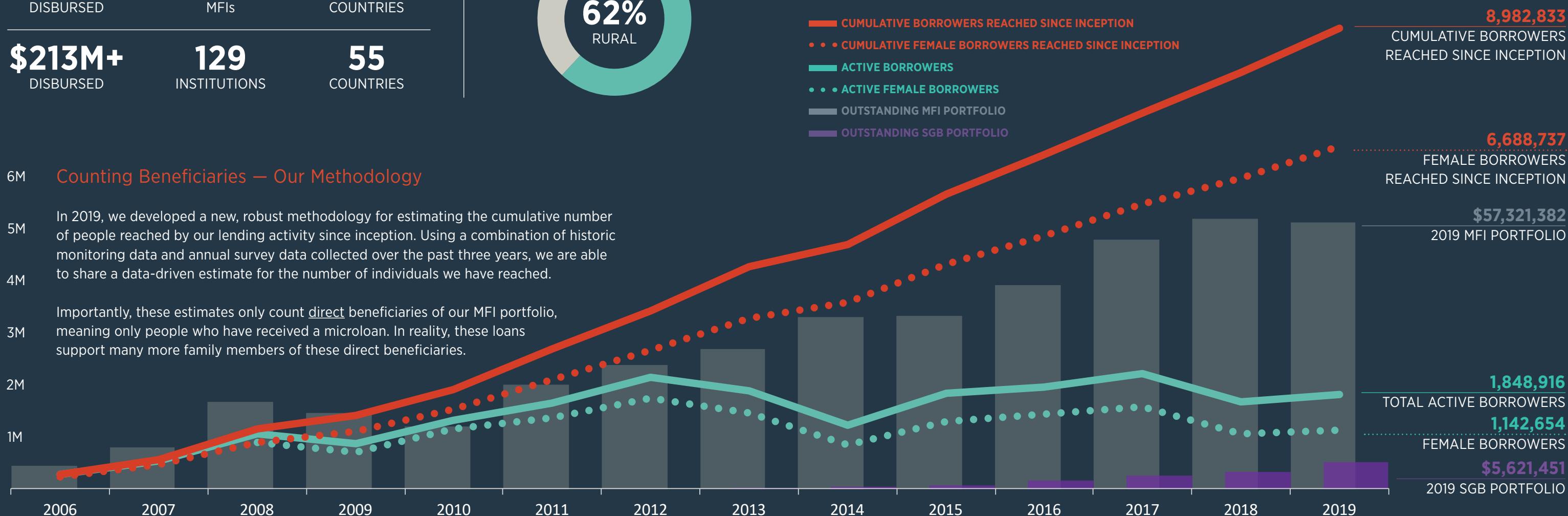
## AS OF Q4 2019

Total Portfolio	MFI Portfolio	SGB Portfolio
<b>\$62.9M</b> OUTSTANDING	<b>\$57.3M</b> OUTSTANDING	<b>\$5.6M</b> OUTSTANDING
<b>62</b> INSTITUTIONS	<b>45</b> MFIs	<b>17</b> SGBs
<b>35</b> COUNTRIES	<b>33</b> COUNTRIES	<b>19</b> COUNTRIES
<b>\$26.4M</b> DISBURSED IN 2019	<b>\$21.1M</b> DISBURSED IN 2019	<b>\$5.3M</b> DISBURSED IN 2019

## Counting Beneficiaries — Our Methodology

In 2019, we developed a new, robust methodology for estimating the cumulative number of people reached by our lending activity since inception. Using a combination of historic monitoring data and annual survey data collected over the past three years, we are able to share a data-driven estimate for the number of individuals we have reached.

Importantly, these estimates only count direct beneficiaries of our MFI portfolio, meaning only people who have received a microloan. In reality, these loans support many more family members of these direct beneficiaries.



# MFI impact /

As of Q4 2019

**\$2.7B+**

IN MICROLOANS OUTSTANDING TO

**1.8M+**

ACTIVE BORROWERS

**849K+**

NEW BORROWERS REACHED IN 2019

**\$1.6K**

AVERAGE LOAN SIZE (WEIGHTED)

**1.5M+**

PEOPLE WITH VOLUNTARY SAVINGS ACCOUNTS

## Additional MFI Services

**248K+**

PEOPLE RECEIVED BUSINESS EDUCATION OR FINANCIAL LITERACY TRAINING IN 2019

**74K+**

PEOPLE RECEIVED HEALTH EDUCATION OR MEDICAL SERVICES IN 2019

**7K+**

PEOPLE RECEIVED AGRICULTURAL TECHNICAL ASSISTANCE IN 2019

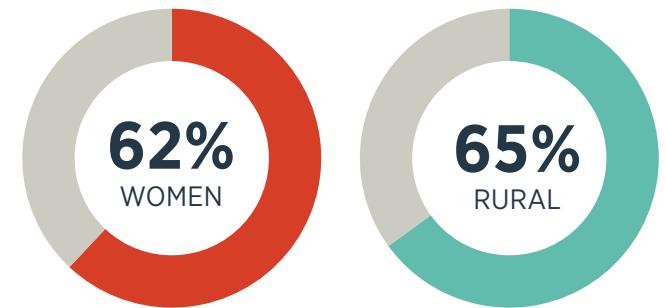
## U.N. Sustainable Development Goals

Targeted by MFI portfolio



### **End Borrowers**

Q4 2019



### MFI Portfolio Constant Sample

Q4 2016 - Q4 2019

There were 21 MFIs that remained consistently in our portfolio during 2017-2019. The average gross loan portfolio (GLP) of these MFIs each year is represented by the bubbles in the chart below, which illustrates consistent overall growth in GLP and borrowers.\*

**21**

CONSTANT  
MFIs

**28.2%**

AVERAGE ANNUAL  
GLP GROWTH

**18.0%**

AVERAGE ANNUAL  
BORROWER GROWTH



\*Chart excludes two outliers

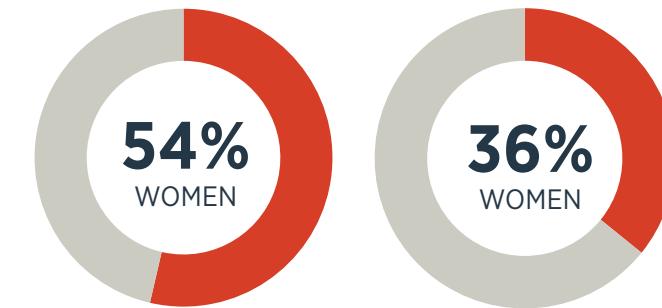
## U.N. Sustainable Development Goals

Targeted by SGB portfolio



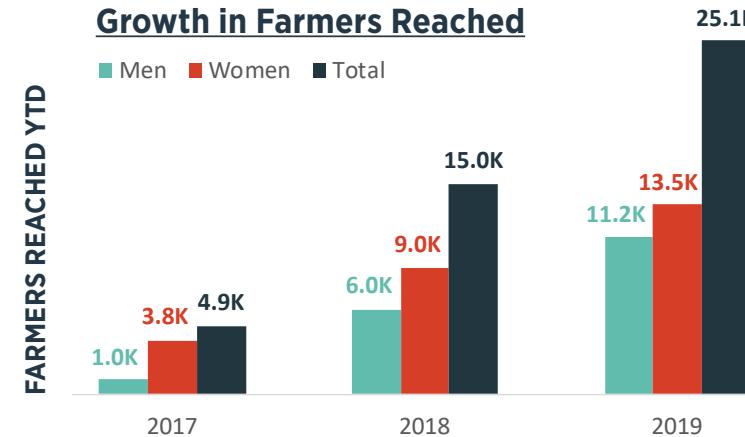
### **Farmers Reached**

Year-to-date 2019



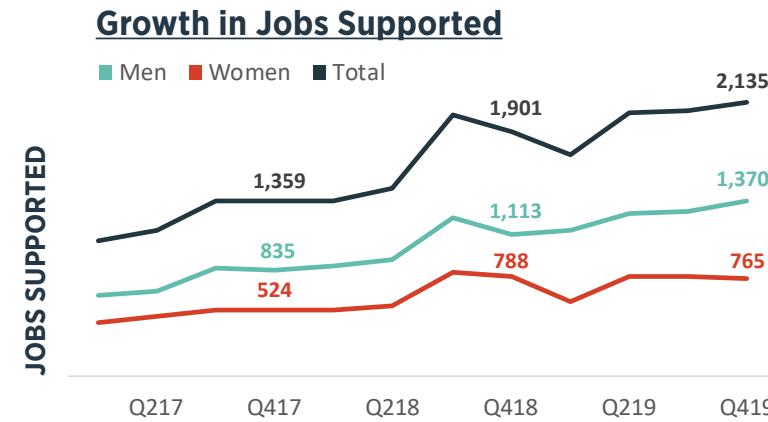
### Growth in Farmers Reached

Men   Women   Total



### Growth in Jobs Supported

Men   Women   Total



# SGB impact /

## Smallholder Farmers (2019)

**32K+**

FARMERS TRAINED IN BEST PRACTICES

**25K+**

FARMERS WHO SOLD CROPS TO SGBs

**11K+**

FARMERS RECEIVED HIGH-QUALITY INPUTS

**1K+**

FARMERS RECEIVED FINANCING OR CREDIT

**\$13M+**

IN FARMER REVENUE (PAID BY SGBs)

## Employment

**2.1K+**

JOBS SUPPORTED

## Other Impact Metrics

**43K+**

PEOPLE WITH ACCESS TO CLEAN WATER

**2.3M+**

PEOPLE WITH ACCESS TO CLEAN ENERGY\*

\*MFI portfolio metric

# story from the field /

## Elvis Estella Vazquez de Flores

Smallholder Farmer and Communal Credit Committee President Client of CrediCamp, El Salvador

Elvis Estella Vazquez de Flores is a smallholder farmer in Cantón San Francisquito, a community in the Morazán Department of eastern El Salvador. The eldest of six siblings, Elvis grew up with a strong sense of responsibility that has driven her to be a leader in both her family and her community. Elvis lives with one of her sisters, her twelve-year-old granddaughter, and four nephews. In addition to balancing her duties as the head of the household, Elvis owns four hectares of land on which she cultivates corn and cucumbers.

Elvis is an active and loyal client of CrediCamp, a cooperative in El Salvador that seeks to alleviate poverty and empower rural communities through access to credit and community development services. Founded in 2013, CrediCamp spun out of Fundación Campo, an El Salvadoran foundation dedicated to the sustainable development of rural communities. Since 1995, Fundación Campo has worked to strengthen local institutional capacity by acting as a liaison between communities and their local governments to facilitate development projects across El Salvador, including building schools and health clinics, paving roads, and bringing electricity, clean water, and other infrastructure. Together, CrediCamp and Fundación Campo are uniquely positioned to support the social and economic growth of rural communities like San Francisquito.

CrediCamp and Fundación Campo work closely with each community to form a communal



Elvis Estella Vazquez de Flores with her cucumber plants, which are grown in a greenhouse that she built herself. Elvis has been a client of CrediCamp for over 16 years, and serves as the president of her community's credit committee.  
PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL  
EL SALVADOR

credit committee that is responsible for managing the community's development projects alongside the foundation and underwriting the loans from CrediCamp to members of the community. Elvis has been the president of San Francisquito's credit committee for over sixteen years, and it is a responsibility that she takes very seriously. From her perspective, there are three main qualities that a person must have in order to be approved for a loan: purpose, capacity, and morality. She works every day to embody these qualities herself and instill them in her community.

The office of the communal credit committee is located in Elvis' own home. Members of the community visit frequently, sometimes daily, to transact business and discuss any issues they may be having. Managing these responsibilities within the community saves borrowers both time and money, since they don't have to pay for transportation to get to town.

Elvis has been a borrower herself since the credit committee was first formed in 2003. She has used her loans for many purposes, including purchasing seeds and fertilizers for her crops, and more recently to make improvements to her home.

More than forty families in San Francisquito have a loan from CrediCamp. For Elvis, the most important aspects of the relationship are the financial education that borrowers receive from loan officers and the community development projects that are made possible with the support of Fundación Campo.

For every loan that Elvis and the committee approve, one percent of the total amount is reserved for the community. They have used these funds to construct new walls in the nearby school. In the next year, they hope to build a proper bus stop as well.

“

We have a lot of trust in them, and they return that trust. The loan officers and staff at CrediCamp and Fundación Campo are honest people who care about us. Thanks to God and their good administration, we have lifted ourselves up immensely.”

CrediCamp has been a part of MCE's MFI portfolio since June 2015. MCE has since made a total of five loans to CrediCamp, equivalent to \$4,650,000. As of December 31, 2019, CrediCamp had a loan portfolio of \$51.6 million serving over 30,700 borrowers, 47% of whom were women and 64% of whom lived in rural areas.



## *our community /*

MCE's community consists of more than 140 Guarantors, investors, and institutional partners across both the U.S. and Europe.



I was introduced to MCE through early-stage social entrepreneurs working in Africa that needed working capital to achieve their growth potential. As a Guarantor, I have no upfront displacement of assets, yet MCE is able to leverage my balance sheet to raise low-interest funds to lend to impactful businesses in developing countries. Guarantors cover the losses—some years there is no default (great!) and the years that there are, I get a tax write-off (also, great!). The model just makes sense."

**Sayuri Sharper**, Principal, KSF Impact Advisor  
SGB GUARANTOR SINCE 2018

Juan Paredes and Carlota Arevalo are clients of Insotec, an MFI in MCE's portfolio. They live outside of Peligote, the "blue jeans capital" of Ecuador. Together, they design and produce jeans to sell in the local market.

PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL  
ECUADOR

# our guarantors /

As December 31, 2019, MCE's Guarantor community consisted of more than 140 individuals and foundations representing \$142.5 million in loan guarantees, backing MCE's MFI and SGB portfolios with \$128 million and \$14.5 million respectively.

These inspiring, accomplished global citizens and organizations are bound together by their commitment to improving the lives of people living in poverty. Their collective partnership with MCE powers our innovative model and allows us to reach some of the most challenging regions of the world where other lenders often won't go. MCE would like to thank each and every Guarantor for advancing our mission.

## MFI Guarantors

### 2005

Dan & Rhea Brunner  
Eric McCallum &  
Robin Smith  
Janet A. McKinley

Linked Foundation  
Sarah Marie Martin  
& Nicholas Brophy

James & Kathleen  
Deeringer  
G.D.S. Legacy  
Foundation\*\*

Adam J. Weissman  
Foundation  
Anonymous

### 2006

Oswald Family Foundation  
Arthur Rock

Jonathan C. Lewis  
Peggy Rawls

KL Felicitas Foundation  
McNamara Family  
Foundation  
Doug & Carol Steenland  
Anonymous

### 2009

John Coleman  
Peter & Sharon Fiekowsky  
Justin & Lindsay Morales

### 2007

Kevin & Laurie Carnahan  
The Clara Fund  
James Davidson  
Kevin Dolan  
Gary Ford & Nancy Ebb  
Gary & Cary Hart  
Alan & Teri Hoops  
Greg Ledford\*\*  
Meyer Family Enterprises  
Sangeeth & Sindhu Peruri  
Thomas R. & Marla E.  
Williams

Karen Ansara  
David & Gay Campbell  
Sky Carver  
Lori & Aaron Contorer  
Benito and Frances C.  
Gaguine Foundation\*\*  
David Hills & Catherine  
McLaughlin-Hills  
Jonathan Rubini  
Carolyn Workman  
& Kurt Wacker  
Anonymous

Ellen & Karl Breyer  
Kathleen Cronen  
The Eucalyptus  
Foundation  
Leonard Hyde  
Kerry Olson & David Katz  
Katharine Thompson  
Anonymous  
Anonymous

1to4 Foundation/  
Antonis Schwarz\*\*  
1to4 Foundation/7<sup>th</sup> Unit  
1to4 Foundation/8<sup>th</sup> Unit  
Kenneth Carson  
& Sally Foster  
Neal & Florence Cohen  
Cordes Foundation  
Jerry Hirsch  
Dennis Houghton  
& Janet Healy  
Clark Mitchel  
Jeff Perlis  
Anonymous  
Anonymous

### 2008

Joseph Brescia  
Maggie Kaplan\*\*  
Darlene Daggett

1to4 Foundation†/John  
& Cathy Ayliffe  
1to4 Foundation/2<sup>nd</sup> Unit  
1to4 Foundation/3<sup>rd</sup> Unit  
Ron & Marlys Boehm  
Levi Strauss Foundation

Eileen Fisher  
Mike & Diane Moxness  
Angela & Anthony Ocone  
Douglas Spencer  
Eva & Yoel Haller

Tom & Betsy Balderston  
Levi Strauss Foundation



A group of MCE Guarantors, investors, staff, and friends shares a laugh with Ghanaian shea nut pickers supported by Naasakle International, a social enterprise in MCE's SGB portfolio.

PHOTOGRAPHER: CATHERINE COVINGTON / MCE SOCIAL CAPITAL  
GHANA

## SGB Guarantors

### 2017

Kenneth Ansin  
John & Cathy Ayliffe  
Ron & Marlys Boehm\*\*  
Dan & Rhea Brunner

Mary Hedahl  
Highlands Associates  
Maryanne Mott  
Kristin Hull  
David W. Paulus  
Skip & Shirley  
Rosenbloom

### 2018

Beall Family Foundation  
Ed Brakeman  
Sayuri Sharper

### 2019

James J. Chu\*\*  
Dunn Family Charitable  
Foundation

Elizabeth Funk  
Galloway Family  
Foundation Trust  
James J. Chu  
Laura DeVere  
Jon Freeman  
Elizabeth Funk  
Galloway Family  
Foundation Trust  
Matthew W. Patsky  
David Sonnenberg  
Sunrise Foundation  
Tara Health Foundation\*\*  
SJ Wilson Enterprises

### 2019

Christine A. Brown  
Dunn Family Charitable  
Foundation

Isenberg Family  
Charitable Fdn\*\*\*\*\*  
Nancy K. Lawrence

The Libra Foundation\*\*  
Douglas Leon Miller  
John T Swift 1990 Trust\*\*  
Bill & Mary Way

The Eric T. and Elizabeth C.  
Jacobsen Foundation\*\*  
Anna Marie Lyles

**NOTE:** Guarantors listed by year  
in which they originally signed.

\*\* Indicates the number of  
units a Guarantor has signed  
for as of December 31, 2019.

+ 1to4 Foundation is MCE's  
partner in Switzerland through  
which European Guarantors  
can support MCE.

# *our team /*

MCE's staff consists of experienced, motivated, and dynamic professionals located across San Francisco; Barcelona; Washington, D.C.; Denver; New York; and Philadelphia.

## Our Staff

**Pierre Berard**  
Managing Director and Chief Investment Officer

**Elisabeth Chasia**  
Portfolio Manager

**Catherine Covington**  
Managing Director and Chief Business Development Officer

**Renaud Duverger**  
Portfolio Analyst

**Gary Ford**  
President and CEO

**Carolyn Han**  
Portfolio Analyst

**Tracie Hudgins**  
Operations Manager

**Vanessa Kelley**  
Administrative and Compliance Assistant

**Christina Lukeman**  
Senior Business Development Manager

## Our Board of Directors

**Karen Ansara**  
Co-founder and Chair, New England International Donors

**Elena Pons**  
Microfinance Portfolio Director

**Maria Raurell**  
Portfolio Manager

**Fernando Silva**  
Portfolio Analyst

**Bob Taylor**  
General Counsel

**Armeane Choksi**  
Former Vice President of the World Bank

**Jackie Torriente**  
Loan and Accounts Manager

**Wendy Turman**  
Managing Director and Chief Financial Officer

**Gary Ford**  
Former Managing Principal, Groom Law Group

**Cary Hart**  
Retired Pediatrician, Kaiser Permanente

**Dan Brunner**  
Former CEO, Affordable Health Care Concepts

**Kevin Carnahan**  
Former Senior Managing Director, Accenture

**Nancy Swanson**  
Executive Director, Linked Foundation

**Jim Davidson**  
Co-founder and President, PeakChange

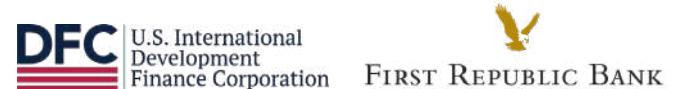
**Laura De Vere**  
Founder, Social Capital Foundation

# *our investors and partners /*

MCE's impact is amplified by our partnership with a number of international organizations, financial institutions, foundations, and other entities dedicated to fostering better livelihoods for people living in poverty around the world. These institutions include:

## Our Investors and Lending Partners

Combined with the power of our guarantee model, our private investors and institutional lending partners are critical to our success, enabling us to deploy patient, catalytic debt capital to meet the financing needs of high-impact MFIs and SGBs.



## THE LIBRA FOUNDATION

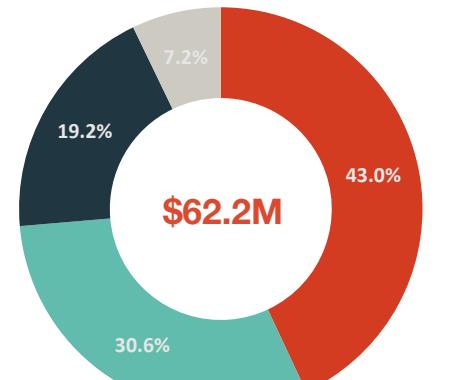


## Our Institutional Partners

We are incredibly appreciative of all of our institutional partners as they strengthen our ability to carry out our mission in a number of important ways.



## Sources of Funding



- Private Notes - \$26,783,333
- Commercial Banks - \$19,050,000
- Development Finance Institutions - \$11,950,000
- Nonprofit Investment Firms - \$4,450,000



## *our financials /*

MCE sold a total of \$11.35 million in Global Economic Opportunity Notes in 2019, ending the year with the highest outstanding amount ever at just over \$26 million.

“

MCE had a strong year in 2019, with a 27% increase in total revenue over 2018. Our pool of investors continues to grow and is a key contributor to our success. And to top it off, we were selected to receive a \$3.67 million grant from the Deutsche Bank Microcredit Development Fund—the largest grant in MCE’s history and a powerful resource that will enhance the growth of our SGB portfolio for years to come.”

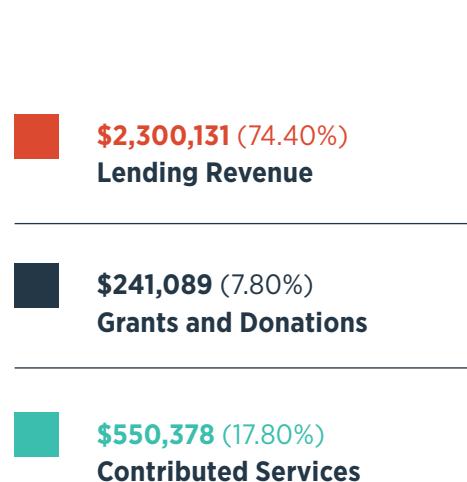
**Wendy Turman**, MCE Managing Director and Chief Financial Officer

Teresa del Rosario Portillo de Chavez is a smallholder farmer near Volcán Chaparrastique, outside of San Miguel, El Salvador. Teresa has been a client of CrediCampo for over a decade. She used her first loan to purchase a motor mill to process her family's corn harvest, and has increased her family's income and made improvements to their household since.

**PHOTOGRAPHER: HARRISON PHARAMOND / MCE SOCIAL CAPITAL  
EL SALVADOR**

# revenues /

In 2019, MCE's total revenues were \$3,091,598, a 27% increase from 2018.



	2018 Audited	2019 Audited	% Change
<b>Lending Revenue</b>	\$1,582,077	\$2,300,131	45.39%
<b>Grants and Donations</b>	\$270,960	\$241,089	(11.02%)
<b>Contributed Services</b>	\$585,437	\$550,378	(5.99%)
<b>Total Revenue Before Guarantor Call*</b>	<b>\$2,438,474</b>	<b>\$3,091,598</b>	<b>26.78%</b>
<b>Guarantor Call</b>	\$1,523,361	\$1,031,651	-

\*All Guarantor calls cover default amounts and are shared pro rata across the responsible guarantee units.

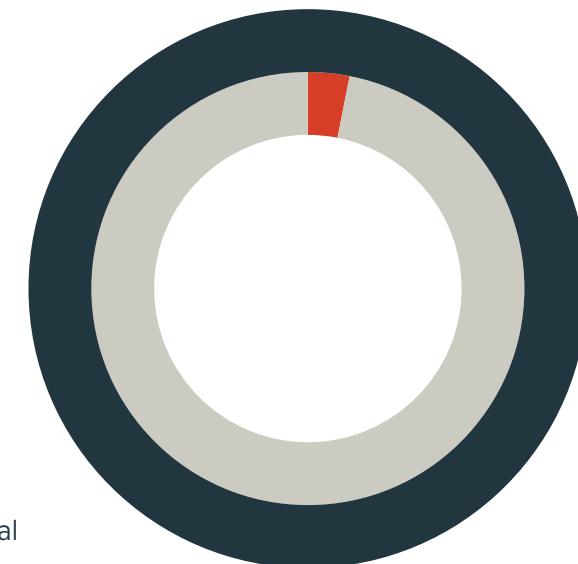
# key financial ratios /

In 2019, MCE's operating expense ratio was 3.27%, compared to the average portfolio.

**\$57,530,833**  
**2019 Average Portfolio**

**\$1,833,655 (3.27%)**  
**Operating Expenses**

- \$1,531,007 (81.28%) Portfolio Services and Operations
- \$252,376 (13.40%) Management and General
- \$100,272 (5.32%) Fundraising



	2018	2019	Change Basis Points
<b>Portfolio Yield</b>	7.19%	8.14%	95
<b>Cost of Funds</b>	4.17%	4.21%	4
<b>Gross Portfolio Margin</b>	3.02%	3.93%	91
<b>Operating Expense Ratio</b>	3.11%	3.27%	16
<b>Net Margin</b>	<b>(0.09%)</b>	<b>0.66%</b>	<b>75</b>

## Endnotes

<sup>1</sup> Demirguc-Kunt, Asli, et al. [The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution](#). The World Bank, 2018.

<sup>2</sup> Abed, Shameran. ["5 reasons why we need financial services for the poor."](#) World Economic Forum, 2015.

<sup>3</sup> Hornberger, Kusi, et al. [Closing the Gaps: Finance Pathways for Serving the Missing Middle](#). Dalberg Advisors, 2020.

<sup>4</sup> Cusack, Jake, et al. [IFC SME Ventures: Investing in Private Equity in Sub-Saharan African Fragile and Conflict-Affected Situations](#). International Finance Corporation, 2018.

<sup>5</sup> Bruhn et al., [SME Finance Gap](#).

<sup>6</sup> Economic Commission for Latin America and the Caribbean (ECLAC) [Social Panorama of Latin America](#). ECLAC, 2019.

<sup>7</sup> OECD. [Economic Outlook for Southeast Asia, China and India 2017: Addressing Economic Challenges](#). OECD 2017.

<sup>8</sup> ECA Office of the Chief Economist. [Financial Inclusion: World Bank ECA Economic Update Spring 2019](#). The World Bank, 2019.

<sup>9</sup> Morgan, Peter, et al. [Financial Inclusion, Regulation, Literacy, and Education in Central Asia and the South Caucasus](#). Asian Development Bank Institute, 2019.

<sup>10</sup> Schiffbauer, Marc Tobias, et al. [Rising Uncertainties: Western Balkans Regular Economic Report No.16](#). The World Bank, 2019.



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at [info@mcesocap.org](mailto:info@mcesocap.org) for more information.