2018 SosteNica Program Report
Empowering Nicaraguans Growing a sustainable future
SosteNica Program Report - 2018

- SosteNica Financial Overview
- Microcredit Program
- EcoCentro Programs & 2018 Developments

SosteNica empowers the people of Nicaragua to achieve healthy lives within vibrant, sustainable communities.
Political unrest and related economic disruptions impacted all Nicaraguans during the year, increasing the need for our services but leading to higher portfolio delinquency rates and a decline in the portfolio.

Administrative costs (primarily related to fund development needs and legal expenses) and continued program expansion contributed to a small operating deficit in 2018 despite significant income growth.

Our microcredit funding model is challenged by the economic crisis and we have accelerated efforts to diversify our income, increasing spending on fundraising but significantly increasing overall income.

It is likely the on-going audit process will result in an impairment of Trust Assets as of year-end 2018.

Significant growth in contributions and operating income offset impact of political unrest on the portfolio.
Microcredit Program

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>CEPRODEL</th>
<th>FUDEMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust Balance</td>
<td>$2,093,985</td>
<td>$1,614,985</td>
<td>$480,000</td>
</tr>
<tr>
<td>Number of Borrowers at Year-end</td>
<td>2,119</td>
<td>1,599</td>
<td>520</td>
</tr>
<tr>
<td>Delinquency Rate – Beg. Of Year (90 days +)</td>
<td>3.2%</td>
<td>3.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Delinquency Rate – End Of Year (90 days +)</td>
<td>11.6%</td>
<td>11.4%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Percentage Women Borrowers</td>
<td>67%</td>
<td>65%</td>
<td>73%</td>
</tr>
</tbody>
</table>

- SosteNica makes microcredit loans through Trusts administered by its partners, CEPRODEL and FUDEMI.
- Microcredit loan performance deteriorated significantly during the year due to the political unrest and resulting economic disruptions.
Our microcredit partners make loans that support Nicaraguans in four general areas: Personal, Commercial, Agricultural, and Housing.

- **Personal** loans help families secure school uniforms and supplies, pay tuition, and procure basic necessities.
- **Commercial** loans, similar to the first loan made by SosteNica to a women’s cooperative in León, support small business people.
- While our microcredit partners occasionally provide home mortgages, most of the housing loans are for essential home improvements.
- SosteNica’s direct lending program (not included above) targets the agricultural sector, an area that is not effectively funded by our microcredit partners.
Food Assistance Initiative

- During the summer, it became apparent to SosteNica staff that the transportation disruption and associated interruption of the government school meal program was causing significant harm to school children and their families.
- While not a regular component of our programming, a successful fundraising campaign allowed us to provide a package of basic food items to each of our school children.
- Thank you to everyone who supported this important food security initiative!
EcoCentro Programs

- The SosteNica EcoCentro program mix was changed during the year to reflect the challenges brought on by the unrest:
  - SOS Productivo, the related investment program (Fomento Productivo), and our Clean Cookstove programs continued to grow
  - Addition of a new school to our School Gardens program.
  - Due to the unrest and related security concerns, we suspended our training program for Young Entrepreneurs and discontinued delegation visits in 2018.
SOS Productivo

- SOS Productivo remains the core program for the EcoCentro, providing agroecology-based education, technical services, and access to sustainable technologies and markets.
- In 2018, we had 47 farms participate in this intensive program, an increase in 6 from the prior year.
- We also expanded “Fomento Productivo”, a smaller group of farmers ready to take the next step in sustainable agriculture through the introduction of new crops and land management practices, and increased capital investment.
SOS Productivo – Summary of Farm Data

In 2018, for the second consecutive year, the EcoCentro collected production, treatment, revenue and expense data from our farmers to help them with management decisions and help SosteNica assess program impacts.

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>High</th>
<th>Low</th>
<th>Change in Avg. from 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production per MZ (000lbs)</td>
<td>1.9</td>
<td>2.6</td>
<td>1.3</td>
<td>(42%)</td>
</tr>
<tr>
<td>Revenue per MZ ($)</td>
<td>364</td>
<td>400</td>
<td>200</td>
<td>(23%)</td>
</tr>
<tr>
<td>Expenses per MZ ($)</td>
<td>193</td>
<td>268</td>
<td>119</td>
<td>(14%)</td>
</tr>
<tr>
<td>Income per MZ ($)</td>
<td>89</td>
<td>157</td>
<td>10</td>
<td>(37%)</td>
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- A manzana (MZ) is a common unit of land management and is equal to 1.74 acres in Nicaragua. The participating farmers have just over 2MZ of land under active crop management, on average.
- Data has been supplied by 29 (more than half) of our SOS Productivo participants; those with whom we work most closely.
- Drought conditions returned to Nicaragua in 2018 significantly impacting farm production. It will be important to assess farm performance over time and against neighboring farms that do not yet work with SosteNica.
Clean Cookstoves

- The EcoCentro has long been a demonstration site for a variety of eco-technologies including drip irrigation, composting toilets, and earth construction.
- In late 2016, the EcoCentro initiated a program focused on building clean cookstoves for clients and their communities.
- The program began in earnest in 2017 when we built more than 30 stoves in Nagarote.
- The program was disrupted by the unrest for nearly six months, but a year-end push allowed us to complete 30 new stoves in 2018.
School Gardens

- The school garden program trained 120 students across six primary schools in all aspects of gardening and small-scale ecologically-sustainable farming including soils, planting, crop and pest management, water conservation, and nutrition. EcoCentro staff assist the children in the establishment and management of their gardens.
- In 2018, we further expanded our School Garden program to serve an additional school and installed irrigation systems at 2 schools.
- In addition, we developed a school garden curriculum jointly with school teachers and implemented parent advisory groups at each school.
Investments & Direct Lending

- The SosteNica-EcoCentro direct lending program continued to grow in its third year, providing funds for well improvements, irrigation systems, fencing, harvest storage, and establishment of new plantings.

- 2018 saw a return to very dry conditions after a wet 2017. As a result, demand for drip irrigation systems increased. These systems allow farmers to produce an income crop during the dry season when prices for their crops are higher.
Thank you for your support!