2019 SosteNica Program Report

Empowering Nicaraguans
Growing a sustainable future
SosteNica Program Report - 2019

- SosteNica Financial Overview
- Microcredit Program
- EcoCentro Programs & 2019 Developments

SosteNica empowers the people of Nicaragua to achieve healthy lives within vibrant, sustainable communities.
Financial Overview

- While civil disturbances in 2019 were reduced, the economic impacts of the 2018 unrest have been severe and resulted in an impairment of our financial assets and reduction in our microcredit income.
- A small increase in administrative and fundraising costs were offset by increased contribution income leading to a modest surplus for the year.
- 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.
- Microcredit and other program expenses were 82% of total expenses.

Increases in contributions and stable operating income have allowed continued program growth.

Note 1: All reported financial results are unaudited.
## Microcredit Program

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>CEPRODEL</th>
<th>FUDEMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust Balance (nominal value)</td>
<td>$1,805,331</td>
<td>$1,475,331</td>
<td>$430,000</td>
</tr>
<tr>
<td>Number of Borrowers at Year-end</td>
<td>1,796</td>
<td>1,190</td>
<td>606</td>
</tr>
<tr>
<td>Delinquency Rate – Beg. Of Year (90 days +)</td>
<td>11.6%</td>
<td>11.4%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Delinquency Rate – End Of Year (90 days +)</td>
<td>30.7%</td>
<td>35.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Percentage Women Borrowers</td>
<td>66%</td>
<td>65%</td>
<td>72%</td>
</tr>
</tbody>
</table>

- SosteNica makes microcredit loans through Trusts administered by its partners, CEPRODEL and FUDEMI.
- Microcredit loan performance deteriorated significantly in 2018, starting the year with a 3.2% delinquency rate and ending at nearly 12%. The deterioration continued during 2019, but had largely stabilized by the end of the year, though at a very high level for CEPRODEL.
- The nominal trust balances shown above do not include the impact of the $387,889 impairment taken during the year.
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.
- Housing loans historically have been for essential home improvements. In 2019, CEPRODEL used a larger share of its mortgage portfolio to support the SosteNica trust causing an increase in the housing %.
- SosteNica’s direct lending program (not included above) targets the agricultural sector, an area that is not effectively funded by our microcredit partners.
The SosteNica EcoCentro program mix changed during the year to reflect the challenges caused by the unrest and our desire to focus on needs of smallholder farm families.

- SOS Productivo and the related investment program (Fomento Productivo) continued to grow but at a slower pace than budget because of funding constraints.
- We added a new school to our School Gardens program.
- We suspended our clean cookstove program in 2019 because of reduced demand due to economic instability.
- Delegations and business incubation activities that stopped in 2018 have not yet resumed.
SOS Productivo remains the core program for the EcoCentro, providing agroecology-based education, technical services, and access to sustainable technologies and markets.

- In 2019, we had 43 farms participate in this intensive program.
- 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.
- We emphasized the installation of high efficiency, low pressure irrigation systems in 2019.
Don Daniel García

- Don Daniel García has done many things in this life to support his family...a cabinetmaker, a bricklayer, a street vendor, a housekeeper at night, and now a food producer.
- Until recently, he was primarily raising livestock. A few years ago, a government program helped Don Daniel install a small water reservoir on his land but without a well, water is only available during the rainy season and the beginning of the dry season.
- In late 2018, SosteNica provided Don Daniel with 500 lemon trees. SosteNica installed a low pressure irrigation system in 2019 and helped plant 1500 watermelon and cantaloupe.
- But to fill the irrigation system tank, Don Daniel and his horse must carry water purchased from a neighboring farm and manually fill the tank...five trips a day during the dry season!
- With their hard work, Don Daniel and his wife Doña Lisseth, have made their fruit production so profitable that Doña Lisseth wants to sell their livestock, install a well, and increase the area under irrigation.
Doña Milagros

- Doña Milagros and her husband Don Alfredo Cervantes acquired their small farm six years ago. It was a treeless pasture and Don Alfredo planted corn and sorghum, primarily to feed their handful of cows...the traditional approach to agriculture in Nagarote.
- They added a well and built a modest home but the farm generated little income for the family.
- Four years ago, they began to work with SosteNica to manage pest issues and incorporate natural fertilizers.
- In 2019, SosteNica worked with the family to install a low pressure irrigation system on 1,000m2 of the farm, planting squash, melons, papaya, tomatoes, cucumbers, and watermelons. They produced 2,300 fruits and were able to repay more than half the cost of the irrigation system in less than a year.
- The family hopes to expand the irrigated area in 2020.
Low Pressure Irrigation

- The EcoCentro has long been a demonstration site for a variety of eco-technologies including rainwater harvesting, biodigesters, composting toilets, and earth construction.
- In late 2018, we installed our first low pressure irrigation system. We completed the installation of seven systems in 2019.
- With less than a full year of overall operation, more than 50% of the system costs have been repaid from earnings on the new production.
- Nearly 10,000 watermelon, squash, cantaloupe, and citrus were produced under irrigation and sold locally.
- All farmers plan to increase the areas under irrigation, and there is demand for similar systems from neighboring farms.

- Area under irrigation: 2MZ (3.5 acres)
- Total Cost of Systems: $9,100
- 2019 Net Income: $4,700
SOS Productivo – Summary of Farm Data

In 2019, for the third 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 2018</th>
</tr>
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<tbody>
<tr>
<td>Production per MZ (000lbs)</td>
<td>1.8</td>
<td>4.5</td>
<td>0.9</td>
<td>(6%)</td>
</tr>
<tr>
<td>Revenue per MZ ($)</td>
<td>262</td>
<td>629</td>
<td>150</td>
<td>(39%)</td>
</tr>
<tr>
<td>Expenses per MZ ($)</td>
<td>190</td>
<td>402</td>
<td>123</td>
<td>(2%)</td>
</tr>
<tr>
<td>Income per MZ ($)</td>
<td>72</td>
<td>227</td>
<td>27</td>
<td>(24%)</td>
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- A manzana (MZ) is a common unit of land management in Nicaragua and is equal to 1.74 acres. The participating farmers have, on average, just over 2MZ of land under active crop management.
- Data has been supplied by 23 (more than half) of those SOS Productivo participants with whom we work most closely.
- Uneven precipitation in 2019 substantially affected production for a second consecutive year. The weakened economy also caused farmers to under-invest in seed and preventative measures. Many farms in Nicaragua had no meaningful production in 2019.
School Gardens

- The school garden program served 400 students across seven 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 2019, we further expanded the program to serve an additional school and installed a hillside rainwater harvesting system.
- We deployed the school garden curriculum developed in 2018 jointly with school teachers.
The SosteNica-EcoCentro direct lending program continued into its fourth year. Repayment rates suffered in 2018 and early in 2019 as a result of the unrest, and we reduced the loan amounts and restricted the use of funds. All disbursements during the year were to fund the establishment of new plantings.
Thank you for your support!