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MCE Social Capital Final Project Report for Grant AID-OAA-F-16-00065

September 10, 2019

Executive Summary

The 2017 launch of MCE Social Capital's Frontier Fund, now publicly known as MCE's Small and Growing Business (SGB) portfolio, was made possible by a strategic and timely \$1 million grant from USAID's Partnering to Accelerate Entrepreneurship (PACE) Initiative in 2016. We are very appreciative of USAID's support and are pleased to submit this report detailing the activities that occurred during the grant period.

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, SGBs often lack access to sufficient, appropriately structured growth capital. When informal SGBs are taken into account, the total credit gap is estimated between \$2.1 - \$2.6 trillion. This gap is even more pronounced for women-owned SGBs, 70% of which are unserved or underserved, which represents an additional \$285 billion credit gap according to the World Bank Group.

After piloting SGB lending since 2013 and given the great need in the market, MCE Social Capital (MCE) formally launched its SGB portfolio in 2017 after receiving the grant from the PACE Initiative. The purpose of MCE's SGB portfolio is to address some of the critical market gaps that exist by providing catalytic loans of \$100k to \$500k to support SGBs in the "missing middle" (too big for microfinance, too small for commercial lending) that otherwise lack access to financing on affordable and appropriate terms.

MCE is oftentimes an SGB's first and/or largest commercial lender and as a result, we provide a great deal of pro bono technical assistance in the area of financial management and operations as part of our due diligence process.

As of June 30, 2019, MCE's SGB portfolio consisted of \$3.1 million outstanding in 14 SGBs operating across 17 countries (see full list of current portfolio companies on page 25). In addition, MCE's SGB pipeline is robust with \$1.2 million approved (and to be disbursed in Q3 2019) and another \$2.4 million in signed term sheets. MCE has made a total of \$9.0 million in loans to 20 SGBs since 2013, \$6.2 million of which was disbursed after USAID's commitment and the formal launch of the SGB Portfolio in early 2017.

We are proud of all the hard work our team put into formally launching and growing our SGB Portfolio to its current size, but we are most excited about how catalytic our debt has been in helping grow our portfolio companies which thereby increases the tremendous impact they are having in their communities, particularly in the area of jobs supported. When the SGB portfolio launched in Q1 2017, the companies in our portfolio employed approximately 975 individuals in formal sector roles. As of Q4 2018, the SGB portfolio employed 1,911 individuals, 800 (42%) of whom were women. There has also been a steady trend upward in the number of smallholder farmers supported as the SGB portfolio has grown. When the SGB portfolio was formally launched in Q1 2017, the number of smallholder farmers who were actively engaged

with our portfolio companies was 9,434. As of Q4 2018, this number was 26,783. While the number of male and female smallholder farmers remained relatively equal throughout 2017, there was a notable uptick in female suppliers in 2018, who represented 58% at year-end.

MCE believes the type of lending we do is critically important to the field and should be replicated and scaled, but philanthropic subsidy will continue to be an important ingredient for our organization and others bravely tackling this area of the market. There is a reason we don't run into many other organizations doing this type of lending as

Impact Story

Beneficiaries of MCE's SGB Portfolio include companies like [Sol Organica](#) in Nicaragua. Sol Organica is a certified B-Corporation that seeks to improve the livelihoods of tropical fruit farmers, particularly pitahaya farmers, while maximizing their agricultural potential and promoting the use of sustainable and organic farming practices. Sol Organica sources, processes, and exports pureed, juiced, and dried tropical fruits, working closely with smallholder farmers to improve agricultural practices, secure organic and fair-trade certifications, and enter into fixed contracts that guarantee the purchase of their crops at prevailing market prices.

Burke Agro de Nicaragua, S.A. is the independent agricultural development branch of Sol Organica, and the main point of contact with smallholder farmers. Burke Agro is made up of a dedicated team of agronomists focused on improving sustainable practices with farmers to ensure quality, productivity, certifications, and a consistent and transparent purchase process. The company offers credit and access to organic inputs to marginalized and emerging smallholder farmers in Nicaragua.

Margarita de los Ángeles López Polanco (pictured right) is one of those farmers. A mother of four and grandmother of five, Margarita lives with her family in San José de los Ríos de Ticuantepe, a community located on the edge of the Managua department near Volcán Masaya. She and her

the work is time-consuming and therefore very expensive, particularly for the size of loans that we seek to make (below \$500k). For most lenders, it is impossible to justify pursuing such opportunities where the costs are high and returns low (if any return at all) when other opportunities exist. MCE is a mission-driven organization committed to supporting this vital market until it becomes more competitive, efficient, and therefore more attractive to commercial markets. However, until the market gets to that point, additional subsidy/lender incentives within the field is needed, hence why we will continue to pursue grant support from critical, forward-thinking partners like USAID.

husband grow pitahaya along with pineapple and lemons, but the vast majority of their land and time is dedicated to pitahaya.

Margarita has been a client of Sol Organica and Burke Agro since 2014 when other farmers in her community told her about the company. Margarita's relationship with Sol Organica and Burke Agro has had a significant impact on her productivity as a farmer as well as her family's quality of life. When Margarita first started farming pitahaya on her own, she had less than a quarter of a hectare of land. Now she has three hectares dedicated exclusively to organic pitahaya, and her family rents another small plot of land for pineapple and lemon. In 2018, Margarita's production reached twelve metric tons of pitahaya, a 20% increase over the previous year. Thanks to her success working with Burke Agro, her family's income and quality of life have improved.

For more detail about Margarita and the impact that Sol Organica has had on her and her family's livelihood, check out our latest post on Medium [here](#).

You can read the story of another beneficiary of our SGB portfolio in central Peru [here](#).



Margarita de los Ángeles López Polanco, a client of Sol Organica in San José de los Ríos de Ticuantepe, Nicaragua.

Full Narrative Report

1. Summary of project implementation noting which activities occurred as planned and where the project experienced challenges.

MCE Social Capital's Frontier Fund, now publicly referred to as MCE's Small and Growing Business (SGB) portfolio, exists to provide catalytic debt capital to SGBs in the agriculture value chain, water and sanitation, and renewable energy sectors to create reliable jobs, raise smallholder farmers' incomes, address basic needs in under-served areas, and strengthen local economies throughout the developing world.

In September 2016, MCE was awarded a \$1 million grant from USAID's Partnering to Accelerate Entrepreneurship (PACE) Initiative to support the launch of the SGB portfolio. The alliance between USAID and MCE had three primary objectives: 1) to launch a new, separate loan guarantee pool for the Frontier Fund/SGB portfolio, 2) to partner with private sector lenders to support the growth of the portfolio, and 3) to substantially grow the portfolio.

Below is a summary of the achievement of these objectives:

1. MCE formally launched its SGB portfolio and SGB guarantee pool in March 2017. As of June 30, 2019, the SGB guarantee pool had grown to \$12 million in philanthropic guarantee commitments from 19 SGB guarantors, which translates to \$6 million in lending capacity.
2. MCE has partnered with a number of private sector lenders to support the growth of the SGB portfolio, including RSF Social Capital, Calvert Impact Capital, New Resource Bank, and multiple accredited investors through MCE's Global Economic Opportunity Notes offering. Since the launch of the SGB portfolio, MCE has successfully secured access to over \$10 million in additional financing to support the portfolio's activities.

3. MCE's SGB portfolio has grown significantly over the course of USAID's grant. The SGB portfolio consisted of \$790,000 outstanding in four SGBs operating in Kenya, Ghana, Mauritania, and Côte d'Ivoire as of June 30, 2016. At that time, MCE had made a total of \$920,270 in loans to SGBs since 2013 using its own retained earnings and donations. Three years later, as of June 30, 2019, MCE's SGB

portfolio consisted of \$3.1 million outstanding in 14 SGBs operating across 17 countries. In addition, MCE's SGB pipeline is robust with \$1.2 million approved (and to be disbursed in Q3) and another \$2.4 million in signed term sheets. In total, MCE has made \$9.0 million in loans to 20 SGBs since 2013, of which \$4.5 million has successfully matured.

Table of MCE's SGB Investments through June 30, 2019 (in order of disbursement date)

Loan #	SGB Client	Country	Sector	Start Date	Loan Amount	End Date	Outstanding Amount	Net Write-off (principal only)
1	Komaza	Kenya	Agriculture Value Chain	Mar-13	250,000	Mar-17	\$0	
2	StarShea	Ghana	Agriculture Value Chain	Sep-14	130,270	Jun-15	\$0	
3	StarShea	Ghana	Agriculture Value Chain	Sep-15	210,000	Dec-16	\$0	91,010
4	CDS	Mauritania	Water and Sanitation	Dec-15	180,000	Dec-18	\$51,428	
5	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Feb-16	150,000	Dec-16	\$0	
6	One Acre Fund	Kenya	Agriculture Value Chain	May-16	800,000	May-18	\$0	
7	One Acre Fund	Kenya	Agriculture Value Chain	May-16	200,000	May-19	\$0	
8	Savannah Fruits Company	Ghana	Agriculture Value Chain	Jun-16	65,990	Jun-17	\$0	
9	Siatol	Burkina Faso	Agriculture Value Chain	Nov-16	200,000	Nov-17	\$0	156,754
Formal launch of SGB portfolio in partnership with USAID PACE program								
10	MicroEnergy Credits	India	Renewable Energy	Feb-17	500,000	Sep-19	\$500,000	
11	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Feb-17	200,000	Jan-18	\$0	
12	Tolaro Global	Benin	Agriculture Value Chain	Feb-17	400,000	Feb-18	\$0	
13	Komaza	Kenya	Agriculture Value Chain	Apr-17	250,000	Mar-21	\$250,000	
14	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Apr-17	200,000	Jan-18	\$0	
15	DLO	Haiti	Water and Sanitation	Sep-17	300,000	Sep-19	\$150,000	
16	Naasakle	Ghana	Agriculture Value Chain	Dec-17	300,000	Mar-19	\$94,937	
17	EcoZoom	Kenya	Renewable Energy	Jan-18	180,000	Jan-20	\$110,922	
18	Tolaro Global	Benin	Agriculture Value Chain	Feb-18	400,000	Feb-19	\$0	
19	Tolaro Global	Benin	Agriculture Value Chain	Feb-18	200,000	Feb-21	\$200,000	
20	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Mar-18	200,000	Apr-19	\$0	
21	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Mar-18	200,000	Apr-19	\$0	
22	Caju Industrie	Cote d'Ivoire	Agriculture Value Chain	Mar-18	200,000	Apr-19	\$161,122	
23	Moringa Connect	Ghana	Agriculture Value Chain	Mar-18	80,000	Mar-19	\$0	
24	Good Nature Agro	Zambia	Agriculture Value Chain	Aug-18	450,000	Feb-20	\$112,500	
25	Sol Organica	Nicaragua	Agriculture Value Chain	Sep-18	200,000	Sep-21	\$200,000	
26	Natural Extracts Industries	Tanzania	Agriculture Value Chain	Nov-18	155,000	Jun-19	\$0	
27	Prograin Organic	Moldova	Agriculture Value Chain	Dec-18	500,000	Jun-19	\$0	
28	Sol Organica	Nicaragua	Agriculture Value Chain	Feb-19	200,000	Feb-22	\$200,000	
29	InkaMoss	Peru	Agriculture Value Chain	Mar-19	150,000	Mar-22	\$150,000	
30	Uncommon Cacao	Guatemala	Agriculture Value Chain	Mar-19	40,000	Dec-19	\$40,000	
31	Sierra Agra	Sierra Leone	Agriculture Value Chain	Mar-19	385,000	Mar-20	\$385,000	
32	Tolaro Global	Benin	Agriculture Value Chain	Mar-19	400,000	Mar-20	\$400,000	
33	Sierra Agra	Sierra Leone	Agriculture Value Chain	Jun-19	115,000	Apr-20	\$115,000	

Total amount disbursed since USAID commitment:

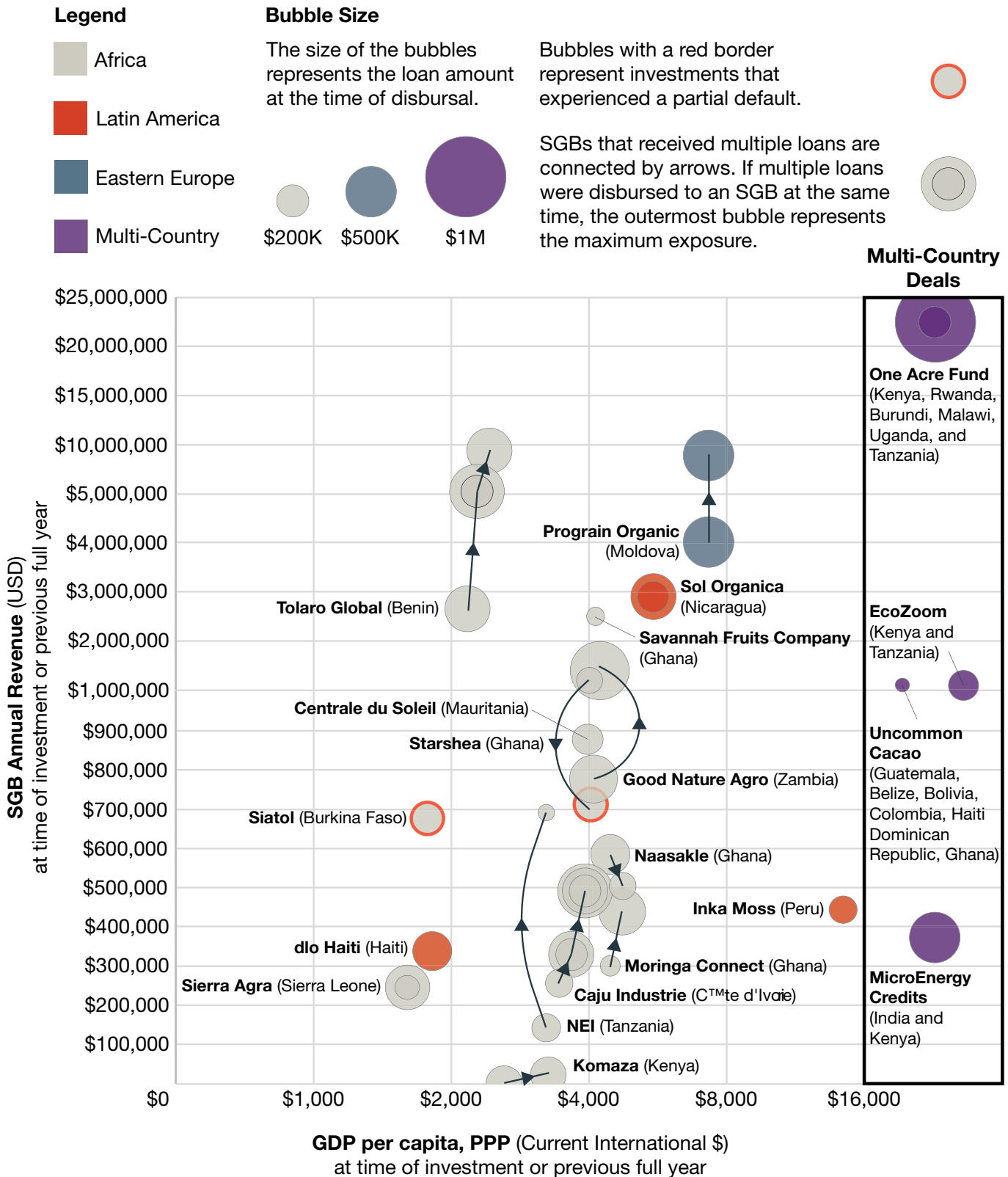
\$6,205,000

Total amount outstanding as of 6/30/19:

\$3,120,909

The graphic on page 5 is a visual representation of our SGB lending history that compares the following attributes of each investment: the loan size, the annual revenue at the time of investment,

and the GDP per capita, PPP (Current International \$) of the country in which each SGB operates at the time of investment.



The above chart demonstrates, in most cases, a positive correlational relationship between the annual revenue of an SGB and MCE's investments, suggesting that MCE's capital is having the intended effect of promoting SGB growth. Tolaro Global, for example, had an annual revenue of \$2,654,980 at the time of MCE's first investment in

February 2017. When MCE's second and third loans to the company were disbursed in February 2018, Tolaro's annual revenue was \$5,300,000. At the time of MCE's fourth and most recent investment, Tolaro's annual revenue was \$9,400,000. Similar trends are visible with Caju Industrie, NEI, Moringa Connect, Good Nature Agro, and Prograin Organic.

Milestones and Challenges:

Over the course of USAID's grant, MCE accomplished all and even surpassed some of the milestones originally established in our contract. Milestone 15 required that MCE have lent more than \$5 million to SGBs, consisting of at least 12 loans, including loans made before the USAID grant. As mentioned above, as of June 30, 2019, MCE has lent \$9 million to SGBs and has disbursed 35 loans to 20 unique SGBs. Milestone 14 requires that MCE have signed PGAs for at least 20 loan guarantee units representing a minimum of \$10 million in guarantees to back the Frontier Fund. As of June 30, 2019, MCE has a total of 24 SGB loan guarantee units representing \$12 million in guaranteed capital.

MCE did not experience any significant, unexpected challenges in accomplishing these milestones. The challenges we face with the SGB portfolio are primarily those associated with the process of launching a new portfolio that targets businesses operating across multiple sectors with a variety of business models. Providing debt to rural enterprises in amounts in the low six figures USD, at single digit interest rates and on flexible terms that meet the business' needs, is complex

and time-consuming, which is one of the main reasons why there aren't many other firms doing what we do. This challenge was known to us and one we were confident in tackling with grant support from a partner like USAID because of our mission, existing infrastructure and experience.

We also knew to expect some defaults within the portfolio given the risk inherent in this type of lending. Our first loan default since the formal launch of the portfolio was in the amount of \$155,000 in 2019. It was due to an agriculture business in our portfolio experienced detrimental cash flow issues caused by multiple factors: lower-than-expected production yields, aging machinery that resulted in production delays, and payment delays from its own clients. Challenges such as this business experienced will no doubt continue to exist within any SGB portfolio, and MCE will continually incorporate learnings from such defaults into our decision making around what loans we make in the future and what type of technical assistance and advice we provide and/or recommend for our existing portfolio and pipeline. We also will continue to be conscious of the necessary tension between the balance of appropriate risk versus desired impact and need in the field for our type of capital.



Artemio Tello, a client of Inka Moss in Pusacampa, Peru.

2. Final scale up strategy and next steps that will be required to achieve the intended scale up plans.

MCE has a goal of scaling the SGB portfolio to \$14 million by the end of 2021. We currently have \$6 million in lending capacity available (our lending is limited by the amount of guarantee coverage that we have and we can only lend 50 cents per each \$1 of guarantee), and we have some very exciting plans and next steps in place to reach this ambitious target.

- **Step one: secure funding to directly increase the size of SGB portfolio** (*funds expected in Q4 2019*). MCE is excited to share that we have been selected to receive a US\$ 3.7 million grant after a competitive process with over 60 applicants. The grant will directly enable MCE to expand its lending to small and growing businesses (SGBs) as the majority of the grant is restricted for lending purposes and will be deployed alongside MCE's guaranteed source of funds, thereby increasing MCE's lending capacity to ~\$9.5 million (from \$6 million today). We expect the grant agreement to be signed in early Q4 with a press release soon thereafter.
- **Step two: focus on SGB Guarantor recruitment with new outreach campaign** (*planning in process*). In order to grow the SGB portfolio to \$14 million by the end of 2021, MCE needs to recruit an additional 20 guarantee commitment units. We plan to do so by combining the news of the additional grant funding with new promotional videos to launch a Guarantor recruitment campaign starting in Q4 2019 or Q1 2020 at the latest.
- **Step three: staffing plan** (*planning in process*). The new grant will support the first year of two new hires on the business development and portfolio teams, but additional staff will be needed on the portfolio team beyond 2020 to continue to grow and sustain the SGB portfolio. The new business development hire started on September 3, 2019, and the new hire for the portfolio team is anticipated by Q2 2020.

- **Step four: securing additional operational support to cover the high overhead cost of SGB lending** (*in process; target list developed and several introductory meetings scheduled for Q3 and Q4 2019*). While we can use up to \$245,000 of the grant we were recently awarded to fund staffing needs for one year, we will need additional grant support to continue to sustain the level of staffing, training, and research needed to accelerate the growth of the SGB portfolio, to a more sustainable, cost-efficient size of \$14 million.

In our SGB lending, we seldom encounter other organizations that are providing debt to rural enterprises in amounts in the low six figures USD, at single digit interest rates and on flexible terms that meet businesses' needs. Yet, ongoing access to patient, flexible, affordable capital is what these businesses desperately need to make real progress in improving the lives of smallholder farmers. There is a reason we don't run into many other organizations doing this type of lending- the work is time-consuming and therefore very expensive, particularly for the size of loans that we seek to make (below \$500k).

A 2018 study commissioned by KfW and conducted by Dalberg Advisors estimated that across Africa and within agriculture alone, there is a financing gap of \$120B for enterprises requiring \$25K to \$5M loans, with more than half of this unmet demand concentrated among enterprises requiring less than \$1.5M. And for most lenders, it is impossible to justify pursuing such opportunities where the costs are high and returns low (if any return at all) when other opportunities exist. MCE is a mission-driven organization committed to supporting this vitally important market until it becomes more competitive, efficient, and therefore more attractive to commercial markets. However, until the market gets to that point, additional subsidy/lender incentives within the field is needed, hence why we will continue to pursue grant support.

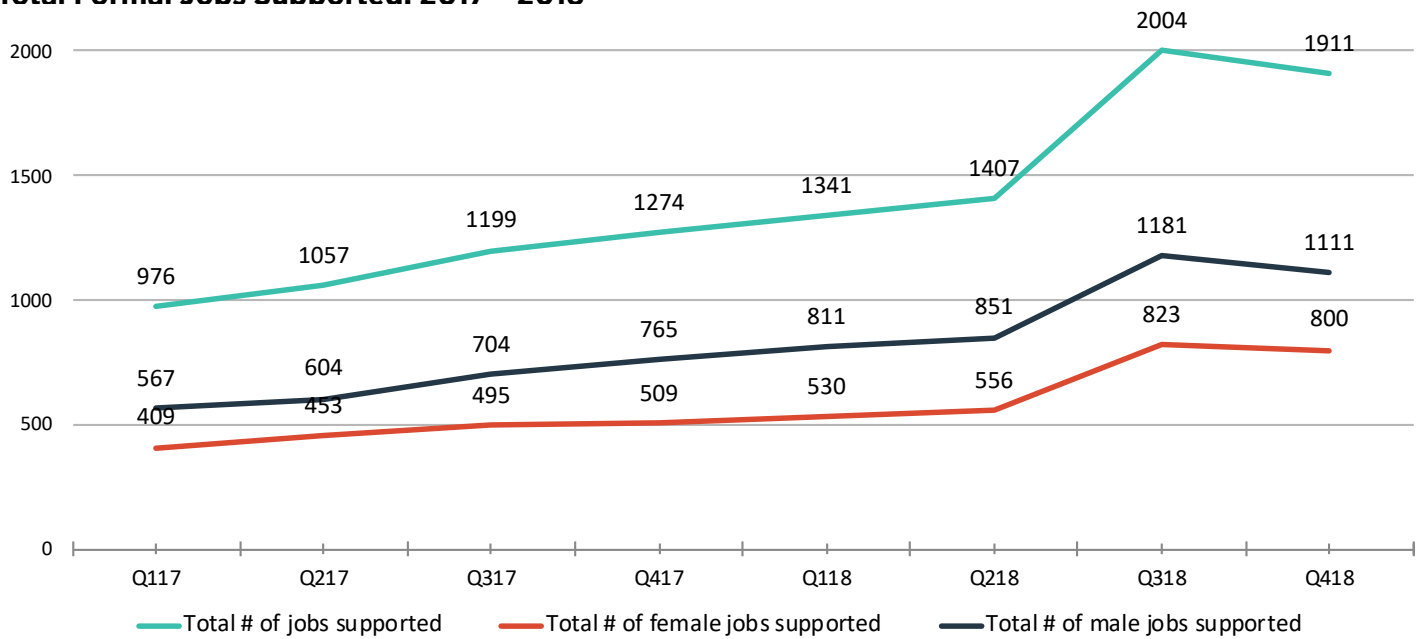
3. Final results of impact assessment end-line report, including final KPI dashboard for project activities.

Jobs Supported

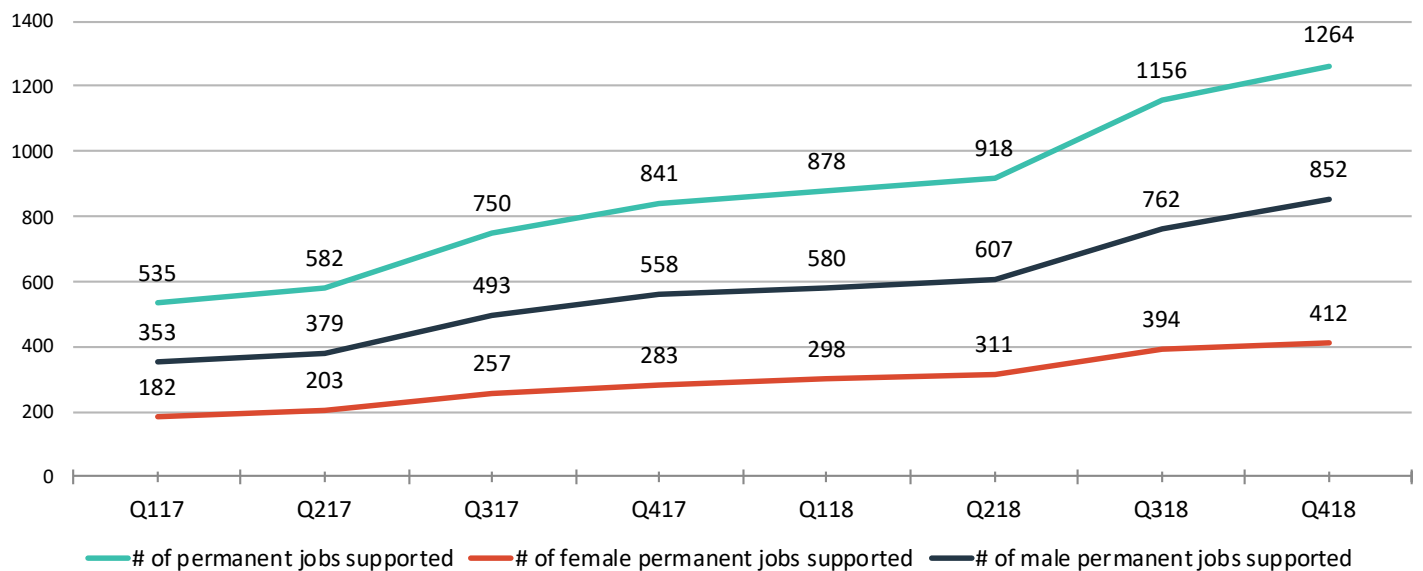
Of the SGB loans that have been made since the launch of the SGB portfolio and have been in the portfolio for over a year as of June 30, 2019, 50% have seen at least 10% job growth within the first year of their loan. Within the relevant sectors, we have generally seen increases in the number of smallholder farmers supported, the number of people with access to clean energy, and the number of people with access to clean water thanks to the SGBs in our portfolio.

When the SGB portfolio formally launched in Q1 2017, the companies in our portfolio employed approximately 975 individuals. As of Q4 2018, the SGB portfolio employed 1,911 individuals*, 800 (42%) of whom were women. This percentage stayed relatively consistent throughout the first two years of the SGB portfolio. The following charts disaggregate the employment data we have collected from our portfolio companies by gender.

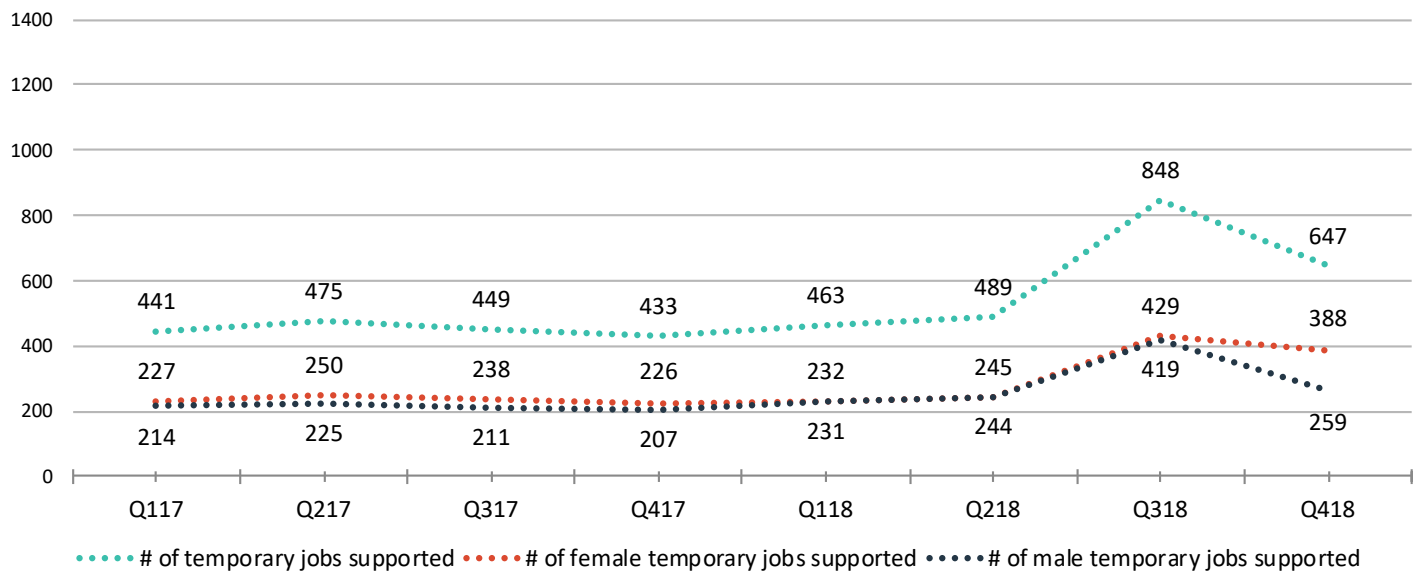
Total Formal Jobs Supported: 2017 – 2018*



Permanent Jobs Supported: 2017 – 2018*



Temporary Jobs Supported: 2017 – 2018*



In addition to the final KPI dashboard submitted with this report, we wanted to share details related to our new SGB Partner Survey, which we developed and conducted for the first time earlier this year. The survey is intended to be conducted annually in Q1-Q2 of each year, so that we can monitor and establish portfolio-wide impact trends in our SGB portfolio.

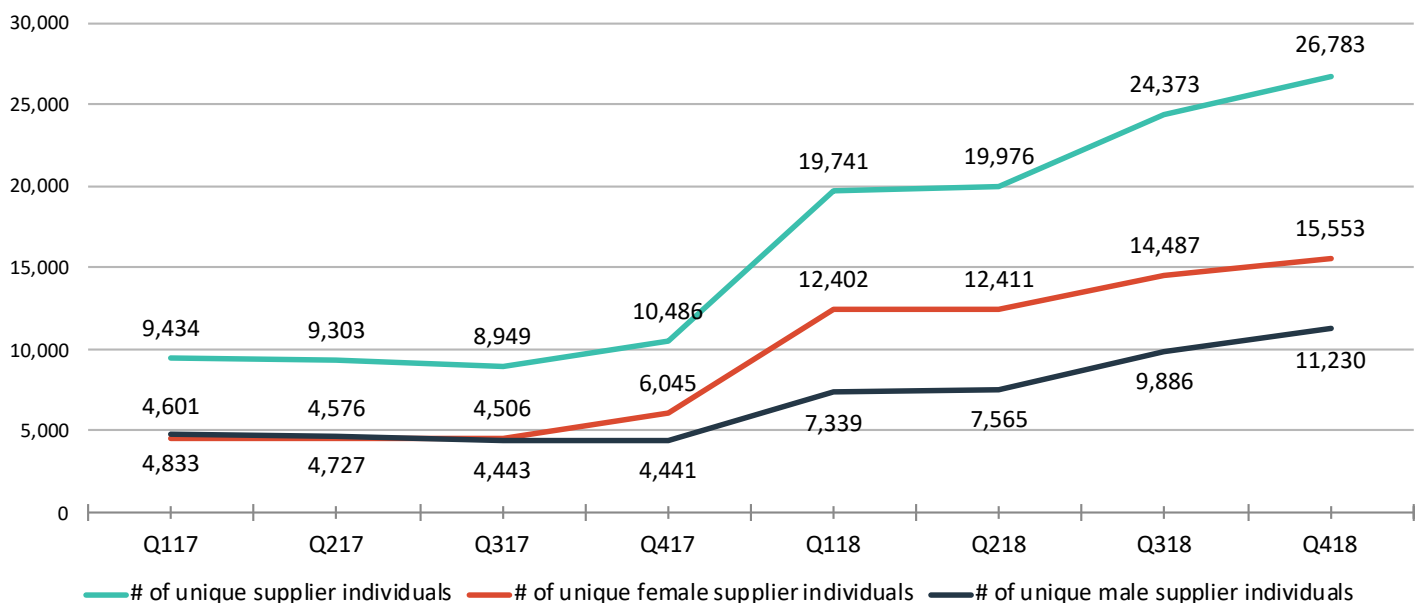
Agriculture Value Chain

For agriculture value chain SGBs, the survey included four sections: employment data, supplier (farmer) data, cumulative impact data, and a

qualitative section on impact strategies.

In terms of smallholder farmers reached, the survey demonstrated a steady upward trend since the formal launch of the SGB portfolio—from 9,434 in Q1 2017 to 26,783 in Q4 2018. The percentage of female farmers stayed relatively even with the percentage of male farmers in the first full year of the SGB portfolio, with a notable uptick in female farmers in 2018. During this time period, the number of female farmers actively engaged with our SGB portfolio grew from 4,601 in Q1 2017 to 15,553 in Q4 2018 (58% of total farmers). The number of male farmers grew from 4,833 in Q1 2017 to 11,230 in Q4 2018 (42% of total farmers).

Smallholder Farmer Suppliers : 2017 – 2018*



Agriculture Value Chain – Additional Services

In addition to the active number of smallholder farmers supported, the SGB survey collected data on the services provided to farmers, divided into three categories: agricultural inputs, training and technical assistance, and financing and credit.

As a percentage of the agricultural SGBs in our portfolio (12 in total as of the end of 2018):

- 82% (9 SGBs) provide agricultural inputs
- 91% (10 SGBs) provide training or technical assistance
- 64% (7 SGBs) provide financing or credit

In terms of number of smallholder farmers who received these services in 2018:

- 11,761 farmers received agricultural inputs (44% of farmers reached)
- 21,594 farmers received training or technical assistance (81% of farmers reached)
- 5,161 farmers received financing or credit (19% of farmers reached)

In terms of number of female smallholder farmers in 2018:

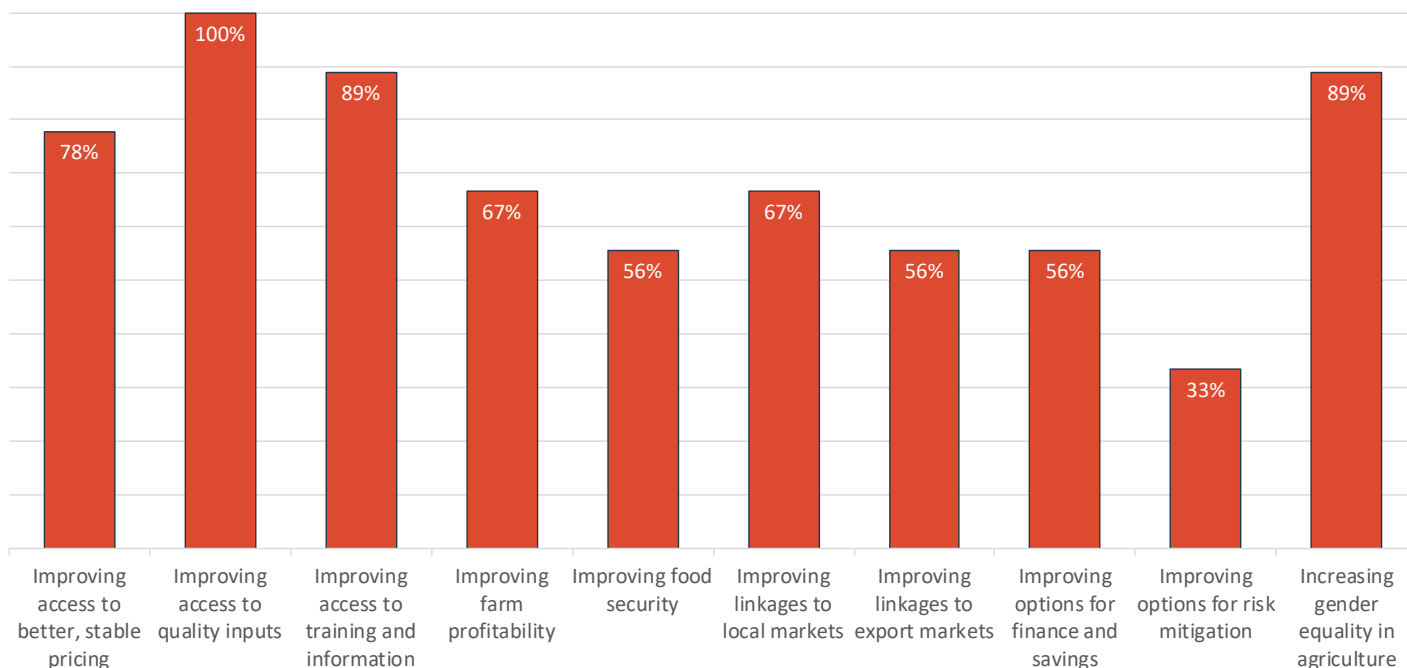
- 5,487 women received agricultural inputs (35% of female farmers reached)
- 11,732 women received training or technical assistance (75% of female farmers reached)
- 2,275 women received financing or credit (15% of female farmers reached)

Agriculture Value Chain – Impact Strategies

The SGB survey for agricultural SGBs included a qualitative section that sought to identify alignment with a set of “impact strategies” established by the GIIN’s Navigating Impact Initiative. There was a strong positive response to this section of the survey, with every SGB commenting next to at least one strategy.

The top strategies identified by our portfolio companies were: 1) improving access to quality inputs (100%), 2) improving access to training and information (89%), 3) increasing gender equality in agriculture (89%), and 4) improving access to better, stable pricing (78%).

Impact Strategies (as % of companies surveyed in the agriculture value chain sector)



Renewable Energy

MicroEnergy Credits (MEC) and EcoZoom were the only renewable energy sector SGBs in our portfolio at the end of 2018. MEC was only partially surveyed due to the metrics they had available, and EcoZoom was not surveyed due to the company's impairment status.

The data provided by MEC indicates that the number of people with access to clean energy has grown from 10,000,000 in Q4 2016 (we invested in Q1 2017) to 16,300,000 in Q4 2018. These numbers are not adjusted to reflect MCE's specific contribution to MEC's operations.

Water and Sanitation

dloHaiti (dlo) and Centrale du Soleil (CDS) were the only water and sanitation sector SGBs in our portfolio at the end of 2018. Both companies were only partially surveyed due to the metrics they had available.

From the data provided, we know that 1) dlo estimates the average number of daily beneficiaries in 2018 was 31,705 people, and 2) CDS estimates that approximately 55,200 people had access to clean water as of the end of 2018. In total, approximately 86,900 people benefited from access to clean water at year-end thanks to the SGBs in MCE's portfolio.

4. Final financial statements and projections for future activities as it relates to the ongoing scale up strategy.

Please see attached MCE's financial statements as of June 30, 2019. Projections for future activities are as follows:

Year	Total Guarantee Units	New Guarantee Units Committed	MCE Matching Funds Available from Guarantees	Grant Funds Available	Total Funds Available	Unused Funding	Active SGBs	Outstanding Balance
Sep 2019	24	0	\$ 6,000,000	0	\$ 6,000,000	\$ 1,000,000	15	\$ 5,350,000
Dec 2019	28	4	\$ 7,000,000	3,375,000	\$ 10,375,000	\$ 4,680,250	16	\$ 5,700,000
Dec 2020	35	7	\$ 8,750,000	3,250,000	\$ 12,000,000	\$ 1,988,590	25	\$ 10,527,500
Dec 2021	44	9	\$ 11,000,000	3,250,000	\$ 14,250,000	\$ 635,273	30	\$ 14,222,820

5. Supporting materials and documentation as appropriate.

The following materials are included below in their entirety as they have all been integral to the ongoing development of MCE's SGB Portfolio:

- SGB Environmental and Social Policy
- SGB Investment Policy
- SGB Monitoring Template (Annex A)
- SGB Client Survey – Agriculture Value Chain Template (Annex B)
- Q2 2019 SGB Portfolio Summary (Annex C)
- Q2 2019 SGB Portfolio Detailed (Annex D)

SGB Environmental and Social Policy

1. Objective

MCE invests in Small & Growing Businesses (SGBs) with the purpose of creating economic opportunities, reducing poverty and improving quality of life in developing countries. SGBs shall create economic development while also being:

- Environmentally safe with limited adverse risks.
- Socially positive, thus creating more than economic benefits for people in developing countries.

2. SGB Sector Diversification

The sector diversification chosen by MCE reflects a triple bottom line approach:

- Agriculture value chain
- Water and sanitation
- Clean energy
- Other (exception basis when social and/or environmental impact are superior)

3. Deal Selection

For all sectors of activity, an SGB shall meet the following criteria:

- Create local employment opportunities
- Aim to improve standards of living and facilitate higher incomes
- Exhibit a pro-environment approach with a bias towards opportunities that promote conservation of natural resources and address desertification, deforestation or climate change

Moreover, MCE will prioritize SGBs that:

- Strengthen the local value chain (local to local vs. export)
- Focus on empowering women
- Focus on rural areas

The MCE Portfolio Manager/Analyst will collect the qualitative and quantitative metrics necessary to evaluate the above criteria during the Initial Appraisal phase and include the relevant information in the review that will be presented to the Loan Committee for SGB screening.

4. Deal Exclusion

SGBs meeting the following criteria shall be immediately discarded:

- Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.*

*Definition of a Category A investment per IFC's Environmental and Social Review Procedures Manual

If the MCE Portfolio Manager/Analyst and Chief Investment Officer have doubts whether a potential environmental or social risk should classify as limited or significant, the investment shall be first presented to MCE's Senior Management for further review.

5. Due Diligence

MCE's due diligence includes a desk phase and an on-site phase.

The MCE Portfolio Manager will collect all Core Metrics (please refer to page 14) as well as relevant quantitative and qualitative information to help evaluate the economic, social and environmental impact of the SGB prospect.

Our due diligence outlined on pages 13 and 14.

Check	Action
Regulations	<ul style="list-style-type: none"> • Are the activities and/or products of the SGB subject to regulation? • Proof of regulatory compliance • How often is the regulator performing audits / on-site compliance visits? • Documentation from past audits.
Staff health and hazardous activity policy	<ul style="list-style-type: none"> • Are the activities and/or products of the SGB creating health issues for the staff? • Existence of policy • Is the policy in line with regulations? • Is the policy applied? Knowledge of staff, training frequency, etc.
Non-staff health and hazardous activity policy	<ul style="list-style-type: none"> • Are the activities and/or products of the SGB creating health issues for the outgrowers (agriculture value chain) and other 3rd parties that partake directly in the “production” process? • Existence of policy • Is the policy in line with regulations? • Is the policy applied? Knowledge of non-staff, training frequency, etc.
Community involvement	<ul style="list-style-type: none"> • Does the SGB involve the community in the business model? • Are community lands used by the SGB? • What legal and contractual agreements exist between the SGB and the community? • Feedback from community leaders
Agriculture: Soil depletion	<ul style="list-style-type: none"> • Is soil quality measured? Processes and frequency. • Are there processes in place to prevent soil depletion (training of farmers on best practices, etc.) • Are there processes in place to foster soil enrichment (multi-cropping, mulching, etc.)?
Agriculture: Use of chemicals	<ul style="list-style-type: none"> • Do the activities of the SGB involve the use of fertilizers, herbicides and pesticides? • What is the economic impact: cost vs. yield? • Are alternatives being used or considered?
Agriculture: Organic certification	<ul style="list-style-type: none"> • Existence of organic practices (no chemicals) • Existence of organic certification • Is the SGB facilitating and/or paying for the certification process?
Agriculture: Water management	<ul style="list-style-type: none"> • Is water quality measured? Processes and frequency. • Do the activities of the SGB involve the use of water for transformation? Processes on water management and recycling of waste water. • Do the activity of the farmer rely on irrigation or rainwater? • Sources of irrigation: water management.
Agriculture: Relationship with farmers	<ul style="list-style-type: none"> • Existence of formal agreement with farmers • Does the SGB require exclusivity? How long. • How are minimum purchasing prices established by the SGB? • How do prices compare to benchmarks? • Does the SGB share profit with farmers? • Is the SGB providing farmers with in-kind services?

Water and sanitation: Water quality	<ul style="list-style-type: none"> • Is water quality measured? Processes and frequency. • If so, does it abide by Government and Regulatory standards? • Proof of regulatory compliance / documentation on inspection visits
Water and sanitation: Use of chemicals	<ul style="list-style-type: none"> • Do the activities of the SGB involve the use of chemicals? • Safety threshold • Proof of regulatory compliance
Water and sanitation: Water contamination	<ul style="list-style-type: none"> • Waste water management • Safety threshold • Proof of regulatory compliance
Air contamination	<ul style="list-style-type: none"> • Do the activities of the SGB create any air contamination? • Safety threshold • Proof of regulatory compliance
SGB growth	<ul style="list-style-type: none"> • Evaluate impact of growth on environmental and social impact • Does the SGB exhibit a clear strategy to improve its environmental and social impact?
Grievance mechanism	<ul style="list-style-type: none"> • Does the SGB have a formal policy to manage grievances from its partners (especially outgrowers or beneficiaries)? • How can outgrowers or beneficiaries raise their grievances? • How many cases occurred during the past 12 months and how were they addressed? • Is there a formal review and what functions are involved?

6. Core Metrics

To measure social and economic returns, when possible, MCE uses the Impact Reporting & Investment Standards (IRIS) which are promoted by the Global Impact Investing Network (GIIN), a global consortium of impact investors seeking to standardize and simplify impact investment reporting. The use of IRIS metrics will also help enterprises engage future funders.

SGBs selected for MCE investments commit to reporting quarterly on core MCE metrics. Reporting includes submission of financial statements, organizational data, and impact metrics. For all enterprises, MCE monitors key financial ratios, number of permanent and temporary staff, the percentage of women staff members, the percentage of women impacted by enterprise activities, and the percentage of people in rural areas impacted from enterprise activities.

Additionally, MCE collects sector specific impact data including; number of outgrowers supported; number of people with access to water & sanitation; hygiene or clean water facilities; and

number of people with improved energy access (see Annex A). In addition to the quarterly reporting, MCE performs an Annual SGB Partner Survey (see Annex B).

7. MCE Staff training on Environmental and Social Policy

The CIO, with the support of MCE's Impact Analyst and Communications Associate, shall train MCE's Senior Management, Portfolio Managers and Analyst once a year on the Environmental and Social Policy. Staff will receive ongoing education as social and environmental measurement practices are continually improved.

8. MCE Grievance Mechanism

MCE is committed to responding to grievances brought forth by its constituents (employees, clients, guarantors, lenders, etc.). These constituents are encouraged to raise their concerns to MCE's management and Board.

Currently, MCE lists its investees on its website at www.mcesocap.org. The website also features a link and phone number for any party to share grievances anonymously. If necessary, MCE will scale its grievance mechanism to address any widespread concerns raised by its constituents.

When a grievance is reported, MCE's Chief Financial Officer will review the grievance and determine whether a report to law enforcement or other regulatory authorities is appropriate. The review will be completed within ten (10) business days, and if a report to law enforcement or other regulatory authorities is appropriate, it shall be made promptly. The Chief Financial Officer shall report to the CEO on all reviews conducted by her, and on the disposition of all such reviews, at least monthly.

9. Workplace Health and Safety

MCE is committed to preventing workplace violence and to maintaining a safe work environment. MCE has guidelines in place to deal with intimidation, harassment, or other threats of (or actual) violence that may occur during business hours or on its premises. Any harassment by one employee towards another is expressly prohibited.

10. Environmental and Social Management System

MCE maintains a social and environmental management system appropriate for the nature and scale of the organization and its activities. MCE is committed to measuring social and environmental impact indicators of its clients prior to offering financing and throughout the client relationship to ensure that MCE's capital is having the intended impact.



An employee of Moringa Connect in Ghana.

SGB Investment Policy

<p>Challenge for SGBs: SGBs in the developing world do not have enough access to appropriately structured and priced growth capital, especially debt in smaller amounts.</p>	<p>Opportunity for MCE's SGB Fund: Provide flexible and customized debt financing to SGBs that are scaling up.</p>
<p>Investment Criteria:</p> <ul style="list-style-type: none"> • For-profit legal entity with at least 2 years of operations • Positive equity with review of Debt to Equity and Debt-Service Coverage ratios • Sustainable and scalable sources of revenue (>200k\$/y) • Audited statements for at least one year • Financial statements produced at least quarterly 	<p>Impact Criteria:</p> <ul style="list-style-type: none"> • Create local employment opportunities • Expected to improve standards of living and facilitate higher incomes • Pro-environment, bias towards opportunities which address desertification, deforestation, or climate change • Preference for focus on local markets, on empowering women and/or on rural areas
<p>Geographic Diversification:</p> <ul style="list-style-type: none"> • Sub-Saharan Africa • Latin America • Rest of the world 	<p>Sector Diversification:</p> <ul style="list-style-type: none"> • Agriculture value chain • Water and sanitation • Clean energy • Financial institutions serving the base of the pyramid
<p>Investment Structure:</p> <ul style="list-style-type: none"> • From US\$100,000 to US\$500,000 (up to US\$1,000,000 for selected Agriculture and Water firms) • USD, EUR, or local currency • Pricing: from 8% to 11% in USD + 1% origination fee; senior debt or structured debt • Tenor: 10 months to five years 	<p>Risk Mitigation: Depending on the business type and maturity, MCE may require:</p> <ul style="list-style-type: none"> • A trusted partner (investor or technical assistance partner) • Account receivables collateral for export business (100 to 150% of the loan value)

Eligibility Criteria to Apply for a Loan

To be eligible to apply for a loan, all criteria below must be answered with a “Yes”:

Operational criteria	Is the company a registered business that has been operating for at least 24 months?		
	Is the company’s primary activity in either? <ul style="list-style-type: none"> • Agriculture • Water & Sanitation • Clean Energy 		
Financial criteria	Is the company generating more than US\$200,000 revenue per year?		
	Is the equity of the company positive?		
	Is the company profitable or on the path toward profitability within the next 3 years?		
	Have the most recent yearly financial statements been audited by a local or internationally-recognized audit firm?		
	Does the company produce financial statements at least once per quarter?		
Impact criteria	Does the company’s activity directly benefit several hundred people? (buying from farmers, providing services, creating employment, etc.)		
	Is the company’s activity designed to create social and/or environmental benefits?		

Annex A: Sample SGB Monitoring Template

SGB			
Period	Dec-18	Mar-19	Jun-19
Audited	unaudited	unaudited	unaudited
Currency	local	local	local
Financial expense			
FX loss/gain			
Balance Sheet			
Assets			
Cash			
Inventory			
Accounts Receivable			
Other ST Assets			
PPE (net)			
Other LT Assets			
Total Assets			
Liabilities			
Accounts Payable			
Other ST Liabilities			
Short term debt			
Long term debt			
Subordinated debt			
Other LT Liabilities			
Total Liabilities			
Equity			
Paid-in-Capital			
Retained Earnings			
Other			
Total Equity			

Impact Data			
# of staff			
# temporary staff			
<i>Total Number of Jobs Supported</i>			
# of female staff			
# of temporary female staff			
<i>% of female jobs supported</i>			
# of outgrowers supported			
# with improved energy access			
# with safe water access			
# of borrowers			
<i>Total Number of people impacted</i>			
# of women impacted			
# of people impacted from rural areas			
<i>% of women impacted</i>			
<i>% of people impacted from rural areas</i>			
Ratios			
<i>Profitability</i>			
ROE			
Gross Margin			
Operating Margin			
Net Margin			
<i>Operating Expenses</i>			
COGS (% of revenue)			
General and Admin			
Personnel			
Operating Costs			
<i>Growth</i>			
YoY Revenue Growth			
CAGR			
Unit Sales YoY Growth			
<i>Capital Structure</i>			
Debt / Assets			
Debt / Equity			
<i>Balance Sheet Efficiency</i>			
Inventory Turnover			
Days in inventory			
Receivables Turnover			
Days Sales Outstanding			

Annex B: Annual SGB Partner Survey – Agriculture Value Chain Template

Company Name:								
Survey Period:	Dec-18							

Small and Growing Business (SGB) Partner Survey - 2018

This survey is part of an effort by MCE to gain a better understanding of the social impact of its SGB portfolio in order to enhance MCE's ability to accurately communicate this information to its stakeholders, identify trends within its portfolio, and ultimately improve the impact of its lending activity. The information requested in this survey is intended to be easily attainable, and should not require much time to complete.

Please provide the following information to MCE Social Capital by Wednesday, April 24th, 2019.

All yellow cells indicate an information request. All white cells will fill automatically as information is added.

All information should be accurate as of December 31, 2018, unless otherwise stated.

All financial information should be provided in local currency, unless otherwise stated.

Please leave any comments in the corresponding cells.

This survey is divided into four sections:

1. Employment Data
2. Supplier Data
3. Cumulative Data
4. Impact Strategies

Key Contact Information

If you have any questions pertaining to this survey, please contact:

Harrison Pharamond, MCE Impact Analyst and Communications Associate
hpharamond@mcesocap.org

1. Employment Data

Historic Employment Data

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
# of permanent employees								
# of permanent female employees								
# of temporary employees								
# of temporary female employees								
Total # of employees	0	0	0	0	0	0	0	0
Total # of female employees	0	0	0	0	0	0	0	0

Management Positions

Total Number of Leadership Positions (as of Q4 2018)	Number of Women in Leadership Positions (as of Q4 2018)	Women in Leadership Positions - %	Comments

Employee Wages and Tenure

	2017	2018	Comments
Full-Time Wages: Total			
Full-Time Wages: Female Employees			

2. Supplier Data

The data requested in the below section should be **year-to-date** as of the end of each quarter, *not cumulative from prior years*, unless otherwise indicated. For example, for "unique supplier individuals", we are requesting the number of suppliers your company was actively engaged with at the end of each quarter.

Please footnote all assumptions used in the calculation process for any of the following metrics, if applicable.

Suppliers

Suppliers are defined as smallholder individuals that supply crops, goods, or services to an organization (for transformation, processing, or resale).

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Unique supplier individuals — Total (#)								
Unique female suppliers (#)								

Suppliers — Services Provided

This section is about the services your organization provides to your suppliers in the form of agricultural inputs, training or technical assistance, and/or financing or credit.

Do you provide any agricultural inputs to your suppliers? (y/n) How many suppliers received inputs in 2018? How many female suppliers received inputs in 2018?		<i>If yes, please describe the type of agricultural inputs you provide below.</i>
Do you provide any form of training or technical assistance to your suppliers? (y/n) How many suppliers received training or technical assistance in 2018? How many female suppliers received training or technical assistance in 2018?		<i>If yes, please describe the type of training or assistance you provide below.</i>
Do you providing any form of financing or credit to your suppliers? (y/n) How many suppliers received financing or credit in 2018? How many female suppliers received financing or credit in 2018?		<i>If yes, please describe the type of financing or credit you provide below.</i>

Suppliers — Product Sourced

The information requested below is for **2018 only**. Please fill out the required cells for the crops sourced by your organization in 2018. If you source multiple crops, please select the crops that accounted for 80% of your organization's revenue in 2018.

Product / Crop Type	Product 1	Product 2	Product 3				
Total volume purchased from suppliers in 2018 (kg)							
Total amount paid to suppliers in 2018 (\$)							
Average price paid to suppliers per kg in 2018 (\$)							
Estimated alternative market price per kg (\$)							
Supplier price premium (% above market alternative)							

Suppliers — Additional Data (if available)

Do you collect any of the following information about your suppliers? Household income level Poverty Probability Index (or related index) Land under management Average supplier agricultural yield Farmer sales revenue Other relevant data	Yes / No	If yes, please provide the relevant metrics that you have collected for 2018 below or in a separate document.

3. Cumulative Data

Cumulative Data	
The data requested in this section should be <u>cumulative to your company's operating history</u> , as of Q4 2018. Please footnote all assumptions used in the calculation process for any of the following metrics.	Comments
Cumulative number of unique suppliers reached Cumulative number of <u>female</u> suppliers reached	
Cumulative number of individuals who have received agricultural inputs Cumulative number of <u>female</u> individuals who have received agricultural inputs	
Cumulative number of individuals who have received training or technical assistance Cumulative number of <u>female</u> individuals who have received training or technical assistance	
Cumulative number of individuals who have received financing or credit Cumulative number of <u>female</u> individuals who have received financing or credit	

4. Impact Strategies

Below is a list of strategies for social impact within the agriculture value chain sector, as outlined by the Global Impact Investing Network (GIIN). We are interested in examining which of these strategies most align with our current portfolio, and which are the most impactful from the perspective of our partners. Your perspective and input is highly valued as we delve deeper into our investment strategy to promote impact across the agriculture value chain.

Please briefly comment next to any of these strategies that you believe align with your company's mission and operations. In what way does your work align? What evidence do you have that you are contributing to these strategies? Which do you think are most impactful for the lives of your clients and suppliers?

Note: You do not need to comment next to every strategy, only the ones that are most relevant to your business. You can click on each strategy to learn more.

<u>Improving access to better, stable pricing</u>	
<u>Improving access to quality inputs</u>	
<u>Improving access to training and information</u>	
<u>Improving farm profitability</u>	
<u>Improving food security</u>	
<u>Improving linkages to local markets</u>	
<u>Improving linkages to export markets</u>	
<u>Improving options for finance and savings</u>	
<u>Improving options for risk mitigation</u>	
<u>Increasing gender equality in agriculture</u>	
Other (please comment)	

End of Survey

Approximately how long did this survey take to complete?	
Do you collect any other impact data that was not requested in this survey? If so, please share here or in a separate document.	
How might we improve upon this survey? Additional comments are welcome.	

SMALL AND GROWING BUSINESS (SGB) PORTFOLIO



Annex C: SGB Portfolio Overview

ABOUT

MCE Social Capital is a nonprofit impact investing firm that uses a pioneering loan guarantee model to generate economic opportunity for women and families living in poverty throughout the developing world. MCE's **Small and Growing Business (SGB) Portfolio** provides catalytic debt capital to SGBs in the agriculture value chain, water & sanitation, and renewable energy sectors, with the objective of creating reliable jobs in rural economies, raising small-holder farmers' incomes, and facilitating access to basic needs in underserved areas.

MCE formally launched its SGB Portfolio in 2017 in partnership with USAID's Partnering to Accelerate Entrepreneurship (PACE) Initiative. Previously, since 2013, MCE had been making loans to SGBs using its own retained earnings and donations. SGBs in the developing world often lack access to sufficient, appropriately structured growth capital, despite constituting a dominant form of job creation and entrepreneurial activity. MCE's SGB Portfolio aims to address this market gap.

GUARANTEE SUMMARY

Unit Size	<ul style="list-style-type: none"> \$500,000 Your money stays where it is currently invested
Social Return	<ul style="list-style-type: none"> Your signature enables MCE to borrow and disburse \$250,000 to SGBs
Losses	<ul style="list-style-type: none"> Shared pro rata among all SGB Guarantors Payments considered a U.S. charitable contribution
Loan Loss Reserve	<ul style="list-style-type: none"> \$1M Loan Loss Reserve caps first-dollar exposure for SGB Guarantors at \$10,000 per guarantee unit per year

SGB PORTFOLIO HIGHLIGHTS

- \$1.7M disbursed to 6 SGB partners operating in 11 countries in the first half of 2019, all in the agriculture value chain sector**, including an SGB in Sierra Leone that works with a network of more than 3,500 mango farmers, 90% of whom are women.
- Partnership with USAID's Partnering to Accelerate Entrepreneurship (PACE) Initiative**, which committed \$1M in catalytic grant capital to help launch the SGB Portfolio.
- Partnership with USAID's Development Credit Authority**, which extended a \$17.6M guarantee to support MCE's loans in two key sectors: food security and agriculture, and water and sanitation. The guarantee is jointly funded by USAID's Bureau of Food Security and the E3/Water Office.

CUMULATIVE ACTIVITY

\$8.8M disbursed to **17 SGBs**

operating across **24** countries, currently

backed by **\$12M** in loan guarantees.

DUE DILIGENCE

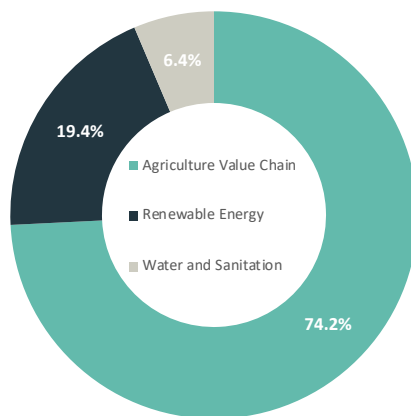
Investment Criteria

- For-profit legal entity with at least 3 years of operations
- Positive equity with review of Debt-to-Equity and Debt-Service Coverage ratios
- Sustainable and scalable sources of revenue (>\$200K per year)
- Audited statements for at least one year
- Quarterly financial statements
- Fewer than 250 employees

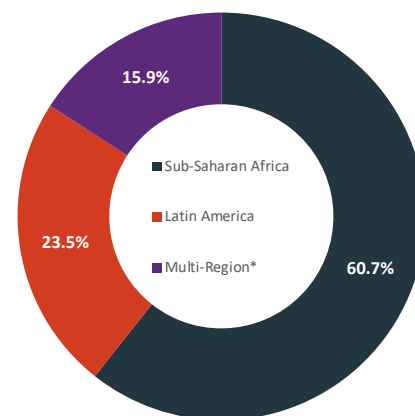
Investment Structure

- Size: US\$100K - \$500K
- Currency: USD, EUR, or local currency
- Pricing: 7 - 10% in USD
- Term: 10 months - 4 years
- Capital: Senior or subordinated debt

SECTOR DIVERSIFICATION



GEOGRAPHIC DIVERSIFICATION



*Includes Sub-Saharan Africa and Asia

IMPACT AREAS



Women



Job Creation



Financial Inclusion



Agriculture Value Chain



Water & Sanitation



Clean Energy



GOOD NATURE AGRO — Zambia

Good Nature Agro (GNA) is a for-profit agribusiness in Zambia that invests in Zambian smallholder farmers to generate lasting income by providing technical assistance, inputs, and access to a ready-made market. The result has been a twofold increase in productivity for over 4,700 farmers in Zambia’s Eastern Province. First, GNA multiplies newly released legume seed varieties that have been developed by breeders. These varieties are higher quality but typically not accessible to the smallholder farmers who need them most. The company then provides these seed inputs to smallholder farmers, with superior training and customer service. Farmers use these seed inputs to grow high-quality legume seeds for sale, which GNA purchases from them and sells to a number of buyers who have a large, ongoing demand for seeds. GNA’s impact is evident across a number of dimensions, including: 1) increased incomes for smallholder farmers; 2) increased local employment opportunities; and 3) improved soil health through increased crop variety and effective agricultural practices. MCE made a \$450,000 loan to GNA in August 2018, then followed on with a \$675,000 loan in July 2019.

NATURAL EXTRACTS INDUSTRIES — Tanzania

Natural Extracts Industries (NEI), a for-profit social enterprise based in northern Tanzania that works to accelerate the economic growth of smallholder farmers by adding value to their crops through sustainable agricultural practices and providing access to global markets. NEI procures vanilla pods and other products from smallholder farmers, processes them, and sells them to local and international buyers. Today, NEI works with more than 1,600 farmers in its network, providing technical assistance and education on sustainable practices to grow the raw materials used to create premium extracts. These farmers benefit from higher purchase prices, reliable market access, and training that leads to higher yields and ultimately higher incomes. As of December 31, 2018, NEI employed 37 individuals, 32% of whom were women. In 2018, NEI provided agricultural inputs to over 1,200 smallholder farmers and trained nearly 3,800 more on various agronomic topics. MCE made a \$155,000 loan to NEI in November 2018.



SOL ORGANICA, S.A. — Nicaragua

Sol Organica is a certified B-Corporation in Nicaragua that works to improve the livelihoods of tropical fruit farmers while maximizing their agricultural potential and promoting the use of sustainable and organic farming practices. Sol Organica sources, processes, and exports pureed, juiced, and dried tropical fruits, working closely with smallholder farmers to improve agricultural practices, secure organic and fair-trade certifications, and enter into fixed contracts that guarantee the purchase of their crops at prevailing market prices. Through Sol Organica, over 500 smallholder farmer families in Nicaragua benefit from access to new markets, training and technical assistance, higher productivity, fair and stable prices, and access to financial services. As of December 31, 2018, Sol Organica employed 81 permanent employees and 36 temporary employees, 40% of whom were women. MCE made a \$200,000 loan to Sol Organica in September 2018.

CONTACT US

For more information on how you can use your assets to support impactful businesses like MCE’s recent investments listed above, please contact:

Catherine Covington

Managing Director & Chief Business Development Officer
San Francisco

ccovington@mcsoacp.org | (404) 372-8747

www.mcsoacp.org





Annex D: SGB Portfolio Detailed

Overview

MCE’s Small and Growing Business (SGB) portfolio provides catalytic debt capital to 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 throughout the developing world.

As of June 30, 2019, MCE’s SGB portfolio consisted of over \$3.1M outstanding in 14 SGBs operating across 17 countries. The SGB portfolio is backed by \$12M in loan guarantees from 19 SGB Guarantors.



TOLARO GLOBAL
UNSHELLING AFRICA'S POTENTIAL

Year Founded: 2010

Sector: Agriculture Value Chain

Location: Benin

Total Loan Amount: \$600,000 (2 loans)

Disbursal Date: February 2018

Investment History: MCE made a 12-month loan of \$400,000 to Tolero in February 2017, successfully repaid in full.

Tolero Global is a cashew nut processing business based in Parakou, a small town in Northern Benin. Founded in 2010, Tolero sources raw cashew nuts directly from local farmers and transforms them for export. It is the first factory in Africa to receive the African Cashew Alliance quality seal (an industry-accepted mark that confirms compliance with internationally recognized standards of quality, food safety and social and labor standards). Tolero employs more than 400 Beninese men and women with formal salaried jobs and sources its cashew from over 7,000 smallholder farmers in the region, for whom the business also provides technical training to increase cashew yields and farmers’ incomes.

Tolero’s impact is evident across several dimensions: 1) by providing expanded market access to local farmers, 2) by creating local, salaried employment in a rural area, 3) by contributing to additional outcomes such as improved food security and childhood education, and 4) by generating added value for the Beninese economy.



Year Founded: 2011

Sector: Agriculture Value Chain

Location: Côte d’Ivoire

Total Loan Amount: \$400,000

Disbursal Date: March 2018

Investment History: MCE has made two loans totaling \$550,000 to Caju since February 2016, successfully repaid in full.

CAJU Industrie S.A. (Caju) is a cashew nut processing business based in Kolia, a small village in the northwestern region of Côte d’Ivoire. Founded in 2011, Caju sources raw cashew nuts directly from local farmers and transforms them for export. Caju employs more than 100 Ivorian men and women with formal salaried jobs and sources its cashew from over 500 smallholder farmers in the region, often doubling the yearly income of local cashew farming households and smoothing the “hunger season” that affects smallholder farming families between harvests.

Caju’s social impact is four-fold, as it 1) provides access to international export markets to local farmers, 2) creates local formal employment for rural people, 3) contributes to several related outcomes such as improved food security and childhood education, and 4) generates added value for the Ivorian economy.



Year Founded: 2007

Sector: Renewable Energy

Location: India, Kenya, Mongolia

Total Loan Amount: \$500,000

Disbursal Date: February 2017

Investment History: This is MCE's first loan to the business.

MicroEnergy Credits (MEC) is a clean energy marketing and distribution company founded in 2007 that partners with financial institutions and suppliers to provide low-income households and microentrepreneurs in India, Kenya, and Mongolia with access to affordable, clean energy products like solar lights, efficient cookstoves, and water purifiers.

Nearly 1.2 billion people lack access to electricity, while 2.7 billion are without clean cooking facilities. This widespread energy poverty impedes social and economic growth, disproportionately affecting women and children in rural areas. MEC increases access to clean energy for poor, rural consumers who would otherwise face significant obstacles to obtain such products. In doing so, MEC also promotes a wide range of positive social and environmental outcomes, including improvements in health, education, and economic status, as well as reduced carbon emissions and deforestation. Since its inception, MEC has reached over 3.5 million people through its activities in India, Kenya, and Mongolia.



Year Founded: 2000

Sector: Agriculture Value Chain

Location: Ghana

Total Loan Amount: \$300,000

Disbursal Date: December 2017

Investment History: This is MCE's first loan to the business.

Naasakle International LLC (Naasakle) is a family-owned, vertically integrated shea processing and marketing business founded in 2000 that operates in Ghana and the United States, utilizing a direct "picker to consumer" model to connect Ghanaian women shea pickers with global consumer markets. Naasakle currently sources from more than 1,500 women pickers in the Damongo region of Northern Ghana, providing financial literacy training, technical assistance, savings programs, and local warehousing facilities for women pickers to store their shea nuts until market prices are higher.

Naasakle currently employs 45 people, 35 of whom are located in Damongo, where formal employment opportunities are scarce. The company's employees also receive health insurance and retirement contributions. In addition, Naasakle's operations benefit the environment by promoting the upkeep of the region's shea trees, which often provide the only tree-cover across an area that is vulnerable to desertification.



Year Founded: 2013

Sector: Water and Sanitation

Location: Haiti

Total Loan Amount: \$300,000

Disbursal Date: September 2017

Investment History: This is MCE's first loan to the business.

DLO Haiti, Inc. (DLO) is an innovative water purification and distribution business founded in 2013, which aims to develop a sustainable and scalable model to access clean water in Haiti. DLO builds and operates local, community-scale water treatment centers (i.e. water kiosks) in rural and peri-urban areas throughout Haiti, distributing more than 14,000 gallons of clean drinking water to over 35,000 beneficiaries per day, at a price well below the lowest priced alternative.

DLO's kiosks also act as distribution points for a variety of essential consumer goods, such as soap, toilet paper, and powdered milk, which are often unavailable in underserved areas. This last-mile distribution network improves the value chain for micro-businesses and consumers, providing access to basic needs consumer goods. The company has created more than 100 stable jobs in Haiti, most of them in isolated communities where kiosks are operated.

UNCOMMON CACAO

TRANSPARENT TRADE

Year Founded: 2010

Sector: Agriculture Value Chain

Location: Latin America

Total Loan Amount: \$40,000

(with an additional \$60,000 approved for a second tranche)

Disbursal Date: March 2019

Investment History: This is MCE's first loan to the business.

Uncommon Cacao (UC) offers custom-tailored transparent supply chains built in partnership with farming families to deliver high quality bean-to-bar cacao to specialty chocolate makers and manufacturers while creating measurable social impact for smallholder farmers across Latin America. UC identifies smallholder cacao farmers in remote regions who have high potential, and helps them increase the quality of their products through in order to secure better prices in market. Instead of paying volatile commodity prices to their farmers, UC negotiates a price with each farmer based on the quality of their product.

UC embraces transparent trade to source quality cacao from producers they trust — they are one of the only supply chain companies in the world to publish their prices and margins from origin through final sale. The company works with a network of more than 4,000 farmers across Guatemala, Colombia, Belize, Dominican Republic, Haiti, Bolivia, and Ghana.



Year Founded: 2013

Sector: Renewable Energy

Location: Kenya, Tanzania

Total Loan Amount: \$180,000

Disbursal Date: January 2018

Investment History: This is MCE's first loan to the business.

EcoZoom East Africa (EcoZoom) is a for-profit social enterprise and certified B Corporation founded in 2013 in Kenya, with the goal of supplying healthy, efficient, ecofriendly products to base-of-the-pyramid consumers. EcoZoom designs and manufactures two main product lines — solar powered lamps and portable, clean-burning cookstoves — that are both cheaper and more efficient than the competition.

In addition to reducing deforestation and greenhouse gas emissions, EcoZoom's products have a number of benefits for consumers, including: 1) lower energy costs, 2) healthier household air (EcoZoom's cookstoves produce 60% less smoke than traditional cookstoves, reducing the risk of respiratory infections), 3) time-saving benefits (EcoZoom's products require 70% less fuel than traditional energy systems, freeing up time to pursue more productive activities such as academic or professional endeavors), and 4) reduced gender-based violence, which women and girls are often vulnerable to when sent to fetch fuel and other resources.



Year Founded: 2011

Sector: Agriculture Value Chain

Location: Kenya

Total Loan Amount: \$250,000

Disbursal Date: February 2013

Investment History: This is MCE's first loan to the business, which was renewed in 2017.

Komaza is an agroforestry business founded in 2006 dedicated to helping smallholder farmers out of poverty by developing environmentally sustainable livelihoods. Komaza helps thousands of farmers cultivate profitable tree farms, boosting household incomes and creating an environmentally-sustainable solution to Africa's wood supply crisis. The business provides its clients with a comprehensive set of products, tools, and services needed to establish these farms and eventually sell mature, healthy trees in profitable urban markets.

Through this "microforestry" model, rural families can increase their income three-fold over the average tree harvesting cycle. This in turn allows families to invest in a wide range of social benefits, including improved healthcare and sanitation, better education, and further economic opportunities. Since its inception, Komaza has planted more than 2,000,000 trees with over 6,000 smallholder farmers in Kenya.



Year Founded: 2008

Sector: Agriculture Value Chain

Location: Peru

Total Loan Amount: \$150,000

Disbursal Date: March 2019

Investment History: This is MCE's first loan to the business.

Inka Moss is a social enterprise that works with communities in the Peruvian Andes to source, process, and export moss that naturally grows in the region. The company incorporates members of these communities as suppliers in its value chain, providing technical assistance and education to ensure sustainable harvesting practices and increased incomes.

To date, Inka Moss has incorporated 26 communities into its value chain network, positively impacting the lives of more than 7,800 people. The company impact is evident in several areas: 1) stronger communities – Inka Moss facilitates community development programs that help the communities obtain legal property rights, develop infrastructure, and make other improvements; 2) improved harvester incomes – the income generated by harvesters is additional to what they already earn as short-term crop farmers; and 3) environmental management and reduced deforestation – through education on proper, environmentally sustainable harvesting methods.



Year Founded: 2007

Sector: Renewable Energy
/ Water and Sanitation

Location: Mauritania

Total Loan Amount: \$180,000

Disbursal Date: December 2015

Investment History: This is MCE's first loan to the business.

Centrale du Soleil (CDS) provides access to safe water and electricity to isolated, rural populations throughout Mauritania, where one in two Mauritians do not have access to clean drinking water and nearly four out of five lack access to electricity. CDS provides “last mile” solutions by using simple and reliable technologies that leverage off-grid solar energy, including solar-powered water pumps and irrigation kits and solar-powered home systems like solar lamps and fridges. The business has three primary activities: operation of water mini-grids for off-grid populations, distribution of solar energy appliances, and facilitation of water and electricity construction projects.

By improving access to safe water and electricity among rural populations, CDS also facilitates improvements in education, food security, and health while reducing greenhouse gas emissions and deforestation. CDS employs 35 men and women, and serves more than 28,000 people in 20 villages across Mauritania.

MoringaConnect

Year Founded: 2013

Sector: Agriculture Value Chain
Location: Ghana

Total Loan Amount: \$425,000

Disbursal Date: April 2019

Investment History: MCE made an \$80,000 loan in March 2018, successfully repaid in full.

Moringa Connect is a moringa processing and marketing business that operates in Ghana and the United States, which sources moringa seeds and leaves from over 2,500 Ghanaian smallholder farmers, processes them locally into moringa oil and powder, then exports them or sells them in the Ghanaian market. Moringa Connect aims to utilize a vertically integrated supply chain to improve the lives of farming families in Ghana, purchasing raw materials from them while teaching about the benefits of moringa trees and the best agricultural practices to care for them.

Moringa Connect's social impact is three-fold: 1) by expanding market access for smallholder farmers, 2) by creating formal local employment opportunities (the business currently employs 75 people, the majority of whom live in rural areas of Ghana), and 3) by contributing to positive environmental outcomes.



Year Founded: 2014

Sector: Agriculture Value Chain

Location: Zambia

Total Loan Amount: \$400,000

Disbursal Date: September 2018

Investment History: This is MCE's first loan to the business.

Good Nature Agro (GNA) invests in Zambian small-scale farmers to generate lasting income by providing technical assistance, inputs and access to a readymade market. The result has been a two-fold increase in productivity for over 4,800 farmers in Zambia's Eastern Province. First, GNA multiplies newly released legume seed varieties that have been developed by breeders, then provides these high-quality seed inputs to small-scale farmers, with superior training and customer service. Farmers utilize the seed inputs to grow and harvest higher quality legume seeds for sale, which GNA purchases from them and sells to private companies producing for the food and oil industry, NGOs, seed companies and government agencies that have an ongoing large demand for seeds.

GNA's impact is evident across a number of dimensions, including: 1) Increased incomes for smallholder farmers; 2) Increased local employment opportunities; and 3) Improved soil health through increased crop variety and effective agricultural practices.



Year Founded: 2013

Sector: Agriculture Value Chain

Location: Nicaragua

Total Loan Amount: \$400,000

Disbursal Date: September 2018

Investment History: This is MCE's first loan to the business.

Sol Organica is a certified B-Corporation in Nicaragua that works to improve the livelihoods of tropical fruit farmers in Nicaragua while maximizing their agricultural potential and promoting the use of sustainable and organic farming practices. Sol Organica sources, processes, and exports pureed, juiced, and dried tropical fruits, working closely with smallholder farmers to improve agricultural practices, secure organic and fair-trade certifications, and enter into fixed contracts that guarantee the purchase of 100% of their crops at prevailing market prices. The majority of Sol Organica's sales come from organic and conventional pitahaya, in addition to products that are processed from mango, banana, pineapple, passion fruit, and cashew. Sol Organica's products are exported primarily to the United States, as well as Brazil and European markets.

Through Sol Organica, over 500 smallholder farmer families in Nicaragua benefit from access to new markets, training and technical assistance, higher productivity, fair and stable prices, and access to financial services.



Year Founded: 2016

Sector: Agriculture Value Chain

Location: Sierra Leone

Total Loan Amount: \$500,000

Disbursal Date: Disbursed in two tranches in March and June 2019

Investment History: This is MCE's first loan to the business.

Sierra Agra is a for-profit agribusiness in Sierra Leone that seeks to achieve two main goals: 1) to improve the livelihoods of smallholder farmers by providing stable income and technical assistance that increases farm productivity; and 2) to strengthen the mango value chain by processing these mangoes into a commercial product that can be sold locally and internationally.

Sierra Agra consolidates and purchases mangoes from a network of more than 3,500 farmers (90% of whom are women) across the country, and processes these mangoes into concentrate at its state-of-the-art production facility. Sierra Agra's impact is evident across three main dimensions: 1) providing employment opportunities — the company employs more than 100 people at its processing facility, who are paid well above the national average; 2) increasing income and stability for smallholder farmers — Sierra Agra pays its farmers immediately upon collection of their harvest; and 3) providing technical assistance to increase farm productivity and yield.

The following companies repaid their first loans from MCE in Q2 2019.

Both are in the pipeline for the second half of 2019.



Year Founded: 2015

Sector: Agriculture Value Chain

Location: Moldova

Total Loan Amount: \$500,000

Disbursal Date: December 2018

Investment History: MCE's first loan was successfully repaid in full. A second loan is in the pipeline for the second half of 2019.

Prograin Organic is a for-profit social enterprise based in Chisinau, Moldova, which works with smallholder farmers to produce and source organic grains and export them to clients in the organic food and organic feeding sectors in the European Union. Prograin Organic is the first company in Moldova to promote organic agricultural products

Prograin Organic sources from a total of 56 farmers, who cultivate about 8,000 hectares of organic land. Collectively, these farmer create more than 990 permanent and 2,700 temporary jobs in the region. In order to integrate the organic grain value chain into the agricultural sector of the country, Prograin Organic supports these farmers through a number of activities: input supply for organic cultivation (seeds, fertilizers, biological plant protection products); management of the annual certification process of the fields cultivated in their network; collection of the organic grains from farmers and storage logistics; investment in organic grain processing lines; and access to markets for organic grains.



Year Founded: 2011

Sector: Agriculture Value Chain

Location: Tanzania

Total Loan Amount: \$155,000

Disbursal Date: November 2018

Investment History: MCE's first loan was successfully repaid in full. A second loan is in the pipeline for the second half of 2019.

Natural Extracts Industries (NEI) is a for-profit social enterprise based in Moshi in northern Tanzania that works to accelerate the economic growth of smallholder farmers by adding value to their crops through sustainable agricultural practices and providing access to global markets. NEI uses an outgrower smallholder farmer scheme to procure primarily vanilla pods, process them and sell them as vanilla beans or vanilla extract to local and international buyers. The business has also begun to diversify its product line through other extracts, most notably cacao, as well as orange, coffee, and cinnamon extracts.

Today, NEI works with more than 1600 farmers in their network, providing technical assistance to support and educate them on sustainable practices to grow the raw materials used to create premium extracts. These farmers benefit from high purchase prices, reliable market access, and training to leads to higher yields. NEI strives to double the income of its farmers.