grassroots
connections
the newsletter of Working Capital for Community Needs
spring 2015

WCCN
Investing for Social Change

Meeting Our Mission Through Teamwork and Partnerships

Ermin Ramón Mejia - Ermin has been involved with COOPEFACSA since 1993, receiving his first loan for 300 cordobas (around $45). He was able to set up a small ranch in 1994, which he has expanded since then. His most recent loan was used to purchase calves to expand his cattle operation. Photo by Zacary Smucker-Bryan

By John Schroder, WCCN Board Member

WCCN's mission is to create opportunities for access to microfinance, services and markets to improve the lives and communities of the working poor in Latin America. WCCN puts our mission into action by providing various forms of financing and technical assistance to thoughtful, hardworking and locally impactful Latin American partners whose mission and actions help the working poor improve their standard of living.

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Inside this edition

A Letter from WCCN's Executive Director

I always say that our partners in Latin America offer much more than just credit. This is true. But, recently some direct feedback from one of our microfinance partners in Nicaragua (COOPEFACSA) made me stop and think: WCCN offers more than just credit too. What WCCN offers comes from all of WCCN and its supporters, and is not exclusively from WCCN funding or staff.

WCCN supporters offer advice, technical expertise, outreach support, and engagement with the micro-borrower families and partner organizations in their countries. All of these combined efforts, together with funding support from WCCN, help build the WCCN partnership with these local community actors, micro-borrower businesses, farm enterprises and working poor families.

In this issue, you will read about how some of our staff and a volunteer Board member went to Nicaragua to help our partner organization, COOPEFACSA, build its capacity to manage risk for improved financial sustainability. You will read about WCCN's current challenges with our coffee value chain lending in Peru and how investors help us understand their perspective on what they weigh and balance when judging safety of lending with risk-taking for social impact. You will also hear from the award-winning photojournalist Michael Kienitz. Michael Kienitz is the man behind the camera that regularly donates his photography, time and talent to WCCN to give a voice and human face to those working poor persons and communities that are often otherwise overlooked and unheard. His photos on our website, in our office, our newsletters and our reports continue to help us tell the story about how social change is happening in the communities we serve, thanks to all of your support.

Our supporters represent a diverse mix of volunteers, donors, investors and advocates from many states and countries. It is up to us at WCCN to match and channel our human contributions appropriately to a specific partner organization or target community, when and where the opportunity to meet a specific need arises. And, hopefully, along the way, we call in a few new friends and supporters to help us grow the WCCN community. I like to think of it as introducing good people to other good people who carry out good deeds for a good cause. Who wouldn't want to be part of that?

Nancy J. Metzger

Nancy Metzger

WCCN Executive Director

When Times Are Tough, What Kind Of Partner Is WCCN?

By Nancy Metzger, WCCN Executive Director

Last year, WCCN embraced an opportunity to finance fair trade coffee value chain partners in Peru at a time when many other traditional lenders were turning away. Why were they turning away? La Roya coffee fungus was having damaging effects on Peruvian coffee across the country, creating uncertainties in both quantity and quality of fair trade and premium coffee. Yet, world demand for fair trade and premium coffee was dramatically up. The opportunity was there to help family farmers increase their incomes. Financing for the many small-scale coffee farmers and their cooperatives was not. But, at WCCN we are mission investors.

WCCN was approached for financing by seven coffee cooperatives in Peru last year. After on-site visits, financial analyses and due diligence interviews with six of the seven cooperatives, WCCN provided working capital loans to five of these partners, representing 11,000+ coffee farmers from more than 12 low-income rural communities. WCCN weighed the important mission of getting working capital into the hands of these 11,000+ family farmers, whose families' yearly income is dependent on the once-a-year coffee crop, with the business risk to WCCN and its investors.

Here is the good news: most of the coffee partners paid WCCN back in 2014, and 11,000+ coffee farmers, their families and communities are more food and income secure. Mission delivered!

Here is the bad news: two of WCCN's working capital loans were not paid back as scheduled in 2014 and both partners have requested more time for repayment. It is rare that WCCN has two troubled loans in one year, but this is the year of La Roya coffee fungus. We knew that. Unfortunately, it also means that WCCN financing of coffee value chain loans in Peru resulted in more income losses than gains in 2014 because expected loan repayments from both of these struggling coffee partners in 2014 were not collected. These loan collections will be delayed until 2015, 2016 and possibly even later if our Peruvian coffee partners can get back on their business feet again. WCCN is doing everything it can to help both of these struggling coffee partners in Peru as part of our commitment to small-scale family farmers. We are also working closely with these partners to determine how they will repay WCCN, while simultaneously achieving their business survival goals under a financial restructuring strategy that is realistic and doable in challenging times.

"Investing always involves risks, but for faith-based investors risk has a different definition than what the markets or banks define as risk. I invest in organizations like WCCN because they understand what the true risk is when providing financing to people who do not have the usual access to credit. I expect WCCN to have losses while weighing and properly managing the risks they take, but in 40 years I've never lost as much as others have when the market takes a downturn! And the few times I have lost money, I know folks have gained a job or home or business that they otherwise would not have had, so, to me, it is worth it."

- Sr. Corinne Florek, OP
Religious Communities Investment Fund

WCCN regularly faces these kinds of business challenges. Impact investing is usually a delicate balance of safe lending with responsible-risk taking for social impact. Partnership is not always easy. We know that. Nonetheless, WCCN strives to be a reliable partner at the moment it is most needed, often when there are few others willing to step up to the challenge. This is one of those moments. Thank you for being reliable supporters of WCCN. It means much to us and even more to those that depend on us.

This is your WCCN. If you wish to know more information about any of our loans to our community-based partners or about your investment in WCCN, please feel free to ask. We are happy to answer any questions. Contact Investor Relations Manager Zac Smucker-Bryan at zac@wccn.org or 608-257-7230.

A Witness to War and Microfinance

By Michael Kienitz, WCCN's Volunteer Photographer

Two of the most memorable experiences of my life happened in Nicaragua: I documented my first revolution and I documented my first microfinance borrower. In 2007 an article appeared in the local paper about my upcoming photographic exhibition and book entitled "Small Arms: Children of Conflict." The article mentioned that I was going to be traveling back to some of the countries I had visited at times of war to find the children I photographed decades earlier. It was at that point that former WCCN Board Member Gregg Johnson contacted me. Greg suggested that while in Nicaragua I could also do some photography for WCCN. When I met with WCCN staff, my first question was "what is microfinance?"

Jessica Maria Corea Gutierrez. Photo by Michael Kienitz

A few months later I was documenting my first borrower in Tipitapa, Nicaragua. Jessica Maria Corea Gutierrez is a marvelous woman who had been working in a sweatshop making jeans. She earned so little money working long hours far from home that her eight-year-old son could no longer attend school because she could not afford the supplies and clothing for him. Through a WCCN backed microfinance loan she started a candy making business out of her home, a thatched hut with dirt floor, and her son returned to school. She had never been photographed in her life.

Albertina Rodriguez Moncada. Photo by Michael Kienitz

Her story was so powerful, and since then I've listened and documented other poignant lives that have been transformed through microfinance. In Honduras, Albertina Rodriguez Moncada started a neighborhood tortilla business with a loan of just $16. In Ecuador, Flora Guaman, whose husband had died falling off the steep steps outside their home, makes 2,000 cement building blocks a day to keep her family and business prospering with the assistance of microfinance. In Nicaragua the Candio family bought their own house with a monthly mortgage payment

Michael Kienitz with microfinance borrower Alma Mercedes Ajcet Xōn and her baby Carlos Enrique.

Documenting the lives of microfinance borrowers gives me a perspective of the world quite different than when I was documenting war. Those who have suffered from war often experience a loss of what little empowerment they had. Microfinance borrowers feel empowered and are given the opportunity to improve their lives and the lives of their families through access to capital. I have witnessed the magnificent resilience and generosity from those who are the most impoverished in both documenting the devastating effects of war and in meeting microfinance borrowers.

"When I'm photographing borrowers I try to capture the person in their environment. I want the viewer of the photographs to be able to comprehend how they live and work. The photograph should transform the viewer in a way that allows them to more closely align themselves with the plight and hope of the borrower. The essence of my work is to communicate that despite their poverty, they still have a wonderfully rich and colorful cultural heritage fostered in part by access to microfinance."

-Michael Kienitz

of just $13 thanks to WCCN's support. In Peru an indigenous women's weaving cooperative grew from three women to over 40 in just a few years with a single loan.

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Katia Candio and her children in their new home. Photo by Michael Kienitz

Meeting Our Mission..., continued

If not done carefully, investing for social returns (impact investing) can be riskier than it should be. The repayment risk to WCCN, and in turn its own investors, can be high. WCCN is constantly working hard to identify local partners whose mission, operations, and history warrant assistance and demonstrate an ability to repay WCCN successfully. The identification process includes a thorough social and financial evaluation of local microfinance institutions and agriculture cooperatives serving working-poor communities.

How WCCN Ensures Positive Social Impact

WCCN staff and consultants visit potential partners to conduct a full financial and social impact analysis in order to ensure that the mission and vision of the organization are consistent with that of WCCN.

If the organization meets WCCN's established financial and social standards, a recommendation to provide funds and/or technical assistance is made to the Program Related Investments (PRI) Committee (of which I am the chair) and ultimately the Board of Directors. Once approved at the Board level, the partner will receive WCCN's assistance and embark on what is hoped to be a long-term relationship that includes consistent and thorough reporting, monitoring, and constructive feedback shared freely both ways about ways to better serve our respective missions.

Seeing Our Investments In Action

Recently, I had the great pleasure of assisting with a local evaluation and the financial capacity building of WCCN's partner COOPEFACSA in rural Nicaragua. It was an amazing experience on many levels. I was able to witness firsthand the great breadth and depth of the analysis that WCCN does in order to identify not only proper use of WCCN funds, but also a partner's willingness and ability to collect and repay those funds to WCCN. The knowledge gained will help me evaluate credit requests as I continue to chair WCCN's PRI Committee.

The visit made me reflect upon times when I was a Peace Corps Volunteer working in Costa Rica (1996-98) as a Small Business Consultant. I had wondered about the nonprofit development organizations and impact investors that made loans

WCCN and COOPEFACSA In a Cocoa Field – From left to right: John Schroder, WCCN Board Member; Moisés Obando López, COOPEFACSA Board President; Martin Slough, WCCN Senior Credit Advisor; Francisco Barquero, WCCN Director of Operations, Latin America; and Zacary Smucker-Bryan, WCCN Investor Relations and Communications Manager. This photo was taken in the cocoa field of one of COOPEFACSA's members. Photo courtesy of Zacary Smucker-Bryan and gave donations to the underserved business communities in which I was working. I was curious as to who these organizations were and how they located the impoverished Costa Ricans they were dedicated to serve. I wondered how they could know where to provide funds, how much to provide, and then how to monitor the repayment and use of those funds. It was puzzling to me and I never fully understood the process and flow of those development dollars.

Fast forward to 2011 when I first learned about WCCN.

WCCN turned out to be exactly the kind of impact investment organization that I had struggled to understand. I finally got my golden opportunity to see how organizations like WCCN identify, investigate, fund, and monitor the dollars that flow to the underserved men and women in Latin America (WCCN dollars currently assist as many as 31,000 micro-borrowers in 6 countries in Central and South America). Not surprisingly, my suspicions were confirmed and there is no facet of impact investing that is easy! It takes a lot of hard work and many hours of monitoring to successfully avoid the many pitfalls along the way, but it is really worth the effort as the effect on the daily lives and the families of the working poor is nothing short of amazing.

Meeting Our Mission and Meeting The Borrowers

During my recent trip to Nicaragua, I could see the impact of capacity building that WCCN provides to our partners. WCCN visits to local partners are a great opportunity to uncover partner needs and provide focused assistance. Over the course of our meetings with COOPEFACSA's management I watched as our credit team uncovered various areas of need and then worked to provide practical information and assistance to strengthen those areas. Assistance given at those meetings was related to analyzing the interest rates COOPEFACSA charges to their borrowers, interest rate hedging, financial statement reporting, management structure, poverty measurement techniques and SWOT analysis. The SWOT analysis and poverty measurements techniques were particularly timely topics, as the management had recently been searching for new ways to further assist their members and at the same time strengthen their own organization's position within the community.

Finally, during my visit I was able to follow the flow of WCCN funds to their ultimate destination by visiting a few of the local borrowers. Borrowers use WCCN funds for various income-generating activities including food preparation and sales at bus stops, used

Miguel Jesús Paredes - Miguel is a 71 year old farmer and rancher in Los Pintos in Nueva Guinea and has been a member/receiving credit from COOPEFACSA since 1996. His most recent loan is for starting a sharecropping operation with coffee fields. COOPEFACSA has also helped provide for his savings and insurance in addition to a micro-loan. Access to credit has provided him the opportunity to increase his business income and have a better education for his children. Photo by Zacary Smucker-Bryan

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Meeting Our Mission..., continued

clothing sales at the local market, snack preparation for sale on buses and at stores, and farming of cacao and coffee. It was wonderful to see so many members of the community generating their own income with the assistance of the working capital provided by COOPEFACSA and WCCN. It was obvious that they were making a huge impact in their community.

As we left one of the meetings, a comment made by the COOPEFACSA's President solidified my belief that WCCN is positively different from the many other existing impact investors. He told me that WCCN does not simply show up to execute our analysis and then leave the partner behind to wait for a decision, as some other organizations do. We include the partner during the analysis and provide ample opportunities for the sharing and passing of information. We listen to their suggestions on ways to improve our operations. He voiced that our process betters both the partner's operations and service to their members. This rewarding and heartfelt comment topped off an in-person experience that only reinforced what I already knew about WCCN: our mission is successfully carried out due to great teamwork, proper investigative and analytical research, our wonderful supporters, and the hard-working groups that we partner with. The lasting impact goes beyond the statistics and numbers, and the effects are more profound and far-reaching than one might imagine.

Thanks to your generous online support, WCCN was able to provide a lower-cost loan and capacity building to COOPEFACSA.

To learn more, visit: http://goto.gg/18615.

Guatemala Study Tour: July 11-18th, 2015

Join WCCN as we travel to Guatemala to meet microfinance borrowers working and living in Mayan villages in the Guatemalan highlands. We will learn about the history, dreams and unique struggles of the indigenous Mayan as they work to maintain their language, culture, and achieve economic self-sufficiency in the 21st century. Throughout the tour you will have the opportunity to speak to families and small business owners who directly benefit from WCCN's Capital for Communities Fund. You will see how microfinance borrowers are breaking the cycle of poverty.

Fee: $2,400. The fee includes seven nights, double-occupancy lodging in superior quality hotels (subject to availability), 3 meals per day, bi-lingual trip leaders throughout trip, interpretation, airport transfers within Guatemala, ground transportation, honoraria for speakers and logistical planning services. International airfare to Guatemala City is not included.

Participant Deposit: $500 deposit is required of each participant at the time of registration to reserve space

Early Bird Discount: Save $75 off regular Registration Fee if registration is completed and deposit received by April 17.

Single Occupancy Supplement: Add $435 for a single room (subject to availability)

Registration Deadline: May 8th.

Please contact Jeanne at **Jeanne@wccn.org** or **608-257-7230** to let her know you are interested.

The trip requires a minimum of 8 participants.

WCCN Launches a New Pilot Impact Measurement Program

By Zacary Smucker-Bryan, WCCN Investor Relations and Communications Manager

WCCN staff and volunteers currently collect a great deal of information from our partner agencies (both pre- and post- investment) in order to better understand if our activities are meeting our mission. We look at all of our partners and our collective social impact, including the numbers of women and rural borrowers served, pounds of fair trade coffee financed, and average loan size to micro-borrowers. In addition, we visit our partners regularly to monitor progress of individual micro-borrowers and farmers as well as document how access to credit has positively impacted their lives.

WCCN is implementing a new impact measurement initiative to further help our community understand whether or not we are meeting our mission and moving people out of poverty. This will be accomplished through the a survey of a large, random sample of each partner's borrowers or members, repeated once a year. In this way WCCN will be able to systematically track the positive progress of its activities over time.

This survey includes questions WCCN staff designed to establish what services and opportunities are now available to the people we serve, and questions from the Progress out of Poverty Index (PPI). The PPI is a widely used tool developed by the Grameen Foundation to measure if the services provided are moving people out of poverty. Some of these questions from WCCN's survey include:

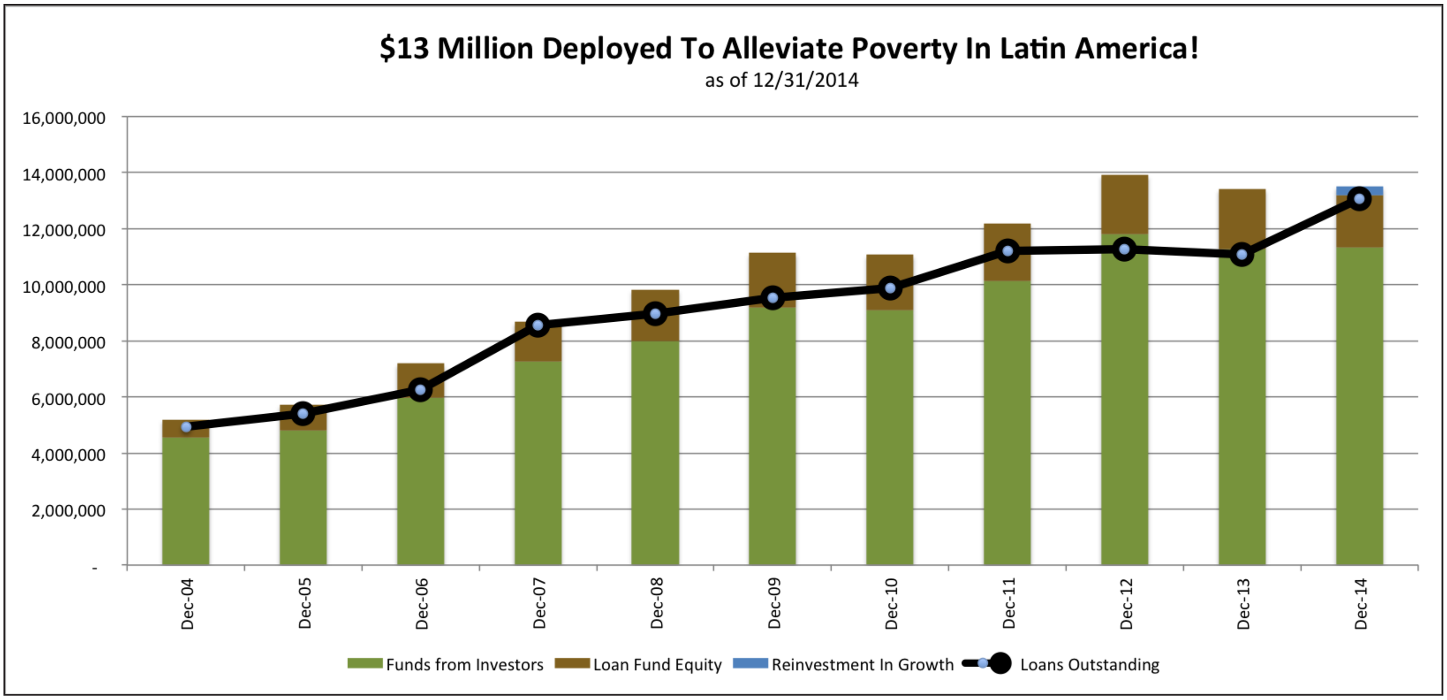
- Did you receive financial literacy or business training as part of your loan?
- Are your children able to read and write?
- What kinds of sanitation services (latrines, running water) do you have for your house?
- Do you have a more positive view of the future?

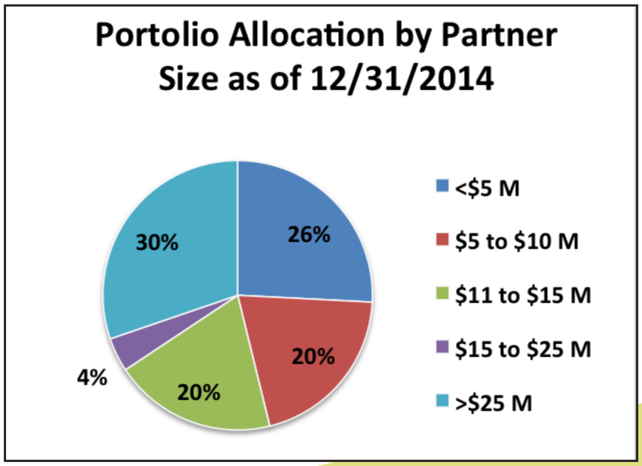
Dr. Francisco Barquero, WCCN's Director of Operations, Latin America, recently implemented a pilot of the survey with micro-borrowers of WCCN partner agency COOPEFACSA. Loan officers and staff that provide educational services to the borrowers attended all interviews for the pilot. As part of WCCN's commitment to providing more than just financing for its partners, COOPEFACSA staff will be trained by Dr. Barquero on how to conduct the survey themselves. WCCN will begin to initiate this survey with other partners as well and is looking forward to measuring and learning about the impact of WCCN and our partners so we can better serve the working poor of Latin America.

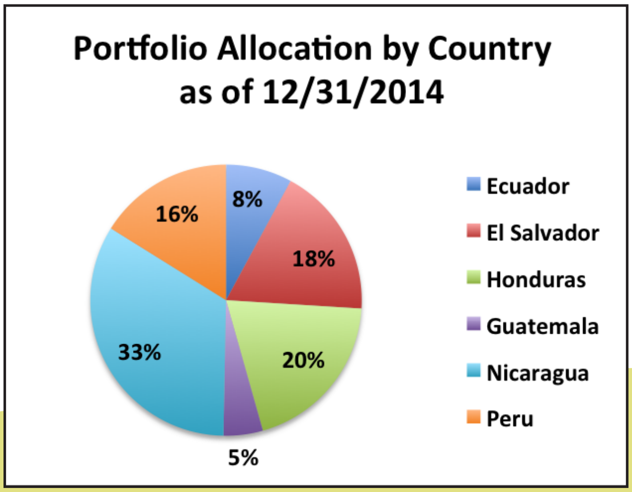
For more information about the PPI, visit www.progressoutofpoverty.org.

Francisco Barquero, WCCN Director of Operations, Latin America, asks questions from WCCN's pilot impact measurement program. Photo by Zacary Smucker-Bryan

WCCN's Loan Fund Portfolio:
$102 Million Invested Since 1991







Borrower Profile: Miriam Morales, COOPEFACSA

By Zacary Smucker-Bryan, Investor Relations and Communications Manager

Miriam sells clothes as well as cream and cuajada, a type of cheese, in order to make a living. Her current loan with COOPEFACSA is for $384 dollars for expanding her cheese-making business. In addition to loans, she has received business training and seen the positive effect of credit on her community. Miriam feels that more people in her community are able to open businesses because of microcredit. She wants to use her next loan to build an oven so that she can open a bakery to make bread and rosquilla, a type of donut. She has used previous loans from COOPEFACSA to build her new house with a concrete rather than a dirt floor and add a better bathroom. This has greatly improved her and her children's health, as they are not sick as frequently.

Miriam Luciana Morales. Photo by Zacary Smucker-Bryan

Yes, I want to make a gift to WCCN!

Please fill out this form and mail it to
WCCN, 517 N. Segoe Road, Suite 209, Madison, WI 53705

Name

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Phone (day) (evening)

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☐ I would like to pledge $__________ every month/quarter (please circle one). Please send me a reminder.

☐ I have enclosed $________ as a tax-deductible donation to support the work of WCCN. I would like to designate my gift to:

☐ **The Capital for Communities Fund**

☐ **Where most needed**

☐ **I am interested in making a planned gift to WCCN. Please contact me.**

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More details inside on page 8!

Photo by Michael Kienitz