

CEPRODEL Financial Summary

A complete set of SOSTENICA and CEPRODEL Financial Statements is available at www.sostenica.org

The first half of 2010 has been something of a roller coaster for Nicaragua, and with it, for SosteNica. Our partner CEPRODEL has voluntarily set aside ever larger portions of their net assets, nearly \$1 million dollars, to protect and guarantee outstanding loans with some arrearages. In previous newsletters we have reported on the challenges facing us -- economic, political, climatic. While those issues persist, we see financial progress being made. In July, CEPRODEL reported a profitable month, with more borrowers finding their way out of the beef market situation caused by the overthrow of President Zelaya in Honduras months ago. August saw a second profitable month for CEPRODEL, rebuilding net assets and reducing arrearages and with them loan loss set asides. At the same time, the political solution to the "No Pago" movement, brokered by President Ortega has begun to show signs of thawing the economic freeze imposed on the micro-lending sector.

Even as the financial trends began to show signs of positive movement, the social impacts of our innovative programming were deserving of the name SosteNica (Sustainable Development Fund of Nicaragua). More than \$3 million dollars worth of credit were extended to 4,317 low income borrowers. The average micro-loan was just under \$775 dollars. Our model reforestation project grew to include a total of 33 families in the village of Nagarote, with proposed plans to extend the model to 15 more communities. A package of subsidized credit is being prepared for rural borrowers who wish to dig more deeply into sustainable practices. Some of those practices include: solar electric fencing, solar panels, soil conservation projects, rain water harvesting, fuel efficient stoves, composting toilets, bio-gas digestors, potable water filters, solar herb and grain dehydrator, metal silos for seed and grain storage, bee hives, edible-fish tanks, living fence lines and gray water treatment systems. Many of these may be eligible for in-kind repayment as an alternative to cash.

Alan Wright, President

	08/31/10	07/31/10	06/30/10	12/31/09
Assets				
Cash and Bank Deposits	1,237,631	1,256,639	1,317,447	1,325,360
Loan Portfolio	8,813,789	8,932,294	9,078,327	9,675,716
Less Loan Loss Reserve	(1,930,320)	(1,953,173)	(1,958,017)	(1,151,604)
Interest and Commissions	1,436,222	1,391,963	1,339,581	1,183,754
Other Assets	1,428,741	1,440,683	1,444,992	1,402,379
Total Assets	10,986,063	11,068,406	11,222,330	12,435,605
Liabilities				
Notes Payable	9,243,858	9,402,374	9,587,173	9,781,382
Other Liabilities	1,129,184	1,063,165	1,034,834	1,076,838
Total Liabilities	10,373,042	10,465,539	10,622,007	10,858,220
Net Assets	613,021	602,867	600,323	1,577,385
Total Liabilities and Net Assets	10,986,063	11,068,406	11,222,330	12,435,605
Number of Active Clients	10,049	10,164	10,273	10,988
Portfolio at Risk	26.27%	26.73%	25.44%	13.36%

SOSTENICA 1019 Ashley Rd West Chester PA 19382 · 610-399-5228 · info@sostenica.org

Please visit us at our new website www.sostenica.org and on Facebook



SOSTENICA Update

Sustainable Development Fund of Nicaragua

Fall 2010

From the President

It's SOSTENICA's birthday! Let's pop the cork. There is much to celebrate, even as there remains much exciting still on the horizon. Exactly 20 years ago we extended our first micro-loan to women weavers in León, Nicaragua. Today, a younger generation of weavers are keeping this handicraft alive. Without their original 1990 loan of \$500 this small cooperative could not have reenergized itself. But today, two decades later, thanks to their hard work, access to credit and training, these women are developing new products for new markets.

During our first decade (1990-2000), SOSTENICA operated as a program, under the generous protective umbrella of the New Haven/León Sister City Project. At the adolescent age of 10, SOSTENICA went independent, incorporating in the state of Pennsylvania, and gaining 501(c)(3) recognition from the IRS. Soon, we will turn ten – again – our second ten, this time as an independent MFI (Micro-Finance Institution) with thousands of success stories not unlike that of the women's weaving cooperative.

At our recent meeting of the Board, we posed the question: "How shall we celebrate our 10th anniversary as a stand alone non-profit?" Director Rev. Mich Zeman answered the question with typical bravado – "When we turn ten, we recommit to the mission by challenging ourselves to increase both the size of our loan portfolio and the number of our investors by 10%!" The motion was seconded and approved by a unanimous vote. Now we need your help. Those of you who have been fans of SosteNica but have not yet invested, now is a great time to join. Your support will help many underserved Nicaraguan farmers and small business people and you will help the Board

realize its goal of growing the fund, even amidst a recession. To our current investors, we pose a challenge -- increase your current investment by 10%? If your investment is for \$2,000, it would mean adding an additional \$200. For those with \$50,000 invested, it means an additional \$5,000 to support the work we have begun together. Join the celebration, recommit to the good work.

Part of our enthusiasm for future prospects relates to training. In recent years, SosteNica has dedicated resources to training key decision-makers in cutting edge agro-ecology, permaculture and food forestry. Our most recent success in this regard will be to have trained our very top Nicaraguan leaders (CEO, CFO, President) at CEPRODEL. We will spend one week intensively studying the most innovative technologies to guarantee for our borrowers food security, economic well being, and environmental progress. We will even consider expanding our methods of accounting to validate and value such progress as greater forest cover, improved water flow and healthier soil on a farmer's land. Whereas traditional accounting only recognizes cash values when calculating a farmer's bottom line, we plan to inventory and track farmers' progress in reforestation, expanded orchards, number of perennial food crops and so forth. A farmer who can see that the assets of the farm are growing, over time, contributing to a higher quality of life, will recognize that his or her efforts are paying off in non-monetary ways even more valuable than the accumulation of mere Córdobas.

So help us celebrate turning 10/20 by throwing yourself behind these hardworking Nicaraguans. It's likely to be the best investment you ever make.

Alan Wright, President

Notes From Nicaragua by Rachel Lindsay

SosteNica's pilot Reforestation Project is well into its second year and busy accomplishing a whole lot more than just planting trees in Nagarote. The project links credit, reforestation, and education in a unique way that connects individual farmers with each other and with important government and university resources. This past May we added 12 new participants, and distributed 11,260 hardwood trees to them and to participants who lost a portion of their trees in last year's drought. We also have five enthusiastic interns from the senior class of the Agroecology Department at the National Autonomous University who are helping to map out the tree plantings and work with farmers to design, to prepare land, and to plan for future soil conservation work on their individual farms.

Passing on the Plantains

Last August, project participant Santiago Sabino Sanchez and his family received 300 plantain corms, or bulbs, which they planted between his rows of citrus trees. They dug long ditches to irrigate both kinds of trees, and the squash and melons they planted at the base of the trees. The "musaceae" family of plants, which include plantains and bananas, require large amounts of water to produce their heavy head of fruit. When they are well irrigated and fertilized, a musaceae corm will germinate and grow quickly, producing a head of fruit in only eight months. Unlike many agricultural crops, plantains and bananas do not reproduce through seed. When a plantain or banana plant begins to flower, genetically identical sprouts shoot up around the base of the original plant. These clones are called hijos, the word for children in Spanish. One plant can produce up to eleven hijos, which then need to be thinned in order for the plants to have enough sunlight and nutrients to produce a good harvest. Musaceae plants only produce fruit once; they are cut back afterward to allow the hijos space to grow.

The participants that receive plantain corms agree that when their plants begin producing fruit and hijos, they will repay the "loan" of corms by returning the same number to the project for another borrower to plant.



Santiago Sabino Sanchez Zapata and his wife Petronila Marenco with their daughter and granddaughter.

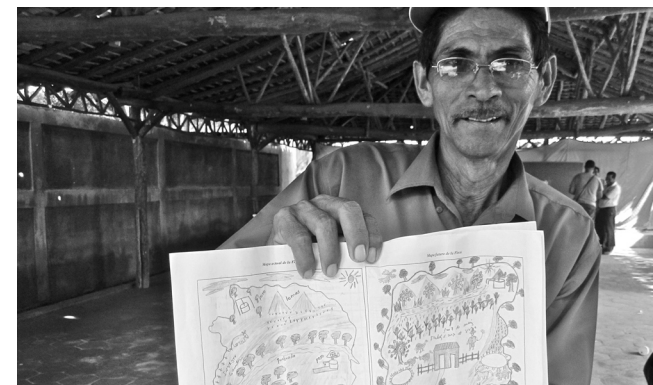
By July of this year Santiago and his family had grown a forest of plantains and citrus trees. Their plot has produced over 1500 corms, and he has already repaid his loan by passing on corms to borrowers Donal Severino Picón Carrión and Santos Lidermo Arteaga Zapata, who each arrived at Santiago's farm to see his plantation and help harvest their corms. Santiago says he never dreamed the 300 initial plantains would be so productive, and after planting another 300 to double the size of his own orchard, he began to sell corms to nearby farmers and give them to relatives. The fruit and hardwood trees, which grow much more slowly, will begin to fruit within 1-3 years, when the farmers will be able to pass along seedlings in the same way. Our dream is that this sustainability project itself will itself become self-sustaining like the musaceae plant, and clone itself through the creation of new community connections among the farmers and the sharing of corms and seedlings.

Planning Ahead

SOSTENICA borrowers that chose to participate in the reforestation project are invited to workshops where the financial officers of CEPRODEL along with university professors work individually and in small groups with each farmer to create five-year farm development plans. The plans may include labor intensive projects, such as digging ditches for irrigation or ponds for water retention, along with projects that require financial resources such as purchasing irrigation equipment and fencing. The aim is to help the farmers to achieve a balance

between labor, debt, and use of natural resources to create realistic goals for strengthening the economic and environmental sustainability of their farms.

Each of the farmers are encouraged to bring a member of their family to the workshops. Fieldtrips are arranged for each workshop so that farmers can see new crops and technologies applied, and better envision how to apply them on their own farms. The workshops are taught by University professors from the Agroecology Department of the National Autonomous University, and by CEPRODEL staff. In addition to making new technologies and resources available to the borrowers, the workshops bring producers from across the region together in a conversation about sustainability. Farmers who didn't know each other a year ago are now coming together with produce and seeds to swap and advice for each other.



Erasmo Antonio Perez Salazar shows the farm maps and future designs that he created with his grandchildren.

Housing projects

SOSTENICA's partner organization CEPRODEL is dedicated to providing dignified affordable housing to lower income Nicaraguans. As we wrote in the Spring 2010 Newsletter, SosteNica has supported CEPRODEL in their housing work by bringing three of CEPRODEL'S central housing planners to sustainability workshops in Mexico to learn about sustainable housing construction. Recently SosteNica has brought Viviendas León, a non-profit that is a long time friend, on board as well. Viviendas León has been working in the León region since 2003, building schools, community centers, and houses out of rammed earth and other auto-construction methods.

They work principally with schools and universities in the US, organizing exchange trips and class projects around building sites in Nicaragua.

In May, SOSTENICA, CEPRODEL and Viviendas León met together and found many ways that the three organizations could work together to support our borrowers. SosteNica contributes networking and funding, and leads with a strong vision of community building and environmental sustainability. CEPRODEL offers the relationships with individual borrowers, housing cooperatives and land they have financed. Viviendas León puts in a whole class of architecture students at the University of San Francisco. The result - the plans for a new commercial center on land communally owned by a housing cooperative in León. The architecture students will spend this semester designing a multi-use space for members of the Juntando Manos housing cooperative in León to facilitate business and community events. The housing cooperative is located in the outskirts of the city in an area that is quickly developing. The complex will have designated areas for food preparation, small industry such as tailor shops, retail space, a cyber cafe, and a conference room, and will integrate green space for food production or sports recreation. The members of the housing cooperative will be able to use the multi-use space to generate employment and income for the cooperative members, and as that area of the city develops it is well positioned to become an important social and commercial center.



Evan Markiewicz (Viviendas Leon) with Miguel Gonzalez and Carolina Arroglia (CEPRODEL) and the owner of the house in the Juntando las Manos Cooperative in León.