



# ANNUAL REPORT 2020

alterfin 



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Chamroeun, Siem Reap, Cambodia

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# 1 FOREWORD

Dear readers,

As you read this annual report, COVID-19 continues to transform our daily lives and have a lasting impact on our society. Of course, our thoughts are with the victims of this pandemic, along with the medical staff and the essential workers who have shown utmost dedication and courage. Our thoughts are also with every disadvantaged community, particularly those funded by **Alterfin** in Africa, Asia, and Latin America. Microentrepreneurs and their families are among those who are most at risk of hardship and deprivation and can rarely rely on local authorities for support.

Throughout 2020, **Alterfin's** team redoubled its efforts to carry out a complex undertaking: supporting our partners while cautiously managing our own risks. Given the circumstances, our net income of EUR 414,943 is remarkable.

Lockdowns and other drastic measures to reduce the impact of the pandemic have led many citizens to reflect on and question the merits of the societal model in which we live.

Despite devastating fires, floods, more powerful and more frequent storms, pervasive pollution, undeniable climate change, and other phenomena threatening future generations, our society remains largely unaware of these signs of the unbalanced relationship between people and the environment. Many people have preferred to focus on short-term profits, remaining rather indifferent to any attempts to raise awareness.

We can conclude from the COVID-19 pandemic that:

- › this pandemic is closely linked to the unsustainability of our societal model;
- › we can no longer afford to delay and must act now;
- › we must all act together in view of the magnitude of the problems;
- › this action will be triggered by individuals rather than governments.

For 26 years now, **Alterfin** has provided an alternative and sustainable model to counter the dominant societal model. Today, our cooperative has more than 6,000 members who have never been more conscious that a breakthrough is needed and are proud to be ambassadors of this change.

Thank you for your trust.

“

*Our cooperative has more than 6,000 members who have never been more conscious that a breakthrough is needed and are proud to be ambassadors of this change.*

”

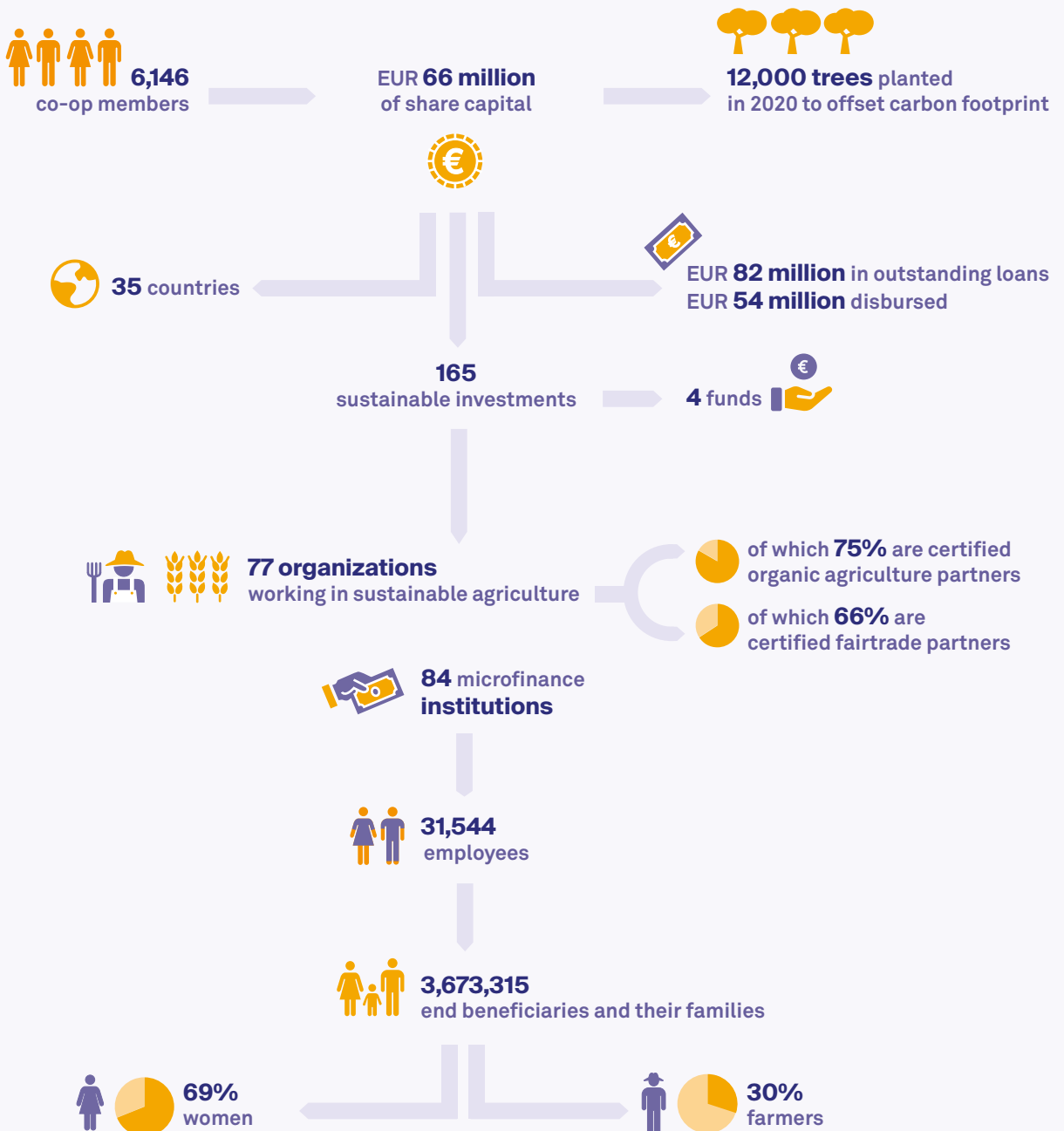


Jean-Marc Debricon  
General Manager



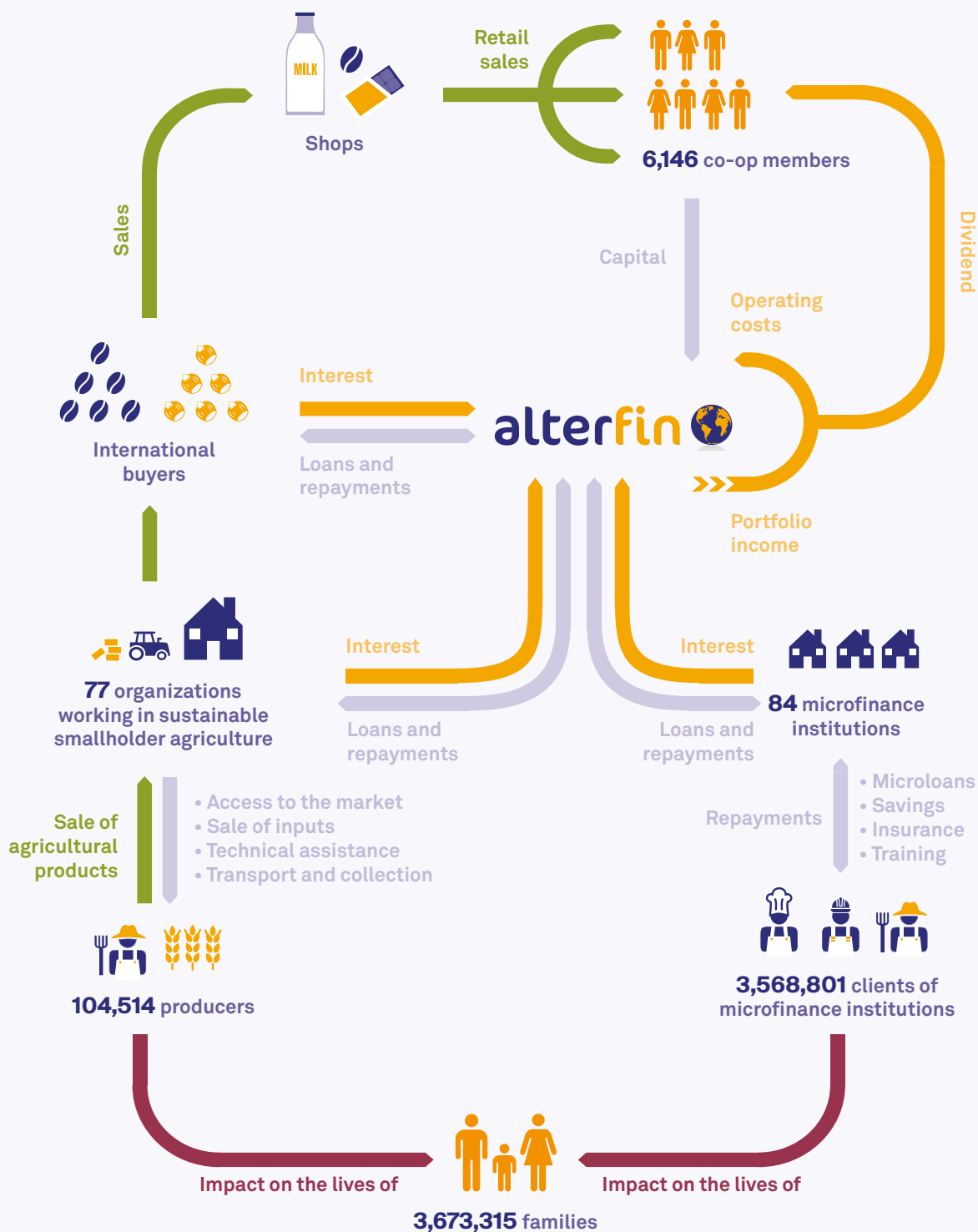
# ALTERFIN AT A GLANCE

## KEY FIGURES





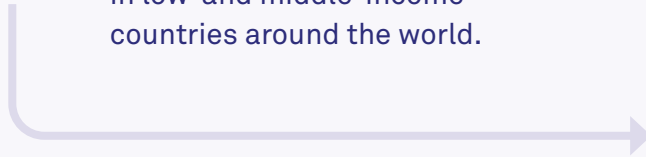
## FUNDS FLOW & IMPACT





# MISSION

**Alterfin's** goal is to improve the livelihoods and living conditions of socially and economically disadvantaged people and communities, predominantly in rural areas in low-and middle-income countries around the world.





In order to achieve this goal, Alterfin provides financial and non-financial services to its partners by:

1

Raising funds, mainly from individual investors and socially responsible institutions

2

Structuring and promoting ethical and sustainable investments

3

Networking with like-minded organizations

By doing so, Alterfin contributes to the United Nations Sustainable Development Goals.

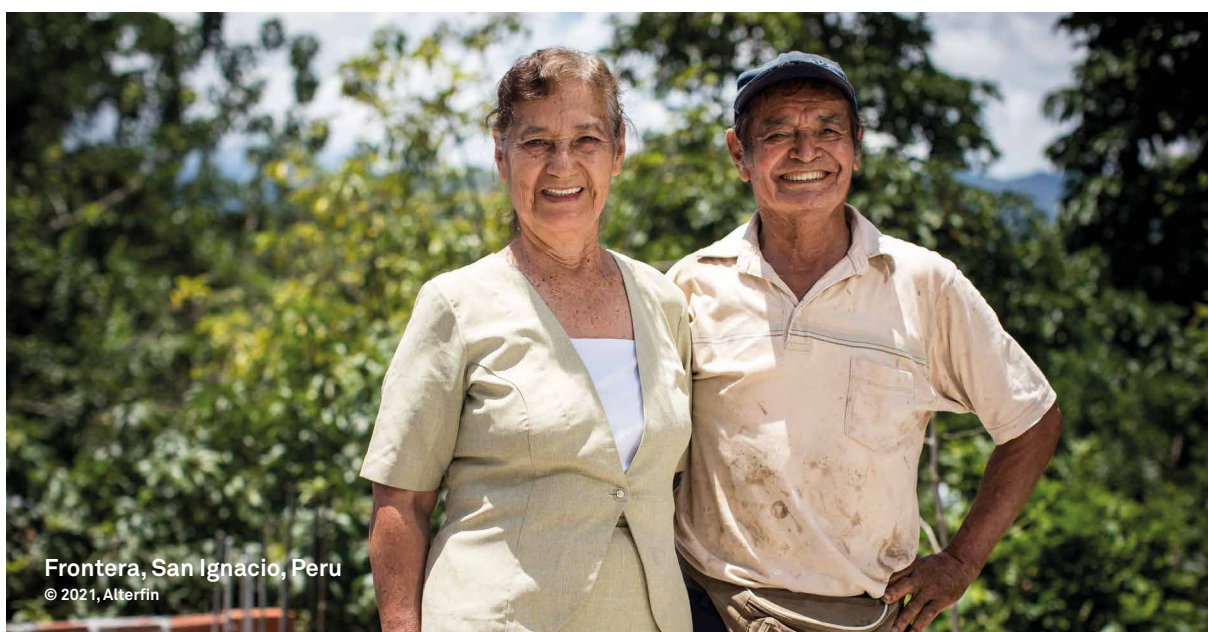
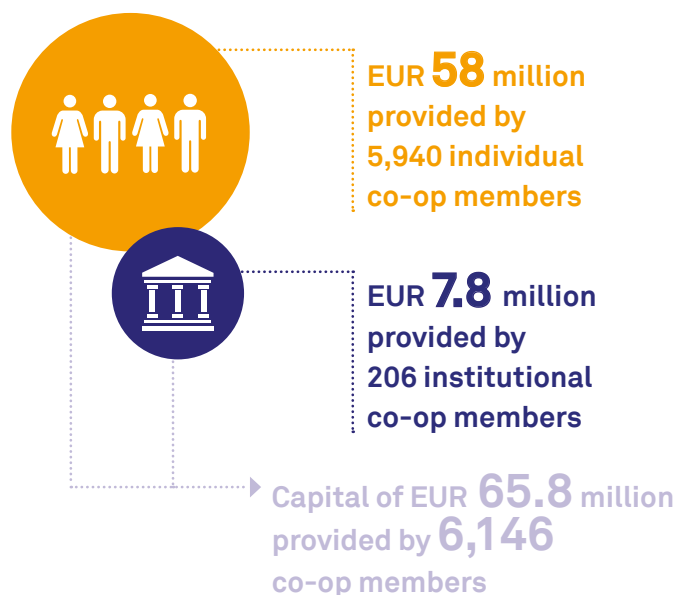
# 3

## OUR SOLIDARY CO-OP MEMBERS

On December 31, 2020, **Alterfin** had 6,146 co-op members providing a total capital of EUR 65,832,187.50. Individual co-op members account for 88% of this capital; the remaining 12% is held by institutional co-op members. An individual co-op member invests an average of EUR 10,000 with **Alterfin**, while the average investment of an institutional co-op member is EUR 38,000. The net increase in capital in 2020 was EUR 1,302,312.50.

In 2020, we welcomed 249 new members to our cooperative. All members of our cooperative want to create a fair and more sustainable world, by making resources available to our partners for a stronger social and environmental impact.

### BREAKDOWN OF ALTERFIN'S CAPITAL BY CO-OP MEMBER TYPE



Frontera, San Ignacio, Peru  
© 2021, Alterfin



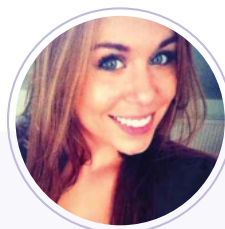
## TESTIMONIALS FROM OUR CO-OP MEMBERS

Below, some of the people who joined our cooperative in 2020 explain their decision to invest in **Alterfin**:



**JEAN-FRANÇOIS DAMAS**

"It's vitally important for my financial investment to be meaningful. I really feel that this money can change the life of an individual or a community somewhere in the world. Since the pandemic is unfortunately unlikely to reduce social and financial inequalities, micro-investments are proving to be very useful. Recently I read Muhammad Yunus' book, 'Creating A World Without Poverty', which provides a precise description of microcredit's incredible development potential and the role that women play in it."



**MARGAUX HORN**

"I see my investment in **Alterfin** as an alternative to a traditional savings account. I chose **Alterfin** to be sure that my money would be used ethically, I don't want to finance projects I didn't agree with. It's a win-win: an attractive investment that specifically helps disadvantaged people. In difficult times, as we're seeing with the coronavirus pandemic, it really makes sense to adopt a different way of using resources to support developing countries."



**LUK FABRY**

"My wife and I both volunteer for Oxfam, so we're aware of the problems of financing projects, cooperatives, and producers in developing countries. We had been thinking about sustainable and ethical investments for a long time, so we decided to invest in **Alterfin** shares. The social and environmental impact of each investment is analyzed locally, and that's valuable. Every thousand euros that we make available to **Alterfin** can make a real difference to people in developing countries. In the meantime, our children have also become co-op members. So now we're all in this together as a family. Who knows, maybe even our grandchildren will join us one day."



**MARIE JEANNE VANTUYKOM**

"For 15 years now, I've been involved in a project in Mali to empower the local population; the last stage of the project was the introduction of sustainable and family-run agriculture. This project sparked my interest in different forms of cooperatives, **sustainable agriculture**, and **microfinance**. In addition, I spent a long time looking for a meaningful investment for my savings. Long-term investments with big banks don't appeal to me, their commitment to sustainability doesn't go far enough. I'm willing to take risks when the cause seems worthwhile; my goal isn't just to see my money grow. I want to believe in a society of solidarity between the Global North and the Global South. **Alterfin's** mission and commitment really reflect this belief."

# 4

## TEAM, GOVERNANCE & EXPERTS



6,146  
CO-OP MEMBERS



BOARD  
OF DIRECTORS

GENERAL MANAGER



Jean-Marc

### INVESTMENT COMMITTEE

#### ADVISORS



Hugo



Mauricio



Saul

#### HEAD OF INVESTMENTS



Caterina

#### SOCIAL & ENVIRONMENTAL IMPACT MANAGER



Pierre

#### PORTFOLIO ANALYSIS & MONITORING



Louis



Irène



Ricardo

#### INVESTMENT MANAGERS



Jennifer



Ulan



Steven



Njeri



Michael



Barbara



Bernard



Nilton



Flavio



Alex



Virgilio

#### HEAD OF FINANCE & ADMINISTRATION



Audrey

#### FINANCE & ACCOUNTING



Jan



Julie



Joaquín

#### CREDIT ADMINISTRATION



Marie



Sofie

#### HUMAN RESOURCES



Loes

#### IT



Pascal



Ramprasad

#### MARKETING & COMMUNICATION



Lise



Alessandra

#### ADMINISTRATION



Mireille

#### LEGAL DEPARTMENT



Laetitia



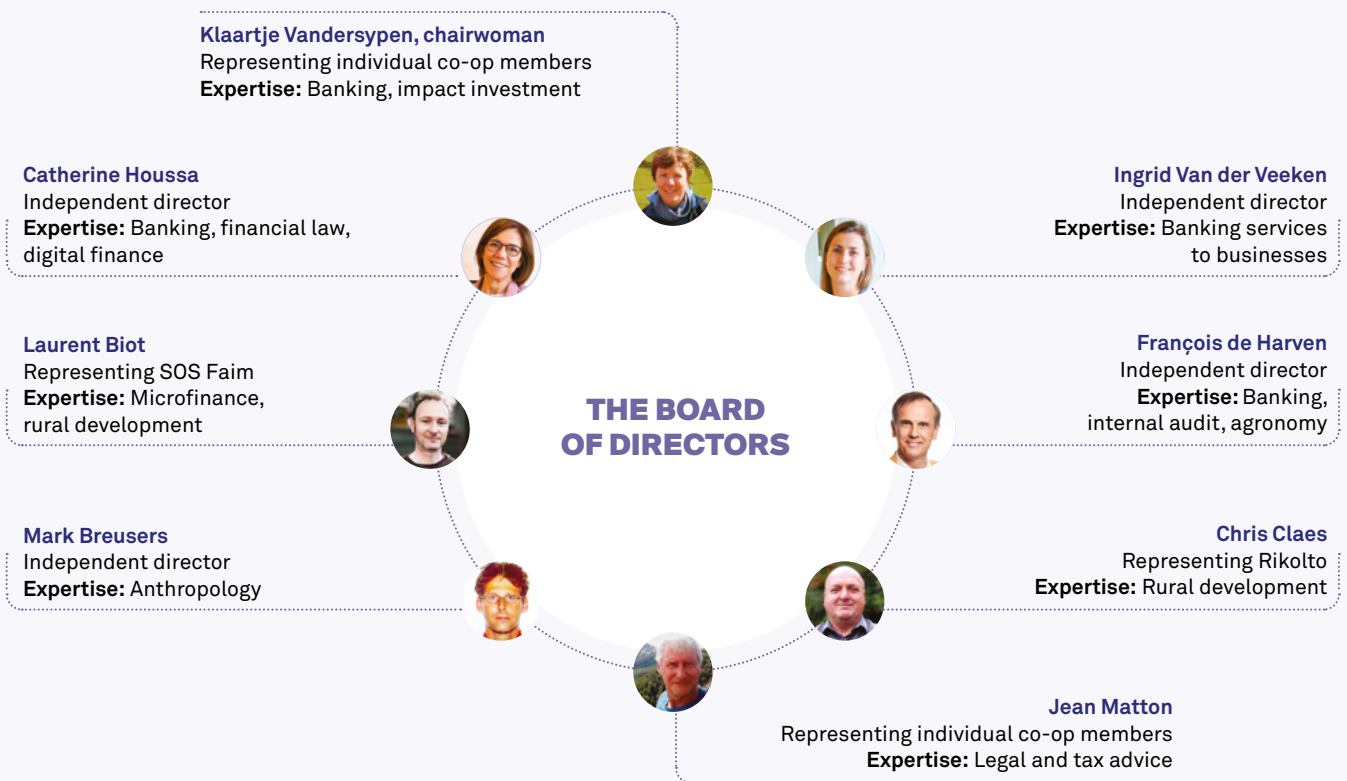
Maïté

### ALTERFIN ORGANIZATIONAL CHART

Over the past year, the **Alterfin** team grew from 31 to 32 members, based mainly in Brussels but also in Peru, Bolivia, Honduras, Kenya, and Kyrgyzstan.

Since the beginning of the pandemic in March, our main focus has been on ensuring the safety of all staff, both in Europe and in the field. This is why **Alterfin's** teams have primarily worked from home, keeping in touch via email and video calls.





**Alterfin's Investment Committee (IC)** is responsible for the final approval of any investment. The unique combination of its members' development and financial expertise is one of the cooperative's strengths. The IC has the necessary experience and know-how to provide a thorough assessment of any financing application, from a sustainable, operational, social and ecological point of view. The members of the IC are appointed by **Alterfin's** board of directors. External members vote on investment decisions relating to new partners or transactions in excess of USD 1 million. All investment decisions made by the IC require unanimity.

# 5 OUR CARBON FOOTPRINT

As an impact investor seeking to achieve positive social and environmental change around the world, **Alterfin** is committed to adopting a sustainable approach in its day-to-day operations. Because of this, we decided in May 2019 to move to the Mundo-Madou building complex, designed with the aim of minimizing environmental impact. Thanks to the choice of the energy supplier and the installation of solar panels, the energy used is 100% renewable.

The consumption of water and energy is reduced thanks to the installation of efficient water and lighting systems. We also use fair trade products, sort our waste, and choose recycled paper and ecological cleaning products. It should also be noted that all **Alterfin** employees are doing their part by opting for 'soft mobility' by using public transport, cycling or walking.

## ANNUAL CO<sub>2</sub> EMISSIONS PER FULL-TIME EQUIVALENT EMPLOYEE

Emissions per person employed by **Alterfin** (full-time equivalent) are largely dependent on air travel by investment officers.





In view of the COVID-19 pandemic in 2020 and its associated lockdowns and travel restrictions, emissions related to office energy use and employee travel decreased significantly. Normally, CO<sub>2</sub> emissions are largely dependent on flights taken by investment managers. However, since March 2020, following the suspension of visits to our partners, emissions relating to travel have fallen sharply.

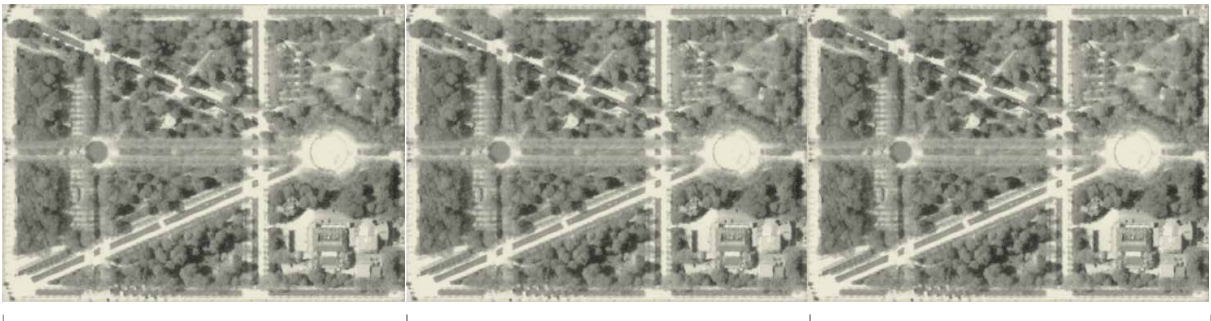
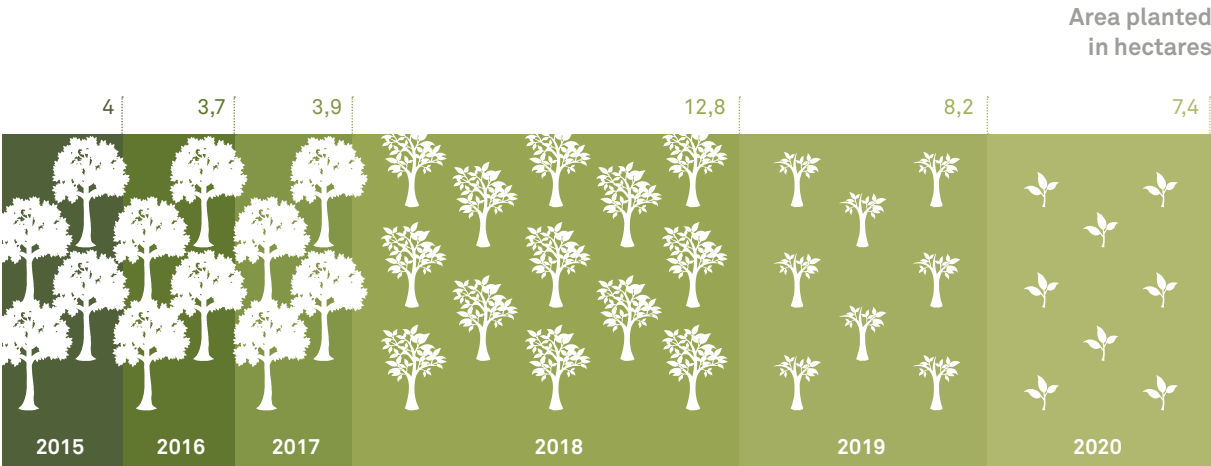
To offset its carbon footprint, **Alterfin** developed a partnership in 2015 with Acopagro, a cooperative of cocoa producers in the San Martin region of northern Peru. Through this partnership, we finance the annual planting of trees on the land of producers who are members of the cooperative. These plantations



capture a volume of CO<sub>2</sub> equivalent to our emissions of the previous year. In 2020, we planted a total of 12,000 trees to offset our 2019 emissions.

## OFFSETTING CO<sub>2</sub> EMISSIONS

**Alterfin** has had 53,592 trees planted since 2015. This represents an area equivalent to 40 hectares, more than three times the size of the Parc de Bruxelles (Warandepark). The trees are planted on the land of 51 producers in seven communities.



# PARTNERSHIPS FOR ACHIEVING OUR GOALS



More than ever, strong partnerships were fundamental in achieving **Alterfin's** objectives in 2020 and in protecting **Alterfin's** 165 partners in 35 countries during the COVID-19 pandemic. **Alterfin** is committed to initiatives that work on a daily basis to contribute to a more socially and environmentally responsible world. These partnerships, pooling resources and expertise, can take a variety of forms: networks of solidarity investors, partnerships with organizations whose skills and activities complement those of **Alterfin**, and certification organizations.

## OUR PARTNERSHIPS TO RESPOND TO THE PANDEMIC

After the outbreak of the pandemic in March 2020, the year was marked by uncertainty for our partners. In order to support them and enable them to continue their activities, it was vital to enter into an active and transparent dialogue with all relevant parties. Consequently, **Alterfin** co-signed a specific charter, 'Key principles to protect microfinance institutions and their clients during the COVID-19 crisis', established with other social investors. You can read more about this in the chapter entitled 'Our sustainable investments' on page 23. In partnership with various Belgian impact investors, **Alterfin** also established an action plan to provide its partners in developing countries with necessary financial and technical support during the pandemic.

## OFFICES

**Alterfin** moved its office to the Mundo-Madou complex in May 2019. The center is particularly focused on social and environmental responsibility. This philosophy earned it the 'Circular Construction' award at the 2020 edition of Be Circular for the renovations of its buildings. Nearly 30 tons of materials were recycled and reused (partitions, light fixtures, doors, furniture, insulation, etc.) in collaboration with artisans and people working at sheltered workshops.



## CERTIFICATION, LABELS AND AWARDS

**Alterfin** has obtained various certifications that demonstrate the ethical and sustainable nature of its commitment towards its co-op members, its staff, and its partners. Whether national or international, these labels demonstrate **Alterfin's** role as an organization striving for a fair world.







Coffee cherries, San Ignacio, Peru  
© 2021, Alterfin



## SUSTAINABLE PARTNERSHIPS IN BELGIUM

As a member of other Belgian cooperatives and organizations, **Alterfin** aims to stimulate exchanges and foster a cooperative movement with similar aspirations and values, focused on people, ethical production, and sustainable development.



## INTERNATIONAL NETWORKS IN MICROFINANCE AND SUSTAINABLE AGRICULTURE

In both the **microfinance** and **sustainable agriculture** sectors, **Alterfin** is an active member of several umbrella networks for organizations involved in similar or complementary activities. These networks are designed to share knowledge, serving the needs of all the stakeholders involved, including final beneficiaries. It should also be noted that these networks play an active part in defining and promoting good practices within the sector, driven by a desire for transparency and always looking out for the best interest of the beneficiaries.



## FINANCING

**Alterfin** has entered into partnerships with institutions inspired by similar principles, working to finance organizations whose activities are rooted in a social and environmental mission. To this end, **Alterfin** has announced its partnership with EDFI Agrifi and BIO: these institutions will provide long-term financing to our cooperative so that we can strengthen and expand our portfolio. Also in 2020, **Alterfin** participated in the Aceli Africa program to promote the financing of small-scale agricultural producer organizations. We will address this program and these objectives in more detail later in the chapter entitled 'Our sustainable investments' on page 30.





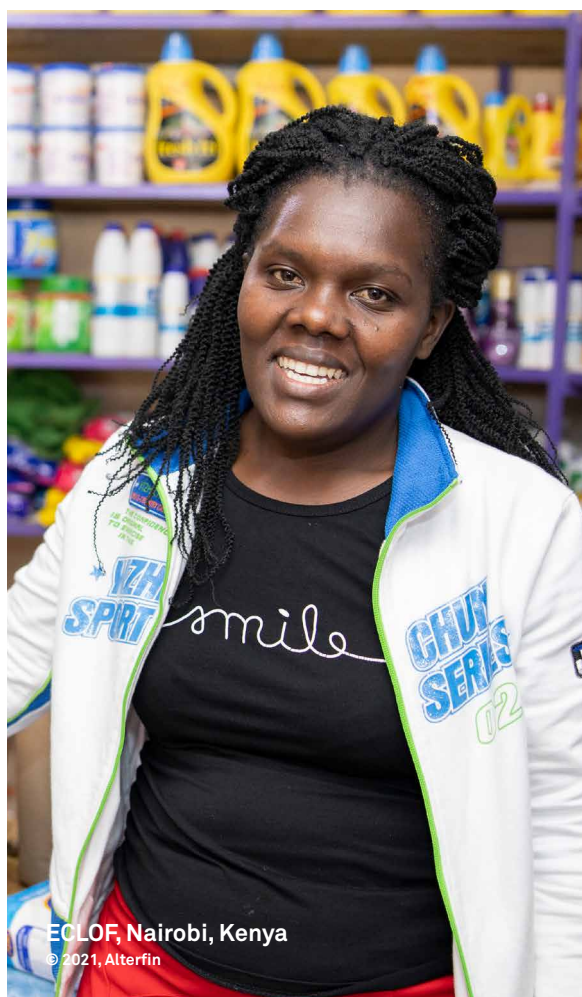
## FUNDS MANAGED FOR THIRD PARTIES

To finance its partners, **Alterfin** uses its own share capital and the loans mentioned above, as well as third-party funds. These third parties share **Alterfin's** view that it is important to support socially and economically disadvantaged people. Complementing the services provided through **Alterfin's** capital, these funds offer additional support, whether financial (via equity and debt participation) or technical (via technical assistance). This enables **Alterfin** to spread the risk associated with its activity by mobilizing several funds whenever a partner has significant financing needs. With this in mind, a new partnership with Symbiotics was developed to manage the financing provided for some of our partners in the **sustainable agriculture** sector.



## MEMBER ORGANIZATIONS

Other organizations that are also active in **microfinance**, **sustainable agriculture** and fair trade have demonstrated their commitment by becoming **Alterfin** co-op members. Among these, we also count the founding members of **Alterfin** such as Oxfam Solidarité, Oxfam Magasins du Monde, and Rikolto.





# OUR SUSTAINABLE INVESTMENTS

IN 2020, ALTERFIN WAS ACTIVE IN ● 35 COUNTRIES

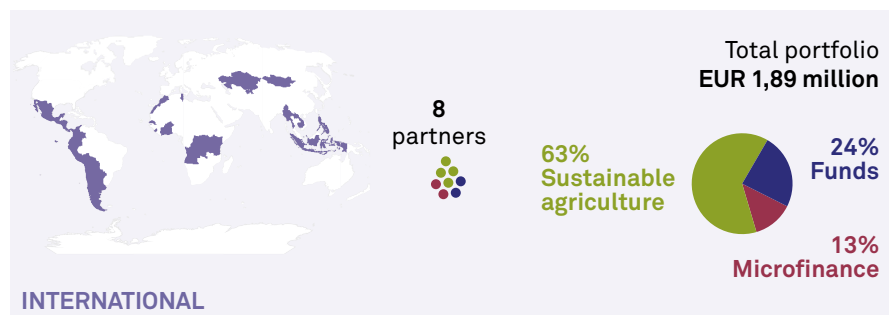
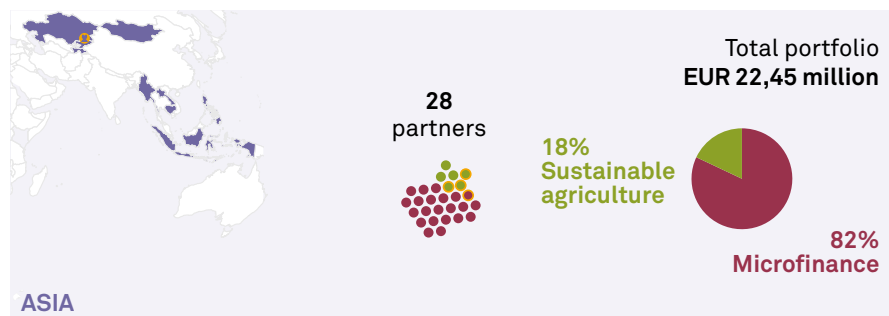
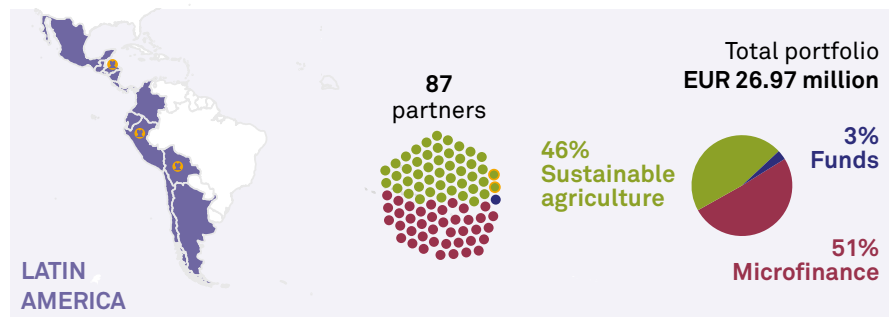
There are **local branches** in **five countries**:



Honduras, Peru, Kenya, Bolivia, and Kyrgyzstan

Alterfin is committed to **165 partners**, of which:

- 84 in **microfinance**
- 77 in **sustainable agriculture**
- 4 **funds**
- 13 **new** in 2020



## INTRODUCTION: A NEW APPROACH IN RESPONSE TO THE PANDEMIC

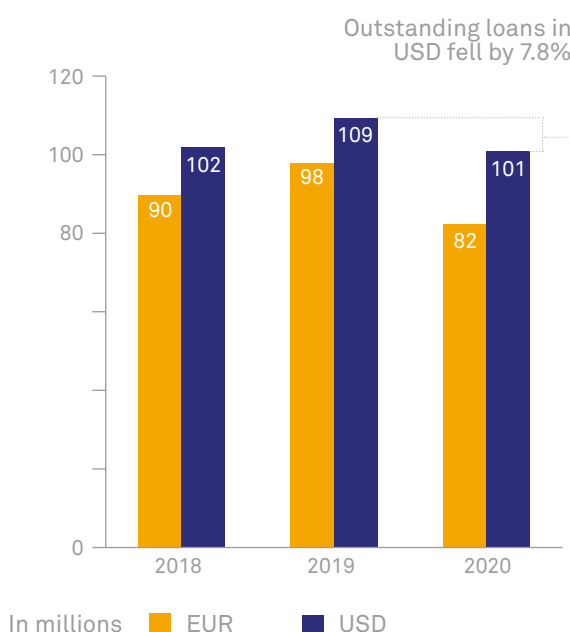
**Alterfin** has shown great resilience in 2020 in the face of the challenges caused by the COVID-19 pandemic. We adapted our operations by implementing various measures to protect our team, our partners, and our investments. Although the portfolio's size has decreased temporarily, **Alterfin** has resolutely pursued its social mission by providing specific responses to each partner's circumstances.

The portfolio contracted by 15.8% after four consecutive years of sustained growth. If we look at our portfolio's development in US dollars (USD), the currency used for around 80% of our investments and therefore a more accurate reflection of our activity's development, this figure is lower. This can be explained by the strong appreciation of the EUR over the course of 2020.



### EVOLUTION OF OUTSTANDING LOANS ON DECEMBER 31 IN EUR AND USD

Due to the strong appreciation of the EUR and the disbursements in USD, the decline in outstanding loans in 2020 was higher in EUR.



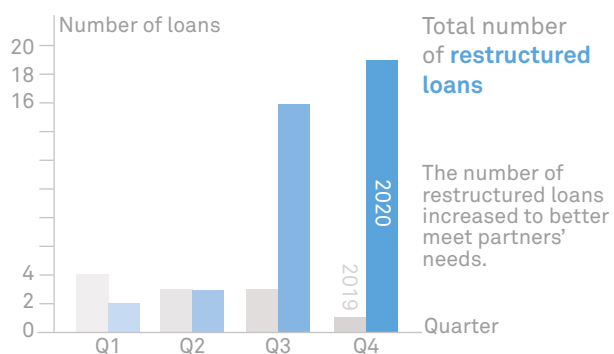
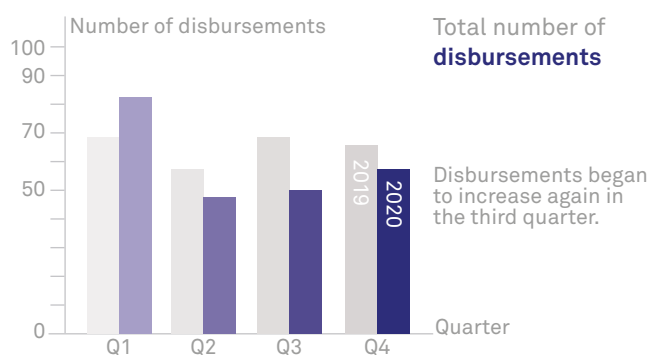
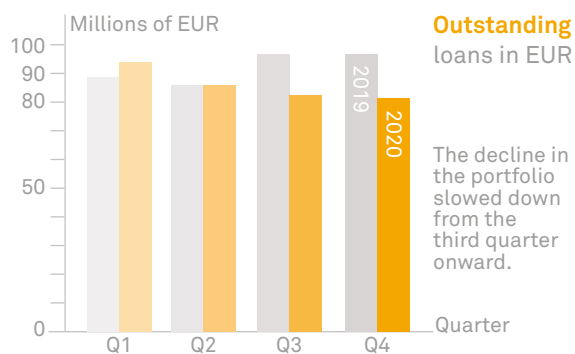
Despite this decline, **Alterfin** continued to support its 152 existing partners and 13 new partners throughout 2020. This support has taken different forms (disbursements, loan restructuring, easing of contractual conditions) to better respond to the changing needs caused by the pandemic. The number of active partners fell from 178 to 165, with 14 partnerships not being renewed because of weak performance unrelated to COVID-19, while five former partners were able to access cheaper financing elsewhere, thanks to **Alterfin's** role as a catalyst. This also had an impact on the number of countries we operate in, which decreased from 38 to 35.

The loss of partners over the year was not fully offset by the development of new partnerships. Indeed, as the pandemic worsened around the world, leading to numerous local and international travel restrictions, our field teams were unable to meet with existing and potential partners in person from March 2020 onwards. A field visit is required at the beginning of every partnership; these visits took place primarily during the first quarter and have since been suspended. Consequently, we were only able to enter into 13 new partnerships in 2020, compared to 22 in 2019.



## CHANGE IN THE KEY INDICATORS OF THE PORTFOLIO IN 2020

**Alterfin** has adapted in response to the pandemic: the key indicators of the portfolio by quarter.





With regard to **Alterfin's** existing partners, **microfinance** institutions (MFIs) were the most affected; this was the primary cause of the portfolio's contraction. Microentrepreneurs and small entrepreneurs, who are their main clientele and are generally highly vulnerable people working in the informal sector, have suffered greatly during the pandemic because of travel restrictions and the prolonged shut-down of their activities. In view of a significant drop in their turnover, these entrepreneurs found themselves unable to repay the loans provided by MFIs.

The reactions of MFIs to protect their clients and maintain their operations varied from country to country and changed over time, as did the recommendations of central banks. Two-thirds of our partners, across 30 of the countries we operate in, implemented a moratorium to extend their clients' repayment schedules and 75% also developed targeted rescheduling and refinancing policies for the sectors that were hit the hardest by the pandemic (non-food retail, small restaurants, hotels, etc.). Lastly, 17% temporarily froze their clients' interest payments.

All these decisions had a direct negative impact on our partners' liquidity and profitability. As a result, they have had difficulty meeting their obligations to local and international creditors, including **Alterfin**.

To enable them to continue operating, **Alterfin** adapted its support while coordinating with other social investors to ensure the impact of its work. In the first quarter of 2020, **Alterfin** co-signed a specific charter that was developed with 30 social investors to define responses to each situation (refinancing, suspension of certain contractual indicators linked to operational and financial performance, informal deferrals of repayment obligations, formal loan restructuring, etc.) and ensure stakeholders' continued focus on social objectives<sup>1</sup>.

In 2020, out of 84 active partnerships, 43 coordination groups were established with other investors, resulting in 17 loans being restructured, 10 deferrals of repayment obligations, and 27 suspensions of contractual clauses to enable MFIs to manage this crisis situation while continuing to provide support for clients in need. In other cases, **Alterfin** also maintained its support for the sector by means of new loans to enable **microfinance** partners that were less affected by the pandemic to continue their operations (18 disbursements in 2020, 13 of which were made after March).

Throughout the pandemic, despite logistical challenges and persistent uncertainty regarding international demand, the **sustainable agriculture** sector has continued to operate to feed the global population. **Alterfin** therefore continued to support its partners, renewing their loans while adapting its investment appraisal procedures so that they could be carried out remotely through online interviews and document sharing, and liaising more with the other social investors involved.

Given the impossibility of travel, our local teams' development strategy, launched several years ago, has also proved successful. Our permanent presence in Peru, Bolivia, Honduras, Kenya, and Kyrgyzstan and the gradual easing of travel restrictions ensured that follow-up visits could be carried out in the second half of the year.

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1 [https://www.gca-foundation.org/wp-content/uploads/2020/06/2020-06\\_Principles-to-protect-MFIs-and-clients-in-COVID-19-crisis.pdf](https://www.gca-foundation.org/wp-content/uploads/2020/06/2020-06_Principles-to-protect-MFIs-and-clients-in-COVID-19-crisis.pdf)

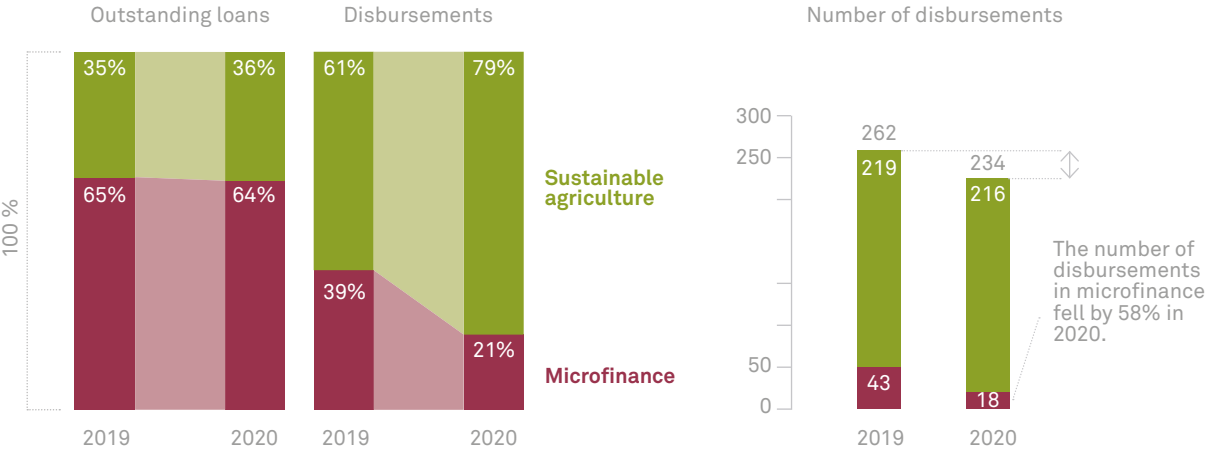


### THE EFFECTS ON THE SECTORAL DISTRIBUTION OF ALTERFIN'S PORTFOLIO

What effects has the pandemic had on the structure and development of our portfolio in 2020? As is the case every year, the outstanding loans remain focused on **microfinance**. However, the proportion of disbursements in the **sustainable agriculture** sector is much higher than in previous years; this can be explained by the impact of the pandemic on the **microfinance** sector, which is the main reason behind the contraction of our portfolio.

#### EVOLUTION OF THE PORTFOLIO COMPOSITION BY SECTOR

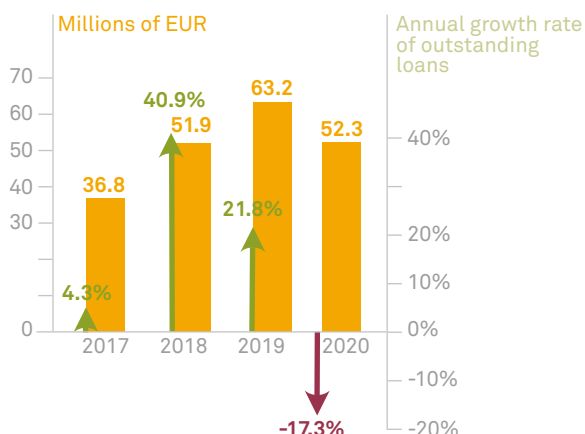
The significant growth in the proportion of disbursements in the **sustainable agriculture** sector illustrates the impact of the pandemic on the **microfinance** sector.



## A DIFFICULT YEAR FOR THE MICROFINANCE SECTOR

### OUTSTANDING LOANS IN THE MICROFINANCE PORTFOLIO

After average annual growth of 18.4% between 2016 and 2019, the **microfinance** portfolio fell by 17.3% in 2020 because of the impact of the pandemic.



As previously mentioned, our portfolio contracted primarily because of a drop of 17.3% in outstanding loans in the **microfinance** sector. From the second quarter of 2020, the vast majority of our partners had to contend with the socio-economic crisis caused by COVID-19, impacting their financial needs. To coordinate the repayment dates of their loans with their own credit portfolio (see also the chapter on the quality of the portfolio), several institutions requested repayment extensions from their lenders while others had to stop or slow down disbursements to their clients, reducing their need for additional liquidity.

Consequently, there was a 57% decrease in the volume of disbursements to **microfinance** institutions in comparison to 2019, with the number of disbursements to the sector falling drastically. In addition, a significant part of our **microfinance** portfolio was extended (15.6%) in line with the requests from our partners; this had an impact on the quality of our investments and limited both the decline in outstanding loans and the possibilities for renewal.

The number of **microfinance** institutions in Alterfin's portfolio also fell from 92 to 84, and the difficulties we encountered in establishing new partnerships prevented us from fully offsetting the loss of some partners. Consequently, just two new partnerships were entered into in the sector in 2020, while eight partnerships could not be continued due to a high level of risk and two partners were able to access cheaper sources of financing elsewhere.





## THE KEY ROLE OF SUSTAINABLE AGRICULTURE

Throughout the year, the **sustainable agriculture** sector demonstrated significant resilience in the face of the pandemic, notably because of its key role in the economies of the countries we operate in. Despite logistical challenges and delayed orders, agricultural products continued to be exported worldwide. This enabled us to continue supporting our agricultural partners. Over the course of the year, 77 partners were supported in 25 countries and in 13 value chains.

**Alterfin's** strategy of focusing its support on **sustainable agriculture** proved to be particularly effective during this crisis. Despite uncertain demand and low or particularly volatile prices for several commodities on the global market, our partners in the agricultural sector managed to perform well and attract international buyers because of their certification (organic, fair trade, etc.); this also helped them to obtain better prices.

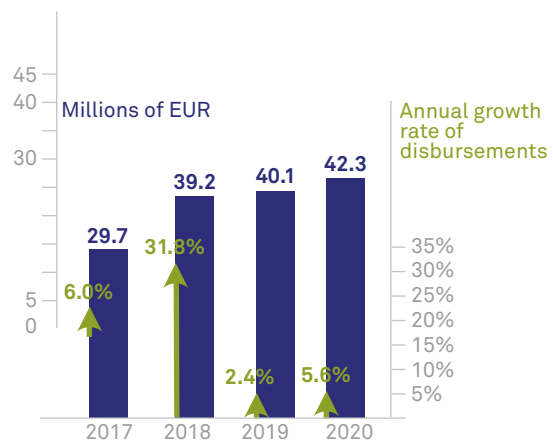
Nevertheless, the agricultural portfolio fell by 13.8% over the year to EUR 27.7 million. The decrease in the portfolio is primarily caused by two factors: firstly, the scheduled end of certain funds (such as Fefisol and Impact Assets), a significant proportion of which were used for **sustainable agriculture**, and secondly, the change in the frequency of disbursements and repayments of several partners in Latin America in response to the seasonality of production, which can vary from year to year. In this way, several planned disbursements in the coffee and quinoa sectors were postponed from December 2020 to the first quarter of 2021.

The development of new agricultural partnerships to offset this decrease was limited because of the COVID-19 pandemic. Thus, despite 11 new partnerships, the total number of agricultural partners only increased from 76 to 77.

Despite the decline in the portfolio, disbursements to the **sustainable agriculture** sector increased by 5.6% in 2020 after stagnating in 2019, particularly as a result of a strong increase for our cocoa partners (+12%). The number of disbursements remained

### DISBURSEMENTS IN SUSTAINABLE AGRICULTURE

Despite the pandemic, the number of disbursements in the **sustainable agriculture** sector increased for the fifth consecutive year in 2020.

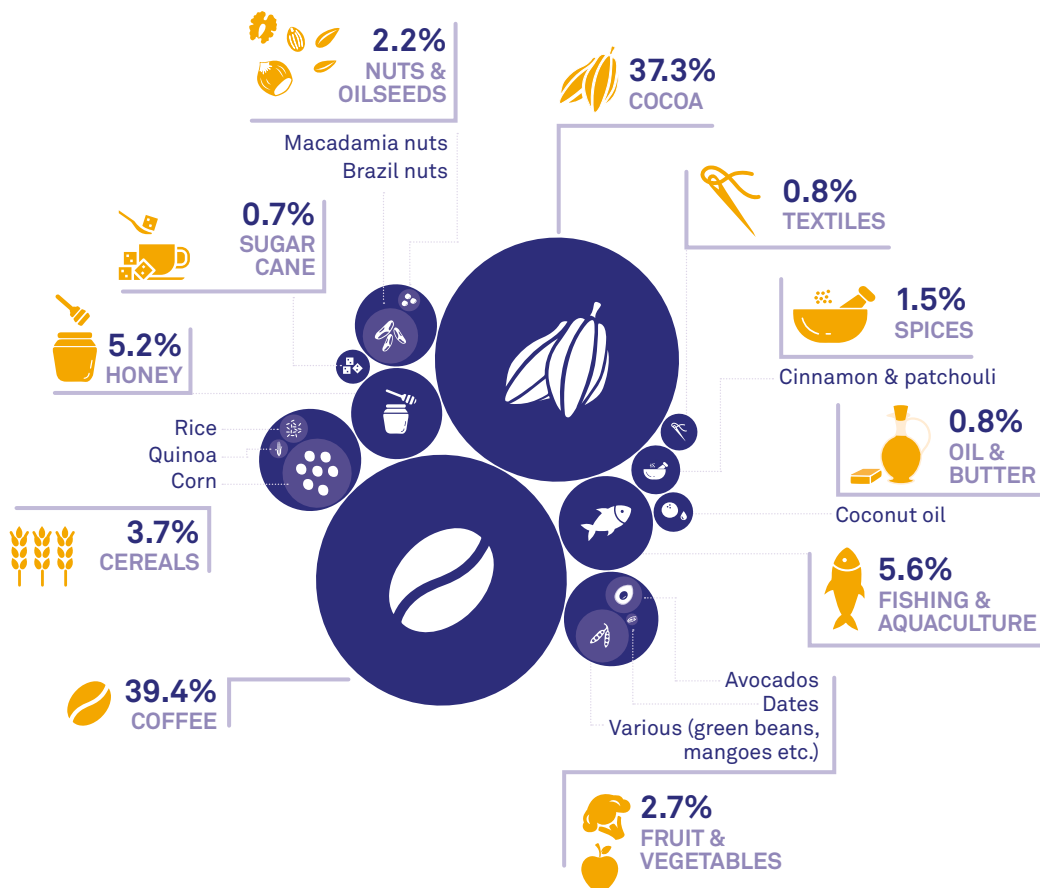


relatively stable, rising from 216 to 219. Once again, these figures demonstrate **Alterfin's** potential for growth in the **sustainable agriculture** sector. Cocoa and coffee remain the two most financed value chains; they are among the most widely traded raw materials at an international level and are mostly grown by smallholder farmers who are the primary focus of our activities. We also saw increases in disbursement levels in the honey, sustainable fishing, spices, and walnut sectors, reflecting our efforts to diversify, although this was significantly affected by our limited ability to establish new partnerships from March 2020 onward.

The decline in the oil and grain sectors is linked to the end of some partnerships, symbolizing our role as a catalyst: thanks to **Alterfin's** pioneering support, these partners were able to develop and strengthen their activities to such an extent that they attracted local lenders with better pricing conditions.

## CUMULATIVE DISBURSEMENTS BY PRODUCT TYPE

In 2020, we disbursed EUR 41,516,336 to the **sustainable agriculture** sector.





CACC, Preah Vihear, Cambodia  
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THE EVOLUTION OF  
INSTITUTIONAL PARTNERSHIPS

The distribution between **Alterfin’s** fund and third-party funds whose investments we manage has progressed to **Alterfin’s** advantage, in anticipation of the closure of the Fefisol fund, scheduled for 2021, and that of the ImpactAssets fund, which closed in 2020. **Alterfin** is working to ensure continuity for the partners of these funds and, in the case of the Fefisol fund, will take up this long-standing commitment that has lasted almost a decade.

To maximize our impact through partnerships with other social investors and with a view to better risk diversification, other partnerships in the **sustainable agriculture** sector were renewed (Quadia and Kampani) and launched (Symbiotics).

COMPOSITION OF THE  
OUTSTANDING PORTFOLIO  
IN 2020 BY FUND

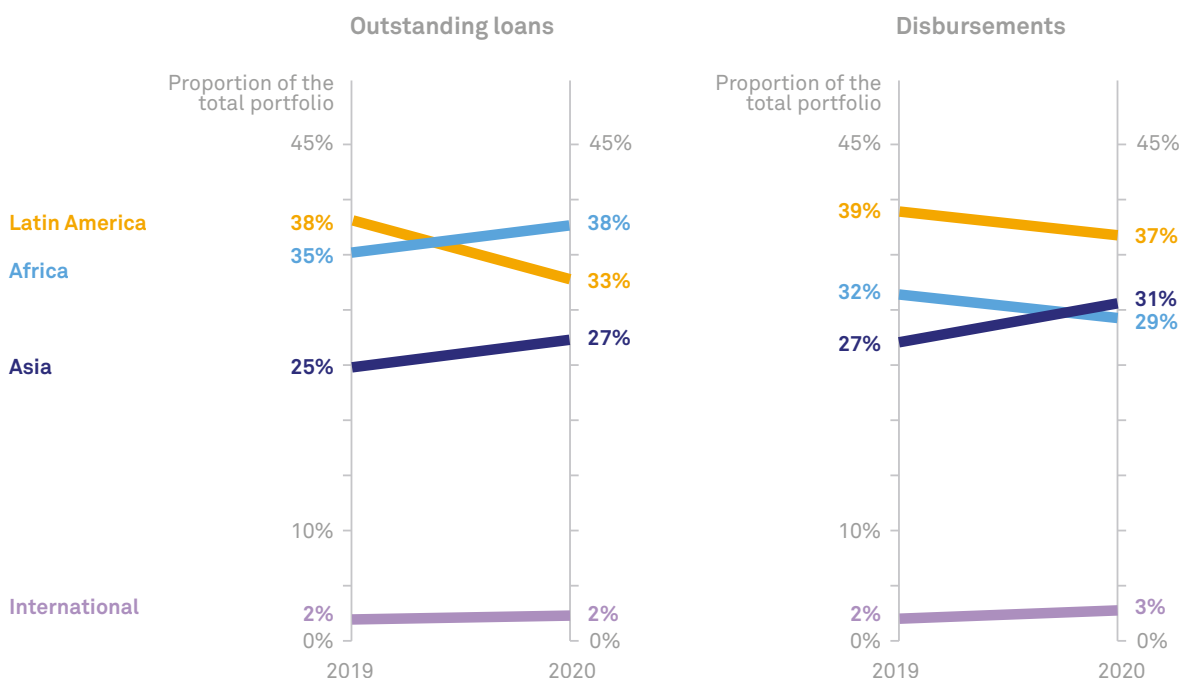




## GEOGRAPHIC DISTRIBUTION: PORTFOLIO REBALANCING CONTINUES

### EVOLUTION OF THE PORTFOLIO COMPOSITION BY REGION

The distribution of the portfolio was affected by the impact of the pandemic, which varied in different geographical areas.



By the end of 2020, **Alterfin's** portfolio was more evenly distributed between our three regions of activity. This process began in 2016 and has accelerated over the past two years; it reflects **Alterfin's** aim to improve the geographic diversification of its portfolio and expand its reach to underserved areas. In particular, this was made possible by the strengthening of our local teams in Peru, Kenya, and Kyrgyzstan in 2019. The effects of the pandemic, which varied in each region, intensified this rebalancing process in 2020. This reflects the

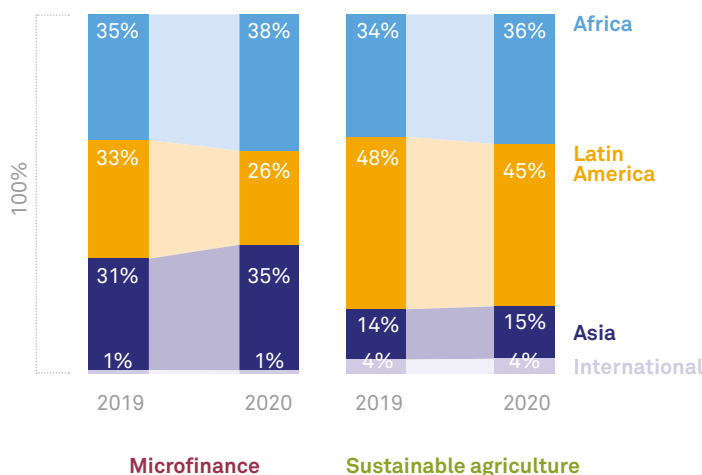
impact of the crisis on the **microfinance** sector, which was hit particularly hard in Latin America. For the first time since **Alterfin** was founded, Africa accounts for the majority of our outstanding loans, overtaking Latin America. The African continent now represents 38% of our investment portfolio, while about 14% of social investment funds are focused on this region<sup>2</sup>, confirming **Alterfin's** pioneering role. The African portfolio also represents 29% of disbursements and includes 14 countries and five different agriculture value chains.

2 Symbiotics, PAIF report 2020, [https://symbioticsgroup.com/wp-content/uploads/2020/11/Symbiotics\\_PAIF-Report-2020-1.pdf](https://symbioticsgroup.com/wp-content/uploads/2020/11/Symbiotics_PAIF-Report-2020-1.pdf)

## EVOLUTION OF THE REGIONAL DISTRIBUTION OF MICROFINANCE AND SUSTAINABLE AGRICULTURE PORTFOLIO

The **microfinance** sector in Latin America was hit particularly hard by the crisis.

Once again, Latin America was the driving force behind the **agriculture** portfolio in 2020.



The distribution between **microfinance** and **sustainable agriculture** in Africa has not changed significantly since 2019. This can be explained by the pandemic's lower impact on the African **microfinance** sector, particularly because travel restrictions were less strict and activities resumed faster. At the end of December 2020, just one of the loans to our African **microfinance** partners was restructured. In addition, several disbursements to institutions in the sector were made during the year, including in Uganda, Morocco, Sierra Leone, and the Democratic Republic of Congo. The African **microfinance** sector also continues to benefit from our partnership with the European Investment Bank; this enables us to disburse loans in local currencies with reduced interest rates for certain countries on the continent.

The **agriculture** portfolio in Africa remains heavily focused on the cocoa value chain in Côte d'Ivoire. Cocoa is the driving force behind the country's economy, and together with Ghanaian cocoa it accounts for nearly 60% of global production. In 2020, we also aided in the development of the coffee sector in Rwanda with the establishment of three new partnerships. At the same time, we maintained a significant presence in other African value chains

(dates, vegetables, walnuts, avocados), which will be strengthened in the coming years.

Since 2010, the African portfolio has increased from 11% to 38% of the global portfolio. This operational and social success can be explained in part by the launch in the same year of the Fefisol I fund, co-managed with the French social investor SIDI (Solidarité Internationale pour le Développement et l'Investissement) and dedicated to supporting **microfinance** and **sustainable agriculture** in the region. Once the fund was launched, Alterfin was able to develop its activities in Africa by diversifying its level of risk between its own funds and Fefisol. With the fund maturing in 2021, the majority of Fefisol's investments are now covered by Alterfin to ensure continued support for the relevant partners.

With a view to developing its African portfolio, **Alterfin** worked actively in 2020 to establish Aceli, a guarantee and technical assistance fund developed with the Council on Smallholder Agriculture Finance (CSAF). Founded in 2012, the CSAF is an initiative involving 16 social investors; **Alterfin** is a founding member and is also an active member of the board of directors. Aceli, which would probably not have been possible

without the active involvement of our teams both at managerial and operational levels, specifically aims to catalyze investment in East and Central Africa. **Alterfin's** presence in this part of the world has grown significantly over the past four years, particularly in poorly developed and informal value chains that have significant needs; the Aceli fund is intended for these value chains.

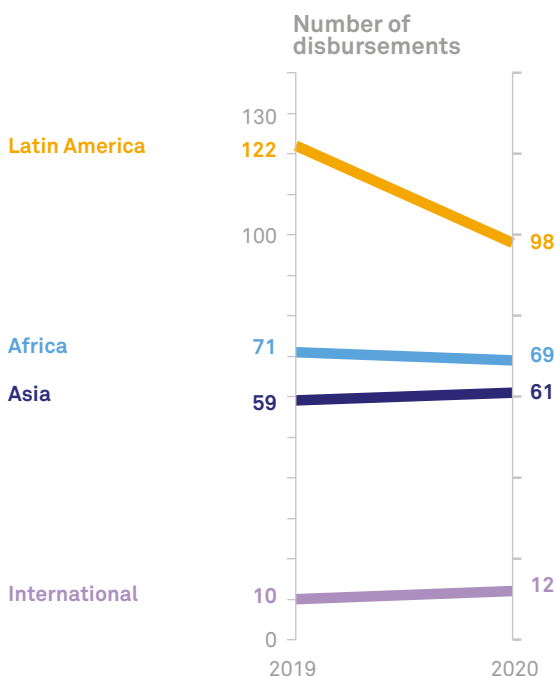
Latin America now represents 33% of the overall portfolio, focusing on 14 countries and nine value chains. It still accounts for the majority of disbursements (37%) thanks to strong activity in the **sustainable agriculture** sector. The decrease of its proportion within the portfolio can be explained by the strategy to rebalance the portfolio's distribution, the impact of the pandemic on **microfinance** institutions and the decision to defer some agricultural disbursements from December 2020 to

the first quarter of 2021 to better address partners' needs in response to the changing seasonality of the coffee sector.

The **microfinance** sector in Latin America has been hit particularly hard. As a result, the proportion of **microfinance** decreased from 57% to 51% of the regional portfolio during the year. This contraction was primarily caused by stricter restrictions on movement that limited the sector's activities and by the fact that Latin American **microfinance** institutions are regulated and have had to implement stringent measures imposed by central banks, including moratoria on client payments in all our countries of operation.

## CHANGE IN THE NUMBER OF DISBURSEMENTS BY REGION

The number of disbursements contracted in 2020 in Latin America, due to the impact of the pandemic on the **microfinance** sector.







As a result, several partners struggled to meet their repayment obligations because of issues with liquidity. **Alterfin** restructured the loans of 10 of our 40 partners in the sector, and three applications are still under consideration in the first quarter of 2021. At the same time, the vast majority of planned renewals could not be carried out due to reduced economic activity. Nevertheless, a recovery is anticipated with the gradual resumption of economic activity.

**Sustainable agriculture** remains the driving force behind the regional portfolio and now accounts for 46% of outstanding loans in Latin America and 36% of **Alterfin's** total disbursements. Coffee remains the most important crop on the continent; 77% of our investments in the coffee sector are made in Latin America.

Asia continues to increase its presence within our portfolio: a real success for **Alterfin**. In five years, outstanding loans in the region have increased from 6% to 27% of the total portfolio, while the number of partners has risen from five to 28. **Alterfin** now operates in 10 Asian countries and in five agricultural value chains.

The Asian portfolio remains largely dominated by loans to **microfinance** institutions. This predominance can be explained by the maturity of the sector in this region, the high population density in South-East Asia and, as a result, the significant number and scale of **microfinance** institutions. In addition, it is difficult to

identify agricultural partners that meet our eligibility criteria, particularly in Central Asia, where export value chains are still underdeveloped. The relatively low proportion of **sustainable agriculture** is offset by the fact that the majority of partner **microfinance** institutions, both in South-East and Central Asia, are closely involved in the **sustainable agriculture** sector, with some focusing almost exclusively on financing smallholder producers.

The impact of COVID-19 on Asian **microfinance** institutions has varied from region to region. In South-East Asia, near the area where the virus originated, external border control measures seem to have been successful, leading to a more rapid resumption of economic activity. To date, only one partner in the sub-region has had its loan restructured as a result of the pandemic. In Central Asia, where restrictions were stricter and, most importantly, where moratoria on client payments were imposed by the authorities, the loans of six **microfinance** institutions were restructured, accounting for 40% of the total restructuring linked to COVID-19.

Although our activities were limited by the restrictions mentioned above, our work to support **sustainable agriculture** also continued in Asia. Indeed, our portfolio expanded to include new partners and new value chains, with investments in the rice and textile fiber sectors.

It should also be noted that **Alterfin** continues to provide direct investments to eight partners based in high-income countries that work closely with a large number of smallholder farmer organizations and **microfinance** institutions in developing countries. These partnerships enable us to substantially increase our impact and to provide indirect support to many organizations that we could not finance directly, either because of their small size or their location in countries in which we are not active.

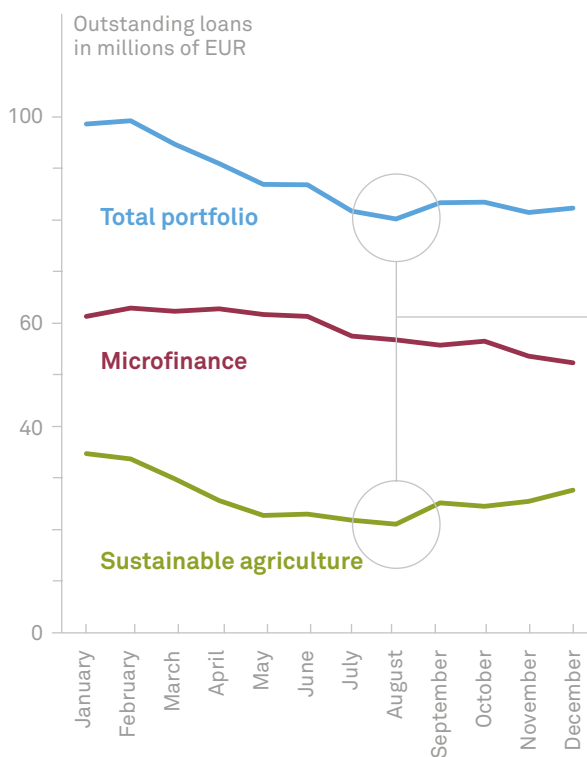
## SEASONALITY: THE SIGNIFICANT IMPACT OF COVID-19

The evolution of the total portfolio under management is indicative of the impact of COVID-19. The agriculture portfolio declined continuously between February and August 2020, having achieved a peak of EUR 34.89 million in January 2020, close to its record of EUR 35.39 million in December 2018. This accentuated the seasonality that usually characterizes **Alterfin's** portfolio, driven by the coffee harvest in Latin America and the cocoa harvest in Côte d'Ivoire.

The strategy to “even out” the portfolio in a bid to limit this impact has slowed this year due to the impossibility of developing new partnerships and the limited growth of our **microfinance** portfolio. However, **Alterfin** was able to increase its exposure in sectors with a different seasonality, such as coffee in Rwanda.

### SEASONALITY OF THE PORTFOLIO

The outstanding loans in the portfolio are characterized by a seasonal dip between March and August. This is due to the seasonality of coffee growing in Latin America and cocoa growing in Côte d'Ivoire, which dominate the agriculture portfolio.





## STABLE PORTFOLIO QUALITY DESPITE THE PANDEMIC

Alterfin's own portfolio quality (excluding managed funds) fluctuated sharply during the year, primarily because of the COVID-19 pandemic. However, because of significant efforts to manage our credit risk and excluding the impact of COVID-19, the portfolio quality indicators at the end of 2020 are stable in comparison to 2019.

The number of partners with loans in default is 27, similar to the number in 2019. The percentage of loans that are more than 30 days overdue (PAR 30) in relation to our outstanding loans at the end of the year was 9.9%, compared with 9.1% in 2019. This result is all the more encouraging, given that the outstanding loans overdue more than 30 days have fallen by 1.6% and that the 27 partners with loans in default include three **microfinance** institutions whose outstanding loans are due to be restructured. Once these loans are restructured, the total PAR 30 will drop from 9.9% to 8.7%.

This year and in previous years, we recorded write-downs on several of these defaulted loans in anticipation of the risk of their non-repayment. At the end of the year, our portfolio at risk, from which we subtract all these recorded write-downs, amounted to 5.4%, compared to 5.5% in 2019.

As previously mentioned, the **microfinance** sector has been hit the hardest by the pandemic. During this period, **Alterfin** had to restructure the loans of 17 **microfinance** institutions to enable them to manage the liquidity problems caused by COVID-19, particularly delays in repayments by their clients. The percentage of restructured loans thus stands at 15.6% of the entire portfolio and would stand at 16.8% if the three loans due to be restructured were included.

From a regional perspective, the quality of the portfolio was primarily affected by the performance of **microfinance** in Asia and Latin America, accounting for 32% and 64% of restructured loans and restructuring requests respectively.

The quality of the **sustainable agriculture** portfolio, which has always shown the greatest concentration of risk, both because of the nature of the organizations financed and the inherent risk of agricultural activities (unpredictable weather, price volatility, etc.), has improved considerably, with the PAR 30 decreasing from 6.9% to 5.4% of the total portfolio and the number of default partners dropping from 23 to 18. These encouraging figures reflect the ongoing debt collection efforts made by our team.



# 8 / OUR IMPACT



## ALTERFIN'S CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a call to action from the United Nations to end poverty while protecting the planet. They were adopted in 2015 by the UN member states with the objective of being achieved by 2030.

**Alterfin** contributes to the SDGs by mobilizing capital to invest in developing countries through **microfinance** institutions and organizations that are active in **sustainable agriculture**. We support microenterprises and smallholder producers working in **sustainable agriculture**, thereby reducing poverty, hunger and gender inequalities. **Alterfin** also works to ensure decent employment and sustainable economic growth with respect for the environment.

## GOALS

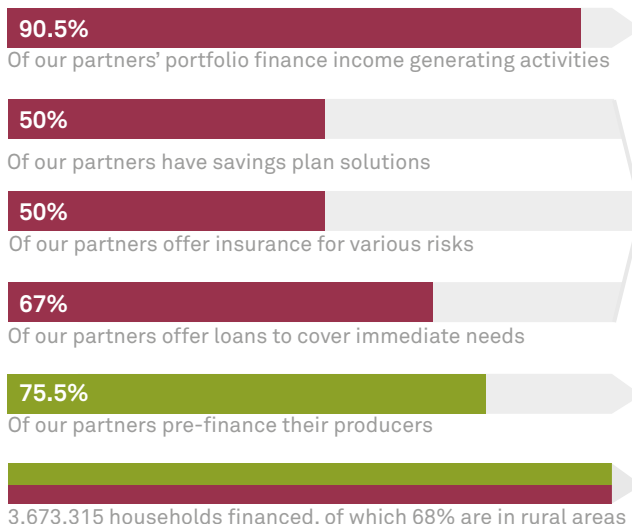
## INDICATORS

■ Microfinance ■ Sustainable agriculture

## FOCUS



**End poverty in all its forms everywhere**



Offer economic opportunities

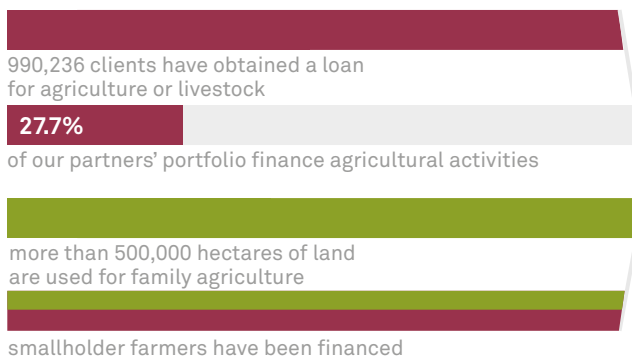
Reduce vulnerability

Get people out of the poverty trap

Targeted outreach



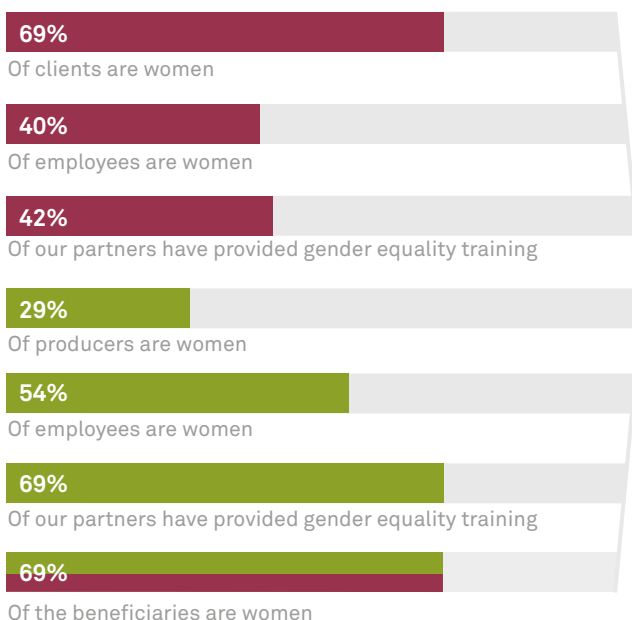
**End hunger, achieve food security and improved nutrition, and promote sustainable agriculture**



Promote sustainable agriculture production



**Achieve gender equality and empower all women and girls**



Reduce gender inequality

## GOALS



**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**



**Ensure sustainable consumption and production patterns**



**Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy**



**Strengthen the means of implementation and revitalize the global partnership for sustainable development**

## INDICATORS

■ Microfinance ■ Sustainable agriculture

**100%**

Of our partners support microbusinesses

**46%**

Of our partners provide training for adults

**79%**

Of our partners offer their producers prices higher than market prices

**66%**

Of our partners have fair trade certification

**92%**

Of our partners are committed to the decent work initiative

**58%**

Of our partners have an environmental policy

**53%**

Of our partners have an environmental policy for their clients

**75%**

Of our partners have organic certification

**66%**

Of our partners have fair trade certification

**100%**

55,619 producers have received training in sustainable agricultural techniques

## FOCUS

Job creation

Increase in productivity

Decent income

Decent working conditions

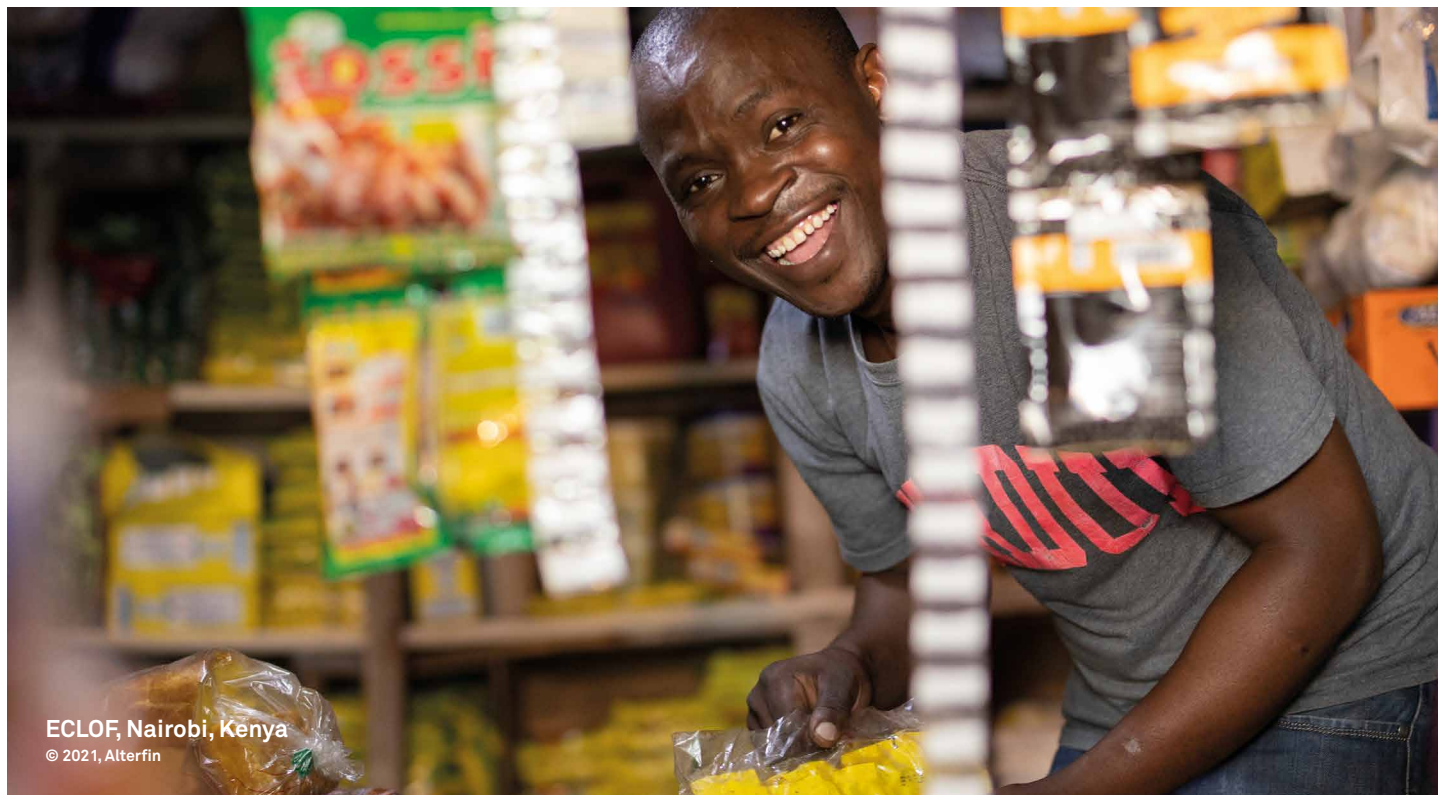
Promote the protection of the environment

Promote sustainable agriculture production

**6,146 CO-OP MEMBERS AND 165 PARTNERS**  
This goal is discussed under the section 'Partnerships for achieving our goals' on page 16 of this report.

**ALTERFIN'S  
ACTIVITIES  
CONTRIBUTE  
TO ACHIEVING  
7 SUSTAINABLE  
DEVELOPMENT  
GOALS**





## ASSESSING ALTERFIN'S WORK DURING THE COVID-19 PANDEMIC

In addition to its contribution to the SDGs, it is vital for **Alterfin** to measure its direct impact on its partners. To this end, we have developed an innovative method that puts our partners at the heart of our work. Studies launched in 2019 and continued in 2020 have confirmed **Alterfin's** role as a pioneer and a catalyst in the eyes of our loan beneficiaries.

We are proud to highlight our pioneering role, recognized by 40% of our partners: **Alterfin** has committed to and invested in fragile and small-scale institutions with significant potential but not yet supported by other international investors. This is even more striking in **sustainable agriculture** than in **microfinance**, where **Alterfin** is seen as a visionary by 53% of its partners. Committing to these organizations enables **Alterfin** to maximize the impact of every euro we invest: without our help, they would have had very slim chances of developing as rapidly and to the same extent.

Secondly, thanks to our financing, our partners now have increased resources to grow and expand their

activities. They can increase their purchases of agricultural products from smallholder producers, often with limited prospects finding market, and finance more microenterprises that have similarly limited access to financial services. **Alterfin's** role goes far beyond the monetary value of its work, as the entire chain of stakeholders benefits from our investment.

Because of this growth in both quantitative and qualitative terms (increased income for final beneficiaries, development of fair trade and organic certification, etc.), our partners are able to build their reputation and credibility at an international level, attracting interest from a growing number of investors and other stakeholders, including buyers. As a result of our investments, 67% of our partners have seen their number of lenders increase, confirming **Alterfin's** role as a catalyst and the importance of our contribution in attracting these new investors.

*We see Alterfin as our closest ally; it trusted us from the outset, even though our company was still fragile. Subsequently, this decision has had a huge impact on our growth and the consolidation of our model. The prompt and personal attention we receive makes it a pleasure to work with Alterfin. We appreciate the professionalism, proximity, and empathy of the team as we work together.*

Impacto Transformador, Mexico

**Alterfin** focuses all its attention on its partners, distinguishing itself from other social investors in its ability to adapt to their individual needs. **Alterfin's** partners therefore benefit from financing that suits their economic model and are able to provide their beneficiaries with optimal support. This was particularly important during the COVID-19 crisis, which impacted the business model of many organizations. Our partners also had to adapt to navigate the challenges and continue supporting their beneficiaries in the most efficient way.

In view of this, and to ensure that we continue to support our partners' long-term future and social impact, **Alterfin** carried out a survey to assess the impact of the pandemic on their operations and needs and the relevance of the solutions provided. The responses are clear, both with regard to the negative effects of COVID-19 and the suitability of **Alterfin's** solutions.

### → Alterfin's response to the logistical challenges in the agricultural sector

According to the United Nations' Food and Agriculture Organization (FAO), 90% of the world's 570 million farmers are smallholder producers. Based primarily in rural areas in developing countries, they often live below the poverty line and experience food insecurity. They depend exclusively on their production to survive. With the COVID-19 pandemic, a temporary ban on travel affecting billions of people, and declining global financial flows, smallholder producers have had to contend with limited access to local and international markets, making it difficult for them to sell their goods and to ensure their families' survival. In these circumstances, **Alterfin's** role has proved to be all the more valuable and important, as it enabled many farming organizations to survive and to continue buying and selling the goods of their smallholder producers.



Frontera, San Ignacio, Peru

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## Adapting to a new reality

The main impact of the pandemic on the **sustainable agriculture** sector has been linked to restrictions on local and global travel. These restrictions led to delays in the production chain for 65% of our partners, along with export delays for 44% of them. These delays had an immediate effect on the scheduling of sales, preventing some partners from honoring their financial commitments.

*Alterfin's team understands our activities and specific needs, unlike a traditional fund that focuses on numbers. While protecting its investments and adjusting its level of risk, **Alterfin** is adapting to the reality of our model and adjusting its tools and services to our needs, as part of our efficient and close working relationship.*

CASSIA-COOP, Indonesia

In response to this new reality, **Alterfin** deferred maturities and accepted temporary repayment extensions to align with our partners' new repayment schedules. These decisions were made as a result of our close monitoring of all our partners, something that was made easier in the majority of cases by our local presence. Where appropriate, these decisions were also discussed with all stakeholders, including buyers and other local and international lenders.

## Ensuring the long-term sustainability of businesses

Logistical delays were often accompanied by an increase in the cost of transporting or storing goods. In addition, the global uncertainty caused by the pandemic led to a drop in sales for some of our agricultural partners. All these factors led to a temporary downturn in the sector's liquidity levels, as reported by 35% of our partners.

In these unusual circumstances and with limited state support, **Alterfin's** presence was vital to ensure the continuity of our agricultural partners' operations. Despite the pandemic, loans to the sector continued to be disbursed, following a detailed analysis by our investment managers of the local and international context of each value chain, along with partners' activities. Enhanced checks were established, and an ongoing dialogue was maintained with all stakeholders (other investors, NGOs in the field, international buyers, etc.). Over the course of the year, Alterfin made 216 disbursements to 49 partners.



CACC, Preah Vihear, Cambodia  
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CASIL, San Ignacio, Peru  
© 2021, Alterfin



*We appreciate and thank **Alterfin** for its overwhelming trust, without which it would have been impossible for us to continue operating this year, given all the obstacles we have faced.*

Najil Cab, Mexico



In addition to loan disbursements, technical assistance funds were provided via the Fefisol fund, co-managed by **Alterfin**. This money was used to provide some of our agricultural partners in Africa with additional equipment to comply with the new health standards in force for production chains, particularly in the vegetable crops sector.

## Pursuing our social mission

Another crucial aspect of the agricultural sector is the relationship between smallholder producers and the producer organizations that bring them together. This relationship involves regular monitoring of smallholder producers' activities, along with technical training to ensure the quality of their production. Due to the temporary ban on travel, **Alterfin's** monitoring of its producers was not optimal for 55% of partners in 2020.

However, **Alterfin's** continued support helped maintain the relationship between our partners and smallholder producers. **Alterfin's** disbursements to existing partners enabled them to maintain their level of activity and to continue supporting their producers financially, through pre-financing or input supplies, and by ensuring access to fair markets. In this respect, access to certified markets and thus to better prices — a core aspect of our strategy for financing **sustainable agriculture** — improved the ability of producer organizations to cope with the price shocks caused by the pandemic. By ensuring the continuity of its partners' operations, **Alterfin** enabled nearly 105,000 smallholder producer families to continue making a living.

*Alterfin's continued presence during the pandemic reassured us and enabled us to pursue our goal of helping smallholder producers.*

ECOOKIM, Côte d'Ivoire

With **Alterfin's** support, agricultural partners were able to maintain their operations while continuing to benefit from premiums linked to their respective certifications (organic, fair trade, etc.). They were able to use a significant share of these premiums to support producers during the pandemic. The majority of our partners in the sector (83%) offered their members emergency health kits (masks, hand sanitizer, etc.) to help them follow basic preventive measures, along with campaigns to raise awareness of what to do during the pandemic. More than half (52%) even paid for their employees' medical care with the premiums they received. The impact of **Alterfin's** support during the pandemic was therefore vital with regard to the health of the end beneficiaries of our agricultural partners.

### Support in times of crisis: a key commitment for Alterfin

**Alterfin's** vision is to support all its partners in the long term. We have been working with some of our partners for more than 20 years; together, we have dealt with the various challenges that have arisen over time. Our approach amid COVID-19 has remained unchanged: adapting to the needs of producer organizations and agricultural SMEs and continuing to support them as best we can.

ECLOF, Embu, Kenya  
© 2021, Alterfin





*Alterfin has been a key partner since the beginning of the pandemic, and we are grateful for their long-term commitment to us.*

Coconut Holdings Limited, Kenya

We believe in the importance of this mission, and this confidence is reflected in our agricultural partners' comments: 98% of those that received a loan in 2020 appreciated **Alterfin's** flexibility and speed in response to the pandemic, noting that our support during the pandemic also saved 500 jobs. Furthermore, 78% of our partners highlighted the positive impact of our work on their mental workload, enabling them to focus on the operational aspects of their activities.

The vast majority of our partners that did not receive new disbursements also said that they appreciated our non-financial support and guidance over the year. After all, in addition to the funds we disburse, our commitment is also reflected in our constant responsiveness to our partners, whatever challenges they face.



ECLOF, Embu, Kenya  
© 2021, Alterfin





CADESA, Sassandra, Côte d'Ivoire

© 2021, Alterfin

### Case study: CADESA

Based in an area of significant cocoa production in the south-west of Côte d'Ivoire, CADESA was founded in 2003. It helps improve access to fair markets for thousands of smallholder producers, working on specific projects to include women in the cocoa value chain, and striving for sustainable and environmentally friendly production by providing training for its members. **Alterfin** has supported CADESA since 2016. Thanks to this partnership, the cooperative has gradually expanded its network of smallholder producers and currently supports 3,500 cocoa farmers.

*By responding favorably and quickly to our requests and by proving its trust in us, **Alterfin** encouraged our other lenders and business partners to put their trust in us as well.*

CADESA, Côte d'Ivoire

In 2020, the COVID-19 pandemic disrupted CADESA's operations: delays were experienced throughout the supply chain and buyers temporarily reduced their volume of activity. As a result of these uncertainties, several investors were reluctant to finance the cocoa sector, limiting the cooperative's access to credit.



Fortunately, CADESA was able to maintain its activities thanks to **Alterfin's** continued trust. We disbursed a new line of credit for EUR 800,000, enabling it to buy more than 8,000 tons of cocoa from its producers on time. This way, the cooperative was able to continue providing each of its members with an annual income of EUR 4,100, significantly higher than the gross national income per capita, equivalent to EUR 1,700. This key indicator measures CADESA's positive impact on the well-being of rural households, something that is particularly important during a crisis, when unexpected expenses can exacerbate the vulnerability of disadvantaged populations.

In addition, thanks to **Alterfin's** financing specifically aimed at increasing sales of certified cocoa (FLO, Utz, and Rainforest Alliance), CADESA continues to receive significant premiums for this certification. In view of the challenges of the COVID-19 pandemic, the cooperative used these premiums to organize campaigns to raise awareness and distributed sanitary protective equipment to more than 1,700 members, enabling them to follow preventive measures to contain the spread of the virus. This was combined with direct support for more vulnerable members, including food supplies. It should be emphasized that this would not have been possible without **Alterfin's** support to ensure continued sales.

In keeping with its commitment to long-term support and a partner-centered approach, **Alterfin** also disbursed an additional loan of EUR 100,000 to CADESA in 2020 for the purchase of two trucks to collect cocoa beans. Faced with the logistical challenges caused by restrictions on movement, this investment enabled the cooperative to continue collecting its members' produce.

Since 2016, the partnership between CADESA and **Alterfin** has become stronger, reflecting the cooperative's changing needs. **Alterfin** initially played a role as a catalyst by strengthening CADESA's profile, thereby attracting other partners, including international lenders and buyers. **Alterfin** then maintained and adapted its support for CADESA during the pandemic, ensuring the viability of the cooperative and giving its members the resources to provide for their families.

**Alterfin's** commitment to long-term and partner-centered support proves that a real difference can be made by contributing to the creation of an economy and a society that are more socially responsible.



Cacao pods, Duékoué, Côte d'Ivoire  
© 2021, Alterfin

## → A difficult year for microenterprises around the world

The COVID-19 pandemic and the resulting lockdowns around the world have had major repercussions at a global level. Microentrepreneurs, who are the main clients of **microfinance** institutions and are the driving force behind the economy and society of many developing countries, have faced great difficulties in continuing their activities and providing for their families.

Most of them have seen their finances deteriorate rapidly due to a sudden inability to generate sufficient income. To manage this fall in income, microentrepreneurs have had to use their savings or sell their assets, which presents a high risk of a return to poverty for these vulnerable populations.

In times like these, it is vital to support **microfinance** institutions: in addition to protecting the most vulnerable populations, this support also contributes to economic and social recovery.

### The impact of restrictions on movement and the economic downturn on microfinance institutions

In the **microfinance** sector, 85% of our partners had to deal with various kinds of restrictions on movement (total or partial lockdowns, curfews, temporary border closures, etc.). Given that building and maintaining close relationships with clients is one of the basic tenets of microfinance, these restrictions had a significant impact on all our partners' activities.

Visiting clients and seeing their activities is a key part of the process to analyze beneficiaries' needs. With 75% of our partners finding themselves temporarily unable to carry out these field visits, their capacity to disburse new loans was reduced and, most importantly, so was their ability to assess the impact of the pandemic on their clients. The ban on travel also hindered repayment operations for more than 80% of our partners' clients. After all, most of them physically come by the office to repay their loans.

In these unprecedented times, **microfinance** institutions took various measures to continue operating while protecting the health of their employees and clients. In addition to increased communications between clients and loan officers and the organization of awareness-raising campaigns, 70% of our partners deferred repayment schedules and subsequently restructured client loans. These measures, requested by central banks or decided by the institutions themselves, enabled thousands of microenterprises around the world to sustain the viability of their activities.

The global economic downturn, combined with these operational difficulties, affected the quality of the loan portfolios of 76% of our partners and caused portfolio contractions for 59% of them. In financial terms, these operational impacts led to negative results and issues with liquidity. In turn, the liquidity constraints affected the capacity of many microfinance to meet their financial obligations to lenders.







## A coordinated response

**Alterfin** and other social investors played a major role in limiting the effects of the pandemic on **microfinance** institutions, even more so than in the **sustainable agriculture** sector. To better meet their needs, **Alterfin** focused on enhanced communication with its partners, again made possible by the presence of our field teams. To better coordinate the work to be done, our teams worked closely together with other social investors, particularly with regard to the charter mentioned in the chapter on portfolio performance (page 23) and signed by 30 social investors.

Investors signing this charter commit to sharing information, making joint decisions through consultation, and standardizing and coordinating their policies, technical assistance, and financial resources as much as possible. The ultimate aim of this coordination is to protect MFIs and their beneficiaries while ensuring continued access to financing in the best possible conditions. **Alterfin** was an active participant in more than 43 social investor coordination groups that were established to provide partners with support in various ways, including standardizing the deferral of repayment schedules, non-acceleration agreements for loans, etc.

***Alterfin's** strong commitment and support during the pandemic had a very positive impact on our operations and our other lenders. This helped develop trust and we appreciated this support.*

Credit Access Philippines Financing  
Company Inc, Philippines

**Alterfin** also mobilized its institutional partners to support the sector. We provided a direct financial response to some of our African **microfinance** partners via the Fefisol fund.

Grants of EUR 36,000 were made available, enabling four partners to buy IT equipment and sanitary protective equipment to make remote working possible and to maintain relationships with clients despite lockdowns and social distancing. The Fefisol fund also provided financing for 11 African partners to receive training on liquidity management, enabling them to better plan their activities and anticipate the impact of the pandemic on their finances.

*The technical support received in the form of a grant via the Fefisol fund enabled our employees to continue operating and supporting our clients. **Alterfin's** regular monitoring really helped us cope with the stress we were under.*

BIMAS, Kenya



*During the COVID-19 pandemic, **Alterfin** supported us by agreeing to the restructuring project with our various lenders, enabling us to stabilize the institution's finances.*

Fundenuse, Nicaragua



## Adapting our approach to safeguard institutions

To reconcile the financial obligations of our partners with the deferred repayment schedules of their own clients, **Alterfin** adapted its approach by consulting with other investors to ensure the impact of the decisions made. **Alterfin** therefore restructured the loans of 17 of our partners, while repayment schedules were partially deferred for 10 partners.





The impact of the crisis varied in different geographical areas. Consequently, the majority of our partners were able to continue to meet their repayment obligations to lenders, despite the significant impact of the pandemic on their operational and financial performance. To address this situation and in consultation with other lenders, **Alterfin** temporarily suspended the contractual performance indicators of 27 partners, which failure to comply with would normally be deemed to be an event of default. By adapting its approach to the needs of **microfinance** institutions and local circumstances, **Alterfin** enabled its partners to continue operating and serving their clients efficiently.

*Alterfin was very understanding during the discussions about the suspension of contractual performance indicators.*

Vision Fund, Myanmar

### Continued support for vulnerable people

Facing the negative effects of the pandemic on the sector, the measures taken by local regulators often fell short (see also the section on portfolio performance, page 21). Although measures were taken to reduce the impact of COVID-19 on the profitability of **microfinance** institutions (deferring tax payments, easing provisioning rules, etc.), practical measures to encourage access to financing were limited.

The decline in performance indicators, combined with general uncertainty and a limited response from central banks, led to an increase in the level of risk for social investors that were unable to carry out follow-up visits in the field. As a result, access to financing was reduced for 34% of surveyed partners.



Chamroeun, Siem Reap, Cambodia  
© 2021, Alterfin



In order to ensure its support for the most vulnerable people and to contribute to the economic recovery in the countries it operates in, **Alterfin** considered the specific circumstances of each partner, continuing its disbursements in line with local realities. Consequently, despite the pandemic, 18 disbursements were made in the **microfinance** sector in 2020, including two to new partners in Morocco and Mongolia. These loans enabled the relevant partners to continue their operations, once restrictions on movement were lifted and as local economies gradually recovered.

Our partners' responses to **Alterfin's** support are virtually unanimous: 96% of them appreciated our flexibility and attentiveness in recent months, during which we have provided constant support to fragile institutions. Furthermore, 59% said they were able to focus on protecting their clients and employees because of our continued trust. By maintaining its close approach, focused on its partners' needs, **Alterfin** will ensure that it continues to support the

**microfinance** sector in 2021, adapting its response to the pandemic, without compromising the careful management of its risk exposure.

***Alterfin's** willingness to work with VisionFund Mongolia and to truly understand the effects of COVID-19, both on our institution and on the entire country, demonstrate its involvement. **Alterfin** has been the fastest and most responsive of our lenders, which we have really appreciated.*

VisionFund Mongolia, Mongolia



*The new loan from **Alterfin**, disbursed during the pandemic, enabled the association to grant repayment deferrals to some clients while providing financing to others. It also encouraged our other lenders to continue to support us, helping us to ensure stability for our staff.*

Attadamoune, Morocco





## Case study: Chamroeun

Chamroeun is a Cambodian **microfinance** institution (MFI) that has been committed to supporting the most underserved and vulnerable populations since it was founded in 2006. Women, the majority of whom live in rural areas of the country, account for 81% of its clients. Since partnering with Chamroeun in 2014, **Alterfin** has helped more than 32,000 Cambodian women.

This support has been increasingly important during the COVID-19 crisis. Vulnerable populations, particularly women, have been hit the hardest. The pandemic has led to the temporary closure of microenterprises and a widespread downturn in economic activity, preventing microenterprises from generating sufficient income to repay their loans. As a result of restrictions on movement, access to group credit — vital for millions of women — has been severely limited. To cope with this sudden drop in income, many women have had to sell some of their

assets, take out loans at exorbitant rates, and even reduce their food consumption.

Chamroeun has therefore played a crucial role in preventing thousands of women and their families from falling back into poverty. Chamroeun has continued to work throughout the pandemic and has remained attentive to the needs of its clients, immediately establishing payment moratoria for those who were hit the hardest and disbursing new loans to those who were able to continue their activities.

Conscious of this changing reality, **Alterfin** responded to the requests of its partner Chamroeun. Initially, in view of the declining quality of the loan portfolio and in consultation with other lenders, **Alterfin** suspended the institution's contractual performance indicators, which failure to comply with would normally be deemed to be an event of default. In doing so, **Alterfin**

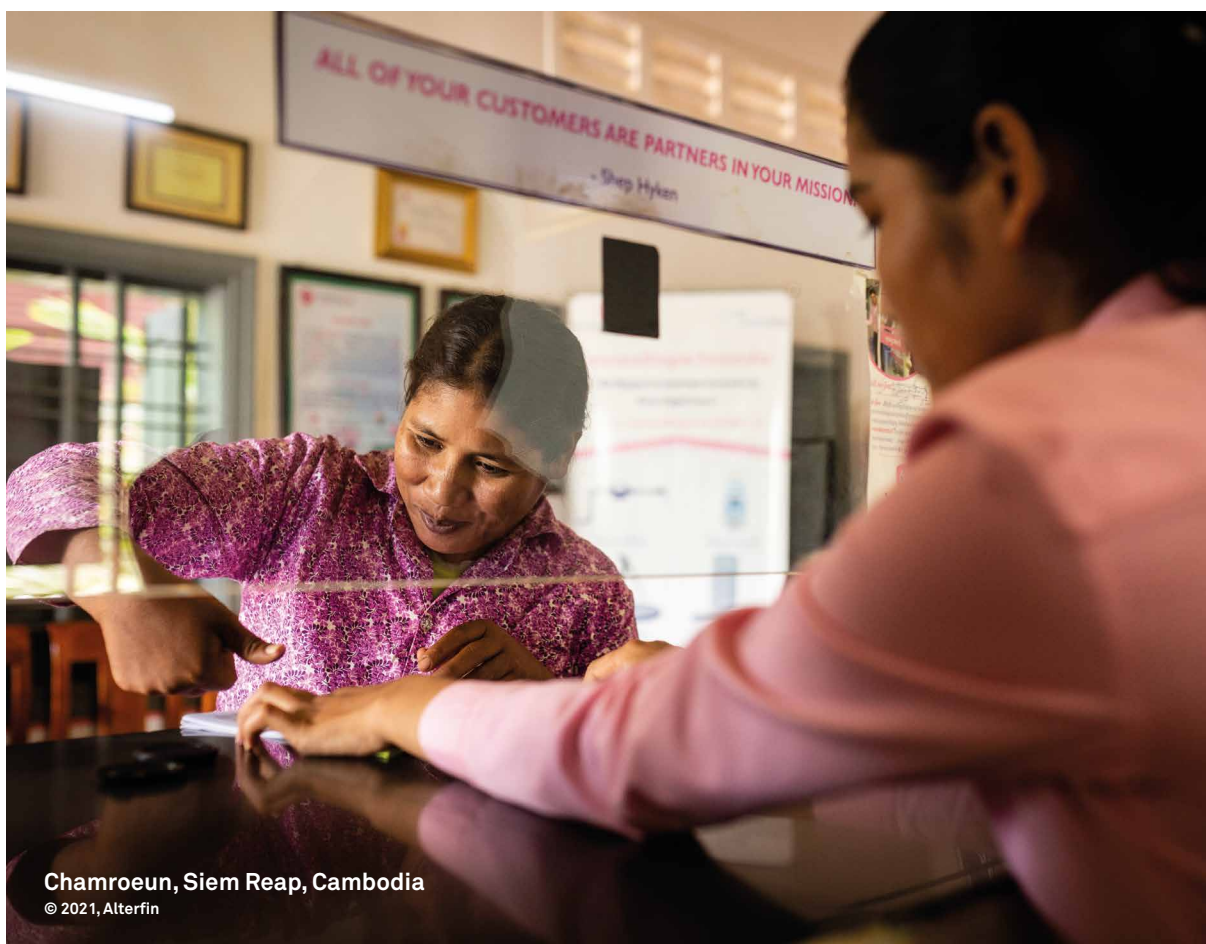
made it possible for Chamroeun to continue serving its clients by deferring the repayments, enabling operations to continue.

In October 2020, **Alterfin** disbursed a new loan of USD 1,250,000 to enable Chamroeun to provide its 32,000 female beneficiaries with new loans so that they could continue their activities, allaying their fears during this unprecedented crisis. By continuing to provide financial support, **Alterfin** has once again confirmed its leading role as a long-term partner, building trust and giving a strong signal to existing and potential investors.

We firmly believe that constant support, adapted to each partner's circumstances, will be vital in the coming months to ensure the long-term future of the **microfinance** sector and thus to contribute to the economic and social well-being of millions of microenterprises.

*By supporting us through the good and bad, **Alterfin** has had a positive influence on other potential investors. The steady improvement in **Alterfin's** lending conditions has also had a positive impact on financing from other lenders, who tend to follow these more favorable terms.*

Chamroeun, Cambodia



Chamroeun, Siem Reap, Cambodia  
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# FINANCIAL PERFORMANCE

## BALANCE SHEET

The principal source of financing for our activity is the capital received from our 6,146 co-op members. In 2020, it increased by EUR 1.3 million to EUR 65.8 million as a result of the contributions by new co-op members and additional contributions from the existing co-op members. This increase has made it possible for us to reach a total capital of EUR 68.1 million.

The decrease in the amount of debt (-14% compared to 2019) is mainly due to the contraction of our investment portfolio. **Alterfin's** level of debt is closely linked to our foreign exchange risk management policy. Capital is received in EUR, whereas the majority of our partners require financing in USD (or local currency, hedged against USD). To ensure that we can provide suitable financing while covering the exchange rate risk between EUR and USD on our balance sheet, part of our capital is invested in banks. These EUR investments are subsequently used as guarantees to obtain USD loans, used to finance our partners.

The contraction of the investment portfolio in 2020 led to a reduction in our need for funding in USD and therefore a decrease in our overall debt level.

In 2020, **Alterfin** also obtained USD financing in the form of long-term debt from institutional investors including BIO (Belgian Investment Company for Developing countries) and EDFI (the Association of European Development Finance Institutions).

In terms of assets, the investment portfolio is divided between financing, in the form of loans, and financial assets, which are equity interests in partner



institutions. You will find more explanations on the development and content of our portfolio on pages 20-34.

Intangible assets are investments made in new IT systems. Tangible assets consist mainly of properties obtained in place of defaulted loans. Some of these properties were sold in 2020, thereby reducing the level of fixed assets. The remaining properties are still in the process of being sold.

## ASSETS

Balance Sheet in EUR (before profit allocation)	2019	2020	Difference 2020 - 2019
<b>Non-current Assets</b>	<b>3,230,165</b>	<b>3,092,721</b>	<b>-4%</b>
Intangible assets	75,978	159,586	110%
Tangible assets	727,220	603,451	-17%
Financial assets	2,426,966	2,329,683	-4%
<b>Current Assets</b>	<b>129,065,706</b>	<b>120,780,353</b>	<b>-6%</b>
Net loan portfolio	70,432,676	62,107,200	-12%
EUR investments	58,082,195	58,294,084	0%
Other accounts receivable	550,835	379,069	-31%
<b>Transitory Accounts</b>	<b>2,071,439</b>	<b>1,972,575</b>	<b>-5%</b>
<b>TOTAL ASSETS</b>	<b>134,367,310</b>	<b>125,845,649</b>	<b>-6%</b>

## LIABILITIES

Balance Sheet in EUR (before profit allocation)	2019	2020	Différence 2020 - 2019
<b>Equity</b>	<b>66,978,836</b>	<b>68,112,803</b>	<b>2%</b>
Paid-in capital	64,529,875	65,832,188	2%
Total reserves	1,788,475	1,865,672	4%
Net income of the period	660,486	414,943	-37%
<b>Liabilities</b>	<b>66,713,705</b>	<b>57,043,388</b>	<b>-14%</b>
Long-term liabilities (>1 year)	11,508,155	12,724,716	11%
Short-term liabilities (<1 year)	54,094,772	43,463,016	-20%
Other liabilities	1,110,778	855,656	-23%
<b>Transitory Accounts</b>	<b>674,768</b>	<b>689,458</b>	<b>2%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>134,367,310</b>	<b>125,845,649</b>	<b>-6%</b>



Norandino, Jaén, Peru  
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## PROFIT AND LOSS STATEMENT

In 2020, the interest and fees received by **Alterfin** on the loans granted to partners remained the main source of **Alterfin's** income. They stood at EUR 5 million on December 31, 2020, a decrease of 6% in comparison to 2019. This decrease resulted from the contraction of our investment portfolio in view of the global pandemic that affected both the financing needs of some of our partners and our growth opportunities. The reduction in portfolio revenues was also affected by the depreciation of USD against EUR during the year.

Income from investments in EUR (used as guarantee for borrowing USD, see page 53) increased slightly compared with 2019 (+3%). This increase can be explained by the conversion of liquidities in saving accounts into another asset type (bonds), which enabled **Alterfin** to maintain a stable source of income while interest rates remained exceptionally low.

The fall in USD market rates has resulted in a significant reduction in the cost of **Alterfin's** funds



borrowed in USD from the beginning of 2020; this resulted in savings of 23% in comparison to 2019. The ratio of the financial costs, expressed as a percentage of the size of the investment portfolio, decreased from 3.35% in 2019 to 2.57% in 2020.

Operating costs amounted to EUR 2.3 million and 9% less than in 2019 due to the increased local presence of our investment managers, ensuring proximity to our partners, and the suspension of travel and field visits starting from March 2020 because of the pandemic.

The write-downs in 2020 mainly concern partners that were already weak or in default before the COVID-19 crisis. Given the possible impact of the crisis on the capacity of these institutions to normalize their situation, the Investment Committee decided to reduce significantly **Alterfin's** exposure to them. You will find more information about the quality of our portfolio and the loans that were written down on page 34.

Although the legal proceedings for recovering defaulted loans were delayed due to the pandemic, **Alterfin** has continued its efforts and recovered some of the loans that were written down in previous years. The level of reversal of write-downs is therefore in line with our expectations (almost EUR 196,000).

**Alterfin** invests in developing countries that are potentially exposed to significant political risks. A new insurance policy providing coverage against these risks, was taken out in 2020 to better meet our needs. This new policy resulted in a significant increase in costs but offers better protection against the said risks.

Despite the particularly difficult circumstances that caused a reduction in income and an increase in write-downs, **Alterfin** kept its financial and operational expenses under control and thus ended the year with a net income of EUR 414,943. This result, even though lower than in 2019, is nevertheless remarkable and demonstrates **Alterfin's** resilience in the face of exceptional circumstances.

## BREAKDOWN OF INCOME AND EXPENSES BETWEEN 2018 AND 2020

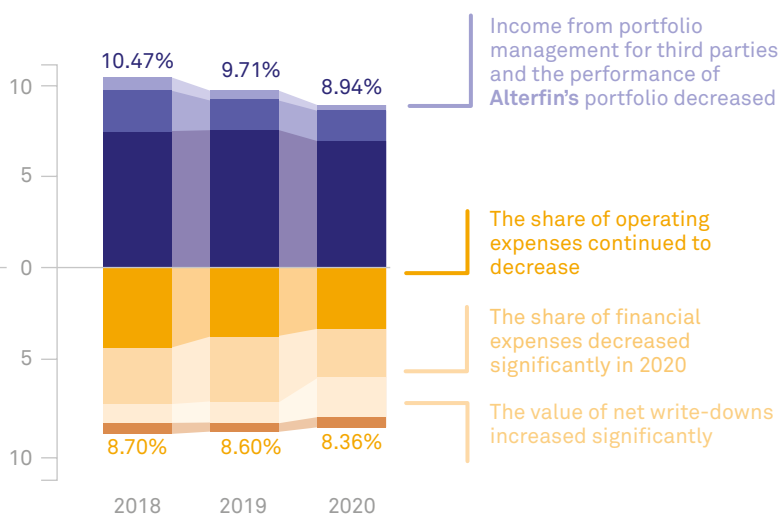
### INCOME

- Income from portfolio management for third parties
- Other income
- Income from **Alterfin's** portfolio

% OF AVERAGE PORTFOLIO

### COSTS

- Operational expenses
- Financial expenses
- Net write-downs
- Other expenses



Profit and Loss Statement in EUR	2019	2020	Difference 2020 - 2019
<b>Total financial and operational income</b>	<b>6,814,639</b>	<b>6,436,612</b>	<b>-6%</b>
- Income from Alterfin portfolio	5,296,715	5,004,573	-6%
- Income from portfolio management for third parties	347,884	228,526	-34%
- Income from consultancy services and other commissions	13,102	6,847	-48%
- Income from EUR investments	1,156,938	1,196,665	3%
<b>Financial expenses</b>	<b>-2,411,374</b>	<b>-1,852,265</b>	<b>23%</b>
<b>Financial margin</b>	<b>4,403,264</b>	<b>4,584,347</b>	<b>4%</b>
<b>Total operational expenses</b>	<b>-2,529,202</b>	<b>-2,306,630</b>	<b>9%</b>
- Personnel	-1,854,266	-1,839,575	1%
- Office and marketing	-365,202	-368,471	-1%
- Services	-86,411	-50,945	41%
- Portfolio monitoring	-98,951	-29,527	70%
- Portfolio recovery	-124,372	-18,113	85%
<b>Gross operational margin</b>	<b>1,874,062</b>	<b>2,277,716</b>	<b>22%</b>
Write-downs on credit portfolio	-811,046	-1,675,482	-107%
Reversal of write-downs on credit portfolio	46,836	195,947	318%
Premiums: insurance and guarantees for the portfolio	-53,847	-214,089	-298%
<b>Net operational margin</b>	<b>1,056,005</b>	<b>584,092</b>	<b>-45%</b>
Net FX income (expense)	-140,422	-112,994	20%
Net extraordinary income (expense)	-24	-154	-544%
<b>Result before taxes and allocation of untaxed reserve</b>	<b>915,559</b>	<b>470,943</b>	<b>-49%</b>
Taxes	-130,473	-56,000	57%
Untaxed reserves	-124,600	-	
<b>NET INCOME</b>	<b>660,486</b>	<b>414,943</b>	<b>-37%</b>

# 10 PERSPECTIVES



In 2021, we anticipate that COVID-19 and the measures taken to address the pandemic will continue to impact our partners for much of the year. This impact will be relatively negative for our partners in **microfinance** and relatively neutral for our partners in **sustainable agriculture**. The quality of the portfolio is expected to improve over the course of the year, but its growth will remain modest during the first few months and its final level, although higher than that of 2020, should remain lower than in 2019. On the basis of conservative projections and in view of the current global economy, we should, however, achieve a higher net income than in 2020.

In keeping with its cooperative principles, **Alterfin** will continue to develop partnerships with other

institutions with similar missions and driven by the same values.

In **microfinance**, as a signatory of the Pledge<sup>1</sup> developed by our friends at Grameen Crédit Agricole Foundation, and along with more than 30 lenders, impact funds, and other solidarity financing organizations, **Alterfin** will continue to implement key principles to protect its **microfinance** partners and their clients during the COVID-19 crisis.

In **sustainable agriculture**, as a founding member of the Council on Smallholder Agricultural Finance (CSAF)<sup>2</sup> and as a member of its board of directors, **Alterfin** will participate in the implementation of the principles of responsible financing for **sustainable agriculture** and the development of programs such as Aceli (see below), aimed at promoting the financing of small-scale agricultural producer organizations.

In addition, in 2021 we will continue our professionalization efforts, initially launched in 2015, and we plan to strengthen **Alterfin** and its ability to manage risks and our partners' needs. This will include:

- › the expansion of the management team with the appointments of a Head of Legal & Compliance, a Head of Portfolio Management, and a Head of Credit Risk;
- › the modernization of our IT and data management systems;
- › the establishment of a Technical Assistance center with a dedicated manager and partnerships for its financing;
- › the development of our Environmental & Social Performance Management (ESPM) framework,

1 [https://www.gca-foundation.org/wp-content/uploads/2020/06/2020-06\\_Principles-to-protect-MFIs-and-clients-in-COVID-19-crisis.pdf](https://www.gca-foundation.org/wp-content/uploads/2020/06/2020-06_Principles-to-protect-MFIs-and-clients-in-COVID-19-crisis.pdf)

2 <https://csaf.org/about/#members>



including a component for making investment decisions based on social and environmental performance.

### We are also working on the following areas of development for 2021:

#### IN AFRICA:

- **Alterfin** will strengthen the Africa team with the recruitment of an investment manager who will be based in West Africa.
- **Alterfin's** loans to small-scale producer organizations will now benefit from guarantees and other measures provided by the Aceli Africa program<sup>3</sup>. This will facilitate our work in financing small agricultural cooperatives, particularly in Rwanda.
- With Solidarité Internationale pour le Développement et l'Investissement (SIDI)<sup>4</sup>, our partner and co-founder of the European Solidarity Fund for Africa (Fefisol), we are preparing to launch Fefisol II to continue this wonderful partnership for Africa that began in 2011.
- Our small-scale partners in Africa will be among the first beneficiaries of our Technical Assistance center.

#### IN ASIA:

- We will strengthen the Asia team with the relocation of our investment managers in South-East Asia.
- **Alterfin** will closely monitor developments in Myanmar, where our portfolio is covered by our political risk insurance.
- Our small-scale partners in Asia will benefit from our Technical Assistance center.

#### IN LATIN AMERICA:

- **Alterfin** will also strengthen the regional team by hiring another team member, taking the total number of locally based investment managers to five. Alterfin has two investment managers

in Peru, one in Bolivia, one in Honduras, and will have an additional investment manager in Central America.

- As a member of CSAF's board of directors, **Alterfin** will participate in the work to plan and negotiate the financing and potential launch of an Aceli LATAM program in 2021. This program, similar to the one launched in Africa, will facilitate the financing of small-scale producer organizations in Latin America.
- Our small-scale partners in Latin America should also benefit from our Technical Assistance center.

In addition, **Alterfin** plays an increasingly committed and responsible role within the solidarity economy in Belgium, both through the engagement of its co-op members and through its efforts to collaborate with other organizations within the solidarity economy and the cooperative movement.

2021 will be an opportunity for **Alterfin** to update its articles of association, in response to the changes in the new Code of Companies and Associations in Belgium. At the end of the first quarter, our co-op members will be invited to participate in an Extraordinary Annual General Meeting to approve the proposed changes. In the context of the ongoing COVID-19 outbreak, we cannot organize our Annual General Meetings for 2021 in person, but we have adapted our communications to ensure that we keep close contact with our co-op members.

**Alterfin** remains a driving force for changes to our societal model and for a more harmonious and sustainable relationship with our environment. **Alterfin's** strength lies in the commitment and determination of its team, the members of its board of directors, its partners around the world, and, of course, the ethical convictions and the loyalty of its co-op members. Together, we will continue this cooperative commitment in 2021.

<sup>3</sup> <https://aceliafrica.org>

<sup>4</sup> <http://www.sidi.fr>

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