



Roots
of Impact



Unlocking the potential
of Impact-Linked
Finance

Case Study

altitud

November 2024



Case Snapshot



Helping low-income women in Mexico to launch their own home-based sewing businesses

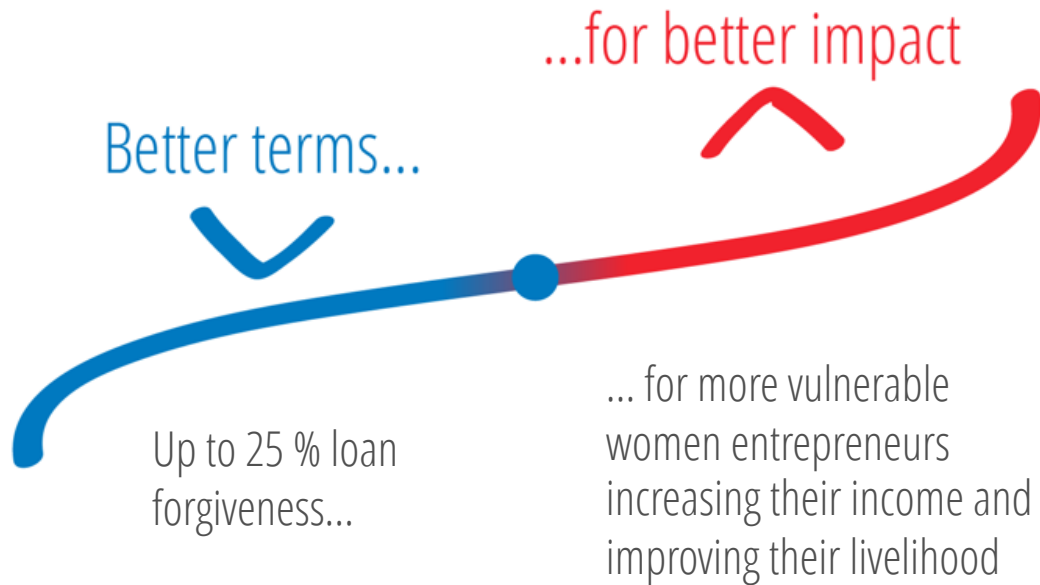
altitud



About the enterprise

Altitud supports Mexican women in purchasing sewing machines through small loans paid back over a period of 6-12 months. Altitud's holistic approach also provides free training and connects women entrepreneurs with large commercial sewing contracts, while women earn a higher income and can look after their children while working from home.

An Impact-Linked Loan, backed by a partial guarantee from SDC, not only helped Altitud to overcome the challenges of the COVID-19 pandemic, but also to increase its positive impact for the most vulnerable women.



altitud

Transaction snapshot

- USD 250k loan by Open Road Alliance, tenor 3 years
- Up to 25% loan forgiveness for full impact achievement at maturity, compensated by the Swiss Agency for Development & Cooperation (SDC)
- Partial loan guarantee by SDC

Metrics

1. Proportion of new loans with favourable conditions provided to vulnerable women¹
2. Women reporting an increase in income

Target

- ▶ Increase from 19% to 30%
- ▶ Minimum 92%

Partners

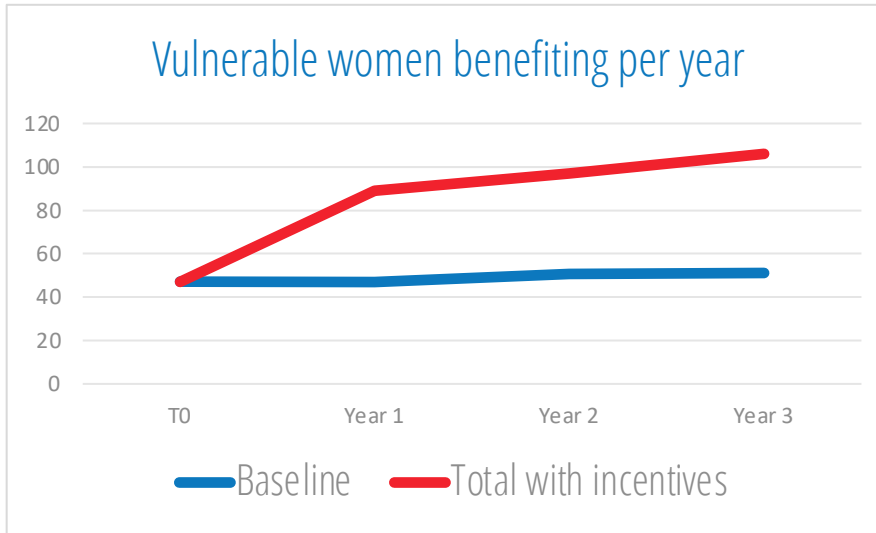
Investor:
Outcome Funder:
Transaction Manager:

Open Road Impact Fund
SDC
Roots of Impact

¹ Indigenous/ethnic minorities, single heads of household, experienced violence



Results and key insights



Total results over three years

- Total 783 low-income women increased their income permanently and sustainably by 22%
- Of these, 339 women were classified as particularly vulnerable¹

Additional impact (rewarded)

- 143 more vulnerable women¹ have benefited than before (result above baseline projections)
- This results in a cost-benefit ratio of 2.1 plus additional benefits such as improved livelihoods and better childcare

Key insights

- SDC's partial guarantee had a catalytic effect, as it enabled the Open Road Impact Fund to provide an emergency loan and stabilize the company during a time of great uncertainty.
- The embedded impact rewards compensated by SDC have proven to unlock Altitud's impact potential for the most vulnerable female clients.
- This financing enabled Altitud to innovate during the pandemic and even generate new business for its customers.
- In summary, Altitud has not only been able to overcome the challenges of the pandemic, but also to increase its positive impact.
- The focus on rewarding impact performance had another important effect: The management of the company realized, that measuring and managing impact can continue to be a strategic advantage going forward, whether for better understanding customer needs, improved operational decision-making, or reporting of impact data to potential investors.

¹ Indigenous groups and other ethnic minorities, single heads of household, and women that have experienced violence.



Case Study Details



Problem and solution

Problem

There are 9 million women heads of households in Mexico. Half of these, or around 4.5 million, live in poverty and have few economic opportunities. And if they have any, they are almost never combined with flexible childcare options. Therefore, these women must work far from home, often in jobs that offer insufficient income, unfavorable conditions, and long hours (not to mention long commutes).

Solution

Altitud was set up as a microfinance institution in 2011 to make micro-credit available to women setting up home-based business for the production of apparel. By offering women the opportunity to run their own maquila (textile manufacturing business), Altitud helps them overcome the issues mentioned above. Accessible loans allow them to acquire productive assets they can use to enjoy flexible schedules and higher incomes. In Altitud's model, credit is destined to the acquisition of productive capital – no cash is given out. Interest rates for these loans vary, depending on the credit scores and income history of the borrowers. Most women rollover their first loans into subsequent loans that allow them to acquire more machinery. This is important, as most types of apparel require the use of multiple machines to make properly and efficiently.

The women are given opportunities to receive specific training on the machines and are also connected to specific projects; however, the women are also free to accept orders from other sources. At the end of a loan period, they gather information on how the loan has impacted the woman's life, especially in terms of income.





Evidence supporting the theory of change

Independent impact evaluation

Independent experts have assessed the impact of Altitud's model both qualitatively and quantitatively. In a report compiled by Keystone Accountability it was found that **92% of Altitud's clients reported an increase in their income** over the credit period. Of these, more than one-third reported an increase of above 40% and **the average was 22%**. For those most in need, this means an increase in income from around USD 585 to USD 750 per year.

Further indications of positive impact

47% of all new clients come to Altitud on referral from other clients or from Altitud's suppliers. This can be seen as proof of the positive reception of Altitud's positive impact on its customers.

Key impact outcomes

On average, Altitud's clients receive **22% higher income**. Other benefits for women are time savings (no commuting), lower transportation costs, and better compatibility of paid work and unpaid care work.





Details about the enterprise

altitud

„We are a social enterprise with a mission to help women lift themselves out of poverty by empowering them to set up textile workshops and create a network with brands for a better and fairer garment industry.“



Gabriel Rivera Rio Zambrano
Founder & CEO

Founding year	2011
Country of operations	Mexico
Business focus	Productive credit with capacity building
Main target groups	Low-income women
Growth stage	Scaling
Key impact achieved prior to the transaction ¹	2500 women heads of households lifted out of poverty
Video:	https://youtu.be/KSzEkdEyFAs

¹ According to Altitud



Challenges for Altitud in the face of COVID-19

Initial phase 2020 - mid 2021: serious impairment of the business

- A total lockdown was implemented in the region where Altitud is present.
- Schools, factories, and offices were closed - industries that represent the majority of Altitud's clients' work. There was a notable reduction in the demand for uniforms and other work clothing.
- Women who normally sold their handicrafts on the street were unable to sell their products.
- Most of the women Altitud worked with, especially the ones working as maquilas, lost most of their income sources during this period.



From mid 2021: Recovery and start of production of medical gear

- Altitud took these severe challenges as an opportunity to innovate. During the pandemic, the company turned to the medical industry and was able to secure large and consistent orders for medical gear including facemasks and scrubs.
- Altitud gave all of its clients access to this work, allowing them not only to afford the down payments but also to secure financing and increase their incomes.
- By the middle of 2021, COVID-19 restrictions were significantly reduced to reactivate the local economy. The industry started to recover.
- Many schools and educational institutions started to accept students on-site, which has renewed the demand for school uniforms.
- The situation has gradually stabilized, Altitud has recovered and has since been able to help more low-income women in Mexico to generate income through their entrepreneurial activities.



Rationale and ILF use case

Rationale

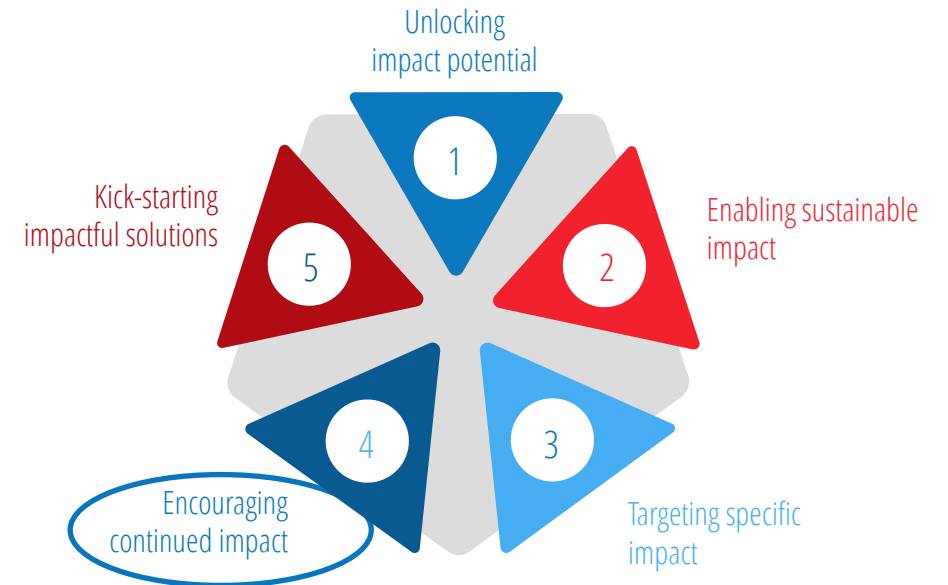
During the pandemic, there was a significant risk that Altitud would no longer be able to serve the most vulnerable target groups. By providing an emergency loan incorporating financial rewards for continuing and even expanding to serve those in need, Altitud would be able to maintain and even increase its impact on vulnerable women, particularly indigenous/ethnic minorities, single heads of households and women who have experienced violence.

Through SDC's partial guarantees and compensation for the impact rewards, Open Road Impact Fund was enabled to provide the loan to Altitud (in total, six social enterprises were supported by SDC, VIWALA and Open Road Impact Fund with these loans during the pandemic).

ILF use case: Encouraging continued impact

The enterprise is impact-focused and economically viable, but for scaling purposes and/or profitability purposes (in this case: the commercial challenges associated with the pandemic), there is a concrete risk that it moves away from the impact focus towards lower hanging fruits with higher returns.

Impact-Linked Finance use cases

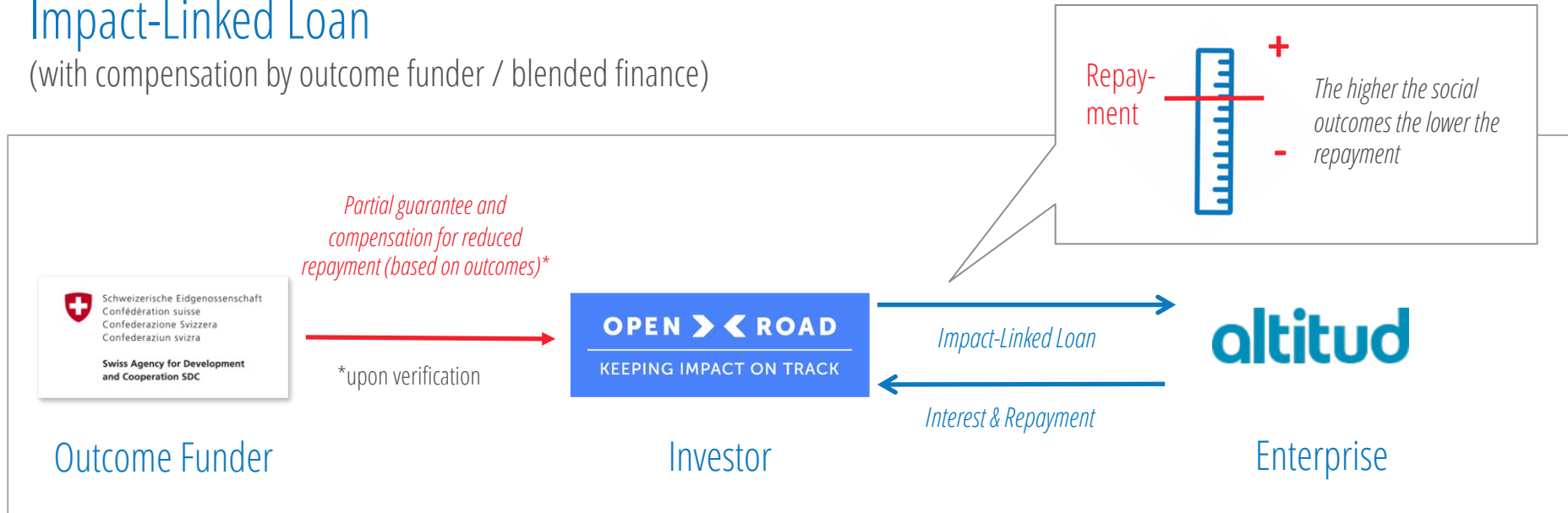




Structure of the Impact-Linked Loan for Altitud

Impact-Linked Loan

(with compensation by outcome funder / blended finance)



Impact-Linked Loans incorporate rewards in the form of reduced interest rates (or reduced repayment) depending on the achievement of predefined impact outcomes. The loan for Altitud was structured in such a way that the company had to pay regular interest but had to repay up to 25% less (partial loan forgiveness) if the impact targets were fully achieved (with sliding scale on target achievement).

Transaction Manager:  **Roots of Impact**



Incentive scheme

The incentive scheme was designed to enable and de-risk the strategy for increasing the focus on serving women from specific target groups (single heads of household, indigenous or minority women; women who have experienced violence) that typically correlate with higher risk¹.

Objective	Metric	Weighting	Baseline	Target	Type
Increase of lending to vulnerable women at affordable rates	1. Proportion of new loans with favorable conditions going to vulnerable women ¹	65%	19%	30%	linear
Maintain the level of income increase for vulnerable women ¹	2. % of women reporting an increase in income	35%	92%	92%	binary

Rationale for the selection of metrics:

Metric #1: It was difficult for Altitud to offer loans to women whose socioeconomic conditions present too great a perceived risk. Altitud was very interested to work on a business model that allows them to reach women that currently lie outside of their capacity to reach.¹

Metric #2: In order to ensure the depth of impact for more vulnerable groups, the % of women reporting increase in income needs to be the same as or higher than the comparison group

¹ Indigenous groups and other ethnic minorities, single heads of household, and women that have experienced violence.

² An interest rate cap was defined for these loans (not disclosed)

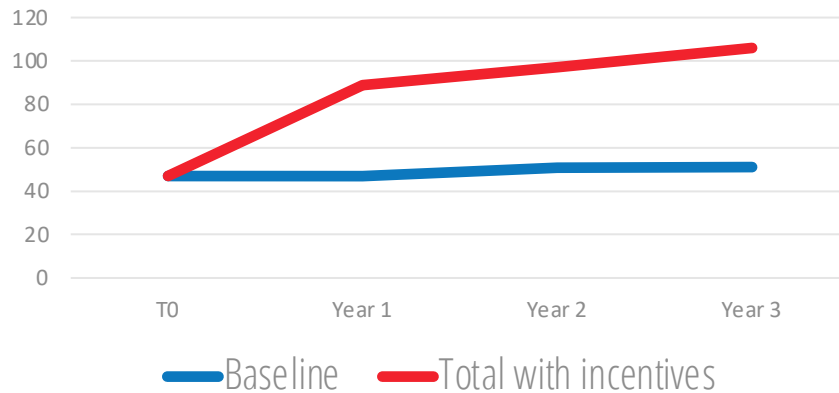


Results



Results and additionality

Vulnerable women benefiting per year



Total results over three years

- Total 783 low-income women increased their income permanently and sustainably by 22%
- Of these, 339 women were classified as particularly vulnerable¹

Additional impact (rewarded)

- 143 more vulnerable women¹ have benefited than before (result above baseline projections)
- This results in a cost-benefit ratio of 2.1 plus additional benefits such as improved livelihoods and better childcare

Objective	Metric	Baseline	Target	Achievement	Total benefit
Increase of lending to vulnerable women ¹ at affordable rates	1. Proportion of new loans with favorable conditions going to vulnerable women ¹	19%	30%	36%	339 vulnerable women ¹ benefit in total 143 more vulnerable women ¹ benefit above the baseline
Maintain the level of income increase for vulnerable women ¹	2. % of women ¹ reporting an increase in income	92%	92%	93%	Maintenance of the high level of income increase; average income increase 22%

¹ Indigenous groups and other ethnic minorities, single heads of household, and women that have experienced violence.



Details about results and additionality

	2021	2022	2023	Total
Total women benefiting	247	267	269	783
Baseline number of vulnerable women ¹ (19%)	47	51	51	149
Actual number of vulnerable women ¹	89	97	106	292
% vulnerable women ¹	36%	36%	39%	37%
Number of additional vulnerable women ¹ above baseline due to incentives (additional impact)	42	46	55	143

¹ Indigenous groups and other ethnic minorities, single heads of household, and women that have experienced violence.



Learnings from Verification

Key findings from remote and on-site visits¹

- The enterprise was highly affected by COVID-19 and used the Impact-Linked Loan to deepen the commitment to serve vulnerable clients, initiatives that would not have been possible without the incentivization.
- Interviews with beneficiaries showed that they experienced the benefit of the impact that the metrics purport to capture.
- Conversations and visits with clients show that Altitude's services are contributing to positive change among vulnerable women.
- Altitud was found fully compliant with the standards set out in the adapted [DCED scorecard](#)

Findings on the impact measurement & reporting

Initially, some issues with reporting were detected. These were discussed and clarified and this led to an update of the impact data submitted by Altitud. Ultimately, the issues stemmed from a misinterpretation of the metrics rather than inadequacies with the systems and staff in place. Moreover, there is some ambiguity regarding the target group categorizations as there exist cases where these overlap and no clear guidance on how to prioritize exists for such cases.

¹ Conducted between December 28th, 2021 and February 4, 2022

² Subsequent data verifications were carried out remotely, taking into account the findings from the on-site visit.

Methodology²

- The enterprise's systems, staff, and data management processes have been evaluated through the lens of the DCED checklist.
- 13 interviews in total with: the CEO, ten women from target groups, one management staff, one family member providing supporting information
- Verified data: ToC, survey results, screenshots upon request, signed cards documenting indigenous origin or minority status, loan agreements and conditions



Cost-benefit analysis

Benefits

- USD 100 through lower interest rates per year per borrower (on average)
- USD 165 increased net income per year for vulnerable women borrowers above the 19% baseline (Altitud already had 19% of its portfolio dedicated to vulnerable women)
- Women who receive a loan benefit 3 years from this loan

A maximum interest rate was pre-defined;
USD 100 p.a. represents the savings

Evidence from previous evaluations demonstrates
22% higher net income = USD 165 p.a.

Costs

- Up to USD 62,500 impact rewards (25% of USD 250,000)
- USD 12,480 associated transaction costs

Cost-benefit ratio (not discounted)

- Total benefits: USD 158,500
- Total costs (max.): USD 74,980

Cost-benefit ratio: 2,11

The cost-benefit ratio covers the increade income only. Additional benefits include livelihood improvments and better child care.

Simple CBA							
Years	2021		2022		2023		Totals
Numbers of beneficiaries	89		186		292		567
Total benefit	\$	15.842	\$	33.176	\$	52.833	\$ 158.499
Impact rewards	\$	20.833	\$	20.833	\$	20.833	\$ 62.500
Transaction costs	\$	12.480					\$ 12.480
Other costs							\$ -
Total costs					\$	-	\$ 74.980
Benefit-cost ratio							2,11



Altitud's current status and outlook

Current status

Altitud returned to its former strength and developed new strategies to better serve its customers. The enterprise unleashed a more holistic support model for their borrowers beyond loan financing. It now offers health insurance and online educational courses across different business modules to upskill female sewers, with the intent to foster further small business growth. For Altitud, this new offering also helps cushion against loan default rates and makes it easier for vulnerable women to grow their income.

The management of the company realized, that measuring and managing impact performance can continue to be a strategic advantage going forward, whether for better understanding customer needs, improved operational decision-making, or reporting of impact data to potential investors.

Outlook

Altitud's goals for 2024 is to provide at least 400 new loans to women by the end of 2024, up from 269 in 2023. Even after no longer being incentivized to do so. The company is committed to keep the proportion of vulnerable women at the same level.

Going forward, Altitud will continue to

- a) classify female borrowers in the three target groups incentivized by their Metric 1;
- b) offer flexible repayment terms and lower interest rates than other loan providers; and
- c) continue to conduct their entry and exit surveys (incentivized by their Metric 2) to better grasp how Altitud's borrowers, particularly those classified as vulnerable, benefitted from financial support.



Overall assessment

SDC's partial guarantee had a catalytic effect, as it enabled the Open Road Impact Fund to provide an emergency loan and stabilize the company during a time of great uncertainty. The embedded impact rewards compensated by SDC have proven to unlock Altitud's impact potential for the most vulnerable female clients. In summary, Altitud has not only been able to overcome the challenges of the pandemic, but also to increase its positive impact.



„This loan has helped us emerge even stronger from the COVID-19 pandemic. The impact rewards embedded in the loan agreement have played a crucial role in enabling us to lift women out of poverty and support them becoming successful entrepreneurs.“

Gabriel Rivera Rio Zambrano
Founder & CEO



Thank you