

Spotlight on

October 2010

Invest

MICROFINANCE COOPERATIVE

Invest Adds Four New Partner Microfinance

Institutions: EDAPROSPRO (Peru), Alternativa Microfinanzas (Peru), Fundacion Alternativa (Ecuador), and EMPRENDER (Bolivia).

Invest has recently added several new partners to diversify our portfolio. You can read about our new institutional partners on pages 2, 4, and 6.

UPCOMING ANNUAL MEETING

When: Wednesday, November 10
7:00 pm

Where: Olbrich Gardens
3330 Atwood Avenue
Madison, WI 53704

We hope you'll join us for updates, elections, and refreshments!

Invest to Pursue New Capital Raising Strategy

By Jon Bishop and Julia Glad

Invest closed its last investment offering in late February, 2010. Since that time, the Invest team, in consultation with experts, has decided to pursue a new strategy for raising funds for microfinance lending operations.

From its beginning, Invest's goal has been to involve domestic institutional investors in microfinance lending to initiate a link between capital markets and the microfinance sector. In order to do so, Invest needed to establish a track record and start building relationships with international microfinance Institutions. Our individual investors have played a crucial role in helping Invest reach that point, and their investments have enabled over two thousand micro-entrepreneurs to gain access to credit. We are now lending to eleven partner institutions in five countries, which gives Invest ample capacity to approach institutional and accredited investors. Any success that we have in the future will be thanks to everyone who has participated up to now; we are sincerely grateful to all of our investors who have made it possible to get to this next step. *Continued on page 3*

New Lending Partner for Invest: EDAPROSPO

Invest established a lending relationship with its second microfinance institution (MFI) partner in Peru on March 16, 2010 when it disbursed a loan to EDAPROSPO, a small MFI with a portfolio of \$1.2 million.

EDAPROSPO is headquartered in Lima and has six branches. It was founded in 1993 to provide credit to underserved populations in Lima. In 1997, EDAPROSPO developed a communal banking program, which has now grown to provide about 90% of all loans to borrowers. EDAPROSPO loans to borrowers for projects that are expected to have both positive financial and social returns.

EDAPROSPO not only places a strong emphasis on serving women, but also on the under-represented segments of the population. With 89% of the borrowers being women and an average loan size is \$252, well below the Peruvian national average of \$1,100, they are able to lend to a segment of the population that is much lower on the economic scale. This is unique since most other Peruvian microfinance institutions do not concentrate on providing loans to this sector of the population.

EDAPROSPO has a strong portfolio with some unique features. Commerce makes up 73% of the portfolio followed by services at 20%, and production at 7%. EDAPROSPO has begun making student loans in 2010. There are currently 100 borrowers in that program.

John Giegel, President of the Invest Board of Directors, visited EDAPROSPO in February, 2010. He was very impressed by the organization. John met with David Venegas, Executive Director of the organization, and believes that David is highly competent manager and has a vision consistent with that of Invest.

In addition to a strong social performance, EDAPROSPO has a strong financial performance.



Why a change?

At this state in Envest’s development, in which we are actively seeking relationships with institutional investors, securities regulations necessitate using a system of discrete private offerings, referred to as Regulation D 506 offerings, in order to pursue new investments. These offerings would be made known to those directly involved with Envest at the time of their opening. We hope to have an offering in the near future.

So Who Can Invest?

With our focus towards institutional investors, we are delighted that these types of offerings are also available to accredited investors, a category of individual investors with a net worth of \$1 million or an annual income of \$200,000. Although this means that current investors in Envest who are not accredited will not be able to renew their investments, current investors can remain members to support Envest’s work in microfinance. We would like encourage all our members to play a role in helping us network within the community to identify institutional or accredited investors that may be interested in joining the Envest community.

We hope that our current investors who are accredited investors will continue to support Envest in future offerings. For those current investors who will be unable to support Envest through an investment, we express our sincere gratitude for supporting us in the early stages. Because of your investments, Envest has established a three year track record of success. This track record opens up the possibility to attract loans from larger institutions that require a history of success.

Moving Forward

This new approach will certainly carry significant challenges, particularly given the current economic climate and regulatory turmoil for institutional investors. We are hopeful that the ability to include individual accredited investors in private offerings will keep Envest moving forward in a difficult economic situation. Although any public advertising of this private offering that Envest may open is prohibited due to its exclusive nature, please contact the Envest team if you know of foundations or individuals who might be interested in being part of the Envest community.

During this transition period, Envest will continue to build a community presence, support local education efforts about microfinance, offer internships for local university students who wish to learn about the microfinance industry, research ways to integrate environmental concerns into our lending operations, and explore partnerships with new international microfinance institutions. We sincerely thank our members for supporting Envest’s commitment to poverty alleviation through microfinance in all of our activities and operations.

Invest Begins Operations in Bolivia with EMPRENDER

Invest expanded its lending operations into Bolivia on September 15, 2010 when it disbursed a loan to EMPRENDER, a small microfinance institution (MFI) with a portfolio of \$3.3 million as of the end of May. EMPRENDER is headquartered in La Paz and has 14 branches across Bolivia. Founded in 1997, its mission has been to provide financial and non-financial services to people living in poverty across the country who have little access to financial services.

EMPRENDER has strong social and financial indicators. Women comprise 73% of EMPRENDER's borrowers. The average loan size is \$373, which well below the average of \$1,296 for the Bolivian microfinance sector. This demonstrates the organization's commitment to the lower end of the financial spectrum in the nation. EMPRENDER offers loans both to individuals and groups in order to facilitate the largest social impact possible.

EMPRENDER reaches a much lower level of the economic spectrum than most MFIs in Bolivia. The large, internationally recognized MFIs in Bolivia serve relatively well-off clients who have well-developed businesses. EMPRENDER serves clients who are living at a subsistence level and have a very simple business to keep their family afloat.

EMPRENDER also has a health program in which it provides free health care to all of its clients. The focus is on preventative medicine and seminars on sexual health for women. Most of their clients would not have access to health care without this program.

EMPRENDER is also involved within its community and greater La Paz area. Earlier this year, the microfinance institution participated in a civic education program with office of the mayor of La Paz. The program was designed to encourage people to use sidewalks, turn down the volume on radios, not throw garbage on the street, and generally adopt behaviors that would make the notoriously chaotic La Paz a more livable city. EMPRENDER's participation shows its commitment to innovative approaches to improving the lives of Bolivians.

The microfinance institution is also making strides in sustainable technology. From 2004 to 2008, EMPRENDER participated in a program administered by the Bolivian government to provide loans for solar panels and bio-digesters. The management is open to participating in such a program again if an appropriate solar panel partner could be found.

The financial performance of EMPRENDER is every bit as strong as the social performance. We are pleased to begin operations in our fifth country (Nicaragua, Panama, Ecuador, and Peru being the others) with such a strong partner.

Invest Intern Research Debunks “Saturated” Bolivian Market; Leads to New Partner Institution EMPRENDER

A commonly held perception in the microfinance community is that of the “saturated market”. Many experts point to countries such as Bolivia and Bangladesh as saturated markets and encourage microfinance professional to focus their energy in other countries. However, an examination of data for Peru suggested that Peru had a greater amount microfinance credit available per capita than its supposedly saturated neighbor Bolivia, yet Invest regularly receives requests for Invest capital from Peruvian MFIs. This contradiction encouraged the Invest team to collect and analyze our own data on countries previously assumed to be “saturated”.

The initial exercise, which began as a project of the intern team, involved taking data from MixMarket (a microfinance database) and country data from the CIA World Factbook to paint a picture of what market penetration looked like around the world. We took the gross loan portfolio of all microfinance institutions within the country over the total country populations. After several sessions of data collection, it became clear that Bolivia was not nearly as saturated as previously thought, and that there is a great need for capital there. Error may have stemmed from data gathered in cities: in urban areas with easier access to clients, the market may be saturated, but rural areas still have a high demand for micro-loans.

Consequently, we began to evaluate potential partner institutions within Bolivia. After careful analysis, we soon identified EMPRENDER as a strong institution and have now disbursed a loan to them. (See page 4) *By Maria Kamenetsky*

Current Partner Microfinance Institutions

| Partner | Country | Assets | Portfolio |
|---------------------------|-----------|--------------|--------------|
| CEPRODEL | Nicaragua | \$11,514,514 | \$8,825,381 |
| FODEM | Nicaragua | \$2,323,989 | \$2,360,566 |
| Prestanic | Nicaragua | \$15,116,200 | \$12,443,000 |
| PROCAJA | Panama | \$1,462,654 | \$1,276,193 |
| CEPESIU | Ecuador | \$3,097,541 | \$1,318,597 |
| FACES | Ecuador | \$4,334,005 | \$3,757,719 |
| Fundacion Alternativa | Ecuador | \$7,406,570 | \$5,663,328 |
| Microfinanzas Arariwa | Peru | \$9,670,580 | \$7,606,920 |
| EDAPROSPPO | Peru | \$1,440,222 | \$1,007,958 |
| Emprender | Bolivia | \$4,790,037 | \$3,354,960 |
| Alternativa Microfinanzas | Peru | \$894,864 | \$778,554 |

Fundación Alternativa: New MFI Partner in Ecuador

On February 2, 2010, Envest disbursed a loan to a third microfinance institution (MFI) partner in Quito, Ecuador, Fundación Alternativa. Fundación Alternativa was founded in 1991 to execute social and financial development projects that target underserved rural and urban populations in northern Ecuador.

The home office is located in Quito, and there are five branches outside of Quito. The microfinance program began in 2001 and serves both individuals and borrower groups. Loans to individuals and loans to borrower groups (no more than ten people) each comprise approximately half of the portfolio.

The loan portfolio was \$3.1 million at the end of 2009. Commerce makes up 75% of the portfolio followed by agriculture at 13%, production at 7%, services and others each at 2%.

Fundación Alternativa also has a very strong social mission. Fundación Alternativa has several environmental-focused projects, including organic farming, eco-tourism and support of artisans using local and sustainable materials. Approximately three quarters of the borrowers are women, which helps to improve women's empowerment in the area.

Former Envest intern Emily Brucher visited Fundación Alternativa in August, 2009, and Envest board member Francisco Aguilar visited in January 2010. Both were very impressed by the organization. Francisco spent time with Monica Hernandez, the founder and executive director of the organization, and was very impressed by her competence and vision.

Three New Interns at Invest



Elizabeth Silverstein is a senior majoring in International Relations at Carleton College. She interned with Invest during the summer of 2010. Elizabeth speaks French and explored opportunities for Invest in Mali and other francophone countries. She developed working relationships with two microfinance institutions in Mali and responded to inquiries from institutions in Niger, Benin and Burkina Faso. She also put together a French-English glossary for other interns to use. Elizabeth's attention to detail along with a can-do attitude made her a welcome addition to the office over the summer. She continues to work with Invest on projects that can be done from a distance.

Carol Morse graduated from UW-Madison in May 2010 with a degree in Anthropology. Fluent in Spanish, Carol worked on translations financial documents from Invest's partners during the spring semester of 2010. She has moved back to her hometown of Austin, Texas, but she continues to work with Invest monitoring Nicaraguan and Peruvian newspapers to keep the rest of the Invest team updated. Her good cheer is very much missed in the office, but we are delighted to continue to benefit from her intelligence and dedication to poverty alleviation.



Hannah Postel is a sophomore at Middlebury College in Vermont majoring in International Politics and Economics. A Madison native and Memorial High School graduate, she interned with Invest in the summer of 2010 while home on summer vacation. Hannah is fluent in Spanish and is also minoring in Chinese. Hannah translated financial documents from Spanish to English and conducted the initial financial analysis on potential partner institutions. She also put together a Spanish-English microfinance glossary. Hannah continues to work with Invest while back in school at Middlebury. We are delighted that her insight and vision continue to be part of the Invest program.

Powerful Investments. Practical Empowerment.



222 S. Hamilton Street Suite 13
Madison, WI 53703 USA
Phone: 608-216-9898
www.envestmicrofinance.org