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ANNUAL MEETING

We invite you to join us for Envest Microfinance Cooperative's 2018 Annual Meeting!

Saturday, September 29th
Dinner at 6pm
Meeting at 7 pm

~
Goodman Community Center
149 Waubesa Street
Madison, WI 53704

Meeting will include the election of Envest Board of Directors, presentation of financial reports, discussion of last year's challenges, and opportunities in the coming year. Come at 6pm to enjoy dinner and networking before the meeting.



Holly meets with the staff of our new partner, Prinvestnord

VISIT TO MOLDOVA

By Holly Brettingen

Armed with the Romanian translations of “please,” “thank you,” and “Do you speak English, French, or Spanish?” I arrived in Moldova on January 14, 2018 for a week of MFI visits – one to Smart Credit (an existing Envest partner) and two others to potential partners. Sergiu Cozmolici, the founder and board chair of Smart Credit, picked me up from the airport to take me to my Airbnb in downtown Chisinau (pronounced *kee-shee-now*). Along the way, he pointed out historic landmarks, monuments, and interesting quirks about the city. Despite almost 24 years since the dissolution of the Soviet Union, the city looks very similar to what I imagine it did during the Cold War.

Chisinau is a city where newly-constructed apartment buildings stand next to ones that appear to have been built in the 1950s without ever being revisited. While Sergiu dodged what seemed like thousands of potholes, I asked him about the numerous partly-constructed buildings we saw along the way. Some were wrapped in plastic; clearly intended to protect the site. Many others looked completely abandoned – exposed to the elements without any construction equipment to be found. Sergiu said most of these buildings ran out of funding and were either temporarily or permanently abandoned as a result. This

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CENTRAL ASIA

By Jon Bishop

When the topics of economic need and microfinance investment opportunities arise, Central Asia is rarely the first region to be mentioned. Even in the microfinance sector, Central Asia is often overlooked or simply deemed too risky. It is easy to assume that the violence and instability regularly reported in news about Afghanistan apply to the entire region.

There are effective microfinance sectors in several Central Asian countries. Envest began lending in Tajikistan in 2014 and in Kyrgyzstan in 2015. At present, we lend to three microfinance institutions (MFIs) in each country. There are effective microfinance industry umbrella organizations in both countries that have been very helpful in supplying information and suggestions of potential partner organizations to Envest.

Central Asia is generally considered to be the area east of the Caspian Sea and west of China, north of Iran, and south of Russia, which contains Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Turkmenistan, and Uzbekistan. These countries have a collective population of roughly 70 million, and all of them, save Afghanistan, were part of the Soviet Union until its dissolution in 1991. Borders were drawn during Soviet rule with little regard for the ethnic groups present, sometimes with the aim of splitting groups or pitting them against each other. This would sow discord and prevent cooperation against Soviet rule. As a result of these boundaries, ethnic violence still flares up occasionally in the region.

Russian is the *lingua franca* in the region. However, the ethnic language of each country is the official language (e.g. Tajik in Tajikistan, Uzbek in Uzbekistan, etc.). The region is predominantly Muslim.



Arysh Invest borrower by her remodeled home



Home construction, financed by Arysh Invest

Poverty is widespread in Central Asia, particularly in Tajikistan and Kyrgyzstan. These two countries are the poorest of the former Soviet Republic, with remittances accounting for 35% and 25% of their GDPs, respectively—the two highest rates in the world. According to the CIA World Factbook, Tajikistan's GDP per capita (purchasing power parity) in 2017 was \$3,100, ranking 192nd out of 228 countries recognized by the Factbook. Kyrgyzstan's GDP per capita is only slightly higher at \$3,700, ranking 184th. For perspective, Tanzania is 190th at \$3,300, São Tomé and Príncipe is 191st at \$3,200, Syria is 193rd at \$2,900, and Vanuatu is 194th at \$2,800.

Central Asia first came on Envest's radar as a lending possibility in June 2008 when David Szakonyi called Envest's office, still in one room of my house, to inquire about access for funding for a small MFI in Tajikistan at which he had worked for six months during a two-year period living in several former Soviet republics. Envest was a small startup that did not have the resources to consider lending in Central Asia at that time. However, David and I agreed that he would join our advisory board to help us develop to the point that we could consider lending in Central Asia. Six years later, Envest disbursed a loan to SARPARAST, the MFI at which David worked. David's help was vital to understanding the region and gaining the confidence to begin a lending relationship in the region.



David Szakonyi

In May of 2015, David and I traveled to Tajikistan and Kyrgyzstan to visit our two partner MFIs and explore the possibility of new partnerships. We met for the first time in person at the Dushanbe airport (in Tajikistan) and proceeded

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MOLDOVA *continued from Page 1*

strange mix of old, new, and unfinished describes many aspects of life in Moldova beyond Chisinau's architecture. Throughout Moldova, I experienced both Soviet rigidity and warm hospitality – another confounding combination. Very few smile, laugh, or joke with one another in public, but any personal interaction I had was marked with care and light-heartedness. According to the World Values Survey, a longitudinal survey that began in 1981 to study world values and how they change, Moldova regularly ranks last in terms of happiness. In the 2016 survey, only 44% of Moldovans claimed to be satisfied with their lives. And yet Moldovans place an emphatic cultural value on hospitality, especially when it involves teaching a genuinely-interested foreigner about Moldova's history, heritage, and culture.



There are many articles speculating as to the cause of this national trend of unhappiness. The general conclusion is there are many contributing factors. Primary among them, however, is Moldova's lack of economic opportunity. Not only does this European country have a 2017 GDP per capita lower than that of Honduras, but it is also much more dependent on remittances than most other countries, receiving nearly a quarter of its GDP in



Holly with her Moldovan interpreter

remittances. Having remittances account for nearly 25% of GDP indicates a significant lack of economic activity in the country, as it shows employable people feel the need to emigrate from Moldova in order to support themselves and their families. Additionally, it is estimated that 1% of all Moldovans have been lured into human trafficking (generally either for sexual slavery or forced labor) as a result of the poor economic environment.

Most MFIs are founded with a mission to service a need for financial services in communities which have been traditionally marginalized. Smart Credit, an Envest partner since November 2017, is unique in that it is dedicated not only to creating jobs in its local markets through their loan disbursements, but its management actively seeks to create opportunities for advancement within the organization so talented people with little economic opportunity can create a better life for themselves. One of the branch managers I met during my visit used to be a cashier at a grocery store. Her husband is a construction worker, and together they have two children. They used to barely make ends meet with both of their wages, and her husband would often be away in the winter to work in warmer climates since construction often stops during winter in Moldova. Sergiu offered her a cashier position at Smart Credit five years ago. Since then, she has worked her way up to become a branch manager and has been able to earn an accounting degree, obtain a driver's license, and purchase a vehicle—each achievement creating new opportunities for her and her family.

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MOLDOVA *continued from Page 3*

Similarly, an organization called Priminvestnord – a potential partner at the time of my visit and officially a partner as of July 2018 – is using a portion of their loans to create an innovative new loan product. Priminvestnord lends to entrepreneurs in rural areas who often lack access to credit because they do not have a regular salary to secure a loan from a small financial institution and no lenders in the rural areas are large enough to service small, owner-operated businesses. In addition to offering credit products, Priminvestnord loan officers work with these entrepreneurs to create sustainable business plans and individualized repayment plans. In an area where small businesses are often not able to access capital, Priminvestnord is empowering entrepreneurs who have been traditionally marginalized or who lack the resources to become engines of economic growth within their communities.

CENTRAL ASIA *continued from Page 2*

to visit 18 MFIs in three weeks. David's fluency in Russian gave us access to information from small MFIs that did not have English-speaking staff. It became clear there were several excellent MFIs in both countries facing great difficulty gaining access to lending capital because very few international microfinance lenders consider Central Asia to be financially viable. It also became clear that small MFIs had little chance of getting loans from the few international institutions with a presence in the region.

Our conversation with Gulbara Turdumatova, Director of Arysh Invest in Bishkek, Kyrgyzstan, was emblematic of the receptions we got during our visits. She was gracious but slightly baffled as to why foreigners would be visiting an MFI with total assets of only \$500,000. We assured her that we were serious about discussing a possible lending relationship. By the end of the conversation, we realized the potential in Arysh's focus on extending credit to people who live in the shanty towns that sprung up around Bishkek after the fall of the Soviet Union. Women comprise 82% of Arysh's portfolio—a particularly impressive result in a predominantly Muslim country. Envest has disbursed three loans to Arysh, which has tripled in terms of total assets since our visit.

As a result of the visit, Envest began lending to three MFIs in Kyrgyzstan and another two in Tajikistan. At present,

My visit to Moldova showed me how quickly hope can grow in the face of economic development. Smart Credit, Priminvestnord, and many other MFIs like them are providing economic opportunity to those who would otherwise have very little. Microfinance in Moldova provides people opportunities to improve their lives, such as furthering their education, accessing clean water, repairing their homes, or starting a new business. These loans stimulate a community's economic activity, often leading to improved infrastructure, increased access to social services, increased civic involvement, and a higher quality of life. Microfinance is helping driving change in a country that can often seem to have very little hope otherwise, and I know there are plenty of success stories yet to be written thanks to the work of dedicated MFIs in their communities. ■

31% of Envest's portfolio is in Kyrgyzstan and 7% is in Tajikistan. All of the partner MFI organizations have a compelling social mission and a high level of transparency.

David finished his Ph.D in political science in 2016 and is now an assistant professor in the Political Science Department at George Washington University in Washington, DC. He continues to serve on Envest's advisory board and provides a perspective and knowledge base that allows Envest to make a positive impact in a region of the world that is all too often ignored or misunderstood.

Central Asia has become an important component of Envest's portfolio both financially and in terms of social impact. We have every intention of continuing to support our partners in Kyrgyzstan and Tajikistan as they continue to grow and serve people with few financial resources and little access to credit. ■



Physical addresses grant Kyrgyz people the right to vote and allows them to register for schooling and healthcare.

WELCOME, EVAN!

Envest's newest intern



We are pleased to welcome our newest intern Evan Stanek to the Envest team. Evan is a student at the University of Wisconsin - Madison and will be graduating in May 2020 with a degree in Personal Finance and certificates in Business Management and Food Systems.

His career goals are focused on using financial planning as a tool to assist less advantaged individuals achieve financial security, so they can become pillars in their communities. He was attracted to Envest because of its ability to generate a sustainable social impact while achieving strong financial returns. Evan believes we all have a responsibility to be engaged in our community and actively work to improve society. While pursuing his degree at UW Madison, he is giving back to the community by volunteering at the UW Children's Hospital and tutoring at Madison East High School.

WELCOME BACK, JULIE!

Former intern joins Advisory Board

Julia Glad Pooler is delighted to return to the Envest Advisory Board. She first became involved with Envest through a business class at the UW when Envest was just beginning. Immediately sold on Envest's microfinance approach, she became heavily involved with Envest during its early development, leading the initial marketing and communications and meeting with some of Envest's first MFI partners in Nicaragua.



She followed in Jon's footsteps in earning her MBA from the Thunderbird School of Global Management, and is delighted to return to Envest to help with Envest's expanding marketing opportunities.

Visit our website to learn more about our team. ■

BOARD OF DIRECTORS

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Jon Bishop
Jennifer Lazarus
Kathryn Hankard
Francisco Aguilar
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Wayne Orthwein

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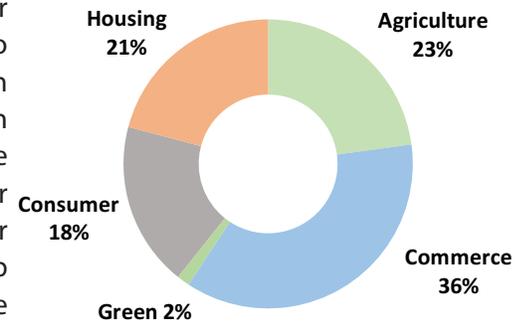
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Jennifer Servoss-Pecard
David Szakonyi
Ann Terlaak
Julia Glad Pooler

MANAGEMENT TEAM

Jon Bishop
Holly Brettingen
Nick Engen
Anna Schaefer
Francis Soza Huete

PORTFOLIO REPORT

Since the Spring 2018 newsletter, Envest began lending to one new partner institution, Priminvestnord in Moldova. This addition brings Envest's portfolio to 21 partners in 11 countries on five continents. The management team believes this distribution represents an adequate level of diversification in our portfolio. Envest may add new partners over the next year, but in the short term our focus will shift to increasing the amount lent to each partner institution. Most of our partners have a demand from their clients that is far greater than what Envest can provide at this time. Our intention is to help partners meet this demand while continuing to improve our processes as we achieve economies of scale. As we can meet more of the demand from our current partners, we will increase the effort to reach new partners and expand into new regions.



Each of Envest's partners allocates its portfolio among market segments according to its strategy and core competence. Collectively, this results in Envest's portfolio being diversified across several broad segments of the microfinance market (see chart). Slightly over one third of Envest's portfolio is currently lent for commerce. Slightly under one quarter of the portfolio is directed to agriculture. Housing now represents 21% of Envest's portfolio. This segment represents primarily home improvements, such as concrete floors or the installation of a pipe to bring water into the house. These improvements make homes more livable and increase the collateral value of the house, giving the client the ability to borrow more money to fund a business. Consumer lending comprises 18% of the portfolio. This is something of a catch-all category ranging from loans for domestic items to school loans. In some countries, a loan for working capital for businesses is considered a consumer loan. This breakdown suggests that Envest's portfolio is diversified by sector as well as geographically.

INVESTMENT OPPORTUNITY

Envest offers a meaningful investment opportunity for accredited investors* to make a difference in the world through microfinance. Of every investment that comes into Envest, 100% is used to make loans to our microfinance partners, who then use the money to make hundreds of small loans to their borrowers. As the borrowers repay, your investment is lent out again and again, making a difference for countless families around the world.

Along with the strong social return, Envest strives to offer meaningful financial returns that will contribute to the financial resilience of your portfolio.

Envest targets a 5-6% annual return on investment, and has met this target five out of six years. If you would like to view offering documents or learn more about Envest's model, please contact Jon Bishop by phone at (608) 216-9898 or via email at jonbishop@investmicrofinance.org. **



* U.S. Securities Laws provide that an accredited investor is any natural person who: 1) earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or 2) has a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence). ** Prospective investors should consult their own independent counsel or financial advisor regarding legal, tax and similar matters concerning an investment.

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