

POWERFUL INVESTMENTS
PRACTICAL EMPOWERMENT

In this issue

Invest's Response to the COVID-19 Pandemic.....	1
Invest Became a Certified B Corp.....	1
Q1 2020 Portfolio Report: 2+ Years of Sustained Growth and Impact	2
Welcome Sarah	3

ANNUAL



MEETING

Saturday,
September 26,
2020

7 pm CDT
Online

Save the Date for Invest Microfinance Cooperative's next annual meeting on September 26, 2020.

We have made the decision that in person gatherings will not be advisable in September 2020 due to the COVID-19 pandemic. The annual meeting will be on-line. We will send connection details at a later time. The annual election will be done via mail this year. We will miss sharing a meal with our local supporters and hope to get together with the membership in subsequent years. We look forward to seeing everyone online in September.

Invest's Response to the COVID-19 Pandemic

By Sarah Odden and Jon Bishop

The COVID-19 pandemic has brought significant changes to the operating environment of Invest's partner institutions, which has changed Invest's activities as well. The first sign of disruption for Invest came in late February when an Invest representative's visit to two potential MFI partners in Uganda was cancelled as a precautionary measure. With partner visits suddenly on hold, plans for geographic expansion suddenly were on hold as well. Invest had been poised for growth in both portfolio size and regional presence in 2020, both within our current partner countries and through partnerships in new markets. As the first quarter of 2020 came to a close, a very different and far less certain course had been charted. It comes with heightened risk levels, and its most pressing need and impetus is the support of existing microfinance institution (MFI) partners through the current crisis with extreme prudence.

We are working with partner MFIs to understand immediate and longer-term impacts of COVID-19. It is too early in this crisis for the MFIs to have reliable assessments of the impact on their portfolios. Many borrowers are unable to make principal and interest payments to the MFIs because their businesses or salaries are affected by lockdowns imposed by their governments or implemented voluntarily. Some borrowers are still able to conduct business but are unable to make payments due to travel restrictions and closed offices. Whether they are working from the office or from home, loan officers at all partner MFIs are in contact with borrowers via phone calls, text messages, or social media.

(Continued on page 3)

Invest Became a Certified B Corp

By Sarah Lesar

Invest recently became a Certified B Corporation! This is a status that can be achieved by any for-profit business (not just public benefit corporations). It is a label--like Fair Trade or USDA Organic--that shows that a business takes initiative to care for its employees, the planet, and the community while making a profit. Clearly, the certification aligns with Invest's mission to bridge the gap between microfinance and capital markets. The nonprofit organization B Lab oversees this certification.

Certification involves an extensive questionnaire that analyzes five areas of impact: governance, workers, community, environment, and customers. This assessment is the same for companies of all sizes and industries.

(Continued on page 4)

(608) 216-9898

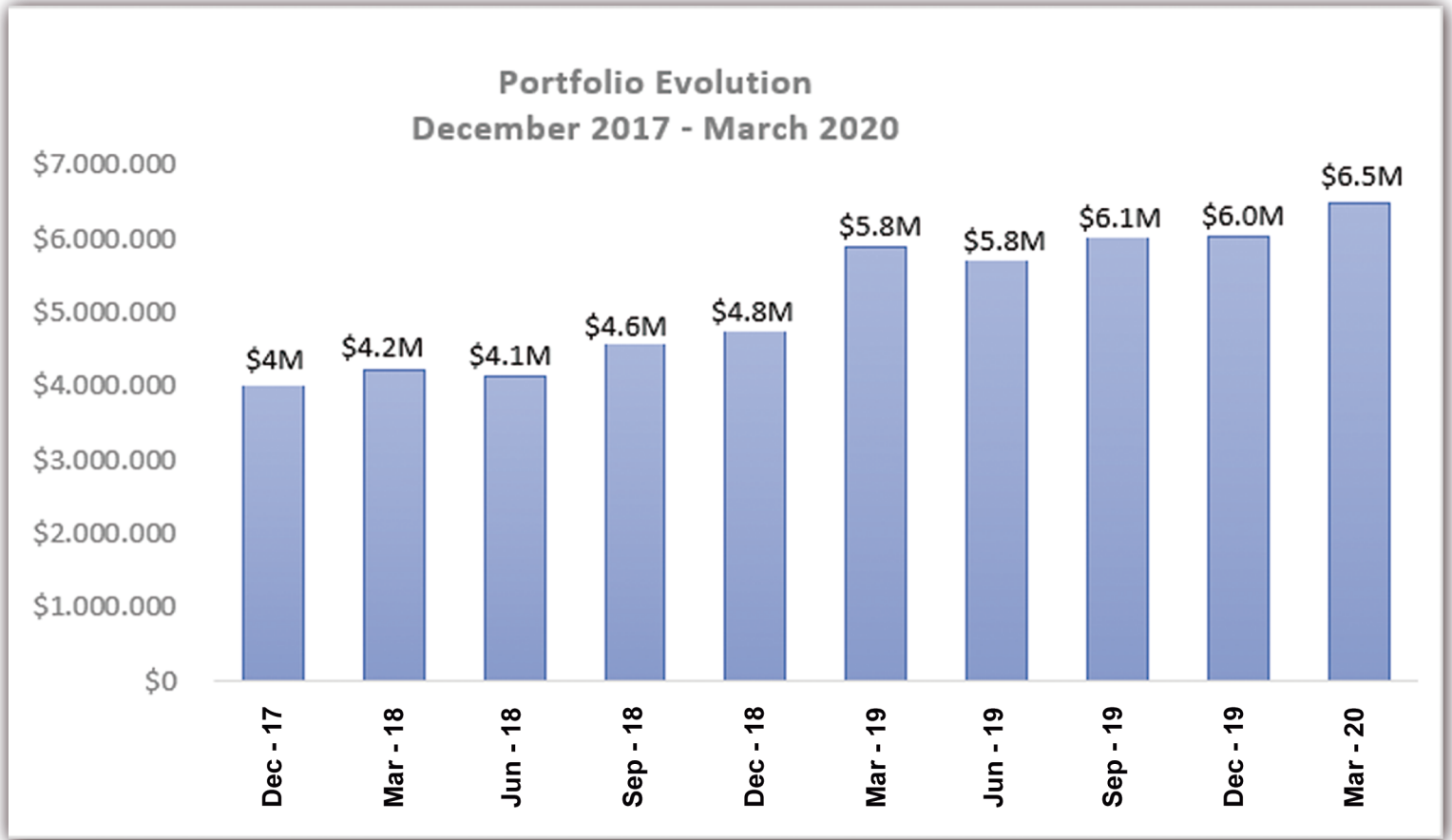
306 E. Wilson Street, Suite 2E
Madison, WI 53703 USA

<https://investmicrofinance.org/>
investments@investmicrofinance.org



Q1 2020 Portfolio Report: 2+ Years of Sustained Growth and Impact

By Angelica Lozano



Envest's portfolio has grown at a steady rate over the past 27 months. The portfolio grew from \$4M at the beginning of 2018 to \$6.5M in the first quarter of 2020. This represents an increase of 61% since the beginning of 2018. Envest disbursed 14 loans in 2019 and four loans in the first quarter of 2020.

Envest remains committed to serving small MFIs that are financially sound and have a strong social focus. For many of these MFIs, Envest is their primary lender. In 2019, Envest disbursed loans to six MFIs with assets under \$2M: Rafode in Kenya (total assets: \$1.6M), MCO Mehnatobad (\$1M) and SARPAST (\$147K) in Tajikistan, Arysh (\$1.7M) in Kyrgyzstan, and PANA PANA (\$1.7M) and FUNDEMUJER (\$1M) in Nicaragua.

In the first quarter of 2020, we disbursed loans of \$300,000 each to Prinvestnord in Moldova and PROCAJA in Panama. Additionally, we disbursed new loans for \$200,000 each to FUNDEMUJER and PANA PANA in Nicaragua. The loan to PANA PANA was disbursed amid the global COVID-19 virus crisis. Although few official cases of COVID-19 are known in Nicaragua, Envest is aware it is facing a scenario of greater risk. As described in more detail on page 1, the Envest team is in close communication with all partners. Many partners have identified the agriculture and food production sectors as early opportunities for the continuation of loan disbursements. Envest is committed to work with partners to manage the increased lending risk caused by the COVID-19 pandemic.

Welcome Sarah Odden



Before officially starting with Envest, Sarah was on a trip in Nicaragua and had the opportunity to travel to Masaya to meet our Regional Representative in Latin America, Francis Soza Huete.

Sarah Odden joined the Envest team at the beginning of 2020 as the Director of Financial Analysis. Sarah holds a double BS in International Business and Accounting from the University of Wisconsin-La Crosse. She is an accountant by training and profession whose career, convictions, and results lie at the intersection of economic development and impact investing. Before joining Envest, she was responsible for development operations at the international NGO Bridges to Prosperity, which builds footbridges in remote communities in developing countries to give residents better access to economic opportunity. Sarah has a background as a small and medium enterprise accountant, and she led operations at a financial tech startup. She began her career in Guatemala contributing to the development and professionalization of an all women, Grameen-style microfinance program. Sarah actively volunteers as a financial mentor to entrepreneurs at the Rocky Mountain Microfinance Institute.

Sarah's combination of accounting and economic development talent and experience is ideally suited to Envest's needs. Her personal and professional goal is to apply an entrepreneurial and market-based framework to economic development and microfinance, which lines up perfectly with Envest's mission. Sarah has embraced Envest's vision and adds a great deal of energy and perspective to the Envest team. We are delighted that Sarah has brought her talent and enthusiasm to Envest.

Envest's Response to the COVID-19 Pandemic (Continued from page 1)

Waiving late payment fees during this period is a universal practice among Envest's partners, and Envest will adopt this practice with its partners when good faith efforts are made to honor commitments. The MFIs are working with their borrowers to rearrange or delay payments, as needed. The ultimate impact on borrowers and the MFIs will depend on how long the crisis lasts.

All partner MFIs remain committed to operating through the uncertainty and are making their best attempt to gain understanding, mitigate risk and hardship where possible, and identify opportunities. Frequent communications with all 18 Envest partners in 10 countries have been detailed and insightful. The trust we have established with our partners will be crucial during this period as we rely on information from MFIs to determine appropriate actions. All partners have provided honest assessments of their situations and have committed to keeping us updated. Throughout early conversations, MFIs have identified consumer and commercial loans as taking the most immediate hit. Borrowers with loans for transportation and tourism related activities have been affected particularly hard. Nonetheless, some sectors continue to perform well. Partner institutions have noted many agriculture loans are still performing and, in many instances, are in demand. The extent of each trend, again, is not yet quantifiable.

It is clear to the management team that the Envest portfolio has a higher level of risk than it did before the COVID-19 crisis. The future performance of our partner MFIs is uncertain. We cannot fully ascertain the level of risk to the portfolio, and we expect that it will be some time before we have a true sense of how all our partner institutions will be affected. The possibility of a default is higher than it was before the crisis, although there has been no indication that any of our partners will be unable to pay at this point. We are working with partners on a case-by-case basis to provide extensions on payments. All of our partners are being proactive in assessing the status of the loans to their borrowers. Additionally, each is continuing to operate as well as can be expected within the constraints of the lockdown and has expressed the commitment to remain viable and meet all financial obligations. We are encouraged by the proactive responses of our partner institutions. Despite the increased risk presented by this crisis, we see a credible prospect of maintaining our portfolio. We deem the risk to be elevated, not desperate.

Envest has made the conscious decision to continue lending to partners during the COVID-19 crisis. We acknowledge that there is heightened risk in continuing to disburse loans during this period. Each loan decision involves a careful evaluation of whether the partner institutions can lend the funds from Envest to borrowers who will continue to have a market during the pandemic. This evaluation involves a different set of questions from the pre-crisis evaluation process, resulting in long conversations with partner MFIs about topics new to both sides. MFIs that are continuing to request loans have articulated a credible plan for the deployment of new funds. In contrast, other partner MFIs have informed us that they do not intend to request additional loans at this time. Envest has determined that providing loans to our MFI partners in this uncertain period is an acceptable risk.

(Continued on page 4)

Envest's mission is to make credit universally available to those who can benefit from it. While acknowledging the heightened risk of continued lending, Envest remains cognizant of its mission to maximize impact. Access to credit is particularly crucial in times of crises. This is especially true in developing economies which are often reliant on international remittances, which are declining, and where social support is limited and will be further constrained in the fight against COVID-19. It is imperative that MFI partners can continue to serve their borrowers. Most of our partner MFIs had few sources of credit before the crisis, and it is likely that some lenders will not renew loans during the crisis. This trend will further exacerbate liquidity shortages and MFIs' ability to support essential sectors at the base of the economic pyramid. For example, a major consequence identified through talks and monitoring is that access to credit will likely become a food security issue in many parts of the world. As economies and supply chains face prolonged disruption, the importance of small-scale farming will rise in certain regions to keep local populations fed. Envest is deploying loans in Central America during COVID-19 to fund planting seasons and is considering lending in other parts of the world in the months ahead for similar purposes. We feel it is central to our mission and values to continue lending to our partners during an uncertain period.

The general tendency for the microfinance sector in disruptive situations is that MFIs entering difficult periods in strong financial condition, with a solid business model, come out of the period in fine shape. In the case of natural disasters, there is usually an increased demand for credit afterward because borrowers need to rebuild and restock. There are cases of MFIs being stronger after a natural disaster because of the increased demand. Additionally, as other MFIs lose access to loans from international financiers unable to continue lending through volatility, stronger MFIs with sustained liquidity may absorb their competitor's high-quality borrowers, which can serve as a benefit to their own portfolio quality.

Political strife and significant macroeconomic downturns can present a greater threat to ongoing operations of an MFI. Again, strong MFIs usually remain financially and operationally viable through such events. However, we recognize the current crisis is more disruptive than previous events we have navigated. Our view is that the most important factor informing the long-term impact on MFIs is how long this crisis will last - which is likely the most pertinent variable in any other business sector as well.

The global microfinance sector was experiencing a trend toward the digitization of data and payments before the current crisis began, and we noted an acceleration of this process for some partners as lockdowns began to loom. Envest's partners are in various stages of this process. Those that already receive the majority of payments via digital transfer appear to be doing relatively better than MFIs that are in the beginning stages of that process. We anticipate that this crisis will continue to spur an effort to digitize cash flows between borrowers and MFIs. While we look forward to the advances in organizational development precipitated by COVID-19, the long-term impact of these and similar improvements in the face of the current crisis also remain unknown.

The next few months, or possibly longer, will be uncertain. We intend to continue disbursing loans to our partners until our best judgment suggests otherwise. We are reassessing our approach continuously and are prepared to change course as the facts on the ground change. The support and trust of our stakeholders, as always, is sincerely appreciated.

During approval of an early 2020 loan for a Nicaraguan partner during an ongoing economic downturn in the country, Envest board member Laura Dreese summed up the Envest position succinctly when she noted "I am proud to be involved with an organization like Envest that does not abandon its partners solely due to macro volatility." While Laura was referencing a crisis differing in scope and essence, the sentiment reflects Envest's culture and how we plan to operate through COVID-19. While our commitment to our partners has not changed in light of the current crisis, what has changed is the frequency and breadth of partner communications, emphasis on macroeconomic monitoring, and our overall lending discretion.

Envest Became a Certified B Corp

(Continued from page 1)

Envest's small size and unique business model led to some tailored and often humorous answers when explaining, for example, the interdepartmental communications of a four-person team.

After almost a year of back and forth communications, Envest completed the analysis and provided all supplementary information required by B Lab. As a Certified B Corporation, Envest joins the likes of Patagonia, Ben & Jerry's, and other for-profit businesses that aim for the triple bottom line – supporting people, planet, and profit. There is a significant amount of knowledge-sharing and support within the B Corp movement to which Envest now has access. Envest is proud to be a member of this community and looks forward to sharing insights and knowledge with other companies that have a vision of a better world.



BOARD OF DIRECTORS

John Giegel – President
Jon Bishop – Vice President
Jennifer Lazarus – Treasurer
Wayne Orthwein – Secretary
Laura Dreese – Member

ADVISORY BOARD

Franciso Aguilar	Sergio Loureiro
Richard Brooks	Mel Miller
Justin Conway	Doug Morrison
Kevin Egolf	Sylvia Panek
Read Eldred	Paul Sager
Nick Engen	Anna Schaefer
Julia Glad Pooler	Jennifer Servoss-Pecard
Kathy Hankard	Holly Skog
Mirzo Khashimov	David Szakonyi
Andy Loving	Ann Terlaak
Malaika Maphalala	

MANAGEMENT TEAM

Jon Bishop - CEO and Founder
Sarah Lesar - Director of Operations
Sarah Odden - Director of Financial Analysis
Angelica Lozano - Director of Communications & Partners Relations
Francis Soza Huete - Regional Representative Latin America


(608) 216-9898

Webmaster & Graphic Designer
Francisco Fulco

306 E. Wilson Street, Suite 2E
Madison, WI 53703 USA

<https://investmicrofinance.org>
investments@investmicrofinance.org