

POWERFUL INVESTMENTS
PRACTICAL EMPOWERMENT

Renewed Relationship with MiCrédito

By Jon Bishop

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Envest disbursed a loan to MiCrédito, a Nicaraguan microfinance institution (MFI) headquartered in Managua that provides credit to 8,700 borrowers through 12 branches in Nicaragua and one in San José, Costa Rica. This is Envest’s second loan to MiCrédito after providing the first loan in 2014. MiCrédito has grown since 2015 making it one of Envest’s largest partners with total assets of \$13.5 million. The MFI has remained dedicated to serving female and rural borrowers throughout its growth. The MFI had access to larger sources of credit as it grew between 2015 and 2019, making Envest’s loans less attractive. The two organizations remained in close communications when there was no active lending relationship, and MiCrédito hosted Envest at several

microfinance industry events in Nicaragua. Access to credit has been reduced dramatically in the current environment, and MiCrédito and Envest have resumed an active lending relationship.

MiCrédito opened a branch in San José, Costa Rica in 2018 to serve the credit needs of the Nicaraguan diaspora. Many Nicaraguans migrate to Costa Rica looking for work due to the economic disparity between the two countries. Immigrants are typically undocumented, which severely limits their economic opportunities. MiCrédito is the only source of credit for most of its borrowers, making it the only option for many Nicaraguans who want to start or improve a business in Costa Rica. MiCrédito has the perspective to evaluate the risk of Nicaraguan borrowers which Costa Rican lending institutions typically lack, giving it access to an unserved market segment.

MiCrédito has a leadership role within the Nicaraguan microfinance sector by virtue of the fact that its director, Verónica Herrera, is the president of ASOMIF (Association of Microfinance Institutions), the microfinance industry association in Nicaragua. Among its positive contributions to the Nicaraguan microfinance sector, ASOMIF played a pivotal role in establishing CONAMI (National Commission of Microfinance) in 2011 after political and economic crises rocked Nicaragua.

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Quarter 2: COVID-19 and Envest

By Jon Bishop & Sarah Odden

The COVID-19 pandemic has persisted long enough that we are gaining an understanding of how it is affecting Envest’s MFI partners and how they are responding to it. All Envest partners continue to lend to borrowers at some level, and some partners are lending at close to pre-COVID-19 levels. Partners in countries with strict lockdowns have seen the greatest reduction in the demand for loans. The arrears rate is elevated for almost all partners as many borrowers have experienced a reduction in business activity. All partners are working with borrowers and have waived late fees during the pandemic. Most partners had a reduced net income through the second quarter of 2020, but many were still positive through the first half of the year.

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Disbursement During COVID-19

By Angelica Lozano and Sarah Lesar

Envest's portfolio has remained above \$6 million throughout 2020. Despite the COVID-19 crisis, we have disbursed loans to seven partners in five countries in 2020. In the first quarter, we disbursed loans of \$300,000 to Priminvestnord in Moldova and PROCAJA in Panama and loans of \$200,000 to FUNDEMUIER and PANA PANA in Nicaragua. In the second quarter we disbursed a loan for \$100,000 to IDER in Peru.

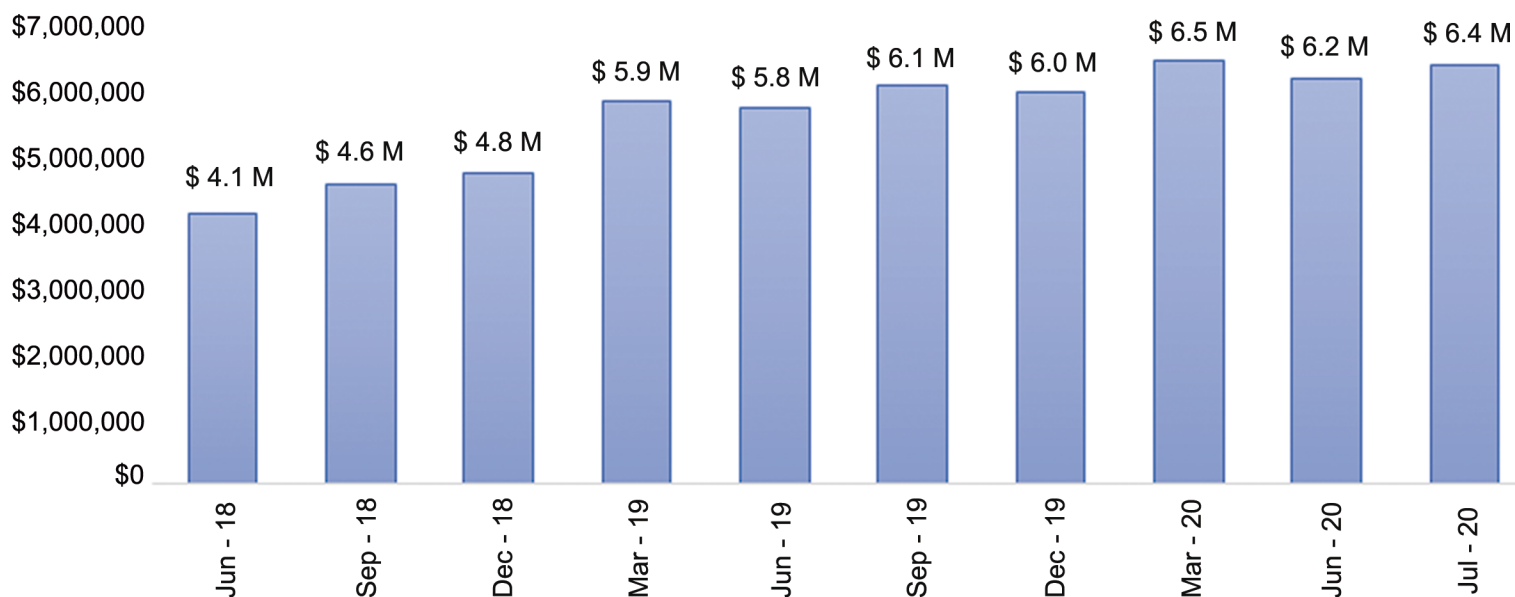
In July, we disbursed a loan of \$200,000 to MiCrédito, an MFI that operates in Nicaragua and Costa Rica and was previously our partner from 2014 to 2016. (See article on p. 1.) We also disbursed a loan of \$120,000 to Furuz in Tajikistan.

Envest aims to be a true partner to the microfinance institutions to which we lend. In the unprecedented time of COVID-19, we recognize that many partners face difficulty receiving payments from their own borrowers and maintaining business when lockdowns and safety concerns prevent communications as usual.

We decided that flexibility is prudent for both Envest and our partners. For several partners, we have delayed principal payments for three to six months. This allows our partners more time to use the funds and increases the likelihood of successful repayment. It does not have a material effect on Envest's financials, as our revenue comes chiefly from interest. All partners have made their interest payments. The practice of offering principal extensions is not only the right thing to do but has become an industry standard that sets our partners up for future success.

The Envest management team discussed this topic with the Board of Directors during the June board meeting. The board agreed unanimously to grant the team full authority to reschedule loans. We are updating the board routinely with schedule revisions and any requests that go beyond the usual extension of principal payments. As always, the Board of Directors deliberates and votes on any new loans to be disbursed.

Portfolio Evolution June 2018 - July 2020



Laura Dreese's Summer Fellowship with Envest



Laura Dreese, Envest Board member, was a Social Enterprise Summer Fellow with Envest between the completion of her MBA at Columbia University in May and the beginning of a position at Glenbrook Partners, a payment consulting firm headquartered in New York City, in July. The fellowship was sponsored by The Tamer Center for Social Enterprise at Columbia University. Laura served as a consultant in systems analysis and strategic planning.

Laura has a long-standing interest and involvement in microfinance and Envest. She interned as a loan officer at a microfinance institution in Kenya during her junior year at the University of Wisconsin and interned with Envest during her senior year. Laura became the second member of the Envest team after graduating with a BS in Applied Agricultural Economics in 2013. Laura spent four years at Envest contributing richly to the growth and development of the organization. She left Envest in 2017 to pursue an MBA at Columbia University. Laura's MBA internship in Croatia between her two years of study turned into a one-year engagement as a business development specialist at Oradian, a banking and microfinance software company based in Zagreb.

It is imperative that a business reviews its operations and strategies continuously. However, the reality of daily challenges means that few businesses have the opportunity to step back and evaluate operations and strategies as thoroughly as desired. Laura's fellowship was an opportunity to do just that. Laura brought the ideal combination of a deep knowledge of Envest, relevant experience in the microfinance sector outside of Envest, and cutting-edge business training from a top MBA program.

During the fellowship, Laura led several projects designed to make Envest's operations stronger and more efficient. She worked with permanent team members and interns to assure continuity after her fellowship ended. Laura considered processes that work well now but need to be strengthened as Envest grows. She facilitated the process of expanding the operations manual, which the rest of the team has continued. She led several informational sessions for the team and spearheaded research projects the team continues to work on actively. Laura prepared projects so that they required minimal time from team members yet delivered significant value to our efforts. We were fortunate to have the opportunity to assess current practices and improve them.

We appreciate Laura's effort to arrange the fellowship and contribute her expertise and insight back to Envest. We are particularly grateful to The Tamer Center for Social Enterprise for providing this opportunity. This fellowship had the added impact of giving a board member the opportunity to work closely with the Envest management team, which strengthened the Envest Board as well as the team.

Welcome, John Cheriyan



John Cheriyan joined Envest's Advisory Board in May 2020. John served as the vice-president of external relations of Microlumbia, an MBA student club dedicated to development finance at Columbia Business School. Microlumbia and Envest have had a consulting and co-lending relationship since 2014. John became Envest's contact person at Microlumbia in the summer of 2019 just as Envest was beginning to explore microfinance opportunities in India. He quickly became a de facto advisor to Envest and assisted Envest in understanding and formulating plans for an eventual entry into the Indian market.

John is passionate about understanding how to link capital markets to social and environmental impact outcomes. Prior to business school, John worked at Dasra, India's leading strategic philanthropy firm, providing capacity building support to

sector-leading social entrepreneurs and non-profits as they approached transformational scale. Prior to the completion of his MBA at Columbia Business School in May 2020, he accepted a position with Strategy& in Dubai as a management consultant.

John is an engineer by training having earned his undergraduate degree in mechanical engineering from Karunya University in Coimbatore in 2012. After graduation, he worked in the aerospace and defense sector until transitioning to the non-profit strategy sector.

Envest values the insight and track record of impact John has already brought to the team and is thrilled that he has chosen to continue serving our mission with his diverse experience and background.

Thank You, Lily Deng



Lily Deng joined the Envest team in May as a summer intern. Lily is a sophomore at the University of Notre Dame studying Finance and Applied Math. Lily is passionate about community service. During her high school years in Shanghai, she founded DreamBuilder, a club which helps elementary school children in isolated areas of China gain knowledge of the outside world via access to the Internet. In college, she applies her expertise in business to serve the local community in Indiana. She works as the program assistant for the South Bend Entrepreneurship and Adversity Program, which involves planning community bootcamps for local entrepreneurs. She also volunteers for MoneyThink, where she teaches local high school students financial literacy.

Lily's passion for using business to create positive social impact aligns well with Envest's mission. During her time here, Lily helped improve systems, analyzed partner financial statements, contributed to the design of the investment report, wrote sections of the portfolio report manual and provided valuable insights that will help Envest long past her tenure. We are grateful to Lily for her dedication, positive attitude, and contributions to the team this summer and are grateful to have her as part of the Envest community.

Thank you, John Grossardt



John Grossardt first introduced himself to Envest in the fall of 2019 when he organized a panel discussion on the topic of “Business for Good” through Alpha Kappa Psi, a business fraternity at the University of Wisconsin School of Business. John remained in contact with Envest through the academic year and joined our team as a summer intern in May.

John is a junior at UW-Madison where he is studying finance and political science. He is passionate about determining creative solutions to the issues of international development, financial inclusion, and forced migration. John noticed that these issues cannot be solved by businesses or government entities alone, but instead he acknowledges the necessity to facilitate collaboration between the public and private sector.

This summer, John contributed a great perspective to Envest. He assisted our team in monitoring the financial and social performance of our partners, and he is in the process of developing new performance indicators to measure partner operations. John was also essential in the systems audit process, identifying possible improvements in cybersecurity, efficiency, and technology and proposing solutions to several issues. John spurred many interesting and insightful conversations among the team throughout the summer.

We were delighted to have John on our team this summer and are grateful to have him in the Envest community.

Renewed Relationship with MiCrédito

(Continued from page 1)

CONAMI has been crucial to establishing a transparent regulatory framework necessary to give foreign and domestic lenders the confidence to continue lending to Nicaraguan MFIs. Ms. Herrera’s efforts as president of ASOMIF bestow benefits on borrowers beyond MiCrédito’s portfolio.

The COVID-19 pandemic has exacerbated an already difficult economic situation in Nicaragua. Political protests met by violent oppression by government forces in 2018 led to an economic downturn that continues despite a cessation of open hostilities. Most MFIs in Nicaragua saw a significant deterioration in portfolio quality in 2018 and 2019. A recovery was under way in late 2019 and early 2020 when the pandemic began. The government’s lack of response has led to widespread but unreported illness. The low official infection rate is not considered credible by serious observers. MFIs are operating during the pandemic but face many challenges.

The demand for small loans from MiCrédito’s clients continues during the COVID-19 pandemic. Clients dedicated to agricultural production and processing are requesting and repaying loans at the pre-COVID-19 level. The same is true for clients who operate pharmacies. Clients who use loans for transportation and tourism related activities have been affected severely and are not requesting additional loans presently. The MiCrédito team is continuing to lend to existing clients who have a viable business model in the COVID-19 environment. MiCrédito has functioned as a leader through the pandemic in the communities it serves, and it provided early education, health outreach, and resources to its employees and communities before the government acknowledged the coronavirus in country.

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A specific example of the agility of MiCrédito in the COVID-19 era is a recently formed partnership with APEN, a regional association that facilitates the sale of yuca (manioc) from small-holder farmers to guarantee the purchase of the yuca harvest of MiCrédito's yuca producing borrowers. APEN is able to assure a large amount of product from small holders without numerous individual negotiations. MiCrédito's borrowers have better access to a market at a fair price, and MiCrédito benefits from a decreased probability of default from its borrowers. This mutually beneficial relationship is emblematic of MiCrédito and illustrates the creativity and impact that Envest seeks to support.



An example of an individual who benefits from MiCrédito is Fátima Cerda, a merchant dedicated to cultivating and selling crops of tangerines, lemons, avocados, and oranges. Thanks to the loans from MiCrédito, she has been able to purchase additional fruit plots.

The long-term impacts of economic downturn on the microfinance industry remain unknown, similar to most industries at present.

All Envest partners have made all scheduled principal and interest payments on time during the pandemic. For six of the 18 partners, we have extended principal payments for three to six months. Two partners made early payments due to the effect of the strengthening dollar on local currency. Envest is extending principal payments upon request from partner institutions, consistent with industry norms.

Early in the COVID-19 crisis Envest participated in a lender conversation with several international lenders. Each participating lender had capital placed with one of Envest's largest partners. Industry norms and nuances were discussed through a series of calls, and an agreement was made for each lender to extend all principal payments into 2021. It was encouraging that lenders worked together to give the MFI the flexibility to continue serving its borrowers.

Envest has continued lending to partners that have communicated viable plans to place money and have acceptable performance results through the crisis to date. Since February 2020, Envest has disbursed loans to two partners in Nicaragua, one in Tajikistan, one in Peru, and one in Moldova. We are in the discussion or analysis phase with several other partners. Additionally, the evaluation and analysis of new loans involves steps that are new in the COVID-19 era.

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On a recent videocall, the director of Envest partner Rafode in Kisumu, Kenya, explained how they have increased their environmental impact during the COVID-19 pandemic. Loans for solar lanterns and panels have become more popular due to the rising price of kerosene. The resulting reduction of kerosene use will have health benefits for borrowers' families. In parallel with many of our partners, the agricultural component of Rafode's portfolio has performed better than other sectors during the pandemic. Agriculture has become more important for local access in the community due to restricted travel and strained supply chains. Thus, Rafode, like many partners, has increased agricultural lending during the pandemic.

The elevated level of uncertainty in the microfinance sector brought on by the COVID-19 pandemic promises to persist for the foreseeable future. We acknowledge the increased risk of lending during the pandemic, and we believe the risk is acceptable with sufficient monitoring and diligence. Envest will continue to monitor the political, economic, and entrepreneurial resilience of our partners and the countries in which they operate. Until the facts on the ground dictate otherwise, Envest plans to continue lending and facilitating impact throughout COVID-19.

Envest Judges Resilience Product Design Competition

By Jon Bishop and Angelica Lozano

Envest Founder and CEO Jon Bishop had the honor of judging the Resilient Product Design Competition organized by Envest partner MiCrédito. This initiative seeks to promote creativity and innovation at MiCrédito's branches through the creation of financial products that adapt to the needs of borrowers, especially in the time of COVID-19. Teams were formed by pairing two branches together with the exception of the Costa Rica branch, which was a stand-alone team. Six teams from Nicaragua and one team from Costa Rica proposed credit products and presented them to the judges, who were representatives of MiCrédito's lenders. The Jinotega-Matagalpa team won the contest with the MiCrediMarketAgro product, a digital platform that facilitates the commercialization of agricultural products at fair prices. All proposals in the competition were interesting and contained elements worthy of inclusion in MiCrédito's operations.

We are proud to support an organization like MiCrédito which constantly seeks to reinvent and strengthen itself while confronting adversity.

The members of the Jinotega-Matagalpa team received as a prize a basket of basic products purchased from MiCrédito customers.



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