

### Envest Highlights

Fall 2015

- Portfolio now greater than \$3 million
- \$200,000 disbursed to IDER CV in Peru
- \$200,000 disbursed to Arariwa in Peru
- \$100,000 disbursed to Salym Finance in Kyrgyzstan
- \$200,000 disbursed to Pana Pana in Nicaragua



## Envest Adds New Partner In Kyrgyzstan By Jon Bishop

On October 8, 2015, Envest disbursed a loan to Salym Finance, a microfinance institution (MFI) located in Kyrgyzstan. Salym is headquartered in Bishkek, the capital of Kyrgyzstan, and has five offices, four of which are in villages in northern Kyrgyzstan and one at the headquarters in Bishkek.

This loan represents Envest's first partner in Kyrgyzstan and our third partner in Central Asia (SAPRARAST and MDO HUMO in Tajikistan received loans from Envest in 2014). Kyrgyzstan is located in Central Asia and borders

Tajikistan, Uzbekistan, Kazakhstan, and China. Kyrgyzstan was part of the Soviet Union and declared its independence in 1991 when the Soviet Union broke up.

By most observers, Kyrgyzstan is considered to have made more progress toward democracy than most other former Soviet republics. Its government is characterized as a hybrid between democratic and authoritarian. Elections are generally viewed to be flawed, but not illegitimate by the international community.

The population is 5.6 million and consists of 75% Muslim, 20% Russian Orthodox, and 5% other religions. Kyrgyz and Russian are the official languages. Kyrgyz is the most widely spoken, although Russian is the language of business.

Kyrgyzstan is a very impoverished country. The GDP per capita (purchasing power parity) in 2014 was \$3,400, which is the same as in Bangladesh and Mauritania.

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## Envest Hosts 2015 Annual Membership Meeting By Laura Drees

On a beautiful autumn evening a small crowd of Envest cooperative members, investors, and other interested parties gathered at the Home Savings Bank community room in Madison, Wisconsin for

Envest Microfinance Cooperative's seventh annual membership meeting. The meeting included an election for two seats on the board of directors, as well as an open discussion of the challenges and

accomplishments that have shaped Envest's year.

Current board president, John Giegel, and member, Paul Sager, were reelected for an additional term. Envest board members serve two-

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## Annual Meeting *continued from Page 1*



**Paul Sager** has served on Envest's board since 2007. Envest benefits from Paul's extensive travel experience in the developing world, including in Asia, Latin America, the Middle East and Africa. Paul has performed the initial due diligence visit on a microfinance institution in Mongolia on Envest's behalf.



**John Giegel** joined the board in 2007 and has been serving as president since 2008. He brings a wealth of business and lending experience to Envest through his success of founding and managing the Wisconsin Business Development Finance Corporation. He also has done extensive travel around Latin America and has performed many of the due diligence visits to Envest's partner microfinance institutions.

year terms with no limit on the number of terms a member can serve. The cooperative membership elects members to the board, whereas officer positions are elected internally by the members of the board each year.

Later on that evening, Envest founder and CEO, Jon Bishop, and Portfolio Manager, Laura Dreese, took turns discussing both the challenges and the accomplishments that have shaped 2015. Considerable time was spent discussing Envest LLC's default in Mexico which occurred in April of 2015. This case represents the first default for Envest LLC, which became the primary lending entity in November, 2012. The cooperative, which was the lending entity prior to the LLC, experienced one default in 2011 in Nicaragua. The exposure in Mexico accounts for less than 4% of Envest LLC's assets. While the loss has been unpleasant, it has not been catastrophic. Envest will enter 2016 with

new policies and practices designed to reduce the likelihood of a repeat of the Mexico experience.

In 2015 Envest also saw an increase in portfolio size and geographic presence. At the beginning of the year we set a goal for Envest to grow by \$600,000 in equity in 2015. By October 1st we were already 93% of the way towards achieving this goal. This means that we were able to disburse new loans to our partners in Peru, Tajikistan, Nicaragua and most recently in Kyrgyzstan. We are very excited to be working in Kyrgyzstan, a country in which great need and high-quality microfinance institutions are both found.

The meeting concluded with a Q&A session and ice cream. Thank you to those of you able to join us this year. We look forward to continuing the conversation at next year's annual meeting. New faces are always welcome.



Jon Bishop presenting about his trip to Tajikistan & Kyrgyzstan

### Board of Directors

John Giegel  
Jon Bishop  
Georgette Frazer  
Kathy Hankard  
Paul Sager  
Francisco Aguilar

### Management Team

Jon Bishop  
Laura Dreese  
Francis Soza Huete  
Cassie Poeske

### Advisory Board

Richard Brooks  
Justin Conway  
Howard Finkelstein  
Julia Pooler  
Sue Good  
Jennifer Lazarus  
Sergio Loureiro  
Andy Loving  
Mel Miller  
Doug Morrison  
Wayne Orthwein  
Jennifer Servoss-Pecard  
Megan Snyder  
David Szakonyi  
Ann Terlaak

## New Partner in Kyrgyzstan *continued from Page 1*

Kyrgyzstan's economy is heavily dependent on remittances, with 16% of its GDP in 2014 consisting of money sent home by workers abroad. Russia attracts the largest number of Kyrgyzstani migrants, with up to one million workers traveling to Russia each year in search of jobs.

The microfinance sector in Kyrgyzstan began in 2003 when a law was passed allowing microfinance to operate outside of the banking sector. Profit motivated MFIs represent a larger portion of the microfinance sector in Kyrgyzstan than they do in Latin America. One factor that contributes to this is the relatively high capital adequacy (minimum equity ratio) requirement in Kyrgyzstan for MFIs, which makes it difficult to establish an MFI with grant funding as is common in Latin America. Average loan sizes to end borrowers also tend to be larger in Kyrgyzstan than in Latin America. The \$2,000 to \$5,000 loan segment is as poorly served as the less-than-\$2,000 segment in Kyrgyzstan. As a result, the small MFIs tend to provide slightly larger loans on average than their similar-sized Latin American counterparts.



A sewing business with a loan from Salym Finance

Salym was founded in 2007 by Mirlan Kulov, a professional with ten years of banking experience. He founded Salym to provide affordable financial services to people living in poverty and to promote employment and social mobility. Together with Salym's three other owners, Mirlan has built a solid, efficient organization that has grown and provided credit to entrepreneurs in northern Kyrgyzstan.

Salym has total assets of \$9.3 million and a lending portfolio of \$8.3 million. The portfolio is evenly divided between urban and rural borrowers. About half of the portfolio is lent to female borrowers, which is rare in Central Asian MFIs. Most MFIs in Central Asia lend less than half of their portfolios to women.

Loans are made for housing (30% of portfolio), agriculture (10% of portfolio), business (30% of portfolio), and consumer loans (30% of portfolio). Consumer lending often includes loans for school fees or to cover living expenses while the family's primary wage earner is working abroad. About 15% of Salym's portfolio is in US dollars. Business transactions in Kyrgyzstan involving significant purchase price, such as houses, land, vehicles, heavy machinery, and household appliances, take place in US dollars. Loans to clients involving such items are denominated in US dollars.

All loans are made to individuals. Salym's management considers the group lending market in Kyrgyzstan to be saturated. Group lending tends to be the domain of large MFIs that are part of international networks. The smaller, home grown MFIs such as Salym focus primarily on individual lending. This reflects the fact that the microfinance market in Kyrgyzstan is even more underserved than what we see in Latin America. Small businesses that would have access to credit in most Latin American countries often do not have access to credit in Kyrgyzstan. Individual loans to these small businesses present a relatively simple and profitable market for MFIs.

The microfinance market in Kyrgyzstan is relatively young, and the demand for credit from borrowers vastly exceeds what the MFIs are able to provide. In the 12 years that there has been a microfinance sector in Kyrgyzstan, several strong MFIs have emerged. The market is dominated by five large MFIs and ten small ones, including Salym, that are strong and appear poised for growth. The Association of Microfinance Institutions of Kyrgyzstan welcomes the growth of these smaller MFIs to facilitate a vibrant and competitive market. Salym is very strong and transparent, making it the ideal partner with which to begin operations in Kyrgyzstan. There are other MFIs in Kyrgyzstan worthy of Envest's consideration. We intend to explore these possibilities as our portfolio grows.

Invest is a microfinance investment vehicle that pools investors' capital and makes loans to microfinance institutions (MFIs) in developing countries. These MFIs, in turn, provide loans to low-income entrepreneurs, giving them access to capital markets. As the entrepreneurs repay the MFIs, the MFIs repay Invest.

*We are dedicated to the belief that reducing poverty is crucial to achieving an environmentally sustainable and socially just world economy.*

*We believe that microfinance can play a critical role in creating the economic opportunities necessary to bring about global financial justice.*

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## New Invest Intern



**Cassie Poeske** is a graduating senior at the University of Wisconsin-Madison where she is pursuing a degree in International Studies and two certificates in Global Health and Environmental Studies. She recently returned from a semester abroad in Lima, Peru, where she was able to improve her Spanish-speaking abilities and gain cultural competency. She has a passion for working with the Latin American population to implement sustainable mechanisms of economic development. She is hoping to move to South America upon graduation to continue pursuing her goals to help contribute to the many economic needs of this world.

## Invest Partner Institutions

Mi Credito	Nicaragua
Pana Pana	Nicaragua
PROCAJA	Panama
CEPESIU	Ecuador
IDER CV	Peru
Alternativa Microfinanzas	Peru
EDAPROSPO	Peru
Arariwa	Peru
EMPRENDER	Bolivia
Salym Finance	Kyrgyzstan
SARPARAST	Tajikistan
MDO Humo	Tajikistan