INVEST IN VISIONS

IMPACT REPORT 2021

INVEST IN VISIONS
AT A GLANCE

EUR959.5 million
assets under management

25
employees

35
countries

EUR343.2 million
newly acquired loans in 2021

690,933
end borrowers reached

INVEST
IN
VISIONS

80%
share of women among end borrowers reached

99
refinanced financial institutions

7
currencies

All information as of 31.12.2021

TABLE OF CONTENTS

15 YEARS INVEST IN VISIONS

The Invest in Visions team is convinced that financial products should not only generate an attractive return, but also offer a sustainable and positive impact on people and the environment. This is the reason we specialise in impact-orientated investments and build bridges between investors and promising projects day after day. With impassioned enthusiasm, we are constantly on the lookout for investment ideas that have the potential to shape a future-looking world offering quality of life.

Our employees are our most important capital in realising this vision. That is why our team consists of highly motivated individuals, keen to devote their full potential to a sustainable environment. The photo was taken after an exciting workshop followed by a Christmas party in Frankfurt am Main.

FOREWORD

Dear Reader!

As in 2020, the Corona pandemic was again the all-dominant topic last year. Covid-19 has changed the world in many ways. The pandemic has set the international community back years in terms of poverty reduction and exacerbated existing inequalities, both within countries and internationally. As a World Bank report shows,[1] economic recovery is progressing much faster in industrialised countries than in developing and emerging ones, thereby returning equality differentials between the Global North and Global South to the levels seen ten years ago. Income inequality has grown also within these countries. Women and workers in the informal sector have been, and continue to be, particularly hard hit by job losses and reductions in income. Other areas in which inequality has intensified include healthcare and access to education.

Impact investing can play an important role in fighting such inequalities and, in the sustainable transformation of the economy. The German Federal Government's Sustainable Finance Committee (SFB) emphasised the latter in its closing report of February 2021 with the programmatic title "Shifting the Trillions. A Sustainable Financial System for the Great Transformation". In doing so, the SFB made concrete suggestions on how the volume of impact investments, which have so far been more of a niche, can be increased in the future. This includes, among other things, changes to the regulatory framework which should make impact funds accessible to a broader audience of investors in Germany. Microfinance funds were identified as a role model here.

Over the past year, it has become increasingly clear that a sharper distinction is needed between the various sustainable investment strategies. This is because the enormous appeal of impact investments among investors is arousing avarice, increasing the risk of **greenwashing** or **impactwashing.** Consequently, only investments that exhibit all three of the International Finance Corporation's (IFC) required components – an impact intention, a plausible and - as far as possible - evidence-based impact contribution, and a convincing system of impact measurement – should be recognised as impact investments.[2]

Perhaps the surest way of making an impact contribution is by allocating capital directly to under-funded industries and sectors which have a positive social and / or environmental benefit. We try to pursue this path unfalteringly, even if it is not always easy and without contradictions.

FOLLOW THE IMPACT

Edda Schröder
Managing Director and Partner at Invest in Visions GmbH

1 World Bank (2022), Global Economic Prospects, January 2022. Washington, DC: World Bank. 2 See e.g. IFC (2021), Investing for Impact. The Global Impact Investing Market 2020. Washington, DC: International Finance Corporation, p.12.

Last year, the funds we manage acquired more new loans than ever before. Total assets amounted to over EUR 959 million at the end of 2021. Around 690,000 end borrowers in 35 developing and emerging countries benefited from these funds – in order to start, maintain or expand a commercial activity or to cover necessary social expenses for which funding would otherwise have not been available.

Transparency, open communication, and effective impact management are crucial for strengthening investor confidence in the sector. For this reason, Invest in Visions became a signatory to the Operating Principles for Impact Management (OPIM) in March 2021. OPIM was launched in 2019 by the IFC and provides a framework to ensure that the impact orientation is integrated effectively throughout the investment process.[3] Our first statement on how the principles are embedded into our investment processes was published on 31 March 2022.

This Impact Report has a new design but, as in previous years, it takes the form of an integrated annual report, divided into a company report and a portfolio report.

In the company report, you will find the most important financial performance indicators as well as details of Invest in Visions GmbH's sustainability performance. In the portfolio report, we inform you about the performance of the fund we manage and the impact we achieved in the emerging markets in 2021. To mark the 10th anniversary of our first microfinance fund, we have included an overview of the most important developments that occurred in the field of microfinance since 2011 at the start of the portfolio report.

We wish you happy reading!
Edda Schröder

As we prepare this report in March 2022, we watch the Russian invasion of Ukraine and the suffering it has brought upon the Ukrainian people with immense dismay. We take this opportunity to express our solidarity with all Ukrainians and our hope that this war will soon be over. We will keep you informed on our website about possible consequences for the Central Asian region, where, for many years, we have been refinancing microfinance institutions and with which we stand united in this situation.

3 See: https://www.impactprinciples.org/

COMPANY REPORT

INVEST IN VISIONS GMBH
FINANCIAL PERFORMANCE INDICATORS

Excerpt from Balance Sheet (in EUR)

	2021	2020
Total assets	**4,019,647.97**	**5,191,906.43**

Excerpt from Profit & Loss Statement (in EUR)

	2021	2020
Net revenue	**6,137,687.71**	**5,480,739.66**
Administrative expenses	**3,149,962.82**	**2,504,092.64**
Personnel expenses	2,073,312.41	1,430,205.60
Other expenses	1,076,650.41	1,073,887.04
EBIT	**2,947,876.02**	**2,930,572.84**
Taxes	**941,027.95**	**935,954.05**
Annual net profit	**2,006,413.07**	**1,994,618.79**

Cost Income Ratio

71%

Return on Income

20%

EBIT

29%

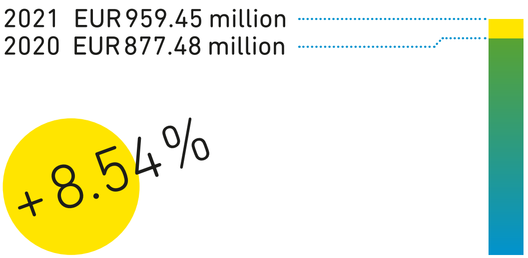
AUM per employee

EUR 38.38 m.

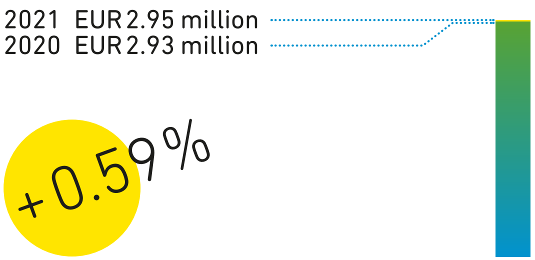
Number of employees

25

Assets under Management (AUM)



EBIT



OUR RESPONSIBILITY
WITHIN THE COMPANY

Our team grew again slightly in 2021. As in the past, we continue to attach great importance to having as diversified a team as possible. This is reflected in the large proportion of our colleagues who were born abroad, for example. Well over half of our team are women. Besides flexible, mobile working from home, most of the team also works part-time. The training opportunities that were provided by the company have almost doubled compared to the previous year.

25
employees

36 %
employees with international roots

64,9 STD.
hours per employee (+88 %) professional development

9 %
employee growth

60 %
part-time

64 %
women

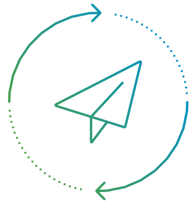
OUR RESPONSIBILITY
SUSTAINABILITY PERFORMANCE

This year too, our sustainability performance was marked by the exceptional circumstances of the pandemic. Although it was possible to conduct a small number of trips abroad, the company's emission values remained at the same low level as the year before. With many of our employees working at least partly from home, emissions were shifted to their private households respectively; to some extent, emissions were also actively saved by less commuting, resulting in further savings through lower resource and energy usage.

Commute to work[1]

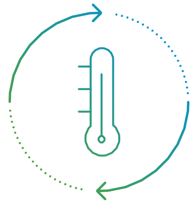
51% (-1%) by bike / walking
27% (-10%) by train / public transport

Paper consumption



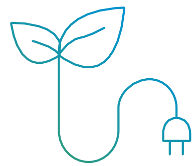
approx. 1,440 sheets (-76%)
100% recycling paper

Energy used for heating



16,270 kWh (-10%)
Natural gas, offset at 100%[2]

Electricity usage

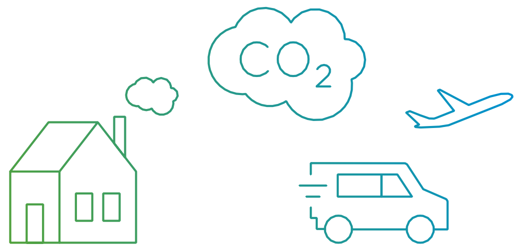


7,959 kWh (-6%)
100% green electricity (Polarstern)

Kilometres travelled

32,620 km (+29%)
100% Offset at[2]

CO2 emissions



10.1 t CO2 (-7%) Offset at 100%[2]
Breakdown: 20% commute to work / 32% energy and water / 47% travel

Sustainable partnerships

Long-term cooperation with sustainable partners
(e.g. with Triodos Bank)

1. All emissions caused by travel by train, public transport and private car (22%) are offset. 2. The emissions we cause are offset on the basis of the actual impact on the environment calculated in accordance with the rates issued by the Federal Environment Agency (Methodology 3.1 on the determination of environmental costs, dated 12.2020).

EVENTS IN 2021

Time to Discuss 2021

„Can the world still be saved?" This question we asked on the occasion of the fourth edition of our annual event „Time to Discuss" on November 11th . Personalities from different generations discussed the topic in the presence of numerous guests at "St. Peter" church youth centre in Frankfurt.

After Edda Schröder, founder and managing director of Invest in Visions GmbH, had welcomed the guests, Armin Häberle, head of the Financial Media division and executive board member at specialist publisher F. A. Z., took the audience through the programme. Our four speakers provided insights into possible solutions to global challenges and the role impact investing can play in this. Questions of central importance were: What can we learn from the Earth's past? Which issues will concern us in the future? What are the direct consequences for people living in developing and emerging countries? How can one make a difference as an investor? The speakers were Rebecca Freitag, Prof. Dr. Christian Klein (University of Kassel), Prof. Dr. Dr. h.c. Volker Mosbrugger (Goethe University Frankfurt) and Tristan Horx from Zukunftsinstitut GmbH (Vienna and Frankfurt am Main).

This was followed by the anniversary celebration – 15 Years Invest in Visions and 10 Years IIV Microfinance Fund.

Fair Finance Week Frankfurt

Another highlight event was our first appearance as host of last year's Fair Finance Week Frankfurt (FFWF). Alongside co-hosts Evangelische Bank, GLS Gemeinschaftsbank, Triodos Bank N.V. Germany and Oikocredit we offered five events on five consecutive nights, where established experts discussed sustainability topics. Invest in Visions topic "Corporate Due Diligence and Responsibility – What the New Supply Chain Act Means for This" was available both as online event as well as in person. The discussion panel was moderated by Dr. Brigitte Bertelmann, the experts were Antje Schneeweis (Managing Director of Arbeitskreis Kirchlicher Investoren), Johannes Heeg (Speaker for Initiative Lieferkettengesetz), Volker Weber (Co-CEO / CSO Nixdorf Kapital AG) and Hans-Christian Richter (Managing Director of MATO, Mühlheim am Main).
A recording of the event can be found at fair-finance-frankfurt.de/programm.

As every year, we also organised two webinars to inform about developments of our flagship funds and participated – online or in person – in various events with contributions, such as at the conference „Responsible Investing in Africa", organised by CRIC. Invest in Visions has been a member of CRIC since last year.

1

2

3

1 Time to Discuss 2021 2 Fair Finance Week 3 CRIC Afrika

PARTNERS & MEMBERSHIPS
DEPENDABLE COOPERATION AS EQUALS

PARTNERS

Long-term and trustful partnerships are essential for us to ensure the best possible delivery of our financial services. Besides the signed standards, the commitment within our memberships helps us further develop and handle a wide range of issues. Of central importance, however, is the cooperation with our partners in designing sustainable financial products.

HANSAINVEST

DKM Partner für Kirche + Caritas
Einfach gut für Ihre Werte.

SIGNED STANDARDS

In addition to the UN Principles for Responsible Investing, whose implementation has been covered in our reports for many years, Invest in Visions became a signatory to the Operating Principles for Impact Management at the start of 2021. We published our first statement on how these standards are embedded into in our corporate processes on 31 March 2022. During the ratification, we participated in various workshops and information events on current issues that had been organised by the Operating Principles Secretariat.

Operating Principles for Impact Management

Signatory of:

PRI Principles for Responsible Investment

MEMBERSHIPS

Last year Invest in Visions was again involved as a member in various organisations around sustainable finance and impact investing. In Bundesinitiative Impact Investing, we are actively participating in the Impact Measurement & Impact Management initiative as well as the Frontier & Emerging Markets initiative. This includes contributing to concept papers about the definition of impact investing and participating in events, such as hosting a panel discussion at the Impact Festival which was held in Offenbach from 17–19 September 2021. At the Forum Nachhaltige Geldanlagen (Forum for Sustainable Investments), we play an active role in the Impact working group where we participated in the further development of a case study template for the presentation of impact investing products. We also take part regularly in the meetings of the "Sustainable Finance & ESG" expert committee of Bundesverband Alternative Investments. In the framework of our membership of CRIC e.V., we gave a presentation at the conference "Sustainable Investing in Africa", which was held in Frankfurt am Main on 23 November 2021. We also provided input on the consequences of EU regulation for our work at the early summer conference of ökofinanz-21 on 14–15 June 2021.

Allianz für Entwicklung und Klima

BAI Diversifikation zählt.

Bundesinitiative IMPACT INVESTING

CRIC Verein zur Förderung von Ethik und Nachhaltigkeit bei der Geldanlage

FONDS FRAUEN EMPOWERING WOMEN IN FINANCE

FNG Forum Nachhaltige Geldanlagen

ökofinanz-21 e.V. Netzwerk für nachhaltige Vermögensberatung

PORTFOLIO REPORT

INVEST IN VISIONS
MICROCREDIT AND FINANCIAL INCLUSION TODAY

In 2011, Invest in Visions launched the first microfinance fund authorised for public sale in Germany. Since then, we have also launched two microfinance special funds and the funds under management have grown to EUR 1 billion. Over the past decade, the microfinance market and the view of microfinance and its impact potential have changed and evolved in certain areas. Before we report on the company and portfolio development of the past year, we would first like to summarise the most important developments here.

Recipients and issuance of loans

Microcredit loans were originally issued as unsecured microloans with a short term, mostly as group loans and predominantly to women in rural areas. The main objective was to reduce poverty at the individual level through income generation and increases, and at the country level through economic growth. Another objective was to strengthen the position of women within the family through their contribution to increasing the household income. Security was not provided in the form of collateral, but primarily with the help of the social mechanisms inherent in the group. The first repayment instalments were made just a few days after the loans were disbursed.

In some markets, such as India, this traditional form of microfinance (small loan sizes, short maturities and groups of women as borrowers) is still predominant.[1] In other markets, the issuance of loans has evolved and adapted to changing needs over the past 40 years: loans amounts have increased (due to inflation etc.) and maturities have become longer. Under German law (Section 222 of the Capital Investment Code, KAGB), loans of up to EUR 30,000 now qualify as microcredit loans. Nowadays, these are also mostly granted to individuals and include not only rural areas but also periurban and urban areas. Men have become an (almost) equally important target group. Besides NGOs, cooperative banks and non-banking financial institutions, microfinance banks that are capable of covering the entire banking business have also established themselves in the sector.

Two far-reaching developments have also occurred in the sector over the past decade: firstly, the overall objective has diversified from an exclusive focus on poverty reduction to include a broader impact logic: microfinance as adequate access to financial services. The second development is the evolvement of a multi-layered social performance management framework aimed at ensuring a positive impact of microfinance.

Erweiterte Zielsetzung und Social Performance Management

The origins of the current microfinance movement go back to the 1970s. In 2006, Mohammed Yunus and the Grameen Bank he founded were awarded the Nobel Peace Prize for their pioneering work in this field. At that time, the issuance of microcredit loans was chiefly celebrated as an effective instrument in the fight against poverty. However, when severe microfinance crises erupted around 2010 in a number of countries such as India and Bosnia-Herzegovina due to irresponsible lending practices, microfinance came under criticism to a certain extent.

Since then, an intense debate has been raging on the impact of microfinance and significantly contributed to an improved understanding of the impact potential of microcredit loans. A detailed summary of the current state of the debate can be found on p. 28.[2] On the one hand, this debate has led to a more differentiated view of the effectiveness of microcredit loans as an instrument for reducing poverty than before. It has also led practitioners to put their impact logic on a broader footing under the catchphrase „financial inclusion". Also contributory to this was the realisation that, while indicators such as individual income, increased business profits and gross domestic product, as discussed in the impact debate, are important prerequisites, they are unable to fully reflect individuals' development opportunities.

1 See our Impact Report 2020. 2 See the summary of the debate thus far, here on p. 28.

The new impact logic of „financial inclusion" incorporates not only the aforementioned economic aspects in the sense of the „capability approach" of Indian economist and winner of the Nobel Prize for Economics, Amartya Sen, but now also, more markedly, the general wellbeing and opportunities for improving the general living conditions of microfinance clients. This includes, for example, opportunities for social participation, improved healthcare and housing, and access to education. Microfinance, when understood as adequate and reliable access to financial services for people who would otherwise lack this access, can make an important contribution here.

This means that poverty reduction for the people is no longer the sole objective of microfinance, but that its emphasis is now more on individuals, their needs and their freedom to choose. Beyond giving borrowers more freedom to choose, microcredit loans and other financial services also help people mitigate the immense incertitude and risk of living in poverty or near-poverty, even when poverty persists. This goes hand in hand with the assumption that microcredit loans can have a positive effect even if not used directly for entrepreneurial purposes.[3] We regard this approach as correct – provided that self-employment is available as a source of income for the borrower.

The sector has responded to the aforementioned microfinance crises and methodological difficulties in measuring the impact of microcredit loans ex post by developing **social performance management (SPM)** principles. The basic principle of SPM is, rather than relying on impact measurement ex-post, already creating the necessary conditions beforehand that will allow microfinance to have a positive impact and prevent negative effects on the borrowers as far as possible.[4] Besides sophisticated investment criteria, this includes above all observance of the Client Protection Principles. Among these, we regard measures for preventing over-indebtedness as particularly important because they aim to avoid the risk of borrowers becoming caught in a debt trap.

A great deal has thus changed in the area of microfinance since we launched the IIA Microfinance Fund ten years ago. But much has also remained the same. This includes our impassioned commitment to helping low-income people in developing and emerging countries help themselves and to reducing inequalities through microcredit loans and other financial services.

Nicaragua has been suffering from an economic downturn and political tensions since 2018, and acute inequality is rife. At the end of 2020, the German Society for International Cooperation estimated that 43 percent of the population live in poverty. This makes the work of the microfinance institution Financiera FAMA, which has been providing low-income people with access to financial services for 15 years, all the more important. One of FAMA's customers is Bismarck Valle Salmerón. During the political unrest in 2018, he was able to open his own drugstore with FAMA's help. The initial period was very challenging, but his perseverance and the FAMA loan helped him realise his dream of self-employment. His business has meanwhile grown and he has been able to take on an additional employee.

3 Robert Cull / Jonathan Murdoch, Microfinance and Economic Development, Washington D.C. 2017 (=World Bank Policy Reserach Paper Nr. 8252). 4 Cécile Lapenu et al., Universal Standards for Social Performance Management: an inspiring framework for impact investing. https://cerise-spm.org/wp-content/uploads/sites/3/2018/12/Article-_-the-USSPM-as-an-inspiring-framework-for-impact-investing-final.pdf

PORTFOLIO DEVELOPMENT
SUSTAINABLE GROWTH

INCREASE YOUR IMPACT

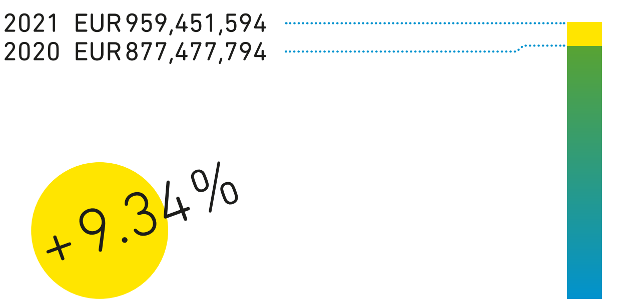
AUM and loans issued

The three funds that we manage saw their assets under management rise 9.3 percent last year to a total of over EUR 959 million. At the same time, the funds invested in new loans with a total value of EUR 343.2 million, representing an increase of 16.7 percent year on year. The majority of the loans were acquired between May 2021 and the end of the year. While the microfinance institutions remained very cautious about taking on new loans in the first three to four months due to the pandemic, business operations gradually returned to regular levels again in the following period. Also, all of the corona-related deferrals and restructurings expired last year.

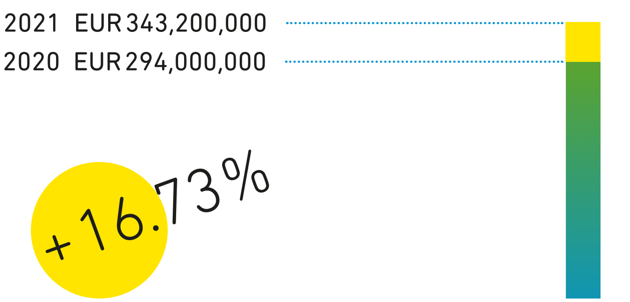
Investment ratio

The resumption of normal business operations is also apparent in the change in the investment ratio over the past year. Following an investment ratio of just under of 70 percent (weighted for all three funds) in May 2021, sharply intensified lending activity on the part of our portfolio management team enabled us to increase this to over 82 percent in the following months.

Assets under Management (AUM)



Newly acquired loans



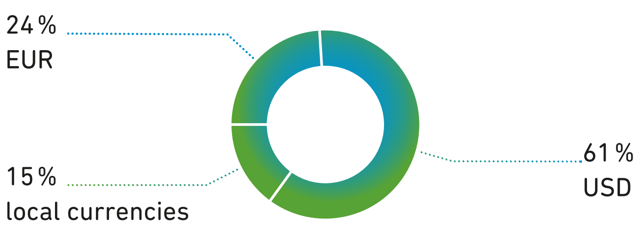
New target countries

Botswana, Costa Rica, Colombia, Nigeria, Romania and Tanzania were adopted as new target countries in 2021. In doing so, Invest in Visions expanded its presence in particular in Sub-Saharan Africa. Chile, Ghana and Haiti, on the other hand, were dropped as target countries during the year. A total of 35 countries were covered in the IIA fund portfolio at the end of the year.

Issuance of loans in foreign currency

Over the past year, the portfolio management team again made great efforts to increase the amount of loans issued in local currency. One of the key advantages of such loans for microfinance institutions (MFIs) is that they do not have to assume a foreign currency risk, increasing the impact of both the MFIs and our funds. A total of 15 percent of the loans were issued in local currency, namely in Mexican peso, Thai baht, Indonesian rupiah, Colombian peso and Kazakh tenge. Loans in the last two of these currencies were included for the first time in 2021uns 2021 erstmals verwendet.

Currency of new loans issued in 2021

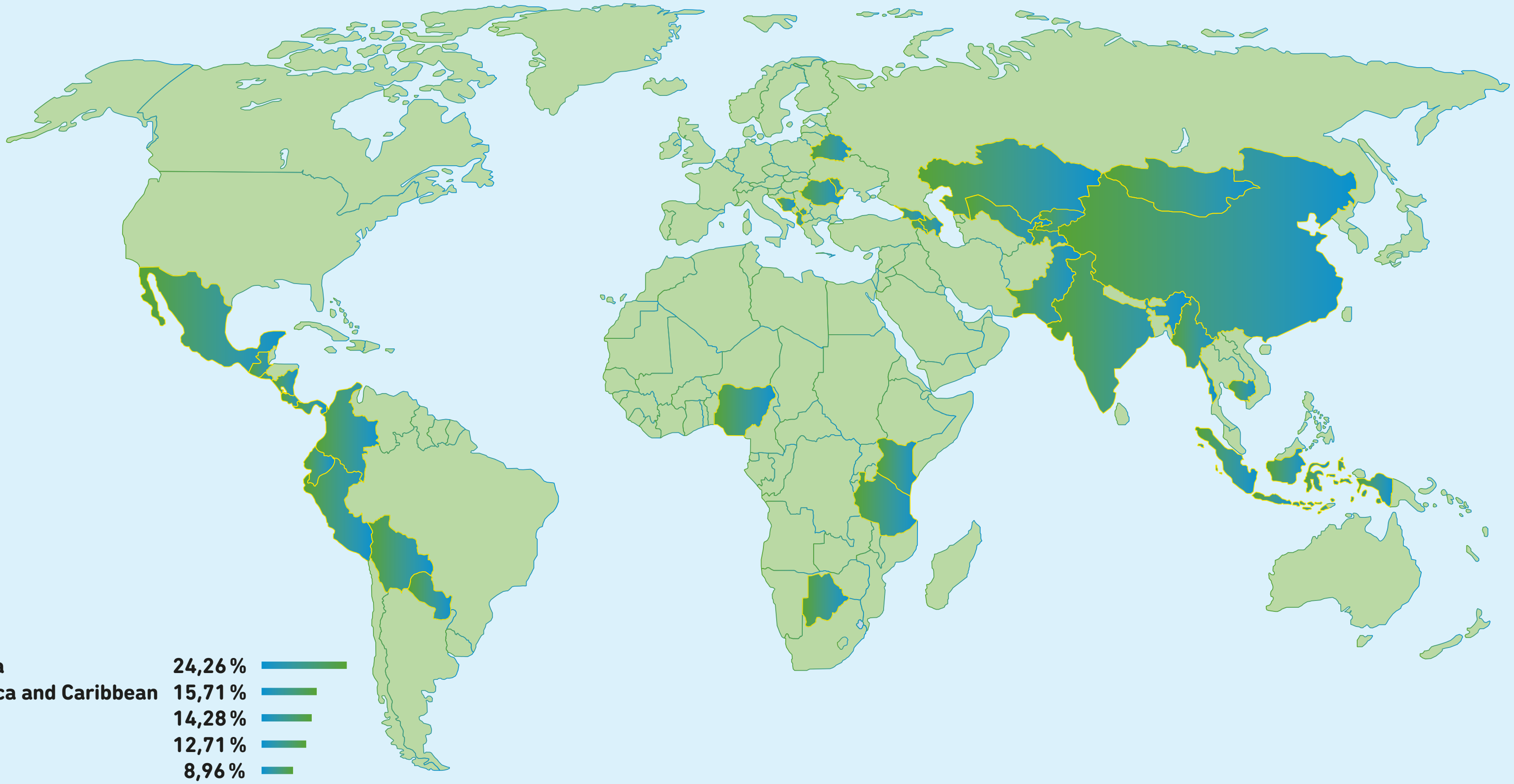


Boutiques Award 2021

Our largest fund, the IIV Microfinance Fund, was distinguished with the Boutiquen Award 2021 "Best Fixed Income Fund" in the category Fixed Income last year. The Boutiquen Award is presented to investment funds of independent asset managers whose assets under management do not exceed EUR 1 billion. Invest in Visions will probably no longer be eligible for these awards in the future since our AUM passed the one billion euro mark in March 2022.

GLOBAL IMPACT
REGIONAL DISTRIBUTION OF OUR INVESTMENTS

To learn more, move your mouse over the world map or the table.



South America	24,26 %
Central America and Caribbean	15,71 %
Central Asia	14,28 %
South Asia	12,71 %
East Asia	8,96 %
Eastern Europe	8,39 %
Southeast Asia	6,93 %
Caucasus	5,19 %
Sub-Saharan Africa	3,58 %

All figures as of 31.12.2021

GLOBAL IMPACT
REGIONAL DISTRIBUTION OF OUR INVESTMENTS

	Share of IIV portfolio, excluding liquid assets Income categories	Income categories	Number of MFIs	Financial inclusion[1]	Populationl[2]	Per capita income[3]	Gini-coefficient[4]
Ecuador	13.55%	↘ lower-middle	9	51%	17.6 m.	5,530 USD	45.7 (2019)
India	11.95%	↘ lower-middle	9	80%	1,380.0 m.	1,920 USD	35.7 (2011)
Uzbekistan	8.83%	↘ lower-middle	3	37%	34.2 m.	1,740 USD	35.3 (2003)
El Salvador	5.60%	↘ lower-middle	4	30%	6.5 m.	3,630 USD	38.8 (2019)
Cambodia	5.47%	↗ upper-middle	3	22%	16.7 m.	1,500 USD	-
Mexico	5.27%	↘ lower-middle	4	37%	128.9 m.	8,480 USD	45.4 (2018)
Mongolia	4.68%	↗ upper-middle	3	93%	3.3 m.	3,740 USD	32.7 (2018)
PR China	4.28%	↗ upper-middle	1	80%	1,410.90 m.	10,550 USD	38.5 (2016)
Peru	4.25%	↗ upper-middle	3	43%	33 m.	6,030 USD	41.5 (2019)
Georgia	3.74%	↘ lower-middle	5	61%	3.7 m.	4,270 USD	35.9 (2019)
Bolivia	3.58%	↗ upper-middle	5	54%	11.7 m.	3,180 USD	41.6 (2019)
Bosnia and Herzegovina	2.75%	↘ lower-middle	2	59%	3.3 m.	6,080 USD	33.0 (2011)
Nicaragua	2.69%	↗ upper-middle	5	31%	6.6 m.	1,850 USD	46.2 (2014)
Colombia	2.52%	↘ lower-middle	1	46%	50.9 m.	5,790 USD	51.3 (2019)
Tajikistan	2.33%	↗ upper-middle	6	47%	9.5 m.	1,060 USD	34.0 (2015)
Botswana	2.22%	↗ upper-middle	1	51%	2.4 m.	6,640 USD	53.3 (2015)
Albania	2.05%	↗ upper-middle	2	40%	2.80 m.	5,210 USD	33.2 (2017)
Moldova	1.71%	↘ lower-middle	1	44%	2.6 m.	4,560 USD	25.7 (2018)
Kyrgyzstan	1.70%	↗ upper-middle	4	40%	6.6 m.	1,160 USD	29.7 (2019)
Armenia	1.45%	↗ upper-middle	5	48%	3.0 m.	4,220 USD	29.9 (2019)
Kazakhstan	1.42%	↗ upper-middle	2	59%	18.8 m.	8,710 USD	27.8 (2018)
Belarus	1.26%	↗ upper-middle	1	81%	9.4 m.	6,360 USD	25.3 (2019)
Panama	1.15%	↘ lower-middle	2	46%	4.3 m.	12,420 USD	49.8 (2019)
Indonesia	0.90%	↘ lower-middle	3	49%	273.5 m.	3,870 USD	38.2 (2019)
Pakistan	0.76%	↘ lower-middle	1	21%	220.9 m.	1,270 USD	31.6 (2018)
Tanzania	0.56%	↘ lower-middle	1	47%	59.7 m.	1,080 USD	40.5 (2017)
Myanmar	0.56%	↗ upper-middle	3	26%	54.4 m.	1,350 USD	30.7 (2017)
Costa Rica	0.56%	↘ lower-middle	1	68%	5.1 m.	11,530 USD	48.2 (2019)
Kenya	0.45%	↗ upper-middle	1	82%	53.8 m.	1,840 USD	40.8 (2015)
Guatemala	0.45%	↗ upper-middle	1	44%	18.2 m.	4,490 USD	48.3 (2014)
Paraguay	0.36%	↗ upper-middle	1	49%	7.1 m.	5,180 USD	45.7 (2019)
Kosovo	0.36%	↘ lower-middle	3	52%	1.8 m.	4,480 USD	29 (2017)
Nigeria	0.34%	↗ upper-middle	1	40%	206.1 m.	2,000 USD	35.1 (2018)
Romania	0.26%	↗ upper-middle	1	58%	19.3 m.	12,580 USD	35.8 (2018)
Azerbaijan	0.01%	↗ upper-middle	1	29%	10.0 m.	4,480 USD	26.6 (2005)

1 Data refer to the percentage of adult residents with access to financial services. The data originate from: Asli Demirgüc-Kunt et al, The Global Findex Database 2017. Measuring Financial Inclusion and the Fintech Revolution, Washington D.C.: International Bank for Reconstruction and Development/World Bank 2018. 2 2020; Source: World Bank Open Data | Data https://data.worldbank.org/ 3 p. a. (2020); ibid.
4 The Gini coefficient indicates how equally or unequally wealth and income are distributed in a region or country. A value of 0 indicates maximum equal distribution; a value of 100 indicates maximum unequal distribution.

GLOBAL IMPACT
REGIONAL DISTRIBUTION OF OUR INVESTMENTS

Measuring impact in the strict sense ex post in the social area is essentially impossible since the effect of an intervention must be proven over and above the many other influencing factors. Randomised controlled trials (RCTs) which aim to do this and are therefore generally considered the „gold standard" of impact measurement, are costly and protracted, and do not usually deliver methodologically incontestable results. The latter applies particularly to microfinance (see p. 28).

A good alternative is the collection and presentation of various output indicators that provide reliable information on whether the funds are actually flowing to where they are needed, namely to low-income people (especially women) in developing and emerging countries.

As the first chart shows, the average annual per capita income in the target countries of the funds we manage is a fraction of that of industrialised nations and even below the global average. As with all of the other output figures for the IIV portfolio, this is a weighted average orientated towards the actual allocation of the funds.

If we classify our target countries in accordance with the World Bank's categories (second chart), the focus is on lower and upper middle-income countries. Tajikistan, which was still listed as a low-income country last year, has moved up into the group of „lower-middle income countries" due to a USD 30 increase in per capita income. Of the two high-income countries that were represented last year, Chile is not currently one of our funds' target countries and Panama has been regrouped in the „upper-middle income" category due to a drop in income.

Comparison of annual per capita income

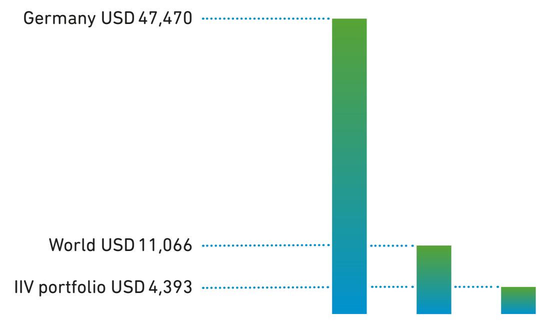


Chart 1

Asset allocation by income category

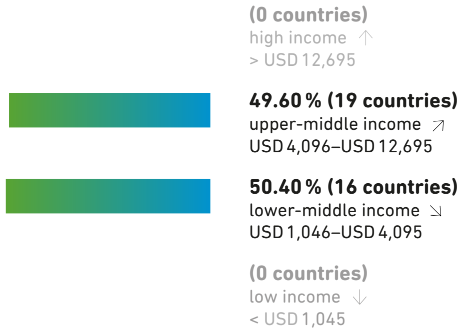
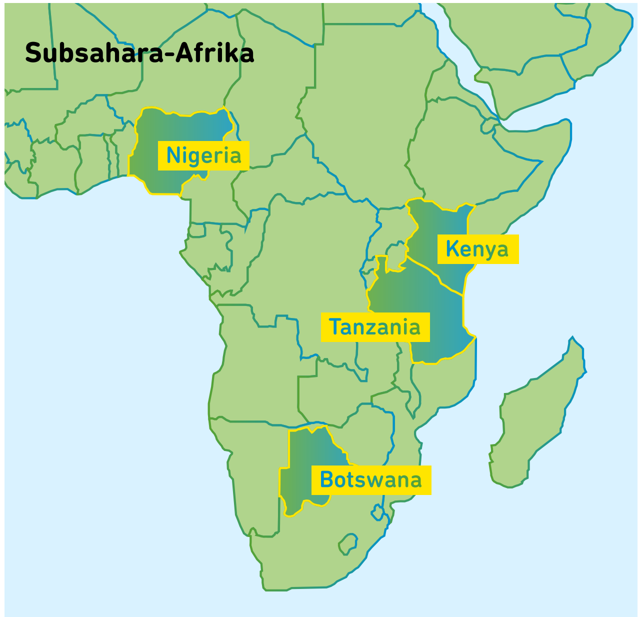


Chart 2

WORLD REGION IN FOCUS
SUB-SAHARAN AFRICA

Based on population figures alone, the future belongs to Africa – Sub-Saharan Africa (SSA), to be precise. According to estimates, the population in this region will double by one billion to two billion by 2050. This is more than 50 percent of the presumed global population growth over the next three decades. United Nations projections suggest that Sub-Saharan Africa will be the most populous region of the world around 2060.[1]



The growing number of people is both an opportunity and a challenge for the region's 49 countries. It is an opportunity in terms of a possible „demographic dividend" – a term used to describe the positive economic effects on a society that can arise with shifts in the age structure. The working-age population of Sub-Saharan Africa, i.e. people between 25 and 64 years of age, is currently growing faster than the other age groups, and will continue to do so in the coming decades. This raises prospects of a period of accelerated economic growth.[2]

Accelerated economic growth is also a precondition for positive development in a region whose inhabitants suffer from many problems. Extreme poverty has risen in recent years due to the Corona pandemic. Next to South Asia, SSA has been hardest hit by the effects of the Corona pandemic. At the same time, Sub-Saharan Africa, along with Latin America and the Gulf States, are the regions plagued by the greatest income inequality.[3] Sub-Saharan Africa also lags behind in many other SDG-relevant areas, such as education and access to clean energy.[4]

To actually achieve the „demographic dividend", a number of preconditions must be fulfilled. Of these, the most important is that the many young people flooding onto the labour market must also be able to find work. The working-age population in Sub-Saharan Africa is currently around 600 million. But with this figure growing 3 percent per year, this means that 1.5 million new jobs have to be created every month just to maintain current employment levels.[5] This is an enormous challenge.

Mwanamkasi Kea has been a customer of Brac Tanzania, Tanzania's largest MFI, for two years. With over 200,000 borrowers, the MFI has a broad social reach. The size of its loans are low, allowing it to serve the poor population as well. Brac Tanzania scores excellently when it comes to customer protection and protection against over-indebtedness (measured using the standard tool "Alinus"). Loans are predominantly granted to women (98 percent) and in rural regions (87 percent) for productive purposes. The mother of three has been a BRAC Tanzania customer for two years, and the microfinance institution has accompanied her on her path to self-employment. Mwanamkasi Kea opened a small retail store to offer her family, and especially her children, the chance of a good future. The first loan of 400,000 Tanzanian shillings (approx. EUR 155) enabled her to pre-finance goods for her beverage market. Today, she is successfully running the beverage market and was also able to open a snack bar thanks to further loans. Her business is going well and is earning her between 7 and 11 euros a day which she is investing in her children's education, among other things.

1 United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019: Highlights, p. 6f.; 2 UN DESA (2021). Global Population Growth and Sustainable Development, p. 29; UN DESA (2019), p. 14. 3 See the Gini coefficients of several countries, here on p. 18, as well as the World Inequality Lab data at: https://wid.world/world/#sptinc_p90p100_z/US;FR;DE;CN;ZA;GB;WO/last/eu/k/p/annual/s/false/23.469/80/curve/false/country. 4 SDG Report 2021 at: https://www.sustainabledevelopment.report/reports/sustainable-development-report-2021

Companies from the „Micro, Small and Medium Enterprises (MSME)" sector can make a substantial contribution to this. Many of these, however, have limited or no access whatsoever to capital, which significantly checks their growth and potential to create jobs. The size of the financing gap varies greatly from country to country.6 Measured as a share of GDP, it ranges from 2.84 percent in Mali to 43.7 percent in Niger. In many countries in the region, it is over 15 percent; in Nigeria, for example, it is almost 33 percent. What this means in absolute figures is that a total of more than USD 158 billion (comprising approximately USD 66 billion for the microenterprise sector and USD 92 billion for the SME sector) is missing there.

To help bridge this gap, the funds we manage refinance specialised financial institutions in several countries in Sub-Saharan Africa. At the end of 2021, the funds managed by Invest in Visions were active in Botswana, Nigeria, Kenya and Tanzania. Finding suitable financial institutions in this region is not easy, however. The reasons for this lie in the still-fledgling state of development of the microfinance market there. Many MFIs in Sub-Saharan Africa are still young with correspondingly short corporate histories, and their internal processes and guidelines are less well developed. The owners are often not institutions but local people, and the objectivity of the internal audit and executive board functions is sometimes doubtful.

All these aspects increase the credit risk and risk of money laundering. An additional dilemma is the often heightened country risk which, due to the large amount of liquidity that development institutions have injected into the market in recent years, is not compensated for by higher loan interest rates on the yield side. Also, many MFIs need loans in local currency since they do not have the means to assume currency risks.

Despite these challenges, we have tripled the portfolio's total regional share in Sub-Saharan Africa from 1.2 percent to 3.[6] percent compared to 2020, and further expansion is planned in the coming years. To achieve this, we last year welcomed Verdant Capital Limited on board as a new advisor. Verdant Capital has proven regional expertise and will help us identify microfinance institutions with appropriate risk-return-impact profiles. We are also working to increase the volume of lending in local currency.

Besides creating and preserving jobs, MFIs in Sub-Saharan Africa also help ensure that other conditions required for a „demographic dividend" are met; this includes such things as a popular education that adequately addresses the labour market's needs. African MFIs often have special portfolios for education loans. Although most African countries do not charge school fees for primary school education, it is not entirely free of cost either, since parents still need to pay for items such as school uniforms and books. Moreover, due to the poor quality of many state primary schools, many low-income parents choose to send their children to modest public schools. At a secondary and post-secondary level, however, it is almost always the case that educational institutions charge fees. Through special education loans, MFIs improve access to education and thus the future prospects of their customers and the entire region.

The microfinance institution Letshego Financial Services Ltd. was founded over 20 years ago in Botswana. It meanwhile has branches in eleven African countries where it not only offers microcredit loans but other financial services as well. In Botswana, 136 employees look after around 32,000 customers. One of these customers is **Kabelo Molokobe** who took out his first loan in 2017. Since then, he has taken out a total of ten loans which have enabled him to expand his business. Mr. Molokobe runs a grocery store that participates in the national food-for-schools programme. In the photo, he can be seen standing in front of a delivery of fruit jam which he delivers to various schools in his own cars.

5 David Lam / Murray Leibbrandt / James Allen, The Demography of the Labor Force in Sub-Saharan Africa: Challenges and Opportunities, GLM / LIC Synthesis Paper No. 10 (November 2019). 6 See SME Finance Forum data. https://www.smefinanceforum.org/data-sites/msme-finance-gap

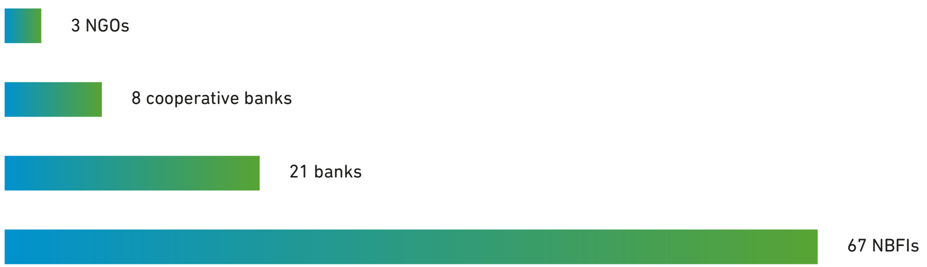
OUR PARTNER INSTITUTIONS
TOGETHER FOR DEVELOPMENT AND CUSTOMER PROTECTION

99 refinanced microfinance institutions

While the number of refinanced microfinance institutions declined due to travel restrictions and the MFIs' pandemic-related wait-and-see stance in 2020 (see Impact Report 2020, p. 21), it rebounded following the return to regular business operations in 2021. At the end of 2021, Invest in Visions GmbH supported 99 microfinance institutions in 35 countries through the funds it manages.

Our portfolio continues to cover the full spectrum of MFIs – from non-banking financial institutions (NBFIs) and banks with microfinance portfolios to cooperative banks and NGOs. Together, they serve the various customer segments ranging from micro-entrepreneurs to small mid-range enterprises. Many of them also offer other financial products such as savings accounts, current accounts and insurance.

MFIs by category (number)



3 Advisors

As in the previous year, three advisors helped us to select suitable microfinance institutions. In doing so, we continued the cooperation with our longstanding partners Incofin and Agents for Impact.
A new addition is Verdant Capital, which will assist us with its special regional expertise in lending in Africa.

AGENTS FOR IMPACT

incofin INVESTMENT MANAGEMENT

VERDANT CAPITAL

Our investment strategy

FURTHER DETAILS ON OUR WEBSITE →

Our investment strategy follows a three-step process consisting of: the application of exclusion criteria including standards-based screening, a comprehensive selection and analysis procedure, and the fulfilment of positive criteria. For example, institutions not only have to achieve a predefined ESG and financial scoring, but also follow the Client Protection Pathway.

OUR PARTNER INSTITUTIONS
TOGETHER FOR DEVELOPMENT AND CUSTOMER PROTECTION

CERISE

As described in the Impact Report 2020, we work closely with French non-profit organisation CERISE. CERISE assists us with the sustainable alignment of our investments and measurement our impact, as well as helping us actively develop existing standards further. Moreover, CERISE's applications and standards provide us with essential information for making investment decisions and help us establish both the positive and negative impact of our portfolio.

CPP Client Protection Pathway

When selecting MFIs in the past, we drew on the Smart Campaign's Client Protection Principles as the basis for decision-making in the framework of our norm-based screening. The MFIs that were refinanced by the funds we manage had to commit to these principles. In this way, we could ensure the observance of fundamental client protection principles – such as the avoidance of over-indebtedness and illegal debt collection practices – by the MFIs. At the end of 2020, the Client Protection Principles and their implementation were transferred to the long-standing partners Social Performance Taskforce (SPTF) and CERISE. In September 2021, the two organisations jointly launched the Client Protection Pathway initiative as a successor standard. Its aims are to continue the progress made to date and further improve protection measures for end customers. The enhanced Client Protection Pathway consists of three steps in which institutions commit to the principles, undergo a self-assessment and receive certification. The certification is performed by suitably selected rating agencies which then award the standards Bronze, Silver and Gold. Further information can be found in the interview with the Microfinanza Rating agency on page 26.

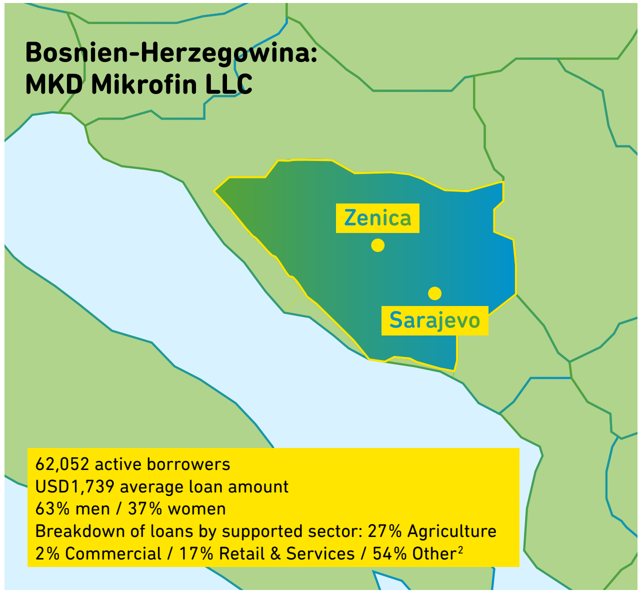
PAI Principal Adverse Impact Indicators

IAs part of the EU Commission's Sustainable Finance action plan, sustainable investment funds must report on the adverse sustainability impacts of their portfolios. A significant part of this reporting is the collection and publication of the so-called Principle Adverse Impact Indicators (PAI) which are defined in the EU's Sustainable Finance Disclosure Regulation (SFDR). As an impact investor, Invest in Visions has actively chosen to collect and publish PAIs at all levels. We are implementing a standard procedure for this as part of our existing monitoring process. This is a major challenge for us and our partner institutions worldwide since no standardised procedure exists to date and only a limited amount of data is available. Here, too, we are relying on close cooperation with other international investors as well as our partners from CERISE to enable us to implement the requirements as best as possible.

MFI-PORTRAIT 1
MKD MIKROFIN LLC IN BOSNIA AND HERZEGOVINA

The small Balkan state of Bosnia and Herzegovina has a serious population problem. This was underlined once more by an alarming report by the United Nations Population Fund (UNFPA) in August 2021.[1] Since 2011, around 200,000 young people from a total population of just 3.3 million have left Bosnia and Herzegovina, taking with them great potential for the future.

There is no end to this emigration wave in sight, since it is symptomatic of far deeper problems that have been hindering the development of the multi-ethnic state for a number of decades. These include an inadequate social, education and healthcare system which is riddled with clientelism and corruption, as well as sustained political tensions. The wounds of the civil war (1992–1995) have not yet healed, and the autonomy aspirations voiced by the leadership of the Serbian constituent republic continue to fuel fears of new conflicts. Many young people who are considering emigration also cite poor prospects on the labour market and concerns about long-term unemployment and underemployment. In 2020, the unemployment rate for 15-64 year olds lay at 16.9 per cent.



Granting productive microcredit loans that enable people to build a livelihood independent of the public labour market is one way of opening up prospects for young people in Bosnia and Herzegovina. Invest in Visions has been active in Bosnia and Herzegovina since 2018. For these four years, we have also maintained close relations with microfinance company „Mikrokreditno društvo ‚Mikrofin' „ which was founded in 1997 and is a regional leader in microfinance.

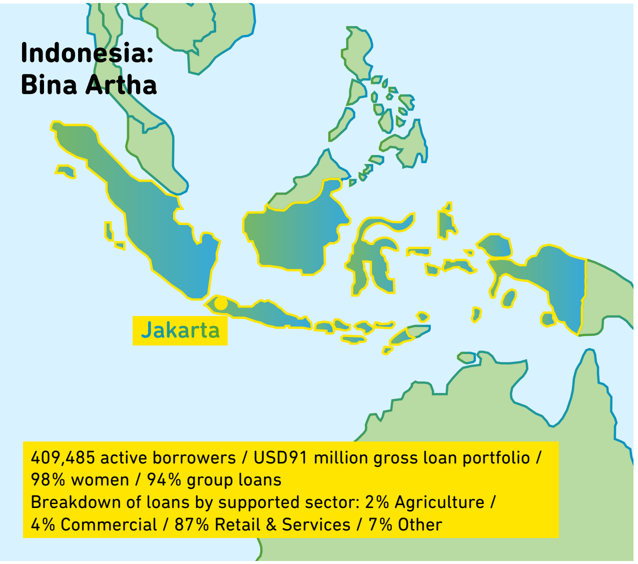
Mikrofin is prominent for its a strong presence in rural areas and low average loan size (EUR 1,739) which allows it to reach large numbers of low-income people. With a gross loan portfolio of USD 166.6 million, the Bosnian microfinance pioneer had more than 60,000 borrowers on its books at the end of last year. The MFI has excellent scores in balancing social and financial performance as well as in terms of client protection (measured using the standard tool „Alinus").

Rahima Šabić is a confectioner and runs her own bakery in the city of Zenica, one of the country's largest cities with around 115,000 inhabitants. Mikrofin has accompanied Rahima since the start of her self-employment. She has meanwhile taken out her tenth loan to expand her business. Her main business is the production of biscuits and she can currently produce 1,000 a day. She also bakes cakes and pies (see photo). Her bakery's success has allowed her to provide jobs for more people from her region. Rahima has a total of six employees.

1 UNFPA (2021), Survey on Youth Emigration in Bosnia and Herzegovina. Research Report. https://ba.unfpa.org/en/publications/survey-youth-emigration-bosnia-and-herzegovina (as of 25.02.2022) 2 Approx. half of which is allocated to land acquisition and housing improvements

MFI PORTRAIT 2
PT BINA ARTHA VENTURA IN INDONESIA

In the two decades following the Asian financial crisis of the late 1990s, Indonesia, the world's fourth largest nation with a population of 273.5 million, enjoyed strong economic growth. This went hand in hand with an impressive reduction in the national poverty rate which more than halved since 1999 to 9.2 per cent in 2019. But the Corona pandemic caused problems for the Indonesian economy, pushing poverty rates back up to 10.4 percent in March 2021 according to the World Bank.[1] The drop in per capita income also robbed Indonesia of its status as an „upper middle income country" and it was relegated to the category "lower middle income country" in July 2021.



The South Asian country is not only home to the world's fourth largest population, but, behind China, India and Pakistan, also ranks fourth among the countries with the greatest need for financial inclusion. 95 million people, or 51 per cent of adult Indonesians, lack access to financial services according to the Findex database.[2]

With 345 branches nationwide, PT Bina Artha Ventura is able to bring microfinance to regions of the country still untapped for financial services. Most of the MFI's clients live and work in rural areas. The average loan size granted is USD 343, or just 8.8 percent of the annual per capita income. Bina Artha therefore grants the majority of its loans to low-income borrowers, remaining true to its social mission despite strong growth in recent years. Customer protection is a top priority at Bina Artha, and the MFI received Client Protection certification already back in 2017, which was renewed in 2019. Bina Artha is one of three Indonesian MFIs included in the IIV portfolio at the end of 2021.

Sanimah lives in northern Sumatra and has been producing Arenga palm sugar since 2010. Due to the pandemic, she can only sell half of the usual 300 kg per day. When Bina Artha opened a branch in her region in 2021, she applied for a loan. With the loan of 4,000,000 Indonesian rupiah (the equivalent of about EUR 252), she was able to set up a flexible payment scheme that allows customers to pay cash on delivery or pay at a later date, regardless of the quantity purchased. Her payment scheme is particularly convenient for operators of snack stands, for example, and has enabled her, even under the difficult conditions of the pandemic, to retain existing customers and attract new ones, and allowed her business to continue to flourish.

1 https://www.worldbank.org/en/country/indonesia/overview#1 (as of: 18.03.2022) 2 The Global Findex Database 2017 (as per note 1, p. 17), p. 35.

THE NEW CLIENT PROTECTION PATHWAY
QUESTIONS FOR MICROFINANZA RATING

As mentioned earlier, the Smart Campaign was replaced by the Client Protection Pathway (CPP) at the end of 2020. We spoke to Microfinanza Rating's Regional Manager for South and Southeast Asia, Elisabetta Bertotti, about the Pathway and important aspects of Client Protection certification.

Elisabetta Bertotti
Regional Manager for South Asia and South-East Asia

Dear Mrs. Bertotti, could you briefly explain the difference between the Smart Campaign and the new Client Protection Pathway?

After the Smart Campaign ended its activities in 2020, CERISE and the Social Performance Task Force (SPTF) became the owners of the client protection certification methodology and tools and launched the Client Protection Pathway in response to the demand of social investors and financial service providers (FSPs) to demonstrate progress and not only the "ultimate achievement" of certification.

The Pathway describes the three steps that an FSP can take to improve its client protection practices and communicate this progress to investors: i) commit to implement client protection, ii) assess and improve practices, iii) demonstrate progress and achievement through the client protection certification. In line with the intention to demonstrate progress, the new certification has shifted from a pass / no-pass approach to a tiered approach. The output of the new certification depends in fact on the company's compliance with a set of entry, progress, and advanced-level indicators and overall compliance with three different levels of recognition (bronze, silver, gold).

How does the process of Client Protection Certification work? How thorough is it? Skeptics say that only policies and the existence of processes are checked, not the actual practice of lending and loan / interest collection.

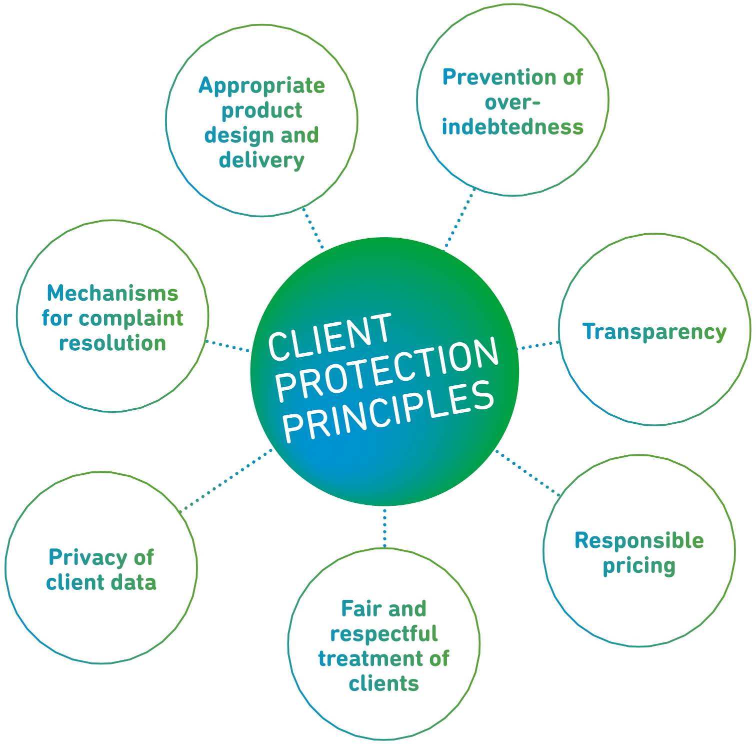
The Client Protection Certification process is very thorough and involves different steps. After a desk review of the financial service provider's policies, procedures, and other key documents, an onsite visit is organized.

During the onsite visit, the certification team interviews all key head office functions including top management, heads of departments and other relevant personnel such as for example the staff in charge of collecting and analyzing client feedback or complaints. To verify how the policies, procedures and processes are implemented in practice, visits are also conducted in two branches that are selected by the certification team. During the visit, the certification team interviews all the branch staff, audit a sample of loan files, and directly observe practices with clients. Direct feedback from clients is also collected by the certification team through four focus group discussions (FGDs) with approximately 40 to 50 clients. Clients are selected by the certification team using the branches' database based on a set of criteria that ensure clients are representative of the population. Clients with arrears are also invited to join the focus group discussions to investigate adherence to responsible practices in late loan management. The staff of the FSP that have a direct relationship with the interviewed clients or might be known by them cannot attend the FGDs to avoid bias in responses. All interviews with staff and clients are complemented by documented evidence so that the information can be triangulated and verified. While onsite visits have not been always possible due to COVID-19, the strictness of the process has been maintained following formalized ad hoc guidelines for remote certifications. For example, branches are still visited virtually via video calls, and client feedback is still gathered through phone interviews with clients selected by the certification team.

Could you please explain in more detail how you conduct interviews with staff and clients to verify compliance especially with a view to the principle regarding prevention of over indebtedness?

Our main approach during the interviews is to systematically verify and triangulate all information with different sources to understand the level of dissemination of client protection policies and procedures and the controls in place ensure their uniform application in practice.

For example, to verify adherence with the principle regarding the prevention of over indebtedness, the certification team conducts interviews with the board, management team and operations staff to understand the FSP growth strategy and targets and investigates whether an effective control and monitoring system in place to promote sustainable and quality growth. The team also carefully reviews the loan underwriting and approval process by interviewing all the staff involved in the process. The quality of the repayment capacity analysis is discussed directly with the field officers in charge of collecting client data and is supported by the review of a sample of loan files – which also allows the team to verify the credit bureau checking process when applicable as well as key aspects of transparency and privacy of client information. Interviews are also conducted with the staff in charge of verifying the compliance with credit policies as well as with internal and/or self-regulatory/regulatory provisions. The information collected by the FSP staff is also triangulated during the focus group discussions with the clients, who are for example asked about the loan application process and about their debt exposure and capacity to afford loan repayments.



Another important point in the Client Protection Principles is the existence of complaint mechanisms. How do you check the functioning of these mechanisms?

The certification team closely investigates the communication channels in place to raise the clients' awareness about their right to voice a complaint and the effectiveness of the complaint mechanisms in place. This is done through a review of the complaint mechanism policy and procedures as well as of the systems in place to disseminate them and ensure their uniform application in practice (e.g. training, consideration of complaints in the staff evaluation, communication materials, internal audit). Internal reports on complaints are also checked to understand the actual use of the complaints' channels as well of the effectiveness of the complaint's resolution process. The functioning of the complaint mechanisms is also verified through interviews with staff at different organization levels and during the focus group discussions with clients.

Mrs. Bertotti, thank you very much!

This is an abridged version of the interview we conducted. Click here for the full version.

MICROFINANCE AND THE SDGS
AN ACADEMIC DIGRESSION

FOLLOW THE IMPACT

SHARE SOCIAL HAPPINESS

The United Nations Sustainable Development Goals (SDGs), which came into force at the beginning of 2016, are an important benchmark for all funds which claim to have impact as their objective.

Through the microfinance funds we manage, we are able to support the achievement of several SDGs. As shown in the charts on p. 18, our funds channel money into developing countries and emerging economies, thereby helping to reduce inequalities (SDG 10.b).[1] The vast majority of our end-borrowers are women. When women contribute to increasing household income, it strengthens their position (SDG 5.a).[2] 75 per cent of loans are issued for productive purposes, supporting SDG 8 (sub-goal 3).[3]

What about „SDG 1: No Poverty“? The text of „Agenda 2030“ explicitly refers to microfinance as contributory to the first Sustainable Development Goal.[4] But can microcredit loans actually fight and reduce poverty? This question has been the subject of intensive discussion for a number of years and a differentiated answer is needed. We would therefore like to provide an overview of the current state of academic research below:

In the course of the microfinance crises in and around 2010, the poverty-reducing effect of microcredit loans was also questioned. A large-scale meta-study from 2011 analysed the hitherto published studies on the connection between microcredit loans and poverty reduction, and concluded that they were methodologically doubtful. They provided no evidence of microfinance contributing to a systematic reduction of poverty and higher income.[5] This „sobering“ finding was also reflected in a research review commissioned by GLS-Bank and conducted by Südwind Institute in 2015.[6]

Some of the criticisms targeted at the hitherto conducted studies were undoubtedly justified. Too many ostensibly scientific studies were working with too much anecdotal evidence and unable to make a clean methodological distinction between causality and correlation.[7] Considerable attention was therefore paid to the results of several randomised controlled trials (RCTs) published in 2015.[8] The strictly experimental studies could not identify any transformative, but only moderately positive, effects of microcredit loans.

But there was just as little evidence for a negative impact on borrowers. This was even true of a case study on Mexico, where traditionally exorbitant interest rates are charged to micro-borrowers.

These studies, conducted by the 2019 Nobel Laureates for Economics Abhijit Banerjee and Esther Duflo, as well as oth-

1 Kamel Bel Hadj Miled / Moheddine Younsi / Monia Landolsi, Does Microfinance Innovation Reduce Income Inequality? Cross-Country and Panel Data Analysis, in: Journal of Innovation and Entrepreneurship 11 (2022). https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-022-00195-7?msclkid=f16666eaa60211ecbea94ecb865432d5 (as of: 17.03.2022). 2 See SDG 5.a. 3 SDG 8.3. See e.g. Yousuf Sultan / Mansur Masih (2016), Does Microfinance Affect Economic Growth? Evidence From Bangladesh Based on Ardl Approach (MPRA Paper No. 72123). https://mpra.ub.uni-muenchen.de/72123/1/MPRA_paper_72123.pdf (as of 04.03.2022) 4 As per the text on Sub-goal 1.4. https://www.un.org/Depts/german/gv-70/band1/ar70001.pdf (as of: 04.03.2022) 5 Maren Duvendack et al. (2011), What Is the Evidence of the Impact of Microfinance on the Well-Being of Poor People? London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London. 6 https://www.suedwind-institut.de/alle-verfuegbaren-publikationen/mikrofinanzen_in_entwicklungslaendern_kurzstudie_im_auftrag_der_gls-bank.html 7 Also as per Abhijit V. Banerjee, Six Randimized Evaluations of Microcredit: Introduction and Further Steps, in: American Economic Journal: Applied Economics 7 (2015), p. 1f. However, the results of reputable quasi-experimental studies (with subsequently formed control group), which had brought positive results to light, were also doubted. See in particular the study on microcredit loans for women in Bangladesh by Pitt, Mark M. / Kandhker, Shahidur: The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?, in: Journal of Political Economy 106 (1998), pp. 958-996. The controversy over the results of this study is still ongoing. 8 Abhijit V. Banerjee et al. (2015), The Miracle of Microfinance? Evidence from a Randomized Evaluation, in: American Economic Journal: Applied Economics 7 (2015), pp. 22-53.

ers, have in turn come under fire. While RCTs are commonly considered the "gold standard" of impact measurement, they have several problems when it comes to microfinance.

The samples are, for example, often too small to be able to demonstrate significant effects at all, since only a relatively small number of potential subjects generally accept the offer to take out a loan. Moreover, convincing randomisation is only possible in new markets or for new borrowers in already developed markets. Consequently, statements can only be made about the spreading of microcredit loans and for marginal borrowers, not, however, about the general long-term effects of such loans.[9]

To solve the problem of insufficient statistical relevance, two follow-up studies aggregated the RCT data in a different way. The result: one of them was able to demonstrate a statistically significant impact on income and business profits of borrowers that had been concealed in the individual studies.[10] The other showed that, on average, small effects can significantly mask positive effects for certain subgroups.[11] One of these subgroups is microcredit borrowers who already have some business experience. According to another study by Banerjee and Duflo, microcredit loans increase business profits by up to 35 percent for such entrepreneurs. The two Nobel Laureates for Economics and their co-authors Emily Breza and Cynthia Kinnan therefore conclude: "For talented but low-wealth entrepreneurs, short-term access to credit can indeed facilitate escape from a poverty trap".[12]

As is always the case with academic debates, the provisional conclusion is: While the transformative impact of microcredit loans was sometimes overstated during the early phase of the microfinance movement, the negative view that became partially established after 2010 is meanwhile outdated as well. While transformative effects have not yet been proven on a broad basis, evidence exists for clearly positive effects, especially for substantial subgroups.[13] Various studies have also been able to demonstrate positive macroeconomic effects of microcredit loans in the form of increased demand and consumption as well as higher wages.[14]

For these reasons, we stand by our belief that microfinance contributes to achieving SDG 1: No Poverty.

The 17 Sustainable Development Goals (SDGs) with their 169 targets are a development programme that understands "sustainability" comprehensively in all three dimensions: economic, social and environmental. With the microfinance funds we manage, we are contributing towards SDGs 1, 5, 8 and 10 in particular. Find out everything about the SDGs here.

9 See, among others, Jonatan Morduch, Why RCTs Failed to Answer the Biggest Questions About Microcredit Impact, in: World Development 127 (2020), pp. 104-118. 10 Dahal, Mahesh / Fiala, Nathan: What Do We Know About the Impact of Microfinance? The Problems of Statistical Significance and Precision, in: World Development 128 (2020). 11 Rachel Meager, Understanding the Average Impact of Microcredit Expansions: A Bayesian Hierarchical Analysis of Seven Randomized Experiments, in: American Economic Journal: Applied Economics 11 (2019), pp. 57-91. 12 Abhijit Banerjee / Emily Breza / Esther Duflo / Cynthia Kinnan, Can Microfinance Unlock a Poverty Trap for Some Entrepreneurs? NBER Working Paper No. 26346, October 2019. For a summary of the findings, see: https://www.hks.harvard.edu/centers/cid/about-cid/news-announcements/microfinance-povertytrap-voxdev?msclkid=422fa5eba69411ecb023930782aef-3bes 13 See also the summary review: Jing Cai et al. (2021), "Microfinance", in: VoxDevLit 3(1), May 2021. Jing Cai et al. (2021), „Microfinance", in: VoxDevLit 3(1), Mai 2021. https://voxdev.org/voxdevlit/microfinance 14 See ibid., p. 19.

IMPACT MEASUREMENT
SOCIAL REACH

690,933
end borrowers reached

The increased AUM not only allowed us to invest in more loans through our funds last year. We could also broaden our social reach by approximately 30,000 end borrowers compared to the year before. The number of end borrowers we reach is derived from the share that our funds contribute to the gross loan portfolio of the respective microfinance institution through the loans they grant.

1,130
USD average loan size per end borrower

The average loan amount granted is an important indicator to assess the depth of social outreach of microfinance investments. For the funds we manage, this has increased slightly year on year (USD 1,105), but remains at a very low level. This allows us to deduce that the funds remain true to our mission statement of serving low-income people with the loans.

35
countries

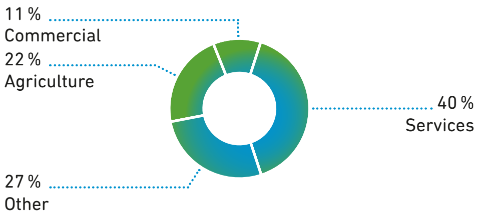
At the end of 2021, the funds managed by Invest in Visions were invested in a total of 35 countries. Ecuador, India and Uzbekistan accounted for the largest share of the portfolio, followed by El Salvador. The largest regional increase, on the other hand, was in Sub-Saharan Africa, where we also acquired loans in Botswana, Nigeria and Tanzania for the first time.

See chart on page 17

EUR 343
million newly granted loans in 2021

Last year, the funds we manage acquired more new loans through microfinance institutions in developing and emerging countries than ever before. The volume increased 16.7 percent compared to a year earlier (EUR 294 million) (see also p. 15).

IMPACT MEASUREMENT
OVERVIEW OF OUR CUSTOMERS

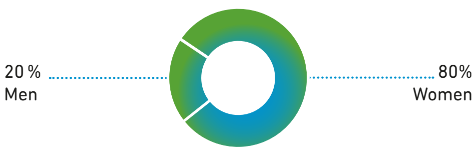


Supported Activities

The portfolio shares allocated to the different activity areas remained relatively stable compared to the year before. However, the share of the service sector fell (by 4 percent compared to 2020), while the share of agricultural and commercial activities rose (by 3 and 1 percent respectively). The share of “Other”, which provides the liquidity that borrowers need for social expenditure and other areas – such as housing and education – in which borrowers wish to improve their standard of living, remained unchanged.

Proportion of Women / Men

There are two possible ways of calculating the share of each sex among the borrowers. One way is to take the headcount (absolute share), the other, to take the share of funds that benefit women or men (portfolio share). Based on the absolute share, the women we finance are clearly in the majority at 80 percent, which also corresponds to our claim to promote the position of women (SDG 5: Gender Equality). The portfolio share, by contrast, is almost balanced (51 % / 49 %). The difference arises because, in India, for example, many small loans are granted to women, whereas in Eastern European countries, larger loans are often granted to men. Since we only reported on the portfolio share in previous years, we will focus on the headcount (portfolio share) this time. In principle, we regard both measures as equally important.

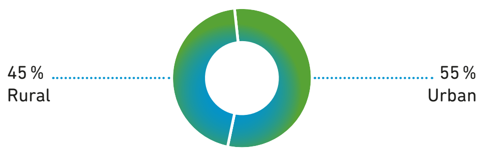


Type of Lending (Individual Loans / Group Loans)

In the early days of the microfinance movement, microcredit loans were mostly issued as group loans. The idea behind this was that the social pressure of the group could ensure the repayment of the loans by the individual members without requiring further collateral. Although group lending is still prevalent and expedient in some contexts, most microcredit loans today are granted to individuals. Many people do not want to be liable for others. Another reason is the penetration of microfinance into periurban and urban areas where social cohesion is generally not as strong as in rural areas. Academic studies also meanwhile suggest that the likelihood of repayment is not fundamentally higher for group loans than for individual loans.[1]

Distribution Urban / Rural

The urban-rural distribution of funds has shifted in favour of urban borrowers compared to previous years. This figure should be treated with caution, however. Firstly, like the other values, it is a figure calculated for a specific point in time, making the ratio generally susceptible to fluctuations. It is also partly based on extrapolations because not all microfinance institutions provide data on these categories yet. The MFIs’ reporting obligations have been changed for the coming year, which should make more reliable information on this category available in the next Impact Report.



1 See e.g. O. Attanasio et al., The Impact of Microfinance. Evidence from Joint-Liability Lending in Mongolia, in: American Economic Journal: Applied Economics 7 (2015), pp. 90-122.

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Invest in Visions GmbH was founded by Edda Schröder in 2006 and specialises in the management of sustainable investment funds. It currently manages more than EUR 994.8 million in the core areas of microfinance and impact investing (as of 28 February 2022). The funds that Invest in Visions manages give institutional and private investors access to investments that offer not only financial returns but also a social return and have a positive impact on society and the environment.

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