



Impact
Report
2023

INVEST IN VISIONS

AT A GLANCE



EUR 889 million
assets under management



EUR 268 million
new loans acquired



USD 1,964
average outstanding loan
amount



95
refinanced financial
institutions



404,537
sub-borrowers reached



32
target countries



77%
of the sub-borrowers
reached are women



14
currencies

TABLE OF CONTENTS

Invest in Visions – At a glance	2
Foreword	4
<hr/>	
COMPANY REPORT	5
Financial performance indicators	6
Employee key figures	7
Social activities	7
Partnerships and memberships	9
Events	10
ESGeht – Sustainability conference	13
Awards	14
<hr/>	
PORTFOLIO REPORT	15
Our understanding of impact investing	16
Portfolio report	19
Global impact	21
The foundation: Our theory of change	23
World region in focus: Latin America	25
MFI portrait: Banco FIE	27
Sphere of control: Our social reach (input, activities and output)	29
MFI portrait: KIF	34
Sphere of influence: Outcome	36
MFI portrait: CRECER	38
Sphere of interest: The overall social and long-term impact of microfinance	40
Investor trip to Uzbekistan	42

FOREWORD BY THE MANAGEMENT

Impact investing is a logical conclusion from the realisation that the use of public and philanthropic funds will not be enough to solve the world's social and environmental challenges. This is the idea that has been driving us since Invest in Visions GmbH was founded 18 years ago. The problems that need to be solved have not diminished in the meantime. On the contrary: The challenges have become even greater, especially in those developing and emerging countries, which have been hit hardest by the Covid-19 pandemic and the macroeconomic impact of the war in Ukraine. In 2014, an annual financing gap of USD 2.5 trillion was already diagnosed for the achievement of the United Nations Sustainable Development Goals (SDGs) in the Global South by 2030. This forecast has now had to be revised upwards by 60 per cent from USD 4 trillion to USD 4.3 trillion in the current mid-term report.¹

In order to achieve the SDGs, scalable solutions that can make a substantial contribution to meeting this enormous financing requirement are needed in addition to innovations. In the social sector, microfinance is one of the few impactful solutions. In order to achieve the greatest possible social impact, we utilised this potential also in 2023. With a dedicated team of 27 employees, who see impact as a shared mission, we granted around EUR 268 million in new loans to microfinance institutions worldwide last year through the investment funds we manage. With the capital we managed, totalling EUR 884.6 million, by the end of December 2023, we had supported over 400,000 sub-borrowers in starting or expanding income-generating activities in order to secure a livelihood for themselves and their families.

However, impact investing is not defined solely by the desired social or environmental impact. The financial return is an

equally important part of the concept. We can therefore proudly say that the funds we managed last year also fulfilled the promise of impact investing in this respect. The IIV Mikrofinanzfonds achieved its highest performance in seven years, while our institutional mandate generated its best annual result since inception.

We are convinced that investors have the same right to transparency with regard to the stated impact of their investments as they do with regard to financial performance. This is why in recent years we have continuously been improving our impact measurement and the presentation of the impact achieved. In this issue of the Impact Report, you will find out in more detail what we mean by impact investing, which indicators we collect, how these are calculated and which statements we can make with certainty on this basis.

As always, we present Invest in Visions GmbH's key financial figures, our sustainability performance at company level and our other activities aimed at advancing impact investing and at fulfilling our sustainable mission.



Edda Schröder and Lars Siebert



Edda Schröder
Founder and Managing Director



Lars Siebert
Managing Director and Chief Operating Officer

¹ [SDG Investment Trends Monitor \(Issue 4\) \(unctad.org\)](#)



**FOLLOW
THE
STORY**

Thanks to loans from TuranBank, the company Red Globe LLC from Zira, Azerbaijan, was able to consolidate its position as a leading organic producer, create jobs and emphasise the importance of sustainable agriculture.

COMPANY REPORT

Financial performance indicators	6
Employee key figures	7
Social activities	7
Partnerships and memberships	9
Events	10
ESGeht – Sustainability conference	13
Awards	14

INVEST IN VISIONS GMBH

FINANCIAL PERFORMANCE INDICATORS

Excerpt from balance sheet (in EUR)

Total assets	5,341,806.85
--------------	--------------

Excerpt from profit & loss statement (in EUR)

Net revenue	6,920,601.08
-------------	--------------

Administrative expenses	3,853,280.67
-------------------------	--------------

Personnel expenses	2,716,921.25
--------------------	--------------

Other administrative expenses	1,136,359.42
-------------------------------	--------------

EBIT	3,035,250.06
------	--------------

Taxes	969,128.20
-------	------------

Annual net profit	2,065,838.86
-------------------	--------------

Assets under management	889,191,428.10
-------------------------	----------------

COST-INCOME RATIO

73.4 %

EBIT-MARGIN

28.6 %

RETURN ON INCOME

19.5 %

EMPLOYEE KEY FIGURES



27
employees



48 %
employees with
international roots



55 %
part-time



63 %
women

SOCIAL ACTIVITIES 2023

Invest in Visions not only focuses on investments in the Global South, but is also committed to social engagement in Germany. Out of a deep conviction for social commitment and responsibility, we strive to bring about positive change for the common good worldwide. Last year, we supported a number of social projects in Germany with various initiatives and programmes.



Working together to build the new playground in Nieder-Erlenbach



Assembly of new shelves for "Die Arche"

Among other things, we assisted the Christian child and youth aid organisation "Die Arche" in Frankfurt with logistics, lent a hand with the construction of a new municipal playground in Nieder-Erlenbach and supported the work of Caritas social department stores. Our colleague Mirko Gruhlke from Business Development accompanied as a life guard a kindergarten in Kiel-Schilksee on a swimming trip in 18-degree water.

And our chief investment officer Carlos De las Salas Vega spoke to mothers about financial literacy at a primary school in Barranquilla (Colombia).

In addition, we repeatedly helped out at food banks in Frankfurt and Cologne.



Lecture on financial education in Baranquilla, Colombia



Food distribution at the Frankfurter Tafel in the station district



Cold bathing fun at Schilksee in Kiel



Support in the Caritas social department stores

The employees of the social projects do an outstanding job and are committed to helping people, especially those in difficult situations, with impressive dedication and passion. We would therefore like to extend a big thank you to the many charitable organisations for their important work!

PARTNERSHIPS AND MEMBERSHIPS

RELIABLE COOPERATION AT EYE LEVEL

Partnerships

For us, long-term and reliable partnerships are not only necessary, but an integral part of our corporate philosophy. We are convinced that the best results for investors, business partners and, in particular, for the sub-borrowers in developing and emerging countries that we reach through the investment funds we manage can be achieved through trusting cooperation on an equal footing.



Signed standards

Invest in Visions signed the UN Principles for Responsible Investing in 2017. Since then, we have reported annually on their implementation. At the beginning of 2021, Invest in Visions signed the Operating Principles for Impact Management. We recently published the third declaration on the implementation of these standards in our corporate processes. Our first statement was verified by Bluemark in early 2023.¹



Memberships

We maintain strong partnerships through our memberships in associations and initiatives. Among other things, this allows us to ensure that we remain up to date, for example, with respect to legal and regulatory matters, and especially with regard to impact. Additionally, they allow us to represent our interests, particularly in the area of sustainable financial products. The members benefit equally by providing their own information and exchanging ideas within the network. We recently became a member of the Joint Impact Model (JIM). The JIM is a spin-off of the Dutch development bank FMO, which has extensive experience in the field of impact investing. We use the JIM database to collect cross-portfolio proxy data on greenhouse gas emissions, employment and value creation (see chapter on Sphere of influence: Outcome [p. 36](#)).



¹ <https://www.investinvisions.com/en/impact-esg/the-impact-principles/>

EVENTS 2023



Camellia with representatives of the microfinance institution Zuoli

Fondsfrauen network's women's summit "Courage does you good" 28 March 2023

Our founder and managing director Edda Schröder spoke to founding member of the "Fondsfrauen" network, Manuela Fröhlich, about how she left her management position at Schrodgers in 2006 to set up her own fund boutique. The time that followed took a lot of courage: "In the beginning, it wasn't easy to convince enough investors that a micro-finance fund made sense. Have the courage to realise your ideas, your dreams and, above all, persevere – then it will happen!".



Moritz during his presentation on off-grid electrification in Sub-Saharan Africa

AFIFORUM 2023 8–9 March 2023

In March, our portfolio manager Camellia Genova took part in the Asia Financial Institutions Forum (AFIFORUM) in Bangkok. AFIFORUM brings together a wide range of players from the Asian financial system to promote financial inclusion and sustainability. Camellia interacted with several representatives of our partner institutions in Asia.



Edda in an interview with Manuela Fröhlich

Sustainable Investor Summit 16 May 2023

At the Sustainable Investor Summit, we presented our current fund project for off-grid electrification in Sub-Saharan Africa. Unstable grids with high failure rates are forcing thousands of companies and institutions in this region of the world to rely on diesel generators that are harmful to the environment and health. We want to do something about this through debt financing.

Munich Wealth Management Day 16 June 2023

For the eleventh time, Munich-based V-Bank invited independent asset managers, family offices, foundations and institutional investors to its Wealth Management Day event at the Leonardo Royal Hotel in Munich. The focus was on discussing market, product and sales trends.



Michael on the panel on capital investment: "How do foundations find a suitable strategy?"

Frankfurt School of Finance – Annual sustainable investment conference 13 September 2023

"How good is the German sustainable finance strategy in terms of social impact?"

This was the topic of our speed talk with Dr Moritz Isenmann, senior impact and sustainability manager at Invest in Visions, and Silke Stremlau, chairwoman of the Sustainable Finance Advisory board, at the annual sustainable investment conference at the Frankfurt School of Finance & Management.



Welcome address by Lars Hille, chairman of the management board of V-Bank AG, at the Munich Wealth Management Day 2023

Zukunft Stiftung – Philanthropy in Transition 13 June 2023 and 12 October 2023

Every foundation is unique, but there are numerous challenges that affect the sector as a whole. How foundations and other philanthropic players are dealing with these was discussed at the "Zukunft Stiftung – Philanthropy in Transition" conference, which took place in Hanover on 13 June and in Munich on 12 October 2023. Our chief customer officer Michael Zink took part in the panel discussion with the theme "Capital investment: How do foundations find a suitable strategy?" on both dates.



Moritz in conversation with Silke Stremlau, chairwoman of the Sustainable Finance Advisory board

Annual general meeting of the Federación Latinoamericana de Bancos 3–6 November 2023

From 3–6 November 2023, our chief investment officer Carlos de las Salas Vega attended the 57th annual meeting of the Federación Latinoamericana de Bancos (Felaban) in Miami together with our external consultant for the South America region, Enrique Blanco. Felaban is the largest gathering of players in the Latin American financial and banking sector.



The panel discussion “Young vs. old” during the Fair Finance Week 2023



Enrique and Carlos during the Felaban meeting

Fair Finance Week 8 November 2023

Last year, Invest in Visions GmbH co-organised the Fair Finance Week for the third time, which took place under the theme “Sustainability in crisis?”. On the evening organised by Invest in Visions, a keynote speech by Sophie Kazmierczak (chairwoman of the Federal Impact Investing Initiative) was followed by a panel discussion among Juliane von Boeselager (FASE), Dr Stefan M. Knoll (DFV Deutsche Familienversicherung) and Iven Kurz (Evergreen) about the topic of “Young vs. old. Meaningfulness and profitability in financial investments”. The evening was moderated by Barbara Wokurka (FINVIA Holding GmbH).



ESGEHT

SUSTAINABILITY CONFERENCE

The high-calibre sustainability conference in cooperation with apoAsset, EB-SIM and Invest in Visions was held for the first time. Over 100 professional investors met at the Evangelische Bank in Kassel for an intensive exchange of information and opinions on sustainable investing.

One of the prominent guests was the documentary film maker and actor Hannes Jaenicke. The environmental activist is convinced that climate change and species extinction can no longer be stopped and that the world will not save itself. With his Pelorus Jack Foundation, Jaenicke primarily supports small, unknown activist groups focused on environmental and species protection, who do not have large sums of money at their disposal, but who are at the forefront of the fight for the preservation of nature, for the survival of endangered species and against the exploitation of the Earth.

In his presentation "Sustainability as a sales hit: What customers want and don't get", Christian Klein, Professor of Sustainable

Finance at the University of Kassel, addressed the following questions: "What do private customers actually expect from sustainable investments?" and "How well does the sustainability preference enquiry work in advisory discussions?". He explained the connection between the two questions and pointed out that communication is the key word. After all, many private investors would like to invest their money sustainably but need detailed advice due to the complex regulatory framework.

Dr Eckart von Hirschhausen spoke about planetary health and why it promises the greatest return on investment. Health does not begin with a pill or an operation, said Hirschhausen: "It begins with the air we breathe, the water we drink, the plants we eat, tolerable temperatures and peaceful coexistence." But all five foundations of health are at risk. "And that's why we need more ideas about the fact that we don't have to save "our only" Earth – but rather, we have to save ourselves."



ESGeHT goes into the next round

The second sustainability conference will take place on 3 April 2025 in cooperation with EB-SIM and Invest in Visions. We are looking forward to Hannes Jaenicke and Prof. Christian Klein to discuss sustainable investing again. Further information and the registration for the event can be found in German at investinvisions.com/esgeht →

AWARDS



Presentation of the Boutiques Awards 2023

Double success at the Boutiques Awards

In October 2023, we received two Boutiques Awards in the categories "Sustainability" and "Investor Communications". The awards are reserved for investment funds from smaller independent asset managers that set themselves apart from the competition through good product quality and high transparency, among other things.

Initiated by Mein Geld Medien, AECON Fondsmarketing and Pro BoutiquenFonds, prizes are awarded in ten different categories. The jury is made up of experienced industry experts, including Dr Hendrik Leber, managing partner of ACATIS Investment KVG mbH, Detlef Glow, head of EMEA Research at LSEG Lipper and Roland Kölsch, managing director of Qualitätssicherungsgesellschaft NachhaltigerGeldanlagen mbH.

[Double success at the Boutiques Awards →](#)

Five stars from "Capital" magazine

We were also recognised as a "top fund boutique" with five stars by the magazin "Capital" in 2023. An exclusive study conducted by Capital together with the Institut für Vermögensaufbau (IVA) analysed 179 specialised fund boutiques under the microscope for the first time. The methodology of the study was based on the tried-and-tested Capital Fund Compass. The IVA assessed the providers in three segments: Fund quality, management and service. We were honoured as the best pure bond fund provider.

ECOreporter seal

ECOreporter, the magazine for sustainable investments, has analysed the IIV Mikrofinanzfonds in a comparative test and awarded the ECOreporter seal for sustainable investments to the fund once again.

The special feature of the seal is the close scrutiny of providers and products for their sustainability promises. Only those who demonstrate sustainability holistically in their core business can be honoured. In this way, the seal makes a valuable contribution to distinguishing genuine sustainability from greenwashing in the financial sector.





At Invest in Visions, we have made it our mission to bring about positive change through sustainable investments via the funds we manage. Our success stories from around the world reflect this.

PORTFOLIO REPORT

Our understanding of impact investing	16
Portfolio report	19
Global impact	21
The foundation: Our theory of change	23
World region in focus: Latin America	25
MFI portrait: Banco FIE	27
Sphere of control: Our social reach	29
MFI portrait: KIF	34
Sphere of influence: Outcome	36
MFI portrait: CRECER	38
Sphere of interest: Impact	40
Investor trip to Uzbekistan	42

OUR UNDERSTANDING OF IMPACT INVESTING

We have been offering solutions in the field of impact investing since 2006. There is no generally accepted definition of what this means. We therefore orientate ourselves toward the definitional framework of the International Finance Corporation (IFC), one of the world's largest impact investors, with whom we have been cooperating successfully for years in the granting of syndicated loans.

According to the IFC, impact investing has three basic components: the intention to make an impact, the impact contribution and impact measurement. An additional fourth element is systematic impact management.

1. Impact intention

This is a recognised component of many definitions of impact investing. However, because an intention is hardly verifiable and remains largely speculative, its significance is sometimes questioned to be declared and is worthless without a concrete impact contribution. The declaration of an intention to have an impact should therefore not be overemphasised. On the other hand, the intention to achieve an impact is a logical prerequisite for the other components, especially for impact measurement. Only if an intention to achieve an impact exists can a suitable impact management system be set up and indicators for impact measurement established.

2. Impact contribution

In our understanding, this is the core element of impact investing. The distinction between “investor impact” and “company impact” is of central importance here. It is not enough for the company in which an investment is made to achieve a positive impact. The decisive factor is, whether the investor influences and strengthens the company's impact through its investment activity. An impact contribution can be made in different ways: through capital allocation, advice and technical assistance or a targeted influence on corporate policy. Other contributions are also conceivable, such as the assumption of currency risks through the granting of loans in local currency.

However, the impact contribution should not be equated with the usually strict concept of “additionality”, which in regard to the allocation of capital means that no one else would have made this investment. Such an assertion is firstly impossible to prove and secondly presupposes the almost complete absence of a market and a return far below market level,

Impact investing requires an impact intention, an impact contribution and an impact measurement based on relevant indicators

which is why additionality can only be used for development organisations and donation-like investments.

An impact contribution must be plausibly derived. This is usually done with a “theory of change”, in which the logical steps towards an impact are presented graphically. You can find our impact logic for the microfinance sector on [p. 24](#).

1 Busch et al. (2021), Impact investments: a call for re-orientation, in: SN Bus Econ 1:33, p. 9.

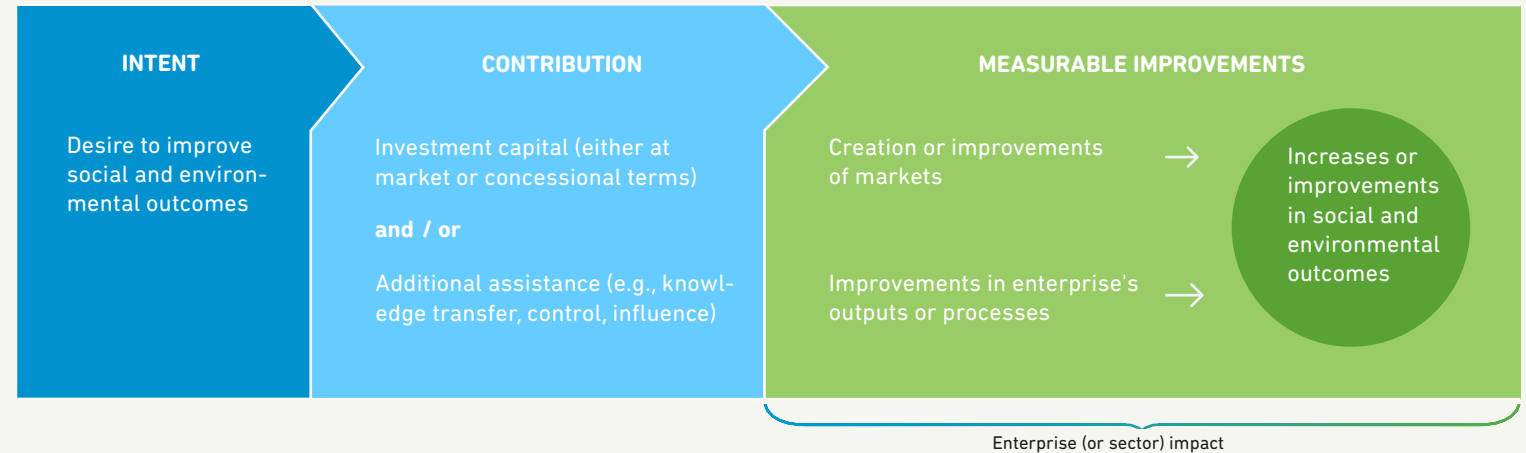
2 Kölbel et al. (2020), Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact, in: Organization & Environment 33 (2020), p. 554 – 574.

3. Measuring impact

Anyone who claims to achieve impact should also be able to measure it and present it transparently. This is easier to do in the environmental sector, where quantifying the emissions saved or the installed capacity of sustainable energy is not a major problem, than in the social sector. While a provided solar module reliably produces a certain amount of electricity with a certain amount of sunlight, a microloan granted is not yet proof of the impact it produces. It initially represents an additional option for the sub-borrower, which gives them the opportunity to improve their living conditions. Through targeted measures in the investment and lending process (exclusive financing of microfinance institutions with suitable customer protection processes, etc.), we can ensure, as an outsourced financial portfolio manager for the funds we manage, that the framework conditions are in place for the loan to be utilised profitably. However, whether the loan actually leads to commercial success is largely beyond our control.

Regarding the presentation of impact achieved, in 2021, together with other impact asset managers, we drew up the ["Guidelines for the presentation of impact in the area of impact-oriented investments"](#). For our theory of change, we have used a model with differ-

Figure 1: The components of impact investing⁴



ent spheres that allows the different levels of impact analysis and the respective influence to be presented transparently.

4. Impact management

The three constitutive components of impact investing are held together by systematic impact management. The "Impact Management Platform" defines impact management as the "process by which an organisation understands, act on and communicates its impacts on people and the natural environment, in

order to reduce negative impacts, increase positive impacts, and ultimately to achieve sustainability and increase well-being".³

The basic idea is that impact considerations are anchored in all steps of the investment process – from the initial review of an investment through periodic monitoring to the final analysis when an investment expires or is terminated. Only if the question about social and ecological impact is included in all steps, it is possible to make the right decisions, counteract undesirable developments and compare one's own aspirations with reality.

In order to make the right decisions and counteract undesirable developments, systematic impact management is required over the entire life cycle of investments

³ Actions – Impact Management Platform

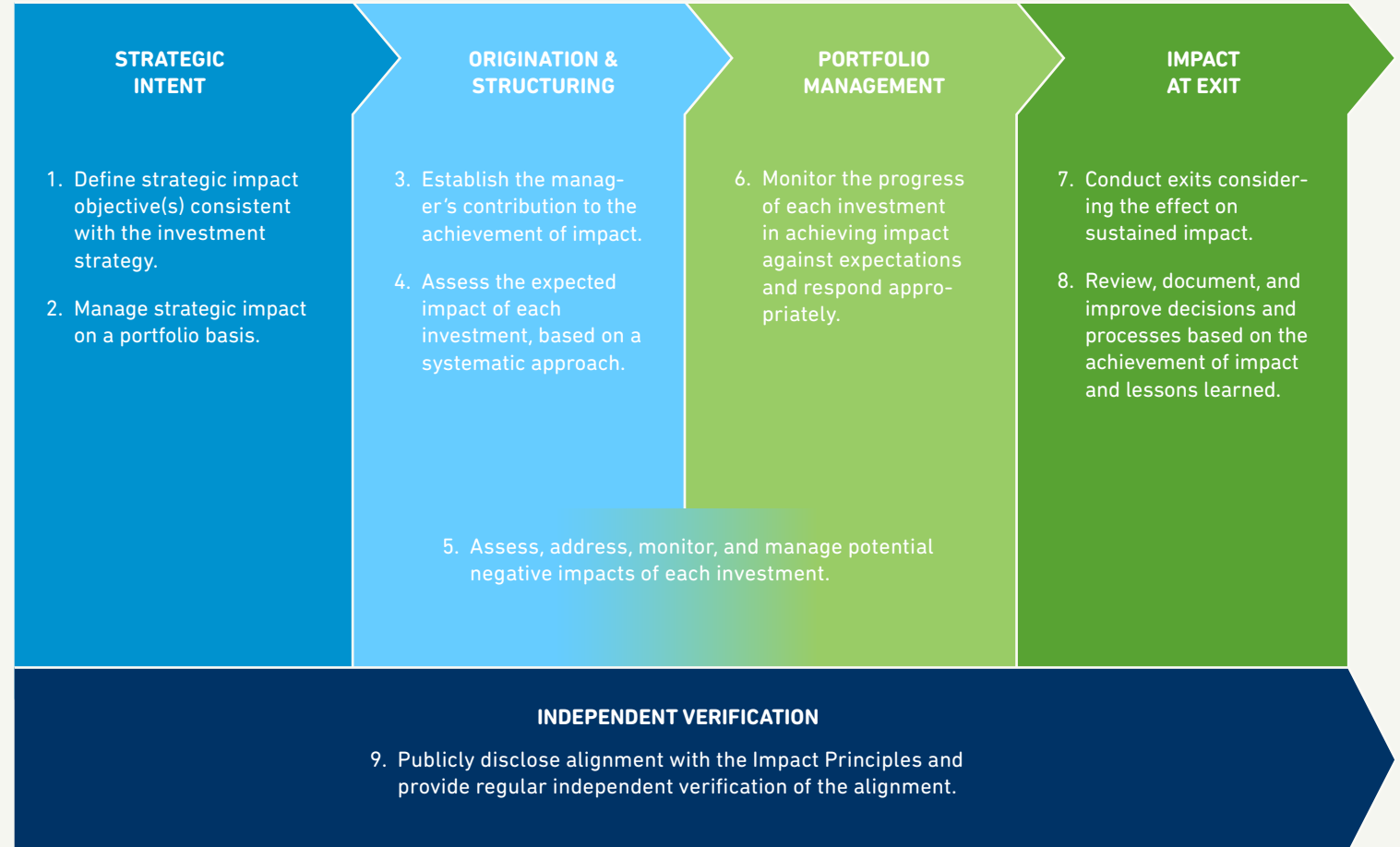
⁴ International Finance Corporation, Creating Impact. The Promise of Impact Investing, 2019, p. 3.

The most ambitious framework is currently that of the “Impact Principles”, which were launched by the International Finance Corporation (IFC) in 2019 and follow eight principles. An important feature of the Impact Principles compared to other frameworks is the independent verification of the signatories’ declarations.

Currently, 184 international businesses and organisations have signed up to the Impact Principles, the secretariat of which is now based at the Global Impact Investing Network (GIIN).⁵ Invest in Visions, one of only eight signatories from Germany at the time, signed the Impact Principles in 2021 and successfully completed the first verification process in 2023.



Figure 2: Principles of impact management



⁵ Signatories & Reporting | Operating Principles for Impact Management ([impactprinciples.org](https://www.impactprinciples.org))

⁶ International Finance Corporation

PORTFOLIO REPORT

Assets under management, investment ratio and performance

Due to changing market conditions in the asset management industry, we recorded more outflows than inflows in the past year. The aggregate volume of the funds we manage totalled EUR 884.6 million at the end of 2023.

Over the course of the past year, our portfolio management invested almost EUR 268 million in new loans, thus reinvesting around 25 per cent of the managed portfolios. The IIV Mikrofinanzfonds recorded the largest annual increase in value for seven years, while an institutional mandate managed by us had its best performance since its launch in 2017. This year, the portfolio management will again reinvest a substantial proportion of the portfolios (approx. 40 per cent).

The investment ratio was higher in 2023 than in the previous year. At the end of the year, it was just under 85 per cent compared to 81.5 per cent at the end of 2022. This also contributed to the strong performance.

Target countries

The funds we manage continue to be broadly diversified. Within the top five countries of the IIV Mikrofinanzfonds, we have increased our country allocation in Uzbekistan. For example, a loan in local currency was granted to Davr Bank as part of a syndication led by the International Finance Corporation. Cambodia dropped out of the top five in the course of last year. The reason: Due to concerns about over-indebtedness and customer protection, we decided in 2022 not to grant any new loans in the funds we manage in Cambodia in 2023. This decision was extended for 2024.



The loans granted by the IIV Mikrofinanzfonds in Myanmar also decreased significantly in 2023. Due to the political situation, no new investments were considered in this country.

For the first time in two years, a loan was granted to Timor-Leste via the IIV Mikrofinanzfonds. A portrait of the microfinance institute there can be found on [p. 34](#). The Dominican Republic is also a new target country.

Loans in local currencies

Last year, we were able to significantly increase the proportion of loans in local currencies from 14.5 per cent to 23 per cent. This is how we protect microfinance institutions against the devaluation of local currencies against the euro or US dollar. The number of local currencies also almost doubled from five to nine compared to the same period in the previous year. To this end, we are utilising the ISDA agreement concluded with The Currency Exchange Fund N.V. ("TCX") at the end of 2022 by our capital management company HANSAINVEST.¹

TCX is a public limited company with its registered office in Amsterdam. The company was founded in 2007 by various development institutions and microfinance vehicles on the initiative of the Dutch development institution FMO. Investors include the governments of Germany, the UK, the Netherlands and Switzerland. They provide risk capital to facilitate access to currency hedging for other investors such as national and multinational development institutions or microfinance funds.

¹ See our Impact Report 2022, p. 18.



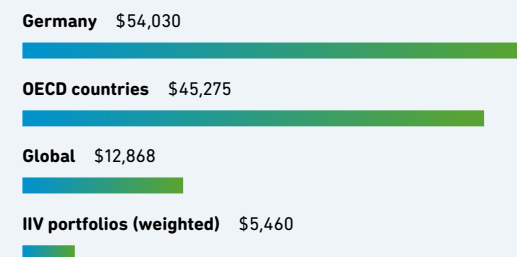
GLOBAL IMPACT

REGIONAL DISTRIBUTION

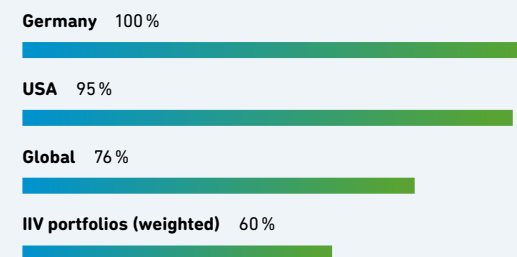


Share of funds managed by us without liquid assets	Annual per-capita income ¹	Classification	Population (million) ²	Financial inclusion ³	Number of MFIs (IIV and DKM)	Gini coefficient ⁴	
13,09 %	Ecuador	6,300	upper-middle	18	64 %	9	45.5
9,50 %	Uzbekistan	2,190	lower-middle	35.65	44 %	4	31.2
7,37 %	China	12,850	upper-middle	1,412.18	89 %	3	37.1
7,10 %	India	2,390	lower-middle	1,417.17	78 %	6	34.8
7,06 %	Mongolia	4,260	lower-middle	3.4	98 %	3	31.4
6,44 %	Cambodia	1,690	lower-middle	16.77	33 %	4	-
4,96 %	Georgia	5,600	upper-middle	3.71	71 %	5	34.2
4,92 %	El Salvador	4,720	upper-middle	6.34	36 %	1	38.8
4,02 %	Peru	6,740	upper-middle	34.05	58 %	3	40.3
2,74 %	Bosnia-Herzegovina	7,660	upper-middle	3.23	79 %	2	33
2,55 %	Bolivia	3,490	lower-middle	12.22	69 %	4	40.9
2,44 %	Paraguay	5,920	upper-middle	6.78	54 %	3	45.1
2,41 %	Tajikistan	1,210	lower-middle	9.95	39 %	5	34
2,39 %	Indonesia	4,580	upper-middle	275.50	52 %	3	38.3
2,29 %	Nicaragua	2,090	lower-middle	6.95	26 %	3	46.2
2,21 %	Armenia	5,960	upper-middle	2.78	55 %	4	27.9
2,15 %	Mexico	10,820	upper-middle	127.50	37 %	4	43.4
1,98 %	Azerbaijan	5,660	upper-middle	10.14	29 %	4	26.6
1,79 %	Kazakhstan	9,620	upper-middle	19.62	81 %	1	29.2
1,76 %	Kosovo	5,660	upper-middle	1.76	58 %	3	29
1,66 %	Albania	6,770	upper-middle	2.78	44 %	2	29.4
1,62 %	Botswana	7,430	upper-middle	2.63	51 %	1	53.3
1,44 %	Kyrgyzstan	1,440	lower-middle	6.97	45 %	5	28.8
1,30 %	Colombia	6,500	upper-middle	51.87	60 %	1	54.8
1,19 %	Dominican Republic	9,050	upper-middle	11.22	51 %	1	37
1,10 %	Moldova	5,500	upper-middle	2.54	64 %	1	25.7
1,08 %	Panama	16,960	high income	4.41	45 %	2	48.9
0,38 %	Nigeria	2,160	lower-middle	218.54	45 %	2	35.1
0,30 %	Tanzania	1,200	lower-middle	65.50	52 %	1	40.5
0,24 %	Costa Rica	12,920	upper-middle	5.18	68 %	1	47.2
0,24 %	Timor-Leste	1,980	lower-middle	1.34	64 %	1	28.7
0,23 %	Myanmar	1,270	lower-middle	54.18	48 %	3	30.7

Annual per-capita income in comparison



Financial inclusion



Explanation of terms and sources

1. Annual per-capita income →

Status 2022: The World Bank; GNI per-capita

2. Population (million) →

Status 2022: The World Bank; Population, total

3. Financial inclusion →

Asli Demirgüç-Kunt et al. The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19, Washington D.C.:International Bank for Reconstruction and Development / Worldbank 2022. Indicator: "Account (% age 15+)"

4. Gini coefficient →

The timeliness of the data varies from country to country

THE FOUNDATION

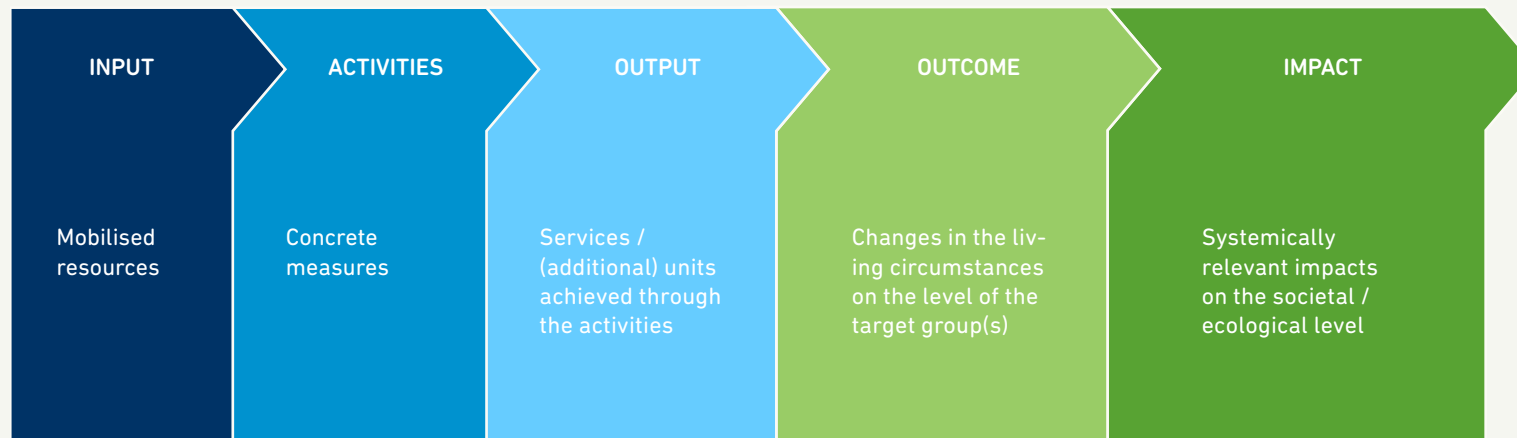
OUR THEORY OF CHANGE

The impact contribution is the central element of impact investing. How it can be achieved should be set out in a theory of change. Such a theory of change is a method for the planning and process-oriented evaluation of programmes, projects and investments that are intended to promote social change.

When establishing a theory of change, one needs to work through it from the end to the beginning, so to speak. Firstly, overarching long-term project goals are defined. Then, a logical chain of resources, measures and causal relationships is drawn up intended to achieve these goals. Particular attention is paid to impact paths, stakeholders and individual steps involved in the process of change.

Most theories of change are based on variants of the “logical framework”, which has been used in development cooperation since the 1960s to evaluate the non-financial results of programmes and projects.

Figure 1: Components of the logical framework¹



¹ The definition of these components is based on: OECD, Glossary of Key Terms in Evaluation and Results Based Management. Proprietary presentation.

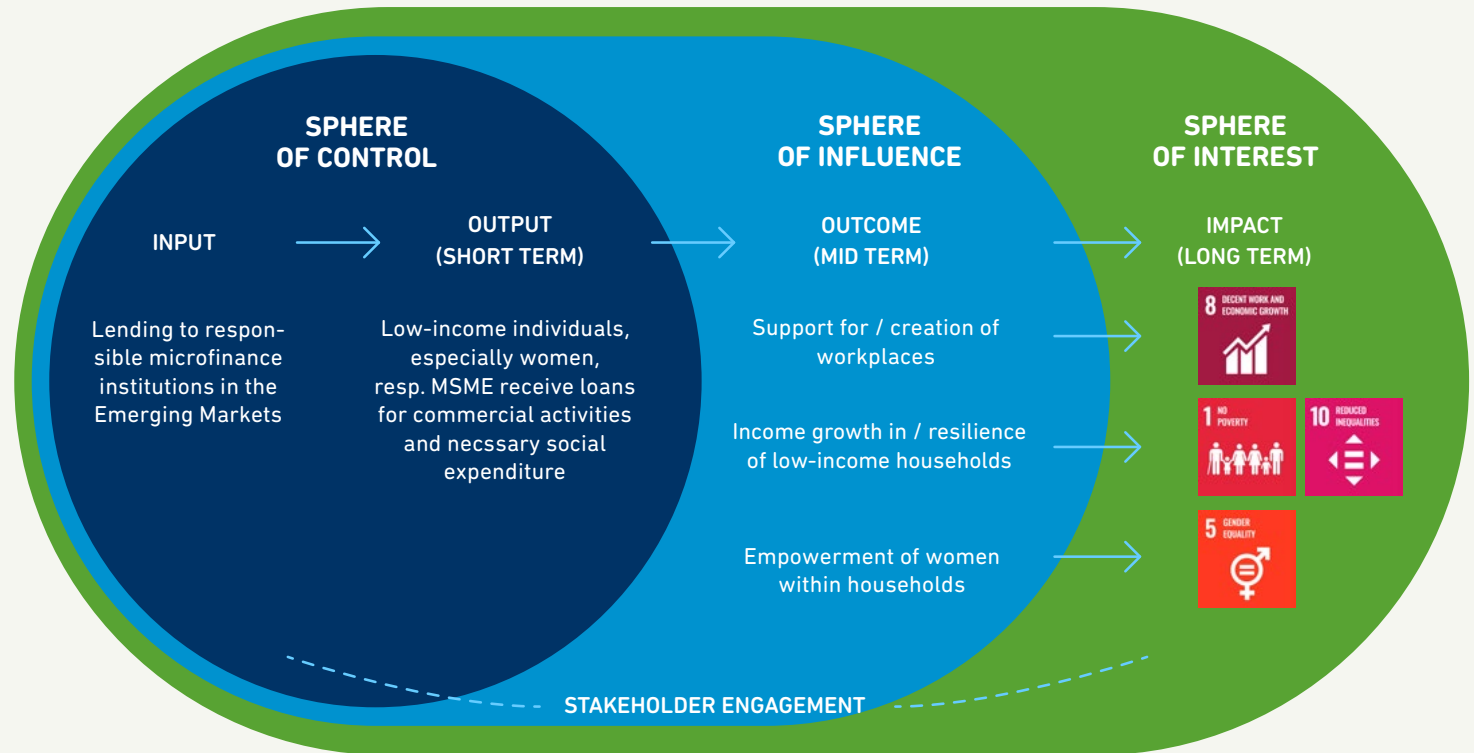
What exactly is a theory of change used for?

Firstly, it helps to identify suitable measures and solutions for social problems and to decide which approach should be chosen. It is also an important guide for the entire investment process, from due diligence and the investment decision to impact monitoring and the final evaluation of the investment. It also supports the selection of key performance indicators and allows projects and their objectives to be visualised in a comprehensible manner.

However, the logical framework does not provide any information on the level of control exercised over the individual stages. Therefore, we have embedded the logical framework in three concentric spheres that show the relative influence of the individual steps of our investment activities.²

We have a high degree of control over inputs, activities and outputs. At the outcome level, we still exert influence through the loans granted by the funds as lenders, but we no longer have control. The financed sub-borrowers are already interacting with other actors at this point. In addition, external economic and non-economic influences come into play that are beyond our control. Finally, the sphere of interest contains the high-level goals that we want to help achieve. However, due to their long-term and societal dimension, they are outside the sphere of influence.

Figure 2: Our theory of change



² Brian M. Belcher, Rachel Davel, Rachel Claus, "A refined method for theory-based evaluation of the societal impacts of research" in MethodsX 7 (2020).

WORLD REGION IN FOCUS LATIN AMERICA

Microfinance has established itself in Latin America as an important instrument for promoting economic development and combating poverty. For this reason, the funds we manage have a particular geographical focus on this region. 35 per cent of the invested capital were allocated to this region at the end of 2023 – a total of 32 Latin American microfinance institutions were in the portfolio of the funds we manage. These supported more than 55,000 sub-borrowers.

For decades, Latin America has been the region of the world with the greatest economic inequality in terms of income distribution within countries, second only to sub-Saharan Africa. After some success in reducing inequality was achieved in the 2000s, there has largely been a standstill since 2010. In almost all countries in the region, the Gini index is above 40 per cent – a value that the World Bank considers to be the threshold for pronounced inequality.¹ Only in El Salvador and the Dominican Republic is it lower (in relation to the target countries of the funds we manage). Ecuador (45.5 per cent), Costa Rica (47.2 per cent) and Panama (48.9 per cent) achieved very high numbers in 2022. In Colombia, the Gini index was as high as 54.8 per cent, 26 per cent above the most recent figure for Germany (28.8 per cent).²

1 [International Bank for Reconstruction and Development / The World Bank, Latin America and the Caribbean Economic Review, April 2024: Competition: The Missing Ingredient for Growth?, p. 29–31. For Gini indexes by country, see table on p. 22.](#)

2 For Germany, see: [Deutschland – Entwicklung der Einkommensungleichheit \(Gini-Index\) bis 2022 | Statista](#)



A success story: Jesús Aruquipa from El Alto, Bolivia

Don Jesús began working as a minibus driver, but the income was not enough to feed his family. He and his wife then decided to plant flowers on their property and sell them at trade fairs. Shortly after starting their new business, they realised that few people in the area were growing lettuce, so they decided to start growing it

immediately. In 2012, they applied for a loan of USD 436 from Banco FIE to buy fertiliser and expand their business. They then applied for another loan to buy land so that they could build more tents and increase production. Today they have ten tents on 2,000 square metres of agricultural land.

This is not least due to weak economic growth. Although the region has made up for the loss of economic productivity caused by the coronavirus pandemic, with an average growth forecast of 1.6 per cent for 2024, it is lagging behind all other regions of the world in terms of economic growth. The loss of income suffered by households as a result of the pandemic has not yet been made up for. Social transfer payments, which were intended to cushion the effects of the pandemic, were already cut back again in 2022. All of this contributes to the fact that the average poverty rate currently stands at 30.3 per cent.³






Due to the high levels of inequality and widespread poverty, the region is a natural target for microfinance and financial inclusion as services that specifically serve economically active people with low incomes. The demand for microfinance in these countries is high. At the same time, many of the economies are dollarised, which is a practical advantage for the refinancing of Latin American microfinance institutions. In other countries, such as the Dominican Republic, loans are granted in local currency.

We have long-standing partnerships with many Latin American microfinance institutions. We have been working with them since Invest in Visions was founded. We have supported them in challenging times and in periods of economic stability. We would like to continue this in the coming years.





BANCO FIE: OUTPUT

	Reached sub-borrowers	249,404
	Of which women	129,908 (52 %)
	Rural dwellers	30 %
	Average loan size (USD)	10,624
	Gross loan portfolio (USD)	2.4 billion

MFI PORTRAIT

BANCO FIE, BOLIVIA

Bolivia¹

Economic growth (2022)	3.5 %
Annual per-capita income (2022)	USD 3,490
Population (2022)	12.22 million
Life expectancy at birth (2021)	♀ 66.8 years ♂ 60.9 years
Inflation rate (2022)	5.1 %
Access to bank account (2021)	69 % of the population (> 15 years)
Savings deposits (2021)	20 % of the population (> 15 years)

Banco FIE

As of 31/12/2023

Total Assets (USD)	3.4 billion
Employees	3,510
Of which women	56 % (1,963)
Loan officers	1,231
Management	537
Of which women	55 % (293)
Branch offices	144

Portfolio composition

Agriculture	18 %
Services	54 %
Industry	25 %
Other	3 %

¹ Worldbank.org and Destatis.de



Walter Melendres in his ceramics workshop. The Bolivian artist is now internationally recognised.

A success story: Walter Melendres from La Paz

Walter Melendres is a ceramist and was born in 1960 in the municipality of Jesús de Machaca in the department of La Paz in Bolivia. As a child, he often watched his father and grandfather pottering clay pots and other objects to earn a living. As he had no toys, he began moulding donkeys, sheep and other small animals out of clay at a young age. "I was already skilful at the age of six and had reached an artistic level by the time I was twelve," he says.

Hoping that his craftsmanship would help him to become a successful and independent ceramist, he eventually moved to the city of La Paz. To realise his dream, he needed start-up capital.

However, his talent alone was not enough to obtain a loan from a conventional bank.

He was advised to turn to the Banco FIE co-operative bank. Banco FIE was founded in 1985 and was one of the first micro-credit institutions in Bolivia. Today, the co-operative bank serves almost 250,000 borrowers. The average loan size is USD 10,624.

Walter Melendres received start-up capital from Banco FIE for his ceramics workshop and the opportunity to take part in an international trade fair in Germany, where he was able to present his products and even gain international visibility.

Since then, he has remained loyal to Banco FIE, where his talent was recognised from the outset. Today, in the 38th anniversary year of the co-operative bank, Walter Melendres is one of its most prominent customers. Thanks to the continued support of the microfinance institution, he has become an internationally recognised ceramic artist whose works are now even exported to the United States and Europe.

SPHERE OF CONTROL

OUR SOCIAL REACH (INPUT, ACTIVITIES AND OUTPUT)

Microfinance has achieved what most development programmes fail to do: Scale.

The gross loan portfolio managed by microfinance institutions worldwide totalled over USD 182 billion in 2022, serving approximately 177 million borrowers.¹ Nevertheless, there is still a great need for financing for micro-, small and medium-sized enterprises (MSMEs) in the Global South. According to the International Finance Corporation (IFC), there is a financing gap of USD 5.2 trillion in the MSME sector, which affects a total of around 65 million MSMEs.² Even though there is now a high level of market saturation in individual countries such as Cambodia, micro-enterprises still have a financing requirement of USD 163 billion according to the IFC study. 40 per cent of micro-enterprises in the emerging markets have only limited access to capital. Of the estimated total financing requirement of USD 882 billion for micro-enterprises, only 19 per cent has been provided to date. This means that there is still a shortfall of around USD 714 billion.

Our impact contribution consists primarily of the allocation of capital (input) to an underserved market. The funds we manage refinance microfinance institutions in developing and emerging countries, which pass the money on to sub-borrowers in the form of micro- and small loans (activities). In addition, we engage in dialogue with microfinance institutions on customer protection and are constantly increasing the proportion of loans granted in local currency (see above, [p. 20](#)).

As shown graphically in our theory of change, we have good control over the levels of input, activities and output, both in terms of managing our investments and the data available for reporting. The output indicators we have collected on the social reach of our investments show that, in 2023, we once again successfully channelled the funds to where they can have a positive impact in line with our theory of change. This applies to the different levels of countries, borrowers and their activities as well as the additional financial and non-financial services offered by the microfinance institutions.

¹ [Impact Finance Barometer 2023, Convergences platform](#)

² International Finance Corporation, SME Financing Gap.

SOCIAL REACH: COUNTRY LEVEL

Outstanding loan receivables via the funds we manage EUR 739.1 MILLION

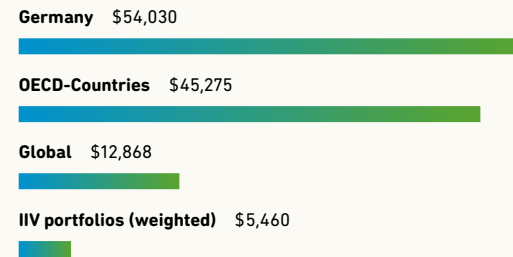
Number of microfinance institutions 95

Countries 32

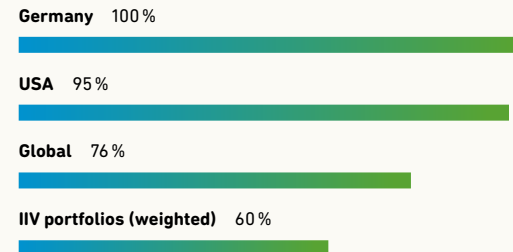
Our investments via the funds we manage – with the sole exception of Panama – go to countries that are categorised as “middle-income countries” according to the World Bank classification.³ At the end of 2023, 38 per cent of these countries were “lower middle” income countries (annual per-capita income of USD 1,136-4,465) and 59 per cent were “upper middle” income countries (annual per-capita income of USD 4,466-13,845). Panama is one of the “high income” countries (3 per cent). The weighted average per-capita income for the portfolios we manage was USD 5,460.⁴ This is well below the global average and the income level of Germany or other OECD countries.

The most important indicator of financial inclusion is generally considered to be the existence of a bank account. Worldwide, 76 per cent of adults now have such an account.⁵ The figure for the weighted average of countries in which investments were made via the funds we manage in 2023 is only 60 per cent. By comparison, this figure is 95 per cent in the USA and 100 per cent in Germany.

Annual per-capita income in comparison



Financial inclusion



³ World Bank Group country classifications by income level for FY24 (July 1, 2023- June 30, 2024)

⁴ Calculation based on data from the World Bank: <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>

⁵ Calculation based on the Global Findex Database 2021: <https://www.worldbank.org/en/publication/globalfindex>

SOCIAL REACH: BORROWERS AND ACTIVITIES



404,537

sub-borrowers reached

The number of sub-borrowers reached is determined by the proportion of each microfinance institution's gross loan portfolio contributed by the funds we manage through the loans granted. For example, if the loan issued to a microfinance institution amounts to one per cent of the institution's gross loan portfolio, the funds also co-finance one per cent of the sub-borrowers.



USD 1,964

Average outstanding loan amount

The average outstanding loan amount is an important indicator for assessing the depth of the social reach of microfinance investments: The lower the loan amount, the lower the income of the ultimate borrowers is likely to be. In the funds we manage, it has increased compared to the previous year (2022: USD 1,397). This is partly due to the fact that more loans were granted in the area of small and medium-sized enterprise (SME) financing.

The average outstanding loan amount is calculated by dividing the amount of the microfinance institution's gross loan portfolio by the number of sub-borrowers of the institution. This figure is then weighted according to the share of the respective microfinance institution in the portfolios managed by us.

Gender of borrowers

77% Women / 23% Men



There are two different ways of calculating the proportion of each gender among sub-borrowers. Either the headcount (headcount share) or the share of funds allocated to women or men (portfolio share) is used. With respect to the headcount number, at 77 per cent, women receiving funding are still clearly in the majority. This is in line with our aim to promote the position of women (SDG 5: Gender equality). The portfolio share, on the other hand, is very balanced (50/50 per cent). The difference is due to the fact that many small loans are granted to women in India, for example, while larger loans are often granted to men in Central Asian countries. As we have mainly reported on the portfolio share in recent years, we are now focussing on the headcount. In principle, we consider both metrics to be equally important.

Activities

19% Agriculture / 11% Industry
37% Services / 33% Other



The weighting in the portfolio of different areas of activity remained relatively stable compared to the previous year. However, the share of the service sector fell by one per cent compared to 2022, while the share of “other” rose by four per cent. This area provides the sub-borrowers with money for necessary social expenditures and other areas such as housing or education. The sub-borrowers want to use this to improve their living situation. We are currently working on being able to present this sector in more detail.

Urban / Rural

54% Urban / 46% Rural



The urban/rural distribution of loans remained stable compared to the previous year (rural lending in 2022: 47%). In the rural regions of the countries in which the funds were invested at the end of 2023, poverty is usually structurally rooted. Many therefore move to the cities to find work and a livelihood. However, their situation there is often hardly any better. We want to support people in both places – in the countryside and in the city.

Type of loan

85% Individual loans / 15% Group loans



In the early days of the microfinance movement, microloans were mostly granted as group loans. The idea behind this: The social pressure of the group ensures that the loans are repaid by the individual members without the need for further collateral. Even if group loans dominate and make sense in some contexts, most microloans today are granted to individuals. Many people do not want to be liable for others. Another reason is the penetration of microfinance into urban and suburban areas, where social cohesion is generally not as strong as in rural areas. Scientific studies now suggest that the probability of repayment is not fundamentally higher with group loans than with individual loans.

Gender of employees in the refinanced microfinance institutions

52% Women / 48% Men



By refinancing microfinance institutions in which women make up a balanced proportion of the workforce, we also promote their income generation. Like the other key figures, this indicator is also calculated by weighting: The data is weighted according to the respective institution’s share of the funds we manage. In this way, the weight of the respective loan in our portfolios is correctly reflected.

SOCIAL REACH: OTHER FINANCIAL AND NON-FINANCIAL SERVICES

In our view, a loan is the central element of financial inclusion. This is because it enables income-generating activities to be taken up or stabilised and expanded and financial bottlenecks to be overcome, which occur time and again in the lives of people on low incomes. However, other financial and non-financial services can have a supportive effect and provide additional financial stability. We therefore endeavour to refinance especially microfinance institutions that offer such services.

These include, in particular, the possibility of opening a bank account. Bank account owners are in a better position to avoid falling into poverty and to withstand financial shocks.⁶ Recent research also shows that, for women in particular, the ability – and not to those of their husbands⁷ – increases their control over their own financial resources. This helps to challenge traditional gender norms and incentivises women to take up income-generating activities themselves.⁷

Across the different categories, more than 50 per cent of the refinanced microfinance institutions offered additional services.

Share of microfinance institutions in the portfolios we manage that offer:

Savings products	46.1 %
Insurance	50.3 %
Other financial services	60.1 %
Non-financial services	52.5 %

⁶ The Global Findex Database 2121, p. 9.

⁷ Erica Field et al., On Her Own Account: How Strengthening Women’s Financial Control Impacts Labor Supply and Gender Norms.” American Economic Review 11 (2021), p. 2342–75.

MFI PORTRAIT

KIF, TIMOR-LESTE

Timor-Leste¹

Economic growth (2022)	3.9 %
Annual per-capita income (2022)	USD 1,980
Population (2022)	1.34 million
Life expectancy at birth (2021)	♀ 69.5 years ♂ 66.1 years
Inflation rate (2022)	11.4 %
Access to bank account (2021)	64 % of population (> 15 years)

Kaebauk Investimentu No Finansas SA (KIF)

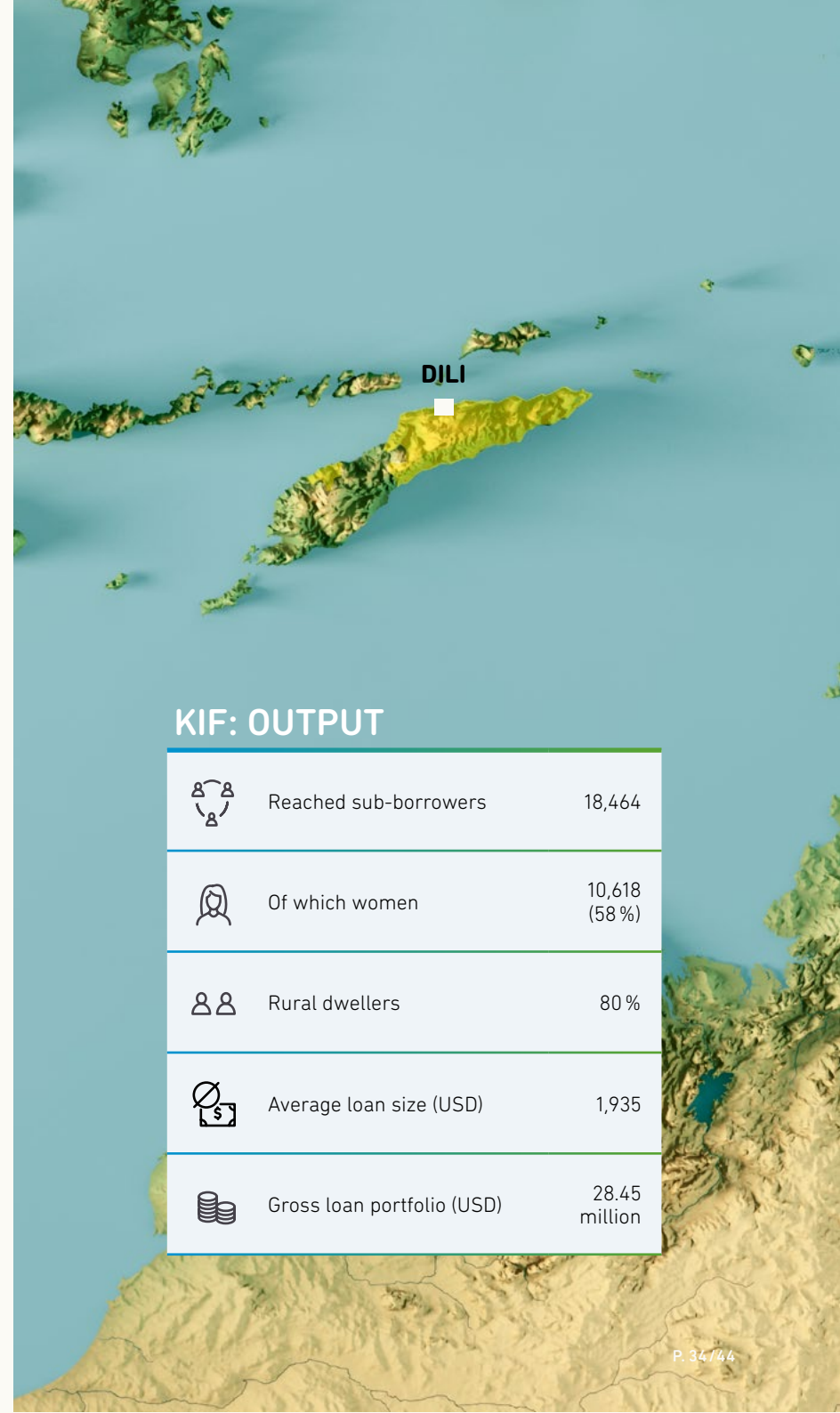
As of 31/12/2023

Total assets (USD)	38.21 million
Employees	336
Of which women	28 % (94)
Loan officers	109
Management	79
Of which women	10 % (8)
Branch offices	22

Portfolio composition

Agriculture	16 %
Services	72 %
Industry	0 %
Other	12 %

¹ [Destatis.de](https://www.destatis.de)



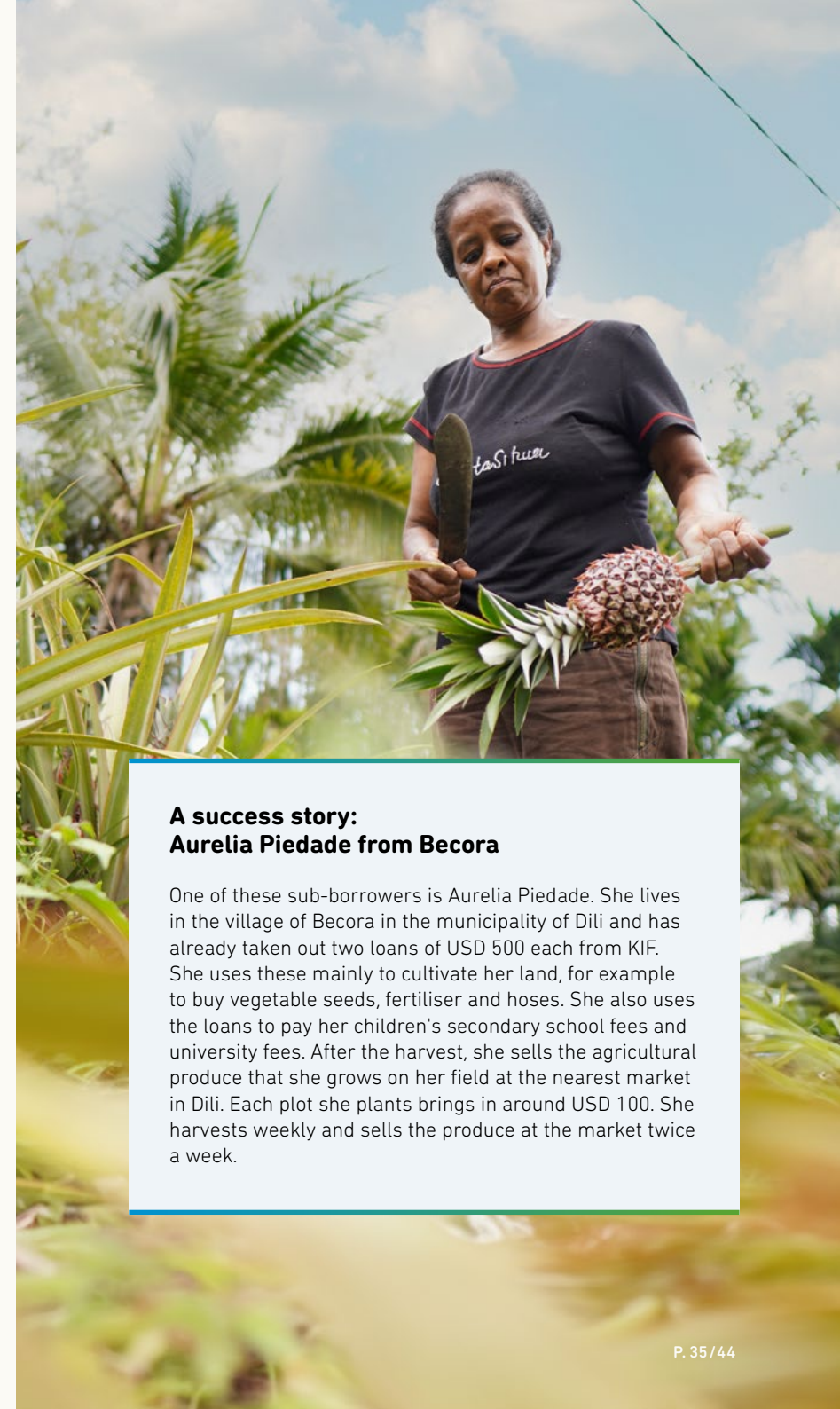
KIF: OUTPUT

	Reached sub-borrowers	18,464
	Of which women	10,618 (58 %)
	Rural dwellers	80 %
	Average loan size (USD)	1,935
	Gross loan portfolio (USD)	28.45 million

In 2023, a microfinance institution from East Timor (officially: Democratic Republic of Timor-Leste) was included in the IIV Mikrofinanzfonds for the first time in two years. Since its independence from Indonesia in 2002, the state in the eastern half of the Southeast Asian island of Timor has been a democracy. Timor-Leste also joined the UN in the same year. Thanks to the international financial aid that followed, the country was able to expand its economy to a large extent. But the plight of the largely unemployed population is still great. According to the Central Bank of Timor-Leste, 36 per cent of the adult population still had no access to financial services in 2020. As a result, the country has a high rate of financial exclusion. One of the reasons for this is inadequate infrastructure development with poor road conditions, limited internet access and low financial literacy, which makes it more difficult and costly for financial institutions to provide financial services. This makes the work of the microfinance institution Kaebauk Investimentu No Finansas SA (KIF), which we refinanced for the first time last year through the IIV Mikrofinanzfonds, all the more important.

KIF started in 2001 as a microcredit programme supported by the US-based non-governmental organisation “Save the Children”. One year later, the microcredit programme was officially registered as a microfinance institution under the name Tuba Rai Metin (TRM), which means “standing firmly on the ground”. In 2016, TRM was renamed to Kaebauk Investimentu no Finansas SA (KIF).

KIF is one of the largest private sector employers in Timor-Leste with more than 300 employees in over 20 branches, serving more than 18,000 customers at the end of 2023. 28 per cent of KIF employees are female. When granting small loans, the microfinance institution places a particular focus on financial support for women – over half of its sub-borrowers are currently female.



A success story: Aurelia Piedade from Becora

One of these sub-borrowers is Aurelia Piedade. She lives in the village of Becora in the municipality of Dili and has already taken out two loans of USD 500 each from KIF. She uses these mainly to cultivate her land, for example to buy vegetable seeds, fertiliser and hoses. She also uses the loans to pay her children’s secondary school fees and university fees. After the harvest, she sells the agricultural produce that she grows on her field at the nearest market in Dili. Each plot she plants brings in around USD 100. She harvests weekly and sells the produce at the market twice a week.

2 [Unleashing the Power of Financial Inclusion in Timor-Leste – UN Capital Development Fund \(UNCDF\)](#)

3 Internal information – Advisor Incofin Investment Management N.V.

4 <http://kaebauk.tl/whatwedo/>

SPHERE OF INFLUENCE

OUTCOME

As outlined in our theory of change, our control over the impact we have decreases as we move from the output to the outcome level due to additional influencing factors. The same applies to the data available to us to measure our impact at this level. Obtaining outcome data for our entire portfolio is therefore a challenge. By collecting further indicators directly from the microfinance institutions that we refinance via the IIV Mikrofinanzfonds, we would like to be able in the future to make a statement as to whether the target group's living situation has changed (positively). This can be determined using the following indicators, for example:

- Change in business income
- Change in the average savings balance
- Share of borrowers gaining access to financial services for the first time
- Share of female borrowers who declare that they can make a financial contribution to meet household needs.

We currently do not yet receive this data at outcome level for our entire portfolio. The majority of the microfinance institutions we refinance are not yet able to systematically collect this data. In most cases, they do not have the capacity to conduct the relevant surveys and integrate the results into existing data systems.

At the beginning of 2023, we tested the collection of several outcome indicators at selected microfinance institutions in

our portfolio. We selected twelve institutions that we know are in the process of setting up the collection of such indicators. The indicators tested are in line with the outcome indicators proposed by Cerise+SPTF¹ that relate to specific SDGs.²

The pilot project has shown us what additional challenges exist when collecting outcome indicators. On the one hand, the microfinance institutions used different sources to answer the questionnaire, such as satisfaction or impact surveys. However, the results have not yet been systematically integrated into the internal management information systems. Furthermore, there is still a lack of standardised definitions and calculation methods for the indicators in the market. For example, in terms of the proportion of borrowers accessing financial services for the first time, a distinction can be made between first-time access to a financial service at the specific institution or at any institution overall.

With these findings, we are continuing to work on obtaining outcome-level data on our entire portfolio in the future. In the meantime, there are two other approaches.

One is to use surveys by specialised providers such as 60 Decibels, which surveyed more than 32,000 borrowers from a total of 114 microfinance institutions for its "Microfinance Index" for the year 2023.³ Each microfinance institution provides 60 Decibels with the contact details of 2,500 customers, several hundred of whom are then asked in detail about the

1 Cerise+SPTF is a joint venture between two leading organisations in the field of social and environmental performance management. Founded in 2005, the Social Performance Task Force (SPTF) developed and regularly updates the Universal Standards for Social and Environmental Performance Management. Cerise, a French non-profit organisation founded in 1998, pioneered the implementation of social performance management. Further information here: <https://cerise-sptf.org/aboutus/>

2 Outcomes Management For Financial Service Providers

3 Further information: <https://60decibels.com/insights/mfi-2023/>

use and impact of the loans they have taken out in telephone interviews lasting around half an hour. Surveys of this kind are very time-consuming and costly. For this reason, our portfolio cannot be fully analysed in this way. We participated in the “Microfinance Index” for 2023 by financing surveys at three microfinance institutions in Nigeria, Ecuador and India, with which we were working at the time via the funds we manage. According to the results of these three surveys, up to 90 per cent of respondents answered that their business income had increased. Out of these, up to 19 per cent answered that their business income had even very much increased. For up to 95 per cent of respondents, the general quality of life had improved. Out of these, up to 23 per cent answered that their quality of life had even very much improved.

We currently use a second possible interim solution across portfolios: calculations based on proxy data. To do this, we use the Joint Impact Model database – JIM for short. The JIM is a spin-off of the Dutch development bank FMO, which has extensive experience in the field of impact investing. It has developed a methodology that makes statements about the promotion of employment and value creation, in the sense of the sum of wages and salaries, taxes and savings of a country. It is based on so-called input-output modelling, which was largely developed by the Nobel Prize winner Wassily Leontief. The basic idea of this modelling is to identify the business income generated within an economy and to show the links between the business and other sectors in the economy. This can be done using a statistical representation of an economy that describes the financial flows of all economic transactions within an economy.⁴

Using the data from the JIM, the following statements can be made with regard to the promotion of employment and value creation:

JOBS SUPPORTED

45,761
Total jobs

In 2023, we supported 45,761 jobs (full-time equivalents over the year as a whole) through our investments. This includes jobs at the level of microfinance institutions, in their supply chain and at the level of sub-borrowers.

At the level of the microfinance institutions and their supply chain, 9,546 jobs were supported, 4,069 of which went to women. At the sub-borrower level, 36,215 jobs were supported, 14,692 of which went to women.

The promotion of added value comprises the sum of salaries, savings and taxes created. According to the JIM proxy indicators, we generated USD 388.7 million in value added through our investments in 2023. Savings made up the largest share of this at USD 199.2 million. Here, too, this includes value added at the level of the microfinance institutions, in their supply chain and at the level of the final borrowers. The primary added value was created at the sub-borrower level, at USD 281.7 million.

VALUE ADDED

388,7 MILLION
USD

In principle, this is only an approximation of the actual figure, which is why we would like to obtain this and other data directly from the refinanced financial institutions in the long term. In the meantime, however, such proxy surveys and polls provide helpful indications as to whether the funds we manage are meeting their self-imposed objectives.

⁴ Further information on the methodology of the Joint Impact Model can be found here: <https://www.jointimpactmodel.org/documentation>

MFI PORTRAIT

CRECER, BOLIVIA

Bolivia¹

Economic growth (2022)	3.5 %
Annual per-capita income (2022)	USD 3,490
Population (2022)	12.22 million
Life expectancy at birth (2021)	♀ 66.8 years, ♂ 60.9 years
Inflation rate (2022)	5.1 %
Access to bank account (2021)	69 % of the population (> 15 years)
Savings deposits (2021)	20 % of the population (> 15 years)

CRECER

As of 31/12/2023

Total Assets (USD)	520 million
Employees	1,682
Of which women	52 % (866)
Loan officers	960
Management	11
Of which women	27 % (3)
Branch offices	75

Portfolio composition

Agriculture	19 %
Services	32 %
Industry	32 %
Other	17 %



CRECER: OUTPUT

	Reached sub-borrowers	261,874
	Of which women	192,406 (73 %)
	Rural dwellers	41 %
	Average loan size (USD)	8,829
	Gross loan portfolio (USD)	425 million

¹ [Worldbank.org](https://www.worldbank.org) and [Destatis.de](https://www.destatis.de)

In the funds we manage, Bolivia is represented with a total of almost EUR 18.9 million in assets under management. Despite high economic growth rates of 6.1 per cent in 2021 and an estimated 3.5 per cent in 2022, Bolivia is still one of the poorest countries in Latin America. The unemployment rate for adults over the age of 15 is 25.8 per cent.²

The advancement of women in Bolivia is a very important issue due to many structural disadvantages. Women are traditionally responsible for housework, which is why their labour force participation rate in 2022 was 56 per cent. Men are often solely responsible for generating income, but this is not always sufficient. Due to limited job opportunities, women often only have the option of self-employment. The microfinance institution CRECER was originally a programme of the non-governmental organisation “Freedom from Hunger”, with the aim of combating malnutrition in Bolivia and creating opportunities for underprivileged people. In 2016, CRECER was then transformed into a provider of integrated financial and educational services for women from low-income backgrounds. From the outset, this microfinance institution focussed on the health, well-being and economic situation of the families of its borrowers.

In over two decades of existence, the microfinance institution CRECER has made a name for itself as one of the leading organisations in Bolivia that supports disadvantaged population groups, particularly women. The microfinance institution is active in nine urban and rural areas of Bolivia with 75 branches

and more than 1,680 employees. As a social enterprise, part of its philosophy is to enable underprivileged population groups to be included in the financial system.

CRECER attaches great importance to individual and personal advice in the neighbourhoods and communities in which its borrowers live or work. As a microfinance institution, CRECER gives thousands of people access to the financial system through small loans, especially group loans. Another important contribution is the exceptional range of training programmes, e.g. for the prevention of uterine cancer, the main cause of female mortality in Bolivia. South American countries lack important prevention measures in this area. Cervical cancer is a preventable disease and HPV vaccination is a key strategy for its elimination. Nevertheless, according to the World Health Organisation, just 24 per cent of Bolivian women are fully vaccinated (as of 2020).³

The institution also places a strong focus on the financial education of its borrowers, also in the form of offered courses. In doing so, the use of technology and mobile devices to improve customer communication and the use of the internet to organise their business processes more efficiently are promoted. In addition, borrowers are trained in the use of social networks.



² Destatis Bolivien

³ <https://immunizationdata.who.int>

SPHERE OF INTEREST

THE OVERALL SOCIAL AND LONG-TERM IMPACT OF MICROFINANCE

Using the JIM database (see above, [p. 37](#)), we can at least estimate the contribution of the funds we manage to supporting jobs and value creation. However, measuring the long-term and overall social impact of the loans granted is beyond the scope of what a company's impact management can achieve. We therefore locate the overarching impact goals to which the funds we manage are geared in the "sphere of interest".

Even if it is not possible to measure our specific contribution to reducing poverty and inequality, it is possible on the basis of scientific studies to assess whether microfinance in general has the potential to have a positive impact in these areas. We have therefore been following the debate on the impact of microfinance for years and report on it in our Impact Reports.

In recent years, we have focussed in particular on the results of micro-studies (see the interview with Prof. Nathan Fiala in our [Impact Report, pp. 30](#)). However, micro-studies can hardly be generalised. Macroeconomic studies

that measure the influence of microfinance by comparing different regions and countries are needed in order to be able to make generalised statements. Such studies are now available on the contribution of microfinance to reducing poverty (SDG 1) and inequality within countries (SDG 10). They are mostly based on panel data analyses. This involves analysing data on poverty and inequality (e.g. the Gini index and various poverty indices) from a large number of countries over a longer period of time, often several decades, and relating this to the intensity of microfinance in the respective countries. The gross loan portfolio in relation to gross domestic product and the number of borrowers in relation to the total population usually serve as indicators for the intensity of microfinance. In order to establish a causal relationship that is as reliable as possible, endogeneity and the problem of reverse causality are controlled for.¹ On the other hand, various control variables are included in the analysis in order to avoid any distortion of the results that could arise from the omission of other influencing factors.

A first article of this kind appeared in 2012, with clearly positive results. The authors around Katsushi Imai saw solid confirmation "that microfinance loans are significantly and negatively associated with poverty, i.e. that countries with a higher microfinance gross loan portfolio have less poverty".² Various follow-up studies confirmed this result.³ One of these studies additionally categorised the countries examined according to the World Bank's⁴ income classification.⁵ The author Asma Boussetta found that microfinance contributes to poverty reduction in middle- and high-income countries, but not in low-income countries. She believes this confirms the results of various micro-studies, which state that microfinance cannot reach the poorest segments of the population. The ultimate borrowers must have a minimum level of financial literacy and the ability to use the loans productively.

We also believe that a meaningful impact strategy in the area of microfinance cannot focus on the "poorest of the poor" for the reasons mentioned above. Last year, our invest-



1 These problems exist, for example, with the variables inequality/poverty and MFI gross loan portfolio. For example, microfinance can increase the level of inequality, or greater poverty and inequality can be the reason for an intensification of microfinance in a country.

2 Katsushi Imai et al, Microfinance and Poverty. A Macro Perspective, in: World Development 40 (2012), p. 1675.

3 See Lansana Bangoura et al., Impact of Microfinance on Poverty and Inequality. A Heterogeneous Panel Causality Analysis, in: Revue d'économie politique 126 (2016), p. 789-818.

4 World Bank Group county classifications by income level for FY24: For the World Bank's income classification, see Asma.

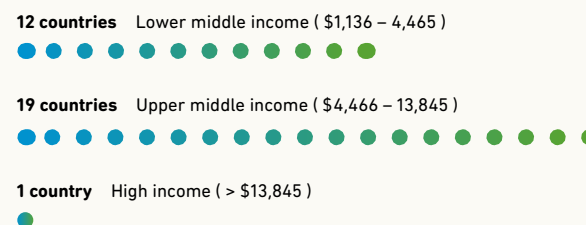
5 Boussetta, Microfinance, Poverty and Education, in: Comparative Economic Studies 2021.

ments were channelled without exception into countries with a medium (31) or higher (1) annual per-capita income. At the same time, the weighted average of USD 5,460 for the funds we manage (IIV target countries; see also above, [p. 19](#)) shows that we continue to operate at the lower end of these categories in relative terms in order to remain true to our mission of supporting low-income people.

There are also panel data analyses on the effect of microfinance on inequality within countries.⁶ Here, too, the results are positive. A 2019 study led by author Maricruz Lacalle-Calderón, for example, shows that an increase in the number of microcredit borrowers is accompanied by a decrease in the Gini coefficient. The authors conclude that “income inequality decreases when the intensity of microfinance in a country increases”.⁷ As microfinance focuses on the poor and those excluded from the financial system, it gives this part of the population new financial opportunities to start or maintain income-generating activities, improve their income and well-being and effectively reduce income inequality.⁸

When it comes to job creation and the contribution of microfinance to economic growth (SDG 8), input-output analyses, such as those we conduct ourselves using the JIM database for the funds we manage, are the tool of choice. One such study conducted by the NCAER (National Council for Applied Economic Research), the oldest independent economic think tank in India, on behalf of the Indian Microfinance Association, demonstrates the significant potential of microfinance in this area. According to the NCAER study, the microfinance sector (including self-help groups supported by banks) contributed 2.03 per cent of gross value added⁹ in India in 2018 and 2019 and created or supported around 12,800,000 jobs. This share is considerable when you consider that the financial sector as a whole contributes around 5.5 per cent to gross value added in India.

Income classification of the IIV target countries



6 Niels Hermes, Does microfinance affect income inequality?, in: Applied Economics 46 (2014), p. 1021–1034; Maricruz Lacalle-Calderón et al., Microfinance and income inequality: New macrolevel evidence, in: Review of Development Economics 23 (2019), p. 860 – 876; Kamel Ben Hadj Miled et al., Does microfinance program innovation reduce income inequality? Cross-country and panel data analysis, in: Journal of Innovation and Entrepreneurship 11 (2022).

7 Lacalle-Calderón et al., p. 867.

8 Ebd., p. 870.

9 The term gross value added refers to the added value of goods produced. It results from the difference between the goods produced and the value of the purchased inputs.

INVESTOR TRIP TO UZBEKISTAN

In June 2023, the time arrived: Edda Schröder travelled to Uzbekistan with portfolio manager and expert for the Central Asian region at Invest in Visions, Sergej Leon Shkolnikov. They were accompanied by a group of investors on the five-day trip intended to experience microfinance at first hand.



Visit to the largest and oldest microfinance bank in Uzbekistan, Hamkorbank. With its 3,000 employees and 189,000 sub-borrowers, it is a long-term partner for many micro- and small entrepreneurs in Uzbekistan.



Visit to the private clinic "Mubinaxon Shifo": In Uzbekistan, there is free basic healthcare, but additional treatments are chargeable. The clinic performs brain and spine surgeries.

Uzbekistan is an up-and-coming country with many opportunities. However, at least the financial sector is heavily regulated by the central bank. The change of government at the end of 2016 opened up the country to foreign investors and triggered a wave of privatisation. This development has led to the establishment of six private banks in recent years. There are now 34 banks in the country. International investors are also welcome in the real economy. The framework conditions for this are slowly changing.



Visit to the tailor shop "Andin Fashion": The family business was started by three brothers in 2016 and currently employs 100 staff members, 95 of whom are women.



Among others, Edda Schröder and Heike Ebli from MehrWert GmbH visited a livestock farmer who uses cow manure for heating during the winter months.

The agenda included a visit to the Central Bank of Uzbekistan as well as meetings with various microfinance institutions and banks with micro-loan portfolios. The meetings with some of the sub-borrowers were particularly exciting. For example, surgeon Bahodirdjon Mamadjanov had to procure his own tools for operations as the clinic he worked for had to close due to the coronavirus pandemic. He took out a micro-loan from HamkorBank, bought surgical tools and was thus able to continue performing life-saving operations and use his medical expertise for the benefit of patients.

INVEST IN VISIONS

Invest in Visions GmbH was founded in 2006 by Edda Schröder with the mission to provide institutional and private investors access to impact investments. These are investments that offer a social return in addition to financial returns. In 2011, we reached an important milestone and initiated the first microfinance fund in Germany, which is also open to private investors, together with the capital management company HANSAINVEST.

Our aim is not only to preserve and increase investors' capital, but also to utilise it in such a way that it can have a positive impact. Impact orientation is the core of our corporate philosophy.

Invest in Visions GmbH

Freiherr-vom-Stein-Straße 24–26

60323 Frankfurt / Main

Germany



Legal Information:

The information contained herein neither constitutes a prospectus nor an offer, advice, a recommendation or a solicitation to buy or sell financial instruments. The opinions expressed are those of Invest in Visions GmbH and are subject to change at any time. This content is not a substitute for investor and investment advice from your investment advisor, bank or other financial advisor.

An investment in investment funds harbours opportunities and risks and is subject to general economic risks as well as the risk of fluctuations and reductions in value, which can lead to losses of the capital invested. Past performance is not a reliable indicator of future performance. Sales documents and further information on the financial instruments referred to in this document, in particular the sales prospectus, terms and conditions of investment, current annual and semi-annual reports and key information documents, are available in German at <https://www.investinvisions.com>.

Although great care has been taken to ensure that the information contained in this document is correct at the time of publication, the publisher accepts no responsibility for errors, omissions or changes of any kind or for any action based on them. All content presented here may not be reproduced or published in whole or in part. The publisher is Invest in Visions GmbH with registered office at Freiherr-vom-Stein-Str. 24-26, 60323 Frankfurt am Main, Germany.