

ACTIVITY  
REPORT  
2020



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## ACTIVITY REPORT 2020

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## IMPACT REPORT 2020

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# WORDS FROM MANAGEMENT

## TO BE OR NOT TO BE ...

Recently we gathered the whole team for the first time since Covid started. For some colleagues this was their first encounter for more than a year and for those who joined us more recently, it was simply the first opportunity to meet with the rest of the team. We focused the first meeting on a discussion about our identity and our values. We guessed that this was the right thing to do after being so much focused on handling crisis situations over the last months, coupled with managing personal lives and disconnected from real interaction with colleagues. It was good source of learnings and inspiration.

## ... IMPACT DRIVEN

The team does not want to rely only on nice although striking impact stories. On a contrary, the ambition is to demonstrate always more efficiently the true meaning of our actions and the additionality with existing support mechanisms. Impact for our end clients is a real drive. To that purpose, the effort was increased over the last 12 months to improve our

A real opportunity for discussion beyond the scope of daily work. Also a refreshing way to approach impact and think about how we can better contribute -as members of a team - to delivering on quality to our stakeholders: clients, investors, peers, authorities. It was also with big satisfaction that we realized that the words chosen 5 years ago to describe our values and mission are always so much accurate. And it was a good opportunity to share within the group where we come from and what we aim for, individually and collectively, when talking about impact investment and fund management.

impact assessment methodology and capacity to provide strong and smart data, with the aim to track performances from the local entrepreneur to the SDGs and other international standards we are referring to in this report (ESG for inclusive development, 2XChallenge for gender balance, Green Index for green finance).

## BUT IN TIME OF CRISIS MORE THAN EVER IT IS IMPORTANT TO BUILD THE FUTURE

Covid hit very differently the different regions where we operate with the CoopEst, Helenos and CoopMed funds. Although no one can compare the situation in Central and Eastern Europe with the MENA region, in general we can see that new needs have emerged. This is a clear outcome of the surveys we carry out quarterly with Fondation Grameen Credit Agricole and ADA: after months of pressure on liquidity, MFIs start to express tensions on their equity level and needs for

more specific long-term support. This is the reason why, in parallel to managing the CoopEst, CoopMed and Helenos Funds, we also are developing new funds that shall provide better tailored responses to the needs (financial and non-financial) of both micro/social entrepreneurs (ImpakteEU Fund) and SMEs interested to develop green energy projects with strong social outcomes (Social Green Fund).

## AND THE FUTURE NEEDS ALSO NEW ALLIANCE!

We are conscious that the future will require more efforts and more investment in developing capacities. In that sense the recent opening of Inpulse shareholding to SIDI is a significant step forward,

combining the strength of a cooperative bank shareholder to the global experience of a well-known social & ecological impact investor.



**Bruno Dunkel**  
General Manager

# IMPULSE AT A GLANCE

## WHO WE ARE

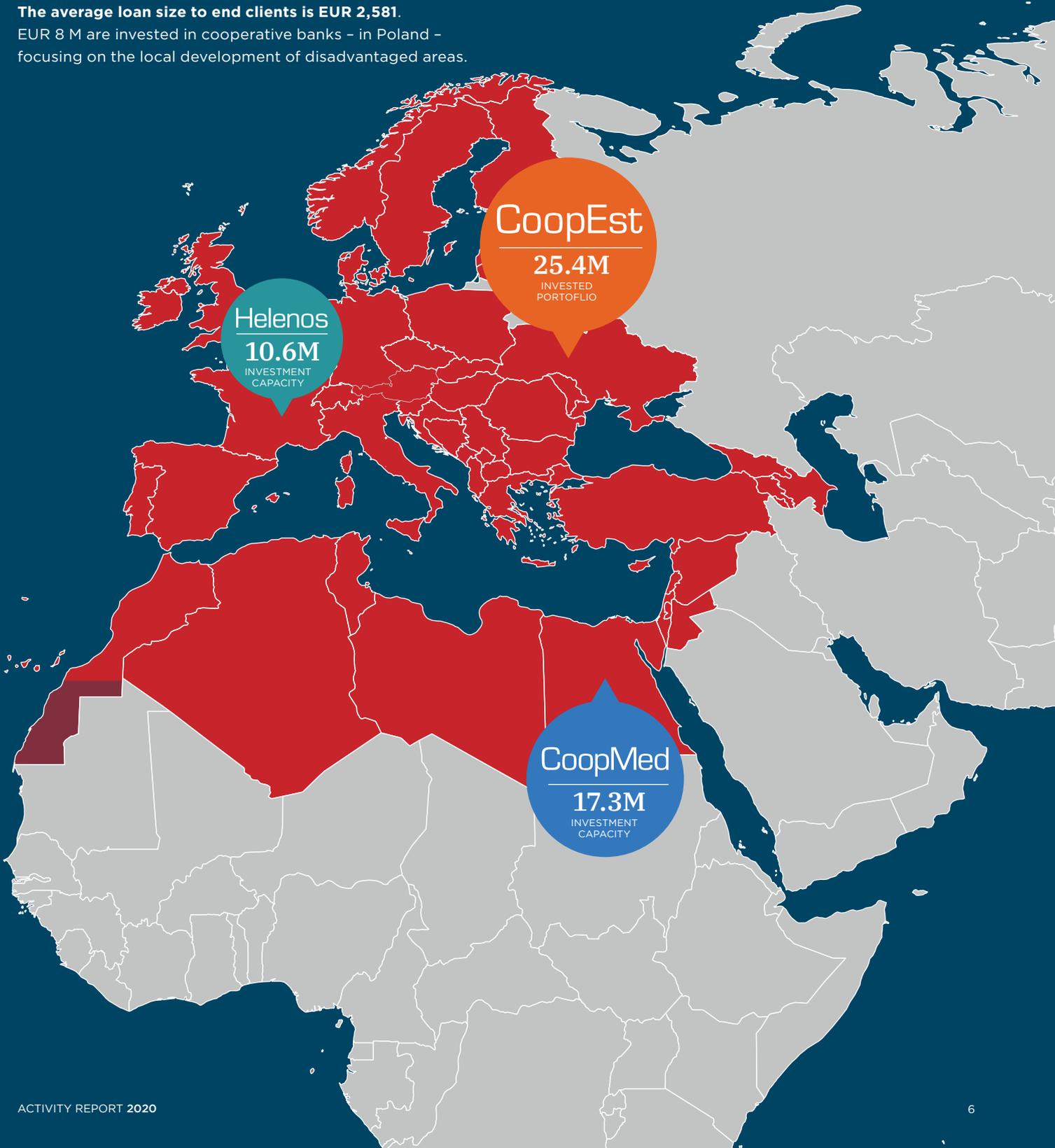
Inpulse is a Brussels-based investment manager with **distinctive know-how in social investments and microfinance**. From a core expertise in cooperative equity financing, we developed strong skills in supporting alternative investment funds that provide **long-term financing to socially-driven financial intermediaries**. The primary goal of our investments is to empower excluded, low-income beneficiaries and to promote positive changes in their lives. The UN SDGs provide the main framework to develop our mission. By **tracking specific social indicators**, we are able to show how we contribute to the SDGs and monitor the evolution of our impact targets. Inpulse also maintains strong connections with leading microfinance and social economy networks, and engages in multiple partnerships to ensure a sound understanding of the markets where we operate.

## AMBITION & MISSION

Inpulse aims to be a leader in long-term inclusive finance that empowers vulnerable groups. Inpulse strives to **foster cooperative values, boost local economies and encourage social inclusion through entrepreneurship**. To achieve these goals, the Inpulse team commits to: **tailor and engineer fair financial and non-financial services** to serve inclusive financial institutions; support investment vehicles sharing the same ambition; leverage resources addressed to responsible economic initiatives; and, **operate as an impact-driven organization** tracking the social impact of every investment, in an effort to help public and private investors generate better outreach at the microlevel.

# INVESTMENT & PORTFOLIO

As of the end of 2020, Inpulse funds have invested in 42 partner institutions across 17 countries for a total outstanding amount of EUR 43 M. **We actively support 3 MIVs: CoopEst, CoopMed and Helenos.** 68% of the portfolio boosts small and medium-sized MFIs that are strongly involved in the financial inclusion of excluded groups and micro-enterprises. **The average loan size to end clients is EUR 2,581.** EUR 8 M are invested in cooperative banks - in Poland - focusing on the local development of disadvantaged areas.



# KEY FIGURES

## ASSETS UNDER MANAGEMENT

**53.3M** EUR

## OUTSTANDING PORTFOLIO

**42.9M** EUR

## TARGET COUNTRIES

**17**

## FRAGILE STATES

**3**

## LOANS OUTSTANDING

**77**

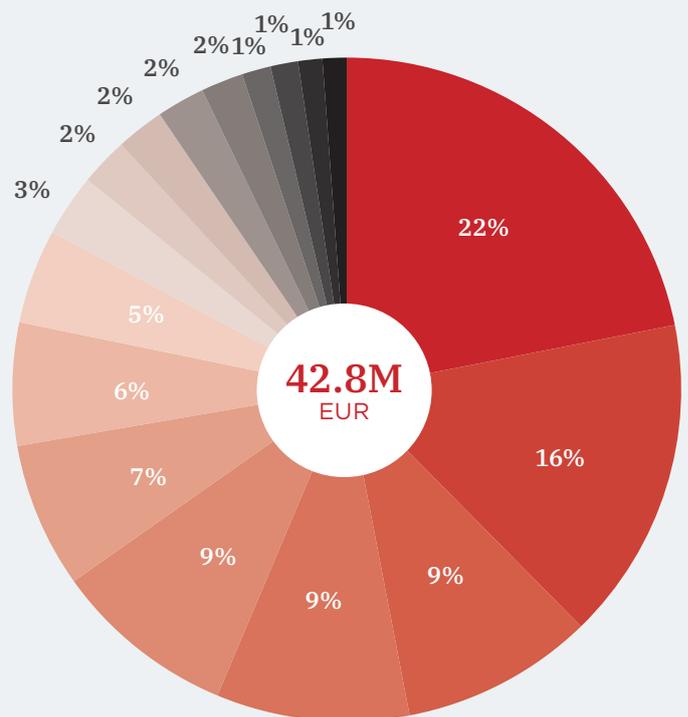
## AVG LOAN PER INVESTEE

**557K** EUR

## ACTIVE LOANS TO FINAL CLIENTS

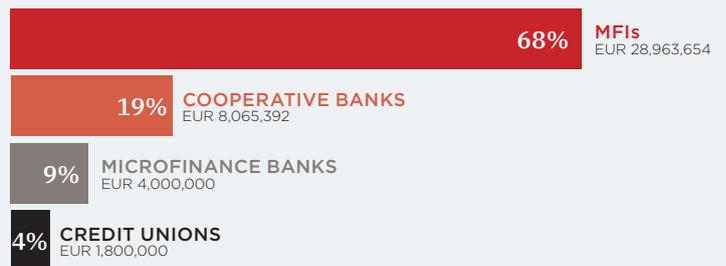
**303,020**

## PORTFOLIO BY COUNTRY



Poland EUR 9,376,873	Lebanon EUR 3,031,173	Lithuania EUR 1,000,000	Montenegro EUR 500,000
Romania EUR 6,754,747	Morocco EUR 2,562,500	Denmark EUR 999,730	Albania EUR 500,000
Kosovo EUR 4,000,000	Palestine* EUR 1,971,038	Jordan EUR 877,801	
Serbia EUR 4,000,000	Macedonia EUR 1,300,000	Moldova EUR 600,000	
Bosnia&Herz EUR 3,800,000	Tunisia EUR 1,000,000	Bulgaria EUR 570,000	

## PORTFOLIO BY INSTITUTION



## PORTFOLIO BY INSTRUMENT



\*This designation does not entail any recognition of Palestine as a state and is without prejudice to positions on the recognition of Palestine as a state.

# PEOPLE

Inpulse has a dedicated team of multilingual and multi-skilled professionals committed to bring positive change in the life of financially-excluded people. We are based in three countries (Belgium, France and Poland) with eleven staff in Brussels, one in Paris and three in Warsaw. The management and investment teams have extensive experience in due diligence, risk and AML/FT management, and portfolio monitoring in the social economy, microfinance and the informal sectors. The geographical scope of our staff experience covers the entirety of the European Union, neighboring countries, Africa, MENA and Latin America.



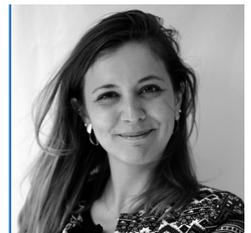
**BRUNO DUNKEL**  
General Manager



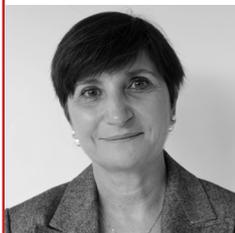
**NICOLAS BLONDEAU**  
Manager



**IZABELA NOREK**  
Investment Manager



**JUSTINE PALERMO**  
Investment  
Manager



**LAURENCE MAY**  
Risk and Compliance  
Manager



**MICHAL RADZIWILL**  
Manager



**MONIKA CZERWINSKA**  
Investment Officer

STAFF  
MEMBERS

15

WOMEN  
STAFF

63%

NATIONALITIES

9

YEARS OF  
EXPERIENCE

262

SPOKEN  
LANGUAGES

9

OFFICE  
LOCATIONS

2



**ZHARA KIMDJEE**  
Senior Investment  
Adviser



**CLEMENT ANDRÉ**  
Investment Analyst



**ANA PRADO**  
Internal Control &  
Compliance



**LUCIE RABIER**  
Project Officer



**IMAD HAIDAR**  
Investment Analyst



**FRANCESCO GRIECO**  
SPM & Communication  
Manager



**KARINA NAVARRO**  
Green Project  
Development Officer



**VALÉRIE VALENTE**  
Administration and  
Support

# INVESTORS

## SOCIAL ECONOMY INVESTORS & BANKS



## DEVELOPMENT FINANCE INSTITUTIONS (DFIS)



## IMPACT & RESPONSIBLE INVESTORS



## MUTUAL INSURANCE COMPANIES



1993

Launch of **CoopEst** debt Fund targeting Central and Eastern Europe. Inpulse provides administration support and gains its first experience in the microfinance sector

**Soficatra** becomes the first ever European Investment company dedicated to the development of the Social Economy sector within the EU. Inpulse is acting as technical support of Soficatra investment activities

2006

2009

The **European Investment Fund** (EIF) enters CoopEst shareholding

Inpulse becomes a subsidiary of the French **Credit Coopératif**, member of BPCE Group, 2nd banking group in France

2013

2015

Launch of **CoopMed** debt Fund dedicated to MENA region – the European Investment Bank is one of the initial investors

Launch of **Helenos** equity Fund addressing the entire EU and accession countries, with the support of the European Commission and the European Investment Fund

2018

2019

**Agence Française de Développement** (AFD) becomes CoopMed investor. Inpulse supports AFD in the assessment process of a dedicated program for women social entrepreneurship in the MENA region

March 2020, Inpulse receives his **full license as manager of alternative investment funds** by the Belgian Financial Services and Market Authority (FSMA)

2020

## NEXT GENERATION FUNDS

The new generation of funds will strengthen Inpulse dedication to people-centered funds channeling financial and non-financial solutions for entrepreneurs who face difficulties in accessing support to develop their business and address key challenges for the future of our societies: employment, gender balance, green development. Inpulse is currently structuring the **ImpaktEU** Fund that is meant to be the successor fund of CoopEst and take over the Helenos investment activities once its investment period has come to an end. ImpaktEU will cover the entire EU and candidate countries and focus on three main targets: microfinance, ethical/cooperative banks and financial intermediaries dedicated to social entrepreneurs.

The Fund already received in early 2021 the decisive support of the Belgian SFPI (holding of the Belgian government) with a EUR 10M shares subscription. The intention is to launch the Fund by end 2021.

Inpulse is structuring in parallel a **Green Impact Fund** which will focus especially on renewable energy and energy efficiency projects demonstrating a strong social impact. This project aims to be launched in 2023.

For both funds, the on-going improvements in the in-house social and impact assessment tools will serve the purpose to align Funds performances to SDGs and international standards in addition to provide reliable and smart data for all stakeholders benefit.

# CoopEst

The mission of CoopEst is to foster the development of a socially rooted financial sector in Central and Eastern Europe (CEE). To support financial inclusion and the development of income generating activities, CoopEst provides subordinated and senior debt to eligible financial intermediaries, enabling them to leverage further funding and to expand their outreach.



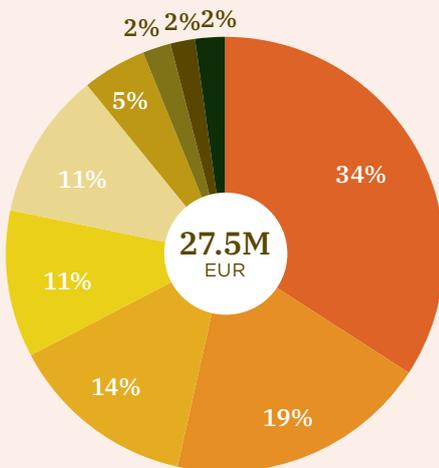
## QUOTE FROM INVESTOR

For the Banca Etica Group, the possibility of financing CoopEst and, through the fund, intervening in microfinance in the Balkans and Eastern Europe, is a very important strategic element that distinguishes it from the daily operations of the entire European banking system.

Banca Etica was born from microfinance,

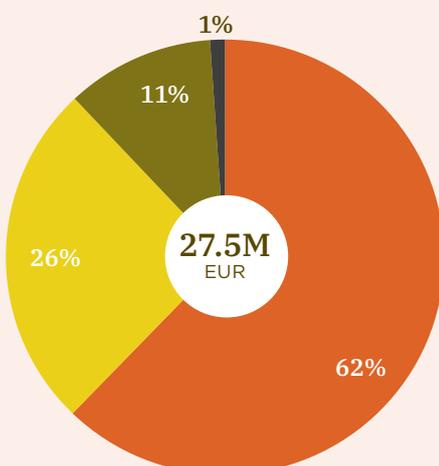
international cooperation, fair trade and social enterprise. To be able to work not only directly in Italy and Spain, but also in the other European countries where CoopEst operates, is part of the mission that lies at the basis of our daily work. We like to achieve success together with our cooperative and solidarity-based partners.

*Gabriele Giuglietti, Banca Etica*



### PORTFOLIO PER COUNTRY

- Poland EUR 9,376,873
- Romania EUR 5,300,000
- Bosnia&Herz EUR 3,800,000
- Kosovo EUR 3,000,000
- Serbia EUR 3,000,000
- Macedonia EUR 1,300,000
- Bulgaria EUR 570,000
- Moldova EUR 600,000
- Montenegro EUR 500,000



### PORTFOLIO PER SECTOR

- MFI EUR 17,081,211
- Cooperative Bank EUR 7,065,662
- Microfinance Bank EUR 3,000,000
- Credit Union EUR 300,000

### INVESTMENT CAPACITY

**25.4M**  
EUR

### OUTSTANDING PORTFOLIO

**27.5M**  
EUR

### COUNTRIES

**9**

### INVESTEES

**26**

### LOANS OUTSTANDING

**50**

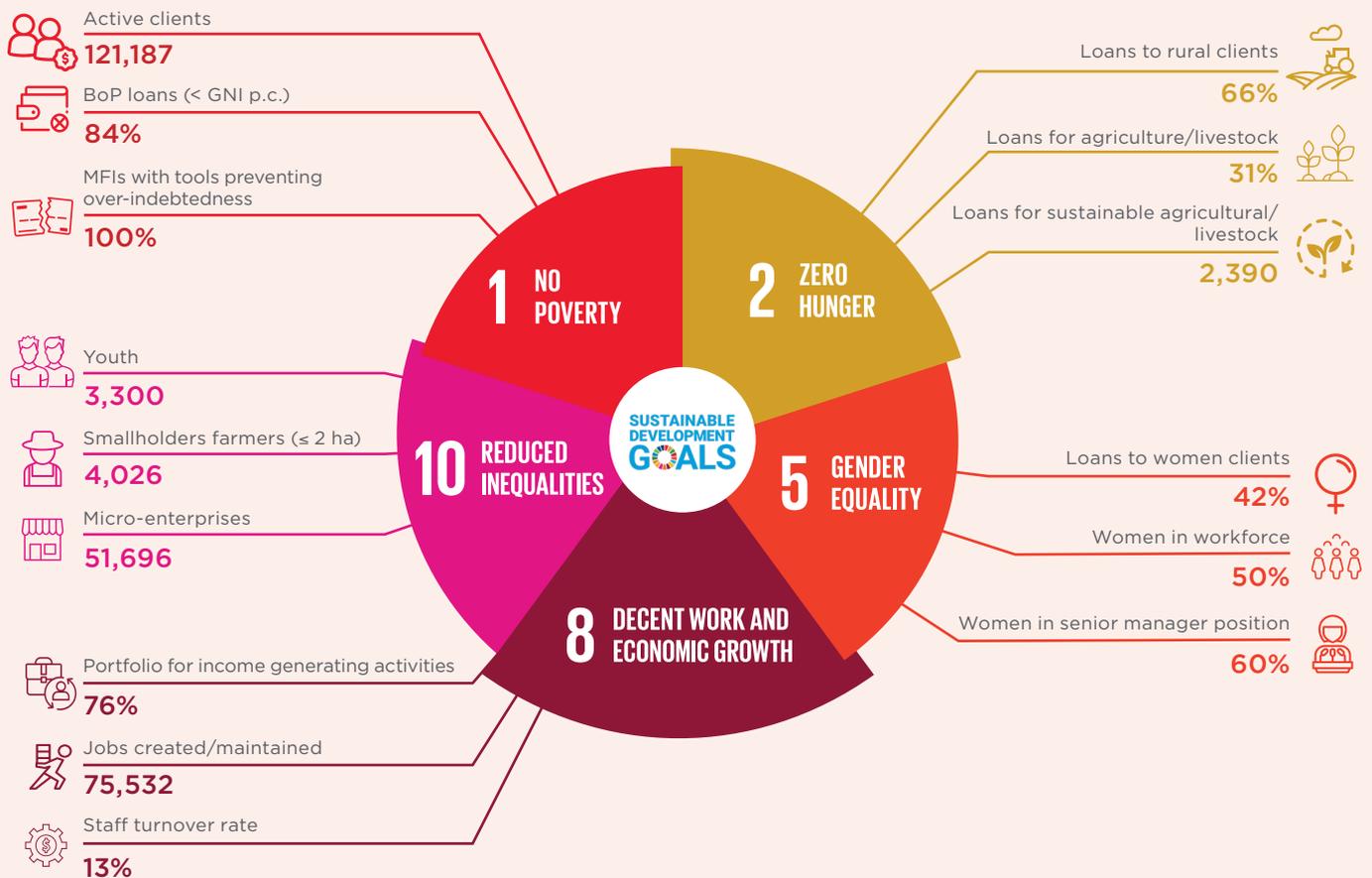
### AVERAGE LOAN PER INVESEE

**548K**  
EUR

### AVERAGE LOAN PER END CLIENT

**1,925**  
EUR

## IMPACT OUTCOMES & SDGS



## HIGHLIGHTS 2020

While 2020 was heavily challenged by the COVID-19 pandemic, **CoopEst clients, both MFIs and cooperative banks, showed strong resilience dealing with the crisis.** The profitability of our MFI clients was not significantly impacted, even if the portfolio sizes stagnated, and their quality slightly dropped. The profitability of Polish cooperative banks was affected by the sharp decrease of interest rates by the National Bank in the first half of the year; at the same time, their operational performance was not significantly impacted. Thanks to the bond renewal at the end of 2019, **CoopEst was able to increase the portfolio,** granting much needed liquidity loans to its existing clients or extending the maturities of some loans by 2-3 years, and aligning them to the maturity of the fund in 2023. During the year, two early repayments were received: one from an MFI in Bulgaria and one from a Polish cooperative bank. The only doubtful client – a Polish MFI – continued scheduled monthly repayments. The CoopEst **portfolio quality remained good.**

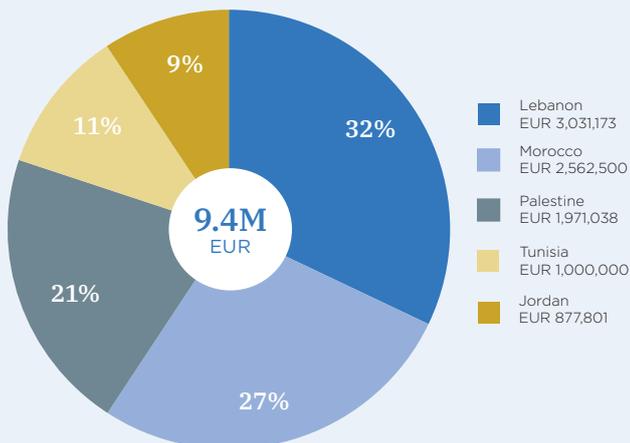
## FOCUS FROM PORTFOLIO

In December 2020, a fourth loan of EUR 500,000 to Lider was approved (thus increasing CoopEst exposure to EUR 2M). **Lider is a medium-size Bosnian MFI based in Sarajevo,** and active in Federation of Bosnia and Herzegovina. In 2013, when the first loan to Lider was granted, CoopEst was the second international investor (after the German Bank in Bistum Essen) and the loan portfolio was EUR 5.5 M. After eight years, thanks to the support of CoopEst, the MFI works with other international MIVs and the loan portfolio has reached EUR 11.5 M. The portfolio is in good quality and continues to serve the poor. Since its foundation, Lider provides **financial support to micro and small entrepreneurs** (both in rural and urban areas) as well as to poor households (housing improvements – a green loan program implemented with Green for Growth Fund). The institution focuses on providing financial services to economically active poor people who are excluded from the banking system: all outstanding loans in 2020 were below the Bosnian GNI per capita (EUR 5,000). Lider provides **services primarily in rural areas** (63% of the portfolio) to support income-generating activities and family needs (41% of the outstanding portfolio is dedicated to housing projects).

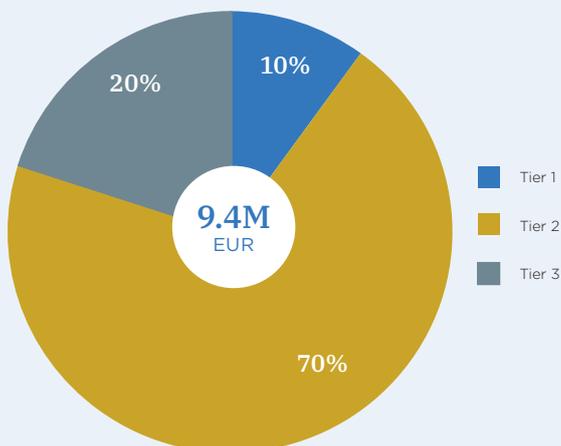
# CoopMed

Launched in 2015, CoopMed supports the creation of employment and economic activities promoted by the local civil society. CoopMed promotes innovative social entrepreneurship initiatives in the MENA region. The fund offers subordinated and senior loans to MFIs, local banks and mutual companies. CoopMed applies a strong social performance policy with the support of a dedicated technical assistance facility.

## PORTFOLIO PER COUNTRY



## PORTFOLIO PER TIER



## QUOTE FROM INVESTOR



In south Mediterranean countries, the social economic crisis affects all countries and populations. Microfinance is recognized in the region as an instrument to fight poverty and a tool of social stability. Several social investors have decided to act massively in this Mediterranean region, like SIDI and FEFISOL. SIDI is one of the major shareholders of CoopMed. The dedicated CoopMed team has built a strong partnership with MFIs. The technical assistance facility offers the possibility to reinforce their capacities, to measure their impacts and strengthen their resilience. The support of CoopMed is a part of the leveraged action of SIDI and other social investors in this region, which is severely affected by a rural exodus and ecological transition issues.

Catherine Bellin-Schulz  
SIDI



## INVESTMENT CAPACITY

**17.3M** EUR

## OUTSTANDING PORTFOLIO

**9.4M** EUR

## COUNTRIES

**5**

## INVESTEES

**9**

## LOANS OUTSTANDING

**19**

## AVERAGE LOAN PER INVESTEE

**493K** EUR

## AVERAGE LOAN PER END CLIENT

**915** EUR

## HIGHLIGHTS 2020

In 2020, **CoopMed operations were strongly impacted by the COVID-19** pandemic and the crisis in Lebanon. According to the World Bank Lebanon Economic Monitor released in May 2021, the economic and financial crisis is likely to rank in the top 10 most severe episodes globally since the 19th century. CoopMed has been active in Lebanon since 2016 and supports three microfinance institutions for a total of EUR 3 M invested. Our partner MFIs are committed to serve the most vulnerable and impacted population: the refugees, the informal economy workers, and women. Cooperation with our partners and other lenders have been key to monitor our portfolio and the impact of this crisis on our clients. To reflect the deteriorating situation in the country, a provision has been taken on CoopMed account, strongly impacting our 2020 financials. **Disbursements have also been limited in 2020** in other countries, where economic activities have slowed down due to containment measures, and the team focused on developing stronger risk analysis and client monitoring tools. With EUR 9.4 M outstanding and 19 loans, among which 53% is invested in Fragile States, CoopMed remained a committed actor in financial inclusion in one of the most impacted regions by the 2020 pandemic.

## FOCUS FROM PORTFOLIO

**Attadamoune Micro-Finance is a Moroccan Microfinance Institution (MFI) focused on the financing of micro-entrepreneurs.** Created in 1994, the MFI has started its operation in the northern central region of Morocco, a rural area, with a focus on women and microentrepreneurs. Today the MFI covers the full national territory with 49 branches and 221 employees, serving more than 11,700 clients. The institution has been a CoopMed partner since 2018. In February 2020, a EUR 500K subordinated loan was granted by CoopMed to strengthen the MFI equity base and improve its financial ratios. This subordinated loan was perceived as a very positive sign by other lenders, both internationally and locally, and allowed Attadamoune to continue raising funds and overcome liquidity tensions raised by the crisis. **Founded and headed by a woman, Attadamoune has 63% of women in its portfolio,** making them one of CoopMed gender-champions. With 50% of women in the staff, including the Board of Director, Attadamoune is actively promoting gender-equality inside its institution and among its clients.

## IMPACT OUTCOMES & SDGS



# Helenos

Helenos was launched as a successor fund of CoopEst, in order to strengthen the solvency of socially responsible financial intermediaries across Europe. Accordingly, Helenos will invest mostly through equity and subordinated debt.

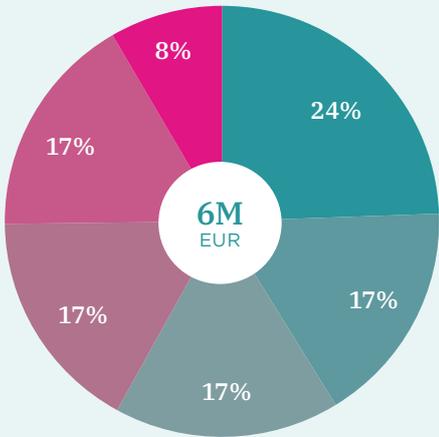




**QUOTE FROM INVESTOR** ”

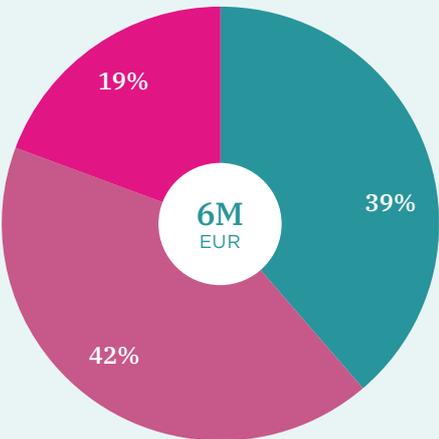
Since its creation in 2006, FPS Mirova Solidaire has conveyed international solidarity at the heart of its investment policy. With this approach, we boost innovative financing for the most vulnerable populations outside France. Aiming to support 25 European MFIs which would finance more than 100,000 micro entrepreneurs and social enterprises across the continent, Helenos has legitimately found its place in our international asset allocation for the solidarity sector.

*Emmanuel Gautier, FPS Mirova Solidaire*



**PORTFOLIO PER COUNTRY**

- Romania  
EUR 1,454,747
- Kosovo  
EUR 1,000,000
- Serbia  
EUR 1,000,000
- Lithuania  
EUR 1,000,000
- Denmark  
EUR 999,730
- Albania  
EUR 500,000



**PORTFOLIO BY TYPE OF LOAN**

- Equity  
EUR 2,304,476
- Subordinated  
EUR 2,500,000
- Senior  
EUR 1,150,000

**INVESTMENT CAPACITY**

**10.3M**  
EUR

**OUTSTANDING PORTFOLIO**

**6M**  
EUR

**COUNTRIES**

**6**

**INVESTEES**

**7**

**LOANS OUTSTANDING**

**8**

**AVERAGE LOAN PER INVESTEE**

**745K**  
EUR

**AVERAGE LOAN PER END CLIENT**

**6,489**  
EUR

## IMPACT OUTCOMES & SDGS

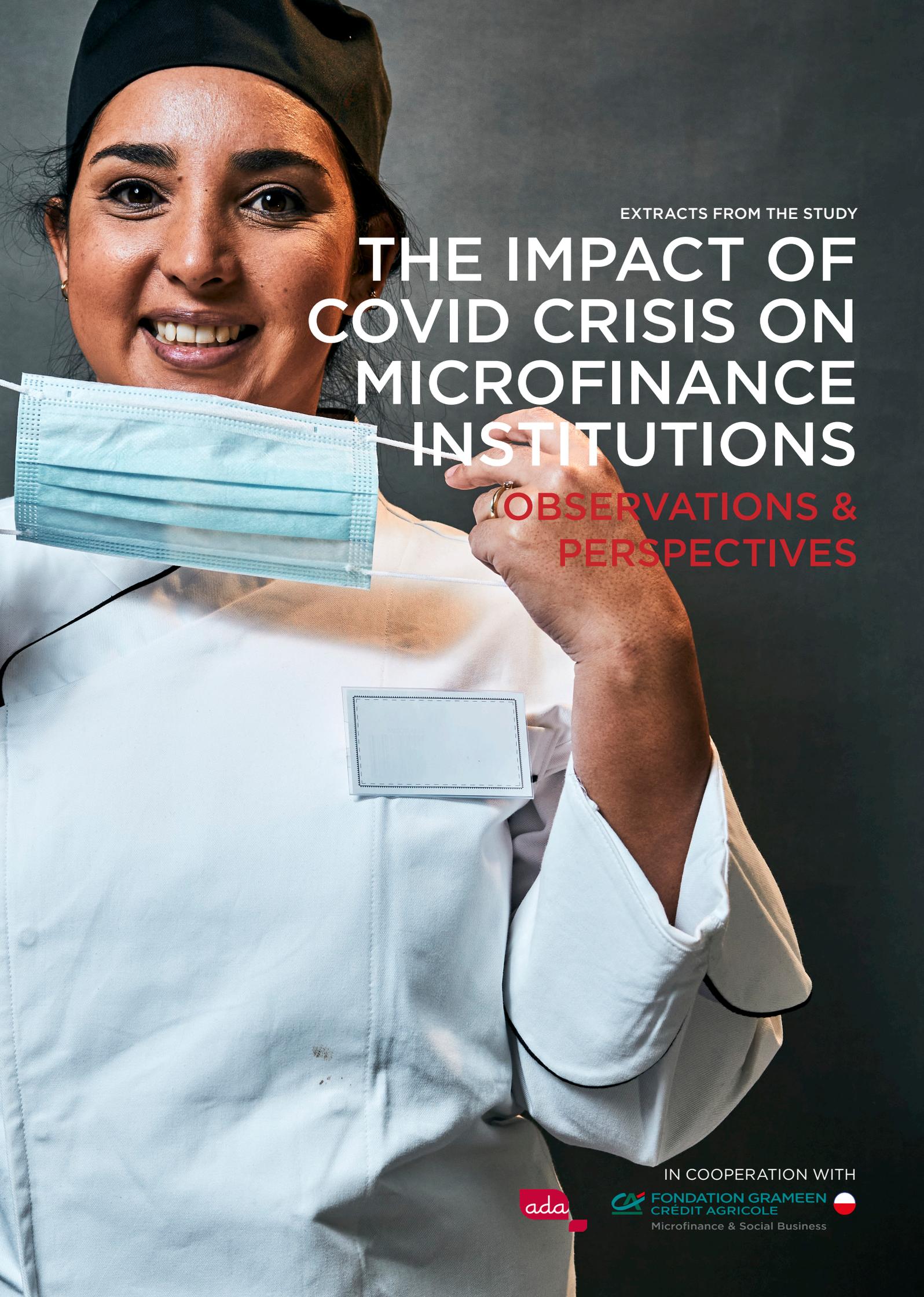


## HIGHLIGHTS 2020

As its second full year of activity, 2020 has been a challenging year amidst the COVID-19 pandemic. Thanks to a prudent investment strategy put in place since the launch of the fund, **Helenos had been able to go through the year without major problems.** Of course, the team had to adapt to the new way of working, with an emphasis on monitoring. Regular calls with each investees allowed the team to understand the reality of the market and to answer the needs of its clients, such as temporary liquidity support to overcome the crisis. In the second and third quarter, **Helenos demonstrated its additionality by finalizing three investments, showing its willingness to support promising investees even in tough times.** While we first feared that deposit-taking institutions might see a decrease of their deposits, deposits actually increased significantly, demonstrating the trust each investee was able to build over the years in their home market. As Helenos targets also alternative lenders and fintech with social impact, it is an additional advantage for the fund now that provision of digital financial services and their acceptance among entrepreneurs have significantly accelerated.

## FOCUS FROM PORTFOLIO

**Fed Invest is the biggest Savings and Credit Association (SCA) in Albania,** with the roots going back to the World Bank project in 1992, targeting poverty alleviation. FED Invest is the result of a successful consolidation of 70 SCAs, covering now ca. 1,500 villages via 64 branches. **FedInvest has more than 51,000 members (20% women) and covers 50% of Albanian villages,** and 75% of the country. As a cooperative, Fed Invest implements its deeply rooted mission through a combination of financial and social services, such as (i) providing adequate access to financial services for individuals excluded from the banking sector, especially in rural areas (where more than 60% of the portfolio is deployed), (ii) providing non-financial services to its members, such as the newly developed digital tool, ABA Online, that offers technical and practical information on different crops and farms topics to the members, (iii) increasing understanding of financial products in local communities, and (iv) promoting savings for the family and children. Helenos provided a subordinated loan to Fed Invest to strengthen its solvency in order to support its growth. To ensure its strong social impact, Helenos and Fed Invest agreed to include **strong commitments into the legal documentation, such as a commitment to increase the loans extended to women by 35% and to increase total disbursements to new borrowers by 30%** to extend even more the social and financial inclusion of the cooperative.



EXTRACTS FROM THE STUDY

# THE IMPACT OF COVID CRISIS ON MICROFINANCE INSTITUTIONS

OBSERVATIONS &  
PERSPECTIVES

IN COOPERATION WITH



Microfinance & Social Business

Inpulse, ADA and Fondation Grameen Credit Agricole (FGCA) joined forces to investigate the unprecedented effects of the global Covid 19 crisis on microfinance institutions (MFIs). **A common survey was first launched in May 2020 among 100 MFIs in four continents** (Africa, South America, Asia and Europe) to understand how they were preparing and adapting to the impact of the pandemic. This first survey has been followed by five other surveys throughout the year. During the first half of 2021, a global study has been conducted to analyze the responses formulated by 40 microfinance institutions, all of which participated in three waves of surveys (May, July and December 2020). **The main purpose of this publication was to offer a general outlook over the beginning of the COVID-19 crisis to better understand the challenges ahead for the microfinance sector. The lines below are extracted from this report.**

## EXECUTIVE SUMMARY

**All MFIs and their clients have seen activities severely disrupted by the COVID-19 pandemic.** The effects differ depending on demographics, country, region, profile or size, but some general trends can be identified. **Operationally, the measures impeding free movement had a profound effect on the disbursement of microloans, the collection of repayments and the ability to meet clients.** During the summer of 2020, there were tentative signs of recovery, but activities were constrained again in the autumn by outbreaks in some countries. By the end of the year, the number of MFIs in difficulty had fallen sharply, in part thanks to the many adaptive measures they had taken over the months.

Despite the (often partial) lifting of restrictions, **the context remains unstable.** Clients of MFIs continue to suffer the economic consequences of the crisis, which leads to a significant **increase in credit risk for our partners.** Similarly, the **outstanding loans of MFIs declined** in the first part of 2020, mainly for three reasons: operational constraints, greater caution and less appetite for credit risk, and a temporary drop in demand for new funding on the part of clients.

The return to outstanding portfolio growth in the second half of 2020 is attributed, in part, to the arrival of new clients and, above all, to **an increase in the average loan size.** The analysis by institution size and region allowed us to better understand reactions to the crisis. Smaller MFIs appeared to face more difficulties to adapt due to a lack of resources in terms of human resources and management tools (cash flow and risk).

**The collected data shows that MFIs in the Middle East, North Africa, Latin America and the Caribbean have been more significantly affected, with a higher risk ratio, a larger drop in the number of active clients, and a decline in the portfolio outstanding. By contrast, the performance of European and Central Asian MFIs remained steady, with a controlled risk level, a limited decrease in the number of active clients, and stable portfolios.** 80% of MFIs in Europe reported a gradual return to their pre-crisis activities, which again reflects a good adaptation capacity. In Sub-Saharan Africa, a greater return to pre-crisis levels of activity confirms the growth trend over the year, in terms of both volume and number of clients.

**At the end of 2020, almost half of MFIs recorded an increase in provisioning expenses to cover the risk of default on overdue loans.** Client difficulties continue in 2021 and are reflected in the balance sheets of the MFIs. For example, almost half of surveyed MFIs say they will need recapitalization in 2021 if they are to return to their pre-crisis activities.

Ultimately, **discussions with our partners largely show a return to optimism.** MFIs are still looking to the future, reflecting on strategic topics such as launching new products, digitalizing their processes and moving into other sectors such as agriculture, savings, targeting women, green products and the digital transition. For this to happen, the inclusive finance sector will need to be strongly mobilized to advise and support them on the road to recovery.

## CONCLUSIONS

2021 promises to be a year of gradual recovery. **While most indicators are positive, caution and responsibility are called for in the face of the current unstable environment.** The surveys carried out in 2020 were a way for us to stay close to the field and listen to the MFIs we support, despite being unable to travel. The analysis enabled us and other actors in the sector to gain a better understanding of the context and how our partners experienced the crisis.

The institutions were able to cope with the initial emergency period **by showing great agility and making significant**

**changes to their organization** to offer even more relevant services to an even more vulnerable clientele. Other interesting adaptations are emerging that make us confident in the future of the sector: digital transformation, coordination between stakeholders and continued innovation will be the keys to a healthy microfinance industry. Despite the often-positive indicators, we remain vigilant in the face of the current volatile environment. Many of the most affected institutions will need the support and responsiveness of investors.

# HOW CLIENTS FACED THE COVID CRISIS: AN EXAMPLE FROM MOROCCO

## ATTADAMOUNE MICRO-FINANCE

MOROCCO - TIER 2

**10M**

OUTSTANDING  
PORTFOLIO

**11,746**

ACTIVE CLIENTS

**63%**

WOMAN CLIENTS

Focusing on clients, consolidating achievements and improving the internal organisation were key points in Attadamoune's resilience to the crisis.

## CONTEXT

In Morocco, the tourism, catering and hotel sectors were strongly affected by the **COVID-19 crisis, directly impacting**

**employment and the most vulnerable segments** of the population.

## ATTADAMOUNE AND COOPMED

Attadamoune is a Moroccan microfinance organization, **geared to the financing of micro-entrepreneurs**. The institution has been supported by CoopMed since 2018. Signed in February 2020, CoopMed's €500,000

subordinated loan has strengthened the MFI's equity and reassured other donors, both international and local, enabling the institution to continue to raise funds and overcome liquidity tensions.

## RESPONSES TO THE CRISIS

1. **Governance:** To deal with the crisis, the board of directors of Attadamoune Micro-Finance has drawn up a Strategic Vision for Crisis Management, prioritizing the maintenance of the institution's own funds and human resources.
2. **Asset Liability Management:** The consequences of the crisis were anticipated by creating scenarios of the potential alternatives impacts and developing the corresponding measures to be undertaken.
3. **HR management and clients:** Remote training were implemented to advise and guide agents and clients. An ad hoc listening unit was set up to receive calls, SMSs and emails from customers.
4. **Flexibility:** Developing an integrated committees between operational staff and board members brought flexibility in decision-making.
5. **Advocacy:** Communication with local authorities to promote the importance of the microfinance sector in times of crisis.
6. **Outlook:** The institution is currently working on an organisational improvement strategy which will focus on internal controls, digitalisation and the development of non-financial services.

# PROACTIVITY AND INCREASED COMMUNICATION TO OVERCOME THE COVID CRISIS

## LIDER

BOSNIA-HERZEGOVINA - TIER 2

**11.5M**  
OUTSTANDING  
PORTFOLIO

**6,580**  
ACTIVE CLIENTS

**60%**  
RURAL CLIENTS

The economic recovery will be a long process, but this crisis offers to LIDER an opportunity to position in the Bosnian financial industry as a major player in supporting small and medium businesses.

## CONTEXT

One of the main challenges in Bosnia-Herzegovina is **to develop a business environment more conducive to private sector** employment and more supportive to small

and medium-sized enterprises. Youth unemployment rate reaches 40%.

## LIDER AND COOPEST

As part of CoopEst portfolio since 2013, LIDER is a microcredit foundation that contributes to the financial

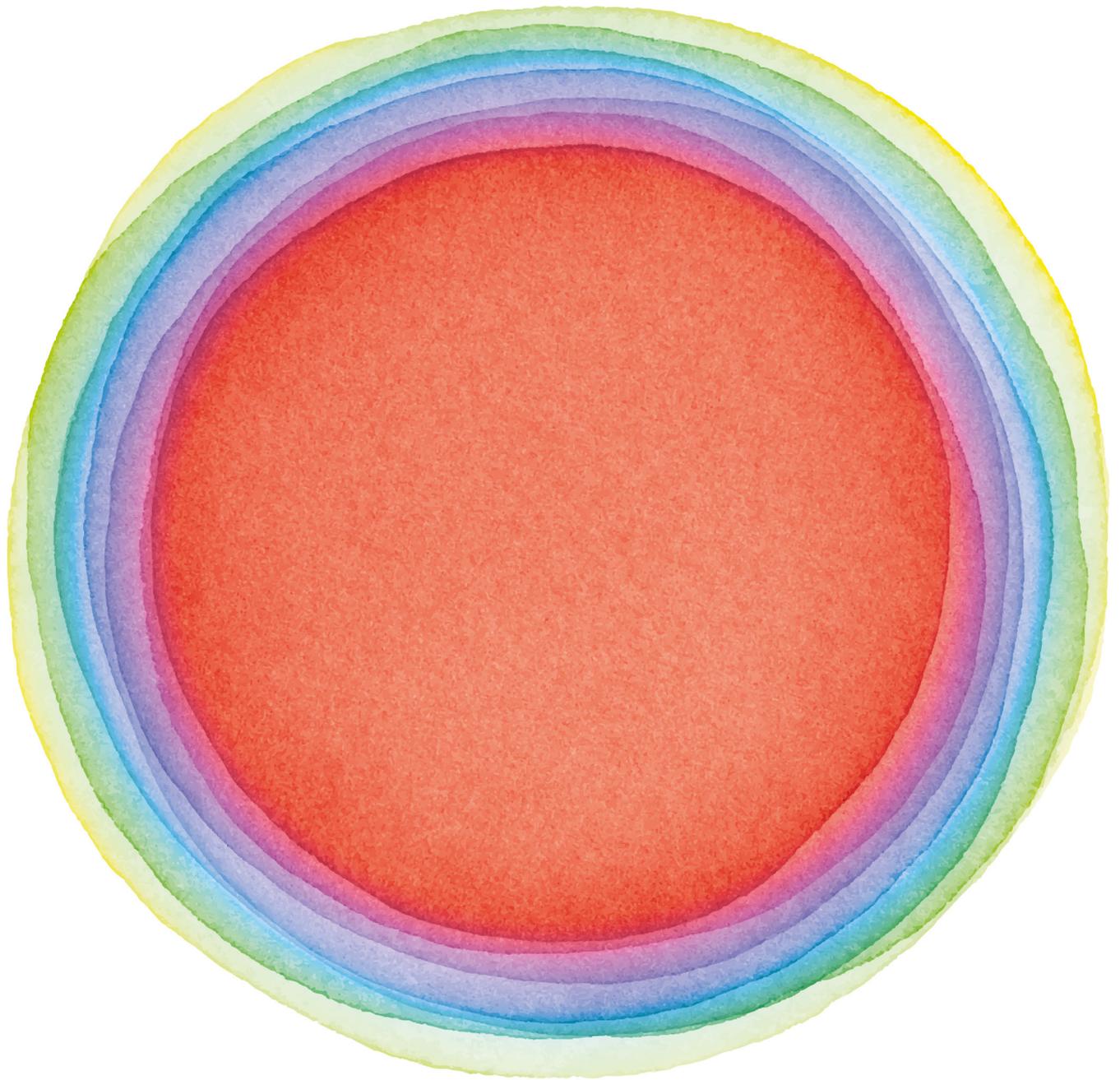
inclusion of micro-entrepreneurs and low-income households.

## RESPONSES TO THE CRISIS

LIDER's main asset in its response to the Covid-19 crisis has been its proactivity. The institution began assessing its portfolio and contacting its clients before national banking regulators issued recommendations for moratoria or restructurings. This proactivity enabled LIDER **to react quickly by assessing the resilience of its clients** and to provide beforehand measures adapted to each particular case. It also allowed LIDER to analyse precisely the risks that the institution could take on without jeopardising its future. The measures implemented to help clients overcome the crisis included **a moratorium of up to six months, a grace**

**period, an interest rate reduction of 25%**, the possibility of repaying in one or more instalments, and in general, a high degree of adaptability and flexibility in the contractual terms and conditions according to each specific situation. The development of some strategic projects had to be suspended because of the crisis. Several previous projects have nevertheless become a priority in a post-pandemic context, notably the development of non-financial online services, such as a sales platform for small local agri-producers, and the provision of educational content.

**“Making an impact”  
does not only mean  
measuring outcomes:  
it also means  
accompanying change  
with conviction and  
determination.**



IMPACT  
REPORT  
2020

# MANAGING IMPACT: THE NEW ESG SYSTEM

## NEW ESG SYSTEM: FULL CONTROL OVER SDGS, ENVIRONMENT, GENDER & GOVERNANCE CRITERIA

Throughout 2020, Inpulse has continued to build a **new ESG System to analyze, monitor and report on non-financial performance**. It has been a significant challenge, requiring a constant evolution in evaluation methods to ensure coherence with the field and usability for the different users (clients, front office, investment committee). Our system is based on the best global practices for inclusive finance to measure, analyze, follow-up and score economic, social and environmental impact. **We apply the UN SDGs as the key language to show our contribution to global sustainable development:** we are able to measure and score the level of SDG achievement of our investees. We are aligned with the Universal Standards

of the Social Performance (USSPM) Task Force, the Global Investing Network (GIIN-IRIS) guidelines and the Smart Campaign for client protection principles. We evaluate our environmental performance in line with the CERISE SPI4 Green Index and assess the effects of climate change on investees portfolios. Additionally, women empowerment is now analyzed in more depth through the benchmarks used by 2xChallenge initiative. Good governance control is heavily inspired by the European Code of Good Conduct for Microcredit provision. **Thanks to our improvements and efforts, we are methodically building our own Theory of Change** that will benefit, at different levels, our final clients, investees and investors.

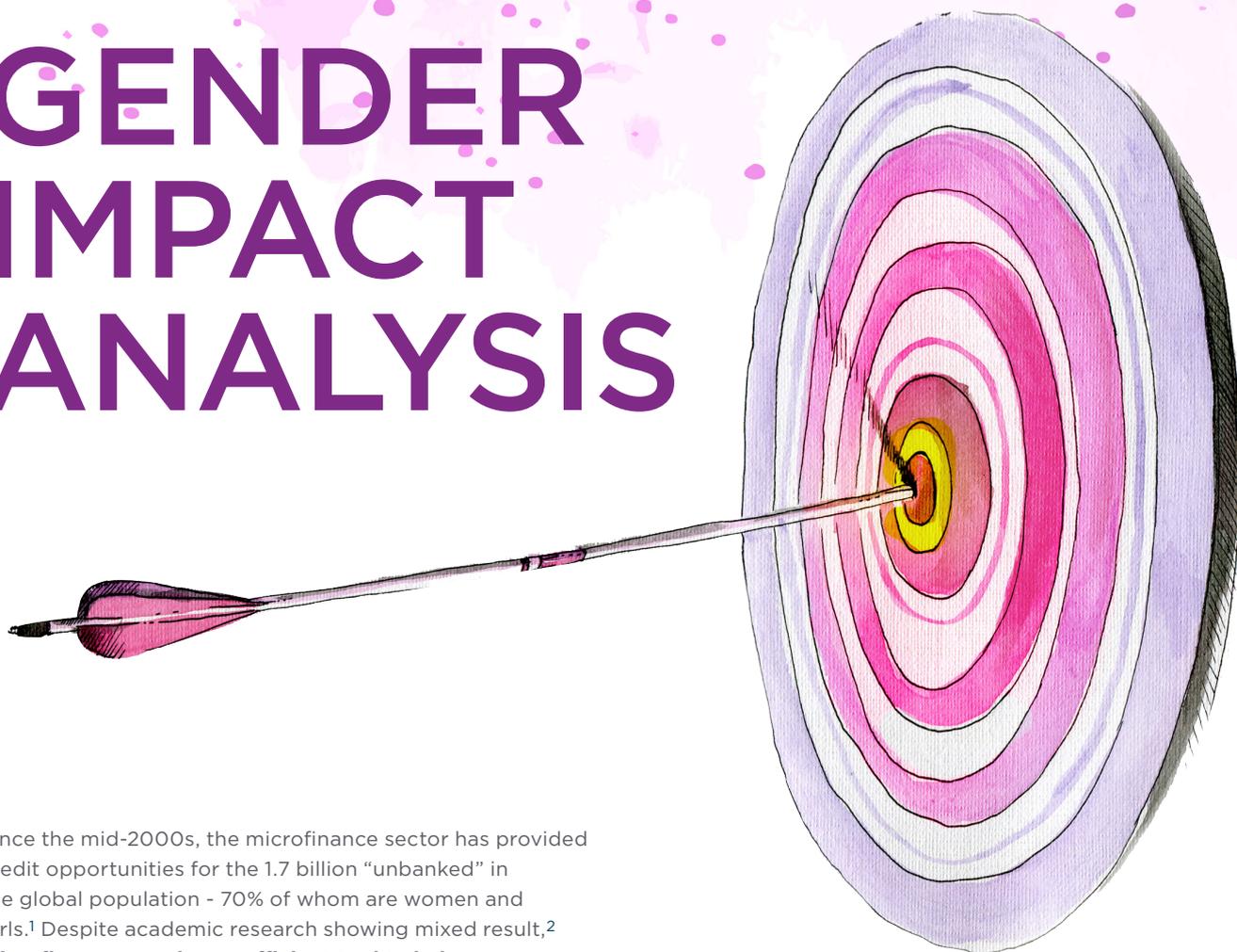
## PROCESS AND FUNCTIONING OF THE ESG SYSTEM

The system collects clients information through the **ESG Smartsheet**, a matrix of quantitative and qualitative indicators over eight dimensions: 1. Mission, 2. Environmental Performance, 3. SPM Practices, 4. Products & Services, 5. Outreach, 6. Client Treatment, 7. Staff Treatment, 8. Governance. Data are verified to ensure quality and coherence and then are integrated to our MIS. The analysis and scoring of the data results in final outputs, which are used for both internal and external purposes. An **ESG Scorecard** is issued for every new investment to rate and benchmark the non-financial performance of a potential

investee over four key elements (SDGs, Environment, Gender, and Governance). The main purpose of the scorecard is to help decision makers take investment decisions aligned with the mission of our Funds. The indicators analyzed will contribute to establish impact objectives to be included in the loan agreements with investees. Finally, data collected through the ESG System will serve to produce **Impact Reporting** that discloses (to the public and our investors) the positive societal changes brought by Inpulse managed funds via our Theory of Change.



# GENDER IMPACT ANALYSIS



Since the mid-2000s, the microfinance sector has provided credit opportunities for the 1.7 billion “unbanked” in the global population - 70% of whom are women and girls.<sup>1</sup> Despite academic research showing mixed result,<sup>2</sup> **microfinance remains an efficient tool to help women access financial inclusion**, engage in income generating activities, and generally improve their economic and living conditions.

The COVID-19 crisis jeopardizes decades of progress on reducing poverty and financial inclusion for women. **The pandemic is likely to disproportionately affect women in the workforce.**<sup>3</sup> Women hold less secure jobs and are more likely to be employed in the informal sector. The capacity of women to absorb economic shocks is therefore more limited than men. Due to the limitations created by restrictions of movement and forced social isolation, women also disproportionately face an increase in unpaid domestic and childcare workload, which undermines the time devoted to work and business development.<sup>4</sup>

Considering the potential positive impact in reducing gender inequality, **the analysis of the gender impact on investments in the microfinance sector remains relevant** and, more than ever, crucial to enable for a fast post-pandemic recovery. Inpulse evaluates the gender impact from due diligence to annual monitoring through a set of indicators reported by our investees in line with the 2XChallenge initiative. The main objective is to measure our contribution to close the gender gap through our investments and track the progress over the long run. For 2020, we analyzed and benchmarked the data collected throughout four of the five **criteria established by the 2XChallenge: Entrepreneurship, Leadership, Employment, and Consumption.**

## 2XCHALLENGE

The 2XChallenge is an initiative launched by the DFIs of the G7 countries to direct capital towards women and increase access to finance for women-owned, women-led and women-supporting enterprises in developing countries and emerging markets.

The 2X Challenge calls DFIs to join together to collectively mobilize \$3 billion in commitments that provide women access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access. The 2XChallenge has established five evaluation criteria to track impact and set thresholds to benchmark the achievements of actions to contrast gender gap.

## WOMEN ENTREPRENEURSHIP

Women entrepreneurship is generally one of the most difficult dimensions to measure due to the lack of data from financial intermediaries. Thanks to the data provided by our investees, in 2020, we counted a total of 174,296 business loans,<sup>5</sup> of which 98,512 were granted to women. Therefore,

**57% of business loans were disbursed to women.** The 2XChallenge measure for entrepreneurship stipulates that "Female founders must represent the majority of the total founders": **our result satisfactorily exceeds this threshold.**

### GENDER ANALYSIS - INPULSE

#### OUR INDICATORS

- 📌 **Businesses founded** (or maintained) by women (%)

**57%**

### 2XCHALLENGE INITIATIVE

#### CRITERION

Women ownership or business founded by a woman

#### THRESHOLD

**51%**

## WOMEN LEADERSHIP

**Women's leadership in the financial services sector globally remains very low.** In 2019, the proportion of women in leadership roles was 21.9% and is only projected to reach 31% by 2030.<sup>6</sup> Few women reach leadership positions in financial services companies across the world. In 2020, female representation in this sector was 20% on Executive Committees and 23% on Boards.<sup>7</sup> Such an evolution is encouraging compared to the past decade, but **progress is still needed to reach equal accessibility** and positive outcomes for women.

Accounting for the indicators related to women's participation in managerial positions and Board of Directors,

we measured the women's leadership dimension among our investees. **Out of 214 senior managers of the institutions in our portfolio, 94 were women**, representing 44% of women in senior management positions. This result exceeds the threshold set by 2XChallenge for the financial services sector. Furthermore, out of the 130 members on the Board of Directors among our investees, 37 were women. This represents **28% of female participation on the BoD.** This result is slightly below the limit established by the 2XChallenge but exceeds the global Oliver Wyman 2019 findings of 23%.<sup>8</sup>

### GENDER ANALYSIS - INPULSE

#### OUR INDICATORS

- 📌 Women in **senior management** positions (%)

**44%**

- 📌 Women on the **Board of Directors** (%)

**28%**

### 2XCHALLENGE INITIATIVE

#### CRITERION

Women in senior leadership or women on the Board

#### THRESHOLD

**25%**

Women on the Board or Investment Committee

**30%**

## WOMEN IN THE WORKFORCE

Regarding women in the labor force, in 2020, our investees reported a total of 3,153 employees, of which 1,665 were women, representing 53% of the workforce. Additionally, 50% of the loan officers working for our partner institutions

were women. These **results exceed the 40% benchmark established by the 2XChallenge** for the financial services sector.

## GENDER ANALYSIS - INPULSE

### OUR INDICATORS

- Women in the **staff** (%) **53%**
- Women as **loan officers** (%) **50%**
- Investees with policies including gender **non-discrimination in the workplace** (%) **96%**
- Investees offering **additional benefits** to improve women's condition of employment (%) **44%**

## 2XCHALLENGE INITIATIVE

CRITERION	THRESHOLD
Women in the workforce	<b>40%</b>
Existence of policy/program to advance women condition in the workforce	<b>In place</b>

**96% of our investees have policies or contractual agreements that include gender non-discrimination** and prevention of gender-based violence in the workplace. In addition, **44% offer additional benefits to improve women's**

**condition of employment.** Although our investees focus on gender equality, there is still a long way to go to achieve equitable conditions for women beyond the legal regulations of each country.

## FINANCIAL SERVICES TO WOMEN

In 2020, 44% of our investees highlighted "Women empowerment" as the core of their social mission; **36% offered financial products specifically for women.** On the other hand, **84% had a client gender equality policy.** Some of the investees who reported not having a client gender

equality policy in place pointed out that gender inclusion was integrated in their corporate culture. However, since the contexts of each country involve complexities beyond the 'culture' of each institution, **we consider the existence of written policies as an important sign of distinction.**

## GENDER ANALYSIS - INPULSE

### OUR INDICATORS

- Investees with **specific financial products** for women (%) **36%**
- Investees with a **client gender equality policy** (%) **84%**
- Women clients** (%) **51%**
- Unbanked women** clients who gained access to financial products (%) **15%**

## 2XCHALLENGE INITIATIVE

CRITERION	THRESHOLD
Products/services specifically or disproportionately benefits women	<b>At least one product/service specifically addressed to women</b>
Customers who are female	<b>Women must comprise the majority of customers</b>

Of the 303,009 **loans disbursed in 2020, 51% went to women.** Wanting to go beyond this traditional indicator, we asked our investees to provide metrics on the number of financial services to women who had not previously had access to credit. The data collected shows that **of the 77,671 loans to unbanked clients, almost 60% were disbursed to women** (44,182). In comparison to last year, the portfolio allocated to unbanked people has slightly decreased. Initially,

a drastic drop in the amount of loans distributed to the most vulnerable clients was feared due to the COVID-19 crisis. Fortunately, the data collected in 2020 shows that such an expectation did not materialize. It is interesting to note that the **loans disbursed to unbanked people have decreased relatively less for women than for men.** This result could be interpreted as a sign of resilience from unbanked women.

# ENVIRONMENTAL PERFORMANCE ANALYSIS



**The environmental dimension in the last decade has gained relevance in the microfinance sector due to its direct link to social and economic factors.**<sup>9</sup> The COVID-19 crisis has presented major challenges for MFIs. According to the survey carried out by Inpulse with Grameen Crédit Agricole Foundation and ADA in 2020, **MFIs included the development of new green financial products<sup>10</sup> in their recovery plans.** Our ESG System now includes a new environmental dimension, five environmental performance standards and a total of 17 quantitative and qualitative indicators. Four of these standards are aligned with the Green Index<sup>11</sup> of the SPI4 tool<sup>12</sup> and assess the responsibility and environmental management practices of our investees. We added a fifth standard, developed in house, to **investigate the perception of the effects of climate change.** The analysis of environmental criteria of our investees during 2020, as detailed below, shows that despite the pandemic, institutions continued their commitment to environmental performance and that the crisis reduced the credit allocated to sustainable activities. The following analysis compares the consolidated environmental results of our investees with the benchmarks produced by SPI4 in November 2020<sup>13</sup> (104 MFIs).

## SPI4 & THE GREEN INDEX

SPI4 is one of the most widely used social assessment tools. An Excel questionnaire helps financial services providers evaluate their level of implementation of the Universal Standards for Social Performance Management, including the Smart Campaign Client Protection Principles. The SPI4 social audit tool enables institutions to assess their performance against the six major dimensions of social performance management defined by the SPTF.

The SPI4 tool also includes a module which enables MFIs which use the tool to assess their environmental performance. This module contains the four dimensions of the Green Index, which has been developed with the Environment Action Group of the European Microfinance Platform.

SPI4 has been developed by CERISE and its partners since 2001, with constant feedback from SPI users using an iterative and collaborative approach. CERISE is an organization “dedicated to responsible and ethical finance, willing to find solutions for mission-driven organizations”.

## STRATEGY, DIRECTION AND COMMUNICATION OF ENVIRONMENTAL MANAGEMENT

**72% of our investees have established environmental objectives and/or indicators in a formal environmental policy,** business plan or operational plan, and, in 60% of the cases, the Board of Directors used this information to provide strategic direction to their institutions. 48% of

investees communicated their environmental performance through internal and/or in public reports. Additionally, 40% of investees have appointed a specific person/committee to handle environmental management.

### GREEN ANALYSIS - INPULSE

#### OUR INDICATORS

- ❑ The investees have **environmental goals, targets and/or indicators** to provide strategic direction
- ❑ The investees **appoint a specific person to manage environmental issues**
- ❑ The investees **report on its environmental performance and practices**

**55%**

### GREEN INDEX - SPI4

#### STANDARD

The institution defines, manages and monitors its environmental strategy

**29%**

AVG SCORE

## INTERNAL ENVIRONMENTAL RISK MANAGEMENT

**40% of our investees reported having implemented actions to reduce and monitor their internal environmental risks.** These actions are mainly focused on reducing the consumption of paper, water, fuel and electricity in the offices. Some institutions have recycling programs,<sup>14</sup> have digitalized some procedures to reduce the consumption of resources,<sup>15</sup> developed green indicators to reduce

their internal footprint and trained their staff on green microfinance and respect for the environment.<sup>16</sup> Considering the contribution to climate change mitigation, one Helenos' investee<sup>17</sup> has been working in the adoption of an Annual Environmental plan to capture measures for carbon footprint reduction.

### GREEN ANALYSIS - INPULSE

#### OUR INDICATORS

- ❑ The investees implement **actions to reduce their internal environmental risk**
- ❑ The investees implement **actions to monitor their internal environmental risk**

**40%**

### GREEN INDEX - SPI4

#### STANDARD

The institution implements actions to reduce its internal ecological footprint

**38%**

AVG SCORE

## EXTERNAL ENVIRONMENTAL RISK MANAGEMENT

**80% of our investees reported having an explicit policy or exclusionary list to avoid the financing of activities with potentially adverse environmental effects.** Some exclusionary lists include activities restricted or prohibited by national law or international environmental agreements<sup>18</sup> and ensure the compliance with IFC Social and Environmental exclusion list.<sup>19</sup> Another interesting initiative is the implementation of an Environmental and Social Management System (ESMS) that was implemented by a CoopMed investee.<sup>20</sup>

**28% of investees stated that they carried out an evaluation of external environmental risks generated by their clients'**

**activities.** This assessment is primarily conducted by loan officers. They evaluate the external environmental risks during the credit assessment and onsite visits. Nevertheless, only 12% of staff have been trained to analyze environmental risks. In practice, most institutions verify compliance with internal exclusion lists and national environmental protection policies and apply internal guidelines to promote the financing of environmentally friendly activities. Some institutions have established a category of environmental and social risk,<sup>21</sup> and others, beyond monitoring, require mitigation measures to their clients.<sup>22</sup>

### GREEN ANALYSIS - INPULSE

#### OUR INDICATORS

- ❑ The investees **evaluate the external environmental risks and provide training to employees**
- ❑ The investees have an **explicit policy or exclusionary list to avoid environmental adverse effects**
- ❑ The investees **provide non-financial services to raise clients' awareness on environmental impact/risks**

**34%**

### GREEN INDEX - SPI4

#### STANDARD

The institution manages its external environmental risks

**23%**

AVG SCORE

## GREEN FINANCIAL AND NON-FINANCIAL PRODUCTS

During 2020, **the number of credits granted for green financing was reduced, although not drastically.** Green financing as an amount of outstanding portfolio also declined; most green credits disbursed concerned sustainable agriculture. This result is a consequence of the pandemic. However, some of our clients continued to invest in activities oriented towards the construction of sustainable housing (1,497 loans), smart agriculture/sustainable livestock (5,797 loans), green projects (786 loans) and renewable

energy/efficiency energy (1,996 loans). A total of **10,076 green loans were disbursed with a total portfolio allocation of 6.5%**. 19% of investees provided non-financial services to raise clients' awareness on environment-friendly practices, green businesses or sustainable practices. Additionally, 16% of our investees offered micro-insurance products that help clients build resilience against environmental shocks or the effects of climate change, compared to 2019, the acquisition of this type of microinsurance has tripled.

### GREEN ANALYSIS - INPULSE

#### OUR INDICATORS

- ❑ The investees offer **specific loan products to finance renewable energy & energy efficiency, sustainable agriculture, green loans and insurance products**
- ❑ The investees offer green financial and non-financial **products to promote sustainable practices**

**22%**

### GREEN INDEX - SPI4

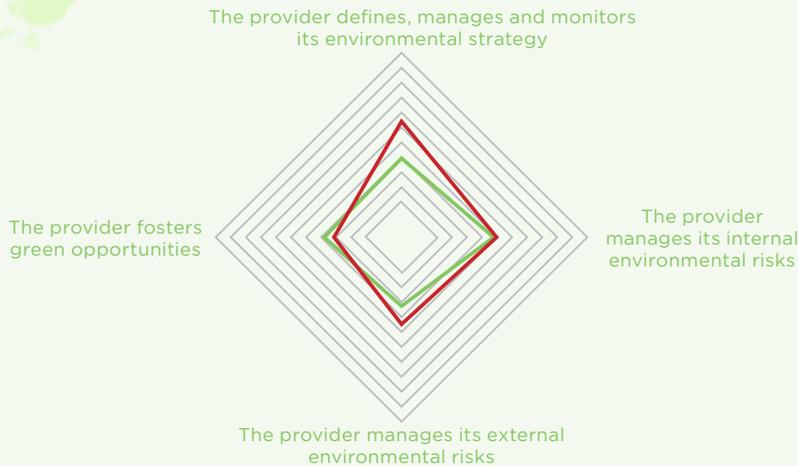
#### STANDARD

The institution fosters green opportunities

**29%**

AVG SCORE

## BENCHMARK OF OUR ENVIRONMENTAL PERFORMANCE WITH SPI 4 GREEN INDEX



■ Inpulse  
■ SPI 4 Green Index (N = 121)

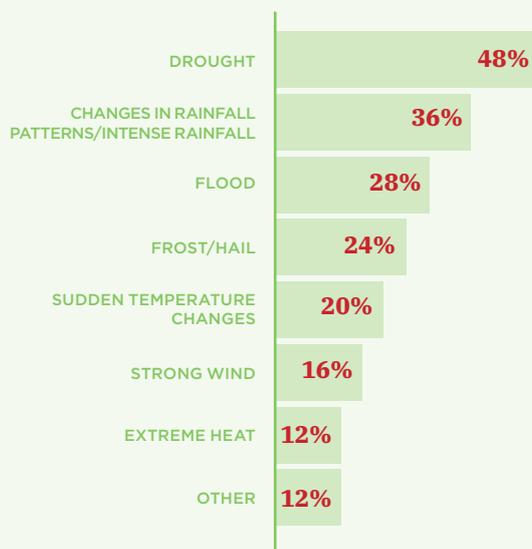
Inpulse outperforms the SPI4 Benchmarks in several consolidated dimensions of environmental performance: Inpulse investees score 38 vs 30 for the SPI4 database (104 institutions).

## PERCEPTION OF OUR INVESTEES ABOUT THE EFFECTS OF CLIMATE CHANGE

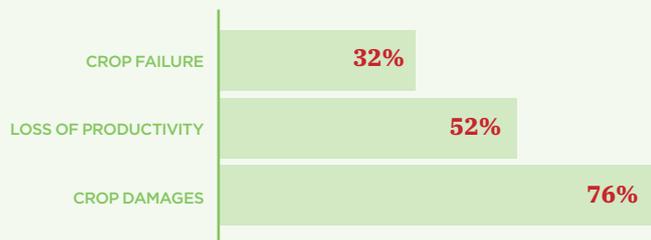
Perceptions<sup>23</sup> about the effects of climate change on our investees' portfolios is the fifth pillar integrated into the Inpulse ESG System. Through the first four indicators, we aim to identify the main risks/damages caused by climate change on the end client activities and, by consequence, the possible negative repercussions on investees' portfolios. In our view, understanding the perception from the field is the first step in adopting new strategies to reduce the economic and social risks of climate change. **The perception of negative effects of climate change on clients' activities and the portfolio of institutions increased with respect to 2019.** Drought (48%), changes in rainfall patterns (36%) and floods (28%) were perceived as the climatic effects with the greatest

negative impact on activities. Investees estimated crop damages (76%), loss of productivity (52%) and crop failure (32%) as the main climate-related risks for end clients. **The agriculture sector, compared to 2019,** continues to be the most negatively impacted by the effects of climate change. 52% of investees reported a low threat of climate change to influence the repayment of agricultural and livestock credits while 12% of investees indicated that climate change posed a high risk for repayment in this sector. 40% perceived a low threat to the repayment of business loans while 4% perceived it as a high risk. Climate change also imposed risk repayments for the 32% of responded institutions for housing loans products.

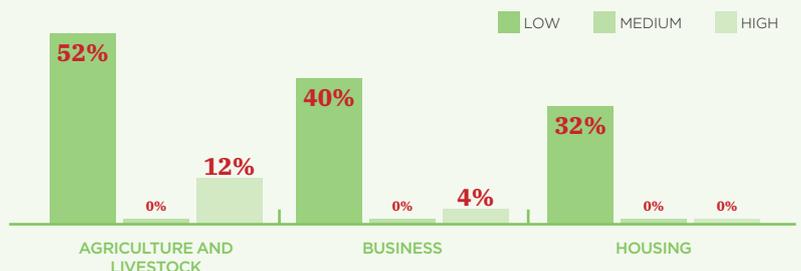
### PERCEIVED NEGATIVE EFFECTS OF CLIMATE CHANGES



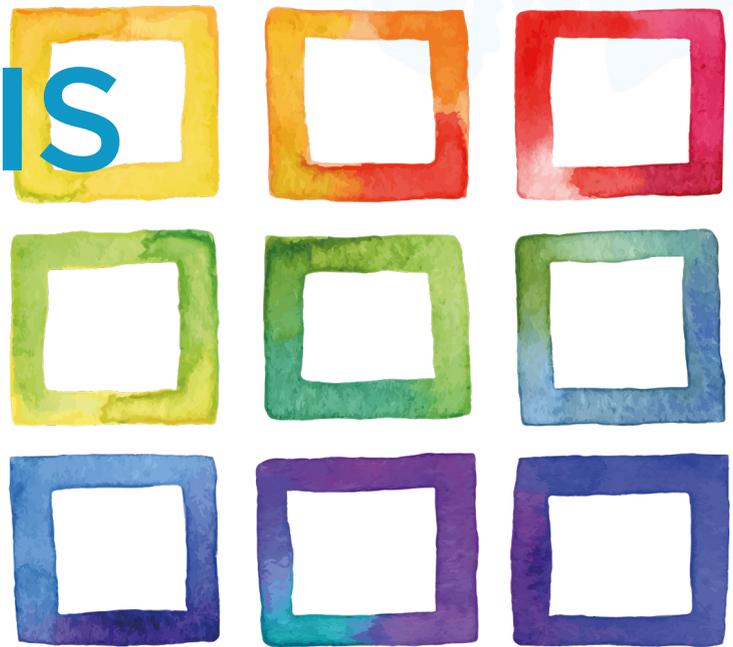
### MAIN DAMAGES PERCEIVED ON CLIENT ACTIVITIES



### ESTIMATED IMPACT ON DEFAULT RATES DUE TO CLIMATE THREATS



# SDGs IMPACT ANALYSIS

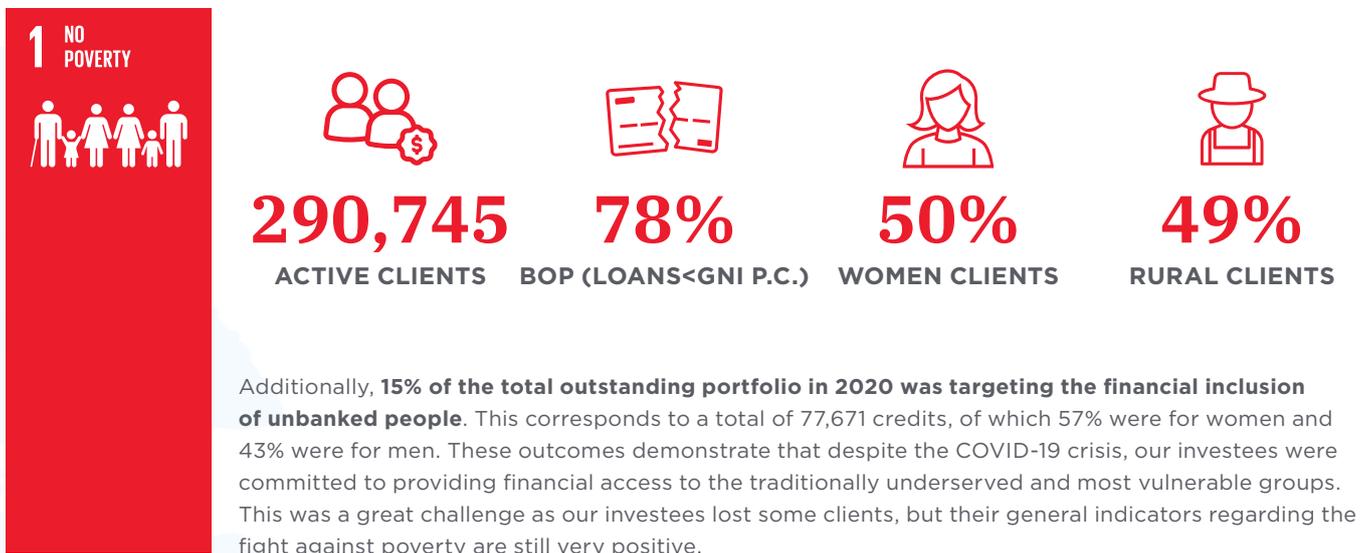


The SDG impact analysis covers CoopEst, CoopMed and Helenos funds and was prepared based on information provided by our investees. The data collected refers to the activities carried out in 2020. The results show that Inpulse contributes to the generation of positive social impact for eight SDGs as detailed below.

## SDG 1: NO POVERTY

Currently, 10% of the world population still lives in extreme poverty,<sup>24</sup> 80% of which live in rural areas.<sup>25</sup> These statistics have been improving in recent decades, nevertheless, the COVID-19 pandemic has imposed new challenges. The crisis and subsequent lockdown measures have substantially affected people living in rural areas due to mobility limitations and reduced income.

Inpulse contributes to SDG 1 by increasing financial inclusion as a mechanism for poverty reduction.<sup>26</sup> To capture this outcome, we measured the financial inclusion of traditionally underserved groups as well as people without prior access to credit. **78% of the investments made by our investees in 2020 addressed the bottom of the pyramid (BoP)**, namely end clients with loan amounts below the GNI per capita of each respective country. Of total active clients, **50% are women and 49% are located in rural areas.**



## SDG 2: NO HUNGER

**2 billion people in the world do not have regular access to safe, nutritious and sufficient food** (UN, 2020).<sup>27</sup> According to FAO (2018), rural areas show high risks of malnutrition: the COVID-19 pandemic increased the level of this risk and the number of people suffering from it in some populations.<sup>28</sup> Access to financing plays a fundamental role to deal with shocks, generate higher incomes and improve food safety.<sup>29</sup> In 2020, Impulse contributed to food security by supporting rural productive activities and the financial inclusion of underserved rural populations, such as smallholder farmers and agricultural microenterprises. **50% of the loans disbursed by our investees addressed the rural sector** and 27% of the outstanding portfolio was dedicated to the development of agricultural and livestock activities. **47% of the credits for agricultural and livestock activities were granted to microenterprises** and 9% to small farmers holding less than 2 hectares of land.



## SDG 5: GENDER EQUALITY

Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world (UN, 2020).<sup>30</sup> Nonetheless, **more than 1 billion women worldwide do not have access to basic financial services**, and female participation in the financial services sector is still far from equitable.<sup>31</sup> Impulse is committed to promoting financial inclusion, business development and empowerment for women through our MFI partners in the field. In 2020, **51% of the loans granted by our investees went to women**, representing 45% of the total outstanding portfolio. **Women accounted for 57% of business development credits** in 2020. **Among our investees, women accounted for 53% of the workforce.** This is a significant result considering that the worldwide workforce representation of women in the financial sector is approximately 36%.<sup>32</sup> 44% of senior management positions were held by women. This figure is even more relevant when compared to the world average estimate of 22%<sup>33</sup> for the financial services sector. Despite the COVID-19 crisis, our indicators on the contribution to gender equality remained quite positive. However, it is evident that the crisis has affected women clients. The number of loans granted to women has decreased in the portfolio of some of our clients. This downward trend was also observed in credits granted to women for business development.



## SDG 8: DECENT WORK AND ECONOMIC GROWTH

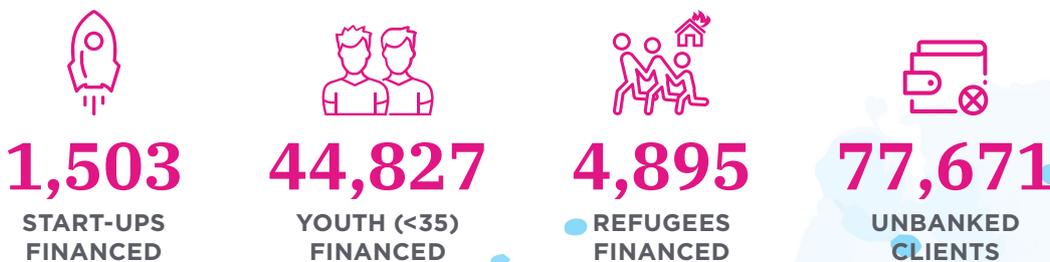
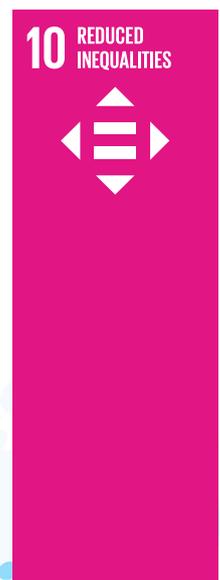
In 2019, about 8% of employed workers were living in extreme poverty.<sup>34</sup> Nowadays, due to the COVID-19 crisis, according to the International Labor Organization, nearly half of the global workforce is at risk of losing their livelihoods.<sup>35</sup> From our perspective, **contributing to SDG 8 includes: promoting job and business creation, supporting clients to recover from the crisis, enabling sustainable and inclusive livelihoods.** This is a challenge within the microfinance sector, but it is undoubtedly necessary to couple financing with social impact. In 2020, our investees contributed to the creation of new businesses: **64% of the businesses financed were micro-enterprises and 70% of the portfolio was dedicated towards income generating activities** (business and agriculture).



## SDG 10: REDUCED INEQUALITIES

The **COVID-19 pandemic has significantly increased global unemployment, reduced workers' incomes** and exacerbated gender inequalities in some contexts.<sup>36</sup>

In 2020, Inpulse, through its partners, contributed to reducing these risks and their effects on end clients through **the financial inclusion of minorities and traditionally underserved populations.** 34% of the loans granted in 2020 were distributed to minorities. 44,827 loans were disbursed to young people under the age of 35 (18% of the outstanding portfolio), 5,802 to smallholder farmers (5% of the outstanding portfolio) and 4,895 loans to refugees (1.3% of the outstanding portfolio). These groups used the loans for a range of activities mainly related to agriculture, services and commerce.



**10** REDUCED INEQUALITIES



Fair and respectful treatment of clients was taken into account at the highest level. **100% of our investees have established policies and strategies for client protection**, transparency of credit conditions, and **80% have established an appropriate system to resolve client complaints**. Likewise, 76% have committed to the “Client Protection Principles” (The Smart Campaign).<sup>37</sup> These results are reflected by positive client satisfaction surveys that indicate an average complaint rate of 0.6% and a **client retention rate of 70%**. Moreover, **60% of our investees offered non-financial services** (e.g., business development services, women empowerment, financial literacy, green businesses) and products (e.g., micro-insurance) to support end clients beyond the loans provided.



**76%**

**SMART CAMPAIGN INVESTEES**



**0.6%**

**CLIENT COMPLAINTS RATIO**



**70%**

**CLIENT RETENTION RATE**



**60%**

**INVESTEEES OFFERING NON-FINANCIAL SERVICES**

**SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**SDG 13: CLIMATE ACTION**

In 2020, Inpulse promoted green financial products and services and monitored the environmental performance of its investees. This analysis, detailed in the section “Environmental Performance” of this report, shows positive results. Despite the pressing social and economic challenges imposed by the COVID-19 crisis, our investees remained committed to move towards sustainable financing. Regarding environmental performance: **80% of investees have established an explicit policy or exclusionary list** to avoid the financing of activities with potentially adverse environmental effects, **72% have included some environmental criteria in their business strategy** and 40% implemented actions to monitor and/or reduce its internal environmental risk (ecological footprint). **32% of institutions indicated to have projects to develop green financial products**. Some investees already offer **specific credits for renewable energy and energy efficiency, agriculture and sustainable housing**, among other “green” financial products.



**10,076**

**GREEN LOANS**



**80%**

**INVESTEEES WITH ENVIRONMENTAL EXCLUSION LIST**



**72%**

**INVESTEEES WITH ENVIRONMENTAL STRATEGY**



**40%**

**INVESTEEES MONITORING INTERNAL ECOLOGICAL FOOTPRINT**

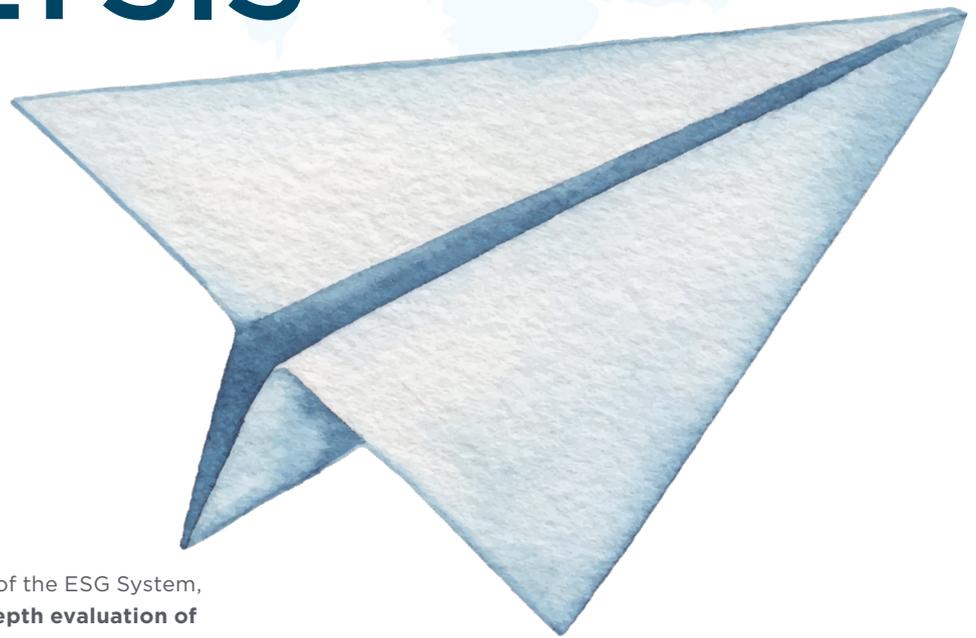
**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



# GOVERNANCE ANALYSIS



In line with the new developments of the ESG System, in 2020 Inpulse conducted an **in-depth evaluation of governance performance** of its investees. The evaluation considered 24 indicators (quantitative and qualitative) grouped in four key dimensions: 1. Business Planning, 2. Board Effectiveness & Independence, 3. Management, HR & Operational Manuals, 4. External Accountability. Regarding the Business Planning dimension, we are really satisfied by the achievement of our investees: 100% of them have strategic documents, regularly reviewed in 81% of the cases. Moreover, **96% of our investees included social goals and targets in their bylaws and business plans.** Regarding the Board Effectiveness and Independence, even if 100% of our investees have a Board of Directors, we still would like to see more women representation beyond the figure of 28%. The majority of the board members are independent from the management and **88% of our investees have put in place an audit or internal control committee** independent of the management. Regarding Human Resources and Operations, we appreciate that 72% of our investees have a succession plan. Most of

them take care of their employees: 91% of the staff has been trained during the reporting period. **88% of investees included gender non-discrimination clauses in their HR policies and contracts** and the prevention of gender-based violence in the workplace. The 86% employee satisfaction rate is very high: 86% evaluated their satisfaction over 75/100.

On the side of client treatment, 96% of our investees assess their clients' satisfaction and take into account client feedbacks to improve their products and processes: **80% of the institutions have an appropriate system in place to collect and resolve client complaints.**

Regarding transparency and accountability, **100% of our investees are audited by an external auditor on an annual basis.** Moreover, internal audits taking also in account social performance are carried out by 92% of our investees; 84% report on their social performance and practices.

75%

INVESTEES HAVE A SUCCESSION PLAN FOR EXECUTIVE MANAGEMENT

96%

INVESTEES TAKE IN ACCOUNT CLIENT FEEDBACKS FOR ADAPTING PRODUCTS AND SERVICES

44%

WOMEN HOLD SENIOR MANAGERIAL POSITIONS

# COOPERATIVE BANKS IN POLAND

Inspired by cooperative models, **CoopEst shows a deep commitment to cooperative banks in Poland**, which represented 26% of CoopEst's investments in 2020 (compared to 42% in 2019 - the portfolio is gradually decreasing as CoopEst is unable to provide new subordinated loans due to minimum regulatory maturity requirements).

Polish cooperative banks - around 500 across the country - are mostly present in small towns and rural areas. They represent 7-8% of the Polish banking sector. Thanks to their affiliation with larger networks (two main networks in Poland), they have developed the expertise to compete with commercial banks in terms of internet banking, credit cards, mobile applications, etc.

The mission of Polish cooperative banks financed by CoopEst is **to support local development**. They strive to provide professional and comprehensive financial services, meet the needs of their customers, and support initiatives for the welfare and development of their local community.

As **most of the cooperative bank branches are located in semi-urban and rural areas, they are often the only financial institution in their community**. In some cases, they are also the only financial institution that can grant a loan to local businesses since the decision is taken locally (nearly 80% of the portfolio is disbursed to businesses or farmers). The cooperative banks are **typically focused on microenterprises, farmers, SMEs** and individual consumers, but they also finance investment projects implemented by local governments (i.e., development of local infrastructure).

Additionally, they often distribute special credits to farmers, provide energy efficiency loans or finance local environmental projects (e.g., renewable energy, sewage treatment plants). The social involvement of cooperative banks also covers actions in their regions to finance schools, kindergartens, playgrounds for children, sports clubs, as well as local events. In this way, they contribute to the development of the community.

Due to their compliance with Polish banking regulations and consumer laws, **100% of our Cooperative Bank partners are compliant with Smart Campaign Client Protection Principles**. The description of each banking product contains detailed information about the complaint procedure.

Consumers can also complain to the Consumer Ombudsman and to the Office of Competition and Consumer Protection. Rules and standards of consumer service are described in policies, Code of Conduct or Code of Ethics. Transparency is widely regulated by industry requirements (i.e., Law on Consumer Credit, Law on Payment Services). More than **90% of the Cooperative Banks financed by CoopEst have developed an internal code of good conduct and have a policy to prevent over-indebtedness**.

It is also important for cooperative banks to create a decent workplace for their employees. Staff turnover is generally low, less than 10% in most of the banks in the CoopEst portfolio. Women constitute the majority of the staff (80% in 2019) and they also frequently occupy management positions (50% in 2019).

## PORTFOLIO BY CLIENT



## URBAN/RURAL PORTFOLIO

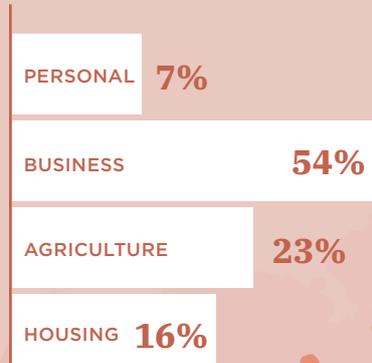


**10,157**  
DISBURSED LOANS

**25,960**  
AVERAGE  
DISBURSED LOAN

**207%**  
AVG DISBURSED  
LOAN AS % OF  
GNI PER CAPITA

## TYPE OF LOANS



**77%**  
LOANS FOR INCOME  
GENERATING  
ACTIVITIES

**7%**  
STAFF TURNOVER  
RATE

**92%**  
INSTITUTIONS  
WITH COMPLAINT  
RESOLUTION  
SYSTEMS

# TECHNICAL ASSISTANCE: IMPACT IN ACTION

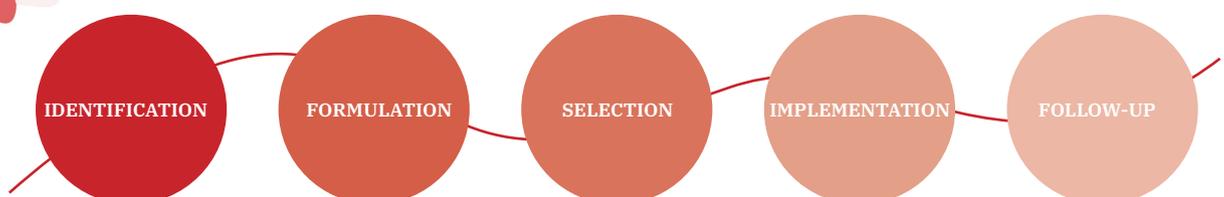
## TWIN PILLAR INTEGRATED VISION

Thanks to the generosity of the Agence Française de Développement and European Investment Bank/ Luxembourg Government, in 2017 CoopMed developed a Technical Assistance Facility to support its investees in the MENA region. **We provide investees with advisory services and capacity building to strengthen their long-term competencies** to match the duration of our investments. We call this our twin pillar integrated approach.

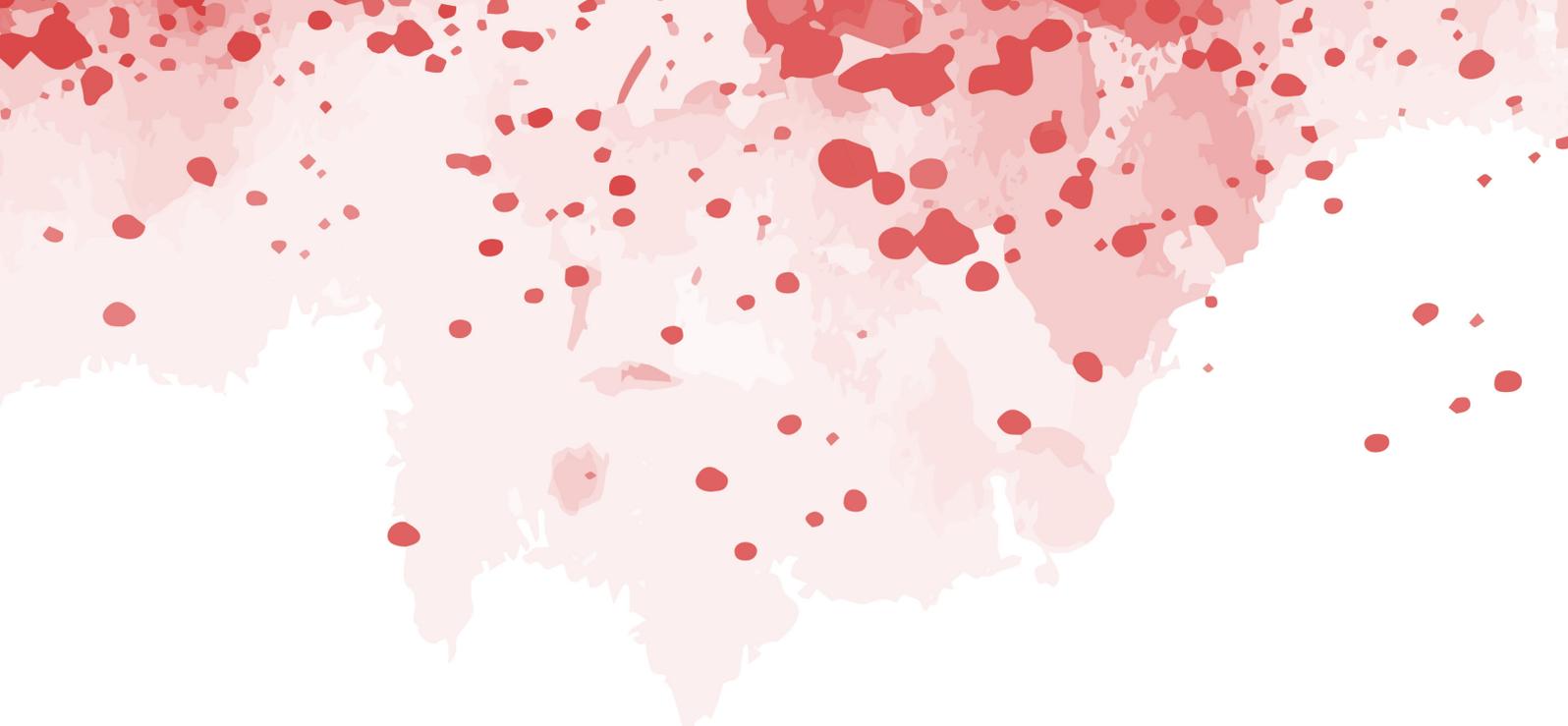
## A PARTNERSHIP-BASED APPROACH

**Technical assistance has to be co-financed** by the beneficiary, who may be required to contribute up to 20% of the estimated budget. To implement the projects, external consultants are selected in close collaboration with the beneficiary and through **transparent procedures compliant with by BEI and AFD procurement**. Such an approach guarantees that each mission is adapted to our client's needs and fully meets their expectations.

## HAND-IN-HAND THROUGHOUT THE ENTIRE PROCESS



The support we provide to our investees is spread throughout the different steps of the process to find valuable experts for the technical assistance. Once a partner has expressed needs for an intervention, we jointly define the scope of the mission. For each new project, **CoopMed defines clear objectives, activities and financial engagements with investees before contracting** the implementation experts. We always choose experts our beneficiary would feel confident with, but always in accordance to the procurement procedures approved by EIB and AFD. Through the implementation phase, we remain available to adapt the guidelines to meet additional needs or help with any contingencies that may occur. Reactivity and adaptability are the key characteristics guiding our TA Facility.



## 2020: SUPPORT AGAINST THE EFFECTS OF THE PANDEMIC

2020 was characterized by a general decline in TA actions compared to 2019. The COVID-19 pandemic strongly affected clients' operations and has forced them to dedicate their best efforts (i.e., human, technical and financial) for "crisis management." In general, **clients have shown great resilience by drawing on their internal resources to face the consequences triggered by the crisis.** The "emergency support" provided by CoopMed TA resulted in (5) actions carried out with partner MFIs on diversified themes: operational capacity building, risk management and sales digitalization.

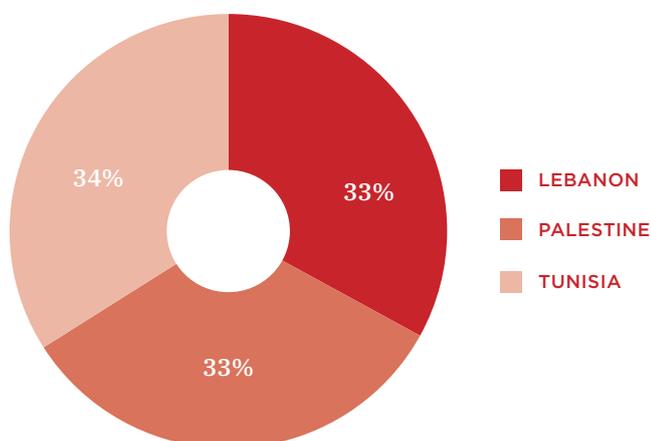
**5**  
TA PROJECTS

**3**  
INVESTEES  
SUPPORTED

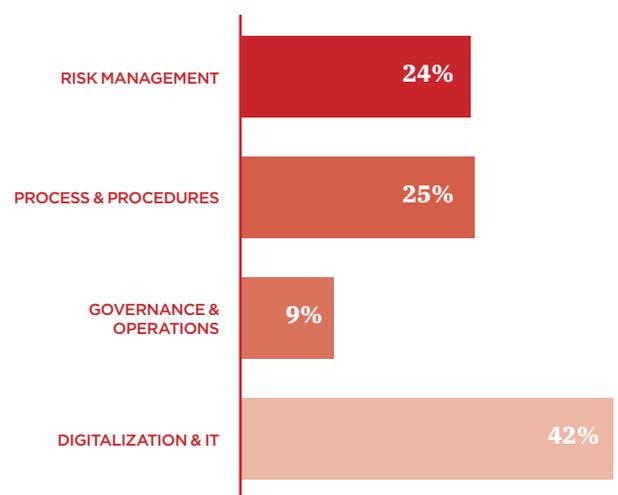
**3**  
COUNTRIES

EUR  
**15,000**  
AVERAGE  
BUDGET

### TECHNICAL ASSISTANCE BY COUNTRY



### TECHNICAL ASSISTANCE BY THEME



FOCUS 3

# DIGITAL TRANSFORMATION IN MICROFINANCE

**BETWEEN THREATS  
& OPPORTUNITIES**



**ASALA**  
PALESTINE - TIER 2

**10.6M**<sup>EUR</sup>  
OUTSTANDING  
PORTFOLIO

**75%**  
WOMEN CLIENTS

# INTERVIEW WITH FEIROUZ MOURAD

ASALA CEO

## Why is the digital transformation strategic for ASALA future?

The digital transformation is an important part of **ASALA's strategy regarding three main aspects: more efficient customer service with reduced costs and time, improved management, and increased security.** ASALA launched its digitalization strategy before the COVID-19 pandemic. Due to coronavirus, ASALA is currently collecting applications online through its Facebook page, Instagram and Google application. We have received almost 9.5 million applications online. Only 5% of these applications have been served so far. The validation process had to significantly slow down due to the adaptation process required from the loan officers to communicate with the client remotely and get access to the required information. It is a learning process. But progress has been made, and **ASALA expects next year to proceed with 30% of its loan applications online** through its new mobile application.

## More concretely, what aspect of the day-to-day business is going to change thanks to ASALA digital transformation?

Traditionally, the client had to visit the branch twice: a first time to apply for the loan and a second time to sign the contract. Digitalization will significantly simplify the process in terms of cost and time efficiency. First, the mobile application will **ease the marketing part.** A GPS will provide the exact address of the clients and will provide useful information. The mobile application will enable to collect analytical data and social performance data to improve the **targeting of the clients and to enlarge the outreach** to more rural areas without opening new branches. Second, the mobile application will help **reduce operating expenses.** Paperwork is extremely time consuming. Thanks to digitalization, the time period between application and disbursement should be

no longer than two days. Time savings is expected to be around 50%. By reducing its operating expenses, ASALA plans to **reduce the interest rate** by a minimum of 20%. Such an evolution will enable ASALA to become more competitive on the market. Finally, the ASALA digitalization approach is holistic. The objective is **to link several data systems together.** ASALA has several risk management software programs, including: a credit scoring system and a machine learning of historical data. The mobile application will be closely linked to the management workflow. A significant part of ASALA data system will be integrated to the mobile application.

## What are the main challenges that ASALA had to face through its digital transformation?

The major technical challenges ASALA is facing include: 1) electronic signature, which is not possible so far due to legal restrictions, 2) cyber security and data protection. In regard to cyber security, the risk is limited. ASALA does not receive deposits. But hacking remains a serious threat in terms of reputational damage. Another challenge is the **learning and training process for both clients and ASALA staff.** Some of our consumers are not digitally proficient. Many of them need to get used to the online application. They need to understand how to apply for a loan using the application, how to navigate through the chat board... some customers were initially afraid to use the application and make online transfer. An important communication campaign has been implemented on social media.

## How is the staff involved in the process of ASALA digital evolution?

**Digitalization is not only about customer experience, but also about internal work adaptation.** Major changes will be induced by digitalization in the way we used to work. COVID-19

illustrated how our work habits can be deeply changed and needs to adapt to modernization. The transition to digitalization may actually be easier for customers than for employees. There is an important psychological aspect involved to change mentalities and to ease the transition. Adaptation to big evolutions always feels overwhelming at the beginning. Several training programs are planned. The most important part of the trainings will be on digital marketing and communication.

## More generally speaking, what kind of challenges do you think the microfinance sector will have to face with digitalization and the development of the fintech sector? Fintech can be an opportunity for microfinance in terms of outreach, costs, and reduced interest rates.

ASALA has done a lot of surveys to better understand the needs of clients and the evolution of the market. And even more considering a post-covid era, having one business project is not enough in terms of income generating to feed a whole family. Palestine is a small country. To enhance the Palestinian economy, one challenge will be to build factories and develop businesses on a larger scale. The main asset of Palestine is the quality of its production and the support it gets worldwide. But a future challenge is **to develop value chains to catalyze collaboration and networking among several actors from different sectors.** I believe digitalization has an important role to play in this. Digitalization is not simply about modernization, it is about envisioning new business approaches and markets

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4. For more information see [https://www.ilo.org/global/publications/books/WCMS\\_633135/lang--en/index.htm](https://www.ilo.org/global/publications/books/WCMS_633135/lang--en/index.htm)
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17. OBS, Serbia
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