



LEONARDO CASTRO/REX/AFIP/GETTY IMAGES



Humana Support Bank
Unifying Communities





"I have to make money to look after my children and feed them. There is nothing in Venezuela"

© AP

Maritza, 25 years old

Occupation pre-crisis: **Certified Nurse**

Life in Venezuela: **Forced to work in prostitution to survive**

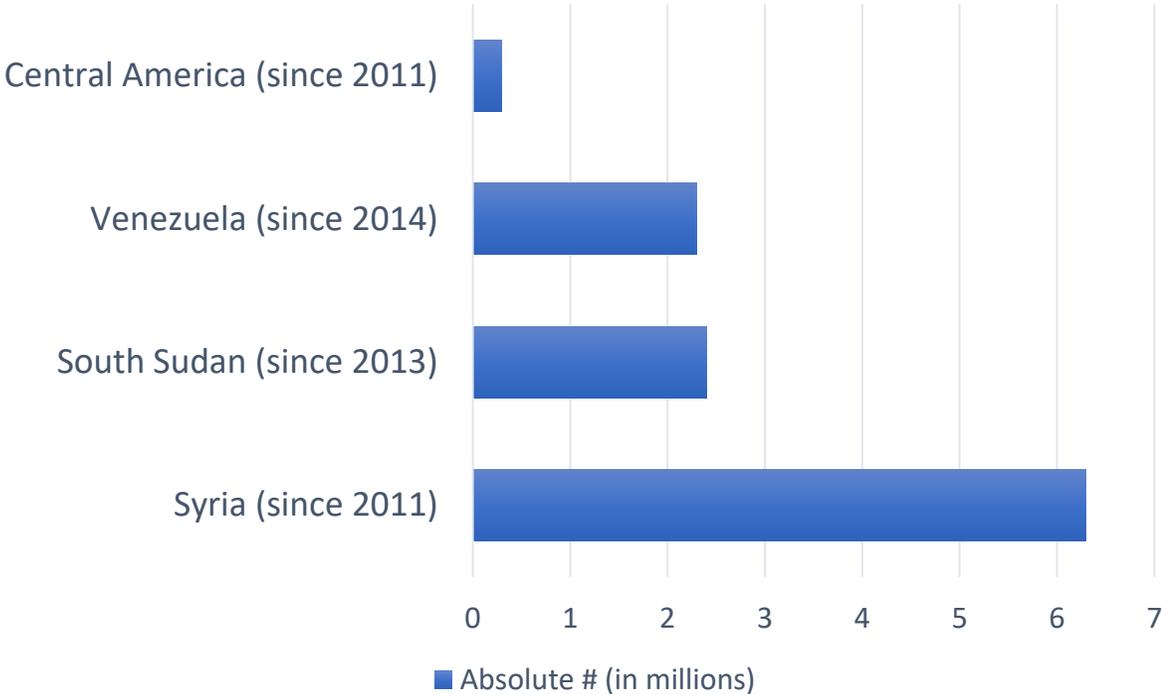
Her goal: **To use her education**

The world witnessed many migrations in the past, but Venezuela migration is said to be the second largest “complete” crisis



According to the International Organization for Migration report “**World Migration Report 2018**”, a total of **244 million** people or 3.3% of global population (2018) are living in a country other than their birth country of birth in 2015

COMPARING MIGRATION/REFUGEE DISPLACEMENT



A camp for Venezuelan migrants in Bogota, Colombia

"A meaningful solution to Venezuela's displacement crisis will require Latin America to integrate these communities into their formal economies and job markets."

- Geoff Ramsey, Assistant Director, Venezuela Program at the Washington Office on Latin America, BBC, Dec 2018



IVAN AVELLANEDA, CFA



NATASHA MATHUR



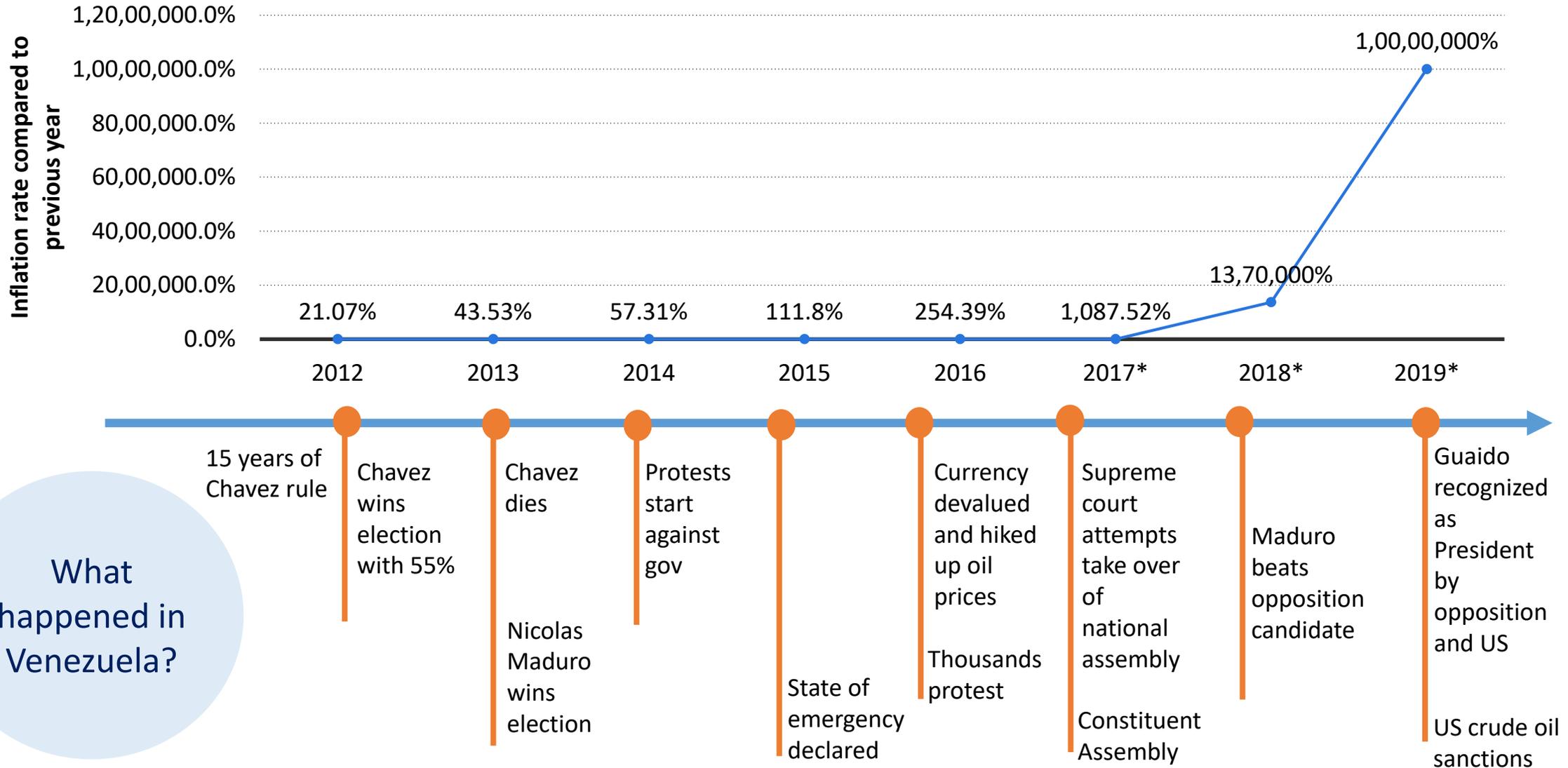
HUGO LARA



The situation in Venezuela has become increasingly alarming over the last 4 years with exponentially growing inflation rate



INFLATION RATE, 2012-2019



What happened in Venezuela?

HSB aims to provide micro-finances to CmEs with an aim to open a variety of employment opportunities for PEP-holding Venezuelan migrants



IDENTIFYING TARGET MARKET

Colombian micro-entrepreneurs

Industry size: \$4.6 mn or 14.6 bn pesos

→ 3,148,880 micro-enterprises (~41.7% owned by women)

Popular industries¹



34%



28%



18%



4%

Venezuelan migrants

PEP²-holding migrants

442,462



Illegal and no work permit

240,000 in PEP process

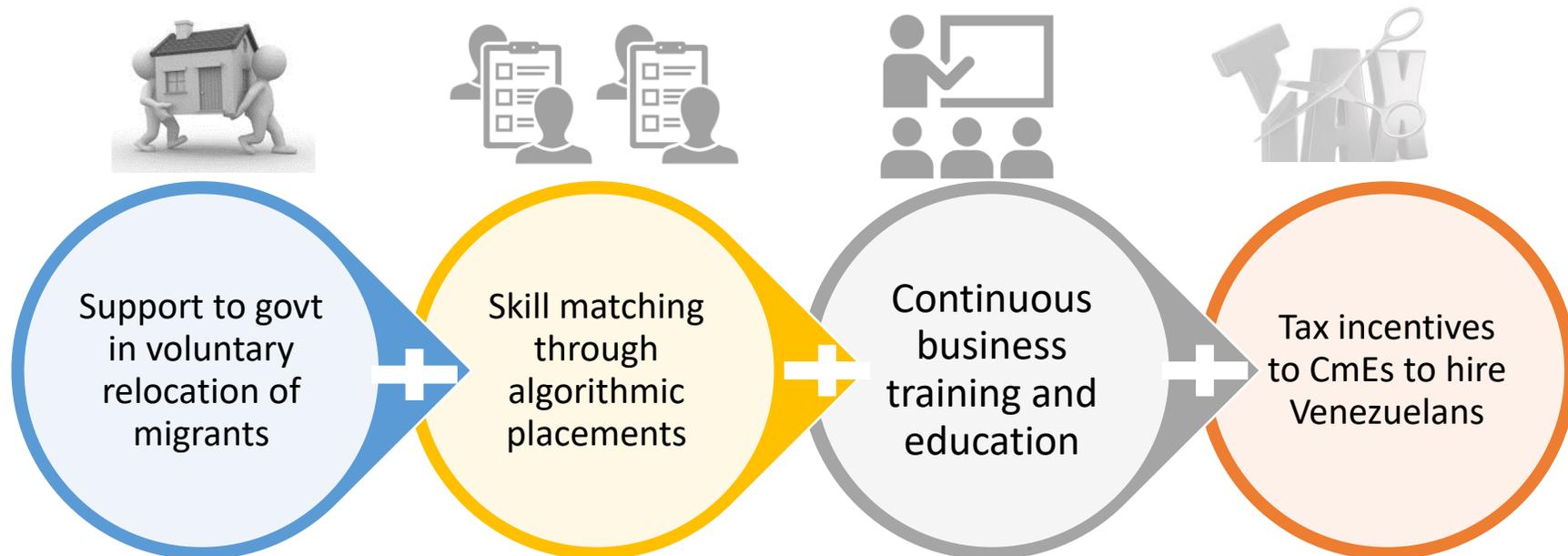
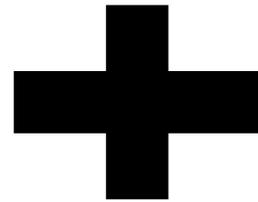
217,000 lack legal permit

¹ BBVA portfolio proxy; ² Colombian government issued allowed Venezuelans who registered in recent census to obtain special stay permits, or PEPs

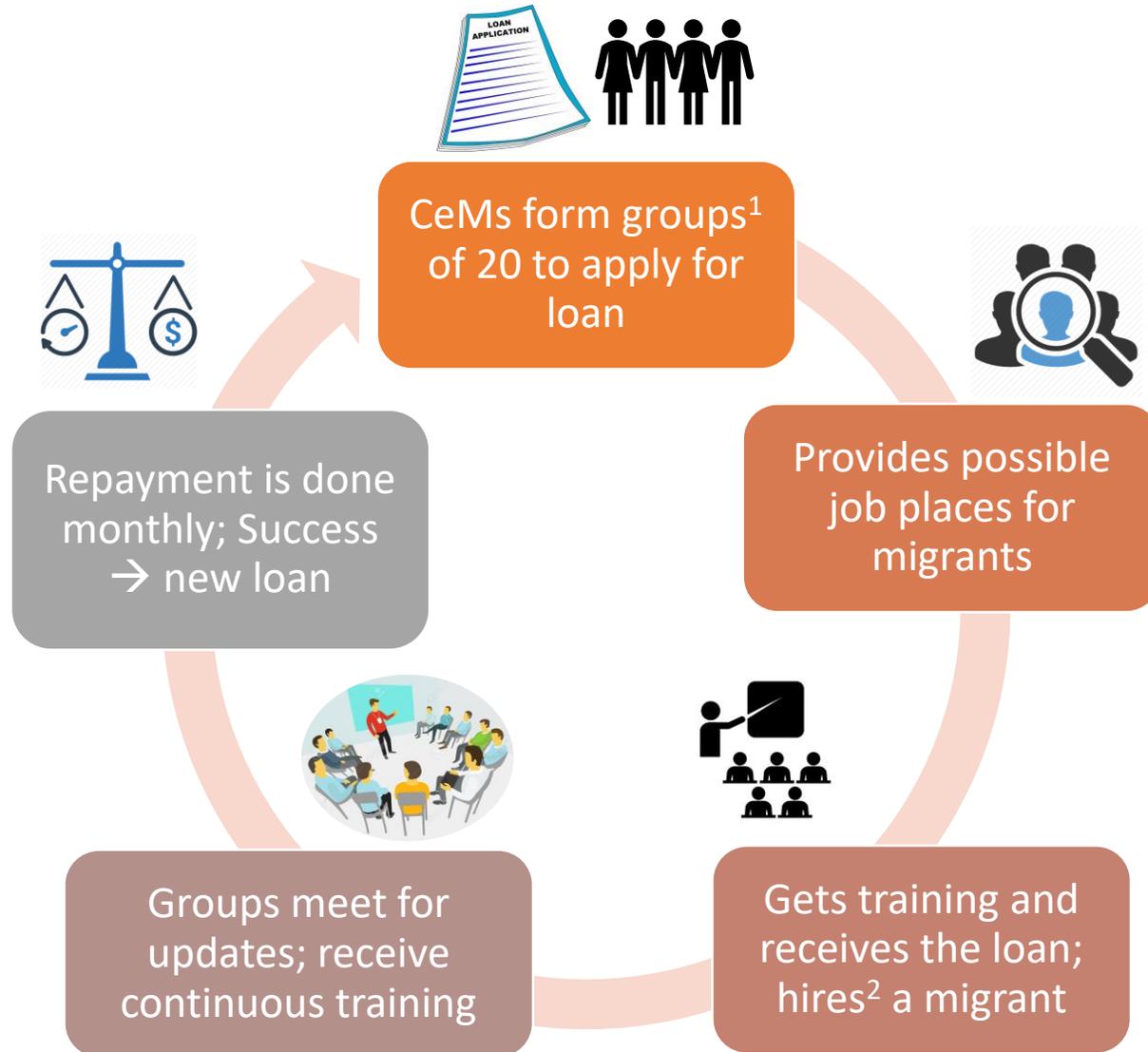
Humana Support Bank, a micro-finance institution, believes in creating long-term social impact in Colombia not just through small loans but by focusing on value-add services



COLLECTIVE LENDING MODEL



Collective lending allows HSB to provide more opportunities to migrants and mitigate risk due to “joint liability” nature of the loan



COLLECTIVE OR GROUP OR JOINT LIABILITY LENDING requires each member to be jointly liable for the group’s debt. This makes for a less riskier option as it reduces the likelihood that loans will become uncollectible or default

CRITERIA:

1. **For CeM**
 - Have a viable running business
 - Open opportunities for migrants
 - Build a group of 10 members
2. **For Venezuelan migrant**
 1. Registered with HSB
 2. Owns a PEP
 3. Working age

¹ Self-made and can be similar CeM or diverse; ² Hiring can be full time under one CeM or be a shared resource between two CeM businesses

Many organizations have been set up in the past to aid the migrant situation in different countries through micro-financing



In February 2008, XacBank partnered with the Mongolian Women's Federation to target women-in-need in 40 villages in rural northern Mongolia. Women signed up and were asked **build groups of 7 to 15 women**. The maximum size of the first loan to a group member was **MNT 500,000 (US\$435)**. Before applying for a loan, groups had to build up **savings equivalent to 20 percent of the loan amount**



Grameen methodology: In this model, **individuals form a group of 5 and receive a 5-day financial training** in order to receive a loan from Grameen. The emphasis from the very outset is to strengthen the Grameen customer, to build their capacity to plan and implement micro-level development decisions. **Multiple groups form a center and meet every week to repay their loans and meet with Grameen staff.**



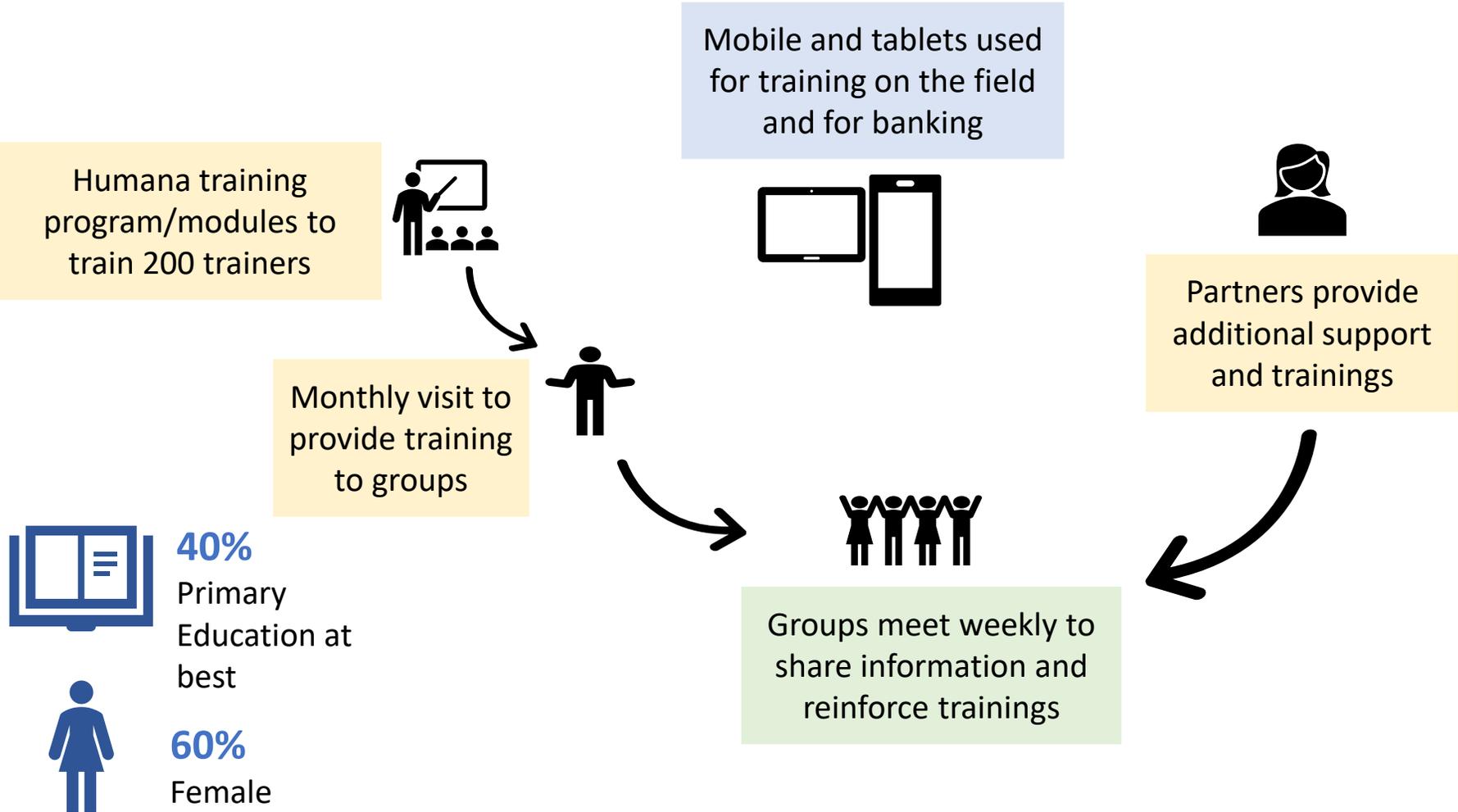
Windmill is Canada's largest and most successful microlending program for immigrants and refugees. Windmill provides **microloans of up to \$10,000** to internationally trained immigrants so they can obtain the Canadian licensing or training required. . The **repayment rate for Windmill loans is 97%**

Financial and non-financial or business trainings are essential to the success of Humana Support Bank 'group lending model'



Humana Academy for Entrepreneurs

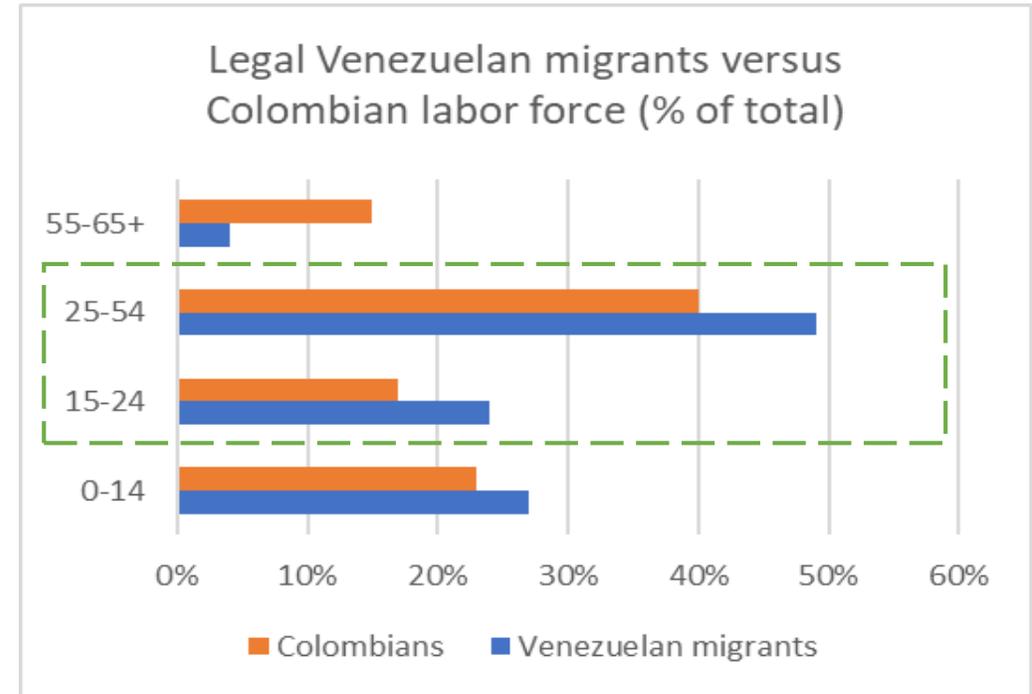
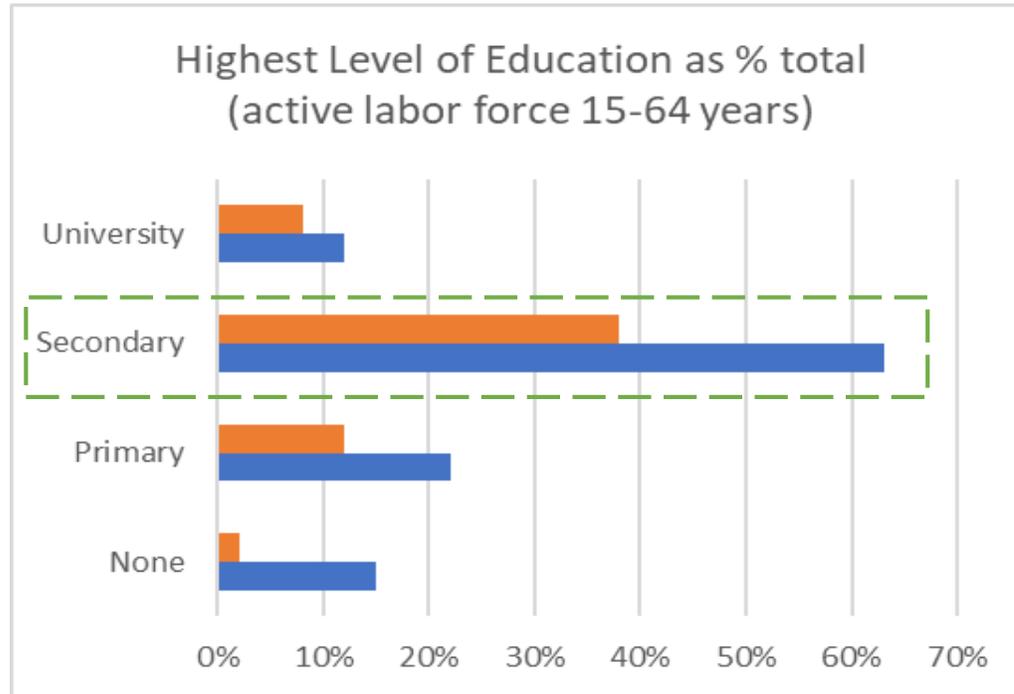
- TRAINING COURSES:**
- Workshops on costs, sales, earnings
 - Business administration
 - Budgeting
 - Family welfare
 - Empowerment/ Self- esteem
 - Access to support from partner organizations



HSB will collaborate with and use the data from Colombian organizations who made great efforts to relocate migrants for better job opportunities



- ✓ **Algorithm Matching: Immigration Policy Lab** (estimates likelihood of a migrant to find work in a given location based on their profile and assigns location) **(2x successful than random assignment scheme)**
- ✓ **Partnership with the Colombian government: IMO with Colombia migration** started the DTM program which allows HSB to understand the displacement of Venezuelans. **Colombian National Council on Economic and Social Policy** facilitated geographic distribution to better match migrant skills with economic opportunities



Complimentary work forces: Venezuelan migrants are more educated (**73%** versus **46%**) and younger (**average 18-29**) than the existing Colombian workforce.

Marketing efforts will be tailor made to Venezuelan migrants (on-the-field marketing) and to Colombian micro-entrepreneurs (traditional print) to build internal database



Regional newspapers and printed media ads promoting our upcoming visits to targeted regions



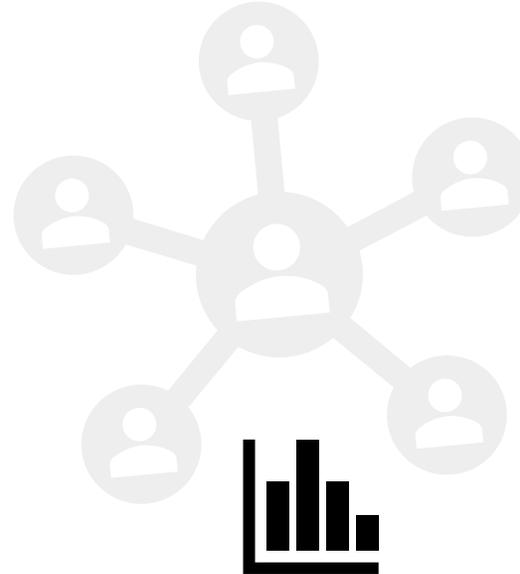
Local radio advertisements promoting our program to microentrepreneurs



Word-of-mouth advertising through gov. partners and local community partners



Mobile camps set up in remote areas and towns to provide pitch on our services and to sign up CMEs for employee matching and loans

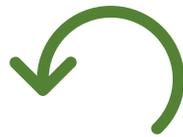
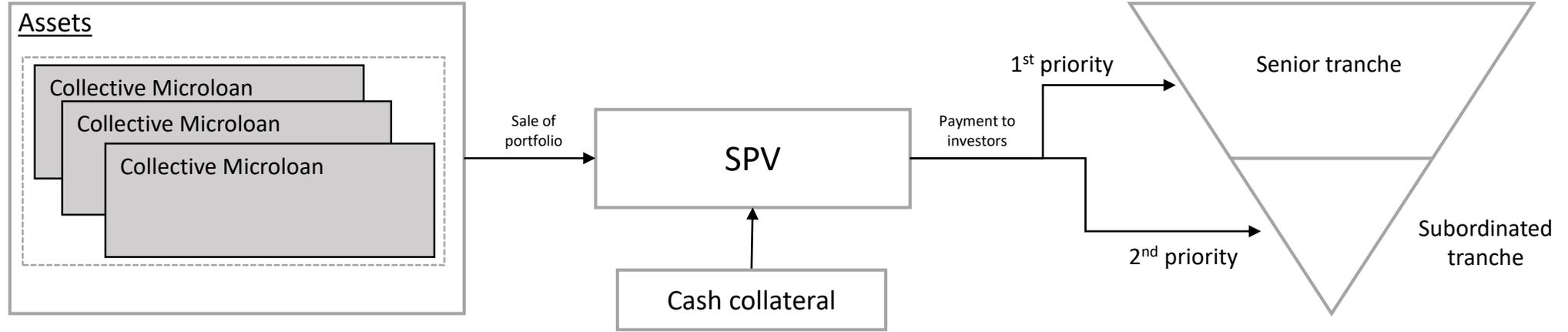


2018 census data on registered migrants and the **Displacement Tracking Matrix** to target migrants qualified for job placement



Our **loan officers** follow up and visit CMEs homes with a tablet/mobile to complete applications.

Securitization of collective micro-loans will allow for an efficient use of capital in order to facilitate higher social impact



After selling the loan portfolio, equity capital becomes available to back new loans, complying with Colombian regulations



HSB and partners such as the Colombian government or the Inter-American Development Bank will provide a cash collateral enhancing the credit characteristics of the securitization



To align the interests of HSB and the investors of the securities, the bank will have a financial stake in each securitization by investing in at least half of the subordinated tranche

Equity investors will not only provide capital but also provide strategic partnership in our micro-finance model and infrastructure



- 3rd largest financial bank in Colombia
- Daviplata: Digital wallet platform with 4.8M users
- **Widespread presence in Colombia:** 577 branches and 10k+ banking correspondents

51%
of equity to be raised
through strategic partnership



- One of the main pillars of the strategy in Colombia is **financial inclusion**
- One of the largest microcredit institution in the country
- Strong presence in Norte de Santander and Antioquia



- 39 years of experience in microfinance activity in Colombia
- 4th largest microcredit institution in the country
- **Strong presence in Norte de Santander and Antioquia**

During the first 5 years of operations, the Humana Support Bank will generate a significant impact, directly and indirectly, on the Venezuelan migrants

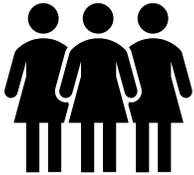


USD 135M

in loans



40% Woman



granted to

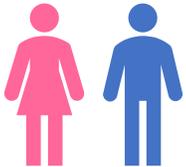
13,500

collectives



30% rural environment

or



270,000

individuals

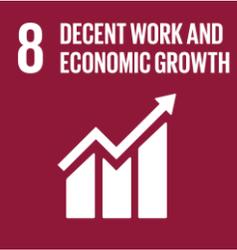


3 people

Average household

Humana Support Bank creates social and economic benefits for Colombian micro-entrepreneurs (CmE), Venezuelan migrants and the Colombian economy at large



	CmEs	Venezuelan migrant	Colombian economy
	<ul style="list-style-type: none">▪ Poverty is gender- biased. 30% of HSB loans are designated to female-lead CmEs	<ul style="list-style-type: none">▪ Migrant population is twice as likely to be unemployed than the local population. Through our job reallocation we are able to match job seekers with CmEs	<ul style="list-style-type: none">▪ When migrants join the formal labor force, they increase their incomes reducing their reliance on social welfare programs, while at the same time increasing the national tax base
	<ul style="list-style-type: none">▪ According to the FAO, women reinvest up to 90% of their incomes in nutrition, health, education and activities. Additional services like micro-savings can support these goals	<ul style="list-style-type: none">▪ Migrants can access social services and medical care, as well as be integrated into local communities enhancing their well-being	<ul style="list-style-type: none">▪ Reduced pressure on social services with relocation program and further build a community-feeling between Colombians and Venezuelans
	<ul style="list-style-type: none">▪ CmEs with access to credits are able to have better chances to lift themselves out of poverty and their communities through job creation	<ul style="list-style-type: none">▪ Guaranteed minimum wage and protections from employer exploitation under the program	<ul style="list-style-type: none">▪ Inclusion of a significant number of workers into the formal labor force enables productive workers to enhance their efficiency, which in turn increases economic productivity in the country as a whole
	<ul style="list-style-type: none">▪ HSB offers banking services in some of Colombia's most remote, rural, and conflict-stricken regions providing financing to CmEs	<ul style="list-style-type: none">▪ Only 40% of the migrant's children are in school. Employment and relocation will increase their likelihood of attending schools	<ul style="list-style-type: none">▪ CmEs are able to raise themselves above poverty level, further reducing the burden on the government



Humana Support Bank

Unifying Communities

Stage 1: years 1-3

- Main Target: Colombian microentrepreneurs (CmE) hiring Venezuelan migrants
- Launch of education program with Colombian mentors

Stage 2: years 3-5

- Main Target: CmE+Venezuelan microentrepreneurs
- Implementation of innovative digital platforms to further enable the access to financial services (ex. Digital wallet)
- Education program to include Venezuelan mentors that are part of the network
- Possible expansion to other countries like Peru, Ecuador and Argentina

Stage 3: years 5-10

- De-escalation of the crisis in Venezuela
- Main Target: Other Colombian microentrepreneurs
- Average loan size increases as businesses are more established
- Expansion to other regions in Colombia with high potential for micro-enterprise activities: Boyacá, Tolima, Huila, Valle del Cauca



The **Impact**, that our institution has the capability to create, **will improve** the displaced family's life by a **significant amount**



Humana Support Bank

Unifying Communities

Finance:

Juan Pablo Amézquita Acosta, CFA, Derivatives Specialist at Corredores Davivienda

Paul Simon, Special Advisor, Lord Fink

Zein Albeilani, Finance in Motion

Ayush Rastogi, CA, Finance Business Partner, Charles Stanley & Co. Limited

Nell Scott, Partner at Orrick, Herrington & Sutcliffe LLP

Ravi Sud , Former CFO, HeroMotoCorp

Impact:

Elena Pons, Portfolio Manager, MCE Social Capital

Rajat Bhargava, Former Partner, McKinsey & Company.

Local Experts:

Ibonne Paola Quiroga Martín, Head of Information Analysis and Research, Association of Microfinances Colombia

International Development Bank



SOURCES

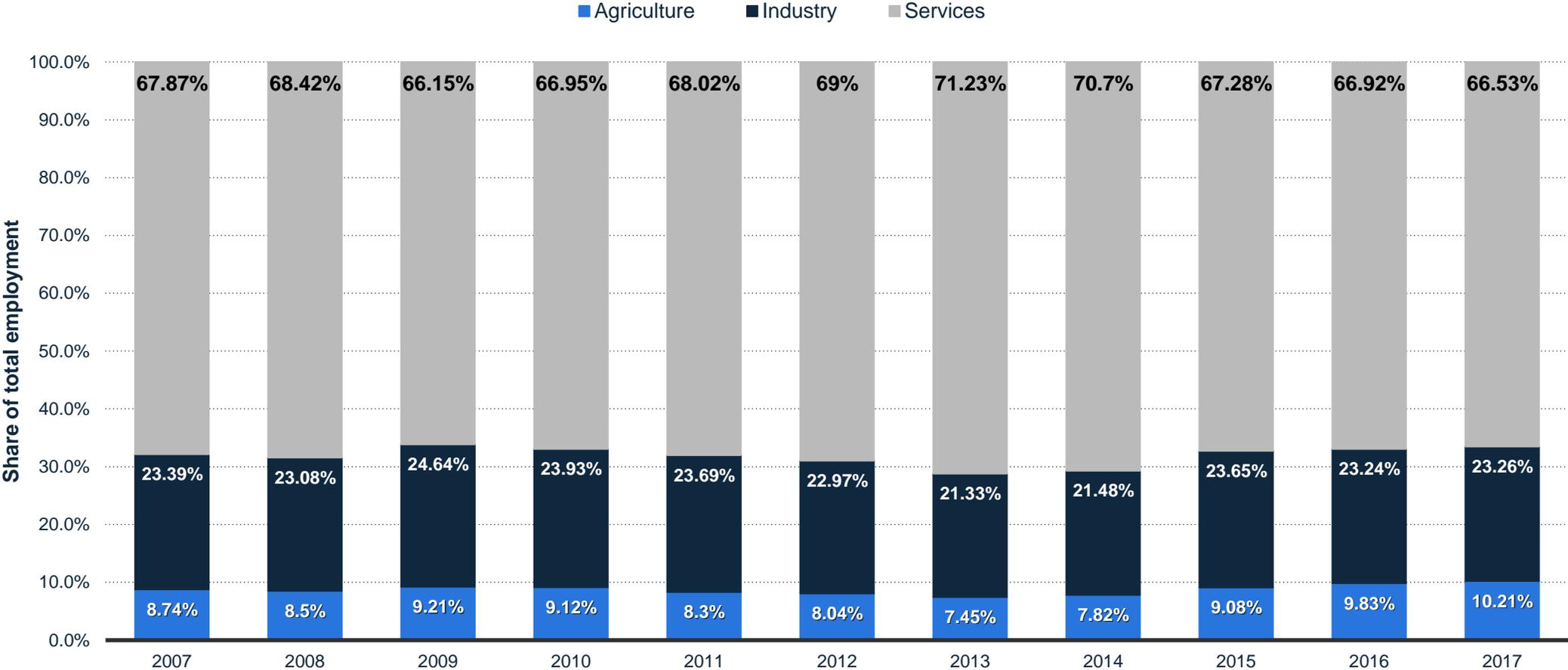
- World Immigration Report 2018
- Migration trends in the Americas, IOM, UN Migration
- <https://watson.brown.edu/costsofwar/costs/human/refugees/afghan>
- <http://www.balglobal.com/bal-news/stay-permits-eased-degree-validation-offered-to-venezuelan-nationals/>
- Doing Business in Colombia 2017 by World Bank Group (Subnational series)
(<http://www.doingbusiness.org/content/dam/doingBusiness/media/Subnational-Reports/DB17-Colombia-Overview-English.PDF>)
- Measuring what really matters: 2017 Social Performance Report, by BBVA MicroFinanzas
(http://www.fundacionmicrofinanzasbbva.org/informe-2017/pdf_en/BBVAMF_Social_Performance_Report_2017_MEASURING.pdf)
- Integrating Venezuelans into the Colombian labor market Mitigating costs and maximizing benefits, Dec 2018
(https://www.brookings.edu/wp-content/uploads/2018/12/Venezuelan-Migrants_English.pdf)
- Migration from Venezuela to Colombia : Short- and Medium-Term Impact and Response Strategy by World Bank Org
(<https://openknowledge.worldbank.org/bitstream/handle/10986/30651/131472SP.pdf?sequence=3&isAllowed=y>)
- <https://www.asomicrofinanzas.com.co/cifras>
- Finance for Refugees: the state of play, August 2018, by Npm (platform for inclusive finance)
(http://www.inclusivefinanceplatform.nl/documents/Documents/npm%20report_finance-for-refugees_the%20state%20of%20play.pdf)
- World Immigration Report 2018
- Banco W: www.bancow.com.co
- BID: www.iadb.org
- Reporte de la situación actual del microcrédito en Colombia, Banco de la República de Colombia, 2018
- Introduction to securitization from MFIs, IFMR Capital
- Securitization in microfinance, IDLO, 2008

Most of the working Venezuelan population, ~66%, belongs to the services sector followed by Industry (~23%)



Distribution of employment by economic sector, 2007 to 2017

Employment by economic sector in Venezuela 2017



APPENDIX

Source: Statista Venezuelan 2018 Dossier, World Bank

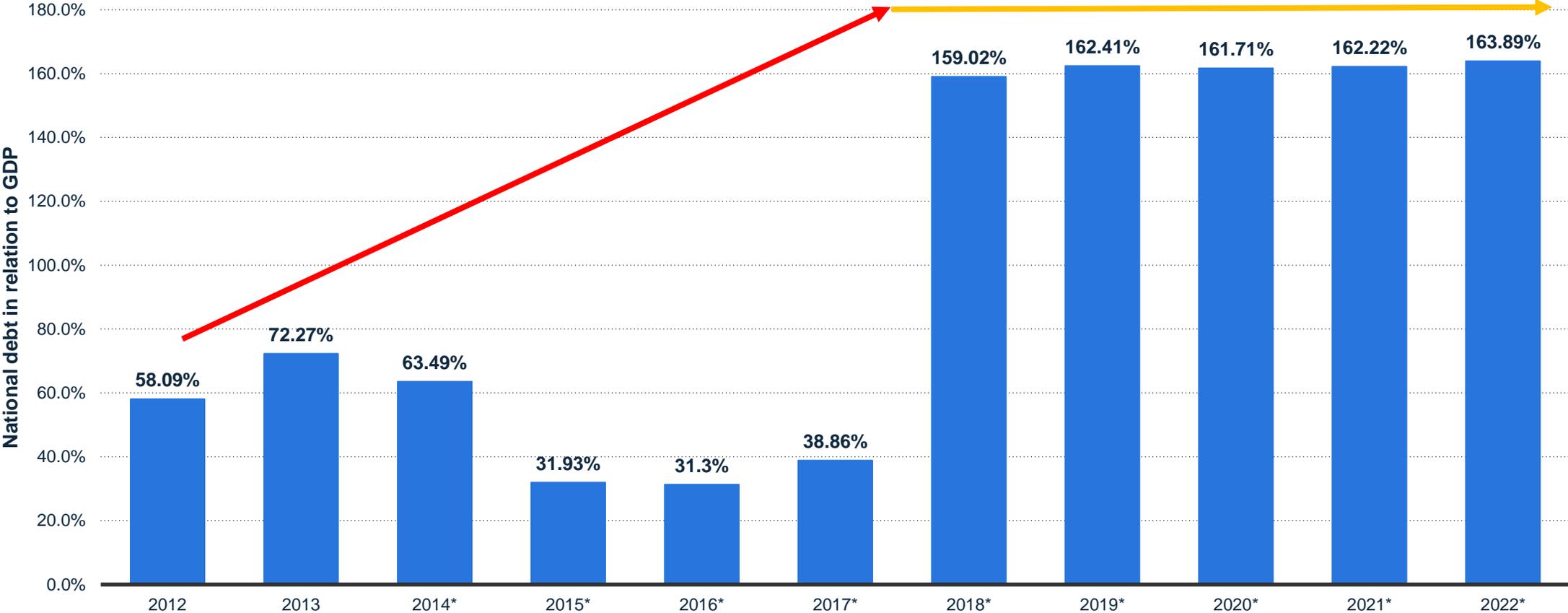
From 58% of GDP in 2012, Venezuela has reached a national debt of ~160% of GDP in 2018 and is expected to remain very high



APPENDIX

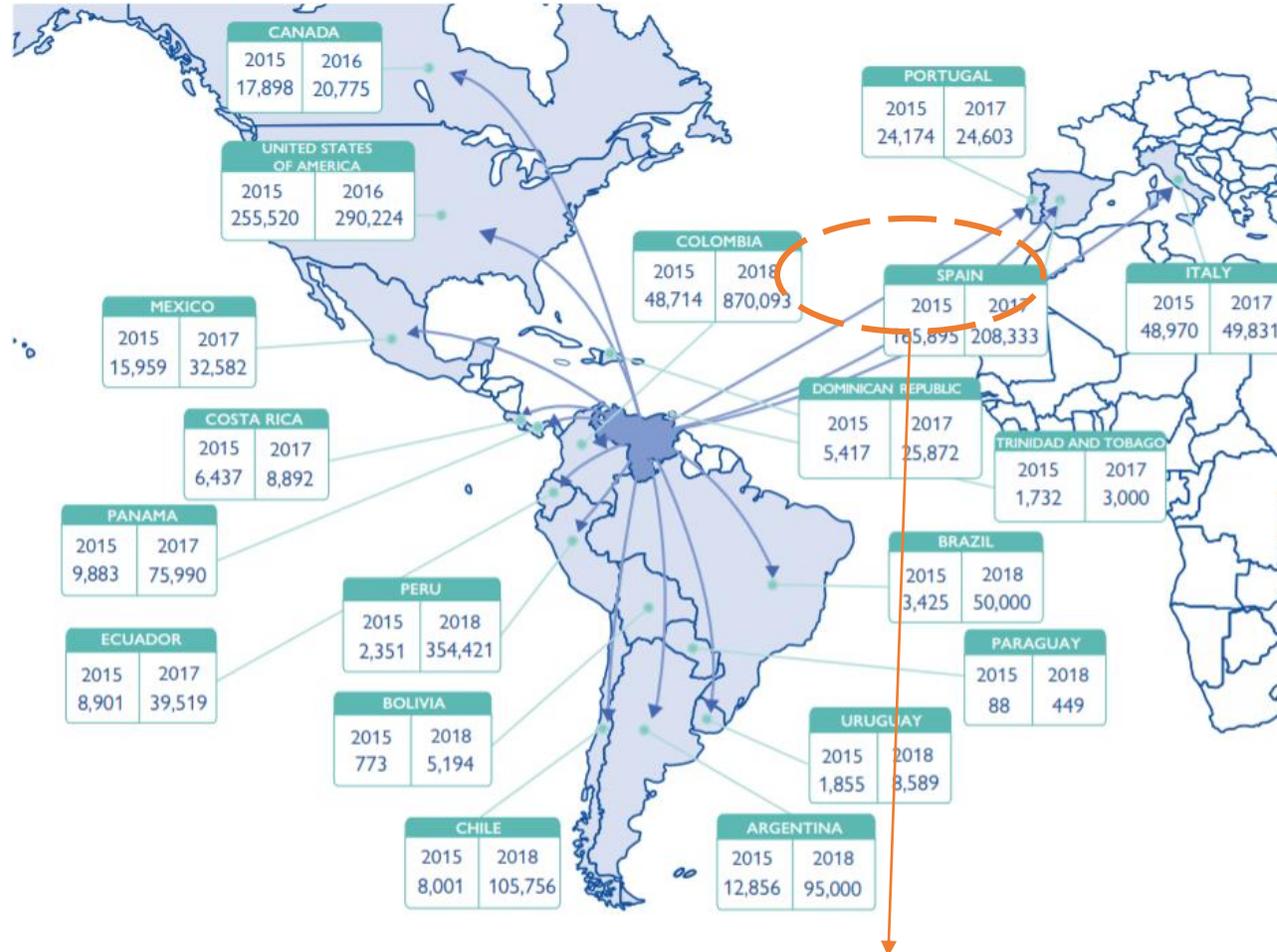
National debt as a % of GDP, 2012-2022*

National debt of Venezuela in relation to gross domestic product (GDP) 2022



Source: Statista Venezuelan 2018 Dossier, IMF

Following the Venezuela economic crisis, the citizens have fled to some parts of NA and most parts in Latin America, especially Colombia



In Latin America, **between 2015 and 2018 more than half a million residence permits were issued to Venezuelan nationals** by ordinary and extraordinary migration normative tools. The Venezuelan migrant population has benefitted from the approval of specific legislation in some countries

Colombia is the main destination for Venezuelans in South America. Additionally, a large percentage of Venezuelan citizens enter Colombia in transit towards third destination countries. This dynamic not only has remained steady, but also increased in recent months

Colombian government has come forward with special border legislation to provide necessary permits to the migrants

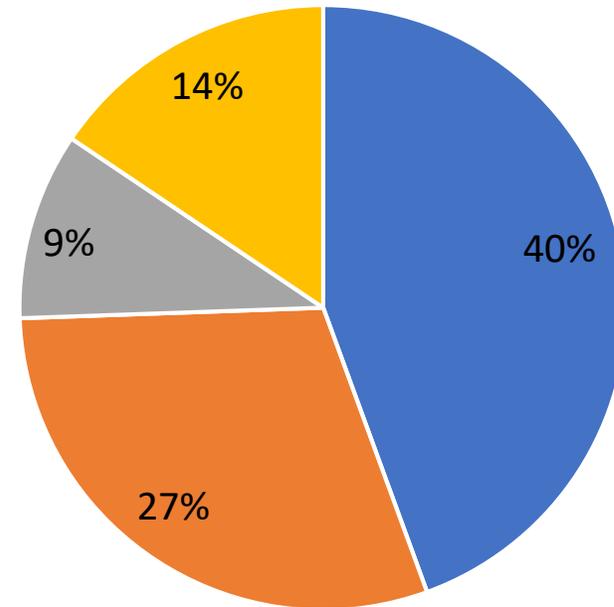


IOM Colombia co-leads together with UNHCR the coordination of the UN Border Inter-Agency Group. It also works with WFP and the Resident Coordinator on several activities

Migration Colombia (2018) estimated that around 870,093 Venezuelans are in the country

- In regular situation: **381,735**
- Recently granted legal position: **442,462**
- In irregular situation: **45,896** (exceeded the time of permanent situation or entered without authorization)

Special Permit has been issued mainly in the cities of Bogota, Medellin and Barranquilla

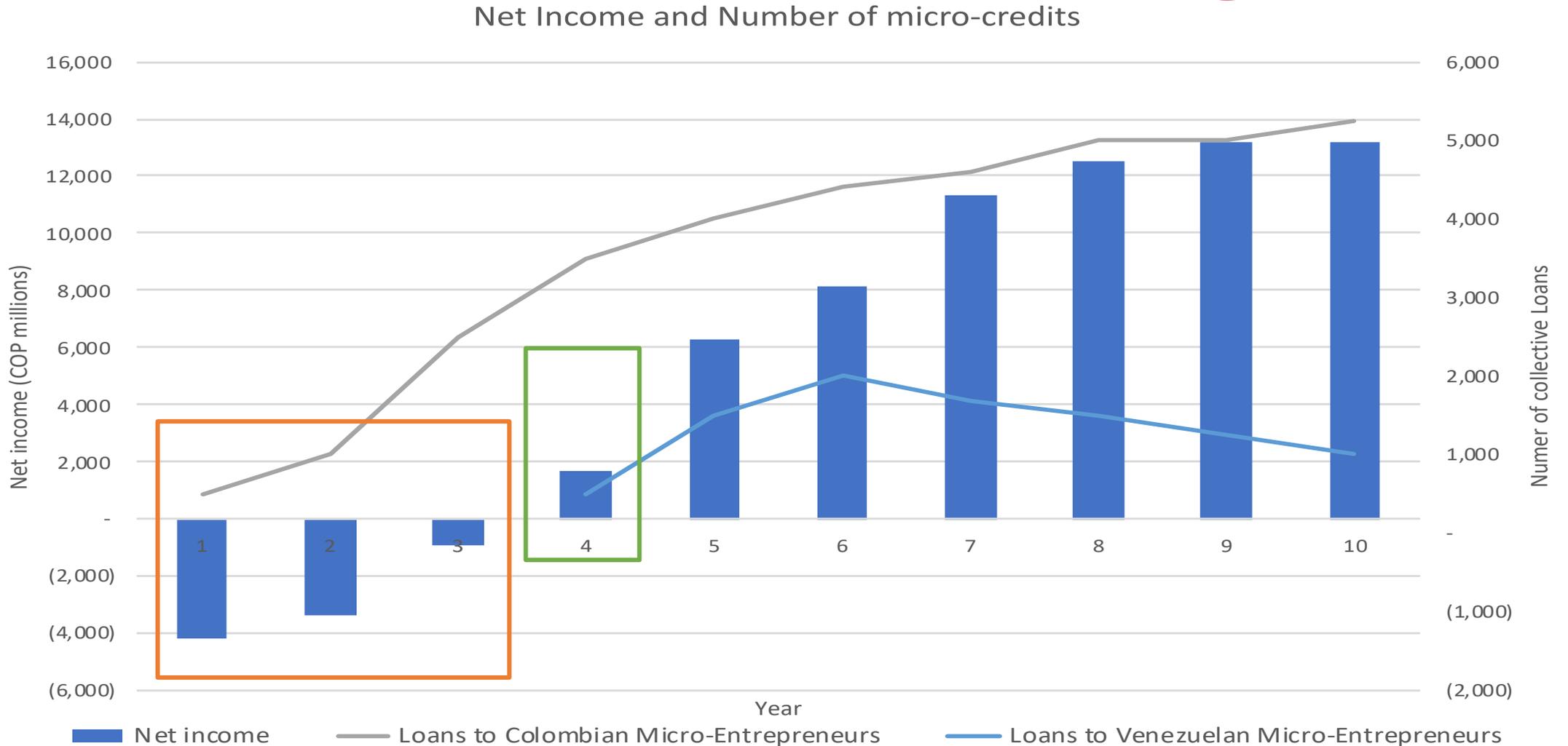


■ Bogota ■ Medellin ■ Baranquilla ■ Other cities

Breakeven will be reached after Year 3; Loans to Venezuelan micro-entrepreneurs are expected to decline after de-escalation of conflict



APPENDIX



Source: Team analysis, company projections