



NEWSLETTER PPP

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CONSULTANTS FOR MICROFINANCE & MICROENTERPRISE

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DEAR COLLEAGUES and FRIENDS

It's my pleasure to present to you the second PPP Newsletter. I invite you to learn more about our on-going work with our clients, the Microfinance Institutions (MFIs) around the globe, and also to see how we translate our ideas to other initiatives in the area of Social Projects, Education and the Microenterprise support. In the last 3 years, PPP conducted projects in 15 different countries, and in May 2008 you can find PPP consultants in 5 of them. In this issue of our newsletter, we will focus on projects that are conducted in our home market, Bolivia. They show an integrated approach to support the population not just with financial services but with many other key products that ensure a sustainable development away from the current sub-standard economic situation. We are certain that in a short period of time we will be able to export the concepts behind those projects also to other regions, maybe with your help.

Perfect Point Partners SRL (PPP) has developed a series of tools and approaches to support MFIs in a professional but also pragmatic way. We attempt to improve their operations and to ensure that the risks are well measured and managed. We perform Due Diligence projects, usually on behalf of investors before they make actual investment decisions. We conduct Cost/Efficiency Management projects which help institutions to gain an overview of the current situation regarding capacity utilization, bottle necks, product mix and overall organizational efficiency. Based on those results we conduct projects for Institutional Strengthening, containing aspects like decentralization, product development, process flow reorganization. In parallel to that we offer Risk Management services on a modular level to enable institutions to grow their risk management function synchronized to their overall business. Our consulting work is focusing on the most efficient ways to conduct business. We believe that this does not contradict the social mission of Microfinance, since an efficient operation allows an MFI to focus more on the social aspects of its mandate. As a second business area, we also focus on the work with Microenterprises. We discover and develop interesting Microenterprise initiatives and provide training based on ACCION's "Dialogo de Gestiones" program.

However, you might be interested to learn that aside from these projects we conduct our work on a far broader concept, which deals with other important ways to directly reduce poverty and help disadvantaged people to improve their economic conditions. On the following pages you will find a description of our work in Microenterprise development and the activities together with the project "Horizonte Ushpa-Ushpa", and consulting company "Educativo-Conser". We will inform you about the current situation of the Bolivian Microenterprise sector, including an interview with the Bolivian Enterprise Superintendent. We present you an interesting reforestation project by Bosques Tropicales. In addition we add news about PPP's on-going consulting work, seminars and other trends. I hope you enjoy the Newsletter and look forward to your feed-back!

Fabiana Pastor
General Manager

MICROFINANCE PLUS

THE VILLAGE DEVELOPMENT INITIATIVE: “HORIZONTE USHPA-USHPA PROJECT”

The core team that manages PPP today met for the first time in 2001 in a consulting project in Sucre, Bolivia. Christian Ruehmer, Fabiana Pastor, and Mauricio Moron worked on several other projects together since then and steer the team of 10 full-time-consultants. It was clear for us since the beginning, that the approach to alleviate poverty needs to be far broader than just financial services. Therefore, in 2004, Christian Ruehmer started with the support of local experts the village development program “Horizonte Ushpa-Ushpa”. The project is located in the outskirts of Cochabamba, Bolivia, in a settlement of 5,000 people.

“Horizonte Ushpa-Ushpa” is a village development project for a settlement of 5000 people in the outskirts of Cochabamba, Bolivia. The project offers a primary education for 200 children between one and 5 years, school education for currently 650 children between the age of 6-14 (planned to rise to 2000 by 2011), adult education, health care, sport and arts programs, microfinance, and microenterprise support. The project employs over 60 people, the administrative expenses necessary to run the project are below 0.2% of the total budget. The funding is achieved by donations, as well as profits from PPP and by personal contributions from the founder.

The team of “Horizonte Ushpa-Ushpa” now works with over 40 other organizations on a local, domestic, and international level. The project has received excellent feed-back and was voted repeatedly among the best of its class.

“Horizonte Ushpa-Ushpa” can serve as a blueprint for similar projects and we offer to share our experience in such efforts. We support other institutions that like to learn about organizing similar projects. PPP’s role in the project is to organize the microenterprise development and training as well as plan the microfinance initiative. “Working with the project gives us great insights in the actual ways how Microfinance can translate into improving living standards and where the obstacles are”, says Mauricio Rodriguez, PPP consultant and co-responsible for the microfinance initiative. To find more information, visit website at www.ushpa-ushpa.com or contact the Director for Administration and Communication, Nicola Pauli at Nicola.Pauli@ushpa-ushpa.com .



THE CONSULTING COMPANY FOR EDUCATION: EDUCATIVO-CONSER



Our latest venture arising from all the activities is the consulting company “Educativo-Conser”. As the focus of our work in Ushpa-Ushpa is to provide excellent educational programs, we figured that it is worth outsourcing that activity to a new company and offering services around education from there.

“Educativo Conser” is managed by the former Director for Education of “Horizonte Ushpa-Ushpa” and has four employees. The services on offer are: set-up, organization, and administration of educational projects, guides, training plans, impact studies, seminars, sample-classes, and training of educators. At this stage, the services are offered in Spanish only.



At the moment, their work involve: Elaboration of programs; Workshops for educational professors, students and family parents; Development of database of the Centers of Initial formation; Formation and upgrade to professors of the initial and primary levels; Training to family parents; Inter Institutional Agreements (Centers of Initial Formation); Support in the elaboration of curricular structures. To find more information, visit the website at www.educativo-conser.com or contact the Director Gisela Delgadillo at Gisela.Delgadillo@educativo-conser.com

Offering the services around education in combination with the services around the program of “Dialogo the Gestiones”¹, and the consulting services by PPP, we think we provide a round concept for the development sector. We use the high international interest in Microfinance and channel it in an efficient way so that the ultimate target population of Microfinance Institutions receives the support they need. We look forward to deal with many new customers and learn of similar concepts in the future. Please contact us with any question or support one of the mentioned experts or Christian Ruehmer (Christian@christianruehmer.com).

¹ For further information visit: www.perfectpointpartners.com/espanol/dialogog.html

BOLIVIAN MICROENTERPRISES:

According to experts, to absorb the annual growth of the economically active population in Bolivia, at least 150,000 new jobs need to be created. This only can be achieved through the creation of new enterprises². Currently, the big companies, whether state or privately owned, are not creating the quantity of jobs needed. In consequence, a large share of these new employments comes from new microenterprises. Specifically workers from poorer areas are the ones working in these jobs.



In many ways, it seems that these microenterprises are "light at the end of the tunnel" for unemployed in economies like the Bolivian, because they create a significant number of new jobs, the quality of these jobs it is superior to the alternatives in the completely informal economy. The jobs have at least the potential of covering the parameters that the OIT estimates necessary to be categorized as decent. The downside according to experts is however, that most of the microenterprises offer very limited development potential. They are basically self-employed people, with or without family support. So the focus should not just be in the promotion of microenterprises but in the training and development of entrepreneurs, right from the beginning of education. Only in this way the family based microenterprises have the potential to develop to small and medium companies, with a higher number of employees, capacity, markets, and quality. The problem is that few people in the microenterprise sector really consider themselves entrepreneurs by heart. It is not common to focus on such aspects like growth, product quality, or efficiency. This is one of the key problems of the Bolivian market. In order to change this, an integrated support is necessary. Financial services are important, but the aspects like political stability, legal security, and availability of trained employees are necessary to make sure that such entrepreneurial spirit can develop from the Microenterprise sector. "It is an enormous challenge" according to Miguel Hoyos³.

INTERVIEW WITH DR. ROLANDO MORALES, SUPERINTENDENT OF BOLIVIAN ENTERPRISES on May 5th 2008

1. Are the microenterprises improving the employment situation in Bolivia?

R. Undoubtedly yes! They are an important source of employment. One of the premises related directly with the objectives laid out in the National Plan of Development, is to support and promote enterprises that increase the production and employment. Also parts of this plan are: facilitating the access to the entrepreneurial activity, for small companies and groups, elimination of administrative obstacles and providing access to capital.

2. How important is the access to loans for Microenterprises?

R. Loans are generally short term and expensive. We need to develop also complementary funding mechanisms through domestic capital markets and exchanges.

3. What are the deficiencies that are common to Microenterprises?

R. Deficiencies are in the area of management, the development and realization of business plans.

4. Taking into account the support that the microenterprise sector has received so far, what is the reason that we don't see the expected results?

R. The problem is that many programs neglected the aspect of knowledge transfer. This shall not mean that programs shall stop, as they are too important to be ignored. They need to be improved.

² From the study: ¿Cómo el entorno empresarial afecta a la creación de empresas? Fernando Mirabal Palma, Diciembre 2006

³ General Manager of the private Second Tier Bank: Production Foundation (FUNDAPRO), La Paz-Bolivia

While the share of value added products in global trade is increasing, Bolivia is – more and more - dependent on the exploration of natural resources. In this context, Bolivia has a share of less than 0.015% of the world trade. On average, each Bolivian exports annually less than a fifth (USD 180), of the world’s average per person (USD 1,100). So from Bolivian perspective, the world offers an infinite market for domestic production. There are several tools to support the productive sector, such as technical support and facilities to obtain credits, but many of these still don't arrive at the micro entrepreneur. There are still too many administrative obstacles for entrepreneurs, the access to government programs is difficult and there is a lack of trained people. The Microfinance Industry does its share to help but it is only one aspect. We believe that improving the education and training of people entering the labor market can achieve a lot in areas like quality of services, negotiation techniques, leadership skills, and financial management. This can be a way to ensure that Bolivian entrepreneurs generate value added production and by that diminish unemployment, and increase the quality of life.

REFORRESTATION - BOSQUES TROPICALES

Bolivia is part of the Amazonian basin and possesses a large quantity of certified forests. The wood sector contributes with 3 % to the GDP of the country. Bolivia has 28.7 million hectares for existing and potential production.



The company Bosques Tropicales S.A. (BT) has developed a project that is at the same time ecological, sustainable, socially responsible, and profitable. Here is how it works:

BT searches and selects the plantation zones according to criteria that best fits the needs for the forestation. The ground is usually owned by cooperatives. The trees are planted and registered with the national forest supervision authority. The members of the cooperative look after the trees and receive a monthly payment.

In addition a monthly payment is provided to a foundation which organizes an educational program for the children in the cooperative. The growth of the forest is controlled and supervised by BT. At harvest, BT sells the forest at market rates. There is also the option to provide wood processing services like the production of furniture through accredited companies also

operating under criteria of social responsibility. Over time it is feasible for investors to also take advantage of selling carbon credits.

PPP is proud to promote this great initiative by providing the contact. In addition we developed a series of financing alternatives which allow investors to partially reduce their investment risk and guarantee a minimum return. In addition we also plan to cooperate with the project's foundation in the area of education services and training.

Please contact us with further questions



NEWS:

- **May 12 2008**, PPP open its new offices (B. Següencoma, Av. Michel #7572) in La Paz, to improve the attention to our clients (MFIs) and to begin the training courses of "Dialogo de Gestiones".
- Starting from **mid May 2008**, PPP together with "Horizonte Ushpa-Ushpa" and "Educativo CONSER" will be part of the Bolivian Entrepreneurship Net (www.boliviaemprededora.org.bo).
- **In May 2008**, PPP started consulting projects with FINCA Kosovo and with MKI Sinergija in Bosnia. Both projects are under the title of Institutional Strengthening and are follow-ups from initial product costing projects conducted in 2007. The projects will include topics like upgrade and adjustment of credit technology for individual credits, development of credit analysis software, decentralization and staff training.
- The Microbanking Summer Academy of Frankfurt School of Finance & Management takes place in Frankfurt am Main, Germany from **Aug 22nd to Sep 5th 2008**. This year, the program will be offered in a new, expanded concept. Three different modules will allow the participants to learn about different aspects of Microfinance. PPP founder, Christian Ruehmer will be part of the faculty, teaching a class on Credit Risk in the third module called "Commercial Microfinance in a Competitive Environment".

Visit our place web: www.perfectpointpartners.com

