

Aiming for perfection

Microfinance has evolved since it's origins to become an entity surpassing it's initial comprehension

» THE 2009 WORLD FINANCE ESG AWARD for the Best Microfinance Consulting Company was given to Perfect Point Partners srl (PPP). This is a great success for the small company with its Head Office in La Paz, Bolivia. Only five years ago, a group of microfinance experts planned and executed the creation of this unique venture. They developed from an idea to a successful company that supports microfinance institutions (MFIs) all over the world, as they handle the consequences of the global financial crisis.

Microfinance has been the focus of interest in the world of SRI. It is based on the general idea that financial services can help poor and underprivileged people to move out of the vicious circle of poverty and become part of a broader business community. Microfinance has many origins. The idea of self-organising lending groups to provide community financial services was the basis of many cooperative concepts in the nineteenth century in Central Europe. Over the past 20 years many key people, first and foremost the Nobel Peace Prize winner Muhammed Yunus took on the idea, and applied it to many countries in a successful manner. While there is always a critical discussion going on in the academic circles of developing finance about the pros and cons of MFIs, one can safely say that there are many microfinance ventures out there that helped micro entrepreneurs to develop.

Put into practice

There are many key functions in the microfinance world. First and foremost are the MFIs, founded frequently by international NGOs, or by motivated individuals in the home country. These MFIs develop into large institutions, and on some occasions, institutions of national interest. There are also the international



investors who are making investment decisions either based on socially responsible ideas or completely driven by economic factors. These investors helped through specialised investment funds to support the extraordinary growth of the past few years. Even more so, as domestic funding was not an alternative in the short run. Finally, there are the regulators who in some countries are already very familiar with the particularities of the sector.

The general idea in the microfinance industry was that, while international investors provided funds at market rates, technical assistance for MFIs needed to be sponsored or donated by third parties. This is where the people who founded PPP differed. Partners Christian Ruehmer, Fabiana Pastor, Renata Bejarano, Rolando Pereira and senior consultant Mauricio Moron-Benitez believed in the concept

that since technical assistance is actually there to help MFIs, there is a good reason why MFIs should pay for that. Based on this idea, they founded PPP in 2005. PPP is focusing on previously neglected areas like Efficiency Management and Risk Management. The tools and techniques are all self developed and are considered extremely useful for the clients.

With its focus on the areas Risk and Efficiency, PPP has hit the most important issues in today's crisis environment. Due to the favourable cost structure PPP offers its services at a very competitive rate. Today many investment funds hire PPP to look at business operations and risk profile of their portfolio investments. Also, many MFIs are in desperate need for support. As funding dries out, credit risk increases and liquidity ceased to

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exist. Many MFI managers are not prepared for that crisis. Being used to high double digit growth rates, these managers have no clear concept when facing a crisis of that scope. Funds can no longer provide funding at the past interest levels. On the other hand, MFIs were given the false security that future growth can be funded easily.

Worldwide issues

PPP was founded and registered as a Bolivian company. Bolivia offers great resources for microfinance related topics. Over the past decades, a lot of time and money was spent in Bolivia educating experts in the MFI sector. Bolivia was seen as a poster child in microfinance on a global level. Supporting other countries in their microfinance efforts is the logical consequence. PPP provides the necessary service and helps MFIs

to overcome the global crisis. PPP's work also involves personal coaching as MFI manager frequently cannot sustain the pressure anymore. PPP conducts work all over the world. By mid-May 2009 PPP consultants were involved with projects in Afghanistan, Tanzania and Bosnia. Here again, the fact that Bolivian consultants are well educated makes it easy to export their knowledge.

While PPP is a for-profit company, it also has a very well developed concept of social responsibility. The major part of PPP's profit is donated to a project run by one of PPP's senior partners.

This village development program serves 800 children and their families in an integrated way to move from poverty to middle class in 10 years. This program offers education, health care, cultural programs and

much more. The development of Microenterprise ideas is also part of the daily work. Through PPP involvement, knowledge about grassroots work has significantly improved. And the experience helps PPP understanding the nature of poverty related issues.

Overall PPP is a poster child of a well thought combination of providing professional services in a niche market, using excess profits to a domestic social project while compensating employees in a professional manner. PPP is only five years old at this stage and is ready for a dynamic future growth. They are happy to share experience with any interested party. ■

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