



Bloom Microventures

Tours Transforming Lives

...combining the power of microfinance and responsible tourism to fight poverty

www.bloom-microventures.org

Executive Summary for the D2Development Fund

Problem

Although Costa Rica is often classified as a middle income country and receives little official development assistance it still faces significant development challenges. For example, approximately one million people, 23.9% of the population, live below the poverty line (UNDP, 2008). Despite economic growth over the past fifteen years, the government has been unable to reduce the poverty rate below 1994 levels of 22.9% (World Bank). Furthermore, Costa Rica's high Gini coefficient index indicates a great income inequality among the populace (UNDP, 2009).

Coupled with the large number of those actually living below the poverty line, 71% of the population, i.e. 2.98 million people, *do not* have access to financial services. There are only 25 microfinance institutions in Costa Rica serving 1% of the population and only offering loans to 6% of the poor (CGAP.org). In the rural areas of the country's North West, where we will be locating, access to microfinance is particularly low. In this context, local communities are prey to moneylenders that charge astronomical rates. Here, there is an imperative development need for poverty alleviating microcredit.

Solution

Bloom Microventures provides microcredit to marginalized entrepreneurs in an attempt to tackle poverty using a unique model that harnesses the power of responsible tourism and microfinance.

By offering local day tours to surrounding rural communities, we give socially-conscious tourists the opportunity not only to get a unique in-depth experience of the area but also to contribute to the development of these communities. During the tours, tourists gain knowledge of microcredit, take in a few local attractions and meet our pre-screened groups of microentrepreneurs to learn about their livelihoods and how they plan to grow their businesses with a microloan.

A significant portion of the tour fee provides the capital for the microloans extended to the microentrepreneurs whom the tourists meet (beneficiaries, who participate in the touristic activities, will help Bloom Microventures design how and when these visits will take place). We thus provide a new and effective way for our tourists to become personally involved in the fight against poverty. Should the tour income exceed the loan size requested by the entrepreneurs the remaining money is put into a fund to attain financial sustainability and support larger future loans.

After the microentrepreneurs receive the loan, the repayments are collected by Bloom Microventures over a pre-determined period of time. Considering the high repayment rates seen in microcredit and the default reducing mechanisms (such as self-selecting groups and dynamic incentives) built into our microcredit model, a conservative estimate of a four percent default rate per annum still allows a financially sustainable operation (following our projections, we will be sustainable within less than one year of operations).

Once sufficient revenue is generated over time, it will be possible to sustainably scale to additional locations and, depending on regulatory environments, provide savings and insurance services. Our project's sustainability is furthermore enhanced through our online platform that will enable tourists to track the status of the microenterprises in which they have invested. In this way they can continue to support new initiatives and projects in communities to which they have developed a strong personal relationship.

Our goal is that we do not create dependency and that the businesses we support grow in the long run. We expect people to graduate from our loans and will provide assistance on how to seek other loans through the formal credit system once the business is well established enough. Furthermore, we will

consult with locals and engage them on every step of the project. We will employ local staff as soon as possible (also in leading positions) so that capacities are strengthened until the operations can finally be taken over by local people.

Having conducted extensive research on microfinance and specific models, we have yet to come across any organizations combining microfinance with responsible tourism. Bloom Microventures is tapping into a growing trend for responsible tourism. We expect a high demand for this service, especially given that the majority of tourists travelling to Costa Rica come from the US, a country with one of the most developed markets for philanthropy and social tourism.

The Team

Our team is composed of four DESTIN 2010 graduates with different levels of expertise in a wide variety of areas. Lain (MSc Dev. Studies) is currently on his fifth entrepreneurial venture having founded and set up a record label, an artist management outfit, an anti-human trafficking organization and a microfinance institution pilot in Mexico that used responsible tourism as its source of capital. Elena (MSc Dev. Management) holds an MBA and has set up her own consulting enterprise. Malte (MSc Dev. Studies) has entrepreneurial experience having run a website design enterprise and additionally has worked in development consulting. Felix (MSc Dev. Management) rounds out the team with his excellent sales and fundraising capabilities. Sadrudin Akbarali, a former Senior Manager for the Aga Khan Agency for Microfinance, and Sandra Sequeira, LSE lecturer on Development Economics, support us as external advisors.

