

NEWSLETTER PPP

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CONSULTANTS FOR MICROFINANCE & MICROENTERPRISE

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DEAR COLLEAGUES and FRIENDS

I would like to present you our first Newsletter. Perfect Point Partners SRL (PPP), is a consulting company specialized in Microfinance and Microenterprise with its home base in La Paz, Bolivia.

PPP and their team of ten full time consultants, have worked since its foundation in 2005, with over 38 MFIs in countries like Bolivia, Peru, Bosnia, Chile, Nicaragua Moldova, Bosnia and Uganda just to name a few, and countries of the Southeast of Europe and Central Asia.

In relative short time PPP was able to establish a high reputation for the quality and execution of its services. We were able also to show new clients the value we create for MFIs through our consulting efforts. This also helped us to expand not only geographically but also to add new areas of technical assistance. Some of our projects include not only product costing and efficiency management but expanded to help institutions improve their products, services, organizational structure, and outreach. Usually these topics are selected based on the findings of our original work. We also help our clients with strategic planning as well as the elaboration of long term development and growth plans to ensure that the technical and organizational capacity is aligned with the business goals

With this publication we would like to inform you - on a regular basis - about the work we are conducting. We also would like to present you some of our customers and, of course, like to introduce to you the Perfect Point Partners team. In this first issue we show you some of the results we found when working with a group of 21 MFIs in Bolivia last year. We introduce to you our latest customer in Southeast Europe, OMRO, and we present you Hidenori Nikaido Miyahara, one of our team members in La Paz



For more information on the company and its work, please visit our website:
www.perfectpointpartners.com.

Best Regards,

Fabiana Pastor
General Manager
Perfect Point Partners SRL

PRODUCT COSTING WITH 21 BOLIVIAN MFIs

During the year 2007, PPP has concluded with success a consulting project for 21 Microfinance Institutions in Bolivia. In this consulting project, which was assigned by the Fund of Development of the Financial System and of Support to the Productive Sector (FONDESIF) a Product Costing system was developed and installed in each of the 21 institutions. The institutions were selected by FONDESIF. After a first run of the product costing models and the subsequent analysis, we elaborated a set of results and based on them suggested further analysis and improvement in certain aspects of the administration of those MFIs. The results covered both, the operating as well as the strategic level. In the chart below, we show the most important topics of both type of analysis.

Table N° 1

Suggested Improvements based on the Results of the Product Costing Model in 21 MFIs	
<p>Operative Results:</p> <ul style="list-style-type: none"> • Homogenization and increase of operative process efficiency • Upgrade of the human resources policies • Improved client attention • Improved communication and internal coordination • Introduction or upgrade of MIS and on-line systems • Definition of Internal Audit role, • Upgrade of manuals and internal regulations • Introduction of report and internal control indicators (operative efficiency) • Installation of Integral Risks Unit, • Governance and Decentralization 	<p>Strategic Results:</p> <ul style="list-style-type: none"> • Fundamental cost reduction • Establishment of pricing policies, • Design of products • Adaptation to the norms issued by the Banking Supervision • Upgrade of strategic and business plans • Market positioning • Institutional funding • Financial policy (exchange risk, liquidity, legal reserve, effective and cash, treasury) • Staff motivation

Of special interest in the projects, was the analysis of the break even point and the profitability on a single product level. It revealed a series of interesting aspects for the institutions. A generalized list of our findings across all 21 institutions, which includes Savings and Loan Cooperatives (Credit Unions) and the Development Financial Institutions, can be seen in the following table:

Table No 2

Product Yield Analysis Results	
<p>LOANS:</p> <ul style="list-style-type: none"> • In most institutions, number of accounts concentrated on small disbursements amounts • Operative processes for small disbursement amounts are usually expensive • Subsequently in the lowest disbursements ranges, institutions lose money • However, overall as a total across all amounts positive profitability • Cross subsidy, covering losses of small credits with those high disbursement amounts • Overall the risk cost were at a high level but particularly concentrated with larger disbursement amounts 	<p>SAVINGS:</p> <ul style="list-style-type: none"> • Losses from accounts with smallest outstanding amounts • Frequently institutions pay above market rates for small deposits, • Lot's of inactive accounts with high maintenance cost • Since Operative process are largely independent from deposit amount, they are considered high for smaller deposits • There are not incentives to maintain the long term deposits.

One of the key effects of these very intensive projects was that we created awareness among the staff and the management for operating expenses and efficiency. As a result, many of them committed themselves to realize the improvements suggested by PPP. These changes will enable the institutions to increase efficiency. The institutions will be able to serve more clients using the same operating structure and increase their overall profitability. It was agreed also with FONDESIF that the institutions shall monitor their progress on a monthly basis.



ON-GOING PROJECTS

OMRO - ROMANIA

In February of 2008, PPP started another consultancy project in Southeast Europe in cooperation with EFSE, the European Fund for South East Europe. The project has the title "Development of Measure and Management Product Costing System", and the institution is Opportunity Microcredit Romania (OMRO), and MFI, localized in the city of Targu Mures in Romania.

OMRO is a Financial Non-Banking Institution that works in Romania since its foundation in 2000. It is part of Opportunity International Network, who's activity consists in providing opportunities for people in need, without racial, ethnic or religious discrimination. The financial loans were designed toward the development of small and medium enterprises (SME). In 2007, OMRO has disbursed around 3.000 loan credits for a value of 15 million Euros.

The main objective of the consultancy is to develop and implement - in coordination with the MFI - a product costing tool that allows the management to make decisions based on real information about the cost and the profitability generated by product, service or branch. Such analysis not only includes operating expenses but also the cost of risk as well as the cost of funding.

In addition, the work includes a detailed analysis of portfolio, definition of direct and indirect costs, analysis of operating efficiency, analysis of net profitability as well as the distribution of profitability among branches, products and loan sizes. Great emphasize is also put on the knowledge transfer to the institution through seminars, handbooks and through including employees of OMRO in the project team for the duration of the work. The project is partly sponsored by EFSE.

For the realization of the project, PPP has designated two senior consultants who carried out the on-field work, collecting information and analyzing the characteristics of OMRO. The project will have duration of three months. For further information about the institution, visit: www.opportunity.ro



MEET...



Hidenori Nikaido Miyahara, the latest addition to the team of Perfect Point Partners SRL. He joined PPP in November of 2007 as a Systems Engineer. His main responsibilities are the development of software for the product costing and risk models created by PPP, and development of systems and supportive software for PPP's clients. In this function he also supports our consultant Rolando Pereira. He is also responsible for the management of PPP's website. We are glad that we can count on Hidenori's expertise and we are sure that he will contribute a lot to the work of PPP.

NEWS

- **April 28 to May 1st 2008:** Perfect Point Partners SRL together with Microfinance Center (MFC) will carry out the Seminar: "Risk Management in Microfinance Institutions" in Warsaw - Poland.
- **March 2008:** PPP begins the consultancy: "Administration of Risks in the Financial ONG FUNDESER" of Nicaragua. More details about that project you will find in our in the next edition.
- **February 2008:** PPP begin the \a Feasibility Study for the opening of a microfinance institution as part of the charity project Horizonte in Uspha-Uspha, Cochabamba - Bolivia. We are evaluating the best method to combine charitable work with Microfinance using the experience of comparable ventures.
- **January 2008:** PPP obtains the license - for Bolivia - for the Program "Dialogo de Gestiones" developed by ACCION International. The program focuses on training and development of microenterprises and entrepreneurs. A training course for trainers was held in January, enabling 17 trainers "Facilitators" who will begin the management courses for micro and small entrepreneurs in La Paz and Cochabamba, Bolivia. www.perfectpointpartners.com/espanol/dialogog.html

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