Economist Intelligence Unit

The Economist

Global microscope on the microfinance business environment

A pilot index and study by the Economist Intelligence Unit

Commissioned by IDB CAF IFC International Finance Corporation World Bank Group

About this report

This report outlines the findings of the Economist Intelligence Unit's in-depth analysis of the microfinance business environment in 55 countries. The index that underlies this report allows countries and regions to be compared across three broad categories: regulatory framework, investment climate and institutional development. This study uses a methodology that has been employed for the last two years in a microfinance report on Latin America and the Caribbean, and is being piloted for the first time on a global basis. The 55 countries were selected based on the importance of their existing microfinance sectors or their potential for development. Future studies will build on this pilot project by increasing the number of countries covered, utilising new data, and refining the methodology. We welcome your feedback. Please contact us at Microfinance@economist.com.

This work was supported by financing from the Multilateral Investment Fund, part of the Inter-American Development Bank Group, the Corporación Andina de Fomento and the Netherlands Technical Assistance Trust Fund at the International Finance Corporation.

The complete index, as well as detailed country analysis, can be viewed at www.eiu.com/GlobalMicroscope2009, www.iadb.org/micamericas, www.caf.com/mipyme and www.ifc.org/microfinance.

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About the Economist Intelligence Unit

The Economist Intelligence Unit (EIU) is the business information arm of The Economist Group, publisher of The Economist. Through a global network of more than 650 analysts and contributors, the EIU continuously assesses and forecasts political, economic and business conditions in more than 200 countries. As the world's leading provider of country intelligence, the EIU helps executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies. For more information, visit www.eiu.com.

About the Multilateral Investment Fund

The Multilateral Investment Fund (MIF), an autonomous fund administered by the Inter-American Development Bank, provides grants, investments and loans to promote private sector growth, particularly micro and small businesses with high potential for poverty alleviation in Latin America and the Caribbean. For more information, visit www.iadb.org/mif.

About the Corporación Andina de Fomento

The Corporación Andina de Fomento (CAF) is a multilateral financial institution whose mission is to promote the sustainable development of its shareholder countries and regional integration. Its current membership comprises 17 countries in Latin America, the Caribbean and Europe, along with 14 private banks from the Andean region. With its headquarters in Caracas, Venezuela, CAF has offices in Buenos Aires, La Paz, Brasilia, Bogotá, Quito, Panama, Lima and Madrid. For more information, visit www.caf.com.

About the International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. IFC fosters sustainable economic growth in developing countries by supporting private sector development, mobilising private capital, and providing advisory and risk mitigation services to businesses and governments. For more information, visit www.ifc.org.

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Executive Summary

At a time when the world's richest countries are sinking into debt and middle-class consumers everywhere are defaulting on their loans, lending money to the world's poor hardly seems wise. Yet, the practice of providing small sums to low-income entrepreneurs—known as microfinance—has never been more popular, nor more important. Microfinance has existed in many forms for decades, but has only recently garnered global attention as a commercially viable activity that can offer real opportunities for micro-entrepreneurs. This is in large part due to the efforts of Mohammed Yunus, who founded Grameen Bank in 1983 and was awarded the Nobel Prize in 2006 for his efforts to increase financial access for the world's poor. His efforts have been advanced by a host of multilateral development agencies, which declared 2005 the "international year of microcredit" and now work to offer financial services to the unbanked in countries around the world.

Yet the development and regulation of microfinance as a stand-alone sector, as well as the business environments in which it operates, vary greatly from country to country. To map the differences in the landscape for microfinance globally, the Multilateral Investment Fund (part of the Inter-American Development Bank Group), the Corporación Andina de Fomento, and the International Finance Corporation commissioned the Economist Intelligence Unit to build upon a previous study, *Microscope on the Microfinance Business Environment in Latin America and the Caribbean*. Going beyond Latin America, this new report includes assessments of the microfinance environment in 34 countries across Asia, Africa, Eastern Europe and the Middle East. This study—and the index that sits behind it—ranks 55 countries worldwide, based on evaluations of each nation's regulatory, investment and institutional environment for microfinance. It is a pilot project—an attempt to evaluate countries across regions despite poor data and often incomplete information. Although it is impossible to capture every nuance of the microfinance environment, the report nonetheless highlights those countries that have made considerable gains in expanding financing options for the poor, and challenges those that still have work to do. For more information on the methodology and sources used for this study, please refer to the appendix.

This expanded global index evaluates microfinance as a commercially viable and sustainable activity using three distinct categories: 1) the institutional and regulatory framework for microfinance, including official legal recognition, interest rate restrictions, market distortions, capital requirements and regulatory capacity; 2) the general investment climate, especially accounting standards, governance tendencies and transparency requirements among microfinance providers; and 3) the level of institutional development, as measured by market concentration, the range of services provided beyond credit and the quality of borrower information.

The study assigns countries a score of 0-4 for each of 13 indicators, where 4 equals the best conditions for microfinance and 0 the worst. The indicators are then normalised so that each country is scored on a scale of 0=100 for each. These 13 indicators are then grouped into three categories to produce the overall index score. For the purposes of this study, microfinance institutions (MFIs) are defined narrowly, as those that provide "microcredit"—that is, loans to non-salaried workers that are typically less than or equal to 250% of gross national income per capita (GNI per capita). Microcredit operations are carried out by a variety of institutions, some regulated by financial authorities and some not.

This new global Microscope on Microfinance builds upon the methods employed in previous years. First, a larger and more diverse group of stakeholders were interviewed this year. Second, an online survey conducted in May through June of 2009 allowed researchers to solicit the views of an expanded community of microfinance specialists. Finally, as new data and sources become available, these were incorporated into the report.

For the inaugural year of the global Microscope on Microfinance, we have consulted with sector experts and drawn on a wide range of reports and data sources. In future years, we will expand and improve on these methods to establish an even better foundation for tracking the industry.

Key findings

Peru, Bolivia and the Philippines top the Economist Intelligence Unit's first annual global microfinance index. The commitment to microfinance of late has been particularly strong in Latin America, and this is reflected in the rankings: six of the top ten countries are from the region (with Ecuador, Nicaragua, Colombia and El Salvador joining Peru and Bolivia). Asia boasts two strong finishers (India, along with the Philippines), and two hail from Sub-Saharan Africa (Ghana and Uganda).

The countries at the top of the index share several characteristics. First, their governments seek to foster market development through policies that address microfinance activities directly. In cases where the sector is not specifically addressed by laws and regulations, the more general frameworks that govern microfinance still allow it to grow. Governments in these countries also refrain from implementing large-scale—and distorting—subsidy programmes. In cases where subsidies do exist, they have not crowded out microfinance provision by specialised microfinance institutions, NGOs and cooperatives. As a result, market competition and the range of products and services offered by MFIs in these countries is robust. In some cases governments have created specialised microfinance units within the central bank to accelerate development of the sector. Even with these steps, however, no country has a perfect environment for microfinance. Indeed, only two of the 55 countries scored above 70 on a scale of 0 to 100.

For those countries that score well, there are a variety of paths to the top. Some perform well in all three index categories: they have a favourable legal and regulatory framework, a moderately conducive investment climate and a strong level of institutional development*. (Peru, Bolivia, India, Colombia and El Salvador fall into this category). In other cases, a strong legal and regulatory framework and solid institutional development compensates for a relatively weak investment climate (Ecuador). For the Philippines, Ghana, and Uganda, scores for the legal and regulatory framework are notably higher than for institutional development and the investment climate. Other countries, such as Nicaragua, have a high level of institutional and market development that compensates for a legal framework and investment climate of modest quality.

Generally, the countries at the bottom of the index do little formally to recognise and facilitate the private provision of microfinance. Some governments also intervene heavily with first or second-tier microfinance subsidies, offering unsustainably low interest rates and weak loan repayment terms that render microfinance unprofitable for independent institutions. Moreover, it is often difficult to form and operate regulated MFIs in these countries, either because there is no explicit process for institutions to specialise in microfinance, or because the rules that govern these institutions are difficult to satisfy.

* As defined on page 4, institutional development refers to market concentration, the range of services provided beyond credit and the quality of borrower information

In some cases unregulated institutions such as NGOs are not allowed to engage in microlending, or it is unclear whether the law allows NGOs to do so. Where NGOs and unregulated cooperatives are permitted to operate freely, they often do so under the shadow of large state-run programmes or as part of larger mass movements linked to ethnic or cultural identities. Competition and product development are limited, and credit bureaus provide little information on microfinance clients, if any.

Two East Asian countries, Thailand and Vietnam, rank lowest in the index, scoring just over 20 out of 100. A handful of Latin American and Caribbean countries—specifically, Trinidad and Tobago, Jamaica, Venezuela and Uruguay– perform only slightly better, generally scoring in the mid-20s. Azerbaijan, Lebanon, Mongolia and Nepal fill out the bottom ten.

As with the top-ranked nations, countries struggle for different reasons. Some, such as Thailand and Vietnam, posted poor scores across all three index categories. For others, including Azerbaijan, Lebanon and Mongolia, weak institutional development scores weigh on the legal and regulatory framework, indicating that competition needs to increase, MFIs should offer more products, and client information-sharing must be strengthened. Nepal has its own struggles: although its institutional development for microfinance is reasonably good (ranked 20th) no country in the index has a worse investment climate. On the flip side, countries with favourable investment climates—Jamaica, Trinidad and Tobago, Uruguay and Venezuela—can score poorly in the overall index, suggesting that relatively good economic development has not spilled over to the microfinance sector. (The model weights also play a role here, as they place more importance on regulations and institutional development than on investment factors.)

A note on regional representation in this study

This pilot global index builds on earlier studies of Latin America and the Caribbean; as a result, countries from that region are somewhat over-represented in the study (21 of 55). Countries in other regions were selected on the basis on the importance of their existing microfinance sectors or the potential for future market development. The study therefore provides differing levels of geographic coverage: 12 countries were selected from Sub-Saharan Africa, five from South Asia, seven from East Asia, three from the Middle East and North Africa, and seven from Eastern Europe and Central Asia. These differences in coverage impact the regional outcomes and should be weighed carefully when evaluating index results beyond individual country scores.

Microscope indicators

The 13 indicators for this index, and the categories into which they are subdivided, are as follows:

Regulatory framework
1) Regulation of microcredit operations
2) Formation and operations of regulated/supervised specialised MFIs
3) Formation and operation of non-regulated MFIs
4) Regulatory and examination capacity

Investment climate
1) Political stability
2) Capital market stability
3) Judicial system
4) Accounting standards
5) Governance standards
6) MFI transparency

Institutional development
1) Range of MFI services
2) Credit bureaus
3) Level of competition

Scoring methodology: Each of the 13 scoring criteria are scored from 0 to 4, where 4= best and 0 = worst. These indicator scores are aggregated to produce an overall scoring range of 0 – 100, where 100= best. Overall scores and rankings were calculated by attributing a 40% weight to Regulatory framework and Institutional development category scores and a 20% weight to the Investment climate category score. For a detailed description of the scoring methodology, please refer to the appendix

Regional strengths and weaknesses

Latin America and the Caribbean holds the lead position in the overall index, with South Asia just behind. That said, regional performance is mixed across the three index categories, with some unexpected results.

Regional rankings: Legal and regulatory framework

The Sub-Saharan African region enjoys the best legal and regulatory frameworks This is the result of regulators' openness to introducing microfinance-specific laws and regulations. Ten of the 12 countries in the region rank in the top half in this category, with individual countries scoring as high as 81.3 and no lower than 43.8. The second-best region in this category is Eastern Europe and Central Asia. Its government officials are generally microfinance-friendly, and individual countries can score above 80 (Kyrgyzstan). Only two of the seven countries in this region score below 40 (Azerbaijan and Turkey). East Asia ranks third, thanks to high scores by Cambodia and the Philippines, whose strengths pull up the average regional score. Countries in Latin America and Caribbean show no clear trend in this category, and the region ranks fourth. South Asia comes next; Bangladesh, Nepal and Sri Lanka depress the regional average, despite good scores for Pakistan and India. In the Middle East and North Africa, only Yemen demonstrated a considerable level of legal and regulatory development, scoring just over 60.

Regional rankings: Investment climate

Eastern Europe and Central Asia has the strongest investment climate of any region. This is due largely to strong accounting standards and good governance and transparency. Latin America and the Caribbean follows close behind, as its MFIs also uphold good industry standards. The Middle East and North Africa ranks higher here than in the other two categories, thanks to Morocco's favourable score. South Asia and East Asia rank fourth and fifth, respectively. Some East Asian countries score particularly poorly for their accounting standards, and struggle to be transparent. At the same time, their governance practices are on a par with the global average and are better than those in South Asia. Finally, Sub-Saharan Africa scores lowest for investment climate because of political instability, weak judicial systems and shallow capital markets.

Regional rankings: Institutional development

The South Asian region ranks highest for its institutional development, which should not be surprising due to the region's pioneering role in microfinance. MFIs in South Asia generally offer a modest-to-wide range of services, markets are fairly competitive, and reliable credit bureaus exist in three of the five countries (though generally these do not yet cater to microfinance institutions). Credit bureaus in Latin America do the best job of incorporating microfinance information and institutions, a key reason why this region ranks second for institutional development. Competition is moderate, and MFIs offer at least a modest range of services. For Sub-Saharan Africa, institutional development scores are generally low (50 or below). Although the region's MFIs generally offer services beyond microcredit, credit bureaus are weak and competition is commonly concentrated in the hands of a few market players. Eastern Europe and Central Asia ranks fourth in institutional development, but its credit bureaus score second-best after those of Latin America and the Caribbean. MFIs tend to provide a limited range of services, however, and competition levels are low. East Asia shows a similar lack of competition, low product diversification (with the exception of the Philippines) and weak credit bureaus that do not adequately serve MFIs. The Middle East and North Africa ranks last in this category.

Changes for Latin America and the Caribbean since 2008

Annual changes in the scores and relative rankings of the Latin American and Caribbean countries can be compared with the Economist Intelligence Unit's previous studies of the region in 2007 and 2008. Two Andean countries—Peru and Bolivia—showed the highest overall scores this year, as they did last year. However, their scores both fell by almost three points owing to adjustments in legal and regulatory framework scores and minor losses in their investment climate scores, though they obtained the top places for institutional development not just regionally but also worldwide. The third-ranked country in the 2008 Microscope study, Ecuador, ranked sixth place globally, but retained its position in the Latin American and Caribbean region. However, it fell by ten points (the most of any country), owing to a downgrading in all aspects of its business environment for microfinance because of weaker regulations, institutions and industry standards. Guatemala lost 2.2 points overall due to a downgrade in its regulatory environment for microfinance. El Salvador lost 1.5 points in the index due to lower scores in the institutional development and investment climate categories. Less stringent accounting standards and industry transparency issues caused the Dominican Republic and Venezuela to both slip one point. Two countries lost less than half of a point because of minor decreases in general business environment scores (Mexico and Paraguay). Scores for Colombia and Uruguay registered no net change since last year.

Nine countries improved their overall index scores. Chile was the most improved, as better scores in two of its indicators of microfinance regulatory quality caused an overall increase of 4.8. Brazil saw an overall improvement of over two points due to better regulatory capacity, as did Argentina for the same reasons. Costa Rica's score increased by 2.2 points thanks to its regulation of specialised MFIs. Haiti, Honduras, Jamaica and Panama saw their overall scores improve between 2 and 3.5 points mainly thanks to strengthened institutional development scores. Nicaragua's overall score increased slightly due to improvements in industry transparency and the quality of its credit bureaus for microfinance, despite a decrease in the range of services offered by MFIs since last year.

Regional and country rankings

Overall score

Rank	Region	Score
1	LATIN AMERICA/CARIBBEAN	46.4
2	SOUTH ASIA	46.3
3	ALL COUNTRIES	43.0
4	SUB-SAHARAN AFRICA	42.1
5	ALL ASIA	41.4
6	EASTERN EUROPE/CENTRAL ASIA	41.1
7	EAST ASIA	37.8
8	MIDDLE EAST/NORTH AFRICA	33.9

Regulatory framework

Rank	Region	Score
1	SUB-SAHARAN AFRICA	59.9
2	EASTERN EUROPE/CENTRAL ASIA	52.7
3	ALL COUNTRIES	52.1
4	EAST ASIA	50.0
5	LATIN AMERICA/CARIBBEAN	49.7
6	ALL ASIA	49.5
7	SOUTH ASIA	48.8
8	MIDDLE EAST/NORTH AFRICA	45.8

Investment climate

Rank	Region	Score
1	EASTERN EUROPE/CENTRAL ASIA	47.9
2	LATIN AMERICA/CARIBBEAN	46.6
3	MIDDLE EAST/NORTH AFRICA	44.5
4	ALL COUNTRIES	43.3
5	SOUTH ASIA	40.8
6	ALL ASIA	39.7
7	EAST ASIA	39.0
8	SUB-SAHARAN AFRICA	38.0

Institutional development

Rank	Region	Score
1	SOUTH ASIA	46.7
2	LATIN AMERICA/CARIBBEAN	42.9
3	ALL ASIA	34.0
4	ALL COUNTRIES	33.8
5	SUB-SAHARAN AFRICA	26.4
6	EASTERN EUROPE/CENTRAL ASIA	26.2
7	EAST ASIA	25.0
8	MIDDLE EAST/NORTH AFRICA	16.7

Overall score

Rank	Country	Score
1	Peru	73.8
2	Bolivia	71.7
3	Philippines	68.4
4	India	62.1
5	Ghana	60.9
6	Ecuador	59.7
7	Nicaragua	58.7
8	Colombia	58.6
=9	El Salvador	57.5
=9	Uganda	57.5
11	Pakistan	56.5
12	Kyrgyzstan	56.2
13	Kenya	55.8
14	Cambodia	54.1
15	Guatemala	51.8
16	Panama	50.9
17	Paraguay	49.5
18	Honduras	49.3
19	Tanzania	48.4
20	Chile	48.0
21	Mexico	47.3
22	Dominican Republic	47.0
23	Georgia	45.1
24	Brazil	44.0
25	Armenia	43.9
26	Bosnia	43.1
27	Bangladesh	42.7
28	Costa Rica	42.5
29	Yemen	42.1
=30	Sri Lanka	40.4
=30	Tajikistan	40.4
32	Mozambique	40.3
33	Nigeria	39.4
34	Rwanda	38.6
35	Democratic Republic of Congo	36.8
36	Indonesia	35.2
37	China	34.1
38	Haiti	33.4
39	Senegal	32.6
40	Madagascar	32.3
41	Cameroon	31.6
42	Ethiopia	31.3
43	Argentina	30.8
=44	Morocco	30.3
=44	Turkey	30.3
=46	Mongolia	30.0
=46	Nepal	30.0
48	Lebanon	29.3
49	Azerbaijan	29.0
50	Uruguay	28.4
51	Venezuela	24.1
52	Jamaica	23.7
53	Trinidad and Tobago	22.9
54	Vietnam	21.6
55	Thailand	21.2

Regulatory framework

Rank	Country	Score
=1	Cambodia	87.5
=1	Philippines	87.5
=3	Bolivia	81.3
=3	Kenya	81.3
=3	Kyrgyzstan	81.3
=3	Peru	81.3
=7	Ghana	75.0
=7	Pakistan	75.0
=7	Uganda	75.0
=10	Ecuador	68.8
=10	Tajikistan	68.8
=10	Tanzania	68.8
=13	Colombia	62.5
=13	Democratic Republic of Congo	62.5
=13	El Salvador	62.5
=13	India	62.5
=13	Paraguay	62.5
=13	Yemen	62.5
=19	Georgia	56.3
=19	Mexico	56.3
=19	Mozambique	56.3
=19	Nicaragua	56.3
=19	Nigeria	56.3
=19	Panama	56.3
=19	Rwanda	56.3
=26	Armenia	50.0
=26	Bosnia	50.0
=26	Brazil	50.0

continued

Rank	Country	Score
=26	Cameroon	50.0
=26	Chile	50.0
=26	Dominican Republic	50.0
=26	Guatemala	50.0
=26	Honduras	50.0
=26	Madagascar	50.0
=35	Bangladesh	43.8
=35	China	43.8
=35	Costa Rica	43.8
=35	Ethiopia	43.8
=35	Haiti	43.8
=35	Indonesia	43.8
=35	Mongolia	43.8
=35	Senegal	43.8
=43	Azerbaijan	37.5
=43	Lebanon	37.5
=43	Morocco	37.5
=46	Nepal	31.3
=46	Sri Lanka	31.3
=46	Uruguay	31.3
=46	Vietnam	31.3
=50	Argentina	25.0
=50	Jamaica	25.0
=50	Turkey	25.0
=50	Venezuela	25.0
=54	Thailand	12.5
=54	Trinidad and Tobago	12.5

Investment climate

Rank	Country	Score
1	Chile	73.3
2	Turkey	68.1
3	Bosnia	65.6
4	Morocco	59.7
5	Panama	58.3
6	Costa Rica	58.1
7	Mexico	57.5
8	Peru	56.4
9	Trinidad and Tobago	56.1
10	Ghana	54.4
11	Uganda	54.2
12	Brazil	53.6
13	Armenia	53.1
14	India	51.9
15	Jamaica	51.7
16	Colombia	51.4
17	Philippines	50.6
18	Kenya	50.0
19	Pakistan	49.2
20	Nicaragua	47.5
=21	Bolivia	46.1
=21	Georgia	46.1
=23	El Salvador	45.8
=23	Uruguay	45.8
=25	Cambodia	45.6
=25	Mongolia	45.6
=27	Bangladesh	42.5
=27	Guatemala	42.5

continued

Rank	Country	Score
29	Senegal	41.9
30	Sri Lanka	39.4
=31	Mozambique	38.9
=31	Paraguay	38.9
=33	Indonesia	38.3
=33	Lebanon	38.3
35	Tanzania	37.8
36	Argentina	37.5
37	Venezuela	37.2
38	Azerbaijan	36.4
39	Yemen	35.6
40	Ethiopia	35.3
=41	Dominican Republic	35.0
=41	Kyrgyzstan	35.0
43	Nigeria	34.2
44	China	33.1
45	Thailand	31.1
46	Tajikistan	30.8
47	Rwanda	30.3
48	Honduras	29.7
49	Haiti	29.4
50	Vietnam	28.6
51	Madagascar	28.1
52	Ecuador	27.5
53	Democratic Republic of Congo	25.8
54	Cameroon	24.7
55	Nepal	20.8

Institutional development

Rank	Country	Score
=1	Bolivia	75.0
=1	Peru	75.0
=3	Ecuador	66.7
=3	India	66.7
=3	Nicaragua	66.7
=6	Colombia	58.3
=6	El Salvador	58.3
=6	Guatemala	58.3
=6	Honduras	58.3
=6	Philippines	58.3
=11	Dominican Republic	50.0
=11	Ghana	50.0
=11	Sri Lanka	50.0
=14	Bangladesh	41.7
=14	Kyrgyzstan	41.7
=14	Pakistan	41.7
=14	Panama	41.7
=14	Paraguay	41.7
=14	Uganda	41.7
=20	Argentina	33.3
=20	Armenia	33.3
=20	Brazil	33.3
=20	Chile	33.3
=20	Costa Rica	33.3
=20	Georgia	33.3
=20	Kenya	33.3
=20	Mexico	33.3
=20	Nepal	33.3

continued

Rank	Country	Score
=20	Tanzania	33.3
=30	Bosnia	25.0
=30	Cambodia	25.0
=30	China	25.0
=30	Haiti	25.0
=30	Indonesia	25.0
=30	Mozambique	25.0
=30	Nigeria	25.0
=30	Rwanda	25.0
=30	Thailand	25.0
=30	Yemen	25.0
=40	Azerbaijan	16.7
=40	Cameroon	16.7
=40	Democratic Republic of Congo	16.7
=40	Ethiopia	16.7
=40	Lebanon	16.7
=40	Madagascar	16.7
=40	Senegal	16.7
=40	Tajikistan	16.7
=40	Trinidad and Tobago	16.7
=40	Turkey	16.7
=40	Uruguay	16.7
=40	Venezuela	16.7
=52	Jamaica	8.3
=52	Mongolia	8.3
=52	Morocco	8.3
=52	Vietnam	8.3

Interest rates in Latin America and the Caribbean

Interest rates are the lifeblood of every financial-services firm. Lenders who charge too little for their money, or don't price risk properly, inevitably fail. Yet microfinance institutions (MFIs) find themselves in an awkward position when it comes to charging for their services. Given the perceived higher risk profile of their (low-income and asset-poor) clients, market forces suggest they should charge high interest rates. But elevated rates would seem to conflict with their mission to reach low-income populations. To better understand interest-rate dynamics across Latin America and the Caribbean, the Multilateral Investment Fund of the Inter-American Development Bank Group collects data on the so-called microfinance premium, or the difference between what mainstream banks and MFIs charge for loans. Data on microfinance interest rates are, however, not directly available by country, so the Multilateral Investment Fund uses a proxy—nominal financial revenue as a share of average loan portfolio, or the microfinance ratio—to compare the relative rates offered by MFIs and banks (see table below).

Data for 2008 shows a year-over-year decline in the microfinance ratio (or rate) for several of the Latin American and Caribbean countries covered in our report. Most noticeably, Honduras, Paraguay and the Dominican Republic saw declines of two percentage points or more in their microfinance ratio; another four countries had smaller decreases. As a 2009 study by the Consultative Group to Assist the Poor (CGAP) notes, absent changes in the cost of capital or MFI profit margins, falling MFI rates are typically caused by administrative and operational efficiencies. These may, in turn, be related to the average age and size of a country's MFIs—up to a level of about 2,000 borrowers per institution, micro-lenders seem to become more efficient. In a relationship suggested by economic theory but only incompletely borne out by evidence, the level of competition in a country's microfinance market should also play a role in reducing rates. Since detailed country-level data are unavailable for many of these variables, firm conclusions are not possible, but some suggestions can be offered.

Due to the competitive nature of certain markets in the region, such as Bolivia, Honduras, and Peru, a fall in microfinance premiums—as microfinance rates approach bank rates—is not surprising. Yet, the premium also declined in the Dominican Republic and Venezuela, where there is much less competition. Importantly, the narrowing spread in Venezuela is not due to falling MFI rates (they remained fairly constant) but rather to increasing commercial bank rates. Interestingly, this dynamic is also present in Bolivia and Peru to a certain extent, where the change in microfinance ratios was smaller than the upward change in the bank ratio, which ultimately contributed most to these countries' decreased microfinance premium since 2007.

In three countries in the region—Argentina, Mexico, and Panama—premiums rose significantly and increases ranged from 4.5 to 21 percentage points. This is not surprising as these countries have uncompetitive markets. However as with other countries, it would be important to also look carefully at average institution age and size—when they are too young and small, operating efficiency is low—and issues that may be unique to each country, such as interest-rate caps and first and second-tier subsidy programmes. It also remains to be seen whether the recent rise in microfinance ratios in some countries marks a reversal of the broader declines noted by CGAP earlier in the decade or if it is simply a short-term anomaly.

Nominal financial revenues/Average loan portfolio (as a proxy for interest rates)[1]
(Selected countries circa 2008)

Country	Microfinance ratio (a)	Bank ratio (b)	Microfinance premium (a)-(b)
Argentina	56.1	17.5	38.6
Bolivia	20.6	15.2	5.4
Brazil	21.7	24.8	-3.1
Colombia	30.0	32.6	-0.6
Dominican Republic	33.6	19.1	14.5
Ecuador	21.1	12.9	8.3
El Salvador	24.6	14.2	10.4
Guatemala	25.8	17.3	8.5
Haiti	48.9	n.a.	n.a
Honduras	27.9	18.1	9.8
Mexico	82.2	25.8	56.4
Nicaragua	31.5	19.4	12.1
Panamá	44.8	9.5	35.3
Paraguay	32.0	n.a.	n.a.
Peru	30.5	18.0	12.5
Venezuela	30.3	28.6	1.7
–LAC Weighted Average	29.5[2]		

Sources: Microfinance data sources include the MIX Market, microfinance networks, regulators and primary information. Bank data (413 banks) were sourced from the Federación Latinoamericana de Bancos (FELABAN) Boletín Financiero Mensual December 2007 and December 2008), as well as the Central Bank of Argentina, the Banking Superintendency of Ecuador and the Central Bank of Brazil.

(1) Ratios are weighted by total loan portfolio.

(2) All institutions (293 microfinance institutions) in the region with available information and with a microcredit portfolio of more than 30% of total portfolio were included in this calculation.

Additional information on methodology and database updates may be found at www.iadb.org/micamericas.

Deposit-taking around the world

Microfinance institutions (MFIs) have become increasingly sophisticated in recent years and are growing in many parts of the world. Yet they face challenges, including lowering their cost of capital, decreasing foreign-exchange risk and broadening their lending activities. One strategy for achieving these goals is to become a public deposit-taking institution. Indeed, a 2009 report by MIX Market, which tracks the microfinance industry, states that savings mobilisation now represents more than half the assets held by deposit-mobilising MFIs. Just as deposits allow commercial banks to establish a stable, relatively low-cost funding base, deposits permit MFIs to replace expensive debt and equity funding, increasing their capacity to lend. Deposit-taking strategies also hold an added benefit for MFIs by making them less dependent on foreign and domestic donor financing. Finally, accepting deposits brings MFIs closer to achieving economic development goals, as these institutions can leverage their existing client base and business expertise to effectively promote a culture of saving and formal banking among low-income populations.

Deposit-taking is normally associated with commercial banks, and the right to accept savings from the public usually comes with a high level of regulatory scrutiny. MFIs, in fact, struggle to meet the requirements to transform themselves into more traditional, regulated institutions. In some countries, regulated MFIs (in the form of non-banking financial institutions, or NBFIs) are only allowed to mobilise deposits if they meet certain prudential, reporting and minimum capital requirements. Yet a global survey of microfinance providers and experts on the state of deposit-taking shows that even in these cases regulatory requirements can present significant obstacles. The reporting, prudential and operating standards required of a traditional bank—which can be time-consuming and costly—can be prohibitive for an MFI with little cash and a small staff. MFIs often seek multilateral training and assistance to obtain the necessary human capital, as many developing countries struggle to produce a critical mass of educated accountants and business professionals. These professionals, when available, may also choose to work for larger businesses that pay high salaries and have an international reputation rather than for MFIs. Furthermore, without investing in the necessary IT infrastructure, MFIs struggle to execute the logistics of account administration and reporting requirements. In other cases, it is difficult for them to obtain deposit insurance and the other risk-management tools that make deposit-taking a source of financial stability.

Moreover, regulators are not eager to award deposit-taking licences to MFIs. Overseeing MFI deposit-taking requires technical skill and manpower that many governments struggle to provide even for the more traditional financial system. Indeed, in some countries, such as Armenia, Georgia and Turkey, the regulated non-bank financial institutional forms most commonly adopted by MFIs are prohibited from collecting public deposits. In other countries—Lebanon, for example—the law is silent on deposit-taking by non-governmental organisations or specialised MFIs, creating considerable uncertainty for those institutions contemplating such a course. MFIs therefore continue to fall back on other ways to finance their loans, such as debt, donor funds and wholesale funds from commercial banks.

Some countries are addressing these challenges by adopting legal and regulatory frameworks that explicitly allow and govern microfinance deposit-taking and mobilisation. For example, Mozambique and Uganda have recently put tier-based regulations in place to supervise deposit mobilisation, communicating their openness to MFI deposit-taking. One reason for this openness is that African governments often receive a high level of budget support from international and multilateral donors that advocate frameworks such as these, whereas Latin American and Asian governments are less beholden to donors. Kyrgyzstan and Tajikistan are exceptions in Central Asia as they have implemented similar deposit-taking regulations to encourage MFI activity.

For those countries that have adapted adequate policies to promote such activities, the rewards of success can be significant. For example, in 2008 Bangladesh's Grameen Bank, perhaps the world's most famous MFI, generated almost half of its US$934m in deposits from non-borrowers. As microfinance grows, new sources of funding will become critical, and deposit-taking is an increasingly promising option.

Top performers by region

This section spotlights the performance of 20 regional leaders, showcasing each in a brief country profile. All information on these countries has been constructed using summaries of more detailed indicator justifications in the Microscope model, which can be accessed at www.eiu.com/GlobalMicroscope2009, www.iadb.org/micamericas, www.caf.com/mipyme and www.ifc.org/microfinance.

Due to the large number of countries in this study, a proportionate number of the best-ranked countries from each region have been profiled in this report. Countries are listed in rank order and are grouped by region. Year-on-year changes are displayed for Latin American countries only. For a more detailed breakout of year-on-year score changes or country evaluations, please refer to the 2009 Microscope on Microfinance Excel model available at the links indicated previously.

Latin America and the Caribbean

Peru

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	1	3 (tied)	8	1 (tied)
Score	73.8	81.3	56.4	75.0
2008-2009 change	-2.8	-6.2	-1.6	–

Peru receives a score of 3 (out of a possible 4) for regulation of microcredit by established financial institutions, suggesting that regulations create only minor obstacles. The regulatory framework is spelled out in the General Law of the Financial and Insurance Systems. The Superintendency of Banking, Insurance, and Pension Funds (SBS) is the principal regulator. Documentation requirements are not burdensome, and capital-adequacy ratios are reasonable. In Peru there are two other types of regulated MFIs besides commercial banks, and these fall in the traditional institution category: municipal savings and loan institutions (cajas municipales de ahorro y crédito, or CMACs) and rural savings and loan institutions (cajas rurales de ahorro y crédito, or CRACs). There are no interest rate restrictions and there has been no direct competition from any publicly subsidised retail financial institutions. However, some institutions have offered concessional loan terms and interest rates which some MFIs believe include direct or indirect subsidies.

Peru achieves the highest possible score for ease of formation and operation of specialised MFIs. The law allows for microfinance providers to form EDPYMEs (Entidades de Desarrollo de la Pequeña y Micro Empresa), a class of regulated MFI. These are non-deposit-taking institutions that are often owned by NGOs. Difficulty in raising capital, particularly through deposit-taking, has been the one weakness of this otherwise potent MFI vehicle. Most of the currently existing EDPYMEs were formerly credit NGOs. Until now, their numbers and profitability have increased, and as a group their combined portfolios recently surpassed those of cajas rurales.

Peru also achieves the highest possible score for its regulatory and examination capacity. The SBS enjoys a good reputation and was rated 96.6 out of 100 in 2005 by a combined World Bank-IMF mission for the quality of its general financial regulation and supervision. It has developed specific regulations and methodologies for regulating MFIs, such as loan-loss provisioning based on loan status rather than institution type. The SBS has a well-trained, professional microfinance department and specific reporting and risk provisioning requirements for microfinance. The adoption of a new decree expanding access to capital markets for regulated non-bank MFIs and a willingness to adapt regulations over time, such as counter-cyclical loan loss provisions adopted during the current global crisis, reflect a high level of capacity and flexibility.

Peru achieves a score of 3 for indicators of institutional development in the MFI market, including the range of services offered. Regulated institutions have innovated in providing savings, checking, ATM, fund transfer, insurance, and other products. CMACs and CRACs offer both savings products and funds transfers. EDPYMEs, though not allowed to take deposits, should be able to provide a wider range of services thanks to a June 2008 decree expanding their access to capital markets. CMACs and CRACs will also have expanded access to capital markets and will be able to offer more services under this decree. Peru's market remains highly active and very large by regional standards, with the total microfinance market portfolio spread across a high number of institutions on a national level, awarding the country a score of 3 (quite competitive) for the competition indicator.

Bolivia

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	2	3 (tied)	21 (tied)	1 (tied)
Score	71.7	81.3	46.1	75.0
2008-2009 change	-2.7	-6.2	-0.8	–

Bolivia scores a solid 3 (out of a possible 4) for most indicators measuring the quality of its regulatory framework for microfinance. It achieves the best possible score of 4 for its regulations and treatment of non-regulated MFIs.

The main supervisory agency is the Financial System Supervisory Authority of Bolivia (ASFI). The judicial anchors for microfinance regulation are the Law on Banks and Financial Entities (1993) and the Central Bank Law (1995). This regulatory framework has permitted commercial banks, private financial funds (fondos financieros privados, or FFPs), and mutual benefit associations and home loan societies to create large, active microfinance operations. These regulated institutions have not faced interest rate restrictions or excessive red tape, and their required capital-adequacy ratio (10%) has not been burdensome.

However, the trend of the past two years suggests tougher times ahead for these microfinance operations. Provisioning requirements have been tightened and greater restrictions have been placed on fees and commissions, squeezing FFPs in particular. Also, a government-run second-tier bank currently offers subsidised loans (3% per annum) to banks which agree to on-lend for 6%, though few banks have accepted this funding since it is difficult to operate profitably under such terms.

Moreover, many NGOs are currently trying to become regulated microfinance providers, but without becoming FFPs. They are able to do this under a March 2008 resolution of the Superintendency that says that NGOs and institutions that offer development finance now need only one-quarter (US$300,000) of the capital that FFPs need to become deposit-taking institutions. While this resolution aims to facilitate formation of specialised MFIs, there are concerns that it will remove incentives to upgrade to full FFP status, as well as create unfair competition for regulated MFIs and loosen the strong supervisory framework in general.

Bolivia's regulatory institutions show a substantial capacity for regulation of MFIs. The ASFI possesses considerable technical expertise and professionalism, sets high and transparent standards, and uses advanced methodologies to evaluate solvency and risk management of MFIs. Activity-specific, rather than institution-specific, provisioning requirements create a flexible framework. The ASFI's Administration for Non-Banking Entities (IENB) has developed field inspection and supervision policies which are customised for microfinance.

Nonetheless, in this area too, there have been some worrisome signals. A large cut in public sector salaries has led to the departure of many highly trained specialists from the ASFI and IENB. Moreover, some industry stakeholders feel that that political criteria seem to have prevailed in the appointment of high level regulatory officials and some recent regulatory moves.

Bolivia does fairly well on its level of MFI competition, achieving a score of 2 in this category. In addition, Bolivia's MFIs offer an extensive range of services in addition to microcredit. Regulated MFIs have innovated in offering such services as fund transfers, health insurance, hazard insurance, and financial leasing. Most MFIs listed in MIX Market for 2008 offer at least one service in addition to microcredit, such as fund transfer, insurance, or voluntary savings.

Ecuador

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	6	10 (tied)	52	3 (tied)
Score	59.7	68.8	27.5	66.7
2008-2009 change	-10.0	-6.2	-4.2	-16.6

Ecuador's score for regulation of microcredit by established financial institutions is only a 2 (out of a possible 4), as regulations create some serious obstacles for MFIs. Although interest-rate regulations have been eased in the last year, they still pose some difficulties for microfinance institutions and are subject to frequent change. For example, a new technical formula was set up in 2008 to calculate usury caps for different market segments; but this system was recently found to be unconstitutional, and caps have since been lowered to levels which make it more difficult to cover borrowing and operating expenses. On the plus side, capital-adequacy ratios for regulated institutions (9%) are appropriate, and documentation requirements are not excessive. Ecuador's Banking Superintendency (SBS) is responsible for regulating the financial sector.

On a more positive note, Ecuador achieves a score of 3 (relatively few regulatory obstacles) for its regulation of specialised MFIs. As a result, the country has a significant number of specialised MFIs in all major institutional categories (e.g., banks, finance companies, credit unions). The Superintendency is also working with some non-regulated credit unions to aid their transition to regulated status. It is possible to upgrade from NGO into MFI, and some NGOs have become finance companies (sociedades financieras) in the past. On the minus side, however, Ecuador has two competing norms for defining microcredit, each with its own risk categories and provisioning requirements, and the distinction between microfinance and consumer finance can become fuzzy at times. Moreover, non-regulated microfinance providers face significant challenges to upgrading, as they must comply with prudential regulation, minimum capital requirements, operational restrictions, and disclosure obligations. Although estimates as of early 2008 indicate that regulated institutions and cooperatives provide the majority of microcredit loans (approximately 70%), at present there at least 500 non-regulated cooperatives operating in the country.

Ecuador has substantial specialised capacity for examination and regulation of microcredit, and achieves a positive evaluation in this area. Regulations focus on the activity of microfinance rather than on specific types of institutions, giving authorities a broad scope of supervision. In addition, the Superintendency recently approved an external rating agency specific to microfinance, and it is contemplating re-creating the special department which it formerly used to supervise credit unions. However, the still-blurry definition of microcredit remains a problem, and there are often concerns about the political independence and credibility of the Superintendency. Moreover, the new constitution sets a goal of achieving a "popular, social economy", and if this phrase is applied to microfinance, it would release the Superintendency from responsibility for the sector. The Superintendency has proposed legislation that would allow it to remain the sector's main oversight official, but for now the outcome remains unclear.

Many MFIs in Ecuador offer a moderate range of services beyond microcredit, particularly savings, fund transfer, and in some cases insurance. Accordingly, Ecuador achieves a score of 2 (modest range of services) in this area. In addition, Ecuador's microfinance environment remains somewhat competitive, with a large number of institutions providing microfinance, though market data shows a decrease in competition since last year.

Nicaragua

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	7	19 (tied)	20	3 (tied)
Score	58.7	56.3	47.5	66.7
2008-2009 change	+0.7	–	+3.3	–

Regulations are established under the General Banking and Financial Institutions Law of 1999, as amended in 2005. The Superintendency of Banks and Other Financial Institutions (SIBOIF) is the relevant financial regulator. Documentation requirements are not excessive. In 2004, the legislature passed a general framework for regulating microfinance companies, including NGOs. On the minus side, though, the specifics of the general framework of 2004 were still being debated by special commissions as of June

2009, and prospects for final implementation remain uncertain. Moreover, of the 30 Nicaraguan MFIs listed in MIX Market in June 2009, all but three are non-regulated credit unions and NGOs. There is also some unfair competition through concessional first-tier lending via programmes such as Hambre Cero in the countryside and Usura Cero in urban areas. An interest-rate ceiling applies to NGOs, but as it is not well enforced, it tends to lead them and their competitors to obscure rates and fees. Despite the presence of a non-payment movement among some microfinance clients to protest loan terms and conditions, regulators have not implemented any related policy reforms to date. Although this movement does not currently pose a systemic threat to microfinance regulations or institutions, it remains unclear what level of political support the movement might gain in the future.

Regulations also pose significant obstacles to formation and operation of specialised MFIs. Upgrading from an NGO into an MFI has not been as widespread as in some other economies, as NGOs have not been as eager to meet minimum capital, loan-loss provisioning and other standards. However, there have been recent positive developments in this area. For example, PROCREDIT upgraded from a financiera (a regulated non-banking institution) to a bank, and FINDESA upgraded from an NGO to a financiera to a bank. Financieras are still limited in the range of services they are allowed to offer, however, which make them less ideal vehicles.

Nicaragua has some capacity for regulating and supervising MFIs, and achieves a score of 2 in this area. After intervening in or closing several insolvent banks in the early 2000s, the Superintendency tightened accounting rules, strengthened loan provisioning standards and beefed up its inspection regime. It pushed domestic banks to adopt US best-practice accounting rules for asset valuation when making loans, and to adhere to tighter rules for loan provisioning. The Superintendency currently benefits from a World Bank technical assistance programme to strengthen microfinance regulation, and now has a specialised microfinance unit. Specialised capacity is modest but growing, though further progress depends mostly on passage of the pending microfinance law.

The picture is more positive in the area of institutional development. Nicaragua's MFIs offer a fair range of services, achieving a score of 2 on range of services offered. A handful of large regulated institutions offer savings accounts, certificates of deposit, and payment services. The numerous but small NGOs increasingly offer some services beyond microcredit, such as fund transfers (including remittances), insurance or a limited form of "voluntary savings" for those who have loans or other transactions with these institutions. Nicaragua remains one of the most competitive microcredit markets in Latin America, receiving a score of 3 (quite competitive) for its level of market competition.

Colombia

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	8	13 (tied)	16	6 (tied)
Score	58.6	62.5	51.4	58.3
2008-2009 change	–	–	–	–

Colombia's score for regulation of microcredit is a 2 (out of a possible 4), as regulations are generally conducive to microcredit provision by banks and other established institutions though some obstacles do exist. The regulated institutions participating in microfinance are mainly banks, and, to a lesser extent, non-banking financial institutions such as commercial finance companies, leasing companies and family compensation funds. Law 964 and several decrees, passed in 2005, created the Financial Superintendency, which merged the bank regulator (Superintendencia Bancaria) and the securities and insurance commission (Superintendencia de Valores y Seguros). Article 39 of Law 590 from 2000 defines microcredit as the system for financing microenterprise, and positive changes introduced in March 2008 under decree 919 establish that the main source of funds for loan repayment must come from microenterprise business activities. The intent of this new regulation is to distinguish microlending from consumption lending; however the effects of the new criteria on institutions' portfolio reclassification efforts remain unclear in the long run. There also exists an interest-rate cap for microcredit operations, set at 25.12% for consumer and commercial loans in 2007, and at 33.93% for micro-business loans, for the April 2007-March 2008 period. The rate remains the same as of May 2009, although the Superintendency is re-calculating it. Capital-adequacy ratios (9% for all regulated institutions) are appropriate, and documentation requirements are not burdensome.

Colombia receives a score of 2 for ease of formation and operation of regulated specialised MFIs, indicating the presence of some regulatory obstacles. Notably, the country does not have a special-purpose microfinance vehicle. NGOs can upgrade to become finance companies and eventually banks, but they must meet the same regulatory requirements as these institutions. A few have made the step to finance companies specialising in microfinance, or have even made the transition into banks. Financial groups and foreign banks are increasingly creating specialised units to operate in microfinance. But for many institutions, the costs of complying with corporate tax and regulatory requirements remain high. Colombia has one of the largest non-regulated MFI sectors in the region.

Colombia's regulatory and examination capacity achieves a score of 3, as the Financial Superintendency has a reputation as a strict and professional agency, in both regulation and enforcement. Regulated institutions must file daily, weekly, monthly, quarterly, semi-annual and annual reports, and must publish audited financial statements each year. The March 2008 presidential decree defined microcredit loans as those in which the borrower's total debts for business purposes do not exceed 120 times the national minimum wage, or approximately US$27,000 at current levels; and those in which the borrowing firms have no more than ten employees and no more than 500 times the minimum wage in assets.

Colombia receives a score of 2 for range of MFI services offered. Banks involved in microfinance have begun to innovate beyond offering savings and credit. It has helped that, since 2008, the

Superintendency has allowed them to operate non-branch "corresponsales", or correspondent presences, offering such financial services as bill payment and fund transfer through drugstores and similar entities. NGO MFIs are mostly restricted to lending, though non-bank financial institutions tend to offer voluntary savings or insurance. The level of competition in Colombia's MFI market is moderate. Although the market has consolidated slightly, the country maintains a good level of competition and receives a score of 2 for this indicator.

El Salvador

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	9 (tied)	13 (tied)	23 (tied)	6 (tied)
Score	57.5	62.5	45.8	58.3
2008-2009 change	-1.5	+6.2	-3.4	-8.4

El Salvador's laws and regulations present some obstacles to established financial institutions operating in microfinance, though they create only minor obstacles for the creation and operation of specialised MFIs and unregulated NGOs. There is no formal definition of microcredit, although this has not impeded the industry's development. The major regulated entities operating in microfinance are banks, non-banking financial institutions, and federated cooperatives. The Financial System Superintendency (SSF) is the main regulatory body, and it operates primarily under the 1999 Banking Law and subsequent amendments. There is no formal cap on interest rates. There is some first-tier lending by public institutions in the rural and urban sectors, but it takes place at high interest rates and does not reflect subsidies. Documentation requirements are not burdensome. Capital-adequacy ratios are strong, albeit conservative: 12% for all regulated institutions except new credit unions and savings and credit associations, for which they are 14.5%.

El Salvador's regulations on forming and operating specialised MFIs are less restrictive, resulting in a score of 3 out of a possible 4, indicating that regulations pose few obstacles. NGOs and cooperatives can transform themselves into savings and credit associations under the Financial System Commission's supervision, though they must meet fairly strict requirements (capital, provisioning by risk category, etc). Non-bank financial institutions are also active in microfinance as regulated entities, and a few specialise in microfinance. Non-bank financial institutions are not designed for this purpose and most have a different or wider range of clients that extends beyond the scope of microfinance. A new law on cooperative banks and credit and loan associations, which took effect in September 2008, makes it easier for these financial institutions to operate in microfinance and compete with banks. Although there does exist another form of specialised, regulated microfinance vehicle called Reciprocal Guarantee Society (Sociedad de Garantía Recíprocas—SGR), only one exists to date as SGR has not proven to be an attractive vehicle. These financial institutions accept the debt of and grant credits to microenterprises and small and medium-sized companies.

El Salvador achieves a score of 2 for its regulatory and examination capacity. Although banks are generally well-regulated, the range of non-banking financial institutions often face regulatory problems, as do potential upgrading institutions who are currently non-regulated. Specialised knowledge and procedures are often lacking, as are laws that would give greater regulatory guidance on microfinance for various institutional categories.

In two key institutional development indicators, El Salvador also achieves a score of 2, suggesting that improvements are needed. Regulated non-banking institutions, particularly cooperatives, often offer a modest to wide variety of services, such as savings, insurance, factoring, micro-leasing, and fund transfers. Non-regulated cooperatives primarily conduct only savings and loan operations. Both banks and NGOs generally offer only microcredit and in some cases also remittances. El Salvador has a fairly competitive microfinance environment, achieving a score of 2 on this indicator.

East and South Asia

The Philippines

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	3	1 (tied)	17	6 (tied)
Score	68.4	87.5	50.6	58.3

The Philippines receives a perfect score of 4 (out of a possible 4) for the way it regulates the microcredit activities of established financial institutions. Since the adoption of a National Strategy for Microfinance in 1997, the government has promoted a regulatory and policy framework that is conducive to microfinance operations. The General Banking Law of 2000 includes specific provisions for the regulation of microfinance operations within regulated institutions, and recognises microfinance providers as banking institutions. It also relaxes some of the established risk management and operational requirements, and grants power to the Monetary Authority to regulate interest rates charged by MFIs. In practice, this authority is not exercised, and MFIs are free to set interest rates. Microfinance institutions are not burdened with excessive documentation requirements or capital-adequacy ratios, and do not face unfair competition from subsidised public credit institutions.

The Philippines also receives the highest score possible for its legal environment for forming and operating specialised MFIs. The process for qualified NGOs to transform themselves into a microfinance bank is fairly straightforward. The Bangko Sentral ng Pilipinas (BSP) is responsible for licensing microfinance institutions. According to the BSP year-end 2008 report, the bank has licensed nine microfinance-oriented banks and 221 rural banks, cooperative banks and thrift banks with microfinance operations. At least four NGOs have become rural banks, led by CARD Bank, the first NGO to be granted a license to operate a rural bank in 1997. Since 2001, regulated microfinance institutions are allowed to engage in unsecured lending that exceeds the normal prudential maximum of 30% of total portfolio, and are allowed to engage in cash flow-based lending.

The Philippines receives a score of 3 for its regulatory and examination capacity. The central bank has a Micro, Small and Medium Enterprise Finance Specialist Group which supports the examination departments. But bank examiners still lack sufficient appreciation of the unique circumstances of the microfinance sector in some cases. The Cooperative Development Authority (CDA), which oversees the cooperative sector, is mainly focused on regulation of the financial operations of credit cooperatives, and tends to exclude microfinance.

The range of services offered by MFIs scores a 2, indicating a modest level of product diversity. Philippine MFIs listed in MIX Market offer loans, and banks and cooperatives also offer savings products. The BSP is also reviewing new policy initiatives to further develop microfinance provision, including micro-insurance, branchless banking, and the use of mobile phones to make loan payments, deposits and withdrawals.

The level of competition among MFIs rates a perfect score of 4, as data from MIX Market in 2007 shows the total microfinance market portfolio is spread out across several institutions rather than concentrated in the hands of a few. Yet the Microfinance Finance Council of the Philippines estimates that despite high competition levels, penetration levels still have room to increase, as microfinance is reaching only a third of the country's 4.3m poor families. MFIs tend to concentrate on the main island of Luzon and parts of the Visayas, and there is great need in the Autonomous Region of Muslim Mindanao.

India

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	4	13 (tied)	14	3 (tied)
Score	62.1	62.5	51.9	66.7

India achieves a score of 3 (out of a possible 4) for its regulation of microcredit by established institutions, indicating that its regulations create only minor obstacles. The Reserve Bank of India (RBI) regulates two types of institutions that engage in microfinance activities: banks and non-banking financial companies (NBFCs). Under RBI regulations domestic banks are required to lend 10% of their adjusted net credit to weaker sectors. Weaker sectors include Self-Help Groups (SHGs), which are informal credit and savings groupings of five to 20 low-income individuals, but can also include MFIs which lend to such groups. Banks charge interest rates on lending to MFIs at their discretion, as these loans are larger than the Rs200,000 (US$4,000) threshold set by the RBI, but any bank that lends to SHGs must follow interest rate guidelines set by the RBI (the RBI circular from July 1, 2008 requires that rates be set equal to or below the Benchmark Prime Lending rate).

Regulations guiding the creation and operation of regulated, specialized MFIs do exist. The process is relatively straightforward, and several industry players that were originally focused on SHG formation and other capacity-building programmes for the poor have transformed themselves into NBFCs. NBFCs which have at least Rs20m in capital and maintain a 12-15% capital-adequacy ratio can take term deposits; however MFI NBFCs typically struggle to meet regulatory requirements and stick to lending as a result. This means that upgraded institutions must depend on bank borrowings and guarantees, commercial equity infusions, and retained earnings to sustain and expand their operations. The government has also made efforts to facilitate foreign direct investment flows to the sector by classifying microfinance as an activity that qualifies for automatic investment approval (formal government permission is obtained after investment has occurred). Foreign equity investments cannot exceed 50%

of an NBFC's total equity, however.

The RBI has specialist departments which regulate microfinance, though India's regulatory and examination capacity rates a 2 to indicate that there exists room for improvement. The Department of Non-Banking Supervision is responsible for the compulsory registration and maintenance of liquid assets and reserve funds, while the Rural Planning and Credit Department focuses on rural credit including microfinance. However, the numbers, skills and microfinance expertise of examiners and regulators needs reinforcement. If proposed reforms are passed (under the terms of the "Micro Financial Sector Bill"), the National Bank for Agriculture and Rural Development (NABARD) would be responsible for regulating NGOs and unregistered cooperatives. This could be problematic, as NABARD is itself a key player in the sector.

The picture is somewhat brighter in the area of institutional development. India receives a score of 3 for the range of services offered by MFIs. Banks offer public deposits, though NBFC MFIs generally do not offer deposits. NGOs are also beginning to offer insurance services, small value deposits and funds transfers in partnership with mainstream financial services providers as banking correspondents.

The Indian MFI market is quite competitive by regional standards, receiving a score of 3. However most MFIs are concentrated in the south, where the poor can choose from among a range of institutions. The rest of the country is still underserved or not served at all. Six of every ten Indians live in the countryside; NABARD estimates that only 27% of these farmer households have access to formal sources of credit.

Pakistan

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	11	7 (tied)	19	14 (tied)
Score	56.5	75.0	49.2	41.7

Pakistan receives a score of 3 (out of a possible 4) for its regulatory framework for microfinance, indicating that regulations create only minor obstacles. The most important commercial providers of microfinance are microfinance banks (MFBs). These were established under the Microfinance Institutions Ordinance 2001 and are regulated by the State Bank of Pakistan (SBP), the central bank. There are now six MFBs in the country, of which four are active at a national level and two at the district level. MFBs face the same prudential regulations as commercial banks and can offer the same range of services to their clients. Capital requirements for MFBs vary from PRs100-500m (US$1.23m-US$6.28m) depending on where they are registered. There are no interest rate restrictions, but MFB loans are capped at PRs150,000. Government programmes and state-owned banks also play a major role in microfinance provision, though they tend to operate in difficult-to-reach areas where MFBs are less present.

Pakistan also receives a score of 3 for its environment for formation and operation of specialised MFIs. In 2005, the State Bank of Pakistan issued Transformation Guidelines to permit NGO-MFIs, Rural Support Programmes (RSPs) and cooperatives to transform into MFBs. The first private sector MFB–the First MicroFinanceBank–was established in 2002 through the transformation of the Aga Khan's Rural Support Programme's microfinance operations. Microfinance providers can also choose to set up non-bank MFIs.

They may not intermediate deposits, although some accept compulsory savings from their clients.

The country's regulatory and examination capacity for microfinance also rates a score of 3. The SBP is the only significant authority for the sector and has several divisions, including the Risk Management & Analysis Division and the Banking Sector Assessment Studies Division. In addition, the bank has a specialised Microfinance Department, which is responsible for formulating microfinance policy. The bank's oversight capacity is considered to be well developed, although this has not prevented politicians in the state of Punjab, where most microfinance activity is concentrated, from hinting in early 2009 that they may implement loan forgiveness for microfinance borrowers.

The range of financial services offered by MFIs is modest, rating a score of two. Many non-bank MFBs mobilise deposits from their credit clients only. In practice, with the exception of one or two institutions, product offerings by MFBs remain underdeveloped, with the focus still mainly on group-based lending and insurance. According to a report by the Pakistan Microfinance Network, by end-March 2008 there were 1.4m micro-insurance policy holders in the country.

The level of competition within the MFI sector is low, meriting a score of 1 for this indicator. This is because the total market portfolio is concentrated in the hands of a few institutions. Key players include the Kashf Foundation (operating in Punjab and Sindh), Khushhali Bank (operating nationwide), and the First Microfinance Bank. Each of these institutions has more than 100,000 clients. The government-backed National Rural Support Programme (NRSP), which operates nationwide, represents nearly one third of the total clientele.

Cambodia

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	14	1 (tied)	25 (tied)	30 (tied)
Score	54.1	87.5	45.6	25.0

Cambodia receives top scores for its regulatory framework, and its score for regulation of microcredit by established financial institutions is a perfect 4. Licensing, regulation, and supervision of microfinance are conducted by the National Bank of Cambodia (NBC) under the Law on Banking and Financial Institutions of 1999 (LBFI). The regulatory framework permits limited liability companies (including banks) to offer microcredit services. So far, only one bank, ACLEDA, is active in the microfinance sector. Prudential regulations for MFIs are generally tighter than for commercial banks: The capital-adequacy ratio is 20% for MFIs versus 15% for banks, whereas the liquidity ratio is 100% versus 50% for commercial banks. On the other hand, the reserve requirement for MFIs is 5%, less onerous than the 8% requirement for banks.

Cambodia's score for formation and operation of specialised MFIs earns a 4 out of 4. A framework for NGOs seeking to upgrade is in place, and the NBC actively encourages the transformation of MFIs into regulated institutions. In 2000 the NBC created a two-tiered system for microfinance supervision so that MFIs with a portfolio over CR1bn (US$244,000) or at least 10,000 borrowers must be licensed as limited liability companies or as cooperatives. Many of the leading NGO-MFIs have subsequently become licensed non-bank financial institutions, and they are required to maintain a minimum paid-up capital of CR250m, which is not considered onerous.

Cambodia receives a score of 3 for its regulatory and examination capacity. The NBC's Bank Supervision Department has a division responsible for supervision and licensing of specialized banks and MFIs. The NBC's capacity is nonetheless limited, due to a lack of staff trained on banking supervision in general, and in microfinance in particular. Technical assistance from multilateral institutions is seeking to improve the bank's oversight capabilities.

The institutional development of the MFI market is lagging in Cambodia. The country receives a score of 1 for the range of MFI services offered, indicating that MFIs offer only limited products beyond microcredit. Although licensed MFIs can apply for a special license to collect savings from the public, and until recently only one (ACLEDA, the country's 3rd largest bank) has done so on a large scale. A few MFIs have also experimented with micro-insurance.

Cambodia scores 2 for the level of competition in its microfinance industry. Microfinance portfolio data from MIX Market in 2007 indicates that Cambodia has a high market concentration, though institutional client numbers would suggest a more competitive landscape. On this basis, Cambodia has one of the more competitive markets in the region. Although a commercial bank providing microfinance services, ACLEDA, has the largest overall loan portfolio, the number of its microfinance borrowers is similar to that of the second and third largest providers, AMRET and AMK.

Bangladesh

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	27	35 (tied)	27 (tied)	14 (tied)
Score	42.7	43.8	42.5	41.7

Bangladesh receives modest scores for its regulation of microcredit by established financial institutions, achieving only 1 or 2 (out of a possible 4) for the indicators in this category. On the one hand, the largest MFI in Bangladesh, Grameen Bank (with 7.93m borrowers), is free to set market interest rates, mobilise savings and sell guaranteed bonds and debentures. It can offer these services freely thanks to the Grameen Bank Ordinance, the law that transformed it from an NGO into a specialised bank in 1983. However this framework does not apply to banks or other financial institutions, which are regulated by Bangladesh Bank. To set up low-cost rural branching systems or branchless (agent) arrangements, financial institutions must obtain Bangladesh Bank approval but no requests have been approved to date, nor has the Bank issued any regulations on such arrangements. This puts commercial banks at a disadvantage against Grameen and MFI NGOs, whose low costs and decentralised structures are more suited to microfinance.

Bangladesh scores only 1 out of a possible 4 for its environment for formation of specialised, regulated MFIs. Banks may enter the microfinance sector by lending either to MFIs or directly to groups of poor individuals. None lend directly to the poor however because Grameen and non-bank MFIs have effectively sewn up the market and because the banks' cost structure makes such entry uneconomical. Moreover, Grameen operates in ways that are foreign to other banks, such as engaging in collateral-free lending, branchless banking (staff visit borrowers in their home), and operating without enforceable contracts (Grameen relies on peer monitoring). NGOs have not upgraded to follow Grameen's lead in large part because they would need to satisfy a myriad of legal and financial requirements to do so.

Bangladesh receives a score of 2 for its regulatory and examination capacity. The government established the Microcredit Regulatory Authority (MRA) in August 2007, and this agency is tasked with licensing, monitoring and supervising all microcredit organisations. The MRA is still building up specialised capacity and preparing a policy framework to regulate NGO-MFIs, and it is not clear whether the MRA will take an enabling approach. Moreover, in early 2009 it made an interim ruling capping interest rates for MFIs under its purview to a flat 15% or 30% on a declining balance basis, which smaller MFIs may struggle to meet. Again, these restrictions and supervision do not apply to Grameen Bank, as it is not formally regulated. Instead, it is supervised by its board of directors under the authority of the Grameen Bank Ordinance.

Bangladeshi MFIs offer a wide range of services, as credit, voluntary savings and, in some cases remittances, are offered. Grameen takes public deposits, and, along with ASA and some of the other major MFIs, provides micro-insurance.

Bangladesh scores a 2 for the level of competition in its MFI market. Over 1,000 MFIs operate in Bangladesh, but the 10 largest, including Grameen, account for the overwhelming majority of total savings and outstanding loans.

Sub-Saharan Africa

Ghana

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	5	7 (tied)	10	11 (tied)
Score	60.9	75.0	54.4	50.0

The Bank of Ghana (BoG) regulates banks engaged in microcredit, including Rural and Community Banks (RCBs), as outlined in the Bank of Ghana Act of 2002 and the Banking Act of 2004 and its 2007 amendment. Under the Financial Institutions Law of 1993 and the NBFI (non-banking financial institution) Business Rules for Deposit-Taking Institutions of 2000, the BoG is also responsible for regulating NBFIs, including savings and loan companies. Credit unions, however, are regulated and supervised by the Ghana Cooperative Credit Union Association (CUA), an umbrella organisation and quasi-regulator for credit cooperatives, together with the Department of Cooperatives.

This structure provides for a largely hospitable environment for microcredit providers. Minimum capital requirements for rural and community banks (RCBs) are within reason, set at GH¢150,000 (US$114,000). Capital-adequacy ratios are 8-10% of assets for banks, RCBs and NBFIs. Banks are free to set interest rates. In contrast, the CUA caps interest rates by credit unions to which it lends wholesale funds.

Ghana also receives a score of 3 out of a possible 4 for ease of formation of specialised MFIs, indicating that regulations pose relatively few obstacles. Institutions are regulated based on BoG designations. RCBs, savings and loan companies and non-bank financial institutions (NBFIs) which fall under the NBFI law are free to set up microfinance operations and are regulated by the BoG. However, a new BoG policy greatly increases minimum capital requirements for new NBFIs. Nevertheless, regulations also facilitate the participation of non-regulated institutions in microfinance, and the country scores best (4 out of 4) for this indicator.

Ghana's regulatory and examination capacity rates a 2, indicating that although capacity exists, there remains room for improvement. Also, the BoG often outsources regulatory responsibilities to industry groups. The CUA, as mentioned above, is the de facto regulator for credit unions, and the ARB Apex Bank assists the self-regulation of the RCBs. Pending legislation would formalize the CUA's role in regulation. On the other hand, in some cases the BoG has taken over management of RCBs due to non-compliance, thereby stretching the capacity of a weak supervisory system.

Ghana receives a score of 3 for the range of services offered by its MFIs. Under the pressure of competition, urban MFIs are offering increasingly innovative products including insurance, agricultural financing and funds transfer services. Most rural and community banks offer savings and credit services only.

Ghana receives a score of 2 for the level of competition in the MFI sector, indicating it is somewhat competitive. The number of RCBs, credit unions and savings and loan companies would suggest a high level of competition. However, in the north MFI penetration is low, and market share in 2007 was concentrated in the hands of just four institutions: FASL, OISL, ProCredit and SAT.

Uganda

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	9 (tied)	7 (tied)	11	14 (tied)
Score	57.5	75.0	54.2	41.7

Uganda receives a score of 4 (out of a possible 4) for its regulation of microcredit operations. The Bank of Uganda (BoU) regulates both banks and MFIs through the Microfinance Deposit-taking Institutions (MDI) Act of 2003. This Act created a tiered system for regulating and supervising MFIs. Commercial banks offering microfinance services are defined as Tier 1 institutions and must have at least USh 4bn (US$2.0m) minimum capital, credit institutions which cannot mobilise deposits are defined as Tier 2, and both Tiers I and II are regulated under the Financial Institutions Act of 2004. Microfinance institutions which take deposits are defined as Tier 3, and informal savings and credit cooperatives (SACCOS), as well as NGOs which offer credit services, are defined as Tier 4. Tier 3 institutions carry a heavier regulatory burden, including higher capital-adequacy ratios (20% of risk-weighted assets) compared to banks and credit institutions (12% of risk-weighted assets).

Several NGOs have already qualified for the MDI designation. MFIs are free to set interest rates and minimum capital requirements are reasonable at USh500m for MDIs. However, the government-sponsored “Prosperity for All” programme supports the credit offerings of existing SACCOs and creates new, subsidised SACCOs in sub-districts that currently have none. Although the rates provided by these informal MFIs undercut those offered by private institutions, informants report that the programme has not had a significant impact on the profitability or operations of regulated institutions to date.

The score of 3 for ease of forming new MFIs reflects the fact that four MFIs funded by international donors have transformed into MDIs. At the same time, however, no new licenses have been granted since 2007. In addition, one MDI was acquired by a bank in late 2008, setting the number of MDIs back to three. NGOs are generally unwilling or unable to meet the collateral and capital adequacy requirements for MDIs because of the higher cost of lending. Banks are free to create microfinance divisions, but none have done so except for the Centenary Rural Development Bank.

Uganda scores well for its regulatory and examination capacity. The BoU has a specialised unit for MFIs, which conducts regular on-site visits to MDIs and enforces reporting requirements. All examiners receive specialised training to conduct adequate microfinance supervision. However the BoU has also been criticised for applying commercial banking standards to MDI supervision.

Uganda's microfinance industry is relatively well-developed, with providers offering a wide range of services beyond microcredit. This underlies Uganda's score of 3 for this indicator. The larger MDIs (Faulu, CML, FINCA) have expanded into insurance products, leasing, funds transfers and remittances. However, Tier 4 MFIs typically offer only credit, demand deposits and savings services.

Uganda receives a score of only 1 for the level of competition within its MFI sector, as MIX Market data from 2007 showed Centenary Bank holding a large share of the total market portfolio. On the other hand, as of early 2009 there were three MDIs, one credit institution, three commercial banks and a wide variety NGOs and SACCOs providing microfinance services. Service providers tend to operate in southern and western areas, whilst the northern and eastern parts of the country have experienced lower penetration.

Kenya

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	13	3 (tied)	18	20 (tied)
Score	55.8	81.3	50.0	33.3

Kenya achieves the best possible score for the framework governing established institutions that provide microfinance. The Microfinance Act of 2006 grants the Central Bank of Kenya (CBK) regulatory and supervisory powers over deposit-taking MFIs, and the Banking Act (amended 2004) provides the legal basis for the regulation of banking overall. Under the existing frameworks, banks and non-bank financial institutions (NBFIs) are free to set interest rates, and reporting requirements to the Central Bank are not excessive. The required capital-adequacy ratio is 12% of total risk-adjusted assets plus off-balance-sheet items, but only banks and licensed deposit-taking microfinance institutions are allowed to mobilise savings. NBFIs can only provide credit services and forced savings (collateral only). Although the Ministry of Finance has the power to lower minimum capital requirements to promote the microfinance industry in certain geographic areas, it has not yet done so. There are no significant publicly-subsidised programmes offering microcredit.

Kenya also scores a 4 on ease of forming and operating specialized, regulated MFIs, as banks seeking to establish a microfinance division can do so without restrictive regulations from the CBK. The 2006 microfinance regulations also provide NGOs and NBFIs with a clear path to transform into deposit-taking MFIs. One example is FAULU Kenya, which was once an NGO but is now a fully-registered bank offering microfinance services. The Kenya Women's Financial Trust (KWFT) also has a pending application to become deposit-taking.

Kenya receives a score of only 2, however, for its regulatory and examination capacity. The CBK has a microfinance examination team which supervises banks offering MFI services (currently only four institutions) and MFIs. However, the team suffers from human resource constraints and insufficient funding. Other providers of MFI services are supervised by the Commission for Co-operative Development (responsible for cooperatives), which also suffers from strained resources.

Kenya receives a score of 2 for the range of services offered by MFIs, as microfinance products are mainly focused on savings and credit, though a variety of other services such as funds transfers and insurance are also offered. Mobile banking services through cellular phone providers have become increasingly popular, though these are usually offered only through deals with commercial banks operating in microfinance. Insurance products are heavily regulated and require an additional license, and a few of the MFIs listed on MIX Market offer such services.

Kenya receives a score of 1 for the level of competition in its microfinance sector. Data from MIX Market in 2007 indicates Kenya has a high level of market concentration, in part due to Equity Bank's presence and the fair market share held by institutions such as Kenya Women's Financial Trust and K-Rep. On the other hand, the range of institutions offering at least microcredit is quite wide, as banks, NGOs, NBFIs and cooperatives are all active in this space.

Tanzania

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	19	10 (tied)	35	20 (tied)
Score	48.4	68.8	37.8	33.3

Tanzania's score for regulation of microcredit operations by existing providers is 3 out of a possible 4. The original legislation that grants the Bank of Tanzania (BoT) authority to regulate and supervise banks and financial institutions was recently replaced by the 2006 Banking and Financial Institutions Act. The country's National Microfinance Policy from 2000 establishes general guidelines for policy formulation regarding the development of microfinance and its integration into the general financial sector, and MFIs are addressed specifically by the Microfinance Companies and Microcredit Activities Regulations of 2005. These regulations divide MFIs into various categories based on size and operations. Minimum core capital requirements for national, multi-branch microfinance companies (MFCs) are set lower than that of commercial banks, at TSh800m (approx US$600,000) and at TSh200m for single-branch MFCs. MFIs are free to set interest rates and there are no significant publicly subsidised credit initiatives which compete with MFIs. The BoT regulates Savings and Credit Cooperatives (SACCOS) as well.

Tanzania's environment for forming and operating specialised MFIs is evaluated as a 2. The MFI legislation includes provisions allowing NGOs to become financial institutions, yet few of the larger NGOs have done so. The loan provisioning requirements for Microfinance Companies (MFCs) are restrictive, making it difficult for NGOs with risky portfolios to transform into MFIs. Nevertheless, at least one MFI is currently seeking to become a deposit-taking MFI by the end of 2009. Specialised MFIs are free to set interest rates, and must undergo annual independent audits and submit quarterly financial statements to the BoT.

Tanzania receives a score of 3 for its regulatory and examination capacity. The supervision of microfinance institutions falls under the bank supervision division in the central bank. Regulation is rigorous, as evidenced by the BoT's intervention in several banks, including Trust Bank and Greenland

Bank. However, overall examiners lack the resources and training necessary to supervise MFIs properly.

The range of services offered by Tanzania's MFIs is modest, as suggested by the country's score of 2 on this indicator. Most NGOs and regulated MFIs provide credit and savings products only. A few of the larger institutions, such as FINCA and Mbinga CB, offer leasing and insurance products, but these are the exception.

Tanzania also scores moderately well for the level of competition in its MFI sector. PRIDE, AKIBA and BRAC were among the most prominent players in the market. Most MFI activity is concentrated in Dar es Salaam, as MFIs have not appreciably penetrated the rural market.

Mozambique

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	32	19 (tied)	31 (tied)	30 (tied)
Score	40.3	56.3	38.9	25.0

Mozambique receives a score of 2 (out of a possible 4) on indicators for its regulatory framework, including regulation of microcredit by established institutions, indicating that the environment is not entirely hospitable to microfinance. The legislation governing regulation of microfinance includes the Credit Institutions and Finance Companies Law 15/99 and 9/04, the Regulations of Microfinance Decree 57/2004, and a 2007 Central Bank order on extending financial services to rural areas. The Bank of Mozambique (BoM) has primary responsibility for regulating microcredit. Microfinance institutions are divided into four risk categories, and are regulated accordingly. Category A and B MFIs include savings and credit units that can mobilise deposits with a minimum capital requirement of MT5m (approx. US$185,000). There are also other designations in these categories with lower capital requirements such as rural finance units and credit co-operatives. MFIs are free to set interest rates, but the central government is heavily involved in these decisions. The government also creates some unfair competition for MFIs through subsidised public programmes. The government tries to encourage MFIs to operate in rural areas, so far without much success, and it offers matching funds and subsidised credit for rural areas, further distorting the market.

Mozambique also receives a score of 2 for its environment for formation and operation of specialised MFIs. On the plus side, capital requirements for new entrants are reasonable, and MFIs are free to set interest rates. On the minus side, subsidised public programmes make it difficult for MFIs to operate profitably and successfully. Still, some NGOs and others have entered the market. For example, the microfinance portfolios of a number of international NGOs (CARE, World Vision and MEDA) were merged to create a new MFI, the Banco de Oportunidade de Moçambique (BOM) in 2005. MFIs wishing to register as commercial banks can do so provided they meet the minimum capital requirement of MT70m. Three MFIs–NovoBanco, SOCREMO and BOM–have transformed into commercial banks since 2004.

The regulatory and examination efforts of Mozambique's government officials indicate the presence of some capacity. Twenty examiners have been trained to supervise microfinance institutions, but specific regulation of microfinance is subject to the initiative of donors with competing concerns. On-site visits have been conducted for larger MFIs, though the central bank supervises microfinance institutions without the help of a specialised group of examiners for microfinance.

The institutional development of the microfinance sector leaves room for improvement. On the range of MFI services offered by players in this sector, Mozambique receives a score of 1, indicating that MFIs generally offer only limited services beyond saving and credit products. MFIs registered as commercial banks may offer a full range of services, including foreign currency exchange and money transfers. However many do not offer these additional products. Some MFIs have begun to offer agricultural loans, but micro-insurance and remittances are not widely offered. Mozambique's score for the level of competition within the MFI sector is 0, indicating the sector is dominated by a handful of institutions.

Eastern Europe and Central Asia

Kyrgyzstan

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	12	3 (tied)	41 (tied)	14 (tied)
Score	56.2	81.3	35.0	41.7

Kyrgyzstan has a strong regulatory framework that is conducive to a wide array of institutions seeking to provide microfinance in the country; it scores either a 3 or a 4, out of a possible 4, for all indicators in this category. Indeed, Kyrgyzstan is considered to be a regional leader for microcredit regulation. Legislation enables a variety of microcredit organisation types, from small, family-owned to full deposit-taking institutions. If anything, experts complain that the rules are too lax, thereby encouraging too many players in the market. The only other complaint is an imperfect system of taxation.

The Law on Microfinance Organisations (MFOs) of 2002 defines a three-tiered classification system for MFIs. The first of these, Microcredit agencies (MCAs), are non-commercial institutions that cannot accept voluntary deposits, the second are Microcredit companies (MCCs) that are commercial institutions registered as limited liability or joint stock companies which cannot accept deposits, and the third are Microfinance companies (MFCs), which are commercial institutions registered as joint stock companies that can accept time deposits. MFCs must be licensed by the National Bank of the Kyrgyz Republic (NBKR). There are no excessive capital adequacy requirements, documentation is in line with international best practice, and all three institutional forms are allowed access to foreign debt and equity financing.

A handful of commercial banks also offer microcredit services. Their activity is governed by the Law on Banks and Banking Activities in the Kyrgyz Republic of 1997. Banks are free to set interest rates, as are MFOs. The sector does not face unfair competition from subsidised government programmes, since the previously state-owned bank–the Kyrgyz Agricultural Finance Corporation–was transformed into a commercial financial institution in 2007. It is currently one of the largest microfinance banks in the country.

The NBKR is keen on promoting the microcredit sector, which in some ways fulfils the role of normal commercial banking. This positive political attention to the sector and the resulting legal frameworks, lead to a score of 3 for regulatory and examination capacity. Yet a depth of understanding is in some cases missing, human resources are scarce, and regulators show a reluctance to grant deposit licences.

On-site inspections take place regularly for commercial banks, MFCs and Credit Unions, though on-site inspections for MCCs and MCAs occur only when prompted by market signals or client complaints.

Kyrgyzstan earns a score of 2 on the range of services offered in its MFI sector. Despite the fact that MFIs are allowed to offer a wider range of products than in most countries around the world (including insurance, funds transfers, savings and deposits), few choose to do so. Kyrgyzstan earns a score of 1, however, for the level of competition in its microfinance sector. Though the number of market players reaches several hundreds, MFIs tend to focus on discrete geographical areas and customer segments and thus do not always compete against each other directly.

Georgia

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	23	19 (tied)	21 (tied)	20 (tied)
Score	45.1	56.3	46.1	33.3

Georgia scores a solid 3 on most regulatory quality indicators, including the supervision of microcredit by established institutions. In general the government and the central bank are pro-microfinance, but are quite conservative in their prudential requirements and risk controls. The National Bank of Georgia (NBG) requires capital adequacy calculation based on its own methodology. As of December 31st 2008 the capital-adequacy ratio is 12% for commercial banks operating in microfinance, which is in line with the regional average. Microfinance Organisations (MFOs) are not subject to this requirement, but are also barred from taking deposits. While there is no interest-rate ceiling for MFOs, MFO loan size is regulated. The average loan is typically below the limit, however, and regulations are not overly restrictive.

Georgia introduced a specific microfinance law (the Law of Georgia on MFOs) in 2006. Initially, it was meant to include a provision for deposit-taking, but in the end it was left out. Since 2006 it has been administratively easy to form MFOs, although MFOs cannot be formed by foundations or NGOs. MFOs can be either limited liability companies or joint stock companies. Registration and licensing are conducted by the Financial Supervisory Agency of Georgia and usually take only a few days. The minimum capital requirement is Lari250,000 (US$150,000). Once registered, MFOs can extend micro-loans to individuals and legal entities, invest in government and public securities, remit funds for clients, act as insurance agents, advise clients concerning microfinance, and accept loans from resident and non-resident individuals and legal entities.

Georgia again scores well for its regulatory and examination capacity for microfinance. On the plus side, the NBG is pro-microcredit, supervision is adequate and regulators understand the sector well. In addition, the NBG sets simple and straightforward reporting requirements, mainly through monthly financial statements. On the minus side, the central bank does not have a team dedicated to the microfinance sector.

Georgia has a less favourable evaluation for indicators of its market development, including the range of MFI services. MFIs are not allowed to take deposits, but may provide remittance services and can offer products for insurance companies. Although there has been a healthy level of competition among MFIs and between MFIs and banks in urban areas, many banks have pulled back during the financial crisis, so that now demand for micro-loans exceeds supply. Data from MIX Market in 2007 also indicated only a modest level of competition among the MFIs that reported their portfolios that year.

Armenia

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	25	26 (tied)	13	20 (tied)
Score	43.9	50.0	53.1	33.3

Armenia receives a score of 3 for its regulation of microcredit by established financial institutions, on a par with four other countries in the region for this indicator. Banks and Non-Bank Financial Institutions (NBFIs) are regulated by the Central Bank of Armenia under the Law on Banks and Banking (1996) and the Law on Credit Organisations (2002). Interest-rate ceilings (currently at 24%) apply both to MFIs and commercial banks. These ceilings are not enshrined in the 1996 banking law, but rather are imposed through the civil code and supervised by the Central Bank. The minimum ratio of total capital to risk-weighted assets is 12% for banks, 10% for NBFIs which are Universal Credit Organisations (UCOs), and 6% for NBFIs which are Credit Organisations (COs). The provisioning requirements placed on micro-loans are not lower than those for the general financial sector.

Armenia's environment for creating specialised MFIs receives a modest evaluation of 2, alongside Bosnia. The Law on Credit Organisations (2002) defines several different types of non-bank financial institutions. However it does not specifically define MFIs, and does not allow any type of CO to take deposits. MFIs generally establish themselves as UCOs because these are allowed to conduct the widest range of operations. Although the UCO minimum capital requirements are high by regional standards, they have not been prohibitive. Nonetheless, operating in microfinance as a UCO involves onerous reporting requirements, loss provisioning standards and interest-rate caps. For instance, MFIs are required to provide daily statements of foreign exchange operations, weekly average interest rates and monthly statements on key prudential indicators, income and expenses. NGOs are only allowed to offer microfinance by creating a CO in which they retain 100% ownership.

Armenia receives a score of 3 for its regulatory and examination capacity. Despite the high rating, Central Bank capacity is stretched thin and the historically robust regulation and supervision capacity for microfinance specifically has not kept up with the rapid pace of sector growth. Nevertheless, the Central Bank has a separate division that oversees the CO market segment, and the competence of this department is fair.

Armenia receives the lowest possible score for the range of services offered by its MFI sector because neither UCOs nor COs are allowed to take deposits, offer insurance or process remittances. However in 2009 Aregak is expected to launch insurance products for auto, health and personal liability. Moreover, MFIs can act as channels for the distribution of insurance products of other financial institutions.

The level of competition in the Armenian MFI sector is also low. MIX Market data from 2007 shows that Armenia's microfinance services were offered by a few key institutions and competition amongst MFIs is limited, although banks have become more active in the sector. The microfinance sector as a whole remains heavily donor driven with very limited funding coming from local sources.

The Middle East and North Africa

Yemen

	Overall index	Regulatory framework	Investment climate	Institutional development
Rank	29	13 (tied)	39	30 (tied)
Score	42.1	62.5	35.6	25.0

Yemen scores 3 on most indicators of its regulatory framework, including regulation of microcredit operations of established institutions and the environment for formation and operation of specialised MFIs. The Microfinance Law passed in March 2009 should provide a clear set of rules for MFI operations. It grants the Central Bank of Yemen (CBY) the power to regulate MFIs. Previously, MFIs have reported to the Social Fund for Development (SFD), which relies on foreign donor aid. The new law sets a required capital level of YR500m (US$2.5m) for MFI banks. Any new MFI banks will face competition from the dozen or so existing MFIs which have been set up with funding from the SFD. Yemen's first commercial MFI bank, Al Amal Bank (which received 45% of its start-up capital from the SFD), and most of the other existing MFIs enjoy this quasi-state subsidy. This subsidy tends to put any NGO newcomers at a disadvantage in meeting the minimum capital requirement.

The new law provides a legal vehicle for NGOs to upgrade to become banks. NGOs wishing to do so must register with the CBY. They may set their own interest rates, but face caps on the amounts they may lend to an individual or company. The dozen or so MFIs not enjoying official bank status are not obligated to upgrade, and therefore will not have to comply with this cap.

Yemen receives a score of only 1 for its regulatory and examination capacity. A unit has been set up within the CBY to establish a regulatory mechanism for MFIs, but personnel are still receiving training. In the meantime, the SFD is acting as the de facto regulator for the country's dozen or so MFIs, which are required to file their accounts with the SFD every month. The SFD is also offering a range of courses in management, accounting, and IT, with assistance from the Small and Microfinance Enterprise Promotion Service (SMEPS; which in turn works in partnership with the IFC).

Yemen scores 2 on the range of services offered by its MFIs. Originally, owing to the belief that charging interest is forbidden under Islamic law, MFIs only offered Islamic-compliant products. However, now many offer conventional loans. In addition, many MFIs have begun to offer savings products, and some also offer Islamic insurance. Remittance services are not available, although at least one MFI plans to team up with the Postal Authority to offer funds transfer services in the future.

Yemen receives a score of only 1 for the level of competition in its MFI sector. Although MIX Market data from 2007 indicates that Yemen has a high level of market concentration, 2008 data from the SFD show that the market is quickly growing and is becoming more competitive. Competition within the sector is mitigated by the fact that most MFIs operate locally, and as such are not in direct competition with each other. Al Amal Bank is still too small to significantly impact locally-based MFI operations, but its arrival on the microfinance scene and its ambitious expansion plans will place growing pressure on these institutions.

Appendix: Methodology and sources

Methodology

This index is a pilot study that evaluates countries across regions despite poor data and often incomplete information. Much effort has been made to combine available secondary sources and primary legal texts with insights and information from sector stakeholders in each national context. One hundred and twenty interviews were conducted with microfinance practitioners, experts and consultants around the world between May and August of 2009 to inform the analysis in this study. Nevertheless, experts' interview availability varied widely by region, and, in some cases, by country. For the first time, a qualitative survey based on the microscope criteria was also administered to microfinance practitioners, consultants, and regulators worldwide from May through June. Out of 415 experts contacted for the survey, a total of 176 individuals responded, reflecting at 42% response rate. In the respondent sample, many but not all countries were represented. The results were used to inform, challenge and confirm scores and evaluations, as well as to provide additional contacts for interviews. In future years, we will expand and improve on these methods to establish an even better foundation for tracking the industry.

The study criteria and methodology were developed in 2007 by the Economist Intelligence Unit research team in close coordination with the Multilateral Investment Fund and the Corporación Andina de Fomento. The real-world relevance of these indicators was initially evaluated through in-depth interviews conducted with country experts and microfinance practitioners from the region. They have been further validated in 2007 and 2008 by their high, positive correlation with microfinance penetration figures. In 2009, these indicators were expanded to an additional 34 countries around the globe in cooperation with the International Finance Corporation.

Based on consultations with senior Multilateral Investment Fund and Corporación Andina de Fomento staff in 2007, the categories "Regulatory framework" and "Institutional development" were each weighted an aggregate 40% toward the 100 point score while "Investment climate" was weighted 20%. However, it is important to point out that, even with alternative weighting schemes that assign more weight to the latter category (such as weighting each of the 13 variables equally, or weighting each of the three categories equally), the relative importance of the investment climate in shaping overall microfinance environments consistently emerged as secondary to that of the regulatory framework and institutional development.

To score the indicators in this index, Economist Intelligence Unit researchers gathered data from the following types of sources (see pages 52 through 65 for a more complete listing):

- Personal interviews with regional and country experts, as well as microfinance practitioners and regulators
- A global microfinance survey for sector stakeholders based on the Microscope study
- Economist Intelligence Unit proprietary country rankings and reports
- Scholarly studies
- Websites of government authorities and international organisations
- Websites of industry associations
- Local and international news media reports

A new goal for this year's Microscope was to increase the number and scope of practitioners interviewed in Latin America and the Caribbean to a total of 42 interviews (double the number of the 2008 study). A large proportion of these were drawn from in-country sources, especially local microfinance institutions, national microfinance networks, and local offices of multilateral organisations. These additional consultations have allowed for a more nuanced portrait of the business environment for microfinance than was previously possible. As a result scores were re-evaluated and changed for some countries, even in cases where there were no actual changes in formal laws and regulations.

Multilateral Investment Fund staff provided the necessary data to measure the level of competition in Latin American and Caribbean countries. They began with MIX Market data but complemented it with country-specific sources to improve data coverage and quality. This is used to calculate the Hirschmann-Herfindahl Index (HHI).* HHI calculations are based on microfinance portfolio size rather than the number of clients.

Due to time and resource constraints for this pilot study, HHI data for the rest of the world came solely from MIX Market. In addition, 2007 data was used because 2008 data for these countries was not yet available. However, since many but not all microfinance institutions are reflected in this data, scores were adjusted in cases where the 2007 figures were deemed less reflective of the competitive environment. In future years the study will seek to build upon what is available on MIX Market for the rest of the world and incorporate a wider data set.

Scoring criteria

Indicators in the Microscope index are qualitative in nature, and scoring criteria for these are defined through a set of questions. These questions seek to measure not only the laws and standards governing the sector, but also their enforcement and practice. The criteria are thus open-ended rather than formulaic or prescriptive. Consequently, scores are best understood after reading indicator justifications in the Excel model as well as the scoring criteria.

For purposes of this study, *microfinance institutions (MFIs)* are defined narrowly as those that provide "microcredit", i.e., loans to non-salaried workers which are typically less than or equal to 250% of gross national income per capita (GNI per capita) in size. *Micocredit operations* are carried out by different types of institutions, some regulated by financial authorities and some not.

* The HHI is a specific measurement of market concentration, that is of the extent to which a set of firms account for a proportion of output in an industry. The HHI is used as one possible indicator of market power or competition among firms. It measures market concentration by adding the squares of the market shares of all firms in the industry. Where, for example, in a market five companies each have a market share of 20%, the HHI is 400 + 400 + 400 + 400 + 400 = 2000. The higher the HHI for a specific market, the more output is concentrated within a small number of firms. In general terms, with an HHI below 1000 the market concentration can be characterised as low, between 1000 and 1800 as moderate and above 1800 as high.

The indicator scoring criteria for the Global Microscope are as follows:

Regulatory framework

(1) Regulation of microcredit operations: "Are regulations conducive to microcredit provision by banks and other established financial institutions? For instance, are banks free to set market interest rates, can they avoid excessive documentation and capital-adequacy ratios, and are they free from unfair competition from subsidised public programmes and institutions?"

- Scoring: 0=No such regulations exist or regulations are prohibitive; 1=Regulations create serious obstacles; 2=Regulations create at least two such obstacles for MFIs; 3=Regulations create minor obstacles; 4=Regulations present no significant obstacles

(2) Formation and operation of regulated/supervised specialised MFIs: "Is the legal framework conducive to the formation and operation of 'specialised MFIs,' such as greenfield MFIs and upscaling NGOs transforming themselves into MFIs? For example, are specialised MFIs free to set market interest rates, can they avoid excessive documentation and capital-adequacy ratios, and are they free from unfair competition from subsidised public programmes and institutions?"

- Scoring: 0=No such regulations exist; 1=Regulations exist but multiple obstacles make formation very difficult; 2=Regulations exist though there are significant obstacles; 3=Regulations exist with relatively few obstacles; 4=Regulations facilitate formation

(3) Formation and operation of non-regulated and non-profit microfinance institutions (MFIs): "Is the legal framework conducive to the formation and functioning of microcredit operations by unregulated non-governmental organizations (NGOs)?"

- Scoring: 0=NGOs are barred; 1=NGOs face many obstacles; 2=NGOs face some obstacles; 3=NGOs face only minor obstacles; 4=NGOs face no significant obstacles

(4) Regulatory and examination capacity: "Do regulatory institutions possess a specialised capacity for the examination and regulation of microfinance provision?"

- Scoring: Open-ended, as specific markers are not obvious and emerge from the interviews

Investment climate

(5) Political stability: "How important are the internal and external threats to the stability of the serving government or the political system in general?"

- Scoring: The EIU's Political stability rating is a category score in its Risk Briefing. It is the average of five individual scored indicators: Social unrest, Orderly transfers, Opposition stance, Excessive executive authority and International tensions. 0=Extreme instability; 1=Considerable instability; 2=Moderate instability; 3=Stable; 4=Very stable

(6) Capital market development: "Are local capital markets developed?"

- Scoring: This score is based on the average of five scores in the EIU's Risk Briefing: Depth of financing, Access to local markets, Marketable debt, Banking sector health and Stockmarket liquidity. 0=Capital markets are undeveloped; 1=Capital markets exist but lack depth and breadth; 2=Capital markets are lacking in either depth or breadth; 3=Capital markets are moderately well developed; 4=Capital markets are deep and broad

(7) Judicial System: "Does the judicial system allow for speedy, effective, and consistent resolution of disputes?"

- This score is based on the average of three scores in the EIU's Risk Briefing: Fairness of the judicial process, Enforceability of contracts and Speediness of the judicial process. 0=Judicial system is extremely poor, corrupt or politicised; 1=Judicial system has several important faults; 2=Judicial system has strengths and shortcomings; 3=Judicial system is basically sound; 4=Judicial system is solid, incorruptible and free of political influence

(8) Accounting standards: "Are accounting standards in line with international norms (i.e., US GAAP, IAS, IFRS)?"

- Scoring: 0=There are no generally established accounting standards; 1=National standards exist but are weak and ineffective; 2=National standards are established but fall short of international best practices; 3=National standards are similar to or moving towards international standards; 4=International standards are followed

(9) Governance standards: "Do governance standards of accountability and independence exist for corporations and institutions?"

- Scoring: 0=Standards do not exist; 1=Standards exist, but are weak; 2=Modest and unevenly effective standards; 3=Significant if imperfect standards exist in law and practice; 4=Standards of high accountability and transparency are followed in law and practice

(10) MFI transparency: "Do microfinance institutions routinely disclose their effective interest rates, conduct external audits and receive external ratings?"

- Scoring: 0=MFIs rarely or never engage in such practices; 1=MFIs follow at best one such practice, and with uneven results; 2=MFIs follow some of these practices, with modest results; 3=MFIs follow most of these practices with generally favourable results; 4= MFIs follow all these practices

Institutional development

(11) Range of MFI Services: "Do MFIs offer a wide range of financial services to low-income populations in addition to microcredit (e.g., insurance, savings, transfer of remittances, etc?)

- Scoring: 0=MFIs do not generally offer additional services; 1=MFIs generally offer only limited services beyond microcredit; 2=MFIs generally offer a modest range of services; 3=MFIs offer a wide range of services; 4=MFIs offer a full, extensive range of services

(12) Credit bureaus: "Are there effective, reliable credit bureaus?" For instance, how comprehensive is the information on prospective borrowers that they provide, how widely accessible is that information (particularly in light of privacy restrictions), does it cover transactions with both regulated and non-regulated financial institutions, and does it provide more than just "negative" information about prospective borrowers (i.e., defaults and arrears)?

- Scoring: 0=Credit bureaus do not exist; 1=Credit bureaus are weak and unreliable in most of these ways; 2=Credit bureaus are weak in some of these ways; 3=Credit bureaus are weak in one of these ways; 4=Credit bureaus provide comprehensive information on the whole range of transactions and also include positive information about borrowers (on-time payment history etc)

(13) Level of competition: "How competitive is the MFI sector? Do micro-borrowers have a wide range of institutions from which to choose?"

- Scoring: 0=There is little or no competition with 2 or 3 institutions representing the majority of the total market portfolio, and the HHI value is over 2,600 ; 1=There is limited competition, and the HHI value is between 2,600 and 1,800; 2=There is a moderate level of competition among MFIs, and the HHI index falls between 1,800 and 1,000; 3=There is substantial competition and the HHI falls between 1,000 and 500; 4=There is a high degree of competition and the HHI value is 500 or lower

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Interviews

Please note: the opinions expressed in the interviews conducted with the individuals listed below do not necessarily represent those of their organisation or affiliation.
Four additional, confidential interviews were conducted for Latin America and the Caribbean, South Asia, Sub-Saharan Africa and Central Asia.

Interviews conducted between May and July 2009 for Latin America and the Caribbean

Adela del Rugigio Sagastume and Carlos Herrera, Genesis Empresarial

Alejandro Escobar, microfinance specialist, Multilateral Investment Fund

Anne Hastings, director, Fondasyon Kole Zepol, Haiti

Armando Janssens, CESAP, Venezuela

Carlos Sánchez Fábrega, executive vice president, Microserfin, Panama

Carmen Alvarez-Basso, Multilateral Investment Fund

Carmen Gomez-Trigg, operations officer, International Finance Corporation

Christian Sinobas, former executive director, PlaNet Finance Argentina

Elizabeth Ventura, president, EDPYME CONFIANZA

Enrique Bairabar, DIPRODE, Uruguay

Esther Gravenkötter, general manager, Procredit Honduras

Evangelina Petrizza, executive director, Red Argentina de Instituciones de Microfinanzas

Fabiano Costa Coelho, Banco Central do Brasil

Fernando Prado, ASOFIN Bolivia

Francisco Hoyos, president, ProDesarrollo Mexico

Frank Abate, manager, la Fundación Dominicana de Desarrollo

Gerard Pemberton, managing director for development finance, Trinidad and Tobago

Greta Greathouse, chief of party, DAI/MSME, Haiti

Guillermo Villacorta, Multilateral Investment Fund

Jacoba Rodríguez, general manager, PROCAJA, and director, REDPAMIF Panama

Jaime Pizarro, consultant and regional specialist

Jesus Peña, general manager, FUNDAMICRO El Salvador

Jorge Naya, general manager, Fundasol Uruguay

José Aguad Lema, president, FINRURAL Bolivia

Juan Pablo Montoya, general manager, ADRI Costa Rica

Juan Uslar Gathmann, executive president, BanGente Venezuela

Julián Suárez Migliozzi, executive principal, Andean Development Corporation

Luis Alberto Pelen González, microfinance director, Banrural Guatemala

Luis Camacho, financial director, FINCA México

Luz Amanda García Bolívar and Lucinda Díaz Cleves, Financial Superintendency of Colombia

Mariel Sabra, Multilateral Investment Fund Representación

Maureen Webber, chief executive officer, Development Options Jamaica

Pedro Arriola, general manager, Banco ProCredit Ecuador

Ramon Castillo, Credicoop Chile

Ramón Rosales, president, International Consulting Consortium

René Romero Arrechavala, vice president, ASOMIF and Executive director, Fundeser Nicaragua

Ricardo Monge, Fundación CAATEC Costa Rica

Ruth Arregui Solana, general technical advisor, Banking and Insurance Superintendency of Ecuador

Smeldy Ramírez, Multilateral Investment Fund

Stefan Queck, general manager, ProCredit El Salvador

Willy Zapata, consultant

Interviews conducted between May and July 2009 for South Asia

Deepak Khanna, chief investment officer, International Finance Corporation

Edward Mallorie, independent consultant and microfinance expert

Greg Chen, South Asia regional representative, Consultative Group to Assist the Poor

Indrajith Wijesiriwardana, regional microfinance expert, UVADES Consulting

Mohsin Syed, executive director, Pakistan Microfinance Network

Saeed Ahmed, microfinance department director, State Bank of Pakistan

Shankar Man Shrestha, chief executive officer, Nepal Rural Microfinance Development Centre

Tejhari Ghimire, executive director, Center for Microfinance Nepal

Vipin Sharma, chief executive officer, Access Development Services India

Interviews conducted between May and July 2009 for East Asia

Bun Mony, executive director, Sathapana

Enjiang Chen, senior fellow, Centre for Strategic Economic Studies at Victoria University

Gilbert Llanto, senior fellow, Philippine Institute for Development Studies
Ikatri Meynar Sihombing, executive director, MICRA Indonesia
Joyce Josephine, Permodalan Nasional Madani, Indonesia
Lin Huang, operations officer, International Finance Corporation
Nguyen Binh, rural and microfinance specialist, Asian Development Bank
Nguyen Ngoc Tuan, executive director, Vietnam Microfinance Working Group
Norasi Bukhamana, team executive, Bank of Thailand
Pete Morrow, chief executive officer, Khan Bank
Ranjith Hettiarachchi, general director, Association of Asian Confederation of Credit Unions
Samphea Sartop, finance director, Vision Fund Cambodia
Sean Kong, vice president and head of financial institution department, ACLEDA Bank
Tomas Gomez IV, president and chief executive officer, GM Bank
Tsetsen Dashtzeren Magsad, general director, MarBIS Company
Yunita Resmi Sari, senior analyst, Bank Indonesia

Interviews conducted between May and July 2009 for Sub-Saharan Africa
Abdulaye Mbaye, financial director for banking operations, BIMAO
Bagnick Gueye, microfinance specialist
Bernard Tissot, managing director, Microcred Senegal
Bruno Degoy, general manager, Advans DRC
Bruno Ondounda, head of microfinance department, COBAC
Corrine Riquet, regional representative for french-speaking Africa, Consultative Group to Assist the Poor
Cristoph Diel, Access Holding
Felix Ndzie, microfinance department, COBAC
Getaneh Gobezie, deputy director, Amhara Savings and Credit Institution
Julie Earne, investment officer, International Finance Corporation
Justin Bomda, executive secretary, Appropriate Development for Africa Foundation Cameroon
Margrit Nzuki, investment officer, International Finance Corporation
Martin Spahr, director, AccesBanque Madagascar
Michael Barleon, general director, AB Microfinance Bank Nigeria
Michel Iams, chief executive officer, MicroCred Madagascar
Moses Ochieng, regional representative for east and southern Africa, CGAP-DFID
Patrick Schoeneborn, head of credit, AccessBank Tanzania
Tanguy Gravot, general manager, Advans Bank Ghana
Tor Jansson, senior investment officer and microfinance specialist for Sub-Saharan Africa, International Finance Corporation

Interviews conducted between March and July 2009 for the Middle East and North Africa

Abdel-Karim al-Arhabi, deputy prime minister for economic affairs and managing director of the Yemen Social Fund for Development

Ahmed Abdel-Rahman al-Samaawi, governor, Central Bank of Yemen

Ali Azaki, development manager, Al-Amal Microfinance Bank

Annie Parseghian, investment officer, International Finance Corporation

Lamis al-Iryani , unit head, monitoring and evaluation, Yemen's Social Fund for Development

Mohamed Maarouf, executive director, Planet Finance Morocco

Mohammed Ali-Lai, executive director, Al-Amal Microfinance Bank

Mohammed Khaled, regional representative, Consultative Group to Assist the Poor

Mustapha Bidouj, secretary general, Fondation Banque Populaire pour le Microcrédit Morocco

Noureddine Ayouch, president, Zakoura pour le Microcrédit

Osama Alshami, small and microenterprise development unit, Yemen Social Fund for Development

Perrine Pouget, risk analyst, MicroRate Morocco

Ranya Abdel-Baki, transparency and research manager, Sanabel

Wesam Qaid, executive director, Yemen Small and Microenterprise Promotion Service

Youssef Fawwaz, executive director, Al-Majmoua

Ziad Halaby, general manager, Ameen Bank

Interviews conducted between June and July 2009 for Eastern Europe and Central Asia

Burcu Guvenek Arasli, lecturer in microfinance, Middle East Technical University

Eldar Jefarov, chief executive officer, CredAgro Azerbaijan

Fuad Sehovic, assistant director for legal affairs and credit risk and administration partner, PARTNER MKF

Gulnara Shamshieva, general manager, Bai Tushum & Partners Microcredit Company Kyrgyzstan

Jeff Flowers, chief executive officer, FINCA Azerbaijan

Levan Lebanidze, chief executive officer, Banks Constanta

Mariam Yesayan, executive director, AREGAK Universal Credit Organization

Monica Harutyunyan, legal adviser to HSBC Armenia and legal specialist of USAID's Microenterprise Development Initiative

Nejira Nalic, director of Mi-Bospo microcredit foundation

Nino Davitaia, chief specialist of legal and methodology department, Georgian Financial Supervisory Agency

Nugzar Murusidze, microfinance regulator, Georgian Financial Supervisory Agency

Olga Tomilova, regional representative for CIS states and Eastern Europe, Consultative Group to Assist the Poor

Rolf Behrndt, senior operations officer, International Finance Corporation

Sadina Bina, general director, Microcredit Foundation EKI

Sanavbar Sharipova, chief executive officer, IMON International

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