

Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report, 2008

A report from MIX and CGAP

February, 2009

Overview

In 2007, the countries of the Eastern Europe and Central Asia (ECA) region enjoyed high investment flows and experienced sustained economic growth and wage increases. Some countries were able to stabilize their economic and political systems to a level needed to become members of the European Union¹. In the face of this rapidly changing environment, microfinance institutions (MFIs), too, have been adjusting their activities. As opportunities for entrepreneurial activities expand in many countries with high economic growth, MFIs have been developing at a fast pace.

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¹ The report was prepared based on the 2007 data and before the onset of the 2008 financial crisis, and therefore it does not reflect changes that are likely to result.

While this report illustrates the unique characteristics of the region as a whole, it is important to bear in mind that significant differences exist among the sub-regions and countries of Eastern Europe and Central Asia. A central theme of the report is to address this variety in the levels of microfinance development and provide an overview of the key trends in the general level of development, policy environment, funding sources, external investments and the performance of microfinance institutions. This report also includes an explanation of the data sources used, a list of acronyms, and additional tables (Annex I–III).

The ECA region, as presented in this report, is made up of 22 countries with a total population of about 366 million people. The region can be divided into five sub-regions, each with distinct features that are exerting their marked influence on the local microfinance sector development. They are:

- the Balkans
- Caucasus
- Central and Eastern Europe (CEE)
- Central Asia (CA)
- Russia

As shown in **Table 1**, the ECA sub-regions are characterized by various wealth levels; overall, about 20 percent of the population, more than 71 million people, still live below the established national poverty lines.

General Trends

A key feature of the regional microfinance markets is a sharp contrast between consolidation in more mature markets, such as that of the Balkans, and proliferation

Table 1 Macroeconomic Indicators by Sub-Region

Subregion	Number of countries	Population, mln	Average GNI per capita	% people living below national poverty line	Population below poverty line, mln
Balkans	7	23.7	4,983	18.1%	4.3
Caucasus	3	16.2	2,486	28.5%	4.6
CEE	6	126.6	4,821	21.0%	26.6
Central Asia	5	57.5	1,881	29.0%	16.6
Russia	1	141.9	7,653	13.4%	19.0
Total/Weighted average	22	365.9	5,364	19.5%	71.2

Source: World Bank, National Statistics Agencies.

Table 2 Institutions Providing Microfinance in the ECA Region: Number and Outreach by Sub-Region

Subregion	Number of institutions providing microfinance	Number of active borrowers, thous.	Total portfolio outstanding, USD mln.	Average number of borrowers per institution, thous.	Average loan balance, USD	Penetration rate - % of total population	Penetration rate - % of population below poverty line
Balkans	47	803	2,875	17.1	3,581	3.4%	18.7%
Caucasus	164	394	1,042	2.4	2,646	2.4%	8.5%
CEE	3,852	5,110	6,027	1.3	1,179	4.0%	19.2%
Central Asia	1,245	843	2,646	0.7	3,137	1.5%	5.1%
Russia	1,893	675	2,702	0.4	4,003	0.5%	3.5%
Total	7,201	7,825	15,292	1.1	1,954	2.1%	11.0%

Source: CGAP 2008 MFI Survey, MIX Market 2007, WOCCU 2007.

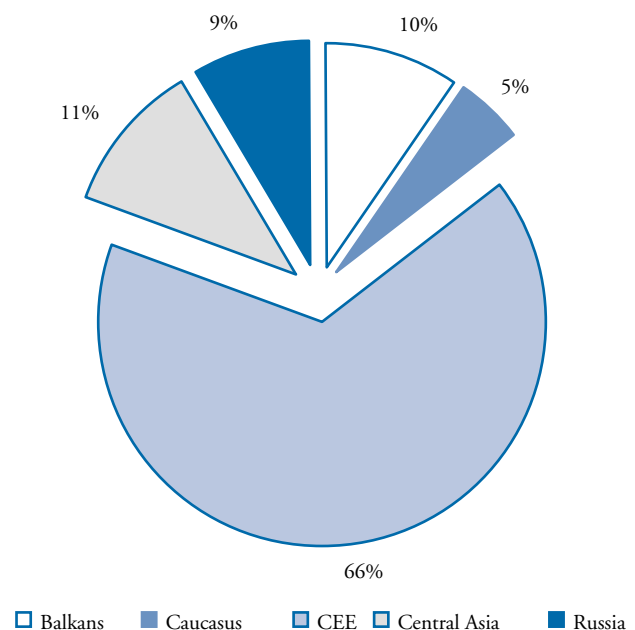
in the relatively younger markets of Central Asia and Russia. In terms of active borrowers, an average MFI in the Balkans is seven times larger than an average institution in the Caucasus, and over 20 times larger than its Central Asian peers. The MFIs there reach about 18.7 percent of borrowers living below the national poverty line, while in CEE sub-region they reach 19.2 percent; the other sub-regions lag far behind² (see Table 2).

Looking at the distribution of the total number of active borrowers by sub-region, the absolute leader is CEE, accounting for well over half of the total for the region, primarily due to the prevalence of credit unions, followed by the Balkans and Central Asia (Figure 1 and Table 3).

Microfinance players in ECA include downscaling banks, specialized microfinance banks, credit unions, NGOs and various specialized MFIs aggregated under a generic term of non-bank financial institutions (NBFIs). Of more than

7,200 institutions surveyed, the vast majority are credit unions – more than 82 percent of the total. Another common type is non-depository NBFIs, represented

Figure 1 Distribution of Active Borrowers by Sub-Region



² Penetration rate may be measured in two ways: as total borrowers per population or total borrowers per the population living below the poverty line. While neither indicator is a perfect measure for the outreach of microfinance services, both can serve as good proxies for assessing and comparing the sector in different sub-regions.

Table 3 Institutions providing microfinance in the ECA region: Number and outreach by type

Type of institution	Number of institutions of the type	Number of active borrowers, thous.	Total portfolio outstanding, USD mln.	Average number of borrowers per type of institution, thous.	Average loan balance in USD	Penetration rate - % of total population	Penetration rate - % of population below poverty line
Downscaling bank (EBRD program)	54	235	1,875	4.3	7,995	0.1%	0.3%
Specialized microfinance bank	19	1,145	5,411	60.3	4,724	0.3%	1.6%
NBFI - depository	5	12	7	2.3	618	0.0%	0.0%
NBFI - non-depository	819	909	2,130	1.1	2,343	0.2%	1.3%
NGO	148	101	251	0.7	2,497	0.0%	0.1%
Credit union	5,925	5,385	5,533	0.9	1,027	1.5%	7.6%
Government fund	231	39	85	0.2	2,167	0.0%	0.1%
Total	7,201	7,825	15,292	1.1	1,954	2.1%	11.0%

Source: CGAP 2008 MFI Survey, MIX Market 2007, WOCCU 2007.

both by for profit and non profit institutions (Table 3 and Figure 2). Retail government funds are a specific feature of Russia (230 funds). There is also one such fund in Kazakhstan accounting for some 40 percent of all the clients in the country (see Tables 16 and 21 in Annex III at end of this report).

As shown in Table 4, credit unions, being most numerous, serve the largest share of all borrowers and hold the largest

loan portfolio compared to all other institutional types – 36 percent of the total³.

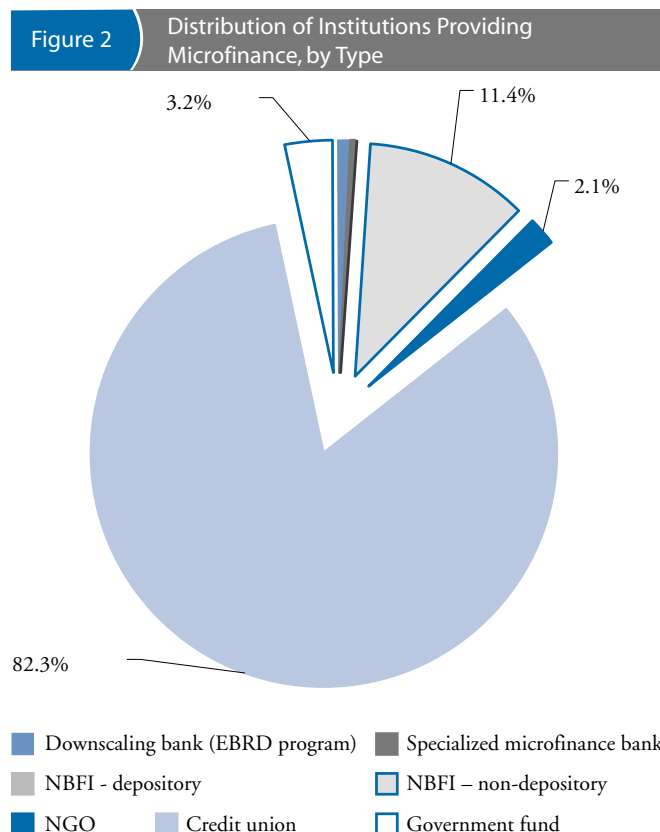
Table 4 Distribution of number of borrowers and total portfolio by type of institution

Type of institution	% of active borrowers served	% of total portfolio
Downscaling bank (EBRD program)	3.0%	12.3%
Specialized microfinance bank	14.6%	35.4%
NBFI - depository	0.1%	0.0%
NBFI - non-depository	11.6%	13.9%
NGO	1.3%	1.6%
Credit union	68.8%	36.2%
Government fund	0.5%	0.6%

Source: CGAP 2008 MFI Survey, MIX Market 2007, WOCCU 2007.

Looking at the 10 largest institutions listed in MIX Market by number of borrowers reveals that the microfinance sector in ECA is dominated by banks. Khan Bank, formerly state-owned, and XacBank account for most of the provision of microfinance services in Mongolia. ACBA, established under a program of the European Union to reach rural populations, is one of the biggest providers of micro and SME loans in Armenia. International networks such as FINCA and ProCredit account for the remaining big MFIs in the region (Table 5).

If banks are excluded from the sample, most of the large MFIs are in Bosnia and Herzegovina, along with a government fund in Kazakhstan (FFSA), and affiliates



³ It should be noted that the numbers given for CUs refer to their membership, thus the actual number of borrowers may be lower. Even in this case, however, they would still serve the largest number of borrowers.

Table 5 | Leading Institutions by Number of Borrowers

Name of Institution	Country	Type	Total Borrowers	GLP in USD
Khan Bank	Mongolia	Bank	281,907	411,412,843
ProCredit Bank Serbia	Serbia	Bank	101,999	606,307,126
ACBA	Armenia	Bank	85,259	182,790,900
ProCredit Bank - KOS	Kosovo	Bank	75,134	458,180,603
FINCA - AZE	Azerbaijan	NBFI	74,262	44,285,111
ProCredit Bank - BIH	Bosnia and Herzegovina	Bank	68,752	238,630,890
ProCredit Bank - GEO	Georgia	Bank	64,283	240,283,363
FMCC	Kyrgyzstan	NBFI	63,996	33,714,379
ProCredit Bank - BGR	Bulgaria	Bank	61,771	511,787,109
XacBank	Mongolia	Bank	59,623	84,977,712

Source: MIX Market 2007.

Table 6 | Leading Non-Bank Institutions by Number of Borrowers

Name of Institution	Country	Type	Total Borrowers	GLP in USD
FINCA - AZE	Azerbaijan	NBFI	74,262	44,285,111
FMCC	Kyrgyzstan	NBFI	63,996	33,714,379
Partner	Bosnia and Herzegovina	NBFI	51,982	117,516,857
MIKROFIN	Bosnia and Herzegovina	NBFI	51,508	142,601,855
EKI	Bosnia and Herzegovina	NBFI	44,459	117,442,956
Kompanion	Kyrgyzstan	NBFI	40,326	21,253,648
AgroInvest	Serbia	NBFI	33,194	74,979,639
MI-BOSPO	Bosnia and Herzegovina	NBFI	30,565	42,591,685
FFSA	Kazakhstan	NBFI	30,160	31,972,137
PRIZMA	Bosnia and Herzegovina	NBFI	29,308	37,051,031

Source: MIX Market 2007.

Table 7 | Savings Services in the ECA Region, by Sub-Region

	Number of savers, thous.	Total savings portfolio, USD mln.	Average savings balance, USD	Savings penetration rate - % of population below poverty line	Lending penetration rate - % of population below poverty line
Balkans	1,221	1,393	1,141	28.4%	22.0%
Caucasus	570	386	678	12.3%	8.5%
CEE	4,633	4,330	935	17.4%	19.2%
Central Asia	1,753	773	441	10.5%	5.1%
Russia	396	338	855	2.1%	3.5%
Total	8,572	7,221	842	12.0%	11.2%

Source: MIX Market 2007, WOCCU 2007.

of international networks such as FINCA, Mercy Corps (Kompanion in Kyrgyzstan) and World Vision (AgroInvest in Serbia).

Analysis of the savings services offered in the ECA region shows that, though the savings penetration rate is similar to that of the lending services, well over half of the savers are served by credit unions. The CEE sub-region serves the majority of all savers – 54 percent – as the credit union

movement is especially strong in Poland, Romania and Ukraine (Tables 7 and 8). The share of depository NBFIs⁴ in provision of savings services is virtually zero.

The sub-regions of Russia and the Caucasus serve the least number of savers compared to others, as Table 7 shows.

⁴ A transitional form between credit-only MFIs and banks, that exists in Kyrgyzstan, Mongolia and Tajikistan. Azerbaijan and Kosovo have been looking into permitting these types of institutions lately.

Table 8 Distribution of Savings Mobilization by Type of Institutions and by Sub-Regions, % of Total Savers

	Savers served by banks, % of total	Savers served by credit unions, % of total	Total for sub-region
Balkans	13.9%	0.4%	14.2%
Caucasus	6.5%	0.1%	6.7%
CEE	4.7%	49.4%	54.0%
Central Asia	19.3%	1.1%	20.4%
Russia	0.1%	4.6%	4.6%
Total for type of institution	44.5%	55.5%	100.0%

Source: MIX Market 2007, WOCCU 2007.

The relatively high percentage for Central Asia can be explained by activities of the Mongolian banks. Without their contributions, the rest of the sub-region serves less than 1 percent of savers.

For detailed overview of the types of institutions offering microfinance services in each of the sub-regions and their key statistics by country see Annex III.

Policy Environment in ECA – Key Trends and Changes

For almost 10 years, policy makers in the ECA region have been increasingly engaged in developing legal and regulatory frameworks for microfinance activities. Some countries (Bosnia and Herzegovina, Kyrgyzstan and Tajikistan) have adopted specialized, tiered microfinance laws. Some have adopted narrower laws focused on specific types of microfinance institutions (Georgia, Kazakhstan), while other countries have made adjustments to existing financial sector regulations to “fit” microfinance (e.g. Armenia). And in a number of countries, microfinance is carried out under the existing financial sector and general legal and regulatory framework with little or no adjustments (most notably, Russia).

A number of countries, such as Serbia are faced with the challenge of harmonizing their legislation and regulations with the European Union. Others are in the process of considering a new legislation for non-bank financial institutions (Azerbaijan) or financial cooperatives (Russia).

Given such diversity in the policy landscape, this report does not attempt to cover all of the sub-regional and country variation in legislation and policy environment.

It rather addresses most of the recent substantive changes, adopted or planned, in the legislative environment in a number of countries and provides some policy-related observations and conclusions.

Overview of key changes in the legal environment in ECA countries

The countries introducing or planning substantive legislative and regulatory changes in 2007-2008 include:

- Armenia
- Azerbaijan
- Bosnia and Herzegovina
- Kosovo
- Russia
- Uzbekistan

Armenia

Apart from downscaling banks, microfinance services in Armenia are offered by the so-called “universal credit organizations” – credit-only institutions. In 2008, the first credit society was registered in the country.

A significant legislative development in the country in 2008 has been introduction of a consumer protection framework that is applicable to all types of financial service providers. This is the first such attempt in the region lacking comprehensive consumer protection regulations.

The law on Financial System Ombudsman establishes a special complaint mechanism for clients of banks and other financial institutions. The Financial System Ombudsman Office is established with the Central Bank in the form of a foundation and is financed by the financial institutions

that are obliged to make regular contributions in the amount of a certain percentage of their assets.

Financial institutions participate in making decisions on the appointment of Financial System Ombudsman through their representatives on the Board of the Financial System Ombudsman Office. The law specifically obliges financial institutions to have internal procedures on examination of customer complaints and disclose such procedures to the public. The decision of the Financial System Ombudsman is compulsory for the financial institutions.

The Law on Consumer Credit was adopted in 2008 and will become effective in 2009. It introduces the concept and method of calculation of APR, as well as a number of requirements for banks and non-bank financial institutions extending consumer credit stipulating certain rights for borrowers. In particular, the law sets requirements on provisions to be included in the loan agreement, rules for advertisement of consumer credit and regular communication with the customers. The new law provides for the borrowers' rights to a "cooling-off period" (unconditional right to cancel the loan agreement), early loan repayment and presenting a claim on the quality of the goods and services to the creditor.⁵

Azerbaijan⁶

In Azerbaijan, microcredit activities can be performed both by banks and non-banks under the law "On banks of the Republic of Azerbaijan." All the MFIs currently working in the country had to apply to the National Bank of Azerbaijan (NBA) for a special non-bank financial institutions' credit-only license giving them a status of non-bank credit organizations (NBCO).

Given that the NBCOs are not allowed to mobilize any form of deposits, NBA has not been applying prudential regulation.

In 2007, the Parliament considered adopting a new law "On non-banking credit organizations," with support from the NBA and a number of key industry stakeholders, including representatives of non-bank credit organizations.

The proposed law, if adopted, would allow for limited deposit-taking by NBCOs – so-called "collateral deposits" in the amount not to exceed 10 percent of the loan amount. NBCOs will be able to use this money in case the client fails to repay. Under the proposed law both depository and non-depository NBCOs will have to meet higher minimum capital requirements – 250,000 AZN (around 300,000 USD) and 25,000 AZN (around 30,000 USD), respectively.⁷

It will be interesting to observe the dynamics of the Azerbaijan microfinance industry development once the law is passed, in particular with regards to the following issues:

- Will the limited deposit-taking permission for NBCOs turn into an attractive savings product for low-income clients and allow the NBCOs to substantially supplement their funding base from domestic sources? Will it reduce risks for NBCOs?
- Will increased minimum capital requirements result in stronger institutions and prevent proliferation of MFIs observed in other countries of the region due to very low market entry barriers (e.g. Kazakhstan and Kyrgyzstan)?
- Will the new legislation and closer oversight by the NBA help better integrate the NBCOs in the financial system of the country and increase their attractiveness to investors? Will it provide a path to transformation into banks?

Bosnia and Herzegovina

In Bosnia and Herzegovina, new legislation on microfinance institutions (the law "On microcredit organizations" also known as MCO) was adopted in July 2006 and in October 2006 in the Republic of Srpska and Federation of Bosnia and Herzegovina⁸, respectively. The law outlined the process of re-registering MFIs that had previously existed under specialized microfinance legislation adopted in 2000, which was no longer up to the level of the microfinance industry development.

⁵ The provision of the law on presenting claims on the quality of the goods and services to the creditors will become effective in 5 years time.

⁶ For more information, see "Azerbaijan Microfinance Analysis and Benchmarking Trends Report 2008".

⁷ Currently, the minimum capital requirement to NBCOs in Azerbaijan stands at AZN 6,050 (USD 5,000).

⁸ The Republic of Srpska and Federation of Bosnia and Herzegovina are the two entities forming the country of Bosnia and Herzegovina.

In the Federation of Bosnia and Herzegovina, the new law provides for a staged process: MCOs first can only register as non-profit microcredit foundations, and then as for-profit microcredit companies (MCC). In contrast, in the Republic of Srpska, MCOs can register as for-profit microcredit companies right away.

The minimum capital requirement for foundations is 25,000 EUR (37,000 USD) and 250,000 EUR (370,000 USD) for MCCs. There are also restrictions on the maximum loan size – 5,000 EUR (7,400 USD) for foundations and 25,000 EUR (37,000 USD) for MCCs.

However, it was not until late 2007 that all the necessary regulations were ready and the MFIs were able to start the process of re-registering. As of the beginning of 2008, there were seven re-registered MFIs, three of which were foundations and four MCCs in the country (see Table 2 in Annex III for detailed breakdown.)

Although the purpose of the new legislation was to better accommodate the current level of the microfinance sector development in the country, there are a few issues that will likely present challenges for further growth of MFIs:

- Limitation of the loan size could be a restraining factor for MFI portfolio diversification and outreach to the higher end of the microenterprise spectrum, potentially resulting in confinement of the microfinance sector to a rather narrow category of clients. It should be noted that the actual average loan size for most of the MFIs is already at or above the prescribed limit level for foundations⁹.
- The new law does not provide for deposit-taking activities, yet a limited liability company (the underlying legal form of MCCs) can transform into a joint-stock company and then apply for a banking license.
- The process of re-registering from one form to another is somewhat lengthy and not uniform across the administrative divisions of the country, and may be disruptive for day-to-day operations of MFIs.

⁹ The average loan size can roughly be calculated as the average loan balance (ALB) multiplied by 2. Note that Annex III, Table 2 contains information on ALB in Bosnia and Herzegovina.

- Requirement to MCCs to maintain 51 percent ownership by the founding NGOs, aimed at avoiding mission drift, may limit MCCs' opportunities to obtain funding from commercial sources.
- A significant operational constraint for the founding NGOs could be the requirement that they continue lending after the transformation, along with the MCCs that they will establish.

Kosovo

The United Nations Interim Administration Mission in Kosovo (UNMIK) adopted specialized regulation "On the licensing of non-bank microfinance institutions in Kosovo" No. 1999/13 in 1999. In accordance with the regulation, all microfinance institutions in Kosovo had to be registered and supervised by the Central Banking Authority of Kosovo (CBAK). Subsequent amendments to this regulation in 2002 granted the registered MFIs a limited ability to mobilize deposits in the total volume up to 125,000 EUR (184,000 USD).

In May 2008, UNMIK adopted amendments to the above mentioned regulation¹⁰, requiring existing MFIs that are interested in obtaining the status of a licensed MFI and to be able to mobilize deposits in excess of the 125,000 EUR threshold to apply for new registration within a six-month period (by the end of November 2008). To be re-registered and licensed, each MFI must create a new business entity with minimum capital of at least 2.5 million EUR (3.7 million USD) and meet a number of other requirements – in particular, the total value of liabilities cannot exceed five times the capital of an institution.

As the majority of MFIs in Kosovo are operating as NGOs, they are also subject to UNMIK regulation No. 1999/22 "On the registration and operation of non-governmental organizations in Kosovo." While this regulation does not explicitly prohibit transfer of NGO assets to a business entity, it does state that in case of dissolution, NGO assets can only be transferred to another NGO.

This lack of clarity resulted in an unofficial interpretation of the NGO regulation by Kosovo authorities and made

¹⁰ UNMIK regulation No. 2008/28 "Amending UNMIK Regulation No. 1999/13 on the registration, licensing, supervision and regulation of microfinance institutions". May 29, 2008.

it difficult for NGO MFIs to apply for a new status. As of November 2008, a group of microfinance industry stakeholders, with support from CGAP and World Bank, was working on obtaining a legal opinion from the Office of the Prime Minister, suggesting that the transfer of assets from an NGO to a licensed MFI may be possible under the condition that the latter would share and maintain the same social mission of the NGO.

Removal of this obstacle to transformation of NGO MFIs may be an important step in broadening low-income people's access to savings services in Kosovo.

Russia¹¹

In Russia, access to finance and support of small and micro businesses are currently high on the domestic policy agenda. In the beginning of 2008 about 40 percent of the population had limited or no access to basic financial services, and the demand for small business funding is very far from being met.

In 2007 and 2008, policy makers and industry stakeholders had been working on a new framework legislation for financial cooperatives. Until recently, financial cooperatives have taken a number of different legal forms – consumer credit societies, credit consumer cooperatives of citizens, agricultural credit consumer cooperatives, etc. These legal forms are governed by a number of different laws. None of these financial cooperatives is regulated or supervised by a financial regulator.

The new legislation intends to provide a common approach to the definition, establishment and functioning of cooperatives. Also, it outlines a model for their supervision through self-regulated organizations (SRO) that, in turn, will be supervised by a single government authority.

The adoption of a framework law is an important step for harmonizing and streamlining all financial cooperatives under a unified legislation. Bringing them under the supervision of the Central Bank may be beneficial, given that they are the most numerous actors in the Russian microfinance landscape (see Annex III, Table 21) providing basic savings and lending services to many people in remote and rural areas.

¹¹ For more information, see “Russian Microfinance Analysis and Benchmarking Trends Report 2008”.

In 2007, a diverse group of microfinance market stakeholders developed and introduced a draft “Concept note on formation of all-inclusive financial system in the Russian Federation,”¹² with the goal of determining key focus areas of financial systems development in order to increase people's access to financial services. The Concept was expected to be adopted by the Council of Federation (upper house of the Russian Parliament) before the end of 2008. This will give it the status of being an official national strategy for broadening access to finance and ensure participation of key decision makers in implementing respective measures to this end.

Uzbekistan

Regulatory reforms undertaken by the government of Uzbekistan in 2006 led to closure of a number of leading microfinance institutions and disruption of operations in others¹³. After that challenging year, in February 2007, the government issued long-awaited clarifications¹⁴ to the process of MFI re-registration required under the laws “On microfinance” and “On microcredit organizations” adopted a year earlier. The remaining microfinance institutions were able to finally resume their activities. In the beginning of 2008, there were 23 very small MFIs in the country, each serving, on average, fewer than 250 clients (see Annex III, Table 20).

In June 2007, the Cabinet of Ministers of Uzbekistan adopted a special “Program for Microfinance Development in the Republic of Uzbekistan through 2010,” with limited inputs from a number of microfinance industry stakeholders. The Central Bank of Uzbekistan was appointed responsible for monitoring the program implementation.

As key priorities of the Program, the Cabinet of Ministers plans to create favorable economic conditions for the development of MFIs and credit unions; improve the legal and regulatory environment; develop the microfinance sector infrastructure, including professional services for MFIs and access to the credit bureau; and facilitate the creation of the funding base for MFIs, including international credit lines, local commercial banks and

¹² The process was led by the Russian Microfinance Center.

¹³ For more information, see “Central Asia Benchmarking Report, 2006”.

¹⁴ Uzbek Cabinet of Minister's decree # 37 “On measures for further development of the microfinance market”. February 19, 2007.

government funds. At the time of issuance of the Program, the government-owned specialized retail Mikrokreditbank was appointed as the wholesale distributor of all international and domestic funding to MFIs.¹⁵

The Program was a manifestation of government interest and attention to the nascent and fragile microfinance sector. Through its development and adoption the government took a small but important step to open up to industry stakeholder's input. While the sector is seeing a slow revival, much time and effort will still be needed to create a more favorable environment for microfinance in the country.

Observations on policy-related issues and challenges in the ECA region¹⁶

The challenges outlined below present a summary of discussions during the Fourth Krakow Forum on Policy, Law and Regulation for Inclusive Finance held in October 2008. Every other year this event¹⁷ gathers high level policy makers from CIS (Commonwealth of Independent States) countries¹⁸.

- For the most part, microfinance institutions have not become fully integrated within local financial systems. As experience showed, it is not necessarily specialized legal and regulatory frameworks that create more or better microfinance institutions. The content of changes is what is most important. Sometimes, small-scale reforms to existing financial sector and general regulatory framework may leave more flexibility for the market to develop.
- Deposit mobilization by MFIs and transformed¹⁹ institutions has not become a mainstream service in the ECA region, as illustrated in the analysis above. In fact, virtually none of the transformed MFIs

have formed substantial deposit bases. In countries where specialized depository MFIs are allowed to take deposits, only a few institutions applied for the respective license. Further analysis needs to explore whether it is international funders with cheap money that create disincentives for MFIs to engage in mobilizing savings, or if other factors affect the current status quo.

- The development of financial infrastructure for the microfinance sector in ECA has not received enough attention. Many of the countries' regulations on credit registries and refinancing options effectively exclude MFIs.
- In most countries, general banking customer protection and loan conditions disclosure requirements are not fully applicable to non-bank institutions (MFIs and credit unions). Coupled with limited levels of financial literacy this puts MFI clients at a marked disadvantage.
- Some countries in the ECA region, especially Russia, currently see the development of a whole range of branchless banking solutions, including mobile banking, retail agent models, e-money etc. Consistent with CGAP global experience, it is not banks or MFIs, but rather other industry actors (e.g. telecommunication and payment companies) that are at the forefront of these developments in ECA. Virtual lack of regulation in this area raises a number of important systemic protection as well as customer protection concerns.

Funder Activities in the ECA Region

This section includes two types of analysis. First, CGAP 2008 Microfinance Funder Survey data on investor and donor funding looks at the overall funding going to the region and provides breakdowns of total amounts committed to microfinance by sub-regions, types of funders, funding instruments and levels of the financial system. Second, data collected by the Microfinance Information Exchange, Inc. (MIX) on debt amounts received by the leading MFIs in the region²⁰ offers a detailed look at the type, source and terms and conditions of these loans to individual MFIs.

¹⁵ The government changed its decision in 2008. Today Mikrokreditbank is no longer the sole distributor of funds for MFIs.

¹⁶ Source: Fourth Krakow Forum on Policy, Law and Regulation for Inclusive Finance. Krakow, Poland. 2 – 4 October 2008. Summary of Discussions.

¹⁷ Organized by CGAP and the MFC with co-sponsorship of the UN Advisors Group.

¹⁸ In 2008, representatives of 8 CIS countries (Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine, and Uzbekistan) and Georgia took part in the Forum.

¹⁹ The term "transformed" here refers to the transformation of NGO MFIs into formally licensed financial intermediaries.

²⁰ MFIs with 5,000 borrowers or more.

Funding Trends: ECA Microfinance Sector

Out of the total 54 leading donors and investors surveyed by CGAP, 29 (18 donors and 11 investors/DFIs) reported activities in the ECA region. Together, these funders committed about 2.5 billion USD to the sector as of December 2007. This is the second largest portion of the total global funding allocated to microfinance, after the region of South Asia, and approximately 21 percent of the total funding volume (Figure 3).

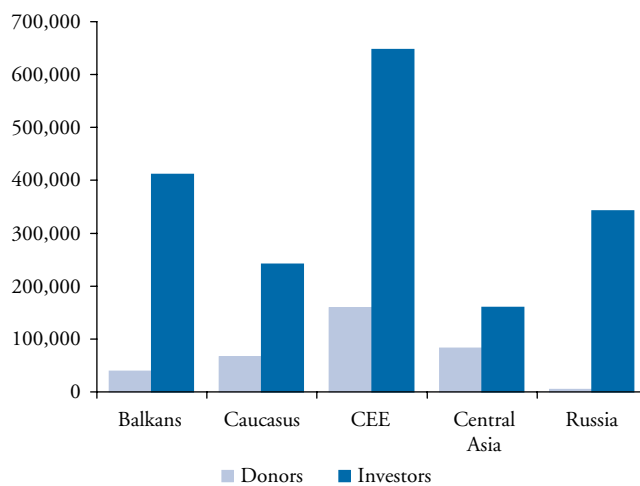
Of those 29 ECA funders, five contributed with 73 percent of the total amount (EBRD, KfW, IFC, WB, and AECI).

A closer look at the funding by sub-region (Figure 4) reveals that CEE had the highest portion of both donations and investments in the sector (45 percent and 36 percent, respectively), while Central Asia, followed closely by the Caucasus, had the least aggregated amount. Russia received the smallest share of donations of just 1 percent of the total funding allocated to the region.

In 2007, all ECA sub-regions received comparatively little funding for the meso and macro levels of the financial systems. This is somewhat surprising given the low level

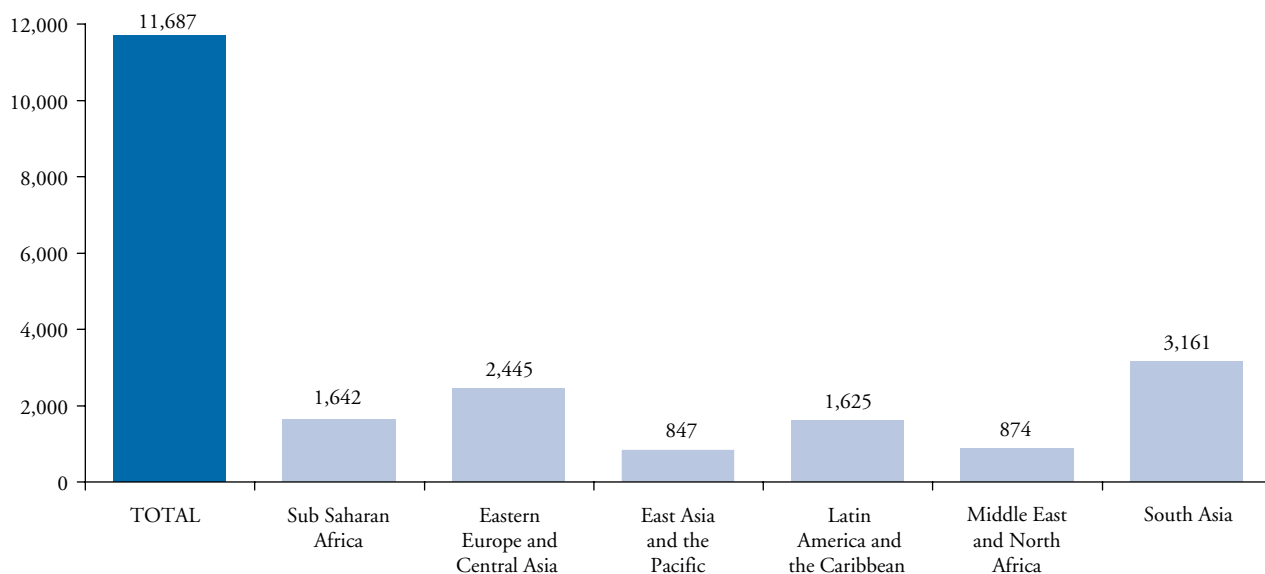
of microfinance sector infrastructure development and the array of persistent policy challenges. However, it should be noted that engagement at the policy level (e.g., new regulation for microfinance) absorbs less money than, for example, a loan to a large microfinance institution (see Figure 5).

Figure 4 Distribution of Donors' and Investors' Funding by ECA Sub-Region, USD Thousands



Source: CGAP 2008 Microfinance Funder Survey

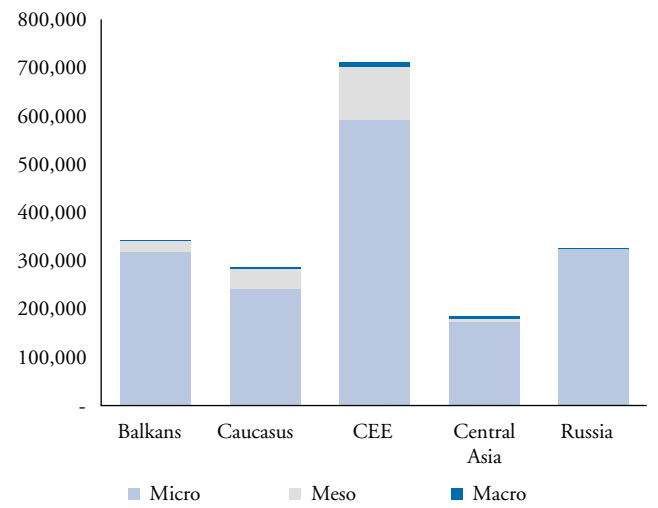
Figure 3 Distribution of Funding Commitments by Region in 2007, USD Millions



Note: About 91 percent of the total was allocated to specific regions; the rest was for global activities.

Source: CGAP 2008 Microfinance Funder Survey

Figure 5 Breakdown of Total Committed Amount by Level of the Financial System, USD Thousands

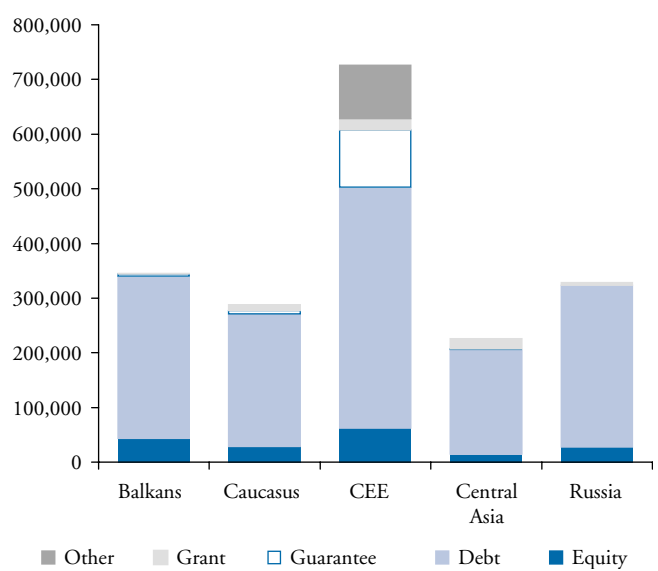


Source: CGAP 2008 Microfinance Funder Survey

In terms of funding instruments, debt was the most widely used across the region, and grants were rather insignificant. Funders used guarantees only in CEE (Figure 6).

In 2008, for the first time, the CGAP Microfinance Funder Survey included a broad range of funders and level of detail. Going forward, it will be interesting to

Figure 6 Breakdown of Total Committed Amount by Instruments, USD Thousands



Source: CGAP 2008 Microfinance Funder Survey

observe further trends in funder activities and their correlation with the level of the microfinance sector development in ECA.

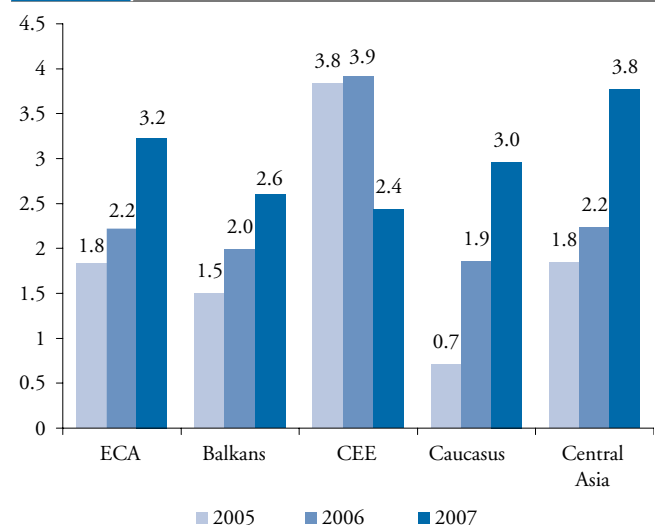
Funding Trends: Retail Microfinance Institutions in the ECA Region

The ECA MFIs reporting to MIX have become more leveraged, increasing their debt-to-equity ratio from 1.84 in 2005 to 3.24 in 2007 as commercial funding, both local and foreign, became increasingly available, especially for the larger MFIs.

Given that both deposits and borrowings enter in this ratio, it is worth taking a further look at all components of the funding structure. Tables 22 to 25 in Annex III present data on the different funding components – borrowings (by origin: foreign or local, and by type), retail and institutional deposits, and bonds for MFIs from the Balkans, Caucasus, CEE and Central Asia.²¹

Local sources of funding are most limited in the Caucasus where domestic commercial banks only cautiously lend to MFIs (see Annex III, Table 23). In contrast, Central

Figure 7 Debt-to-Equity Ratio Trend (2005-2007)



Source: MBB Benchmarks, 2005-2007. Results are peer group medians.

²¹ Russia is not included in this analysis because the prevalent MFI type in the country is credit cooperatives. They have minimal borrowings and their funding base is almost entirely from clients' voluntary and compulsory deposits.

Asian domestic commercial banks lend more actively to microfinance providers, including non-bank MFIs (see Annex III, Table 25). For some ProCredit banks in the Balkans and CEE, bonds have become an increasingly significant source of funding (Annex III, Tables 22 and 24). Overall for the region, lending from domestic commercial banks outstrips government funding. There is practically no government participation in microfinance in CEE. There are some government-sponsored development programs in the Balkans and the Caucasus, but they are relatively small. Overall, Central Asia has the largest government lending among all regions. The region also has the highest number of state-sponsored and/or previously state-owned microfinance banks.

Corporate and retail deposits comprise about half of all funding sources in the Balkans and CEE where the ProCredit banks have been very active in savings mobilization. Deposits also account for more than 60 percent of all liabilities in Central Asia, but this is almost entirely due to the retail deposit base of Mongolian microfinance banks. Deposits are most limited in the Caucasus, accounting for one-third of all liabilities.

Private funds are by far the biggest source of foreign investment in MFIs. In terms of total amounts, their presence is greatest in the Balkans and the Caucasus. Development financial institutions, including multilateral banks and bilateral agencies are the second biggest investor, though DFIs also have a notable presence in the portfolio of private funds. As retail investors, DFIs remain most active in CEE and the Balkans.

Overall, MFIs in the Balkans and CEE face lower interest rates on foreign loans than their peers in the Caucasus and Central Asia. Funds from domestic commercial banks are cheapest and most prevalent in the Balkans. Rates of commercial bank loans are higher in Central Asia and the Caucasus. In Central Asia, banks are as active in lending as governments but at rates that are tenfold higher.

The funding landscape in the region will likely change in 2008. Due to the financial turmoil in the United States and Western Europe, we can expect that the cost of funding will increase and funding may dry up if microfinance investment vehicles cannot convince their investors

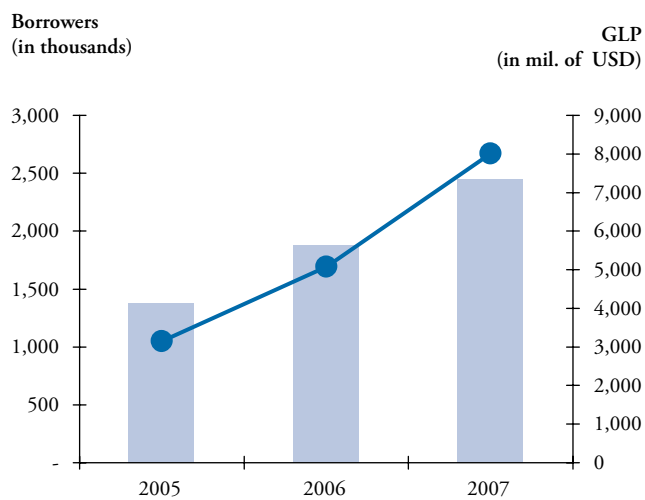
that the sector is risk proof. Local funds from domestic banks may also dry up especially in markets where the financial system was largely exposed to foreign lending as in Kazakhstan.

Performance of Microfinance Institutions

ECA MFIs reporting to MIX have been experiencing growth in outreach of more than 30 percent annually over the last three years. Loan balances also have been rising to keep up with higher income levels, and in some cases, such as the Central Asian republics and Azerbaijan, with double-digit inflation rates. The median average loan balance per borrower (ALB) for the region almost doubled between 2005 and 2007, going from 1,109 USD to 1,978 USD.

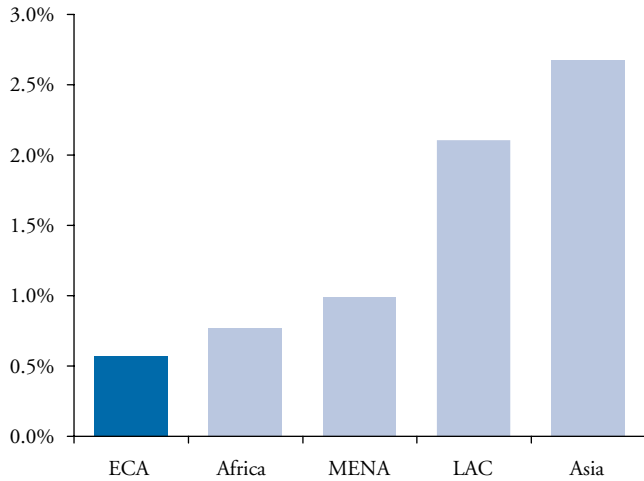
At the same time, there is still plenty of room for the sector to continue to grow in absolute terms and to expand down-market. Despite growth in number of clients over the last two years, ECA MFIs still have the lowest penetration rates when compared to global peers. This is true both in absolute terms and as a percentage of total population (see Figure 9). A different measure for outreach illustrates the same conclusion: with over 90 percent in ECA, the average loan balance per borrower as a percentage of GNI per capita is the highest globally.

Figure 8 Trends in Outreach and Scale in ECA



Source: MIX Market, 2005-2007. Results are peer group totals.

Figure 9 Penetration Rates by Region (Total Borrowers vs. Total Population)

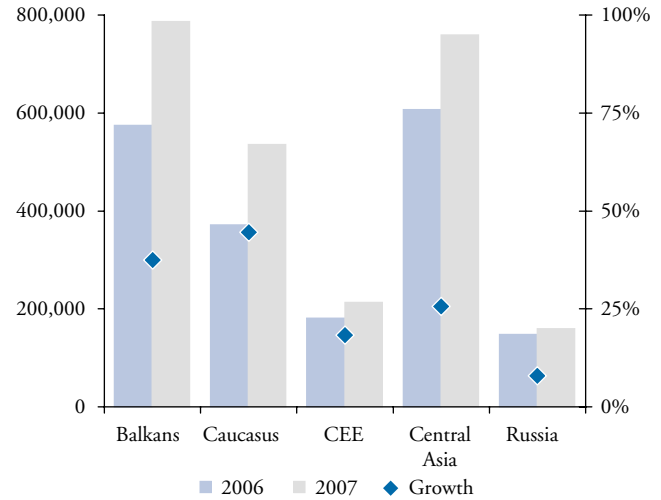


Source: MIX Market 2007. Results are peer group totals.

On a sub-regional level, growth in outreach has not been evenly distributed. The Balkans and the Caucasus grew at the fastest rates of 37 percent and 44 percent, respectively, while growth in CEE and Russia stalled in 2007. On a country level, concentration of growth in a few institutions has been greatest in the markets of Azerbaijan, Georgia,

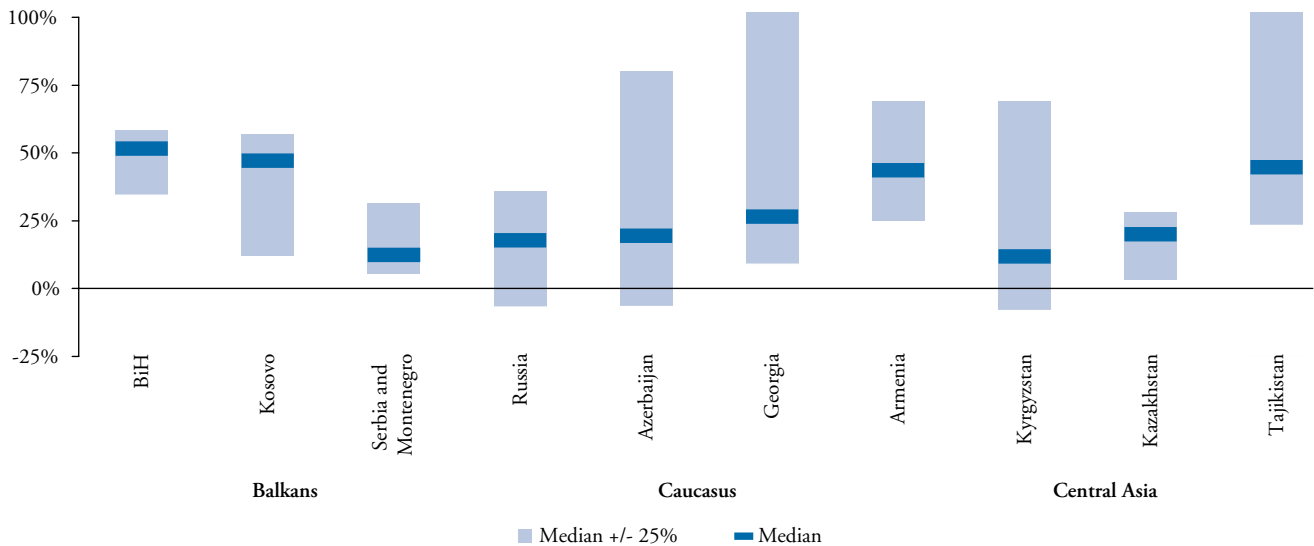
Kyrgyzstan and Tajikistan. Figure 10 shows how much the median institution in each country grew in total borrowers between 2006 and 2007. While the median MFI in these countries grew at modest rates between 10 and 25 percent, there were a few fast growers that increased their borrower base between 70 and 100 percent. Other markets, such

Figure 10 Active Borrowers and Growth Rates by Sub-Region



Source: Market, 2006-2007. Results are peer group totals.

Figure 11 Dispersion of Growth Rates by Country



Source: MIX Market, 2007. Results present 25th, 50th (median) and 75th percentiles of the growth rates in total borrowers between 2006 and 2007 for a sample of MFIs in each presented country.

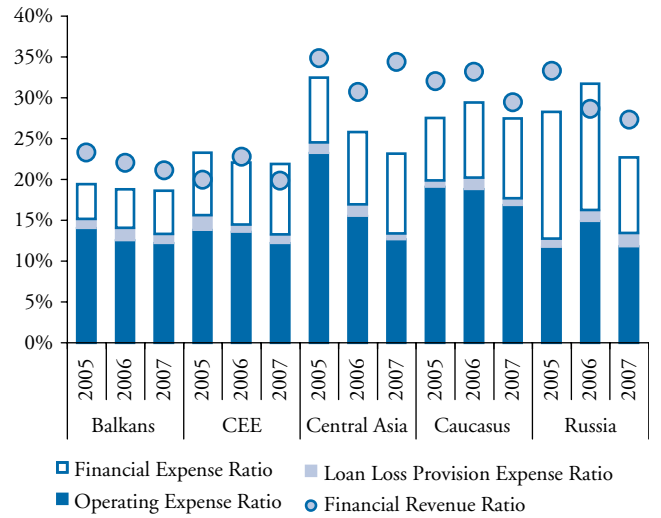
as Bosnia and Herzegovina not only have strong growth overall, but most actors exhibit this growth.

Financial Performance of ECA MFIs

Operating costs decreased uniformly across the region in 2007 as MFIs matured and became more efficient (see Figure 12). In more developed sectors such as the Balkans, costs decreased at a slower rate than for peers because the sector is past the point of reaping efficiency gains. MFIs in the Caucasus and especially in Central Asia have dramatically decreased their operating expenses since their 2005 levels, but overall costs are still the highest in the region. This stems mostly from the fact that the cost of funding, and hence the financial expense for MFIs, are higher in these sub-regions.

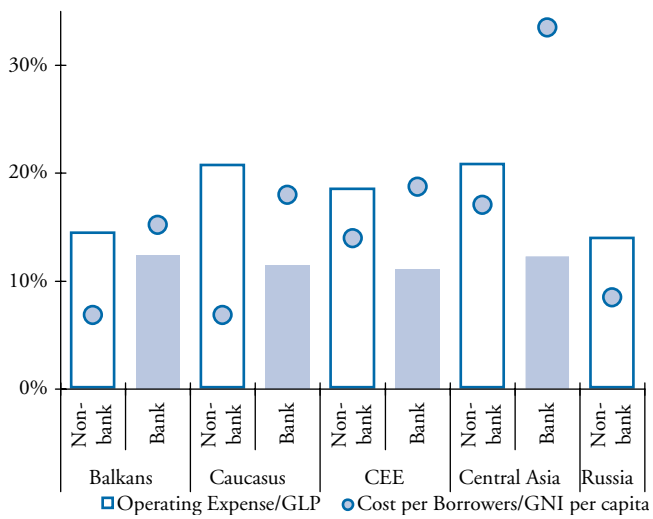
As costs decreased, financial revenues also declined in most sub-regions. In 2007, this was the case in all markets but Central Asia, where margins increased significantly. Because of a rise in revenues and sharp fall in operating costs in 2007, Central Asian MFIs had the highest margins in ECA. In 2007, they were able to channel most of the increased funding into their portfolio, which rose from 77 to 87 percent of total assets. The hike in returns did not stem from a change in interest rates, which actually decreased in 2007, as evidenced by a drop in the nominal portfolio yield from 42 to 39.5 percent. Still, this indicator

Figure 12 Breakdown of Return on Assets



Source: MBB Benchmarks, 2005-2007. Results are peer group medians.

Figure 13 Efficiency: Two Perspectives



Source: MBB Benchmarks, 2007. Results are peer group medians.

is highest in Central Asia, whereas it is much lower for the Balkans and CEE at 23 and 24 percent, respectively.

There was also a substantial variation in profitability across sub-regions. In particular, 2007 was a challenging year for MFIs in Central and Eastern Europe, the majority of which recorded negative adjusted ROA. CEE was also home to some of the most unprofitable MFIs in the region. The sectors in CEE countries exhibit a two-tiered structure with the large for-profit ProCredit affiliates in Romania, Bulgaria, Ukraine and Moldova on the one hand, and small, non profit MFIs, which have seen their outreach reduced and registered significant losses in 2007 on the other. In contrast, the majority of MFIs in Central Asia were profitable in 2007, with the few leading institutions registering very high ROA.

Non-bank institutions in ECA offer smaller loans and are more likely to reach underserved and remote areas than banks. Therefore, their operating expenses as a percentage of GLP are greater than that of banks. However, they have lower cost per borrower because they are able to serve more clients with the same amount of resources via group lending methodology. The Caucasus and the Balkans have lower cost per borrower given that they practice group lending more widely than their peers in CEE and Russia, and generally have lower labor, transportation and other costs.

Banks have lower operating costs in relation to GLP than non-banks, a result of higher loan balances. On a sub-regional level, there is little difference in the efficiency levels for banks except for Central Asia. While in absolute terms their cost per borrower is the lowest, when measured against GNI per capita, this value becomes the highest. This is due to the much lower GNI per capita for Central Asian countries, which also implies lower level of economic development and infrastructure – conditions that increase the cost per borrower.

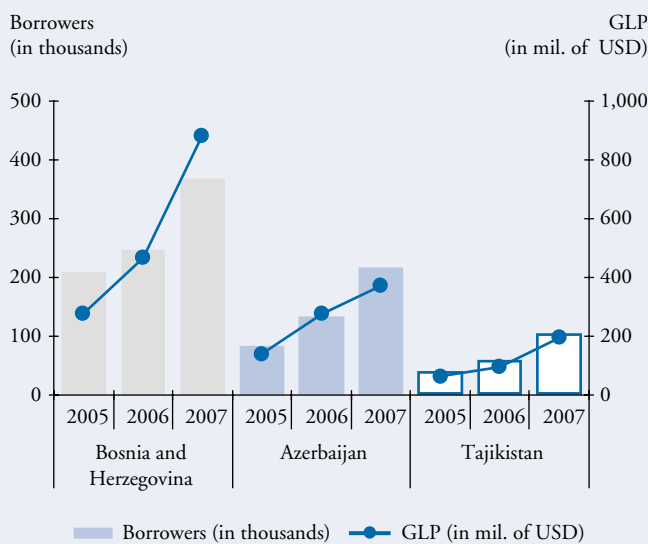
Overall, there was little change in the risk profile of ECA MFIs in 2007. PAR over 30 days went slightly up in the Balkans, CEE and Russia from 2006 levels, while it remained under 1 percent for the Caucasus and Central Asia. However, ECA MFIs will likely encounter greater challenges in risk management as the effects of the global financial crisis of 2008 spread to countries in the region. Rising commodity prices, continued hikes in inflation levels and possibly a slowdown of economic growth will likely have an effect on the repayment capacity of clients.

The Three Fastest Growing Markets in 2007: Bosnia and Herzegovina, Azerbaijan, and Tajikistan

The three fastest growing markets in the region in 2007 were in Azerbaijan, Bosnia and Herzegovina, and Tajikistan. The sectors in Tajikistan and Azerbaijan grew at faster rates, but market penetration is much lower in these markets, so there is greater room for growth than in the Bosnian sector. Active borrowers of Bosnian MFIs comprise 48 percent of the total poor population in the country, while this indicator is 12 percent in Azerbaijan and 3 percent in Tajikistan.

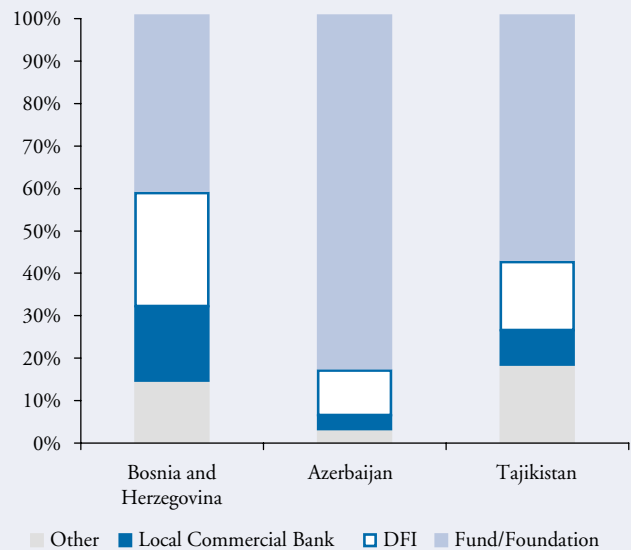
In the three markets, increased access to borrowings supported the rapid expansion in outreach. The median

Figure 14 Outreach and Scale in Bosnia and Herzegovina, Azerbaijan and Tajikistan



Source: : MIX Market, 2005-2007. Results are peer group totals.

Figure 15 Structure of Borrowings for Bosnia and Herzegovina, Tajikistan, Azerbaijan



Source: : MBB Benchmarks 2007. Results are peer group totals.

debt-to-equity ratio for all sectors now stands at well above 3. In the case of Tajikistan it more than doubled from 1.5 in 2006 to 3.8 in 2007. Loans from local commercial banks were 18 percent of total borrowings in Bosnia and Herzegovina (see Figure 15). These types of loans comprised 3 percent of the funding of Azeri MFIs while foreign funds have the greatest share in the funding structure. In Tajikistan, funds are also the dominant lenders, but domestic commercial banks are beginning to play a greater role, accounting for 8 percent of all borrowings.

Looking Ahead

While 2007 was a good year for the majority of ECA MFIs in terms of increased outreach, greater access to funding and maintaining of profitability, MFIs can expect to face more challenging environments in 2008. The fast economic growth in many of the countries in the region is likely to slow down due to economic recession in the West. Funding may become less available and it will likely come at a higher cost. Moreover, as inflation rises and clients face harsher macroeconomic conditions, MFIs may see their portfolio at risk rise to higher levels than in the past

few years. Nevertheless, it seems that overall MFIs are well positioned to take on such new challenges. The majority of ECA MFIs have become more efficient in the last years and show profits despite high inflation. Going forward MFIs may need to redirect their efforts from fast growth to efficient management of the existing client base, especially in the face of higher risk.

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Additional thanks are due to the regional associations who provided invaluable help on data collection and background throughout the year: Association of Microfinance Institutions in Kosovo (AMIK), Azerbaijan Microfinance Association (AMFA), Association of Microfinance Organizations of Kazakhstan (AMFOK), Association of Microfinance Institutions in Kyrgyzstan (AMFI), Association of Microfinance Organizations in Tajikistan (AMFOT), Association of Microfinance Organizations and Credit Unions of Uzbekistan (NAMOCU), the Russian Microfinance Center (RMC) and the European Microfinance Network (EMN). We would also like to thank EBRD, the Central Banks of Armenia and Georgia, the National Bank of Kyrgyzstan, Entrepreneurship Fund “DAMU” of Kazakhstan and the Rural Development

Center of Moldova (RDC) for providing additional data on the microfinance sector in the region.

For more background on the region, please also refer to the prior year's report: *Benchmarking Microfinance in Eastern Europe and Central Asia 2006*, available online at www.themix.org.

Data and Data Preparation

For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards as applied in the *MicroBanking Bulletin*. Raw data are collected from the MFI, inputted into standard reporting formats and cross-checked with audited financial statements, ratings and other third party due diligence reports, as available. Performance results are then adjusted, using industry standard adjustments, to eliminate subsidy, guarantee minimal provisioning for risk and reflect the impact of inflation on institutional performance. This process increases comparability of performance results across institutions.

Eastern Europe and Central Asia MFI Participants

2007 Benchmarks (158 Participants), 2005-2007 Balanced Panel Data (96 MFIs), names in italics

Balkans: *AFK* (Kosovo), *AgroInvest* (Serbia), ASC Union (Albania), Atlantic Capital Partners (Kosovo), *BESA* (Albania), *BZMF* (Kosovo), *DEMOS SLC* (Croatia), *EKI* (Bosnia and Herzegovina), *FINCA – KOS* (Kosovo), *FULM* (Macedonia), *Horizonti* (Macedonia), *KEP* (Kosovo), *KGMAMF* (Kosovo), *KosInvest* (Kosovo), *KRK Ltd.* (Kosovo), *LIDER* (Bosnia and Herzegovina), *LOKmicro* (Bosnia and Herzegovina), *MAFF* (Albania), *MDF* (Serbia), *MI-BOSPO* (Bosnia and Herzegovina), *MIKRA* (Bosnia and Herzegovina), *Mikro ALDI* (Bosnia and Herzegovina), *MIKROFIN* (Bosnia and Herzegovina), *Moznosti* (Macedonia), *NOA* (Croatia), *OBM* (Montenegro), *OBS* (Serbia), *Opportunity Albania*, *Partner* (Bosnia and Herzegovina), *PRIZMA* (Bosnia and Herzegovina), *ProCredit Bank – ALB* (Albania), *ProCredit Bank – BIH* (Bosnia and Herzegovina), *ProCredit Bank – KOS* (Kosovo), *ProCredit Bank – MKD* (Macedonia), *ProCredit Bank Serbia*, *SINERGJA* (Bosnia and Herzegovina), *START* (Kosovo), *Sunrise* (Bosnia and Herzegovina), *Women for Women* (Bosnia and Herzegovina).

Caucasus: *ACBA* (Armenia), Alliance Group (Georgia), *Agroinvest* (Azerbaijan), *AREGAK* (Armenia), *Azercredit* (Azerbaijan), *AzerDemirYol Bank* (Azerbaijan), *Azeri Star* (Azerbaijan), *BAI* (Georgia), *Constanta* (Georgia), *CredAgro NBCO* (Azerbaijan), *CREDO* (Georgia), *CRYSTAL FUND* (Georgia), *DAYAQ-Credit* (Azerbaijan), *ECLOF – ARM* (Armenia), *FINCA – ARM* (Armenia), *FINCA – AZE* (Azerbaijan), *FINCA – GEO* (Georgia), *FinDev* (Azerbaijan), *Horizon* (Armenia), *INECO* (Armenia), *KAMURJ* (Armenia), *Komak Credit* (Azerbaijan), *Lazika Capital* (Georgia), *MFBA* (Azerbaijan), *MikroMaliyye Credit* (Azerbaijan), *Normicro* (Azerbaijan), *ProCredit Bank – GEO* (Georgia), *SEF-ARM* (Armenia), *Viator* (Azerbaijan).

Central and Eastern Europe: *CAPA* (Romania), *Fundusz Mikro* (Poland), *HOPE* (Ukraine), *IM* (Poland), *KSK RPK* (Bulgaria), *LAM* (Romania), *MAYA* (Turkey), *Microinvest* (Moldova), *Mikrofond* (Bulgaria), *Nachala* (Bulgaria), *OMRO* (Romania), *ProCredit – MDA* (Moldova), *ProCredit Bank – BGR* (Bulgaria), *ProCredit Bank – ROM* (Romania), *ProCredit Bank – UKR* (Ukraine), *ROMCOM* (Romania), *USTOI* (Bulgaria).

Central Asia: 1st MCC (Kyrgyzstan), *Agrocredit Plus* (Kyrgyzstan), *Agroinvestbank* (Tajikistan), *A-invest* (Kazakhstan), *Aiyi Bank* (Kyrgyzstan), *Arnur Credit* (Kazakhstan), *ASR* (Uzbekistan), *ASTI* (Tajikistan), *Bank Eshkata* (Tajikistan), *Bereke* (Kazakhstan), *Borshud* (Tajikistan), *Bai Tushum* (Kyrgyzstan), *BTA Bank* (Kyrgyzstan), *Credit Mongol* (Mongolia), *Credit-express* (Tajikistan), *Elet-Capital* (Kyrgyzstan), *FFSA* (Kazakhstan), *FINCA – TJK* (Tajikistan), *FMCC* (Kyrgyzstan), *FMFB – TJK* (Tajikistan), *Imkoniyat* (Tajikistan), *IMON* (Tajikistan), *JOVID* (Tajikistan), *Khan Bank* (Mongolia), *KMF* (Kazakhstan), *Kompanion* (Kyrgyzstan), *Mikroredit Bank* (Uzbekistan), *MLF HUMO* (Tajikistan), *MLF MicroInvest* (Tajikistan), *Mol Bulak Finance* (Kyrgyzstan), *OXUS* (Tajikistan), *OXUS – KGS* (Kyrgyzstan), *TFS* (Mongolia), *VFM* (Mongolia), *XacBank* (Mongolia).

Russia: *Alternativa*, *Alteya*, *Aurora*, *BFSBS*, *BRCCC*, *CEF*, *Chita FSBS*, *Doveriye* (Amursk), *Edinstvo* (Yurga), *Edinstvo* (Volgograd), *EKPA*, *FFECC*, *FINCA- Russia*, *FORUS*, *Galaktika*, *Garant*, *Intellekt*, *KMB*, *KVK*, *Lider-Russia*, *Narodnaya Kasa*, *Narodnyi Kredit*, *Obereg* (Perm), *Obereg* (Vladivostok), *Partner*, *Rezerv*, *Rost*, *Rus*, *RWMN*, *SBS*, *Sodeystvie* (Pyatigorsk), *Sodeystvie*, *Sodruzhestvo*, *Soyuz*, *Tsimlyansk*, *USFSBS* (Udmurt), *Vostok Kapital*, *VRFSSB*.

Peer Groups	Definition	Description
Charter Type	ECA Bank (25)	ECA MFIs with Bank charter type
	ECA Credit Union (38)	ECA MFIs with Credit Union/Cooperative charter type
	ECA NBFI (78)	ECA MFIs with Non-Bank Financial Intermediary charter type
	ECA NGO (17)	ECA MFIs with Non-Governmental Organization charter type
Sub-region	Balkans (39)	ECA MFIs from Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Serbia
	Caucasus(29)	ECA MFIs from Armenia, Azerbaijan and Georgia
	Central and Eastern Europe (17)	ECA MFIs from Bulgaria, Moldova, Poland, Romania, Turkey, Ukraine
	Central Asia (35)	ECA MFIs from Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Uzbekistan
	Russia (39)	ECA MFIs from Russia
	Azerbaijan (13)	ECA MFIs from Azerbaijan
	Bosnia and Herzegovina (13)	ECA MFIs from Bosnia and Herzegovina
	Tajikistan (13)	ECA MFIs from Tajikistan

Indicator Definitions

INSTITUTIONAL CHARACTERISTICS

Number of MFIs	Sample Size of Group
Age	Years Functioning as an MFI
Total Assets	Total Assets, adjusted for Inflation and standardized provisioning for loan impairment and write-offs
Offices	Number, including head office
Personnel	Total number of staff members

FINANCING STRUCTURE

Capital/Asset Ratio	Adjusted Total Equity/Adjusted Total Assets
Commercial Funding Liabilities Ratio	(Voluntary and Time Deposits + Borrowings at Commercial Interest Rates)/Adjusted Average Gross Loan Portfolio
Debt to Equity	Adjusted Total Liabilities/Adjusted Total Equity
Deposits to Loans	Voluntary Deposits/Adjusted Gross Loan Portfolio
Deposits to Total Assets	Voluntary Deposits/Adjusted Total Assets
Portfolio to Assets	Adjusted Gross Loan Portfolio/Adjusted Total Assets

OUTREACH INDICATORS

Number of Active Borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/Adjusted Number of Active Borrowers
Number of Loans Outstanding	Number of loans outstanding, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Adjusted Gross Loan Portfolio/Adjusted Number of Active Borrowers
Average Loan Balance per Borrower/GNI per Capita	Adjusted Average Loan Balance per Borrower/GNI per Capita
Average Outstanding Balance	Adjusted Gross Loan Portfolio/Adjusted Number of Loans Outstanding
Average Outstanding Balance/GNI per Capita	Adjusted Average Outstanding Balance/GNI per Capita
Number of Voluntary Depositors	Number of depositors with voluntary deposit and time deposit accounts
Number of Voluntary Deposit Accounts	Number of voluntary deposit and time deposit accounts
Voluntary Deposits	Total value of voluntary deposit and time deposit accounts
Average Deposit Balance per Depositor	Voluntary Deposits/Number of Voluntary Depositors
Average Deposit Balance per Depositor/GNI per capita	Average Deposit Balance per Depositor/GNI per capita
Average Deposit Account Balance	Voluntary Depositors/Number of Voluntary Deposit Accounts
Average Deposit Account Balance/GNI per capita	Average Deposit Account Balance/GNI per capita

MACROECONOMIC INDICATORS

GNI per Capita	Total income generated by a country's residents, irrespective of location/Total number of residents
GDP Growth Rate	Annual growth in the total output of goods and services occurring within the territory of a given country
Deposit Rate	Interest rate offered to resident customers for demand, time, or savings deposits
Inflation Rate	Annual change in average consumer prices
Financial Depth	Money aggregate including currency, deposits and electronic currency (M3)/GDP

OVERALL FINANCIAL PERFORMANCE

Return on Assets	(Adjusted Net Operating Income - Taxes)/Adjusted Average Total Assets
Return on Equity	(Adjusted Net Operating Income - Taxes)/Adjusted Average Total Equity
Operational Self-Sufficiency	Financial Revenue/(Financial Expense + Impairment Losses on Loans + Operating Expense)
Financial Self-Sufficiency	Adjusted Financial Revenue/Adjusted (Financial Expense + Impairment Losses on Loans + Operating Expense)

REVENUES

Financial Revenue/Assets	Adjusted Financial Revenue/Adjusted Average Total Assets
Profit Margin	Adjusted Net Operating Income/Adjusted Financial Revenue
Yield on Gross Portfolio (nominal)	Adjusted Financial Revenue from Loan Portfolio/Adjusted Average Gross Loan Portfolio
Yield on Gross Portfolio (real)	(Adjusted Yield on Gross Portfolio (nominal) - Inflation Rate)/(1 + Inflation Rate)

EXPENSES

Total Expense/Assets	Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/Adjusted Average Total Assets
Financial Expense/Assets	Adjusted Financial Expense/Adjusted Average Total Assets
Provision for Loan Impairment/Assets	Adjusted Impairment Losses on Loans/Adjusted Average Total Assets
Operating Expense/Assets	Adjusted Operating Expense/Adjusted Average Total Assets
Personnel Expense/Assets	Adjusted Personnel Expense/Adjusted Average Total Assets
Administrative Expense/Assets	Adjusted Administrative Expense/Adjusted Average Total Assets
Adjustment Expense/Assets	(Adjusted Net Operating Income - Unadjusted Net Operating Income)/Adjusted Average Total Assets

EFFICIENCY

Operating Expense/Loan Portfolio	Adjusted Operating Expense/Adjusted Average Gross Loan Portfolio
Personnel Expense/Loan Portfolio	Adjusted Personnel Expense/Adjusted Average Gross Loan Portfolio
Average Salary/GNI per Capita	Adjusted Average Personnel Expense/GNI per capita
Cost per Borrower	Adjusted Operating Expense/Adjusted Average Number of Active Borrowers
Cost per Loan	Adjusted Operating Expense/Adjusted Average Number of Loans

PRODUCTIVITY

Borrowers per Staff Member	Adjusted Number of Active Borrowers/Number of Personnel
Loans per Staff Member	Adjusted Number of Loans Outstanding/Number of Personnel
Borrowers per Loan Officer	Adjusted Number of Active Borrowers/Number of Loan Officers
Loans per Loan Officer	Adjusted Number of Loans Outstanding/Number of Loan Officers
Voluntary Depositors per Staff Member	Number of Voluntary Depositors/Number of Personnel
Deposit Accounts per Staff Member	Number of Deposit Accounts/Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/Number of Personnel

RISK AND LIQUIDITY

Portfolio at Risk > 30 Days	Outstanding balance, portfolio overdue > 30 Days + renegotiated portfolio/Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, portfolio overdue > 90 Days + renegotiated portfolio/Adjusted Gross Loan Portfolio
Write-off Ratio	Adjusted Value of loans written-off/Adjusted Average Gross Loan Portfolio
Loan Loss Rate	(Adjusted Write-offs - Value of Loans Recovered)/Adjusted Average Gross Loan Portfolio
Risk Coverage Ratio	Adjusted Impairment Loss Allowance/PAR > 30 Days
Non-earning Liquid Assets as a % of Total Assets	Adjusted Cash and banks/Adjusted Total Assets
Current Ratio	Short Term Assets/Short Term Liabilities

Eastern Europe and Central Asia (2007)

	ECA	ECA Banks	ECA NGO	ECA NBFi	ECA Credit Union	Bosnia and Herzegovina	Azerbaijan	Tajikistan
INSTITUTIONAL CHARACTERISTICS								
Number of MFIs	158	25	17	78	38	13	13	13
Age	8	8	7	8	8	10	8	5
Total Assets	7,012,623	230,073,136	3,981,445	7,412,960	2,841,211	45,484,820	4,240,064	4,414,522
Offices	9	38	6	9	5	40	9	4
Personnel	52	801	27	59	17	139	45	104
FINANCING STRUCTURE								
Capital/Asset Ratio	23.3%	12.5%	64.7%	27.7%	7.8%	21.0%	23.6%	21.7%
Commercial Funding Liabilities Ratio	70.9%	112.7%	6.6%	60.0%	92.4%	73.1%	22.2%	46.7%
Debt to Equity	3.21	7.0	0.5	2.5	8.9	3.8	3.2	3.6
Deposits to Loans	0.0%	54.4%	0.0%	0.0%	83.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	31.8%	0.0%	0.0%	74.9%	0.0%	0.0%	0.0%
Portfolio to Assets	86.0%	66.9%	85.4%	88.5%	88.6%	92.5%	89.6%	89.2%
OUTREACH INDICATORS								
Number of Active Borrowers	4,465	45,919	2,080	5,894	1,184	26,986	8,964	5,172
Percent of Women Borrowers	46%	37.7%	43.0%	45.2%	52.1%	42.8%	38.6%	42.7%
Number of Loans Outstanding	4,533	47,683	2,080	5,894	1,225	26,986	8,964	5,307
Gross Loan Portfolio	6,209,887	147,152,518	3,620,266	6,539,480	2,265,105	42,591,685	4,042,768	3,938,089
Average Loan Balance per Borrower	2215	4,402	1,689	1,394	2,720	2,087	766	580
Average Loan Balance per Borrower/GNI per Capita	73.9%	148.5%	72.7%	66.3%	58.2%	54.0%	28.1%	113.4%
Average Outstanding Balance	2,205	4,041	1,689	1,345	2,582	2,087	766	580
Average Outstanding Balance/GNI per Capita	72.3%	148.5%	72.7%	65.5%	50.0%	54.0%	28.1%	113.4%
Number of Voluntary Depositors	0	78,926	0	0	335	0	0	0
Number of Voluntary Deposit Accounts	0	78,926	0	0	434	0	0	0
Voluntary Deposits	0	94,801,571	0	0	1,645,536	0	0	0
Average Deposit Balance per Depositor	2,599	1,286	37	0	4,288	1,151	8,000	0
Average Deposit Account Balance	1,939	1,204	37	7,673	4,067	1,151	7,897	0
MACROECONOMIC INDICATORS								
GNI per Capita	3,621	2,109	2,960	2,730	5,780	3,862	2,730	512
GDP Growth Rate	7.8%	7.8%	8.2%	8.1%	6.7%	5.8%	23.4%	7.8%
Deposit Rate	5.3%	6.3%	5.1%	6.3%	5.1%	3.6%	11.6%	8.4%
Inflation Rate	9.0%	9.0%	4.4%	9.1%	9.0%	1.3%	16.7%	13.2%
Financial Depth	37.9%	29.7%	37.9%	28.6%	37.9%	56.3%	19.0%	9.4%
OVERALL FINANCIAL PERFORMANCE								
Return on Assets	0.8%	1.3%	-0.1%	1.8%	0.2%	4.7%	0.7%	2.6%
Return on Equity	4.3%	11.5%	-0.1%	5.5%	1.9%	17.7%	2.5%	13.8%
Operational Self-Sufficiency	120.3%	122.6%	112.8%	125.3%	110.3%	132.7%	143.9%	144.1%
Financial Self-Sufficiency	107.7%	112.0%	99.4%	112.1%	102.0%	130.7%	112.2%	119.9%
REVENUES								
Financial Revenue/Assets	25.9%	17.3%	23.8%	27.6%	29.4%	24.2%	36.7%	35.0%
Profit Margin	7.2%	10.7%	-0.6%	10.7%	1.9%	23.5%	10.8%	16.6%
Yield on Gross Portfolio (nominal)	29.6%	21.0%	26.5%	31.7%	34.5%	26.0%	39.4%	37.7%
Yield on Gross Portfolio (real)	19.8%	14.5%	18.6%	22.4%	23.4%	24.3%	19.4%	21.7%
EXPENSES								
Total Expense/Assets	24.7%	15.6%	21.7%	26.9%	27.3%	17.2%	28.0%	27.0%
Financial Expense/Assets	9.2%	6.9%	5.7%	9.4%	14.6%	5.3%	11.7%	11.3%
Provision for Loan Impairment/Assets	1.1%	0.8%	1.5%	1.1%	1.3%	1.2%	0.7%	1.1%
Operating Expense/Assets	12.9%	7.9%	16.1%	15.5%	11.2%	10.2%	14.7%	17.0%
Personnel Expense/Assets	6.9%	4.0%	7.9%	8.6%	5.5%	6.8%	9.1%	9.6%
Administrative Expense/Assets	5.6%	3.9%	6.5%	6.6%	5.1%	3.6%	5.6%	6.2%
Adjustment Expense/Assets	1.8%	0.8%	3.3%	2.4%	0.7%	0.2%	5.1%	3.8%
EFFICIENCY								
Operating Expense/Loan Portfolio	16%	11.4%	18.7%	18.4%	13.3%	12.3%	15.7%	19.7%
Personnel Expense/Loan Portfolio	8%	5.3%	9.9%	9.8%	6.2%	7.6%	9.7%	12.4%
Average Salary/GNI per Capita	385%	434.0%	398.3%	448.2%	186.9%	537.0%	333.8%	773.1%
Cost per Borrower	278	524	313	190	364	198	132	100
Cost per Loan	265	465	313	187	330	195	132	89
PRODUCTIVITY								
Borrowers per Staff Member	66	45	72	74	53	155	116	65
Loans per Staff Member	66	45	72	77	55	155	116	65
Borrowers per Loan Officer	149	191	136	172	107	270	233	123
Loans per Loan Officer	151	191	136	172	110	280	233	134
Voluntary Depositors per Staff Member	0	93	0	0	23	0	0	0
Deposit Accounts per Staff Member	0	93	0	0	29	0	0	0
Personnel Allocation Ratio	43.7%	24.3%	50.0%	43.2%	52.5%	64.9%	37.8%	36.8%
RISK AND LIQUIDITY								
Portfolio at Risk > 30 Days	1.2%	1.2%	2.2%	0.9%	2.3%	1.3%	0.2%	0.4%
Portfolio at Risk > 90 Days	0.5%	0.5%	0.6%	0.4%	1.2%	0.3%	0.2%	0.3%
Write-off Ratio	0.4%	0.5%	1.0%	0.4%	0.3%	0.9%	0.2%	0.1%
Loan Loss Rate	0.3%	0.3%	0.5%	0.3%	0.3%	0.8%	0.2%	0.1%
Risk Coverage Ratio	112%	166.4%	81.0%	122.3%	70.1%	122.2%	476.0%	240.4%

Trend Data (2005-2007), Sub-Regions (2007)

	ECA 2007	ECA 2006	ECA 2005	Balkans	Caucasus	CEE	Central Asia	Russia
INSTITUTIONAL CHARACTERISTICS								
Number of MFIs	96	96	96	39	29	17	35	38
Age	8	7	6	8	9	10	4	8
Total Assets	20,592,720	9,714,578	7,910,523	30,919,352	6,972,106	9,099,396	5,179,600	3,041,423
Offices	13	12	10	18	9	12	8	5
Personnel	119	84	57	92	83	48	99	24
FINANCING STRUCTURE								
Capital/Asset Ratio	23.6%	31.7%	35.2%	31.9%	23.8%	34.0%	25.9%	7.8%
Commercial Funding Liabilities Ratio	70.9%	53.6%	33.4%	65.6%	55.4%	59.1%	48.2%	97.1%
Debt to Equity	3.2	2.2	1.8	2.1	3.2	1.9	2.3	8.9
Deposits to Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	82.1%
Deposits to Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	74.9%
Portfolio to Assets	86.5%	84.5%	83.0%	89.7%	83.9%	75.9%	87.1%	85.5%
OUTREACH INDICATORS								
Number of Active Borrowers	10,341	6,384	4,250	9,778	9,399	2,691	5,172	946
Percent of Women Borrowers	44.8%	46.4%	47.9%	39.0%	42.7%	42.1%	46.6%	58.9%
Number of Loans Outstanding	10,341	6,384	4,298	9,778	9,399	2,697	5,307	946
Gross Loan Portfolio	15,500,352	7,789,971	5,167,064	27,251,176	6,866,009	6,258,263	4,695,306	2,325,141
Average Loan Balance per Borrower	2,116	1,606	1,180	2,482	883	4,812	755	3,550
Average Loan Balance per Borrower/GNI per Capita	72.8%	77.4%	62.5%	72.7%	39.0%	85.1%	97.5%	59.9%
Average Outstanding Balance	2,018	1,414	1,175	2,482	883	4,375	755	3,276
Average Outstanding Balance/GNI per Capita	70.8%	77.4%	62.0%	72.7%	38.7%	79.7%	91.3%	54.1%
Number of Voluntary Depositors	0	0	0	0	0	0	0	283
Number of Voluntary Deposit Accounts	0	0	0	0	0	0	0	331
Voluntary Deposits	0	0	0	0	0	0	0	1,490,178
Average Deposit Balance per Depositor	1,557	1,640	1,557	1,325	1,286	1,394	1,067	0
Average Deposit Account Balance	1,571	1,453	1,452	1,325	1,079	1,394	1,128	0
MACROECONOMIC INDICATORS								
GNI per Capita	2,730	1,930	1,520	3,862	2,109	3,990	653	5,780
GDP Growth Rate	7.8%	6.4%	6.4%	5.8%	13.4%	6.0%	8.2%	6.7%
Deposit Rate	5.4%	5.6%	5.2%	3.6%	9.5%	6.7%	8.4%	5.1%
Inflation Rate	8.4%	7.4%	7.3%	2.9%	9.2%	8.4%	10.8%	9.0%
Financial Depth	37.9%	33.4%	33.4%	56.3%	19.0%	44.3%	28.6%	37.9%
OVERALL FINANCIAL PERFORMANCE								
Return on Assets	1.1%	1.6%	1.1%	1.7%	0.7%	-1.4%	2.5%	0.3%
Return on Equity	6.2%	6.9%	3.6%	9.5%	2.5%	-5.0%	13.0%	2.3%
Operational Self-Sufficiency	122.2%	126.8%	121.9%	122.6%	132.5%	105.7%	132.3%	108.6%
Financial Self-Sufficiency	111.0%	111.6%	109.2%	113.1%	110.8%	95.2%	119.9%	101.6%
REVENUES								
Financial Revenue/Assets	25.6%	25.3%	25.4%	20.5%	29.3%	17.7%	33.7%	29.4%
Profit Margin	10.0%	10.4%	8.4%	11.6%	9.8%	-5.0%	16.6%	1.6%
Yield on Gross Portfolio (nominal)	28.3%	29.4%	29.5%	22.8%	35.1%	23.5%	38.9%	34.5%
Yield on Gross Portfolio (real)	19.6%	21.6%	22.8%	18.8%	19.8%	14.8%	24.9%	23.4%
EXPENSES								
Total Expense/Assets	22.3%	24.6%	24.3%	17.7%	26.9%	21.5%	27.0%	28.3%
Financial Expense/Assets	7.9%	6.9%	6.7%	5.2%	10.4%	7.5%	10.1%	14.6%
Provision for Loan Impairment/Assets	1.0%	1.3%	1.1%	1.1%	0.8%	0.9%	1.1%	1.7%
Operating Expense/Assets	13.2%	15.0%	15.7%	12.2%	15.9%	11.0%	14.7%	11.3%
Personnel Expense/Assets	7.1%	8.3%	8.2%	6.8%	8.8%	4.5%	8.0%	5.6%
Administrative Expense/Assets	5.6%	6.4%	6.4%	4.9%	6.2%	6.7%	6.6%	4.6%
Adjustment Expense/Assets	1.6%	1.8%	1.8%	0.8%	3.3%	2.0%	2.5%	0.7%
EFFICIENCY								
Operating Expense/Loan Portfolio	15%	17.9%	19.2%	13.7%	18.3%	14.9%	19.5%	13.9%
Personnel Expense/Loan Portfolio	8%	9.7%	10.6%	7.4%	9.4%	5.8%	9.9%	6.8%
Average Salary/GNI per Capita	444%	541.0%	484.9%	518.6%	370.2%	301.3%	624.1%	180.0%
Cost per Borrower	289	248	200	313	150	697	114	500
Cost per Loan	279	234	199	313	148	654	117	489
PRODUCTIVITY								
Borrowers per Staff Member	73	70	80	102	90	45	68	37
Loans per Staff Member	75	75	80	102	90	47	68	41
Borrowers per Loan Officer	171	170	155	207	212	128	159	92
Loans per Loan Officer	171	171	160	207	212	130	159	94
Voluntary Depositors per Staff Member	0	0	0	0	0	0	0	12
Deposit Accounts per Staff Member	0	0	0	0	0	0	0	18
Personnel Allocation Ratio	43.0%	46.0%	51.6%	52.8%	37.8%	42.4%	38.7%	50.0%
RISK AND LIQUIDITY								
Portfolio at Risk > 30 Days	1.0%	1.3%	1.2%	1.4%	0.2%	2.5%	0.9%	2.1%
Portfolio at Risk > 90 Days	0.5%	0.6%	0.6%	0.5%	0.2%	1.1%	0.5%	1.2%
Write-off Ratio	0.5%	0.6%	0.6%	0.7%	0.2%	0.6%	0.3%	0.7%
Loan Loss Rate	0.3%	0.4%	0.4%	0.5%	0.2%	0.4%	0.2%	0.6%
Risk Coverage Ratio	145%	143.0%	116.7%	139.1%	238.8%	69.2%	122.3%	65.9%

Annex I

Data sources

Five different data sets are drawn on to present the analysis of the microfinance sector in this report:

- CGAP 2008 MFI Survey covering over 7,200 institutions in the region. Given the big sample size it only contains basic volume data like the number of borrowers and savers and loan portfolio size. This data set provides the most complete landscape description of microfinance in the ECA region, drawing on data from associations, regulators, donors and publicly available data to compile aggregate statistics for all types of microfinance providers.
- CGAP 2008 Microfinance Funder Survey data. Conducted annually, this survey provides market intelligence to the industry on the microfinance portfolio of leading donors and investors. The 2008 survey covered 54 participants.
- MIX Market data for a sample of close to 200 institutions providing outreach and scale data over the last three years (2005-2007). These institutions were selected based on their willingness to be financially transparent. They represent a broad spectrum of the sector including many small institutions and several

recent start-ups, and cross the whole range of institutional types. This data set complements the CGAP MFI survey data to provide a general landscape view on microfinance delivery.

- MIX *MicroBanking Bulletin (MBB)* benchmark data set for 158 MFIs in 2007 and a balanced panel data set of 96 MFIs for 2005-2007. These institutions were selected based on their leadership in overall outreach and their ability to provide transparent, detailed reporting. The report analyzes this sample to review MFI financial and operating performance.
- Of those MFIs included in the benchmark data set, a subset representing 90 percent of total regional outreach provided additional data on sources of debt financing. The database contains detailed information on the source, type (local or foreign), terms and conditions of the borrowings.

Together, these data sets represent the most detailed and comprehensive collection of financial performance, outreach and funding structure information for microfinance institutions in the region. The performance of the sample analyzed in this report is overall representative of the general trends in Eastern Europe and Central Asia, covering roughly 53 percent of the total loan portfolio. Data for all of the individual institutions included in the study is publicly available online and regularly updated at www.mixmarket.org.

Annex II

Acronyms

Acronym	Description
ACBA	Agricultural Cooperative Bank of Armenia
AECI	Agencia Espanola de Cooperacion Internacional
ALB	Average Loan Balance
AMFA	Azerbaijan Micro-Finance Association
AMFI	Association of Microfinance Institutions, Kyrgyzstan
AMFOT	Association of Microfinance Organizations of Tajikistan
AMIK	Association of Microfinance Institutions in Kosovo
APR	Annual Percentage Rate
AZE	Azerbaijan
AZN	Azerbaijan Manat
BGR	Bulgaria
BiH	Bosnia and Herzegovina
CA	Central Asia
CBAK	Central Banking Authority of Kosovo
CEE	Central and Eastern Europe
CGAP	Consultative Group to Assist the Poor
CIS	Commonwealth of Independent States
CU	Credit Union
DAMU	Entrepreneurship Development Fund of Kazakhstan
DFI	Development Financial Institution
EBRD	European Bank for Reconstruction and Development
ECA	Eastern Europe and Central Asia
EMN	European Microfinance Network
EUR	Euro
FFSA	Fund for Financial Support of Agriculture
FINCA	The Foundation for International Community Assistance
FMCC	FINCA Microcredit Company
GDP	Gross Domestic Product
GEO	Georgia
GLP	Gross Loan Portfolio
GNI	Gross National Income
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
KOS	Kosovo
LAC	Latin America and the Caribbean
LLPE	Loan Loss Provision Expense
MBB	MicroBanking Bulletin
MCC	Microcredit Company

Acronym	Description
MCO	Microcredit Organization
MENA	Middle East and North Africa
MFC	Microfinance Center for Central and Eastern Europe and the New Independent States
MFI	Microfinance Institution
MIX	Microfinance Information Exchange
NAMOCU	National Association of Microfinance Organizations and Credit Unions of Uzbekistan
NBA	National Bank of Azerbaijan
NBCO	Non-Bank Credit Organization
NBFI	Non-bank Financial Institution
NGO	Nongovernmental Organization
PAR	Portfolio at Risk
RMC	Russian Microfinance Center
ROA	Return on Assets
SME	Small and Medium Enterprise
SRO	Self-regulated Organization
UCO	Universal Credit Organization
UN	United Nations
UNDP	United Nations Development Programme
UNMIK	United Nations Interim Administration in Kosovo
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WOCCU	World Council on Credit Unions

Annex III

MFI Statistics by Country

The Balkans

Population		3,170,000							
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Specialized microfinance bank	Bank	1	32,581	161,462,256	32,581	161,462,256	4,956	1.03%	44.5%
Non-bank Financial Institution	NBFI	1	13,311	36,511,616	13,311	36,511,616	2,743	0.42%	18.2%
Fund	NGO	2	13,914	53,808,383	6,957	26,904,192	3,867	0.44%	19.0%
Savings and Credit Union	CU	1	13,460	24,079,556	13,460	24,079,556	1,789	0.42%	18.4%
TOTAL		5	73,266	275,861,811				2.31%	

Source: MIX Market 2007.

Population		3,935,000							
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Specialized microfinance bank	Bank	1	68,752	238,545,920	68,752	238,545,920	3,470	1.75%	18.8%
Microcredit organization	NBFI	10	236,064	474,809,213	23,606	47,480,921	2,011	6.00%	64.5%
Microcredit company	NBFI	2	61,215	169,792,562	30,608	84,896,281	2,774	1.56%	16.7%
TOTAL		13	366,031	883,147,695				9.30%	

Source: MIX Market 2007.

Population		4,435,400							
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Credit union	CU	2	2,348	6,674,581	1,174	3,337,291	2,843	0.05%	100%
TOTAL		2	2,348	6,674,581				0.05%	

Source: MIX Market 2007.

Population		2,100,000							
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Specialized microfinance bank	Bank	1	75,134	458,015,872	75,134	458,015,872	6,096	3.58%	60.7%
Microfinance Organization - NGO	NGO	12	42,847	149,705,882	3,571	12,475,490	3,494	2.04%	34.6%
Microfinance Organization - LLC	NBFI	2	5,818	23,096,639	2,909	11,548,319	3,970	0.28%	4.7%
TOTAL		15	123,799	630,818,393				5.90%	

Source: AMIK, MIX Market 2007.

Population		2,041,000							
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Specialized microfinance bank	Bank	1	28,639	153,998,000	28,639	153,998,000	5,377	1.40%	67.1%
Foundation	NGO	1	2,853	2,784,446	2,853	2,784,446	976	0.14%	6.7%
Saving House	CU	2	11,188	42,036,380	5,594	21,018,190	3,757	0.55%	26.2%
TOTAL		4	42,680	198,818,826				2.09%	

Source: MIX Market 2007.

Table 6 Serbia and Montenegro

Institutions Providing Microfinance	Population		8,025,100	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Specialized microfinance bank	Bank	3	148,113	782,634,308	49,371	260,878,103	5,284	1.85%	76.1%
Association of Citizens	NGO	3	12,002	20,011,192	4,001	6,670,397	1,667	0.15%	6.2%
Non-bank Financial Institution	NBFI	2	34,533	77,152,493	17,267	38,576,247	2,234	0.43%	17.7%
TOTAL		8	194,648	879,797,993				2.43%	

Source: MIX Market 2007.

Caucasus

Table 7 Armenia

Institutions Providing Microfinance	Population		3,230,100	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	3	8,506	34,446,671	2,835	11,482,224	4,050	0.26%	12.2%
Universal Credit Organization	NBFI	18	60,935	81,615,278	3,385	4,534,182	1,339	1.89%	87.8%
Credit society	CU	1	0	0	0	0	0	0.00%	0.0%
TOTAL		22	69,441	116,061,949				2.15%	

Source: Central Bank of Armenia, EBRD.

Table 8 Azerbaijan

Institutions Providing Microfinance	Population		8,629,900	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	8	7,070	25,679,286	884	3,209,911	3,632	0.08%	3.2%
Specialized microfinance bank	Bank	1	46,653	113,580,112	46,653	113,580,112	2,435	0.54%	21.4%
Non-bank Credit Organization	NBFI	14	154,112	438,101,447	11,008	31,292,961	2,843	1.79%	70.7%
Credit Union	CU	78	10,068	11,738,243	129	150,490	1,166	0.12%	4.6%
TOTAL		101	217,903	589,099,088				2.52%	

Source: AMFA, EBRD.

Table 9 Georgia

Institutions Providing Microfinance	Population		4,382,100	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	2	13,628	60,042,568	6,814	30,021,284	4,406	0.31%	12.8%
Specialized microfinance bank	Bank	1	64,283	240,828,112	64,283	240,828,112	3,746	1.47%	60.3%
Microfinance Organization	NBFI	15	28,725	35,719,055	1,915	2,381,270	1,243	0.66%	26.9%
Credit Union	CU	23	no.data	705,063	0	30,655	0	0	0
TOTAL		41	106,636	337,294,798				2.43%	

Source: Central Bank of Georgia, EBRD.

CEE

	Population		9,690,000						
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Downscaling bank (EBRD program)	Bank	5	5,506	45,063,738	1,101	9,012,748	8,184	0.06%	100%
TOTAL		5	5,506	45,063,738				0.06%	

Source: EBRD.

	Population		7,640,238						
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Specialized microfinance bank	Bank	1	61,771	512,614,240	61,771	512,614,240	8,299	0.81%	92.0%
Non-bank Financial Intermediary	NBFI	3	2,591	5,818,794	864	1,939,598	2,246	0.03%	3.9%
Cooperative	CU	2	2,815	12,878,481	1,408	6,439,241	4,575	0.04%	4.2%
TOTAL		6	67,177	531,311,515				0.88%	

Source: MIX Market 2007.

	Population		3,572,700						
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Downscaling bank (EBRD program)	Bank	1	15,267	36,468,493	15,267	36,468,493	2,389	0.43%	23.6%
Non-bank Credit Organization	NBFI	11	no data	90,746,961		8,249,724			
Savings and Credit Association	CU	456	49,388	28,871,298	108	63,314	585	1.38%	76.4%
TOTAL		468	64,655	156,086,752				1.81%	

Source: EBRD, National Commission of Financial Market of Moldova.

	Population		38,116,00						
Institutions Providing Microfinance	Type	Number	Active Borrowers	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
Non-bank financial institution	NBFI	2	15,801	37,966,481	7,901	18,983,241	2,403	0.04%	0.9%
Credit union	CU	67	1,668,555	2,102,003,618	24,904	31,373,188	1,260	4.38%	99.1%
TOTAL		69	1,684,356	2,139,970,099				4.42%	

Source: MIX Market 2007, WOCCU 2007.

Table 14 Romania

Institutions Providing Microfinance	Population		21,528,600	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of total clients served
	Type	Number	Active Borrowers						
Specialized microfinance bank	Bank	1	39,269	314,737,395	39,269	314,737,395	8,015	0.18%	27.8%
Microfinance Company	NBFI	7	20,000	117,820,324	2,857	16,831,475	5,891	0.09%	10.4%
Credit Union +	CU	2,501	680,000	701,030,928	272	280,300	1,031	3.16%	61.8%
TOTAL		2,509	739,269	1,133,588,647				3.43%	

Source: EMN, MIX Market 2007, WOCCU 2007.

Table 15 Ukraine

Institutions Providing Microfinance	Population		46,030,720	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	8	100,788	750,884,781	12,599	93,860,598	7,450	0.22%	4.0%
Specialized microfinance bank	Bank	1	52,894	389,180,992	52,894	389,180,992	7,358	0.11%	2.1%
Finance Company	NBFI	1	3,515	3,168,950	3,515	3,168,950	902	0.01%	0.1%
Credit Cooperative	CU	785	2,392,000	877,704,149	3,047	1,118,094	367	5.20%	93.8%
TOTAL		795	2,549,197	2,020,938,872				5.54%	

Source: EBRD, MIX Market 2007, WOCCU 2007.

Central Asia

Table 16 Kazakhstan

Institutions Providing Microfinance	Population		15,422,200	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	4	5,873	63,013,155	1,468	15,753,289	10,729	0.04%	8.1%
Fund for Financial Support of Agriculture	Govt fund	1	30,160	31,932,320	30,160	31,932,320	1,059	0.20%	41.8%
Microcredit Organization*	NBFI	437	36,144	303,657,082	83	694,867	8,401	0.23%	50.1%
Credit Partnership*	CU	156	no data	1,160,045,395		7,436,188			
TOTAL		598	72,177	1,558,647,952				0.47%	

* Submitting reporting to statistical agencies. Total number of registered MCOs - is 1,086, CPs - 176

Source: AMFOK, DAMU, EBRD.

Table 17 Kyrgyzstan

Institutions Providing Microfinance	Population:		5,317,000	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	7	34,597	120,683,534	4,942	17,240,505	3,488	0.65%	14.2%
Specialized microfinance bank	Bank	1	46,172	62,136,582	46,172	62,136,582	1,346	0.87%	18.9%
Microcredit Agency	NBFI	127	9,675	7,861,498	76	61,902	813	0.18%	4.0%
Microcredit Company	NBFI	104	132,691	105,120,772	1,276	1,010,777	792	2.50%	54.4%
Microfinance Company	NBFI - dep	2	154	1,145,641	77	572,820	7,439	0.00%	0.1%
Credit Union	CU	272	20,670	21,624,166	76	79,501	1,046	0.39%	8.5%
TOTAL		513	243,959	318,572,192				4.59%	

Source: National Bank of the Kyrgyz Republic, EBRD.

Table 18 Mongolia

Institutions Providing Microfinance	Population:		2,629,000	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Specialized microfinance bank	Bank	2	342,474	498,766,552	171,237	249,383,276	1,456	13.03%	97.9%
Microfinance Organization	NBFI	3	7,274	5,468,686	2,425	1,822,895	752	0.28%	2.1%
Credit Union	CU	no data	no data	no data					
TOTAL		5	349,748	504,235,238				13.30%	

Source: Microfinance Information Exchange.

Table 19 Tajikistan

Institutions Providing Microfinance	Population:		6,736,000	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	4	10,220	38,164,692	2,555	9,541,173	3,734	0.15%	11.1%
Specialized microfinance bank	Bank	1	17,778	20,036,344	17,778	20,036,344	1,127	0.26%	19.3%
Microloan Fund	NBFI	19	43,931	27,404,782	2,312	1,442,357	624	0.65%	47.6%
Microcredit Organization	NBFI	7	8,735	5,294,767	1,248	756,395	606	0.13%	9.5%
Microdeposit Organization	NBFI - dep	3	11,561	6,089,952	3,854	2,029,984	527	0.17%	12.5%
TOTAL		34	92,225	96,990,537				1.37%	

Source: AMFOT, EBRD, MIX Market 2007.

Table 20 Uzbekistan

Institutions Providing Microfinance	Population:		27,372,000	Portfolio Outstanding, USD	Average Clients per Institution	Average Portfolio per Institution, USD	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number	Active Borrowers						
Downscaling bank (EBRD program)	Bank	2	5,381	22,221,957	2,691	11,110,978	4,130	0.02%	6.3%
Specialized microfinance bank	Bank	1	51,026	65,576,452	51,026	65,576,452	1,285	0.19%	59.8%
Microcredit Institution	NBFI	23	5,630	2,168,000	245	94,261	385	0.02%	6.6%
Credit Union	CU	69	23,350	77,728,000	338	1,126,493	3,329	0.09%	27.3%
TOTAL		95	85,387	167,694,409				0.31%	

Source: NAMOCU, EBRD.

Russia

Institutions Providing Microfinance	Population:		141,900,000	Portfolio Outstanding, USD**	Average Clients per Institution*	Average Portfolio per Institution, USD*	Average Loan Balance, USD	Share of Population Served	Share of Total Borrowers Served
	Type	Number**	Active Borrowers**						
Downscaling bank (EBRD program)	Bank	10	27,727	678,712,576	2,773	67,871,258	24,478	0.02%	4.1%
Specialized microfinance bank	Bank	2	69,903	1,399,336,420	34,952	699,668,210	20,018	0.05%	10.4%
Non-bank deposit and credit organization	NBFI	1	3,301	7,426,231	3,301	7,426,231	2,250	0.00%	0.5%
Credit consumer cooperatives of citizen	CU	760	163,611	195,631,096	215	257,409	1,196	0.12%	24.2%
Credit consumer society	CU	400	306,173	182,879,631	765	457,199	597	0.22%	45.4%
Agricultural credit consumer cooperative	CU	350	41,447	87,182,537	118	249,093	2,103	0.03%	6.1%
State, regional and municipal fund for entrepreneurship support	Gov fund	230	8,846	52,594,699	38	228,673	5,945	0.01%	1.3%
Private foundation	NGO	130	28,889	24,647,400	222	189,595	853	0.02%	4.3%
Private commercial non-bank MFI	NBFI	10	25,000	73,208,888	2,500	7,320,889	2,928	0.02%	3.7%
TOTAL		1,893	674,897	2,701,619,477				0.48%	

Source: EBRD, RMC.

* Based on RMC research

** Based on experts' estimates

Funding Structure of ECA MFIs by Sub-Region

Balkans					
Origin		Type	Balance USD	% of Total	Rates
FOREIGN	Borrowings	Fund	559,356,714	15.8%	7.27%
		DFI & Bilateral Agencies	504,494,554	14.3%	6.79%
		NGO/Foundation	33,772,131	1.0%	3.69%
		Commercial Bank	26,730,935	0.8%	7.46%
		Government	21,594,612	0.6%	0.11%
		Other	4,342,787	0.1%	n.a.
Foreign Total			1,150,291,734	32.6%	
LOCAL	Deposits	Retail Deposits	1,440,785,850	40.8%	n.a.
		Corporate and Institutional Deposits	739,474,874	20.9%	n.a.
	Borrowings	Commercial Bank	127,239,748	3.6%	7.91%
		Gov't & Development Agencies	52,057,180	1.5%	4.48%
		NGO/Foundation	16,082,478	0.5%	4.18%
	Bond	Bond	7,186,627	0.2%	8.40%
Local Total			2,382,826,756	67.4%	
Total			3,533,118,490	100%	

Source: MBB Benchmarks 2007. Rates are weighted averages.

Table 23 Funding Sources for Caucasus MFIs

Caucasus					
Origin		Type	Balance USD	% of Total	Rates
FOREIGN	Borrowings	Fund	280,856,257	33.2%	9.40%
		DFI & Bilateral Agencies	166,365,370	19.7%	9.54%
		Commercial Bank	15,021,413	1.8%	n.a.
		NGO/Foundation	17,484,366	2.1%	3.94%
		Other	11,292,366	1.3%	n.a.
Foreign Total			491,019,770	58.1%	
LOCAL	Deposits	Retail Deposits	237,792,307	28.1%	n.a.
		Corporate and Institutional Deposits	92,361,326	10.9%	n.a.
	Borrowings	Government	6,470,086	0.8%	0.73%
		Commercial Bank	17,380,948	2.1%	9.99%
		NGO/Foundation	36,891	0.0%	n.a.
Local Total			354,041,557	41.9%	
Total			845,061,328	100%	

Source: MBB Benchmarks 2007. Rates are weighted averages.

Table 24 Funding Sources for CEE MFIs

CEE					
Origin		Type	Balance USD	% of Total	Rates
FOREIGN	Borrowings	DFI & Bilateral Agencies	168,743,178	11.8%	7.65%
		Fund	137,817,713	9.6%	8.91%
		Commercial Bank	63,360,765	4.4%	7.21%
		Government	11,334,702	0.8%	7.04%
Foreign Total			381,256,358	26.6%	
LOCAL	Deposits	Retail Deposits	620,791,976	43.3%	n.a.
		Corporate and Institutional Deposits	300,041,346	20.9%	n.a.
	Borrowings	Commercial Bank*	55,561,261	3.9%	12.57%
		Bond	Debt Securities	77,522,703	5.4%
Local Total			1,053,917,287	73.4%	
Total			1,435,173,645		

Source: MBB Benchmarks 2007. Rates are weighted averages.

* Based on information from two countries: Moldova and Poland.

Table 25 Funding Structure of Central Asian MFIs

Central Asia					
Origin		Type	Balance USD	% of Total	Rates
FOREIGN	Borrowings	Fund	100,100,970	12.0%	9.56%
		DFI & Bilateral Agencies	66,855,776	8.0%	9.04%
		Other	17,750,444	2.1%	n.a.
		Commercial Bank	15,393,443	1.8%	7.99%
		NGO/Foundation	8,121,580	1.0%	4.91%
		Government	222,822	0.0%	n.a.
Foreign Total			208,445,035	25.0%	
LOCAL	Deposits	Retail Deposits*	515,906,211	61.9%	n.a.
		Corporate and Institutional Deposits	24,298,100	2.9%	n.a.
	Borrowings	Commercial Bank	36,021,661	4.3%	10.29%
		Government	43,542,981	5.2%	1.17%
		Other	3,357,543	0.4%	n.a.
		Fund	1,598,453	0.2%	13.09%
Local Total			624,724,949	75.0%	
Total			833,169,984	100%	

Source: MBB Benchmarks 2007. Rates are weighted averages.

* 95 percent of retail deposits are in Mongolia.

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