MIX Microfinance World: Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report 2010

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A report from Microfinance Information Exchange (MIX) and Consultative Group to Assist the Poor (CGAP)

March 2011

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Introduction

In 2008 the **Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report** asked, how deep a mark will the global economic and financial crisis leave on the microfinance sector in Eastern Europe and Central Asia (ECA)? One year later, analysis shows that microfinance institutions (MFIs) in ECA were hit the hardest of all regions worldwide, with the effects of the crisis felt strongly across all subregions. Decreases in economic activity, increases in unemployment, and decreases in remittance flows from Western Europe and Russia made it harder for clients to repay their loans and resulted in the contraction of the ECA microfinance sector and deterioration of MFIs' financial performance. MFIs in ECA showed the lowest profitability indicators worldwide and the worst portfolio quality since the inception of the sector. The biggest market in ECA, Bosnia and Herzegovina, contracted to 2007 levels, and for the first time a majority of MFIs registered negative returns, primarily as a result of over-indebtedness[1] among clients, who stopped repaying their multiple loans. Additionally, the poor performance of microloan portfolios led many banks to withdraw from microfinance and shift up-market to small and medium enterprise (SME) lending, which made credit even less accessible to the most vulnerable populations. The events of 2008–2009 emphasized further the importance of knowing your customer, which prompted many ECA MFIs to put more effort into social performance management and tracking.

1 As there is no common definition of over-indebtedness yet in the microfinance industry; in this report, over-indebtedness is defined as borrowers' accumulation of loans from several microlenders at the same time and taking a new loan when unable to pay off an old one. See more discussion of this at http://microfinance.cgap.org/category/blog-series/over-indebtedness-series/.

Policy makers in other regions responded to the crisis in the microfinance sector by tightening legislation and introducing stricter regulation, while in ECA the general tendency in 2009 seemed to be to liberalize and streamline legislation to allow for a wider range of financial services and more conducive operating environments for MFIs. At the same time, the negative effects of the crisis on MFIs and clients prompted policy makers to delve deeper into issues of responsible and ethical finance and to tackle over-indebtedness.

The crisis also had broad repercussions for the financing of MFIs. Commercial lenders quickly retreated, whereas cross-border public investors' came forward. While total outstanding debt financing decreased for MFIs, cross-border funders continued to increase their commitments to microfinance either directly or through microfinance investment intermediaries (MIIs), signaling a long-term interest in the industry. However, much of the disbursed funding did not reach retail MFIs in 2009, as some were not able to absorb additional funding due to scaled-back growth plans and the performance of others made the investments too risky, resulting in high liquidity for MIIs. For institutions allowed to take deposits, deposits proved to be a reliable source of domestic funding, and unlike loan portfolios, savings portfolios increased.

On a positive note, a healthier sector is likely to develop now that industry actors are more willing to engage in responsible lending to both clients and MFIs, support portfolio growth with more adequate risk management, and have a greater understanding of target clients through tracking of social performance indicators. This report explores how *MFIs*, *policy makers*, and *funders* in ECA have begun to adjust to the new risks and challenges presented by the 2009 twin economic and financial crises. The report analyzes client outreach, product realignment, changing policy and funding trends, and social performance indicators.

Market Overview

A. Scope and Trends of Microfinance Services

Key Issues and Trends

- The ECA microfinance market experienced the most severe contraction in credit services worldwide in 2009.
- In 2009, some credit unions and some microfinance programs of downscaling banks closed, while more new nonbank financial institutions (NBFIs) in Central Asia were registered. The overall number of institutions remained at levels similar to that of 2008.
- Commercial banks realigned their product offerings in reaction to the crisis—banks in Central and Eastern Europe (CEE) and the Balkans shifted their focus from microfinance toward SME lending.
- Interim data through September 2010 demonstrate continued contraction in the Bosnian market and slow growth in Azerbaijan and Kosovo.
- Unlike loan portfolios, savings portfolios and deposit accounts increased in most subregions, with the exception of CEE. In the coming years there may be newcomers in the provision of deposit services, as several large NBFIs in Central Asia have received deposit licenses.

1. Credit Services

Economies in the ECA region were severely affected by the global financial and economic crises. While most countries had gross domestic product (GDP) growth of over 5 percent in 2008, almost half of the region had negative growth in 2009. As the crises deepened in 2009, the region saw continued economic deterioration and an increase in poverty levels. In 2009, close to one-fifth of the population lived below national poverty lines—an increase of 4.5 percent from the prior year, representing almost 3 million more people (see **Table 1**). Poverty rates grew primarily in the Balkans and CEE, as these two subregions were most integrated with Western Europe's economy and, consequently, were most affected by the economic downturn.

The crisis in the United States and Western Europe quickly spilled over to Russia and continues to have negative effects in Kazakhstan, whose financial systems are deeply integrated with those of the United States and Western Europe. Through their close trade ties with Western Europe, countries in CEE experienced crisis contagion. Countries that rely heavily on remittances from Western Europe (for the Balkans and CEE) and Russia and

Table 1 Key Macroeconomic Indicators and Volume Figures, 2009

	2009	Compared to 2008
Countries	22	n/a
Population, mln	366.21	0.2%
Poverty rate	19.6%	4.1%
Number of people below poverty line, mln	71.66	4.5%
Average gross national income per capita, USD	7,034	-0.7%
Number of institutions providing microfinance services	8,012	-3.3%
Number of active borrowers, thous	8,576	-4.1%
Total loan portfolio, USD mln	12,095	-12.1%
Number of savers, thous	10,335	3.6%
Total savings portfolio, USD mln	8,596	21.9%
Lending penetration rate	12.0%	-8.2%
Savings penetration rate	14.4%	-0.5%

Source: CGAP-MIX MFI Survey 2009, World Bank Indicators, National Statistics Agencies. Results for gross national income per capita and poverty rates are weighted by the population size of each country. Product penetration rates are defined as total outreach over total population living below the poverty line, by country.

Figure 1 Correlation between Economic Growth and Growth in Total Number of Borrowers, 2008-2009

Source: MIX Market 2007-2009 and World Bank indicators on GDP growth. Results are percentage changes of total amounts.

Table 2 Macroeconomic Indicators, by Subregion, 2009

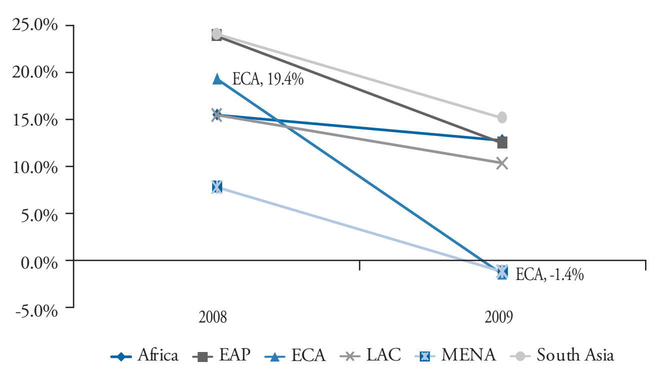
Subregion	Number of countries	Population, mln.	Average gross national income per capita	% of people living below national poverty line	Population below poverty line, mln.
Balkans	7	23.1	6,660	17.5	4.05
Caucasus	3	16.1	3,897	22.3	3.6
CEE	6	126.5	6,945	25.4	32.19
Central Asia	5	58.6	2,585	22.6	13.25
Russia	1	141.9	9,370	13.1	18.58
Total/Weighted average	**22**	**366.21**	**7,034**	**19.6**	**71.66**

Source: World Bank Indicators, National Statistics Agencies.

Kazakhstan (for the Caucasus and Central Asia) witnessed a sharp drop in volume of remittances, which decreased by 26 percent in 2009 versus 35 percent in 2008.[2] The combination of these events led to a contraction in the volume of microcredit. Demand from clients decreased as microenterprises had less business, and clients who depend on salaries or remittances for repayments saw these sources of income dry up. At the same time, supply decreased as MFIs were more cautious in their assessment of borrowers because of increased risk, with many preferring not to disburse loans to new clients. **Figure 1** illustrates the correlation in ECA between growth in country GDP and growth in number of borrowers. In 2008, all but Kazakhstan had positive growth in outreach, whereas at the end of 2009, 10 markets had contracted in terms of number of borrowers. The only outlier is Georgia, where GDP shrank in 2008 as a result of the armed conflict with Russia, but microcredit services actually grew due to greater demand from clients as well as increased donor support for provision of financial services in the affected regions. **Figure 2** shows that the contraction of microcredit services was the highest in ECA compared to that of all other regions.

Every part of the ECA region was hit by the crisis (see **Figure 3**). Credit services stagnated or contracted in the subregions of ECA most affected by the twin crises, such as the Balkans and CEE, which experienced the highest drop in number of borrowers—7 percent and 15 percent, respectively. Growth in outreach in Central Asia and the Caucasus was sluggish compared to 2008, but still positive—a trend driven by stable growth in markets such as Azerbaijan and Kyrgyzstan.

Figure 2 Growth Rates in Number of Borrowers, by Region 2007-2009



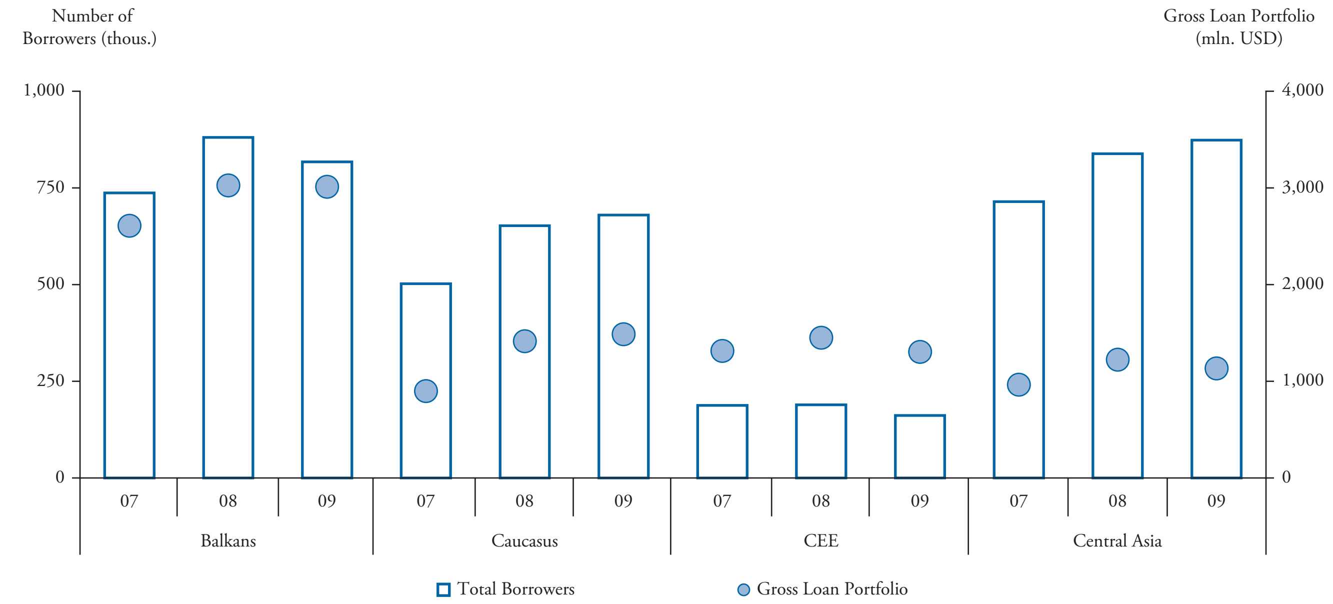
Source: MIX Market 2007-2009. Data are percentage changes of total amounts.

Market contraction was manifested not only in the decrease in microcredit services, but also in the structure and number of financial service providers in the sector. The total number of institutions remained similar to that of last year—about 8,000 (see **Tables 3 and 4**). However, there was a shift in institutional types—with greater numbers of NBFIs and decreasing numbers of credit unions and downscaling programs of commercial banks. Very small nonbank credit-only organizations continued to proliferate in Central Asia (20 percent more than in 2008) but that did not affect aggregate outreach much, as the average Central Asian NBFI is very small with only 661 active borrowers.[3] At the same time, many credit unions in Poland, Ukraine, and Romania closed down as a result of the crisis. In Ukraine, there were 99 fewer credit unions in 2009 than in 2008. This was due

2 See "Workers' remittances and compensation of employees, received (current US$)" at http://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT.

3 For the purposes of this analysis about 1,000 MFIs registered in Kazakhstan were excluded from the statistics as they exist on paper only (otherwise Kazakhstan alone would account for 1,712 nonbank MFIs).

Figure 3 Trends in Outreach and Scale, by Subregion and Charter Type, 2007-2009



Source: MIX Market 2007-2009. Data represent totals.

to member savings withdrawals, which followed a loss of confidence in the financial system. At the end of 2008, deposits shrank by 10-15 percent due to a massive run on banks in the Ukraine. This seems to have spilled over to credit unions in 2009, forcing some to shut down due to lack of capital. The decrease in the number of Romanian credit unions by 388 from 2007 was due to mergers and competitive pressure, according to the Romanian Credit Unions Association.

Another change from the prior year is a move by banks away from microfinance to SME lending. For example, in 2009 the European Bank for Reconstruction and Development (EBRD) no longer supported any downscaling programs in Kazakhstan, while in 2008 there were six banks with a combined microloan portfolio of US$63 million. Because of this reduction in support, the share of downscaling banks' portfolio in the total ECA portfolio decreased from 22 percent in 2008 to 15 percent in 2009. Note, however,

Table 3 Institutions Providing Microfinance Services in the ECA Region: Number and Outreach by Subregion, 2009

Subregion	Number of institutions	Number of active borrowers, thous.	Total portfolio outstanding, USD mln.	Average number of borrowers per inst.	Average loan balance, USD	Lending penetration rate	Number of depositors, thous.	Deposits, USD mln.	Average deposit balance, USD	Savings penetration rate
Balkans	40	776	1,921	19,396	2,476	19%	1,249	1,721	1,377	31%
Caucasus	106	702	969	6,627	1,379	20%	664	340	512	18%
CEE	3,394	5,387	4,631	1,587	860	17%	5,662	5,300	936	18%
Central Asia	1,703	1,126	2,470	661	2,194	8%	2,577	763	296	19%
Russia	2,769	585	2,104	211	3,596	3%	182	472	2,590	1%
Total	**8,012**	**8,576**	**12,095**	**1,070**	**1,410**	**12.0%**	**10,335**	**8,596**	**832**	**14.4%**

Source: CGAP-MIX 2010 MFI Survey, EBRD, MIX Market, WOCCU.
Notes: Lending penetration rate = percent of active borrowers of population living below the national poverty line; savings penetration rate = percent of depositors of population living below the national poverty line.
* In the 2007 and 2009 issue of this report, the volume tables on microfinance providers in the ECA region contained data on the entire portfolio, borrowers, savings, and depositors. Since 2009, MIX has more refined data on the institutional and retail portion of the credit and deposit services of providers. The current tables give a view of only the retail portion of these services.

Table 4 Institutions Providing Microfinance Services in the ECA Region: Number and Outreach by Corporate Type

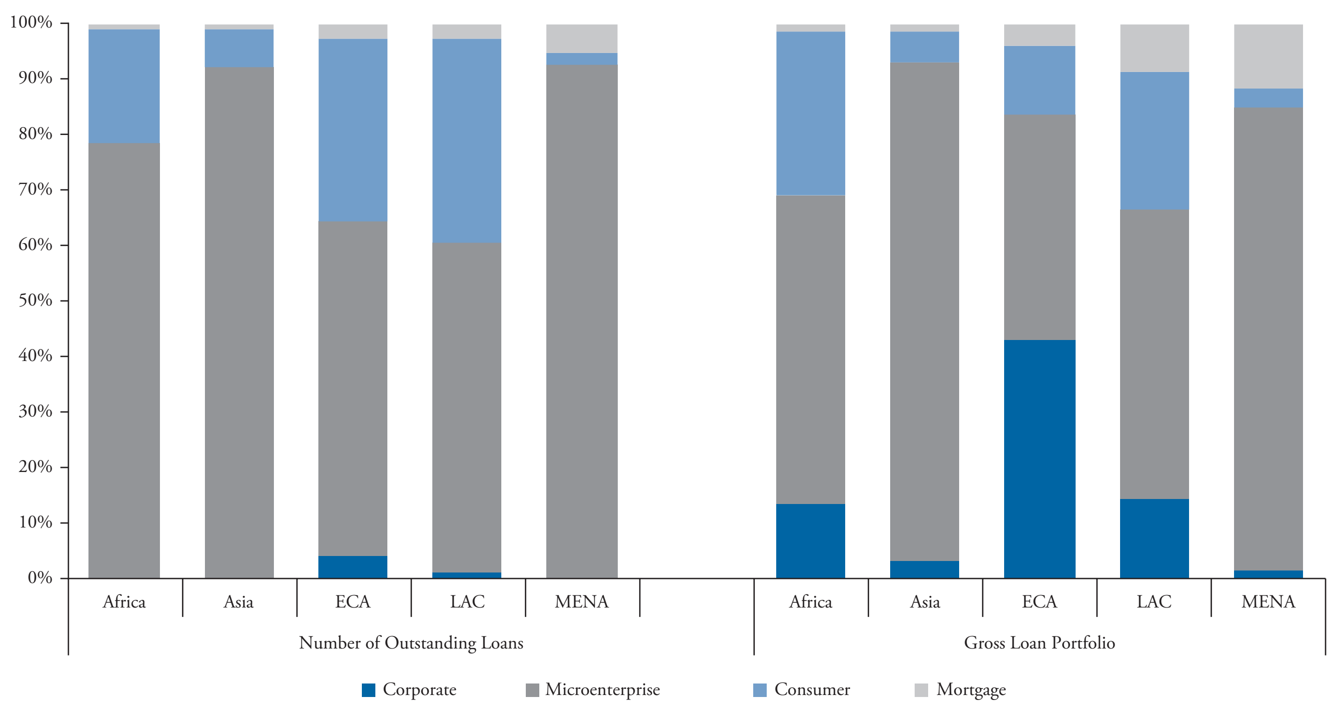
Type of Institution	Number of institutions	Number of active borrowers, thous.	Total portfolio outstanding, USD mln.	Average number of borrowers per inst.	Average loan balance, USD	Lending penetration rate	Number of depositors, thous.	Deposits, USD mln.	Average deposit balance, USD	Savings penetration rate
Downscaling bank	57	184	1,851	3,222.7	10,079	0.3%	28	24	843	0.0%
Specialized microfinance bank	22	1,152	2,225	52,358.5	1,931	1.6%	4,761	3,307	695	6.6%
NBFI	1,252	1,092	1,525	872.5	1,396	1.5%	0	1	4,204	0.0%
NGO	153	377	653	2,462.4	1,734	0.5%	-	0	0	0.0%
Credit union	6,378	5,744	5,744	900.5	1,000	8.0%	5,545	5,263	949	7.7%
Government fund	150	28	96	185.0	3,465	0.0%	-	0	0	0.0%
Total	**8,012**	**8,576**	**12,095**	**1,070**	**1,410**	**12.0%**	**10,335**	**8,596**	**832**	**14.4%**

Source: CGAP-MIX 2010 MFI Survey, EBRD, MIX Market, WOCCU.

that once banks supported by EBRD repay their loans, they no longer report to EBRD, while some may still continue microlending activities.

A similar trend is observed among specialized microfinance banks. A large portion of their portfolio is allocated to the nonmicrofinance sector because they lend to corporations, governments, and other financial institutions. ECA stands out globally in terms of the percentage of portfolios channeled into corporate lending (see **Figure** 4), especially by specialized microfinance banks. Corporate loan portfolios composed 54 percent of the total in 2009, up from 51 percent the previous year. Banks, particularly in the Balkans and CEE, moved from retail microfinance to SME

Figure 4 Distribution of Loan Product Offerings of MFIs, by Region, 2009



Source: MIX Market 2009. Data represent totals.

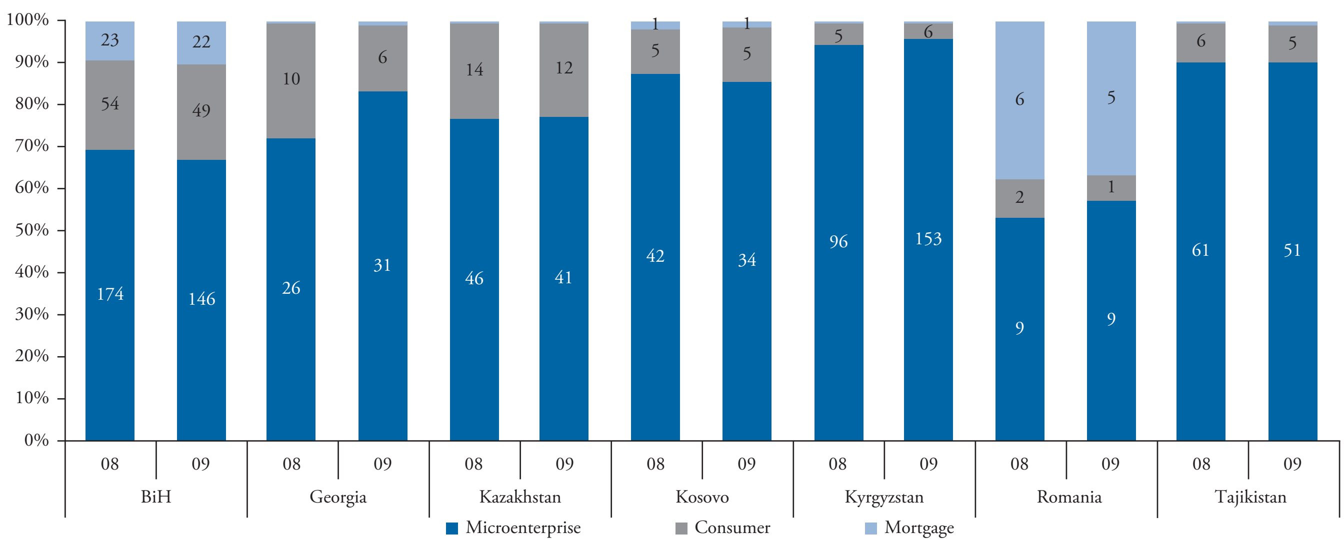
loans in 2009, with a 72 percent increase in the number of corporate loans versus an 11 percent decrease in retail loans. The annual reports of several ProCredit banks[4] state that small and very small businesses were most affected by the crisis and this, coupled with over-indebtedness among unregistered businesses, resulted in the banks' decision to focus on SME loans and to disburse fewer loans below US$10,000. Within the retail loans sphere, MFIs lend to microbusinesses (microenterprise loans), but they are increasingly issuing loans for other household financing needs, such as consumer and mortgage loans.

Looking at the retail clients of ECA MFIs, consumer loans make up one-third of all loans—a trait observed only in the mature microfinance market of Latin America and the Caribbean (see **Figure 5**).

In several ECA markets, NBFIs decreased consumer lending in 2009. **Figure 5** shows that in Georgia and Kazakhstan, consumer loans decreased in absolute amount, as well as a percentage of the MFI's outstanding loans. Georgian MFIs moved in this direction, since consumer loans presented higher risk for the institution in the aftermath of the armed conflict with Russia and the financial crisis. For example one MFI, Crystal, reduced its portion of consumer loans by increasing prices and setting stricter loan conditions. In CREDO, the largest MFI in Georgia, clients were taking consumer loans in parallel with business loans, a practice CREDO began to monitor more closely and to restrict in some cases in the environment of higher credit risk. In Kazakhstan, ACF changed its main loan product from an individual to a group loan, thereby decreasing significantly the individual consumer loan portfolio, while another, Arnur Credit, decided to focus more on rural microbusiness loans than on loans for household purposes. In Bosnia and Herzegovina, both microenterprise and consumer loans decreased in amount, but microenterprise loans were more affected, perhaps due to the higher risk associated with lending to unregistered businesses.

To sum up, in 2009 MFIs adjusted to higher credit risk resulting from the financial crisis and from specific market events (e.g., over-indebtedness in Bosnia and Herzegovina, political instability in Georgia) by shrinking or slowing down the growth of their portfolios and re-evaluating their product offerings. Did this trend continue into 2010 once the worst repercussions of the crisis were over? Quarterly data[5] demonstrate a continuing deterioration in ECA's

Figure 5 Trends in Loan Products Offerings for Nonbank MFIs in ECA, 2008-2009



Source: MIX Market 2009. Data represent totals. Data labels represent the number of loans outstanding in thousands.

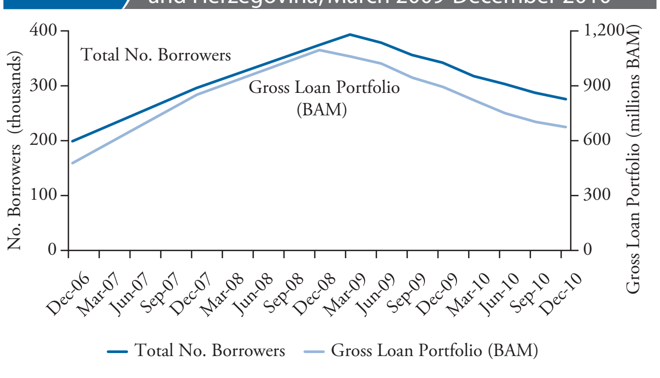
4 See Annual Reports 2010 for ProCredit Bank — Bosnia and Herzegovina.

5 As of the writing of this report MIX has collected interim data for the markets of Azerbaijan, Bosnia and Herzegovina and Kosovo.

biggest microfinance sector—Bosnia and Herzegovina (see **Figure 6**). Very high growth rates in this small market (the population is about 4 million) in 2006-2008 supported by a large influx of foreign as well as local debt investments led to over-indebtedness. The sector had a penetration rate of 15 percent in 2008, doubling from 7.8 percent in 2006. Globally, only Bangladesh had a higher penetration rate (25 percent). Multiple lending to clients and clients guaranteeing other clients' loans, compounded with the effects of the crisis, led the market to contract and portfolio at risk to triple. By December 2010, the loan portfolio of Bosnian MFIs had shrunk back to 2007 levels.

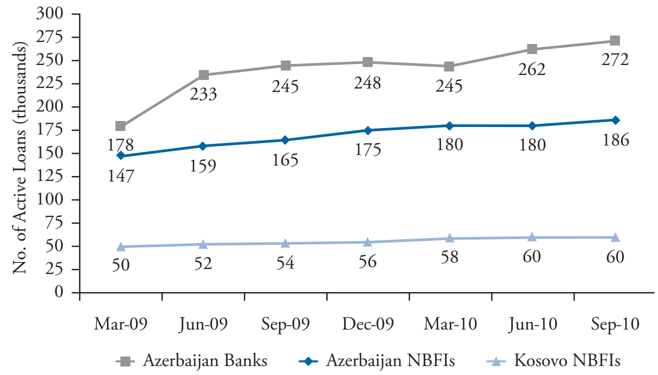
Kosovo and Azerbaijan, which were among the few sectors that did not contract in 2009, continued positive, though much slower, growth in 2010. NBFIs in Azerbaijan have slowed their growth as competition further intensified from the specialized micro- and SME-lending bank AccessBank and 11 other downscaling banks (see **Figure** 7). As we note later in the Financial Performance section, risk levels at these same banks continued to rise during the year. Cognizant of the problems created in Bosnia and Herzegovina when too many MFIs chased too few clients, NBFIs in Azerbaijan were looking for ways to assess the level of cross-indebtedness in the industry by sharing client lists, devising indicators to track through the national association, and preparing to meet the requirements for using the country's Central Credit Registry Service.[6] In

Figure 6 Quarterly Trends in Outreach and Scale in Bosnia and Herzegovina, March 2009-December 2010



Source: Association of Microfinance Institutions in Bosnia and Herzegovina. Data represent totals.

Figure 7 Quarterly Trends in Outreach and Scale in Bosnia and Herzegovina, March 2009-December 2010



Source: AMFA for Azerbaijan, AMFI for Bosnia and Herzegovina, and AMIK for Kosovo. Data represent totals.

Kosovo, another very small Balkan country with a strong microfinance sector (albeit one dominated by ProCredit Bank, which comprises 64 percent of the market), NBFI outreach stagnated in 2010 amid rising risk levels and concerns about over-indebtedness.[7] Therefore, 2010 results for a few markets show that the trends observed in 2009 continued into the next year, as MFIs were still cleaning their portfolios; in sectors less affected by the crisis, MFIs were becoming more cautious, learning from the experience of neighboring markets.

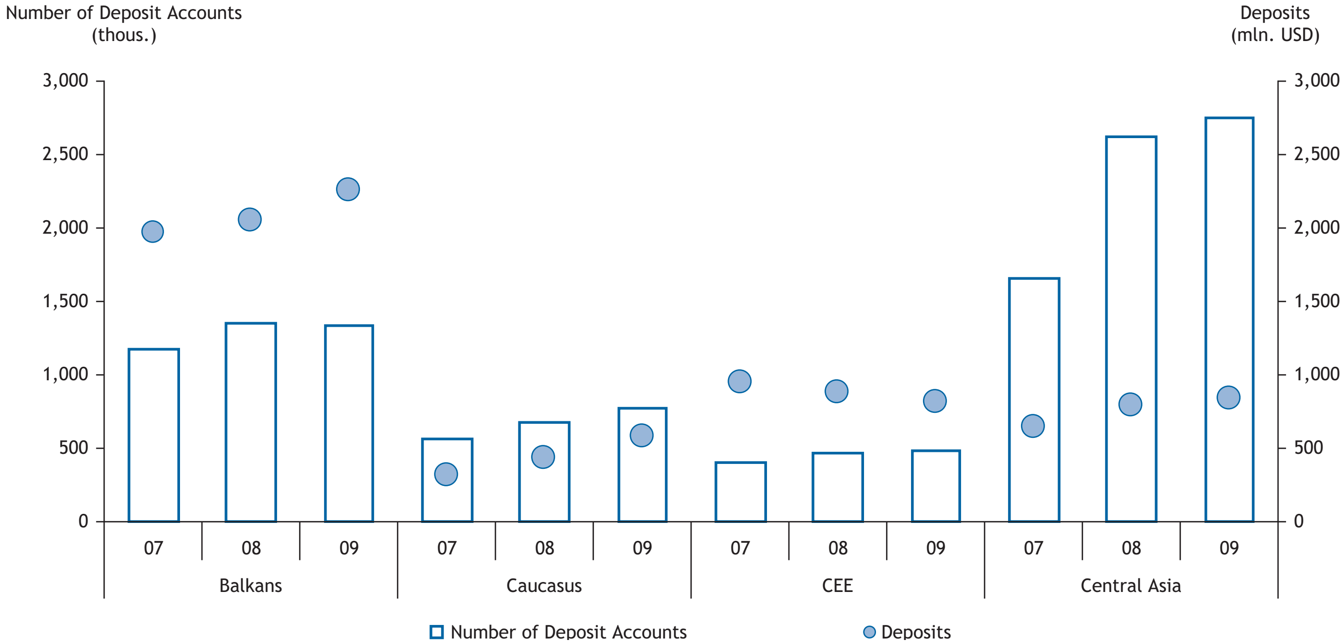
2. *Deposit Services*

In contrast to credit services, the volume of savings increased overall in 2009, although not uniformly across the region (see **Figure 8**). In 2009, deposit mobilization continued to be strong in the Caucasus and in all countries of the Balkans except Bosnia and Herzegovina. ProCredit Bank Bosnia saw a 25 percent decrease in volume of deposits, because of pay outs of large deposits to public companies and institutions. Retail deposits increased by 2.2 percent though, underscoring the reliability of a diversified deposit base. A similar situation was observed in CEE, where banks continued to experience a contraction in volume of savings that began in 2008.

6 For more information see "Market Overview" of Azerbaijan Country Briefing at http://www.mixmarket.org/mfi/country/Azerbaigan/report.

7 In a recent study by *responsAbility* "Over-indebtedness and Microfinance – Constructing an Early Warning Index" Kosovo is classified in the second most exposed to over-indebtedness category, i.e. the market exhibits relatively high level of early warning signals for over-indebtedness.

Figure 8 Trends in Number of Deposit Accounts and Deposit Volume (USD mln.) for Banks, by Subregion, 2007-2009



Source: MIX Market 2007-2009. Data represent totals.

This contraction was due primarily to the withdrawal of term deposits by institutional investors and large retail customers. In Central Asia deposit accounts and savings volume for banks remained at similar levels to 2008, though Khan Bank, with 2.2 million depositors (among Khan Bank's deposits are children's welfare money accounts—a government-disbursed state allowance for children), covers practically the entire country of Mongolia, whose population is 2.7 million. Overall, the deposit base of ECA banks continued to be a stable source of funding. Where it has diminished, it did so at slower rates than that of the loan portfolio — the ratio of deposits-to-loans portfolio for the Balkans has been at or above 100 percent over the past three years, while in CEE it remained at about 70 percent, as in 2008.

B. Policy Environment and Supporting Infrastructure

Key Issues and Trends

- Financial inclusion agendas are reinforced rather than weakened, despite the crisis.
- Policy makers increasingly realize that they need to fill gaps in regulation to prevent quasi-deposit-taking (i.e., borrowing or investments from clients, the terms of which come close to those of typical retail deposit-taking).
- Consumer protection and consumer financial education are the most commonly cited reforms undertaken in the region.
- Over-indebtedness issues are found throughout the region, particularly in the most saturated markets, prompting policy makers and sector players to focus on issues of responsible and ethical finance.
- More research is necessary to understand whether government funding of microfinance is filling in gaps or undermining private sector players, especially in view of increased retail government funding of microfinance clients in some countries (e.g., Kazakhstan).
- Using nonbank financial service providers to provide branchless banking services is much

more challenging than it would appear on the surface, though development of alternative nonbank payment systems continues in several countries in the region.

1. Trends in Financial Inclusion

As the financial crisis of 2008-2009 hit the ECA region, industry stakeholders were concerned that this could thwart or suspend policy and regulatory reforms aimed at increasing low-income populations' access to finance. Despite these expectations, the financial inclusion agenda was reinforced rather than weakened as a number of countries in the region introduced substantial legislative changes or initiated important regulatory discussions. The following are some examples:

- In **Bosnia and Herzegovina** there is ongoing discussion with regard to two main themes:[8]
    1. Working out a smoother path for nongovernment organization (NGO) MFIs (microcredit foundations [MCFs]) to transform into commercial companies (microcredit companies [MCCs]).[9] This would be accomplished through consolidation of MCFs to limit the number of market players, since, per the current interpretation of the law, MCFs that establish MCCs are supposed to remain in the market and continue lending.
    2. Expanding the range of financial services allowed for both types of MFIs to include savings, money transfers, leasing, and card operations.
- In 2009, **Russia** adopted a new law, "On credit cooperation,"[10] to streamline and regulate activities of financial cooperatives—the most numerous microfinance service providers in the country—which before the law had existed in many different forms. In 2010, the Russian president approved a new law, "On microfinance activity and microfinance organizations"[11] (effective from January 2011), to introduce the standardization of activities, performance indicators, and reporting of MFIs that are registered under the law, as well as to open up potential access to government support programs for all forms of MFIs.
- In **Serbia**, for many years the government had not allowed direct lending activities by any form of NBFI, and local MFIs had therefore been compelled to lend through commercial banks. Last year was marked by the initiation of a broad-based discussion among policy makers, the microfinance sector, and international development institutions that culminated in the development of a draft law, "On microlending companies," that allows MFIs to lend directly and was submitted to the Parliament at the end of 2010.[12]
- In 2009 and 2010, the National Bank of **Tajikistan** (NBT) worked on the development of a new draft law, "On microfinance organizations," that would replace the current microfinance law. The focus of the new legislation is on differentiated treatment of nondepository and deposit-taking MFIs, as well as standardization of disclosure requirements and preservation of the social mission of NGO MFIs.[13]

Overall, policy makers in the ECA region have been moving on a path to liberalizing legislation on microfinance—providing for a range of various nonbank forms and expanding the range of financial services allowed.

2. Deposits and Quasi-Deposits

In many ECA countries, NBFIs without licenses to take deposits act as de facto deposit-taking financial intermediaries, often responding to customer demand.

8 See http://amfi.ba/images/stories/publikacije/mikrofinansije_2010eng.pdf
9 See, Eastern Europeand Central Asia Benchmarking Report, 2008.
10 http://www.cgap.org/gm/document-1.1.6144/Federal%20Law%20on%20Credit%20Cooperation%20of%202009.pdf
11 http://www.cgap.org/gm/document-1.9.46017/Federal%20Law%20No.%20151-FZ%20on%20Microfinance%20and%20Microfinance%20Organisations.pdf
12 http://icip-serbia.org/assets/Uploads/Microfinansing_in_Serbia.pdf
13 See, NBT presentation at http://www.mfc.org.pl/mfc_2010/prezentacje_2010.html.

Policy makers are beginning to realize that gaps need to be filled in prudential regulation of nonbanks and the resulting consumer protection and systemic risk issues, though only a few countries have taken concrete measures thus far.

- Regulators in **Moldova** undertook a careful analysis to decide how to regulate NBFIs that fund their activities with loans from natural persons. An overriding concern is how to provide an adequate regulatory/supervisory framework without hindering expansion of financial access and innovation. However, since the market penetration and portfolio value of these nonbank providers are rather low, additional research is necessary to see whether the risks they pose are worth the cost of creating additional regulation and supervision.
- The new law "On microfinance activity and microfinance organizations" in **Russia** limits nonbank MFIs' ability to accept loans from natural persons; only loans of RUB 1.5 million (about US$50,000) or more will be allowed to protect lower income quasi-depositors.
- Policy makers in **Serbia** decided upfront that no quasi-deposit-taking will be allowed for nonbank MFIs and included a provision prohibiting MFIs from accepting loans from natural persons in the draft law "On microlending companies." (As of the date of this report, the draft law is still under discussion.)

There is as yet no clear consensus among regulators as to the right time to push the "regulation button" in setting rules for the relationship between nonbank MFIs and their quasi-depositors. Yet the case is clear for improved disclosure, particularly with regard to risk of loss and investment terms, as well as for consumer financial education and consumer research.[14]

14 See materials of the Fifth Krakow Forum on Policy, Law and Regulation for Inclusive Finance (8-10 October 2010) in the Policy Program section at http://www.mfc.org.pl/pf2010.htm.

3. Consumer Protection and Consumer Financial Education

According to the CGAP/World Bank *Financial Access* survey[15] of financial authorities, consumer protection[16] and consumer financial education have been among the most commonly cited financial regulatory reforms undertaken in the past year (21 out of 24 countries surveyed). The challenges of transitional and emerging economies of the ECA region add both urgency and complexity to the consumer protection and financial education agenda.[17]

- In **Armenia**, the experience of putting into place a comprehensive package of three consumer protection laws in the past two years gave authorities a better sense of the challenges in implementing effective disclosure and recourse regimes.
- **Kazakhstan** developed a large-scale and comprehensive financial literacy program for 2007–2011, which focused initially on improving the investment culture, but later was extended to the whole financial sector.
- In **Kyrgyzstan**, the government and the national bank worked together to put in place consumer protection regulation for microcredit organizations, including sanctions for noncompliance. The legislation was approved by Parliament, but it needs to be submitted to the new president for approval.
- In **Ukraine**, the need for consumer protection became a priority in the context of the financial crisis, as consumers did not have enough information and knowledge about financial products and services and, therefore, could not assess risk. The Council of Ministers approved the concept paper of the State Commission for the Regulation of Financial Services on

15 *Financial Access 2010. The State of Financial Inclusion Through the Crisis.* CGAP/World Bank, 2010.

16 Consumer protection laws are a form of government regulation that aims to protect the rights of consumers of financial products through enhanced disclosure of precontractual and contractual terms and conditions of financial products, their professional and ethical distribution, debt counseling, and education programs for consumers, etc.

17 See materials of the Fifth Krakow Forum on Policy, Law and Regulation for Inclusive Finance (8-10 October 2010) in the Policy Program section at http://www.mfc.org.pl/pf2010.htm.

the development of consumers' rights, and implementation of specific measures is now underway. Last year, Ukraine also undertook a national financial literacy survey designed to lay the basis for a financial education framework, tools, and programs.

4. Over-Indebtedness Issues

With the onset of the financial crisis, issues of microfinance borrower over-indebtedness arose in a number of countries in the ECA region.[18] Not only did high debt burdens adversely affect the financial conditions of microfinance clients, they also heightened the risk of discrediting microfinance as a socially oriented development tool designed to help low-income clients. How did policy makers and sector players react?

- In **Azerbaijan**, the issue of borrower over-indebtedness became so severe that the local MFI association considered promoting a principle of "one lender, one client." Concerned about this issue, several banks and leading MFIs in the country, as well as the Azerbaijan Microfinance Association (AMFA), are among the endorsers of the global Smart Campaign.[19]
- In **Bosnia and Herzegovina**, the results of several surveys conducted by MFIs (e.g., MI-BOSPO) suggested that between 20 to 40 percent of all microfinance clients may be cross-borrowers.[20] Members of AMFI, the local association of MFIs, are discussing the establishment of debt advisory services for clients who have taken on too much debt. AMFI members are negotiating rules of market conduct among themselves, including due diligence not only on potential borrowers, but also on loan guarantors. These measures, along with the newly established Central Credit Registry of the Bosnia and Herzegovina Central Bank, which has mandatory reporting requirements for MFIs, will help MFIs in their efforts to lower their borrowers' over-indebtedness.

5. Government Funding of Microfinance

Governments in **Kazakhstan and Russia**, in ECA, have been active in providing substantial financial support to microfinance. While Russia's program is still new and results are yet to be seen,[21] the government-funded Fund for Financial Support of Agriculture (FFSA) in Kazakhstan has been in operation since 2006. Initially, FFSA was engaged in the establishment of MFIs in rural areas of the country and provision of wholesale funding to them. However, in the last few years it focused on retail provision of subsidized microcredit to rural borrowers and managed to achieve notable results for depth of outreach (the average loan balances of FFSA are below the average for the country), as well as breadth. The Fund is currently the second largest microlender in the country after KMF. It works mainly in remote rural areas where no other provider is present, with 100 percent of its loans allocated to rural clients; it also lends to other MFIs in the country. Rather strong before the crisis, in 2009 FFSA's performance deteriorated in terms of both portfolio quality and profitability, but remained better than the median in the country in terms of cost per borrower (see **Table 5**).

The question remains whether a government program like this is indeed filling in market gaps, or whether the subsidy

Table 5 Indicators for FFSA and Kazakhstan, 2009

Variable	FFSA	KMF	Kazakhstan
Total No. Borrowers	18,953	23,693	279
ROA	-3.1%	3.3%	1.6%
Operating Self -Sufficiency	68%	116%	107%
Cost per Borrower USD	211	271	459
PAR>30 Days	8.4%	6.6%	5.0%

Source: MIX Market, 2009. Data on Kazakhstan represent medians.

18 In this report, over-indebtedness is defined as borrowers' accumulation of loans from several microlenders at the same time and taking a new loan when unable to pay off an old one. See more discussion of this at http://microfinance.cgap.org/category/blog-series/over-indebtedness-series/.

19 The Smart Campaign is a global effort to unite microfinance leaders around a common goal of protecting clients through delivery of transparent, respectful, and prudent financial services. For more information, see www.smartcampaign.org

20 Per MFC 2010 research, 58 percent of the borrowers in Bosnia and Herzegovina have more than one loan; see "Overindebtedness and Microfinance—Constructing an Early Warning Index," by *responsAbility* at http://www.cmf.uzh.ch/publications/Microfinance%20and%20OID%20-%20full%20version.pdf.

21 See, Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report, 2009.

is unjustified, as it can be perceived as a disincentive for private sector players who would otherwise be interested in working in hard-to-reach areas. Also, it remains to be seen whether there is a viable exit strategy for the Fund in the medium or long term.[22]

6. Branchless Banking

Despite the promise of branchless banking to provide cheaper access points and expand financial services to the unbanked, MFIs in the region have not turned to these solutions yet. With respect to other nonbanks that typically do not provide microfinance services (such as payment transfer companies), regulators have been struggling with several issues, including definitions of a range of allowable activities for agents, the delegation of rights and responsibilities (including for customer identity verification), other anti-money laundering and combating the financing of terrorism (AML/CFT) issues, the role of mobile network operators, the introduction of consumer protection, and the overall scope of supervision. Until these issues are resolved it will be difficult for traditional MFIs to enter in the branchless banking area. In the meantime, however, the expansion of branchless channels for payment services in several countries in the region is noteworthy (e.g., Russia, discussed in the prior year's report).[23]

Funding of the Microfinance Industry in ECA

Key Issues and Trends

- Debt continues to constitute the most significant source of funds in the balance sheets of ECA MFIs, while the share of equity in MFIs' funding structure decreased because of the erosion of capital due to losses in 2009.
- **Commitments** (i.e., cumulative amounts of funding for all active projects and investments, whether or not disbursed): Cross-border funders, mostly public lenders such as development finance institutions (DFIs), increased their funding commitments to ECA, though funding went primarily to MIIs[24] rather than to retail MFIs.
- **Outstanding debt:** Commercial lenders, such as local banks, retreated from troubled sectors while public investors such as DFIs and bilateral agencies increased their share of funding.
- At the end of 2009, liquidity of both MIIs and MFIs was higher than in 2008.

Figure 9 Data Sources

CGAP Cross- Border Funding Survey

Data: *Committed amounts to date (debt and equity),* i.e., cumulative amount of all active projects and investments funders have committed to, whether or not disbursed

Participants: cross-border public funders, foundations and NGOs, and MIIs

MIX Funding Structure Database

Data: *Outstanding amounts of MFI debt for 2009,* i.e., the amount of debt financing on the balance sheets of MFIs

Participants: MFIs reporting data to MIX on their outstanding debt from both local and cross-border investors

22 For a discussion on the role of government in microfinance, see CGAP, *The Role of Government in Microfinance, Donor Brief* at http://www.cgap.org/gm/document-1.9.2371/DonorBrief_19.pdf.

23 See also materials of the Fifth Krakow Forum on Policy, Law and Regulation for Inclusive Finance (8-10 October 2010) in the Policy Program section at http://www.mfc.org.pl/pf2010.htm.

24 MIIs are investment entities that have microfinance as one of their core investment objectives and mandates. MIIs can provide debt, equity, or guarantees (directly or indirectly) to microfinance service providers. The main types of MIIs are microfinance investment vehicles (MIVs), holding companies, and others, such as peer-to-peer lending platforms.

- Foreign exchange risk is high for MFIs operating in countries with depreciating local currencies. Many MFIs disbursed loan products in hard currency, but there is also a positive correlation between credit risk and the percentage of assets in hard currency.

A. Funding Structure of ECA MFIs

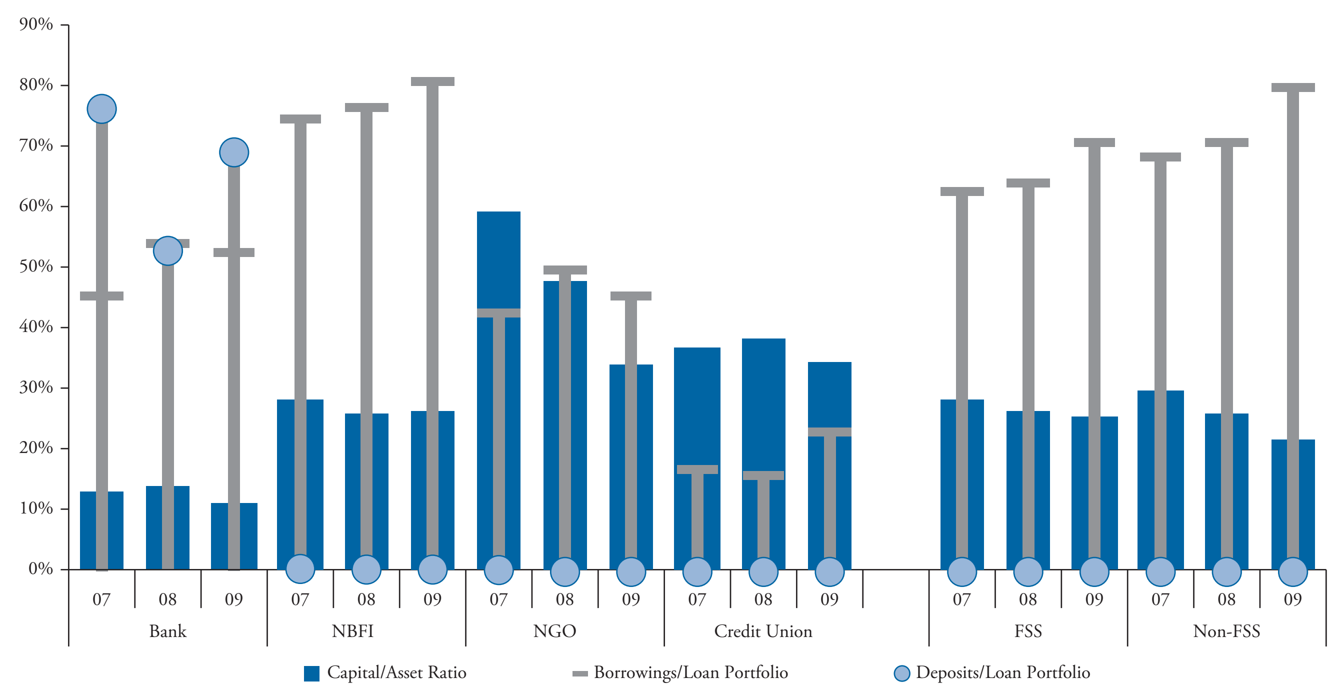
MFIs in ECA continue to rely primarily on debt financing to fund their portfolios, while equity levels decreased due to net losses that eroded capital (see **Figure 10**). This is most evident for MFIs that are not financially sustainable (i.e., MFIs whose adjusted revenues in 2009 did not cover their financial, operational, and impairment loss expenses) where the capital-to-asset ratios decreased from 26 to 22 percent. Deposits fund a greater portion of the loan portfolio of banks; their share increased in 2009 due to an increase in the savings volume as mentioned earlier, while borrowings remained at similar levels.

Figure 11 demonstrates the decreasing role of donated equity, which constitutes only 4 percent of the total equity base of ECA MFIs, pertaining primarily to the equity structures of NGOs. Shareholder capital increased for both banks and NBFIs, but just five banks (all ProCredit Banks and the state-owned Mikrokreditbank in Uzbekistan) accounted for two-thirds of new equity investments.

B. Cross-Border Funder Commitments and Trends in Outstanding Debt Financing

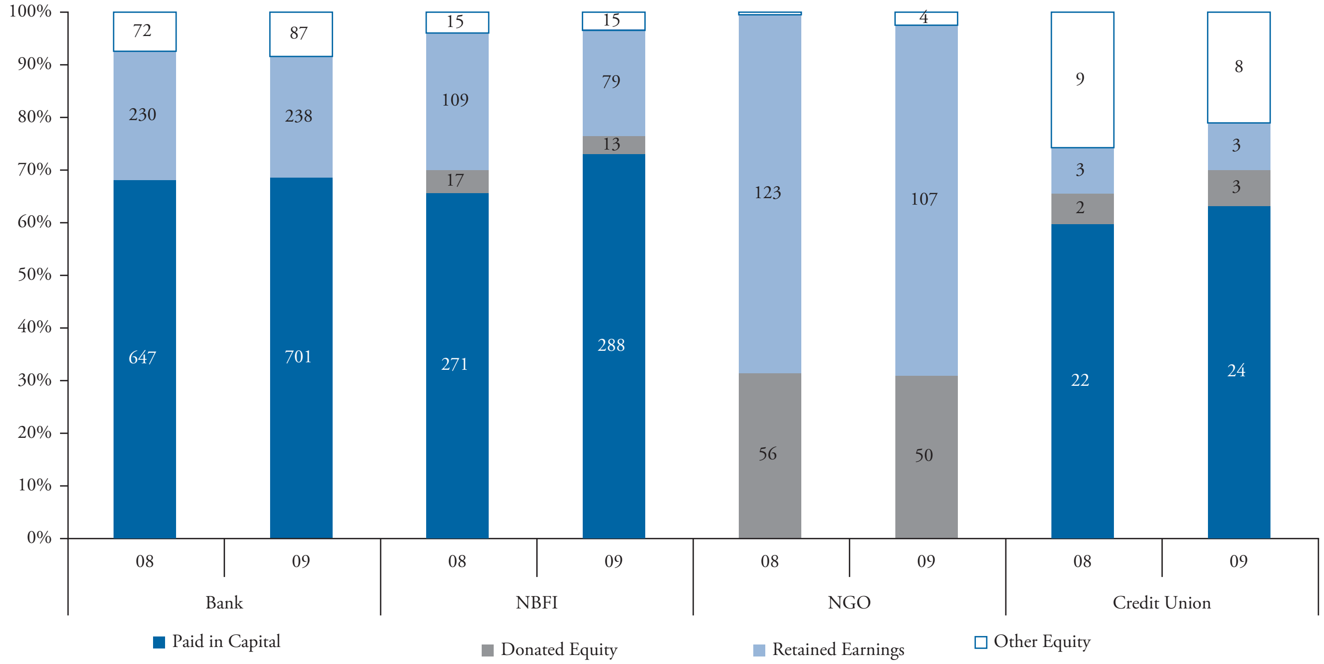
The microfinance industry in ECA is funded mainly by debt instruments, as demonstrated; 83 percent of debt outstanding in 2009 came from cross-border investors. Therefore, understanding how cross-border investors adjusted their funding decisions in the aftermath of the crisis is crucial to understanding the kind of financing challenges and opportunities ECA MFIs may be facing in the coming years. To this end, we look at both the committed and outstanding amounts of cross-border investments to better

Figure 10 Funding Structure of ECA MFIs, by Charter Type and Financial Sustainability, 2007-2009



Source: MIX Market, 2007-2009. Data represent medians. Financial sustainability peer groups are based on 2009 data.

Figure 11 Trends in the Composition of Equity by Charter Type, 2008-2009



Source: MIX Market, 2008-2009. Data represent totals. Data labels represent corresponding amounts in USD mln.

understand their long-term horizon as well as the short-term realities of the funding landscape in ECA.

Table 6 Characteristics of Cross-Border Funders[25]

	ECA	Global
Total Committed (million USD)	6,188	21,313
Growth (%)	22	17
Number of active funders	29 public funders 11 foundations/NGOs 53 MIIs	41 public funders 16 foundations/NGOs 90 MIIs

Source: CGAP Cross-Border Funding Surveys, 2010.

At a Glance

As of December 2009, cross-border funders had committed close to US$6.2 billion to microfinance in ECA, representing 29 percent of the total funding committed to microfinance globally, the largest share of all regions. ECA is the only region where public funding[26] grew faster than private funding[27] in 2009—by 26 percent (against 11 percent globally), while private funding grew by 14 percent (33 percent globally). Nevertheless, ECA still has a large inflow of private funding, receiving 30 percent of global funds. Fourteen DFIs active in the region represent 64 percent of total commitments to ECA; KfW and EBRD alone represent 42 percent.

- A vast majority of committed amounts (99 percent) are used to fund retail financial

25 For the first time this year, we are presenting consolidated data from the CGAP Microfinance Funder Survey and the CGAP MIV Survey. To avoid double counting, CGAP made adjustments to both data sets. Therefore, these highlights cannot be compared to data and analysis from previous CGAP Funder and MIV Surveys without taking these adjustments into account.

26 Public funders include multilateral and UN agencies, bilateral agencies, and DFIs.

27 Private funders include foundations, NGOs, and individual and institutional investors.

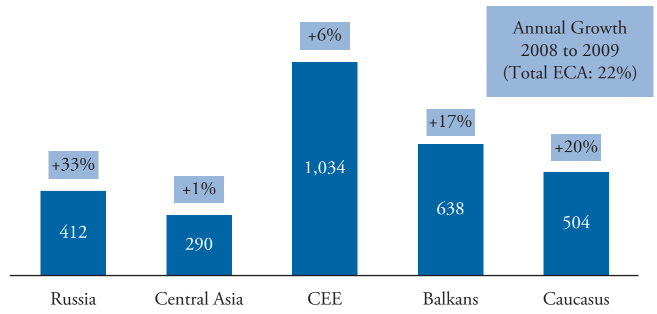
service providers, while capacity building funding continues to lag in ECA, with only US$82 million committed, the smallest amount compared to other regions. Given persistent policy issues and lack of adequate market infrastructure, such as absence of national credit registries and limited foreign currency hedging tools, in many ECA countries it appears that this area deserves more funder attention.

- Structured finance (e.g., securitization, collateral debt obligations, convertible loans) is more widely used in ECA than in other regions; it represents 10 percent of direct commitments compared to less than 2 percent in other regions.
- ECA ranks first in terms of equity investments—DFIs invested US$560 million in equity, 60 percent of which were to MIIs that reinvest in ECA in equity or debt and 40 percent directly into retail institutions.

The distribution of total funding commitments by subregion did not change, with CEE still having the largest portion, and Central Asia the smallest. As can be seen in **Figure 12**, the growth of funding in CEE and Central Asia was very modest; this decreased the respective portions of the total for these subregions. The highest growth rates of funding commitments were to Russia (in the form of a broad range of debt and equity investments in downscaling banks and MFIs), the Caucasus, and the Balkans.

Funder commitments to the region grew significantly despite negative growth at the level of MFIs. **Table 7** shows that commitments increased or remained stable in all countries except Kazakhstan (where EBRD no longer invests in downscaling banks), while the microlending portfolios dropped in 10 countries—particularly in

Figure 12 Commitments to ECA (USD mln), by Subregions and Annual Growth from 2008 to 2009



Source: CGAP Cross-Border Funding Surveys, 2010. Data represent total committed amounts in USD mln. Percentages labels represent the growth in committed amounts from 2008 to 2009.

Table 7 Commitments, by Country as of December 2009, and 2008-2009 Trends for Commitments and Loan Portfolio of Retail MFIs

	2009 Commitments, mln. USD	2008/2009 Growth	2009 Loan Portfolio, mln. USD	2008/2009 Growth	
Albania	50 to 100	→	366	↑	8%
Armenia	100 to 300	↑	390	⇊	-32%
Azerbaijan	100 to 300	⇈	588	⇈	22%
Belarus	50 to 100	→	68	→	4%
Bosnia & Herzegovina	100 to 300	⇈	833	⇊	-17%
Bulgaria	300 to 500	→	640	→	3%
Georgia	100 to 300	⇈	454	↓	-5%
Kazakhstan	50 to 100	⇊	1,343	↓	-7%
Kosovo	50 to 100	⇈	816	↑	12%
Kyrgyz Republic	50 to 100	⇈	302	↓	-7%
Macedonia	2 to 50	→	251	→	3%
Moldova	50 to 100	↑	174	⇊	-13%
Montenegro	2 to 50	↑	86	⇊	-65%
Poland	2 to 50	⇈	2,971	⇈	23%
Romania	100 to 300	→	1,043	↓	-5%
Russian Federation	300 to 500	⇈	2,138	⇊	-22%
Serbia	100 to 300	↑	678	↑	8%
Tajikistan	100 to 300	↑	166	⇊	-27%
Turkey	100 to 300	⇈	n/a	n/a	n/a
Turkmenistan	0 to 2	→	n/a	n/a	n/a
Ukraine	100 to 300	⇈	1,085	⇊	-29%
Uzbekistan	50 to 100	⇈	432	⇈	97%

Source: Funding data are from CGAP Cross-Border Funding Surveys, 2010. Country allocation is available for 46 percent of ECA commitments. MFI data are from CGAP-MIX MFI Survey 2009, MIX Market, EBRD and WOCCU. Loan portfolio includes both retail and corporate loans.

Armenia, Bosnia and Herzegovina, Moldova, Montenegro, Russia, Tajikistan, and Ukraine. As mentioned earlier, contraction of the overall microlending portfolio for the sector was about 12 percent.[28] How can this be explained?

Funders report commitments, not disbursements, to the CGAP survey; commitments do not fluctuate in the same way as MFI portfolios. Commitments represent the cumulative amount of all active projects and investments, whether or not disbursed. For example, if a project entails disbursements of several tranches over five years, the full amount, not only the amount disbursed in the survey year, is counted as commitments. A closer look at new private funder commitments reveals that about 14 percent of additional funding did not reach the field, but rather created a liquidity surplus at the MII level. Most MIIs could not quickly adjust their instruments to fit the needs of struggling MFIs, nor could they accommodate the deteriorating performance profiles of MFIs in the midst of the crisis. Some MIIs even tightened their conditions in response to the crisis—thus making funding even less affordable.

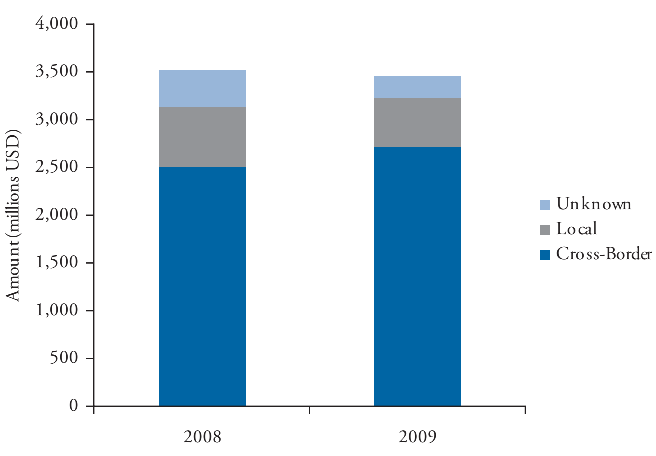
As for public funder commitments, of the total US$4.2 billion committed as of December 2009, only about US$650 million was disbursed in 2009, with US$500 million going directly to retail MFIs. Overall, most of the DFI funding was allocated to build on their existing large projects, and only a small part was dedicated to preventing liquidity shortages in the wake of the financial crisis.

Thus, even though total commitments grew, most of this funding was idle liquidity with MIIs—for which the volume of commitments increased significantly—and the funding available for the retail level did not materially change.

This is confirmed by MIX Funding Structure Data, which contains information on the outstanding borrowings of MFIs from both local and cross-border investors. While total debt from local funders decreased in 2009, the portion of total debt from cross-border funders increased (see **Figure 13**).

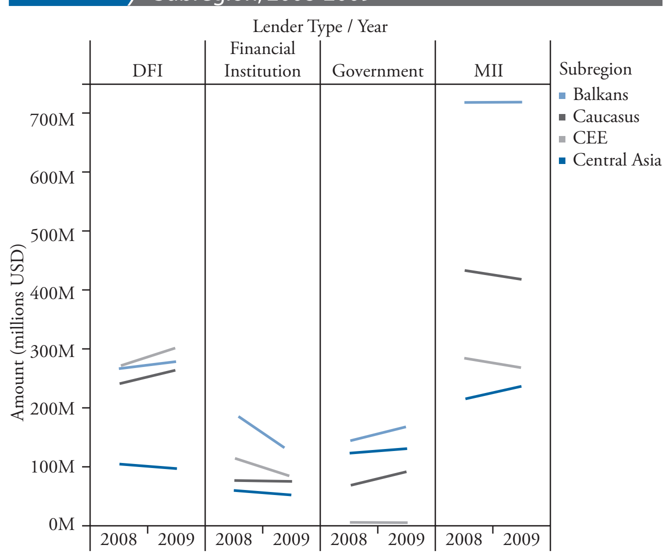
Trends in the funding landscape in the region show that the conventional wisdom about financing in times of crisis time holds true in the case of ECA microfinance. Purely commercial lenders, most often commercial banks, reduced their exposure to the sector (as many of them were also dealing with the effects of the crisis), while public investors' role in funding increased (see **Figure 14**). Debt from financial institutions decreased in every subregion and especially in the Balkans, where amounts outstanding were reduced by 35 percent to US$123 million. This

Figure 13 Trends in Outstanding Debt by Origin of Funder, 2008-2009



Source: MIX Funding Structure Data, 2008-2009. Data represent totals.

Figure 14 Trends in Total Borrowings by Lender Types and Subregion, 2008-2009



Source: MIX Funding Structure Data 2008-2009. Results are totals. DFI = Development Financial Institution; MII = Microfinance Investment Intermediaries.

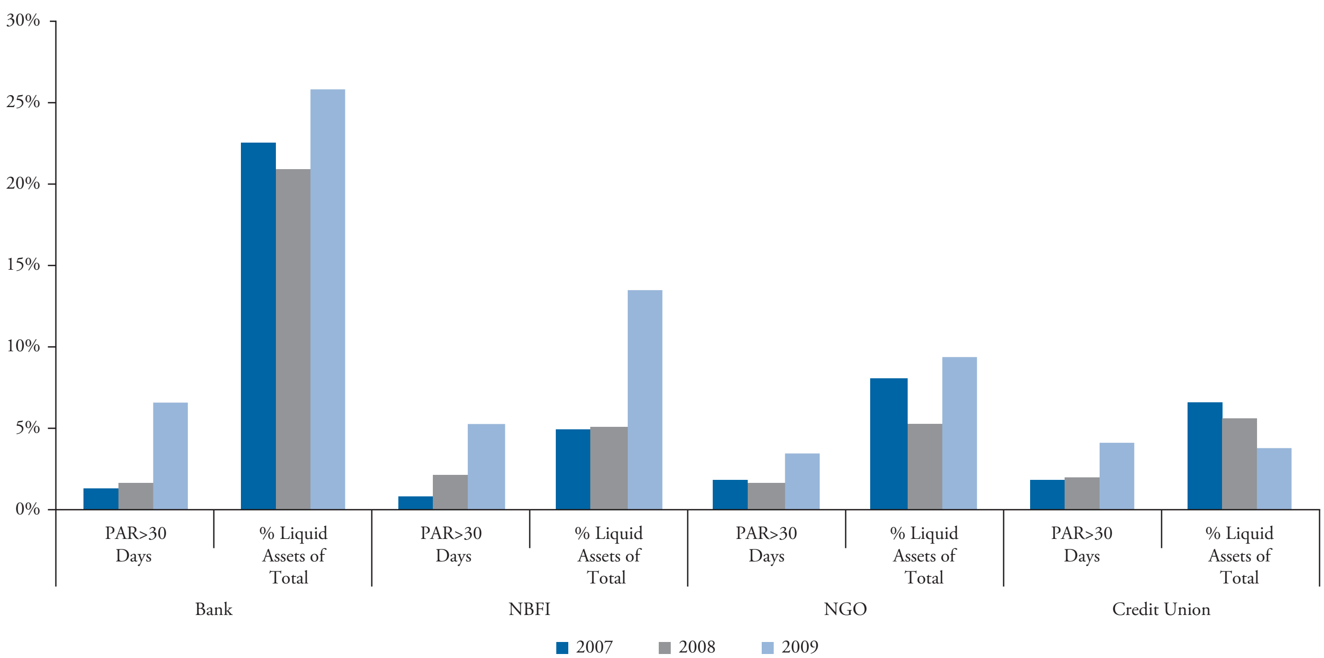
28 Source: CGAP MFI Survey 2009, MIX, EBRD, and WOCCU.

is due mostly to a change in the funding landscape in Bosnia and Herzegovina, where debt from commercial banks made up 19 percent of the total in 2008 versus12 percent in 2009. Even though debt from banks was relatively long term, with a weighted average maturity of 34 months in 2008, close to half (US$60 million) was due to be repaid in full in 2009. Indeed at the end of the year, local banks' portfolio in Bosnian MFIs had decreased by US$56 million, demonstrating that hardly any of them wished to continue their exposure to the sector.

Debt financing from MIIs, which makes up almost half of funding in ECA, plateaued for most regions, increasing only in Central Asia (see **Figure 14**). As noted, MIIs had funds, but much remained as extra liquidity for two reasons: many MFIs seeking investment were too risky, while many investable MFIs did not have as much demand for funds as they were shrinking their portfolios or avoiding borrowing in hard currency due to foreign exchange risk (see **Box 1**). In contrast, funding from public funders, such as DFIs and governments (including both government institutions and bilateral agencies), increased on MFIs' balance sheets in almost every subregion. The Balkans and CEE—the two markets most affected by the crisis—saw funding increase by 4 percent (US$11 million) and 12 percent (US$32 million), respectively. The increase of 9 percent (US$21 million) in the Caucasus was due primarily to debt financing to the large banks in Azerbaijan, Armenia, and Georgia.

At the end of 2009, excess liquidity was a problem not only for MIIs, but also for MFIs. Generally, debt in ECA is fairly long term—about four years on average (even debt from banks had an average term of 24 months in 2008). At least 11 percent (or US$453 million) was due to be repaid in full in 2009. MFIs were able to raise a similar amount throughout 2009. While cross-border disbursements dried up in the early months of 2009 and MIIs had excess liquidity, by the end of the year ECA MFIs themselves were overly liquid, with the nonearning liquid assets ratio doubling from 7 percent in 2007 and 2008 to 13 percent in 2009. **Figure 15** demonstrates a connection between rising risk levels and increasing liquidity. As delinquency shot up, many MFIs preferred to curb new disbursements and keep a greater portion of their assets as cash equivalents. Credit unions appear to be an exception—probably a result of the withdrawal of members' contributions.

Figure 15 Portfolio at Risk over 30 Days and Percentage of Nonearning Liquid Assets of Total Assets, by Charter Type, 2007-2009



Source: MIX Market, 2007-2009. Data represent medians.

Box 1. Is Foreign Currency Exposure a Challenge for ECA MFIs?

Local currency debt financing is limited in most markets in ECA. Over two-thirds of debt financing to ECA MFIs in 2009 was in hard currency, since foreign investors lend primarily in U.S. dollars or euros. As a number of currencies in the region depreciated against the U.S. dollar in 2009 (see **Table A**), MFIs had to manage mounting foreign exchange risk.

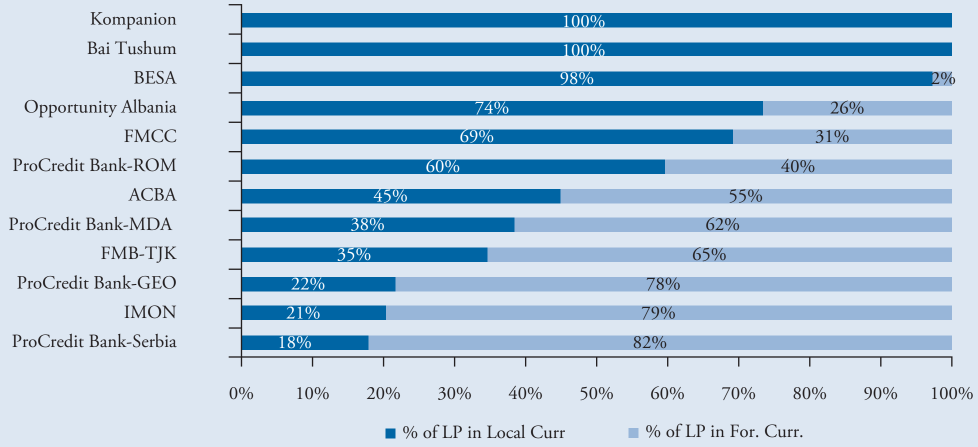
Table A List of Currencies That Depreciated against the USD in 2009

Country	Value of 1 USD as of December 31, 2008	Value of 1 USD as of December 31, 2009	% Change
Albania	88.64	95.81	8.1
Armenia	307.25	377.89	23.0
Kyrgyzstan	39.42	44.07	11.8
Kazakhstan	121.07	148.45	22.6
Moldova	10.40	12.24	17.6
Mongolia	1274.50	1432.50	12.4
Tajikistan	3.45	4.37	26.6

Source: xe.com.

Based on data from audited financial statements on the asset and liabilities allocation by currency for the largest MFIs in the region,[29] **Figure A** shows that the majority of the MFIs in the sample offer hard currency loan products to their clients. Sixty-two percent of the loan portfolio of these MFIs was denominated in foreign currency in 2009. Therefore, some of the foreign exchange risk is being passed on to the end clients.

Figure A Distribution of MFIs Loan Portfolio by Currency, 2009

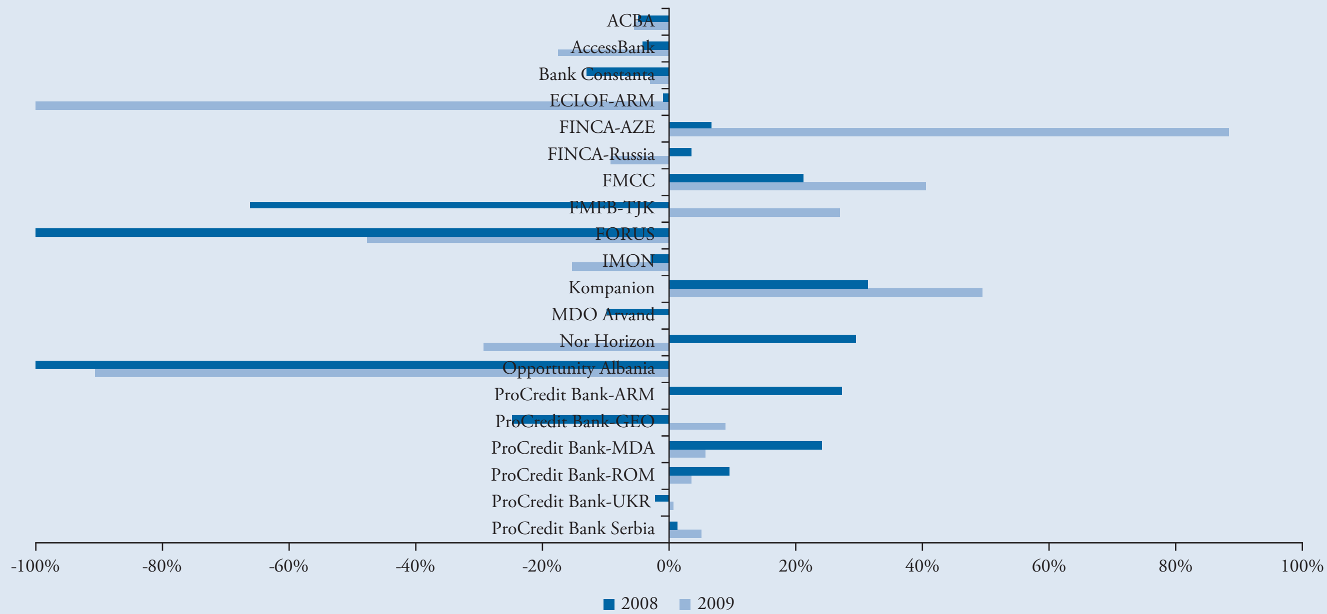


Source: MIX Market 2009. Data represent totals. LP = loan portfolio.

Over half of the MFIs in **Figure B** have negative foreign currency exposure, and for some, this exposure increased sharply in 2009. In these cases, the MFI has more obligations in foreign currency than it has assets. Consequently, it would likely bear losses if there were local currency depreciation, as revenues are in local currency while interest and principal payments on their obligations are in foreign currency. MFIs issuing indexed loans have less exposure, but there is a tradeoff between foreign exchange risk and credit risk.

29 Markets where the local currency is fixed to the euro (Bulgaria, Bosnia and Herzegovina) or is the euro (Kosovo) and where most funding is euro denominated are excluded from the sample under the assumption that currency fluctuations are less likely.

Figure B — Net Foreign Currency Exposure for Selected ECA MFIs, 2008-2009

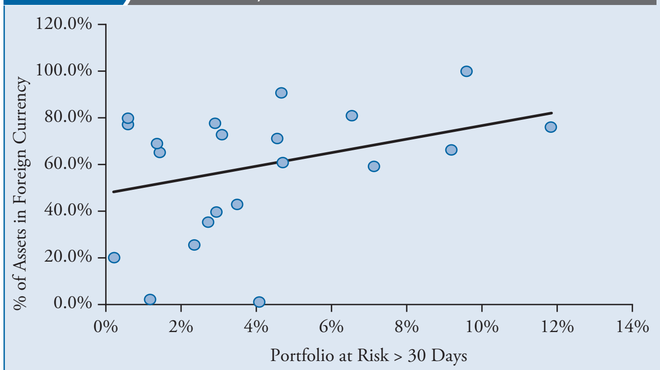


Source: MIX Market 2008-2009. Data represent totals.

Note: Foreign Currency Exposure is defined as (Total Assets in Foreign Currency – Total Liabilities in Foreign Currency)/Total Equity.

Figure C demonstrates a clear positive relationship between portfolio at risk and the percentage of assets in foreign currency (assuming the portfolio is the largest asset of an MFIs). For example, IMON International in Tajikistan, for which foreign exchange losses constituted 11 percent of its net income in 2009, found that the most significant determinant of higher incidence of delinquent loans was the currency in which the loan was issued. The portfolio at risk for Tajik somoni-denominated loans was 0.5 percent versus 4 percent for USD-denominated loans. In 2010, the MFIs decreased the percentage of the portfolio in indexed loans from 78 percent to 70 percent, which, other things being equal, corresponds to a decrease of 0.25 percent in portfolio at risk.[30]

Figure C — Correlation between Foreign Exchange Risk and Credit Risk, 2009



Source: MIX Market, 2009. Data represent percentages of total assets and total portfolio.

Cross-border investors also began to explore ways to alleviate foreign exchange risk for MFIs in ECA. Many fund managers and DFIs are reluctant to have open currency positions, but the alternative of MFIs passing on the risk to end clients as indexed loans is not desirable either as credit risk is likely to rise and the MFIs may suffer reputation risk due to nontransparent costs associated with their products (assuming local currencies depreciate relative to hard currencies). Consequently, to mitigate foreign exchange risk, investors have started to work with MFIs to mobilize the expertise of intermediaries such as MFX Solutions (a microfinance-dedicated currency hedging facility) and TCX (a special purpose fund providing market risk management products to its investors to hedge currency risk.)

30 See presentation "IMON International's Experience" under Managing Risks Track at 2010 SEEP Annual Conference Session Materials. http://seepnetwork.org/Pages/AC2010/SessionMaterials.aspx

Financial and Social Performance of Retail MFIs

A. Financial Performance

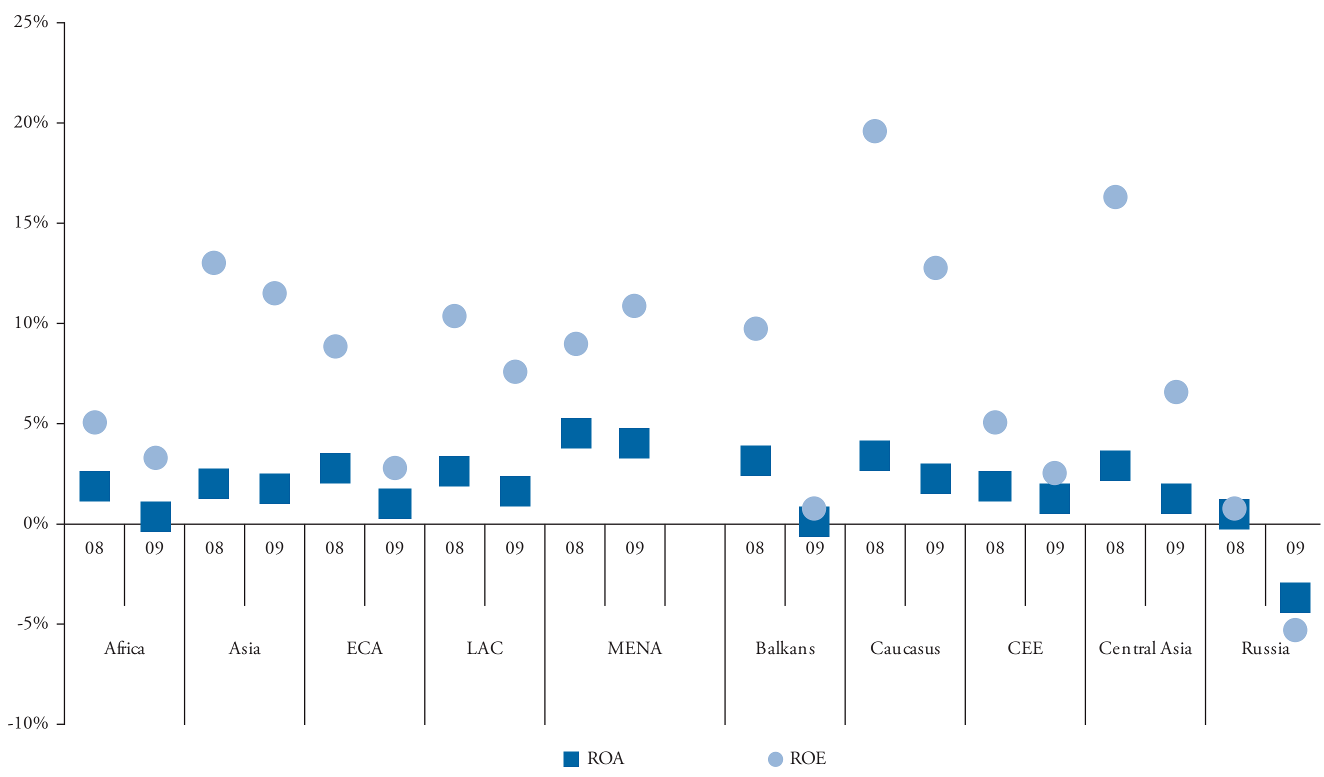
Key Issues and Trends

- High credit risk resulted in the doubling of impairment loss expenses, lower revenues, and negative returns.
- Credit risk more than doubled across subregions in 2009. Data from 2010 indicate that high delinquency continued to be an issue, although portfolio at risk levels in Bosnia and Herzegovina have started to decline in recent months.
- Operating expenses were lower in 2009 than in 2008 as a consequence of decreasing personnel expenses, even while the number of staff remained stable.

MFIs with large volumes of delinquent loans had lower revenues due to unrecovered repayments and increases in loan loss provision expenses, finishing the year with barely breakeven or negative bottom lines. As **Figure 16** demonstrates, in 2008 the microfinance sector in the ECA region was one of the more profitable globally, whereas in 2009, return on assets and equity were among the lowest. On the subregional level, returns diminished everywhere, with the most dramatic drops experienced in the Balkans (driven by Bosnia and Herzegovina, where 10 out of 13 MFIs were unprofitable) and Russia.

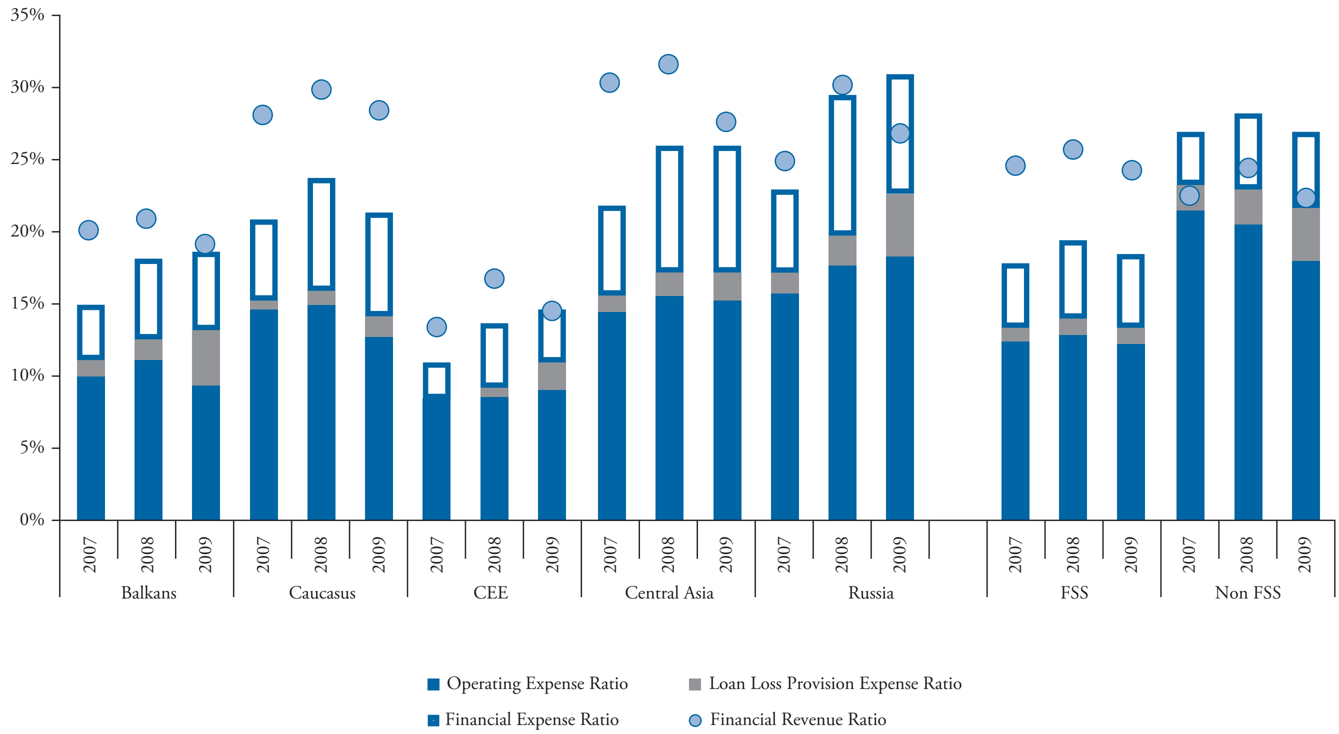
Analysis of returns shows that lower revenues and higher impairment loss expenses squeezed margins, while financial and operating expenses stayed the same or decreased (see **Figure 17**). A decrease in revenues across the sector was due to a combination of lower repayment rates as well as a higher percentage of nonearning liquid assets. In 2008, loan portfolios were 88 percent of total assets, but in 2009 this decreased to 80 percent.

Figure 16 Trends in Adjusted Return on Assets (ROA) and Adjusted Return on Equity (ROE), by Global Region and ECA Subregion, 2008-2009



Source: MIX Market 2008-2009. Data represent medians.

Figure 17 Composition of the Return on Assets Indicator, by Subregion and Sustainability, 2007-2009



Source: MIX Market 2007-2009. Data represent medians.

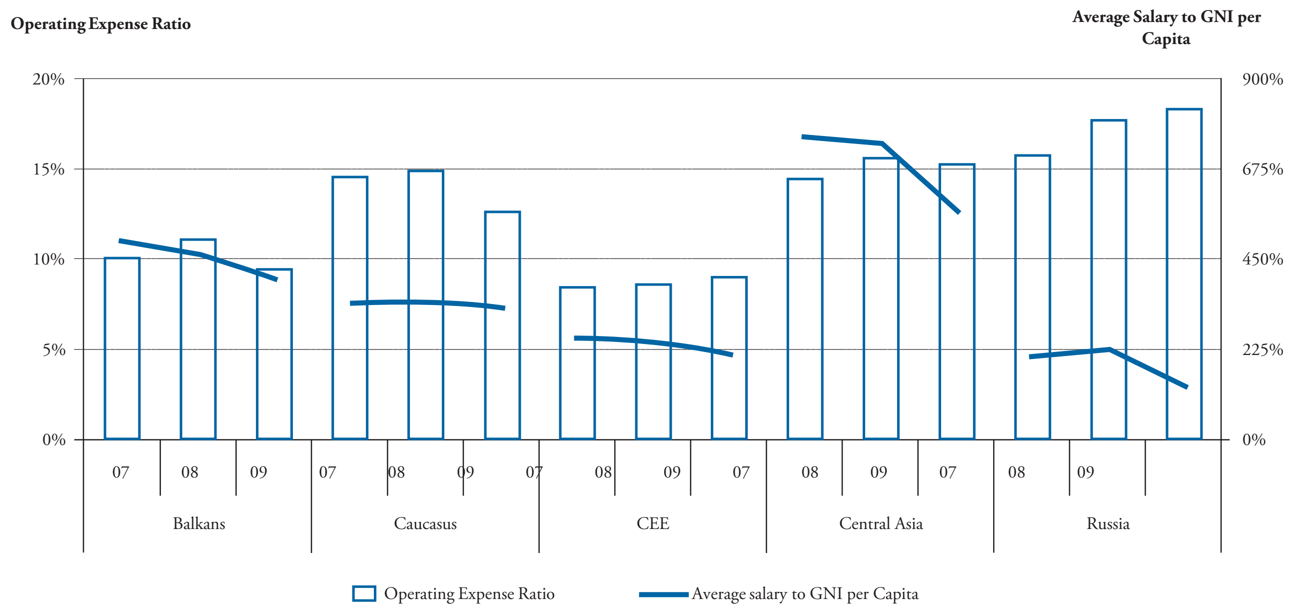
Financial expenses remained at similar levels to 2007, demonstrating that even in an advanced market such as ECA the cost of funding does not adjust quickly to rising risk levels.

Many MFIs, especially in the Balkans and the Caucasus, reduced operating expenses in 2009. A decrease in personnel expenses, which make up the larger part of operating costs, was the main driver behind this. Salaries as a percentage of gross national income (GNI) per capita decreased (see **Figure 18**), with sharp downward movements in the Balkans, Central Asia, CEE, and Russia. As reporting on social performance indicators demonstrates (see Social Performance section) since staff incentives are often aligned with growth and portfolio quality metrics, it is likely that monetary incentive-based compensations were reduced in this challenging year of negative growth and high delinquency.

Despite the shrinking client base, it does not seem that MFIs reduced their staff numbers. Consequently, in regions such as the Balkans with negative growth and stable staff levels, productivity continued to decline in 2009. This was especially evident in the number of borrowers per loan officer, which decreased from 209 in 2007-2008 to 193 in 2009. Lower productivity stemmed from lower growth, as well as more time spent per client to evaluate repayment capacity or to follow up on late loans. The Caucasus had by far the highest productivity in the region, with borrowers per loan officers increasing from 229 to 266 in just one year, while the median number of staff stayed constant.

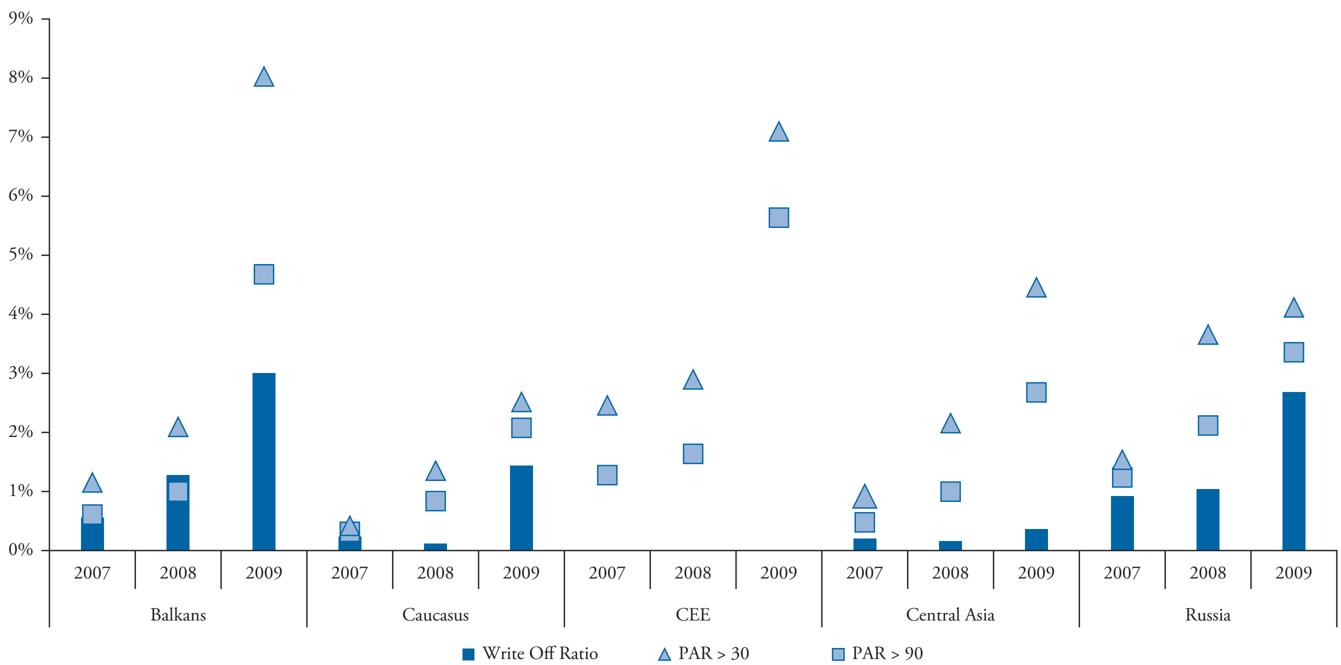
Finally, **Figure 19** shows the spike in delinquency ratios by subregion. Portfolio at risk and write-off ratios have more than doubled in most subregions. Even in the Caucasus, and in particular Azerbaijan, delinquency is increasing—a

Figure 18 Operating Expense Ratio and Average Salary to GNI per Capita, by Subregion and Charter Type, 2007-2009



Source: MIX Market 2007-2009. Data represent medians.

Figure 19 Trends in Delinquency and Risk Coverage Ratios, by Subregions, 2007-2009

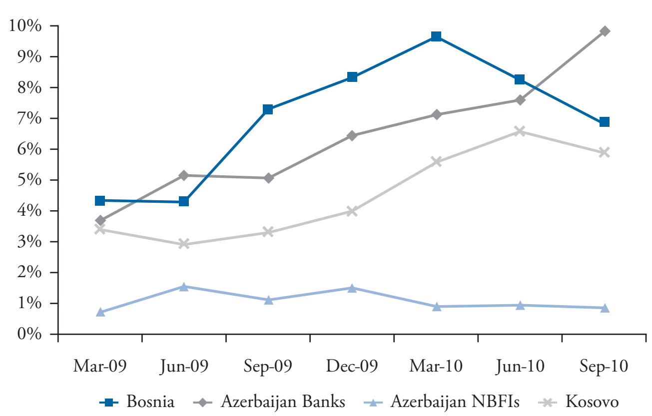


Source: MIX Market 2007-2009. Data represent medians.

trend MFIs are monitoring closely, especially in relation to concerns about cross-indebtedness with other MFIs and downscaling banks.

Quarterly data for 2010 indicate that portfolio-at-risk levels were still on the rise for most of the year, though there are some encouraging trends. In Bosnia and Herzegovina in the second part of the year, delinquency began to decrease, although it was still much higher than March 2009 levels. In Azerbaijan, NBFIs were able to maintain good portfolio quality, but portfolio at risk of their competitors, downscaling banks, is much higher and may be indicative of future challenges for the sector. However, it also demonstrates that providers wholly dedicated to microfinance in this particular market exhibit better risk profiles than banks that have product lines for microlending within larger portfolios. Risk was also rising in Kosovo (due to a combination of increasing market saturation and a lagging effect of decreased remittances from Western Europe, which are often critical to loan repayments at a household level). Similarly to Bosnian MFIs, Kosovo MFIs began to reduce portfolio-at-risk levels in the latter half of 2010. It is a positive trend that nonbank providers in these three markets exhibited downward credit risk trends in 2010, which may signal sector recovery.

Figure 20 Quarterly Trends in Portfolio at Risk > 30 Days for Azerbaijan, Bosnia and Herzegovina, and Kosovo, March 2009–September 2010



Source: AMFA for Azerbaijan, AMFI for Bosnia and Herzegovina, AMIK for Kosovo.

B. Social Performance [31]

Key Issues and Trends

- A majority of ECA MFIs have identified social performance as a component of their institution's strategic plan.
- Poverty alleviation is a common development goal. However, poverty outreach is not a commonly tracked indicator, and only a small proportion of ECA microfinance clients are below the poverty line.
- ECA MFIs demonstrated good alignment between their operations and mission regarding outreach to rural clients. However, there is still a large unmet demand in rural and remote sections of countries.
- Good practices have emerged in terms of implementation of consumer protection policies, especially those regarding policies on preventing over-indebtedness and training staff on client protection.

1. *Translating Social Mission in Measurable Outcomes*

Social performance measures how well an institution translates its social mission into practice.[32] For the first time in the series of this report we are delivering consolidated results for social performance indicators of ECA MFIs. The following analysis provides a first look into the social goals of ECA MFIs and how well they are able to report on these goals.[33] The data show many MFIs still have difficulties reporting on the actual outcomes related to their mission. This is work in progress.

31 According the Social Performance Task Force (http://sptf.info/), social performance, or the social bottom line, is about making an organization's social mission a reality. This may include serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving social responsibility of an MFI.

32 Retail providers with a double or triple bottom line have an explicit social mission that they strive to translate into results at the client level (e.g., people's empowerment, reducing vulnerability, poverty alleviation, job creation, and economic development). They are committed to protect clients, to behave ethically, and to positively effect change in client's lives. Social performance reporting measures how well providers translate their social mission into policies, systems, and practices in outcomes and concrete results on the ground.

33 As of 31 January 2011 social performance indicators are available on the MIX Market profile of each MFI that reports.

A majority of the 81 ECA MFIs reporting on social performance are NBFIs (68 percent), followed by banks and NGOs (14 percent), and cooperatives (4 percent). Banks appear considerably under-represented in the sample. Banks serve 47 percent of total borrowers (both corporate and retail) in the region, as reported to MIX Market, but those reporting on social performance represent a far lower percentage. The two countries with the highest rates of reporting are Azerbaijan and Tajikistan. In these countries, strong national associations support MFIs, while international investors, who provide 70 to 80 percent of debt financing in the areas in question, further incentivize reporting.

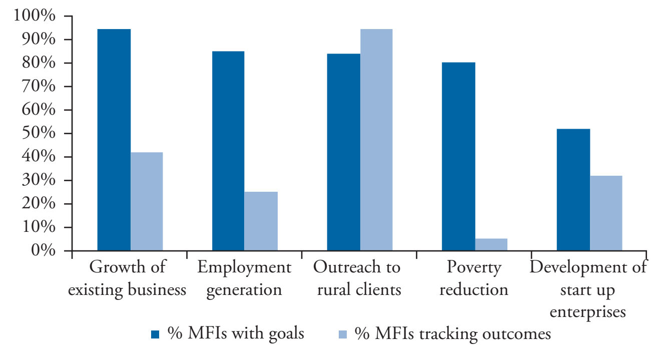
Social performance reporting reveals that there is work still to be done to track how actual outcomes align with MFI missions. Ninety-four percent of the MFIs reporting from ECA list "growth of existing business" as a development goal and indicate a strong focus on low-income clients. However, less than half of these same MFIs were able to report the number of enterprises financed during the past two years, and only 26 percent track employment in financed enterprises.

Similarly, less than a third of the MFIs in the sample were able to report on poverty statistics, even though a majority cited poverty alleviation as a development goal. Eighty-four percent of MFIs stated that their target market is low-income clients, although less than half specifically target the poor. This limited focus on targeting seems to contradict the fact that poverty alleviation is one of the top development goals reported by MFIs. Furthermore, a mere 17 percent mention the poor in their mission statement.

The 25 MFIs that reported on poverty outreach figures show a median of 8 percent of clients below national poverty lines. Six of the MFIs reporting poverty outreach figures were FINCA affiliates using FINCA's Client Assessment Tool (FCAT), an index that documents expenditures on six social metrics: household food security, health care, housing, education, empowerment, and social capital.[34] Data for MFIs using FCAT show a median of 5 percent of clients below the national poverty line and 4 percent below the US$2 a day poverty line. Almost none of the MFIs in ECA was able to report changes in the poverty status for their clients.

34 For more information on FCAT, visit www.finca.org.

Figure 21 Development Goals and Outcomes Tracking

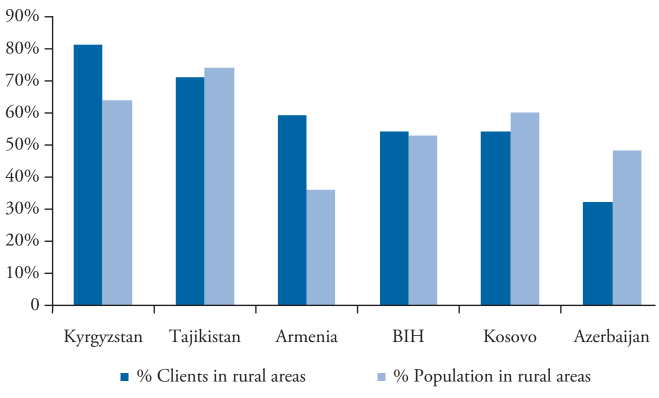


Source: MIX Market, 2008-2009.

Note: MFIs tracking outcomes refers to the ability of reporting indicators related to the development goals. In the case of "poverty reduction" it refers to the ability of MFIs to report the number of clients who are above the poverty line after three years in the program.

ECA MFIs demonstrated better alignment between their operations and their mission regarding outreach to rural clients[35] (see **Figure 22**). Twenty-eight percent of MFIs reported having branches where there are no other financial institutions, and clients served in these areas are only 3 percent of total clients.

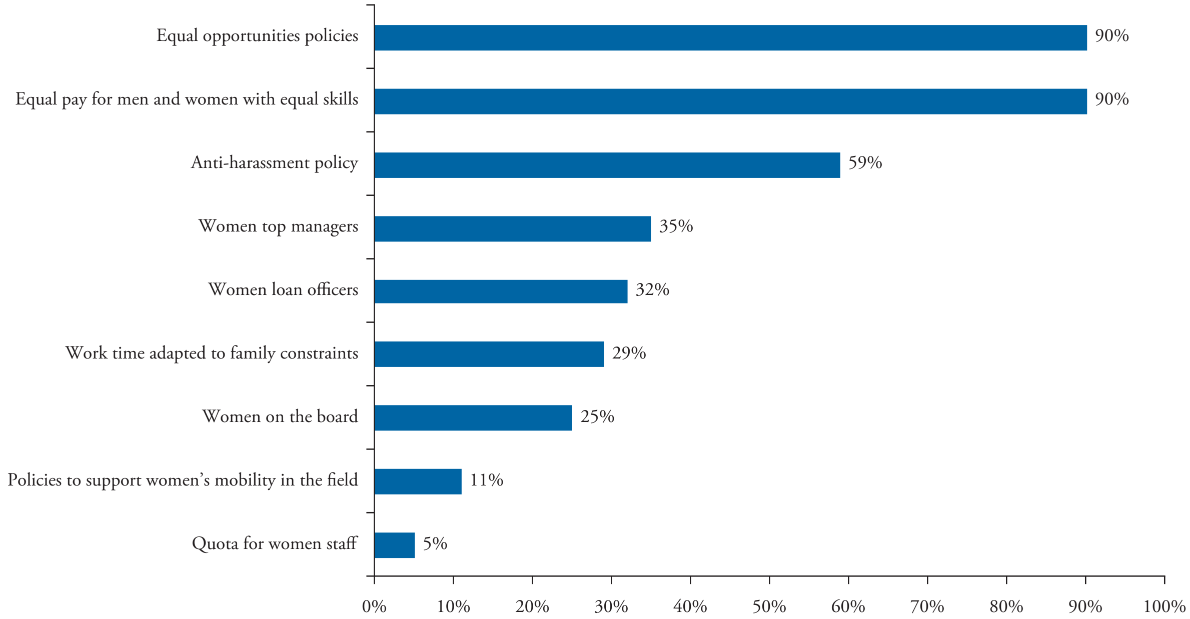
Figure 22 Outreach to Clients in Rural Areas



Source: MIX Market, 2009. Data represent medians.

35 Outreach to rural clients refers to settled places outside towns and cities, such as villages and hamlets, where most livelihoods are farm-based.

Figure 23 Gender Dimension of MFIs



Source: MIX Market, 2009. Results show percentage of MFIs with gender development goals.

Compared to the distribution of countries' populations in rural and urban areas, MFIs that reported on their outreach in rural areas have relatively more clients in rural areas than the average population in Kyrgyzstan and Armenia. However in the other countries we do not see this bias from the figures.

Gender-oriented goals are not prominent among ECA MFIs: only half reported "gender equality" as a development goal, and women represent a relatively small proportion of clients (42 percent) compared to other regions.[36] Thirty-two percent of MFIs reported offering some form of women's empowerment service[37] beyond financial services. The tendency in ECA not to prioritize gender development goals is reflected in the human resource structure of MFIs. Although the vast majority of human resource policies promote equal opportunities, women appear under-represented in senior management positions (**Figure 23**).

2. Policies and Procedures in Place to Manage Social Performance

Most ECA MFIs are establishing policies and procedures to manage their social performance that include social responsibility to staff, to clients, and to the community. In fact, the majority of MFIs reported that social performance issues have been identified as components of their institution's strategic and business plans, and 70 percent perform some sort of training on social performance topics. The most common training topics are mission orientation, development goals, over-indebtedness prevention, and communication with clients about prices. This is only a first step, however, as few MFIs (11 percent) have established a standing social performance committee that regularly reviews social performance issues.

Staff incentive schemes in ECA mainly reward portfolio quality and the ability to attract new clients, while only 24 percent reward staff on the basis of quality interaction with clients. Average staff turnover is

36 Data for fiscal year 2009 across regions show that women borrowers represent a median of 62 percent of borrowers in Latin America, 89 percent in Asia, 64 percent in Africa, and 56 percent in Middle East and North Africa.

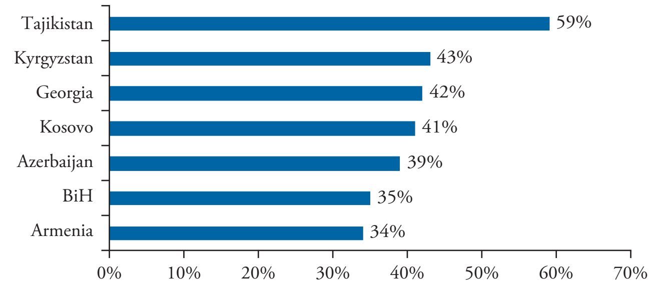
37 Women's empowerment services specifically identified in the social performance standards report are as follows: business training for women, leadership training, women's rights education, and counseling for women—victims of violence.

16 percent, and a majority of staff are permanent. Overall, MFIs report responsible human resources practices, the majority of which include practices to ensure staff safety, a clear salary scale based on market salaries, pension contribution, and anti-discrimination policies.

Client dropout rates[38] in the region were 36 percent in 2009, and the majority of MFIs in Armenia, Bosnia and Herzegovina, and Kyrgyzstan reported having clients who were also borrowing from other institutions (see **Figure 24**). Around 40 percent of ECA MFIs reported regularly monitoring client exit and most of them use interviews of exiting clients for market research purposes. The great majority of MFIs also reported using market research to identify the needs of clients and potential clients.

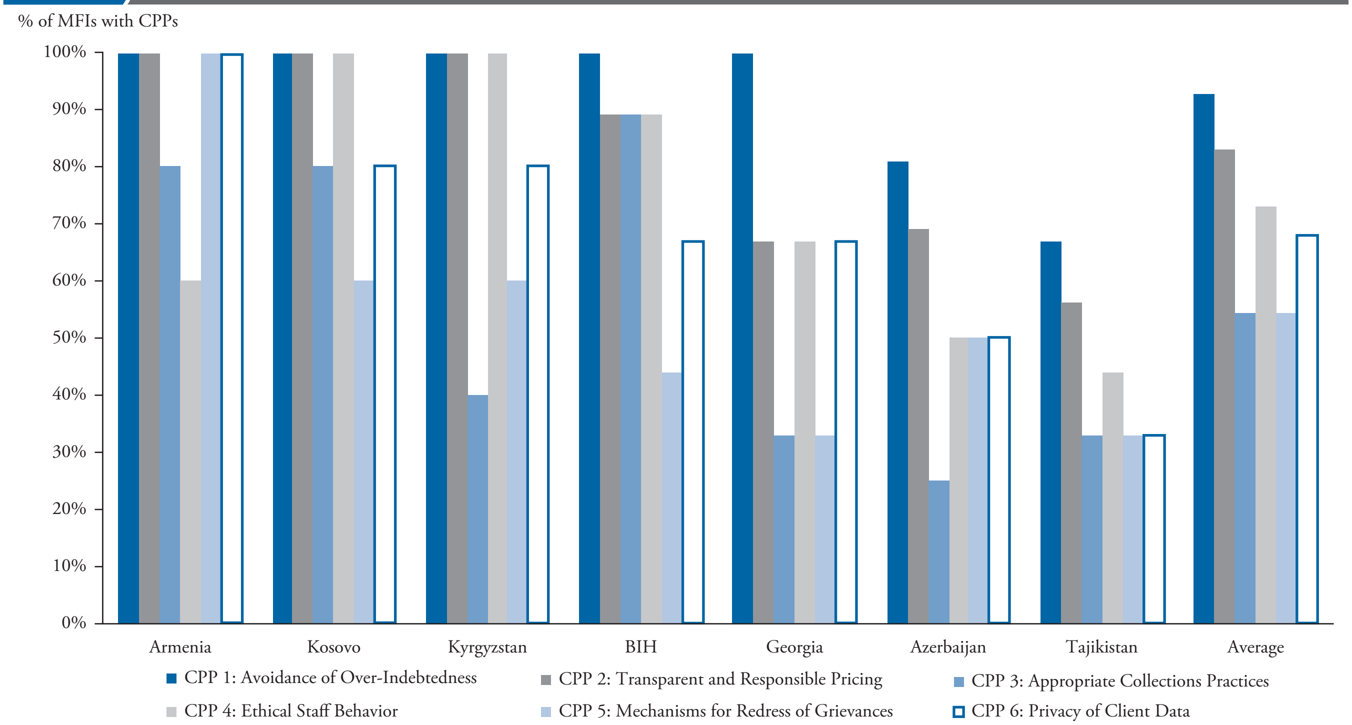
Overall, MFIs reported paying considerable attention to consumer protection principles, especially those regarding policies on preventing over-indebtedness and training of staff on client protection. Fifty-one institutions in the region have endorsed the Smart Campaign. However, only 20 percent of the MFIs reporting have all the consumer protection principles in place.

Figure 24 Client Dropout Rate, 2009



Source: MIX Market, 2009. Data represent medians.

Figure 25 Consumer Protection Principles (CPP) in Select ECA Countries



Source: MIX Market, 2009. Data represent averages.

38 The formula used to calculate dropout rate is (clients at beginning of the period + new clients - clients at the end of the period)/clients at the beginning of the period.

A loan approval process that evaluates borrower repayment capacity is the most popular measure that MFIs reported using to address potential over-indebtedness. Nevertheless, only 39 percent of MFIs offer financial education for clients, and only half have established a mechanism to handle client complaints or have a code of ethics that spells out acceptable and unacceptable debt collection practices. Where credit bureaus do not exist for MFIs, such as in Azerbaijan, MFIs exchange information among themselves to verify clients' indebtedness (see also the Policy Environment section). As previously highlighted, regulatory reforms can play an important role in preventing over-indebtedness, and the implementation of consumer protection and consumer financial education and the establishments of a Central Credit Registry with mandatory reporting requirements are all important steps that several countries in the region are already undertaking.

Just as social performance management and reporting is on the rise in the industry as a whole, ECA MFIs are demonstrating an increasing commitment to tracking and reporting social performance data in an effort to know their customers better and to assess how effectively they are serving them. In addition to taking some financial performance management steps, such as reducing their dependency on hard currency loans and prioritizing portfolio quality over growth, that MFIs have undertaken as a response to the economic crisis, MFIs are also starting to adapt their internal policies and systems to better track social performance indicators, creating specific staff positions for managing social performance topics, and using social audits to better assess the management of their organizations.

Looking Ahead

The year 2009 was marked by significant challenges in the ECA microfinance sector, which was hit the hardest of all regions worldwide as a result of financial and economic crises. Microfinance loan portfolios contracted across the region, and MFIs' financial performance deteriorated. MFIs in ECA showed the lowest profitability indicators worldwide and the worst portfolio quality since the inception of the sector.

Despite the negative trends outlined, the crisis highlighted several important developments that hold promise for recovery:

- Even though microloan portfolios contracted, savings were resilient and even grew—proving their reliability as a domestic funding source.
- The financial inclusion agenda among policy makers was reinforced, with the topics of consumer protection and consumer financial education, as well as responsible and ethical finance, coming to the forefront.
- Funders increased their commitments to the region, though funding distribution and instruments have not yet been adjusted to the new realities of the sector.
- Finally, improved social performance management and indicator tracking will undoubtedly help MFIs in the region deal with some of the new risks and challenges that have emerged as a result both of the crisis and the maturing of the sector.

How long will it take for the sector in ECA to return to its precrisis state? What lessons will MFIs learn from the crisis, and will they come out of it stronger than before? Which types of institutions will fill the niche of the banks withdrawing from microfinance, and will some banks return? How will funders accommodate for the changing needs of the sector? Will policy measures taken in response to the crisis yield the results desired? All of these issues will be will be subject of our further research.

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Acknowledgments

Special thanks to Barbara Gähwiler, Kathryn Imboden, Antonique Koning, and Timothy Lyman from CGAP and to Scott Gaul, Mike Krell, Shumei Chen, and Fabiola Heredia from MIX for providing content and reviews of the report. Additional thanks to the regional associations who provided invaluable help on data collection and background in 2009: Association of Microfinance Institutions in Kosovo (AMIK), Azerbaijan Micro-finance Association (AMFA), Association of Microfinance Institutions in Kyrgyzstan (AMFI), Association of Microfinance Organizations of Tajikistan (AMFOT), and UNDP-Uzbekistan. We would also like to thank EBRD, the National Bank of Kyrgyzstan, the National Commission for Financial Market of Moldova, the National Bank of Tajikistan and the Fund for Financial Support of Agriculture of Kazakhstan.

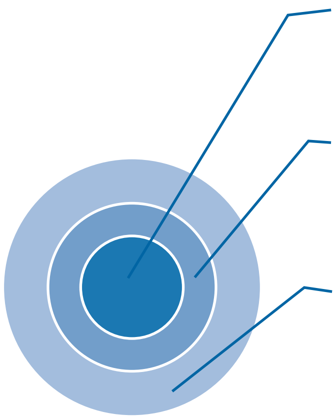
Data and Data Preparation

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

- CGAP-MIX 2010 MFI Survey: Covering over 8,200 institutions in the region. Given the large sample size, this survey contains only basic volume data, such as 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 in 2009, drawing on data from associations, regulators, donors, and publicly available data to compile aggregate statistics for all types of microfinance providers.
- CGAP 2009 Microfinance Funder Survey data: Conducted annually, this survey provides market intelligence to the industry on the microfinance portfolio of leading donors and investors.
- MIX data set for 217 MFIs in 2009 and a balanced panel data set of 122 MFIs for 2007-2009. These institutions were selected based on their ability to provide transparent, detailed reporting. The report analyzes this sample to review trends in outreach and scale and in financial performance. For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards. 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.
- MIX Funding Structure Database for 2009: One-hundred-and-forty MFIs provided detailed information on their individual borrowings, including source, original currency, beginning and maturity date, and interest rate of the loan. While each MFI's information is confidential, MIX creates aggregate analysis on the types of lenders, cost, and maturity of retail debt in ECA.
- MIX social performance data collection: The report assesses the various aspects of social performance management as reported by 81 MFIs (out of 217) from ECA to MIX in 2008 and 2009. It provides a framework for analyzing the current state of social performance practice in the region, based on the social performance indicators selected by the Social Performance Task Force and highlights current challenges in data collection and reporting.

Together, these data sets represent the most detailed and comprehensive collection of financial performance, outreach, product line, and funding structure information for MFIs 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, as the sample of 217 MFIs covers 60 percent of the total loan portfolio for ECA as presented in **Table 3**, with

Figure 26 Number of Borrowers in Data Sets on MFIs, mln



100 percent coverage for microfinance banks and 74 percent coverage of NBFIs and NGOs. The relationships among the MFI data sets are presented in **Figure 26**. Data for all of the individual institutions included in the report are publicly available online and regularly updated at www.mixmarket.org.

For definitions of MIX indicators and ratios visit http://www.themix.org/sites/default/files/Indicator%20Definitions.pdf

To see the data of individual MFIs analyzed in this report, visit http://www.mixmarket.org/mfi/region/Eastern%20Europe%20and%20Central%20Asia

ANNEX I: Acronyms

Acronym	Description
ACF	Asian Credit Fund
ALB	Average Loan Balance
ALB	Albania
AMFA	Azerbaijan Micro-Finance Association
AMFI	Association of Microfinance Institutions, Kyrgyzstan
AMFI	Association of Microfinance Institutions, Bosnia and Herzegovina
AMFOT	Association of Microfinance Organizations of Tajikistan
AMIK	Association of Microfinance Institutions in Kosovo
AML/CFT	Anti-Money laundering/Combating Financing of Terrorism
APR	Annual Percentage Rate
ARM	Armenia
AROA	Adjusted Return on Assets
AZE	Azerbaijan
BAM	Bosnian Convertible Mark
BGR	Bulgaria
BIH	Bosnia and Herzegovina
CEE	Central and Eastern Europe
CGAP	Consultative Group to Assist the Poor
CPP	Client Protection Principles
CU	Credit union
DFI	Development Financial Institution
EAP	East Asia and Pacific
EBRD	European Bank for Reconstruction and Development
ECA	Eastern Europe and Central Asia
EIB	European Investment Bank
EU	European Union
EUR	Euro
FCAT	FINCA's Client Assessment Tool
FFSA	Fund for Financial Support of Agriculture
FMCC	FINCA Microcredit Company
FMFB	First Microfinance Bank
FSS	Financially self-sufficient
GDP	Gross Domestic Product
GEL	Georgian Lari
GEO	Georgia
GLP	Gross Loan Portfolio
GNI	Gross National Income
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund

Acronym	Description
KAZ	Kazakhstan
KfW	Kreditanstalt für Wiederaufbau
KGZ	Kyrgyzstan
KMF	KazMicroFinance
KOS	Kosovo
LAC	Latin America and the Caribbean
LLPE	Loan Loss Provision Expense
MCC	Microcredit Company
MCF	Microcredit Foundation
MDA	Moldova
MDO	Microdeposit Organization
MENA	Middle East and North Africa
MFI	Microfinance Institution
MII	Microfinance Investment Intermediary
MIV	Microfinance Investment Vehicle
MIX	Microfinance Information Exchange
MKD	Macedonia
MNG	Mongolia
NAMOCU	National Association of Microfinance Organizations and Credit Unions of Uzbekistan
NBCO	Nonbank Credit Organization
NBFI	Nonbank Financial Intermediary
NBT	National Bank of Tajikistan
NGO	Nongovernmental Organization
PAR	Portfolio at Risk
POL	Poland
RMC	Russian Microfinance Center
ROA	Return on Assets
ROE	Return of Equity
ROM	Romania
RUS	Russia
SEEP	Small Enterprise Education and Promotion Network
SME	Small and Medium-Sized Enterprise
SPM	Social Performance Management
SPS	Social Performance Standards
SRB	Serbia
TCX	Currency Exchange Fund
TJK	Tajikistan
UKR	Ukraine
UN	United Nations
UNDP	United Nations Development Program
USD	United States Dollar
WB	World Bank
WOCCU	World Council on Credit Unions

ANNEX II: Benchmarks

Eastern Europe and Central Asia Benchmarks

Year (All figures are "medians")	2009 ECA	2009 Balkans	2008 Balkans	2007 Balkans	2009 Caucasus	2008 Caucasus	2007 Caucasus
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	189	33	33	33	28	28	28
Age	9	10	9	8	10	9	8
Total Assets	5,581,701	49,257,139	50,435,740	39,025,663	18,558,920	16,583,335	9,472,712
Offices	7	22	22	20	9	11	10
Personnel	38	148	148	121	159	156	123
FINANCING STRUCTURE							
Capital/Asset Ratio	27.3%	22.7%	24.8%	27.0%	24.3%	23.5%	23.7%
Debt to Equity	2.66	3.41	3.03	2.71	3.11	3.29	3.23
Deposits to Loans	0%	0%	0%	0%	0%	0%	0%
Deposits to Total Assets	0%	0%	0%	0%	0%	0%	0%
Portfolio to Assets	82.0%	85.4%	91.8%	90.3%	80.5%	86.1%	83.8%
OUTREACH INDICATORS							
Number of Active Borrowers	2,386	14,900	12,863	12,403	11,504	10,687	9,422
Percent of Women Borrowers	40.3%	42.3%	41.2%	39.0%	35.1%	40.1%	42.4%
Number of Loans Outstanding	247900.0%	14,900	13,320	12,709	11,509	10,690	9,422
Gross Loan Portfolio	3,819,853	42,423,194	41,314,440	36,383,126	12,669,561	13,735,320	8,084,041
Average Loan Balance per Borrower	2,037	2,343	2,679	2,444	1,157	1,122	980
Average Loan Balance per Borrower/GNI per Capita	61.7%	73.0%	69.8%	71.2%	33.5%	38.8%	37.6%
Average Outstanding Balance	1,971	2,343	2,521	2,444	1,131	1,052	980
Average Outstanding Balance/GNI per Capita	58.1%	65.0%	65.9%	64.8%	79.8%	72.7%	78.9%
Number of Voluntary Depositors	0	0	0	0	0	0	0
Number of Voluntary Deposit Accounts	0	0	0	0	0	0	0
Voluntary Deposits	0	0	0	0	0	0	0
Average Deposit Balance per Depositor	2,375	353	1,416	1,335	2,135	858	1,328
Average Deposit Balance per Depositor/GNI per Capita	61.0%	8.0%	34.0%	39.0%	59.5%	26.0%	49.0%
Average Deposit Account Balance	1,617	1,535	1,416	1,335	742	742	1,114
Average Deposit Account Balance/GNI per Capita	40.5%	34.0%	34.0%	39.0%	23.0%	23.0%	41.0%
MACROECONOMIC INDICATORS							
GNI per Capita	4,236	4,236	4,510	3,780	2,658	3,350	2,580
GDP Growth Rate	-2.0%	-3.0%	6.0%	6.8%	-4.0%	6.8%	13.7%
Deposit Rate	8.0%	4.0%	4.4%	4.0%	10.3%	10.4%	9.5%
Inflation Rate	5.6%	0.9%	7.4%	2.9%	2.2%	10.0%	9.2%
Financial Depth	37.4%	57.8%	57.8%	65.9%	22.1%	22.1%	22.0%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	1.1%	0.2%	3.2%	3.7%	2.3%	4.3%	4.5%
Return on Equity	3.0%	0.8%	9.7%	11.9%	12.8%	19.6%	17.1%
Operational Self-Sufficiency	109.8%	101.6%	116.3%	123.6%	118.7%	121.8%	129.6%
Financial Self-Sufficiency	107.9%	101.2%	116.3%	123.6%	118.3%	121.0%	129.6%
REVENUES							
Financial Revenue/Assets	22.0%	19.1%	20.9%	20.1%	28.4%	29.8%	27.9%
Profit Margin	7.3%	1.2%	14.1%	18.4%	15.5%	17.4%	22.8%
Yield on Gross Portfolio (nominal)	27.0%	22.0%	23.0%	21.9%	33.1%	34.0%	32.5%
Yield on Gross Portfolio (real)	21.4%	20.9%	15.9%	18.0%	29.6%	10.2%	19.6%
EXPENSES							
Total Expense/Assets	21.9%	19.1%	17.7%	14.9%	23.0%	23.1%	22.1%
Financial Expense/Assets	5.9%	5.4%	5.5%	3.9%	7.2%	7.8%	5.6%
Provision for Loan Impairment/Assets	1.9%	3.7%	1.5%	1.0%	1.5%	1.0%	0.7%
Operating Expense/Assets	11.3%	9.4%	11.0%	10.0%	12.6%	14.9%	14.5%
Personnel Expense/Assets	6.2%	4.8%	5.9%	6.3%	7.8%	9.3%	8.1%
Administrative Expense/Assets	4.9%	4.3%	4.6%	4.1%	5.3%	5.9%	5.8%
Adjustment Expense/Assets	1.9%	0.2%	1.2%	0.7%	1.7%	4.5%	3.1%
EFFICIENCY							
Operating Expense/Loan Portfolio	14.7%	11.8%	12.5%	12.4%	14.9%	16.7%	16.6%
Personnel Expense/Loan Portfolio	7.5%	6.5%	7.1%	7.0%	9.3%	10.4%	9.4%
Average Salary/GNI per Capita	307.0%	399.0%	459.5%	493.5%	326.0%	337.5%	337.0%
Cost per Borrower	286	295	287	253	200	206	161
Cost per Loan	254	295	286	261	189	191	155
PRODUCTIVITY							
Borrowers per Staff Member	59	96	104	128	94	92	88
Loans per Staff Member	61	96	104	128	94	98	88
Borrowers per Loan Officer	151	193	209	209	266	229	197
Loans per Loan Officer	151	196	211	209	266	254	197
Voluntary Depositors per Staff Member	0	0	0	0	0	0	0
Deposit Accounts per Staff Member	0	0	0	0	0	0	0
Personnel Allocation Ratio	40.0%	54.7%	55.1%	56.7%	38.5%	39.3%	38.3%
RISK AND LIQUIDITY							
Portfolio at Risk> 30 Days	4.2%	8.0%	2.1%	1.3%	2.5%	1.3%	0.3%
Portfolio at Risk> 90 Days	2.7%	4.6%	1.0%	0.6%	2.1%	0.8%	0.2%
Write-off Ratio	0.6%	2.9%	1.2%	0.5%	1.4%	0.1%	0.2%
Loan Loss Rate	0.5%	2.9%	1.0%	0.3%	0.7%	0.0%	0.1%
Risk Coverage Ratio	67.2%	76.7%	84.5%	145.8%	86.8%	113.2%	215.7%
Non-earning Liquid Assets as a % of Total Assets	10.4%	11.7%	6.0%	5.8%	16.5%	8.1%	6.9%

Year (All figures are "medians")	2009 CEE	2008 CEE	2007 CEE	2009 Central Asia	2008 Central Asia	2007 Central Asia	2009 Russia*
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	25	25	25	28	28	28	19
Age	13	12	11	7	6	5	10
Total Assets	3,790,836	3,988,036	3,336,303	9,682,486	8,033,526	5,999,617	1,810,005
Offices	1	1	2	16	9	8	1
Personnel	5	5	5	195	168	116	8
FINANCING STRUCTURE							
Capital/Asset Ratio	34.8%	36.1%	37.8%	26.0%	23.2%	25.1%	16.2%
Debt to Equity	1.87	1.77	1.65	2.86	3.08	2.62	5.10
Deposits to Loans	0%	0%	0%	0%	0%	0%	76.2%
Deposits to Total Assets	0%	0%	0%	0%	0%	0%	68.4%
Portfolio to Assets	85.89%	88.38%	81.25%	77.94%	87.34%	87.64%	88.0%
OUTREACH INDICATORS							
Number of Active Borrowers	366	368	329	8,178	10,458	7,070	439
Percent of Women Borrowers	35.4%	34.6%	35.0%	39.7%	46.9%	46.2%	63.2%
Number of Loans Outstanding	366	368	329	8,482	10,467	7,070	461
Gross Loan Portfolio	3,618,665	3,531,429	2,299,513	7,323,435	7,750,684	5,123,648	1,423,293
Average Loan Balance per Borrower	5,184	5,189	3,985	788	844	730	2,172
Average Loan Balance per Borrower/GNI per Capita	82.3%	75.2%	86.8%	77.4%	97.7%	110.3%	24.5%
Average Outstanding Balance	4,730	5,189	3,985	788	844	730	2,172
Average Outstanding Balance/GNI per Capita	48.9%	44.3%	30.0%	78.3%	63.9%	63.8%	24.5%
Number of Voluntary Depositors	0	0	0	0	0	0	90
Number of Voluntary Deposit Accounts	0	0	0	0	0	0	99
Voluntary Deposits	0	0	0	0	0	0	401,716
Average Deposit Balance per Depositor	9,069	2,288	2,446	1,511	1,250	836	3,089
Average Deposit Balance per Depositor/GNI per Capita	153.0%	52.0%	70.0%	138.0%	137.0%	112.0%	35.0%
Average Deposit Account Balance	1,763	2,288	2,446	606	1,250	836	3,018.6
Average Deposit Account Balance/GNI per Capita	42.5%	52.0%	70.0%	39.0%	137.0%	112.0%	34.0%
MACROECONOMIC INDICATORS							
GNI per Capita	5,916	5,490	4,460	872	740	610	8,874
GDP Growth Rate	-6.5%	6.0%	6.2%	1.5%	7.8%	8.2%	-7.5%
Deposit Rate	6.2%	4.4%	3.7%	7.5%	7.3%	8.4%	8.8%
Inflation Rate	2.8%	12.3%	8.4%	7.3%	20.4%	10.8%	11.7%
Financial Depth	70.7%	70.7%	76.8%	30.9%	30.9%	30.9%	41.2%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	1.3%	1.9%	1.6%	1.3%	3.0%	4.3%	0.7%
Return on Equity	2.5%	5.1%	4.7%	6.6%	16.3%	22.0%	5.0%
Operational Self-Sufficiency	109.3%	115.1%	117.2%	110.1%	120.4%	133.3%	101.3%
Financial Self-Sufficiency	109.3%	115.1%	117.2%	108.8%	119.7%	133.3%	105.4%
REVENUES							
Financial Revenue/Assets	14.5%	16.7%	13.4%	27.6%	31.5%	30.2%	26.8%
Profit Margin	9.6%	13.1%	13.1%	8.1%	16.5%	25.1%	5.0%
Yield on Gross Portfolio (nominal)	16.4%	18.7%	16.1%	32.2%	35.3%	35.3%	30.6%
Yield on Gross Portfolio (real)	12.1%	5.7%	8.7%	23.7%	12.8%	20.8%	17.0%
EXPENSES							
Total Expense/Assets	12.7%	12.9%	11.3%	26.0%	27.5%	23.5%	32.9%
Financial Expense/Assets	3.7%	4.5%	2.6%	8.7%	8.9%	6.3%	13.3%
Provision for Loan Impairment/Assets	2.0%	0.6%	0.0%	2.0%	1.6%	1.0%	0.0%
Operating Expense/Assets	9.0%	8.6%	8.3%	15.2%	15.6%	14.4%	14.9%
Personnel Expense/Assets	4.7%	4.4%	4.0%	9.2%	9.6%	7.8%	6.6%
Administrative Expense/Assets	4.3%	3.7%	4.1%	6.2%	5.5%	6.4%	5.9%
Adjustment Expense/Assets	2.4%	4.9%	3.5%	2.0%	4.2%	2.3%	6.5%
EFFICIENCY							
Operating Expense/Loan Portfolio	10.7%	10.5%	10.6%	18.5%	18.5%	19.0%	16.8%
Personnel Expense/Loan Portfolio	5.5%	5.5%	5.2%	10.7%	11.2%	9.6%	7.1%
Average Salary/GNI per Capita	210.0%	240.0%	251.0%	570.0%	737.0%	753.0%	124.5%
Cost per Borrower	543	537	455	143	145	112	405
Cost per Loan	454	518	390	138	143	112	331
PRODUCTIVITY							
Borrowers per Staff Member	54	53	48	61	69	73	43
Loans per Staff Member	58	54	49	61	74	73	45
Borrowers per Loan Officer	160	143	143	171	173	172	119
Loans per Loan Officer	166	150	147	172	177	172	119
Voluntary Depositors per Staff Member	0	0	0	0	0	0	8
Deposit Accounts per Staff Member	0	0	0	0	0	0	10
Personnel Allocation Ratio	33.3%	36.7%	33.3%	35.5%	37.7%	43.2%	40.8%
RISK AND LIQUIDITY							
Portfolio at Risk> 30 Days	7.1%	2.9%	2.5%	4.4%	2.1%	0.9%	12.2%
Portfolio at Risk> 90 Days	5.6%	1.6%	1.2%	2.6%	1.0%	0.5%	6.4%
Write-off Ratio	0.0%	0.0%	0.0%	0.3%	0.1%	0.1%	0.0%
Loan Loss Rate	0.0%	0.0%	0.0%	0.3%	0.1%	0.1%	0.0%
Risk Coverage Ratio	41.9%	51.9%	43.7%	95.0%	99.3%	158.4%	0.0%
Non-earning Liquid Assets as a % of Total Assets	9.1%	7.9%	12.3%	16.1%	7.2%	5.9%	7.1%

Note: Trend data for Russia is not displayed due to few MFIs reporting consecutively in the 2007-2009 period.

ANNEX III: Microfinance Sector Statistics by Country

The Balkans

Table 1 Albania

Population	3,155,271							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Nonbank Financial Insitution	NBFI	4	37,562	103,044,072	2,743	0	0	
Savings and Credit Union	Credit Union	1	17,437	40,548,908	2,325	1,203	11,610,906	9,652
Specialized Microfinance Bank	Bank	1	14,900	70,654,316	4,742	187,633	294,613,835	1,570
TOTAL		**6**	**69,899**	**214,247,297**	**3,065**	**188,836**	**306,224,741**	**1,622**

Source: MIX Market.

Table 2 Bosnia and Herzegovina

Population	3,766,579							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Microcredit Company	NBFI	2	61,133	193,920,393	3,172	0	0	
Microcredit Coundation	NGO	10	274,071	466,764,668	1,703	0	0	
Specialized Microfinance Bank	Bank	1	37,933	72,834,559	1,920	104,076	117,144,853	1,126
TOTAL		**13**	**373,137**	**733,519,620**	**1,966**	**104,076**	**117,144,853**	**1,126**

Source: MIX Market.

Table 3 Croatia

Population	4,434,000							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	2	1,398	4,725,845	3,380	0	0	
TOTAL		**2**	**1,398**	**4,725,845**	**3,380**	**0**	**0**	

Source: MIX Market. Note: Data for NOA credit union is from 2007.

Table 4 Kosovo

Population	1,805,000							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
NGO	NGO	10	56,281	146,368,493	2,601	0	0	
Specialized Microfinance Bank	Bank	1	92,879	227,598,571	2,450	351,994	867,212,857	2,464
TOTAL		**11**	**149,160**	**373,967,064**	**2,507**	**351,994**	**867,212,857**	**2,464**

Source: AMIK, MIX Market.

Table 5 Macedonia

Population	2,042,484							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Foundation	NGO	1	2,962	3,855,842	1,302	0	0	
Saving House	Credit Union	2	11,526	48,994,012	4,251	19,617	7,838,817	400
Specialized Microfinance Bank	Bank	1	28,127	56,308,781	2,002	132,046	126,659,337	959
TOTAL		**4**	**42,615**	**109,158,635**	**2,562**	**151,663**	**134,498,154**	**887**

Source: MIX Market.

Table 6 Serbia

Population	624,213							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Nonbank Financial Intermediary	NBFI	1	40,104	86,399,031	2,154	0	0	
TOTAL		**1**	**40,104**	**86,399,031**	**2,154**	**0**	**0**	

Source: MIX Market. Note: Opportunity Bank Montenegro was bought by Erste Group and renamed Erste Bank. As of 2009 its focus is no longer on microfinance clients.

Table 7 Serbia

Population	7,319,712							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
NGO	NGO	1	2,060	3,071,016	1,491	0	0	
Specialized Microfinance Bank	Bank	2	97,471	396,162,877	4,064	452,900	295,563,316	653
TOTAL		**3**	**99,531**	**399,233,893**	**4,011**	**452,900**	**295,563,316**	**653**

Source: MIX Market.

Caucasus

Table 8 Armenia

Population	3,082,951							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Downscaling Bank	Bank	5	8,173	47,191,143	5,774			
Microenterprise Development Fund	NBFI	1	12,480	8,580,568	688	0	0	
Specialized Microfinance Bank	Bank	3	137,705	185,288,163	1,346	194,019	106,249,054	548
Universal Credit Organization	NBFI	7	69,895	52,964,791	758	0	0	
TOTAL		**16**	**228,253**	**294,024,665**	**1,288**	**194,019**	**106,249,054**	**548**

Source: EBRD, MIX Market.

Table 9 Azerbaijan

Population	8,781,100							
Provider	Legal Status	Number of Institutions	Retail Borrowers	Retail Portfolio, USD	Avg. Loan Balance, USD	Retail Depositors	Retail Deposits, USD	Avg. Deposit Balance, USD
Credit union	Credit Union	48	9,432	14,953,157	1,585	9,432	4,607,616	489
Downscaling Bank	Bank	12	37,445	120,729,123	3,224			
Nonbank Credit Organization	NBFI	16	179,003	151,961,189	849	0	0	
Specialized Microfinance Bank	Bank	1	96,211	177,311,250	1,843	64,342	59,228,750	921
TOTAL		**77**	**322,091**	**464,954,719**	**1,444**	**73,774**	**63,836,366**	**865**

Source: AMFA, EBRD, MIX Market, WOCCU. Notes: Deposits for credit unions are membership fees not voluntary deposits.

Table 10 Georgia

Population	4,260,333							
Provider	Legal Status	Number of Institutions	Retail Borrowers	Retail Portfolio, USD	Avg. Loan Balance, USD	Retail Depositors	Retail Deposits, USD	Avg. Deposit Balance, USD
Downscaling Bank	Bank	3	6,551	53,961,023	8,237			
Microfinance Organization	NBFI	8	76,014	52,590,533	692	0	0	
Specialized Microfinance Bank	Bank	2	69,521	103,397,633	1,487	396,453	170,330,769	430
TOTAL		**13**	**152,086**	**209,949,190**	**1,380**	**396,453**	**170,330,769**	**430**

Source: Central Bank of Georgia, EBRD, MIX Market.

Central and Eastern Europe

Table 11 Belarus

Population	9,663,000							
Provider	Legal Status	Number of Institutions	Retail Borrowers	Retail Portfolio, USD	Avg. Loan Balance, USD	Retail Depositors	Retail Deposits, USD	Avg. Deposit Balance, USD
Credit Union	Credit Union	14	1,047	630,563	602	1,047	585,824	560
Downscaling Bank	Bank	7	5,924	67,497,607	11,394			
TOTAL		**21**	**6,971**	**68,128,170**	**9,773**	**1,047**	**585,824**	**560**

Source: EBRD, WOCCU.

Table 12 Bulgaria

Population	7,585,131							
Provider	Legal Status	Number of Institutions	Retail Borrowers	Retail Portfolio, USD	Avg. Loan Balance, USD	Retail Depositors	Retail Deposits, USD	Avg. Deposit Balance, USD
Cooperative	Credit Union	17	3,294	15,587,325	4,732	0	0	
Nonbank Financial Intermediary	NBFI	3	3,529	10,228,676	2,898	0	0	
Specialized Microfinance Bank	Bank	1	42,195	182,452,206	4,324	220,291	340,867,647	1,547
TOTAL		**21**	**49,018**	**208,268,207**	**4,249**	**220,291**	**340,867,647**	**1,547**

Source: MIX Market.

Table 13 Moldova

Population	3,603,506							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Downscaling Bank	Bank	2	2,147	4,837,818	2,253			
Microfinance Organization	NBFI	35	23,448	111,232,538	4,744	0	0	
Specialized Microfinance Bank	Bank	1	6,359	13,188,383	2,074	22,381	12,254,039	548
Savings and Credit Association	Credit Union	395	40,168	26,389,406	657	6,742	5,876,302	872
TOTAL		**433**	**72,122**	**155,648,145**	**2,158**	**29,123**	**18,130,341**	**623**

Source: MIX Market, National Commission for Financial Markets, WOCCU.

Table 14 Poland

Population	38,149,886							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	62	2,026,120	2,921,459,734	1,442	2,026,120	3,765,873,070	1,859
Nonbank Financial Intermediary	NBFI	2	14,501	49,829,345	3,436	0	0	
TOTAL		**64**	**2,040,621**	**2,971,289,079**	**1,456**	**2,026,120**	**3,765,873,070**	**1,859**

Source: MIX Market, WOCCU.

Table 15 Romania

Population	21,482,395							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	2,113	956,000	450,000,000	471	956,000	418,000,000	437
Downscaling Bank	Bank	1	354	3,710,219	10,481			
Microfinance Company	NBFI	5	12,933	83,779,871	6,478	0	0	
Specialized Microfinance Bank	Bank	1	32,619	92,712,621	2,842	135,210	157,193,094	1,163
TOTAL		**2,120**	**1,001,906**	**630,202,711**	**629**	**1,091,210**	**575,193,094**	**527**

Source: EBRD, MIX Market, Romanian Credit Union Association.

Table 16 Ukraine

Population	46,008,406							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	729	2,190,000	493,359,162	225	2,190,000	477,479,546	218
Downscaling Bank	Bank	4	6,517	70,988,153	10,893			
Finance Company	NBFI	1	2,415	1,505,375	623	0	0	
Specialized Microfinance Bank	Bank	1	17,201	31,122,000	1,809	103,827	121,529,000	1,170
TOTAL		**735**	**2,216,133**	**596,974,690**	**269**	**2,293,827**	**599,008,546**	**261**

Source: EBRD, MIX Market, WOCCU.

Central Asia

Table 17 Kazakhstan

Population	15,888,000							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Partnership	Credit Union	181	3,377	976,713,486	289,265	0	0	
Government Development Institution	Government Fund	1	18,899	43,140,384	2,283	0	0	
Microcredit Organization	NBFI	649	94,920	303,458,282	3,197	0	0	
TOTAL		**831**	**117,195**	**1,323,312,152**	**11,292**	**0**	**0**	**0**

Source: MIX Market, Statistical Agency of the Republic of Kazakhstan.

Table 18 Kyrgyzstan

Population	5,321,355							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	238	18,274	21,758,375	1,191	1,669	781,003	468
Downscaling Bank	Bank	3	6,458	44,496,152	6,890	20,878	6,938,325	332
Microcredit Agency	NBFI	129	13,677	8,628,093	631	0	0	
Microcredit Company	NBFI	226	165,705	101,418,952	612	0	0	
Microfinance Company	NBFI	4	127,009	69,956,507	551	0	0	
Specialized Microfinance Bank	Bank	1	31,405	55,933,175	1,781	0	0	
TOTAL		**601**	**362,528**	**302,191,254**	**834**	**22,547**	**7,719,328**	**342**

Source: AMFI, EBRD, MIX Market. **Note:** Deposits for downscaling banks are based on data from BTA Bank.

Table 19 Mongolia

Population	2,670,966							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Microfinance Organization	NBFI	3	9,241	7,744,397	838	0	0	
Specialized Microfinance Bank	Bank	2	383,771	443,831,251	1,157	2,336,739	607,840,219	260
TOTAL		**5**	**393,012**	**451,575,648**	**1,149**	**2,336,739**	**607,840,219**	**260**

Source: MIX Market. Note: Data on microfinance organizations are from 2008.

Table 20 Tajikistan

Population	6,952,223							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Downscaling Bank	Bank	4	14,700	54,664,175	3,719	7,530	17,003,432	2,258
Microdeposit Organization	NBFI	37	34,946	30,778,915	881	334	1,404,294	4,204
Microloan Foundation	NBFI	44	24,120	10,163,365	421	0	0	
Microloan Organization	NBFI	42	55,797	50,043,753	897	0	0	
Specialized Microfinance Bank	Bank	1	11,546	20,541,969	1,779	6,876	4,381,742	637
TOTAL		**128**	**141,109**	**166,192,177**	**1,178**	**14,740**	**22,789,468**	**1,546**

Source: AMFOT, EBRD, MIX Market. Note: Deposits for downscaling banks are based on MIX Market data for Agroinvestbank and Bank Eskhata.

Table 21 Uzbekistan

Population	27,767,100							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Credit Union	Credit Union	103	52,965	121,792,000	2,299	153,063	100,131,000	654
Downscaling Bank	Bank	2	7,478	37,409,306	5,003			
Microcredit Institution	NBFI	32	9,574	3,853,000	402	0	0	
Specialized Microfinance Bank	Bank	1	42,051	63,753,095	1,516	50,000	24,993,171	500
TOTAL		**138**	**112,068**	**226,807,401**	**2,024**	**203,063**	**125,124,171**	**616**

Source: EBRD, MIX Market, UNDP Uzbekistan.

Russia

Table 22 Russia

Population	141,850,000							
Provider	**Legal Status**	**Number of Institutions**	**Retail Borrowers**	**Retail Portfolio, USD**	**Avg. Loan Balance, USD**	**Retail Depositors**	**Retail Deposits, USD**	**Avg. Deposit Balance, USD**
Agricultural Credit Consumer Cooperative	Credit Union	1,202	96,160	117,612,284	1,223	0	0	
Credit Consumer Cooperative of Citizens	Credit Union	1,271	316,355	489,864,652	1,548	180,411	470,706,790	2,609
Downscaling Bank	Bank	14	87,949	1,345,915,117	15,303	0	0	
Nonbank Deposit and Credit Organization	NBFI	1	3,293	7,543,576	2,291	0	0	
Private Commercial Nonbank MFI	NBFI	1	33,500	33,473,210	999	0	0	
Private Foundation	NBFI	130	28,889	24,647,400	853	0	0	
Specialized Microfinance Bank	Bank	1	9,994	31,733,355	3,175	1,840	1,310,756	712
State, Regional and Municipal Fund for Entrepreneurship Support	Government Fund	149	8,846	53,000,000	5,991	0	0	
TOTAL		**2,769**	**584,986**	**2,103,789,595**	**3,596**	**182,251**	**472,017,546**	**2,590**

Source: EBRD, MIX Market, RMC. Note: Data on credit unions, agricultural cooperatives and government funds are based on experts' estimates and are from 2008.

Eastern Europe and Central Asia Microfinance Analysis and Benchmarking Report, 2010

This publication was jointly produced by

Consultative Group to Assist the Poor (CGAP)

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