# Client Information Sharing in Bolivia

## by Anita Campion

Abstract: As the microfinance industry becomes more competitive, microfinance institutions (MFIs) increasingly seek access to credit bureaus and credit information agencies. The growing number of microfinance providers in the market results in borrowers having more access to loans, which can lead to client overindebtedness and default. By sharing client information with each other and by using credit bureau information on client history and indebtedness, MFIs facing competition can reduce their credit risk and avoid unnecessary losses. While the growing interest in credit bureaus for microfinance is global, to date, few countries have credit unions and even fewer include microfinance clients in their databases. However, technological advances have lowered the costs of maintaining a large database of information and have made the cost of operating a credit bureau more financially feasible. Credit bureaus are now sprouting up, particularly in Latin America, and microfinance institutions are vying for access to their databases of information. This article presents the case of Bolivia, a country which has experienced extreme competition among microfinance providers, and which is now making efforts to integrate microfinance clients into its credit information system.

## Introduction

Microfinance in Bolivia has gone from one extreme to another—from low-income clients having very little access to loans in the 1980s to some microfinance clients now overly indebted. Twenty-three percent of BancoSol's clients currently have outstanding loans with other institutions, and many of these clients are overly indebted. The Bolivian credit bureau has played a key role in allowing regulated lenders to avoid granting loans to overly indebted clients and clients who have defaulted on loans in the past. This service to the financial institutions and to their clients also benefits the general public.

Regulated financial institutions appreciate the service provided by the credit bureau because it improves their ability to make loan decisions. Knowing a client's credit history facilitates the institution's assessment of the credit risk involved, i.e., the chance that a client may default on a loan. Clients with past performance problems indicate a higher risk. Microfinance institutions (MFIs) address this risk by either rejecting the loan request or by creating terms that better fit the risk profile of the borrower.

The public credit bureau benefits clients too because it reduces their chances of becoming overly indebted. Clients often don't know how much debt they can handle. Financial institutions use the information contained in the credit bureau's database to verify the client's current level of indebtedness. The institution takes this debt into account when calculating clients' repayment ability. Even though many microfinance institutions now accept guaranties, the objective is always to avoid overindebtedness. Regulated MFIs are in the lending business for the long-term and therefore aim to develop long-lasting client relationships.

The Bolivian credit bureau is a public asset because it helps to stabilize the financial sector, which influences the general state of the economy. The existence of the credit bureau has helped to improve repayments from institutions in liquidation, including Banco Cochabamba, BancoSur, and Banco Internacional de Desarrollo. Clients know that they will have difficulties accessing a loan from another financial institution in the future if they don't repay their existing loan,

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even if the existing loan was borrowed from an institution that no longer exists.

Many microfinance institutions are not regulated and do not have access to the superintendency's credit bureau to assess client indebtedness. Microfinance providers have sought to overcome this and other limitations of the superintendency's credit bureau by creating informal systems for information sharing and by tapping other sources of public information. In addition, the superintendency is researching the possibility of expanding its services to unregulated microfinance institutions in the near future.

## The Bolivian Superintendency's Credit Bureau

Since 1988, the Bolivian Superintendency has operated the only legal credit bureau in Bolivia. Through this public credit bureau, the superintendency requires that all regulated financial institutions share information on their clients' indebtedness and repayment histories on a monthly basis. The superintendency currently regulates seventy regulated financial institutions, including thirteen banks, thirteen credit unions, seven Private Financial Funds (PFFs),[1] and a number of cooperatives. The superintendency's database contains information on approximately one million clients.[2] The credit bureau receives approximately five thousand inquiries per day, which is accessible 24 hours per day, 365 days per year via the Intranet.

The database tracks 140 different variables on the regulated financial institutions' clients and their guarantors. The superintendency uses this information for two purposes. First, it uses it to review the state of the economy and the health of local financial institutions. This review helps the superintendency determine its inspection visits schedule; priority is given to those institutions with indications of poor portfolio quality and other internal operational problems. Second, it uses the information for its credit bureau, for which approximately 30 of the 140 variables of information are shared with regulated financial institutions to support loan decisions.

## How It Works

The credit bureau is a useful tool for those regulated institutions that have access to its database. Financial institutions can use the Bolivian credit bureau not only to check a client's credit history, which facilitates more informed loan decision-making, but they can also use the information to avoid client overindebtedness, a growing problem in Bolivia in the past two years. The financial institution's process of participation in the data collection and information sharing includes the following steps:

*Collecting client information*. At the end of each month, the financial institutions compile financial statements and information, including the names, identification card numbers, balances owed, guaranty amounts, and amounts in arrears, indicating the amount of time past due for all loan clients. The institutions do not share where the client lives, the type of business owned or where the business is located. The omission of this information reduces the chance that the database will be used by competitors to steal clients.

*Submitting data*. In addition to submitting financial statements, regulated financial institutions must report client information to the superintendency within ten days of the end of each month. These clients include both individuals and corporate entities. Most of the institutions send in their information via Intranet. A few financial institutions that don't have access to the Internet send in computer diskettes with the information. This method of submission is the most prone to problems, such as the late arrival of the information or the diskette becoming demagnetized and therefore unreadable.

When the superintendency receives the information, it runs an automated validation of figures and balances, and checks for logical consistency. Once the superintendency validates the information, it consolidates it into the central database.

*Sharing information.* Client information is compiled and shared in three ways: (1) on line, (2) by download, and (3) in written reports. The Bolivian credit bureau has an Intranet system whereby participating financial institutions can access information on all clients in the database. It also has a public web site, located at http://www.supernet.bo. Checking client histories electronically is the most expensive to the financial institution because it requires high-level telecommunications and computer operating systems. Accessing client information online from the Intranet offers the most up-to-date and complete information to aid the institutions in making educated lending decisions. A less expensive alternative is for institutions to download the information in batch overnight. This method of checking the database is less time-consuming, since the downloaded database can be quickly reviewed without the delays of finding a web page. In addition to these two methods of sharing information, the superintendency also sends the financial institutions a summarized hard copy of all its clients' information. This report is not used to approve loans, but it acts as a control by which institutions can check if their information is correctly recorded. Caja Los Andes' credit committees use this report to review and assess credit ratings.

*Using the information for loan decisions.* The superintendency requires financial institutions to use the information in the credit bureau's database to make loan decisions. (Managers from BancoSol, Caja Los Andes, and PRODEM reported that they would use the credit bureau even if it were not a legal requirement.) This requirement applies to all loan clients, including new loans and renewals, individual loans, and loans made to solidarity group members. However, the credit check is only the first step of the loan decision process, which also entails a thorough review of the client's repayment capacity.

For each loan decision, the superintendency requires that financial institutions obtain written permission from clients to check their credit histories. The superintendency regularly checks that financial institutions access only the database to clear potential clients who have granted them permission by manually comparing the written permission with the list of names accessed. If the superintendency finds that an institution violated this restriction, it will send either a written letter of warning or fine the institution.

To make an inquiry online, the financial institution enters a user name and password. Then, using the client's name or identification number, the employee can look up the client's credit history. Table 1 displays the online format of the Bolivian credit bureau's database for a fictitious client.

**Table 1. Sample Inquiry into Bolivia's Credit Bureau Database**

Direct Loan History

| Financial Institution | Qualification Status | Active Loans | Late > 30 days | Past Due (30–90 days) | In Legal process (90+ days) | Available Credit Line | Written off |
|---|---|---|---|---|---|---|---|
| BancoSol | 1 | 200,000 | 0 | 0 | 0 | 0 | 0 |
| Total | | 200,000 | | | | | |

Loan Guarantee History

| Financial Institution | Qualification Status | Active Loans | Late 30 days | Past due (30–90 days) | In Legal Process (90+ days) | Available Credit Line | Written off |
|---|---|---|---|---|---|---|---|
| Total | | | | | | | |

The client displayed in Table 1 has one outstanding loan with BancolSol with a remaining balance of 200,000 Bolivianos. The superintendency records all transactions in Bolivianos. If the loan was issued in dollars, then the value in Bolivianos is updated monthly using current exchange rates. If another individual guaranteed the loan, then the guarantor's information shows on the same screen directly below the borrower's information. The qualification status of "1" indicates that this person has no current repayment problems. Table 2 displays the rankings used by the Superintendency for qualification status. The superintendency discourages regulated financial institutions from lending to borrowers with a qualification ranking of "4" or "5," those with loans in legal processes or written off, by requiring that institutions provision 100 percent of those loans.

**Table 2—Bolivia's Qualification Status Rankings**

| Qualification Status | Indicates |
|---|---|
| 1 | No problems, normal active loans and up to five days past due (0–5 days late) |
| 2 | Potential problems (6–30 days late) |
| 3 | Unsatisfactory (31–60 days late) |
| 4 | Doubtful (61–90 days late) |
| 5 | Write offs (over 90 days late and in legal processes) |

Most microfinance institutions lend primarily to clients with qualification rankings of "1" or "2." The lender might require a higher level of guarantee on a loan or reduce the loan amount for a client with a ranking of "2" than for a client with a "1" ranking. MFIs might lend to clients with a qualification status of "3" on an existing loan depending on the circumstances that caused the late payments, however, they will usually require that the borrower pay off the loan before issuing a new one. If the client claims he or she has already repaid a loan that still shows on the credit bureau report, the MFI will ask the client to show receipts or acquire a written letter from the former lender indicating proof of payment.

Institutions that want to limit their time online can conduct batch inquiries, combining information up to fifty clients. In this case, the financial institution creates the inquiry in Notepad or another basic software program that operates in ASCII format. The institution then cuts and pastes the ASCII file into a software program that simulates the online system and sends it by mail to the superintendency. The superintendency provides the software to institutions with no Internet access.

## Cost Issues

The Bolivian credit bureau offers services to financial institutions that help increase their operational efficiency by improving their loan decision processes, which can lead to higher profits. In light of this fact, the Bolivian credit bureau attempts to cover its costs by passing on the expenses to the primary beneficiaries—the regulated financial institutions.

*Costs to run the credit bureau.* The superintendency estimates that its costs to set up the credit bureau were approximately $98,000. Maintenance costs are currently about $31,000 per year, not including staff time. Table 3 details the items involved in these expense estimates.

**Table 3. Setup and Operational Costs of the Bolivian Credit Bureau**

| Setup Items | Setup Costs | Monthly Maintenance | Maintenance Costs |
|---|---|---|---|
| Computer equipment | $90,000 | Telecommunications | $31,000 |
| Software—Lotus Notes | 8,000 | | |
| **Total** | $98,000 | | $31,000 |

*Costs to the financial institution.* There is no per consultation cost for checking a client's history in the credit bureau's database. The cost is covered in the annual fee that financial institutions pay to the superintendency for regulation and supervision. The annual fee equals 1/1000 of the financial institution's total assets. With this method of calculating regulatory fees, traditional financial institutions in essence cross-subsidize the expenses related to credit bureau service of microfinance institutions. MFIs tend to have a smaller asset base than traditional institutions but a larger volume of clients. Therefore, MFIs tend to pay a lower annual fee and yet make a greater number of inquiries to the credit bureau every year. Nonetheless, the regulatory fees cover many more expenses than just those related to the credit bureau, and in general, it is more costly to supervise larger banks than small microfinance institutions.

## Limitations

The Bolivian public credit bureau's database is not complete. It does not include microfinance NGO clients and offers only limited information on regulated financial clients' histories. The current system tries to meet all of the superintendency's needs in one database, which tracks all the variables necessary for every type of loan, including consumer, microfinance, and housing loans. Because of its sheer size and the volume of information, the credit bureau database is difficult to use for all the potential purposes it could serve.

*Failure to include clients of nonregulated lenders.* As mentioned earlier, the superintendency's credit bureau tracks only information on loans issued by one of its regulated financial institutions. The superintendency does not regulate microfinance NGOs and foundations, so their loan clients are not included in the database. The Superintendent estimates that approximately 120,000 loan clients are not included in the database. Some cooperatives do not fall under the superintendency's supervision, and no microfinance NGOs are included in the credit bureau. Therefore, 11 percent of all loan clients in Bolivia are not tracked by the credit bureau, and if one of those clients wants to take a loan from a regulated institution, he or she may have difficulty, even with a perfect repayment record. The same would apply to clients of regulated institutions who wish to take a loan from an unregulated MFI or cooperative.

*Time limits of the data.* The superintendency's database currently tracks only the past two months of clients' credit histories. If the client pays off the past-due loan, he or she wipes the slate clean—there are no long-term impacts on the credit history.

However, clients who have not yet repaid an overdue loan remain in the database until the loan is paid off. The credit bureau system in the United States tracks client information for seven years, after which past defaults no longer appear in a client's credit report. The upside to such a system is that unlike the Bolivian system, it keeps any past problems with repayment in the system for several years whether or not the loan was repaid; the downside is that once seven years have passed, even outstanding loans are wiped off the record.

*Too many variables*. The public credit bureau currently contains 140 different variables of information for each loan client it tracks. While these variables are used for many other purposes than just the credit bureau, this number of variables is excessive, making it difficult to maneuver the database and use it in other ways that might be more beneficial. The volume of information is as much as the current system can handle, which limits the amount of client history the database tracks.

*Consumer lending and microfinance are housed in the same database.* Some consumer lenders have misused information obtained from the credit bureau. Consumer financiers, such as ACCESO and Crediágil, began treating microenterprise clients as consumer loan clients. They eliminated the character and business assessment process and issued loans strictly on the basis of stated income. These institutions lent freely to former clients of microfinance institutions, such as BancoSol. They assumed that if the clients had been good clients of an MFI in the past, they would be good clients in the future. The end result was that many of these clients became overly indebted and defaulted, which caused financial losses for consumer lenders and reduced business for MFIs. In the future, consumer lenders will only have access to certain pertinent information in the database, namely the salary of the client it wishes to serve.

## Future Plans

The superintendency is in the process of addressing these four limitations by researching alternatives to give microfinance NGOs access to client histories, as well as ways to make its database more manageable.

*Including NGOs*. In April 2000, Bolivia passed an economic reactivation law, which allows for the creation of a private credit bureau. The law of banks and financial entities modified the interpretation of this law to allow the superintendency to provide partial information from its credit bureau to targeted private entities, information related strictly to micro and consumer credit. As a result, the superintendency will probably continue to maintain its database of information but will begin to share it with and include others, such as microfinance NGOs and foundations. The Superintendent estimates that within six months, microfinance NGOs will be able to access credit bureau information either from the superintendency or from another private entity. They are now studying the alternatives. One possibility is to allow an NGO, such as FinRural, to be the broker of information for the microfinance NGOs, which is discussed later.

*Changes to the database*. The superintendency is also in the process of overhauling and revising the database systems. It plans to reduce the number of variables of client information from 140 to 40 variables in the near future. The superintendency also plans to separate microcredit from consumer lending, housing, and commercial. Microfinance will be distinguished from consumer finance by the source of the client's income. If the loan is based on a formal salary, it is a consumer loan; if based on revenue generated from a microenterprise, it is a microfinance loan. By creating a separate database for microfinance with fewer variables for each client, the credit bureau's database will become much smaller and therefore more manageable. This restructuring of the database will allow the credit bureau to track more information on each client's history. The Superintendency's objective is to extend the time period shown in the database to include a one-year credit history for each client.

## Remaining Issues and Challenges

Some other issues and challenges have surfaced related to Bolivia's public credit bureau. These are issues that other countries or individuals looking to build a credit bureau system may want to consider.

### Issues

Two interesting consequences resulted from the creation of the Bolivian credit bureau. First, the current credit bureau system was structured in such a way that it undermines the solidarity lending method and has added to the movement away from group lending toward individual lending in Bolivia. Second, some financial institutions have used the client information in credit history files to steal customers from other financial institutions, which has probably fueled the competitive environment in Bolivia.

*The undermining of solidarity lending methodology*. Bolivia's credit bureau undermines the solidarity lending method by tracking only individuals who defaulted, not their associated group members. Solidarity lending works well in a strong economy to reduce credit risk resulting from moral hazard—the risk of loan loss from clients who have no intent to repay. However, when there is an economic downturn, as in Bolivia now, financial difficulties can lead to default for some clients. The default of one member can result in a domino effect, in which others drop out of the group instead of repaying the other member's loan.

Because Bolivia's credit bureau does not track this information, a group client can refuse to cover another member's loan loss without impacting his or her ability to access a loan from another institution in the future. As the cohesion of many solidarity groups eroded during the recent economic crisis in Bolivia, Caja Los Andes took advantage of the situation by significantly increasing its client base; it offered individual loans to former group clients of other MFIs for the first time. This is not a concern for the superintendency, but it is a concern for solidarity group lenders such as BancoSol, who have had to review their product lines and make adaptations to accommodate a changing competitive environment.

*Stealing clients.* Some MFIs have used information in the credit bureau to steal each other's business. For example, when a credit check reveals that the client has a loan with another financial institution, one MFI admitted that it often issues the client a loan sufficient to pay off the other loan and to meet its additional financing needs. Client stealing is a natural phenomenon of a competitive industry. With or without a credit bureau, financial institutions always attempt to steal business from their competitors.

## Challenges

The Bolivian credit bureau now faces the challenge of linking microfinance NGO clients to its database in a cost-effective manner. In addition, the credit bureau's database offers a potential opportunity to use the information to develop a credit-scoring model for microfinance lending.

*Cost-effectively linking NGOs to public credit bureau.* It is too early to assess the value of including microfinance NGO clients in the credit bureau database. Undoubtedly, including NGOs will be a costly endeavor, especially when compared to the potential benefits. The inclusion of microfinance NGO clients in the credit bureau is not very important to the well-being of the financial system, given the small average loan size of these 120,000 clients which fall outside the formal financial system. Given the relative costs of tracking such information, it may be difficult to convince other countries to include NGO clients, especially if they aim to build sustainable credit bureaus.

*Using information for credit scoring.* Once the Superintendency develops a separate database for microfinance clients' credit histories, this information could be used to develop a credit-scoring model to improve the efficiency of microfinance lending. Credit scoring is a method by which the financial institution calculates the risk and makes loan decisions based strictly on a set of specific criteria that have proven successful to lending decisions in the past. For example, past history information might indicate that 40-year-old clients are less risky than 22-year-olds and that it's less risky to lend to bakery owners than to construction company owners. Criteria, such as age and business segment, can then be used in making the loan decision or in setting the terms of the loan, i.e., offering lower interest rate loans to clients with lower credit risk scores.

BancoSol has enough information to begin to analyze data to be used later in credit scoring. BancoSol does not now have the funds to make this investment, but management is interested in developing a credit-scoring model for microfinance lending sometime in the near future. Developing a credit-scoring model is a large undertaking. It would be most efficient if it were developed at the national level, using information contained in the public credit bureau.

## Additional Systems of Information Sharing

Microfinance institutions have found creative ways to overcome some of the limitations of the public credit bureau. MFIs have developed informal systems and accessed alternative formal systems to acquire information on high-risk clients who are not tracked in the Superintendency's database. The three most common additional systems of client information sharing among MFIs are blacklists, an informal credit bureau managed by the association FinRural, and Siprotec, a private entity that sells public information.

### Blacklists

Regulated microfinance institutions compile internal blacklists and have exchanged them with other MFIs in an effort to track loan performance problems that do not appear in the credit bureau's reports. In particular, MFIs track information on clients that have been slow to repay their loans in the past but have no current repayment problems. Credit risks for these clients are higher than for those clients who have always repaid on time. In addition, MFIs that offer solidarity loans, in which group members co-guarantee loans, track members who have not covered a member's default. Finally, MFIs also include on their blacklists the names of especially difficult customers whose business they no longer desire.

*Internal blacklists*. Most MFIs maintain an internal blacklist of bad loan clients, which it uses to reduce the chance the institution will lend to the same defaulter twice. The first step in the loan approval process at BancoSol is for the credit officer to check the internal database to see if the loan request is from a previous customer, and if it is, to assess his or her repayment history. BancoSol uses this information to determine the credit risk associated with the client based on past experience. This information can also be helpful in avoiding repeat lending to bad clients who go to another branch or region to apply for a loan.

*Informal sharing*. Several MFIs, including NGOs and regulated institutions, share the names of high-risk loan clients with each other. The blacklist sharing process is done on an informal basis each month. There is no agreement that requires an institution to participate in the exchange. However, only those MFIs that offer client blacklists receive blacklists from the others. The list contains only the names and identification numbers of past delinquent loan clients, so it does not violate clients' privacy rights. One limitation is that blacklists are exchanged only on a regional basis, so a delinquent borrower could move to another region and not be tracked in this system.

## The NGOs' Credit Bureaus

In addition to MFIs sharing their internal blacklists, there has been another grassroots effort to improve access to information on bad clients who receive loans outside the formal financial system in Bolivia. FinRural and CIPAME, two nongovernmental associations, offered credit bureau services to NGOs in Bolivia from 1996 to 1998. Operating outside the formal sector, these associations of NGOs developed databases to track bad loan clients with information primarily from and for microfinance NGOs. These services were discontinued due to the limitations of the system, given that they only provided information on NGO clients with loan classifications of “4” or “5.”

*How it works*. FINRURAL and CIPAME operate similarly, with FINRURAL targeting rural areas and CIPAME focusing on urban NGOs. Participating NGOs provide the names, identification numbers, and number of days past due of all bad loan clients. FINRURAL and CIPAME each compile the data and put it into a database which they share with the same MFIs that provided the data. Their credit bureaus offer information on clients in risk categories four and five only, i.e., with loans over ninety days past due.

*Shortcomings*. This system of information sharing has had some limitations. It does not fully meet the needs of microfinance NGOs for client credit history information. The information was incomplete—it did not include bad former clients of regulated financial institutions. Additionally, there were inconsistencies in the level of participation of the NGOs involved. Some NGOs, such as PRODEM, had adequate information systems to ensure accurate and timely data, while others did not. Many NGOs were three months late in their reporting, which caused PRODEM to begin to report only clients who were over ninety days past due on their loans. If the data is not timely or accurate, it is less helpful in reducing credit risks.

*Potential solutions*. FINRURAL is currently negotiating with the superintendency to become the liaison between the public credit bureau and the NGO credit bureau. The objective is for FINRURAL to provide NGOs with access to the public credit bureau and to include NGO information in the superintendency’s credit bureau. This would be a great benefit to microfinance NGOs that currently have no way to verify how many of their clients have loans with regulated MFIs. It would also be beneficial to regulated microfinance lenders to have a fuller picture of client indebtedness. This plan is currently awaiting official approval.

*Cost to implement*. FINRURAL estimates that it will need approximately $200,000 to train NGOs and develop their capacities to contribute timely and accurate data. In addition, FINRURAL will need $70,000 more to improve the physical and electronic security of the NGOs' computer systems. FINRURAL's end objective is to increase transparency of microfinance NGO information and to standardize the NGOs' financial reporting.

**Private Brokers of Public Information**

In an effort to make the best loan decisions, some MFIs pay for access to a database of public information managed by Siprotec, a private company. As a part of Bolivia's Department of Commerce, Siprotec operates much like the Better Business Bureau in the United States. Siprotec provides records of publicly available data, including penal and civil judgments. For example, if a potential client has not paid his or her alimony, that information would be on public record and would be available from Siprotec. This information can be helpful to financial institutions, which attempt to assess the borrower's character. For example, Siprotec has records of people whose businesses have failed. While this is not a civil offense, the information is helpful in assessing the risk involved in lending to the same person for a new business venture.

Siprotec began operations in 1995 but maintains past history information from 1989 to the present. Siprotec has a database of over two million names, including both individuals and corporate entities. Eighty percent of all regulated financial institutions in Bolivia use this service, including BancoSol, PRODEM, and FIE. While Siprotec has over two hundred subscribers, regulated financial institutions make the majority of the inquiries.

*Costs*. Anyone who is willing to pay can access the information from Siprotec. Table 4 displays Siprotec's prices for its services per number of inquiries each month. These per-inquiry prices are in addition to the monthly contract fee, which is $10 for affiliates of the Department of Commerce and $15 for nonaffiliates. Siprotec's pricing rewards high volume customers as the per-inquiry cost drops with an increase in the total number of inquiries.

**Table 4: Siprotec's Pricing per Monthly Inquiries**

| Number of Monthly Inquiries | Cost per Inquiry |
|---|---|
| 0–4 | Included in contract fee |
| 5–20 | $2.00 |
| 21–50 | $1.80 |
| 51–100 | $1.70 |
| 101+ | $1.60 |

BancoSol began using Siprotec's services in December 1999. In another region where Siprotec does not have services, BancoSol uses a similar private company called Datos. BancoSol uses the Siprotec service only for its small business lending—for clients requesting loans greater than $30,000. If the search under a person's name and identification number reveals some negative press or a pending civil judgment, BancoSol will often question the client and conduct a minor investigation to determine whether it affects the loan decision. Caja Los Andes is using Siprotec's database for its larger microfinance clients who request loans over $5,000.

*Limitations*. In addition to legal announcements, Siprotec extracts information from newspapers and from other publications. Newspapers often publish only the names of people involved in an incident without giving a corresponding identification number. With common names this can result in confusion, making it difficult to link a certain instance to the proper person. Participating institutions have to be careful not to use this incomplete information in a way that could offend potential clients, for example, by accusing them of a wrongdoing they have not committed.

Even though the information is publicly available data, it seems risky to be the broker of such precarious information. Siprotec tracks only negative publicity. Nonetheless, no one has filed a lawsuit against Siprotec to date.

## Summary and Conclusions

A host of complementary instruments work together to keep Bolivia's financial institutions informed about potential customers. The credit bureau is only part of the network of instruments. Some parts of this network are the result of the ingenuity of the country's MFIs, which created ways to learn about borrowers when the formal system did not accommodate needed information. Other parts of the system, namely Siprotec, are the results of a healthy private economy in which information is a valuable asset.

Bolivia is on its way to housing one of the most complete sets of information on loan clients in the developing world. There are, however, some limitations of the system, the most salient being incomplete information or inability to access information. The Bolivian Superintendency is working to overcome many of these limitations, including the fact that NGO clients are currently excluded from the database.

The main challenge in implementing changes is that many will add to the cost structure more than they will add to the revenue structure. To provide a system that is sustainable far into the future, the superintendency must take costs into consideration as it builds this information network.

## Notes

1. A PFF is a nonbank financial intermediary, which is a special regulatory category the Bolivian Superintendency created specifically to serve small business and microenterprise borrowers.

2. Some of these clients may be repeated in the database.