Choosing the Right Unit of Analysis: Sectors Over Geographies

A recurring challenge in development finance is deciding where to focus interventions. Should efforts be organized around countries and regions, or around specific financial sectors and subsectors? Experience increasingly suggests that **sectors, not geographies, are the more effective unit of choice**.

Geographies matter. Regulatory environments, institutional capacity, and macroeconomic conditions differ widely across countries. However, financial solutions tend to evolve as **global or regional subsectors** that replicate across contexts. Microfinance, leasing, factoring, venture capital, and mezzanine finance each exhibit recognizable patterns that transcend borders.

Focusing on sectors allows practitioners to accumulate and transfer learning more effectively. Business models, risk profiles, and scaling constraints are often remarkably similar across countries, even when institutional contexts differ. Sector-based analysis makes it possible to compare trajectories, identify bottlenecks, and apply lessons from adjacent markets.

This approach also clarifies the role of different actors. Sector development requires coordination among investors, regulators, intermediaries, and support organizations—often across multiple geographies. Viewing interventions through a sector lens helps avoid fragmented, country-specific pilots that never reach sufficient scale.

This does not imply ignoring local context. Sector development always unfolds within national financial ecosystems. The key is to understand how **global subsector dynamics interact with local conditions**, rather than treating each country as a stand-alone case.

For missing middle finance, where no single solution dominates, a sector-based approach is particularly relevant. The challenge is not to "solve SME finance" in one country, but to deliberately develop multiple financial subsectors that can be replicated, adapted, and scaled across markets.