



MICROCAPITAL BRIEFS | TOP STORIES

Microcredit Summit Campaign Announces Industry Has Served 100 Million

The Microcredit Summit Campaign has determined that 106 million people received a microloan in 2007. Although not limited to those served by microfinance institutions affiliated with the Campaign, this number includes only those who lived on less than USD 1 per day at the time of their first loan. A goal to reach 100 million people by 2005 was set at the 1997 founding of the Campaign, which is a program of US-based nonprofit RESULTS Educational Fund. The slightly delayed milestone is documented in the 2009 State of the Campaign Report, an annual survey of microfinance institutions, which describes the Campaign's selective use of third-party data verification. The Bill and Melinda Gates Foundation recently donated USD 700,000 to a Campaign effort to improve methodologies for determining the number of microfinance clients who have crossed the USD 1 per day earnings threshold, which directly relates to another Campaign goal that 100 million microfinance clients will increase their incomes above USD 1 per day by 2015. January 15 and January 26, 2009

Arab States Announce \$2b Fund for SMEs, Microfinance

At the recent Arab Economic, Social and Development Summit, 22 member states agreed to form a USD 2 billion fund to support micro, small and medium-sized businesses. The effort will be managed by the Arab Fund for Economic and Social Development (AFESD). Details on how the funds will be used were not provided, except that a Grameen-style model of microfinance will be used. AFESD is an autonomous pan-Arab development finance organization which began operations in 1974. As of 2006, it reported assets equivalent to USD 8.5 billion, including loans of USD 6.19 billion. January 23, 2009

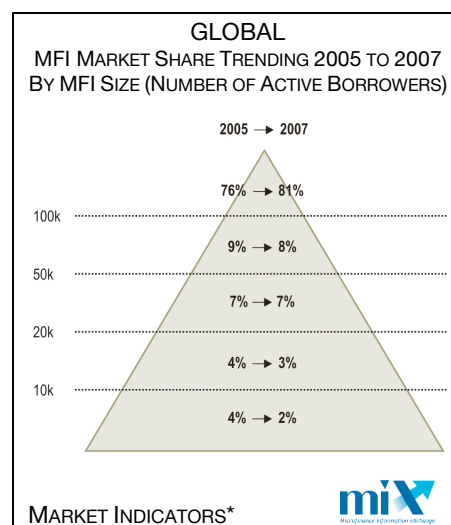
Injuries Reported as Nicaraguans Demand Repayment Holiday

Thousands of farmers and small businessmen gathered on January 12 in Nicaragua to protest high microfinance institution (MFI) interest rates, blocking the Pan American Highway just north of Managua, the capital. Police used tear gas to clear away protestors, who were armed with guns, clubs and stones. Two policemen and one civilian were injured, and 160 were arrested. The Movement of the Producers of the North is demanding moratoriums on both repayments to MFIs and seizures of delinquent borrowers' homes and property. Some MFIs have been accused of changing the conditions of their loans mid-term. The ruckus follows the 2008 arrest of six debtors and the kidnapping of an MFI employee during a protest that was seemingly condoned by Nicaraguan President Daniel Ortega. January 14, 2009

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MICROCAPITAL BRIEFS

Nepal's Central Bank Plans Standalone Microfinance Regulator

Nepal Rastra Bank (NRB), the central bank of Nepal, is considering creating a separate organization to regulate microfinance institutions and cooperatives. The move is aimed at allowing Nepal Rastra Bank to re-focus on larger institutions after having allowed smaller ones to offer limited banking functions in order to increase poor people's access to financial services. It is reported that many more entities are operating than the 28 that are licensed. The draft law also includes provisions for a microfinance fund of unspecified size that would aim to strengthen microfinance institutions.

January 18, 2009

South Korea Subsidizes Microfinance Sector

In response to the financial crisis, the government of South Korea has announced that it will earmark USD 730,000 to subsidize loans of up to USD 3,710 to street vendors and shop owners. Borrowers will be required to pay guarantee fees of 1 percent. While the interest rate was not disclosed, other loan products will be offered with annual interest rates of 2 to 4.74 percent and loan amounts of up to USD 36,500. The government's budget for microcredit has grown from USD 1.5 million to USD 9.5 million in one year, which may hamper a USD 139,000 Citibank Korea grant intended to help microfinance institution Joyful Union develop a model of sustainable microcredit. January 18, 2009

Rwandans Attempt to Recover Deposits From Corrupt MFIs

Nearly two years after the Central Bank of Rwanda (BNR) shut down eight corrupt microfinance institutions, leading to the arrest of 15 managers, depositors are still struggling to retrieve their money. The Rwandan government has reserved USD 5.5 million to compensate clients for up to half of their deposits, but - with little money having been disbursed so far - depositors have now filed complaints with Rwanda's Ombudsman's office. January 18, 2009

IDB Loans Guatemalan Bank \$70m for Microloans

The Inter-American Development Bank (IDB) Group will loan up to USD 70 million to Banco G&T Continental (G&TC) of Guatemala for on-lending to microenterprises and small businesses. G&TC, a commercial bank, started a "downscaling" process to serve microentrepreneurs in 2006 with assistance from the IDB's Multilateral Investment Fund. With 266 branches and 1,650 automated teller machines, G&TC holds assets of USD 3.2 billion, a lending portfolio of USD 1.7 billion and deposits of USD 2.2 billion. December 17, 2008

MasterCard, MEDA to Fund Loans to Youth in Egypt, Morocco

The MasterCard Foundation and Mennonite Economic Development Associates (MEDA), both based in Canada, have announced a USD 5 million program to allow microfinance institutions in Morocco and Egypt to develop and test products designed specifically for youth aged 15 to 24. The program will also provide financial and business skills training to the target market, which has been perceived as risky due to limited collateral and work experience. The MasterCard Foundation reports USD 2.4 billion in total assets. MEDA reports having served 2.2 million clients in collaboration with 127 partners. December 16, 2008

(Please refer to the subscriber edition for all eight pages of briefs.)

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2008 CGAP Microfinance Funder Survey

Published by CGAP (Consultative Group to Assist the Poor) as a series of regional reports, November 2008, available at:

<http://www.cgap.org/p/site/c/template.rc/1.26.1426>

This report surveys 54 funders, which have a total of USD 11.7 billion committed to microfinance. The majority comes from the six largest funders: Asian Development Bank, German development bank KfW, World Bank, United Nations International Fund for Agricultural Development, International Finance Corporation and European Bank for Reconstruction and Development. Of the total amount, USD 2.5 billion was disbursed in 2007.

Nearly half of all funding goes to Eastern Europe and Central Asia (mostly from development finance institutions) and South Asia (mostly from multilateral donors). Retail services receive close to 70 percent of funding, followed by funding to support the financial market infrastructure. The main funding instruments are debt, equity, loan guarantees, and grants. 63 percent of funding is debt, which is used equally by donors and investors.

**FREE
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Who Are the Microenterprise Owners?

By Suresh de Mel, David McKenzie and Christopher Woodruff, published by the World Bank Development Research Group Trade Team, May 2008, 35 pages, available at:

http://www.microfinancegateway.org/files/49764_file_Who_Are_the_Microenterprise_Owners.pdf

files/49764_file_Who_Are_the_Microenterprise_Owners.pdf

This report uses a series of surveys conducted in Sri Lanka by the World Bank Development Research Group Trade Team to examine the effectiveness of microcredit as a source of employment generation in developing countries, questioning whether the informal sector is a temporary substitute for wage-work or a stepping stone for entrepreneurs with growth potential. The surveys compare the characteristics of self-employed workers without employees, wage workers and owners of larger businesses with employees.

The data pool consists of 618 self-employed workers, who do not have employees, selected from three districts in south and southwestern Sri Lanka, 456 wage workers from the same geographic area, 528 enterprises used in a grant study and 424 owners of enterprises hiring between 5 and 50 employees.

The report argues that finance is not the only obstacle to the growth of microenterprises and attributes the low growth rates of enterprises supported by microlending to a variety of demographic factors including educational background, family background, risk aversion, labor history and general personality traits.

The survey results show that up to 75 percent of self-employed workers from the sample show similar characteristics to wage workers and are not likely to expand their businesses by adding paid employees, while the remaining 25 percent have traits similar to large business owners and are viewed as nascent entrepreneurs. The analysis showed that ability and attitudes differentiated self-employed own-account workers and wage-workers from small and medium enterprise owners.

Since the survey was conducted over a period of two years, growth over time could also be analyzed. Results showed that at least two thirds of self-employed workers in the informal sector should be classified as wage-workers rather than entrepreneurs and were not likely to expand their businesses by hiring employees. Levels of motivation and competitive attitude were the key factors differentiating own-account businesses that progressed into SMEs and those that remained without hired employees.

The report concludes by suggesting a set of...

(Continued in the subscriber edition.)



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photo | Poverty Fighters



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