

## Nigeria

## LAPO Microinvestment Scheme - Now the Poor Can Invest!

After the success of microfinance institutions in reaching the world's poor and helping them build a better life, it is now not a question of whether the poor can effectively use financial assets, but rather what the long-term benefits of accessing these assets are. The poor are extremely vulnerable to outward shocks, such as fires or natural disasters, or even changes in their situation, like retirement from microcredit institutions, which can cut into years of accumulated savings easily. So, it is now a matter of interest whether the poor can secure their future despite this great vulnerability. Providing micro insurance products or micro investment opportunities are proposed as solutions to this problem.

But, the poor are excluded from the stock market in the same way they had been excluded from credit, due to lack of resources and adequate information, whereas trading in stocks would give the poor an opportunity to build an asset base. Understanding the significance of the stock market in reducing the vulnerability of the poor, the **Lift Above Poverty Organization (LAPO)** began its micro investment scheme "Credit-for-Shares". The goal was to provide poor women with a sustainable capital base for the future, allowing them to participate in the privatization program of

the Nigerian government. The members are provided with a maximum of N20,000 (US\$ 150) as loans to buy shares in profitable companies. The loan duration is 24 months with monthly repayments. **LAPO** actually thought to recover the loans from the dividends and bonus shares, but the clients decided to repay the amount



*A beneficiary of the Credit-for-Shares scheme receiving her Guaranty Trust Share Certificate*

from their own resources. This demonstrates that even the poor are aware of the importance of the stock market in helping them secure a strong asset base.

There are, however, challenges that have been identified for this scheme. First, there is the obvious risk associated with the stock market and the fluctuating value of the stocks. To counter this, **LAPO** sought

technical advice from a firm of experienced stockbrokers. And second, there is still very little awareness among clients about the product and its benefits. Therefore, **LAPO** has incorporated information as a key element of this product.

Despite the challenges, **LAPO** is hopeful that this new product will be even more successful in the future. Already 218 beneficiaries have joined the scheme, with a current value of shares totaling N5,311,177 (approximately US\$ 40,855). Not only are the clients of **LAPO** now interested in the product, but so are the donors. With the Nigerian capital market strengthening continually from the privatization program, there is even greater scope for the poor members of **LAPO** to gain access to a financial service they would otherwise be excluded from. Now, the poor can invest.

**Extracted from "Micro Investment: Strengthening the Economic Base of the Poor" by Godwin Ehigiamusoe in Support, newsletter published by LAPO; and "Credit-for-Shares", speech delivered by Mr. Ehigiamusoe at MEARMS in Amman, Jordan.**

**Report by Tania Sharmin**

## Bangladesh

## Experimenting With New Ideas: IDF and Padakhep

The role of microfinance as a tool for poverty alleviation is well documented. But, MFIs need to go beyond just providing microloans and also innovate new ways to aid in the improvement of living standards of their clients.

**Microfinance and Energy**

Integrated Development Foundation (IDF), a **Grameen Trust** partner organization serving the Chittagong Hill Tracts region of Bangladesh, is one such organization that promotes better living standards amongst its clients while helping them achieve financial self-sufficiency by providing small loans for microenterprises.

IDF undertook its **Renewable Energy Program** on a limited scale in 1997, in order to facilitate household electrification in Chittagong Hill Tracts. The program targeted those who lacked access to the national power grid. In 2003, IDF expanded this program with the support of **Infrastructure Development Company Limited (IDCOL)**, a government owned company which has been implementing the **Rural Electrification and Renewable Energy Development (REREDP)** with the support of **World Bank**; **Global Environment Fund (GEF)**; and the **Government of Bangladesh**.

IDF supplies Solar Home Systems (SHS) to the household on full payment or long term credit (1- 5 years) as per customers' capability and demand. This credit is collected on a weekly or a monthly basis as per the agreed terms with the customer. It provides 30Wp, 40Wp, 50Wp and 75Wp Solar Home Systems (SHS) on full-payment or 1-5 year term credit, based on the client's ability to pay. Between January to June 2004 IDF installed 200 SHSs and plans to install 15,000 SHSs in the next five years.

**Street Children Get A New Lease on Life**

There are approximately 400,000 street children in Bangladesh; half of them in Dhaka city alone. Street children are one of the most vulnerable groups because most of them lack basic necessities of life,

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