

Enhancing Financial Inclusiveness: CGAP, Deutsche Bank, Grameen-Jameel and Islamic Development Bank partner to launch ‘Islamic Microfinance Challenge 2010’

For Immediate Release

March 8, 2010—CGAP, Deutsche Bank, Grameen-Jameel and Islamic Development Bank have joined forces to challenge the Islamic microfinance industry to develop new ideas for business models in the [Islamic Microfinance Challenge 2010: *Innovating Sustainable, Scalable, and Market-Driven Models*](#). Islamic microfinance has gained some traction over the past few years, with a swift rise in the number of institutions offering microfinance products in compliance with Islamic principles. But the fundamental challenge for the Islamic microfinance industry remains meeting client demand with affordable, authentic, profitable, and market-driven products.

“The competition will identify innovative product and business ideas that fulfill both Islamic and good business criteria, and thus have the potential to become self-sufficient and profitable,” said Alexander Schuetz, Managing Director and Chief Operating Officer for the Middle East and North Africa region of Deutsche Bank. The winner will be awarded with US \$100,000 in grant funds to launch a pilot program of their proposed business, which the competition organizers will then showcase to garner further support for the program’s growth and development.

While conventional microfinance institutions (MFIs) have made significant inroads in creating a more inclusive financial system for the poor, many Muslims do not accept conventional microfinance products, on account of their dissonance with Islamic law (*Shariah*). Islamic finance principles prohibit interest-based contracts, and emphasize risk-sharing and asset-backed transactions.

The Islamic finance industry has grown rapidly over the past 40 years, with a current estimated market size of US \$1.5 trillion. Yet, the Islamic microfinance sector remains in its infancy, and only a limited number of Islamic microfinance programs combine self-sufficiency and substantive outreach. A [2008 CGAP study](#) estimated that 125 financial institutions reach only 380,000 clients with Islamic microfinance. Studies suggest that a much larger number of the world’s poor Muslims could benefit directly from access to Islamic microfinance. *“The need for specialized Islamic microfinance products is emerging,”* remarked Julia Assaad, General Manager of Grameen-Jameel Pan Arab Microfinance, the first social business supporting the microfinance sector in the Arab world. *“While Islamic banking has been a successful model in the banking sector, it has not proven to be scalable in the microfinance sector. It is therefore essential to develop Shariah-compliant products which better suit Islamic microfinance clients’ needs.”*

A 2008 report from the Islamic Development Bank, “The Role of Microfinance in Poverty Alleviation,” points out that even amongst Islamic microfinance clients there are a broad range of needs, and a “one-size-fits-all solution” to poverty alleviation will not work. As the report notes, more creativity in developing *Shariah*-compliant products is critical to addressing poverty in developing countries with Muslim populations. The competition seeks to address this need by catalyzing the development of a range of *Shariah*-compliant products to meet the diverse needs of poor Muslims across the world.

[Islamic Microfinance Challenge 2010](#) is open to the general public, with a deadline for submitting the initial application by May 3rd, 2010. An independent panel of judges, consisting of leading experts in Islamic law, microfinance, and commercial business, will consider submissions on the basis of their originality, as well as the perceived profitability, sustainability, scalability, and *Shariah*-compliance of the business model and its products.

To download the application form, [click here](#).

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CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors, and investors. More at <http://www.cgap.org>

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Grameen-Jameel is a social business established in 2003 and incorporated in 2007 as a joint venture between Grameen Foundation USA and Grow Well Limited, a subsidiary of Abdul Latif Jameel Group. The company alleviates poverty in the Arab World through strategic partnerships with microfinance institutions by providing financial support and technical assistance. End of 2008, Grameen-Jameel has provided over \$26 million in guarantees which has helped facilitate the equivalent of \$47 million in local currency financing to microfinance Institutions in the MENA region. Grameen-Jameel's outreach has exceeded 400,000 new microfinance clients through its partners in Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia, Syria and Yemen. <http://www.grameen-jameel.com/>

Islamic Development Bank is an international financial institution which formally began operations on October 20, 1975. The purpose of the Bank is to foster the economic development and social progress of its (56) member countries, and Muslim communities in non-member countries, in accordance with the principles of Islamic Law. Since its inception, the IDB Group has provided project and trade financing for an amount of approximately US\$ 64 billion. <http://www.isdb.org>