COVER

Ghulam Fatima from Wig, Bhakkar in Punjab, a microcredit recipient, successfully runs a fruit and grocery shop in her village.

PAGE 1

Jalu Mal, a shawl weaver from Tabho Meghwar, Mithi, Tharparker in Sindh availed the PPAF microcredit facility for bulk production of shawls and to create demand in the local markets.

PAGE 3

The Agri Value Chain in Gujranwala, Punjab, economically strengthened low income farmers of targeted communities through increased access to easy financial services, capacity building trainings and strong market linkages.

PAGE 9

A participant receiving training at the Applied Technologies Institute – a subsidiary of the National Logistics Cell at Dina, District Jhelum under the Kfw funded LACIP.

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Parveen Akhtar in Kamoke, Gujranwala in Punjab utilized microcredit to expand her embroidery business and train other girls in her neighbourhood to use the skill for income generation.

Pakistan Poverty Alleviation Fund

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DEVELOPMENT DIALOGUE

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PMIC

THE FUTURE OF MICROFINANCE IN PAKISTAN

PAGE 1

PMIC: THE FUTURE OF MICROFINANCE IN PAKISTAN

"The objective of PMIC is to provide liquidity to microfinance providers, with the hope of creating 300,000 new job opportunities per year."

With the enormous youth population of Pakistan, the PMIC will be pivotal in reducing unemployment in country. 8 million micro enterprises and individuals will be able to access financing and business opportunities will be created amongst vulnerable segments of society.

The Pakistan Poverty Alleviation Fund, the United Kingdom's Department for International Development (DFID) through Karandaaz and Germany's development bank (KfW) have signed a Shareholders' Agreement for the establishment of the Pakistan Microfinance Investment Company (PMIC) under which they will co-invest in PMIC. The tripartite coalition between the three shareholders will be based on the initial equity investment of PKR 6.0 billion through contribution of 49% by PPAF, 37% by Karandaaz and 14% by KfW where PPAF is providing PKR 3,000 million, DFID £15 million and KfW €7 million as initial equity contributions for this venture.

The objective of the Company is to provide market based financing mainly through debt initially to microfinance providers serving micro, small and medium enterprises (MSMEs) in Pakistan potentially accompanied by technical assistance. The PMIC Board will comprise of members from the private sector having expertise in the fields of banking, finance, social sector development and overseeing financial affairs of large financial institutions.

Senator Ishaq Dar, Finance Minister, stated, "It is the goal of the PML-N government to meet the needs and aspirations of the poor marginalized and disadvantaged households and the National Financial Inclusion Strategy (NFIS) launched by our government in May 2015 is targeted towards helping the poor segments of the society through financial inclusion. We are setting the ground for creation of a new entity to spur the next level of growth in the microfinance sector of Pakistan. I would like to congratulate the shareholders of PMIC (PPAF, DFID through Karandaaz Pakistan and the German Development Bank KfW) for achieving this important milestone in setting up PMIC."

The company will inherit the institutional values of PPAF and continue to follow the double bottom-line approach of financial sustainability and positive social impact. While PPAF brings with it expertise, credibility and domestic experience of working with the retail microfinance sector in the country, DFID and KfW together bring rich international experience and resources which would be imperative in accessing additional sources of funds both domestically and internationally.

Qazi Azmat Isa, CEO, PPAF, stated, "The PMIC is a game changer for financial inclusion in Pakistan. PPAF was an integral part of the development of the microfinance sector and the PMIC is going to move the sector to the next level. Financial inclusion has been a key goal for the Government of Pakistan and the Pakistan Poverty Alleviation Fund. Financial inclusion is critical to achieve inclusive growth and it is a prerequisite for sustainable economic growth and development, reducing inequality and mitigating poverty. PMIC will build upon the foundations PPAF laid more than fifteen years ago by providing responsible financial services to the millions of poor and financially excluded individuals of Pakistan."

The potential market for microfinance, according to the PMN MicroNote 'Estimating the Potential Size for Microfinance in Pakistan', is estimated at 20.5 million individuals, while active borrowers as of June 2016, according to MicroWatch Issue 40, are 4.16 million[1]. With clear demand, the market is poised for growth, however, the sector remains constrained due to the lack of funds. Conservative estimates depict that in order to reach 10 million clients by FY 2020 the industry would require additional debt for on-lending of up to PKR 300 billion[2]. One third of this amount will be financed through deposits raised by Microfinance Banks but long and short term debt will continue to remain the main drivers of growth. Additional debt of over PKR 200 billion and equity of over 45 billion will be required to meet the growing financing needs of the sector. This will necessitate obtaining funds from more commercially-minded sources, such as international microfinance investment vehicles (MIVs) and domestic sources such as commercial banks, capital markets, and even depositors.

Syed Mohsin Ahmed, CEO, Pakistan Microfinance Network, stated, "Microfinance to us is one of the key instruments of financial inclusion. At PMN we think all other players in the digital, commercial banking and insurance world can be partners to achieve inclusion. As we see it a Pakistan where 50 to 60 percent of the population (current 23%) starts taking financial services from formal sector through digital, branchless banking platforms or using traditional models can lead to micro advantages in terms of individuals access to credit, insurance and deposit services and at the macro level by documenting the economy and integrating vast population of Pakistan into the formal sectors. These factors along with innovative products can and should improve health and education services and help build financial assets of the low income population. PMIC to us will and can play a major role in the growth of microfinance industry."

Given the needs of the Microfinance sector, PPAF took the timely decision to spin-off its Financial Services Group, which manages PPAF's microfinance component, into a new independent Microfinance Apex entity (PMIC). This

[1] Micronote on 'Estimating the Potential Size for Microfinance in Pakistan', PMN

[2] Microfinance Growth Strategy 2020, PMN

decision was endorsed by most key stakeholders including the State Bank of Pakistan, Pakistan Microfinance Network and retail service providers. It was also mentioned as a major milestone in the National Financial Inclusion Strategy (NFIS), launched by the Finance Minister, showing that PMIC has also received the full support and endorsement from the Government of Pakistan.
PMIC will have a commercial (for-profit) structure by being the first national level Microfinance Investment Vehicle (MIV) in the world registered as an Investment Finance Company under the NBFC rules of SECP. Nevertheless the mission of the new entity will be to provide financial and institutional services to strengthen and scale-up provision of sustainable and responsible access to finance to individuals, micro entrepreneurs and micro enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor.

Asad Azfar, Chief Investment Officer, Karandaaz Pakistan, explained, "PMIC is conceived as a (well-capitalized) commercial wholesale finance company and an industry accelerator. Its purpose is to build on the professional investment and institutional apex platform created by PPAF over the last 15 years, and take it to the next level - inspire and instill new ideas, capabilities and standards to reboot and transform the industry by linking retail MFIs to commercial financial markets and strengthen significantly institutional systems of MFIs (credit, risk, technology, balance sheets etc.) to build and manage greater financial and operating scale. Imperative here is ability to leverage technology to better manage scale and enhance efficiency (lower processing costs and thereby lower cost of capital for micro borrowers). Also imperative is to enable the industry to mature beyond traditional microfinance and develop profitable micro enterprise lending models that go beyond financing consumption to building assets and generating employment for the poor. PMIC is also mandated to selectively deliver targeted promotional programs for marginalized regions and economic groups to support inclusive and broad based growth, while retaining its commercial objective. Microfinance remains highly under penetrated in Pakistan relative to international peers. If we can provide a stable macro environment and a dynamic apex investment and institutional infrastructure, the industry we believe is poised for accelerated and sustained growth."

The objective of PMIC is to provide liquidity to microfinance providers, with the hope of creating 300,000 new job opportunities per year. With the enormous youth population of Pakistan, PMIC will be pivotal in reducing unemployment in country. 8 million micro enterprises and individuals will be able to access financing and business opportunities will be created amongst vulnerable segments of society.

Christiane Schmidt, Senior Project Manager, KfW, said, "We trust that PMIC will provide Microfinance Banks and Microfinance Institutions with better access to affordable, longer term refinancing and further support in serving their clients more efficiently and thereby substantially contribute to more financial inclusion in Pakistan. Furthermore we hope that PMIC will broaden its activities in the future beyond pure funding for microfinance. In our view that could be dedicated loan programs for i.e. access to energy for the rural poor or other similar programs to improve the lives of the underserved."

PMIC will work actively towards merging environmental, social and governance (ESG) aspects in its business operations and its overall commitment to principles of responsible investments for development. The Company will ensure promoting standards of responsible finance among its clients hence, the balance between financial and social returns will be embedded in PMIC through its vision, mission, strategy and business plan.

Waqas ul Hasan, Senior Private and Financial Sector Development Adviser, DFID Observer PMIC Board, said, "Ideally, the future of microfinance in Pakistan should have three key characteristics – an expanded suite of microfinance products with an enhanced share of microenterprise financing as a serious business line, competition driving the client satisfaction up and interest rates down and market based financing of the sector both on the assets and liabilities sides of the balance sheet. A responsible microfinance sector efficiently managing its risks will be great asset for economic growth in Pakistan."

By remaining true to its core values of transparency, professionalism, value addition and innovation, responsible finance, sustainability and business ethics, PMIC will carry forward the work of PPAF and give the Microfinance sector the push to reach the next level of outreach and depth.

FINANCIAL INCLUSION

A REGIONAL PERSPECTIVE

Nearly 626.4 million people in South Asia are under-served or un-served by the formal financial system. According to FINDEX 2014 less than half the adults (people over the age of 15 years) in South Asia have an account with financial institutions - a figure that has incidentally improved from less than a third in 2011. Although the increase in access to accounts with financial institutions is encouraging, the usage remains less than 5 percent for many types of basic transactions including receiving wages, receiving government transfers and paying utility bills. Utilization of other digital payments also remained meagre as only about 8.5 percent use a debit card to make payments, whereas the use of credit cards and the Internet to pay bills or make purchases remained at 2.6 and 1.2 percent respectively.

There is also a close connection between poverty and financial exclusion, which can lead to estrangement, disaffection and reduced participation in society by low-income families. As an enabler, greater financial inclusion contributes to development goals of poverty reduction, economic growth and jobs, greater food security and agricultural production, women's economic empowerment, and health protection. Access to finance can help people and enterprises manage their lives and businesses in a way that contributes to greater sustainability or profitability, better health outcomes or timely investment in new technology, and so on.

In South Asia, there has been a nominal increase in savings with financial institutions from 11.1 in 2011 to 12.7 percent in 2014, however, borrowing from financial institutions has decreased from 8.7 percent in 2011 to 6.4 percent in 2014. The significant increase in the access to debit cards 18 percent (7.2%: 2011) and use of ATM cards for the withdrawal of money from accounts by 31.1 percent adults (16.9%: 2011) is an encouraging sign demonstrating a growing trend in access and usability of financial services.

The state of financial inclusion in Pakistan, however, is bleak. Only 16 percent of the adult population can be categorized as banked and 23 percent of the population use formal financial services. The situation worsens in rural areas where only 14 percent of the adult population is banked. In case of women only 11 percent are banked.[1]

[1] SBP Access to Finance Portal 2015

Major developments were witnessed on the policy and regulatory side in 2015 like the launch of National Financial Inclusion Strategy (NFIS) and introduction of regulatory framework for Non-Bank Microfinance Institutes (NBMFI) by Securities & Exchange Commission of Pakistan (SECP). In addition, results of second Access to Finance Survey Results were shared.The National Financial Inclusion Strategy (NFIS) has outlined a roadmap for financial inclusion in the country. Developed by the State Bank of Pakistan with active assistance from The World Bank the strategy aims to "build a dynamic and inclusive financial sector to support Pakistan's growth in 21 century". The strategy will direct efforts and initiatives to expand and deepen financial inclusion during the course of five years (2015-2020) and has set objectives to be achieved through a comprehensive and well-thought action plan.

> "THERE IS ALSO A CLOSE CONNECTION BETWEEN POVERTY AND FINANCIAL EXCLUSION, WHICH CAN LEAD TO ESTRANGEMENT, DISAFFECTION AND REDUCED PARTICIPATION IN SOCIETY BY LOW-INCOME FAMILIES."

A key challenge facing the microfinance industry has been the absence of regulatory framework for non-bank microfinance players. Now with the introduction of the rules and regulations for NBMFIs a level playing field has been created in the industry and provides an opportunity for non-bank players to scale up their businesses.

In these times of financial, economic and social crisis, policymakers have recognized the powerful links between macroeconomic stability, financial stability and financial inclusion in achieving balanced and inclusive economic growth. As economies recover from the global recession, the need to harmonize financial inclusion and financial stability objectives has become even more pronounced. The concept of financial stability is gaining traction in the macroeconomic frameworks and policies of both developing and developed countries.

RESEARCH REVIEW

A MULTIFACETED PROGRAM CAUSES LASTING PROGRESS FOR THE VERY POOR: EVIDENCE FROM SIX COUNTRIES[1]

Rasul, Imran and Schanzah Khalid
University College London and Center for Economic Research in Pakistan

The article by Duflo et al. is an important addition to the now rapidly growing literature on innovations in the sphere of poverty reduction. This particular poverty experiment was a pioneering study of six similarly designed and implemented asset transfer programs, taking place across six countries. The programs began with India in February 2007, then moved on to other countries-Pakistan Ethiopia, Honduras, and Peru-and culminated at Ghana in July 2012.

The multifaceted graduation program employed by this study is unique in its approach in that it tackles every aspect of the poverty trap. It does so by providing ultra-poor households with a productive asset, skills training, cash to support consumption and access to financial services for monetary savings. In doing so, the program tackles important problems that the poor face, namely: lack of access to financial services, low human capital and short-term consumption needs. As a result, the program is designed to make sure that the beneficiaries use the transferred assets productively to increase their long-term incomes rather than either selling them for immediate consumption or not utilizing them optimally due to a lack of skill.
Although this approach is more costly as compared to other poverty alleviation programs, it provides a much higher rate of social return. Naturally, the costs and rates of return vary across countries; but the results show that consumption levels – the primary target of poverty alleviation – have shown sustained increases in all but one country. Impacts on all economic variables were sustained one year after the program ended, although the improvements in physical health and women's empowerment observed just after the program ended had dissipated. Average food and nonfood consumption levels of the treated were 7.5% and 2.4% higher respectively than the average consumption levels of the control group, translating in improvements in food security. Similarly, adult labor supply increased by 6.1% and productive asset increased by 13.6% for the treated. This resulted in a 37.5% improvement in revenue from livestock. Moreover, the average financial inclusion measures for the treated also increased, which means that the increase in consumption and assets has not come about due to net borrowing, but can be attributed to the 95.7% increase witnessed in savings. Internal rates of return for the program ranged from 6.9% in Ghana, 9.5% in Pakistan, to 23.4% in India.

Additionally, other outcomes relating to incomes/revenues, mental health and political participation all show positive effects of the treatment. Because they were observed in a variety of settings across three continents, these results can be deemed robust to variations in context or slight changes in implementation or implementing partner.

[1] This trial was part of a global study under which six randomized trials in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru with a total of 10,495 participants were conducted. The research was carried out by: Abhijit Banerjee, Esther Duflo, Nathanael Goldberg, Dean Karlan,* Robert Osei, William Parienté, Jeremy Shapiro, Bram Thuysbaert, Christopher Udry and results were published in the May 2015 volume of the journal Science, http://dx.doi.org/10.1126/science.1260799.

PAKISTAN PROGRAMME ELEMENTS

In Pakistan the global experiment was piloted through the Pakistan Poverty Alleviation Fund's poverty graduation pilot, "Targeting the Ultra Poor (TUP)". The pilot targeted ultra-poor households across 66 villages in two districts of coastal Sindh. The support focused on livelihoods, food security and health initiatives as an approach to foster self-employment activities among the very poor. A combined menu was offered to households which included:

- Asset transfers worth approximately PKR 15000 (PPP US$104.33) (from Dec 2008 to May 2010)
  Training and support for the asset chosen
- Consumption stipend of PKR 1,000 (PPP US$69.56) per month per household for the first year of the programme
- Health support - free health services valued at PKR 1,000 per month per household (Lady Health Visitors provided basic health services including checkups, health and hygiene training, and medicine. More difficult and serious cases were referred to the nearest doctor)
- Treatment group encouraged for saving

SNAPSHOT OF RESULTS (PAKISTAN ONLY) FROM MIDLINE AND ENDLINE SURVEYS

INDICATORS	MIDLINE RESULT 2011	ENDLINE RESULT 2014
ANIMALS	Large Increase	Large Increase
TOTAL INCOME	No change	Increase
CONSUMPTION PER CAPITA	Increase	Increase
LOANS	No change	Decrease in loans taken from money lenders
FOOD SECURITY	Increase	Slight increase
EDUCATION	No change	No change

GOING TO SCALE

Based on the midline results, PPAF went to scale with the basic poverty graduation approach, which consisted of asset transfers along with relevant trainings, vocational skills training, formation of common interest groups around specific trades/skills, and a community livelihood fund.
As of August 2015

- **Total asset transfers** to ultra-poor and vulnerable **HHs = 80,131**
- **Approximate value of assets** per **HH = Rs. 30,000**
- **Skills training** for both asset transferees and community members with a score under 23 on the **poverty score card = 348,986 people trained**
- **Coverage** in **323 Union Councils** in 44 poorest districts across the country

RESULTS FROM PAKISTAN

Four years after the implementation of TUP programme in Pakistan, the trial results were very positive, as households showed an increase in wealth (assets), increase in income and consumption, reduction in dependency on informal credit (moneylenders), and a decrease in poverty levels.

1. Increase in consumption: Statistically significant increase in consumption mainly due to increase in self-employment income

2. Increase in Wealth (assets): Selected households have on average a total asset wealth $ 173 (PPP) higher than the control group.

3. Increase in Household Income: Along with the increase in asset value, the programme significantly affected households' income. On average, the monthly income of treated households was $ 30 (PPP) higher than control households.

4. Positive impact on psychosocial status of selected households – the perception was that their level of respect had increased within the community

PPAF UPDATES

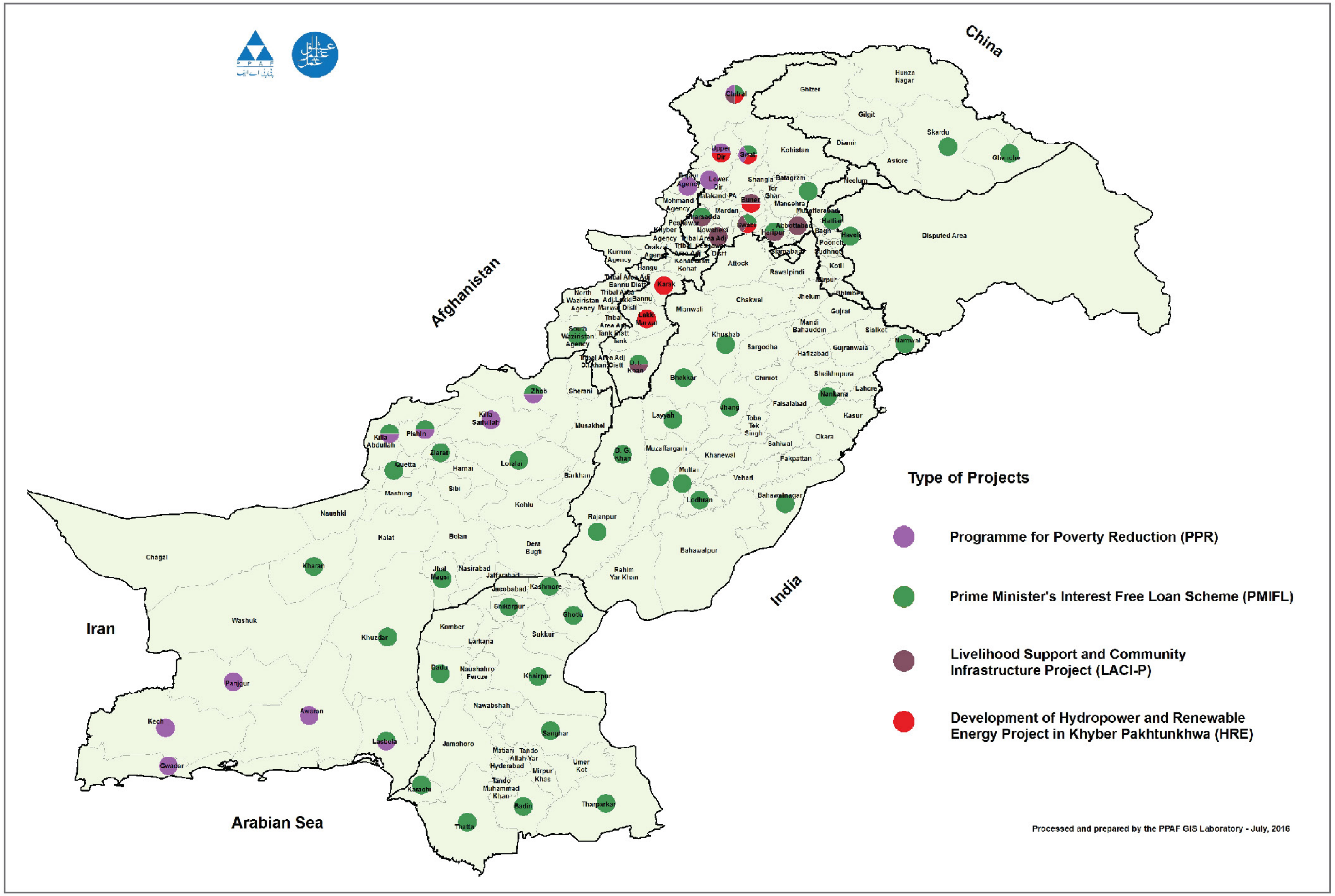
PPAF has achieved outreach and scale in terms of geographic coverage and expertise across a variety of thematic components. We work through an innovative, collaborative model of community-driven development, and have invested in developing the capacities of our implementing partners, around 120,000 organised community groups, 440,000 community credit groups, 11,800 village organisations, and 600 union council level federations to date.

For PPAF, integrated development reflects a process whereby communities themselves can effectively plan and implement a vision of development that attempts to address the complex and interlinked social, economic and environmental issues they face, in a manner that is participatory, inclusive and incorporates mechanisms of transparency and accountability.

PPAF FACT FILE

*Cumulative March 2016 Figures rounded off)

- Presence in 130 districts through 134 Partner Organizations across the country
- A grassroots network of 132,000 Community Organizations and 440,000 Credit/ Common Interest Groups
- 8 million microcredit loans with 60% loans to women and 80% financing extended to rural areas
- Financing deployed in 100,000 villages/rural and urban settlements
- 151,000 loans provided under the Prime Minister Interest Free Loans Scheme (61% women beneficiaries)
- 17,000 skill development and managerial training events for 1,090,000 individuals (49% women)
- Productive assets transferred to 104,000 ultra and vulnerable poor (46% women) in 52 poorest districts across the country
- 38,000 health, education, water and infrastructure projects completed
- Facilitated 1.8 million households affected by natural disasters under relief and early recovery projects and managed reconstruction of 122,000 seismically-safe houses affected by 2005 earthquake



The approach is based on our experience of community-driven development, the core of which is to develop and strengthen institutions of the poor at hamlet and village levels, federating up to the Union Council level, so that communities are empowered to seek solutions to their development problems, leading to greater resilience and improved quality of life. PPAF aims to ensure that its core values of social inclusion, participation, accountability, and sustainability are built in to all its processes and programmes.

HYDROPOWER AND RENEWABLE ENERGY PROJECT

PPAF is implementing the first phase of the KfW funded renewable energy project in seven districts of Khyber Pukhtunkhwa province through its partner organizations. This is a four year investment program of € 10 million due to be completed in June 2017. The project objectives include increasing access to energy for rural (off-grid) communities in KP province, reduction in use of fuel wood, kerosene and diesel as an energy source and creation of employment and income opportunities especially for the poor, through the promotion of productive usage of the energy. The project is expected to strength the local civil society organizations and enhance decision making at the local level.

The highlight of the project is the establishment of the solar powered energy micro grid for the electrification of off-grid villages; the houses are connected through the distribution of energy from the centralized solar photo voltaic power generation project. 102 projects including five microhydels and 96 solar lighting schemes are being completed under the project.

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME (LACIP)

PPAF is also implementing KfW funded Livelihood Support and Promotion of Small Community Infrastructure Programme (LACIP) across 56 union councils in 8 districts of Khyber Pakhtunkhwa. The € 31.5 million LACIP is mandated to reduce vulnerabilities of communities to disasters, bring improvement in quality of life and improve income generating opportunities of the 600,000 poor beneficiaries in the selected programme districts with particular focus on inclusion of women the destitute and disabled members of the communities.

Under the project so far 1,774 community physical infrastructure schemes have been completed, while 7,191 individuals have been provided with productive assets, and 3,999 individuals trained in vocational and technical skills. In order to improve access of the communities to education and health facilities 146 schools and 4 BHUs have been upgraded. Sessions have also been conducted with the communities to build their capacities in disaster preparedness and management as well as disaster risk reduction.

PROGRAMME FOR POVERTY REDUCTION

The 40 million Euro Programme for Poverty Reduction (PPR) is financed by the Government of Italy through the Directorate General for Development Cooperation, and is supervised by the World Bank. PPAF, through its partner organizations, is implementing the Programme in 38 union councils of 14 districts of Balochistan and Khyber Pakhtunkhwa provinces and the Federally Administered Tribal Areas (FATA) in the areas faced with conflicts, calamities and poverty. The three year Programme is aimed at transforming the lives of poor and marginalized communities by establishing a social and productive infrastructure system supported by sustainable social safety nets.

Using the community driven development approach PPAF has developed more than 350 Community Resource Persons (CRPs) in community engagement, financial and procurement management and development of union council development plans. These CRPs have facilitated communities to identify key development issues and challenges and facilitated the development of Village Development Plans (VDPs). A total of 287 Village Development Plans were consolidated into 38 Union Council Development Plans laying the foundation of need based integrated programming through Community Physical Infrastructure, Education, Health & Nutrition, Disaster Preparedness & Management and Livelihood, Employment & Enterprise Development.

A solar operated machine installed on an inactive tube well in village Hikmat Zara Band of district Killa Abdullah (Quetta) is providing 24 hour drinking water supply to the communities. In addition to a decrease in the number of water-borne diseases, the initiative has improved the water supply to agricultural land. This is expected to increase the land productivity by 80%, and enhance cultivation of fruits and vegetables in the area.

PRIME MINISTER INTEREST FREE LOAN SCHEME

The PMIFL Scheme is one of the six schemes announced by the Government of Pakistan under the Prime Minister's Youth Programme. PPAF has been mandated by the Government of Pakistan to design, mobilize, implement and monitor the PMIFL Scheme. The Scheme has been implemented in selected priority districts of Pakistan where there is no financial inclusion for the poor. Under the Scheme interest free loans are provided to the women, youth and marginalized segments of the society to allow them to set up small enterprises. Under the Scheme interest free loans are made available to men, women and youth from poor, vulnerable and marginalized households categorized under 0-40 on the Poverty Score Card. Fifty percent loans were mandated for women.

The outreach of the PKR 3.1 billion PMIFL Scheme now extends to 287 Union Councils of 44 districts of all provinces including AJK and FATA. More than 170,000 applications were received against which an amount of PKR 3,192 million has been disbursed to 151,106 borrowers, out of which 60% are female. Additionally 230 Loan Centers are providing business advisory services to the borrowers to help them draw maximum benefits out of the Scheme.

INNOVATIONS IN AGRARIAN MICRO INSURANCE

PPAF's Weather Index-Based Crop Insurance product is the first of its kind in Pakistan. The product has been customized to farmers' needs, local crop and weather requirements, and is based on detailed economic models. The historical rainfall data, spanning over more than three decades, has been taken from the meteorological stations of Talagang and Khushab in Punjab province, and has been linked to the wheat production of these areas, where this product has been implemented through PPAF partner organizations namely: NRSP and SVDP respectively.

The Live-Weight Livestock Insurance product introduced by PPAF is the first of its kind in the world, where the insured amount is linked to the index of weight gained by various species of small and large animals in different regions. Accurate historical data was available with the government owned livestock research institutes, on the basis of which the growth rate of different species under different feeding regimes or routine forage based management was determined. The sum insured of the policy is linked with the actual weight of the animal at the time of insurance, rather than on a value agreed between the farmer and the insurance company. This provides a scientific base in accessing the actual value of the animal at any given time, thereby making it possible to calculate the price of the animal on the date of loss and ensure adequate compensation to the policyholder. In comparison to traditional livestock insurance that ties the sum insured to the microfinance loan or value of animal at time of insurance, this product compensates the livestock owner for the weight-gain and for the time and efforts spent by the farmer in rearing the animal. The monetary benefits offered by this product surpass benefits by other livestock insurance products currently in the market; and has the added benefit of being easy to administer, transparent and minimal risk of moral hazard or fraud.