



Pakistan Poverty Alleviation Fund

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PPAF 2015

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FINANCIAL SERVICES GROUP

Microfinance sector was in a nascent state when Pakistan Poverty Alleviation Fund (PPAF) entered the market in 2000, which was serving mere 60,000 clients with a very weak infrastructure and a few microcredit providers in Pakistan. PPAF's entry at this stage was geared towards microcredit sector augmentation with the aim to develop institutions and communities to foster financial inclusion through provision of credit.

As the microcredit market started to grow, PPAF kept evolving its strategy to respond to the sector needs at large. Investment made by PPAF has stimulated the microfinance market to 3.3 million borrowers; 10.23 million are savers and 4.2 million insurance policy holders with a robust and dynamic institutional structure primed for sustainable growth.

As a sector developer and lead apex institution, PPAF has continued adding value to develop the sector through implementation of different programs. During phase I and II of the World Bank programs, PPAF's focus remained on building institutions and scaling up its microcredit operations.

In line with the evolving needs, PPAF has been promoting development of innovative, need-based and client-centric products since 2009 in partnership with the World Bank and International Fund for Agricultural Development (IFAD) under Microfinance Innovation and Outreach Programme (MIOP), Programme for Increasing Sustainable Microfinance (PRISM) and PPAF-III.

The IFAD-funded MIOP provided flexibility to increase sector outreach through pilot testing of 25 different products and delivery channels while PRISM helped access financing

from commercial sources and microfinance product diversification. IFAD awarded PPAF with the prestigious Gender Award in Asia and Pacific Region for 2014 for addressing gender inequalities, empowering women and providing them visibility in the best possible manner under PRISM through its network of partners in Pakistan.

PPAF has played an imperative role in nurturing microfinance sector during various stages of its evolution in the country. From handholding when it was necessary, to engine of growth when it was imperative, PPAF is credited to groom dynamic, inclusive and sustainable double bottom-line institutions in Pakistan. PPAF firmly believes in value addition, innovation, state-of-the-art products that fully serve the needs of poor communities. PPAF cherishes its strong relationship with the government, regulators, investors, practitioners and other stakeholders for ensuring conducive environment for microfinance, which has been rated as one of the best in the world by the Economist Intelligence Unit.

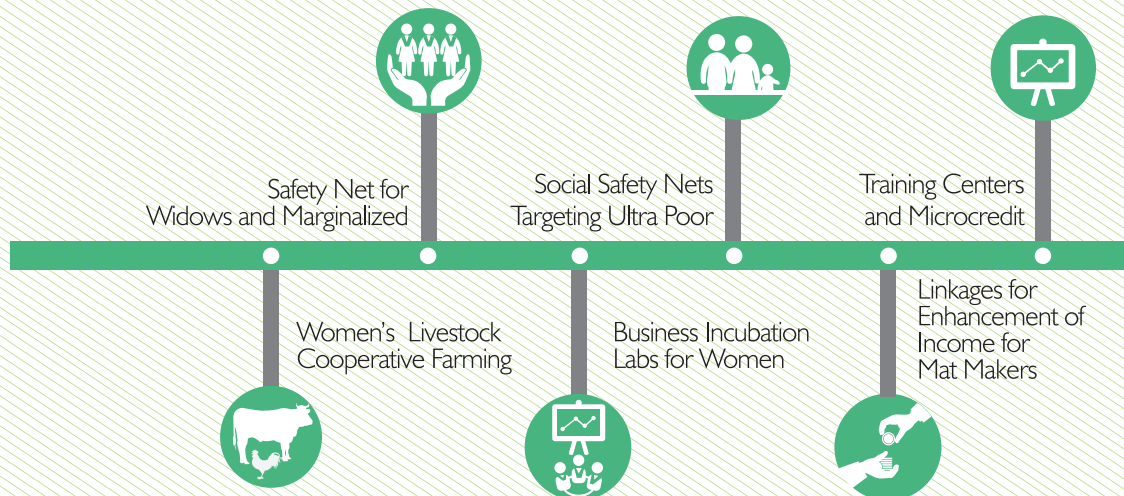
PPAF constantly measures and evaluates the impact of its microfinance interventions on its beneficiaries. Gallup, Pakistan has conducted four periodic outcome assessment surveys of microcredit recipients financed by PPAF. In its "Assessment of Outcomes Report 2014" Gallup, Pakistan validated that the borrowers reported 29 per cent increase in their income with 78 per cent reporting a positive perception of loan and 91 per cent borrowers indicated that they experienced positive return on investment while a large portion of beneficiaries indicated that they would borrow again to expand their businesses.

PPAF remains committed to providing products and services which are innovative, niche, market-based, abiding by international best practices and, above all, are client-centric. These products and services supplement provision of microcredit and serve as effective and holistic poverty alleviation tools along with risk mitigation at all levels, especially of the end clients.





WOMEN EMPOWERMENT THROUGH MICROFINANCE



Women Empowerment through Microfinance

Challenges and Issues: According to the World Bank Study on Financial Inclusion, only 5 per cent women have access to financial services. Women are a poorly explored clientele with tremendous potential. For them, access to finance is limited by non-financial barriers, poor quality of available infrastructure, differentials in education or business training and limited availability of financial services for start-up businesses.

Weak economic intermediation, high collateral requirements and financial illiteracy are the biggest impediments to the availability of finance for women in underserved areas which create high financial exclusion. Women in rural areas are not only deprived of financial resources but also lack access to basic needs such as education, health, clean drinking water and proper sanitation. Limited access to the essentials of life undermines their capabilities, limits their ability to secure gainful employment which result in low income streams, poverty and social exclusion.

Women are essentially engaged in performing household chores and helping their family in fields. Women face mobility issues and are discouraged from any business activity. They lack awareness for facilities available to develop their skills. They traditionally have learnt few skills such as embroidery, sewing and knitting for income generation, but lack an encouraging environment to embark on such a journey of developing their career.

However, economic necessity is forcing more and more women to engage in some sort of employment, without relieving them of their traditional roles. Moreover, IFAD awarded PPAF with the prestigious Gender Award in Asia and the Pacific Region for 2014 recognizing PPAF's efforts for addressing gender inequalities, empowering women and providing them visibility in the best possible manner throughout IFAD and across its network of partners in Pakistan. In order to facilitate poor women of Pakistan to enhance their economies and social status, PPAF closely works with the poor women to improve their economic and financial conditions. 78 per cent of the PPAF-funded loans are now being provided to women. Following are some of the initiatives



Women's Livestock Cooperative Farming

Features: PPAF in collaboration with Orangi Charitable Trust (OCT) introduced microcredit for women engaged in goat-rearing under the initiative of Women's' Livestock Cooperative Farming (WLCF) in district Khairpur Mirs in Sindh province in 2008. This project was designed to integrate group lending and cooperative farming with particular focus on rural women to create sustainable income streams for poor households who were previously excluded from any sort of economic activity.

Under this initiative, groups comprising 5 female members were formed. Each member of the group was provided with a loan of PKR 11,500 for a period of 6 months, with bullet repayments, for purchasing 5 male baby goats of 5-6 months of age. The project formed 40 Livestock Development Groups (LDGs) who then were organized into an apex which could run itself as a cooperative.

The main feature of the project was creation of groups, which played an important role towards risk mitigation at the individual level in case of death of livestock of any of the group member. Profits earned by the group were shared equally among all group members. The project fostered collective livestock management wherein each group kept the herd in a common shed and responsibilities were shared equally amongst the group members enabling the women to carry on with their routine activities.

The program resulted in increasing revenue for rural women by training them on best livestock management practices (seasonal livestock diseases, appropriate livestock upkeep, feed, fodder and vaccination). This also entailed development of linkages with market and government departments, enabling women to engage in collective bargaining to sell their livestock at market prices and access free government services.



Implementation: PPAF and OCT introduced the product in district Khairpur Mirs in Sindh province. Based on the success of the initiative, the product was replicated by other partners across districts in Pakistan.

Outcomes and Outputs: The project fostered a complete eco system, which made these livestock farmers aware of modern farming techniques and establish linkages with corporate entities and government departments for quality inputs, profitable collective selling mechanism and risk mitigation of individuals.

The initiative helped in skill development of women, enabling them to adopt best livestock management practices for better healthcare of their livestock and led to improvement in their economic condition in rural Sindh. At the end of the cycle, estimated profit of each group member was calculated at PKR 15,000-18,000 (USD 93 – 99), resulting in increased income for poor rural women of around PKR 2,500-3,000 (USD 29-35) per month on a regular basis.

This initiative was awarded the “Exclusive Group of Champions” Award at IFAD’s Annual Project Review Workshop for Asia and Pacific in 2010 in recognition of its contribution towards creating income streams for hundreds of economically excluded women in rural Sindh.



Safety Net for Widows and Marginalized

Features: PPAF implemented a 'Social Safety Net' (SSN) project, which was aimed at graduating the destitute households to mainstream microfinance. SSN was launched in Sindh Coastal Area Development (SCAD), areas of Badin, Thatta, West Karachi, and Lasbela, which are amongst the most deprived areas of Pakistan. The program targets the poorest members in villages and provides a productive asset grant, training and support, life skills coaching, temporary cash consumption support and typically access to savings accounts and health services.

This model operated on the premise that the poorest communities needed grants, food aid and subsidized employment to fulfill their basic survival needs. Additionally, this could help clients to graduate from dependence on safety net programmes and become full-fledged microfinance clients.

Implementation: The project was implemented through five PPAF partner organizations including Aga Khan Planning and Building Service-Pakistan (AKPBS-P), Badin Rural Development Society (BRDS), Indus Earth Trust (IET), Orangi Charitable Trust (OCT), Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO) and BRAC Pakistan.

Outcomes/Outputs: In all, 2,000 ultra-poor in targeted areas were selected i.e. each partner organization selected a group of 400 ultra-poor, out of which 200 were randomly finalized (through lotteries). In this way, the outcome was that 1,000 beneficiaries (200 per partner) were selected. The program has evidenced that beneficiaries experienced a positive impact on their livelihoods and have improved their income through mandatory trainings and development opportunities provided under the project.



After successful completion of the project, the model was replicated and up-scaled to other under-served areas of Pakistan and became the bedrock for PPAF's Livelihood Enhancement Protection (LEP) interventions. PPAF managed to train 963,000 individuals in skill development along with asset transfer of 80,000 in 52 poorest districts across Pakistan. Moreover, recently an article was published in Science Magazine written by world renowned RCT-based researcher Abhijit Banerjee, Esther Duflo, Nathanael Goldberg, Dean Karlan, etc.

It documented the ultra-poor program in six countries including Ethiopia, Ghana, Honduras, India, Pakistan and Peru. The study evidenced that the estimated benefits for the ultra-poor were higher than the costs to cost benefit of 179 per cent of PPAF beneficiaries. Therefore, the research validated that a multifaceted approach to increasing income and well-being of the ultra-poor was sustainable and cost-effective.



Business Incubation Labs for Women

Features: Complemented with a range of non-financial services, this program was aimed at providing access to finance for starting and growing business for women entrepreneurs. In 2012, PPAF funded Kashf Foundation for launching a startup loan product for women enabling their access to financial services and facilitating them to set up their own business.

The startup loan of PKR 10,000 was combined with a range of non-financial services that helped in capacity building and creation of linkages for these women entrepreneurs. Once sustainable, these beneficiaries have the opportunity to avail larger loan size, up to PKR 30,000.

Based on their business success, the short-listed women are graduated to the Business Incubation Labs (BILs), under which in-house trainings are provided on Business Management, Marketing & Networking and Business Innovation. Furthermore, these labs include training on business development, financial literacy, market linkages development and collaboration with trade institutes, promoting efficiency resulting in improved productivity and creation of growth and sustainable business enterprises for women.

In addition, they are also sensitized on gender role and justice. A pilot has also been implemented in District Haripur, where an opportunity is provided to women to obtain startup loans without any hassle of arranging male guarantors or postdated cheques to overcome barriers in accessing finance.

Implementation: Through collaboration between PPAF and Kashf Foundation, five BILs have been established in District Nowshera, Mardan, Abbottabad, Thatta, and Lasbela. All these five labs are fully operational and have inducted multiple batches of women entrepreneurs. Based on the success of this model, additional 32 BILs have been established across Pakistan by Kashf Foundation.

Outcomes/ Outputs: The project has led to an increase in access to finance for women and played a critical role in creating new women entrepreneurs. Moreover, this initiative has resulted in improving livelihoods of beneficiaries and refining their skillset through various trainings which helped them to expand their businesses. Financial access provides building blocks women and businesses need to manage their economic well-being. The project has promoted savings, investment, job-creation and economic growth.



Social Safety Nets - Targeting Ultra Poor

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Linkages for Enhancement of Income for Mat Makers

Features: The purpose of this initiative was to introduce business opportunities for women who weaved mats from date palm trees' leaves and branches, creating credit lines for middlemen and agents and develop linkages with the market to enhance beneficiaries' income streams. Prior to introduction of the initiative, each household manufactured an average 20 mats every day. A middle man usually paid PKR 10,000 in advance to women and bought the mat at the rate of PKR 12-15 per mat. The women earned a net income of PKR 3-4 per mat and made a profit of PKR 60-80 per day.

Being vulnerable, these women were completely dependent on middlemen. In the months of May, June and mid-July the date growers' purchased mats at PKR 25-28 per mat. The project aimed to eliminate the role of the middlemen by creating linkages between the mat makers and direct buyers. Loans were provided to women for production of mats and to date-growers for the purchase of the mats. The average loan size of PKR 10,000-15,000 was provided to beneficiaries depending on their needs and requirements.

Implementation: The project was implemented by MES in District Khairpur. Modalities of this concept were further used to design start-up business capital initiative and value chains implemented under PRSIM and PPAF-III.

Outcomes/Outputs: Through this initiative, middleman system was eliminated and linkages were developed with direct buyers of mats. This project helped in improving income streams of beneficiaries and encouraged an increase in the overall production of mats output, built human capacity and created awareness among beneficiaries through trainings.



Training Centers and Microcredit

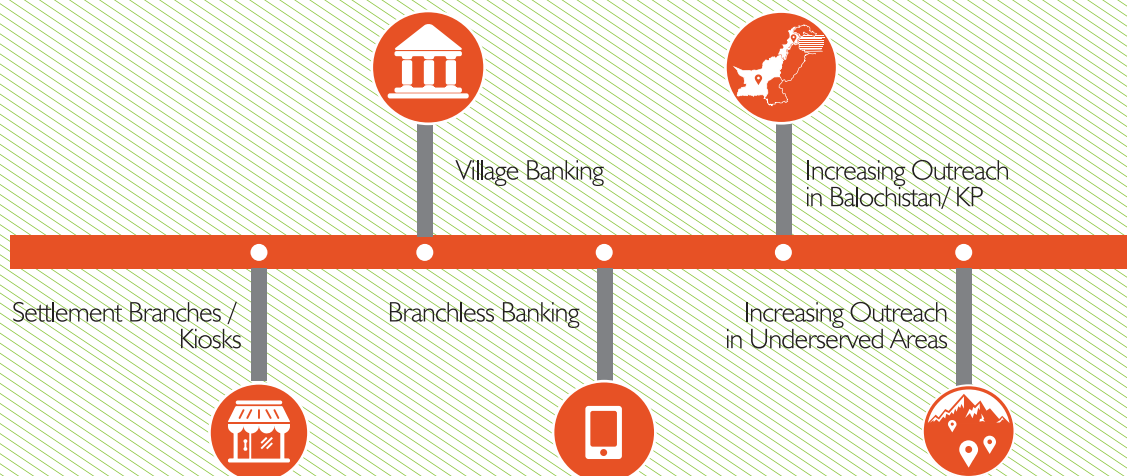
Features: Under the project, training centers are established to provide sewing training to women. Once the training is completed, specialized financial product is offered to the beneficiaries so that the trainees could start income generating activities. Beneficiaries are provided loans amounting to PKR 10,000 for purchasing sewing machine and raw materials.

Implementation: PPAF in collaboration with partners have established training centers in Khairpur and Naushahro Feroze in Sindh province of Pakistan.

Outcomes/Outputs: Under the initiative, three training centres were established, catering to over 500 beneficiaries. Based on the success of this initiative, some of the key highlights of the project have been used to design model of Business Incubation Lab for women with established businesses and stitching value chain in Sialkot with Baidarie and Embroidery Value in Haripur. The training centers have helped to expand the skills of the beneficiaries which improved their skillset resulting in increased income generation opportunities, improvement in livelihoods, growth, poverty reduction, women empowerment, inclusion and building human capacity.



ENHANCING ACCESS TO FRONTIER MARKETS



Enhancing Access to Frontier Markets

Challenges and Issues: Economic and cultural factors like poverty, financial illiteracy, lack of business opportunities and religious beliefs hinder opportunities and access to finance. Moreover, economic growth in areas such as Balochistan and Khyber Pakhtunkhwa has stagnated in the past decade because of the limited investment and capital accumulation.

The provinces present immense potential for growth and development as they are blessed with vast natural resources. But people in these provinces are reluctant to avail of microfinance due to limited economic opportunities, cultural and religious reasons. People use informal sources of borrowing rather than having to resort to financial institutions due to high transaction costs involved in traveling to a larger town as there are limited delivery outlets and outreach in these neglected areas.

In poor communities, income flows are small and often unpredictable, and having access to other funds – savings or a loan -- can make the difference between poverty and a decent quality of life. Moreover, formal banks do not usually have branches in remote areas and using a bank located far away is expensive and time-consuming.

The formalities involved in opening a bank account or obtaining a loan can also be obstacles for people with a low level of education or little experience in dealing with formal institutions. Since most of the poor cannot use formal banks, they mostly save in kind, for instance by buying livestock. In-kind, savings cannot always be quickly and easily converted into cash, however, in many cases savings are also kept at home, which are risky since the money can get destroyed, stolen, or used up carelessly.

Coping with the sudden illness or death of a family member, crop failure, or the destruction of housing through fire and other unexpected events usually require large amounts of money. In such situations, being able to access loan can enable people to continue with their lives and avoid falling into deeper poverty.

Most of the poor will do so by trying to save some of the income they earn or by borrowing. Low geographic outreach, lack of financial infrastructure and products poorly suited to client needs strengthen the perception of formal sector irrelevance for the vast majority of the population.



Settlement Branches / Kiosks

Features: PPAF in partnership with Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO) established Settlement Branches/Kiosks to deepen outreach by serving under-served areas in districts where the organizations already operated through a hub and spoke model. The ultimate purpose of the initiative was to create full-fledged independent branches across Pakistan. These branches consisted of 1/3rd of the staff strength in regular branches and not only strengthened the outreach of the organization but also led to an enhancement in their sustainability.

The settlement branch was linked to the main branch of the MFIs, wherein record keeping was carried out in main branch while transactions such as repayments were carried out at settlement branches. These branches were cost efficient models, which became sustainable within a year of starting operations and graduated into a full-fledged branch of the MFIs after two years.

Implementation: Based on the success, the initiative was up-scaled by Jinnah Welfare Society, National Rural Support Programme and Kashf Foundation in several other areas of Punjab and Sindh.

Outcomes/Outputs: The initiative resulted in a cost effective mechanism for POs to spread their areas of operation with the ability to attain sustainability within one year. The POs established around 45 settlement branches for disbursement, encouraged borrowing and served over 32,000 clients. Most of these branches turned into full-fledged regular branches. The intervention resulted in increasing outreach and improving delivery channels across various areas of Pakistan.



Village Banking

Features: Village Banking (VB) was an initiative undertaken by PPAF through its POs under MIOP to enhance outreach of microfinance to rural poor through provision of community-based financial services. VB primarily served as semi-formal financial institutions that created access to basic financial services on a sustainable basis.

The model was based on the proposition that the delivery cost could be reduced by providing resources at the village level, which would improve their savings. Consequently, village communities could be good managers of their own financial systems if they were provided with the right kind of technical assistance by support organizations.

These banks worked initially in building up their own resources through membership fees, members' savings and grant money and were subsequently provided with credit lines. PPAF in collaboration with its partners provided loans to these village organizations, which were in turn responsible for onward lending to members of community using a system of cross-guarantees and social collateral to ensure timely repayments. The communities were independently responsible for all loan disbursements, recoveries and appraisal monitoring. Partners provided loans ranging from PKR 20,000 onwards for on-lending to borrowers (over an estimated period of 5-7 months).

Implementation: This model was upscaled and replicated by PPAF partners namely Farmers Friend Organization, National Rural Support Programme, Sarhad Rural Support Programme, Thardeep Rural Development Programme and many others in Khyber Pakhtunkhwa and Punjab. Additionally, this idea served as a basis for exploring options of satellite branches and branchless banking which are being implemented.



Outcomes/Outputs: Successful implementation of this initiative and experience of PPAF and its POs evidenced that village banks could facilitate cost-effective outreach into un-banked rural areas and proved to be a means of strengthening financial inclusion via creating sustainable, socially and financially viable institutions.

One of the key benefits of adopting village banking was that it reduced transaction costs for microfinance operators as well as borrowers and provided means to extend savings, remittances, small business loans and other financial and non-financial services to clients. PPAF established over 100 village banks and served over 30,000 clients.



Branchless Banking

Features: PPAF is pioneer in introducing branchless banking and savings models in Pakistan. With an increased trend to utilize ICT and technology based interventions for provision of financial services to the communities at large backed by high tele-density in the country, branchless banking and savings models were being introduced by PPAF. Branchless Banking continues progression in the number and value of branchless banking transactions, the sector is expected to continue the growth pattern and help provide flexible, efficient, accessible and scalable financial services to masses across Pakistan.

This initiative is aimed at encouraging poor communities to use formal channels for saving, remittance and seeking financial solutions in entrepreneurial endeavors and smoothing day-to-day financial requirements without huge investments on increasing bank infrastructure and operational costs. Consequently, evaluation of the super-agent model is conducted to explore options of providing a full array of financial products and services offered by commercial banks and to the un-banked communities using MFIs as agents.

Implementation: To target efficiency, flexibility and increased outreach across Pakistan, the first linkage between banking sector & MFIs was created by PPAF through a pilot initiated through five POs namely Kashf Foundation, TRDP, RCDS, JWS and SAWFCO in districts of Tharparkar, Sanghar, Matiari, Sheikhpura, Nankana Sahib, Gujranwala and Lahore to facilitate collections from microfinance clients using branchless banking platform of UBL “Omni” and Tameer-Telenor’s “Easy Paisa”.

Outcomes/Outputs: PPAF provided funds to POs in establishing necessary infrastructure for carrying out branchless banking transactions. As a result, 10 per cent cost reduction was recorded for partner organizations in service delivery while convenience to clients in terms of reduced travel costs, increased access and time flexibility were additional gains.



Pakistan has become one of the fastest growing markets for branchless banking and has been recognized as 'a laboratory for innovation' by the Consultative Group to Assist the Poor (CGAP). Branchless banking has proved that this platform may lead to provision of improved accessibility, flexibility, efficiency and affordability for communities using financial services across Pakistan, especially in rural areas.

Majority of PPAF POs have shifted to the branchless banking model for collection of loan repayments. Over 105,000 clients have benefitted under the project.



Increasing Outreach in Balochistan/ KP

Features: Basic concept of this project was to increase outreach and strengthen local indigenous organizations at grassroots level in rural areas of interior Sindh and Southern Punjab. The product featured expanding outreach and coverage across rural areas of Sindh and Southern Punjab through collaboration with small rural partners.

These partners performed appraisal, built internal control systems and conducted monitoring of loan disbursements. PPAF created credit line for larger POs to build smaller sustainable organizations for increasing outreach in rural areas. This mechanism has allowed provision of loans up to PKR 100,000.

Implementation: PPAF provided credit combined with capacity building and technical support to OCT for its ten partners in interior Sindh since it had a regional presence and an established network. This model was replicated for other rural communities under PRISM in other districts across Pakistan.

Outcomes/Outputs: This initiative had a measurable impact on expanding outreach and improving access for the poor by introducing credit operations. It also resulted in improving income stream and livelihoods of beneficiaries.



Increasing Outreach in Underserved Areas

Features: This intervention was launched to increase outreach in Balochistan, Khyber Pakhtunkhwa and the underserved areas of Pakistan to create business opportunities for locals in rural areas. PPAF provided 2-4 years grant support to POs for branch opening in underserved areas.

PPAF also introduced priority pricing policy offering subsidized rates for less penetrated areas of the country where cost of delivery remained significantly higher to encourage POs to serve the poor. Combination of microfinance with a component of Islamic finance was introduced through POs to cater various needs of beneficiaries.

Implementation: Under the project, microfinance services were provided in districts of Balochistan and Khyber Pakhtunkhwa. This product was implemented through BRAC and Kashf Foundation in Districts of Quetta, Nasirabad, Jafarabad, Lasbela, Mardan, Haripur and Abbottabad.

Outcomes/ Outputs: Although this initiative contributed towards strengthening financial inclusion and created awareness among communities in less penetrated areas in terms of microfinance. However, penetration of microfinance in Balochistan and Khyber Pakhtunkhwa still remains low as communities in these provinces are hesitant to adopt microfinance due to cultural and religious reasons. Therefore, it is difficult to penetrate into this market. Moreover, terrorism and law and order situation in both the provinces has taken the toll on microfinance industry. Resultantly, many microfinance providers in these areas have had to completely cease their operations.



SOCIAL ENTERPRISES AND VALUE CHAINS



Strengthening of
Microenterprises



Microcredit
Disability Project

Tunnel Farming



Value Chains



Social Enterprises and Value Chains

Challenges and Issues: Credit needs of microenterprises traditionally remain unmet. Credit operations of microfinance providers are limited and MFBs are mainly interested in lending smaller loan amounts to individuals for their business requirements. This encourages multiple borrowing by borrowers, creates higher credit risks for microfinance providers to cover and leads to higher operational and delivery costs.

Additionally, women in rural areas cannot get facilities because of restrictions placed on them by society, which does not allow them to receive formal training and to enter market place. Lack of market access and professional training especially among women is a major hindrance in the way to any endeavor to improve employment or generate entrepreneurs.

From a business perspective, majority of women are involved in different home-based earning activities (livestock, embroidery, handicraft, etc.) and possess traditional skills. Their existing skills and potential, however, has not harnessed into professionals and their products are not marketable. This is due to limited direct linkages with markets and lack of availability of technical resource to hone their skills.

In Sialkot and adjoining districts, hand stitching of footballs was traditionally a major source of employment for a large number of un-skilled or semi-skilled female workers. Following the introduction of thermal bonding mechanism for footballs, thousands of home-based women employed in business in Sialkot are rendered jobless, which became root cause of poverty and deprivation in the area.

Moreover, intensive and out-of-season farming carried out in tunnels is certainly promising both in terms of production and income return to the farmer. However, mostly, farmers in underserved communities cannot afford fertilizer application, elevated use of fungicide and herbicide sprays to improve their agricultural output and are exposed to higher costs involved in cultivation practices of seasonal vegetables.

Small scale agricultural production in rural areas is dependent on rainfall, which results in a marginal volatile income stream for farmers. These farmers also struggle in changing crop patterns and use technologies for enhancement in production of crops and have limited access to markets for sale of their goods due to limited resources. Small farmers are usually exploited by middlemen for their financial and non-financial needs at the time of cultivation and harvesting of their crops.

Farmers' income and crop yields remain low due to out of date farming practices. Pakistan has been ranked as the world's third largest milk producer, with the recent growth in milk production being driven by an increase in number of dairy animals rather than by milk yield improvement. There is a dire need to improve productivity, quality and awareness of small dairy farmers.



Strengthening of Microenterprises

Features: This project was introduced to provide financial services to micro-entrepreneurs to improve their skills through vocational training and establishment of forward and backward linkages to maximize income of beneficiaries.

PPAF in collaboration with POs provided loans for agriculture, livestock and small enterprises to clients. Larger loans were provided for enterprise formation that generated employment for at least 3 employees and borrowers had to provide guarantors and post-dated cheques to avail of loan facility. This mechanism has allowed provision of loans up to PKR 300,000.

Implementation: This intervention was implemented by OCT, AMRDO, RCDS and JWS in districts of Shikarpur, Kasur, Matiari, Hala and Gujranwala.

Outcomes/ Outputs: This concept helped in designing comprehensive model of value chains, which focused on rural livelihood ecosystem. The initiative helped in creation of enterprises, which increased employment, improved beneficiaries' livelihoods and income generation and enhancement of skillset of beneficiaries. This initiative contributed towards improving economic growth in the project implementation areas.



Tunnel Farming

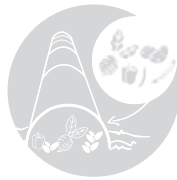
Features: PPAF designed a project to improve livelihoods for farming and non-farming communities of rural Narowal through community-managed market-based agricultural development program. Support for the establishment of tunnel farming is based on cost sharing basis (50 per cent loan and 50 per cent grant) and the facility is provided to the farmers who own no more than 5 acres of land.

Beneficiaries are provided with an average loan size of PKR 35,000 through group lending with maximum three members in each group. The program emphasizes on converting traditional agriculture practices to agri-based microenterprise development that ensures household income enhancement, particularly for women.

The project focuses on enhancement in production of off-season crops including potato, guava, peas, onion, tomato, chillies, cauliflower, etc. through extensive agricultural extension work and establishing model (demonstration) farming as well as on introducing off season vegetable farming.

In addition to training & learning opportunities, small farmers are also helped in establishing linkages with different market players in terms of sharing daily prices of tunnel products in nearby cities, exposure visits to successful farms and providing advice to small farmers in the selection of high yield seeds.

Implementation: The model is being implemented by PPAF partner organization Mojaz Foundation in Narowal. Based on the success, SVDP, NRSP, RCDS, FFO and other implementing partners in Southern Punjab have also implemented the intervention.



Outcomes/ Outputs: This intervention improved livelihood of the farming and non-farming communities through community-managed market-based agricultural development program. There has been a rise in growth of off-season vegetables due to increase in demand and the farmers have benefitted by earning extra income by selling off season vegetables at very good rates.

Moreover, by engaging in off-season crop farming, farmers are able to recover their investment through continued farming all year round. This initiative has helped build capacity of women farmers for engaging in modern farming techniques. Through provision of microfinance services, there has been a low dependence of women clients on middleman while fostering sustainability and enhancing income streams of women farmers engaged in tunnel farming.

Trainings are provided to create awareness for maximum utilization and conservation of natural and human resources and to provide social and technical support for making effective use of modern farming techniques and increase in per acre yield. In order to limit the middlemen role, farmers are provided with financial protection and risk mitigation.



Microcredit Disability Project

Features: The project is based on an integrated turnkey approach to provide Persons with Disabilities (PWDs) with recourses to earn income through provision of capital, home modification and assistive devices in rural areas. PWDs are provided with physical training, skill enhancement and enterprise trainings to increase beneficiaries' functionality and productivity. After the provision of basic trainings and disability devices; a loan facility was introduced to provide these people with capital to create income generating activities for the beneficiaries. Average loan size of PKR 25,000-30,000 was provided to these beneficiaries. Apart from the loans, assistance to the disabled with their day-to-day activities such as hearing and visual aids, wheel chairs, home modification (ramps, washroom, etc.) were given to create mobility for these clients.

Implementation: The project was executed in District Khairpur Mirs with MRDO and District Narowal with Mojaz Foundation.

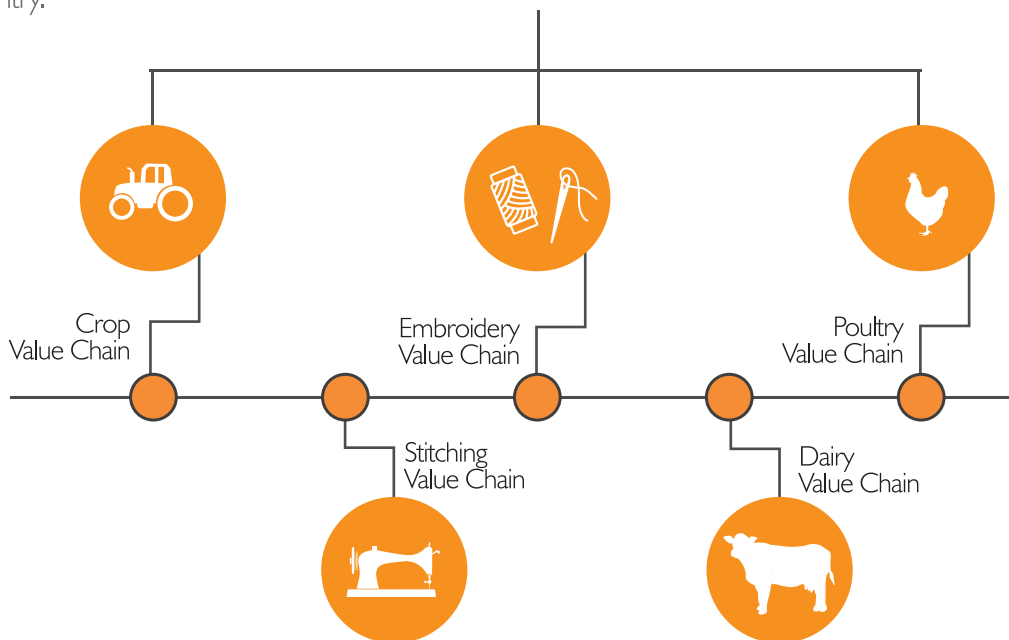
Outcomes/Outputs: The project impacted the lives of PWDs by improving their access to productive assets, skills, services, capacity building training, social mobilization and facilitating their mobility to earn a decent living. This initiative has also helped foster inclusion, create awareness among the beneficiaries through trainings, giving grants to improve their conditions and making possible for them to establish businesses for income generation.



Value Chains

As the sector developer and lead apex institution, PPAF has been promoting value chain development since 2009. As a part of our mandate to promote low income households, PPAF through its partner organizations provides strategic inputs and expertise to facilitate inclusive growth and niche-based and customized pro-poor value chain models for marginalized and vulnerable.

These value chains are aimed at institutional & business development, technical assistance, creating backward and forward linkages of communities, market access, and maximizing gains for clients and communities. PPAF has implemented various pro-poor value chains related to poultry, dairy, livestock, agriculture, stitching, and embroidery and enterprise development in various parts of the country.





Agri- Value Chain

Features: To strengthen the economic base of low-income farmers with timely access to easy and cost-effective financial and non-financial services, PPAF has implemented a comprehensive Agri Value Chain (AVC) for 10,000 farmers in District Bahawalpur with NRSP Bank. In this innovative ecosystem, through social mobilizations Farmer Development Groups (FDGs) are created and profiling is carried out to gauge the current agri practices of farmers. Under the ambit of this initiative, average loan size given to beneficiaries is around PKR 80,000, based on per acre agricultural input cost.

Backward linkages are established with corporate and public entities including Regional Agricultural Research Institute (RARI), Fauji Fertilizer Company (FFC) and ICI Pakistan for laser leveling, soil testing and provision of fertilizers. In addition, renowned local seed companies are taken onboard for provision of seeds to farmers.

In order to create awareness, farmers are provided trainings on productivity enhancement, best farming practices and financial literacy. Moreover, forward linkages are established with government departments including Pakistan Agricultural Storage and Services Corporation Ltd (PASSCO) and Punjab Food Department for timely uptake of yield from farmers directly at government support price of what. Government provides jute bags and transportation cost (bardana) to farmers.

Other value added services under the project include deployment of zinc foliar spray in collaboration with HarvestPlus and FFC with the aim to help fulfill zinc deficiency of wheat crop in the area. In order to cover the risks of farmers, a comprehensive crop yield insurance product has been developed, which provides insurance coverage in case of crop loss due to natural calamities.

Initiatives including Natural Enemy Farm Reservoir (NEFR) and Good Agricultural Practices (GAP) have also been developed to promote environment-friendly agri practices. An SMS service, to keep the AVC farmers up to date about modern farming techniques, is being designed. In order to integrate



technology components in AVC, warehouse receipts and debit card facility will be introduced for the farmers, which will help transform the very fabric of agriculture ecosystem in project vicinity. Women cotton pickers will be provided training to build their capacity to avoid risks and hazards associated with pesticides as well as pests. Based on the needs of the women farmers in the area, a women centric insurance product is being designed providing insurance coverage from diseases/animal bites which to women cotton pickers.

Implementation: The AVC was initially piloted in District Gujranwala through Jinnah Welfare Society (JWS) and based on its success; PPAF is currently implementing a comprehensive multi-dimensional AVC in District Bahawalpur for 15,000 farmers through NRSP Bank.

Outcomes/ Outputs: Crop yield insurance product has played a very important role towards risk mitigation of farmers participating in value chain, to cover crop loss occurred due to natural calamities. Due to recent hailstorms and heavy rainfall, 14 of the insured clients, with damaged crop, initiated their claims, against which PKR 0.72 million has been disbursed by the insurance companies.

Moreover, this value chain has improved farmers' incomes through increased access to financial services and enhanced technical capacity of the poor farmers enabling them to increase productivity through adoption of modern and latest farming tools & techniques. Enhanced technical capacity of farmers has resulted in up to 20 per cent increase in crop yield. Direct linkages with the government departments have enabled farmers to gain maximum profit through sale on government support price and minimizing dependence of farmers on middlemen (aarthi). The value chain has also fostered adoption of productive farming patterns in the area, resulting in enhanced productivity and efficiency while bringing a positive impact on social and economic status of farmers with small landholdings.



Embroidery Value Chain

Features: PPAF has designed an Embroidery Value Chain (EVC) with the mandate to address issues and needs of Home Based Women Workers (HBWWS) of hand embroidery in District Haripur. This initiative included provision of microfinance loans to home-based women entrepreneurs along with training to develop their skills to produce a wide range of hand embroidery products.

The value chain was divided into two different phases. In the preliminary stage, villages of district Haripur are selected where the HBWWS are organized into hubs. In these hubs, the HBWWS are trained to improve their skill set and build their capacity on latest embroidery designs and techniques. The second phase focused at linking the members of the value chain to renowned designers of the country and local raw material suppliers. Once established, exposure visits are conducted to strengthen the linkages of the rural communities with the established markets.

The HBWWS were provided with opportunities to showcase their embroidered products at national and international sale exhibitions and fashion shows. Loans from PKR 5,000 up to PKR 75,000 are disbursed to various clients according to their requirements.

Implementation: PPAF implemented the product in district Haripur in the province of Khyber Pakhtunkhwa.

Outcomes/ Outputs: The value chain has now been running on a self-sustainable basis, benefitting over 400 women of the area. In addition, livestock and poultry value chains have also been established for the same women beneficiaries to diversify and increase their household incomes.

The model of the embroidery value chain has resulted in significant increase in beneficiaries' income streams through creation of business opportunities. The embroidery value chain generated revenue of more than PKR 15.7 million within 18 months.



Poultry Value Chain

Features: With the aim to foster income generation for poor hardworking women in the rural areas of district Swabi, while encouraging parents to send their children particularly girls to school on a regular basis, PPAF in collaboration with its PO designed a multi-dimensional women-led Poultry Value Chain (PVC) involving schools as collection centers for supply of eggs with the aim to foster income generation for poor hardworking women in rural areas of District Swabi while encouraging parents to send their children, particularly girls, to school on regular basis.

A need based financial product was introduced for women participating in the value chain to purchase chickens from government poultry departments along with cages and feed. . Capacity building of participating women through training on poultry management and best practices were also an integral component of the value chain. Beneficiaries were provided with average loan size of PKR 8,000 depending on their need requirements.

Implementation: Upon successful implementation of this initiative, the product is being upscaled to other districts of Pakistan.

Outcomes/ Outputs: The value chain resulted in improved retention of children in schools, particularly girls' students who supplied eggs to school. Besides, this innovative model has resulted in considerable improvement in monetary gains for project beneficiaries. The beneficiaries got awareness on poultry management through extensive training, which not only empowered women and evidenced rise in the enrollment rate of students as parents encouraged sending their children to schools.



Stitching Value Chain

Features: PPAF established a Stitching Value Chain (SVC) in district Sialkot for these women who are trained and engaged in stitching of sports gear and accessories, building on their existing hand-stitching skill-set. PPAF and its partner organization created linkages with corporate entities for supply of raw material and machines and guaranteed purchase of the final product from the women beneficiaries. The enterprise focuses on stitching of sports goods with partnership with a corporate entity for supply of raw material and purchase of the final product along with provision of training and technical assistance. Some of these trained women have initiated their own home based small stitching units, while also creating employment for women workers in project vicinity. In this regard the PO also provided microcredit facility to the aforesaid women beneficiaries. These beneficiaries are provided with an average of PKR 25,000 disbursed as loans. Moreover, these women beneficiaries were registered with Employees Old Age Benefit Institute-EOBI, Punjab Employees Social Security Institute (PESSI) and Group Insurance firm entitling them to social security and insurance.

Implementation: PPAF implemented this initiative for women in sports industry to refine their existing hand-stitching skillset through training. The project is being up-scaled for more women through establishment of two additional stitching centers. The trained women beneficiaries will be provided with need-based micro-credit to create their own small stitching centers.

Outcomes/ Outputs: This initiative has helped women entrepreneurs by advancing their livelihoods, income generation, growth & poverty reduction, empowerment & inclusion, capacity building and skillset through training. Loans through Asset Backed Lending (ABL) initiative will also be made available for these women beneficiaries so that they can avail bigger size loans.

Additionally, microfinance-based renewable energy pilot is also being implemented through which these women micro-entrepreneurs will be able to address business losses incurred due to load shedding. A cost sharing mechanism is being developed whereby women beneficiaries will contribute a small portion of their incomes for managing and running cost of centers to create a sustainable mechanism for income generation. An average income of PKR 8,000 is recorded for women workers working in the stitching center. This additional income has helped these women beneficiaries in not only transforming their own lives but also of their families considerably.

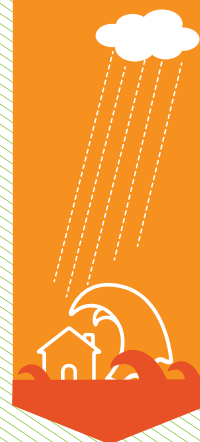


Dairy Value Chain

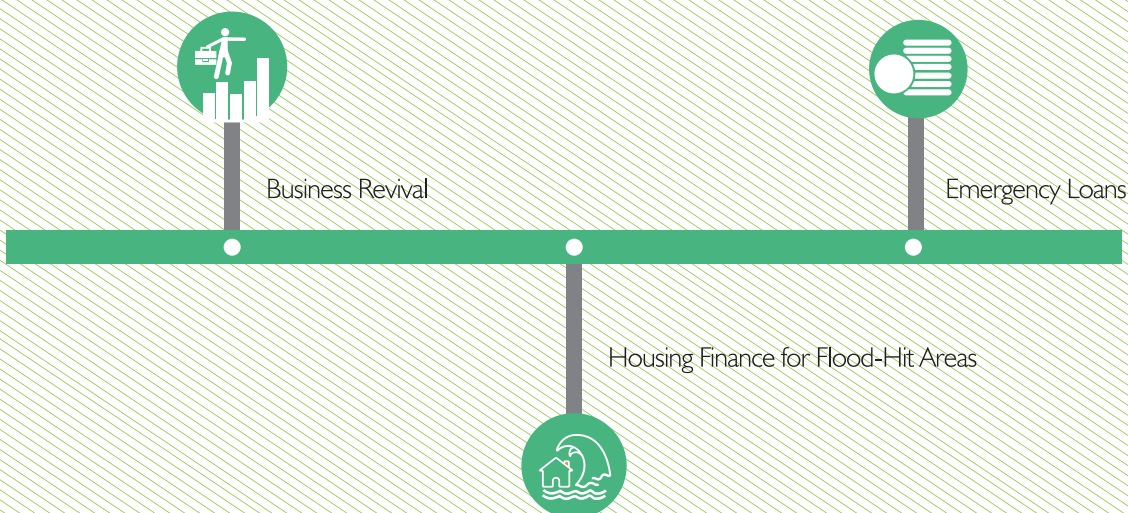
Features: PPAF designed a Dairy Value Chain (DVC) in districts Nankana Sahib and Sheikhpura to pilot a program focused on better livestock management and dairy development in the program area i.e. through the organization of small dairy farmers at the grassroots level. The program used social mobilization approach by forming Farmer Enterprise Groups (FEGs) of ten individuals each and provided these groups with microcredit ranging from PKR 40,000 to 50,000 to purchase better breed animals while selling their existing unproductive animals. The project beneficiaries are also provided specialized trainings on best dairy practices, livestock management and business development services. In addition backward and forward linkages are established with government line departments and corporate entities for provision of fodder thus resulting on higher milk yield at competitive prices. An apex body of these farmers has also being created, which will work for the collective benefit of farmers in all affairs related to value chain.

Implementation: The project is implemented by PPAF partner Rural Community Development Society (RCDS) in districts Nankana Sahib and Sheikhpura. After the successful deployment of the pilot, the dairy value chain has now been up-scaled and replicated in Jacobabad, Muzaffargarh and Rajanpur, benefitting over 2,500 farmers.

Outcomes/ Outputs: The initiative has helped beneficiaries to improve their livelihoods, increase income streams, poverty reduction, capacity building and exercise best dairy and livestock management practices through trainings. This mechanism has continued to transform lives of project beneficiaries achieving the double bottom line benchmarks.



MICROFINANCE AND DISASTER MANAGEMENT



Microfinance and Disaster Management

Challenges and Issues: Natural disasters have increased in Pakistan in recent years and the affected population faces numerous obstacles in emergency and post-emergency situations. Severe floods have inundated several areas of the country in the last few years. A large number of population evacuated their homes and many lost their lives. The floods destroyed houses, roads, bridges, hospitals and other infrastructure. In flood affected areas, agricultural lands, irrigation system and crops are vulnerable to destruction. Microfinance clients engaged in agriculture and livestock and inhibited in areas with low economic activities ('kachay ka ilaqa') are more vulnerable to disasters. These poor borrowers who are already living on a "shoe-string" budget were regularly overburdened by these economic shocks.

They find themselves in the vicious cycle of poverty where they feel very difficult to establish sustained income generation livelihoods. One of the most urgent needs in flood affected areas is to enable people to reconstruct their houses leading to a restoration of normality in their lives.



Business Revival

Features: In 2010, severe floods affected 15.4 million people in Khyber Pakhtunkhwa, Southern Punjab and Sindh besides destroying houses, roads, bridges, hospitals and other infrastructure. Many of these people were displaced and became homeless while others had lost their means of generating livelihood.

PPAF designed business revival project to enable affected households (both small farmers as well as those who rely on off-the-farm activities for livelihoods generation) to revive their sources of income through access to necessary inputs and capital for income generation. PPAF designed need based products such as emergency loans, soft loans, grace periods in repayments and business revival pilot and maintaining a strong credit discipline between apex and the partner organizations.

PPAF also allowed some of its partner organizations to refinance and reschedule loans to its flood affected borrowers. The project was designed with the aim to addressing needs of flood victims with regard to restoration of livelihood leading to improved income generation capabilities of existing credit clients. The initiative introduced average loan size of PKR 25,000 – 30,000. The initiative helped the poor to rebuild economic assets through microfinance by creating new microenterprise products, subsidies, rescheduling existing loans, extending loans repayment duration, offering grace periods in repayments, allowing borrowers to repay loans as a single large payment with no extra penalties and offering soft loans for emergency needs.

Implementation: The model was adopted to restore business of flood affectees by MES, VDO, NRSF, SSSF and SRDO. Based on the success, PPAF has now initiated a project to deliver an innovative solution for the affected segment of communities in five districts of Khairpur, Sanghar, Nawabshah, Muzaffargarh and Quetta, which are being affected by calamities on a regular continuous basis during the past decade.

Outcomes/Outputs As a result of PPAF interventions, most of the flood affected borrowers were able to revive their businesses and improve their livelihoods.



Housing Finance for Flood-Hit Areas

Features: This project was launched to provide support the affected population in the form of housing finance loans in various districts across Pakistan. The initiative introduced loans for the poor people in flood affected areas to reconstruct their houses.

One of the most urgent needs in flood affected areas is to enable people to reconstruct their houses for restoration of normalcy in their lives. Under this initiative, average loan size of PKR 30,000 was provided for a period of one year with monthly repayment and seasonal six monthly bullet payments.

Implementation: PPAF implemented this intervention in collaboration with NRSP in several districts.

Outcomes/ Outputs: The project generated positive results for the people who were deprived and lost everything in the flood-hit areas. Firstly, their livelihoods were improved and they created income streams by starting businesses. Secondly, in the wake of social mobilization, their capacity was built through various trainings. Thirdly, technical assistance along with medical assistance was provided to them to let them come out of the shocks they observed. Lastly, they used the loan to reconstruct their houses and start a new life.



Emergency Loans

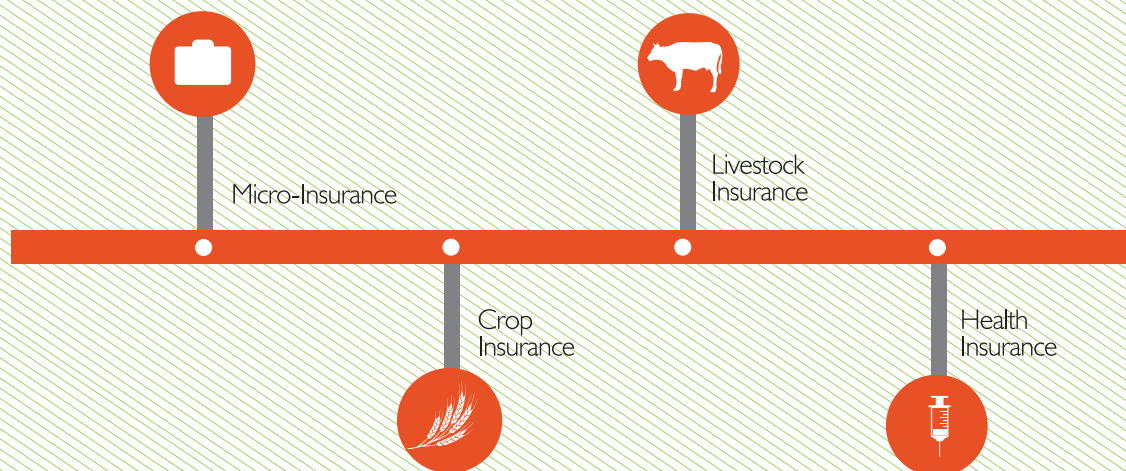
Features: Emergency Loans' project focused on providing small/consumption loans to meet emergency requirements of poor rural individuals affected by disasters to fulfill their education, health and other personal needs on urgent basis in areas of Sindh. Loans of up to PKR 5,000 to 30,000 were provided to individuals while loan for health, marriages, education, funeral and other emergency related situations was also made available where it was difficult to access finance elsewhere for these purposes. This loan could be issued concurrently with the microfinance loan and is available to be utilized for personal needs of the beneficiary.

Implementation: This project was implemented in District Matiari by AMRDO.

Outcomes/ Outputs: Emergency loans provided to the individuals led to improvement in provision of education, marriage, funeral, healthcare facilities or any emergency needs of the household while enabling beneficiaries to continue utilization of microfinance loan for business purposes.



MICROFINANCE AND RISK MANAGEMENT



Microfinance and Risk Management

Challenges and Issues: Pakistan has been ranked as the sixth most populous country of the world, with 67 per cent of the population residing in rural areas. Majority of the people in rural areas are associated with agriculture or livestock rearing, fattening and reproduction. Livestock contributes 11.9 per cent to the GDP of the country while agriculture accounts for 24 per cent of the GDP and both play a key role in the economic growth of Pakistan.

In recent times due to changing weather patterns, natural disasters, floods and droughts are recurring more frequently; resultantly small farmers are vulnerable to loss of livestock and crops. Majority of small farmers are exposed to adverse weather events, crop and livestock diseases as well as other disasters. These changing weather patterns are resulting in loss of crop, which is the main source of livelihood for small farmers.

Majority of the population at the bottom of the pyramid is exposed to adverse living conditions, which could expose them to various diseases and disasters. In rural areas, people often face higher costs for some events especially health where there is limited services and they need to travel a significant distance to the nearest health care center. Illness pushes people into poverty through lost wages, high and recurring spending on treatment.

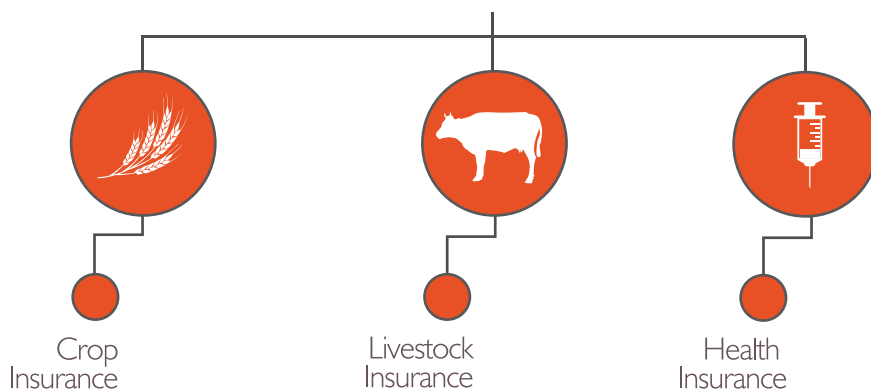


Micro-Insurance

Microinsurance offers these vulnerable farmers safety net and creates opportunities for economic development. The increasing demand for microinsurance worldwide is driven by risk management needs of those at the bottom of the pyramid, which requires some form of risk protection and mitigation instruments.

As a sector developer of microfinance industry in Pakistan, PPAF has played a pivotal role towards development and implementation of sustainable, scalable, affordable and flexible insurance products. First of their kind in Pakistan, these products are driven by risk management needs of those at the bottom of the pyramid.

PPAF initiated conventional livestock and crop microinsurance products and is now exploring more innovative models aimed at providing protection to the vulnerable small farmers. Through strategic partnership with SECP, Microfinance Institutions, insurance companies, Metrological Department, National Agriculture Research Council (NARC), private sector entities and renowned experts in the fields of insurance and agriculture, it has designed and launched two different types of crop insurance products; multiple livestock insurance and health insurance. PPAF has also played an active role in formulating of microinsurance regulations in the country.





Crop Insurance

Features: PPAF through strategic partnership with stakeholders designed and launched two different types of crop insurance for rain and canal fed areas for providing protection to vulnerable small farmers. Purpose of these products is to implement sustainable market-based crop insurance models, which best suits the economic need and social characteristics of the country with particular focus on small and marginal income farmers.

These products are driven by the risk management needs of farmers by introducing risk protection and mitigation mechanisms. Under crop insurance initiative, there are two products namely Weather Index Based Crop Microinsurance and Yield Based Crop Microinsurance. Weather Index Based Crop Insurance is a product for farmers in rain-fed areas and is the first of its kind for Pakistan. The product has been customized to farmers' needs, local crop and weather requirements which are based on detailed economic models. The historical rainfall data, spanning over more than three decades, has been taken from the meteorological stations of Districts Talagang and Khushab.

In order to cover the risks of farmers, a comprehensive Crop Yield Insurance Product has been developed, which provides insurance coverage in case of crop loss due to natural calamities. Based on the dynamics of the southern Punjab belt of Pakistan, farmers are dependent on canal irrigation and are also exposed to high risks; this product is adopted and designed on the local area geographical conditions.

The models are based on detailed economic, historical crop yield and weather database. This initiative is introduced for the marginalized farmers, having less than four acres of land. The product covers losses based on calculation of historical yield pattern and provides insurance coverage in case natural calamities and individual crop loss declared by the local area revenue officer. The product covers losses due to natural hazards, pesticides attack, or/and any other factor affecting the yield of the crop.



Implementation: The historical rainfall data for Weather Index Based Crop Insurance has been linked to the wheat production, where this product has been implemented through NRSP and SVDP respectively. Crop Yield Insurance initiative is implemented in District Bahawalpur through NRSP-MFB. Amid the successful completion of microinsurance for wheat crop, the project is now being up-scaled for cotton insurance, targeting 22,500 acres of 7,500 farmers in District Bahawalpur while a similar index is being developed for District Sanhghar.

Outcomes/ Outputs: The Weather Index Based Crop Microinsurance for farmers in the rain-fed areas is the first of its kind intervention for farmers in Pakistan. The insurance has provided the farmers with risk protection related to weather and market conditions and have created awareness for crop management and production for maximum output. Due to the heavy rainfall in District Bahawalpur in 2015, as many as 14 farmers suffered crop yield loss. Crop Yield Insurance covered losses ensured from natural hazard and claims amounting to PKR 0.72 million have been settled, approved and distributed to these affected farmers. Both the products are sustainable, affordable, scalable and efficient; the four major components around which the concept of microinsurance revolves.



Livestock Insurance

Features: Together with stakeholders, PPAF has not only worked in conventional livestock microinsurance but has also launched two different types of livestock microinsurance products for sacrificial and milch animals, focusing protection to vulnerable small herders. PPAF developed two products under Livestock Insurance intervention; Live-weight Livestock Insurance and Microinsurance for Milch Animals. Live-weight livestock insurance is introduced for animal fattening and specialized product for large milch animals. The live-weight livestock insurance product is the first of its kind in the world, where insured amount is linked to the index of weight gained by various species of goats and sheep in different regions.

A scientific mechanism is developed to assess the actual value of the animal at any given time without cumbersome procedures. In this scenario, the sum insured of the policy is linked to the actual weight of the animal at the time of insurance, rather than on a value agreed between the farmer and the insurance company. The model calculates the value of the animal on the date of loss based on the index that determines the weight of the animal and the farmer is compensated for his/her loss.

In order to mitigate risk at beneficiary's end, a specialized livestock insurance product has been designed for milch animals. This product is a refined form of conventional insurance where claim settlement is based on a scientific method and the value of the animal is based on its productivity.

Implementation: Live-weight livestock insurance has been implemented in Khushab, Chakwal, Layyah and Muzzafargarh districts. As a result of live-weight livestock microinsurance, milking animals' microinsurance and conventional microinsurance deployed in 6 districts, as many as 32,987 animals are insured. Amid successful completion of livestock microinsurance, the project is now being up scaled in nine districts of Sindh and Punjab targeting 43,730 animals.



Outcomes/ Outputs: The rural populace, despite its engagement in livestock-centric activities, is unable to get maximum potential due to exposure of high risk. Majority of livestock owners are exposed to adverse weather events, drought, loss of fodder and livestock diseases as well as other disasters.

These products have impacted the lives of beneficiaries positively by providing protection to their livestock and educating the farmers on livestock management and hygiene and vaccination of the animals through trainings. These products have benefited beneficiaries by increasing their livelihoods and income generation and capacity building. In areas where livestock farmers are vulnerable but indexes are not available to design the live-weight and milking insurance products, conventional livestock insurance is offered in order to mitigate risks faced by livestock farmers. Additionally, PPAF is exploring the possibility of extending microinsurance products to animals provided to beneficiaries under PPAF's livelihood "asset transfer scheme" for the ultra-poor in some of the underdeveloped areas of the country.



Health Insurance

Features: In the wake of improving access to credit for individuals, it has become imperative that measures be taken to mitigate risks to which they are exposed to. In order to protect communities from health-related issues, PPAF together with insurance companies introduced health insurance for vulnerable communities to cover hospitalization costs in which clients and their families had access to hospitals and lifesaving medication for a period of one year. The initiative provides need-based health microinsurance to the largely unnerved population of Pakistan.

Implementation: This intervention is being implemented in Sanghar, Tharparkar and Central Punjab.

Outcomes/ Outputs: This initiative has helped people save up on their income spent on healthcare and provided a health cover against any hazards and offered easy access to hospitals and medication. Out-patient treatment is not being covered and there are areas where panel hospitals of the insurance companies are not present due to which the community members face trouble towards accessing medical services.

Currently, PPAF is negotiating with insurance companies to formulate health insurance products to cover out-patient treatment. Delivery of healthcare services in the far off regions through telemedicine in addition to hospitalization coverage is being explored to overcome barriers in healthcare for communities located in rural and remote areas.



OTHER NEED BASED MICROFINANCE INITIATIVES



Asset Backed Lending



Low-Cost Private School



Islamic Microfinance



Renewable Energy

Other Need Based Microfinance Initiatives

Challenges and Issues: Small businesses usually do not have their own resources for outright purchase of assets and entrepreneurs remain unable to come up with traditional securities to secure financing. These entrepreneurs find it difficult to get bigger loans to cater to their financial needs, primarily due to the high risk of default. As the requirement for capital increases, risk as perceived by the microfinance institution also increases. Demand for capital from microfinance clients has grown and microfinance institutions have been switching to individual lending.

The increased loan sizes have led to a new challenge faced by institutions unsure of how to cover risks associated with these bigger loans. MFIs require support in developing effective risk mitigation tools to facilitate provision of larger loans to clients. As Pakistan is one of the most promising markets for Islamic Microfinance, with nearly 98 per cent of the 180 million population being Muslims. There is a large demand for financial services that are Sharia compliant due to religious and cultural reasons.

There is a segment of the population in the country who reject microfinance products that do not comply with Islamic Law, creating hurdles for microfinance providers to penetrate in areas such as Balochistan and KP. According to the 2014 Human Development Report, Pakistan is ranked at 146 out of a total 187 countries on the Human Development Index (HDI) and is also severely lagging on the Millennium Development Goal 2-Achieving Universal Primary Education. One-third of all Pakistan's primary level students are enrolled in private schools while 25 million children remain out-of-school.

Low cost private schools entrepreneurs in Pakistan face financing constraints with limited access to commercial sources of funds. A recent study conducted by DFID indicated that over PKR 100 billion are required to fund 69,000 Low Cost Primary Schools (LCPS) in Pakistan. Furthermore, Pakistan also faces serious energy crisis since 2007-08, damaging not just large industries but also small and micro businesses. Energy demand in Pakistan has been growing consistently and currently stands at around 19,000MW approximately.

Bringing power to the 3 million households in the 44,000 villages that remain off grid today seems like a daunting task. Most of these communities live in remote areas and it would neither be economically viable nor technically feasible to connect these villages to the national grid. However, the tremendous potential of Pakistan in renewable energy offers a sustainable solution for rural electrification.



Asset Backed Lending

Features: In lieu of this growing demand, PPAF introduced an innovative model Asset Backed Lending (ABL), to offer bigger size loans to the poor clients, especially pertaining to the Micro Small and Medium Enterprises (MSME) sector. PPAF conducted field visits, carried out market need assessments, calculated financial viability for businesses, explored all legal aspects and finalized “hypothecation” as the most viable option for the clients and POs.

Since PPAF discourages lending large amounts by pledging personal or family possessions of clients (house, jewelry, land, etc.), POs are now able to collateralize asset purchased through loan amount under ABL model. In this type of collateralization, control over assets will remain with borrower and PO will have a charge (legal ownership) through a formal agreement of hypothecation.

This mechanism has allowed provision of loans up to PKR 150,000, and also includes insurance coverage of the collateralized asset as well. During the implementation process, class room training for PO's staff is organized on the usage of cash flow based appraisal tool while handholding is provided during identification of potential borrowers, completion of legal formalities for creation of charge on the asset as well as monitoring of business operations.

Implementation: The ABL product is launched in collaboration with Kashf Foundation (KF), Jinnah Welfare Society (JWS) and Baidaire in Sialkot.

Outcomes/ Outputs: The model has made it easier for borrowers to take out large loans, obtain a loan while retaining the ownership of collateral and once the loan is paid, the charge on the assets is also lifted with very minimum legal requirement.



Islamic Microfinance

Features: Based on demand, PPAF conducted followed by an action research on launching and introducing Islamic microfinance products for the sector. These products cater to the needs of those people who are reluctant to approach credit due to the interest bearing element. Overall in the market, the provision of services has been lacking and there is a need to fill the gap. PPAF remains supportive to introduce new products in this untapped market.

After a year of study and consultancies with Islamic Sharia and financial and legal consultants, four Sharia compliant products such as Bai-Murabaha, Bai-Salam, Istasna and Ijara are introduced with PPAF financing through its implementing partner Kashf Foundation, which is offering Murabaha product in KPK and is planning to offer some more Sharia-based products such as Ijara, Musharakah and Qarz-e-Hasna in future.

PPAF has funded Wasil Foundation to support Sharia compliant microfinance portfolio and offer Salam and Musharakah in various districts of Punjab.

Implementation of Product: This intervention is being implemented in KP and Southern Punjab through Kashf Foundation and Wasil Foundation.

Outcomes/ Outputs: Islamic microfinance models have great potential in meeting needs of people and contributing to their development. The number of institutions exploring Sharia compliant product lines has increased, especially as MFPs seek to enter regions where such considerations are important to clients. Although the models have great potential in meeting needs of people and contributing to their development, modalities in implementation are debatable. Nonetheless, this is a great opportunity for PPAF to further tap into a growing market where demand for Islamic products is considerably high. Already the number of institutions exploring Sharia compliant product lines have increased as PPAF remains supportive to introducing more Sharia compliant microfinance products in the sector.



Low-Cost Private School

Features: PPAF in collaboration with Kashf Foundation designed a 12-18 months' cash flow-based financial product with average loan size of PKR 150,000 for entrepreneurs running Low Cost Private Schools (LCPS). This initiative aims to provide entrepreneurs with a specialized microfinance product to improve quality of education, infrastructure, teaching methods and curriculum. The selection criterion of schools is based on its cash flows, profitability, years of operation, retention of students, educational attainment levels and results. Furthermore, linkages with credible educational institutes are created for curriculum improvement and teachers trainings.

Another important component of the project is capacity building of entrepreneurs on development of school business plan, expansion, tips on improvement in the quality of education and infrastructure. To add in, a specialized financial literacy module has also been designed for the children in these LCPS.

Implementation: In 2013, PPAF launched a pilot project to support five LCPS in the semi-rural areas of Lahore. Based on results of the pilot, PPAF has up scaled the initiative to 155 schools in districts Bahawalpur, Multan, Gujarat, Sialkot and Tharparkar targeting 23,250 students (51 per cent girls).

Outcomes/ Outputs: Results from the pilot evidenced that the support provided to LCPS facilitated in expansion of the schools and provided entrepreneurs the opportunity to reach out to increased number of students within their communities.



Renewable Energy

Features: In collaboration with its POs, PPAF designed and deployed specialized, microfinance based, solar and bio gas solutions with the aim to offer a sustainable solution for rural electrification. Microfinance loans ranging from PKR 15,000 to PKR 60,000 are provided to clients for purchase of renewable energy (solar and bio-gas) solution for their household.

In addition, the loan amounts offered for these renewable energy solutions are determined after an analysis of electricity requirement of each household and repayments are based on cash-flows, so as to ensure affordable solutions. This intervention supported energy needs of household ranging from 50 watts (three tube-lights and one mobile phone charger and three fans) to a maximum of 300 watts (five tube- lights and three mobile chargers and five fans). The solutions currently being offered include solar lighting, solar irrigation, bio-irrigation and bio-gas for domestic use. In addition, PPAF has also initiated a pilot for providing microfinance based renewable energy solutions for MSME clients in Sialkot, where this intervention will help in curbing the losses of clients against power outages.

Implementation: Based on the success of the pilot conducted in Khushab, PPAF has replicated the project in Chakwal, Tharparkar and Sialkot.

Outcomes/ Outputs: PPAF's renewable energy projects are showing that microfinance can play a major role in providing access to energy at the bottom of the pyramid. Access to modern energy services has a significant impact on the quality of life of the poor to improving their social and economic conditions. Beneficiaries save money by switching from traditional energy sources such as kerosene oil and wood to cheaper energy sources such as solar power.



PAKISTAN POVERTY ALLEVIATION FUND (PPAF) AT A GLANCE

PPAF is the lead apex institution for community driven development in Pakistan. Established as a private company in 2000, PPAF enjoys facilitation and support from the Government of Pakistan, the World Bank, IFAD, KfW and the corporate sector. As a multi-sector fund, the apex operates through intermediaries, partners in development, microfinance and civil society institutions with an underlying focus on a community-led, demand-driven approach emphasizing on community ownership. PPAF's core values include focus on governance, transparency and accountability, social inclusion and sustainability. These core values are reflected in all aspects of PPAF's practices and operations in those of partner organizations and community based organizations. Assistance is provided in adopting these essential values and the apex mandates a strict adherence to these standards through a robust monitoring and evaluation mechanism. Outreach of PPAF now extends throughout Pakistan and its microfinance, livelihood, renewable energy, water and infrastructure, drought mitigation, education, health, disability, skill development & training, social & environmental protection and emergency response interventions have been widely recognized.



Presence in **130**
districts through **130**
Partner Organizations



Financing deployed in
100,000 villages/rural
and urban settlements



Over **17,000** skill
development and
managerial training events
for **986,000** individuals
(50% women)



Over **7.8 million**
microcredit loans with **61%**
loans to women and **80%**
financing extended to rural
areas



A grassroots network of
129,000 Community
Organizations and
440,000 credit/Common
Interest Groups



Over **35,000** health,
education, water and
infrastructure projects
completed



Productive assets transferred
to **82,000** (47% women) in
52 poorest districts across
the country



Facilitated over
1.8 million
household affected
by natural disasters
under relief and early recovery
projects and managed
reconstruction of **122,000**
seismically- safe houses
affected by 2005 earthquake

*Cumulative June, 2015
(Figures rounded off)

Source: Compliance and Quality Assurance - PPAF

For further information contact
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Pakistan Poverty Alleviation Fund



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