WIDENING HARMONIZED ACCESS TO MICROFINANCE:

USAID/Pakistan

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QUARTERLY REPORT

April –June 2007

List of Acronyms

ADB	Asian Development Bank
AKAM	Aga Khan Agency for Microfinance
CGAP	Consultative Group to Assist the Poor
DFID	Department for International Development (UK)
FSSP	Financial Sector Strengthening Program–Swiss Development Corporation
FMFB	First Microfinance Bank Limited–Aga Khan Development Network
GF	Grameen Foundation
HBL	Habib Bank Limited
HRDI	Human Resource Development Initiative
IFC	International Finance Corporation–World Bank Group
MIX	Microfinance Information Exchange
MFIs	Microfinance Institutions
MFPs	Microfinance Providers
NRSP	National Rural Support Programme
NBP	National Bank of Pakistan
PCB	Prime Commercial Bank
PFSSRP	Pakistan Financial Sector Strengthening Programme - European Commission
PMN	Pakistan Microfinance Network
PPAF	Pakistan Poverty Alleviation Fund
SECP	Securities and Exchange Commission (Govt. of Pakistan)
SBI	ShoreBank International
SBP	State Bank of Pakistan
SCB	Standard Chartered Bank
SDC	Swiss Development & Cooperation
SME	Small and Medium Enterprises
STC	Save the Children (US)
TMFB	Tameer Microfinance Bank Ltd.
UPAP	Urban Poverty Alleviation Programme (of NRSP)
WB	World Bank
WHAM	Widening Harmonized Access to Microfinance (USAID Project)

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I. Microfinance Industry News and Trends

International Support & Funding to the Sector

The microfinance industry in Pakistan is attracting attention from potential investors. The AECI (Spanish Agency for International Cooperation) is considering some of the microfinance institutions in Pakistan to provide funding and support to. Other prominent names are Grameen Foundation, Unitus, KfW and Deutsche Bank that are considering the prospects of investing in the sector. The Pakistani arms of commercial banks like ABN Amro and Standard Chartered are also establishing units which will specifically look to finance microfinance institutions.

PPAF's New Project- PRISM

Through this $35 million project, PPAF aims to stimulate more financial funding to the microfinance sector. It aims to use the $35 million in the form of technical assistance, equity/grants or seed capital, and to use the fund to guarantee commercial funding into the sector. This project has been fully designed and agreed by the MoF, however the State Bank has not approved this project as it awaits certain reforms within PPAF. These reforms were outlined in the SBP presentation to the Prime Minister on February 14, 2007 and PPAF has yet to take actions to make these reforms.

RSP Microfinance Bank

National Rural Support Program (NRSP) is the second largest micro-credit provider in Pakistan with over 280,000 active borrowers. The government of Pakistan and the State Bank of Pakistan, along with NRSP see the creation of a Microfinance Bank by NRSP as a critical vehicle to reaching scale in rural (and urban) financial services. This bank, to be named "RSP Microfinance Bank" would primarily service rural areas, with a basic menu of credit, savings and fund transfer services, and would also have the flexibility to maintain some portion of its operations in urban areas in order to diversify risks. This bank aims to be licensed and operational by 2008.

Khushhali Bank's Privatization

Khushhali Bank is moving towards privatization. The bank is in the process of selling the shares of the National Bank of Pakistan which constitute the largest portion of the shareholding with a 24% stake. This move, combined with merging Khushhali Bank under the Microfinance Bank Ordinance 2001, will level the playing field. Khushhali will no longer operate under a separate legal ordinance or have any direct government ownership. This reflects the Governor and the Prime Minister's desire to "unleash" Khushhali Bank and to ensure the microfinance sector moves more firmly into the private sector. With these changes Khushhali bank is reconsidering its strategy and aims to broaden its service offerings from only credit to savings as well. It has also recently added insurance services to its menu.

ASA & BRAC- Set to Enter Pakistan

Two of the top three MFIs from Bangladesh, ASA and BRAC are looking to come to Pakistan in the near future. BRAC has already got the MoU with the government of Pakistan and is now looking for donor funding in microfinance, education and health in order to begin its operations. ASA has committed to initially set up a program as an NGO and in time will apply for a Microfinance Bank license, but it is significantly behind BRAC in taking the necessary steps to enter the Pakistan market.

II. Summary of the Quarter & Anticipated Activities Next Quarter

	Summary of Quarter **April to June 2007**	**Anticipated Next Quarter** **July to September 2007**
1. Bank Downscaling	NBP • Substantial lending progress with 260 new loans during the quarter • Progress was presented to Bank's President. • NBP wishes to roll out the successful pilot work across NBP and expand the offerings to Sindh in addition to Punjab. • Initial strategy for larger scale roll out proposed and accepted by NBP. Standard Chartered Bank • Report on causes of Kissan Card's delinquency trends and recommendations. • Successful collection of harvest repayments. CresBank • Initial engagement in the business plan development for the SME line of products.	NBP • Continue lending operations through original branches, but with less hands on WHAM support. Some branches to be certified to carry forward independently. • Review new regions for their suitability to SME lending and train staff in those regions. • Develop a strategy to scale up SME lending across Pakistan. This strategy will center on certifying branches, establishing specialized dedicated staff and restructuring the internal management information systems. Standard Chartered Bank • Pending acceptance of proposed changes by SCB senior management, WHAM will provide another consultancy to assist SCB with implementing changes to Kissan card policies and procedures, focusing on training Kissan staff in microfinance delivery. CresBank • Initial response of senior management to the proposed approach indicated a preference for a smaller loan size than was in the original business plan.

	• WHAM provided introduction to SME market, financial model and input on proposed business plan.	• CresBank aims to pilot test a small business product of Rs. 0.5 to 2.0 million off of its consumer finance platform. WHAM to provide assistance in underwriting techniques, pilot testing protocols and credit scoring.
2. MF Upscaling	Asasah • Having completed the SBF product development, and successfully tested the product, WHAM focused on restructuring internal operations in the quality assurance and marketing areas. • Asasah has run into significant funding constraints which has impeded the expansion of SBF and other products. Tameer • Financial support for the Punjab training center continued during the quarter. However, substantial work to upgrade the training was put off pending further analysis of Tameer's core Karobar loan portfolio which began to run into delinquency issues in Karachi. • WHAM undertook an initial assessment and thorough review of the Karobar (business) loan product in Lahore and Karachi making strong recommendations for this product's improvement to enhance efficiency and reduce delinquency.	Asasah • The focus of the upcoming quarter will be upon securing financing for Asasah and more specifically for Asasah's SBF product. WHAM will help develop a standard pitch to banks, help structure new financing agreements and coach Asasah on how to approach banks. Tameer • WHAM will follow up on Karobar loan product enhancements and then transition towards enhancement of human resources and more specifically, curriculum development at the Punjab training center.

	Kashf • Efforts to launch a pilot test of the mobile phone system were still unable to lure a mobile phone operator. • WHAM, with partner Sevak Solutions, provided an overview of branchless banking in Pakistan and a specific report on Kashf's readiness to use branchless banking technologies. FMFB • WHAM reviewed the small group lending product (MEF) in northern Pakistan, developed training materials for these staff and delivered the first training course. • WHAM also provided a report to FMFB on its readiness to use branchless banking technologies.	Kashf • WHAM will provide a telecom sector expert to develop a more refined business proposition which Kashf can then take to the 5 mobile phone operators in Pakistan. • WHAM will also provide specific support for the creation of Kashf Microfinance Bank (to house its missing middle loan product) in the areas of IT and Risk Management. FMFB • The training material developed will be given to master trainers within FMFB to train new staff in rural areas in Sindh and Punjab to prepare to roll out the MEF product. • WHAM may also assist in the early phases of initial MEF product launch in the down country branches, depending on the progress of the training work. .
3.Industry Strengthening	Coordination and Competition • The next edition of MicroWATCH was released with a new section on news in the sector. • Completed and disseminated a study on Branchless	Coordination and Competition • MicroWATCH will continue to be enhanced. A new person at the PMN will take over this responsibility and continue to receive support from WHAM. • The first results of savings demand side research on Karachi and Lahore will be

	Banking. • The Publication of "The Dynamic of Microfinance Expansion in Lahore" was published and disseminated through a series of presentations to key target audiences. • Initiated a new Savings Initiative with the PMN. The first stage of demand side research in Karachi and Lahore was undertaken. Training • Planning, course development and recruitment of trainers continued under the Human Resource Development Initiative.	compiled, published and disseminated with the PMN. Subsequent work on the market size for savings will be initiated. • The initial product on Capital Raising will be a review of the legal and regulatory environment for raising debt finance for microfinance institutions. This will be followed by a study for the State Bank of Pakistan on the possible instruments or structures that are likely to work in Pakistan. Training • First round of trainings on People Management, Risk Management and Financial Management targeted to middle managers will be delivered under HRDI.

III. Detail of Activities in the Quarter

1. Commercial Bank Downscaling

National Bank of Pakistan

This quarter was the most active one in terms of lending as NBP surpassed its performance during all previous quarters. NBP made a total of 260 loans during the quarter totaling over Rs. 484 million (US$ 8.1 Million).

During the quarter the WHAM Bank Downscaling team followed up on work from previous quarter where staff from 35 new branches in nine regions of NBP were provided in-class training on cash flow based lending. The WHAM team followed up the in-class training with extensive on the job training, including client visits and branch staff mentoring. In the first quarter of the year lending volumes remained small but addition of new branches and new staff in the project propelled lending in these various regions of NBP.

WHAM faced challenges with NBP staff motivation therefore the team recommended NBP to design an incentive scheme whereby top performing branches would be invited to attend a recognition ceremony at the hill resort of Bhurban. As expected, this sparked a desire amongst a number of branches to perform and to deliver results.

WHAM team delivered a progress report to NBP's President on June 20, who expressed satisfaction and interest in further expanding these efforts. At this meeting, NBP agreed to a WHAM proposed plan for scaling up of the small business product through the remainder of 2007 which encompasses setting up dedicated staffing units, revamping internal processes and changing the MIS.

Standard Chartered Bank

WHAM delivered the final version of its report on causes of Kissan card delinquency and recommendations to reduce arrears. Standard Chartered used the remainder of the quarter to focus on harvest-season collections and to consider the implementation steps recommended by WHAM for revamping the Kissan credit card product in the next crop cycle. WHAM team will now wait for a green signal from SCB before proceeding with any further work since the bank's management is contemplating the fate of the Kissan Card.

CresBank

WHAM engaged in designing a business plan for SME line of products for CresBank, including their financial projections and business strategy. This involved intense assistance in showing CresBank management several markets in northern Punjab (Sialkot, Lahore and Faisalabad). The market intelligence and financial projections were offered in a business plan to the senior management of CresBank. The management of the bank requested that the plan be revised to target a smaller loan size under Rs. 2 million and for pilot testing of this product to begin in the next quarter. The next quarter's agenda would be to get a technical assistance agreement and assist CresBank's effort to launch a pilot test. WHAM's contribution would likely include credit scoring, underwriting process and the pilot testing protocols.

2. Microfinance Institution Upscaling

Asasah

During the quarter WHAM assisted Asasah with its restructuring efforts, analyzing Asasah's existing structure and proposing changes – specifically, developing the position of operations manager, restructuring audit, quality assurance, finance, and developing the marketing department. WHAM also developed detailed audit and quality assurance monitoring checklists for Asasah, along with draft job descriptions for the operations manager and members of the marketing team. This restructuring will increase

efficiencies and reduce redundancies in all their lending operations – and more specifically for the SBF product.

Additionally, WHAM developed two case study posters, utilizing the Asasah branding. The posters will be displayed in Asasah branch offices. Additional work with their

Though the SBF product is still new, the impact of Muhammad's Rs. 40,000 (US $667) SBF loan has been tremendous. Since his work with Asasah, his business has seen a fivefold growth - moving from a production schedule of 100 mirrors a day to 500.

Muhammad Afzaal's flower-making business was barely feeding his family. Begun with his brother in 1990 and initially catering to a small local market, Muhammad's business was funded by his clients, who provided him with the raw materials for his faux flowers and flowered mirror frames, then paid him upon delivery. At the end of the day, he averaged a profit of Rs. 100 (US $1.67) - hardly sufficient to feed his family of eight. Then his father passed away, and the brothers' obligations increased as they began to support their extended family.

Then, in 2003, Muhammad learned about Asasah, a microfinance institution providing micro and small business loans. He applied for a loan and was soon approved to receive Rs. 10,000 (US $166). He used the funds for purchasing his own raw materials. Utilizing the loan, he was able to generate nearly five times more profit than he had before Asasah.

He repaid his loan on schedule and applied for and received a second loan of Rs. 20,000 (approximately US $300). After repaying that loan, he qualified for Asasah's new Small Business Finance (SBF) loan program. SBF loans are larger in size than traditional microfinance and have proportionally smaller solidarity groups. Because of the increased risk of these loans, Asasah has been working with the WHAM project to develop policies and procedures which ensure the risk is adequately managed and the product properly marketed.

Though the SBF product is still new, the impact of Muhammad's Rs. 40,000 (US $667) SBF loan has been tremendous. Since his work with Asasah, his business has seen a fivefold growth - moving from a production schedule of 100 mirrors a day to 500. Muhammad has moved the business from his home and into a free-standing shop. He now employs four workers, and even his wife has begun assisting in the shop, which has started cutting the mirrors in-house. Afzaal plans to shift to a larger shop, and hopes to receive a larger loan from Asasah soon to invest into his business and increase his income.

Muhammad represents the "missing middle" of Pakistani lending - business owners with lending requirements a bit too large for microfinance, and too small for commercial banks. Through USAID's Widening Harmonized Access to Microfinance (WHAM) project, ShoreBank International Ltd. (SBI) is increasing access to finance for business owners such as Muhammad Afzaal. SBI has provided technical assistance under WHAM to Pakistani microfinance institutions since 2005, enhancing their capacity to make larger loans in a secure and sustainable manner.

a flowering business

Mr. Muhammad Afzaal is an SBF borrower with a flower shop.

USAID

SHOREBANK INTERNATIONAL

They were making ends meet, but the business wasn't growing. It seemed as if they were just treading water. Zahida began to feel desperate. Making ends meet wasn't enough. She needed to earn enough to put her children in school and provide them with a better future. Then she heard about Asasah, an MFI providing micro and small business loans in Lahore.

Kites used to be a highlight of Pakistani social and sporting life. But when the government restricted kite flying, Zahida Baji's life changed. Her husband of fifteen years owned a kite-making business that had generated enough income to feed their family. But the kite ban forced the business to close, so they opened a game shop. But the new store was unsuccessful, and they didn't earn enough income to feed their expanding family, now of thirteen members.

So Zahida Baji decided to use her embroidery skills to provide for her family, and began embroidering shawls. The business seemed to have potential, and her husband began to help, purchasing raw materials and selling the finished shawls in the large market in Ichra. They were making ends meet, but the business wasn't growing. It seemed as if they were just treading water.

Zahida began to feel desperate. Making ends meet wasn't enough. She needed to earn enough to put her children in school and provide them with a better future. Then she heard about Asasah, an MFI providing micro and small business loans in Lahore. She immediately applied for and received a micro loan, using the funds to buy more material for her embroidery. Her business began to grow, and she hired some help. After repaying the first microloan, she applied for and received a second, larger microloan from Asasah. Her business continued to expand, and when that loan was repaid, she qualified for Asasah's new Small Business Finance (SBF) loan program and took out a much larger loan.

Her business has grown significantly. She has increased her employees from 20 to 35. Now she and with her sister-in-law designs the shawls, and her workers embroider them. Zahida is able to generate about twice as much money now as she did before her first loan from Asasah. She has seven children, four of whom have started going to school (the rest are still too young). As her children grow, she feels that the needs of her family will grow as well, and she looks to Asasah to be able to continue to fulfill her borrowing needs. Zahida still believes that if she has more money to invest in the business, she will be able to grow her business even larger.

Business owners like Zahida require loans slightly larger than "typical" microfinance, but much too small for "typical" bank loans. As the implementer of USAID's Widening Harmonized Access to Microfinance (WHAM) project, Shorebank International Ltd. (SBI) is increasing access to finance in Pakistan for business owners like Zahida Baji. Under WHAM, SBI provides technical assistance to Pakistani microfinance institutions like Asasah, increasing their capacity to make these slightly larger loans in a secure and sustainable manner.

building a better future

Zahida Baji is an SBF borrower with an embroidery shop

USAID

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marketing department focused on evaluating their website design and recommending changes to enhance Asasah's search engine rankings and to drive funding to Asasah.

Finally, the WHAM team began assisting Asasah in its efforts to secure additional financing for the SBF product by developing proposal materials aimed at commercial banks. The main issue of the coming quarter is going to be securing of funds for Asasah's growth and profitability.

Tameer Microfinance Bank

Training by WHAM trainers continued at Tameer's Lahore training center. A total of 50 branch staff (including relationship, collection & operations staff) and 1 manager were trained during the quarter on the topics of general microfinance functions and more specific training for new branch staff.

WHAM has transitioned from training support to analytical work to support Tameer's small business focused Karobar loan product. WHAM conducted an analysis of Tameer's Karobar loan portfolio to determine causes of arrears within the portfolio and propose solutions. The review, conducted in May and June, included both financial and in-the-field analysis of Tameer's lending operations and presented findings to Tameer staff.

In the coming quarter, WHAM staff will finalize the report of findings on arrears in the Karobar portfolio. The report will comment on the overall efficiency and effectiveness of the Karobar loan product. WHAM will also build enterprise models of the most common business types for the Karobar product. These models will systematically describe the financial patterns of the businesses and enable the staff to make more informed appraisals and decisions on loan size and repayment schedules. The models will be complemented by tools such as an Appraisal Checklist, step-by-Step appraisal Instructions and Sample repayment Schedules.

WHAM did not focus on the progress of Tameer's training center because the bank's management is in the process of rethinking their overall human resource strategy. WHAM team is scheduled to work with Tameer management in the next quarter to help re-work overall human resource strategies and then more to revise the training center curriculum.

Kashf Foundation

Efforts continued to link Kashf with a mobile phone provider to run a pilot test of a mobile phone payment system but have not gotten a positive response from the mobile

phone providers. In the meantime, WHAM supported an on site examination of Kashf's existing IT systems and their readiness to use branchless banking technology. A customized report on these systems was provided to Kashf. WHAM will be supporting in the next quarter, a redoubled effort which will involve more careful study of the mobile phone industry, design of the pilot test and then a marketing effort to make pitches to the CEOs of the 5 mobile phone providers in the country.

Kashf has made significant strides towards the creation of a Microfinance Bank which will absorb Kashf's small business lending product. In the next quarter, WHAM will be supporting the development of an IT plan for the new bank, the design of credit risk management policies and that of overall risk management policies.

First Microfinance Bank

WHAM staff visited FMFB branch offices in Gilgit, Hunza, and Gahkuch, evaluating FMFB's small group lending product (MEF). The results of the evaluation were used to design and deliver a training session for 22 FMFB master trainers in 'individual lending' in Gilgit. In the next quarter, these training materials will be developed into a manual and up to 10 master trainers within FMFB will be assisted in training FMFB's branches down country. The roll out of the MEF product will be focused on the smaller rural towns which FMFB targets in Sindh and Punjab.

3. Industry Strengthening

With the previous quarter's focus on defining Industry Strengthening objectives, this quarter WHAM initiated the implementation of several planned initiatives. WHAM completed the design and publication of new research on the Lahore Microfinance Market. The Human Resource Development Initiative for microfinance middle management undertook extensive design and preparation. Research into the demand for small deposits from low-income population was planned and started in Lahore and Karachi. A second round of Stakeholder Attitude and Awareness Assessment Survey

was initiated to assess the effectiveness of WHAM's communication and awareness raising efforts on key issues.

Publication: The Dynamics of Microfinance Expansion in Lahore

The report on the findings of the the joint WHAM / PMN study conducted in 2006 was finalised this quarter. The report is based on the research on Lahore Microfinance Market aiming to understand and document the multidimensional demand-side (microfinance service providers) as well as supply-side (microfinance clients) dynamics of the rapid growth experienced in an urban microfinance market. The research findings conclude with identifying recommended responses for individual MFPs and the microfinance sector as a whole (including donor institutions) to harness the benefits of expansion and achieve healthy growth. From initial feedback the report holds relevance for: MFIs to understand the behavioural dynamics of the market and to assess their growth strategies; potential investors in the MFIs wishing to understand the market risk; donors interested in ways to strengthen the microfinance sector in Pakistan as a whole and protection for consumers to prevent unhealthy competition.

Initial feedback on the publication is positive including this email from Dr. Ishrat Hussain, former Governor of the State Bank of Pakistan, and the Chairman of Kashf Foundation:

> *"Thank you for sending me a copy of your research study on Microfinance Expansion in Lahore. I enjoyed reading it and learnt a great deal. The quality of research was excellent and the study raises some very pertinent issues that require collective action by the MFPs in Lahore."*

Initiative Design and Implementation: The Human Resource Development Initiative for Microfinance Middle Management

After over two quarters of looking for local and international institutions that could absorb and run the training mandate of WHAM, the project concluded that no such organization existed with the quality or focus necessary to deliver the required quality. WHAM decided, after discussions with USAID, that the WHAM project itself should take the lead to develop a consortium style sector wide human resource development initiative. But to do so in a way which actively brought in other local providers and linked up to the best available international training resources.

WHAM hired a consultant to work with the WHAM staff to design the preparation, implementation, follow-up and evaluation of the training programme; identify resources and tools that can be used for the different steps; planning training delivery (including selection of suitable trainers, developing of relevant course content and material, ensuring quality training delivery methods) for HRDI; effective marketing of HRDI and planning for the institutionalization and future sustainability of the training programme.

Specifically the HRDI completed the following preparations for roll out in the next quarter:

- Developed a roster of local trainers through interviews.
- Scheduled a Training of Trainers to provide a refresher in adult leaning based training techniques.
- Developed the pre-training information gathering format that will collect nominated training participant information; indicators related to the performance of the nominated participant and participant's and his/her supervisors expectations from the trainings.
- WHAM has tested the ease and practicality of these forms with a number of target MFIs, and based on their feedback have adjusted the forms to make them easy to use.
- The HRDI team has been in the field talking to MFIs (CEOs, HR Managers and line managers of branch managers) to get their feedback on the HRDI process design,

training content, application forms and process, and as well as to market the initiative to MFIs.

- WHAM is in the process of developing course outlines and will work closely with the trainers in finalizing the course material.

Joint WHAM-PMN Small Deposit Mobilization Initiative: Demand Side Research

WHAM and PMN decided to launch a joint initiative on small deposit mobilization. As the sector grows, it is recognized that small deposit mobilization will lag significantly behind credit outreach and savings would need to catch up over time in order for a healthy microfinance sector to emerge. Savings can also in time be the major source of funding for microfinance growth. This quarter WHAM and PMN agreed on activities which include assessment of potential market size for small deposit mobilization; demand side research to assess saving behaviour and attitudes of low income potential savers; and a supply side, holistic country-level saving assessment.

In this quarter, WHAM also launched demand side research to assess saving behaviour and attitudes of target low income potential savers. This qualitative research is being conducted in urban, low income settlements of Karachi and Lahore. This quarter saw the execution of preliminary research with MFBs to determine research scope and tool design; and the completion of data collection in Karachi. This will lead to a publication on the findings and recommendations to Microfinance Banks on how to more effectively tap these markets for deposits.

Communication and Awareness Raising: Round Two of Stakeholder Attitude and Awareness Assessment Survey

In-order to assess the effectiveness of WHAM's strategy on communication and awareness raising of key issues impacting microfinance sector development, WHAM conducts a nine monthly attitude and awareness survey amongst different stakeholders. The baseline survey was conducted and results compiled and shared with the sector in September 2006. This quarter WHAM began preparations for and launched the implementation of the second round of the survey to assess the shift in stakeholders'

attitudes and awareness since the last survey (September 2006) till the end of this quarter (June 2007).

MicroWATCH

WHAM continued to support PMN on the publication of quarterly bulletin on Microfinance outreach: MicroWATCH. This support continued in form of editorial advice and supporting the publication design and printing. In this quarter, a new and improved issue of MicroWATCH (Jan to Mar 2007) was distributed to the sector.

SME Data Collation

WHAM is currently exploring ways to make SME supply side data available to the concerned stakeholders in a fashion similar to what is available in the quarterly MicroWATCH. This initiative is under development together with the Microfinance and SME Unit of the State Bank of Pakistan. The SBP is a key ally in that is shares the objectives of developing the SME market and also has the relationships with Commercial Banks which can enable this effort to gain access to data. The actual work on this will begin the next two quarters.

Capital Raising Initiative – Investor's Primer

PMN and WHAM decided to jointly undertake an industry wide review of the supply and demand for capital in the microfinance industry. This quarter WHAM identified a consultant to explore the legal and regulatory environment relevant to access to commercial capital by the microfinance sector. PMN and WHAM are jointly working on defining the scope of work, which is expected to be finalized early next quarter. Simultaneously, separate research will be carried out to study the various possible instruments to be used for capital raising for Microfinance. Finally, WHAM and the PMN are jointly developing more refined analysis on the detailed capital needs of the microfinance sector and to possibly float the new concept of a Microfinance Capital Advisory project. This entity is envisioned as a neutral party which works to structure transactions between microfinance institutions and the wholesale market.

Table of Trainings Delivered during the Quarter:

Topic	**Microfinance Training on Outreach/Relationship and conducted at Tameer Microfinance Bank's Training Center**	**Microfinance Training on Operations and conducted at Tameer Microfinance Bank Training Center**	**Microfinance Training on Operations/ Outreach/ Relationship conducted at Tameer Microfinance Bank Training Center**	**Cash-Flow Based Lending (FMFB)**	**Cash flow-Based Lending (NBP)**
Description	Introductory sessions on microfinance, Tameer, Lahore market and key operational procedures	Introductory sessions on microfinance, Tameer, Lahore market and key operational procedures	Introductory sessions on microfinance, Tameer, Lahore market and key operational procedures	Loan officer trainingon the MEF product: interviews, prepare balance sheet and cash flow statements, and manage risk. Some of the trainees would be selected to train farther loan officers.	SME Credit Training for staff from the NBP Branches which were newly inducted into the ongoing work of ShoreBank with XBank. The training covered basic topics and induction on the Cash Flow Based Lending Methodology and on the processing of various lending forms.
Attendees: **Male** **Female**	Relationship and Business development officers Male: 13	Branch Manger/Operations Staff	Relationship, Business Development & Operations Staff	Master Trainers**:11** **Total Trainees: 22** Male: 20	Loan Officers: 10 Branch Managers: 6 Regional Retail Head: 1 **Total Trainees: 17**

	Female: 1	Male: 6 Female: 1	Male: 26 Female: 4	Female: 2 Total women: 3 (including trainer)	Male: 17 Female: 0 Total women: 0
Location	Tameer Training Centre, Lahore.	Tameer Training Centre, Lahore.	Tameer Head Office, Karachi	Hotel Riveria, Gilgit	ShoreBank International Lahore Pakistan
Duration and Dates	11th– 25th June 2007	25th June – 03rd July 2007	2nd – 12th May, 2007	June 26 – 28, 2007	May 23, 2006
Trainers: **Male** **Female**	Farakh Mahmood, Kashif Ahmed Male:2	Farakh Mahmood, Kashif Ahmed Male:2	Farakh Mahmood, Kashif Ahmed Male:2	Jasim Sheikh and Deb Boyer Male:1 Female:1	Raheel Dahir and Aqeel Ahmed Zeeshan Male:2

IV. Administration and Operations

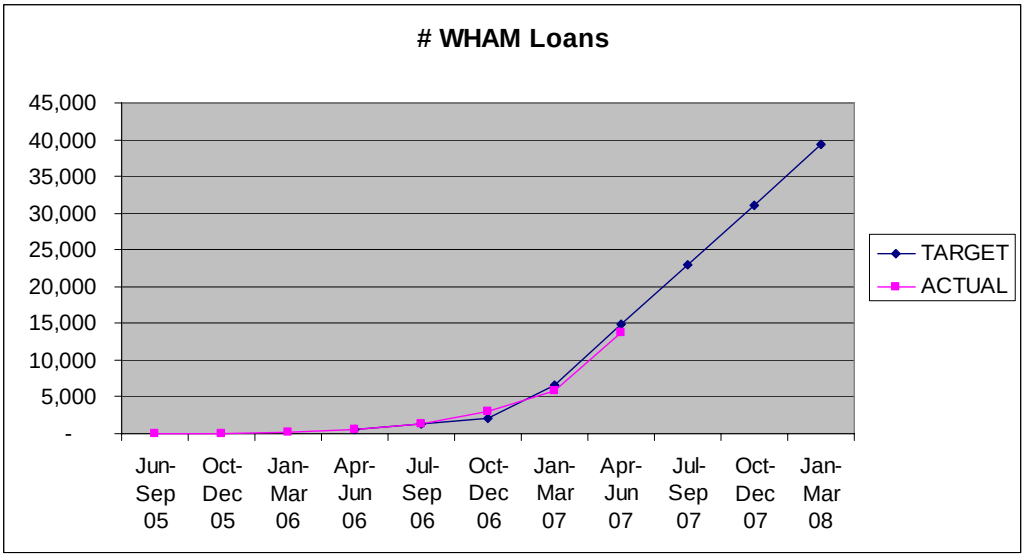
SBI Pakistan's operations division was involved in routine operational support for SBI programs during second quarter of the year.

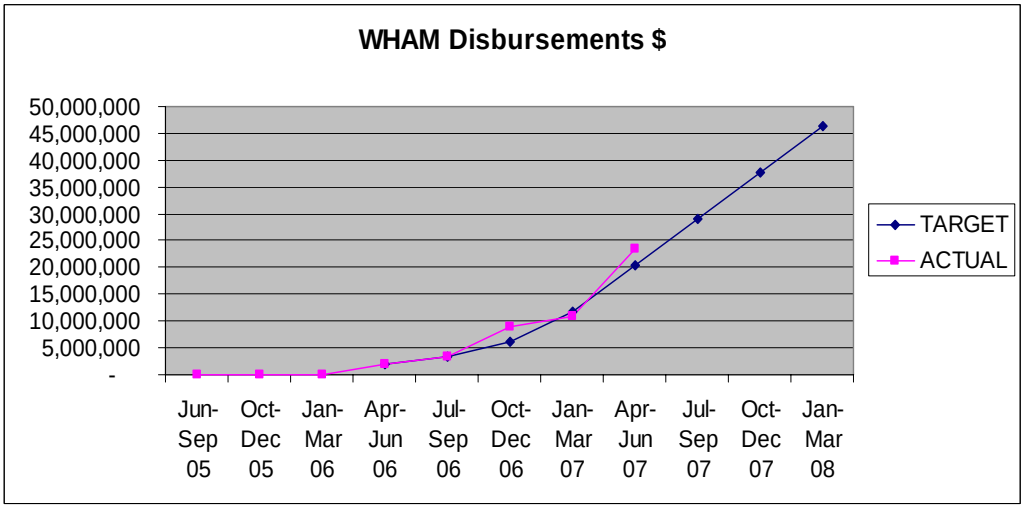
- SBI Pakistan hired several short term national consultants on different assignments. Operations fulfilled all requirements of these contracts and arranged for procurement, logistics and security.
- With the recent rise of extremism and suicide bombings, security was also the main focus of SBI Pakistan offices. After the last year's security assessment of ShoreBank International Pakistan offices, the best security practices were continued, with all practical implementation of SBI-P security protocol through routine security updates and briefing for staff and national and international consultants.
- During the quarter SBI Pakistan Operations Division's main focus was on travel and logistic support to SBI national and international consultants, organizational support for SBI P trainings, short term visas for visiting international consultants, effective government liaison with GOP departments including Ministry of Interior, EAD, CBR.
- SBI has decided to appoint A.F. Ferguson's and Co., Chartered Accountants as its statutory auditors for the year ended June 30, 2007. A team of auditors visited SBI-P Islamabad office to conduct cash count/cash verification and inventory verification as at June 30, 2007. Statutory audit for the said period will begin in the first week of August, 2007.

V. List of Key Meetings in the Quarter

Organization	Key Contacts	Date & Location	Key Issues
IFAD Prism Mission	Maliha Hussain Howard Johnson	April 9, 2007	Design of forthcoming PRISM Project to be executed with PPAF
State Bank	CGAP	April 30, 2007	Branchless Banking seminar helped define the road ahead for regulation to allow for brancheless banking.
WHAM	Lahore partner institutions	May 3, 2007	WHAM event: Polo Lounge
SDC	Hansreudi Pfieffer	May 25, 2007	SDC Review Mission
USAID	Wade Channell	May 30, 2007	Reviewing the legal and regulatory environment for small business
ShoreCap Internationl	Davis Golding	May 31, 2007	Met with ShoreCap investment officer who was looking at possible microfinance investments in Pakistan
IFC	Momina Aijazuddin, Deepak Khanna	June 4, 2007	Reviewed overall microfinance sector.
NBP	Ali Raza President	June 20, 2007	Presented progress of WHAM to date. Agreed on steps to take the project to larger scale across NBP
Informal Donor Group	Microfinance Donor Agencies	June 28, 2007	Reviewed recent CGAP CLEAR report and SBP microfinance sector policy. Agreed on the role and future of informal donor group.
Horus/Advans		June 28, 2007	Provided sector overview as they consider setting up a Greenfield microfinance bank in Pakistan.

VI. Project Indicators





	(Constant 2005 USD $ = Rs. 60)	Jun-Sep 05	Oct-Dec 05	Jan-Mar 06	Apr-Jun 06	Jul-Sep 06	Oct-Dec 06	Jan-Mar 07	Apr-Jun 07	Total To Date	End of Project TARGETS (March 2008)
	WHAM LENDING OPERATIONS										
Summary Indicators											
	# WHAM Loans Disbursed/Borrowers	20	53	51	359	856	1,735	2,704	8,691	14,469	**39,333**
	$ WHAM Credit Disbursement (COST SHARE)	13,333	35,833	74,717	1,749,100	1,516,000	5,543,522	2,026,567	11,958,908	22,917,979	**46,232,576**
	$ WHAM Portfolio At Risk (over 90 days)	0	0	0	0	0	0	0	301,358	301,358	**5%**
	# WHAM Loans Disbursed/Borrowers - Female	20	53	50	42	41	166	258	450	1,080	**5,174**
	# WHAM Repeat Borrowers	0	0	0	0	121	376	200	2,147	2,844	**1,228**
	$ Annualized Revenue Generated by WHAM Loans	505	1,400	8,519	129,159	134,893	558,100	56,982	1,577,405	2,466,963	**3,428,010**
	# Lenders Trained Under WHAM	6	23	41	51	26	9	81	90	327	**722**
Loan Size Breakdown											
$166,666 +	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0	
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0	
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0	
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0	
$50,000 - $166,666	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	0	9	7	30	2	44	92	
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0	
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	0	808,333	488,333	3,055,000	216,667	4,169,167	8,737,500	
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0	

$5,000 - $50,000	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	1	130	25	74	4	185	419
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	50,000	792,833	471,417	1,534,833	150,000	3,779,283	6,778,367
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0
$1,667 - $5,000	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	0	3	3	16	0	31	53
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	0	14,167	6,500	61,000	0	123,817	205,483
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	0	0
$500 - $1,666	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	20	53	50	217	821	1,615	2,607	5,458	10,841
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	13,333	35,833	24,717	133,767	549,750	892,688	1,626,217	2,960,414	6,236,718
0 - $500	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
	# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	91	2,973	3,064
	$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
	$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	33,683	926,228	959,911
TOTAL	# WHAM Loans Disbursed/Borrowers: COMMERCIAL BANKS	0	0	1	142	35	120	6	260	564

# WHAM Loans Disbursed/Borrowers: MICROFINANCE INSTITUTIONS	20	53	50	217	821	1,615	2,698	8,431	13,905
$ WHAM Credit Disbursement (COST SHARE): COMMERCIAL BANKS	0	0	50,000	1,615,333	966,250	4,650,833	366,667	8,072,267	15,721,350
$ WHAM Credit Disbursement (COST SHARE): MICROFINANCE INSTITUTIONS	13,333	35,833	24,717	133,767	549,750	892,688	1,659,900	3,886,642	7,196,629
# Female Borrowers COMMERCIAL BANKS	0	0	0	4	0	0	0	0	4
# Female Borrowers MICROFINANCE INSTITUTIONS	20	53	50	38	41	166	258	450	1,076
# WHAM Repeat Borrowers COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
# WHAM Repeat Borrowers MICROFINANCE INSTITUTIONS	0	0	0	0	121	376	200	2,147	2,844
$ WHAM Portfolio at Risk (over 90 days) COMMERCIAL BANKS	0	0	0	0	0	0	0	0	0
$ WHAM Portfolio at Risk (over 90 days) MICROFINANCE INSTITUTIONS	0	0	0	0	0	0	0	301,358	301,358
$ Annualized Revenue Generated by WHAM Loans COMMERCIAL BANKS	0	0	6,000	107,140	115,950	558,100	44,000	968,672	1,799,862
$ Annualized Revenue Generated by WHAM Loans MICROFINANCE INSTITUTIONS	505	1,400	2,519	22,019	18,943	0	12,982	608,733	667,101
# WHAM Trained Lenders COMMERCIAL BANKS	0	20	26	29	0	0	81	17	173
# WHAM Trained Lenders MICROFINANCE INSTITUTIONS	6	3	15	22	26	9	0	73	154

MICROFINANCE INDUSTRY STRENGTHENING INDICATORS	Jun-Sep 05	Oct-Dec 05	Jan-Mar 06	Apr-Jun 06	Jul-Sep 06	Oct-Dec 06	Jan-Mar 07	Apr-Jun 07	Total To Date	End of Project TARGETS (March 2008)
(a) Output Indicators - WHAM Project										
Trained Professionals - Total	5	80	71	56	79	9	106	90	496	500
Trained Professionals - Female	5	3	19	6	22	1	4	8	68	
Trainings Delivered	1	4	4	4	3	1	4	5	26	30
Training Unit Cost Recovery	0	0	0	0	0.5	0.0			0.5	0.5
Industry Seminars and Events	0	1	0	1	0	2	1	0	5	6
New Publications Produced and Disseminated	0	0	0	1	0	1	1	2	5	5
(b) Outcome Indicators - All Pakistan	0	0	0	0	0	0			0	0
% Coverage of Microfinance Market by PMN's PIR Report (Annual)	60%	95%				95%			95.0%	95%
Average Portfolio Yield Microfinance Providers (Annual)	18%	18%				21.3%			21.3%	25%
Financial Self-Sufficiency of Microfinance Providers (Annual)		62%				66.5%			Increasing	Increasing
Number of Active Microfinance Loans	527,275			730,960	921,559	997,778	1,130,035		1,130,035	1,500,000
Number of Active Microfinance Upscaling Loans				36,243	54,550	65,002	75,158		75,158	100,000