

SAFWCO-CED, A Comprehensive Microfinance Service Provider

Since the turn of the century, Safwco's many economic development initiatives have been consolidated into a Credit and Enterprise Development Sector and comprises of the following three sub programs:

- ✍ Microcredit (MC) Program
- ✍ Capacity Building and Enterprise Development (CB and ED) Program
- ✍ Saving Mobilization (SM) Program

All three components are managed together and specifically targets women as beneficiaries. The sector continues to improve the socio economic conditions of the poor communities in the areas of three districts including District Sanghar, Matiari, Nawabshah, Hyderabad and has started Social Safety Net Project in District Thatta targeting the ultra poor.

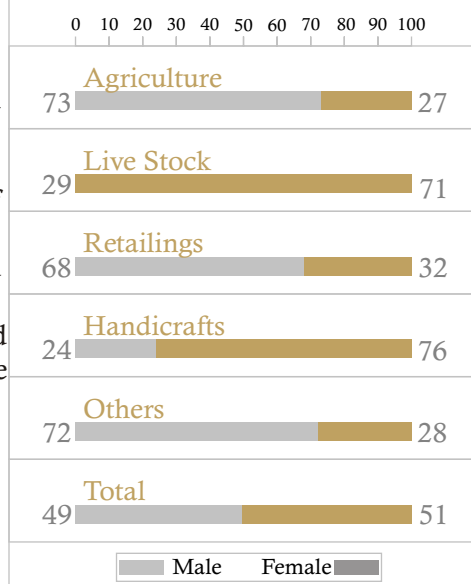
Rural women in Sindh lack mobility, voice and are not supposed to be seen. Although they carry out numerous tasks including tending to livestock, horticulture, embroidery and other micro level income generation activities besides the daily routine of reproductive activities. Their contributions are never accounted for as household income, even in cases where their contribution to the household income is more than the men's. Secondly, livestock both goat rearing and dairy farming support the income and food needs of the household but they are looked down upon as insignificant ventures.

Credit and Enterprise Development Sector was supported by "IDRF Canada" for "Low Cost Housings Project" in 1994, "TVO" for "Goat Rearing Program" in 1996, "The Asia Foundation" for "Socio Economic Development of Rural Women" in 1998, "CRS" for "Women Empowerment" in 2002 and in January 2001, "Pakistan Poverty Alleviation Fund (PPAF)" offered Safwco a small credit line for micro credit. Safwco saw this as an opportunity to scale up and applied for the higher credit line. Since then PPAF (2001-till date) is supporting the sector for uplifting of the Socio Economic condition of rural people.

In late 2001, Safwco established a micro credit cell on professional line. The staff members were provided specialized and on job training and institutional restructuring made the sector independent in terms of staffing, office management, resources and operations. Six social organizers of Safwco with good relations in the community and understanding of credit operations decided to work in the newly formed Credit and Enterprise Development Sector. They were reinforced with a professional management and an information management system.

At the field level, Safwco build its credit ventures on the social capital, the male and female organizations that were formed in the nineties decade.

Gender Wise Distribution of Loans as a Percentage of a Particular Loans Since Inseption to December 2007



An assessment of these organizations showed that many were losing interest and became inactive. Based on selection of villages for credit disbursement, the social organizers and credit officers began the process of reorganization and strengthening them. The credit officers advised and counseled the organization members and office bearers to organize their accounts and formalize membership. The social organizers facilitated local level conflict resolution and built cooperation and coordination mechanisms.

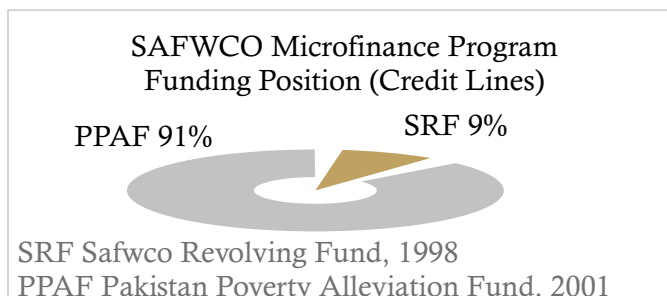
While in the semi urban areas/ small towns Safwco is providing loans on group lending methodology (GLM). A single group consists of four to seven members to be eligible for loan. In the urban areas, loans are given mostly to existing businesses and skilled persons can qualify for new loans. General conditions to qualify for a loan are to:

- Be a member of the community organization and/or a borrower group
- Recommendation from credit committee and guarantee from community organization, while in GLM
- guarantee and recommendations from group members
- Complete the application form and apply for a loan
- At least two years resident of the area
- Only one person from a household qualifies for a loan at a time
- Loan amount is based on business requirements
- In urban areas, existing businesses are preferred

Through Credit and Enterprise Development, Safwco aims to empowering the marginalized and deprived poor by providing different opportunities to promote their income and improve women's participation in income earning. Safwco provides micro credit to poor households, especially women from poor families and supports them with enterprise development training to generate income from micro and small-scale enterprises and ventures. It also helps the poor to organize into saving groups and facilitates relationship building with formal sector financial institutions.

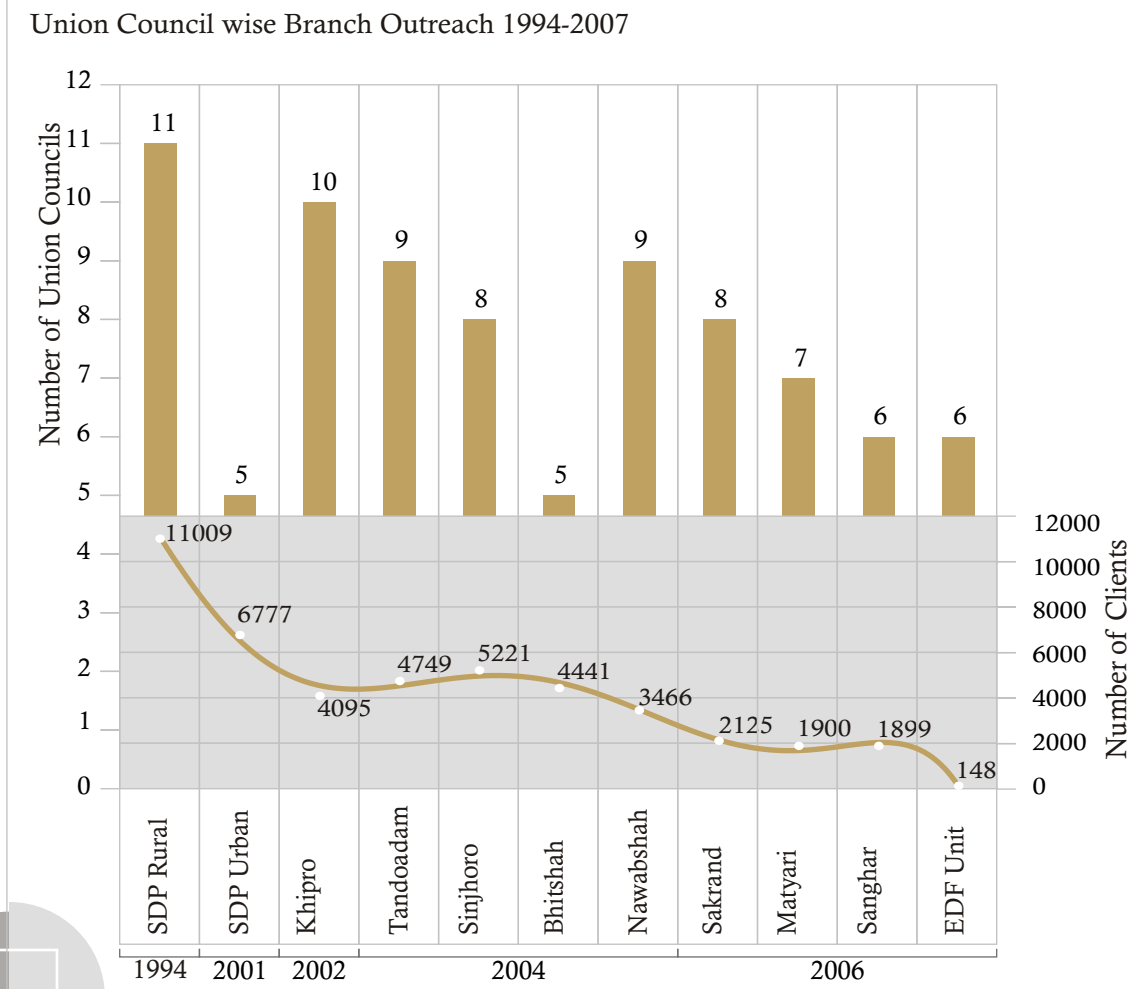
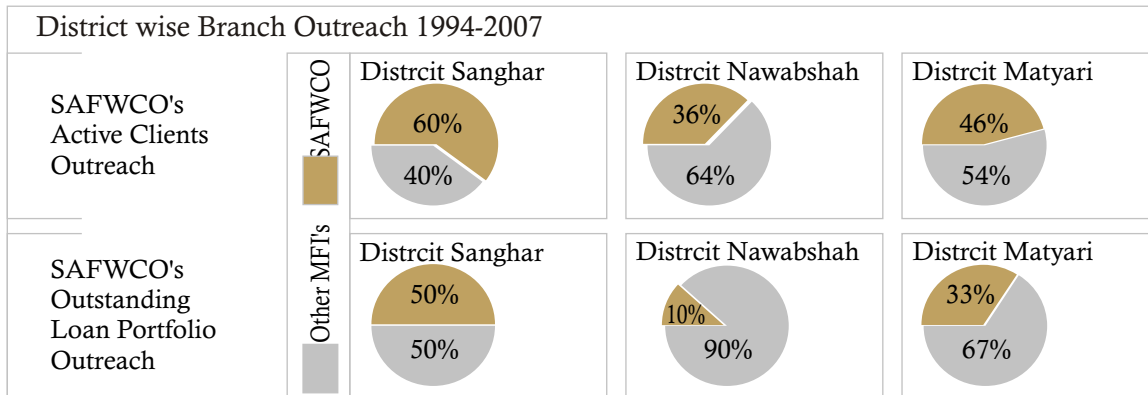
Improving gender sensitivity and balance is important to poverty alleviation. Safwco's struggle for women empowerment is based on the realization that the tools for economic empowerment are not economic empowerment itself. Enabling women to be gainfully employed, strengthening local markets, establishing learning centers and providing micro credit (capital) are tools that lead to empowerment. These tools have and are directly contributing towards reducing poverty and supporting development of the communities towards sustainability. (Gender Wise Distribution Graph)

Safwco's major source of financing for micro credit program is Pakistan Poverty Alleviation Fund (PPAF) which is 91% out of 100% disbursement. Beside this source, Safwco has also generated its own resources and seeks out other donor projects as well. Recently, Safwco has entered into negotiations with commercial banks to seek collateral based credit line for developing market linked on-lending facility.



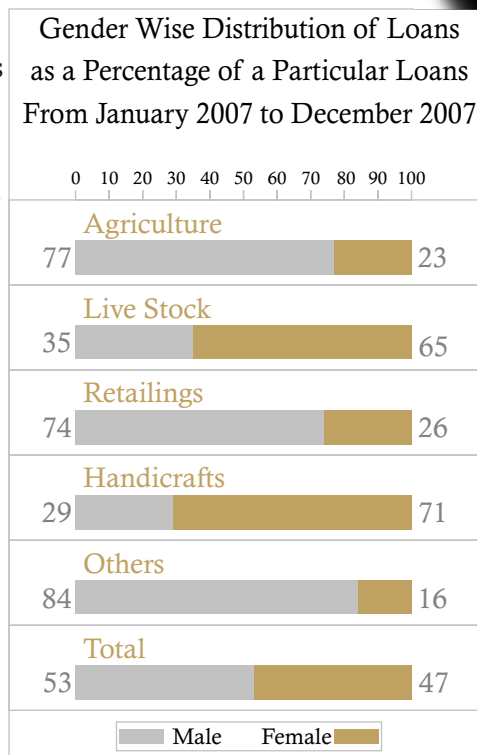
Program Outreach

Safwco micro credit program operates in 84 union councils of three districts namely Sanghar, Nawabshah and Matyari through 11 branches network and each branch is Tahsil/Taluka based and has targets for disbursement, client coverage, resources and cost coverage, productivity and efficiency. All branches are headed by Area Offices which has been given 3 to 4 branches which is called Region; right now Safwco has 3 Regions namely Shahdadpur Region, Sanghar Region and Nawabshah Region. SAFWCO - CED has Gross loan portfolio by end of December 2007 is Rs. 101 millions and having 16,742 active clients.



During the period of year 2007, Rs. 174.20 millions was disbursed to 14629 clients including 6876 females to whom an amount of Rs. 81.87 millions were advanced. These loans were specifically disbursed for Agriculture Development (23%), Livestock Development (34%), Retailing Business Development (27%) Handicraft Development (7%) and Other different income generating businesses (9%).

With the percentage of disbursement under different head, these loan heads also shows the gender wise contribution in different head of business, as the graph shows the involvement of male and female clients under each head, as it represent that in agricultural 77% loan given to male whereas the second head of livestock represent the 65% contribution of female in livestock and they are generally utilize for milk selling and by-products and handicrafts shows 71% contribution of female to develop local enterprises at village level, other heads shows the joint contribution of both.



Enterprise Development and Capacity Building

Safwco's goal bespeaks of the development at grassroots level of such larger societal groups. In this context, Safwco has been organizing capacity building programs for the last two decades and has established a well furnished training centre which offers capacity building programs to small entrepreneurs with managerial, accounting and business development skills. The skill imparted to entrepreneurs includes candle making, detergent making, stitching and embroidery, garment cutting, fiber glass, agriculture and livestock related trainings.

Saving Mobilization

Safwco is encouraging and mobilizing its clients to save more for their future as well as for the sustainability of their own organization. SAFWCO's saving procedure consists of following steps:

- Organize Participatory Community Development Dialogue (PCDD) on saving motivation
- Data collection on income, expenditure and extra expenses of the villagers.
- Meeting with village organization for the introduction of saving and deposit procedure and passbooks.
- Formation of saving groups in villages (separate for male and female)
- Monthly collection of savings on and entry into passbooks.

Since 2002, saving amounts have been deposited in villager's personal accounts in the nearest commercial bank branches. The savings mobilization and generation is continued with more efforts by following the given below policy which were finalized in consultation with the communities. Safwco continuous to mobilize villagers to save, following steps help in motivating the villagers to save;

- Monthly meetings
- Awareness on resource mobilization and local investments
- Voluntarily saving small amounts (minimum Rs. 30 per month)
- No upper limit of savings as well as age limit for making deposits
- Assist VDO to maintain saving register and pass books provided by Safwco.
- President/General Secretary/Treasurer of the VDO are authorized to operate the account.
- VDO should save minimum of Rs.10,000 to start internal lending
- Lend up to 70% of deposits to members by some internal lending policy of village, if any

SAFWCO-CED Services:

The impact of microfinance can be best seen through the children of clients, as each loan helps them towards a better future. It's not so much about to day but about a sustainable tomorrow. In order to improve the outreach in the area and to provide financial services with demand driven financial products within the reach of the poor clients at their door step with more quicken accessibility; well designed products plays an important role, At present SAFWCO is offering financial services with its six (06) products of advancing credit facilities while one of insurance product as follows:

- Agricultural Loans
- Regular Monthly Loans
- Half Installment Loans for Females
- Buffalo Purchasing Loans (White Revolution)
- Festival Loans
- Eid Azha Loans for male goats
- Emergency Fund (Insurance Product)

The SAFWCO-CED approaches also includes capacity building of communities though peer networks and focuses on creating awareness regarding proper business management, its record keeping and social issues using seminars and workshops.



Products and Services

In general regular loans the loan amounts would range in the following brackets:

- 1st Loan maximum 8,000
- 2nd Loan maximum 15,000
- 3rd Loan maximum 20,000
- 4th Loan maximum 30,000

In EDF loans the loan amounts would range in the following brackets:

- 1st Loan maximum 50,000
- 2nd Loan maximum 75,000
- 3rd Loan maximum 90,000
- 4th Loan maximum 100,000

A. Agriculture Loan

The agriculture loans are extended to farmers for purchase of agricultural inputs such as fertilizers and pesticides. The first loan is offered for maximum four acres of cultivated land @ Rs. 2,000/acre (Rabi season) and Rs.2,500/acre (Kharif season). Maximum first loan in Rabi season is Rs.8,000 and in Kharif is Rs.10,000. For the second loan, an additional two acres of cultivated land (if client has) at the same rate can also be financed. Safwco, in all, will finance farming on a maximum of 12 cultivated acres of land. Maximum loan in Rabi is of Rs.24,000 (5th loan) and in Kharif is Rs.30,000 (5th loan). The repayment period is 6 months or one time payment after harvest. Farmers mostly use this loan for purchase of seeds, fertilizer and pesticides.



B. Half Installment Loan

The half installment loan is for women from backward areas for purchase of livestock. The loan size ranges from Rs.5,000 to Rs.30,000 for goat rearing only. Safwco expects women to save on purchase of dairy and dairy products up to Rs.30 40 daily lading to monthly saving of Rs.900 to Rs.1200. This saving forms the monthly repayment installment.



C. Regular Monthly Loans

Regular monthly loans range from Rs.2,000 to Rs.30,000 for income generating purposes such as trading and vending. They can also be used for producing handicrafts, operating schools, computer centers and stitching business. Repayment period is of one year maximum with installments payable in equal monthly installments. Borrowing is generally for bulk purchase of stocks.

D. Livestock Loans

Purpose of Livestock loans are for purchase of livestock such as goats, sheep, buffalos, and cows. These loans are offered for twelve months period with equal monthly installments. For loan amount Rs.20,000 or above, the repayment period is 18 months. Service charge for the loan is 00%. The first loan is of Rs.8,000 for purchasing goat and for buffalo is Rs.10,000, provided the borrower has the remaining amount to purchase the buffalo immediately. However if the clients already has two milking buffaloes then the first loan offered is of Rs.12,000 and if client has three/ more buffaloes then the first loan offered is of Rs.15,000.

E. Eid ul Azha Loans

This loan is advanced before Eidul Azha for the purchase of sacrificial animals, generally goats. This loan is offered at most 90 days before Eidul Azha. The entire loan amount will be paid immediately within 3 months after Eid.

F. Small Business Loans (EDF Loans)

This loan is for graduate clients those have taken Rs. 30,000 loan from regular monthly loans. Disbursement will be made on Individual basis, only for income rearing purposes, Client will provide postdated cheques as collateral, Client should have mini: Rs. 100,000 working capital in his/her running business. Monthly installment will be collected from client through his/her postdated cheques from bank



G. Compulsory Emergency Fund / Insurance Product

The Emergency Fund (EF) is the coverage to the client's family if the client dies during the period of repayment (one year or six months as per the agreement) on the following terms and conditions:

- 1% on each disbursed loan has to be deposited by client at the time of disbursement.
- The Coverage period is the loan term period as signed between the client and organization
- In case of client's death the entire remaining amount will be waved off and will not be claimed from his/her families/guarantees.
- All the deposited amount with the organization (except service charges) will be returned back to the family members/nominee by the client.

Following products are to be offered with the mentioned loan ranges for each product.

Product Name	Min: Rs	Max: Rs	Period
Agricultural Loans	5,000	30,000	6 months
Regular Monthly Loans	2,000	30,000	3-18 months
Half Installment Loans	5,000	30,000	6-18 months
Buffalo purchasing loan	10,000	30,000	12-18 months
Festival Loans	8,000	30,000	12 months
Eid Azha Loans for male goats	8,000	12,000	3 months
Small Enterprise Loan (EDF Loan)	35,000	100,000	18-24 months



Efficiency: a Step towards Sustainability

Since 2001, Safwco Credit and Enterprise Development sector program has moved towards self sufficiency. The program has established procedures, policies, developed human resources and information system. The program is now in the phase of registering itself as a separate entity. The growth of the program started with adding an urban component for Shahdampur in 2002. In 2003, the program was extended to Khipro and in 2004, four new branches were opened, one each in Tando Adam, Sinjhor, Matiari and Nawabshah. In 2006, 3 new branches were started in Sanghar, Sakrand and Matyari. The same year Enterprise Development Facility was started for graduate clients. The EDF consists of 3 Area Offices. In 2008, the program plans to start five settlement branches for in-depth outreach to meet the potential demand within the operational area.

The growth has been planned to increase efficiency, especially at operational level. To monitor branch level efficiency and lead towards self sufficiency, Safwco has prepared strategic business plan for 2007-2012. For effective monitoring, the following indicators are reviewed.

1. Disbursement targets
2. Clients coverage
3. Financial, Human, and Organizational Resesouces
4. Productivity and Efficiency at branch and individual level
5. Costs coverage (Operational, Loan losses, Cost of funds, Profits utilization)

Safwco business plan sets a target of reaching out to 900 clients per branch at an average of 450 active clients per credit officer at the start. As a follow up 900 more clients both male and female are to be added. One branch may have a maximum of 12 credit officers or 5400 clients. Analysis shows that the branch could achieve break even in two and half years at this rate.

Citi-PPAF Microentrepreneur Awards 2006-2007

Pakistan Poverty Alleviation Fund (PPAF) and the Citi a philanthropic arm of the Citibank jointly organized the Citi-PPAF Microentrepreneurship Awards 2006/2007 ceremony in Pakistan.

The objective of the Citi-PPAF Microentrepreneurship Awards program is to illustrate and promote the effective role that microfinance plays in poverty alleviation. It recognizes the extraordinary contributions that individual micro entrepreneurs have made to the economic sustainability of their families as well as their communities

Adversity Leads to Prosperity

Jam Zadi

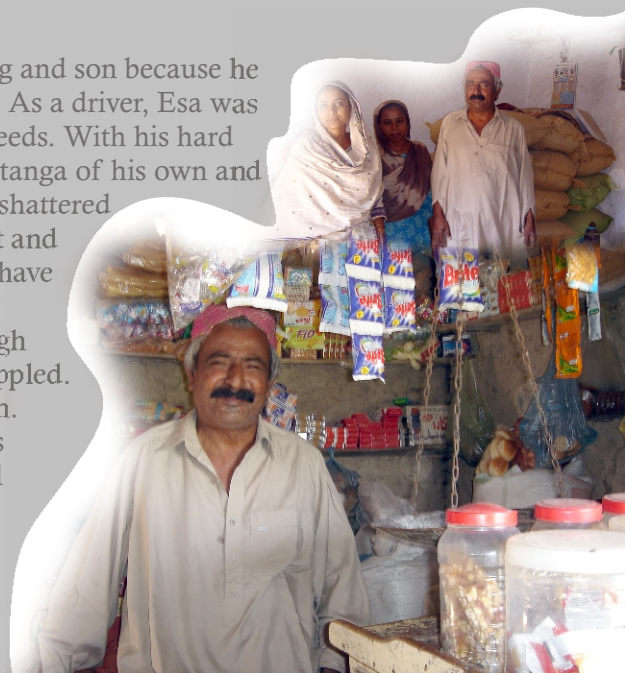
About 200 km from Karachi in Sanghar district is the village of Bhaji Khan Rind. Majority of the villagers are sharecroppers. Thirty five year old Jam Zadi is one of them. Married at 12 years of age to an ailing man, she had to do her husband's share of cotton picking work as well. After 14 years of marriage, she had a son but soon after her husband died. She came back to live with her parents, and due to the adversities in her life she had a heart attack and was hospitalized.

Jam Zadi's life changed with the coming of Safwco to her village. Though uneducated, she realized that she needed to reorganize her life and Safwco's program presented her with opportunities. With a Rs.5000 loan she purchased two goats and these gave birth to two kids. One of the kids died and Jam Zadi had to sell off a goat to pay for her medical treatment as she suffered another stroke. Jam Zadi persevered with the goat raising business and borrowed Rs.8000 to purchase more goats. This time she was able to save and used it to renovate her house. Encouraged, Jam Zadi took another loan, this time of Rs.15000 to add more stock. From this she has been able to take her business to scale. She is now able to reinvest in building up the herd from the dividends and is also using the income to educate her son, take care of her parents and purchase household items. Jam Zadi says "I am extremely happy now, because I and my son are not burden on my parents and wish to continue this business in future as well."



Esa dribble poverty

Mohammad Esa, a Tonga driver lost his leg and son because he did not have money for medical treatment. As a driver, Esa was finding it hard to fulfill his family's basic needs. With his hard work he somehow managed to purchase a tanga of his own and life improved. His happiness however was shattered when his tanga met with a serious accident and he broke his leg. Unfortunately he did not have money for proper medical treatment and it resulted in incorrect leg joint. Life was tough for him and his family, after he became crippled. They were facing a serious financial crunch. When his 17 year old son fell sick, Esa was unable to provide him with proper medical care. This resulted in his untimely death. Mean while Xinxu was introduced which was a set back for tongas and it further affected his economic conditions.



During these difficult times he heard of SAFWCO and attended their meetings regularly and learnt about saving. With a loan of Rs.8000 from Safwco he started a small shop and gradually took higher loans as his business of trading expanded. His, being a seasonal business, Esa borrowed Rs.10,000 for wheat in winter and the next season Rs15,000 for cotton. His business gave him a reasonable profit and he took higher loans of Rs.25,000 and Rs.30,000 respectively. He has come a long way from a micro finance borrower to become a client of small business loans. 'SAFWCO gave me Rs.5,000 loan and I produced Rs.500,000, if SAFWCO gives me Rs.50,000 I could turn it into Rs.50,00,000' Esa is confident of his success. Now he owns a house and is educating his children. His family and himself are self sufficient and doing well in the society.

Doongar Mal succeeds in his struggle for survival of life

From very young age Doongar Mal, a shoe maker took care of his brothers and sisters. Doonger Mal struggled hard and worked to educate his brother and got all of them married. He took loans for this purpose and worked three years in Karachi to pay off the debts. Returning home, he purchased shoe making tool and started making shoes and chappals at home for the local market. The returns were not enough to sustain the family and when his child died at birth and his wife had to be operated upon, he borrowed again at a high interest rate. Between 1993 and 2000, Doongar Mal tried to pay off his debt, but he could not with his meager income and the burden rose to Rs.48,000. Finally, he sold off family gold to pay off the huge debt. And Doongar Mal became cautious of taking loans but the Safwco loan attracted him because of the easy terms and low installment. He took an initial loan of Rs.5,000 for purchase of raw materials and restructured his shoe making business. The business grew and he borrowed from Safwco to further expand it. He took a second loan of Rs.10,000 and then Rs.15,000 to take on the Police boot order. With increasing profits, he got a partner to invest in a shoe factory. However, theft of stocks worth Rs.60,000 was big loss. He had to pay off the investor, pay off the loan and continue the business. Doongar Mal has managed to do all this and win the Citi Entrepreneurship Award. "I have regenerated capital and can easily pay off another loan from the business returns" says Doongar Mal with a sigh of relief.



Other Services/ sub Programs

Targeting Ultra Poor Program

SAFWCO has started a pilot project of Social Safety Net Project in Thatta district which is supported by CGAP and World Bank through Pakistan Poverty Alleviation Fund. The purpose of this pilot is to organize the ultra poor who are most deprived segment of our population, lacking even the most basic necessities. SAFWCO program aims to assist the targeted population through economic support, a special investment program in the form of a grant of asset/capital in kind and stipends, skill development training, social services. After two years, the program intends to merge into the mainstream microfinance program.

Objectives of the Ultra Poor Program

- Life skill development and technical capacity building through training
- Improvement and strengthening of livelihood conditions of the ultra poor
- Improvement of economic conditions of the participants and aiding in asset building
- Inclusion into the mainstream development activities of the microfinance program or other poverty alleviation program

Safwco-PPAF- ECPL-GoP Joint Venture Program

SAFWCO intervened and activated in Sakrand from April 2005 through a joint venture with PPAF- ECPL-GoP joint venture for increasing milk production. This project is the part of Prime Minister White revolution in livestock industry. The program operates in 61 villages, has 1211 members with livestock out of which 113 provides milk to ECPL.

Lessons from Product Branding and Harmonizing Study

Listen to Clients and the Market

Clients are people who have some experience with loans and repayment. At their end, they have a different set of knowledge of the loans - because they are the ones generally who make use of the loans and know how hard or easy it is for them to avail and utilize that loan and at what costs

Borrower Needs and Market Demand

Focus should be on determining the still unmet needs of the potential borrowers. The needs have been identified in terms of their day-to-day financial requirements as well as needs that are not urgent yet may require fulfillment. The study findings confirm that Safwco's existing lending products have been able to prevent most people, especially agriculture related borrowers, from falling in the clutches informal money lenders.

New Needs

SAFWCO's existing lending products have been widely welcomed and been useful for several kinds of borrowers. Findings reveal certain new preferences of potential and existing borrowers. These preferences emanate from their core needs that still remain unmet but can be met either by way of some modification in the existing products, or through the introduction of some new ones.

Prevailing Needs

Common financial needs of the borrowers emerge from certain occasions or circumstances such as accidents and mishaps, death, and illness. Borrowers also perceive they would need money on occasions such as child birth, for marriages, or for urgent repayment of loans borrowed from elsewhere.

Long-term Needs

Topping the list of long- term financial requirements came out of the common desire to do business in order to generate more money for the family. Income generation was perceived either as starting a shop, trading livestock or through agriculture related activities, including purchase of land. Some borrowers also want to purchase taxis and rickshaws. Also, there was a need to refurbish home (furniture, fixtures etc), as well as intentions of funding children's education. Ideas such as investing in prize bonds were also floated. There is also a strong focus, especially amongst female folks on savings.

Emergency Needs

There is ample realization amongst disadvantaged people of borrowing from informal lenders, which is why most opt for selling their assets instead. The other options for urgent financial support are relatives or friends, or through existing savings. Safwco loans for emergency fund help borrowers from selling their assets.

Brand Identity

People in focus groups discussion described Safwco as creating organizations and providing loans on easy terms for poverty alleviation. Safwco name is therefore synonymous with poverty alleviation.

Perceived Value Upheld

Target group see their values as reflected in Safwco policies and day to day activities. This perception encourages Safwco management and staff to develop closer links with the target group and uphold their values. This brand harmonization has been successful where products and services have fulfilled the expectations of the clients.

SAFWCO Microfinance Program Supporters

PPAF: The Pakistan Poverty Alleviation Fund (PPAF) represents an innovative model of public private partnership. Incorporated under section 42 of the companies' act 1984 it follows regulatory requirements of the Securities and Exchange Commission of Pakistan. Sponsored by the Government of Pakistan and funded by World Bank and lot of other leading donors.



CGAP: Consultative Group to Assist the Poor (CGAP) is a consortium of 33 public and private funding organizations - bilateral and multilateral development agencies, private foundations, and international financial institutions - working together to expand poor people's access to financial services. CGAP was established in 1995 by nine leading development agencies and microfinance practitioners to support the development of a sustainable microfinance sector. Today, CGAP serves a global resource center for microfinance, providing advisory services and information to a wide range of stakeholders.



FSSP: Financial Sector Strengthening Programme (FSSP) is SDC's programme designed to assist in building retail level capacity of the microfinance institutions in Pakistan. The microfinance sector, in Pakistan, has become the main focus of the government, multilateral and bilateral donors in the recent past. Microfinance, a major tool for poverty alleviation, has attracted substantial donor money in the form of credit lines for private and public sector banks as well as the NGO sector in Pakistan. However, there is little or no focus on building the capacity of these organizations to deliver the requisite services at the customers' level. FSSP is aimed to bridge the gap between lack of capacities and increase in demand for these services.



Citigroup Foundation: Citigroup is a global network of Citi colleagues and nonprofits in the community, the Foundation supports programs in three areas: Financial Education, Educating the Next Generation, and Building Communities and Entrepreneurs. Within these areas, the Foundation provides grants and technical expertise to organizations that help people improve their lives, businesses grow, and communities prosper



Pakistan Microfinance Network (PMN): Pakistan Microfinance Network (PMN) is a network of organizations engaged in microfinance and dedicated to improving the outreach and sustainability of microfinance services in Pakistan. The network has built greater awareness among policy makers, launched comprehensive capacity building initiatives, and established standards and benchmarks for transparency in MFIs.



Sindh Microfinance Network (SMN): Sindh Microfinance Network (SMN) is a network of organizations engaged in microfinance services in Sindh and has formed in the year 2002 for the promotion of best practices in province. Indigenous organization are serving the poor but their program is needed for best practices and management system, so the network playing a vital role for those organizations.

