



Together
We Make Things
Work

Sustainable
Actions to Access
Financial
Capital
Opportunities



ANNUAL REPORT
2020

Sustainable Actions to Access Financial Capital Opportunities

Together

We Make Things

Work

ANNUAL REPORT 2020



SAFCO Support Foundation – SSF

A Non Banking Microfinance & SMART Certified Company

SSF acknowledges the continued support of all stakeholders, particularly clients for their trust and confidence. SSF also acknowledges the contributions of Mr. Zaheer Udin Babar Junejo & Ayaz Shaikh for writing and designing this report.

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Chief Executive Director

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► Message from Chairperson



On behalf of the Directors and Management of SAFCO Support Foundation (SSF), it is my privilege to share with you the 11th Annual Report, I am sure the report will help you to acquaint yourself with the SAFCO's financial performance for the 2019-2020 fiscal year. A portion of the year's financial highlights is noted below. Compared to the past ten years our recently completed fiscal year was one of the more eventful, it included celebrations, national and international recognition as well as some very challenging and unavoidable circumstances. I am exceedingly proud of the efforts staff put forth to manage these events while at the same time devoting the effort necessary to produce this year's exceptional operating results.

We are pleased to convey to you that SAFCO even having Flood, later on, locust and recent over four months of lock-down due to COVID19 even than reached to every single client and kept the momentum of serving with dignity. This marks another consecutive fiscal year the Company has reported increases in outreach, serving the most deserving and contributing to establishing small and medium enterprises in rural Sindh.

Comparing with the other institutions in the country for our financial performance which placed us at the top of the Non-Banking Micro Finance Companies in the country, as measured by several financial metrics. Compared to our last fiscal year, we achieved the following for fiscal 2019-2020.

- ✓ Increased outreach
- ✓ Served loans in rural centers
- ✓ Retention rate improved
- ✓ The collection rate mentioned
- ✓ Total assets improved
- ✓ Improved Operational Self Sufficiency
- ✓ Return on assets &
- ✓ Return on equity increased

We were also honored to be recognized, by the Smart Campaign for Clients Protection. SMART Certification is a continuous journey it provides an independent, objective seal of confidence that SAFCO being a financial institution is doing everything it can to treat its clients well and protect them from harm. It also Improves public recognition, boosts the reputation and image. During the reporting year, another feather was added & Credit Rating assigned by PACRA as A3 (ST) & BBB (LT) with Stable Outlook (2020).

I am very much grateful to the Board of Directors, our Partners, Regulator, and Clients for trusting our efforts and helping us to the creative ways we can help our clients find their better state.

Rana Abdul Salam
Chairperson

► Message from Chief Executive



It is a proud moment for me to present highlights of another year of Synergizing Services and contribution made for small and medium enterprises. I and my team firmly believe that access and inclusion of the most deprived segment of society to affordable financial services is resulting in empowerment, which by every passing day is further strengthened and standardized.

SSF Team is continuously pursuing institutional initiatives to build responsible and responsive microfinance which puts clients at the center of strategies and actions in the industry. Small loans coupled with mentoring are drivers for financial inclusion and promoting environmental protection, gender equality, and access to basic services such as health, food security, education, energy, and housing.

Today institutions like ours are facing three simultaneous challenges: the COVID-19, health and economic crisis, the realization of the Sustainable Development Goals, and the existential threat of climate change, but I firmly believe that together we make things work. As all of us are battling a global pandemic since the second world war many believe that COVID19 will forever change the way previously we were used too, it would be more inward-looking, none is sure either it will bring unity or promote division. The bitter irony of COVID19 is a transitional pandemic, but one thing is for sure we need to revisit the standard operating procedures we previously had, I must appreciate my Board, Team, Clients, and partners whose contribution made us plan wisely and act religiously, some of the pandemic coping highlights are made part of this report.

Thus, SSF strategic contributions are confirming its unique role as a key catalyst for comprehensive and inclusive development.

Realizing the fact and respecting the accepted social values SAFCO Support foundation from the very first day is striving to ensure effective translation of its mission into practice. SSF by every means is trying to build clients' sense of empowerment and thereby contribute to reducing their vulnerabilities. The organization's credit plus programme is helping clients to shape for a better life. All of us are ensuring that services are reaching to most marginalized focusing on women, youth, differently able persons, minorities, and transgender. Jointly with our valued partners, we are putting all of our energies to make our clients economically active with continuous mentoring and financial services.

This year, SSF conducted internally as well as assisted in external assessments. SSF also secured a credit line from its commercial partners, new investments were brought in. To improve its services and prosper its clients SSF went for different agreements with vendors and institutions involved in technological solutions, Solar home systems, Livestock and Agriculture business solutions. Adding to the above partnering with Academia for research and mutual sharing of expertise remained another area of priority. It was pooling resources and experiences gained over the period and systematically support clients to uplift their quality of life with enhanced and sustained livelihoods.

I am pleased to share with you our annual report for July 2019-June 2020. It contains a comprehensive report on SAFCO support Foundations activities throughout the preceding year. The report intends to give our clients, our partners, and other interested people information about the company's activities, lessons learned, and performances. I must appreciate our Partners, Board, Management, and Clients for their trust, contributions making us a nationally as well globally recognized institution.

M. Suleman G Abro
Founder/Chief Executive

COMPANY INFORMATION



Mission

Board
of
Directors

Management

Team

Partners

Products
&
Services

► COMPANY INFORMATION

SAFCO Support Foundation registered in May 2009, NBFC Rules & Regulation 2015, under section 42 of the company's ordinance 1984, SAFCO is a leading microfinance institution in Pakistan, reaching out to all segments of society in all corners of Sindh, with a suite of affordable and convenient financial solutions. SAFCO is serving in 10 districts of Sindh through well-established 50 branches with 540 trained staff. SSF is a member of local as well as international Networks, also certified by the SMART Campaign for Clients Protection. SAFCO is having a Credit Rating (assigned by PACRA) as A3 (ST) & BBB (LT) with a Stable Outlook (2020).

VISION

"To be the leading financial institution that provides excellent microfinance services to unbanked entrepreneurs and productive poor families to create mutual benefits for clients, shareholders, and society."

MISSION

"To reach unbanked and low-income communities with financial and business solutions, in socially, economically, and environmentally sustainable approaches, through the efficient use of capital, technology, and human resources."

CORE VALUES



Accessibility: SSF provides ease of service to its clients, clients, and teams regularly interact province-wide, as to design appropriate products, obtain a good and timely service delivery.



Fairness: - SSF considers all borrowers, stakeholders, and partners for quality treatment and a way which is right, reasonable, and free from discrimination.



INTEGRITY

Integrity: - SSF keeps strict adherence to a moral code, reflected in transparency, honesty, and complete harmony in what SSF thinks, says and does.



Innovation:- SSF encourages innovation for the deliberate application of information, imagination, and initiative in deriving greater or different values from resources including all processes to generate new ideas and convert into useful products.



Efficiency:- SSF gives importance to the lasting beliefs which are being shared by the borrowers, members, cultures, person's behavior or attitude and serve as broad guidelines in all situations.



Competency:- At SSF, competencies are the foundation for the compensation and performance engagement programs. Philosophy in recognizing and rewarding specific competencies is the key to Institutional continued and growing successes.



Excellence: - SSF continuously pursuing target groups through the action of integrity, being a frontrunner in terms of products and services delivery that are reliable and safe for communities. SSF meets all obligations and continually learning and improving in all spheres to pursue the moving target.

▶ BOARD OF DIRECTORS

The SSF Board of Directors is supreme forum currently consists of seven members, members are multitalented with enormous experience in the field of Banking, Microfinance, Agriculture, gender, business, and research.



Mr. Rana Abdul Salam
Chairperson

Mr. Rana has about 35 years' experience of banking industry as he has worked for Habib Bank Limited. After that, he joined as Bursar (Head of Accounts and Finance) in Cadet College Sanghar. His vast experience in banking industry shall help SSF in various aspects of Credit and Risk Management.



Ms. Zaib Un Nisa Malah
Vice Chairperson

Ms. Mallah is renowned social activist and has been working for last 11 years for the development of society. Her expertise are helpful for SSF in understanding changing behaviors of clients and the employees on the same time.



Mr. Iqbal Hussain Memon
Director

Mr. Memon has about 31 years' experience of business management and relationship with banks, he has sound knowledge about credit behavior and dealing with clients, his technical and professional input helps SSF to understand business dynamics and enhance relationship with banking Industry.



Ms. Mumtaz Bano Shaikh
Director

Ms. Shaikh has been working as Professor at Agricultural University of Tandojam. She possesses experience of 26 years in Agricultural education, research extension, community development, social development and Socio economic. She has done Masters in Pakistan Studies along with Bachelor in Economic and sociology.



Prof. Dr. Ghulam Ali Jariko
Director

Dr. Ghulam Ali Jariko has been working as Professor Sindh Development Studies Centre (SDSC) since last twenty-Six years. Throughout his professional career, he has gained substantial experience in the fields of academic teaching, research and training. Mr. Jariko has Phd in the field of Study, Research and Development Management from University of Sindh, Pakistan. He has done B.A (Hons) in Economics, MSC Agriculture Economics Wye College University of London. Besides, Mr. Jariko, has actively participated in applied research that has assisted him to upgrade his understanding about research formulation, data analysis, report writing.



Prof. Dr. Ismail Kumbhar
Director

Mr. Muhammed Ismail Khumbhar is rural development consultant, and Training Specialist. He posses 22 years of experience in Agriculture Education, Sustainable development, research extension, land reforms, value chain, agriculture and live-stock management. He with his versatile field of expertise conducts assessments, monitoring and evaluation of development projects.



Prof. Dr. Shoukat Ali Abro
Director

He is soil scientist, working as assistant professor in department of Soil sciences Sindh Agriculture University of Tandojam. Over 17 years of vast experience of soil fertility, quality, health and crop production by working under various capacities.

► MANAGEMENT



Suleman G. Abro
Founder/Chief Executive

Mr. Suleman G Abro is Senior Microfinance and Rural Development professional with more than 36 years of experience in managing organizations and multiple tasks of Rural Development Initiatives which includes inclusive microfinance. He started his carrier as a volunteer and currently working as Chief Executive in SAFCO Support Foundation. He is a founder member of Pakistan Microfinance Network Pakistan PMN since inception. He also represented the sector at different national and international professional training/courses, workshops, seminars, and international conferences throughout the world.



Syed Sajjad Ali Shah
Managing Director

Syed Sajjad Ali Shah enlightened professional with experience of multiple senior-level managerial positions started the career as Management Trainee within a few years of professional career he achieved many successes and currently leading the team as Managing Director. Mr. Shah possesses more than 15 years of experience with a profound background of serving in financial institutions along with the private sector and successfully implemented various projects. Mr. Shah is recently elected as Member Board of Pakistan Micro Finance Network. He continues contributing and leading the industry towards a sustainable microfinance sector. Mr. Shah has extensive experience in business development, operational and strategic management, monitoring and evaluation, internal controls, governance improvement, human and institutional development, leadership development, and relationship management with national organizations.

► SSF TEAM



Bashir Ahmed Abro
Deputy Managing Director



Aleena Maria
Senior Manager Finance



Zulfiqar Ali Muttaqi
Manager Internal Audit



Rameez Iqbal Memon
Manager Compliance & Risk



Harish Raisinghani
Manager HR &
Corporate Insurance



Zaheer Udin Babar
Senior Manager ID&C



Naveed Memon
Manager IT/MIS



Habibullah Khilji
Manager Operations



Sunil Kumar
Manager Admin



Wajid Hussain Junejo
Manager Accounts



Fayaz Ahmed Jamali
Manager Finance



Mashooq Ali Qureshi
Manager Special Projects



Shabana Mallah
Manager Training
& Development



Falak Ali
Gender Focal Person



Arsala Anjum
Assistant Manager
Compliance & Risk

▶ PARTNERS

At SAFCO, we seek to provide innovative, quality products that benefit society and make small and Medium enterprises grow further, become safer, sustainable, and more productive. Our vision is to reach the unbanked and most marginalized. We recognize, however, that we cannot achieve this vision alone. We understand how our sustainability efforts depend on the support and participation of our business partners throughout our value chain, primarily our credit line, banking partners, associations, and networks. We collaborate with them to create a more sustainable, inclusive, and quality value-added financial services and build a smart world together.

CREDIT LINE BANKS:



BRANCHLESS BANKING PARTNERS:



BUSINESS PARTNERS:



NETWORK:



INSURANCE PARTNERS:



▶ PRODUCTS & SERVICES

Our products are designed in a way that empowers our clients to unleash their true potential and create their productive linkages. A complete end-to-end, scalable, and pre-configured core microfinance and business counseling system that allows small entrepreneurs to access exceptional services, build investors' satisfaction, enhance agility, fuel innovation and extend competitive advantage through its advance technology and unique features. SAFCO offers a comprehensive, flexible range of products to its valued customers and gradually increases ticket size.



ENTERPRISE DEVELOPMENT LOAN: is provided to establish or upgrade small businesses.



LIVESTOCK DEVELOPMENT LOAN: a unique product customized to meet the needs of livestock farmers.



AGRICULTURE DEVELOPMENT LOAN: a tailored lending product to meet the needs of small Farmers.



SMALL AND MEDIUM ENTERPRISE LOAN: to meet the financial need of small enterprise for trading, or manufacturing or services.



PERSONAL LOAN: is offered to meet the urgent cash needs of salaried person.



SOLAR LOAN: are offered to clients to promote clean energy and reduce energy poverty.



SCHOOL IMPROVEMENT LOAN: is offered to private school, coaching/ tuition center owners



INTEREST FREE LOAN: is offered to youth and women clients from 0-30 Poverty score card bands to establish small and medium enterprises .



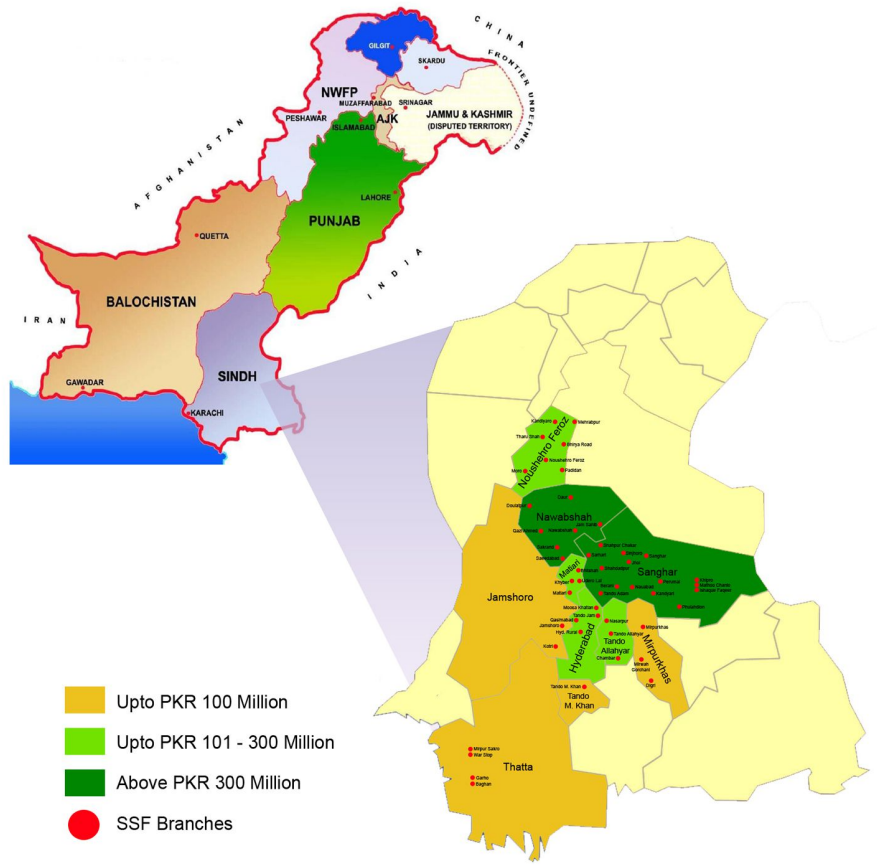
EID-UL-AZHA LOAN: is short term offered to clients to trade sacrificial animals and earn better profits.



EMERGENCY LOAN: is designed to provide instant financial on just SMS through digital financial Service to salaried persons, students and small enterprises.

► BUSINESS AT A GLANCE

Financial inclusion is aimed at poverty alleviation, by deepening the access of the financially excluded, to financial services especially credit, the poor are economically empowered to contribute to the national economy. For over two decades of being at the front, SAFCO has focused on honestly analyzing the transformation, accordingly offer appropriate and value-added services. Recognitions received over the period prove that it is reaching to the people in need, the majority among whom are unbanked. SAFCO teams are always open to the industry for the sharing of a variety of lessons to teach new players of the responsible finance sector. SAFCO since its inception is trying to make a positive impact on society and the environment without sacrificing financial returns. Our sustainable and affordable finances and impact investing products allow our clients to generate returns while driving a positive change. This change is significantly contributing to the evolution of the sector. SAFCO expertise in being connected with the communities, equipping its staff with the latest skills, creating tools and indicators to measure social performance, the responsible use of new technologies, the diversification of services (financial and non-financial) to include the most vulnerable populations, make us an institution who believes in serving with dignity.



Branch Offices	50
Staff Strength	515
Total loan Served (Amount in Billion)	16.4
Total Served Clients	632,861
Clients per Microfinance Officer	363
Portfolio at Risk(PAR)	2.47%
Equity (millions)	747.2
Return on Equity	15%
Return on Assets	3.04%
Operation Self Sufficiency	113%
Financial Self Sufficiency	93%

3

CHALLENGES



Flood

Pandemic

**Locust
Attack**

► FLOOD HAMPERS MOMENTUM



HYDERABAD ON JUL 29, 2019-APP

During the first month of the new fiscal year in July 2019, Due to climate factors, the monsoon system landed a bit earlier in Sindh, concern departments and district administrations continuously were issuing advisories based on the situations emerged in the bordering area of India. Advisories were suggesting moderate-to-heavy rain continue in the Sindh, each spell was supposed to last over 2 to 4 days. Sindh received two spells 1st one started on July 27th while the second entered on August 11, 2019. After these spells severity (at least for Sindh) reduced after emerging other systems in the Arabian Sea and the Bay of Bengal.

After a dry, hot, and humid weather, the recent spell (started from July 27th) of monsoon rain brought relief to the majority of Sindh residence. However, it also proved to be a source of misery for many. The Major towns remained underwater for almost three to five days after rain. The rain-related incidents, road accidents, house collapse, and electric shocks caused deaths to two dozen people and left several people injured. SSF Thatta region and some parts like Tando Muhammed Khan of the Hyderabad region affected badly. According to SSF staff and Media reports 18 union councils out of 40 union councils of Thatta and Mir Colony, Shoukat Colony of Tando Muhammed Khan faced cloudburst on August 11, 2019, made hundreds of villages like village Muhammad Janyaro to the boat to a convenient place near Keti Bunder. It left the most of the coastal areas of Thatta district including Sakro, Garho, Ghora Bari Tehsils underwa-



COTTON FIELDS AT THATTA



SSF GARHO OFFICE, THATTA

ter. The torrents and subsequent inundation had washed away most of the roads, marooning the residents. Reports collected from local activists in stranded areas show there are breaches in all three natural drains, including Jam-Sakro Drain, Ghora Bari Outfall Drain, and Ocho Outfall Rain. These drains cannot carry more water. Thus, after heavy rainfall, overtopping drains breached, eroding parts of land routes, leaving the locals helpless. Earlier, these drains were natural waterways to stream floodwater to the sea. The breaches in drains and fish farms not only affected villages but also destroyed crops. Several villages are still disconnected from the rest of the world because most of the road infrastructure is gone. The key

connecting roads to district headquarters which always becomes inundated after rain, this time, were with the bad condition, resulted in mobility concerns due to less traffic on major roads. While urban and semi-urban areas were facing challenges with the drainage system, the system proved incapable of handling this amount of rainwater. We witnessed cultivated rice, vegetables, and banana all of them have been destroyed by the floods that followed heavy rains. The luckiest few are left with five-ten acres of crops at the best. Otherwise, 90 percent of the crops have been lost to rain. Heavy rains during the Eid Ul Azha also caused losses as a sale of sacrificial animals is a concern, prices went down and the majority of the population even couldn't sell their livestock. Livestock & crops are exposed and according to experts will result in losses of yield (especially of cotton) and may increase viral and epidemic diseases with reduced market prices. Small, Medium enterprises are badly affected and the cash flow of borrowers is disturbed massively.



QASIMABAD BRANCH OFFICE UNDER WATER

After recovering from the aftershocks of currency destabilization, institutions like Safco Support Foundation are bracing up to face the multiple challenges of accessing the client and revive regular operations and follow-up with the scheduled recoveries. Though we firmly believe that things will be normal (of course if it rains NORMALLY in the coming weeks), however considering the area where we operate is the grassroots with a focus on lending to small and marginal clients in rural areas, have been the worst hit by the recent calamity extremes.

S#	City	District	1st Spell of Rain MM (Government)	2nd Spell of Rain MM (Media and Local Sources)
1	Hyderabad	Hyderabad	188	90
2	Thatta, Makli	Thatta	179	220
3	Tando Jam	Hyderabad	106	70
4	Padidan	Naoshehro Feroz	97	122
5	Badin	Badin	66	95
6	Karachi	Karachi	60	225
7	Mirpur Khas	Mirpur Khas	48	89
8	Nawabshah	Shaheed Benazirabad	54	93
9	Sakrand	Shaheed Banzirabad	25	88

The real challenge for SSF started during July 2019 since emergency alerts, torrential rains, electricity, and other services failure affected the monthly repayment cycle as well as the cash flow of clients. Though the weather situations had a short-term effect on the PAR, however, scheduled recoveries were affected badly and delayed for a period. It was the time while SSF was facing operational challenges in the form of a slowdown in disbursement as well in recoveries since many of the SSF employees themselves and client as a whole have been affected by the unwanted rainwater flooded their outlets, lands, houses and were in the process of rebuilding their routine. Strengthen bonds, connections and help people in need and distress, SSF branch offices & volunteers were from the very first day facilitating the affected population.

SSF management has already designed a quick emergency response framework; it included requesting partners to extend more time for clients to repay their dues, increase investments keeping expected demand in mind. According to our field analysis credit demand in affected areas especially in urban and semi-urban areas were increased. There was a surge in demand for credit, in the areas of rebuilding their enterprises, house construction, repairs and renovation, and consumption.

▶ PANDEMIC OUTBREAK


SAFCO Support Foundation
Bridge is the progress

**“We as a TEAM,
becoming Stronger than ever before”**

COVID-19

Currently all of us are going through challenging times and we as a TEAM are confident of emerging stronger than ever before. Situations like this will push all of us to adopt more efficient, innovative and out of the box processes which will transform our thoughts completely for future businesses.


Self-belief is the key. This time will also pass.
Insha'Allah



Suleman G. Abro,
Founder/Chief Executive

SAFCO Support Foundation
Bridge is the progress

“Amid COVID19 pandemic, Innovative loan Products with revised loan delivery procedure & guidelines are to help our customers to manage their Cash Flows”



Pakistan is currently under lockdown that has disrupted routine commerce and financial activities across all businesses in Pakistan, which is adversely affecting daily wagers, small and medium enterprises.

SAFCO is strongly connected and supporting its clients, SSF has offered a moratorium to its customers, which are the bottom of the businesses pyramid (as per the SECP Circular dated March 31, 2020), SSF is also analyzing market demand trends and designing innovative loan offers with revised loan delivery procedure & precautionary guidelines, which are aimed to help customers and to manage their cash flows to resume business operations.

Syed Sajjad Ali Shah
Managing Director

SAFCO Support Foundation
Bridge is the progress

“Safety and Security of our clients and teams comes first”

Together... WE MAKE THINGS WORK

“Clients and Staff are our Social Capital, we have put all precautionary measures to secure our people. We are still learning from other experiences, while fighting against this pandemic, moving forward with our business objectives, we will take each step necessary to keep SAFCO a safer place to work with.

COVID-19 is a monumental challenge for humanity but together we will overcome this challenge. Our COVID Emergency Response Committee has worked very closely with SAFCO Management to take the right steps, much ahead of time.”




Bashir Ahmed Abro
Deputy Managing Director

SAFCO Support Foundation
Bridge is the progress

“We Continue to Serve...”

Together... WE MAKE THINGS WORK

“COVID-19 has caused unprecedented damage to human lives as well as economies across the world. First time all of us are jointly witnessing financial crisis and great Depression with a firm belief that We will, however, emerge stronger on the other side. SAFCO Support Foundation truly follows and fully supports all the efforts by the government and the regulator. We will continue to serve our valued customers and play our part in building a better and secure future for all of us.”



Aleena Maria
Senior Manager Finance


SAFCO Support Foundation
Bridge is the progress

“We aim to go beyond, Not just being a LOAN provider”

Together... WE MAKE THINGS WORK

“At SAFCO Support Foundation, we are truly connected with our clients with aim to be the one who better understands the everyday opportunities and the risks that inhabitants of our program are experiencing.

We aim to go beyond, not being just a loan provider; educating, training and counseling our customers has always been our priority. We are determined to support every SAFCO customer during lockdown and economic crisis to the best of ability by adopting precautionary measures and business continuity plans with risk mitigation measures.”



Rameez Iqbal Memon
Manager Compliance & Risk

Safco Support Foundation
BRIDGE IN THE PROGRESS

“We as a team are determined to Assist Each of Our Customer..”

Together... WE MAKE THINGS WORK



Habibullah Khilji
Manager Operation

Dear Valued Customers:

Together we transform, Together we succeed. Having uncertainty around, now more than ever keep Goals and dreams of success alive. Your resilience, strength and determination are needed. It keeps us motivated too.

It's important to power through. We've been there for you before and we'll be there for you after. So, keep the idea going, dream stronger, work harder and never let your hope goes unachieved. We will be with you all the way.

Safco Support Foundation
BRIDGE IN THE PROGRESS

“COVID19: SSF Institutional Strengthening & AWARENESS MODULE ”

Together... WE MAKE THINGS WORK

“SAFCO Management intends to strengthen, empower and equip strategically located SSF outlets with the necessary policy guidelines, technological solutions and resources to strengthen services, reduce anxiety & Stress among masses.




Zaheer Udin Babar Junejo
Senior Manager

The trajectory of Small and Medium Enterprises has thus changed, and so must we. We are thinking differently and are ready to do “business unusual” to help rural entrepreneurs cope with economic stresses amid the pandemic. SAFCO Support Foundation has established a COVID Awareness Module for Customer Care & SMS portal to ensure every employee and client has access to relevant and factual information.”

Safco Support Foundation
BRIDGE IN THE PROGRESS

“Financial Institutions never evolved so rapidly & bravely..”

Together... WE MAKE THINGS WORK



Zulfiqar Ali Muttaqi
Manager Internal Audit

“In this Pandemic , Financial Institutions, Environment, Priorities, Operational Methodologies are evolving rapidly and in a way had not been previously envisioned.

We just can't cave on our commitment to quality, adherence to our standards and our level of services. So, we are leveraging technologies, continuing to provide critical assurance, helping, and advising management and the Board on the shifting risk, controls landscape, and helping them in anticipating emerging risks.”

Safco Support Foundation
BRIDGE IN THE PROGRESS

“While navigating pandemic, our teams safety becomes utmost priority ”

Together... WE MAKE THINGS WORK



Harish Raisinghani
Manager Human Resources

“We being a responsible Institution are committed to safeguard our employees and customers. Since very first day of the outbreak, our team came into action, developed business continuity & HR Safety and Security plan, carried out massive information and education campaigns virtually about various precautionary measures as suggested by Government, Regulators and WHO.

Employees were informed and provided with flexible policies, permitting employees to stag home, maintain social distancing and care for the family. All the staff members are retained, and paid monthly emoluments well before time.”

Safco Support Foundation
BRIDGE IN THE PROGRESS

“Socially Isolated, Virtually Connected..”

Together... WE MAKE THINGS WORK



Naveed Memon
Manager IT

“The Covid19 outbreak brought with it many challenges but it also accelerated the speed of digitization, SSF Management realizes the importance of virtual connectivity and sharing of real time, accurate information.

Accelerating the implementation of innovative digital technologies remained core agenda, Developments are made for ensuring authenticity, transparency and accountability. Our teams at front are virtually connected, we are paying full attention to reduce stress among clients and team by providing real time and authentic information, data backup are made frequent and stored safely, client appraisals, reduction in turnaround times, provision of finances through alternate delivery channels are Impacting positively.”

Safco Support Foundation
BRIDGE IN THE PROGRESS

“Making our places and people safe and secure”

Together... WE MAKE THINGS WORK



Sunil Vatwani
Manager Admin

“The impact of Coronavirus is being felt around the world, lockdown is brutally impacting almost every industry. Being natural hub for overall coordination and communication efforts Admin Section is ensuring that all measures are taken for the safety and security of Organizational resources.

SSF offices are sanitized regularly, visitors are thermally scanned, biometric verifications are suspended, alternate energy and communication channels are activated, team at front are regularly updated with emerging conditions, accordingly travel advisories are issued.

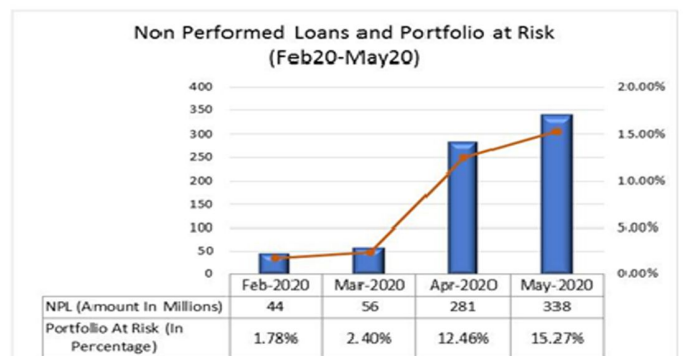
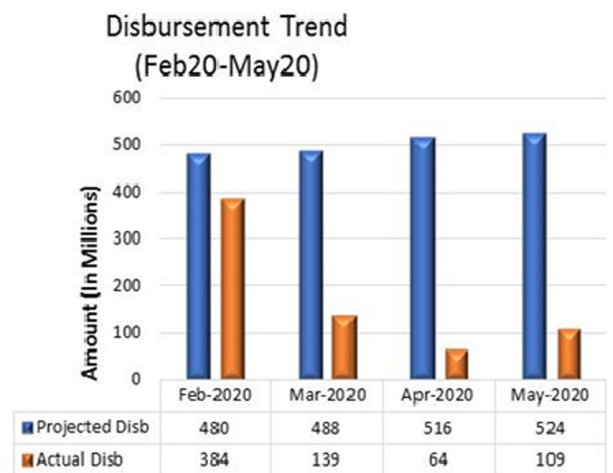
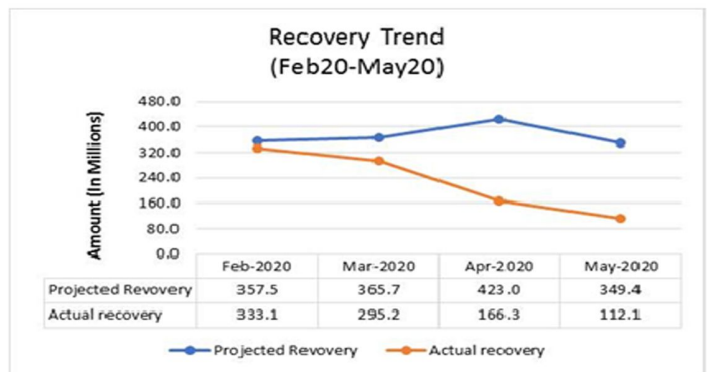
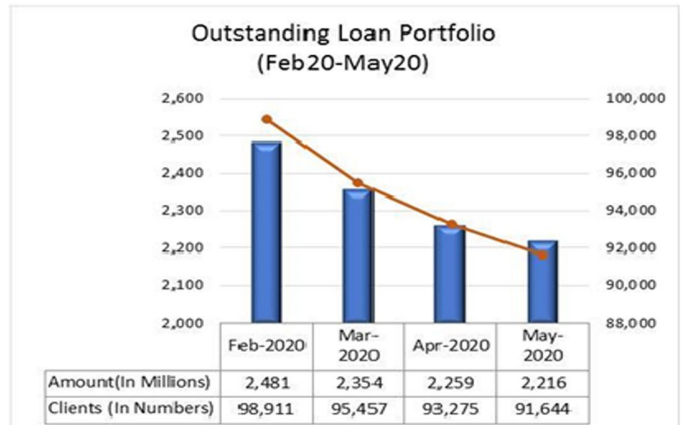
I believe we lead better when we work together. We do hope that together we will overcome this worst condition of our time. Stay Safe stay blessed.”

"FINANCIAL INSTITUTIONS NEVER EVOLVED SO RAPIDLY & BRAVELY"

The COVID-19 pandemic threatens lives and livelihoods, and, with that, has created immediate challenges for institutions that serve affected communities. We are witnessing that the micro-finance industry in Pakistan is matured over a couple of years, and serving a huge number of households that previously had no options. This relationship with the customer not only helps beneficiary to access the capital they require but it also helps them assist through business counseling's, value-adding to their entrepreneurship skills and helping customers to invest in microenterprises, save, and maintain liquidity.

SAFCO management remained very vigilant and from the very first day formed a disaster response team lead by Chief Executive Officer. The team started stress testing of institutions, monitoring pandemic situations, transmitting accurate situation update, and educating clients and team at the front with precautionary measures. Team also connected all disconnected dots through virtual connectivity. Different surveys of over 175 microfinance officers and interviews with the head of the Department and some 734 clients were approached for telephonic interviews. These surveys were conducted during the first as well in the second smart lockdown period. Realizing the fact that Sindh had the highest cases than other provinces of Pakistan. The SAFCO Support Foundation has to play a major role in ensuring the confidence and availability of capital at the grassroots when it is needed the most to rebuild our economy.

SAFCO Disaster Response team analyzed discretionary fiscal responses to the Covid-19 pandemic. Based on the situation assessment reports Management decided to distinguish policies for three phases of the pandemic: (1) acute overall disruption, (2) initial recovery phase, and (3) the longer term. The team analyses day-to-day measures taken in phase one which lasts up to June 2020 and the Senior Management was assigned to assist in considering measures relevant for Phase two which requires a bit of aggressive mode with high productivity and minimum resources. The team remained vigilant on distinguishing between lump-sum subsidies, such as top-up facilities, rescheduling recoveries and payments, relaxation in federal taxes, which may ease financial constraints, and measures which intentionally affect incentives. While operating minimally and maintaining the same structure remained an area of hot debate and discussions during all management meetings.



While flashing back to the normal days when SAFCO Support Foundation (SSF), with its 50 field Branches, used to arrange mobilization events, to provide loans to meet the credit needs of the client, the majority among whom had no credit history recorded, within a week of the loan application their loans were sanctioned, to be paid back monthly or as per the client's preference. Conducting Social and technical appraisals of clients, arranging Clients capacity building sessions, So how does every single team member, who was taking care and caters to the Bottom of the Pyramid clients, not only survives but evolves stronger ever before.

Accepting the after-effects of the pandemic, and realizing the fact that Financial Institutions, Environment, Priorities, Operational Methodologies are evolving rapidly and in a way had not been previously envisioned. SAFCO can't cave on the commitment to quality, adherence to standards, and level of services. So, it was agreed to leverage technologies, continue to provide critical assurance, helping, and advising management and the Board on the shifting risk controls landscape, and helping them in anticipating emerging risks. The Covid19 outbreak brought with it many challenges but it also accelerated the speed of digitization, SSF Management realized the importance of virtual connectivity and sharing of real-time, accurate information. Accelerating the implementation of innovative digital technologies remained the core agenda, Developments were made for ensuring authenticity, transparency, and accountability. SAFCO teams at the front were virtually connected, to pay full attention to reduce stress among clients and within by providing real-time and authentic information, data backup was made frequent and stored safely, client appraisals, reduction in turnaround times, and provision of finances through alternate delivery channels were impacting positively.

We find that, on average, sales and household income both fell by about 90%. Households' primary immediate concern in early April became how to secure food. As a result, 70% of the sample of current borrowers reported that they could not repay their loans; loan officers anticipated a repayment rate of just 34% in April 2020. There were field pressures faced by teams from the opportunists too, but SAFCO transparent, and accurate information-sharing mechanism, as well as strong control systems, helped to smoothen the process.

Currently (as of June 30, 2020) SAFCO operates with PKR 2,234 outstanding portfolio and 91,359 number of clients which includes 55% women clients, as well 40% plus people representing the underserved who availed loans. Though the nature of previous disasters was quite different even than the lesson learned reinforces the belief that both, the customers as well as the Microfinance Institutions & employees in the sector are resilient and will never give up. Each one engaged realizes that the global pandemic will have an impact on this sector. Clients as well institutions have to get back to normalcy, repayments might get delayed and tenures of loans might get extended. But, this business, unique in being a double bottom line of social and financial objectives, is about living with them and mirroring their cash flows especially in such difficult times, and forecasting for new business strategies. We build from the results to argue that COVID-19 represents a crisis for microfinance in low-income communities. It is also a chance to consider the future of microfinance, and we suggest insights for policy reform. SAFCO aims to go beyond, not being just a loan provider; educating, training, and counseling customers has always been a priority. Even in the current situation of uncertainty, the SAFCO and it's over 525 employees are active, conducting virtual group meetings with their clients, highlighting the need for safety and hygiene in the COVID 19 crisis, and reassuring them on the financial front. When the lockdowns and closer of market finishes and clients make efforts to restore normalcy, they will find SAFCO ready and waiting to help them. SAFCO Support Foundation, is truly connected with clients, is one of those who better understand the everyday opportunities and the risks that the industry is experiencing.

VALUE CHAIN, COPING WITH THE PANDEMIC:

The SAFCO management considers the impact of the Covid-19 pandemic on the company's strategies and in particular, the configuration of firms according to WHO SOPs regarding fighting against coronavirus once the pandemic has been brought under control. The whole team was trained about the awareness of COVID-19 through the SSF training department which played an important role during a difficult time. Virtual training events were conducted under the supervision of the SSF management, Provided the SOPs instructions in all fifty branches of SSF, besides that provision of protective equipment and material was also ensured. During those horrible days, the management boosted the team's morale for their brave and admirable efforts and situation management.

THE REVIVAL OF BUSINESSES:

Covid-19 has severely tested our public health systems, recovering from Covid-19 will soon test our economic systems. Innovation will have an important role to play in recovering from the aftermath of this pandemic. The SSF management emphasized and encouraged for innovation and also derives some lessons from how every single member responded to the virus so far, these lessons were further employed for managing innovation.

SAFCO management devised a 3Ps strategy for taking the business situation from the depression to recovery, and from a recovery position to a sustainable position. In this strategy the disbursement targets were higher than the last tenure, the focus remained on a good collection of the overdue and due recoveries. Hence after getting marvelous ownership by the core team of SSF, and SSF initiated the policy of deepening its services further which means the targets of the disbursement and recovery have to be achieved efficiently. Hence as predicted by the SSF management at the end of 2020 the SSF business plan will be achieved and it will be on the rise from the current situation.

ENTREPRENEURSHIP OUTREACH: A NEW ROLE FOR THE BUSINESS:

The economic crisis caused by the COVID-19 pandemic idled about one-sixth of the provincial economy and displaced one in four workers. The management is quite hopeful for continued improvements in employment and output growth over the next few months. However, given the magnitude of economic losses that have taken place, it is unlikely the economy will reach pre-pandemic levels anytime soon as substantial portions of the economy will likely experience significant reallocation with some businesses going bankrupt and others using this as an opportunity to downsize employment. Hence there is a great demand for the loan for those entrepreneurs who again want to sustain their businesses. The first choice of the clients is the SSF because in difficult days was only an organization that stood shoulder to shoulder with its clients and provided a good amount of grant with the support of its investors, and partners.

DEEPENING OF SERVICES:

SSF has a much more optimistic perspective regarding deepening the business plan to become successful until the end of 2020. SSF believes that demand for capital and Knowledge will increase rapidly, this drive will indeed demand Financial Services in Emerging Markets, with the latest technological solutions. SSF is ready to play its role perfectly to sustain the business of the clients.

While deepening services with robust business plan SSF management focuses on that Why is there limited demand for financial services in emerging markets? On the one hand, low-income individuals may not want formal services when informal savings, credit, and insurance markets function reasonably well, and the benefits of formal financial market participation may not exceed the costs. On the other hand, limited financial literacy could be the barrier: If people are not familiar or comfortable with products, they will not demand. Therefore the management has fastened its seat belts and with the experienced SSF Management team successfully made rational and strategically developed its business plan which will help the vulnerable clients whose businesses require financial support for having good economic and social living standards.

▶ COVID-19 IMPACT ON CLIENTS

Risk	Impact
<p>Ability to Repay the Loans</p>	<ul style="list-style-type: none"> ● With the slow of the global economy, the GDP growth projections are slower than forecasted growth rates, as this has brought the local economies to a near standstill, clients' ability to repay their loans is adversely affected for the short and long term ● The enterprise customers segment is higher in urban locations is vulnerable with the lockdowns of all the non-essential business that has led to additional challenges and supplies. ● The businesses dependent on import/export supply chains were most exposed to the disruption and reduction in demand as the sell and purchase selling places are lacking in the lockdowns ● The non-essential businesses (notified by the government) from time to time are severely impacted ● The disruption in the routine life for a poor person has decreased the household income of the client impacted the instability in the cash flow with misbalanced daily expenses and earnings ● The MFI customers have a strong bonding with the microfinance officers, with the lockdowns, the lack of physical meetings and group meetings are impacting the risk of continuation of the repayment flow through the defined channel and will likely to increase the default ● The increase in the basic food price has also affected the consumer expenses and created panic in the market for food security in the preparation of lockdowns ● The decrease in the customer confidence and moral for survival in the situation is reducing the ability of the customer to repay the loans and the demand for the relief activities is expecting from the government and the social sector
<p>Digital Acceptance</p>	<ul style="list-style-type: none"> ● The digital acceptance is in place but is not yet widely accepted and understood by the microfinance borrowers mainly in rural areas The female clients have not direct access to the agents and the trust for repayment is also lacking
<p>Health and Safety</p>	<ul style="list-style-type: none"> ● The use of physical cash can be a means for transmission of the virus ● The market places with the crowd are the high-risk areas and the micro-entrepreneurs need to protect themselves and their employees by ensuring the compliance with SOPs ● The awareness to the illiterate clients about the covid-19 disease and precautionary measures in their routine lives ● The connectivity and coordination of the client with the microfinance officer without physical presence with other means of communication ● The risk of fraud and cash embezzlement in a remote working environment and loan repayments

► COVID-19 IMPACT ON SAFCO STAFF

Risk	Impact
Job Security and Morale	<ul style="list-style-type: none"> ● The uncertainty business practices and the news surrounding, the staff morale has been dropped in the overall situation ● In those locations where the branches have been closed due to lockdown, the fear of losing wages at the very least and loss of employment at the worst has been seen. ● The lack of clarity to the employees is seen in sick leaves or unpaid leaves ● The fear of a decline in the salaries and incentives due to the business position is found in the employees ● The impact on the incentive scheme payments for employees on the key performance indicators has affected the job moral of the microfinance staff ● Fear of the institutional bankruptcy and industry failure in the crisis
Remote Work Challenges	<ul style="list-style-type: none"> ● The frontline staff i.e. microfinance officers typically interface regularly with customers, in the recent situation the regular effective working remotely is quite impossible or unclear ● The microfinance officers are increasing finding difficulties to move to their field areas at client's business places due to lockdowns ● All the staff is not much equipped to work from home: lack of laptops, reliable electricity resources, internet access, and system security is creating hurdles in working from home ● Difficulties are faced by the staff in the collection of loan installments from the clients all the time ● The microfinance officer connectivity with the clients with other means of communication channels is not possible mainly rural female clients as they do not have their mobile phones ● Lacking the policies and procedures and conducive environment at work from home under such circumstances creating the difficulties for the employees ● Understanding and implementing the changes in the institutional operational policies issued by management in the pandemic ● Difficulties in communication and coordination with the management and other relevant staff in offline locations from their work stations
Safety & Security	<ul style="list-style-type: none"> ● The fear of safety in health has been seen in the employee's despite the adoption of the precautionary measures ● The increase in the demand for gloves, masks, and sanitizers have experienced a shortage in the local markets and increased the prices affecting the employee expenses or stock management by the institutes ● The cash collections by the staff and traveling with cash in the lockdown has impacted the risk of unexpected crime and staff security ● The confusion and fear of safety and security has been noted in the employees either at the field or office

▶ LOCUSTS SWARM ATTACK

Agriculture lands in Sindh are once again under a massive attack of locust swarms from Iran, which as per initial reports are proven even harmful for the crops in the province as compared to the locust attack of the last year in June 2019. Again in 2020 swarms of locusts are robbing farmers of their food and livelihood. While beating the utensils Ms. Hakmoon Bai in Sanghar says “These insects are uncountable and they will eat all the minimum which we had here. Our livestock will not have anything to feed on,” her whole family was making noises, flapping handmade flags at a cloud of the insects that had descended on her land. She concludes that “The government needs to get serious about fighting against them.”

Heavy rains on the Arabian Peninsula in 2019 triggered explosive growth in the locust population, and they began causing problems in India, Pakistan, and several African countries last year. The second generation is 20 times bigger.

Local farmers were fighting with Corona, after two months of lockdown farmers in rural Sindh were planning to resume the supply chain, but suddenly everything is again exposed to high risk of losing the rice, cotton, vegetable, and sugarcane and fruit trees.

The current locust situation remains extremely alarming Swarms of locusts have spread to 22 districts of Sindh after attacking bordering districts to Iran. We are witnessing fears of large-scale crop devastation.

According to estimations after summer breeding in Nara and Thar deserts of Sindh, locusts migrated bordering countries, like last year locust traveled to India and again attacked Pakistan in September 2019. Experts are of the view that Locusts move in swarms of up to 50 million, can travel 90 miles a day, and lay as many as 1,000 eggs per square meter of land. These swarms can destroy enough food crops that otherwise could feed 34m people. It’s not only a matter of livelihood of farmers but it will also badly affect the supply chain and may result in the food insecurity of millions of people in Pakistan.



LOCUSTS IN DESERTS OF KHIPRO



FLYING SWARMS NEAR SHAHDADPUR

Experts are of the view that the locusts have ample breeding time, soon monsoon will start these swarms will find the breeding places. As soon as the pests would attain flying age, they would start attacking crops available to them all around.

Though there is a Federal as well provincial framework agreed to cope with the situation but seems implementation will take further time however the farmers in all affected areas are applying traditional methods to push away the swarms but their efforts appeared to be an exercise in futility considering the strength of the swarms.

SAFCO support Foundation’s current outstanding loan portfolio under Agriculture Development loan is around 112.2 million, which is extended to some 1563 borrowers (majority among whom are small farmers) in Hyderabad, Matiari, Sanghar, Mirpurkhas, Shaheed Benazir Abad, and Naushehroferoz districts. Due to COVID 19 restrictions, lockdown, recent attacks of locusts’ swarms, the portfolio is affected badly, the scheduled recoveries are rescheduled and dropped at 36%.

To identify the extent and severity of the situation SAFCO management constituted an Assessment team that was assigned to analyze the scale and impact on the business of SAFCO clients, team also assessed food security and livelihoods of the targeted clients to address humanitarian needs.

The locust attack initially began from Khairpur and quickly spread to Dadu, Matiari, Jamshoro, Nawabshah, Naushero Feroze, and Sanghar districts, sparking fears of income losses and food insecurity of thousands of families engaged in the Agriculture Sector.

Shaheed Benazir Abad: Swarms of locusts were spotted in Shaheed Benazir Abad district. As per data from field teams locust devastated around 2,770 Acres land. Some 619 number of active clients are provided with PKR 35 million amount of Agriculture Development loans. Teams reported some 83 villages are directly under attack. Invading Locusts attacked standing crops of Cotton, Sunflower, Rice, Sarsoo, fruits, vegetables, Ladies finger, Fodder grasses, Chilies, watermelon, Onion, and trees which were used as fodder for small animals are also badly affected.

NauShehroFeroz: According to the Agriculture Department some 42 union councils of Naushehro, Bhirya, Moro, Kandiaro, and Mehrabpur tehsils are under severe swarm attack. As per data collected devastation is impacting crops over 3,189 Acres of land. Some 160 number of farmers were provided with PKR 9.5 million amount of Agriculture development loans. Crops like Cotton, Sugarcane, fruits, vegetables, Fodder grasses, Mangoes, watermelon, and trees which were used as fodder for small animals are also badly affected.

Sanghar: While traveling to Sanghar via Matiari by NH 5 one can witness the natural breathtaking beauty, which depicts the richness of the area however one may also witness rural low caste villages that are not connected with passing by a national grid system. Sanghar may be divided into two zones one with a green belt connected with canal water while the second belt of Khipro which has a barren desert part. However, this lush green area as well as desert with limited options available is under attack from locusts. SAFCO jointly with partners has not only provided agriculture development loans of worth PKR 55.4 million but also strived to develop a value chain and reduce distances between buyers and farmers. As per the initial assessment, Some 3,357 acres of land with vegetation and standing crops is under attack, clients are of the view that lockdown coupled with locusts devastating the only source of income available is taking a resident to food insecurity. Recently towns and surrounding areas of Shahdadpur host millions of locusts, people of the area never witnessed such devastation.



A BOY HOST LOCUSTS IN TANDOJAM

Matiari: Land of Saint and poets, Matiari is a newly established district with one of the oldest territories of Sindh. This region produced many religious scholars, Educators, Intellectuals, Poets which spread the essence of their knowledge all over the subcontinent. The district contributes significantly by producing cotton, mangoes, lemons, and nutritious vegetable. Some 136 farmers with PKR 12.5 million outstanding loan portfolio reported current locust attack has devastated Uderolal, Tando Marri, Nasarpur, Masu Bhurghri, Shah Alam Shah. Locals are of the view that swarms are devastating standing crops and ready to pick fruits.



Mipurkhas: literary the "land of most royal Mirs", is an ancient and with the rich historical area of Sindh, previously used to serve as a gateway to large arid, the Great Thar Desert and is today counted amongst the largest and major cities of Sindh. Unfortunately, it is currently managing pandemic as well as locusts attack and has not too much to offer to its residents. Mirpurkhas is currently known as a major mango producer though the same district was known previously as being the best cotton producer in the country. Farmers are of the view that ready to pick mangoes are under attack of unwanted swarms of locusts and causing losses of billion rupees. According to estimation some 1,941 acres of land with standing crops of vegetable, melons, and cotton is devastated completely.

Hyderabad: Swarm damaging standing crops of cotton, paddy, and millet (Jawar) in the desert areas of the Sanghar and Umerkot, the locust headed from the right bank of Indus crossing district Dadu towards Matiari and Hyderabad. after 90 years Hyderabad witnesses locust attack. The locusts attack in Hyderabad district on around 543 Acres land out of which some 141 acres agriculture land is badly affected. Locust attacked the standing crops of Cotton, Fodder, watermelon, Onion, Mangoes, nurseries, etc. Around 17,513 population from 1,036 households also directly affected and farmers have estimated losses of PKR. 7.27 million.

According to the UN's Food and Agriculture Organization (FAO), Pakistan will incur losses of about £2bn in winter crops, such as wheat, and a further £2.3bn in the summer crops being planted now. The farmers are extremely concerned and distraught over damage to crops worth millions of rupees and are complaining over lack of effective Management and control over this prevailing threat. The majority of farmers demanded a national emergency at all levels, they have called for handing over insecticide spray to the local administration, activating district Disaster Risk Reduction formers for efficient management of the impending disaster. The nervous farmers asked authorities that swarm attack will be increased during and post-monsoon season, the locust would breed and cause more damages. Farmers also demanded ensuring the availability of business revival finances for recovering their businesses to routine from current pandemic and natural disasters.

4

CELEBRATIONS

2020: AMID HARSH REALITIES TEAM HAD CELEBRATIONS TOO



**Branch
Managers
Conference**

**SMART
Certification**

**PACRA
Rating**

▶ BRANCH MANAGERS CONFERENCE



SAFCO Support Foundation hosts the Annual Branch Managers Conference. The event was attended by managers from 50 branches, SAFCO Senior Management, Board of Directors, and civil society leaders. The conference was aimed at reviewing last year's implementation, panel discussions were also held to identify challenges, and discuss key successes and milestones for the year 2020.

Governance, Management & Team unanimously devised and agreed upon the below mentioned strategic priorities aligned with the SAFCO Support Foundation's Mission, to achieve sustained and equitable economic growth and prosperity among communities we serve.

- To retain existing and bring in more partnerships, increase & enhance sustainable outreach, and attract more investments, profitability, and sustainability for the company.
- To review business processes policies and practices, improve control systems and environment, minimize risks, and improve the quality, breadth, and relevance of the balanced growth with value-added service.
- To increase the outreach of microfinance plus services, facilitate clients in establishing their small and medium enterprises, and enhance employment and income opportunities for the economically poor prioritizing women, youth, and underserved citizens.
- To Strengthen the Digitalization of services at the institutional as well for clients to facilitate access to finance efficiently.
- Increase financial inclusion of deprived segment of society, giving viable measurement and analysis to the customer satisfaction, improve products and services offered to the customers and continue long-term relationships with them.

Addressing the gathering, SAFCO founder and Chief Executive Muhammad Suleman G Abro said, "We need to keep aside all of our differences and serve the people who have not yet been reached by any government." He said that "use opportunities available and serve efficiently to improve the lives of people, the prestige, positions and all of us will not stay for always, there will always be remembered the role that all of us will play to bring prosperity for these communities".



Addressing the event, SAFCO's Managing Director Syed Sajjad Ali Shah briefly shared the economic situation of the country and emphasized for effective & efficient use of small and medium business loans in making client families self-sufficient. He directed the team to reach the clients in remote areas with entrepreneurship skills, harness their true potential and provide them loans for the establishment of their small business

While Mr. Bashir Ahmed Abro Deputy Managing Director said that SAFCO not only provided capital to sustain livelihoods to clients but it also provided professional identities to people working with the organization.



Senior Manager Zaheer Udin Babar Junejo said, "Indeed it's our great honor that all of us belong to poor families, and serving the clients who are either forgotten or neglected, this inspiration motivates us to provide better services with dignity."

Mr. Sarwan Baloch, Professor Ismail Kumbhar, Ms. Mumtaz Banu, Professor Dr. Ghulam Ali Jariko, Ms. Zeb-Un-Nisa Malah, and others also addressed the occasion. Appreciation certificates and shields were distributed among the outstanding Branch Managers. SAFCO team also honored Mohammed Suleman G Abro with Special Recognition Shield.

YEAR 2020 AT A PICTORIAL GLANCE



SSF celebrates a decade of serving unbanked and most marginalized



Staff had Mock Drill



Safco Support Foundation jointly with Pakistan Stock Exchange, State Bank of Pakistan Money Museum, and Pakistan Micro Finance Network participated in Global Money Week



Conference "Water Trends, Challenges and Sustainable Strategy" hosted by The Asia Foundation and Hashoo Foundation at MUET Jamshoro



SSF inaugurates its 50th Branch



Mr. Hassan Romani from Symbiotics Geneva, Switzerland visits SSF office



MICROFINANZA Conducts SSF evolution for SMART Certification



Syed Mohsin Ahmed
Chief Executive Officer PMN

YEAR 2020 AT A PICTORIAL GLANCE



Mr. Scott Sheridan Director Operations - Education Finance, Opportunity International UK visits SAFCO.



SAFCO Clients receives cheque under EHSAS Interest Free loan from Governor of Sindh at Karachi.



Mr. Constant Tilman and Mr. Tim Crijns from Triodos visited SAFCO



Ms. Fariel Salahudin from Uprade visits SAFCO,



Managing Director SSF receives recognition certificate from Dr. Abdul Hafeez Shaikh Advisor to Prime Minister on Finance, Revenue and Economic Affairs.



SAFCO Clients receive appreciation awards at Sindh Language Authority Hall in an event organized by Sindh Commission on the status of Women.



SAFCO Governance & Management visited PMIC & PMN Head Offices

▶ SMART CERTIFICATION



During the reporting period, The SAFCO Support Foundation earns Smart Certification in January 2020 after 6 years of constant endeavors. MICROFINANZA awards SSF with SMART Certification after a very detailed and rigorous evaluation. SSF team efforts were recognized and the company secures unique positioning among all MFI in Pakistan. While celebrating the certification teams jointly with Governance and Management contributions were recognized through appreciation certificates.

The Board of directors applauded the efforts of management in making SAFCO a client-centric company. Member also appreciated the hard work and dedication extended by the team and support of the Pakistan Micro Finance Network. Speakers highlighted the challenges overcome during the process, and efforts while uniting financial leaders to value the common interests of the common people. After 6 years of hard work, concentration, and belief resulted in improvement in social performance indicators and promoting as well as protecting social values, brings global recognition.

Talking to the audience Managing Director Syed Sajjad Ali Shah said “that our social insights and goals for society were evaluated on international standards and given certification globally. Our celebrations are only because of our unwavering trust in client-centered policies and practices. Each one of us deserves the praise and congratulations.

it took six years of our hard work we formally started the process in house and improved all of our social as well as business indicators. Let me remind you that first of all, we had Social Audit, the rating agencies of Pakistan, who do regular tax rating, were got into our first rating, which commonly we know as Social Audit. Based on the finding we were provided with two years to plan and contribute to improvements recommended.

In 2017 we again went for another audit, results were enough for our motivation and validated believe that we are far better as compare to other institutions at the national level. That confidence made us strive and prove our identity globally. Globally around six thousand institutions are actively serving among which only 120 institutions and 7 in Pakistan are provided with SMART Certification. If you have a look at our industry there are some 35 microfinance institutions but only two among them were able to get their selves successfully through this



SYED SAJJAD ALI SHAH MANAGING DIRECTOR SPEAKING TO AUDIENCE

client protection principles assessment process and are now SMART Certified institutions. Reminding the debriefing of the evaluation team to the audience Syed Sajjad Ali Shah said “SSF is among 7 institutions who went through this assessment but SSF is the only one who secured such high ranks in all of its seven principles.” Sharing the experiences of different dialogues and meetings held through social media Managing Director told that, Mr. Joris was of the view that like other institutions in Pakistan certification will take some more time to follow recommended improvement, but SAFCO remained so quick. Head of rating committee Joris(who visited us) was surprised to see that the SSF team quickly not only followed the recommendations but also provided satisfactory results within a very short time. This journey could have never been such successful if each one of us and our teams would have not proved their best. During the evaluation process our board vision, their efficiency, and effectiveness were also assessed, they met with consultants and responded to their queries. The Interviews with staff, Board, and Focus Group Discussions with clients proved unity and informed participation from each tier of the organization. This success is feathered because of the strategic visionary leadership of our Board, Mission-oriented Execution, and appropriate management contributions, every single person at the front, all of them played their part. Your passions brought all of us here to celebrate success jointly. Let me also give an overview of the benefits we may expect from this certification; firstly, the institution that has evaluated us and validated for certification is the only reputable institution in the world to recognize and authorize such certification globally. While some known and trustworthy institution reports your conduct and the business perfect globe will trust it without and ambiguity. They are properly placed and they become our advocates to the whole world. International investors are seeking to invest in improving social values. We were formally informed on January 08th, MICROFINANZA announced the same at their social media pages within no time we were approached by more than three institutions (Micro Insurance Investment, Social Investment Companies) who were interested to identify mutual areas for investments.

This is just beginning recognition seal at certificate is now advocating the good work each one of us is doing. On the occasion talking to the participants Muhammad Suleman G Abro Founder/Chief Executive Officer said “No doubt we are witnessing one of our set milestones is successfully achieved with all of your contributions. This certification process involved a very rigorous evaluation process, which included evaluation of policies, practices, and vision itself. The evaluation team satisfaction has proved we are client-centric.

Receiving this certificate is a testament to all of our hard work, especially of the Managing Director and his team members, each department had worked so hard with no time limitations. They kept their social events aside and worked hard to bring us global recognition. Let me give you an example of consistency the Will and Ariel Durant (husband and wife), spent four decades of their lives to produce an 11-volume set of books covering Western history for the general reader, known as The Story of Civilization.

Don't you think spending 40 years for a cause to write a book is not a huge time, they even, later on, made it simple by producing another book known as “Lesson of History”. We can design our future, what all of us need is patience, hard work, and self-belief. It only comes when we are known to our strengths, our past as well to our future. Taking the advantage, I must appreciate those women who in our early days started this financial service initiative with the capital of PKR five thousand only. The saved money by poultry management. See today those efforts are known and recognized globally. We never thought of giving up neither we were tired of slow progress or extra efforts with minimum impact, we were never discouraged. We believed in teamwork with a vision to bring this organization to the next destination. Today's event is the value of each one of your hard work. It is the result of honoring and encouraging each other within. I do remember Mai Saleemat (community Activist) she was the leader of village women, she used to gather her villagers and address them in Siraiki. We used to call her Champion. She always felt proud to serve and uplift her village women through small initiatives of that time. When you respect community leaders, clients than in return they will surely respect and society too. Do care about your clients, families, and parents always. We hope that with the spirit you will bring more successes to celebrate. For us, our client and our organization is the topmost priority. If we can provide a sound foundation to our institution, it is our intellectual, moral, and cultural duty, it will surely serve generation to generation. We might not be there, but our vision, actions should pave the way for future generation successes. Chief Executive Officer said “we must also recognize technical and financial support of Pakistan Micro Finance Network (PMN), they were always there whenever we needed them most. For them, it was also hard to decide while they were selecting MFI for certification from ten applications submitted to them from other Member MFIs.



SULEMAN G ABRO FOUNDER & CEO SPEAKING TO AUDIENCE

► CREDIT RATING

Credit rating helps in the development of financial markets. Credit rating is an investor service and a rating agency is expected to maintain the highest possible level of analytical competence and integrity. The analytical framework of rating deals with the evaluation of both the business and financial risks associated with that entity. Besides qualitative aspects like management capabilities also play a considerable role in determining a rating. Credit ratings establish a link between risk & return. They thus provide a yardstick against which to measure the risk inherent in any instrument. The analytical framework of rating deals with the evaluation of both the business & financial risks associated with that entity.

Credit rating is the opinion of the rating agency on the relative ability and willingness of the issuer of a debt instrument to meet the debt service obligations as and when they arise. To receive the opinion about SAFCO Support Foundation- SSF business we decided to hire one of the reliable rating agency of Pakistan PACRA (Pakistan Credit Rating Agency) to conduct SAFCO Credit Rating, though it is not a regulatory requirement for Non-banking Microfinance Companies here in Pakistan by the regulator but keeping in view the importance of rating outlook SSF decided to go for it.



PACRA Assigns Initial Entity Ratings to SAFCO Support Foundation



PACRA, The Pakistan Credit Rating Agency Limited, has assigned initial entity rating of **“BBB- Long Term”** & **“A3 Short Term”** with outlook **“STABLE”** to **SAFCO Support Foundation-SSF**

Rating Type	Entity
	Current (05-05-2020)
Action	Initial
Long Term	BBB
Short Term	A3
Outlook	Stable
Rating Watch	YES

Rating Rationale & Key Rating Drivers: The key element is that MFIs in Pakistan like; SAFCO Support Foundation are not permitted to mobilize deposits, while they are also not backed by any stakeholder equity due to their status of "Companies Limited by Guarantee". These two elements, in combination, provide funding constraints, while they also delimit the boundaries of risk. SAFCO is a not-for-profit organization, hence, the source of funding comprises a) internal generation of profits, b) loans and c) grants. The Foundation's sanguine profitability culminates into integral capital generation at a decent rate. The second major source of funding is borrowings, for which the Foundation majorly relies on local avenues primarily including PMIC, with some portion of foreign lending too. Governance structure takes strength from the body of members and the Board of Directors. The ratings also incorporate the vulnerability in business due to low market share and limited geographical presence. Additionally, the growing impact of economic slowdown lately exacerbated by the global pandemic spread may deteriorate the overall risk profile of the Microfinance Sector, particularly regarding the quality of assets and risk absorption capacity. Currently, the Institution's financial risk profile displays a comfortable outlook with decent credit quality and fine profitability margins. The ratings are dependent on the Foundation's aptness to sustain positive performance indicators amidst growth in business volumes. Meanwhile, the ratings would also monitor the impact of technological progress on the operational and risk efficacy of the Foundation.

SOCIAL PERFORMANCE MANAGEMENT



SOCIAL PERFORMANCE MANAGEMENT

Social performance management (SPM) refers to the systems that organizations use to achieve their stated social mission. Evaluating the SAFCOs' ongoing efforts to promote social performance MICROFINANZA awarded SAFCO with SMART Certification

This chapter presents the current state of social performance practices. The main achievements of the sector are a positive contribution to the sustainability of Small and Medium Enterprises, support to excluded segments of the population.

Social aspiration is what makes SAFCO different from other financial players. Governance and Managements emphasize putting more efforts to plan, implement, monitor, and report social outcomes, bringing continuous improvement and encouraging other stakeholders to play their part.

Appropriate Product Design and Delivery: SSF product development policy is in place, covering how products and services are designed and launched, including through which channels these are made accessible to clients. The launch of new products is based on demand from customers. Further, Safco conducts annual client satisfaction and exit surveys. SAFCO also has appropriate mechanisms in place to avoid aggressive sales in marketing practices and client onboarding process i.e. Definition of aggressive sales, caseload levels, ongoing monitoring.

Prevention of Over-indebtedness: The loan approval process is well formalized in the credit policy and always involves at least one staff member other than the MFO. SAFCO has various layers of controls to ensure policies and procedures about client underwriting are evenly applied across the company. Every loan application goes through credit bureau (CIB) verification, regardless of the loan amount, type, or cycle. The Board of Directors and Senior Management frequently revise SAFCO's market positioning, growth, portfolio quality, and outreach. Monitoring of client over-indebtedness is eased by continuous internal monitoring and quarterly reports published by Pakistan Microfinance Network (PMN).

SSF team consistently trying level best to measure client and staff satisfaction levels, assessing market dynamics and accordingly improve practices and products.

The findings of such initiatives were presented in management and team meetings. The team jointly framed out way forward and each sector were assigned to take necessary measure to meet the expectations.

This engagement included consultations with client, partners, networks, SSF team. Recommendations of the findings were further presented to SSF governance.

Institutional Development Unit jointly with core sections of SSF is ensuring that all measures recommended are taken in true spirit at field as well at management level with evidence-based documentation.

Transparency: The Operational Manual details clear guidelines on what to communicate to clients during the application phase and before the signature of the loan contract. The Key Fact Document is included in the loan contract and read to the client before he/she signs the agreement. The document includes all the total cost of credit as well as the APR. The providers include pricing information in the public domain, including the APR.

Responsible Pricing: The interest rate of SAFCO is set to be affordable and it is regarded as competitive, compared to its local peer groups. SAFCO's Board of Directors regularly reviews the institution's performance under the set policies. There is evidence that the BoD regularly discusses pricing, compares it with competitors, and approves revisions.

Fair and Respectful Treatment of Clients: SAFCO has two different Code of Conduct (CoC): one more operational, focusing on the relationship with clients and quality of the services provided, and one specific for staff behavior (with other employees, in SAFCO's premises, etc.). Both spell-out organizational values, client protection guidelines, and standards of professional conduct are expected from all staff. The acceptable and unacceptable debt collection practices are formalized in the Operational Manual, CoC, Delinquency Management Policy, and HR Policy. SAFCO has multiple layers of controls to ensure policies and procedures related to fair and respectful treatment of clients are evenly applied across the company. The management team regularly reviews key results related to fair and respectful treatment of clients, adopting the necessary actions.

Privacy of client data: Several policies aim at maintaining the confidentiality, security, and accuracy of clients' data, including the IT Policy, the Data Safety Security Policy, and the Operational Manual. SAFCO has a robust information system infrastructure in place, to make sure that client data is not at risk of theft or misuse. Before starting the loan application, clients are informed that their data will be extracted from the credit bureau and that SAFCO has the right to share their data back to the credit bureau.

Mechanisms for Complaint Resolution: Several channels are available to submit complaints to someone other than the main point of contact, including phone calls, SMS, complaint registers, and boxes. Management regularly reviews KPIs on the client's complaints. Weekly and Monthly reports are prepared and shared with the Client Grievance Committee which in turn shares quarterly reports with the management.

► SPM Dashboard



64,973 clients served



PKR 3,098 million disbursed



86% are the rural borrowers



53% of the clients are from the lowest poverty bands



57% of the served clients are women



42% of the loans are served to youth



13% of the loans are served to clients from minority groups



122 loans were served to differently able persons



2% of the loans were disbursed among widows



675 loans for renewable energy



1 loan to transgender



66% client Retention



96% of the loans are environment friendly

GENDER REPRESENTATION



Board	29%	71%
Management	13%	87%
Front Staff	26%	74%

Client Protection

100% of the served clients are informed about product costs discloser in their loan contracts.

Over Indebtedness

100% of the served clients credit history is verified through Credit Information Bureau, simultaneously social verification is also conducted.

Complaint Resolution

With robust complaint mechanism at all places, 100% of the complaints received are resolved within timeline.

6

ANNUAL BUSINESS OUTLOOK



▶ ANNUAL PROGRESS AN OVERVIEW

The year ended was weathered with many storms, but SAFCO never once lost the determination to seek out new ways, new ideas on how to do better at doing good for its clients. As SAFCO closes another challenging but successful year, we'd like to share some glimpses of the key moments with you. This report presents the outcomes of our continued work under our strategic pillars, as well as news of our work to expand our strong collaboration with the clients and our partners. Our partnerships have gone from strength to strength, as seen during multiple crises faced during the year, even then SAFCO kept it self-connected with its clients, flexible in adopting the best approaches and being a source to others to follow.



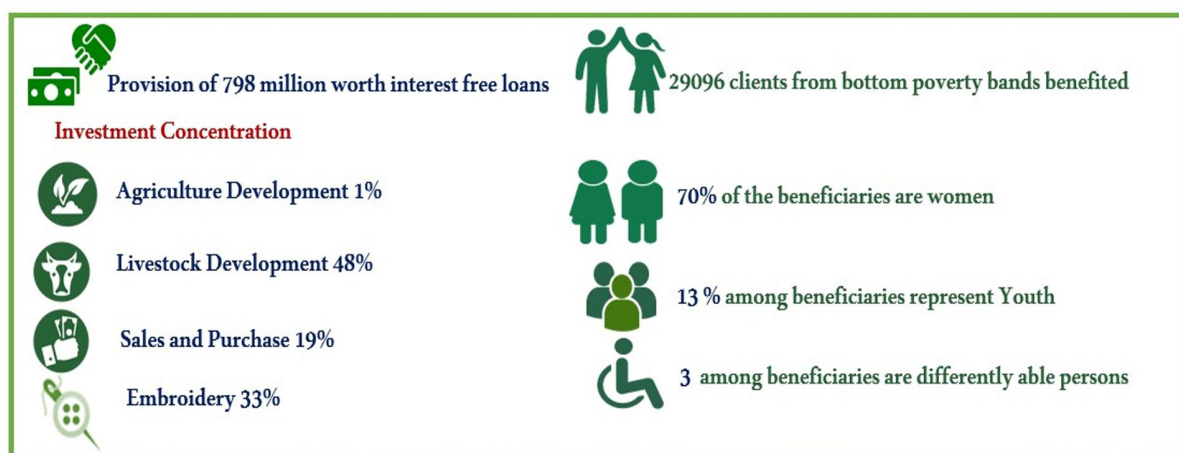
SAFCO feels immense pleasure in expanding its research by partnering with academia and other relevant to the startup enterprise landscape, Value chain, Livestock, and Agriculture Development, and Renewable Energy. Value-adding its services mechanism, launching new initiatives on digitalization a trend that, as SAFCO looks across the next five years, simply cannot be ignored.

This year SAFCO is celebrating its 11th anniversary. Over the decade, SAFCO has witnessed incredible development across the nation and indeed stood at the forefront of many of these developments by conceptualizing, leading, and mobilizing communities, resources, and partners to explore and expand good practices. SAFCO journeyed far, dreamed realistically, innovated appropriately, and like every year in the end delivered solid outcomes to the unbanked and most marginalized segment of society, by giving them access to a landscape of new economic opportunities through financial inclusion, continuous mentoring, and support mechanism.

During the year, core departments continued coordination, implementing appropriate strategies, and ensuring compliance with all the applicable laws, rules, and regulations. Departments identified potential risks and devised the procedures for risk mitigation. Despite the macroeconomic impact, Senior Management emphasized for alignment of relevant framework for internal controls, efficient and effective monitoring. AML/CFT remained another area of focus, teams were educated with FATF recommendations and SECP regulations, policy controls were improved and adopted in all the portfolio processes.

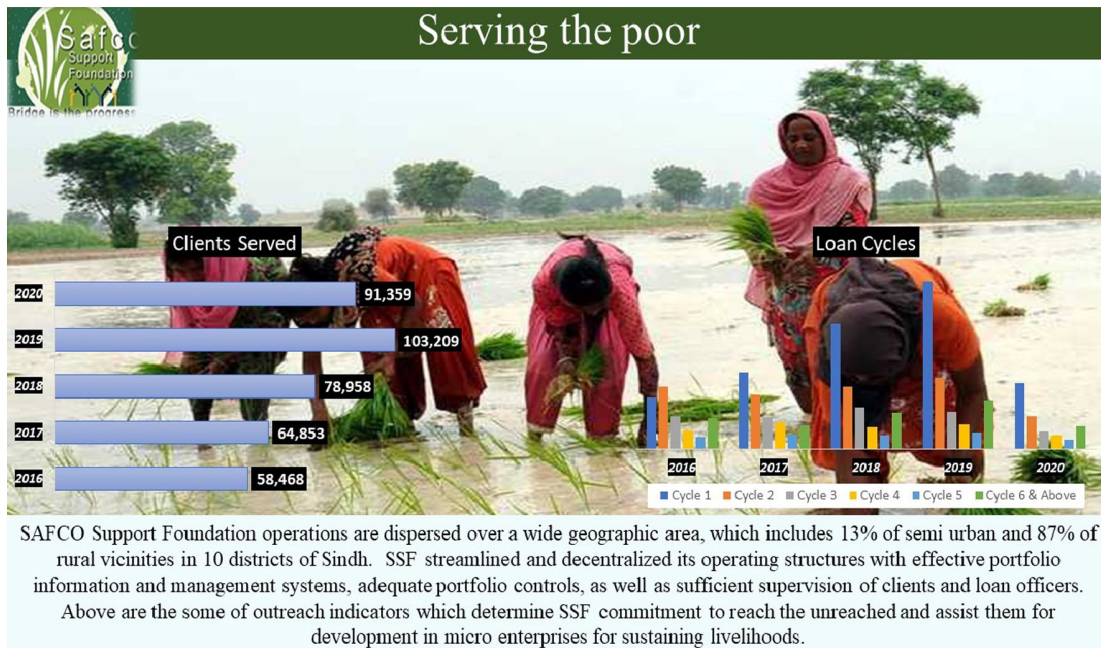
SAFCO SUPPORT FOUNDATION provides a full range of financial products and services specifically customized to meet the needs of its clients. Core products are for income-generating activities with the belief that its clients have the best understanding of how best to employ working capital. SSF is continuously working with its clients to improve and extend its product range and offerings. These services correspond broadly to the high-level Strategic Goals summarized below. The Strategic Goals align to SAFCO Support Foundation’s Mission, to achieve sustained and equitable economic growth and prosperity among communities we serve.

- ✓ To increase the outreach of microfinance plus services, facilitate clients in establishing their small and medium enterprises, and enhance employment and income opportunities for the economically poor prioritizing women, youth, and underserved citizens.
- ✓ To review business processes policies and practices, improve control systems and environment, minimize risks, and improve the quality, breadth, and relevance of the balanced growth with value-added service.
- ✓ Increase financial inclusion of deprived segment of society, giving viable measurement and analysis to the customer satisfaction, improve products and services offered to the customers and continue long-term relationships with them.
- ✓ To retain existing and bring in more partnerships, increase & enhance sustainable outreach, and attract more investments, profitability, and sustainability for the company.
- ✓ To Strengthen the Digitalization of services at the institutional as well for clients to facilitate access to finance efficiently.



The idea is simple enough, giving a very small and affordable loan to someone living at the bottom of the poverty pyramid, nurture their managerial as well technical skills, and help them initiate and expand a small business. Currently, SAFCO is not only providing loans with affordable service charges but we also are extending interest-free loans. In District Sanghar and Thatta SAFCO under EHSAS Programme had provided interest-free loans of PKR 798 million to 29,096 clients, among whom the majority (70%) are women clients. When they pay back the loan, the money is cycled to more borrowers, getting more families out of poverty.

SAFCO believes being a non-banking microfinance company is contributing to the vision of the Prime Minister of Pakistan. It's about an inclusive society, the services we offer are and attempt to expand options for unbanked and most marginalized poor people by offering more reliable financial services. Extremely poor people need these services just like everyone else, and the availability of capital to deal with irregular and at times unpredictable incomes is a huge help to them. This benefit, along with its impressive growth around the country as a whole, arguably makes inclusive finances a success.



Our loans are not the only source to establish and value add to small and medium enterprises but there is mounting evidence that it nonetheless plays a valuable role in improving the lives of people in need. The field assessment has shown that these loans help many families deal with emergencies, make critical purchases that they couldn't otherwise afford, and put food on the table in times of scarcity.

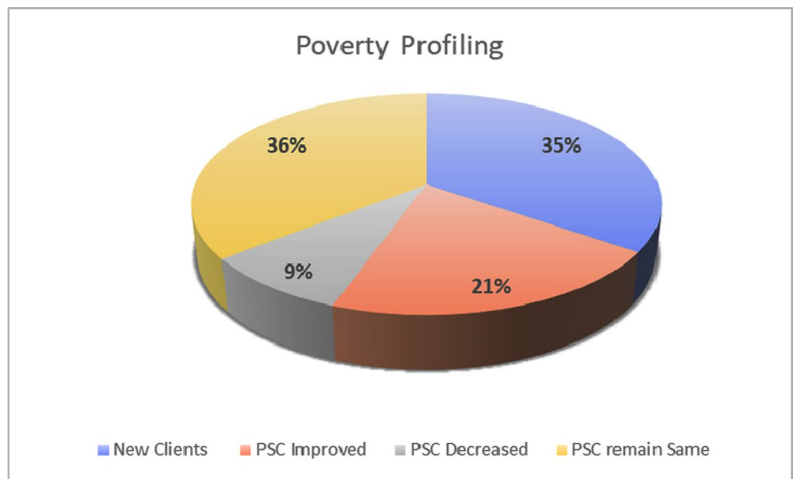
Our microfinance plus service model includes a few core elements. The first is that after a loan for a micro or medium enterprise is extended, repayment starts immediately, with frequent, regular payments for a year or so. The second is group loans, in which a small group of borrowers from different households receive loans together, which then becomes a source of social pressure on the members to help each other repay. Finally, the model cuts overhead costs by having loan officers hold weekly meetings in villages to collect and disburse payments, all the collection or disbursements are made through dully legitimate financial channels. We brought technological solutions to our traditional practices to ensure that each evidence required to follow the given guidelines from regulators and extend services to the client in a minimal period makes us different from other institutions in the industry.

As part of targeting the unbanked and unreached beneficiaries, SAFCO has adopted the poverty scorecard tool for identifying the poor and track the poverty score of beneficiary households. SAFCO uses the targeting approach and conducts a poverty scorecard of willing households in the area where SAFCO services are offered. The services offered by SSF will then be focused & designed on the households falling in the bands of poverty.

Poverty Scorecard (PSC) is a tool for poverty targeting mainly developed to give practitioners a simple, effective, and low-cost tool for identifying the poor for targeted programme interventions. It is also useful for improving transparency and accountability in terms of poverty targeting and tracking the graduation process. The Scorecard uses the proxy means test (PMT) formula, derived based on Pakistan Standard Living Measurement Survey (PSLM). It is developed by the World Bank, used by multiple civil society organizations and government relief programmes such as Benazir Income Support Programme (BISP) for unconditional cash transfer programme for the poor households, EHSAS for poverty targeted interventions.

SAFCO conducts a poverty scorecard of every single beneficiary applied for a loan. The poverty scorecard data is collected by Micro Finance Officers through Personal Interviews methodology and approach whereby enumerators use portable tablet computer devices to enter data directly into the devices equipped with a customized application software integrated with SAFCO Management Information System.

During the reporting period, some 64,973 household's poverty scorecards were filled among which some 22,011 were newly added to SAFCO loan services. It was noticed comparing with the previous trend improvement in the household is at a decline, maybe just because of inflation, recurring natural extremes, pandemic, and global uncertainty of the economy, during the reporting period, some 13,630 households improved their poverty score while some 22,674 households managed the same score. The total served clients during the reporting period included some 28,194 men, 36,779 women, and one from transgender. 58% of the clients were women.



36,779



28,194

Clients Served

If we look at the overall served clients' number then it's quite remarkable, SAFCO loans served to women clients make 57% of the total served clients. Illiteracy was found common, some 71% of the respondents reported they never attended schools. Only 4,678 (which is 7%) clients reported their education level from college and beyond. When asked about how many children in the household between 5 and 16 years old are currently attending school? 33% of the respondents said there is no child of such age with the household they represent, while 48% reported all children of such age are attending schools. It's alarming that 19% of the respondents' children of the above-mentioned age are not attending any school.

When it comes to house structure and shelter, room per person availability majority which is 77% of the respondents they don't have any room per person the majority of houses are with less than two rooms. Only 23% percent of the respondent reported more than 4 rooms available.

While asked about toilets they use 8% of the respondent don't have any kind of latrine in their homes, they go out for defecation. While 47% reported they have flush connected to public sewerage, to a pit, or an open drain, while 45% of the clients use dry/raised pit latrines.

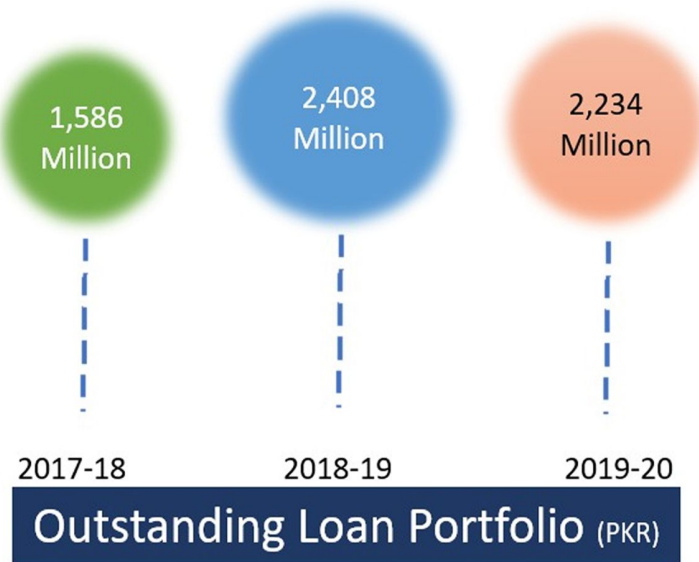
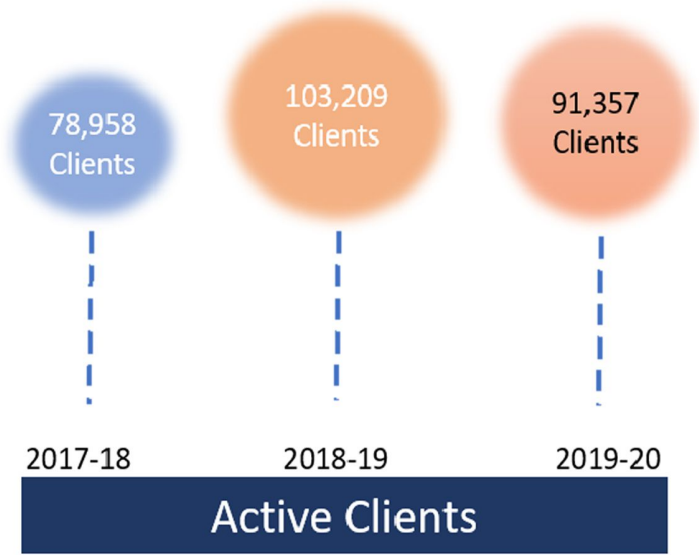
While asked about facilities like availability of refrigerator, freezer, or washing machine availability at household some 61% responded no such facility while only 39% respondent agreed that they do have either one or some of asked technical equipment.

It was also found that only 18% of the households own air-conditioned/Air cooler/geyser/heater. While 62% of the responding households reported that they never had at least one cooking stove, cooking range, or microwave oven.

While asked about engine-driven vehicles some 29% of the households don't have any such facility, while 40% reported they have motorbikes, 21% reported they have a car or tractor, while 10% reported they have at least, one car, one tractor or one motorbike. While analyzed the data it was noticed that some 79% of the respondents own at least one television while 21% responded they don't have a TV. As for as productive assets are concern some 38% reported that they own at least one buffalo/bullock and at least one cow/goat/sheep, while 18% acknowledged that they own at least one buffalo/bullock BUT NO cow/goat/sheep, while 20% reported they don't have such animals. 82% of the beneficiaries were found landless while 14% reported they own up to 12.5 acres of agricultural land.

Comparing the Annual Outstanding portfolio it's visible that there is a slight gap between both the years 2019 & 2020. The same is the case of active client's number, during the year 2018-19, SAFCO had 103,209 active clients while the year ended in June 2020 had 91,357 clients. As for as overall sale and collection is concern it declined, the coronavirus pandemic has disrupted operations in every sector. From the unprecedented transformation of organizational functioning to a total or complete shutdown of many businesses, the repercussions have been harsh. The microfinance sector, which had experienced a huge negative impact on asset quality. Needless to say, like other Microfinance Institutions SAFCO collection as well sale trend is badly hit.

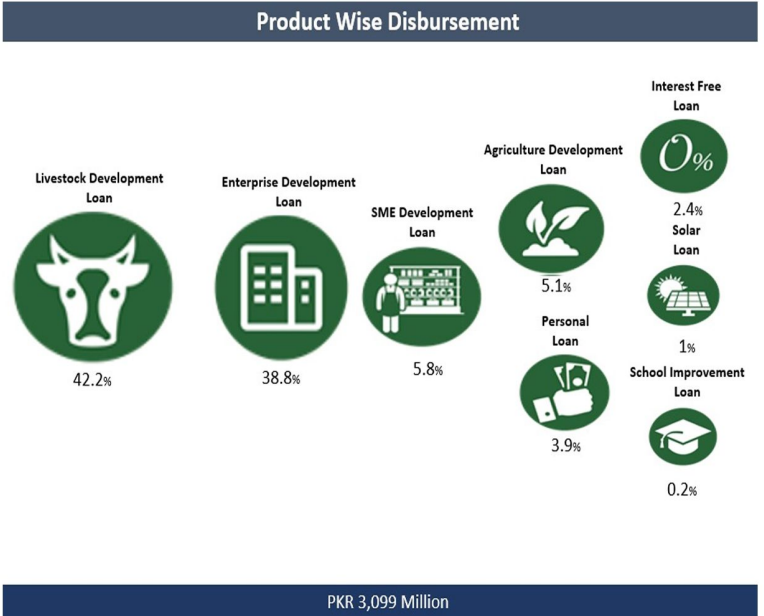
The first quarter of the reporting period remained at the second-lowest, the team was able to disburse 26% of the total annual disbursement. While in Second-quarter got the momentum and disbursement remained at 34% and in the third quarter, it went down to 28% fourth-quarter remained with complete lockdown took the fourth quarter at 12% of the total disbursement which was the lowest disbursement of the year.



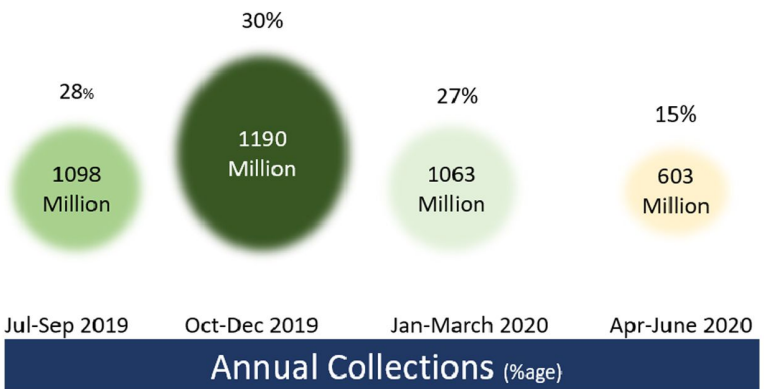
As for the region-wise disbursement portfolio, is concern this year ShaheedBenazir Abad region remained at the top with 17% of the total, while Shahdadpur remained at 16% of the total, Sanghar with 15%, Matiari 14%, Naushehroferoz at 13%, Khipro 11% while Hyderabad, Thatta, and Mirpurkhas region remained below 10% each. As for the region-wise clients are concerned ShaheedBenazir Abad region served the highest clients. While Sanghar and Shahdadpur remained at 2nd and third.



SAFCOs range of affordable products is designed to cater to the need of poor and low-income clients. The team tends to use new methods developed over three decades of experience of working to deliver its product to beneficiaries among whom the majority are unsalaried and unbanked borrowers, disbursement methods include a group as well individual lending. The Institutional Development Unit along with other concern units is aligned to conduct market need assessment, client satisfaction surveys, monitor client dropout reasons, and thereby assist management in sharing advantages, and educating about news ideas for loan product development. During the reporting period, SAFCO provided a flexible range of products to its valuable borrowers and gradually increased loan sizes and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly

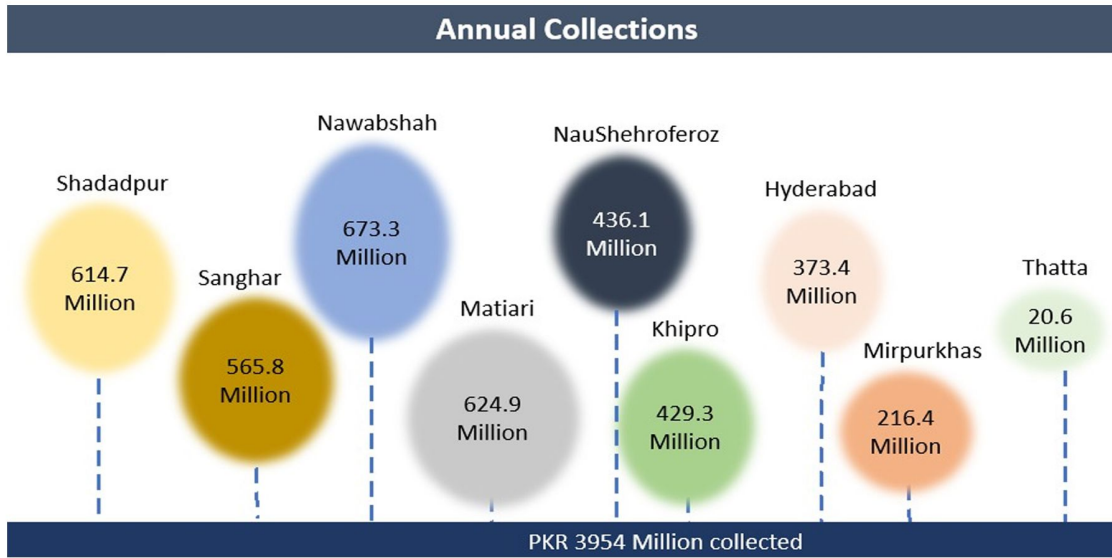


Some 42 % of the loans were taken for livestock development, as compared to last year Enterprise development which is reduced by 4 percent stands at 38.8%, there is a slight increase in the small and medium enterprise development loans which stands at 5.8% as well in the Agriculture development loan at 5.1%. 3.9% personal loans, 2.4% of Interest-free loans, and 1% for renewable energy while 0.2% for school improvement loans.



While looking at the collection trends its worth mentioning that second-quarter remained highest in collection with 30% of the total recoveries, due to pandemic, and flood situation quarter third's two months and last quarter collection affected badly.

Some PKR 3,956 million were recovered during the reporting period. Nawabshah Region contributed with 17%, Matiari with 15.8%, Shadadpur with 15.5%, Sanghar with 14.3%, Hyderabad with 9.4%, Khipro with 10.8%, Naushehro Feroz with 11.02 %, and Thatta with 0.5% of the total collection portfolio.



On the market demand and the social bonding with the valuable clients, SAFCO has adopted the strategic approach to disburse its valuable clients and provide the financial assistance and support to the entrepreneurs and the opportunist businesses in the lockdown situation to benefit the society and continuity in the operational activities by adopting the certain code of conducts for interaction with the clients and ensure the focused and precautionary approach in the lending procedure. During pandemic as well as natural disasters SAFCO immediately launched a health and business safety Awareness Campaign reached out to around 91,000 active clients. 60% of the clients opted for the moratorium, for an estimated portfolio of PKR 1328 million. To manage the cash flows of small and medium enterprises some 10% of the clients were provided with a top-up loan facility. Cash Assistance & Food Ration of worth PKR 5.5 million distributed among 3,200 families affected during the lockdown and recent flood situations. The post-flood situations team continues to provide essential items to communities living under the open sky

Since its inception Foundation remained at front in all Disaster Relief Program, which focused on the revival of most affected communities during 2019, 2020, Pandemic Lockdown in its overall program districts, locust attack. Internal faculty and partners were involved to run mobilization campaigns around the safety and security of health as well as businesses and assets. the program has convened hundreds of women to discuss challenges as well as opportunities to address the economic issues they were facing. Corporate Social Responsibility efforts are evaluated and measured very frequently. The same was recognized by recent third-party assessments and SAFCO was awarded SMART certification and PACRA also notified it as STABLE. At SAFCO, from top to bottom everyone is guided by a common purpose to help in making financial lives better through the power of pooling resources and expertise. Through these efforts, SAFCO is driving horizontal as well vertical growth, it invests in the success of its clients as well employees, it helps to create local jobs, develop communities, foster economic mobility, and address society's biggest challenges. While managing risk and providing a return back to its clients and business.

7

CLIENT STORIES



SAFCO being a client-centric institution always strives to create an environment in which financial services are delivered safely and responsibly to its clients. Collecting cases stories is to look deeply into whether the capital provided is benefiting, additionally to validate assumptions about what socio-economic changes reflect what clients themselves were worried about.

These voices are presented to act as a catalyst for better financial services, relative regulators, strengthen associations, and improve client protection in ways that are grounded in client feedback.

“When our Ideas and Efforts began to Matter”

Ms. Flak Naz Hakro, is 40 years of age and a resident of Village Sultan Chang Tehsil Tando Adam of District Sanghar. The family where she was born did not own any land or livestock. Her parents worked as farm laborers for local landowners. The labor payments were received in the in-kind form at the time of harvest. She lost her one hand in early childhood. Like many rural villages of Sindh, her village was lacking basic facilities too. She grownup with challenges all around and kept her hope alive for a better tomorrow.. Her disability caused her parents to get her to marry a father of four kids. Suddenly she was made responsible to take care of orphans, one among them was mentally ill, and she was not prepared for that. She says “Since I couldn’t have my kids over the period I am taking care of children of my husband, our family of six is dependent on



the only income of my husband which is never enough to feed all of us and meet the routine expenses”. While remembering old days she had tears on her eyes she says “rain is a blessing for others but it remained troubling for us because our roof had water leakage almost from everywhere”. I was witnessing how people were taking loans and investing in establishing their sources of income so I mobilized my neighbors for group formation and we jointly applied for the loan, I applied for PKR 10,000 loan for kiryana shop, I was earning enough to contribute to my family as well payoff my due installments. Later on, I again applied for a loan to buy chingchi Rikshaw. I thought Chingchi is the best option and my elder son can drive it and we can locally earn a better profit. She said, “I took 15,000 loan” she bought Chingchi Rikshaw for her son, they had enough income from shop and chingchi, she also started to stitch and produced embroidery suits locally. She thought to value add all these small startups by availing third cycle loan of PKR 20,000 but Suddenly her husband had a heart attack she could not find something to sell and get her husband properly treated. She sold her only asset Rikshaw, managed available cash of third cycle loan, and get her husband treated during these hard time she says “I never gave up, I hoped and strived for better tomorrow” I managed to pay not only due installments but also took the responsibility of whole my family” after paying off her due she applied for another loan for livestock development. She got two goats from her nearby Mundi, the leftover amount was invested in the shop and she got routine stuff. Today she has 5 goats, her shop is running perfectly she bought chingchi again.

She says proudly “when you follow your dreams you will always make them happen in reality that’s what I believe. Safco remained a source of support and courage, now I have my cemented house, with solar systems where I and my family live happily, safe and secure”.

“Sufferings are never endless, an idea, a true collaborator and efforts can do a lot”

Ms. Munni Begam w/o Mir Muhammed Rajbar, 38-year-old woman, resides in a remote village known as Nauabad 48. Ms. Munni Begum’s family was poor and landless; they worked as farm laborers for local farmers and lived a very subsistent and survival-oriented life. Ms. Munni says “Life was very harsh for her parents and they always struggled to just feed the children. To survive, everyone had to work. At a very young age, Munni Begam began to work as a farm laborer along with other family members. She remembers, “My parents used to wake me up early in the mornings. While younger siblings were asleep we the elder ones walked to the fields for weeding and harvesting. While I grow up and got married suffering remained the same just shelter was a bit changed”. I tried to convince my in-laws with my business ideas but I never succeeded to get their trust and capital for investment. I got the good news that SAFCO has opened its branch



office and they are offering appropriate loans for small and medium enterprises and they encourage women to benefit, without delaying any moment I get to their outlets and got basic information and shared my business model. Embroidery and stitching skills were my assets and I was confident that it can help me to bring prosperity to my family so I took the first loan of PKR 15000 in 2011, the amount was more than enough I started to develop products and sale through middle man, later on, SAFCO team helped me to understand the business cycle and marketing strategies. While I repaid my first loan I applied for a second and started to engage some of the valuable artisans of my village to join me for production, slowly and gradually I reduced the role of the middle man and started developing my contacts. Paying off my due I applied for another loan cycle by this mean today I have established our production center where female from my village came and contribute to the production and they get their wages. By this means today I am not contributing to my family with handsome and sustained income but I am also contributing economically to my colleagues. I must acknowledge the contributions of Safco, their friendly guidance, trust in my ideas, and continuing help to not only reach my mission but gradually bringing improvement in my status of life.

Apart from all material and social gains, Ms. Munni Begum has also become aware of the importance of women's informal economy, Gender in Development, Role, and importance of education, health, and hygiene from training and counseling sessions conducted by SAFCO Team. She encourages her children and neighbors to take care of a clean and green environment. She said that she mobilizes her villagers for routine vaccination and to practice family planning, which is beneficial for both mother and child. She continued,

Ms. Munni concludes her transformative story, “When I was young, my mental horizons were limited. The focus on just staying alive. When I had children, focus on keeping them alive. Survival was the only objective. In the struggle for survival, no capital situations were spirit breaking. There was a great sense of helplessness amongst all the family members. We were always at the mercy of someone else. With the loan officer from Safco coming getting together and orienting about their services and formation of our groups were the key to the process of prosperity. We were asked about our business ideas about what we can do to improve our lives. Suddenly we were at the center, we were heard the first time. Now life is more assured and more controlled we can dream now, and we can put efforts’ to reach those dreams, now we do plan for even a better future for our children”.

“Disability may hamper routine but can’t be the end of life”

Kousar Khaskheli is a resident of Girhor Shareef of District Mirpurkhas. Her village is a famous place due to the shrine of Saint Garohor, mostly people believe whatever you ask for surely you will get, but in my case, I was not among those says Kousar, she says she is the only girl child to her father, she realized she is paralyzed with one leg and will never walk due to polio. I grow up with this pain that I even can’t play with my friends and will never experience the beautiful scenes of nature my village is awarded, Fortunately, I had respect and love from my parents and brothers being the only daughter and sister in the family.



I always used to ask my father why me? He always had a positive response he said a day will come when you feel proud of yourself. Whenever I have enough money I will take you to the best doctor and that day never came. My father is a taxi driver he hardly earns to meet our feeding needs. Sitting at home what I could do was only to help my mother with routine, that what I did, she taught me basics of embroidery skills. . I made Rillis, and embroidered pieces for the villagers, who gave me inputs and compensated me with labor wage. Income from this activity was not regular, as I barely received an order. I pooled whatever I got and managed to keep my head high by contributing my family whatever I could. The contribution made me think the other way round, instead of living with discouragement, I started to live with a vision to contribute economically. On a very sunny day, a loan officer came to my muhalla and oriented us about Safco products and terms and conditions. I requested him to meet on the very second once I get a consultation with my father whether to benefit from loan offers or not?. In the evening when my father was home I repeated the same the way loan officer explained SAFCO loan products. I requested my Father to help me in establishing a small shop at my home and run that on my own. My Father insured full of his and my two brothers' support in running this shop. I applied for the first loan and started with minimum applied again for another cycle currently my shop is the known point in my village and my customers are very much satisfied with the services our whole family is providing them with dignity. By this means currently, I am not only contributing to the improvement of our daily livings but also I am taking care of all expenses of my younger brother’s education. I am no more burden but I am the bread earner of my family. This is proud my father used to insist while I asked him.

“When you are poor you are exposed to everything even nature too”

Ms. Indran is 32 years old and lives in Taluka Khipro of the Sanghar district. She has lived a very difficult and painful life full of agonizing events, losses, and shocks. She was born in a poverty-stricken landless family. The only productive asset this family had was their labor. Her parents worked as farm laborers in Sanghar for the local landowners. After getting married she says they had a shop which was almost with no products to sell.

With every passing day, they were losing income and were more getting into the debt cycle. Ms. Indran remembers that she and her husband worked very hard, and never took off a single day from their daily wage work; they both were knowing that their family of eight members was depending on their wages only. While you hardly find to buy food it's the time when your family members get sick more and you see them getting worst by every passing day. The same was happening with us as well, there were the times when we had to decide either to prioritize treatment or to prioritize food. Anyways while we were offered for the loan we thought to restart and rebuild the momentum of our shop. I took a loan from SAFCO, got enough quality stock to start with. Being a businesswoman, in a remote village is always challenging but I somehow managed and now my business is established and we can manage our routine as well as secure the health of our beloved ones.



“Right decision on right time may save your assets”

Ms. Jamna of 42 years with her five family members lives in Union Council Bakhu Chahnyoon, her area is badly affected by frequent droughts, these droughts are causing starvation, and leaving almost no opportunities to work hard and earn for survival. Even raring livestock, getting their fodder remained almost impossible. People in my area were preferring to migrate and earn in plain agriculture lands. It was difficult for us to move to a new place and search for sources of income as well as for the fodder of our livestock.

I had only two choices left either to sell available animals and get ourselves rid of the starvation or to migrate and hunt for new income sources. One of my family elders recommended me to get a loan from SAFCO and start a local business. Since I was known with the buying capacity of people around me I took a loan for the fodder of livestock instead of starting a new venture I preferred the source already available to me. I got a loan, I not only got enough fodder but I also hired the service of the veterinary department and paid for their vaccination too. I started selling milk as well as additional livestock. I got myself secure during hard times now we have rain and we are hopeful this year we will be able to harvest enough fodder for the year to come. We need to be strict with our strength and build on it, successes and failures are part of life. One should never give up in any situation.



8

FINANCIALS



**SAFCO SUPPORT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	Note	2020 -----Rupees-----	2019
Assets			
Non current assets			
Property and equipment	4	122,104,360	127,479,317
Right of use assets	5	38,397,485	-
Intangible assets		1	1
Security deposits	6	2,028,000	2,865,000
Long term loans	7	24,529,475	32,440,398
Loan to enterprises	13	1,145,846	5,078,327
		188,205,167	167,863,043
Current assets			
Investments	8	209,700,000	350,000,000
Micro credit loan portfolio	9	2,069,304,042	2,282,224,231
Accrued financial charges		145,160,785	45,246,137
Current maturity of long term loans	7	17,953,191	6,042,217
Advances and prepayments	10	3,463,651	6,877,839
Other receivables	11	19,858,472	84,167,333
Grant receivable from donor	12	5,635,507	218,305
Current maturity of loan to enterprises	13	1,957,490	1,903,332
Cash and bank balances	14	863,144,973	426,694,037
		3,336,178,111	3,203,373,431
Total assets		3,524,383,277	3,371,236,474
Accumulated funds and liabilities			
Funds and surplus			
Accumulated fund		712,007,861	615,639,556
Endowment fund - restricted		6,125,014	-
Surplus on revaluation of property - capital reserve		28,986,282	29,396,031
		747,119,157	645,035,587
Liabilities			
Non-current liabilities			
Deferred grant for fixed assets - restricted	15	734,769	891,845
Lease liabilities	16	33,997,661	-
Revolving fund	17	118,531,914	118,531,914
Loan from donors - secured	18	1,640,582,500	1,082,816,000
		1,793,846,844	1,202,239,759
Current liabilities			
Current portion of deferred grant for fixed assets - restricted	15	157,076	215,416
Current portion of loan from donors - secured	18	709,302,500	960,739,000
Current portion of lease liabilities	16	9,688,995	-
Current portion of liabilities against assets subject lease		-	87,984
Running finances - secured	19	145,000,000	459,200,000
Accrued financial charges	20	90,610,636	70,587,951
Emergency fund	21	19,800,502	24,532,189
Deferred grant for operations - restricted	22	-	1,314,530
Accrued and other liabilities	23	8,857,567	7,284,058
		983,417,276	1,523,961,126
Contingencies and commitments	24		
Total accumulated funds and liabilities		3,524,383,277	3,371,236,474

The annexed notes from 1 to 40 form an integral part of these financial statements.

BY


Chief Executive Officer


Director

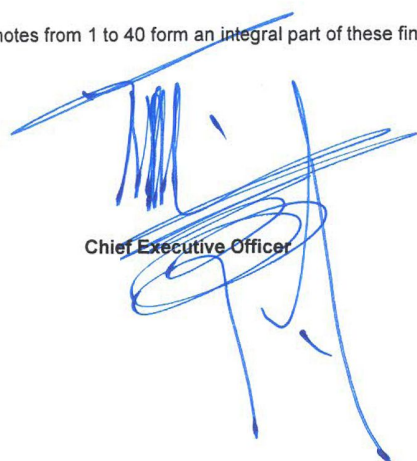

Chief Accountant

**SAFCO SUPPORT FOUNDATION
INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020			2019		
		Unrestricted	Restricted deferred grant for fixed assets	Total	Unrestricted	Restricted deferred grant for fixed assets	Total
-----Rupees-----							
Financial income earned	25	822,731,482	-	822,731,482	674,764,547	-	674,764,547
Financial charges expensed	26	(329,197,537)	-	(329,197,537)	(228,485,394)	-	(228,485,394)
Net financial charges income		493,533,945	-	493,533,945	446,279,153	-	446,279,153
Provision against loan losses for the year	9.4.1	(56,915,732)	-	(56,915,732)	(54,499,137)	-	(54,499,137)
Net financial charges income after loan losses provision		436,618,213	-	436,618,213	391,780,016	-	391,780,016
EXPENDITURE							
Operational expenses	27	(314,067,149)	-	(314,067,149)	(297,574,340)	-	(297,574,340)
Administrative expenses	28	(58,461,406)	-	(58,461,406)	(37,638,116)	-	(37,638,116)
Net surplus from operations		64,089,658	-	64,089,658	56,567,560	-	56,567,560
Other income	29	16,034,839	-	16,034,839	31,391,793	-	31,391,793
Grant income	30	21,743,657	215,416	21,959,073	10,783,781	2,568,595	13,352,376
Surplus for the year before taxation		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729
Taxation	32	-	-	-	-	-	-
Surplus for the year after taxation		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729
Other comprehensive income for the year							
Surplus on revaluation of property		-	-	-	-	-	-
Total comprehensive income for the year		101,868,154	215,416	102,083,570	98,743,134	2,568,595	101,311,729

The annexed notes from 1 to 40 form an integral part of these financial statements.

By



Chief Executive Officer



Director



Chief Accountant

**SAFCO SUPPORT FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	Revenue reserve / Unrestricted Accumulated fund	Restricted deferred grant for fixed assets	Restricted Endowment fund	Capital reserve Revaluation surplus on property	Total
	-----Rupees-----				
Balance as at June 30, 2018	512,736,372	1,162,058	-	29,825,428	543,723,858
Total comprehensive income for the year end June 30, 2019					
-Surplus for the year after taxation	98,743,134	2,568,595	-	-	101,311,729
-Other comprehensive income	-	-	-	-	-
	98,743,134	2,568,595	-	-	101,311,729
Incremental depreciation on revaluation of property	429,397	-	-	(429,397)	-
Balance as at June 30, 2019	611,908,903	3,730,653	-	29,396,031	645,035,587
Total comprehensive income for the year end June 30, 2020					
-Surplus for the year after taxation	101,868,154	215,416	-	-	102,083,570
-Other comprehensive income	-	-	-	-	-
	101,868,154	215,416	-	-	102,083,570
Incremental depreciation on revaluation of property	409,749	-	-	(409,749)	-
Endowment fund contribution	(6,125,014)	-	6,125,014	-	-
Balance as at June 30, 2020	708,061,791	3,946,069	6,125,014	28,986,282	747,119,157

The annexed notes from 1 to 40 form an integral part of these financial statements.

BYD



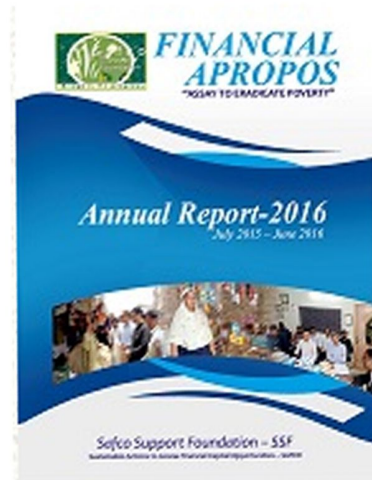
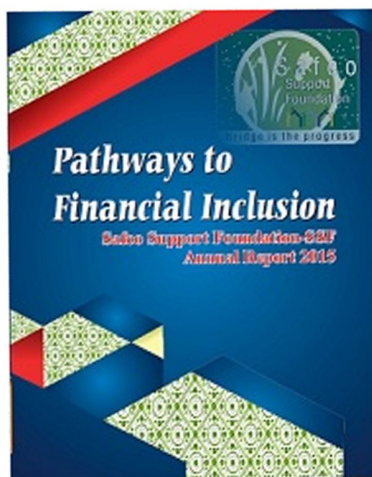
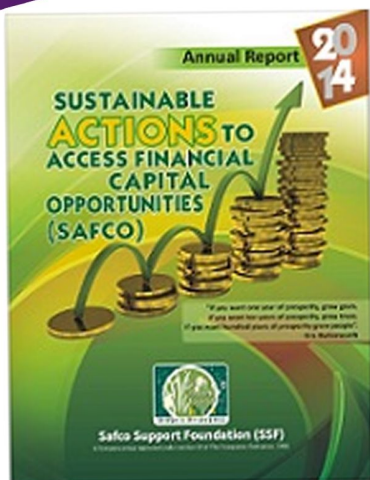
Chief Executive Officer



Director



Chief Accountant



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