



Safwco



Bridging COMMUNITIES FINANCIAL NEEDS

Credit and Enterprise Development

Annual Report 2007



Safwco

The Organization and Programs

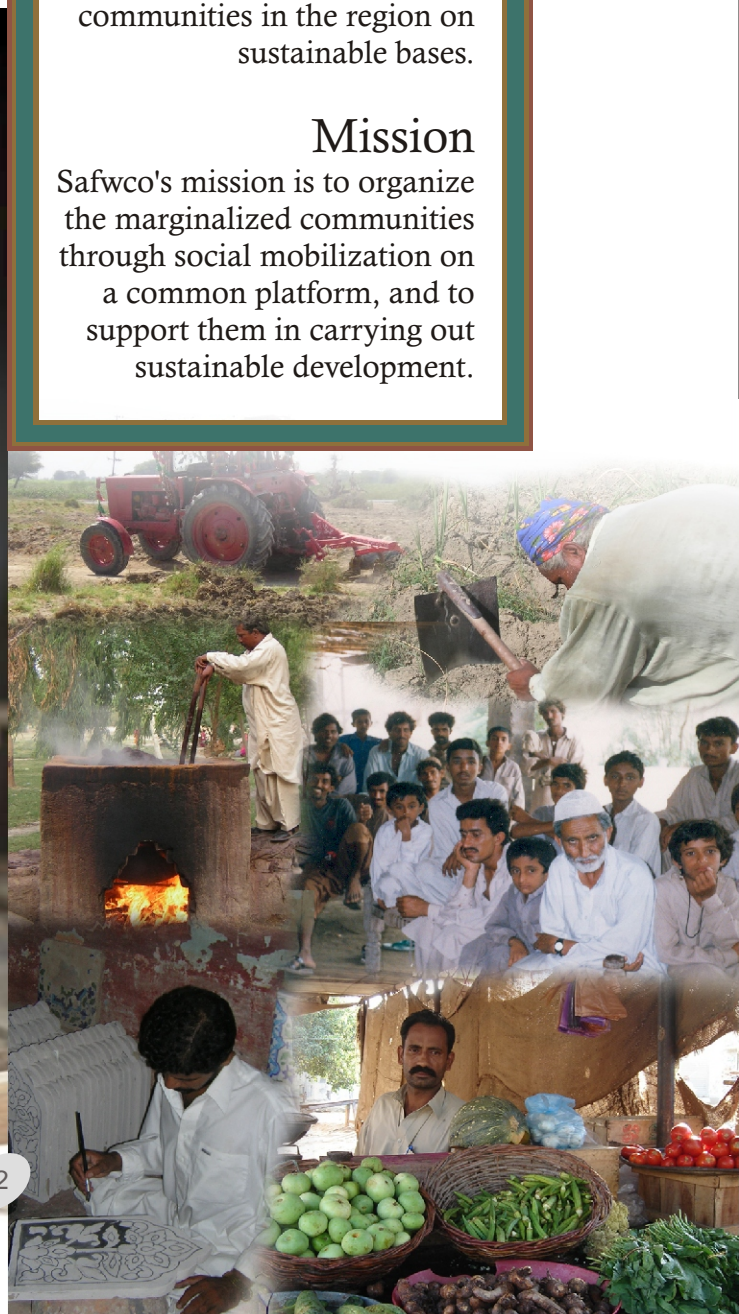
Safwco envisions 'sustainable communities achieving equitable economic, social, political and cultural development through indigenous community organizations'. Safwco's aim is to 'become self sustaining resourceful, disciplined and specialized training and support institution accessible to under privileged with a view to build capacities of community organizations as model development institution'.

Vision

Safwco envisions 'to be a leader in eradication of poverty through political and socio-economic empowerment of communities in the region on sustainable bases.

Mission

Safwco's mission is to organize the marginalized communities through social mobilization on a common platform, and to support them in carrying out sustainable development.



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Safwco CED at a Glance

To become the first choice of poor communities through delivery of credit and enterprise development services on sustainable basis.

- The number of SAFWCO active clients is 16742.
- Cumulative disbursement since inception is Rs.442 millions to 45,830 clients
- During 2007, Rs.174.20 millions loans were disbursed.
- 14,629 clients received loans at an average of Rs.11,907/- per borrower
- Repayment rate in 2007 was 96%
- Started a pilot project of Social Safety Net Project in Thatta district which is supported by CGAP, World Bank through Pakistan Poverty Alleviation Fund
- Launched the Economic Development Facility Product
- Launched new upgraded Web MIS for improving the performance of SAFWCO Microfinance Program.
- Developed a comprehensive Strategic and Business Plan
- Study conducted on Product Branding and Harmonizing
- SAFWCO' clients Ms. Jamzadi, Mr. Muhammad Essa and Mr. Doongar Mal won 3rd Citi-PPAF Micro-entrepreneur Awards 2007
- Financial and Non Financial Reports: MIX Market, Annual PIR, MicroWATCH published by PMN and SMN Performance Bulletin in Sindh





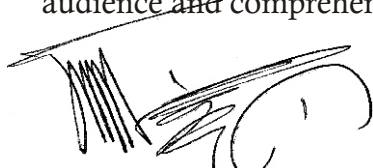
Foreword

Empowering the people and reducing poverty is one of the biggest development challenges in the rural areas of Pakistan. For centuries people in rural Pakistan were governed through a rigid caste system that made them lose hope in any form of social mobility. Then few people mostly youths in the eighties struggled to attain education and acquired exposure to lead the people out of this 'hopeless' situation. They demonstrated to the people - young and old, men and women, rich and poor that hopelessness breed poverty and coming together and sharing with each other opens the door to development. We worked with the peasants and landless labor and helped them to come together and cooperate with each other in an organized fashion. We have built upon the foundation of a cooperative movement to modernize the thinking, attitude and management skills of the people and in the process created village organizations and platforms for women to participate equally in the development process. This has given to the people a vision of how to achieve equitable social, economic and political benefits from participating in development projects mostly of mutual self-help type irrespective of their caste, creed and sect. As the people began to come together, we provided a back up support to help them in implementing this program in an organized manner that assisted them to develop and become competitive in a global environment. This process has created a successful community capacity building model and a self-sustaining, resourceful and disciplined training and support institution called “Sindh Agriculture and Forestry Workers' Coordination Organizations (SAFWCO)”. The Safwco Social Organization and Services (SOS) development projects emphasize formation of democratic social organizations and creating platforms for poor and the

weak to access social services and participate in social and environmental development activities; Credit and Enterprise Development (CED) projects make accessible to the people financial services and builds productive infrastructure to alleviate them from poverty conditions. Community Physical Infrastructure provides the facilities of communication, irrigation and drainage, drinking water supply and other small projects through which poverty can be arrested. The Education and Health sector projects are providing services improving enrolment, adult literacy, health awareness and to work on water and sanitation. Research on different issues makes Safwco able to provide more qualitative services and to observe the problems with their root cause. Human and Institutional Development (HID) projects build community and civil society's capacities to work together and share resources for achieving common goals and visions.

Safwco's work is presently spread across Sindh. District Sanghar is a demonstration area to learn "how to empower people" that is expanding to other areas of Sindh province. Significant work has been done in different sectors of the organization. The work in social organization and services delivery builds the social and physical infrastructure enabling the rural poor to address systemic problems of poverty. The process of organization and infrastructure building helps them to participate, then take control over local resources and finally to lobby with the government for fulfilling responsibilities due to them. This process is pattern changing and impacts on governance structure and gender equation. The human and institutional development process triggers this process and mainly targets awareness and consciousness raising combined with skills and tools development. The natural resources management and agricultural and economic development programs follows to consolidate the social organization process and resolves material problems that gives the people a sense of accomplishment and confidence in the process. The Safwco Microfinance program is a part of the Credit and Enterprise Development Sector activities.

This report outlines how Safwco's CED venture in 2007 has taken on a programmatic approach and expanded in scale and geographic coverage. The program is now set to attain a viable scale of operation and become a model for others to carry out on-lending successfully. Most notable achievement of last year has been the launch of pilot for the ultra poor in partnership with CGAP and the Economic Development Facility (EDF). With the Ultra poor program, we are now targeting households below poverty line who can not afford micro credit but require assistance, and with the EDF we are able to continue working with the graduates of the micro finance program. Both these programs will help Safwco to cater to a larger audience and comprehensively address issues related to poverty alleviation.



Suleman G. Abro
Chief Executive



Towards a New Financial Architecture

Safwco micro finance services have become synonymous with poverty eradication. In the last eight years, Safwco has restructured itself to demonstrate how blend of service delivery and advocacy can help the organization become financially sustainable at operation level. This demonstration has been possible due to the very positive response of the target group and their enthusiastic participation in disbursement and recoveries. The target groups, especially the women clients have taken ownership of the operation to set examples of good practices. It is this encouragement that is making Safwco the first choice of people. Today in Sindh, Safwco is one of the leading service provider and the rural folk look toward Safwco to place their needs on the global development agenda. Since the Bhit Shah Declaration in 1991 Safwco has not let the people down and is continuously engaging with national and international development organization to partner with community groups and organizations. Much of the credit for helping

people, especially women entrepreneur's like Bhagwand break the poverty cycle, rest with the untiring efforts of Safwco workers particularly those in the micro credit field.

Having completed 20 years of development collaboration with the citizens and public sector organization, Safwco is looking towards building the micro finance operations into a banking system for the people. Safwco has expanded outreach from 000 clients in the end of 2006 to 000 client by the end of 2007, much of the credit for making Safwco people first choice and creating sustainable ventures goes to our managers and field staff. Their zeal and hard work has reduced drop out rate and helped micro-credit and business development services boom in the rural areas. This report clearly brings out the impact of Safwco's work in credit and enterprise development sector as contributing to improving the socio-economic conditions of the rural poor.

This report of the CED sector brings to you:

- Progress on micro finance operations and Safwco's move towards operational self sufficiency
- New directions in poverty eradication with the launch of Economic Development Facility (EDF) and Ultra Poor pilot project
- The legal status change process from a micro finance operation of a Society to a full fledged corporate governance
- Account of Branding and Harmonizing study and Strategic Planning
- New thinking on branch operations, and
- News of the completion of web based data management system and near completion of data migration

To improve Safwco own performance we have developed polices and procedures and web data manage system. We are now in the process of bench making existing performance and goal setting for the future and with the coming into being of the corporate structure, Safwco will be able to increase outreach and manage operations at viable scale.



Tufail Rajpar
General Manager



Executive Summary

The year 2007 has been a direction setting year for Credit and Enterprise Development operations. Safwco embarked on an ambitious mission to make itself people's first choice for micro finance in Pakistan, especially in Sindh backed by a strategic planning exercise and Harmonizing and Branding study. Simultaneous to this Safwco had already started the process of transforming the organizational structure from Society based management to corporate governance. Though the legal procedures continue, but the decision to register the CED sector as an independent organization under the Companies Act of 1984 has already been taken. To maintain continuity, the new identity "Sustainable Actions to Access Financial Capital Opportunities" (SAFCO Support Foundation) is similar to the existing name, and similar remains the vision and mission.

Safwco continued to expand its micro finance operations increasing number of clients from 31,201 in 2006 to 45,830 in 2007. Total disbursement for 2007 was Rs.174,202,000 touching peak in second quarter. Recovery rate for 2007 was 96%. To make recoveries efficient, Safwco introduced the branch model. With this attempt, Safwco will be able to reach out to more people for a larger real time interaction. Drop out rate in 2007 was 0%. Drop outs were largely due to agriculture failure as pests attacked cotton crop causing many to suffer huge losses.

Women's participation as borrowers in Safwco program was 20,747, and percentage of loans given out to women was 45% making it a total disbursement of Rs.443 millions. Lending to women from rural branches was Rs.195.61 million or 44.17% of the total. Average size of loans to women was Rs.9,428/-.

The distribution of loans by purpose is as given below. Safwco started Economic Development Facility (EDF), a lending program for graduates of micro finance program. The loan size ranges from Rs.31,000 Rs.100,000. These loans are mainly to help good clients improve their businesses and create employment opportunities for others in the field. Women clients in dairy business are primary target group for the scheme. Together with EDF, Safwco in collaboration with CGAP has introduced the Social Safety Net Project for the ultra poor. This project is being piloted in Thatta district and focuses on asset building for those below poverty line.

Safwco took initiative in 2007 towards organizational development starting with the development of a web based system and transfer of data. The data migration will complete in early 2008. As part of the organizational development exercise, CED sector carried out a strategic planning exercise coming up with goals as given below.

Become the first choice of the marginalized communities in enterprise development through microfinance services in the operational areas.
To become 100% operationally self-sustainable.

Impact of Safwco's work can be assessed from the fact that 3 of its clients won the Citi-PPAF award for best micro entrepreneurs in 2007. The winning entrepreneurs are Jan Zadi, Muhammad Essa and Doongar Mal.



SAFWCO Overview

Sindh Agricultural and Forestry Workers' Coordinating Organization (Safwco) was formed in 1986 and registered in 1991 as a society under the Societies Act 1860. Safwco envisions 'to be a leader in eradication of poverty through political and socio-economic empowerment of communities in the region on sustainable bases and since the turn of the century has actively pursued the mission of organizing and supporting the poor. Major cross cutting themes are poverty alleviation, gender balance and natural resource management. The Safwco mission is carried out through seven main sectors of activities, viz.

- Social Development Sector
- Credit and Enterprise Development Sector
- Human and Institutional Development Sector
- Health and Hygiene Promotion
- Education Development Sector
- Community Physical Infrastructure Sector
- Disaster Management and Emergency Response (DMER)

The founder and CEO Mr. Suleman G. Abro guides and steers all sectors of the organization. Each sector comprises of different programs at different levels, Safwco plans and implements bound projects in partnership with community and citizen groups with the support of the national and international support communities.

Safwco's head office is based in Hyderabad, Sindh and operating in various districts Sanghar, Nawabshah, Matyari, Mirpurkhas, Jamshoro and Thatta. Safwco has grown from a group of friends organizing village groups in Shahdadpur's rural area in 1986 having 375 of staff members.

Safwco has a strategic vision of developing the sectors into separate institutions managed by the Safwco board. As part of this vision, the micro finance component is in the process to register under the section 42 Companies Ordinance 1986 in next year. This institutionalization process will lead to popularity of the Safwco brand and bring the micro finance practice under a more disciplined regime thereby increasing public accountability and transparency.