

## Pakistan: Microfinance Innovation and Outreach Programme

Item	Assessment Remarks	Rating
<b>Country &amp; Project Name</b>	<b>Pakistan: Microfinance Innovation and Outreach Programme (MIOP)</b>	
Loan No.	683-PK	
Project Id.	1324	
Board Date	13 December 2005	
Effectiveness Date	01 September 2006	
Original Closing Date	31 March 2012	
Final Closing Date	31 March 2012	
Total Project Cost US\$(M)	US\$30.5 million	
IFAD loan US\$(M)	US\$26.5 million	
Cofinanciers (if any)	Partner organizations: US\$3.3 million	
Implementing Agency	Pakistan Poverty Alleviation Fund, a government-created apex funding agency operating through NGO partner organizations	
Principal Components	The programme's overall objective was to reduce poverty and improve livelihoods of the rural households by enabling the active rural poor to increasingly access a wider range of sustainable financial services and products. The programme had four components: (a) innovation and outreach facility; (b) young partner programme; (c) support for partner organizations; and (d) management support.	
<b>Project Performance</b>		
Relevance	The programme (MIOP) aimed to complement ongoing operations of the Pakistan Poverty Alleviation Fund (PPAF) financed by the World Bank and in particular to deepen and expand its microfinance programme. Its key activities were highly relevant to the needs of the rural poor and the very poor. These included activities such as increasing outreach through low cost delivery channels, creating value chains, health and livestock insurance, and social safety net products. MIOP's purpose was also consistent with the country's development priorities and with IFAD's country and sector assistance strategy. The access to micro-credit enabled poor households to access these agricultural inputs and livestock and enhance their productivity and incomes. As such, it responded to the objective of increasing agriculture and livestock activities to help alleviate poverty in the programme area. According to the Appraisal Report, the programme was fully aligned with the country's PRSP which focused on microfinance as an instrument of poverty alleviation. It builds on earlier experiences with Rural Support Programmes which included microfinance as part of their poverty reduction strategies. Design has benefited from lessons learned by IFAD' independent external evaluations.	5
Effectiveness	Despite a modest start during the early period, MIOP implementation has improved significantly and it has met its main development objective of enabling the rural active poor to access a wider range of diversified and sustainable financial services and products, such as: Village banking; Islamic microfinance; settlement branches; women's livestock cooperative farming. The total outreach of rural clients supported by PPAF increased between 2006 and 2001. It also contributed to developing human resources for the sector through: i) training and capacity building activities; ii) support to young professional programme; and iii) by strengthening new partner organizations to expand the coverage of under-served areas. The programme has greatly benefited from having a well-functioning MIS and FIS (management and financial information systems). The programme's monitoring and evaluation (M&E) system will be integrated into PPAF's overall MIS currently being developed.	5
Efficiency	During the first few years of implementation, MIOP faced some challenges in disbursing program funds and utilization of grant funding as per the agreed targets. As a result, grant funds were allowed to be realigned by implementing two new project activities. Delays in setting up a functional M&E system supported by an effective management information system (MIS) further slowed down programme implementation. The situation improved after the mid-term review (MTR) and the targets set at appraisal could be achieved within the period of time. At completion, the programme was expected to reach a near total disbursement rate (98%). Only 10% of amount allocated to management support were utilized, showing the benefits from implementing the programme through a well-established institution like PPAF, which over time has evolved as a sector developer and a key apex institutions for poverty alleviation in the country, with a proven track record of efficient and effective programme implementation. Although IFAD contribution did not change in SDR or US\$ terms, MIOP benefitted from a gain of US\$1.8 million, due to exchange rate fluctuations between the US\$ and SDR. In spite of the significant additional funding available in local currency, MIOP closed as per originally foreseen target on 30 September 2011.	5

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Project Performance		5
<b>Partner Performance</b>		
IFAD	IFAD's performance is assessed as satisfactory. MIOP's original design was generally well thought out. The implementation arrangements identified were consistent with the strengths and the witnesses of the implementing partners.	n/a
Cooperating Institution	This programme was co-financed with the World Bank who acted as the cooperating institution and as such was entrusted with loan administration and technical supervision. There were 10 supervision missions including the MTR and PCR missions over the life of the project. The supervision missions were generally timely. However, some delays were reported in disbursements that were resolved after the MTR in 2009. WB provided effective support for project administration and financial management.	n/a
Government	PPAF was the Executing Agency for MIOP. Seven new staff position were created within PPAF to allow management of the MIOP programme. After the initial delay, PPAF has recently managed MIOP in an excellent manner and its top management was committed to the programme's goal and objectives. It appears that Government, through the programme, did comply with all major fiduciary aspects. Counterpart funding was satisfactory.	5
NGO/Other		n/a
Cofinancier(s)	The cofinanciers of the project were the Partner Organisations (POs) of PPAF. Collaboration with MIOP POs was on the whole fully satisfactory.	n/a
<b>Combined Partner Performance</b>	No major problems mentioned.	
<b>Rural Poverty Impact</b>		
Household Income and Net Assets	Projects financed under the Innovation and Outreach facility helped to reduce poverty by enhancing income generating activities in rural areas. The facility comprised two types of loans, one for individuals and the other aiming at small enterprises and trading/marketing operations. As a result of MIOP's interventions, there were recorded a higher production as well as a significant increase in the monthly income of poor households. The Programme also enhanced financial inclusion of poor households in the formal system, by introducing low-cost delivery channels through the establishment of village banking and branchless banking. Finally, the Project contributed to increase the physical asset-base of the beneficiaries.	5
Natural Resources and Environment	The programme had no direct impact on natural resource management and the environment. However, the loans provided for agriculture and livestock are likely to have had some positive impact on the local environment. More specifically, trainings and technologies provided in improved productivity are likely to reduce pressure on the local land, water, and fodder resources.	n/a
Human, Social Capital and Empowerment	In terms of <u>human development</u> , training and capacity building have been a key element of the project. Relevant trainings were conducted at various levels, including community, POs, and PPAF. Several POs provided health insurance facilities to the poor clients, who were exposed to adverse conditions, diseases as well as other disasters. Moreover, children school enrollment increased in families who benefitted from Program's loans. In terms of <u>social capital</u> , MIOP played a critical role in developing new POs and in strengthening the capacities of existing ones by supporting the use of funds for international and local training, exposure visits and workshops and innovative activities. MIOP gave a huge support to POs in areas critical for the success of the programme such as, i.e., institutional development, strategic planning, conducting of surveys, policy dialogue and knowledge management and dissemination. Also, an internship programme was launched for 160 young professionals of which 74 found permanent employment in the microfinance sector.	5
Ag. Productivity	The programme did not have a direct impact on agricultural productivity. However, it can be assumed that it was positive, given the number of innovative products which could be financed through higher access to micro credit in the areas of agriculture, livestock rearing, dairy farming and enterprise value chains.	n/a
Food Security	Food insecurity did not seem to represent a major problem in the project area. However, it is plausible to assume that MIOP had an indirect impact on the beneficiaries' food security through increased delivery of livestock and agricultural loans, and, more in general, through a positive impact on the household income.	4
<b>Agricultural Productivity and Food Security</b>		4
Inst. & Policies	MIOP gave a significant positive impact on this domain. Under Young Partner's Development Initiative (which is a sub-component of the Young Partner Programme), 23 Young Partner Organisations (YPOs) have been supported (against a target of 15) by building better governance structures, risk management tools, transparent reporting systems (MIS and FIS/ financial information system), business plans, access to external audits, etc. 13 YPOs have graduated under the programme and become regular POs of the PPAF. Even those who did not manage to graduate benefitted from substantial positive impact as a result of having received institutional	5

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	development packages through the Program. Moreover, MIOP had a very high impact on the whole microfinance sector in terms of: i) contribution to sector development; ii) product diversification and market segmentation; iii) expansion of the geographical coverage of microfinance activities; iv) increased efficiency; v) enhanced accountability and transparency in the sector. MIOP also built a strategic partnership with the Pakistan Microfinance Network. As a result, important activities were carried out which helped improve the sector as a whole: implementation of a credit information bureau, client protection sessions, competitive environmental mapping tool, conferences and roundtables, research studies, action-research activities, participation in policy forums - (Consultative Group for Microfinance).	
Markets	The programme had some positive impact on local/village markets where the financial products were offered. The provision of new skills and business loans has led to higher supply of products in the market.	n/a
<b>Project Impact</b>	The programme was highly relevant to the needs of the rural poor and very poor. It has met its development objective of enabling the rural active poor to increase a wider range of sustainable financial services and products. As such, its overall rural poverty impact is perceived as satisfactory.	<b>5</b>
<b>Overarching Factors</b>		
Innovation	The programme was highly innovative. Through the Innovation & Outreach facility, it initiated experimenting with new financial products and approaches with an initial target of 40, reduced to 20 at MTR. At completion, the programme had introduced 26 innovative products and approaches of which 16 were up-scaled. These include activities such as agriculture, livestock rearing, dairy farming and enterprise value chains, village banking, Islamic microfinance, branchless banking, microcredit disability project, establishment of training centers supported by micro-credit, social safety net, health insurance, emergency loans etc. The Women's Cooperative livestock Farming project received IFAD's 2010 Innovative Marketplace Award.	6
Replicability and Scaling-up	MIOP facilitated the piloting and up-scaling of various innovations with significant potential for expanding access to financially underserved very poor and marginalized rural communities. The most successful project and products were scaled up, replicated and added to the menu of the Pakistan Poverty Alleviation Fund's regular programme.	5
<b>Innovation, Replicability and Scaling-up</b>		<b>5.5</b>
Sustainability and Ownership	The majority of the new product and approaches developed under the programme are expected to continue as the partner organizations see an increasing demand for these services. Nevertheless, sustainability of operations and the up-scaling of innovations without ongoing support from the Pakistan Poverty Alleviation Fund remains an issue of concern. The introduction of audits and MIS has helped increasing chances for sustainability of partner organizations.	4
Targeting	MIOP targeted clients using inclusive approaches where women and marginalized groups were reached. The target group of the programme was divided into 3 segments: (i) small farmers, livestock owners, traders and micro-entrepreneurs; (ii) women and women headed households; and (iii) poor rural households below the poverty line. A number of innovative products have been developed to target the poor and most vulnerable, such as the Social Safety Net projects working with the ultra-poor and widows and the Microcredit Disability Project. Attempts were also made by the POs to target other innovative products at the poorer strata, such as Farmer Development Groups where farmers with average landholding of five acres were included.	5
Gender	Efforts were made to mainstream gender aspects into all components of the programme. Under the Innovation & Outreach Facility, innovative products were designed to specifically work with women or women dominated enterprises, such as value chain finance products or women's livestock cooperative farming. Similarly community level training were targeted at women-dominated areas (vocational training in tailoring, beautician, poultry management, etc.). Many of the POs had a particular focus on women borrowers. However, given the social barriers prevailing in Pakistan, giving out credits to women remains a challenge. At the institutional level, gender aspects have been mainstreamed into various activities. Under the Young Professional Scheme, 36% of enrolled participants were women, based on specific eligibility criteria developed. Also, 40% of those participants who graduated and found employment were women, which can be considered a great success.	5
<b>Overall Performance</b>		<b>5</b>
Estimated number of beneficiaries		
<b>PCR Quality</b>		
Scope	The assessment of MIOP was based on a Completion Mission Aide Memoire jointly prepared by the WB-IFAD-PPAF, carried out by a team of 11 experts from both organizations (Staff and consultants). The final version of IFAD's PCR was not yet available. Thus, it is not possible to rate this section.	n/a
Quality	The present assessment is based on the Completion Mission Aide Memoire, and partly on the	n/a

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	draft version of IFAD's PCR. The Aide Memoire does not provide any impact data assumed however to be available (good M&E, MIS and FIS system). The quality of the whole PCR cannot be rated, as this document is still in a draft version.	
Lessons	The Completion Mission Aide Memoire makes reference to a series of relevant lessons. The lessons learned contained in the draft version of the PCR are also considered as relevant.	5
Candour	The Aide Memoire is sufficiently objective and self-critical. A similar assessment can be made with regard to draft PCR version available at the time of the assessment.	5