

Improving Access to Financial Services Fund (IAFSF)

Criteria and Procedure for Approving Grants

1. Overview & Scope

State Bank of Pakistan in liaison with the Government is determined to develop an inclusive financial sector for expanded outreach and increased access to finance besides promoting transparency, cost-effectiveness and efficiency. Acknowledging the need for training and capacity building initiatives focusing microfinance stakeholders and initiatives for improving financial & basic literacy amongst microfinance current/potential clients a fund has been established at State Bank with the assistance of ADB to provide grants to selected program/initiatives. The Fund will be used to support:

- capacity building and training of financial services providers to promote expansion into rural areas; product and service innovation, including savings, remittances and Islamic financial services; adoption and integration of new technologies and applications for improving access to financial services;
- capacity building and training of Government and regulatory authorities to support development of an inclusive financial sector and implementation of measures under the Program; and
- literacy programs (financial and basic) conducted by or on behalf of financial services providers for clients and potential clients to improve access to financial services and the utilization of finance.

Initially the fund will support capacity building initiatives of MFBs and MFIs which are undergoing transformation. The fund will assign priority to the following initiatives:-

- i. Development of Resource Mobilization Strategy specially savings
- ii. Product innovation / New product development
- iii. Development of MIS (software only) and trainings thereof
- iv. Use of technology for improving financial access
- v. Corporate Brand Development Strategy
- vi. Capacity building support for 'Transformation' from MFIs in to MFBs
- vii. Credit Rating of MFIs
- viii. Preparation and revision of manuals (e.g., operations, credit risk, financial risk, human resources, and treasury management)
- ix. Preparation of business plans, strategic plans and training materials, including plans for increasing resources from grants, loans, and/or equity investors
- x. Trainings (e.g., for boards of directors, internal auditors, financial planning, cash management/treasury, financial management, loan portfolio management, product pricing, analysis and reduction of operational costs).

2. Criteria for approving grants under the Fund

In line with the above objectives proposals for seeking grants under IAFSF shall be evaluated based on the following:

(A) Criteria for capacity building grants

- **Organization Profile**
 - Common vision of increasing access to financial services to poor and marginalized groups
 - Legal recognition as an entity
 - Established track record
 - Appropriate levels of transparency
- **Systems and Controls**
 - Minimum operating standards for internal control systems
 - Streamlined Operations
 - Efficient reporting systems
 - Appropriate MIS
- **Strategy and Management**
 - Senior management experienced in the field of financial services aimed at lower income groups
 - Growth Oriented business plan with ability to extend beyond the scope of the grant project
 - Human resource
- **Profitability and Efficiency**
 - Sustainable MFI or have taken concrete steps to achieve sustainability during last 12 months
 - Sound Portfolio Quality
 - Efficiency oriented operations
 - Appropriate leveraging of assets
- **Social Performance**
 - Outreach to women clients
 - Poverty outreach

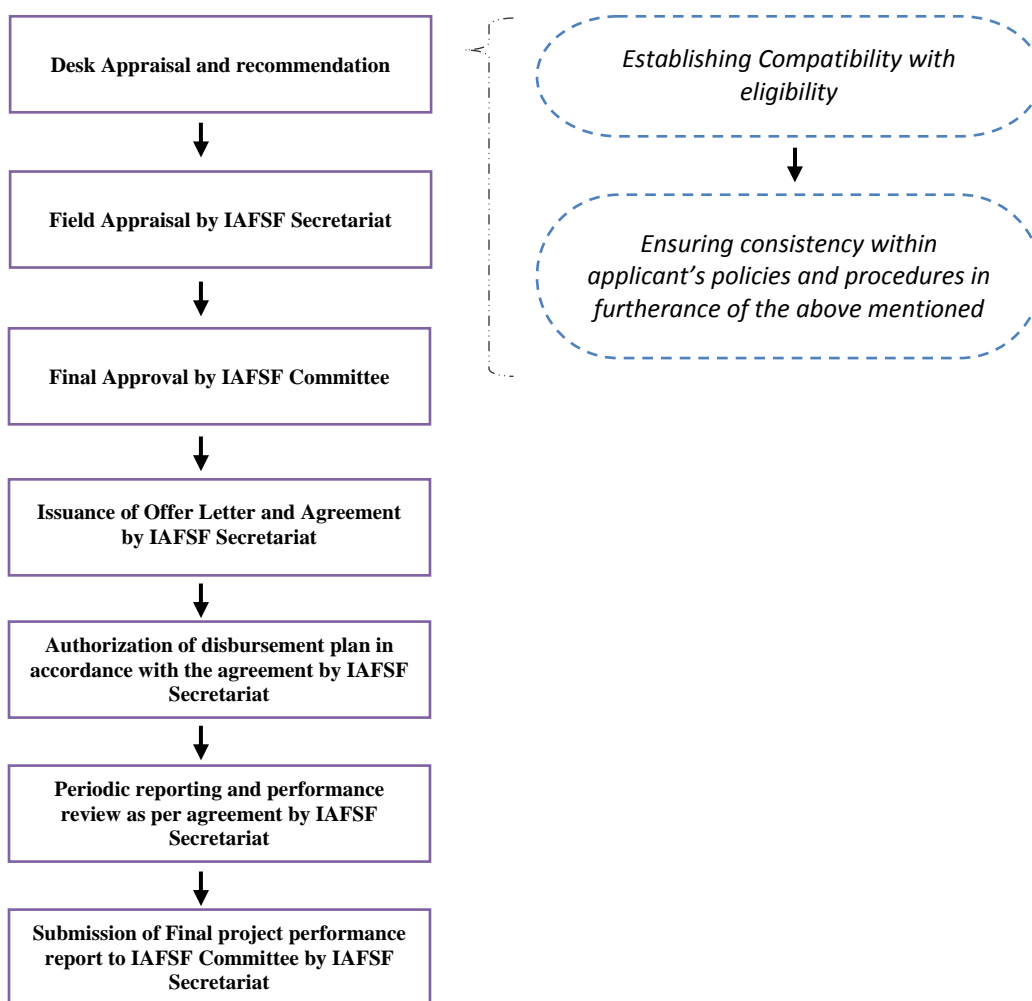
(B) Criteria for literacy program grants

- Clear & compatible vision for increasing access to financial services to poor and marginalized groups;
- Resolve to create awareness about/ demand for financial services and raise literacy levels;
- Legally recognized entity (not necessarily an MFP)
- Experience in family literacy programs that target both parents (adults) and children (optional)
- Appropriate levels of portfolio quality (*only for-MFPs*)
- Appropriate levels of transparency
- Adequate human resource
- Outreach to present /potential microfinance clients specially women
- Rural outreach
- Estimated number beneficiaries shall be atleast 100 individuals.

Details of application requirements may please be seen at *Annexure*

3. Process flow: Scrutiny and approval of proposals

The entire application process is expected to take about six weeks starting with establishing eligibility criteria, review of proposals until issuance of the offer letter and agreement. Reporting and evaluation shall be ongoing during the course of the project. The chart below outlines the process of managing IAFSF funded project.



4. Guidelines

- **Disbursement:** Funds will be disbursed at the discretion of the IAFAF Committee in accordance to project needs. Any deviation from the budget must be submitted in writing to the IAFSF Committee and approved. The IAFSF Committee, at its discretion, may withdraw funding for breach of agreement by the grant recipient. Funds not expended must be returned to IAFSF at the time of the project completion report.
- **Reporting:** Funded project must submit brief financials (SoE) and progress reports on a quarterly basis to the IAFSF Secretariat during the project work period with a final detailed report due at the end of the funding period. Schedules for these reports shall be drawn up by the IAFSF Committee and shall be based on project work schedules submitted by applicants in their grant applications. Payment of grant installments is contingent upon the timely receipt of progress reports and/or other agreed upon deliverables. Failure to submit the required reports will result in delayed payments.
- **Terms of Award:** The period for completion of a project shall be 12 months. Extension shall be allowed on success and rational need basis for which the applicant will need to submit a letter signed by its president/ CEO/ head of institution and the project coordinator, requesting the extension for a specific duration from IAFSF Committee.
- **Extension of Award Period:** Projects having an outstanding grant after the lapse of project duration will be ineligible to receive another grant until the outstanding grant for that project is either utilized for the underlying purpose or the recipient (applicant institution) states in writing that unutilized grants will not be utilized and why. The letter must be signed by the president/ CEO/ head of institution and the project coordinator. Remaining funds for the grant will then revert back to the IAFSF. Moreover, if a recipient states that it will not complete the grant project, it will be ineligible to qualify for any future IAFSF funding.
- **Schedule of Payments:** Disbursement of grant shall be undertaken in installments throughout the project duration in accordance with the work schedule outlined in the applicant/recipient's final grant application and are contingent upon the delivery of status reports and/or materials agreed to in advance to the IAFSF Secretariat.
- **Cancellation of Grant:** Applicants who fail to abide by the terms outlined above or who fail to submit required progress reports may be asked to return all or part of the grant awarded. If at any time during the project applicant abandons its funded project, a written explanation must be submitted to the IAFSF Committee along with any balance remaining from grant paid to the applicant to that point.
- **Cost Sharing or Matching:** This program involves provision of grants on a cost sharing or matching basis (initially at 10% of estimated project cost). Further, grants made available under IAFSF must be used to supplement, and not replace other funds expended to carry out activities relating to enhancing basic and financial literacy
- **Operational Costs:** Operational cost incurred for the purpose of project implementation shall not be financed from the IAFSF

5. Contact

Applications, reports, and general correspondence concerning the Improving Access to Financial Services Grant Program should be sent on the following address:

Director
Microfinance Department
State Bank of Pakistan, 2nd Floor
I. I. Chundrigar Road,
Karachi.

Tel.: (+92) 21-921-2557

Email: dr.ahmed@sbp.org.pk

Application Requirements for Literacy Programs

The application must include a description of:

- demographic and socioeconomic information about the targeted beneficiaries;
- how the program will enhance the school readiness of un enrolled children and financial inclusion of adults;
- how the program plans to integrate financial literacy materials and basic literacy activities;
- the material/method that will be utilized during the program and its effectiveness;
- how the program will encourage targeted populace to provide these developmental opportunities for young children;
- mitigate barriers to learning such as cultural and/or language differences; and
- any other information.