

July 21, 2009

## **SBP agrees to provide Rs 215m under ISF for strengthening microfinance institutions**

The State Bank of Pakistan today signed Memorandums of Understanding (MoUs) with Pakistan Microfinance Network (PMN) and NRSP Microfinance Bank wherein SBP has agreed to provide a total of Rs 215 million under the Institutional Strengthening Fund (ISF).

Under the arrangement, the State Bank will provide Rs 133 million to PMN over the next five years and Rs 82 million to NRSP Microfinance Bank over the period of one year for promotion of microfinance services in the country. In addition, Rs 82 million have also been approved for Tameer Microfinance Bank over the next one year.

SBP Deputy Governor, Mr. Kamran Shehzad, and Deputy Head of UK Department for International Development (DFID), Mr. David Taylor, were present at the signing ceremony which was held in Islamabad. They expressed the hope that the grant facility will build PMN's capacity to foster transparency and promote information exchange in the microfinance sector. In addition, the facility will help NRSP Microfinance Bank to build capacity and develop a real-time Management Information System for developing capabilities to accept deposits from the lower end of the market and Tameer Microfinance Bank to launch branchless banking operations.

The National Microfinance Strategy, currently implemented by SBP, envisages maximizing the microfinance outreach to three million clients by 2010 and 10 million by 2015. The strategy targets demand-and-supply side bottlenecks to enhance microfinance sector sustainability to help raise its capital base and human resource capacity. Moreover, the strategy promotes substantive up-scaling through entry of new players, development of market infrastructure and promotion of alternative delivery channels through partnerships and use of technology.

An increase in microfinance clients will help bring more people in formal financial system which will alleviate poverty and improve livelihoods. As part of a multi-pronged strategy to expand frontiers of financial access, SBP has initiated programs to strengthen institutions that provide financial services to the un-banked segment of the population. Earlier, SBP had launched the Microfinance Credit Guarantee Facility (MCGF), Institutional Strengthening Fund (ISF), and Improving Access to Finance Services Fund (IAFSF).

The MCGF and ISF are part of the GBP 50 million 'Financial Inclusion Program' (FIP) supported by DFID while IAFSF is an endowment fund worth US\$20 million under the ADB's Improving Access to Financial Services Program.

The FIP, implemented by SBP, aims to transform the financial market with a clear objective to provide equitable and efficient market-based financial services to the otherwise excluded poor and marginalized population including women and young people. In the next phase, FIP will help launch the Financial Innovation Challenge Fund and Credit Guarantee facility for Small and Rural Borrowers. In addition, FIP will also focus on capacity building of key stakeholders and promotion of technology and foreign remittances through formal channels to promote financial inclusion.

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