



Selection Criteria & Procedure for Approving Grants

Improving Access to Financial Services Fund (IAFSF)

IAFSF SECRETARIAT

AGRICULTURE CREDIT & FINANCIAL INCLUSION DEPARTMENT

STATE BANK OF PAKISTAN

For Posting/Updating Existing Document on SBP Website

Prepared by: IAFSF Secretariat

Approved by: IAFSF Committee

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Availability: This Document will be placed at SBP website in line with the approval of the IAFSF Committee & IAFSF Rules approved by the SBP Board

Disclaimer:

The document, approved by the IAFSF Committee, covers the selection criteria and guidelines for processing and approving the grants under the IAFSF.

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 and initiatives for improving financial & basic literacy programs amongst current/potential clients of financial services providers, a fund has been established at State Bank with the assistance of ADB to provide grants to selected programs /initiatives. The Fund may 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.

2. Criteria for approving grants under the Fund

The proposals for seeking grants under IAFSF shall be evaluated based on the following:

A. Criteria for Capacity Building Grants

- Vision for increasing access to financial services to poor and marginalized groups
- Legal recognition as an entity (not necessarily an MFP)
- Established track record (at least three years)
- Appropriate levels of transparency (public disclosure such as website, financial statements etc.) and governance structures
- Minimum operating standards for internal control systems
- Efficient reporting systems
- Appropriate MIS
- 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
- Qualified Human resources
- Sustainable MFI or have taken concrete steps to achieve sustainability during last 12 months (only for-MFPs)
- Sound portfolio quality (only for-MFPs)
- Outreach to women clients
- Adequate E&S screening policy and processes, where applicable

B. Criteria for Literacy Programs' 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 literacy programs;
- Appropriate levels of portfolio quality (only for-MFPs);
- Appropriate levels of transparency & governance policy;
- Adequate human resource;
- Outreach to present/potential microfinance clients specially women;

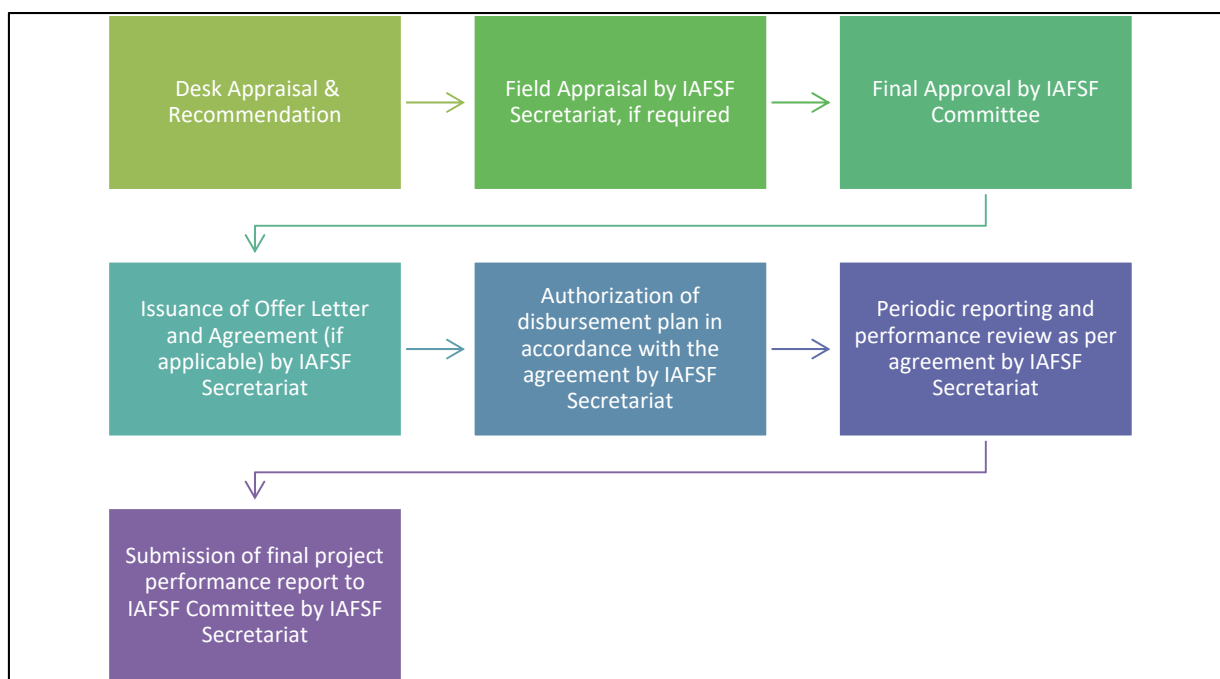
- Rural outreach;
- Estimated number beneficiaries shall be at least 100 individuals.

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.

The appraisal & recommendation process of the applications for grant from the IAFSF will involve: i) *establishing compatibility with eligibility, and ii) ensuring consistency within applicant's policies and procedures.*

The chart below outlines the process of evaluation and managing IAFSF funded projects.



4. Guidelines

- **Disbursement:** Funds will be disbursed at the discretion of the IAFSF Committee in accordance to project needs. Any deviation from the budget must be submitted in writing to the IAFSF Committee for approval. 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 projects (recipients) must submit progress reports on a quarterly basis to the IAFSF Secretariat during the project work period with a final detailed report (project completion report) at the end of the funding period. Schedules for these reports (quarterly progress reports and PCR) 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 unless stated otherwise. 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/ department and the project coordinator, requesting the extension for a specific duration from IAFSF Committee along with statement of justification.

- **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) provides the reason for unutilized grants. The letter must be signed by the president/ CEO/ head of institution/ department and the project coordinator. Remaining funds for the grant will then revert back to the IAFSF. Moreover, if a recipient state 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 on quarterly basis or on reimbursement basis throughout the project duration in accordance with the work schedule outlined in the applicant's /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 return of any balance remaining from grant paid to the applicant to that point.
- **Cost Sharing or Matching:** This program does not involve cost sharing or matching, but 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.

5. Contact

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

IAFSF Secretariat
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State Bank of Pakistan, 5th Floor
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