1 Introduction

The Women Microfinance Credit Guarantee Facility (WMCGF) aims to address liquidity constraints of the microfinance sector by providing first-loss guarantees of up to 25% to commercial banks and development finance institutions (DFIs) against their financing to Non-Bank Microfinance Companies (NBMFCs) and Non-Bank Finance Companies (NBFCs). The coverage is designed to facilitate NBMFCs and NBFCs to secure financing from banks and DFIs for on-lending to women-led microenterprises in the country. Under the Guarantee Facility, NBMFCs shall extend loans of PKR 25,000 to PKR 3 million for a period of up to 36 months. PFIs shall be provided the guarantees without any fee.

2 Criteria for Participating Financial Institutions (PFIs)

While submitting the applications for guarantee limits, PFIs (banks & DFIs) shall ensure that they:

a) demonstrate profitability with average return on assets (before tax) not less than 1%
b) maintain a net non-performing loans to capital ratio not exceeding 15%
c) comply with minimum capital adequacy ratio as prescribed under SBP regulations
d) comply with applicable national laws and policies on integrity, anti-money laundering (AML), and counter-terrorist financing (CTF), and must not be listed on the ADB Debarment and Suspension Register (Home | ADB Debarment and Suspension Register)
e) exhibit sound financial management practices including effective audit systems, internal controls and governance standards, in accordance with SBP regulations

3 Criteria for Beneficiary Financial Institutions (BFIs)

PFIs shall extend financing under the Facility to a BFI satisfying following minimum eligibility criteria:

a) Gender-centric women finance strategy and Reporting

i. a plan to increase number and volume of active women enterprise loan accounts
ii. a plan to enhance the women centric product lines for reaching out to rural and urban women income earning households and Micro & Small enterprises (MSEs)
iii. a plan to raise board, senior management, and staff awareness on women centric business needs
iv. a plan to build awareness and financial literacy of women clients.

b) Robust financial performance, corporate governance, and management

i. 3-year average Operational Self-Sufficiency (OSS) above 100%
ii. demonstrate profitability with average return on assets (before tax) not less than 1%
iii. maintain a net non-performing loans to capital ratio not exceeding 15%
iv. comply with minimum capital requirement as prescribed under SECP regulations
v. exhibit sound financial management, audit, internal controls and governance in accordance with SECP regulations
vi. satisfy the portfolio quality, and the capacity to sustainably recover operational costs
vii. comply with national laws and policies, related to integrity and antimony laundering and counter terrorist financing policies

In addition to the minimum eligibility criteria set out in para (a) & (b) above, a PFI shall, when evaluating a liquidity request from a BFI:

a) ensure that financing is extended by the NBMFCs exclusively to women-led, income-generating households and businesses

b) ensure, in line with responsible finance practices, that women borrowers fully understand the terms and conditions of loans extended by NBMFCs, thereby safeguarding against risks of over-indebtedness
c) obtain confirmation from BFIs that loans financed under the Facility will be limited to those classified as having no or only minor environmental and social impacts, in accordance with the Environment and Social Management Framework (ESMF) and the ADB Safeguard Policy Statement (SPS) 2009 (**Annexure-II**)
d) ensure loans repaid to the NBMFCs during the approved tenor are lent again to women beneficiaries.

4 Allocation of Limits and Conditions for Calling on Guarantee

a) Guarantee limits shall be assigned to banks/DFIs based on their requests.
b) Performance of the PFIs shall be monitored against their allocated limits on quarterly basis or more frequently, if necessary. Based on the performance of PFIs, their assigned limits may be enhanced, reduced or withdrawn.
c) Guarantee limits assigned to a PFI may be withdrawn, if it is discovered at any stage that the BFI was not eligible for financing under the scheme at the time the facility was extended. In such cases, the PFI will bear 100 percent of the credit risk for that BFI.
d) PFIs may submit guarantee claims, if the following conditions are met:
   i. The guarantee for that financing facility is active.
   ii. The amount due to the bank/DFI has not been paid and the dues have been classified as 'Loss' i.e. where mark-up/ interest or principal is overdue by one year or more from the due date, as per prudential regulations for corporate/ commercial banking of SBP.

5 Submission of Guarantee Requests/ Claims

a) PFIs shall remain responsible for recoveries, and from the recoveries made in this regard, the Trust share (up to 100%) shall be credited to the WMCGF account.
b) PFIs shall use digital platforms (Regulatory Approval System (RAS)) for submitting their guarantee applications and guarantee claims or as advised from time to time in order to ensure faster and efficient handling of claims besides reducing administrative burden and improving transparency.
c) PFIs shall ensure that the guarantee claims are submitted to the FISD, SBP BSC as per the template given in **Annexure-III**.
d) FISD, SBP BSC shall process the claim within 10 working days, provided the claim follows the prescribed application format, procedure and requisite information.

6 Environmental & Social Safeguards

PFIs shall establish an Environmental & Social Management System (ESMS) and carry out environmental and social due diligence in line with attached Environmental & Social Management Framework (**Annexure-II**).

7 Monitoring & Reporting

a) PFIs shall keep record of all financing extended under the facility and submit a comprehensive borrower-wise report on quarterly basis (or as and when required) as per the templates.
b) PFIs shall submit an E&S report on yearly basis as per the reporting requirements.

c) SBP inspection teams may inspect the relevant portfolio of PFIs for compliance of the terms and conditions embodied herein.

8 Contact Details

The following contact details at SBP may be used for matters related to limit allocation, reporting and other related queries:

The WIFSF Trust Secretariat
Agriculture Credit & Financial Inclusion Department,
State Bank of Pakistan, I.I. Chundrigar Road, Karachi.
Email: WIFSF.Trust@sbp.org.pk

The contact details at FISD, SBP BSC for matters related to claims submission and allied documentation etc. are as follows:

Financial Inclusion Support Department
Head Office, SBP BSC, I.I. Chundrigar Road, Karachi
Email: FSMD@sbp.org.pk