

Development Finance Support Services



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Development Finance Support Department (DFSD) continues to provide all necessary operational support to the Development Finance Group (DFG) of State Bank of Pakistan to meet its strategic objective of promoting an inclusive financial system in the country.

3.1 Overview

Development Finance Support Department (DFSD) plays an important role in supporting SBP's policies and initiatives through different interventions so as to promote inclusion of all segments of economy in services extended by the financial sector.

Box 3.1: Performance Highlights for FY15 – Subsidy Schemes

- Facilitated AC&MFD of SBP by conducting 27 review meetings with banks for monitoring against the indicative target of Rs 500 billion set by the Agricultural Credit Advisory Council (ACAC) for the agriculture sector in FY15. Total disbursement during the year (as of June 2015) was Rs 515.9 billion, which is 32 percent higher than the disbursement of Rs 391.4 billion made during the corresponding period last year.
- Conducted on-site monitoring of 84 Agri. Graduates across the country under the “Regional Internship Program for Agri. Graduates” launched by AC&MFD.
- Facilitated IH&SMEFD of SBP in the constitution of Housing Finance Focus Group (HFFG) in 5 regions of the country.
- 68 Focus Group meetings were organized, which included 15 for Agri. finance, 12 for Microfinance, 17 for SME finance, 12 for Islamic banking, and 8 Joint sessions.
- Out of 118 programs arranged during the year under review, 47 were awareness programs, 32 capacity building programs, 2 conferences and exhibitions and 37 seminars and workshops, while 10 programs arranged by other stakeholders were attended/participated by employees of SBP BSC.
- 9 seminars on Branchless Banking were conducted across the country, through which more than 1,800 people have been imparted information regarding the subject in order to promote financial inclusion.
- 7 seminars on Promoting Financial Literacy for Women were held during the year with about 1,000 participants.
- 2 awareness programs on the Growth and Development of Forestry Sector were conducted, which were attended by around 300 participants.
- A Dashboard in MS Excel was prepared on AC&MFD's Fast Track Agricultural Lending Program (FTLP). The dashboard has been developed in order to retrieve multi-dimensional reports for effective monitoring and is updated on a monthly basis.
- Out of 34 capacity building programs during the year, 32 were arranged by Access to Finance Units (AFUs), which included 11 for staff of commercial banks/ financial institutions, 9 joint sessions, 8 for BSC officers and 4 for academia.
- Summer Internship programs for students of educational institutions were held at 7 SBP BSC Offices and one BSC Office also conducted a Winter Internship program.
- 9 On-site visits/ meetings were held with the faculty members of educational institutions in different parts of the country.
- 13 in-house meetings and 21 On-site visits/meetings were held with Government Departments and other relevant stakeholders.
- Publications:
 - Monthly Development Finance Newsletter
 - Quarterly Development Finance Compendium

3.1.1 Performance Review

In pursuance of SBP’s policy to channelize credit to the underserved agriculture sector, a disbursement target of Rs 500 billion was set for FY15, which was allocated among 33 Participating Financial Institutions (PFIs) by the Development Finance Group (DFG) of SBP. Through its Access to Finance Units (AFUs) set up in major Field Offices, DFSD monitored PFIs’ performance on a regular basis under Fast Track Agricultural Lending Program (FTLP). The AFUs held 27 review meetings with PFIs at various offices of SBP BSC to stress upon the importance of target achievement with regard to loans disbursement, new borrowers and outstanding amount. Based on these meetings, practical and valuable insights from the grass root level were shared with Agricultural Credit and Microfinance Department (AC&MFD) of SBP.

DFSD also facilitated AC&MFD in implementing a 3-month Regional Internship Program for Agri. Graduates. Under the program, top 84 graduates from agriculture universities across the country were selected to create a pool of agri. finance experts with hands-on knowledge of operational and regulatory aspects. These interns were given orientation at SBP BSC Offices and thereafter posted to agri. branches of banks near to their homes. Based on internally developed guidelines, DFSD actively coordinated with banks for monitoring and evaluating interns’ progress.

The department also extended its support to DFG in conducting Farmers’ Financial Literacy Program, Phase-III. A total of 334 activities were managed by AFUs during FY15, which aimed at creating awareness about DFG policies and initiatives for broadening and deepening of financial services in rural markets. (Table 3.1)

3.1.2 Developmental Initiatives

The landscape of DFSD’s developmental activities is steadily evolving. During the year under review, DFSD carried out a number of diverse activities including:

- (1) To promote branchless banking, DFSD collaborated with AC&MFD in preparing general instructions on the subject. Further, DFSD arranged 9 seminars in collaboration with different financial institutions and telecommunication companies.
- (2) To promote financial literacy amongst women, DFSD in collaboration with relevant stakeholders, arranged 7 seminars at different SBP BSC Offices across the country.
- (3) To encourage the role of banks in the forestry sector, DFSD held 2 programs on the growth and development of this sector. These programs were attended by approximately 300 participants.
- (4) DFSD prepared a guideline for Divisional Profiling to enable AFUs to compile, analyze and interpret regional statistics and to identify regional priorities in a consistent and conforming manner. Based on this profiling, DFSD will identify suitable policy actions to address region-specific factors hindering financial inclusion. In this regard, SBP BSC Field Offices have compiled divisional profiles pertaining to their respective jurisdictions.

Table 3.1: Summary of Activities Arranged and Participated by the AFUs during FY15

S.No.	Activity	No.
1	FTLP Review Meetings	27
2	Awareness Programs	47
3	Capacity Building	34
4	Fair, Conference, Exhibition etc.	8
5	Focus Group Meetings	68
6	Linkages with Academia	36
7	Linkages with Govt. and Others	34
8	Research Activities	6
9	Seminars and Workshops	39
10	Others	35
Total		334

- (5) DFSD has developed a Dashboard to provide timely overview of target achievement position under FTLP.

3.2 Management of Refinance Schemes

Refinance Schemes Management Division has been entrusted with the key responsibility to monitor and implement all SBP refinance schemes in coordination with its units across 15 Field Offices of SBP BSC.

3.2.1 Role of SBP BSC under Export Finance Scheme and other Refinance Schemes

Implementation and monitoring of all refinance schemes is managed by 13 Refinance Scheme Units of SBP BSC Field Offices. They are responsible for providing refinance facility to commercial banks/ DFIs and ensuring proper utilization of funds along with timely recovery of principal and mark-up in respect of these loans. Besides, on-site verification is also carried out by SBP BSC Offices, which is reviewed and analyzed by Refinance Schemes Management Division at SBP BSC Head Office Karachi (HOK) before onward submission to Infrastructure Housing & SME Finance Department (IH&SMEFD) of SBP.

3.2.2 Export Finance Scheme

The Export Finance Scheme (EFS) is a short-term financing scheme under which exporters can avail loans for export of eligible commodities for a maximum period of 180 days. During FY15, Rs 440.20 billion were disbursed under Export Finance Scheme, Rs 14.13 billion under EFS for SMEs and Rs 62.03 billion under Islamic Export Refinance Scheme to facilitate exports through refinancing to commercial banks.

3.2.3 On-Site Verification of Export Finance Cases

During FY15, SBP BSC Field Offices have completed on-site verification of EFS cases for FY13 in 30 participating banks. From the total disbursed amount, Private Sector Banks availed 84 percent, Public Sector Banks 8 percent and Islamic and Foreign Banks 6 percent and 2 percent respectively. A total of 14,879 cases (8,055 pertaining to Part-I and 6,824 pertaining to Part-II) amounting to Rs 515.48 billion (Rs 107.87 billion under Part-I and Rs 407.61 billion under Part-II) of EFS were verified. On account of various irregularities detected during the course of verification, SBP BSC Field Offices charged/recovered a total fine of Rs 57.58 million, of which Rs 9.18 million were under Part-I and Rs 48.40 million under Part-II of the Scheme.

Box 3.2: Performance Highlights for FY15 – Export Finance Scheme

- Total Rs 440.20 billion disbursed under EFS and Rs 14.13 billion under EFS SME.
- On-site verification under EFS was conducted for 30 participating banks having disbursed Rs 515.48 billion. Irregularities detected during the process attracted fines of Rs 57.6 million.
- EFS Operational Manual prepared to assist Development Finance Division officials and standardized operations across BSC Offices.
- Modification in SOPs for conducting On-Site Verification.

3.2.4 Long Term Financing Facility

Long Term Financing Facility (LTFF) provides finance to exporters for adoption of new technology and upgrading of their plant and machinery. Islamic banks are also eligible for offering LTFF, subject to approval of SBP's Shariah Board. Loans are repayable within a maximum period of 10 years including a maximum grace period of 2 years. During FY15, Rs 15.30 billion were granted under LTFF.

3.2.5 Export Finance Mark up Rate Facility

To provide incentive to textile industry, Government of Pakistan (GoP) has launched the ‘Export Finance Mark-up Rate Facility’ of 2.5 percent on outstanding loans for export of eligible commodities. Refinance Scheme Units of all SBP BSC Field Offices processed 1,187 eligible cases and granted Rs 1.44 billion under this facility during FY15.

3.2.6 Developmental Initiatives

- (1) Considering the need to ensure standardized operations and facilitation of Refinance Schemes Unit (RSU) officials, a detailed EFS Operations Manual has been prepared by Refinance Schemes Management Division, covering all the relevant operational aspects of the Scheme.
- (2) Standardized Operating Procedures (SOPs) have been devised by Refinance Schemes Management Division for on-site verification of export refinance cases with a view to enhancing the effectiveness and quality of verification process.

Box 3.3: Performance Highlights

- Quarterly subsidy claims for Q4-2014, Q1-2015, Q2-2015 and Q3-2015 against around 5,700 borrowers have been processed by DFSD under PMYBL.
- During the year under review, funds of around Rs 5.8 billion have been disbursed by various banks/DFIs to MFBs/MFIs under MCGF.
- About 7,600 loans amounting to around Rs 4.5 billion pertaining to CY14 have been approved by TCCG for issuance of guarantee to banks against their Small and Rural Enterprises. During the year, 57 claims amounting to Rs 6.9 million have been disbursed to concerned banks.
- During FY15, five cases for guarantee cover of Rs 13.2 million have been provided by DFSD against sanctioned loans of Rs 44.0 million under Mark up Subsidy and Guarantee Facility (MS&GF) for Rice Husking Mills in Sindh.
- Two awareness programs, in collaboration with IH&SMEFD and Sindh Enterprises Development Fund (SEDF), were also arranged in Sukkur and Larkana to sensitize utilization of MS&GF.
- Funds on account of CGS-DFID, CGS-GoP, MCGF & Rice Husking Milling Scheme (RHMS) amounting to about Rs 7.4 billion were managed by DFSD.

3.3 Financial Inclusion Scheme Management

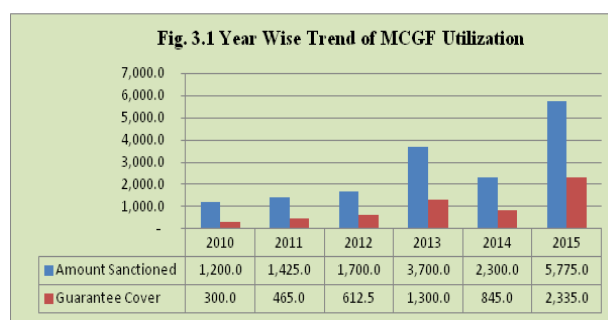
3.3.1 Prime Minister’s Youth Business Loan Program

DFSD is entrusted with the responsibility of processing claims of banks under PMYBL in the light of instructions from IH&SMEFD. For efficient and smooth processing of claims, DFSD initiated and coordinated development of PMYBL Globus Module. So far, NBP and First Women Bank Limited (FWBL) have started disbursements under PMYBL and their quarterly subsidy claims in respect of 5,700 borrowers (approx.) have been processed by June 2015. Going forward, 5 more banks will also be participating in PMYBL.

3.3.2 Microfinance Credit Guarantee Facility

SBP, in collaboration with UK’s Department for International Development (DFID), launched Microfinance Credit Guarantee Facility (MCGF) in December, 2008 to address the funding problem of Microfinance Banks (MFBs)/Microfinance Institutions (MFIs).

The year-wise utilization of MCGF has an increasing trend (**Figure 3.1**). During FY15, funds of around Rs 5.8 billion have been disbursed by various banks/DFIs to MFBs/MFIs. Eight MFBs/MFIs have benefitted from this



facility. This Scheme was revised in FY15 to facilitate weaker MFIs/MFBs by offering them higher guarantee cover of 60 percent instead of 40 percent.

3.3.3 Credit Guarantee Scheme for Small & Rural Enterprises

Around 7,600 loans of approximately Rs 4.5 billion pertaining to CY14 have been approved by Technical Committee on Credit Guarantee (TCCG) for issuance of guarantee to banks against their Small and Rural Enterprises. 57 claims of Rs 6.9 million have been reimbursed to concerned banks during FY15.

3.3.4 Mark-up Subsidy & Guarantee Facility for Rice Husking Mills in Sindh

SBP launched “Mark-up Subsidy & Guarantee Facility (MS&GF) for Rice Husking Mills in Sindh” in March 2013 with a view to modernizing and upgrading rice husking mills of Sindh. The facility provides Mark-up Subsidy and Partial Guarantee Incentive.

Five cases for guarantee cover of Rs 13.2 million have been provided by DFSD as against sanctioned loans of Rs 44.0 million during FY15. Two awareness programs, in collaboration with IH&SMEFD and Sindh Enterprises Development Fund (SEDF), were arranged by DFSD in Sukkur and Larkana to sensitize utilization of the Scheme.

3.3.5 Credit Guarantee Scheme for Small and Landless Farmers

The GoP has launched a Credit Guarantee Scheme for Small and Landless Farmers during FY15. The objective of the Scheme, being operated by DFSD, is to encourage Participating Financial Institutions (PFIs) to lend to small farmers with no collaterals to meet their working capital requirements by sharing their risk up to 50 percent.

3.3.6 Fund Management

Funds on account of Credit Guarantee Scheme of DFID, Credit Guarantee Scheme of GoP, Micro Credit Guarantee Facility and Mark-up Subsidy & Guarantee Facility amounting to Rs 7.4 billion approximately are being managed by DFSD. In total, 50 investments on account of these four funds have been made in FY15, all of which were reconciled with system reports generated at Securities Division, Karachi Office as on June 30, 2015.

3.3.7 Developmental Initiatives

- (1) DFSD has initiated and coordinated with Information Systems and Technology Department (ISTD) for development of PMYBL Globus Module for efficient and error-free processing of claims. In this regard, data formats, process flow, and reporting modalities have been designed.
- (2) CGS formats have been revamped and reporting guidelines prepared with a view to strengthening the overall monitoring of schemes.