



RURAL SUPPORT PROGRAMMES NETWORK

and



PUNJAB RURAL SUPPORT PROGRAMME

**Including the Excluded:
Extending the Social and Financial Frontiers for the Poorest Women in
Remote Areas of Southern Punjab**

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Preamble

- Microfinance today has increasingly become a popular way of reaching the grassroots populace in developing countries. Pakistan too has witnessed this increase, with the microfinance sector for the period 1999-2006 growing from a client-base of 60,000 to 100,000. The sector is growing at an annual rate of 40%, thus making it feature in the top quartile (75%) of a growing microfinance industry globally¹.
- Despite these encouraging signs, there is one section of the population which is still left out i.e. the poorest. Today almost 35% of Pakistanis live below the poverty line. It is these people who have been unable to access the services of Microfinance Institutions (MFIs).

Community Investment Fund (CIF)

- The CIF has emerged as a sustainable solution to address the micro-credit needs of the poorest. An example of its success is the World Bank – Andhra Pradesh State’s project where the CIF has been in operation for about 10 years. It has shown its ability to help the poorest of the poor, especially women, both economically and also as a tool to improve financial management capacities of the poorest and to empower them.
- The basic difference between the CIF and ‘regular’ micro-credit is that it is a community-managed mechanism, providing access to the poorest and potentially to those in remote areas where regular micro-credit becomes unsustainable. It is also a first step whereby the poorest access smaller loans before they can graduate to regular MFI services, if these exist in their area. This ‘transformation’ is key to lifting the poorest out of the poverty trap. CIF enables people to manage (with simple methods) a credit fund, it enables them to learn how to be good borrowers, it provides flexible mechanisms of access to credit and makes poor clients ready for ‘regular’ micro-credit and micro-finance access. In the case of the Andhra model, the CIF fund is provided to federated women’s organisations, for its use as a revolving credit fund plus a component of the CIF is for grants to the destitute and those unable to take credit. Women’s organisations decide upon issues key to the operation and maintenance of the CIF.

These are issues such as:

- In what form to distribute the fund; credit or grants (proportions decided)
- Whom to distribute to in the community i.e. clients screening
- What interest rate to charge – to maintain the CIF
- What the duration of the loan should be
- What repayment plan to set
- Ways of increasing the CIF
- How to utilise savings in order to compliment CIF i.e. the option of pooling savings into the CIF to increase it and to create greater ownership of it

¹ Pakistan Microfinance Network: “Pakistan Microfinance Review: Shades of Growth”, 2006; pg. 9.

- The CIF is dove-tailed with the project's institution building agenda i.e. institutions of the poor i.e. Community Organisations (COs) (sub-village level) and their federations of Village Development Organisations (VDOs) (village level) and further as Local Support Organisations (LSOs) (Union Council level). VDOs and LSOs are representative organisations of the COs.
- The CIF has many advantages, such as:
 - It can operate through community institutions in the most rural and remotest of areas
 - Lower running costs i.e. there are minimal institutional 'overheads' of COs, VDOs and LSOs to manage the fund, unlike the institutional overheads of MFIs and NGOs
 - Increasing women's *permanent* empowerment through ongoing management of the CIF
 - Strengthening institutions of the poor through fund management and related decision-making
 - Providing employment to the community through investment of loans in income generating activities
 - Increasing the credit handling, accounting and monitoring skills of the community
 - Ability to 'graduate' the poorest of the poor to the next level to access MFIs.

CIF Pilot Project, Layyah (PRSP-RSPN)

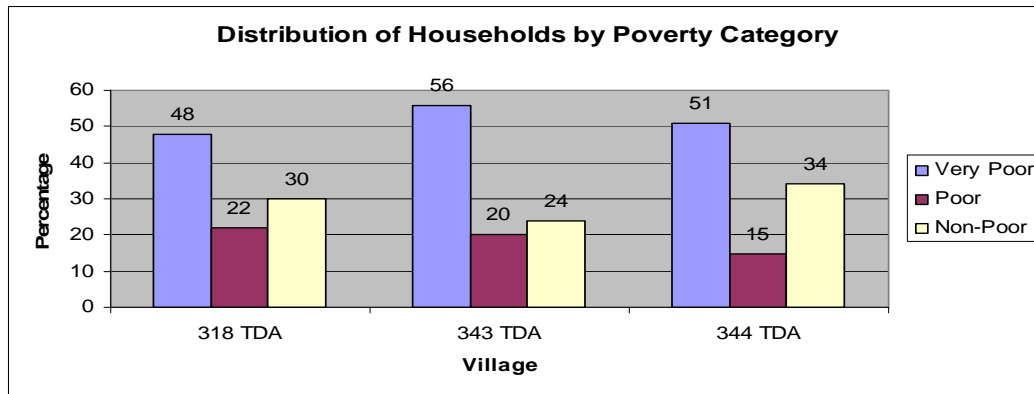
Steps

- The CIF Pilot Project in Layyah was initiated on the 31st of October 2007, by the Punjab Rural Support Programme (PRSP), supported by Rural Support Programmes Network (RSPN). It is part of RSPN's mandate to pilot innovative solutions and part of the State Bank's policy to seek new modes of financing for the poorest.
- The pilot is at the Union Council level i.e. in Union Council Jamal Chapri of Layyah district. There are a total of 25 villages in the Union Council and a total of 3,392 households. The site was chosen after considerable discussion with the PRSP field team. Layyah district and Jamal Chapri Union Council were chosen due to a high level of poverty (Layyah district is listed in Pakistan's MTFD as one of the poorest of 25 districts nationally), a higher household coverage by COs and the presence and availability of committed women activists and PRSP staff.
- Within the UC, three villages were selected for the first stage of the CIF pilot i.e. Chak 318 TDA, Chak 343 TDA and Chak 344 TDA.
- Baseline data such as Social Mobilisation data of the villages in Jamal Chapri (including details such as village-wise household coverage and CO formation) and Household Asset Ownership data (including details of village-wise land holdings of households) was collected and progress tracked, as the pilot had to be well documented. The State Bank for its Financial Inclusion Programme would require detailed documentation to potentially scale up the CIF nationally. This documentation can be presented to Provincial governments by RSPs to support the Union Council poverty plans.

- For poverty ranking and future tracking of household status, PRSP-RSPN used two methodologies. To avoid the inherent aggregation problems linked with the PRA methods of poverty ranking (currently used by the RSPs), the Grameen Poverty Scorecard was used. This was compared with the poverty ranking, through community verification, which had earlier been used to rank households in these three villages, by PRSP. The difference in the two methodologies was nominal with almost the same number and the same households falling below the poverty line. The Scorecard comprises a list of ten indicators (See [Annex 1](#) for English version). It is through these indicators that the score of a household can be calculated along with its category status; with categories being ‘very poor’, ‘poor’ and ‘non-poor’². An on-site training in the use of the Scorecard was provided to the RSPN and PRSP team by the National Rural Support Programme (NRSP), which has used the Scorecard extensively in its own programme area. A poverty score card software training was also included.
- In Layyah, the Scorecard exercise was carried out mostly by female CRPs who visited each household in the villages, in order to fill out the Scorecard. The Scorecard results were cross verified in community meetings and are also being re-checked by PRSP Layyah field staff in order to ascertain that there were no mistakes. RSPN supervised the entire exercise, with the MER section providing their technical support.
- The Poverty Scorecard results for the three villages are shown below (dated January 2008):
 - At the start of the pilot project, only 337 households had been mobilised. By July 15th, 1,263 households had been mobilised
 - At the start of the project there were 30 female COs, By July 15th, there were 117 female COs
 - Coverage of poor and poorest households has increased since the start of the pilot project, and particularly after the Poverty Scorecard exercise, e.g. in village 319 TDA coverage of the poorest households was 49%, i.e. of all the total 78 poorest households in the village 49% had been organised, and by mid July 2008, 65% of the poorest households had been organised. After the Poverty Scorecard exercise, all the poor and poorest households are identified and motivated to join existing COs or to foster new ones.

² Initially there were three categories of poverty as mentioned above; however since July 2008 the number of bands will increase to six (Extremely poor, Chronically poor, Transitory poor, Transitory vulnerable, Transitory non-poor and Non-poor), in order to be in accordance with the Government of Pakistan’s poverty categories.

Graph 1: Distribution of Household by Poverty Category as of January 2008³



- Village dialogues took place with the three villages separately, in which all existing CO members (men and women) were present. The community was introduced to the idea of the CIF. They assisted in the Scorecard process by gathering data from households. Their activists were also requested to increase household coverage in their surroundings, through CO formation. This critical mass is essential before the next step of LSO formation, at the Union Council level.
- The ultimate coverage target is to cover 100% of the poorest households. In order to achieve this coverage, women Community Resource Persons (CRPs) from these villages were assigned the task of gathering household data, forming COs and ensuring that the poorest and destitute households were included in the COs. The CRPs were provided with clear achievement targets for which they received an output-based remuneration of Rs. 3000 (on average) per month. The CRPs would strive to achieve at least 60% poorest households coverage, at which stage VDO formation would start. The remaining coverage would then become the responsibility of the VDOs themselves, i.e. ensuring that the remainder households in their villages were included into their COs, especially the poorest households.
- A set of forms was developed including a **Loan Appraisal** form (See [Annex 2](#)) and a sample **CO Resolution** (See [Annex 2.1](#)) which each CO would have to fill out showing their final selection of loan applicants, along with the signatures of all the CO members. This would be sent to the VDO along with the actual loan appraisal forms. The VDO would then check the poverty ranking of each applicant, ensuring that they were all in the very poor and poor category. Having done this, the VDO would send the CO a crossed cheque for the total loan amount which would then be deposited into the CO's account. From their account, the CO would distribute the loans to the successful applicants.
- Terms of Partnerships (ToPs) were also developed; between PRSP and the VDOs, as well as between the VDOs and their COs (See [Annex 3 and 3.1](#)), in order to clearly define what each party's roles and responsibilities were.

³ The above mentioned data was the initial result we obtained from the poverty scorecard exercise carried out in the three villages in the first phase. However in May when the poverty scorecard of the entire UC was carried out, the above mentioned results slightly changed (detailed in Annex 4).

Progress to Date (July 2008)

- By December 2007, the CIF concept was discussed with 10 of the 25 villages in the Union Council. A total of 8 CRPs were ‘hired’ to increase household coverage. They had organised 59% of the households in 10 villages, into 60 women’s COs (having initially started off with 30 women’s COs). The total savings for these COs had reached Rs. 216,000. The COs of the three villages had also organised themselves into 3 VDOs.
 - It was decided that the CIF would be provided to this nucleus of three VDOs/villages first. Meanwhile increased CO and VDO formation would create a critical mass of organised households in the entire Union Council, to be ready to form the LSO.
 - The funds allocated for the CIF project was Rs. 9,000,000. This fund was distributed so that each target household (i.e. the poorest) would receive Rs. 18,450⁴. Out of this sum, up to 20% could be allocated for non-returnable grants. (After Poverty Scorecard exercise, when it was found that different villages had different poverty levels, and after guidance from the Chairperson RSPN during his visit to SRSO, recalculations were done so that the poorest village would get relatively more and that the average amount of CIF would be about Rs. 6,000 per poorest household)
 - The CIF funds would be distributed in three equal tranches (based on the VDO’s performance in regularity of meetings, savings, repayment and accurate book-keeping).
- It was expected that the Union Council level LSO would be formed by about April 2008; however coverage remained slower than expected. This was due to several facts; such as abrupt changes in Layyah field staff and also that the month of April and May was used to carry out the poverty scorecard exercise in the entire UC. Therefore it was decided that LSO formation would take place at the end of July 2008.
- The process leading up to LSO formation involves intensive ground work i.e. forming COs and VDOs, building their capacities through a training programme, enabling them to conduct development planning at higher levels i.e. VDO and LSO, establishing LSO links with local governments, etc.
- The LSO, as per RSP approach, is not only an instrument for a CIF, it is an institution of the people and requires multi-dimensional capacities, in order to be effective and responsive to constituent VDOs and COs.
- An additional challenge in this case is that we are working only with women. So far, the response has been very positive. We are hoping this pilot will be a torch-bearer for the future of micro-credit, focusing on women-managed institutions of the poorest.

⁴ This was distributed amongst the villages by taking 70% of the total number of households in each village (which were planned to be covered during the duration of the programme). Out of the 70% of households, 15% was seen as the very poorest (who would ultimately be our target population). The total fund allocation was then divided amongst this total number of very poor households; resulting in Rs. 18,450 for each target household.

Poverty Scorecard

- Poverty profiling of the entire Union Council has taken place; carried out by using the Poverty Scorecard method (See [Annex 4](#) for complete poverty profile of Jamal Chapri). The decision to carry out the poverty scorecard of the entire Union Council (compared to doing it village-wise upon entry) was taken as it would give us a crystal clear picture of what the actual ground reality was in the *whole* of Jamal Chapri.
- Each household in all the 25 villages was covered and their scores collected and calculated by PRSP and RSPN staff. The households were categorised according to their scores, with 0-24 being very poor households, 25-34 being poor households and 35 and above being non-poor households. Later, six poverty bands were developed using the PSC results.
- The following data is the poverty profile of the households in Jamal Chapri, Layyah (See [Annex 5](#) for poverty profile according to the six poverty bands), while Table 2 shows the social mobilisation of the Union Council before and after CIF:

Table 1: Poverty Incidence in UC Jamal Chapri as of May 2008⁵

Households	Non-poor	Poor	Poorest	Total
Number of Households	915	895	1,582	3,392
Percent of Households	27%	26%	47%	100%

Table 2: Comparison of Social Mobilisation Before and After CIF in UC Jamal Chapri

Categories	Before (November 2007) ⁶	After (July 2008)		
Total HH	3392			
Covered HH	337	1263		
		NP: 284	P: 363	VP: 617
Coverage	10%	37%*		
Members	470	1602		
VDOs	0	14		
COs	30	117		

***Note:** The reason for lower coverage in July as compared to January is mainly due to the results of the poverty scorecard exercise of the UC. The exercise shed light on several issues which brought down the coverage of households; issues of duplication, where it was found that each household consisted of more than one member of a CO. Secondly, the exercise captured several households which had been missed out earlier.

Social Mobilisation

- With the advent of CIF in Union Council Jamal Chapri, the rate of social mobilisation has dramatically increased. The average rate of coverage in a Union Council in RSP areas is 15.38% (of which women's coverage is 30%), while in Jamal Chapri, in a span of six months, 37% coverage (purely of women) has already been achieved⁷.

⁵ RSPN: "Targeting Rural Poverty: Poverty Profile of Union Council Jamal Chapri, District Layyah" May 2008; p. 4.

⁶ PRSP: "Social Mobilisation Data of Union Council Jamal Chapri" 2007

⁷ RSPN: "RSPs' Progress Update" March 2008

- One of the reasons for this increase in social mobilisation is the use of Community Resource Persons (CRPs). This is due to the fact that these CRPs reside in and are familiar with the target UC. They started off by covering their own villages, after which they were assigned surrounding villages. PRSP's Social Organisers (SOs) were on hand to visit each CO that had been formed for verification purposes.
- Besides the increase in social mobilisation, CIF has also brought attention to the most deprived in the Union Council; namely women and the poorest. As CIF is a programme for women only, membership and ownership by women has been targeted. It is also a programme which provides loans to the poorest in society; therefore membership of the poorest households has been a priority.

CIF Loans

- As CIF is a programme aimed at women, the decision-making process is left to them. This includes electing their CO and VDO General and Executive Bodies; managing their organisations (e.g. in terms of maintenance of both general and financial records by VDO book-keepers); conducting regular meetings, savings and generation of resources.
- Below are the details regarding CIF loans; with Table 3 showing the CIF funds given to the VDOs in Jamal Chapri. Table 4 demonstrates the extent to which the poorest are given loans, while Table 5 shows some basic facts about CIF loans disbursed thus far:

Table 3: CIF Tranches Disbursed to VDOs in UC Jamal Chapri as of July 2008

Month	Amount Disbursed	No. of VDOs
January 2008	Rs. 430,808	3
March 2008	Rs. 318,000	3
July 2008	Rs. 1,695,141 [#]	14 (including above mentioned VDOs)
Total	Rs. 2,443,949	14

[#]**Note:** The CIF funds distributed in July 2008 have been calculated according to a revised method, suggested by Mr. Shoaib Sultan Khan. This new calculation (to be carried out July onwards) would be done by dividing the total CIF fund (Rs. 9 Million) by the total number of very poor households (according to the poverty scorecard). This would result in an average CIF amount that each very poor household could receive. In order to calculate the fund that each village would receive; this would be done by multiplying the average amount by the total number of very poor households in each of the villages. Therefore each village would receive a fund according to its own poverty incidence.

Table 4: CIF Loans Disbursed According to Poverty in UC Jamal Chapri as of May 2008⁸

Non Poor ⁺	Poor	Very Poor	Total
7	8	63	78

⁺**Note:** According to CIF policy, loans should only go to very poor and poor members, but as can be seen above, seven loans have gone to Non-poor applicants. However upon inspection by the local CRPs and RSPN staff, these applicants were found to be very poor, despite the fact that their scores in the scorecard were above 34. These applicants were in households where the family consisted of an old poor couple without any children; therefore scoring a very high score of 23 on the first question of the scorecard. This reinforces the point that validation is needed with all tools used of targeting.

⁸ RSPN: "Targeting Rural Poverty: Poverty Profile of Union Council Jamal Chapri, District Layyah" May 2008; p. x.

Table 5: CIF Loan Details as of May 2008 (6 VDOs)

No. of Loans		78
	Agriculture	14
	Livestock	53
	Enterprise	07
	Emergency	04
Amount Disbursed (Rs)		668,500
	Agriculture	113,000
	Livestock	460,000
	Enterprise	74,000
	Emergency	11,500
Average Loan Size (Rs)		8,571
	Agriculture	8,071
	Livestock	8,679
	Enterprise	10,571
	Emergency	2,875
Average Loan Duration (Months)		11
	Agriculture	10
	Livestock	12
	Enterprise	12
	Emergency	3

Note: The second tranche for the six original VDOs has already been given; however it is in the process of being distributed to the members as of 15th July 2008.

A first tranche has also been given to eight new VDOs and is in the process of being distributed to the members as of 15th July 2008.

This would result in an additional 200 very poor and poor members being able to receive CIF loans (taking into consideration the above mentioned average loan amount).

- Repayments of CIF loans are tentatively decided at the time of filling out the appraisal form. Being CIF loans, the nature of repayment is kept flexible and left to the loan borrower. However the CO does insist that borrowers must return some amount every month; be it just the service charge of the loan for the month.
- Till date, repayments have been regular in Jamal Chapri, with no cases of default taking place (to be verified in the field visit).
- As can be seen from the above, CIF loans have been accessed by the poorest households in Jamal Chapri; exclusively by women. A significant factor in this has been the relaxation of requirements which are normally required by formal MFIs. In the case of CIF, the following procedures have been of great help in encouraging the poorest and women in tapping into the CIF:
 - CIF applicants are not required to produce a National Identity Card (NIC). This rings true in the case of the poorest and women, as it is these groups which normally do not have NICs issued.
 - Loan amounts and repayment plans are flexible; thereby giving the poorest the freedom to work around their own individual circumstances.

- Reduction of red-tape, in terms of not having to fill out extensive and complicated forms for CIF loans (a problem for anyone, let alone the poorest of which the majority are illiterate). Currently, prospective applicants need only provide a one page appraisal form (which is filled out in the CO meeting by the CO's President/Manager).
- Decision-making is carried out at the grassroots level, i.e. in the COs. Therefore any decisions regarding CIF loans is decided in the CO itself (the VDO does not take decisions regarding what loan amount each applicant should receive, repayment details, etc). Since the poorest are members of COs, they are clearly a part of the central process of CIF (thereby ensuring that their concerns, requests, etc are reached to this key organisation, i.e. their CO).
- Due to its exclusive nature (by providing credit and grants to the poorest and women) the CIF fund itself is able to benefit a larger number of the target population; instead of being diluted amongst non-poor households.
- The CIF loan can be used for many purposes, as set out and agreed by the members of the COs. For example, the COs in Jamal Chapri have specifically mentioned that members can use CIF loans for emergency purposes (unexpected expenditure such as medical bills). The COs can also lower the rate of service charge for emergency loans.

Effects of CIF

- The CIF programme has had a substantial impact on the women in Jamal Chapri. With this programme, they have been given decision-making power, which normally would be in the hands of male community members. Bypassing men altogether has brought a new found respect for these women as their bargaining power has significantly increased due to CIF. This is because through CIF loans, the poorest of women have been able to attain resources to increase their sources of income; mainly through investing their loans in livestock, agriculture and in some cases, entrepreneurship.
- In addition to this, the CIF programme has also helped in developing the capacities of the women in Jamal Chapri. This has occurred by the fact that these organisations of the poor (i.e. COs and VDOs) are comprised of women and are run solely by them as well. They have also taken part in various trainings such as CMST, Financial Book-Keeping training and Village Planning and Management training as well. All these factors have contributed to the capacity, confidence and skills of the women in Jamal Chapri.
- As for those members of the community who are not eligible for CIF (such as men and non-poor members), PRSP will be supplying them with PRSP's own credit programme. Thus meeting the credit needs of the majority of the community.
- Based on the concept and success in targeting women and the poorest, the CIF programme has also spread to other RSPs such as TRDP, SRSO and the Multan/Khanewal regions in PRSP.