



Community Investment Fund

Assessment of the Pilot Programme

Final Report

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List of Acronyms

AKRSP	Aga Khan Rural Support Programme
CIF	Community Investment Fund
CMST	Community Management Skill Training
CNIC	Computerized National Identity Card
CO	Community Organization
CRP	Community Resource Persons
FA	Field Accountant
LSO	Local Support Organization
MER	Monitoring, Evaluation and Research Section
MFI	Microfinance Institution
MGF	Micro Grant Fund
MOU	Memorandum of Understanding
MRL	Micro Revolving Loan
MTDF	Medium Term Development Framework
NGO	Non-Government Organization
NRSP	National Rural Support Programme
PSC	Poverty Scorecard
PRSP	Punjab Rural Support Programme
RGM	Regional General Manager
RSP	Rural Support Programmes
RSPN	Rural Support Programmes Network
SBI-P	ShoreBank International, Pakistan
SERP	Society for the Elimination of Rural Poverty
SMT	Social Mobilization Team
ToP	Terms of Partnership
UC	Union Council
VDO	Village Development Organization
VOB	Village Organization Banking

Executive Summary

Rural Support Programmes Network (RSPN) and Punjab Rural Support Programme (PRSP) has begun a programme called the 'Community Investment Fund' (CIF), in order to effectively and efficiently reach out to the women and the poorest segments of the rural communities. The roots of CIF go back to the concept of the Village Organization Bank programme (VOB) that the Aga Khan Rural Support Programme (AKRSP) had initiated in the Northern Areas of Pakistan in the late 1980s and by Society for Elimination of Rural Poverty (SERP) in Andhra Pradesh, India, in the late 1990s.

Using previous experiences, accessing new learning and suitably modifying these to the current context of Pakistan, RSPN views CIF as a cost-effective method of providing microfinance services to the poor and poorest women, particularly in the areas that are relatively underserved by the MFIs. CIF is a fund, which is owned, run and managed by the poor and poorest women and their own organizations, i.e. its own beneficiaries. It focuses specifically on the poorest households through female Community Organizations (COs) by giving access to microfinance, while at the same time increasing their levels of empowerment, confidence and skills. Essentially, CIF is based upon and linked to the three-tier social organization framework of COs, their agglomeration into Village Development Organizations (VDOs) and finally agglomeration at the Union Council-level into a Local Support Organization (LSO). Members of COs are encouraged to mobilize their own savings and as these build up to use them for internal lending purposes and creation of income generating assets.

The overarching objective of CIF is to reduce the levels of poverty in rural areas through creation of self-managed strong institutions of the poor and the poorest women. This can be achieved by building their productive assets, increasing and diversifying their income sources, decreasing their expenditures, decreasing or managing risks; and improving their leadership and management skills.

The CIF is considered a low-cost alternative model of providing micro-credit to those sections of the communities who are ordinarily overlooked by formal Microfinance Institutions (MFIs) as the methodologies and approaches adopted by the MFIs do not provide a mechanism to lend to the very poor segments of the society on a sustainable basis. CIF is specifically targeted towards women belonging to households, which are at the poverty line or below it.

The basic difference between the CIF and micro-credit is that CIF is a community-managed mechanism, providing access to the poor and the poorest and potentially to those in remote areas where provision of regular micro-credit services by the MFIs 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 change could be a key to lifting the poorest out of the poverty trap.

In Pakistan, CIF pilot project is being experimented through two different delivery mechanisms. The first mechanism is a direct delivery mechanism being undertaken in Union Council Jamal Chapri in District Layyah, Punjab and is implemented by the PRSP with support from the RSPN. The second mechanism is an indirect delivery mechanism is also undertaken by PRSP with funds provided by RSPN through the LSO structure.

RSPN engaged SBI-P to undertake assessment of the CIF pilots that are being delivered through direct mechanism in three villages of Layyah and the two indirect mechanisms being delivered through the LSO structure.

In order to conduct an effective assessment the SBI-P team undertook: (a) literature and portfolio review; (b) management review and stakeholders forum; (c) developed assessment tool and conducted field survey; and (d) consultative discussions and sharing findings with PRSP and RSPN management and BOD.

Under the direct delivery mechanism, a Memorandum of Understanding (MOU) was concluded between the PRSP and RSPN to pilot the CIF Project in district Layyah of PRSP Multan Region effective from November 2007 and projected to end in December 2008. PRSP Multan Region chose the pilot site - Union Council Jamal Chapri after considerable discussion with its District and Field Teams. There are 25 villages in the Union Council and 3,392 households. Layyah district and Jamal Chapri Union Council were chosen due to high level of incidence of poverty. Layyah district was also chosen as it is listed in Pakistan's Medium Term Development Framework (MTDF) as one of the poorest of 25 districts nationally.

For the successful establishment of CIF in an area, two broad steps need to be carried out. The first concerns social mobilization, poverty ranking using poverty scorecards and CO/VDO/LSO formation, while the second consists of establishing the community fund – loan as well grants, both are equally vital to the holistic operation of CIF.

Baseline data on social mobilization in the villages of Jamal Chapri and household asset ownership data was collected and the progress tracked by PRSP. This exercise was completed by May 2008.

In Layyah, initially the Poverty Scorecard (PSC) exercise was carried out by women Community Resource Persons (CRP) visited each household in the villages. However, due to shortage of literate females and mobility issues in remote locations, male CRPs were inducted to complete the PSC exercise. The scorecard results were again verified in community meetings and were re-checked by PRSP Layyah field staff to ascertain that there were no mistakes. RSPN supervised the entire exercise.

Each household in all the 25 villages was covered and their scores collected and calculated by PRSP and RSPN staff. The households were categorized according to their scores, with 0-24 being very poor households, 25-34 being poor households and 35 and above being non-poor households. Around 70% of the households were classified as being very poor and poor.

The ultimate coverage target was set to cover 100% of the poorest households in Jamal Chapri. In order to achieve this coverage, 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. 3,000 (on average) per month.

With the advent of CIF in Union Council Jamal Chapri, the rate of social mobilization dramatically increased from that of regular RSP social mobilization. The average rate of social mobilization 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, it was 37% coverage (solely of women).

The SBI-P team along-with the staff and support from RSPN and PRSP spent around one week in the pilot sites and found that:

CIF is an excellent initiative as it has a very clear identification mechanism of targeting women and vulnerable in the poor households. Most of the MFIs in Pakistan follow a very blunt poverty targeting approach, whereby, they assume that an average loan size under Rs. 15-20,000 is unlikely to attract non-poor households. CIF using PSC method has been able to overcome the poverty assumptions used by MFIs.

The SBI-P team noted that CIF programme has had a substantial positive impact on the women. With this programme, women have been given decision-making power, which normally would be in the hands of male community members. While discussing CIF operations with CO members, a remarkable increase in the confidence level of women members could be felt and they openly discussed matters pertaining to CIF in presence of their male family members. In many cases through utilization of CIF loans, women have been able to attain resources to increase their sources of income mainly through investing in livestock, agriculture and in some cases, entrepreneurship.

Summary of Key Recommendations

The success completion of a pilot necessarily entails changes from the lessons learnt during that phase, which if not addressed appropriately can adversely affect as a “one-off” initiative. Fortunately, RSPN and PRSP do not find in this situation. However, below is a summary of broad recommendations, which are more detailed within the body of this report.

Direct Delivery Mechanism

The CIF mechanism has been conceived to address financing needs of the poorest by enabling them to create assets for increasing income. Presently beneficiary needs are assessed in the routine process without properly drawing up the credit utilization plan. During the loan appraisal process, the beneficiary should be encouraged to plan to create assets by providing certain incentives.

During the social mobilization process, some fake COs/VDOs have been created which should be disbanded and properly organized, and the CIF pilot should be stopped until reorganization is completed. Moreover, new literate committed office bearers should be identified and trained for all the COs/VDOs where very low-level literate office bearers have been appointed. Until such time that these new office bearer are able to manage their functions, PRSP should directly supervise the functions.

The PSC exercise has been completed in Layyah. However, some issues of nomenclature required to be resolved at the earliest. A copy of PSC should also be kept at the village level, which should be updated at-least once in a year to track changes in beneficiary poverty levels.

The record keeping at the majority of the CO/VDO is extremely poor. There is a lot of over-writing in all the records, particularly in the financial records. Savings records kept in the CO are not reconciled with the individual savings passbook of the member. Duplicate and missing entries have been found in either the CO or the member’s savings records. The financial records are thus highly unreliable and lack trust that leads to disputes in the CO. A Field Accountant (FA) should immediately be hired to rectify errors appearing in the financial records of the COs and the individual members. The records should be rectified with the help of existing office bearers. The services of the FA should be retained until the newly appointed or the existing office bearers are able to maintain all the financial and other records reliably and independently.

Indirect Delivery Mechanism

The concept of three-tier CO/VDO/LSO structure is quite new to the people. PRSP/RSPN should provide active guidance and support to the LSO/VDOs during the initial stages of formation otherwise weak institutions may be formed and the purpose of helping poor through CIF will not be achieved.

RSPN has clearly defined the role of LSO/VDO. However, many of the office bearers are unclear about their role and functions and at some places; there was some over lapping of the work. The VDO/LSO office bearers and members should be provided more training to understand their roles clearly.

At a couple of CO/VDO, female members mentioned that the male members in their family were unhappy of their spending more time at the CO/VDO/LSO meetings and managing visitors that disturbs their routine household chores. PRSP/RSPN should work out a strategy that should minimize flow of visitors to the same CO/VDO/LSO and suggest ways that could help members spend minimum required time to attend the meetings.

Other CIF Features

Some recommendations are made to improve certain CIF features and services. These were discussed with the stakeholders present during the field visits and a general agreement was noted. The LSO representatives were quite eager to discuss these recommendations with their general body to achieve consensus.

CIF is being piloted by several RSPs at various places and there are plans to expand it, as resources from the Government become available. In order to manage the CIF operations better, a comprehensive systems and procedures should be developed on a priority basis, and setting reporting and monitoring standards. Staff, programme resources and financial records should be separated for the CIF initiative from the regular PRSP core programme for better management and assigning clear responsibilities.

The CIF target group is more vulnerable to various health risks and prone to accidents because of their living conditions. Insurance benefit should also be provided to them similar to those provided to the loanees of PRSP's core credit programme. To avail this facility, a condition of having CNIC may be required, for which PRSP should facilitate to obtain. The insurance premium should be paid from the services charges recovered from the borrowers on CIF loans by the COs.

One of the major objectives of the CIF is to encourage households to save on a regular basis. However, the SBI-P team found that there is very little encouragement to save. Incentives should be provided to the CIF members whereby they could enhance their savings at a faster pace. These incentives could be: (a) Sharing of service charges that is collected by the CO, and (b) regular savings deposited during the regular meetings should be matched from CO/VDO other income. In order not to allow any misuse of the above incentives, a savings deposit target that would allow the beneficiary to buy a small asset for increasing household income and a savings utilization plan should be agreed, when appraising a loan and the CO should facilitate its purchase later. Cash withdrawal of savings should be only allowed in case of extreme emergencies; however, it should be replenished later.

The current CIF concept and procedures does not have any graduation/exit mechanism built into the system. Beneficiaries can exit as CIF member, if they acquire certain levels of prosperity by accumulating assets and wealth and as such, they move out from the poverty ranking of poor to non-poor status. After the beneficiaries graduate to the non-poor status, surplus funds would be available with the CIF that can be utilized: (a) by transferring as CIF investments in the new areas of operation, and/or, (b) by allowing the LSO/VDO to establish collective enterprise, income-generating schemes and/or create some social intervention units. These concepts should be further discussed within RSPN and with other RSPs to achieve a broader consensus before implementing the same.

Community Investment Fund – Background Information

Introduction

The CIF is considered a low-cost alternative model of providing micro-credit to those sections of the communities who are ordinarily overlooked by formal Microfinance Institutions (MFIs) as the methodologies and approaches adopted by the MFIs does not provide a mechanism to lend to the very poor segments of the society on a sustainable basis. CIF is specifically targeted towards women belonging to households, which are at or below the poverty line. CIF is meant to provide access to micro-credit for women as well as it is also a means of empowering women by giving them complete control over capital, something that is normally denied to them.

The CIF Concept

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 over 10 years. It has shown its ability to help the poorest of the poor, especially women, both economically and as a tool to improve financial management capacities of the poorest and to empower them.

The basic difference between the CIF and micro-credit is that CIF is a community-managed mechanism, providing access to the poorest and potentially to those in remote areas where provision of regular micro-credit services 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’ could be a 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 and it provides flexible mechanisms of access to credit and makes poor clients ready for micro-finance access. In the case of the Andhra model, the CIF fund is provided to federated women’s organizations, for its use as a revolving credit fund and a component of the CIF is for grants to the destitute and those unable to take credit. Women’s organizations decide upon issues key to the operation and maintenance of the CIF.

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 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 loans from MFIs.

CIF Pilots

In Pakistan, CIF pilot project is experimented through two different delivery mechanisms. The first mechanism is a direct delivery mechanism that is taking place in Union Council Jamal Chapri in District Layyah, Punjab that has been started in November 2007 and is implemented by the PRSP with support from the RSPN. The second mechanism is an indirect delivery mechanism providing CIF loans that is also implemented by PRSP with funds provided by RSPN through the LSO structure.

Approach to the Assignment

Objectives of the assignment

The objective of the assignment was to review the CIF pilot project taking place in three villages of Jamal Chapri, Layyah that is implemented through direct mechanism and two LSOs that is implemented through the indirect mechanism in the following manner:

1. Review the institutional approach (social mobilization coverage, state of COs/VDOs, their records, leadership, etc.)
2. Review the CIF and its:
 - Management (through its record-keeping, method of disbursement, appraisal, etc.)
 - Outputs (number of loans disbursed, loans utilization, assets created, etc.)
 - immediate outcome, in:
 - i. women's income, confidence, self-worth/respect, mobility and skills; and
 - ii. acceptance at the household levels and at the community level
3. Review the external/unforeseen impact of the pilot project (e.g. the spread of the Poverty Scorecard and the UC plan)

Methodology used

In order to conduct an effective assessment the SBI-P team took the following action steps to complete its tasks:

Literature Reviewed & Portfolio Reviewed

To gain a thorough understanding of CIF, its mission and the manner in which it conducts its businesses, SBI-P carried out an in-depth review of all pertinent CIF management and operational documents. However, the literature review also encompassed researching microfinance programs in Pakistan with similar objectives to CIF, international microfinance best practices utilized in environments similar to Pakistan's, including the Andhra Pradesh model utilized in India, and a cursory review of the legal and regulatory issues which may have bearing on CIF.

Management Review and Stakeholders Forum

An essential component of the SBI-P task was meetings with individuals (experts, senior advisors and board members) identified by RSPN and a review of the CIF management practices from RSPN to PRSP, the COs, VDOs, and LSOs. Given the number of stakeholders involved in the pilot and the decentralized nature of the lending methodology (from the LSO to the CO to the beneficiary) it was necessary to identify gaps in the current mechanisms in order to build a successful pilot, or future program, which operates efficiently and effectively while meeting the goals of CIF. The management review built on literature review by examining financial records, methods of payment and disbursement in addition to all processes and procedures that are specific to each level of operation.

This review also entailed formal and informal discussions conducted by SBI-P team. The result of this review was a stakeholders meeting that was held with the PRSP Regional General Manager (RGM) and relevant staff members working on the CIF assignment in Multan Region. SBI-P team worked in consultation with the RSPN and PRSP to identify forum participants. The objectives of the forum

were to inform all parties of the goals of the assessment and discuss the purpose of the survey, indicators and sample for the survey.

Developed Assessment Tool and Conduct Field Survey

To attain detailed qualitative and quantitative information on the social and economic outcomes of CIF, SBI-P team developed a customized assessment tool. The tool gathered a targeted array of data; however, the primary aim was to determine the impact women have felt as recipients of CIF loans; their confidence, respect, mobility and overall economic situation. The survey also sought to understand the impact of CIF had on male members of the households and the community at-large, its attitudes towards women, acceptance of their presence in public spaces and their perceived upward mobility.

The following sample participated in the survey:

- LSO General Body and Executive Committee Members
- VDO General Body and Executive Committee Members
- CO Members
- CIF Borrowers and Grantees
- Household Members (focus on male members)

The SBI-P team comprising of Salim Jiwani (Team Leader) and Jamil Ahmad were accompanied by PRSP RGM – Multan Region, Staff members of PRSP managing the CIF programme and Programme Officer Policy – RSPN throughout the field visits.

Consultative Discussions and Sharing Findings with PRSP and RSPN

After the survey had been done, synthesized and field review completed, SBI-P team shared their initial findings and observations with the PRSP RGM, and with the CEO of PRSP at their Head Office in Lahore. The team then shared its findings and observations with the RSPN management and finally a presentation on the findings and recommendations was made to the RSPN BOD in Islamabad.

Community Investment Fund – Concepts, Principles and Mechanisms¹

Introduction

RSPN and PRSP has begun a programme called the 'Community Investment Fund' (CIF), in order to effectively and efficiently reach out to the women and the poorest segments of the rural communities. The roots of CIF go back to the concept of the Village Organization Bank programme (VOB) that the Aga Khan Rural Support Programme (AKRSP) had initiated in the Northern Areas of Pakistan in the late 1980s and by Society for Elimination of Rural Poverty (SERP) in Andhra Pradesh, India, in the late 1990s.

Using previous experiences, accessing new learning and suitably modifying these to the current context of Pakistan, RSPN views CIF as a cost-effective method of providing microfinance services to the poor and poorest women, particularly in the areas that are relatively underserved by the MFIs. CIF is a fund, which is owned, run and managed by the poor and poorest women and their own organizations, i.e. its own beneficiaries. It focuses specifically on the poorest households through female Community Organizations (COs) by giving access to microfinance, while at the same time increasing their levels of empowerment, confidence and skills. Essentially, CIF is based upon and linked to the three-tier social organization framework of COs, their agglomeration into Village Development Organizations (VDOs) and finally agglomeration at the Union Council-level into a Local Support Organization (LSO). Members of COs are encouraged to mobilize their own savings and as these build up to use them for internal lending purposes and creation of income generating assets.

CIF Objectives and Principles

The overarching objective of CIF is to reduce the levels of poverty in rural areas through creation of self-managed strong institutions of the poor and the poorest women.

This can be achieved by building their productive assets, increasing and diversifying their income sources, decreasing their expenditures, decreasing or managing risks; and improving their leadership and management skills.

Following are the core principles of CIF:

Autonomy: CIF and its management lie in the hands of the poor and poorest women community members. Key decisions are taken by the members themselves, with support provided to them by PRSP, when required.

Women-led: CIF is essentially evolved and is used for the betterment of the very poor in rural communities. It is of no coincidence that the most disadvantaged in rural communities happen to be women. The only permanent way of empowering poor and poorest rural women both economically and socially is by acknowledging the fact that they have to be given access to and control over resources that can then lead to improvement in their own and their families' lives.

Clear Targeting Methodology: All CIF resources are targeted for improvement in lives of the poor and the poorest women. Poverty Score Card is used to categorize households, and the first priority for

¹ RSPN: An Operational Manual of CIF, March 2008

lending is for the poorest households. While COs, VDOs and LSOs are expected to cover at least 70% of the households within their vicinity, however it is expected that 100% of the poorest households are covered through participation of their female COs.

Goal oriented: For CIF to be successful, every process has its targets clearly set out. This is essential both in establishing the CIF and its management.

Growth oriented: For CIF to remain independent and sustainable, growth of the fund is to be insisted upon as an indispensable target; at best, the value of CIF should be maintained.

Strong savings linkage: For the longer-term success of the CIF mechanism, it is essential that CO members should carry on with the practice of regular savings mobilization and generation.

All-encompassing: At the crux of CIF lies the fact that it is a programme for the poorest women. It revolves around the issues of giving the poorest a chance to stand on their own feet; something, which MFIs may not be able to do because of the high cost of identifying the poorest and then reaching out to them.

CIF and MFIs

One of the basic differences between CIF and micro-credit provided by MFIs is that CIF is given to and managed by the community. MFIs on the other hand are formal organizations, which provide micro-credit services to individuals, with the eventual aim of generating a surplus to cover their operating costs and to generate some profit. CIF operation is also expected to generate a surplus and this will be ploughed back into CIF for the continued benefit of the poor and poorest community members.

CIF Procedures

Two broad steps need to be carried out for the successful establishment of CIF in a locality. The first concerns Social Mobilization, while the second consists of the actual Community fund; both are equally vital to the holistic formation of CIF.

Social Mobilization

Social Mobilization plays an important role in participatory forms of development. It is a key in rural development and especially in poverty alleviation. It aims to strengthen the institutions of the poor and poorest women by providing them with opportunities to mobilize local resources - both social and financial. For the purposes of CIF, social mobilization is used to organize the communities of a Union Council into COs, VDOs and into an LSO. This commences only after having done a survey of the village or area to gather basic data relating to its demography and economic condition. To this end, social mobilization data and Household Asset Ownership data are vital for information gathering before the activation of CIF.

Having completed the above phases, a village-level dialogue takes place so that the community is introduced to the concept of CIF. This provides an opportunity to answer any questions and remove any misconceptions that the community members might have during the dialogue. If the community members agree to the CIF programme, activists are then chosen amongst them. These activists or Community Resource Persons (CRPs) are then trained in various courses. They go on to help the

PRSP Social Mobilization Team (SMT) in collecting data, forming female COs and then eventually helping in forming VDOs.

Poverty Ranking

The next step is to make a list of all the households in the village. For poverty ranking and future tracking of household status, PRSP used two methodologies. To avoid the inherent aggregation problems linked with the PRA methods of poverty ranking (being used by several RSPs); the Grameen Poverty Scorecard (PSC) 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 PSC comprises of a list of ten indicators. It is through these indicators that the score of a household is calculated along with its category status, with six poverty bands developed to align with the Government of Pakistan's definition: classified as extremely poor, chronically poor, transitory poor, transitory vulnerable, transitory non-poor and non-poor.

CO Formation

After completing the poverty ranking of the village, female Community Organizations (COs) are formed at the first level, i.e. at the community level. Each CO comprises of around 15 households and only female members from these households become members, all of whom are either poor or poorest. The CO elects a President and a Manager from amongst its members.

CO Responsibilities

COs hold their meetings on a regular basis in which presence of all members is required. Minutes of the meetings are to be properly documented for COs' records. Additionally, the CO members are encouraged to hold these meetings in their homes, on a rotational basis. This allows taking the burden off the President of the CO to have to hold every meeting in her home. It also enables the CO as a whole to be aware of each of their member's household situation; thus giving them a realistic idea of their economic needs. CO members are encouraged to save according to their own capacities.

Role of CRPs

The CRPs are required to increase the coverage of COs membership across the village and entire UC. They should be aim to include 100% of the poorest households into COs, and at least 70% coverage of households overall. They are also given the task of completing profiles of the poorest households, under the supervision of the SMT. After having achieved these targets, focus is on creating the next tier, i.e. the village level. CRPs along with the SMT should again hold village-level dialogues in order to introduce the community (which should be organized into several female COs) to the idea of formation of VDOs. This is where the concept behind VDOs must be explained and it is a requirement for CIF.

VDO Formation

At the second level (village level), Village Development Organizations (VDOs) are formed. With these higher-level organizations, issues, which previously were out of depths for COs at the community level, can now be efficiently tackled at the village level.

Each VDO has a General Body and an Executive Body. The General Body of a VDO is made up of two elected members from each CO in its area. Members of the General Body are then elected to form the Executive Body, comprising of: President, Vice President, Treasurer and General Secretary.

All decisions are decided upon in the General Body meetings. These meetings are to be held regularly, with accurate records of them being documented.

Each member CO contributes membership fee to the VDO on annual basis. The membership fee can both be in cash and in kind. The VDO uses the membership fee to meet its operational cost, and monitoring and capacity building of its member COs.

LSO Formation

LSO is created at the third level (UC level). The LSO is made up of all the VDOs in the entire UC. This organization has the ability to work at a larger scale and to link up with other institutions, such as Government, Donors and the Private Sector, in order to bring about sustainable progress for the area at large.

Terms of Partnership

After setting up the COs and the VDOs, each CO signs its Terms of Partnership (ToP) with its related VDO. ToPs states what is expected out of the relevant parties, by clarifying the roles of each side, the chances of misunderstandings are reduced considerably. ToPs are also signed between the VDO, LSO and the relevant Rural Support Programme (RSP). Please see annex for details.

Training

Training is provided by SMT for both COs and VDOs, which include Community Management Skill Training (CMST) training for the Presidents and Managers of the COs (focusing on CIF operation and management). As for the VDOs, training is given regarding resource mobilization, financial management and CIF operation and management.

Savings

Having set up their CO, members are encouraged to start saving whatever little amounts they can afford. This can be done at the meetings of the CO, where every member's savings is recorded in the CO's books. The reasons for saving are manifold. First, it provides a safe amount of money, which can come in use if any emergency should arise. Secondly, the savings of members can also be used to increase the CIF, thereby enabling more members to access the fund. Through internal lending, the service charge from the loans can go directly to the member herself. A great deal of focus should be placed on internal lending as community funds based mainly on savings have been found to be very successful, as demonstrated by CGAP's study of 11 community managed loan funds; all of which have been successful². Furthermore, it establishes a routine of regular saving, which in itself is a good habit. At a later stage, when the member has graduated to the next economic level, she will continue to save, thus helping formal MFIs and banks to invest more.

CIF Components

Having established the local institutions, CIF is channelled through in order to help the poorest in the communities. CIF consists of two broad components:

² CGAP: Focus Note No. 36 "Community-Managed Loan Funds: Which ones work?", 2006; p. 8

Micro Revolving Fund

The Micro Revolving Fund (MRF) is the chief component of CIF, as 80% of the total CIF is kept aside for loan purposes (this percentage depends on the amount of extreme poverty in the area). The core focus of these loans is on income-generation activities and they are for the sole use of only the very poor. The management of the MRF is carried out by the women of the community, i.e. by the COs. The CO General Body develops the by-laws and financial management systems regarding the fund (with the assistance of SMT, if required). These by-laws addresses essential issues, such as level of service charge, type of loans, duration of loans, repayment options and guarantors amongst others.

Micro Grant Fund

The Micro Grant Fund (MGF) consists of the remaining amount of the CIF, i.e. 20%. This grant fund is meant to assist those destitute community members who are not able to generate enough income to repay loans. Grants can be provided for the purchase of productive assets or for social support of individuals faced with extreme circumstances, i.e. disabilities.

CIF Management

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 organizations in terms of maintenance of both general and financial records through VDO book-keepers;
- conducting regular meetings;
- savings;
- decision about CIF grants; and
- generating financial resources

Accessing CIF – The Mechanism

CIF is managed at the CO level. Each CO is given a loan fund and a grant consistent with the number of poorest members in its COs. The VDO takes the responsibility of monitoring by training and appointing adequate number of book-keepers to ensure proper record keeping by each CO. The COs compensates the VDO for the services provided by the book-keeper.

The CO is responsible for the appraisal, approval, disbursement, and recovery of the CIF loan funds. The CO determines the rate of service charge, repayment schedule, fines etc. The CO is also responsible for setting and achieving the savings targets.

The RSP pays the CIF to the VDO in three equal instalments. The VDO submits the request of CIF instalment to RSP. The RSP pays the requested amount to the VDO. The VDO transfers the requests of the individual COs to them through crossed cheques and the COs pays to the applicants. In case of the second and third instalments, the VDO evaluates the performance of the CO and pay funds only when it is satisfied with the performance of the CO on the use of CIF.

The detailed mechanism of CIF is as follows:

1. A very poor individual of the community requiring a loan would become a member of the CO, if not done so already.

2. She would have her household profile made by completing PSC through the activist, along with a transformation plan. The function of the transformation plan is to allow the member to demonstrate how she thinks a loan from CIF would change her life. Thus, it contains information such as the individual's current sources of income, their intention regarding the use of loan and the profit they expect to derive from their income generating activity.
3. The member would fill out a Loan Appraisal Form with basic data such as which CO she belongs to, what loan amount she required, loan purpose, repayment plan, etc.
4. The CO, having received the member's Loan Appraisal Form, would hold a meeting, where her loan request (along with other members' loan requests) would be discussed.
5. After deliberating on such issues as the current poverty ranking of the applicants and their past loan performances, the CO selects those applicants who in their opinion are in the greatest need of CIF loans.
6. The CO fills out a CO Resolution Form, which states the applicants, who have been selected with the consent of the entire CO. The applicants' Loan Appraisal Forms are kept by the CO itself for record.
7. The VDO receives the CO's resolutions with the list of applicants and the requested amounts by each applicant (including other COs' applicants) and ensures that the documentation is complete.
8. The VDO submits copies of the CO resolutions to the RSP showing the list of successful applicants. The VDO pays the amount of the total funds required by each CO through a crossed cheque.
9. Upon receipt of the cheque, the CO deposits it into their bank account. From there, cash is withdrawn and given to the successful applicants.
10. Depending upon the repayment plan, the applicant will pay the instalments of the loan to her CO, during the course of the loan duration.
11. The CO keeps the agreed share of service charge and the balance amount of recovered loan is returned to the VDO. The VDO is empowered to decide the provision of subsequent CIF instalments after the first one based on the performance of CO, e.g. repayment performance, savings performance, record keeping performance and most importantly that of providing access to the poorest households. The VDO keeps an agreed percentage of service charges and on lends the balance to the COs.

Monitoring

Regular monitoring is essential for the success of all projects. In the case of CIF, the concerned RSP maintains a balance between monitoring and allowing autonomy in the functioning of COs and VDOs. However, at the commencement of CIF in an area, monitoring from the RSP is essential in order to create and instil discipline in a community. This takes place in the form of regular updates from the activists and by evaluating the accounts and records of the COs and VDOs. The RSP also ensures that the total amounts for CIF should be given in tranches and not in lump sum. By insisting

upon performance targets such as regular meetings, regular repayments, regular savings and transparent account-keeping, the RSP ensures that the CO and in turn the VDO are disciplined in their operation. Additionally, the structure of CIF in itself creates an environment of monitoring. As demonstrated above, monitoring is done at every level. For example, at the CO-applicant level, it is the CO, which ensures whether the applicant is truly in need of the required loan, or not. The CO takes these decisions collectively in their meetings.

Direct Delivery Mechanism – Layyah Pilot Project³

Initiation

One of the mandates of RSPN is to pilot innovative solutions to address issues relating to poverty through various mechanisms. In this instance, the State Bank of Pakistan encouraged RSPN to seek new modes of financing for the poorest.

Under this mechanism, a Memorandum of Understanding (MOU) was concluded between the PRSP and RSPN to pilot the CIF Project in district Layyah of PRSP Multan Region effective from November 2007 and ending in December 2008.

Major responsibilities of PRSP included: Undertake the process of social mobilization; identify poorest households through use of poverty score card mechanism; recruit a cadre of Community Resource Persons (CRPs); support, guide and monitor the work of CRPs; support COs/VDOs to develop policies and procedures for the management and utilization various components of the Pilot Project, including components of CIF credit and grant, and utilization of CO savings; supervise the utilization of the funds; conduct training of CO leaders; support the process of setting up of a Local Support Organization and manage and supervise all the activities.

Major responsibilities of RSPN included: Providing regular orientation/reorientation, technical back-stopping, training on poverty ranking by using the poverty score card methods to the PRSP staff; on-the-job trainings to CRP Supervisor and CRPs; providing funds for the implementation of the CIF Pilot Project; providing formats for monitoring and reporting and evaluation of the project.

Selection of the Pilot Site

The pilot site was chosen by PRSP Multan Region after considerable discussion with the PRSP District and Field Teams at the Union Council Jamal Chapri of Layyah district. There are 25 villages in the Union Council and 3,392 households. Layyah district and Jamal Chapri Union Council were chosen due to a high level of incidence of poverty. Layyah district was also chosen as it is listed in Pakistan's MTDf as one of the poorest of 25 districts nationally; some parts of the district have a relatively high household coverage by COs, availability of committed women activists and presence of PRSP.

Within Jamal Chapri UC, three villages were selected for the first stage of the CIF pilot, namely, Chak 318 TDA, Chak 343 TDA and Chak 344 TDA.

Baseline Data Collection

Baseline data such as Social Mobilization 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 the progress tracked, as the pilot had to be well documented.

³ RSPN: "Including the Excluded: Extending the Social and Financial Frontiers for the Poorest Women in Remote Areas of Southern Punjab", July 2008.

Poverty Scorecard

In Layyah, initially the PSC exercise was carried out by women CRPs who visited each household in the villages, in order to fill out the scorecard. However, due to shortage of literate females and mobility issues in remote locations, male CRPs were inducted to complete the PSC exercise⁴. The scorecard results were cross verified in community meetings and were 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.

Poverty profiling of the entire Union Council using the PSC method was completed by May 2008. The decision to carry out the poverty scorecard of the entire Union Council (compared to doing it village wise upon entry) was taken by PRSP and RSPN staff as it would give a 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 categorized according to their scores, with 0-24 being very poor households, 25-34 being poor households and 35 and above being non-poor households.

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

PSC Cut-Offs	GoP Definition	RSP's Definition	No of Households	Percentage
70-100	Non-poor	Rich	68	2
55-69	Transitory non-poor	Well to do	139	4
35-54	Transitory vulnerable	Better off	708	21
25-34	Transitory poor	Poor	895	26
Oct-24	Chronically poor	Very poor	1,150	34
0-9	Extremely poor	Destitute	432	13
Total Households			3,392	100

Poverty Scorecard Training

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. Training in use of Poverty scorecard software was also provided.

CIF Dialogues

Initially, CIF 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

⁴ RSPN: Minutes of the meeting with DM PRSP, Layyah and CIF Focal Person dated 15th November, 2008.

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

requested to increase household coverage in their surroundings, through CO formation. This critical mass was essential before the next step of VDO/LSO formation, at the Union Council level.

Social Mobilization Coverage

The ultimate coverage target was set to cover 100% of the poorest households in Jamal Chapri. In order to achieve this coverage, 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. 3,000 (on average) per month. The CRPs strived to achieve at least 60% poorest house-holds 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.

With the advent of CIF in Union Council Jamal Chapri, the rate of social mobilization 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 (solely of women) was already achieved⁶. One of the reasons for this increase in social mobilization is the use of CRPs. This is because these CRPs reside in and are familiar with the target UC. They started by covering their own villages, after which they were assigned surrounding villages. PRSP's Social Organizers (SOs) were on hand to visit each CO that had been formed for verification purposes.

Besides the increase in social mobilization, CIF also brought attention to the most deprived in the community - namely women and the poorest. As CIF is a programme for women only, membership and ownership by women has also been targeted by providing loans to the poorest in the community.

Table 2: Social Mobilization in Chaks 318, 343 and 344

Village	House-hold	Extremely Poor	Chronically Poor	Transitory Poor	Transitory Vulnerable	Transitory Non-poor	Non-Poor	Total	COs	VDOs
		PSC 0-9	PSC 10-24	PSC 25-34	PSC 35-54	PSC 55-69	PSC 70-100			
318 TDA	Total HHs	12	51	33	41	11	16	164	7	1
	Organized HHs	12	51	33	21	3	4	124		
	Coverage	100%	100%	100%	51%	27%	25%	76%		
343 TDA	Total HHs	24	62	32	44	15	2	179	12	1
	Organized HHs	20	54	21	30	10	2	137		
	Coverage	83%	87%	66%	68%	67%	100%	77%		
344 TDA	Total HHs	16	57	25	25	17	1	141	7	1
	Organized HHs	14	55	17	22	16	1	125		
	Coverage	88%	96%	68%	88%	94%	100%	89%		
Total	Total HHs	52	170	90	110	43	19	484	26	3
	Organized HHs	46	160	71	73	29	7	386		
	Coverage	88%	94%	79%	66%	67%	37%	80%		

⁶ RSPN: "RSPs' Progress Update" March 2008

According to an internal report by RSPN, initial data suggests that the borrower targeting under CIF loan mechanism by PRSP is much higher than that under its core credit programme.

Table 3: Comparison of Borrower Targeting under PRSP's Core Credit Programme and CIF MRL

S. No:	Indicators	Core Credit (2002-2007)	CIF Loans (Mar-July 2008)
1	Number of borrowers	726	260
2	Average loan/borrower	14,237	8,754
3	Number of poorest borrowers	58	260
4	Number of poorest female borrowers	18	260
5	% of poorest borrowers	8	100
6	% of poorest female borrowers	2	100

Status of Micro Revolving Loans

PRSP has released a sum of Rs. 836,939 under two separate tranches to the three villages, which has been disbursed to 96 borrowers.

Table 4: Micro Revolving Loans in Chaks 318, 343 and 344

Village	MRL from PRSP to VDO	Loan disbursed by CO	# of MRL borrowers	Extremely Poor	Chronically Poor	Transitory Poor	Transitory Vulnerable	Transitory Non-poor	Non-Poor	Total
				PSC 0-9	PSC 10-24	PSC 25-34	PSC 35-54	PSC 55-69	PSC 70-100	
318 TDA	295,547	296,000	28	8	15	5	-	-		28
343 TDA	272,813	300,000	38	12	25	1	-	-		38
344 TDA	268,579	291,000	30	5	17	4	2	2		30
Total	836,939	887,000	96	25	57	10	2	2	-	96

In the first tranche, a sum of Rs. 420,000 has been disbursed to 47 borrowers. As of March 2009, a sum of Rs. 404,000 has been recovered and Rs. 16,000 is in default. In one case, a loan of Rs. 10,000 is in default, as the animal has died.

Table 5: Status of MRL Disbursed and Recovered under 1st Tranche as of March 31, 2009

Village	MRL from PRSP to VDO	Loan disbursed by CO	# of MRL borrowers	Principal recovered	Service charge recovered
318 TDA	153,145	150,000	13	140,000	25,330
343 TDA	128,228	124,000	18	118,000	16,227
344 TDA	149,445	146,000	16	146,000	23,902
Total	430,818	420,000	47	404,000	65,459

Findings and Recommendations on the Direct Delivery Mechanism

The SBI-P team along-with the staff and support from RSPN and PRSP spent around one week in the field. Following are the findings and recommendations:

Strengths

CIF is an excellent initiative as it has a very clear identification mechanism of targeting women and vulnerable in the poor households. Most of the MFIs in Pakistan follow a very general poverty targeting approach, whereby, they assume that an average loan size under Rs. 15-20,000 is unlikely to attract non-poor households. CFI using PSC method has been able to overcome the poverty assumptions used by those MFIs. The PSC has thus proved to be a very useful and reliable tool to identify poor households largely.

The SBI-P team noted that CIF programme has had a substantial positive impact on the women. With this programme, women have been given decision-making power, which normally would be in the hands of male community members. While discussing CIF operations with several CO members, a remarkable increase in the confidence level of women members could be felt as, they openly discussed matters pertaining to CIF and its benefits in the presence of their male family members without hesitation. In many cases through utilization of CIF loans, women have been able to attain resources to increase their sources of income mainly through investing in livestock, agriculture and in some cases, entrepreneurship.

In addition to this, organizing through CIF programme has also helped in developing the capacities of women. This has occurred by the fact they have 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.

However, some issues relating to the usage of PSC method, training and capacity building efforts and record-keeping matters are discussed later in this section.

Credit Driven Approach – Finding and Recommendation

Finding

Even though the CIF mechanism has been conceived to address financing needs of the poorest through proper identification, whereby they are able create assets for increasing their future income on a regular basis, the implementation at the field level is similar to the MFI credit driven approach. Presently beneficiary needs are assessed as a routine process of availing and re-paying back loans without having any plans for creating assets.

Recommendation

Credit utilization plan for each beneficiary should be drawn up and agreed at time of loan appraisal. During the appraisal process, the beneficiary should be encouraged to plan to create assets. Incentives should also be provided in this regards. Some ideas are discussed later on this report.

Social Mobilization and Coverage – Findings and Recommendations

Findings

COs were initially formed through hiring female CRPs. However, in order to achieve higher coverage targets, and in cases where literate female CRPs could not be found in the village, male CRPs were hired for CO formation.

The COs/VDOs formed by the female CRPs are relatively better organized as the female CRPs had developed close interaction with the female members of the COs and they do regular follow up visits.

The COs/VDOs formed by male CRPs are very weak in organization⁷. The social mobilization methodology was not followed when forming these COs, as the male CRPs were not provided proper training. In many cases while forming the CO, the male CRPs only met with the male members of the community, wrote down names of their females as members, and formed the COs. They had little or no interaction with the female members. In some cases, COs were formed comprising of female members from three to four households, that benefited only them. The male CRPs then reported formation of a CO and PRSP staff verified their honorarium bills apparently without any verification. These CRPs then formed the VDOs and the VDOs applied for disbursement of CIF loan to PRSP. As a result several fake COs that exists on paper only have been formed and recognized. According to an estimate⁸, around 55 COs in nine VDOs are fake COs and to whom over Rs. 1.3 million of funds have disbursed as CIF instalment. In two VDOs comprising of 12 COs, second instalment funds have also been released.

Additionally, no CMST was given to the CO/VDO President and Manager.

In several COs, the office bearers appointed are of very low literacy levels as such they have very little understanding about the purposes of social mobilization and the importance of CIF. Their record keeping at the CO level is also very poor.

During the period from February to August 2008, there was no dedicated staff person of PRSP responsible for the CIF pilot project. A significant staff replacement took place during this period as such there was absence of any focal person. All these issues led to creation of weak COs in Layyah.

It is pertinent to mention here that many of the above issues have been discussed over the past few months between PRSP and RSPN staff members but without any resolution.

Recommendations

1. All fake COs/VDOs should be disbanded and they should be properly organized based on RSP social mobilization policies and methodology
2. CIF pilot should be stopped in all such COs until the reorganization phase is completed
3. CIF micro loan funds should be taken back from all such fake COs, as prudent. Request for release of additional loan instalments should not be considered.

⁷ PRSP Staff interviews

⁸ RSPN: Minutes of the meeting dated November 15, 2008

4. New literate and committed office bearers should be identified in all the COs/VDOs where very low literate office bearers have been appointed. After their appointment, adequate training should be provided to enable them to manage COs/VDOs functions properly.
5. PRSP should directly supervise functions of all such COs, until they attain some level of maturity and they are able to manage CO/VDO functions.

Poverty Scorecard – Findings and Recommendations

Findings

Even though PSC exercise has been completed in UC Layyah, but there still exist some issues of nomenclature in the PSC format.

In several COs, a few non-poor house-holds have also taken CIF loans as the PSC shows that they are the poorest. The RSPN staff later on had great difficulties in correcting household data in those villages because people were deliberately trying to show themselves as poorest just to get CIF loans. Data in all those villages have been corrected.

Presently, a copy of the PSC is not kept at the CO/VDO level. Therefore, it is difficult to ascertain the scores of beneficiaries while appraising loan applications.

Recommendations

1. Nomenclature issues in the PSC should be resolved at the earliest. In addition, adequate training should be provided to CRPs or to the CO/VDO office bearers on filling in the PSC so that correct information is entered
2. A copy of PSC should also be kept either at the CO or at the VDO level
3. Proper monitoring systems should be built in the system to assess PSC data received from the field to ensure that non-poor could not become a beneficiary of CIF mechanism
4. PSC should be updated for all CIF beneficiaries, at-least once in year to track changes in their poverty levels.

Record Keeping – Findings and Recommendations

Findings

The SBI-P team observed that the record keeping at the majority of the CO/VDO visited is extremely poor. There is a lot of over-writing in all the records, particularly in the financial records including the savings passbook of the beneficiaries.

Of particular concern are the savings records. Savings records kept in the CO are not reconciled with the individual savings passbook of the member. Moreover, duplicate and missing entries have been found in either the CO or the member's savings passbook. The financial records are thus highly unreliable and they lack trust. Many of us know from our experience that, one of the main reasons of disputes in a CO is keeping un-reliable financial records. As a result, the individual members lose interest in the CO activities that ultimately leads to collapse of the CO.

The CO bank balances are not reconciled with the bank statements, as no bank statements could be found in any CO. This is because the office bearers were found to be unaware that bank balances are to be balanced and any discrepancy between the CO records and the bank records needs to be rectified at the earliest.

The understanding and educational level of many of the current CO office bearers is very low. It is too much to expect from them that they will be able to manage financial records that are accurate and reliable. PRSP staff members are also unable to provide the required support to the CO office bearers because of high work-load.

Recommendations

1. A Field Accountant (FA) should immediately be hired to rectify errors appearing in the financial records of the COs and the individual members. The records should be rectified with the help of existing office bearers.
2. After the records are rectified, a CO meeting should be called. This meeting should be held where participation of all CO members must be ensured and in their presence, new agreed balances of savings and loans should be announced. The newly agreed balances should then be recorded through a resolution passed by all the members present and it would then become the basis of recording future transactions in the CO.
3. The services of the FA should be retained until the newly appointed or the existing office bearers are able to maintain all the financial as well other records reliably and independently.

The Indirect Delivery Mechanism – The Local Support Organization Structure

The Indirect Delivery Mechanism – Initiation

Unlike the direct delivery mechanism, whereby PRSP is responsible for directly forming COs and VDOs, and then channelling and supervising CIF loans and grants, in this mechanism the formation of COs/VDOs, supervision and channelling of CIF loans and grants is the responsibility of a LSO.

All the steps mentioned in CIF Concepts, Principles and Mechanism as detailed in this report are applicable to the indirect delivery mechanism also.

LSO Nabipur – Khanewal

LSO Nabipur was formed in March 2008 with an endowment fund of Rs. 2 million disbursed in two tranches by RSPN, through PRSP. There are four villages with 2,265 households. LSO Nabipur has formed 5 VDOs and 134 COs comprising of 58 male COs and 76 female COs.

After receiving the funds from RSPN, the LSO chose to use it as a MRL fund. The first tranche of funds amounting to rupees one million was disbursed to 102 members in the five VDOs. The loans were not disbursed according to the PSC results and CIF principles, as non-poor borrowers were provided with loans, including the male members. PRSP then arranged a visit of the LSO office bearers Nabipur to Jamal Chapri to understand CIF mechanism. The LSO office bearers witnessed and realised the great impact of CIF programme on the poorest and on women. After the PSC survey, the LSO realized that there were 113 very poor households, neither of which had been included earlier into their COs and WCOs. Through special campaigns and initiatives, the LSO managed to cover and include all the 113 very poor households into COs and WCOs. The LSO then disbursed the second tranche of rupees one million solely to the 175 poorest, using the PSC results and to women only - including those poorest households which they had just organized.

Poverty Profile of LSO Nabipur

Table 6: Bands of Poverty in UC Nabipur⁹

PSC Cut-Offs	GoP Definition	RSP's Definition	No of Households	Percentage
70-100	Non-poor	Rich	0	0
55-69	Transitory non-poor	Well to do	29	1
35-54	Transitory vulnerable	Better off	35	2
25-34	Transitory poor	Poor	917	41
Oct-24	Chronically poor	Very poor	1,138	50
0-9	Extremely poor	Destitute	146	6
Total Households			2,265	100

⁹ RSPN: Khanewal PowerPoint Presentation.

LSO Alimpur – Multan

LSO Alimpur was formed in March 2008 with an endowment fund of Rs. 2 million disbursed in two tranches by RSPN, through PRSP. There are 16 villages with 3,957 households. LSO Alimpur has formed 7 VDOs and 192 COs comprising of 101 male COs and 91 female COs.

After receiving the funds from RSPN, the LSO chose to use it as a MRL fund. The LSO disbursed loans amounting to Rs. 2 million to 224 members in the 7 VDOs. LSO Alimpur has generated funds amounting to Rs. 40,625 on self-help basis.

Poverty Profile of LSO Alimpur

Table 7: Bands of Poverty in UC Alimpur¹⁰

PSC Cut-Offs	GoP Definition	RSP's Definition	No of Households	Percentage
35-100	Non-poor and others	Rich and others	1,828	46
25-34	Transitory poor	Poor	1,104	28
0-24	Chronically poor and Extremely poor	Very poor and Destitute	1,025	26
Total Households			3,957	100

¹⁰ RSPN: Multan PowerPoint Presentation.

Findings and Recommendations on the Indirect Delivery Mechanism

The SBI-P team along-with the staff and support from RSPN and PRSP spent one day each with LSO Alimpur at Multan and LSO Nabipur at Khanewal. Following are the findings and recommendations:

Strengths

This is again a very good initiative whereby a new approach is tested that will allow direct supervision cost, resources and management responsibilities of RSPs to be cut down by transferring several such activities to the LSO structure.

Independent Implementation – Finding and Recommendation

Finding

As the concept of three-tier structure is new to the people, it is recommended that VDO structures should be allowed to function on its own, only where the COs are strong and functioning with a high level of members' active participation. Similarly, the LSO structures should be allowed to function on its own where the VDOs are strong and functioning with a high level of COs' active participation.

Recommendation

PRSP/RSPN should provide active guidance and support to the LSO and VDOs during the initial stages of its formation otherwise weak institutions may be formed and the purpose of helping poor through CIF loans and grants will not be achieved.

Unclear Responsibilities – Finding and Recommendation

Finding

Even though RSPN has clearly defined the role of VDOs and LSOs in its documents, many of the VDO representatives interviewed were unclear about their role and functions. At a few locations, the SBI-P team observed that there was some over lapping of work between the VDO and LSO office bearers because of inadequate training and lesser understanding of their respective roles and functions.

Recommendation

The VDO/LSO office bearers and members should be provided adequate training to understand their roles and functions clearly.

Emerging Gender Issues – Finding and Recommendation

Finding

At a couple of COs and VDOs, female members mentioned that their male family members were unhappy of them spending more time first at the CO level and then at the VDO/LSO level for meetings. They also mentioned that many visitors come to visit their institutions that disturb their routine household chores.

Recommendation

PRSP/RSPN should work out a strategy that should minimize flow of visitors to the same CO/VDO/LSO. They should suggest ways that could help female members spend only the minimum time required to attend the meetings.

Recommendations to Improve CIF Features

Introduction

The following recommendations are being made to improve certain CIF features and services. Almost all the recommendations were discussed by the SBI-P team with the stakeholders present during the field visits and a general agreement was established. The LSO representatives were quite eager to discuss these recommendations with their general body to achieve consensus.

Systems, Procedures and Resources

Recommendations

1. The CIF is being piloted for nearly one year by several RSPs at various places in the country and that there are plans for its expansion due to availability of resources from the Government. Based on the experience to date it is recommended that a comprehensive systems and procedures should be developed on a priority basis for CIF implementation and setting reporting and monitoring standards.
2. All records including financial records should be separately kept for CIF from PRSP core programme records.
3. Staff and resources should be separated for the CIF initiative from the regular PRSP core programme for better management and assigning clear responsibilities.

Insurance

Recommendations

1. Presently insurance services are not provided to the CIF target group, whereas the loanees from the PRSP's core credit programme are provided these services. As the CIF target group is more vulnerable to various health risks and prone to accidents because of their living conditions, it is recommended that this benefit should also be provided to them.
2. During discussions, some PRSP staff members argued that CIF members do not have CNIC so they could not be insured according to Insurance Company's requirements. It is recommended that in order to comply with the Insurance Company's requirements and for availing other social benefits provided by the Government, PRSP or LSO, as the case may be, should facilitate all CIF members to obtain CNIC.
3. The same PRSP staff members argued that CIF members would have to pay premium from their own pocket, which may be an extra burden on their limited resources. It is recommended that premium should be paid from the services charges recovered from the borrowers on CIF loans by the COs.

Savings

One of the major objectives of the CIF is to encourage households to save on a regular basis. However, the SBI-P found that there is very little encouragement to save. There could be several reasons for it. One reason is that as the amounts are kept in bank account, they earn very little or no

profit at all, rather at times, the bank penalizes the account holders, as the minimum balance stipulation is not met according to the bank's requirements. All this serves as a disincentive to save and the members do not want to keep their savings in the bank accounts.

Recommendations

1. As the primary objective of savings is to create wealth whereby assets can be purchased by the poor households to increase their income and to meet emergencies in times of need, it is suggested that some incentives should be provided to the CIF members whereby they could enhance their savings at a faster pace. These incentives could be:
 - a. The service charges that are collected by the CO should be shared equally. Under this plan, after all the instalments of CIF loan have been repaid on time by a borrower, half of the service charges amount so collected by the CO should be credited into the respective savings account of that individual borrower.
 - b. Regular savings deposited during the regular meetings should be matched with an equal amount from the CIF grant or other income generated by the CO/VDO into the individual savings account of the beneficiary.
2. In order not to allow any misuse of the above incentives, a savings deposit target that would allow the beneficiary to buy a small asset for increasing household income and a savings utilization plan should be agreed, when appraising a loan.
3. Once the savings deposit target is achieved, the CO should purchase the small asset as agreed earlier in the savings utilization plan to the beneficiary from the accumulated savings balance of the individual and not pay any cash.
4. Cash withdrawal of savings should be only allowed in case of extreme emergencies and with the approval of CO office bearers. However, the savings withdrawn should be replenished later on by that member.

Graduation/Exit Mechanism

The current CIF concept and procedures does not have any graduation/exit mechanism built into the system. There are two levels at which graduation/exit takes place, one at the beneficiary level and the other at the institutional level.

Beneficiary Level

Beneficiaries can exit as CIF member, if they have acquired certain levels of prosperity by accumulating assets and wealth and as such, they move out from the poverty ranking status of poor to non-poor. This status can be determined by regularly updating poverty scorecards of the beneficiaries. Once they graduate out from the poor status, these beneficiaries can avail benefits as a regular member of the RSP's core programmes including MF programme.

Institutional Level

After the beneficiaries graduate to the non-poor status, surplus funds would be available with the CIF program. The surplus funds could be used by RSPs:

1. By transferring as CIF investments in new areas of operation, and/or

2. Allowing the LSO/VDO to establish collective enterprises, income-generating schemes and/or create some social intervention units that would benefit majority of the residents in the village.

The above concepts should be further discussed within RSPN and with other RSPs to achieve a broader consensus before implementing the same.

Annexure

Terms of Partnership between VDO and CO

The common objectives of VDO _____ UC _____ and its member CO _____ are socio economic development of the area with a special focus on the poorest members of the community. Research studies have proved that the poorest families are normally unable to take advantage of the development programmes introduced by different agencies in their areas. In order to effectively and efficiently reach out to the poorest families, special programmes that suit the socio economic conditions of the poorest families are needed. CIF programme is a pilot project with similar objectives; therefore, VDO _____ had resolved to implement CIF programme in partnership with PRSP and its member COs.

This agreement is made between VDO _____ and its member CO _____ on this date of _____ for implementation and management of CIF programme. The roles and responsibilities of the two parties shall be as follows:

A: Roles and responsibilities of the WCO

1. Support VDO to identify the poorest members and ensure to include all interested poorest families into the WCO.
2. Support VDO to develop transformation plan of the poorest families.
3. Nominate poorest families for CIF loan, approve their loan application, and submit a resolution to VDO to provide funds.
4. Nominate poorest members for CIF grant, approve their application, and submit a resolution to VDO for funding.
5. Recover loan instalments from the CIF borrowers and deposit with VDO on time.
6. Monitor the CIF loan, grant projects of beneficiary members, and provide back up support to them on need basis.
7. Report to VDO in case of non compliance of the loan or grant agreement by the beneficiary member/members or issues aroused due to internal or external factors on implementation of the transformation plans. Also will cooperate with the VDO to resolve the issues.
8. Hold its meetings regularly as per schedule and do regular savings in meetings. Approve CIF loan, grant plans in meetings, and discuss their progress as well as management and technical issues related to their implementation on need basis.
9. Keep up to date financial records and get them audited by the VDO at least once in a year by paying the agreed audit fee.
10. Regularly attend the VDO meeting through its nominated representatives.
11. Ensure that the conditions set for applying for the second and third tranches of CIF are fully complied. (To receive the first tranche of CIF, the WCO must be doing regular meetings and savings. For the 2nd and 3rd tranches, the WCO shall increase minimum of Rs. 3,000 or any other mutually agreed amount in its collective savings)
12. Recover the agreed membership fee from WCO members and deposit with the VDO on time.
13. Submit monthly progress report on CIF loan and grant, and savings and internal lending to the VDO on the specified format.

B: Roles and responsibilities of the VDO

1. Check the loan, grant applications submitted by the WCO, and make sure that they comply with the set procedures before providing the requested fund to the WCO for onward payment to its members.
2. Keep up to date and complete financial record of CIF.
3. Recover CIF loan instalments from WCOs on time. In case of delay in repayment, remind the WCO for timely repayment in writing.
4. Settle the accounts of the earlier instalments of CIF with WCOs before accepting new applications.
5. Receive monthly progress report from WCOs on CIF loan and grant, and savings and internal lending on the prescribed formats.
6. Conduct audit of all financial records of the WCOs on annual or need basis.
7. Train nominated people of the WCO on CIF operation on need basis.
8. Submit a monthly progress report to LSO/PRSP on CIF loan and grant, WCO savings and internal lending from CO savings. Also, report to LSO/PRSP on issues and concerns regarding implementation of plans finance through CIF or internal lending.
9. Submit the funding request for CIF tranches to PRSP.
10. Once established, transfer the CIF fund to the LSO after deducting its share of the service charge as per the agreed terms and conditions.

For and on behalf of WCO _____

Name of President: _____ Signature: _____ Date: _____

Name of Manager: _____ Signature: _____ Date: _____

For and on behalf of VDO _____

Name of President: _____ Signature: _____ Date: _____

Name of Manager: _____ Signature: _____ Date: _____

Terms of Partnership between PRSP and VDO

The common objectives of PRSP and VDO _____ UC _____ are socio economic development of the poor people with a special focus on the poorest members of the community. Research studies have proved that the poorest families are normally unable to take advantage of the development programmes introduced by different agencies in their areas. In order to effectively and efficiently reach out to the poorest families, special programmes that suit the socio economic conditions of the poorest families are needed. CIF programme is a pilot project with similar objectives. VDO _____ had resolved to implement CIF programme in its area in partnership with member PRSP and its member WCOs.

This agreement is made between the District Office Layyah of PRSP Multan region and VDO _____ on this date of _____ for implementation and management of CIF programme. The roles and responsibilities of the two parties shall be as follows:

A: Roles and responsibilities of the VDO

1. Provide its full cooperation to PRSP for implementation and management of CIF and accept PRSP suggestions and advices in this regard.
2. Cooperate with PRSP field staff to conduct poverty scorecard survey of the entire village to identify the poor and poorest families in the area.
3. Organize all interested poorest and poor members of the village into WCOs.
4. Cooperate with PRSP field staff to develop transformation plans of the poorest households.
5. Obtain CIF tranches from PRSP and pay the WCO its share of the fund according to the set procedures.
6. Set the rate of service charge on CIF loan and the share of service charge to WCO, VDO and LSO in consultation with member WCOs.
7. Monitor timely recovery of CIF loan by the WCO with the agreed service charge from the beneficiary members and provide the required support on need basis.
8. Submit monthly progress report to PRSP on CIF loan and grant, and WCO savings and internal lending from savings on the prescribed formats. Also report to PRSP on issues and concerns regarding implementation of transformation plans financed through CIF or internal lending.
9. Open a separate account to operate CIF funds.
10. Conduct annual audit of its financial records from PRSP.

B: Roles and responsibilities of PRSP

1. Ensure timely provision of CIF to the VDO.
2. Monitor CIF operations both at VDO and WCO level and ensure compliance with agreed procedures. In case of any violation, report to the VDO General Body immediately and take necessary actions for course correction.
3. Provide managerial and technical support to VDO and its member WCOs in CIF operation and train their designated people.
4. Implement CIF operations in consultation with the VDO.
5. In case of gross violation of the set procedures, like payment of CIF to non poor, wilful default and financial embezzlement, PRSP has the right to take back the entire amount of CIF fund from the VDO.

For and on behalf of VDO _____

Name of President: _____ Signature: _____ Date: _____

Name of Manager: _____ Signature: _____ Date: _____

For and on behalf of PRSP _____

Name of the CEO: _____ Signature: _____ Date: _____

List of Literature Reviewed

A Manual of Credit and Savings Operation: AKRSP

Access for All: Building Inclusive Financial Systems – CGAP

Community Managed Revolving Funds: Experience of Nepal

Community Managed Loan Funds: Which One Work? CGAP Focus Note

Community Investment Fund: A Study in Andhra Pradesh

Ending Poverty in South Asia: Ideas that Work – The World Bank

Finance for local development: New solutions for public-private action

Listening to the Clients: Tools for Assessing the Financial Service Needs and Preferences of the Poor -
USAID

Savings: Building the Future – DID

How Do Women in Mature SHGs Save and Invest Their Money? Evidence from Self-Help Groups in
India

The Poor and Their Money: Oxford University Press

Village Savings & Loan Association: Program Guide – Care International

CIF Empowerment Box Stories¹¹

CIF and Women's Empowerment:

"My husband is a much better man now"



- Khalda Nisar, 32 years old
- Extremely poor (PSC 8)
- Illiterate
- 5 children; 2 girls and 3 boys, 5-12 years old
- Took CIF loan of Rs. 10,000 for Qinghi (motorcycle rickshaw)
- Profit of Rs.2,000/month
- Paid back loan nearly 2 months before due date
- As a result of CIF, relations with husband much better...
 - Less fights
 - Spends more time with his children and wife
 - Increased communication as he now shares his problems with his wife

CIF and Women's Support Group:

"My CO is here to support me"



- Shabana Kausar, 26 years old
- Chronically poor (PSC 24)
- Lives with her mother, brother, 33 and his family
- Borrowed Rs. 15,000 to combine with household income in order to buy a buffalo
- Buffalo died a few months ago due to illness
- CO has decided on clearing any service charge payments and is deciding on giving her another loan
- As a result of CIF, she feels more free...
 - Although her buffalo died, she feels no pressure from her CO regarding repayment... does not feel "hunted"
 - Can see a way out of this trough
 - Fights with brother less
 - Allowed to go to other women's houses in the village regularly

¹¹ RSPN: Nida Khan – RSPN Programme Officer Policy

CIF and Social Capital:

"I used to just stay at home before"



- Naseem Bibi, 30 years old
- Extremely poor (PSC 8)
- 4 children; 2 boys and 2 girls, 4 months to 6 years old
- Took CIF loan of Rs.10,000 to combine with household income to purchase a cow worth Rs.25,000
- Loan repaid by selling 2 of her goats, leaving her with her cow and its calf
- Now has an asset (cow and calf) worth Rs.40,000
- As a result of CIF, she has found the support of women outside her family...
 - Gives and receives support from her fellow members
 - Feels that she has "backup" in case of emergencies
 - Previously was a member of a CO in another neighbourhood
 - Went onto form a CO in her own neighbourhood because of the benefits she felt

CIF and Confidence:

"I'm proud of myself"



- Kishwar Bibi, 35 years old
- Chronically poor (PSC 18)
- 5 children; 4 boys and 1 girl, 5-15 years old
- Took loan of Rs.10,000 to purchase a calf
- Now has an asset worth Rs.35,000
- As a result of CIF, she feels like she's contributing to her household...
 - Feels proud that as a woman, she's able to bring a productive asset to her household
 - Relatives look at her differently now
 - Realises her potential to think "big" for her family and their development
 - Feels confident speaking her mind; both at home and in her meetings

CIF and Equality:

“People use me as an example now”



- Hajra Bibi, 40 years old
- Extremely poor (PSC 9)
- 9 children; 5 girls, 4 boys; 4-17 years old
- Works with her family to make beds and ropes with “Dubb”
- Took Rs.10,000 loan which she used to purchase “Dubb”; Rs.4,000 cheaper/acre
- As a result of CIF, she now feels equal to others...
 - No longer feels shunned from other community members
 - Has a closer bond with the women in her village
 - Realises that because of her hard-work, she is no longer pitied by her community

CIF and Independence:

“In meetings, I sit in the front row now”



- Khushaid Bibi, 35 years old
- Chronically poor (PSC 11)
- 4 children; 3 girls, 1 boy, 10-18 years old
- Took loan of Rs.5,000 to purchase agri-inputs
- With her profits, was able to purchase fertiliser and lentil seeds
- As a result of CIF, she feels more independent...
 - Access to resources
 - Feels no fear of her husband because of her CO
 - Has insisted on sending her daughter to middle school in another village
 - Feels she has learnt, i.e. banking

Sample Beneficiary Case Studies¹²

Hajra Bibi – Jamal Chapri, Layyah

Hajra Bibi, 40, is a resident of Chak 318 TDA in Union Council Jamal Chapri, District Layyah. She lives with her husband; Abdul Hameed aged 38 years, and their nine children. Hajra Bibi's household poverty score is nine according to the poverty scorecard, placing her household in the category of "Extremely Poor".

Hajra and Abdul's children range from ages 4 all the way up to 17 with two of the girls and one of the boys regularly attending school. The remaining three girls and three boys stay home, with the elder children contributing to the household by working with their parents.



Hajra Bibi and her family live in a two-room house, which belongs to a local landlord. Its rooms have no doors, with one of the roofs near collapsing point. Their house has no boundary walls, let alone a toilet. They do not pay rent for this house; instead, they take care of the landlord's goats and cows.

The source of income of Hajra's household is through a home-based business of making ropes from a wild plant locally known as Dubb. Every day, for more than twelve hours Hajra and her family produce twelve bundles of rope; each bundle being 440 feet long. Abdul then takes this rope and uses it to build beds for people in the village. It takes Abdul 45 to 60 minutes to construct a bed using on average two bundles of rope, for which he charges Rs. 80 - Rs. 40 for raw materials and Rs. 40 for his labour. Abdul makes on average Rs. 50 profit per bed as it costs him Rs. 30 for the raw material required to make one bed. On an average day, Abdul makes 4-5 beds, resulting in his daily income being about Rs. 200 during the season.

Other than making beds, Hajra and her family also sell rope in bundles of 440 feet for Rs. 20 each. However, during wheat harvesting season, they manage to generate more income as there is much greater demand for their rope, as it is used to tie harvested crops together. During harvesting season, Hajra and Abdul sell bundles of 220 feet for the same price of a 440 foot bundle at Rs. 20, giving them a profit of Rs. 20 per bundle. As demand is very high during harvesting season, the household is able to sell more than 200 bundles; more often than not running short of their supplies.

Despite their hard work and immense determination, Hajra and her family were still finding it hard to meet ends. One of the main reasons for this was the way in which they bought their raw material. Dubb is a plant, which is found in Mianwali. Each year, Abdul takes eight members of his



¹²By Nida Khan and Mohsin-ul-Haq – RSPN Staff Members

family and relatives to Mianwali to obtain Dubb from a landlord. Since Hajra and Abdul have no money to purchase Dubb upfront, they have to buy it on credit. In August 2007, Abdul bought Dubb (on credit) at the rate of Rs. 10,000 per acre from the landlord. It costs the family an additional Rs. 18,000 for expenses while staying in Mianwali (six nights for Rs. 500 per night for food and accommodation) and for the cost of hiring two trailers to transport the Dubb to their home (Rs. 7,500 per trailer).

This is the only source of income of Hajra's household, which initially was barely enough to meet the daily food and living requirements of the family. As a result, they were unable to set aside any savings for unforeseen circumstances, which the family could face. Hajra and her family have come onto the path of development and are getting closer to living a better life, after becoming a member and accessing the Community Investment Fund (CIF),.

Hajra first became a member five years ago; however, she left because she had to take out all her savings due to one of her children falling ill. In the beginning of 2008, Hajra heard that a new programme was being started in her village by a Community Resource Person (CRP). Having heard of CIF, Hajra and her family were very happy, as they could finally be eligible for taking out a loan, something that they previously could not do due to their inability to meet certain requirements for accessing loans.

After becoming a member again, Hajra requested for a Rs. 10,000 loan, which she received within ten days. Her repayment plan was developed by her and her CO, where she has been scheduled to pay her one year loan in two six monthly instalments. In addition to this, her CO had asked her to pay small amounts per month, in order to pay off her loan quickly. They had recommended Rs.200 per month, however Hajra wanted to pay more and therefore she is paying Rs.300 per month towards her loan.

Hajra used her Rs. 10,000 loan to pay towards two acres of Dubb costing Rs. 12,000, which Abdul purchased in February 2008. The plants are still in Mianwali as Abdul purchased them when they were quite young; his plan is to go to Mianwali in August 2008 to harvest and cut his two acres of Dubb. Due to the fact that they were able to pay the landlord in cash (instead of paying him after wheat harvesting season), Abdul was able to purchase one acre of Dubb for Rs. 6,000 compared to last year where he had to pay Rs. 10,000 for the same acre! Hajra's CIF loan has enabled the family to save Rs. 4,000 per acre in the purchase of Dubb.

This huge reduction in cost of raw materials has enabled Hajra and her family to build up their savings in order to invest it in their children. Hajra wants her sons to be educated to matric level, while she wants to send her eldest sons to Muscat in order to earn a living there. Hajra also bought two male goats with her savings for Rs. 5,000 each, which she recently sold for Rs. 21,000 for the pair. She was able to get Eid rates, and after having taken out her costs for taking care of the goats (feed and medicines), Hajra has earned a profit of Rs. 6,300.

Hajra Bibi feels that with the help of her CIF loan, she has managed to reduce her business costs and therefore has



enabled her to save much more, for the benefit of her family.

Hajra's goal is to use future CIF loans to enable her family to purchase more raw materials in order to increase their production. She also expresses a profound wish to purchase her own land so that she and her family can build a comfortable home of their own.

Hajra's surrounding neighbours and fellow CO members have also commented on her and her family's determination and sheer hard work; realizing that with the help of CIF, it has truly enabled the family to reach towards their potential.

Mansab Akram, LSO Alimpur – Multan

Mansab Akram is a 55 year old woman and lives in Alimpur, Multan. She is a member of Faisal-Nagar Community Organization (CO), Alimpur Village Development Organization (VDO), and Alimpur Local Support Organization (LSO). She is originally from Jarawallah village, but having married, she now resides in Faisal-Nagar with her husband and family.



Mansab is married to Akram, 40, a bus driver by profession. He works eight hours a day, seven days a week, on average. His monthly income is Rs.5, 000; however, for the past six months, Akram has been unable to work due to his deteriorating health. During this period, the household was living from hand to mouth as they only had their family savings to live off. It is just recently that in the last month Akram has been able to return to his job.

Mansab and Akram have seven children together. Their eldest child is Uzma, 22, who is married and has a one year old daughter. Their second child is Bhirawan, 20, who is also married. Naik is their 18 year old daughter who lives with them. She does not attend school; instead she spends her day sewing clothes (taught to her by her aunt), for people in the village. She earns on average between Rs.400-500 a month, by charging Rs.40 per suit. Rubina, 16 and Haseena, 14 are currently studying in a local government school in sixth and fifth grades respectively. Sanam, 10 and Mansab and Akram's youngest child Waseem, 9, attend second grade and prep, respectively in a private school in the village.

Mansab and her family live in a house owned by her husband. It has two rooms, of which one's roof has fallen down. It is now used only as a storage space. Besides these two rooms, Mansab's house consists of little else. There is no toilet present, nor is there any permanently-built kitchen area.



The household's livestock live within their house's compound, next to their rooms. Mansab and her family have three buffaloes, of which one was given to them two years ago by her mother-in-law. The buffalo is still owned by her mother-in-law; however, in return for taking care of it, Mansab is entitled to its milk



and half of the calves that it gives birth. The second buffalo is younger, it was given to Mansab, and her family six months ago by a resident of the village on similar lines to the above mentioned. It recently gave birth to a calf, which is with the family as well. Mansab also owns eight chickens, which she received from her daughter, who bought them as chicks for Rs.10 each.

Mansab's monthly family income comes to an average of Rs. 6,500, from her husband and Naik's income. One of Mansab's buffaloes has recently started producing milk; therefore, she is now able to sell its milk, earning her Rs. 1,000 per month. Mansab

herself does not earn income as her work consists of household chores and cutting grass for the family's livestock.

The household's monthly expenditure mainly consists of purchasing food items for the family. In addition to this, Mansab and her husband have to pay for their children's school expenses. In the case of Rubina and Haseena, they do not have any school fees to pay, however they do need uniforms, which are not provided by the school. The two youngest children, Sanam and Waseem attend a private school, which does have school fees. Mansab and Akram have yet to pay seven months of fees, as Akram was not earning for that duration due to his health. Akram has asked the principal of the school to allow him to pay his children's school fees in lump sum 3-4 months after he starts work. Their children's school expenses come on average to Rs. 40-50 per month. In connection to this, another big problem, which the household faced, was that the bulk of the family income was not being earned. Akram also required medical attention amounting to nearly Rs. 100,000, which thankfully was provided by his brothers.

Mansab became a member of her CO in 2007. She states that before CIF, she had no reason or incentive to join a CO. This was because the requirement for taking out a loan from PRSP was that she should have a national identity card. As Mansab did not have an identity card, she was automatically excluded from one of the biggest benefits of being a member of a CO.

When Mansab heard that her CO had introduced more flexible member requirements, she was happy, as was her family. In addition to this, her neighbour (a CO member) also reminded her that she would be able to gain other benefits such as the possibility of her daughter receiving sewing training.

According to other members, Mansab is a very dedicated member who attends meetings regularly. She has also been able to save in her CO meetings, something that was not possible before as her fellow members have encouraged her to save whatever little she can. Her savings to date amount to nearly Rs.300. Mansab is very proud that she is able to save and is secure in the fact that her savings are in the CO's bank account.

Mansab was further delighted when she heard of the Community Investment Fund (CIF) programme in one of her CO's meetings. She and her family were equally relieved, as she was eligible for a CIF loan, something that her family desperately needed.



Mansab requested for a Rs. 7,000 loan, which was given to her within fifteen days of her filling out the appraisal form, at a service charge of 20%. Mansab added Rs. 1,000 of her own money and bought four female goats in April 2008. Her repayment plan was made by her, according to her personal requirements and need, resulting in her loan being a one year loan, with two six month instalments. She has not repaid her loan yet, with her first instalment coming up in a couple of months.

Mansab plans to sell one or two of her goats towards the end of the year near Eid, which would coincide, with the payment of her first instalment. She estimates that she would receive Rs. 4,000 per goat during that time, enabling her to pay her first instalment payment. It would give her an

instant profit of Rs. 2,000 per goat, made more realistic by the fact that she has not had to spend anything on the maintenance of her goats. Their food requirement is met by wild grass that Mansab cuts from common land and from crop fields around her house. She plans to utilize her profit by saving up for her daughters' dowries.

Having received a CIF loan, Mansab has felt a change in her; in terms of her confidence and the way her relatives and neighbours have changed their outlook towards her. She asserts that her in-laws have reacted very well to her receiving a loan and are happy with the way she has utilized it. She hopes that in the future she would be able to get her daughters married and to improve her house.

Saeed Bibi – LSO Nabipur – Khanewal

Saeed Bibi is 41 years old woman and lives in Khanewal. She is a member of Hum-Khyal Ferozabad Community Organization (CO), Umeed Nabipur Village Development Organization (VDO), and Nabipur Local Support Organization (LSO). Her poverty score, according to the poverty scorecard comes to 15; thus categorizing her household's poverty status as "Chronically Poor".

Saeed Bibi was married to Talib Hussain who died four years ago due to stomach cancer. In the last two years of his life, Talib was diagnosed with stomach cancer, while his last year was spent in severe illness. While he was alive, Talib received free tests and treatment from Nishtar Hospital, a government hospital in Multan.



Talib was survived by his wife, Saeed Bibi and their eight children. Their eldest child is Shazia, 18, who got married three years ago. She has a one year old son with her husband who is also 18 years old and is a livestock worker. Shazia has studied until the fifth grade. Saeed Bibi's next child is Aziz Bibi, 13, who got married six months ago to a 15 year old rickshaw driver. Aziz has studied until the seventh grade. Irum is 10 years old and has been married for six months. She is married to a 23 year old orchard-keeper. Irum has studied until the third grade. Saeed Bibi could not afford to send her daughters to school after her husband's death and chose to get them married as well. Saeed Bibi's other child is Shafqat, 12, who works in a poultry farm and earns Rs. 3,000 per month. On most days,



he works for nearly 24 hours, as the poultry farm is close to his house. Shafqat was educated until the third grade but left for the same reasons as his sisters. Next after Shafqat is Qaiser who is 8 years old. He has studied until the second grade but discontinued after his father passed away. Qaiser's health has not been as well as that of his siblings. One and a half years ago, he got chronic fever and ever since has been shifting between good and bad health. At his lowest, Qaiser had to be taken to a government hospital for his fever. His treatment cost the household Rs. 7,000 when his illness was at its most serious. However now, Saeed Bibi has to spend on average Rs. 200-300 on medicines for Qaiser. Zubeida, 7, is Saeed Bibi's youngest daughter. She has never attended school. Saeed Bibi's favourite child is Kharayat Ali, 5, who is in the second grade. He goes to a government school nearby. Saeed Bibi wants Kharayat Ali to grow up educated and continue with his studies. Arshad Ali, 4, is Saeed Bibi's youngest child and goes to the same school as Kharayat Ali, in the second grade.



Saeed Bibi and her children live in an eight Marla plot, which has a two-room mud house built on it. This house is Saeed Bibi's own and was bought a year ago. Before this house, Saeed Bibi and her family used to live on rented land. Her present house consists of a make-shift pit toilet and an open kitchen area.

Prior to her CIF loan, Saeed Bibi had no livestock at all. Her income was mainly generated through her and her children's agricultural labour. In any given year, Saeed Bibi and her children, specifically Zubeida, Arshad and Kharayat Ali work on several different agricultural crops. For two and half

months, she and her children pick cotton, for 8-10 hours per day, which amount to an average of thirty kilograms in total. For this, she and her children are paid Rs. 4,000. During wheat harvesting time, for a month, they work for the same duration per day resulting in them receiving ten mounds (400 kgs) of wheat, which is theirs either to keep for their personal consumption or to sell. From July to August in the rainy seasons, Saeed Bibi and her children work in the rice fields, planting rice. For 8-10 hours of work per day, they are paid Rs. 6,000.

In an average year, Saeed Bibi and her family have an income of Rs. 46,000 or a bit over Rs. 3,800 per month. This income is spent mostly on food for her family's consumption. She also has to pay her electricity bill, which comes to Rs. 300 per month, a high bill due only to the fact that Saeed Bibi has received her connection from another house on the condition that she pays the household Rs. 300 every month. In addition to this, she pays Rs. 1,000 per year for her two children's school uniforms and stationary. Saeed Bibi also spends Rs. 2,000 on average in one year for clothes for all her children.

In terms of saving, Saeed Bibi's savings prior to her becoming a member consisted of setting aside money to buy items for her daughters' dowries. Often because of lack of money, she would also buy items on credit from shopkeepers, which would end up costing her more in the end.

Saeed Bibi became a member two years ago when PRSP started CO formation in her area. According to Saeed Bibi, she had her doubts about PRSP in the beginning and asked the present LSO President about whether she should join or not. Having guaranteed their reliability, Saeed Bibi became a member. Saeed Bibi found the membership procedure to be an easy one and was happy to become a member. However having joined, she was not able to obtain any credit from PRSP, due to her not having a national identity card.



Saeed Bibi heard about CIF in her CO and then in her VDO's meeting. She was very happy about CIF and its rules, which would enable her to obtain loans. This time, she had no doubts about the reliability of the programme or of PRSP and immediately filled out her appraisal form.

Saeed Bibi received a one year CIF loan of Rs. 10,000, at a rate of service charge of 20%. She initially used Rs. 6,500 of it to purchase an adult goat and her kid. As for the rest of the loan, she utilized it to rent a one acre area of land for a year. She spent Rs. 150 of her own money to purchase seeds to plant her land with rice and Rs. 650 to plough it. She saved Rs. 900 by planting the seeds herself, with the help of her children.

Her repayment plan is in two six monthly instalments as agreed between her and her CO. She was given a choice of paying small amounts each month in order to pay her loan off quicker, but Saeed Bibi refused as she felt that with goats, she would receive her profit in lump sum (when she would eventually sell the goat).

Saeed Bibi was very satisfied with her CIF loan and the procedure for obtaining one. She said that it was a simple and easy process, as she received her loan within ten days.

In terms of Saeed Bibi's future plan; she plans on keeping her goats and instead selling off her rice crop (due in November) in order to pay off her instalment. In case her yield does not bring in enough income, only then would she sell the kid. Saeed Bibi plans to use her profits for her children's needs and of the household in general.

Saeed Bibi feels optimistic about her situation, as she has diversified her income somewhat with the help of purchasing livestock and having her own rented land. Her ultimate goal is to educate her children and to build a business, as she does not want her children or herself to carry on with manual labour. Her ideal business would be that of opening and running a general food store something, which she intends to build up to and achieve with the help of future CIF loans.