ANNUAL INSIGHT 2018

PMIC

Pakistan Microfinance Investment Company Limited

Passion for Progress

www.pmic.pk

PMIC

Pakistan Microfinance Investment Company Limited

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Pakistan Microfinance Investment Company Limited

- A Pakistani society where the underserved are empowered
- Provide financial and institutional services to strengthen and scale-up provision of sustainable and responsible access to finance to individuals, micro entrepreneurs and micro enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor.

Financial Profile – Dec'18*

- **Paid-up Capital:** USD 42m
- **Sub-ordinated Debt from Sponsors:** USD 96.4m
- **Loan Portfolio:** USD 148m
- **Outreach:** 717,030 beneficiaries
- **Portfolio allocation to women:** 86%

Credit Ratings

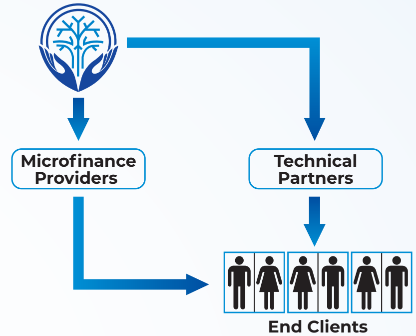
Long term, AA; short term, A1+; outlook, stable.
By PACRA

*Exchange Rate: 1 USD = Rs. 139.8

PMIC's Role as Sector Developer

Objective

- Create positive social impact among clients
- Contribute to a robust eco system for microfinance



Strategy & Rationale

Strategy:

- Design of innovative Microfinance Plus products
- Facilitating cross sector partnerships and crowding of funds
- Value addition and risk mitigation for clients and MF service providers

Rationale:

- Creating **socio-economic impact** requires meaningful contribution towards development of **need based financial products and services**, in addition to provision of loans.

PMIC's Role

- **Wholesale Lender**
- **Aggregator**
- **Technical Assistance Funding**
- **Financial Product Developer**
- **Technical Capacity Building**

Shareholders' Profile

PPAF
KARANDAAZ
KFW Bank aus Verantwortung

Learning Hub

What is Financial Inclusion?

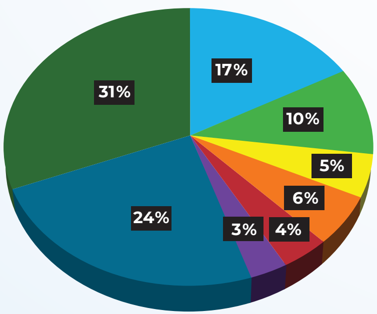
Definition

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – and are delivered in a responsible and sustainable way.

Is it relevant?

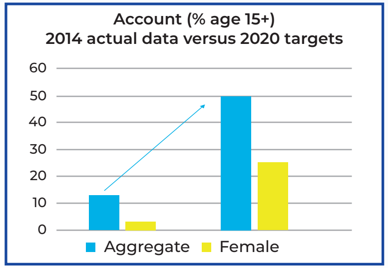
- Financial inclusion is becoming a priority for policymakers, regulators and development agencies globally
- Financial inclusion has been identified as an enabler for at least 8 of the 17 **Sustainable Development Goals**
- The **G20 committed to advance financial inclusion worldwide** and reaffirmed its commitment to implement the **G20 High-Level Principles for Digital Financial Inclusion**
- The World Bank Group considers financial inclusion a key enabler to reduce extreme poverty and boost shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access (UFA) by 2020

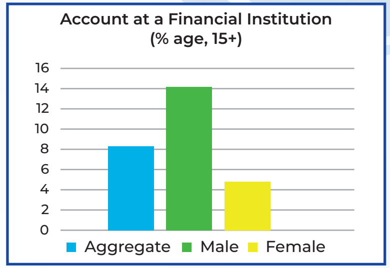
Adults without an Account, by region (%), 2014

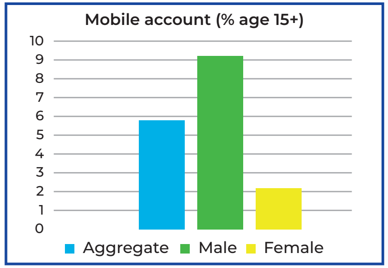


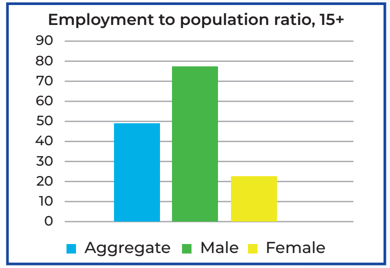
- Asia & Africa are home to most of the world's unbanked
- Regionally, gender gap in account ownership is largest in South Asia

World Bank Development Indicators - Pakistan









Link to Economic Development

- As per an IMF/NBER Working Paper, for each of the six countries included in the study, there is a significant and unambiguous impact on GDP growth and productivity, as a result of eliminating blockages to financial inclusion along three dimensions – access to credit, depth of credit and intermediation of credit[1]
- Gender discrimination estimated by a McKinsey study means that the world's economy is functioning at only 75% of its potential
- In a scenario in which women play equal roles in labor markets as that of men, as much as $28 trillion, or 26%, could be added to global annual GDP by 2025

1 **Quantifying Macroeconomic Impacts of Financial Inclusion -**
Yuwa Hedrick Wong; countries included - Uganda, Kenya, Mozambique, Malaysia, Philippines, and Egypt

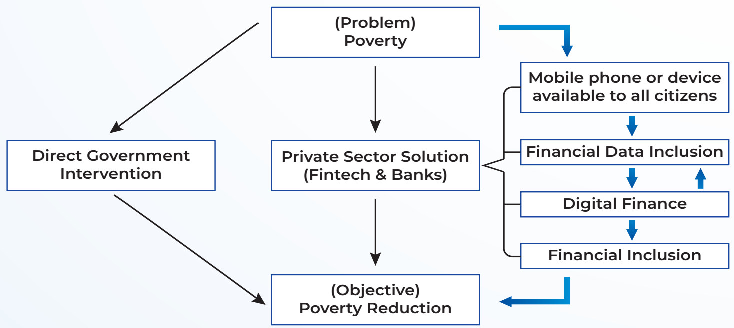
What is Digital Finance?

Definition

Digital finance is financial services delivered through mobile phones, personal computers, the internet or cards linked to a reliable digital payment system without the need to visit a bank branch or without dealing directly with the financial service provider.

Is it relevant?

- According to the World Bank, digital finance can lead to greater financial inclusion, expansion of financial services to non-financial sectors, and the expansion of basic services to individuals, since nearly 50% of people in the developing world already own a mobile phone.
- CGAP identifies significant potential for the provision of affordable, convenient and secure banking services to poor individuals in developing countries through digital finance channels
- Digital finance can contribute towards economic stability, financial intermediation and facilitate governments by providing a platform for payments
- Digital finance should improve the welfare of individuals and businesses that have formal bank accounts and have funds in their bank accounts to complete multiple financial transactions.



Framework to illustrate the role of government and private sector in digital finance and financial inclusion Source: Impact of digital finance on financial inclusion and stability, Peterson K. Ozili.

Link to Economic Development

- According to a report on Digital Finance by McKinsey, digital finance has the potential to provide access to financial services for 1.6 billion people in emerging economies, more than half of them women.
- The report further identifies that widespread use of digital finance has the potential to boost annual GDP of all emerging economies by $3.7 trillion by 2025, a 6 percent increase versus a business-as-usual scenario.
- The study identifies that digital finance can contribute to increase the GDP in Pakistan by 7%.

Consumer Protection in the Digital Space

Digital Credit is often defined in terms of three attributes – instant, automated and remote. As a CGAP paper on Consumer Protection in Digital Credit[1] notes, these very three attributes create consumer protection risks that are distinct from those of traditional credit. What is encouraging to note is that many of the practices explored around areas such as disclosures, marketing, suitability & product design, repayment & collections, and credit reporting & information sharing are a win-win as they bring benefits to lenders as well as their customers.

As institutions in Pakistan venture into the digital credit space, some of the questions to keep in mind include: Do the disclosures provide clear presentation of costs, payment terms, and other information to the borrower before the loan is accepted? Have sufficient measures been taken to increase borrower intentionality? Are lenders thinking about optimizing the effect of repayment messages and incorporating flexible payments and debt restructuring in an automated environment?

Finally, something for the regulator to consider is whether there should be new standards developed for digital credit that take into account the nuances specific to this model of lending. It is almost easy to forget that most digital lending is high cost consumer lending; this by itself creates strong argument for standards on appropriate product design and consumer protection measures.

[1] http://www.cgap.org/sites/default/files/Focus-Note-Consumer-Protection-in-digital-Credit-Aug-2017.pdf

Credit Subsidies in Agriculture Finance

A World Bank report that explores "Subsidies as an Instrument in Agriculture Finance" identifies important learnings that must be considered prior to design of any subsidized agriculture credit program:

- subsidize the institution but not the borrowers to reduce distortions – when borrowers are subsidized, the credit culture gets distorted. In case of Pakistan, microfinance institutions have become sustainable so there is limited case for subsidizing them either.
- avoid subsidies to institutions that undermine competition, particularly in situations where client segments cannot be easily segregated as there are potential downside risks emanating from such institutions tapping into clients that have the ability to pay
- subsidize the creation of public goods that benefit the entire financial sector
- subsidize individual financial institutions where there is natural spillover to non-subsidized institutions
- identify quantitative performance measures so subsidies to financial institutions do not dull incentives for high performance
- conduct comparative cost-benefit studies to identify subsidies that generate the greatest payoff
- require grant recipients to demonstrate commitment through matching contributions
- design grants to financial institutions so recipients clearly understand the difference between grants and loans.

Link to Economic Development

A paper by economists from Universities of Iowa, Manchester, Cambridge and the Central Bank of Portugal studies the quantitative effects of interest rate credit subsidies on output, wages, and inequality in a standard model of economic development with credit market imperfections. It holds that such subsidies have no significant quantitative impact on output per capita. The authors also remark that the provision of credit subsidies is not an effective way to reduce the underinvestment problem that can result from capital market frictions.[1]

Willian G. Gala, a Stanford University Ph.D., writes a paper which presents a simulation model that describes the effects of credit interventions. The paper concludes that overall welfare costs can go as high as 60-90% of the net change in target group investment. The inframarginal nature of subsidies implies that the government typically incurs 50-90 cents per incremental dollar of targeted investment, the subsidy; the resources used for credit subsidies represent a high cost to the economy.[2]

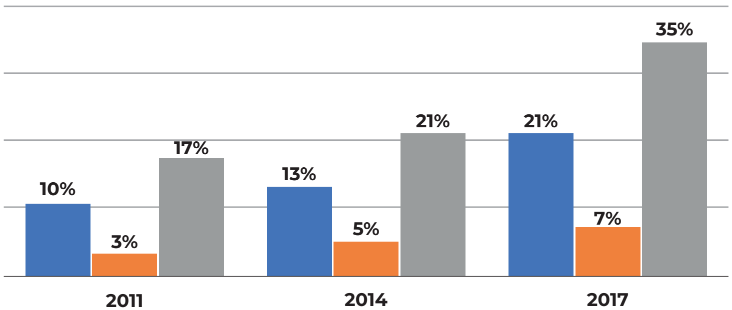
Value Addition vs. Rate Subsidies

- Research has shown that value addition to the end clients can be more beneficial than credit subsidies.
- Training and technical assistance components of microfinance lending can be more important components of agriculture lending than interest rate subsidies, particularly for small scale farmers as they can help them improve their productivity and income levels
- The role of governments and donors should be on long term investments in public goods needed to remove the bottlenecks for thriving markets. In the case of agriculture, these may include farm-to-market roads for better connectivity.
- Studies on sensitivity of loan demand to interest rates imply that: some microenterprises earn high rates of return to capital, implying an ability to pay high NBMFI rates of interest. There is also evidence to contradict the notion that rates of return in agriculture are so low that farmers cannot pay interest rates as high as those paid by microentrepreneurs. If there is great heterogeneity in rates of return, farmers may not demand credit until they learn the correct combination of inputs to use or until enterprises and value chains are developed that generate higher returns than are possible with traditional agriculture.
- Demand for credit is driven by many factors besides interest rates. Transaction costs of borrowing, the complexity of administrative procedures, access to other financial products, loan sizes, and repayment schedules may all have an impact.

[1] Adams, Dale W., and Douglas H. Graham. A Critique of Traditional Agricultural Credit Projects and Policies. Department of Agricultural Economics and Rural Sociology The Ohio State University.
[2] Gale, William G. Economic Effects of Federal Credit Programs. The American Economic Review.

Widening Gender Gap in Financial Inclusion in Pakistan

Account ownership at a financial institution or with a mobile money service provider (% of population aged 15+) - Findex



Although financial inclusion has almost doubled over the last few years, Pakistan still remains one of the most unbanked countries; 6th in the world, in terms of lack of access. Of greater concern is the sex-disaggregated data which indicate that improvements in inclusion have been characterized by widening gender gap; 28% in 2017 from 7% in 2011. This implies that the pace with which women are being included into the fold of financial services is significantly lower than that of men. Research puts forth various explanations for this disparity:

1. **Limited Working Opportunities:** Many women are deprived of opportunities of participating in the labor market. Female labor force participation rate was a mere 24.9% in 2017 as per the ILO estimates. This in turn restricts opportunities to access financial services. Findex 2017 notes that those active in the labor force are less likely to be unbanked.

2. **Lack of Financial Literacy:** 67% of women living with husbands were found to be unaware of Mobile Financial Services in a study by GSMA; the figure for women living without a husband or a male family member was 97%.

3. **Limited Mobility:** Gaining access to formal financial services, via a bank account or otherwise, often involves physically approaching an institution. Women in Pakistan face varying degrees of limitations when it comes to mobility. CERP surveyed 1,000 households in Lahore, whereby 70% of male respondents said that they would discourage female family members from taking public wagon service. This is just a representation of an urban setting. Female mobility is, presumably, even more restricted in rural settings, adding another constraint to female financial inclusion.

4. **Barriers to Technology:** In the age of digital finance, possessing a cellphone is a pre-requisite for access to digital financial services. UN's Measuring the Information Society Report holds that a Pakistani man is twice as likely to own a cellphone as compared to a Pakistani woman. The Gallup World Poll 2016 corroborates this contention; estimated 27% of women while 86% of men had a cellphone in Pakistan in 2016.

5. **Societal Norms:** Possessing an account at a formal financial institution is also, at times, perceived as a way of giving women "undue" independence as it may entail their handling of finances on their own. The social norms constraining female independence, in general, may also manifest themselves in impeding women financial inclusion.

Addressing Barriers to Inclusion - Policies

Global Stats

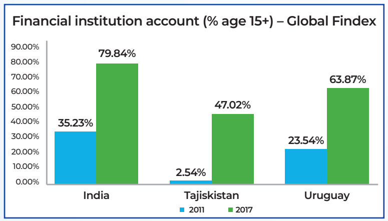
- 69% of adults had an account in 2017, up from 62% in 2014 and 51% in 2011, globally.
- About 1.7 billion adults remain unbanked i.e. without an account at a financial institution or via a mobile money provider; in 2014 this number was 2 billion.

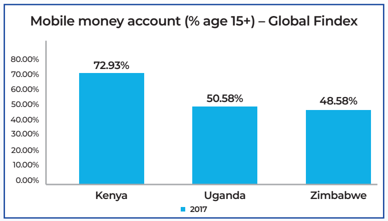
Policy Initiatives

An Asian Development Bank paper, evaluating factors affecting the ability of the underserved to access financial services and financial literacy, and of financial regulatory frameworks that improve financial access based on experiences of advanced and emerging economies highlights the following policies:

i. establishment of inclusive financial institutions, such as microfinance institutions, credit cooperatives, special purpose state banks, post offices, and agents;
ii. subsidies for borrowing for specific segments;
iii. low-cost and innovative financial products and services, such as no-frills accounts and microinsurance;
iv. innovative technologies, such as mobile phone banking and e-money;
v. innovative ways to increase credit access, such as credit databases, broader ranges of collateral, credit guarantee programs, and innovative financing vehicles; and
vi. innovative regulations, including proportionate regulation and national identification schemes.[1]

Increasingly Inclusive Economies and Policy Initiatives





India

i. Pradhan Mantry Jan-Dhan Yojana: Launched in 2013 with a new approach of focusing on households, account integration with credit, insurance and pension, inter-operability, simplified KYC and e-KYC rules, and financial literacy.
ii. Aadhaar Unique Identification Authority: The institution provides biometric-based unique ID numbers to every citizen which affords them access to banking, mobile phone connection and other government or non-government schemes.
iii. Credit Guarantee Trust Fund for MSEs: Created in 2000, the trust covers the loss incurred by the lender up to 85% of the credit facility
iv. Jan-Suraksha Scheme: Launched in 2015, this scheme involves the creation of a universal social security system for all Indians through three key instruments: accident insurance, life insurance and pension scheme.

Tajikistan

i. Low-Cost Financing: ADB, EBRD, UNDP, and World Bank provide Tajik commercial banks and NBMFIs with low-cost financing which is channeled to borrowers at relatively low interest rates.
ii. Credit Databases: Credit Information Bureau of Tajikistan (CIBT) and Bureau of Credit History Somonion (BCHS) were holding credit information via 22 banks and 136 NBMFIs collectively in 2015.[2]
iii. Credit Guarantee: Designed to absorb 60% of credit losses in the SME segment.

Uruguay

i. Reduction of value added tax for purchases via debit cards and e-money instruments
ii. Tax incentives to expand the country's network of point of sales
iii. Free access to an account at a financial intermediary
Iv. Small companies can hold Simplified Accounts i.e. accounts with limits on balances and transactions, and streamlined KYC rules.

3	Kenya	Uganda	Zimbabwe
Allows Non-Banks to issue mobile money	✓	✓	✓
Has specific regulation regarding mobile money	✓	✓	✗
Has tiered KYC rules	✗	✗	No basis
Requires full KYC Registration	✓	✓	No basis
Ease of registration to get a mobile money account	Customers can register at agent's stores	Customers can register using any ID with a photograph	No basis
Restriction to entry for mobile money operators and other non-bank FSPs	Minimal	Minimal	Minimal

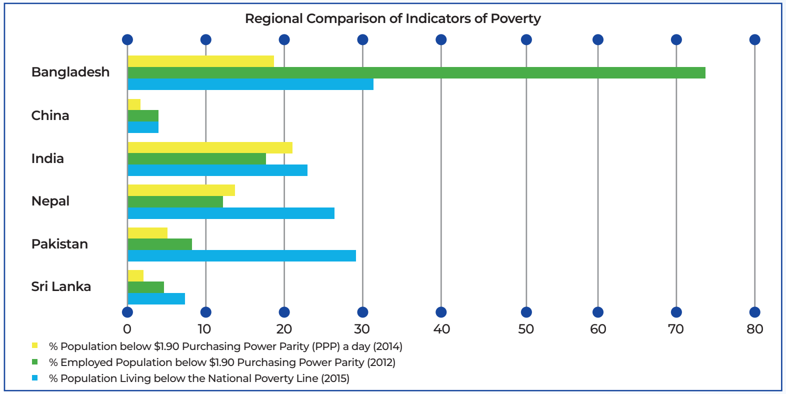
[1] Yoshino, Naoyuki, and Peter J. Morgan. "Assessing Policies to Promote Financial Inclusion, Regulation, and Education in Emerging Asia." Asia Pathways. October 19, 2016. **https://www.asiapathways-adbi.org/2016/10/assessing-policies-to-promote-financial-inclusion-regulation-and-education-in-emerging-asia/.**
[2] World Bank Finance sector assessment report 2015.
[3] Evans, David S., and Alexis Pirchio. "An Empirical Examination of Why Mobile Money Schemes Ignite in Some Developing Countries but Flounder in Most." March 18, 2015. **https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2578312.**

SDG 1: End Poverty in all its forms everywhere

Sustainable Development Goal 1

- GOAL: By **2030**, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
- Women are disproportionately more likely to live in poverty than men due to unequal access to paid work, education and property
- **South Asia** and **Sub-Saharan Africa**, account for 80% of the global total of those living in extreme poverty
- In **Pakistan, 54.6%** people live in deprivation as measured by the Multidimensional Poverty Indices (MPI)
- Punjab has the lowest multidimensional poverty while Baluchistan has the highest incidence
- **Social protection systems** are fundamental to preventing and reducing poverty and inequality at every stage of people's lives; preliminary data show that in **2016,** only **45% of the world's population** was **effectively protected** by a social protection system
- Building the resilience of the poor and strengthening disaster risk reduction is a core development strategy for ending extreme poverty in the most afflicted countries. **Economic losses from disasters** are now reaching **an average of $250b to $300b** a year

Regional Comparison of Indicators



The figure is based on Basic Statistics 2017 - Asia Development Bank

Social Safety Programs in Pakistan

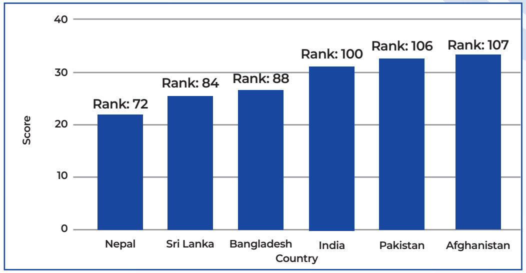
- Poverty ScoreCard – developed with the support of World Bank, a tool to measure poverty on a scale of 0-100 using an expenditure survey
- Benazir Income Support Program (BISP) – Pakistan's flagship national safety net system
- Nationwide Poverty ScoreCard survey, conducted in 2010, enabled the BISP to identify eligible households –7.7m households living below cut-off score of 16.17
- More than US$ 3.5b disbursed to BISP beneficiaries out of whom 93% receive the cash transfers through technology based payment mechanisms (Debit Cards, Mobile Phones, Smart Cards) – World Bank Brief, 2016
- 40% of the beneficiaries in a selected sample of 263 graduated out of basic poverty bands and moved to higher categories - study by the Sustainable Development Policy Institute (SDPI)
- Prime Minister Interest Free Loan (PMIFL) – an interest free loan of up to Rs. 50,000 for productive purposes targeted towards individual with a score of up to 40 on the Poverty Score Card; 500,000 beneficiaries
- As individuals are able to develop more sustainable livelihoods, they can access the micro-credit market and come into the fold of formal financial services

SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Sustainable Development Goal 2

- GOAL: **By 2030**, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
- By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
- Asia is the continent with the most hungry people – two thirds of the total; of which Southern Asia faces the greatest hunger burden, with about 281 million undernourished people
- Pakistan is ranked at 106 among 119 developing countries in the Global Hunger Index (GHI) 2017
- Tharparkar region of Pakistan has the highest level of malnourishment
- Agriculture plays a key and direct role in achieving SDG 2 and is also central to achieving SDG1 on eradicating extreme poverty, and several other targets, especially those related to health, water, biodiversity, sustainable cities, sustainable energy, and climate change.
- Achieving the "zero hunger" vision requires social protection and food systems that are economically efficient, socially inclusive, and environmentally sustainable

Regional Comparison (Global Hunger Index)



Global Hunger Index - Pakistan and Regional countries

Optimal Nutrition – Achieving SDGs

Optimal nutrition is essential for achieving several of the Sustainable Development Goals, and many SDGs impact nutrition security. Nutrition is hence linked to goals and indicators beyond Goal 2 which addresses hunger. A multisectoral nutrition security approach is necessary for success.

Programs to fight hunger and improve nutrition in Pakistan

- Pakistan's National Food Security Policy 2018 aims at promoting sustainable food production systems by an average growth rate of 4% with goals of improving food availability, accessibility and sustainability.
- Benazir Income Support Program (BISP) and the World Food Programme (WFP) have partnered to improve education enrolment through revitalizing the school meal system, to improve emergency preparedness response mechanism, to enable the social protection of Pakistan and to make Pakistan more nutrition-sensitive by working on Nutrition Conditionality Program
- Universal Salt Iodisation (USI) Program launched in 110 districts through Public Private Partnership
- Food Fortification Program in Pakistan (FFP) setup to provide support to adequately fortify essential food elements and help the government to improve food fortification regulatory system and raise awareness to formulate policies to combat micronutrient deficiencies in Pakistan.
- National Fortification Alliance (NFA) and Provincial Fortification Alliances established by all provinces in 2016

Microfinance and Food Security

- There are between 450 and 500 million smallholder farmers in the world. Together with their households, this represents 2,000 million individuals[1].
- These are not a homogeneous group: some are involved in subsistence farming while others thrive as a true business and are integrated in structured value chains
- Although their needs are not the same, they all are confronted with the problem of insufficient access to good-quality financial services.
- In total, the credit needs of 270 million small farmers living in Latin America, Sub-Saharan Africa and South and South-East Asia are estimated at $200,000 million per year[2]. At present, barely a quarter of these needs are being met, and half of these through "informal circuits".
- Access to proper financial services is an essential condition to modernize farms and reach the second Sustainable Development Goal (SDG 2): eradicating hunger in the world.

[1] Christen, Peck & Anderson, "Segmentation of Smallholder households: Meeting the range of Financial Needs in Agricultural Families", CGAP, April 2013.
[2] Inflection Point: unlocking growth in the era of farmer finance", Initiative for Smallholder Finance and Rural & Agricultural Finance Learning Lab, April 2016. This estimate excludes China, Central Asia, the Middle East, North Africa and Eastern Europe.

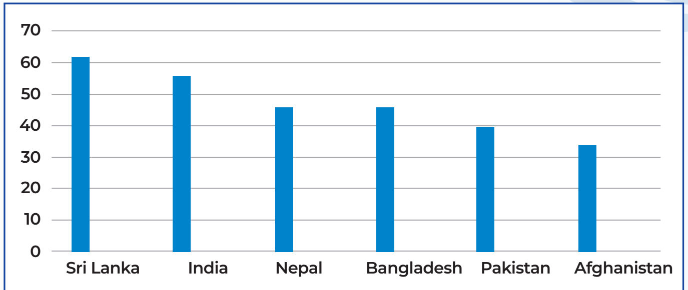
SDG 3: Ensure healthy lives and promote wellbeing for all at all ages

Sustainable Development Goal 3

3 GOOD HEALTH AND WELL-BEING

- **GOAL:** By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births, end preventable deaths of newborns and children under 5 years of age, end the epidemics of communicable diseases, reduce by one third premature mortality from non-communicable diseases and promote mental health and well-being.
- Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
- Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
- As per the Universal Health Care (UHC) Service Coverage Index of 2015 by WHO, only around 40% of the world's population enjoys universal health coverage.
- According to UNICEF, nearly 44% of all children are stunted and 9.6 million experience chronic nutrition deprivation.
- **PAKISTAN:** Life expectancy at birth in Pakistan is at a low of 66.5 years; only above Afghanistan in the region.
- Premature death is the leading cause of deaths of children under 5 years of age in the country.
- Approximately 40% of children in Pakistan aged under 5 years were stunted in 2015.
- National TB Control Program aspires to reduce the prevalence of TB by 50% by 2025 in comparison to 2012. WHO's estimated TB + HIV incidences were 140 per 100,000 people globally in 2016; the estimated figure for Pakistan was 268 while for South-East Asia, it was 240.

Regional Comparison (Universal Health Service Coverage Index, 2015)



Service Coverage Index - Pakistan and Regional countries

Good Health and Well-being – Achieving SDGs

Attaining the goal of good health and well-being is deeply connected with the realization of other SDGs. Health happens to play a key role in ensuring that other goals stand a chance by 2030. Poverty alleviation, economic growth, and gender equality are just a few salient ones that could be swiftly achieved if the target populace was in good health.

Health Services in Pakistan

- The National Health Vision Pakistan 2016-2025 envisions to improve the health of all Pakistanis via universal access to affordable and quality healthcare services.
- Prime Minister's National Health Insurance Programme, launched in 2014, offers cashless schemes for families living below the 32.5 Proxy Means Test (PMT) score in the Benazir Income Support Program (BISP) database. It is in its initial stage of implementation with coverage of about 20 districts only, so far.
- Lady Health Workers Programme, instituted in 1994, targets to reduce poverty and improve national health indicators via the provision of essential primary health care services.
- Epidemics Prevention and Control Program, initiated in 2011, aims to combat Dengue and other significant vector-borne diseases via disease and vector surveillance, health education, advocacy and social mobilization.
- The Extended Program on Immunization is a disease prevention scheme that targets 8 easily curable diseases that are the cause of millions of disabilities and deaths each year in Pakistan.

Microfinance and Health

- Views surveyed from 60,000 respondents show that illness and inability to access health care both induces and results from poverty[1].
- Among 15 causes of the downward slide to poverty, illness has been reported as the most frequent one by thousands of respondents in another study[2].
- At a larger level, Microfinance tries to achieve poverty alleviation, implying it indirectly serves to mitigate health crises. Conversely, if it just directly aims to provide healthcare services, it in effect, assists in fighting poverty.
- Microfinance has reportedly been instrumental in capacity building of health systems in Uganda by providing micro-loans and skills training to small health providers[3]. In Dominican Republic, it was shown that the provision of microcredit and education, in combination, lead to a 43% reduction in Diarrhea incidence[4].
- Several microfinance practitioners have initiated health insurance in Pakistan; this facility reduces the spend on health related expenditures which can in extreme cases prevent the downward spiral into poverty.

[1] Narayan D, Patel R, Schafft K, Rademacher A, Koch-Schulte S. Voices of the poor: can anyone hear us. New York: Oxford University Press for the World Bank; 2000.
[2] Dying for change: poor people's experience of health and ill-health. World Health Organization and World Bank; 2002.
[3] Seiber EE, Robinson AL. Microfinance investments in quality at private clinics in Uganda: a case-control study. BMC Health Serv Res 2007; 7: 168-
[4] Dohn AL, Chávez A, Dohn MN, Saturria L, Pimentel C. Changes in health indicators related to health promotion and microcredit programs in the Dominican Republic. Rev Panam Salud Publica 2004; 15: 185-93.

SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Sustainable Development Goal 4

4 QUALITY EDUCATION

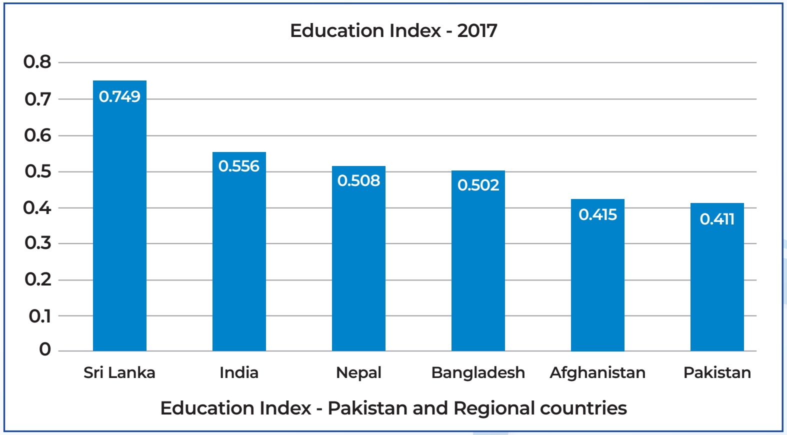
A FEW TARGETS BY 2030

- Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.
- Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable.
- Substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries.
- UNESCO reports there were still 263 million out-of-school (OOS) children and youth by the end of school year 2016.
- Pupil-Teacher ratios in Sub-Saharan Africa and South Asia were 37.5 and 35.7 respectively for primary level; these ratios are more than double than those of North America, Europe and Central Asia.

PAKISTAN

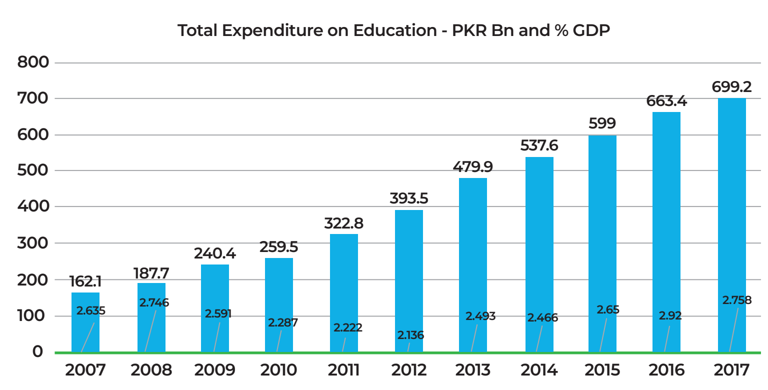
- Article 25A of the 1973 constitution makes free and compulsory education the right of every child aged 5 to 16. This article was adopted as part of the 18th Constitutional Amendment in addition to which education was devolved as a provincial mandate.
- According to the Pakistan Education Statistics 2016-17, of all the children aged between 5 and 16, nearly 44% i.e. 22.8 million were OOS. The figure had increased from 22.6 million in 2015-16.
- From primary to higher secondary level, 49% of the girl-population and 40% of boy-population were OOS.
- ASER 2016 noted that only 48% of 5th graders could do a two-digit division in Pakistan indicating an abysmal level of quality of early education.
- Physical infrastructure also requires significant improvement; 7% of all primary schools in Pakistan are operating without a building; 18% have a single classroom, 32% lack access to electricity & 22% do not have toilets.

Regional Comparison (Education Index, 2017)



Education Budget Allocation – Pakistan

	FY17 Budget Allocation (PKR bn)	FY18 Budget Allocation (PKR bn)	%▲
Punjab	67.82	▲ 74.1	9.26
KPK	17.3	▲ 20.3	17.34
Sindh	20.07	▲ 24.03	19.73
Baluchistan	6.65	▲ 9.16	37.7



Rough estimates indicate that achieving the net primary enrolment rate of 100% by 2015/16 would have required, besides massive improvements in governance and implementation, a fund of PKR 1, 300 billion according to a UNESCO situation analysis.[1] Taking into account the needed progress for higher levels of education, Pakistan would need much more resources.

Microfinance and Education

- A longitudinal study in Bangladesh reports that basic competency in reading, writing, and arithmetic among children 11-14 years old in microfinance client-households increased from 12% of children at the start of the program in 1992 to 24% in 1995. In non-member households, only 14% of children passed the tests.[2]

- Client households were found to be investing more in education than non-client households as a result of a microfinance program in Uganda. The clients were also significantly more likely than non-clients to pay school charges.[3]

- Adjei et al., and Lacalle Calderon et al., demonstrate that participation in microcredit programs increases a household's expenditure on children's education in Guyana and Rwanda.[4]

[1] Fancy, Haider, and Jamila Razzaq. Accountability in Education in Pakistan. UNESCO. http://unesdoc.unesco.org/images/0025/002595/259549e.pdf.
[2] A.M.R. Chowdhury and A. Bhuiya, "Do Poverty Alleviation Programmes Reduce Inequity in Health: Lessons from Bangladesh," in Poverty Inequity and Health, ed. D. Leon and G. Walt (Oxford: Oxford University Press, 2001).
[3] Caroline Barnes, Gary Gaile, and Richard Kimbombo, Impact of Three Microfinance Programs in Uganda, USAID-AIMS paper (Washington, D.C.: Management of Systems International, 2001).
[4] Rooyen, C. Van, et al. "The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence." World Development, vol. 40, no. 11, 2012, pp. 2249–2262., doi:10.1016/j.worlddev.2012.03.012.

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