

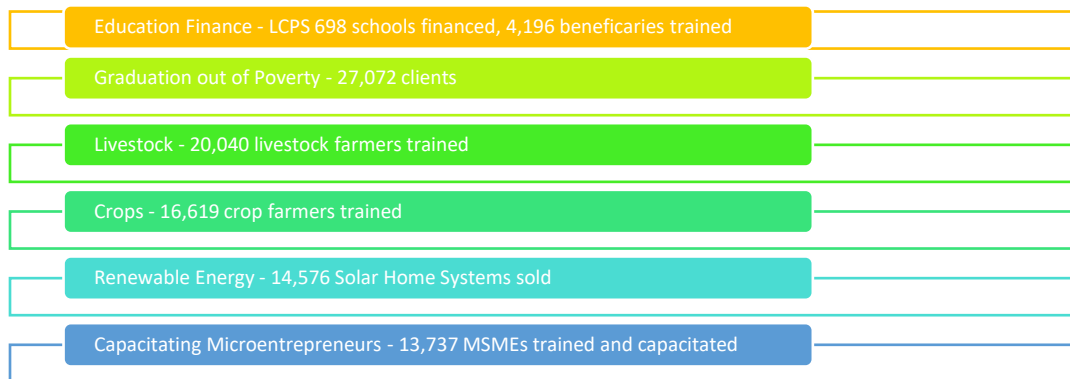
PMIC Challenge Fund

1. Introduction and Background:

Pakistan Microfinance Investment Company – PMIC is in the process of designing and launching its first Challenge Fund. The purpose of the CF is to achieve PMIC’s triple bottom line mandate by offering a competitive environment to participating organizations in deploying innovative product verticals and business models involving both financing and technical assistance. The CF may open up opportunities for PMIC to make equity investments in different Financial Technology platforms in the longer run. The organizations which win the CF award, could later be made part of PMIC’s Institutional Development Fund to further build their systems and strengthen their governance structures, so that they could eventually graduate to become PMIC borrowers (non-bank MFIs). The facility may also benefit PMIC in establishing new revenue streams and bring further diversification in the existing business model.

2. Rationale:

PMIC has designed and implemented MF Plus projects with a triple bottom line approach. The blended finance methodology combines technical assistance support in the form of grants for capacity building, handholding and extension of credit facilities to MFPs for on lending to end clients. The emphasis has been on value addition, risk mitigation and increasing access to markets and information. PMIC has incorporated the technological aspect in various interventions to bring efficiency and effectiveness in service delivery. Microfinance Plus projects have positively impacted more than 100,000 clients over the course of last 4 years. Breakdown of projects with beneficiaries is provided below:



These projects have helped transform the lives of beneficiaries by increasing their incomes, building their capacity and creating employment opportunities in project vicinity. The farmers under CPEI project experienced a 16% reduction in input costs (fertilizers, seeds and pesticides) and 18% increase in crop yield. Moreover, the livestock farmers were able to increase their animal milk production by 18% and revenues from their animals (fattening and sacrificial) by 20%. Moreover, the EDI project helped generate 25% additional employment and increased incomes of micro and low-end small entrepreneurs. Similarly, schools under the LCPS project were able to create; additional enrollment of kids (predominantly female children), more jobs for teachers and improved learning environment for students. Subsistence farmers, women and youth who had been a part of social safety net programs such as BISP, PMIFL and PPAF’s LEP were successfully graduated out of poverty through trainings and access to sustainable sources of financing. All these interventions focused towards the provision of; access to credit, specialized trainings,

linkages and access to markets. These interventions also supported capacity building of financial institutions through development of specialized products.

However, scaling up these pilots and initiatives has remained a challenge despite encouraging results of most of the MF Plus interventions. The quantum of resources required from both, PMIC and borrowers for a longer period of time, along with lack of focus among borrowers on development agenda of microfinance hindered the expansion of most of the product verticals discussed above. Similarly, since most of these initiatives focus on creating economic and social impact, new methodologies, structures and mechanisms need to be created without which, the sustainability of these projects will remain a challenge. However, once these projects attract players who can design viable business models after an initial period of support and handholding, the benefits for the whole sector and particularly for the end beneficiaries are immense.

3. Objective:

The purpose of the Challenge Fund (CF) is to achieve PMIC's triple bottom line by offering a competitive environment to participating organizations in Microfinance Plus interventions where both, funds and technical assistance will be provided for all such initiatives. Part of the 15% of its pre-tax profits allocated for MF Plus activities would now be used through this implementation mechanism, to achieve the same objectives in the following areas:

- Livestock/Crop productivity enhancement
- Capacitating Microentrepreneurs
- Renewable Energy
- Education and School Financing
- Micro Insurance
- Graduation out of poverty

PMIC would invite proposals from Fintechs, Local financial institutions, advisory and research firms, international organizations, green-techs, cooperatives, corporations, not-for-profits, or any formally registered business enterprises, MFPs, incubation centers and other organizations supporting microfinance on the above verticals. The focus of the proposed intervention must be on any of the following 5 thematic areas:

- Women & Youth Empowerment through financial inclusion
- Increasing financial penetration in underserved areas
- Reduction in cost of delivery
- Risk Mitigation
- Digitalization

4. Challenge Fund Round 1: Thematic Area

The goal of the challenge fund is to provide relevant market players an opportunity to pilot or scale interventions on different thematic areas related to financial inclusion, sector development and benefiting end clients. PMIC invites financial and technical proposals in the following thematic area for Challenge Fund round 1:

“Accelerating access to finance and increasing income of small farmers”

PMIC aims to launch the first round of CF for Small farmers to help them get access to finance and other value addition services through Ag-tech/microfinance providers. Under the CF facility, PMIC will call from proposals from Ag-tech/MFPs which provide financial and non-financial services to small farmers. The non-financial services offered by applicant should focus on trainings and capacity building that help them impart good crop cultivation practices. Technology and good agri practices should be at the heart of the business models proposed using, but not limited to, trainings of farmers, satellite imagery, soil testing, efficient water, fertilizer and pesticide usage, linkages with input providers and facilitating farmers in crop sales, which ultimately result in lower input costs, increased crop yield and higher incomes of the farmers. PMIC aims to achieve the following objectives by launching its CF facility in Ag-tech space:

Outcomes

1. Test the agri-lending model with at-least 100 subsistence farmers
2. Reduce farmers’ cost of input by 10% through efficient use of water, fertilizers, pesticide, and other related inputs
3. Increase farmer’s crop yield by 10%
4. Increase farmers’ income by 25% through lending and non-financial inputs

For more details on the thematic areas, proposal format and other documents to be submitted along with the proposal, please visit PMIC website <https://www.pmic.pk/challenge fund/>

Deadline for receipt of application is **05 January 2022 latest by 5 pm Pakistan Standard Time (PST)**. Completed proposal documents to be enclosed separately in a sealed envelope (Technical & financial Proposal along with presentation) addressed/posted to:

Head of Sector Development

Pakistan Microfinance Investment Company (PMIC)
21st Floor, Ufone Tower,
Main Jinnah Avenue, Blue Area,
Islamabad 44000, Pakistan

*PMIC reserves the right to accept or reject any/all applications without any reason