

# INVESTING THROUGH APEX – FOREIGN FUNDING, LOCAL KNOWLEDGE

BY: YASIR ASHFAQ  
CEO, PAKISTAN MICROFINANCE INVESTMENT  
COMPANY LIMITED



# PMIC

Pakistan Microfinance Investment  
Company Limited

# Presentation Outline

- About PMIC
- Pakistan Microfinance – Timeline
- Stages of Funding
- Transition – The Need & Key Challenges
- Legal & Institutional Profile
- Governance & Participation of Members in the Apex
- Financial & Non-Financial Services
- The Business Model
- Measuring Social Performance
- Benefits of Investing through Apex

# Pakistan Microfinance Investment Company (PMIC)

## Corporate Profile

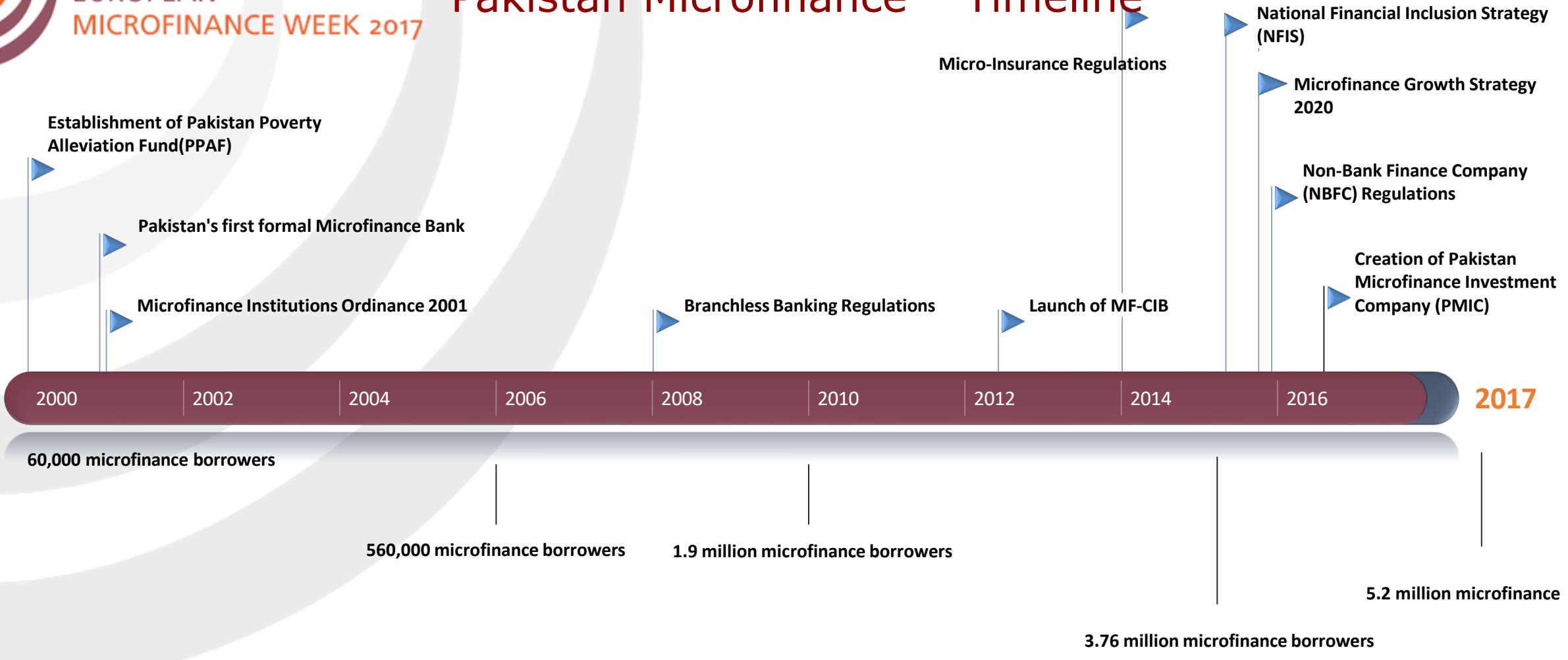
- Incorporated in **August 2016**
- Licensed to undertake Investment Finance activities
- Shareholders include credible names such as **Pakistan Poverty Alleviation Fund (49%)**, **DFID (through Karandaz Pakistan 37.8%)** & **KfW (German development bank) (13.2%)**

## Core Functions

- Meet the **liquidity needs** of the sector, USD 3 billion required to reach a target of 10 million active clients by the year 2020
- **Microfinance Plus Initiatives** targeted towards new products design and sector development
- Develop the **eco system** for fuelling growth in microfinance

*Instead of being a market actor that steps in to just fill in the funding gap, PMIC facilitates any initiative that enhances **financial inclusion** in the country*

# Pakistan Microfinance – Timeline



## Three Stages of Funding

Extremely subsidized  
funding  
Sizable Operational and  
Capital Grants  
One product  
Lient criteria for funding

Pricing close to market  
Grants for improvement in  
systems  
New products experimented  
Funding criteria moderately  
stringent

Pure market based pricing  
Small directed grants for  
end clients  
Upscaling of products  
Risk based funding and  
pricing

# Legal & Institutional Profile

## Key Factors

- Dependent on the stage of development of the market
- Flexibility to respond to the needs of the sector
- At least double bottom-line focus
- Long term vision

## PMIC's Features

- Structured as a for-profit investment finance company under the Non-Bank Finance Companies Rules
  - > Strategically placed to access financial markets
  - > Ability to provide broad array of funding instruments for MFIs
  - > Flexibility in operations
  - > Committed to developing the eco-system
    - \* Can partner with institutions contributing to FI
  - > Business diversification opportunities

# Governance

## Key Factors

---

- Safeguard the mission
- Role of the government, linkages with key stakeholders
- Role of MFIs only as customers of the apex; no role in governance
- Shareholding by end clients in case of public listing
- Need for comprehensive legal documents to secure interests of all stakeholders

## PMIC's Features

---

- Shareholders prevent mission drift
- MFIs not represented on PMIC's board to prevent conflict of interest
- Legal agreements ensure alignment of interests
- Strong eligibility criteria for new partners - no political interference
- Credible and experienced members on the Board

# Financial & Non-Financial Services

## Key Factors

---

- Non-financial services essential to an apex's operations
  - Distinctly positions an apex versus other commercial lenders only be focused on financial services
  - Multiplier effect when working through apex for research and product development
  - Critical for development of sector and risk mitigation of sector participants

## PMIC's Features

---

- A full-service institution offering financial solutions
- Demand based innovative products tailored to beneficiaries' needs
- Ability to crowd-in resources to bring in other market participants



# The Business Model

## Key Factors

---

- Focus on sustainability at 3 levels, depending on market maturity
  - Client
  - MFIs
  - Apex
- Value addition at all levels
- Building Partnerships and Alliances

## PMIC's Features

---

- Triple bottom line objective
- Shareholders prevent mission drift while pursuing financial sustainability
- Microfinance recognized as a key enabler in enhancing financial inclusion in Pakistan

# Measuring Social Performance

## Key Factors

---

- Integrate social performance in the strategy and KPIs
- Promote responsible finance among members, and measure it
- Setup SPM monitoring system
- Capacity building/technical assistance

## PMIC's Features

---

- Social performance integrated in the DNA – mission and strategy
- ESM at PMIC level and at the MFIs' level
- Social outcome essential component of financial covenants
- Results framework - tracking social performance
- Internal rating system

### Why the need for a new institution?

- Increasing funding requirements
- Changing needs of sector participants in line with growth
- Need to develop the 2<sup>nd</sup> generation eco-system

## Leading the Transition

### Challenges in transition

- Convincing the government
- Bringing together partners/shareholders with common objectives
- Adequate lead time to carry out the transition
- Change in mindset required
  - within the sector
  - within the organization

### Challenges in current role

- Competition from other commercial lenders
- Need to treat the bottom of the pyramid as a market segment

# Benefits of Investing through Apex



Experience of design and implementation of financial and non-financial services



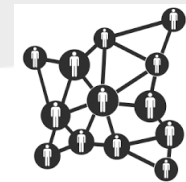
Strong linkages with key stakeholders (regulators, network association, government, commercial banks, microfinance providers, development agencies, corporate entities)



One-stop cost efficient investment solution for investment in microfinance sector;  
Proximity to clients, deep understanding of the local market



Intermediary between different funders- convenience for microfinance providers and investors, strong understanding of the working environment, institutional dynamics and national issues



Ability to facilitate outreach to poorer beneficiaries through smaller MFIs



# THANK YOU

For further queries, please write to [yasir.ashfaq@pmic.pk](mailto:yasir.ashfaq@pmic.pk)



# PMIC

Pakistan Microfinance Investment  
Company Limited