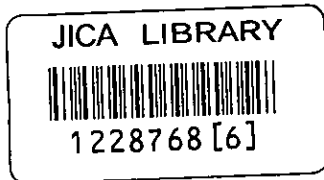


Pakistan
First Microfinance Bank Ltd.

Needs Survey of Product Development and Training System in Pakistan Microfinance Institution

Final Report

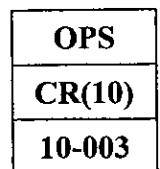
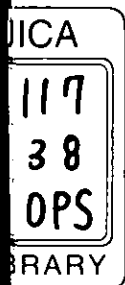
(Summary)



March 2011

Japan International Cooperation Agency

PlaNNet Finance Japan



Pakistan

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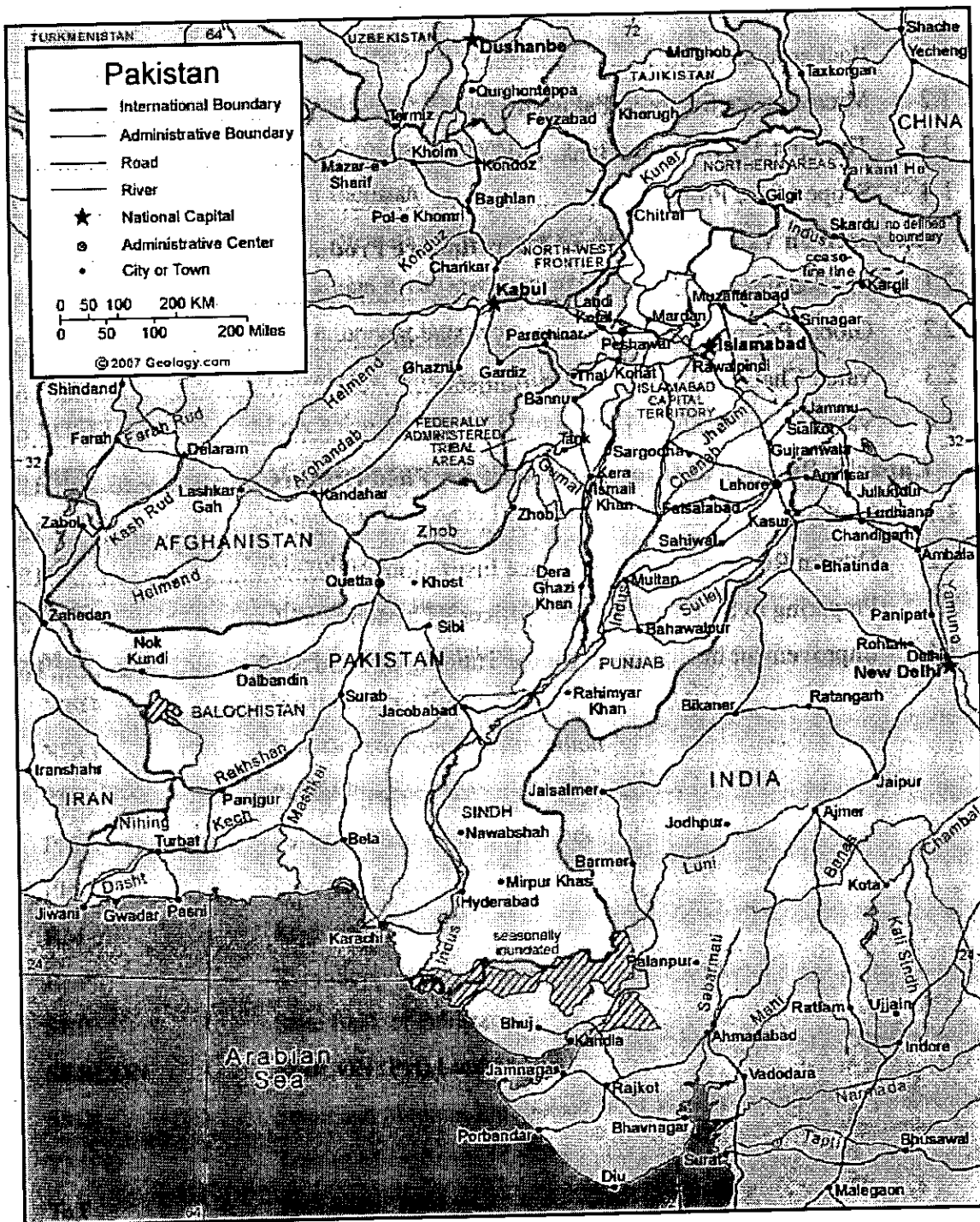
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List of Abbreviations

AKRSP	Aga Khan Rural Support Programme
AM	Area Manager
AMFO	Assistant Microfinance Officer
BM	Branch Manager
BOI	Banking Operation in Charge
FGD	Focused Group Discussion
FMFB	First Microfinance Bank
GB	Gilgit-Baltistan
JICA	Japan International Cooperation Agency
KADO	Karakoram Area Development Organization
KII	Key Informant Interview
KSA	Knowledge, Skills and Attitude
LOSEL	Low Salary Employee Loan
MEF	Micro-Enterprise Finance
MEDA	Mennonite Economic Development Associates
MF	Microfinance
MFB	Microfinance Bank
MFI	Microfinance Institution
MFO	Microfinance Officer
NGO	Non-Governmental Organization
PFJ	PlaNet Finance Japan
PMN	Pakistan Microfinance Network
PR	Pakistani Rupee
RM	Regional Manager
RSP	Rural Support Programme
SBP	State Bank of Pakistan
SEBCON	SEBCON (Pvt) Limited
SME	Small and Medium Enterprise
TMFO	Trainee Microfinance Officer
ToT	Training of Trainers
UGFS	Urban Group Financial Service
USAID	United States Agency for International Aid
VC	Value Chain
VCF	Value Chain Finance
VGFS	Village Group Financing Service
WOCCU	World Council of Credit Unions

1 Introduction

1.1 Background

In preparation for possible future assistance in Microfinance (MF) Sector in Pakistan, JICA has commissioned PlaNet Finance Japan. (PFJ) to conduct a research cum technical assistance project with The First Microfinance Bank Ltd. (FMFB). The scope of work includes a review of value chains for potential development of innovative financial product models and assessment of FMFB's human resource training needs to improve the operating efficiency of the bank's field staff.

Four Japanese and international experts from PlaNet Finance Group (hereinafter "the project team"), an international non-governmental organization (NGO), which seeks to alleviate poverty by through the development of the MF sector, were assigned to conduct this project. The project took place from July 1st, 2010 to March 18th, 2011.

This summary presents overview of the findings of the project and recommendation of the project team described in the final report. The views and recommendations expressed in this report are those of the project team, and do not necessarily represent the views of relevant stakeholders in Pakistan, FMFB, nor of JICA.

1.2 Microfinance Sector in Pakistan

Pakistan is one of the most populous countries in South Asia with about 170 million inhabitants. There are approximately 30 million people, accounting 19% of total population who are just above or below the poverty line. They can easily fall below the poverty line when faced with an economic shock such as a natural disaster or illness.

Although government, donors, NGOs and private institutions has been putting effort in financial inclusion, 88% of Pakistan's adult population is either totally excluded from financial services or rely on informal service providers.

The total market size of Pakistan's MF sector goes up to approximately 2 million borrowers with the gross loan portfolio of US\$ 310 million (PRs 26 billion) as of September 2010¹. Compare with other south Asian countries such as India or Nepal, the penetration is still very low.

The microfinance sector in Pakistan is comprised of 3 types of actors as follows:

- **Microfinance Banks (MFBs)**, specialized banks regulated by State Bank of Pakistan (SBP)
- **Specialized Microfinance Institutions and Multi-Sectoral NGOs:** Non-regulated MFIs run by NGOs or Cooperatives
- **Rural Support Programmes (RSPs)**, Community support organization that provides basic services such as education, health and microfinance.

The MF sector in Pakistan has shown dramatic growth over the past decade. The total number of MF borrowers was about 0.6 million in 2005 and reached 2 million in the 2010. The annual growth rate from 2005 to 2008 was especially high, reaching the growth rate of 45%.

However, the sector faces new challenges. The annual growth rate of the client outreach slowed down to approximately 10% from 2008 to 2010². The MF sector needs to bring in new innovations in its operations, products and regulations in order to re-bump the growth of the

¹ State Bank of Pakistan, "Strategic Framework for Sustainable Microfinance in Pakistan" 2011

² State Bank of Pakistan (2011) "Strategic Framework for Sustainable Microfinance in Pakistan"

industry.

1.3 The First MicrofinanceBank, Ltd

The counterpart organization, First MicrofinanceBank, Ltd. (FMFB) is the one of the leading licensed microfinance bank in Pakistan. It started as the transformation of microfinance arm of the Aga Khan Rural Support Program (AKRSP) in 2001.

The bank currently has 83 branches nationwide, with core business area in rural Punjab and Sindh. FMFB serves the poor community by offering mainly following four types of the products mainly for rural farmers and microenterprises with total 204,301 borrowers as of September 2010:

Just like other institutions in MF sector, FMFB encounters new challenges in pursue of fostering its sustainable growth and serving for more diverse groups of the poor under the current dynamic transformation of MF sector in Pakistan and global business environment as a whole.

1.4 Scope of the Project

The specific objectives, scope of works and key deliverables of this project were mutually set with FMFB as follows:

Objectives 1: Understand the potential of value chain financing to support microenterprise development and to discuss the development of adapted new products

Key deliverables for Objectives 1:

- Initial diagnosis of total 6 value chains in GB and Sindh (3 sectors in each location)
- In-depth examination of 2 value chains (1 sector in each location)
- Proposal on upgraded value chain model
- Potential financial/non-financial interventions and suggestion on next steps

Objectives 2: To develop human resource training programs, focused on training for field staff and to improve human resource management capacity

Key deliverables for Objectives 2:

- Internal career progression plan
- Updated job description reflecting the above plan
- List of 15 suggested training modules
- 2 training modules
- 50 trainers (25 in two locations)

2 Research on Value Chain Based Microfinance Product

2.1 Methodology

The research methodology consisted of the following steps: a global study on value chain finance models, field scoping to identify and assessment of six target value chains, detailed analysis of two selected value chains, and identification of potential interventions FMFB can undertake for those two chains. The project team contracted a team of consultants from SEBCON, a consulting firm in Pakistan, to conduct the field research and to provide the initial analysis.

The aim of this component of the project was to identify potential interventions for FMFB based on the research findings. Verification of the feasibility and financial viability of the interventions will require further analysis.

2.2 Global Perspective of Value Chain Financing

2.2.1 Introduction

The income growth potential of the poor relies upon the level of value-added generated from their economic activities. In order to bolster the come of the low-income household, it is necessary to increasing value-added of the economic activities they are engaged in.

The value chain approach thus looks at ways to increase value added in the chain as a whole and among the target beneficiaries (poor households) in particular by analyzing all actors and transactions involved in the sector, from the input sourcing, production and processing to the delivery of the product to final end-consumer. To improve the value added of the economic activities of the poor, the entire value creation system and the linkages among all the actors within the sector need to be evaluated and interventions must be focused updating the entire system.

2.2.2 Goals of the value chain interventions

Current global best practices³ demonstrate that value chain upgrading can take place in four different ways or by a combination of those four ways:

Process upgrading: Improving internal processes to improve productivity and cost efficiency

Product upgrading: Improving old products or introducing new products

Functional upgrading: Redistributing value added in the chain by changing the mix of activities conducted by the target actor

Channel upgrading: Creating new sales channels for existing or new products in order to expand the sales outlets.

Best practices in value chain upgrading indicates that such upgrading is best be achieved by a combination of various interventions, including non-financial interventions such as the provision of market access, technical support to improve the quality and production, training and capacity buildings, partnerships, and regulatory control for contract security and quality standards.

It should be noted that a value chain upgrading strategy may not necessarily start with financing.

³ See, for example, "Value Links Manual" by GTZ, "microlinks 2.0 Value Chain Wiki" by USAID, "Technical Guide: Integrated Financing for Value Chains" by WOCCU etc.

Reinforcement of value chain can only be successful with the synergy of appropriate financial and non-financial interventions.

2.2.3 The Role of Formal Finance in An Upgraded Value Chain

Traditionally, upstream value chain actors (such as producers and processors) tend to have limited or no access to formal financing, or receive in-kind or informal financing directly from downstream value chain actors. This is called “direct financing”. In such cases, the upstream actors often become mired in a low-quality or low-production cycles because they suffer from a lack of financial resources to invest in upgrading their activities. Exploitation by the downstream actors who provide in-kind or informal financing may exacerbate their situation as well: almost always, the direct financers also monopolize sales from the producers and processors, giving them more power to set prices in order to capture more value added for themselves.

Lending by financial institutions can be more effective and sustainable than direct financing because financial institutions are more aware of profitability and sustainability of their lending is, whereas value chain actors generally look only at their own profitability. Also, involvement of regulated financial institutions will benefit by having access to a greater range of services, including savings, transfers and investment credit.

From an MFI’s point of view, linking to a value chain can be an effective way of overcoming the limitations of the traditional approach of microlending. The limitation to the traditional lending approach of MFIs is that it does not adequately measure the full impact or risk of a financial product or service because it ignores the linkages that enterprises have with other enterprises.

2.2.4 Global Cases in Upgrading Value Chains: Lessons Learned

In order to situate the value chain intervention proposed by the project team to FMFB in a broader context, the project team analyzed several successful upgrading programs conducted globally which match with FMFB’s needs in terms of what it might do for the apricot and *rilli* chains.

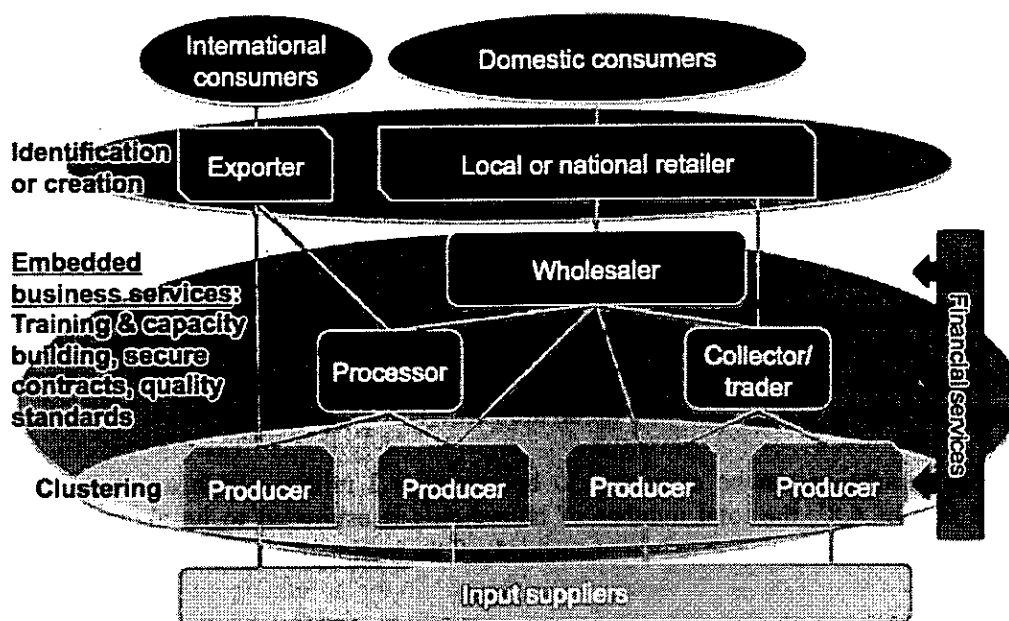


Figure 2.1: Generalized Value Chain Upgrading Strategies Model

As the above figure illustrates, successful value chain upgrading generally involves a combination of non-financial business development services (clustering of fragmented producers, training, market linkages, contracting, etc.) as well as, in some cases, financial services. In all cases, the non-financial services come first and serve to provide the borrower with the ability to pay the loan back.

The specific non-financial services vary according to the sector, but generally speaking they include the following:

2.2.5 Process of Developing the Value Chain Finance Product

Development of value chain finance product requires four steps from opportunity scoping and product design, feasibility study, pilot testing and refinement, and to product launch.

Figure 3.2 describes the complete set of steps to design a value chain finance product. It will take almost 2 years from opportunity identification to the product launch. This project focuses mainly on Step 1 under the scope of the work.

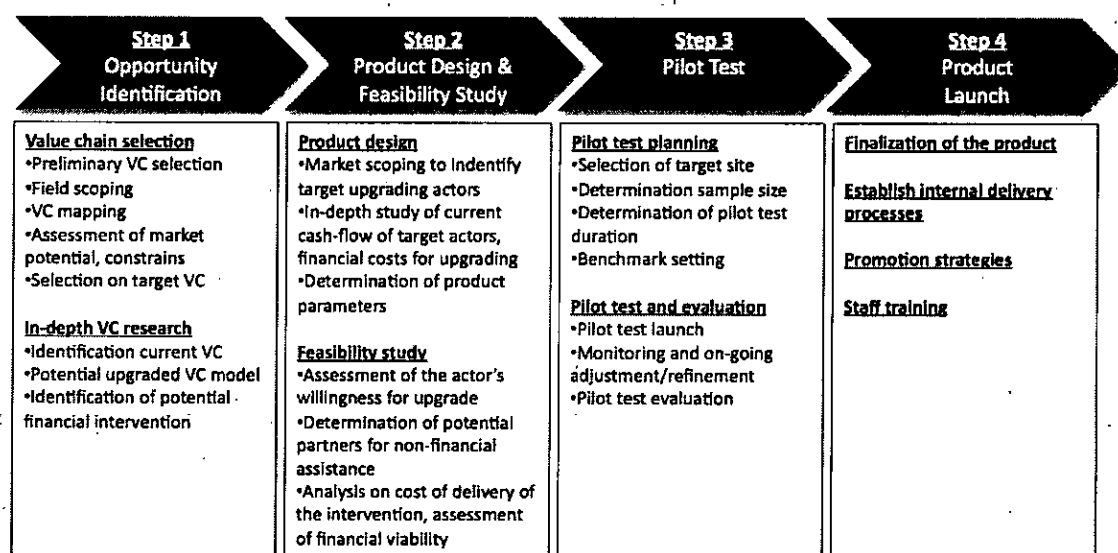


Figure 2.2: Steps in Developing Value Chain Finance, Product Design, Testing and Launch

2.3 Value Chain Analysis in Gilgit-Baltistan

2.3.1 Introduction of Gilgit-Baltistan Region

Gilgit-Baltistan (GB) is located in the north of Pakistan along the mountainous borders with China, Afghanistan and India. Of the 72,496 square kilometers land, the high peaks such as K2 dominate the region, which is second highest mountain in the world. Surrounded by the peaks, the region is remote from the center of the Pakistan, almost blocked out from the trades that other major regions such as Punjab and Sindh are involved.

The current population can be estimated to be around 1.2 million. With a national average household size of 6.8⁴, the total number of households is estimated to be about 65,000. Per capita income is about US\$350, about one-third of the national average of US\$1,046⁵. The

⁴ National average from the latest census, Pakistan Census Organization. (1998) "Census Report of Pakistan 1998"

⁵ Government of Gilgit-Baltistan. (2010) "PAKISTAN DEVELOPMENT FORUM 2010"

majority of employment opportunities are seasonal in nature therefore the people of the region are trapped in the vicious circle of poverty and deprivation.

2.3.2 Field Scoping of Major Economic Activities

After an initial scoping of economic activities in GB that covered more than 10 agricultural and non-agricultural value chains, three major economic activities, potato, dried apricot and gem and jewelry were selected for the first round of research based on agreement between FMFB, SEBCON and the project team.

Potato is the largest cash crop in GB. The indentified constraint is that farmers suffer from price pressure because of the lack of storage that enables to control the sales timing. Apricot is the largest fruit produced in GB. However there is large wastage accounting 40% of total production. Introducing dry processing facility is necessary to reduce the wastage.

Gem & jewelry sector may possess large potential in the area in the long run but the sector, however, non-financial interventions in improving quality are still significantly in need to compete with other domestic and international producers and it is too early to go into the financial interventions.

Pakistan is the third largest global producer of **apricots** with more than one-third of the total production from GB area. Apricot is by far the largest fruit production in the area with total annual production of 108,000 tons in 2009. The major constrain in apricot sector is the wastage, 40% of the production is wasted in a season. This is due to the lack of market access for farmers in remote areas and the lack of adequate harvesting, drying, processing, and storage techniques for farmers who do have market access. The potential of expanding value added of the apricot farmers lies in reduction in the wastage by introducing adequate processing techniques (mainly drying, storing and packing) and replacing the rootstock which is mostly past its productive peak and also consists of too many varieties to produce consistent quality.

Moreover, several exporters of high-quality dried fruits who conduct overall quality management, certification and marketing were identified such as Mountain Fruits Limited and GB Natural Ltd. They have their own infrastructure of contracted organizer and collectors at the village level to assure the quality of the produce that supervises farmer's practices and assist them if necessary. However, they only focus on farmers in and around Gilgit. The assessment foresees the high possibility of upgrading the value chain by enhancing the linkage between the promoters and producers in the production of high quality dried apricot in other regions. A map of the current value chain is as follows:

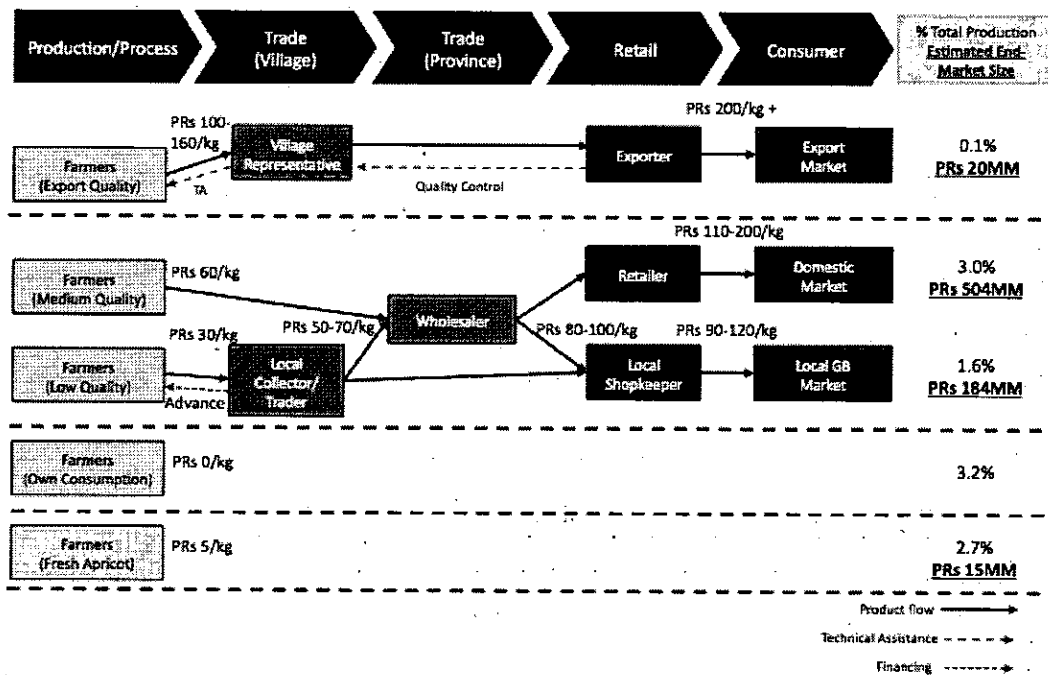


Figure 2.3: Current Value Chain for Dried Apricot

Based on the preliminary diagnosis, the project team and FMFB, with the advice of SEBCON, mutually concluded to focus on the dried apricot value chain for the study in GB area.

2.3.3 Value Chain Analysis of Dried Apricot Sector

a) Identification of the weakness of current value chain

The assessment of the weakness of the current value chain revealed a combination of low production volume, low or uneven quality, and limited market access:

Table 2.1: Major Constrains in Dried Apricot Value Chain

Issue	Specific constraint	Result
Low production volume	<ul style="list-style-type: none"> Low production per tree 	Output 15kg per tree vs. 50-80 kg other areas of Pakistan
Uneven quality	<ul style="list-style-type: none"> Too many varieties and altitudes = output in small batches No modern harvesting, drying and storage techniques 	40% of marketed production can't be sold in domestic market
Limited market access	<ul style="list-style-type: none"> Local and down country sales based on personal relations rather than formal markets Many farmers have no market access at all Cost of transporting product out of GB is very high 	40% of harvest is wasted because it can't get to market

b) Proposed upgraded value chains

In the project team's analysis, the desired upgraded value chain is one that establishes local small and medium enterprises (SMEs) at the village level acting as collectors of the dried apricot and simultaneously provide facility and technical assistance to improve the quality of the apricot roots and drying processes. This will provide the producers with both a market and technical advice for improving quality. In order for producers to purchase the drying and storage facilities producer's association could be formed which receive financing from FMFB for their investment in the facilities. The SMEs will be encouraged to participate in group mobilization. These can be stand-alone businesses or franchises of the existing export-oriented promoters of dried apricot, of which three currently exist in Gilgit.

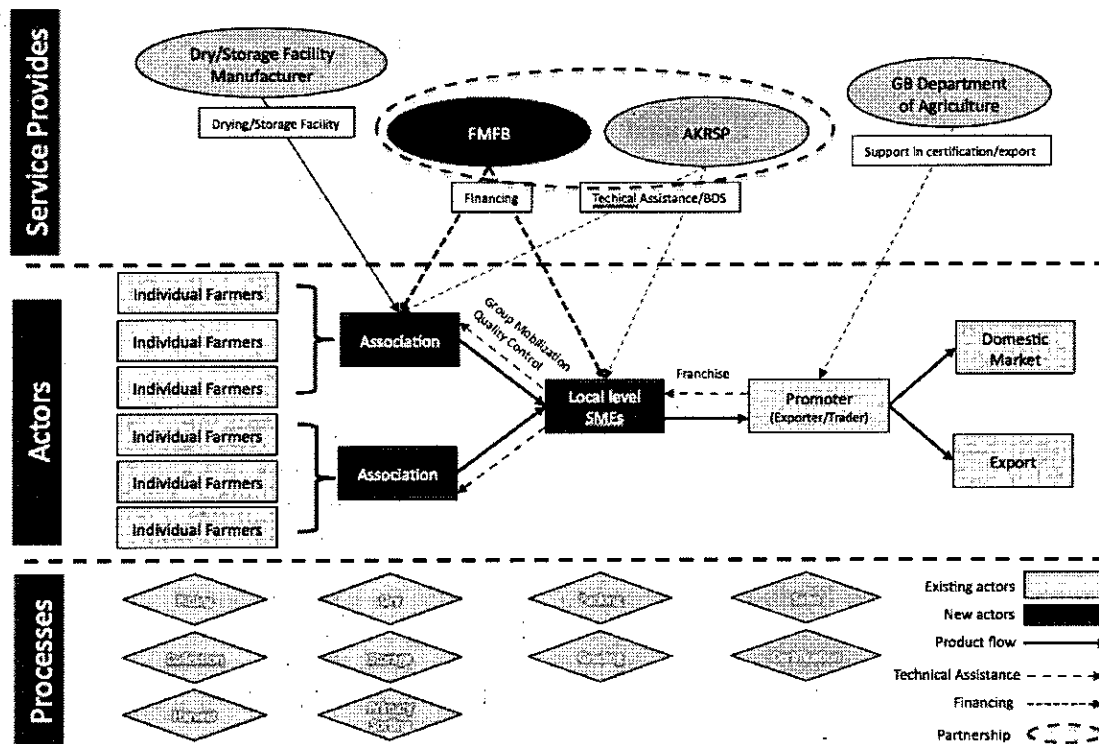


Figure 2.4: Proposed upgraded value chain for Apricot

2.3.4 Recommendation on Next Steps

Although the dried apricot sector could have potential in terms of economic viability of FMFB and impact to the GB economy, more in-depth feasibility study will be required in order to validate the viability of the upgraded value chain and to define product parameters.

Furthermore, since a considerable of non-financial interventions are required to upgrade the value chain, the project team recommends that the feasibility study look into who can provide those services and who can finance them. The project team does not recommend that FMFB provide those services itself as it lacks the requisite expertise and it will not be able to adequately cover its cost in the loan product. There are no examples globally of which the project team is aware in which a financial service provider also offers non-financial services except through a sister organization (as followed by BRAC in Bangladesh and CARD in the Philippines). In such cases, the cost of providing non-financial services is covered by donor funding and is not priced into the loan's interest rate.

Thus, the project team's recommendation for next steps is as follows:

- **Market scoping:** Initial identification potential franchisees/collectors who will become SMEs to provide technical assistance and group mobilization. In order to estimate market potential for FMFB, the number of potential candidate should be estimated. The candidate must be evaluated in terms of its capacity and willingness to be part of the intervention and their financial needs.
- **Deeper financial analysis:** In-depth study of producer cash flows and financial costs to upgrade (investment and working capital) will enable to indentify the product model for the farmer's associations.
- **Assessment of producers:** Ability and willingness to be part of the intervention for producers shall be assessed. Their will to participate in association, will to link with SMEs or franchisee needs to confirm for the feasibility study.
- **Partner scoping:** Determine partner to become a franchiser for the SMEs.
- **Financial planning:** Cost analysis and financial viability of the intervention and identification of potential funding sources

2.4 Value Chain Analysis in Sindh

2.4.1 Introduction of Sindh Region

Sindh province is located in southeast part of the Pakistan. It is the second largest province in terms of population with 23% of the national population. It is estimated that over 50% of the households in Sindh are living in the rural areas. Out of those rural residents, more than 70% rely on agriculture, livestock, forestry or fishing for their livelihoods.

At the provincial level, Sindh ranks second to Balochistan in terms of poverty, followed by Kashmir and Punjab. With a poverty rate approaching to 50 percent in some districts of interior Sindh, there is an urgent need to redress the discrepancy between the dire need for development assistance, and the availability of resources for effective programming - be it from the public, private, or NGO sectors.

2.4.2 Field Scoping of Major Economic Activities

Three major economic activities were selected based on the initial review on the economic profile and field scoping of the region. Through the discussion with FMFB, *rilli* (a local stitchwork handicraft) was selected as the target sector for in-depth research. The key findings and rationale of screening each sector are described below:

In livestock sector, the majority of the actors are small landless farmers who hold average of 2-5 animals in Sindh. Although dairy and meat production is large in Sindh, providing safe water to prevent their diseases can further enhance the production capacity.

Dates sector is also large agricultural sector that small farmers are involved in. The constraint in the sector is the insufficient, long value chain where multiple layers of middlemen are existent.

rilli is the traditional stitchwork handicrafts that majority of poor women in Sindh has experience in making. However, it is rather a consumed at household and few people involve commercially in *rilli* making. Intervention to transform *rilli* into commercial product is

necessary.

SEBCON thus recommended the *rilli* sector for the target value chain. Their rationale was (1) the involvement of women in the production suggests high potential impact on the gender dimension of poverty; (2) the sizeable potential impact since so many Sindhi women are involved in producing *rilli*.

FMFB decided to focus on the *rilli* value chain, based on SEBCON's recommendation since the target value chain in GB was apricot, non-agricultural sector should be considered in Sindh to provide broader knowledge on potential intervention models. A map of the current value chain is as follows:

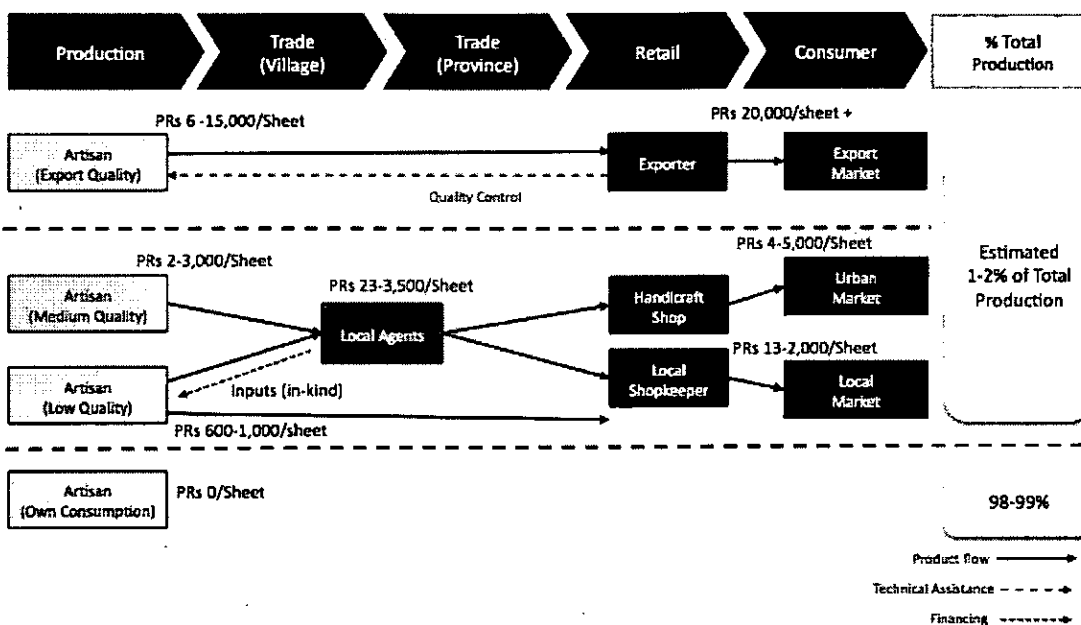


Figure 2.5: Current Value Chain for *rilli* Apricot

One of the problems the research team encountered when investigating *rilli* is that commercial transactions are few and dominated by shopkeepers who do not set fixed prices but rather bargain with their customers. Moreover, quality varies enormously. Therefore, the researchers could only provide ranges for prices.

2.4.3 Value Chain Analysis of *rilli* Sector

a) Identification of the weakness of current value chain

The assessment of the weakness of the current value chain revealed as follows;

- Lack of *rilli* commercial mindset among the producers. Since the majority of the *rilli* production is for personal consumption or gifts, many producers are not commercially-minded.
- Absence of end-market knowledge – producers do not receive information on the design and form of the product reflecting the consumer's wants.
- Male dominated transactions – the female producers rely on men to purchase inputs, and the middleman and retailers are often men who have no experience in *rilli* making, which leads improper guidance on the technical skill and design.

The final product is limited to single variety, which is a bed sheet. The consumer's turnover of a bed sheet is generally low, limiting the *rilli* market small. The introduction of various other products employing stitching techniques enables more opportunity for *rilli* producers to turn it as their business.

b) Proposed upgraded value chains

The project team recommends that the upgrading strategy of the *rilli* value chain in Sindh involve establishing female sales agents who have the ability to collect consumer's demand and guide the producers on the design and final products according to the end market needs. The lessons learned by the project held by Mennonite Economic Development Associates (MEDA) in upgrading the embroidery sector in Sindh and Punjab⁶, which has similar intervention model, can be suitable reference for the *rilli* upgrading model.

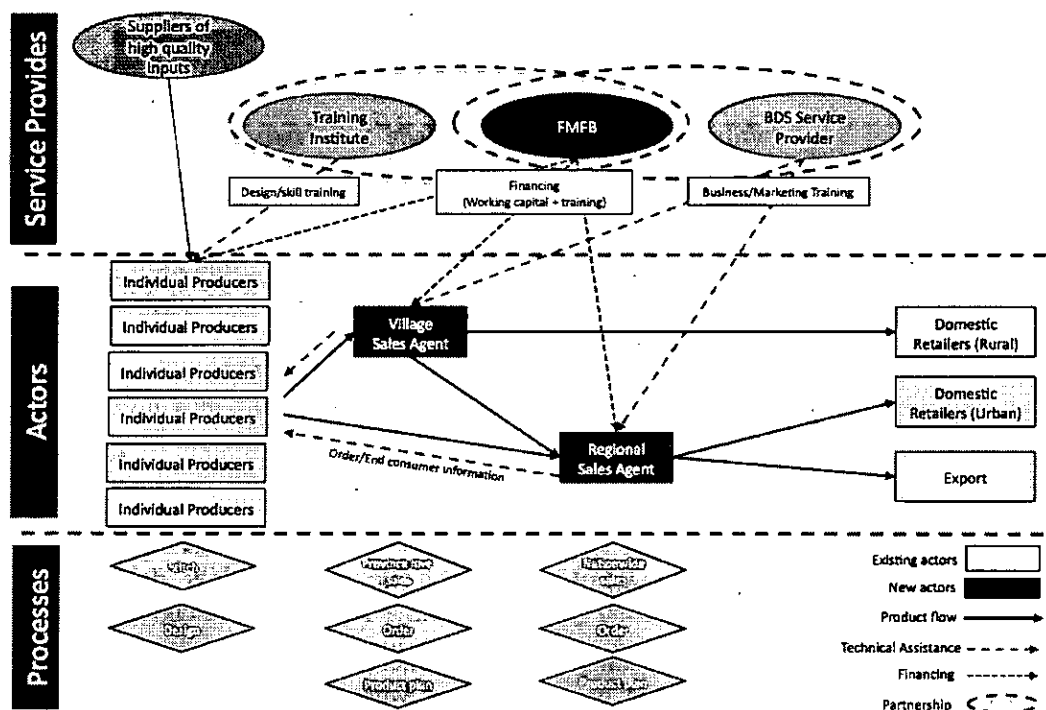


Figure 2.6: Proposed Value Chain for *rilli*

⁶ USAID. (2008) "Report on Evaluation of The Access to Contemporary Markets for Homebound Women Embroiderers Project"

3 Capacity Building of Human Resource for Field Officers

3.1 Methodology

The assessment, focused on human resource issues in the field level, comprised of three components: an assessment to identify career progression plan and update job descriptions, an identification of high priority training modules and a delivery of the training in a training of trainers (ToT) context. Following list is the key deliverables are mutually agreed with FMFB as follows:

- Internal career progression plan
- Updated job description reflecting the above plan
- List of 15 suggested training modules
- 2 training modules
- 50 trainers (25 in two locations)

During the second mission, necessary information to deliver aforementioned deliverables were collected through a series of individual interviews with senior managers and of focus group discussions (FGDs) with field levels staff.

The training was delivered throughout the third mission by the ToT workshop organized mutually with FMFB Training Department on “Basic Business and Credit Appraisal” and “Delinquency Control & Portfolio Quality Management” with total of 50 candidate trainers within FMFB staff.

3.2 Human Resource in Microfinance Institutions

Human resource management is one of the key contributing factors for the MFIs to be successful. The quality and performance of the people, who actually drives the MFIs, have direct influence on the organizational competitiveness and effectiveness for achieving its goals.

The uniqueness of MFIs, which other financial institutions do not necessary possess, is that the essence of microlending heavily lies in person-to-person contact between loan officers and clients in the field level staff who frontlines the MFI’s business in their daily client relation activities and operations.

However, in the MFI’s management, human resource issues in the field level are often neglected, partly because of its unclear and un-measurable impact in the short run. In order to further enhance the capacity of MFI, the need for support to bolster the knowledge, skills and attitudes for field officers to deliver responsive services.

In order to cope with the varying business environment and increasing competition among MFIs, the importance towards developing staff capacity and enhancing the professionalization of field staff’s workforce is evident, especially considering the diverse services that it provides to the highly micro-enterprise and micro-farming sector.

3.3 Preparing to Step Up the Field Officer’s Capacity

3.3.1 Introduction

FMFB, as microfinance bank, provides both MF services and banking services, including such as payment transfers, remittances, and deposits. In the typical practice of transformed MF banks like FMFB, branch managers and senior-level managers rise from microfinance officers. They are knowledgeable in MF operation but lacks skills and knowledge on banking operation. Vice-versa, traditional commercial banks downscaled to enter into MF operation, the staff is highly equipped in banking operation but their understanding towards MF approaches and

methodologies are typically not enough. In both cases, well-balanced knowledge in both MF and banking are crucial.

Ensuring field level staff to be equipped with the knowledge and skill in both is crucial in order for the bank to step up its organizational capacity.

The foundation of the field officer's performance comes from its **knowledge, skills and attitude (KSA)** towards the job that he/she is involved in. Those three categories where knowledge serves as basement of the work performance, skills helps to process the required task effectively and competently and attitude frontlines as the driver for converting potential energy into kinetic energy, are the key performing factor of the individual staff.

Aligning to KSA, it is also important to provide incentives in order to make sure that individual objectives and institutional objectives are coherently met. Those who have high potential in KSA might not perform well in absence of the appropriate incentives. The provision of incentive schemes will help to motivate staffs in performing their work and assume greater responsibilities, and to attract and retain high performing staffs, which all of them eventually drive the organization in the achievement of its goals.

Since the development of incentive scheme is not the scope of this project, it focuses on identifying key areas of KSA and on updating the job descriptions, reflecting the identified KSA.

3.3.2 Identification of Knowledge, Skills and Attitude for Career Progression

The findings from the focus group discussions (FGDs) conducted in selected branches in the second mission suggest that the microfinance officers (MFOs) generally lack basic banking knowledge and vice-versa for banking operation staff. There is clear need to enhance further their technical and managerial skills in preparation for the field officers both microfinance officers and branch operation staff to move up to managerial level, including branch/are mangers.

In order for FMFB's field staff to prepare for moving up their career ladder, the initial intervention within the scope of this project focused on identification of the key areas of performance in preparation for field staff to assume higher responsibilities.

KSA framework below in Figure 4.1 shows that each field staff should be equipped with broad range of declarative knowledge on its job roles and responsibilities, performance targets, policies and regulations. So as technical and soft skills necessary in preparation for the career progress needs to be determined. Attitudes defined by the one's values and degrees of motivation integrate knowledge and skills he/she possesses. The aggregate of the above three determines one's performance and job outcomes.

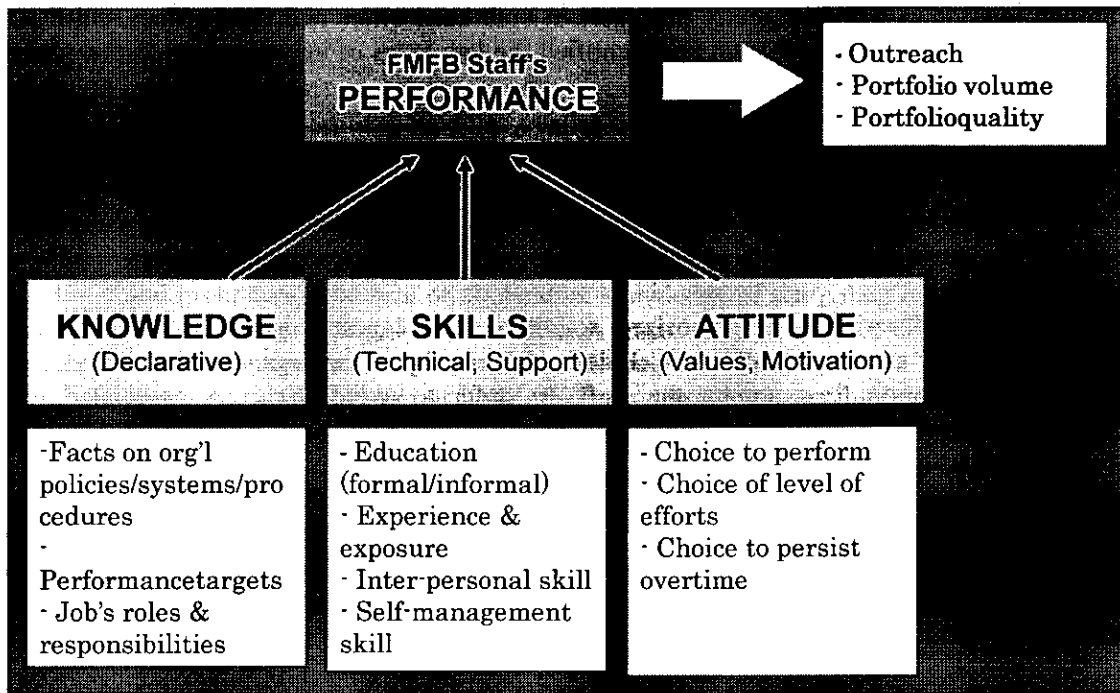


Figure 3.1: KSA Framework

Based on our assessment following to the KSA framework, the capacity requirements for the field level staff to move up their career ladder. The suggestions on four key performance areas of training and detailed skills to be equipped in those areas are described for the following positions:

- ✓ From Branch Manager -> Area Manager
- ✓ Microfinance Team Leader/Banking Operation ->Branch Manager
- ✓ Microfinance Officer ->Microfinance Team Leader
- ✓ Assistant Microfinance Officer -> Microfinance Officer

The identification of key areas of KSA is a preliminary starting point to develop a concrete career progression plan. To develop concrete career progression system within the organization, it is required to conduct a thorough review of the overall human resource management practices from recruitment, remuneration and benefits to staff development. Suggestions on further actions in preparing for the complete set of career progression planning areas below:

- Comprehensive review of human resource policies and procedures and comparison between the policies and actual practices from recruitment, remuneration, benefit and staff development
- Mapping of aligning jobs with functions and disciplines tying the hierarchy and levels within the organizational structure
- Organizational diagnostic to rationalize the positions, compensation and benefits
- Assessment of the individual staff's level of performance and level of KSAs
- Determine individual employees align with the mapping of their jobs

3.3.3 Improvement of Job Description

The findings from the training needs assessment suggest the prime issue on current job descriptions offered at FMFB is that it does not reflect actual situation of the current operation. With its rapid expansion of the organization and the sector, the organizational dynamics in FMFB has dramatically changed. The need for updating the job description to reflect current situation is evident.

Through interviews with key senior managers in both head office and field offices and FGDs with field officers, the project team has identified the key areas of improvement on the current job description as follows:

- The distinction between duties, responsibilities and activities are not clearly articulated. We have identified number of overlaps of the tasks in different positions. Such redundancy will create unnecessary tasks, miscommunication and unintended increase in the cost.
- Clear description of authorized activities and suggested time allocation of each activity are recommended. Well-defined hierarchy in the organization lubricates the information flow among the staff. In order to avoid the costs associated with miscommunications, wrong judgments on day-by-day operation, the hierarchy structure should be clearly defined in the job description.

The team has supported restructuring of job description form and updated the job description of the field level staff reflecting the findings above. The format of the job description is prepared by scrutinize the pool of international experiences and cases stored in PF. The format was structured with following intention:

- 1-2 page simple and short descriptions covering necessary information
- Clearly articulation in job responsibilities
- Definite authorized activities
- Job requirement categorized in terms of knowledge, skills and attitude
- Description of required activities and time allocation

The format was submitted to FMFB's Human Resource Group for their feedback. Job descriptions of below field positions are updated within the format.

- ✓ Branch Manager
- ✓ Microfinance Team Leader
- ✓ Microfinance Officer
- ✓ Assistant Microfinance Officer
- ✓ Trainee Microfinance Officer
- ✓ Banking Operation in Charge
- ✓ Teller

3.4 Improvement in Human Resource Training of Field Staff

3.4.1 Introduction

Trainings bring staff the opportunities to acquire the knowledge, skills and attitude that are necessary to improve the performance of the job. In order for MFIs to adapt to the dynamic changes in the MF sector and client's business environment, field officers need opportunities to develop their capacity.

FMFB conducts training to their field officers under its Training Department. However, their resources on trainers and training module libraries are still on the way. In order to improve further the training capacity of FMFB's Training Department, development and delivery of the trainings to increase trainers and training modules are conducted.

3.4.2 Assessment of Human Resource Training Needs of Field Staff

Training needs of the field staff were identified through the interviews with branch managers and microfinance officers. Also, the results of key informant interviews (KIIs) with senior managers in head office, managers of regional/area offices are being considered.

The key findings are:

- The library of training modules available internally can be expanded. Few training modules are available on technical skills as compared to the availability of modules on soft skills such as leadership and communication.
- Field staff generally needs reinforcement of the basic understanding of credit policy and procedure. The lack of declarative knowledge of the policy leads to unintended mistakes in procedural and compliance gaps. It can be partly avoided by making lending policy available in the local language that is absent in FMFB today. Moreover, the provision of basic training on lending procedure and credit appraisal will address the current knowledge gap of the staff on the lending procedure.
- The shortage of experienced trainers who has ability and knowledge to deliver the training to the field staff. There was 3staff in Training Department as of October 2011. Out of that, the experience trainers are 2staff. The need to increase number of trainers is evident. Training of trainers program will be effective to establish the platform of trainers.

Based on the findings, the project team suggested 15 priority-training modules, which were identified based upon the field officer's voices on the demand on training to supplement their knowledge and skills that they envision for future acquirement. The tables 4.1 list the proposed training modules. More detailed descriptions on the proposed modules can be found in

1. Strategy and Business Planning (Regional/Area Manager)
2. Strategic Marketing (Regional/Area Manager)
3. Risk Management in MFIs (Regional/Area/Branch Manager)
4. MFI's Financial Performance Measurement & Analysis (Regional/Area/Branch Manager)
5. MFI's Branch Operation Management (Branch Manager)
6. Delinquency Control & Portfolio Quality Management (Branch Manager/MFO-Team Leader)
7. MF Performance Management Process (Branch Manager/MFO-Team Leader)
8. Basic Business and Credit Appraisal (Microfinance Officer)
9. Advance Credit & Business Appraisal (MFO-Team Leader)
10. Basic Marketing in MFIs (Microfinance Officer)
11. Client Care & Relations in MFIs (Microfinance Officer/Banking Operation)
12. Effective Communication Skill (Branch Manager)
13. Effective Managerial Leadership (Branch Manager)
14. Leadership & Supervisory Skills (MFO-Team Leader)
15. Fundamental Principles & Best Practices in MF Operation (MFO/Banking Operation/Teller)

3.4.3 Improvement of Training Capacity via Training of Trainers Approach

b) Pre-training

Among the 15 suggested training courses, "Basic Business and Credit Appraisal" and "Delinquency Control and Portfolio Quality Management" were selected by FMFB Training Department as priority courses. The project team initiated the development of the training materials in the context of a TOT approach on the two courses.

Table 3.1: Overview of Basic Business and Credit Appraisal Course

Training of Trainers on Basic Business and Credit Appraisal (4 days)	
Experiential Based Training and Facilitation Skills (2days)	Basic Business and Credit Appraisal (2 days)
Objectives: - Learn various approaches to become a effective trainer - Understand the process and importance of communication - Learn and demonstrate practical skills to become effective trainers	Objectives: - Learn how to appraise credit proposals - Perform risk analysis on credit proposals - Conduct comprehensive collateral analysis - Identify entrepreneur skills and potential
Contents: 1. Brief Theory in Learning & Adult Education 2. Methodological Diversity in Training 3. Experienced-based Training Cycle 4. Effective Communication & Facilitation Skills 5. Use of Visualizations/Aids in Learning Situations 6. Practical Hints in Preparing/Organizing Training	Contents: 1. Principles, Concepts & Types of Microlending 2. Micro-business Environment 3. Simple Business Plan of Micro-Entrepreneurs 4. Basic Marketing Concepts 5. Understanding Simple Financial Statements 6. Credit Appraisal Process 7. Loan Disbursement

Table 3.2: Overview of Delinquency Control and Portfolio Quality Management Course

Training of Trainers on Delinquency Control and Portfolio Quality Management (7 days)		
Experiential Based Training and Facilitation Skills (3days)	Delinquency Control (2 days)	Portfolio Quality Management (2 days)
Objectives: - Learn various approaches to become a effective trainer - Understand the process and importance of communication - Learn and demonstrate practical skills to become effective trainers	Objectives: - To enhance knowledge and skills of MF staff on the key principles and processes in controlling loan delinquency and maintaining portfolio quality in all branches. - Enables MFI staff to develop and improve the quality of their own portfolio and focuses on problem prevention and early problem identification and control to maintain quality portfolio.	
Contents: 1. Brief Theory in Learning & Adult Education 2. Methodological Diversity in Training 3. Experienced-based Training Cycle 4. Effective Communication & Facilitation Skills 5. Use of Visualizations/Aids in Learning Situations 6. Practical Hints in Preparing/Organizing Training	Contents: 1. Basic Concepts & Principles in Delinquency Control 2. Cost, Implication & Measuring Delinquency 3. Analysis of Causes of Delinquency 4. Delinquency Prevention Strategies 5. Steps to Deal with Delinquency: Detection & Action 6. Actions to take after a Delinquency Crisis	Contents: 1. Defining and Measuring Portfolio Quality 2. Managing Loan Portfolio Quality 3. Understanding the Loan Portfolio Tracking System 4. Practical Exercise: Strategies to Maintain Portfolio Quality in Your Institution

b) Training Proper

Profile of Participants:

The delivery of the training was held in Sukkur (Sindh) and Islamabad. The total number of participants reached a total of 50 staff. The composition of the participants by positions is described in the Figures 4.2 and 4.3.

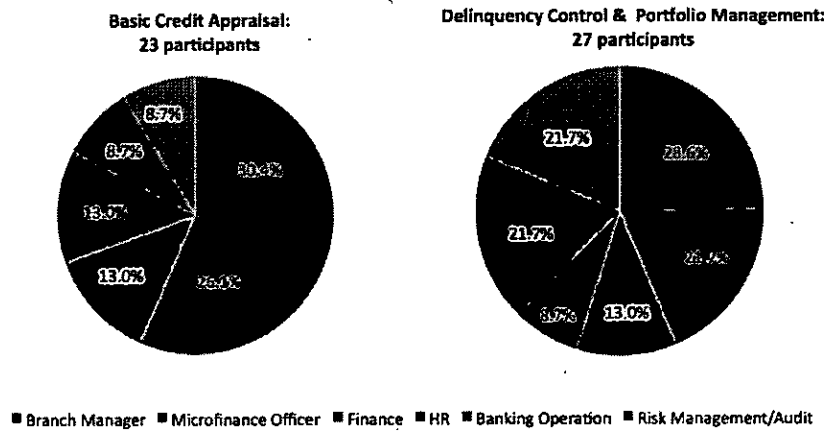


Figure 3.2: Characteristics of the Participants by Position

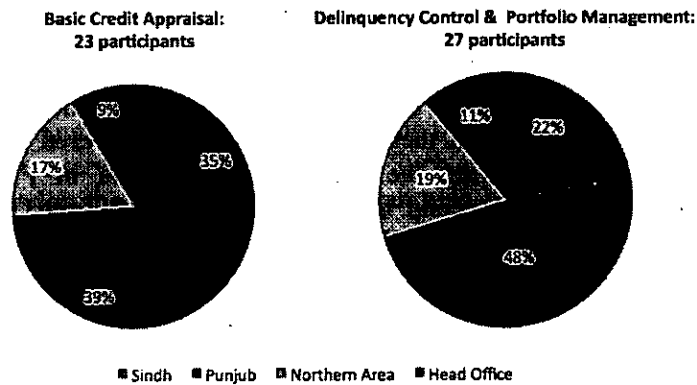


Figure 3.3: Characteristics of the Participants by Area

Training Framework:

A highly participatory approach, anchored on the internationally accepted and effective experiential-based learning principles in adult education, was adopted all throughout the delivery of both courses. This approach ensures that learners are given equal opportunities in learning-by-doing through the integrated structured learning exercises in lecture-discussion.

Each course followed a general framework that guides the participants in the course, which include preliminaries to set the atmosphere of the training, training proper and closing ceremonies to synthesize the learning and topics tackled in the course (Figure 4.5).

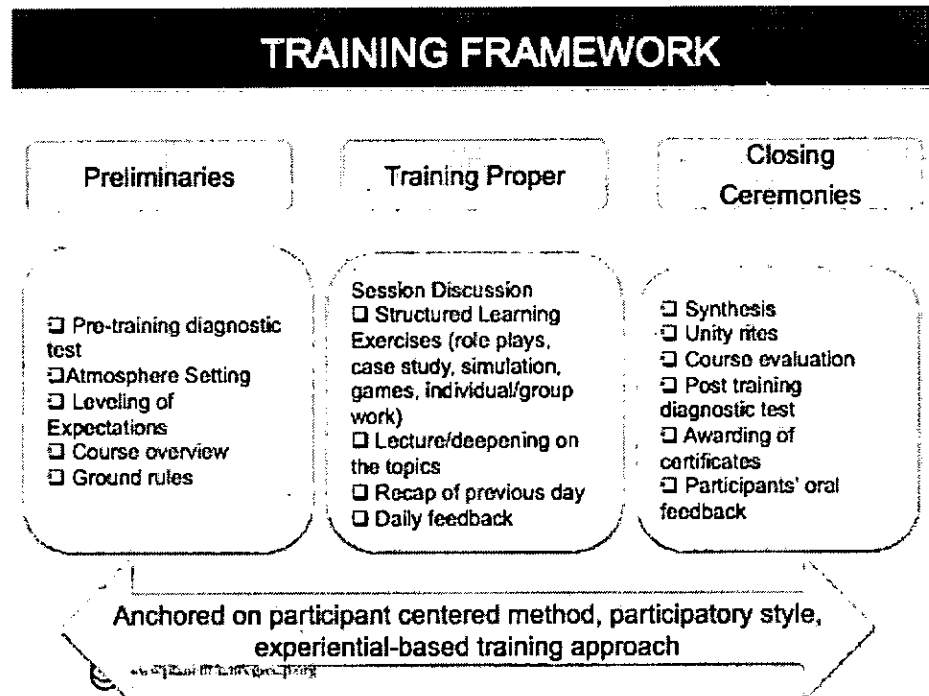


Figure 3.4: Training Framework

In order for the trainers to conduct training in sustainable manner, the training guides and presentation slides to supplement their training plans are delivered in both modules. The modules are finalized reflecting the actual practices done in FMFB based on the information collected in the second mission, the comments from Training Department participants at ToT workshop and by the review of FMFB's credit policy which we could have obtained only part of entire policy.

c) Training Course Evaluation Results

Results of the course evaluation by the participants conducted for both courses shows an average improvement in the level of knowledge from low to high, before and after the training.

Result of Course Evaluation: Basic Business and Credit Appraisal

- ✓ Participant's self-evaluation on the level of knowledge and skill in the training went up from "low" to "high"
- ✓ 65% of participants rated "very good" on 35% rated "Good"
- ✓ 44% showed "very high" satisfaction for the course, remaining 52% were "high" and 4% were "average"

Result of Course Evaluation: Delinquency Control & Portfolio Quality Management

- ✓ Participant's self-evaluation on the level of knowledge and skill in the training went up from "low" to "high"
- ✓ 96% of participants rated "very good" on 4% rated "Good"
- ✓ 85% showed "very high" satisfaction for the course, remaining 15% were "high"

Figure 4.8: Participant's Overall Level of Satisfaction

The evaluation also shows that most participants indicated that more training should be

conducted to include other staff in the branches.

At the end of the training, participants received certificates of participation to signify their successful completion of the course.

3.4.4 Recommendations on the Way Forward: Training Strategy and Modules Development

With the favorable evaluation of the ToT and in order to sustain the gains of the training, it is recommended to formulate a concrete training plan for FMFB so that the trainers can start providing trainings immediately. Continuous application and practice on what they learned during the session is essential to sustain and enhance what they have learned during the workshop, considering the fact that training is not their primary job but on top of their main tasks.

Aligning to the training plan, the development of trainer's certification and pooling system that considers the strategic scheme to maintain the quality trainers is suggested. It should be noted that trainers' abilities in delivering training varies and erode overtime. Also the qualified trainer might leave from the organization. The Training Department must ensure that qualified trainers are identified and kept in the organization.

Further challenge lies in expanding the library of training modules for each training course. The development of the training modules is a time-consuming process that requires the sizable volume of research, writing and editing. It is effective that support organizations can offer training modules so that Training Department of the MFIs can easily customized and adopted in the training.

Considering the fact that the key elements of the training contents can be generalized and make it applicable to almost any types of MFIs, it is possible that training modules are developed and provided by the support service providers for MFIs. Such approach will not only reduce the cost for each MFI to develop the modules to scratch but also benefits to the entire MF sector in Pakistan.

Figure 4.5 describes the proposed concept on the schemes in developing training capacity for overall MF sector. In the proposed concept, the support providers will take a role on providing generalized training modules and quality control that include provision of the training modules and of the standardized certification for trainers with the support of the donors. Training Department of the each MFIs will be responsible in adjusting the generalized modules to fit into the policies and practices held in the organization. Trainers are responsible for providing feedback to Training Department based on the comments of participants to ensure that the adjustment has done reflecting actual practices done in the field. The trainers shall be the staff of the MFI because they are more knowledgeable in the actual practices of the MFIs and thus they can provide practical cases to the participants. The financial support may also be required in creating the trainers inside the MFIs.

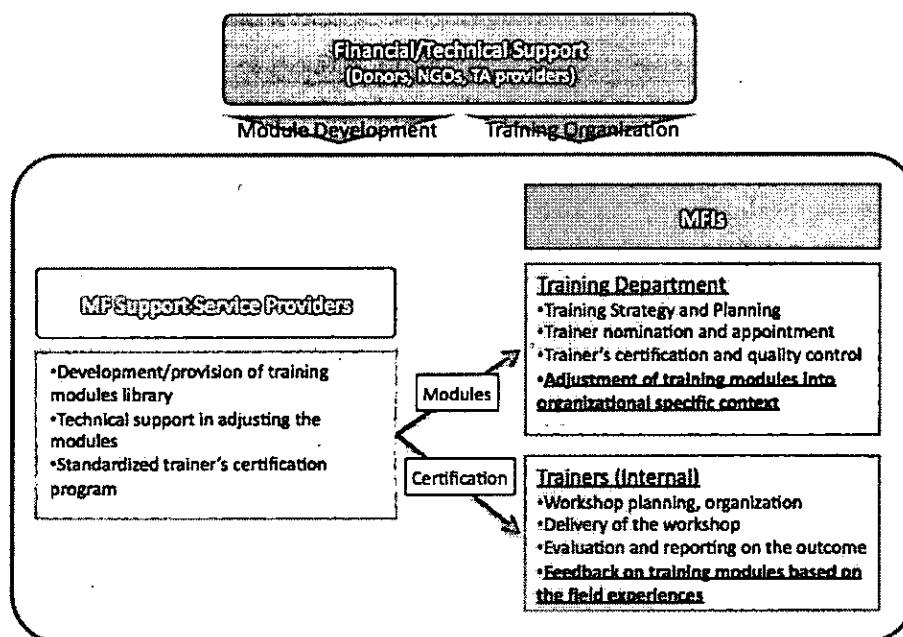


Figure 3.5: Concept Chart of Sector-wide Training Development

Number of international cases can be found, in which technical service providers deliver trainings to the MFIs in order to build the capacity of staff in the sector. Likewise, national or regional microfinance associations often provide trainings as their services. In some associations, trainings are positioned as their core service, directly offering more than 50 training courses.

Pakistan Microfinance Network (PMN), the national microfinance association for Pakistani MFIs, has been the provider for the specialized trainings for MFIs in the nation until 2005⁷. However, the network has shifted its focus in providing “indirect” training opportunities, which it provides the opportunities for the managers of MFIs to expose to the capacity building workshops or initiatives by the international organizations. Thus, PMN has lowered its effort in providing specialized trainings by its own platform.

Although the project team has not confirmed with the willingness of PMN to participate in developing such schemes, which is outside of the scope of this project, it is a potential for JICA to provide support on developing generalized training offerings to such support providers.

⁷ The SEEP Network, “Training Strategies: A Technical Note for Microfinance Associations”, 2010