



News Release



Office of Public Affairs

U.S. Embassy

U.S. Helps Pakistan Eradicate Poverty

Islamabad, October 18: The U.S. Agency for International Development (USAID) Pakistan has honored the International Day for Eradication of Poverty by continuing to offer thousands of Pakistanis the wherewithal to improve their lives by providing small loans to people with no credit history and no collateral.

USAID Pakistan's ongoing anti-poverty efforts are mainly focused on three microfinance programs being funded with a total of \$22,300,000 over a period of seven years (2003-2010). The 2006 Nobel Peace Prize is a tribute to the vision of microfinance in fighting poverty in South Asia, an area in which USAID has been a pioneer and continues to be among the largest international donors.

In its first project stretching over 2003-2007, USAID is partnering with the Pakistan Poverty Alleviation Fund (PPAF) to support entrepreneurs who have outgrown the traditional micro-credit market; and to strengthen the capacity of community-based NGOs to introduce new financial products.

As of June 2006, the project has inducted five local partner organizations in the Punjab, Sindh and NWFP, disbursing \$3.9 million credit to 3,494 local entrepreneurs. By the end of the project, at least 7-10 community-based NGOs will have developed the institutional capacity to undertake enterprise development activities focused towards serving the needs of poor entrepreneurs who have outgrown the traditional micro-credit market.

With a project grant of \$11,000,000 for 2003-2010, USAID Pakistan is also partnering with Khushhali Bank (KB) to increase the availability of micro-loans for entrepreneurs in some of the most impoverished and neglected areas of FATA, Balochistan, and Sindh. Through this partnership, the program is helping poor people in these areas to start and expand businesses, thereby enabling them to increase household income. Together, the USAID and KB are educating new entrepreneurs about how to use credit, creating a network of branch offices, hiring and training a cadre of loan officers, and launching a comprehensive outreach campaign to ensure that services are utilized in remote areas.

With USAID's assistance, KB has established 22 branches across FATA, Balochistan and Sindh. More than 192,824 loans have been disbursed in these areas and more than Rs 2 billion in credit has been extended to local entrepreneurs. The project is aiming to give

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out over 510,000 loans totaling Rs 4.3 billion. 1,497,092, households will have at least one member who has borrowed from KB; and 90 scholarships are being awarded to the people that KB intends to employ to improve communications with the local population regarding microfinance.

In its “Widening Harmonized Access to Microfinance” (WHAM) project, USAID is partnering with the US-based ShoreBank Advisory Services to develop partnerships among Pakistani commercial banks and civil society organizations and provide them with funds and technical assistance to fill an existing gap between traditional microfinance lenders and commercial banks. These intermediate loans will enable those who have successfully used microfinance to start a business but can not yet meet the credit requirements of commercial banks to continue to grow their enterprises.

With funding of \$5,000,000 disbursed over 2005-2008, so far WHAM has established partnerships with three commercial banks (National Bank of Pakistan, Standard Chartered, and Union Bank) and 4 MFI/NGOs (First Microfinance Bank, Kashf Foundation, Assasah, Tameer Microfinance Bank). In addition, 1,000 loans have been disbursed totaling \$4 million, and 51 personnel from banks and MFIs have been trained.

In future, the program will be giving out loans ranging from \$500 to \$25,000 to more than 50,000 borrowers. Because a single household will include more than one borrower, the loans will directly benefit more than 35,000 households.

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