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Editor's Corner

Dear Readers,

Muhammad Yunus of Bangladesh and the Grameen Bank he founded in 1976 have been jointly awarded the 2006 Nobel Peace Prize, in recognition both for the efficacy of microfinance as an antipoverty tool and for Mr. Yunus's pioneering role at creating economic and social development from below.

It was his vision to give a better life to the poor people who were in need of loans, but were too poor to approach a bank as they could not offer any financial security. Through unwavering commitment in uplifting the poor from destitution, he turned his vision into practicality. He has transformed the lives of nearly 7 million impoverished people of Bangladesh through the Grameen Bank he founded. His work has been recognized worldwide and today the Grameen Bank has been replicated in over 60 countries as diverse as Nigeria, Tanzania, Kenya, China, Nepal, Indonesia, Sri Lanka, Papua New Guinea, France, Norway, Jamaica, Mexico, Colombia, Canada and the US. He showed that the poorest are bankable, and that poverty has not been created by the poor, it is created by the institutions and policies which surround them. Through microcredit the creativity in each human being is unleashed and even the poorest of the poor can work to bring about their own development.

Grameen's strategy is to offer miniscule loans without any collateral requirements to the poorest of the poor, people like the landless rural women, labourers, rickshaw drivers, sweepers and beggars — those who are often ignored or simply forgotten altogether when major development projects are planned. It is felt that if financial resources are made available to these people on reasonable and acceptable terms, it provides them the opportunity to engage in small activities, which generates income, enabling them to send their children to school, have access to sanitation, clean drinking water and health facilities and can generally contribute to their well-being. As the disadvantaged find the means for self employment they gradually work their way out of destitution, subsequently creating conditions for sustainable peace.

The Grameen Bank had modest beginnings. Famine had hit the country and the poor were suffering greatly. Mr. Yunus went to the villages to learn about poverty from the people. Seeing the miserable conditions he was moved, and decided to give the first loan for a total sum of $27 from his own pocket to 42 women from a village located near the Chittagong University where he was a professor teaching economics. The women had relied until then on local money lenders who charged high interest rates. This small amount was all they needed to release them from the clutches of the moneylender. The borrowers had no collateral and signed nothing, but repaid him in full.

Some time later, Dr. Yunus approached a bank with the proposal that they lend money to the poor people. When they refused, he resolved the matter by offering himself as a guarantor and signing the loan papers. He got the money from the bank, and gave it to the needy people. All the people paid him back. He trusted them and they did not let him down. There has been no looking back since. In 1976, Dr. Yunus founded the Grameen (village) Bank in Bangladesh, one of the world's poorest countries, where half of its population of 150 million lives below the poverty line.

Later in 1983, through a government ordinance, the project was transferred into a private independent bank. Today the Grameen Bank is owned by the poor (and formerly poor) borrowers themselves. Over 90 percent of the borrowers of the Bank are landless rural women who own more than 90 percent of the shares, while the government owns the remaining shares.

"Microcredit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions", the committee said in announcing the prize. Grameen's real success is its role in empowering women in a conservative rural society.

Borrowers are organized into small informal groups. These groups apply for loans; at first two members receive the loan, the rest of the members act as co-guarantors for repayment. After they have repaid, the others get it. In this way the programme supports one another's efforts at economic self advancement, builds a sense of community and self reliance. It may be mentioned that loans are financed entirely by the borrowers' deposits, so the poor are funding the poor. Transactions take place in a business like manner, where interest is charged to cover all costs and for the project to remain viable.

Presently the Grameen family comprises a network of institutions and individuals, providing services to large numbers and promoting micro-credit as a cost effective way to fight poverty and promote socio-economic development. It even has a programme, exclusively targeted for the beggars in Bangladesh. More than 26,000 beggars have benefited. These beggars sell small merchandise, like biscuits, sweets, toys house to house. They not only earn but also receive respect from society. The Grameen Bank has taken this initiative, as most of the poverty alleviation programmes do not reach this segment of the population and the Bank believes that credit is a human right.

It is his vision to have a world which is completely free from poverty. Not a single human being to suffer from the misery and indignity of poverty. One hopes that there are more visionaries like him, who can transform this dream into reality. It is a lesson which needs to be learned in Pakistan – it is the poor who need to be succoured, and it is they who pay back.

Ayesha Mahmud

Microfinance in Pakistan

Micro-finance sector gains importance

In recent decades, the microfinance sector has evolved from small credits managed by NGOs to a growing commercial sector, providing a range of financial services; working capital deposits, loans, consumer credit, savings, insurance, money transfer services to the poor etc. The sector has gained increasing importance as governments all over the world are concerned for the welfare of their poor.

Poverty is perhaps the greatest challenge facing the world today. It encompasses not only low income and consumption, but also low achievement in education, health, nutrition, and other areas of human development. These deprivations keep the poor from leading the kind of life that everyone values. These people have meager assets, no access to markets and scarce job opportunities lock people in material poverty.

Micro-credit an instrument for poverty reduction

One of the ways to lift them out of poverty is to provide them with the opportunity. This means jobs, credit, roads, markets for their produce, schools, water, sanitation and health services. By stimulating economic growth or raising public investment in education and health, making state and social institutions more responsive to their needs, the governments can help in uplifting the poor from misery. Besides these factors, microcredit has proved to be a powerful instrument for poverty reduction. When people have access to credit it enables them to build assets, increase their income and reduce their vulnerability to economic crisis.

Access to credit allows poor people to take advantage of economic opportunities. Studies have shown that clients who join and stay in microcredit programmes have better economic conditions than non-clients, suggesting that these programmes do contribute to their improvements. Studies have also shown that over a long period of time many clients do actually graduate out of poverty. Whether it is Pakistan, Bangladesh, China, India, Sri Lanka or Indonesia, accessing financial services reduces the poor's vulnerability and translates into increased ability to meet food, health and educational needs.

Households are able to send their children to school for longer periods and make greater investment in their children's education. As access to credit gives them the chance to engage in some activity, income earnings increase, leading to better nutrition and better living conditions, which translates into lower incidence of illness.

Micro-finance enters a new phase

Microfinance development has entered a new phase in most Asian countries including Pakistan. Formal financial institutions were only minor service providers in the microcredit market with the exception of Bangladesh, where Grameen Bank operated side by side with NGOs, while in Indonesia Unit Desas of Bank Rakyat Indonesia was the major supplier of microfinance services alongwith People's Credit Bank. NGOs were the dominant suppliers of microcredit in Cambodia, Nepal, Pakistan, Philippines and a number of Central Asian Republics.

Pakistan has moved away from traditional reliance on some banks for provision of small finance and the few NGOs that were operating providing rural support and special urban slum targeted programmes to a set of major initiatives. Until the recent past, NGOs and microfinance institutions (MFIs) were the major providers of microfinance domestically. The Aga Khan Rural Support Programme has played a pioneering role. In the early 1990s the government set up the National Rural Support Programme and the Punjab Rural Support Programme, essentially operating as NGOs.

Reasons for change

Microfinance industry is changing for a number of reasons. These include among others, the transformation of NGOs into regulated financial institutions in some countries and their subsequent rapid growth, the entry of small existing banks into the industry and the expansion of their microfinance operations, the entry of new microfinance banks, the increasing role of conventional commercial banks and the growth of self help groups in microfinance especially in India.

Micro-finance as tool for poverty reduction

In Pakistan, as part of the structural reforms initiated in the 1990s and consolidated after 1999, the government sought to reduce poverty. The Interim Poverty Reduction Strategy Paper (I-PRSP) was published in 2001, where the government expressed its views that, “access to credit is the surest way of empowering the poor and improving their income generating opportunities and that “international experience has shown that microcredit can be an important instrument in improving the income generating capability of the poor”. The Government through its Poverty Reduction Programme believes that microfinance is fast emerging as a viable tool to address the question of poverty reduction.

While trying to alleviate poverty from the country, the Government felt that it needed to look afresh at Pakistan’s financial sector and find new ways of reaching the poor, and those involved with SMEs. Microfinance Sector Development Programme (MSDP) was developed, where public private sector were expected to play important roles. As an outcome of the MSDP, a number of interventions have been made in the microfinance sector over the last 6 years. Perhaps the most significant is that microfinance has been given recognition as a separate entity in the financial sector.

Financial infra-structure

For the development of the microfinance sector the Government thought it appropriate to first have an adequate financial infrastructure, including legal, regulatory and supervisory systems for financial institutions in place. Building of such infrastructure supports, strengthens and ensures the sustainability of institutions or programmes and promotes participation of private sector institutions in microfinance.

Micro-finance Institutions Ordinance

The Microfinance Institutions Ordinance 2001 was promulgated by the Government to support the development of the microfinance sector by introducing the concept of a microfinance institution, a term used to designate any institution that provides microfinance services. Under the Ordinance, the term is restricted to “a company that accepts deposits from the public for the purpose of providing microfinance services”. The promulgation of the Ordinance has laid the foundation for the systematic growth of the sector.

The MFIs Ordinance 2001 details the provisions concerning minimum capital requirements, ownership structure, terms and conditions for establishing Microfinance Banks/ Institutions in the country, audit and disclosure requirements and winding up procedures. The operations of NGOs and other programs providing microcredit through sources other than public deposits/savings are not covered under the Ordinance.

The licensing, regulation and supervision of MFBs established/to be established under MFIs Ordinance 2001 has been entrusted to State Bank of Pakistan under MFIs legal framework. The framework allows establishment of three categories of formal microfinance banks in the country, namely, nationwide MFBs, province wide MFBs and district wide MFBs.

Prudential Regula-tions for micro-finance

The SBP has a separate set of Prudential Regulations for Microfinance Banks/ Institutions. As with other banks, microfinance banks are required to submit to an external audit and to publish an annual report. In addition to regulating the amount of lending, the legislation regulates the opening of new branches and provisioning, rescheduling and write off of loans, and to some extent interest rates since microfinance banks are required to implement “appropriate pricing policies which ensure access of affordable financial services to the poor as well as operational and financial self-sustainability of MFIs”.

The Government designed a microfinance policy in June 2000 to develop a pro-poor financial system. The policy emphasizes sustainable microfinance as it encourages private sector entering into microfinance to ensure innovation and flexibility.

Khushhali Bank and the First Micro-finance Bank establis-hed

The Government promulgated Khushhali Bank Ordinance, 2000 to establish a microfinance bank, named Khushhali Bank. This bank has been established under the joint ownership of 16 commercial banks. Following the enactment of the MFIs Ordinance 2001, the State Bank of Pakistan issued a licence to the First Microfinance Bank to operate at country level. The major sponsors are the Aga Khan Rural Support Programme, Aga Khan Fund for Economic Development and the International Finance Corporation.

Box

Microfinance Providers Institutional Brief

Microfinance Banks

Khushhali Bank

- § Established in August 2000, with headquarters in Islamabad. It was set up as part of the government's Poverty Reduction Strategy and its Microfinance Sector Development Programme.
- § Its mandate is to retail microfinance services and act as a catalyst in stabilizing Pakistan's microfinance sector.
- § The Bank's shareholders are 16 commercial banks, including two multinational banks.
- § The Government obtained a loan of $150 million from the Asian Development Bank to support the operations of Khushhali Bank.
- § The Bank now serves nearly 230,000 clients, with cumulative disbursements of over Rs6.0 billion through its branch network in 74 districts with high poverty incidence. The majority of bank's clients are in rural areas (60%) and includes the very poor. Roughly one-third of the beneficiaries are women.
- § The Bank encourages formation of alliances with the NGOs. It benefits from two endowment funds, namely, Microfinance Social Development Fund and Community Investment Fund.
- § It operates in all provinces of the country.
- § The Bank uses a group lending methodology. Loans are made directly to individuals in the group, but if one member of the group defaults then all members of that group become ineligible for loans.
- § The Bank offers microloans of between Rs3000 — Rs30,000. Loans are offered for investments in agriculture, livestock and microenterprises.
- § Most client groups are formed by the communities themselves with facilitation from Khushhali Bank staff, but some are groups facilitated by NGO groups.
- § In addition to loans, the bank has started offering equity sharing in small infrastructure projects to interested community organizations.

First Microfinance Bank

- § The first private sector specialized microfinance bank established in 2002.
- § Initial sponsors of the bank included Aga Khan Rural Support Programme and the Aga Khan Fund for Economic Development. IFIC joined later.
- § It has $11 million of capital.
- § AKRSP accounts for 46%, AKFED 30% and IFC 24% of the ownership.
- § The Bank built upon the rural development model shaped by AKRSP.
- § It provides deposit, lending and other financial services.
- § It has established a network of 36 branches/units in the country.
- § Loan beneficiary base has increased to 41,000 in September 2006.
- § Women loan beneficiaries are 28% of total borrowers.
- § It offers a range of loan products that include individual loans, group loans in rural areas, business committee loans, urban group loans and business group loans with a service charge between 10-16%.
- § The Bank offers a number of saving and deposit schemes, micro insurance, funds transfer facility, cheque collection etc.
- § There is a minimum balance requirement of Rs5/= only with no service charge.
- § More than 80% of the depositors are from lower income segment having less than Rs400 average balance in the account.
- § The Bank offers non-financial services to micro entrepreneurs that focus on enterprise development, as well as client's wellbeing, including heatlh, nutrition and education.

Pak Oman Microfinance Bank Ltd

- § The Bank was established in May 2006.
- § The sponsors are Government of Sultanate of Oman and Pak Oman Investment Company with shareholding of 67% and 33% respectively.
- § It was set up with the basic objective to eradicate poverty by creating sustainable income opportunities for the lower strata of the population, particularly women.
- § It provides a host of services, micro business loans for running capital, micro agriculture loans for agri-inputs, micro asset loans for asset building, micro loans for new business and livestock loans for goat and sheep rearing.
- § Branches are operational in Karachi, Hyderabad, Rawalpindi, Islamabad, Mirpur Khas, Tando Allayar.
- § Number of borrowers stands at 4354 as of September 15, 2006.
- § Recovery rate is 100%.
- § No collateral. It is the group guarantee of the borrower.

Tameer Microfinance Bank Ltd

- § Set up as a private commercial microfinance bank licensed by the State Bank of Pakistan under the Microfinance Ordinance 2001.
- § Provides services to the economically active poor. It serves low income, salaried, self-employed and micro entrepreneurs with a range of financial products eg. Tameer-e-Ghar, Tameer-e-Karobar, Tameer-e-Bacchat and Tameer-e-Khazana.

KASHF Foundation

- § Started in 1996.
- § Target clientele are women from low income communities.
- § Offers pro-women and pro-poor products.
- § Group methodology has been replicated from Grameen Bank.
- § Outreach has increased.
- § Operative in four district of Punjab.
- § It is the first MFI in Pakistan to introduce a micro insurance product; this covers the death risk of the client by insuring the entire loan balance.
- § It offers access to small loans and micro deposit services to its customers.
- § Loans are extended without collateral or personal guarantee.
- § Loan approval is subsequent to the formation of a group of 20 25 women who ensure that loan repayments are regularly made.

Microfinance Providers
Institutional Brief

SAFWCO

- It aims to enhance the socio-economic status of vulnerable groups through sustainable income generating activities.
- It is based on group lending.
- It operates to:
  - mobilize the community groups for savings
  - form male and female saving groups in the villages
  - provide credit facility to the poor/vulnerable groups, especially women
  - create job opportunities
  - train potential entrepreneurs for managerial and technical skills

Orangi Pilot Project

- In September 1987, Orangi Charitable Trust was established to expand the provision of credit to existing micro enterprises. The rationale being that these micro enterprises were not able to access loans from commercial banks due to loan size, collateral requirements and other considerations.
- It supports people's initiative through providing credit to existing micro enterprises at the bank rate of interest, without collateral.
- Trains NGOs/CBOs to enable them to initiate micro credit programmes in their community.

National Rural Support Programme

- Established in 1991.
- Its Board of Directors consists of volunteers who represent different sectors of society.
- It aims at improving the quality of life of rural poor by building their capacity.
- It offers a programme package comprising of the following:
  - social guidance (formation of community organizations
  - skills enhancement
  - technical assistance
  - linkages (assisting communities to access government and private resources and services)
  - line of credit (providing income generating opportunities to communities by having access to small loans in productive sectors).
- NRSP fosters a network of community organizations (CO) which can plan and implement various developmental activities at the village level.
- The microfinance programme of NRSP comprises savings and credit schemes.
- NRSP uses the forum of COs for delivering small loans. Loans are given through CO to individual members for productive purposes only.
- Alongwith the rural credit, NRSP has initiated a micro credit scheme in peri-urban areas of Pakistan.

Punjab Rural Support Programme

- It became operational in June 1998.
- PRSP is a non-government, non-profit and non-commercial organization.
- It aims at poverty alleviation, social and economic empowerment in the rural areas of Punjab through community participation.
- Like other Rural Support Programmes, PRSP also provides saving services to its clients.

Sarhad Rural Support Programme

- Established in 1989 with the objective to reduce poverty in the rural areas of NWFP through participatory community mobilizing approach.
- Currently working in ten districts of NWFP, comprising Charsadda, Karak, Kohat, Hangu, Peshawar, Nowshera, Battagram, Mansehra, Abbottabad and Haripur.
- The selection of SRSP's program area is based on a region's level of poverty and willingness of rural communities to become partners of SRSP.
- SRSP is engaged in a broad spectrum of development activities. Clients avail credit for livestock, micro enterprises and agriculture.
- Tenure of loan repayment ranges from 6-30 months.

Thardeep Rural Development Programme

- Established as an independent NGO in July 1998.
- It focuses on sustainable land use, health, education, microcredit and saving, and social mobilization.
- It extends microcredit to the community organizations without collateral, and on the basis of social guarantee. Micro credit is extended in the field of enterprise, livestock development, and small infrastructure development schemes, agri-input etc.

DAMEN

- It is a non-profit, non-government organization established in May 1992.
- Working in the rural/peri-urban areas around Lahore.
- It concentrates on the social and economic uplift of communities, especially in rural areas/urban slums, by encouraging them to ascertain their own needs.
- DAMEN has a four pronged strategy:
  - Non-formal education
  - Micro-financing/community revolving plan
  - Training, capacity building and skill development of community action groups
  - Research, networking and linkages

Taraqee Foundation

- Established as a non-government organization in February 1994 for the development of low income communities in Balochistan.
- Taraqee Foundation - funded activities are in the low-income and far-flung areas and it has the capacity to run and monitor them effectively.
- The main objective of Taraqee is to improve the living conditions of the rural and urban population of Balochistan.

Sungi Development Foundation

- Established in 1989 as a non-profit, non-governmental, public interest organization.
- Initially, it was a small advocacy-reasearch oriented NGO involved in some advocacy campaigns.
- Sungi initiated the Hazara Community Support Programme during 1994.

Four funds established

The government established four important funds during 2001 for sustainable microfinance services. The Microfinance Social Development Fund of $40 million has been created to ensure sustained and assured investment in building social capital for developing the demand side of the microfinance market. This basically implies increasing the opportunities for the poor and creating participatory institutions/ mechanisms. Funds support capacity building of community based organizations in terms of social awareness and management of income generating activities.

Another important fund is the Community Investment Fund of $20 million, with the objective to increase the access of the poor communities to infrastructure for improving their livelihood through efficient and productive use of local resources. There are two more funds, a Risk Mitigation Fund of $5 million, established to assist the poor in case of loss of income generating assets due to unforeseen circumstances beyond their control. A Deposit Protection Fund of $5 million has also been established to provide long term source of funding for social intermediation to expand the microfinance market.

Microfinance Institutions paid-up capital requirements are lower than commercial banks at Rs250 million. The State Bank has adopted international standards in establishing requirements for capital adequacy, maximum loan size, credit and operational risks etc.

Amend-ments

The Finance Bill for 2006 now includes the long awaited amendments and refinements in the MFI Ordinance of 2001. Among others, the amendments;

- empower SBP to introduce flexibility and broadening of Microfinance Institutions to include Microfinance Banks,
- give SBP flexibility in the determination of CRR and SLR with a flexible monitoring system,
- provide SBP the option of determining the definition/threshold income level of the poor,
- strengthen provisions to introduce explicit clauses regarding licensing of new MFIs, separate licensing requirements for existing NGO-MFIs, new start-up MFBs as well as improving provisions related to suspension of licenses,
- bring in line with SECP guidelines on corporate governance, the terms of external auditors and extending period of submission of accounts, and
- strengthen regulatory powers of SBP.

Far reaching amend-ments

The Governor, SBP in her keynote address at the Seminar on *"Beyond Charity: Commercial Opportunities in Micro and Small Lending"*, jointly organized by USAID and Shore Bank International at Islamabad, on June 2006 stated "These amendments are quite far reaching, are in line with the stakeholder's demands and hold the promise of providing the desired level of flexibility both at the regulatory cum supervisory level, while easing constraints of the industry. Microfinance Institutions will now be able to tailor their products to meet the needs of their customers as they move along the prosperity continuum. The amendments have also made it possible to increase the business viability and diversity of institutions by the emergence of Regional Microfinance Banks that might obtain license for five adjacent districts with the prescribed minimum capital requirements (Rs150 million).

The enhanced regulatory powers of SBP are aimed to ensure proper regulatory and supervisory oversight of the licensed MFBs. The amendments would also help improve the corporate governance of microfinance banks to become socially responsible and financially sustainable institutions.

As an additional feature, mobile banking guidelines have been designed to facilitate MFBs to penetrate their target market. SBP has issued NGOs/Rural Support Programs/ Cooperative Transformation guidelines. Fit and proper criteria has been laid down for CEOs and Management of MFBs."

SBP issues guidelines for commer-cial banks

State Bank of Pakistan has issued guidelines for commercial banks to undertake microfinance business. Commercial banks and their branches undertaking microfinance business will continue to be governed by Banking Companies Ordinance 1962 and will not be considered microfinance banks which are established under MFI Ordinance 2001.

Microfinance Providers Outreach

(Rs. in 000)

		Number of Active Borrowers	Number of Active Women Borrowers	Gross Loan Portfolio (Rs. Mn)	Number of Loans Outstanding	Number of Saving Accounts	Number of Women Savers	Saving Outstanding	Number of Active Women Borrowers per Total Active Borrowers (%)	Average Loan Balance per Active Borrowers (Rs. In 000)	Average Outstanding Balance (Rs. In 000)	Percentage of Women Savers-to-Total Active Savers (%)	Average Saving Balance per Active Saver (Rs. In 000)
Microfinance Banks	Khushhali Bank	227,172	75,725	1,923.25	227,172	0	0	0	33.3	8.5	8.5	0.0	0.0
	The First Microfinance Bank Ltd	16,931	2,454	362.70	16,931	27,932	3,661	650,719	14.5	21.4	21.4	13.11	23.3
	Rozgar Microfinance Bank Ltd	1,777	195	19.62	1,777	1,204	0	17,887	11.0	11.0	11.0	0.00	14.9
	Network Microfinance Bank	2,211	440	38.85	2,211	3,346	440	10,634	19.9	17.6	17.6	13.15	3.2
	Sub Total	248,091	78,814	2,344.41	248,091	32,482	4,101	679,240 (Weighted Avg.)	31.8	9.4	9.4	12.63	20.9
Microfinance Institutions	Kashf Foundation	75,520	75,201	774.43	105,498	63,627	63,627	6,394	99.6	10.3	7.3	100.0	0.1
	SAFWCO[1]	8,880	2,925	42.64	8,880	0	0	0	32.9	4.8	4.8	0.00	0
	Akhuwat	3,011	1,656	18.12	3,011	0	0	0	55.0	6.0	6.0	0.00	0
	Orangi Pilot Project	6,986	2,420	64.03	6,986	0	0	0	34.6	9.2	9.2	0.00	0
	ASASAH	8,492	8,492	48.68	8,492	7,163	7,163	1,499	100.0	5.7	5.7	100.0	0.2
	Sub Total	102,889	90,694	947.90	132,867	70,790	70,790	7,894 (Weighted Avg.)	88.1	9.2	7.1	100.00	0.1
Rural Support Programme	National Rural Support Programme	122,157	47,328	1,206.03	122,157	522,804	183,815	476,150	38.7	9.9	9.9	33.4	0.9
	Punjab Rural Support Programme	47,855	15,800	198.59	47,855	11,914	80,210	47,951	33.0	4.1	4.1	39.4	0.2
	Sarhad Rural Support Programme	6,703	3,379	13.93	6,703	5,748	53,171	67,520	50.4	2.1	2.1	29.7	0.4
	Thardeep Rural Development Programme	32,280	9,765	288.21	32,280	134,058	40,217	55,320	30.3	8.9	8.9	30.0	0.4
	Sub Total	208,995	76,272	1,706.76	208,995	674,524	357,413	646,941 (Weighted Avg.)	36.5	8.2	8.2	33.51	.06
Non-Government Organizations	DAMEN[2]	15,044	15,044	91.16	15,044	0	0	0	100.0	6.1	6.1	0.0	0.0
	Taraqee Foundation	25,217	8,574	274.18	25,217	28,994	9,858	9,495	34.0	10.9	10.9	34.0	0.3
	Sungi Development Foundation	652	336	4.75	652	16,982	7,641	10,999	51.5	7.3	7.3	45.0	0.6
	Sub Total	40,913	23,954	370.09	40,913	45,976	17,499	20,494 (Weighted Avg.)	58.5	9.0	9.0	38.06	0.4
Commercial Financial Institution	Orix Leasing Pakistan Ltd	4,004	3,054	74.58	4,700	0	0	0	76.3	18.6	15.9	0.0	0.0
	The Bank of Khyber	7,852	580	244.53	7,852	0	0	0	7.4	31.1	31.1	0.0	0.0
	Sub Total	11,856	3,634	319.12	12,552	0	0	0 (Weighted Avg.)	30.7	26.9	25.4	0.0	0.0
	Total	612,744	273,368	5,688.29	643,418	823,772	449,803	1,354,569 (Weighted Avg.)	44.6	9.3	8.8	36.99	1.1

1. Sindh Agricultural & Forestry Workers Coordinating Organization
2. Development Action for Mobilization & Emancipation

Source : Performance Indicators Report 2005
Pakistan Microfinance Network

The commercial banks may enter into MF market through variety of institutional arrangements including establishing MF Counters in the existing branches, stand-alone MF branches established either through conversion of existing branches or opening new MF branches, establishing independent MF subsidiaries with independent and professional board and management, developing linkages with MFBs licensed by SBP and NGO-MFIs that are not licensed by SBP to extend wholesale funds for on-lending etc.

Pakistan Microfinance Network

There is a formally recognised Pakistan Microfinance Network (PMN). The PMN is a network of organizations engaged in microfinance and dedicated to improving the outreach and sustainability of microfinance in Pakistan. One of its primary objectives is to establish the use of performance measures and benchmarks and promote financial transparency in retail microfinance providers. It lends support to the microfinance providers to enhance sale, quality, diversity and sustainability, so that microfinance is able in coming years to serve a large segment of the microfinance market. This is only possible if the practitioners improve their programmes and run them in a commercial and sustainable way.

Regional comparison

While Pakistan is relatively a new beginner in the formal microfinance sector, a regional comparison shows that Pakistan fares quite well. The figures have been extracted from a Report titled *'Poverty & Social Impact Assessment: Pakistan Microfinance Policy'*, May 2006, Oxford Policy Management.

Microcredit Providers: Country Comparisons

	Pakistan	Bangladesh	India	Sri Lanka	Indonesia	Afghanistan	Nepal	Philippines
Population (Mn)	152	140	1080	19	218	29	25	83
Number of MFBs	14	49	32	8	6	9	10	24
Borrowers								
Number of active borrowers (000)	449	13298	1634	374	3122	83	158	480
Active borrowers as % of population	0.30	9.50	0.15	1.97	1.43	0.29	0.63	0.58
Loans								
Total gross loan portfolio (US$ Mn)	67.59	958.91	166.50	78.36	1817.14	9.61	17.20	55.46
Average loan per borrower (US$)	151	72	102	209	554	116	109	116

The Report states, that despite the fact that the mainstream MF sector in Pakistan is relatively young compared with other countries, it is definitely in the same league as many of them.

In terms of the number of borrowers, the notable exception is Bangladesh, which is more than twice as big as all the other countries in the sample put together. Of the rest, Pakistan has many borrowers than Afghanistan, Nepal, and Sri Lanka. In terms of borrowers as a percentage of the population, however, Pakistan is ahead of India, as well as Afghanistan but well behind the rest.

The microfinance sector is gradually developing. While almost 10 million households need microfinance, estimates suggests that the MFIs have been able to cover only 6 percent of the potential market. Over the last 5-6 years, huge social investments have been made by donors and investors in the sector. A recent publication on Microfinance investment in Pakistan published by Shore Bank International and the PMN estimates a conservative $400 million investment into the microfinance sector on largely concessional terms. This investment has increased the total assets available to retail microfinance providers.

Box

Banker to the Poor

Muhammad Yunus
with Alan Jolis

Grameen Bank's success in changing the lifes of thousands in Bangladesh through provision of micro credit is recounted in the autobiographical book, *'Banker to the Poor'*. It is the story of unfaltering devotion of the founder of the Bank, Muhammad Yunus who despite facing difficulties and obstacles in the initial years of the project, held steadfast on the path he had chosen and succeeded in setting up the Bank. The Bank slowly and steadily progressed, bringing about a sea change in the lifes of the poor. Given its success, it is today replicated in about 60 countries, both in the developing and developed world.

The above mentioned book, shows that commitment, hardwork, dedication and trust pays. With a vision to improve the lifes of the marginalised segment of society who had no access to traditional bank loans, were surviving in a miserable state, had no access to basic facilities and were many a times near starvation, the founder mobilized a team of totally committed workers to fulfill his mission and there has been no looking back since.

Through microcredit programme, Grameen set out with the primary objective of eradicating poverty, especially aiming at the women, for its was felt that money going through a woman in a household brought more benefits to the family as a whole, than money entering the household through a man.

Without any collateral the Bank lent to individuals, to women, to the poor. It showed them the path to escape from poverty. Over the years it helped families to pursue work in areas of their choice, so that they could get out from the mire. It helped individuals to create a better life for themselves, by doing only those things they want to.

Today half of them have risen above the poverty line and are better off with regard to nutrition, child mortality, sanitation, availability of clean drinking water. Birth rate in Grameen families is lower than in non-Grameen families. Micro credit has helped bring family planning awareness into families.

Grameen is in more than one way different from the traditional banks. It is committed to social objectives — eliminating poverty, providing education, healthcare, employment opportunities, achieving gender equality by promoting the empowerment of women, ensuring the wellbeing of the elderly. Grameen dreams about a poverty free world.

A guiding principle to work at Grameen has been to start low key and then build it up. Their working is based on the premise that it is better to progress slowly and steadily and get things right, than go quickly and make mistakes. They developed a system that works and not rushed out a service at breakneck speed.

Their marketing concept was totally different from conventional banks. It did not ask people to come to their office, it decided to go to the people. Their needs and welfare was top priority. Relationship is based on trust, there is no legal instruments between the lender and the borrower. All the money that is given out as loans has no legal cover.

Repayment system was made simple — small payments were sought. Installments had to be paid back in small amounts, making it convenient and affordable for the borrower. The Bank's experience with bad debts is less than one percent, because of the repayment system which has ensured the likelihood that loans would be repaid. Also the group dynamics at play is important, for as the group approves the loan request for each member and in the process it feels morally responsible for the loan.

Over the years, Grameen has taken many initiatives to expand its services to new areas, so to improve the quality of life of the borrowers, as well as that of the community in general. The Bank has a Housing Loan Scheme, where for about $300, thousands built their own houses; Health and Retirement Programme, a programme for the handloom weavers — the Bank took the initiative of promoting local handloom fabrics in the international market and in the domestic market. Grameen Fisheries Foundation was set up, where for the first time a private bank was running fish ponds; Grameen Phone, cellular phone was introduced in the villages, besides other such initiatives.

Grameen has proved that while the commercial side of the Bank has actively changed people's lifes, by improving the social infrastructure, it has helped borrowers to look after their health, retirement and education, market their products and enter into large scale joint ventures.

Large Invest-ments from World Bank

The investment has come primarily from the World Bank's support to the Pakistan Poverty Alleviation Fund, (operating through NGOs, and the Rural Support Programmes created as an apex institution to help the poor gain access to capital to finance investment in income generating activities) and from the Asian Development Bank's Microfinance Sector Development Programme. In addition to these multilateral funds, share capital and grants has pushed the total investment to at least $400 million.

Growth of micro-finance players

Large investments alongwith a conducive policy environment as well as the enabling infrastructure has attracted private sector investment to the microfinance sector. There has been an increase in the number of microfinance players, entry of new microfinance banks, diversification of products, growth in active borrowers, development of branch infrastructure etc. The outreach of microfinance services have grown from 60,000 active borrowers in 1999 to over 600,000 in 2005.

'Microfinance Performance in Pakistan 1999-2005' a publication of the USAID funded WHAM project, produced in partnership with the Pakistan Microfinance Network and Shore Bank International Ltd, gives the performance of the sector during the last five years.

Growth in micro-credit

The growth in microcredit has come from across all categories of microfinance providers: Rural Support Programmes, Specialized Banks/ NGOs, Multisectoral NGOs, and Commercial Financial Institutions. The RSPs accounted for nearly all of the microfinance sector in 1999 owing to their long standing history in Pakistan. NRSP accounted for nearly all of the RSP category growth.

The sector in Pakistan represents a diverse set of institutions including 20-25 NGOs, 6 micro-finance banks, 4-5 commercial financial institutions and 4-6 rural support programmes.

Microfinance Banks as a group account for the largest share, in terms of total active borrowers, of Pakistan's microfinance market. They held over half the market share by 2005, up from a negligible amount in 1999, because the AKRSP transformed its microfinance programme into the First Microfinance Bank and since 2001, Khushhali Bank has become the fastest growing microcredit provider, accounting for 92 percent of the market share of the peer group to which it belongs. Khushhali Bank, National Rural Support Programme and Kashf Foundation cover 70 percent of the microfinance market in terms of total active borrowers.

Most of the loans advanced by Khushhali Bank have been deployed in the agriculture and livestock sectors, in addition to micro enterprises. Livestock sector constitutes a major share of its advances. On the other hand, First Microfinance Bank Ltd has concentrated more on micro enterprises, but there has been a diversification.

Larger number of male clients

Available data indicates, that gender targeting is skewed in favour of male credit clients. There is a low proportion of female borrowers. *The Performance Indicators Report 2005* of PMN states, "the low targeting of female clients could be one of the reasons that the microfinance sector has not been able to achieve scale as has happened in other parts of the world."

Sources of funds

There are three major sources of funds available to microfinance providers in Pakistan and these are equity, non-commercial liabilities at subsidized prices and commercial liabilities at market price. Another source, largely untapped but available to MFBs is public deposits. Two of the largest organizations, NRSP and Khushhali Bank, finance their portoflio by accessing either debt from the apex or from a multilateral, at less than market prices.

The microfinance sector in Pakistan is poised for growth, product diversification and market segmentation. In a short period of time much has been done. The Government encourages organizations, particularly RSPs to extend their outreach to a much larger population. Microcredit has been able to change the lifes of low income households who have benefited from these programmes/institutions. Access to credit has helped the poor to improve their quality of life and reduce poverty. The impact of Khushhali Bank's microfinance programme is given in the box on the following page.

Box

Meeting the Double Bottom Line
The Impact of Khushhali Bank's Microfinance Programme in Pakistan

Heather Montgomery associated with the Asian Development Bank Institute has examined whether the Khushhali Bank has had an impact on economic or social aspects of poverty, including empowerment of poor women, or income generating activities run by those households.We give below excerpts from the above Report.

The empirical results demonstrate that participation in the Khushhali Banks microcredit programme has positive impact on both monetary and social indicators of welfare, as well as on employment and income generating activities.

The microloans are apparently not being used for consumption purposes, as no impact is found on either food or non-food non-durable consumption. Little evidence of positive impact of the program overall on education: the probability of children in client households being enrolled in schools is no higher than for non-participating households and absentee rates are no lower. In fact, there is some evidence that both educational expenditures per child and the probability of the children being enrolled in school may be lower for client households than for non-participants. One might speculate that households participating in the program may be more likely to include children in the household's income generating activities, perhaps leading indirectly to a reduction in school enrollment, but this would require further research.

But there is evidence that the program enables the poor households that it serves to increase expenditure on health care, making those households more likely to seek medical treatment for their health problems and more likely to seek trained professionals to provide that treatment. These impacts are especially strong in the case of children's illness. Lending to groups formed by NGO partners, however, does positively impact women's health. Pregnant women in the households of borrowers in NGO-formed groups were more likely to have consulted a trained medical professional during their pregnancy.

In client households, women's opinions are more likely to be taken into consideration on a range of issues including child-rearing (children's schooling, marriages and discipline) social issues such as the woman's decision to work outside the home or her involvement in community and political activities, and household financial decisions such as whether to construct or repair the family home, the sale and purchase of livestock and decisions on whether to borrow money. Women in client households also reported less frequent arguments with male household members and more financial independence as indicated by their ability to get a small amount of cash in an emergency from their own assets.

The highest aggregate impacts of the program on income generating activities run by household are, animal raising, micro enterprises and agricultural activities. Households who had taken more loan cycles or borrowed more in total report more males and females in the household working on animal raising, and more inputs into and higher assets (value of livestock) of their animal raising activities. However, the results of these greater inputs do not yet show up as an impact on sales or profits.

In addition, employment is generated in all sectors either by enabling the start-up of household enterprises, household members' ability to provide more of their labor hours to those enterprises, or more hiring of labor from outside the family. Urban lending in particular yields significant positive impact on income generation from family-run microenterprises: those borrowers demonstrate significantly higher sales and profits from their microenterprises than do non-participants.

The largest impacts on income-generating activities are found in agriculture. Both access to and participation in the program have strong positive impacts on all variables tested — assets, inputs and sales. Households with longer access to the program, or who had participated more, reported higher assets in terms of amount of land cultivated, a higher value of farm equipment assets, higher inputs such as the number of male and female household members working on the household farm, as well as more hired workers, higher hours of tractor use and higher use of fertilizers and pesticides. It is difficult to measure agricultural profits directly, but the value of sales to third parties (crop yields not consumed by the household itself) serves as a proxy. This variable as well shows a highly statistically significant impact from program participation.

Most encouraging is the finding that even the very poorest of the poor — those subsisting on less than half the official poverty line, or the bottom quintile of the sample — benefit greatly from the program. There is evidence that participation in the program has a positive impact on educational expenditures for the very poor. The more loan cycles that very poor clients have taken, the higher the household's annual educational expenditures per child.

Again, the program is found to have special impacts on children's education for the poorest borrowers. The previous finding that the probability of the children being enrolled in school may be lower for client households than for non-participants is reversed for the very poorest borrowers. Although children in the poorest households are less likely to be enrolled in school overall, for those core poor who participate in the microfinance program, the longer they have participated in the program, the more likely children in the household are to be enrolled in school.

Children in the poorest households also reap health benefits. The program positively impacts indicators of children's health for all borrowers, but the poorest borrowers also benefit from higher likelihood of vaccination. Thus, although children in the poorest households are less likely to be vaccinated overall, the likelihood of children receiving vaccinations increases the longer those households have access to or participate in the microfinance program.

The case of Khushhali Bank shows that given a supportive regulatory environment, it is possible for commercial microfinance banks to meet a "double bottom line" of simultaneously pursuing profits and a humanitarian social mission.

Agriculture Update

Water shortages have abated. Water available for irrigation this year is 33 percent higher than in the corresponding period last year. However, as per estimates of the Indus River System Authority (IRSA), water would be slightly lower at 31.6 MAF during the current Rabi season, against the total availability of 36 MAF but 3 percent more than the last year's water availability.

Higher water availability

Water availability will be: 17.03 MAF in Punjab, 12.84 MAF in Sindh, 0.7 MAF in the NWFP and 1.02 MAF in Balochistan during the Rabi season. Heavier than normal rains during the monsoon season are expected to help water-intensive crops, rice and sugarcane. Greater moisture in the soil will also improve the prospects of wheat crop. However, cotton crop could be adversely affected by higher moisture, as this makes the crop more vulnerable to pest attacks.

The overall agriculture sector is targeted to grow by 4.5 percent in 2006-07, against last year's growth of 2.5 percent. In 2005-06, the sector failed to achieve the targeted growth of 4.8 percent due to poor performance of major crops. As against a target of 6.6 percent, the major crops sub-sector declined by 3.6 percent, as wheat, cotton and sugarcane not only failed to achieve their respective targets but their production was well below 2004-05 output.

The growth target for major crops this year is fixed at 4.3 percent. A latest field report reveals that there are indications that cotton, wheat and rice may not achieve their respective targets, while sugarcane is reportedly above target.

Wheat

Higher wheat target

The Federal Ministry of Food, Agriculture and Livestock (MINFAL) has set a production target of 22.5 million tones for the current Rabi (2006-07) crop, 0.80 million tones higher than the previous year's production. More than 79 percent of the crop will be harvested in Punjab, which has been assigned a production target of 17.8 million tones, while Sindh has been given a target of 2.75 million tones. Farmers in NWFP and Balochistan are expected to harvest a crop of 1.25 million tones and 0.700 million tones respectively.

Last season, growers harvested a crop of 21.7 million tones from a sown area of over 8.31 million hectares. Both area and production were short of their respective targets of 22.0 million tones and 8.41 million hectares by 1.4 percent and 1.2 percent. The current Rabi season target is 3.7 percent higher than the previous crop. Sowing of the new crop has already commenced in some wheat growing areas of Sindh and Punjab.

The current Rabi crop would be cultivated at over 8.5 mn.hec, about 1.8 percent more than the previous season's acreage. Province-wise, target is; 6.45 mn.hec for Punjab, 0.900 mn.hec for Sindh, 0.76 mn.hec for NWFP and 0.30 mn.hec for Balochistan. However, reported delay in cane crushing by the mills is feared to delay sowing of wheat in Punjab, which could result in lower crop.

Wheat to be exported

Total wheat availability would be around 23 million tones, after accounting for carry over stock of 2.1 million tonnes from last year's crop. The country will be in a position to meet domestic requirement of 22 million tonnes, and will also be able to export. Punjab is hopeful to have a carry over stock of 1 million tones. The Punjab Government is contemplating to export 0.5 million tones of wheat, after maintaining a strategic buffer stock of 0.5 million tones, before the arrival of the new crop in April 2007.

Wheat stocks

As of end-August, the overall wheat stock position is 6.419 million tonnes: Punjab 3.925 million tones, Sindh 0.899 million tones, NWFP 0.119 million tones, Balochistan 0.093 million tonnes and PASSCO 1.383 million tonnes. For public sector, the minimum wheat procurement target was set at 5 million tons, with Punjab procuring 3.00 million tons, Sindh; 0.7 million tons, and PASSCO 1.3 million tons.

Wheat procurement

The public sector during 2006 has procured 4.515 million tons of wheat against the target of 5 million tons: Punjab, 2.56 million tones Sindh, 0.709 million tones and PASSCO, 1.24 million tones. The private sector has also been encouraged to participate in the wheat procurement operations and State Bank of Pakistan has issued instructions to banks to extend a cash margin facility of 90:10 for procurement of domestically produced wheat.

Support prices

At present, there is no restriction on inter-district or inter-provincial movement of wheat. To ensure adequate supply of wheat and to stabilize flour prices in the country, MINFAL has proposed indicative issue price 2006-07 at Rs.430/- per 40kg. The support price of wheat for the previous crop was also raised by Rs.15 to Rs.415/40 Kg. At the same time, in order to discourage wheat imports and prompt the private sector to buy indigenous wheat ensuring better return to the wheat growers for their produce, the Government has imposed 10% regulatory duty on wheat import.

MINFAL and the Ministry of Finance are working together to device a strategy to ensure that growers receive a price equal to or above the support price fixed by the Economic Coordination Committee of the Cabinet. In the last harvesting season, provincial food departments and PASSCO had reportedly bought wheat from growers at a price lower than the support price fixed by the Government. Growers were forced to supply wheat to public sector organizations at Rs.370 per 40 kgs against the government support price of Rs.415 per 40 kgs.

Rice

The Federal Committee on Agriculture has fixed the area and production target for 2006-07 crop at 2.575 million hectares and 5.693 million tones respectively. The production target indicates an improvement of 2.6 percent over last year's crop, estimated at 5.547 million tones. The targeted area however, is 1.9 percent lower compared to 2.621 million hectares brought under the previous year's crop. The government has announced the intervention price for paddy Irri-6 2006-07crop at the rate of Rs.306/- per 40 kg, as an incentive to growers for increasing yield of the crop.

According to the US Agriculture Department, the production of rice in Pakistan is expected to drop by 0.3 million tons due to lower yields against last year's record level of 5.6 million tons. But the officials in the Ministry of Food and Agriculture are of the opinion that the forecast is premature as rice crop is still in the harvesting stage. Instead, they are confident to achieve a bumper crop of around 6 million tons in 2006-07, as recent rains have proved very productive for the crop.

Harvesting in initial stages

Harvesting of the crop is in the initial stage. Based on field reports, the production of basmati rice is being estimated at around 2 million tones, nearly 25 percent short of the target of 2.675 million tones and 21.5 percent lower than the previous crop. Growers, however, expect further increase in output. The production of coarse varieties is currently being estimated at 3.6 million tones, almost 19.3 percent above the proposed target of 3.018 million tones and 20 percent above the previous crop of 3.0 million tones.

Rice exports are expected to fetch over $1.3 billion, owing to high prices in the international market. In FY06, the country exported 3.6 million tons of rice valuing more than $1 billion, where nearly half accrued through the export of basmati variety. A decade ago, non-basmati varieties, especially irri-6, were the mainstay of rice exports from Pakistan. However, during the past 6-7 years, the share of aromatic basmati rice has increased steadily.

World exports to fall

Much of the decline in world exports in 2007 originates from smaller shipments by mainland China, Pakistan, Egypt, the United States and Australia. By contrast, Cambodia, India and Thailand would export more. Currently Vietnamese coarse rice was being quoted at around $250 per tonne in the world market, while Thai and Indian rice are being quoted at $280 and $238 per tonne.

The Iranian government has imposed a complete ban on Pakistani rice following the substantial increase in customs duties on various products. The Iranian government had earlier enhanced the tariff on import of rice through border area cooperatives to about 70 per cent from 4 per cent, making Pakistani rice more expensive in Iranian market. Most of Pakistani rice is exported to Iran through border area co-operatives.

Iran has inked an agreement with Pakistan for buying 40,000 tons of rice. It has also floated a tender for buying 30,000 tons of Basmati rice. Earlier, the Mexican government had also imposed a ban on import of all varieties of rice from Pakistan on the plea that it carried a fungus, and was not suitable for consumption. The ban has now been withdrawn.

Cotton

The cotton crop (2006-07) production target was set at 13.82 million bales, to be obtained from an area of 3.25 million hectares. According to the Ministry of Food and Agriculture, the sowing target assigned for Punjab (2.558 million hectares) has reportedly been surpassed by one percent. In Sindh, the crop has reportedly been sown on 90percent of the envisaged target (0.640million hectares). However, due to floods and rains, an area of about 0.14 million hectares has reportedly been damaged in the Punjab and Sindh provinces. During 2005-06 an estimated crop of 13.0 million bales was harvested from an area of 3.10 million hectares.

Sowing of the new crop was delayed due to late release of irrigation water. The germination of seeds has, however, been satisfactory throghout the cotton belt. While the condition of the sown crop was so far satisfactory some incidence of white fly, mealy bug and cotton leaf curl virus have recently been reported from various places.

Experts are of the opinion that major damage to the cotton crop has been done by the Meali Bug attack. The occurrence of Meali Bug has not only curtailed the crop size, it has also increased farmers' production cost, who are forced to apply 3-4 sprays of insecticides to kill it and control the damage, by spending Rs1,000 per acre.

Pest attack

Meali Bug was spotted on the cotton crop for the first time in Pakistan last year. However, it did not cause much loss to the crop. The insect has again attacked the crop this year, affecting 4-5 times more crop than last year. Experts fear that damage caused to standing cotton crop by recent heavy monsoon rains and floods could adversely affect agricultural sector performance. Reportedly, standing crop on 0.08 million hectares in Punjab, 0.06 million hectares in Sindh and 6.1 thousand hectares in NWFP and Balochistan have been badly hit, causing damage to the cotton crop.

Cotton to be imported

The preliminary estimates now place this season's cotton crop at 12.4 million bales. The expected shortfall in cotton against the target of 13.82 million bales for this year, means that the textile industry, which requires close to 15 million bales, will now be forced to depend on import of the fibre to meet its requirements. The industry is now expected to import 2.5 million to 3.0 million bales in the coming months.

Presently, the ginners are said to be holding close to 800 thousand bales of unsold cotton (170 kgs) in both pressed and loose form. An estimated 820 ginning factories are operative throughout Pakistan. The current market price of seed cotton (phutti) in Sindh is in the range of Rs1050/- to Rs1150/-. The government has also fixed the seed cotton intervention price for 2006-07 at Rs1025/- per 40 kg as against Rs975/- last year.

Prices of cotton are continuing to decline. Lint rates are the lowest recorded for the current season (2006-2007). In Sindh, lint cotton is reportedly priced between Rs2300 to Rs2325 per maund (37.32 kgs), while the lint prices in the past have ranged between Rs2375 to Rs2415 per maund. The price of seed cotton (kapas/phutti) in Sindh reportedly ranged between Rs1050 to Rs1120 per 40 kgs, while in Punjab the seed cotton prices are said to have ranged between Rs1075 to Rs1125 per 40 kgs.

Sugarcane

Area/ production target

For 2006-07, the area and production of sugarcane has been targeted at 1.0 million hectares and 50.5million tones respectively. Production target is 13 percent above previous season's harvest, estimated at 44.65 million tones. Area sown under the current season's crop shows an increase of 14 percent against last year's acreage of 0.9 million thousand hectares. Punjab produces 70 percent of the total cane output, while the rest is produced in Sindh and NWFP.

Minimum support price

In order to encourage growers to increase cane production, the government has fixed cane minimum support price for the 2006-07 crop at Rs.60/40 kgs in Punjab, Rs.67/40 kgs in Sindh and Rs.65/40 kgs in NWFP. The support price of sugarcane is linked with the sucrose recovery rate. Since average recovery rate of around 9.10 percent in Sindh is highest, its growers always get a premium for their crop. With the average recovery rate standing at 8-8.5 per cent in Punjab, and 7.3 per cent in the NWFP, farmers from these two provinces get a lower rate for their crop.

Previously, cane growers from Punjab and the NWFP used to get the same support price or the minimum indicative rate for their crops, inspite of sucrose content and recovery rate differential. But this year, farmers of NWFP would be receiving a far better price for their crop despite lower sucrose content and recovery than their counterparts in Punjab. The provincial governments in 2005-06 had fixed cane support price at Rs.45 per 40 kgs in Punjab and NWFP and Rs.48 per 40 kgs in Sindh. The Sindh government later revised this price to Rs.60 per 40 kgs.

Improved prospects

Favourable weather conditions, recent heavy rains and increased plantation under the 2006-07 crop have improved the prospects for this season's crop. It is currently estimated at 51.8 million tones, 2.6 percent higher than the target and 16 percent above last season's output of 44.65 million tones. Cane production in the past two years has been on decline, averaging 44 million tones. Increase in cane production is likely to push sugar production to 3.5 million tones during the current crushing season against 2.65 million tones produced last season, provided over 40 million tones of cane is supplied to the sugar mills. During the last crushing season 30 million tones of cane were supplied to sugar mills.

Crushing delayed

The government wanted an early start of the crushing operation, but millers were reluctant, as it would have led to losses in the recovery rate. The government allowed them to delay crushing operation by two weeks. The operation will now commence from November 1 in Sindh and in Punjab from mid November.

About 70 per cent – or 35 million tons – of total sugarcane crop of around 50 million tons is produced by Punjab from 1.775 million acres of land. The rest of the crop is produced by Sindh (about one million ton from 0.5 million acres) and the NWFP (about half a million tons from 0.26 million acres). Some 80 per cent of the crop is consumed by the sugar mills for making the sweetener and the rest is used as seed for the next crop as well as for making gur or is used as fodder.

Presently, the Trading Corporation Pakistan has 0.7 million tons of sugar in its stocks, whereas commercial importers hold stocks of around 50-60 thousand tons. Traders have increased sugar prices at a time when sugar mill owners have agreed to start sugar cane crushing and the growers have assured to provide smooth supply of sugar cane for the entire crushing season.

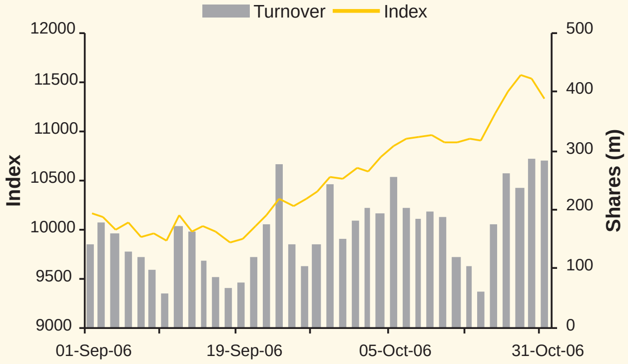
Meanwhile, prices of white refined sugar in the domestic market have shot up by Rs200 per 100kg bag in the wholesale market and Rs3 per kg at the retail level due to delay in sugar cane crushing by millers. Some traders have raised sugar prices on the back of government's announcement that it would allow sale of sugar at Rs34 per kg at the retail end. The retail price of sugar has now been set at Rs36 per kg. This increase is because domestic sugar production, has not arrived in the wholesale market so far.

Market Analysis

Market Review

The KSE-100 Index gained 815 points or 7.75% during October 2006 to close at 11,327 while the KSE-30 Index increased by 692 points or 5.3% to 13,769. The average daily turnover during October 2006 was 196.5m shares compared to 139.0m shares during September 2006. The market continued to rally throughout October with decent volumes despite Ramadan and lengthy layoff for Eid holidays.

KSE-100 Index (September - October 2006)



The bull-run which began in the latter part of September and continued into October can be attributed to the following factors:

- Foreign fund buying in large cap scrips particularly banking and E&P sectors throughout October has led to improved sentiments among local participants and a much needed boost of fresh liquidity. Net inflow during October was US$208.1m (upto Oct. 30) while the cumulative net inflow for the year (July-October 30, 2006) stood at US$305.2m.

- Persistent merger and acquisition rumors helped fuel buying interest in banking stocks especially second and third tier banks such as Faysal Bank, Bank Alfalah and Prime Bank.

- GDR development in MCB Bank as it placed GDRs worth US$150m at Rs264 per share with various foreign investors and began trading in the London Stock Exchange in the middle of the month.

- There was renewed buying interest in E&P stocks particularly OGDC because of discovery news and release of its production growth target of 13% CAGR till FY09 and aggressive exploration and development spending targets of around US$1.89b over the next 3 years. Also, international crude prices started to rise again during the middle of the month due to expected OPEC production cut of about 1.2m bpd and geopolitical issues before ending October on a flat note.

Regional comparison

Strictly on PEx, Pakistan still enjoys one of the lowest multiples in the region. However, based on FY07F PEG ratio of 0.92, Pakistan is slightly expensive as compared to regional peers such as Indonesia (0.72), China (0.81), India (0.87) and the Philippines (0.85). Based on FY07F earnings, our calculation of sustainable market PEx comes to 10.4, suggesting a 12 month upside of 13.5% from current levels.

Regional Valuation Comparison

Country	2007F PEx	2007F EPS Growth (%)	2007F PE/Growth
China	13.26	16.29	0.81
Hong Kong	14.55	2.34	6.22
India	13.92	16.07	0.87
Indonesia	12.11	16.87	0.72
Malaysia	12.70	14.36	0.88
Philippines	11.91	14.08	0.85
Pakistan	9.15	10.00	0.92
Singapore	11.90	10.94	1.09
South Korea	9.78	17.38	0.56
Taiwan	11.89	18.04	0.66
Thailand	9.79	4.06	2.41

Date: October 30, 2006 *Source: Quartely Reports*

Quarterly Results - a mixed bag

The recent round of quarterly results of major sectors and companies can be described as a mixed bag. The first and second tier banks have depicted strong YoY growth in earnings because of improved net interest margins, higher other non-interest income or a combination of the two. Cement results have been disappointing overall due to the drop in prices during 1QFY07 and rising financial charges.

The profitability of refineries and OMCs except for Attock Petroleum has been adversely affected by a steep drop in crude oil prices within the quarter leading to inventory losses. The E&P sector has depicted robust bottom-line growth mainly due to top-line growth derived from higher prices and jump in other income (interest and dividend). The mixed results have been the major factor behind the correction witnessed in the market during the last 2 trading days of the month.

Looking ahead

With 2 months remaining in the current calendar year, one of the major market drivers is likely to be GDR developments surrounding OGDC, banking scrips such as NBP, UBL, and HBL and Kapco as the government plans to use this medium to offload their investment in these companies. The other driver could be the direction of foreign portfolio investment in the local bourses as it has played a role in boosting local investor confidence as evident by the recent bull market that began in the last week of September.

A significant outflow of foreign funds could have a reverse impact. There could still be an M&A play in the banking sector as there a number of ongoing developments expected to be announced in the coming weeks and months. On technical basis, the market can be characterized as being overbought which could lead to a correction and so investors should take the opportunity to book profits in the immediate term and re-accumulate on dips.

We feel that in the short to medium term, political developments may play a more significant role in the equity markets. With elections around the corner and the international community's growing exasperation with what it perceives to be Pakistan's intransigence on fighting extremism, political news is likely to dominate market sentiments going forward.

Lifting the ban on institutional investment in NSS

In a recent unexpected move, the Government lifted the ban on institutional investments in National Savings Schemes (NSS) which was imposed in March 2003 and brought its rate of return at par with the open market. Hence, all corporations i.e. non-profit bodies, charities & educational institutions, public and private sector companies (including NBFIs) but excluding banks and insurance companies are eligible to invest in NSS with immediate effect. The preceding event is believed to have serious repercussions on the banking and mutual fund industry.

Scheme	Minimum Investment (Rs)	Average Return (%)	Min. Invest. period (years)
Certificates			
Defence saving certificates	500	10.00%	1
Special saving certificates*	500	9.00%	0.5
Regular income certificates**	50,000	9.24%	5
Bahbood saving certificates**	5,000	11.52%	10
Accounts			
Saving Account	100	6.00%	N/A
Special saving accounts*	500	9.00%	0.5
Pensioners' benefit account**	10,000	11.52%	10

Source: www.savings.gov.pk

* *First five years profit @ of 9%, and 10% for the last year*

** *Penalties / service charges applicable in case of redemption before maturity*

The SBP has repeatedly been pleading to the government to increase reliance on long-term paper such as PIBs from non-banking sources rather than short-term treasury bills to finance its budgetary deficit. The rationale behind this was obviously the better maturity matching and shaping up of the presently flat yield curve at more distant tenors. Moreover, PIBs are a better instrument for debt management as compared to NSS due to 1) an auction can be conducted only when funds are required which saves unnecessary cost burden on the government and 2) unlike the NSS, they do not run parallel to the banking system.

Impact on mutual funds - liquidity and risk

Recently, there has been an influx of income and money market mutual funds in the market to meet the growing demand for such products. The timing of the launch also took into consideration the huge scheduled maturity of corporate deposits under the NSS during the next couple of years. Despite having a low risk appetite, income and money market funds are not 'risk-free' per se while NSS have zero risk, i.e. the instruments are backed by the full faith and credit of the Government of Pakistan.

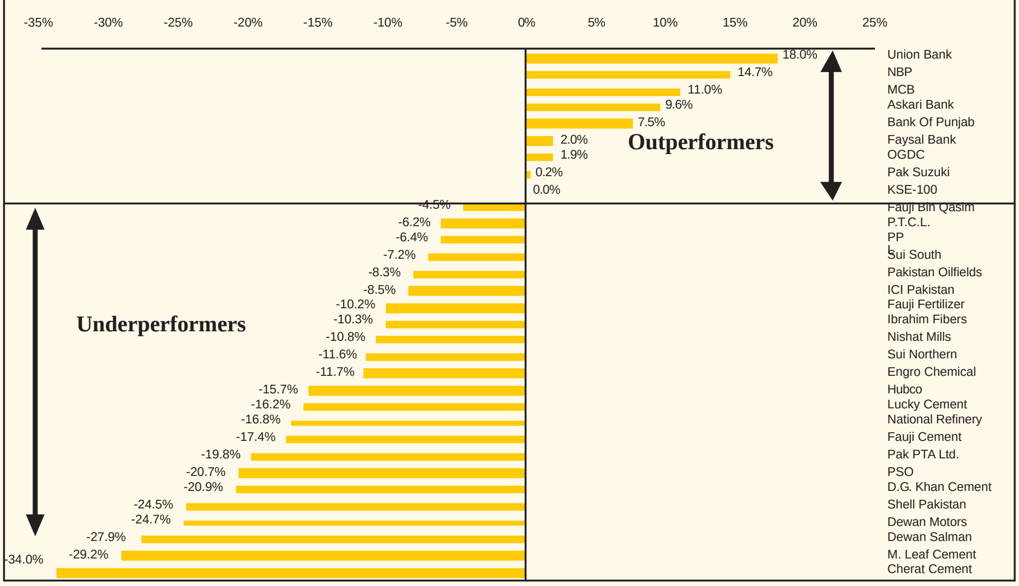
Moreover, the average return of 10.5% (less sales load of approximately 0.5%) provided by most of the funds are comparable to some of the schemes under the NSS (see above - average return for defence saving certificates is 10%). Also, there is comparability in both instruments from a liquidity perspective, meaning that on an average the minimum investment period of most NSS schemes lies between 6 months - 1 year. In light of the preceding arguments, we feel that the income and money market funds will be under tremendous pressure to attract liquidity and competition might compel them to increase returns (e.g. waiver of sales load etc.) but the trade-off might be an increasing in their risk appetite (e.g. ready-futures spreads).

Implication on the banks: hitting them where it hurts!

The most obvious implication of lifting the ban on institutional investment in NSS will be the further tightening of the liquidity crunch in the inter-bank market. The preceding is likely to disturb the demand and supply balance and hence an upward adjustment of KIBOR (and lending rates) may be expected. More importantly, increasing competition, high advance to deposit ratios, enhancement in the CRR & SLR and now the change in policy with regards to investment in NSS means augmented pressure on banks to further raise deposit rates.

However, it should also be noted that most of institutional deposit rates are unquoted and linked to KIBOR. Moreover, due to their bargaining power, institutions also benefit from high deposit rates even on chequing deposits. Therefore, we feel that although funds may shift to NSS in search of a better risk-return profile, higher deposit rates will play a role in keeping existing deposits within the banking sector.

Comparative Performance (September - October 2006)



(Contributed by Taurus Securities Ltd, a subsidiary of National Bank of Pakistan)

Pakistan - Bank Deposits by Type

(Rs. Billion)

	Savings Deposits					Fixed Deposits					Current Deposits					Total Deposits*				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
Nationalised Banks	**110**	**123**	**146**	**165**	**173**	**62**	**70**	**76**	**79**	**81**	**115**	**110**	**133**	**160**	**160**	**356**	**370**	**403**	**475**	**472**
National Bank of Pakistan	105	118	140	159	166	61	69	75	78	81	114	109	132	159	158	350	363	395	466	463
First Women Bank	5	5	6	6	7	1	1	1	1	-	1	1	1	1	2	7	7	8	9	9
Provincial Banks	**14**	**16**	**25**	**39**	**39**	**13**	**14**	**16**	**15**	**43**	**5**	**6**	**9**	**16**	**18**	**32**	**38**	**50**	**71**	**106**
The Bank of Punjab	10	12	19	32	32	5	7	9	9	36	4	4	7	13	15	19	24	35	55	88
The Bank of Khyber	4	4	6	7	7	8	7	7	6	7	1	2	2	2	3	14	14	15	16	18
Newly Privatised Banks	**361**	**431**	**495**	**555**	**546**	**164**	**165**	**143**	**141**	**226**	**130**	**154**	**218**	**271**	**323**	**673**	**783**	**877**	**981**	**1113**
Habib Bank Ltd	154	183	213	240	220	73	73	72	74	101	46	51	65	84	105	283	328	361	405	433
United Bank Ltd	69	83	104	118	123	39	45	37	43	80	30	32	44	64	80	141	163	190	230	289
MCB Bank	90	109	127	134	137	28	28	22	14	13	34	46	59	70	74	155	188	212	220	229
Allied Bank Ltd	48	56	52	63	66	24	21	12	10	32	20	25	50	53	64	94	104	114	126	162
Domestic Private Banks	**119**	**167**	**235**	**301**	**321**	**42**	**67**	**77**	**131**	**292**	**37**	**64**	**115**	**176**	**211**	**220**	**314**	**441**	**637**	**897**
Askari Commercial Bank	27	36	42	50	58	8	8	7	13	38	5	6	11	18	20	41	52	62	83	119
Soneri Bank	10	12	16	23	26	3	4	6	5	9	2	3	5	8	10	16	21	28	37	48
Bank Al Habib	11	13	15	16	17	3	3	5	9	18	10	17	26	35	40	25	34	46	62	76
Bank Al Falah	18	30	45	66	81	8	11	11	22	80	4	9	19	34	46	30	52	77	128	222
Union Bank	15	24	31	32	27	2	5	5	10	29	3	8	14	20	23	21	38	50	63	91
Faysal Bank	8	9	15	20	24	7	8	8	23	33	2	3	6	11	11	32	25	31	56	75
Metropolitan Bank	8	11	15	14	13	5	11	10	16	20	4	7	13	16	18	18	29	39	49	57
Prime Commercial Bank	8	10	12	15	16	1	2	3	4	8	2	3	6	10	11	11	15	22	30	39
PICIC Commercial Bank	5	8	16	25	22	3	9	9	9	18	1	2	5	8	12	10	21	32	44	54
KASB Bank	3	2	4	6	6	-	-	-	2	4	-	1	1	2	3	3	3	5	11	14
mybank	3	3	3	4	5	1	-	1	1	2	3	4	5	6	5	7	8	9	11	13
Saudi Pak Commercial	3	7	15	20	12	1	4	6	6	10	-	1	3	3	4	5	12	25	34	37
Meezan Bank	-	2	4	5	8	1	3	3	5	6	-	-	1	3	5	1	5	8	14	23
Atlas Bank	-	-	-	-	0.4	-	-	-	-	0.5	-	-	-	-	0.3	-	-	-	-	2
Crescent Bank	-	-	1	2	1	-	-	1	2	3	-	-	2	1	1	-	-	3	5	6
NIB Bank	-	-	1	3	6	-	-	2	5	13	-	-	1	1	2	-	-	5	11	22
Foreign Banks	**72**	**80**	**92**	**91**	**86**	**61**	**58**	**55**	**79**	**93**	**31**	**32**	**43**	**51**	**63**	**191**	**186**	**194**	**228**	**246**
Standard Chartered Bank	26	31	35	37	36	15	10	14	15	18	11	14	18	23	29	57	58	68	77	84
Citibank	17	17	17	17	13	16	16	15	20	30	4	6	7	8	10	41	41	40	47	53
ABN Amro Bank	17	20	25	19	21	11	9	5	20	16	5	5	7	8	10	34	35	38	48	48
American Express	3	3	3	3	3	2	2	1	0.5	1	1	1	2	2	2	6	6	5	5	6
HSBC	2	2	2	3	2	4	3	4	5	5	-	-	1	1	2	6	6	7	9	9
Habib Bank AG Zurich	4	4	6	7	7	10	14	12	13	18	3	3	4	7	8	17	20	23	28	33
Deutsche Bank	2	1	0.6	0.4	0.6	1	1	0.2	0.9	0.4	1	1	0.6	0.6	0.4	4	2.7	1.5	2.1	2
Oman International Bank	0.1	0.1	0.1	0.1	0.1	0.2	0.7	0.5	0.2	0.3	-	0.3	0.1	0.1	0.1	2.1	1.1	0.7	0.5	0.5
Al-Baraka Islamic Bank	2	2	3	4	4	2	3	3	3	4	1	1	1	1	1	5	5	7	8	10
Bank of Tokyo	0.1	0.1	0.1	0.1	0.1	-	0.5	0.4	1.2	0.2	4	1.2	2	0.8	0.6	6.5	3	3	3	1
Total : All Banks	**676**	**818**	**993**	**1150**	**1165**	**342**	**375**	**366**	**445**	**734**	**317**	**366**	**519**	**675**	**775**	**1473**	**1691**	**1965**	**2391**	**2834**

** Includes other accounts*

Pakistan - Bank Deposits by Type

(Percentage Share in Total Deposits)

	Savings Deposits					Fixed Deposits					Current Deposits				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
Nationalised Banks	**31**	**33**	**36**	**35**	**37**	**17**	**19**	**19**	**17**	**17**	**32**	**30**	**33**	**34**	**34**
National Bank of Pakistan	30	32	35	34	36	17	19	19	17	17	33	30	33	34	34
First Women Bank	71	71	75	78	78	14	14	11	11	-	14	14	13	11	22
Provincial Banks	**44**	**42**	**50**	**55**	**37**	**40**	**37**	**31**	**21**	**40**	**16**	**16**	**19**	**23**	**17**
The Bank of Punjab	54	50	55	58	37	25	29	25	16	41	22	17	20	24	17
The Bank of Khyber	32	29	39	46	38	61	50	45	35	39	7	14	16	12	17
Newly Privatised Banks	**54**	**55**	**56**	**57**	**58**	**24**	**21**	**16**	**14**	**20**	**19**	**20**	**25**	**28**	**29**
Habib Bank Ltd	54	56	59	59	51	26	22	20	18	23	16	16	18	21	24
United Bank Ltd	49	51	55	51	76	28	27	20	19	28	21	20	23	28	28
MCB Bank	58	58	60	61	60	18	15	10	6	6	22	24	28	32	32
Allied Bank Ltd	51	54	45	50	41	26	20	11	8	20	21	24	44	42	39
Domestic Private Banks	**54**	**53**	**53**	**47**	**36**	**19**	**21**	**17**	**21**	**32**	**17**	**20**	**26**	**28**	**24**
Askari Commercial Bank	66	70	68	60	49	19	15	11	16	32	12	12	18	22	17
Soneri Bank	63	57	57	63	54	19	19	21	13	19	13	14	18	22	21
Bank Al Habib	44	38	33	26	22	11	10	10	15	24	40	50	57	56	53
Bank Al Falah	60	58	58	52	36	25	21	14	17	36	14	17	25	27	21
Union Bank	71	63	61	51	30	10	13	10	16	32	14	21	28	32	25
Faysal Bank	25	37	49	36	32	22	32	26	41	44	6	12	19	20	15
Metropolitan Bank	43	37	37	29	23	29	38	27	33	35	23	26	33	32	32
Prime Commercial Bank	72	70	55	51	40	5	12	14	12	21	18	18	27	34	28
PICIC Commercial Bank	48	38	50	56	41	32	43	28	21	33	10	10	16	18	22
KASB Bank	88	78	72	55	44	-	-	-	18	28	-	19	20	18	21
mybank	45	44	37	32	38	7	-	10	6	15	48	53	53	53	38
Saudi Pak Commercial	63	59	63	60	33	17	31	24	19	27	-	10	13	9	11
Meezan Bank	-	40	50	37	35	100	60	38	36	26	-	-	14	22	22
Atlas Bank	-	-	-	-	18.2	-	-	-	-	22.7	-	-	-	-	13.6
Crescent Bank	-	-	33	39	19	-	-	17	38	48	-	-	50	23	16
NIB Bank	-	-	22	29	26	-	-	37	45	60	-	-	20	9	9
Foreign Banks	**38**	**43**	**47**	**40**	**35**	**32**	**31**	**28**	**35**	**38**	**16**	**17**	**22**	**22**	**26**
Standard Chartered Bank	46	53	52	49	43	26	18	21	20	21	19	24	27	30	35
Citibank	41	41	42	36	25	39	39	38	42	56	10	15	17	17	19
ABN Amro Bank	50	57	66	40	43	32	26	13	41	34	15	15	19	17	21
American Express	53	53	59	59	46	30	28	12	10	18	17	18	29	31	36
HSBC	31	39	32	31	24	62	45	51	56	54	7	-	16	12	22
Habib Bank AG Zurich	22	19	27	24	21	60	67	54	47	55	19	14	19	25	24
Deutsche Bank	53	41	40	19	42	23	33	13	43	26	25	26	40	29	26
Oman International Bank	4	9	17	25	24	10	64	63	38	57	-	27	14	18	19
Al-Baraka Islamic Bank	29	34	37	49	38	39	49	35	37	41	25	17	14	13	10
Bank of Tokyo	2	3	5	6	13	-	17	13	45	19	61	40	67	31	58
Total : All Banks	**46**	**48**	**51**	**48**	**45**	**23**	**22**	**19**	**19**	**26**	**22**	**22**	**26**	**28**	**27**

Bank's Mergers/Acquisitions

Sr. No.	Bank	Merged with/Acquired by	Date
1	Bank of America	Union Bank	July 2000
2	NDFC	National Bank of Pakistan	October 2001
3	Schon Bank (renamed Gulf Commercial Bank)	PICIC Commercial Bank	November 2001
4	Prudential Commercial Bank	Saudi Pak Industrial & Agriculture Investment Company (renamed Saudi Pak Commercial Bank)	November 2001
5	Faysal Investment Bank	Faysal Bank	January 2002
6	Societe Generale	Meezan Bank	April 2002
7	Emirates International Bank	Union Bank	September 2002
8	Platinum Commercial Bank	Khadim Ali Shah Bukhari & Co (renamed KASB Bank)	October 2002
9	ANZ Grindlays Bank	Standard Chartered Bank	November 2002
10	Mashreq Bank (renamed Mashreqbank Pakistan Ltd)	Cresent Investment Bank (renamed Cresent Commercial Bank)	July 2003
11	NDLC & IFIC	NIB Bank	October 2003
12	Bank of Ceylon	Dawood Bank	March 2004
13	Credit Agricole Indosuez	NIB Bank	April 2004
14	Doha Bank	Trust Commercial Bank	May 2004
15	Trust Commercial Bank	Crescent Commercial Bank	October 2004
16	Dawood Bank	Shirazi Investment Ltd of Atlas Group. Later amalgamated into Atlas Investment Bank (renamed Atlas Bank)	March 2006
17	Rupali Bank	Arif Habib Investment Group (renamed Arif Habib Rupali Bank)	August 2006
18	Union Bank	Standard Chartered Bank	September 2006
19	Habib Bank A.G. Zurich	Metropolitan Bank (renamed Habib Metropolitan Bank Ltd)	October 2006

Pakistan Economy - Key Economic Indicators

Economy Size & Growth			FY '03	FY '04	FY '05	FY '06
GNP - Market Prices		Rs. bn	4974.6	5657.1	6715.6	7864.5
GDP - Market Prices		Rs. bn	4822.8	5640.6	5681.1	7713.1
Per Capita Income	Market Prices	Rs.	33899	38524	44028	50618
	Market Prices	US$	579	669	742	847
Growth*						
GNP		%	6.3	7.3	8.3	6.4
GDP		%	4.7	7.5	8.6	6.6
Agriculture		%	4.3	9.2	9.2	4.3
Large-scale manufacturing		%	7.2	18.1	15.6	9.0
Services Sector		%	5.2	5.9	8.0	8.8
Rate of Inflation		%				
Consumer Price Index[x]		%	3.1	4.6	9.3	7.9
Wholesale Price Index[x]		%	5.9	7.9	6.8	10.1
Balance of Payments		$mn				
Exports (f.o.b)			10889	12396	14401	16777
Imports (f.o.b)			11333	13604	18753	23629
Trade Balance			(-)444	(-)1208	(-)4352	(-)6852
Services Account (Net)			(-)2128	(-)3594	(-)5841	(-)6994
Current Transfers (Net)			5737	6116	8440	8492
Current Account Balance			3164	1314	(-)1753	(-)5354
Fiscal Balance		% of GDP				
Total Revenue (Net)			14.9	14.3	13.7	14.2
Total Expenditure			18.6	16.7	18.2	17.6
Overall Deficit			(-)3.7	(-)2.4	(-)3.3	(-)4.2**
Domestic & Foreign Debt						
Domestic Debt		Rs. bn	1894.5	2012.2	2158.4	2296.9
As % GDP			39.3	35.7	32.8	29.8
Total External Debt & Liabilities		$bn	35.47	35.26	35.83	37.26
As % of GDP			43.1	36.7	32.6	28.9
As % of Foreign Exchange Earnings			181.2	164.7	134.3	130.2
Investment & Savings		% of GDP				
Gross Investment			16.9	16.6	18.1	20.0
Gross Fixed Investment			15.3	15.0	16.5	18.4
National Savings			20.8	17.9	16.5	16.4
Domestic Savings			17.6	15.7	14.5	14.4
Foreign Investment		$mn	816.3	921.7	1676.6	3872.5
Portfolio			22.1	(-)27.7	152.6	351.5
Direct			798.0	949.4	1524.0	3521.0
Monetary Aggregates		%				
M_1			26.2	24.0	18.4	9.1
M_2			18.0	19.6	19.3	12.2
Literacy Rate		%	51.6	53.0	53.0	53.0
Foreign Exchange Reserves		$mn	10719	12328	12623	13137
Exchange Rate		Rs./$	58.4995	57.5745	59.3576	59.8566
Stock Market Growth Rate		%				
SBP General Index of Share Prices[x]			91.2	53.2	15.1	18.7
Aggregate Market Capitalisation			83.1	81.9	48.3	37.4

* Constant Factor Cost of 1999-2000 [x] 2000-01 base
** Excluding earthquake spending the deficit is 3.4%.

Source: Annual Plan FY'07 and State Bank of Pakistan