

# REPORT

Organized By Farz Foundation



## REPORT

### Islamic Microfinance Conference

# The First National Islamic Microfinance Conference 2011

On  
**Poverty Alleviation through Islamic Microfinance**

**Venue:** Jinnah Auditorium, Lahore Chamber of Commerce & Industry, Sharah-e-Tijarat Lahore.

**Date:** 29 January, 2011

**Time:** 9:00 AM



First ISO Certified Chamber in Pakistan

# INTRODUCTION

Farz Foundation is The First Shariah Certified Islamic Microfinance Organization of Pakistan, which began its operations as a registered entity on September 9, 2009. It has so far facilitated 132 families through Murabaha by delivering the productive assets to the poor rather than disbursing hard cash, to generate economic activity. Farz Foundation has introduced the Farz Methodology which aims at alleviating poverty with interest free financial tools on the basis of partnership. It has also successfully completed its pilot project with zero percent default at a time when the conventional Microfinance underwent very hard times.

In our on going phase we intend to demonstrate the unrealized potential of this methodology for the investors to kick start an economic activity in this very difficult period. To achieve this goal we need to approach around twenty million job and asset less people of Pakistan, who desperately await help. Islamic Microfinance enables us to reach out to millions of people and help them teaches skills and provides the economic environment to use their skills in a productive and profitable manner. Islamic Microfinance addresses the limitations posed by interest based loaning and facilitates the poor by Shariah compliant methods, focusing on micro enterprises.

The event, “**The First National Islamic Microfinance Conference Pakistan 2011, on “Poverty Alleviation through Islamic Microfinance**”, on 29th January at Lahore Chamber of Commerce & industry, details the success of this method and provides an opportunity to the Islamic Microfinance players, practitioners and regulators for effective networking to meet the challenges posed to the sector. The conference also aims at bringing to gather the business community, microfinance organizations and the poor, for illusive macroeconomic stability through poverty alleviation. It is high time to replace trickledown theory with twist up theory to avoid repeating the mistakes of the past.

Participants in the conference include State Bank of Pakistan, Lahore Chamber of Commerce & Industry, SAARC Chamber of Commerce and Industry, Federation of Pakistan Chambers of Commerce and Industry, Islamic Microfinance Network International, Women Chamber of Commerce & Industry South Punjab, Akhuwat, Naymet Islamic Microfinance, Pakistan Microfinance Network, Kashf Foundation, Mojiz Foundation Pak Qatar Family Takaful, AHAN, SMEDA, Alhuda, Anjum Aasim Shahid Rehman, Qadeer & Company and others.



# CONCEPT

The purpose of this conference is to offer concrete solutions to our economic crisis that has assumed alarming proportions in recent times, particularly owing to recent floods. This whole exercise is also aimed at targeting poverty which plagues the majority of our population. In the conference, we intend to provide opportunity for learning and sharing experiences to develop the micro enterprises through Islamic Microfinance.

We all know pretty well that trickle down theory hardly worked throughout the world. But, through sustaining the poor with training and provision of productive assets, ultimately macroeconomic stability could be achieved (Twist up economic theory).

## LEARNINGS

This occasion will provide an opportunity to learn how Farz Methodology and other Islamic models can help reduce poverty and contribute to macroeconomic stability. What necessitates this mode of financing is the setbacks in the conventional Microfinance witnessed throughout the world.

The practitioners from various Islamic Microfinance organizations will also share their own knowledge and experiences about the sector.

The participants will also learn how did Islamic banking and finance survived the most testing times and what role it can play in days to come.

## OBJECTIVES

- ▶ To create awareness about Islamic Microfinance models.
- ▶ To bridge the three sectors, namely private, Islamic banking, and Islamic Microfinance.
- ▶ To lay bare the importance of micro enterprise development.



# PARTICIPANTS

## INDIVIDUALS

The first National Islamic Microfinance conference was held here in the Lahore Chamber of Commerce and Industry. The notables who attended included Iftikahr Malik, Vice President Sarcc Chamber of Commerce and Industry, Tahir Malik, Chairman Trafco Group of Companies , Mr. Zulfiqar Khokhar Additional Director Islamic Banking & Finance Department State Bank of Pakistan, Mufty Iftikhar Baig, Sharia Adviser of Albaraka bank Mufty Mahmood Sharia Advisor Farz Foundation , Tariq Shafi, Regional Chairman FPCCI and Ms Humera Awais Shahid, member Provincial Assembly.

## ORGANIZATIONS

The leading organizations that participated in the event included Akhuwat, Naymat Islamic Microfinance, AHAN, Pak Qatar Family Takaful, Alhudda, CIBE, Kashf, Islamic relief, SMEDA, CWCD, Mojaz Foundation, Manzil Programme, Islamic Microfinance Network International, Lahore Chamber of Commerce and Industry, Saarc Chamber of Commerce and Industry, Federation of Pakistan chambers of commerce and Industry and Women Chamber of Commerce & Industry were present among others.

All the speakers term the conference a mile stone in the history of Islamic Microfinance in Pakistan and lauded the efforts of the Farz Foundation against all odds.



## CONFERENCE PARTNERS



# WELCOME NOTE



## The Chief Executive Officer, Farz Foundations Farhat Abbas Shah said

it is high time to practice Islamic Microfinance and pledged the Farz Foundation will take along all the organization to make a difference. That He said it is imperative to take up the restoration work in the flood-hit areas where the government already left the work unfinished. He said this challenge is also an opportunity. He also vowed to bridge the local and international investors. He also added that he has no doubt about the success of Islamic Microfinance.

He Also explained, before I come to the point that I want to make to day I have a little story to narrate. About four years ago I stumbled into the microfinance sector with an absolute stroke of chance. Before that I had always dreamt of doing something for the crowded millions suffering in the ruthless clutches of poverty.

Microfinance, as you all know, was supposed to be one important tool to fight this threat of poverty. I began my new assignment in this sector with all sincerity. Soon I was awakened to the fact that the conventional microfinance in most cases was producing the results directly opposite of the stated aims. I cannot doubt the intentions of the donors and investors, but it was the element of "SOOD" and off- course in the intermediary layers there was an uncontrolled abuse which in fact was further dipping the poor in a bottomless pit of misery.

That was the point when I began to reflect on the causes of the setbacks in the sector. During the same period the news of failures in the worldwide conventional microfinance sector began pouring in. this also coincided with worst recession after the great depression of 1930s. By the way it began with sub-prime loan crisis and sooner than later it took over the whole developed world. Even today the whole world is reeling under this crisis with no end in site so far.

The most striking realization which I had during the period, was the nature of the relationship between the client and the facilitating agency, which I observed during my work with conventional microfinance. It was a cold, business-like, kind of matter of fact type relationship. I was surprised to see the utter disregard of the facilitators towards the clients' education, skills, abilities and plight. Here lied the root cause of the set backs which led to the painful process of defaults and subsequently late night recoveries. Having gone through this experience I further pondered upon the causes of failures and came to the conclusion that extending micro loans to the poor without evaluating

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the capabilities and skills is absolutely self-defeating.

I also came to the conclusion that extending hard cash to the cash-starved poor creates problems instead of offering any solution.

Here was the point when I, along with a few other friends, decided to enter the market with a new methodology, which we subsequently named as the Farz methodology. We had a few assets that we sold and took the plunge. Napoleon once said 25 percent of his decisions were always a leap in the dark. But to me, our decision to embark upon the partnership and asset-based microfinance was no leap in the dark.

To put the long story short, our one-year pilot project produced amazing results, at a time when not only the poor microfinance clients were defaulting but even the states began their journey on the painful course of bankruptcies and defaults. Though, there can't be a comparison between our humble organization and the mighty states, it at least gives food for thought to many as to how did we achieve hundred per cent recoveries when the mighty organizations like Grameen were faltering. The secret lies in the fact that first of all it is an interest free mode, and certainly we trained our clients, provided them with market linkages and health care before extending productive assets. Another important factor was the fact that we proceeded with our clients on partnership basis.

**Ladies and gentlemen..**This is the humble saga of the Farz Foundation until now and here I stand before you along with my wonderful team without which I could not have achieved whatever I have achieved so far. During the last two decades, the world has seen the biggest events of human history. The one being the worst ever recession of the west, which now seems poised to hit the poor world. The experience of the west gives us a food for thought, while embracing all that was good in the western economic structures, we should not shut the door on innovation. We usually feel comfortable to walk on a beaten path, but world has always progressed with innovations. We do not and never intended to take a leap in the dark.

There is a striking similarity between the post second world war Europe and Pakistan. After the floods 20 million people have been affected. There tools and lands need repair. They need funds to kick start their productive work. They are a challenge as well as an opportunity for us. It's a huge untapped market awaiting intelligent investors. Our one year pilot project opens a window to this new economic opening. Quite surprisingly Islamic banking and finance has witnessed about 15% growth at a time when the conventional banking was hit the hardest and is being bailed out with the huge sums, rendering the states bankrupt. Islamic Microfinance sector is also intended to play an important role in not a very distant future. By combining Islamic microfinance and rehabilitation work, we can work miracles.

We all agree that investment in human capital is always of a paramount importance for any society's development. A poverty-ridden society is always a hub of growing militancy and crime. It can effectively be countered through creating a partnership with the poor along with creating awareness among them.

We also believe that the Islamic Microfinance Sector can also bridge the local investor with international financial institutions for curing our ailing economy and to have a healthy but so far an illusive growth rate. The Farz SME and Entrepreneurial village can pave our way to that desirable goal. There is no denying the fact that industrial peace is a key to the smooth running of any unit as well as the over all economy.

We extend our hands to you to exploit this opportunity at the most opportune moment when millions of skilled people await our help to be re-engaged in a productive process. Our country at least owes that much to us. This is not a mere dream. We have many precedents in the past when countries like Malaysia have prominently emerged on the economic map of the world.

At the end I would like to pay my gratitude to my all those, who supported us to make this event as a mile stone in the history of Islamic Microfinance.

I believe, State Bank of Pakistan, Akhuwat, Naymet, Alhuda, Pak Qatar, Islamic Relief, Farz Foundation, Islamic Microfinance Network International and many other Islamic Microfinance Organizations can change at least the fate of the poor economy of Pakistan.

Believe me another world is possible. ....

# MR. IFTIKHAR ALI MALIK SAID...

(Vice President, SAARC CCI & CEO, Guard Oils (Pvt.) Limited)



The business community must come forward to join hands with Farz foundation to fight poverty and militancy. He said that the Farz Methodology is the ray of hope in this darkness of economic depression and we can jump out of the crisis by implementing Farz Methodology at international level.

He also stated, "I have known Mr. Farhat Abbas Shah for his poetry and anchorage. But quietly recently another aspect of his personality has surprised me. He has come up with a novel idea for an economic rehabilitation of the ultra poor through an asset-based financing along with business training, health care and awareness. And, above all, the timing of his idea coincides with the most difficult times owing to world wide recession and worst flooding in our history. I also believe that there could be sweeter uses of adversity if one has a thinking mind. We all know the recent setbacks in the world economy which is going through the worst crisis of its history. He demonstrated the courage to take on the curse of poverty in these difficult times. As a matter of fact believing in this idea in the beginning was not that easy when the most potent economic structures world wide were crumbling.

He chose Islamic Microfinance as an answer to the most pressing questions of our time. But what convinces us all the success of the first Farz pilot project which was completed with 100 percent results. I believe there always is a room for change and improvement as we have seen that this world has undergone a sea change during the last many decades. Only those communities and nations survive who keep their doors open to change.



What Farz methodology ensures is a gradual change on solid footings. It aims at choosing willing workers, training them and providing them with productive tools. I do agree that as an aftermath of unprecedented floods, scores await this help and we can initiate a self-sustaining economic activity in many parts of this country. Despite difficult times why India, our next door neighbor is posting a healthy growth rate of above 9 percent. Strangely enough, even Bangladesh has shown a far better economic performance than us. Another alarming fact is that our economy is constantly going down the hill. It is our foremost duty to contribute our bit to the national cause, which ultimately would help us all no matter in which sector we work. Another fact that makes this task more imperative is that modern state structures are official economy alone cannot help uproot poverty. The private sector has to play its role. A shared prosperity is only key to a boosting the industry and finance. We must help each effort aimed in this direction.

I want to assure the Farz Foundation of all out help for this noble cause. We do need to help ourselves to stand up with grace in the community of nations. And I also believe that another world is possible only if we all realize our joint responsibility.

An incorrigible optimist that I am, I believe like Farhat Abbas Shah that another world is possible. Lets join our hands to assume our responsibility at the most critical juncture of our history. I believe through a collective effort we can make a considerable difference."

# MS. HUMAIRA AWAIS SHAHID SAID...



{Member Provincial Assembly Punjab (Provincial Parliament of Pakistan) stated after getting the Conference, “achievement award “for getting through the prohibition of money lending act 2007”}

It is not easy to fight against the interest based system in Pakistan. My humble efforts have been in the form of bringing a legislation to prohibit private usury and the exploitative practices of private money lending business. As a provincial parliamentarian I presented the bill “Punjab Prohibition of Private Money Lending Act 2007” on July 31, 2003. Bill was forwarded to the Revenue Committee Punjab Assembly, defended it in the committee for 4 years and it finally got passed on June 12, 2007. This bill is the first piece of legislation ever passed by a private member in the 100 years history of Punjab Assembly, that too without the approval of the cabinet, administrative department and support of government benches. It was on the basis of sheer personal advocacy, lobbying and motivating my colleagues in the parliament to help the poor people from the malicious clutches of private money lending mafia. The bill went through 11 extensions and survived more than 20 committee meetings. My bill was passed as a bipartisan bill on June 12, 2007 and replicated, adopted and passed by the NWFP Provincial Assembly (now Khyber Pakhtunkhwa) on July 2, 2007.

The bill targeted the curbing of private money lending criminal mafia who exploited the down trodden. The crux of my legislation is that all money lending businesses should be done by the banks or financial institutions that come under the rules and regulations of The State Bank of Pakistan. The private money lenders are an organized mafia that are looting and exploiting the under-privileged class; by lending money to them; they trap these poor simpletons in the vicious trap of unreasonable interest on flat rates, also create overindetedness and violate the principles of customer's ethic, which is totally without inhuman .More than half of the crimes of my province have a link with this mafia. When their demands are not met, they usurp the borrowers of their assets, property, agricultural land (which is the only source of income), their pensions, and savings, in most scenarios their daughters and minors are taken in forced marriages or sold to brothels.

I stand by the struggle of Farz Foundation of bringing forward Islamic practices and systems through micro enterprise development and economic programs empowering poor women. Their role as innovators in the field of bringing forward and implementing the ethical essence of the Islamic economic system of Micro trade through Farz Methodology is unprecedented. I have also joined hands with them for launching Bai-salam Islam's interest free agricultural system. There is a worldwide debate on the Islamic Finance and Islamic Economic system. Since the present recession and the conventional financial system has failed to deliver and has become a source of creating further disparity between the MFIs and the poor, the Farz Methodology is exploring the asset based and interest free economic systems as a solution to invigorate the economies. Islamic Economic system has its ethics and principles of creating profit for the buyer and the seller, the borrower and the lender both.



It's a system that creates growth and affluence for the overall society and will not only benefits and interests of particular section of society. Bai Salam systems are today debated by leading Economists as a possible solution to revitalize economies and avoid exploitations.

In the Salam contract the buyer purchases the product in advance and signs a contract of the future delivery of the product based on a mutual consent future date. Seller agrees to supply specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. Price is in cash but the supply of goods is deferred and farmer does a futuristic contract.

The basic conditions for a validity of a sale in Shariah are three:(1)The purchased commodity must be existing,(2)The seller should have acquired the ownership of that commodity,(3)The commodity must be in the physical or constructive possession of the seller.

The purpose of Bai Salam is to meet the needs of small farmers who need money to grow their crops and to feed their family up to the time of harvest. It also brings down the cultivation costs of the farmers by 25%. Bai salam also helps to meet the need of working capital, to meet the needs of liquidity problem and meet the need of traders for import and export business.

Salam is beneficial to the seller, because he receives the price in advance, and it is beneficial to the buyer also, because normally, the price in Salam used to be lower than the price in spot sales. This system has both social and economic benefits; its practice will give the farmers an alternate to avoid from the devious and vicious debt cycle and usurious loans. The exploitation of the middle agents will be minimized. It proposes the government to be the prime buyer and distributor of agricultural goods and products, the illegal hoarding and creating artificial shortages could be curbed. The cultivation cost of the farmer will decrease by 25%, as the advance payment will help him buy fertilizers, seeds, rental machinery etc. The inflation of food products can be controlled by the government. The government can collect Usher and which can generate revenue of millions. Creating an effective collecting and distributing mechanism of Usher would help alleviate poverty and food famines. This would be the a major step towards the concept of asset based economy and a shift from interest based economy in accordance to the true principles of Islam, the vision of Quaid e Azam (as addressed in his first speech on the opening ceremony of State Bank of Pakistan) and the Constitution's provisions against riba.

It can revive the banks of Punjab, due to huge financial and economic activity. In a recent report the different Islamic banks of Pakistan have billions of surplus money; these banks can be involved in Bai Salam and organizations like Farz Foundation can create a public/private partnership with the government and create a very effective mechanism to alleviate poverty in the form of Bai salam. Farz foundation could be a great catalyst to create this shift and change and introduce a system to the world that beneficial for all.

# DR. AMJAD SAQIB SAID...



(The CEO of Akhowat)

Microfinance is seen as an important strategy for poverty alleviation and bringing improvements in the quality of life of the poor. However, in recent years, some micro-finance institutions have been criticized for high interest rates and alleged coercive measures for debt collection. In the south-eastern Indian state of Andhra Pradesh, for example, micro-loans have been blamed for a series of suicides among struggling farmers. Few critics blame micro-finance as an extension of capitalistic system which is making poor the poorer. This criticism, may not be justified completely but it certainly requires some creative thinking to find sustainable answers.

Islamic Micro finance, like Islamic finance, offers a plausible solution. Islamic micro finance not only believes in equitable distribution of wealth but it is also in consonance with the religious beliefs of the majority Muslim population of Pakistan. Though it is yet in an infancy stage but it still offers a great potential for growth and expansion. The most critical factors required for its success include deep commitment, thorough understanding of shariah compliant principles, quality human resource and adequate financial resources. It also needs a supportive environment and patronage by the state bank and government of Pakistan.

Akhuwat, an innovative program, pioneers interest-free (qarz-e-hasna) micro-finance in Pakistan. By creating a low cost micro-finance model with minimal operational costs, Akhuwat has successfully established a system that fully reinforces the assumption that client sustainability is as important as organizational sustainability and interest free credit facility to the poor is also possible. The recently concluded Islamic Microfinance conference, under the auspices of Farz Foundation and some other partners has been a welcome step as it has provided an impetus to gather more resources and develop a cadre of professionals who would be willing to work for this noble cause and build a system that will ensure access of financial services to the poor.

# MR. ZULFIQAR KHOKHAR SAID...



Additional Director, State Bank of Pakistan.

He revealed the strategic plan of SBP to promote the Islamic Banking and Finance in the country. He said that the State Bank of Pakistan has started extending support for capacity building and institutional development.

# MR. TARIQ SAEED CHAUDHARY EXPLAINED...



(Group Head, Pak Qatar Family Takaful Ltd.)

He explained that Takaful is “Halal” risk mitigation tools, which provide protection to the people who are being supported by Islamic Micro Finance, in their financial sustainability.

He further explained the mechanism of conventional methods of risk mitigation, and its comparison with Takaful as a “Halal” alternative for financial risk protection.

Pak Qatar Family Takaful is already working with IMFIs, and providing protection to their customers in case of their death and disabilities. The present scope of coverage may be enhanced with development of more need based products, to support not only IMFIs but their clients.

Pak-Qatar Family Takaful Limited, the pioneers of Family Takaful, is a progressive and a technology-driven Shariah Compliant company providing innovative Takaful solutions in Pakistan. The company is the fastest growing Family Takaful operator in the region.

Incorporated in 2006, and beginning operations in 2007, the company is registered with, and supervised by, the Securities and Exchange Commission of Pakistan (SECP). An independent shariah Advisory Board chaired by Mufti Muhammad Taqi Usmani certifies all products and operations for Shariah compliance.



# MR. RAFAY MAHMOOD EXPLAINED...



(General Manager Operations, Farz Foundation.)

He explained the systems and procedures that made the project a success. He also enumerated the difficulties during course of whole process. He said, "A brief summary of our operations and detail of the economic activity results during the last 17 months.

There are three areas that we chose and worked there during this period. With the help of 17-member team we dealt with 128 (members) poor families consisting of 11 separate groups. Total recipients who were facilitated are 1201. We first conducted a survey to choose useful members, then trained them and helped them establish their businesses with the provision of productive tools, stocks and inventories. We also introduced to them a saving scheme locally known as committee to build their assets and save money for the rainy day. Total number of persons who benefitted from this saving scheme is 157. We also introduced Islamic insurance known as micro Takaful.

We signed an agreement with Pak Qatar Takaful to insure our clients for mitigating the risk factor. We also choose 14 children from the families of successful clients and provided free education to them. There 494 persons whom we trained to establish their business and make it a profitable activity. In our health camps we helped 409 persons. We provided them eye care facility and eye glasses as well from ZAKAH fund. The amount spent in only Murabaha amounts Rs 1.57 million. So far we have recovered 1.07 million while 0.843 million is outstanding. It is pertinent to mention that our overdue amount is 0 percent.

During this whole exercise we faced certain very interesting challenges. There were many conventional Microfinance organizations already working there and the potential clients are members expected us to offer them hard cash instead of the asset based services we were extending to them. Then we conducted workshops and held discussions with the poor community to make them understand the long term benefits of the asset base Farz Methodology. We overcame this problem very soon and now our clients come up with more people and recommend them to be facilitated. But this happened only after their successful experience. One can easily imagine that with the help of this small amount mentioned earlier we have facilitated 128 families who are now self sustainable".



# MR. SAEED QAZI THREW LIGHT ON....



**(General Manager Communications, Farz Foundation.)**

The recent recession that has forced different regions into political turmoil and pointed out that Islamic model is need of the hour. He added that Farz Methodology can come to rescue of the ailing financial sector.

He said, It is said truth is stranger than fiction and the truth is that in Bangladesh certain Microfinance organization ensured slightly above \$ 1.25 in a day for about 10 million people. This amount amounts to about 75 takas in Bangladeshi currency. The united Nation has given the benchmark of \$2 to gauge poverty. Considering the average inflation which usually is in double digit, this amount is too meager to sustain an individual.

Even this achievement, if it could be termed an achievement, took more than two decades to take place, with immense resources and support by the world at large. Compound interest in the poverty alleviation practices could be cited as the most important factor behind this debacle. We conducted a survey and study in a poor neighborhood which revealed that not a single person was willing to work with interest-based financial service we contacted hundred people out of which fifty were already clients of conventional micro finance. They also revealed they accepted financial service with interest as they had no other option.

Another important development of our times is that debacle in the Microfinance sector and over all world wide recession took place almost at the same time. It started as a sub-prime loan crisis and soon assumed very dangerous proportions. Officially it is said that recession is over but joblessness stubbornly haunts the governments all over the world. Even in the Middle East is witnessing a severe backlash and even government in Tunisia was overthrown in a matter of days while the neighboring rulers shudder with prospects of meeting the same fate.

Whether we agree on the solutions or not, we do agree that world economic history is taking a sharp turn. At a microcosmic level the Farz Foundation at least has clearly demonstrated through its pilot projected the even with a meager amount of Rs. 1.5 million, 128 families could be sustained on the basis of partnership. This is no mean achievement considering that millions of dollars could not ensure desired results. Another solution that the Farz Foundation has offered is SME village which could jointly sustain 1100 families at a time. We have already been donated land in Jhang district consisting of 4 acres for our first SME pilot project and we have already started work on this project.

**Ladies and gentlemen..**Greater aims make greater men. We have achieved whatever we could in our lives. We have now a great responsibility to transform the society for our future generation.. Let's join our hands together to embark on this rewarding journey. Lets not cling to already tested patterns. Lets not close our doors to innovation. Lets together march on to achieve the common goal of prosperity, peace, and economic growth...

# MR. TAHIR MALIK SAID...



(Chairman, Trafco Group of Companies and Farz Foundation's Ambassador for Poverty Alleviation.)

He said, industrial peace depends upon sustainability of the poor and warned that failure in this regard might result in very unpleasant outcome. He said, "I have known Mr. Farhat Abbas Shah for his poetry and anchor ship. But quietly recently another aspect of his personality has surprised me. He has come up with a novel idea for an economic rehabilitation of the ultra poor through an asset-based financing along with business training, health care and awareness. And, above all, the timing of his idea coincides with the most difficult times owing to world wide recession and worst flooding in our history. I also believe that there could be sweeter uses of adversity if one has a thinking mind.



We all know the recent setbacks in the world economy which is going through the worst crisis of its history. He demonstrated the courage to take on the curse of poverty in these difficult times. As a matter of fact believing in this idea in the beginning was not that easy when the most potent economic structures world wide were crumbling.



He chose Islamic microfinance as an answer to the most pressing questions of our time. But what convinces us all the success of the first Farz pilot project which was completed with 100 percent results. I believe there always is a room for change and improvement as we have seen that this world has undergone a sea change during the last many decades. Only those communities and nations survive who keep their doors open to change.



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Another alarming fact is that our economy is constantly going down the hill. It is our foremost duty to contribute our bit to the national cause, which ultimately would help us all no matter in which sector we work.

Another fact that makes this task more imperative is that modern state structures are official economy alone cannot help uproot poverty. The private sector has to play its role. A shared prosperity is only key to a boosting the industry and finance. We must help each effort aimed in this direction.

I want to assure the Farz Foundation of all out help for this noble cause. We do need to help ourselves to stand up with grace in the community of nations. And I also believe that another world is possible only if we all realize our joint responsibility.

An incorrigible optimist that I am, I believe like Farhat Abbas Shah that another world is possible. Lets join our hands to assume our responsibility at the most critical juncture of our history. I believe through a collective effort we can make a considerable difference."

# MR. SULTAN TIWANA APPRECIATED...

(General Manager, SMEDA)

He appreciated that the Farz Foundation has provided such a platform to discuss the new avenues for the development, growth and sustainability of the micro enterprise.



# MR. IMRAN AHMAD REVEALED IN HIS PAPER...



Project Director, AHAN

## "POVERTY ALLEVIATION THROUGH ISLAMIC MICROFINANCE"

Poverty alleviation remains the most important challenge before policy makers especially in the Islamic world that is characterized by high and rising poverty levels. Various projects and programs, in private as well public sectors, have been initiated in Pakistan with this objective. However, it is now an accepted fact that the challenge of poverty alleviation cannot be addressed without developing micro enterprises.

In addition, credit is very often neither the only nor the most important requirement for the success of an initiative. Non-credit inputs such as design, product development, market information, marketing assistance in both domestic and export markets, appropriate technology development and the provision of common facility centers become more important for the communities.

AHAN – Aik Hunar Aik Nagar is operating on the same concept. AHAN is a not for profit company registered under Section 42 of the Companies Ordinance 1984 under Ministry of Industries & Production, Government of Pakistan. Company Head Office has been established at Lahore with regional offices at all four provincial headquarters i.e. Lahore, Karachi, Peshawar and Quetta.

Major AHAN objectives include:

- (1) To support poverty alleviation initiatives of Government of Pakistan through facilitating rural craft persons, artisans and poor producer groups in accessing services such as skill trainings, product development, quality assurance, marketing, technological up-gradation and support in access to micro finance.
- (2) To cater for neglected sector of hand crafted products produced in rural, semi urban areas.

(3) To achieve its objectives, AHAN initiates clearly defined, product-specific Projects in rural and semi urban areas across the country. Following services are provided to rural male and female artisans and craft persons:

- Skill Enhancement and capacity building
- Product Development/Designing
- Technological Input
- Quality Assurance
- Marketing and promotion
- Financial Support/access to micro-finance

So far AHAN has completed 82 projects across the country. 30 new projects are currently being implemented.

Most modern design facilities have been arranged at AHAN. In second phase these facilities shall be provided at village level also. A team of creative designers, patternmakers and cutters is in place for this purpose. Designers in all other sectors such as ceramics, leather ware, silver ware and woodwork have also been taken onboard. These designers, in close coordination with marketing department continuously work on developing new products with improved designs, new uses and better color schemes for changing market trends.

For marketing and promotion of rural handicrafts, AHAN has provided a platform for rural artisans and craft persons to place and promote their products in better markets through establishing linkages and participation in exhibitions and fairs. Rural artisans now have business links with renowned designers, private entrepreneurs and buying houses/outlets.

AHAN project beneficiaries have been able to generate business worth Rs. 60 million to date. According to a recent study, about 26% of the direct beneficiaries have become independent entrepreneurs and they have been exposed to high-end markets locally and internationally. About 80% increase has been observed in the incomes of artisans and craft persons. A survey of project beneficiaries identified the effect of higher incomes flowing from AHAN interventions. About half the beneficiaries report that the higher incomes have allowed them to improve living conditions; over 40% suggest they can now educate children and afford access to health services. Interestingly domestic violence has declined due to financial empowerment of women, and people with higher incomes were better able to financially cope with inflation reflected by the increasing prices of household goods. Over 30% women have now become self-employed by starting their own businesses.

AHAN, though, is not directly involved in micro finance as yet. However, it has developed good working relationship with micro finance institutions, NGOs, banks etc. so that financial support is available to rural poor artisans. Moreover, to overcome this problem, AHAN facilitates rural artisans and craft persons through provision of raw material and other tools, wherever required, so that they can complete orders in stipulated time.

AHAN has signed an MoU with Farz Foundation, Pakistan whereby skilled craft persons shall be linked with Farz Foundation's programs to uplift quality of life of these poor artisans by implementing on Farz Methodology and Farz SME Village Program.



## MR. ZUBAIR MUGHAL SAID...



(CEO, Alhuda CIBE)

He said Farhat Abbas Shah will lead the Islamic Microfinance network International. He also explained the services which Alhuda developed during the course of seven years and emphasized his organization will continue its journey in this direction to serve the Islamic Banking and finance sector.

## MR. TARIQ SHAFI SAID...



(The Regional President, FPCCI.)

Tariq Shafi vowed to support the Farz foundation and prayed for its success.

## MS. AYESHA TASADAQ EXPLAINED...



(Director, Naymet Microfinance)

**AsllamOAllikum..**Naymet feels honored to be associated with Farz foundation and congratulates Farz foundation on its efforts for organizing this significant event. Islamic Microfinance system / concept is actually not a new idea but it has been existing for 1400 years and being placed in every muslim home in form of Quran. we lack awareness.



I would say that organizations working in Islamic Microfinance are basically making people realize about the golden principles of Islamic micro financing & undoubtedly Farz foundation has a bold step when the worlds economy is at its downfall & economy of Pakistan is at its worst. All sciences are encompassed in Quran & we should realize the importance getting awareness about our religion & Inshallah it would lead us to the solutions of all type of problems other than economical too. Awareness is not limited to Islamic Microfinance system but it should also connect on the awareness regarding wealth, resources & its utilization. Naymet is working for such kind of projects. The conference was adjacent with one day training on “Making Islamic Microfinance Work” and a one day exposure visit of the field of Farz Foundation to observe the Murabaha operations and to learn the practical implementation of Farz Methodology.

# MR. SHOAIB HASMI GAVE THE PRESENTATION

(Project director, Manzil Program)



Presentation on innovative technologies which can be used by poor house holds for income generating purposes.

**He said,** In world where sustainable development has become a chant of policy makers, academics, and donors, it is proof enough of that social enterprise is indeed an important route to sustainable development. We face an unprecedented challenge in our history where recent floods have weakened the infrastructure for the delivery of very basics services and crippled the economy. How ready are we to meet this challenge? What lessons can be learned from our own experiences, successes and failures in this milieu? What role can social enterprises play in achieving not only recovery but sustainable development?

In order to bring reforms in the society DWS, in collaboration with PFAET and help of Manzil Program Authority, has to focus from services sector to production sector. I as project director of Manzil Program personally feel that it would be more helpful for Pakistanis to use modern technology in the production sector, Manzil program has potential to contribute substantially to economy, and this proposition can be set into motion by using the dormant economic potential of the millions of young women/men who would otherwise be unable to engage in any commercial enterprise. This is of great significance because historically only those countries that choose to realize the economic importance of their young women/men citizens have been able to embark on the path of sustained development. After fully incorporating previously unemployed young women/men in to the fabric of economic life, Manzil Program can then realize their full potential and provide a strong base for growth of the existing ones, for Pakistan's future development.

The purpose of Manzil Program is developing a technical skilled social entrepreneur force within low income/villages, urban or remote location. The young women/men should be facilitated at all level in their quest to self sufficient. Manzil Program has setup an entrepreneurial training cum production clusters to provide "hand – on" support. It is a pioneer in the country in this regard, because it is the first such entrepreneurial community established solely to encourage and support young women/men – owned and managed small production units and businesses. It does so by addressing the issues that young entrepreneurs face, and provides them display facilities, training program and business development services – all under one roof. Field of training and production will be decided, but stained glass technology, spin cast technology, PM technology, MIM technology, jewellery, carved wood handicrafts, embroidered fabrics, bags, pottery, industrial, agricultural & commercial machinery component & accessories, domestic & office appliance, sporting goods & toys, hardware for furniture, doors kitchens bathroom and luggage, automotive & transportation, electrical & electronic components & decorative items etc. Registered and selected women/men, will be trained at the DWS, TVTC Lahore Cantt, which they will setup work stations at their own home through cluster system or cell system technology at cost arranged from their own sources, on financing arranged from out-sources (Microfinance organization) for which only assistance will be provided by center.

# ORGANIZING COMMITTEE

## Chairman



**Mr. Aftab Vohra**  
Former Vice President  
LCCI

## Member



**Mr. Faisal Hayat  
Jabboana**  
Former Chairman SCY&C Punjab.

## Member



**Mr. Nadeem Bhatti**  
Vice Chairman, Board of  
Advisers Farz Foundation

## Member



**Mr. Ali Nawaz Shah**  
Project Director,  
PHA Lahore.

## Member



**Ms. Fozia Bhatti**  
Event Specialist.

## Member



**Mr. Amir Yousaf**  
Director Operation,  
NAYMET Islamic Microfinance.

## Member



**Mr. Bilal Sufi**  
Chairman,  
FMAP.

## Member



**Mr. Tariq Javaid**  
Monitoring Manager,  
Farz Foundation.

## Member



**Mr. Rafay Mahmood**  
General Manager Operations,  
Farz Foundation.

# HOST



**Mr. Farhat Abbas Shah**  
CEO,  
Farz Foundation.



**Mr. Rafay Mahmood**  
General Manager Operations,  
Farz Foundation.



**Mr. Tariq Javaid**  
Monitoring Manager,  
Farz Foundation.

All the participants congratulated the organizers on organizing such a successful, productive, focused, and well managed conference.

The organizers also revealed that they will hold such conferences yearly to promote the cause of Islamic Microfinance.

# SPECIAL COOPORATION BY NAYMET

Naziran Yousaf Memorial Trust (NAYMET) is a non-government, non-profit, non-political organization working for the social and economic uplift of deprived, neglected, oppressed communities in the urban & semi urban areas of Pakistan above the caste, creed, religion and other group boundaries. NAYMET was established in 2004 and registered in 2005 by a group of volunteers. NAYMET has initiated number of programs/projects aimed at the economic, social and political empowerment on sustainable basis of the disadvantaged sections of the society.

Under the umbrella of economic empowerment program, NAYMET initiated micro credit & enterprise development program in District Lahore. This program was leading to poverty alleviation and empowering marginalized, deprived, oppressed and neglected communities through Micro Finance.

In social sector development NAYMET initiated women empowerment & development, health, Islamic education and Islamic Silai School, with the strong process of social mobilization.

As an organization NAYMET believes that empowerment and social change is only possible with effective and efficient participation of marginalized communities of the society.

NAYMET has an experience of working with poor communities at the grass root level for their socio-economic development & empowerment through an integrated package focusing on social sector services such as health, education, micro enterprise, relief & rehabilitation. Addressing communitys empowerment and their rights issues have been integral in all projects undertaken so far.

## MR. SHAHID IQBAL MUHAMMAD SAID

(President Naymet Islamic Microfinance.)

The back bone of any country is dependent on the growth and sustainability of business in that country. if the economy situation of the country is healthy and affirmative then the business will certainly flourish and that will ultimately lead to the prosperity of the whole country. In this regard Farz Foundation is heading towards a very sustainable and productive Islamic model. I congratulate the Farz Foundation on taking the initiative in this difficult but right time.



MAIN SPONSOR



# HIGHLIGHTS OF THE CONFERENCE

The First National Islamic Microfinance Conference 2011 marks a serious introduction of the Farz Methodology as a potent solution to ailing Microfinance sector. The participants that included high profile businessmen and Microfinance organizations highly lauded the efforts of the Farz Foundation for offering solutions in the most trying time in sector's history.

The conference came as a relief for those who look for new or innovative methods to suit our changing times. On the top of it the event provided a platform and gave a new confidence to Islamic Microfinance Practitioners. The presence of some of the sustained members (Clients) of Farz foundation laid bare the concrete outcome of the Farz Methodology. They became an inspiration for the practitioner's present in the conference as the partners and not the mere clients.

## CONCLUSION

The First National Islamic Microfinance Conference Pakistan 2011 on Poverty Alleviation Through Islamic Microfinance took up a very serious issue of practically introducing the Islamic Microfinance products to help the poor in sustaining the lively hoods and the sector regain its vitality and utility. The overall plight of the sector necessitates Islamic mode of operation. The successful pilot project of the Farz Methodology was the mainstay of the conference and lent a new confidence to the Islamic Microfinance sector as a sustainable financial model at both levels.

Participants emphasized on awareness at a massive level, which would respond back with positive results. The focus also stayed on rural urban enterprise development coop with Islamic Microfinance.

The next phase after the conference is to tap the investors and bring them home the potential of huge and untapped markets that await our response. The role of Islamic banks is important and direly needed in this regard.

The organizers also revealed that they will hold such conference every year to promote the cause of Islamic micro finance.

All the participants congratulate the organizers on organizing such a successful, productive, focused, and well managed conference.

## ONE DAY WORKSHOP & ONE DAY EXPOSURE VISIT

One day Workshop on "Making Islamic Microfinance Work" and a one day Practical of Murabaha operations. The conference was adjacent with a one day Workshop on "Making Islamic Microfinance Work" and a one day Practical of Murabaha operations. The practitioners from the largest conventional Microfinance organization of Pakistan Kashf Foundation and the Largest Islamic Microfinance organization Akhuwat, along with Naymet and other organizations attended the short course. Farz Foundation is offering the Shariah advisory and structural services to the both conventional microfinance as well as new organizations at international level for the development of any new Islamic microfinance institute or to convert in the the Shariah compliant institution from the conventional A to Z solution.

# BEST PERFORMERS OF FARZ FOUNDATION



**Mr. Hafiz M. Ali**  
CFO



**Mr. Tariq Javaid**  
Monitoring Manager



**Ms. Noumana**  
ED-Manager



**Ms. Kanwal Niaz**  
Operation Manager



**Mr. Saleem Akhtar**  
Accountant



**Ms. Raheela Butt**  
Social Center Manager



**Mr. Naveed Liaqat**  
Finance Manager



**Mr. Muhammad Asif**  
Accountant



**Ms. Kamran Saleem**  
Social Officer



**Mr. Kashif Gulzar**  
Supporting Staff

# BEST PERFORMERS (CLIENTS) OF FARZ FOUNDATION



Razia Baji taking its reward



Kaneez Baji taking its reward



Shazia Baji taking its reward



Nabeela Baji taking its reward



Bushra Baji taking its reward



Yasmin Baji taking its reward



Zahida Baji taking its reward



Maryam Baji taking its reward



Yasmin Tahira Baji taking its reward



Sarwar Baji taking its Grand reward



Clients attend the Grand Conference



Asghari Baji taking its reward



Rukhsana Baji taking its Grand reward



Aasiya Baji taking its Grand reward



Rubina Baji taking its Grand reward

# ABOUT FARZ FOUNDATION

## OUR VISION

"To bring social change through poverty alleviation by improving productivity and capacity of clients and staff"

## OUR MISSION

"Empowering the poor through innovative products and diverse business opportunities, by integrating social performance focused Microfinance with collaborative community health and education partnerships."

## GENERAL INTRODUCTION

Farz Foundation is a shariah certified (by Mufti Iftikhar Baig, Shariah Advisor, Al-Barka Islami Bank and Mufti Mahmood, of Jamia Ashrafia) non-governmental organization and its operations are exclusively concentrated in urban, semi-urban and rural areas of Pakistan through partnership with CBOs. Farz Foundation has been working for social uplift of the society, mainly the rural & semi urban communities. It is a social performance based poverty alleviation organization, implementing on a unique and innovative Islamic Microfinance vehicle and integrated business mechanism methodology. It is the organization which has been formed on a strong ideological foundation with the notion of "partnership with the poor and profit and loss sharing" as its prior investment instrument. The asset based Islamic Microfinance integrated approach is the basic tool of the foundation to get long term sustainability, because the Farz Foundation has a strong belief that the sustainability of the client is the sustainability of the organization. Farz foundation has also convicted to bring social change with poverty alleviation. As far as marginalized poor and destitute are concerning, Farz Foundation provides them "Productive Zakah" (donation) and "Qarz-e-Hasna" (interest free loan in emergency situation) to start or protect their businesses. After giving them the basic business training and providing them market linkages it provides them Murabaha, and other Shariah compliant business facilities to make them sustained.

Farz Foundation has applied for the registration under section 42 of Companies Ordinance 1984 and is optimistic for getting registered in near future. Foundation has been working for development of human resources, promotion of social and economic well being of the masses, improvement of social status, social mobilization for prosperous society and elimination of gender discrimination in the rural areas of Pakistan. Foundation aims at enhancing the productivity of home based entrepreneurs' disabled persons by educating and supporting them to transform into micro-enterprise cooperatives with calibration of its partners organization like SMEDA and AHAN as the both of the above mentioned governmental organizations have sign the MoUs with Farz Foundation. Moreover provision of stimulating and professional work environment to the staff and build their capacity on the continuous basis are the key objectives of Farz Foundation.

Currently, Farz Foundation has managed to establish three branches targeting over 128 active clients. Its branches are located at Chungi umar shudu Lahore, Chaniut Mor Jhang District and Teshil Athara Hazari Jhang Districe.

**FARZ MADE  
ABLE TO EARN**



# SUCCESS STORIES

## Asia Bibi W/O M. Arif

Feroz Pur Road Chungi Amer Sidhu Lahore.

**M**y name is Asia Bibi, wife of Mohammad Arif. Before becoming Farz Foundation's client, I was daily wager of sewing clothes. I had already borrowed money from a microfinance organization but used it to meet my immediate needs. Then Farz Foundation approached me and trained me how to productively use the loan. I direly needed to be self-sufficient as my husband is mentally retarded and is also dependent upon me.

I have five children, one son and four daughters and was not even able to pay for their education. The eldest daughter got marriage, while the rest, depended upon me. The Farz Foundation conducted a community gathering where I was introduced to it. I told them about my needs. They offered the people productive assets to start or to upgrade their micro businesses. I asked for money but they told me they don't deal with cash and they can give only productive assets etc as per their policy. I thought I had already mismanaged a previous loan and now I was convinced that asset based help can get me out of my crisis.

They, according to my demand, bought me cloth for bed sheets of worth Rs 15,000. I began to produce bed sheets as I already had a sewing machine began to sell them in the Sunday Bazaar with the help of my son. In a matter of three weeks I earned and additional Rs 15,000 in three weeks. Now I could seriously realized the benefit of asset based help. Now I have reinvested the same amount while using the profit to meet my needs. Now I am even repaying the previous loan to the other MFI as well as to the Farz Foundation as I am earning enough to meet all these expenses. Thank you Farz Foundation.



## Rubina W/O Ejaz Ahmed

Feroz Pur Road Chungi Amer Sidhu Lahore.

**M**y name is Rubina wife of Ejaz Ahmed and I live in Chungi Amar Sidhu Lahore. My husband is earning only Rs 2,000 as a driver in a factory. I used to work at a beauty parlor as an assistant. I was making some money, but could not meet my expenses. We have three children and could not afford their education. I was taking loans without knowing how I would repay them. I had no idea how I could get rid of this vicious circle. One day my friend who was working at some other Parlor, told me about the Farz Foundation, which lends assets and gives business training to women so that they could be self-sufficient. I visited where there was a training session being held by the Farz Foundation. There I met Nomana sister, a trainer at Farz Foundation. I had a five-day course of business development. There we were taught that to be self-sustained and we need to start our own business. And we also need a business education to be successful.

They taught us book keeping, preparation of feasibility and estimation of income and expenses. After the training they offered certain productive assets to us to start our business. I wanted to establish my own beauty parlor. They bought me assets worth Rs 10,000. I started a little parlor from my own home.

In accordance with the education given by the Farz Foundation, I introduced my beauty parlor in the neighboring area. Within one month I shifted my beauty parlor to an independent place. Now I look forward to further development of my business. I now earn about Rs 15,000 to 20,000 a month and can easily meet my expenses, including school fee for my children, apart from paying my installments to the Farz Foundation. Thank you Farz foundation.



# PARTNERS & SUPPORTERS OF FARZ FOUNDATION

## PARTNERS

### AKHUWAT

Akhwat will provide fund as Qarz e Hasna (Without charging any profit or markup) for Farz Foundation's Sharia compliant Microfinance product Murabaha.



### PAK-QATAR FAMILY TAKAFUL

Pak Qatar Family takaful is providing Takaful (Islamic Insurance) facility to the clients of the Farz Foundation. This is the first time in Pakistan that Pak Qatar working with an Islamic Microfinance Organization.



### AHAN (Aik Hunar Aik Nagar)

Farz Foundation and Aik Hunar Aik Nagar (AHAN) has singed an MOU to cooperate with each other in the field of poverty alleviation and construction of Farz SME villages. The AHAN is a non-profit organization that works under the Ministry of Industries Pakistan, will help facilitate the Farz Foundation in identifying the international markets and in taping and training the talent to boost production and alleviate poverty. AHAN will also train the Farz Clients in Product Development, Costing & Pricing, Market Trends, Design Trends, Buyer Expectations, and other relevant disciplines.



### SMEDA (Small Medium Enterprise Development Authority)

The Small Medium Enterprise development Authority (SMEDA) has issued a letter of support to the Farz Foundation. According to the details of the letter SMEDA will support in management structure and functions for capacity building of the management staff including development of operating procedures, coordination and execution of functions. It will also help in human resource policies to identify and address staff requirements, performance and motivational indicators. SMEDA will assist the Farz Foundation in building the capacity of clients to strengthen the micro enterprise sector of Pakistan.



### NAYMET (Naziran Yousaf Memorial Trust)

On 3rd of November 2010, An MoU is signed in collaboration with Naymet for flood relief operation. Naymet has provided goods and Farz Foundation has ensured the systematic and transparent distribution of the goods to the real needy people through a skilled human resource chain and mechanism. The goal of the both organization is to provide maximum support with an effective process to gain a visible impact of the efforts.



## AFFILIATION

### ISLAMIC MICROFINANCE NETWORK (International)

Farz Foundation is the Member of Islamic Microfinance Network (International)



### STATE BANK OF PAKISTAN

Farz Foundation is the Member of the Focus Group organized by State Bank of Pakistan.





### **Farz Foundation's Address**

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