

GIZ RFPI organizes a Workshop on “Disaster Risk Insurance for Microfinance Sector” on October 5, 2017 in Islamabad

The microfinance industry in Pakistan has grown at a double digit rate over the last few years and the trend is likely to continue in the coming years. With National Financial Inclusion Strategy (NFIS) in place, the industry is geared up to play an important role in furthering the financial inclusion agenda in the country. In addition, with recent regulations issued by the Securities and Exchange Commission of Pakistan (SECP) for the non-banking microfinance institutions, it is expected that the industry is poised for further growth and development.

However, all these efforts are seen to be made without the realization of the imminent reality of natural disasters in the country. The direct victims of any natural disasters are the people, and it is the vulnerable and poor that are worst affected in any disaster. However, damage at client level tends to ripple throughout the microfinance industry which is particularly exposed to the threats emanating from disasters for several reasons: a) populations worst hit by disasters tend to be the same as those targeted by microfinance; b) Microfinance providers tend to have a low capital base and thus a limited buffer to absorb losses; c) microfinance is a financial business, making it susceptible to liquidity problems; d) microfinance tries to balance the social and financial bottom line, creating a political risk if it pursues recoveries after a calamity.

Against this background, there is a critical need to educate the microfinance sector, as well as its clientele who are the micro businesses, as to how they can reduce their risks against natural disasters and create a protection mechanism, possibly through the use of insurance. Realizing this imminent need, the GIZ-RFPI recently carried out a timely exercise by introducing a “Diagnostic Toolkit for insurance against Natural Catastrophes for Micro,

Small and Medium Enterprises”. This Toolkit aims to help equally all micro, small and medium enterprise sectors in developing countries, and is available at:

http://www.inclusiveinsuranceasia.com/docs/Toolkit_Publication_Final.pdf

Continuing this, the GIZ-RFPI now aims to help the microfinance sector in Pakistan in combating risks due to natural disasters, for which it is customizing the Toolkit specifically for the low-income clients of Pakistan’s microfinance sector. This week’s mission of GIZ to Pakistan and also the organization of a workshop in Islamabad on the subject of “Disaster Risk Insurance for Microfinance Sector” on October 5, 2017 is part of the series of the correlated activities. During this mission, the GIZ-RFPI will endeavor to present the preliminary assumptions and recommendations, as well as building the capacity of the local stakeholders.