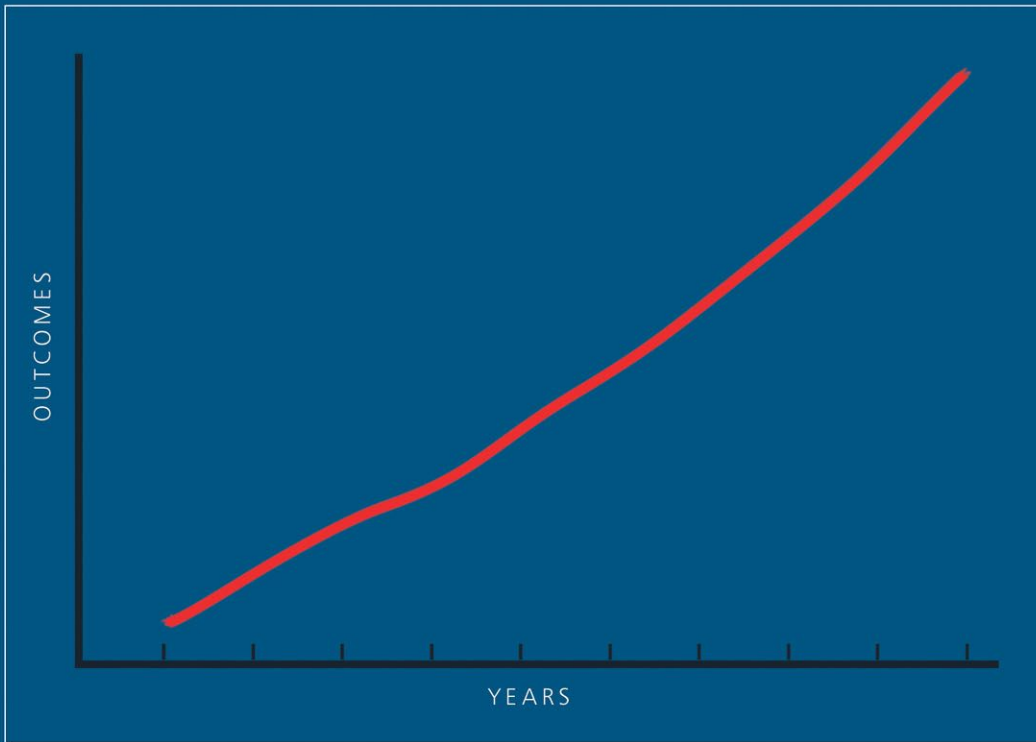




# A Decade of Accomplishment: Ten Years of PPAF

Restoring Hope, Securing the Future, Ending Poverty



Pakistan Poverty Alleviation Fund



## FOREWORD

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## FOREWORD

The principal purpose of this report is to document history of the Pakistan Poverty Alleviation Fund over the last decade, and to objectively examine its steady rise to an institution that is internationally recognized as a sustainable and replicable model of public private partnership. It sets out the innovative development paradigm underlying the performance and effectiveness of PPAF.

I am grateful to Dr. Sohail Jehangir Malik and his team for undertaking this task in a professional and objective manner by a detailed scrutiny of all documents, and series of interviews. This methodology permits recording the hard facts and merging these with the individual perspective.

The success of the Pakistan Poverty Alleviation Fund has been the incredible support received from all stakeholders. The Government of Pakistan ranks foremost for its exemplary facilitation and support, equally important was the role of the donor agencies, particularly of the World Bank for its clear conceptual framework and result based monitoring missions.

Mr. Hussain Dawood, Chairman of the Pakistan Poverty Alleviation Fund, ably assisted by the Board of Directors and General Body members must be credited for his visionary leadership and making best practice corporate work ethic an integral part of this institution's culture.

This led to the creation of a management team which was selected entirely on merit and with a genuine desire to serve the vulnerable and make a difference to their lives. Similarly partners were identified on the basis of eligibility criteria alone and their contribution and cooperation has been a major factor for the success of the whole operation.

If ever evidence was required that behind the success of any professional organization there must be a willingness to learn and accept the principle of shared responsibility, then the experiences of the Pakistan Poverty Alleviation Fund provided ample proof as to why the collective contribution of the many, is more lasting and enduring than the effort of any individual.

Kamal Hyat  
Chief Executive / Managing Director

# National Poverty Environment

Background

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Changing Policy Paradigms

## Background

By the end of the 1990s poverty rates in Pakistan were high and the state of social sectors was dismal as compared with other similar countries. Poverty which had been declining since the 1970s had begun to rise - with the rural areas being more adversely affected. It was estimated that the number of absolute poor had increased from 24 million to 42 million between 1990-05.<sup>1</sup> Pakistan's social indicators were amongst the worst in developing countries at that time. Approximately 30 million people could not meet the minimum nutrition norms, 42 million adults (over two-third of the adult population) were illiterate, 58 million people did not have access to health facilities, 28 million people did not have access to safe drinking water and 87 million lacked basic sanitation facilities. There were over 740,000 child deaths a year (half of them due to malnutrition) while 50 percent of

the children dropped out of school before reaching the fifth grade. The situation was far worse if gender, rural urban and regional disparities were taken into account<sup>2</sup>.

Additionally, a significant proportion of the rural population was extremely vulnerable to risks from income, and other natural disaster induced, shocks<sup>3</sup> such as illness, drought, floods and earthquakes. This growing poverty and vulnerability was due in large measure to the inadequate access of the rural poor to productive resources and social services.

Although role of the NGOs and community participation had been stressed in poverty reduction strategies in the past there were very few NGOs working on poverty alleviation, participatory development, gender equity and capacity building at the grass root level at that time. While some of the NGOs operating in the country had good potential they were

<sup>1</sup> - A Profile of Poverty in Pakistan. Mahbub-ul- haq Center for Development Islamabad, 1999

<sup>2</sup> - Ninth Five Year Plan 1998-2003, Government of Pakistan.

<sup>3</sup> - According to one estimate over 60 percent of all villages experienced severe and repeated drought in the late 1990s and 2000.

largely dependent upon government and donor funds which, though substantial, were often volatile and sporadic.

The overall environment was largely supply driven and grant oriented with no concept of cost effective intermediation. Inadequate attention had been paid to institution building, financial management and human resource development.

Other problems related with NGO financing due to the nature of support required by the poor compounded the issue. Sustainability, in particular, was a serious issue with funding being limited to a few NGOs. Cost effectiveness was also not comprehensively tested or compared to the public sector. Most NGOs were unable to raise long term funding or the working capital required and had little or no experience of charging rates based on costs and delivery. Providing financial services to the poor is in any case was expensive and challenging for a number of reasons:

“What we want to do going forward is to use this organization for bigger things. PPAF and the partnerships it has built in this country are strong enough that more and more of resources can be mobilized and transferred (through them).”

Shaukat Tarin  
*Advisor to Prime Minister*

“The vision was that we are not going to be regulators. We are going to be facilitators. Institutionalization was what mattered and that is what we are driving at and that is what PPAF is all about.”

Hussain Dawood  
*Chairman - PPAF*



- Nature of the transactions involved small loans in small amounts with short term maturities, frequent repayments and required intensive monitoring to ensure repayment raising transaction costs,
- Clients were mostly poor with low levels of education and skills and high mobility,
- Most clients were located in remote rural or urban areas with difficult access making both delivery and recovery expensive, and
- A high percentage of borrowers were engaged in agriculture or livestock activities with high uncertainties and varying rates of return.

To meet the huge challenge of poverty reduction, there was a need to support programs focusing on factors such as barriers to agricultural productivity, health and education, gender discrimination and lack of access to critical resources infrastructure. It was also crucial that such programs be self sufficient and sustainable.

In this scenario Civil Society Organizations were increasingly seen as an attractive alternative to delivery vehicles that had proved inadequate in the past.

### Changing Policy Paradigms

The government recognized the limits on what it could accomplish. The resources and expertise necessary to single handedly address widespread poverty and rectify the country's low human development indices were enormous. The government began, therefore, to co-opt the private and civil society sectors for financing, managing and delivering of services. In essence, the government's role began shifting from being a mere funds provider to facilitator and financier of economic growth and development.

The national policy dispensation in Pakistan began to focus more on a framework of deregulation, liberalization and privatization and moved away from direct intervention. As part of the same

paradigm shift, the role of civil society was to a large extent redefined. Direct provision of resources and services at the grass roots, which in earlier years was seen as a public sector responsibility, was now increasingly viewed as a civil society responsibility. The multifaceted concerns for access and equity, effectiveness of delivery, local ownership, pricing and user charges became important driving forces in this shift.

Furthermore as the pace of globalization has taken root service delivery to the poor, is being seen in an international perspective. This has resulted in enhanced understanding of multi-stakeholder partnerships and to support structuring of such partnerships. This in turn has translated into the need for implementation of relevant, sustainable and scaleable national economic development plans through catalyzing these partnerships.

In this scenario the Government of Pakistan, with World Bank support visualized the need for a wholesaling autonomous apex institution to serve as a sector-

“Our first priority was to create a structure that was non-bureaucratic in nature and not affected by changes of governments. When we conceived the governing structure we ensured that it should be autonomous with a very independent Board.”

Sartaj Aziz

*Vice Chancellor - BNU*

*Former Minister for Finance, Foreign Affairs*

“This is one of our pioneer organizations. What it has done in the field of microfinance and social sector is outstanding, what it has done for the lives of poor people is commendable.”

Shaukat Tarin  
*Advisor to Prime Minister*

dedicated vehicle for poverty reduction and grassroots development. It was envisioned that such an apex institution would operate as an independent entity, led by private incentives in support of broader public policy and economic development objectives. This apex organization would concentrate on quality assurance, cost effectiveness, sustainability and impact and pursue the double bottom line of financial sustainability and social responsibility. In this backdrop PPAF was established.

# The PPAF Model

Outreach – Scale – Cost Effectiveness – Sustainability

Structure and Design

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Organization and Governance

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Operations and Management

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Distinguishing Features

“I have had personal experience of the PPAF’s very impressive growth over the last ten years. Reach, partnership and the holistic approach provide lessons for other countries in the region. I think the next ten years of PPAF will be even more successful and crucial for Pakistan.”

Praful C. Patel  
*Former Vice President - The World Bank*

## Structure and Design

The PPAF was launched as a special purpose vehicle; incorporated as a, limited by guarantee, company under the Companies Ordinance 1984, wherein, management and policy oversight rests with an independent Board of Directors. In order to protect the private sector orientation and status of PPAF, Government of Pakistan has retained a minority representation on the Board.

PPAF is fully engaged with the Government in the overall policy and institutional framework. PPAF is lead advisor to the Ministry of Finance in terms of the national microfinance strategy and has also worked pro-actively with the State Bank of Pakistan in drafting the Microfinance Ordinance and Prudential Regulations for Microfinance Banks. In addition to that it is member of Special Committee/Task force of Planning Commission, Partner of Earthquake Reconstruction and Rehabilitation Authority, Member of Poverty Reduction Strategy Paper, Member of Improving Access to Financial Services Fund Committee and

Member National Environmental Action Plan.

Significantly, PPAF was incorporated as a private sector entity outside the formal public sector channel for delivering resources and services at the household level. The objective of the Government of Pakistan was to establish an organization with resource backed capability for quality assurance on a sustainable and cost effective basis. PPAF commenced operations in 2000 with broad based programs in microfinance, community physical infrastructure and capacity building interventions aimed at the poor and excluded with a special focus on gender and the less developed areas of the country.

As an apex wholesaling development institution PPAF is not merely a funding agency for provision of financial support. The PPAF model as opposed to conventional approaches is non-prescriptive. There is however a strategic focus on community led, demand-driven development with emphasis on indigenous / local ownership and 'buy-in' from

“An epic organization that has truly chartered new ground... I think it is a very important time for us in Pakistan to take a look at (such) premier institutions that have presented a design to address the issues of poverty alleviation.”

Shahnaz Wazir Ali

*Special Assistant to Prime Minister*

“What started off as a small organization, as a small experiment to alleviate poverty, I think has covered tremendous grounds in these ten years...I dont know of any other organization in Pakistan or outside Pakistan that has accomplished so much in such a short period of time.”

Omar Ayub

*Former Minister of State for Finance*

identification and preparation to implementation and management of interventions.

PPAF perceives its role as one of a sector developer and market maker. The objective is to remain fully inclusive and this 'bottom-up approach' needs to be demonstrated by organizations seeking partnership with PPAF. On meeting a stringent eligibility criteria organizations are extended financial resources, technical and managerial assistance, monitoring and feedback, as well as performance assessment and evaluations. Gender and environmental dimensions are integrated in all operational activities.

While consciously avoiding micromanagement or top-down prescriptions, the strategy is to provide coherent and well structured, time bound assistance in support of programs and incremental expansion in retail outreach and capacity.

The PPAF offers four kinds of financial facilities to its partner organizations;

- lines of credit for on-lending (debt based)
- funding for water, infrastructure, health, education and livelihoods (grant based)
- assistance for social mobilization and expansion of outreach (grant based)
- training and skill development of PO staff and borrowers (grant based)

## Organization and Governance

The non political, governance structure of PPAF makes it autonomous and free from external constraints and places it ideally to make a major impact on poverty alleviation in the country. The cardinal principles governing PPAF are enshrined in the Memorandum and Articles of Association. These principles are designed for safeguarding and protecting the institution from any intrusion that may deflect it away from its given mandate, these are strictly adhered to:

- Resources shall not be used for political patronage, or for any

other political purposes.

- Treat incomes / monies as a sacred trust.
- Decentralized operations
- Resources to be provided to professionally managed institution only.
- Ensure that financial assistance is based on sound principles of financial viability.

One of the major strengths of the PPAF has been its ability to adhere to these principles. This has been possible because the Board of Directors consists of individuals who are well known for their stature, competence and independence. This is further reinforced by a fully empowered Chief Executive who enjoys the support and confidence of the Board of Directors.

PPAF has a three tier governance structure consisting of a General Body, a Board of Directors and a management team headed by the Chief Executive. The General Body consists of around 30 members, 8 of whom are nominated by the Government while the remaining belong to the civil society. The

“PPAF success is autonomy of the board, the second aspect is that board members know their business and third is integrity of board members, that is what makes PPAF a treasure for Pakistan. Completion of social mobilization of the entire country is what will pull Pakistan out of poverty.”

John Wall

*Former Country Director - The World Bank*



General Body elects the Board of Directors every three years. The Chief Executive is the Director by virtue of his position and is not a member of the General Body.

The salient feature of this governance structure is the predominance of civil society representation both in the composition of the General Body and the Board of Directors.

## Operations and Management

PPAF has an elaborate management structure. The institution is headed by the Chief Executive / Managing Director. He is assisted by the Chief Strategy Officer, looking after the strategic direction of the organization set by the Board. Operations of the organization are managed by Chief Operating Officer who is assisted by General Managers responsible for their respective units. The Chief Financial Officer is the principal accounting officer of the institution who also acts as Company Secretary. PPAF has seven core and five support units managing the affairs of the organization.

Each unit of the PPAF is autonomous and operates like an independent center with appropriate fire walls. Every partnership proposal is assessed, evaluated and financed under eligibility criteria specific to each unit. An internal credit committee recommends and all PO funding requires BoD approval.

PPAF has dedicated units for credit and enterprise development, water management, community physical infrastructure, social mobilization, human and institutional development, health and education, rehabilitation and reconstruction, monitoring, evaluation and research, finance and accounts, internal audit, human resource and administration, and media and communication.

Each unit head is independent and has full authority for making decisions regarding selection of partners, disbursements project implementation and monitoring. Hiring of staff is merit based and transparent. Policies for staff development and their compensation structure is reviewed from time to time to incorporate

changing requirements and best practices.

## Distinguishing Features

The PPAF adopts a participatory development model with a holistic approach using social mobilization, skill development and capital accumulation as guiding principles.

The model is community based and involves formation of groups at the grass roots. It focuses on social organization, creates awareness and builds capacity. Under the model communities organize themselves for establishing new groups and also to consolidate existing ones. The approach is demand driven with high priority to projects identified by the communities. Responsibility for operations and maintenance also falls on these groups. PPAF selects partner organizations that have demonstrated commitment to community driven development. Potential partner organizations are required to undergo a rigorous selection process with both desk and field appraisals. On selection disbursements from, and

performance assessments by, PPAF take place on a quarterly basis. Compliance with implementation plans and adherence to contractual obligations is mandatory. The POs are generally expected to perform the following functions:

- Mobilizing communities and training them
- Acting as intermediaries for providing micro credit loans
- Providing communities with health and education facilities as well as small scale water and infrastructure projects
- Assisting communities with preparation of feasible proposals and facilitating them in implementation
- Supervising and monitoring PPAF projects

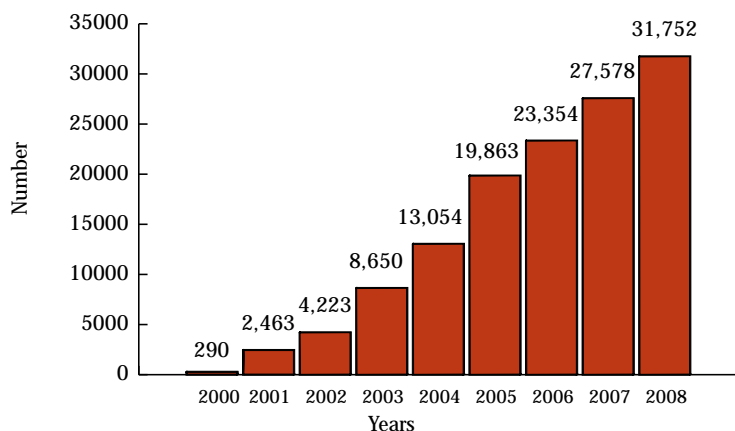
The POs that meet PPAF's eligibility criteria have well established outreach programs and a good track record of poverty reduction. Special units of social mobilizers, community activists and facilitators provide quality support to the community groups. PPAF is currently working with 75 partner organizations. It has a grassroot

network of over 130,000 community organizations and groups. The target population of PPAF programs is the poor rural and urban communities, with specific emphasis on gender and empowerment of women. Appropriate social and environmental safeguards are enforced. The PPAF network has spread to more than 120 districts and over 30,000 villages / settlements in rural and urban areas across the country (see Fig-1).

Capacity development plays a major role in effectively managing

PPAF initiatives. The focus is on professional development of human resources and institutional strengthening of partner organizations for efficient and cost effective service delivery. Capacity development and training assistance is provided to partner organizations and their communities in support of financial and non financial services. This is provided to extend incremental expansion in outreach with a view to attain long term sustainability in the provision of poverty related services.

Fig 1: Outreach (villages, rural/urban settlements)



# Effectiveness of the Model

Institutional Performance

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Resourcing and Financing

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Cost Effectiveness and Sustainability

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Leveraging and Capitalizing

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Mainstreaming Gender

“I think one of the reasons of this success, is that it was never about individuals. It was about the people for themselves, the institution was built on certain values not on ideology as long as it is making a difference in peoples’ lives. So rather than say you have to follow a particular model we said let us be flexible.”

Qazi Azmat Isa

*Former Task Team Leader - The World Bank*

## Institutional Performance

As a model of *public private partnership*, PPAF has been able to bring private sector efficiencies, corporate sector rigor, planning and managerial skills to the development sector. It has changed the charity mindset to a businesslike approach to grassroots development. PPAF is focused on delivery of resources and services at the household level aimed at the poor and excluded. Today PPAF is one of the largest sources of pro-poor spending outside the Federal Budget and Public Sector Development Program.

Several features of its design have ensured effectiveness of the PPAF. As a sector support organization, PPAF partners with eligible civil society (non-governmental / community-based) as well as private sector (for-profit / non-profit) organizations.

The PPAF brings private sector best practices to civil society organizations through which it functions. Based on a platform of social mobilization which ensures

participation of beneficiaries, PPAF integrates a market based orientation in all its activities. This ensures efficiency and effectiveness in resource use: that is its hallmark. The central focus on quality assurance ensures that the organization itself remains lean and clean.

Effectiveness at the grassroots level is ensured through capacity building of the poor themselves as well as civil society organizations that serve them. Of equal importance to this success is the adaptability and lesson learning approach adopted by PPAF, which in turn has led to the evolution of the participatory multi-faceted and integrated yet flexible development model. While this model is aimed at addressing poverty of entire communities, the gender focus of all its interventions has enabled PPAF to address the weakest link in economic development.

Considerable attention is devoted to building capacity of POs through training and technical assistance to work in the less developed areas. Current methodologies are

designed to improve cost recovery and effective lending mechanisms.

The provision of grants is an important element of the PPAF's poverty alleviation strategy. The addition of the infrastructure component to the customary micro credit interventions enlarges scope of operations of the programs and enhances their effectiveness. Identification of small scale projects is based on community priorities. Projects are eligible for funding only if they are prioritized by the communities themselves and meet the detailed eligibility criteria set forth by the PPAF.

The model is effective as all interventions follow a mobilization process which is designed to reflect community preferences. Projects are selected in a transparent manner and sustainability is determined by ability of the communities to recover operations and maintenance costs. Ownership and involvement is ensured through cost sharing mechanism where the communities undertake to bear the future maintenance costs of the project. Communities

are expected to contribute around 20 - 30 percent (in cash and/or kind). Since the approach is participatory and demand driven, support to small scale community infrastructure projects assumes greater importance for the poor agrarian households who are dependent on land and livestock and are particularly vulnerable to persistent drought and uneven rainfall. The strategy has been very successful in promoting sustainable interventions and community welfare at the grassroots.

PPAF recognizes that increased incomes alone cannot eliminate poverty unless the causes of poverty are addressed. There is a need to improve access to basic services such as water, infrastructure, education, health and training. Water, in particular, is becoming an increasingly scarce resource in Pakistan in the recent past. The country is severely water stressed. Water, being the key engine of agricultural growth, is the most critical challenge facing agricultural growth. Water resource development therefore plays a crucial role in addressing poverty.

In order to address all water related issues encountered by the poor and marginalized communities, the Water Management Center was established in 2006 as a central resource facility and a strategic program unit. Although PPAF was already working on water resource development, a separate unit was established for better management and execution of new initiatives. The center works towards the identification, formulation and implementation of special high impact and integrated programs and projects related to drought mitigation. It implements the entire spectrum of water-related interventions, with a special focus on mountain, coastal and desert areas.

PPAF's unique structure and its key position in the grassroots poverty alleviation efforts in Pakistan have enabled it to leverage its innovative capabilities through the vast network of partner organizations. This ability to leverage assures maximum coverage and impact. The PPAF plays an intermediary pivotal role between the donors and the communities that enables

transparency, efficiency and sustainability.

Over the last decade, PPAF has emerged as the largest private sector initiative for wholesaling development support to civil society organizations in the country and has played the role of lead agency in strengthening participatory development. It has endeavored to mainstream marginalized communities through provision of a broad range of financial and non-financial services.

The PPAF differs from many other such organizations that have received funding from the World Bank globally in the following three aspects:

- The PPAF was designed not to intervene directly but was to work through civil society organizations that would interact with the beneficiaries.
- The amount of funding allocated was much higher than what is usually available for such projects.
- The possibilities of adopting a more holistic approach to

development were opened up by adding the physical infrastructure component to the usual micro-credit and the capacity components.

When the PPAF was conceived access to resources and services for the poor were severely inadequate. This situation was reflected in a lack of empowerment, opportunity and security for the increasing numbers of the disadvantaged. It was set up with the ultimate objective of empowering the poor and vulnerable and enhancing their opportunities to increase their livelihoods. Since then PPAF has evolved into an organization that helps to empower poor people and enable them access to opportunity while strengthening the physical and social environment necessary to minimize their risks and vulnerability to adverse external shocks, thereby enhancing their security.

Over the last nine years, PPAF programs have been implemented through 75 such partner organizations (POs) in over 90 percent of all districts in the country, which directly or indirectly



impacted 15 million individuals with financial services and 11 million with non-financial services. Almost US\$ 1 billion has been deployed in various interventions and activities which have focused on poor and disadvantaged households across the country.

While micro-credit delivery remains its major activity community development of infrastructure, social sector development activities have gained momentum. By end of financial year 2008 PPAF had disbursed almost Rs. 34 billion

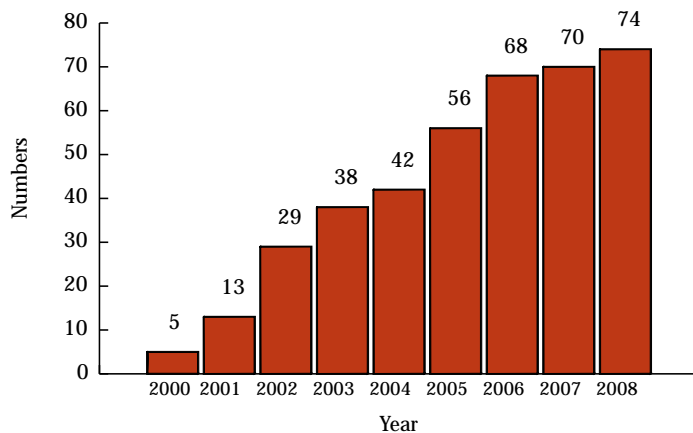
under its four regular windows: lending for microcredit / enterprise development, development of infrastructure, health and education, and human and institutional development.

These funds have cumulatively financed over 2.3 million loans, 16,000 infrastructure schemes, 180 health and education facilities and over 8,800 training events for participating communities and staff of partner organizations. In the process, PPAF has facilitated the growth of a large number of NGOs, microfinance institutions and rural support programs working directly with poor communities.

Similarly the coverage has expanded with total number of borrowers reaching 788,631 in 2008 covering both urban and rural areas. The number of partner organizations working with the PPAF has increased from 5 in 2001 to 75 in 2009 (see Fig-2) while coverage across districts and villages has expanded significantly.

While the major share of financing

Fig 2: Partner Organizations



is allocated to micro-credit, PPAF interventions in physical and social infrastructure development have matured to offer more holistic solutions (see Fig-3). Here there has been a change in strategy from one of pursuing stand-alone village level interventions to multiple sectoral programs conceptualized for the benefit of larger communities and collective development needs of less developed areas.

### Resourcing and Financing

With a resource base of US\$ 1,030 million PPAF is currently one of the largest institutions of its kind in the world.

The resource base of PPAF consists of an endowment provided by GoP to serve as capital for the institution. PPAF started its program activities with World Bank Funding of US\$90 million which was subsequently increased to US\$238 million. This has served as the core resource base for the institution. Additional funding was negotiated from USAID, IFAD, Kfw, USDA and U.S. corporate sector (see Figure 4)

Fig 3: Distribution of Funding by Units

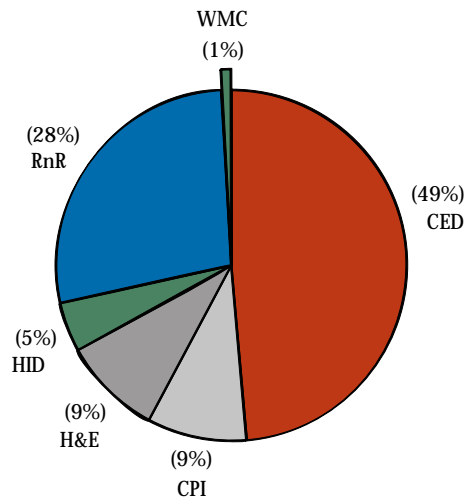


Fig 4: Sources of Funding

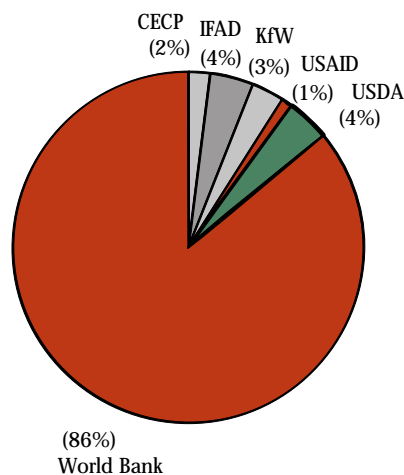
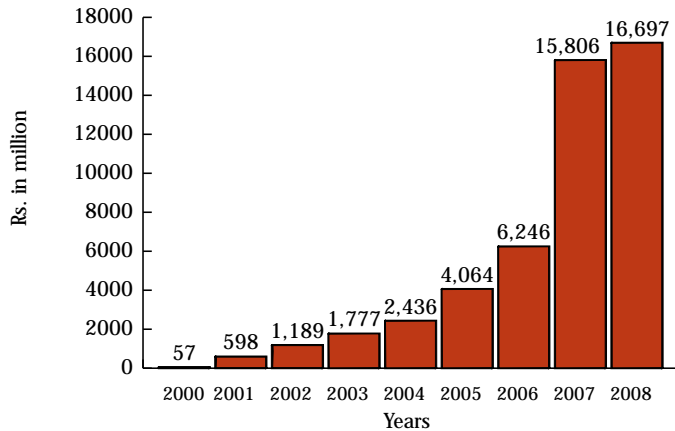


Fig 5: Total Disbursements



PPAF has achieved and sustained the momentum of growth in scale of operations and financing, with substantial increases both in outreach and disbursements across all activities of the organization. Total disbursements have increased exponentially (see Fig-5) from Rs 57 million in 2001 to Rs. 16,607 million in 2008.

### Cost Effectiveness and Sustainability

By far the most significant aspect of PPAF's performance has been

its ability to transform civil society institutions from grant to market orientation with focus being on a more market based approach. In order to achieve this PPAF has facilitated the partner organizations in developing appropriate synergies and risk management frameworks. The institution has worked closely with partner organizations in formulating:

- Well defined and coherent business plans for conduct of micro-credit activities
- A systematic approach to expansion through well structured implementation plans
- Mutually acceptable performance parameters and deliverables.

PPAF has adopted a sequenced approach to interest rate setting (to POs) to bring it in line with the market in a gradual manner. PPAF's interest rates have increased from 6% to 8% to 10% to KIBOR (Karachi Interbank Offered Rate) over the last 8 years.

Simultaneously, delivery cost

support to POs (to partially meet their incremental operating costs) has declined from 32% to under 6% .

Additionally, PPAF has imposed floors on end user on-lending rates (but no interest rate ceilings) POs are required to set interest rate which in the long run cover the full cost of delivery and should not be less than the long term deposit rates in the country and rates charged by commercial banks to their prime customers. The POs interested in accessing large quantum funding (more than US\$6 million in outstanding or annual disbursement) are required to meet elevated eligibility criteria (in addition to the normal eligibility criteria) with enhanced performance in terms of lower portfolio at risk, higher operational sustainability and risk coverage ratio as well as improved governance, management and disclosure and better resource use.

PPAF has put in place a comprehensive risk management framework with due diligence features such as exposure ceilings

and per party exposure limits. Furthermore, elaborate guidelines have been developed to strengthen the PO appraisal system with performance indicators and targets based on PPAF exposure. These guidelines address key areas like governance, management, portfolio quality and financial health.

As a result of PPAF's interventions during the last 10 years, the financial strength of its partner organizations has improved which resulted in three PO's transformation to micro finance banks. Five POs have accessed commercial funding. Moreover, PPAF funding has enabled a private sector financial institution to establish a dedicated unit for micro-credit operations. One PO has issued a corporate bond and five Pos are assessed/ rated by local and international credit rating agencies.

Under PPAF model greater emphasis is placed on expansion and coverage by POs, their institutional development capacity building and monitoring.

For large POs involved in integrated

programs a rigorous analytical review of disaggregated cost structures was undertaken. Initially around 90 percent of the PPAF funds were channeled through RSPs but over the years it has supported and built small and emerging NGOs and medium institutions that work with the poor across the country. The capacities of these POs to increase outreach to the poor have been developed.

As a consequence disbursements and the number of beneficiaries covered have increased exponentially. Greater emphasis was placed on institutional development of the POs through strategic planning exercises, mandatory submission of business plans, targeted training and capacity building of staff and strengthening of financial disclosure and reporting systems.

Out of total disbursements to date, 55% has been for credit and enterprise development (lending) whereas the balance 45% has been for grant based operations. On an overall basis cost effectiveness is a

consideration in all funding decisions especially microfinance. Of the total funding, 94% has been disbursed on direct services to the poor, 5% on cost of delivery of partner organizations and only 1% on PPAF administrative overheads.

PPAF has achieved 100% sustainability on the one hand and grown its balance sheet footing at a healthy pace. The debt to equity ratio of 74:26 demonstrates a balanced capital structure. The average growth rate of disbursement during the last five years has been 120%. Today income from micro credit operations is cross subsidizing PPAF overheads and other non-credit programs and activities.

The micro credit portfolio is fully diversified in terms of sectoral exposure (agriculture, livestock, commerce and trading). The quality of portfolio has remained protected over the last eight years and apart from minor delays in repayments due to exogenous factors (drought, floods, bumper

harvests, law and order.) There was no major non performance or portfolio infection and cumulative recovery rates have remained at 100% per annum. PPAF has not written off a single micro-credit facility to date. At the sametime credit portfolio of PPAF has been fully provisioned.

POs which account for over 70% of PPAF micro-credit funding are sustainable. They are now better positioned to reflect risk, cost of delivery, inflation, demand and competitiveness. This has enabled improve fund flow management and correction of pricing distortions.

Pakistan is now internationally recognized as the emerging market for microfinance ranked in the top quartile globally and has sustained a growth rate of 40-50% per annum over the last few years. Repayments have been strong and portfolio quality has been highly satisfactory. In 1999 prior to PPAF the sector had an active outreach of 64,000 (and 240,000 savers) which had grown to over 1.7 million borrowers by December 2008. PPAF has been instrumental

“These ten years have been a great experience personally for me and NRSP... I think it’s very clear that the organization and PPAF grew together. It has been a true partnership between us and the PPAF. So it has been a great success story and I wish that we celebrate many more ten years of PPAF.”

Rashid Bajwa

*CEO - National Rural Support Programme*



in driving the microfinance sector in Pakistan with a current market share of almost 40%. PPAF is the single largest source of microfinance lending in the country. Its partner organizations account for bulk of the current retail outreach in the sector.

The overall operational sustainability of the sector has increased from 63% to 90% and financial sustainability has improved from 45% to 74% (2007). Significantly, while PPAF remains a major source of financing and capacity building and its largest POs have achieved high levels of sustainability their individual dependence on PPAF

funding has declined. As they become progressively more 'bankable' they are attracting co financing from other avenues.

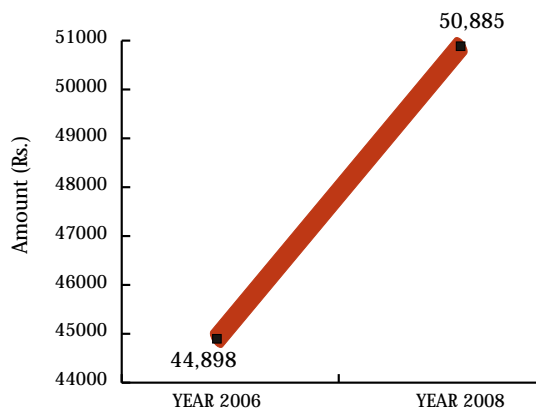
### Leveraging and Capitalizing

Cognizant of the limited resources relative to demand, PPAF is leveraging its resources in multifaceted ways. In 2006 PPAF initiated its Microfinance Innovation and Outreach Program (MIOP) which aims at reducing poverty and improving livelihoods of rural households. MIOP consists of four investment components, which together facilitate development of new financial

products and services and expansion in the number of PPAF partner organizations. Similarly, in 2007 PPAF launched another initiative – Program for Increasing Sustainable Micro-finance (PRISM) to promote market appetite for funding micro-credit operations for its POs, and reduce credit risk to commercial lenders through market based instruments such as commercial loans, corporate bonds, commercial paper and other structured products. An additional component of the program enables injection of equity in dynamic MFIs.

Similarly the Enterprise Development Facility (EDF) has focused on the specialized institutional capacity building of selected organizations to undertake second generation innovations in microcredit/enterprise development by focusing on the *missing middle* of the relatively poor, which are neither covered through the conventional poverty programs of civil society organizations nor by formal financial sector (see Fig 6).

Fig 6: Average Loan Size



By capitalizing on investments in social mobilization, water, infrastructure, health, education, and capacity building, PPAF increases efficiency of resource utilization thus serving larger number of end users, and generating multiplier effects in terms of financial, economic and social returns.

### Mainstreaming Gender

A conscious effort is made to specifically focus on women in all



“...If PPAF hadn’t been there we couldn’t have scaled up our program and eight hundred and fifty thousand women entrepreneurs would not have been able to get the opportunity to realize their potential.”

Roshaneh Zafar  
*President - Kashf Foundation*

PPAF activities. As the model has evolved, specific provisions have been built into the projects so that the status of women is raised to that of active beneficiaries and informed and energetic partners. Specific efforts to mainstream gender include:

- Representation of women on governing bodies and staff and training staff in gender sensitization.
- Operational documents and processes have been sensitively designed to be women inclusive
- It is also ensured that loan/projects that respond to the priorities of women are given preference.
- Collection and analysis of gender disaggregated data and monitoring indicators that relate to the impact of projects on women are made an integral part of the monitoring and supervision process.

# Learning and Responding

Overview of Experience

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Adopting Inclusive Approaches

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Monitoring and Feedback

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Assessing Outcomes and Impact

## Overview of Experience

Over the years PPAF has learnt from experience and, as appropriate, modified its approach to poverty. This is reflected in the evolution of the PPAF model which approaches development by focusing on combining provision of micro-credit with other services.

The many facets of poverty are addressed through integrated programs. The focus has also shifted from the conventional projects to new initiatives aimed at integrated development, dissemination of low cost, appropriate, innovative and emerging technologies such as micro/mini-hydel, windmills and solar projects and toward reducing poverty in drought areas through implementation of mitigation and preparedness projects. POs are supported by experts provided by PPAF for specialist technical inputs. There is also more focus on skill development and marketing potential of the communities and provision of comprehensive and more inclusive solutions.

While the sector has grown rapidly

in the last few years, overall penetration rate in the country remains low with the market characterized by a high degree of portfolio concentration. Bulk of the credit is concentrated in a few districts. There is limited outreach in most of Baluchistan, rural areas of Sindh and NWFP and Southern Punjab. These are areas which include some of the poorest districts in the country. In line with the above the PPAF model has been modified to expand the program to the poorest households and districts in the country. The focus is now on areas which are unable to get financing from the mainstream microfinance sector and where current market penetration is very low.

As the PPAF program has evolved the approach has been one of expanding existing services as well as adding new ones. For instance the model aims to expand outreach and introduce second generation innovations for delivery of financial and non financial services. PPAF has diversified into an institution, supporting multi sectoral interventions for poverty

reduction. A grant based livelihoods program focusing on the poorest union councils has been developed based on the South Asian model but the separate micro-credit component has been retained. In this way the PPAF is undertaking complementing programs that are working to expand outreach of micro-finance in the country.

After the wrap up of the World Bank financed Social Action Program (with Government of Pakistan), PPAF stepped in to fill the vacuum in provision of health and education services to the poor especially women through a consultative process with partners, management and practitioners. A suitable strategy was devised for the education and the health sectors. Support was provided at two levels:

- (i) At the macro level PPAF advocated increased budgetary allocations for social sectors as well as mainstreamed the education and health services provided at the community level by civil society organizations.
- (ii) At meso level PPAF provided POs with program assistance as well as capacity building and training support.

### Adopting Inclusive Approaches

Initially PPAF activities were structured around microfinance. Under the modified model the institution has evolved to a multi-dimensional organization capable of effectively addressing many facets of poverty. A multi-sectoral grant based livelihoods program focusing on the poorest areas/regions of Pakistan has been launched. The strategy also involves stronger approaches to building institutions of the poor and strengthening of livelihoods which would enable poor communities to successfully attract financial and other service providers. The project consolidated investments targeted at building physical, financial and human assets of the poor. Poverty outcomes were to be improved through a deepening and

“PPAF contributed tremendously in basically institutionalizing the process which includes social mobilization and a holistic approach...the salvation of the country is in mobilizing the communities and fostering these institutions of the people.”

Shoaib Sultan Khan  
*Chairman - RSPN*

saturation approach in the targeted areas with a much stronger focus on the marginalized groups among the most vulnerable and poorest households, including women.

An integrated approach to livelihood enhancement was adopted which was based on using strong targeting mechanisms to effectively identify the poor. Poverty score cards are to be used to identify poor and ultra poor and improve targeting methodologies and standardize such approach across POs. The model also aimed at improving access of the poor to markets and local government. Social mobilization has always been an integral part of all PPAF interventions. Social mobilization and institutional component targets and empowers the poor by supporting their organizations at three tiers namely Community, Village and Union Council. This strengthens “voice” of the poor in interfacing with local government, other development programs and the wider markets for sustainable service delivery.

Under the livelihood and social

protection component community members are supported to build their saving capacity and proficiency in funds management through lending and complementing this with technical support grants to increase assets, productivity and incomes. Mechanisms are developed to identify innovative micro enterprise and value chain development and linkages are promoted with private and public sector and civil society organizations.

Project implementation support component facilitates various governance, implementation coordination, monitoring and evaluation learning and quality enhancement efforts. Under the new approach although the primary focus is on sustainability of community organizations, a strategy to enable POs to access larger markets is pursued with equal vigor.

By initial indication, the model has worked well to reduce poverty by increasing incomes of households, increasing access of the poor to

physical infrastructure and enhancing the institutional capacity and financial sustainability of its partner organizations.

## Monitoring and Feedback

Monitoring and feedback are critical for smooth running and continuous improvement of any program. PPAF's success is built on these functions. The organization closely monitors and evaluates all program outputs and outcomes. Over the years greater emphasis has been placed on more rigorous monitoring and evaluation processes, and additional steps have been taken to involve stakeholders and make the procedures more effective. Under the improved model, feedback is provided by means of periodic review of project approval processes, implementation and completion reports. Long term monitoring and evaluation of projects and post project impact assessment studies on beneficiaries are conducted and disseminated to all stakeholders.

The more critical research work is

“I think the monitoring systems of the PPAF have made us learn a lot of things. The impact evaluations that the PPAF has been doing over time also helped us to strengthen and improve our quality of work in the field...it is seldom that you find a private organization which is handling huge sums of money that you come out absolutely clean. “

Rashid Bajwa  
*CEO - National Rural Support Programme*

outsourced to credible institutions and agencies. PPAF has worked with external, reputable institutions to conduct third party studies on sectoral and topical issues which help determine effectiveness of PPAF interventions, and PO efficiency in delivery of services.

### Assessing Outcomes and Impact

PPAF continuously endeavors to assess and evaluate its own and partner organization performance. It has initiated a monitoring and evaluation system for measuring impact, relevance, effectiveness, efficiency and sustainability of various interventions and programs. PPAF works with an excellent management team who continue to work with dedication and have developed a reputation of credibility and trust over the years.

PPAF performance has been assessed, among others, by Operations Evaluation Department of the World Bank (2004) and FAO Investment Centre (2008) and

assigned the highest rating in terms of output, targets and achievement of development objectives.

Another major exercise (partially completed and on-going) involves a comprehensive review of micro-credit, community participation, training and physical infrastructure projects of two of the largest POs who were receiving substantial financial and non-financial support from the PPAF. It is being undertaken in collaboration with Development Economic Research Group of the World Bank.

In 2002 PPAF carried out an externally commissioned third party study on the impact of PPAF's micro-credit interventions. The study covered 1700 households in the various regions and areas of Pakistan. Adopting a *combined counterfactual* approach the study tested 18 hypotheses covering various aspects of poverty. It found adequate evidence that on the average low income households who had borrowed from PPAF were better off than they would have been if they had not borrowed. The income levels of

the beneficiaries had risen, their consumption had increased and there was improvement in their personal and business assets. The lifestyle of the borrowers, by way of housing facilities, was better than before and their social status-particularly that of female borrowers-had improved. The study concluded that overall the program had made a significant difference in the lives of the poor.

A similar follow on exercise was repeated in 2005. The study found the observation made in the 2002 survey that the average low income households who had borrowed from PPAF were better off was found to be true for the second, and comparatively larger, pool of borrowers surveyed in 2005. Research results showed that the benefits of PPAF loan appeared in terms of poverty alleviation and improvement in the basic lifestyle indicators of the borrower. The study also found that direct impact on generating employment or effect on other indicators was not very significant. However, improvement in the basic lifestyle





indicators of micro-credit borrowers could possibly have a second order positive effect on development indicators.

Community trainings carried out by POs through PPAF support in fields of management, enterprise development and vocational skills were also evaluated. The Strategic

Planning Process, conducted by PPAF team with its partners, also underwent assessment. Both studies were completed in 2005. Additionally baseline studies for PPAF micro-credit and enterprise development facilities which had been outsourced were completed in 2005 and 2006 respectively.

# The Way Forward

Strategic Positioning

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Re-orienting and Diversifying

## Strategic Positioning

With the support of PPAF the microfinance sector has grown exponentially on the back of macroeconomic stability and GDP growth. However overall penetration rate of MF in the country still remains extremely low. Estimates of current market potential range from 20 million (low end) to 30 million (high end borrowers). This implies a market penetration rate of 5%-8%, signifying a very high upscale potential. At the same time Pakistani microfinance market is characterized by a high degree of portfolio concentration. Three institutions (one microfinance bank, one specialized microfinance institution and one rural support program) account for two thirds of the market. The average geographical outreach of microcredit, in terms of district coverage is little over 6% per district. PPAF is uniquely positioned in terms of GoP strategy to achieve 3 million active borrowers by 2010 and 10 million borrowers by 2015.

The principal constraint is essentially on the supply side if the

sector is to attain its exiting high up-scale potential and achieve the outreach targets of GoP.

As lender of the first resort for the sector and in order to crowd in private investment, PPAF has recommended to GoP a blended / co-financing approach for sectoral growth and development entailing multiplicity of sources (multi-lateral, bi-lateral and private capital) and instruments (equity, debt, deposits, savings, commercial paper). However, considering recent economic meltdown and risk appetite of financial sector for microfinance the earlier projections of growth and scale may need to be revisited. Debt is however is still likely to be the primary driver of future growth.

In this scenario, PPAF has to perform a challenging role of poverty reduction as well as promote market driven sustainable microfinance. Its existing resource base capacitates it to serving poor, underserved and under-banked clients (i.e. growth and development of mainstream microfinance). On the other hand

both as a poverty fund and micro-finance sector developer, the imperative for PPAF is to also focus on the poorest un-served, un-banked and excluded clients. (i.e. development/graduation of absolute poor but potentially credit worthy borrowers).

The second major challenge for PPAF is to manage the diversity and complexity of its operations in a rapidly changing environment. In line with these trends PPAF recognizes the need to restructure its operations and reposition all its core business lines. This strategy was enunciated by senior management of PPAF to its Board of Directors. The BoD agreed with this vision in principle and advised a comprehensive action plan to be prepared.

The vision for PPAF is to become a fully diversified operating group with each of its components being hived off into stand alone independent/specialized entities or special purpose vehicles. The timing and sequencing of this process will be determined through extensive stakeholder consultations. The objective is to learn from national

and international experience and best practices so as to exploit late mover advantage and achieve a seamless transition.

On the qualitative side, PPAF has played a pivotal role in changing the charity mindset of the sector and introduced and encouraged international standards and best practices like separation of accounts, audits of microfinance financial statements, reporting of performance and financial indicators along with strengthening of governance through reconstitution of Board and management. At the same time investment in human resources and institutional development through a range of skill enhancement and capacity building measures have been initiated focused on partner organizations' senior-middle management, field staff as well as at the borrowers and communities.

### Re-orienting and Diversifying

In terms of products and services, as the sector develops and

matures, there is evidence of the need for a layered/niche based approach to provision of financial and non financial services. Given the diversity and nature of local economies and changing dynamics of poverty PPAF has embarked upon the process of reengineering its core businesses from being uni-product to multi-product. This will enable PPAF to more effectively and coherently position itself in the increasingly sophisticated markets it serves:

#### *Microfinance*

Tier I: High end microfinance  
- market pricing, leveraging capital markets, funded and unfunded exposures, sustainable financial services

Tier II: Mid market microfinance  
- assisted growth, institutional strengthening, developing new retail capacity and sustainable outreach

Tier III: Low end microfinance  
- social protection/safety nets, entitlements, asset/skills transfers, phased graduation to microcredit

Whereas PPAF has a dedicated

funding window for the Tier III segment, there is a large gap between the requirements of the high end microfinance market (Tier I & II) and the resources available within the sector. The current resource pool available with PPAF and all the players in the sector combined falls well below the estimated funding requirement to reach out to 10 million borrowers by 2015. Since operational and financial sustainability remains a key focus for institutions working for the high end market, only 3-4 players have attained scale which can generate enough revenues to sustain their operations. There is a demonstrated need for funds directed towards building institutional capacities of medium sized organizations to achieve the substantial client base that GOP policy is focused on.

#### *Water and Infrastructure*

Level I: Holistic rural development  
- water-stressed/energy-deficit regions shrinking natural endowments – customized and inclusive solutions

Level II: Local area up scaling and up gradation

- integrated multi-sectoral/multi-component interventions
- Level III: Provision of basic services
- stand alone micro-investments in small infrastructure

The special feature in water and infrastructure interventions is acquisition and employment of emerging/innovative technologies as well as value adding second and third generation interventions.

*Health and Education*

Category I: Community-based independent facilities

- fee-based, community-managed health & education projects

Category II: Adopted public sector facilities

- strengthening of government functional/non-functional, formal/non-formal facilities as public-private partnerships

Category III: Augmented support for private sector facilities

- strengthening of existing, resource-constrained SSDPs of POs

Category IV: Public sector facilities as best in class

- transformation of schools &

health centers (in EQ areas) through provision of state of the art construction, equipment & services

The social sector development program (primary education and basic health), which has been a pilot facility and where a range of delivery instruments were employed and tested, will be taken to scale. This will provide PPAF the opportunity to effectively address the sectoral challenge of quality, access and equity in the provision of social services.

*Strategic Direction*

Going forward, PPAF aims to sustain its performance by consistently delivering on commitments, and improving the quality of its multifaceted intervention.

The PPAF will mobilize poor people especially in the poorest districts of Pakistan and create viable community organizations thereby, laying the foundation for future expansion of poverty reeducation activities. Many of these will go on to take microfinance loans or productive and social infrastructure

for the PPAF, through the existing partner organization network, while others will federate into local institutions of the poor. A leadership cadre of women and men will be trained to develop local support organizations, for sustainable development.

Being a learning organization, PPAF has consciously striven to remain valid in its context by: being demand driven; undertaking innovative measures to respond to needs of its clients; remaining firm on principles and flexible on procedures; and by maintaining lean structures. PPAF has been able to deepen the role of civil society in economic development by partnering with the right type of institutions, developing capacities, building systems. The focus of PPAF is to create a blend of professionalism and altruism with the objective of serving the poor on a long term basis.

# Lending Operations

Credit and Enterprise Development

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## Credit and Enterprise Development

One of the key challenges facing any poverty alleviation effort is the provision of financial services to poor households at the lower end of the poverty scale. Timely access and steady availability of finance facilitates their livelihoods and sustains marginalized communities through seasonality as well as external shocks. It helps build physical, financial and human capital, promotes growth and its equitable distribution. In Pakistan, the challenge is met by PPAF which provides these financial services at the grassroots/ retail levels and invests in and capacitates civil society organizations to develop into effective providers of microfinance services in the country. The Credit and Enterprise Development unit has the responsibility for managing the micro-credit component of PPAF. The unit has focused on identification of credible and capable partner organizations through a transparent, rigorous process of due diligence and appraisal. The CED unit provides

funding to legally established entities in nongovernmental and the private sector.

The quantum of financing to each organization is determined by rationale and the relevance of proposals submitted, track record, as well as absorption and debt service capacity.

As an apex intermediary, PPAF has combined the twin role of market developer and wholesale financier for the sector. Over the years PPAF had maintained a diversified and healthy portfolio without compromising the quality of its programs. Special consideration has been given to gender and equitable distribution of funds across the country. These efforts have been so successful that Pakistan is now recognized internationally as an emerging market for microfinance.

PPAF's credit program has expanded rapidly with disbursement rising from Rs. 35.6 million in 2000 to Rs 25.2 billion by end of FY 2008. By this time PPAF had a market share of 45 percent of the over 1.7 million

active micro-credit borrowers in Pakistan, while its partner organizations collectively accounted for 61 percent share in the sector (see Fig-6). The number of partner organization has also grown from 5 in 2000 to 75 (45 of which are devoted specifically to enterprise development).

Correspondingly the number of loans and borrowers has also risen substantially. In 2001 PPAF was lending to 40,000 borrowers which increased by 1,871 percent to 788,631 in FY 2008. Out of the cumulatively disbursements of Rs. 25.2 billion, approximately Rs. 8.9 billion were disbursed under the standard microcredit window, Rs. 101 million under the Enterprise Development Facility, and Rs. 40.1 million under the Microfinance Innovation and Outreach Program.

Most of PPAF's microcredit beneficiaries are located in the rural areas, with agriculture accounting for the bulk of disbursements with a cumulative share of 35.7 percent, with 21 percent cumulative sectoral share going to the livestock sector.

Fig 6: Microfinance: Market Share by Funding

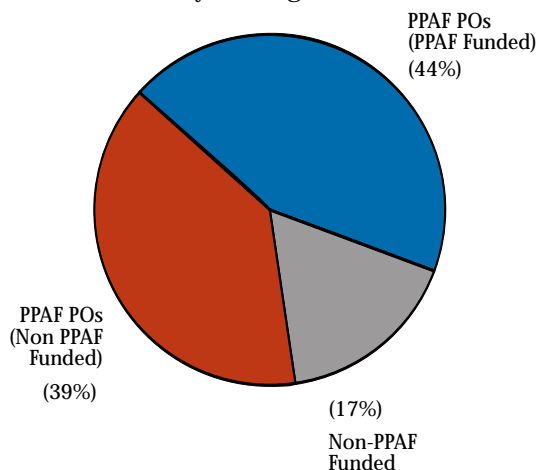
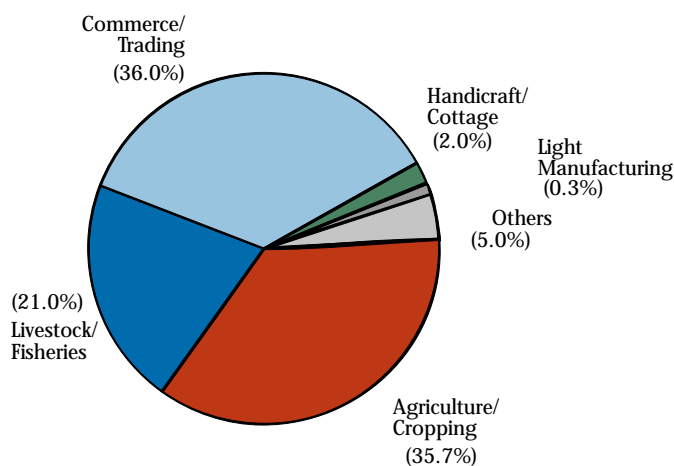


Fig 7: Sectoral Distribution of CED Resources 2001-2008



Commerce is the other major recipient of funds under the CED program accounting for a substantial share 36 percent of the cumulative disbursements from 2001 to 2008 (see Fig-7). The commitment of PPAF to develop the commerce sector is reflected in its Enterprise Development Facility with loans ranging from Rs. 30,000 to Rs. 100,000. Most of these funds were utilized in the sector for the establishment or incremental growth of small enterprises and cottage industry which accounted for a major portion of 44 percent. PPAF's commitment to developing the sector on competitive lines is further reflected in its readiness to work with a diverse set of service providers including rural support programs, microfinance institutions and non-governmental organizations.

Compared to a largely unidimensional portfolio predominantly catering to rural support programs initially, the PPAF over the years has diversified its portfolio to include many medium and small scale partner organizations. Such diversification

has progressively contributed to the sector's maturity and has been instrumental in the continuous development of innovative, more contextually relevant products. It has also enabled PPAF to undertake more risk adjusted operations. Not only that but with a much smaller average loan size, the microcredit window has been able to reach the poorest households. To date, over two and a half million PPAF supported microcredit loans have been disbursed and the facility continues to account for the major portion of PPAF's credit portfolio.

The gradual increase in PPAF's urban loan portfolio has also meant a reduction in the overall gender gap of PPAF microcredit beneficiaries. Only 5.5 percent of PPAF's of the 87,000 new female microcredit beneficiaries in FY 2004-05 were located in urban areas, approximately 45 percent of the nearly 373,600 new female beneficiaries in the FY 2007-08 were urban based. This has been possible by focusing on partner organizations with exclusively female clients, particularly in the urban areas. These efforts have

been successful as the number of such POs has increased from one in FY 2000-01 to ten in FY 2007-08. Consequently, the share of microcredit funding for such organizations has increased from a mere 1.6 percent in FY 2000-01 to over 33 percent of total microcredit disbursements in FY 2007-08 (See Figure 9). As can be seen from Figure 10 below the percentage of women beneficiaries also improved in rural areas, with their ratio in terms of overall microcredit rising from 36 percent in FY 2004-05 to 48 percent in FY 2007-08.

The Microfinance Innovation and Outreach Program (MIOP) was initiated in 2007, with funding from the International Fund for Agricultural Development (IFAD). The program supported PPAF microfinance operations by creating a flexible funding facility for partner organizations to develop new financial products/services for rural areas. The project provides access to a wider range of sustainable financial services to the poor and develops products that respond to their specific needs. The US\$ 20.8 million

Fig 9: Microcredit Beneficiaries by Region and Gender FY 2004-2008

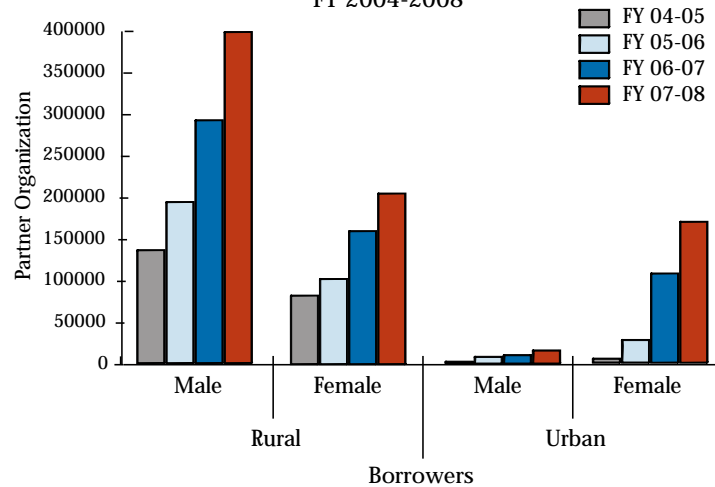
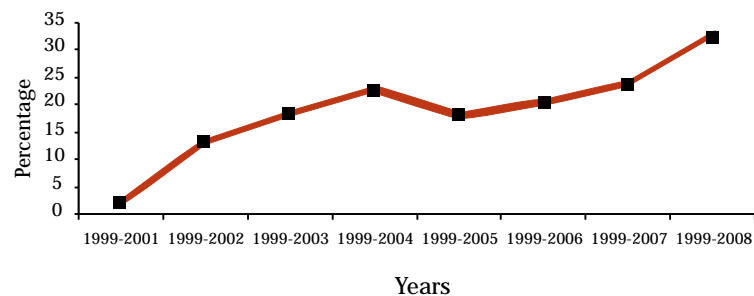


Fig 10: Growth in Credit Portfolio of Women-Only POs



Innovation and Outreach (I&O) facility under the program allows partner organizations to pilot test and upscale innovative financial products and delivery models for rural communities. The program is designed to cater to individuals and small enterprises with two financing windows: a regular window with loans of up to Rs. 100,000 for enterprising individuals, and a private sector linkage window with loans of up to Rs. 300,000 for small private enterprises with employment generating potential. The program has four components:

#### 1. Innovation and Outreach Facility

Offers allocation of grant versus credit resources on case to case basis for existing partner organizations of PPAF.

#### 2. Young Partner Program

The PPAF is continuously looking for new partner organizations to work with, under this the latest initiative, three programs were started:

- Young Partner Development Initiative to enable organizations

working in rural areas with potential to become serious microfinance providers.

- International Linkage Partner Initiative to identify young professional outfits and link them with renowned Microfinance Institutions (MFIs) and provide them with a credit line, technical and capacity-building assistance to establish MFIs in Pakistan.
- Young Professional Scheme to support young professionals from rural areas to join the development sector.

#### 3. Support for Partner Organizations

This component aims at helping partner organizations work with program's cross-cutting themes. Funds are made available for training sessions, studies and technical support to help partner organizations understand themes and design their projects.

#### 4. Management Support

Under this component resources are devoted to enable PPAF to take on added management responsibilities. PPAF, through its partner organizations, initiated five innovative models under the

Innovation and Outreach (I&O) facility of MIOP that included Home Improvement Loans, Cooperative farming for women, increasing outreach through settlement branches, enterprise development loans in rural areas and village banking in mountainous areas.

With an eye on long term sustainability of the sector PPAF has focused on addressing supply side constraints through strengthening of market linkages and developing greater leveraging capacity for partner organization. Through its Programme for Increasing Sustainable Microfinance (PRISM), an IFAD financed facility PPAF provides greater access to the commercial sector for partners by offering credit enhancement through banks in the shape of cash collateral, letters of credit and/or direct guarantees and making them 'bankable' through enhancing their debt capacities. PRISM further grants equity funds to dynamic microfinance institutions to help build their capital and equity position and for leveraging commercial financing.

PRISM sets aside funds for technical support in key areas like institutional assessments, financial /strategic planning and management training, training in negotiation, business plan and manual preparation, information systems design and deployment, credit ratings and legal advice. Additionally, funds have been allocated for promoting greater knowledge sharing in the sector and establishing information linkages that promote a continuous dialogue process within the sector.

PPAF micro-credit program has been one of the most successful programs of its kind. The success of credit program has been due to the certain key features highlighted below:

- Emphasis on performance based lending assures quality of its programs and outcomes. Repayment rates continue to be 100 percent.
- Potential partner organizations are assessed through rigorous selection process with both desk and field appraisals. Credit is disbursed on the basis

## Credit and Enterprise Development

One of the key challenges facing any poverty alleviation effort is the provision of financial services to poor households at the lower end of the poverty scale. Timely access and steady availability of finance facilitates their livelihoods and sustains marginalized communities through seasonality as well as external shocks. It helps build physical, financial and human capital, promotes growth and its equitable distribution. In Pakistan, the challenge is met by PPAF which provides these financial services at the grassroots/ retail levels and invests in and capacitates civil society organizations to develop into effective providers of microfinance services in the country. The Credit and Enterprise Development unit has the responsibility for managing the micro-credit component of PPAF. The unit has focused on identification of credible and capable partner organizations through a transparent, rigorous process of due diligence and

health assistance, skill development and asset transfers.

- PPAF believes in the strength of partnerships and communications. Over the years it has made tremendous efforts to increased coordination with stakeholders in the sector, particularly the State Bank of Pakistan and Pakistan Microfinance Network. In doing so CED identified complementarities and developed synergies for promoting the microfinance sector in Pakistan.
- PPAF is committed to establishing a sustainable and cost efficient microcredit service delivery system at the grassroots level. CED Unit has introduced a comprehensive risk management framework to guide the process of resource allocation through timely identification of systemic and structural risks and gaps within partner organizations. Simultaneously, it is also facilitating partner organizations in strengthening their social mobilization processes as necessary condition for better portfolio balance and minimizing credit risk.

# Grant Operations

Water Management

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Community Physical Infrastructure

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Rehabilitation and Reconstruction

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Human and Institutional Development

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Health and Education





## Water Management

PPAF Water Management Centre is the first of its kind in Pakistan. Advanced technology applications (such as satellite imagery) and Geographical Information System set the centre apart. The centre aimed to collaborate with national institutions such as SUPARCO, Geographical Survey of Pakistan and Metrological Department, to address drought mitigation and water resource management in a holistic manner.

Following PPAF's participatory development framework, the centre emphasizes the role of community organizations in project identification and implementation. To date the interventions have benefited 101,133 households in 1622 communities (See Table 1 next page). As shown in Fig-11, a

majority of beneficiary households are located in NWFP (30%) and Sindh (30%) followed by Balochistan (22%).

An overall program cost of over US \$ 37 million is distributed along four focus areas: Drought Mitigation and Preparedness, Integrated Water Efficient Irrigation projects and the Sindh Coastal Areas Development Program. The Drought Mitigation and Preparedness projects constitute several integrated interventions spanning over one or several union councils, encompassing a large number of villages. It covers large drought affected areas with each project spanning one to three union councils and constituting approximately a hundred sub-projects on the average. These typically include delay action/check

dams for restoring water balance in addition to meeting the community's domestic and agricultural requirements, interventions for rehabilitating crucial aquifer, schemes aimed at more efficient water management for irrigation and a variety of other interventions for flood protection, land reclamation, rangeland management and the optimization of cropping patterns.

By the end of the fiscal year 2008 PWMC had initiated work on 25 Drought Mitigation and Preparedness Projects consisting of 1130 water focused interventions with a cumulative investment of Rs. 961 million from funding windows made available by the World Bank and USDA. These projects have collectively benefited 1,300 communities in 16 drought affected districts, following integrated strategies aimed at recharging depleted aquifer resources and their efficient exploitation through a variety of water efficient irrigation mechanisms and innovative agricultural methods. The 2 DMPPs implemented in Soon Valley have

Fig 11: Distribution of Beneficiary Households by Province

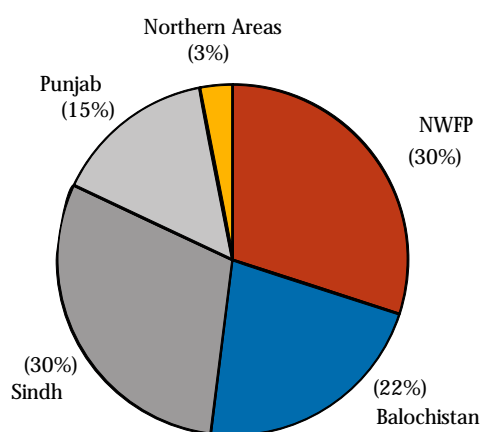


Table 1: Distribution of Projects by Beneficiaries

Programme Category	Number of Sub-Projects	Coverage (Villages)	Beneficiary Households
Drought Mitigation and Preparedness	1130	370	66,000
Integrated Water Management	196	140	9,406

achieved a 30 to 40 per cent reduction in water losses due to new efficient water conveyance systems, which have made it possible to irrigate an additional 2,500 acres of rain fed area. Already, communities have saved an estimated Rs. 7 to 10 million in potential cost of diesel engine operated pumps, which have become redundant.

Sindh Coastal Areas Development (SCAD) program combines infrastructure interventions with logically interlinked interventions in healthcare, education, livelihood support and the provision of financial services, leading towards the development of what are intended to serve as Rural Growth Centers (RGCs). One RGC has already been inaugurated in Keti Bandar during the reporting period, with 17 others planned for implementation in the program area. An integrated network of infrastructure interventions has been put in place along the Sindh coastline, which has repeatedly suffered from a devastating spell of water related disaster spread over a decade. To date, 345

schemes have been initiated in the coastal belt including protection works for reducing vulnerability to sea intrusion, improved sanitation and communication facilities, as well as the introduction of innovative solutions for provisioning safe drinking water and electricity through tapping renewable sources of energy. PPAF has engaged ten of its partner organizations with clearly defined project areas to join forces for taking the initiative forward. With active support from the PWMC, the Sindh Coastal Areas Network (SCAN) was established to promote linkages among member organizations through workshops, exchange visits, study tours and regular information sharing. With a view to ensuring rapid inter-PO technology transfer and sharing lessons learnt in social mobilization, PWMC is currently working on the establishment of a national level drought management network -the Pakistan Drought Management Network (PDMN). PMDN will also provide a forum to deliberate over policy issues impacting drought and other water related disasters at the community level.

The Integrated Water Management Programme (IWMP) is a hybrid of DMPP and all other PWMC projects. Three IWMP projects, which include 196 interventions with a total cost of Rs. 169 million- 20 percent of which will be contributed by the communities, have been initiated in Gilgit, Baltistan and Chitral.

PPAF's ability to mobilize and strike efficient partnerships with communities has been a major factor that has led to successful sustainable development. It is these strong ties with communities have led to the successful implementation of 40 Integrated Water Efficient Irrigation (IWEI) projects. These include a total of 100 sub-projects with an overall outlay of Rs. 148 million, of which 20 percent has been contributed by communities. The projects cater to the needs of particular communities at the village level for better utilization of water resources for irrigation through the successful integration of four to five interventions involving sprinkler/drip irrigation, water channels, water course lining, and

conduits. IWEI projects have benefited 4,000 households, minimized water losses, improved yields and added much needed increments to household incomes.

In the mountainous regions IWEI projects have been successfully integrated with Micro/mini hydels. This is an ongoing program that aims to meet household lighting, heating and cooking needs through sustainable power generation. It also includes initiatives in water efficient irrigation practices and food processing. The projects have benefitted 3,000 households in 30 isolated mountain villages at a cost of Rs. 150 million.

Through its various program windows, the center is delivering sustainable, need-based water related infrastructure to marginalized communities. It has facilitated in securing livelihoods, increasing income generating opportunities and reducing vulnerabilities to seasonal shocks, while mitigating sufferings of the poor living in diverse circumstances from low-lying flood-prone coastal



areas to water deficient deserts and mountain communities. The centre is also taking steps in establishing sector wide linkages and making efforts to initiate discussion, to generate, accumulate, refine and disseminate knowledge for finding long term solutions to the country's escalating water crisis.

### Community Physical Infrastructure

Provision of grants for development of rural infrastructure lies at the core of PPAF's poverty reduction strategy; the CPI unit adds an effective dimension to the poverty alleviation efforts of the PPAF and is responsible for managing the

grant based financing of small infrastructure schemes and subprojects.

The unit primarily supports partner organizations through grants on a cost sharing basis where communities undertake to bear the future operations and maintenance costs of the project. Communities are expected to contribute around 20 per cent in cash or kind to the projects. The approach is participatory and demand driven and provides support to small scale community infrastructure projects. Projects are eligible for funding only if they are prioritized by the communities themselves and meet the detailed eligibility criteria set forth by the PPAF

The unit's activities are driven by a firm belief in the role of community participation in identification and the implementation of projects for poverty alleviation. A distinguishing feature of the work of the unit is its focus on bottom up demand driven approach to project identification. This component of PPAF assumed great importance for the poor agrarian households who are dependent on land and livestock and are particularly vulnerable to persistent droughts and uneven rainfall.

Since commencement of activities in FY 2000, the Community Physical Infrastructure unit has rapidly expanded the scale of operations. Disbursements have increased from Rs 91 million in 2000 to Rs 1014 million in 2008 (Fig 12). To date the CPI unit has financed 15,957 infrastructure projects through 48 POs covering 116 districts of Pakistan, Northern Areas and AJK, 4 agencies of the Federally Administered Tribal Areas (FATA) and the Islamabad Capital Territory. The above schemes have cumulatively benefited a

Fig 12: CPI Annual Disbursements

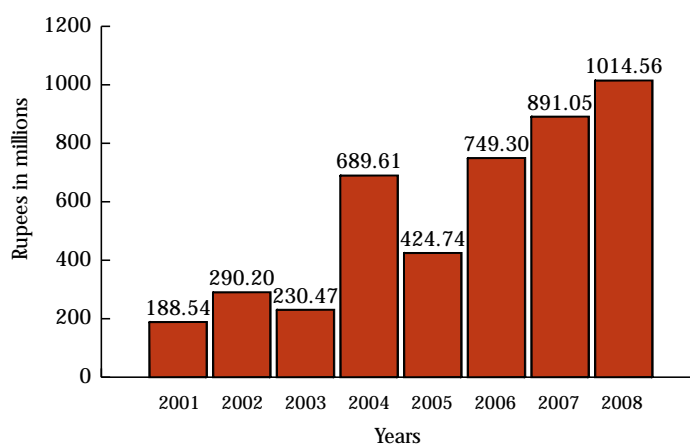


Table 2: Distribution by Beneficiary Households

Province	Projects	Beneficiary Households	Beneficiary Population
AJK	672	31,149	248,309
Balochistan	2,523	109,932	847,392
FATA	90	9,468	99,764
ICT	132	10,952	63,310
NAs	408	39,678	303,101
NWFP	3,112	273,704	2,040,667
Punjab	5,682	481,403	3,145,184
Sindh	3,338	175,703	1,238,173
Grand Total	15,957	1,131,990	7,985,900

population of almost 8 million in over 18,000 rural and urban communities throughout the country. (see Table 2)

These schemes focused mainly in four broad sectors: Drinking Water supply, Irrigation, Sanitation and Communications. The distribution of schemes across geographical areas reflects the different topographical conditions, degree of water scarcity and disparities in the levels of agricultural development. For instance, most irrigation sector interventions in Punjab consist of watercourse lining projects, while irrigation channels, Karez rehabilitation and pipe irrigation projects are important in Balochistan and reflect community preferences that guide PPAF's development initiatives. In rural Sindh, for instance, Drinking Water Supply Schemes (DWSS) have accounted for over 67 percent of 3,338 schemes completed to date address community demands especially in desert areas of the province. In rural Punjab, since the participating communities have prioritized the irrigation sector, 49

percent of 5,682 infrastructure schemes were completed in the sector.

To date, the unit has been successful in managing an equitable geographical distribution in the disbursement of funds for infrastructure development, while simultaneously concentrating on the most deprived regions. For this reason, the percentage share of rural Sindh, NWFP and Baluchistan in terms of number of schemes has tended to be much higher than their respective population share in the country.

The cumulative sectoral distribution of PPAF resources for CPI projects is shown in Fig-12. About 34% of all projects aimed to ensure safe drinking water to poor communities. It is apt to mention that 31% of the total projects were directly related to enhancing crop production through developing irrigation facilities. In addition, keeping in view need of local stakeholders 19% projects were related to sanitation and drainage designed to improve living conditions of poor communities.

After the October 8 earthquake of 2005, it was realized that housing reconstruction has to be complemented with rehabilitation of infrastructure for meaningful revival of affected communities. Consequently, \$20 million out of the \$100 million World Bank Reconstruction and Rehabilitation Project was set aside for the rehabilitation of infrastructure schemes in the water supply, sanitation and communication sectors. By 2008 rehabilitation work on 443 out of the 682 initiated infrastructure schemes in affected areas was successfully completed. Since the availability of safe drinking water was central to the recovery process, the rehabilitation of Drinking Water Supply Schemes (DWSS), which accounts for approximately 79 percent of rehabilitated schemes, was given top priority.

PPAF is making continuous efforts to involve new partner organizations from all parts of the country in its work, with the aim of facilitating their growth into large and sustainable entities

Fig 12: Distribution of Beneficiary Households by Province

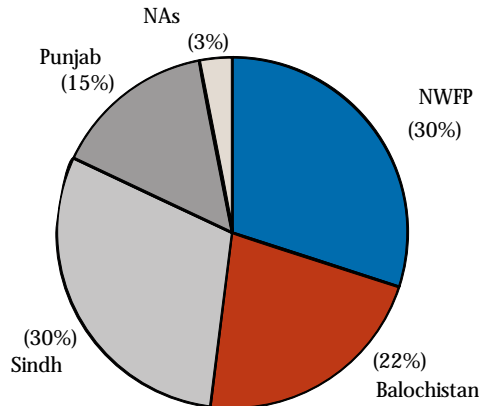
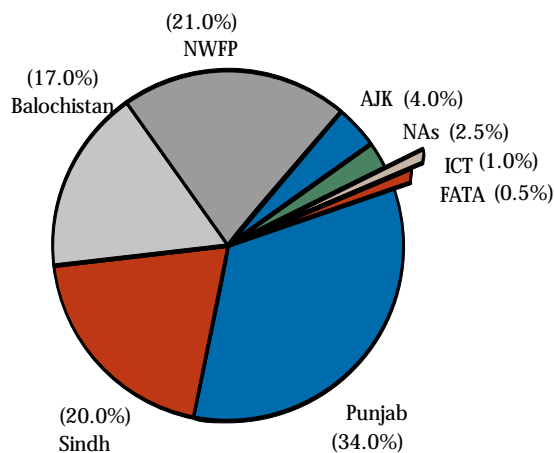


Fig 13: Provincial Distribution of CPI Resources 2000 - 08





committed to PPAF's overarching objective of poverty alleviation. While the 8 partners (See Figure 14) account for the major share of PPAF's cumulative CPI disbursements, their collective portion fell from over 98 percent in FY 2001-2 to approximately 70 percent in the financial year 2007-08, reflecting this strategic direction.

The PPAF CPI interventions have played a vital role in stimulating growth of local agricultural economies through better utilization of scarce water resources. These schemes have contributed significantly to household welfare through increases in incomes and consumption levels. Interventions in the sanitation and drinking water supply and communications sectors have facilitated infrastructure building especially in the isolated rural communities and has improved the health of the communities. Access to potable water has relieved women from carrying water over long distances, enhancing their productive potential and increasing economic

options for poor households. The rehabilitation of infrastructure schemes in response to the 2005 earthquake depletion was timely and effective.

Several factors have contributed to the effectiveness of PPAF's CPI projects. First, all interventions follow a mobilization process which is designed to reflect community preferences. Ownership and involvement is ensured through cost sharing mechanism. Secondly, while stand-alone conventional schemes continue to form the major part of CPI interventions, it has taken various innovative initiatives to provide solutions to specific problems. These include:

- Integrated Area Up gradation Program (IAUP) which includes mutually complementary schemes like drinking water supply, sanitation, communication and irrigation. To date, 158 integrated projects have been initiated at the national level in collaboration with 18 partner organizations, of which 152

IAUPs have been completed and the remaining are at various stages of completion.

- The development at Dhok Tabarak near Islamabad, of an integrated package of Community Physical Infrastructure facilities including water supply, household latrines, safe water disposal, street surfacing, education and health as well as microcredit. Based on the success of this project, there has been increasing demand for its replication from adjoining communities.
- The implementation of 44 micro hydel projects in the Northern Areas provides energy round the year at cheaper rates, to large area production.

Third, PPAF has introduced a number of technological innovations into the project preparation and design process. For instance, the use of remote sensing and Geographical Information System (GIS) in the preparation of Drought area projects has made planning and

execution of such projects more efficient. Deliberate efforts are also underway to promote cleaner technologies such as micro-hydels, windmills and solar-operated water lifting systems. Simultaneously, PPAF has made conscious efforts to promote environment-friendly processes and designs across all infrastructure interventions. In this respect, a comprehensive environmental framework has been formulated as a guide for integrating environment-friendly practices into all infrastructure project.

Fourth for improving their effectiveness, the CPI unit also provides non financial technical support and training to partner organizations in managerial supervision and program management so that they can, over time, become independent of PPAF financial intermediation and technical support. Various workshops have been conducted with the partners to stress the importance of this challenging aspect of PPAF's work.

Fifth, the CPI Unit undertook many steps to develop linkages with



other international institutions such as the United States Department of Agriculture, World Wildlife Foundation, United Nations Development Program.

## Rehabilitation and Reconstruction

While the country was unprepared for the earthquake that struck northern Pakistan in October 2005. PPAF responded by quickly positioning itself for a well structured relief effort.

- PPAF set up a Disaster Relief

Fund and diverted Rs. 300 Million (US\$ 5 million) from its existing program towards disaster relief efforts.

- A Disaster Management Committee was formed, with representation from civil society, private sector, Pakistan Army and GOP to oversee PPAF relief, rehabilitation, and reconstruction efforts.
- A dedicated Disaster Relief Centre was set up in Islamabad to manage various initiatives in a coordinated manner.
- Established 4 forward offices in earthquake affected areas to coordinate and monitor relief operations.

- An additional Rs. 1 million were contributed to “Presidents Relief Fund” from PPAF’s own resources in addition to one day salary contributed by the staff voluntarily.
- A total of 150,000 CGI sheets (with toolkits) were transported at high altitude through 500 helicopter sorties flown by US Air Force.
- A need assessment was carried out by the front offices of PPAF to assess needs of victims on daily basis and to address those needs accordingly.
- Public Safety Committees were formed for securing landing zones and on site reception, distribution and management of CGI Sheets and other relief goods.

Subsequently, PPAF was given the mandate to lead housing reconstruction in 34 union councils of Azad Jammu and Kashmir and NWFP. The setting up of a well functioning distribution network was crucial to the success of relief operations. For this purpose, four forward offices were set up in a supervisory role to oversee and

coordinate the on-ground distribution effort carried out by partner organizations. These forward offices provided the Disaster Management Centre in Islamabad with an effective mechanism for delivering much needed supplies to isolated communities in far flung areas of the affected zone.

Focused primarily on housing reconstruction, a Reconstruction and Rehabilitation (RnR) Unit was established following the formal initiation (first tranche US\$ 100m) of the World Bank Project in January 2006. For better planning and dedicated focus the unit has been subsequently divided into four main components: (i) Social Mobilization, (ii) Damage Assessment, (iii) Re-construction, and (iv) Training. The unit’s efforts are based on a holistic and long term approach to reviving lives and livelihoods.

In addition to the reconstruction of seismically-safe housing it undertakes substantial capacity building, livelihoods restoration, reconstruction of non-housing

infrastructure and focused interventions for people with disabilities. With an overall financial outlay of US\$ 298 million, the RnR Project is the largest private sector reconstruction and rehabilitation project of its kind in the earthquake affected region. The PPAF efforts at rehabilitation were supported with funding from the World Bank, KfW (German Development Bank), IFAD and CECP. While most of the funds were utilized for the component of housing reconstruction, focus was also placed on long term revival of the affected communities by allocating

## Water Management

PPAF Water Management Centre is the first of its kind in Pakistan. Advanced technology applications (such as satellite imagery) and Geographical Information System set the centre apart. The centre aimed to collaborate with national institutions such as SUPARCO, Geographical Survey of Pakistan and Metrological Department, to address drought mitigation and water resource management in a holistic manner.

Following PPAF's participatory

	WB	IFAD	KFW	CECP	Total
Housing Reconstruction	198	17.51	11.67	-	227.18
Small Scale Physical	16	1.67	0.75	-	18.42
Infrastructure					
Community Buildings	4	-	-	-	4
Community Health Centres	-	-	-	3.27	3.27
Rural Health Centres	-	-	-	1.29	1.29
Schools	-	-	-	4.76	4.76
Livestock Assets	-	3	-	-	3
Operational and	5	0.72	0.86	-	6.58
Training Support (PPAF)					
Operational and Training	15	1.9	1.42	1.39	19.71
Support (POs)					
Consultancy	-	-	0.6	0.37	0.97
Contingencies	-	1.57	1.5	0.93	4
Disability Project	5	-	-	-	5
Total	243	26.37	16.8	12	298.17

rural health centers, community centers, drinking water supply schemes, link roads and sanitation. Construction of health and education schemes was undertaken with US Committee Encouraging Philanthropy (CECP) funding and included reconstruction of 12 community health centre, 2 rural health centers, and 18 primary schools. A substantial US\$ 26.3 million were spent on training and operational support to PPAF and POs. To date the R&R unit has cumulatively disbursed Rs. 14.5 billion to partner organizations as grants for reconstructing damaged housing and non-housing infrastructure, in addition to incremental grants for meeting operational and capacity building requirements. Out of the overall disbursement of Rs13 billion for housing reconstruction, PPAF partners had transferred over Rs. 11.8 billion to 120,608 affected households by the end of FY 2007-8. Economic well being and survival of a large number of poor households was closely associated with livestock ownership. Under

IFAD-financed Restoration of Earthquake affected Communities and Households (REACH) project, US\$ 3 million were allocated for building livestock assets for poor households through provisioning of one 'basic livestock unit'. The project was designed to focus on the most vulnerable households-widows, orphans, elderly and the disabled-besides distribution of livestock assets. Participatory Community Action Plans (CAPs) were developed to assist these households during housing reconstruction. Additionally, the World Bank financed Disability Project (US\$ 5 million )seeks to improve quality of life for persons with disabilities and their families through targeted interventions ensuring better mobility, improved health and increased participation in community life. The project is designed to support a whole range of activities from raising community awareness and provisioning quality rehabilitative services to sensitization and capacity building programs aimed at project staff, communities and service providers.

“An organization that was an experiment has proved its mettle in the earthquake that struck Pakistan. It worked for the people of Pakistan. It helped in rebuilding lives. It helped not only in creating brick by brick the structure that was devastated but rebuilding the most important aspect of humans and that is the human spirit itself.”

Omar Ayub  
*Former Minister of State for Finance*

The project was implemented through six POs who were selected on the basis of institutional capacity and pre-earthquake presence in the affected areas. The share of funds subsequently allocated to each partner organization was in accordance with the geographical spread and extent of damage recorded in their respective project areas.

Social Mobilization is at the core of the RnR project. The process demands development of skills at the PO and the community levels. PPAF focuses on both activities:

- Training POs staff in disaster management skills for effective operationalization of rehabilitation and reconstruction efforts.
- Imparting vocational skills to affected communities for long term survival and sustainable livelihoods

The success of PPAF’s rehabilitation efforts lies in the dedication and resourcefulness of its mobilization teams and in the attention paid to the details of the process of

development framework, the centre emphasizes the role of community organizations in project identification and implementation. To date the interventions have benefited 101,133 households in 1622 communities (See Table 1 next page). As shown in Fig-11, a majority of beneficiary households are located in NWFP (30%) and Sindh (30%) followed by Balochistan (22%).

An overall program cost of over US \$ 37 million is distributed along four focus areas: Drought Mitigation and Preparedness, Integrated Water Efficient Irrigation projects and the Sindh Coastal Areas Development Program. The Drought Mitigation and Preparedness projects constitute several integrated interventions spanning over one or several union councils, encompassing a large number of villages. It covers large drought affected areas with each project spanning one to three union councils and constituting approximately a hundred sub-projects on the average. These typically include delay action/check

dams for restoring water balance in addition to meeting the community's domestic and agricultural requirements, interventions for rehabilitating crucial aquifer, schemes aimed at more efficient water management for irrigation and a variety of other interventions for flood protection, land reclamation, rangeland management and the optimization of cropping patterns.

By the end of the fiscal year 2008 PWMC had initiated work on 25 Drought Mitigation and Preparedness Projects consisting of 1130 water focused interventions with a cumulative investment of Rs. 961 million from funding windows made available by the World Bank and USDA. These projects have collectively benefited 1,300 communities in 16 drought affected districts, following integrated strategies aimed at recharging depleted aquifer resources and their efficient exploitation through a variety of water efficient irrigation mechanisms and innovative agricultural methods. The 2 DMPPs implemented in Soon Valley have



achieved a 30 to 40 per cent reduction in water losses due to new efficient water conveyance systems, which have made it possible to irrigate an additional 2,500 acres of rain fed area. Already, communities have saved an estimated Rs. 7 to 10 million in potential cost of diesel engine operated pumps, which have become redundant.

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## Human and Institutional Development

The Human and Institutional Development (HID) unit of the PPAF plays a major role in developing the capacities of staff and its partner organizations to effectively manage diverse programs at the grass roots. The focus of the HID unit is on the professional development of human resources and institutional strengthening of partner organizations. Capacity development and training assistance to partner organizations and their communities in shape of support of credit/and or infrastructure financing. Non financial services are provided to support incremental expansion in outreach. Apart from extending non-financial and technical assistance, the HID Unit also provides technical facilitation for social mobilization.

Over the years HID activities have expanded considerably and by the end of the financial year 2008 the unit had cumulatively disbursed Rs 2.4 billion-a substantial increase from 12 million rupees in 1999.

Of the overall funds disbursed 67 percent were transferred to partner organizations for supporting the operational aspect both recurring and nonrecurring expenses of delivering financial services to the poor while 20 percent went into meeting their training requirements. Funding disbursed under these heads facilitated partner organizations in expanding their coverage and outreach and improved their quality of service delivery at the same time. (See Fig 16 on next page) So far over 280000 beneficiaries have been trained (See Table 3 on next page). By the fiscal year 2007-2008, over 100 trainings had been conducted for the staff. This expansion in the unit's activities has helped in securing better outreach and sustainability.

Regular quality training to the staff and beneficiary communities is provided covering a diverse set of interdisciplinary modules, including micro enterprise development and marketing skills. Key elements of training have been efficient planning, cost effectiveness implementation and strategy

management. Technical training exercises have also been conducted, in order to develop vocational skills based on intermediate technology applications, for borrowers and beneficiaries.

Competencies were addressed through training activities in social mobilization and resource management and administration of credit. Other training programs cover non income dimensions of poverty such as social, environmental safeguards and communication external interface. Enterprise Development Programs are organized yearly to develop a pool of trainees who would facilitate development of enterprise skills at the grassroots. Workshops were also held under the program for the PPAF management staff, focusing on improving their skills and competencies.

In response to the growing need in the training programs for young enterprising individuals the HID initiated few programs. The Junior Professionals (JP) program, which provides funds to partner organizations for training university

graduates, who be inducted entry level positions following a training period of six months with the partner organization. The program involves a three months attachment period with a partner organization following one month of intensive training at HID Center. The HID unit is in coordination with CED unit, implementing a US\$ 6.3 financed Young Partners Program (YPP).

In addition to the Young Professionals Scheme, YPP constitutes two further initiatives designed to enhance PPAF's ability in developing new microfinance institutions in rural areas: The Young Partner Development Initiative (YPDI) facilitates new or existing partner organizations in setting up sustainable rural finance operations through provisioning funds for on-lending and institutional support covering staff/client training, systems development, capital and operating costs.

The International Linkage Partner Initiative (ILPI) provides young enterprising individuals the

Fig 16: HID Resources: By Category

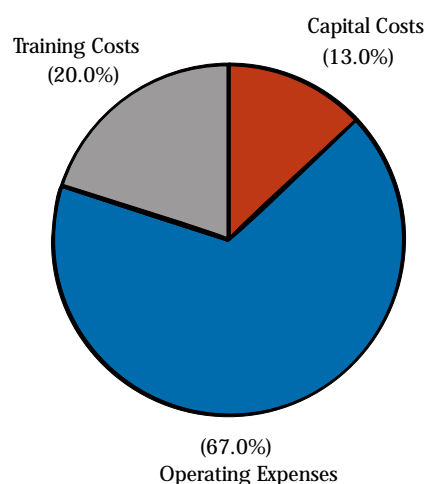


Table 3: Number of Staff and Community Members Trained

Year	Community Trainings		Staff Trainings	
	Male	Female	Male	Female
1999-02	14,587	7,876	350	393
2002-03	14,050	11,655	428	532
2003-04	17,315	11,165	719	342
2004-05	20,163	13,718	1,133	409
2005-06	23,810	15,254	995	660
2006-07	32,943	29,897	1,404	915
2007-08	43,169	24,459	2501	996

opportunity to get hands-on training experience with a leading regional Microfinance Institution and facilitates them in setting up rural finance operations. During the 2007-08, 2 batches comprising 24 internees completed the internship program, while a total of 37 junior professionals successfully completed their training with partner organizations.

Under the Young Professionals Scheme, 2 batches constituting 26 Young Professionals have completed training with PPAF. Under YPS, 96 men and women will be trained in four years, with 15 young professionals graduating for additional 8 months attachment period with POs.

The PPAF is committed to continuously improving the quality of its interventions. One such effort initiated in 2002 was conducting the mandatory Strategic Reviews with all the POs to better understand strengths and weaknesses of the partners, and to design future interventions accordingly. This initiative proved highly successful as a result of

which strategic planning exercises were made mandatory for all partner organizations wishing to access PPAF resources. Strategic planning exercises have been conducted with 21 partner organizations so far.

In keeping with its tradition of quality control, PPAF introduce a follow up of community trainees conducted through third parties. Data was collected to identify possible gaps in training programs such as Community Management Skills, Vocational Skills Training and Enterprise Development Training.

The unit has carried out a number of assignments for both national and international level organizations, which apart from earnings enhanced the reputation of the HID training centre in the market. In the second phase emphasis was laid on providing support to partner organizations in identification and development of Business Development Service Providers (BDSPs). The PPAF supports development of this initiative by providing information, referral and training services.

Business development services have been developed with various partner organizations on a self-sustaining basis through a combination of fees for services and other means of income.

The HID unit attained certification and became the first outfit in non-profit sector to be certified under ISO 9001:2000 in December 2004. This has enabled the unit to standardize and improve documentation as well as focus on bringing client satisfaction services to international standards. (In addition to this the HID has also arranged TOT workshops in Enterprise Development and Unit took an initiative to facilitate establishment of an independent Enterprise Development Section with one of its partner organizations providing comprehensive skill training.)

With the objective of enhancing capacity of PPAF and PO staff, HID unit undertook different training programs in partnership with international institutions like Management Development Foundation (MDF) South Asia, Consultative Group to Assist the

Poor (CGAP) Washington and Schuitema, South Africa. In collaboration with these institutions, the HID unit organized 4 training events in fields of Leadership Care and Growth, Institutional Development/Organizational Strengthening, Planning and Management and Product Development.

An international training event was organized in 2005 on Disaster Mitigation with the Asian Disaster Preparedness Centre Thailand covering multiple dimensions of disaster management including hazard and vulnerability assessment, emergency response management, staff welfare and security, community based risk management and public awareness and capacity building. Besides these activities, PPAF organized an

International Conference on Microfinance -“Innovating and Mainstreaming”- in 2004 on the occasion of celebrating 2005 as UN International Year of Micro Credit. The conference attracted participants from Asia, Africa, Europe and the Americas

In an attempt to improve Partner

Organizations access to markets, PPAF in partnership with a partner organization, established a marketing outlet, (Sand Dunes). It was established in view of the lessons learnt in the field that in the case of carpets, embroidery and handicraft, the poor are forced to earn subsistence level profits to fulfill their liquidity needs. PPAF supported three small marketing facilities within Thar, which acted as collection and quality assurance points for the retail outlet. PPAF arranged exhibitions to give exposure to entrepreneurs and develop their linkages with markets, outside their own area.

An innovative idea by the HID unit, with an aim to reduce cultural barriers that limit female mobility and to provide training at the door step of the communities, was to introduce the 'Mobile Immersion Unit'. This consists of a team of trainers accompanied, whenever logistically possible, by a voluntary team of doctors.

In 2006 HID Unit extended its technical facilitation in providing Management Information System

(MIS) and System Reviews Development to its partner organizations. System Review/ Development facilitation provides the standard operations procedures (SOPs) to partner organizations. MIS is also crucial for both the partner organizations and PPAF to manage microcredit effectively.

A micro-entrepreneurship awards program has been instituted currently in its fifth year in collaboration with the Citigroup Foundation to recognize and celebrate the efforts of successful entrepreneurs in the microfinance sector. Awarded by an independent jury, the Citi-PPAF Micro entrepreneurship Award ceremonies are held each year to reward poor entrepreneurs as well as to raise awareness, promote microfinance as a means for poverty alleviation and highlight best practices in the sector by celebrating the achievements of successful entrepreneurs.

## Health and Education

Pakistan's performance in the social sectors has lacked in relation to other

developing countries in the region, despite the fact that access to health and education in alleviating poverty is well-demonstrated internationally. The Social Sector Development Program (SSDP) was launched as a pilot facility to ensure quality service delivery in the important spheres of primary education and basic health. The Health and Education unit was established in 2005 to oversee the program. The unit aimed to build the capacities of partner organizations, enabling them to provide quality health and educational services at community level.

The following strategy with the objective of facilitating change in the social fabric of disempowered communities:

- Establishment of quality health and education facilities through the provision of high standard infrastructure and qualified local staff.
- Active community mobilization through the formation of health and education committees to ensure community participation and ownership for longer term sustainability of interventions
- Capacity-building and support for partner organizations to deliver

and monitor education and health initiatives.

- Targeting long-term community wellbeing by investing in female education

As of June 2008, 3,627 girls and 2,682 boys were enrolled in PPAF sponsored private sector schools, while another 6,576 girls and 7,000 boys were enrolled in PPAF sponsored public sector schools. By the end of the fiscal year 2007-2008 the H&E unit had cumulatively sanctioned disbursements of over Rs. 190 million in the education sector through 12 partner organizations and approximately Rs. 121 million through 14 partner organizations in the health sector under funding made available by the World Bank. The total enrolment in PPAF schools stood at 19,885 (Girls 10,203; Boys 9,682) on June 30, 2008.

In the health sector the H&E supported sector interventions had collectively managed approximately 173,558 OPD cases and 15,056 cases of maternal care in 2008. PPAF's target is to address the widespread gender disparity in access to health facilities, which is particularly acute in rural areas where PPAF health interventions are located. Approximately two-third beneficiaries of all PPAF health sector



interventions in the reporting period were women (and girls).

To ensure that aid is directed where it is needed, the unit allocates most of its resources to rural areas where health and education indicators, particularly with respect to women and girls, are well below the corresponding national averages. PPAF's partnerships resulted in the establishment of 5 schools and 2 community-based health centres in the deeply conservative Federally Administered Tribal Area (FATA), where gender segregation and impediments to girls' education are still strong.

Similarly, in Sindh, where rural-urban disparities in literacy rates, infant mortality rates and incidence of diarrhea are higher than in most other parts of the country, PPAF's partnerships have resulted in the establishment/adoption of 23 schools and 3 CHCs, almost all in the rural areas. The number of OPD and maternal care beneficiaries are mostly concentrated in rural Punjab and NWFP. However, rural Sindh and Baluchistan, where vulnerability to disease is higher in comparison to other regions, account for approximately 65 percent of the nearly 18,900 vaccinations administered during the current financial year.

In keeping with PPAF's overall approach, the unit focused on comprehensive community empowerment and prioritized effective quality control and community mobilization as necessary components for sustainable interventions in the health and education sectors. Schools were encouraged to adopt a stringent monitoring framework that would ensure an ongoing system of feedback and reform.

PPAF's partner organizations lead the monitoring efforts while community-based education committees were empowered with the responsibility of managing school affairs and identifying areas that needed improvement. This made school managers increasingly quality conscious and more accountable to communities.

At the same time, the unit facilitated capacity-building sessions for education committees to help them effectively undertake their responsibilities. In 2007, 28 education committees were trained. The unit's health sector interventions developed a similar

framework as its education sector interventions which resulted in positive effects on the quality of service. Locals were involved in the interventions in order to motivate and mobilize conservative communities to break away from traditional attitudes that inhibited progress of the SSDP.

The unit's commitment to addressing regional and gender disparities in access to quality health and education, facilitating community mobilization through the formation of health and education committees, providing of resources for recurring expenses of already established schools and targeting areas where the social sector indicators are very low has led to the success of the Program. These factors ensure the long term welfare of participating communities through tangible returns associated with greater educational opportunities and good health.

To make most of the limited financial resources, H&E Unit also concentrated on provisioning resources for recurring expenses

Fig 17: Geographical Distribution of Health Disbursements

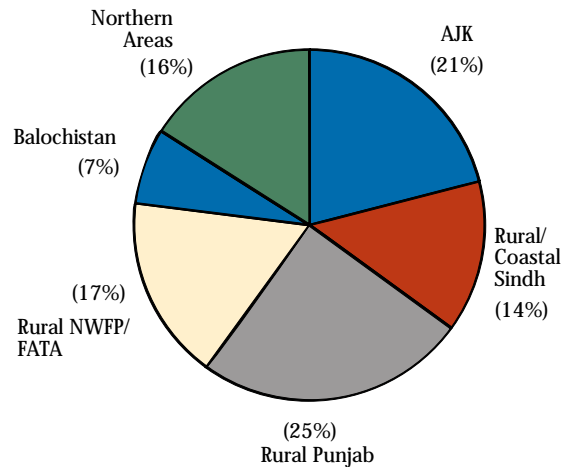
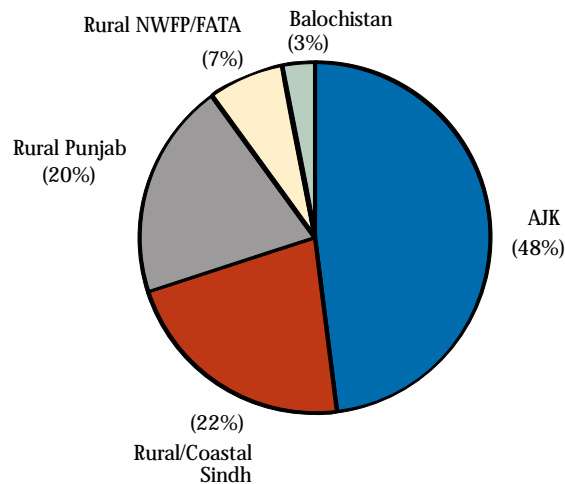


Fig 18: Geographical Distribution of Education Disbursements



of already established schools and CHCs. In Punjab alone, the unit has facilitated partner organizations in adopting 61 government schools where quality of infrastructure and teaching has verifiably improved.

The Unit also contributed to PPAF's Reconstruction and Rehabilitation Program to mitigate the effects of the October 8 earthquake. In 2006 it initiated reconstruction of two high schools (one each for boys and girls) and a health facility in the remote areas of Azad Jammu and Kashmir. In the FY 2006-7, reconstruction of one Girl's High School in Chakothi was completed and it was inaugurated by President of Pakistan, the first anniversary of the earthquake. The second school was operationalized and inaugurated in October 2007. Provisioning of reconstruction costs in AJK pushed up its percentage share in PPAF's H&E disbursements. AJK now accounts for 48 percent and 21 percent of overall PPAF H&E disbursements despite the fact that the region accounts for only 3 of 91 H&E facilities supported by PPAF.

With financial support from CECP, which awarded PPAF US\$ 12 million from its South Asia Earthquake Relief Fund (SAERF), the task of reconstructing sixteen facilities – two primary and three high schools for girls, three primary and two high schools for boys, two rural health centers and four basic health units – was initiated in March 2007. The CECP financed project is conceptualized as a Build, Operate and Transfer (BOT) model where PPAF partners and community organizations will jointly manage facilities with support from provincial governments of Health and Education following their reconstruction and rehabilitation in the first phase. In the second phase, which will commence at the end of the second year of operations, these facilities will be handed over to a long term operator.

The unit and the partner organization encountered several difficulties during their interventions. It was difficult to find capable local staff for the health and education facilities in

isolated and disadvantaged communities. To overcome this obstacle the unit, in the fiscal year 2005-2006, trained to 119 locally hired education staff and 220 health staff, equipping them with requisite skills for quality service delivery in their respective sectors. Training programs for teachers also capacitated them in the use of interactive teaching methods. The health sector training covered a wide array of interrelated subjects such as hygiene, counseling, mother-child and reproductive health, balanced-diet, family planning, communicable and non-communicable diseases, immunization, safe motherhood, infant care, etc. These, together with trainings imparted on administrative issues like planning, management, record-keeping, etc. went a long way in making the CHCs a quality healthcare service delivery system catering to the poor.

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necessary components for sustainable interventions in the health and education sectors. Schools were encouraged to adopt a stringent monitoring framework that would ensure an ongoing system of feedback and reform. PPAF's partner organizations lead the monitoring efforts while community-based education committees were empowered with the responsibility of managing school affairs and identifying areas that needed improvement.

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phase, which will commence at the end of the second year of operations, these facilities will be handed over to a long term operator.

In the health sector the H&E supported sector interventions had collectively managed approximately 173,558 OPD cases and 15,056 cases of maternal care in 2008. PPAF's target is to address the widespread gender disparity in access to health facilities, which is particularly acute in rural areas where PPAF health interventions are located. Approximately two-third beneficiaries of all PPAF health sector interventions in the reporting period were women (and girls).

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Over the years PPAF has promoted gender across all its activities. The share of women in total micro-credit borrowers is now at 45 percent, almost 50 percent of beneficiaries of community infrastructure projects are women. Similarly 40 percent of trainees under the PPAF's human resources capacity and skill development program are women. The newly established social sector program has a principal focus on maternal and neo-natal health, and primary education which is aimed at the girl child.

Micro-finance is viewed as a key intervention for improving the economic and social access of the poor to basic facilities and resources and has played a major part in the poverty Alleviation efforts in the country.

By the end of June 2008, PPAF

funding had been equitably disbursed in urban and rural areas of 117 districts of the country through 73 POs of which 10 were catering predominantly to women. At the same time, the number of individuals who availed credit rose to 788,631 of which 48% were female borrowers. With the inclusion of many women's organizations as PPAF partners, the numbers of female borrowers has more than doubled since 2002-2003. A similar pattern emerges for number of loans by gender with the number of women and men borrowers almost evening out over the years. Figure 22 shows the continually exceeding number of loans disbursed from 2001 to 2008, as well as an increase in the financial amount of loans disbursed, indicating a clear demand among female recipients.

An independent study was commissioned for PPAF's micro credit financing.<sup>4</sup> It concluded that following PPAF's interventions in micro-credit, women reported

an increase in social status (60%), education of children (40%), importance of opinion in business decisions (48%) and in the purchase and sale of property (22%). On the average their incomes and consumption increased and there was an improvement in their personal and business assets.

PPAF infrastructure interventions in particular, have had a tremendous impact on women. In areas where the closest water source was virtually inaccessible, women now have almost immediate access to water within their neighborhoods. The reduction in the travel time and the efforts to fetch water, has allowed women to spend more time at home. Sanitation and communication (roads) also have benefited women in particular by creating a hygienic environment both inside and outside the household, and cutting down travel distances. This has not only allowed women to have more time for carrying out household chores, but also to have greater access to social services such as markets, schools and health clinics.

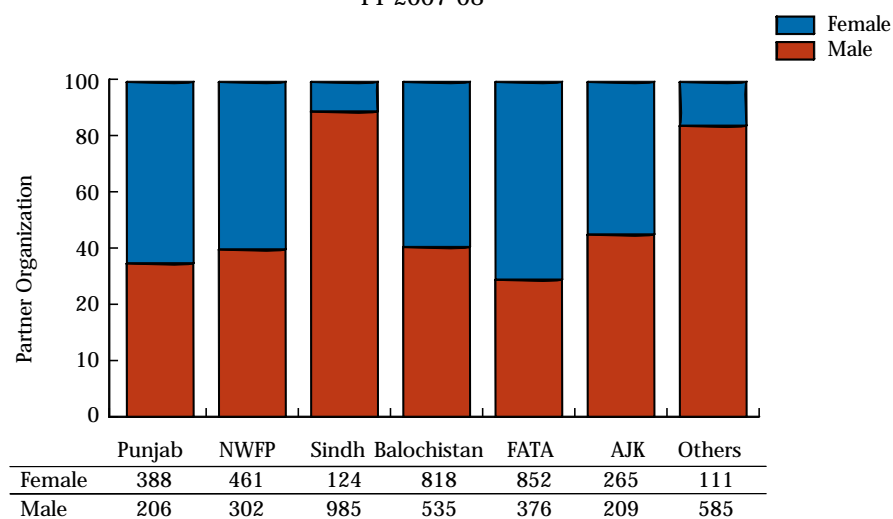
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<sup>4</sup> - The Gallup survey evaluated the functioning of PPAF through a sample of 1700 borrower and non-borrower households in 140 community organizations in 17 districts in all four provinces of Pakistan.

Since its inception PPAF has made a concerted effort to involve women in its internal and external training programs. The trend shows that more males than females, both in terms of community members (PO target beneficiaries) and PO staff, have been trained. However, one positive sign is that there has been a gradual evening out of gender among the male and female community members trained. In the education sector the emphasis is on increasing girl enrollments as indicated in the figure 25, PPAF's emphasis remains on increasing girls' enrollment and the focus is on establishment of either girls or co-educational schools for this purpose.

In the health sector, PPAF's targeting strategy has been designed to address the widespread gender disparity in access to health facilities, especially in the rural areas where the problem is more severe. Almost two-third beneficiaries of all PPAF health sector interventions in the reporting period were women (and girls). The emphasis is on the provision of maternal and neo-natal care, in addition to basic health services, as this is a dire need for the female poor. Reports received from implementing POs, have indicated a much higher ratio of female patients visiting the Community Health centers (CHCs), as opposed to males.

Fig 24: Health Beneficiaries by Gender and Province  
FY 2007-08







PPAF works with a 73 partner organizations which are selected through a rigorous process. In selecting its partners priority is given to POs that work predominantly – or exclusively with women PPAF. Almost one third of all credit POs have been selected by PPAF primarily on this basis. These POs working with women have a clearly defined role which gives precedence to women's issues. Almost all these partner organizations have experience in working on gender issues. Many of them have a membership base made up entirely of female beneficiaries.

Most of these POs are involved in the CED and EDF credit programs, since

this is regarded as the most effective way of involving women in developmental practices.

Many POs that PPAF works with are required to have explicit gender strategies.

The track record of PPAF partners in many ways substantiates its claim of promoting gender equality at the grassroots level. Gender is an issue which even if not explicitly stated by POs, is an inevitable part of their working, simply due to the nature of PPAF interventions and development priorities in general. However, the challenge is not to select or encourage POs to work with numbers, but to produce opportunities that both men and women can benefit from.<sup>5</sup>

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<sup>5</sup> - See PPAF Gender Report 2006

# Support Services

Evaluation, Research and Development

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Finance and Accounts

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Internal Audit

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Human Resource, Procurement and Administration

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Media and Communication

## Evaluation, Research and Development

The Evaluation Research and Development unit of the PPAF supports its operations through dissemination of information to all stakeholders. The unit is responsible for collection, consolidating analyzing and providing information to the Board of Directors Government of Pakistan donors and other stakeholders. In addition the unit has the responsibility of PPAF interventions across all the scope of its activities.

The unit documents all program activities on a regular basis through its quarterly progress reports. The reports are based on quarterly data and information received from the Partner Organizations. Regular quarterly PPAF updates were also submitted to the concerned agencies of the Government of Pakistan

To streamline the data collection process the unit implemented a data acquisition and reporting system to expedite the process of

collection and processing. The unit developed a standardized centralized system for all PPAF interventions within a single comprehensive source. This is a web based system and enables POs to enter data online and in real time.

Once fully operational the module will link five types of primary data on a regular basis) quarterly data of all infrastructure projects for each partner organization; b) quarterly data of all PPAF credit beneficiaries for each partner organization; c) quarterly data of all PPAF staff and community trainings; d) quarterly data of all health and education interventions for each partner organization; and e) socioeconomic profiles of a sample of PPAF credit borrowers and infrastructure projects.

The centralized data base will help guide PPAF programs for better quality outcomes. Socio-economic profiles of a representative sample of beneficiaries will help in assessing the impact of PPAF initiatives in the long run. The data will enable poverty monitoring and

result in better targeting. Further the rich socio economic data resource at community and household level in PPAF project areas spread over a hundred districts will help in mitigating data deficiencies at the national level.

In FY 2006-7 the ERD Unit standardized the process of data storage and processing within PPAF partner organizations. A consultative workshop with senior management of POs was organized which involved training and capacity building of social organizers in the administration of survey tools. In addition to the above software installation and training was imparted to partner organizations in Baluchistan and Punjab. A comprehensive training session on the data collection, handling and entry of data for staff of partner organizations in Baluchistan and Punjab was successfully conducted in Quetta and Lahore. Two data entry modules for credit and infrastructure were tested in 2007-08.

The ERD unit collects regular information for impact analysis.

During 2007-08 baseline studies were completed for CPI conventional projects in Punjab, Sindh and Azad Jammu and Kashmir on a representative sample of 1,400 beneficiary and comparable non-beneficiary households. Another such study was the baseline survey of Integrated Area Upgradation Projects in Punjab and NWFP of 582 households. Baseline data on 160 sampled households in two project and non-project villages was collected for PPAF's Solar Lights Pilot Project outside Karachi. In Thatta, Badin, Khipro and Loralai 347 and 340 sampled households each were enumerated as part of baseline surveys for PPAF financed SCAD DMPP program.

The process was also extended to the Social Sector Development Programme through including health facilities and community schools in district Narowal, in the Punjab. In FY 2006, ERD unit collected base line data in Soon Valley (Khushab District) where PPAF provided funds for implementing a Drought Mitigation and Preparedness

Project baseline surveys were also conducted in the earthquake hit areas.

The ERD unit organizes training for partner organizations from time to time to strengthen their monitoring and evaluation systems.

Regional trainings have been organized on techniques and tools of baseline surveys through qualitative and quantitative approaches in Karachi, Peshawar and Lahore. In the FY 2004, 19 strategic planning and review exercises were organized by the PPAF's HID unit. The reviews examined the monitoring and evaluation systems of the organizations which included analyzing their work plans; data collection formats, reporting mechanisms, MIS systems, and research methodologies.

In addition workshops have been held to strengthen the PO monitoring and evaluation systems. One of the major outcomes of the above workshops was an agreement by all partner organizations to jointly prepare implementation plans which would

address the capacity building needs of the participating groups on monitoring.

Impact assessment and evaluation of ongoing projects remains a vital component of ERD activities. Many of these studies have been outsourced to reputable organizations and individuals for independent opinions. Two major studies on loan size, training, community organizations and physical infrastructure projects were conducted in collaboration with Development Economics Research Group of the World Bank.

In addition, community trainings carried out by POs through PPAF support in fields of management, enterprise development and vocational skills were also evaluated. The Strategic Planning Process, conducted by PPAF team with its partners, also underwent evaluation. Additionally baseline studies for PPAF micro-credit and enterprise development facilities which had been outsourced were completed in 2005 and 2006 respectively.

During 2007-08 ERD organized training workshops for 17 PO staff in Lahore and Hyderabad as a step toward institutionalization of the system at the PO level. Similar trainings events are also to be organized to cover other regions.

During 2007-08 ERD unit participated a week long training Impact Evaluation in collaboration with the World Bank Institute and the Pakistan Institute of Development Economics to enhance the capabilities of its staff. Individual staff attends training courses in relevant areas of research at renowned institutions.

The MER unit as it was then called initiated partnership and collaboration with international partner organizations for poverty alleviation and networking. In this regard an MOU was signed with the International Labour Organization for optimizing benefits to poor communities by complementing each others activities in the field. Another agreement was made with the World Food Program to utilize their GIS mapping system to prepare

data sets based on PPAF quarterly progress reports and producing electronic maps to reflect change visually over a period of time.

### Finance and Accounts

PPAF is conscious of the need for appropriate control in the management of finances. The Finance and Accounts (F&A) unit has the responsibility for executing and recording all financial transactions in a systematic and transparent manner. The unit maintains the highest standards of financial management and strictly follows standard operating procedures laid out in the operations manual.

It ensures compliance with the regulations of Securities and Exchange Commission of Pakistan and covenants stipulated in agreements signed with all parties, including the Government of Pakistan and donors, i.e. the World Bank (WB), US Agency for International Development (USAID), US Department of Agriculture (USDA), International Fund for Agricultural Development

(IFAD), KfW (German Development Bank) and US Committee Encouraging Corporate Philanthropy (CECP).

The activities of the unit are computerized. A comprehensive manual for financial management has been developed to govern the unit's work. All of the units records and documents are subject to are subject to strict scrutiny by independent internal and external auditors, and supervision by donors.

The unit issues periodic financial statements for the management, donors and staff members . Timely submission of these reports ensures timely decision on important aspects of PPAF's work. External reports to stakeholders include quarterly, half yearly and nine monthly un-audited financial statements and annual audited financial statements. In addition, donors' specific periodic reports and audited financial statements are produced on a regular basis.

The WB Supervision Mission reviewed PPAF's Financial

Management System in 2007 and 2008. The findings of the Mission were as follows:

- The financial management information system continues to function effectively allowing for the maintenance of comprehensive books of accounts.
- The submission of FMRs by PPAF is accurate and timely.
- Financial reporting requirements are promptly and satisfactorily fulfilled, while quarterly FMRs and annual audited financial statements are submitted to the Bank well within the due dates.
- The Designated Accounts under all the operations are running smoothly and replenishment applications are being submitted on a regular basis.

The Government of Pakistan conducted a study to assess the effectiveness and impact of PPAF which included a focus on financial management and procurement systems. The study concluded that all financial systems are operating

effectively. The AG team concluded that PPAF is meeting its overall objectives in a satisfactory manner and recommended to the Government of Pakistan and the World Bank to continue its support for PPAF. The unit is actively involved in finalizing legal and financial modalities during negotiations for PPAF projects.

The F&A unit also plays an active part in the monitoring of financial flows to partner organizations. It receives audited financial statements from all partner organizations within six months of the close of their financial year in addition to the submission of management letters issued by their respective external auditors.

### Internal Audit

The internal audit unit scrutinizes all operational aspects of PPAF and its partner organizations with the aim of identifying digressions from standard procedures agreed upon. In house audit reports are prepared and submitted to the Chief Executive. These reports provide detailed information on various

financial aspects including payments, receipts and general vouching, bank accounts and their reconciliation statements, payroll, investments, petty cash, advances and security deposits.

The audit unit also conducts comprehensive reviews of all operational and support units within PPAF. These reviews include scrutiny of existing fixed assets management systems, documentation, and well as adherence to required procedural and policy standards. The unit also conducts quarterly procurement audits to ensure transparency and adherence to standard operating procedures in the acquisition of all physical assets. Annual plans are prepared which include a thorough scrutiny of all POs to ensure financial and administrative efficiency. In addition the unit conducts regular audits of all Partner Organizations.

### Human Resource, Procurement and Administration

The Human Resource, Procurement and Administration unit of the



PPAF ensures high professional standards in the management of PPAF's human and physical resources.

The three wings of the unit, human resource, procurement and administration are committed to achieving organizational and administrative efficiency through all activities, human resource management, logistical support, procurement of goods and services, and upgradation and maintenance of facilities.

The human resource wing objective is to maximize organizational potential through investment in human capital. For this purpose, quality training opportunities in renowned national and international institutions are availed for enhancing staff skills and competencies.. During the financial year 2007-08, seventy staff members attended national training courses in relevant fields.

Additionally, twenty staff members were provided international training at renowned institutions

including JFK School of Government (Harvard), Boulder Microfinance Program, International Water Management Institute, Administrative Staff College of India, Amsterdam Institute of Finance and AUS-HS Australia. The human resource wing follows a stringent and transparent recruitment process vital for the success of the organization.

The Procurement wing takes care of procurement of goods and services. The wing ensures that all procurements are made in a transparent manner under the rules and regulations set out in the donor specific guidelines and Standard Procurement Procedures of the PPAF.

The unit ensures that partner organizations follow good procurement practices by guiding them and by monitoring of procurement processes and procedures. The procurement wing has responsibility of processing cases for outsourced activities. The administrative wing of the unit provides logistic support to various

PPAF units and offices including travel arrangements.

Human Resource, Procurement and Administration Unit facilitates an enabling work environment for better job satisfaction for employees. It provides logistical support for offices in Islamabad and for conducting field activities to orientation sessions and grievance handling; the Unit has demonstrated valuable administrative, resource management and conflict resolution skills. Keeping the staff informed of all rules and regulations also falls within the purview of the Unit's responsibilities. The unit also ensures a competitive work environment through a well-designed incentive structure including regular salary increments and a performance-based promotion system. The Human Resource, Procurement and Administration unit ensures adherence to international best practices in all aspects of its work. In recognition of the unit's exceptional performance, the last World Bank mission rated the procurement wing with the highest ranking of "highly satisfactory".

## Media and Communication

The Media and Communications Unit of the PPAF plays a vital role in keeping all the stakeholders abreast of day-to-day developments in the PPAF programs across the country. It strives to build broad based support for its activities which have positively affected the lives of millions of the poor people. Over the years the unit has spread awareness at governmental, nongovernmental and community levels and built synergies with mainstream media. The unit has a definite plan

and has used a full scope of media strategies tools and products for highlighted the work of the organization and voicing disempowered communities through focused media attention. The unit has arranged immersion visits for journalists from print and electronic media. During FY 2007-08, such immersion visits were carried out to four PPAF project areas in the interior of Punjab and Sindh provinces.

Improving among the top priorities of the Unit and it is done through publishing features articles and news items in the leading newspapers of the country and arranging interviews of the PPAF management and staff at popular national and international television channels.

The unit has a role beyond that of spreading awareness and mobilizing support for PPAF's vision the unit has contributed to the literature on potential of grassroots development in a number of ways. The unit prepares publication and disseminates reports, brochures, manuals, flyers and fact sheets on PPAF activities.. The quarterly publication of PPAF's newsletter, Povertyline, keeps stakeholders informed of the organization's program, growth and future direction has become a regular feature of the unit's publication activities. In FY 2006-07 the Unit also published two manuals; one on Management Information Systems (MIS) and a second on social mobilization for trainers and communities. In addition it publishes case studies to promote

best practices in participatory development and to give voice to the experiences and needs of marginalized communities. For instance unit designed and printed special flyers showcasing traditional

Artifacts prepared by PPAF beneficiaries for display in South Asia Rural Livelihood Workshop and Exhibition in Colombo, Sri Lanka. PPAF shared its experience on building partnerships between commercial and community organization at the workshop "Making Markets Work for the Poor" public partnerships with the poor. The M&C unit designed a special set of panaflexes and flyers for the occasion and established a booth for exhibiting indigenous handicrafts prepared by PPAF beneficiaries from across the country. The PPAF booth won acclaims and attracted huge crowds from amongst visitors and workshop participants.

The unit compliments the work of other units of the PPAF in many ways on a regular basis. In this capacity, the unit's work in support of PPAF led operations in the

earthquake affected areas deserves special mention. The Unit launched a new radio program as an additional forum for educating affected communities in building earthquake resistant housing structures. The program attracted a large audience and went a long way in clearing confusions on a number of important issues regarding housing reconstruction in earthquake-hit areas. Similarly, a three-part series of morale boosting documentaries were produced to salute the will and courage of people who had suffered disabilities in October 8, 2005 earthquake. Based on real life stories, the documentaries were shot in AJK and NWFP.

The M&C Unit is responsible for supporting program Units in arranging events and activities involving media coverage. The unit arranges all PPAF sponsored workshops, seminars, and ceremonies by providing the necessary media coverage and designing/printing all support materials. Various events have been organized over the years including workshop on social mobilization.





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