

Pakistan Poverty Alleviation Fund

THE WORLD BANK

AUGUST 2005



OVERVIEW

Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.

For many people in developing countries, acute poverty means difficulty making a living, as well as a lack of basic services in education and health. In Pakistan, lack of access to credit, training in income-generating activities, basic social services and infrastructure are critical factors behind the persistence of substantial poverty, especially in under-served rural and urban areas.

The World Bank funded **Pakistan Poverty Alleviation Fund Project** was designed to reduce poverty and empower the rural and urban poor in Pakistan. The project provides access to much-needed microcredit loans and grants for infrastructure and capacity building. As such, the PPAF project aims to help the rural poor in Pakistan get out of a cycle of misery, and get into a virtuous cycle of opportunities.

THE CHALLENGE

Poverty remains a serious concern in Pakistan, where the per capita gross national income (GNI) is US\$520. Poverty rates, which had fallen substantially in the 1980s and early 1990s, started to rise again towards the end of the decade. According to the latest figures, as measured by Pakistan's poverty line, 32.6 percent of the population is poor. More importantly, differences in income per capita across regions have persisted or widened as have gender gaps in education and health.

High administrative costs and lack of collateral resources have kept traditional financial institutions from supporting small businesses and self-employment in poor areas. As a result, the poor must often rely on money lenders and traders for credit - paying interest rates from 80 to 120 percent per year. Although the government has tried to address the problem, experience in Pakistan - and worldwide - has shown that

autonomous, non-governmental institutions can be more effective in reducing poverty by delivering better services to the poor.

To help poor people gain access to resources to earn an income and to develop projects aimed at improving their lives, the Government of Pakistan created the **Pakistan Poverty Alleviation Fund (PPAF)** as an autonomous body working with local partners to provide loans, grants and technical assistance to the poorest individuals and communities in the country. The PPAF was funded by a US\$ 90 million World Bank credit and an endowment of US\$ 10 million from the Government of Pakistan in 2000.

UPDATE

The Pakistan Poverty Alleviation Fund (PPAF) represents an innovative model of public private partnership. Sponsored by the Government of Pakistan and funded by the World Bank and other leading donors the PPAF has as of now, a resource base of US\$ 500 million. As the lead Apex institution of the country wholesaling funds to civil society organizations, the PPAF forms partnerships on the basis of rigorous criteria. Before finalizing partnerships, the PPAF ensures that the partners have well targeted community outreach programs that are committed to enhancing the economic welfare and income of the disadvantaged peoples.

The target population for the project is poor rural and urban communities, with specific emphasis being placed on gender and empowerment of women. Benefits accrue directly to the vulnerable through income generation, improved physical and social infrastructure, and training and skill development support.

Women and girls in particular have benefited, since they bear a higher share of the burden of poverty because of fewer economic opportunities and lower endowment of land and other income-generating assets. Traditional development programs have focused on women's social development, with little focus on the economic empowerment needed to truly improve the situation for women. PPAF focuses on improving the lives of women by ensuring that community projects and loans responding to their priorities, and designed with their participation, take precedence over others. In this sense, Daiyanand and Sughar are no exception in Nenisaar, a small village in Sindh's Thar desert, as the majority of the women in the village are, direct or indirect, beneficiaries of the program. The PPAF has also enhanced public awareness through community participation. The experiment was so successful that there has not been any default, and the communities are willingly contributing to the infrastructure and training programs of the partner organizations. The timely completion of the projects is improving the quality of life of the beneficiaries. Partner organizations are engaged and have been finding their individual solutions to indigenous problems and challenges. This creates a framework of shared values and mutual trust, which in turn allows for partner organizations to reach new levels of understanding and maturity.

LOOKING AHEAD

The first US\$ 107m phase was completed in the year 2004. All targets and forecasts were surpassed well before time, and the project was evaluated as "highly satisfactory" (the highest possible ranking by the Operations and Evaluation Department (OED) of the World Bank). As a result of the above a second project of US\$ 238 million was negotiated between the Government of Pakistan and the World Bank in January, 2004.

As of today, PPAF is working with 56 partner organizations in 96 districts of Pakistan. Total disbursements have crossed the Rs10 billion mark, over 40,000 new community organizations have been formed (these can transform into Citizen Community Boards), the lowest tier of local government in Pakistan more than 8,000 infrastructure schemes have been initiated of which 5,500 stand completed, micro credit lending has exceeded the Rs. 6 billion figure with 100% recoveries, and over 100,000 community members and staff of partner organizations have participated in trainings facilitated by the PPAF. The Fund is contributing significantly to mitigate affects of drought in Sindh and Balochistan through preparedness programs. After the huge success of one integrated area development program, PPAF has now planned 300 such programs across the country. At the qualitative level PPAF has met the biggest challenge which was to change a deeply entrenched "grant" culture towards a more pragmatic and professional approach among the civil society organizations. Impact studies carried out by independent observers

have shown significant change in the quality of life of PPAF beneficiaries.

PPAF envisions itself to be the vanguard of civil society endeavors for achieving a decisive impact on poverty by building human, social and economic capital and moving towards a long term integrated program.

MAKING PROGRESS

A village comes into its own - Story of Dhok Tabarak village

A village of about 800 people, Dhok Tabarak is located on Lehtrar Road, only about 25 km from the Federal Secretariat. Rain-fed agriculture constituted its only economic base, which was severely hit by persistent drought. Women and girls of school going age had to make several trips to the adjacent dug well to bring enough water for drinking and cooking. Their miseries increased manifold as the adjacent well dried up during drought and they had to walk several kilometers to bring water from a distant source. Household latrines were non-existent. Streets were un-surfaced, remaining dusty during most of the year, turning muddy in the rainy season. Many of them remained inundated with wastewater, which not only made it difficult and hazardous to walk through, but also led to skin diseases and malaria. There were no health or education facilities. Water borne and respiratory diseases were common and iodine deficiency widespread.

A bold departure from the conventional single intervention approach, the Dhok Tabarak Pilot Project experimented with an integrated delivery of physical and social services, resulting in synergistic impact in improving the quality of life in the village and creating demand for micro credit, which was also channeled in by PPAF. This was done in collaboration with two of its partner, the National Rural Support Program and Human Development Forum. A grant funding of Rs 3.11 million by PPAF was matched by a community contribution of Rs 0.84 million. The Plan has since been implemented and the facilities built are being successfully maintained by the community.

Major physical infrastructure components include: safe drinking water supply, household latrines, small-bore sewerage, street surfacing, wastewater collection, treatment and disposal. Micro-credit has been extended to 34 entrepreneurs, who have acquired additional livestock and revitalized their family businesses. A community managed school is fully functional with an enrollment of 75 students, almost half of which are girls. A basic health unit has been set up in the adjacent village, which provides both preventive and curative health services.

Like all PPAF assisted community infrastructure interventions, the Dhok Tabarak Project followed a community based, demand driven approach in accordance with its operational policies. This included consensus building on the scope of work and cost sharing.

A walk through the neatly paved streets of Dhok Tabarak reveals many improvements at the houses, where people have been living in apathy for decades. Boundary walls are being re-built with cement mortar, most of which have been voluntarily set back to help increase the width of the street. Living rooms are being re-floored and house facades are being plastered or painted. All this is happening owing to the enormous lifting of spirits following the integrated development of community infrastructure in the village and ready access to health and education facilities. There is also a solid economic justification for these investments as the environmental improvements brought about by the Integrated Project has resulted in two to three folds increase in land values. The greatly improved living environment has provided the people of Dhok Tabarak a strong impetus to lead a more dynamic and fulfilling life.

Owing to the vivid and conspicuous improvement in the quality of life at Dhok Tabarak, communities from all over the country are approaching PPAF for the implementation of similar projects in their areas. Under the World Bank's Second PPAF Project, there is a provision of implementing similar projects in 300 villages. updated August 2005

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