

## RESEARCH BRIEF

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# Funding and Activities of Third Tier Organizations in Pakistan

## Introduction

The Pakistan Poverty Alleviation Fund, in collaboration with its partners, supports the mobilization and development of local organizations run by citizen volunteers to address local needs. These organizations are started at the neighborhood level, and then federated up to form representative volunteer bodies representing larger areas. Third Tier Organizations, also known as Local Support Organizations,<sup>1</sup> cover the Union Council, an area with average population 30,000. There are now over 1,000 TTOs active across Pakistan. These organizations are active in health, education, microfinance, human rights, infrastructure, and other sectors.

PPAF is collaborating with a joint research team from Lahore School of Economics, Oxford University, and Duke University, to study the activities of these TTOs and how they can be supported to represent their communities and expand and improve their activities. In Autumn 2014, the team conducted a survey of 850 TTOs (including all except the most recently formed). The survey gathered data in a meeting with each TTO Executive Body on TTO's governance, activities, and plans for the future, as well as characteristics of the EB members. Data on village characteristics and TTO activity in that village were also collected from one local contact in each village in every UC. In a randomly selected subset of 150 UCs, a representative sample of households was also interviewed to gather data on perceptions of the TTO and household-level assistance from the TTO.

This is one of a series of briefs analyzing findings from the TTO baseline survey. In this brief, we discuss activities of TTOs and their outreach, their financial position and their future outlook.

Section 2 provides an overview of TTO activities, their financial position and level of expenditure during August 2013- 2014. Section 3 explores the distribution of funding across least and best funded TTOs. Section 4 examines patterns across priority and non-priority UCs. In section 5 we investigate regional differences in TTO income, expenditure, activity level and number of beneficiaries; and section 6 concludes.

The source of the analysis in this brief is data from the reports of TTO managers / presidents and treasurers during the field survey. These respondents reported on funds the TTO had at startup, held either by the. They also reported on income and expenditure over the twelve months up to the survey date. Income figures include funds that go to the TTO. However, since a large part of the expenditure on TTO activities is spent directly by the PO and other donors without going through the TTO's direct control, the expenditure figures are higher than the income figures. Comparing the two helps to understand the scope of the TTO's financial management responsibility.

Note that activities that the TTO is involved with may be carried out in partnership with another agency such as a donor or the government; one of PPAF's goals is for TTOs to work with other agencies and connect them to the local community. Any such activities reported by the TTO are included in all figures in this brief.

<sup>1</sup> The two terms are generally used interchangeably; we use the term TTO in these briefs.



Finally, note that all self-reported figures (in terms of finances and beneficiaries) are also subject to possible reporting errors.

The findings shown here are descriptive, and do not prove cause and effect. However, they are useful in providing a snapshot of the state of TTOs across the country.

## Overview

**Financial resources available to TTOs increase significantly as TTOs mature** (Figure 1). A comparison of start-up and current financial assets shows that average funds in the bank account and those held for the TTO by the PO have increased substantially, three times and five times higher today compared to when they were first set up. This indicates an increase in TTOs' financial capacity since the time that they were first set up. Note that this measure refers to finances available at a point in time, not the total income or spending over a year.

**Direct income of TTOs comes primarily from external sources of money, predominantly on funds from the POs and to a lesser extent on money from international donors, the government and donations from non-members** (Figure 2). 70 percent of total TTO income between August 2013 and August 2014 was received through the PO. (Note that these income figures do not include funds spent directly on TTO activities by the PO.)

Another 13 percent of TTO income was received directly from international donors or the government, 4.5 percent through non-member donations, while the remaining 12.5 percent was mobilized through internal sources such as membership fees, donations from members, service fees on loans and interest on bank balance.

Figure 1: Start-Up and Current Financial Assets

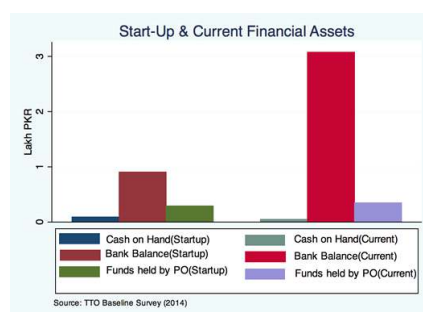
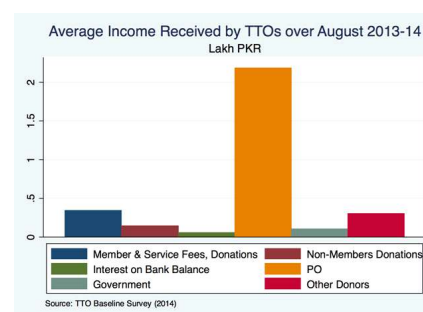


Figure 2: Sources of TTO Income



## There are substantial differences in expenditure undertaken by POs, donors and TTOs across sectors

(Figure 3): Average expenditure per TTO on infrastructure between August 2013 to August 2014 was a little over 1 million PKR. On the other hand, average expenditure per TTO on other sectors like Health, Education etc. was in the range of 1 to 2 Lakh PKR. With the exception of Infrastructure and Microcredit, in other sectors, all of the expenditure on TTO activities was conducted predominantly with external resources mobilized through POs, or other donor agencies.

**TTOs are active in a wide range of sectors.**<sup>2</sup> This is evident from Figure 4, which shows percentage of TTOs active in each sector during August 2013 to 2014. More than 50 percent of all surveyed TTOs were active in **Health, Education and Human Rights/Documents** and Procedures. Some frequently reported activities undertaken by TTOs active in the **Health** sector included holding free medical camps, in most cases with the help of the government health department, providing first aid training, raising awareness on various health issues such as polio, dengue, tuberculosis, cleanliness and hygiene, provision of food items and (or) supplements to women and children to reduce malnutrition, with a particular focus on reducing prevalence of iron deficiency among young children. Some main activities within the **Education** sector entailed provision of financial and non-financial resources such as school uniforms, books and stationary to encourage school enrollment, organizing education awareness campaigns in the local community, facilitating free admission of children in schools and in some cases assisting in the provision of infrastructure facilities such as a boundary wall, or computers for local schools. TTOs active in Human Rights/Documents and Procedures mainly acted as facilitators in helping local community members acquire legal documents such as national identity cards, marriage certificates as well as birth and death certificates.

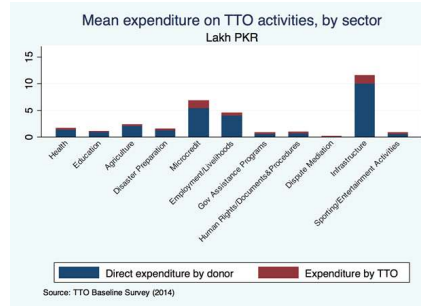
The second set of sectors in which TTOs were most active during 2013 and 2014 were Livelihoods and Infrastructure, with around 40 percent of all TTOs reported as working in each of these sectors, while approximately 30 percent reported working in Agriculture and Microcredit. TTOs active in Livelihoods conducted various vocational training courses with the objective of

<sup>1</sup> A TTO is classified as active in a sector if it worked on at least one project/activity within that sector between August 2013 and August 2014.

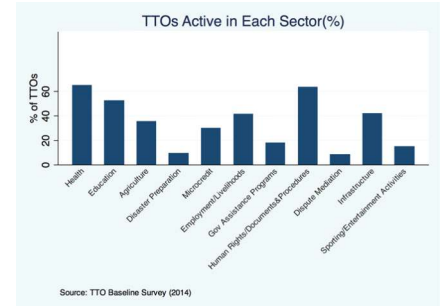


imparting skills, which either increase employability of workers or assist people in setting up their own enterprises. Some examples include but are not limited to stitching, embroidery, beautician, plumbing, electrician, driving and livestock training courses. Within Infrastructure, TTOs facilitated in provision of new or repair of existing infrastructure facilities. These initiatives have mostly involved construction of roads and villages for improving intra-village connectivity or access to the market, installation of hand pumps, water filtration plants and water tanks to aid access to clean drinking water. Activities frequently reported by TTOs active in Agriculture include training campaigns on various aspects such as kitchen gardening, fruit processing and marketing, provision of hybrid seeds to farmers, and free vaccinations for livestock.

**Figure 3: Mean expenditure per TTO per sector**



**Figure 4: Percentage of TTOs active in each sector**



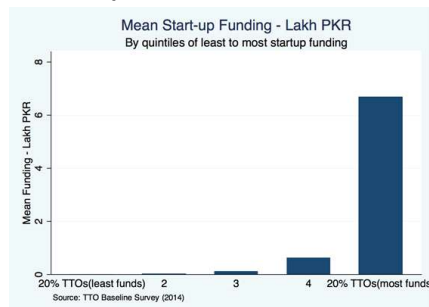
## Distribution of financial resources and activities

**Financial resources were highly concentrated within a minority of TTOs at the time of start-up. Figure 5 shows the distribution of resources TTOs had at start-up.** Note that this measure includes cash on hand, balance in TTO's bank account and funds held by the PO for the TTO, available at a point in time and does not denote total income or spending over a year. Each bar in the graph represents one quintile (20%) of the total sample, i.e. 170 TTOs; the bars are organized from least to most funding. So the 20% of TTOs with the most funding had access to an average of 6.8 lakh PKR at start-up, in contrast to just a few hundred rupees available to TTOs in the lowest quintile.

**LSO income and expenditure remain concentrated today (Figure 6).** While resources are unequally distributed, average financial resources of TTOs across all quintiles have increased substantially. For instance, in the 20% of LSOs with the most funding, TTOs received an average of 1.8 million PKR between August 2013 and August 2014. Figure 18 reflects only funding that is allocated to the TTO itself, excluding direct expenditure by the PO on TTO activities. However, Figure 7 shows that the same pattern holds, even accounting for direct expenditure: most funding goes to the activities of a minority of TTOs.

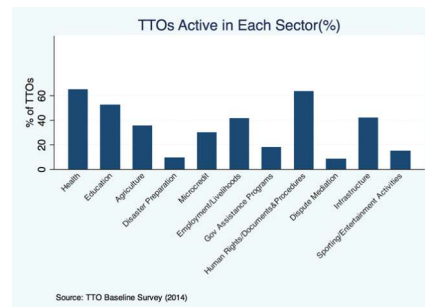
**Most PO funding is spent directly, not through the TTO (Figure 7).** The 20% of highest-expenditure TTOs reported around 70 lakh PKR spent on their activities in the past year, of which around 60 lakhs was spent by the PO directly without coming into the TTO's direct control.

**Figure 5: Startup Financial Assets by Least to Most Start-up Funds**



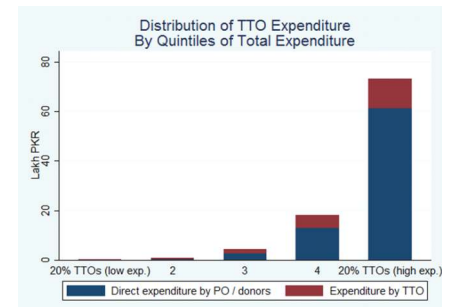
Note: Figure includes funding held by the TTO as well as funding held by the PO for the TTO.

**Figure 6: Distribution of TTO Income**



Note: Figure includes funding which comes through the TTO's bank account, but does not include money spent by the PO directly on TTO activities.

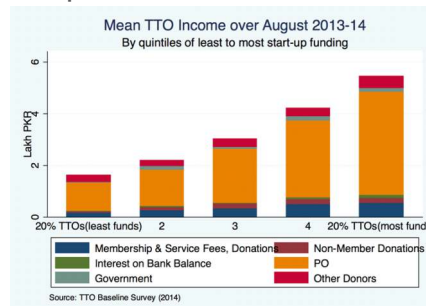
**Figure 7: Distribution of Expenditure on TTO Activities**





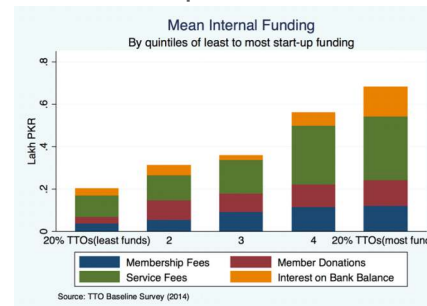
**PO funding is concentrated in a small number of TTOs, which receive most of their income from the PO.** For the 20% highest-income TTOs, seventy-three percent of total direct TTO income came from PO contributions – an average of 12 lakh PKR per TTO in the past year. This pattern appears both in funds delivered to the TTO (Figure 6) as well as funds spent directly by the PO (Figure 7).

**Figure 8: TTO Income by Least to Most Start-up Funds**



Note: Figure includes funding which comes through the TTO's bank account, but does not include money spent by the PO directly on TTO activities.

**Figure 9: TTO Income from Internal Sources by Least to Most Start-up Funds**



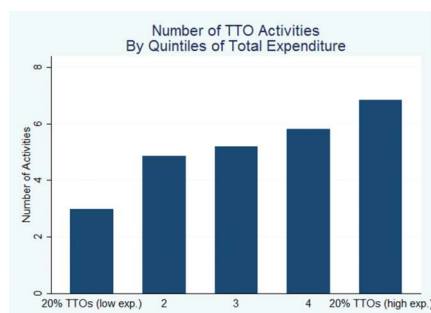
**Both TTOs that were well-funded at startup and those that started with limited resources have since succeeded in obtaining funding both locally and externally** (Figures 8-9).

One possible concern for PPAF is that external funding from PPAF through the PO would reduce the TTO's efforts at local fundraising. Figure 8 shows average TTO income over the past year, compared to the amount of funding that a TTO had at start-up. While TTOs with the most start-up funds had a higher level of average income (approximately 0.6 million PKR) compared to TTOs with the least amount of start-up funds (with an average income of 0.2 million PKR), the difference is much smaller compared to the time when they were first formed. In addition, income from internal sources (i.e. member donations, membership and service fees and interest on bank balance) constitutes approximately 12.5 percent of overall TTO income in both the bottom and the top quintile.

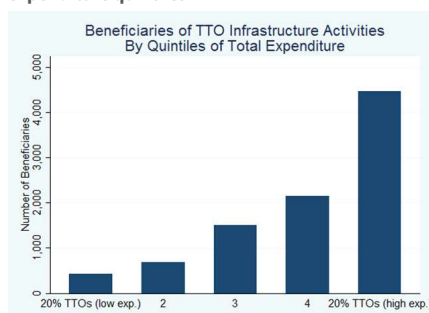
**Despite limited funding, the lowest-funded TTOs are still very active; but the best-funded TTOs carried out more activities and served more people than the lowest-funded TTOs** (Figures 10-12).

Figure 7 shows the inequality between expenditure across TTOs; those in the bottom quintiles spent almost no financial resources on their activities. But even though the difference in financial resources is considerable, it does not map out into an equally stark difference in their activity level. On average, TTOs with the least funding worked on an average of 3 activities while those with the most funding worked on an average of 7 activities between August 2013 and 2014 (Figure 10). The average well-funded TTO was involved in the construction of infrastructure projects regularly used by 4,500 people. Additionally, these TTOs served about 15,000 people over the year, by providing services, information or training. But even the TTOs with the lowest funding delivered services to more than 5,000 people. While these numbers do not account for differences in the quality and extent of services, they demonstrate that even with minimal financial resources, TTOs can do positive work in the community, either through volunteer work or through working with other actors such as the government. Just under 50% of the activities that had no reported expenditure from the TTO or the PO had some form of government involvement.

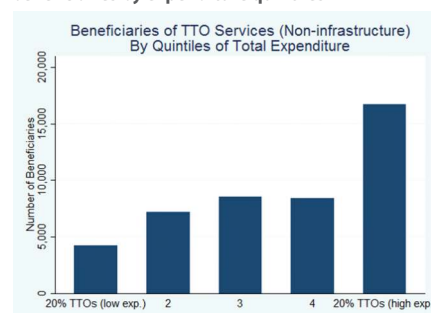
**Figure 10: TTO activities by income quintiles**



**Figure 11: Infrastructure Beneficiaries by expenditure quintiles**



**Figure 12: Services, information and training beneficiaries by expenditure quintiles**





## Patterns by Priority/Non-Priority Status of Union Councils

In June 2011, PPAF announced a new policy of prioritizing the poorest and most marginalized districts across the country. Districts were prioritized on the basis of human development, food insecurity, and existing level of social mobilization. Within these districts, a subset of 1020 Union Councils was classified as priority UCs. The TTO baseline survey covered all 851 TTOs that had been formed before 2013; there were TTOs in 39 percent of the priority UCs (329 out of a total of 1020 priority UCs). In this section, we examine patterns of TTO funding, expenditure, activities and beneficiaries by priority status of their union councils.

Figure 13: TTO Income by Priority Status

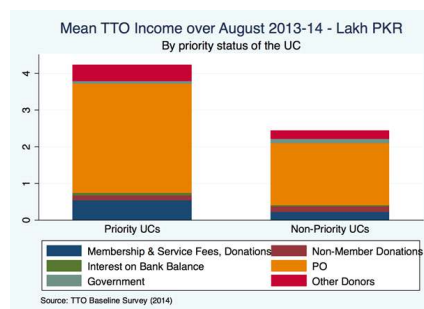
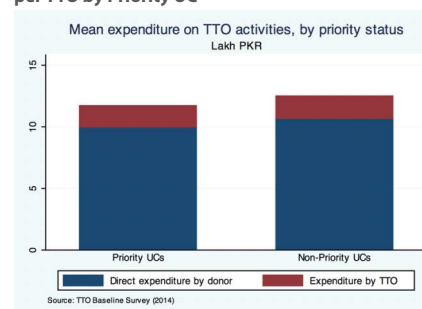


Figure 14: Mean expenditure on all activities per TTO by Priority UC



**TTOs in priority UCs received almost twice as much direct income over the year compared to TTOs in non-priority UCs** (Figure 13). On average, TTOs in priority UCs received 4 Lakhs PKR between August 2013 and August 2014, while TTOs in non-priority UCs received almost 2 Lakh PKR over the same time period.

The presence of government funding to the TTO seems to be almost negligible in both priority and non-priority UCs, but relative to priority UCs, it is slightly higher in non-priority UCs. This may indicate that government funds are not well targeted towards the poorest and least developed regions across the country.

Finally, another interesting observation which can be drawn from Figure 5 is that TTOs in priority UCs (which tend to be less developed than those in non-priority UCs) mobilize almost 14 percent of income from local sources such as membership fees, donations, service fees and interest on bank balance while those in non-priority UCs mobilize only 11 percent of their income from local sources. Given the concern that outside funding might reduce TTO's efforts at local fundraising, this is an encouraging finding.

**However, average expenditure on TTO activities is similar between priority and non-priority UCs** (Figure 14). Between August 2013 and August 2014, average total expenditure on TTO activities in both priority and non-priority UCs was approximately 1.2 million PKR, of which only about 2 Lakh PKR was spent directly by the TTO.

No substantial difference in percentage of active TTOs and average number of activities conducted in priority and non-priority UCs. Figures 15 and 16 compare TTO activity levels across priority and non-priority UCs, over sectors (Figure 15) and in terms of the total number of activities (Figure 16). TTOs in priority and non-priority UCs carry out similar numbers of activities and in a similar mixture of sectors.

The numbers on percentage of active TTOs in infrastructure are particularly interesting, with a slightly higher proportion of TTOs reporting infrastructure activities in non-priority UCs compared to priority UCs. Since infrastructure projects are typically cash intensive, this is surprising given PPAF has withdrawn grants-based support from non-priority UCs under the new policy. One possibility could be that since non-priority UCs are on average richer than priority UCs; there is a

Figure 15: Percentage of TTOs active in each sector by priority and non-priority UCs

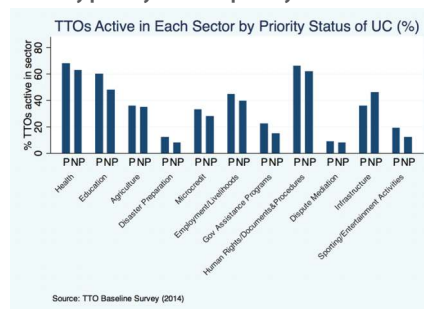
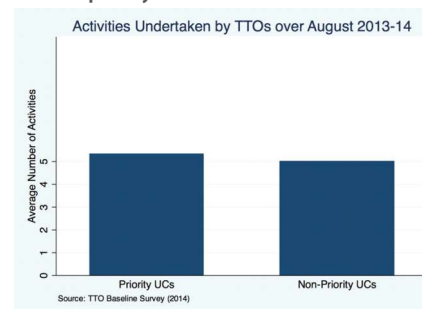


Figure 16: Number of TTO activities in priority and non-priority UCs

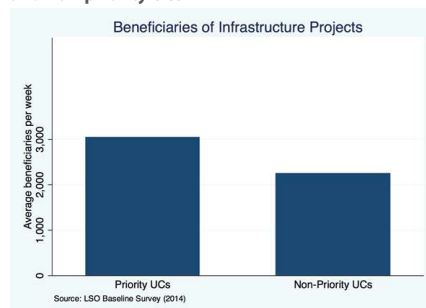




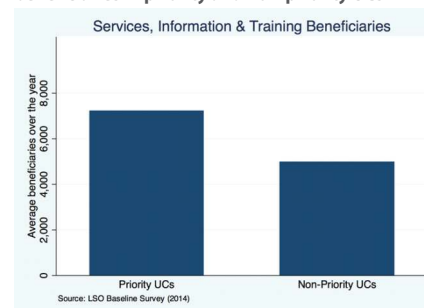
greater pool of funding available from the government or other sources to pursue infrastructure projects on which TTOs collaborate. Another possibility could be that PPAF may still be in the process of phasing out support from non-priority UCs at the time of the baseline TTO survey. The policy of prioritized targeting was announced in 2011. It took several months before the policy was fully implemented. Given baseline survey was conducted in 2013, it is possible that there was not enough time between the survey and implementation of the new policy. So, TTOs in non-priority UCs may still be reaping benefits of resources mobilized during the period PPAF was working in their community. It will be important to revisit TTOs in non-priority UCs in a few years to check whether they continue to remain active.

**On average, TTOs in priority UCs serve more people through infrastructure projects, services, information and training compared to TTOs in non-priority UCs** (Figures 17 and 18). Every week, around 3000 individuals were served by TTO infrastructure projects in priority UCs, while TTOs in non-priority UCs served 2,200 individuals. In addition to that almost 7000 individuals received services, information and/or training from TTOs in priority UCs over a one year period, while TTOs in non-priority UCs served 5,000. Even though the average number of activities conducted by TTOs in priority and non-priority UCs was fairly similar (Figure 16), we can observe that TTOs in priority UCs reached out to more people. (Again, note that these figures look at overall services and do not account for the value or quality of services.)

**Figure 17: Infrastructure beneficiaries in priority and non-priority UCs**



**Figure 18: Services, information and training beneficiaries in priority and non-priority UCs**

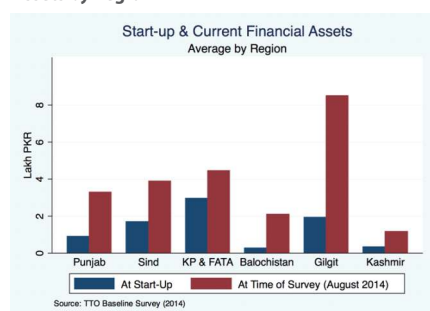


## Patterns by Region

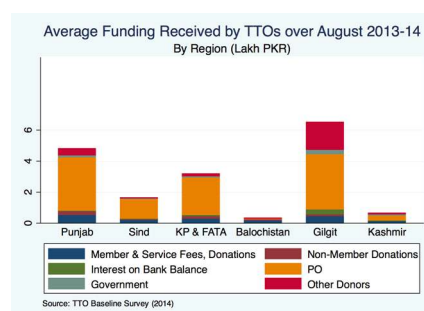
**Growth in financial assets of TTOs has taken place across all regions, but in different proportions** (Figure 19). It is worth mentioning that TTOs in Baluchistan have witnessed major growth in financial assets from a nominal average amount of PKR 27000 at the time of start-up. Figure 19 further shows that in level terms, there is significant heterogeneity in the financial assets of TTOs by region. TTOs in Gilgit have the largest amount of financial assets, while those in Kashmir have the lowest. This may be explained by the fact that TTOs in Gilgit are among the earliest established in the country.

**There is a substantial difference in average TTO income and expenditure levels across regions** (Figures 20-21). Annual income ranges between an average of 6.5 Lakh PKR in Gilgit and approximately 34,000 PKR in Baluchistan. Disaggregating TTO income levels by region also reveals that the large share of PO contributions in overall TTO income is consistent in all regions except Baluchistan and that funding by international donors and the government is largely concentrated in Gilgit, and Punjab, while in other regions, these components are almost negligible. The expenditure patterns (Figure 21) show that direct expenditure by the PO or other donors is substantial in all regions (even where TTOs do not receive substantial funds in their own accounts, such as Balochistan and Kashmir). However, direct donor expenditure is far higher in KP / FATA and Gilgit than in the other regions.

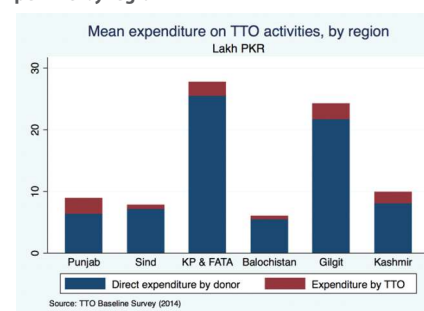
**Figure 19: Start-up and Current Financial Assets by Region**



**Figure 20: Sources of TTO Income by Region**



**Figure 21: Mean expenditure on all activities per TTO by region**

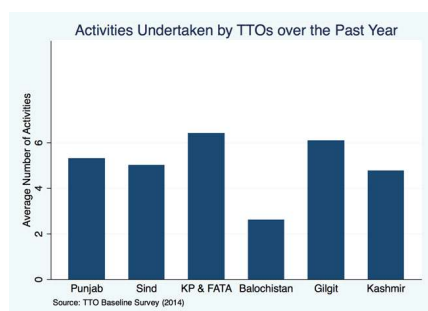




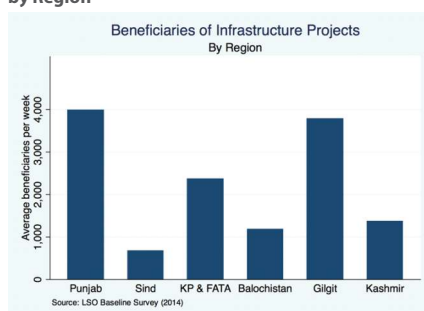
**TTOs in KP and Gilgit are most active while TTOs in Balochistan are least active** (Figure 22). TTOs in KP and Gilgit worked on an average of 6 activities over August 2013 to August 2014, while their counterparts in Balochistan worked on an average of 2 activities over the year. Geographical heterogeneity in terms of activity level is not surprising given the manner in which social mobilization evolved in Pakistan. With its inception during the 80s in Gilgit, TTOs from northern regions of the country have matured and are likely to have developed a higher capacity level compared to TTOs in other parts of the country. In addition, in some regions such as Balochistan, geographic factors (difficult terrain, sparse population and limited infrastructure) and security issues as well as limited financial resources increase the challenges for TTOs to carry out activities.

**Regional differences in the number of people served by TTOs are considerable:** Three main observations can be drawn from Figures 23-24. First, TTOs in Punjab and Gilgit worked on infrastructure projects serving the largest number of people, almost four times as many as the average TTO in Sind (Figure 23). On the other hand, people who received services, information or training were highest in Sind, but lowest in Balochistan (Figure 24). Second, while there is a considerable difference in number of people served through infrastructure projects across different parts of the country (Figure 23), the degree of regional heterogeneity in number of beneficiaries served through services, information and training is much smaller, likely because of the funding and technical requirements and potentially government interaction required for these kinds of projects (Figure 24). Third, we saw previously that TTOs in Gilgit and KP were most active, while those in Balochistan were least active (Figure 22). We observe similar patterns in Figures 23-24. The most active TTOs of Gilgit also served the largest number of people, while the least active TTOs of Balochistan lagged behind in performance, serving much less people compared to TTOs in other regions.

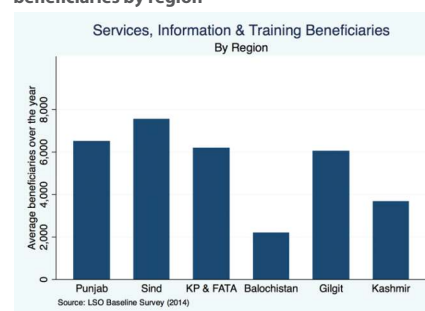
**Figure 22: Number of TTO activities by region**



**Figure 23: Beneficiaries of Infrastructure Projects by Region**



**Figure 24: Services, information and training beneficiaries by region**



## Conclusion

In this brief, we explored various dimensions of work undertaken by TTOs across the country. We looked at their activity level, the range of sectors in which they work, income level of TTOs, the level of financial resources expended on their activities, and the number of people served through those activities. We investigated these patterns across regions, by priority status of union councils in which TTOs are located and over the distribution of least to most funds held by TTOs.

The analysis shows that TTOs have access to dramatically different levels of financial resources, overall and between regions. These differences are driven by different levels of funding from the PO and other external donors, whose funds are much larger than the amounts TTOs raise locally. These funds tend to be concentrated in a relatively small number of TTOs. These differences in funding do affect TTOs' overall outreach. However, even TTOs with minimal or no resources from outside are still active in their communities. Meanwhile, even those that have received substantial resources at startup are still carrying out local fundraising. These findings are encouraging as PPAF works towards supporting community institutions that can be sustainable in the long run.