

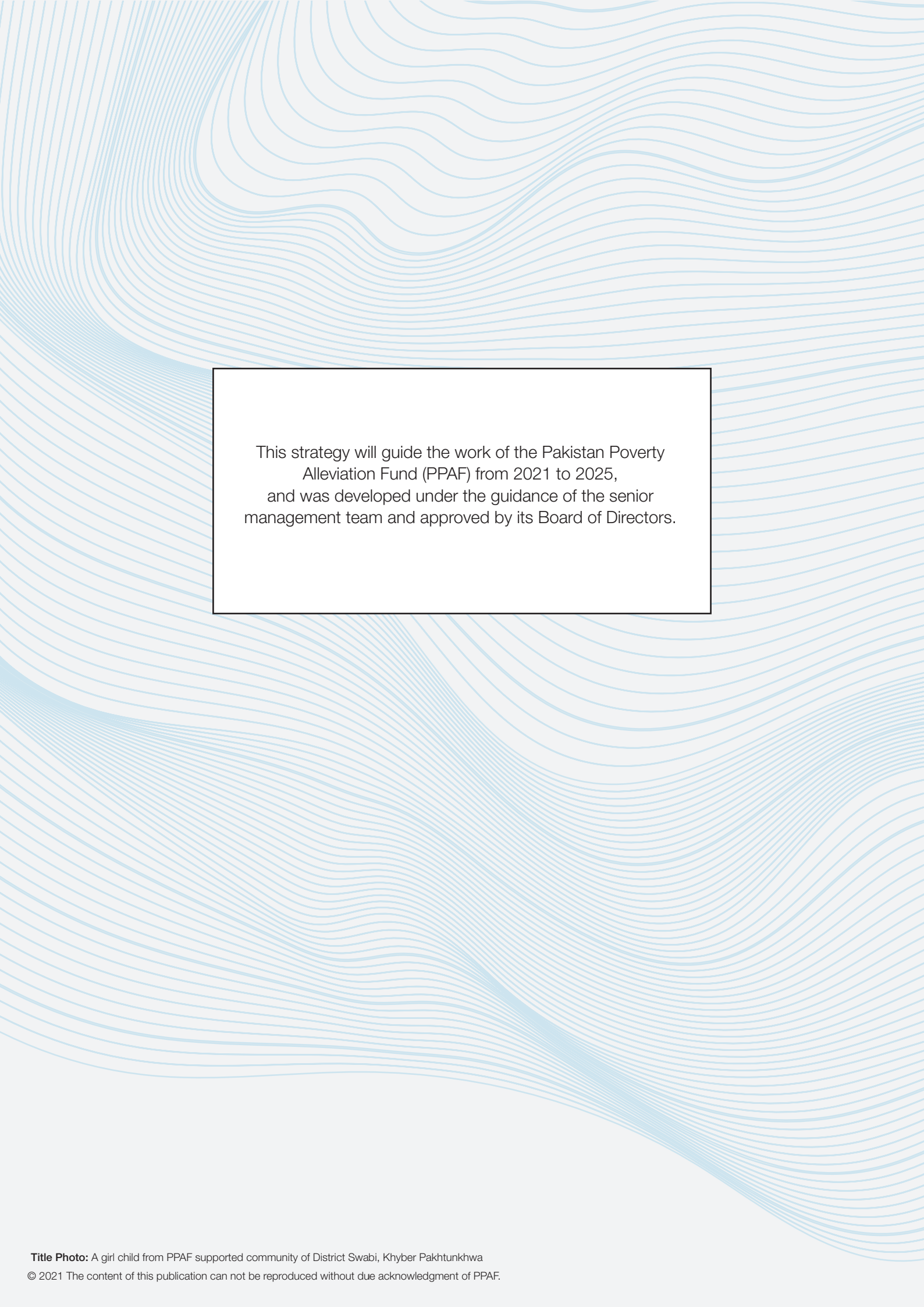


# Strategy 2021-2025

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Re-imagining the Future

Pakistan Poverty Alleviation Fund



This strategy will guide the work of the Pakistan Poverty Alleviation Fund (PPAF) from 2021 to 2025, and was developed under the guidance of the senior management team and approved by its Board of Directors.

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# ACRONYMS & ABBREVIATIONS

BISP	Benazir Income Support Programme
CI	Community Institution
CPEC	China Pakistan Economic Corridor
CRP	Community Resource Person
DFID	Department for International Development (Government of the United Kingdom)
EIRR	Economic Internal Rate of Return
FY	Fiscal Year
GDP	Gross Domestic Product
KfW	Kreditanstalt für Wiederaufbau Development Bank (owned by the Government of Germany)
IAU	Integrated Area Upgradation
ICT	Information and Communications Technology
IFI	International Financial Institution
M&E	Monitoring and Evaluation
MFB	Microfinance Bank
MFI	Microfinance Institution
MPI	Multidimensional Poverty Index
MSME	Micro Small and Medium Enterprises
NBFC	Non-Banking Financial Company
NGO	Non-Governmental Organisation
PASSD	Poverty Alleviation and Social Safety Division
PMIC	Pakistan Microfinance Investment Company
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Scorecard
PSLM	Pakistan Standard of Living Measurement
RCT	Randomised Control Trial
SDG	Sustainable Development Goal
TTO	Third Tier Organisations
VFM	Value for Money
WASH	Water, Sanitation and Hygiene



# EXECUTIVE SUMMARY

The Pakistan Poverty Alleviation Fund (PPAF) is a national apex institution for poverty alleviation, created by the Government of Pakistan in 2000 as an autonomous company registered under Section 42 of the Securities and Exchange Commission of Pakistan. Over the course of two decades, PPAF has established itself as a leading contributor to poverty alleviation efforts and earned a reputation as a sector developer for financial inclusion and poverty graduation in the country. It has an expansive operational presence across 144 districts, encompassing all provinces and regions of Pakistan, and has partnered with 130 organisations. Core to PPAF's theory of change is voice and accountability for which it invests in strengthening institutions of and for the poor. Therefore, PPAF has always partnered with local organisations, on the basis of shared core values, to reach the poorest communities, rather than engage in direct implementation of programmes. PPAF has organised over 134,500 community institutions with a focus on gender, diversity, and inclusion. Building on the success and lessons of two decades of poverty alleviation initiatives across Pakistan, this strategy will guide PPAF for the five-year period 2021-2025 to improve the lives of the poor for a more equitable and prosperous Pakistan.

Considering Pakistan's current development challenges and opportunities as a middle-income country, PPAF has taken stock of areas where it has had the highest impact and can add the greatest value over the coming five years. PPAF will aim to innovate, generate evidence, and scale up

effective models to contribute to the national development agenda. This strategy highlights four overarching goals where PPAF will invest the bulk of its efforts and resources:

1. Foster institutions of and for the poor to reduce inequalities, promote inclusive governance and development.
2. Enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty.
3. Address systemic deprivations that exacerbate poverty through local infrastructure development and community well-being initiatives.
4. Strengthen organisational effectiveness by aligning resource mobilisation, people capabilities and partnerships to transform into a more agile, responsive, and effective institution.

These goals provide the necessary focus for PPAF's efforts and will also contribute to Pakistan's commitment to achieving the Sustainable Development Goals (SDGs). With immense regional diversity within Pakistan and numerous vulnerabilities faced by the poorest communities, PPAF recognises poverty as a complex, multi-dimensional challenge. Thus, PPAF's theory of change seeks to leverage social capital to empower communities, create opportunities and build sustainable infrastructure to help the poor in Pakistan sustainably graduate out of poverty.

In view of the vast interprovincial and rural-urban disparities in Pakistan, this strategy highlights the need to focus on mainstreaming lagging regions so that all members of society enjoy the fruits of inclusive economic growth and development. PPAF will continue to be guided by the Multidimensional Poverty Index (MPI) and the Poverty Score Card (PSC) to prioritise the poorest districts and households in the country. It will ensure that its programmes are informed by evidence, upholding the principles of impartiality and neutrality, and are delivered to the highest standards of quality, accountability, and sustainability.

PPAF has established strong institutional networks (from grassroots to the policy level), corporate governance, financial controls, and quality assurance mechanisms to deliver large scale multisectoral programmes. The organisation will strive to further enhance its effectiveness by aligning its resource mobilisation, partnerships, and people capabilities to improve the overall quality of life of poor communities. It will engage

with institutional donors and will also diversify its partnerships in the development ecosystem by collaborating with start-ups, social enterprises, and private sector to co-create and co-invest in innovative solutions for poverty alleviation. PPAF will invest in research and advocacy to contribute to national policies and will aspire to become a global influencer in poverty alleviation approaches. The execution of this strategy will be guided by an implementation roadmap with clearly defined milestones and responsibilities. Progress will be regularly tracked by the Board of Directors and the senior management team and the strategy will be reviewed and updated annually based on the evolving context, implementation experience and lessons learnt. Finally, while PPAF will strive to increase its impact and influence, the organisation will staunchly adhere to its core values of inclusion, participation, accountability, transparency, and stewardship as it continues its fight against poverty.

# 1. INTRODUCTION TO PPAF

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When you do things from your soul,  
you feel a river moving in you, a joy. – Rumi

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The Pakistan Poverty Alleviation Fund was created as a national apex institution for poverty alleviation, by the Government of Pakistan in 2000 as an innovative public-private partnership model. It is an autonomous not-for-profit company with a Board of Directors which has representation from the public and private sectors, civil society, and the communities it serves. PPAF is incorporated under Section 42 of the Companies Ordinance 1984 (Companies Act 2017), with a mandate to serve the poorest, and marginalised segments of society. It tackles poverty through a non-prescriptive, model-agnostic, multi-dimensional approach that focuses on the needs of the people it intends to serve.

## POLICY FRAMEWORK

As per its Memorandum and Articles of Association, PPAF was established for helping the poor, the landless and assetless to enable them to gain access to resources for their productive self-employment, to encourage them to undertake activities of income generation and poverty alleviation and for enhancing their quality of life. Its mandate includes the following objectives:

1. To sponsor, promote and provide in various forms and manners, assistance including financial, institutional, advisory and training, to registered non-government

### VISION

**Restoring Hope  
Securing the Future  
Ending Poverty**

### MISSION

**Transforming the lives  
of the poor to create a  
more equitable and  
prosperous Pakistan.**

organisations, rural support programmes, voluntary agencies and societies, institutions and community groups (hereinafter referred to as the "Partner-Organisation") undertaking activities with a view to generating income and/or employment opportunities and alleviating poverty in conformity with objects of and in a manner approved by the Company (PPAF). The Programme of the Company shall be targeted at the poor and shall give priority to underdeveloped parts of the country and to micro-credit activities, productive investments, and community-based infrastructure.



2. To foster institution-building at the grassroots and expanding the existing institutional capacity aimed at improved access to resources for the poor.

3. To identify, develop and promote opportunities for facilitating employment for the poor by channeling resources for providing them with credit, functional education, training for development of their skills and other help and assistance, as may be necessary.

4. To be a lender, promoter and stimulator of innovative ideas and methods for poverty alleviation and to develop proper eligibility criteria for the Partner-Organisations and other bodies obtaining loans/grants from the Company and set up an effective management information system for regular and proper monitoring and evaluation of the poverty alleviation activities of the Partner-Organisations.

5. To encourage, promote and assist efforts in poverty alleviation with focus on injecting new technologies, ideas generation, dissemination, and application of appropriate technologies relevant to employment creation and poverty alleviation.

6. To support, initiate, undertake and promote research activities directed towards poverty alleviation and employment generation, to establish and support research and training institutions, to grant stipends, scholarships, fellowships, to set up committees, sub-committees, and study groups to organise seminars, workshops, conferences and to undertake publication of reports, periodicals, monographs, bulletins, journals, and books etc. in furtherance of the objects of the Company.

7. To undertake, support or aid any educational, social, commercial, agricultural or industrial activity for attaining the objects of the Company.

Of its twelve Board of Directors members, three are government nominees, while the rest are private and non-government. Among its General Body, eight out of thirty members are appointed by the Government. The administrative matters of PPAF lie with the Poverty Alleviation and Social Safety Division (PASSD) since April 4, 2019 (previously these were with the Finance Division). For part of its work that contributes to the Government of Pakistan's Ehsaas Strategy, PPAF reports on the progress of its National Poverty Graduation Programme and Interest Free Loan Programme to the PASSD.

# CORE VALUES

PPAF's core values are not only a reflection of the organisation's aspirations for its own culture and behaviour but also the standards it intends to nurture in the institutions of and for the poor. These values are the foundations of the way it works and guides its outreach to the most excluded communities, its interactions with partner organisations and community institutions.

**INCLUSION:** Inclusion is at the heart of PPAF's work and is the foremost of its core values. The basis of equitable development lies in the empowerment of individuals within communities who have no voice, those who are marginalised and vulnerable. The organisation is committed to promoting the empowerment and representation of the poor, and more vulnerable groups within this segment of society such as women, youth, ethnic, religious, and linguistic minorities, other genders, refugees, migrant workers, and those who are differently abled. It seeks to incorporate demographic diversity in its workforce and its programmes as it recognises diversity and inclusion as indispensable to its poverty alleviation mission.

**PARTICIPATION:** Participatory dialogue and decision-making are central to how PPAF operates, internally and externally, focussing on increasing community input by having a broad process of consultation so that decisions on the choice of interventions, policies and programmes are meaningful and incorporate the perspectives of all groups and people. Diversity of thought leads to better decision-making and ultimately, better results.

**ACCOUNTABILITY:** PPAF has in place the legal and reporting framework, organisational structure, processes, and procedures to ensure efficient use of resources and that personnel are held responsible for their actions. At the core of accountability is personal and organisational responsibility as PPAF strives to do the greatest good with the resources it has at its disposal.

**TRANSPARENCY:** Substantiating achievements by evidence, clear reporting on activities, and financial proof that would reflect on implementation of strategies and adherence to mandates and outcomes; advancing the practice of accountability to beneficiaries, PPAF is committed to fostering trust at all levels, within the organisation and among its stakeholders. PPAF demonstrates openness in sharing information, lessons learnt and collaborating. In its efforts for supporting institutions of the poor, PPAF promotes transparent governance processes and structures including through the election of community institutions' leadership.

**STEWARDSHIP:** The core value of stewardship at PPAF encompasses the responsible management of the resources entrusted and accessible to it in the ecosystem for the communities it serves. As caretakers of the environment and its resources, PPAF believes in having a constructive effect within the sphere of its influence. A steward does not own but instead holds in trust and uses what s/he has been given responsibly.



PPAF's twenty-year journey of Ishq, Ilm and Amal as depicted in its emblem, is testament to the dreams, aspirations and struggles that have underpinned the organisation's work. Ishq (passion) has been the essential ingredient which has driven the organisation, this Ishq has been informed and tempered by Ilm (knowledge), and through its Amal (actions), it has seen its efforts bear fruit. It has strived to ensure that all three are in a constant state of renewal by maintaining the quality of the heart – represented by all the people who work for the organisation.

Over the course of two decades, PPAF has established itself as a leading contributor to poverty alleviation efforts and earned a reputation as a sector developer for community driven development, financial inclusion, and poverty graduation. It has evolved as an institution and matured its programme approaches to respond to the changing context as described in Annex 1. Building on this successful track record and keeping in view the evolving contextual realities and the myriad challenges of Pakistan, this new Strategy (2021-2025) "Re-imagining the Future" sets out the priorities for PPAF for the next five years, which will guide its programmes, resource allocation and fundraising to transform the lives of the poor and create a more equitable and prosperous Pakistan.



## 2. PAKISTAN'S DEVELOPMENT: CHALLENGES & OPPORTUNITIES

Your real country is where you're heading  
not where you are. – Rumi

Pakistan is the fifth largest country in the world, in terms of population. Its geostrategic location offers a lucrative link between South and Central Asia, China and the Gulf States with the potential to accelerate not only its own economic growth but that of its neighbours as well.

The country has made significant strides in reducing the proportion of the population living below the national poverty line from 57.9% in 1998 to 24.3% in 2015, achieving the 2015<sup>i,ii</sup> Millennium Development Goal of halving income poverty using 1990 (58.5%) as the base line<sup>iii</sup>. Pakistan seeks to join the league of upper middle-income countries by 2030. The government of Pakistan has pledged to reduce poverty from 24.3% to 19% by 2023 (and to 9% by 2030) while reducing the multidimensional poverty headcount from 38.8% to 30% by 2023<sup>iv</sup>. Similarly, as per its Sustainable Development Goals National Framework, by 2030, Pakistan aims to ensure provision of social protection to at least 70% of below poverty line population<sup>v</sup>. Since the establishment of the Poverty Alleviation and Social Safety Division in 2019, there are ongoing efforts to consolidate the various poverty alleviation and social protection initiatives fragmented across multiple public and autonomous organisations. There are plans to develop Pakistan's first social protection framework which will streamline these

### KEY FACTS

**Total Population:** 220.9 million  
as per 2020 estimates

**Rural Population:** 62.8%  
as per 2020 estimates

**People in Poverty:** 24.3%  
(Poverty headcount ratio)

80% of Pakistan's poor live in rural areas

**Youth Bulge:** 64% of population below  
the age of 30

**GDP per capita:** USD 1,193.7  
as per 2020 estimates

**Under 5 mortality rates:**  
67.2 per 1,000 live births

**Maternal Mortality Rate (MMR):** 186  
(per 100,000 live births)

**Gender Disparity:** Pakistan ranks 151 out of  
153 on global gender parity index

**Literacy Rate:** (age 10 years and older):60%

*\* Sources for all Key Facts are cited in the endnotes.*

mechanisms for more efficient and effective service provision and outreach to the poor. PPAF's most significant value addition and niche in this framework will be the contributions of its poverty graduation and interest free loan programmes. PPAF will also assist the government in developing digital application solutions to facilitate citizens in accessing information about the various components of the social protection and poverty alleviation schemes available from the state institutions.

Despite achieving a high economic growth period in recent years, the poor continue to be excluded from decision-making processes which underpins the inequalities that persist among regions and provinces. Due to this lack of participatory decision-making, the poor in Pakistan continue to face systemic deprivations that reinforce the poverty cycle.

Evidence suggests that marginalised classes and groups have a greater incidence of poverty in multidimensional aspects. 80% of Pakistan's poor continue to live in rural areas and are far more disadvantaged in access to basic services and opportunities. The poverty head count ratio in rural Pakistan was twice as much as in urban areas— 36% versus 18%— and the gap had remained virtually unchanged since 2001-02. The majority of the 40 poorest districts of Pakistan are in Balochistan, followed by Khyber Pakhtunkhwa. Similarly, inclusion of religious and ethnic minorities as well as people with special abilities is an area requiring attention in Pakistan as they tend to have limited access to decision makers and basic

services. Marginalised groups in Pakistan, are easily trapped in the poverty cycle as they lack access to livelihood opportunities and finance, and do not possess productive assets or the skills to make a decent living.

The causes and consequences of poverty disproportionately affect women and girls. Pakistan ranks 151 out of 153 on the global gender parity index<sup>vi</sup> with sizeable gender gaps in education and economic empowerment - only Iraq and Yemen were worse off. Women in Pakistan remain disadvantaged because of the wide disparities in education, employment, and economic opportunities. These disadvantages are glaringly apparent amongst the poorest women as they suffer poor health, own few, if any, assets and have limited decision-making power and control over their own mobility and incomes. Women are also vulnerable to exploitation and gender-based violence.

Poverty is also compounded by a high average inflation increase to 11.8% during July-March Fiscal Year 2020 (FY20), up from 6.8% in July-March FY19<sup>vii</sup>. The situation is exacerbated further by the country's population pressure; Pakistan has an annual population growth rate estimated at 2%<sup>viii</sup> while the GDP growth rate for FY20-FY21 is projected to be 3.9%<sup>ix</sup>. This contributes to increasing poverty as economic productivity lags the rate of population increase<sup>x</sup>. Various economic projections anticipate that a combination of domestic factors and the global recession due to the COVID-19 pandemic will exacerbate this trend and lead to increased poverty in the country over the coming few years<sup>xi</sup>.

Poverty is further compounded with systemic issues that increase vulnerability at the grassroots. Barriers to quality education is a major driver of poverty. According to the Pakistan Economic Survey<sup>xii</sup>, the country's literacy rate increased by two percent to 60% in 2018-19 from 58% in 2015-16, while regional disparities persisted as the literacy rate in the urban areas was higher at 74% compared to 51% in rural areas. This low literacy rate of only 60% (implying that 40% of the population is unable to read or write) considerably limits opportunities towards acquiring skills and technical knowledge for higher productivity and better-earning levels. Currently, Pakistan also has one of the world's highest number of out-of-school children (OOSC) with an estimated 22.8 million<sup>xiii</sup> children aged 5-16 years not attending school, representing 44% of the total population in this age group. The Government of Pakistan has pledged to achieve its SDG 4 target by 2030 to ensure that all (100%) girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes, compared to the national baseline 57% in 2014-2015. It has also pledged to address gender disparities in access to education and vocational skills, along with an emphasis on inclusion, enhancing quality and providing a safe learning environment. As public spending on education remains lower than the required level, achieving this SDG 4 target will require investment from other sources including donors, civil society, and the private sector. Regional and gender disparities are also visible in people's access to digital skills and Information and Communications Technology (ICT) and this limits the poor's participation in the digital economy. Most of the ICT-related infrastructure is installed in urban areas which excludes access for the bulk of the country's population that lives in rural areas.

Similarly, access to affordable and quality healthcare is a major challenge faced by the poor in Pakistan. Government spending on healthcare remains lower than the required level for ensuring universal coverage to the population. Maternal and child health and nutrition status need improvement. According to the National Nutrition Survey 2018<sup>xiv</sup>, 40% of children under the age of five years are stunted in Pakistan while nearly 13% of children between the age of two and five years suffer from some form of functional disability. 1 in every 8 adolescent girls and 1 in every 5 adolescent boys are underweight. Moreover, over half of the adolescent girls in Pakistan are anaemic. With concerted efforts, change is possible. Pakistan's maternal mortality ratio (MMR) has decreased from 276 deaths per 100,000 live births (one of the highest in the world) as per Pakistan Demographic and Health Survey of 2006-7 to 186 in 2020, according to the latest Pakistan Maternal Mortality Survey (PMMS)<sup>xv</sup>, thereby making significant progress towards its SDG 3 target of 179 deaths per 100,000 live births by the year 2030.

Lack of adequate infrastructure is also a barrier to prosperity as the discontinuity and quality of the road network hampers access to markets for remote and rural communities. There is a lack of efficient governance structures and accountability mechanisms which increases the cost of doing business and discourages private investment. Agricultural practice in the country also continues to be inefficient as there is a lack of irrigation and agricultural infrastructure and poor farmers are unable to adopt smart agricultural



technologies which could enhance their yields and make their livelihoods more resilient to shocks.

According to the Global Climate Risk Index 2020, Pakistan is the fifth most vulnerable country to climate change – this, despite contributing less than 1% to total global greenhouse gas emissions. From 1999 to 2018, Pakistan witnessed 152 extreme weather events which affected the poorest disproportionately. Over the years, these disasters have destroyed and damaged infrastructure, increased food insecurity, hunger and loss of livelihoods, forcing people to migrate to urban areas in search of livelihoods<sup>xvi</sup>.

While Pakistan today faces formidable social-economic challenges, there are also opportunities for transformation through sound planning, good governance, and consistency in policy implementation.

Mega infrastructure programmes such as the China Pakistan Economic Corridor (CPEC) offer huge potential for the country's development if executed in line with the principles of equitable development. The western route of CPEC traverses the most poverty-stricken part of Pakistan where many rural communities are isolated from the mainstream and deprived of any benefits of economic growth. The CPEC investment has the potential to alleviate much of this poverty but it also risks exacerbating the sense of alienation and deprivation unless the communities along the route of the projects are connected to the Corridor.

While CPEC is essential for national and regional growth as it stands, local community development requires a sound rural connectivity component addressing electrification, ideally through renewable energy solutions, link roads and improved transport, clean water, and sanitation and livelihoods.

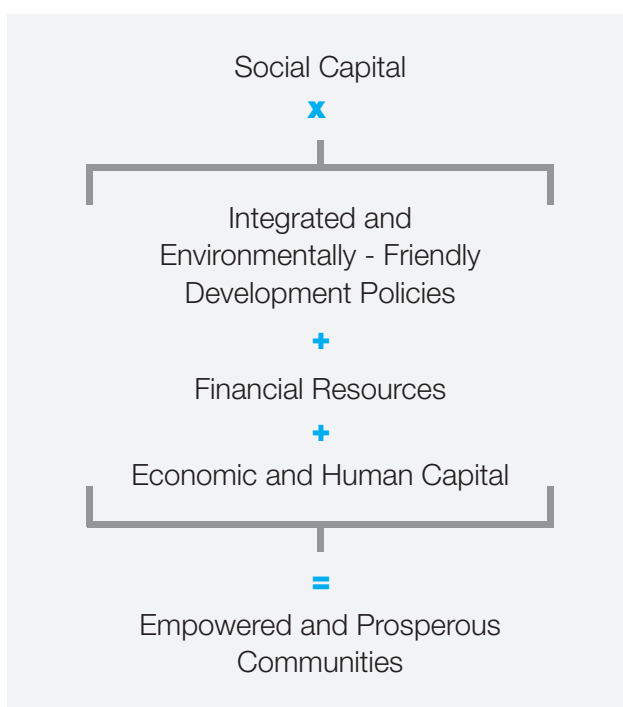
Keeping in mind the massive youth bulge in Pakistan, concerted efforts to provide quality healthcare and education, along with a focus on vocational skills and job opportunities (especially linked to the growth of local markets around the bigger infrastructure projects, like CPEC) will be the crux of equitable development. The youth bulge in the country represents a great opportunity for national development and poverty eradication which can only be leveraged through investments in skills development and community led development programmes, engagement with the private sector and inculcating a sense of responsible citizenship in the youth. Pakistan must open spaces to foster innovation, dialogue, and participation of young people.

Addressing these challenges will require concerted, holistic, and collaborative approaches by all stakeholders to support Pakistan's progress towards achieving the Sustainable Development Goals (SDGs). The basis of equitable development in the country will lie in the empowerment of communities to come up with their own solutions, promoting gender equality and inclusion of marginalised groups to create sustainable change.

### 3. THEORY OF CHANGE

You have to keep breaking your heart until it opens. – Rumi

PPAF recognises poverty as a complex, multi-dimensional challenge where the right to a life of dignity is determined not only by income, but also by access to a range of opportunities such as the right to education, health, safe drinking water, connectivity, and livelihoods. Importantly, it also recognises factors such as gender, caste, class, ethnicity, region and religion and the intersections among these that influence people's vulnerability to and ability to escape poverty. In view of this complexity, PPAF does not prescribe a specific model; instead, its theory of change is predicated on the premise that building and supporting value-based institutions of and for the people are essential for giving voice and empowering people. Therefore, social capital is the multiplying factor in the theory of change summarised below:



This Theory of Change when put into practice leads to the following:

#### **SOCIAL CAPITAL:**

An inclusive society where there is respect and dignity for all is important for equal opportunities for growth and development. This allows communities to engage directly with public sector institutions, the private sector and demand access to better services and make markets work for the poor. Organising

community institutions is an important pathway to enhancing social capital and its results are best achieved by basing it on the core values of inclusion, participation, accountability, transparency, and stewardship.

#### **SUSTAINABLE INFRASTRUCTURE:**

Infrastructure that is better maintained, sustainable, cheaper, and more relevant to community needs as well as environmentally friendly. This not only includes access to physical infrastructure but also digital connectivity and technological capabilities.

#### **EQUITABLE ECONOMIC AND HUMAN CAPITAL:**

Entrepreneurship and employment opportunities, including asset transfers, livelihood development, vocational and skills training, and education are more equitable, relevant, and sustainable.

#### **ACCESS TO FINANCIAL CAPITAL:**

Social collateral, higher incidence of savings, lower default rates make for better access to formal microfinance institutions.

PPAF's approach towards community led programming puts the poor communities at the centre of the organisation's work; so that they become active participants in their own development process and can articulate their needs, demand services and access better opportunities. With this understanding, PPAF from the outset viewed development holistically, in all its dimensions and diversity. It believes that development is about learning from the people and that the greater poverty is that of the mind – for this poverty prevents justice, equity, and a fair deal for those less fortunate and is used to perpetuate the status quo and subjugate the poor and the marginalised. PPAF learnt that development can only be socially empowering, economically equitable and environmentally sustainable if the people and their leaders share a common vision and are convinced about its intrinsic value and benefits.

## 4. FIVE-YEAR AMBITION: STRATEGY GOALS

Do not go with the flow, be the flow. – Rumi

Building on the learnings of its twenty-year experience in poverty alleviation and recognising the country's development challenges, PPAF has taken stock of the evolving ecosystem of poverty eradication efforts to identify where it can add the greatest value over the coming five years. The drive for strategic focus has been consolidated in four overarching goals where PPAF will invest the bulk of its efforts and resources:

1. Foster institutions of and for the poor to reduce inequalities, promote inclusive governance and development.
2. Enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty.
3. Address systemic deprivations that exacerbate poverty through local infrastructure development and community well-being initiatives.
4. Strengthen organisational effectiveness by aligning resource mobilisation, people capabilities and partnerships to transform into a more agile, responsive and effective institution.

### GOAL 1:

**Foster institutions of and for the poor to reduce inequalities, promote inclusive governance and development.**

Goal 1 puts PPAF's unique community led integrated approach and institutional development into focus and contributes directly to below mentioned SDGs.



### POLICY OBJECTIVES:

- Community institutions are recognised as legal entities.
- Local government institutions are strengthened to effectively coordinate the delivery of quality services to poor communities.
- Civil society organisations have an enabling operating environment.

### EXPECTED OUTCOME:

*1,000 Union Councils are organised*

#### Expected Results:

At least two-thirds of the community institutions supported by PPAF score above 70% on the community institutions maturity index.

At least one-third of executive body members of village organisations/third tier organisations (TTO) are women.

At least 50% of women-identified priorities are included in village development plans.

#### Expected Outputs:

32,000 Community Institutions formed/revitalised.

Mentoring and technical backstopping support to 1000 TTOs in high priority districts.



## INSTITUTIONAL DEVELOPMENT:

Institutional development is central to PPAF's theory of change, as its non-prescriptive approach to poverty alleviation is based on the aggregation of communities into functional institutions of the people that are empowered to articulate their needs and drive their own development. To create, nurture, strengthen and capacitate these institutions of the people, PPAF partners with civil society organisations – i.e., institutions for the people, investing to build their capacity for social mobilisation and inculcating within them values of inclusion, participation, accountability,

transparency, and stewardship. Over the years, PPAF has built a strong foundation of a range of national, provincial, and local civil society organisations, and community institutions (CIs). PPAF has in the past supported the development of livelihood platforms, bringing together community members that are specifically linked by some economic activity (aggregation for the purposes of better market interaction and connectivity to local value chains). PPAF will expand its support to second-generation economic institutions, such as Common Interest Groups, Production Centres, Naukari ya Karobar (jobs and business) Centres and Digital Hubs.



Engaging communities for village development planning in District Musakhel, Balochistan.

## **PUBLIC SERVICE DELIVERY:**

PPAF's support to grassroots community organisations serves as a vital connection between government service providers and citizens. Access to basic services (health and education) and public goods (water, sanitation, drainage, roads, and energy) is often lacking in remote rural areas. PPAF and its partners' experience indicates that strong community institutions' collective action helps government prioritise and improve public service delivery in these under-served areas. In situations where there is still no responsiveness, evidence shows that these community institutions take on some of these challenges to address the human development needs of their communities. PPAF will continue to use its convening power to link community institutions to the government system and the private sector to provide access to basic services such as health and education in its target areas.

## **CAPACITY BUILDING:**

Under this strategy, PPAF will increase focus on strengthening such institutions, improving capabilities of members which can be utilised to support local bodies to plan and implement development projects. As part of its ongoing Tabeer-o-Tameer Fund (TTF), PPAF will support these institutions to capacitate local bodies to improve local planning, implementation, and budgeting processes. The purpose of the TTF is to strengthen third tier community institutions in high priority districts across Pakistan through consistent financial and technical support in order to facilitate their initiatives for sustainable development in their communities. Through such support, over time, a vital resource base is created as some members of CIs gain enough skills and experience to contest local elections and elevate the voices of the poor in grassroots democratic processes.



Promoting indigenous crafts among Kalasha communities in District Chitral, Khyber Pakhtunkhwa.



## INNOVATION:

Testing new approaches for poverty alleviation will be a major investment in this five-year period. PPAF will source, design, support, and scale unique interventions that equip communities with the capacity to effectively participate in and gain from the rapidly changing Pakistani entrepreneurial ecosystem and industries. A diverse set of interventions across agriculture, livestock, gems, food processing, eco-tourism, cultural preservation, and technology-enablement will be pursued. PPAF is also keen to invest in technology start-ups and social enterprises. In the past few years Pakistan has seen many local talented youths introduce new ideas to tackle some of the challenges that our country faces, with significant success. From health apps to cheap and environmentally friendly housing, education innovations to zero-carbon stoves - these ideas could transform people's lives for the better. Over the next five years, PPAF will invest in partnerships for innovation to expand the options for households to graduate out of poverty.

## SUSTAINABILITY:

PPAF has also invested in developing a cadre of Community Resource Persons (CRPs) that are trained to provide essential services across a wide range of sectors. These CRPs participate in programmes to train community institutions on cross-cutting themes such as gender equity, health, and nutrition, and accessing services from the public and private sectors. CRPs are also trained in critical aspects of relevant value chains to provide information and services for the benefit of the community members. Beyond the programme, these CRPs are repositories of local expertise that continue to serve their communities. CRPs are often provided further opportunities to develop their business and social enterprise models to become self-sustaining over the long-term (for example by setting up community schools, offering veterinary services or agri-business trainings, etc.) PPAF will continue to strengthen CRPs through technical capacity-building to catalyse the creation and expansion of micro/small and medium enterprises (MSMEs), linking also to the achievement of PPAF's second strategic goal.



Promoting women's meaningful participation in community organisations in District D.G. Khan, Punjab

## GOAL 2:

**Enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty.**

Goal 2 draws on PPAF's approach to graduating households out of poverty and contributes directly to Sustainable Development Goals 1 and 8.



## POLICY OBJECTIVES:

- Mainstream the graduation approach as part of the government poverty alleviation agenda.
- Ensure greater access to finance, especially for women.

## EXPECTED OUTCOME:

Half a million households are supported to graduate out of poverty

### Expected Results:

The average family income in PPAF-supported households is increased by 50%.

50% beneficiaries (of which 40% women) are employed or self-employed as a result of productive asset transfers, interest free loans, and/or skills trainings.

At least 50% of men and 40% of women beneficiaries have access to some form of formal financial services.

75% of female-headed poor households and those with people with disabilities graduate out of poverty in PPAF-supported programmes.

### Expected Outputs:

320,000 productive assets (50% assets to women) transferred to targeted households.

1,000,000 Interest Free Loans (50% loans to women) provided to targeted households.

## PPAF's Graduation Model:

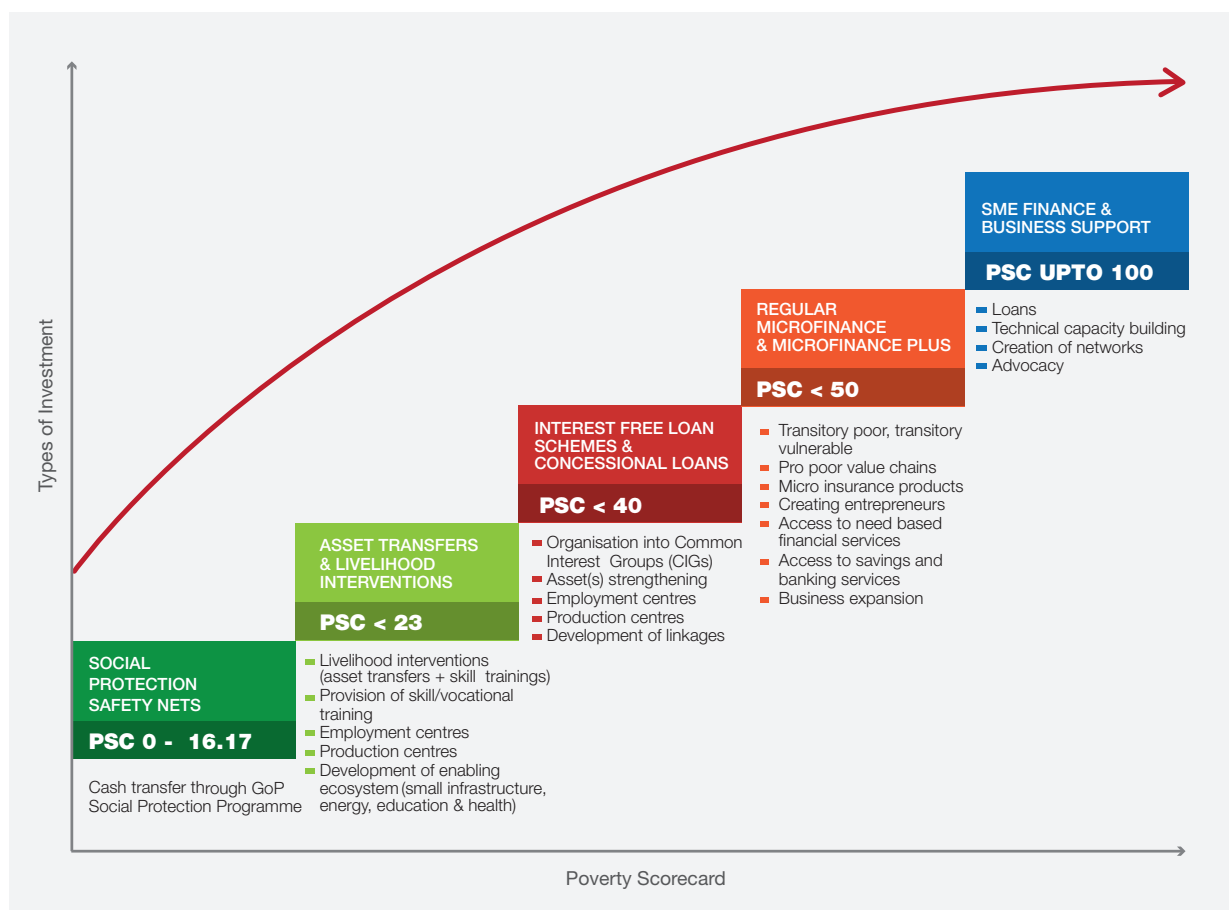
This goal represents a significant effort that the organisation will make over the coming five years as it leads the flagship National Poverty Graduation Programme and contributes to the Government of Pakistan's Ehsaas Amdan and the Bila Sood Qarza (Interest Free Loans) programme.

In 2008, PPAF piloted the poverty graduation approach in Pakistan based on Bangladesh's model of Targeting the Ultra Poor which was rigorously tested by the Global RCT Study in seven countries on Graduation. The poorest households were identified through a participatory wealth ranking exercise with community institutions and received asset transfers, a stipend for one year to help meet consumption needs and mentoring. This combination of interventions resulted in significant improvements in ultra-poor households' incomes, consumption, asset base and savings as assessed by independent third-party evaluations carried out by Nobel laureates Esther Duflo and Abhijit Banerjee.

Over time, PPAF will help households graduate out of poverty, moving them off the Government social protection roster thereby reducing the burden on the Government.

**The Graduation Arc** below depicts the poverty graduation model as a sequence of consumption support, skills enhancement, asset transfer, saving

and microfinance, leading to “graduation” into sustainable livelihoods as the end goal.



Different interventions are tailored to each poverty band to ensure that the appropriate combination of tools are used to effectively graduate people to a higher score on the poverty scorecard. The beneficiaries with a score between 0 to 23 are eligible for a combination of asset transfers and training. The poorest amongst them are also eligible for cash transfers and other social protection programmes. The beneficiaries falling in poverty band below 40 on the PSC are eligible to access subsidised credit and microfinance plus schemes.

PPAF's experience shows that it takes approximately 2 years for a household that has been provided with an asset to move up the poverty ladder. During this time, mentoring and support is very important. It has also been observed that not all beneficiaries of this intervention will move out of poverty and that about 20-25% of the households will always require some form of social protection coverage. Once people graduate beyond the 40 score, they can access and benefit from the conventional microfinance available across the country without worrying about their ability to repay – their businesses have been established and are economically viable.



## **ASSET PROVISION:**

Within the graduation components, asset creation helps raise the economic and social well-being of ultra and vulnerable poor households by providing them with a means of generating an income. 320,000 productive assets (with income generating potential and application) will be provided to ultra-poor households, along with mentoring and capacity enhancement of household members to develop and/or participate in employment / enterprises that improve incomes and household well-being.

## **VOCATIONAL AND SKILLS TRAINING:**

Expanding the skills base of the ultra and vulnerable poor households increases their employability and entrepreneurial capacity.

To this end, PPAF will provide young people vocational or technical training that allow them to access jobs or set up their own enterprises and develop community resource persons providing them both the training/expertise and opportunities to serve their communities and enhance economic opportunities.

As part of its training efforts, PPAF will increase its support to innovative social enterprises that provide income generation opportunities for the trained entrepreneur but also meet some basic needs of people who live in poverty. For example, through PMIC, this has manifested in access to finance for low-cost private schools in the country whilst focusing on the objective to enhance quality of education for the underserved segments of the population.



Providing young people with market-relevant technical and vocational skills to enhance entrepreneurship potential in District Killa Saifullah, Balochistan.

## LOANS:

Without assets as collateral and/or stable forms of income, the rural poor in Pakistan are excluded from accessing conventional financing from commercial banks and microfinance institutions, which hinders their ability to engage in entrepreneurial activities. This is compounded by lack of financial literacy. Once poor households have begun to earn an income, they often need financial capital to

expand their microenterprises. PPAF is providing and will continue to provide access to finance through the Interest Free Loans scheme focusing on areas where microfinance penetration is low. Over one million interest free loans will be provided both to graduation households as well as to individuals who may not be eligible for assets but are still in the transitory poor category, to support their business opportunities.



Enabling women's economic empowerment through investment in poultry farming in District Layyah, Punjab.

## BUSINESS AND VALUE-CHAIN DEVELOPMENT:

Traditionally, many assets selected by the rural poor are variants of livestock. PPAF has begun to analyse the value chains that exist in different regions across Pakistan to inform households of potentially better opportunities. This diversification in asset mix at the community level is important to reduce reliance on a single income stream, expand the local economy, develop local products and services, and link the poor to the larger value

chains. In Pakistan, value chains are fragmented, with little of the coordination between policy makers, producers, buyers, and retailers which is essential to bring additional value. PPAF's Value Chain Development approach looks at market dynamics and relationships between the different actors in the chain with the objective of strengthening the whole market system - enterprises, business relationships, financial networks, supporting functions, rules and norms, and the business environment – in a way that ensures greater benefits for the poor from economic growth and development.



Much of the connective tissue of value chains such as logistical infrastructure is also underdeveloped. PPAF seeks to connect the rural poor to relevant value chains so that more benefits are channelled to the poor. As value chains mature in rural areas, more and better jobs are created.

At this stage, the main support required by communities is to strengthen the value chains on which most of the poor depend, including micro and small enterprises which are largely operating in the informal sector of the economy and as such, face considerable barriers to business growth and productivity. For this purpose, PPAF invests in strengthening pro-poor, gender-inclusive value chains with a particular focus on women's economic empowerment, vertical and horizontal integration and facilitating greater access to markets. PPAF will partner with the corporate sector under their corporate social responsibility mandate as well as to influence

their core business practices and connect with pro-poor value chains strengthened by PPAF programmes. Under this component, PPAF will also work to improve the regulatory and institutional frameworks by facilitating and designing policy reforms and rural enterprise strategies.

## RESEARCH AND LEARNING:

While the graduation approach has been tested and is being scaled up, continuous innovation, learning and experimentation of new interventions/combinations of interventions (within graduation), assessing their effectiveness and value for money proposition is essential to contribute to relevant policymaking, and in achieving the goal of poverty reduction. PPAF will invest in rigorous impact assessments including through randomised control trials to generate evidence for devising the optimal policy to graduate ultra and vulnerable poor households out of poverty in Pakistan.



Improving earning capacity of ultra-poor households through livestock asset transfer in District Tharparkar, Sindh.

## GOAL 3:

**Address systemic deprivations that exacerbate poverty through local infrastructure development and community well-being initiatives**

As communities prioritise their development needs, Goal 3 addresses the glaring gaps in essential infrastructure and services at the local level and contributes directly to Sustainable Development Goals 3, 4, 6, 7, 9 and 13.



## POLICY OBJECTIVES:

- Local and provincial governments adopt community-driven development approaches to ensure equitable access to sustainable infrastructure for access to energy, water, education, and health.
- Adoption of green technologies, especially renewables in government programmes.

## EXPECTED OUTCOME:

Resilient infrastructure supported and maintained across PPAF's operational areas ensuring access to affordable energy, water, education and health.

### Expected Results\*:

60% population has access to safe drinking water.

At least 50% of population has access to sustainably managed sanitation services.

80% of targeted IAUP areas show groundwater levels remain static or are increased to sustainable levels.

At least 50% of off-grid households have access to electricity through renewable energy.

The learning outcomes for children aged 5-16 years improve by at least 20%.

50% of primary and 40% of lower-secondary enrolment is of girls.

Measurable improvements in mother and child health and nutrition.

### Expected Outputs:

1,000 infrastructure development initiatives completed.

At least 10 innovative models of public-private partnerships pursued for access to energy, water, education and healthcare solutions.

(\*in PPAF's intervention areas.)

## PPAF'S INFRASTRUCTURE DEVELOPMENT APPROACH:

PPAF utilises an integrated development approach involving the poor during the design and implementation of programmes. This ensures that programmes are tailored to the community's needs and ensures sustainability through community ownership. The provision of infrastructure is an essential facilitating measure for economic growth, local development and poverty reduction and contributes directly to community well-being. Investment in local infrastructure provides a much-needed economic stimulus to the poorest communities by creating income generation opportunities and/or enhancing market access for increasing livelihoods. A Global Study estimates that infrastructure has a socio-economic rate of return of approximately 20%.

PPAF aims to multiply the impact of ongoing poverty alleviation efforts by scaling up the development of community physical infrastructure through partnerships with Federal, Provincial and Local Governments. The organisation seeks to catalyse the development of livelihood-generating micro-infrastructure at the village level as a sustainable and cost-effective means of

poverty alleviation. PPAF will also strengthen local government and line departments' capacities and systems for better delivery of infrastructure. The organisation will promote and scale up innovative solutions for climate change resilience and environmental sustainability and support the formulation of inclusive and synchronised policies to ensure pro-poor resource allocation for sustainable infrastructure schemes. The organisation will continue infrastructure interventions for poverty alleviation which offer a high return on investment as described below:

## RENEWABLE ENERGY:

A decentralised renewable energy grid is a viable approach to offer access to energy to remote communities not just for household consumption but also for business solutions. While improving energy access, PPAF's renewable energy infrastructure has offered 59% EIRR<sup>xvii</sup> and increased access of 91% households to mobile connectivity and use of electrical appliances leading to a better standard of living<sup>xviii</sup>. Depending on resources and local feasibility, there are a range of solutions from wind, biogas plants, to micro hydel plants and mini solar grids which can be utilised to solve the rural energy problem.



Providing low-cost solar power to rural communities in District Karak, Khyber Pakhtunkhwa.



## LAST MILE CONNECTIVITY:

Transport infrastructure in the form of link roads, bridges and culverts connects rural areas with markets, generates employment and access to services, and is known to offer high return on investment in PPAF programmes. Link roads and bridges have connected communities and saved commuting time by 2 hours/household/day on average; because of improved access to market, household income has enhanced by PKR 667/month<sup>xix</sup>. According to the needs of

the target communities, PPAF can contribute to improving last mile connectivity allowing communities access to services and markets and with Government support bring in community maintenance and management of physical infrastructure to provide employment opportunities and reduce maintenance costs over the long term. PPAF will seek to engage with large-scale national infrastructure initiatives such as CPEC to leverage their potential for the socio-economic uplift of the poor communities in the surrounding areas.



Building bridges to improve access of communities to market and basic services in District Chitral, Khyber Pakhtunkhwa.

## DIGITAL INFRASTRUCTURE:

The COVID-19 pandemic has reinforced the need to invest in digital literacy and infrastructure, strengthening communication channels. PPAF will continue to innovate in digital infrastructure creating variants of the digital hubs and using the existing cellular infrastructure to create communications networks from institutions for the poor to the institutions of the poor. As the world faces

growing levels of inequality, empowering the youth with modern digital skills not only meets a key workforce demand, but also extends much needed access to education at the grassroots and helps individuals/households graduate out of poverty. This, however, requires investment in basic digital infrastructure by the government and private sector.

## **IRRIGATION FOR AGRICULTURE DEVELOPMENT:**

Irrigation projects such as lining of water channels, karez rehabilitation, water reservoirs and pipe irrigation improve cropping intensity and cultivable land area. Through flood protection structures agriculture land, property,

and assets of households are protected against the devastating effects of flood. PPAF's irrigation schemes offer a 57.2% EIRR<sup>xx</sup>. On average, the households irrigated an area of 1.08 acres/household<sup>xxi</sup>. PPAF will invest in smart agriculture technologies which have long term and sustainable results and can help address irrigation problems.



Strengthening irrigation systems for farming communities in District Dera Bugti, Balochistan.

## **INTEGRATED AREA UPGRADATION:**

This tested multi-intervention strategy successfully caters to a variety of basic needs of communities that have little or no access to infrastructure. Typical IAU incorporates safe drinking water supply, low-cost sanitation, wastewater treatment and safe disposal, street surfacing, lighting, and solid waste management, focusing on the key priorities in the target location. PPAF will invest in integrated area upgradation as it enters union councils that lack access to such basic facilities.

## **WATERSHED AND NATURAL RESOURCE MANAGEMENT:**

PPAF has invested in activities that ensure the protection of land, water, soil, plants, and animals. In flood prone areas, flood protective structures/walls are built to aid reclaim land. Terracing and contour walls hold land in place and stabilise slopes and check soil erosion. Interventions include awareness raising of environmental hazards and mitigation strategies such as planting grasses and shrubs on mountain slopes to check gully erosion and effective rangeland management to use raw materials sustainably. These are tried and tested models which PPAF will continue to invest in.



## HEALTH AND EDUCATION:

Over the years, PPAF has played an active role in investing in health and education services through addressing supply side factors such as infrastructure improvements of schools and health facilities and training staff, as well as working on demand side factors related to addressing the socio-cultural aspects that influence women and girls' access to education and healthcare. It has funded many projects through its own funds for remote areas. While PPAF will continue to support the government in enhancing service delivery in underserved areas in health and education, it will limit investing its own resources in the provision of infrastructure and inputs to public sector institutions. It may fund service delivery only where there is a dire unmet need, i.e. where there is no other means of

accessing education or healthcare for communities.

PPAF is best placed to introduce innovations in the manner in which education and health sector services are provided. Thus, it will finance innovation in the provision of these services as well as finance these through social enterprise models, health and education sector start-ups, and other models, etc. It will promote innovative technology solutions for remote access such as telemedicine and also in education. PPAF will invest in research and development for better education and healthcare solutions that can be scaled up through the public sector. As an effective apex organisation, PPAF will collaborate with established specialised networks in these sectors to elevate their efforts.



Supporting access to quality education for hearing impaired children in Karachi, Sindh

**GOAL 4:**

**Strengthen organisational effectiveness by aligning resource mobilisation, people capabilities and partnerships to transform into a more agile, responsive and effective institution.**

In order to successfully achieve the ambitious outcomes articulated in the first three strategic goals of this strategy, PPAF will invest in further strengthening its own organisational effectiveness. This objective corresponds to SDG 16 and SDG 17 as well.

**EXPECTED RESULTS:**

A knowledge institution which invests in staff capacity building so that the average annual training hours per employee is increased to 1 week.

Maintain its workforce diversity balance with respect to provincial representation, ethnic, linguistic and religious minorities and differently abled people's inclusion and ensure that its gender balance includes at least one-third women.

Ensure that the institution continues to

Increase total revenue by 7% per annum to support PPAF's poverty alleviation programmes.

**ORGANISATIONAL ANALYSIS:**

Having built credibility as one of Pakistan's premier development institutions, PPAF's challenge is to reach greater scale while remaining true to its path of transforming lives and creating a more equitable and prosperous Pakistan. To this end, PPAF conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis to take stock of the organisation's current standing and prioritise areas requiring focus to prepare it to achieve this strategy. The findings of this SWOT analysis is summarised as follows.

**Strengths:**

PPAF's track record, corporate governance, strong systems, financial strength, and vast geographical outreach built over the past two decades have prepared the organisation to sustain its efforts for poverty alleviation in the coming period.

**Weaknesses:**

PPAF must overcome weakness in critical areas such as lack of systematic approach to resource mobilisation, complex processes which hinder efficiency and address its human resource capacity gaps. It also has not focused systematically on policy advocacy which prevents it from being as influential as it potentially can.

**Opportunities**

PPAF's mission remains relevant to achieve Pakistan's national poverty alleviation agenda and its approaches can be further scaled up by leveraging its strong links with the government, diversifying partnerships, and accessing new investment opportunities.

**Threats:**

The current regulatory environment for civil society actors impedes access to poor communities for development programmes and threatens PPAF's autonomy to continue serving the most marginalised on the basis of impartiality and neutrality. The reduced and changing nature of overseas aid flows to the country combined with increased competition also threaten the ability to raise resources from external sources for its programmes.



The complete SWOT Analysis notes are provided in Annex 2. Based on this analysis, the following areas were prioritised where PPAF will improve its internal capacities to achieve the impact it seeks.

### **RESOURCE MOBILISATION:**

PPAF will accelerate its resource mobilisation efforts to achieve the ambitious goals of this strategy. While the organisation will continue to rely on the generous support of its traditional partners, diversifying its revenue streams will be key to attaining its strategic objectives. For this purpose, PPAF will develop a five-year Resource Mobilisation Strategy to expand its external partnerships with institutional donors, social impact investment instruments, International Financing Institutions (IFIs) and the private sector. PPAF will actively collaborate with other actors for co-creating innovative solutions and will leverage its co-financing ability to cultivate new partnerships and scale up tested models.

For stability and continuity, PPAF will invest in purchasing its own dedicated, custom-made head office premises.

It will also explore new business models that build on its core strengths by offering trainings in select programmatic specialisms such as monitoring and evaluation to others in the development and government sectors.

### **POLICY ADVOCACY:**

PPAF will leverage its influence to ensure that there are inclusive regulations and institutional frameworks at the federal, and provincial level by adopting a public-private dialogue approach overcoming the structural barriers that trap people in poverty. Based on the needs identified by communities, PPAF will develop and pursue an advocacy agenda on a select set of priorities for pro-poor policy

formulation, informed by its evidence of poverty alleviation programmes. PPAF will continue to act as a convenor, catalysing innovations, scaling-up tested models, mobilising resources from its own and external sources and informing policies for poverty alleviation to bring about transformational change. This requires positioning PPAF globally to attract resources – both financial and technical – to Pakistan, by generating and sharing evidence of successful poverty alleviation.

### **PEOPLE CAPABILITIES:**

PPAF will continue to actively invest in its staff – which is the organisation's most valuable asset. To achieve the ambition of this strategy, the organisation will strengthen its leadership and management capacities and build its talent pipeline. It will update its human resource policies and processes to build a more competitive workforce, offering greater efficiency and technical competency, at par with the industry standards and best practices. It will continue to strengthen its workforce gender and diversity balance. The human resource function will be aligned to serve as a business partner to deliver this strategy. Value for money is at the core of PPAF's operations. While attracting the best human resource, PPAF will maintain a lean and efficient corporate structure, which makes the organisation cost effective and sustainable.

Based on the SWOT analysis, a thorough review of PPAF's staffing, workflows and processes will be conducted to guide the restructuring of the organisation and improve its processes for greater efficiency so that it is re-positioned to deliver this ambitious Strategy. Subject to the results of the review, this may include investment in new senior positions such as Chief Operating Officer position and a high-level resource mobilisation expert.



## GOOD GOVERNANCE:

The organisation will maintain its high standard of management and corporate governance. The Memorandum and Articles of Association of the PPAF prescribe a three-tier governance structure comprising of a General Body, Board of Directors and a Management Team headed by a Chief Executive Officer. The General Body gives overall policy guidance while the Board of Directors is responsible to determine the direction and scope of activities of the Company. The Board is complemented by its sub committees on

Audit, Risk, Strategy and Design and Human Resource. The CEO is responsible for managing the operations of the Company. PPAF operations are divided into different units and groups to ensure effective functioning of the Company. This good governance structure, the high quality of PPAF's Board of Directors, and the executive and management teams have ensured that PPAF has been run on sound principles and decision-making must continue based on merit and without political interference.



Celebrating Pakistan's Independence Day at the PPAF office in Islamabad.

## **INDEPENDENT MANAGEMENT:**

PPAF operates as and will continue to operate as an independent and responsible Company. This autonomy allowed the management to take a long-term view of the development process and function as a dynamic, decentralised, and result oriented organisation.

## **RESEARCH AND QUALITY ASSURANCE:**

Strong internal controls and guidelines, multiple audit layers (internal audit, external audit by Chartered Accountant firms and audit by Auditor General of Pakistan), compliance with regulations and effective fund management are hallmarks of how PPAF operates. PPAF has a robust 3-tier M&E system in place that systematically collects, triangulates, and analyses data from a variety of sources (internal and external). This is formalised through a central management information system (MIS) for ensuring

transparency and quality of the information reported. Each programme's results framework is used to track progress in a timely manner. PPAF regularly conducts third party evaluations to assess impact and to (a) improve future policy, programmes and projects through feedback of lessons learned; and (b) provide a basis for accountability, including the provision of information to donors and the public.

Gathering evidence about the most effective approaches to poverty alleviation will remain among PPAF's highest priorities. PPAF will invest its resources in rigorous research to generate evidence and solutions to improve the efficiency and efficacy of its endeavours while contribute its knowledge to the wider development sector nationally and globally. It will continue partnering with academia, research institutes and think tanks for this purpose. It will also seek to innovate its M&E methods for more participatory approaches with greater involvement of communities.

## 5. GEOGRAPHICAL PRIORITIES

Your task is not to seek for love, but merely to seek and find all the barriers within yourself that you have built. – Rumi

PPAF depends on robust evidence and reliable knowledge to generate insights into the dynamics of poverty and inequality in the country which guides the delivery of its poverty alleviation programmes. PPAF prioritises allocation of resources to the poorest areas and households with strong quality assurance checks for impartiality and neutrality and has developed a regional and household level selection criteria to ensure effective targeting. PPAF strongly believes that this approach also helps immensely in building national integration as it supports marginalised communities across Pakistan to participate in mainstream society, politics and economics as guaranteed by the country's Constitution.

### MAINSTREAMING LAGGING REGIONS:

Based on its Geography of Poverty in Pakistan study (2015), PPAF updated its priority areas of intervention and categorised districts into 5 zones in order of highest to lowest poverty headcount ratio (proportion of population that is poor). This multi-dimensional poverty index (MPI) estimation uses 27 indicators pertaining to 4 dimensions (health, education, living conditions, and asset ownership) using

Pakistan Standard of Living Measurement Survey (PSLM) 2014-15 data. A combination of headcount ratio and the size of the poor population in a district determine the extent and depth of poverty, and thus districts with the highest deprivations become an investment priority.

The Geography of Poverty in Pakistan – 2008-09 to 2012-13: Distribution, Trends and Explanations, found that while the poverty headcount ratio fell by 5.6 percentage points at the national level from 2008-09 to 2012-13, there are tremendous rural-urban disparities in the incidence of poverty. In 2012-13, the rural poverty headcount ratio was 42.3 per cent compared to urban headcount ratio of 9.1 per cent. There are also stark inter-provincial differences in the incidence of poverty that persist over time. In 2012-13, 62.6% of the population of Balochistan, 39.3% of KPK, 37.5% of Sindh, and 24.3% of Punjab was multidimensionally poor.

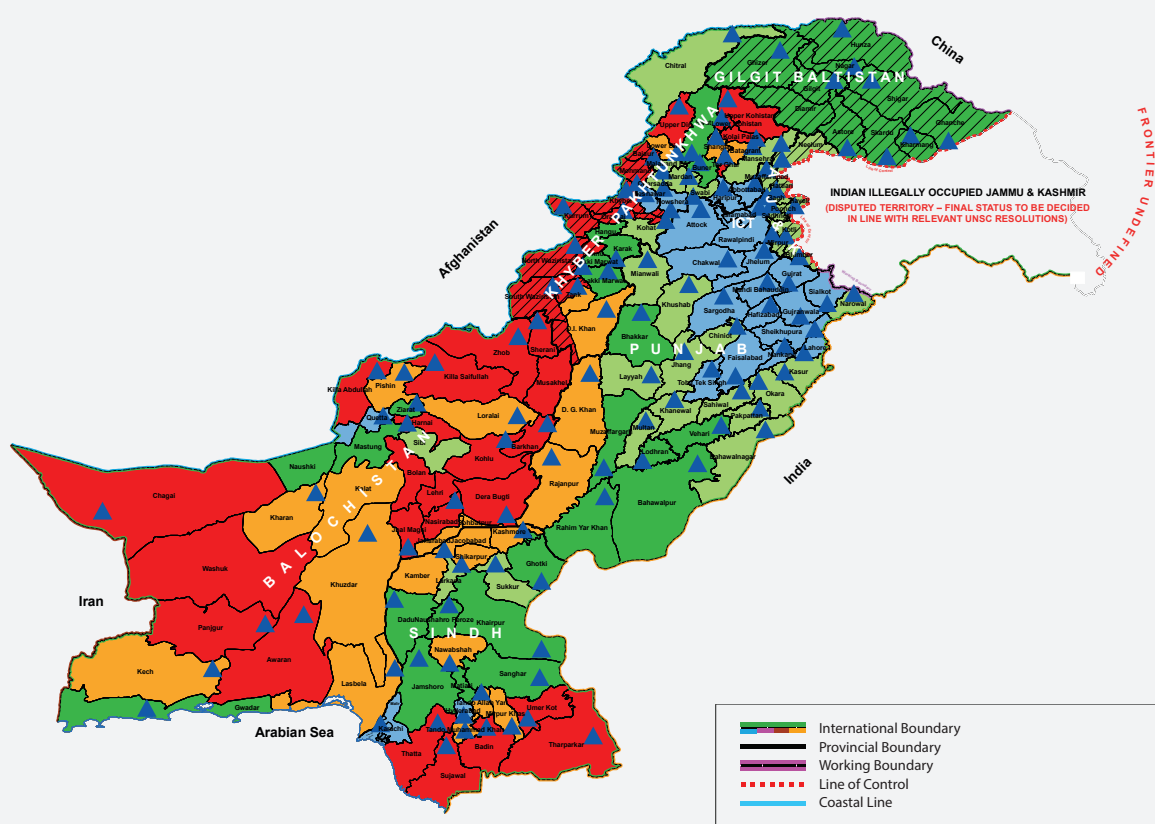
As highlighted in the following table, this analysis highlights the tremendous inter-provincial differences in the incidence of poverty:

Poverty Zones	Number of Districts	AJ&K	Balochistan	GB	ICT	KPK	Punjab	Sindh	Land Area in Sq.km	Population as per 2017 Census
Extreme Poverty Zone-1	33		16			12		5	278,379	17,436,977
Extreme Poverty Zone-2	24		9			5	2	8	179,569	23,560,573
High Poverty Zone-1	33		4	10		6	6	7	230,885	38,731,797
High Poverty Zone-2	34	10	2			7	13	2	117,404	48,602,077
Low Poverty Zone	28		1		1	4	15	7	75,652	84,789,463
Total	152	10	32	10	1	34	36	29	881,889	213,120,887
Total Population (2017 Census)		4.0M	12.3M	1.3M	2M	35.5M	110M	47.9M		
Land Area (in sq.km)		13,297	347,190	72,496	906	101,741	205,345	140,914		

The MPI helps PPAF identify and prioritise the poorest districts to guide investments for development and poverty alleviation. Based on this mapping, PPAF will focus on the districts which have the worst socio-economic

profile, aiming to reach 1,000 union councils with the lowest socio-economic indicators. As this research shows that the majority of the poor live in rural areas, PPAF will focus the bulk of its effort on reducing rural poverty.

## MULTIDIMENSIONAL POVERTY IN PAKISTAN



GOVERNMENT OF PAKISTAN, COPYRIGHTS RESERVED

### LEGEND

1. PPAF Active Footprint ▲
2. Poverty zones reflect the proportion of poor to the total population in a district. Ranking is from highest to lowest.

Poverty Zones	Proportion of Poor (Headcount Ratio %)	
	2012-13	2014-15
Extreme Poverty Zone-1	79.0	76.1
Extreme Poverty Zone-2	56.8	55.9
High Poverty Zone-1	45.4	38.1
High Poverty Zone-2	31.2	27.2
Low Poverty Zone	10.5	10.1

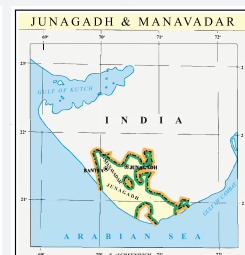
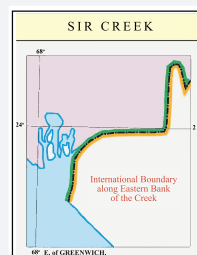
3. Regions categorised based on PPAF's own field experience ▨

Source: PSLM 2012-13 & 2014-15 (For Kech, PSLM 2012-13 data used)  
Processed and prepared by the PPAF GIS Laboratory

The red dotted line represents approximately the line of control in Jammu & Kashmir. The state of Jammu & Kashmir and its accession is yet to be decided through a plebiscite under the relevant United Nations Security Council Resolutions.

Actual boundary in the area where remark FRONTIER UNDEFINED appears, would ultimately be decided by the sovereign authorities concerned after the final settlement of the Jammu & Kashmir dispute.

AJ&K stands for Azad Jammu & Kashmir as defined in the AJK Interim Constitution Act, 1974.



## IDENTIFYING THE VULNERABLE:

Once the districts are prioritised, PPAF uses the Poverty Scorecard (PSC) to identify the most vulnerable households requiring assistance in each location. Over the past decade's learnings from the field, PPAF has refined its poverty graduation approach to catalyse change at the grassroots to assist people out of poverty through social mobilisation, livelihoods development and financial inclusion. The PSC helps categorise households into poverty bands, each with distinct characteristics and needs.

Vulnerable households are categorised as follows:

### **Extremely poor households (0-11 score):**

The per capita per month income of the household is less than 50% of the poverty line. The band features families with large number of dependents, often these are women headed, are illiterate, do not own a house and living standards are very low with limited access to water and sanitation.

### **Chronically poor households (12-18 score):**

The per capita per month income of the household is more than or equal to 50% but less than 75% of the poverty line. These are households with a large number of dependents; own a basic or one room house, may have an odd head of livestock or other productive asset; largely illiterate and dependent on daily wage labour or other casual work. Seasonal indebtedness during periods of low employment or prior to wheat harvest times or due to illness of wage earner; lack of access to social services and sources of knowledge and capital. Have one or two able-bodied adults who can be equipped with skills and/or productive assets to generate a sustainable income stream to graduate out of poverty.

### **Transitorily poor households (19-23 score):**

The per capita per month income of the household is more than or equal to 75 percent of the poverty line but less than the poverty line. These are fluctuating poor who are poor in some periods but not in others and have a mean poverty score around the poverty line. These households are likely to have fewer livestock and less land and other physical capital. Transitorily poor are lower dependency ratio than chronically poor households.

### **Transitorily vulnerable households (24-34 score):**

The per capita per month income of the household is more than equal to the poverty line but less than 125% of the poverty line. These are households who are occasionally poor, who have experienced at least one period in poverty, although their mean poverty score is above the poverty line.

### **Transitorily non-poor (35-40 score):**

These are households with per capita per month income more than or equal to 125% of the poverty line but less than 200% of the poverty line. These are economically active households, own some productive assets, but any shock can put them into poverty.

The eligibility of households per the PSC data collected is further validated by the community through a poverty wealth ranking exercise. This additional layer of assessment enables support for the assistance to be provided and minimises the risk of triggering conflict in the community due to perceptions of bias or partiality. The Government of Pakistan's National Socio-Economic Registry (NSER) is expected to be updated with the latest nationwide PSC survey in 2021 and PPAF will align its beneficiary selection process according to the findings of this assessment.



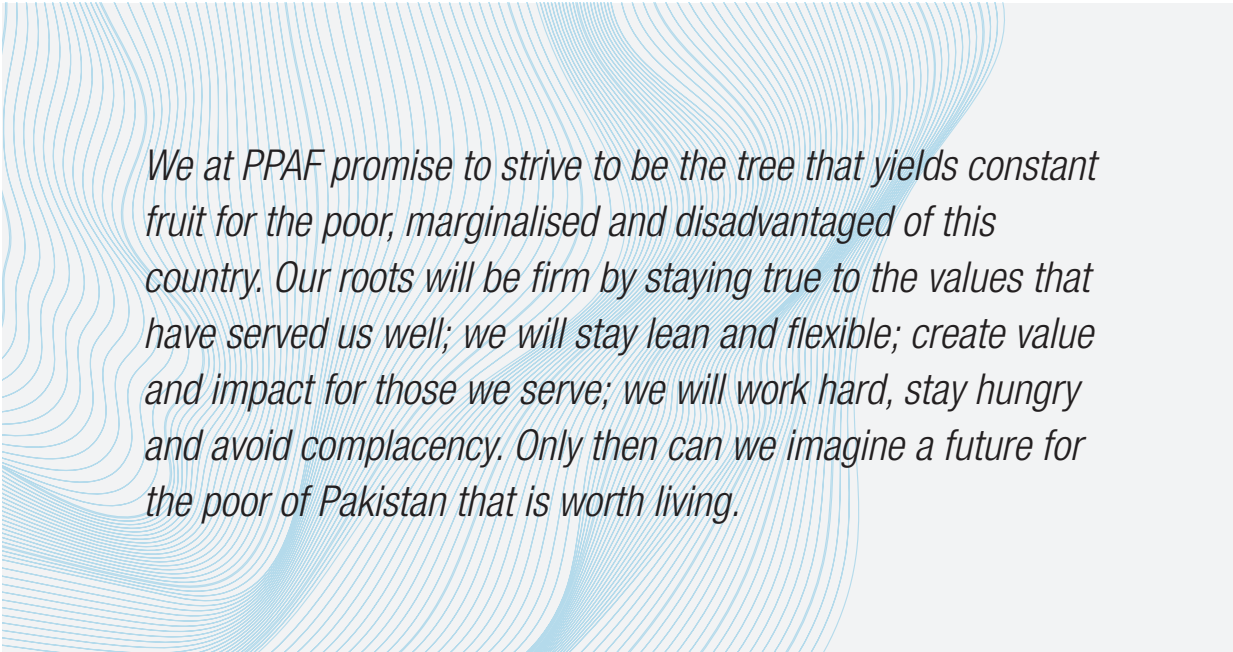
## 6. PPAF's PLEDGE

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“Do you not see how God makes comparisons? A good word is like a good tree whose root is firm and whose branches are high in the sky, yielding constant fruit by its Lord's leave – God makes such comparisons for people so that they may reflect”.

– Al-Quran, Sura Ibrahim, Ayat 24-25

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*We at PPAF promise to strive to be the tree that yields constant fruit for the poor, marginalised and disadvantaged of this country. Our roots will be firm by staying true to the values that have served us well; we will stay lean and flexible; create value and impact for those we serve; we will work hard, stay hungry and avoid complacency. Only then can we imagine a future for the poor of Pakistan that is worth living.*

# ANNEX 1: PPAF's EVOLUTION

## PPAF AT A GLANCE

Twenty years of hard work have resulted in PPAF making significant contributions to Pakistan's poverty alleviation efforts. The highlights of its cumulative impact and achievements are summarised as under:



Presence in **147 districts** through 130 Partner Organisations across the country.



**1,954,000 interest free loans** provided under Interest Free Loan Programme (52% women beneficiaries).

Co-created the Pakistan Microfinance Investment Company



**8.4 million microcredit loans** with 60% loans to women and 80% financing extended to rural areas.



**Productive assets transferred to 180,500** ultra and vulnerable poor (61% women) in 60 poorest districts across the country.



**38,800** health, education, water and infrastructure projects completed.



**A grassroot network of 144,000** Community Organisations and 440,000 Credit/Common Interest Groups.



**18,100** skill development and managerial training events for 1,140,000 individuals (49% women)



Facilitated **1.8 million households** affected by natural disasters under relief and early recovery projects.

Data upto June 2021 (Figures rounded off).  
Source: Quality Assurance Research & Design - PPAF.

PPAF's work has evolved over the years to address the many facets of multi-dimensional poverty and responding to the changing needs and priorities of the communities it serves. Its work is informed by lessons from its own programmes, garnered from rigorous

research and evaluations, as well as by global evidence of what works to alleviate poverty. PPAF's evolutionary trajectory can be divided in four phases: outreach, expansion, strategic depth and multiplying impact as shown in the diagram below:



### **PHASE I - OUTREACH**

PPAF's inception as an innovative public-private partnership model was based on the Government deliberately assuming the role of an enabling facilitator and entrusting the private sector with management and execution of this institution. The first five years witnessed a period of steady outreach across Pakistan and institutional strengthening to provide proof of concept.

At the time that PPAF entered the market, the microfinance sector in Pakistan was in a nascent state with approximately 60,000 clients and a small number of institutions proving microcredit. Its purpose was to reduce poverty through a combination of three main interventions: increasing incomes of poor households by providing them with loans and technical support, increasing access of the poor to physical infrastructure to improve their livelihood opportunities, and enhancing the institutional capacity and financial sustainability of Non-Governmental Organisations (NGOs) and PPAF itself. In this period, PPAF supported standalone community infrastructure at the village level which offered high economic internal rates of return (EIRR) such as building bridges, improving irrigation, drainage, and sanitation, constructing link roads, and developing drinking water supply as identified by the recipient communities during the social mobilisation process.

### **PHASE II - EXPANSION**

After 2005, PPAF gradually expanded its programme to include other sectors which were integrally linked to its mandate of poverty alleviation. The organisation began to deepen its focus on social mobilisation for community-led development and increasing access to infrastructure to improve agricultural productivity and livelihoods for the rural poor. This approach manifested in integrated area

upgradation projects, drought mitigation and preparedness interventions and water efficient irrigation solutions.

The devastation of the 2005 earthquake galvanised PPAF to contribute to the national disaster relief and rehabilitation efforts by providing emergency relief, making use of its outreach and access to the affected communities.

With integrated programmes that were designed to build the physical, financial, and human assets of the poor, PPAF diversified into an institution supporting multi-sector interventions for poverty alleviation. Post 2008, PPAF increased its focus on livelihood development using asset transfers as a vehicle to shift households out of extreme poverty and support the creation of an enabling environment for increased employment, entrepreneurship opportunities and access to markets. PPAF also began to test a poverty graduation approach during this period, with a pilot on asset transfers as part of the 'Global Study on Graduation'.

### **PHASE III - STRATEGIC DEPTH**

By 2010, PPAF had begun to build a cohesive livelihoods framework and strengthen integrated programming strategies, which allowed for the evolution of project-focused initiatives into institutional and long-term approaches. This was a period of significant innovation. Livelihood interventions went beyond financial inclusion to skills enhancement and linking the rural poor with markets, the private sector, and local industries. The evidence of success from these interventions led to the articulation of a clear poverty graduation approach to move households from one poverty band to the next until they can access opportunities and resources without support.



Within infrastructure, PPAF piloted micro-hydels and mini-grids, to provide electricity to off-grid communities while also testing renewable energy solutions. In this period, PPAF also started mainstreaming climate change resilience in its programmes by incorporating adaptation and mitigation into its interventions.

PPAF's social mobilisation approach aggregated communities into representative tiered institutions supporting the communities from hamlet to village to Union Council to articulate their needs and building the capacity of the institutions of the poor to access services. Staying true to its core values, PPAF promoted inclusion by requiring these community institutions to have at least 60% poorest households and 40% women's representation among their membership.

In this phase, PPAF adopted a more nuanced approach to financial inclusion by targeting the poor and marginalised through interest-free credit. As the microfinance sector in the country reached maturity, PPAF created the Pakistan Microfinance Investment Company (PMIC) in 2016, in partnership with other stakeholders including DFID through Karandaaz Pakistan (KRN) and the KfW Development Bank. PPAF then transferred the management of its conventional microfinance portfolio into this for-profit entity. This has allowed access to the capital and commercial markets, thereby increasing the quantum of resources for the sector. As of March 31, 2020, PMIC had deployed Rs. 24 billion in the microcredit sector. The active clients financed were 780,000 (including 83% women and 65% in rural areas). In addition, several sector development initiatives have been taken including livestock value chains, crop productivity enhancement initiative, renewable energy projects, education through microfinance, livestock insurance, poverty graduation initiatives, etc.

## **PHASE IV - MULTIPLYING IMPACT**

PPAF is currently scaling up, building on its experience in earlier phases, to sustainably graduate Benazir Income Support Programme (BISP) beneficiaries out of Government-provided social protection, through the National Poverty Graduation Programme. In this phase, PPAF has incorporated a focus on pro-poor, gender-inclusive value chain development - working with micro, small, and medium enterprises, strengthening local rural markets and generating employment.

In recent years, PPAF has increased its investment in innovations to scale up promising models. PPAF looks for opportunities for investments that can accelerate youth and rural entrepreneurs, enhance rural connectivity – both virtual and physical, and test approaches and innovations to multiply impact.

Since inception, PPAF has been building an intensive network of partnerships with Government entities and donors, technical experts and academia and implementing organisations. It continues to develop these partnerships for maximum impact, scale up promising initiatives and inform pro-poor policy formulation through the provision of data, rigorous research, and a cohesive and comprehensive narrative on poverty alleviation in Pakistan. While doing so, it has retained its approach of working with and through partners rather than engaging in direct implementation, staying close to, and promoting its core values.

## ANNEX 2: SWOT ANALYSIS

This Strategy is informed by a SWOT analysis that was conducted on 04 February 2021, in a consultative process with the PPAF's senior

management team which was facilitated by its Group Head -Infrastructure. The working notes of those deliberations are provided below:

### STRENGTHS:

- Corporate governance.
- Robust systems and accountability.
- Proven success as a sector developer and a solid track record of 20 years.
- Vast geographical outreach in 87 districts currently, and coverage of 144 districts since inception.
- Partnerships with government, civil society, academia, and donors.
- Innovative approaches and models.
- Financial sustainability and having own resources (core funds).
- Sustaining community institutions beyond the project life.
- Institutional memory due to long-serving staff.
- Impacting policies in certain areas such as microfinance and poverty graduation.



### WEAKNESSES:

- Weak pipeline and lack of resource mobilisation strategy for programmes with targets.
- Complexity of processes.
- Inefficiencies including lack of timely decisions, process execution speed, and Programme implementation delays.
- Staff capacities and weak ownership.
- Managerial capabilities need to be elevated.
- External communication of PPAF's poverty alleviation contributions.
- Donor and PO relationship management.
- Lack of investment in policy influencers in certain areas such as education, infrastructure etc.



### OPPORTUNITIES

- Persisting relevance of PPAF's mission.
- Proactive engagement with government including linkages with Ehsaas initiatives.
- Scale up potential of best practice interventions and models.
- New models of partnerships and funding instruments (business, enterprise development, equity investment, social investment bonds, combination of loans and grants).
- Growing demand for climate change and disaster risk reduction interventions.
- Addressing the social, environmental and connectivity avenues arising out of the China-Pakistan Economic Corridor.
- Need and demand for youth development initiatives.



### THREATS:

- Shrinking civil society space (regulatory environment) impacting NOCs, banking transactions of POs that significantly hinders Programme implementation.
- The political economy threatens the autonomy of PPAF as it can impinge on the principles of impartiality and neutrality necessary for ensuring aid to the most marginalised communities.
- Diminished and changing nature of overseas aid flows to Pakistan.
- Competition from other development actors.
- Health pandemics.
- Climate change.
- Population explosion and changing demographic patterns.
- Rising insecurity in some parts of the country hindering mobility and programme implementation.



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عشق، علم، عمل  
پی پی اے ایف کی بنیادی اقدار اور اس کے کام کی اصل روح ہیں۔

The emblem denotes three words: Ishq, Ilm, Aml  
meaning profound love, knowledge, action  
the spirit of the institution.



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ISBN 978-969-7807-11-6