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**Pakistan Poverty Alleviation Fund**

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**Brief History**

The Pakistan Poverty Alleviation Fund (PPAF) was established in 1997 as a not-for-profit private company sponsored by the Government of Pakistan and funded by the World Bank, inspired by the success in Bangladesh of PKSF, which has a more narrow focus on microfinance. The PPAF was established to help the poor by enabling 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. As an Apex fund, PPAF disburses soft loans to a myriad of microfinance organisations in Pakistan. It also provides grants on a cost-sharing basis for development of small scales community infrastructure, and strengthen development and microfinance institutions by supporting their capacity building activities.

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**Country program**

The PPAF seeks to alleviate poverty and empower the rural and urban poor, by providing them with access to resources and services.

The Credit and Enterprise Unit provides wholesale lending to partner organizations (POs) for microcredit on lending to individuals or groups of individuals who meet the eligibility criteria of the PPAF. The PPAF charges interest rates on its loans to Partner organisations. These partners have ultimately to cover their credit administrative costs, loan loss expenses, cost of funds and make a reasonable profit to maintain the real value of their equity.

Lending is disbursed on a quarterly basis subject to satisfactory performance and compliance with contractual obligations. Interest rates charged vary between 6 to 10% per year. Loans are secured through letter of hypothecation on receivables of Partner Organisations created out of the financing obtained from PPAF.

Loan recovery rates remain at 100% as an average for the past four years. Approximately 218,000 individuals have benefited from the PPAF lending, with an average loan size of Rs.8,816, and 44% of the loans going to women.

PPAF has also started an Enterprise Development Facility providing funding to larger, Microenterprise loans to a number of selected partner organisations, providing lending to cover the credit market of loans between Rs30,000 to Rs.100,000.

Capacity building support is extended to those partner institutions the PPAF believes hold promise to efficiently alleviate poverty throughout Pakistan. This assistance is provided through grant funding.

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**Area of Operations**

PPAF has worked in 72 districts, throughout all the provinces of Pakistan.

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**Partners**

At the end of FY 2003, the PPAF had provided financial and technical assistance to 37 Partner Organisations, selected according to different eligibility criteria

- At least a two year experience in the field of microfinance;
- Capacity for expansion;
- Sound accounting and financial systems;
- Sustainable or in the path to sustainability
- Focus on women

For PPAF it was difficult to enter in collaborative agreements with partners who, for a majority, had never borrowed funds. PPAF also encourages some of its partners, or potential partners to downscale and reach the poor.

The largest borrowers are the Rural Support Programs (NRSP, PRSP, SRSP, TRDP), and a number of NGOs such as the Kashf Foundation (the largest recipient among NGOs), the Taraqee Foundation, DAMEN Foundation and SAFWCO.

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**Poverty Focus**

PPAF aims at reducing poverty in rural and urban areas, with a specific emphasis placed on alleviating the burden placed on women in Pakistan. Loans provided by Partner Organisations support agriculture (32%), livestock (38%) and commerce and trading (30%).

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**Distinctive Features**

PPAF is unique due to its hybrid private/public sector structure. Its board of directors is comprised of both public and private sector representatives.

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**Funding**

The resource base of PPAF consists of an endowment from the Government of Pakistan of Rs. 500 million, and a World Bank credit of US\$ 90 million. Half of the World Bank funds must be used for microcredit and enterprise development. Total income for 2003 was Rs. 230 million, an increase of 59% over 2002.

The follow on project (PPAF II) has been approved by the World Bank, and aims at scaling up operations and researching innovations, while adding education and health as new areas of intervention.

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**Sources**

PPAF website [www.ppaf.org.pk](http://www.ppaf.org.pk)

PPAF Annual Report 2003