



কর্মসংস্থানের মাধ্যমে দারিদ্র্য দূরীকরণই আমাদের লক্ষ্য

# 20th Anniversary of PKSf and Development Fair 2010

6-9 November 2010, Bangabandhu International Conference Center



Palli Karma-Sahayak Foundation  
www.pksf-bd.org

## PKSF at a Glance

- Establishment: Government of People's Republic of Bangladesh established PKSf in May 2, 1990
- Number of POs: 262
- Number of staff working in the core program of PKSf: 215
- Number of staff working in different projects: 75
- Number of staff working in the POs: 70,000 (Approx.)
- Loan disbursement from PKSf to POs: Taka 94,261.42 million
- Loan recovered by PKSf from POs: Taka 62,617.42 million
- Loan outstanding of PKSf to POs: Taka 31,643.99 million
- Loan disbursement by POs to beneficiaries: Taka 5,51,569.35 million
- Loan recovered by POs from beneficiaries: Taka 4,95,578.80 million
- Loan outstanding of POs to beneficiary level: Taka 55,990.55 million
- Loan recovery rate of PKSf from POs: 98.55%
- Loan recovery rate of POs at beneficiary level: 98.19%
- Total no. of members at the field level: 1,09,59,861
- Total no. of borrowers at the field level: 83,86,214
- Total savings collected at the field level: Taka 18,118.25 million
- Total no. of PO's staff received training from PKSf: 25,069
- No. of Beneficiaries rendered with Different IGA training arranged by PKSf: 1.70 million
- Total Capital of PKSf: 24,021.03 million (Un-Audited)

\*All information up to June 2010

## Poverty Eradication through Employment Generation: Two Decades of PKSf

Government of the People's Republic of Bangladesh established Palli Karma-Sahayak Foundation (PKSF) in 1990 as a not-for-profit organization under Companies Act 1913 (amended in 1994) mandating it principally to help reduce poverty through employment generation. It was conceived as an apex financial institution to provide continuous finance to purposeful non-governmental organizations of the country towards realization of its mandated goals. At that time no such institution existed in Bangladesh or any other country of the world. Without any precedence or any available experience to build on, PKSf embarked on its mission. It focused on microcredit, as the means to fulfill its mandate, to be distributed through NGOs known as Partner Organizations (POs) selected on the basis of a set of stringent criteria. Similar institutions have now been established in other countries based on PKSf experience. Although PKSf started its journey with only 23 POs and 1,012 beneficiaries, now it is implementing microcredit programmes in all districts of the country through more than 6,000 branches of its 193 active POs.

With reference to diversity of needs, PKSf has adopted a number of innovative microcredit programmes. These include-Ultra Poor, Microfinance for Marginal and Small Farmer, Beef fattening, Monga Eradication, Disaster Management and Micro Enterprise programmes. The POs are working in urban as well as in remote rural areas such as char, haor and inaccessible hilly areas.

PKSF thus evolved focusing on expansion of microfinance. The plight of the borrowers was largely ignored. It was considered that a borrower was doing well, upgrading his/her socioeconomic condition, if he or she is regularly repaying installments. But this conclusion may or may not be valid. To verify that, it is essential to know as to how are they paying the installments and what is happening to their socio-economic status. In this context, some fundamental questions, which have never been asked in a systematic manner, need to be assessed. The questions include:

- Whether or not the rates of return of the activities undertaken with micro credit are larger than the effective interest rate paid? The answer is not known.
- In this connection, it may be mentioned that it is mostly petty trading that is undertaken by using micro credit. Obviously, with market saturation occurring over time as more and more borrowers in a locality join the same trade, profitability is bound to go down steadily. This makes the above question particularly pertinent.
- Another question relates to the extent and nature of employment generated. The answer to this question is also not known. But the question is important, as the idea behind PKSf's work is to help generate sustained employment, contributing to sustainable livelihoods.
- What about the health of the members of the borrowing families and what about the education of their-children? Here again, the answers are not known. As a matter of fact, these issues are not included in the on-going micro-credit programmes. PKSf is taking steps to integrate health and education within the framework of all of its credit programmes. The methodologies are being worked out. However, some POs on their own have introduced education and health-related activities serving their borrowers, which are being looked into for lessons to be learnt.
- How long a borrowing family must remain a micro-credit taker before it may have enough assets to graduate out of micro credit? The answer is also not known. Moreover, it appears that taking of micro-credit by the borrowers has been going on for years on end. Relating to this, another question may be asked as to whether the net worth of the borrowers is increasing or are their economic conditions weakening further.

It is very important to establish answers to the above questions and reorient and reorganize the approaches and programmes of PKSf keeping in focus its main mandate: poverty eradication by generating sustainable employment. PKSf has in fact initiated research and evaluation activities to find answers to the above and other related questions. In the meantime, as there is no doubt that poverty eradication is not possible without an integrated approach, PKSf has already undertaken some new measures. Education, health, sanitation and other socio-economic issues are being included in all the existing PKSf financed microcredit programmes. Moreover, PKSf has taken up a new household-based integrated development initiative known as ENRICH. A brief note on ENRICH is provided separately in this page and a brief booklet on it has been published.

Following is a brief note on the various programmes PKSf has been supporting/implementing, which are now being revisiting in the light of above comments.

### First Decade of Operation (1990-2000): General Microcredit

Initially, PKSf financed its POs under a single programme named Rural Micro Credit (RMC). This loan is distributed among rural poor, landless, which they can invest in general IGAs. This programme is implemented by forming groups of 15-30 members. The average loan ceiling was Tk. 3,000-4,000 at the beginning which has been revised to Tk. 12,500 now. The present beneficiaries of the POs of PKSf under this programme are 6.10 million, the present loan outstanding is Tk. 31,334 million and the field level recovery rate is 97.88% now.

### Decade of Change and Expansion (2000-2010): Diversification of Micro Credit

Beginning in 2001, PKSf has also been providing loans to POs as Urban Micro Credit (UMC) by including the urban poor in microcredit service to trigger their IGAs. Though the general micro credit helped the target-beneficiaries in generating additional income, it could do little in creating full-time employment. In this context, PKSf launched Micro Enterprise Loan (MEL) in 2001 based on the field level need of the 'progressive/advanced' micro credit borrowers to create wage employment along with full-time self employment to accelerate poverty reduction. For further strengthening and expansion of this programme PKSf initiated a project titled 'FEDEC'. PKSf is also implementing a Value Chain Development project by selecting the potential sub-sectors and identifying the weaknesses of production and marketing activities of those sub-sectors in order to remove them, thereby facilitating increases in income and employment generation.

In 2004, PKSf launched another new credit component named 'Micro Credit for Ultra Poor' for the extreme poor who were so far deprived of any kind of loan. Moreover, to ensure the sustainable development of food security, nutrition and socio-economic situation of the aforesaid extreme poor, PKSf took up another project in 2007 titled 'FSVGD and UP Beneficiaries Project'. In 2006, PKSf started disbursing seasonal loan to finance various seasonal income generating activities (IGAs) such as the cultivation of Aman and Boro paddy, potato, onion, chilli, vegetables etc.; beef fattening activities considering Eid-ul-Azha; and various handicrafts and garments manufacturing ahead of the major national festivals.

### Financing Procedure of PKSf to the POs and a Picture of PKSf's Finance

PKSF provides soft loans without any collateral to POs for different terms and at very low service charges. PKSf takes 4.5% service charge from small POs and 7% from large POs on a declining balance method. In case of specialized loan programme the service charge is as low as 1% and even 0% according to the nature of loan. The POs disburse the loan to the beneficiaries at field level and the beneficiaries invest that in different IGAs. Though the cumulative disbursement of loan by PKSf was only Tk.10,000 million at the end of the first decade of its operation, it has risen to Tk. 94,261 million by June, 2010.

### Employment Creation at Various Levels

PKSF has been able to create employment opportunities at three levels - Beneficiary Level, Partner Organization (PO) level and PKSf level. The total organized members of PKSf micro credit operations are 8.40 million and PKSf facilitated full-time or part-time employment to 7.30 million. Besides the beneficiaries themselves, a total of 2.90 million of their family members and 1.70 million out of their family members have received wage employment. However, the nature and duration of employment generated and wages received have not been assessed. At PO level, a total of 70,000 (Approx.) staff members are working on a regular basis in 6,000 branches of the POs. Due to expansion of working area of PKSf with increasing demand at field level, the staff strength of PKSf is also increasing.

### Role of PKSf in Human Capacity and Institutional Development

PKSF organizes training of its own staff and the staff members of the POs both at home and abroad. PKSf is also providing soft loans and technical co-operation for institutional development of the POs. PKSf also extends loans to POs for purchase of computers and other related equipment, bicycle, motorcycle etc. and set up training centres. At the field level, PKSf is implementing various awareness and skill development training to the borrowers through the POs to increase their awareness and efficiency. PKSf has so far provided training to 1.70 million beneficiaries in different trades such as poultry farming, livestock rearing, fisheries, managing micro enterprises, using technology in agriculture etc.

### Role of PKSf in Agricultural Development

PKSF, through its POs, has been providing microfinance to farmers for the improvement of their livelihood since 2005. PKSf added Agricultural Sector Micro Credit in its operations from 2008. Meanwhile, PKSf adopted, another project named 'MFMSF' to support the marginal and small farmers. In addition to micro credit, the farmers have been trained for implementing modern, effective and sustainable farming technologies. Under this scheme the farmers are trained both in crop and non-crop farming, along with the usage of 'guti urea' for effective use of urea and 'Maria Seed Preservation Technology' for seed conservation. Besides, training, technical support has been provided to the farmers, such as 'leaf color chart (LCC)' and 'guti urea machine' for cost-effective use of urea, 'porous pipe' for adequate irrigation, 'sex pheromone trap' for reducing the use of chemical pesticide etc. For farming purposes a total of Tk.11,056.10 million has been disbursed to the POs and POs have distributed Tk.18,922.40 million as loans to 4,08,107 farmers.

### Role of PKSf in Livestock Development

PKSF has supported a total of 3,64,000 beneficiaries of the north-west and mid-northern region of the country to increase income, ensure protein supply, empower the women and create self-employment through 'Participatory Livestock Development Project' (PLDP). PKSf is also implementing two other specialized projects named PLDP-2 and 'Micro Finance and Technical Support' (MFTS). Moreover, the technical and market-linkage support for livestock has been provided with some other programmes such as Seasonal Loan, Agricultural Sector Micro Credit, PRIME, LIFT, FSVGD and MFMSF (Micro Finance for Marginal & Small Farmers).

### Role of PKSf in Disaster Management

PKSF is implementing different Disaster Management Loan Programme to support and help rehabilitate people affected by natural disasters like cyclone, flood, drought, river erosion etc. PKSf undertook emergency initiatives to stand beside the 'SIDR' and 'AILA' affected people. Financial support was provided to affected poor people with minimal service charge. Besides this, affected borrowers were temporarily exempted from paying the loan installments. A fund of Tk.500 million was set up under a project titled 'SAHOS' to disburse among the severely affected people without any service charge for house building purposes. To rehabilitate the cyclone-affected fishermen, farmers, small traders and other poor people, PKSf is also implementing a project named 'RESCUE' worth Tk. 1,300 million. Alongside, PKSf is providing disaster management loan to rehabilitate the people affected by flood in 2007, under a project titled 'E'FRAP'.

### Role of PKSf in Monga Eradication

To eradicate 'Monga' from the northern region of the country PKSf has been implementing a project titled 'Programmed Initiative for Monga Eradication (PRIME)' since July 2006. PKSf will continue this project till complete eradication of 'monga'. Besides, PKSf has launched another project titled 'PRIME-2' in the 'SIDR' affected coastal region of the country. In this project, the affected extreme poor people are engaged in infrastructure development work in exchange for money. PKSf is also implementing an overseas employment project for the 'monga' affected poor people and so far 27 people have been sent abroad and are employed there.

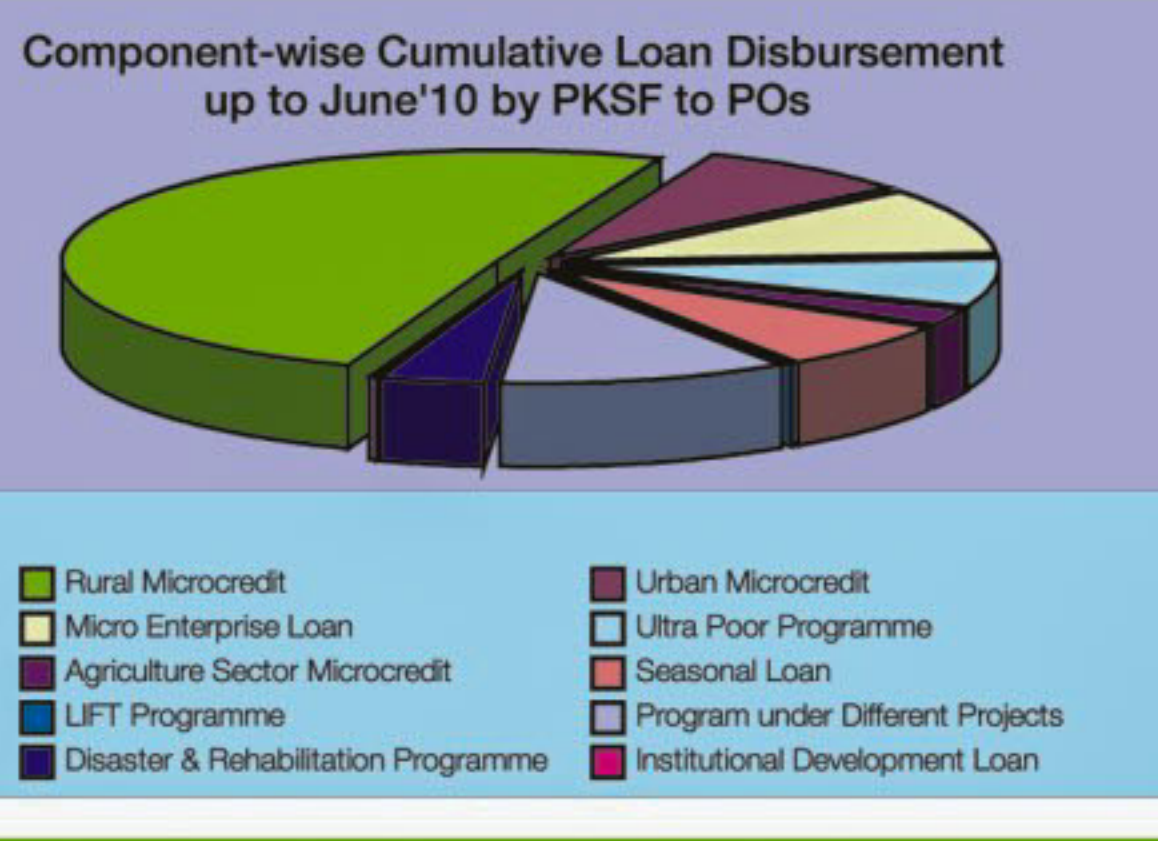
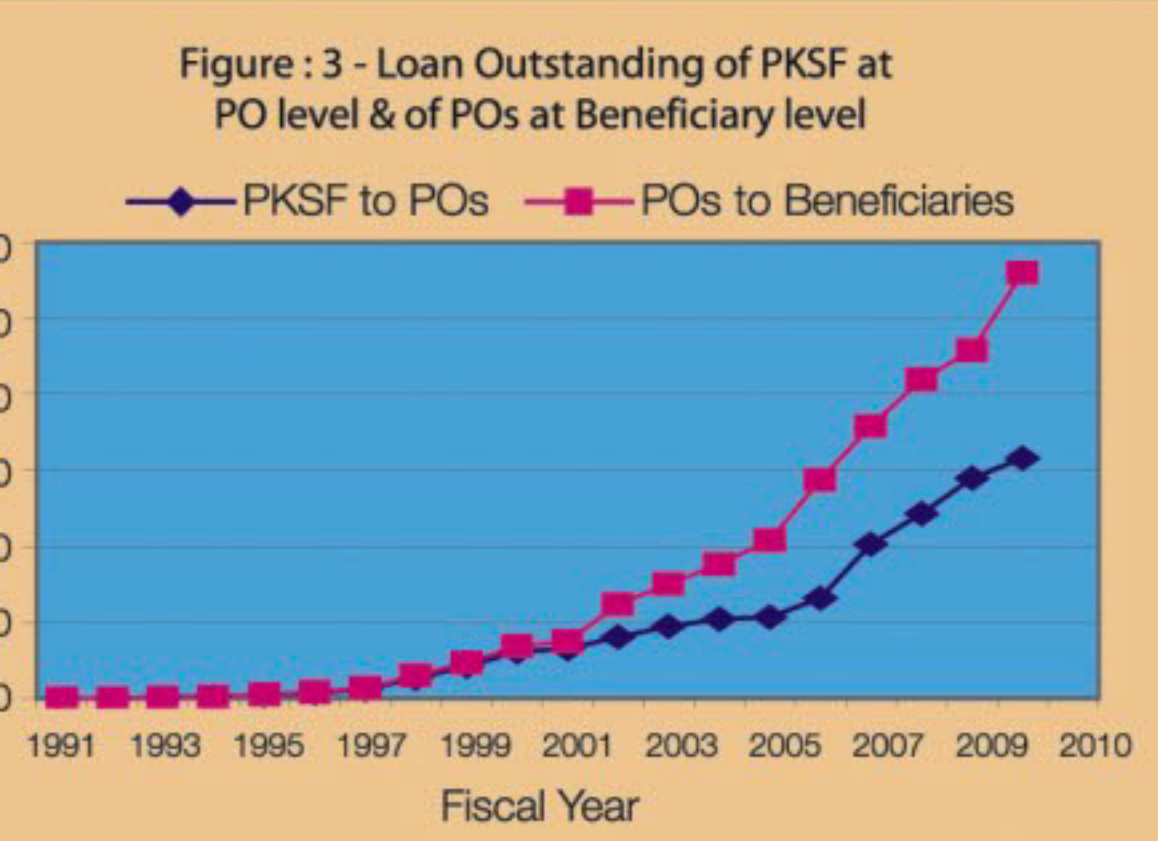
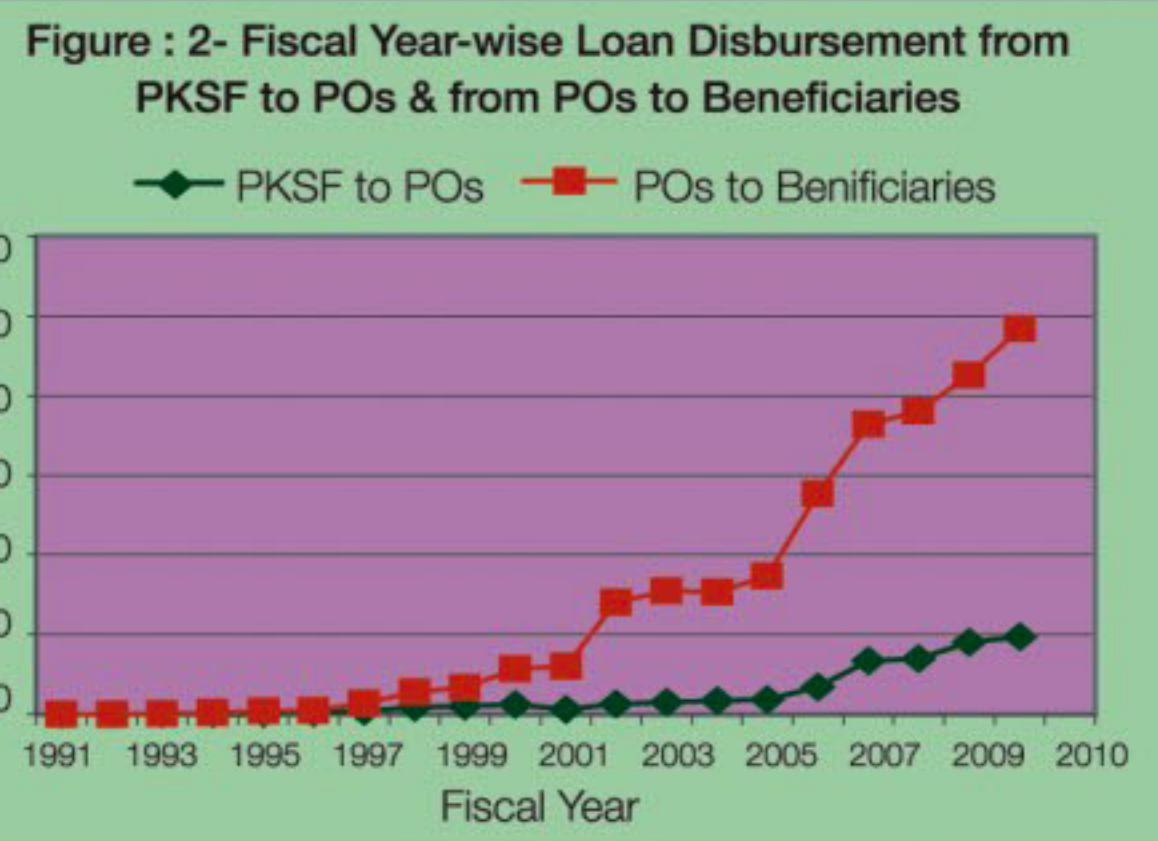
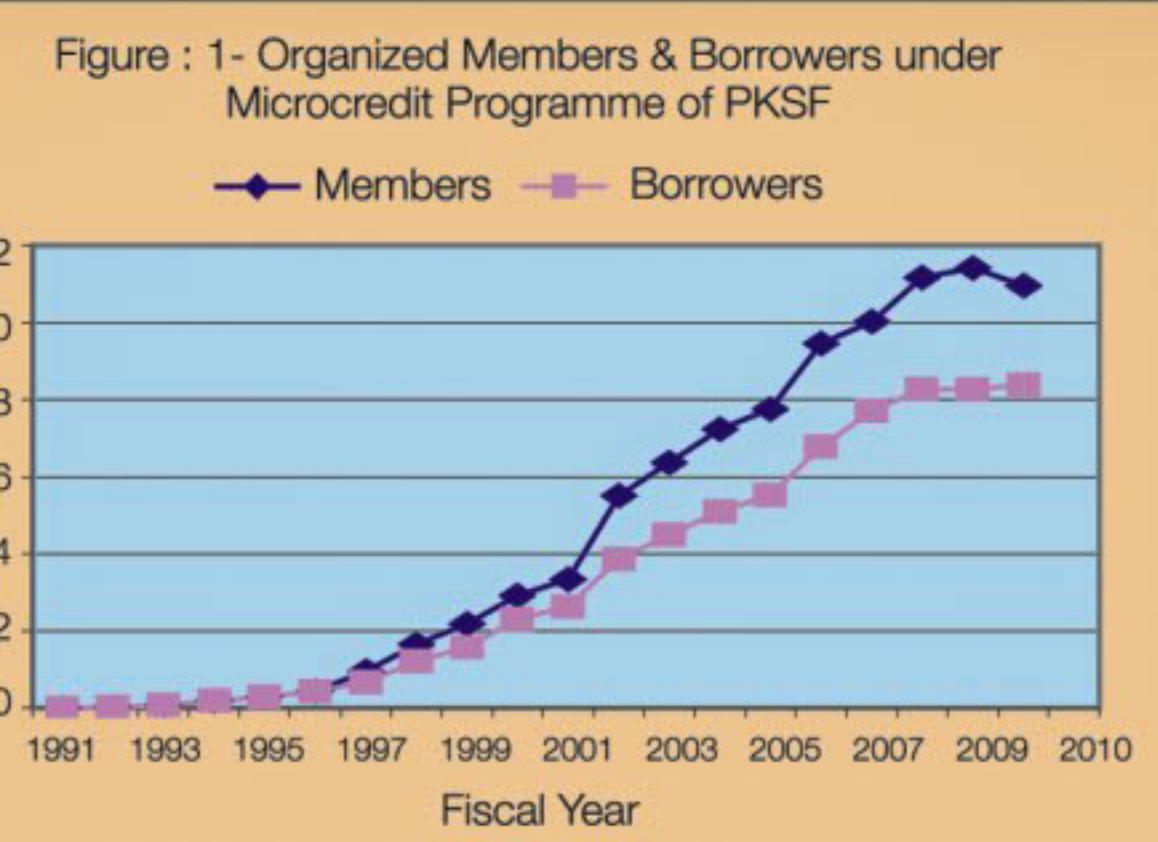
### Role of PKSf in Financing Innovative Ideas:

The 'Learning and Innovation Fund to Test New Ideas (LIFT)' project of PKSf is supporting innovative initiatives focusing on poverty eradication. PKSf has so far financed 28 such initiatives under this project. To generate employment opportunities for the poor this project facilitates the production of Nata-de-Coco from coconut, rope, handicrafts, bag, mattress and many other products from coconut fiber etc. Besides, preserving the genes and breeding of Black Bengal goat, manufacturing low-cost incubator and production of fingerlings are being supported. In favor of these initiatives a total of Tk.118.50 million has been disbursed as loan and Tk.9.70 million as grant.

## Component-wise Cumulative Loan disbursement of PKSf to Partner Organizations (PO) & POs to Beneficiaries

Sl. No.	Microcredit Loan Components	In million Taka		No. of Beneficiaries (Double Counting Avoided)
		Loan disbursement by PKSf to POs	Loan disbursement by POs to Beneficiaries	
1	Rural Microcredit	47,627.54	379,699.45	6,077,226
2	Urban Microcredit	7,723.00	54,804.94	645,454
3	Micro Enterprise Loan	9,122.56	41,145.79	189,380
4	Ultra Poor Programme	6,645.60	18,791.57	704,468
5	Agriculture Sector Microcredit	2,411.44	3,233.10	105,755
6	Seasonal Loan	6,485.56	8,616.08	162,992
7	LIFT Programme	118.49	29.23	997
8	Disaster & Rehabilitation Programme	3,765.44	3,783.89	286,293
9	Institutional Development Loan	267.28	-	-
10	Other Different Projects	10,094.51	41,465.31	706,255
	Total	94,261.42	551,569.36	8,386,214

## Graphical Representation of Microcredit Programme Operated by PKSf



## Total Household Development: One Union One PO A Unique Initiative of PKSf

Sustained poverty reduction and socio-economic progress calls for integrated and inclusive approach. Based on this perspective, PKSf has embarked upon a new comprehensive initiative of total household development, with one PO responsible for one union. The new approach has been christened 'Enhancing Resources and Increasing Capacities of Poor Households Towards Elimination of their Poverty (ENRICH)' or 'Samridhhi' in Bengali. At present the programme is being implemented in 21 unions chosen from all seven administrative divisions of the country.

### Objectives of the programme:

The purpose that inspires this approach is to ensure the best utilization of the existing resources (physical, financial) and human capabilities (based on education, training and health services) that a household is endowed with and enhancement of its physical asset base and human capabilities for undertaking other potential economic and social activities.

### Services provided under this programme are:

- Financial assistance
- Establishing link with different government service providing organizations
- Infrastructural development
- Improving social cohesion
- Enhancing capability (by ensuring education, training and health support)
- Homestead vegetable cultivation and marketing
- Primary healthcare
- Undertaking effective steps to address various problems faced by families
- Sustained improvement in socio-economic conditions of the poor people
- Enhancing capacity of the poor people through training and other needed support to cope with natural disasters, which are increasing both in frequency and in terms of devastations, under intensifying climate change
- Creating awareness regarding human rights and gender discrimination

Within the framework of ENRICH a survey of all households in the 21 selected unions, numbering 117,610, was conducted to collect data and information relating to all relevant aspects. While detailed household-specific and community level activities are being planned on the basis of survey results and field level discussions, a programme has been taken up to enable all concerned households in all the 21 unions to procure at ease improved cooking stoves and solar lanterns. A total of Taka 605.9 million has been allocated for ENRICH for FY 2010-11.

## The Governing Body of PKSf



Dr. Qazi Khaliqzaman Ahmad  
Chairman



Dr. Quazi Mesbahuddin Ahmed  
Managing Director



Professor Muhammad Yunus  
Member



Dr. Nazmunnesa Mehtab  
Member



Begum Tahrunnesa Abdullah  
Member



Dr. Iqbal Mahmud  
Member



Dr. Protima Pal-Mejumder  
Member