

*Annual Report*  
*2005-2006*



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Annual Report 2005-2006

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## Message from the Chairperson



*I took charge as Chairperson of SPO's Board of Directors at a time when Pakistan was just beginning to recover from the shock of the devastating earthquake that hit the North of the country in October 2005. In an atmosphere of overwhelming grief, loss and danger, a tremendous amount of work needed to be done urgently, both to provide immediate relief, shelter, and emotional support, and to begin the process of long-term reconstruction and rebuilding.*

*The determination and compassion with which SPO staff responded to this vast human tragedy was deeply inspiring. SPO conceived, implemented and participated in several special projects that provided meaningful relief to many, and also contributed in the rehabilitation and reconstruction of the earthquake affected areas. Especially touching was the organization's work for psychologically and emotionally disturbed surviving children; I would like to thank all those who contributed in this programme. I am particularly grateful to the volunteers who enabled SPO to take on much more work than its own internal capacity would have allowed.*

*Although no additional staff was engaged at the SPO National Centre to oversee substantial earthquake-related work, progress on SPO's core programme remained steady, which indicates the efficiency with which individual staff members divided their time and energies.*

*SPO continued to shift further towards advocacy work. In the past, the organization's major focus has been capacity building, particularly to groom community-based organizations to manage their own development. The increasing emphasis on advocacy is very much in line with the changes in the national and global socio-political environment. The War on Terror has reached our home. Today, more than ever, we need to maintain our closeness with the communities and their needs, and jointly confront the changes in the socio-political and the economic environment. The effects of these changes range from reduced access to basic services, due to privatisation, to the daily disappearance of people who stand on the other side of the political divide.*

*It is the heavy but unavoidable responsibility of organizations like SPO to help the underprivileged and marginalised in articulating their voice and concerns and in taking them to the corridors of powers where policies are made and decisions are taken.*

*I trust that SPO will continue to build on its past performance.*

**Sadiqa Salahuddin**  
Islamabad, February 2007

## From the Chief Executive's Desk



*The citizen's response is perhaps the only thing to be cherished in what we went through as a nation after the October 2005 Earthquake. For some of us, this marks the possibility of a greater social change and unleashes the potential for a larger transformation of a society led by its citizens. It is about time that Pakistanis start investing their energy full-time into a long-term struggle that replaces repression with freedom, bigotry with tolerance and ignorance with knowledge. Only then the dream of a society where reason is not subservient to primordial norms and all citizens are equal in the eyes of the law can come true.*

*On the other hand, what I frequently notice in development professionals, NGO workers and social activists is their cynicism and a lack of belief in what they are doing. In my view, this tends to happen when either we overrate our capacity and achievements as citizens' sector or we fail to recognise the importance of not-so-visible changes that have taken place in the past few years because of our work. Also, a lack of long term vision translates itself into a lack of commitment. The reluctance to engage with new knowledge and advanced intellectual traditions in order to revise one's own thoughts and practices compounds the problem. We must be clear that as development workers and social activists, neither can we assume the role of government agencies nor of political parties. Our work should not only be reactive but we must also look at the larger picture. The changes in attitudes, values and the overall societal systems in Pakistan that we want to bring about demand the struggle of a life time. It is a long haul. Bertrand Russell said, "Three passions, simple but overwhelmingly strong, have governed my life: the longing for love, the search for knowledge, and unbearable pity for the suffering of mankind." These three passions shall be our guideline.*

*I congratulate Fozia Tanveer, Amar Ellahi Lone and Riazat Hussain for bringing out this report. Kiren Arif Khan's editorial support must also be acknowledged.*

**Harris Khalique**  
Islamabad, February 2007

## About SPO

SPO envisions a society that is 'democratic, socially just and tolerant' and is 'guided by participatory principles'. The broader commitment of those associated with SPO to the concerns of oppressed and down-trodden is further strengthened by the organisational vision which makes it binding for them to espouse these causes.

Over the years SPO has played its role in the struggle to secure the rights of women and religious minorities despite opposition from the state and society at large. It has also contributed in the movement to repeal discriminatory laws against women and religious minorities – a front where NGOs are the lone crusader. SPO also works both directly and indirectly to strengthen the rank and file of those working against the

neo-liberal economic regime that harms poor and underprivileged.

SPO works from its 17 offices across the country to achieve its mission of reaching out to the poor and disadvantaged. SPO's national office in Islamabad coordinates these efforts and gives technical support in the requisite fields. The technical support is given in all programme areas as well as administration and financial management. The communication and publications' sections are also housed in the Islamabad office to cover the whole country.

In the pages that follow we will share the efforts we are making with the help of our partner CBOs' to realise the dream of a 'socially just and democratic society'.

### VISION

A democratic, socially just and tolerant society guided by participatory principles, which realizes the full potential of its people and their aspirations for sustainable and self reliant development.

### MISSION

To strengthen and support community organizations and public interest institutions of Pakistan for the benefit of poor and disadvantaged sections of society for sustainable development through a participatory approach.

## Response to the Earthquake

In the annals of Pakistani history, the year 2005 will go down as the Year of the Earthquake. The scale of the earthquake that struck northern Pakistan in October 2005 was so massive that all-out efforts were required from all quarters, whether they were citizens, the government, non-government organizations (NGOs), or the international community. SPO, one of the first organizations to respond, moved into the disaster-hit areas immediately after the earthquake to start relief work. Over time, our intervention turned towards rehabilitation and, finally, reconstruction, keeping pace with the changing needs of the communities.



### Relief Work

#### Muzaffarabad

Immediately after the earthquake, SPO started collecting goods from across the country and sending them to the affected areas. Thirteen truckloads of relief items were sent to the affected areas of Muzaffarabad, while an emergency relief team was dispatched to regions in the North West Frontier Province (NWFP). Relief camps were set up in Muzaffarabad, Basham and Mansehra to facilitate and strengthen ongoing relief efforts in these areas. SPO offices in Lahore, Karachi, Quetta, Peshawar, Multan, Hyderabad, D. I. Khan and Turbat collected relief goods in their respective cities. SPO offices in the rest of the country also contributed to the relief efforts in the affected regions. SPO Punjab managed to collect an impressive Rs. 7 million for relief activities. Likewise, the SPO office in Quetta collected a significant amount of relief goods and funds for distribution amongst earthquake survivors.

### Shangla

The first stage in any emergency relief process is building effective coordination with other organizations. Fortunately, in Shangla, SPO had already been working in collaboration with 16 other organizations. In the post-quake period, this network proved to be very useful in facilitating speedy relief and recovery efforts in the area. With the help of these organizations, SPO was able to collect damage-related statistics from and distribute relief goods to 100 different villages in the region. By December 2005, SPO had set up a temporary office in Shangla to continue relief activities.

In January 2006, the United Nations Development Programme (UNDP) gave SPO the task of distributing iron sheets for roofs in four Union Councils; SPO was the first organization to carry out this activity in the region.

### Mansehra

Mansehra was also one of the worst-affected areas of NWFP. With the help of volunteers, SPO initially set up a

temporary office here and distributed relief goods to 60 villages in the region. Medicine, warm clothing and food were provided to over 1,000 survivors in local hospitals in Mansehra. Alongside these relief activities, SPO disseminated information about the needs and conditions of the earthquake survivors to international volunteer organizations working in the affected areas.

### Batagram

At a later point in the relief effort, SPO moved its Mansehra office to Batagram, another area devastated by the earthquake. In view of our considerable efforts in the region, Save the Children (SC), US gave SPO the task of providing educational facilities for children in the region. SPO set up 50 schools in the area where presently over 2,000 children are enrolled as students. Parent-teacher associations were also formed to involve the community and thereby afford a complete educational experience for the children. Another 100 centres were set up to facilitate sports-related activities and health awareness programmes for children.



In collaboration with Oxfam, SPO also launched a scheme through which four Union Councils in Batagram would be provided building material for houses. By April 2006, 500 households had already received roof tops (iron sheets), wood and other building materials.

### Coordination Desks at Hospitals

At three hospitals in Peshawar, SPO set up coordination desks to ensure that proper medical care was provided to the earthquake survivors admitted there. The hospitals included Khyber Teaching Hospital, Hayatabad Medical Complex and Lady Reading Hospital. The coordination desks also proved helpful for other organizations working for medical relief at these hospitals.

### Counselling for Children

Thousands of children lost their lives in the earthquake. Those who remained were psychologically and emotionally scarred by the horrific tragedy they had witnessed;



some were also physically disabled by the earthquake. Thus, one of the worst consequences of the earthquake was the effect it had on the minds of surviving children.

With the help of international organizations like UNDP, SPO carried out numerous counselling sessions with children living in camps in different regions of Muzaffarabad. These sessions included interviews with the children and their counselling by child psychology experts. A particular focus of the psychologists was enabling the children to get back into routine life by rejoining school and participating in outdoor activities like sports.

### Earthquake Information Cell

Apart from collecting and distributing relief items from different parts of the country, SPO set up an Earthquake Information Cell at its Islamabad office. The purpose of this cell was to disseminate information about the activities undertaken for emergency relief, and to update organizations about the current needs of the earthquake survivors.

### Relief Work Contact Directory

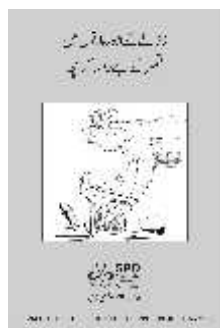
A directory of relevant contacts was also compiled, providing



information about government agencies and national and international organizations working for relief and rehabilitation in the quake-affected areas. Contact information about transport companies in Rawalpindi and Islamabad was also included. Owing to its usefulness, two editions of the directory have been printed. The directory can be obtained free of cost from the SPO National Centre, Islamabad.

### Manual on Safe Construction

SPO, in collaboration with the Orangi Pilot Project Research and Training Institute Karachi, printed a booklet containing technical guidelines for the construction of safe and shock-resistant houses. The author of the booklet is renowned architect Arif Hasan. The booklet is aimed at helping to avoid the preventable hazards of earthquakes in future.



housing issues were discussed separately. At the end of the sessions, participants presented their recommendations for coping with the issues.



The main recommendations for livelihood issues were that organizations working for the capacity building and employment of earthquake survivors should collaborate with local community based organizations (CBOs) to ensure community participation in important decisions, and women should be a primary focus for skill development and capacity building. Among the recommendations made for housing, participants stressed on the need to inform people about the areas that lie on the fault line and to convince communities to move away from these areas to safer localities.

### Conference on 'Challenges to Livelihood and Housing'

On 6 February 2006, SPO and Church World Service (CWS) held a one-day conference in Islamabad to highlight and discuss the current challenges to livelihoods and housing in quake-affected areas. The conference included two sessions in which livelihood issues and



## Capacity Building Initiatives

One of the key goals of the SPO programme is to enhance the capacity and gender-sensitivity of development institutions for good governance. To this end, we engage with grassroots development institutions like CBOs, women's organisations (WOs) and local body institutions (LBIs) to develop a culture of people-centred planning and decision-making. Within the local government system, SPO mainly works with Union Councils (UCs) and Citizens' Community Boards (CCBs) as our expertise lies in working with such grassroots institutions.

### Support to Local Body Institutions

The Local Government Ordinance (LGO) 2001 gave people a chance to participate in their governance at many levels. SPO's work with LBIs is aimed at exploring and enhancing the opportunities created by this Ordinance. On the one hand, we pave the

way for peoples' participation and, on the other, enhance the capacities of these institutions to engage with the people whose lives are shaped by their decisions.

The table below summarizes SPO's work with LBIs during 2006:

**Trainings for Local Body Institutions in 2005-2006**

Activities	
CCB Trainings	24
Union Council Trainings	52
Tehsil Council Trainings	12
District Council Trainings	4
Awareness Raising Seminars on Local Government System	60
Meetings for Local Government Association Formation	72

Table 1

## CCBs and People at the Margins

Although the mainstream development discourse of the 1990s was substantially influenced by concepts like 'participation' and 'decentralisation', SPO's own experience at the grassroots level has shown that local participatory arrangements tend to be dependent on local power dynamics and the availability of democracy and rights at higher levels of government. In order to meet the challenge of undemocratic practices within participatory and decentralised systems, and to continue working towards SPO's own mission, our teams have to go the extra mile to ensure the representation and involvement of marginalised populations. SPO has engaged extensively with different tiers of local government through a variety of activities, including the formation of CCBs in the Lodhran and Kasur Districts.

A sizeable population of Christians resides in the southern parts of Punjab. Unfortunately, they stand at the lowest rungs of the social hierarchy and face extreme forms of discrimination, not so much for their religious affiliation but due to socio-cultural reasons rooted in the hierarchal division of society in the Indian subcontinent. As a community their overall share in various social development programmes and schemes is extremely low.

Regrettably, this bias is also reflected in the local government institutions, even though representation for minority

councillors was specifically provided at all tiers to improve the status of minorities. From its experiences, SPO has observed that the system has yet to accept minority groups as rightful and equal claimants in the development process. Their development schemes have to face more snags than anyone else's, as the case of the Christian Farmers Citizens Community Board shows. When SPO started forming CCBs in Lodhran under its Devolution Support Programme, it also facilitated the formation of this minority CCB. Christian Farmers CCB was registered in 2005 and, after getting training from SPO in project writing and management, proposed an agricultural project that had a total cost of Rs. 2.7 million. Although the project was perfectly designed and had no technical flaws, it had to face delays at every step of the process. After a long struggle, during which the SPO Punjab office provided full support to the CCB, the project has finally been presented to the District Council for approval.



## Participation of DPM Graduates in Local Elections

An important positive externality of SPO's capacity building programme has been that many of the men and women who participate go on to use their improved leadership skills to contest in local government elections, attain public office, and work as councillors at various tiers.

## Development Planning and Management (DPM) Trainings

SPO uses a systematic process to appraise and select organizations for participation in the Development Planning and Management (DPM) trainings. The training cycle includes five workshops. A summary of the trainings conducted in 2006 is presented in the table below:

Development Planning and Management Trainings

	Punjab	Sindh	NWFP	Balochistan	Total
DPM1	1	2	2	7	12
DPM2	2	2	1	3	8
DPM3	0	2	0	0	2
DPM4	0	2	0	3	5
DPM5	1	1	0	2	4
<b>Total</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>15</b>	<b>31</b>

Table 2

People who have participated in SPO's programmes, in particular our Development Planning and Management (DPM) programme, are able to better articulate their political agenda and set ethical standards for themselves and their communities. They demonstrate the ability to take up public office and carry out responsibilities more effectively, as they have training in situation analysis and are able to identify solutions that respond to people's needs.

## Women as Leaders

Training CBOs and WOs in development management is a regular part of SPO's work. Twelve clusters of women organizations were initiated during 2005-06, while two women's clusters from the previous year completed their training cycle during this year. SPO's aim in forming and training women organizations is not limited to the creation of gendered spaces; it is also to establish women as leaders in communities. The capacity building programme is designed to enhance women's leadership qualities so that they can champion community issues.

Our experience of working with both female and male groups shows that women are equally capable—if not more—of assuming positions of leadership. Their role as mothers and caregivers within families makes them more sensitive and attached to the issues of the communities they are part of.

In traditional societies, however, women face extra constraints in becoming leaders. Girls cannot hold such positions in a community because it is assumed that they will get married sooner or later and move to another community. It has been observed that men do not allow their wives, sisters or daughters to attend meetings or take part in political activities. Further, women's workloads, including their role as caregivers, inhibit their effective participation. Lack of ownership and control over transport sources, such as bicycles, motor cycles and cars, also hampers their social and political participation.

## Capacity Building of Political Parties

Another SPO initiative in the reporting year was a project for the capacity building of political parties to engage in local governance in four districts—Multan, Bahawalpur and Chakwal in Punjab and Quetta in Balochistan. The objective of the project was to strengthen the local branches of political parties and the local government system. Some of the important activities carried out were formation of District Steering Committees (DSCs); organization of DSC meetings; training of political workers; and hosting of public forums and roundtable dialogues on issues of civic importance.

A major achievement through the process was that, for the first time in the history of Quetta, six political parties—Pakistan Muslim League (Quaid-i-Azam) (PML-Q), *Jamiat - e - Ulema - e - Islam* (JUI), *Pakhtoonkhwa Milli Awami Party* (PMAP),

National Party (NP), Balochistan National Party (BNP) and Pakistan People's Party (PPP)—collaborated to work together on one common issue, i.e. safe drinking water for the residents of Quetta District. In Punjab, Pakistan Muslim League (Nawaz) (PML-N), Pakistan Muslim League (Quaid-i-Azam) (PML-Q) and Pakistan People's Party (PPP) joined hands again to work on safe drinking water and sanitation. The experience also enabled political parties to identify the key areas for reform within their local-level branches.

Through this project, SPO has been able to develop strong linkages with the local branches of the political parties, which will be helpful in promoting the development agenda within and through these parties.

## Programme for Urban Areas

Since its inception in 1989, SPO has focused its capacity building initiatives on rural areas where the level of development is far beneath that found in Pakistan's urban areas. However, over the past few years, the country's demography has undergone rapid change. Fast-growing employment opportunities in urban centres and the collapse of subsistence-level agriculture in the wake of World Trade Organization (WTO) conditionalities have propelled a high rate of rural-urban migration. In view of the changing situation, SPO was advised by its Board of Directors to draft a programme for urban areas.

In this regard, a needs assessment exercise was conducted in 2004 with a large number of CBOs in Karachi and Lahore. The objectives of the exercise were to identify and prioritize the needs of the selected organizations; design the programme and appropriate methodologies to be implemented; and outline the training and technical assistance packages required.

Based on the outcomes of that exercise, a training programme for 11 urban NGOs was initiated in Lahore. Three training sessions had already been conducted during the reporting period. Up to 30 participants obtained training in organizational management, project cycle management, and research and advocacy.





# Social Sector Funding

Implementation of Structural Adjustment Programmes for over a decade in the nineties has contributed to increased poverty in the country. Although the measurement and assessment of poverty have always been difficult and contestable, there has been increased controversy on this issue in Pakistan of late. In 2005-06, the government claimed that 23.9 percent of Pakistanis were living below the poverty line; this figure was about 10 percent lower than those given by various other institutions, including the World Bank and UNDP. According to the World Bank estimates of 1999–2005, poverty stood at 33 percent of the population in Pakistan, while UNDP gave Pakistan a Human Poverty Index (HPI) rating of 36.3 in 2004, thus placing it 65th among 102 selected developing countries.

The most worrisome aspect—and a perpetual accelerator—of the poverty situation is the growing economic inequality in the country. The combination of this with privatisation of facilities in the social sectors, especially education and health, has made these services more

costly and less affordable for the common person. People are now compelled to spend more on certain basic necessities, which adds to the further deprivation of marginalised groups.<sup>1</sup>

A positive note was struck when, for a second consecutive year the Public Sector Development Programme (PSDP) budget exceeded the defence budget in Pakistan, indicating that the priorities of the policy makers were changing. However, the defence budget was revised later in the year and then exceeded the PSDP. On the other hand, spending on development projects did not meet the declared target of Rs. 202 billion, which betrayed the capacity and absorption issues of various government agencies.<sup>2</sup> Unless efforts from all quarters—government agencies, non-governmental bodies or international NGOs—are augmented, it is unlikely that the Millennium Development Goal of halving poverty by 2015 will be achieved.

<sup>1</sup> More poverty or less?  
<http://www.dawn.com/2006/06/21/ed.htm#1>

<sup>2</sup> Asim Yasin (2005) <http://www.jang.com.pk/thenews/jun2005-daily/07-06-2005/business/b1.htm>

## Social Sector Funding Programme

Under its Social Sector Funding Programme (SSFP), SPO engages CBOs and WOs to help alleviate poverty through meaningful community-based interventions to improve social infrastructure in its target districts. As the following table shows, in the reporting year, SPO provided technical assistance to 104 CBOs and 38 WOs in developing project proposals and tapping financial resources:

The proposals developed concerned projects catering to priority needs. Some were submitted to SPO and the rest to other donors. Thus, in some cases, the financial resource exploited was SPO's own SSPF; in others, SPO helped the organisations to identify and approach other donors.

## Core Programme Districts

<b>Punjab:</b>	<b>NWFP:</b>
1. Bahawalpur	30. Abbottabad
2. Bakkar	31. Buner
3. D.G. Khan	32. Charsadda
4. Gujranwala	33. D.I. Khan
5. Khushab	34. Kohat
6. Layyah	35. Lower Dir
7. Lodhran	36. Malakand
8. Mandi Bahauddin	37. Mardan
9. Mianwali	38. Newshehra
10. Multan	39. Peshawar
11. Muzafarfargarh	40. Shangla
12. Vehari	41. Swabi
	42. Swat
	43. Upper Dir
<b>Balochistan:</b>	<b>Sindh:</b>
13. Awaran	44. Badin
14. Barkhan	45. Ghotki
15. Gawader	46. Hyderabad
16. Kalat	47. Karachi
17. Kech	48. Larkana
18. Khuzdar	49. Matiari
19. Kohlu	50. Mirpurkhas
20. Lasbela	51. Nawabshah
21. Loralai	52. Shikarpur
22. Mastung	53. Tando Alla Yar
23. Nasirabad	54. Tando Muhammad Khan
24. Panjgur	55. Thatta
25. Pishin	
26. Quetta	
27. Sibi	
28. Zhob	
29. Ziarat	

## Assistance to CBOs/ WOs

	Balochistan	NWFP	Punjab	Sindh	Total
<b>CBOs</b>					
Assistance in proposal development	29	5	9	25	<b>68</b>
Provision/Support of financing	17	2	-	17	<b>36</b>
<b>WOs</b>					
Assistance in proposal development	8	2	11	4	<b>25</b>
Provision/Support of financing	2	1	6	4	<b>13</b>

Table 3

## SSFP Activities in 2005–06

Key findings of the monitoring of this programme showed that various SSF projects and programmes created multiple effects and had a lasting and sustainable impact. It was observed that community needs were better fulfilled through such projects as they were need-based and developed in response to the local community's demands. Some of the additional benefits of SSF projects included the following:

- Rural infrastructure was developed in remote areas;
- Women and children were the main beneficiaries of the health projects;
- Local people contributed cash, labour and time for implementation;
- Technical skills of CBOs and WOs in project planning and management were enhanced, enabling them to obtain funding from other donors for subsequent projects;
- Management systems were developed at most CBOs and WOs in light of their experiences of implementing SSF projects;
- Linkages of CBOs and WOs with different line departments and officials were developed and strengthened; and Human resources developed at the grassroots level through SSF funding and various trainings imparted to project coordinators, lady health workers, dispensers, traditional birth attendants, community health workers, teachers, and vocational and computer trainees and instructors.

## Chhoti Funding Programme

SPO provides another type of funding, termed *chhoti* (micro) funding, to each partner organisation to implement a small-scale project during its DPM training. This component of the DPM programme enables partner organisations to apply the skills they have acquired, and has been deeply appreciated by all partners. During the reporting period, 49 CBOs and 41 WOs benefited from the initiative in all four provinces.

### Chhoti Funding during 2005–06

	Sindh	Punjab	Balochistan	NWFP
CBOs	07	10	22	10
WOs	11		22	8
<b>Total</b>	<b>18</b>	<b>10</b>	<b>44</b>	<b>18</b>

Table 4



## Partnership with Pakistan Poverty Alleviation Fund

SPO initiated a collaborative project with Pakistan Poverty Alleviation Fund (PPAF) to improve and build social infrastructure in the remote areas of Sindh under its SSF Programme. Under the project, PPAF provided a grant sum of Rs. 14,024,780 to implement 41 sub-projects. SPO's Sindh office identified partner organisations in two districts, Shikarpur and Ghotki, to implement the project.

The SPO Sindh office supported partner organisations to develop their project proposals and subsequently implement the projects. The staff of the recipient organisations was trained in data collection, survey, village assembly, and

participatory rural appraisal (PRA) tools and techniques. In the process, the SPO team assessed some 19 CBOs in Ghotki and Shikarpur Districts to identify their capacity issues and potential areas where SPO could support them. This was followed by an orientation to the CBOs and other stakeholders about PPAF projects and their modalities. The team also facilitated a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the organizations, and made an organizational development action plan to improve governance practices. The communities remained vigilant and keenly involved during the entire project implementation and management cycle.

The projects undertaken with PPAF's support are listed in the following table:

### Social Infrastructure Projects Implemented with PPAF Support

Project Category	No. of Projects	Total Cost
Safe Drinking Water	8	1,019,318
Sanitation	10	4,662,758
Street Pavement	6	2,958,365
Lift Irrigation	14	4,485,257
Foot Bridge	1	320,989
Culverts	1	134,670
Water Course Lining	1	443,423
<b>Total</b>	<b>41</b>	<b>14,024,780</b>

Table 5

# Campaigns through Civil Society Networks

SPO believes that equitable social development is both the result and the function of politics and democracy. However, the quality of each democratic set-up is determined by various factors, such as state structures and the nature of state-society relationships. The ability of the civil society to counterbalance state power plays an important role in strengthening democracy and the rights' situation in a country. In Pakistan, owing to the absence of a democratic political process, civil society networks have come to play a very important role in grassroots mobilization, participation and awareness on issues.

Overall, the year under review saw a heightened and sustained level of civil society activism in Pakistan, in which SPO's civil society networks as well as the organisation itself made a significant contribution.

SPO's Civil Society Networks (CSN) initiative has contributed in the strengthening and deepening of democratic

practices at the grassroots level. It has assisted the formation of networks, imparted training to key people in each network on how to undertake effective campaigns at the district level, and offered facilitation and assistance. In 2005-06, CSN agreed on target issues for campaigns through consultative deliberations amongst its members. It was decided that the campaigns would focus on improvements in education, women's status, gender equality, environment and conservation, health, and improved local government functioning.



## World Social Forum

The World Social Forum (WSF) held in Karachi in March 2006 was a great coming together of social and political activists from across the world. It also attracted a large number of activists from Pakistan, including many SPO staff members. SPO's regional offices mobilized about 400 delegates, who represented over 300 partner civil society organisations at the Forum. SPO assisted these organisations in the registration stages, and also provided financial assistance to enable delegates to attend the Forum. SPO Sindh and the National Centre, in particular, made important contributions to the organisation and success of the WSF. The SPO Karachi staff was involved in the organizing committees of the Forum that were responsible for planning and coordination.

SPO's National Centre, with the help of regional offices, organised several programmes in the Forum. Prominent among these were a conference titled "Beyond Borders" that deliberated upon important national and international issues such as Kashmir, labour rights, and globalization. Panelists at the conference included Mr. Jeff Brown from UK, Mr. Javed Jabbar, Mr. Yasin Malik of Jammu-Kashmir Liberation Front (JKLF), and Harsh Kapoor of South Asia Citizens' Web.

Other activities that SPO organised in the World Social Forum included a seminar on "The Situation of Rights: Where We Are –

Where to Go"; a rally by the SPO-supported South Punjab NGOs Forum on "Violence against Women"; and a rally for peace by SPO-supported civil society networks.

## Resistance Against *Hasbah* Bill

The NWFP Government introduced the draft *Hasbah* Bill in 2003. The Bill remained under debate as a major issue during the reporting period. Civil society organisations rejected the bill altogether as a violation of human rights because it authorised the *Muhtasib* (Ombudsman) to violate the privacy of the common people.

In July 2005, the Bill was passed in the Provincial Assembly due to a ruling party majority. In order to sensitize the general public about the law, a series of awareness meetings and seminars was conducted by Resistance Against *Hasbah* Bill, a group of organizations in NWFP. SPO NWFP played a very active role in mobilizing support for this group. It produced the text of a leaflet that highlighted civil society concerns on the Bill, and produced newspaper articles to create awareness on its possible consequences.

Various district-based CSNs undertook campaigns on a variety of themes and issues, as shown in the table on next page:

### Campaign Themes of SPO-facilitated Civil Society Networks

Serial No.	Name	Location	Member Organisations	Theme
<b>Punjab</b>				
1	Wasaiab Taraqiati Council	Kot Adu	35	Education
2	Sanjhok Development Network	Lodharan	11	Education
3	Sarghodha Development Network	Sargodha	20	Health
4	Soan Valley NGO Network	Khushab	20	Health
5	Khanewal NGO Network	Kabirwala	13	Education
6	Bahawalpur NGO Network	Bahawalpur	20	Education
7	Ghazi Development Network	DG Khan	30	Education
8	Taraqiati Sanjh Network	Mianwali	15	Education
9	Chanab Civil Society Network	Wazirabad	17	Health
10	Gender and Governance Network	Multan	10	Education
11	Bhakkar Thall Civil Society Network	Bhakkar	25	Health
12	Mandi Civil Society Network	Mandi Bahuddin	15	Education
<b>NWFP</b>				
13	Social Welfare Development Coordination Council		102	Promotion of peace and tolerance
14	Tehsil Coordination Council	Thakht Bhai	60	Human rights
15	Swat Participatory Council	Swat	28	Child rights

16	Shangla Development Council	Shangla	30	Conservation of natural resources
17	Daman Civil Society Network	DI Khan	19	Quality education
<b>Sindh</b>				
18	Karachi Rural Network (KRN)	Karachi (Malir and Gadap)	32	Natural resource Conservation
19	Civil Society Organization Coalition (CSOC)	Ghotki	49	Human rights
20	Hyderabad Development Forum (HDF)	Hyderabad	35	Environment
21	Research Advocacy and Institutional Development Network (RAIN)	Umer Kot	25	Education
22	Sindh Rural Development Society (SRDS)	Mataire	31	Education
23	Nawabshah Social Development Coalition (NSDC)	Nawabshah	18	Agriculture
24	Web For Human Development (WHDT)	Thatta	30	Human rights
25	Development Planning Managements Graduates Co-ordination Society	Shikarpur	35	Honour killing
26	Development And Management Network	Badin	32	Natural resource management
27	Socio Institutions And Natural Resource Development NET (Sindh-Net)	Mirpurkhas	33	Natural resource management
<b>Balochistan</b>				
28	Sabwoon NGOs Network	Pishin	10	Underground water depletion

29	Kholo Barkhan NGOs Network	Barkhan	15	Basic health
30	Sarawan PDC	Mastung	20	Underground water depletion
31	CSN Noshki	Mastung	15	Women's empowerment
32	Juniper Environmental Council	Ziarat	20	Conservation of juniper forest
33	CSN District Bolan	Bolan	10	Rehabilitation of spate irrigation
34	Sibbi Civil Society Network	Sibbi	10	Quality education
35	Loralai CSN	Loralai	20	Governance
36	Nasirabad CSN	Nasirabad	15	Human rights
37	Gender Network	Mastung	15	Gender
38	Bala Nary NGOs' Network	Bolan	15	Rehabilitation of spate irrigation
39	SOHB Gender Network	Mastung	12	Basic health
40	Balicha Coordination Council	Balicha	12	Quality education
41	Kech Gender and Development Network	Kech	40	Human rights
42	Lasbela Civil Society Network	Lasbela	22	Quality education
43	Malikabad Resource Forum	Malikabad	14	Basic health
44	Panjgur Civil Society Network	Panjgur	12	Health

Table 6

## Pakistan NGO Forum

Presently, SPO hosts the secretariat of Pakistan NGO Forum (PNF). This is a nationwide network of NGOs and CBOs working to create an enabling environment for NGOs to undertake developmental initiatives and highlight and discuss the core issues that directly affect the citizens of Pakistan. SPO was elected in 2004 to serve as its secretariat for two years.



During the reporting period, PNF, in accordance with its mandate, selected "Provincial Autonomy" as the core issue for a series of dialogues to gather the opinions of various stakeholders in civil society. The dialogues were organized and conducted in the major cities of Pakistan and were highly successful in generating the interest of civil society, especially in the context of the Balochistan situation. A report of the dialogues was later compiled and published to share the findings with audiences on a larger scale.

## Pakistan Coalition for Education

Pakistan Coalition for Education (PCE) is a network of Pakistani NGOs working on education. Support by the Commonwealth Education Foundation, SPO currently hosts the secretariat of the PCE. It is supported by the Commonwealth Education Foundation. It oversees various developments in the delivery of education from the citizens' perspective. SPO currently hosts the secretariat of PCE. In the reporting year, PCE and the Sustainable Development Policy Institute (SDPI) jointly held a series of five workshops across Pakistan that deliberated the problems, challenges and way forward in various areas of education. SPO also facilitated the Ministry of Education's National Education Policy Review Team in national consultations on education in Multan and Turbat/ Kech.



## Institutional Strengthening

Institutions play a critical and crucial role in societal transformation, whether it is development, social progress, or political and cultural change. The stronger the institutions, the more potent roles they can play in bringing about the desired change. Strong internal systems and mechanisms, rather than strong individuals, are necessary for creating institutions that are capable of delivering the social good.

For SPO, the essential elements of institutional development are human resources, policies, democratic governance and transparent management. In the year 2005–06, SPO took various steps in these and related areas, which are outlined below.

### Policy Development

During the reporting period, SPO's Human Resource and Administration Section developed and implemented the following policies after obtaining approval from the Board of Directors:

- Information Technology (IT) policy,
- Anti-harassment policy,
- Code of Conduct/Conflicts of Interest policy,
- Equal Opportunity and Affirmative Action policies,
- Hiring and Termination policy amendments, and
- Financial policy.

The purpose of the anti-harassment policy was to make SPO an institution that provides a safe and secure environment to its staff members so that they work without any fear of harassment. The Equal Opportunity and Affirmative Action policies were aimed at promoting gender equality in recruitment. In order to keep pace with the speed of contemporary communication and ensure a quick and timely response to various community needs, SPO is using the latest information technology. The IT policy in this regard has now been developed and implemented to deal with any issues that might emerge out of the use of such technologies.

Amendments have been made in the Hiring and Termination policy to further institutionalise procedures. This will make the process predictable and transparent, leaving little margin for misuse of power.

### Governance

In the reporting period, five meetings of SPO's Board of Directors were held along with a mandatory Annual General Meeting (AGM). The General Body and Board continued to play their supervisory role by monitoring progress made by SPO in various areas, including financial management. M/S Ford Rhodes Sidat Hyder and Co. were the appointed auditors for the next year. The Board approved the appointment of the SPO Audit Committee, comprising the Internal Auditor, Dr. Tufail Mohammad Khan, and Mr. Naseer Memon as members.

### SPO's New Chairperson

The Board, considering the difficulties expressed by Prof. Dr. Karamat Ali, in continuing as Chairperson of SPO, the board accepted his resignation. Ms. Sadiqa Salahuddin was proposed as the interim Chairperson, and this was seconded by the other Members (She was later unanimously elected Chairperson of SPO at the AGM in 2006). Ms. Salahuddin is an active member of Pakistan's civil society and is well known for her capacity building efforts for grassroots civil society initiatives, their networks, district

governments, provincial NGO networks and large NGOs. She is a member of different policy fora such as *Sindh* Provincial Steering Committee on Education for All; Provincial (Sindh) Task Force on Poverty Alleviation; Steering Committee of Asian Development Bank (ADB)-supported *Sindh* Rural Development Plan; Advisory Board on Women Development of the Federal Ministry on Women Development. She also serves on the boards of governors of other organizations that are of vital significance, such as the ADB-supported Micro-finance Bank, a civil society representative, and the World Bank-supported Pakistan Poverty Alleviation Fund.

### Fundraising and Resource Mobilisation

A key area within SPO's institutional strengthening efforts is to generate adequate financial resources for its key programme outcomes, as well as to explore any new areas of work. For this purpose, SPO developed a comprehensive resource mobilisation strategy based on a diversified donor base capable of supporting different programme components.

SPO undertakes special projects not only to explore new programme dimensions but also to further diversify its resource base. The following table shows the special projects undertaken by SPO during 2005–2006:

### Special Projects Undertaken in 2005–06

Project Period		Project Title	Project Location	Approved Amount (Rs. Million)	Supported by
From	To				
Jun 2005	May 2006	Community Physical Infrastructure Projects	Sindh	1.89	PPAF
Jan 2005	Dec 2005	Natural Resource Management	NWFP-DI Khan	5.40	Swiss Agency for Development and Cooperation (SDC)
Sep 2005	Apr 2006	Universal Birth Registration Project – Training Programme	Five districts of NWFP	2.50	PLAN Pakistan
Jul 2005	Dec 2005	Support to NDI in Governance	Balochistan	0.20	National Democratic Institute of International Affairs (NDI)
Jul 2005	Dec 2005	Support to NDI in Governance	Punjab	0.20	NDI
27 Jun 2005	26 Jun 2008	Supporting Kohsar Development Alliance	Turbat	2.47	Action Aid
27 Jun 2005	26 Jun 2005	Supporting Fishermen Association	Turbat	0.67	Action Aid
01 Jan 2005	31 Dec 2005	SIDP Project	Pakistan	4.40	Aga Khan Foundation
20 Dec 2005	19 Jun 2006	Emergency Education and Protection for Earthquake affected Children	Batagram, NWFP	1.01	Save the Children (SC)-US
1 Jan 2006	30 Dec 2006	Support to Pakistan Coalition for Education	Pakistan	6.57	Save the Children (SC)-UK
01 Apr 2006	30 Sep 2006	Supporting Democratic Electoral Process in Pakistan	Eight districts of Pakistan	6.08	UNDP
01 Apr 2006	30 Sep 2006	Local Governance Programme	Eight districts of Pakistan	2.50	NDI
01 Apr 2006	31 Jan 2006	Capacity Building in Disaster Management	Pakistan	2.80	SC-UK

Table 7

### Publications

SPO brought out a number of publications in the reporting period to communicate with a wide range of stakeholders, share programme developments and achievements, and highlight important socioeconomic and political issues for advocacy and social change. The following table provides details:

#### SPO Publications in 2005–06

Title	Type	Theme	Language
<i>Shirkati Taraqqee</i>	Newsletter	SPO news	Urdu
<i>PNF Khabarnama</i>	Newsletter	NGO news and views	Urdu
<i>Hawa Ke Betian</i>	Case Studies	Violence against women	Urdu
Annual Report	Report	SPO activities	English
Directory of Relevant Contacts	Booklet	Contact information for government agencies, NGOs and others working in earthquake-affected areas	English
Guideline for Housing Reconstruction	Booklet	Reconstruction of homes in earthquake-affected areas	Urdu
Fund Raising Poster	Poster	Relief and rehabilitation in earthquake-affected areas	Urdu
SPO – A Brief History	Booklet	Overview of the past 10 years of SPO	English
Challenges to Livelihood and Housing in the Face of 2005 Earthquake	Report	Recommendations for addressing livelihood and housing issues of earthquake survivors	English
Planner 2006	Planner	Awareness and programme promotion	English/ Urdu

Table 8

## Staff Development

SPO's Human Resource section developed a comprehensive Human Resource Development (HRD) Plan for SPO employees, covering both individual training and collective staff development needs.

Six one-day, in-house staff development programs were organized during the reporting period, which focused on

improving various aspects of programme delivery. These events provided staff members opportunities to keep themselves updated on other programmes, activities and targets.

In addition, various individual staff members were sponsored to avail external capacity building opportunities. Details are provided in the following table.

### External Capacity Building Opportunities Availed by Staff Members

Name	Training/Event	Organizer
Ijaz Qasim Shahid Mehmood	Capacity building workshop on "Disaster Management: Rehabilitation of Women and Children"	Aurat Foundation
Ijaz Qasim	Seminar on "Experience Sharing and Capacity Mapping"	UNDP
Shaista Jabeen	Programme for Distress Response Team	Aurat Foundation
Zuhra Luqman	"Gender Sensitization Training Workshop" designed for District <i>Nazims</i> /DCOs	UNDP
Ijaz Qasim Shaista Jabeen	Seminar on "Post-Disaster Educational Activities"	Department for International Development (DFID)/British Council
Zuhra Luqman,	Consultative workshop for gender sensitive review of the District Government Rules of Business 2001	Essential Institutional Reforms Operation Programme (EIROP)
Muhammad Suhail	Workshop on "Gender Sensitive Budgeting"	Shirkat Gah
Zeeshan Noel	Training on Human Rights	Church World Service (CWS)
Nighat Rifaq Sarwat Jehan Sufia Syed Samina Gull Sadia	International conference on "Local Governance: Texts and Contexts"	Common Wealth Education Foundation

Aliya Jabeen Zile Hasnain	Training for "Skills in Administration"	Pakistan Institute of Management
Usman Bin Tahir	Training in "Monitoring and Evaluation of Development Projects"	Pakistan Institute of Development Economics (PIDE)
Imran Maqsood	Study grant for MBA	University of Southern Punjab
Shazia Junejo	Training on "Rapid Environmental Impact Assessment in Disasters"	International Union for Conservation of Nature (IUCN)/Church World Service (CWS)
Fakharuddin Razi	Linux, MCSE 2003 and CCNA Certification	Corvit Systems
Aftab Iqbal	Online course in "Strategic Communication Planning"	Ohio University
Feroz Alam	Study grant for MBA	University of Southern Punjab
Aaref Farooqui Kulsum Shams	World HR Forum	Nutshell Forum

Table 9





■ Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Strengthening Participatory Organization** (the Company) as at **June 30, 2006** and the related income and expenditure account, cash flow statement and statement of changes in funds together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and income and expenditure account, cash flow statement and statement of changes in fund, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2006** and of the surplus, its cash flows and changes in fund for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

ISLAMABAD: OCTOBER 29, 2006

Ford Rhodes Sidat Hyder & Co.  
CHARTERED ACCOUNTANTS

FRS/26

#### STRENGTHENING PARTICIPATORY ORGANIZATION BALANCE SHEET AS AT JUNE 30, 2006

	Note	2006	2005
Rupees			
<b>FIXED ASSETS - at book value</b>	5	56,200,412	30,662,151
<b>INVESTMENT - available for sale</b>	6	-	9,115,284
		56,200,412	39,777,435
<b>CURRENT ASSETS</b>			
Advances, deposits, prepayments and other receivables	7	8,286,344	4,770,041
Cash and bank balances	8	17,413,750	30,676,151
		25,700,094	35,446,192
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	9	(5,215,021)	(8,937,640)
		20,485,073	26,508,552
		<u>76,685,485</u>	<u>66,285,987</u>
<b>FUNDS AND RESERVE</b>			
Unrestricted funds		38,492,562	7,275,742
Restricted funds		1,314,760	28,052,213
Capital reserve	10	6,984,060	6,984,060
	18	46,791,382	42,312,015
<b>DEFERRED GRANTS</b>	11	29,894,103	23,973,972
<b>CONTINGENCIES AND COMMITMENTS</b>	19		
		<u>76,685,485</u>	<u>66,285,987</u>

#### Auditors' report annexed

The annexed notes 1 to 24 form an integral part of these financial statements.

FRS/26

*Hamid Chohan*  
CHIEF EXECUTIVE

*Sadiq*  
CHAIRPERSON

**STRENGTHENING PARTICIPATORY ORGANIZATION  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006	2005
		Rupees	
Grants/donations received	12	152,127,772	127,831,616
Expenditure:			
Programme activities:			
Programme expenses	13	(110,211,594)	(103,340,343)
Grants to Community Based Organizations (CBOs)	14	(14,005,295)	(22,108,511)
		(124,216,889)	(125,448,854)
Administrative expenses	15	(14,605,038)	(12,770,731)
		(138,821,927)	(138,219,585)
		13,305,845	(10,387,969)
Other (loss)/income	16	(2,669,569)	5,783,572
Operational surplus/(deficit) for the year		<u>10,636,276</u>	<u>(4,604,397)</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

*FRSIT Co.*

  
CHIEF EXECUTIVE

  
CHAIRPERSON

**STRENGTHENING PARTICIPATORY ORGANIZATION  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006	2005
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operational surplus/(deficit) for the year		10,636,276	(4,604,397)
Adjustment for:			
Depreciation		5,187,779	4,534,400
Loss on sale of fixed assets		244,520	-
Assets written-off		73,596	-
Unrealized gain on re-measurement of investment to fair value		-	(1,690,148)
Unamortized portion of deferred grants on deletion		(155,314)	-
Profit on sale of investment		(2,767,934)	-
Interest/dividend income		(1,526,352)	(1,956,364)
Operating surplus/(deficit) before working capital changes		<u>11,692,571</u>	<u>(3,716,509)</u>
Working capital changes:			
(Increase)/decrease in advances, deposits, prepayments and other receivables		(3,773,446)	4,424,219
Decrease in receivables from Community Based Organizations		-	5,188,674
(Decrease)/increase in accrued and other liabilities		(3,722,619)	6,911,091
Net cash generated from operating activities		<u>4,196,506</u>	<u>12,807,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(31,168,206)	(12,899,009)
Proceeds from sale of fixed assets		114,952	-
Proceeds from sale of investment		11,883,218	-
Net cash used in investing activities		<u>(19,170,036)</u>	<u>(12,899,009)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Microfinance pool		-	(5,934,174)
Refund to donors		(81,466)	(262,143)
Interest received		1,792,595	959,785
Net cash flow from/(used in) financing activities		<u>1,711,129</u>	<u>(5,236,532)</u>
Net decrease in cash and cash equivalents		<u>(13,262,401)</u>	<u>(5,328,066)</u>
Cash and cash equivalents at the beginning of the year		30,676,151	36,004,217
Cash and cash equivalents at the end of the year	8	<u>17,413,750</u>	<u>30,676,151</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

*FRSIT Co.*

  
CHIEF EXECUTIVE

  
CHAIRPERSON

**STRENGTHENING PARTICIPATORY ORGANIZATION  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

	Unrestricted funds	Restricted funds	Capital reserves	Total
	Rupees			
<b>Balance at June 30, 2004</b>	30,254,053	17,832,804	6,984,060	55,070,917
Amount refunded to donors	-	(262,143)	-	(262,143)
Inter transfer at year end	(10,481,552)	10,481,552	-	-
Net movement in deferred grant	(7,892,362)	-	-	(7,892,362)
Operational deficit for the year	(4,604,397)	-	-	(4,604,397)
<b>Balance at June 30, 2005</b>	<u>7,275,742</u>	<u>28,052,213</u>	<u>6,984,060</u>	<u>42,312,015</u>
Amount refunded to donors	-	(81,466)	-	(81,466)
Inter transfer at year end	26,655,987	(26,655,987)	-	-
Net movement in deferred grant	(6,075,443)	-	-	(6,075,443)
Operational surplus for the year	10,636,276	-	-	10,636,276
<b>Balance at June 30, 2006</b>	<u><u>38,492,562</u></u>	<u><u>1,314,760</u></u>	<u><u>6,984,060</u></u>	<u><u>46,791,382</u></u>

The annexed notes 1 to 24 form an integral part of these financial statements.

*Fresh Co.*  
  
CHIEF EXECUTIVE

  
CHAIRPERSON

**STRENGTHENING PARTICIPATORY ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**1 STATUS AND ACTIVITIES**

Strengthening Participatory Organization (the Company), was incorporated on January 15, 1994 under section 42 of Companies Ordinance, 1984 as a company limited by guarantee having its registered office in Islamabad. The Company's objectives primarily focus on strengthening indigenous Non Governmental Organizations (NGOs) and Community Based Organizations (CBOs) for rural uplift, community participatory development in the social sector and other welfare activities. The Company receives grants from various national and multinational organizations and then disburses these grants to various CBOs and NGOs for different uplift schemes. The Company has its head office in Islamabad and branch offices in all major cities of Pakistan.

**2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**3 ACCOUNTING CONVENTION**

The accompanying financial statements have been prepared on the basis of 'historical cost convention' and on accrual basis of accounting.

**4 PRINCIPAL ACCOUNTING POLICIES**

**4.1 Significant accounting judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believe to be reasonable under the circumstances. Any matter involving a higher degree of judgment, or areas where assumption and estimates are significant to the financial statements, are disclosed in respective notes to the financial statements.

**4.2 Fixed assets**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged using reducing balance method to write off the cost of operating assets over their expected useful life.

Full year's depreciation is charged in the year of capitalization and no depreciation is charged in the year of disposal.

An individual asset exceeding Rs. 5,000 in cost is capitalized. Major improvements and repairs are capitalized and normal repairs and maintenance are charged to income as and when incurred.


Profit or loss on disposal of fixed assets is taken to income and expenditure account currently.

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of loss, if any. Impairment losses are recognized as expense in the income and expenditure account.

**4.3 Investments**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. Subsequent to initial recognition at cost being the fair value of the consideration given and includes transaction costs, these are carried at fair value.

*Fresh Co.*

5 FIXED ASSETS - at book value

	COST			DEPRECIATION			Net book value as at June 30, 2006	Annual rate of depreciation %
	As at July 01, 2005	Additions / (Deletions)	As at June 30, 2006	As at July 01, 2005	For the year / On (Deletions)	As at June 30, 2006		
Land	-	15,437,961	15,437,961	-	-	-	15,437,961	-
Building on freehold land (note 5.1)	3,407,636	4,301,000	7,708,636	1,032,247	295,276	1,327,523	6,381,113	5
Electrical appliances and equipment	9,512,520	4,907,944 (331,321)	14,089,143	3,474,259	1,373,036 (267,328)	4,579,967	9,509,176	15
Vehicles	24,658,058	4,022,180	28,680,238	9,484,727	2,421,783	11,906,510	16,773,728	15
Computer equipment	9,754,440	1,930,637 (1,598,353)	10,086,724	5,053,718	740,933 (1,301,817)	4,492,834	5,593,890	20
Furniture and fixtures	3,583,527	568,484 (154,810)	3,997,201	1,209,079	356,751 (73,173)	1,492,657	2,504,544	15
<b>June 30, 2006</b>	<b>50,916,181</b>	<b>31,168,206 (2,084,484)</b>	<b>79,999,903</b>	<b>20,254,030</b>	<b>5,187,779 (1,642,318)</b>	<b>23,799,491</b>	<b>56,200,412</b>	
<b>June 30, 2005</b>	<b>38,017,172</b>	<b>12,899,009</b>	<b>50,916,181</b>	<b>15,719,630</b>	<b>4,534,400</b>	<b>20,254,030</b>	<b>30,662,151</b>	

5.1 Turbat building is constructed on land allotted to the Company by the Government of Balouchistan for establishment of training and technical assistance centre subject to the condition that the land will not be utilized for any other purpose except for which it has been allotted.

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4.4 Receivables

These are stated at their nominal value as reduced by appropriate provision for debts considered to be doubtful. Known bad debts are written off when incurred.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash includes cash in hand, in transit and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

4.6 Provisions

A provision is recognized when, and only when, the enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of out flow of economic benefits expected to be required to settle the obligation.

4.7 Staff retirement benefits - defined contributory plan

The Company operates a defined contribution provident fund scheme for its eligible employees. The fund is unrecognized and fully funded. Contributions are made by the Company and the employees in accordance with the rules of the fund.

4.8 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax losses, if any.

4.9 Deferred grants

Grants for acquisition of fixed assets are recognized as income on a systematic basis over the useful life of asset.

4.10 Revenue recognition

Donation/grants against specific projects are recognised on receipt basis, whereas, deferred income is directly credited to unrestricted funds and is recognised as mentioned in note 4.9.

Profit on deposits is accounted on accrual basis.

4.11 Financial support to Community Based Organizations (CBOs)

Financial support provided to CBOs from the grant funds are charged to income and expenditure account.

4.12 Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income and expenditure account in the period in which they arise.

4.13 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognized at cost, and which is the fair value of the consideration given and received including transaction cost that are directly attributable to the issue or acquisition of financial assets and liabilities. These are subsequently measured at fair value, amortized cost or cost, as the case may be.

4.14 Offsetting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

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	Note	2006	2005
		Rupees	
<b>6 INVESTMENT - available for sale</b>			
National Investment Trust (Units) - carrying value		-	7,425,136
Add: Unrealized gain on re-measurement to fair value		-	1,690,148
		<u>-</u>	<u>9,115,284</u>
<b>7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to staff - considered good	7.1	311,162	151,920
Security deposits		961,500	583,000
Prepayments		4,706,658	1,906,086
Advance tax - net		645,129	578,937
Interest receivable		112,488	378,731
Other receivables	7.2	1,549,407	1,171,367
		<u>8,286,344</u>	<u>4,770,041</u>
7.1	Includes travel advance to Chief Executive amounting to Rs. 20,000/- (2005: Nil).		
7.2	Includes an amount of Rs. 9,904/- (2005: Nil) due from Chief Executive.		
<b>8 CASH AND BANK BALANCES</b>			
Cash in hand		153,095	221,736
Cash in transit		6,390	492,000
Cash at bank in:			
- Current accounts		907,377	1,534,655
- PLS accounts	8.1	16,346,888	7,199,100
- Deposit account		-	21,228,660
		<u>17,254,265</u>	<u>29,962,415</u>
		<u>17,413,750</u>	<u>30,676,151</u>
8.1	Includes a foreign currency account having balance of US\$ 114 equivalent to Rs. 6,801 (2005: US\$ 2 equivalent to Rs. 140). The interest/markup rate on PLS accounts ranged between 4% to 9.5% per annum.		
<b>9 ACCRUED AND OTHER LIABILITIES</b>			
Accrued liabilities and other payables		3,746,662	6,956,812
Withholding tax payable		11,933	11,795
Payable to Provident Fund		1,456,426	1,969,033
		<u>5,215,021</u>	<u>8,937,640</u>
<b>10 CAPITAL RESERVE</b>			
Represents fund created on transfer of fixed assets at incorporation of the Company from Small Project Office on January 15, 1994.			
<b>11 DEFERRED GRANTS</b>			
Balance at the beginning of the year		23,973,972	16,081,611
Additions during the year - at cost		10,536,736	11,397,308
		<u>34,510,708</u>	<u>27,478,919</u>
Deletions during the year - at cost		(306,557)	-
		<u>34,204,151</u>	<u>27,478,919</u>
Amortization for the year - net		(4,310,048)	(3,504,947)
		<u>29,894,103</u>	<u>23,973,972</u>

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	Note	2006	2005
		Rupees	
<b>12 GRANTS/DONATIONS RECEIVED</b>			
Canadian International Development Agency (CIDA)		54,885,414	-
European Commission (EC)		-	21,503,657
United Nations Development Programme (UNDP)		2,730,000	-
Education Structure Reform Assistance (ESRA)		11,103,512	7,072,067
Pakistan NGOs Forum - AKF (PNF)		1,889,606	2,700,000
Action Aid Pakistan (AAP)		1,363,171	1,545,613
Royal Netherlands Embassy (RNE)		36,628,377	56,657,447
Emergency Relief Fund (ERF)		2,144,126	68,880
Devolution Trust for Community Empowerment (DTCE)		2,110,444	4,623,587
Asian Development Bank (ADB)		253,566	30,000
Trust for Voluntary Organizations (TVO)		-	691,160
Gender Equality Project (GEP)		-	1,583,649
Save the Children - USA		2,539,181	2,815,218
Save the Children - UK		2,004,000	-
Swiss Development Cooperation (SDC)		11,767,279	5,173,897
CIDA Development Support Project (CDSP)		8,051,570	8,980,459
Sindh Education Foundation (SEF)		-	569,376
Tawana Pakistan Project (TPP)		2,571,669	13,816,606
Pakistan Poverty Alleviation Fund (PPAF)		6,588,000	-
Aga Khan Education Support Program (AKESP)		811,376	-
Ministry of Food, Agriculture and Livestock		386,400	-
Plan Pakistan (Plan)		1,350,365	-
National Democratic Institute for International Affairs (NDI)		1,440,153	-
Medicine Sans Frontier Holland (MSFH)		90,000	-
Church World Services (CWS)		499,515	-
Oxfam Great Britain (OGB)		605,160	-
Global Campaign for Education (GCE)		314,888	-
		<u>152,127,772</u>	<u>127,831,616</u>
<b>13 PROGRAMME EXPENSES</b>			
Salaries and benefits	13.1	59,669,751	49,567,466
Traveling and conveyance		16,548,660	15,090,991
Vehicle running and maintenance		12,499,894	8,158,188
Office rent		3,149,203	2,049,817
Office supplies		4,165,871	3,318,261
Resource materials and publications		1,603,908	2,541,841
Training and development		9,770,734	11,798,631
Monitoring, evaluation and reporting		1,406,608	9,378,662
Maintenance and renovation		1,396,965	1,436,486
		<u>110,211,594</u>	<u>103,340,343</u>
13.1	Includes Rs. 2,596,804/- (2005: Rs. 2,537,863/-) on account of aggregate remuneration of the Chief Executive and Rs. 3,903,073/- (2005: Rs. 3,935,197/-) related to staff retirement benefits.		
<b>14 GRANTS TO COMMUNITY BASED ORGANIZATIONS (CBOs)</b>			
Represents grants to CBOs in respect of agriculture and livestock, basic education, primary health care, environment, governance and other welfare/social activities in accordance with policies of the Company. The total number of CBOs to whom grant has been disbursed during the year are 167 (2005: 104) and the amount of grant ranges between Rs. 10,000/- to Rs.525,000/- (2005: Rs.10,000/- to Rs.499,000/-).			

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**19 CONTINGENCIES & COMMITMENTS**

There were no contingencies and commitments as at June 30, 2006 (June 30, 2005: Nil).

**20 FINANCIAL INSTRUMENTS**

These comprise investments deposits, interest and other receivables, cash and bank balances and accrued and other liabilities. The mark up rates applicable for each financial instruments are disclosed in their respective notes to the financial statements.

**20.1 Financial assets and liabilities**

	2006			2005		
	Interest bearing	Non interest bearing Rupees	Total	Interest bearing	Non interest bearing Rupees	Total
<b>Financial assets</b>						
Maturity upto one year:						
Investment	-	-	-	-	9,115,284	9,115,284
Security deposits	-	961,500	961,500	-	583,000	583,000
Interest receivable	-	112,488	112,488	-	378,731	378,731
Other receivables	-	1,549,407	1,549,407	-	600,383	600,383
Cash and bank balances	16,346,888	1,066,862	17,413,750	28,427,760	2,248,391	30,676,151
	<u>16,346,888</u>	<u>3,690,257</u>	<u>20,037,145</u>	<u>28,427,760</u>	<u>12,925,789</u>	<u>41,353,549</u>
<b>Financial liabilities</b>						
Maturity upto one year:						
Accrued liabilities	-	3,746,662	3,746,662	-	6,956,812	6,956,812
Withholding tax payable	-	11,933	11,933	-	11,795	11,795
Payable to Provident Fund	-	1,456,426	1,456,426	-	1,969,033	1,969,033
	<u>-</u>	<u>5,215,021</u>	<u>5,215,021</u>	<u>-</u>	<u>8,937,640</u>	<u>8,937,640</u>

**20.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables, which are part of the financial assets, are subject to minimal credit risk.

**20.3 Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Financial assets include Rs. 16,346,888/- (2005: Rs.28,427,760/-) which are subject to interest rate of 4% to 9.5% per annum.

**20.4 Foreign exchange risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. However, financial assets and liabilities disclose above are not subject to foreign exchange risk.

**20.5 Liquidity risk**

There is no immediate liquidity risk faced by the Company.

**20.6 Risk management**

The Company finances its operations primarily from donations received. Therefore, the risk arising from the Company's financial instruments is limited.

**20.7 Fair value of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**21 NUMBER OF EMPLOYEES**

Number of employees as at balance sheet date were 144 (2005: 132).

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**22 DATE OF AUTHORIZATION**

The financial statements were authorised for issue on 29 OCT 2006 by the Board of Directors of the Company.

**23 CORRESPONDING FIGURES**

Corresponding figures have been rearranged wherever necessary, for the purposes of comparison.

**24 GENERAL**

Figures have been rounded off to the nearest rupee.

FASHT Co.

Hamis Kuehque  
CHIEF EXECUTIVE

Adiq  
CHAIRPERSON