PPAF

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Annual Report 2009

Pakistan Poverty Alleviation Fund

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Chairman - General Body

Hussain Dawood	Chairman, The Dawood Group

Members

Mueen Afzal	Former Secretary General, Ministry of Finance, Government of Pakistan.
Rafiud Deen Ahmad	Consultant, Orr, Dignam & Co.
Rana Assad Amin	Additional Secretary, Ministry of Finance, Government of Pakistan.
Muhammad Arif Azim	Additional Secretary, Economic Affairs Division, Government of Pakistan.
Rashid Bajwa	Chief Executive Officer, National Rural Support Programme.
Nazrat Bashir	Additional Secretary, Ministry of Finance, Government of Pakistan.
Javed Burki	Former Civil Servant.
Naved Hamid	Director, Centre for Research in Economics & Business, Lahore School of Economics.
Ashraf Muhammad Hayat	Former Civil Servant.
Akmal Hussain	Managing Director, Sayyed Engineers Ltd.
Ahlullah Khan Kakarr	Former Civil Servant.
Shoaib Sultan Khan	Chairman, National Rural Support Programme.
Rajab Ali Memon	Educationist.
Nazar Memon	Director, National Rural Support Programme.
Hamayun Murad	Managing Director, Orix Leasing Pakistan Ltd.
Kaiser H Naseem	Manager, Pakistan Corporate Governance Project, International Finance Corporation.
Aisha Ghaus Pasha	Director Institute of Public Policy, Beachonhouse National University.
Aijaz Ahmed Qureshi	General Manager, Sindh Irrigation & Drainage Authority.
Fazlullah Qureshi	Former Member, National Electric Power Regulatory Authority.
Muhammad Ismail Qureshi	Federal Secretary, Ministry of Water and Power, Government of Pakistan.
Syed Ayub Qutub	Executive Director, Pakistan Institute of Environment Development & Research.
Sadiqa Salahuddin	Executive Director, Indus Resource Center.
M Suleman Shaikh	Chairman, Thardeep Rural Development Programme.
Zubyr Soomro	Former Citibank Country Officer & Managing Director.
Jahangir Tareen	Former Federal Minister, Government of Pakistan.
Fareeha Zafar	Director, Society for the Advancement of Education.

Board of Directors

Hussain Dawood
Chairman

Mueen Afzal

Rafiud Deen Ahmad

Rana Assad Amin

Muhammad Arif Azim

Naved Hamid

Aijaz Ahmed Qureshi

Syed Ayub Qutub

Zubyr Soomro

Fareeha Zafar

Kamal Hyat
Chief Executive/Managing Director

BoD Committees

Human Resource Committee

Hussain Dawood
Chairman

Aijaz Ahmed Qureshi
Member

Fareeha Zafar
Member

Audit Committee

Mueen Afzal
Chairman

Rafiud Deen Ahmad
Member

Rana Assad Amin
Member

Aijaz Ahmed Qureshi
Member

Company Secretary	Iltifat Rasul Khan
Auditors	A. F. Ferguson & Company, Chartered Accountants
Legal Advisors	Azam Chaudhry Law Associates
Tax Advisors	A. F. Ferguson & Company, Chartered Accountants
Bankers	Allied Bank of Pakistan, Askari Commercial Bank Limited, Bank Al-Falah Limited, Citibank, Faysal Bank Limited, Habib Bank Limited, Hong Kong and Shanghai Banking Corporation Limited, National Bank of Pakistan, NDLC-IFIC Bank Limited, Royal Bank of Scotland, Silk Bank Limited, Standard Chartered Bank Limited
Registered Office	House No. 1, Street No. 20, Sector F-7/2, Islamabad, Pakistan. UAN: (+92-51) 111-000-102, Tel. 265 3304-05, 265 3597 Fax. (+92-51) 265 2246, Email: info@ppaf.org.pk Website: www.ppaf.org.pk

Chairman's Message

By the close of June 2009, the Pakistan Poverty Alleviation Fund had disbursed over Rs. 61.61 billion (US$ 996 M) to Partner Organizations working in over 51,000 villages and hamlets in Pakistan. This is not surprising for an organization that over the decade since its inception has grown into a world class institution with a significant impact on the lives of people.

This translated in terms of output means financing for 3,004,760 loans, 17,742 infrastructure schemes, 206 health and education facilities and 10,383 training events for building capacities of partner organizations and communities. The scale of work accomplished over a relatively short period of time is exceptional and the growth in current year continues at the same pace.

However, the lasting legacy of the PPAF is not its physical achievements but the establishment of a code of conduct, both within the PPAF and the partner institutions, which places integrity at the core of all activities. This more ethical approach sees development in the context of not just marketing products but the development of better people. Changing mindsets in an environment where the very fabric of a civilized society is fast vanishing is a major concern for the organization and the more permanent way towards sustainable development.

With the assistance and support of all stakeholders, especially the Government of Pakistan, PPAF has constructed a strong and solid foundation. We now need to move towards energizing the rural and urban spaces of the country and by doing so contribute to national prosperity.

My special thanks to the Board of Directors and the General Body, for their very valuable inputs, ideas and support. I am equally indebted to the management team for their dynamic performance in difficult times and for establishing an institution that has the enduring goodwill of all stakeholders.

Hussain Dawood

Chief Executive's Statement

The year ending June 2009 represents an important milestone in the history of the PPAF. Ten years of a journey which commenced with some trepidation and many hopes were realized, and substantial goals and objectives of the project realized.

Major among these was the creation of a credible institution which enjoys support of all stakeholders and is a role model for an effective delivery mechanism at grassroot level. With the passage of time the identity of the organization has merged with dreams of the poor and today we share with them the prospects of a better tomorrow.

Of equal importance has been successful transition of civil society organizations, who in partnership with the PPAF are now major players on the development scene. A grant driven mindset has been replaced by a professional approach leading to an unprecedented increase in outreach and understanding of the fundamentals of sustainable development.

All this has been possible due to the support and facilitation by the Government of Pakistan, and the faith reposed by international and bilateral donors in PPAF's ability to deliver. Additionally, a climate which permitted a free and open debate has led to a strong relationship of trust with Partner Organizations and their communities, which has paved the way for looking at development as a shared experience rather than diktat from the top.

The congenial relationship between the Board of Directors, the General Body members, and the Management team, with clear lines of responsibility was exemplary. Credit for creating this relationship must go to Mr. Hussain Dawood who, as Chairman of the institution, brought in a wealth of corporate experience and a singular passion for doing things right.

I am deeply indebted to management team for their extraordinary performance and dedication without which we would not have succeeded in winning the hearts and minds of all our stakeholders. I would like to thank them for proving that given good governance and a level playing field our people can perform wonders and establish institutions that compare with the best in the world.

Kamal Hyat

Overview

Pakistan Poverty Alleviation Fund (PPAF), the largest organization established by the Government of Pakistan to alleviate poverty in the country, is the biggest provider of funds and technical assistance to the private sector development organizations all over Pakistan. PPAF provides debt financing for microcredit and enterprise development, grant financing for small scale infrastructure, water, housing, health, education, social safety nets, training, social mobilization, and grant funding for human and institutional capacity building for delivery of services. PPAF activities are currently being funded by six multilateral, bilateral, and international institutions. As of June 2009 and since its incorporation ten years ago, PPAF has disbursed funds worth Rs. 61.16 billion.

Soaring food prices, global financial crisis, worsening terms of trade and exchange rate and deteriorating security situation in the country during the outgoing financial year have all threatened to reverse the gains made to alleviate poverty during the last few years of good economic growth. This situation calls for a greater emphasis on provision of some relief to the most vulnerable groups of people in the country and enhanced efforts to create employment and alleviate poverty. Realizing this need, the World Bank and the Government of Pakistan expeditiously negotiated and approved PPAF-III Project worth US$250 million. PPAF-III Project includes a new component on Sustainable Livelihoods to recognize the importance of relief and job creation in the current scenario.

During the financial year 2008-09, PPAF disbursed Rs. 13.07 billion. Out of these, Rs 8.42 billion was disbursed under its four regular windows of operation, i.e., lending for Microcredit and Enterprise Development, Community Physical Infrastructure, Health and Education and Human and Institutional Development. The remaining amount was disbursed through two special windows of operation, i.e., Social Mobilization, and Rehabilitation and Reconstruction. These funds have financed over 700,000 loans, 1,500 infrastructure schemes, 22 health and education facilities and over 1,520 trainings for participating communities and staff of Partner Organizations. Five new districts and 20,000 new villages were added to PPAF outreach, now totalling 124 districts all over Pakistan. (Please see the map on page 7).

The most important contributions of PPAF remain unquantifiable and invisible. Through effective social mobilization at the grassroots level, poor people have found a strong voice in affairs that directly concern them. Programs for special target groups of the vulnerable, destitute and disabled have rekindled hopes and recuperated lost energies that cannot be captured effectively by any quantitative measure, howsoever neatly crafted. Similarly, the degree of welfare associated with greater decision making power at the household level for female clientele of PPAF loans cannot be easily quantified. Social mobilization has helped create peace and harmony among communities by promoting inclusion, equity, and accountability. These achievements have long term implications for meaningful change in the living standards at the grassroots.

PPAF accounted for 42 % of active borrowers in the sector at the end of the reporting period, and thus it remains the single largest reservoir of wholesale funds for microcredit in the country. It continues to direct to develop and implement innovative strategies to enable sustainable delivery of financial resources at the grassroots. Among the strategies are offering attractive terms to commercial sector entities for long term investments in the sector, promoting innovative models of outreach and delivery of financial services to the poor, building capacities of promising new partners, and preparing current partners to excel in an increasingly competitive market. Women constituted nearly half of all PPAF supported microcredit loans in the current financial year.

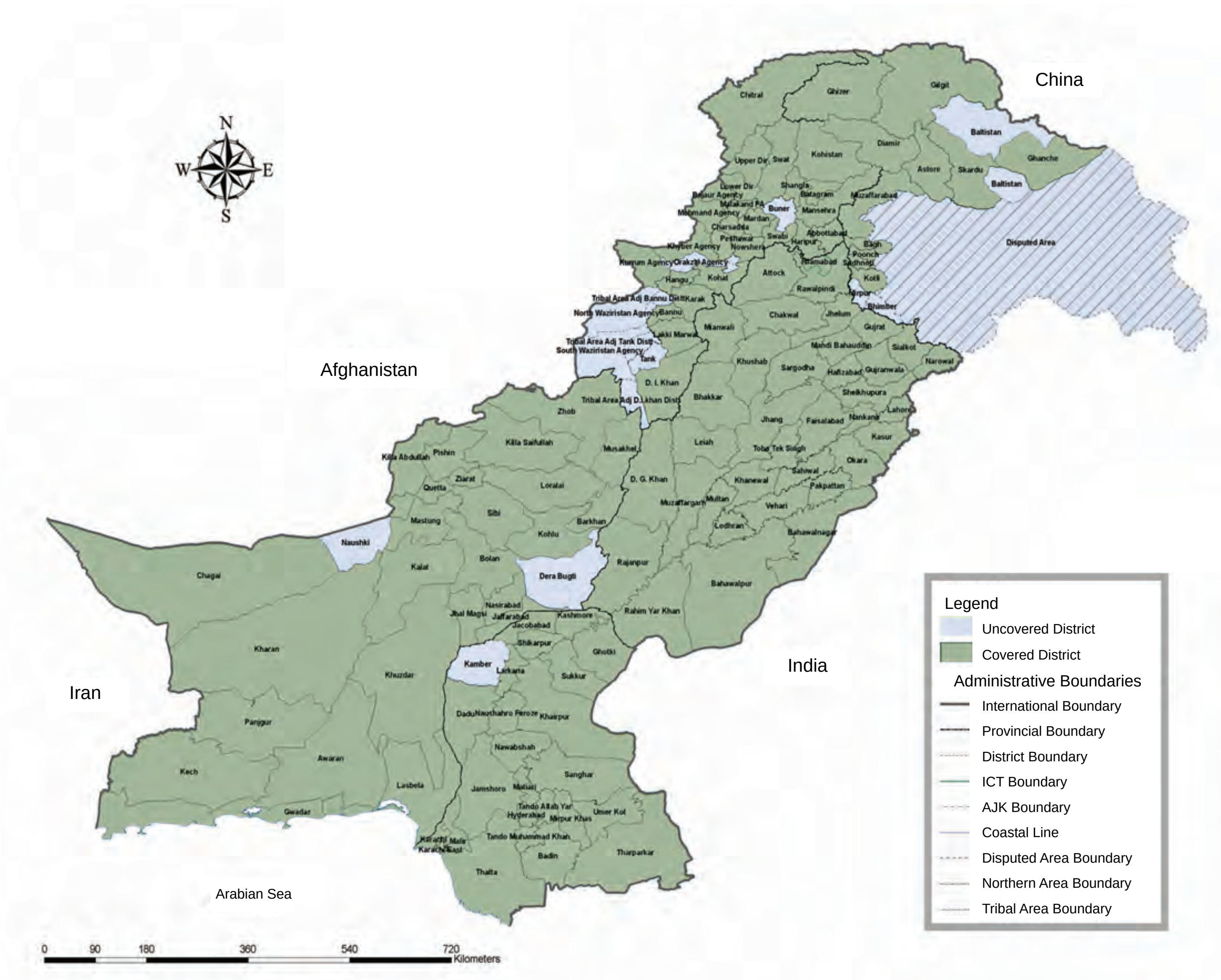
The poorest segments living in isolated tracts and backward rural areas were also the main beneficiaries of PPAF's infrastructure interventions. Over the years, PPAF's interventions in infrastructure development have gradually moved away from stand-alone projects at the village level towards a more holistic approach based on the simultaneous development of logically interlinked schemes in the same project area for maximum benefit to the communities. For instance, the Drought Mitigation and Preparedness Program (DMPP) cover large drought affected/water deficient areas with each project spanning one to three union councils and comprising approximately a hundred infrastructure sub-projects on the average. Similarly, the Sindh Coastal Areas Development (SCAD) program takes this integrated approach one step forward by complementing infrastructure interventions with logically sequenced interventions in healthcare, education, livelihood support and conditional cash transfers followed by provision of financial services.

Meanwhile, PPAF continued to invest substantially in building capacities for sustainable service delivery through focused programs for participating communities and Partner Organizations. These efforts are designed to remove supply and demand side constraints emanating from a lack of adequate human and financial resources at the grassroots. In addition to providing funds for meeting recurring and non recurring costs of civil society organizations, sufficient funds were distributed for building human capital through training events organized for participating communities and staff of Partner Organizations.

PPAF, through its Partner Organizations, follows an inclusive development strategy prioritizing community needs within an inclusive framework of community mobilization. In view of the overwhelming need to upscale social mobilization processes with greater outreach and coverage at the grassroots, PPAF has successfully launched a focused project on social mobilization with assistance from the World Bank, which has channelized US$ 75 million for the purpose. A new Social Mobilization (SM) unit has been successfully initiated with the mandate to appraise partners, allocate funds and monitor progress against clearly laid out objectives. The project focuses on the formation of 50,000 additional Community Organizations (COs), with their subsequent organization into higher order institutions at the village and union council level, adequately facilitated and capacitated to manage need based development initiatives through a transparent, equitable, inclusive and accountable process of community development. Approximately, one million households (rural/semi-rural) will be organized into COs in 25 of the poorest districts of the country. At the end of the FY 2008-09, 16,554 COs had been formed.

PPAF's Social Sector Development Program has expanded manifold over the last few years. While new PPAF facilities continue to infiltrate isolated pockets of deprivation in far off rural areas, many underperforming institutions have been upgraded in terms of staff and facilities following their adoption from the public sector. In all, PPAF supported health and education institutions, the quality of service delivery is ensured through regular staff training, provision of requisite modern technologies and a rigorous monitoring and evaluation framework. The latter involves substantial community input through health and education management committees, which are mandated to function in a supervisory role and hold the administration of these institutions accountable for any deviation from their mission.

PPAF District Coverage



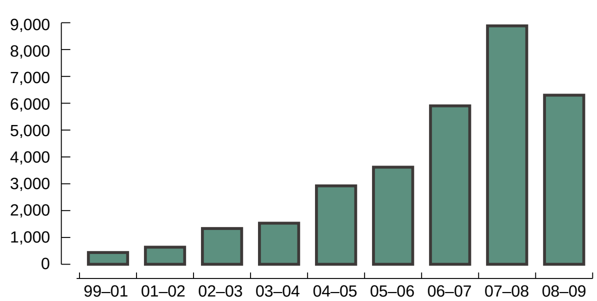
2 – Credit & Enterprise Development

Despite assertions that dispute the role of microcredit as a viable long term strategy for poverty alleviation, there is substantial evidence to suggest the wide ranging benefits accruing from delivering financial services to the poor households. In PPAF's case, credible third party evaluations have substantiated a sustained attributable impact on microcredit beneficiaries and the positive correlations have been shown to be spread over a range of tangible and intangible spheres, including income enhancement and the empowerment of women within households.

While facilitating PPAF's microcredit portfolio to grow exponentially in terms of both coverage and outreach over the past decade, the Credit and Enterprise Development (CED) Unit has simultaneously contributed towards the entrenchment of sustainable mechanisms for service delivery in the sector. These objectives were achieved despite the inherent risks in spreading exposure to a varied set of Partner Organizations operating in different social contexts and geographical settings, representing diverse lending methodologies, operational structures and levels of maturity. This strategy has achieved its intended objective of demonstrating the feasibility of running a viable microfinance operation while simultaneously reaching out to the poorest parts of the country.

CED: District Coverage

Figure 2.1: Annual Microcredit Disbursements (Rs. in m)



During the past year, the Unit disbursed Rs. 6.3 billion in additional funds for on lending to 48 Partner Organizations under its regular microcredit facility (Figure 2.1). PPAF's support to the sector has cumulatively crossed Rs. 32 billion, further consolidating its status as the single largest source of microcredit funds in the private sector nationwide. The decline in microcredit funding in FY 2008-09 was due to a host of factors including completion of PPAF II project in June 2008, following which PPAF utilized reflows as the only source of microcredit funding for a whole year. Other factors included the worsening security situation in some districts and macroeconomic slowdown in the economy. The pace of disbursements for microcredit on-lending is expected to increase in the next financial year when additional external funding becomes available through PPAF-III Project.

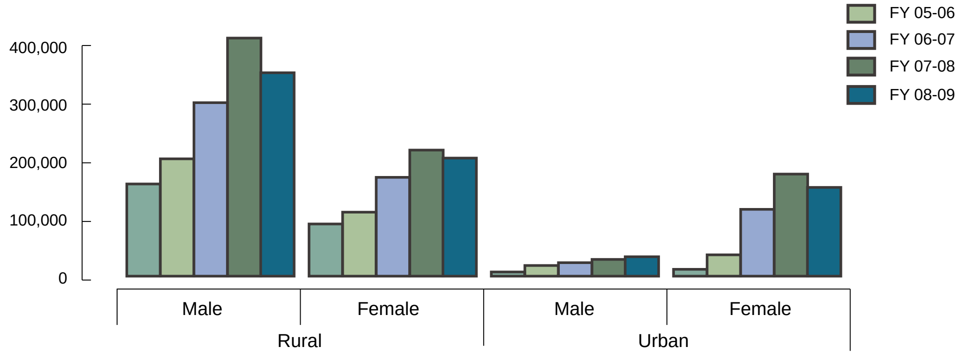
The above contributions have not only augmented PPAF's market share in active micro credit borrowers to 42 % at the end of the reporting period, it has allowed Partner Organizations to leverage additional outreach reflected in their 60 % share of active borrowers on June 30, 2009.

PPAF's contribution in terms of enabling reach to a larger number of households and communities at the grassroots is matched by its efforts to deliver a broad based and efficient framework for delivering financial services. This is reflected in the consistent focus on achieving an increasingly balanced and equitable distribution of funds across regions and sectors of the economy, as well as in the conscious decision to increase funding to organizations catering exclusively to women.

Regarding the distribution strategy of PPAF's microcredit portfolio, the Unit strives to attain an appropriate balance between rural and urban areas while simultaneously focusing on the most deprived parts of the country. Consequently, the ratio of PPAF's microcredit beneficiaries in urban and semi urban locations has increased from 3% in FY 2004-05 to 24% in the current financial year (Figure 2.2). Yet, owing to the greater incidence of poverty in rural areas, PPAF's rural portfolio, which constituted 75% of all new borrowers and 57% of all female borrowers in FY 2008-09, continues to be substantially higher.

The exponential rise in PPAF's urban portfolio, which caters to a predominantly female clientele, has simultaneously pushed up the ratio of female clients to 49% of annual beneficiaries in FY 2008-09, up from 36% in FY 2004-05 (Figure 2.3). Gender

Figure 2.2: Microcredit Borrowers: By Location



asymmetries in consumption, health status, educational attainment and a whole set of other indicators have been shown to increase proportionally with the poverty level. In FY 2008-09, PPAF's microcredit support to women beneficiaries crossed 1.37 million loans, with 339,000 women benefiting from PPAF's microcredit facility in the current year alone. These loans have cumulatively helped in bringing greater influence to women in intra-household decision making processes. In many cases, independent access to credit has facilitated economic empowerment for women and directly led to the unravelling of patriarchal structures within PPAF communities. With sufficient evidence verifying increased spending on child nutrition and education as a direct result of greater transfer of financial resources to women, participating communities stand to gain immeasurably from the growth in PPAF's female beneficiaries in the long term.

The larger number of women borrowers in urban areas, where most loans are utilized in the commerce sector, has increased scope for a high rate of women employment within PPAF communities. Overall, the commerce sector constitutes 34% of PPAF portfolio, while 37% and 19% loans have so far been distributed in the agriculture and livestock sectors respectively (Figure 2.4). More importantly, the average loan size in all three sectors has progressively increased over the years (Figure 2.5). In comparison with an average loan size of approximately Rs. 8,600 in FY 2002-03,

Figure 2.3: Gender Ratio in Microcredit Loans

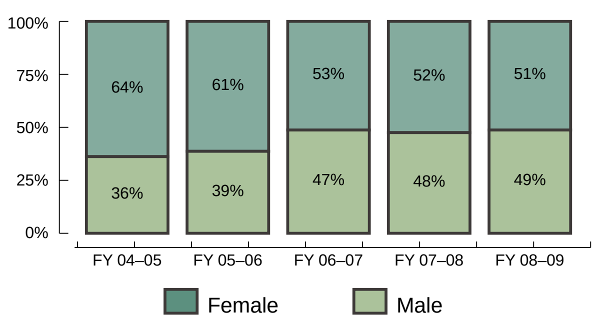
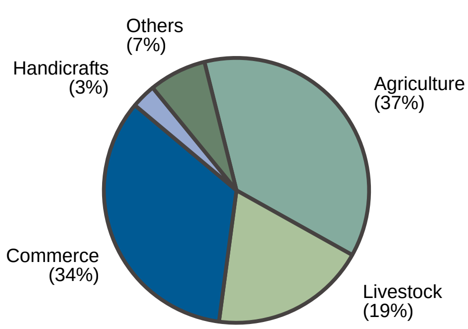


Figure 2.4: Sectoral Distribution of PPAF Loans (FY 2000 - 09)



PPAF microcredit loans in FY2008-09 had an average size of approximately Rs. 15,800.

Essentially, this rise in the large part represents a growing number of repeat loans, as organizations tend to increase loan amounts in subsequent loan cycles. The large number of repeat loans has directly impacted both individual welfare and institutional sustainability. Not only do repeated loan cycles ensure a steady flow of credit to sustain growth in microenterprises on the demand side, they help in increasing profitability and reducing risk of default and delinquency, which is at times loosely linked to a high ratio of new borrowers in an organization's loan portfolio.

The Unit's success in achieving a more equitable regional distribution of funds has partly been made possible by its willingness to spread funding exposure to a variety of service providers of varying sizes and experiences. Whereas most of PPAF's portfolio was concentrated in rural support programs in the initial years, it is now much widely distributed across a range of service providers including microfinance institutions, non-governmental organizations and formal sector institutions. Compared to a share of 92% in FY 2000-01 and 74% in FY 2001-02, Rural Support Programs accounted for only 32% of PPAF microcredit disbursements in the current financial year (Figure 2.6). Concomitantly, the share of MFIs has grown from 22% in FY 2001-02 to 44% in the period under review, while non-governmental

Figure 2.5: Annual Average Loan Size by Sector (Microcredit)

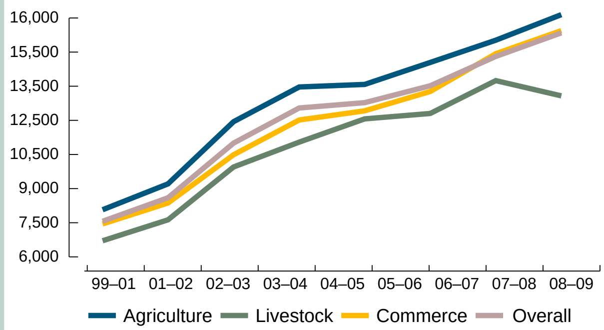
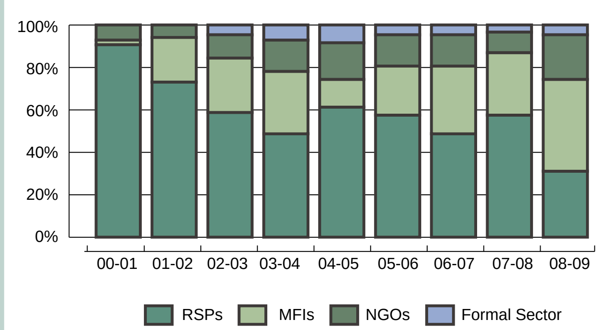


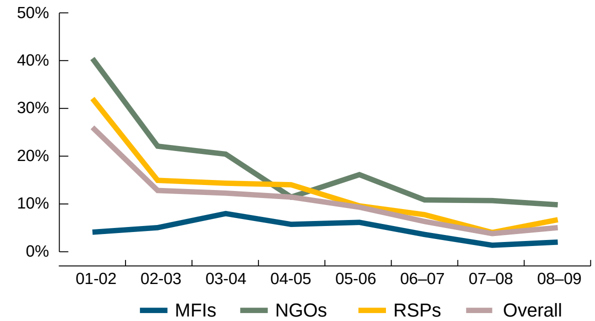
Figure 2.6: Percentage Share in MC Disbursements by PO Type



organizations accounted for 22% of disbursed microcredit funds in the current financial year, up from 4% in FY 2001-02.

While greater equity in the spread of portfolio across regions and Partner Organizations has resulted in a more broad-based outreach, the Unit has remained efficient in supporting PPAF funded microcredit operations with adequate capacity building grants to meet requisite non-recurring and recurring expenses of Partner Organizations. At the same time, the policy has been systematically rationalized to encourage institutional

Figure 2.7: Capacity Building Grants as Percentage of MC Loans by PO



sustainability by progressively decreasing the quantum of grant funding in support of microcredit. Consequently, grants for meeting the operational and capital costs of Partner Organizations declined from 26% of microcredit funding for on lending in FY 2001-02 to 5% in the current financial year (Figure 2.7). Additionally, the decline in capacity building grants has been calibrated to vary with coping capacity, which is largely a function of an organization's size, income generating potential, geographical spread and maturity in terms of operational experience.

The strategy to progressively decrease grant funding in support of microcredit as a means of enhancing self reliance and sustainability flows inextricably from PPAF's wider approach to prepare the sector for large scale growth. The IFAD-funded Program for Increasing Sustainable Microfinance (PRISM) is designed to further this objective by putting in place effective instruments that would allow sustainable Partner Organizations to leverage a potentially large reservoir of funds in the commercial sector.

PRISM envisions providing greater leveraging capacity to Partner Organizations with sustainable or near sustainable microfinance operations through credit enhancement facilities given to banks in the shape of cash collateral, letters of credit and direct guarantees. It further seeks to grant equity funds to viable microfinance institutions allowing Commercial Financial Institutions (CFIs) to invest greater resources in the sector. However, given the liquidity crunch experienced by the financial sector in the last one year, PPAF had to work hard for the project to take off.

Intensive efforts were made to raise awareness levels within the commercial sector as part of a deliberate strategy to demonstrate the viability of MFIs as attractive and safe avenues for investment. PPAF's credibility in the sector further complemented these efforts allowing commercial sector institutions to provide financing facilities to selected MFIs. Similarly, successful negotiations were held with banks for higher leveraging on guarantees. As a result of continued efforts by PPAF and its Partner Organizations, four banks showed interest in the program and submitted term sheets for financing selected PPAF partners. Two transactions have so far been successfully completed, while a number of other MFIs have been identified as suitable prospects to avail similar funding facilities over the course of the next year.

The possibility of evolving sustainable structures for delivering financial services necessitates an overall framework focused on minimizing risk and reducing dependence on subsidized funds. In addition to cutting down on capacity building grants, PPAF has introduced an attractive regime of incentives for financially and operationally sound Partner Organizations consisting of a series of easier repayment terms such as quarterly mark-up servicing. At the same time, the Unit has sought to minimize risk of funding exposure and pricing by implementing an elevated eligibility criterion and linking its pricing policy with KIBOR for large Partner Organizations with exposure of over Rs. 500 million. The latter risk adjusted pricing mechanism would also apply to Partner Organizations availing a facility of or above the cited amount, irrespective of current funding exposure.

Microcredit loans are essentially well targeted as the non-poor usually tend to opt out due to small loan sizes and intensive repayment schedules. However, microcredit programs based on joint liability group lending methodologies have also been seen to leave out the poorest of the poor, who are largely seen as high risk propositions by both peer groups and microfinance lending organizations. This has prompted practitioners to introduce special programs specifically designed for meeting the needs of such households. PPAF, in collaboration with Consultative Group to Assist the Poor, IFAD, and the Ford Foundation, has initiated a pilot project with 1,000 chronic poor beneficiaries in coastal Sindh. The pilot aims at graduating target communities to mainstream microfinance programs over a 30 months period by following provisions for initial food and health subsidies with skill development and asset transfer. The project is expected to facilitate the development of newer products and services that directly address the needs of the poorest and most vulnerable segments.

While striving to provision financial services to the poorest with appropriate products, PPAF has also been mindful of the needs of those whose requirements are marginally higher than what traditional microcredit products offer. The Enterprise Development Facility, initially financed by USAID and presently being carried forward with the World Bank resources, offers individual loans for microenterprises in a wide range of sectors.

With a significantly larger loan size and an understandably stricter screening and

Table 2.1: Average Loan Size by Lending Facility

	Microcredit	EDF	MIOP
FY 2000-02	7,626	—	—
FY 2002-03	8,649	—	—
FY 2003-04	11,061	—	—
FY 2004-05	12,583	68,603	—
FY 2005-06	12,803	42,385	—
FY 2006-07	13,578	51,358	—
FY 2007-08	14,819	50,801	17,001
FY 2008-09	15,830	50,885	18,177

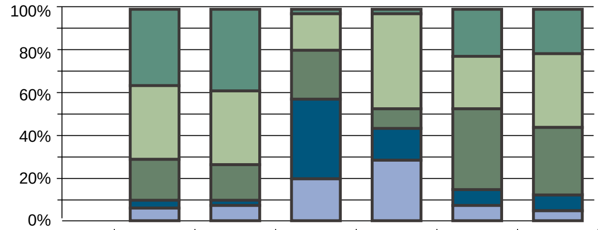
appraisal criteria for prospective beneficiaries (Table 2.1), EDF has a lesser rate of fungibility and a much higher rate of return. Additionally, most loans under the facility have gone into the commerce sector compared to microcredit. To date, the facility has benefited over 4,800 individuals in 420 communities in different parts of the country.

IFAD and PPAF have further collaborated to design and implement the US$ 30 million Microfinance Innovation and Outreach Program (MIOP) to enhance the access of poor rural women and men to productive assets, skills, services and improved technologies, with particular emphasis on enhancing productivity through pilot schemes for new microfinance products and market access initiatives. For instance, MIOP's Innovation and Outreach (I&O) component is supporting the development and testing of a range of microfinance products and approaches, while encouraging the development of new financing systems to reduce debt burden, minimize risk and promote asset creation. To date, Rs. 106 million have been disbursed to around 5,900 beneficiaries under this component, which include 38% women.

Under MIOP, the Unit is further implementing two sub-components of the Young Partners Program (YPP), which seeks to enhance PPAF's ability in developing new microfinance institutions in rural areas. Under these initiatives, the Unit has successfully graduated two partner organizations to PPAF's regular microcredit program, while six new organizations are in queue to achieve a similar status.

As the range and scope of lending instruments and loan produces widens in response to the growing maturity and competition in the sector, PPAF is poised to meet the challenges of a diverse and fast emerging microfinance market. (Figure 2.8).

Figure 2.8: Sectoral Share in Loans by Credit Facility



	Microcredit		EDF		MIOP	
	Loans	Amount	Loans	Amount	Loans	Amount
Agriculture	37%	40%	2%	3%	24%	21%
Commerce	35%	34%	41%	45%	23%	36%
Livestock	19%	17%	8%	10%	40%	31%
Handicrafts	3%	3%	21%	14%	6%	7%
Others	7%	7%	26%	29%	8%	5%

3 – Community Physical Infrastructure

An environment characterized by sustainable access to basic infrastructure can be considered to be a major tool of effective poverty reduction strategies. Keeping this in view, the Community Physical Infrastructure (CPI) Unit serves as a vital link in PPAF's multi-faceted approach towards defeating poverty. While delivering development grants for small-scale community infrastructure assets, the Unit focuses on schemes with maximum impact on community welfare and productivity. Simultaneously, all of CPI's interventions are developed with a participatory approach meant to better target grass root issues.

A key factor that makes infrastructure related schemes more challenging to develop and implement as compared to income transfer programs is their non-excludable nature. While income transfer schemes can directly focus on deserving individuals and households, infrastructure schemes cannot be so specific in terms of beneficiaries. However, PPAF has a participatory development framework that overcomes this constraint by mobilizing the poor at the grass roots and putting them in charge of the whole process. All CPI supported infrastructure interventions are preceded by months of intensive activity centred on mobilizing and subsequently organizing the poor into Community Organizations (COs), which are capacitated to work as vibrant development institutions at the grassroots. Further, the organizations receive necessary financial and technical support from PPAF through its Partner Organizations. Partner Organizations facilitate each stage of the development process, from project identification to implementation and maintenance.

CPI: District Coverage

In addition to the transfer of skills and resources for better implementation and management of infrastructure schemes, the Unit places a high premium on project sustainability. This is secured by building community ownership through a cost sharing mechanism, with compulsory community contributions in the shape of financial and/or labour and material inputs towards the construction of community infrastructure assets. Project sustainability is further ensured through the compulsory collection of maintenance resources sufficient for bearing one year of such costs by a project maintenance committee. Such a committee is empowered to develop an ongoing participatory mechanism for the collection of maintenance funds once the asset becomes operational. To date, 17,392 Community Organizations have been formed to implement and maintain CPI supported infrastructure schemes. In nine years of operations, the Unit has accepted community demands for over 15,200 infrastructure projects through 48 Partner Organizations spanning 117 districts of Pakistan, Northern Areas and AJK, four agencies of the Federally Administered Tribal Areas (FATA) and the Islamabad Capital Territory (Table 3.1). Of these, 6,854 infrastructure interventions including stand alone conventional schemes as well as composite Integrated Area Upgrading Projects (IAUP) were operationalized under the CPI component of the first World Bank financed project (PPAF-I, FY 2000-04), while another 8,433 schemes have been initiated under the World Bank's PPAF-II Project (FY 2004-09).

The above schemes have cumulatively benefited a population of over 7.7 million poor households in over 1,093,799 rural and urban communities throughout the country (Table 3.2). The average number of beneficiaries per project is higher in Punjab where the population is comparatively more concentrated than in other regions. At the same time, PPAF target communities on the whole represent larger household sizes in comparison with national averages. This indicates an efficient targeting approach as household size has been shown to be positively correlated with the level of deprivation.

The Unit mainly approves resources for infrastructure interventions in the Irrigation,

Table 3.1: Cumulative Infrastructure Projects by Category

	PPAF- I	PPAF - II	Total
Conventional	6,742	8,143	14,885
Drainage and Sanitation	993	1,983	2,976
DWSS	2,805	2,332	5,137
Flood Protection Works	85	120	205
Irrigation	2,054	2,642	4,696
Roads & Bridges	805	1,066	1,871
DMPP*	83		83
DWSS	26		26
Irrigation	45		45
Flood Protection Works	12		12
IAUP+	1	135	136
TIP	28	155	183
Irrigation	1	4	5
Bio Gas	-	8	8
Incinerator	-	1	1
Micro Hydel	3	41	44
Reverse Osmosis	-	3	3
Solar Lights	-	6	6
Solar Water Pump	-	13	13
Wind Mill	24	73	97
Wind Turbine	-	6	6
Grand Total	6,854	8,433	15,287

* This pertains to the pilot Drought Mitigation and Preparedness Project (DMPP) in Baluchistan initiated during PPAF-I. The whole programme (not reftected here) is being managed by the PPAF Water Management Center.

+ These do not include sub-schemes initiated under IAUP

Table 3.2: Geographical Distribution of Infrastructure Schemes and Beneficiaries (FY 2000-09)

	Projects*	Beneficiary Households	Beneficiary Population
Punjab	5,574	476,735	3,117,174
NWFP	3,044	270,035	2,018,656
Sindh	2,930	149,961	1,078,660
Balochistan	2,354	105,821	820,129
Others	1302	91247	714484
Grand Total	15,204	1,093,799	7,749,103

* These projects do not include 83 schemes initiated under the Pilot DMPP Project of PPAF-I.

Sanitation, Drinking Water Supply and Communications sectors (Table 3.3). Each sector further constitutes a number of sub-categories. For instance, irrigation sector interventions include a variety of schemes focused on efficient management of water resources ranging from watercourse lining and pipe irrigation projects to irrigation channels and karez rehabilitation. All participating communities are empowered to select the appropriate set of interventions from the above range of options in conformity with their specific needs.

The Unit has ensured that an equitable distribution of resources, particularly focused on the most deprived regions, is made while approving funds for demand responsive community infrastructure assets. For this reason, the geographical distribution of CPI interventions is consistent with the magnitude of regional needs in specific sectors. For instance, while 13 percent of Pakistan's overall population lacks direct access to a drinking water supply source inside their homes, there are marked variations across provinces with Punjab (8%) much better placed than Sindh (16%), NWFP (26%), and Balochistan (45%). Understandably, 80 percent of all CPI interventions in drinking water supply have to date been initiated in the latter three provinces. Similarly, the overall percentage share of rural Sindh, NWFP and Balochistan in terms of total number of schemes has tended to be much higher than their respective population share in the country (Figure 3.1).

The results of these well targeted resource allocations have improved livings standards among marginalized communities. An approximate 4,700 irrigation schemes initiated to date have helped increase agricultural growth through efficient management of water resources, while diversifying income and employment opportunities for the poor. Similarly, CPI

Table 3.3: Geographical Distribution of Infrastructure Schemes by Project Type (FY 2000-09)*

	DWSS	Irrigation	Sanitation	Roads & Bridges	Flood Protection	IAUP+	TIP	Total
Punjab	320	2,810	1,591	795	3	46	9	5,574
NWFP	1,134	390	922	425	83	47	43	3,044
Sindh	2,055	255	189	339	3	20	69	2,930
Balochistan	873	1,118	195	29	73	5	61	2,354
NAs	161	112	13	71	43	7	1	408
AJK	472	6	4	189	-	1	-	672
FATA/ICT	122	5	62	23	-	10	-	222
Grand Total	5,137	4,696	2,976	1,871	205	136	183	15,204

* The table does not include the 83 schemes initiated under the Pilot DMPP of PPAF-I

+ These projects do not include sub-projects initiated under IAUP led interventions in drinking water supply and sanitation have critically decreased the incidence of mortality and morbidity, enabling backward rural communities in far flung areas to enjoy a much healthier and productive life style.

In the reporting period, the Unit initiated work on 2,115 new infrastructure schemes, of which the irrigation sector accounted for 656 schemes, while 441, 569 and 326 schemes were initiated in the sanitation, safe drinking water, and communications sectors, respectively (Figure 3.2). While interventions in the sanitation and irrigation sectors constituted the two largest priority areas during the reporting period, the provision of safe drinking water to poor communities still represents the largest concentration of infrastructure interventions in cumulative terms: DWSS constitute 34 percent of all CPI conventional schemes initiated to date, followed by interventions in the irrigation (31%), sanitation (20%) and communications (12 %) sectors (Figure 3.3).

While the CPI Unit's interventions are constantly increasing in volume and size, its primary focus remains on finding cost efficient and sustainable strategies for meeting community demands. For instance, wind and solar energy technology has been tapped for powering a variety of interventions, including reverse osmosis plants for clean drinking water, solar lights for village electrification and solar pumps

Figure 3.1: Geographical Distribution of CPI Schemes (FY 2000 - 09)

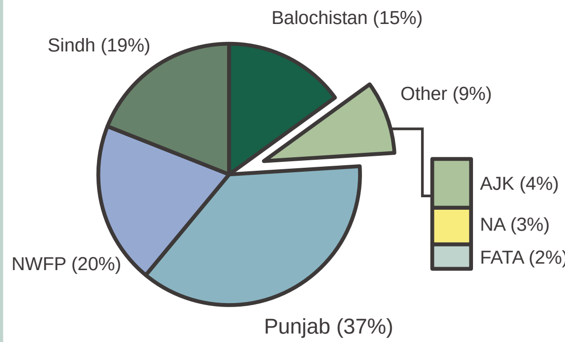


Figure 3.2: Sectoral Distribution of CPI Schemes (FY 2008 - 09)

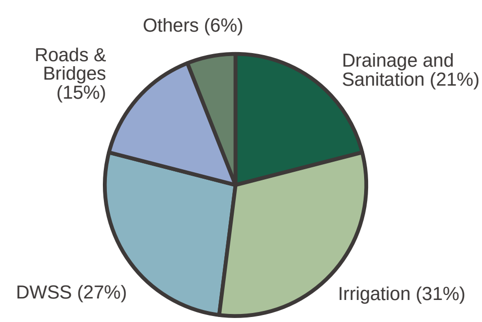
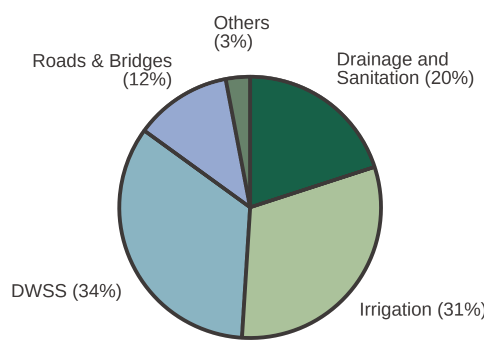


Figure 3.3: Sectoral Distribution of CPI Schemes (FY 2000 - 09)



for irrigation. Simultaneously, the problem of water scarcity in some of the most arid regions of the country is being met through water efficient mechanisms like drip and sprinkler irrigation systems. Further, 26 Micro hydel projects have been completed during the current financial year alone as a sustainable solution to providing electricity in isolated mountain communities currently not connected to the national grid. Such Technological Innovations Projects (TIP) have successfully been introduced in 269 communities at a cost of Rs. 158,369,462 of which the communities have on the average born 18.8 percent of the cost. In addition to stand alone conventional schemes, the Unit has introduced an Integrated Area Upgrading Program (IAUP) to implement a larger number of infrastructure schemes at the village level for dealing more effectively with multiple deprivations. A typical IAUP includes three to six schemes including interventions in drinking water supply, sanitation, communications and irrigation sectors. To date, 136 integrated projects have been initiated at the national level in partnership with 18 Partner Organizations at a cost of Rs. 386,199,134 with participating communities contributing 20.56 percent of the costs.

Box 3.1: Pilot Project: Harnessing Solar Energy

Solar energy offers a clean and viable alternative to communities not connected to the national grid. In Pakistan, with plenty of sunlight available throughout the year, the alternative is particularly feasible. Solar Home Lighting Systems (SHLSs) are highly decentralized and particularly suitable for remote areas with little hope of getting connected to the grid in the near future.

PPAF, in partnership with Indus Earth Trust (IET), initiated a pilot project on SHLSs at village Arab Soomar in the outskirts of Karachi. A total of 15 centralized SHLSs, each benefitting 3 to 5 households, have been installed. Each system consists of a solar module, charge controller, batteries, inverter, pole, wiring and fixtures and energy savers. The community has contributed approximately 10 percent of the total cost of Rs. 1,477,224 and taken charge of maintaining the facility.

The village now has access to an innovative and environment friendly technology that is affordable and easy to maintain. Additionally, the demonstrative effect of the project has led to burgeoning demand for similar projects in other villages and settlements of the area, making electrification of isolated communities in the whole area a not so distant dream.

Community demands for PPAF-supported infrastructure schemes have escalated with time, prompting the Unit to venture out in search of additional financing partners. During the year, the Unit was successful in establishing linkages with the corporate sector to leverage maximum possible resources for the benefit of poor communities. An MoU was signed with ENGRO Chemicals Pakistan for the provision of social sector services, including sanitation facilities on a cost sharing basis at mutually agreed locations. Subsequently, an agreement was signed to initiate schemes for providing better sanitation in two villages of Sindh.

As an integral part of the its mission to provide quality infrastructure assets to the poor, the CPI Unit continued to undertake supervision missions to Partner Organizations and participating communities. Immediate steps were taken to sustainably improve weak service delivery and targeting and monitoring frameworks. For instance, certain field observations indicated the need to further strengthen CPI implementation processes and record keeping practices. In response, the Unit promptly developed standard formats and record keeping guidelines for Partner Organizations and Community Organizations. Simultaneously, a series of workshops to capacitate Partner Organizations in the proper implementation of these guidelines were carried out.

The wide scale destruction following earthquake in October 2005 left hundreds of thousands of people in dire need of immediate relief and rehabilitation. Almost complete destruction of basic infrastructure

Table 3.4: Rehabilitation of Infrastructure Schemes in Earthquake Affected Areas

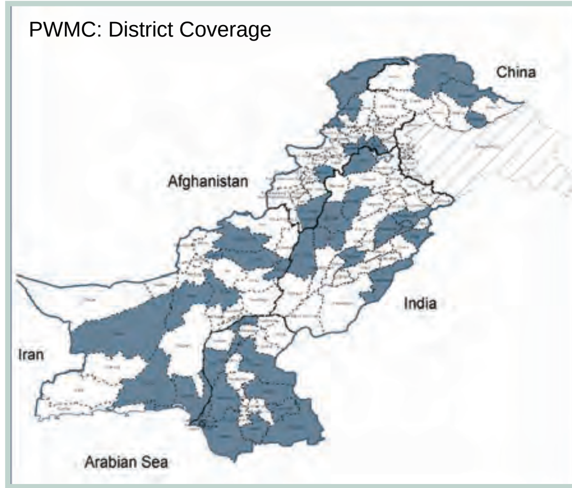
PO	Districts	Projects Initiated	Projects Completed	Cost of Initiated Projects *(Rs.M)*
SRSP	Battagram, Mansehra	386	240	236
NRSP	Bagh, Poonch	91	91	39.79
IRP	Bagh	35	35	12.30
WWOP	Bagh, Poonch	76	76	31.21
Sungi	Abbotabad	48	48	29.76
OAKDF	Abbotabad	16	13	7.1
Total		652	503	356.146

in most parts of the affected region meant that any long term recovery prospects were questionable. The CPI Unit joined PPAF's rehabilitation and reconstruction strategy by facilitating the reconstruction of small scale infrastructure projects including drinking water supply schemes, drainage systems and link roads. Out of the total 652 initiated schemes by the end of the reporting period, the CPI Unit has successfully overseen the completion of 503 infrastructure projects in the affected areas (Table 3.4). The 652 schemes initiated during the period collectively benefited over 43,952 households in the earthquake affected districts.

During the reporting period, the CPI Unit disbursed Rs. 462.9 million to 6 Partner Organizations. A total of 652 additional community organizations were mobilized to take active part in the identification, development and management of PPAF supported infrastructure schemes, while the coverage of PPAF's infrastructure program increased to incorporate 652 new villages/localities.

The Unit's success in provisioning basic infrastructure to poor communities has cumulatively established a vibrant and sustainable agency for empowering the voiceless. Simultaneously, the demonstration of participatory development as a viable strategy for delivering cost efficient infrastructure assets to marginalized communities has won an increasing number of supporters to the cause.

4 – Water Management Center



Over two-third of Pakistan's population lives in rural areas and is directly or indirectly reliant on the agriculture sector, which employs nearly half of the country's work force and accounts for approximately a quarter of the country's GDP. In recent times, growing levels of water scarcity has adversely affected sector growth while inadequate policy responses at the national, sub-national and community level have further stalled prospects of alleviating poverty in the long run. The establishment of PPAF's Water Management Center (PWMC) in anticipation of its eventual growth into a policy, research and technological hub was in recognition of this important overlap between sustainable access to water resources and long term prospects of poverty alleviation in the region.

Box 4.1: PWMC at a glance
Approach
• Strategic Perspectives
• Local Solutions
• Participatory Processes
• Appropriate Technology Applications
Resources
• Efficient Organization Structure
• High Caliber Team of Professionals
• State of the Art GIS Studio
Current Agenda
• Water Sector Strategy Formulation
• Formulation and Implementation of 20 DMPPs
• Implementation of 50 Micro-Hydel Projects
• Implementation of about 200 IWEI Projects
Coverage
All the four provinces, FATA, Northern Areas & AJK

PPAF's comparative advantage in being able to efficiently harness local resources and mobilize indigenous communities for the effective management of cost efficient water infrastructure projects puts it in a unique position to redress the problem of water deficiency at the national level. Conceptually, water is being viewed as an economic and social good that needs to be managed at the lowest possible level with the proactive involvement of consumers at the grassroots. PPAF's demand responsive and community driven approach, as embodied in WMC's mode of operations, reflects this emerging consensus (Box 4.1).

All PWMC interventions prioritize community demands through an institutionalized framework of community participation and decision making. All participating communities are in turn encouraged to function within a coherent organizational structure following clearly defined responsibilities and a transparent set of rules and procedures. The whole process is guided by Community Organizations, which are trained and empowered to make well informed choices on a whole set of issues ranging from the selection of service level, technology, and the location of facilities to the management and maintenance of created infrastructure. The PWMC follows PPAF's traditional methodology of asset provision to communities but also refines these elements to suit its needs, as its interventions typically cover larger project areas and focus more on integrated infrastructure development. For instance, the larger geographical scope of PWMC interventions has necessitated the organization of participating communities into correspondingly larger structures varying from single-tier institutional frameworks to those with nested hierarchies of representative institutions. These include either a single union council level task force or a federation comprising several such task forces.

Simultaneously, all PWMC programs offer holistic solutions through an integrated scheme of diverse interventions usually covering a large number of villages within an objectively defined geographical area. All constituent schemes are complementary and collectively work towards meeting the particular needs of individual community clusters. As such, the mix of constituent schemes varies with region, terrain, and the particular nature of community needs articulated through the multitude of Community Organizations working as representative community forums at the grassroots.

The Drought Mitigation and Preparedness Program (DMPP) is one instance of the Center's integrated approach. Inherited from PPAF's conventional infrastructure program, DMPP was initiated to negotiate severe drought conditions in some of the most adversely affected parts of the country. The Center has successfully built upon the DMPP pilot in Rodh Malazai, Balochistan, through a continuous process of refinement and the incorporation of context specific interventions for better results in other parts of the country with similar conditions. All Drought Mitigation and Preparedness projects cover large drought affected areas with each project spanning one to three union councils and constituting approximately a hundred sub-projects on the average. These typically include delay action/check dams for restoring water balance in addition to meeting the community's domestic and agricultural requirements, interventions for rehabilitating crucial aquifers, schemes aimed at more efficient water management for irrigation along with a variety of other interventions for flood protection, land reclamation, rangeland management and the optimization of cropping patterns.

PWMC has to date initiated work on 25 Drought Mitigation and Preparedness Projects consisting of 1,657 water focused interventions with a cumulative investment of over Rs. 819 million from funding windows made available by the World Bank and the United States Department for Agriculture (USDA). These projects have collectively benefited 1,300 communities in 16 drought affected districts, following integrated strategies aimed at recharging depleted aquifer resources and their efficient exploitation through a variety of water efficient irrigation mechanisms and innovative agricultural methods. All participating communities have experienced a range of tangible and intangible benefits. For instance, the two successful DMPPs in Soon Valley, Punjab, have achieved a 30-40 percent reduction in water losses through the successful operationalization of efficient water conveyance systems, while irrigating an additional 2,500 acres of rain fed area. Already, communities have saved an estimated Rs. 7-10 million in potential cost of diesel engine operated pumps in addition to substantial increments in income from higher agricultural yields.

The Sindh Coastal Areas Development Program (SCAD) is another instance of the Center's focus on integrated development of infrastructure assets. The Sindh coastline has suffered repeatedly from natural disasters including several spells of sea intrusion resulting in the deterioration of basic infrastructure, poor sanitation and large scale migration of resident population. Under SCAD, 561 schemes have so far been initiated in the region including protection works for reducing vulnerability to sea intrusion, improved sanitation and communication facilities as well as the introduction of innovative solutions for provisioning safe drinking water and electricity through tapping renewable sources of energy.

Given the context of multiple vulnerabilities, SCAD incorporates several layers of development initiatives, combining the provision of infrastructure assets with interventions in healthcare, education, livelihood support and the provision of financial services. All of these lead towards the establishment of Rural Growth Centers (RGCs). Following the successful implementation of one RGC at Keti Bander, 17 similar centers have been planned for implementation in the program area.

The program has simultaneously opened up space for greater institutional integration both within PPAF as well as between PPAF Partner Organizations. As various PPAF units develop operational synergies within a single overarching development framework focused on coastal Sindh, PWMC was simultaneously successful in building bridges across Partner Organizations through the Sindh Coastal Areas Development Network

(SCAN). This initiative focuses on bringing the ten participating organizations together on a single platform. The network has been successful in promoting linkages among member organizations through workshops, exchange visits, study tours and regular information sharing.

The advantages inherent in successful institutional networking amongst grassroots service providers have encouraged PWMC to establish similar networks at a much wider scale. For instance, the Center is currently engaged in strategizing the formation of a Pakistan Drought Management Network (PMDN) as a national forum for deliberating policy relevant issues on drought and other water related disasters. Such steps have undoubtedly added weight to PPAF's struggle against poverty by allowing it to act as a focal point for greater generation and dissemination of knowledge on issues relevant to its organizational objectives and vision.

While continuing to support large programs like DMPP and SCAD, as integrated solutions to community problems on a wider scale, the Center has reacted to community demands for comparatively smaller projects with a potentially similar impact on lives and livelihoods. For instance, Integrated Water Efficient Irrigation (IWEI) projects are implemented at the village level for better management of community water resources by combining four to five interventions including sprinkler/drip irrigation, water channels, water course

lining, and conduits. To date, a total of 100 such projects constituting 243 schemes have collectively benefited over 8,200 households with an overall cost of Rs. 198.7 million, of which 20 percent has been contributed by communities.

Similarly, the Center has contributed immensely to the lives of isolated mountain communities in the Northern Areas and Chitral region through a series of small scale Micro/mini Hydroelectric Power Projects (MHPs) addressing cooking, heating and lighting needs of households through sustainable power generation. These projects have benefited 8,000 households in 48 mountain villages at a cost of Rs. 308.20 million. The latter investments have revolutionized the lifestyle of beneficiary households that were previously without electricity (Box 4.2).

To date, PWMC interventions have benefited over 324,000 households in approximately 1,700 communities across Pakistan (Table 4.1). DMPP and Integrated Water

Box 4.2: Transforming Lives and Lifestyles: Micro/mini hydro-electric Power Projects

Better Lighting, Cooking and Heating: Access to electricity has transformed old and cumbersome ways of lighting, heating and cooking. Electric bulbs, heaters, geysers, electric butter churners, electric stoves with chimneys etc. have to a large extent supplanted kerosene lanterns, oil lamps and traditional stoves. In essence, there has been a sudden transformation toward a more healthy and comfortable lifestyle.

Stimulating Local Economy: The availability of electricity in remote mountain areas is stimulating the local economy by increasing aggregate demand for goods and services and adding more value to the tourism industry. Additionally, the changing patterns of consumption is creating space for greater employment opportunities in an increasingly diversified market, reducing levels of poverty and deprivation in the long run.

Enhancing Income and Savings: Electricity directly contributes to higher levels of incomes and savings by increasing productive time and reducing unproductive expenditures. By reducing valuable time spent on laborious household chores (washing, ironing, cleaning, etc.) during the day and providing extra light hours during the night, women are contributing more meaningfully to household incomes by devoting more time to producing saleable homemade products including traditional cloth, caps, woolen socks, gloves, shirts, mufflers, etc. Similarly, household savings have increased by minimizing the use of expensive kerosene oil and natural gas for lighting.

Improving Health and Education Status: The health status of households has improved drastically with a corresponding decrease in indoor smoke pollution caused by an almost complete reliance on fuel wood and kerosene for cooking, heating and lighting. In addition to a decrease in respiratory diseases, weaving and knitting in better light has further reduced the incidence of eye related ailments. Similarly, the risk of scorpion bites has reduced sharply, while it has become easier to clearly spot other harmful insects like centipedes and spiders. Refrigeration has further improved health status by helping to diversify diet throughout the year. Additionally, it has promoted better healthcare by making sterilization of medical equipment and the refrigeration of vaccines, medicines and specimens possible.

Simultaneously, electricity has a direct impact on the educational status of the new generation. Not only do children have more study hours, the girl child benefits more as less time is wasted on previously labor intensive household chores made easy by the use of electrical appliances. Moreover, electricity has also made it more attractive for good teachers and health practitioners to come to these areas, vastly improving access to a good education and better healthcare.

Better Access to Information: Electricity has further provided communication benefits – e.g. computer connections, radios, TV, cassette players, weather forecasts and general connection with the outside world.

A Cleaner Environment: Reduced emissions of green house gases resulting from the restricted use of firewood and fossil fuels will have positive impact on the environment, reduce deforestation, and help in safeguarding natural habitats of rare plant and animal species.

Resource Management (IWRM) projects constitute the largest share in PWMC beneficiaries. IWRM projects are a hybrid of DMPP and all other PWMC interventions and cover a large number of communities spread over several villages. Together, DMPP and IWRM interventions constitute approximately 56 percent of allocated PWMC funds, 75 percent of PWMC supported sub-projects and 86 percent of the households benefitting from PWMC indicators. Another landmark in PWMC is the Second Generation Interventions in DMPP areas. These interventions focus on softer side of the DMPPs like awareness raising, rangeland management, watershed management, cropping patterns, market linkages, etc. Two of the three IWRM interventions are located in the Northern Areas, benefitting 34% of the Center's total beneficiary households (Table 4.2). The rest of PWMC beneficiaries are largely distributed equally in NWFP (20%), Punjab (21%) and Sindh (18%). Balochistan constitutes 6 percent of the beneficiaries (Figure 4.1& 4.2).

Equipped with state of the art technologies including satellite imagery and geographical information system for better identification, formulation and implementation of holistic solutions, the Center has simultaneously established increased levels of coordination with national institutions such as SUPARCO, Geographical Survey of Pakistan and the Metrological Department etc to effectively address issues in drought mitigation and water resource management.

The Center has contributed meaningfully

Table 4.1: Distribution of Projects by Allocated Funds and Beneficiaries

Programme Category	Funds Allocated (Rs. Million)	Funds Disbursed (Rs. Million)	Number of Projects	Sub Projects	Coverage (Villages)	Beneficiaries HHs
DMPP/IWRM	1,029.05	819.42	25	1,657	1,199	272,185
IWEIP	198.70	139.45	100	243	100	8,247
MHDP	308.20	214.95	39	39	48	12,319
SCAD	256.10	208.14	358	561	358	29,157
SGI	55.00	34.50	7	13	13	2,201
Grand Total	1,847.05	1,416.46	529	2,513	1,718	324,109

Table 4.2: Beneficiaries by Province / Area

	Number of Sub-Projects	Coverage (Villages)	Beneficiary HHs
Balochistan	496	400	20,476
FATA	23	23	596
NAs	141	133	110,305
NWFP	273	212	65,703
Punjab	666	301	67,709
Sindh	915	649	57,320
Grand Total	2,513	1,718	324,109

Figure 4.1: DIstribution of Funds Disbursed (Rs.m)

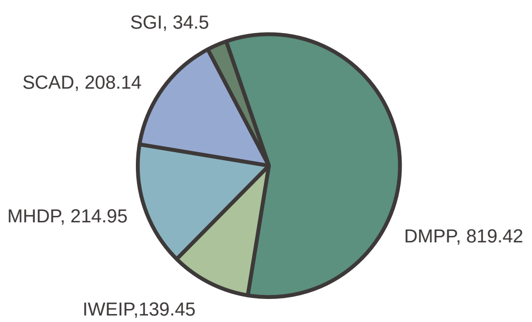
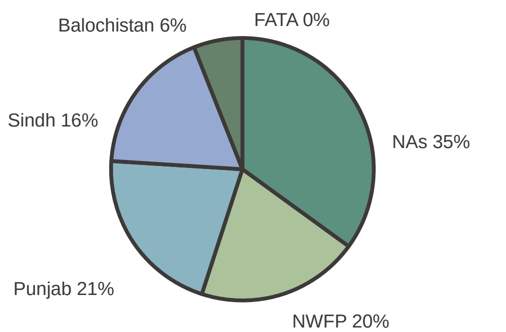


Figure 4.2: Beneficiary Households by Province



to the welfare of participating communities through provisioning need based water related infrastructure within a sustainable, holistic and participatory framework of grassroots development. Its integrated approach has helped enhance employment opportunities, assuage health burdens, and reduce vulnerabilities to seasonal shocks for a large number of poor households, who have simultaneously been mobilized and capacitated to work effectively for the continued empowerment of their households and communities.

On behalf of the South Asia Earthquake Relief Fund (SAERF), Committee Encouraging

Corporate Philanthropy (CECP) provided PPAF a grant of USD 12 million for the construction and post operation of 16 health and education facilities in the two earthquake affected territories (NWFP and AJK) of Pakistan. The overall project objectives include;

- Following the theme of 'Build-Back-Better' in reconstruction, refurbishing and operation and management to put in place better than pre-earthquake facilities
- Ensuring seismic stability of all structures in conformity with ERRA guidelines and relevant international building codes
- Providing equal opportunity to all school age boys and girls for quality education, up to a secondary level
- Providing access to primary and secondary health care facilities to the entire population of the project union councils
- Ensuring sustainability of all facilities by formulating BOT (Build Operate Transfer) mechanism

5 – Health and Education

A variety of credible research undertaken in a variety of contexts suggests that the correlation between educational attainment, good health and welfare is a positive one. Additionally, these linkages exist at multiple levels and affect several dimensions of individual and household welfare including income, productivity, consumption and gender equity in resource distribution. PPAF's interventions in basic education and healthcare are thus part of an integrated and holistic poverty focused strategy for affecting meaningful change at the grassroots.

H&E: District Coverage

The Health and Education (H&E) Unit strives to provide poor communities with access to quality health and education services through PPAF's Social Sector Development Program (SSDP). The latter subsumes the establishment of schools and community health centers in areas lacking such services, in addition to the adoption of underperforming health and education facilities in the public sector.

Gains from educational attainment and medical treatment are mutually reinforcing and have reciprocal positive externalities. Not only does prenatal care and vaccination lead to better health outcomes for children, it also affects their performance in school and future income earning potential. Similarly, a mother's education level has been found to be positively correlated with the health status of her children. If these conditions are not met, these linkages have been found to work in the opposite direction as illiterate parentage, on average, leads to less healthy children who generally experience late enrolments, bad educational performance and early dropout from schools. This, in turn, leads to a much lower income earning potential and a higher probability of persisting in poverty.

Gender gaps in education and health indicators are particularly disconcerting and markedly higher amongst the lower income groups for all regions and provinces of Pakistan. For PPAF, bridging the gender divide in the provision of health and education services is of immediate priority. While approximately 65 percent of PPAF's health sector beneficiaries in the current financial year were female, the latter constitute 52% of currently enrolled children in PPAF financed schools (Figure 5.1). Increasing education levels of women are generally seen as directly proportional to decreasing levels of maternal and child mortality, lower fertility, higher use of contraception, better child nutrition, a lower incidence of early marriages and a greater willingness to use medical services.

PPAF interventions in the health sector focus more directly on affecting the above outcomes. During the current financial year, PPAF supported health facilities in the private and public sectors administered over 23,000 vaccinations, dealt with over 18,000 cases of maternal care and provided OPD services to approximately 129,000 adult patients and almost 62,000 patients under the age of 18 (Table 5.1).

Gender disparities in the actual take up of medical facilities is largely a function of socio-cultural constraints that are more widely prevalent in rural areas, particularly in the highly conservative pockets of Balochistan, NWFP, and FATA. Despite the highly restrictive environment, PPAF Partner Organizations in these areas have managed to operate successfully in the face of traditional hostilities. In Balochistan, 95% beneficiaries of the four community health centers were women (Figure 5.2). Similarly,

Figure 5.1: Gender Ratio in Beneficiaries by Sector and Type of Intervention-Cumulative

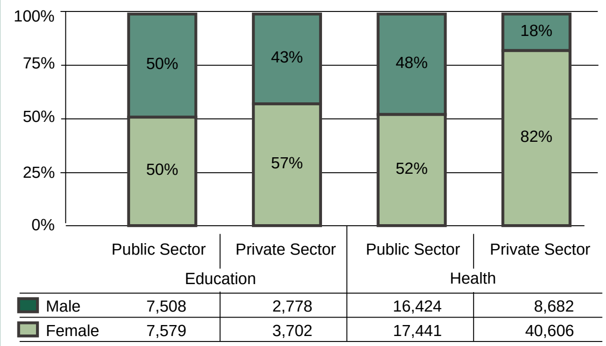


Figure 5.2: Health Beneficiaries by Gender and Province

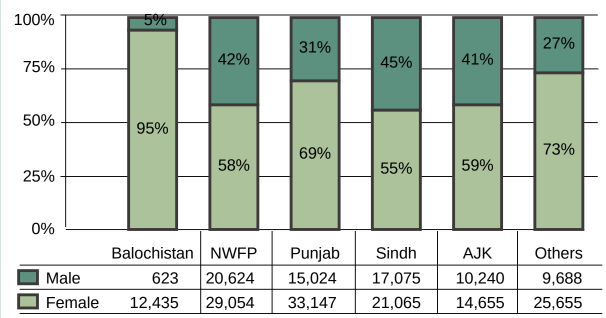
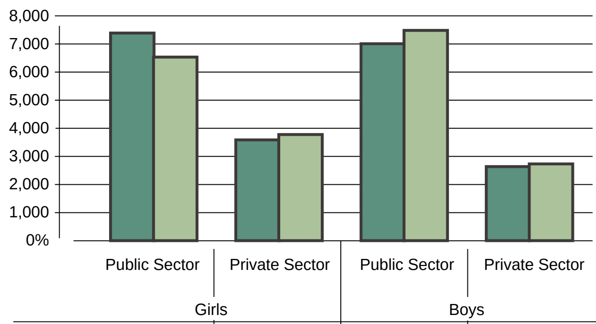


Table 5.1: Beneficiaries by Province / Area

	OPD (Over 18)	OPD (Under 18)	Maternal Care	Vaccinations	Total
Punjab	31,128	11,933	5,110	1,363	49,534
Sindh	23,776	11,260	3,104	8,548	46,688
NWFP	27,238	18,850	3,590	3,211	52,889
Balochistan	12,001	557	500	0	13,058
AJK	16,085	7,642	1,168	5,921	30,816
FANA	12,170	5,549	4,100	3,573	25,392
FATA	5,534	6,073	444	483	12,534
Federal Territory	1,280	113	80	76	1,549
Grand Total	129,212	61,977	18,096	23,175	232,460

Figure 5.3: Gender Ratio in Beneficiaries by Sector and Type of Intervention-Year on year



	Girls: Public Sector	Girls: Private Sector	Boys: Public Sector	Boys: Private Sector
JUN 08	6,576	3,627	7,000	2,682
JUN 09	7,579	3,702	7,508	2,778

women constituted approximately 60% beneficiaries of the two health centers in the highly conservative Khyber Agency, where restrictions on the mobility of women are particularly strict.

Enrolment in PPAF-supported education facilities has grown by 8 percent over the last financial year. Moreover, the growth has affected a higher ratio of girl students, particularly in the public sector: compared to boys. Twice as many girl students as boys were enrolled in PPAF's adopted public sector facilities during the current financial year (Figure 5.1 and 5.3). At the end of the period under review, 3,702 girls and 2,778 boys were enrolled in PPAF supported private sector facilities, while another 7,579 girls and 7,508 boys were enrolled in the public sector supported facilities.

All in all, PPAF is currently financing a total of 146 schools (public sector 95; private sector 51) and 57 health facilities (public sector 15; private sector 42). All these are located within marginalized communities and cater to the basic health and education needs of the poorest segments of the society. For instance, 46 out of the 64 adopted education facilities in Punjab are located in the Rahim Yar Khan and Bahawalpur districts. These are amongst the educationally deprived areas of the province in terms of indicators such as adult illiteracy, children out of school and gender disparities in educational attainment (Table 5.2). Similarly, PPAF supported education facilities in Jamshoro (public sector 11; private sector 7), Sanghar (private sector 9), Khairpur (public sector 3; private sector 6) and Thatta (public sector 3) cater to some of the most deprived areas of the province: Nara taluka in Khairpur, Keti Bandar in Thatta, Shahdadpur taluka in Sanghar, and Sehwan and Manjhand talukas in Jamshoro.

Table 5.2: Social Sector Interventions by Province				
	Education		Health	
	Public Sector	Private Sector	Public Sector	Private Sector
Punjab	64	18	-	10
Sindh	18	24	8	5
NWFP	6	2	3	5
Balochistan	-	2	-	4
AJK	6	-	4	-
FANA	-	-	-	14
FATA	-	5	-	2
Federal Territory	1	-	-	2
Total	95	51	15	42

As part of PPAF's massive reconstruction and rehabilitation effort in the earthquake affected areas, three Partner Organizations were contracted to reconstruct selected health and education facilities in AJK and northern NWFP. With financial support from CECP, which awarded PPAF US$ 12 million from its South Asia Earthquake Relief Fund (SAERF), the task of reconstructing sixteen facilities, two primary and three high schools for girls, three primary and two high schools for boys, two rural health centers and four basic health units, was initiated in March 2007. By the end of the reporting year, work on all the above facilities had been successfully completed. The implementing Partner Organizations have worked tirelessly to develop state-of-the-art institutions equipped with requisite equipment and facilities for quality service delivery. BHU's have labour rooms, pharmacies, laboratories, facilities for safe delivery and quality OPD services, while schools are equipped with physics, chemistry, and biology laboratories, computers, tuck shops, playgrounds and other recreation facilities.

PPAF social sector interventions prioritize quality control through a layered monitoring framework involving both Partner Organizations and communities. The latter are empowered to influence decision making in critical areas of management and supervision through community based health and education management committees. These committees are mandated to identify gaps in service delivery and suggest proposals for their improvement. During the period under review, 46 health committees and 146 education committees were further strengthened in PPAF supported private sector facilities and adopted public sector institutions. With an eye on maximizing the potential of these Committees, regular capacity building sessions are conducted to equip the latter with requisite skills and knowledge for effective implementation of a vigorous monitoring and supervision structure at the community level.

The quality of service delivery is further ensured through capacity building events organized for the staff of PPAF supported schools and CHCs. In the health sector, these events cover training in subjects like hygiene, counselling, mother-child and reproductive health, balanced diet, family planning, immunization, communicable and non-communicable diseases, safe motherhood and infant care. Similarly, teachers in PPAF-supported schools are regularly provided with opportunities to attend subject specific refresher courses. They are further trained in the development of child responsive teaching methodologies, which are complemented by capacity building sessions in syllabus and classroom management, lessons planning, development of teaching material and phonics. In both sectors, additional training sessions on record keeping, planning and management issues are conducted to develop administrative skills necessary for operational efficiency in all PPAF sponsored social sector interventions.

By the end of the reporting year, H&E Unit has cumulatively sanctioned disbursements of over Rs. 238.6 million in the education sector through 12 Partner Organizations and approximately Rs. 145.6 million through 14 Partner Organizations in the health sector under funding made available by the World Bank. Similarly, another Rs. 624.68 million has been sanctioned under CECP funds for the effective operationalization of reconstructed Health and Education facilities in earthquake affected areas.

The SSDP has grown in stature over the

years into an innovative model of service delivery at the grassroots. By empowering communities with a meaningful role in service delivery, PPAF has managed to ensure transparency and accountability within a natural demand responsive structure of governance.

6 – Human and Institutional Development

The Human & Institutional Development (HID) Unit has evolved into an apex training outfit with an agenda of building capacities for effective long term poverty alleviation at the national level. Following the successful restructuring of the Unit, the scope of its operations has expanded to include a host of new and exciting activities. These range from establishing nationwide networks of civil society organizations to creating sustainable linkages with academia, for leveraging quality poverty focussed research in policy planning and implementation.

HID: District Coverage

The restructured HID Unit is composed of two complementary sub units: a core sub-unit and an extension sub-unit. The core Unit's mandate is to institutionalize an efficient capacity building framework for serving PPAF's internal clients and Partner Organizations, while the extension sub-unit is geared towards engaging macro, mezzo and micro level institutions for meaningful contributions to poverty reduction and grassroots development.

As the leading private sector national apex organization with the distinction of delivering the largest quantum of development funds at the grassroots, PPAF is uniquely placed to drive the agenda for reform on a whole set of relevant strategic themes. These include conceptual constraints and methodological weaknesses in the planning and implementation of development strategies, respectively. While effectively demonstrating a viable operational framework for grassroots development, PPAF is increasingly focussing on transforming mindsets to maximize the potential of existing and latent human and financial capital for the benefit of the poor.

As a first step, the Unit has focussed on strengthening PPAF's internal learning structures to further consolidate it as a thinking organization. A series of innovative ideas have been explored and implemented: including regular short seminars and the distinguished speaker series. Each of these provide PPAF, its PO staff, and participants from other stakeholders with opportunities to meaningfully engage each other as well as interact with eminent speakers from diverse fields and of varied expertise on a host of relevant issues. The speakers in the distinguished speaker series included Mr. Sartaj Aziz (Food Security), Mr. Fazle Hasan Abid of BRAC Bangladesh(Innovative Approaches to Development), Mr. Shafiqul Haque Chaudhary of ASA, Bangladesh, Mr. Shoaib Sultan of RSPN (Development Experiences in the Northern Areas) and Ms. Roshan-e-Zafar of Kashf (Microfinance).

Similarly, a monthly e-magazine – Know Bites – has been developed to disseminate information on a range of topics directly or indirectly related to PPAF's scope of work including rights, gender, teamwork, effective communication, creative thinking, etc. These have in turn impacted institutional norms by creating space for a continuous learning process through constructive dialogue and debate.

The Unit's objective of poverty alleviation through changing mindsets involves a constructive engagement with a broad set of other stakeholders including Partner Organizations, Government agencies and departments, universities, regulatory financial sector institutions, corporate sector entities and the media. For instance, the Unit plans to establish linkages with universities to develop poverty focussed course modules for inclusion in curricula at the undergraduate and graduate level, while initiating collaborative research in relevant fields. Simultaneously, focussed efforts are planned to initiate greater student interest through a range of innovative tools including essay writing and quiz competitions, debates and summer camps. Such linkages with academia will, undoubtedly, foster better prospects of wide ranging research on hitherto under explored areas of academic enquiry while providing empirical insights for better policy initiatives. While preparing the grounds for better future research, the HID Unit is also aware of the need to disseminate existing knowledge and has arranged an on-going series of conferences at the national and international level.

This will allow distinguished speakers from home and abroad to share knowledge with a wide array of practitioners, academicians and decision makers. Further, the Unit plans to reach out to the broadest possible audience by focussing more on the print and electronic media for effectively mainstreaming the agenda for grassroots development and poverty alleviation.

The HID Unit has signed a Memorandum of Understanding with a number of well renowned organizations called "Professional Services Providers" for the provision of training, consulting, survey and research for PPAF and its Partner Organizations.

These organizations will bring the depth and the state of the art tools and techniques that are regularly needed by the staff of our Partner Organizations to operate effectively.

Strategic Reviews of 10 Partner Organizations have been planned for the fiscal year 2009-2010 to help identify system gaps of these organizations with a view to help them fill the gaps and become more effective at delivering the project requirements.

As part of its routine activities, HID continued to appraise training needs and facilitate disbursement of grant funds to Partner Organizations. Particularly, the Unit's support for delivering sustainable microfinance services at the grassroots has been critical in the development of a skilled human resource base at the community and PO level. This has fundamentally driven the sector forward by fuelling additional demand for microfinance services, while making supply lines more efficient for optimal growth in the sector. During the year, 40,741 community members including 14,559 women were trained with PPAF financial and technical support in fields ranging from Agricultural and Livestock Management to Enterprise Development and Vocational Skills. Similarly, 1,308 staff members from Partner Organizations attended PPAF-supported training sessions on diverse subjects including community mobilization, credit appraisal, loan portfolio management, delinquency management and interest rate setting (Figure 6.1).

Figure 6.1: Annual Community Training Beneficiaries

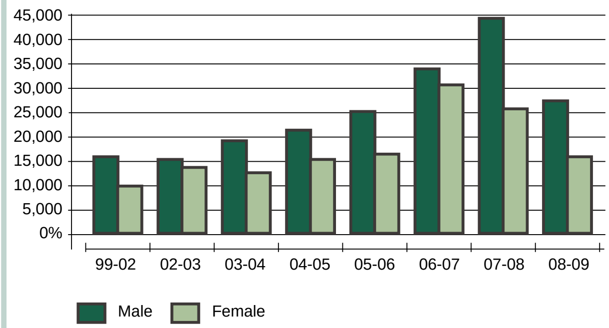


Figure 6.2: Annual Training Grant in Support of Credit Facility

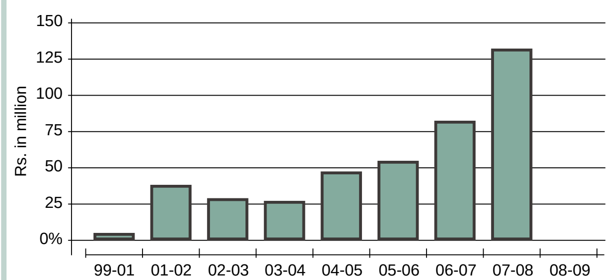
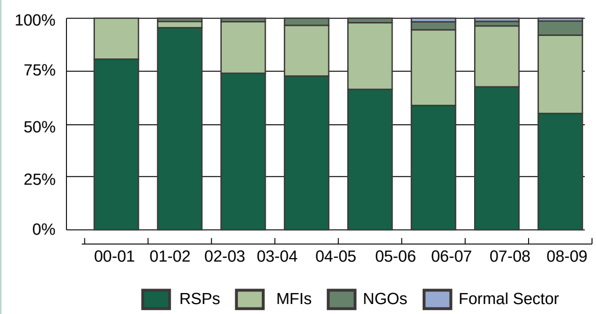


Figure 6.3: Training Grant in Support of Credit Facility by PO Type



The decline in annual community and staff training beneficiaries in the reporting financial year compared to the previous year is due to the reduced allocation of training grants, which fell from Rs. 131.93 million in FY 2007-08 to Rs. 55.3 million in FY 2008-09 (Figure 6.2). This is a temporary trend primarily driven by the closure of the PPAF-II Project in the last financial year. As the PPAF-III project takes off, these numbers are expected to increase substantially over the next few years.

HID has disbursed Rs. 539.13 million in cumulative training grants to Partner Organizations over the last 9 years. These funds have collectively led to the effective capacity building of 320,342 community members and 13,028 staff of Partner Organizations. As can be seen from Figure 6.3, share of bigger Partner Organizations (RSPs) in the training grant has been declining over time.

In addition to capacitating participating communities and staff of Partner Organizations, the Unit has in place a regular mechanism for focused capacity building of enterprising individuals through routine internship programs. For instance, HID has in the past run a Junior Professionals (JP) program designed to support a six months training period for university graduates in selected Partner Organizations, which could then take up their services as permanent employees. Similarly, the Unit

continues to run a successful internship program for young graduates who receive field attachments with Partner Organizations for a three month period, following intensive one month training within the Unit.

Similarly, the IFAD-funded Young Professionals Scheme (YPS) provides young people from poor rural households the opportunity to join PPAF's current internship program, with an additional provision for supporting a further eight months attachment to a Partner Organization on the latter's request. Under YPS, three batches constituting 67 internees completed training with the Unit during the year, with 55 Young Professionals successfully moving to complete field attachments with Partner Organizations. Such assistance greatly facilitates Partner Organizations suffering from a high turnover rate resulting from industry growth. Four batches, each comprising of 22 interns, are planned for the fiscal year 2009-10.

A special internship program for graduates of Balochistan (Balochistan Internship Training Program) was launched in 2009 to contribute towards fulfilling the acute shortage of trained human resource in the development sector. Twenty interns benefited from this program.

While striving to adequately meet the human resource requirements of Partner Organizations through grant transfers and training needs assessment exercises, the Unit also focuses on developing institutional structures by leading strategic planning and systems development exercises. Additionally, it conducts random spot checks of training events at regular intervals to ensure the quality of PPAF supported capacity building events. These activities have collectively ensured the quality of training portfolios.

The Unit seeks to complement its focus on building human and institutional capital of PPAF's PO's with a more holistic exercise designed to establish long term institutional links through establishing effective networks at the provincial level. For this purpose, the Unit plans to hold annual events providing Partner Organizations with opportunities to share knowledge and discuss best practices in social mobilization, microfinance, entrepreneurship, sustainable livelihoods and grassroots development.

7 – Rehabilitation and Reconstruction

Despite the enormous challenges of the post-earthquake scenario in 2005, Rehabilitation and Reconstruction (R&R) Unit has successfully completed major operations in the affected zone with distinction and a level of professionalism acknowledged by all stakeholders. The success has reinforced PPAF's stature as an efficient framework for delivering development funds to disadvantaged communities with the tested ability to design and implement effective strategies in a variety of socio-economic contexts and disaster situations.

PPAF's relief efforts, which were initially coordinated through a Disaster Management Center in the immediate aftermath of the catastrophe, the R & R Unit was a logical extension of these efforts, made possible with generous financial support from a diverse set of donor organizations including the World Bank, Development Bank of Germany (KfW), International Fund for Agricultural Development (IFAD) and the Committee for Encouraging Corporate Philanthropy (CECP). The Unit was made responsible for delivering a multifaceted large scale program aimed at the rehabilitation of livelihoods and the reconstruction of destroyed housing Units, small scale community infrastructure schemes, health units and educational institutions. Additionally, focussed interventions including capacity building of house owners, indigenous labour and grassroots service delivery organizations were initiated to support PPAF's reconstruction program while concentrated efforts were undertaken to prioritize and address the special needs of people with disabilities and other vulnerable sub groups.

The Earthquake Reconstruction and Rehabilitation Authority (ERRA) of the Government of Pakistan assigned 34 union councils in five affected districts to PPAF's R&R Project. With an overall financial outlay of US$ 298 million, it was by far the largest private sector Reconstruction and Rehabilitation Project of its kind in the earthquake affected region with housing reconstruction accounting for US$ 227.18 million (76 percent) of the funds (Table 7.1). In addition, approximately US$ 32 million were allocated for the reconstruction of non-housing infrastructure including schools, rural health centres, community centres, drinking water supply schemes, link roads and sanitation facilities. Further, a sum of US$ 3 million was set aside for provisioning livestock assets to vulnerable households while another US$ 5 million were allocated for the rehabilitation of People with Disabilities (PWDs).

For effective implementation of the R&R project, PPAF selected and assigned responsibilities to six Partner Organizations on the basis of a clearly laid out criteria prioritizing organizational capacity and pre-earthquake operational presence in the region. Accordingly, National Rural Support Programme (NRSP) in AJK and the Sarhad Rural Support Programme (SRSP) in NWFP

Table 7.1: PPAF Donor-wise Allocation of Funds *(US$ million)*

	WB	IFAD	KFW	CECP	Total
Housing Reconstruction	198	17.51	11.67	-	227.18
Small Scale Physical Infrastructure	16	1.67	.75	-	18.42
Community Buildings	4	-	-	-	4
Community Health Centers	-	-	-	3.27	3.27
Rural Health Center	-	-	-	1.29	1.29
Schools	-	-	-	4.76	4.76
Livestock Assets	-	3	-	-	3
Operational and Training Support (PPAF)	5	0.72	0.86	-	6.58
Operational and Training Support (POs)	15	1.9	1.42	1.39	19.71
Consultancy	-	-	0.6	0.37	0.97
Contingencies	-	1.57	1.5	0.93	4
Disability Project	5	-	-	-	5
	243	26.37	16.8	12	298.17

were assigned larger project areas than the other four Partner Organizations, i.e. Islamic Relief (IR), Sungi Development Foundation (SDF), Omar Asghar Khan Development Foundation (OAKDF) and Women Welfare Organization, Poonch (WWOP).

The project area had suffered immeasurable losses in terms of lives, livelihoods and infrastructure. The first challenge facing PPAF and its Partner Organizations was to thoroughly and fairly assess the extent of damage. For this, an extensive capacity building program had to be launched to train relevant PO staff. Initially, damage assessment training workshops were conducted to familiarize participants with seismically safe housing models and construction techniques in addition to developing their skills in damage identification and data collection. Subsequently, a total of 110 Social Mobilization Teams (SMTs) were formed for conducting the damage assessment exercise. The success of the project is largely owed to the dedication and resourcefulness of these teams, who worked in adverse circumstances to meet challenging targets in a short span of time while adhering unwaveringly to prescribed standards of assessment.

Overall, more than 122,000 housing structures were successfully documented for prospective funds allocation. Each assessed house was placed into one of the following three categories in accordance with standardized criteria: Completely Destroyed (CD), Partially Damaged (PD) and Non-Structural Damage (NSD). The subsequent transfer of funds followed guidelines issued by the ERRA, with a single instalment of Rs. 50,000 for each household with a partially destroyed housing structure and Rs. 150,000 for each household with a completely destroyed housing structure. For the latter category, funds were transferred in three instalments of Rs. 75,000, Rs. 25,000 and Rs. 50,000 each at different stages of housing reconstruction following spot checks by qualified engineers ensuring adherence to pre-defined construction designs.

The objective of building seismically safe housing units could not have been achieved without a massive campaign to raise awareness at the community level and the transfer of requisite construction skills to the labor force. There was a complete dearth of indigenous expertise in building seismically safe housing structures, while the general population was largely indifferent to the viability of earthquake resistant building techniques and structural models.

Following damage assessment, SMTs were reorganized to train craftsmen and orient house owners at the grassroots. While one SMT in each Union Council operated as a CTU, others worked as Mobile Training Teams (MTTs) with the responsibility to orient house owners in earthquake resistant techniques at their doorstep. The over 2,100 community sessions conducted by MTTs within communities were decisive in spreading awareness and readiness to strictly follow earthquake resistant construction codes and designs.

The vulnerable including widows, orphans, elderly and the disabled were granted careful consideration in the project design (Box 7.1). This is manifested in the distribution of livestock assets, as well as in the development of participatory

Community Action Plans (CAPs) for assisting vulnerable households during housing reconstruction.

The World Bank-financed Disability Project seeks to improve quality of life for persons with disabilities (PWDs) and their families through targeted interventions ensuring better mobility, improved health and increased participation in community life. The project is designed to support a whole range of activities from raising community awareness and provisioning quality rehabilitative services to sensitization and capacity building programs aimed at Project staff, communities and service providers.

By the end of the reporting period, PPAF had successfully disbursed over Rs. 15,700 million as grants for reconstructing destroyed housing units, while another Rs. 522.92 million had been disbursed for the reconstruction of community infrastructure including drinking water schemes, link roads and sanitation facilities

(Table 7.2). Similarly, substantive grant funds have been transferred to Partner Organizations for the development of health and education facilities (Rs. 624 million) in addition to funds allocated specifically for meeting their operational and training requirements.

PPAF had affected and managed overall disbursement of almost Rs. 16 billion for housing reconstruction to 121, 787 affected houses with completely destroyed or partially damaged housing structures (111,638 completely destroyed; 10,149 partially damaged) by the end of the reporting period (Table 7.3).

The R&R Project was a monumental undertaking and perhaps the most challenging task ever taken up by PPAF and its partners. Although PPAF and its partners had prior experience of working in areas hit by natural calamities like droughts and floods, their human resources and institutional capacities had never been tested as seriously as in the aftermath of the October 2005 earthquake. Never before

had civil society organizations accomplished a project so extensive in scope in extremely difficult terrain and within a very tight timeframe. It turned out to be a unique learning experience, capacitating grassroots organizations and field staff with invaluable skills in dealing with adverse circumstances. It also helped them to revisit organizational procedures for addressing urgent problems more expeditiously.

Table 7.2: Funding to POs (as of June 2009) *(Rs. million)*

	Geographical Area	Housing	Infrastructure	Health and Education	Operational & Training Grant*	Total
SRSP	15 UCs (NWFP)	7,661.03	361.37	-	351.68	8,374.08
NRSP	12 UCs (AJK)	5,102.43	51.77	163.08	170.07	5,487.35
IR	4 UCs (AJK)	1,751.80	16.29	-	89.02	1,857.11
SUNGI	2 UCs (NWFP)	714.45	40.58	-	44.65	799.68
OAKDF	1 UC (NWFP)	506.33	11.78	-	31.75	549.86
WWOP	1 Rev. Village (AJK)	49.40	41.13	-	9.07	99.61
MGPO	-	-	-	282.75	-	282.75
CUP	-	-	-	178.86	-	178.86
Total	-	15,785.43	522.92	624.69	696.24	17,629.30

* This does not include Rupees 16.572 million in additional costs disbursed for fulfilling training requirements in the affected areas, e.g. Disaster Management Trainings, GSPs etc.

Table 7.3: Funding to Households - Housing (as of June 30, 2009)				
	Processed Cases			Disbursement to Affectees *(Rs. in million)*
	CD	PD	Total	
SRSP	56,501	4,331	60,832	5,573.60
NRSP	35,075	1,927	37,002	3,997.18
IR	12,006	259	12,265	1,247.00
SUNGI	4,149	2,334	6,483	516.43
OAKDF	3,561	1,176	4,737	392.15
WWOP	346	122	468	40.75
Total	111,638	10,149	121,787	11,767.10

Box 7.1: Earthquake Disability Project

The project aimed at improving quality of life for persons with disabilities (PWDs) and their families through targeted interventions ensuring better mobility, improved health and increased participation in community life, while supporting a whole range of activities from raising community awareness and provisioning quality rehabilitative services to sensitization and capacity building programs aimed at project staff, communities and service providers.

As the main component of the disability project, Community Based Rehabilitation (CBR) targets PWDs, their families and communities through community based activities designed to help raise awareness and facilitate increased community participation for PWDs. The CBR approach further aimed at provisioning basic rehabilitative disability services at the community level through professionals, volunteers, trained community organizers and specialized service providers/institutions. These services included medical treatment, physical rehabilitation, provision of prosthetics and other aids, psycho-social counselling and other specialized services. Key activities under this component include needs assessment and identification with people with disabilities; formulation and realization of individual rehabilitation plans; mapping and capacity assessment of service providers for prospective referral of PWDs; monitoring quality of rehabilitation services; and mobilization, social integration and empowerment through information, education and communication (IEC).

8 – Social Mobilization

The development process in Pakistan needs to be more efficient, cost effective and better targeted towards the economic development priorities of the country.

Unfortunately, the progress in welfare indicators is both insufficient and asymmetric across different regions of the country. International evidence suggests that a bottom up rather than a top down approach is more effective in addressing development issues and problems at local level. The top down or supply driven approach generally lacks context and perspective, and tends to ignore specific needs and preferences of individuals and households. Even when such needs are supposedly addressed, poor implementation and ineffective monitoring results in diluted benefits.

For the past decade, PPAF has followed an inclusive development strategy through its Partner Organizations. This approach prioritizes community needs within an inclusive framework of community mobilization under which it seeks to mainstream the poor, vulnerable and the marginalized into the overall development process. It makes appropriate adjustments to suit the peculiarities of socio-cultural environment, terrain and type of intervention.

In view of the urgent need to upscale social mobilization processes with greater outreach and coverage at the grassroots, PPAF has successfully launched a focused project on social mobilization with assistance from the World Bank. The Project plans to utilize US$75 million for this purpose while a new Social Mobilization (SM) Unit has been successfully initiated with the mandate to appraise partners, allocate funds, and monitor progress of partners in mobilizing communities.

SM: District Coverage

The project focuses on the formation of 50,000 additional Community Organizations (COs), with their subsequent organization into higher level institutions at the village and union council level. These institutions have been adequately facilitated and capacitated to manage need based development initiatives through a transparent, equitable, inclusive and accountable process. Approximately one million households (rural/semi-rural) will be organized into COs in 25 of the poorest districts of the country (Box 8.1). The selection of the project area was carefully undertaken on the basis of credible independent sources reflecting lower levels of welfare and development in the selected districts. The rationale for going into a select number of districts is based on the national and international experience that concentrated development of an area brings about greater synergies in a shorter period of time and with lesser resources.

The project aims at federating COs into Local Support Organizations (LSOs) at the union council level while subsequently fostering institutional linkages with entities and development programs in the private and public sectors (Box 8.2).

Box 8.1: Social Mobilization Project: Outreach

The project was initiated in June 2008 with 07 Partner Organizations. There are 12 organizations currently deployed to implement project deliverables at the grassroots.

	POs	Districts	Province
1.	NRSP	Panjgur	Balochistan
		Awaran	
		Bahawalpur	Punjab
		Bahawalnagar	
		DG Khan	
		Rajanpur	
		Khushab	
		Bhakkar	
2.	TRDP	Tharparkar	Sindh
3.	SAFWCO	Sanghar	
4.	SRSO	Gothki	
5.	SRSP	Kohistan	NWFP
		Battagram	
		Upper Dir	
		Shanghla	
6.	BRSP	Khuzadar	Balochistan
		Jhal Magsi	
		Kharan	
7.	TF	Jhal Magsi	
8.	PRSP	Muzaffargarh	Punjab
		Layyah	
9.	BEEJ	MusaKhail	Balochistan
10.	BRDRS	MusaKhail	
11.	CMDO	Bannu	NWFP
		Lakimarwat	
12.	PIDS	Kohlu	Balochistan
Total		24	

In backward regions such as those in the Project area, rent seeking behaviour of local elites often sidetracks resources from reaching the poorest segments of the population. The project seeks to circumvent such problems through a mandatory 50% membership of poor households in all COs. Similarly, the project requires a compulsory 40% participation of women.

The Project has a special focus towards spreading awareness amongst women as a means to alleviating gender asymmetries at the grassroots and seeks to educate all members of COs in their rights as citizens under the Constitution of the country. Evidence proves that a lack of awareness of such rights can lead to further social disparity and a general lack of transparency

Box 8.2: Objectives of Social Mobilization Project

Mobilization of poor households in over 500 Union Councils in 25 districts into approximately 50,000 well-managed transparent and accountable Community Organizations, able to participate in PPAF's microfinance and community infrastructure programs and undertake other activities, including linking with local government and rural development programs of provincial and federal governments and micro-finance organizations;

Mobilization of these and existing COs to form *federations at Union Council* (to be called Local Support Organizations) and higher levels to leverage public and private sector resources and services, and link to local governments (e.g., the Prime Minister's Livestock Programme; line departments at Tehsil and District governments; banks and commercial enterprises);

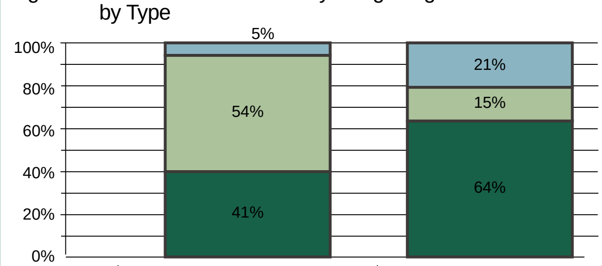
Development of a leadership cadre of 100,000 women and men, who will be trained to manage their COs and federations and to link them to service providers and local governments. These will be capitalized through the provision of a network of specialized professional expertise in project identification and execution in health, education, natural resource management, agriculture and related rural development technologies.

and accountability. On the other hand, citizens who are knowledgeable about their rights are much more likely to be able to influence the development process to their benefit.

The SM Unit is particularly mindful of putting in place an effective performance monitoring framework to measure progress against clear indicators. For this purpose, the Unit has developed a customized Management Information System (MIS) and vigorous efforts have been made to institutionalize this within Partner Organizations through a concerted and focused training program. During the period under review, three workshops were conducted in Multan, Quetta and Islamabad on the effective usage and implementation of the MIS for 75 PO staff members. Similarly, three more workshops were organized to orient Partner Organizations on record keeping and MIS formats, attended by 73 staff members. At the same time, field visits have been regularly conducted to oversee progress on the ground while identifying weaknesses in the Project implementation.

By the end of the reporting period, the Unit had successfully disbursed Rs. 740 million to 12 Partner Organizations. A total of 16,554 new COs have been formed, of which 54% were composed for women alone. A large number of these COs have been federated into 409 Village Organizations (VOs), of which 36% involved women participation either completely or partially (Box 8.3).

Figure 9: Distribution of Community/Village Organization by Type



	Community Organizations	Village Organizations
Mix	811	85
Female	8,992	63
Male	6,751	261

Box 8.3: Social Mobilization Project: Targets & Achievements

As per the objectives, target of more than 50,000 COs formation has been set among 12 Partner Organizations. The achievements against total project targets are presented in the table:

		COs Formation		VO Formation	
S.No.	PO Name	Total Targets	Achievements	Total Targets	Achievements
1.	NRSP	25,008	8,330	1,771	233
2.	TRDP	3,700	1,304	240	70
3.	SAFWCO	3,626	2,670	256	94
4.	SRSO	3,550	1,450	230	10
5.	SRSP	488	956	316	2
6.	BRSP	2,528	1,153	179	0
7.	PRSP	9,200	473	598	0
8.	BEEJ	500	70	34	0
9.	CMDO	1,500	96	105	0
10.	TF	500	0	34	0
11.	BRDS	500	0	34	0
12.	PIDS	500	52	34	0
	Total	55,993	16,554	3,831	409

CO: Community Organization
VO: Village Organization

9 – Evaluation, Research and Development

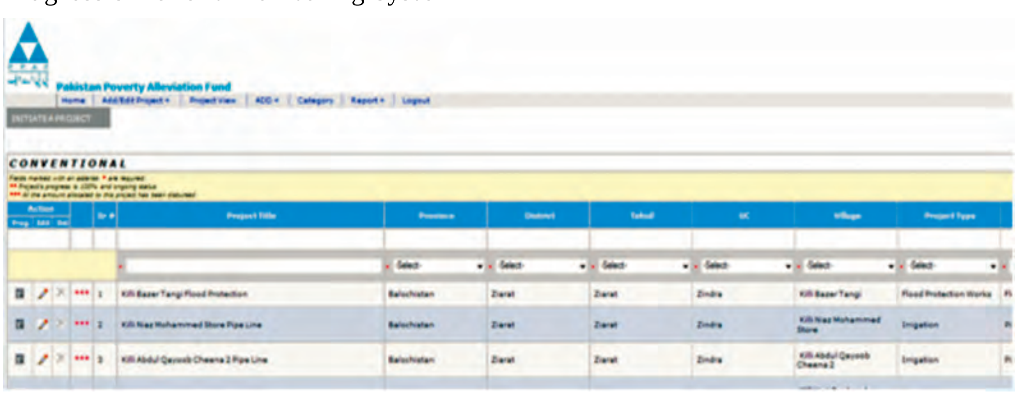
The Evaluation, Research and Development (ERD) Unit is mandated to critically evaluate the impact and progress of PPAF interventions in addition to regularly collecting and disseminating information to all stakeholders at the national and international level. Simultaneously, the Unit works diligently to capacitate Partner Organizations in developing effective monitoring systems within a cost effective and transparent framework set with relevant and verifiable measures.

During the year, the Unit has been successfully consolidating and analyzing a rich and vast reserve of technical, financial, and socio-economic data received from Partner Organizations, third party evaluators and in-house assessment exercises. The ERD Unit regularly disseminates this information through a series of ongoing and periodic reporting formats including quarterly progress reports, annual reports, case studies, thematic reports, baseline reports and impact assessment studies.

The quarterly progress reporting of all PPAF financed field operations and activities is critical to efficient and timely decision making within the organization. During the reporting period, ERD undertook the task of designing and streamlining a standardized web based data collection and dissemination application, called the Progress and Benefit Monitoring System (PBMS).

For this purpose, systematic training and capacity building exercise was undertaken for the PPAF Partner Organizations. One-on-one sessions were held with most of the Partner Organizations to train their staff on the use of the PBMS. The PBMS is designed to update quarterly data in real time while generating a range of analytical reports for the benefit of PPAF and the Partner Organizations. The PBMS is likely to increase the speed of reporting, promote transparency and two-way communication.

Progress & Benefit Monitoring System



Actual image of the online system

The ERD Unit has been central to PPAF's drive towards a results based evaluation framework with an eye to scientifically measuring the impact of interventions at the grassroots. During the year, most of the work on a baseline survey of a Partner Organization for the IFAD's Microfinance Innovation and Outreach Program was completed while work on the baseline survey of two more Partner Organizations was initiated. Three impact assessment surveys were conducted to quantify the possible impact of PPAF supported infrastructure interventions in the Punjab and the Sindh provinces (Box 9.1). In each case, data on a whole range of socio-economic indicators was collected for a representative sample of randomly selected beneficiary and non-beneficiary households. In line with best practices in impact evaluation, all three surveys enumerated households for whom baseline data had already been collected before the initiation of PPAF interventions. The panel data was then analyzed by credible third party consultants to verify the magnitude of attributable impact using robust analytical techniques.

Simultaneously, the Unit continued to contribute thematic reports and studies to the growing body of PPAF's initiatives in primary research with quality input at the program and policy levels. During the year,

Box 9.1: PPAF Impact Assessment Surveys (FY 2008 – 2009)

During the year, ERD conducted three follow up impact assessment surveys involving two DMPP projects in two districts (Khushab and Sanghar). Another impact study of CPI schemes in 10 districts of Punjab was also undertaken. Impact Assessment reports for DMPP projects have already been compiled and verifiably demonstrate a positive accrued impact on household incomes. Data for the impact assessment survey of CPI schemes in Punjab is currently being processed for analysis and a detailed impact assessment report is scheduled to be released soon.

Implementing Unit	Program Category	Project Area		Sample Size (Households)
		Province	District	
WMC	DMPP	Punjab	Khushab	120
PWMC	DMPP	Sindh	Sangarh	226
CPI	Conventional Projects	Punjab	Khushab,Muzzafargarh, Sheikhupura, Lodhran, Nankana Sahib, Rahim Yar Khan, Attock, Mianwali, Gujranwala, Kasur	447

three thematic studies were undertaken to understand the relevance, scope and efficacy of renewable energy projects as sustainable solutions for meeting community demands in diverse geographical settings.

For instance, a case study on PPAF supported micro-hydel projects in Northern Areas and Chitral examined the positive environmental, economic and social impact of renewable hydel power as a sustainable source of electricity in isolated off grid mountain areas. At the same time, the study cautioned against the implementation of such projects without putting in place broad based participatory mechanisms for project maintenance at the community level. Similarly, research reports titled "Biogas: The Potential of Renewable Energy" and "Solar Energy: The Potential of Renewable Energy" provided the basis for the Research and Discussion Series on renewable energy and explored the potential for renewable energy in Pakistan.

Additionally, research studies were conducted in other thematic areas ranging in scope from context specific sustainable livelihood strategies to issues with sector wide implications including the delivery of microfinance and education services to poor households and communities. For instance, in recognition of the positive impact of supporting well designed microenterprise ventures, a case study was undertaken to analyze the potential of wicker basket weaving in improving the lives of poor women and their families in Karachi. Another

study on alternative delivery instruments for primary education provided key insights to the Health and Education Unit for future program implementation following a close scrutiny of data collected from 27 PPAF education facilities.

In a similar vein, the Unit conducted a study on the causes and remedies of client attrition in microfinance by reviewing the experiences of service providers at the national and international level. In addition to a thorough review of secondary sources, the study included primary field research involving 16 Partner Organizations in 8 districts of Punjab and Sindh provinces with a high concentration of microfinance services.

Through its sustained commitment to systematic evaluation of PPAF interventions and rigorous policy research, the Unit continues to update and inform PPAF's strategic decision making while striving to promote community led development to alleviate poverty.

10 – Media and Communication

The Media and Communication (M&C) Unit supports PPAF's mission of empowering poor households and communities through concentrated strategies aimed at effectively publicizing this effort. By striving to build critical linkages across print and electronic media, M&C seeks to educate and inform the masses regarding vast potential of PPAF's poverty alleviation interventions. This strategy has been effective in developing a critical mass of understanding and appreciation amongst a mix of stakeholders in governmental and non-governmental hierarchies, with better prospects of propelling the message forward to a wider audience.

The Unit's emphasis on using mass media for leveraging continued support is complementary to its transformative role in eliminating conventional barriers and introducing fresher perspectives for meaningful change. This role is particularly relevant to PPAF's efforts towards influencing decision making for pragmatic, need-based and affirmative policy formulation.

The Unit is strongly committed to engage mainstream newspapers and television channels for effective branding and positioning of PPAF through effectively sharing the organization's cumulative successes in transforming the lives of millions.

In pursuit of the above objectives, the Unit's wide ranging use of media access includes radio programs on PPAF supported community interventions, interviews of key PPAF staff on popular television channels, as well as widely disseminated news releases on a range of PPAF activities and events. For instance, a radio program by the name of Roshan Raahein was launched in the reporting period as a means to educate the masses and raise awareness of PPAF interventions and their impact on marginalized communities. The program generated a lot of interest and awareness among target communities and stakeholders – a fact substantiated by the receipt of a large number of letters from across the country.

Similarly, the Unit extended wide ranging support to PPAF's ten year celebrations through a variety of activities including the compilation of video documentaries, designing multi-media presentations and the publication of a wide array of support material. As part of the celebrations, the Unit also designed and printed a special report titled A Decade of Accomplishment: Ten Years of PPAF depicting a decade of achievements and the successful implementation of best practices in social mobilization, human and institutional development, and the delivery of sustainable services in microfinance, health and education.

More importantly, the Unit continues to organize immersion visits for journalists from mainstream print and electronic media. By providing the latter with direct

access to PPAF communities, immersion visits are profoundly helpful in shaping views through the dissemination of feature articles and news stories generated in the field. Such visits help in creating support for the paradigm of participatory grassroots development: a perspective that still has its critics in those who lend support to a development philosophy characterized by highly centralized frameworks.

PPAF experience in rural development, as witnessed by journalists during such visits, underscores the importance of complimenting large scale government sector efforts at different administrative levels with well designed participatory processes and focused small scale interventions (Box 10.1). Immersion visits have thus played their part in generating support for viable public-private partnerships as a prerequisite for comprehensive change at the grassroots.

The Unit further facilitates PPAF's agenda for prescriptive research through the regular publication and dissemination of reports, brochures, manuals, flyers and fact-sheets. The quarterly publication of the newsletter Povertyline keeps all stakeholders informed of PPAF's growth, programs and future directions.

Additionally, the Unit routinely conducts case studies and produces video documentaries in close collaboration with all units of PPAF to document and critically analyze the impact of PPAF interventions on participating communities.

M&C Unit also plays its part in providing technical support and expertise to both Partner Organizations and participating communities in relevant fields. Particularly, the Unit critically assists them in building effective communication channels for raising awareness and behavioural change rather than solely focusing on public relations exercises. Simultaneously, the Unit seeks to effectively compliment the work of other Units within PPAF by providing media coverage and preparing support materials for all workshops, seminars and ceremonies.

Through its varied set of activities, the Unit has been to a large degree successful in mainstreaming poor communities through spreading PPAF experience to a large audience. At the same time, it has established itself as a critical support component crucial to the future growth of PPAF.

Box 10.1: External Interface and Feedback

As a part of its information dissemination, dialogue and discussion mandate, the M&C Unit regularly facilitates independent engagement of print and electronic media with PPAF, its partners and development sector at large. Following are excerpts of coverage in the national media:

"The PPAF programmes aim at alleviating poverty, reducing vulnerability and improving food security through sustainable development. It is hoped that PPAF would develop itself as a recognized and highly regarded policy and technological hub, addressing the water related issues in South Asia."
– Daily Dawn

"It was indeed an interesting experience to see PPAF-funded Ahmedabad microhydel power project, producing 350 KW of electricity, and a distribution network to lighten up the lives of those inhibiting this small village and surrounding areas being run and managed by the local peoples on their own."
– Daily The News

"Collectively, the foundation has been laid and PPAF today stands at the threshold of bringing about a wholesale transformation in the lives of the poor across the country. Wherever PPAF-sponsored credit, health, education, infrastructure schemes and training programmes are operative, the poor have started reaping benefits of higher quality of life, incomes and reduced their dependence on external support."
– Daily The Nation

"I got an opportunity to visit PPAF interventions during the shooting of a PPAF documentary in connection with the anniversary of the 2005 earthquake. PPAF has constructed state-of-the-art health and educational facilities in the affected areas. These health and educational facilities are offering extremely good services to the poor at a negligible cost at their doorstep".
– Pakistan Television

11 – Human Resource, Procurement and Administration

The Human Resource, Procurement and Administration wings work closely to ensure consist and high standards in the management of its human and physical resources. The three wings are committed to promoting organizational and administrative efficiency through the entire range of activities relevant to their individual sphere of responsibilities including human resource management, procurement of goods and services, logistical support and the up gradation and maintenance of facilities.

The Human Resource wing has put together an efficient and transparent system of recruitment with the objective of sustaining professional excellence in all aspects of PPAF's work. Further, the Unit strives to enhance employee potential through a clearly laid out incentive structure that includes multiple on-job training opportunities in addition to an established performance management system implemented to maintain a productivity and performance driven culture with clear-cut promotion and salary adjustment criteria linked to performance indicators judiciously applied at all levels of the management hierarchy.

This year, a consolidated training plan was developed through proper training needs analysis (TNA). In order to diversify and strengthen the human resource pool to support the PPAF in achieving its strategic and operational objectives, as well as by ensuring transparency and merit, during the year the Human Resource wing completed recruitment of 50 new staff members and renewal of 54 contracts of existing employees.

The Unit regularly provides training opportunities for a range of relevant subjects and courses delivered by credible national and international institutions to facilitate the professional growth of employees. In addition orientation training provided to 50 new staff members.

During the year, 127 PPAF support and regular staff attended training courses in relevant areas including management, monitoring and evaluation, finance and accounts, development communication and leadership at eminent national training institutions like Pakistan Institute of Management, Lahore University of Management Sciences, NGO Resource Centre, and Pakistan Institute of Development Economics.

Additionally, 8 staff members availed training opportunities in foreign countries including UK, Malaysia, Indonesia, Bangkok, China, and Dubai. These training/exposure visits to prestigious international institutions – UNESCO-IHE, MDF-Holland, University of East Anglia, MIS International – constitutes a crucial element in the unit's effort to continuously refine and update staff skills in addition to sustaining an increased rate of staff retention for longer periods of time.

The HR and Procurement wing has carefully applied the provision of training opportunities to all employees, while being particularly mindful of the needs of support staff. During the year, it arranged several training events for support staff. These included training sessions for receptionists aimed at refining their workload management skills and critical training events for drivers designed in helping them to better address security risks.

The Unit is also mandated to efficiently and transparently manage the procurement of all goods and services in conformity with PPAF requirements and donor guidelines. Towards the realization of this aim, the Unit meticulously follows established procurement procedures laid out for various categories of goods and services. Particularly, the Unit is aware of the importance of selecting credible third parties for time bound outsourced activities including research studies, training exercises, baseline and impact assessment surveys, reports and publishing contracts. The Unit follows a transparent and well defined criteria with clearly laid out indicators to rate each consulting firm and/or individual consultant.

During the year, the Unit processed 82 consultancy contracts for a variety of tasks including training assignments, baseline studies, topographic surveys, and poverty assessment of selected districts.

The Unit further ensures the procurement of goods as per PPAF needs with a similar focus on quality and timeliness. During the year, the procurement wing successfully processed procurement of 517 items initiated by various PPAF units, which required processing of 146 cases in compliance to PPAF internal procurement procedures as well as donors' specific guidelines.

As an apex organization, PPAF works through Partner Organizations whose efficiency and capacity in delivering services at the grassroots is crucial to its own success. As part of their responsibilities, all PPAF units are geared towards building PO capacities in their respective areas of expertise. The procurement wing actively participates in the process by striving to build PO capacities in good procurement practices. During the year, the Unit provided guidance to 65 POs in areas of national competitive bidding, national shopping and other general procurement issues.

The Administration wing plays a major role in managing PPAF's daily activity schedule and provides crucial technical support in the maintenance and upkeep of PPAF offices and physical resources. The Unit has commendably kept up with the pace of PPAF's increasing operations without letting up on the quality of procedural requirements ranging from the maintenance of travel logs and attendance records, provisioning of logistical support for PPAF's growing itinerary of field visits, and making arrangements for routine meetings, conferences, and lunches. During the year, the Unit finalized close to 1,000 travel arrangements for PPAF staff including 12 foreign visits, in addition to successfully holding over 70 meetings both inside and outside PPAF premises.

Together, the three wings are committed to ensuring quality support to PPAF with the overarching objective of sustaining operational efficiency and smooth functioning of all systems and processes.

Table 11.1: Highlights of the Year 2008 - 2009

Category	No.
Procurement	
Goods procurment awards	517
Consultancies procurement awards	82
Training events of POs	3
Administration	
Air Travel country-wide	457
Road Travel country-wide	544
International travel	12
Human Resource	
New Staff hired	50
Renewal of contract	54
National training	127
International training	8

12 – Internal Audit

The Internal Audit (IA) Unit is mandated to function as an independent source of administrative and financial oversight with the key role to ensuring compliance with laid out rules, regulations and procedures. The Unit reports regularly to the Audit Committee of the Board of Directors with key insights and suggestions for redressing identified loopholes and weaknesses, while highlighting instances of digression from standard practices and procedures.

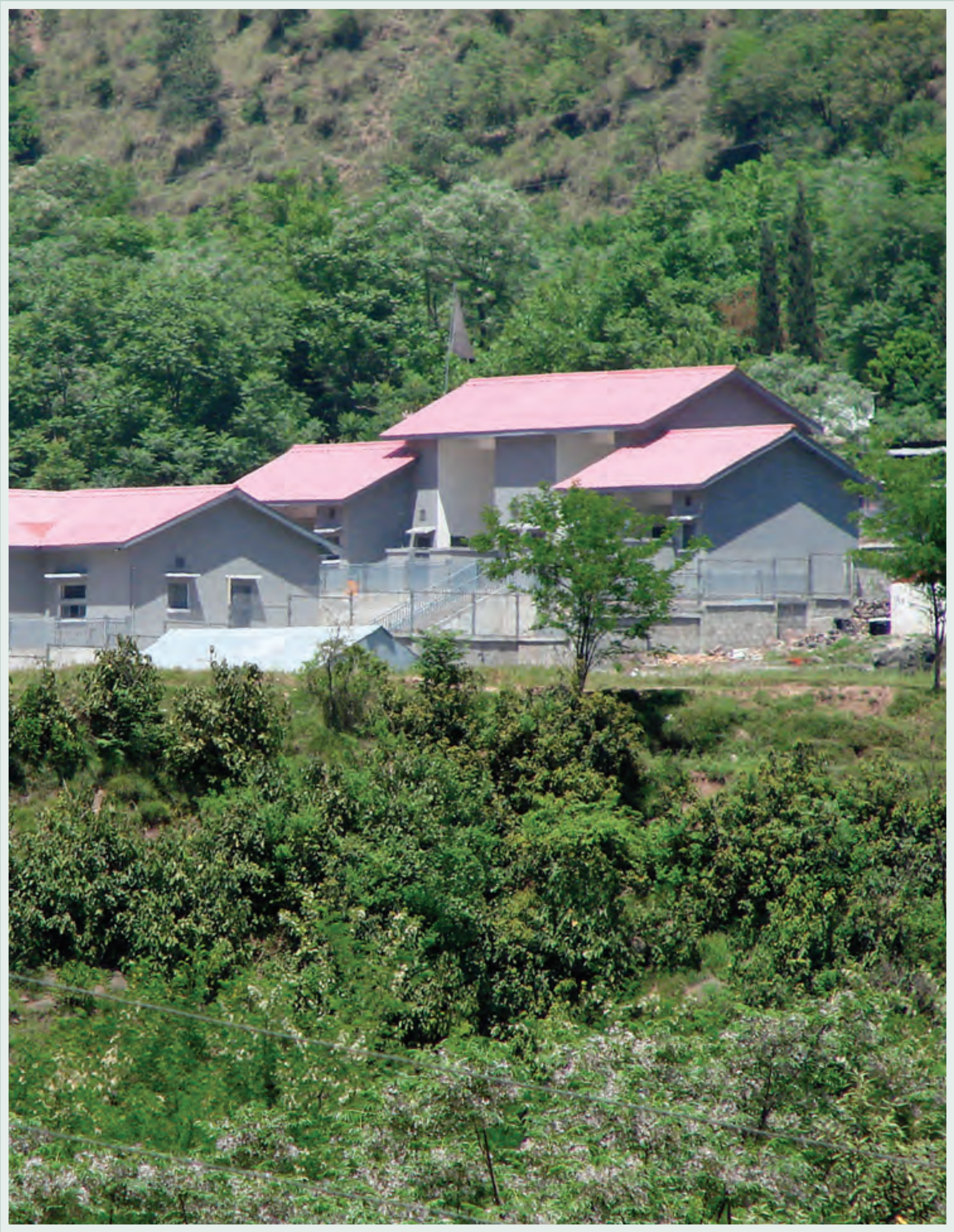
During the year, the Unit performed an in-house review of all PPAF units to ensure completeness and accuracy in record keeping and full adherence to standard operating procedures in the performance of relevant duties and responsibilities. As mentioned earlier, despite PPAF's ever-increasing scope of operations, the Unit successfully completed the required tasks within the allocated timeframe. These tasks included activities ranging from ensuring compliance with existing procedures in the procurement of goods and services and verifying the presence and proper use of all fixed assets to comprehensively examining all financial details, i.e. payments, receipts, bank accounts and their reconciliation statements, payroll, investments, petty cash, advances and security deposits. The Unit focused on maintaining a prescriptive approach so that any reported issues were addressed with pragmatic solutions within the existing framework.

The Unit shares its activities on a quarterly basis with the Audit Committee, which approves its annual plan. The Unit strictly adheres to the timelines set for various activities in realization of the fact that the slightest procrastination might seriously jeopardize the very purpose of the exercise. The annual plan includes a schedule for conducting timely audits for both PPAF units and Partner Organizations. The Unit is particularly mindful of working to ensure complete adherence to all laid out rules and procedures within Partner Organizations. This aspect of the Unit's work is both demanding and crucial for PPAF in effectively meeting organizational goals on the ground.

During the reporting period, the Unit successfully conducted the audit of 36 existing partner organizations. In each instance, the Unit scrutinized available documents and existing procedures for any issues that could potentially endanger the financial and administrative efficiency of the organization in the short and/or long term.

When such issues were identified, they were promptly reported along with suggestions for improvement. In many instances, the observations and suggestions of IA staff produced results with positive implications for the long-term health of PPAF interventions.

The IA Unit thus constitutes a critical means in ensuring that agreed upon rules and procedures are followed as a means to effectively achieve organizational goals and objectives.



13 – Finance and Accounts

As a custodian of public funds, PPAF is conscious of the need for prudent and appropriate financial control and management. In pursuit of this objective, the Finance and Accounts (F&A) Unit is mandated to execute and record all financial transactions in a systematic and transparent manner. In the conduct of its routine business, the Unit strives to maintain the highest standards of financial management, while strictly following standard operating procedures laid out in the comprehensive and highly standardized Operational Manual of the PPAF.

The F&A Unit further ensures compliance with regulations of the Securities and Exchange Commission of Pakistan and covenants stipulated in agreements signed with all parties, including the Government of Pakistan (GoP) and donors, i.e., the World Bank (WB), the US Department of Agriculture, the International Fund for Agricultural Development (IFAD), the KfW Development Bank (Germany) and the Committee Encouraging Corporate Philanthropy (CECP).

As part of its responsibilities, the Unit works closely with operational and support units to facilitate funding and ensure adherence to stipulated processes. Its activities are carried out in an automated computerized environment through customized software adapted to PPAF requirements, while all work processes and procedures are attuned to a comprehensive manual for financial management developed specifically for the Unit. Similarly, books of accounts are kept in accordance with the statutory requirements and agreements with GoP and donors.

The F&A Unit has implemented a system of accounting control which is sound in design and has effectively been implemented and monitored with ongoing efforts to improve it further. The accounting controls comprise the plans, procedures and records that are concerned with the safeguarding of assets, checking the accuracy and reliability of financial data, promoting operational efficiency and encouraging adherence to prescribed managerial policies. The system provides assurance that the transactions are executed in accordance with management authorization and record keeping is done in a way to permit preparation of financial statements in conformity with generally accepted accounting principles.

The Standard Operating Procedures Manual (SOPM) of the F&A unit documents in detail, the internal control framework and accounting policies and procedures. Work flows and use of an authorization matrix provide for adequate segregation of duties. Job descriptions for all approved positions in the Unit form part of the SOPM. The financial management systems have been set-up to handle extensive reporting requirements in a flexible manner. Since PPAF's existing portfolio consists of multi-donor funded projects, the management information system is equipped to handle a multitude of donor specific reporting requirements.

Transparency of financial information for different stakeholders is a prime consideration of the Unit. In order to ensure this, the Unit has put in place accurate and reliable financial and other reporting framework, effective internal control principles including risk management, setting of targets, planning and monitoring of Company's operations and performance under direct and indirect supervision through delegated authorities. The SOPM lists internal and external reports prepared by the F&A unit. Mechanisms are in place to ensure that the reporting requirements related to all donor funded projects and regulatory agencies are met. Checklists are used to monitor compliance.

The F&A Unit uses an SQL-based financial management information system. It comprises of integrated modules for General Ledger, Fixed Assets and Payroll. The system is regularly updated and has been functioning effectively for maintenance of comprehensive books of account. PPAF is using a detailed chart of accounts. Sufficient data is captured to enable all external and internal reporting requirements to be met in a timely fashion. In addition, two stand-alone modules are also in use to monitor loan and grant based operations. These modules produce a number of reports allowing analysis and monitoring of the micro-credit portfolio as well as grant interventions. Mark-up schedules of POs

are system generated ensuring accuracy and completeness.

The F&A Unit consciously strives to encourage and facilitate all processes and procedures aimed at strengthening the level of accountability within the organization. All documentary records and transactions are subject to strict scrutiny by independent internal and external auditors, as well as by supervision missions from different donors. In the conduct of its routine obligations, the Unit has prioritized true presentation of facts and the timely issuing of all periodic financial statements for management, donors and stakeholders.

At the same time, F&A Unit is particularly mindful of maintaining transparency and prompt handling of reporting requirements at all times and at all levels. These principles are applied for both internal reporting in the form of monthly financial updates, and external reports important to stakeholders in the form of quarterly, half yearly and nine monthly un-audited financial statements, Management Reviews, annual audited financial statements and the Directors' Report.

PPAF operations for the year ended June 30, 2009 were audited by its external auditors the M/s A. F. Ferguson & Co., Chartered Accountants. In the latter's unqualified opinion, PPAF's financial business was being conducted in accordance with approved accounting standards as applicable in Pakistan and according to the requirements of Companies Ordinance 1984, while management developed financial statements presented a true and fair view of the company's affairs. These opinions were based on the inspection and review of company records and details of funds released to Partner Organizations.

In addition to preparing financial statements as per statutory requirement, the Unit also prepared separate financial statements of a) WB and IFAD Projects for the year ended June, 30, 2009; b) KfW Project for the half year ended December 31, 2008 and June 30, 2009. The above financial statements were audited by external auditors. In conformity with the best practices, quarterly, half yearly and nine monthly condensed interim un-audited financial statements along with Management reviews were also prepared. Subsequently, the annual audited financial statements along with Directors' Report and donor specific audited financial statements, and interim un-audited financial statements were submitted to the Audit

Box 13.1: Findings of the World Bank Supervision Mission

"The financial reporting requirements are promptly and satisfactorily fulfilled. Both the Finance & Accounts Unit (F&A) and Internal Audit Department (IAD) are adequately staffed. The IAD is successfully executing a comprehensive work plan. The PO monitoring system has been further strengthened and now includes several complimentary mechanisms ensuring minimum gaps in the monitoring framework. All these steps have contributed to the strengthening of the control environment. The submission of FMRs by PPAF remained accurate and timely. The mission randomly reviewed supporting documentation for withdrawal applications and found the same in order. Financial reporting requirements are promptly and satisfactorily fulfilled, while quarterly FMRs and annual audited financial statements are submitted to the Bank well within the due dates. The Designated Accounts under all the operations are running smoothly and replenishment applications are being submitted on regular basis."

Committee of the Board for review. On the recommendations of the Committee, the Board of Directors and General Body approved these financial statements along with the Directors' Report and Management Reviews.

The General Body approved the audited financial statements of the Company for the financial year ended June 30, 2009 together with Auditors' and Directors' Reports thereon within three months of close financial year. The annual audited financial statements along with Directors' Report as well as quarterly and half yearly un-audited financial statements along with Management Reviews are published and circulated to stakeholders. These statements are also made available on the Company website.

Disbursements to PPAF under the World Bank and IFAD projects were on the basis of Financial Monitoring Reports (FMRs). This report based disbursement is allowed only to institutions with effective and strong financial management systems and procedures. All FMRs and withdrawal applications related to WB and IFAD projects were submitted within the period allowed by donors. These were reviewed by the donors and found to be eligible for reimbursement or replenishment.

Similarly, all information and data submitted were in compliance with disclosure requirements and formats. The findings of the WB Supervision Mission is a testimony

to the robustness and efficacy of PPAF's Financial Management system as well as to the Unit's strict adherence to all procedures, processes and requirements (Box 13.1).

During the reporting period, F&A played a critical role in the final approval of US$ 250 million World Bank facility for the Third PPAF Project (PPAF III). Not only did the Unit finalize financial projections for different components, it diligently reviewed and finalized the Financing Agreement (between GoP and IDA), Project Agreement (between IDA and PPAF), as well as the Subsidiary Loan Agreement (between GoP and PPAF) in consultation with PPAF's legal advisor and the World Bank team. F & A Unit also actively participated in negotiations for PPAF-III between representatives of GoP, WB, and PPAF and execution of Legal and Financing Agreements, following which the project was declared effective on July 09, 2009 in the record time of one month after the signing of the agreements. As a result of the combined efforts of PPAF tax advisors and the Unit, the Federal Board of Revenue renewed PPAF's status as a welfare institution. Consequently, there was no tax liability for the year under review.

During the reporting year, the Unit continued to actively participate in the monitoring of financial flows to Partner Organizations, ensuring complete adherence to all legal covenants and also ensured the swift receipt of audited financial statements from all Partner Organizations within six months of the close of the financial year, in addition to the submission of management letters issued by their respective external auditors. These were subsequently reviewed and necessary actions were taken accordingly. Not only has the above steps infused financial discipline within Partner Organizations, the Unit's consistent emphasis on the submission of periodic statements of expenditures and all necessary documents in support of grant related expenditure has further prompted POs to maintain proper financial and operational records.

Simultaneously, it continued to conduct regular field visits to review the financial management systems of POs and suggest improvements wherever weaknesses and constraints were observed. Realizing the importance of its contributions in the development of Partner Organizations, the Unit plans to continue efforts in strengthening the latter's systems and procedures, with particular focus on small and medium organizations.

During the year, the head of F & A Unit continued to fulfill his responsibilities as Company Secretary by ensuring full compliance with mandatory secretarial responsibilities as envisaged by the Companies Ordinance, 1984. Additionally, PPAF complies with the best practices as set out in the code of corporate governance. Adequate records evidencing statutory meetings and other formal requirements were thoroughly maintained, while reports to the Securities and Exchange Commission of Pakistan were submitted well in time.

The F&A Unit remains fully committed to international best practices in the management of its affairs and responsibilities as is reflected in all its activities, systems, and procedures. While resolutely committed to continually build on its strengths, the Unit will strive for further innovations to strengthen its financial management and procedural efficiency in the next financial year. Thus far, it has achieved its results thanks to its well-coordinated operational structure and clearly defined spheres of responsibility, equitably distributed amongst a qualified and dedicated staff. The latter have successfully maintained high standards in the effective management of funds and timely dissemination of information: with the aid of their aggregate competence and skills, F & A Unit looks forward to achieving similar standards of professional excellence in the future.

14 – Director's Report

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the ninth Annual Report along with audited financial statements of the Company for the year ended June 30, 2009.

The year 2009 was a challenging year for the Company. However, despite global economic downturn that negatively impacted national macroeconomic fundamentals, PPAF continued to build on the growth it achieved in the previous years with results adding further strength to its financial position. The Company is making steady progress in pursuit of its objectives of poverty alleviation. It maintained significant progress with respect to specific deliverables, for each of its core components of credit and enterprise development; community physical infrastructure; education and health; and capacity building in the broader context of poverty alleviation.

In addition to carrying out its mainstream programmes, PPAF continued its multi-pronged strategy for the restoration of livelihoods, which has involved reconstruction of housing units; rehabilitation of health and education facilities, community infrastructure schemes and training of individuals on a large scale in 34 earthquake affected union councils of North West Frontier Province and Azad Jammu and Kashmir. PPAF's rehabilitation and reconstruction programme was guided by two fundamental objectives (i) to assist people in rebuilding their lives by providing safe and seismically appropriate housing and restoring basic infrastructure services through a community driven approach; and (ii) to build capacities of affectees with the purpose of enabling them to take control of their lives on a sustainable basis.

Reinforcing its satisfactory performance in the earthquake-affected areas, PPAF allocated Rs. 134 million to help Internally Displaced Persons (IDPs) through an integrated development program which includes social mobilization; initial rehabilitation access to potable water; vocational and skill training; health services; and informal education. PPAF has been allocated seven IDPs camps where it is implementing various interventions through its partner organizations. These include training in vocational skills with daily stipend; distribution of clothes among disabled children; provision of milk to 9,000 children daily, flour to widows and meals to children enrolled in PPAF schools; establishment of 12 non-formal schools and two health centers; sinking of 60 hand pumps for fresh water; setting up of playgrounds with swings, slides and see-saws to engage children in healthy stress-relieving activities; establishment of tailoring centers for women. Other activities in pipeline are provisioning of assistive devices for disabled children and hygiene products to women and children of the camps. PPAF staff has also donated one-day salary to the Prime Minister's special fund for victims of terrorism and is determined to play its role as a bridge between the Government, donor agencies and the IDPs.

The Second US$ 476 million International Development Association/World Bank project that also included US$ 238 million earthquake project, was successfully completed. PPAF achieved and in most cases exceeded all the major targets and forecasts set at the appraisal. On the request of World Bank, the Food and Agriculture Organization, Rome (Implementation Completion and Results Report Mission) conducted third party review/assessment of Second PPAF Project and observed the following:

"The majority of Programme Development Objectives have been fully achieved despite significant additions to these targets in the course of implementation (e.g. earthquake repair, rehabilitation and reconstruction), as well as significant constraints arising from the deteriorating security and macro-economic situation and the inflow of funds from other agencies. Operating costs of the institution were very low (accounting for less than 1% of costs), strong support was provided to partner organizations, and strong commitment was shown by PPAF to the project objective. A positive rating for overall outcome is justified not only by PPAF meeting or exceeding most indicator targets in a very large and complex series of activities, but also by the ability demonstrated by PPAF as an institution to successfully adapt to significant changes in financing and the external environment in which it operates".

By the end of June 2009, PPAF funding had been disbursed in urban and rural areas of 124 districts of the country (to about 141,000 community organizations / groups) through 77 partner organizations of which 12 were focusing exclusively on women. On cumulative basis, PPAF financed 3,000,000 microcredit loans, of which 1,380,000 (46%) were to women. 18,500 infrastructure projects were initiated and 332,000 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 120,000 households to build earthquake resistant homes and, in addition, provided training to over 108,000 individuals in seismic construction and related skills.

PPAF financial and non-financial services are estimated to have, on a cumulative basis, benefited (directly or indirectly) over 18 million individuals from its credit programme and over 11 million individuals from infrastructure, health and education interventions, across the country.

Table 14.1: Disbursements – Core Operations			
	Rs. million		%
	2009	2008	Variance
Credit and Enterprise	6,949	9,075	– 23.43
Water and Infrastructure	979	1,332	– 26.50
Capacity Building	370	471	– 21.44
Social Mobilization	712	—	—
Health and Education	73	148	– 50.68
Total	9,083	11,026	– 17.62

Figure 14.1: Share of Funds Disbursed – Core Operations

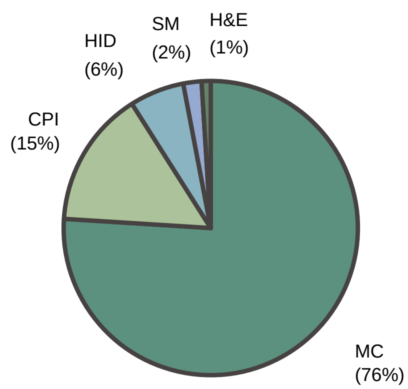
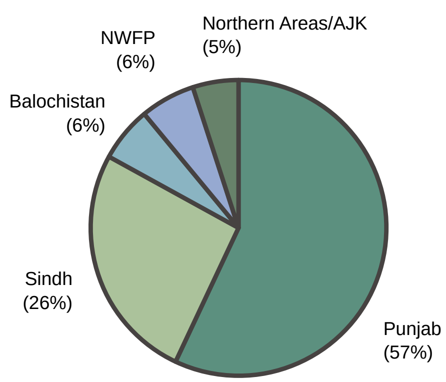


Figure 14.2: Provincial Distribution of Funds – Core Operations



Operational and Financial Overview

The operational and financial results of the Company, during the year under review, remained satisfactory. As PPAF approached the completion of its World Bank financed second project, its incremental disbursements were lower due to full commitment and utilization of funds allocated by the donors.

Total disbursements for core operations during the year were Rs 9,083 million as compared to Rs. 11,026 million in FY 2008. Disbursements of loan (microcredit and enterprise development facilities) were Rs 6,949 million as compared to Rs 9,075 million; water and infrastructure disbursements were Rs 979 million as compared to Rs 1,332 million; capacity building disbursements were Rs 370 million against Rs 471 million and disbursements for education and health were Rs 73 million as against Rs 148 million during the preceding year.

In addition, Rs. 712 million were disbursed during the year for social mobilization (Table 14.1).

During the year disbursement for relief, rehabilitation and reconstruction operations in earthquake affected areas was Rs 3,983 million as against Rs. 5,671 million in the preceding year.

By the end of FY 2009, cumulative disbursements for core operations stood at Rs. 42,933 million. Credit and enterprise development, the largest component of PPAF, accounted for 76% of cumulative disbursements followed by community physical infrastructure (15%); capacity building assistance (6%); social mobilization grants (2%) and health & education had a share of 1% (Figure 14.1).

In addition, cumulative disbursements for relief, rehabilitation and reconstruction activities were Rs. 18,712 million. PPAF resources and funds have been deployed equitably across urban/rural settlements, provinces, regions and areas. About 57% of the resources have been deployed in Punjab, 26% in Sindh, 6% each in NWFP and Balochistan and 5% in Northern Areas/AJK (Figure 14.2).

In line with the Subsidiary Financing Agreement executed between Government of Pakistan and PPAF in respect of World Bank financed First Project, the repayment of principal loan amount has commenced with effect from November 15, 2007. During the year under review, Rs. 109.617 million was repaid to the Government of Pakistan.

PPAF has fully utilized the World Bank funds allocated for microcredit component under Second Project and is meeting its obligations through its own reserves built up from repayments received from partner organizations. During the year under review, PPAF disbursed Rs. 6,831 million as loan from these reserves.

Total assets of the Company on June 30, 2009 stood at Rs. 18,509 million against Rs. 18,923 million as at June 30, 2008. Amount of loans receivable from partner organizations as on June 30, 2009 were Rs 9,696 million as against Rs. 8,301 million as at June 30, 2008. PPAF continued to maintain 100% recovery rate in respect of its lending operations.

The trend of consistent growth in income continued this year in line with previous years. Total income generated during the year increased by 27% to Rs. 1,668 million from Rs. 1,314 million in FY 2008. The enhancement in income is attributable primarily to service charges on loan to partner organizations that increased by 48% due to high volume of amount of credit outstanding and introduction of market based rates for large partner organizations. Despite reduction in investment portfolio, income on investments and saving accounts increased by 11% due to improved profit rates. During the year, capacity building grant increased by 30% due to the availability of financing from Government of Pakistan and donor agencies for PPAF operational support (Figure 14.3)

Figure 14.3: Total Income (Rs. in million)

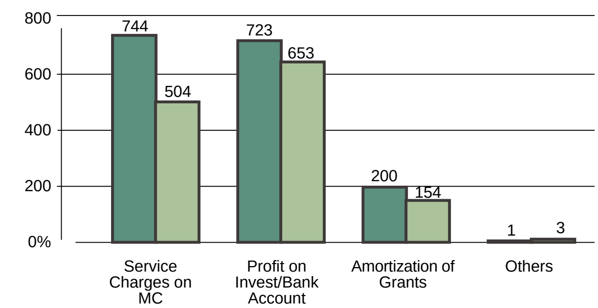


Table 14.2: Financial Results

(Rs. million)

	2009	2008
Service charges on loans	744	504
Amortization of deferred grant	200	154
Income on invetments/saving accounts	723	653
Other income	3	3
Total income	1,668	1,314
General and administrative expenses	283	283
Loan loss provision	236	145
Financial charges	80	84
Total expenditure	638	512
Surplus for the year	1,030	802

In order to support enhanced activity, general and administrative expenses for the year increased by 14%. The main increases were in salaries/benefits and travel expenses. The salaries, wages and other benefits increased due to annual increments to existing employees to provide relief against higher cost of living as well as hiring of additional staff for managing expansion in core operations and new activities under different donors' projects. In addition, a higher number of engineers were inducted for management of reconstruction activities in the earthquake affected areas. Travel cost increased due to extensive appraisal and monitoring visits in view of high cumulative disbursements and enhanced activities.

Keeping in view the current financial crisis, the general loan loss provision was made at 5% of the gross outstanding balances of loans to partner organizations. In addition, specific provision for loan losses was also made against loans which were considered doubtful. The financial charges include commitment and service charges on long term loan and bank charges.

Sectoral and Programme Overview

As an apex organization, the role of PPAF is to act as a wholesaling intermediary, while its partner organizations undertake implementation of projects at the retail level under PPAF monitoring and supervision. PPAF provides its partner organizations four types of facilities which consist of (i) extending lines of credit for expansion of poverty targeted microcredit programmes and enterprise development (ii) grants for water and physical infrastructure schemes (iii) social sector services (health and education) on a cost sharing basis and (iv) grants to strengthen the human and institutional capacities of partner organizations as well as social mobilization and grass root development. Apart from these core areas of operations, PPAF has been repeatedly called upon to work with communities suffering from natural disasters and emergency situations. PPAF has also been assigned responsibility of rehabilitation and reconstruction in the aftermath of the 2005 earthquake in North West Frontier Province and Azad Jammu and Kashmir. Even internationally, there are few comparable institutions working with civil society organizations that have such a wide spectrum of success within its domain of responsibility.

PPAF has played the role of lead agency in strengthening participatory development in the national framework. It has effectively enhanced the retail capacity in the country where the poor have had very limited access to resources and has raised the standards of civil society organizations to higher levels of social responsibility, economic discipline and institutional management. PPAF has endeavoured to mainstream marginalized communities through provision of broad range of financial and non-financial services leading to better access, improved income and quality of life and sustainable livelihood opportunities at the grassroots, and, simultaneously, catalyzed the enhanced absorption capacities of partner organizations. It has positioned itself as a professional and highly credible apex institution with a strong and efficient corporate culture.

As the driver of the microfinance market, PPAF has combined the twin role of market developer and financier for the sector. It had maintained a diversified and healthy portfolio without compromising the quality of its programs. Special consideration has been given to gender and equitable distribution of funds across the country. These efforts have been so successful that Pakistan is now recognized internationally as an emerging market for microfinance. In order to ensure long term sustainability of the sector, PPAF has focused on strengthening of market linkages and developing greater leveraging capacity for partner organization. Through its Programme for Increasing Sustainable Microfinance, PPAF provides greater access to the commercial sector for partners with sustainable operations. Additionally, grants for equity funds are provided to dynamic microfinance institutions to help build their bankability for leveraging commercial financing. PPAF continuously strives to develop newer products and services that directly address the needs of the poor.

With international collaboration, PPAF has initiated a pilot project of social safety nets for 1,000 poorest households in 110 villages in Sindh Coastal Areas. Health and food allowances were provided to selected ultra poor for a period of twelve months. During the same time, trainings on enterprise development, skill enhancement and book keeping were imparted to the target groups. The process of assets transfer has been initiated. As the grants programme phases out, it is expected that most participants will be prepared to pursue independent economic activities and be eligible for induction in PPAF's regular microcredit programme.

The Microfinance Innovation and Outreach Program provides flexible funding facility for partner organizations to develop new financial products/services for rural areas. The project provides access to a wide range of sustainable financial services to the poor and develops products that respond to their specific needs. PPAF, through its partner organizations, initiated five innovative models that included home improvement loans; cooperative farming for women; increasing outreach through settlement branches; enterprise development loans in rural areas; and village banking in mountainous areas.

Provision of grants for development of rural infrastructure lies at the core of PPAF's poverty alleviation strategy. PPAF's water management center is delivering sustainable, need-based water related infrastructure to marginalized communities. It has facilitated in securing livelihoods, increasing income generating opportunities and reducing vulnerabilities to seasonal shocks, while mitigating the sufferings of the poor living in diverse circumstances from low-lying flood-prone coastal areas to water deficient deserts and mountain communities. Advanced technology applications (such as satellite imagery) and its state of the art Geographical Information System set the centre apart. The small infrastructure schemes and subprojects focus mainly in four broad sectors: drinking water supply, irrigation, sanitation and communications. The distribution of schemes across geographical areas reflects the different ecological conditions, degree of water scarcity and disparities in agricultural development. These interventions have played a vital role in stimulating growth of local agricultural economies through better utilization of scarce water resources and have contributed significantly to household welfare through increase in incomes and consumption levels. Interventions in the sanitation and drinking water supply and communications sectors have facilitated infrastructure building especially in the isolated rural communities and has improved the health of the communities. Access to potable water has relieved women from carrying water over long distances, enhancing their productive potential and increasing economic options for poor households. This component assumed great importance for the poor agrarian households who are dependent on land and livestock and are particularly vulnerable to persistent droughts and uneven rainfall.

PPAF plays a major role in building institutional and human resource capacities of participating communities and civil society organizations. It is committed to the development of a skilled human resource base necessary for supporting higher levels of growth in the sector. For this purpose, regular training sessions are conducted for communities and staff of partner organizations. Under the junior professionals program, funds are provided to partner organizations for training university graduates, who are inducted at junior posts following a training period of six months. Two additional initiatives have also been designed to enhance PPAF's ability in developing new microfinance institutions in rural areas: The "Young Partner Development Initiative" facilitates new and existing partner organizations in setting up sustainable rural finance operations through provisioning funds for on-lending and institutional support covering staff/client training, systems development, capital and operating costs. The "International Linkage Partner Initiative" provides young enterprising individuals the opportunity to get hands-on training experience with a renowned regional Microfinance Institution and facilitates them in setting up rural finance operations.

Under its social sector development programme (health and education), PPAF has facilitated civil society organizations in establishing a network of schools and community health centers where such facilities were non-existent, in addition to revitalizing inefficient public sector institutions through injecting requisite funds, better management practices and quality teaching services. All PPAF supported interventions in the social sector prioritize strict quality control, long term sustainability and durable linkages with communities. These objectives become mutually reinforcing with an inclusive management framework that underscores role of participating community based health and education management committees with the mandate to identify gaps in service delivery and suggest proposals for their redressal.

PPAF was actively involved in rehabilitation and reconstruction operations, on a major scale, in the earthquake affected areas. In addition to the reconstruction of seismically-safe housing units, substantive components including capacity building, livelihood restoration, reconstruction of non-housing infrastructure and focused interventions for people with disabilities were built into programme as a holistic and inclusive long term solution to reviving lives and livelihoods.

PPAF has initiated an innovative project for social mobilization that entails mobilizing 5 million people in 25 poorest districts of the country. Under the project, 50,000 new community organizations will be formed. The project supports the Government stance that poverty reduction goals can only be achieved if community organizations are formed to manage their own development and crowd in local, government and private sector resources and services.

PPAF is developing linkages with corporate sector through new and innovative models of enterprise development. This would enable the poor the access, and benefit from, the wider private sector markets and opportunities for value addition.

The collaboration of PPAF and Engro Chemical Pakistan Limited for a pilot project in livestock and dairy development resulted in setting up of milk plants in Sukkur and Sahiwal with installed capacity of 300,000 liters; establishment of over 475 milk centers in Sindh and Punjab where 400,000 liters of milk with 6% fat content is being collected daily and; provision of training to communities in animal husbandry and livestock management. All these initiatives have resulted in employment generation at the village level, enhanced economic activity in rural areas and industrial income generation opportunities for the rural poor at their doorstep.

PPAF and Pakistan Dairy Development Company (PDDC) have entered into a partnership to facilitate establishment and growth of community-based dairy farms and other dairy development programmes to improve the milk production in the country. Initially, the project would be launched on pilot basis in district Narowal where both the parties have agreed to work with 30 community farms. Later, the project would be replicated in other districts of the country.

PPAF and Unilever's leading brand Lifebuoy have signed an agreement to promote hand wash across 2 districts in Punjab under the rural hygiene awareness programme. Both the parties have agreed to provide children through "Mahfooz ('Safe') Pakistan", awareness and education on the importance of hand washing in order to reduce incidences of diarrhea. Over 50,000 community members of Narowal and Bhakkar will be educated.

On October 15, 2008, more than 60,000 schoolchildren in 900 PPAF supported/ adopted schools and government-run educational facilities celebrated the first-ever Global Handwashing Day aimed at reinforcing United Nations' call for improved hygiene practices among school across the country. The core idea was to promote handwashing among children and inculcate in them the idea of handwashing and its health benefits.

The 5th Citi-PPAF Microentrepreneurship Awards ceremony was held in Islamabad to acknowledge the extraordinary contributions that individual microentrepreneurs across Pakistan have made to economic sustainability of their families as well as their communities. Supported by Citigroup foundation, the goal of the awards program is to encourage and support best practices among both microentrepreneurs and microfinance institutions throughout Pakistan and to draw public, media and government attention to the important role that microfinance plays in promoting economic development at the local level.

Risk Management Policies

Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to loans to partner organizations, investments and bank balances. Credit risk on loans is controlled through extensive credit appraisals of partner organizations, assessing their creditworthiness, requiring compulsory savings from borrowers and creating lien on the assets of partner organizations. The credit risk on investments and bank balances is limited because the counter parties are banks/financial institutions with reasonably high credit ratings; and Government of Pakistan.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no foreign currency assets and liabilities except for financial assets of US$ 3,878.

Interest / mark-up rate risk

The interest/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest/mark-up rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure availability of adequate amount of funding to meet the commitments. The Company maintains flexibility in funding and follows an effective cash management and planning policy to ensure availability of adequate funds to meet its financial commitments in time. Moreover, the Company's financial position is satisfactory and it does not have any liquidity problems.

Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value except for investments and loan receivable/payable which are stated at cost or amortized cost.

Reporting and Disclosure

The Management believes in transparency of information and, therefore, it places high priority on true and fair presentation and timely issuance of periodic financial and non-financial information to regulatory authorities, donors and other stakeholders of the Company. In order to ensure this, the Management has put in place accurate and reliable financial and other reporting framework, effective internal control principles including risk management, setting of targets, planning and monitoring of Company's operations and performance under direct and indirect supervision through delegated authorities.

In addition to preparing to preparing financial statements in line with statutory requirements, the Company also prepares separate financial statements for different donors' projects which are duly audited by its external auditors.

The annual audited financial statements along with Directors' Report as well as quarterly and half yearly un-audited financial statements along with Management Reviews are published and circulated to stakeholders. These statements are also made available on the Company website.

Board of Directors

The Board acknowledges the significance of efficient discharge of duties imposed by corporate law and stands firmly committed in its objective to add value through effective participation and contribution towards achievement of Company's objectives. A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Ordinance 1984, the Code of Corporate Governance and other applicable regulations.

The Board comprises of one executive and ten non-executive Directors, including the Chairman and the Chief Executive/Managing Director of the Company with distinct responsibilities. The Chairman represents the non-executive directorship of the Company.

As part of its duties, the Board reviews and approves operational policies and procedures; projects of different donors and sponsors; financial assistance for partner organizations; quarterly progress; annual work plans, targets and budgets; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports.

The roles of the Chairman and the Chief Executive/Managing Director are segregated and they have distinct responsibilities. Chairman has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Directors and various committees of the Board, and presides over the meetings of the Board and General Body. Chief Executive/Managing Director is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the the Company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time.

The Board held four meetings during the year. The Chief Financial Officer/Company

Secretary attended meetings of the Board in capacity of non director without voting entitled as required by the Code of Corporate Governance.

Change of Directors

The Board joins me in acknowledging our appreciation for the active participation and invaluable contributions towards the affairs of the Company by the outgoing directors Mr. Junaid Iqbal Ch. and Mr Arif Hasan. We are pleased to welcome Mr. Muhammad Arif Azim, Dr. Navid Hamid and Mr. Zubyr Soomro as fellow Board members. We look forward to working in partnership with them to benefit from their vision and valued experience.

Board Committees

The Board places paramount importance on good governance that has always been viewed as the fundamental principle in enhancing the timeline, accuracy, comprehensiveness and transparency of financial and non financial information. In order to follow best practices, the Board in January 2007, endorsed the Code of Corporate Governance of listing regulations by constituting Audit and Human Resource committees.

Audit Committee

The Committee comprises of four non-executive members of the Board. The Chairman is an independent non-executive Director. The head of Internal Audit Unit acts as Secretary. The terms of reference of the Audit Committee have been drawn up by the Board in conformity with the code of corporate governance and the Board acts in accordance with the recommendations of the Committee on matters forming part of Committee responsibilities. The Committee assists the Board in overseeing Company's financial control, with particular emphasis on integrity of internal controls and financial reporting; qualification and independence of Company's external auditors; and performance of Company's internal and external auditors.

During the year, four meetings of the Committee were held. The Committee reviewed system of internal controls, internal audit reports, risk management and audit process besides recommending for Board's approval, annual work plan of internal audit, appointment of external auditors, annual work plans and budgets for different donors' projects, annual budget of the Company, policy for loan losses and write-off, proposal regarding submission of quarterly and half yearly un-audited financial statements by partner organizations, un-audited condensed interim financial along with Management Review, audited financial statements as per the requirements of the donor.

The Audit Committee meetings were also attended by the Chief Financial Officer. The Committee also held separate meeting with the external auditors.

Human Resource Committee

The Human Resource Committee comprises

of three members including the Chairman who are appointed by the Board from its non-executive Directors. The head of Human Resource Unit acts as Secretary. The terms of reference of the Human Resource Committee have been approved by the Board. The Committee assists the Board in overseeing the Company's human resource policies and framework, with particular emphasis on ensuring fair and transparent compensation policy; ensure continuous development and skill enhancement of employees.

During the year under review, the Committee held two meetings. The Committee reviewed and recommended performance awards, annual increment for the employees, cost of living adjustment for employees, revised organogram keeping in view expansion in operations, revised training and vehicle policy.

The Chief executive/Managing Director and other management employees are invited to attend meetings when required for discussion and suggestions.

Management

The Company Management is supervised by the Chief Executive/Managing Director to implement policies and monitor procedures adopted by the Board, carry out Board directives under delegated authorities to achieve objectives of the Company and provide feedback on the strategies formulated by the Board. The Management ensures execution of business operations including adherence to cardinal principles, appraising and monitoring of partner organizations, recommending financing for partner organizations, preparation of annual budgets/work plans and monitoring progress thereof. Management is also responsible for implementation of internal control including segregation of duties, financial and accounting controls for accuracy and completeness of accounting records, authorization, recording and accurate processing of transactions, compliance with statutory and other regulations and timely preparation of reliable financial and non-financial information for circulation to the stakeholders.

Future Outlook

PPAF is contributing to securing the future of the country's poor through a strategy of community driven development. This strategy capitalizes on a strong platform of partner organizations, and most critically, the inherent strength and resilience of poor and disadvantaged communities, in the face of extreme adversity. PPAF seeks to consistently deliver on commitments, which is fully Validated and endorsed by our partners and is evident from the fact that the Government of Pakistan and international development agencies continued to response their confidence in the Company to enhance the quality and quantity of PPAF programmes and take these to the next level.

The World Bank Team completed appraisal of third PPAF project in April 2009. Legal Agreements for this project were executed between Government of Pakistan, International Development Association/ World Bank and PPAF in June 2009. On completion of necessary formalities, the project was declared effective on July 09, 2009, in a record time of one month after the signing of the agreements.

The project involves total funding of US$ 250 million (loan US$ 33 million: grant US$ 217 million) over a period of five years. Under the proposed third Project, there would be stronger focus on the most vulnerable and poorest households. This would be achieved by adoption of a more participatory and integrated approach that combines strong targeting mechanisms which effectively identify the extreme-poor and poor; and building inclusive enhanced investments in sustainable livelihood opportunities. The project components include:

— Social mobilization and institution building (US$ 38.50 million).
— Livelihood enhancement and protection (US$ 85.30 million)
— Micro-credit access (US$ 40.00 million)
— Basic services and infrastructure (US$ 80.00 million).
— Project implementation support (US$ 6.20 million).

The KfW (Development Bank of Germany) Mission appraise PPAF for EUR 32 million project on "Livelihood Support and Promotion of Small Community Infrastructure" to be implemented in the province of NWFP over a period of three years. The legal and financing agreements for this project are expected to be executed by September 2009.

The Company has started establishing linkages with corporate sector with a view to generating funds for implementing its various poverty alleviation activities. A separate Corporate Relations Management Unit is being set up for this purpose. The main functions of the Unit include establishment of contacts with different organizations for obtaining grants for poverty alleviation activities initiated by PPAF and coordinate between corporate sectors entities and different units of PPAF for implementation of approved projects.

PPAF has signed agreements with number of organizations with the aim to work jointly for establishing corporate-social sector linkages to fighting poverty in the country. By involving the business and corporate sector, PPAF plans to further increase its poverty alleviation activities through their corporate social responsibility and social welfare funds.

Auditors

The present auditors of the Company, M/s A. F. Ferguson and Company, Chartered Accountants, have completed their assignment for the financial year ended

June 30, 2009 and shall retire at the conclusion of 13th Annual General Meeting. Being eligible, they have indicated their willingness to continue in office as auditors. The Board of Directors, on the proposal of the Audit Committee, recommends their reappointment as auditors for the financial year ending June 30, 2010.

Conclusion

As the largest wholesaler of credit and non-credit funds, PPAF has contributed significantly to community-driven development at the grass roots level. It has facilitated growth of a large number of non-governmental organizations, microfinance institutions and rural support programs working directly with poor communities. PPAF's institutional mechanism is seen as a best practice public-private partnership model. Its governance structure, private sector management and transparent funding mechanism are acknowledged as a model for service delivery of other government/public sector programmes. In areas of PPAF sponsored interventions, the poor have started reaping benefits of self-reliance and community driven development. They are experiencing increased opportunities for income generation, reduced dependence on external support and enhanced quality of life.

Acknowledgement

The support and enthusiasm of the Board continued to play a constructive and positive role in the development of PPAF as a world class institution. The revelation and commitment of Board towards poverty alleviation has contributed a great deal to the success of the programme. I am grateful to all the directors for their time and contribution. I am confident that we will continue to benefit from their vision and valued experience which will go a long way in the future growth and prosperity of the Company.

The Board is grateful for the trust and faith reposed by the Members of the General Body. Their support gives confidence and encouragement in achieving the targets and strategies formulated by the Board. The Board will also like to commend the partner organizations and their communities for excellent performance and ownership of the programmes that made possible to overcome most difficult of challenges.

The Board expresses its profound gratitude to the Government of Pakistan and World Bank for their efforts and support in successfully appraising, negotiating and approving the Third Project. As a result of combined efforts of Government of Pakistan, World Bank and PPAF, the financing agreements for the project have been executed and the project has been declared effective in a record time.

We are indebted to the Government of Pakistan for reposing their trust in us and their facilitation in developing this exemplary public/private partnership to new heights and international stature. We also take this opportunity to thank our donor agencies – World Bank, International Fund for Agricultural Development; U.S. Department of Agriculture; KfW Development Bank (Germany); Committee Encouraging Corporate Philanthropy (USA); and US Agency for International Development, for their strong backing and belief in our ability to deliver effectively at the grassroots level and giving us an opportunity to make difference in the lives of the poor and vulnerable people of Pakistan.

The Board would like to express its appreciation for members of the management team and all its employees who continue to work with dedication and have developed a reputation of credibility and trust. Their dedication in the face of mounting odds and difficulties served the institution well. They must continue to meet the challenges of increased poverty and hunger which threatens the very fabric of the state.

We have accelerated our efforts after successful completion of the second project to deliver better value to our stakeholders, partner organizations, employees and society at large. As a responsible corporate citizen, PPAF will consistently endeavour to innovate and add value to its work and bring about improvement in the quality of life of poor and disadvantaged that we have the privilege to serve.

Hussain Dawood
Chairman

Islamabad
August 04, 2009

Financial Highlights

	2009	2008	2007	2006	2005	2004	2003
Outreach - Numbers (Cumulative)							
Partner Organizations	77	74	70	68	56	42	38
Districts	124	117	111	108	97	95	84
Villages	51,280	31,752	27,578	23,354	19,863	13,054	8,650
Loans ('000)	3,000	2,300	1,513	947	616	370	221
CPI Projects	18,500	17,000	14,900	11,700	8,900	6,800	2,900
Disbursements - Rs. in million							
Total disbursements	13,066	16,697	15,806	6,246	4,064	2,436	1,777
Microcredit/enterprise development loans	6,949	9,075	6,228	3,705	3,106	1,462	1,314
Grants - Core Operations	2,134	1,951	1,654	1,372	958	974	463
Grants - Earthquake Rehabilitation & Reconstruction	3,983	5,671	7,924	1,169	-	-	-
Balance Sheet - Rs. in million							
Total assets	18,509	18,923	18,702	13,201	8,747	3,617	2,771
Micro credit/enterprise development loans receivable	9,141	7,982	5,642	3,996	2,598	1,081	1,201
Long term investments	1,000	1,000	1,000	800	900	700	405
Short term investments-specific to projects	530	1,050	1,050	-	-	-	-
Equity and reserves	4,785	3,755	2,817	1,788	1,137	791	710
Long term loans	11,031	10,770	10,777	10,513	6,482	2,734	1,956
Operational Results - Rs. in million							
Total income	1,669	1,314	1,255	763	305	222	230
General and admin expenses - core operations	217	200	159	108	87	71	63
General and admin expenses - rehabilitations & reconstruction	105	83	46	12	-	-	-
Surplus before provisions for loan loss	1,266	947	965	572	152	133	149
Surplus after provisions for loan loss	1,030	802	914	501	196	81	92
Financial Ratios							
Surplus before loan loss ratio	76%	72%	77%	75%	50%	60%	65%
Return on equity	26%	25%	34%	32%	13%	17%	21%
Return on assets	6%	4%	5%	4%	2%	2%	3%
Repayment rate (micro credit)	100%	100%	100%	100%	100%	100%	100%
Total general and admin expenses/total disbursements	2.46%	1.69%	1.30%	1.92%	2.14%	2.91%	3.55%
Income on loans/general and admin. expenses on core operations	252%	252%	205%	164%	101%	97%	89%
Debt/equity	70 : 30	74 : 26	78 : 22	85 : 15	85 : 15	77 : 23	73 : 27
Current ratio	6: 1	4: 1	3: 1	13 : 1	7 : 1	31 : 1	17 : 1

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2009

A member firm of
PRICEWATERHOUSECOOPERS

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AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Poverty Alleviation Fund (the Company) as at June 30, 2009 and the related income and expenditure account, cash flow statement and statement of changes in fund and reserves 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, income and expenditure account, cash flow statement and statement of changes in fund and reserves together with the notes forming part thereof conform with the 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 Company's affairs as at June 30, 2009 and of the surplus, its cash flows and changes in fund and reserves for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Islamabad: August 4, 2009

Name of the audit engagement partner: Sohail M Khan

Karachi Office: State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan. Tel: (92-21) 2426682-85 & 2426711-15. Fax: (92-21) 2415007 & 2427938
Lahore Office: 505-509, 5th Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, P.O. Box 39, Lahore-54000 Pakistan. Tel: (92-42) 6285078-85. Fax: (92-42) 6285088
Kabul Office: House No. 4, Street No. 3, District 6 Road, Karte-3 Kabul, Afghanistan. Tel: (93-799) 315320, 203424

Balance Sheet
as at June 30, 2009

	Note	2009	2008
		(Rupees)	
FIXED ASSETS - TANGIBLE	5	54,380,063	53,066,251
INTANGIBLE ASSETS	6	10,167,986	9,962,095
LONG TERM INVESTMENTS	7	1,000,000,000	1,000,000,000
LONG TERM LOANS TO PARTNER ORGANIZATIONS	8	1,721,037,948	1,115,405,268
CURRENT ASSETS			
Current maturity of loans to Partner Organizations	8	7,419,925,938	6,867,395,344
Short term investments-specific to projects	9	530,000,000	1,050,000,000
Short term investments	10	5,224,642,173	5,441,784,165
Advances, deposits, prepayments and other receivables	11	91,288,563	68,353,341
Profit/service charges receivable	12	451,863,074	262,500,096
Bank balances-specific to projects	13	1,959,485,918	3,037,581,500
Cash and bank balances	14	46,324,747	16,862,695
		15,723,530,413	16,744,477,141
		18,509,116,410	18,922,910,755
FUND AND RESERVES			
Endowment fund	15	1,000,000,000	1,000,000,000
Accumulated surplus		3,785,356,163	2,755,078,994
		4,785,356,163	3,755,078,994
LONG TERM LOANS	16	11,030,865,907	10,769,894,863
CURRENT LIABILITIES			
Deferred liabilities - grant fund	17	2,451,222,148	4,250,413,931
Deferred income/(expense) - grant fund	18	60,915,780	(26,292,606)
Current portion of long term loans	16	109,617,378	109,617,378
Service and commitment charges payable	19	62,496,823	60,396,984
Accrued and other liabilities	20	8,642,211	3,801,211
		2,692,894,340	4,397,936,898
CONTINGENCIES AND COMMITMENTS	22		
		18,509,116,410	18,922,910,755

The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE / MANAGING DIRECTOR

Income and Expenditure Account
For the year ended June 30, 2009

	Note	2009	2008
		(Rupees)	
INCOME			
Service charges on loans to Partner Organizations	23	744,434,556	503,560,944
Amortization of deferred income - grant fund	24	199,743,670	154,509,153
Income on investments and saving accounts	25	723,183,285	653,017,908
Other income	26	1,320,838	3,114,303
		1,668,682,349	1,314,202,308
EXPENDITURE			
General and administrative expenses	27	322,072,765	283,385,376
Loan loss provision		235,731,884	144,563,154
Financial charges	28	80,600,531	84,247,246
		638,405,180	512,195,776
SURPLUS FOR THE YEAR		1,030,277,169	802,006,532

The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE / MANAGING DIRECTOR

Cash Flow Statement
For the year ended June 30, 2009

	Note	2009	2008
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations			
Surplus for the year		1,030,277,169	802,006,532
Adjustment for non cash items:			
Depreciation		21,566,925	20,046,705
Amortization of intangible assets		4,797,536	3,715,002
Amortization of deferred income		(199,743,670)	(154,509,153)
Provision for gratuity		6,290,774	4,034,824
Loan loss provision		235,731,884	144,563,154
Gain on sale of fixed assets		-	(1,201,200)
Financial charges		80,600,531	84,247,246
		149,243,980	100,896,578
		1,179,521,149	902,903,110
Working capital changes			
(Increase) / decrease in current assets:			
Advances, deposits, prepayments and other receivables		(22,935,222)	17,092,637
Profit/service charges receivables		(189,362,978)	190,560,544
Increase / (decrease) in current liabilities:			
Accrued and other liabilities		4,841,000	(4,519,737)
		(207,457,200)	203,133,444
Cash generated from operations		972,063,949	1,106,036,554
Recoveries of loans from partner organizations		5,554,971,762	6,589,658,676
Disbursements to partner organizations:			
Loans		(6,948,866,920)	(9,075,097,135)
Grants		(6,116,562,924)	(7,623,050,991)
Financial charges paid		(78,500,692)	(76,370,076)
Payment to gratuity fund		(6,290,774)	(7,080,949)
		(7,595,249,548)	(10,191,940,475)
Net cash (used in) operating activities		(6,623,185,599)	(9,085,903,921)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		737,141,992	1,270,469,943
Capital expenditure incurred		(28,356,164)	(45,552,626)
Proceeds from disposal of fixed assets		472,000	1,513,000
Net cash generated from investing activities		709,257,828	1,226,430,317
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans - repaid		(109,617,378)	(109,617,378)
Long term loans - received		370,588,422	101,020,189
Deferred liabilities - grant fund receipts		4,317,371,141	7,171,956,637
Deferred income - grant fund receipts		286,952,056	32,426,944
Net cash generated from financing activities		4,865,294,241	7,195,786,392
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,048,633,530)	(663,687,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,054,444,195	3,718,131,407
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13&14	**2,005,810,665**	**3,054,444,195**

The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE / MANAGING DIRECTOR**

Statement of Changes in Fund and Reserves
For the year ended June 30, 2009

	Endowment Fund	Accumulated Surplus	Total
		(Rupees)	
Balance as at June 30, 2007	1,000,000,000	1,953,072,462	2,953,072,462
Surplus for the year		802,006,532	802,006,532
Balance as at June 30, 2008	1,000,000,000	2,755,078,994	3,755,078,994
Surplus for the year		1,030,277,169	1,030,277,169
Balance as at June 30, 2009	1,000,000,000	3,785,356,163	4,785,356,163

The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE / MANAGING DIRECTOR

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

Pakistan Poverty Alleviation Fund (the Company/PPAF) was registered in Pakistan on February 6, 1997 as a public company with liability limited by guarantee, licensed under section 42 of the Companies Ordinance, 1984. The registered office of the company is situated in Islamabad, Pakistan.

The primary object of the Company is to help the poor, the landless and the asset-less in order to enable them to gain access to the resources for their productive self employment and to encourage them to undertake activities of income generation, poverty alleviation and for enhancing their quality of life. In order to achieve its objectives, the Company is mandated to work through Partner organizations (POs), i.e., Non Government organizations (NGOs), Community Based organizations (CBOs), Rural Support Programmes (RSPs) and other private sector organizations.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost convention except for the revaluation of certain financial instruments held in foreign currency at the exchange rate prevailing on the balance sheet date and employees benefit obligation as per actuarial valuation.

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent form other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

The area involving a higher degree of judgment or complexity or area where assumptions and estimates are significant to the financial statements is loan loss provision (note 8).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employee benefits

The Company operates defined benefit gratuity fund for all eligible employees who complete the qualifying period of service. The fund is administered by trustees. Annual contribution to the gratuity fund is based on Actuarial valuation using projected unit credit method. All contributions are charged to income and expenditure account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees. The Actuarial valuation of the scheme was carried out as at June 30, 2009, related details of which are given in note 21 to the financial statements.

4.2 Taxation

The Company has been granted exemption from income tax under clause 58 Part I of the Second Schedule of the Income Tax Ordinance, 2001.

4.3 Provisions

Provisions are recognized when the Company has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of obligation.

4.4 Deferred liabilities - grant fund

Grants specific to Partner Organisations (POs) are stated as deferred liabilities net of related disbursements to POs.

4.5 Fixed assets - tangible

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income applying straight line method whereby the cost of an asset is written off over its estimated useful life at the rates specified in note 5.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced are retired.

Gain or loss on sale or retirement of fixed assets is included in current year's statement of income and expenditure.

4.6 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

4.7 Investments - held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Company has positive intent and ability to hold the investment till maturity and are carried at amortized cost using the effective yield method.

4.8 Loans to Partner Organisations

These are stated net of provision for loan losses.

General provision for loan losses at the rate of 5% (2008: 3%) of the gross outstanding balances of loans to POs is made at the year end.

Specific provision for loan losses is made against loans which are considered doubtful of recovery, as required.

Loan losses (write offs) are charged against the provision for loan losses when management believes that the loan is unlikely to be collected.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost in case of local currency and at closing exchange rate in case of foreign currency. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks on current and saving accounts.

4.10 Revenue recognition

Income is recognized on accrual basis except grants and donations that are recorded on receipt basis. Service charges on loans and profit/markup on investments and bank accounts are recognized on time proportionate basis.

Grants related to income are recognized as deferred income and amortized over the periods necessary to match them with the related costs for which these are intended to compensate, on a systematic basis.

4.11 Receipts - micro-credit loans and grants

Receipts from Government of Pakistan (GOP) on account of International Development Association (IDA) and International Fund for Agricultural Development (IFAD) projects are recorded on the basis of Financial Monitoring Reports, raised on quarterly basis, under relevant categories of micro-credit loan fund, community physical infrastructure (CPI) grant fund, social sector development grant fund, emergency relief, housing reconstruction and community building, revitalization of communities/ rehabilitation of CPI schemes and capacity building grant fund as specified in the Financing Schedules of the respective Financing Agreements.

Receipts from Government of Pakistan (GOP) on account of KfW Development Bank (KFW) projects are recorded on the basis of Statement of Expenditures (SOEs), raised on quarterly basis, under relevant categories of housing reconstruction and community building, revitalization of communities/ rehabilitation of CPI schemes and capacity building grant fund as specified in the Financing Schedule of the respective Financing Agreement.

Receipts from Government of Pakistan (GOP) on account of United States Department of Agriculture (USDA) projects are recorded on the basis of requests by the Company, on annual basis, under relevant category of CPI grant fund and capacity building grant fund as specified in the agreed plan of action.

Receipts from Government of Pakistan (GOP) on account of micro credit and enterprise development facility (EDF) are recorded as loans. Grants specific to POs and PPAF are recognized as deferred liability and deferred income respectively.

Grants from USAID/Pakistan on account of EDF and capacity building are recorded on the basis of advance request raised on monthly basis. Receipts of EDF and grants specific to POs are recorded as deferred liability and grants specific to PPAF are recognized as deferred income.

Grants from Committee Encouraging Corporate Philanthropy (CECP) on account of reconstruction and refurbishment of education and health facilities affected by earthquake are recorded on the basis of advance request raised on quarterly basis. Receipts of grants specific to POs are recognized as deferred liability, whereas, grants specific to PPAF are recognized as deferred income.

4.12 Borrowing costs

All borrowing costs are recognized as expense in the year in which these are incurred.

4.13 Foreign currency transactions

Transactions in foreign currencies are translated in Pak Rupees at the monthly average rate of exchange. Monetary assets and liabilities expressed in foreign currencies are translated into Pak Rupees at the official rate prevailing on the balance sheet date. Gains and losses on foreign currency transactions are included in income currently, except exchange differences related to disbursements against Special Drawing Rights (SDR) for micro credit loan, community physical infrastructure grant, social sector development, emergency relief, housing reconstruction and community building, revitalization of communities/ rehabilitation of CPI schemes, social mobilization, disability and capacity building grant are included in their respective balances.

4.14 Financial instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given and received. These are subsequently measured at fair value, amortized cost or cost, as the case may be.

4.15 Related party transactions

All transactions with related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extreme rare circumstances where, subject to the approval of Board of Directors, it is in the interest of the company to do so.

4.16 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or realize the asset and settle the liability simultaneously.

5. FIXED ASSETS - tangible

	Cost			Depreciation				Book value as at June 30, 2009	Book value as at June 30, 2008
	As at July 01, 2008	Additions/ (Deletions)	As at June 30, 2009	Annual rate of depreciation	As at July 01, 2008	Charge for the year / (On deletions)	As at June 30, 2009		
		(Rupees)		%		(Rupees)		(Rupees)	(Rupees)
Furniture and fixtures	8,731,502	1,314,523	10,046,025	20	5,188,748	1,501,063 -	6,689,811	**3,356,214**	**3,542,754**
Vehicles	46,813,550	5,539,710 (590,000)	51,763,260	20	20,871,437	8,775,148 (118,000)	29,528,585	**22,234,675**	**25,942,113**
Office equipment	22,583,806	4,120,266	26,704,072	20	11,104,333	3,792,855 -	14,897,188	**11,806,884**	**11,479,473**
Computer equipment	31,389,799	12,378,238	43,768,037	25	19,287,888	7,497,859 -	26,785,747	**16,982,290**	**12,101,911**
2009	109,518,657	23,352,737 (590,000)	132,281,394		56,452,406	21,566,925 (118,000)	77,901,331	**54,380,063**	**53,066,251**
2008	76,785,388	35,357,519 (2,624,250)	109,518,657		38,718,151	20,046,705 (2,312,450)	56,452,406	**53,066,251**	

6. INTANGIBLE ASSETS

	Cost			Amortisation				Book value as at June 30, 2009	Book value as at June 30, 2008
	As at July 01, 2008	Additions	As at June 30, 2009	Annual rate of amortisation	As at July 01, 2008	Charge for the year	As at June 30, 2009		
		(Rupees)		%		(Rupees)		(Rupees)	(Rupees)
Satellite imageries	11,296,622	4,248,827	15,545,449	25	3,108,155	3,886,362	6,994,517	**8,550,932**	**8,188,467**
Other softwares	3,541,138	754,600	4,295,738	25	1,767,510	911,174	2,678,684	**1,617,054**	**1,773,628**
2009	14,837,760	5,003,427	19,841,187		4,875,665	4,797,536	9,673,201	**10,167,986**	**9,962,095**
2008	4,642,653	10,195,107	14,837,760		1,160,663	3,715,002	4,875,665	**9,962,095**	

	Note	2009	2008
		(Rupees)	
7. LONG TERM INVESTMENTS - held to maturity			
Pakistan Investment Bonds (PIBs)	7.1	1,000,000,000	1,000,000,000

7.1 Represents investments in PIBs as follows:

Principal (Rupees)	Issue Date	Maturity Date	Profit rate % per annum	Payment terms
200 million	30-12-2000	30-12-2010	14.00	Semi annually
200 million	22-08-2001	22-08-2011	13.00	Semi annually
300 million	29-04-2004	28-04-2014	8.00	Semi annually
100 million	29-04-2004	28-04-2014	8.00	Semi annually
200 million	19-05-2006	19-05-2011	9.30	Semi annually

	2009	2008
	(Rupees)	
8. LOANS TO PARTNER ORGANIZATIONS - secured, considered good		
National Rural Support Programme	3,562,630,808	4,045,607,106
Punjab Rural Support Programme	253,913,980	266,522,008
Kashf Foundation	2,514,249,999	1,586,649,999
Sarhad Rural Support Programme	85,333,333	79,000,000
Thardeep Rural Development Programme	463,500,000	408,346,709
Development Action for Mobilization and Emancipation	473,700,325	391,260,319
Taraqee Foundation	-	10,354,105
Sindh Agricultural & Forestry Workers Coordinating Organization	222,618,832	161,612,000
Sindh Rural Support Programme	475,000	2,375,000
Jinnah Welfare Society	139,336,230	69,353,860
Centre for Women Cooperative Development	258,284,020	157,826,237
Rural Community Development Society	181,802,469	104,662,035
Young Pioneers Society	10,250,000	11,100,000
Women Social Organisation	4,520,000	3,560,000
Anjuman-e- Falah-o-Behbood	352,500	1,312,500
Community Support Concern	284,152,581	199,672,343
Poverty Eradication Network	2,800,000	2,965,000
Baanhn Beli	1,200,000	6,700,000
Bunyad Literacy Community Council	3,590,000	9,050,000
Indus Resource Centre	12,885,697	12,829,000
Network Leasing Corporation Limited	85,625,000	115,625,000
Organization for Participatory Development	74,512,500	59,727,250
Swabi Women Welfare Society	11,749,998	10,499,998
Orangi Charitable Trust	180,575,000	64,376,668
Community Development Concern	245,000	1,161,759
Karwan Community Development Organization	4,510,000	3,345,000
Kiran Welfare Organization	6,025,001	4,475,001
Narowal Rural Development Programme	18,833,333	15,341,666
Soon Valley Development Programme	6,110,000	9,203,750
Asasah	258,784,818	236,011,916
Baidarie	2,206,045	4,349,445
Balances continued - carried forward	9,124,772,469	8,054,875,674

	Note	2009	2008
		(Rupees)	
Balances continued - brought forward		9,124,772,469	8,054,875,674
Orix Leasing Pakistan Limited		181,883,631	89,187,631
Save The Poor		9,747,466	13,100,219
Marvi Rural Development Organization		10,521,153	11,803,653
Sindh Rural Support Organization		85,617,225	53,356,864
BRAC Pakistan		259,863,000	69,984,000.00
Farmers Friend Organization		9,862,847	3,750,000.00
Khajji Cooperative Society		1,576,168	2,030,000
Al Mehran Rural Develpoment and Welfare Organization		-	3,768,260
Balochistan Rural Development & Research Society		427,500	-
Buksh Foundation		7,000,000	-
Mojaz Foundation		3,980,000	-
Badbaan Enterprise Development Forum		500,000	-
	8.1	9,695,751,459	8,301,856,301
Less: Loan loss provision	8.2	(554,787,573)	(319,055,689)
		9,140,963,886	7,982,800,612
Less: Current maturity		(7,419,925,938)	(6,867,395,344)
		1,721,037,948	1,115,405,268

8.1 The Company disbursed Micro-credit loans and Enterprise Development Facility (EDF) to POs under respective Financing Agreements at a service charge of six percent per annum (6% p.a.) and eight percent per annum (8% p.a.). The later rate is effective on all the financing agreements executed after March 31, 2006. These loans are secured through letter of hypothecation on receivables of POs created out of financing obtained from the Company. Further, the Company maintains a first charge on all assets / capital items created out of financing provided for capacity building and under the exclusive lien of the Company until full repayment of the principal, service charges and other outstanding amounts payable to the Company. These loans are repayable on quarterly basis within two to three years under the respective financing agreements signed between the Company and the POs.

With effect from January 01, 2008, the Partner Organisations, in respect of all lending facilities (credit), defined as large (POs which are approved annual credit disbursements by PPAF of Rs 500 million and above or POs having PPAF credit outstanding of Rs 500 milllion and above, at any given point in time) will be charged annual markup rate (service charge) equal to 10% or KIBOR (Karachi Interbank Offered Rate) prevailing on first working day of January (applicable on Financing Agreements executed between January 01, to June 30) and first working day of July (applicable on Financing Agreements executed between July 01 to December 31) each year, the KIBOR of one year will be applicable. The proposed markup rate (service charge) will be applicable to all lending facilities contracted on or after January 01, 2008. However, after May 06, 2009 all lending facilities (credit) will be charged annual markup rate (service charge) upto 2% below the relevant KIBOR prevailing on last working day prior to the date of execution of Financing Agreements. The KIBOR will correspond with agreement period i.e. for one year Financing Agreement, KIBOR of one year will be applicable. Repayment of principal amount will commence after the grace period of 12 months and shall continue over a period not exceeding 15 months. Payment of mark up (service charges) will be on quartely basis.

		2009	2008
8.2	Loan loss provision	(Rupees)	
	Opening balance	319,055,689	174,492,535
	Provision during the year	235,731,884	144,563,154
		554,787,573	319,055,689
8.3	Movement of loans to Partner Organizations		
	Opening balance	8,301,856,301	5,816,417,842
	Disbursements during the period	6,948,866,920	9,075,097,135
		15,250,723,221	14,891,514,977
	Recoveries during the period	(5,554,971,762)	(6,589,658,676)
		9,695,751,459	8,301,856,301
	Less: Loan loss provision	(554,787,573)	(319,055,689)
		9,140,963,886	7,982,800,612

9. SHORT TERM INVESTMENTS - specific to projects

These represent investments in respect of United States Department for Agriculture (USDA) project activities, maturing with in one year from the date of investment at annual mark up rates ranging from 10.50% p.a to 12% p.a (2008: 10% p.a to 11% p.a).

10. SHORT TERM INVESTMENTS

These represent term deposit receipts and certificate of investments of various commercial banks and investment banks respectively, maturing within one year from the date of investment at annual markup rates ranging from 11.00% p.a. to 15.40% p.a. (2008: 8.00% p.a. to 12.10% p.a.).

	Note	2009	2008
		(Rupees)	
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances - considered good			
Employees	11.1	1,869,528	926,167
Suppliers		254,183	2,096,995
		2,123,711	3,023,162
Deposits		2,070,400	1,370,400
Prepayments		37,582,229	14,557,356
Income tax refundable		49,384,426	49,384,426
Other receivables - considered good		127,797	17,997
		91,288,563	68,353,341

11.1 This include advance salary loans and car loans given to the employees of the Company, carrying annual mark up of 3% p.a. (2008: 3% p.a.) and 8% p.a (2008: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

	2009	2008
	(Rupees)	
12. PROFIT / SERVICE CHARGES RECEIVABLE		
Profit receivable on		
Pakistan Investment Bonds (PIBs)	16,737,534	30,791,792
Term deposit receipts / saving accounts	257,066,120	109,334,150
Project bank accounts / investments	5,100,685	3,327,123
	278,904,339	143,453,065
Service charge receivable on loans to POs	172,958,735	119,047,031
	451,863,074	262,500,096
13. BANK BALANCES - SPECIFIC TO PROJECTS		
Cash at banks - current accounts		
Specific to IDA	1,400,003,901	2,070,033,029
Specific to IDA Disability Project	212,312,453	-
Specific to IFAD-MIOP	2,577,628	59,192,170
Specific to IFAD-REACH	99,540,804	456,578,126
Specific to IFAD-PRISM	133,561,734	-
Specific to Kfw	3,508,935	107,192,900
Specific to CECP grant	105,379,479	236,464,726
Specific to USAID	-	81,842
	1,956,884,934	2,929,542,793
Cash at banks - deposit accounts		
Specific to USDA grant	2,580,373	63,477,132
Specific to CECP	20,611	44,561,575
	2,600,984	108,038,707
	1,959,485,918	3,037,581,500
14. CASH AND BANK BALANCES		
Cash in hand		
in head office	40,237	21,349
in centers	100,000	83,288
in field coordination offices	113,110	56,067
	253,347	160,704
Cash at banks - current accounts	14,947,783	649,578
Cash at banks - deposit accounts	31,123,617	16,052,413
	46,071,400	16,701,991
	46,324,747	16,862,695

The balances in deposit accounts carry average mark up of 5.00% p.a. (2008: 4.70% p.a.). These include foreign currency balances aggregating to US$ 3,878 (2008: US$ 727,911).

	2009	2008
	(Rupees)	
15. ENDOWMENT FUND		
PPAF - I	500,000,000	500,000,000
PPAF - II	500,000,000	500,000,000
	1,000,000,000	1,000,000,000

15.1 This represents the amounts paid by GOP for endowment fund under the Subsidiary Financing Agreements (SFAs) as detailed in Note 16.1 and 16.2. Under the SFA, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the Company.

	Note	2009	2008
16. LONG TERM LOANS - Unsecured		(Rupees)	
Government of Pakistan - PPAF - I (IDA financing)	16.1	2,343,783,966	2,453,401,344
Government of Pakistan- PPAF - II (IDA financing)	16.2	8,321,429,227	8,197,837,189
Government of Pakistan - (IFAD financing-MIOP)	16.3	281,910,990	118,656,330
Government of Pakistan - (IFAD financing-PRISM)	16.4	83,741,724	-
		11,030,865,907	10,769,894,863

16.1 Government of Pakistan - PPAF - I (IDA financing)

	2009	2008
Opening balance	2,563,018,722	2,672,636,100
Amount repaid	(109,617,378)	(109,617,378)
	2,453,401,344	2,563,018,722
Amount payable within next twelve months shown as current liability	(109,617,378)	(109,617,378)
	2,343,783,966	2,453,401,344

A Development Credit Agreement (DCA) was signed between International Development Association (IDA) and the Government of Pakistan (GOP) on July 7, 1999. IDA made available to GOP a sum of Special Drawing Rights (SDR) of 66.5 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Financing Agreement (SFA) dated August 18, 1999 executed between GOP and the Company, 50% of the amount was disbursed as loan to the Company and the balance as grant on non reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments payable on each May 15, and November 15 commencing from November 15, 2007 and ending on May 15, 2022. Each installment upto and including the installment payable on May 15, 2013 shall be equal to two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on May 15 and November 15 each year.

	2009	2008
	(Rupees)	
16.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	8,197,837,189	8,096,817,000
Amount received	123,592,038	115,330,979
Forein exchange translation differences - Net	-	(14,310,790)
	8,321,429,227	8,197,837,189

Second DCA was signed between IDA and the GOP on January 20, 2004, in respect of PPAF II. As per agreement IDA shall make available to GOP a sum of Special Drawing Rights (SDR) of 168.1 million over a period of four years to be utilized by GOP through the Company.

Under SFA dated March 24, 2004 executed between GOP and the Company, the GOP agreed to provide 56% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each Feb 01, and August 01 commencing from February 01, 2012 and ending on August 01, 2026. Each installment upto and including the installment payable on August 01, 2017 shall be equal to two point zero eight three percent (2.083%) of such principal amounts and each installment thereafter shall be equal to four point one six seven percent (4.167%) of such principal amount.

Under the SFA the company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time and the commitment charge at the rate set by the IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on February 01 and August 01 each year.

		2009	2008
		(Rupees)	
16.3	Government of Pakistan - (IFAD financing MIOP)		
	Opening balance	118,656,330	118,656,330
	Amount received	163,254,660	-
		281,910,990	118,656,330

Programme Loan Agreement was signed between International Fund for Agricultural Development (IFAD) and GOP on January 18, 2006, in respect of Microfinance Innovation and Outreach Programme (MIOP). As per agreement IFAD shall make available to GOP a sum of SDR of 18.30 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Loan and Grant Agreement (SLGA) dated April 18, 2006 executed between GOP and the Company, the GOP agreed to provide 50% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from June 01, 2014 and ending on December 01, 2028.

Under the SLGA, the Company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time. The service charge is payable on June 01 and December 01 each year.

	2009	2008
	(Rupees)	
16.4 Government of Pakistan - (IFAD financing PRISM)		
Amount received	83,741,724	-

Programme Loan Agreement was signed between International Fund for Agricultural Development (IFAD) and GOP on November 22, 2007, in respect of Programme for Increasing Sustainable Microfinance (PRISM). As per agreement IFAD shall make available to GOP a sum of SDR of 22.85 million over a period of five years to be utilized by GOP through the Company.

Under Subsidiary Financing Agreement (SFA) dated January 12, 2008 executed between GOP and the Company, the GOP agreed to provide 65% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity building. The principal loan amount of the project is repayable in Pak Rupees over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from December 01, 2015 and ending on June 01, 2030.

Under the SFA, the Company has committed to pay a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time. The service charge is payable on June 01 and December 01 each year.

	Note	2009	2008
		(Rupees)	
17. DEFERRED LIABILITIES - GRANT FUND			
Government of Pakistan - IDA	17.1	1,539,410,346	2,151,989,364
US Agency for International Development/Pakistan	17.2	115,984,115	126,106,108
Government of Pakistan - USDA	17.3	552,702,419	1,117,938,769
Government of Pakistan - KfW	17.4	3,508,935	107,192,900
Government of Pakistan - IFAD (MIOP)	17.5	(14,986,003)	8,863,170
Government of Pakistan - IFAD (REACH)	17.6	99,540,804	456,578,126
Government of Pakistan - IFAD (PRISM)	17.7	45,444,080	-
Committee Encouraging Corporate Philanthropy (CECP)	17.8	109,617,452	281,745,494
		2,451,222,148	4,250,413,931

Deferred liabilities grant fund represents amounts payable to POs on non-reimbursable basis under respective financing agreements.

	Note	2009	2008
		(Rupees)	
17.1 Grants from Government of Pakistan - IDA			
Community physical infrastructure	17.1.1	238,987,442	(181,749,155)
Social sector development	17.1.2	12,781,616	(49,840,581)
Capacity building - POs	17.1.3	340,038,783	(221,898,926)
Emergency relief	17.1.4	3,386,315	(1,888,594)
Rehabilitation & reconstruction	17.1.5	(299,884,674)	1,649,106,620
Grants for social mobilization	17.1.6	1,032,124,235	958,260,000
Grants for disability project	17.1.7	211,976,629	-
		1,539,410,346	2,151,989,364

17.1.1 Community physical infrastructure	2009	2008
	(Rupees)	
Opening balance	(181,749,155)	362,024,575
Amount received	790,757,491	563,838,400
Foreign exchange translation differences - Net	-	654,526
	609,008,336	926,517,501
Less: Disbursements		
Sarhad Rural Support Programme	48,793,341	150,831,221
National Rural Support Programme	47,436,524	129,292,335
Punjab Rural Support Programme	39,335,000	134,799,765
Aga Khan Rural Support Programme	25,986,036	30,908,870
Thardeep Rural Development Programme	19,833,067	32,916,045
Taraqee Foundation	-	75,068,532
Balochistan Rural Support Programme	21,654,701	70,182,956
Jinnah Welfare Society	-	7,191,997
Rural Community Development Society	18,399,000	22,820,633
Women Welfare Organization Poonch	253,762	10,746,238
Sindh Agricultural & Forestry Workers Coordinating Organization	25,539,532	40,626,217
Himalayan Wildlife Foundation	-	4,257,397
Baanhn Beli	6,064,000	-
Ghazi Brotha Taraqiatee Idara	-	11,227,643
Human Development Foundation	3,200,000	18,009,560
Islamic Relief	-	17,722,646
Participatory Integrated Development Society	5,194,283	8,955,906
Salik Development Foundation	-	2,212,791
Soon Valley Development Programme	-	15,123,868
Sungi Development Foundation	-	14,956,108
Women Social Organisation	-	6,145,521
AKPBS-Water and Sanitation Extension Programme	15,601,602	90,078,200
Community Uplift Programme	6,446,845	23,943,000
Balochistan Environmental and Educational Journey	3,878,230	5,767,000
Omar Asghar Khan Development Foundation	14,422	1,532,145
Balochistan Rural Development & Research Society	6,347,750	-
SOS Children's Village	5,000,000	2,285,725
Indus Earth Trust	888,000	15,448,769
Village Friends Organization	7,099,198	5,660,800
Kiran Welfare Organization	-	957,600
Social Action Bureau for Assistance in Welfare and Organisation Network	75,465	4,214,999
South Asia Partnership Pakistan	16,000,000	50,420,953
Strengthening Participatory Organization	-	15,727,800
Society for Conservation and Protection of Environment	-	8,987,999
Hazara Development and Advocacy Foundation	11,936,206	34,191,860
Young Pioneers Society	-	60,000
Sindh Rural Support Organization	24,848,808	13,774,192
Indus Resource Centre	-	6,470,000
All Pakistan Women Association	-	3,994,455
Health and Nutrition Development Society	-	3,146,500
Society for Human Empowerment and Rural Development	1,430,000	-
Badin Rural Development Society	3,167,613	4,770,183
Mountain and Glacier Protection Organization	5,597,509	11,118,227
Sindh Rural Support Program	-	1,720,000
	370,020,894	1,108,266,656
	238,987,442	(181,749,155)

		2009	2008
		(Rupees)	
17.1.2	**Social sector development**		
	Opening balance	(49,840,581)	3,421,872
	Amount received	135,505,936	95,012,795
	Foreign exchange transalation difference - net	-	161,039
		85,665,355	98,595,706
	Less: Disbursements		
	AKPBS-Water and Sanitation Extension Programme	5,067,217	8,412,360
	Community Uplift Programme	298,260	1,233,050
	Islamic Relief	480,096	2,264,731
	National Rural Support Programme	5,185,654	22,425,344
	Sindh Agricultural & Forestry Workers Coordinating Organization	5,823,093	7,986,262
	Sungi Development Foundation	583,683	2,579,350
	Taraqee Foundation	464,000	295,475
	Indus Resource Centre	14,932,589	11,292,453
	Mountain and Glacier Protection Organization	2,806,535	28,876,747
	SOS Children Villages	12,732,552	29,193,078
	Community Mobilisation and Development Organization	6,882,958	4,907,107
	Rural Community Development Society	1,820,773	4,197,383
	Family Planning Association of Pakistan	5,272,124	8,600,488
	Narowal Rural Development Programme	2,674,653	7,956,699
	Badin Rural Development Society	2,112,654	1,824,200
	Marvi Rural Development Organization	4,822,503	2,710,965
	Indus Earth Trust	924,395	3,680,595
		72,883,739	148,436,287
		12,781,616	(49,840,581)
17.1.3	**Capacity building - POs**		
	Opening balance	(221,898,926)	147,476,438
	Amount received	881,918,696	71,375,979
	Foreign exchange translation differences - Net	-	23,357
		660,019,770	218,875,774
	Less: Disbursements		
	National Rural Support Programme	51,192,880	207,570,106
	Punjab Rural Support Programme	6,627,500	5,800,622
	Sarhad Rural Support Programme	5,999,500	-
	Thardeep Rural Development Programme	36,963,766	53,149,684
	Development Action for Mobilization and Emancipation	772,264	21,272,024
	Taraqee Foundation	2,724,395	-
	Balochistan Rural Support Programme	3,512,779	1,350,000
	Sindh Agricultural & Forestry Workers Coordinating Organization	10,203,430	17,117,992
	Sindh Rural Support Programme	626,972	2,502,080
	Jinnah Welfare Society	6,017,680	5,502,801
	Rural Community Development Society	16,324,415	4,529,773
	Centre for Women Cooperative Development	12,262,858	12,601,846
	Poverty Eradication Network	590,318	1,200,000
	Community Support Concern	3,861,310	28,273,640
	Women Social Organisation	2,807,750	807,894
	Young Pioneers Society	3,088,953	1,168,069
	Anjuman-e- Falah-o-Behbood	318,790	685,956
	Women Welfare Organization Poonch	308,171	1,617,598
	Disbursements continued - carried forward	164,203,731	365,150,085

	2009	2008
	(Rupees)	
Disbursements continued - brought forward	164,203,731	365,150,085
Kashf Foundation	4,458,336	-
Baanhn Beli	1,280,325	573,976
Bunyad Literacy Community Council	1,379,860	2,312,288
Indus Resource Centre	711,776	741,276
Organization for Participatory Development	4,281,756	5,693,598
Soon Valley Development Programme	569,884	2,180,391
Swabi Women Welfare Society	-	902,768
Indus Earth Trust	-	706,750
Orangi Charitable Trust	8,114,327	6,371,667
Participatory Integrated Development Society	2,161,164	442,726
Community Development Concern	331,400	434,855
Karwan Community Development Organization	1,107,736	1,617,209
Kiran Welfare Organization	2,188,944	2,717,593
Narowal Rural Development Programme	2,415,700	9,778,661
South Asia Partnership Pakistan	-	4,499,039
Society for Conservation and Protection of Environment	299,376	2,219,555
AKPBS-Water and Sanitation Extension Programme	-	2,802,556
SOS Children's Village	-	874,000
Asasah	30,025,440	1,692,204
Baidarie	4,812,745	405,879
Balochistan Environmental and Educational Journey	2,236,764	771,517
Orix Leasing Pakistan Limited	3,921,288	3,203,912
Save The Poor	4,201,659	3,213,138
Marvi Rural Development Organization	7,761,532	8,666,270
Hazara Development and Advocacy Foundation	3,260,398	-
Society for Human Empowerment & Rural Development	-	23,940
Balochistan Rural Development & Research Society	2,748,595	1,028,280
Badin Rural Development Society	-	2,660,964
Health and Nutrition Development Society	667,874	3,441,255
Sindh Rural Support Organization	7,005,024	-
Farmers Friend Organization	5,863,350	4,505,350
Brac - Pakistan	51,241,780	-
Strengthening Participatory Organization	1,988,600	-
Workshops for POs	741,623	1,142,998
	319,980,987	440,774,700
	340,038,783	(221,898,926)

17.1.4 **Emergency relief**

	2009	2008
Opening balance	(1,888,594)	(1,261,537)
Amount received	39,584,909	-
Foreign exchange translation differences - Net		(487,257)
	37,696,315	(1,748,794)
Less: Expenditure incurred on relief activities through POs:		
Sarhad Rural Support Programme	21,000,000	-
National Rural Support Programme	12,500,000	-
Expenditure incurred on relief activities by PPAF	810,000	139,800
	34,310,000	139,800
	3,386,315	(1,888,594)

		Note	2009	2008
			(Rupees)	
17.1.5	**Rehabilitation & reconstruction**			
	Housing reconstruction and community buildings	17.1.5.1	(967,066,358)	1,644,628,596
	Revitalization of affected communities / rehabilitation of CPI schemes	17.1.5.2	667,181,684	4,478,024
			(299,884,674)	1,649,106,620
17.1.5.1	Housing reconstruction and community buildings			
	Opening balance		1,644,628,596	1,290,301,000
	Amount (transferred) to revitalization of communities / rehabilitation of CPI schemes		(84,254,431)	4,915,681,822
	Foreign exchange translation differences - Net		-	23,535,774
			1,560,374,165	6,229,518,596
	Less: Disbursements			
	Sarhad Rural Support Programme		1,175,000,000	1,825,000,000
	National Rural Support Programme		800,000,000	1,650,000,000
	Omar Asghar Khan Development Foundation		98,672,500	251,340,000
	Sungi Development Foundation		134,569,023	176,500,000
	Women Welfare Organization Poonch		5,099,000	8,500,000
	Islamic Relief		314,100,000	673,550,000
			2,527,440,523	4,584,890,000
			(967,066,358)	1,644,628,596
17.1.5.2	Revitalization of communities / rehabilitation of CPI schemes			
	Opening balance		4,478,024	520,460,092
	Amount received		880,993,009	12,568,126
	Foreign exchange translation differences - Net		-	2,134,400
			885,471,033	535,162,618
	Less: Disbursements			
	Revitalization of affected communities			
	Sarhad Rural Support Programme		64,068,182	173,985,959
	National Rural Support Programme		51,139,175	39,536,929
	Omar Asghar Khan Development Foundation		10,943,916	12,408,931
	Sungi Development Foundation		4,717,402	16,158,499
	Women Welfare Organization Poonch		497,821	3,344,657
	Islamic Relief		27,699,839	32,507,565
	Disaster Management Trainings		-	14,282,254
			159,066,335	292,224,794
	Rehabilitation of CPI schemes			
	Sarhad Rural Support Programme		58,297,463	194,237,447
	Women Welfare Organization Poonch		-	9,661,790
	Islamic Relief		925,551	10,148,600
	Sungi Development Foundation		-	24,411,963
			59,223,014	238,459,800
			667,181,684	4,478,024

17.1.5.3 Agreement amending the DCA was signed between IDA and GOP on December 06, 2005, in respect of Grants for Emergency Relief and Rehabilitation & Reconstruction. As per the agreement, IDA agreed to reallocate a sum of SDR 3.53 million for activities responding to the Emergency by the earthquake as disclosed in note 17.1.4 to these financial statements, and to make available to GOP an additional sum of SDR of 68.90 million under Phase II to GOP.

Second agreement amending the DCA was signed between IDA and GOP on May 02, 2007, in respect of Grants for Rehabilitation & Reconstruction. As per agreement IDA agreed to make available to GOP an additional sum of SDR of 91.80 million under Phase II to GOP.

The GOP will utilize these amounts through the Company to support the relief, reconstruction and rehabilitation of communities affected by the earthquake which occurred on October 8, 2005.

Under agreements amending the SFAs dated May 03, 2006 and June 22, 2007 executed between GOP and the Company, the GOP agreed to provide SDR 68.90 million and SDR 91.80 million respectively to the Company as grants on non reimbursable basis.

			2009	2008
17.1.6	**Grants for social mobilization**		(Rupees)	
	Opening balance		958,260,000	-
	Amount received		785,776,100	958,260,000
			1,744,036,100	958,260,000
	Less: Disbursements			
	Balochistan Rural Support Programme		36,643,300	-
	Thardeep Rural Development Programme		24,223,200	-
	National Rural Support Programme		508,881,766	-
	Sindh Agricultural & Forestry Workers Coordinating Organization		19,661,200	-
	Sarhad Rural Support Programme		4,924,000	-
	Sindh Rural Support Organization		49,748,300	-
	Community Mobilisation and Development Organization		6,270,900	-
	Punjab Rural Support Programme		44,645,300	-
	Balochistan Environmental and Educational Journey		7,884,000	-
	Participatory Integrated Development Society		7,884,000	-
	Direct expenses by PPAF on trainings		1,145,899	-
		17.1.6.1	711,911,865	-
			1,032,124,235	958,260,000
17.1.6.1	Disbursements by components			
	Trainings		99,668,337	-
	Capital costs		236,207,700	-
	Operating costs		376,035,828	-
			711,911,865	-

17.1.6.2 On December 07, 2007 GOP signed a financing agreement with IDA under which IDA agreed to extend an amount equivalent to 49 million SDRs as additional financing for the Second Poverty Alleviation Fund project to support participatory development through social mobilization. Cumulative receipts for the project stand at US $ 24,958,105 (Rs 1,744,036,100 is given in note 17.1.6 and Rs 20,624,272 is given in note 18.3).

The project includes mobilization of about one million rural poor house holds into more than fifty thousand multi functional and sustainable community organizations in rural areas of poorest districts in Pakistan, mobilization of existing community organizations to form federations at union council level and to form local support organizations and provision of training to approximately two hundred and fifty thousand people on management of community organizations and federations to achieve long term sustainability.

On January 04, 2008 GOP signed subsidiary financing agreement with PPAF under which GOP agreed to extend an amount equivalent to 49 million Special Drawing Rights to PPAF as grant on non reimbursable basis.

		Note	2009	2008
			(Rupees)	
17.1.7	**Grant for disability project**			
	Amount received		303,110,148	-
	Less: Disbursements			
	Sarhad Rural Support Programme		27,679,561	-
	Sungi Development Foundation		6,047,958	-
	National Rural Support Programme		39,563,908	-
	Seminars and workshops		17,842,092	-
			91,133,519	-
			211,976,629	-
17.2	**Grants from USAID/Pakistan**			
	Capacity building - POs	17.2.1	-	(1,479,621)
	Enterprise development loans	17.2.2	115,984,115	127,585,729
			115,984,115	126,106,108
17.2.1	**Capacity building - POs**			
	Opening balance		(1,479,621)	(1,500,633)
	Amount received		1,479,621	-
	Foreign exchange translation differences - Net		-	21,012
			-	(1,479,621)
17.2.2	**Enterprise development loans**			
	Opening balance		127,585,729	181,041,206
	Amount (transferred) to deferred income		(1,479,621)	-
	Amount (transferred) to capacity building - POs		(10,176,856)	-
			115,929,252	181,041,206
	Service charges earned		54,863	1,835,243
			115,984,115	182,876,449
	Less:			
	Ineligible costs repaid during the year		-	55,290,720
			115,984,115	127,585,729

17.2.2.1 The closing balance of the USAID grant represents amounts for disbursement to POs for EDF and service charges earned on outstanding loan. These funds cannot be used by PPAF for its operational and capital expenses till the expiry of the term of the agreement.

17.2.2.2 PPAF signed a cooperative agreement with the U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan). The period of this agreement was of four years, starting from the date of award i.e. September 30, 2003 through September 30, 2007. The total programme size was US$ 7,098,621 of which USAID/Pakistan contribution was US$ 6,320,000 and PPAF share was agreed to be US$ 778,621. The funds committed under this agreement were disbursed as loans to POs under EDF and as capacity building grant for PPAF and for POs. EDF was given to the POs in order to enable them to give loans of larger amounts (from Rs 30,000 to Rs 100,000) to their borrowers who have successfully completed two loan cycles. According to the agreement, PPAF created a revolving fund from the repayments and service charges earned on EDF loans and bank account.

		2009	2008
		(Rupees)	
17.3	**Grants from Government of Pakistan - USDA**		
	Opening balance	1,117,938,769	1,237,959,342
	Amount (transferred) to deferred income	(19,145,427)	-
	Profit on project bank account	63,382,172	103,798,508
		1,162,175,514	1,341,757,850

	2009	2008
	(Rupees)	
Less: Disbursements		
Soon Valley Development Programme	7,797,008	10,386,250
Sarhad Rural Support Programme	-	22,815,424
Taraqee Foundation	64,071,168	12,643,639
Rural Community Development Society	16,968,000	26,261,645
Aga Khan Rural Support Programme	221,882,183	63,568,504
Indus Earth Trust	24,343,773	6,441,708
National Rural Support Programme	11,953,818	-
Sindh Agricultural & Forestry Workers Coordinating Organization	8,677,774	15,147,170
Thardeep Rural Development Programme	33,909,000	-
Balochistan Rural Support Programme	21,626,083	2,443,688
Balochistan Rural Development & Research Society	2,038,000	2,778,000
Community Mobilisation and Development Organization	6,030,908	4,459,000
Participatory Integrated Development Society	14,249,870	15,145,386
Human Resource Development Society	40,616,286	10,201,000
Social Action Bureau for Assistance in Welfare and Organizational Networking	23,133,566	14,958,050
South Asia Partnership Pakistan	60,339,737	6,972,334
Village Friends Organization	12,500,867	5,235,450
Ghazi Brotha Taraqiati Idara	3,928,845	2,059,833
Sindh Rural Support Organisation	16,023,326	2,302,000
Balochistan Environmental and Educational Journey	1,899,450	-
Society for Conservation and Protection of Environment	2,350,717	-
Sindh Rural Support Program	2,820,933	-
Health and Nutrition Development Society	2,234,698	-
AKPBS-Water and Sanitation Extension Programme	6,351,657	-
Strengthening Participatory Organization	3,725,428	-
	609,473,095	223,819,081
	552,702,419	1,117,938,769

17.3.1 On August 30, 2002, the Government of United States of America and GOP signed an agreement under which U.S. Department of Agriculture (USDA) through its Commodity Credit Corporation has agreed to provide 37,800 metric tons of soybean oil to GOP. The GOP has authorized Trading Corporation of Pakistan to receive and monetize the commodity. The plan of operation of this Agreement is to use the sale proceeds to finance PPAF on non reimbursable basis. The total programme size is Rs 1,518 million, out of which Rs 400 million have been received during the year 2004-05, Rs 240 million during the year 2005-06 and Rs 878 million during 2006-07. PPAF will use these funds to implement long-term poverty reduction programmes, including: small-scale infrastructure programmes; sustainable agriculture development programmes; and establishment of a National Drought Mitigation Center (NDMC) in cooperation with the NDMC at Nebraska USA, as part of the long-term plan to mitigate the drought. Funding in respect of NDMC is recognised as deferred income in note 18.

	Note	2009	2008
		(Rupees)	
17.4 Grants from Government of Pakistan - KfW			
Housing reconstruction and community buildings	17.4.1	(39,933,690)	58,918,857
Revitalization of affected communities / rehabilitation of CPI schemes	17.4.2	43,442,625	48,274,043
		3,508,935	107,192,900

		2009	2008
17.4.1	Housing reconstruction and community buildings	(Rupees)	
	Opening balance	58,918,857	240,918,857
	Amount received	190,172,453	-
		249,091,310	240,918,857
	Less: Disbursements:		
	Sarhad Rural Support Programme	289,025,000	182,000,000
		(39,933,690)	58,918,857
17.4.2	Revitalization of affected communities / rehabilitation		
	Opening balance	48,274,043	90,791,607
	Amount received	82,446,756	-
		130,720,799	90,791,607
	Less: Disbursements:		
	Sarhad Rural Support Programme	87,278,174	42,517,564
		43,442,625	48,274,043

17.4.3 On June 09, 2006 the Government of Pakistan and KfW Development Bank (KfW) signed a programme agreement under which KfW has extended a financial contribution of EURO 14 million as non reimbursable grant for reconstruction of rural housing and related infrastructure of communities in union councils Jabori and Sachan Kalan of North West Frontier Province (NWFP) affected by the earthquake occurred on October 08, 2005 . The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) costs of trainings for the affected communities and staff of the POs (d) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of three years, starting from the date of signing i.e. June 09, 2006 through June 08, 2009. Under SFA dated September 25, 2006 executed between GoP and PPAF, GOP agreed to provide EURO 14 million to the company as grant on non reimbursable basis.

		2009	2008
17.5	**Grants from Government of Pakistan - IFAD (MIOP)**	(Rupees)	
	Opening balance	8,863,170	39,119,621
	Amount received	25,871,697	-
		34,734,867	39,119,621
	Less: Disbursements:		
	AL Mehran Rural Development and Welfare Organization	608,006	1,939,020
	Orangi Charitable Trust	285,851	4,670,000
	AKPBS-Water and Sanitation Extension Programme	3,851,402	4,900,000
	Badin Rural Development Society	4,748,288	4,600,000
	Sindh Agricultural & Forestry Workers Coordinating Organization	5,099,480	4,170,000
	Sarhad Rural Support Programme	3,609,000	-
	Indus Earth Trust	4,007,179	4,411,371
	Community Support Concern	11,789,123	3,380,580
	Centre for Women Cooperative Development	517,410	482,490
	Khajji Cooperative Society	502,539	1,702,990
	National Rural Support Programme	6,160,460	-
	Mojaz Foundation	4,250,234	-
	Badbaan Enterprise Development Forum	1,310,748	-
	Buksh Foundation	2,085,750	-
	Balochistan Rural Development & Research Society	895,400	-
		49,720,870	30,256,451
		(14,986,003)	8,863,170

		Note	2009	2008
			(Rupees)	
17.6	**Grants from Government of Pakistan - IFAD (REACH)**			
	Housing reconstruction and community buildings	17.6.1	108,438,552	456,088,552
	Revitalization of affected communities / livestock	17.6.2	(8,897,748)	489,574
			99,540,804	456,578,126
17.6.1	**Housing reconstruction and community buildings**			
	Opening balance		456,088,552	373,004,043
	Amount received		-	133,084,509
			456,088,552	506,088,552
	Less: Disbursements:			
	Sarhad Rural Support Programme		347,650,000	50,000,000
			108,438,552	456,088,552
17.6.2	**Revitalization of affected communities / livestock**			
	Opening balance		489,574	111,585,731
	Less: Disbursements:			
	Sarhad Rural Support Programme		9,387,322	95,099,757
	National Rural support Programme		-	15,996,400
			9,387,322	111,096,157
			(8,897,748)	489,574

17.6.3 On June 14, 2006 the Government of Pakistan and International Fund for Agricultural Development (IFAD) signed a Project Loan Agreement under which IFAD has extended a financial contribution of Special Drawing Rights (SDRs) 18.350 million under the project "Restoration of Earthquake Affected Communities and Households" (REACH). The allocated amount will cover the grants to affected communities for (a) reconstruction of housing (b) rehabilitation of community infrastructure (c) grants for livestocks (d) costs of trainings for the affected communities and staff of the POs (e) operating costs and cost of equipments to POs engaged in these activities. The period of this agreement is of three years from the effective date i.e. August 01, 2006.

Under SFA dated September 19, 2006 executed between GoP and PPAF, GOP agreed to provide SDR 18.350 million to the company as grant on non reimbursable basis.

		2009	2008
17.7	**Grants from Government of Pakistan - IFAD (PRISM)**	(Rupees)	
	Amount received	45,444,080	-
17.8	**Grants from Committee Encouraging Corporate Philanthropy**		
	Opening balance	281,745,494	106,166,071
	Amount received	193,355,114	342,839,394
	Foreign exchange translation differences - Net	12,574,431	2,909,730
		487,675,039	451,915,195
	Less: Disbursements:		
	National Rural Support Programme	119,020,267	28,329,284
	Mountain and Glacier Protection Organization	146,570,164	94,086,917
	Community Uplift Programme	112,467,156	47,753,500
		378,057,587	170,169,701
		109,617,452	281,745,494

17.8.1 On August 15, 2006 the PPAF and Committee Encouraging Corporate Philanthropy (CECP) signed a programme agreement under which CECP has agreed to make available an amount of US Dollars 12 million over a period of three years commencing from October 1, 2006 to September 30, 2009 to the Company as grant on non reimbursable basis for design, reconstruction and refurbishment of regional health centers, clinics, primary schools and secondary schools affected by the earthquake.

		Note	2009	2008
			(Rupees)	
18.	**DEFERRED INCOME / (EXPENSE) - GRANT FUND**			
	Government of Pakistan (GoP)			
	Capacity Building - IDA (PPAF II)	18.1	19,219,594	(1,658,056)
	Capacity Building - IDA (RNR)	18.2	16,890,855	(41,893,273)
	Capacity Building - IDA (Social mobilization)	18.3	3,495,885	-
	Capacity Building - IDA (Disability)	18.4	2,358,369	-
	Capacity Building - IFAD (MIOP)	18.5	(2,823,242)	(2,636,073)
	Capacity Building - IFAD (PRISM)	18.6	4,375,930	-
	Capacity Building - USDA	18.7	9,189,171	21,284,621
			52,706,562	(24,902,781)
	Capacity building - USAID/Pakistan	18.8	8,209,218	(1,794,731)
	Capacity building - CECP	18.9	-	404,905
			60,915,780	(26,292,606)
18.1	Opening balance		(1,658,056)	27,333,262
	Amount received		59,622,335	7,824,001
	Foreign exchange translation differences - net		-	(2,978)
			57,964,279	35,154,285
	Less: Utilization against expenditure recognised as income		38,744,685	36,812,341
			19,219,594	(1,658,056)
18.2	Opening balance		(41,893,273)	10,088,186
	Amount received		106,677,462	-
	Foreign exchange translation differences - net		-	79,642
			64,784,189	10,167,828
	Less: Utilization against expenditure recognised as income		47,893,334	52,061,101
			16,890,855	(41,893,273)
18.3	Amount received		20,624,272	-
	Less: Utilization against expenditure recognised as income	18.3.1	17,128,387	-
			3,495,885	-
18.3.1	Utilization by components			
	Trainings		247,496	-
	Capital costs		980,719	-
	Operating costs		15,900,172	-
			17,128,387	-
18.4	Amount received		26,222,450	-
	Less: Utilization against expenditure recognised as income		23,864,081	-
			2,358,369	-

		Note	2009	2008
			(Rupees)	
18.5	Opening balance		(2,636,073)	53,420
	Amount received		5,344,843	-
			2,708,770	53,420
	Less: Utilization against expenditure recognised as income		5,532,012	2,689,493
			(2,823,242)	(2,636,073)
18.6	Amount received		5,861,914	-
	Less: Utilization against expenditure recognised as income		1,485,984	-
			4,375,930	-
18.7	Opening balance		21,284,621	51,779,926
	Amount received		19,145,427	-
			40,430,048	51,779,926
	Less: Utilization against expenditure recognised as income		31,240,877	30,495,305
			9,189,171	21,284,621
18.8	Opening balance		(1,794,731)	(305,996)
	Amount received		10,467,320	-
			8,672,589	(305,996)
	Less: Utilization against expenditure recognised as income		463,371	1,488,735
			8,209,218	(1,794,731)
18.9	Opening balance		404,905	6,840,805
	Amount received		32,986,034	24,319,872
	Foreign exchange translation differences - net		-	206,406
			33,390,939	31,367,083
	Less: Utilization against expenditure recognised as income		33,390,939	30,962,178
			-	404,905

19. SERVICE AND COMMITMENT CHARGES PAYABLE

	Note	2009	2008
Service charges payable	19.1	62,403,852	57,408,730
Commitment charges payable	19.2	92,971	2,988,254
		62,496,823	60,396,984

19.1 These represent service charges payable to GOP at the rate of 0.75% per annum (2008: 0.75% per annum) on the principal amount of long term loan outstanding withdrawn from time to time.

19.2 These represent commitment charges payable to GOP at the rate ranging from 0.10% to 0.20% per annum (2008: 0.10% to 0.20% per annum) on the principal amount of long term loan not withdrawn from time to time.

20. ACCRUED AND OTHER LIABILITIES

	2009	2008
	(Rupees)	
Accrued expenses	8,570,942	2,724,257
Other liabilities	71,269	1,076,954
	8,642,211	3,801,211

Am

		2009	2008
21.	**DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY SCHEME**	(Rupees)	

21.1 Reconciliation of payable to/(receivable from) Defined Benefit Plan

	2009	2008
Present value of defined benefit obligation	25,232,750	15,852,181
Fair value of plan assets	(17,654,858)	(12,554,159)
Unrecognised transitional liability	-	(249,736)
Unrecognised actuarial gains / (losses)	(7,577,892)	(3,048,286)
Closing balance	-	-

21.2 Movement in net liability/(asset) recognised

	2009	2008
Opening net liability	-	3,046,125
Expense for the year	6,290,774	4,034,824
Contribution for the year	(6,290,774)	(7,080,949)
Closing net liability	-	-

21.3 (Prepaid cost)/charge for the Defined Benefit Plan

	2009	2008
Current service cost	5,564,930	2,985,423
Interest cost	1,585,218	1,249,956
Expected return on plan assets	(1,255,416)	(583,671)
Transitional liability not yet recognized	249,736	249,737
Net actuarial loss recognised	146,306	133,379
	6,290,774	4,034,824

21.4 The Projected Unit Credit Method using the following significant assumptions was used for the valuation of the scheme:

	2009	2008
Valuation discount rate	14% per annum	10% per annum
Salary increase rate	14% per annum	10% per annum
Expected return on plan assets	14% per annum	10% per annum

	2009	2008
	(Rupees)	

22. CONTINGENCIES AND COMMITMENTS

	2009	2008
Aggregate commitments under Financing Agreements with Partner Orgnisations for;		
Loans	4,824,000,000	2,697,300,000
Grants		
Rehabilitation and reconstruction	157,480,529	2,153,684,427
Community physical infrastructure	94,344,492	287,621,684
Capacity building	316,012,384	19,445,129
Social sector development	92,255,246	273,667
Social mobilization	1,202,746,275	-
	1,862,838,926	2,461,024,907
	6,686,838,926	5,158,324,907

23. SERVICE CHARGES ON LOANS TO PARTNER ORGANISATIONS

These represent service charges on loans to POs under respective Financing Agreements at rates given in note 8.1.

24. AMORTIZATION OF DEFERRED INCOME - GRANT FUND

	Note	2009	2008
		(Rupees)	
Government of Pakistan (GoP)			
Capacity building - IDA (PPAF II)	18.1	38,744,685	36,812,341
Capacity building - IDA (RNR)	18.2	47,893,334	52,061,101
Capacity building - IDA (Social mobilization)	18.3	17,128,387	-
Capacity building - IDA (Disability)	18.4	23,864,081	-
Capacity building - IFAD (MIOP)	18.5	5,532,012	2,689,493
Capacity building - IFAD (PRISM)	18.6	1,485,984	-
Capacity building - USDA	18.7	31,240,877	30,495,305
		165,889,360	122,058,240
Capacity building - USAID/Pakistan	18.8	463,371	1,488,735
Capacity building - CECP	18.9	33,390,939	30,962,178
		199,743,670	154,509,153

25. INCOME ON INVESTMENTS AND SAVING ACCOUNTS

	2009	2008
Profit on long term investments	104,530,547	104,905,070
Profit on term deposit receipts/saving accounts	618,652,738	548,112,838
	723,183,285	653,017,908

25.1 Profit/markup rates are disclosed in the respective notes to these financial statements.

26. OTHER INCOME

	2009	2008
	(Rupees)	
Gain on sale of fixed assets	-	1,201,200
Markup on loans to employees	4,742	32,498
Income from training	1,120,000	917,119
Others	196,096	963,486
	1,320,838	3,114,303

	Note	2009	2008
		(Rupees)	
27. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		137,211,191	112,914,245
Rent		24,185,077	14,764,206
Repairs and maintenance		6,610,159	5,618,392
Traveling, lodging and conveyance		42,930,167	31,174,689
Communication		2,789,362	2,047,831
Printing and stationery		5,174,923	4,520,139
Insurance		2,263,623	2,240,317
Vehicles running and maintenance		8,202,782	6,334,191
Utilities		2,637,249	1,820,155
Training		6,030,935	6,474,269
Consultancy charges		37,512,708	57,556,759
Legal and professional charges		2,494,600	3,099,800
Auditor's remuneration	27.3	2,860,000	2,600,000
Advertisement		3,437,230	2,363,910
Media projection		1,464,605	1,496,221
Newspapers, books and periodicals		701,825	266,681
Depreciation		21,566,925	20,046,705
Amortization		4,797,536	3,715,002
Seminar and workshops		4,434,888	940,197
Security services		1,667,000	1,336,038
Others		3,099,980	2,055,629
	27.4	322,072,765	283,385,376

27.1 The aggregate amounts charged in respect of remuneration of Chief Executive/Managing Director were as follows:

	2009	2008
Managerial remuneration	8,601,600	6,720,000
Other allowances	120,000	120,000
	8,721,600	6,840,000

In addition, the Chief Executive/Managing Director is provided with accommodation, car, medical insurance and gratuity.

27.2 No remuneration was paid to the directors during the year except reimbursement of expenditure for attending meetings etc. at actual.

	2009	2008
	(Rupees)	
27.3 Auditor's remuneration		
Statutory and projects' audit	1,045,000	950,000
Audit of POs	1,815,000	1,650,000
	2,860,000	2,600,000

27.4 Total general and administration expenses include Rs 199,743,670 (2008: Rs 154,509,153) incurred on different programme activities as disclosed in note 24.

	2009	2008
	(Rupees)	
28. FINANCIAL CHARGES		
On long term loans	79,914,140	83,654,399
Bank charges	686,391	592,847
	80,600,531	84,247,246

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Financial assets and liabilities

	Note	June 30, 2009			June 30, 2008		
		Interest Bearing	Non-interest Bearing	Total	Interest Bearing	Non-interest Bearing	Total
		(Rupees)					
Financial Assets:							
Maturity upto one year							
Current maturity of loans to Partner Organisations	8	7,419,925,938		7,419,925,938	6,867,395,344		6,867,395,344
Short term investments - specific to projects	9	530,000,000		530,000,000	1,050,000,000		1,050,000,000
Short term investments	10	5,224,642,173		5,224,642,173	5,441,784,165		5,441,784,165
Advances, deposits and other receivables		1,869,528	2,198,197	4,067,725	926,167	1,388,397	2,314,564
Profit/service charges receivable			451,863,074	451,863,074		262,500,096	262,500,096
Bank balances - specific to projects	13	2,600,984	1,956,884,934	1,959,485,918	108,038,707	2,929,542,793	3,037,581,500
Cash and bank balances	14	31,123,617	15,201,130	46,324,747	16,052,413	810,282	16,862,695
Maturity after one year but before five years							
Loans to Partner Organizations	8	1,721,037,948		1,721,037,948	1,115,405,268		1,115,405,268
Long term investments	7	1,000,000,000		1,000,000,000	600,000,000		600,000,000
Maturity after five years							
Long term investments	7			-	400,000,000		400,000,000
		15,931,200,188	2,426,147,335	18,357,347,523	15,599,602,064	3,194,241,568	18,793,843,632
Financial Liabilities:							
Maturity upto one year							
Deferred liabilities - grant fund			2,451,222,148	2,451,222,148		4,250,413,931	4,250,413,931
Current portion of long term loans	16	109,617,378		109,617,378	109,617,378		109,617,378
Service and commitment charges payable			62,496,823	62,496,823		60,396,984	60,396,984
Accrued and other liabilities			8,642,211	8,642,211		3,801,211	3,801,211
Maturity after one year but before five years							
Long term loans	16	1,424,213,403		1,424,213,403	950,752,358		950,752,358
Maturity after five years							
Long term loans	16	9,606,652,504		9,606,652,504	9,819,142,505		9,819,142,505
		11,140,483,285	2,522,361,182	13,662,844,467	10,879,512,241	4,314,612,126	15,194,124,367
Off balance sheet items:							
Commitments	22	4,824,000,000	1,862,838,926	6,686,838,926	2,697,300,000	2,461,024,097	5,158,324,907

29.2 Credit quality of financial assets

The credit quality of Company's financial assets has been assessed below by reference to external credit ratings of counterparties. The counterparties for which external credit ratings were not available have been assessed by reference to their historical information for any defaults in meeting obligations.

	Name of Credit rating Agency	Rating	2009 Balance Rs
Long term investments			
Counterparties without external credit rating		*	1,000,000,000
Loans to Partner Organizations			
Counterparties without external credit rating		**	9,140,963,886
Short term investments - specific to projects			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	530,000,000
Short term investments			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	3,223,154,504
	Standard & Poors / PACRA	A 1	150,632,039
	JCR-VIS	A 3	1,027,209,487
	Moody's	P 1	823,646,143
			5,224,642,173
Bank balances - specific to projects			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	1,854,085,828
	Standard & Poors / PACRA	A 1	105,400,090
			1,959,485,918
Bank balances			
Counterparties with external credit rating	JCR-VIS / PACRA	A 1+	44,766,907
	Standard & Poors / PACRA	A 1	1,003,547
	JCR-VIS	A 3	277,567
	Moody's	P 1	12,381
Counterparties without external credit rating		*	10,998
			46,071,400

* Securities issued/supported by Government of Pakistan with no default in the past.

** Counterparties with no defaults in the past.

29.3 Risk management policies

a) Concentration of 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 credit risk is primarily attributable to loans to partner organisations, investments and bank balances. The Company is exposed to credit related losses in the event of non-performance by Partner Organisations of micro-credit loans to the extent of Rs 9.14 billion (2008: Rs 8.00 billion) (including loans to two major POs of Rs 6.08 billion (2008: Rs 5.63 billion)). The Company controls the credit risk through credit appraisals, assessing the credit-worthiness of POs and creating lien on the assets of POs. The credit risk on investments and bank balances is limited because the counter parties are banks and Government of Pakistan.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company is not exposed to currency risk as there are no foreign currency assets and liabilities except for financial assets of US$ 3,878 (2008: US$ 727,911).

c) Interest / mark–up rate risk

The interest bearing financial assets and liabilities are at fixed interest rates.

d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's financial position is satisfactory and the Company does not have any liquidity problems.

e) Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investments and loans receivable/ payable which are stated at cost or amortised cost.

30. NUMBER OF EMPLOYEES

The Company had 197 employees as at June 30, 2009 (June 30, 2008: 195).

31. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 AUG 2009.

CHAIRMAN

CHIEF EXECUTIVE / MANAGING DIRECTOR

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Inverting the Income Pyramid

The larger outer triangle shows the traditional distribution of income, which counts the number of people at different income levels with the top of the pyramid being high income bands and the bottom being low income bands.

Since there are very few people at the top and a great many people at the bottom, hence a broad big base converging into a narrow peak. The two together translate into a pyramid shape. The inner triangle represents PPAF goal: inverting the pyramid, so that there are fewer people at the lower levels of income, and a much greater number of people at the higher income level.

Window of Opportunity

The central triangle is also a window of opportunity; an opening that leads out of poverty, towards sustainable growth and development.

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