



Pakistan Poverty Alleviation Fund  
**ANNUAL REPORT 2013**

## **Vision**

- Restoring hope
- Securing the future
- Ending poverty

# **Annual Report 2013**

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CONCEPT & DESIGN: mohsin jamal



The emblem denotes three words:  
*Ishq, Ilm, Aml* meaning passion,  
knowledge and action – the core  
values driving the institution.

## VALUES

- Poverty reduction and social development
- Environment-friendly development
- Equity and social inclusion
- Transparency
- Accountability
- Team work
- Creativity and responsiveness
- Honesty and integrity

## Acronyms

ADB	Asian Development Bank	FGD	Focus Group Discussion
AG	Auditor General	FY	Financial Year
AJK	Azad Jammu and Kashmir	GoP	Government of Pakistan
AKRSP	Agha Khan Rural Support Programme	GRI	Global Reporting Initiative
ALF	Action Learning Forum	HEC	Higher Education Commission
ATIN	Applied Technologies Institute	HF	Heritage Foundation
BAT	British Asian Trust	HR	Human Resources
BISP	Benazir Income Support Programme	HRE	Hydropower and Renewable Energy
BoD	Board of Directors	IA	Internal Audit
BRDS	Badin Rural Development Society	ICAP	Institute of Chartered Accountants of Pakistan
BToR	Back to Office Report	ICGN	International Corporate Governance Network
C&M	Communications and Media	ID	Institutional Development
CBDRM	Community Based Disaster Risk Management	IDPs	Internally Displaced Persons
CBO	Community Based Organization	IFAD	International Fund for Agricultural Development
CECP	Committee Encouraging Corporate Philanthropy	ILO	International Labour Organisation
CEO	Chief Executive Officer	IRC	Indus Resource Center
CERP	Centre for Economic Research in Pakistan	IT	Information Technology
CI	Community Institution	IUCD	Intra Uterine Contraceptive Devices
CIG	Common Interest Group	IUFR	Interim Un-audited Financial Report
CLF	Community Livelihood Fund	IWEI	Integrated Water Efficient Irrigation
CMDO	Community Motivation and Development Organization	IWMI	International Water Management Institute
CO	Community Organization	KPK	Khyber Pakhtunkwa
CPI	Community Physical Infrastructure	LACIP	Livelihood Support & Promotion of Small Community Infrastructure Project
CRM	Corporate Relations Management	LADDO	Livestock and Dairy Development Organization
CSO	Civil Society Organization	LBOD	Left Bank Outfall Drainage
DDF	District Development Forums	LEED	Livelihood Employment and Enterprise Development
DECRG	World Banks Development Research Group	LEP	Livelihood Enhancement and Protection
DFID	Department for International Development	LSO	Local Support Organization
DMPP	Drought Mitigation and Preparedness Project	MCF	Muslim Charities Forum
DPIP	Disaster Preparedness Investment Programme	MDG	Millennium Development Goal
DPM	Disaster Preparedness and Management	MER	Monitoring, Evaluation and Research
DMC	Disaster Preparedness and Management Centers	Mf-CIB	Microfinance Credit Information Bureau
DWSS	Drinking Water Supply Scheme	MFI	Microfinance Institution
E2E	End-to-End	MGPO	Mountain and Glacier Protection Organization
EDT	Enterprise Development Training	MIS	Management Information Systems
EDU	Enterprise Development Unit	MoU	Memorandum of Understanding
EEU	Employment Enhancement Unit	MSP	Multi Sector Planning
EF	Engro Foundation	NADRA	National Database and Registration Authority
EHN	Education, Health and Nutrition	NRSP	National Rural Support Programme
EPI	Expanded Program of Immunization	NyK	<i>Naukriya Karobar</i>
ESA	Environmental and Social Audit	PDMS	PPAF Disaster Management Strategy
ESM	Environment and Social Management	PHED	Public Health Engineering Department
ESMF	Environmental and Social Management Framework	PICG	Pakistan Institute of Corporate Governance
F&A	Finance and Accounts	PIDE	Pakistan Institute of Development Economics
FAO	Food and Agriculture Organization	PIM	Pakistan Institute of Management
FATA	Federally Administered Tribal Areas	PKR	Pakistan Rupee
FCO	Foreign Commonwealth Office	PMN	Pakistan Microfinance Network
		PO	Partner Organization
		PPAF	Pakistan Poverty Alleviation Fund
		PPESM	PPAF Panel on Environmental and Social Management

PPL	Pakistan Petroleum Limited
PRF	Pakistan Recovery Fund
PRISM	Programme for Increasing Sustainable Microfinance
PSC	Poverty Scorecard
PWD	Persons with Disabilities
QCBS	Quality-and Cost- Based Selection
RE	Renewable Energy
RSPN	Rural Support Programme Network
SCAD	Sindh Coastal Area Development
SCAN	Sindh Coastal Areas Network
SDPI	Sustainable Development Policy Institute
SECP	Securities and Exchange Commission of Pakistan
SIP	Summer Internship Program
SLMP	Sustainable Land Management Project
SOP	Standard Operating Procedures
SOPM	Standard Operating Procedures Manual
SPDC	Social Policy and Development Centre
SRD	Sustainable Rural Development (SRD)
SRSO	Sindh Rural Support Organization
SRSP	Sindh Rural Support Programme
TBA	Traditional Birth Attendants
TFU	Trade Facilitation Unit
TIP	Technologically Innovative Project
ToR	Terms of Reference
ToT	Training of Trainer
TRDP	Thardeep Rural Development Programme
TTD	Third Tier Organization
UC	Union Council
UCBO	Union Council Based Organization
UCDO	Union Council Development Organization
UCDP	Union Council Development Plan
UCERT	Union Council Emergency Management Teams
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States Dollar
VDO	Village Development Organization
VDP	Village Development Plan
VOIP	Voice Over Internet Protocol
WB	World Bank
WECC	Water Energy and Climate Change
WH	<i>Waseela-e-Haq</i>
WSIP	Water Sector Improvement Project
WSP-WB	World Bank Water & Sanitation Program
WWF	World Wildlife Fund
3R+P	Recovery, Reconstruction, Rehabilitation and Preparedness

# 2013

fostering  
**CHANGE**

## YEAR IN REVIEW

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## YEAR IN REVIEW

As we come to the close of yet another year in our journey of *ishq, ilm* and *amal* – passion, knowledge and action – towards improving the lives of marginalized communities across the country, we feel pride in our achievements and anticipation for many challenges that have emerged over the year 2012-13. It has been an extremely busy year, with PPAF diversifying its work through fortified linkages with national and international players from across sectors.

In March 2013, PPAF consolidated its efforts in disaster risk preparedness and mitigation in the form of a Disaster Management Strategy. This was followed by a strategy for interventions in Balochistan, ensuring that our work in the province is need-based and structured so as to benefit maximum number of communities possible. Both strategies were developed and shared at a time soon after which Punjab was afflicted with floods. PPAF invested heavily for

relief and rehabilitation efforts and we must commend our colleagues who have worked tirelessly with the afflicted communities to support and supervise our partners' efforts.

The flexibility and agility of PPAF in managing and delivering of programs, quick learning on emergency relief and rehabilitation, and a continuous focus on strategic developments and identification of emerging priorities (climate change and adaptation, peace and pluralism, youth engagement) is what continues to make it relevant today. Through its extensive networks and outreach, expertise in key areas such as institutional development, micro-credit, and new technologies for rural productivity and agriculture, it has become the platform for catalysing change and creating growth – linking private sector, academia, government, civil society and communities.

Research at our end has also remained a special feature this

year. Several studies and third-party assessments have expressed a high degree of satisfaction with the outcomes of PPAF projects, and find among other outcomes, improved overall income of micro-credit borrowers; increase in agricultural productivity and time savings for women and men through improved and cost-effective community physical infrastructure and water and energy projects.

PPAF has been working with the World Bank's Development Economics Research Group (DECRG) to evaluate various interventions designed to increase understanding of ongoing activities by PPAF and implementing partners. As many as six research papers on program components including loan & training, community participation in community physical infrastructure, performance-based incentives and community-driven development have been shared by lead researchers at DECRG.

PPAF has also been partnering with Centre for Economic Research in Pakistan, Lahore School of Economics, Oxford University, Punjab University and Pakistan Institute for Development Economics, amongst others, to take forward research projects to help us better understand and improve the work we do.

Another achievement of the year 2012-13 was the restructuring of our livelihood initiatives into Livelihoods, Employment and Enterprise Development (LEED). The aim is to go beyond simple programs designed to reduce vulnerability of the ultra poor to creating a conducive environment for improved productivity - especially for women, people with disabilities and youth.

New projects were successfully launched during the year such as "Development of Hydropower & Renewable Energy" (HRE) project in 10 Districts of Khyber Pakhtunkhwa supported by KfW. In collaboration with the World Bank's Water and Sanitation Program (WSP), a pilot project for 6 union councils across the country was launched under Community-Led Total Sanitation (CLTS) initiative. The aim is to achieve an Open Defecation Free (ODF) status for 250 settlements in these union councils. Funding

from the Government of Italy is expected and will soon be channeled in a new program for livelihoods and community-driven development in 19 districts of Balochistan and KP as well as 1 in FATA.

Geographical mapping was also undertaken to ensure that PPAF works in the most remote and marginalized areas of Pakistan, where poverty and food insecurity is high and human development indices are well below the mean of Punjab province. The aim is to respond directly to the special needs of various groups including the poor and the poorest, women, youth, people with special abilities and other marginalized segments of society. As a part of its move towards results-based programming, PPAF has developed a Results-Based Framework, which is closely aligned to the Millennium Development Goals (MDGs).

Finally, our efforts towards consolidating lessons learnt under institutional development remained consistently strong. We focused on leveraging rural-based youth through our youth training

programs, completed a series of community roundtables and exposure visits and facilitated our partners in compiling and documenting their work through a series of learning workshops. All unit visits were integrated and focus remained on strengthening the existing structures and partnerships.

We are grateful to the government of Pakistan for their assistance and proactive support that helped PPAF build a strong and solid foundation. We are equally indebted to the international and bilateral donors for reposing their confidence in PPAF's ability to deliver.

We strongly acknowledge PPAF partner organizations for implementing our development initiatives and salute our communities whose courage and spirit encourages us to make a difference in their lives.

The route travelled is driven by our core values which are at the heart of our work. The journey remaining is one that inspires confidence in Pakistan's future. Our commitment to that future remains true and proud.

Hussain Dawood  
Chairman

Qazi Azmat Isa  
Chief Executive Officer

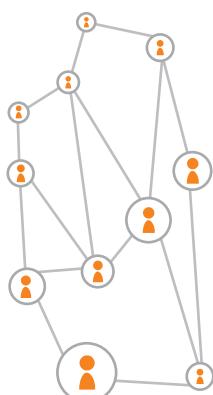
## PPAF AT A GLANCE



Presence in  
**121**  
districts through  
**126**  
Partner  
Organizations



Financing  
deployed in  
**98,000**  
villages/rural  
and urban  
settlements



A grassroots  
network of over  
**121,500**  
community  
organizations and  
**348,000**  
credit/common  
interest groups



**29,700**  
health, education,  
water and  
infrastructure  
projects  
completed



Over  
**16,000**  
skill development  
and managerial  
training events for  
**815,000**  
individuals



Over  
**6 million**  
microcredit loans  
and a market  
share of almost  
**36%**  
of the microfinance  
sector



Productive assets  
transferred to  
**42,000**  
and wage  
compensation  
to over  
**56,000**  
poorest of the  
poor



Water, Energy and  
Climate Change Unit  
established with a  
state of the art  
**Climate  
Change  
Laboratory**

## PPAF's KEY SECTORS OF EXPERTISE

### Institutional Development/Social Mobilization

The core approach – that of supporting institutions of the poor –remains the foundation of all our work. This is not a one-off instrument of poverty alleviation, but requires consistent nurturing especially given the political economy of the country. Within this approach is deeply embedded the focus on women and the poorest. It is now incontrovertibly proven that women's agency in the socio-economic development of a country is not a choice – it is a necessity. Countries with lower levels of women's empowerment and gender equity remain challenged in terms of economic growth and overall human development.

### Livelihoods, Employment & Enterprise Development

This area of work has expanded from a focus on ultra-poor households (using the asset transfer model) to a broad-based sector approach that builds the

capacity of institutions of the poor to identify economically productive opportunities and streams for low-income communities, linked to their immediate livelihood sources, building the community members' capacity to integrate with value chains, developing business and social enterprises, and service providers to support economic activities and solve social issues, and link up with vocational and technical skills that lead to employment. A concerted effort has been made to create platforms to support and spark economic activities, and a special focus has been made to work with women, youth, and persons with disabilities.

### Microcredit

PPAF has been successful in supporting the creation and expansion of a solid microfinance sector in Pakistan, which now boasts both Microfinance institutions as well as Microfinance banks that provide financial services to

those that do not have access to regular banking. Technical assistance and capacity building of partner organisations working in microfinance has also been a key area of work, and currently the focus is on improving the governance structures and industry standards and practices. A focus on customized products for different client requirements has also been spearheaded by PPAF and includes cash flow-based lending, index-based crop insurance and livestock insurance products. The development of branchless banking opportunities for our communities is also underway.

### Infrastructure and Energy

PPAF has made considerable investment in water, energy, and small-scale infrastructure projects. Propelled by community driven development, the projects encompass institutional and technological innovations. Small-scale community infrastructure projects address

basic community needs of drinking water supply, sanitation and connectivity, while water and energy projects focus on climate compatible development to alleviate poverty, reduce vulnerability and improve food security. Key achievements under this component have been 1) sustainable agricultural development, focusing on efficient management of water and water related disasters, and 2) developing effective renewable energy resources through micro hydros, and harnessing solar and wind energy.

### **Education, Health and Nutrition**

PPAF has recently added nutrition in its health and education programs. Since, there is a strong nutrition - water and sanitation nexus, there are opportunities for integrated planning in water, sanitation, education and health that will improve outcomes in each of these sectors. PPAF has also integrated environmental

safeguards and disaster mitigation and prevention measures in all its operations, with the focus being increased awareness and functionality at the community level.

### **Research and Knowledge Management**

PPAF is keen to ensure that it can show evidence of the impact of its programmes, in terms of the socio-economic transformation of households and communities. To ensure objective analysis, PPAF uses the poverty-score card as a tool to identify poor and poorest households in Union Councils. PPAF undertakes regular third party assessments of its project components, and has, since 2005, engaged with the World Bank Development Economics Research Group on research and evaluations. According to a WB economist, 'PPAF is the most evaluated project in South Asia.' Learning from these research and evaluation projects has been critical for improved design and effectiveness.



## OPERATIONS



## Institutional Development



As the leading apex organization wholesaling funds to civil society in Pakistan, the Pakistan Poverty Alleviation Fund has centered its objectives on the attainment of the Millennium Development Goals (MDGs). This is done at the community level by developing and mainstreaming community institutions – institutions of the poor.

Institutions of the poor are responsible for planning and achieving key MDGs at village level. These goals include sustainable access to improved water sources, improved access to sanitation, improved access to primary education facilities and improved access to primary healthcare focusing on antenatal, post-natal care and immunization.

Institutional Development has evolved from a short-term, growth-centric approach to a long-term, development-centered approach during PPAF III. This approach revolves around three important dimensions;

- Building on past performance
- Engaging and capacitating partners
- Capacity building of community institutions
- Poverty Scorecard
- Networking and Liaison

**1.**

From economic progress to social development:  
**investing in local social capital**

**2.**

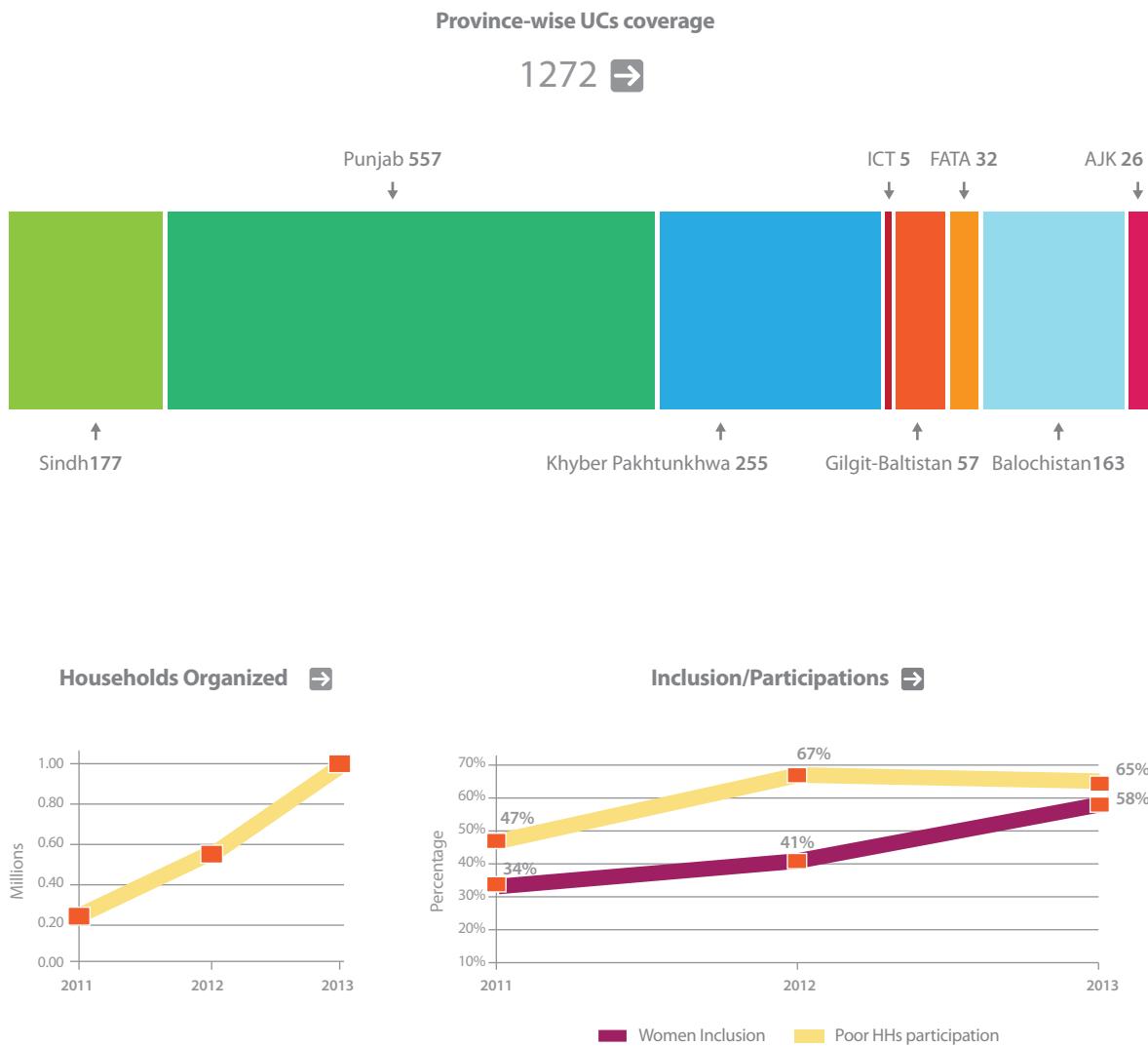
From community organizations to stakeholders involvement:  
**developing a knowledge base**

**3.**

From interns to community activists: **creating a critical mass**

## Building on Past Performances

Community institutions have been formed and households organized, which cover 1,272 union councils. The figures shown below provide an illustration for the years 2011-2013:



# Engaging and Capacitating Partners

## Internal Knowledge Sharing

The ID unit arranges regular event, bringing distinguished professionals in respective fields of work to PPAF to share knowledge on topics of their choice for benefit of PPAF staff.

The first of this Distinguished Speaker Series brought Dr. Suleman Sheikh, Secretary SZABIST and a member of PPAF's general body, member BoD Pakistan Centre for Philanthropy and of SRSO and RSPN. Members of PPAF's BoD, as well as guests from PIDE participated in the event.

The second session was conducted by Mr. Ajaz Ali Khan, Managing Director- Tharcoal and Energy Board under the Distinguished Speaker Series at PPAF Office, on January 10, 2013. The theme of the lecture was 'Thar Coal – Means to Sustainable Energy for All and Social Development of Thar.' In his lecture, Mr. Ajaz Ali Khan highlighted that Thar Coal is a core resource that can go a long way to alleviate poverty in Tharparkar.

PPAF CEO Qazi Azmat Isa, in his vote of thanks, emphasized PPAF's role in developing Thar's social capital for the last ten years and expressed joy at the area's move towards development. Safeguarding of Thar's political, social, economic and environmental rights is crucial during the development process, he said.

## Capacity Building of Partners *Orientation Workshops with Balochistan based Partners*

The ID Unit organized two four-day-long orientation workshops

for Balochistan partners in Quetta and Karachi in the months of November and December 2012. These workshops were held in collaboration with all affiliated operation and support units to provide a detailed overview of the organization's work for greater success in the organization's efforts for the province's development.

## *Revised ID Framework- Orientation Meetings with Partners*

The ID Unit hosted a series of meetings with partners in Islamabad on 2-3 April, 2013 with the purpose of sharing a new implementation framework. This new framework is focused on deepening and saturation with mobilized second and third tier organizations, development of area development plans and building the capacities of second and third tier organizations for investment leverage. The meetings were held with Sungi Development Foundation, BRDS-Balochistan, IRC, SRSP, CMDO, SABAWON, NRSP, AKRSP, MGPO and representatives from various units of PPAF.

## *Series of Learning Workshops with Partners*

The Unit held a series of learning workshops with partner organization to share best practices regarding strategies adopted for social mobilization across different geographical location.

The Communication and Media Unit also shared a communication strategy framework with guidelines on how to communicate messages to the community in a simple and coherent way. The F&A Unit

used the same platform to share a pictorial chart that would enable illiterate community members to participate in the process of financial decision making.

The first workshop of the series was held in July 2012 at PPAF and included 21 participants, representing eight partner organizations from KPK. The second was conducted in August 2012 in Karachi. During this workshop, a total of 32 participants from twelve Sindh based POs shared best practices. These workshops discussed the following areas;

- Role of community institutions in disaster management (Drought/Floods)
- How illiterate/women are participating in the process of "Village development plan"
- Mobilization and use of community savings
- Participation of women in decision pertaining to them
- Providing access of poor to health and education

The third and fourth workshops were held in Islamabad in Dec 2012 and in Lahore in Jan 2013, respectively. Twenty four participants representing eight POs from KPK participated in the third and 34 participants of seven POs from Punjab attended the fourth.

## Capacity Building of Community Institutions

### Third Tier Capacity Building

#### Initiative for Balochistan, Khyber Pakhtunkhwa and FATA

The ID Unit initiated a process of capacity building of TTOs by hosting a series in December 2012 at TRDP, Mithi. Twenty office-bearers from ten Union-Council-Based Organizations (UCBOs) of Balochistan participated in the initiative.

The second capacity building initiative for third tier organizations of FATA and KPK was conducted in February 2013 with SUNGI in Abbotabad, Haripur, Mansehra and Muzaffarabad.

This capacity building initiative entailed three steps;

- UC-based organizations were identified as per qualitative indicators of PPAF's log framework, and experiential learning visits to similar third tier structures
- Third Tier Capacity Building Workshops were conducted to develop their financial and management systems. In this regard, two days workshop on financial literacy was conducted by the F&A Unit while a two day workshop on, 'Essentials of Institutional Management and UC-based Planning' was conducted by SPO for Balochistan-based communities and by SUNGI for FATA and KPK-based communities
- Two learning conferences based on discussions in the light of observations and interaction during the experiential learning visits.

### CEO Roundtables with POs

The CEO's third roundtable meeting with heads of Punjab-based partner organizations was held in Lahore in October 2012 and the fourth with heads of Balochistan-based POs in December 2012 in Quetta. The meetings, hosted by the ID Unit, provided opportunity to discuss an envisioned strategic and operational framework of PPAF with partners.

The discussions were mainly focused on investing leverage in the most underdeveloped districts of Punjab and Balochistan. A roadmap was also prepared for increasing women inclusion and participation of the poor.

Participating POs emphasized the need for mutual learning and appreciated the third tier capacity building initiative of PPAF.

Abovementioned organizations participated in a range of participatory learning exercises, which included focus group discussions, participatory rural analysis, demonstration of successful partnership modules and tools at the community level to facilitate women and socially-excluded groups in decision making processes. The outcome envisaged was to develop a set of skills and expertise in third tier organizations enabling them to prepare and execute Integrated UC Development Plans with broad-based representation, as reflected in PPAF's results framework.

### Communities Roundtable - Working in Conflict Areas through Local Partnerships

The third tier capacity building initiative for FATA and KP concluded with a Communities Roundtable captioned, 'Working in Conflict Areas through Local Partnerships' on Feb 27, 2013. The purpose of the roundtable,

### Poverty Score Card

PPAF uses the Poverty Scorecard, which was adopted by Pakistan in early 2009, as a simple objective tool for measuring poverty. The poverty Scorecard was developed using data from the Pakistan Social and Living Standard Measurement Survey (PSLM) 2005-06 and uses a number of weighted indicators to classify a household as: Extremely Poor, Chronically Poor, Transitory Poor, Transitory Vulnerable, Transitory Non-poor or Non-poor. It contains indicators related to household size, asset ownership, education of household members, etc.

which was co-organized by Sungi, was to mainstream the capacities of village organizations and UC-based organizations by building their linkages with government departments and markets, thus strengthening their development.

The office bearers from TTOs, having attended the experiential learning visit and capacity building workshops, shared their experiences and learnings through role play. The roundtable included guests from partner organizations including Sungi, EPS, SERVE, RDP, SABAWON, CMDO, AHO, BEDF, BRAC, SWWS, IRC, MIED, SPADO, and SDF etc. The event was also attended by guests from the World Bank, HELVETAS Inter Cooperation, Oxfam-Novib, Hashoo Foundation and RSPN. Dr. Imtiaz Alvi, Task Team Leader of PPAF at the World Bank, was also present and shared the joint commitment of PPAF and the WB towards empowering communities through the establishment of institutions of the poor.

The themes of roleplay performances included, 'Vote for Democracy,' 'Engaging Community Organizations with Local Governments and Mainstream Markets,' 'Making Girls Education a Reality through Women Empowerment' and 'Managing Conflict through Community Organizations.'

PPAF CEO reinforced the organization's commitment to community led initiatives in wake of insecurity and conflict in various parts of the country. At the end of the conference, a joint declaration was also unanimously approved by the

participants underlining the need for technical and financial assistance in order to form a network of TTOs in FATA and KPK for the effective advancement of the development agenda.

### **Youth Capacity Building *Inauguration of Balochistan Internship Program***

The inaugural event of the Balochistan Internship Program took place in July 2012 at PPAF, Islamabad. During the ceremony, a batch of 18 Interns from various areas of Balochistan were welcomed at PPAF. The internship program takes into account one month's class room training and five month's field exposure with PPAF partners. Mr. Ashraf Jehangir Qazi, DG of the Institute of Strategic Studies Islamabad was the chief guest of the inaugural ceremony. The chief guest shared his experiences with interns and emphasized on the importance of youth development initiatives in Pakistan. The second batch of interns (22 total, with a female majority) were initiated in October 2012 at PPAF.

### ***Interactive Session with FATA and Balochistan Interns***

An interactive session between FATA and Balochistan interns and PPAF General Body members was held at PPAF in October 2012. The interns shared their field learning in detail. Members praised the ID Unit for its innovative approach to youth development in the most insecure areas of Pakistan. Fifteen FATA interns were provided with certificates.

### ***FATA Internship Training Program – Batch IV***

ID Unit hosted the fourth batch of 25 FATA Interns in May, 2013.

The program included one month of classroom training and five months of field exposure with PPAF partners. Keeping in view the lack of human resource in insurgency-affected areas, this program was exclusively designed for young men and women from FATA. The internship program strives to equip youth from FATA with theoretical knowledge and practical skills to prepare them for work in poverty reduction and to provide them with an understanding of a wide variety of development issues.

The main contents of the program include social mobilization and its dynamics, livelihoods and its approaches, community and participatory development, rural development models, enterprise development, community organizations and sustainable development. In addition, sessions on stress management, emotional intelligence and office-related skill sets, e.g. interview skills, are also part of the training. Exposure visits are part of the program and are meant to provide interns with practical field based experience.

### ***Focus Group Discussion***

The ID Unit, in collaboration with UNDP, organized a focus group discussion for FATA

interns under UNDP's Rule of Law Program on June 17, 2013. The UNDP team conducted FGDs with interns on topics related to the judiciary, police, prosecution, alternate dispute resolution, access to justice and legal aid in FATA.

**Summer Internship Program 2012**  
A batch of 23 interns (10 boys and 13 girls) from various prestigious local and foreign universities, including LUMS, NUST, Lahore School of Economics, SZABIST Karachi, Harvard University, University of Albany NY and American University of Sharjah, etc. successfully completed their four week Summer Internship Program (SIP) in July 2012.

The basic objective of PPAF's Summer Internship Program is to identify and nurture undergraduate students who exhibit potential and motivation to become true development professionals. The program was focused on community exposure in PPAF-supported areas. The first week of program included an orientation session at PPAF's Islamabad office for detailed information regarding the organization's work across the country. The first week also included a number of other relevant trips, including a photography field visit to Daman-e-Koh, field visits to some of Islamabad's slum areas to document minority case studies and an immersion visit to Kotli Sattian, during which interns stayed with host families. The immersion visit gave them a deep insight into the problems of poor communities in rural areas. The second and third weeks entailed travel to diverse field locations to expose interns to the

opportunities, challenges and possibilities of working for poor communities in Pakistan. The core focus in the field was on Credit and Enterprise Development, Institutional Development, Education, Post Earthquake Reconstruction and Rehabilitation, Livelihood Enhancement and Protection interventions of PPAF. During the second week, interns visited Lahore, Nankana Sahib, Sheikhupura, Narowal and Kasur and the third week was scheduled for KPK, in locations including Abbottabad, Mansehra and Haripur. The last week involved final presentations of by interns on their learnings to a panel of PPAF Senior Management. All interns also submitted a learning-based report documenting what was observed in the field.

#### **Broadening Knowledge Center Resources**

With a view towards broadening the availability of knowledge resources for development practitioners, PPAF's Knowledge Center has liaised with various regional, national and international-level institutions. As many as twenty institutions from the public sector, the private sector, civil society organizations and academia have been brought on board for regular exchange of publications. Key institutions include HEC, ADB, Unicef, UNDP, WWF, ILO, IWMI, SPDC, SDPI, the Urban Resource Center, and PIM. Knowledge resource-sharing takes place mainly through the exchange of books, publications, research studies, content reports, case studies, journals and audio video material for development specialists and practitioners. Knowledge shared is related to

#### **Networking and liaison - regional, national and international level**

The Institutional Development Unit remained focused on building networks at the regional, national and international levels to further promote the cause of institutions of the poor and provide the most relevant structures for leverage and support.

poverty alleviation, rural development, participatory development, economics and microfinance, livelihoods and employment, education, human resource development and management, infrastructure development, law and legislation, natural resource management and environment, water and sanitation and gender and development, etc.

**Public Goods  
and Services**



**Community  
Physical  
Infrastructure**



**Water,  
Energy and  
Climate  
Change**



**Disaster  
Preparedness  
and  
Management**



**Education,  
Health and  
Nutrition**



## Community Physical Infrastructure



PPAF's Community Physical Infrastructure (CPI) Unit has implemented 920 small scale infrastructure projects, through which has addressed the needs of approximately 60,000 households, settled in 258 union councils, across 48 poverty-stricken districts of the country. The implementation of these projects has helped PPAF to develop linkages with other national and international stakeholders for similar initiatives. For the continuity of interventions and their effects, communities are involved at each step of the process. These include the identification of needs and appropriate solutions, designing a project, resource pooling (cash and labor equivalent to 20% of project cost) and implementation, operation and maintenance of a project.

Investing a total of Rs. 490.5 million in poor communities across the four provinces, AJK, Northern Areas and FATA, PPAF has addressed some of their most urgent needs by providing safe drinking water (38% of projects), drainage and sanitation (22% of projects), irrigation (17% of projects), and roads and bridges (15% of projects). Hand pumps, tube wells, overhead tanks with

communal taps, water reservoirs and gravity-fed water supply lines have given 16,000 households access to safe drinking water. Women and girls in these communities are no longer required to obtain and carry water from long distances. Instead, women are able to use this time for while earning an income and girls attend school. By preventing the spread of many water borne diseases, safe drinking water has cut the healthcare costs of households. Placement of sewer lines and rainwater drainage systems, and construction of oxidation ponds, brick soling, culverts, covered drains, community toilets, etc., have provided clean conditions for 120 villages. These communities now enjoy an environment free of mosquitoes, in which sewage and waste water is safely disposed off/treated.

Rural households in Pakistan depend heavily on agriculture to eke out a living for themselves. Irrigation projects such as water channel lining, karez rehabilitation (underground water streams being built in Balochistan), construction of water reservoirs, pipe irrigation, etc. have made water available to approximately 170 villages and consequently have improved cropping intensity and increased cultivable land area for these villages. Link roads, bridges, and culverts have connected remote communities of around 20,000 households settled in 110 villages with main roads leading to rural towns.

PPAF has undertaken Technological Innovative Projects (TIP) in a number of communities it has supported with interventions to address

## Life-changing development

CPI Projects have made it possible for poor households to access services and resource necessary to uplift economic conditions, enhance opportunities for income generation and improve their quality of life.

the concern for energy shortage as well as cost through renewable energy options of biogas and solar energy. Biogas technology meets household needs for cooking fuel. Where solar street lights have been installed, households feel safe to move around in their communities after dark. A few communities have benefited from solar pumping systems which have brought down fuel costs and made water delivery systems reliable in addition to offsetting carbon emissions.

## Managing water professionally

PPAF piloted a drinking water supply utility model in the three districts of Lodhran, Sheikhupura and Chakwal, by rehabilitating drinking water supply schemes of public health engineering departments. Under the aforementioned initiative, PPAF and World Bank Water & Sanitation Program (WSP-WB) agreed to rehabilitate abandoned drinking water supply utility models in rural areas which were completed by the Public Health Engineering Department (PHED). The home grown, community owned utility models will be run as a private entity and registered with the

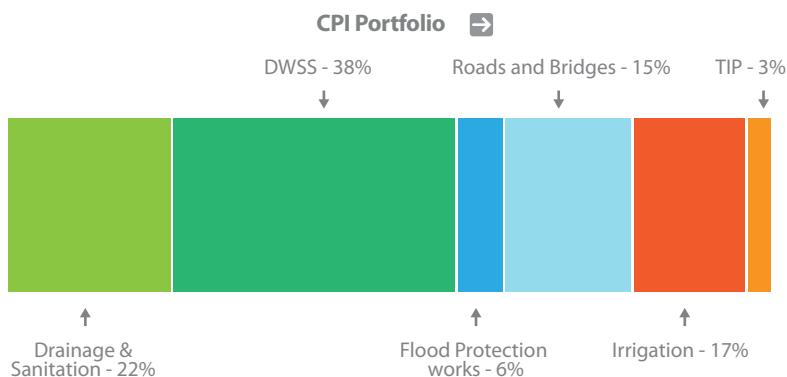
## CPI Projects at a Glance (FY 2012-13)

Types	Projects	Beneficiary		Cost	Share		Villages
		Persons	HHs		PPAF	CO	
Drainage & Sanitation	204	86,015	11,518	102,140,447	81,266,882	20,873,565	120
DWSS	345	121,263	15,971	159,241,039	122,537,446	36,703,594	175
Flood Protection	58	17,665	2,136	36,341,543	28,973,810	7,367,733	41
Irrigation	152	63,839	7,979	90,737,348	70,254,235	20,483,113	167
Roads & Bridges	136	159,498	20,608	85,825,657	73,606,392	12,219,265	110
TIP	25	7,302	1,015	16,232,706	12,828,997	3,403,709	25
Total	920	455,582	59,227	490,518,740	389,467,762	101,050,978	638

### Changing behavior: open defecation is history now!

Sanitation affects not only the individual but also has an impact at the community level. Poor sanitation conditions and unsafe water may cause serious health problems and inadequate sanitation has actually led to economic loss for the country.

To contribute to the Millennium Development Goal 7 of ensuring environmental sustainability, PPAF is supporting 200,000 people in 6 UCs of Layyah (Punjab) and Kashmore (Sindh) to achieve open defecation free status. Drumming up awareness for household toilets and imbibing the importance of health and hygiene, so far all households in 32 settlements (equivalent to a population size of 150,000 in six UCs) are now not defecating in the open. Gradually, the pilot will be scaled up and replicated in other union councils supported by PPAF.

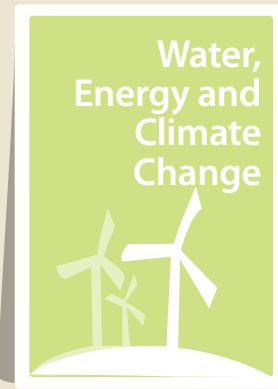


government auditing system. The utility models will upgrade traditional community management practices by grafting modern management and organizational knowledge and market principles. The revenue will be used to hire technical staff for operations and maintenance, as well as for future investments and up grading.

This drinking water supply project meets multiple sustainability criteria - technical, economic, social and environmental - and has immense potential for reliability and scalability. PPAF has just not provided a service; it has built the capacity of the community to sustain the service and improve their quality of life. On completion, the creation of the utility model will address the problems of water shortages, maintenance issues and fair and equitable access to services for the owning community.

### Prosperity lies in sustainable land use

Eighty per cent of land in Pakistan faces a high risk of desertification due to deforestation, overgrazing, drought, floods, etc. PPAF, in collaboration with the Sustainable Land Management Project (SLMP) of the Ministry of Climate Change, is working in three villages of districts Laki Marwat and Pishin to improve land use and arrest degradation and desertification of the land. Over 1,500 households will be restoring their land and livelihoods through a number of SLMP interventions, which include the following: water harvesting, rehabilitation of rangelands, flood water management, nursery farming, and low delta high commercial value crop plantation demonstrations.



The goal of the Water Energy and Climate Change (WECC) Unit is to alleviate poverty, reduce vulnerability and improve food security through sustainable agricultural development, focusing on efficient management of water and water related disasters and on developing effective renewable energy resources.

The water and energy projects encompass institutional and technological innovations, focusing on climate compatible development for a future defined by reduced climate and carbon vulnerabilities and more resilient communities. The projects have so far conserved 1.7 million cubic meters of water, providing adequate water for irrigation of existing land, bringing in more land under cultivation and reviving associated livelihood activities and generated 10.5 megawatts of clean energy which offsets 87.15 tons of carbon emission per annum, saves forests and reduces healthcare burden. In addition to this, there are interventions to prepare communities for adverse natural events through disaster risk resistance measures.

During 2012-2013, Drought Mitigation and Preparedness

Projects (DMPPs), Integrated Water Efficient Irrigation (IWEI) projects, Renewable Energy (RE) projects, projects under Sindh Coastal Area Development (SCAD) program and projects under Sustainable Rural Development (SRD) program have benefited around 180,000 poor individuals in 486 villages across the country. For implementation of these projects, Rs. 543 million has been disbursed to various partner organizations.

#### **Drought Mitigation and Preparedness Program and Integrated Water Efficient Irrigation Projects**

Pakistan experienced a long period of drought from 1998-2002, during which time there was precipitation loss by 25% in 1998 and a steady decline until 2002. Overall, 58 of the total 124 districts and a minimum of 15 million people living below the povertyline in Pakistan were severely affected first by precipitation deficiency and subsequently, agricultural, hydrological and socio-economic droughts. The most affected province in the country was Balochistan.

Drought Preparedness and Mitigation Projects strengthen the resilience capacity and preparedness of communities to handle successive drought cycles through local level interventions, policy formulation and awareness raising campaigns.

DMPPs have improved access to water. As a result of ground water recharge through interventions (e.g. delay action dams, check dam and efficient irrigation systems), people are able to re-cultivate their lands, there is

#### **Committee Encouraging Corporate Philanthropy**

Administered by the Committee Encouraging Corporate Philanthropy, (CECP), on behalf of a group of several American corporate organizations, this project involved the reconstruction, operation for one year, and hand-over to a permanent operator, of over 16 health and education facilities in earthquake-struck areas. With a view to ensuring the sustainability of range and quality of services provided, WECC developed the innovative Build Operate and Transfer (BOT) concept to rationalize the continued role of PPAF and its POs in the operation of the facilities built, beyond the first year. The project was successfully completed in 2010.

an increase in per acre yield, an increase in value of production, and consequently, secured access to sufficient food.

Moreover, there is a dramatic increase in the value of agricultural land and lease rentals. Organizations formed at the community level, village level and union council level for implementing DMPP projects, collectively come up with ways to address health, education and other needs of their communities. DMPPs have also brought about behavioral change at the community level. In some areas, people are changing cropping patterns by cultivating high yield cash crops and low delta crops. Farmers have

forged marketing linkages for agricultural production and for going up on the value chain, and have established early warning systems to adjust, adapt and plan ways of managing drought.

PPAF's Integrated Water Efficient Irrigation (IWEI) projects have been designed for efficient and optimal use of water and its associated resources through construction of irrigation related infrastructure and its better, integrated management. IWEI projects develop water sources, convey water efficiently through underground pipes, and apply

water to the field through pressurized irrigation, such as drips, bubblers, sprinklers etc. In most cases, solar panels have replaced diesel generators for lifting water from shallow/ tube wells. The projects target poor communities and involves them in design and implementation process. By the end of the current financial year, such projects have benefited 486 villages.

### **Renewable Energy Program**

The rural communities in Pakistan mostly depend upon fuel-wood, crop residue and

cattle dung, kerosene oil and diesel based power for meeting people's basic energy needs. PPAF has implemented approximately 700 renewable energy projects of varying types and capacities. These include: mini/micro hydroelectric projects, solar lighting and water pumping systems, wind energy projects, solar-wind hybrid systems, pressurized irrigation systems and biogas plants.

Through micro and mini hydropower projects and solar lighting systems, PPAF has provided light to off-grid

**Table 1: Current and Cumulative Physical Progress**

Program Category	FY 2012 - 2013			Cumulative (FY 2000-2013)		
	Projects	Sub projects	Villages	Projects	Sub projects	Villages
DMPP	6	133	140	39	2,838	2,554
IWEIP	42	126	42	207	620	207
RE	1	1	3	58	58	174
SCAD	334	334	265	3,166	3,166	2,786
SRD	36	62	36	88	117	220
CECP	-	-	-	16	16	60
<b>Total</b>	<b>419</b>	<b>656</b>	<b>486</b>	<b>3,574</b>	<b>6,815</b>	<b>6,001</b>

**Table 2: Current and Cumulative Financial Progress (Rs. in Million)**

Program Category	FY 2012 - 2013		Cumulative (FY 2000-2013)	
	Funds Allocated	Funds Disbursed	Funds Allocated	Funds Disbursed
DMPP	150.00	125.68	1,375.00	1,350.68
IWEIP	50.00	45.22	455.00	450.22
RE	25.00	17.09	427.00	411.09
SCAD	325.00	316.60	2,214.00	1,758.60
SRD	50.00	37.96	143.00	100.96
CECP	-	-	636.00	636.00
<b>Total</b>	<b>600</b>	<b>542.55</b>	<b>5,250</b>	<b>4,707.55</b>

remote communities and has improved the access of a large number of rural households in mountainous areas of Pakistan to low cost electricity for both domestic and productive applications, thus providing power for milling, small enterprises and other needs. This ecological innovation has: 1) substituted existing diesel-based power generation and thus reduced greenhouse gas emissions, 2) utilized locally available renewable energy resources, and 3) reduced deforestation and degradation of natural habitats of rare plant and animal species presently threatened by excessive cutting of wood and shrubs for cooking and heating in winters.

Solar applications which are affordable and have low running cost are provided to remote, off-grid communities mainly in coastal areas of Sindh. The solar homes lighting system provides electricity for 5 hours a day at the household level. Communities benefitting from a light source are provided with greater safety and space for productive and lucrative activity post-nightfall. An example is women using time after sunset to engage in sewing and embroidery of items which they sell for a profit. Electricity has also made it possible for school going children to study at night in project villages.

WECC has also initiated a dedicated Hydropower and Renewable Energy (HRE) project in Khyber Pakhtunkhwa. The first phase of the project is expected to benefit over 75,000 people of 10 districts of the province, over a three-year period. Project districts include: Lower Dir, Upper Dir, Chitral,

Swat, Swabi, Buner, Hangu, Karak, Bannu, and Lakki Marwat.

Some pilot projects in renewable energy have been planned with the aim to maximize the use of natural renewable energy potential of different areas and to integrate technology and production. The project will provide a cheap, clean and environmentally friendly source of energy to the local communities and is expected to reduce over 4,200 tons of carbon emission, annually. The program is carefully designed with the aid of KfW, POs and other stakeholders, including community members.

### **Sustainable Rural Development Program**

Moving toward sustainable rural development activities are carried out under the second generation interventions of: 1) Drought Mitigation and Preparedness Program; and 2) Integrated Rural Development Program. The DMPP second generation interventions prepare the community to better manage drought with early warning system, awareness on how to conserve and efficiently use water, better water usage according to particular monitoring indicators, and by establishing productive relevant linkages.

A DMPP Task Force or a union council level organization in the project area is trained in gauging rainfall and groundwater level, understanding rainfall pattern and determining changes in water balance of the areas to then identify mitigation measures, such as ways to recharge groundwater, crop

selection, water conservation measures, how to manage rangeland and watershed, etc.

Awareness is created and measures taken to change the behavior of communities to promote sustainable rural development. The activities include disseminating information on watershed and rangeland and forest management issues and developing locally feasible solutions, developing a concern for conserving water and implementing water balance monitoring systems; providing knowledge on the maintenance of livestock according to the rangeland's capacity building the capacity of community organizations in crop optimization and early warning systems, water efficient cropping patterns and techniques and introducing technologies leading toward better environmental management.

Environment related educational material is developed to give awareness to school children about the importance of conserving natural resources of their area and transfer this information to their families. Model farms are set up to demonstrate water efficient irrigation methods, benefits due to changes in cropping pattern, and how to cultivate new varieties of crops and shift to low delta crops. Nurseries are set up to facilitate the farmers of the areas in producing healthy seedlings.

Considering the potential advantages of improved linkages, PPAF connects task forces to research and extension services, agriculture institutes/farms, technology, information sources to reduce

risk, market to sell the new low delta crops and industries for production linkages, etc.

For promoting the concept of Integrated Rural Development, in strategically important and conflict affected such as FATA, various PPAF units address the needs of the community through a multi-sector integrated development approach. Thus, infrastructure development projects such as, drinking water supply, irrigation, link road, sanitation, health and education, etc. are implemented along with livelihood interventions.

**Sindh Coastal Areas Development Program**  
Sindh coastal areas have experienced spatial and economic isolation compounded by recurring natural/man-made disasters in the form of seawater intrusion, floods, cyclones, drought and backwash effects of Left Bank Outfall Drainage (LBOD), specifically in the districts of Thatta and Badin. Consequently, livelihoods are destroyed, leading to widespread poverty, debt, vulnerability and migration from villages to cities. In response to this situation, the SCAD Program was initiated in 2006, under the Second Poverty Alleviation Fund Project of the World Bank (PPAF-II), with the purpose of protecting and rehabilitating the livelihoods of coastal communities.

SCAD is PPAF's first multi-sector initiative involving synergistic development of protective and productive infrastructure, health and education as well as a workfare program and safety nets program for the ultra poor (currently scaled up through

PPAF's ongoing livelihood, employment and enterprise development interventions). The program covers 52 Union Councils and 12 sub-districts (Tehsils) of four coastal districts of Sindh - Karachi, Badin, Thatta and Tharparker - 3,500 settlements and a population of over 1.55 million.

The SCAD program is addressing the challenges facing communities of the Sind coastal areas by: 1) improving access to basic services; 2) increasing incomes through improved crop, fisheries and livestock production; 3) securing access to and better management of natural resources of coastal area; 4) forming viable, inclusive and well governed community organizations; 5) promoting technological innovations solutions; and 6) reducing physical vulnerability.

Following the 2011 monsoon in Southern Sindh, PPAF initiated a Recovery, Reconstruction, Rehabilitation (3R+P) Project in 52 SCAD UCs as well as 8 additional UCs of Sanghar and Mirpurkhas districts. Areas of intervention under the 3R+P Project include physical infrastructure rehabilitation, livelihood restoration/ enhancement, health & education interventions and newly added disaster preparedness activities. A comprehensive Community Based Disaster Risk Management (CBDRM) Program is in place under the Disaster Preparedness Component. After seven years of experience working in the challenging environment of Sindh's coastal areas, PPAF has been able to

build several vibrant community institutions. Now, PPAF is focusing on the geographical and functional integration of its multiple interventions to provide holistic support, creating visible impact and transforming lives of the people of the area.

Sindh Coastal Areas Network (SCAN) made up of 10 POs of SCAD has been established to promote the exchange of views, experiences and synergies to better implement the SCAD Program. The Network members have adopted a constitution for the forum that guides the management of the Network through participatory approaches.

For close institutional linkages and coordination, SIDA, the World Wildlife Fund for Nature in Pakistan (WWF-Pakistan), Heritage Foundation (HF), Focus Humanitarian Assistance, and International Union for Conservation of Nature are associate members.

PPAF partners and SIDA officials have worked together to identify 28 high priority minors and distributaries for rehabilitation and lining under the Water Sector Improvement Project (WSIP) of SIDA. Out of these, as many as 22 minors/ distributaries are either completed or at various stages of completion. The remaining six are included in next year's plan. With Heritage Foundation, PPAF is promoting vernacular architecture using indigenous materials for disaster resilient housing.

## Good Practice

### *Drinking water supply utility model, Village Gohol - UC Lawa, District Chakwal*

From 1997 to 2002 and then again from 2006 to 2009, the district of Chakwal, Punjab, experienced widespread drought. Insufficient rainfall resulted in shrinking aquifers and consequently wells and springs ran dry. The PPAF drinking water supply project addressed the severe water scarcity in Village Gohol, UC Lawa of District Chakwal. The long-term solution was to create community owned water infrastructure, such as small earthen dams but under proper engineering design. Thus, PPAF constructed a dam under its Drought Mitigation and Preparedness Program. The water is now transferred from the dam to a tank, where it is filtered using rapid sand filtration methods. The filtered water is then pumped by a diesel generator-run turbine to two overhead tanks which supply the water to three settlements - Ashab (20 households), Taag (80 households), and Gohol (200 households) - of Village Gohol.

PPAF and the World Bank have joined hands to help the Village Development Organization (VDO) Gohol to develop a community owned water utility that will not only maintain and operate the system, but also add new features, such as distribution lines and solar pumps to reduce the cost of pressurized distribution.

At present, only 122 households, who can afford it, have water connections and 178 households have sharing arrangements with their neighbors. Overall, the project has improved access to water for 300 households representing a population size of 2,100. There is an immediate economic benefit because of the project. The water supply costs a household Rs .625 per gallon, translating into households paying over 112% more without the project. At present, a household is paying \$5 per month for water. Once the system is solar powered and tariff slabs are introduced, there will be a further reduction in cost and 75% of the households will be paying \$3 a month.

Since PPAF is integrating climate compatible development in planning, going solar will accrue environmental benefits due to the elimination of diesel generator for pumping water. Currently, diesel consumption releases 76 kg of CO<sub>2</sub> emission a month. The solar powered system will offset carbon emissions of 900 kg per annum.

Water-borne diseases are common in Gohol because of dependence on ponds and streams for water, which are shared by humans and cattle. With source revitalized and a water supply scheme in operation, households have reported improvements in their health. Fewer children are suffering from diarrhea and abdominal discomfort. An intermediate outcome seen to some extent is behavioral change. Earlier, women remained busy with household chores (tending livestock, fetching water, etc.), and mothers, when going to get water, would leave their school-going children at home to look after their younger siblings and livestock. Though most school-going children attended school, they would often be late. Meetings with school teachers revealed that children are now punctual.

The expected ultimate outcome of the water supply project is sustainable access to water, improved productivity of household members due to conservation of hours lost in fetching water from distant sources, better health, reduced health burden and improved agriculture and livelihoods. Without the project, people were uncertain about their future and were trying to move out of the area. There was a lack of powerful incentives for inhabitants to invest in their private and common assets. Similarly, once the primary issue of access to safe drinking water is addressed, public and private sector investment can also follow, in terms of farm to market roads, schools, health facilities, shops and other market services.

## Disaster Preparedness and Management



### CBDRM and ToT Training Program

Following the launch of Disaster Management Strategy, the Disaster Preparedness and Management (DPM) Unit conducted a seven days training of trainers (ToT) on Community Based Disaster Risk Management (CBDRM) in Hyderabad in April 2013, with the view to scale up CBDRM programs at the community level.

The CBDRM training programs, amounting to Rs. 70.7 million, are being carried out with a number of POs including NRSP, BRDS, SAFWCO and TRDP. CBDRM trainings were replicated at the sub-union council level in 42 union councils of four districts of Sindh under the Relief, Recovery, Rehabilitation and Preparedness (3Rs+P) program.

A TOT workshop was conducted with the purpose of establishing a professional team of trainers in the SCAD area, who would further develop the capacities of local community members and volunteers in responding to future hazardous events to prevent them from turning into disasters. To accomplish this specific task, three master trainers were

### Response to 2012 Floods, District Rajanpur

Pakistan received unprecedented widespread heavy rainfall in different parts in August 2012. The rain spell continued through mid-September 2012, the end of the monsoon season, which triggered flash floods in different districts of the country, particularly in south-western Punjab. The rainfall's intensity was particularly high in the Koh-e Sulaiman range. The surrounding 20 UCs of the district Rajanpur saw great damage to their communities' livelihoods, standing crops/agricultural lands, houses/ infrastructure, basic health facilities and livestock supplies. PPAF responded immediately with relief activities in Rajapur, amounting to Rs 90 million.

The relief efforts provided 10,000 affected families with food items, hygiene kits, and shelter and 3,000 patients with treatment through 25 mobile medical camps. 1,000 families of Internally Displaced Persons (IDPs) from Masuri Bughti tribe Balochistan who were settled in district Rajanpur also benefitted from the aid provided by PPAF.

engaged to design the following course modules;

- Context of CBDRM program (Hyogo Framework for Action, National Disaster Risk Management Framework and PPAF Disaster Management Strategy)
- Hazard, Vulnerability, Capacity Assessment (HVCA) at the local level
- CBDRM Training Program Planning & Implementation Search, Rescue and Firefighting
- Emergency First Aid and Evacuations
- Scenario-based Simulation

Trainings encompassed interactive discussions, questions/answers, lectures, individual assignments, group tasks, hands-on practice, including a flood simulation exercise and group presentations, which helped in making the training relevant and meaningful to participants. PPAF's multi sector planning

(MSP) approach was fully envisaged during the ToT to which all operational units responded positively.

In the future, the community based disaster risk management training program will be extended to the country's other vulnerable areas to build capacities of poor communities against disasters which are rising in frequency and magnitude. The Disaster Management Strategy provides an ambitious plan to initiate CBDRM in selected regions across the country for which PPAF will be seeking funds of approximately USD 24 million. PPAF, uniquely placed to embark on a meaningful community preparedness program, has come up with an approach for disaster preparedness in selected union councils of high risk areas across Pakistan. The program is currently underway, working to raise awareness, provide skill training and knowledge transfer to selected volunteers at the community level on disaster management subjects, including basic search and rescue, emergency health care, firefighting and casualty evacuation, etc. The program's aims include the following;

- Establishing a community response structure comprising influential community leaders selected from PO staff, community organizations, local support organizations (LSOs)/Task Forces linked with district level institutional framework
- Building response capacities of the community by establishing Disaster Preparedness and Management Centers (DPMC), with stockpiles of emergency

tools & equipment

- Construction of a multipurpose hall to be used for training purposes, as warehouse for emergency stores, and in the case of a disaster as a readily available safe haven at the community level
- Enabling a committee of selected volunteers to prepare disaster management plans for their respective UCs
- Sharing knowledge and awareness on Disaster Risk Reduction conscious development
- Launching selective mitigation projects, as identified by a disaster risk management informed community

After implementation of the CBDRM program, communities should be able to develop disaster preparedness plans with the following elements;

**a) Early Warning:** All available resources have been identified and employed to provide early warning to vulnerable communities about hazard events. Some of the means available to share information at local level are: loud speakers of local mosques, mobile phones, satellite phones, FM Radio and TV channels.

**b) Evacuation:** Evacuation points have been identified in hazardous locations. Information regarding safe routes is available for use during evacuation. Stockpiles of humanitarian relief stores have been collected for immediate use. Special consideration has been given to evacuation of disabled and vulnerable people. Required resources for

evacuation – include a Hazard and resource map and a UC profile.

**c) Shelter:** Safe havens are critically important for evacuation of affected persons and livestock in disasters. Possible safe places in a community include play grounds, village squares, schools and mosques. It has been ensured that the places are identified and records are being maintained at the UC DPMC. Stockpiles of humanitarian stores at the DPMC are ready for those seeking shelter. An inventory of manufacturers and vendors of emergency items may be maintained for further procurement of stores if needed.

**d) Coordination:** Coordination is a key to successful emergency response. Union Council Emergency Management Teams (UCERT) have been mobilized and sent to affected areas immediately following an emergency. Effective coordination is being maintained with district government, NGOs and other stakeholders to minimize the effects of disaster. PTCL phones, mobile phones and messengers are some of the useful resources for coordination. Satellite phones bring added advantage and may be made available where possible.

**e) Transportation:** Contact details of local transporters and experienced drivers are available and up-to-date at the community level, so that they can be contacted at the time of disaster.

**f) Health:** The requirements of health response are for two situations: first for emergency response during the disaster, and second for subsequent basic health assistance in the

shelter/camp. There is constant coordination with local basic health units, lady health workers, lady health visitors and other health facilities/service providers.

***g) Mitigation Activities***

Mitigation for lessening the adverse impacts of hazards and related disasters on lives and property are being addressed through training programs. Coordination with provincial government and other stakeholders along with awareness campaigns are ongoing to avert the adverse effects of disaster. Services of qualified engineers, skilled masons and other artisans have been procured for

community centered mitigation initiatives.

***h) Reconstruction &***

***Rehabilitation:*** Reconstruction and rehabilitation falls in the realm of long term development. Lessons from the previous flood prone disasters are being incorporated for hazard resistant reconstruction of the affected areas. Internationally recognized good building design and construction practices are being followed in all reconstruction activities.

### **PPAF's Disaster Risk Management Strategy**

The PPAF Disaster Management Strategy (PDMS) was launched in March 2013. The Strategy is a framework for action by PPAF and its partner organizations with the purpose to; (a) integrate mitigation and prevention measures in interventions for disaster risk reduction, (b) achieve adequate preparedness to cope with an anticipated disaster, before it sets in, and (c) conduct post disaster relief and recovery, reconstruction and rehabilitation efforts. Now disaster risk reduction and management has been included in all PPAF operations and preparedness initiatives have been launched in selected union councils across the country, initially in high risk districts.

The Disaster Preparedness Investment Program (DPIP) is to be implemented over a span of three years – 2012-2015 – and encompasses capacity building of community-based disaster management groups and emergency response teams, construction of emergency shelters and stockpiling of emergency items. Adding to this is allocation for Southern Sindh Recovery, Reconstruction, Rehabilitation and Preparedness (3R+P) program. Through three of its POs (NRSP, BRDS and HANDS), PPAF has carried out relief activities in 14 UCs of the district of Badin. The 3R+P program was initiated during the aftermath of 2011 monsoon floods in southern Sindh. This DPIP program will be administered by substantially large nationwide PPAF investments in community managed infrastructure, water, health, education and livelihood enhancement programs.

## Education, Health and Nutrition



The Education, Health and Nutrition Unit continued its efforts toward PPAF's mission of eradicating poverty by providing quality health and education services in rural areas across the country. The Unit realizes the contributory and compulsory nature of health, education and nutrition components and hence undertakes the respective activities with a view to making an integrated contribution towards the broader objective of alleviating poverty in the country.

In addition to supporting community health centers in areas lacking basic services, the Unit has extended significant technical and financial support to the underperforming health and education facilities in the public sector. Recognizing that education and health have mutually reinforcing effects, the Unit prioritized its target areas, placing special emphasis on girls' education. As girls' education is inextricably intertwined with maternal and child mortality, birth rates, contraception, fertility, well-being and lower numbers of early marriages, importance was accordingly given to gender aspects in education and health initiatives.

## Sustainability and ownership

During the year, the EHN unit oversaw the hand-over of 213 government and 52 community schools to the government and to community organizations respectively. The transition took place with complete financial independence, which marks a milestone in the area of sustainability. The transition was gradual and the unit ensured quality control in the transition and post hand-over period. Similarly, 112 PPAF-supported health centers (57 government adopted and 55 community) were handed over.

Community ownership was made possible by aligning a number of support variables: significant contributions from the communities themselves, a tolerable raise in fee, support of local philanthropists, fund-raising campaigns by the partner organizations and the development of linkages with the government. Community ownership of the remaining schools and health centers is underway.

In the education sector, the Unit disbursed Rs 368 million to 29 partner organizations. Overall, PPAF has provided technical and financial services to 817 schools (655 public sector, 162 private sector) in areas with little or no access to quality education in the last year. A total of 105,478 students were enrolled in these schools, 45% of which were girls. The total teachers who were given employment opportunities were 1,008, amongst which 70% were women. In the same period, trainings have been provided to 1,446 teachers in 201 training sessions arranged by Partner Organizations.

PPAF disbursed Rs. 236 million among 23 partner organizations for health initiatives. This amount was used to support 413 health centers, administer vaccinations to 84,088 children, and to provide pre-natal and post-natal services to a total of 674,180 women. Pre-natal and

post-natal care provides for improved health outcomes for children, positively affecting their performance in schools and increasing their prospects of better income in the future. Additional medical services (e.g. consultation, treatment, medicines and laboratory services) was given to 14,82,536 women in the above 18 age group and 7,75,812 in the below 18 category.

The Unit facilitates the formation of schools and health management committees and provides the members of the committees with technical assistance to effectively perform their oversight role. PPAF facilitated the formation of 817 School Management Committees with an overall membership of 6,030, including 2,086 women. Similarly, PPAF supported the formation of 407 Health Management Committees, comprising 2,087 members, of which 762 were women. These committees play

a valuable oversight role in the management of health center and school affairs of the facilities across the country. The committees were also provided with training opportunities through partner organizations in support areas, such as record keeping, planning and management of health centers and schools to develop the administrative skills necessary for operational efficiency in all PPAF-sponsored programs.

#### **Teacher/Medical Staff Trainings**

PPAF provides an extensive range of trainings to teachers as well as medical staff in the Education and Health sectors. In the health sector, trainings were carried out during the year for:

- a) Health staff
- b) General public (awareness-raising sessions)

Health staff trainings were exclusively designed for technical staff and were aimed at improving the performance and delivery of medical teams i.e. doctors, LHVAs, TBAs and other staff. During the year, 1,381 health staff members (525 males, 856 females) were trained in areas such as safe motherhood and installation of Intra Uterine Contraceptive Devices (IUCDs).

Sessions for the general public were designed to raise awareness in the areas of hygiene, mother-child care, reproductive health, nutrition, family planning, immunization, communicable/non-communicable diseases and infant care. During the year, 854 such awareness sessions were organized by PPAF.

The needs-based training sessions were conducted as part of the PPAF's Teacher Training Program. Teachers of PPAF-supported schools are regularly offered opportunities to attend subject-specific refresher courses. These professional trainings focus on development of child responsive teaching methodologies, which are complimented by capacity-building sessions in classroom management, lesson planning, development of teaching materials and phonics.

#### **Training imparted to teachers and health staff**

The following is a list of trainings provided to teachers and health staff during the year under review;

#### **PPAF Teacher Training Program**

- Subject-based content & pedagogy: basic science, math, and English and Urdu reading and writing
- Teaching methodologies: Record keeping, teaching and learning, reflection, lesson planning, activity-based lesson teaching aids/tools, classroom management and curriculum development
- Teaching approaches: Active learning, group work, role play and multiple intelligence

#### **Health and Education Beneficiaries (FY 2012-13)**

Types	Education		Health		
	Sector	Public	Private	Public	Private
Male	45,393	45,393	565,689	254,154	
Female	37,368	9,969	1,515,767	680,997	

#### **Health and Education Committees (FY 2012-13)**

Types	Education	Health
No. of Committees	817	406
Male	3,943	1,325
Female	2,086	762
Total	6,030	2,087

- Leadership and management: Staff management, motivation, improving efficiency, Norm setting, controlling drop out, gender discrimination, re-creation visits, budget, enrolment expansion
- Education for the Visually Impaired: Introduction about screen reading software JAWS, JAW Basic Commands, Keyboard Orientation with JAWS, Windows 7 with JAWS, MS OFFICE 2010 with JAWS, Internet with JAWS, Curriculum of Computer Education for Visually Impaired students. Conducting exams: multi-grade teaching, development of low cost and no cost materials
- Basic health and hygiene education
- Child Rights: learning styles

## **Health Staff Training Program**

- Safe motherhood: Basics of female reproductive life, physiology of menstrual cycle, conception, antenatal check-ups, nutrition during pregnancy, birth preparedness, three stages of labor, three delays, post- abortion care, birth spacing, family planning methods, neonatal health, and importance of breast feeding
- Safe delivery practices of Traditional Birth Attendants (TBAs): Pregnancy, diagnosis, antenatal check-ups, correct advice on minor pregnancy problems, identification of dangers during pregnancy, artificial pains, three stages of labor, three delays during labor pains, demonstration of dummies, infection
- prevention practices of delivery, complications during natal and post natal care, new born examination, breast feeding and importance of Expanded Program of Immunization (EPI) schedule
- Emergency obstetric care: ante partum and post partum hemorrhage and eclampsia, shoulder dystocia
- Malaria and Hepatitis control: Prevention and cure of malaria and Hepatitis, awareness raising
- Ultra sound training
- Reproductive health: Promoting community participation in the design and management of health care services covering birth preparedness, antenatal care, and the importance of immunization
- Basic training for health workers: A package training with focus on seven basic ailments, their diagnosis and basic treatment, and ante-natal and post-natal check ups
- Laboratory diagnosis training: one month training covering diagnosis of diseases through laboratory tests for medical technicians

### **Training Programs (FY 2012-13)**

Types	Trainings	Participants		
		Male	Female	Total
Health Staff	44	525	856	1,381
Teachers	201	290	1,156	1,446
<b>Total</b>		<b>815</b>	<b>2,012</b>	<b>2,827</b>



Over the year, the financial sector in Pakistan continued to evolve. The overall trend was positive as the sector recovered from exogenous and endogenous shocks from previous periods. The market has been transforming into a dynamic and viable industry, gearing itself up for a new separate legal and regulatory framework, adapting and developing best practices in corporate governance, risk management, diversifying funding sources, using

technological innovations (such as branchless banking and niche products/ services) and promoting inclusive responsible finance. Robust partnerships have been developed between key stakeholders at the national as well as international level. Increasing focus on achievement of the double bottom line has been witnessed as client-centric initiatives have gained importance.

The sector witnessed a growth of 18% in active borrowers from 2.23 million as of June 30, 2012 to 2.64 million as of June 30, 2013. Where the increase in active clients remained modest, the gross loan portfolio increased significantly - by 37%, from PKR 33.9 billion to PKR 46.62 billion. Average loan sizes increased as Microfinance Institutions started focusing more on providing demand based products designed according to the needs of the borrowers.

Microfinance Institutions performed well over the year and showed healthy progress towards attaining financial sustainability. The sector has shown positive results in most areas, however growth in the number of borrowers remained slower than what was envisaged. The penetration rate for microfinance was 10% with potential microfinance market estimates at 20-30 million clients by the Pakistan Microfinance Network. This slow growth may be attributed to an acute shortage of funding.

- Addressing Systemic Risks
- PPAF's Role in the Sector
- Disbursements
- Products and Initiatives
- Strategic Partnership
- Knowledge Management

## Addressing Systemic Risks

During the period, 65% of partner organizations achieved operational self-sufficiency. PPAF remains focused on efficient risk management of its portfolio. More than 90% of PPAF's portfolio remains invested through institutions that have achieved sustainability. Concurrently, 70% of the portfolio is invested in institutions registered under the Securities and Exchange Commission of Pakistan (SECP) or that are under the regulatory oversight of the central bank. PPAF, in collaboration with Pakistan Microfinance Network (PMN), has launched various sector-wide initiatives to strengthen the market and improve its overall transparency.

One initiative carried out during the reporting period was the "competitive environment mapping," which highlights geographical locations of each MFI's branches on an interactive map. This improved the availability of industry-wide information to all stakeholders.

An important initiative under was a collaborative venture between PPAF, SBP and PMN, in collaboration with IFC, IFAD and DFID to launch the Microfinance Credit Information Bureau

(Mf-CIB) at the national level, for which PPAF provided technical assistance. The investment was made to ensure that risks arising from information asymmetries may be mitigated in efficient ways.

In line with global research studies, Corporate Governance has become a central area of focus as it is the most important element for efficient growth and sustainability of organizations. PPAF held workshops during the year for all partner organizations to promote best practices in corporate governance. The apex has established a code of corporate governance which would come into effect during the next fiscal year. PPAF is also developing an "In-house Rating System (IRS)" to further strengthen internal risk management systems.

Investments to build strong, transparent, efficient and sustainable MFIs continued during the year. Funds were made available for the development of business plans, standard operating procedures (SOPs), manuals, institutional assessment, risk management procedures, management information systems (MIS) and

institutional third party assessments of 23 partner organizations. These investments have ensured that partnership with PPAF symbolizes a seal of quality.

### Policy Level Initiatives

PPAF plays a strategic role in the national policy formulation for the microfinance sector in Pakistan and works continuously with stakeholders at every level, to ensure the presence of a healthy regulatory framework and enabling environment to promote MFIs and communities across Pakistan.

As an apex institution, PPAF represents the microfinance sector at key national and international forums to project the microfinance whilst fostering a conducive operating environment for the sector. At the national level, PPAF's Financial Services Group is a key member of SBP's Microfinance Consultative Group and Access to Finance Study (A2FS).

Further, PPAF's presence on the SBP's Microfinance Regulations Steering Committee ensures efforts to improve the regulatory environment for non-bank MFIs. As part of our

mandate to promote Social Performance and to campaign for client protection, PPAF has been a key driver of the Financial Literacy Program.

Additionally, PPAF has provided invaluable feedback and inputs as part of role with the SECP's Micro-Insurance Working Group for formulation of Micro-Insurance Regulations in Pakistan. Going forward, PPAF will continue to provide strategic inputs and expertise that will facilitate the growth of inclusive, niche and customized financial services for the marginalized and vulnerable.

### **Equity Funding**

PPAF injected equity into small and medium sized MFIs that showed promise and healthy performance and had a sizeable client base.

These investments were made to gear such institutions for growth by providing endowments to strengthen their balance sheets, which allowed them to expand their funding options.

Using stringent eligibility criteria, 18 institutions were shortlisted for equity funding under IFAD PRISM. Among these 5 were medium sized organizations with a client base of 8,000 and above and 13 small organizations serving greater than 2,500 clients.

A total of PKR 712 million (PKR 523.5 million for medium sized and PKR 188.5 million for small sized MFIs) was disbursed during the reporting period.

### **Pricing Transparency Initiative**

The Pricing Transparency Initiative is a joint venture undertaken in collaboration with MF Transparency International with PPAF, PMN, State Bank of Pakistan and UKAID. Pakistan is the thirty-first country in which MF Transparency has conducted pricing analysis. The standard product pricing exercise for Pakistan will be augmented by an analysis on the drivers behind an organization's cost of delivery. This initiative is aimed at providing the sector with credible and objective information to determine the most efficient and accurately priced financial services that benefit the poor and cover the MFPs costs.

### **Empowering Women**

Empowering women is a core objective of PPAF. PPAF continues to support Microfinance Institutions serving women borrowers and encourages the introduction of specialized products and services. Compared to 36% in FY2004-05, loans to women now constitute 56% of PPAF's cumulative disbursements. The increased focus on women inclusion in economic activities can be substantiated by the fact that during the year 81% of all loans were extended to women clients.

PPAF piloted products catering the niche needs of women micro-entrepreneurs. These products are already being replicated and scaled-up. As signified in previous and recent

### **Gallup Study**

The Gallup study, 'Outcome Assessment Survey of Microcredit Recipients,' financed by PPAF, was the fourth in a series of surveys carried out since 2002. It conducted outcome assessment analysis of approximately 800,000 borrowers. The study has yielded encouraging results, highlighting the fact that clients availing microfinance loans witnessed a 29% increase in their income.

Citi-PPAF Microentrepreneurs Awards, these tailor-made products have helped these promising women entrepreneurs establishing award winning microenterprises.

At the institutional level, a strategy to maintain gender balance is also in place.

## **PPAF's role in the sector**

As the wholesaler and market leader for the microfinance sector in Pakistan, PPAF continued its role as lead debt financier. The apex has been supporting institutional development, product development and market stability through its oversight over microfinance institutions. As a result of the apex's investments, the market has grown from 60,000 clients in 2000 served by a handful of institutions, to 2.6 million in 2013 served by over 60 diverse institutions.

The Economist Intelligence Unit has accredited Pakistan as one of the world's best in both regulatory and business environments. The apex has stood by institutions, providing support where required to achieve this feat. Over the year, focus shifted towards achievement of sustainability, improving efficiency, transparency and creating impact.

The apex introduced a tier-based pricing model wherein market rates were charged in conventional microfinance markets whereas subsidies were provided only for the most difficult frontier markets. PPAF offered flexible products for its partner organizations. A grace period in principal repayments was offered to partners, allowing them to increase disbursements and serve more loans with the funds allocated. Through these measures, the effects of market rates were offset by higher volumes and a drive to reduce expenses and overheads.

Recognizing the need for additional funds, the PPAF crowded in financing by partnering with eight commercial banks. The Credit Enhancement Facility - a product introduced under IFAD PRISM – was scaled up through the use of PPAF's own resources. Over PKR 4 billion was raised. These funds were then leveraged, attracting an additional 79% of the amount over and above every rupee invested.

## **Disbursements**

Since inception, PPAF made cumulative disbursements of over PKR 79 billion. During the financial year, disbursements of PKR 11,589 million were made to 48 MFIs, bringing PPAF's total Outstanding Loan Portfolio to PKR 16,705 million as of June 30, 2013. This is a growth of 91.46% compared to last year.

Efforts taken by the management have yielded improved diversity of the portfolio in terms of gender, region and sector. This was achieved through the creation of new retail products and services to expand outreach and coverage, while improving income streams and livelihoods of clients.

During the year, 73% of microfinance loans were deployed in rural areas. Urban lending increased to 27% of total loans in FY 2012-13 as compared to 21% during the previous period. Growth in PPAF's urban portfolio has simultaneously increased the share of loans in small enterprises and commerce, accounting for 37% of cumulative loans disbursements. Agriculture accounts for 35%, livestock 16% while 11% of loans were provided for handicrafts, light manufacturing and services.

The proportion of women borrowers grew from 55% in FY 2011-12 to 63% during the current reporting period. The share of women borrowers has been increasing consistently over the last few years. MFIs were responsible for most of the aggregate increase in lending to women. Of the total women served, MFIs takes credit for 73%.

## Products and initiatives

Over the years, the microfinance market has been evolving. Clients have started to demand services tailored to their needs rather than standard products that are on offer. In response, PPAF has increased the emphasis on development of new microfinance products so as to foster innovation, inclusion and improve outcomes.

The apex has remained committed to providing products and services that are innovative, niche, market-based, consistent with international best practices, and above all, client-centric. These products and services supplement the provision of microcredit services and serve as an effective and holistic tool to build livelihoods and improve economic well-being.

In line with this, PPAF has designed and implemented trendsetting financial products and services that are delivered through its partners.

### Crop and Livestock Insurance Initiative

PPAF, through a strategic partnership with the Securities and Exchange Commission of Pakistan, designed and implemented an index-based crop insurance and livestock insurance product for poor farmers. The purpose of this initiative was to implement action research of a sustainable market-based crop and livestock insurance model which best suits the economic need and social characteristics of the country, with a particular

focus on small and marginal income farmers.

The weather indexed crop insurance and 'live-weight' livestock insurance products were launched in collaboration between Al Falah and United Insurance. Pilots for these products were carried out in Soon Valley and Talagang and based on the findings from these pilots, the products have now been scaled up to communities in Layyah, Muzzafargarh and Tharparkar. Moving forward, PPAF envisages scaling up the hybrid 'live-weight' livestock and crop insurance product in other areas of Pakistan.

### Value Chains

PPAF has rolled out various initiatives on agriculture, poultry and embroidery value chains to increase productivity, efficiency and client returns through the provision of access to inputs, information, finance and markets. The projects involved not just MFIs and the communities but various government agencies and private firms. The approach led to creation of new opportunities for entrepreneurship and employment while improving returns to all actors participating in the initiatives.

PPAF created an embroidery value chain for home based women workers possessing skills in 'justi' embroidery. The project led to the creation of key linkages with input providers, designers and markets while strengthening

institutional capacity, skills and business aptitude.

A poultry value chain for communities in Swabi is being developed to improve livelihoods of women, incentivize school going children to remain enrolled and attend classes regularly. In addition, the Livestock and Dairy Development Organization, PPAF's successful Dairy Value Chain initiative, is being supported. This project would

### Strategic Partnership

In order to enhance the business environment for the microfinance sector, all stakeholders realize that partnerships and collaborative efforts are critical. The PPAF established itself as an ideal platform for this purpose. During the year, PPAF strengthened existing partnerships with donors, regulators, corporate and the private sector as well the Pakistan Microfinance Network (PMN).

strengthen the institution and further augment productivity and income.

As part of our mandate to promote low income households, PPAF along with its partner organizations provide strategic inputs and expertise that will facilitate the growth of inclusive, niche and customized value chain models for the marginalized and vulnerable. These value chains are aimed at institutional development, business development services, technical assistance, creating backward and forward linkages of communities, market access and increased gains for clients and communities. Going forward, PPAF envisages replicating these models in other areas of Pakistan.

### **Branchless Banking and Savings**

With the evolution of microfinance and increased focus on the needs of clients, there is now a greater necessity for technological interventions such as branchless banking and savings to bring about efficiency, flexibility and increased outreach across Pakistan.

PPAF is focused on providing holistic financial services and access of formal financial services to the un-banked population of the country. PPAF

seeks to design and implement a full scale branchless banking and savings model through its partner organizations. PPAF intends to pilot the super-agent model to offer customized savings products for microfinance clients in the under-served communities of the country.

### **Education through Microfinance**

PPAF has undertaken a pilot on 'Microfinance for Low Cost Private Schools.' The pilot seeks to improve the availability of finance for the establishment of low-cost private schools. It aims to support low-cost private schools catering to low-income households, to improve their infrastructure, teaching methods and curriculum. Additionally, the pilot aims to make educational institutions catering to low-income households sustainable through finance and improvement in the quality of education that they impart. The project plans to support and facilitate entrepreneurs in developing their schools into sustainable operations.

### **Renewable Energy**

PPAF has strived to develop modern solutions that link solar and renewable energy through the provision of microfinance. PPAF has piloted one such product in Soon Valley, where

about 10,000 families in Khushab and another 4,000 on its outskirts are still without electricity and with little possibility of gaining access to on-grid electricity.

In collaboration with Partner Organizations, PPAF designed financial products for households in off-grid areas for the purchase and installation of renewable energy solutions. The loan amount provided was determined after an analysis of electricity requirements of each household and repayments were based on cash-flows, so as to ensure affordable solutions. Going forward PPAF intends to continue making investments in this sector, demonstrate a viable business case for such financial services, and support capacity building and financial support for green products.

### **Social Performance Management - True lift (Formerly known as Seal of Excellence)**

Performance of MFIs has long been associated with financial outcomes (portfolio quality and profitability) and while social goals are certainly not new to MFIs, little effort has been made to monitor progress toward these goals. By articulating clear social goals and measuring progress towards those goals, PPAF believes that MFIs are better able to claim social

relevance. Stakeholders are increasingly beginning to acknowledge that achieving the social outcomes inherent to microfinance's mission requires clearer and more deliberate strategies. PPAF believes that the promotion and incorporation of Social Performance Management (SPM) into a strategic plan is of utmost importance.

The Pakistan Poverty Alleviation Fund and Microcredit Summit

Campaign signed an MOU to launch the global initiative of True lift (formerly known as Seal of Excellence) for poverty outreach and transformation in Pakistan. Pakistan is one of the nine countries where beta testing of True lift was carried out. True lift aims to recognize those microfinance institutions doing the most to help poor households lift themselves out of poverty and improve their own lives.

Consultants from M-CRIL, an international rating agency based in India, visited in March to conduct the assessment of two PPAF partner organizations in order to rate them according to True lift indicators on clients' protection, social performance and several additional indicators. PPAF is leading the initiative to encourage all its partner organizations to gain accreditation under True lift.

## Knowledge Management

PPAF has been performing a knowledge management function in addition to its accredited roles as lead financier, sector developer, supervisor for the non-banking microfinance market and market leader. The Pakistan Microfinance Network remains the focal point for knowledge management and dissemination and PPAF has entered into a strategic partnership with the network, providing it with technical and financial support. As an apex, PPAF is positioned to both create and accumulate knowledge.

Through our combined efforts, the microfinance market in Pakistan has attained accreditation as one of the best in the world. PPAF as sector developer, supervisor of the non-banking market and market leader strives to improve the business environment and awareness at national and international platforms. PPAF conducts seminars and focus group discussions, prepares publications, stimulates creation of innovative client-centric products and also offers direct advisory services to partner organizations. It also encourages the provision of holistic inclusive access to financial services across Pakistan. PPAF highlighted the microfinance sector of Pakistan during the year through participation in the Microcredit Summit in Spain, participation in SEEP in the USA through close engagement with donors, investors and other stakeholders. Moreover, support has also been accorded to the Pakistan Microfinance Network (PMN) for roundtables and an international conference (Microfinance Summit) planned for July 2013.

Publications and product notes on sector-wide initiatives are being planned for the promotion of dialogue within the sector to potentially yield the establishment of linkages with corporate entities and other ventures. Policy dialogues are also being planned with the State Bank, Pakistan Microfinance Network, large microfinance banks and partner organizations through the year to improve the policy environment.

## Way Forward

The microfinance crisis across different parts of the world proved that market-wide risk exists. As competitive microcredit markets often lead to multiple lending, active MFIs are de facto connected and defaults can spread quickly from one client to another. To prevent such contagion, these cases offer valuable lessons in terms of governance, market infrastructure and supervision.

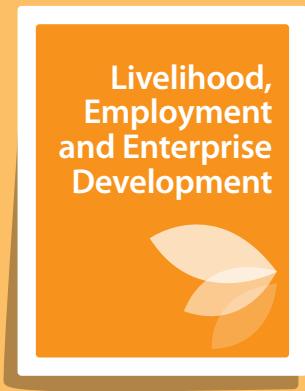
With increased risks and changing sector-wide dynamics, PPAF aligned its focus to ensure that the sector maintain its double bottom line approach. The focus remained not only on financial stability and viability of the services offered, but on ensuring the attainment of social gains as well. PPAF believes that good governance is imperative for building credible and effective institutions.

For the future, partner MFIs are being encouraged and supported to transform their legal status and their existing governing frameworks. Guidelines on good governance principles are also being developed in consultation with partner organizations to maintain inclusive, dynamic and vibrant governing structures. An internal rating tool is expected to be rolled out to further strengthen the risk management system at PPAF. This tool would be used to assign ratings to partner MFIs to strengthen the appraisal procedure already being used.

In line with the double bottom line objectives, PPAF, as an apex institution, envisions playing an essential role in channeling the industry towards implementation of social performance standards in an effective manner. By articulating clear social goals and measuring progress towards those goals, PPAF believes that MFIs are better able to claim social relevance. The apex seeks to encourage increased focus and attention on the double-bottom line goals among its Partner Organizations and aims to promote social performance management through a structured approach.

Following the successful completion of micro-insurance pilots, PPAF envisages full-scale national rollout of crop and livestock insurance products in the coming financial year. Moreover, PPAF proposes to launch a program to promote access to finance for women, complemented by a range of non-financial services that aim to help create an enabling environment for startup women entrepreneurs to access financial services from the institution.

In coming years, PPAF plans to continue to collaborate with different stakeholders on sector-wide initiatives. To pursue this, PPAF has approved an endowment for the Pakistan Microfinance Network. This is aimed at ensuring the sustainability of the network to broaden the spectrum of its services for medium and smaller MFIs and to improve the dissemination of knowledge. As a direct result of PPAF's advocacy, PMN has now made the membership criterion flexible enough for smaller MFIs to become a part of the network. This has resulted in many of the PPAF's partner organizations becoming the associate of the network.



During the reporting period, PPAF transformed its Livelihood Enhancement and Protection (LEP) Unit into the Livelihood Employment and Enterprise Development (LEED) Group, which comprises Livelihood Enhancement & Protection (LEP) Unit, Employment Enhancement Unit (EEU) and Enterprise Development Unit (EDU).

The need to merge the three main units into the LEED Group was felt when it was observed at the field level that sustainability can only be ensured if all segments of society are being catered to according to their needs. The Livelihood Enhancement & Protection (LEP) Unit needed major input from the Employment Enhancement Unit in order to appropriately place the trained beneficiaries as well as the youth of the community. Similarly, the Common Interest Groups (CIGs), once formed by the Livelihood Unit, needed support from the Enterprise Development Unit to understand the market and the most appropriate linkages with respect to a particular product. The inter-linked relationship of the three units made it necessary to transform them into one group, which would cater to all the intervention areas in a more specific and comprehensive way. This would lead on to the generation of economic activities while working for the marginalized and encouraging sustainable businesses for social difference.

The Group's current programming is in livelihood enhancement areas, where the assessment of progress is based on end results (e.g. employment rates, self-employment rates, improvement in quality of life and reduction in levels of vulnerability). It has also formulated an enterprise strategy, keeping in view the agenda to transform livelihood initiatives of the poor and special target groups into more sustainable businesses. The Group identifies best practices of enterprise development and replicates and scales-up these practices, where possible, across the country. It also assesses the possibility of linking up with other PPAF units (health, education, renewable energy and financial services) to promote social enterprises at the community level.

- Objectives
- Progress Since Inception
- Sustainable Livelihood Framework
- Events
- Current Initiatives

## Objectives

### 1. Livelihood Enhancement & Protection (LEP)

To support livelihoods development for the poor, vulnerable and the marginalized households through:

- Provision of Assets
- Skills and business trainings
- Formation and strengthening of Common Interest Groups (CIGs)

### 2. Employment Enhancement Unit (EEU)

To build the capacity of institutions of the poor to:

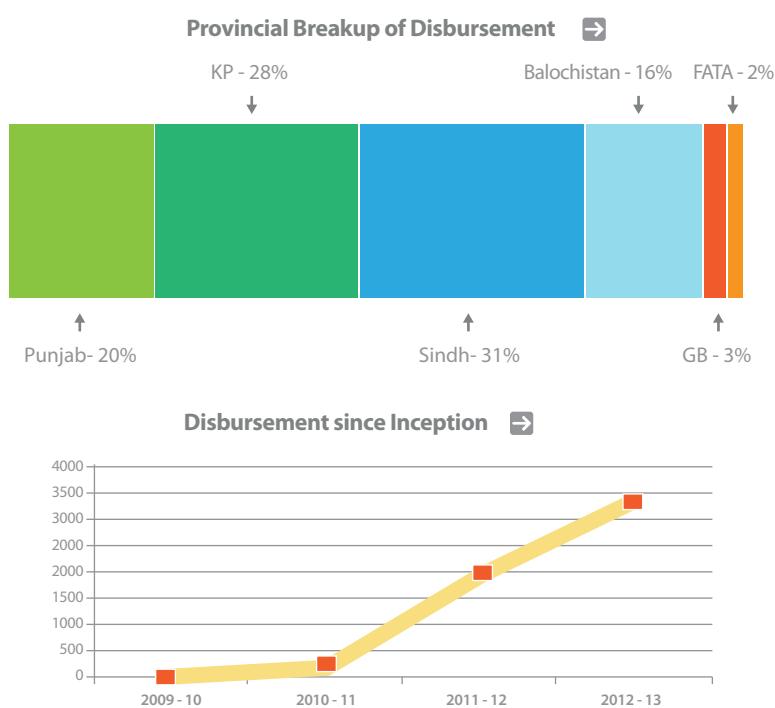
- Identify and train human resources
- Create linkages and promote employment through localized institutions such as the *Naukri ya Karobar* (NyK) centers, domestic worker placement centers and other projects

### 3. Enterprise Development Unit (EDU)

To support the graduation of individuals and clusters of entrepreneurs to farm, non-farm and off-farm enterprises through:

- Establishment of a Trade Facilitation Unit (TFU)
- Investing in Social Enterprises (SE)
- Replication of best practices

## Progress since inception



### Progress in terms of Interventions (as of June, 2013)

LEP Interventions	Status
PSC Completed	500,348
LIPs Completed	166,617
Common Interest Groups formed	7,105
Asset Transfer	41,917
Trainings Provided	160,151
Wage Compensation	56,203
Disbursement (million Rs.)	3,338

### Mainstreaming Disability, Gender and Environment

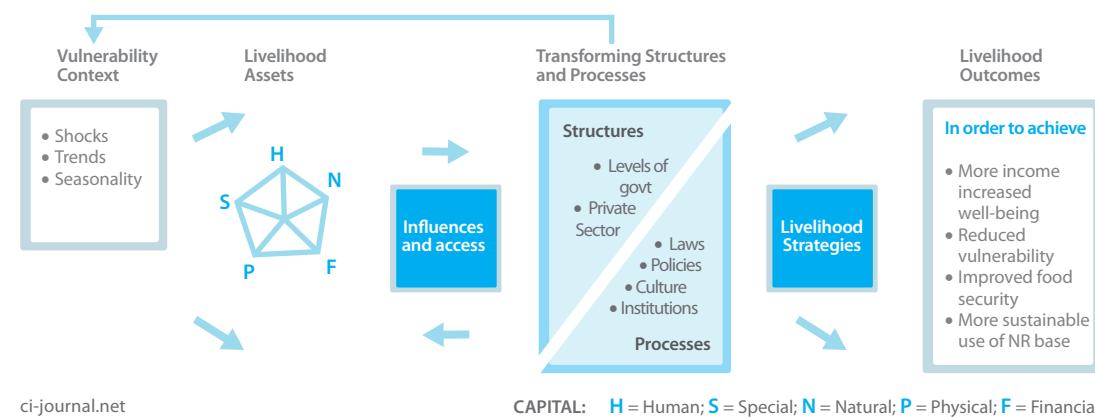
Disability program was designed to benefit each person with disability identified through a carpet survey in all the selected districts. LEED Group intends to incorporate some new initiatives in this program such as mainstreaming disability in all PPAF interventions, especially in accordance with laws of the government. PPAF has also always encouraged its POs to hire at least 2% persons with disabilities in all of their initiatives. It has also ensured that it practices what it preaches and has reserved 2% employment quota for Persons with Disabilities.

LEED Group has a major focus on implementing its interventions across all segments of the society. For the purpose it has always made sure and has encouraged its partners to have at least 45% to 50% female beneficiaries or stakeholders. The Group is working with both men and women youth in the target

## Sustainable Livelihood Framework

LEED's strategy intends to address the vulnerability context of poor communities through different interventions, e.g. an increase in assets, skills, capacities, linkages and social inclusion of poor communities. Along with these interventions, LEED aims to develop and transform second and third tier institutions of the poor at village and UC level to program livelihood interventions for the communities, especially the poor of the targeted areas. Stronger TTOs will make it possible for communities to plan and implement livelihood programs themselves for their area to reduce their vulnerability regarding livelihoods.

Because implementation of livelihood programs through external stakeholders is a short term solution, there is a need to create one custodian of interventions so that the interventions may not disappear after the closure of the project. In the name of sustainability as well as participatory development, TTOs will develop their own exit strategies for LEED interventions. LEED's strategy is founded on the sustainable livelihood framework model.



areas through its Enterprise and Employment Unit, where it is making sure that even the female youth get better job opportunities in order to have a sustainable livelihood.

To keep all our interventions environment friendly, the LEED Group works very closely with ESM Unit. All LEED Group partners have attended the ESM workshop in which they were given guidance on conserving the environment and making sure that the beneficiaries at field level are also aware of all these important guidelines. It has been made mandatory for all the LEED partners to complete

the ESM checklist before distributing any asset to the beneficiaries.

### Community Livelihood Fund (CLF)

The Community Livelihood Fund (CLF) was launched with the approval of Rs. 329 million to eight partners with the objective of building sound financial management practices, increasing savings, ensuring internal loaning discipline and enabling the poor to enhance their incomes by expanding their enterprises started at micro level.

The CLF implementation guidelines and the Standard

Operating Procedures (SOPs) were developed in consultation with implementing partners. An Action Learning Forum (ALF) was formed by partner organizations, which allowed for experience sharing on a regular basis.

### Disability

During the year, a total of four assessment camps were held in four union councils of Ghotki, Bhakkar, Sanghar and Muzaffargarh where technical experts assessed persons with disabilities and designed customized individual rehabilitation plans for them that included prescription for devices and specific trainings as well.

## Provincial distribution

Province	Districts	UCs
Punjab	11	95
Sindh	6	48
KP/FATA	10 Districts & 2 Agencies	58
Balochistan	14	52
GB/AJK	3	20

## Overall achievements during the year (June 2012 - 13)

LEP Interventions	Status
PSC Completed	166,208
LIPs Completed	80,722
Common Interest Groups formed	4,345
Asset Transfer	24,920
Trainings Provided	113,880
Wage Compensation	44,140
Disbursement (million Rs.)	1,416
Monitoring Visits	50

Inclusion of persons with disabilities in the community organizations is another important component of the program. Children with disabilities were also enrolled in mainstream schools.

## Events

### Sawan Mela 2012

PPAF organized a "Saawan Mela" in collaboration with the CDA at the Arts and Crafts Village, Islamabad. The event showcased the talent of 40 valuable artisans from all over Pakistan. The artisans displayed and sold their indigenous handmade products, which included traditional cross-stitch embroidery, Galabatoon, Kandhari Khamak, Pashtoon Khamak, Rilli /patch work, hand-made shawls, straw work, clay pottery, lacquer wood work and hand-made Balochi chappal.

### AHAN-SAARC Cultural Conference Islamabad

The Ministry of Production, GoP and Pakistan Industrial Development Corporation

(PIDC) organized a conference of SAARC countries under AHAN from 22 February to 24 February 2013 in the Pak China Cultural Centre, Islamabad. The conference acted as a platform for sharing ideas and experiences to develop the traditional rural art and handicraft sector in SAARC countries. The Enterprise Development Unit developed a questionnaire for profiling of artisans and over the two days, collected a total of 52 artisan's profiles in different trades. This activity aimed to support the development of a network of experts, opening up possibilities for growth and continuity.

### Lok Mela 2013

The 10-day folk festival of Pakistan held in April, popularly known as Lok Mela, brought together artisans and artists from different parts of the country. PPAF collected the data of artisan who participated in this event for Trade Facilitation units (TFU). A total of 55 artisan profiles were

collected during this activity, amounting to cumulative figure of over 100 prominent artisans from all over Pakistan.

### ART in the Park- Canadian Consulate Islamabad

The Canadian Embassy in Pakistan organized a folk festival to raise funds for two schools - Mashal School in Bari Imam and AL-Makhtoom Special School for blind children. PPAF's Enterprise Development Unit assisted the Canadian Embassy in arranging for artisans from PPAF-supported communities to participate in the event.

The Canadian High Commissioner praised the contributions made by PPAF in bringing together talented artisan from across the country.

### Participation in ILO- Youth Development

LEED's Employment Unit took part in a 10-day training organized by the International Labour Organization's Academy on Youth Development in Turin, Italy. The training covered employment issues and policies being implemented around the world.

## Current Initiatives

### Certification of Training Programs

Working closely with relevant technical experts and training organizations, LEED is carefully selecting and developing needs-based certified training programs that will develop productive institutions, groups and individuals and institutionalize local economic development. A PPAF certified training program will feature development of audio-visual and relevant material for each beneficiary population, followed by training

## Planned activities (for the year 2013 - 14)

Province	No. of US Targetted through the	TTI Staff Capacity Building	Youth Centers (Centers)	NyK (Centers)	Social Enterprise (Groups)	LEED Networking (Members)	Production Centers (Centers)	CLF (Centers)	Adolescent Girls Training (Persons)
Punjab	34	116	51	10	89	-	39	3	-
Sindh	12	48	11	9	141	-	10	9	880
KP/FATA	37	240	63	46	99	134	13	6	-
Balochistan	20	90	82	24	140	-	14	18	300
Total	103	494	207	89	469	134	76	36	1,180

of trainers or Business Development Service Providers (BDSPs) and focused assessment at the end of which the trainer/BDSP will be able to independently offer these certified training programs to the beneficiary population.

During the upcoming financial year, LEED will support certification in the following areas;

- 1) Development of VDP/UCDP
- 2) Enterprise Development Training (EDT)
- 3) Basic Training in Financial Literacy
- 4) Life Skills Module
- 5) Advanced CIG Trainings
- 6) Capacity Building for Community Livelihood Fund (CLF)
- 7) Protecting and Reviving Livelihoods in Disaster Prone Areas
- 8) Converting Skilled Clusters into Production Units

### Establishment of Social Enterprises (SEs)

PPAF is committed to supporting and promoting social enterprises and social entrepreneurship at the village and union council levels so that sustainable business entities can protect and promote social, cultural and environmental standards while directly contributing to the socio-economic well-being of rural communities. LEED Group

will extend capacity building support and an initial grant fund to develop social enterprises and ensure that each is set up and managed according to sustainable business principles.

### Trade Facilitation Unit (TFU)

The Trade Facilitation Unit is designed as a sustainable non-profit entity with defined income streams. The TFU is mandated to provide a holistic platform for artisans, craft-persons and microentrepreneurs from PPAF-supported ultra-poor and vulnerable communities to access relevant value chain actors (the markets), leverage support services and be provided an opportunity to have their voices and grievances heard at the policy level. The TFU brings together the following four basic components; the supply side, the demand side, support service providers and an enabling environment.

### Establishment of Localized Institutions For Employment Enhancement

By designing and implementing projects such as localized *Naukri Ya Karobar* (NYK) Centers and Domestic Workers Placement Centers, LEED will work with communities to establish and institutionalize sustainable mechanisms through which men and women will be able to

access local, national and international employment opportunities.

### LEED Networking

The LEED Network is envisioned to be the network of the organizations and institutions that are into the area of improving livelihoods through employment enhancement and enterprise development. This network would also include PPAF partner organizations, NGOs, CBOs, government agencies, MFIs, public and private sector, producers (rural artisans groups), buyers, enablers, market leaders and technical institutions.

### Community Livelihood Fund (CLF)

New CLF facilities will be approved as per the eligibility. In addition, certified training modules will be developed for POs staff, staff of custodian community institutions and beneficiaries. Similarly, baseline and monitoring formats will be developed to facilitate the implementation of CLF.



In anticipation of an adverse social impact of economic depression on already poverty-hit masses, Special Initiatives Unit is actively undertaking initiatives to play its role in the implementation of a sustainable livelihood intervention targeted at women and youth.

The Special Initiatives Unit is passionate about alleviating poverty and believes that the way to do this is through the use of knowledge supported by our underlying principles of social inclusion and equality, ensuring that we practice what we preach.

Through its initiatives, it empowers women and youth to battle chronic poverty and aims to promote long-term human capital accumulation as a primary objective, recognizing its role in breaking the intergenerational transmission of poverty and strengthening the indigent to break the vicious cycle of poverty. As strengthening is clearly a legacy worth sustaining.

Interventions are aimed at graduating the ultra poor women and youth to a bankable stage where they have an established enterprise and can enter into a relationship with banking and micro finance institution at their own. These interventions can generate great value in overcoming poverty and assisting the destitute to access opportunities to improve their circumstances. These strategies aim to help the beneficiary families to become self reliant and productive members of society through microfinance.

- *Waseela-e-Haq*
- Innovations
- Disbursements
- A Holistic Approach to Sustainable Livelihood
- Client Centric Financial Products
- Spearheading Strategy for Public Goods and Services
- Alliances

## ***Waseela-e-Haq***

With a staunch belief in coming up with innovative ways to target poverty, PPAF collaborated with Benazir Income Support Program (BISP) in September 2010 for the Waseela-e-Haq National (WH) initiative through the Special Initiatives Unit. It was initiated to target the women below the poverty score of 16.17. Based on the execution, management, monitoring and accomplishments of Special Initiatives Unit, BISP inked another agreement with PPAF to target the educated youth of Sindh under the name of Waseela-e-Haq Sindh.

These interventions offer microfinance to recipients graduated from the enterprise development training. This conditional cash transfer program prepares the recipient to establish enterprise through training and apprenticeship without limiting the options of businesses. The loan size is of Rs. 300,000, which is interest free and returnable in 15 years. This training and mentoring, along with access to finance, helps the recipients in setting up their enterprise, promoting self employment and entrepreneurship, which leads to sustainable development and poverty alleviation.

In the year 2012-2013, the Special Initiatives Unit successfully facilitated the training of 5,464 women recipients of the WH national program and 3,315 youth of the WH Sindh program. It has so far managed to monitor 5,163 successfully established enterprises of *Waseela-e-Haq*.

National beneficiaries and more than 2,000 successfully established enterprises of the *Waseela-e-Haq* Youth program. As a part of integration and mainstreaming environmental significance and with an aim to eradicate environmental poverty, the Special Initiatives collaborated with the Environment & Social Management Unit and developed a training module emphasizing the significance of the environment and strategies to preserve it. Natural resources and a healthy eco-system contribute significantly to human wellbeing, pro-poor economic development and poverty reduction.

Thus, the environment module was incorporated in *Waseela-e-Haq* enterprise development trainings. During the reporting period, more than 5,000 beneficiaries have benefitted from this initiative and the feedback from the trainees, their families as well as members of their communities was overwhelming as it gave them awareness of their responsibilities towards the environment and skilled them with techniques to protect it.

During the year, the Special Initiatives Unit reached 100% of its training targets. The monitoring data of the trained beneficiaries and established enterprises suggests that 89% of recipients of the *Waseela-e-Haq* program have successfully established their business, out of which more than 50% have significantly improved their income and living standards.

The programs have demonstrated an eminent positive effect on school

enrollment rates as well as a notable improvement in the quantity and quality of food intake. Health conditions of the families of beneficiaries have considerably improved. The annual evaluation data also highlights that the successfully established businesses are proving to be instrumental in employment generation as the unemployed workers of the area work there and earn their living.

Furthermore, community members have easy access to goods and services. Successful ventures supported through these initiatives transformed not just the standard of living of a family but of the local community as a whole. The program acted as a break-through social policy initiative in recognizing the importance of women and youth in development and by empowering them by delivering assistance, providing opportunities and access to credit facilities.

Empowering women will help decrease gender inequalities. Equipping youth with entrepreneurial skills will make them productive citizens and bread winners for their families.

The program will further ensure sustainable livelihood by increasing the capacity of

persistently vulnerable ultra poor to mitigate shocks and hazard and manage risks more efficiently, thus allowing for an escape from the vicious cycle of poverty.

## Innovations

PPAF is firmly committed towards applying and encouraging innovative products and services that can help to improve and upscale PPAF's efforts to contribute towards poverty alleviation. PPAF aims to set a precedent for innovation in the development sector as well as learn from best practice from around the world. The following provides an outline of the pilot projects that PPAF has envisaged for the near future as well those that have been already applied and their impact is currently under assessment.

### A Holistic Approach to Sustainable Livelihoods

#### ***Business Development Support Services***

The Naukri ya Karobar (NyK) Centres are envisaged to help the poor to access and leverage human resource recruitment agencies for job placements as well as with a wide range of stakeholders (market, industry, government agencies) to create linkages between buyers and sellers for trade facilitation and revenue generating opportunities. A number of 'Barefoot Consultants' will be associated with each Centre responsible for championing local enterprises and the productive capacity of the poor.

#### ***Creation of Youth Centers***

Physical and virtual centres will be set up for youth, from where

they can receive access to resources (information, trainings and technology) and engage in educational, recreational, cultural and civic activities in their communities. These Centres may be potentially linked to the NyK centres and/or social enterprises within the community to ensure financial viability.

#### ***Empowering Social Entrepreneurs***

PPAF is extending support and training to a cadre of social entrepreneurs through community institutions and partner organisations. These entrepreneurs will be supported in setting up village-based startups to promote and provide services and products catering to the community's need for health, education, solar energy, water and sanitation, among other initiatives. In Swat, a pilot study is currently under evaluation where social entrepreneurs have re-trained local technicians in installing and maintaining solar energy products, and with training received from PPAF's local PO, have been trained in marketing and selling the solar energy lamps to meet the community's energy needs.

#### ***Certification of Trainers***

PPAF has recently initiated a pilot scheme to establish a national-level certification scheme to authenticate and endorse trainers who have received training from PPAF or its partner organizations and have therefore received PPAF's support in delivering high quality capacity building and training programs.

#### ***LEED Network***

The Livelihood Employment Enterprise Development (LEED)

Group is currently working on launching a networking platform to enhance rural connectivity, particularly focusing on minimizing the digital divide between the rural and urban centres. Using a range of online tools, PPAF will facilitate information between individual donors (national and international) and project beneficiaries (social enterprises, community assets and sponsorships schemes). Best practice digital technology will be used to share and extend inspirational, educational and context-specific content to rural communities, particularly to women and adolescent girls.

#### ***Rapid Market Assessment (RMA)***

PPAF has commenced work in the areas of rapid market assessment and value chain development for livelihood enhancement. The model employed works on identifying sub-sectors which hold significant opportunities for the poor and exploring value chains within these sub-sectors which poor people can participate in and benefit from. It provides opportunities for individuals or groups of poor households by locating systemic impediments and constraints in market systems which have prevented poor producers from participating in or fully benefitting from markets. Constraints could include missing service providers, missing extension services, insufficient input supplies, etc. Through sub-sector assessments, it becomes possible to link larger groups of poor people with beneficial markets, rather than dealing solely with individual households; addressing systemic constraints

will significantly improve sustainability as well as the scale of interventions.

For trial purposes, three districts were initially selected, in which experts assessed and analyzed market demands, using qualitative research methods. The needs and market gaps were identified for producers of peas, milk and Desi (local) chicken market chains. During the reporting period, the exercise was completed in districts of Haripur and D.I. Khan.

### ***Multi-Sector Planning (MSP) Model***

Multi-sector Planning (MSP) is a concept encompassing village and UC levels, which takes multiple sectors into account, and ensures that plans are eventually supported by the measures provided in the Local Government Act when implemented. PPAF is now using the MSP model to identify interventions that may have consequences for larger populations (e.g. a village or a group of villages, or ideally, a UC). The MSP strives to bring synergy among various development players and helps to inculcate a longer-term development vision at the community level. MSP represents a move from 'needs-based development' to 'potential-based development' and leaves room for multiple actors in development to play their due role in the field. The MSP model has been applied as a pilot in UC Mahra of DI Khan. PPAF has been continuously holding workshops on the MSP model with communities and partner organizations and plans to roll out the program to additional Union Councils and Districts in the coming year.

### **Client-Centric Financial Products**

#### ***Microinsurance Products***

PPAF has remained committed to providing unique products and services that supplement the provisioning of microcredit by increasing the menu of financial services and act as effective poverty alleviation tools. Two such micro-insurance products are;

- Through a strategic partnership with the Securities and Exchange Commission of Pakistan (SECP), PPAF has designed innovative index-based crop insurance and livestock insurance products. These products have been customized to farmers' needs, local crop and weather requirements, and based on detailed economic and financial models. The process of payment of insurance claim is quick and inexpensive to administer. Additionally, the design of the product reduces the administrative and operational expenses. The product has been piloted in Soon Valley and Talagang, with partners Soon Valley Development Program and National Rural Support Program. Currently, the product was piloted for wheat crop, and insured 2,376 acres with 735 farmers

- PPAF has also developed live-weight livestock insurance in which, the sum insured of the policy will be linked to the actual weight of the animal at the time of insurance, rather than on a value agreed between the farmer and the insurance company. The index has

been developed for different breeds of animals to scientifically determine the weight. This would provide a predetermined formula in accessing the actual value of the animal at any given time, thereby making it possible to calculate price of the animal on the date of loss and ensure adequate compensation to the policyholder. In addition, each animal has a unique wire tagging identification number which eliminates the possibility of fraud. Currently, 1,911 farmers have been insured with 764 livestock owners in Soon Valley and Talagang. The product is also being scaled up in Layyah/ Muzaffargarh, and a livestock insurance product for Tharparkar

### ***Value Chains***

PPAF is currently engaged in implementation of agriculture and enterprise value chains that will increase the clients' competitiveness, reduce the role of the middle man, and keep the clients abreast with updated market technologies. Newly launched projects include:

- An embroidery value chain for microfinance women clients working on 'justi' embroidery value chain in Haripur by creating backward and forward linkages

- Scaling of the dairy value chain, Livestock and Dairy Development Organization (LADDO), in Mandi Faizabad, where farmers are organized at a grass root level to form an apex body for playing a key role in the management and marketing of their milk and milk-based products. The purpose of the project is the formation of an efficient social enterprise and encourage farmers to participate in the decision making process

### **Financing Energy Products**

PPAF has developed solutions that extend solar and renewable energy products to rural communities through the provision of microfinance services. PPAF has piloted one such product in Soon Valley, where there is no access to on-grid electricity for more than 14,000 families. In collaboration with partner Soon Valley Development Program (SVDP), PPAF has designed 'family loans' which vary between PKR 15k – PKR 30k and the loan term varies from 12 to 18 months, with the repayment schedule made flexible to match the cash flows of the households.

It is ensured that the repayments are lower than the cost incurred for kerosene, wood, fuel, transport cost and time spent by the consumer previously to meet energy needs in the absence of low cost and affordable mechanisms to meet their requirements. This pilot targeted 273 households in 14 union councils.

Going forward PPAF intends to continue investments in this sector, demonstrate viable business case for such loans, and support capacity building

and financial support to its POs to offer green financial products that will fuel growth for this market.

### **Spearheading Strategy for Public Goods & Services**

#### **Drought Mitigation and Preparedness Program (DMPP)**

PPAF has made a considerable investment in the development of the DMPP in order to strengthen the resilience, capacity and preparedness of communities to handle successive drought cycles through local level interventions, policy formulations and awareness raising campaigns. The DMPP has encouraged the communities to re-cultivate their lands, which has led to increase in per acre yield and hence have secured their access to sufficient food. Farmers have also established early warning systems to adjust & adapt and plan response to drought. DMPPs have brought about a change in behavior of the community as well. In some areas, the farmers are changing cropping pattern by cultivating high yield cash crops and low delta crops. The communities have been using better farming techniques and are managing their rangelands, thus effectively managing successive drought cycles.

#### **PPAF Disaster Management Strategy (PDMS)**

The Strategy is a framework for action by PPAF and its Partner Organizations with the purpose to: (a) integrate mitigation and prevention measures in interventions for disaster risk

reduction, (b) achieve adequate preparedness to cope with an anticipated disaster, before it sets in, and (c) conduct post disaster relief and recovery, reconstruction and rehabilitation. The Disaster Preparedness Investment Program (DPIP) encompasses capacity building of community based disaster management groups and emergency response teams, construction of emergency shelters, and stockpiling emergency items, is to be implemented in a span of three years, 2012-2015.

### **Entrepreneurial Solutions for Education and Health**

PPAF has piloted a new initiative aimed at identifying business oriented solutions to improve health and education outcome. So far, 30 individuals, called Community Based Change Makers (CBC) were identified from Ziarat, Balochistan for an entrepreneurship training programme as a formal four-semester course spread over a year. The course is a combination of intense residential classroom trainings and field-based exercise to build the capacity of the CBCs to devise innovative, sustainable and business oriented solutions to local problems in education & health. Furthermore, to address the issue of availability of healthcare staff in the remote areas, PPAF has piloted Mobile Tele-Care Centers in District Layyah.

The model comprises a health clinic manned by trained paramedics and equipped with bio medical devices, digital stethoscope, and a video phone to hold consultations with

doctors, health specialists, and medical professionals at a hub. The service not only saves time, money and resources, but has also provided patients in remote areas access to specialists including gynecologists and pediatricians.

## Mobilizing and Monitoring Institutions

### *Strengthening local institutions in conflict resolution practices*

"Khidmat-e-Khalq" in the district of Bannu in Kyhber Phaktunkhwa, is a community organization that helped the community to successfully resolve a 10-year long local dispute. Al-Khidmat held multiple meetings to address the matter and passed a resolution that divided responsibilities for keeping the peace amongst various community members.

Given the significance of the event, Al-Khidmat called for the presence of other COs from neighbouring villages to assure a sustainable resolution. For the same reason, local elders and police officials were taken into confidence.

### *District Development Forums (DDF)*

The purpose of District Development Forums (DDF) is to create a sense of ownership and to ensure the sustainability of small community projects undertaken by Community Organizations partnering with PPAF.

This is done by developing linkages among all the stakeholders involved in development activities, e.g. Local Government, Line

Departments and Civil Society Organizations (CSOs) including Local Support Organizations (LSO) and Partner Organizations (POs) of PPAF.

District Development Forums hold meetings on a quarterly basis to discuss the local needs of the project area and issues faced by POs/VOS and other Community Support Organizations (CSOs) in implementing their development schemes and come up with appropriate solutions (which may require their technical or other assistance accordingly). The establishment of DDFs has greatly benefited community based organizations, civil society organizations and the local Government.

The increased information sharing and dissemination between stakeholders of Government, private institutions and civil society organizations has pronounced the commitment to promote good governance and has facilitated integration with line departments.

The increased dissemination of information with other partners working in the same district has developed synergies, increased insight in terms of overall district planning and development and prioritized actual needs of the communities. Coordination has been increased between Partner Organization working in the same district and with line departments and local government. District Development Forums have provided the poor segment of society with a voice for direct communication with local Govt.

## Alliances

PPAF established a number of alliances and began cultivating others during the reporting period.

### *Strategic Alliance with Prince's Charities – The British Asian Trust (BAT)*

PPAF has agreed to support (through a co-financing arrangement with the British Asian Trust), the work of the Pakistan Recovery Fund (PRF). The PRF is focused on post-flood rehabilitation and reconstruction activities and is managed by the British Asian Trust (BAT). At the 5th Anniversary Dinner of BAT, held on Feb 11, 2013 at Windsor Castle, the PPAF Team was introduced to HRH the Prince of Wales as the key partner of BAT and supporter of PRF.

PPAF and BAT have also agreed in principle that PPAF will match the funding provided by BAT's partner organizations in Pakistan. This alliance is part of PPAF's broader strategic brand and profile-building efforts with prominent development sector stakeholders in the UK.

### **Muslim Charities Forum (MCF)**

MCF is a representative body/network of UK based civil society institutions primarily engaged in emergency/humanitarian response and grass root development. PPAF signed a Memorandum of Understanding (MOU) with Muslim Charity Fund in Feb, 2013 in London, which entails the following;

- MCF and PPAF will assist each other to link with organizations and institutions in the UK, Europe and Pakistan
- MCF and PPAF will assist each other to raise awareness about PPAF and its work in the UK, Europe and Middle East and also assist with PPAF's potential presence in London
- MCF will organize at least one joint event in the UK in the shape of an international conference during the period of the MOU. PPAF will reciprocate this activity

Both agreed to work within a cooperative, collaborative framework and support each other in the UK and Pakistan, respectively, as well as in other parts of the world.

### **UK Aid & Foreign Commonwealth Office (FCO)**

The Department for International Development (DFID) and the Foreign Commonwealth Office (FCO) held detailed discussions to chart a strategic relationship between the institutions and PPAF. DFID was represented by the Head of the Pakistan Desk, and the Head of Pakistan Affairs, while PPAF was represented by its Senior Group Head. The

meeting was convened on the advice of the UK Secretary of State for International Development.

### **United Nations Development Program (UNDP)**

PPAF is working with UNDP to assist provincial development departments to finalize Millennium Development Goals (MDGs) Acceleration Frameworks and jointly develop proposals with UN agencies for resource mobilization. The MDGs Acceleration Framework will support the provincial governments in complying with MDGs targets in establishing social protection policies and in integrating international commitments and conventions promoting human rights and non-discrimination acts. The proposal is under discussion and will be of two years from 2013–15

### **GIZ**

A proposal of fifteen months has been submitted for empowering marginalized females to operate and manage healthy family campaigns across Pakistan. The partnership will contribute towards the creation of health family centres operational in 12 marginalized districts across Pakistan, providing access to women and children on maternal, infant and child care. The project will result in infant mortality rate decrease and maternal health improvements, contributing to MDGs 4 and 5.

### **Food and Agriculture Organization**

A concept note for an Integrated Farming Systems, Supply Chains & Agricultural Production Project was submitted to FAO and is under

discussion. The partnership will contribute in the formation of associations/cooperatives for farmers to allow them to access inputs, improving supply chain and to sell their crop outputs, The result of the Project will be an increase in agricultural GDP by up to 5% in the areas (staple crops and horticulture) selected for intervention. Exports will increase in value by 50%. Another concept note for a Dairy Development Project was submitted. The partnership will contribute to an increase in the capacity of milk producers and dairy entrepreneurs through training, technical assistance and market linkage services. Additionally, 1,000,000 milk producers and dairy entrepreneurs will receive services that will enable them to increase their income through production and marketing of quality milk and dairy products and through sale of dairy-related inputs and services.

### **The World Bank**

A proposal for Rural Connectivity is under discussion. The project will focus on the last mile constraints (geographical and virtual) to market access of a given local economy through infrastructural development, communication technologies, trainings and livelihoods development of the rural economy

### **Microfinance Summit**

During the reporting period, preparations began for the Microfinance Summit Pakistan 2013, planned to be jointly organized by PPAF and Pakistan Microfinance Network (PMN) in collaboration with the Government of Pakistan, International Fund for

Agricultural Development (IFAD), the World Bank and UKAid. MoU Signing with PIDE on October 02, 2012. Pakistan Institute of Development Economics (PIDE) and PPAF signed a MoU to strengthen both institutions in analyzing and addressing poverty. The MoU entails collaboration between both parties in providing internship opportunities for students of PIDE, enabling research sharing, proving trainings and sharing knowledge through library exchange and field visits to rural communities.

#### ***MoU with Punjab University – Centre for Rehabilitation and Reconstruction***

The ID Unit signed an MoU with the Centre for Rehabilitation and Reconstruction at University of the Punjab. The MoU states that PPAF interns will spend three to five days at the university for an overview of the most pertinent issues related to land resettlement. Other areas of interest include trainings for PPAF staff as well as research based initiatives.

#### ***KfW - Livelihood Support & Promotion of Small Community Infrastructure Project***

PPAF's "Livelihood Support & Promotion of Small Community Infrastructure Project" (LACIP) is a joint project with the Federal Republic of Germany through KfW. LACIP aims to contribute to the improvement of the general living conditions and quality of life of the poor in seven select project districts of Khyber Pakhtunkhwa - Buner, Charsadda, DI Khan, Swabi, Chitral, Haripur and Nowshera - while focusing on the poorest

approximately 600,000 people. The total Project cost is 31.5 Million Euros and is being carried out from April 2012 to December 2015. The project employs an integrated approach to development, incorporating the components of Small and Medium Infrastructure, Livelihood Enhancement and Protection, Health and Education and Disaster Preparedness and Mitigation. For additional information on LACIP.

#### ***NLC-ATIN Dina Training Initiative***

LACIP has signed an MoU with Applied Technologies Institute, National Logistics Cell (ATIN) on April 17, 2013. ATIN is a subsidiary of 'National Logistics Cell Pakistan'. It is a pioneer institute which has worked intensively in imparting skill training in the fields of Heavy Transport, Construction Machinery and related Applied Technologies with the vision to generate sustainable livelihood and employment opportunities for the undereducated and unemployed masses.

This partnership has helped in providing specific needs-based vocational trainings to selected community members in identified areas through ATIN, in collaboration with partner organizations under LACIP. A total of 3,000 trainees will be incorporated into 4 batches over the next year. In June, 2013, 498 selected community members initiated trainings in Dina. This initiative will have a direct impact on the livelihood of beneficiaries as they will be trained in advanced laboratories with highly technical machinery which will build their capacity to use the

most current technology of various industries. Once community members complete their training, they will be awarded degrees and certifications which will exponentially increase their chances to find employment overseas as well as within the country.

#### ***MoUs with universities in Khyber Pakhtunkhwa***

LACIP has signed MoUs with Gomal University in D.I. Khan and the Institute of Management Sciences (IMS) in Peshawar. Under this partnership, students from these universities conduct research on the impacts of Projects in selected target districts. These impact studies will include analysis of all Project components and their effects on the target communities, documented case studies and evaluation of Project components.



## COMPLIANCE AND QUALITY ASSURANCE





The Monitoring, Evaluation and Research (MER) Unit is mandated to critically evaluate the impact and progress of PPAF interventions in addition to regularly collecting and disseminating information to all stakeholders. The MER Unit performs several essential management functions, which include monitoring and reporting on outputs and outcomes achieved, carrying out third party and internal assessments, evaluations and supporting research.

The Unit supports PPAF in formulating focused regional strategies and useful policies by collating and disseminating results from various research studies, assessments, evaluations and reports. Furthermore, the Unit focuses on improving partner organizations' capacities to conduct regular monitoring and reporting of program outputs.

In addition to functioning as PPAF's main data repository, the Unit has the responsibility for regularly disseminating information through a series of periodic reporting formats, including quarterly progress reports, annual reports, case studies, guidance notes, updates to the knowledge management portal, knowledge products, thematic reports, baseline reports, research studies and impact assessment studies.

The PPAF has shifted towards a more focused approach in assessing and identifying its progress at outcome and impact level of both grant based and credit interventions. The MER Unit has been closely involved in conceptualizing the new Results Based Framework, which allows for improved monitoring and evaluation for learning purposes within PPAF and with its partners.

- Research and Knowledge Sharing
- Monitoring
- Training
- Reporting

## Research and Knowledge Sharing

During the year, the MER Unit made numerous efforts in bridging the gap between the development world and that of research. MER collaborated with the Lahore School of Economics, Centre for Economic Research in Pakistan (CERP) and Telenor to conduct research on a variety of topics. A brief overview of a few of the research studies PPAF has been engaged in during the year is given below.

### **Empowering Communities through *EasyPaisa***

In order to provide financial services to the poor and un-banked communities, PPAF and Telenor commenced a pilot to test the benefits of mobile/ branchless banking facilities (e.g. deposits, withdrawals, local and international remittances and utility bill payments) in the form of an '*EasyPaisa Shop*' for people without easy access to formal banking services. The pilot project is spread across six locations, which include Lasbela (Balochistan), Tharparkar (Sindh), Swat (Khyber Pakhtunkhwa), Skardu (Gilgit Baltistan), Multan (Punjab) and Islamabad Rural (Islamabad Capital Territory).

### **Measuring the causal impact of asset transfers and cash grants**

A study was launched by PPAF and the Punjab Economic Opportunities Program at the Center for Economic Research in Pakistan (CERP) to evaluate PPAF's asset transfer program in four districts of Punjab, using a randomized control trial design. The specific objective of the evaluation is to provide the following;

- Evidence of causal impact of PPAF's asset transfer program on key outcomes for households, including overall wellbeing and productivity.

Outcomes include total income, consumption and self-reported life satisfaction, engagement in the livestock sector, productivity, etc and

- Evidence on the efficacy of cash grants versus in-kind asset transfers. Understanding the advantage of asset transfer program relative to the 'next best policy alternative'

### **Understanding Third Tier Organizations**

The formation of Third Tier Organizations (TTOs) to support and enhance the work of community institutions is a major development and step forward in the work of PPAF with the ultimate goal of making these organizations more independent and sustainable. For this very purpose, PPAF collaborated with Lahore School of Economics to conduct a research study to find out what motivates these organizations and to test the impact of different factors on their performance through a randomized control trial method. The key mechanisms being tested in this study are: systematic self-reporting and monitoring on a scorecard of indicators, and non-financial incentives to be awarded to TTOs within the treatment group that show improvement on a scorecard of indicators.

### **PPAF Management Information System**

The implementation of an integrated Management Information System (MIS), along with multilayered customized functions to fit PPAF requirements, was the foremost priority of the MER Unit during the year. For this, the unit launched the MIS in March and initiated its implementation in June. The training of units was completed and the migration of legacy data began.

### **Pakistan Institute of Development Economics**

In addition to collaborating with LSE, CERP and Telenor, PPAF also signed an MoU with Pakistan Institute of Development Economics (PIDE). This MoU facilitated PIDE research students to visit PPAF's POs and conduct their research studies.

### **World Bank Development Research Group**

The World Bank's Development Research Group (DECRG) and PPAF have been working together to evaluate various interventions designed to increase understanding of ongoing activities by PPAF and implementing partners. During the financial year, the Unit facilitated the last component of the research collaboration, 'Impact Assessment of Social Mobilization and Scaling-up a CDD Program'.

The Unit also initiated the process of conducting an independent mid-line evaluation survey. On the completion of three components of this research partnership, PPAF organized a workshop where the lead researchers shared key

learnings linked to a diversity of program components that PPAF supports, including loan and training, participation in community physical infrastructure, performance-based incentives and community demand-driven development.

## Monitoring

During the year, a new joint outcome monitoring mechanism was created, comprising multi-unit teams, with members from PPAF's MER, F&A and ESM units with a focus on compliance and quality assurance and financial oversight on the outcome level. The MER Unit conducted five joint outcome monitoring visits during the reporting period, observing broad, far reaching differences being made in the lives those living in targeted communities with a number of strategic areas of focus. These include sustainability, integration, inclusiveness and financial transparency at the partner organization and community level. It also seeks to examine how project interventions are contributing to reaching PPAF's overall project objectives, which are in line with the Millennium Development Goals (MDGs). The findings of all five monitoring visits were documented and shared with relevant PPAF staff and partner organizations. MER will continue to lead joint outcome monitoring visits, ensuring that at least six occur every quarter in different locations, covering new partner organizations each time.

As part of PPAF's monitoring framework, monitoring of insecure areas is also being carried out. In order to ensure monitoring of PPAF interventions in areas such as Balochistan, the MER Unit hired five Monitoring Consultants for Balochistan who were responsible for monitoring PO outputs and finances. The Balochistan Monitors conducted a minimum of two visits per month of PPAFs priority districts. During these visits, monitors submitted Back to Office Reports to PPAF.

## Training

The MER unit conducted several monitoring and evaluation trainings for its partner organizations, including three POs in Balochistan.

## Reporting

During the financial year, the MER Unit prepared four quarterly progress reports for both donors and management. IFAD's bi-annual progress reports were prepared and shared internally and RIMs Impact survey on IFAD-Microfinance Innovation and Outreach Programme prepared by Punjab Economic Research Institute was submitted to PPAF by the end of the financial year.



The Environment and Social Management (ESM) Unit is mandated to establish an efficient regulatory and compliance regime in PPAF and its partner organizations vis-à-vis PPAF's Environmental and Social Management Framework (ESMF). Since its inception in 2011, the ESM Unit has undertaken a series of measures and has succeeded in mainstreaming and ensuring compliance oversight of environmental and social safeguards in all PPAF-funded interventions.

To improve upon this evolving process of environmental and social management, the focus of the Unit for the following year will be on community outreach programs. A summary of the achievements of the ESM Unit during the year follow.

### **Dissemination of ESMF**

The ESM Unit adopted a 3-tiered dissemination strategy focusing on capacity building of PPAF staff, partner organizations and communities. To initiate the process, the ESM Unit conducted five hands-on trainings workshops, providing all PPAF professional staff guidance on the use of the ESMF. The workshops included exposure visits as well as hands-on use of ESMF guidelines.

The Unit then trained all 104 PPAF POs in the on-field application of the ESMF in 17 orientation sessions held across Pakistan. These workshops were designed to build PO capacity to manage the impact of their work on the social as well as natural infrastructure of the environment within which they operate. The workshops also entailed a module on field training that addressed the ESM safeguard issues and their mitigation measures. In addition to that, the ESM module has been incorporated by all PPAF operational units in their capacity building workshops.

- Dissemination of ESMF
- Enforcement and Monitoring
- ESM Revision
- ESMF Mainstreaming in PPAF



Specifically, the ESM Unit also organized and conducted 4 dedicated orientation workshops for Livelihood Enhancement and Protection (LEP) POs for the dissemination of the newly formed ESMF safeguards for LEP interventions. These workshops were attended by 100 participants from 32 POs. A Consultative Session on Environmental and Social Safeguards for Microfinance was also held with 11 microfinance partners to deliberate and agree upon a set of safeguards for successful application of these in the microfinance sector.

All PPAF POs have also identified their respective Environment and Social Management Focal Persons responsible for the mainstreaming of Environment and Social Safeguards within their organizations and at the community level. These focal persons have been organized into a nationwide network. The majority of POs have conducted ESMF dissemination sessions with their internal staff, 24 of which have conducted ESM sessions with communities.

Having trained all partners in the application of the ESMF, the ESM Unit is now focusing on ESM mainstreaming in community institutions. The first step in the process has been achieved - translating the

ESMF into Urdu language, and incorporating the ESM module in Community Management Skills Trainings and manuals for Common Interest Groups (CIGs). Future steps include an ESM community outreach program, community roundtables on ESM in partnership with ID and an ESM internship program.

### **Enforcement and Monitoring**

The ESM Unit has an extensive monitoring strategy which includes regular Environmental and Social Audits (ESA) of its interventions based on set criteria. These include spatial audits (based on the ESM priority districts), sectoral audits (based on the PO progress reports) and PO audits (based on financial disbursements to POs). So far, seven spatial, eight sectoral, and six PO ESAs have been conducted in 17 districts of Pakistan. 21 POs were visited during these audits and a total of 265 schemes assessed. In addition to ESAs, the ESM Unit also participates in the monthly Joint Monitoring Visits led by the Monitoring, Evaluation and Reporting Unit. Three such missions were completed during the reporting period.

All PPAF POs working on grants-based interventions began regularly reporting on Safeguards as part of Quarterly

Progress Reports. ESM compliance has also been added to PPAF's Results Based Framework (component 9) and indicators have been incorporated in PPAF's centralized Management Information System.

### **ESM Revision**

The ESM Unit has also completed the revision of the ESMF document to include protocols for missing interventions and to make the overall language of the document and forms more user-friendly and effective. New Forms A for health and education interventions have been included to reflect all types of support being provided by PPAF. Protocols for Livelihood Enhancement and Protection and microfinance interventions have been prepared in consultation with PPAF partners. New chapters to help understand the process and additional annexure to aid the understanding of protocols have also been added.

## **ESMF Mainstreaming in PPAF**

Streamlining the ESMF into PPAF operations has been achieved through the incorporation of an ESMF clause in all Financing Agreements and by creating a seat for the ESM Unit in the Credit Committee. In addition to this, sections on ESM compliance have also been added into the Back-to-Office-Report (BToR) format that is followed by all PPAF staff when visiting a field site. The ESM checklist for all PPAF field visits was also mainstreamed across the organization and is being currently used. ESM protocols are present in all operations units' manuals and processes and are being followed.

In addition, quarterly planning sessions with the PPAF Panel on Environmental and Social Management (PPESM) are held to address any issues with the adequacy of the ESMF against PPAF's program coverage as well as to discuss further ways to improve compliance.

To enhance environmental awareness amongst PPAF staff, the ESM Unit has been involved in the preparation of knowledge products on interlinked environment and development issues, as well as environmental and social challenges. Five such knowledge products have been prepared, providing the ESMU with opportunities to collaborate further with operational units within PPAF in developing a more cohesive plan to address environmental and social management in their operations.

An Environment Module in Urdu with pictorial aids for communities has also been developed in collaboration with the Special Initiatives Unit for inclusion in the training programs designed for recipients of the Waseela-e-Haq grants given by the Government of Pakistan. Innovative ESM quizzes and a green idea competition have been held by the ESM Unit, with active participation of PPAF staff.



For the financial year 2012-13, there have been two main activities impacting the Internal Audit Unit (IAU); the Chief Internal Auditor was appointed and development and adoption of the End-to-End (E2E) approach.

The systematic End to End (E2E) approach encapsulates the entire business process, from selection of a PO to the eventual utilization of funds at the CO level. As part of this approach, audit reports have been made more comprehensive by covering a selected PPAF intervention from the PPAF unit to PO and CO. It was found that the review of POs as individual entities, as was the previous practice, resulted in the reviewer's attention being diverted towards several issues instead of being focused on the specific intervention.

Other significant activities carried out by the Internal Audit Unit during the year include the following:

- Development of Partners Audit Toolkit in line with the E2E approach, covering financial management systems, compliance with agreements and review of financial statements
- Revision of Internal Audit Manual. Revisions have been proposed for consideration and approval of the Board's Audit Committee in its up-coming meeting

- Review of the quality of financial statements of POs. The quality was generally found to be less than desirable. A database of the POs' auditors has been compiled. In addition to training of POs for preparation of financial statements, the IA Unit also intends to reach out to the Securities and Exchange Commission of Pakistan (SECP) and The Institute of Chartered Accountants of Pakistan (ICAP) to address the issues of adequacy of disclosures, keeping in view the role of PPAF as an apex institution in the sector
- To enhance the capacities of the Internal Audit's function at the partner organization level, developing a forum for information sharing and professional development - an exercise of profiling the internal audit units in POs - was initiated
- Two meetings of the Audit Committee were conducted in September 2012 and May 2013. The Committee has been reconstituted after Board elections. The Chief Internal Auditor serves as Secretary to the Committee.

The Committee is thoroughly involved in the issues encountered during audits conducted by the Internal Audit Unit and their guidance is solicited on issues of strategic importance

The Internal Audit Unit has also developed a strategy for monitoring of partner organizations in security sensitive areas, in line with the directives of Audit Committee. In this regard, the aforementioned assignment has been initiated and will be completed in the ensuing period.

The Audit Committee has approved the work plan for FY 2013-14, which includes audit of POs and units of PPAF.

A consultant hired in September 2012 reviewed the scope, structure and activities of the IA Unit. Revisions to the Internal Audit Manual have been proposed, mainly pertaining to sampling and documentation of audits.



## CORE SUPPORT SERVICES





While pragmatically cognizant of the need for prudent and appropriate financial controls and management, PPAF's Finance and Accounts (F&A) Unit plays a multidimensional role. The F&A Unit's roles include securing and managing financial resources efficiently and effectively, guaranteeing financial transparency, accountability and ensuring compliance with corporate and best financial management and governance practices at the PPAF, partner organization and community organization levels.

The F&A Unit also ensures compliance with statutory laws and regulations with respect to agreements signed with the Government of Pakistan and multilateral and bilateral agencies.

The F&A Unit's standard operating procedures manual (SoPM) documents the internal controls framework and accounting policies and procedures, in detail. The financial management system has been set-up to handle extensive reporting requirements in a flexible manner. Since PPAF's existing portfolio consists of multi-donor-funded projects, its Management Information System (MIS) 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 an accurate and reliable reporting framework. Mechanisms exist to make sure that reporting requirements related to all donor-funded projects and regulatory agencies are met, and checklists are used to monitor compliance.

The Unit has implemented an accounting and internal control system which is sound in design and has effectively been implemented and monitored, with ongoing efforts towards further improvement.

- Audits and Assessments
- Reporting to Stakeholders
- Capacity Building Initiatives
- Repayments to GoP
- Quality Assurance
- Corporate Governance

Accounting controls consist of plans, procedures and records to safeguard assets and check the accuracy and reliability of financial data, to promote operational efficiency and to encourage adherence to prescribed managerial policies. The system provides assurance that transactions are executed in accordance with management authorization and that records are kept in a way that ensures the preparation of financial statements in conformity with generally accepted accounting principles.

Effective controls are in place for PPAF as well as for disbursement of funds to POs. A comprehensive fixed assets management policy, devised and implemented by the F&A Unit, covers the entire fixed assets life cycle and includes internal controls over their management.

The F&A Unit use an SQL-based financial application. It comprises integrated modules for general ledgers, fixed assets, and payrolls. The system is regularly updated and has been functioning effectively for the maintenance of comprehensive books of account. Sufficient data is captured to enable all external and internal reporting requirements are met in a timely fashion. In addition, two stand alone modules are in use to monitor loan- and grant-based operations.

These modules produce a number of reports, allowing for analysis and monitoring of the microcredit portfolio and grant interventions. Mark-up schedules of POs are system-generated, ensuring accuracy and completeness.

The Unit has introduced a web-based tracking system in order to facilitate its POs in tracking the status of funds as per their respective financing agreements. This online facility provides prompt feedback to POs on the status of their expenses and disbursements.

### Audits and Assessments

Transparency of financial information for different stakeholders is a prime consideration of the Unit. In order to ensure this, the F&A Unit has put in place accurate and reliable financial and other reporting frameworks and employs effective internal control principles.

#### ***Statutory Audit***

PPAF's annual financial statements are prepared in accordance with international financial reporting standards. The annual audited financial statements along with the Director's Report are forwarded for review by the Audit Committee of the Board of Directors (BoD) and then by the BoD. On the recommendations of the Board of Directors, the General Body accords approval, after which the financial statements are published and circulated to stakeholders and made available on PPAF's website.

PPAF's operations for the year ending on 30 June, 2013 were audited by its external auditors M/s A. F. Ferguson and Company, chartered accountants (a member firm of Pricewaterhouse Coopers), who gave a clean/unqualified opinion. The General Body approved the audited financial statements of the company for the financial year, along with the auditors'

## **Reporting to Stakeholders**

### **Donor Reporting**

Disbursements to PPAF under the World Bank project were on the basis of Interim Un-audited Financial Reports (IUFRs). This report-based disbursement is provided to institutions with effective and strong financial management systems and procedures. In case of IFAD and KfW projects, the disbursements were based on statements of expenses.

All IUFRs and withdrawal applications related to the World Bank, IFAD and KfW projects were submitted within the period permitted by donors. All information and data submitted was in compliance with disclosure requirements and formats. These were reviewed by donors and found to be eligible for reimbursement or replenishment.

and director's reports, within four months of the year's end.

#### **Project Based Audits**

In addition to preparing financial statements in line with statutory requirements, the Unit also prepares separate financial statements for donor-funded projects which are duly audited by its external auditors. Thereafter, these project-specific financial statements are sent for review by the Audit Committee of the Board. On the recommendations of the Committee, the Board of Directors gives approval on these statements. After the approval of the Board, these financial statements are sent to respective donors in compliance with the financing agreements signed with them. During the reporting period, the following project specific statements were prepared, audited and submitted to respective donors:

- Financial statements of the IFAD PRISM project for the year ending 30 June 2013
- Financial statements of the KfW Livelihood and Infrastructure project for six months, ending 31 December 2012 and June 30, 2013, respectively
- Financial statements of the KfW Hydropower and Renewable Energy project for six months, ending 30 June 2013

The external auditors of PPAF (M/s A. F. Ferguson and Company, chartered accountants) issued unqualified/clean opinions to all above statements.

## **Assessments**

#### **Donor Assessments**

Donor supervision missions visit PPAF twice a year. The missions review in detail the financial

management system of PPAF, including audited accounts, accounting policies and procedures, internal control, planning and budgetary processes, procedures for funding and disbursement, payment to POs, other bank payments, disbursements and monitoring of POs, and fund flows. On the basis of this review, reports are prepared in which detailed findings and recommendations are given.

The World Bank conducted two supervision missions during 2012-13. The missions reviewed overall financial processes and controls of the F&A Unit and rated financial management arrangements as 'Satisfactory.' The Supervision mission conducted by the KfW team reviewed financial controls for the PRISM project during 2012-13. The mission rated the overall financial management as 'Satisfactory.'

The Supervision mission conducted by the IFAD team from October – November 2012 reviewed financial controls for the PRISM project. The mission rated the overall financial management as 'Highly Satisfactory.'

#### **Auditor General**

The office of the Auditor General (AG) conducted a performance audit of PPAF, covering the period of 2011-12. During the review, the F&A Unit facilitated the AG audit team. The AG office has given a 'satisfactory' rating on the overall business of the Company.

#### **Management of Funds**

All project funds are governed by their respective Financing Agreements. Disbursements are

made only for eligible categories of expenses. The management of PPAF's own funds is governed by the BoD-approved Treasury Management Strategy, which has the following objectives;

#### **Maintain liquidity**

The portfolio will be managed to provide timely funding for the company's operational and lending needs. Short and long-term cash forecasts will be done on a regular basis and investment duration will be matched against expected cash flow requirements.

#### **Security of capital**

Protection of principal will be given high priority by limiting the company's investments to high credit rated securities.

#### **Obtain competitive rate of return**

The prime consideration is the security of capital/funds and then on maximization of return.

#### **Support to Microfinance Sector**

Provide financial support to the microfinance sector by placing funds in fixed income securities and other instruments (commercial papers or term finance certificates) of microfinance banks where the risk levels are deemed justifiable.

As per this policy, the investment/disinvestment of funds is

approved by a Treasury Management Committee comprising of Chief Executive Officer, Group Head (Financial Services), and Group Head (Financial Management and Corporate Affairs). The Treasury Manager acts as secretary of the Committee. The Treasury reports are prepared on a quarterly basis and shared with the Risk Oversight Committee of the Board. Further, an MS Access database was created for ensuring that the guidelines and eligibility criteria defined in the strategy are adhered to. This included interest calculations, credit ratings and all other information required for reporting, planning and monitoring.

## Capacity Building Initiatives

PPAF places emphasis having sound and effective financial management and internal control systems at the PPAF, PO and Community Institution (CI) level. In order to inculcate PPAF's core values of (i) transparency, (ii) accountability (iii) good governance and (iv) financial inclusion, it is imperative for effective financial management procedures and internal control mechanisms to be developed and adopted at all levels.

The F&A Unit has a comprehensive training strategy which encompasses three broad areas of trainings: PPAF staff trainings, trainings at the PO level and trainings at the CO level.

### a. PPAF Staff Training

#### *Financial Training for Non-Finance Executives*

This training has been specially designed to orient non-finance executives of PPAF with the basic

financial management concepts and best practices for effective internal control systems. During the year, two trainings were organized which were attended by 44 participants.

#### *Continued Professional Development Program (CPD) for F&A Staff*

An ongoing capacity building program was designed for F&A staff to keep them updated on new developments in the field of finance, e.g. financial statement analysis, IFRS, risk management etc. All F&U Unit staff was provided this orientation during FY 2012-13.

### b. Trainings at the PO Level

#### *The development of Financial Management and Internal Control System*

The objective of this training is to equip PO staff with knowledge on PPAF policies, recommended documentation and international best practice and to inculcate good governance and financial management at PO and CI levels. One training workshop was conducted during the year, in which 20 participants of 10 POs were in attendance.

#### *Preparation of Financial Statements and SOEs*

The objective of this training is to ensure improvements in the quality of a PO's financial statements and understanding of relevant International Financial Reporting Standards (IFRS), and to share SOE formats and related issues. One training workshop was conducted during the year, in which 10 POs participated and 59 individuals were trained. Over one third of participants were female.

## Repayments to GoP

The bulk of program funding is provided to PPAF as part of a tripartite arrangements between the GoP, donors and PPAF. The agreement between the GoP and donors stipulates the program requirements as well as terms and conditions of financing for the GoP. The terms and conditions of financing (loan and grant portion of funding) for PPAF is governed by a Subsidiary Financing Agreement (executed between PPAF and GoP). PPAF is up-to-date with its repayment obligations (principal and service/ commitment charges) to the GoP.

### *Trainings at the Community Institution (CI) Level*

The main purpose of CI level trainings is to build capacity of First/Second/Third Tier Organizations (COs/VOs/LSOs) in the following areas;

- (i) Registration, audit, PPAF policies and procedures.
- (ii) Record-keeping and fund management by CIs members.
- (iii) Inculcation of PPAF core values.
- (iv) Village development plan preparation.

To help develop a sense of ownership and social responsibility, COs are responsible for their own recordkeeping and funds management and to encourage self-reliance within the COs, two new methods of recordkeeping

were developed. For literate COs, a comprehensive register for documentation of records was developed and for COs in which the majority of members are illiterate, pictorial record-keeping formats were developed.

In collaboration with the Institutional Development Unit, the Unit shifted its focus to develop the capacities of second tier organizations (Village Organizations) to develop Village Development Plans (VDPs), for which a comprehensive manual was prepared. All future funding of Institutional Development is now based on the basis of effective VDPs.

Four training workshops were also conducted on good governance and best practices at third tier organization (TTO) level. Female participation in these workshops was more than 40%. Feedback of the participants and impact of trainings workshops especially with respect to registration of CIs was positive. A total of 62 third tier level organizations (161 participants) were trained.

### **Approach**

A two pronged approach has been adopted to train Community Institutions (CIs) on basic Financial Management and Internal Controls;

**Direct Approach:** PPAF dedicated staff will train the CIs i.e., LSO/VO/CO members.

**Indirect Approach:** Master Trainers will be trained and used as a medium to train CI members.

### **Monitoring Strategy**

Financial monitoring is provides partner organizations with a mechanism of early warning in

relation to the level of internal controls and respective policies and procedures that define the organizational culture and helps them to have an oversight on the cost of operations/ overheads. It also helps POs gather regular feedback, guidance and mentoring opportunities to improve their systems and controls by implementing financial monitoring recommendations.

The F&A Unit's focus in terms of financial monitoring is to assess the controls that have been put in place in order to manage relevant risks. The F&A Unit carries out two types of financial monitoring of its POs: appraisals/ regular program monitoring; and joint outcome / output monitoring.

#### **a. Appraisal and Regular Program Monitoring Visits**

Whenever an organization seeks funding under any PPAF project, the F&A Unit visits the partner and appraises its financial systems and capacity. The Unit also regularly monitors the programs already being financed by PPAF.

With both, monitoring teams focus on the governance style adopted, budgeting, financial stability, asset management, procurement and accounting of the organization. During the financial year 2012 – 2013 F&A Unit conducted 17 monitoring visits.

#### **b. Joint outcome/output monitoring visits**

In addition to routine appraisal & monitoring visits, the F&A Unit also participates in output monitoring carried out by operational units as well as outcome monitoring visits conducted by the Monitoring

### **Quality Assurance**

To ensure the quality of the Financial Literacy Program, the F&A Unit: ensures maintenance of a complete data base of training events; conducts refresher courses for Master Trainers; ensures spontaneous visits by PPAF staff to check quality of trainings given by Master Trainers; follows up on CIs trained; and requires reports be submitted by Master Trainers on a regular basis.

Evaluation & Research Unit. During these joint monitoring visits, the F&A Unit's focus is on:

- Review of financial management arrangements
- Validation of linkage between PPAF's Financial resources with PPAF reported outcomes
- Evaluation of internal controls
- Review of governance system
- Efficiency of fund flow mechanism

During the financial year, the F&A Unit conducted two joint monitoring visits in collaboration with the MER Unit.

Monitoring falls under two types;

**Desk monitoring** serves as a first-line monitoring mechanism, in which POs are monitored through their statements of funds movement; statements of financial & physical progress; sustainability analysis, PAR analysis, and GAP analysis.

**Field monitoring** compliments the findings of desk monitoring. The finance teams visits the field and physically recognize the progress of POs.

### Affiliation

The F&A Unit, while recognizing its multilateral, role has developed affiliations with national as well as international institutions to adopt best practices of leading organization. In this regard, the F&A Unit has developed long term relationships with the following organizations;

#### International affiliations

**Global Reporting Initiative (GRI)**  
GRI's Sustainability Reporting Framework is a reporting system that enables all companies and organizations to measure, understand and communicate relevant information. PPAF joined GRI in 2011 and published its 1st sustainability report in 2011. The sustainability report covers PPAF's performance in the areas of corporate sustainability.

#### UN Global Compact

In addition to becoming a member of GRI, PPAF also joined the United Nations Global Compact (UNG), complying with international standards for progress on social and environmental responsibility.

### Corporate Governance

Group Head of Financial Management and Corporate Affairs, who also acts as the company secretary, is responsible for ensuring compliance with the requirements of the code. In addition, all statutory reporting to the SECP was made 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 of its activities, systems, and procedures, while being dedicated to continually building on its strengths.

The Unit strives for further innovations to strengthen its financial management and procedural efficiency in the next financial year. Thus far, it has achieved its results, owing to a well-coordinated operational structure and clearly defined spheres of responsibility which are equitably distributed amongst qualified and dedicated staff.

The Unit constantly strives to encourage and facilitate all processes and procedures aimed at strengthening the highest level of accountability within the organization. In conducting its business, the F&A Unit maintains the highest standards of financial management while strictly following Standard Operating Procedures (SOPs) laid out in PPAF's operational manual.

The UN Global Compact allows companies to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption and takes actions in support of UN goals, including the MDGs.

#### International Corporate

Governance Network (ICGN)  
PPAF joined ICGN in 2012-13 in order to become part of the team that aims to assert the effective standards of corporate governance to promote efficient markets and economies around the world.

#### National affiliation

##### Pakistan Institute of Corporate Governance (PICG)

Companies who have served as corporate governance stakeholders are members of

PICG. PPAF has acquired the membership of Pakistan Institute of Corporate Governance (PICG). PICG has mentioned PPAF as one of the distinguished organizations that have become a member.



The information technology revolution has assigned unparalleled importance to communication and media in today's world. Never before has communication and media had such a significant impact on the lives and behaviors of people. Accordingly, using effective communication channels and building strong media relations is crucial to the success of any organization.

### **Responsibilities**

One of the core objectives of PPAF's Communications & Media (C&M) Unit is to keep all stakeholders, particularly grassroots communities, up-to-date with PPAF's work, using people-centric approaches. Through its varied set of activities, the Unit has been successful in mainstreaming poor communities by spreading the experience of PPAF to a large audience. At the same time, it has established itself as a critical support component crucial to the future growth of PPAF.

Image building for PPAF is an important aspect of the C&M's work. In pursuit of this objective, the Unit seeks to develop strong linkages with mainstream national and international print and electronic media, leveraging their mass outreach to effectively make the public aware of PPAF and its work.

The Unit also plays its part in providing technical support and expertise to both partner organizations and participating communities in relevant fields. Simultaneously, the Unit seeks to effectively compliment the work of other Units within PPAF by providing media coverage and preparing support materials for workshops, seminars and ceremonies. It works to build effective communication channels for raising awareness and behavioral change rather than solely focusing on public relations exercises.

- Responsibilities
- Activities

Sensitive to the importance of PPAF's work, the Communications and Media Unit carefully selects media formats best suited to deliver messages. From contributions via electronic media to regular write-ups appearing in newspapers with mass readership, the Unit continuously keeps the nation abreast of PPAF's efforts to alleviate poverty, disempowerment and deprivation in the country.

PPAF communities share a space wider than the combined coverage of mainstream television networks and newspapers. For a large number of PPAF communities who reside in far-flung areas divorced from the national mainstream, the radio represents one of the only links with the outside world. To reach those PPAF communities, along with similar non-PPAF communities, the Unit uses radio in communicating its messages.

The Communications and Media Unit has a responsibility of using transmission channels and tools to store and deliver information/data about PPAF's interventions/activities aimed not only at strengthening the marginalized and poor communities but also at transforming their lives across the country. It is actively pursuing its role by helping

partner organizations improve their communications operations through a host of activities and by making efforts toward influencing pro-poor policy and legislation.

The Communications and Media Unit critically supports PPAF in raising awareness on multiple forums. It provides structured solutions for effective public relations with an eye on nurturing committed support behind PPAF's mission by organizing concerted media campaigns, producing documentaries and publishing important source materials on PPAF and its activities for a large and diverse audience, e.g. development practitioners, academia, partner organizations, donors, participating communities as well as the larger population.

By striving to build critical linkages across print and electronic media, the Communications and Media Unit seeks to educate and inform the masses regarding PPAF's poverty alleviation interventions. This strategy has been effective in developing a critical mass of understanding and appreciation amongst a mix of governmental and non-governmental stakeholders.

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.

## Activities

During the year, the Communications and Media Unit arranged four quarterly visits for journalists from mainstream print and electronic media to PPAF communities. These journalists resultantly wrote 16 feature articles in mainstream newspapers and aired six exclusive news packages on the positive impact being made by PPAF and its partners. Exposure visits also serve as an opportunity to test PPAF's performance. Journalists' independent reports from the field serve as a type of third party evaluation.

In pursuit of its objectives, the Unit's wide ranging use of media access also includes radio programs on PPAF-supported community interventions. The Communications and Media Unit produced a series of popular radio program - *Roshan Rahein* - on women's inclusion,

which was broadcast through national hook-ups of Radio Pakistan. A public service messages campaign about prevention against measles was also produced and aired during the reporting period. These radio programs generated a great deal 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.

This program regularly broadcasts PPAF's experience in participatory development through transmitting stories on organization's multi-sectoral interventions in all areas of Pakistan. Additionally, this program has routinely relayed useful information on ways in which the general public and aspiring organizations can access PPAF and its network of partner organizations. It has also played an important role in educating people on how best to organize themselves for the common good of their communities and begin to participate in the process of development.

Changing attitudes constitutes a critical component in inclusive development and is vital for paving the way towards a more egalitarian social structure at the grassroots level. The Unit, using interactive theatre as a communication tool, has sought to address particular social and developmental issues on a regular basis, while effectively educating conservative communities on their basic rights and responsibilities. The Communications & Media

Unit, during the reporting period, organized the first-ever Annual Retreat for Team PPAF with the purpose of team building and lesson learning . Over 240 staff members from all units participated in the Annual Retreat, which was highly participative and provided an opportunity for staff members to voice their views and to listen to those of others.

The C&M Unit also produced three video documentaries on corporate philanthropy - Jewels in the Junk - and on women entrepreneurship - Driving Dreams and Surriya's Story, An Envious Tale of Success. The Unit continues to play its part in providing technical support to partner organizations, building their capacities in areas relevant to the Unit's scope of activities. During the current financial year, the Unit continued to assist POs in building effective communication channels for raising awareness and changing behaviors.

During the year, the Communications and Media Unit produced four issues of quarterly newsletter Restoring Hope, which keeps all stakeholders informed of PPAF's growth, programs and future activities. The Unit continued to produce e-sharing – an internal electronic newsletter – on a fortnightly basis, which has helped in keeping Team PPAF aware of important happenings taking place within the organization.

The Unit organized the second *Amtul Raqeeb* Award on the occasion of International Women's Day, dedicating it to five lady teachers, a medical

technician and a lady health visitor, who were gunned down by unidentified assailants in a PPAF supported area near Swabi Interchange on January 1, 2013.

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

As PPAF's publishing arm, the Unit regularly publishes annual reports, research reports, success stories, case studies, brochures, manuals, flyers and fact-sheets, in addition to preparing support materials for seminars, workshops and ceremonies. Revamping and regular up-dating of the PPAF website is also one of the core activities of Communications & Media Unit.



The purpose of Corporate Relations Management (CRM) Unit is to mobilize the national and international corporate sectors in implementing Corporate Social Responsibility and Corporate Philanthropy initiatives. In this regard, the CRM Unit has established contacts with several corporate sector organizations in Pakistan and has been developing relationships with international private trusts and foundations.

The purpose of forming linkages with local and international corporate entities is two-fold; one is to diversify PPAF's funding resources and the second is to build synergies to better serve the most marginalized communities. PPAF, as a sector developer, is taking the lead in the achievement of poverty alleviation goals involving efforts by local, multinational and international corporate, media, academia, nonprofit organizations and institutions of the poor.

The Unit's vision is 'To comprehensively co-opt the private and corporate sector (local and international) in the process of poverty reduction and grassroots development.' For proper working while executing its operations effectively and efficiently, the Unit is divided into two main components; fundraising and resource mobilization, and project implementation and liaison. During the year, the CRM Unit supported a number of projects with corporate partners benefitting poor communities across Pakistan. The Unit is in the process of finding new partners to scale up its projects and replicate success around the country.

- Corporate Partnerships

## **Corporate Partnerships**

During the reporting period, PPAF under-took various projects designed to benefit the Poor in different areas of the country by mobilizing national and international corporate bodies to implement Corporate Social Responsibility and Corporate Philanthropy initiatives.

### ***PPAF & Engro Foundation (PKR 350 million Partnership)***

PPAF and Engro Foundation (EF) signed an MoU on 11 December 2009, forming an alliance to complement each other's activities and jointly fund interventions in the areas of basic infrastructure, education, health and social sector services in Districts Ghotki and Sukkur. The MoU is open-ended in its time frame and it is a 55/45 partnership with PPAF contributing 45%. PPAF and EF collaborated to contribute towards the cost of planning, design and implementation of the following interventions;

- i. Community Physical Infrastructure projects, including safe drinking water supply, sanitation, open drains, latrines, street lights, street pavements, small bridges/culverts, etc.
- ii. Social Sector Services, including health, education, and related activities.
- iii. Other activities, such as livelihoods, environment, research/feasibility studies and any other activity jointly agreed upon by both parties.

### ***PPAF & Engro Foundation (PRK 500 million Partnership)***

PPAF and EF entered into partnership for the second time, signing another MoU on 24 July

2012. The objective of this partnership was to jointly work in selected areas of the country in the field of disaster preparedness, relief, reconstruction and rehabilitation.

The duration of this MoU is 3 years, which is extendable with agreement of the two parties. It is a 50/50 partnership and apportionment of funds among various disaster components will be as follows:

- a. Preparedness (20%)
- b. Relief and Recovery (40%)
- c. Reconstruction and Rehabilitation (40%)

Project activities will be carried out in mutually agreed flood prone/affected districts in the country, in light of respective mandates and operational frameworks.

Proposed initiatives include the following;

- i. Preparedness: stockpiling, training and capacity building.
- ii. Relief and recovery services: provision of food, hygiene kits, fresh water, sanitation clothing, kitchen sets, temporary shelters, long lasting insecticides mosquito nets, agriculture restoration activities, seeds, fertilizers, permissible pesticides, vocational training, economic restoration activities, livestock rehabilitation, livestock restocking and micro-finance compensation/grant money for write-off.
- iii. Reconstruction and rehabilitation: dewatering of inundated areas(dewatering pumps), housing repair/retrofitting and reconstruction, repair and

retrofitting of village-level infrastructure, community physical infrastructure, water resources and renewable energy facilities and water supply and sanitation.

### ***PPAF and Shell Pakistan***

Goth Noor Muhammad (GNM) is located approximately 25km from Karachi, near a solid waste dump in which 25% of the city's trash goes. GNM was an 'ultra-poor' settlement with most of its 800 residents living well below the povertyline. With no access to potable water and other basic amenities, residents live in unhygienic conditions and eke out their living sifting through garbage to collect pieces of glass and scrap metal which can be sold in markets or recycled. The settlement was without infrastructure of any kind, a school, healthcare and sanitation facilities. In 2010, PPAF and Shell Pakistan embarked upon a joint project to turn the area into a model village.

This village now has infrastructure systems for the first time, including drainage systems, street pavement, housing units, communal latrines, a community kitchen, water storage facilities, a community center, health and education facilities. More than 85 per cent of drainage and street pavements are complete while work on housing units, a

communal kitchen, latrines and a water storage tank are near completion. PPAF and Shell Pakistan have also facilitated over 500 villagers to apply for and obtain their National Identity Cards through NADRA.

#### ***PPAF and Pakistan Petroleum Limited***

PPAF and Pakistan Petroleum Limited (PPL) signed an MoU on 22 March 2012, agreeing to collaborate and contribute to the cost of planning, designing and implementation of the following interventions in flood

affected UCs of District Kashmore, Sindh;

- Safe drinking water supply
- Construction of drainage and sanitation
- Construction of dykes
- Construction of small bunds and small culverts
- Rehabilitation of watercourses and farm to market link roads etc.

This project was jointly funded, with PPAF's share at 30% (PKR 21.43m) and PPL's, 70% (PKR 50.00m). These funds are currently being utilized to undertake rehabilitation activities

in the flood-affected UCs of Malhir, Haibat and Gubloo. Managing corporate partnerships, the CRM Unit participated in a two-day training and a round table, organized by The Centre for Sustainability and Excellence (CSE), in Dubai. The Centre for Sustainability and Excellence is a global Sustainability strategic advisory and training organization working in more than 20 countries with private and public sector clients for the integration of sustainability (CSR) within their operations.

**The table provides numerical details of the aforementioned corporate partnerships**

	Corporate	Funding (in PKR)	Time Frame	Geographical Coverage	Sectoral Focus
1.	Engro Foundation	350 mil	Dec 11, 2009 (4 yrs) Jul 30, 2010 (open)	Ghotki (Sindh)	Construction of Schemes under progress
2.	Engro Foundation	500 mil	Jul 24, 2012 (3 yrs)	Nation-wide	Disaster Preparedness
3.	Shell Pakistan	12 mil (Shell), 8 mil (CPI), 4.1 mil (EHN), 16.23 mil (Housing)	Apr 21, 2010 (3 yrs)	Goth Noor Mohammad (Sindh)	Construction of houses under progress
4.	Pakistan Petroleum Limited	71.43 mil	Apr 01, 2012 (2 yrs)	Kashmore (Sindh)	Construction of CPI Schemes under progress

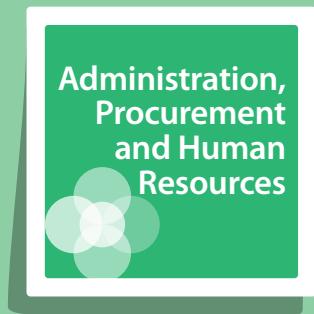


The Information Technology (IT) Unit enables functions to drive PPAF's core business. Confidentiality, integrity and availability of information system is the core objective of the Unit.

The Unit's involvement in each of these areas has allowed a greater level of integration and efficiency in critical business services.

The Unit has been handling the organization's networking infrastructure, built on state-of-the-art hardware and software. The IT Unit facilitates PPAF's e-mail system, the primary means of communication with internal and external stakeholders. It also hosts PPAF's website, which it keeps regularly updated. PPAF employees are facilitated with internet facility, Voice over Internet Protocol (VOIP) communication and centralized data storage through the IT Unit.

Firewalls are used to keep the organization's information systems secure, less vulnerable and free from intrusion. The IT Unit is using latest virtualization technology techniques for optimized utilization of available resources. It also plans to setup a Disaster Recovery site in Lahore which will be available in case of failure of the primary site in Islamabad.



## Administration Unit

The Administration Unit's purpose is to facilitate PPAF staff in matters of logistical support and related activities, which includes office maintenance in respect of space allocation for staff, office upkeep, event management, etc. Maintenance of official cars and record keeping of travel details, visa arrangements, and smooth management of the office cafeteria are amongst the major duties of the administration unit. During the year, the Unit arranged 747 flights, 811 domestic trips by road, and 30 international trips. Apart from numerous in-house meetings/ workshops/ trainings, the unit has arranged 67 meetings/ workshops/trainings outside of PPAF during the year.

A few of the larger events which the Unit handled boarding, lodging and logistical arrangements include the following;

- Women Day event
- PPAF's first annual retreat on PPAF premises
- Roundtable of TTOs of FATA and KPK

## Procurement Unit

The Procurement Unit is operative delivery arm for acquisition of services and goods in timely, efficacious and cost-effective ways to fulfill project objectives in accordance with The World Bank Guidelines. As a service center for its internal and external clients, PPAF's Procurement Unit engages in securing individual and consultant firms to help deliver outputs to contribute to meeting project objectives. During the year, the Unit issued 50 individual and 13 consultant firm consultancies, ranging in scope from baseline and impact assessment surveys to capacity building training of POs and environment and social monitoring studies. The Procurement Unit conducted capacity building trainings for 74 partner organizations during the year through a third party consultant, out of which 148 Master Trainers were trained.

To ensure transparency and draw on a rechargeable multidisciplinary human resource database for individual consultancies, the Unit fully introduced the services of a Job Portal, resulting in enhanced efficiency and reduced paperwork, thus promoting green practices. The Procurement Unit has conducted trainings on the preparation of Terms of Reference (TORs) on standardized format. For its external clients - 126 partner organizations - it assisted with trainings on procurement policies & procedures, documentation, and approved actions for the implementation of a procurement plan. The Procurement Unit now actively undertakes POs visits to monitor compliance of prescribed rules and processes.

In addition to the work already mentioned, the Unit supports the organization and donor agencies partnering with PPAF in procuring a range of goods, e.g. vehicles, IT office equipment and furniture. The first-ever international consultancy contract - 'Restructuring of Apex and Impact on Local Microfinance Market' - was completed, procured through Quality-and Cost-Based Selection (QCBS). The Procurement Unit also coordinated the first ever World Bank Independent Procurement Review (IPR) conducted by Ernst & Young Ford Rhodes Sidat Hyder (EY) for the Third Pakistan Poverty Alleviation Fund (PPAF-III).

## Human Resources Unit

PPAF's Human Resources (HR) Unit is constantly looking for opportunities to nurture and celebrate the work and talents of its employees in such away so that they can contribute towards their individual growth and improve performance in their current or future roles.

During the reporting period, the Training and Development Policy for PPAF's employees was revised and implemented towards the end of the reporting period, 2013. A Training Need Assessment for FY 2013 was also carried out, which was used to develop a training calendar for the organization.

A new Training Requisition Form was introduced to enable HR to align the needs of its employee with their KPI's and to provide a pre-training assessment of the employees by highlighting the rating of employees' existing skills and competencies in relevant areas.

The learning of trainings is also now being evaluated through a post-training assessment to measure the evident improvements or changes in a trainee's performance. Monthly training reports are prepared and shared with the CEO. Moreover; Post training sessions are arranged to share the learnings of trainees.

The Human Resource Unit is striving hard to promote the values that are vital for PPAF's organizational culture and to bring improvement in the work environment by delivering extensive programs on behavioral training. For this purpose a mandatory series of five events, encompassing behavioral change and conflict management, titled "I am the Change," was organized. A total of 148 professional staff members were trained.

Moreover, various training programs for support staff were designed and delivered, which include the following; Defensive & Evasive Driver's Training, Basic Etiquette, Hygiene & Grooming and Basic English Language Courses to facilitate support staff and drivers in their daily operations. A total of 56 staff members received training and attended staff development events (both national and foreign) from various reputable training institutions.

PPAF ensures trust and integrity in all of its internal and external operations. There is a commitment to fair and consistent recruitment and selection processes which are complemented by a number of job portals and databases of university graduates. Moreover, telephonic screening of candidates and assessment centers for shortlisted

candidates have been introduced to ensure open, transparent and merit-based selection. The attrition rate for FY 2012-2013 was 5.03% and only 6 additional professional staff members were taken on board (including 5 females and a male).

The concept of performance-based bonuses as opposed to incremental increases in existing salaries was introduced within the reporting period. Mid-Year Performance Reviews are also now being conducted to track the periodic improvement in the performance of "Average" and "Below Average" staff members. A structured Annual Performance Review format has also been introduced for support staff.

A Bullying & Harassment Policy was rolled-out, for which sessions were conducted to enable PPAF employees to understand the importance and requirements of maintaining a respectful workplace.

PPAF is currently representing 31% women and 69 % men in its professional staff body. Various steps have also been taken towards 'Employees Recognition & Engagement,' such as Long Service Rewards, the Ishq Award for Best Immersion Report, monthly employee birthday celebrations, greeting and farewell cards from the CEO to PPAF staff.

## FACTS & FIGURES

Directors' Report

Financial Highlights

Financial Statements

# Directors' Report

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the thirteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2013.

The persistent embittering socio-economic conditions over the past years quivered the economy of the country consequently reducing the resilience of the development sector to confront poverty. The majority of the underprivileged population of the country is living in slum areas struggling on less than 1\$ a day. The prime contributing factors of this tenacious decline are environmental degradation, food insecurity, depletion of natural resources, disparities in health, education and drinking water facilities and rising inequalities. Despite the difficulties confronted in poverty reduction activities, PPAF continued to play a leading role in economic and development progression by providing quality income generating products and allied services to improve people's lives in the country. PPAF is delivering services to the vulnerable meritoriously and proficiently across multiple sectors focusing on microcredit, infrastructure, health, education, livelihood and institutional development. In addition, it also designs and implements effective strategies in a variety of socio-economic contexts, disaster situations and natural calamities.

During the year, PPAF achieved significant results in overcoming poverty and spawning better prospects for sustainable development. PPAF continued its

endeavor towards a more result oriented apex institution driven by inspiration and dedication to ensure enhanced alignment with unrelenting and inclusive growth in the development sector. To help meet the country's ongoing and emerging development challenges, PPAF successfully implemented its operational and financial targets addressing various development issues. The main focus remained on three primary strategic approaches: inclusion, sustainable growth and regional integration. PPAF has paid special attention on accomplishing and contributing in realization of the Millennium Development Goals (MDGs) with a particular focus on marginalized communities, especially women.

PPAF emphasizes its commitment towards its main objective of alleviating poverty through continued focus on its rigorous and sustainable efforts for the disadvantaged. PPAF has succeeded in marking its presence in almost every district of the country. This outreach is accomplished by deploying a diverse range of products and services like social mobilization, institutional development and individual empowerment essential for overarching impact in poverty reduction. The emphasis remained on delivering customized solutions tailored to address specific constraints of poor households and communities and at the same time, be culturally sensitive and contextually relevant. PPAF's multifaceted role as a vanguard institution has paid special attention in rendering development resources to the poor through cost effective and efficient delivery mechanisms. This approach has safeguarded the trust

and confidence of all stakeholders, including the Government of Pakistan, international bilateral and multilateral donor agencies, private and corporate sector institutions, partner organizations along with the deprived communities.

## Program Review

PPAF continued to maintain a resilient financial position over the past year. PPAF's operations demonstrated impressive performance which was manifest from the strong asset base, improved equity and sustained returns. Total disbursements during the year were Rs 17,668 million as compared to Rs 19,985 million during FY 2011-12, a reduction of 17%. Loan disbursements (microcredit and enterprise development facilities) dipped down to Rs 11,589 million as compared to Rs 13,549 million in FY 2011-12 indicating a decrease of 14%. The steep reduction in KIBOR rate made PPAF lending rates non compatible with the market. The rates were adjusted after getting the necessary approvals of the Board. This affected credit disbursements during the interim period. Disbursements for grants based interventions (water and infrastructure; health and education; capacity building/social mobilization; livelihood enhancement and protection) were Rs. 6,079 million as against Rs. 6,436 million last year, a reduction of 6% which is systematic yearly variation [fig. 1].

During the period under review, PPAF financed over 888,000 microcredit loans; 1,229 water and infrastructure projects were completed; 1,377 health and education projects were supported; 35,261 community

organizations were formed/ revitalized, 127,506 staff and community members were trained; 24,500 assets were transferred to poor households and 2,346 persons with disabilities rehabilitated.

Cumulative disbursements since inception to June 30, 2013, stood at Rs 129,983 million out of which credit and enterprise development was 61% followed by relief, rehabilitation and reconstruction activities (17%); human and institutional development (including social mobilization)/ livelihood enhancement and protection (10%); community physical infrastructure (9%) and health & education (3%) [fig. 2].

The resource allocation strategy of PPAF focuses on regions that have historically lagged behind in socioeconomic development and are particularly underserved. PPAF played a significant role with respect to providing provincial coverage to combat poverty. As of June 30, 2013, 53% of the funds were allocated in Punjab, 18% in Sindh, 16% in Khyber Pakhtunkhwa (KPK), 4% in Balochistan; 7% in Azad Jammu and Kashmir (AJK); 1% each in Gilgit Baltistan (GB) and Islamabad Capital Territory (ICT) [Fig 3].

Microcredit a major component of income generating activities caters to the needs of the poor people who are already engaged in a business or have a skill to earn a living but are unable to access financial institutions due to lack of collaterals or requiring small amounts as loans.

The better off areas in Priority Index rating fall in the provinces of Punjab and Sindh, rich in fertile lands and rivers creating opportunities for the rural people to make them self-employed through agricultural and nonagricultural business.

Accordingly, microcredit funding during the year concentrated primarily in Punjab with 72% of the total share followed by Sindh 21%, KPK 6% and GB 1%. The yearly and cumulative pattern is almost consistent [Fig 4].

Fig 1: Disbursements

Description	Rs Million		Variance (%)
	Jun 30 2013	Jun 30 2012	
<b>Disbursements for Operations</b>			
Loans (micro credit & EDF)	11,589	13,549	-14
Grants	6,079	6,436	-6
- Water and infrastructure grant	1,243	1,271	-2
- Education & health grant	758	830	-9
- Social mobilization/ID grant	2,644	2,819	-6
- Livelihood enhancement/Disability	1,434	1,516	-5
Total	17,668	19,985	-17

Fig 2: Share of funds disbursed

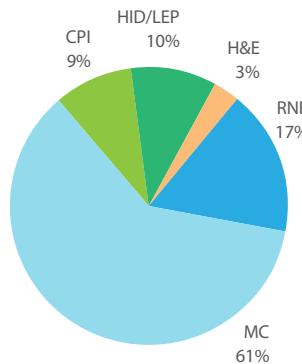


Fig 3: Provincial distribution of funds cumulative since inception to June 30, 2013

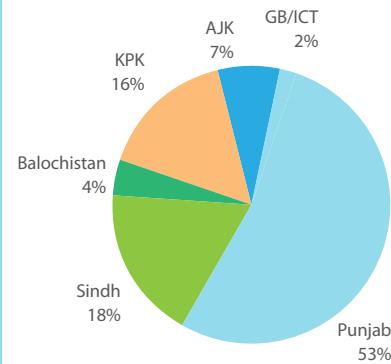


Fig 4: Provincial distribution of Microcredit funds

Description	Microcredit	
	2013 - 13 (%)	Cumulative (%)
Azad Jammu Kashmir	0	1
Balochistan	0	2
Khyber Pakhtunkhwa	6	4
Gilgit Baltistan	1	1
Punjab	72	70
Sindh	21	22
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

The grant based interventions are for the communities which lack in the basic social and infrastructure facilities in the first place. PPAF basic social and infrastructure grants provide help to pro poor communities to uplift and become part of the mainstream. During the year, grant funding was allocated in line with PPAF's strategy which focuses on deprived districts. 36% of the funds were allocated in Punjab, 28% in KPK, 22% in Sindh, 10% in Balochistan, 3% in GB and 1% in AJK. In the aftermath of 2005 earthquake, PPAF was involved in rehabilitation and reconstruction work in KPK and AJK on a massive scale which was reflected in the cumulative allocations. Due to this intervention there was variation in annual and cumulative allocation of funds.

By the end of June 2013, PPAF had expanded its partnership with 127 partner organizations which deployed resources in both urban and rural areas of 121 districts of the country. Aggregately, PPAF enumerated a record spread of 5,900,000 microcredit loans, of which 2,728,000 were to women, completed 28,528 water and infrastructure projects, supported and financed 2,459 health and education facilities, transferred 41,687 assets to poor and trained 758,933 staff and community members nationwide. In provision of addressing the natural crisis within the country, PPAF provided record financing to 122,000 households during the previous years for construction of earthquake resistant homes and to build capacities of over 100,000 individuals in seismic construction and related skills.

## Operational and Financial Highlights

As a non-profit institution, PPAF seeks to maximize profits and earn enough income to ensure its financial strength and sustain its development activities. PPAF's income rose from Rs. 2,794 million in the fiscal year 2012 to Rs. 2,896 million in 2013, increase of 4%. The service charges (profit) on loan to partner organizations increased by 3% due to impact of high rates. Income on investments and saving accounts increased by 12% due to enhanced level of investments and reserves. During the year, grant of Rs 190 million was made available by Government of Pakistan and donor agencies for financing incremental expenses.

Loan (payable by PPAF) was carried at present value computed at market based interest rate. The difference between present value and loan proceed was recorded as deferred benefit which was recognized as income over loan period. Amortized income during the year was Rs 61 million (FY 2011-12: Rs 33m).

The general and administrative expenses relate to the operations of PPAF. During the year Rs 508 million were spent on carrying out the general operations of the Company

Fig 5: Provincial distribution of Grant funds

Description	Microcredit	
	2013 - 13 (%)	Cumulative (%)
Azad Jammu Kashmir	1	18
Balochistan	10	7
Khyber Pakhtunkhwa	28	33
Gilgit Baltistan	3	4
Punjab	36	23
Sindh	22	15
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Fig 6: Total Income (Rs in millions)

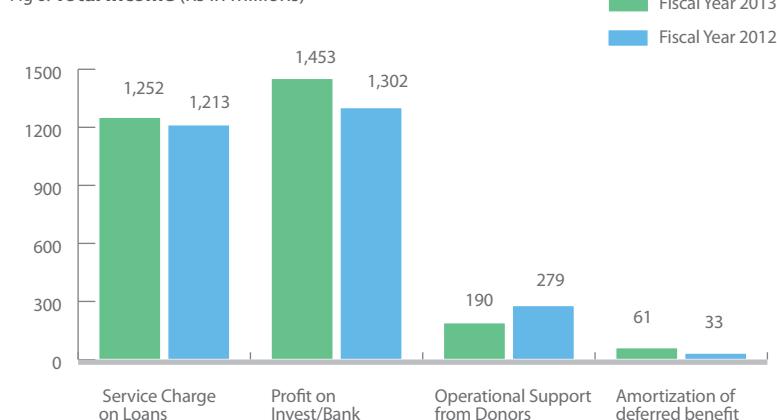


Fig 7: Financial Results are summarized as follows (Rs in million)

Description	Microcredit	
	2013	2012
Service charges on loans to partner organizations	1,252	1,213
Income on investments and saving accounts	1,392	1,269
Amortization of deferred income grant fund	190	278
Amortization of deferred benefit of below market rate of interest on long term loan	61	33
Other income		1
<b>Total income</b>	<b>2,896</b>	<b>2,794</b>
General and administrative expenses	508	435
Seminars, workshops and trainings	38	41
Technical and other studies	103	100
Project and relief activities	108	472
Loan loss provision	33	223
Financial charges	153	148
<b>Total expenditure</b>	<b>944</b>	<b>1,419</b>
<b>Surplus for the Year</b>	<b>1,953</b>	<b>1,375</b>

as against Rs 435 million during the preceding year, an increase of 17%. The main increases were in salaries/benefits, travel and vehicle running/maintenance expenses.

The salaries, wages and other benefits increased due to annual increments to existing employees to provide relief against higher cost of living and recognition of their work performance; as well as hiring of additional staff for managing expansion in core operations and new activities under different projects. Travel expense increased due to extensive appraisal and

monitoring visits in view of high cumulative disbursements and enhanced activities. The increase in running/maintenance expenses were on account of high POL charges.

Seminar, workshops and training expenses of Rs 38 million (FY2011-12: Rs 41m) included Rs 16 million (FY 2011-12: Rs 15m) spent on trainings and Rs 22 million (FY 2011-12 : Rs 26m) incurred on seminar and workshops. An amount of Rs 103 million (FY 2011-12: Rs 100m) was incurred on technical/other studies while Rs 108 million (FY 2011-12:

Rs 472m) was spent on project and relief activities financed from PPAF own resources. The loan loss provision of Rs 33 million (FY 2011-12: Rs 223m) was made against loans and interest receivable which were considered doubtful. The financial charges of Rs 153 million (FY 2011-12: Rs 148 m) included commitment and service charges on long term loan and bank charges. Total expenditure decreased by 33% to Rs 944 million (FY 2011-12: Rs 1,419m). Surplus for the year was Rs 1,953 million as against 1,375 million in FY 2011-12, indicating an increase of 42%.

Financing Agreements signed with the Government of Pakistan (GoP) required repayment of loan amounts along with service and commitments charges from PPAF on the stipulated rates each year. PPAF is current in all its repayments to GoP. During the year, Rs. 467.610 million (FY 2012: Rs. 288.613 m) was repaid on account of principal amount of loan and Rs 98.55 million (FY 2012: Rs 116.094 m) as service/commitment charges to the GoP.

Over the years PPAF strived to attain operational and financial sustainability to provide support to activities vital in alleviating poverty. In this direction, PPAF strengthened its microcredit function through engagement of its reflows coming in the form of repayments from its partner organizations. During the year, out of total credit disbursements of Rs 11,589 million, an amount of Rs 9,763 million (84%) was disbursed from PPAF reflows/own resources.

Considering the increasing need for sustainable grant based operations in the absence of external financing, the Board of

Directors has approved the creation of a reserve for grant operations. The principal amount of the reserve is held in investments and interest earned thereon is used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic purview of PPAF objectives. As at June 30, 2013 the reserve increased by 28% to Rs 4,854 million as against Rs 3,804 million as at June 30, 2012. The interest income on the reserve rose to Rs. 754 million from Rs. 400 million during the year.

Total equity and reserves increased by 22% to Rs 10,858 million as at June 30, 2013 from Rs 8,905 million as at June 30, 2012. Total assets of the Company reached Rs. 31,656 million on June 30, 2013 against Rs 27,091 million as at June 30, 2012, an increase of 17%. Total receivables (loan/service charges) were Rs 13,300 million on June 30, 2013 as against Rs 13,434 million as at June 30, 2012. The debt equity ratio stood at 58:42 (FY 2011-12: 63:37).

### Auditors

The present Auditors M/s A. F. Ferguson and Company, Chartered Accountants, have completed their assignment for the financial year ended June 30, 2013 and shall retire at the conclusion of 17th Annual General Meeting. The Audit Committee considered and recommended their re-appointment for the financial year ending June 30, 2014. The Board also endorsed the recommendations of the Audit Committee.

### Conclusion

At the highest level, PPAF remained fully aligned with the broader national macro-economic and development framework of the

Government of Pakistan, and at the lowest level it addressed the development needs of the union council - the lowest tier of administration in the country - which is PPAF's basic level of intervention. PPAF demonstrated solid competencies and continued to post good results and has shown strong capacities in helping the poor. The multi-sector operations of PPAF fostered improvements in lives of the poor thereby enhancing their social status.

While the interventions continued to target the core strategic priorities the emphasis remained on delivering customized solutions tailored to address specific constraints of households and communities and at the same time, be culturally sensitive and contextually relevant. PPAF's performance in terms of its institutional development remained impressive. The previous track record showed PPAF as an institution striving to facilitate poor through cost effective and efficient delivery and secured trust and confidence of all stakeholders.

### Acknowledgement

The insightful determination, intensive participation and enduring commitment of the Board Members contributed significantly to the success of the Company. I would like to thank the Board members for their corporation, wisdom, support, able guidance and as well as the assistance and co-operation in benefit of the Company at all levels. I am confident that this relationship will go a long way to reap fruitful prosperity of the Company.

The Board also likes to appreciate inimitable guidance of the

Members of the General Body for the betterment of the Company and also look forward to their continuous support. The Board would also like to praise the partner organizations and their communities for their commitment towards the success of the programme.

PPAF has been particularly fortunate to benefit from the extraordinary facilitation, support and autonomy extended to it by the Government of Pakistan. In the same manner, The institution has enjoyed the trust and confidence of our financing partners – the World Bank, International Fund for Agricultural Development, and Government of the Federal Republic of Germany (through KfW). We are grateful for their constructive engagement and proactive support. The Board looks forward to the persistent support of all the stakeholders in order to align the Company activities with its strategic vision. The Company continues to add to the stakeholders' value while being a socially responsible entity, dispensing its corporate roles and responsibilities.

We are proud of all the employees of the Company for their dedication and determination. With unmatched performance, devotion and participative leadership style, they made significant contribution towards the result achieved by the Company during the year.

We realize that the scale we have reached make us a significant factor not only on the development sector of Pakistan, but in the country's economy as well. The broad range of our impact brings a big responsibility as well. Accomplishment is not an end-result for us; it is an everlasting quest, one that will continue to have us reach for new horizons and surpass new milestones.



Hussain Dawood  
Chairman

Islamabad  
September 10, 2013

## **Strategic Framework**

As an apex organization, the role of PPAF is to act as a wholesale intermediary and sector developer, while its partner organizations undertake implementation of projects at the retail level. PPAF's flexible and dynamic strategy strives for enhancing its impact to address the multidimensional issues of poverty with a view to achieving social and economic change. PPAF serves its target community by following an integrated approach through various interventions focused on social mobilization, micro-credit, infrastructure, health, education, livelihood enhancement and skills development.

Our organizational strategy focuses on following thematic areas:

- An emphasis on the MDGs
- Addressing spatial dimensions of poverty
- Addressing growth dimensions of poverty
- Reinforcing the writ of the State
- Inclusive and sustainable development
- Institutions of the poor

This strategic framework allows PPAF to focus its energies on specific target groups which are the poor and extremely poor rural and urban communities across Pakistan. We place special emphasis on social inclusion, especially on gender equity and the empowerment of women. We have identified our strategic drivers of change as being closely linked to the achievement of the following MDGs:

- Goal 1: Eradicate extreme poverty and hunger
- Goal 2: Achieve universal primary education
- Goal 3: Promote gender equality and empower girls and women
- Goal 4: Reduce child mortality
- Goal 5: Improve maternal health
- Goal 7: Ensure environmental sustainability

## **Approach & Implementation Strategy**

PPAF's vision includes particular

core values which are the foundations of the way we work. These include a focus on democratic governance, voice and accountability and social inclusion.

We believe that for our efforts to have a real impact these core values must be shared by our partner organizations, civil society organizations and other community based organizations. PPAF promotes a holistic approach to poverty alleviation, which is aligned closely with Pakistan's commitment to the MDGs. We place emphasis on integrated development programs that generate a broad and deep socio-economic impact at the community level. Our implementation approach thus involves a focus on each of the following areas:

- Integrated, multi-sectoral planning
- Provincial, regional strategies
- Preference for local indigenous partners
- Redefining POs as principals or associates
- Focus on union councils as the unit of PPAF interventions
- Quality of community institutions as the basis for resource allocation
- Ensuring rights-based and participatory development approaches

Based on re-evaluation of organizational strategy PPAF shifted its focus on the high priority districts across the country, using three key parameters: a) the human development index b): the level of food insecurity as measured by the UN and c) Government of Pakistan's own identification of the poorest districts in country. As a result, the attention was immediately drawn on the province of Balochistan along with FATA, which has the highest number of high priority districts.

Our implementation strategy is situated within the socio-political and physical landscape of Pakistan. We have developed integrated, multi-sectoral strategies for each province, and within provinces, to cluster areas together on the basis of physical, environmental, social

and economic mapping. The focus of these strategies is on the following:

- a) Ultra-poor and vulnerable communities move out of acute poverty and have significantly improved human development levels.
- b) Increased access to financial services and strengthened linkages to provincial, national and international markets.
- c) Empowerment of local communities through the strengthening of effective and sustainable institutions for and of the poor which are based on a set of core values.
- d) To promote good governance and peace.
- e) To develop civic infrastructure in the agencies and create a diverse economic base and business environment that builds on local assets, skilled workforce, innovation and value added production.

## **Program Framework**

PPAF programme/operations are clustered in three groups which cater the financial and nonfinancial needs of the poor:

### **Public Goods and Services**

Manage the portfolio of public investments including health, education, small scale water and infrastructure, disaster preparedness and management.

### **Financial Services**

Manage the lending function.

### **Livelihood Employment and Enterprise Development**

Manage livelihood, employment and enterprise development.

## Operations

Institutional Development		
Priority districts, integrated union council plans		
Public Goods	Financial Services	Private Goods
<ul style="list-style-type: none"> <li>- Community Infrastructure</li> <li>- Water and renewable Energy</li> <li>- Health, Education &amp; Nutrition</li> <li>- Disaster Preparedness &amp; Management</li> </ul>	<ul style="list-style-type: none"> <li>- Microfinance Portfolio Management</li> <li>- Microfinance Sector Development</li> </ul>	<ul style="list-style-type: none"> <li>- Livelihood</li> <li>- Employment</li> <li>- Enterprise Development</li> </ul>

### ***Institutional Development/Social Mobilization***

Community mobilization being the core of all interventions lies at the heart of all PPAF development initiatives. PPAF is model-neutral allowing the contextual variation across country and the type of processes its partners adopt for facilitating growth of community institutions. The community organizations provide the poor with an effective platform to voice demands, pool savings, plan investments and manage development projects, enabling them to take those crucial first steps on the long road to empowerment while on the wider economic landscape, provide linkages to extract maximum benefits from donor agencies, political representatives and government functionaries. Institutional development is a broad scale program engaging people's participation in achieving a specific development goal through self-reliant efforts. It takes into account the felt needs of the people, embraces the critical principle of community involvement, and seeks to empower individuals and groups for action.

#### ***Public Goods***

Focuses on the following areas for better service delivery to the targeted ultra-poor and poor communities:

- Addressing the spatial dimension of poverty and

- overcoming the friction of space
- Seek inter sector/broader poverty outcomes
- Catalyzing local intensity of investment through rural growth poles/centers strategic shift from small scale standalone infrastructure schemes to comprehensive union council solutions
- Strategic revamp of health and education to add value
- Promoting and mainstreaming renewable energy interventions
- Emergency response, disaster management and disaster risk reduction

#### ***Financial Services Group***

Facilitates delivery of targeted financial services to the poor, while simultaneously seeking to develop the sector nationally through building institutional capacities and introducing innovative solutions for continued growth. Keeping in with the dynamism of the sector, PPAF has successfully remodeled itself to remain at forefront in the promotion of microcredit sector through facilitating capital access within a carefully strategized institutional framework at the grassroots. To cater the ever growing demand for on-lending purposes, subsidized lending facility has been introduced as a special incentive to improve outreach in the least developed segments of society and districts. PPAF offers attractive terms to commercial sector entities for long term investments in the sector, promotes innovative

models of outreach and delivery of financial services to the poor, builds capacities of promising new partners, and prepares current partners to excel in an increasingly competitive market.

#### ***Private Goods***

Cover several initiatives including:

- Livelihood Enhancement and protection which support poor households through (i) asset provision; (ii) skill training; (iii) basic enterprise training; (iv) formation/ strengthening of community interest groups; and (v) provision of community livelihood fund for expansion and establishment of common facilities.
- Enterprise Development by graduating income generation and microenterprises through (i) PPAF's trade facilitation and enterprise promotion; (ii) assisting POs for value chain assessments and analysis for selected sectors and sub-sectors and finalization of economic development plans for village, union council and district (iii) designing and promoting business franchises/social enterprises.
- Employment Enhancement including support to women, youth, persons with disabilities through (i) building POs capacity to programme for decent work and worker's rights (ii) supporting innovative interventions e.g. vocational trainings, Naukari ya Karobar Centers with labour market analysis, certifying rural skills centers, trainings and placements, green jobs and support for environment.

### ***Compliance/Results Framework***

PPAF is profound in delivering results to impact the lives of the poor in real terms. To ensure consistency and effectiveness of its interventions PPAF has developed a set of control mechanisms which provide guidance and allow PPAF to have an effective control over the implementation process.

## Result Framework

Quality Assurance	Institutional Values	Financial Accountability
<ul style="list-style-type: none"> <li>- Monitoring, Evaluation and Research</li> <li>- Environmental and Social Management &amp; Compliance</li> <li>- Integrated MIS</li> </ul>	<ul style="list-style-type: none"> <li>- Inclusion</li> <li>- Participation</li> <li>- Governance</li> <li>- Transparency</li> <li>- Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>- Three levels of audit</li> <li>- Transparency and disclosure</li> <li>- Legal &amp; operational compliance</li> </ul>

### ***Institutional values***

In PPAF's culture values are very deeply rooted to supplement its overall development goal. PPAF's values are well aligned with the organization's vision and are the foundations of the way it works.

### ***Inclusion***

A very basis of equitable development – lies in the empowerment of individuals within communities who have no voice specifically women, the elderly, disabled, widows, orphans and minority or vulnerable groups such as the ultra-poor. Within our strategy, social inclusion is a cornerstone of the way we work. PPAF is focused on targeting the poorest and most marginalized communities and groups across the country.

### ***Good Governance***

PPAF's focus on good governance means that we are focused on ensuring that our partner organizations and community institutions can achieve optimal levels of good governance within their systems and structures, to be able to be more effective and accountable to all their stakeholders.

### ***Transparency***

accountability and responsiveness require both vertical and horizontal channels of checks and balances, which include strong democratic institutions, and an active and informed citizenry and civil society.

### ***Sustainability***

is about putting its core values at the heart of day-to-day business.

PPAF takes a zero-tolerance stance on compliance violations and reinforce full integrity in every business action from every employee, as well as treat each other with respect and empathy. PPAF collaborate and do business only with partners, who share and support our values. PPAF is committed to engaging - as a company and as individuals - with pride and passion as citizens of the communities where we are present.

### ***Quality Assurance***

Formation of a compliance and quality assurance group strengthened and revamped monitoring, evaluation and research as well as environmental and social management functions. Quality assurance is ensured through:

- Progress against outcomes and impact, poverty targeting and institutional values which results in improved transparency, efficiency and effectiveness
- Integrated management information system, regular monitoring and reviews/reports along with multilayered customized functions to
- PPAF's requirements
- External assessments and evaluations including impact assessments and surveys (quantitative and qualitative) to gauge contribution to MDGs and impact on poverty alleviation
- Linkages with international and national research institutes and academia

### ***Financial Accountability***

PPAF constantly strives to

encourage and facilitate all processes and procedures aimed at strengthening the highest level of accountability

- Comprehensive and effective audit framework, financial audit of PPAF and POs conducted by Chartered Account firms having satisfactory quality control rating assigned by Institute of Chartered Accountant of Pakistan
- Third party reviews/assessments, semi-annual donor supervision missions, performance audit by Auditor General of Pakistan
- Compliance with financial and legal covenants (stipulated in donors' agreements and by laws of the institution) and adherence to procurement guidelines and practices
- True and fair presentation and dissemination of financial and non-financial information
- Corporate governance and risk frameworks compatible with best national and international practices

### ***Environmental and social responsibility***

PPAF is an environmentally sensitive organization and is committed to sustainable development from a social and environmental perspective. PPAF always ensures that all PPAF supported interventions remain socially acceptable and environmental friendly. In line with these objectives compliance with the PPAF Environment and Social Management Framework (ESMF) is essential for all the partner organizations while implementing small scale infrastructure projects, and extending microfinance.

Existing ESMF covers the national environmental laws and following World Bank safeguard policies for social and environmental safeguards.

#### **Best Corporate Practices**

PPAF ensures best practices of corporate governance by adopting a set of processes, custom and policies, to direct and control management activities with good business sense, objectivity, accountability and integrity. PPAF believes in openness and transparent reporting to the stakeholders to empower them in exercising their lawful rights.

The Management places high priority on true and fair presentation and circulation of periodic financial and non-financial information to governing bodies, donors and other stakeholders of the Company. The Company produces separate financial statements for different donors' projects, duly audited by its external auditors in addition to preparing financial statements abreast with statutory requirements.

During FY 2012-2013 annual audited financial statements along with Directors' Report as well as quarterly and half yearly and nine monthly unaudited financial statements along with Management Reviews, were endorsed and circulated to stakeholders. These statements were also made available on the Company website. Other non-financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner

#### **Corporate Governance**

PPAF enforced a well-defined corporate governance structure that works for the benefit for all the stakeholders by ensuring that the company adheres to accepted ethical standards and best practices as well as to formal law. The Company remained committed to conduct its business in line with the listing regulations. Significant

policies required under the Code of Corporate Governance have been framed and implemented.

Specific statements to comply with the Code of Corporate Governance are as follows:

- The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further
- The Company's ability to continue as a going concern is well established
- There has been no material departure from the best practices of corporate governance
- Key operating and financial data of the last six (6) years in summarized form is annexed

#### **Board of Directors**

##### **Composition of the Board**

The prerequisites and configuration of the Board of Directors are defined by the legal and regulatory framework parameters for smooth running of operations and promotion of corporate culture. The Company has on its Board highly experienced competent and committed personnel with vast expertise, integrity and strong sense of responsibility necessary for shielding the interest of all stakeholders. The present Board

comprises of eleven Members including the Chairman and the Chief Executive Officer. Of these, three were nominated by the Government; seven elected by the General Body; and the Chief Executive Officer appointed by the Board. The Chairman of the Board is an independent non-executive director.

Except for the CEO, all members of the Board are non-executive Directors and serve in an honorary capacity, without compensation.

##### **Role and Responsibilities of the Board**

The Board is copiously aware of the colossal errands conferred on them for increasing efficiency of the Company and safeguarding its assets. 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 and other applicable regulations.

The Board participates actively in major decisions of the Company including appointment of the Chief Executive Officer; review and approval of operational policies and procedures; projects of different donors and sponsors; minutes of Board Committee meetings, financial assistance for partner organizations; quarterly progress; annual work plans, targets and budgets; un-audited financial statements along with Management Reviews; audited financial statements along with Directors and Auditors Report.

##### **Meetings of the Board**

The Board is required to meet at least every quarter to monitor the Company's performance aimed at effective and timely accountability of its management.

During the year the Board held five meetings, agendas of which were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were

Directors	Total No. of Meetings	* Meetings Attended
Mr. Hussain Dawood (Chairman)	5	5
Dr. Nuzhat Ahmed	5	3
Mr. Khizar Hayat Gondal	2	0
Mr. Iftikhar Ahmad Rao	4	0
Dr. Naved Hamid	5	0
Dr. Rajab Ali Memon	5	3
Dr. Aisha Ghaus Pasha	5	2
Mr. Ajaz Ahmed Qureshi	3	3
Dr. Suleman Shaikh	3	3
Mr. Qazi Azmat Isa (CEO-PPAF)	5	5

\* Meeting held during the period concerned Directors were on the Board

duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had the minimum quorum attendance as stipulated in the Articles of Association. The Chief Financial Officer/Company Secretary attended the meetings of the Board in the capacity of non-director without voting entitlements as required by the Code of Corporate Governance.

#### **Appointment of Directors**

As per the Articles of Association of the Company, all Members of the Board, except Government nominees, are appointed for a term of three years, on completion of which they are eligible for reelection through a formal election process.

However, no such Member of the Board of Directors shall serve for more than two consecutive terms of three years each except for Government nominees.

#### **Change of Directors**

The Board places on record its appreciation for the valuable contributions made by the outgoing Directors Mr. Rafiud Deen Ahmad, Mr. Zubyr Soomro, Mr. Asif Qadir and Mr. Abdul Khalil towards progress of the Company. The Board also welcomes the new Directors, Mr. Ajaz Ahmed Qureshi, Dr. M. Suleman Shaikh and Mr. Khizar Hayat Gondal. We look forward to working in partnership with them to benefit from their vision and valued experience which we are confident will go a long way in the future growth and

prosperity of the Company.

#### **Board Committees**

##### **Board Audit Committee**

The Committee assists the Board in over sighting of Company's financial controls and audits, including internal controls and financial reporting; qualification and independence of Company's external auditors; and performance of the Company's internal and external auditors.

The composition of the Audit Committee entails four non-executive members of the Board. The Chairman is an independent non-executive Director. The Chief Internal Auditor acts as Secretary of the Committee. During the year, Committee reviewed and discussed assertions on 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; un-audited condensed interim financial statements along with Management Review; audited financial statements along with Auditors' and Directors' Reports of the company; and project specific audited financial statements as per donors requirements.

The Committee held separate meetings with the Chief Financial Officer and the External Auditors to discuss issues of concern.

##### **Board Compensation Committee**

The Compensation Committee comprises of three members of the

Board including the Chairman who is appointed by the Board from the non-executive Directors. The Head of Human Resource Unit acts as Secretary of the Committee.

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; and continuous development and skill enhancement of employees. During the year the Committee reviewed and recommended for Board's approval, annual increment for the employees; appointment of group heads; revised organogram and creation of new livelihood, enhancement and employment group.

The Chief Executive Officer and other management employees were invited to attend meetings for discussion and suggestions.

##### **Risk Oversight Committee**

The Risk Oversight Committee comprises of four members including its Chairman who is appointed by the Board from the non-executive Directors. The head of Financial Services Group acts as Secretary of the Committee.

The Committee assists the Board to review the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits.

During the year, the Committee reviewed and recommended for Board's approval, revised pricing policy for the microfinance loan portfolio; per part exposure limits; new clauses of financing agreements for for-profit institutions.

## **Role and Responsibilities of the Chairman and the Chief Executive Officer**

The Chairman and the Chief Executive Officer are assigned segregated and distinct responsibilities by the Board of Directors vested under law and the Articles of Association of the Company, as well as duties assigned 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.

The Chief Executive Officer is responsible for the operations of the Company and conduct of its business. The Chief Executive Officer recommends policy and strategic business plans for Board approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company.

### **Management**

The Company Management is supervised by the Chief Executive Officer who 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 Company and authorities delegated to him through a General Power of Attorney and Board resolutions from time to time.

The Chief Executive Officer recommends policy and strategic direction and annual business plans for Board approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company. The Board sets financial, non-financial goals and objectives for the Company in line with the short, medium and long term plans of PPAF and has delegated appropriate authority to the Management to implement strategic objectives of the

Company.

### **Human Resource**

PPAF's human resource management is prudently involved in performing the key responsibilities of investing continuously in its Human Capital. In addition, HR is also contributing effectively towards productivity and capacity enhancement of employees through a highly transparent and competitive recruitment process and then encouraging them to attain new levels of excellence through job enrichment and focused trainings.

### **Treasury Management**

PPAF treasury management provides the Company with strategic financial and economic policy advice with the aim of promoting and investing its resources which are available after financing of its operations. Treasury is responsible for implementing and ensuring compliance with the policies/framework established by the Board for the management of credit exposures. Treasury as a separate management function plays a key role to maintain liquidity and reduce the risk related to cash flow through regular monitoring of inflows and outflows. A portfolio of long term and short term investments is maintained after thorough financial evaluation of available investment opportunities.

The credit risk in short term investments is controlled through diversification in investments among top ranking financial institutions.

## **Business Risks and Challenges**

PPAF's risk management framework focuses on identification, assessment, and prioritization of risks, followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unforeseen events, or to maximize the realization of opportunities.

At PPAF the management and the Board of Directors are cognizant of their responsibilities and ensure

that the Company's risk management system properly identifies and provides timely response to the emerging risks. In the uncertain financial and economic environment, PPAF is exposed to various risks which may have potential impact on the operational and financial performance of the Company carrying out its development mandate.

Key operational and non-operational risks including strategic risks are outlined below:

### **Strategic Risks**

Strategic risk is the current and prospective impact on overall Company's returns arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. The challenges are growing due to increasing competition for access to opportunities and heightened political and security situations in the country. To counter the risk of the strategic failure the Company has well equipped strategic plan in hand which is developed on a five year basis and updated/revised on yearly basis.

### **Operational Risks**

Operational risk is the risk of loss resulting from inadequate or failed internal processes. These include the risks relating to people, systems, or external events and legal risks. By adopting an integrated approach, PPAF ensures that all operational risk management initiatives are sustainable processes aligned with the corporate strategy, and not unrelated tactical developments.

## **Financial Risks**

Financial Risks are divided in the following categories:

### **Credit risk**

Credit risk is the potential financial loss due to default of one or more debtors. Credit risk is the largest source of risk for the Company arising from lending to partner organizations and treasury

operations. PPAF manages the credit risk on loans by defining exposure limits to financing so as to maintain an adequately diversified portfolio with partner organizations. In this context a performance based criteria has been adopted for selection of partner organizations. The risk is further controlled and managed by regularly monitoring the exposure limits of the partner organizations.

The credit risk on investments and bank balances is managed through a framework of exposure limits based on the counterparty credit rating and size defined in the standards set by the Board of Directors.

#### **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.

#### **Interest / mark-up rate risk**

The interest/mark-up rate risk describes as the risk borne by the financial instrument due to changes in the market interest/mark-up rates. The Company is not exposed to this risk as all its interest bearing financial assets and liabilities are at fixed interest/mark-up rates.

#### **Liquidity risk**

Liquidity risk appears resulting from insufficient funds to meet cash flow as it falls due. PPAF's approach to manage liquidity risk is to ensure it will always hold sufficient liquid resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. PPAF maintains a prudential minimum level of liquidity based on the projected net cash requirements. The Company strikes a balance between generating adequate investment returns and holding

securities that can be easily liquidated for cash if required. Moreover, the Company's financial position strongly supports its balanced approach.

#### **Risk Governance**

The roles and responsibilities related to risk management program are outlined in our risk governance structure.

#### **Board of Directors**

Oversees the risk management process primarily through its committees:

- The Risk Oversight Committee reviews the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits
- The Audit Committee monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks
- The Compensation Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk

#### **Policies & Procedures**

Board and its committees adopt a set of policies and procedures, promote a culture of ethics and values and delegate the authority to senior management for implementation of approved policies and procedures. The senior management assesses the risks and place appropriate controls to mitigate these risks.

#### **Performance Management**

Through the continuous cycle of monitoring performance of the implemented controls to identify weaknesses and devising strategic plans for improvement, majority of risks are averted.

#### **Internal Audit**

Provides independent and objective evaluations and reports directly to Management and the Audit Committee on the effectiveness of governance, risk

management and control processes.

#### **Internal Control Compliance**

Each department identifies and manages risks pertaining to their respective areas of responsibility in addition to ensuring compliance with established internal controls.

## **Developing Linkages**

PPAF believes that a concerted investment strategy that targets national and multi-national companies, international agencies and foreign donors can boost work being done within the integrated development framework. As part of this strategy, we are focusing on:

- Creating linkages with Corporate Social Responsibility units of local corporations and multinationals, bringing them into a shared vision of development in the country
- Joint interventions with companies to co-finance particular projects that link in to expanding trade opportunities and value addition to traditional occupations (livestock, farming, etc.)
- Approach international trusts and foundations, and donor governments from across Europe, UK, Middle East and Asia, to raise funds and mobilize resources with a view to encouraging philanthropic investment for the Pakistan.

PPAF has agreed to support (through a co-financing arrangement with – British Asian Trust - BAT) the work of Pakistan Recovery Fund which is focused on post flood rehabilitation and reconstruction activities. At the 5th Anniversary Dinner of BAT held on Feb 11, 2013 at Windsor Castle,

PPAF Team was introduced to his Royal Highness the Prince of Wales as the key partner of BAT and supporter of PRF

Muslim Charity Fund (MCF), a representative body/network of UK based civil society institutions primarily engaged in emergency/humanitarian response and grass root development, signed a Memorandum of Understanding (MOU) with PPAF in February 2013 in London. The objective of the MoU is to assist each other in developing linkages with organizations in both countries (i.e., in UK, Europe and Pakistan) and raise awareness about the work that PPAF and MCF are doing in their different capacities.

PPAF joined hands with Telenor Pakistan and Tameer Microfinance Bank to provide financial services to poor and un-banked communities of Baluchistan, Sindh, Khyber Pakhtunkhwa, Skardu (GB), Punjab and Chirah (ICT). The project focuses on provision of financial services to selected communities by establishing Easy Paisa shops.

PPAF hosted the 8th Citi-PPAF Micro-entrepreneurship Awards ceremony in collaboration with Citibank to help the poor and marginalized communities in becoming masters of their destiny through provision of inclusive microfinance services at their doorstep. Citibank and PPAF are working together for the economic growth and prosperity of the poor and disadvantaged households, who are generally excluded from the mainstream microfinance services.

## Key Events / Initiatives

Microcredit Summit Campaign and PPAF collaborated to launch the global initiative of Seal of Excellence for poverty outreach and transformation in Pakistan, which will recognize those microfinance institutions doing the most to help poor households lift themselves out of poverty and improve their lives. The

accreditation of PPAF partners would result in a globally recognized stamp of quality assurance. It would ensure that the rights of microcredit borrowers are protected and the focus of microfinance institutions remains on impact.

PPAF participated in a seminar on "Self-Employment and Livelihoods for Women in South Asia" organized by Tarayana Foundation in Thimphu, Bhutan. The event focused on women access to land, marketing handicraft for sustainable rural livelihoods, use of appropriate technology for enhanced quality and better market access, use of data and statistics for better understanding of women's economic empowerment and other businesses proposed by members.

PPAF along with State Bank of Pakistan and Pakistan Microfinance Network attended the annual conference on "Building Inclusive Markets: Impact through Enterprise Solutions" arranged by Small Enterprise Education and Promotion (SEEP Network) in Washington. A special session was also arranged on microfinance in Pakistan and discussed the challenges and opportunities in the microfinance sector and praised the achievements of the microfinance sector, potential for growth and pledged government support for the coming years.

PPAF took part in an international conference captioned "Lessons from Indonesia Experience in Disaster Reduction and Preparedness" in Jakarta, Indonesia. Objectives of the conference were to share lessons and knowledge from Indonesian post – disaster experience, distil lessons that could be adapted and replicated in other settings globally and explore how these lessons can be operationalized in other post-disaster and fragile situations.

PPAF was invited to the Impact Investing Summit 2012, held under the aegis of Hanson Wade in Washington DC. The event was

aimed at ensuring it as interactive as possible besides providing a networking and knowledge sharing opportunity to participants. It also provided a unique platform to accelerate progress within organizations and across industries by creating exclusive business conference that brought together the world's smartest thinkers and doers on specific subjects.

PPAF launched the first-ever indexed and hybrid weather micro-insurance products to facilitate and compensate small farmers in Pakistan. To mark the International Women day, PPAF conferred the Second Amtul Raqeeb Award posthumously to five lady teachers, a medical technician and a lady health visitor, who lost their lives in the line of duty.

PPAF launched its Disaster Management Strategy which focuses on ensuring disaster risk reduction a national priority, identify, assess and monitor disaster risks and enhance early warning, use knowledge, education and innovation to build a culture of safety and resilience at all levels, reduce underlying risk factors and strengthen disaster preparedness for effective response at all levels.

An Annual Retreat for PPAF personnel was arranged with the purpose of team building, learning lessons though peeping into the past and reviewing existing strategies aimed at the betterment of communities with futuristic vision. Comprising professional and support staff, Team PPAF spent the day carrying out a host of constructive activities by involving every member. The Team PPAF was inculcated problem-solving and team building spirit through different simple but fun-filled exercises.

PPAF organized an awareness campaign to emphasize the details about measles and preventive measures for its partner organizations, local support and village organizations, community

organizations and its own officials. In this regard PPAF launched a comprehensive radio campaign in Sindhi and Thari languages to sensitize communities about the outbreak of measles and take preventive measures through Radio Pakistan. This radio campaign stresses about the importance of immunization of children, timely diagnosis and treatment of measles

## Future Outlook

Having built scale track record and creditably over the last 13 years, as one of Pakistan's premier development institution, PPAF's next challenge is to define its future direction to best meet its goal of poverty alleviation while sustaining the autonomy and independence of the organization. To this end, PPAF will develop a plan (with the assistance reputable consultants) to meet its revamped vision and strategic aspirations indicating the value addition and contribution of existing business lines to the overall strategic goals with the possible expansion internationally as an avenue for growth. The plan would also (i) highlight the key risks and how can they be mitigated (ii) institutionalize a sustainable funding model to support the future strategy, identifying new source of funding likely to be available in the future and the competition that PPAF may face in attracting funding (iii) outline if PPAF continue to rely on and expand its relationship with traditional donors or should explore new funding models (iv) outline the organization of the future identifying the most efficient institutional structure while allowing for easier fund-raising in line with the new strategy (iv) define the overall size of the organization growing forward with a view of possible unbundling of PPAF as potentially a holding company overseeing various standalone, separate or specialized entities and (v) identify key performance indicators needed to track and monitor execution of the strategy and performance.

As the Financial Sector has evolved in Pakistan, and is exposed to a new array of opportunities and challenges, the vision of PPAF is commensurately evolving. PPAF sees the opportunity to spur a new era of financial inclusion where technological innovations, progressive operating environment, and the range of institutions operating in Pakistan is now matched with a resurgence in financial penetration and responsible growth of outreach, particularly in untapped markets. In order to achieve this vision, PPAF plans to create a modern, specialized, and innovative structure, which will be an exclusive special purpose vehicle for microfinance sector. In order to achieve this vision, services of international consultants have been hired to identify the optimal design and articulate the costs, benefits, risks, and transformation decisions.

## Financial Highlights

	2013	2012	2011	2010	2009	2008
<b>Outreach - Numbers (Cumulative)</b>						
Partner Organizations	127	116	100	87	77	74
Districts	129	129	128	127	124	117
Loans ('000)	5,900	5,167	5,000	3,600	3,000	2,300
Water & Infrastructure Projects	28,528	26,933	25,500	21,000	18,500	17,000
<b>Disbursements - Rs. in million</b>						
Total disbursements	17,776	20,188	15,733	13,846	13,066	16,697
Microcredit/enterprise development loans	11,589	13,549	10,952	9,048	6,949	9,075
Grants - Core Operations	4,766	5,162	4,215	4,350	2,134	1,951
Grants - Project, Relief & Reconstruction Operations	1,421	1,477	566	448	3,983	5,671
<b>Balance Sheet - Rs. in million</b>						
Total assets	31,656	27,090	24,565	23,629	18,509	18,923
Micro credit/enterprise development loans receivable (Gross)	13,300	13,434	11,755	11,202	9,696	8,302
Investments - specific to endowment fund	1,000	1,000	1,000	1,000	1,000	1,000
investments-specific to projects	3,265	1,845	1,445	600	530	1,050
Investments- specific to grant fund	4,854	3,804	2,572	1,763	-	-
investments - specific to capital adequacy	1,995	2,015	2,351	2,240	-	-
investments - specific to lending activities	1,802	2,543	2,517	1,819	5,225	5,442
Equity and reserves	10,858	8,905	7,530	6,114	4,785	3,755
Long term loans	15,003	15,355	13,761	12,246	11,031	10,770
<b>Operational Results - Rs. in million</b>						
Total income	2,896	2,794	2,485	2,070	1,669	1,314
General and admin expenses	509	435	349	358	274	218
Surplus before provisions for loan loss	1,986	1,599	1,444	1,404	1,266	947
Surplus after provisions for loan loss	1,953	1,375	1,416	1,329	1,030	802
<b>Financial Ratios - Percentage</b>						
Surplus after provision for loan loss / total income	67%	49%	57%	64%	62%	61%
Return on equity	18%	15%	19%	22%	22%	21%
Return on assets	6%	5%	6%	6%	6%	4%
General and admin expenses / total disbursements	2.86%	2.15%	2.22%	2.59%	2.10%	1.31%
General and admin expenses / total income	18%	16%	14%	17%	16%	17%
<b>Debt/equity</b>	58:42	63:37	65:35	67:33	70:30	74:26
<b>Current ratio</b>	5:1	8:1	7:1	4:1	6:1	4:1

**Pakistan Poverty Alleviation Fund**

## **Financial Statements**

for the year ended  
June 30, 2013



**A. F. FERGUSON & CO.**

**AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Pakistan Poverty Alleviation Fund (the Company) as at June 30, 2013 and the related statement of comprehensive income, 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 statement of comprehensive income 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;
  - (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, statement of comprehensive income, 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 as at June 30, 2013 and respectively give a true and fair view of the Company's affairs as at June 30, 2013 and of the total comprehensive income, 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  
Date: September 10, 2013  
Engagement partner: M. Iftiaz Aslam

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Karakorum State Bank Building No. C-2, I.I. Chundrigar Road, P.O. Box 3002, Islamabad 44000, Pakistan; Tel: +92 (03) 2273457-60/2273045-61; Fax: +92 (03) 22729044; [www.ksb.com.pk](http://www.ksb.com.pk)  
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**PAKISTAN POVERTY ALLEVIATION FUND  
BALANCE SHEET AS AT JUNE 30, 2013**

	Note	2013 (Rupees in '000)	2012
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	78,710	77,350
Intangible assets	6	7,494	8,870
Long term investments	7	886,400	984,000
Long term loans to Partner Organizations	8	3,861,236	2,191,796
		4,623,823	3,270,016
<b>CURRENT ASSETS</b>			
Current maturity of long term investments	7	594,000	3,803,563
Current maturity of loans to Partner Organizations	8	8,679,076	10,390,561
Short term investments	9	11,435,995	6,400,802
Advances, deposits and other receivables	10	83,753	73,410
Professional service charges receivable	11	848,434	787,994
Bank balances - specific to projects	12	5,190,814	2,263,402
Cash and bank balances	13	93,603	141,893
		26,832,475	23,826,731
		31,656,208	27,090,747
<b>FUND AND RESERVES</b>			
Endowment fund	14	1,000,000	1,000,000
Grant fund		4,853,675	3,803,563
Reserve for grant based activities		784,136	400,467
Accumulated surplus		4,280,432	3,70,440
		10,896,243	8,908,470
<b>LONG TERM LOANS</b>			
DEFERRED BENEFIT OF BELOW MARKET RATE OF INTEREST ON LONG TERM LOAN	15	13,173,002	13,675,482
<b>CURRENT LIABILITIES</b>			
Deferred liabilities - grant fund	16	5,007,363	2,242,391
Deferred income - grant fund	17	5,856	12,113
Current portion of long term loans	15	615,431	467,610
Service charges payable	18	28,656	36,622
Accrued and other liabilities	19	87,344	72,340
		6,794,049	2,829,876
<b>CONTINGUITIES AND COMMITMENTS</b>			
	21	31,656,208	27,090,747

The annexed notes 1 to 37 are an integral part of these financial statements.

D. A. Ferguson  
Chief Executive Officer

M. Iftiaz Aslam  
Chairman

**PAKISTAN POVERTY ALLEVIATION FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>INCOME</b>			
Service charges on loans to Partner Organizations	22	1,262,014	1,212,646
Income on investments and saving accounts	23	1,352,164	1,268,696
Amortization of deferred income - grant fund	17	190,314	278,299
Amortization of deferred benefit of below market rate of interest on long term loan	15.5.1	61,487	33,334
Other income	24	410	656
		<u>2,896,389</u>	<u>2,793,031</u>
<b>EXPENDITURE</b>			
General and administrative expenses	25	508,426	435,486
Seminars, workshops and trainings	26	38,099	40,916
Technical and other studies	27	102,897	98,830
Project and relief activities	28	106,003	472,117
Provision against loans/service charges	29	33,021	223,487
Financial charges	30	153,170	147,756
		<u>943,616</u>	<u>1,418,562</u>
<b>SURPLUS FOR THE YEAR</b>		<u>1,892,773</u>	<u>1,375,069</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>1,892,773</u>	<u>1,375,069</u>

The annexed notes 1 to 37 are an integral part of these financial statements.  
*H.P.*

*Ramzi A. Zaidi*  
Chief Executive Officer

Chairman

**PAKISTAN POVERTY ALLEVIATION FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year			
Adjustment for non cash items:			
Depreciation		29,486	26,183
Amortization of intangible assets		3,202	2,790
Amortization of deferred income - grant fund		(100,314)	(278,299)
Amortization of defined benefit of below market rate of interest on long term loan		(61,487)	(33,334)
Provision against loans/service charges		33,021	223,487
Loss on disposal of property, plant and equipment		-	(410)
Financial charges		163,170	147,756
		(32,062)	87,137
		<u>1,892,773</u>	<u>1,375,069</u>
Working capital changes			
(Increase) / decrease in current assets:			
Advances, deposits and other receivables		(10,337)	(1,157)
Profit/service charges receivable		(126,801)	(86,809)
Increase / (decrease) in current liabilities:			
Acquired and other liabilities		16,004	(23,346)
Cash generated from operations		(121,194)	(110,401)
Disbursements to partner organizations:			
Loans		1,798,927	1,361,006
Grants		(10,168,066)	(13,149,241)
Recovery of loans from partner organizations		(6,079,123)	(6,437,611)
Financial charges paid		10,302,307	(98,850)
Cash flows from operating activities		(6,064,021)	(116,094)
		(4,245,304)	(6,880,120)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments - net purchases		(1,708,030)	(1,392,762)
Capital expenditure incurred		(36,042)	(60,408)
Proceeds from disposal of property, plant and equipment		410	998
Cash flows from investing activities		(1,743,062)	(1,372,242)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loans - received		263,736	2,007,100
Long term loans - repaid		(487,810)	(288,813)
Deferred liabilities - grant fund receipts		8,084,086	5,863,269
Deferred income - grant fund receipts		184,097	258,985
Cash flows from financing activities		8,674,078	7,891,437
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,886,122</b>	<b>(360,926)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>2,405,220</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>5,290,417</b>	<b>2,405,295</b>
<b>Cash and cash equivalents comprise of:</b>			
Bank balances - specific to projects	12	5,196,814	2,203,402
Cash and bank balances	13	93,903	141,993
		<u>5,290,417</u>	<u>2,405,295</u>

The annexed notes 1 to 37 are an integral part of these financial statements

*Ramzi A. Zaidi*  
Chief Executive Officer

Chairman

**PAKISTAN POVERTY ALLEVIATION FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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 assetless 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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 7	January 1, 2013
IAS 1	January 1, 2013
IAS 16	January 1, 2013
IAS 19	January 1, 2013
IAS 27	January 1, 2013
IAS 28	January 1, 2013
IAS 32	January 1, 2013
	A 2014
IAS 34	January 1, 2013
IAS 36	January 1, 2014
IAS 39	January 1, 2014
IFRIC 20	January 1, 2014
	January 1, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation / disclosures.

**PAKISTAN POVERTY ALLEVIATION FUND  
STATEMENT OF CHANGES IN FUND AND RESERVES  
FOR THE YEAR ENDED JUNE 30, 2013**

Note	Endowment Fund	Grant fund	Reserve for grant based activities (Rupees in '000)	Accumulated Surplus	Total
<b>Balance as at July 1, 2011</b>	1,000,000	2,572,148	222,180	3,736,073	7,530,401
Total comprehensive income for the year					
Surplus for the year					
Other comprehensive income					
	[ ]	[ ]	[ ]	1,375,069	1,375,069
				1,375,069	1,375,069
Transfer from accumulated surplus to grant fund	4.8	-	1,231,415	-	(1,231,415)
Transfer from accumulated surplus to reserve for grant based activities	31	-	-	178,287	(178,287)
<b>Balance as at June 30, 2012</b>	<b>1,000,000</b>	<b>3,803,563</b>	<b>400,467</b>	<b>3,701,440</b>	<b>8,905,470</b>
Total comprehensive income for the year					
Surplus for the year					
Other comprehensive income					
	[ ]	[ ]	[ ]	1,952,773	1,952,773
				1,952,773	1,952,773
Transfer from accumulated surplus to grant fund	4.8	-	1,050,112	-	(1,050,112)
Transfer from accumulated surplus to reserve for grant based activities	31	-	-	353,669	(353,669)
<b>Balance as at June 30, 2013</b>	<b>1,000,000</b>	<b>4,853,675</b>	<b>754,136</b>	<b>4,250,432</b>	<b>10,858,243</b>

The annexed notes 1 to 37 are an integral part of these financial statements.

  
Chairman

  
Chief Executive Officer

The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition, this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following these changes unrecognized actuarial gains/losses will be recorded immediately in other comprehensive income.

Unrecognized actuarial losses at June 30, 2013 amount to Rs 13,763 thousand.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

**Effective date**  
(annual periods beginning on or after)

IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECIP effective January 10, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except for the recognition of employees retirement benefits on the basis of actuarial valuation.

The preparation of financial statements in conformity with the approved accounting standards requires 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 from 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 recognized 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 of area where assumptions and estimates are significant to the financial statements is loan loss provision (note 8), staff gratuity scheme (note 20) and deferred benefit of below market rate of interest on long term loans (note 15.6.1)

MF

##### 4.2 Employee benefits

The Company operates the following staff retirement benefits plans:

- (i) 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 values 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, 2013, related details of which are given in note 20 to the financial statements
- (ii) The Company operates an approved contributory provident fund for all employees for which contributions of Rs 19,414 thousand (2012: Rs 4,788 thousand) are charged to income for the year.

##### 4.3 Taxation

The Company has been granted exemption from income tax under sub-clause (3) of clause (5B) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

##### 4.4 Provisions

Provisions are recognized when the Company has a present legal or constructive 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.

##### 4.6 Deferred liabilities - grant fund

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

##### 4.6 Property, plant and equipment

Property, plant and equipment 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. Depreciation is charged on additions from the date the asset becomes available for the intended use up to the date on which they are derecognized.

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 assets is included in current year's statement of income and expenditure.

MF

<b>4.7</b>	<b>Intangible assets</b>	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.
<b>4.8</b>	<b>Investments</b>	These are held to maturity 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.	In order to safeguard against major default and provide sufficient capital adequacy, with effect from July 01, 2009, an amount of 16% (2012: 15%) of total loan receivable from Partner Organizations are held in Investments. 35% of the surplus funds of the Company, in excess of above investments, are employed for lending activities (micro-credit and enterprise development facility) and the balance 65% are held in investments as grant fund, the income of which will be used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic framework of Company's objectives.
		In order to respond quickly in emergency situations, with effect from July 1, 2011, an amount of 5% of total loan receivable from Partner Organization shall be kept as disaster fund. The disaster fund has been aggregated in the grant fund in the financial statements.	
<b>4.9</b>	<b>Loans to Partner Organizations</b>	These are stated net of provision for loan losses.	General provision is made for loan losses at the rate of 5% (2012: 5%) of the gross outstanding balances of loans to POs at the year end, provided that provision once made will not be reduced with the reduction of outstanding balances of loans in subsequent years.
			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.
<b>4.10</b>	<b>Revenue recognition</b>	Income is recognized on accrual basis. Service charges on loans and profit/markup on investments and bank accounts are recognized using the effective yield method.	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.

<b>4.11</b>	<b>Receipts - loans and grants</b>	Receipts from the Government of Pakistan (GOP) on account of donors' (International Development Association (IDA), International Fund for Agricultural Development (IFAD) and German Financial Cooperation - KfW) projects are recorded on the basis of Financial Monitoring Reports and Statement of Expenses, raised on periodic basis, under relevant categories as specified in the Financing Schedules of the respective Financing Agreements.
<b>4.12</b>	<b>Long term loans</b>	Long term loans whose disbursement commenced before June 30, 2009 are measured at amortized cost. In accordance with IAS 20, long term loans at a below market rate of interest whose disbursement commenced on or after July 1, 2009 are carried at present value and the difference between present value and loan proceeds is treated as government grant and deferred as a liability. The benefit is recognized as income using the effective interest method over the period of the loan. A corresponding change at market rate of interest on the carrying value of loan is recognized as imputed interest expense.
<b>4.13</b>	<b>Borrowing costs</b>	All borrowing costs are recognized as expense in the year in which these are incurred.
<b>4.14</b>	<b>Foreign currency translation</b>	i) Functional and presentation currency Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupees, which is the Company's functional currency.  ii) Transactions and balances 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.
<b>4.15</b>	<b>Financial instruments</b>	Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. 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.

*HP.*

#### 4.16 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss or reversal of impairment loss is recognized in income for the year.

#### 4.17 Financial assets

##### 4.17.1 Classification

The Company classifies its financial assets in four categories: held to maturity, loans and receivables, at fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

###### (i) Held to maturity

A financial asset is classified in this category if acquired by the Company with the intention and ability to hold them up to maturity

###### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise Loans to partner organizations, Advances, deposits, prepayments and other receivables, Profit/service charges receivable and cash and bank balances.

###### (iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

###### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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#### 4.17.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognized in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payment is established.

#### 4.17.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### 4.18 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.

#### 4.19 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.

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## 6. INTANGIBLE ASSETS

	Satellite Imageries	Computer Software	Total
	Rupees in '000		
<b>At July 1, 2011</b>			
Cost	18,547	5,026	23,573
Accumulated amortization	(15,984)	(4,096)	(20,080)
<b>Net book amount</b>	<b>2,563</b>	<b>930</b>	<b>3,493</b>
<b>Year ended June 30, 2012</b>			
Opening net book amount	2,563	930	3,493
Additions	531	5,636	6,167
Amortization charge	(1,945)	(845)	(2,790)
<b>Closing net book amount</b>	<b>1,149</b>	<b>5,721</b>	<b>6,870</b>
<b>At June 30, 2012</b>			
Cost	19,078	10,662	29,740
Accumulated depreciation	(17,929)	(4,941)	(22,870)
<b>Net book amount</b>	<b>1,149</b>	<b>5,721</b>	<b>6,870</b>
<b>Year ended June 30, 2013</b>			
Opening net book amount	1,149	5,721	6,870
Additions	-	3,816	3,816
Amortization charge	(883)	(2,319)	(3,202)
<b>Closing net book amount</b>	<b>266</b>	<b>7,218</b>	<b>7,484</b>
<b>At June 30, 2013</b>			
Cost	19,078	14,478	33,556
Accumulated amortization	(18,812)	(7,260)	(26,072)
<b>Net book amount</b>	<b>266</b>	<b>7,218</b>	<b>7,484</b>
<b>Annual rate of amortization (%)</b>	<b>25</b>	<b>25</b>	

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## 5. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fixtures	Vehicles	Office Equipment	Computer equipment	Total
	Rupees in '000				
<b>At July 1, 2011</b>					
Cost	14,935	66,583	42,238	53,289	177,045
Accumulated depreciation	(10,251)	(41,810)	(25,964)	(40,196)	(118,221)
<b>Net book amount</b>	<b>4,684</b>	<b>24,773</b>	<b>16,274</b>	<b>13,093</b>	<b>58,824</b>
<b>Year ended June 30, 2012</b>					
Opening net book amount	4,684	24,773	16,274	13,093	58,824
Additions	7,989	21,270	5,072	9,980	44,291
Disposals					
Cost		(2,388)	(311)	(690)	(3,389)
Accumulated Depreciation		2,146	109	552	2,807
Depreciation charge	(1,883)	(9,674)	(6,057)	(7,569)	(25,183)
<b>Closing net book amount</b>	<b>10,790</b>	<b>36,127</b>	<b>15,087</b>	<b>15,346</b>	<b>77,350</b>
<b>At June 30, 2012</b>					
Cost	22,924	85,465	46,999	62,559	217,947
Accumulated depreciation	(12,134)	(49,338)	(31,912)	(47,213)	(140,597)
<b>Net book amount</b>	<b>10,790</b>	<b>36,127</b>	<b>15,087</b>	<b>15,346</b>	<b>77,350</b>
<b>Year ended June 30, 2013</b>					
Opening net book amount	10,790	36,127	15,087	15,346	77,350
Additions	987	19,916	1,294	9,029	31,226
Disposals					
Cost	(2,768)	-	(2,303)	(4,274)	(9,345)
Accumulated Depreciation	2,578	-	2,267	4,090	8,935
Depreciation charge	(190)	-	(36)	(184)	(410)
<b>Closing net book amount</b>	<b>8,798</b>	<b>43,249</b>	<b>11,186</b>	<b>15,477</b>	<b>78,710</b>
<b>At June 30, 2013</b>					
Cost	21,143	105,381	45,990	67,314	239,828
Accumulated depreciation	(12,345)	(62,132)	(34,804)	(51,837)	(161,118)
<b>Net book amount</b>	<b>8,798</b>	<b>43,249</b>	<b>11,186</b>	<b>15,477</b>	<b>78,710</b>
<b>Annual rate of depreciation (%)</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>25</b>	

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	Note	2013 (Rupees '000)	2012 (Rupees '000)
<b>7. LONG TERM INVESTMENTS - held to maturity</b>			
Specific to Endowment fund			
Pakistan Investment Bonds (PIBs)	7.1	1,000,000	800,000
Specific to grant fund			
Pakistan Investment Bonds (PIBs)	7.2	238,400	—
Term Deposit Receipts (TDRs)	7.3	50,000	3,403,563
Specific to others			
Pakistan Investment Bonds (PIBs)	7.4	194,000	194,000
Less: Long term investments maturing within next twelve months shown as current asset		1,480,400	4,787,063
		(594,000)	(3,403,563)
		888,000	884,000
7.1 Represents Investments in PIBs as follows:			
Principal	Issue Date	Maturity Date	Coupon rate % per annum
Rupees '000			
400,000	28-04-2004	28-04-2014	8.00
400,000	22-07-2010	22-07-2020	12.00
200,000	18-08-2011	18-08-2021	12.00
7.2 Represents Investments in PIBs as follows:			
Principal	Issue Date	Maturity Date	Coupon rate % per annum
Rupees '000			
238,400	19-07-2012	19-07-2015	11.25
194,000	22-07-2010	22-07-2013	11.25
7.3 These investments include Term Deposit Receipts of commercial banks at annual markup rate of 10.2% p.a. (June 2012: 10.00% to 14.00% p.a.)			
7.4 Represents Investments in PIBs as follows:			
Principal	Issue Date	Maturity Date	Coupon rate % per annum
Rupees '000			
194,000	22-07-2010	22-07-2013	11.25
7.4.1 These funds are available for lending activities.			
<b>8. LONG TERM LOANS TO PARTNER ORGANIZATIONS - secured</b>			
Considered good			
Considered doubtful			
Less: Loan loss provision			
Less: Amount receivable within next twelve months shown as current asset			
		13,102,765	13,224,037
		197,146	209,046
	8.1	13,299,931	13,433,563
	8.3	(888,826)	(881,928)
		12,431,105	12,552,397
		(1,570,870)	(10,360,661)
		3,051,329	2,101,790

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	Note	2013 (Rupees '000)	2012 (Rupees '000)
<b>8.1 Break up of loans to Partner Organizations:</b>			
AGAHE		42,083	22,356
Al Mehan Rural Development and Welfare Organization		120,272	66,261
ASA Pakistan Limited		103,115	133,875
Asaabah		197,146	209,546
Batbaan Enterprise Development Forum		21,353	11,710
Baudiae		67,321	34,630
BRAC Pakistan		673,360	761,300
Bukash Foundation		31,425	10,000
Bunyad Literacy Community Council		24,617	27,500
Centre for Women Cooperative Development		312,771	166,994
Chenab Development Foundation		-	10,600
Community Support Concern		328,545	244,194
Development Action for Mobilization and Emancipation		983,166	662,459
Dia Welfare Organization		61,275	16,760
Farmers Friend Organization		185,650	113,190
Ghaz Brotha Tareeqat Idras		28,464	14,602
Jinnah Welfare Society		361,915	361,388
Kawayan Community Development Organization		11,856	15,170
Kauft Foundation		2,350,000	2,748,750
Khujii Cooperative Society		11,420	7,920
Khushtian Bank		-	184,053
Khwendo Koi Women and Children Development Programme		10,938	3,490
Kiran Welfare Organization		169	1,500
Mario Rural Development Organization		-	3,615
Mahanj Development Organization		800	761
Mehran Education Society		39,900	23,000
Mozaf Foundation		130,160	54,680
Narowal Rural Development Programme		115,632	36,084
National Rural Support Programme		2,126,748	3,220,548
NRSP Microfinance Bank		1,660,060	1,360,000
Orangji Charitable Trust		324,300	304,150
Organization for Participatory Development		82,128	82,128
Ork Leasing Pakistan Limited		169,116	163,527
Poverty Eradication Network		1,827	2,777
Punjab Rural Support Programme		346,206	307,137
Rural Community Development Society		492,786	492,326
SAATH Development Society		34,702	43,797
Sanaid Rural Support Programme		17,000	10,000
Save The Poor		13,373	19,549
Sayya Foundation		11,360	6,980
Shindai Rural Development Organization		47,260	23,288
Shin Sachal Sami Welfare Association		46,825	16,333
Sindh Agricultural & Forestry Workers Coordinating Organization		407,953	305,123
Sindh Rural Support Organization		583,600	494,593
Sindh Rural Support Programme		-	200
Sion Valley Development Programme		96,725	41,675
Swabi Women Welfare Society		43,667	23,569
Thardeep Rural Development Programme		976,033	517,750
Villagers Development Organization		48,450	28,517
Women Social Organization		30,211	17,956
Young Pioneers Society		7,180	7,240
		13,209,931	13,433,563

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0.2 The Company disbursed microcredit loans to POs under respective Financing Agreements at service charges based upon a range of benchmarks including KUOR. These loans are secured through letter of hypothecation on receivables of POs created out of financing provided by 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 loan 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 years under the respective financing agreements signed between the Company and the POs. During the year the loans were disbursed at a service charge ranging from 4.00% to 10.59% (2012: 8% to 14.25%). Effective April 1, 2013 rates for service charges are revised on the basis of classification of POs into "for-profit" and "not-for-profit" and further sub categories into geographical areas.

	2013		2012	
	(Rupees in '000)			
	Specific	General	Total	Total
Opening balance	209,547	671,679	881,226	637,760
Provision/(reversal) during the year	(12,400)	-	23,457	223,457
Closing balance	197,147	671,679	860,626	861,226

Note	2013	2012
	(Rupees in '000)	
13.433,863	11,756,363	
19,168,615	13,149,241	
23,602,238	24,904,004	
(10,392,397)	(11,471,021)	
13,209,931	13,433,583	
(868,828)	(681,226)	
12,431,105	12,552,357	

#### 8.4 Movement of loans to Partner Organizations

Opening Balance	13,433,863	11,756,363
Disbursements during the period	19,168,615	13,149,241
Recoveries during the period	23,602,238	24,904,004
Less Loan loss provision	(10,392,397)	(11,471,021)
	13,209,931	13,433,583
	(868,828)	(681,226)
	12,431,105	12,552,357

#### 9. SHORT TERM INVESTMENTS

Specific to projects	9.1	3,265,000	1,845,000
Specific to grant fund	9.2	4,567,275	-
Specific to others	9.3	3,803,720	4,564,902
		11,435,995	6,409,902

Note	2013	2012
	(Rupees in '000)	
9.3 Specific to others		
Term Deposit Receipts (TDR)		
Government Treasury Bills		
Pakistan Investment Bonds (PIBs)		
	9.3.1	1,611,857
	9.3.2	1,992,163
	9.3.3	3,093,720
		4,654,802

11/-

- 9.1 These represent investments in term deposit receipts maturing within one year from the date of investment at annual markup rates ranging from 6.50% p.a. to 10.50% p.a. (2012: 10.50% p.a. to 11.76% p.a.). These funds were placed with commercial banks as cash collateral for providing a partial guarantee to the Banks to facilitate lending to following Microfinance Institutions. These deposits include Rs 1,909,030 thousand (2012: Rs 1,641,000 thousand) invested out of funds received from IFAD in respect of Programme for Increasing Sustainable Microfinance (PRISM) activities.
- 9.2 These funds are invested in term deposit receipts maturing within one year from the date of investment, at annual mark up rates ranging from 8.90% p.a. to 10.25% p.a. (2012: 11.24% p.a. to 14.00% p.a.).

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- 9.1 These represent investments in term deposit receipts maturing within one year from the date of investment at annual markup rates ranging from 6.50% p.a. to 10.50% p.a. (2012: 10.50% p.a. to 11.76% p.a.). These funds were placed with commercial banks as cash collateral for providing a partial guarantee to the Banks to facilitate lending to following Microfinance Institutions. These deposits include Rs 1,909,030 thousand (2012: Rs 1,641,000 thousand) invested out of funds received from IFAD in respect of Programme for Increasing Sustainable Microfinance (PRISM) activities.

Microfinance institutions	Investment amount		Running Finance Facility 2013 2012 Rupees '000
	2013 Rupees '000	2012 Rupees '000	
Kashf Foundation	1,000,000	500,000	1,560,000
National Rural Support Programme	1,250,000	500,000	1,650,000
Crang Charitable Trust	180,000	160,000	150,000
BRAC Pakistan	250,000	250,000	425,000
Sindh Agricultural & Forestry Workers Coordinating Organization	-	50,000	60,000
Asaah Jinnah Welfare Society	40,000	50,000	55,000
Rural Community Development Society	125,000	25,000	168,000
Development Action for Mobilization and Emancipation	160,000	160,000	225,000
Community Support Concern Thardeep Rural Development Program	50,000	50,000	75,000
Punjab Rural Support Program	100,000	100,000	150,000
Total	3,205,000	1,845,000	2,625,000

- 9.3.1 These funds are invested in term deposit receipts maturing within one year from the date of investment, at annual mark up rates ranging from 8.7% p.a. to 12.0% p.a. (2012: 11.24% p.a. to 13.28% p.a.).
- 9.3.2 These funds are invested in Government Treasury Bills maturing within one year from the date of investment, at annual mark up rates ranging from 6.92% p.a. to 9.44% p.a. (2012: 11.78% p.a. to 13.28% p.a.).

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9.3.3 Specific to others include investments of Rs 1,984,989 thousand (2012: Rs 2,015,037 thousand) (equivalent to 15% (2012: 15%) of the loan receivable from Partner Organizations) to safeguard against any major default on loan receivable and provide capital adequacy; and Rs 1,006,731 thousand (2012: Rs 2,549,865 thousand) are available for lending activities.

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>10. ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>				
Loans and advances - considered good	10.1	10.181	16,015	
Employees/consultants		2,073	1,632	
Suppliers		21,684	17,647	
Deposits		1,150	1,185	
Income tax refundable		58,273	51,906	
Other receivables - considered good		1,471	2,476	
		<u>83,755</u>	<u>73,416</u>	

10.1 This includes advance salary loans and car loans given to the employees of the Company, carrying annual mark up of 3% p.a. (2012: 3% p.a.) and 8% p.a. (2012: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>11. PROFIT / SERVICE CHARGES RECEIVABLE</b>				
Profit receivable on				
Endowment fund investments		35,366	26,784	
Term deposit receipts / saving accounts		168,540	164,773	
Short term investments specific to grant based activities		183,427	177,217	
Project bank accounts/investments		101,444	58,997	
Service charge receivable on loans to PIA - net of provision for doubtful receivable of Rs 45,421 thousand (2012: Rs Nil)		486,767	427,771	
		<u>359,697</u>	<u>340,223</u>	
		<u>840,434</u>	<u>767,994</u>	

11.1 This includes advance salary loans and car loans given to the employees of the Company, carrying annual mark up of 3% p.a. (2012: 3% p.a.) and 8% p.a. (2012: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>12. BANK BALANCES - SPECIFIC TO PROJECTS</b>				
Cash at banks - current accounts		4,671,859	1,492,802	
Specific to IDA III		1,062	109,913	
Specific to IFAD - PRISM		1,986	41,982	
Specific to KfW - Livelihood and community infrastructure		18,180	-	
Specific to Renewable energy		80,037	92,310	
Specific to Benazir Income Support Program (BISP)		-	21,161	
Specific to CFCP grant		4,772,937	<u>1,758,184</u>	
Cash at banks - deposit accounts		96,296	99,446	
Specific to UNIDA grant		327,091	409,771	
Specific to Benazir Income Support Program (BISP)		423,877	509,218	
		<u>5,196,814</u>	<u>2,265,402</u>	

12.1 As per the financing agreements signed with various donors, PPAF is allowed to draw funds from the special accounts for carrying out eligible categories of expenses.

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		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>13. CASH AND BANK BALANCES</b>				
Cash in hand			6,330	6,219
Cash at banks - current accounts			87,268	141,384
Cash at banks - deposit accounts			93,606	141,803
			<u>93,603</u>	<u>141,803</u>

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>13.1 ENDOWMENT FUND</b>				
The balances in deposit accounts carry average mark up of 8 % p.a. (2012: 11 % p.a.).				
The balances include Rs 21,167 thousand related to Committee Encouraging Corporate Philanthropy (CECP) project deposited in operational account on the closure of City Bank operations in Pakistan.				

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>14. LONG TERM LOANS - Unsecured</b>				
Government of Pakistan - PPAF - I (IDA financing)			15.1	1,973,535
Government of Pakistan - PPAF - II (IDA financing)			15.2	8,056,206
Government of Pakistan - (IFAD financing-MIOP)			15.3	1,144,527
Government of Pakistan - (IFAD financing-PRISM)			15.4	1,980,036
Government of Pakistan- PPAF - III (IDA financing)			15.5	2,445,533
Less: Amount payable within next twelve months shown as current liability				<u>15,618,837</u>
				<u>161,5431</u>
				<u>1487,610</u>
				<u>15,303,406</u>
				<u>15,305,301</u>

		Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>16. LONG TERM LOANS - Secured</b>				
Deferred benefit of below market rate of interest on Government of Pakistan - PPAF - II (IDA financing)			15.6.1	(1,830,404)
Opening balance				1,179,819
Amount repaid				(1,830,404)
Adjustment on finalization of repayment schedule with GoP - note 28				13,173,092
				<u>13,679,498</u>

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 \$6.5 million over a period of five years to be utilized by GoP through the Company.

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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 amount of loan is repayable 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 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry 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.

	2013	2012
	(Rupees in '000)	
15.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	8,414,199	8,313,889
Adjustment on finalization of repayment schedule with GOP - note 28	(357,993)	279,306
Amount repaid	<u>8,066,208</u>	<u>(178,985)</u>
	<u>8,414,199</u>	<u>8,414,199</u>

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 188.1 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 50% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal amount of loan is repayable 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 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry 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.

	2013	2012
	(Rupees in '000)	
15.3 Government of Pakistan - (IFAD financing MiOP)		
Opening balance	1,144,527	1,137,540
Amount received	<u>1,144,627</u>	<u>6,997</u>
	<u>1,144,627</u>	<u>1,144,627</u>

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 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 amount of loan is repayable 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, 2026. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time, payable on June 01 and December 01 each year.

	2013	2012
	(Rupees in '000)	
15.4 Government of Pakistan - (IfAD financing - PRISM)		
Opening balance	1,085,000	1,279,000
Amount received	114,036	600,000
	<u>1,099,036</u>	<u>1,879,000</u>
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 22.05 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 amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments commencing from December 01, 2016 and ending on June 01, 2030. These loans carry a service charge of 0.75 % per annum on the principal amount of loan withdrawn and outstanding from time to time, payable on June 01 and December 01 each year.		
Note	2013	2012
	(Rupees in '000)	
15.5 Government of Pakistan- PPAF - III (IDA financing)		
Opening balance	2,296,033	1,110,600
Amount received	2,149,500	1,185,533
	<u>2,445,533</u>	<u>2,296,033</u>
Less: Deferred benefit of below market rate of interest on long term loan	16.6.1	(1,830,404)
	<u>(1,815,129)</u>	<u>(1,779,819)</u>
The Financing Agreement was signed between IDA and the GOP on June 9, 2009, in respect of PPAF III. As per Agreement IDA shall make available to GOP a sum of Special Drawing Rights (SDR) of 167.2 million over a period of five years to be utilized by GOP through the Company.		
Under Subsidiary Loan Agreement (SLA) dated June 15, 2009 executed between GOP and the Company, the GOP agreed to provide 13% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, payable on each June 15, and December 15 commencing from June 15, 2011 and ending on December 15, 2031. Each installment upto and including the installment payable on December 15, 2017 shall be equal to 2.083% of such principal amounts and each installment thereafter shall be equal to 4.167% of such principal amount. These loans carry 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 changes are payable on June 15 and December 15 each year.		
15.6.1 The loan is carried at present value computed at market based interest rate. The difference between present value and loan proceeds is recognized as deferred benefit. The deferred benefit is recognized as income using the effective interest method over the period of the loan. Movement of deferred benefit during the year is as follows:		
Deferred benefit as at July 1	1,779,819	1,813,163
Additions during the year	112,072	(51,497)
Amortization during the year	(53,294)	(53,294)
Balance as at June 30	<u>1,830,404</u>	<u>1,779,819</u>

<p><b>16.2 Grants from Government of Pakistan - IDA III</b></p> <p>Financing Agreement was signed between GoP and IDA on June 9, 2009 and Subsidiary Loan Agreement between GoP and PPAF on June 16, 2009 for PPAF-III project. The project focuses on empowering the targeted poor with sustainable livelihood. This would include stronger approaches to building institutions of the poor and to livelihood enhancement that would enable poor households and communities to be more successful at attracting financial and other service providers.</p>	<p><b>16.3 Grants from USAID/Pakistan</b></p> <p>The closing balance represents revolving fund for disbursement to POs. These funds were received as grant from U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan) for Enterprise Development Facility.</p>	<p><b>16.4 Grants from Government of Pakistan - USDA</b></p> <p>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 agreed to provide 37,800 metric tons of soybean oil to GoP. The GoP authorized Trading Corporation of Pakistan to receive and monetize the commodity and use the sale proceeds to finance PPAF to implement long-term poverty reduction programmes, including small-scale infrastructure programmes and sustainable agriculture development programmes.</p>	<p><b>16.5 Grants from Government of Pakistan - IFAD (PRISM)</b></p> <p>Programme Loan Agreement was signed between GoP and IFAD on November 22, 2007 and Subsidiary Financing Agreement between GoP and PPAF on January 12, 2008 for Programme for Increasing Sustainable Microfinance (PRISM). The project focuses on provision of microcredit to the poor on a self-sustaining basis and envisages developing access to banks/financial institutions for future growth and expansion.</p>	<p><b>16.6 Grants from Government of Pakistan - KfW Renewable Energy</b></p> <p>On June 22, 2012 PPAF and German Financial Cooperation - KfW signed financing and project agreement under which KfW has agreed to make available an amount of EUR 10 million to the Company as grant on non reimbursable basis for the development of min/micro hydro power plants, solar lighting systems, integrated water efficient solar irrigation systems and pilot projects in renewable energy in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). The agreement will expire on June 30, 2015.</p>	<p><b>16.7 Grants from Government of Pakistan - KfW Livelihood</b></p> <p>On June 12, 2010 PPAF and German Financial Cooperation - KfW signed loan, financing and project agreement under which KfW has agreed to make available an amount of EUR 31,662,661 to the Company as grant on non reimbursable basis for the support of livelihood measures and the promotion of small community economic and social infrastructure in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). The agreement will expire on December 31, 2012.</p>
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#### 16. DEFERRED LIABILITIES - GRANT FUND

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Government of Pakistan - IDA III	16.2	4,567,598	1,392,948
US Agency for International Development (USAID)/Pakistan	16.3	115,984	115,984
Government of Pakistan - USDA	16.4	90,294	96,526
Government of Pakistan - IFAD (PRISM)	16.5	(82,284)	105,197
Government of Pakistan - KfW Renewable Energy	16.6	18,180	-
Government of Pakistan - KfW Livelihood	16.7	(150,130)	37,345
Committee Encouraging Corporate Philanthropy (CECP)	16.8	21,668	21,668
Benazir Income Support Program (BISP)	16.9	453,661	462,347
Others		22,392	10,376
		<b>5,057,363</b>	<b>2,242,391</b>

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

#### 16.1 Movement during the year

	IDA III	USAID	USDA	IFAD PRISM	KfW Renewable Energy	KfW Livelihood	CECP	BISP	Others	Total
	(Rupees in '000)									
Opening balance	1,392,948	115,984	96,526	105,197	-	37,345	21,668	462,347	10,376	2,242,391
Amount received during the year	6,786,443	-	3,438	380,860	51,660	348,196	-	1,304,152	19,346	8,894,095
	8,179,391	115,984	99,964	486,057	51,660	385,541	21,668	1,766,499	29,722	11,138,486
Less: Disbursements for										
Water and infrastructure	988,247	-	9,670	-	-	245,006	-	-	-	1,242,923
Social sector development	662,750	-	-	-	-	94,999	-	-	-	757,749
Capacity/institutional building	86,193	-	-	568,341	33,480	45,389	-	-	-	733,403
Social mobilization	498,903	-	-	-	-	-	-	-	-	498,903
Livelihood enhancement and protection	1,277,164	-	-	-	-	150,277	-	-	-	1,427,441
Washeed-e-Haq Program	-	-	-	-	-	-	-	-	-	1,312,838
Micro credit access	98,538	-	-	-	-	-	-	-	-	98,538
Projects	-	-	-	-	-	-	-	-	7,330	7,330
16.10	3,611,793	-	9,670	568,341	33,480	535,671	-	1,312,838	7,330	6,079,123
	4,567,598	115,984	90,294	(82,284)	18,180	(150,130)	21,668	453,661	22,392	5,057,363

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#### 16.8 Grants from Committee Encouraging Corporate Philanthropy (CECP)

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 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.

#### 16.9 Benazir Income Support Program (BISP)

Benazir Income Support Program (BISP) signed an agreement with PPAF on September 28, 2010. Under the agreement PPAF shall provide enterprise development training to 18,000 participants and skill training to 13,500 participants of BISP's Wasai-e-Haq program. The project had total cost of Rs Blvd 4 million and initially for a period of two years. The specific objective of the enterprise and skill development training is to enhance the capacity of BISP's Wasai-e-Haq beneficiaries or their nominees so that they can properly utilize the amount received by them for setting up business.

On June 7, 2011 under Amendment 1 to the contract, PPAF will receive a lump sum amount of Rs 49,133 for each participant trained, as against previous terms involving reimbursement of expenses for training from BISP.

Every beneficiary having successfully undergone enterprise and skill training will be entitled for a maximum of Rs 300,000 as a loan from BISP on terms and conditions laid down by BISP from time to time. For the purpose of disbursement of amounts to beneficiaries, BISP shall transfer the funds into a bank account specifically opened by PPAF solely for onward disbursements to Wasai-e-Haq beneficiaries according to the beneficiaries lists issued and verified by BISP from time to time. On the basis of beneficiary list provided by BISP, PPAF shall pay order prepared in the beneficiaries' name and hands over the pay order to BISP for distribution of pay order to the beneficiary. The beneficiaries will repay the loan directly to BISP without any involvement of PPAF. Further, there is no involvement of PPAF in selection of beneficiaries and disbursements to the beneficiary.

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#### 16.10 Break up of disbursements to PPAF

	Break up of disbursements to PPAF						Break up of disbursements to PPAF								
	Disbursements to PPAF						Disbursements in Q3								
	IDA III	IDA	IFAD	KW	IFAD	KW	IDA III	IDA	IFAD	KW	IFAD	KW	Others	2013	2012
<b>Disbursements to PPAF</b>															
Aman Development Organization	98,701	-	-	-	-	-	98,701	-	-	-	-	-	-		
Apne Apne	29,395	-	-	13,800	-	-	42,795	-	-	-	-	-	-		
Apne Apne Education Support Programme	4,981	-	-	-	-	-	-	-	-	-	-	-	-		
Apne Apne Health Support Programme	2,985	-	-	-	-	-	-	-	-	-	-	-	-		
APNPs-Veere and Samanvay Extension Programme	38,311	-	-	-	-	-	-	-	-	-	-	-	-		
Apne Apne Rural Support Programme	56,935	9,076	-	-	-	-	-	-	-	-	-	-	-		
Al Marnas Rural Development and Welfare Organization	-	-	26,000	-	-	-	-	-	-	-	-	-	-		
ASA Pakistan Ltd.	10,287	-	-	-	-	-	-	-	-	-	-	-	-		
Asia Foundation Pakistan - Centre for Development Empowerment	10,249	-	-	-	-	-	-	-	-	-	-	-	-		
AZAT Foundation	6,848	-	-	-	-	-	-	-	-	-	-	-	-		
AHD	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bawali Bhi	37,873	-	-	-	-	-	-	-	-	-	-	-	-		
Bawali	3,907	-	17,200	-	-	-	-	-	-	-	-	-	-		
Bazaristan Environmental and Educational Journey	4,016	-	-	-	-	-	-	-	-	-	-	-	-		
Baziray Community Council	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bazaristan Rural Development Society	2,537	-	-	-	-	-	-	-	-	-	-	-	-		
BRAC - Pakistan	59,840	-	-	-	-	-	-	-	-	-	-	-	-		
Brahmputra Rural Development & Research Society	28,423	-	-	-	-	-	-	-	-	-	-	-	-		
Brahmputra Rural Development Society	27,841	-	-	-	-	-	-	-	-	-	-	-	-		
Brahmputra Rural Support Programme	250,264	-	-	-	-	-	-	-	-	-	-	-	-		
Climate Development Foundation	48,896	-	-	-	-	-	-	-	-	-	-	-	-		
Change in Education	-	-	-	-	-	-	-	-	-	-	-	-	-		
Community Mobilization and Development Organization	88,485	-	113,600	-	8,640	-	16,066	-	16,120	-	83,095	-	118,705		
Community Project Concern	-	-	-	-	-	-	-	-	-	-	-	-	-		
Community Support Foundation	8,748	-	-	-	-	-	-	-	-	-	-	-	-		
Community Unit Programme	68,773	-	-	-	-	-	-	-	-	-	-	-	-		
Development Assistant for Multination and Emigration	-	-	-	-	-	-	-	-	-	-	-	-	-		
ENVIRON An Association for Rural Development	3,246	-	-	-	-	-	-	-	-	-	-	-	-		
Development in Money	6,819	-	-	-	-	-	-	-	-	-	-	-	-		
Environment Protection Society	38,032	-	-	-	-	-	-	-	-	-	-	-	-		
Farmers Development Organization	23,613	-	-	-	-	-	-	-	-	-	-	-	-		
Family Educational Services Foundation	19,459	-	-	-	-	-	-	-	-	-	-	-	-		
Farmers Friend Organization	13,659	-	26,000	-	-	-	-	-	-	-	-	-	-		
Family Planning Association of Pakistan	-	-	76,960	-	-	-	-	-	-	-	-	-	-		
Faridpur Anjuman for Rural Development	-	-	-	-	-	-	-	-	-	-	-	-	-		
Ghulam Ali Khan Welfare Trust	1,686	-	-	-	-	-	-	-	-	-	-	-	-		
Health & Welfare Organization	17,720	-	-	-	-	-	-	-	-	-	-	-	-		
Health and Nutrition Development Society	53,200	-	-	-	-	-	-	-	-	-	-	-	-		
Healthline	6,890	-	-	-	-	-	-	-	-	-	-	-	-		
Hospital White Foundation	2,880	-	-	-	-	-	-	-	-	-	-	-	-		
India Army Trust	28,227	-	-	-	-	-	-	-	-	-	-	-	-		
India Resource Centre	68,077	-	-	-	-	-	-	-	-	-	-	-	-		
Islamia Welfare Society	2,810	-	-	-	-	-	-	-	-	-	-	-	-		
Karachi Community Development Organization	-	-	100,000	-	-	-	-	-	-	-	-	-	-		
Kasif Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-		
Khanda Kaur Women and Children Development Programme	10,445	-	-	-	-	-	-	-	-	-	-	-	-		
Lahore Foundation	19,618	-	-	-	-	-	-	-	-	-	-	-	-		
Latitude	121,979	8,870	37,840	8,090	106,116	-	26,887	2,143	1,603,320	1,780,987	-	-	-		
Leed Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-		

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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
	USAID	IFAD	IMF	IRD	IRD	IRD	IRD	IRD	IRD	IRD	IRD	IRD	IRD
(Amounts in '000)													
Balance brought forward	1,221,979	9,670	31,040	6,490	166,115	26,843	6,143	1,800,320	1,760,965	-	-	-	-
Malta Foundation	12,467	-	600	-	29,881	-	-	15,407	13,428	-	-	-	-
Master Education Society	26,108	-	600	-	16,440	-	-	800	7,844	-	-	-	-
Mastercard and Teacher Protection Organization	-	46,426	-	-	-	-	-	65,000	6,694	-	-	-	-
Mazdoor Institute of Educational Development	27,483	-	25,000	-	-	-	-	62,056	63,310	-	-	-	-
Meete Foundation	37,427	-	-	-	-	-	-	52,893	12,264	-	-	-	-
Micro Rural Development Organization	-	-	25,000	-	-	-	-	25,000	13,862	-	-	-	-
National Rural Employment Programme	561,397	-	3,865	6,060	66,077	-	-	618,117	1,477,764	-	-	-	-
Organisation for Participatory Development	-	-	17,860	-	-	-	-	17,860	1,600	-	-	-	-
Poverty Eradication Initiative	36,411	-	-	-	-	-	-	36,411	29,004	-	-	-	-
Prakhar Foundation (Fighting for Business)	9,392	-	-	-	-	-	-	9,392	9,815	-	-	-	-
Prakhar Pragya Rural Development Society	61,084	-	-	-	-	-	-	80,084	87,111	-	-	-	-
Prakash Mahadevji Foundation	-	-	11,018	-	-	-	-	71,018	26,241	-	-	-	-
Pravasi Bharatiya Kendra	40,630	-	1,000	-	-	-	-	41,630	26,824	-	-	-	-
Research Advocacy & Health Strengthening	-	-	-	-	-	-	-	-	-	-	-	-	-
Ashram (Chennai) Limited	8,866	-	-	-	-	-	-	-	-	-	-	-	-
Rural Community Development Society	43,458	-	-	-	-	-	-	-	-	-	-	-	-
Rural Development Project	-	-	-	-	-	-	-	-	-	-	-	-	-
Save Action Bureau for Assistance in Welfare and Organisation (SAWFO)	68,095	-	8,870	28,880	-	-	-	116,745	26,989	-	-	-	-
School Agriculture & Primary Workers Coordinating Organisation	236,642	-	-	-	-	-	-	270,343	204,470	-	-	-	-
Sohail Development Foundation	32,046	-	-	-	-	-	-	-	-	-	-	-	-
South Asia Partnership Pakistan	32,517	-	10,617	-	-	-	-	108,517	83,568	-	-	-	-
South Rural Support Programme	309,094	-	-	-	-	-	-	427,048	207,697	-	-	-	-
Soraya Foundation	1,892	-	-	-	-	-	-	-	1,282	2,826	-	-	-
Society for Conservation and Protection of Environment	3,303	-	-	-	-	-	-	-	3,203	16,278	-	-	-
Society for Environment Awareness	20,840	-	-	-	-	-	-	-	20,840	1,589	-	-	-
Sustainable Environment Education, Rural Infrastructure, Veterinary Care & Environment friendly for Human Environment and Rural Development	27,281	-	-	-	-	-	-	-	50,735	50,514	-	-	-
British Royal Support Programme	820	-	-	-	-	-	-	-	820	8,000	-	-	-
SGS Children's Village	31,656	-	-	-	-	-	-	-	35,845	10,820	-	-	-
Strengthening Partnership Organization	28,267	-	-	-	-	-	-	-	23,290	41,544	-	-	-
Strengthen Rural Environment Organization	1,655	-	-	-	-	-	-	-	28,867	15,026	-	-	-
British Royal Support Organization	94,273	-	-	-	-	-	-	-	1,655	8,134	-	-	-
Singh Development Foundation	55,558	-	31,808	-	-	-	-	-	99,931	12,264	-	-	-
Tenon Valley Development Programme	8,726	-	14,800	-	-	-	-	-	55,559	21,686	-	-	-
Support With Working Solutions	17,878	-	-	-	-	-	-	-	35,934	8,679	-	-	-
SAHER	4,873	-	-	-	-	-	-	-	113,448	87,730	-	-	-
SAHAJ	69,040	-	-	-	-	-	-	-	4,273	-	-	-	-
Tarika Foundation	25,026	-	-	-	-	-	-	-	10,280	-	-	-	-
Therapy Nurse Environment Programme	267,973	-	3,016	-	-	-	-	-	25,026	285,774	-	-	-
Tirthan	4,869	-	-	-	-	-	-	-	270,879	279,709	-	-	-
Villages Development Organisation	5,674	-	-	-	-	-	-	-	4,866	-	-	-	-
Women Social Organisation	1,902	-	-	-	-	-	-	-	5,674	10,364	-	-	-
WEFIS	4,880	-	-	-	-	-	-	-	1,902	2,644	-	-	-
ChildNet	-	-	-	-	-	-	-	-	4,860	-	-	-	-
MFU (Marronos)	873	-	-	-	-	-	-	-	3,656	-	-	-	-
LPA	-	-	-	-	-	-	-	-	873	8,653	-	-	-
Payment to beneficiaries through MNP	26,931	-	2,916	-	-	-	-	613,026	613,026	-	144,960	-	-
Direct expenses on project activities	-	-	-	-	-	-	-	856,161	688,963	-	10,254	-	-
Others	-	-	-	-	-	-	-	-	-	-	10,823	-	-
	3,631,676	1,012,000	329,541	33,420	553,521	312,735	7,530	2,039,013	8,039,611	-	-	-	-

	As at July 01, 2012	Amount Received as income	Expenditure from grant recognized as income	As at June 30, 2013
	(Rupees in '000)			
<b>Government of Pakistan (GoP)</b>				
Capacity Building - IDA II	1,049	-	1,020	29
Capacity Building - IDA III	-	123,844	123,844	-
Capacity Building - IDA (RNRI)	213	-	210	3
Capacity Building - IDA (Social mobilization)	4,632	-	2,560	2,072
Capacity Building - IDA (Disability)	1,710	-	1,154	556
Capacity Building - IFAD (MOP)	776	-	269	517
Capacity Building - IFAD (PRISM)	-	35,946	35,946	-
Capacity Building - KfW	486	24,267	23,791	982
Capacity Building - USDA	3,287	-	1,540	1,717
	<b>2013</b>	<b>12,113</b>	<b>184,057</b>	<b>180,314</b>
	<b>2012</b>	<b>31,427</b>	<b>258,986</b>	<b>278,299</b>
				<b>12,113</b>
<b>18. SERVICE CHARGES PAYABLE</b>				
These represent service charges payable to GoP at the rate of 0.75% p.a. (2012: 0.75% p.a.) on the principal amount of long term loan outstanding withdrawn from time to time.				
	Note	2013	2012	
		(Rupees in '000)		
<b>19. ACCRUED AND OTHER LIABILITIES</b>				
Consultancy fee payable		5,990	2,967	
Unamortized discount on purchase of Pakistan Investment Bonds	19.1	44,219	44,176	
Accrued expenses and other liabilities		37,135	25,197	
		<b>87,344</b>	<b>72,340</b>	
19.1 Amortization of discount for the year amounts to Rs 5,767 thousand (2012: Rs 4,260 thousand).				

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**20. DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY FUND**

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

	2013 (Rupees in '000)	2012 (Rupees in '000)
Present value of defined benefit obligation	49,264	37,561
Fair value of plan assets	(25,411)	(26,124)
Net actuarial gains / (losses) not recognised	(13,763)	(12,292)
Movement in net liability/(asset) recognised	10,060	(855)
<b>Opening net (asset/liability)</b>	<b>(855)</b>	<b>-</b>
Expense for the year	13,816	8,624
Contribution for the year/benefits paid on behalf of the fund	(2,871)	(9,679)
<b>Closing net (asset)/liability</b>	<b>10,060</b>	<b>(855)</b>

20.2 Change for the Defined Benefit Plan

	2013 (Rupees in '000)	2012 (Rupees in '000)
Current service cost	10,768	8,236
Interest cost	4,616	3,326
Expected return on plan assets	(3,176)	(3,159)
Actuarial (gains)/losses recognised	1,707	(42)
<b>Change in the present value of defined benefit obligation</b>	<b>13,616</b>	<b>8,624</b>
Opening defined benefit obligation	37,561	26,587
Current service cost	10,768	8,236
Interest cost	4,616	3,326
Benefit paid	(2,871)	(9,679)
Actuarial (gains)/losses on obligation	(710)	7,081
Closing defined benefit obligation	49,264	37,561

20.5 Changes in fair value of plan asset

	2013 (Rupees in '000)	2012 (Rupees in '000)
Opening fair value of plan assets	26,134	23,212
Expected return on plan assets	3,175	3,189
Contribution received/repayments paid by Company on behalf of the fund	2,671	9,679
Benefit paid	(2,871)	(9,679)
Actuarial loss on assets	(3,886)	(247)
Closing fair value of plan assets	25,411	26,124

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

	2013 (Rupees in '000)	2012 (Rupees in '000)
Valuation discount rate	11.5% per annum	12.5% per annum
Salary increase rate	9.5% per annum	12.5% per annum
Expected return on plan assets	12.5% per annum	12.5% per annum

20.7 Amounts for current and previous four annual periods are as follows:

	2013 (Rupees in '000)	2012 (Rupees in '000)	2011 (Rupees in '000)	2010 (Rupees in '000)	2009 (Rupees in '000)
Defined benefit obligation	49,264	37,561	28,597	37,697	26,233
Plan assets	(25,411)	(26,124)	(23,212)	(28,049)	(11,364)
Deficit	23,853	11,437	5,365	9,646	13,669
Experience adjustments on plan liabilities	(710)	7,081	4,619	1,792	4,504
Experience adjustments on plan assets	3,886	247	1,195	910	172

*AB*

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**2013**  
(Rupees in '000)

**2012**  
(Rupees in '000)

**2011**  
(Rupees in '000)

**2010**  
(Rupees in '000)

**2009**  
(Rupees in '000)

**Contingencies and Commitments**

Contingencies

Guarantees to the banks against lending to Microfinance Institutions as given in note 9

Commitments

Aggregate commitments under Financing Agreements with Partner Organizations for:

Loans  
Grants

Community physical infrastructure  
Community building  
Social sector development  
Social mobilization

Livelihood enhancement and protection

9,597,983

6,884,101

10,372,069

19,140,534

**Service Charges on Loans to Partner Organizations**

These represent service charges on loans to PCOs under respective Financing Agreements at rates given in note 8.2.

**2013**  
(Rupees in '000)

**2012**  
(Rupees in '000)

**2011**  
(Rupees in '000)

**2010**  
(Rupees in '000)

**2009**  
(Rupees in '000)

**Profit on Investments**

Specific to Endowment Fund

Specific to projects

Specific to grant fund

Specific to others and saving accounts

596,223

623,777

1,392,164

1,268,696

**Other Income**

Gain on sale of fixed assets

Markup on loans to employees

Others

107,121

168,036

461,672

379,762

1,392,164

1,268,696

232

119

121

616

**2012**  
(Rupees in '000)

**2011**  
(Rupees in '000)

**2010**  
(Rupees in '000)

**2009**  
(Rupees in '000)

**2008**  
(Rupees in '000)

**2007**  
(Rupees in '000)

**2006**  
(Rupees in '000)

**2005**  
(Rupees in '000)

**2004**  
(Rupees in '000)

**2003**  
(Rupees in '000)

**2002**  
(Rupees in '000)

**2001**  
(Rupees in '000)

**2000**  
(Rupees in '000)

**1999**  
(Rupees in '000)

**1998**  
(Rupees in '000)

**1997**  
(Rupees in '000)

**1996**  
(Rupees in '000)

**1995**  
(Rupees in '000)

**1994**  
(Rupees in '000)

**1993**  
(Rupees in '000)

**1992**  
(Rupees in '000)

**1991**  
(Rupees in '000)

**1990**  
(Rupees in '000)

**1989**  
(Rupees in '000)

**1988**  
(Rupees in '000)

**1987**  
(Rupees in '000)

**1986**  
(Rupees in '000)

**1985**  
(Rupees in '000)

**1984**  
(Rupees in '000)

**1983**  
(Rupees in '000)

**1982**  
(Rupees in '000)

**1981**  
(Rupees in '000)

**1980**  
(Rupees in '000)

**1979**  
(Rupees in '000)

**1978**  
(Rupees in '000)

**1977**  
(Rupees in '000)

**1976**  
(Rupees in '000)

**1975**  
(Rupees in '000)

**1974**  
(Rupees in '000)

**1973**  
(Rupees in '000)

**1972**  
(Rupees in '000)

**1971**  
(Rupees in '000)

**1970**  
(Rupees in '000)

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(Rupees in '000)

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**1967**  
(Rupees in '000)

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(Rupees in '000)

**1965**  
(Rupees in '000)

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(Rupees in '000)

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(Rupees in '000)

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(Rupees in '000)

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**1956**  
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(Rupees in '000)

**1954**  
(Rupees in '000)

**1953**  
(Rupees in '000)

**1952**  
(Rupees in '000)

**1951**  
(Rupees in '000)

**1950**  
(Rupees in '000)

**1949**  
(Rupees in '000)

**1948**  
(Rupees in '000)

**1947**  
(Rupees in '000)

**1946**  
(Rupees in '000)

**1945**  
(Rupees in '000)

**1944**  
(Rupees in '000)

**1943**  
(Rupees in '000)

**1942**  
(Rupees in '000)

**1941**  
(Rupees in '000)

**1940**  
(Rupees in '000)

**1939**  
(Rupees in '000)

**1938**  
(Rupees in '000)

**1937**  
(Rupees in '000)

**1936**  
(Rupees in '000)

**1935**  
(Rupees in '000)

**1934**  
(Rupees in '000)

**1933**  
(Rupees in '000)

**1932**  
(Rupees in '000)

**1931**  
(Rupees in '000)

**1930**  
(Rupees in '000)

**1929**  
(Rupees in '000)

**1928**  
(Rupees in '000)

**1927**  
(Rupees in '000)

**1926**  
(Rupees in '000)

**1925**  
(Rupees in '000)

**1924**  
(Rupees in '000)

**1923**  
(Rupees in '000)

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
<b>26. GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	26.1 & 26.3	304,772	236,401
Rent, rates and taxes		26,460	31,042
Repairs and maintenance		9,303	9,086
Traveling, lodging and conveyance		68,627	61,069
Communication		3,852	3,876
Printing and stationery		4,954	4,616
Insurance		11,101	8,778
Vehicles running and maintenance		26,397	24,293
Utilities		4,658	4,085
Legal and professional charges		3,930	2,581
Auditor's remuneration	25.4	4,640	4,740
Advertisement		1,961	2,736
Media projection		3,300	6,749
Newspapers, books and periodicals		894	765
Depreciation		29,466	26,183
Amortization		3,262	2,790
Security services		2,691	1,949
Office shifting and related expenses		-	8,085
Others		6,238	5,671
		<u>509,426</u>	<u>435,416</u>

25.1 The aggregate amounts charged in respect of remuneration of Chief Executive Officer were as follows:

Managerial remuneration  
Contribution to Staff Provident Fund

16,167

13,464

2,081

460

10,238

13,923

In addition, the Chief Executive Officer is provided medical insurance, car accommodation/house rent allowance, Gratuity and provident fund are payable to the Chief Executive Officer in accordance with the terms of employment.

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

25.3 This includes Rs 33,280 thousand (2012 : Rs 13,691 thousand) in respect of employees' retirement benefits.

**2013**

**2012**

(Rupees in '000)

1,500

1,395

2,900

2,635

240

710

4,840

4,740

108,003

202,331

353,669

176,287

25.5 General and administration expenses include Rs 76,003 thousand (2012: Rs 115,208 thousand) incurred on different programme activities as disclosed in note 17.

Abd.

		2013 (Rupees in '000)	2012 (Rupees in '000)
<b>26. SEMINARS, WORKSHOPS AND TRAININGS</b>			
Training		16,261	15,040
Seminar and workshops		21,338	25,378
		<u>36,599</u>	<u>40,316</u>
Seminars, workshops and training expenses include Rs 16,945 thousand (2012: Rs 4,922 thousand) incurred on different programme activities as disclosed in note 17.			
<b>27. TECHNICAL AND OTHER STUDIES</b>			
Poverty score card		-	41,516
General		102,697	57,212
		<u>102,697</u>	<u>98,450</u>
Technical and other studies include Rs 90,466 thousand (2012: Rs 156,119 thousand including Rs 65,868 thousand related to prior years) incurred on different programme activities as disclosed in note 17.			
<b>28. PROJECT AND RELIEF ACTIVITIES</b>			
Flood relief		89,319	202,331
Project and other activities		18,684	-
Project activities for PPAF II		-	279,306
Project activities for PPAF I		-	<u>(10,320)</u>
		<u>108,003</u>	<u>472,117</u>
<b>29. PROVISION AGAINST LOANS/SERVICE CHARGES</b>			
Provision/(reversal) against loans to POs		(12,400)	223,457
Provision against service charges receivable		45,421	-
		<u>33,021</u>	<u>223,457</u>
<b>30. FINANCIAL CHARGES</b>			
On long term loans		90,652	112,123
Impaired interest on below market rate long term loan		6,487	33,334
Bank charges		731	2,299
		<u>16,170</u>	<u>147,756</u>
<b>31. TRANSFER FROM ACCUMULATED SURPLUS TO RESERVE FOR GRANT BASED ACTIVITIES</b>			
Income earned during the period on grant fund investments		461,672	379,762
Contribution from individual donor		-	1,356
		<u>461,672</u>	<u>381,118</u>
Less: expenditure on project and relief activities			
Flood relief		-	
		<u>108,003</u>	<u>202,331</u>
		<u>353,669</u>	<u>176,287</u>
<b>32. TRANSACTIONS WITH RELATED PARTIES</b>			
The related parties of the Company comprise the Government of Pakistan, Employees Gratuity Fund, Employees Provident Fund, directors and key management personnel. Transactions with related parties and amounts due from/to related parties are disclosed in the relevant notes to the financial statements.			
			Abd.

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#### 34. 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	Short term rating	2013 Balance Rs in '000	2012 Balance Rs in '000
<b>Investments</b>				
Counterparties with external credit rating	PACRA JCR-VIS Moody's PACRA JCR-VIS	A1+ A-1+ A1 A-2	4,151,660 5,022,572 1,600,000 280,000	2,810,090 4,859,450 500,000 703,198
Securities issued/supported by Government of Pakistan		-	1,902,163	2,354,728
			<u>12,916,395</u>	<u>11,207,466</u>
<b>Bank balances</b>				
Counterparties with external credit rating	PACRA JCR-VIS Moody's PACRA JCR-VIS Standard & Poors PACRA	A1+ A-1+ P-1 A1 A-2 A-1 A2	130,823 5,130,948 663 6,368 16,604 - 114,156 1,047	39,260 2,250,106 628 44 46 - -
Balance with National Saving Centre		-	<u>11</u>	<u>5,280,417</u>
Loans to Partner Organizations	JCR-VIS	A-3	1,425,000	1,282,500
Counterparties with external credit rating		-	<u>10,808,959</u>	<u>11,010,311</u>
Counterparties without external credit rating		**	197,146	269,646
			<u>12,431,100</u>	<u>12,352,357</u>
<b>Profit/service charges receivable</b>				
Counterparties with external credit rating	PACRA JCR-VIS PACRA JCR-VIS	A1+ A-1+ A1 A-2 A-3	170,661 251,002 30,387 9,082 19,986	110,664 169,827 62,904 37,692 -
Securities issued/supported by Government of Pakistan		-	-	-
Counterparties without external credit rating		-	<u>21,777</u>	<u>359,687</u>
			<u>340,464</u>	<u>367,984</u>

\* Counterparties with no defaults in the past.  
\*\* Counterparty overdue for more than 365 days.

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#### 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### 33.1 Financial assets and liabilities

	2013			2012			
	Held to maturity	Loans and receivables	Total	(Rupees in '000)	Held to maturity	Loans and receivables	Total
<b>Financial Assets:</b>							
Maturity upto one year							
Current maturity of long term investments	594,000	-	594,000	3,803,563	-	-	3,803,563
Current maturity of loans to Partner Organizations	-	8,579,876	8,579,876	-	10,360,561	10,360,561	
Short term investments	11,435,995	-	11,435,995	6,409,802	-	-	6,409,902
Advances, deposits and other receivables	-	21,807	21,807	-	19,678	19,678	
Profit/service charges receivable	-	848,434	848,434	-	767,994	767,994	
Bank balances - specific to projects	-	5,196,814	5,196,814	-	2,263,402	2,263,402	
Cash and bank balances	-	93,603	93,603	-	141,893	141,893	
Maturity after one year							
Long term investments	886,400	-	886,400	994,000	-	-	994,000
Long term loans to Partner Organizations	-	3,851,229	3,851,229	-	2,191,796	2,191,796	
	<u>12,916,395</u>	<u>18,591,763</u>	<u>31,508,158</u>	<u>11,207,465</u>	<u>15,745,324</u>	<u>26,952,789</u>	
<b>Financial Liabilities:</b>							
Maturity upto one year							
Deferred liabilities - grant fund	-	5,057,363	5,057,363	-	2,242,391	2,242,391	
Current portion of long term loans	-	615,431	615,431	-	467,610	467,610	
Service and commitment charges payable	-	28,655	28,655	-	35,522	35,522	
Accrued and other liabilities	-	87,344	87,344	-	72,340	72,340	
Maturity after one year but before five years							
Long term loans	-	5,232,382	5,232,382	-	2,309,120	2,309,120	
Maturity after five years							
Long term loans	-	9,771,024	9,771,024	-	13,046,181	13,046,181	
Off balance sheet items:							
Commitments	-	20,792,199	20,792,199	-	18,173,164	18,173,164	
	-	18,372,089	18,372,089	-	19,140,534	19,140,534	

#### 34.1 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

##### 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 organizations, investments and bank balances. The Company is exposed to credit related losses in the event of non-performance by Partner Organizations of micro-credit loans to the extent of Rs 13.30 billion (2012: Rs 13.43 billion) (including loans to three major POs of Rs 5.96 billion, 2012: two major POs of Rs 5.97 billion). The Company controls the credit risk through credit appraisals, assessing the credit-worthiness of POs and creating charge 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) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and investments. The Company's financial position is satisfactory and the Company does not have any liquidity problems. The contractual maturities of financial liabilities are disclosed in note 33.1.

##### c) Market risk

###### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows 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 material foreign currency assets and liabilities.

###### (ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets include balances of Rs 26,824,374 thousand (2012: Rs 24,016,637 thousand) and financial liabilities include balances of Rs 15,618,837 thousand (2012: Rs 15,822,911 thousand) which are subject to interest rate risk. Applicable interest rates for financial assets and financial liabilities have been indicated in respective notes. If interest rates had been 1% higher/lower with all other variables held constant, surplus for the year would have been Rs 112,065 thousand (2012: Rs 81,937 thousand) higher/lower.

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#### (iii) Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

##### d) 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 amortized cost.

#### 34.2 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can achieve its primary objectives, provide benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses in line with the objects of Company.

#### 35. CONTRIBUTORY PROVIDENT FUND

Details of provident fund are as follows:

	<u>2013</u>	<u>2012</u>
	(Rupees in '000)	
a) Size of the fund (total assets)	40,500	9,538
Cost of investments made	35,000	-
Fair value of investments made	35,000	-
Percentage of investments made	%	%
	86	-

b) Breakup of investments - at cost  
National Saving Scheme

c) Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

#### 36. NUMBER OF EMPLOYEES

Total number of employees at the end of the year were 2118 (2012: 223). Average number of employees during the year were 2116 (2012: 207).

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37. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the  
Company on 10 SEP 2013

  
Han

  
Dan Hwang

Chief Executive Officer

  
Han

Chairman





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

The emblem denotes three words: *Ishq, Ilm, Aml*  
meaning passion, knowledge and action – the core  
values driving the institution.

**Pakistan Poverty Alleviation Fund**  
1, Hill View Road, Banigala, Islamabad, Pakistan  
UAN +92-51-111-000-102, Fax +92-51-261-3931-33  
Website: [www.pfaf.org.pk](http://www.pfaf.org.pk)