



Transformative Approaches to Inclusive Growth

Pakistan Poverty Alleviation Fund

ANNUAL REPORT 2015

VISION

- Restoring hope
- Securing the future
- Ending poverty



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.

VALUES

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

Acronyms

AGP	Auditor General of Pakistan	HH	Households (used in table in DPM)
AJK	Azad Jammu and Kashmir	HR	Human Resources
AKRSP	Agha Khan Rural Support Programme	HRE	Hydropower and Renewable Energy
BHU	Basic Health Unit	IA	Internal Audit
BISP	Benazir Income Support Programme	ICGN	International Corporate Governance Network
BoD	Board of Directors	ICT	Information and Communications Technology
BRDS	Badin Rural Development Society	ID	Institutional Development
C&M	Communications and Media	IDC	Italian Development Cooperation
CBDRM	Community Based Disaster Risk Management	IEC	Information, Education, and Communication
CDD	Community Driven Development	IFAD	International Fund for Agricultural Development
CECP	Committee Encouraging Corporate Philanthropy	IPR	Independent Procurement Review
CEO	Chief Executive Officer	IT	Information Technology
CERP	Centre for Economic Research in Pakistan	IUFR	Interim Un-audited Financial Report
CI	Community Institution	IWEI	Integrated Water Efficient Irrigation
CLF	Community Livelihood Fund	KPK	Khyber Pakhtunkwa
CMDO	Community Motivation and Development Organization	LACIP	Livelihood Support & Promotion of Small Community Infrastructure Program
CMT	Certified Master Trainer	LBOD	Left Bank Outfall Drain
CO	Community Organization	LC	Loan Center
CPI	Community Physical Infrastructure	LEED	Livelihood Employment and Enterprise Development
CQA	Compliance and Quality Assurance	LEP	Livelihood Enhancement and Protection
CRM	Corporate Relations Management	LHV	Lady Health Visitors
DDF	District Development Forums	LSO	Local Support Organization
DECRG	World Bank's Development Research Group	M&E	Monitoring and Evaluation
DFID	Department for International Development	MCF	Muslim Charities Forum
DMPP	Drought Mitigation and Preparedness Project	MDG	Millennium Development Goal
DPM	Disaster Preparedness and Management	MER	Monitoring, Evaluation and Research
DPMC	Disaster Preparedness and Management Centers	MF-CIB	Microfinance Credit Information Bureau
DWSS	Drinking Water Supply Scheme	MFI	Microfinance Institution
EAD	Economic Affairs Division	MGPO	Mountain and Glacier Protection Organization
EDT	Enterprise Development Training	MHP	Micro/Mini Hydro Power
EDU	Enterprise Development Unit	MIS	Management Information Systems
EF	Engro Foundation	MoU	Memorandum of Understanding
EHN	Education, Health and Nutrition	MPA	Member of the Provincial Assembly
ESA	Environmental and Social Audit	MSME	Micro, Small, and Medium Enterprises
ESM	Environment and Social Management	NDMA	National Disaster Management Authority
ESMF	Environmental and Social Management Framework	NFC	National Finance Corporation
F&A	Finance and Accounts	NRSP	National Rural Support Programme
FATA	Federally Administered Tribal Areas	NyK	Naukri ya Karobar
FFCL	Fauji Fertilizer Company Limited	ODF	Open Defecation Free
FGD	Focus Group Discussion	PDMA	Provincial Disaster Management Authority
FMCA	Financial Management and Corporate Affairs	PGS	Public Goods and Services
FMIS	Financial Management Information Systems	PHED	Public Health Engineering Department
FSG	Financial Services Group	PICG	Pakistan Institute of Corporate Governance
FY	Financial Year	PIDE	Pakistan Institute of Development Economics
GH	Group Head	PKR	Pakistani Rupee
GoP	Government of Pakistan	PMIFL	Prime Minister's Interest Free Loan
GRI	Global Reporting Initiative		

PMN	Pakistan Microfinance Network
PO	Partner Organization
PPAF	Pakistan Poverty Alleviation Fund
PPL	Pakistan Petroleum Limited
PPR	Program for Poverty Reduction
PRISM	Program for Increasing Sustainable Microfinance
PSC	Poverty Scorecard
RBF	Results Based Framework
RE	Renewable Energy
SAARC	South Asian Association for Regional Cooperation
SADU	Sector Analysis and Development Unit
SBP	State Bank of Pakistan
SCAD	Sindh Coastal Area Development
SCAN	Sindh Coastal Areas Network
SDPI	Sustainable Development Policy Institute
SECP	Securities and Exchange Commission of Pakistan
SIP	Session Initiation Protocol
SLMP	Sustainable Land Management Project
SOE	Statement of Expenditures
SOP	Standard Operating Procedure
SRD	Sustainable Rural Development (SRD)
SRSO	Sindh Rural Support Organization
SRSP	Sindh Rural Support Programme
TIP	Technologically Innovative Project
ToR	Terms of Reference
ToT	Training of Trainer
TTO	Third Tier Organization
TUP	Targetting the Ultra Poor
UC	Union Council
UCDM	Union Council Disaster Management Committee
UCDO	Union Council Development Organization
UCDP	Union Council Development Plan
UCERT	Union Council Emergency Response Team
USD	United States Dollar
VDO	Village Development Organization
VDP	Village Development Plan
VIP	Visually Impaired Person
VO	Village Organization
VOIP	Voice Over Internet Protocol
WB	World Bank
WECC	Water, Energy and Climate Change
WSP-WB	World Bank Water & Sanitation Program
YPIP	Young Professional Internship Program

Contents

■ Company Information	01
■ 2014-2015 Year in Review	04
■ Successful Approaches to Poverty Graduation	07
■ PPAF at a Glance	10
■ Grants Group	12
Institutional Development	13
Special Initiatives	19
Livelihood Employment and Enterprise Development	24
Community Physical Infrastructure	32
Disaster Preparedness and Management	37
Education Health and Nutrition	41
Renewable Energy	47
Program for Poverty Reduction	49
Livelihood Support and Promotion of Small Community Infrastructure Program	53
Prime Minister's Interest Free Loan Scheme	57
■ Financial Services Group	61
Sector Development Unit	
Microfinance Portfolio Management	
Treasury and Funds Management	
■ Compliance and Quality Assurance	69
Monitoring, Evaluation and Research	70
Environment and Social Management	74
Communications and Media	77
Corporate Relationship Management	79
Information Technology	82
■ Financial Management & Corporate Affairs	84
Finance and Accounts	85
Administration	91
■ Core Support Services	92
Procurement	93
Human Resources	93
Internal Audit	94
■ Facts & Figures	96
Directors Report	97
Financial Highlights	117
Financial Statements	118

Company Information

Board of Directors

Mr. Hussain Dawood
Chairman

Dr. Naved Hamid

Mr. Amjad Mahmood

Dr. Rajab Ali Memon

Mr. Omar Hamid Khan

Prof. Aijaz Ahmed Qureshi

Mr. Sarfaraz Ahmad Rehman

Dr. Suleman Shaikh

Dr. Fareeha Zaffar

Mr. Qazi Azmat Isa
Chief Executive Officer

BOD Committees

Board Compensation Committee

Mr. Hussain Dawood
Chairman

Prof. Aijaz Ahmed Qureshi

Mr. Sarfaraz Ahmad Rehman

Dr. Fareeha Zaffar

Audit Committee

Dr. M. Suleman Shaikh
Chairman

Dr. Naved Hamid

Dr. Rajab Ali Memon

Mr. Amjad Mahmood

Risk Oversight Committee

Mr. Sarfaraz Ahmed Rehman
Chairman

Mr. Omar Hamid Khan

Company Secretary

Mr. Amir Naeem

Auditors

A. F. Ferguson & Company, Chartered Accountants

Legal Advisors

Azam Chaudhry Law Associates

Tax Advisors

A. F. Ferguson & Company, Chartered Accountants

Bankers

Faysal Bank Limited, Allied Bank of Pakistan, Habib Bank Limited, National Bank of Pakistan, Silk Bank Limited, Standard Chartered Bank Limited, Bank Al Habib, Bank Al Falah, MCB Bank Limited, United Bank Limited, Askari Commercial Bank Limited, JS Bank, Khushhali Bank, Tameer Microfinance Bank

Registered Office

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UAN: (+92-51) 111-000-102, Ph: (+92-51)8439450 -79
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General Body

Chairman

Hussain Dawood Chairman, The Dawood Group

Members

Qamar Sarwar Abbasi Joint Secretary, Economic Affairs Division, Government of Pakistan
Mueen Afzal Former Secretary General, Ministry of Finance, Government of Pakistan
Rafiud Deen Ahmad Former Senior Partner, Orr, Dignam & Co.
Rashid Bajwa Chief Executive Officer, National Rural Support Programme
Roshan Khurshed Bharucha Director Hunar Foundation
Asif Faiz Chief Executive Officer, Faiz and Associate Planning Consultant
Naved Hamid Director, Centre for Research in Economics & Business, Lahore School of Economics
Zafar Ul Hasan Chief Poverty Alleviation, Ministry of Planning, Development and Reform
Akmal Hussain Professor of Economics, Christian College
Omar Hamid Khan Additional Secretary, Economic Affairs Division, Government of Pakistan.
Ahlullah Khan Kakarr Former Civil Servant
Shoaib Sultan Khan Chairman, National Rural Support Programme
Amjad Mahmood Joint Secretary, Ministry of Finance, Government of Pakistan
Rajab Ali Memon Educationist
Nazar Memon Director, National Rural Support Programme
Dr. Rashida Panezai Chairperson, MEHAC Helping Council Balochistan
Syed Ayub Qutub Executive Director, Pakistan Institute of Environment Development & Research
Aijaz Ahmed Qureshi Professor, Karachi University
Asif Qadir President Engro Polymer and Chemicals
Sarfaraz Rehman Chief Executive Officer, Engro Foods limited
Sadiqa Salahuddin Executive Director, Indus Resource Center
M. Suleman Shaikh Chairperson Sindh Graduates Association
Zubyr Soomro Former Citibank Country Officer & Managing Director
Jahangir Tareen Former Federal Minister, Government of Pakistan
Samiullah Joint Chief Economist, Ministry of Planning Development and Research
Shazia Toor Director, Benazir Income Support Program
Fareeha Zafar Director, Society for the Advancement of Education



Transformative
Approaches to
Inclusive Growth

Year in Review 2014 - 2015

As we come to a close of our financial year, and another year in our journey of *ishq*, *ilm* and *aml*, it is time to reflect on our various opportunities, and take pride in our achievements and review many challenges and obstacles that we have overcome. It has been another busy year for PPAF with new innovative projects undertaken and new relationships being built.

According to several Global Indicators, Pakistan is facing many challenges with inclusion. At PPAF, we take these indicators very seriously and have been committed to making inclusion a priority in all our work. PPAF's Institutional Development Unit has remained committed to nurturing social mobilization in all PPAF projects and programs. By strengthening human and institutional resource development at a local level, social mobilization seeks to facilitate change through a range of players engaged in interrelated and complementary efforts. PPAF's approach of reinforcing the ability of community institutions & poor households to participate more effectively in social, economic and political forums, sets the precedence for a more inclusive and productive Pakistan.

In order to enhance inclusive growth, PPAF is playing a leading role in undertaking

measures that ensure equity and women's representation within the organization and in all projects. PPAF's GenCom committee supports PPAF in mainstreaming the concept and practice of gender equity in all its internal and external work. On May 9, 2015, PPAF held a national level retreat of social-mobilizers titled, "Retreat: Voices from the Field on Equity and Inclusion." The purpose of the retreat was to recognize the work of the field staff, social organizers and credit officers and provide a forum to share gender based challenges.

By creating a platform for dialogues and listening to various narratives, PPAF is harboring all around inclusivity that works towards a greater goal.

A pilot project titled 'Ending Gender- Based Violence in Punjab' focused on addressing gender based violence. The pilot project created awareness in the community on women's issues, rights and laws. The plan engaged people through Youth Centers, the Women Development Department (WDD), Non-Formal Literacy and Basic Education (NFLBE), and the Department of Government of Punjab, who are all looking to create modes of service delivery at the grass-roots level. Under the pilot, women were able to share their personal stories through a radio program called 'Roshan Raahein' (Pathways of Light).

The Program for Poverty Reduction (PPR) has launched as a three- year investment program titled: "Poverty Reduction through Rural Development in Balochistan, KP and FATA". The Government of Italy (Gol), through the Directorate General for Development Cooperation (DGCS), financed it. Under this program, PPAF has taken some new initiatives resulting in some strategic shift from its standard approach. This program is exciting and challenging for PPAF as it is an opportunity for the organization to reprogram itself in the light of those learning, best practices and experiences. PPR provides fresh approaches to the partner selection process, preparing for entering an area, socio economic development program and union council development plans.

In 2009 PPAF entered into an arrangement with the World Bank's Consultative Group to Assist the Poor (CGAP) and Innovations for Poverty Action (IPA), a research and policy non-profit, to be part of a global experiment to test its poverty graduation pilot, "Targeting the Ultra Poor (TUP)". The purpose of the study was to assess the impact of PPAF's TUP program on household social and economic outcomes and look into whether a multifaceted graduation program can help the extreme poor establish

sustainable self-employment activities and generate lasting improvements in their well-being. The Poverty Graduation report helped PPAF go to scale with the basic poverty graduation approach, which consisted of asset transfers along with relevant trainings, vocational skills training, formation of common interest groups around specific trades/ skills, and a community livelihood fund. For PPAF this is just the beginning – we believe that supporting ultra-poor and vulnerable households out of poverty requires further scale-up and continuous innovation around this basic formula that has already shown positive results.

Resulting in successful experiences working with PPAF, the Government of Pakistan (GoP) asked PPAF to design, mobilize, implement and monitor the Prime Minister's Interest Free Loan (PMIFL) through its partner organizations. PAF is targeting least developed and most deserving areas where it has already invested in terms of social-mobilization, livelihood projects the poor, training, health, education, water, small infrastructure and post flood rehabilitation projects. The scheme has been successful in making interest free loans available to men, women and youth from vulnerable and marginalized households. The

loan also emphasizes that 50% of its borrowers must be women.

In order to add value in aiding Pakistan's continuous energy crisis, PPAF established an independent Renewable Energy (RE) Unit which is involved in the development of indigenous renewable energy resources (small scale hydropower, solar, wind and biomass) to generate electricity locally to off grid communities. The RE Unit was successful in designing and initiating the construction of 5 Mini Hydropower Projects in Chitral, Upper Dir and Buner districts of KP Province with varying capacity of 100 to 300 kW. The design of these Mini Hydro Projects is in line with the international standards and based on data collected from field with detailed engineering surveys.

In January 2015, PPAF's Education, Health and Nutrition (EHN) team initiated an exercise in Sindh that would ensure that PPAF's strategic direction was based on field realities, and PPAF's own strength in grass roots program implementation. Consultations were held with community based households, Mohallah committees, village organizations (VOs), local support organizations (LSOs), PPAF partners organizations, technical organizations in

health, nutrition and education, district and union council based government officials, and relevant provincial departments. The consultations indicated that nutrition and preventive health were two important, stand alone areas that communities should focus on, including attention to malnutrition, balanced diet, food security, breast feeding, menstrual hygiene, anemia in adolescent girls, hand washing, and safe drinking water. Once the results of these consultations were analyzed, and aligned with PPAF's Framework for Socio-Economic Transformation, the two strategic frameworks for Education and Health and Nutrition were finalized. In February 2015, the World Bank formerly approved these. The Frameworks are supported by a policy guideline for all PPAF's current and future programming in EHN.

PPAF contributed its efforts in aiding in conflict hit areas, by implementing the *Chamalang* Education Program. This initiative provides scholarships to 4,000 children from the poorest families of the district Kohlu and Lora Lai to integrate them into the mainstream society. PPAF helped children to enroll in the best schools of the province. The overall support included tuition fees, uniforms, books and stationery.

Furthermore, PPAF also provides the cost for exposure visits of

these children to different cities of the country so that they have opportunity of cross-cultural learning.

As a sector developer, PPAF continued its efforts to improve the business environment and foster growth in the micro-finance sector of the country. Forming a strategic relationship with the government, regulators, investors, practitioners, public sector entities and other stakeholders has yielded a conducive environment for microfinance to be rated as one of the best in the world by Economist Intelligence Unit. All this significantly contributed to another year of consistent growth and development in the micro-finance sector of Pakistan. By June 30 2015, the sector served 4.2 million micro-insurance policyholders, and 13.15 million savers. The penetration rate increased to 12.8% with potential microfinance market estimated at more than 25 million clients. The number of branches reaching the poor to offer financial services has crossed to 2,700 gross loan portfolio reached at PKR 80.95 billion, active borrowers at 3.50 million. The average amount of loan disbursed is PKR 31,563. Finally, we continue to grow our alliances and networks and strongly acknowledge PPAF partner organizations for implementing our

developmental initiatives. The Livelihood Support & Promotion of Small Community Infrastructure Program (LACIP) Unit organized the Mashal-e-Khyber Awards Ceremony to acknowledge the best practices in project implementation under various program components by its partner organizations. The award ceremony was held in Islamabad, on April 23, 2015. Mashal-e-Khyber provided a platform for PPAF to celebrate and salute our communities whose courage and spirit encourages us to end poverty.

We are grateful to the Government of Pakistan for their assistance and proactive support, to our Board and General Body for their direction and advice, to our bilateral and multilateral donors who continue to trust and have confidence on our delivery. Finally, we salute the women, men and children in the communities we work with, whose courage and spirit inspires us to work harder.

Qazi Azmat Isa
Chief Executive Officer



Successful Approaches to Poverty Graduation

Evidence and Learning from PPAF's Asset Transfer Program 2009 - 2015

In 2009 PPAF entered into collaboration with the World Bank's Consultative Group to Assist the Poor (CGAP) and Innovations for Poverty Action (IPA). The partnership was part of a global experiment to test its poverty graduation pilot, "Targeting the Ultra Poor (TUP)"¹. The pilot selected ultra-poor households across 66 villages in two districts of coastal Sindh.

The purpose of the study was to assess the impact of PPAF's TUP program on household social and economic outcomes and further establish whether a multifaceted graduation program can help the extreme poor establish sustainable self-employment activities and generate lasting improvements in their well-being.

Program Elements

The program support focused on livelihoods, food security and health initiatives as an approach to foster self-employment activities among the very poor. 2,000 households, of which

1,000 was the treatment group and the remaining 1,000 the control group were offered the following:

- Asset transfers worth approximately US\$180 PPP (2009);
- Training and support for the assets chosen;
- Consumption stipend of US\$16 PPP (PKR 1,000) per month per household for the first year of the program
- Health support - free health services valued at PKR 1,000 per month per household (Lady Health Visitors provided basic health services including checkups, health and hygiene training, and medicine. More difficult and serious cases were referred to the nearest doctor)

The sample groups were selected through randomized control trials and baseline, midline, end-line surveys conducted on households and adults over a period of 4 years. Further, data was also collected on household consumption and







expenditure. The poorest of the poor in the sampled villages were identified through a participatory wealth ranking process. In the second stage, public lotteries were held in each village to select the treatment and control households.

Results of TUP Program

After four years of implementation of the TUP program, the trial results showed success, as households showed a) an increase in consumption statistically due to increase in self-employment income, b) increase in wealth (assets) as selected households have a significant increase than the control group, c) increase in household income, the monthly income of treated households was higher than control households, and d) positive impact on psychosocial status of selected households. The perception was their level of respect had increased in their community.

¹ This trial was part of a global study under which six randomized trials in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru with a total of 10,495 participants were conducted. The research was carried out by: Abhijit Banerjee, Esther Duflo, Nathanael Goldberg, Dean Karlan,* Robert Osei, William Parienté, Jeremy Shapiro, Bram Thuysbaert, Christopher Udry and results were published in the May 2015 volume of the journal Science, <http://dx.doi.org/10.1126/science.1260799>.

Snapshot of Results from mid-line and end-line surveys

Indicators	Midline Results 2011	Endline Results 2014
 Animals	↑ Large Increase	↑ Large Increase
 Total Income	■ No Change	↑ Increase
 Consumption per capita	↑ Increase	↑ Increase
 Loans	■ No Change	↓ Decrease in Loans taken from money lenders
 Food Security	↑ Increase	↑ Slight Increase
 Education	■ No Change	■ No Change

Taking the Trial Results Forward

Based on the midline results, PPAF went to scale with the basic poverty graduation approach, which consisted of asset transfers along with relevant trainings, vocational skills training, formation of common interest groups around specific trades/skills, and a community livelihood fund.

Learning from Research:

Lessons from the scale-up and from the midline results strengthened PPAF's understanding of what works:

- Building the enabling eco-system at the local level can support sustained benefits through a variety of

means to enhance socio-economic productivity. Improved access to public goods such as health and education, and focus on economic activity at the community level.

- Social protection programs such as BISP do not enable the poorest households to graduate out of poverty – however they provide a safety net for the most vulnerable households.
- A large section of the population hovers around the poverty line – any economic shock or natural disaster causes many to fall back into the poverty trap. Building economic resilience within communities must be a core part of the work.
- With nearly 50% of asset

transfers going to women it became necessary to enhance women's awareness regarding land/property rights and supporting them to become decision-makers within the household.

A New Framework for Livelihoods

The TUP experience and CGAP research provide evidence that PPAF's poverty graduation model is working. However, PPAF's focus was not simply on individual households but also encompassed community socio-economic transformation.

PPAF then refined its approach with the launch of its livelihoods, employment and enterprise development (LEED) program in

2013 with the aim of providing a more comprehensive eco-system where interventions tackle the deeper socio-economic issues that constrain households and communities from emerging out of poverty. A continuation of certain efforts with simultaneous introduction of new initiatives and innovations was necessary and included the following elements:

- 1) A sustained mobilization of the institutions of the people – ensuring that good governance practices of inclusion, accountability and transparency, within community institutions and across the entire process from household identification through to implementation, procurement, support and monitoring continue to be strengthened.
- 2) Using the Village Development Plan (VDP) process and taking to the next level by consolidating VDPs into a Union Council Development Plan (UCDP) created by the relevant community institutions so that they can track, monitor and adapt the VDP/UCDP each year according to evolving needs.
- 3) In terms of innovations, PPAF has supported local resource development in the form of Naukri-ya-Karobar Centers (Employment / Enterprise

Centers that operate like job centers, linking demand with supply); youth centers and digital hubs, to provide IT solutions and expand rural connectivity; and loan centers providing microfinance to households and groups, and supporting economic common interest groups to develop into cooperatives and production centers.

- 4) Investments in conventional livelihood opportunities (demand driven)
 - Building capacities in technical and entrepreneurial skills
 - Introducing rural connectivity models
 - Building profitable and sustainable linkages with government line agencies, corporate sector and markets
 - Provision of flexible financial services
 - Exposure and knowledge management

The approach adopted and streamlined by PPAF looks at building in continuous growth opportunities for households. The provision of assets with relevant skillsets, development of productive and common interest groups who can more effectively access markets and add value, building in improved health and education

opportunities, a focus on food security and physical infrastructure to support resilience work together to ensure that some of the successful outcomes as evidenced through the CGAP project (such as increases in assets and income, and higher consumption levels) continue well beyond the life of the project.

PPAF at a Glance

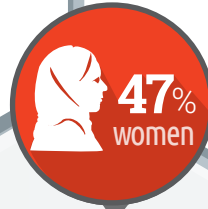
Presence in 130 districts through 130 partner organizations



Over 35,000 Health, education, water and infrastructure projects completed

A grassroots network of over 129,000 community organizations and 440,000 Credit/Common Interest Groups

Facilitated Financing deployed in 100,000 Villages/Rural and Urban Settlements



Over 7.8 million Microcredit Loans with 61% loans to Women and 80% financing extended to rural areas



Productive Assets transferred to 82,000 (47% women) in 52 poorest districts across the country

Over 17,000 skill development and managerial training events for 986,000 individuals (50% women)



Facilitated over 1.8 million HHs affected by natural disasters under relief & early recovery projects & managed reconstruction of 122,000 seismically safe houses affected by 2005 earthquake

Grants Group

Institutional Development

Special Initiatives

Livelihood Employment and Enterprise Development

Community Physical Infrastructure

Disaster Preparedness and Management

Education Health and Nutrition

Renewable Energy

Program for Poverty Reduction

Livelihood Support and Promotion of Small Community Infrastructure Program

Prime Minister's Interest Free Loan



Institutional Development (ID)

Overview

PPAF's Institutional Development (ID) Unit works to create inclusive institutions at the local level to enable poor communities to effectively articulate their development needs, reduce their transactions costs, negotiate better with the private sector, hold public service agencies accountable and capitalize upon opportunities for resource generation, growth and development. Institutional Development focuses on building the capacity of community members especially apex institutions in leadership, negotiation and management.

ID works towards

- Strengthening the capacity of Partner Organizations (POs) for outreach and program delivery to poor households in a manner which is efficient, cost-effective and has a sustainable impact on the lives of poor.
- Reinforcing the ability of community institutions & poor households to enable them to participate more effectively in social, economic and political forums, enhance their bargaining power and negotiate more effectively for goods, services and rights.

Social Mobilization

Strengthening of the institutions of the poor is mainly focused on a social mobilization process, which fosters institutions to have the following characteristics;

- (a) Democratic in nature by being representative and inclusive.
- (b) Collectively make informed decisions on who is most deserving in order to prioritize access to benefits.
- (c) Training in book keeping and accounting so that transparency and good governance be maintained based on core values.
- (d) Can develop and manage their own socio economic implementation development plans (at House Hold and Village/UC level).
- (e) Capacitate to supervise and monitor local level development programs.
- (f) Capacitate to mobilize resources, both local and external to alleviate poverty.
- (g) Capacitate to synergize and partner with public and private institutions to access resources and attain economies of scale in the service delivery.

The ID Unit is the foundation for all PPAF interventions under projects such as PPAF III, SM, LACIP, PPR, HRE, KFW, PMIFL and non-grant operations like microfinance. It remains focused

on the formation and strengthening of inclusive community institutions and the capacity building of partner organization staff. The ID Unit worked with these community institutions to ensure they are built on good governance, inclusion, transparency, accountability, participation and sustainability. The purpose was not just the formation of these institutions, but to ensure their capacity to identify access and manage available resources within their areas for the benefit of the local communities. These grassroots institutions were made to graduate, after reaching a certain level of maturity, into higher level community representative institutions of the area. The institutions facilitated and were encouraged to develop linkages with other donors and line departments to access resources and address their needs on a sustainable basis. After articulating and prioritizing their needs and reaching a certain level of maturity, PPAF undertook relevant interventions through different operations to address their needs bringing about integrated development in a participatory way. Throughout the social mobilization process, women were equally encouraged to participate in a meaningful and productive way in their own development.

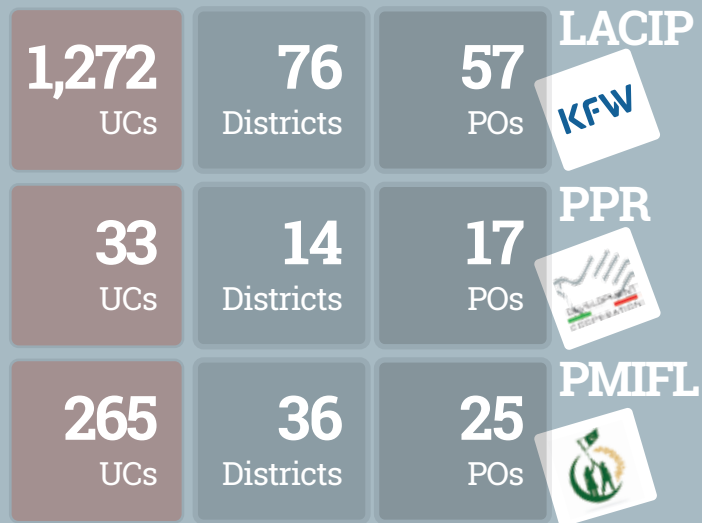
KEY ACHIEVEMENTS

Support to different projects under PPAF-III, LACIP-KFW, PPR (Italian), HRE-KFW and PMIFL

PPAF III

Outreach

1



During the last five years under PPAF III and SM Project, ID unit has formed 119,709 COs, 14,271 VOs and 611 LSOs.

2

3

The unit has trained, and provided field experience to 347 Junior Professionals. Projects like LACIP, PPR and PMIFL including non - grant operations have capitalized on these community institutions and have involved them in project implementation.

In- house study for future action for Institutional Development

The ID Unit conducted an in house study by involving PPAF operational units to find gaps for future measures more specifically for the strengthening of community institutions. This study includes a Third Party Assessments conducted by PPAF and Back to Office Reports of PPAF executives as well.

Major Findings of the Study

- Need to ensure strong sense of social inclusion and poor should come to the forefront in community institutions. women would be facilitated to participate actively.
- Need to revive the community institutions to improve governance and decision making process
- To create a cadre of Community Resource Persons (CRPs) as extended arms of LSOs, supervising local development initiatives, synergizing and leveraging the existing institutional base.

- Capacity building of Second and Third Tier Community Institutions in achieving economies of scale, negotiating with markets, engaging more effectively with the private sector and holding public sector institutions accountable.
- Effective use of VDPs and UCDPs and review/ development of new plans through inclusive participation
- Youth involvement in developmental activities to promote peace and inter-provincial harmony
- Local level networks/platform formation comprising of community institutions, CRPs and other stakeholders
- Advocacy Campaigns on Civic Rights and MDGs
- Visibility and consolidation of PPAF-III

Based on key findings, ID focused on creating Institutional Community Resource Persons (ICRPs), who are available on the ground level for community, institutional, and technical support including: supervising

the local development initiatives, and synergizing and leveraging the institutional base. The emphasis would be on building the capacities of institutions for managing their own development, accessing services through improved cooperation with the local govt, other development programs, and utilizing the private sector for sustainable service delivery.









Innovative Implementation Plan for Social Mobilization

The plan focuses on strengthening previously formed community institutions and their interventions by consolidation, projection and sharing of activities of PPAF with other stake holders, particularly with government and non-government departments.

To further Consolidate, Capacitate, Ensure and Strengthen Sustainability of these institutions, a detailed work-plan was devised.

Activities outlined in the Implementation Plan are as follows:



	Build Exit into Entry	
	Identification and development of CRPs	1,760
	Community Facilitators	220
	CBDRM (Simulations)	220
	Financial Literacy.....	220
	Gender mainstreaming and Leadership	220
	Environmental Social Management (ESM)	220
	Financial Management and procurement.....	220
	Operations and Maintenance Facilitators.....	220
	Youth Champions.....	220
	Institutional Capacity Building	
	Millennium Development Goals Framework	862
	Rural Connectivity and current Best Practices.....	862
	Open Defecation Free Villages	862
	Strategic Planning Exercise at LSO level.....	143
	Youth Centers (vertical and horizontal growth).....	209
	Values, Governance and Management	262
	Refresher training on PSC and its Management.....	262
	Development of System and Procedures	47
	Development of Proposals	143
	Show and Tell (for productive linkages)	47
	Peace, Pluralism and Inter Provincial Harmony	
	Millennium Development Goals Framework	862
	Peace, Pluralism and Inter Provincial Harmony.....	932
	Inter Provincial Exposures for Harmony and Peace	282
	Sports (district level tournaments)	47
	Community Theater on life cycle/social issues (joyful learning)	47
	Networking/Platforms	
	CRPs and other Community Based Institutions Networks/Platforms	862
	Advocacy	
	Campaigns/Awareness (dengue, polio vaccination, Immunization, children enrollment & WASH) ..	1,101
	State Citizen Relationship.....	1,101
	Staff Trainings	
	Peace, Pluralism and Inter Provincial Harmony and Peace.....	206
	Knowledge Management, Publication and Data Consolidation	206
	Community Re-engagement through CRPs / POs	
	CO meetings to ensure regularity of meetings, savings and record etc.....	27,847
	Elections in VOs & LSOs to strengthen governance	2,231
	Reviews/modifications/development of VDP and UCDPs through process.....	2,231
	LSO-wide meeting (reports back on all it has been done for its broader membership)...	143
	Publications and IEC material	
	Video Documentary	31
	Directories (CRPs and Community Institutions)	47
	Sign Boards (to ensure visibility)	1,267
	Case Studies Books (Best Practices)	47
	Information, Education and Communication (IEC) material	47
	Kit for key messages.....	47

Capacity Building Initiatives for Community Institutions

Development of a Cadre of Junior Professionals & Youth Initiatives

The ID Unit is in the process of successfully implementing its “Internship Training Program” for youth by the name ‘Junior Professionals’. This program is designed to allow interns to strengthen their knowledge base and gain practical experience related to community development, social entrepreneurship, livelihood and social mobilization in the field, by attaching them with PPAF’s partner organizations. Under the said program, 120 Junior Professionals are presently enrolled with PPAF’s partner organization across Pakistan.

Development of Community Resource Persons at Community level

The Community Resource Persons (CRPs) will be trained as extended arms of LSOs. CRPs would work as volunteers to provide support services to the area and community institutions. They will be responsible to ensure regularity of meetings, record keeping, and planning and linkages development. They will be instrumental in strengthening linkages of these institutions with local stakeholders for

mobilizing resources. Under the new Implementation Plan, 1760 CRPs will be trained in PPAF III program areas.

Show & Tell

This event facilitates LSOs of the district and regional level to get together and share experiences and innovative ideas. The aim is to develop strong linkages with government departments and other private organizations, involving prominent individuals to promote their LSOs. The event would be organized around developmental themes such as disaster, linkages development, peace & pluralism, social and cultural promotion, democratic values, governance, civic rights, and gender development.

Activities around Peace Pluralism and Interprovincial Harmony including Exposure Visits

Trainings on peace, pluralism and inter provincial harmony for village level representation are key in developing tolerance, brotherhood, civic rights, religious harmony, conflict management, pluralism and patriotism.

Development of Strategic Exercises, System and procedure and Proposal Development

A strategic planning exercise conducted at the UC level and thematic areas of improvement

will be highlighted with the focus on a participatory approach. Third Tier Institutions will use this information for UC planning, based on needs and availability of resources. LSOs will have to develop their systems and procedures. A consultation of an institute or professional would be needed to develop a proposal for LSOs to mobilize external resources.

Rural connectivity

Rural Connectivity will be implemented with the latest facilities and best practices to enhance the vision of rural communities. A digital hub concept will be internalized and initiatives will be taken to engage the youth for access and use of technology.

Community Re-engagement and Strengthening

Throughout the re-engagement plan regular contacts with the existing community institutions will be ensured. Repeated meetings are imperative to strengthen links with community institutions. COs will be monitored to ensure regularity of meetings, savings and record keeping.

Publication of IEC Material

POs will ensure visibility of the project interventions of PPAF-III. Its aim is to consolidate the PPAF-III activities and make it more visible for stakeholders.

POs have initiated work on this package and key messages will be required for campaign/awareness sessions with communities on civic and constitutional rights, right to education, children enrollment, dengue, polio vaccination, Immunization and WASH, MDGs etc.

Directories at the district level will be maintained and published including information on COs, VOs, LSOs, CRPs, NyKs, YCs, PCs, LCs etc. and local stakeholders, both public and private for information sharing purpose. Video documentaries of different activities undertaken by the POs under PPAF- III will be made, highlighting integration, community demand driven approach, participation, ESM, governance, socio economic framework, sustainability etc.

Networking and Advocacy

PO's will facilitate with community institutions regarding advocacy and awareness. The focus will be on: dengue, polio vaccinations, immunizations, and childhood education. PO's will inform the communities about these sessions and ensure participation of the events. The PO will hold campaigns and state citizen relationship awareness session separately. Publications of posters and brochures will be distributed in the communities and an activity

plan; attendance sheet, activity report and pictures will be mandatory to submit to PPAF.

In-House Manual on Social Mobilization Community Resource Person

ID has developed an in – house, 5 – day training manual as a community resource for social mobilization. The manual comprises of all aspects of community development, including: the training cycle, CRPs with their roles and responsibilities, working of community institutions (COs, VOs and LSOs), the role of CRPs in conflict resolution and management, and the different process for transparent and effective social mobilization.

Inclusion and Equity Initiatives

ID unit took part in the International Campaign of: "16 days activism against gender based violence". A retreat for partner field staff was organized. 108 field staff from 57 PO's attended the event.

"Ending gender based violence", was a pilot project initiated in 30 VO's and 10 youth centers in three districts of Punjab. The objective of this project was to create awareness and linkages through radio programs produced by UKs (UKs is a research and radio production firm working under agreement for the project).

A three day Training on Training (ToT) on Gender mainstreaming and women empowerment was organized in the SCAD area allowing 104 CRPs to be trained. Similar ToT's were held at Badin, Hyderabad and Karachi, respectively.

GenCom

Overview

Pakistan Poverty Alleviation Fund (PPAF) is playing a leading role in undertaking measures that ensure equity, inclusion and women's representation within the organization. Gender has now become an established theme across all projects and programs. The organization is committed to bringing empowerment and improving representation of women, poor, youth, minorities, trans-sexuals, migrants, highly vulnerable individuals, people with special needs, and other marginalized community through a transformative framework. This structure promises to restore hope and secure the future of the communities PPAF works with.

Gender Committee

'GenCom' was established on March 28, 2013. Its goal is to create an enabling socio-economic environment that values and promotes inclusion, equity, and female empowerment. GenCom supports PPAF in mainstreaming the concept and practice of gender equity in all its internal and external work. It also aims to assist PPAF's stakeholders in meeting their obligations in terms of what is set out in the results framework to achieve MDGs of gender equality and women empowerment.

Objectives

- a) Strengthen mechanisms to ensure PPAF's core value of inclusion is reflected throughout its internal and external processes.
- b) Changing knowledge, attitudes and practices around equity and inclusion within PPAF, its partner organizations and the communities they serve.

Initiatives focused on Inclusion, Gender and Women Empowerment at PPAF level

Gender Focal Point

A full time gender focal person at PPAF is responsible for conducting and organizing awareness training and sessions at the community level, maintaining gender specific data for all PPAF investments, facilitating community based research on gender equity and issues and developing a national forum for community institutions to network at a national level.

Gender Mainstreaming Through PPAF's Core Program Areas

PPAF offers a wide range of development interventions to the communities served by its partners. These include small physical infrastructure projects, water and sanitation, health and

education, enterprise development and livelihoods, renewable energy options and interest free loans. Microfinance is also a large part of organization's work and provides a basis for graduating households that have successfully graduated over the poverty line towards larger size loans options. The following identifies how each of PPAF's components is developed to include and empower women throughout the process;

- **Microfinance:** Mainstreaming the participation of women through the provision of microfinance loans. 60% of microfinance loan beneficiaries are women. By supporting rural connectivity through branchless banking services, women are included in the financial sector. Micro-insurance products are focused on crop and livestock insurance
- **Livelihoods:** Asset transfers and skills training for ultra-poor households with a 50% women trainee ratio; employment and enterprise development, business incubation and development at community level through job placement/ business advisory centres that provide expertise and support for women with skills or with the need to acquire these skills
- **Water and infrastructure:** Access to water to save

women's time and ensure safety; drought mitigation and preparedness projects that benefit the entire community; integrated-water efficient projects; mini and micro hydro projects and solar and wind system installations, link roads, sanitation

- **Disaster preparedness and management:** CBDRM trainings; stockpiling of emergency equipment and establishing linkages between Union Council Disaster Management Committees and the district and provincial government; disaster relief and rehabilitation)-including women in the relief and rehabilitation process
- **Health, education and nutrition:** creating community awareness and capacity to support interventions in these areas; training teachers/health staff; repair and renovations of existing buildings; provision of furniture, materials and equipment; awareness sessions on health, nutrition and hygiene, immunization, safe delivery and family planning; linking healthcare financing to people who cannot afford medical treatment maternity voucher programme.

Creating the Public Private Partnership Link: Women focused Corporate Social Responsibility (CSR)

PPAF recognizes that land ownership is a constitutional right but is frequently denied to women. The following initiatives with some of the best national and international corporates illustrate how this issue has been addressed:

- **Support from Engro Foundation**
PPAF and its partner FDO constructed a model village at Ehsanpur, which boasts 100% women ownership of the 166 homes established there
- **Support from Shell Pakistan**
PPAF and its partner HANDS established the Goth Noor Muhammad model village, constructing 984 houses with 48% ownership by women
- **Partnership with National Rural Support Program**
In an initiative known as the MIOP (Microfinance Innovation & Outreach Program), housing finance for 1028 women was piloted in Mianwali

Using Media and Communication Strategies to Empower Women

PPAF has an internal Communications & Media team that provides innovative support

to its core operations in strengthening the cause of women inclusion and empowerment. This is done through informative materials such as flyers and posters, through documentary based Field Kahanis (Stories from the Field) that highlight successful initiatives that focus on inclusion, community theatre productions that illustrate culturally appropriate and engaging social messages to the rural audience.

Amtul Raqeeb Award

On International Women’s Day PPAF annually confers the **Amtul Raqeeb Award**. The award honors and acknowledges outstanding individuals, especially women, for exhibiting courage in the face of adversity. It highlights role models in the field of community-driven development.

On March 8th, 2015 PPAF held their annual ceremony at the Margalla Hotel in Islamabad. Addressing the participants, chief guest Dr. Haroona Jatoi, Advisor to Ministry of Education, said that recipients of the Amtul Raqeeb Award serve as a guiding light for the community members. **“Today is a day to celebrate the achievements of Pakistani women, who have excelled in every field, often in the face of what seems to be insurmountable challenges;”** she said and added that women in Pakistan have tremendous



achievements to their credit and are beacon of light for the fellow beings and she was grateful that PPAF is facilitating the empowerment of such women.

This year the Award was given to Hakim Zadi (Ghotki, Sindh), Zuhra (Shangla, KP), Maryam (Shagari Khurd, GB), Laljan (Kech, Balochistan), Nasreen Bibi (Layyah, Punjab) and Zulekha Samejo (Sajawal, Sindh). The six women have been with local community organizations and played pivotal roles in motivating and organizing the women of their areas. They have worked for women’s empowerment in remote parts of Sindh, KPK and Balochistan.

PPAF showcased some artwork from a competition held among school children, between the ages of 7 and 12 years in PPAF supported schools to explore creative skills and abilities of

kids. Approximately 150 children expressed their creativity through drawings from six schools in Qilla Saifullah, Narowal, Swabi, Islamabad and Karachi. The 12 best submissions were selected for the PPAF Calendar 2015 themed **“What Makes Me Happy”**.

GenCom Action Plan 2014-2015

GenCom has developed a yearly Gender Action Plan. The Gender Action Plan for 2014- 2015 incorporates capacity building programs for PPAF staff, partner’s, and community members. A study survey and a pilot project on gender-based violence has been initiated in Punjab. An allocation of \$300,000 was approved for the year 2014-2015.



MoU signed with WDD, NFBE and the Government of Punjab

In efforts to advance gender equality and empower women, PPAF signed an agreement with the Women Development Department (WDD) and Literacy & Non-Formal Basic Education Department (NFBE), Government of Punjab on July 15, 2014. Under the agreement, PPAF collaborate in piloting policy- grassroots linkages of VOs, LSOs and community groups through supporting networks of women and youth organizations to interact more closely with WDD and Literacy Department and other government entities.

Equity & Inclusion Competition

To develop a vision statement around the core values of inclusion and equity, GenCom conducted a competition titled: 'Inclusion

and Equity' from October 14-20, 2014 for all PPAF staff. The staff worked as individuals and in groups and developed ideas expressing thoughts on equity and inclusion at the workplace, i.e., within PPAF and with our POs. The 3 best ideas were chosen and prizes were distributed to the winners on December 12, 2014.

Visioning Exercise

To help determine PPAF's goals, a visioning exercise was held on October 29th, 2014 to help GenCom team articulate a shared vision, and formulate a statement around core values of inclusion and equity. The exercise comprised of an opening session that provided feedback to the trainer, Ms. Muqaddisa Mehreen the Gender Specialist of the World Bank-on the campaign for inclusion and equity. Using different tools and exercise at

the end, the participants drafted a statement of PPAF's vision that would be a source of inspiration.

Celebrating '16 Days of Activism against Gender Violence'

The committee joined hands with the international community for '16 Days of Activism against Gender Violence' to spotlight the issue of violence as a clear violation of human rights undermining both safety and the dignity of women. The 16-day-campaign highlights significant dates starting from November 25 through December 10 marking International Day Against Violence against Women, International Women Human Rights Defenders Day, Worlds AIDS Day, Montreal Massacre Anniversary and Human Rights Day. The campaign was used as an organizing strategy by the committee in order to call for the elimination of all forms of violence against women.

Objectives

- To mainstream gender agenda in the internal and external programs and projects of the organization
- To build capacity of the employees to ensure a profound understanding and sensitization of themes that covers the gender agenda
- To spread awareness on the

Pilot Project: Ending Gender- Based Violence in Punjab

A pilot project focused on ending gender- based violence was implemented in Punjab. The focus was to create awareness in the community on women issues, rights and laws. The project engaged the youth through Youth Centers, the Women Development Department (WDD), Non-Formal Literacy and Basic Education (NFLBE), and the Department of Government of Punjab, who are all looking to create modes of service delivery at the grass-roots level. This pilot was initiated in the three districts of Multan, Layyah and Muzaffargarh and implemented by three partners in coordination with UKs research center, a radio and research firm.

A base line study was conducted to analyze and develop themes for radio programs. 12 radio thematic programs were then broadcasted in Multan, Muzaffargarh and Layyah, with three partners (FDO, ADO and Mojaz). Community members organized Listeners Clubs from 30 village organizations, 4 LSOs and 10 youth centers. The broadcasts covered themes such as: exchange marriages, child marriages, domestic violence, women safety and security, laws and policies for women protect, dialogue (mukalma) women health, divorce, role of media and government, education and positive roles of society for women empowerment. Women were able to share their personal stories through a radio program called 'Roshan Raahein' (Pathways of Light).

Achievements of the Pilot Program

- Population coverage under this project was about 2500
Approximately 160 community members attended the project orientation and evaluation workshops, with a 50% men and 50% women ratio, from 30 VOs, 4 LSOs and 10 Youth centers
- 80% VOs, LSO and Youth center's members listened Radio programs and demand to keep continue radio programs across Pakistan
 - Practical change were observed in behaviors toward child marriages, exchange marriages, minimal domestic violence, girls education and property rights
- 10 girls child marriages postponed due to the radio programs and reinforcement by clubs coordinators
- 4 cases of violence registered for legal aid after attending the radio programs
 - One property case was justly rectified

'16 Days of Activism against Gender Violence' in order to develop a men engaging policy where the message is delivered to families rather than individuals

National Retreat for field staff of PPAF's partner organizations

On May 9, 2015, PPAF held a national level retreat of social mobilizers: "Retreat: Voices from the Field on Equity and Inclusion." A total of 110 participants with an equal ratio of women to men, were attendees to the event from 57 PO's across Pakistan. The objectives of the retreat were to recognize the work of the field staff/social organizers/credit officers and share gender based challenges.

Livelihood Employment & Enterprise Development (LEED)

Overview

The Livelihood, Employability and Enterprise Development (LEED) program develops the capacities, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, improve their livelihood initiatives and strengthen their business operations. LEED focuses on: 1) strengthened systems, approaches and capacities for

addressing the unemployment at community level to contribute towards eradication of extreme hunger and poverty in Pakistan and, 2) building the capacity of community based institutions so that they can effectively implement LEED interventions (assets, trainings, community livelihood funds and common interest groups) and improve the income and lives of vulnerable households.



LEED Outreach

As of June, 2015 LEED program had been implemented through its 41 Partner Organizations in 47 districts and 2 Agencies of FATA with total coverage of 323 union councils of settled districts and 3 Tehsils of FATA Agencies.

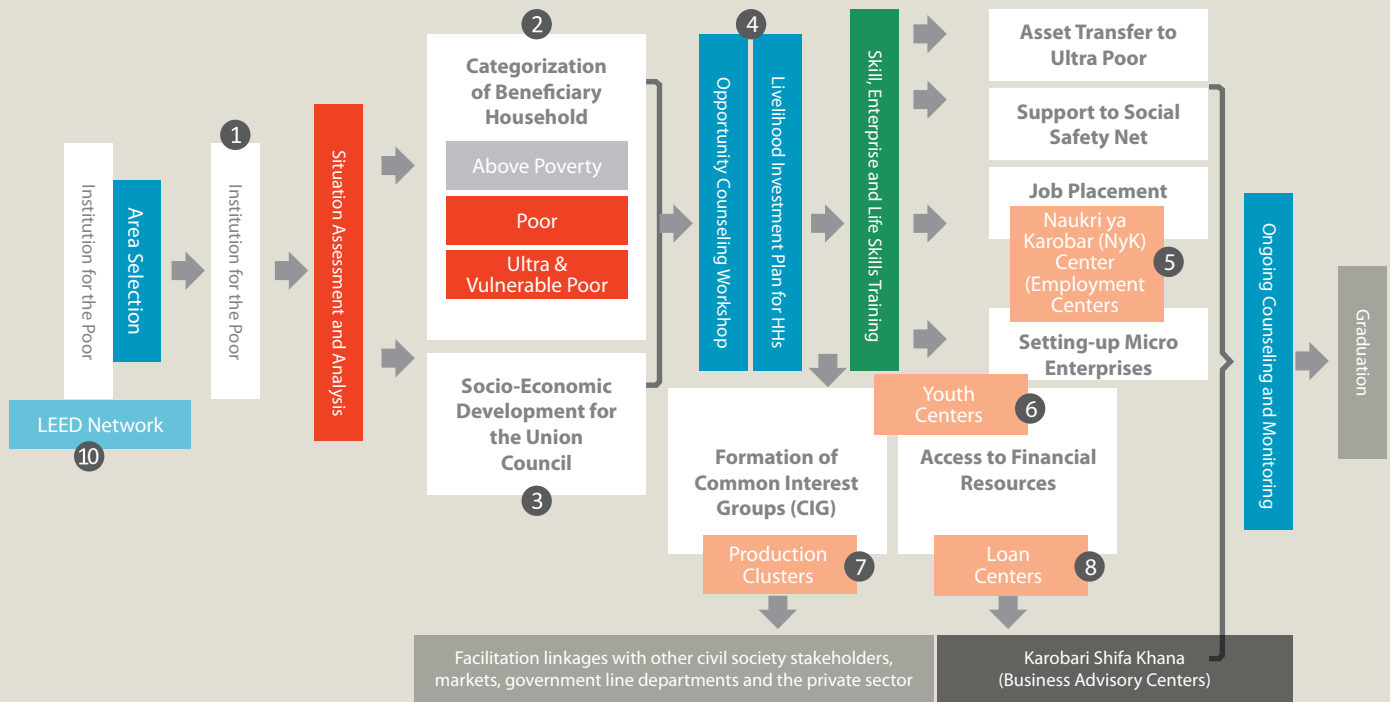
Provincial Distribution

Province	Districts	Achieved
Punjab	12	105*
Sindh	7	68
KP/FATA	10 Districts & 2 Agencies	72
Balochistan	14	59
GB/AJK	2	18

Primary Area of Work

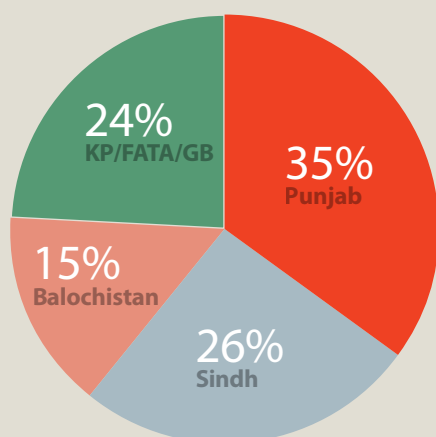
The LEED program strategy with key interventions:

LEED Programming Framework



KEY ACHIEVEMENTS

Provincial Breakup of Funds Disbursed (as of June 2015)



Progress in terms of interventions (as of Jun 2015)

LEP Interventions	Status
1. PSC Completed	753,344
2. LIPs Completed	263,866
3. Common Interest Groups formed	8,392
4. Asset Transfer	76,125
5. Trainings Provided	315,658
6. Wage Compensation	57,284
7. CLF disbursed (million Rs.)	354.56
8. Loan Centers	116
9. Youth Centers	196
10. NYKs	77
11. Digital Hubs	0
12. Production Centers	71
13. Workshops For Networking	-
14. District Melas	-
15. Skill Training to PWDs	2,984
16. Assistive devices to PWDs	38,555
17. Disbursement (million Rs.)	7,699.27

Overall achievements (Jun 2014-15)

LEP Interventions	Status
1. PSC Completed	15,844
2. LIPs Completed	32,010
3. Common Interest Groups formed	198
4. Asset Transfer	12,513
5. Trainings Provided	60,742
6. Wage Compensation	5,457
7. Loan Centers	23
8. Youth Centers	9
9. NYKs	1
10. Production Centers	71
11. Skill Training to PWDs	200
12. Monitoring Visits	49
13. Disbursement (million Rs.)	2,342.98

Provincial Disbursement Breakup

(July 2014 - June 2015) (million Rs.)

Province	Amount Disbursed July 2014 - June 2015
Punjab	618.37
Sindh	531.49
Balochistan	620.81
KP /FATA/ GB	572.31
AJK	0

Provincial Breakup of Funds Disbursed

(Cumulative) (million Rs.)

Province	Amount Disbursed as of June 2015
Punjab	2684
Sindh	1968.43
Balochistan	1150.09
KP /FATA/ GB	1864.9
AJK	31.52

Naukri Ya Karobar (NyK) Centers

In order to provide a successful placement mechanism to graduates of skill and development trainings, the LEED group developed the concept of Naukri ya Karobar centers, an indigenous placement model to better harness the nature of these trainings. Over 20,000 profiles are registered across a network of 77 centers. Out of the registered profiles, 5,000 have already been employed with in jobs or in enterprise. To further advance the program, the Sector Development Unit has initiated a plan to formalize NyKs into a national level self-governing franchise which would be linked to both national and international hiring agencies for regular demand side activity. The franchise will further employment promotion services as a sector and therefore increase grassroot employment. The national franchise would be supported by an advisory board that would have representation from PPAF, government employment authorities, hiring agencies, other public private institutions.

Province wise NyK Progress since inception

Province	Established NyK	Total Registration		Total Referrals		Total Placement		Business Established	
		Male	Female	Male	Female	Male	Female	Male	Female
Punjab	15	2,944	2,415	576	232	514	226	704	329
KPK	25	5,081	686	3,352	176	750	67	1,183	71
Sindh	19	3,541	1,764	781	309	402	73	170	116
Balochistan	17	3,238	1,064	952	227	547	73	4	1
Total		14,804	5,929	5,661	944	2,213	439	2,061	517
Grand total	76	20,733		6,605		2,652		2,578	

Youth Centers (YCs)

Youth Centers help engaged male and female youth (mixed or separate) to come together as agents of change to engage various activities. These semi-formal platforms help bring positive changes in their own life, the lives of their families, other households, the village and the Union Council. YCs are engaged in activities which include those that will improve youth's understanding of their own country, culture, education, health, and economic activities.

Province wise Youth Center

Progress since inception

Province	Youth Centers Targets	Achieved
Punjab	48	70
Sindh	22	22
Balochistan	76	75
KPK	41	29
Total	187	196

Innovations, New Projects & Programs through Sector Development Unit

As offshoot of the Livelihood, Employment and Enterprise Development (LEED) unit, Sector Development Unit's (SD) role is to develop strategic framework through national and international mapping of enabling environment, service provision, best practice models, innovations and technology, for all PPAF supported sectors. The various pilots in collaboration with LEED program are as per following:

Hunar Ki Manzil (HKM) Program

Hunar Ki Manzil is a national platform for craft sector development for the purpose of uplifting the rural artisans of Pakistan. The overall goal of the program is to enable craft development as an effective/ significant tool for poverty alleviation through public private partnership.



Through HKM, provincial chapters were formed after several consultative roundtables sessions to avail the collective wisdom of all stakeholders and to catalyze handicraft development. Strategic consultations are underway to formalize Hunar Ki Manzil as a representative forum for all craft related stakeholders and to launch it as the first unified craft brand of Pakistan. The process for HKM pilot was →



	Training Sessions	Artisans Trained	Production Centers formed
Balochistan	02	70	26
KP	02	80	23
Punjab	11	350	33
Sindh	03	150	25



Provincial Achievements by Hunar Ki Manzil

Digital Hubs

The lack of market access and basic connectivity is felt to be a challenge and limitation to the growth of rural economies. Fostering local solutions and countering development challenges through rural connectivity is an innovative and a possibility for change and overall growth. The establishment of 80 Digital Hubs (DH) across the LEED program through UCs has been planned. The DHs were formalized in consultation with Partner Organizations and the respective local support organizations through signing off the 'Statement of Need' (Socio Economic needs of the communities as per their rural context) and 'Specification of Requirements' (The equipment that may be required to address the needs identified by the communities). However, a

typical Digital Hub is formalized in LSO existing office infrastructure equipped with both hardware and software facilities. The area wise segregation of the digital hubs established is shown in the table below.

ODF Entrepreneurs

To address rural sanitation with sustainability, PPAF in collaboration with the World Bank - Water and Sanitation Program and Plan Pakistan initiated a pilot on training community resource persons/ entrepreneurs for addressing the supply and demand side of the rural sanitation. The trainings were designed on community led sanitation and enterprise development. The strategy used was built on creating a group of entrepreneurs who serves as 'Order-Taker'. These entrepreneurs will display the

low-cost indigenous latrine options to the community and will book the orders, to be procured later from the 'Investor'. The second set of the entrepreneurs will be classified as 'Investor'. The investor will produce the low-cost indigenous latrine options within its manufacturing facility. POs will proactively identify, train, and support Local Entrepreneurs and Investors, whilst regularly following up on sales, marketing and provision of behavior change material to them. The trained youth has established social enterprises/ sanitation marts and sustainably taking forward the agenda of rural sanitation. The glimpse of the trainings with provincial details is as shown in the table below.

Menstrual Hygiene Management Enterprise

Studies show a lack of awareness, availability and, affordability, which hinder women's access to clean and safe sanitary practices, or to a clean or private space to change material and wash. To address this, communities and SDU with LEED planned to invest resources to foster social enterprises around low cost sanitary napkin production units owned and run by community women. For the pilot, Agahe was selected in district Rajanpur as implementing partner keeping

The area wise segregation of the digital hubs established:

Balochistan	10
KP	20
Punjab	21
Sindh	29

Training provided to ODF Entrepreneurs

KP	124
Punjab	174
Sindh	31

in view the organizational experience and the community mobilization on the subject. The equipment is being procured by the communities followed by the relevant technical and operational management trainings along with Enterprise Development Trainings.

Livestock Insurance Entrepreneurs

PPAF under its Financial Services Group Unit has been able to develop innovative products for micro-insurances around agriculture and livestock. The model has been structured to ignite the micro-insurance sector while keeping intact the sustainability of the sector initiatives. SDU with LEED has tested the same FSG's developed innovative products differently in 5 UCs of Layyah with ADO as implementing partner. SDU signed an MoU with United Insurance Company (UIC) to insure the risks. The LSOs of the respective UCs trained as Insurance Entrepreneurs by UIC to be able to act as 'Distributors' of the insurance products on behalf of the insurance company. The LSOs is charging 5.5 % premium of the total cost of the animal. 4% is being given to insurance company, 1% as LSO distribution commission and 0.5% to respective POs for making sure the transparency, process and documentation compliance. The



insurance product is voluntary and for the general community.

LEED had also provided a subsidy of 50% to its livestock asset beneficiaries whose poverty scores are under 18. To increase the demand of the products, LSOs had conducted awareness sessions to their participating VOs and then COs. The insurance company is responsible for bearing all risks,

providing community trainings and material.

Melas and Workshops

Many communities are engaged in socio-economic activities, however to capitalize on the transformation process, different communities need to be linked with each other and the external stakeholders. District level local melas and linkages exercises are being planned and executed by

Partnerships, Integration and Linkages

The following meetings were organized as part of sector development initiatives:

- Consultative Meeting with LACIP partners
- Consultative meeting with Private sector organizations and POs for handicraft promotion
- Worker rights and social safety
- Organized “National Consultation – Preparing for the World Humanitarian Summit 2016”

MoUs signed with

- Indus Heritage Trust for artisans capacity building around arts and craft in district Bahawalpur
- Helping Hands for promoting handicrafts of PPAF supported artisans
- Include Pakistan for capacity building and linkages building of the Digital Hubs for mobile agriculture, marketing research etc.
- Proposal submitted to BEES network for research around arts and craft of Pakistan and comparing the South Asian markets

the LEED POs for the local communities, better coordination so will help sell their services and products and ensure their own sustainability.

Learning/Knowledge from any 3rd Party Assessment and Evaluation

The investigative study on PPAF’s Livelihoods Program conducted by third party - Associates in Development (AID), showed the LEED model of comprehensive UC based ecosystem approach is successfully targeting poor and non-poor to stimulate local economy. Providing opportunities to non-poor for enterprise development also means providing jobs to the poor. Out of the 50 sampled households selected by third

party, the poverty band of the targeted poor has changed.

LEED is a refined model of LEP as it includes UC based approach, strengthening of third-tier community institutions (LSOs) and launched innovative livelihood platforms such as Nokri Ya Karobar (NYK), Youth Centre (YC), Production Centers (PCs), and Loan Centers (LCs).

Community Physical Infrastructure (CPI)

Overview

CPI unit of PPAF is involved in the implementation of community based infrastructure projects across remote and under developed areas of Pakistan. CPI has forged linkages with PO's of PPAF towards helping access poor communities to physical infrastructure in order to improve their livelihood opportunities.

Since 2000, CPI has completed more than 28000 infrastructure projects in remote and under-

developed areas of Pakistan.

These projects are categorized as: a) conventional projects, b) integrated area up gradation projects (IAUP*), c) technological innovative projects (TIP*) including solar lights, wind mills, biogas plants, solar tube well and d) drought mitigation and preparedness projects (DMPP) consisting of drinking water supply, sanitation, and delay action dams. The conventional projects include drinking water supply scheme, irrigation, and



Current and Cumulative Physical Progress

Project Category	FY 2014 - 2015			Cumulative
	Projects	Beneficiary HHs	Beneficiary Population	
DWSS	321	17,639	85,245	10,091
Irrigation	295	11,031	79,511	7,430
Roads & Bridges	231	21,605	65,034	4,147
Flood Protection Works	93	5,550	31,602	695
TIP	108	2,991	23,421	873
Drainage and Sanitation	33	1,293	8,929	4,441
IAUP*	0	0	0	403
Total	1,081	60,109	293,742	28,080

* Integrated Area Upgrading Project: A combination of interventions, such as drinking water supply, safe waste water disposal, street soling and lighting, etc., in an area

sanitation, link road, and bridges, flood protection works. The breakdown of infrastructure projects implemented in 2014-2015 includes;

- a) **providing safe drinking water (30% of projects),**
- b) **irrigation (27% of projects),**
- c) **roads and bridges (21% of projects) and**
- d) **technologically innovative projects like solar lights, wind mills, microhydels, biogas plants (10% of projects).**

17,639 households have gained access to safe drinking water due to the construction of communal hand pumps, tube wells, and overhead tanks with communal taps, water reservoirs, and gravity fed water supply lines provided under drinking water supply schemes (DWSS). Instead of collecting water, women have more time to earn an income and girls can attend school. In addition, safe drinking water has cut healthcare cost by preventing many water borne diseases.

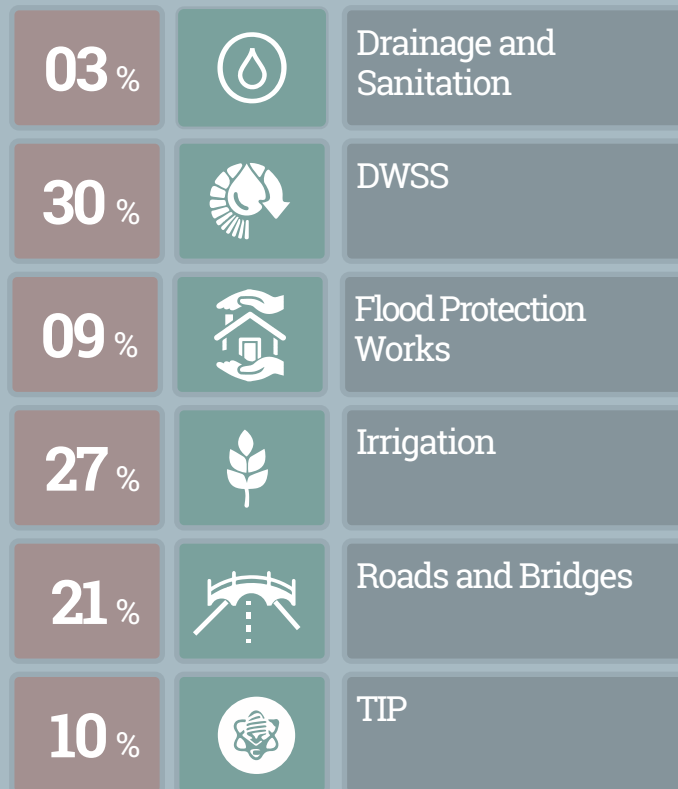
Sanitation has been improved in 33 villages by laying sewer lines for rainwater drainage, the construction of oxidation ponds, brick soling, culverts, covered drains, and community toilets. Sewage and water waste is safely disposed off and treated so households can enjoy an environment free of mosquitoes.

KEY ACHIEVEMENTS

CPI implemented 1081 small-scale infrastructure projects addressing the needs of approximately 60,109 households benefiting 293,742 people. These projects have forged linkages between PPAF and its PO's, and have organized and mobilized local people in the shape of community organizations. The local community has been involved throughout the process, from identifying needs and solutions, to designing projects and pooling in resources in the form of cash and labor (equivalent to a minimum of 20% of project cost), to implementing, operating, and maintaining projects.



The breakdown of projects implemented in 2014-2015



Rural households depend heavily on agriculture to eke out a living. Irrigation projects, such as water channel lining, karez rehabilitation, water reservoir and dug well construction, irrigation pipe installation, etc., have made more water available in 295 villages and consequently improved cropping intensity and increased cultivable land area. Additionally, 93 flood protection structures in KPK and Balochistan are now protecting agriculture land and 5550 household assets and property from the devastating effects of flood.

Good Practices and Innovations

Linking O&M Committees for Sustainability of Infrastructure Projects

Under PPAF III, Community Institutions have developed partnerships with public departments and other organizations to mobilize resources for construction of new schemes. Community members implement projects on a cost-sharing basis in order to develop a sense of ownership. Upon completion, these projects are handed over to the community for routine operation and maintenance. A committee comprising of a few community members is established and is responsible for generating, collecting funds for carrying out and maintaining



projects. In cases O&M committees fall short in performing this responsibility owing to financial or technical constraints, efforts are made to bring Govt or service providers to bridge this gap.

CPI Develops Linkages with Public Entities

PPAF supports the government and provides services where government access is restricted due to financial or operational constraints. There are some challenges that impede government departments to take over responsibility of projects completed by COs, VO, and LSOs sponsored by PPAF. The Government budget comprises: i) development budget and ii) recurring budget. Assets and projects are funded through the development budget and are duly recorded in government books simultaneously in order to

provide the recurring budget for operation and maintenance. Public assets developed under PPAF approach are not recorded in the government books and hence government books do not have reference to this project for operation and maintenance. To accommodate PPAF sponsored projects for operation and maintenance budget, coordination with government at various levels is required.

Meetings with Public Health Department

A series of meetings have been conducted with PHEDs of Punjab, KP and Balochistan. In a meeting regarding KP, Mr. Masroor Ahmad from WSP-WB was also present. The objectives of this engagement was to: a) explore opportunities where social capital sponsored by PPAF could take responsibility of rehabilitating dysfunctional



schemes and later taking O&M tasks in their hands and, b) facilitation of LSOs/ VOs by PHED in operation and maintenance of schemes financed by PPAF. Public departments showed interest in building synergies with PPAF and its POs. As a result of this, MoUs have been signed by PPAF in Punjab and KP. Also, POs of PPAF have entered into an understanding of their respective program areas. An example of this is: AGAHE in southern Punjab, SABAWON in KP and BRSP in Balochistan. This will facilitate better access to technical and financial assistance offered by the public department schemes sponsored by PPAF.

Linkages with UCs' Representatives

Several initiatives have been taken to build strong relationships of community institutions with the local governments. On March

12th, 2015 a meeting was held in Thatha, where representatives of 52 UCs participated. The platform provided the opportunity to help the local government understand the issues faced by communities with respect to the operation and maintenance of infrastructure projects. LSOs from 52 UCs had detailed dialogue to get awareness of the working of government at UC level.

Balochistan Conference on Integrated Development

PPAF organized a Balochistan Conference on April 23-24, 2015 in Quetta. The two-day networking event was primarily organized for various stakeholders in Balochistan, who are working in the development sector, to share their on-going work, experiences and best practices, with each other. Stakeholders were able to share information about their on-going projects/

programs, and develop linkages with the service providers and government organizations to ensure sustainability of infrastructure and social sector facilities.

Meetings with Local Government

SGM-CPI PPAF held a meeting with the Secretary Local Government Balochistan on April 22, 2015. The meeting was organized to apprise PPAF's activities in Balochistan and enhance the role government can play in ensuring its sustainability of infrastructure implemented by communities.

Linkages with Service Providers

In addition to build linkages with the Government, the second type of efforts are aimed at increasing interaction of communities with service providers and development sector organizations that can help O&M committees to perform their role effectively.

Linkages established by COs for accessing infrastructure projects

Based on reports (as of June 2015) received from POs under PPAF III, about 16,386 infrastructure projects were implemented by COs fostered their linkages with 282 other donors and funding agencies accessing financial resources of Rs 3.6 billion.

Walk for Water in the High Mountains, Hatim Bibi's Story



Hatim Bibi is a 35 year old woman who is originally from Gojal valley in Hunza. Hatim used to work at Sharma Vocational Centre, which trained her to make local handicrafts. This allowed her to earn an income, which helped support her family. Hatim Bibi moved to a small village in the valley after her marriage. Unfortunately, the village she now resided in was facing a water crisis. With no running water available to households, she found herself walking five hours a day, nine kilometers at a time, to fetch water from a nearby river. Hatim tells us,

“During the winter season it was very difficult for me to manage water for the kitchen, for washing clothes and for animals. I would walk back and forth for almost half the day. It was a very strenuous activity”.

Lack of accessible water did not allow Hatim Bibi time to pursue her job at the nearby vocational center. After the implementation of the WASEP scheme in her village, she no longer has to procure water for her home; the project was successful in supplying running water to households. Hatim Bibi is now a trainer at the vocational center and earns PKR 3000 per month, enough to pay for her children's school fees. Her work as a designer and trainer of locally produced handicrafts has also allowed her to improve her socio-economic standing.

Disaster Preparedness & Management (DPM)

Overview

PPAF has heavily invested in poor districts of the country over a period of 15 years in areas of infrastructure, health, education, and livelihoods. These investments remain at risk when a disaster occurs. Households who have benefitted from these interventions and improved their condition also fall back into poverty because of loss to their lives, assets, and means of livelihood. PPAF wants to make its investments disaster resilient, and see its communities and gradually the people in other disaster prone areas of the country manage disaster risk and recover from natural events, such as floods, earthquakes, and droughts and face growing challenges of climate change effectively without compromising their safety and welfare. Areas vulnerable to natural disasters are generally among the most deprived and lagging regions, experiencing an intergeneration perpetuation of poverty.

The disaster preparedness and response activities include implementing local level projects in drought mitigation and preparedness. PPAF has established a new unit responsible for pursuing disaster preparedness and management in a coherently planned manner. The objective of this program is to put in place necessary community managed

infrastructure, equipment, and institutional mechanisms to: (a) Mitigate and minimize the impact of a disaster; (b) help people better prepared to cope with various disasters in a pre-planned manner; and (c) in case a disaster does set in, get actively involved in relief, reconstruction, and rehabilitation efforts, in coordination with the government and other stakeholders.

CBDRM Program

A comprehensive Community Based Disaster Risk Management (CBDRM) Program was initiated under the Disaster Preparedness component as a value addition to Sindh coastal area development (SCAD). The CBDRM training program was expanded to flood affected district Sialkot in Punjab. CBDRM trainings were replicated and scaled up to the community level. Under DPM preparedness component in SCAD Sindh, a total of 168 (5- day training) events have been conducted in 52 union councils of Thatta, Badin, Sanghar, Tahrparkar and Mirpurkhas in which 5,003 people were trained (2,603 men, 2,400 women) followed by training of 104 community resource people. In addition, 8 training events of 5 days each have been conducted in 2 union councils of district Sialkot, Punjab in which 200 people were trained.



The CBDRM training encompasses the formation of union council disaster management committees (UCDM), union council emergency response teams (UCERT) under the umbrella of existing community institutions in each UC. Resource manuals along with information, education, and communication material was prepared and shared at the community level and amongst UCDMs and

UCERT to enhance the learning and understanding of the disaster management cycle and importance of preparedness. 42 UCDMs and UCERTs were formed in 5 districts of SCAD Sindh and 2 in District Sialkot, Punjab. These UCDMs and UCERTs were adequately trained and facilitated for preparing local level preparedness plans, conducting hazard vulnerability and capacity assessment, coordination with other relevant

stakeholders, search, rescue and evacuation. Stockpiles of emergency tools and equipment's have been provided in 44 UCs to enable the local communities and authorities for effective response in future emergencies.

Besides the CBDRM trainings, another comprehensive skill development training was carried out in 52 union councils of SCAD Sindh. The trainings were specifically designed to enhance the existing skills of local artisans for ensuring risk resilient and DRR conscious construction. 10 training events of skill development were completed in which 351 local artisans from 52 union councils have been taught.

Response to Natural Disasters

2014 Monsoon Floods Response

In September 2014, a late monsoon rain triggered flash flooding in Gilgit Baltistan, Azad Jammu and Kashmir Pakistan-administered Jammu and Kashmir, causing major damage through landslides and avalanches. PPAF approved PKR 45 million which was used for relief and recovery over a 6 month period to the district of Muzaffargarh and Jhang, The program addressed recovery and rehabilitation needs of



affected communities through provision of fertilizers, animal fodder, rehabilitation of damaged infrastructure in the district which benefited 3000 families.

Tharparkar Drought Response

As a result of low rain levels in Tharparkar, the local community lost their food grain and livelihood options therefore, the affected population was deprived of

basic nutritional needs. PPAF in collaboration with partner organization (TRDP) initiated a recovery program of PKR 40 million emphasizing on addressing food, health and nutrition needs of affected communities in three union councils of Tehsil Chachro and Tharparkar. 4500 families were provided with food baskets, mobile health services, animal fodder, vaccination and CMAM support by providing RUTF and food supplements after

screening through MAUC with the coordination of WFP and SHIFA foundation working on CMAM in targeted UCs.

Linkages and Coordination

PPAF is also projecting its voice at the international level and thus linking up local concerns with the global ones. Recently, PPAF was requested by UNOCHA to provide some feedback on the humanitarian response in Pakistan.

International NGOs organized this feedback nationwide mostly, but with PPAF's larger network and access on ground, PPAF was also a part of the process. In June 2015, PPAF hosted a national consultation with various stakeholders, including but not limited to PPAF's own partners selected on the basis of geographical variation and disaster specific experience. The feedback will be taken to the regional consultations and eventually feed into the Worldwide Humanitarian Summit to be hosted by UN Secretary General in 2016.

LSOs Gather to Discuss Disaster, Environment and Climate Change

PPAF and SCAN jointly organized a LSOs meeting in Thatta around the theme of "Disaster, Environment and Climate Change" in April 2015.

Strengthening Participatory Organization (SPO) Thatta hosted the event. The main agenda was to sensitize the LSOs demand articulation of DRR and climate change adaptation. It focused on sharing experiences on the best practices revolving around the CBDRM and Climate Change emphasizing on the capacity building and role of CRPs. During the session other stakeholders shared their best practices and discuss the way forward for linkages.

The event was attended by Social Welfare Department, Education & Health department officials, Merlin Thatta, Islamic Relief, Right to Play, Web for Human Development-WHDT Thatta, Church World Services Thatta, Plan Pakistan, Focus Humanitarian Assistance Pakistan, LEAD Pakistan, Hisaar Foundation, Pakistan Agriculture Research Council and PPAF partner organizations.

Bugti IDPs Assistance Program



After the government's military operation in Balochistan in 2006-2007, an estimated 170,000 tribesmen migrated from Dera Bugti to Dera Ghazi Khan, Rajanpur, Hyderabad, Rohri, Sukkur, Khairpur, and Karachi. Since this displacement, most of the Bugti tribes have tried to repatriate but due to the fragile security, have not been able to.

Approximately one thousand families from the Masuri Bugti tribes migrated to the district of Rajanpur. These families are settled as IDPs in three union council of tehsil Jampur in the District Rajanpur. Recently, the tribal elders and families of IDPs suggested that security was favorable to repatriate. However, in order to return, conditions called for the need of relief assistance of food, shelters, quilts and water coolers.

In March 2015, PPAF facilitated this particular group of IDPs by providing transport vouchers, dry food, shelters and other necessary items. Approximately, 1000 families have started going back to their native area. However, due to unfavorable conditions in their native villages, there is desperate need of ID, livelihood and infrastructure projects. PPAF received an approval of Rs. 50 million for rehabilitation work in order to facilitate livelihood and infrastructure projects such as irrigation, sanitation, link roads and water supply projects in Dera Bugti.

Education Health and Nutrition (EHN)

Overview

The Education, Health and Nutrition (EHN) Program of PPAF focuses on the close links between poverty, health, and education to address social inequities in terms of limited access to education and health facilities, non-availability of or insufficient services, food insecurity and inadequate dietary intake, and lack of awareness of health and nutrition at a grassroots level.

By encouraging the community to redefine 'community based education' as beyond 'literacy', this shift helps men, women and children have the knowledge, skills and capabilities to live a healthy, balanced, and connected life which leads to positive socio-economic development. This structure encourages the communities to realistically map their education and health needs using the human life cycle approach, so that demand for services is articulated not only for children, but other key stakeholder categories, (e.g. persons with disabilities, special life cycle related needs, transgender, aged).

By being non-prescriptive, the frameworks allow the communities to think flexibly of how they can increase and improve access (supply) through a realistic assessment of the larger ecosystem, and more

specifically, through the Government, private sector, and self-help initiatives. This encourages communities to crowd source relevant resources (and technical organizations), and initiate public-private partnerships.

Reprogramming for Effective Results

In January 2015, PPAF's EHN team initiated an exercise in Sindh that would ensure that PPAF's strategic direction in (EHN) was based on field realities, and PPAF's own strength in grassroots programme implementation. Intensive consultations were held with community based households, mohallah committees, village organizations (VOs), local support organizations (LSOs), PPAF partners organizations, technical organizations in health, nutrition and education, district and union council based government officials, and relevant provincial departments.

The consultations clearly indicated that nutrition and preventive health were two important, stand alone areas that communities should focus on, including attention to malnutrition, balanced diet, food security, breast feeding, menstrual hygiene, anemia in adolescent girls, hand washing, safe drinking water and ODF.




Once the results of these consultations were analyzed, and aligned with PPAF's Framework for Socio-Economic Transformation, the two strategic frameworks for Education and Health & Nutrition were finalized. In February 2015, the World Bank formerly approved these. The Frameworks are supported by a simple, easy to understand, write-up, constitute the policy guideline for all PPAF's current and future programming in EHN.

Strategic Framework for Education

PPAF's education program is aimed at providing access to quality formal education to children of poor and marginalized rural communities. The schools supported by PPAF through its POs can be divided into two categories of: a) community managed schools and b) public sector schools-the adopted schools in PPAF's parlance.

PPAF's strategic frameworks for Education and Health and Nutrition (EHN) assists POs and LSOs to think holistically on how they can enhance their access to improved health and education facilities in both short, and a long term capacity

KEY RESULTS ACHIEVED

Outcome Indicator		Achievement
Growth in enrollments is maintained 7.5% per annum		Overall growth in enrolment surpassed 7.5% per annum by huge margins (Growth rate of 16% recorded during last year only)
At least 40% of beneficiaries of health and Education interventions are women		45% of enrolled students are girls while women beneficiaries of health facilities constitute about 65% of total patients.
At least 60% of the beneficiaries report satisfaction with PPAF supported health and education facilities		15%, 51% and 28% of the beneficiaries report extremely, very and somewhat satisfaction respectively with PPAF supported education facilities

Adopted **Schools**

Outreach and Geographical **Spread of Education Program**

Mainstreaming **Disability**

Special Initiatives in **Conflict-Hit Areas**

Maternity Care **Voucher Program**

Tele-**Medicine**



Community Schools

PPAF provided support for establishment of community schools in the areas having no schools within the radius of 2 km. PPAF's support included building's rent, teachers' salaries, provision of furniture, consumables, training of teachers, establishing and capacitating school management committee, etc. A total of 206 community schools have been supported under PPAF III.

Adopted Schools

Under this category, financing was provided to improve the quality of services in public sector schools. The assistance provided by PPAF includes upgrading/renovation of physical infrastructure (boundary walls, classrooms, toilets, furniture, electricity connections, lights, fans, drinking water facilities, sports' facilities, computer labs in high schools, etc.), financing the schools' operational costs

(additional teachers, stationery and support staff), regular teacher training programs, and training school administration and providing uniforms to children. In this category a total of 690 adopted schools have been supported so far under PPAF III.

Outreach and Geographical Spread of Education Program

Under PPAF III, EHN provided financial and technical support to 896 schools (that includes 690 public sector and 206 community schools) in 48 districts in all four provinces including Gilgit Baltistan by engaging 38 partner organizations. 126,144 students were enrolled of which 45% were girls. Over 1200 teachers (70% women) were hired and trained for these schools.

Sustainability and Ownership of Schools

PPAF oversaw the gradual handover of 754 government and 142 community schools to the government and community organizations respectively. This gradual transition with complete financial independence marks a milestone in achieving the long term goal of sustainability. Community ownership was made possible by aligning a number of support variables: significant contributions from the communities, tolerable raise in fees, support of local philanthropists, fund-raising

campaigns by the Partner Organizations and developing linkages with government. The process for the sustainable ownership of remaining schools is underway and the complete hand-over is envisioned to be completed in the near future.

Good Practices and Innovations

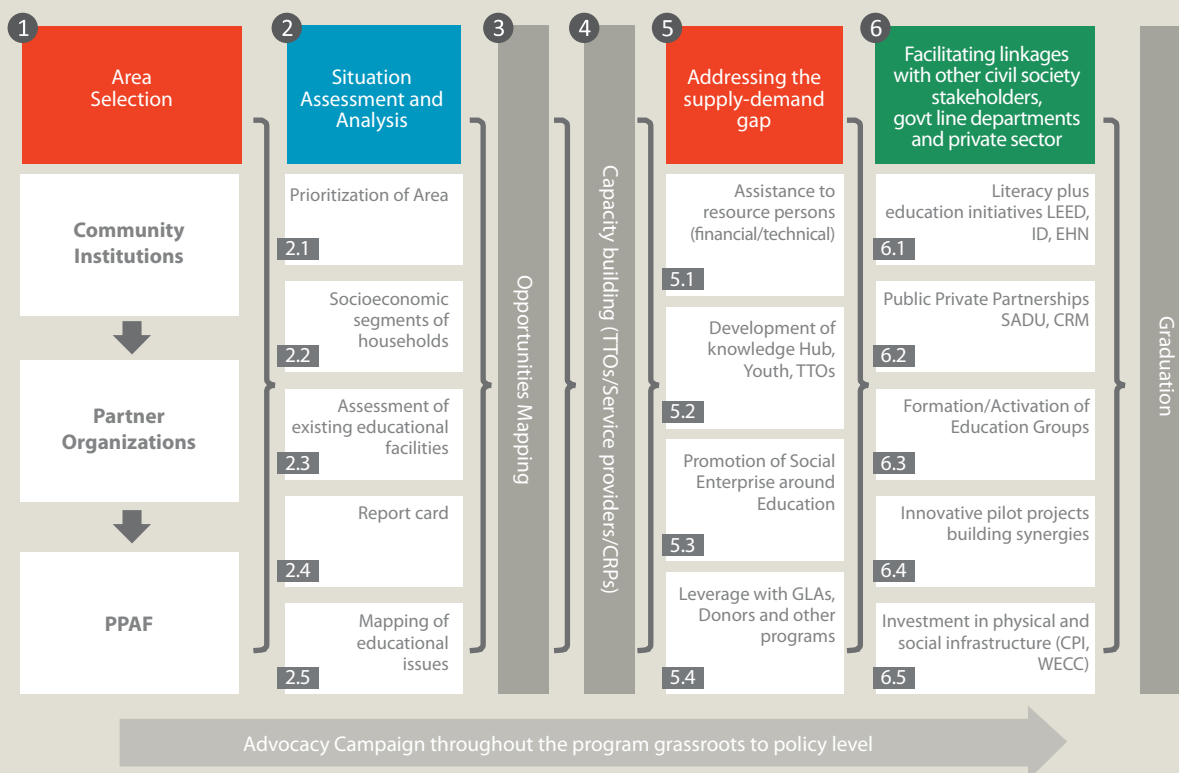
Business oriented solutions for education

PPAF piloted an initiative aimed at identifying business-oriented solutions to improve health and education outcomes. 23 individuals, called Community Based Change Makers (CBC) were identified from Ziarat Balochistan and they were provided intensive formal four-semester course of entrepreneurship spread over a year. These entrepreneurs were then provided grants to establish enterprises around education.

Mainstreaming Disability Support to Visually Impaired Persons (VIPs)

PPAF has also stepped into supporting activities aimed at mainstreaming the visually impaired persons (VIPs) into society. Audio World program is a doorstep facility providing recorded text books from grade V up to post-graduate level for all educational boards in Pakistan. It also provides pleasure listening books with more than 1,000 titles on audio cassettes

Strategic Framework (Education)

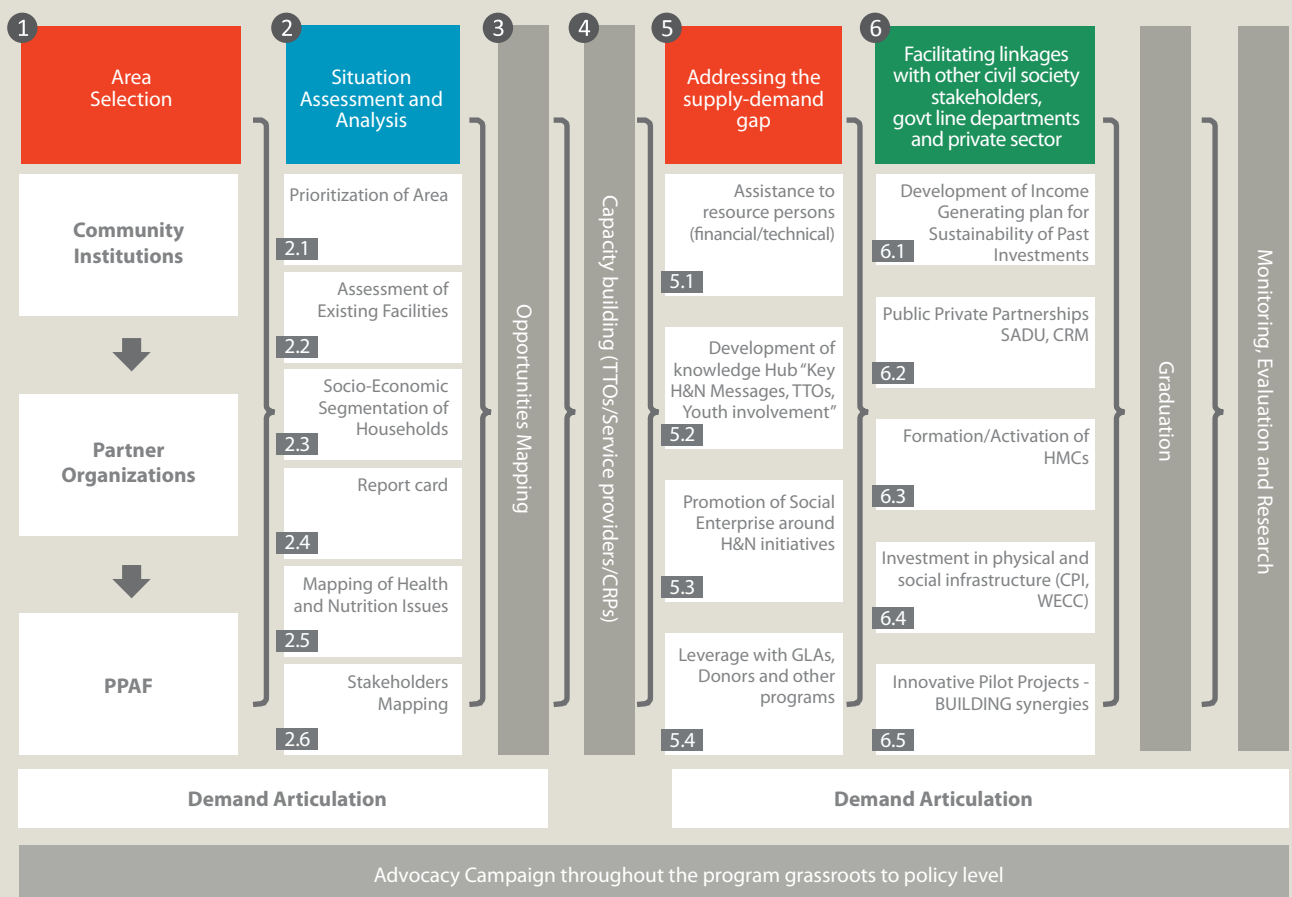


and CDs free of cost to VIPs across Pakistan through free registered postal service. PPAF supported computer centers within special needs schools of the government in Multan, Peshawar, and Lahore and provided free training in computer/IT skills to users coming from underprivileged backgrounds.

Education for Deaf Children
PPAF has supported 821 deaf students including 359 girls as part of its objective for access to quality education services. One of the major activities is PSL (Pakistan Sign Language) Web Site design and Portal, Software programming, DVD production and distribution. This is the first website ever developed in

Pakistan for teaching and learning of deaf students. Other major interventions are capacity building of teaching staff, providing learning equipment/materials, books, transportation for deaf students, salaries for teaching and other support staff, large screen monitors for IT labs and computers.

Strategic Framework (Health)



Health Program under PPAF III

PPAF III has funded 504 health centers including 143 communities and 361 government health facilities out of which 499 health centers have been handed over either to the government, or to other stakeholders through partners. Overall 12.9 Million patients including 65% female patients have been provided with quality healthcare services. The project also entails capacity building of 504 Health Management Committees with 40 % female inclusion and training of 1600 health staff on cutting edge knowledge and skills.



Maternity Care Voucher Program

PPAF supported an innovative voucher program in district Dera Ghazi Khan in order to reduce maternal and newborn mortality and morbidity. This Voucher Program entails subsidizing the cost and providing equitable essential health services including reproductive health and family planning services to poor and marginalized pregnant women. During the project period 512 normal delivery cases and 60 C-Sections complications were supported in the project area.

Telemedicine

A pilot project was initiated to set up Mobile Tele-care Centre in collaboration with Karachi Dow University of Health Sciences at Layyah District in South Punjab. The Mobile Centre provided medical services to the community in a mobile van equipped with electronic ultrasound, electronic microscope, high definition skin analyzer, ENT and Eye electronic instruments, blood pressure apparatus, glucometer, hemoglobin meter, photocopier, scanner and printer. All these services were provided via satellite broadband. During the project period approximately 27,000 patients have been provided with medical care via telemedicine including 14,100 female patients.

Special Initiatives in Conflict-Hit Areas

Chamalang Education Program: Vouchers for Students

Under Chamalang Education Program, PPAF provides scholarships to 4,000 children from the poorest families of district Kohlu and Lora Lai to integrate them into the mainstream society. These children were forced to perform child labor and were exposed to extremist ideologies, surrounded by the centrifugal political influences. PPAF helped these children to enroll in the best schools of the province. The overall support included tuition fee, uniform, books and stationery. Furthermore, PPAF also provides the cost for exposure visits of these children to different cities of the country so that they have opportunity of cross-cultural learning.



Renewable Energy (RE)

The Renewable Energy (RE) Unit was established in December 2013 in order to manage PPAF's energy related commitments to various international funding agencies and rural off grid communities.

Previously, the Water Energy and Climate Change (WECC) Unit managed renewable energy projects.

Overview

RE is involved in the development of indigenous renewable energy resources (small scale hydropower, solar, wind and biomass) for electricity generation locally. The interventions include deployment of mini & micro hydroelectric plants, decentralized solar lighting systems, wind turbines, solar-wind hybrids, solar water pumping projects and biogas plants.

RE provides technical assistance to the project- implementing partners and has taken the responsibility of design, implementation and monitoring of projects. The non-existence of national grid in remote and poverty stricken areas and current energy crises in the country has increased the community demand for such projects. The main objectives of the unit activities are to:

- Eradicate extreme poverty by increasing access to energy for poor, off-grid communities in rural Pakistan
- Reduce the use of fuel wood, kerosene & diesel generators
- Protect the local environment and increase the renewable energy contribution to the energy mix
- Establish small and medium enterprises (SMEs) for local economic benefits

- Improve the design & implementation model of projects with a focus on quality & sustainability
- Build/enhance the technical capacity of project implementing partners
- Make strategies to develop the RE sector by engaging all the stakeholders
- Promote and scale up the use of alternative technologies for poverty eradication in Pakistan.

During 2014-2015, RE has designed and initiated the construction of 5 Mini Hydropower projects in Chitral, Upper Dir, and Buner Districts of KP Province with varying capacity of 100 to 300 kW. The design of these MHPs is in line with the international standards and based on data collected from field with detailed engineering surveys. The Unit has designed about 100 decentralized solar photo voltaic (PV) systems ranging from 5kW to 15 kW in capacity for off grid communities of Swabi, Karak and Lakki Marwat districts of KP. A feasibility study for establishment of a mini-grid station at district Chitral is also undertaken to connect 5-7 independently operated MHPs and transport the surplus electricity available during off-peak hours (day time) to Garam Chashma town to support the existing and creation of

economic activities. 9 technical training events have been organized and 85 staff members of six PPAF POs have been trained. About 12 design manuals have been prepared for technical guidance for engineering professionals in the RE sector. These activities are taken in hand with the financial support of German Development Bank, the KfW under the "Development of Hydropower and Renewable Energy (HRE) Project in KP.

In addition, RE is providing technical assistance to other infrastructure and microcredit Units of PPAF in design and implementation of their renewable energy interventions.

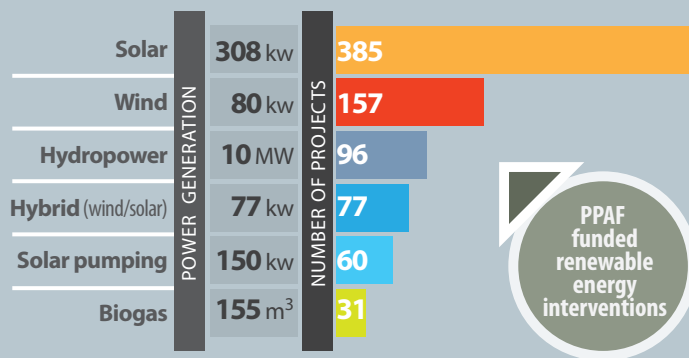
Learning & Knowledge arising from any internal or 3rd party assessment and evaluation

The renewable energy projects are large and highly technical in nature with complex design and implementation arrangements. PPAF is investing time and money in capacity building of project partners to achieve the expected results. PPAF is also planning to involve a third party (experienced construction firms) for implementation of some projects where required to further improve the quality of construction and introduce effective O&M procedures for overall sustainability of the projects.

HRE AT A GLANCE

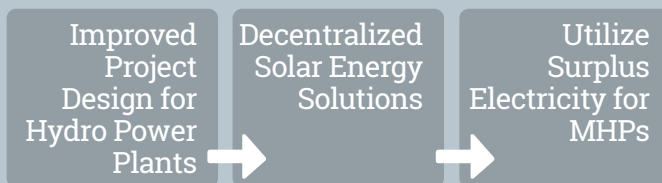


- **Project Cost:** 10 Million EUR
- **Project Duration:** 03 Years (2013-2016)
- **07 Districts of KP** (Chitral, Upper Dir, Buner, Swabi, Lakki Marwat, Karak and Swat)
- **10 Union Councils**
- **06 Partner Organizations** (NRSP, AKRSP, SRSP, SABAWON, MGPO and CMDO)
- **Project Components:**
 - 07 MHPs
 - 100 Solar PV Systems
 - Mini Grid



Innovations, New Projects and Programs

RE is bringing innovations through:



Program for Poverty Reduction (PPR)

Activities implemented under the program are structured in 4 categories:

- Social Mobilization
- Livelihood Enhancement and Protection
- Construction of Small-Scale Community Infrastructure
- Establishment of Basic Health and Educational Services

Overview

The Program for Poverty Reduction (PPR) has been launched as a three-year investment program titled "Poverty Reduction through Rural Development in Balochistan, KP and FATA". The Government of Italy (GoI), through the Directorate General for Development Cooperation (DGCS), financed it. Under this program, PPAF has taken some new initiatives resulting in some strategic shift from its standard approach. The last three years of the PPAF-III program, PPAF has focused on integration, and consolidation of activities and impact at the Union Council level. Simultaneously, PPAF has also introduced a much broader, multi-faceted livelihoods component, and has gained practical knowledge on leveraging and integrating with other program components like infrastructure, health, education and institutional development. This provided PPAF the opportunity to re-program its

strategy in a cohesive manner, which ultimately evolved into PPR. PPR aims at contributing to poverty reduction in selected districts for the population of Balochistan, Khyber-Pakhtunkhwa and the Federally Administered Tribal Areas (FATA). It is being implemented in Lower Dir, Upper Dir, Chitral, Swat of KP, Zhob, Killa Saifullah, Killa Abdullah, Pishin, Gwadar, Lasbela, Awaran, Panjgur, Kech of Balochistan and Bajaur Agency Fata.

Program Practices and Innovations

Partner Selection Process

To select the most suitable Partner PO's for this program, a comprehensive procedure was adopted by PPAF. The selection process starts with advertisements in national newspapers calling for Expression of Interests (EoIs). A third party organization screens and shortlists the EoIs. The third party evaluation consists of: PO



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legal status, accountability and transparency, geographical coverage, financial management, monitoring and evaluation systems, and experience in social mobilization and participatory development. The third party organization categorizes the applicants as A, B and C. "A" being organizations scoring 80 marks and above. A request for proposal was sent to organizations categorized as "A". A multi-disciplinary PPAF team engages in providing field appraisal. Following the field appraisal, the

team recommended prospective POs. To ensure communication between PPAF and its implementing PO, a pre partnership meeting was carried out with senior management of these organizations, with the following agenda: a) to introduce PPAF's Framework for Effective Socio-Economic Development and to ensure that the final project document was guided by this framework; and b) PPAF's 'Terms of Partnership' and key implementation principles were explained.

Preparing for Entering an Area

PPAF has invested in developing initial profiles of the Districts and Union Councils (UCs), so information can guide program design and serves as a critical baseline for eventual internal and external assessments and evaluations. The baseline data collection included gathering using poverty score- card (PSC). Three levels of outputs were sought: a) situation analysis reports that reflected the socio-economic situation of 14 districts; b) assessment of levels of social mobilization in these districts as of now; and c) collection of PSC data and socio-economic baselines linked to selected MDG targets and indicators.

a) Phases of Situation Analysis and Baseline Surveys:

In this phase, socioeconomic

profiles of target districts were compiled. Appropriate primary and secondary data on socio-economic basis was gathered from various government departments, agencies, relevant reports and databases. This data was used to rank and profile target districts in terms of the level of socio-economic multiple deprivations. In addition, UC level data was obtained to rank and subsequently select UCs for Phase II. CIs were also identified in this phase; however they were assessed later in Phase II. Report for phase I was submitted by the firm by second week of September 2014.

In the second phase of the assignment, a household baseline survey was conducted. These UCs were selected on the basis of UC data collected in phase one. This provided a base against which the impact of the program could be examined in future. Another key output of this phase was an assessment of the nature and extent of social mobilization in target districts, through assessment of the CIs operating in the districts. Phase II report was submitted by the consulting firm in last week of November 2014.

b) Selection of Union Councils

The union councils selection process consisted of a multifaceted, objective, and structured approach, which led to the identification of 38 UCs. The selection process included three key steps: a) a list of all existing UCs for each district was compiled, b) the average deprivation index was calculated for each UC based on illiteracy, proportion of 'Katcha' houses and un-electrified households and

c) A final selection of thirty-eight UCs was done as per following priorities:

Priority 1 – Cluster Approach:

Selected UCs should be in close vicinity of each other therefore were clustered into groups. UCs were evaluated with respect to the distance and time taken to travel to the district headquarters.

Priority 2 - Presence of PPAF:

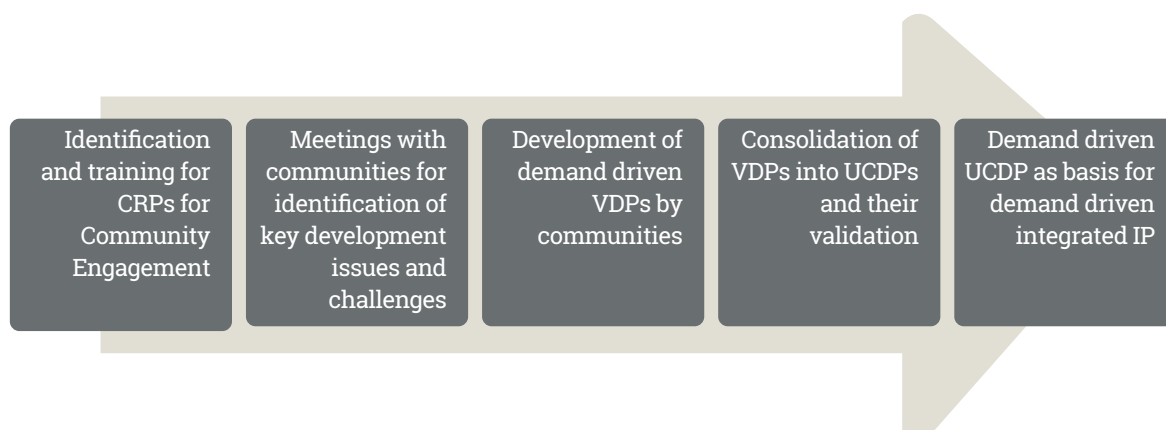
The selected UCs were required to have PPAF presence through partner organizations.

Priority 3 - Law and Order

Situation: The law and order situation in the selected UC had a conducive and enabling environment.

Priority 4 - Social

Mobilization: Selected UC had incidence of social mobilization by PPAF POs or other INGOs. Social Mobilization was measured in terms of the number of Partner Organizations, Community Organizations and Common Interest Groups operating in UCs.



Socio-economic Development Framework

Under this specific program, PPAF developed a socio-economic development framework, which focuses across the poverty bands to include even the non-poor, in an effort to develop ecosystem for economic transformation, socio-economic development and poverty reduction. The

framework also ensures mainstreaming of physically challenged people, gender equity and youth involvement.

Union Council Development Plans (UCDPs)

PPAF's POs identified village based Community Resource Persons (CRPs) who were trained to lead community based dialogues on 'a vision for a quality life',

Millennium Development Goals (MDGs), and human rights and core institutional values. CRPs held meetings with the communities where key development issues were identified. A Village Development Plan (VDP) was structured. A Union Council level consultation was held for a consolidation of findings of the VDPS into the Union Council

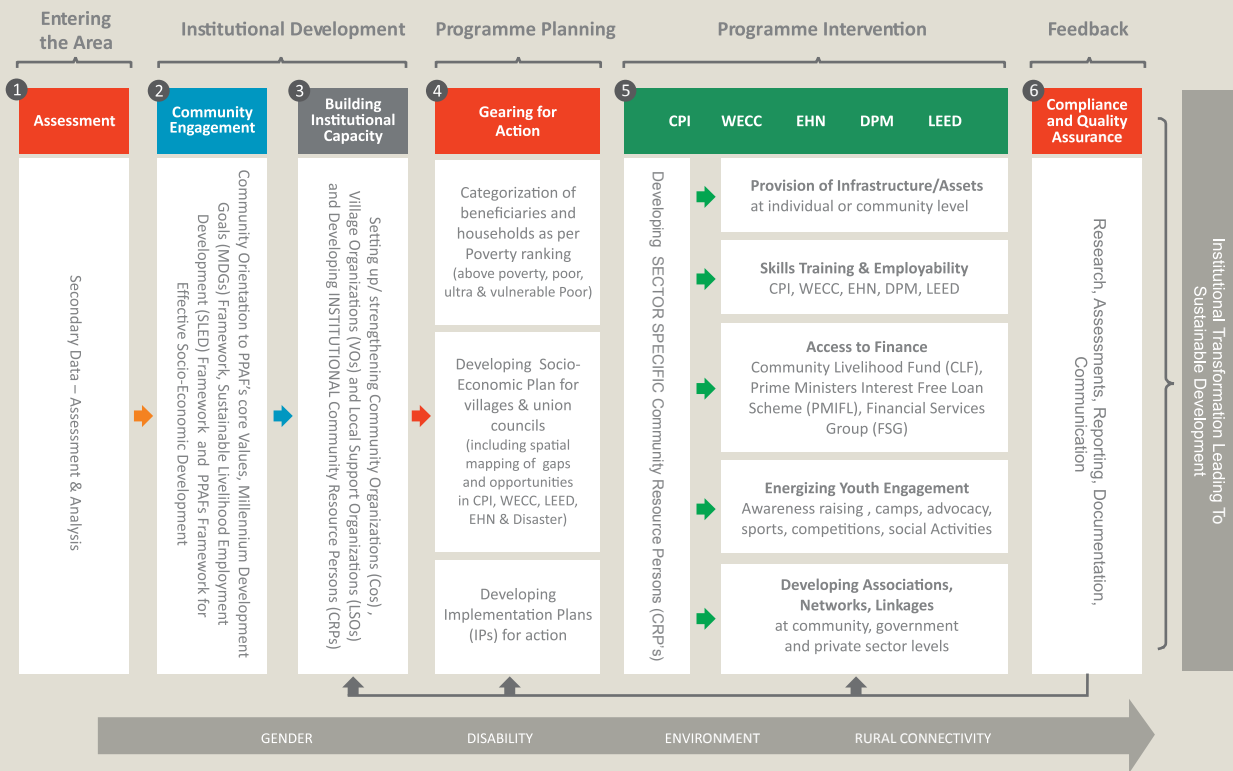
Development Plan (UCDP). Finally, a final consolidation meeting with PPAF multidisciplinary team validated the findings of UCDP. These UCDPs have evolved into needs based IPs. The IPs lead to financing agreements with POs that focus on different priorities identified in different sectors in

line with the UCDPs. PPAF has ensured verification of demand and outputs during UC validation meetings and will continue periodic review via subsequent monitoring visits and interactions with community members.

The success of PPR depends on the effective integration and

coordination among multi-disciplinary teams and key stakeholders in target areas. The various new approaches highlighted above will help the PPR team and POs to overcome the challenges pertaining to security, accessibility and cultural constraints in these conflict prone areas.

Socio-economic Development Framework



Livelihood Support and Promotion of Small Community Infrastructure Program (LACIP)

In 2015, PPAF established a dedicated unit for the management of the LACIP program. The General Manager supported by project staff having diverse experience with respect to the various project components heads the unit.

Overview

The LACIP is financed by the Federal Republic of Germany through KfW, was initiated in April 2012. To ensure the smooth operation of LACIP, a coordination unit was formed initially and is being supported by sector specialists of the core units of PPAF.

The program interventions are focused around five thematic areas, namely; Community Physical Infrastructure, Livelihood Enhancement & Protection, Health & Education and Disaster Preparedness and Mitigation with development and strengthening of community institution as the bedrock of all activities implemented by PPAF. Overall objective is contribution to the improvement of the general living conditions and quality of life of the poor population in the project region. The project objectives are:

- 1) Increased access to and sustainable utilization of social and economic infrastructure by the population of the project region.
- 2) Increased employment and income opportunities, especially for the poor.
- 3) Strengthening local civil society and enhanced participation of the population in decision-making at the local level.

The project area includes **7 districts of Khyber Pakhtunkhwa** i.e. Charsadda, Swabi, Buner, D.I Khan, Chitral, Haripur, Nowshera and 4 Selected UCs of Abbottabad. In these districts, LACIP is working in **56 Union Councils** with **23 Partner organizations**.

Key Achievements

Implementing New Strategy

A revised implementation strategy was developed with the help of a KfW consultant. The strategy revolved around changes in two of the major components of the project: Community Physical Infrastructure (CPI) and Livelihood Enhancement and Protection (LEP). Under CPI construction of larger schemes and more integrated area development approach was recommended to benefit larger segments of the population while in LEP formation of more sustainable and lasting platforms of common interest groups was recommended. The program will be implemented based on LACIP's revised strategy, and it is anticipated that it will be successfully

concluded by or even before December 2016.

In March 2015, Orientation Sessions for POs and Members of VO and LSOs about the revised implementation strategy of LACIP were organized. The PPAF multi-disciplinary team including LACIP, LEED and ID units conducted planning and monitoring visit to D.I Khan, Swabi, Buner, Chitral. POs attended these sessions along with their respective LSO/VO representatives.

In continuation of the implementation of the revised strategy and in order to develop Union Council Development Plans (UCDPs) for all project areas, in May 2015 a team of Community Resource Persons (CRPs) was trained to help in the development of UCDPs. Based on these UCDPs the implementation plans (IPs) of POs were revised.

Through its livelihood enhancement and protection component LACIP has imparted 3,688 vocational trainings and transferred 6465 assets to the poor.

The community physical infrastructure component of LACIP is responding to communities' basic needs and demands following the community driven approach. 305 new CPI schemes were



Read complete Message at: www.pfaf.org.pk/Home.aspx

initiated and 366 CPI schemes were completed. 960,380 individuals are currently benefitting from completed infrastructure schemes. Through LACIP's Health and Education component 18 new schools were facilitated and 140 educational facilities have been supported. 539 teachers and related staff have also been trained. Educational facilities are supported with lab equipment/libraries, construction of toilets, classrooms, play grounds,

construction of secured boundary walls and provision of water tanks. Four health facilities are being supported by the project, and 94,411 patients have been treated for various ailments and 9 Health Workers and related staff have been trained.

LACIP's disaster preparedness component conducted local risk reduction projects and has been key in enhancing the capacities of communities to prepare and cope with natural disasters.



Mashal-e-Khyber Award

LACIP organized the Mashal-e-Khyber Awards Ceremony to acknowledge the best practices in project implementation under various program components by its Partner Organizations, for 2014. The award ceremony was held in Islamabad, on April 23, 2015 and attended by KfW officials, PPAF senior management, and representatives from partner organizations, and award winning community members. The award was a mechanism to appreciate the hard work of PO's and to encourage them to competitively eradicate poverty in their targeted areas.

Partners

There are 24 Partner Organizations (POs) working under LACIP in 7 Districts of Khyber Pakhtunkhwa. The Partner Organizations are divided into phases (phase I, II, III and IV). Every PO is designated target Union Councils in which they initiate schemes and interventions for the various components under LACIP.



The following table reflects annual and cumulative progress of all LACIP components.

Indicators	Overall Targets	Achievements till Jun 2014	Jul-Sep 2014	Oct-Dec 2014	Jan-Mar 2015	Apr-Jun 2015	FY 2014-15	Overall Achievements
COs formed/revitalized	3,663	3,552	-	-	5	36	41	3,593
VOs formed	320	246	-	4	3	3	10	256
LSO formed	41	18	-	3	1	4	8	26
LIPs developed	8,313	5,783	-	-	-	-	-	5,783
No. of Skills Trainees	4,838	3,132	-	180	324	52	556	3,688
- Male	-	2,318	-	-	217	-	217	2,535
- Female	-	814	-	-	107	52	159	973
Assets Transfers Beneficiaries	8,313	5,783	-	362	213	107	682	6,465
- Male	-	3,376	-	-	119	93	212	3,588
- Female	-	2,407	-	-	94	14	108	2,515
CPI Schemes initiated	2,350	1,538	-	36	173	96	305	1,843
CPI Schemes completed	2,350	1,009	-	94	100	172	366	1,375
CPI Schemes in process	-	529	529	471	544	468	-	-
Educational facilities	130	122	-	1	15	2	18	140
Health facilities	4	4	-	-	-	-	-	4
Patients treated by Heartfile	80	52	-	-	15	22	37	89
DPM projects completed	8	6	-	1	-	-	1	7

Prime Minister's Interest Free Loan (PMIFL) Scheme

Overview

The Government of Pakistan is dedicated to provide opportunities to the poor people of Pakistan, particularly women, youth and marginalized segments of society. To help facilitate this, the Government of Pakistan has launched the Prime Minister's Interest Free Loan (PMIFL) Scheme to help relieve poverty by offering interest free loans to applicants in order to set up small enterprises.

There is a strong cohesion between the Prime Minister's vision and PPAF to strengthen the capacity of civil society organizations to engage in the Government's mandate for poverty alleviation, and equipping them with capacity and resources to extend interest free loans to poor and marginalized households to accelerate socio-economic development. Based on its previous experience, PPAF has been mandated by the Government of Pakistan to design, mobilize, implement and monitor the PMIFL Scheme. The Scheme has been implemented in selected priority districts of Pakistan where the financial inclusion is not available to the poorest of the poor.

Objectives

- Make Interest Free Loans available to men, women and youth from poor,

vulnerable and marginalized households categorized under 40 on the Poverty Score Card

- Support female participation and inclusion in economic activities by disbursing at least 50% loans to women
- Enhance the entrepreneurial competencies by extending capacity building services, e.g. enterprise training & counselling, market linkages, financial literacy and numeracy training
- Establish and strengthen Rural and Urban Branches, and Union Council based community institutions for assessing, distributing and recovering Interest Free Loans
- Encourage behavioral change by demanding loan beneficiaries to ensure specific health and education practices

How PMIFL Works

The PMIFL Scheme is one of the Six Schemes announced by GoP under the Prime Minister's Youth Programme (PMYP). The implementation of PMIFL Scheme is entrusted with PPAF through an MoU signed between Ministry of Finance (MoF) & PPAF. To oversee the implementation of the Scheme Government of Pakistan has constituted a Steering Committee with representation

from MoF, Ministry of Food Security and Agriculture, Civil Society and PPAF. Dr Amjad Saqib is the Chairman of PMIFL Scheme's Steering Committee.

Fund Disbursement

MoF has transferred the funds allocated for the PMIFL to PPAF and PPAF is implementing the scheme through its POs. Funds are disbursed to POs by PPAF as per their Implementation Plans (IPs) included in the Financing Agreements. The POs have established loans centers at Union Council (UC) levels and funds are disbursed to beneficiaries as interest free loans as per the eligibility criteria of PMIFL scheme. The POs recover loans from borrowers and will revolve them for 4 years. The community institutions are involved in different activities under this model under the supervision of POs. Eventually, the funds will be transferred to eligible Community Institutions (CIs) which will continue revolving these funds on sustainable basis.



The following diagram shows implementation mechanism of PMIFL Scheme;



PM Secretariat

Steering Committee



Pakistan Poverty Alleviation Fund

Board Approval



Partner Organizations

Rural

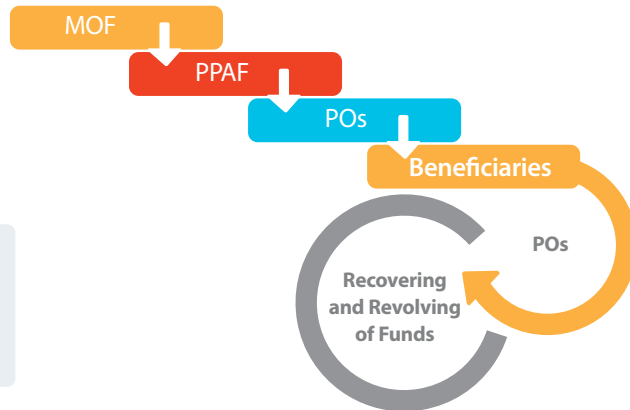
Urban/
Peri-Urban

Branch
Linked to
Union Councils
↓
**Community Loan
Center at UC Level**



Beneficiaries

Branch
2 - 2.5 km
Radius
↓ ↓ ↓ ↓ ↓
Beneficiaries



Key Achievements: (July 2014 - June 2015)

Amount Disbursed to POs (Rs. in million)

1,616.4

Partner Organizations

25



Coverage (Districts)

36

Coverage (UCs)

212

Dedicated website
www.pmifl.com.pk

	TOTAL	MALE		FEMALE	
Number of Applications Received	61,351	24,206	39%	37,146	61%
Number of Applications Approved	66,480	26,175	39%	40,305	61%
Number of Loans disbursed to borrowers	57,117	20,814	36%	36,303	64%
Amount disbursed to borrowers (Rs. in million)	1,167.23	425.99	36%	741.24	64%

MIS

Internally developed and functionalized with real time data from all POs at grassroot level

Loan Centers/Branches established
164



- Capacity building of 125 POs Staff (Master Trainers and staff members) on Implementation of PMIFL Scheme and PSC
- 225 Orientation sessions
- 37 Implementation support & Monitoring Visits

Looking Ahead

PPAF and the PMIFL Scheme

Under PMIFL Scheme, PPAF is targeting the least developed areas where the organization has already invested in terms of social mobilization, livelihood projects, training, health, education, water, small infrastructure and post flood rehabilitation projects. Having established an institutional structure at gross-root level, and huge demand for PMIFL scheme from across the country, PPAF feels confident that it can implement the Scheme across the country in future (2015-16 to 2017-18 & beyond) subject to the provisioning of funds by Government of Pakistan and other stakeholders.

It is estimated that PPAF through its partners and established gross-root level institutions can disburse Rs.5 billion in 2015-16, Rs.10 billion in 2016-17 and Rs.15.5 billion in 2017-18 in addition to funds already available for revolving. This will benefit about 3.0 million poor borrowers directly and 15 million persons indirectly in coming years (2014-18) across the country.

Financial Services- Group

Sector Development
Microfinance Portfolio Management
Treasury and Fund Management



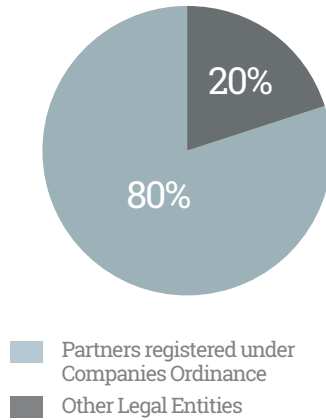
Overview

As a sector developer PPAF continued its efforts to improve the business environment and foster growth in the micro-finance sector of the country. From grooming microfinance institutions to become dynamic, inclusive, and sustainable, while focusing on value addition, innovation, state-of-the-art products that fully serve the needs of poor communities. Forming a strategic relationship with the government, regulators, investors, practitioners, public sector entities and other stakeholders has yielded a conducive environment for microfinance to be rated as one of the best in the world by Economist Intelligence Unit. All this significantly contributed to another year of consistent growth and development in the micro-finance sector of Pakistan.

By June 30 2015, the sector served 4.2 million micro-insurance policyholders, and 13.15 million savers. The penetration rate increased to 12.8% with potential microfinance market estimated at more than 25 million clients. The number of branches reaching the poor to offer financial services has crossed to 2,700 (it was 2,389 in last year), gross loan portfolio reached at PKR 80.95 billion (32% higher from the year 2014), active borrowers at 3.50 million (an increase of 11% from last year). The average amount of loan

disbursed is PKR 31,563 (showing an increase of 12% from last year).

Disbursements & Portfolio Concentration



As of June 30, 2015, cumulative disbursements of over PKR 94,398 million have been made since inception. PKR 9,710 million was disbursed during the current financial year for on-lending to 40 POs bringing PPAF's total exposure to MFBs/RSPs/NGO-MFIs at PKR 17,556 million.

PPAF has been supporting promising organizations to develop into viable microfinance service providers with increased confidence from different stakeholders. PPAF provided technical assistance and grant support to a number of partner organizations for transformation into companies registered with

SECP from societies/ social welfare agencies. The transformation into a more regulated legal structure has enabled the organizations to negotiate better financing facilities from the banks. As of June 30, 2015, 80% of total exposure has been deployed with the Partners registered under Companies Ordinance and remaining 20% with other legal entities. Some of the transitions are in pipeline that would further increase the portfolio exposure in entities under Companies Ordinance.

Value Chains

Through Value Chains (VCs) PPAF seeks to strengthen the economic base of microfinance clients, with increased and timely access to easy and cost-effective financial and non-financial services, capacity building initiatives, and upstream/downstream markets in order to improve the communities overall socioeconomic status in life. PPAF has implemented various pro-poor value chains related to poultry, dairy, livestock, agriculture, stitching, embroidery and enterprise.

A multi-dimensional agriculture value chain has been implemented in Bahawalpur for 15,000 farmers. Participants of the initiative are provided with loans based on per acre agricultural input cost. Backward

linkages are established with corporate and public entities including Regional Agricultural Research Institute (RARI), Fauji Fertilizer Company (FFC) and ICI Pakistan for laser levelling, soil testing and provision of certified seeds, fertilizers and other inputs. Farmers are provided trainings on efficiencies and productivity enhancement, best farming practices and financial literacy.

Further, forward linkages have also been created with government departments including Pakistan Agricultural Storage and Services Corporation Ltd (PASSCO) and Punjab Food Department for timely uptake of harvested yield from farmers directly at government support price for wheat. Other value added services include deployment of Zinc Foliar Spray in collaboration with HarvestPlus and FFC with an aim to help fulfill the zinc deficiency in the wheat crop in the area and development of Natural Enemy Farm Reservoir (NEFR) to promote environment friendly agricultural practices. In order to cover the risks of farmers, a comprehensive Crop Yield Insurance Product has been developed which provides insurance coverage in case of crop loss occurred due to natural calamities. The first phase of the crop yield insurance has been completed, insuring 9,500 acres of 4,000 farmers and claim

amount of PKR 0.72 Million has also been distributed to cover losses incurred to farmers.

Owing to its demand, second phase of the crop yield insurance is now being rolled out for 8,000 farmers that will cover 24,000 acres of district Bahawalpur and Sanghar. Women cotton pickers are being provided training to build their capacity to avoid risks and hazards associated with pesticides as well as pests and a women centric insurance product is being designed providing insurance coverage from diseases/ animal bites which women cotton pickers are prone to.

The Dairy Value Chain (DVC) has been extended to 1,800 farmers in districts Jacobabad, Muzaffargarh and Rajanpur. The value chain involved capacity building and forward linkages have been established with Engro Foods and Nestle, to facilitate participants of the value chain for uptake of their produce. In addition, a livestock value chain (LVC) for 600 farmers in District Khushab is also being implemented. Diversification of income for participants of the embroidery value chain initiated by PPAF with 200 women in District Haripur which is now serving around 400 women has been augmented through creation of poultry and livestock value chains for the same women beneficiaries.

Micro-Insurance

In order to cover the risks of farmers, a comprehensive insurance component has been developed and will provide insurance coverage in case of, crop loss occurred due to natural calamities and individual crop loss declared by the local area revenue officer or agricultural officer. The product is aimed to cover losses based on potential crop yield by utilizing historical data of 3 years to develop indexes. Crop yield insurance has been implemented for wheat farmers, based on the success crop yield insurance for cotton, are also being developed. Initially provided in Bahawalpur, crop yield insurance is now being expanded to district Sanghar in Sindh.

Live-weight livestock micro-insurance for fattening animals, innovative micro-insurance for milking animals and conventional livestock micro-insurance products have been deployed in 6 districts for 32,987 animals. Amid its success, the project is now being up-scaled in 9 Districts of Sindh and Punjab, targeting 43,730 animals.

Renewable Energy Solutions through Microfinance

FSG has replicated and up-scaled the Renewable Energy (RE) based microcredit interventions in Khushab,



Chakwal and Tharparkar Districts, whereby around 4,000 loans have been provided till date with 40 % women beneficiaries. These loans have been provided under the ambit of solar lighting, solar irrigation, bio gas irrigation and bio gas domestic initiatives. Moreover, FSG with technical support from the RE unit is implementing a microfinance based RE pilot with primary focus on the SME sector. FSG and the Renewable Energy (RE) unit of PPAF are jointly negotiating with KFW for design and implementation of Microfinance based Renewable Energy solutions. There is huge potential for investments in the sector with a growing demand for solar pumps and reverse osmosis (RO) water pumps.

Graduation Model

PPAF focuses on creating a comprehensive eco-system that supports out of poverty

graduation while fostering socio-economic improvements in the lives of the vulnerable segments of the population. This year, a total of 2,618 asset transfer beneficiaries in southern Punjab and Tharparkar have been graduated and linked with the regular microfinance program. Moreover, 365 asset transfer beneficiaries have been included in the dairy value chain implemented by FSG in district Rajanpur, while 1,900 LEP livestock asset transfer beneficiaries and 2,000 PMIFL clients have been provided livestock insurance in 3 districts of South Punjab.

Collaboration with Corporate Partners

FSG through collaboration with the Corporate Relations Management (CRM) unit of PPAF has engaged in negotiations with Unilever, FFC and Telenor, in order to implement



Investing in rural people

IFAD Gender Award 2014

International Fund for Agricultural Development (IFAD) awarded the Pakistan Poverty Alleviation Fund with the prestigious **Gender Award for Asia and the Pacific Region - 2014** recognizing PPAF's PRISM program for addressing gender inequalities, empowering women and providing them visibility in the best possible manner throughout IFAD network.

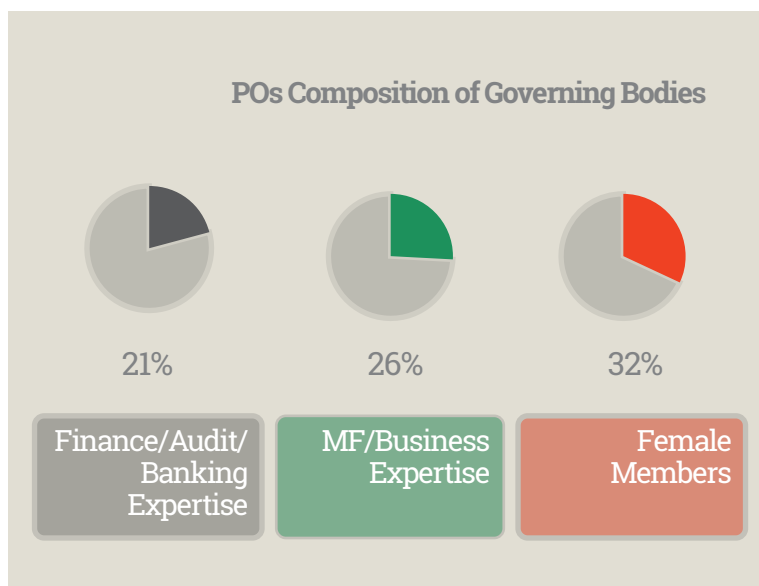
interventions aimed to improve quality of life for the benefit of poor communities in areas across the country. FSG also worked in close collaboration with the CRM unit to hold the 9th Citi-PPAF Micro entrepreneurship Awards Ceremony this year.

As the sector developer and the largest wholesaler of microfinance in Pakistan, PPAF co-sponsored the South Asian Microfinance Network (SAMN) Regional Conference 2014 held in Islamabad. The conference was endorsed by various government agencies, international investors & donors, and lead commercial entities with representation of key stakeholders and participants from regional countries.

Risk Mitigation

FSG has continued facilitation in utilization of services of Microfinance Credit Information Bureau (Mf-CIB) countrywide. Since December 2013, all PPAF partners are reporting their data for Mf-CIB. Owing to positive usefulness of the bureau, some of the partners have already revisited their risk appetite and redefined their loan ceilings.

To promote best practices in corporate governance, FSG continued to focus on proper implementation of "Good Governance Practices" note for its partner organizations, which



came into effect during last year. Efforts have resulted in improved representation of BoD members having financial and banking background and women representation. Currently; in 42 Partner Organizations out of 393 BoD members, 21% represents members with financial/audit/accounting background, 26% represents members with microfinance/business expertise, and 32% are women representatives.

FSG is now using Internal Rating System (IRS) to evaluate the strengths and identify areas of improvements within its POs to better assess the risks associated while lending to the organization. The tool helps to assign a grade based on the extent of risk.

Taking note of the positive results and tremendous improvement in the performance of the Board of Directors emanating from the first round of Board of Director trainings conducted for Partner Organizations board members by PPAF, a second round of trainings was arranged wherein Eighteen POs (36 BoD members) were supported to attend the course on Corporate Governance designed by M/s Hikmah consulting jointly by State Bank of Pakistan, PPAF and PMN.

Innovations, New Projects & Programs
 PPAF's products and services are channeled through four main financing windows: PPAF-III (World Bank), PPAF-Reflows (previously accumulated funds at PPAF) and two IFAD supported fund, i-e, Program for Increasing Sustainable Microfinance (PRISM) and Microfinance Innovation and Outreach Program (MIOP).



PPAF-III

The objective of funding under the third phase of PPAF-WB partnership is to improve access of the poor to microfinance in 37 districts with the lowest financial penetration in the country, enhance their capacities, productivity and returns from livelihood initiatives. The funds available for on-lending have been successfully utilized and 100% of the grant funds available have already been allocated as on June 30, 2015. Under the program, 131 new branches have been added in less penetrated areas while another 135 already established branches were provided funding. The infrastructure invested is capable to serve more than 250,000 clients in selected districts. By the end of FY 2014-15, more than 614,000 loans have been served among which almost 67% is disbursed to women. Looking at the volatile situations in KP and Balochistan, all districts in both the provinces made eligible for funding under this component. Therefore, nine new districts of KP (Peshawar, Charsada, Swabi, Kark, Buner, Kohat, Noshehra, Mardan and Mansehra) and one

from Balochistan (Quetta) were provided funding under PPAF III project.

Women Empowerment- Creating Access to Finance

FSG improved on the Low Cost Private Schools (LCPS) initiative for 105 schools in Gujrat, Sialkot, Multan, Bahawalpur and Lahore. The project resulted in a total enrollment of 17,500 students; of which 51% are female students while 77% loans have been disbursed to women entrepreneurs.

FSG improved the program to provide access to finance for starting and growing business for women entrepreneurs, complemented with a range of non-financial services. The program has been implemented in 4 districts of Punjab: Bahawalpur, Multan, Gujarat and Sialkot, whereby startup loans have been disbursed to 2,280 women. Moreover, PPAF funded 5 Business Incubation Labs (BILs) in District Nowshera, Mardan, Abbottabad, Thatta, and Lasbela. In order to promote financial inclusion and benefit poor clients across Pakistan,

Microcredit Disbursements to POs - PPAF III (million)	8,115
Partner Organizations	21
Clients Served	614,880
Female Clients	67%
Districts Covered	33

while enhancing the role of non-bank MFIs, PPAF is now implementing a Super Agency Based Branchless Banking project in 42 branches of a local MFP.

A specialized savings product for women by the name, 'Khawateen Bachat Account' has been rolled out through this pilot, which will benefit around 10,000 women beneficiaries in 11 districts of Pakistan. Amid its success, PPAF aims to further leverage the branchless banking mechanism to increase financial inclusion and provided cost efficient financial services.

Asset Backed Lending (ABL)

PPAF has introduced an innovative ABL product to offer bigger size loans to the poor clients, especially pertaining to the Micro, Small and Medium Enterprise (MSME) sector.

Hypothecation was used as a means to collateralize the asset along with a cash flow based appraisal tool to make refined decisions regarding lending of loans. The ABL product has been piloted with credit of PKR 20 million disbursed through 150 loans, which includes 74 % women clients. Based on the success of the pilot, the product will be upscaled for beneficiaries across the country.



Learning & Knowledge from Internal or 3rd party Assessment/Evaluation

PPAF constantly measures and evaluates the impact of its microfinance interventions on beneficiaries and has continued adding value during the implementation of different programs. Based on the findings and implementation of action research conducted, PPAF has focused on designing

sustainable market based models which best suit Pakistan.

Emphasizing on the design of risk management mechanisms for microfinance beneficiaries, PPAF initiated micro-insurance products for both livestock and crop. Based on experience gained during implementation it has been concluded that subsidies are required for the initial 2-3 cycles of execution in order to create the required

acceptance and understanding of the product. Micro-insurance products have been applied and evidence shows the role micro-insurance has been a risk mitigation tool to protect livelihoods of vulnerable segments of the society.

In order to take the micro-insurance products to scale, further funding is required to fund premium subsidies for the initial 2-3 cycles in order to implement the products for communities across the country. To further the success gained from the implementation of various value chains across the country, corporate entities and government line departments need to be involved to provide the required financial and technical assistance.

There is a need for further support from corporations and government line departments to create stronger impact and continued implementation. FSG has developed various women centric financial products resulting in increased number of women clients. In order to meet the potential demand, there is need for development and implementation of further specialized products.

Microfinance Operations Spin-off

The process to spin-off PPAF's lending operations is currently underway. The new company is envisioned to have a commercial (for-profit) structure registered as an Investment Finance Company under SECP by being the first of its kind national level Microfinance Investment Vehicle (MIV) in the world. PPAF, DFID and KfW are key shareholders in this entity with equity investments with PPAF as the largest shareholder and the promoter. International consultants have been hired to prepare the business and financial models and to structure and modify processes and policies for the new entity based on learning from various successful MIVs from across the world. PMIC will offer an array of more sophisticated financial products and services to millions of underserved, to attract new volume of funds for the sector and further improve the capability and capacity of the sector to absorb these funds and remain robust. Establishment of PMIC is a milestone in the National Financial Inclusion Strategy (NFIS) launched by the government of Pakistan.

Moreover, PMIC is expected to attract sufficient funds from the private and commercial sources to help the microfinance sector reach 7 million clients by 2018 and create employment opportunities for around half a million individuals.

**Compliance and
Quality Assurance
Group**

**Monitoring, Evaluation and Research
Environment and Social Management
Communications and Media
Corporate Relationship Management
Information Technology**



Monitoring, Evaluation and Research (MER)

Overview

The Monitoring, Evaluation and Research (MER) Unit is an independent quality assurance unit. Its mandate is to critically evaluate the impact and progress of PPAF interventions, in addition to regularly collecting and disseminating information to all stakeholders. MER performs three major functions: (i) critically monitor progress of PPAF program and ensure that desired results are achieved; (ii) carry out internal and third party assessments and evaluations, and engage in research. The findings of these studies provide policy guidance to the organization and also contribute to policy dialogue, ensuring the policies are grounded in ground realities. (iii) Being main repository of data, the MER Unit is responsible for producing regular reports; reporting on intended and unintended results achieved, and also regularly disseminates information through thematic reports, research briefs, lessons sharing events and conferences.

Strategic Partnerships for Research with Academia and Research Institutions

Sustainable Development Policy Institute (SDPI)

An MoU between PPAF and SDPI was initiated to update an edition of SDPI's 2012 report 'Clustered Deprivation: District Profile of Poverty in Pakistan' authored by Arif Naveed and Nazim Ali. PPAF and SDPI agreed on collaborating to produce the revised version of this report with a further addition of developing a 'typology of poverty' using the Pakistan Social and Living Standards Measurement Survey (PSLM 2012-2013 data). Key statistical trends in multi-dimensional poverty at the national, provincial and district levels have been finalized during FY 2014-15.

Centre for Economic Research Pakistan (CERP)

In collaboration with the CERP, PPAF is conducting a research study in four poor districts of Southern Punjab to evaluate the causal impact of asset versus cash transfers on a wide set of household outcomes. These include domestic engagements in different livelihood activities, labor productivity, earnings, consumption, savings, and psychological well-being. The evaluation will provide evidence on: (i) rates of return to asset and

cash transfers, (ii) the underlying market failures and behavioral biases that create a wedge between these rates of return, (iii) the within community spillover effects of these transfers. Results from the research will be shared during second international research conference.

Lahore School of Economics (LSE)

PPAF has partnered with LSE on a research study that focuses on the motivations of Third Tier Organizations (TTOs). The research with LSE focuses on identifying governance issues and challenges within TTOs while testing the effects of certain strategies on performance and a baseline study has been completed. Furthermore, a firm has been engaged in the training of elected executive body members of TTOs to support them to participate in the research experiments which are being introduced. The research is expected to continue over the next two years with findings being released at regular intervals.

Development Economics Research Group (DECRG)

The World Bank's DECRG and PPAF have been working together to assess the impact of various components of PPAF III, including undertaking a research experiment to identify an effective mechanism for a strong Community-Driven Development (CDD) program.

The unit completed the last component of research collaboration, which was a study on the 'Impact Assessment of Social Mobilization and Scaling-up a CDD Program'. In addition, MER completed a mid-line evaluation survey, which provided a number of findings around community behavior and decision making which was shared during PPAF's First Research and Learning Conference in 2014.

During the reporting period, a consulting firm was also engaged to carry-out the end-line survey in order to evaluate and measure the impact from the research program. The results from this initiative will be disseminated in the second research conference.

Assessments and Evaluations

PPAF's evaluation system is designed to (i) gain feedback to enhance decision making towards improved policies, strategies, programs and projects; and, (ii) assure accountability towards donors; partner organizations, community institutions and beneficiaries; (iii) measure impact and improve performance based on lessons learned; and (iv) provide evidence for advocacy or policy dialogue.

Completed Assessment

Investigative Study on Livelihoods Projects: This study examined PPAF's, national and regional livelihoods projects to identify key challenges and gaps in their contribution to economic transformation at the community level. It also investigated how community groups can be integrated into economic value chains linked to agricultural products, off-farm products, sustainable natural resource based products, and how micro-credit options can be used to help beneficiaries expand their incomes and asset bases.

Ongoing Assessments

Impact Assessment of PPAF Communities and Skills Training Programs: A comprehensive assessment of PPAF and its POs training program is being conducted. The review includes vocational and skill trainings, community managerial trainings, and other development training programs in terms of their outreach, impact and sustainability. This study will provide policy direction regarding vocational and skill trainings to be provided to poor to substantially improve their income.

Institutional Assessment of Institutions of the Poor

First and Second Tier Community Organizations: PPAF is conducting an assessment study through a third-party firm

to gauge the maturity level of community institutions including first tier and second tier organizations under the PPAF III program. This review of PPAF's institutional development component focuses on the key areas of governance, institution building and social mobilization. The evaluation will help PPAF's involvement in the policy dialogue regarding intuitions of the poor.



Impact Assessment of PPAF's Basic Services & Infrastructure

This component is focusing on the key areas of financial, economic and social returns of various interventions, to determine the relevance, efficiency, effectiveness and sustainability of investments in basic services and infrastructure. The assessment will also determine the results of the project interventions, segregating interim impact in treatment and control areas, and comparing changes in the targeted households in relation to the earlier impact studies conducted in 2007 and 2009.

The study will highlight changes in socio-economic conditions of beneficiary population benefiting from the basic services and infrastructure component under PPAF-III for

future policy making processes at PPAF and national levels.

Transformative Peace and Pluralism

PPAF is currently undertaking a study to analyze approaches of 'Transformative Peace and Pluralism' processes to develop a strategy for building resilient and peaceful communities. The strategic intent of 'Transformative Peace and Pluralism Initiative' is to enhance resilience of PPAF target communities through protecting and celebrating diversity, both as a means and an end to achieving transformative peace building.

Situation Analysis and Baseline for Italian Funding Project

In order to provide baseline data for the three year investment plan of: "Program for Poverty Reduction (PPR)-Italian Program

in Balochistan, KP and FATA", PPAF engaged the services of an external consultant firm to suggest situation analysis of the 14 program's districts.

Dissemination of Results and Findings

Lesson Sharing Event

A workshop was held on June 18, 2015, with the intention to distribute the fifth issue of PPAF's Poverty Perspective brief; consisting of current research and data to create dialogue and understanding around the dynamics and dimensions of poverty. The focus of the fifth issue was on the impact violence and conflict has in correlation poverty, vulnerability to malnutrition, and inadequate education.

Dissemination of the Sindh Coastal Area Development Program (SCAD) Impact Assessment Survey

The findings from the third party study to assess overall effectiveness and impact of the multi sector SCAD program on the beneficiary population with a focus on lessons learned were disseminated among all 10 SCAD partner organizations on January 12, 2015 in Karachi.

Monitoring and Reporting

Results Monitoring

MER unit's primary responsibility is to independently monitor the program, identify gaps, suggest ways to bridge gaps and report back results achieved. Since 2013, 18 outcome monitoring visits covering 34 partner organizations have been conducted, covering 26 districts in all provinces/regions.

Periodic Progress Reporting

MER is responsible for ensuring due diligence of the Chief Executive through periodic reporting to the Board of Directors (BoD), donors and stakeholders. During the reporting period, progress reports for various PPAF programs including Third Pakistan Poverty Alleviation Fund (PPAF-III), Livelihood Support and Promotion of Small Community Infrastructure

Project (LACIP), and the Program for Poverty Reduction (PPR) were submitted to the donors and other stakeholders in a timely and efficient manner.

Monitoring in Insecure Areas

Three local monitors in Balochistan have been established to monitor insecure areas. Technology platforms such as GPS enabled cameras, wireless broadband, and video conferencing solutions help to monitor ongoing PPAF supported initiatives in these areas. The watch- groups have supported operational units during the POs appraisal process.

PO Watch-list

The PO Watch List is a highly effective tool introduced and currently used by the MER Unit in order to monitor the performance by POs in a holistic manner. It consists of a set of general criteria/issues which PPAF systematically assesses POs by risk categories separately for both credit and grant based partners. Every month based on relevant unit's updates regarding the performance of partner organizations, POs are automatically placed in high, medium and low risk categories.

Environment and Social Management (ESM)

Overview

The Environment and Social Management (ESM) Unit functions to ensure compliance with PPAF's Environmental and Social Management Framework (ESMF) within PPAF and its partner organizations. All PPAF funded POs and community run development interventions are expected to follow certain guidelines and protocols outlined in the ESMF that will ensure environmental and social stability. Environmental and social management is central to the design and implementation of all PPAF interventions and draws upon a coherent policy framework constituting the Environmental Protection Act 1997, World Bank Operational Policies on environmental and social safeguards, and PPAF's Strategic Focus 2011-2015.

The ESM Unit has three major functions: 1) Capacity Building of PPAF, POs and Communities, 2) Compliance Management, and 3) Communication & Research.

Capacity Building

Capacity building initiatives run parallel to the compliance and monitoring activities of ESM. 4 workshops, which consisted of training and orientation sessions, were held to all grant and microfinance funded partner organizations on the use/

implementation of ESMF in their programs.

Quarterly planning sessions with PPAF's Panel on Environmental and Social Management with all PPAF units were held to address any issues of ESMF against PPAF's program coverage as well as to discuss further ways to improve compliance.

To ensure the efficacy of ESMF agreement, the Unit has set up a network of ESM Focal Persons to represent all trained POs and its field staff. These Focal Persons are responsible for the mainstreaming of environment and social safeguards within their organizations and at community level through monitoring and regular trainings.

Mainstreaming and Compliance Management

PPAF's commitment to the institutionalization of ESM is manifested in its incorporation into PPAF's Results Framework. Similarly, a standard ESM quarterly progress report has been developed and sections showing ESM compliance have been proposed to be standard back to office report format. Similarly, specific clauses have been added to PPAF's consolidated financing agreement to ensure ESM observance and reporting. The unit has further established an

ESM Help Desk to facilitate operational units in environmental and social safeguards review of project proposals.

Communication & Research

To enhance environmental awareness amongst PPAF staff, POs and communities, the ESM unit has been involved in the preparation of Knowledge Products for environmentally and socially significant districts. Knowledge Products assess interlinked environment and development issues, as well as identify environmental and social challenges faced by the districts. The products provide the ESM unit with opportunities to collaborate with other operational units within PPAF and POs, and aid them in developing holistic development models incorporating environment as an integral component of their work.

Third Party Validation

To ensure compliance of environmental and social safeguards, ESMU hired an external consultant to conduct a third party validation to evaluate impact and compliance of ESMF (4th Edition) across all interventions funded by PPAF for a period of July 2013 to June 2014; the report was submitted to the World Bank (WB). Currently, a 3rd Third Party Validation process (ESMF 5th Edition) for the period of July 2014

ISO 14001:2004 Certification

A notable achievement for the ESM unit is PPAF's adoption of the Environmental Management System of International Organization for Standard (ISO 14001:2004). The Environmental Policy reflects PPAF's commitment to comply with international best practice in delivering high quality environmentally sensitive projects. Through the certification process of the ISO policy, PPAF is continuously implementing the following activities:

- Creating awareness of environmental issues (within a local and global context) amongst our staff, partner organizations and communities we work with.
- Reducing our consumption of resources (energy, water and office materials) with set targets.
- Minimizing (wherever feasible) our carbon footprint by encouraging more environmentally friendly practices.
- Reducing nuisance (air and noise emissions in particular) that could disturb the surrounding environment.
- Preventing funding for any activity that directly or indirectly endangers and harms the environment and social fabric.
- Complying to applicable all legal and other requirements related to environmental aspects.



to June 2015 is underway. The firm is collecting data from PPAF priority districts across Pakistan.

By putting in place a strong legal and procedural framework to protect the implementation environmental and social principles, the unit has incrementally mainstreamed ESM as one of PPAF's core values.

Indigenous Peoples Planning Framework (IPPF)

The ESM unit was successful in developing an Indigenous Peoples Planning Framework (IPPF) which presents the introduction of PPAF-III and its long term results, an overview of Environmental and Social Management Framework (ESMF) Fifth edition. IPPF provides a framework for the designing and implementation sub-projects in a way that fosters respect for Indigenous Peoples' dignity, human rights,

and cultural uniqueness and so that they: (a) receive culturally compatible social and economic benefits; and (b) do not suffer adverse effects during the development process".

Environmental Champions & Training

To create awareness on the ISO certification, the ESM Unit recognized PPAF staff from different units who had basic knowledge of environmental & social management. They were named 'ESM Champions' and were trained to better understand the Environmental & Social Management Framework (ESMF 5th Edition) and delivered comprehensive guidance to members of PPAF operating units.

Safeguarding ISO Certification Process

PPAF has created an ISO Taskforce comprising PPAF staff representing

operational different units. These officers were trained how to manage the ISO 14001: 2004 certification. The ISO Taskforce has also been trained to conduct internal audits as well as compliance procedures to PPAF's set Targets and Objectives.

Environmental Mitigation Cost

The World Bank had instructed PPAF during the 4th PPAF III ISM to incorporate 'cost of environmental mitigation at 4 percent of the cost of project interventions' in the partnership agreements for WECC and CPI. The ESM Unit involved with WECC and CPI teams drew up measures to mediate against any potentially adverse negative impacts of the schemes on the environment and community.

Biomedical Rules & Regulations

The ESMU has also developed biomedical waste rules to dispose-off medical waste in a safe manner. These guidelines aim to; enhance and protect public/community health and safety, provide a safer working environment to medical staff as well as patients, minimize impacts on environment by lowering quantities of waste generation introducing waste treatment and disposal, and to facilitate POs to show their commitment in the implementation of ESMF.

Communications and Media (C&M)

The Unit played an active role in designing and managing “It’s All About Us” campaign as a part of inculcating inclusion and dignity at the workplace. The C&M also played a pivotal role in designing campaign titled “16 Days of Activism Against Gender Based Violence”

The C&M celebrated Earth Day at PPAF by collecting placards containing pledges from the PPAF team to reflect upon role of individual in protecting the mother earth.

Overview

The core objectives of the Communications and Media (C&M) Unit are raising awareness to bring about positive changes and keeping stakeholders, including the Government of Pakistan, PPAF Board of Directors and General Body, donors, partner organizations, and grassroots communities updated on its programs and interventions. The Unit strives to brand/position/market PPAF at both national and international levels as an inclusive, transparent and learning institution transforming the lives of the poor and marginalized communities across Pakistan. It also sensitizes and educates communities through information education communication tools and techniques to enable them take informed decision for their own development. C&M contributes to achieving PPAF’s vision by streamlining & disseminating its achievements and sharing best practices through a varied set of products and activities.

The C&M reflects face of PPAF for internal and external stakeholders through multi-dimensional communication & media products and activities. Any activity or communication product aimed at PPAF branding/positioning/marketing is to be well-thought and

well-researched. It also plays its part in providing technical support and expertise to both partner organizations and participating communities in relevant fields.

Over the years, the C&M Unit has contributed towards carrying forward PPAF’s objective of mainstreaming poor communities by successfully building on the achievements of PPAF’s operational units. It continues to present this transformation to a global audience, and highlight PPAF’s contribution as a change agent. It simultaneously assists various PPAF units in building effective communication channels for raising awareness and inducing behavioral change among the target communities all over Pakistan.

The range and scope of PPAF interventions has increased over the past few years and the emphasis is now being placed on building a public image of PPAF and presenting the institution as the pioneer of change and transformation all over the country.

As PPAF’s publishing arm, the C&M Unit regularly publishes, research reports, success stories, brochures, manuals, flyers and fact-sheets and a yearly annual report in addition to preparing support materials for seminars,

workshops and ceremonies. Throughout the year, the C&M Unit ensured regular quarterly publication of Restoring Hope and “Umeed-e-Nau” (English and Urdu newsletters, respectively) for stakeholders and grassroots communities to inform them of the latest developments and future directions of PPAF. This serves as the primary platform where stakeholders are also kept abreast of organization’s far reaching activities. The publications also ensures that communities’ feedback is also reflected.

The C&M Unit organizes the Amtul Raqeeb Award ceremony in collaboration with the Institutional Development Unit annually on the occasion of International Women’s Day and confers to recognize and honor role models in various communities. Six women are awarded and acknowledged as outstanding individuals who have played pivotal roles in motivating and organizing the women of their areas and exhibiting courage in the face of adversity and becoming a role model in the field of community-driven development.

The C&M Unit played a major role in organizing the Mashal-e-Khyber Award and Citi-PPAF Micro-entrepreneurship Award and arranged a series of learning events for internal sharing.

The C&M remained engaged with teams managing Italian government-funded Program for Poverty Reduction (PPR), German government-funded Livelihood and Small Scale Community Infrastructure Project (LACIP) and Prime Minister’s Interest Free Loan (PMIFL) Scheme, by facilitating events along with production and dissemination of impactful communication material among stakeholders.

Theatre plays an effective role in social mobilization and awareness on various issues. The C&M Unit organized three four-day residential trainings to 30 communities’ members in Multan, Layyah and Bahawalpur districts. Members of Local Support Organizations (LSOs), who received training in theatre, performed performances which highlighted issues regarding girls’ education, female harassment, women’s right to property ownership, and various disabilities afflicting children. The interactive plays have gained momentum within partner organizations, leading many to conduct theatre activity without PPAF assistance.

Social media platforms like twitter, facebook, vimeo, mailchip, soundcloud, and blogs, have become helpful platforms for inquiry and communication. The more

information is shared on social media, the more stakeholders are engaged and likely to support the mission and vision of organizations. Having that in mind, the C&M Unit finalized PPAF’s social media strategy with focus on expansion of PPAF’s social media outreach, while staying true to its core values and building trust with its online audience through transparency, accuracy and responsiveness.

The social media strategy includes development and managing information dissemination of PPAF’s existing content. The C&M Unit initiated a Photo Story/Field Kahani initiative involving PPAF interventions as a means to document and share the results/impacts on the lives of the benefitting communities with internal and external audiences.

Additionally, the C&M Unit ensured that the operation of Content Management System for the PPAF website was efficient in order to keep the stakeholders abreast of latest happenings, events, agreements and publications. Information remained current on the website and older documents are archived for ready reference.

Corporate Relationship Management (CRM)

PPAF is taking lead in poverty alleviation goal by involving efforts by local, multinational and international, corporate, media, academia, nonprofit organizations & institutions of the poor.

The unit's vision is to comprehensively co-opt private and corporate sector in the process of poverty reduction and grassroots development. By diversifying PPAF's funding resources and building synergies, the unit is in the process of finding new partners to scale up its projects and replicate success around the country. CRM brings corporate sector into a shared vision of development and carries its activities along two dimensions: 1) fund raising and resource mobilization, and 2) project implementation and liaison.

Overview

PPAF's Corporate Relations Management (CRM) Unit diversifies PPAF's funding resources and builds synergies to better serve the most marginalized communities by mobilizing national and international corporate sectors to implement Corporate Social Responsibility and Corporate Philanthropy initiatives. The CRM Unit has established contacts with several corporate sector organizations in Pakistan and has been developing relationships with international private trusts and foundations. Forming linkages with local and international corporate entities is two-fold: 1) diversifies PPAF's funding resources and 2) builds synergies to better serve the most marginalized communities.

Current Partnerships

PPAF & Citi Foundation

PPAF and the Citi Foundation hold a micro-entrepreneurship challenge every year, providing a unique opportunity for small businesses to bring out their entrepreneurial side and make a difference.

The winners are decided after a thorough assessment of their business models and their impact on the communities. The various award categories, include Best National Microentrepreneur (male &

female), Best Regional Microentrepreneur (male & female), and Most Innovative MFI (micro finance institution).

PPAF and Citi Foundation remains committed to enhancing economic opportunities for individuals and families so they can improve their standard of living, by providing support for programs aligned with its economic empowerment mission including – microcredit, small and growing businesses, skills training, financial education and asset building.

PPAF & Shell Pakistan transformed a scavenger village into a development initiative

Goth Noor Muhammad is a settlement near Karachi of around 800 ultra-poor households who make a living off the landfill. A 100 percent of the work agreed with Shell Pakistan has been completed – housing and sanitation units are found operational and in satisfactory condition.

The settlement was off grid and had no access to clean drinking water and electricity, therefore PPAF and Shell mutually agreed to further improve the quality of life at GNM, consequently the new target to be achieved before the inauguration is that – Shell Pakistan will be installing a

Reverse Osmosis Plant and PPAF will facilitate the provision of Solar Lights posts in the housing clusters, school and BHU.

PPAF & Hub Power Company

PPAF and Hub Power Company entered into a partnership to complement each other's activities and jointly fund social mobilization and micro-finance – as identified by local stakeholders and as mutually agreed by both the parties. The purpose of current partnership is to embark on interventions like social mobilization and micro-finance with a view to deepening its roots and empowering the local communities of district Lasbela. The total budget of the initial phase is Rs.6,550,000 (Hub Power Company's share is 60% while PPAF sharing 40% of the total budget).

PPAF & Pakistan Petroleum Limited

PPAF and Pakistan Petroleum Limited (PPL) entered into a partnership to collaborate and contribute towards the cost of planning, designing and implementation in line with the agreed implementation plan for the following interventions through the CPI project in flood affected UCs of District Kashmore, Sindh;

- Safe drinking water supply
- Construction of drainage and sanitation

- Construction of NyKs
- Construction of small bunds and small culverts
- Rehabilitation of watercourses and farm to market link roads etc.

This project was jointly funded by PPAF and PPL with the following agreement: PPAF will share 30% (PKR 21.43m) and PPL will share 70% (PKR 50.00m) which makes a total project cost PKR 71.43m. As of now, PPAF has disbursed 46.43m to SRSO. Overall 98 projects were initiated out of which 78 projects are completed and remaining 20 projects is at various stages of completion. Special attention has been paid to technical support regarding economic design of watercourse. The SRSO team facilitated the economic section of irrigation channels, rationalized rates of material and labour, and in conformation to topographic conditions. Consequently, SRSO has forwarded a request to PPAF for 22 new schemes.

So far 15 out of 75 villages have attained status open defecation free in UC Gublo. To expedite campaign, 2 female social organizers have been taken on board by SRSO CPI team. Supplementary Financing Agreement with no cost is in process between PPAF and SRSO for subject interventions till December, 15.

PPAF & Fauji Fertilizer Company Limited

PPAF in collaboration with HarvestPlus and Fauji Fertilizer Company Limited (FFC) has twice deployed Zinc Foliar Spray for 10,000 acres in Bahawalpur district for the agri-value chain participants. PPAF aims to collaborate with FFC, following areas are being identified for possible collaboration: a) Creation of revolving fund, b) Rural hubs.

PPAF & Engro Foundation (PKR 350m partnership)

PPAF and Engro Foundation (EF) formed an alliance with the purpose of complementing each other's activities and jointly fund interventions such as basic infrastructure, education, health and social sector services in Districts Ghotki and Sukkur. PPAF and EF collaborated to contribute towards the cost of planning, design and implementation of the following interventions:

- i. Community Physical Infrastructure projects mainly include; safe drinking water supply, sanitation, open drains, latrines, street lights, street pavements, small bridges/culverts etc.
- ii. Social sector services include health, education, and related activities.

iii. Other activities include livelihoods, environment, research/feasibility studies and any other activity jointly agreed upon by both parties.

PPAF & Engro Foundation (PKR 500m partnership)

The objective of this partnership is 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 three years which is extendable with mutual consent. Apportionment of funds among various disaster components will be as follows: preparedness (20%), relief and Recovery (40%), reconstruction and Rehabilitation (40%). Project activities will be carried out in mutually agreed flood prone/ affected districts in the country, in

the light of respective mandates and operational frameworks. Proposed initiatives and project agreed plan includes following:

- i. Preparedness: stockpiling, training and capacity building
- ii. Relief and recovery services will consist of the following: 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 program, economic restoration activities, livestock rehabilitation, livestock restocking and micro-finance compensation/grant for write off
- iii. Reconstruction and rehabilitation will include:

dewatering of inundated areas (dewatering pumps), housing repair/retrofitting and reconstruction, repair & retrofitting of village level infrastructure, community physical infrastructure, water resources & renewable energy facilities and water

New Initiatives

CRM is looking forward to collaborate with the following corporate partners:

- Mari Petroleum Company Limited
- Engro Foundation in the area of rice value chain
- Sindh Engro Coal Mining Company in Tharparkar
- Unilever

Ongoing Corporate Partnerships

Corporate	Funding	Time Frame	Geographical Coverage	Sectoral Focus
Citi Foundation	USD 75,000	May 2015 – Apr 2016	Nationwide	Highlights the contributions of microentrepreneurs and MFIs
Shell Pakistan	Shell - PKR 12m PPAF - PKR 16.3m for Housing PKR 4.1m for and education PKR 5.4m for housing	Apr 21, 2010 (open ended for 3 years)	Goth Noor Muhammad, Sindh	Construction of houses (near completion)
Hub Power Company	PKR 6,550,000 HPC 60% PPAF 40%	Jul 2014 – Apr 2017	District Lasbela, Balochistan	Social mobilization & microfinance
Pakistan Petroleum Limited	PKR 71.43 M PPL 70% PPAF 30%	Apr 01, 2012 (open ended for 2 years)	District Kashmore, Sindh	Construction of CPI schemes (under progress)
Engro Foundation	PKR 350M EF 55% PPAF 45%	July 2010 (open ended for four years)	District Ghotki, Sindh	Construction of CPI schemes (under progress)
Engro Foundation	PKR 500M EF 50% PPAF 50%	Jul 24, 2012 (open ended for 3 years)	Nationwide	Disaster preparedness

Information Technology (IT)

Management Information System

MIS Unit's core responsibilities are to strategically identify and implement cost effective, secure, reliable and efficient ICT solutions that help PPAF run business operations and decision making.

The unit is responsible for storing and securing the electronic information of PPAF, and providing direct operating assistance in software usage and data management to all functional and operating areas in PPAF and at the PO level.

PPAF's Management Information System is the key product for the portfolio management as it provides vital information about PPAF's different projects current status to PPAF's Management, Operation Units and PPAF staff. In order to implement the project, a series of trainings for the PPAF staff and POs have been organized and conducted.

In 2014-15, 7 trainings at 4 different hubs have been carried out. Representatives of 60 partner organizations in four provinces have been trained on all modules through these trainings. The data insertion is underway at the PPAF level with enhancements, new reports development and implementing new workflows. The data for the Credit function is fully reconciled

and verified by PPAF's Finance and the system is LIVE for the Credit Function at finance level.

An MIS help desk support section has been created and available for providing support against users' real time queries. For the purpose, designated staff of MIS Unit entertains the queries. In addition, a Web enabled self-service portal has been launched for providing further assistance to end-users which makes it easy for end-users on PPAF MIS to manage their profiles, reactivation of locked accounts, manage passwords etc.

Information Technology

The Information Technology (IT) Unit is an integral part of PPAF that enables the functions and provides infrastructural backbone to drive PPAF's core business. Confidentiality, integrity and availability of Information System are the core objectives of the unit. The Unit is responsible for providing communications for automation, managing and supervising the use of the network and operational units the functionality they need. The IT Unit's involvement in each of these areas has allowed a greater level of integration and efficiency in critical business services.

IT facilitates PPAF's e-mail system, the primary means of communication with internal and external stakeholders. The e-mail system is protected by spam filters to sort out unwanted e-mails. The IT Unit also hosts PPAF's website, which it keeps regularly updated. PPAF Employees are provided with an internet facility, Voice over Internet Protocol (VOIP) communication and centralized data storage. Firewalls are used to keep the organization's information systems secure, less vulnerable and free from intrusion coupled with digitally signed security certificates. The Unit is also facilitating Video and Tele Conferencing technologies. In addition to this, IT Unit also manages the PPAF Centralized Management Information System hosted at IT Data Center, in a failover mode which is accessible within as well as from outside the PPAF.

In 2014, PPAF moved from Bani Gala to two newly rented buildings located in F-8 and F-6 sectors in Islamabad. The IT Unit established the Data Center in the F-8 building and linked the F-6 office with this Data Center. By implementing this strategy, all the servers are placed and maintained in one place.

An IT Audit was conducted in 2014 which covered key IT functions, IT Security, MIS and its

possible vulnerabilities. The IT Unit's team members facilitated the Auditors regarding infrastructure access as well as all the required policies and documents. As a result of the audit, a security awareness session has been conducted. An IT security flyer was designed and displayed throughout the office to effectively communicate the best IT Security practices which should be adopted while using technology specially when working with official data and e-mails.

In order to cope up with the power failure scenarios resulting in the unavailability of IT services, a Power failover solution was designed and a successful solution has been implemented.

PPAF's entire premise is covered with a centrally controlled wireless network. A separate internet facility has also been established for the guests visiting to PPAF protected with time controlled password.

Financial Management and Corporate Affairs

Finance and Accounts
Administration



Finance & Accounts (F&A)

Overview

Finance and Accounts (F&A) is an important feature as an accountable and transparent edifice at PPAF. It is the bedrock and principal source of reference for guiding an effective, efficient, and proper utilization of public resources. The Finance and Accounts Unit provides an array of support, analysis, and assistance to the management on major policy initiatives and options as well as ensures compliance of implementing partners, POs and Community Institutions. The Finance and Accounts Unit underpins the appropriation and use of resources within PPAF, as well as performs daily activities to facilitate the management and employees at their best.

Financial Management

More recently, a great deal of consideration is given on developing financial management capacity of the institutions of the poor (Community Institutions). The existing financial management framework, which revolves around five key aspects are outlined below:

Transparency: ensured by: 1) fair preparation and presentation of financial/non financial information conforming to national/international reporting standards as well as covenants stipulated in financing

agreements, 2) timely dissemination of reports/ information to various stakeholders; and making them available to the public.

Accountability: includes audits, assessments and compliance with results framework linked with MDG's. Financial audits through chartered accountant firms and third party assessments that provide information of effectiveness of programs.

Sustainability: Ensuring programs and interventions can be continued without donor support by building strong institutions to maintain development.

Oversight: Effective Governance with defined roles and responsibilities is ensured by adopting best practices of corporate governance.

Efficiency and Effectiveness: is ensured through: (i) cost controls without compromising the primary goal of poverty alleviation; (ii) efficient project implementation through transparent funds flow/management; and (iii) development of systems, standard operating procedures, management information system and enterprise resource planning.

Accounting and Internal Control System

The Finance and Accounts (F&A) Unit has established an accounting and internal control system which has effectively been implemented and monitored, with an ongoing effort for further improvement. Accounting controls consist of plans, procedures and records which safeguard assets and check the accuracy and reliability of financial data, promoting operational efficiency, and encouraging adherence to prescribed managerial policies. The system provides assurance that transactions are executed in accordance with management authorization and record keeping is done in a style that permits the preparation of financial statements in conformity with generally accepted accounting principles.

Effective controls are in place at PPAF and also for disbursement of funds to Partner Organizations (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 uses an SQL-based financial application that 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 compiled to enable all external and internal reporting requirements to be met in a timely fashion.

In addition, two standalone modules are in use to monitor loan-and grant-based operations. These modules produce a number of reports allowing 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 the respective financing agreements as well as of statements of expenses submitted by these POs. This online facility provides prompt feedback to POs on the status of their expenses and disbursements.

Reporting to Stakeholders

Donor Reporting

Disbursements to PPAF under the World Bank project were on the basis of interim un-audited financial reports (IUFs). This report-based disbursement is

allowed only to institutions with effective and strong financial management systems and procedures. In the case of KfW and Italian projects, the disbursements were based on statements of expenses. All IUFs and withdrawal applications related to WB, KfW and Italian projects were submitted within the period allowed by donors. All information and data submitted were in compliance with disclosure requirements and formats. These were reviewed by donors and found to be eligible for reimbursement or replenishment.

Audits and Assessment

Preparing reliable financial information is one of the key responsibilities of the F&A Unit. To fulfill its responsibility the Unit has developed appropriate formats, effective processes, and has put in place proper safeguards. Transparency of financial information for different stakeholders is another prime consideration of the Unit. In order to ensure this, the F&A Unit has developed accurate and reliable financial and effective internal control principles.

Statutory Audit

PPAF annual financial statements are prepared in accordance with international financial reporting standards as

applicable in Pakistan. The annual audited financial statements along with Directors' Report are forwarded for the review of the Audit Committee of the Board and the Board of Directors. 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 also made available on the Company's website.

PPAF's operations for the fiscal year ending 30 June 2015 were audited by its external auditors M/s A. F. Ferguson and Company, chartered accountants (and a member firm of Pricewater House Coopers) who provided unqualified opinion. The General Body approved the audited financial statements of the company for the financial year ending 30 June 2015 together with the auditors' and directors' reports within four months of the closure of the financial year. The audited financial statements are available on PPAF's website (www.ppaf.org.pk).

Project Based Audits

In addition to preparing financial statements in line with statutory requirements, the Unit also prepares separate financial statements for different donors' projects which are duly audited

by its external auditors. Thereafter, these project specific financial statements are sent for the review to the Audit Committee of the Board. On the recommendations of the Committee, the Board of Directors accords approval to 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 FY 2014-15, the following project specific statements were prepared, audited, and submitted to respective donors:

- Financial statements of the KfW Livelihood and Infrastructure project for the half year ended 31 December 2014
- Financial statements of the KfW Livelihood and Infrastructure project for the half year ended 30 June 2015
- Financial statements of the KfW Hydropower and Renewable Energy project for the half year ended 31 December 2014
- Financial statements of the KfW Livelihood and Infrastructure project for the half year ended 30 June 2015

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

Donors' Assessments

The World Bank conducted two supervision missions during FY 2014-15. The missions reviewed overall financial processes and controls of the F&A Unit. The unit's performance was rated "Satisfactory" Two supervision missions were also conducted for the Poverty Reduction Program financed by Italian Corporation during the year (November 2014 and second in May 2015). F&A Unit's rated performance of the unit as "Satisfactory".

Funds Management

All project funds are governed by the respective Financing Agreements signed for the specific project. Disbursements are made only for the eligible categories of expenses. PPAF's own funds management is governed by the Board 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 the 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 policy, the investment and disinvestment of funds is approved by the Treasury Management Committee comprising the 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 were adhered to. This included interest calculations, credit ratings, and all other

information required for reporting, planning, and monitoring.

Budgeting

The F&A Unit prepared PPAF's budget for FY 2015-16 in coordination with PPAF's other units. The finalized budget was also approved by the Board of Directors. The budget package includes the income statement, cash flow, and balance sheet with detailed notes/explanation. In addition, disbursement targets are linked to output & outcomes that are part of PPAF's results framework.

Sustainability

The Unit also contributed to the financial sustainability of the organization by maintaining reserves and establishing a strong financial position by achieving targets for profitability, equity, and reserves. F&A also ensures the sustainability of grant interventions. The grant fund reserve stood at Rs. 6.7 billion on June 30, 2015. Financial projections up until June 30, 2020 were prepared by F&A to assess the impact of spin off on PPAF.

Repayments to GoP

The bulk of PPAF's program funding is provided as part of tripartite arrangements between Government of Pakistan (GoP), donors, and PPAF. The agreement between GoP and donors stipulates the program requirements as well as

terms and conditions of financing for the GoP. Terms and conditions of financing (including the loan and grant portions of funding) for PPAF are governed by the Subsidiary Financing Agreement (executed between PPAF and GoP). The repayment of long term loans for PPAF I, PPAF II and IFAD's MIOP are underway since November 2007, February 2012 and June 2014, respectively.

PPAF is up-to-date in all of its repayment obligations to GoP (principal and service/commitment charges). As of June 30, 2015, PPAF has repaid Rs. 2.463 billion as principal repayment. In addition, PPAF has paid Rs. 915 million as service charges and another Rs. 241 million as commitment charges.

Monitoring of POs

The F&A unit's key focus of financial monitoring is to assess the controls that have been put in place to manage relevant risks. A Monitoring Framework for the holistic overview of POs is in place. The F&A unit follows a two pronged strategy for monitoring; desk monitoring and field monitoring.

Desk Monitoring

The desk monitoring serves as a first line monitoring mechanism and provides an oversight on the reports, financial statements of POs, and consolidated status

of a PO with respect to all components. In desk monitoring F&A monitors the POs through statement of funds movement; statement of financial & physical progress; sustainability analysis, portfolio at risk Analysis, and review of PPAF financed assets on balance sheets of partners.

Field Monitoring

The field monitoring assists the findings that had previously been identified during the desk monitoring. The finance teams visits the field to physically recognize the progress of POs. The F&A Unit maintains a database of all observations highlighted during desk and field monitoring. Agreed action plans are shared with POs and responses are obtained as per the agreed timeframe. Moreover, follow-up visits are also carried out if required.

The role of different units in joint monitoring visits is clearly defined. The portfolio review is conducted quarterly at the Group Head level. A watch list with clearly defined quantitative and qualitative criteria, risk rating, and exit criteria is used to monitor potentially problematic relations with POs.

A total of 25 monitoring and appraisal visits were conducted during FY2014-15. F&A's role in appraisal is to assess the financial management capacity of



potential POs. Based on field appraisal visits, 5 new organizations were declared as non-satisfactory.

Training activities

The F&A Unit continues to conduct regular training activities for POs and CIs, i.e., Local Support Organizations (LSOs), Village Organizations (VOs), and Community Organizations (COs). The Unit has developed a comprehensive training strategy covering both POs and CIs. Training for POs covers;

- Financial management and internal control system (for all POs);
- Preparation of financial statements and Statement of Expenditures (for medium and small POs).

Training for CIs (LSOs, VOs, and COs) covers:

- Capacity building and creating awareness about processes of registration, audit, PPAF policies and procedures; record keeping and fund management by CI members themselves; imparting of PPAF core values; and preparation of village development plans.

The Finance & Account Unit in coordination with Institutional Development (ID) has adopted a two-pronged approach (direct and indirect) for training CIs on basic financial management and internal control systems.

Under the direct approach, qualified and dedicated staff of F&A provide training to CI members on a pilot basis, while under the indirect approach POs' staff, i.e., two social organizers (one male and one female) per district, per PO, are trained as

Certified Master Trainers (CMTs) who are required to train at least one member from each CO. the F&A Unit maintains complete database of all the training events conducted by CMTs. Trainings are planned jointly with ID, which is in charge of the capacity building initiative.

In addition to the financial management trainings of POs and COs, F&A is equally focused on the training of its non-financial executives. These trainings are especially designed to orient the non-finance executives of PPAF with the basic financial management concepts and best practices for effective internal control systems. During the year 2014-15, three (3) in-house trainings were organized which were attended by 40 participants.

Affiliations

F&A Unit has developed affiliations with national as well as international institutions to adopt the best practices of leading organizations. In this regard, F&A has developed long term relationships with the following institutions:

International affiliations

PPAF is a member of Global Reporting Initiative (GRI), UN Global Compact, and International Corporate Governance Network (ICGN).

National affiliation

At national level PPAF is a member of Pakistan Institute of Corporate Governance (PICG).

Corporate Governance

Recognizing the importance of good corporate governance, PPAF has adopted and become fully compliant with the Code of Corporate Governance. The 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. During the period under review, F&A organized four meetings of Board of Directors and an annual general meeting.

Additionally, F&A completed all statutory reporting to the SECP 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.

Administration

The Administration Unit is committed to delivering services with excellence so as to facilitate PPAF in achieving its objectives.

The Administration Unit is mandated to contribute effectively so as to help PPAF realize its dream of alleviating poverty. The unit maintains the office by providing space allocation for staff, manages regular office upkeep, event management, looking after official vehicles & office generators as well as, keeping record of official travel details & visa arrangements.

This year the Administration unit arranged 820 air travels, 1,102 by road (282 by pool vehicles & 820 by rent a car) country wide and approximately 25 international travels. In addition, the Unit organized 250 in-house meetings/ workshops/ trainings and 35 meetings/ workshops outside the PPAF office.

Administration Unit is committed to work with a high degree of integrity, earning the trust of internal clients, and demonstrating effectiveness and excellence through the delivery of optimum level facilitation and services.

Major Achievements

Successful arrangements of boarding, lodging and logistics of following events were orderly conducted:

- Depreciated assets were offered to staff (internal bidding process was adopted)
- All the arrangements of CITI-PPAF Micro Entrepreneurship Awards were arranged (traveling, boarding, lodging, hall arrangements)
- A staff get together & BBQ was arranged at F-8 office parking area
- Arrangements of SOs retreat (traveling, boarding, lodging, hall arrangements)

Core Support Services

Procurement

Human Resources

Internal Audit



Procurement

The objective of PPAF's Procurement Unit (PU) is to act as service provider for internal and external clients, offer them resourceful and effective procurement support to enable them to meet their objectives. To strike consistency, transparency, economy and efficiency, the procurement guidelines have been further streamlined. As a result, the timelines for the procurement activities are significantly reduced and concerted efforts are being made to decrease it further.

The Unit is involved at all level of PPAF interventions to ensure transparency, economy and efficiency in the procurement processes and ensure funds are utilized for the purpose intended.

In year 2014-15 PU has contributed the following:

- 1) Provided 24 experts (Individual consultants) as well as 20 Firms to assist operation units in carrying out impact surveys, case studies, investigative studies, research, trainings, base-line/end-line surveys, development of materials and social assessment etc. which helped Operation Units to meet organizational objectives/

milestones in effective and efficient manner.

- 2) 150 Purchase Orders were issued to equip the operational and support units to meet their targets, which include printing of communication/awareness material, office furniture and supplies, IT equipment and vehicles, maintenance and office services etc.
- 3) 126 Partner Organizations were supported in procuring a range of goods, e.g vehicles, IT office equipment and furniture etc.
- 4) Training, capacity building, monitoring and assessment of POs are regular activities of PU which were accomplished by scrutinizing and approving 280 procurement plans, capacity building of 53 CIs (Community Institutions), reviewing and approving POs 147 training programs including SCAD (Sindh Coastal Area Development) program.

Moreover, The PU Unit enhanced its presence in the field in terms of regular visits, capacity building of CIs, appraisals of POs and fact finding missions at project site in order to monitor the Partner Organizations (POs) and Community Institutions (CIs) efficiently to ensure the fiduciary aspect.

In order to have a meticulous selection of new Partner Organizations, the PU now has established a mechanism for PO selections. This mechanism allows open competition which permits all the firms/POs to submit their Expression of Interest (EOIs). Evaluation of EOIs is being done by the third party consulting firm to ensure transparency and impartiality.

PU has also uploaded all the contract awards on World Bank's official website "Caliper" to publicly announce the entire contract awarded by PPAF. The Unit has developed procurement guidelines for Community Driven Development (CDD) in Urdu to enable CIs to strengthen their procurement capacity and effective utilization of procurement funds. Further, the Unit Cost Database (UCD) has been developed as a guiding tool for CIs to ensure they are not over charged and as a reference tool for the PU to monitor the expense occurred at community level.

Human Resources

At PPAF we believe that only an efficient human resources department can provide the organization with structure and the ability to meet business needs through managing our organizations most valuable

resources - its employees. HR Policy Manual revised by aligning it with best market practices.

Several new policies have been added to it i.e. Grievance Redressal System; Whistle Blowing Policy and Conflict of Interest Policy. The purpose is to create a congenial and supportive working environment for "TEAM PPAF".

Efforts have been made to equip employees with best knowledge tools that can facilitate them in their professional development. The focus has been given on strengthening the core competencies of the organization not only to provide the "collective learning" of PPAF but also to create more value to the functional skills set. Customized training courses on Participatory Development along with a series of "In-house Training Programs by In house Trainers" provided facilitation to employees in nurturing their expertise in the functional areas like MS- Excel; Finance & Accounts for Non-financial Managers and Report writing-skills.

The professional services hired a Communication Expert for three months to address the learning needs of PPAF employees in the areas of the soft skills such as client orientation, presentation

skills, and drafting professional correspondence.

To be aware of the challenges of the poor, PPAF staff was provided with the opportunity to undergo "Immersion Activity". Staff members from various units of PPAF participated in immersion visits. This enabled the staff to gain the immediate knowledge of community problems.

In a quest of "Best Fit" for PPAF, a new supporting tool "Psychometric Assessment" has been introduced for new hiring's for GM and above level positions. The HR unit aimed to make effective utilization of these psychometric assessments to retain, develop and manage the already existing staff members. This will provide the management with an insight into the career growth and development of these team members.

In order to explore the opportunity to hire new university graduates as interns and to form relationships that may result in long-term employment in the future, PPAF actively takes part in career fairs at leading universities. PPAF was awarded "Ladies Fund Award Pakistan 2015" by "Dawood Global Foundation". The award was presented by the Governor of Sindh. PPAF is the first development sector

organization which won this award in recognition of being a best place for work for women for its women supportive initiatives.

Internal Audit

At PPAF the Internal Audit unit provides independent and objective assurance to the management by value addition and suggestions for improvement in operations. The hallmark of the Internal Audit has been to lend assistance to the units for accomplishment of objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes by providing insight and recommendations based on comprehensive analysis of business and governance processes.

In order to discharge the fiduciary responsibility of providing assistance to senior management and the Audit Committee of the Board, the Internal Audit unit has endeavored to perform oversight functions combined with professional skepticism and high ethical standards. Throughout the year, extensive monitoring was carried-out by the unit providing assurance on financing made to 76 Partner Organizations. POs were

selected by employing risk assessment tools and threshold of financing and donors' specific requirements.

The Internal Audit unit has adopted a holistic audit approach for the tracking of funds and compliance: by virtue of which audits at units' level are consolidated with those of the POs, complete transaction cycle emanating from the internal controls and processes deployed at operational unit, transitioning through Partner Organizations and culminating at systems maintained at Community Institution levels are evaluated. Any areas for improvement in the systems are immediately discussed with Unit and best possible alternatives for implementing the change are agreed upon. A robust follow-up mechanism is adhered to by the unit to ensure that adequate remedial measures are taken on timely basis.

Key achievements

- "Whistle blowing" and "Conflict of Interest" policies were introduced in PPAF. These steps are in line with the global best practices and Code of Corporate Governance, and shall bring enhanced independence and transparency in our operations
- A seasoned and experienced

Chartered Accountant joined PPAF as Chief Internal Audit which has enhanced the capacity and efficacy of the function

- To ensure the independence and objectivity of Internal Audit Unit, it reports directly to the Audit Committee of the Board of Directors comprising of independent non-executive directors, and the Chief of Internal Audit acts as its Secretary. The Audit committee held four meetings during the year, in which the Committee reviewed and appreciated the performance of the internal audit unit, and asked the Unit to organize orientation and experience-sharing sessions in the coming year with the Internal Audit staff of Partner Organizations

**Financial
Management and
Corporate Affairs**

Directors' Report

Financial Highlights

Financial Statements

Directors' Report



The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the fifteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2015.

Pakistan's economy during the period 2014-15, grew at a steady pace, reaping its benefits in both economic and political spheres. Pakistan as an emerging economy has the potential of contributing to global economic growth. Declining inflation, relatively better growth in private sector and robust payments helped propel consumer spending. The launch of Pak-China Economic Corridor has become another major milestone, encouraging the major trading partners of Pakistan to grow with better outlook, which will provide an opportunity to uplift socio-economic condition of the common man.

Pakistan has shown gradual progress on various development facets in the past years. However it is necessary to systematically identify, prioritize and address bottlenecks in the development sector to realize the goals and targets specifically aimed at providing income generating opportunities to the poor in the socio-economic context of the country. Recurring issues on population and problems with demographic transition, natural resource degradation, and governance appear to be more pressing now than ever before. Natural disasters, being another spiral into human catastrophes, entrench the poverty that already exists and pull more people down into poverty, together with their means to generate income. The risk of impoverishment is linked to lack of access to the markets, capital, assets and insurance mechanisms that can help people to cope and to rebuild. This combination of exposure to climate vulnerability and limited access to social safety nets is a serious risk factor which is more widespread in a remote rural area. Growing inequalities weakens social cohesion and contributes to exacerbating conflicts within the Country.

One-third of Pakistani households are facing poverty, with uneven distribution among provinces and rural

and urban populations, on less than \$1.25 a day. Challenges to poverty reduction are increasingly diversified across regions, and solutions are needed to take on multi-sectoral approaches. Disaster risk management has become a key component of poverty reduction efforts, focusing on protecting livelihoods as well as saving lives. Unless we are better prepared to face droughts and floods, extreme poverty cannot be eliminated. These development challenges require an ambitious, strategic focus to spur high economic growth, which is inclusive and environmentally sustainable, across the country.

2014-15 was a year PPAF dedicated to building and consolidating partnerships at all levels in order to deepen and broaden its outreach. PPAF's agenda and clear policies reflect its commitment towards its prime goal of poverty reduction entrenched within its overall development strategy. PPAF worked to expand economic opportunities for the poor and of the marginalized, and to encourage the entrepreneurial spirit of women. PPAF provided support for lending and linked services through social assistance, and infrastructure programs. Given the size of the challenges and limited resources, PPAF ensured institutional effectiveness and operational efficiency to better respond to the needs and voices of all stakeholders. Three strategic approaches: inclusion, sustainable growth and regional integration remained the focal point of PPAF's overall operations. PPAF interventions are having a positive impact on the lives of the poor. PPAF remained proactive and responsive, striving for even greater achievements in poverty reduction. PPAF's multi facet, cost effectual structure safeguarded the faith and buoyancy of all stakeholders, including the Government of Pakistan, international bilateral and multilateral donor agencies, private and corporate sector institutions, Partner Organizations (POs) along with the deprived groups of communities.

PPAF was at the forefront to provide relief and rehabilitation support for people affected by the natural calamities across the country. PPAF facilitated

the return of 900 Masuri Bugti families from District Rajanpur, where they remained marginalized and neglected for so many years, to their homes in Dera Bugti, Balochistan in April 2015. PPAF recognizes that any serious attempt about eradicating poverty must put disaster risk management at the heart of all interventions. Without this, the target of ending poverty may not be within reach. PPAF also emphasizes on comprehensive social safety nets framework to protect the poor and vulnerable, the focus on the rural economy, water resource availability and health and social services.

Progress Review

During the year PPAF managed steady progress in terms of its operations. Total portfolio managed during the year was Rs 24,666 million as against Rs. 23,819 million in FY 2013-14, an increase of 4%. Loan portfolio decreased by 2% to Rs. 17,513 million (FY 2013-14 – Rs. 17,805 million). This included Rs. 13,913 million as loan outstanding with POs (direct exposure) and Rs 3,600 million placed with bank as guarantee facility to facilitate lending (indirect exposure). All the available funds for lending were fully deployed.

Disbursements for grant based interventions during the year were Rs. 7,153 million as against Rs. 6,014 million last year, an increase of 19%. Disbursements for water and infrastructure components increased by 43% to Rs 1,798 million (FY 2013-14 - Rs 1,257 million). The amount available under PPAF III project was utilized for integrated programming i.e. linking productive physical infrastructure for social-economic activities. Infrastructure was provided around livelihood areas including agriculture, productive platforms, rural connectivity, digital hubs, tourism etc. Moreover, renewable energy projects were initiated in off-grid areas. In addition, interventions and initiatives were taken to revitalize the dysfunctional schemes.

Disbursements for livelihood component showed a reduction of 4% and were Rs 2,335 million (FY 2013-14 – Rs. 2,429 million). Livelihood interventions focused on assets transfers, enterprise trainings, one stop shops that offer multiple facilities (Youth Centers, Loan Centers and Nokari Ya Karobar Centers) to cater to the needs of different sectors of the deprived communities. Disbursements for health and education component declined by 55% to Rs. 234 million (FY 2013-14 – Rs. 522 million). PPAF, in line with its strategy, started handing over the education facilities to Government and communities. This has resulted in reduction PPAF supported facilities and related financing during the year. PPAF is now focusing on capacity building of local communities for ensuring sustainability of health and education initiatives.

Social mobilization disbursements were Rs. 928 million (FY 2013-14 – Rs. 1,140 million), reduction of 19% from last year. PPAF reached its scale in formation of community organizations last year. The available funding was used to consolidate the existing and previous portfolio focusing on building capacities of institutions for managing their own development, access to services through improved linkages with the local government, other development programs and private sector for sustainable service delivery after closure of PPAF III project.

During the year PPAF initiated the Prime Minister's Interest Free Loan Scheme and disbursed Rs. 1,626 million. In addition to core operations, Rs 219 million (FY 2014 – Rs 666 million) were spent on projects and relief activities being carried out in flood and earthquake affected areas. [fig. 1].

Cumulative disbursements since inception to June 30, 2015, stood at Rs 162,878 million out of which credit disbursements were 61% followed by project and relief activities, including Prime Minister Interest Free Loan Scheme and Waseela-e-Haq Program (14%); human and institutional development (including social mobilization)/livelihood enhancement and protection (13%); community physical infrastructure (9%) and health & education (3%) [fig. 2].

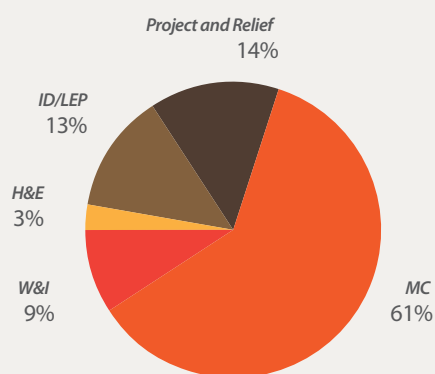
Resource Allocation Strategy

Resource allocation strategy of PPAF focuses on regions that have historically lagged behind in socio-economic development and are particularly underserved. PPAF played a significant role with respect to providing provincial coverage to combat poverty. As of June 30, 2015, 63% of the funds were allocated in Punjab, 16% in Sindh, 14% in Khyber Pakhtunkhwa (KPK), 4% in Balochistan; 2% in Gilgit Baltistan (GB); and 1% in Azad Jammu and Kashmir (AJK Islamabad Capital Territory (ICT) [Fig 3].

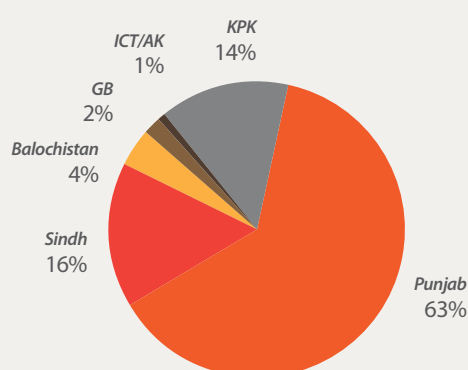
Microcredit a major component of income generating activities caters to the needs of the poor people who are already engaged in a business or have a skill to earn a living but are unable to access financial institutions due to lack of collaterals or requiring small amounts as loans. The better off areas 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 non-agricultural business. Accordingly, microcredit funding during the year concentrated primarily in Punjab with 66% of the total share followed by Sindh 20%, KPK 7% and GB 7%. [Fig 4].

Components	Rupees in millions		Variance (%)
	2015	2014	
Loan Portfolio			
Loan outstanding	13,913	13,985	(1)
Indirect placement	3,600	3,820	(6)
Sub-total	17,513	17,805	(2)
Grants			
Water & Infrastructure	1,798	1,257	43
Livelihood Enhancement & Protection	2,335	2,429	(4)
Health & Education	234	522	(55)
Institutional Development	928	1,140	(19)
Prime Minister's Interest			
Free Loan Scheme	1,626	-	
Project activities	232	666	(65)
Sub-total	7,153	6,014	19
Grand Total	24,666	23,819	4

Share of Funds Disbursed



Provincial Distribution of Funds Cumulative since inception to June 30, 2015



Provincial distribution of Microcredit funds

Province	Microcredit	
	2014-15	Cumulative
Balochistan	0%	1%
Gilgit-Baltistan	7%	1%
ICT/AK	0%	0%
Khyber Pakhtunkhwa	7%	4%
Punjab	66%	77%
Sindh	20%	17%
Total	100%	100%

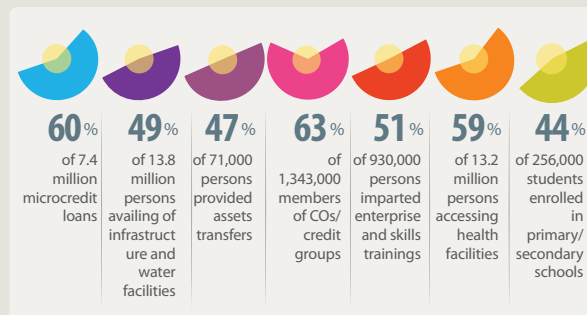
The grant based interventions are for the communities which lack in the basic social and infrastructure facilities in the first place. PPAF basic social and infrastructure grants provide help to pro poor communities to uplift and become part of the mainstream. During the year, grant funding was allocated in line with PPAF's strategy which focuses on deprived districts. 19% of the funds were allocated in KPK, 46% in Punjab, 11% in Balochistan, 20% in Sindh and 5% in GB/ICT. 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.

Provincial distribution of Grant funds

Province	Grant	
	2014-15	Cumulative
Balochistan	11%	7%
Gilgit-Baltistan	3%	4%
ICT/AK	2%	2%
Khyber Pakhtunkhwa	19%	31%
Punjab	46%	41%
Sindh	20%	14%
Total	100%	100%

By the end of June 2015, PPAF had expanded its partnership with 137 POs which deployed resources in both urban and rural areas of 130 districts of the country in over 100,000 villages/rural and urban settlements. Aggregately, PPAF enumerated a record spread of 7.8 million microcredit loans, of which 4.8 million (61%) were to women with 80% of the financing extended in rural areas, completed over 35,000 health, education, water and infrastructure projects, transferred 82,000 assets to poor and organized over 17,000 training events for 986,000 staff and community members nationwide. PPAF also responded to the natural calamity by facilitating over 1.8 million individuals through provision of relief items followed by

Women Share in PPAF Interventions

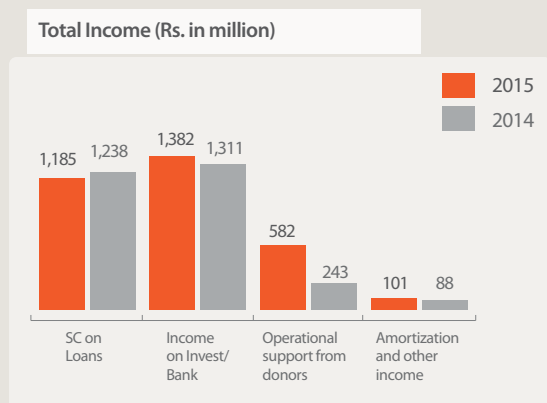


rehabilitation and reconstruction. This included financing to 122,000 households during the previous years for construction of earthquake resistant homes and to build capacities of over 100,000 individuals in seismic construction and related skills.

PPAF has extended its outreach in almost every district of the country. PPAF continued to work with its partners in both the private and public sector to help stimulate the strong links needed to reduce poverty and shared prosperity. During the year efforts continued to improve gender equality in all PPAF projects by incorporating elements for gender balance. These included a high number of projects in education and skills development, agriculture and rural infrastructure.

Operational and Financial Highlights

PPAF, as a non-profit institution, capitalized on profits to earn sufficient revenue to run its financial and development activities smoothly.



Total income earned during the year increased by 13% to Rs 3,250 million (FY 2013-14 - Rs. 2,880 million). Despite reduction in KIBOR, income on investments/saving accounts increased by 5% due to increase in portfolio. Service charges on loans to POs declined by 4% due to reduction in KIBOR (to which pricing is related). During the year, grant in support of operational expenses increased by 140% to Rs 582 million (FY 2013-14 – Rs. 243 million). The increase was due to reallocation of funds by World Bank from civil works for PPAF's office building (which remained un-utilized) to support for operational cost. In line with the requirement of International Financial Reporting Standard, Loans (payable by PPAF) were carried at present value computed at market based interest rate. The difference between present value and loan proceed was recorded as deferred benefit which would be recognized as income over loan period. Amortized income during the year was Rs. 100 million (FY 2013-14: Rs 74 million).

Financial results are summarized as follows

	Rs. in million	
	2015	2014
Service charges on loans to Partner Organizations	1,185	1,238
Income on investments and saving accounts	1,382	1,311
Amortization of deferred income grant fund	582	243
Amortization of deferred benefit of below market rate of interest on long term loan	100	74
Other income	1	14
Total income	3,250	2,880
General and administrative expenses	586	591
Seminars, workshops and trainings	30	40
Technical and other studies	168	156
Loan loss provision	27	28
Impairment loss	-	50
Financial charges	215	175
Total expenditure	1,026	1,040
SURPLUS BEFORE PROJECT AND RELIEF ACTIVITIES	2,224	1,840
Project relief activities	219	666
Acturial losses recognized	7	22
SURPLUS FOR THE YEAR	1,998	1,152

The general and administrative expenses related to the operations of PPAF decreased by 1% to Rs 586 million (FY 2013-14 – Rs 591 million) due to operational efficiency and synergies among staff. Major reduction was in travelling expenses which decreased by 13% to Rs. 70 million (FY 2013-14 – Rs 81 million). Salaries expenses for the year were Rs. 363 million against Rs. 346 million for FY 2013-14. Salaries were limited to a 5% increase as compared to 14% increase last year. Overall grant operations of PPAF were consolidated under one Group Head as against previous arrangement of two Group Heads. Also synergies were built among staff for monitoring by creation of provincial teams which resulted in reduced requirement of additional staff for achieving program targets. Due to this arrangement staff members who had left PPAF were not replaced. In addition most of new staff was also not hired which resulting in savings in salary bill.

Seminar, workshops and training expenses of Rs 30 million (FY 2013-14 - Rs 40 million) included Rs 19 million (FY 2013-14 - Rs 17 million) spent on trainings and Rs 11 million (FY 2013-14 - Rs 23 million) incurred on seminar and workshops. An amount of Rs 168 million (FY 2013-14 - Rs 158 million) was incurred on technical/other studies.

The loan loss provision of Rs 27 million (FY 2013-14 - Rs 28 million) was made against loans as per policy. The financial charges of Rs 215 million (FY 2013-14 - Rs 175 million) included service charges on long term loan and amortization of deferred benefit of below market interest rate on long term loan and bank charges. PPAF

spent Rs 219 million (FY 2013-14 - Rs 666 million) on project and relief activities financed from PPAF own resources.

During the year Rs. 7 million was recognized as actuary adjustments as per new requirement of accounting standard for staff retirement benefit (gratuity fund). Previously such expenses were recognized over the life of the gratuity fund, however, amendment in accounting standard required immediate recognition.

Total expenditure decreased by 1% to Rs 1,027 million (FY 2014 - Rs 1,040 million). Surplus before project and relief activities and actuarial losses was Rs 2,250 million as against 1,845 million in FY 2013-14, indicating an increase of 22%. Net surplus for the year increased by 73% to Rs 1,998 million (FY 2013-14 - Rs 1.152 million).

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 was current in all its repayments to GoP. During the year, Rs. 654 million (FY 2013-14 - Rs. 615.51 million) was repaid on account of principal amount of loan and Rs 114 million (FY 2013-14 - Rs 101.46 million) as service/commitment charges to the GoP.

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 was held in investments and interest earned thereon was allowed for deployment in grant based health, education, infrastructure, emergency and any other activities that fell within the overall strategic purview of PPAF objectives. As at June 30, 2015 the reserve increased by 19% to Rs 6,706 million (FY 2013-14 - Rs 5,659 million).

Total equity and reserves increased by 17% to Rs 14,007 million as at June 30, 2014 from Rs 12,010 million as at June 30, 2014. Total assets of the Company reached Rs. 32,285 million on June 30, 2015 against Rs 35,914 million as at June 30, 2014, a decrease of 10%. Total loan receivables were Rs 13,913 million on June 30, 2015 as against Rs 13,985 million as at June 30, 2014. The debt equity ratio improved to 50:50 (FY 2013-14 - 55:45).

The Company's cash and cash equivalents decreased by Rs 5,223 million as compared to last year. The funds were utilized mainly for programme/operational activities, making short and long term investments. At

the end of the year, the Company had cash and cash equivalents of Rs 3,405 million. Detailed financial projections are prepared and regularly updated to ensure availability of funds at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues.

The Company actively monitors its funds to ensure that the investment portfolio of the Company is secured and well diversified. Current cash requirements are adequately financed through internal cash generation by Company's sound treasury management without recourse to external financing. However the Company has substantial borrowing capacity and is well positioned to meet its future commitments and development plans.

Auditors

M/s A. F. Ferguson & Co. Chartered Accountants have completed the annual audit for the year ended June 30, 2015, and have issued an unqualified audit report. The auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company.

On the recommendations of Audit Committee and the Board of Directors a competitive process was followed for selection of Auditors following a criteria approved by Audit Committee. Based on competitive process, the Audit Committee recommended appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as External Auditors of the Company for the year ending June 30, 2016.

Conclusion

Poverty has numerous facets, manifested in the form of low income, lack of access to resources, few opportunities for participation in the political process and high vulnerability to risk and shocks. Tackling poverty requires a holistic approach that promotes pro-poor economic growth, creates opportunities and choices while maintaining macroeconomic stability, improving governance, consolidating devolution to the grass roots level and protecting vulnerable segments of the society. PPAF acknowledge the need to further mainstream sustainable development at all levels, integrating economic, social and environmental aspects and recognizing their interlinkages, so as to achieve sustainable development in all its dimensions.

Acknowledgement

The Board would like to place on record its sincere gratitude to all members in general and those who served in various committees of the Company in particular for their support, dedication and help they

extended in policy formation and guiding the Company in achieving new milestones. We look forward for their enduring support in the future as well.

The Board would also like to thank the Government of Pakistan, all financing partners – the World Bank, International Fund for Agricultural Development, the Government of Italy and the Government of the Federal Republic of Germany (through KfW) as well as other civil and private partners for their continued support and their productive contribution.

The Board would also like to acknowledge the contributions made by management in strengthening the image of the Company and for their whole hearted support. The Board would also like to take this opportunity to express its appreciation to the employees for their continuous hard work and dedication and for helping the Company in discharging its responsibilities.

Islamabad
September 21, 2015



Director

Annexures

1. INTERVENTION STRATEGY

I. Program Level

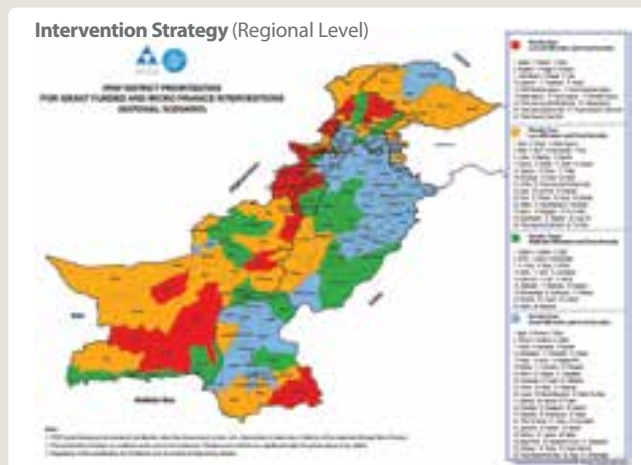
Our Results Framework
The Millennium Development Goals

Our Core Values
Inclusion – Participation – Governance
– Transparency – Sustainability

Our Change Philosophy
Social Mobilization + integrated development strategies (social, economic, environment) + private and public investment = **empowered communities and reduced poverty**

PPAF believes 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 core values which are the foundations of the way in which PPAF works. . These values include a focus on democratic governance, participation, accountability, social inclusion and sustainability. PPAF also promotes a holistic approach to poverty alleviation, aligned closely with Pakistan’s commitment to the MDGs and places emphasis on integrated development programs that generate a broad and deep socio-economic impact at the community level. Saturation and deepening are integral strategies of PPAF. These approaches are focused on safeguarding against project interventions being spread too thinly. Accordingly, they support demand-driven interventions which are preferably in the union councils where POs have already intervened during WB supported PPAF-I and PPAF-II. In July 2011, a decision was taken to carry out activities in selected Priority Union Councils for further saturation and deepening, to achieve increased organization and inclusion of the poor, including women, youth, persons with disabilities and ultra-poor households. In addition, PPAF also takes into consideration donors’ preference for interventions and geographical areas. PPAF has formulated a Results Framework to track outcomes and impact in a two dimensional framework: (i) Overall Objectives (and associated indicators) align PPAF operational activities, to the extent relevant, with MDGs and core focus on institutions of the poor (ii) Intermediate Outcomes (and associated indicators) break out overall indicators in terms of operational components. Both dimensions represent long term objectives and vision of the institution. Time bound project specific indicators have been subsumed in the overall PPAF strategic objectives and framework. All

the envisioned outcomes and impact are limited to PPAF interventions, components, communities, households, districts, UCs and locations.



II. Regional Level

In the year 2011 PPAF revised its resource allocation policy to enhance the impact of its interventions. The key features of the said policy were:

- Grant funds to be allocated towards those areas/regions of Pakistan that had historically lagged behind in socio-economic development had high food insecurity and were underserved.
- Microcredit to be allocated to better off areas to cater to the needs of the entrepreneurial poor who have skills to earn a living but are unable to access finance due to lack of collateral and size of loans. The very poor are not to be given microcredit but grants for assets so as to facilitate them to initiate livelihoods.

Districts marked in red and orange are highly food insecure and have low HDI ranks. PPAF grant funding can be allocated to all districts other than those shown in blue colour. All regions in the country will continue to benefit from Microfinance.

Three country-wide assessments were consulted in order to determine the development status of a district. These included (i) Trends in Regional Human Development Indices (Social Policy Development Center); (ii) Food Insecurity in Pakistan (World Food Programme) using FAO ranking; (iii) Government’s Medium Term Development Framework 2005-2010 which identified the 29 poorest districts of the country. The district prioritization policy was developed after extensive in-house consultation and was duly approved by the Board of Directors of PPAF.

III. Household Level

Proper identification of the various target groups is crucial to ensuring an inclusive approach. Poverty scorecard

(PSC) developed and introduced by GoP is an effective tool to measure poverty. By ranking clients in accordance with their assets (to determine the extent of household poverty in an objective manner), it helps to target the poor and track changes in poverty. The use of the PSC has improved the service delivery mechanism in PPAF supported operations and caters to the differing needs of households within various bands of the PSC. PPAF's POs identify poor and ultra-poor using PSC data to allow for improved inclusion and standardization of targeting approaches in community level organizations. Every community level project components and interventions are proposed to be linked with the poverty scorecard results to provide comprehensive coverage to all PPAF interventions at union council and district level.

2. PROGRAMME OVERVIEW

During the year, the Government of Pakistan announced Rs. 3.5 billion Prime Minister's Interest Free Loan (PMIFL) Scheme to support productive microenterprise activities of poor, vulnerable and marginalized households, not yet tapped by the microfinance sector, so that they may engage in productive economic activities that will improve their lives and allow them to positively contribute to the economy. Based on its previous experience, PPAF was mandated by the Government of Pakistan to design, mobilize, implement and monitor the PMIFL Scheme. The POs have established loans centers at UC levels and funds are disbursed to beneficiaries as interest free loans as per predefined eligibility criteria. The community institutions are involved in different activities under this model under the supervision of POs. Eventually, the funds will be transferred to eligible Community Institutions which will continue revolving these funds on sustainable basis. Implementation progress as of June 30, 2015 is as follows:

Partner Organizations (POs)	25	
Coverage	Districts: 36	UCs: 265
Loan Applications	Total Received	Total Approved
	66,480	61,351
No. of Loan Centers/ Branches established	164	
Funds Disbursed (Rs in Mill)	PPAF -PO	PO-Borrowers
	1,626	1,167
No. of Loans Disbursed to Borrowers	57,117	
	Male	Female
	20,814 (36%)	36,303 (64%)
Average Loan Size (Rs)	20,525	

Intervention Strategy (Household Level)

2013 Poverty Estimates		
No poor	Poverty Score 51-100	Households 4.49m
Transitory Non-poor	Poverty Score 35-50	9.46m
Transitory Vulnerable	Poverty Score 24-34	5.98m
		Rs. 1,959
Transitory Poor	Poverty Score 19-23	5.90m
Chronically Poor	Poverty Score 12-18	3.05m
Extremely Poor	Poverty Score 0-11	0.48m

PPAF Programs

Score range > 23: Microfinance

Score range < 23: All PPAF Grants

Score range 0 - 18: PPAF asset transfer beneficiaries

} Institutional Development

Note: Based on monetized consumption/caloric intake (Rs. Per capita, per month and calculated by using an average of national household size of 6.3 (Source: CPLPM (Masim QAU))

The Program for Poverty Reduction (financed by GoP through Italian Government funding) became fully operationalized during the year. The project size is EUR 40 million. The objective of the project is establishment of a social and productive infrastructure system and an effective/sustainable social safety net in project area (Balochistan, KPK and FATA). As of June 30, 2015 EUR 1.2 million were disbursed (3% of the total financing). Implementation progress as of June 30, 2015 is as follows:

Indicators with components	Progress till June 30, 2015
Components: Institutional Development and Social Mobilization	
1. No. of community organizations formed/ revitalized	2,598
2. No. of villages organizations formed	365
3. No. of local support organizations formed	17
4. Membership in community institutions (34% female)	38,897
5. Institutional Community Resource Persons (CRPs) developed (33% female)	403
6. Village Council Development Plans (VDPs) developed	165
7. Union Council Development Plans (UCDPs) developed	12
8. Community members trained (25% female)	279

Livelihood Support and Promotion of Small Community Infrastructure Project (financed by GoP through funding of KfW – Development Bank of Germany) started in the year 2012, in Khyber Pakhtunkhwa (KPK) though GoP financed by Germany Development Bank (KfW). The project is being implemented in 8 districts KPK. The project size is EUR 31.5 million.

The project involves support to livelihood measures and promotion of small community economic and social infrastructure in KPK. The purpose of the project is to increase access to and sustainable utilization of social and economic infrastructure by the population of the project region; increase employment and income opportunities,

especially for the poor; strengthen local civil society and enhanced participation of the population in the decision making at the local level. As of June 30, 2015 EUR 20.44 million were disbursed (64% of the total financing). Implementation progress as of June 30, 2015 is as follows:

Indicators with components		Progress till June 30, 2015
Components: Institutional Development and Social Mobilization		
1. No. of community organizations formed/ revitalized		3,593
2. No. of villages organizations formed		256
3. No. of local support organizations formed		50
4. Membership in community institutions (39% female)		67,170
Components: Water and Infrastructure		
5. No. of Water and Infrastructure projects completed		1,843
6. No. of beneficiary households		1,375
7. No. of population beneficiaries (51% female)		960,380
Components: Livelihood, Employment and Enterprise Development		
8. No. of ultra/vulnerable poor received productive assets (42% female)		6,465
9. No. of individuals received skills/ entrepreneurial training (30% female)		6043
Components: Education, Health and Nutrition		
10. Total Enrollment		32,721
- Boys		18,855
- Girls		13,866
11. Total patients (A+B)		94,411
Adults (A)		58,381
- Men		12,009
- Women		46,372
Children (B)		36,030
- Boys		20,898
- Girls		15,132

The Third Poverty Alleviation Fund Project (financed by GoP through World Bank funding) involve funding of US\$ 250 million. The objective of the project is to empower the targeted poor with increased incomes through improve productive capacity and access to services to achieve sustainable livelihoods. This is being achieved by increasing organization and inclusion of poor - including women, youth, disabled and ultra-poor households - in community institutions and their enhanced participation in economic activities, skill enhancement for taking-up higher value employment, and increased income through an increased asset base, improved infrastructure and market linkages. PPAF III approach involves deepening and a more intensive intervention in the poorest union councils while facilitating improved access to services and resources for communities in other parts of Pakistan. PPAF has achieved most of the targets set under the original plan and is on track to complete the project by September 30, 2015. As of June 30, 2015 PPAF had disbursed US\$ 237.5 million i.e. 95% of the allocated

funds (US\$ 250 million). The Implementation Support Mission of the World Bank which visited PPAF from May 11-21, 2015 concluded that the project remains on track to meet its goals by project closure on 30 September 2015. Implementation progress as of June 30, 2015 is as follows:

Indicators with components	End Project Target	Status as of June 30, 2015	
		No.	% age of Total
Social Mobilization and Institutional Building			
No. of new Community Organizations (COs) formed	25,000	53,126	213%
No./%age of CO member households that are poor	60%	55%	92%
No. of Village Organizations (VOs) formed	3,250	5,616	173%
No. of Local Support Organizations (LSOs) formed	81	379	468%
Livelihood, Employment and Enterprise Development			
No. of Common Interest Group (CIGs) formed	2,300	8,392	365%
No./%age of Households receiving productive assets	79,756	76,125	95%
No./%age of women trained in enterprise skills	160,000	150,955	94%
No./%age of female grant recipients (assets transfers)	39,878	36,293	91%
No. of individuals to whom Livelihood trg. has been provided	320,000	315,658	99%
No./%age of individuals receiving daily wage compensation	54,315	57,477	106%
No./%age of CIGs establishing links market and line departments	20%	4,171	50%
No./%age of Loan Centres	122	116	95%
No./%age of Production Centres	71	71	100%
No./%age of <i>Naukri ya Karobar</i> (NyKs)	66	77	117%
No./%age of Youth Centres (YCs)	176	196	111%
No./%age of Community Resource Persons trained	2,730	2,339	86%
Disability			
Total no. of assistive devices distributed to Persons w/disabilities	11,500	38,555	335%
No./%age of disabled persons trained in enterprise development	2,875	2,984	104%
Micro-Credit Access			
Micro-finance penetration rate in PPAF III districts	8.8%	11.87	135%
No./%age of new borrowers	230,000	355,760	155%
%age of loans served to women	25%	67%	268%
Basic Services and Infrastructure			
Total no./%age of infrastructure schemes completed	4,934	4,321	88%
No./%age of COs benefiting from improved infrastructure	50%	46%	92%
Total no. of school facilities constructed or renovated	336	896	267%
Total no. of children benefiting from schools	40,081	127,059	317%
Total no. of health centers constd., renovated or equipped	280	504	180%
Total no. of beneficiaries from health centers	2,242,187	12,581,564	561%

The Hydropower and Renewable Energy (HRE) Project (financed by GoP through funding of KfW – Development Bank of Germany) started in the year 2013 in KPK. The overall objective of the Project is to contribute to the improvement of the general living conditions and quality of life of the poor in KPK province. The project concerns about the financing of micro/mini hydropower plants, solar lighting systems, integrated water efficient solar irrigation systems and pilot projects in renewable energy in KPK. The project is being implemented in 10 districts of KPK; Swabi, Chitral, Lower Dir, Upper Dir, Swat, Buner, Bannu, Lakki Marwat, Karak, and Hangu. As of June 30, 2015 PPAF had disbursed EUR 1.4 million (14% of total financing). Implementation progress as of June 30, 2015 is as follows:

Indicators with components	Progress
1. Micro Hydropower Project (MHP)	
1.1 No. of Sites Identified	07
1.2 No. of Projects Designed	06
1.3 No. of Projects Initiated	05
2. Solar Lighting Systems (SLS)	
2.1 No. of Sites Identified	100
2.2 No. of Projects Designed	100
3. Pilot Project in Renewable Energy (PPRE) - Mini Grid	
3.1 No. of Projects Identified	01
3.2 No. of Projects Designed	01

3. PROGRAMMING AND COMPLIANCE FRAMEWORK

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.

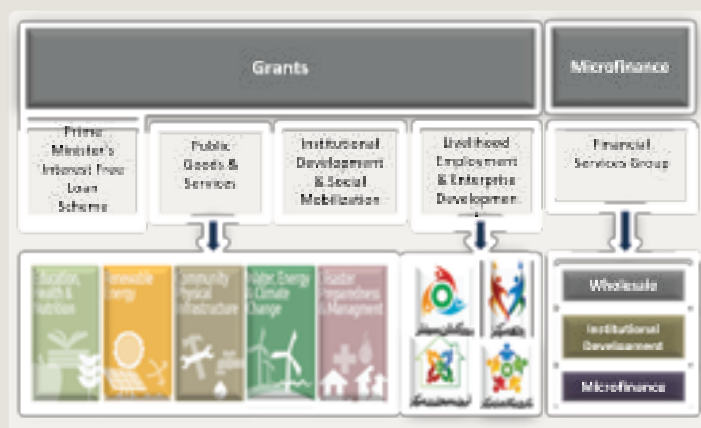
Good Governance - PPAF's focus on good governance means that we are focused on ensuring that our POs and community institutions can achieve optimal levels of good governance within their systems and structures, to be able to be more effective and accountable to all their stakeholders.

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.

Programme Framework



PPAF operations are clustered in two Groups:

(i) Grants Group. The group manages portfolio of public investments including health, education, small scale water and infrastructure, disaster preparedness and management; Institutional Development and social mobilization; livelihood employment and enterprise development; Prime Ministers Interest Free Loan Scheme.

(ii) Financial Services Group manages the lending component with focus on portfolio management and sector development.

Compliance & Quality Assurance Framework



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

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 POs 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.

4. ASSESSMENTS AND RATINGS

Third Parties Assessments: Since PPAF provide services to the public sector, accountability and transparency

continues to be an important concern for it. PPAF therefore place high priority on the third party assessments/ studies and on their significance to ensure consistency persists in the operations implemented by PPAF.

Key findings of third party independent assessments on PPAF operations are summarized as follows:

■ **Impact Assessment of SCAD Program (2014-15) by SEMIOTICS Consulting (Pvt.) Limited**

In 2006, PPAF initiated the Sindh Coastal Areas Development (SCAD) Program with the funding of World Bank to carry out infrastructure interventions in 52 Union Councils of 4 coastal districts of SCAD. The objective of the assessment of the study was to evaluate the overall effectiveness and impact of the multi-sector Sindh Coastal Areas Development (SCAD) Program on the beneficiary population.

The findings of the assessment were that the SCAD program specifically contributed to the livelihood improvement and poverty reduction of the coastal communities. The impact, whether direct or indirect, had a positive effect on the community members. Community organizations had been established along with their associated village organizations and local support organizations. Thus, this paved the way for inclusive planning as individuals cited a platform to raise their voices and prioritize needs. A leading factor which helped improve livelihoods was the implementation of strategic infrastructure according to the needs of the community. The development of such infrastructure had a direct and indirect effect on individuals' livelihoods – from access to major roads, time saved on acquiring water and provision of lighting during night hours. Nevertheless, additional work needs to take place in building capacities of individuals in regard to skills and enterprise development, which is directly associated with income levels.

■ **User/Beneficiary Assessment Survey –II (2014-15) by APEX Consulting Pakistan**

The study reported that overall 91% of the respondents said they were actively involved in the community activities and social mobilization directly or indirectly. Intermediate outcome indicator of making 60% of the targeted poor household members a part of community activities/community members seems to have been achieved. The average increase in income was around Rs.4500 per month of livelihoods program beneficiaries. Under the basic services and infrastructure interventions, all beneficiaries opined that they were satisfied with the drinking water scheme. Time-saving was the main

benefit of the water supply in or near the homes of beneficiaries. Another major benefit was lesser incidence of waterborne diseases in children and other members of household (76% respondents). Around 83% beneficiaries were very satisfied with sanitation facilities. A major portion of irrigation sub-project beneficiaries affirmed increase in the crop yield, especially in rupee terms. Moreover, 83% beneficiaries reported improvement in the cleanliness of household and saving in time to clean the house because of less dust from improved soling in the streets. Overall 83% of the respondents expressed satisfaction with the health facilities, which included pre-and post-natal services, family planning services, pharmacy, vaccinations for children under one year old. Finally, a majority of respondents (93%) expressed satisfaction with the education interventions

- The findings from the fourth outcome assessment survey of micro-credit recipients financed by the PPAF through Gallup Pakistan revealed that on the whole, 61% of borrowers experienced a positive change in their personal income. Moreover, it can be seen that 98% of the borrowers experienced significant increments in their household incomes. Overall, it was observed that the household expenditures of 95% of borrowers underwent a positive increase and 17% report improved changes in overall food consumption
- Assessment Survey of the PPAF's Social Safety Net, Targeting Ultra Poor (SSN-TUP), by Innovation Development Strategies (IDS) reported that the beneficiaries of the program on average earn more, spent more, and were wealthier in terms of the assets they own than non-beneficiaries. Beneficiaries of the program earn Rs. 34,122 more in a year than non-beneficiaries. Furthermore, beneficiaries saw their incomes increase 178% over the period 2008-12 while non-beneficiaries saw their incomes rise by only 41% over the same period
- Results from impact assessment survey conducted by Semiotics Consultants concluded that the PPAF's Programme for Increasing Sustainable Microfinance (PRISM) has performed well to meet its development goal of "reducing poverty, promote economic growth and improve livelihoods of rural households."
- Assessment of outcomes for Small Scale Infrastructure study analyzed the outcomes and impact of conventional infrastructure interventions in Punjab: namely irrigation, drinking-water, drainage and sanitation interventions. Findings suggest that the number of hours required for irrigating land once decreased by 20% on average; changes in yield of

wheat and rice of the project areas for irrigation are much larger than those reported by Punjab Agricultural Development for the same period; drinking water access through open sources such as canals, open wells, streams and ponds decreased by 7.2% households; prevalence of major diseases such as malaria, typhoid and diarrhea amongst our treatment households saw a decrease. Agricultural Development for the same period; drinking water access through open sources such as canals, open wells, streams and ponds decreased by 7.2% households; prevalence of major diseases such as malaria, typhoid and diarrhea amongst our treatment households saw a decrease

Donor Ratings

The Supervision Missions of donors carry out regular visits of PPAF to review the progress of project implementation and achievements of development outcomes. The ratings of the recent supervision missions were:

World Bank - The World Bank conducted two "Implementation Supervision Missions" during the year first in November 2014 and second in May 2015, respectively. The overall Project Implementation Progress was rated "Satisfactory".

KfW - The supervision mission of KfW rated performance of Livelihood and Community Infrastructure Project and Hydro and Renewable Energy Projects as "Satisfactory" (February 2015).

Italian Corporation - The supervision missions of Italian Corporation rated performance of their Project for Poverty Reduction as "Satisfactory" (November 2014 and second in May 2015).

5. CORPORATE GOVERNANCE

With a view to ensuring long term satisfaction of our shareholders, regulators, employees, and suppliers, PPAF have ensured transparency and good governance at the very core of its business strategies and practices.

Governance Framework

The company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals. The Board establishes corporate strategy and the Company's business objectives and the management integrates these objectives into their respective groups' business strategies with supporting financial objectives.

Best Corporate Practices

Sound Corporate Governance is critical to our Company integrity and maintaining investors trust in the Company. PPAF always held the best practices of corporate governance in high esteem and believes in widely propagating its values and ethics for strict adherence by all employees, suppliers and others while doing business of the Company. This is evident from the fact that PPAF has voluntarily adopted the Code of Corporate Governance which is applicable on companies listed on the stock exchange.

PPAF has committed itself to conduct its business in an honest, ethical and legal manner. The Company wants to be seen as a role model in the community by its conduct and business practices. All this depends on the Company's personnel, as they are the ones who are at the forefront of Company's affairs with the outside world.

The Company is committed to comply and take all reasonable actions for compliance, with all applicable laws, rules and regulations of state or local jurisdiction in which the Company conducts business. Every director and employee, no matter what position he or she holds, is responsible for ensuring compliance with applicable laws.

The Board is committed to foster healthy corporate culture, implant ethical business practices, open communication channels with shareholders and compliance with laws and regulations. As a result good corporate governance principles have been deeply embossed.

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.

All periodic financial statements, annual audited financial statements alongwith Directors' Report as well as quarterly and half yearly and nine monthly un-audited financial statements alongwith Management Reviews, of the Company were endorsed and circulated to the 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 a timely manner.

Corporate Governance

PPAF corporate governance structure is based on the Company's Article of Association, statutory, regulatory

and other compliance requirements applicable to companies limited by guarantee.

The Company throughout the year endured dedication 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

The Board exercises the powers conferred to it by the Companies Ordinance, 1984 and the Memorandum and Articles of Association of the Company, through Board meetings.

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 twelve Members including the Chairman and the Chief Executive Officer. Of these, three were nominated by the Government; eight 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

Board's prime role is to protect and enhance long term stakeholders' value. 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 POs; quarterly progress; annual work plans, targets and budgets; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports.

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 period under review, four meetings of Board of Directors were held. The Board reviewed/approved financial assistance for POs; quarterly progress; annual targets and budget; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports; Project specific audit reports; minutes of Board Committee meetings; and HR policies and procedures. The agenda of the meetings 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 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. The number of meetings attended by each director during the year is shown below:

Name	No. of meetings attended	No. of meetings eligible to attend
1. Mr. Hussain Dawood	1	4
2. Dr. Naved Hamid	3	4
3. Mr. Amjad Mahmood	4	4
4. Dr. Rajab Ali Memon	3	4
5. Mr. Sarfaraz Ahmad Rehman	1	4
6. Dr. M. Suleman Shaikh	4	4
7. Dr. Fareeha Zafar	1	4
8. Mr. Aijaz Ahmad Qureshi	2	4
9. Mr. Omar Hamid Khan	1	2
10. Mr. Qazi Azmat Isa	4	4
11. Dr. Saba Gul Khattak	-	2
12. Dr. Zeba Ayesha Sathar	-	2
13. Mr. Zafar Nasrullah Khan	-	2

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 re-election 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. Zafar Nasrullah Khan, Dr. Zeba Sathar, and Dr. Saba Gul Khattak towards progress of the Company. The Board also welcomes the new Director; Mr. Omar Hamid Khan. We look forward to working in partnership with him to benefit from his 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 Audit Committee comprising of four non-executive directors, including the Chairman, having relevant expertise and experience. The Chairman is an independent non-executive Director. The Chief Internal Auditor acts as Secretary of the Committee.

The Committee oversees managements' monitoring and 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 Audit Committee met four times during the year and these meetings were held prior to the Board meetings. The

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 alongwith Management Review; audited financial statements alongwith 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 External Auditors to discuss issues of concern.

Board Compensation Committee

The Compensation Committee comprises of four 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.

The Committee met twice during the year to review the HR related agendas. The Committee reviewed and recommended for Board's approval: annual increment for the employees; appointment of group head; revised HR manual, mechanism for selection of General Body and Board of Directors etc. The Chief Executive Officer and other management employees are 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. The Committee reviews and recommends for Board's approval: pricing policy for the microfinance loan portfolio; per party exposure limits; new clauses of financing agreements for for-profit institutions etc.

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.

6. HUMAN RESOURCE (HR) MANAGEMENT

Our most valued resource is our competent and committed work force, powering Company's growth and contributing towards its corporate image. PPAF invests in its human capital to maintain a healthy working relationship by providing an employee friendly environment, nurturing their skills and talents.

Effectively managing our workforce leads to efficient business operations and that directly impact Company's growth and profit. Workforce has to be retained and kept motivated to sustain growth in the industry. To achieve the best from our employees we provide them environment where they can demonstrate leadership, accountability and teamwork, and through these behaviours, they contribute to the overall success of the Company.

The Company reviews the compensation and benefits of employees so that they are in line with the market not only to retain the current workforce but also to attract the competent and valued personnel. These benefits reflect Company's business success. In addition to competitive salaries, we offer our employees additional benefits as well. PPAF strives to consistently attract, hire and retain high quality talent, so that together we can combine our strengths and skills to build a successful partnership that can help us sustain our competitive edge. Our key areas of focus for the year were policy development; diversity and inclusion; talent development; automation of our HR processes.

Consequently with an enhanced focus on the above mentioned areas, PPAF worked consistently to deploy initiatives that ensured top employee performance and satisfaction. Moreover, PPAF worked on implementing a

rigorous talent development framework which focused on multi-pronged areas and ensured a healthy talent pipeline that guarantees presence of well-rounded future leaders for the organization.

For PPAF nothing means more than the safety of its people. PPAF's aim is to empower employees and communities and find ways to enable them in a culture that is conducive to professional growth. PPAF endorse and practice equal opportunities and is committed to impartial treatment of all employees, irrespective of origin, race or gender.

Whistle blowing Policy

In order to ensure accountability and integrity in our conduct, we have devised a transparent and effective whistle blowing mechanism for sounding of alerts against deviations from policies, controls, applicable regulations, or violation of the code of professional ethics / conduct. The Whistle Blowing Policy is applicable to all employees, management & the Board and extends to every individual associated with the Company, who can participate effectively and in confidentiality, without fear of reprisal or repercussions.

The policy has been designed to encourage all stakeholders to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The Policy covers unethical conduct, offence, breach of law or failure to comply with legal obligations and possible fraud/corruption. Due emphasis has also been placed on health, safety and environmental risks. Inappropriate or malicious reporting leading to wrongful convictions have been specifically forbidden, with clear definition of consequences for the persons making wrongful accusations.

The management encourages whistle blowing culture in the organization and has adopted a culture to detect, identify and report any activity which is not in line with the Company policies, any misuse of Company's properties or any breach of law which may affect the reputation of the Company. The Company has adopted the best corporate policies to protect employee(s) who report corporate wrongdoings, illegal conduct, internal fraud and discrimination against retaliation. The Company promotes transparency and accountability through publication of accurate financial information to all the stakeholders, implementation of sound, effective and efficient internal control system and operational procedures.

All employees have signed a code of conduct and the Company takes any deviation very seriously. The

management understands that through the use of a good Whistle Blowing Plan, they can discover and develop a powerful ally in building trust with its employees and manage fair and transparent operations. The Company therefore provides a mechanism whereby any employee who meets the above referred conditions can report any case based on merit without any fear of retaliation and reprisal.

Conflict of Interest

In addition to the compliance of regulatory requirements, a formal Code of conduct is in place for avoidance of known or perceived conflicts of interest among board of directors' members and employees.

PPAF policy aims to identify and apply appropriate safeguards in situations which may create such a conflict with the support of PPAF employees and directors and to ensure that all actions taken by PPAF officials in their official capacities are in the best interests of PPAF.

The Board of Directors and employees has the responsibility to administer the affairs of PPAF honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of PPAF. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with PPAF or knowledge gained therefrom for their personal benefit. The interests of the Organization must be the first priority in all decisions and actions. This above fiduciary responsibility also requires these persons to disclose and safeguard PPAF against any situation which creates a conflict of interest.

Grievance/Redressal Policy

PPAF aims to facilitate employees and management to resolve grievances raised by employees and creates a healthy work environment. The objective of the policy is to maintain a congenial work environment by defining a process for resolving employee grievances regarding terms of employment, working conditions or work relationships.

All staff members are expected to contribute to developing a work environment, which fosters positive attitude and good working relationships. However, problems or grievances can arise in the course of working with others. The policy provides guidelines to resolve any kind of grievance in a positive way as well as to allow an employee to raise any complaint regarding terms of employment, work conditions or work relationships which affects him/her and where he/she wants assistance in correcting the problem.

7. TREASURY MANAGEMENT

Treasury operation at PPAF continues to expand, and the function is increasingly playing a more central role in corporate decision-making. The role of Treasury has fundamentally and irrevocably transformed significantly into a more visible and highly strategic way. At 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. The treasury activities are controlled and carried out in accordance with the policies approved by the Board. The purpose of the treasury policies is to ensure that adequate cost-effective funding is available at all times and that exposure to financial risk is minimized. 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.

PPAF maintains a dynamic and flexible portfolio of investments to augment profitability through placement of cash surpluses in money market and government securities, in compliance with applicable statutory requirements.

Treasury Management Strategy comprises of the following objectives / tools while remaining within acceptable level of risk and exposure:

Maintain liquidity

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

Security of capital

Protection of principal is given high priority by limiting the company's investments to Government and other 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.

8. RISK MANAGEMENT

It is PPAF's policy to view risk management as integral part to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. By adequately assigning responsibilities throughout the organization, risks are identified from across the organization and are ranked based on their impact and probability. The Board has an overall responsibility for the risk management process, incorporating risk management and internal control procedures.

Risks are broadly categorized between financial and nonfinancial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management. The Company is exposed to the risks identified in the following sections, which are subject to diverse levels of uncertainty against which the Company has implemented effective mitigating strategies as discussed below.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate aggressive actions from an adversary, or events of uncertain or unpredictable nature.

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:

1. Strategic Risks

Strategic risks are associated with operating in a particular industry and are beyond our control. It is linked to undertaking 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 a well devised strategy which is updated on regular intervals.

2. Operational Risks

These are risks associated with operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns, changes in Board structure or control failures. By adopting an integrated approach, PPAF ensures that all operational risk management initiatives are aligned with the corporate strategy.

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 POs, investments and bank balances. The Company is exposed to credit related losses in the event of non-performance by POs of micro-credit loans to the extent of Rs 13,913 million (2014: Rs 13,985 million) (including loans to five major POs of Rs 7,300 million; 2014: five major POs of Rs 7,282 million). 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.

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 27,370 million (2014: Rs 27,312 million) and financial liabilities include balances of Rs 15,027 million (2014: Rs 15,454 million) 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 123 million (2014: Rs 118 million) higher/lower.

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.

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.

Risk Governance

The roles and responsibilities at various levels of our risk management program are outlined in our risk governance structure.

Board of Directors: Oversees the risk management process primarily through its committees;

- Risk Oversight Committee reviews the effectiveness of overall risk management framework including risk policies, strategies, risk tolerance and risk appetite limits
- Audit Committee monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks
- 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.

9. KEY ACTIVITIES UPDATE

PPAF has successfully implemented the first phase of the Prime Minister's Interest Free Loan Scheme (PMIFL) and has received second tranche. The program is directed towards districts with low human development indicators and food security and low or no access to activities in livelihoods, employment or enterprise development.

The International Fund for Agricultural Development (IFAD) has awarded PPAF with the prestigious Gender Award in Asia and the Pacific Region for 2014. PPAF's Program for Increasing Sustainable Microfinance (PRISM) funded by IFAD was recognized for addressing gender inequalities, empowering women and providing them visibility in the best possible manner throughout IFAD and across its network of partners in Pakistan.

PPAF has invested in the formation of women-led value chains and facilitated capacity building and provision of loans to generate income streams. These value chains are geared to enable communities, especially women, to access quality financial services and to truly utilize economic opportunities leading to reduction in poverty. PPAF has also facilitated women in accessing improved income generation enterprises under PRISM.

PPAF sponsored international conference on "Pakistan's First Innovation Forum" which was organized by Pakistan Innovation Foundation (PIF). The innovation challenge identified and inspired students, professionals, entrepreneurs and citizen innovators to use their talent and creativity to help solve Pakistan's competitiveness challenges and development problems. The conference brought together leaders of the industry, business, academic and government dignitaries as well as innovators and entrepreneurs together at a platform to share and learn from one another experience.

PPAF is an environmentally and socially sensitive organization. Based on this sensitivity PPAF has developed and implemented Environmental and Social Management Framework (ESMF) since 2009. Recognizing its obligation, PPAF is continually striving for environmental protection through adoption of cleaner technologies and efficient processes. PPAF received ISO14000 certification from International Organization for Standardization (ISO) representative – Resource Inspection Canada Incorporated (RICI-Pak) – in recognition of PPAF's efforts in sustainable Environmental Management System.

PPAF actively participated in the "Second Pakistan Conference on Sanitation (PACOSAN-II)" organized by Ministry of Climate Change to review progress of sanitation and hygiene in Pakistan in the light of past experiences for formulation of roadmap towards 2025 to achieve the sanitation targets. President of Islamic Republic of Pakistan, His Excellency Mr. Mamnoon Hussain, inaugurated the conference and delivered keynote address.

PPAF celebrated International Women's Day by conferring Amtul Raqeeb Award to six recipients and exhibited

artworks titled "What Makes Me Happy" by schoolchildren from PPAF-supported communities. Addressing the participants, Chief Guest Dr. Haroona Jatoi, Advisor to Ministry of Education, said, the recipients of Award serve as a guiding light for the community members.

PPAF organized 9th Citi-PPAF Microentrepreneurship Awards (CMA) ceremony to celebrate achievements of outstanding microentrepreneurs across Pakistan. The CMA program is a signature initiative of Citi Foundation aimed at raising awareness about importance of microfinance in supporting financial inclusion and economic empowerment of the low-income individuals.

PPAF facilitated 900 Masoori Bugtis families' return to their hometown. These tribe people were temporarily settled in Rajanpur for the past four to ten years. PPAF provided quilts, water coolers, hygiene kits, tarpaulin sheets and food basket to each of the households.

In collaboration with NRSP Bahawalpur, PPAF implemented its Agri-Value Chain initiative successfully. Crop and livestock productivity enhancement training was imparted to over 10,000 farmers, which has enhanced crop productivity. Further, local farmers were facilitated to establish linkages with local fertilizer company for provision of quality fertilizer and seeds.

PPAF established 80 digital hubs in as many union councils as a step towards promotion of social enterprise to facilitate communities for providing them access to digital technology and improve rural connectivity in Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa.

PPAF POs identified these union councils on the basis of the need expressed by Local Support Organizations (LSOs) during consultation on Union Council Development Plans. Each digital hub is equipped with internet, laptop, projector, speakers, digital camera, android-based tablet, and printer/scanner/fax and photo copier along with UPS to cope with power breakdowns. The digital hubs are set up in the office of LSO which will hire a computer literate digital manager to provide technical services to communities.

As a step forward to the annual awards for POs announced by KfW in Feb. 2015, first ever Mashal-e-Khyber Awards Ceremony 2014 was organized on April 23, 2015 to acknowledge the best practices in project implementation under various program components, for the year 2014 under LACIP. These awards were also intended to appreciate hard work of the POs and to encourage them to put their best foot forward and work competitively to eradicate poverty in their targeted

areas. The award ceremony was attended by KfW officials, PPAF senior management, representatives from POs and award nominees. Social Action Bureau for Assistance in Welfare and Organizational Networking (SABAWON), Rural Development Project (RDP) and National Rural Support Programme (NRSP) won the first, second and third prizes respectively.

10. FUTURE OUTLOOK

Poverty reduction is an overarching and encompassing objective of PPAF. The Company assigns very high priority and commitment to reduce poverty by articulating holistic policies and developing synergies across sectors. PPAF promotes policies and programmes that reduce poverty by satisfying unmet basic needs of the poor in terms of shelter, health and education through a participatory process that empowers the poor. PPAF's pro-poor economic policies aim to increase the economic returns for the poor segments of the society. It subsumes achievability of Vision 2020 and Millennium Development Goals (MDG) targets, further underpinning economic and pro-poor policy not only to sustain but accelerate the ongoing growth momentum within a stable macroeconomic environment.

At the heart of our strategy is an understanding that investments in women reduce poverty and promote global stability. PPAF aims at establishing a just and sustainable economic system for reducing poverty and achieving MDGs. In its ongoing dedication to overcoming poverty and creating opportunity for people in destitute areas, PPAF is making progress both internally and in the field, and continues to improve the way it serves its clientele. The impact of such growth on the poor regions within the country has been profound. Moreover, PPAF remained asserted and aligned to achieve the MDGs, and is now working with its national partners to prepare to adopt Sustainable Development Goals (SDGs). PPAF has to systematically focus first on climate change happening, then on SDGs and then on financing. Getting the sequencing of events right and ensuring that all three of them are aligned correctly with one another will make sustainable development much more likely to be achieved in short span of time.

PPAF is preparing to help integrate the SDGs into national development planning, and providing support for measuring progress toward the new goals, both locally and globally. The new global (SDGs) will guide policy and funding for the next 15 years, beginning with a historic pledge to end poverty. Working towards a new sustainable development framework and achieving the SDGs require new ways of working PPAF itself will transform to meet these challenges in years to come.

FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011	2010
Outreach - Numbers (Cumulative)						
Partner Organizations	137	130	127	116	100	87
Districts	129	129	129	129	128	127
Loans ('000)		6717	5,900	5,167	5,000	3,600
Water & Infrastructure Projects		32,581	28,528	26,933	25,500	21,000
Funds deployment - Rs. in million						
Microcredit						
Loans receivable from POs (Gross)	13,913	13,985	13,300	13,434	11,755	11,202
Guarantee facility	3,600	3,820	3,265	1,845	1,445	600
	17,513	17,805	16,565	15,279	13,200	11,802
Grant						
Core Operations	6,934	5,349	6,079	6,437	4,580	4,798
Relief & Reconstruction Operations	219	666	108	202	208	9
	7,153	6,014	6,187	6,639	4,788	4,807
Total funds deployed	24,666	23,819	22,752	21,918	17,988	16,609
Balance Sheet - Rs. in million						
Total assets	32,285	35,914	31,656	27,090	24,565	23,629
Endowment Fund	1,000	1,000	1,000	1,000	1,000	1,000
Reserves						
Capital adequacy reserve	2,087	2,098	1,995	2,015	2,351	2,240
Grant fund	6,706	5,659	4,853	3,804	2,572	1,763
Reserved for lending activities	3,236	2,671	2,256	1,686	1,385	950
Income and grant fund	978	582	754	400	222	161
	13,007	11,010	9,858	7,905	6,530	5,114
Total Equity (endowment + reserves)	14,007	12,010	10,858	8,905	7,530	6,114
Long term loans	14,236	14,801	15,003	15,355	13,761	12,246
Operational Results - Rs. in million						
Total income	3,250	2,880	2,896	2,794	2,485	2,070
General and admin expenses	586	591	509	435	349	358
Surplus before loan prov. and relief work	2,250	1,845	2,094	2,070	1,444	1,404
Net Surplus	1,998	1,152	1,953	1,375	1,416	1,329
Financial Ratios - Percentage						
Surplus before provision for loan loss / total income	69%	64%	71%	74%	58%	68%
Return on equity (Surplus before provision and relief work to Equity)	17%	18%	23%	26%	22%	26%
Return on assets (Surplus before provision and relief work to Assets)	7%	6%	7%	8%	6%	7%
General and admin expenses / funds deployed	2.38%	2%	2%	2%	2%	2%
Debt/equity	50:50	55 : 45	58 : 42	67 : 37	65 : 35	67 : 33

Pakistan Poverty Alleviation Fund
Financial Statements
for the year ended
June 30, 2015



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, 2015 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; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, 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 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 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 (XVIII of 1980).


Chartered Accountants

Islamabad

Date: September 21, 2015

Engagement partner: Asim Masood Iqbal

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**PAKISTAN POVERTY ALLEVIATION FUND
BALANCE SHEET AS AT JUNE 30, 2015**

	Note	2015	2014
(Rupees in '000)			
NON CURRENT ASSETS			
Property, plant and equipment	5	62,441	75,802
Intangible assets	6	4,316	8,283
Long term investments	7	2,975,000	1,586,400
Long term loans to Partner Organizations	8	<u>1,528,948</u>	<u>1,919,650</u>
		4,570,705	3,590,135
CURRENT ASSETS			
Current maturity of long term investments	7	286,400	-
Current maturity of loans to Partner Organizations	8	11,467,824	11,169,061
Short term investments	9	11,064,519	11,380,705
Advances, deposits, prepayments and other receivables	10	312,368	251,152
Profit/service charges receivable	11	1,177,959	895,193
Bank balances - specific to projects	12	3,291,088	8,446,212
Cash and bank balances	13	114,031	181,942
		<u>27,714,189</u>	<u>32,324,265</u>
		<u>32,284,894</u>	<u>35,914,400</u>
FUND AND RESERVES			
Endowment fund	14	1,000,000	1,000,000
Grant fund		6,706,090	5,659,138
Reserve for grant based activities		978,017	582,216
Accumulated surplus		<u>5,323,306</u>	<u>4,768,466</u>
		14,007,413	12,009,820
LONG TERM LOANS			
	15	12,143,998	12,726,964
DEFERRED BENEFIT OF BELOW MARKET RATE OF INTEREST ON LONG TERM LOAN			
	15.5.1	2,091,869	2,073,650
CURRENT LIABILITIES			
Deferred liabilities - grant fund	16	3,155,221	8,304,497
Deferred income - grant fund	17	6,601	8,474
Current portion of long term loans	15	791,181	653,734
Service charges payable	18	27,182	28,355
Accrued and other liabilities	19	61,429	108,906
		4,041,614	9,103,966
CONTINGENCIES AND COMMITMENTS			
	21		
		<u>32,284,894</u>	<u>35,914,400</u>

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

Signature

 Director

Signature

 Chief Executive Officer

**PAKISTAN POVERTY ALLEVIATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		(Rupees in '000)	
INCOME			
Service charges on loans to Partner Organizations	22	1,184,374	1,238,493
Income on investments and saving accounts	23	1,382,108	1,311,422
Amortization of deferred income - grant fund	17	582,315	242,921
Amortization of deferred benefit of below market rate of interest on long term loan	15.5.1	99,697	73,860
Other income	24	1,263	13,462
		<u>3,249,757</u>	<u>2,880,158</u>
EXPENDITURE			
General and administrative expenses	25	586,759	590,818
Seminars, workshops and trainings	26	29,819	40,317
Technical and other studies	27	168,026	155,845
Project and relief activities	28	218,630	666,025
Provision against loans/service charges	29	26,648	27,524
Provision for impairment loss on short term investments	9.1	-	50,000
Financial charges	30	215,414	175,122
		<u>1,245,296</u>	<u>1,705,651</u>
SURPLUS FOR THE YEAR		2,004,461	1,174,507
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be reclassified to surplus			
Remeasurement loss on employees' retirement defined benefit plan	20	6,868	22,930
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,997,593</u>	<u>1,151,577</u>

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

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Director


Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		2,004,461	1,174,507
Adjustment for non cash items:			
Depreciation		29,577	30,552
Amortization of intangible assets		4,089	3,860
Amortization of deferred income - grant fund		(582,315)	(242,921)
Amortization of deferred benefit of below market rate of interest on long term loan		(99,697)	(73,860)
Adjustment on closure of project - IFAD PRISM		54,449	-
Provision against loans/service charges		26,648	27,524
Provision for impairment loss on short term investments		-	50,000
Gain on disposal of property, plant and equipment		(786)	(12,981)
Remeasurement loss on employees' retirement defined benefit plan		(6,868)	(22,930)
Financial charges		215,414	175,122
		(359,489)	(65,634)
		1,644,972	1,108,873
Working capital changes			
Increase in current assets:			
Advances, deposits, prepayments and other receivables		(61,216)	(167,399)
Profit/service charges receivable		(289,817)	(46,759)
(Decrease)/ increase in current liabilities:			
Accrued and other liabilities		(47,477)	21,562
		(398,510)	(192,596)
Cash generated from operations		1,246,462	916,277
Disbursements to Partner Organizations:			
Loans		(9,444,989)	(9,199,685)
Grants		(6,934,141)	(5,348,685)
Recoveries of loans from Partner Organizations		9,517,331	8,514,555
Financial charges paid		(116,890)	(101,562)
		(6,978,689)	(6,135,377)
Cash flows from operating activities		(5,732,227)	(5,219,100)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net purchases		(1,358,814)	(100,710)
Capital expenditure incurred		(20,102)	(34,517)
Proceeds from disposal of property, plant and equipment		4,550	15,195
Cash flows from investing activities		(1,374,366)	(120,032)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans - received		171,965	451,018
Long term loans - repaid		(653,734)	(615,507)
Deferred liabilities - grant fund receipts		1,831,350	8,995,559
Deferred liabilities - grant fund repaid to donor		(300)	(399,740)
Deferred income - grant fund receipts		534,257	245,539
Cash flows from financing activities		1,883,558	8,676,869
NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS		(5,223,035)	3,337,737
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		8,628,154	5,290,417
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,405,119	8,628,154
Cash and cash equivalents comprise of:			
Bank balances - specific to projects	12	3,291,068	8,446,212
Cash and bank balances	13	114,031	181,942
		3,405,119	8,628,154

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


Director


Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
STATEMENT OF CHANGES IN FUND AND RESERVES
FOR THE YEAR ENDED JUNE 30, 2015

	Note	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Total
(Rupees in '000)						
Balance as at July 1, 2013		1,000,000	4,853,675	754,136	4,250,432	10,858,243
Total comprehensive income for the year						
Surplus for the year		-	-	-	1,174,507	1,174,507
Other comprehensive income / (loss)		-	-	-	(22,930)	(22,930)
					1,151,577	1,151,577
Transfer from accumulated surplus to grant fund	4.5	-	805,463	-	(805,463)	-
Transfer to accumulated surplus from reserve for grant based activities	31	-	-	(171,920)	171,920	-
Balance as at June 30, 2014		1,000,000	5,659,138	582,216	4,769,466	12,009,820
Total comprehensive income for the year						
Surplus for the year		-	-	-	2,004,461	2,004,461
Other comprehensive income/(loss)		-	-	-	(6,868)	(6,868)
					1,997,593	1,997,593
Transfer from accumulated surplus to grant fund	4.5	-	1,046,952	-	(1,046,952)	-
Transfer from accumulated surplus to reserve for grant based activities	31	-	-	395,801	(395,801)	-
Balance as at June 30, 2015		1,000,000	6,706,090	978,017	5,323,306	14,007,413

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

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Director


Chief Executive Officer

PAKISTAN POVERTY ALLEVIATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

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

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

During the year ended June 30, 2014, the Board of Directors (BoD) of the Company approved creation of a new entity for microfinance and authorized the Chief Executive Officer to take necessary steps in this respect. The management of the Company is working out the legal and operational modalities in consultation with other stakeholders of the Company. The process for formation of new entity will be completed on getting the specific approvals of the BoD, General Body of the Company, Ministry of Finance and Securities and Exchange Commission of Pakistan.

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 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	July 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 1, 2016
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (Amendments)	January 1, 2015
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2015
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	Intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/disclosures.

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:

IFRS 1	First-time adoption of International Financial Reporting standards
IFRS 9	Financial instruments

The following interpretations issued by the IASB have been waived off by SECP:

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 and fair value of deferred benefit of below market rate of interest on long term loan.

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 areas involving a higher degree of judgment or complexity or area where assumptions and estimates are significant to the financial statements are loan loss provision (note 8), deferred benefit of below market rate of interest on long term loans (note 15.5.1) and staff gratuity scheme (note 20).

4.2 Employee benefits

The Company operates the following staff retirement benefits plans:

- (i) The Company operates approved 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. The amounts arising out of remeasurements on employees' retirement benefit plans are recognized immediately in other comprehensive income. Past service cost and curtailments are recognized in surplus for the year, in the period in which a change takes place. The latest Actuarial valuation of the gratuity fund was carried out as at June 30, 2015, related details of which are given in note 20 to the financial statements.
- (ii) The Company operates a contributory provident fund for all employees for which contributions of Rs 18,253 thousand (2014: Rs 17,998 thousand) are charged to income for the year.



4.3 Taxation

No incidence of tax accrues to the Company as it is entitled to tax credit equivalent to tax liability in terms of provisions of section 100(C) of 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.

4.5 Grant fund/Reserve for grant based activities

Grant fund represents 65% of the surplus funds of the Company, in excess of investments as are detailed in note 4.9. In order to respond quickly in emergency situations, 5% of total loan receivable from POs is kept as disaster fund, which is also aggregated in the grant fund in the financial

Reserve for grant based activities represents income on investments held under grant fund which is used for grant based health, education, infrastructure, emergency and any other activity that falls within the overall strategic framework of Company's objectives.

4.6 Deferred liabilities - grant fund

Receipts related to grants specific to Partner Organizations (POs) are stated as deferred liabilities and related disbursements to POs during the year are netted off thereagainst.

4.7 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 surplus/(loss).

4.8 Intangible assets

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

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives at the rates specified in note 6. Amortisation is charged on additions from the date the asset becomes available for the intended use up to the date on which they are derecognized.

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4.9 Investments

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 1, 2009, an amount of 15% (2014: 15%) of total loan receivable from Partner Organizations is 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 Organizations shall be kept as disaster fund. The disaster fund has been aggregated in the grant fund in the financial statements.

4.10 Loans to Partner Organizations

These are stated net of provision for loan losses.

General provision is made for loan losses at the rate of 5% (2014: 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 loan 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.

4.11 Revenue recognition

Income is recognized on accrual basis. Service charges on loans and profit/markup on investments and bank accounts are recognized on time proportion basis 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.

4.12 Receipts - loans and grants

Receipts from the Government of Pakistan (GoP) on account of donors' (International Development Association (IDA), International Fund for Agricultural Development (IFAD), German Financial Cooperation - KfW and Government of Italy) projects and Prime Minister's Interest Free Loan Scheme (PMIFL) are recorded on the basis of Financial Monitoring Reports, advance request and Statement of Expenses, raised on periodic basis, under relevant categories as specified in the Financing Schedules of the respective Financing Agreements.



4.13 Long term loans

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 charge at market rate of interest on the carrying value of loan is recognized as imputed interest expense.

4.14 Borrowing costs

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

4.15 Foreign currency translation

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 surplus for the year

4.16 Financial Instruments

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.

4.17 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 wherever 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.

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4.18 Financial assets

4.18.1 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 determinable 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 Organizations", "Advances, deposits, prepayments and other receivables", "Profit/service charges receivable", "Bank balances - specific to projects" and "Cash and bank balances".

An allowance for uncollectible amount is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of counter party, probability that counter party will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than the credit period specified in agreements) are considered indicators that the amount is uncollectible. When the amount is uncollectible, it is written off against the allowance.

(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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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.

4.18.2 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 flows 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.

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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 surplus for the year in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the surplus for the year as part of other income when the Company's right to receive payment is established.

4.18.3 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.

4.19 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.

4.20 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 deposit accounts.

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5. PROPERTY, PLANT AND EQUIPMENT

	Furniture & fixtures	Vehicles	Office equipment Rupees in '000	Computer equipment	Total
At July 1, 2013					
Cost	21,143	105,381	45,990	67,314	239,828
Accumulated depreciation	(12,345)	(62,132)	(34,804)	(51,837)	(161,118)
Net book amount	8,798	43,249	11,186	15,477	78,710
Year ended June 30, 2014					
Opening net book amount	8,798	43,249	11,186	15,477	78,710
Additions	447	10,450	9,992	8,969	29,858
Disposals	-	(18,060)	-	-	(18,060)
Cost	-	15,846	-	-	15,846
Accumulated depreciation	-	(2,214)	-	-	(2,214)
Depreciation charge	(2,379)	(14,203)	(5,333)	(8,637)	(30,552)
Closing net book amount	6,866	37,282	15,845	15,809	75,802
At June 30, 2014					
Cost	21,590	97,771	55,982	76,283	251,626
Accumulated Depreciation	(14,724)	(60,488)	(40,137)	(60,474)	(175,824)
Net book amount	6,866	37,282	15,845	15,809	75,802
Year ended June 30, 2015					
Opening net book amount	6,866	37,282	15,845	15,809	75,802
Additions	345	9,605	3,165	6,865	19,980
Disposals	(3,026)	(6,128)	(5,306)	(11,365)	(25,825)
Cost	3,009	2,743	5,130	11,179	22,061
Accumulated depreciation	(17)	(3,385)	(176)	(186)	(3,764)
Depreciation charge	(2,146)	(13,082)	(5,470)	(8,879)	(29,577)
Closing net book amount	5,048	30,420	13,364	13,609	62,441
At June 30, 2015					
Cost	18,909	101,248	53,841	71,783	245,781
Accumulated depreciation	(13,861)	(70,828)	(40,477)	(58,174)	(183,340)
Net book amount	5,048	30,420	13,364	13,609	62,441
Annual rate of depreciation (%)	20	20	20	25	25

Annual rate of depreciation (%)

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6. INTANGIBLE ASSETS

	Satellite Imageries	Computer software	Total
	Rupees in '000		
At July 1, 2013			
Cost	19,078	14,478	33,556
Accumulated amortization	(18,812)	(7,260)	(26,072)
Net book amount	<u>266</u>	<u>7,218</u>	<u>7,484</u>
Year ended June 30, 2014			
Opening net book amount	266	7,218	7,484
Additions	-	4,659	4,659
Amortization charge	(133)	(3,727)	(3,860)
Closing net book amount	<u>133</u>	<u>8,150</u>	<u>8,283</u>
At June 30, 2014			
Cost	19,078	19,137	38,215
Accumulated amortization	(18,945)	(10,987)	(29,932)
Net book amount	<u>133</u>	<u>8,150</u>	<u>8,283</u>
Year ended June 30, 2015			
Opening net book amount	133	8,150	8,283
Additions	-	122	122
Amortization charge	(133)	(3,956)	(4,089)
Closing net book amount	<u>-</u>	<u>4,316</u>	<u>4,316</u>
At June 30, 2015			
Cost	19,078	19,259	38,337
Accumulated amortization	(19,078)	(14,943)	(34,021)
Net book amount	<u>-</u>	<u>4,316</u>	<u>4,316</u>
Annual rate of amortization (%)	25	25	

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	Note	2015	2014
(Rupees '000)			
7. LONG TERM INVESTMENTS - held to maturity			
Specific to Endowment fund			
Pakistan Investment Bonds (PIBs)	7.1	1,000,000	1,000,000
Specific to grant fund			
Pakistan Investment Bonds (PIBs)	7.2	1,503,400	236,400
Term Deposit Receipts (TDRs)	7.3	50,000	50,000
Specific to others			
Pakistan Investment Bonds (PIBs)	7.4	708,000	300,000
		<u>3,261,400</u>	<u>1,586,400</u>
Less: Long term investments maturing within next twelve months shown as current asset		(286,400)	-
		<u>2,975,000</u>	<u>1,586,400</u>

7.1 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (% per annum)	Payment terms
400,000	22-07-2010	22-07-2020	12.00	Semi annually
200,000	18-08-2011	18-08-2021	12.00	Semi annually
400,000	19-07-2012	19-07-2022	12.00	Semi annually

7.2 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (% per annum)	Payment terms
236,400	19-07-2012	19-07-2015	11.25	Semi annually
467,000	17-07-2014	17-07-2017	11.25	Semi annually
800,000	17-07-2014	17-07-2019	11.50	Semi annually

7.3 These investments represent Term Deposit Receipts of commercial banks maturing in October 2015 at markup rate of 10.2% p.a. (2014: 10.2% p.a.).

7.4 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (% per annum)	Payment terms
300,000	18-07-2013	18-07-2016	11.25	Semi annually
408,000	17-07-2014	17-07-2017	11.25	Semi annually

7.4.1 These funds are available for lending activities.

	Note	2015	2014
(Rupees in '000)			
8. LONG TERM LOANS TO PARTNER ORGANIZATIONS - secured			
Considered good		13,696,026	13,787,965
Considered doubtful		216,693	197,096
	8.1	<u>13,912,719</u>	<u>13,985,061</u>
Less: Loan loss provision	8.3	(915,947)	(896,350)
		<u>12,996,772</u>	<u>13,088,711</u>
Less: Amount receivable within next twelve months shown as current asset		(11,467,824)	(11,169,061)
		<u>1,528,948</u>	<u>1,919,650</u>

	2015	2014
	(Rupees in '000)	
8.1 Break up of loans to Partner Organizations:		
Association for Gender Awareness and Human Empowerment	82,506	57,733
Al Mehran Rural Development and Welfare Organization	236,421	164,077
ASA Pakistan Limited	459,875	304,707
Asasah	197,096	197,096
Badbaan Enterprise Development Forum	36,934	30,704
Baidarie	53,847	85,529
BRAC Pakistan	486,002	572,845
Buksh Foundation	46,075	67,275
Bunyad Literacy Community Council	35,813	26,275
Community Support Concern	318,206	394,727
Development Action for Mobilization and Emancipation	1,181,073	1,017,636
Farmers Friend Organization	418,292	283,737
Ghazi Brotha Taraqiatee Idara	1,555	34,821
Jinnah Welfare Society	538,000	366,313
Karwan Community Development Organization	-	14,045
Kashf Foundation	2,239,018	2,180,000
Khajji Cooperative Society	11,120	10,920
Khushali Bank	520,000	600,000
Khwendo Kor Women and Children Development Programme	14,592	12,618
Kiran Welfare Organization	-	100
Mashal Development Organization	550	550
Mehran Education Society	37,130	41,900
Micro Options (formerly Dia Welfare Organization)	79,405	79,160
Mojaz Foundation	311,958	175,007
Narowal Rural Development Programme	144,981	145,581
National Rural Support Programme	2,026,614	2,292,390
NRSP Microfinance Bank	150,000	575,000
Orangi Charitable Trust	172,043	170,333
Organization for Participatory Development	136,856	97,608
Orix Leasing Pakistan Limited	120,299	241,363
Poverty Eradication Network	1,827	1,827
Punjab Rural Support Programme	326,398	308,949
Rural Community Development Society	734,175	523,052
SAATH Development Society	77,900	35,100
Sarhad Rural Support Programme	37,500	43,500
Save The Poor	4,872	13,322
Sayya Foundation	23,844	23,500
Shadab Rural Development Organization	112,292	64,229
Shah Sachal Sami Welfare Association	118,375	79,150
Sindh Agricultural & Forestry Workers Coordinating Organization	313,393	400,973
Sindh Rural Support Organization	556,025	817,500
Soon Valley Development Programme	150,189	91,867
Swabi Women Welfare Society	-	24,500
Thardeep Rural Development Programme	1,118,721	974,667
Villagers Development Organization	3,875	19,167
Wasil Foundation (formerly Centre for Women Cooperative Development)	258,839	296,802
Women Social Organization	11,583	20,256
Young Pioneers Society	6,650	6,650
	<u>13,912,719</u>	<u>13,985,061</u>

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- 8.2 The Company disburses microcredit loans to POs under respective Financing Agreements at service charges based upon a range of benchmarks including KIBOR. These loans are secured through letter of hypothecation on receivables of POs created out of financing obtained from the Company. Further, the Company maintains a first charge on all assets/capital items created out of financing provided for capacity building and under the exclusive lien of the Company until full repayment of the principal, service charges and other outstanding amounts payable to the Company. These loans are repayable on quarterly basis within two years under the respective Financing Agreements signed between the Company and the POs. Rates for service charges are on the basis of classification of POs into "for-profit" and "not-for-profit" and further sub categories into geographical areas. During the year the loans were disbursed at a service charge ranging from 4.61% p.a. to 11.68% p.a. (2014: 4.06% p.a. to 11.61 % p.a.).

	2015			2014
	(Rupees in '000)			
	Specific	General	Total	Total
8.3 Movement of loan loss provision				
Opening balance	197,096	699,254	896,350	868,826
Provision during the year	19,597	-	19,597	27,524
Closing balance	<u>216,693</u>	<u>699,254</u>	<u>915,947</u>	<u>896,350</u>
		Note	2015	2014
			(Rupees in '000)	
8.4 Movement of loans to POs				
Opening balance			13,985,061	13,299,931
Disbursements during the year			<u>9,444,989</u>	<u>9,199,685</u>
			23,430,050	22,499,616
Recoveries during the year			<u>(9,517,331)</u>	<u>(8,514,555)</u>
			13,912,719	13,985,061
Less: Loan loss provision			<u>(915,947)</u>	<u>(896,350)</u>
			<u>12,996,772</u>	<u>13,088,711</u>
9. SHORT TERM INVESTMENTS				
Specific to projects	9.1		3,600,000	3,770,000
Specific to grant fund	9.2		5,152,690	5,372,738
Specific to others	9.3		<u>2,311,829</u>	<u>2,237,967</u>
			<u>11,064,519</u>	<u>11,380,705</u>

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- 9.1 These represent investments in term deposit receipts maturing within one year from the date of investment at markup rates ranging from 6.57% p.a. to 10.35% p.a. (2014: 7.75% p.a. to 10.50% p.a.). These funds were placed with commercial banks as cash collaterals for providing a partial guarantee to those banks to facilitate lending to following Microfinance Institutions. These deposits include Rs 2,081,713 thousand (2014: Rs 2,002,286 thousand) invested out of funds received from IFAD in respect of Programme for Increasing Sustainable Microfinance (PRISM) activities.

Microfinance Institutions	Investment amount		Finance facility limit	
	2015	2014	2015	2014
	(Rupees '000)		(Rupees '000)	
Kashf Foundation	1,000,000	1,000,000	1,500,000	1,500,000
National Rural Support Programme	1,000,000	830,000	2,400,000	1,720,000
NRSP - Microfinance Bank	1,000,000	1,000,000	1,600,000	1,600,000
Orangi Charitable Trust	150,000	150,000	150,000	150,000
BRAC Pakistan	250,000	250,000	250,000	275,000
SAFCO Support Foundation	100,000	-	130,000	-
Punjab Rural Support Program	100,000	100,000	150,000	150,000
Asasah	-	50,000	-	55,000
Jinnah Welfare Society	-	40,000	-	60,000
Rural Community Development Society	-	100,000	-	160,000
Development Action for Mobilization and Emancipation	-	150,000	-	225,000
Community Support Concern	-	50,000	-	75,000
Thardeep Rural Development Program	-	100,000	-	150,000
	<u>3,600,000</u>	<u>3,820,000</u>	<u>6,180,000</u>	<u>6,120,000</u>
Less: Provision for impairment loss - note 9.1.1	-	(50,000)	-	-
Total	<u>3,600,000</u>	<u>3,770,000</u>		<u>6,120,000</u>

- 9.1.1 Investment placed as cash collateral with a commercial bank against finance facility to a PO in default of its obligation has been written off against provision during the year.

	Note	2015	2014
		(Rupees in '000)	
9.2 Specific to grant fund			
Term Deposit Receipts (TDRs)	9.2.1	2,952,852	3,339,010
Government Treasury Bills	9.2.2	2,199,838	2,033,728
		<u>5,152,690</u>	<u>5,372,738</u>

- 9.2.1 These funds are invested in Term Deposit Receipts maturing within one year from the date of investment, at mark up rates ranging from 8.25% p.a. to 10.25% p.a. (2014: 8.5% p.a. to 10.35% p.a.).

- 9.2.2 These funds are invested in Government Treasury Bills maturing within one year from the date of investment, at mark up rate of 9.99% p.a. (2014: 9.94% p.a. to 9.98% p.a.).

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	Note	2015	2014
		(Rupees in '000)	
9.3	Specific to others		
	Term Deposit Receipts (TDRs)	2,169,120	1,039,090
	Government Treasury Bills	142,709	1,198,877
		<u>2,311,829</u>	<u>2,237,967</u>

9.3.1 These funds are invested in Term Deposit Receipts maturing within one year from the date of investment, at mark up rates ranging from 6.17% p.a. to 10.05% p.a. (2014: 8.67% p.a. to 10.35% p.a.).

9.3.2 These include Rs 109,000 thousand (2014: Rs Nil) invested out of funds specific to USDA grant.

9.3.3 These funds are invested in Government Treasury Bills maturing within one year from the date of investment, at mark up rates ranging from 8.64% p.a. to 9.99% p.a. (2014: 8.90% p.a. to 9.99% p.a.).

9.3.4 Specific to others include investments of Rs 2,086,908 thousand (2014: Rs 2,097,759 thousand) (equivalent to 15% (2014: 15%) of the loan receivable from POs) to safeguard against any major default on loan receivable and provide capital adequacy; and Rs 224,921 thousand (2014: Rs 140,208 thousand) available for lending activities.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	(Rupees in '000)	
Loans and advances - considered good		
Employees/consultants - note 10.1	28,210	21,577
Suppliers	3,073	1,447
	<u>31,283</u>	<u>23,024</u>
Deposits	4,228	4,228
Prepayments	47,250	77,850
Income tax refundable	225,899	125,601
Receivable from PPAF Employees' Provident Fund	2,939	19,696
Other receivables	769	753
	<u>312,368</u>	<u>251,152</u>

0.0 This includes advance salary loans and car loans given to the employees of the Company, carrying mark up of 3% p.a. (2014: 3% p.a.) and 8% p.a. (2014: 8% p.a.) respectively. The principal amount is repayable in 18 equal monthly installments.

11. PROFIT / SERVICE CHARGES RECEIVABLE

	2015	2014
	(Rupees in '000)	
Profit receivable on investments		
Specific to Endowment Fund	51,933	39,751
Specific to projects	114,385	109,269
Specific to grant fund	336,242	149,489
Specific to others and saving accounts	115,722	66,207
	<u>618,282</u>	<u>364,716</u>
Service charges receivable on loans to POs - net of provision for doubtful receivable of Rs 52,472 thousand (2014: Rs 45,421 thousand)	559,677	530,477
	<u>1,177,959</u>	<u>895,193</u>

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	2015	2014
	(Rupees in '000)	
12. BANK BALANCES - SPECIFIC TO PROJECTS		
Cash at banks - current accounts		
Specific to IDA III	1,378,503	5,010,382
Specific to KfW - Livelihood and Community Infrastructure	394,471	3,654
Specific to KfW - Renewable Energy	108,457	88,781
Specific to Italian Project - Poverty Reduction Through Rural Development Activities in Balochistan, KPK and FATA	1,180,780	1,388,169
Specific to Benazir Income Support Program - Waseela-e-Haq (Sindh)	84,374	84,374
Specific to Prime Minister's Interest Free Loan Scheme (PMIFL)	124,324	1,750,000
	<u>3,270,909</u>	<u>8,325,360</u>
Cash at banks - deposit accounts		
Specific to USDA grant - note 12.2	552	102,319
Specific to Benazir Income Support Program- Waseela-e-Haq	19,627	18,533
	<u>20,179</u>	<u>120,852</u>
	<u>3,291,088</u>	<u>8,446,212</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.

12.2 During the year, Rs 109,000 thousand have been invested in TDRs of a scheduled bank as disclosed in note 9.3.2.

	Note	2015	2014
		(Rupees in '000)	
13. CASH AND BANK BALANCES			
Cash in hand		58	19
Cash at banks - current accounts		169	10,287
Cash at banks - deposit accounts	13.1	113,804	171,636
		<u>113,973</u>	<u>181,923</u>
		<u>114,031</u>	<u>181,942</u>

13.1 The balances in deposit accounts carry average mark up of 6.5% p.a. (2014: 8.85% p.a.).

14. ENDOWMENT FUND

This represents the amounts paid by GoP for endowment fund under the Subsidiary Financing Agreements (SFAs) for IDA I and IDA II projects. Under the SFA, the fund is to be invested in the government schemes / bonds and income generated therefrom shall be utilized for revenue and capital expenditure of the Company.

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	<u>Note</u>	<u>2015</u>	<u>2014</u>
(Rupees in '000)			
15. LONG TERM LOANS - Unsecured			
Government of Pakistan - PPAF - I (IDA financing)	15.1	1,534,961	1,754,248
Government of Pakistan- PPAF - II (IDA financing)	15.2	7,340,220	7,698,213
Government of Pakistan - (IFAD financing-MIOP)	15.3	1,032,129	1,108,583
Government of Pakistan - (IFAD financing-PRISM)	15.4	2,061,713	2,007,264
Government of Pakistan- PPAF - III (IDA financing)	15.5	3,058,025	2,886,040
		<u>15,027,048</u>	<u>15,454,348</u>
Less: Amount payable within next twelve months shown as current liability		(791,181)	(853,734)
		<u>14,235,867</u>	<u>14,600,614</u>
Deferred benefit of below market rate of interest on Government of Pakistan - PPAF III (IDA financing)	15.5.1	(2,091,869)	(2,073,650)
		<u>12,143,998</u>	<u>12,726,964</u>

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

Opening balance	1,754,248	1,973,535
Amount repaid	(219,287)	(219,287)
	<u>1,534,961</u>	<u>1,754,248</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 66.5 million over a period of five years to be utilized by GoP through the Company.

Under Subsidiary Financing Agreement (SFA) dated August 18, 1999 executed between GoP and the Company 50% of the amount was disbursed as loan to the Company and the balance as grant on non reimbursable basis. The principal amount of loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual instalments payable on each May 15, and November 15 commencing from November 15, 2007 and ending on May 15, 2022. Each instalment upto and including the instalment payable on May 15, 2013 shall be equal to 2.083% of such principal amounts and each instalment 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.

	<u>2015</u>	<u>2014</u>
(Rupees in '000)		
15.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	7,698,213	8,056,206
Amount repaid	(357,993)	(357,993)
	<u>7,340,220</u>	<u>7,698,213</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 SDR of 168.1 million over a period of four years to be utilized by GoP through the Company.

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Under SFA dated March 24, 2004 executed between the GoP and the Company, the GoP agreed to provide 56% of the amount as loan to the Company and the balance as grant on non reimbursable basis. The principal 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.

	2015	2014
	(Rupees in '000)	
15.3 Government of Pakistan - (IFAD financing MIOP)		
Opening balance	1,108,583	1,144,527
Amount repaid	(76,454)	(38,227)
Adjustment on finalization of repayment schedule with GoP - note 28	-	2,283
	<u>1,032,129</u>	<u>1,108,583</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 a sum of SDR of 18.30 million over a period of five years to be utilized by GoP through the Company.

Under Subsidiary Loan and Grant Agreement (SLGA) dated April 18, 2006 executed between GoP and the Company, the GoP agreed to provide 50% of the amount as loan to the Company and the balance as grant on non reimbursable basis on account of capacity buildings. 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, 2028. 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.

	2015	2014
	(Rupees in '000)	
15.4 Government of Pakistan - (IFAD financing - PRISM)		
Opening balance	2,007,264	1,999,036
Amount received	-	3,250
Adjustment on closure of project - note 28	54,449	-
Transferred from deferred liabilities - grant fund	-	4,978
	<u>2,061,713</u>	<u>2,007,264</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 22.85 million over a period of five years to be utilized by GoP through the Company.

Under SFA dated January 12, 2008 executed between the 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, 2015 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.

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	<u>Note</u>	<u>2015</u>	<u>2014</u>
		(Rupees in '000)	
15.5 Government of Pakistan- PPAF - III (IDA financing)			
Opening balance		2,886,040	2,445,533
Amount received		<u>171,985</u>	<u>440,507</u>
		3,058,025	2,886,040
Less: Deferred benefit of below market rate of interest on long term loan	15.5.1	<u>(2,091,869)</u>	<u>(2,073,650)</u>
		<u>966,156</u>	<u>812,390</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 SDR of 167.2 million over a period of five years to be utilized by the GoP through the Company.

Under Subsidiary Loan Agreement (SLA) dated June 15, 2009 executed between the 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, 2017 and ending on December 15, 2031. Each installment upto and including the installment payable on December 15, 2022 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 June 15 and December 15 each year.

15.5.1 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:

	<u>2015</u>	<u>2014</u>
	(Rupees in '000)	
Deferred benefit as at July 1	2,073,650	1,830,404
Additions during the year	117,916	317,106
Amortization during the year	<u>(99,697)</u>	<u>(73,860)</u>
Balance as at June 30	<u>2,091,869</u>	<u>2,073,650</u>

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16. DEFERRED LIABILITIES - GRANT FUND

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Government of Pakistan - IDA III	16.2	946,545	4,733,366
US Agency for International Development (USAID) - Pakistan	16.3	115,984	115,984
Government of Pakistan - USDA	16.4	97,528	90,294
Government of Pakistan - KfW Renewable Energy (RE)	16.5	106,876	86,201
Government of Pakistan - KfW Livelihood Support & Promotion of Small Community Infrastructure (LACIP)	16.6	388,860	(55,981)
Committee Encouraging Corporate Philanthropy (CECP)	16.7	21,668	21,668
Benazir Income Support Program (BISP)	16.8	152,947	157,312
Government of Pakistan - Poverty Reduction Through Rural Development Activities in Balochistan, KPK and FATA (Italian Project)	16.9	1,177,768	1,372,642
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme	16.10	124,324	1,750,000
Others		24,701	33,011
		3,155,221	8,304,497

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

16.1 Movement during the year

	Note	(Rupees in '000)										Total	
		IDA III	USAID	USDA	KfW RE	KfW LACIP	CECP	BISP	Italian Project	PMIFL	Others		
Opening balance		4,733,366	115,984	90,294	86,201	(55,981)	21,668	157,312	1,372,642	1,750,000	33,011		8,304,497
Amount received during the year		645,655	-	7,234	106,278	1,067,183	-	-	-	-	5,000		1,831,350
Amount transferred to deferred income - grant fund		-	-	-	-	-	-	-	(46,165)	-	-		(46,165)
Amount repaid to donor during the year	16.8.1	5,379,021	115,984	97,528	162,479	1,011,202	21,668	157,012	1,328,457	1,750,000	38,011		10,089,382
Less: Disbursements for													
Water and infrastructure		1,205,730	-	-	84,231	447,944	-	-	-	-	-		1,707,905
Social sector development		222,679	-	-	-	11,036	-	-	-	-	-		233,715
Capacity/institutional building		327,057	-	-	1,372	39,151	-	-	148,689	-	-		516,269
Social mobilization		208,206	-	-	-	-	-	-	-	-	-		208,206
Livelihood enhancement and protection		2,208,591	-	-	-	128,191	-	-	-	-	-		2,334,782
Waseel-e-Haq Program		-	-	-	-	-	-	4,065	-	-	-		4,065
Micro credit access		200,213	-	-	-	-	-	-	-	-	-		200,213
Interest free loans		-	-	-	-	-	-	-	-	1,625,676	-		1,625,676
Projects		-	-	-	-	-	-	-	-	-	13,310		13,310
	16.11	4,432,476	-	-	85,603	624,322	-	4,065	148,689	1,625,676	13,310		6,904,141
		946,545	115,984	97,528	100,876	390,850	21,668	152,947	1,177,768	124,324	24,701		3,155,221

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16.2 Grants from the Government of Pakistan - IDA III

Financing Agreement was signed between GoP and IDA on June 9, 2009 and Subsidiary Loan Agreement between GoP and PPAF on June 15, 2009 for PPAF-III project. The Project Agreement was signed between PPAF and IDA on June 9, 2009, under which financing is to be provided to the Partner Organisations (POs) for the implementation of the Project. The project focuses on empowering the targeted poor with increased incomes, improved productive capacity and access to services to achieve 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.

16.3 Grants from USAID - Pakistan

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.

16.4 Grants from the Government of Pakistan - USDA

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.

16.5 Grants from the Government of Pakistan - KfW Renewable Energy

On June 22, 2012 PPAF and German Financial Cooperation - KfW signed Financing and Project Agreement under which KfW agreed to make available an amount of EUR 10 million to PPAF as grant on non reimbursable basis for the development of mini/micro hydro power plants, solar lighting systems, integrated water efficient solar irrigation systems and pilot projects in Renewable Energy in Khyber Pakhtunkhwa. Under the Agreement the Project is implemented through six (6) POs. The agreement will expire on December 30, 2017.

16.6 Grants from the Government of Pakistan - KfW Livelihood Support & Promotion of Small Community Infrastructure (LACIP)

On June 12, 2010 PPAF and German Financial Cooperation - KfW signed Loan, Financing and Project Agreement under which KfW agreed to make available an amount of EUR 31,562,661 to PPAF 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. PPAF has entered into separate financing agreements with twenty three (23) POs for the implementation of the project. The agreement will expire on December 31, 2015.

16.7 Grants from Committee Encouraging Corporate Philanthropy (CECP)

On August 15, 2006 PPAF and CECP signed a Programme Agreement under which CECP agreed to make available an amount of US Dollars 12 million to PPAF 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.

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16.8 Benazir Income Support Program (BISP)

On September 29, 2010 PPAF and BISP signed an agreement, under which PPAF agreed to provide enterprise development training to 18,000 participants and skill training to 13,500 participants of BISP's Waseel-e-Haq program. The project had a total cost of Rs 884.4 million and was 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 Waseel-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 agreement, 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 development 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 Waseela-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 get the 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 beneficiaries.

16.8.1 During the year an amount of Rs 300 thousand (2014: Rs 399,740 thousand) was repaid to BISP representing demand drafts/pay orders in respect of 2 (2014: 2,667) beneficiaries, which were cancelled on the instructions of BISP.

16.9 Poverty Reduction Through Rural Development Activities in Balochistan, KPK and FATA (Italian Project)

On January 14, 2011 the Government of Italy and the GoP signed Program Agreement for the Italian Project. Financing Agreement was signed between GoP and Artigiancassa S.p.A. (on behalf of Government of Italy) on March 21, 2011 under which the Government of Italy has agreed to make available an amount of EUR 40 million to PPAF on non-reimbursable basis. Subsidiary Financing Agreement was signed between the GoP and PPAF on December 2, 2011. The Project focuses on poverty reduction through rural development in Balochistan, Khyber-Pakhtunkhwa, Federally Administered Tribal Areas and neighbouring areas. Under the Agreement, the World Bank would act as Supervision Body, PPAF as Project Executing Agency and interventions will be operated through POs.

16.10 GoP-Prime Minister's Interest Free Loan Scheme

On May 14, 2014 the GoP entered into a Memorandum of Understanding (MoU) with PPAF to provide non-repayable grant of Rs 3,500 million of which Rs 3,159 million is for provision of interest free loans to the poor and marginalized communities and those lacking access to financial services through POs as revolving fund, Rs 316 million for operating costs of POs and Rs 25 million for establishment of Loan Centers by POs. The objective of the scheme is to reach marginalized men, women and youth not tapped by microfinance sector, support female participation by disbursing 50% of the loans to women, encourage behavioral change of beneficiaries and strengthen community-based institutions. The loans (revolving fund) amount is transferred to POs under respective agreements for on-lending of funds under PMIFL Scheme to eligible beneficiaries. The funding to POs are secured through letter of hypothecation on receivables of POs created out of financing obtained from PPAF. Upon expiry of the term of the agreement with PPAF, the revolving fund loans will continue to be administered by the POs.



10.11 Break up of disbursements to POs

	IDA III	KfW RE	KfW LACIP	BISP	Italian Project	PMIFL	Other funds	2015	2014
Disbursement to:	(Rupees in '000')								
Awami Development Organization	83,970	-	-	-	-	22,000	-	105,970	35,760
Association for Gender Awareness and Human Empowerment	28,950	-	-	-	-	49,720	-	78,670	22,057
Aga Khan Education Support Programme	-	-	-	-	-	-	-	-	645
Aga Khan Health Services Pakistan	1,215	-	-	-	-	-	-	1,215	457
AKPBS-Water and Sanitation Extension Programme	42,292	-	-	-	-	-	-	42,292	32,267
Aga Khan Rural Support Programme Aklawat	57,019	27,408	64,594	-	4,210	-	-	153,231	287,610
AL Mehran Rural Development and Welfare Organization	-	-	-	-	-	33,000	-	33,000	-
ASA Pakistan Limited	-	-	-	-	-	-	-	-	8,610
Awaz Foundation Pakistan - Centre for Development Services	8,594	-	-	-	-	-	-	8,594	3,700
AZAT Foundation	13,902	-	-	-	4,050	-	-	17,952	-
Asla Humanitarian Organization	-	-	23,696	-	-	-	-	23,696	44,437
Baanhn Bell	42,552	-	-	-	-	-	-	42,552	84,150
Baidarie	7,536	-	-	-	-	-	-	7,536	2,657
Badbaan Enterprise Development Forum	1,657	-	-	-	-	-	-	1,657	11,186
Balochistan Environmental and Educational Journey	24,336	-	-	-	-	-	-	24,336	30,804
Buryad Literacy Community Council	28,040	-	-	-	-	8,800	-	34,840	33,479
Balochistan Rural Development Society	36,370	-	-	-	-	-	-	36,370	10,782
BRAC - Pakistan	104,475	-	-	-	8,100	-	-	112,575	51,887
Balochistan Rural Development & Research Society	14,901	-	-	-	4,050	-	-	18,951	6,736
Badin Rural Development Society	66,029	-	-	-	-	-	-	66,029	37,114
Balochistan Rural Support Programme	255,920	-	-	4,365	16,200	-	-	276,485	141,565
Community Development Concern	624	-	-	-	-	-	-	624	2,364
Candle International	-	-	-	-	-	-	-	-	20,070
Center of Excellence for Rural Development	-	-	-	-	2,170	-	-	2,170	-
Courage Development Foundation	2,972	-	-	-	-	-	-	2,972	7,281
Chenab Development Foundation	-	-	-	-	-	-	-	-	10,601
Change in Education	-	-	12,612	-	-	-	-	12,612	29,006
Children's Global Network Pakistan	-	-	-	-	-	-	-	-	19,573
Community Mobilisation and Development Organization	107,223	-	-	-	-	-	-	107,223	65,294
Community Support Concern	(87)	-	-	-	-	26,400	-	26,313	(1,680)
Community Support Foundation	-	-	14,137	-	-	-	-	14,137	32,387
Community Uplift Programme	73,925	-	20,884	-	-	-	-	94,809	14,466
Development Action for Mobilization and Emancipation	-	-	-	-	-	-	-	-	32,000
Development in Literacy	-	-	-	-	-	-	-	-	1,505
Dia Welfare Organization	-	-	-	-	-	-	-	-	16,800
Environment Protection Society	59,085	-	42,562	-	8,100	38,500	-	148,247	122,873
Farmers Development Organization	52,843	-	-	-	-	33,000	-	85,843	66,876
Family Educational Services Foundation	1,921	-	-	-	-	-	-	1,921	16,839
Farmers Friend Organization	37,509	-	-	-	-	21,000	-	58,509	35,119
Family Planning Association of Pakistan	-	-	-	-	-	-	-	-	2,690
Ghazi Brotha Tarajiatee Idara	-	-	67,646	-	-	15,400	-	83,046	69,961
Hazara Development and Advocacy Foundation	-	-	53,297	-	-	-	-	53,297	73,014
Human Development Foundation	-	-	-	-	8,100	-	-	8,100	7,837
Health and Nutrition Development Society	37,366	-	-	-	-	5,600	-	43,266	40,555
Heartfile	-	-	2,785	-	-	-	-	2,785	-
Helping Hand for Relief and Development	-	-	-	-	-	26,400	-	26,400	-
Himalayan Wildlife Foundation	(81)	-	-	-	-	-	-	(81)	-
Indus Earth Trust	4,940	-	-	-	-	-	-	4,940	69,391
Indus Resource Centre	67,612	-	-	-	-	-	-	67,612	61,906
Idara Taleem O Agahi	-	-	-	-	-	-	-	-	3,097
Jinnah Welfare Society	1,039	-	-	-	-	-	-	1,039	2,950
Kashf Foundation	50,006	-	-	-	-	8,250	-	58,256	23,162
Khewndo Kor Women and Children Development Programme	14,356	-	-	-	4,050	-	-	18,436	2,360
Kushal Awareness and Development Organization	-	-	14,683	-	-	-	-	14,683	6,278
Lead Foundation	-	-	-	-	-	-	-	-	(11,602)
Light for All	-	-	-	-	-	-	-	-	4,348
Lasoona Society for Human & Natural Resource Development	-	-	-	-	2,125	-	-	2,125	-
Balances carried forward	1,327,241	27,408	316,878	4,365	61,155	647,230	-	2,364,275	1,733,004

	IDA II	KfW RE	KfW LACIP	BISP	Italian Project	PMFL	Other funds	2015	2014
	(Rupees in '000')								
Balances brought forward	1,327,241	27,408	316,876	4,365	61,155	647,230	-	2,384,275	1,733,004
Maimoona Development Foundation	1,134	-	-	-	-	-	-	1,134	-
Mehran Education Society	-	-	-	-	-	-	-	-	17,500
Mountain and Glacier Protection Organization	15,002	5,370	45,438	-	-	-	-	65,810	108,602
Mountain Institute of Educational Development	7,680	-	-	-	-	-	-	7,680	41,281
Mojaz Foundation	62,649	-	-	-	-	50,100	-	138,749	95,223
Marvi Rural Development Organization	12,837	-	-	-	-	-	-	12,837	29,485
Narowal Rural Development Programme	(19)	-	-	-	-	46,200	-	46,181	1,000
National Rural Support Programme	1,024,930	52,825	147,611	-	36,450	396,000	-	1,657,816	1,258,782
NRSP Bank	-	-	-	-	2,203	-	-	2,203	-
Omar Aaghar Khan Development Foundation	63,609	-	-	-	-	-	-	63,609	-
Orix Leasing Pakistan Limited	-	-	-	-	-	44,000	-	44,000	-
Organization for Participatory Development	-	-	-	-	-	-	-	-	1,700
Poverty Eradication Initiative	28,158	-	-	-	-	-	-	28,158	26,950
Pakistan Foundation Fighting for Blindness	15,009	-	-	-	-	-	-	15,009	8,487
Participatory Integrated Development Society	177,846	-	-	-	4,050	-	-	181,896	95,098
Pakistan Microfinance Network	-	-	-	-	-	-	-	-	60,000
Punjab Rural Support Programme	(29)	-	-	-	-	12,512	-	12,483	1,100
Research Advocacy & Health Strengthening Alliance (Guarantee) Limited	-	-	-	-	-	-	-	-	(1,836)
Rural Community Development Society	116,920	-	-	-	-	55,000	-	171,920	113,576
Rural Development Project	(994)	-	4,216	-	-	-	-	3,222	47,834
Saath Development Society	-	-	-	-	-	11,000	-	11,000	9,800
SAFCO Support Foundation	1,110	-	-	-	-	131,034	-	132,144	55,600
Salik Development Foundation	25,955	-	-	-	-	-	-	25,955	110,678
Sahad Rural Support Programme	296,824	-	62,439	-	32,400	-	-	391,663	427,610
Save The Poor	-	-	-	-	-	-	-	-	2,775
Sayya Foundation	300	-	-	-	-	34,100	-	34,400	1,439
SEHER	3,703	-	-	-	4,050	-	-	7,753	778
Sindh Agricultural & Forestry Workers Coordinating Organization	317,394	-	-	-	-	-	-	317,394	148,651
Shadab Rural Development Organization	3,328	-	-	-	-	-	-	3,328	4,111
Shah Sachal Sami Welfare Association	-	-	-	-	-	-	-	-	800
Sindh Rural Support Organization	43,676	-	-	-	-	99,000	13,310	155,986	147,552
Sindh Rural Support Programme	27,547	-	-	-	-	-	-	27,547	11,418
Soon Valley Development Programme	3,608	-	-	-	-	-	-	3,608	2,824
Social Action Bureau for Assistance in Welfare and Organisation Network	19,976	-	28,384	-	-	-	-	48,360	128,298
Society for Community Support for Primary Education Balochistan	-	-	-	-	-	-	-	-	12,630
Society for Conservation and Protection of Environment	48,249	-	-	-	-	-	-	48,249	4,871
South Asia Partnership Pakistan	195,334	-	-	-	-	-	-	195,334	95,476
SOS Children's Village	3,710	-	-	-	-	-	-	3,710	6,977
Sustainable Peace & Development Organization	-	-	7,319	-	-	-	-	7,319	26,630
Strengthening Participatory Organization	99,879	-	-	-	-	-	-	99,879	33,497
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	20,852	-	9,609	-	-	23,100	-	53,561	33,739
Sungl Development Foundation	60,259	-	-	-	-	-	-	60,259	37,565
Support With Working Solutions	4,130	-	-	-	-	-	-	4,130	4,136
Sustainable Use Specialist Group - Central Asia	49,166	-	-	-	-	-	-	49,166	30,924
Taraqee Foundation	140,925	-	-	-	4,050	-	-	144,975	144,878
Tehreek	8,481	-	-	-	-	-	-	8,481	3,296
Thardeep Rural Development Programme	158,545	-	-	-	-	70,400	-	228,945	248,771
Villagers Development Organization	11,600	-	-	-	-	-	-	11,600	16,242
Water, Environment & Sanitation Society	4,093	-	-	-	-	-	-	4,093	3,716
Women Social Organisation	300	-	-	-	-	-	-	300	400
Youth Organization	-	-	-	-	2,199	-	-	2,199	-
Payment to beneficiaries through BISP	-	-	-	-	-	-	-	-	(101,679)
Direct expenses on project activities	11,556	-	2,430	(300)	2,132	-	-	15,818	58,538
	4,432,476	85,603	624,322	4,065	148,689	1,625,676	13,310	6,934,141	5,348,685

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17. DEFERRED INCOME - GRANT FUND

	As at July 01, 2014	Amount received	Expenditure from grant recognized as income	As at June 30, 2015
----- (Rupees in '000) -----				
Government of Pakistan (GoP)				
Capacity Building - IDA III - note 17.1	-	505,271	505,271	-
Capacity Building - IDA (Social mobilization)	495	-	495	-
Capacity Building - IFAD (MIOP)	258	-	258	-
Capacity Building - IFAD (PRISM)	1,656	-	547	1,109
Capacity Building - KfW (LACIP)	5,320	25,452	25,516	5,256
Capacity Building - KfW (RE)	346	3,534	3,644	236
Capacity Building - USDA	399	-	399	-
Capacity Building - Italian Project	-	46,185	46,185	-
2015	<u>8,474</u>	<u>580,442</u>	<u>582,315</u>	<u>6,601</u>
2014	<u>5,856</u>	<u>245,539</u>	<u>242,921</u>	<u>8,474</u>

17.1 Expenditure from grant recognized as income, includes Rs 265,232 thousand expenditure incurred by PPAF in prior years, claimed from donor in current year, upon approval by IDA during the year of reclassification within budget line item available for Incremental operating costs.

18. SERVICE CHARGES PAYABLE

These represent service charges payable to GoP at the rate of 0.75% p.a. (2014: 0.75% p.a.) on the principal amount of long term loan outstanding withdrawn from time to time.

19. ACCRUED AND OTHER LIABILITIES	Note	2015	2014
(Rupees in '000)			
Consultancy fee payable		9,180	9,661
Accrued expenses and other liabilities		23,083	40,068
Payable to Staff Gratuity Fund	20	7,203	-
Unamortized discount on purchase of PIBs	19.1	21,963	59,177
		<u>61,429</u>	<u>108,906</u>

19.1 Amortization of discount for the year amounts to Rs 1,524 thousand (2014: Rs 5,149 thousand).

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	2015	2014		
	(Rupees in '000)			
20. DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY FUND				
20.1 The movement in liability is as follows:				
Opening net liability	-	10,090		
Expense recognized in surplus for the year	14,656	17,272		
Remeasurement loss recognized in other comprehensive income	6,888	22,930		
Contribution made directly to the Fund	-	(43,125)		
Benefit payments on behalf of the Fund	(14,321)	(7,167)		
Closing net liability	<u>7,203</u>	<u>-</u>		
20.2 The details of actuarial valuation carried out as at June 30, 2014 and June 30, 2013 are as follows:				
(a) Reconciliation of payable to Defined Benefit Plan				
Present value of defined benefit obligation	85,245	71,755		
Fair value of plan assets	(78,042)	(71,755)		
	<u>7,203</u>	<u>-</u>		
(b) Change in the present value of defined benefit obligation				
Opening defined benefit obligation	71,755	49,264		
Current service cost	15,605	14,500		
Interest cost	8,559	5,665		
Benefits paid	(14,321)	(7,167)		
Remeasurement loss recognized	3,647	9,493		
Closing defined benefit obligation	<u>85,245</u>	<u>71,755</u>		
(c) Expense for the year - recognized in surplus for the year				
Current service cost	15,605	14,500		
Interest cost	8,559	5,665		
Expected return on plan assets	(9,508)	(2,893)		
	<u>14,656</u>	<u>17,272</u>		
(d) Changes in fair value of plan assets				
Opening fair value of plan assets	71,755	25,411		
Interest income	9,508	2,893		
Contribution made directly to the Fund	-	43,125		
Remeasurement (loss)/gain	(3,221)	326		
Closing fair value of plan assets	<u>78,042</u>	<u>71,755</u>		
(e) Major categories of plan assets as a percentage of total plan assets are as follows:				
	2015		2014	
	Rs in '000	%age	Rs in '000	%age
Term Deposit Receipts	72,000	92	38,487	54
Bank balances	6,042	8	33,268	46
	<u>78,042</u>	<u>100</u>	<u>71,755</u>	<u>100</u>

Term Deposit Receipts are kept with a scheduled bank having maturity of one year. Further, bank balances represents saving accounts maintained with scheduled banks.

Funds were invested within limits specified by regulations governing investment of approved retirement funds in Pakistan. The funds have no investment in the company's own securities.

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

	2015	2014
Valuation discount rate (per annum)	9.00%	13.25%
Expected rate of increase in salary level (per annum)	7.75%	12.00%
Expected return on plan assets (per annum)	9.00%	13.25%

Mortality was assumed as per adjusted SLIC 2001-2005 mortality table with one year age set back at valuations on both dates, June 30, 2014 and 2015.

The gratuity plan is defined benefits final salary plan. The trustees of the Fund are responsible for plan administration and investment. The Company appoints the trustees. All trustees are employees of the Company.

The plan expose the Company to various actuarial risks: investment risk and salary risk.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in respective assumptions by one percent.

	Defined benefit obligation 1 percent increase	1 percent decrease
	(Rupees in '000)	
Discount rate	(7,535)	8,852
Expected rate of increase in salary level (per annum)	9,308	(8,041)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

The Company contributes to the Fund on the advice of the Fund's actuary.

The weighted average number of the defined benefit obligation is given below:

Plan duration	Years
June 30, 2015	9.61
June 30, 2014	9

Projected payments	Rupees in '000
Contributions FY 2016	14,880
Benefit payments:	
FY 2016	11,847
FY 2017	8,060
FY 2018	4,294
FY 2019	6,336
FY 2020	4,384

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	<u>2015</u>	<u>2014</u>
	(Rupees in '000)	
21. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees to the banks against lending to Microfinance institutions as given in note 9	<u>3,800,000</u>	<u>3,820,000</u>
Commitments		
Aggregate commitments under Financing Agreements with Partner Organizations for:		
Loans	5,421,946	6,909,935
Grants		
Community physical infrastructure	2,942,256	3,427,401
Capacity building	597,812	499,820
Social sector development	765,441	1,139,292
Social mobilization	75,022	365,570
Livelihood enhancement and protection	1,700,332	2,205,076
	<u>6,080,863</u>	<u>7,637,159</u>
	<u>11,502,809</u>	<u>14,547,094</u>

22. SERVICE CHARGES ON LOANS TO PARTNER ORGANIZATIONS

These represent service charges on loans to POs under respective Financing Agreements at rates disclosed in note 8.2.

	<u>2015</u>	<u>2014</u>
	(Rupees in '000)	
23. INCOME ON INVESTMENTS AND SAVING ACCOUNTS		
Profit on investments		
Specific to Endowment Fund	125,675	97,629
Specific to projects	343,650	330,306
Specific to grant fund	614,431	494,105
Specific to others and saving accounts	298,352	389,382
	<u>1,382,108</u>	<u>1,311,422</u>
24. OTHER INCOME		
Gain on disposal of property, plant and equipment	786	12,981
Markup on loans to employees	226	481
Others	251	-
	<u>1,263</u>	<u>13,462</u>

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	Note	2015	2014
(Rupees in '000)			
25. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1 & 25.3	363,048	346,189
Rent, rates and taxes		31,875	31,590
Repairs and maintenance		11,291	8,660
Traveling, lodging and conveyance		70,301	80,732
Communication		5,585	4,787
Printing and stationery		5,197	7,126
Insurance		12,023	11,811
Vehicles running and maintenance		23,319	24,405
Utilities		3,816	4,124
Legal and professional charges		3,158	1,799
Auditor's remuneration	25.4	6,607	5,820
Advertisement		3,319	2,690
Media projection		1,567	5,356
Newspapers, books and periodicals		691	1,068
Depreciation		29,577	30,552
Amortization		4,089	3,880
Security services		3,511	3,324
Office shifting and related expenses		1,155	9,344
Others		6,630	7,601
		<u>588,759</u>	<u>590,818</u>

25.1 The aggregate amounts charged in respect of remuneration of Chief Executive Officer were as follows:

Managerial remuneration	20,430	17,772
Contribution to Staff Provident Fund	1,857	1,616
	<u>22,287</u>	<u>19,388</u>

In addition, the Chief Executive Officer is provided medical insurance, car and 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 37,525 thousand (2014 : Rs 35,270 thousand) in respect of employees' retirement benefits.

	2015	2014
(Rupees in '000)		
25.4 Auditor's remuneration		
Statutory and projects' audit	2,300	2,100
Audit of POs	3,830	3,480
Tax services	477	240
	<u>6,607</u>	<u>5,820</u>

25.5 General and administration expenses include Rs 166,305 thousand (2014: Rs 108,564 thousand) incurred on different programme activities as disclosed in note 17.

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	<u>2015</u>	<u>2014</u>
26. SEMINARS, WORKSHOPS AND TRAININGS	(Rupees in '000)	
Training	19,198	17,615
Seminar and workshops	10,621	22,702
	<u>29,819</u>	<u>40,317</u>
26.1 Seminars, workshops and training expenses include Rs 24,259 thousand (2014: Rs 12,492 thousand) incurred on different programme activities as disclosed in note 17.		
27. TECHNICAL AND OTHER STUDIES		
Technical and other studies include Rs 126,519 thousand (2014: Rs 121,865 thousand) incurred on different programme activities as disclosed in note 17.		
	<u>2015</u>	<u>2014</u>
28. PROJECT AND RELIEF ACTIVITIES	(Rupees in '000)	
Earthquake relief - note 28.1	36,662	343,388
Flood relief - note 28.2	48,139	289,776
Project and other activities	79,380	30,578
Project activities for PRISM (IFAD)	54,449	-
Project activities for MIOP (IFAD)	-	2,283
	<u>218,630</u>	<u>666,025</u>
28.1 This represents expense incurred on earthquake relief activities carried out in districts Awaran and Kech of Balochistan province through the PO - National Rural Support Programme (NRSP).		
28.2 This represents expense incurred on flood relief activities carried out in district Narowal of Punjab province through various POs.		
	<u>2015</u>	<u>2014</u>
29. PROVISION AGAINST LOANS/SERVICE CHARGES	(Rupees in '000)	
Provision against loans to POs	19,597	27,524
Provision against service charges receivable	7,051	-
	<u>26,648</u>	<u>27,524</u>
30. FINANCIAL CHARGES		
On long term loans	113,917	100,034
Imputed interest on below market rate long term loan	99,697	73,860
Bank charges	1,800	1,228
	<u>215,414</u>	<u>175,122</u>
31. MOVEMENT IN RESERVE FOR GRANT BASED ACTIVITIES		
Income earned during the year on grant fund investments	614,431	494,105
Less: Expenditure on project and relief activities - note 27	218,630	666,025
	<u>395,801</u>	<u>(171,920)</u>
32. TRANSACTIONS WITH RELATED PARTIES		
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. The company in normal course of business pays for electricity, gas and telephone (utility bills) to entities controlled by Government of Pakistan which are not material, hence not disclosed in these financial statements.		

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33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial assets and liabilities

	2015		2014	
	Held to maturity investments	Loans and receivables	Held to maturity investments	Loans and receivables
	(Rupees in '000)			
		Total		Total
Financial Assets:				
Maturity upto one year				
Current maturity of long term investments	286,400	286,400	-	-
Current maturity of loans to Partner Organizations	-	11,467,824	-	11,169,061
Short term investments	11,064,519	11,064,519	11,380,705	11,380,705
Advances, deposits and other receivables	-	36,146	-	46,254
Profit/service charges receivable	-	1,177,959	-	895,193
Bank balances - specific to projects	-	3,291,088	-	8,446,212
Cash and bank balances	-	114,031	-	181,942
Maturity after one year				
Long term investments	2,975,000	2,975,000	1,586,400	1,586,400
Long term loans to Partner Organizations	-	1,528,948	-	1,919,650
	14,325,919	17,615,996	12,967,105	22,658,312
		31,941,915		35,625,417
Financial Liabilities:				
Maturity upto one year				
Deferred liabilities - grant fund	-	3,155,221	-	8,304,497
Current portion of long term loans	-	791,181	-	653,734
Service and commitment charges payable	-	27,182	-	28,355
Accrued and other liabilities	-	61,429	-	108,906
Maturity after one year but before five years				
Long term loans	-	5,043,274	-	3,988,034
Maturity after five years				
Long term loans	-	9,192,593	-	10,812,580
	-	18,270,880	-	23,896,106
Off balance sheet items:				
Commitments	-	11,502,809	-	14,547,094

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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	Rating	2015 Balance Rs in '000	2014 Balance Rs in '000
Investments				
Counterparties with external credit rating				
	PACRA	A1+	5,527,973	3,074,000
	JCR-VIS	A-1+	2,393,999	3,118,000
	PACRA	A1	280,000	2,000,000
	JCR-VIS	A1	320,000	-
	JCR-VIS	A-2	250,000	250,000
Securities issued/supported by Government of Pakistan			5,553,947	4,525,105
			<u>14,325,919</u>	<u>12,967,105</u>
Bank balances				
Counterparties with external credit rating				
	PACRA	A1+	188,628	246,453
	JCR-VIS	A-1+	3,216,072	8,381,290
	PACRA	A1	-	62
	JCR-VIS	A-2	150	319
Balance with National Saving Centre			11	11
			<u>3,405,061</u>	<u>8,628,135</u>
Loans to Partner Organizations				
Counterparties with external credit rating				
	JCR-VIS	A-1	494,000	570,000
	JCR-VIS	A-2	142,500	546,250
Counterparties without external credit rating				
- Counterparties with no defaults in the past				
			<u>12,330,272</u>	<u>11,972,461</u>
			<u>12,966,772</u>	<u>13,088,711</u>
Profit/service charges receivable				
Counterparties with external credit rating				
	PACRA	A1+	172,413	75,673
	JCR-VIS	A-1+	98,352	88,704
	PACRA	A1	-	43,498
	JCR-VIS	A-1	31,145	-
	PACRA	A-1	1,312	-
	JCR-VIS	A-2	17,778	20,755
Securities issued/supported by Government of Pakistan			341,899	152,547
Counterparties without external credit rating				
- Counterparties with no defaults in the past				
			<u>515,060</u>	<u>514,016</u>
			<u>1,177,959</u>	<u>895,193</u>

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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 13,912,719 thousand (2014: Rs 13,985,061 thousand) (including loans to five major POs of Rs 7,299,601 thousand; 2014: five major POs of Rs 7,282,193 thousand). 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 27,350,901 thousand (2014: Rs 27,312,678 thousand) and financial liabilities include balances of Rs 15,027,048 thousand (2014: Rs 15,454,348 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 123,239 thousand (2014: Rs 118,643 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 Employees' Provident Fund are as follows:

	<u>2015</u>	<u>2014</u>
	(Rupees in '000)	
a) Size of the fund:		
- Net assets	<u>106,309</u>	<u>77,463</u>
- Total assets	<u>110,080</u>	<u>97,260</u>
Cost of investments made	<u>89,518</u>	<u>86,850</u>
Percentage of investments made to total assets	<u>81%</u>	<u>89%</u>
Fair value of investments made	<u>89,518</u>	<u>86,850</u>

	<u>2015</u>		<u>2014</u>	
	(Rupees in '000)	%	(Rupees in '000)	%
b) Breakup of investments - at cost				
National Saving Scheme	85,921	96	38,477	44
Balance with banks	<u>3,597</u>	<u>4</u>	<u>48,373</u>	<u>56</u>
	<u>89,518</u>	<u>100</u>	<u>86,850</u>	<u>100</u>

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.


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36. NUMBER OF EMPLOYEES

Total number of employees at the end of the year were 217 (2014: 219). Average number of employees during the year were 222 (2014: 218).

37. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Board of Directors of the Company on 21 SEP 2015.


Director
Chief Executive Officer



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.

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