



TACKLING INEQUALITY

Restoring
hope

VISION

Securing
the future

Ending
poverty



Inclusion



Transparency

VALUES



Participation



Sustainability



Accountability

ACRONYMS

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

PMIFL	Prime Minister's Interest Free Loan
PMN	Pakistan Microfinance Network
PO	Partner Organization
PPAF	Pakistan Poverty Alleviation Fund
PPL	Pakistan Petroleum Limited
PPR	Programme for Poverty Reduction
PRISM	Programme 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
SCAD	Sindh Coastal Area Development
SDGs	Sustainable Development Goals
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
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	Targeting 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 Programme
YPIP	Young Professional Internship Programme



TACKLING INEQUALITY



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COMPANY INFORMATION

Board of Directors:

Mr. Aijaz Ahmed Qureshi
Mr. Ahlullah Khan Kakar
Mr. Syed Ahmad Raza Asif
Dr. Ijaz Nabi
Mr. Omar Hamid Khan
Ms. Roshan Khursheed Bharucha
Dr. M. Suleman Shaikh
Mr. Qazi Azmat Isa
Chief Executive Officer

BOD Committees

Audit Committee

Dr. M. Suleman Shaikh
Chairman
Syed Ahmad Raza Asif
Ms. Roshan Khursheed Bharucha

Risk Oversight Committee:

Mr. Omar Hamid Khan
Dr. Ijaz Nabi
Mr. Aijaz Ahmed Qureshi

Company Secretary:

Mr. Amir Naeem

Auditors:

EY Ford Rhodes, 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

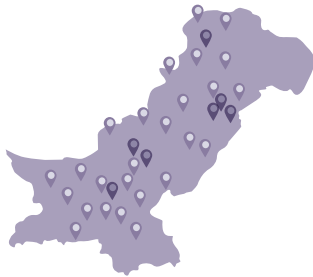
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GENERAL BODY

Mueen Afzal	Former Secretary General, Ministry of Finance, Government of Pakistan
Syed Ahmed Raza Asif	Deputy Secretary, External Finance Policy, Ministry of Finance
Rashid Bajwa	Chief Executive Officer, National Rural Support Programme
Roshan Khurshed Bharucha	Director Hunar Foundation
Eazaz A. Dar	Government Service
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
Omar Hamid Khan	Additional Secretary, Economic Affairs Division, Government of Pakistan
Ahlullah Khan Kakar	Former Civil Servant
Shoaib Sultan Khan	Chairman, National Rural Support Programme
Rajab Ali Memon	Educationist
Nazar Memon	Director, National Rural Support Programme
Dr. Ijaz Nabi	Director, International Growth Center, Pakistan Program
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
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

PPAF AT A GLANCE



Presence in **130** districts through
134 Partner Organizations across
the country



8.1 million microcredit loans
with **60%** loans to women and
80% financing extended to rural areas



Financing deployed in over **100,000**
villages/ rural and urban settlements



Productive Assets transferred to
105,500 households with
(46% women) in **56** poorest districts
across the country



189,000 interest free loans
provided under **Prime Minister's**
Interest Free Loan Scheme
(**62%** women beneficiaries)

A grassroots network of over
132,000 Community Organizations &
441,000 Credit/ Common
Interest Groups



18,000 skill development and
managerial training events for
1.09 million individuals (50% women)



38,000 health, education, water &
infrastructure projects completed



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



(Figures rounded off) * Cumulative June 2016
Source: Compliance & Quality Assurance, PPAF

YEAR IN FOCUS

As we come to a close of our financial year, 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 the many challenges and obstacles that we have overcome. It has been another busy year for PPAF with innovative projects undertaken, and relationships being built.

The completion of PPAF III marks the graduation of PPAF as a mature institution that can implement complex multi-sectoral projects, absorb substantial resources and work simultaneously with multiple development partners. Moreover with the close of PPAF III, PPAF has emerged as a stronger, independent and innovative organization based on the lessons learned and research conducted over the course of 15 years. As the project comes to a close, PPAF, the Government of Pakistan and the World Bank reflect on a partnership that was formed in the year 2000. The investment of IDA financing and implementation support for 15 years witnessed the full delivery of project objectives, a number of important innovations in poverty reduction approaches with potential global reach, and a strengthening of the Government of Pakistan's poverty reduction mandate.

PPAF-III was built on eight years of Pakistan Poverty Alleviation Fund (PPAF) experience. The project improved poverty outcomes through a consolidation and saturation approach in targeted areas, with a stronger focus on marginalized groups of the most vulnerable and poorest households including women and those with special needs, through integrated

approaches to livelihood enhancement.

Several Global Indicators reveal that Pakistan continues facing challenges with gender equality and inclusion. At PPAF, we take these indicators very seriously and have been committed to manifesting inclusion a priority in our work. As an organization built on the mandate of empowerment, PPAF's Gender Committee (GenCom) successfully hosted 4 provincial workshops titled: Voices from the Field on Equity and Inclusion in Karachi, Peshawar, Lahore and Quetta respectively on dates from February 11-March 25th 2016. This design provided a unique platform that allowed dialogue and discourse between the provincial governments; partner organizations and social organizers to develop a proposal on how to collaboratively achieve Sustainable Development Goal 5: Gender Equality. Each workshop was modeled with a representative from the provincial government and panelists from the UN and several partner organizations. More importantly, social organizers from PPAF's partner organizations were in attendance to share their experiences working on gender empowerment from the field perspective.

Moving forward with implementing Sustainable Development Goal 5: Gender Equality, PPAF continues to honor and celebrate women and their work to strengthen communities all over Pakistan. While Pakistan has achieved some progress in regards to female empowerment, there is a desperate need for policies and sound implementation to increase Pakistan's gender measurements and overall indicators. PPAF continues to nurture gender empowerment as fundamental human right in order to build prosperity and sustainability.

Providing women with education, access to health, protection against violence and ensuring their political representation met will build a stronger more vibrant Pakistan.

Resulting in successful experiences working with PPAF, the Government of Pakistan had requested PPAF to design, mobilize, implement and monitor the Prime Minister's Interest Free Loan Scheme (PMIFL) through its partner organizations. PPAF is targeting least developed and the most deserving areas where it has already invested in terms of social mobilization, livelihood projects, training, health, education, water, small infrastructure and rehabilitation projects. The scheme has been successful in making interest free loans available to men, women and youth from vulnerable and marginalized households. Cumulatively, RS 4,069 million has been disbursed to 188,785 borrowers since the initiation of the project. Out of the total beneficiaries, 62% are women. The loans are aimed at identifying and strengthening common interest groups, asset establishment, creating employment centers and developing linkages to foster growth.

PPAF contributed its efforts in aiding conflict areas by carrying out the interventions through the Livelihood Support and Promotion of Small Community Infrastructure Project (LACIP). LACIP was initiated in April 2012 with financial support of the Federal Republic of Germany through KfW and is being executed by Pakistan Poverty Alleviation Fund for last four years. LACIP is an integrated poverty reduction program that aims to contribute to the improvement of the general living conditions, quality of life, reduction in vulnerabilities to disasters, and to increase income generating opportunities for the

poor living in 56 union councils of eight selected districts of Khyber Pakhtunkhwa in Pakistan.

LACIP continued its focus on creating opportunities and building institutions and pathways out of poverty for the poor and disadvantaged communities across Pakistan through empowering community institutions which acts as the foundation for sustainable poverty alleviation. We continue to grow our alliances and networks and strongly acknowledge PPAF partner organizations for implementing our developmental initiatives.

The Government of Italy through the Directorate General for Development Cooperation (DGCS), is financing the PPAF programme "Poverty Reduction through Rural Development in Balochistan, KP and FATA". Under this programme, PPAF has taken some new initiatives resulting in some strategic shift from its standard approach. This programme 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 programme and union council development plans. Additionally, the programme aims to establish social and productive systems of infrastructure and the creation of a sustainable social safety net. The programme also aims to enhance and promote local artisans. They play a significant role in preserving heritage, developing and promoting cultural industries. Keeping in view the potential of local artisans, PPAF is promoting handicraft through special platforms to showcase their work.

In order to add value in aiding Pakistan's continuous energy crisis, PPAF established an independent Renewable Energy

(RE) Unit, and is implementing a KfW supported Hydro and Renewable Energy Project 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 in KPK. The RE Unit was successful in designing four solar PV mini grid projects that have been completed in coastal areas of Sindh and 96 Solar PV Projects in three districts Swabi, Karak and Lakki Marwat of Khyber Pukhunkhwa Province have been initiated.

As a sector developer, PPAF continued its efforts to improve the business environment and foster growth in the microfinance 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. PPAF, the United Kingdom's Department for International Development (DFID) through Karandaaz and Germany's development bank (KfW) have signed a Shareholder's Agreement for the establishment of Pakistan Microfinance Investment Company (PMIC). With the growing youth population of Pakistan, PMIC will be pivotal in reducing unemployment in the country. Senator, Mohammad Ishaq Dar, Finance Minister commended the shareholders of PMIC by highlighting their initiatives to create and promote the growth of microfinance in Pakistan.

8 million micro enterprises and individuals will be able to access financing and business opportunities will be created amongst the most vulnerable segments of society. The objective of PMIC is to provide liquidity to microfinance providers, with the hope of

creating 300,000 new job opportunities per year. The company will inherit the institutional values of PPAF and continue to follow the double bottom-line approach of financial sustainability and positive social impact.

All this significantly contributed to another year of consistent growth and development in the microfinance sector of Pakistan. As of March 31, 2016, the finance sector is serving 4.0 million active borrowers, 5.5 million micro-insurance policyholders, and 13.7 million savers. The microcredit penetration rate has increased to 19.5% while the potential microfinance market is estimated at more than 20.5 million client. The number of branches serving the poor to offer financial services has crossed to 3,000 (it was 2,700 in the last year), gross loan portfolio exceeds PKR 105 billion (30% higher from the year 2014). The average amount of loan disbursed is PKR 35,223 (showing an increase of 12% from last year).

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 applaud 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



GRANTS-BASED PROJECTS & PROGRAMMES

- Third Pakistan Poverty Alleviation Fund Project
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THIRD PAKISTAN POVERTY ALLEVIATION FUND PROJECT

OVERVIEW

The Third Pakistan Poverty Alleviation Project PPAF-III, was built on eight years of Pakistan Poverty Alleviation Fund (PPAF) experience. The project aimed to improve poverty outcomes through a consolidation and saturation approach in targeted areas, with a stronger focus on marginalized groups of the most vulnerable and poorest households including women, and through integrated approaches to livelihood enhancement that learn from other programs in Pakistan and South Asia. The Third PPAF project supported PPAF to evolve fully from a microcredit focused organization (financed through PPAF-I) to a multi-sectoral organization that can effectively address the many dimensions of chronic poverty in Pakistan. The PPAF-III project led to the consolidation of investments targeted at building assets of the poor (physical, financial, human) through grant based interventions. This included stronger approaches to building institutions of the poor to livelihood enhancement that would enable poor households and communities to be more successful at attracting financial and other service providers. Within credit, the approach of PPAF-III is to facilitate outreach, improve capacity and build access to microcredit.

The development objective of PPAF-III is to empower the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. This was proposed to be achieved by increased organization and inclusion of the poor – including women, youth, people with special needs 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 heightened asset base, improved infrastructure and market linkages.

PPAF-III OBJECTIVE

Targeted poor are empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods.

The key outcome indicators to assess achievement of the Project Development Objective (PDO) are the following:

1. Community institutions that are inclusive, viable¹ and sustainable²
2. An increase in household assets and/or incomes
3. Improved access to municipal and local services

The PPAF-III project involves funding of US\$ 250 million (13% for micro-credit and 87% for grants) and aims to improve poverty outcomes through a consolidation and saturation approach in targeted areas, a stronger focus on the marginalized groups of the most vulnerable and poorest households including women, and through livelihood enhancement. The investments are deepened through integrated programming in PPAF identified 1,062 priority Union Councils (UCs) within identified 82 priority districts and tribal agencies and saturated by covering at least 50% households in a UC and mobilising at least 75% of households in the targeted villages into community organizations and cluster at the village and union council levels.

In 2012, the districts were prioritised considering: PPAF's investment in social mobilisation undertaken as part of the World Bank-assisted social mobilization project, started in 2007; districts included among the less development areas of the country in the government's Medium Term Development Framework (MTDF) 2005-2012; districts having HDI values below the average HDI³ for Punjab; and the World Food Programme's ranking of the district on the basis of food security⁴.

Within these selected districts, PPAF's outreach was listed in order to cater

to communities under grant-based interventions that were poorest and most marginalized. Toward the end of 2013, 1,262 UCs were identified as priority UCs, predominantly rural, where chronic poverty is concentrated.

PROJECT COMPONENTS

The PPAF-III project has five components:

- i) Social mobilization and institution building
- ii) Livelihoods enhancement and protection
- iii) Microcredit access
- iv) Basic services & infrastructure
- v) Project implementation support



¹ A maturity index will be used to identify and assess viable community institutions

² Sustainability defined as being active, financially viable and having a good governance structure. Active being (e.g. regular attendance at meetings), financially viable being (e.g. taking and repaying loans) and having a governance

³ Developed by Social Policy and Development Center (SPDC), Karachi, July 2007, which provides the Human Development Index (HDI) ranking of 98 districts in the four provinces based on 2005 data

⁴ Prepared by the Sustainable Development Policy Institute, Swiss Agency for Development and Cooperation, and World Food Programme, which ranks 127 districts (plus Islamabad) in all four provinces, Azad Jammu and Kashmir (AJK), Federally Administered Tribal Areas (FATA) and Gilgit Baltistan (GB) on the basis of food security, 2009.

PROJECT CONTEXT

The project adopted strong targeting mechanisms which could more effectively identify the objective groups including minimum targets for the inclusion of women and poor in the results framework. The project was designed to adopt a saturation approach to improve the impact on poverty reduction. PPAF III was also planned to enhance more inclusive access of the poor to markets and local government through building organizations at the community, village and union council level. To better support these goals, there were some important changes in the project design during implementation with respect to a few of the components.



The Livelihoods component was reoriented to expand the range of opportunities and to review the target group as agents of change, rather than passive recipients. There was an emphasis on strengthening local level institutions for enhancing livelihood opportunities and a number of innovations were introduced such as Naukri ya karobar (Employment or Enterprise) Centres, Youth Centres, Loan Centres and Production Centres and significant efforts were made to restructure, standardize and modernize the training program, develop market linkages, engage with the private sector, and create synergies to ensure long-term sustainability of investments.

Under the Basic Services and Community Physical Infrastructure (CPI) component there was a change in the Sind Coastal Area Development (SCAD) sub-component to expand the scope of activities to include investments in rural connectivity, protecting and strengthening livelihoods and increasing household income and resilience in disaster prone communities and implementation of an integrated program with active participation of all relevant PPAF Units. There was a restructuring of the health and education programme and revised strategies were formulated which shifted the focus on mobilizing communities to monitor and support existing

government facilities instead of investing in direct service provision and strengthening of public sector facilities.

Under the microcredit component there was an expansion of the geographic coverage to districts which were previously not included for capacity building support and withdrawal from areas where the low level of demand did not justify continued presence.

Overall, the initial large number of districts and Union Councils within the scope of the project were gradually reduced (from 1610 to 1020 UCs) in order to deliver better on the project's objective of increasing impact through saturation and deepening.

RELEVANCE AND SUSTAINABILITY

Poverty is deep rooted in Pakistan with related problems of malnutrition, ill health, illiteracy, powerlessness, exclusion, violence, unemployment and underemployment and livelihood risks and vulnerabilities. The key Government policy documents that outline the national poverty reduction strategy in Pakistan are Vision 2025, the Medium-Term Development Framework (2005-2010), Poverty Reduction Strategy Paper II (2008-2012) and the New Growth Framework (2010). Vision 2025 outlines ambitious plans for poverty reduction and aims to have "eliminated extreme poverty in all its manifestations much before 2025." As part of these plans, the Government has strongly committed to supporting PPAF, seeing it as a key instrument of its support to alleviating poverty at the national level. The Government has turned PPAF to implement some of its most important initiatives including several of the Prime Minister's special initiatives such as the Prime Minister's Interest Free Loan Scheme. In its annual Pakistan Economic Survey, the Ministry of Finance cites the contribution of PPAF to achieving overall growth and poverty alleviation objectives and in the delivery of priority social safety net programmes.



The Government's Financial Inclusion Strategy includes the role of PPAF in the provision of micro-finance services. In particular, the Government's own strategy to increase commercial finance to the micro-finance sector is dependent on the transformation of PPAF's micro-finance operations into a separate entity under the Pakistan Micro-Finance Investment Company.

In terms of disaster response and recovery, the Government has continued to turn to PPAF for assistance. Between 2010 and 2014 PPAF used its own funds to support communities affected by the massive floods, providing relief to 171,000 households in over 180 Union Councils across the country. Similarly, in 2015, PPAF in collaboration with its partner in Tharparkar initiated a drought recovery program amounting to PKR 40 million which addressed the food, health and nutrition needs of affected communities. Over 4,500 households benefited from food baskets, mobile health services, animal fodder, vaccinations and management of acute malnutrition.

Not only did PPAF play a central role in helping to channel Government funds, but PPAF's own organizational structure and poverty graduation approach attracted a variety of multilateral and bilateral donors beyond the World Bank including the Asian Development Bank, DFID, IFAD, KfW, the Government of Italy and including several corporates, like Mari Gas, Shell etc.

MAJOR ACCOMPLISHMENTS

Despite the very difficult and challenging circumstances under which the project was implemented, it wholly reached its development objective of ensuring that the targeted poor have increased their incomes, improved their productive capacity and access to services under PPAF III. PPAF thoroughly disbursed its project financing and exceeded most of the physical targets specified under the project. The success of the project is also evidenced by a host of positive external performance assessments of PPAF and its Partner Organizations (POs).

There are a number of outcomes which are particularly noteworthy including: (i) supporting the growth of a nationwide microfinance sector into one which is now rated as one of the best in the world (The Economist Intelligence Unit); (ii) organizing over 120,000 community institutions (cumulatively from the start of PPAF I to now) with a core focus on inclusion

of women and the poorest; (iii) developing the capacity of 134 civil society organizations; and (iv) taking to scale its poverty graduation approach that has shown to significantly and positively impact income, consumption and wealth of the poorest households.

GEOGRAPHIC COVERAGE, SATURATION AND DEEPENING

PPAF III was initiated in 1610 Union Councils (UCs) located in 101 districts in the country which included 64 priority and 37 non-priority districts. The prioritized districts were selected based on previous investments in social mobilization as part of the World Bank-assisted social mobiliza-

tion project, their status with reference to the Human Development Index, and the extent to which floods and food insecurity affected them. Since HDI values were not available for the 24 districts and agencies in AJK, FATA and GB, Food security rankings were used as the primary basis for inclusion among the Priority Districts. However, after the decision in July 2011 to further focus the efforts of the project, its activities were concentrated in 1,020 Priority UCs for further saturation and deepening. The provincial and special area coverage of the project shows that the provinces and special areas that were disadvantaged got a much larger share of the resources of the



project. Balochistan and Khyber Pakhtunkhwa both got much larger shares of the PPAF-III allocation compared with the other provinces.

COVERAGE OF PPAF III

Province / Area	Overall Union Council Coverage	Priority Union Councils	UC Coverage under PPAF III	Share of PPAF III Resources	Microcredit Funds
AJK	27	0	2%	-	1%
Balochistan	236	164	15%	27%	-
FATA	40 ^a	32 ^a	2%	-	-
GB	94	42	6%	4%	-
ICT	15 ^a	0	1%	2% ^a	-
KP	338	164	21%	19%	3%
Punjab	587	454	36%	14%	56%
Sindh	273	164	17%	34%	40%
Total	1,610	1,020	100%	100%	100%

^avillages/sectors

Despite PPAF's best attempts to integrate the different component activities, it was not always possible to integrate them because PPAF was spread over a large number of districts across the country at the time of the initiation of PPAF III with the promise to deliver concrete services in each area. It was not immediately possible for PPAF and its Partner Organizations to extricate themselves from these existing areas of work due to commitments and expectations of existing communities with which it was working. Moreover, the coverage of the different components at the Union Council level was based on partner presence and capacity, available resources and the extent to which the areas met the selection criteria. Over time, PPAF has refined its geographic coverage strategy and under its latest investments in the Livelihood and Commu-

nity Infrastructure Programme (LACIP) and the Italian Funded Programme for Poverty Reduction (PPR) it has adopted an approach which focuses on a particular geographic area and addresses its multi-sector needs for enhanced impact.

There were 91 Partner Organizations involved in PPAF III over the six years of the project. Many of them were involved in more than one component. However, those involved in microcredit were specialist microfinance Institutions (MFIs) and were generally involved with only the credit component. Under PPAF III, the Social Mobilization and Institutional Development component was implemented in 1,006 UCs, CPI interventions were implemented in 518 UCs, Livelihood and Enterprise Development was implemented in

390 UCs. The education investments were implemented in 51 districts while the health investments were implemented in 67 districts. The micro-credit operations were attempted in 37 districts but subsequently restricted to 18 districts in which there was demand for loan funds and an additional 10 districts were included for capacity building grants. Despite the focus on a limited number of Union Councils these were spread across the country and represented 17% of the 6000 or so Union Councils in the country. The map below shows the coverage of the different components under PPAF-III. Some areas such as the widely dispersed population in Balochistan, the mountainous Northern and the desert areas across the country presented specific challenges.



PROJECT PARTNERSHIPS

PPAF has had long standing relationships with most of the Partner Organizations that were used to implement the project and has helped to build their capacity to comply with the financial management, environmental and social safeguards required under the project.

PPAF also fostered a number of partnerships with academia, corporates, and government entities that supported the work being carried out under the project. For example, PPAF developed research partnerships with the Centre for Economic Research in Pakistan (CERP), Lahore School of Economics (LSE), Oxford University, and others so as to strengthen the role of research and evidence-based planning/design for its components. Both the asset transfer and the livelihoods component and community social mobilization element have benefited from this research. Similarly, MoUs signed with a variety of corporates and provincial government agencies such as the Women Development Department (Punjab Government) helped strengthen the outcomes under PPAF III. This included the ability to help its borrowers manage the risk in the agriculture sector and forge commercial links between its clients, insurance companies and value chain actors in the agriculture and enterprise sectors.

INSTITUTIONAL EFFICIENCY

The unit cost of establishing a community organization and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs

to implement the livelihood, community infrastructure and social sector components valued at USD 165 million. The community capacity to manage funds under PPAF was worth almost five times the funds invested in its own development. Community participation through active participation in financial and labor contribution, financial management and the procurement of building materials not only improved the efficiency of expenditures, but ensured stronger community ownership of community infrastructure projects and empowered participating communities.

PPAF also helped to improve the fiduciary systems within the partner organizations (especially small ones) and to strengthen financial management capacity at the community level. Within PPAF itself, a corporate governance framework compatible with best national and international practices was introduced alongside compliance with the statutory requirements and covenants stipulated in the agreements with the World Bank, other development partners and GOP.

Continued improvements in monitoring and evaluation capabilities can be seen throughout the project implementation period. A Compliance and Quality Assurance Group was set up in 2012 to look after all monitoring, evaluation, research and environment and social management compliance. A three-tier monitoring system was established to monitor outputs, outcomes and process.

A number of third party assessments were also carried out to measure outcomes/impacts including The World Bank Development Economics Research Group (DECGR) which managed the impact assessment of PPAF III. The World Bank's own reviews of fiduciary arrangements of PPAF-III demonstrated the adequacy of the control and reporting systems including at all three tiers of World Bank-financed activities (PPAF, PO and COs). The financial management arrangements in place were rated as "Satisfactory" throughout the PPAF III implementation period.



ROLE OF THE WORLD BANK

PPAF, the Government of Pakistan and the World Bank have been in partnership since 2000. The investment of IDA financing and implementation support for 15 years witnessed the complete delivery of project objectives, a number of important innovations in poverty reduction approaches with potential global reach and a strengthening of the Government of Pakistan's poverty reduction mandate. The completion of PPAF III marks the graduation of PPAF as a mature institution that can implement complex multi-sectoral projects, absorb substantial resources and work simultaneously with multiple development partners.

LESSONS LEARNED

Given the positive learning for development approaches globally, the World Bank requested that the PPAF Project Completion and Results Report (PCRR) be a more detailed learning PCRR. Therefore, the lessons learned are an important element of this PCRR. Amongst some of the most important lessons are the following:

a) The use of the Poverty Score Card to target the beneficiaries for transfer of asset and training programs and the use of Community Organizations to verify the poverty status of households to rectify any exclusion or inclusion errors from the scorecards was an essential element in the improved poverty targeting and deepening that was at the center of the project objectives. Similarly, setting a high standard in collecting and utilizing sex-disaggregated data in of the ability to judge both satisfaction and impact.

b) Under the project, PPAF did not dictate the political processes that community institutions were to use. Rather PPAF focused on providing guidelines to ensure that the community institutions were not hijacked to meet the political interests of one party but reflected the broader interests of the membership. This was an important evolution in the role of community organization facilitation which continues to provide solid evidence to global experience that community driven approaches have the capacity to implement a large number of community physical infrastructure schemes efficiently and cost-effectively.

c) This project provides many interconnected lessons on how to deliver on a deeper and more sustainable microfinance sector and particularly on the ability to reach the

ultra-poor. This includes methods for better use of third party oversight in Community Livelihood Funds. The lessons also relate to striking a better balance between growth objectives and promotion of diversity amongst MFIs to get better outcomes. PPAF's role as an advocate for the smaller MFIs was instrumental in enhancing the sustainability of the microfinance sector.

d) A saturation approach to poverty reduction requires continued innovation in methods of delivery. Building the capacity of hard-to-reach localities through the training of young people as community resource persons is a successful strategy to engage youth who may otherwise have been marginalized and to create a new and energetic network of development actors at the community level who also act as agents of change. Differentiated strategies are required for girls and boys.

e) The feedback received from the field by PPAF and its POs indicates that there is strong demand for quality education and thus a need to invest greater resources in service delivery models which can provide quality education. Investing in demand creation without the provision of a supply of quality education is neither efficient nor effective and may be counter-productive.

PPAF has learnt that educating girls is the single most important intervention for women's empowerment. Although financing community schools entailed higher costs, it is likely that such schools would have been the most effective over the longer term. PPAF should have committed to the community schools for a longer period of time, at least 10-15 years, as this is what is required to create and graduate local human resource to sustain those schools.



CREATING NEW OPPORTUNITIES FOR PERSONS WITH SPECIAL NEEDS

PPAF adopted a three-pronged approach to address persons with special needs. The first form of support was provided during the earthquake of 2005 to help people who faced physical and psychological conditions. To further augment this support, PPAF launched a multi-dimensional disability program in 2010 across Pakistan. This program aimed to improve the quality of life of persons with special needs through assistive devices, trainings (skills training and caregiver trainings), accessibility, and social inclusion. Under this program PPAF rehabilitated approximately 25,000- 30,000 persons facing physical disabilities across Pakistan. PPAF has built upon its experience and now provides third generation support by engaging specialized partners not only to deliver services but also to expand knowledge, innovations, quality and to attain scale at the same time.

WHAT DOES PPAF OFFER AS WAY AHEAD?

One of the main social categories of marginalization and exclusion is that of persons with special needs whose participation in socioeconomic life is

restricted by their physical conditions. The real disability lies in social, economic and physical settings of a society which must be addressed through carefully designed programs.

The special assistance required by these people goes beyond nominal inclusion to address the issue of social stigmatization, harassment and discrimination so that these people are empowered to become economically active and socially productive citizens. PPAF therefore believes in creating an enabling environment through innovative programming to develop alternative learning approaches by deploying state of the art technology through specialized partners.

MOVING FORWARD

The Government remains firmly committed to the task of development and poverty alleviation. The Government has taken over the responsibility for achieving the Sustainable Development Goals (SDGs) which outline a 15-year agenda to address the 17 issues of the developing world which include poverty, hunger, quality education, clean water, sanitation and affordable energy etc. With its wealth of experience and innovation, PPAF is in a strong position to assist the Government of Pakistan and its current and future development partners in the achievement of the SDGs in partnership with its Partner Organizations and the community institutions on the ground.



PROGRAMME FOR POVERTY REDUCTION

OVERVIEW

The Programme for Poverty Reduction (PPR) was launched as a three-year investment programme titled "Poverty Reduction through Rural Development in Balochistan, KPK and FATA". The Government of Italy (GoI), through the Directorate General for Development Cooperation (DGCS), financed it. Under this programme, PPAF has taken some new initiatives resulting in strategic shift from its standard approach such as population poverty reduction through the creation of sustainable conditions of social and economic development, including income and production capacity increase. During the last three years of the PPAF-III programme, 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, Gwader, Lasbela, Awaran, Panjgur, Kech of Balochistan and Bajaur Agency Fata.

The programme aims at establishing social and productive systems of infrastructure and the creation of a sustainable social safety net.



THE PROGRAMME IS STRUCTURED IN 4 CATEGORIES:

COMPONENT 1: SOCIAL MOBILIZATION (SM)

Social Mobilization is the core component of PPR as it focuses on collective organization to implement other components of PPR. Social mobilization forms and strengthens community institutions and enables the leveraging of resources for socio-economic development. Based on this approach, communities have been organized into three tiers i.e. community organizations (COs), village organizations (VOs) and local support organizations (LSOs).

COMPONENT 2: LIVELIHOOD ENHANCEMENT & PROTECTION (LEP)

LEP component provides assistance to target communities to improve livelihood conditions of targeted poor households, in order to reduce their vulnerabilities to shocks and strengthen their existing small businesses. Under the LEP component, the major activities undertaken are the development of livelihood investment plans, capacity building of assets beneficiaries on techniques of running businesses, enterprise development trainings, capacity building of community resource persons on different economic sectors, technical and vocational trainings of community members, asset transfer to identified ultra and vulnerable poor to start their businesses, formation of CIGs, development of productive linkages of CIGs with public and private sectors and, provision of community livelihood funds (CLF) to livelihood beneficiaries.

COMPONENT 3: CONSTRUCTION AND IMPROVEMENT OF SMALL-SCALE COMMUNITY INFRASTRUCTURES

This element of PPR works towards the implementation of infrastructure schemes at grass root levels, by a) focusing on capacity building of local community groups, b) building productive partnerships and linkages with the government line departments, local governments and other development partners to provide operations and maintenance (O&M) of priority infrastructure schemes.

COMPONENT 4: ESTABLISHMENT OF BASIC EDUCATIONAL & HEALTH SERVICES

This element of PPR works towards the implementation of infrastructure schemes at grass root levels, by a) focusing on capacity building of local community groups, b) building productive partnerships and linkages with the government line departments, local governments and other development partners to provide operations and maintenance (O&M) of priority infrastructure schemes.

i. ESTABLISHMENT OF BASIC EDUCATIONAL SERVICES:

The key activities undertaken are capacity building of communities in order to create awareness on laws that protect children's right to education. These interventions take place by using cognizance raising activities, creating linkages and leveraging through organizing district development forums, monitoring and providing provision facilities to schools through school development plans and finally, enhancing local capacities in establishing and managing community schools.

ii. ESTABLISHMENT OF BASIC HEALTH SERVICES:

The primary activities carried out are capacity building and strengthening of communities on basic health initiatives. This is done through CRPs who aid in refresher trainings for midwives, strengthening of BHUs/dispensaries, capacity building of social enterprises around health and for access to health care, trainings for midwives, celebration of health, hygiene and nutrition days, mobility cost for transport from village to health centers provision of ODF latrines, linkages and leveraging through organizing district development forums, roundtables and knowledge material, printing and distribution of information, education and communication (IEC) material etc

PROGRAMME PRACTICES AND INNOVATIONS.

1. PARTNER SELECTION PROCESS

To select the most suitable partner organizations (POs) for this programme, a comprehensive procedure was adopted by PPAF. The selection process starts with advertisements in national newspapers calling for Expressions of Interest (EOIs). A third party organization screens and shortlists the EOIs. The third party evaluation consists of: PO 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 recommends 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.

2. 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 council's selection process consisted of a multifaceted, objective, and structured approach. The selection process included: 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 completed with these priorities:

Priority 1 – Cluster Approach: Selected UCs should be in close vicinity of each other therefore were clustered into groups. UCs were also 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: 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 Partner Organizations or other INGOs Social Mobilization was measured in terms of the number of Partner

Organizations, Community Organizations and Common Interest Groups operating in UCs.

3. 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 people with special needs, gender equity and youth involvement.



4. UNION COUNCIL DEVELOPMENT PLANS

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 the 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.

Identification
and training
of CRPs for
Community
Engagement

Development
of demand
driven VDPs
by communities

Demand
driven UCDP
as basis for
demand driven
integrated IP

Meetings with
communities
for identification
of key development
issues and challenges

Consolidation
of VDPs into
UCDPs and
their validation

The success of PPR depends on the effective integration and coordination among multidisciplinary 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.

COMPONENT 1: SOCIAL MOBILIZATION

a) COMMUNITY INSTITUTIONS FORMATION AND STRENGTHENING

- First Tier Organizations: During the year, 3702 COs have been formed out of the target of 3907, which include 2056 men COs, 1563 women COs and 83 mix organizations.
- Second Tier Organizations: 538 VOs have been formed which include 255 men, 85 women and 198 mix organizations.
- Third Tier Organizations: The target of 38 LSOs has been achieved, of which 25 LSOs are with mix membership of men and women whereas, 13 LSOs consist of only men membership. Partners and LSOs have been reinforced and facilitated to take deliberate efforts for meaningful women participation at LSO level.

b) CAPACITY BUILDING OF PARTNER'S STAFF AND COMMUNITY INSTITUTIONS

- Staff Training of Partner Organizations: 49 trainings have been conducted, in which a total of 709 participants (536 men & 173 women) have been trained.
- Community Trainings: 613 trainings have been directed during the year, in which a total of 15339 community members (9506 men & 5833 women) have been trained against overall target of 12,578 people.

COMPONENT 2: LIVELIHOOD ENHANCEMENT & PROTECTION (LEP)

- Development of CRPs: 215 CRPs have been trained to start awareness sessions in the communities.
- Livelihood Trainings: During the financial year, 5308 out of 15,774 individuals have been taught through entrepreneurial trainings in which 3124 men and 2184 women have been trained.
- Provision of Asset: 2,246 out of 5,751 vulnerable poor have received productive assets of which 1,006 are men and 1,240 are women beneficiaries.
- Development of Linkages: This year, 142 linkages out of 245 have been developed with line departments such as agriculture, livestock and small and large markets.
- Community Livelihood Fund: Community Livelihood Fund (CLF) has been provided to 2 loan centers/LSOs out of 12, and so far 17% target has been completed.

COMPONENT 3: CONSTRUCTION & IMPROVEMENT OF SMALL-SCALE COMMUNITY INFRASTRUCTURES

679 PROJECTS & SCHEMES HAVE BEEN CONSTRUCTED & IMPROVED:

- Building of 130 Link Roads or farm to market roads & Bridges
- 77 Flood Protection Walls have been constructed

- 19 TIP (Drip irrigation and sprinkler irrigation)
- 10 Delay action Dam, Check Dams, Rain Water Harvesting Ponds
- 23 Renewable Energy projects have been installed
- 233 Drinking water supply schemes
- 152 Irrigation (water channel, pumps and land reclamation) projects installed
- 35 Drainage and sanitation projects constructed

COMPONENT 4: ESTABLISHMENT OF BASIC EDUCATIONAL AND HEALTH SERVICES

BASIC EDUCATIONAL SERVICES

- 343 Trainings have been conducted of CRPs regarding the Right to Education, Education Action Plan, Spatial Planning, and Opportunity Mapping
- 36 CRPs awareness campaigns organized, including road shows and dissemination of IEC material
- 38 Roundtables organized with provincial government departments, donors and other stakeholders-promoting public-private partnerships in 38 UCs
- 35 District Development Forums of stakeholders for leveraging the resources and building synergies
- 10 Development of UC-based Knowledge Hubs including youth

learning centers , digital aid centers and distance learning facilities

- 1662 school committee members have been trained on school specific development planning

- 707 Professional development programs organized for teachers to improving the quality of education teachers

- 449 school committees were given assistance to invest in school development to address need of formulation and implementation of school development plans

- 331 CRPs trained for to establish schools as social enterprise (school, coaching centers and ECD centers

- 230 Learning aids and teaching kits were distributed in schools

- 59 Schools supported for social enterprises

- 38 ESM related activities organized in UCs.

- 38 sessions conducted on disaster preparedness, school safety programs, health and hygiene and other life skills.

- 20 UCs have been provided Education with ICT integration-utilizing digital material developed by specialized institutions.

BASIC HEALTH AND NUTRITION SERVICES

- 553 Health CRPs have been trained on health and nutrition

- 63 skilled birth attendants have been trained

- 50 BHUs and dispensaries were strengthened by provision of furniture and equipment

- 403 Provision of ODF latrines in community

- 159 Health Awareness Campaigns progressed in various districts

- 102 Round tables and District Development Forums conducted

CAPACITY BUILDING AND TECHNICAL ASSISTANCE ACTIVITIES: TRAINING VISITS TO ITALY

Three study visits to Italy took place as part of capacity building activities. These trainings were attended by PPAF staff members and officials from Government of Pakistan.

THE DETAIL OF THESE VISITS IS AS FOLLOWING:

Dates	Title	Participants		
		PPAF	Govt.	Total
November 15–28, 2015	Overview of the Rural Development & Learning from Leading Institutions	13	1	14
December 7-19, 2015	Environmental Mitigation & Adaptation Measures	7	2	9
March 13-26, 2016	Studying Business Models of Entrepreneurial Development / Income generating Activities	11	3	14

Programme For Poverty Reduction

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Restoring Hope, Securing the Future, Ending Poverty

To alleviate poverty through empowering poor people and increasing their access to income and opportunities, ensuring a focus on the most vulnerable and marginalized groups.

Events

11 Jan:

Roundtable- Devising our own Destiny

PPAF in collaboration with the Federal, Provincial and District Governments of Chitral, hosted a roundtable, 'Devising our own Destiny: A Model for Collaborative Partnership for Inclusive and Sustainable Growth in Chitral.

[Read more .](#)

07 Nov:

260 get financial assistance provided by Italy in Dir

DIR: About 260 people belonging to Chukyatan and Bibyawar union councils were given financial assistance on Saturday under an Italian-funded project aimed at reducing poverty.

[Read more .](#)





KNOWLEDGE SHARING MECHANISM

i. FIELD KAHANI/VIDEO DOCUMENTARIES

During the year, 3 field stories have been made and documented for PPR. The titles of these Field Kahanis are:

- Meeting with prospective partners

- UCDP VDP Validation
- Assets Transfer & Importance of Women In Income Generation Activities

ii. NEWSLETTERS

Two issues of PPR quarterly newsletter have been published so far.

iii. Brochure & Flyer

One brochure of programme framework and one consolidated flyer of all components have been published and shared with partners

KEY LESSONS LEARNT DURING PROGRAMME IMPLEMENTATION

- A participatory approach of analysis is a good tool for targeting community needs. It creates a sense of ownership at the community level which has led to smooth implementation of the programme
- Developing Community Resource Persons (CRPs) from the community is

a sound approach for community participation and local programme sustainability

- LSO's platforms have been essential to ensure improved access and services to villages spread over a vast radius, and have supported the program's overall goal of rural socio-economic development

• District Development Forum (DDF) has remained a good policy for leveraging resources and engaging local bodies' representatives and LSOs. In addition, this forum helped district administration to understand organizational aspects of this relationship

- Dissemination of IEC material in pictorial form, community theatre on life cycle/social issues motivates underprivileged and illiterate communities to look inward and gain knowledge on local social issues such as female enrollment



LIVELIHOOD SUPPORT & PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME

OVERVIEW

The Livelihood Support and Promotion of Small Community Infrastructure Programme (LACIP) was initiated in April 2012 with financial support of the Federal Republic of Germany through KfW and is being executed by Pakistan Poverty Alleviation Fund (PPAF) for last four years.

LACIP is an integrated poverty reduction program that aims to contribute to the improvement of the general living conditions, and quality of life, reduction in vulnerabilities to disasters, and to increase income



generating opportunities for the poor living in 56 union councils (UCs) of eight selected districts (Swabi, Charsadda, Buner, Haripur, Nowshera, Chitral, Dera Ismail Khan and Abbottabad) of Khyber Pakhtunkhwa (KP) in Pakistan.

The programme aims to develop community physical infrastructure (CPI), to provide livelihood enhancement and protection (LEP), to support health and education (H&E) related activities, and to execute activities related to disaster preparedness and mitigation (DPM) with social mobilization as the basis for all activities.

PROGRAMME OBJECTIVES

- Increase access to and sustainable utilization of social & 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 decision making at the local level

PARTNER ORGANIZATIONS

LACIP activities were initially implemented by 23 POs to work in target areas. However, to improve the quality and effectiveness of the program, the number of POs were reduced based on POs ranking criteria. LACIP is now being implemented by 13 POs in eight targeted districts of Khyber Pakhtunkhwa, where each PO is designated to implement programme activities in selected union councils in order to initiate schemes and interventions of LACIP components.

Sr. No.		LACIP Partner Organizations
1	Abbottabad	MIED, HADAF
2	Buner	RDP, HADAF, MGPO, CIE, EPS
3	Charsadda	SRSP, SPADO
4	Chitral	AKRSP, SRSP
5	DI Khan	CIE, SABAWON
6	Haripur	HADAF, GBTI, NRSP, CSF
7	Nowshera	NRSP
8	Swabi	NRSP, GBTI

PROGRAMME ACTIVITIES & ACHIEVEMENTS

LACIP interventions focused on five thematic areas which have been grouped as under:

1. INSTITUTIONAL DEVELOPMENT

LACIP is focused on creating opportunities and building institutions and pathways out of poverty for the poor and disadvantaged communities

across Pakistan through empowering community institutions which acts as the foundation for sustainable poverty alleviation.

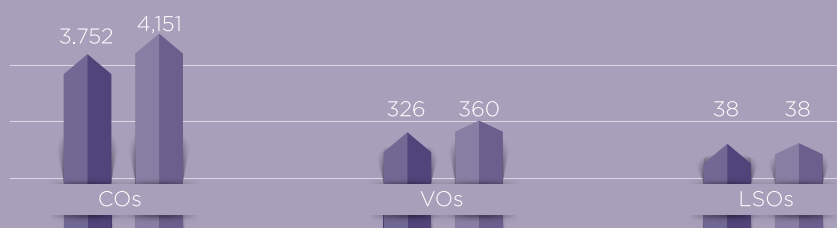
During 2015-2016, 186 COs, VO, and LSOs were formed and revitalized under LACIP, which includes 142 COs, 42 VO and 2 LSOs who have been involved in decision making and in identification of community issues.

By June 2016, cumulatively a total of 4,515 COs, VO, and LSOs have been formed and revitalized, which include 4,151 COs, 326 VO and 38 LSOs.

With regards to capacity building, 415 training events have been conducted for staff and community members of partner organizations in which 9,363 members (6,623 men and 2,740 women) participated.

Social Mobilization

- Targets
- Achievements





2. COMMUNITY PHYSICAL INFRASTRUCTURE

Construction of need-based sustainable infrastructure schemes is one of the primary focus areas of the LACIP project. Under this component, LACIP has been implementing two types of community physical infrastructure

projects through partners working in target areas i.e. small infrastructure projects and Integrated Area Up-gradation Projects (IAUP). Under IAUPs, different types of infrastructure needs are assimilated to form a single project or one single community physical infrastructure benefiting large portion of population of a village.

In order to maximize the outcomes from infrastructure interventions, POs are encouraged to follow a new "guided-demand" approach regarding identification of CPI schemes where a community is informed about the repercussions of infrastructure choices and expected benefits. Community participation is also ensured for identification and implementation of schemes. Targeted communities are trained on the Operational & Maintenance (O&M) of projects in order to capacitate them with required skills to maintain these schemes.

During the course of 2015-2016, 254 community physical infrastructure schemes have been completed, which include 237 CPI schemes and 17 IAUPs.

Cumulatively, until June 2016, 1936 CPI systems have been initiated which include 345 irrigation schemes, 97 flood protection works, 443 drainage and sanitation, 632 roads and bridges, 361 drinking water supply schemes (DWSS) and 58 IAUPs. Out of these projects, 1,848 CPIs have been completed, which includes 17 IAUPs and 1,831 small CPI schemes. The small projects includes 333 irrigation projects, 95 flood protection works, 437 drainage and sanitation, 612 roads and bridges, 352 drinking water supply schemes and 2 technologically innovative projects (TIPs). 961,195 individuals (465,716 men and 495,479 women) are expected to benefit through these schemes.

CONSTRUCTION OF CONCRETE ROAD OPENS INCOME OPPORTUNITIES

Unpaved and rough roads disabled the movement of the local population in the village Bouni Pand Seer district of Abbotabad. As a consequence, farmers and traders were facing numerous difficulties accessing local markets in order to earn their livelihood. Under the CPI component of LACIP, partner organization MIED has provided a concrete pavement for the single link road of the village in order to improve access and communication facilities of the village.



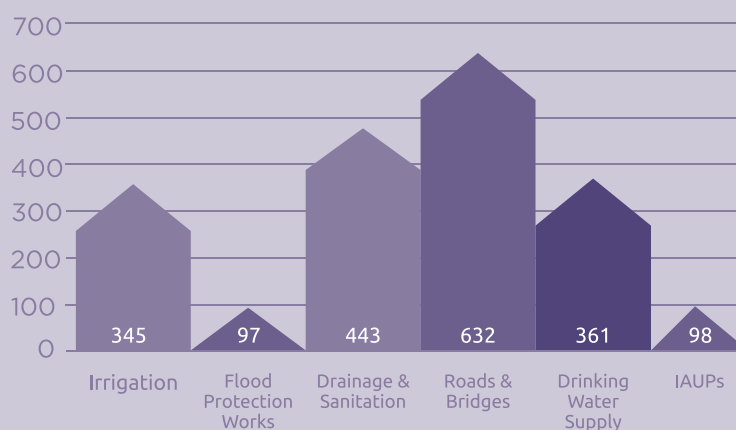
The projects that were carried through were identified as priority by POs and communities. Communities have demonstrated complete ownership of the projects after completion. COs participated extensively and were involved in all stages of execution of these projects.

With the implementation of the LACIP project, the local community is able to physically access education and health services in order to gain employment opportunities. Farmers and traders are able to reach markets to transport and sell agricultural and livestock products in a cost efficient manner.

"The Plain Cement Concrete (PCC) road has contributed to reduce land degradation, caused by water erosion in the village and the communication to city will not be disrupted during rainy season. It has reduced travel time and the local population, particularly women and children face lesser difficulties in availing basic life facilities", says Mr. Fayyaz Ahmed, Bouni Pand CO President. The PCC road is currently benefiting 1000 households of the village."

The projects that were carried through identified as priority by POs and communities. Communities have demonstrated complete ownership of the projects after completion. COs participated extensively and were involved in all stages of execution of these projects.

Initiated CPI Projects



3. LIVELIHOOD ENHANCEMENT AND PROTECTION

This intervention focuses on supporting and improving livelihood conditions of targeted poor households, transferring them productive assets and providing skill trainings to enhance their skills for income generation.

Asset transfer provides an instant boost to economic conditions of beneficiaries, while training and

capacity building would offer further insight to these individuals in order to earn sustainable. Training and awareness raising would lead to up-scaling of small enterprises commenced through asset transfer support.

During 2015-2016, 374 households have received vocational and skills trainings in which 160 men and 214 women have been qualified. Assets have been given to 893 households to support their livelihood which

involves 381 men and 512 women beneficiaries. Presently, 3996 households have received vocational and skills trainings where 2,778 men and 1,218 women have been trained, and 2,296 men have received NLC trainings. Assets have been given to 7,238 households to support their livelihood which includes 3,960 men and 3,278 female beneficiaries.

MOVING TOWARDS PROSPERITY

Fehmida Bibi is a widow who lives in Garha Marro, a village in the District of D.I. Khan. She faced many challenges raising her five children after the death of her husband due to the lack of monetary assistance.

Under the LEP interventions of LACIP-KFW, Fehmida Bibi was eligible for the asset transfer program and received a three day training course in Enterprise Development Training (EDT). She was given a small grocery shop to earn income in order to provide for herself and her family. She is content with her work and is able to save PKR- 300 – 350 on daily. With this boost in pay, now she plans to send her children to school.



4. HEALTH AND EDUCATION

Under LACIP, the health and education component contributes in improving the condition of public health centers and schools in which soft and hard support is provided. The soft support under education includes: teachers' and school administration trainings on fresh teaching methods, innovative lesson planning, and efficient school administration. Whereas, hard support consists of construction of facilities such as toilets, additional classrooms, boundary walls, water tanks, repair and renovation of rooms, provision of laboratory equipment, library books and, various other items.



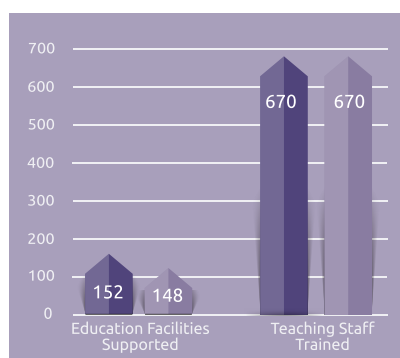
During the year, 7 schools (2 initiated, 5 completed) have been supported and facilitated by LACIP. A total of 131 teaching staff has been trained whereas, cumulatively 148 schools have been supported and 670 government teaching staff including 413 men and 257 women have been

trained on school management, teaching methodologies and subject related trainings under education component. During the upcoming year, 4 more government schools will be facilitated.

The health component of LACIP has achieved project targets by providing labor rooms at BHUs along with provision of laboratory equipment and medicines at 4 health centers.

Presently, four BHUs have been supported by the project, and overall 76,760 patients have been facilitated at these health units. Nine health workers have been trained.

The PO Heartfile has been providing health financing to poor patients running the risk of spending catastrophically. Heartfile has treated 94 patients belonging to all LACIP districts achieving 118% against the assigned target of 80 patients, out of which 5 have been treated during the reporting year.



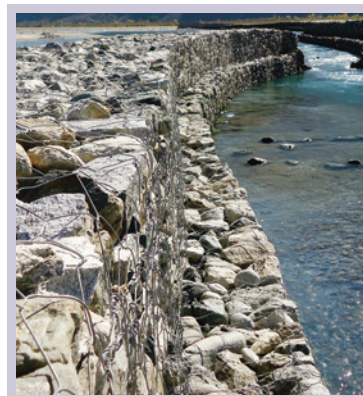
■ Target ■ Achievement

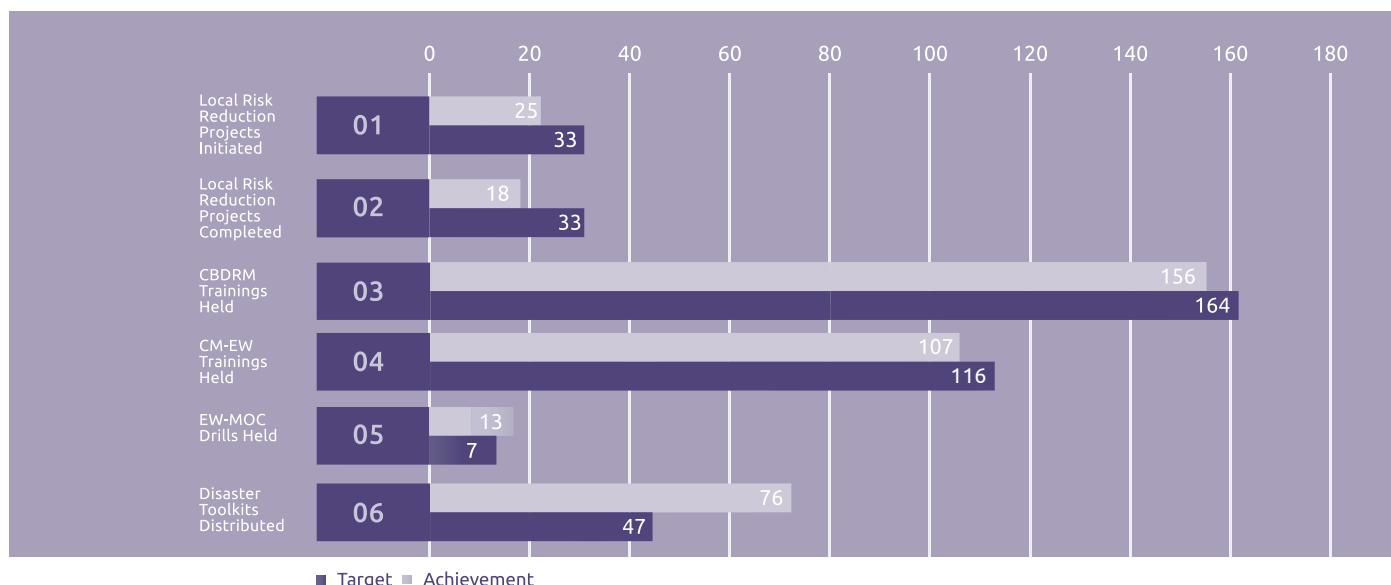
5. DISASTER PREPAREDNESS AND MITIGATION

The disaster preparedness and mitigation (DPM) component focuses on the preparation of communities to respond to natural disasters in catastrophe prone areas. It aims to reduce or avoid the potential losses due to hazards by strengthening the capacity of local communities. Through capacity building training programs and the construction of disaster mitigation structures, communities are prepared to cope with the effects of disasters.

Under DPM component of LACIP, 10 new local risk reduction projects have been completed during the year, and till June 2016, 18 projects have been completed which have benefitted approximately 38,393 individuals.

So far, the disaster response capacity of 9,362 individuals have been built through CBDRM and Early Warning trainings (103% women and 95% men have been trained).





KEY ACHIEVEMENTS

This year LACIP was successful in facilitating:

- 4,515 individuals have been organized into 4,151 COs, 326 VO's and 38 LSOs in target areas
- 6,623 men and 2,740 women trained through 415 trainings under institutional development
- 1,831 community physical infrastructure schemes and 17 IAUPs completed
- 3,278 women and 3,960 men received assets to support their livelihood
- 2,778 men and 1,218 women received vocational and skills

trainings under LEP

- 76,760 patients facilitated at 4 BHUs
- 118% target of treating heartfile patients achieved under health component
- 148 schools supported and 670 government teachers (413 men and 257 women) trained under education component
- 294 CBDRM trainings conducted, 47 disaster tool kits distributed & 18 local risk reduction projects completed under DPM component

Through livelihood support, women have strengthened their position as entrepreneurs within communities

and families. These improvements have substantially reduced the violence against women within families.

Vocational trainings for skill enhancement have created job and income opportunities for beneficiaries and formal trainings have brought substantial changes in social and economic wellbeing of beneficiaries.

Most of LEP activities have enhanced the income of beneficiaries. The economic empowerment of poor households and women has improved their contribution in decision making at the community level mostly for men and within families mostly for women.



PROGRESS

The following table reflects annual and cumulative progress of LACIP components:

Indicators	Project Targets	Progress till June 2015	2015-2016	Achievements (as of June 2016)
Institutional Development (ID)				
No. of COs, VOs, LSOs formed/revitalized	4,150	4,329	186	4,515
No. of COs formed/revitalized	3,752	4,009	42	4,151
No. of VOs formed	360	284	42	326
No. of LSOs formed	38	36	2	38
Community Physical Infrastructure (CPI)				
Total No. of CPIs	1,955	1,594	254	1,848
No. of CPI schemes completed	1,878	1,594	237	1,831
No. of CPI IAUPs completed	77	0	17	17
Livelihood Enhancement and Protection (LEP)				
No. of households received vocational/ skills training	4,906	3,622	374	3,996
Male	3,300	2,618	160	2,778
Female	1,606	1,004	214	1,218
No. of households received livelihood support	7,905	6,345	893	7,238
Male	3,955	3,579	381	3,960
Female	3,950	2,766	512	3,278
Education				
No. of schools supported	152	141	7	148
No. of teaching staff training	670	593	131	670
Male	413	315	98	413
Female	257	224	33	257
Disaster Preparedness and Management (DPM)				
No of local risk reduction project completed	33	8	10	18
Community-based disaster risk management (CBDRM) trainings	284	145	149	294

IMPACT OF LACIP INTERVENTIONS - A THIRD PARTY EVALUATION

KfW hired the services of NEC Consultants Private Limited as monitoring & evaluation (M&E) consultants to conduct regular monitoring and review LACIP's performance and productivity. The consulting firm has conducted various field monitoring visits during the reporting year and reported following benefits of LACIP interventions:

- The vulnerable segments of communities were included in social mobilization, priorities were given to these sections of communities, and special efforts were made to empower women.
- Majority of livelihood activities have enhanced the income of beneficiaries. The economic empowerment of poor households and women has improved their contribution in decision making at the community level
- Women have strengthened their position as entrepreneurs within communities and their families. These improvements have significantly reduced domestic violence against women.
- Vocational trainings for skill enhancement have created job and income opportunities for beneficiaries. In addition, formal trainings have brought substantial changes in social and economic welfare of recipients.
- Under community physical infrastructure interventions, most of the projects identified by POs and communities were relevant to community needs. Communities have demonstrated complete ownership of the projects and COs were wholly involved during the execution of these projects.
- Construction of link roads has benefitted women and children as it has enhanced their access to schools, markets, BHU, and connectivity of inter-villages to the main roads has been improved.



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.

HYDROPOWER AND RENEWABLE ENERGY PROJECT

OVERVIEW

PPAF initiated the Development of Hydropower and Renewable Energy (HRE) Project in Khyber Pakhtunkhwa in May 2013 with the financial support of the German Ministry of Economic Cooperation and Development (BMZ) through the German Development Bank (KfW). The primary focus of the project is to implement the mini/micro hydropower plants (MHPs) and the solar PV projects in six districts of the Khyber Pakhtunkhwa Province based on their available renewable energy resource potential. The first phase of this project has a total financial outlay of Euro 10 million and is expected to be completed by June 2017. As many as five mini/ micro hydropower plants (MHPs) with estimated capacity of over 800 kW and 96 Solar Lighting Systems with planned capacity of 500kW have been planned to benefit over 20,000 people. The target districts of the project include Chitral, Buner, Upper Dir, Karak, Swabi and Lakki Marwat.

The main objectives of the project are to:

- Eradicate extreme poverty by increasing access to energy for poor, off-grid communities in the project area
- 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 and improved livelihoods
- Improve the design & implementation model of projects with a focus on quality & sustainability
- Build and 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 renewable energy technologies for poverty eradication in Pakistan.

MINI/MICRO HYDROPOWER PROJECTS

Throughout the year, the project continued carrying out construction activities on five ongoing mini/micro hydropower projects (MHPs) of varying capacity from 36 to 306 kW in Chitral, Upper Dir and Buner districts of Khyber Pukhtunkhwa Province. Significant progress has been achieved under the civil works component of these MHPs while procurement process of Electromechanical Equipment and Transmission and Distribution items has been initiated. The projects are at various stages of completion with physical progress ranging from 50% to 95%.

DEVELOPMENT OF HYDROPOWER & RENEWABLE ENERGY (HRE) PROJECT (PHASE-I) AT A GLANCE

- Project Cost: 10 Million EUR
- Project Duration: 04 Years (2013-2017)
- 6 Districts of KP (Chitral, Upper Dir, Buner, Swabi, Lakki Marwat, and Karak)
- 08 Union Councils
- 05 Partner Organizations (NRSP, AKRSP, SRSP, SABAWON, and CMDO)
- Project Components:
5 MHPs
96 Solar PV Systems

SOLAR LIGHTING SYSTEMS

During the reporting year 96 Solar PV Projects in three districts Swabi, Karak and Lakki Marwat of Khyber Pukhtunkhwa Province have been initiated.

These projects are at various stages of completion. In order to meet the high quality of construction, achieve the international design standards, and provide the after sales service for over 5 year period, an Engineering Procurement Contract (EPC) contract has been awarded. The technical designs for civil structures, solar PV mini grids and technical specifications have been approved. The contractor has procured all the imported and local items, in addition to carrying out civil works.

In addition to the implementation of HRE Project, the project team is providing technical assistance to other infrastructure and micro credit Units of PPAF in design and implementation of their renewable energy interventions. This includes technical assistance provided to the PPAF Corporate

Relationship Management (CRM) unit for designing and implementation of Solar PV System for electrification of one of the government schools in the district of Harnai. It is to be carried out in collaboration with the Mari Petroleum Company Limited (MPCL).

Furthermore, PPAF is involved in sector development activities and believes in building partnerships with other institutions carrying out the same objectives. Accordingly, PPAF participated in the "5th International Exhibition and Conference on Renewable Energy" organized by the Renewable Energy Association of Pakistan (REAP) at Pak-China Friendship Center Islamabad. PPAF supported interventions to increase productivity in the RE sector. In addition, the General Manager of the HRE project presented his paper titled as "Rural Electrification thorough decentralized Solar PV projects in Pakistan" at the conference.



INNOVATIONS, NEW PROJECTS AND PROGRAMMES

PPAF under the HRE project is bringing innovations in RE sector through:

- The improved design of Mini and Micro Hydropower Plants (MHPs) according to the international practices.
- A Complete Decentralized Solar Energy Solution for a village or settlement will provide uninterrupted supply of electricity



LEARNING & KNOWLEDGE SHARING

The Renewable Energy Projects especially Mini and Micro Hydro Power are highly technical in nature with complex design and implementation

arrangements. Therefore, PPAF is investing time and money in the capacity building of project implementing partners to achieve the expected results. Accordingly, 9 technical training events were organized and 85 staff members of six

POs were trained under the HRE Project. Additionally, 12 design manuals have been prepared to provide technical guidance for engineering professionals in the RE sector.



The PPAF's "Community Managed Hydropower Plants" initiative implemented in northern areas of Pakistan has been shortlisted for UK's Energy Institute (EI) Awards 2016.

PRIME MINISTER'S INTEREST FREE LOAN SCHEME

OVERVIEW

The present 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 current 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

SALIENT FEATURES

Name:	Prime Minister's Interest Free Loan (PMIFL) Scheme
Funds Allocated:	Rupees 3.5 Billion (Rs.3.1 Billion for on-lending)
Type of Loan:	Interest Free Loan for productive purposes
Loan Size:	Up to Rs. 50,000 per borrower
Total Beneficiaries:	70,000 in Year-1. 180,000 in Year-2 and One million in 4years
Beneficiary Eligibility:	Up to 40 on the Poverty Score Card (PSC), who qualify social and technical appraisals and 50% of beneficiaries would be women.

IMPLEMENTATION ARRANGEMENT

The PMIFL Scheme is one of six schemes announced by the Government under the Prime Minister's Youth Program (PMYP). The implementation of the PMIFL scheme is entrusted with PPAF through an MOU signed between Ministry of Finance (MoF) & PPAF. To oversee the execution of the organization, the Government of Pakistan has constituted a steering committee which includes representation from the Ministry of Finance, Ministry of Food Security & Agriculture, Civil Society and PPAF. Dr. Amjad Saqib is Chairman of the PMIFL Scheme's Steering Committee. The tasks of steering committee include:

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.

TIMELINE OF ACTIVITIES

The PMIFL Scheme was inaugurated by Honorable Prime Minister of Pakistan in June 2014 and an amount of Rs. 1.75 billion was released by Ministry of Finance as a first tranche. The first quarter (July-September, 2014) was taken as mobilization period which included: short-listing based on an eligibility criteria of Partner Organizations (POs), desk and field appraisals, signing of financing agreements with qualified partners, development of an operations manual, capacity building module, training of Partners' staff on setting up loan centers and the disbursement of loans, development of dedicated MIS, reporting and documentation of all important process. Therefore, the effective implementation started in October, 2014. The second tranche of Rs. 1.75 billion (after utilization of already released funds) was released in August, 2015. On completion of Year-1, Ministry of Finance released the operational cost of Rs. 155 million for the year -2 in February, 2016.

- Overall conceptualization of the scheme, scope of operations, inclusive implementations and reporting systems
- Setting up the standardized process for disbursement of funds from PPAF to Partners and beneficiaries
- Establishment of a robust monitoring mechanism to document and track the performance process,
- To ensure timely release of funds from Ministry of Finance
- The committee will have an authority to access all data, financials or otherwise from PPAF and POs pertaining to PMIFL Scheme.



OBJECTIVES OF PMIFL SCHEME

Make Interest Free Loans available to men, women and youth from poor, vulnerable and marginalized households categorized under 0-40 on the Poverty Score Card.

Support female participation and inclusion in economic activities by disbursing at least 50% loans to women.

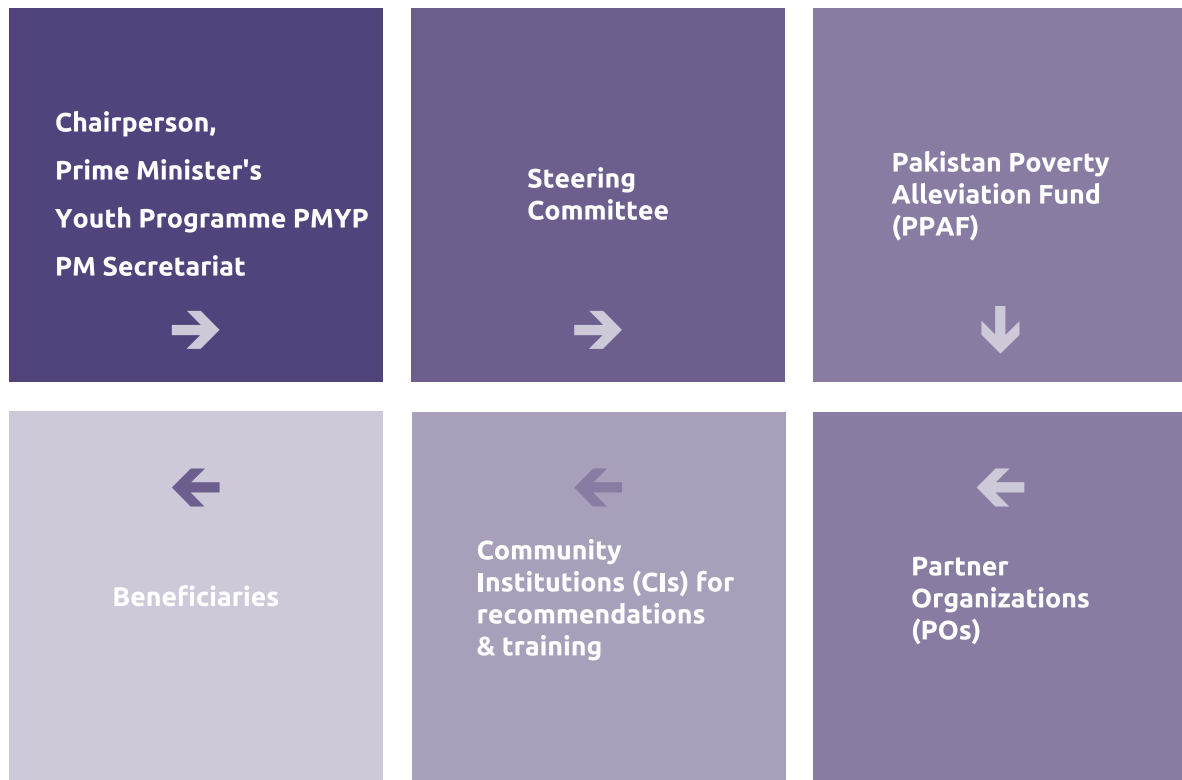
Enhance entrepreneurial competency by extending capacity building services, for example: enterprise training & counseling, market linkages, financial literacy and numeracy training.

Establish and strengthen Rural and Urban Branches, and Union Council based Community Institution for assessing, distributing and recovering Interest Free Loans.

Encourage behavioral change by demanding loan beneficiaries to ensure specific health and education practices.



Following diagram shows implementation mechanism of PMIFL Scheme











FUNDS FLOW

The funds have been transferred to PPAF by the MoF. PPAF is implementing the scheme through its Partner Organizations (POs). Funds are disbursed to POs by PPAF as per their Implementation Plans (IPs) included in

the Financing Agreements. The POs have established branch offices/loan centers at Union Council (UC) levels and funds are disbursed to beneficiaries as interest free loans as per eligibility criteria of PMIFL Scheme. The POs recover loans from borrowers in easy installments and will revolve them

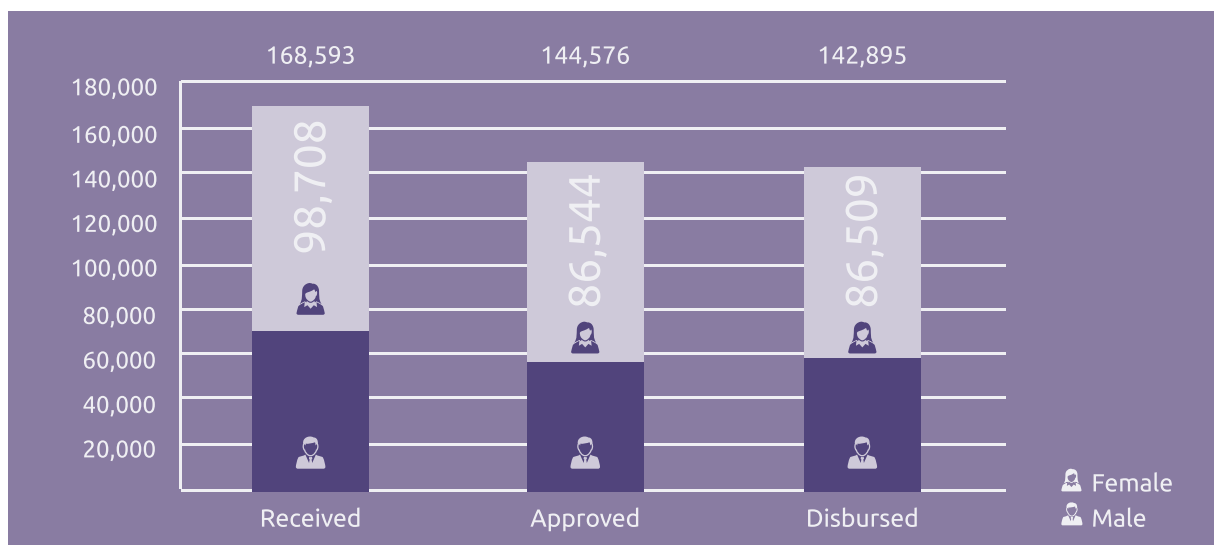
for 4 years. The community institutions are involved in different activities under this model under the supervision of POs. Eventually, the funds will be transferred to eligible Community Institutions (CIs) which will continue revolving these funds on sustainable basis.



KEY ACHIEVEMENTS	 July, 2015 June, 2016			 Cumulative for Two Years Oct, 2014 to June 30, 2016		
	 Male	 Female	 Total	 Male	 Female	 Total
Number of Applications Received	69,885	98,708	168,593	85,811	127,198	213,009
Number of Applications Approved	58,212	86,544	144,756	118,501	116,198	197,278
Number of Loans provided to Borrowers	56,386	86,509	142,895	142,895	72,587	4,068.47
Amount disbursed to POs (Mill. Rs)	1,194.01	1,943.73	3,137.74	1,524.89	2,543.58	4,068.47
Induction of partner organizations	1			26		
Amount disbursed to POs (Mill. Rs)	1,901.05			3,231		
Coverage under PMIFL (District)	8			44		
UCs/Tehsils Outreach	21			287		
Loan Centers Branches Established	69			233		
Implementation support & Monitoring Visits (No.)	55			110		

The figure below shows loan disbursed to 142,895 beneficiaries during the financial year

APPLICATION STATUS AND LOANS DISBURSED (JUL' 15 TO JUN' 16)



During the year, 168,593 applications were received and 144,756 were approved while 142,895 were disbursed. An amount of Rs. 3.14 billion was disbursed to end borrowers. Out of these numbers, 40% loans were distributed to males and 60% to females. Coverage under PMIFL Scheme expanded to 8 new districts

and one new partner, Balochistan Rural Support Program (BRSP) was inducted in PMIFL Scheme for coverage of 15 UCs in 6 districts of the Balochistan province.

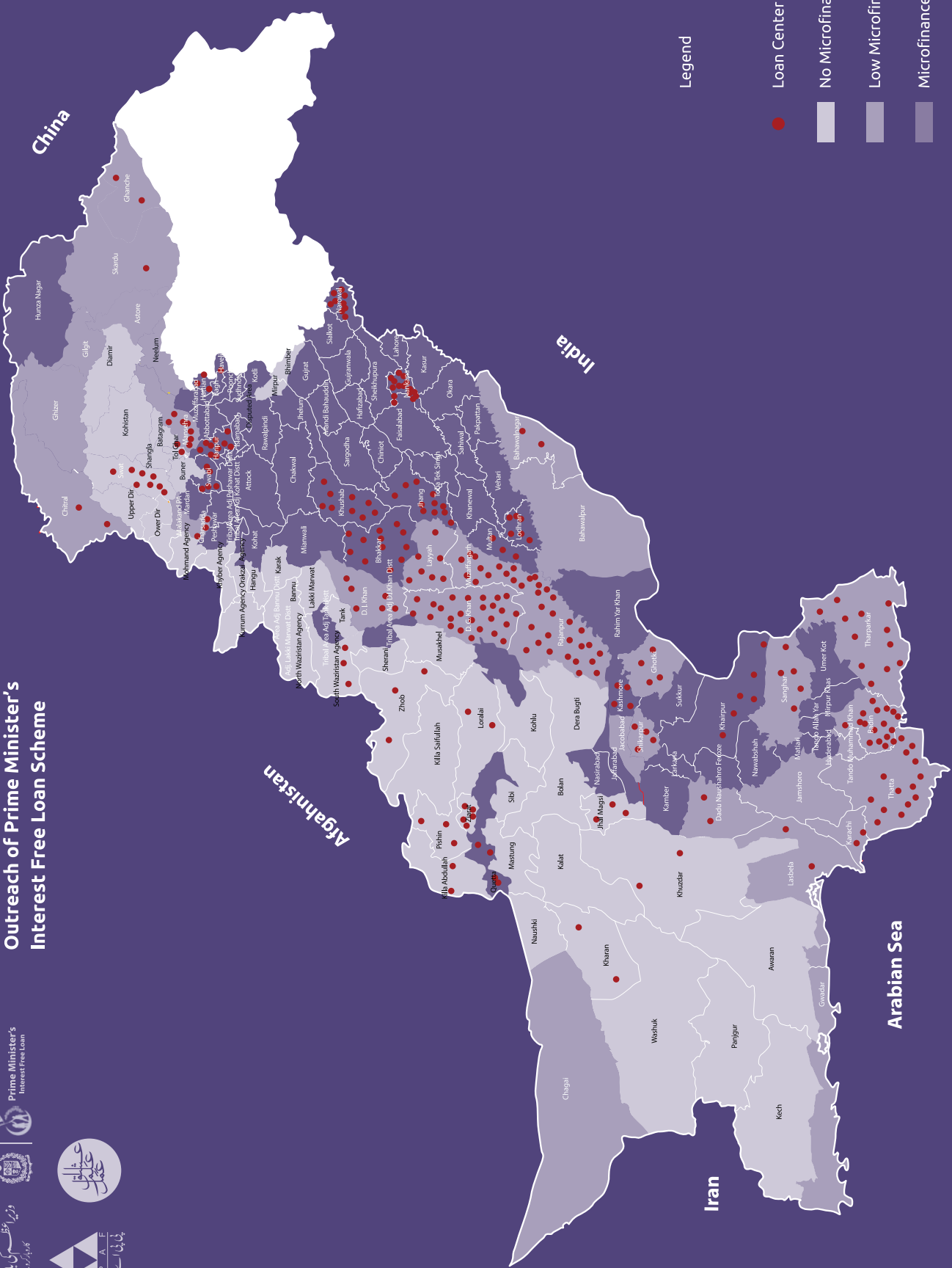
OVERALL OUTREACH

Cumulatively, RS 4,069 million was disbursed to 188,785 borrowers since

inception (Oct, 2014). This is almost 1 billion higher than the amount allocated for on-lending due to efficient revolving of recoveries. Out of total beneficiaries, 62% are women against the set target of 50%.



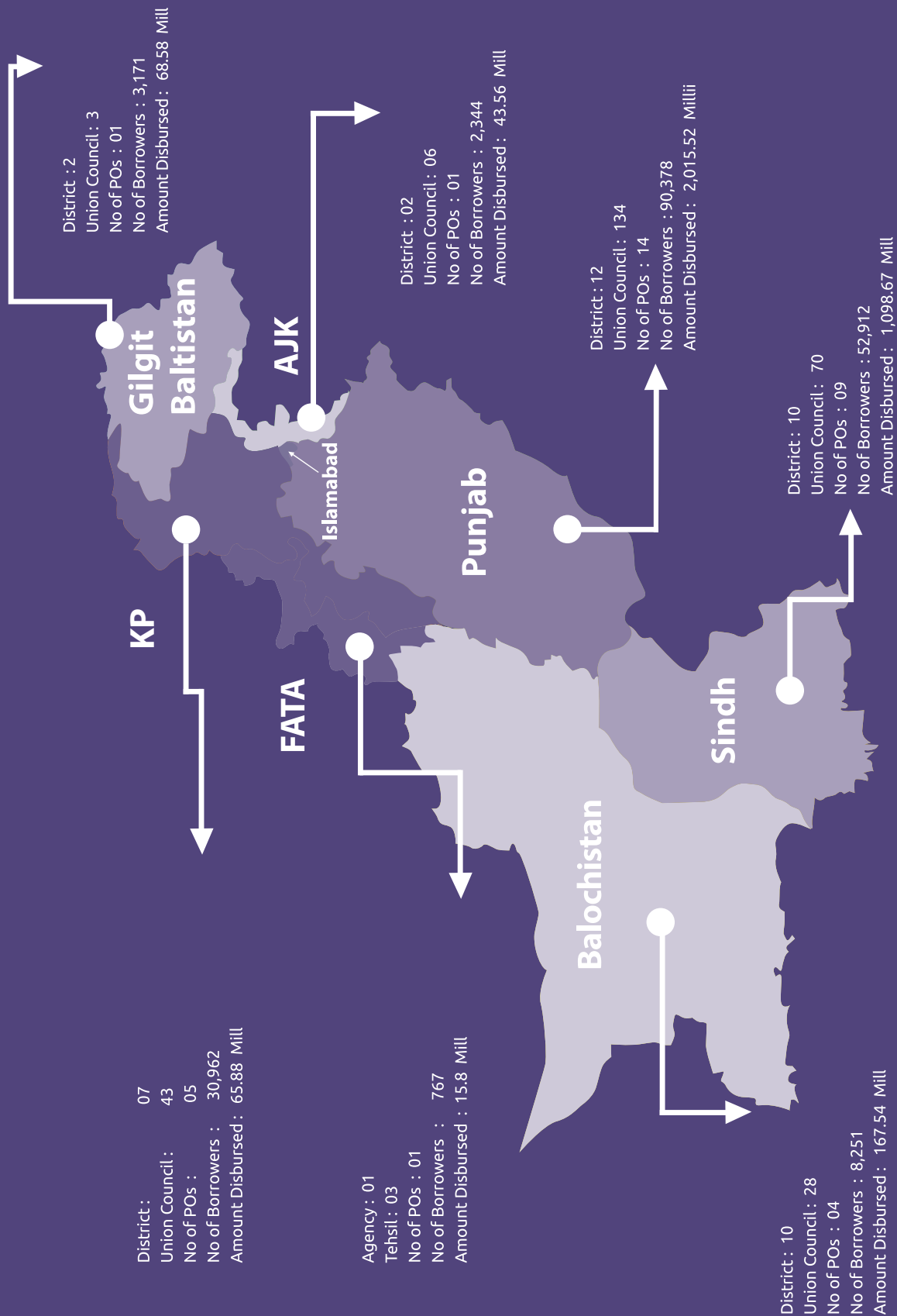
Outreach of Prime Minister's Interest Free Loan Scheme



Legend

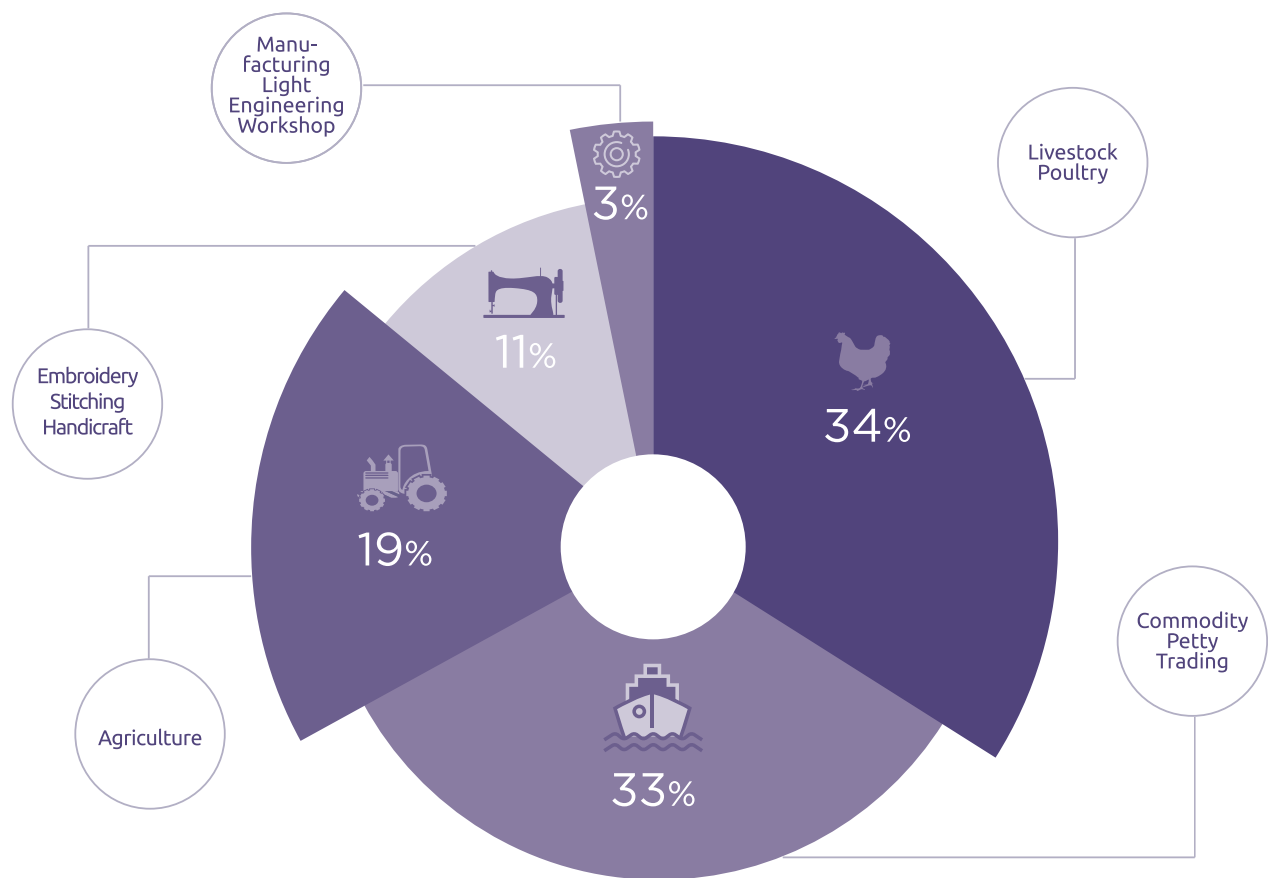
- Loan Center
- No Microfinance Coverage
- Low Microfinance Coverage
- Microfinance Coverage

The red dots in the map represent loan centers/branches established by implementing partners of PPAF across the country



Province/Region wise Outreach (As of June 30, 2016)

SECTOR-WISE DISBURSEMENT



According to above diagram, 86% disbursement is made for livestock, retail trading and agriculture.

ACTIVITIES

Progress review meeting was held at the PM Office on May 17, 2016 managed by Chairperson PMYP where she reviewed the efforts of PMIFL team for implementation of the Scheme.

- The Chairperson BISP visited common beneficiaries of BISP and PMIFL in Badin & Tharparkar and appraised the PPAF/PMIFL Team
- A mid-term experience sharing workshop was conducted with 26 Partner Organizations
- An informative program regarding PMIFL Scheme was aired on 8th April, 2016 on PTV News.

- Compiling a collection of case studies of borrowers from partners for printing and sharing with stakeholders
- Three day Training Session of 30 staff members of newly inducted Partner Organization in Balochistan to enhance the outreach to 6 districts & 15 Union Councils
- New features and reporting indicators were incorporated into MIS
- 85 Orientation Sessions conducted in selected Union Councils.
- Refresher and training sessions held on conducting PSC to POs, 15 staff members of 10 POs participated
- 55 implementation support and monitoring visits were conducted

- A documentary on PMIFL borrowers from all the provinces was made and shared with stakeholders

INNOVATIONS

- PPAF conducted a pilot through three PMIFL Partner Organizations (KF, RCDS and Mojaz) under which each organization disbursed 500 loans through their existing conventional microfinance branches. The outcome of the pilot has satisfactory as no conflict has been reported by the implementing partners. However, each partner will submit a detail report once the pilot is completed.
- Under the PMIFL Scheme 49,500 BISP beneficiaries were given loans to support their movement towards economic self-sufficiency.

SPECIAL INITIATIVES

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, transsexuals, 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 SDGs of gender equality and female empowerment.

OBJECTIVES

- Strengthen mechanisms to ensure PPAF's core value of inclusion is reflected throughout its internal and external processes.
- 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 PROGRAMME 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 the 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 identify 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 & 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.

INTERNATIONAL WOMEN'S DAY

PPAF has initiated an annual International Women's Day Award called 'Amtul Raqeeb'. Amtul Raqeeb was a Social Mobilizer at one of PPAF's oldest partners in Balochistan, killed in the hands of terrorists in 2011. Her bravery provides inspiration for the Amtul Raqeeb Awards presented by PPAF to enterprising and courageous women from our communities every year on International Women's Day. Nominations are made on the basis of criteria highlighting the award winner's contribution as leaders as well as economic power houses and innovators in the socio-economic development of their communities.

This year on March 10th, 2016 PPAF held their annual ceremony at the Margalla Hotel in Islamabad. Addressing the participants, chief guest Dr. Sania Nishtar, Founder and President of Hearfile, said that what she had learned from the recipients of the Amtul Raqeeb Award she had never learned from her professional career. She added that the PPAF was truly reaching those people who were the resources of this country. "PPAF should be congratulated also for creating this award in the name of a truly brave woman who sacrificed her life in the course of her work and for recognizing the achievements of outstanding women who are making a difference in their communities," she observed. She added that the equity and sustainable development were global commitments and were not possible without the inclusion of women. She added that, "It is also commendable that PPAF invited the men who accompanied the award winners to speak to make men party to these achievements so that they realize the respect these women deserve."

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.

The selection criteria for this year's award brought into focus women who had made through local bodies election 2015, those encountering a physical disability, women working for promotion of safe motherhood practices and the ones working towards peace building and conflict management in their respective areas.



GENCOM ACTION PLAN 2015-16

GenCom has developed a yearly Gender Action Plan. The Gender Action Plan for 2015- 2016 incorporates capacity building programs for PPAF staff, partners, and community members. A study survey and a pilot project on gender-based violence has been initiated in Punjab.

CELEBRATING '16 DAYS OF ACTIVISM AGAINST GENDER-BASED 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 '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.

PILOT ON ENDING GENDER BASED VIOLENCE

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.

The six month pilot program employed radio as an effective tool to increase awareness in the three districts on the prevalence of gender based violence and the role of the community members in countering negative social practices. Another relatively innovative activity undertaken was the concept of listeners' clubs or Baithaks. Small gatherings were arranged at almost fifty locations in the three districts. Both men and women used this platform to discuss issues related to gender based violence including education, reproductive health, inheritance rights of women, and developing positive social values. The women were given a voice, and men were made partners rather than adversaries through these social hubs. The success factor in the pilot has been immense in having provided platforms for the community members to voice their concerns on social topics which were often considered unmentionable. Under the pilot, women were able to share their personal stories through a radio program called 'Roshan Raahein' (Pathways of Light).

The pilot findings showed that the listening clubs allowed women to feel empowered knowing they had social and legal rights and legal mechanisms in place which they were unaware of. Men and women used this platform to discuss issues related to gender based violence including education, reproductive health, inheritance rights of women, and developing positive social values. The village officers reported that the elders of the community seem to be encouraging education for girls after listening to these programs which resulted in community members to arrange a teacher for girls from grade 3-5.

PPAF considers gender based violence as a public health problem. With the successful findings of this pilot, PPAF is in the process of scaling up the project in other districts in Pakistan.

PROVINCIAL WORKSHOPS ON TAKING SDGs TO THE FIELD

PPAF was successful in hosting provincial workshops titled: Voices from the Field on Equity and Inclusion in Karachi, Peshawar, Lahore and Quetta respectively on dates from February 11-March 25th 2016. This design provided a unique platform which allowed dialogue and discourse between the provincial governments; partner organizations and social organizers to develop a proposal on how to collaboratively achieve Sustainable Development Goal 5: Gender Equality. Each workshop was modeled with a representative from the provincial government and panelists from the UN and several partner organizations. More importantly, social organizers from PPAF's partner organizations were in attendance to share their experiences working on gender empowerment from the field perspective.

The workshops were designed to: 1) discuss ways PPAF and its Partner Organizations, could take forward Sustainable Development Goals to link with the work of field staff (social organizers and credit officers), 2) look into the kind of action required at the Partner Organization's level to contribute to attainment of Goal 5: Achieving Equality and Empower all Women and Girls, 3) reach an agreement with the field staff to take forward these commitments on inclusion and equity for implementation at their work place, and 4) prepare an action plan for achieving gender equality and empowering all women and girls.

PPAF piloted a project "Ending Gender Based Violence" in May-September, 2015 in three districts of Layyah, Rajanpur and Muzaffargarh in South Punjab where there is a high prevalence of gender based violence. The project built community knowledge through radio programmes, supporting community activists and Women Development Department (Punjab) to take forward information into their areas. What proved very successful was the formation of local listeners clubs led by trained activists that helped communities in understanding information aired and also spreading this information among friends and neighbours. The end of the project report shows that acceptance of women as member of the society and awareness of their needs increased. Anecdotal evidence shows communities took action against early child marriages, women's exclusion in decision making, and domestic violence. The women of the community said that they felt confident and empowered knowing they had social and legal rights and legal mechanisms in place which they were previously unaware of.

WAY FORWARD

PPAF continues to honor and celebrate women and their work to strengthen communities all over Pakistan. While Pakistan has achieved some progress in regards to female empowerment, there is a desperate need for policies and sound implementation to increase Pakistan's gender measurements and overall indicators. Gender empowerment is a fundamental human right and is necessary to build prosperity and sustainability. Providing women with education, access to health, protection against violence and ensuring their political representation met will build a stronger and vibrant Pakistan.

PPAF is committed to being a pioneer for gender equality for organizations all across Pakistan. It is crucial that men and women work together to achieve SDG 5 for 2030. Through PPAF's facilitation of the Provincial Workshops, a comprehensive account of each Provincial Government's strategy towards achieving SDG 5 was brought forth. The idea made apparent was that the government, civil society and international organizations must collaboratively design plans to achieve gender equality and female empowerment through awareness raising campaigns and allocation of budget under their annual development programs. Based on these accounts and learning's, PPAF has developed a national action plan to achieve SDG 5 by outlining actions to be taken specifically by PPAF, the provincial governments and partner organizations.



PPAF OWN FUNDED PROJECTS

1. DERA BUGTI PROJECT

PPAF established its presence in Dera Bugti under its relief and repatriation assistance program for refugees settled in the neighbouring districts due to the Government military operations from 2006 - 07. The initial response from the continuing recovery and rehabilitation work is in the form of institutional development, infrastructure, skill training and asset transfer. These interventions proved promising and improved an otherwise conflict driven area. After gaining a positive impression in the area, PPAF focused on implementing a comprehensive project to address the infrastructure and social sector needs of the communities. The first phase of the project was initiated in July, 2015 funding of Rs. 50 million. The integrated team successfully completed the first phase of Dera Bugti Project in April, 2015 with all physical and financial targets achieved as per the assigned timeline.

PPAF introduced the second phase of Dera Bugti project in June 2016 with its own resources for deepening of interventions in 4 union councils



2. MPCL-PPAF PARTNERSHIP

During the year, Pakistan Poverty Alleviation Fund under its Corporate Relations Management Unit signed a Memorandum of Understanding (MoU) with Marri Petroleum Company Limited (MPCL) under its Corporate Social Responsibility (CSR) strategy to form an alliance to complement each other's activities and embark on interventions in the field of education, infrastructure, renewable energy and social sector services and as mutually agreed by MPCL and PPAF. Through this MoU, "School Improvement Program" has been launched in districts Quetta and Harnai of Balochistan as a pilot project. This pilot project includes rehabilitation of two government schools i.e. Government Girls and Boys School Astangi Margat, Quetta and Government Girls High School, Harnai.

3. HIMALAYAN WELFARE FOUNDATION-HWF

The district Neelum-AJK has a rich agricultural sector but is lacking irrigation channels in the villages of project areas. In order to enhance the local economy, PPAF signed an agreement of Rs. 22 million, with its partner organization HWF, to carry out the CPIs schemes in the area. Under the agreement, 35 schemes have been approved in the implementation plan and 39 schemes have been initiated, as the actual cost of the sub projects was decreased due to intensive labor. So far 27 projects have been completed while the construction of 12 schemes are in progress.

4. EDUCATION PROJECTS

PPAF development objective to empower the targeted rural poor by providing them access to quality education, leads to growth and sustainable opportunity for employment. During the year, financing

agreements were signed with five partner organizations in Punjab and Sindh, sponsored through PPAF's resources. The objective of the project was to strengthen public sector facilities in order to enhance the satisfaction level of students and parents through the training of staff and provision of sound infrastructure to schools with the specific focus on female education. The capacity of school management committees was also enhanced to ensure their involvement in school affairs and improvement in enrolment and retention rate.

5. IRC Skill Development Programme

The Indus Resource Centre, ENGRO Foundation and Pakistan Poverty Alleviation Fund (PPAF) signed an agreement on 18th January 2013 on a skill training project in which IRC was given responsibility to train eighty (80) youth between the age group of 16 to 23 years. The training was planned for four different trades (welding, pipe fitting and plumbing, fabrication and carpentry) with the duration of each trade up to six months. The training was divided into groups and each batch had minimum of 20 members. IRC has successfully completed three sets so far, whereas during the last month the last group training started and will conclude in October, 2016. The last batch has a total of 29 students out of which 15 are residential.



Sr. No.	PPAF Own Resources/Corporate sector Interventions	#
1	Total Projects	16
2	Community Institutions Established	198
3	Schools Rehabilitation/Facilitation	84
4	Community Physical Infrastructure Schemes Completed	46
5	Community Exposure Visits	36
6	Assets Transferred	125
7	Trainings Provided	257
8	Disbursement (million Rs.)	129.91



FINANCIAL SERVICES

- Key Achievements for 2015-16
- Innovations, New Projects & Programmes

FINANCIAL SERVICES

OVERVIEW

As a sector developer, PPAF continued its efforts to improve the business environment and foster growth in the microfinance sector of the country. The Financial Services Unit has fostered microfinance institutions to become dynamic, inclusive, and sustainable, while focusing on value addition, innovation, state-of-the-art products that serve the needs of poor communities. By forming a strategic relationship with the government, regulators, investors, practitioners, public sector entities and other stakeholders, PPAF has created 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 microfinance sector of Pakistan.

The Financial Services Group (FSG) contributed towards wholesale financial intermediation to groom institutions in the sector in order to catalyze growth, help institutional building of service providers, and to establish a robust infrastructure for the provision of microfinance services. By delivering product innovation, productive services are tailored to the needs of the clients in order to ensure that the core business is adequately managed and protected. By offering access to financial services, FSG has catalyzed the process of creating dynamic, inclusive and market-oriented economic growth, employment generation, and livelihood improvement along with development of institutions and communities through the provision of credit.

As of March 31, 2016, the sector is serving 4.0 million active borrowers, 5.5 million micro-insurance policy-holders, and 13.7 million savers. The microcredit penetration rate has increased to 19.5% while the potential microfinance market is estimated at more than 20.5 million clients. The number of branches serving the poor to offer financial services has crossed to 3,000 (it was 2,700 in the last year), gross loan portfolio exceeds PKR 105 billion (30% higher from the year 2014). The average amount of loan disbursed is PKR 35,223 (showing an increase of 12% from last year).

A key objective of the FSG unit is to create a transformative, modern, specialized and innovative microfinance apex entity that will incentivize a resurgence of high quality growth of the microfinance sector and substantially increase financial sector penetration for poor households and microenterprises, particularly in underserved areas of Pakistan. A key success, is the formation of Pakistan Microfinance Investment Company Limited (PMIC). It will be registered as a Non-Banking Finance Company (NBFC) to undertake Investment Finance Services under Companies Ordinance 1984 with Securities and Exchange Commission of Pakistan (SECP). PMIC will be setup jointly by PPAF, Department for International Development (DFID) through Karandaz Pakistan and the German Development Bank (KfW) to fuel the next phase of growth in the microfinance sector of Pakistan. The organization will provide a wide range of financial services to be available to microfinance institutions and microfinance banks in order to promote financial inclusion in Pakistan to alleviate poverty and contribute to broad based development.

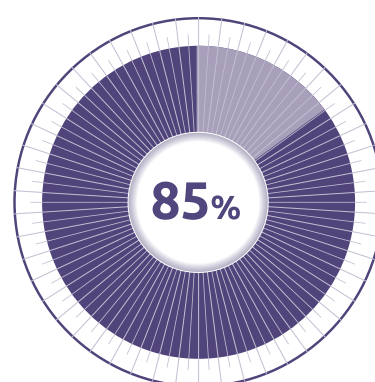
DISBURSEMENTS & PORTFOLIO CONCENTRATION

As of June 30, 2016, the financial services group has made cumulative disbursements of over PKR 104,066 million since inception, of which PKR 9,668 million was disbursed during the current financial year for on-lending to 29 Partner Organizations (POs). PPAF's total value of outstanding loans to its partner MFBs/RSPs/ MFIs is PKR 16,871 million at the close of financial year 2016.

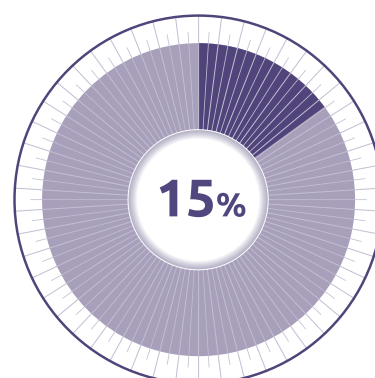
PPAF has supported SECP during the process of formulating and implementing the regulations. Moreover, PPAF has facilitated and guided the microfinance institutions in the sector with the objective to ensure a seamless transition of the sector towards the Non-Banking Microfinance Companies (NBMFC) regulations. PPAF has been supporting capable organizations to develop into viable microfinance service providers with increased confidence from different stakeholders. During the year, it continued provision of technical assistance and grant support to a number of partner organizations for transformation into

companies registered with SECP under the new NBFC regulations for Non-Bank Microfinance Companies from societies/ social welfare agencies. The transformation into a better regulated legal environment will enable the organizations to negotiate better financing facilities from commercial sources. As of June 30, 2016, 85% of PPAF's exposure has been deployed with the Partners that are registered with SECP under Companies Ordinance. While the remaining MFIs are completing the process of registration with SECP, this will further increase the portfolio distribution in companies that are registered with SECP.

PORTFOLIO CONCENTRATION



Companies Ordinance



Other Legal Entities

VALUE CHAINS

The multi-dimensional Agri Value Chain project is continuing to benefit more than 15,000 farmers in district Bahawalpur. Through this intervention, linkages have been established with a number of different firms including FFC, Cotton Research Station Bahawalpur, On-farm water



management department, Punjab Seed Corporation, local agricultural extension service departments and multiple ginning factories. In addition, through collaboration with the Center for Bioscience International (CABI), a Natural Enemy Farm Reservoir (NEFR) unit has been designed to inculcate environment friendly agricultural practices. All of these components ultimately contributed towards increasing the yield by 21% for wheat and 13% for cotton; while reducing the input cost by 13% on an average. As a result of this project, wheat worth PKR 1.68 billion from 32,100 acres and cotton worth of PKR 3.07 billion from 47,250 acres has been sold. Furthermore, in order to cover the risks of farmers, a comprehensive crop yield micro-insurance (MI) product has been developed which provides insurance coverage in case crop loss occurs due to natural disasters. This MI product aided to secure the assets of underserved marginalized farmers from the District of Bahawalpur. Due to excessive rains in the area, a number of farmers lost their crops and were provided claims amounting to PKR 15.34 Million.

A dairy value chain has been implemented for 1,970 farmers in the Districts of Jacobabad, Rajanpur and Muzaffargarh, whereby training sessions on livestock management and business development trainings have been conducted for these farmers. Moreover, multiple backward and forward linkages have also been created to facilitate the farmers. In this regard, Nestle Pakistan has established two chillers in the District of Rajanpur. In the past four months, PKR 48.56 million revenue has been generated through this value chain. In additional Livestock Value Chain has

been running as a self-sustainable model benefiting 1,123 farmers in the District of Khushab.

MICROINSURANCE

In order to cover the risks of farmers, comprehensive crop micro insurance products have been developed and deployed in districts Khushab, Chakwal, Bahawalpur, Sanghar whereby a total of 38,239 acres have been insured; while due to hailstorms and heavy rainfall during the monsoon period a total of 252 claims for damaged crops have been settled for insured clients amounting to PKR 15.34 million. Moreover 70,297 animals have been insured under livestock micro insurance products and a total of PKR 10.72 million has been disbursed as claim amount to the respective clients. From this, 76 claims amounting to PKR 432,000 were presented as special case, amid the 2015 floods, which caused drowning of insured animals, leaving no proof of their death. Understanding the dynamic of the effective community, the insurance companies paid the claims as a goodwill gesture by disregarding the documentation requirement. This has created a demonstration effect on the communities and more members are now resorting to micro insurance as an effective risk mitigation tool to protect their crops and livestock.



To provide participants of agri and livestock value chains, Crop and livestock insurance has been made an integral part of the value chains being implemented by FSG across the country as a risk mitigation tool to protect the livelihoods of subsistence farmers and herders.

RENEWABLE ENERGY SOLUTIONS THROUGH MICROFINANCE

FSG has replicated and up scaled the Renewable Energy (RE) based microcredit interventions in Khushab, Chakwal and Tharparkar Districts, whereas 2,620 loans have been provided which total PKR 60.54 million.. In addition, a team from GIZ, in collaboration with PPAF conducted a technical assessment study of PPAF's microfinance based Solar Home Systems (SHS) for the above mentioned districts, in order to identify areas of improvement for effective on lending and utilization of microfinance based RE mechanisms.

WOMEN EMPOWERMENT- CREATING ACCESS TO FINANCE

FSG has up scaled three initiatives namely, Low Cost Private Schools (LCPS), Access to Finance for Women and technology laden Super Agency Model, which are majorly targeting women. The LCPS initiative has reached out to 160 schools; benefiting 30,186 students (51% girl students) and 1,539 teachers who are working in these schools. Further on, 745 teachers, 298 entrepreneurs have been trained on school management and a total of 20,197 students have been trained financial literacy.

The programme of access to finance for women is aimed at providing access to finance, along with a range of capacity building activities, and



enabling women to setup their own businesses has been up scaled in 4 districts of Punjab i.e. Bahawalpur, Multan, Gujrat 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, while enhancing the role of non-bank MFIs, PPAF is also implementing a Super Agency Based Branchless Banking project in 21 branches of a local MFP. A specialized savings product for women by the name, 'Khawateen Bachat Account' has been rolled out where by 14,868 women beneficiaries have opened their saving accounts, with total transaction value amounting to PKR 7.46 Million.

ASSET BACKED LENDING

PPAF has introduced an innovative ABL product to offer larger 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 139 loans, which includes 75% women clients.

GRADUATION MODEL

PPAF focusses 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, 8,750 beneficiaries have graduated from LEP to microfinance. Moreover, 365 asset transfer beneficiaries have been included in the dairy value chain implemented by FSG in district Rajanpur, while 2,312 LEP livestock asset transfer beneficiaries and 2,000 IFL clients have been provided livestock insurance in 3 districts of South Punjab. The process will continue and graduated clients would increase in future as most of the assets were transferred during last two years period.

COLLABORATION WITH CORPORATE PARTNERS

FSG through collaboration with Corporate Relations Management (CRM) unit of PPAF have engaged in negotiations with corporate entities, like FFC, in order to implement interventions aimed to improve quality of life for the benefit of poor communities across the country. Based on the success of the AVC model, PPAF is collaborating with FFC's Sona Welfare Foundation (FFC's CSR component) to implement a similar intervention for 300 farmers in Southern Punjab, which will also include provision of FFC's agri extension services for the subsistence farmers.

Further on, FSG also worked in close collaboration with the CRM unit to hold the 10th Citi-PPAF Micro entrepreneurship Awards Ceremony this year.



RISK MITIGATION

FSG has continued facilitation in the utilization of services of Microfinance Credit Information Bureau (Mf-CIB). 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.

Likewise, PPAF over the period has encouraged their partner organizations to conduct their audit from SBP approved list of auditors. As on June 30, 2016, about 90% of PPAF exposure is against MFIs, who conduct their audit through Category 'A' audit firms on SBP approved list of auditors. The remaining 10% conduct their audit either from SBP Category 'B' and 'C' or QCR rated audit firms.

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 2014. Efforts have resulted in improved women representation in BoD and members having financial and banking background and women representation. Currently 21% represents members with financial, audit and accounting backgrounds, 26% represents members with microfinance and business expertise, and 33% are women representatives; out of 375 BoD members in 39 Partner Organizations.

COMPOSITION OF GOVERNING BODY IN PARTNER ORGANIZATIONS

21%	Finance/Audit/Banking Expertise
26%	MF/Business Expertise
33%	Female Members

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.

INNOVATIONS, NEW PROJECTS AND PROGRAMMES

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 of March 31, 2016. 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 399,000 clients in selected districts. By the end of the project, more than 655,000 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 were 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.

Microcredit Disbursements to POs- PPAF III	8,482 million
Partner Organizations	21
Loans Served	655,196
Female Clients	67%
Districts Covered	33

YIELD BASED CROP MICROINSURANCE (MI)

In order to cover the risks of farmers residing in the canal fed area, a comprehensive insurance product has been developed which provided insurance coverage based on the yield of the crop in targeted areas namely Sanghar and Bahawalpur. This initiative has been deployed for the marginalized farmers, having less than 4 acres of land. For this type of insurance, the indemnity is based on the 3 years of historical yield of districts Bahawalpur and Sanghar, thus the insured yield is established as a percentage of the average yield for this area. An indemnity is paid if the realized average yield for the area is less than the insured yield. The product cover losses based on calculation of historical yield pattern

and provide insurance coverage in case natural calamities and individual crop loss declared by the local area revenue officer. The product covered losses due to natural hazards, pesticides attack, or/and any other factor affecting the yield of the crop.

MI FOR MILKING

In order to mitigate risk at herder's end, a specialized product has been designed for milking animals. This product is a refined form of conventional insurance where claim settlement is based on a scientific method and the value of the animal is based on its productivity. This livestock MI product is supported by the following activities to ensure that risk is minimized in every possible dimension:

- Creating and raising awareness about refined livestock management practices through social mobilization
- Farm and animal profiling of farmers to gauge the actual MI needs
- Trainings of farmers on livestock management and dairy best practices
- Strict monitoring for refined implementation of best dairy practices, availability of clean drinking water for animals and de-worming and vaccination for reducing animal diseases

PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED

Recognized globally for its regulatory and business environment, the microfinance sector in Pakistan has set its sight to reaching 10 million clients by year 2020 which would require an injection of USD 3 billion through debt, equity and deposits. Since inception, PPAF has played a critical role both as a sector developer and as an apex wholesale lender. PPAF catalyzed financial deepening and expansion of microfinance services in the underserved areas of the country. It also encouraged innovation and testing of different lending methodologies and delivery mechanisms. PPAF has been the largest source of wholesale funds for the sector and has disbursed more than USD 1.4 billion over the last 16 years and has fully deployed its funds through 40 partner organizations.

In order to catalyze the next phase of growth in the sector and to meet the funding demands of the sector; PPAF, Department for International Development (DFID) through Karandaz Pakistan and the German Development Bank (KfW) have joined

hands to establish Pakistan Microfinance Investment Company Limited (PMIC). PPAF in coordination with the shareholders and consultants is currently in the process of taking necessary actions in order to complete all legal and procedural formalities for the formation of the new entity. During the year, key developments took place, included signing of the Shareholders Agreement on April 28, 2016. This agreement was signed off by the shareholders for the establishment of Pakistan Microfinance Investment Company Limited (PMIC) at a ceremony attended by the Finance Minister, Deputy Governor-SBP, Chairman SECP and other delegates from PPAF, DFID, German and British Governments and Ministry of Finance. The Shareholders' Agreement was signed by CEO PPAF, Karandaz Pakistan and Deputy Head of KfW Pakistan on behalf of their respective organizations. Pakistan Microfinance Investment Company Limited (PMIC) is envisioned to have a commercial (for-profit) structure to be registered as a Non-Banking Finance Company (NBFC) to undertake Investment Finance Services under Companies Ordinance 1984 under SECP. PMIC will be the first of its kind national level Microfinance Investment Vehicle (MIV) in the world.

PMIC is expected to receive license to operate from SECP by September 2016.

The entity aims to fuel the next phase of growth in the microfinance sector of Pakistan and the major objective of PMIC is to attract commercial funding to serve increasing demand of those who are financially excluded and further improve the capability and capacity of the sector to absorb these funds. PMIC's purpose is to provide a wide range of financial services to inter alia microfinance institutions and microfinance banks to promote financial inclusion in Pakistan in order to alleviate poverty, contribute to broad based development and create employment opportunities in the country. The NFIS also recognizes microfinance as an important instrument for increasing financial inclusion in the country and an important milestone of the strategy includes enhancing commercial funding for the microfinance sector through creation of PMIC.

LEARNING & KNOWLEDGE SHARING

PPAF constantly measures and evaluates the impact of its microfinance plus interventions on beneficiaries and has continued adding value during implementation of different programs. PPAF has been undertaking the knowledge management function for the microfinance sector, under which various publications have been prepared and disseminated in collaboration with stakeholders. PPAF has created synergies with key stakeholders State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), Pakistan Microfinance Network (PMN), Commercial Banks and private sector entities to facilitate and promote knowledge sharing. There is a critical need to continue knowledge management in the sector; that is, to gather, analyze, and disseminate information on research findings, innovative products, processes, and technologies.

Based on the learnings and implementation of action research conducted,

PPAF has focused on designing sustainable market based models which have long lasting positive impact on poor communities as well as country's macroeconomic indicators. PPAF has been designing products and services which are innovative, market-based, abiding by international best practices, technologically savvy and, above all, are beneficiary-centric. These products and services supplement provision of microcredit, serve as effective poverty alleviation tools along with risk mitigation at all levels. In line with the needs of the microfinance sector and international best practices, PPAF has facilitated provision of financial services with emphasis on microfinance plus. Microfinance-plus refers to the provision of developmental services to clients, ranging from access to markets and business development services to financial literacy training and other capacity building initiatives alongside financial services. These business development services usually aim to boost competitiveness through higher productivity, better product design, improved service delivery using

alternate delivery channels such as branchless banking, or enhanced market access. Drawing on the developments in the microfinance sector, it is clear that a microfinance plus approach is required to address the critical issues that constrain the sector.

Experience gained during implementation of various products by PPAF indicates that value addition and innovation serves the needs of communities and also contributes towards creating a positive impact while reducing risks and maximizing profits. PPAF encourages adoption of an integrated approach which involves bundling financial products with value addition products or services related to agriculture, health, education, energy, capacity building, risk mitigation among others to bring about greater impact in communities, reduce cost of delivery, provide greater customer satisfaction, and enhance income streams.



COMPLIANCE AND QUALITY ASSURANCE

- Monitoring, Evaluation and Research
- Environment and Social Management
- Communications and Media

- Corporate Relations Management
- Information Technology

MONITORING, EVALUATION & RESEARCH

OVERVIEW

The Monitoring, Evaluation and Research (MER) is an independent unit mandated to critically monitor and evaluate the impact of PPAF interventions in addition to regularly collecting and disseminating information to all the stakeholders. Primarily, it performs three key functions: (i) monitor progress of PPAF supported interventions and ensure that desired results are achieved; (ii) carry out internal and third party assessments and evaluations (iii) Being main repository of data, the unit produces periodic progress for the management, board, donors and other stakeholders, and also regularly disseminates information through thematic reports, research briefs, guidance notes, impact assessment reports, lessons sharing events and research conferences.

The Unit is involved in improving the partner organizations' and PPAF's units' capacities in monitoring project activities, outputs and outcomes. The unit also plays key role in conceptualizing various projects' results frameworks that are based on lessons learnt for improved monitoring and evaluation of the projects.

ASSESSMENTS AND EVALUATIONS

PPAF's evaluation mechanism is designed to (i) gain feedback to informed decisions leading towards improved policies, strategies, programmes and projects; (ii) assure accountability towards donors; partner organizations, community institutions and beneficiaries; (iii) measure impact and improve performance based on lessons learnt; and (iv) provide evidence for advocacy or policy dialogue. Following assessments and evaluations were carried out by the unit during the reporting period:

PROJECT COMPLETION REPORT OF PPAF-III

Recounts the perspective of PPAF, its partners and the community organizations on performance, achievements of PPAF-III while reflecting on effectiveness, efficiency,

development impact, relevance, design and sustainability of activities. The report identifies experiences, challenges, innovations, best practice and lessons learnt from the design and implementation of PPAF III. The report would serve as a base for World Bank's supported Implementation Completion Results Report (ICR) to be ready by December 2016.



DISTRICT LEVEL ANALYSIS OF MULTIDIMENSIONAL POVERTY IN PAKISTAN

This report presents the estimates and analysis of multidimensional poverty in Pakistan from 2008-2009 to 2012-2013 at national, provincial and district levels during the first 5 years of democratic transition. The study of multidimensional poverty goes beyond evaluating data on household income or consumption expenditures and describes a complex interplay of multiple dimensions such as education, health, living conditions, and asset ownership. The report presented at a time when development discourse in the country leaves behind Millennium Development Goals (MDGs) to embrace the new paradigm offered by Sustainable Development Goals (SDGs). The transition calls for reflection of the past and a more detailed and in-depth evaluation of poverty over time, both for accurately estimating the extent to which poverty was alleviated under the MDGs, and for assessing the critical challenges lying ahead of SDGs.

INSTITUTIONAL ASSESSMENT OF FIRST AND SECOND TIER COMMUNITY INSTITUTIONS OF THE POOR

Gauges the maturity level of community institutions including first tier and second tier community organizations under the PPAF-III across Pakistan. The study focuses on the key areas of governance, institution building and social mobilization, to determine the relevance, sustainability and effectiveness of community organizations and federated village organizations to take forward

inclusive and integrated development.

IMPACT ASSESSMENT OF PPAF'S BASIC SERVICES AND INFRASTRUCTURE COMPONENT

Focuses on areas of financial, economic and social return of infrastructure interventions and determines the relevance, efficiency, effectiveness and sustainability of investments made in infrastructure. While highlighting changes in socio-economic conditions of beneficiary population as a result of five years of intervention, the assessment brings forth intended and unintended results, 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 assessment will help build on policy making on community infrastructure at PPAF and national level in the country.

IMPACT ASSESSMENT OF PPAF COMMUNITIES AND SKILLS TRAINING PROGRAMMES

Gives a comprehensive assessment of PPAF's and POs' training programme on vocational and skill trainings, community managerial trainings, and other development training programmes in terms of outreach, relevance to the existing and emerging needs of the market, impact and sustainability at the individual as well as community levels. While analyzing current situation, the study provides policy direction on improving vocational and skill trainings for improving household economic levels.

TRANSFORMATIVE PEACE AND PLURALISM

Analyzes approaches of 'Transformative Peace and Pluralism' processes to develop a strategy for building resilient and peaceful communities by protecting and celebrating diversity – the core essence of our collective national identity – both as a means and an end to achieving transformative peace building. The study draws an interesting comparison of conflict in FATA and Balochistan and suggests ways for PPAF to deal with the varying contours of conflict to build institutions and social networks at the community level that would develop social cohesion and promote peace.

SITUATION ANALYSIS & BASELINE FOR ITALIAN FUNDED PROJECT

Profiles situation of 14 program districts under the three year's investment of "Program for Poverty Reduction (PPR)-Italian Program in Balochistan, KP and FATA". The study also identifies and ranks the 38 program Union Councils (UCs) and presents their socioeconomic situation and poverty profile of households.

STRATEGIC PARTNERSHIPS FOR RESEARCH WITH ACADEMIA AND RESEARCH INSTITUTIONS

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 research experimentation to identify the most effective mix of components for a strong Community-Driven Development (CDD) program. The unit completed the mid-term of last component of the research collaboration, which was a study on the 'Impact Assessment of Social Mobilization and Scaling-up a CDD Program'. Data collection for the end line evaluation has been completed and it is currently being analyzed. The evaluations will provide a number of findings around community behavior and decision making. Key findings from the initiative will be disseminated in 2nd International Research Conference to be held in early 2017 at Islamabad.

LAHORE SCHOOL OF ECONOMICS (LSE)

PPAF has partnered with LSE since 2013 to undertake a study "Incentivizing Development: A Field Experiment with Third Tier Organizations (TTOs) in Pakistan". The research with LSE focuses on identifying governance issues and challenges within TTOs and testing the effects of non-monetary incentives on performance dimensions of Governance and Inclusion via active participation of men and women in the Executive Body and General Body; and Services provided by the TTO in various sectors including health, education, agriculture, disaster preparation and relief, employment/livelihoods, government assistance programmes and legal rights.

A comprehensive baseline of all existing TTOs has been completed in 2015 and results shared with Partner Organizations in January 2016. A third party firm has trained elected executive body members of TTOs on self-reporting. PPAF is looking in to engaging Community Resource Persons as master trainers; thus using a set-up that is already in place and

further build their pool and capacity. Mid-term of the research is currently planned and the research is expected to continue over the next two years.

SUSTAINABLE DEVELOPMENT POLICY INSTITUTE (SDPI)

PPAF collaborated with the Sustainable Development Policy Institute (SDPI) and conducted a research study "Geography of Poverty in Pakistan-2008-09 to 2012-13: Distribution, Trends and Explanations" that analyses district level multidimensional poverty in Pakistan and provides policy recommendations and guidelines. The study reports the stark rural-urban, inter-provincial and intra-provincial (district level) inequalities in the levels of poverty. By using four measures of poverty, headcount ratio, extreme poverty, intensity of poverty, and the index of multidimensional poverty, it ranks districts on the Multidimensional Poverty Index (MPI), and tracks the change in poverty in the districts over the five years. Such a zoning provides a starting point to develop a typology of poverty as a lens to conceptualize regional differences and the clustering of poverty across the country by taking the geographic, economic, social, cultural, political, natural and environmental factors into account. In October a stakeholders' dialogue will be held to discuss the findings as well as further analyse the policy and practice recommendations emerging from the study.

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 on intended and unintended results achieved. This exercise also includes validating the progress data received from the implementing partners. Since 2012, 24 outcome monitoring visits of PPAF supported projects covering 41 partner organizations have been conducted across the country.

MONITORING IN INSECURE AREAS

Security situation of some of the program areas is fragile especially some areas of Balochistan don't allow existing PPAF staff to visit and monitor progress of the program activities. Hence, two local employees and one consultant have been taken onboard. Quarterly monitoring plans for these monitors are being prepared in consultation with relevant units and they are undertaking regular operational and outcome monitoring visits to insecure areas of Balochistan as per their monitoring plan. Keeping in view the local context, they also provide need based

strategic sectoral level inputs to other projects on the basis of their knowledge, experience and expertise.

PO WATCH LIST

In order to holistically and systematically review performance of all the PPAF partners, POs watch list is currently being prepared by MER Unit and approved by PPAF senior management. Based on a set of criteria, relevant units (including project units) share performance of their implementing partners. Resultantly, POs are placed in high, medium and low risk categories in the watch list and this list is being used for internal decision making about the partners.

PERIODIC PROGRESS REPORTING

MER Unit is also responsible for ensuring the due diligence function of Chief Executive through periodic reporting to the Board of Directors (BoD), the donors and stakeholders. During the reporting period, high quality periodic progress reports for various PPAF programmes including Third Pakistan Poverty Alleviation Fund (PPAF-III), Livelihood Support and Promotion of Small Community Infrastructure Project (LACIP), and Programme for Poverty Reduction (PPR) were submitted to the donors and other stakeholders in an efficient manner. The unit also prepared periodic progress reports for PPAF BoD as well.

DISSEMINATION OF FINDINGS & LESSONS LEARNT

The key findings from various third assessments including Impact Assessment of PPAF Communities and Skills Training Programs, Impact Assessment of PPAF's Basic Services and Infrastructure Component, and Institutional Assessment of First and Second Tier Community Institutions of the Poor have been shared with the key stakeholders with a focus on lessons learnt to improve future programmes and interventions.

In addition to the above, during the reporting period following events were also held:

- Incentivizing Development: A Field Experiment with Third Tier Organizations in Pakistan." Findings on attributes and characteristics of all existing third tier organizations has been completed in 2015 and results shared with Partner Organizations in January 2016.
- A stakeholders' consultation on "Innovative Approaches to Social Mobilization" was held in January 2016. During the event, best practices and challenges faced around governance, inclusion and sustainability under social mobilization were discussed.

ENVIRONMENT AND SOCIAL MANAGEMENT

OVERVIEW

The Environment and Social Management Unit (ESM) functions to ensure compliance with PPAF's Environment and Social Management Framework (ESMF) within PPAF and its partner organizations. The unit was formed in 2011 and has undertaken a series of measures to mainstream and ensure compliance oversight of environmental and social safeguards in all PPAF-funded development interventions. 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:

- Capacity Building of PPAF, POs and Communities
- Compliance Management and
- Communications & Research

CAPACITY BUILDING

The ESM Unit conducted six workshops to provide all PPAF staff guidance on the use of ESMF. These capacity building proceedings helped to ensure the compliance and monitoring activities of ESMF. Moreover, the staff organized different social and environment events at PPAF to show the commitment of securing and protecting environmental sustainability in Pakistan.

Orientations and training sessions for PO staff were organized to ensure the effectiveness of ESMF for POs; ESM-Focal Persons were established. 4 POs were oriented by ESMU where 81 participants were trained. These focal persons are responsible for the mainstreaming of environment and social safeguard in all PPAF's funded interventions.

Moving forward, the ESM Unit is now focusing the mainstreaming of ESMF at the grass root level. For smooth implementation of environment and social safeguards, an Urdu version of

ESMF and CRP module has been shared at community level. 212 CRPs under PPR and PPAF III project were trained. These modules entailed guidelines for interventions, environment and social safeguards and their mitigation measures.

At the community level different awareness sessions, trainings and events were organized by Partner Organizations and reported in QPRs.



ENFORCEMENT AND MONITORING

ESMU has conducted 21 Environmental and Social Audits (ESAs) of its interventions in 13 districts. 20 POs were monitored during these audits of four provinces including Gilgit Baltistan. These audits were conducted by following the set criteria defined by ESMF and Unit's management. As an agreed action of Environment and Social Audits, POs and community resource persons have been given emphasis to comply with indicators of Form A at the proposal and implementation stage against each intervention and Form B at completion stage. While minimizing negative impacts during interventions, they are emphasized to adopt mitigation measures. Prior to Environment and Social audits and orientations, non-compliances were recorded and shared with Operational Units and POs. ESMU also participated in joint monitoring visits led by MER Unit.

ESM compliance has also been added in to PPAF's result based framework and indicators have been incorporated in PPAF's centralized Management Information System.

THIRD PARTY VALIDATION

ESMU hired an external consultant to conduct a third party validation of ESMF for the period of July 2015 to March 2016. The objective was to acquire a thorough review of 5th edition of ESMF and its effectiveness in improving compliance, mainstreaming of ESMF within PPAF units, review of training curriculum and monitoring mechanism as well as documentation and implementation of mitigation

measures of sub projects.

A lesson learnt workshop regarding TPV findings was also organized by ESMU. The findings and recommendations were shared with the operational units and partner organizations of PPAF to mainstream ESM as one of the core values of PPAF.

SAFEGUARDING ISO CERTIFICATION PROCESS

One of the last year's major achievements of ESMU was securing organizational certification for ISO 14001:2004 standards. ESMU through its trained ISO task force successfully got the one year surveillance certificate by external auditor Resource Inspection Canada Incorporated (RICI). Several activities were also conducted by ISO Task force which includes different capacity building session for staff, drivers and janitorial staff. The task force has also been trained to conduct internal audits as well as compliance procedures to PPAF's set targets and objectives.

INDIGENOUS PEOPLE PLANNING FRAMEWORK (IPPF)

PPAF has developed an IPPF for its indigenous communities residing in the Kalash Valley. This year PPAF through its partner organization has prepared Indigenous Peoples Plans for each sub project/interventions of the area. The scope of the IPPF includes gauging positive and negative impacts of sub-projects on indigenous people, preparing plan for carrying out the social assessment for sub-projects, developing framework for ensuring free and informed consultation with the affected indigenous communities.

Historical abuses, discrimination and marginalization suffered by indigenous peoples, continuously reflects their continued struggle for equality and respect for their rights as peoples and as individuals. To recognize this and celebrate the rights of all people, the ESMU unit planned a visit to Chitral Ayun Valley to celebrate World's Indigenous People Day with Kalasha people.

The team celebrated this event with community members in Bhamburat Valley. 29 school going children participated in the painting activity.

Their work reflected their interests and potential and creativity. A creative exercise with children by drawing their thoughts was also part of the activity.

COMMUNICATIONS AND MEDIA

OVERVIEW

The Communications and Media Unit (C&M) strives to uphold the PPAF's vision of poverty alleviation by creating awareness and sensitizing marginalized communities across Pakistan about PPAF's interventions and programmes through a wide range of activities, including effective coverage in mainstream national and international media. The C&M unit endeavors to improve communication channels between the state and poor communities by differentiated and effective engagement with governments (federal, provincial & local) and also keeps all stakeholders well informed. Another strategic objective of C&M Unit is to build PPAF's corporate image at national and international level as an independent, non-political and transparent institution, which can influence the national debate on resource allocation choices, bring positive societal changes and transform lives of poor communities, through well-researched and planned activities and products.

Keeping the communication at the center of strategy, the C&M Unit complements the entire communication process and advances the PPAF's mission. It enterprises the mainstream knowledge sharing and maps the effective solutions through various media campaigns which are designed to bring awareness to diverse public, including direct and indirect stakeholders, such as Government of Pakistan, International Donors, Partner Organizations, Media, Academia, Legislators and Communities.

Broadly, activities of C&M unit consist of four spheres including 1) documentation, 2) information dissemination, 3) capacity building and 4) stakeholders relationships. The C&M unit, in order to voice the poor and reflect the PPAF interventions' socio-economic impact, documented various PPAF projects at three stages including: pre, on-going and post phases. Visual documentation of multiple projects took place during the year under review, such as four

animations on social issues, Field Kahanis on 8 different projects and documentaries on different interventions were produced.

Similarly, for wider and extensive dissemination of PPAF's programmes and agendas, the unit has been regularly publishing the success stories, best practices, posters, fact sheets, annual report, brochures and flyers in multiple languages for varied stakeholders. These publications are designed and circulated to disseminate achievements and cultivate awareness among targeted communities, so the social, environmental and economical impacts of interventions are broader, stronger and long lasting. Four issues of LACIP newsletter titled "New Horizons" in English and Urdu, two issues of "Inspiring Change" focusing activities under PPR and seven issues of "E-sharing" were published during the year under review. Furthermore, ten success stories of PMIFL beneficiaries from across all the geographic regions were recorded to produce a documentary.

Knowledge sharing has also been used by the C&M as a tool to circularize information across the organisation. Articles appearing in newspapers and magazines mentioning PPAF as well as other pertinent articles on developments in social sector were also shared.

Multiple platforms, depending upon the suitability are used by the C&M to carry forward the PPAF's mission of bringing positivity and for creating hope in society. Hence, to create social insights among people about gender based violence and to mitigate its malicious impacts, a series of 13 episodes named "Roshan Raahein" was produced and aired through local FMs in Multan, Muzaffargarh and Rajanpur, so people of those areas can relate to those stories and a psycho-social change at massive level for a positive and meaningful behavioral change can be achieved. Similarly, two interactive theatrical performances were arranged in Bahawalpur as a part of the interactive trainings for the communities.

Social media exposure and website management is one of the core activities undertaken by the C&M team. Information is updated on various social media channels such as Facebook, Mail chimp, Sound cloud,

Vimeo and Twitter on regular basis, depending upon the popular and accepted forms of web-material such as video documentaries, photo stories, emails, Field Kahanis and Tweets regarding PPAF events, dialogues, workshops, brainstorming exercises etc.

Another cardinal role played by the C&M unit is to manage events and provide equipped and active support to other units for arranging events, workshops, exhibitions, meetings and ceremonies.

During the period under review, few of the events involving active management and participation of C&M Units included: International Women's Day celebrations, Italian National Day celebrations, 10th Citi-PPAF Micro Entrepreneurship Awards, REAP Conference, Provincial Workshop on "taking SDGs to field", Commemoration of 2005 Earthquake, Learning and Sharing Session, Baseline Study Sharing and Stakeholders Consultation Workshop, AGM Annual Conference of PSDE (Pakistan Society of Development Economists), PMIFL event and Celebration of Earth Day.

Capacity building of PPAF's employees and partner organizations for improved communication skills and abilities to document, disseminate and liaise with mainstream media is another important duty performed by the Communications and Media Unit. For this purpose, different training sessions and workshops were conducted throughout the year. Two formal training sessions for the Digital Hubs and LSO representatives from Sindh, Swat, Quetta and Islamabad were executed. Those sessions included the trainings that how effective communication between these Digital Hubs and PPAF's team can be maintained using the medium of WhatsApp and Facebook. Likewise, POs of Balochistan were oriented on effective communication skills, advocacy, media relationing and optimal use of social media. Few other sessions were organized on content marketing and social media communication for Team PPAF and PMIFL implementing partners.

ESM related activities have also been an integral part of the C&M happenings during the year, these include elaborated communication

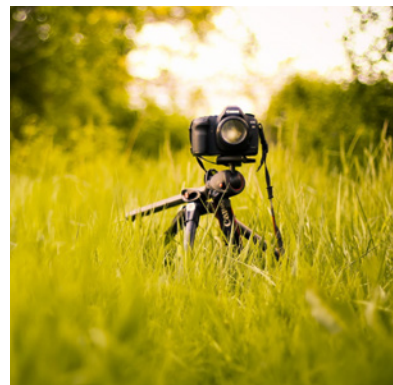
plan to deal with monsoon floods and plan to ensure the compliance of ISO Certification among PPAF team. Under the realm of ESM, few of the initiatives taken by C&M Unit during the year includes installation of suggestion box regarding environment protection, dissemination of Corrective and Preventive Action Form, pop-ups on efficient use of water, electricity and paper. To promote healthy behaviors among PPAF team, messages such as "USE STAIRS- STEP UP TO BETTER

HEALTH" were designed and displayed at different places. Alike, an awareness raising segment regarding environmental and social responsibility was included in each learning and sharing session.

During the year, the general activities carried out by C&M unit included a sprawled range of activities like translations of Employee Handbook and Annual Reports 2013 and 2014 to comply with the new requirements of SECP, drafting of PPR communication strategy and production of Annual

report and Sustainability Report.

In addition to all above mentioned purposes separately, a central pursuit of undertaking every activity is to maintain and cultivate a healthy Stakeholder Relationship. C&M strategically positions PPAF as an institution that is capable to inform, advice, advocate and influence public policy debate(s) relating to economic development and poverty reduction in the line of its mandate and achievements.



CORPORATE RELATIONS MANAGEMENT

OVERVIEW

The purpose of PPAF's Corporate Relations Management (CRM) Unit is to mobilize the national and international corporate sectors in implementing Corporate Social Responsibility and Corporate Philanthropy initiatives. In this regard, the CRM Unit has established contacts with several corporate sector organizations in Pakistan and has been developing relationships with international private trusts and foundations. The purpose of forming linkages with local and international corporate entities is two-fold, one is to diversify PPAF's funding resources and the second is to build synergies to better serve the most marginalized of communities. PPAF, being a sector developer, is taking lead in the achievement of poverty alleviation goals involving efforts by local, multinational and international corporate, media, academia, nonprofit organizations and institutions of the poor.

The unit's vision is to comprehensively co-opt the private and corporate sector in the process of poverty reduction and grassroots development. With the purpose of 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) fundraising and resource mobilization; and 2) project implementation and liaison.

CURRENT PARTNERSHIPS

CITI-PPAF MICRO ENTREPRENEURSHIP AWARDS

PPAF and the Citi Foundation hold 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 Micro entrepreneur (male & female), Best Regional Micro entrepreneur (male & female), and

Most Innovative MFI (Micro Finance Institution). The eleventh Citi-PPAF Micro Entrepreneurship Award will be held in November 2016. 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 programmes aligned with its economic empowerment mission including – microcredit, small and growing businesses, skills training, financial education and asset building.

Post CMA Awards Event – in order to address an underlying need to supplement outstanding entrepreneurs with effective entrepreneurial training, PPAF in collaboration with IFC organized training workshop for 10th CMA award winners on April 14 – 15, 2016. The course "Strengthening Your Financial Skills" was designed for micro entrepreneurs who operate their own businesses and plan to expand the existing business, and it's particularly suitable for those entrepreneurs who plan to: increase production/operation capacity, invest in a new venture, expand to a new market and produce a new product. The expected outcomes of this training workshop are; identify the benefits of keeping business records, accurately calculate the costs of their products or services, explain how to manage their cash flow and create a plan for business expansion. The participants were awarded certificates upon training completion. This venture highlighted the CMA program as not only a monetary gain but an opportunity to further develop their skills and make it beyond temporary solutions.

SCHOOL IMPROVEMENT PROGRAMME WITH MARI PETROLEUM COMPANY LIMITED

Mari Petroleum Company Limited (MPCL) and the Pakistan Poverty Alleviation Fund (PPAF) signed a MoU – launching the "School Improvement Program" in Quetta and Harnai districts of Balochistan. Through this agreement, MPCL and PPAF have agreed to form an alliance to embark on interventions in the fields of education, infrastructure, renewable energy and social sector services as identified by local stakeholders and as mutually agreed by MPCL and PPAF. Initially this pilot project included rehabilitation of two Government schools, i.e. the Government Girls and Boys School Astangi, Margat Quetta and the Government Girls High School, Harnai while a third school i.e., Govt. Primary School, Ziarat Kach, UC

Khosh became part of the project on MPCL's proposition. This project is being funded through MPCL's Corporate Social Responsibility (CSR) budget.

SCAVENGER TOWN TRANSFORMED TO A MODEL VILLAGE WITH SHELL PAKISTAN

Goth Noor Muhammad is a settlement near Karachi of around 800 ultra-poor households who make a living off the landfill. It is to be mentioned that due to serious law and order situation, the pace of work was seriously affected, despite all the challenges the agreed targets were met. Moreover, the goth being off grid had no access to clean drinking water and electricity, therefore PPAF and Shell mutually agreed to further improve the quality of life at GNM, and installed a Reverse Osmosis Plant costing PKR. 2.3 million distributed from their own resources and PPAF facilitated the provision of Solar Lights posts in the housing clusters, school and BHU that costed PKR. 1 million. 100% of the work agreed with Shell Pakistan was completed – housing and sanitation units were found operational and in satisfactory condition, hence inauguration of the model village took place on Sep 29, 2015.

COMMUNITY DEVELOPMENT THROUGH MICROFINANCE WITH 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 microfinance with a view to deepening its roots and empowering the local communities of district Lasbela. The total budget of the initial phase is PKR. 6,550,000 (Hub Power Company's share is 60% while PPAF is sharing 40% of the total budget).



STRENGTHENING AN AGRI VALUE CHAIN WITH FAUJI FERTILIZER-COMPANY LIMITED

Sona Welfare foundation, the CSR wing of Fauji Fertilizer Company Limited partnered with PPAF for supplementing its Agri extension services to PPAF's micro finance borrowers. The capacity building programme focuses on introducing best practices of the Agriculture Value Chain to 300 farmers from district Bahawalpur. It is pertinent to mention that the company already supports the largest farmer advisory program in Pakistan, which since 1982 has reached out to over 1.8 million farmers through free of cost micro nutrition, water and soil tests in addition to expert advisory and capacity building services.

The micro finance loans, in collabora-

tion with PPAF and NRSP Bank will empower farmers growing cotton, to reach best quality of seed, farming techniques and fertilizer for the ongoing season. The farmers will have continuous support and expertise of FFC agriculture experts at hand through FFC Farmer Center established at Bahawalpur. To mark the occasion, FFC and PPAF signed an MoU and both organizations confirmed their vision that the programme will empower the sector which later will be extended to other areas of Pakistan.

COMMUNITY DEVELOPMENT AND SOCIAL UPLIFT WITH ENGRO FOUNDATION

PPAF and Engro Foundation (EF) formed an alliance to complement each other's activities and jointly fund interventions such as basic infrastruc-

ture, education, health and social sector services in Districts Ghotki and Sukkur. MoU is open ended in its time frame and it is a 55/45 partnership with 45% of PPAF's ownership percentage. 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.

ONGOING CORPORATE PARTNERSHIPS

Corporate	Funding in USD/PKR	Time Frame	Geographical Coverage	Sectoral Focus
Citi Foundation 11th CMA Program	USD 100,000	June 2016 May 2017	Nationwide	Highlights the contributions of microentrepreneurs and microfinance institutions
Mari Petroleum Company Limited (MPCL)	Total Budget PKR 9.4 million (m) MPCL 100% Tentative budget for Govt. Primary School, UC Khost is PKR 4.5m	May 2016 to December 2016 (six/eight months)	Districts Quetta and Harnai, Balochistan	Up-gradation of two schools is in process while project activities of the third school will commence soon Project activities are in line with the agreed work plan – construction & renovation of schools, solar installations are in progress
Shell Pakistan	Shell – PKR 12m PPAF – PKR 16.23m for Housing & CPI PKR 4.4m for education and PKR 5.4m for health	Apr 21, 2010 (open ended for 3 years)	Goth Noor Muhammad, Sindh	Completed
Hub Power Company	PKR 6,550,000 HPC 60% PPAF 40%	July 2014 – April 2017	District Lasbela, Balochistan	Social mobilization & microfinance
Pakistan Petroleum Limited	PKR 71.43m 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

NEW INITIATIVES

CRM is looking forward to collaborating with the following corporate partner:

- Sindh Engro Coal Mining Company in Tharparkar

INFORMATION TECHNOLOGY

OVERVIEW

The Information Technology Unit is an integral part of PPAF that enables functions and provides the infrastructural support to drive PPAF's central business. Confidentiality, integrity and availability of Information System are the core objectives of the unit.

Providing the infrastructure for automation, playing a governance role for the use of the technology, and offering operational units to the functionality they need, are the key responsibilities of the Unit. The IT Unit's involvement in each of these areas has allowed a greater level of integration and efficiency in business services.

The IT Unit provides a fully redundant Email System which is the primary means of communications with internal and external stakeholders. The e-mail system is protected by spam filters to filter out unwanted emails. The IT Unit also hosts PPAF's Website which is regularly updated.

PPAF Employees are enabled with an internet facility, Voice over Internet Protocol (VOIP) communication and a 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. Additionally, the unit facilitates Video and Tele Conferencing using advanced technologies.

The IT unit looks after the PPAF Centralized Management Information System hosted at multi location IT Data Centers, in a failover mode which is accessible within as well as from outside the PPAF.

In 2016, the PPAF office moved from F-8 Islamabad to Sector G-8 to a four story building. In order to maintain IT Services intact without or minimum span of disruption, the IT resources were well trained and able to fill the desired level of efficiency. All the servers were relocated to the G-8 data center to start services where the IT Unit established co-location data center with ISP in order to ensure the key services to be available without any interruption. Furthermore, the IT Unit developed Business Continuity (BCP) and Disaster Recovery Plan (DRP) which got approved with PPAF's management. To implement BCP and DRP, the IT Unit coordinated with multiple Service Providers to establish a Disaster Recovery setup which is cost

effective solution.

An IT Audit has also been conducted in 2016 by independent Audit Firm which covered key IT functions, IT Security, MIS and its possible vulnerabilities. The IT Unit facilitated the auditors regarding infrastructure access as well as all the required policies and documents. The auditors were satisfied with the process and documentation provided by the IT Unit.



The IT Unit participated multiple times in PPAF's internal learning and sharing sessions organized by PPAF's Communications & Media Unit and provided PPAF employees innovations and best practices to deal with the latest IT threats and vulnerabilities for securing their data and other information from hackers. The same has been communicated to PPAF officials through a comprehensive document with examples via email.

The PPAF's whole premises are covered with a centrally controlled wireless network. A separate internet facility has been established for the guests visiting PPAF with a protected time controlled password for facilitating them without intruding into PPAF main system.

An efficient and powerful redundant power backup solution has been designed and implemented at the PPAF server room in order to avoid shutting down servers and other necessary hardware and all building floors for providing the connectivity through cabled and wireless internet connectivity to all PPAF users for few hours in case of unavailability of power.

MANAGEMENT INFORMATION SYSTEM (MIS)

The MIS Unit's core responsibilities are to strategically identify and implement cost effective, secure, reliable and efficient ICT Solutions that will help PPAF is running business operations and decision making. MIS unit is also 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 PO level.

PPAF's Management Information System is the key product for the portfolio management. This is a useful product to provide the key information about PPAF's different projects current status to PPAF's Management, Operation Units and PPAF staff.

The above mentioned MIS is updated with the up-to-date information of all components for both Grants and Credit Functions. Some new initiatives have been taken by MIS team by developing the extensions of this MIS in the form of thin client, web based application particularly addressing the needs of the stakeholders or POs residing in the remote areas where internet connectivity is an issue. This new application being the light weight and thin client based with Service Oriented Architecture is benefitting the POs at remote locations in a more productive and robust manner. This application is an interface to the primitive MIS coupled with its own database structure so that it could be run in both integrated and dis-integrated modes as per the needs and requirements of PPAF Users.

In addition to core MIS application, the team has developed and successfully implemented multiple software applications like MIS for LACIP and PMIFL. An application for PPAF's contacts maintenance has been developed and under use of Communications & Media Unit which will also be accessible to all PPAF employees over the internet in next few weeks. A couple of applications were developed and successfully implemented for PPAF baseline surveys. Software has also been developed for PPAF Procurement Unit which was initially to be outsourced to a Software Firm but due to some technical constraints, MIS team taken up the task, developed and demonstrated the application to PPAF donors which was appreciated by them. Now the application is under Procurement Unit's review and will become LIVE after their finalization.

A 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 through all modes of communication i.e. phone calls, skype text / calls, team viewer and related. 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.

GEOGRAPHICAL INFORMATION SYSTEM (GIS)

- Geographical Information System (GIS) Unit using the state of the art GIS and Remote Sensing techniques support to various interventions made by different units of PPAF.
- GIS Unit provides a significant input to the units for their various programmes in capturing, storing and , analyzing the GIS coordinates and prepares multiple types of maps using geographical and satellite imageries data.
- Preparation of Standardized Administrative Divisions, which always is a great need for development related exercise, has been done successfully by the GIS Unit. The data/layers contain latest status of divisions with updated demarcation of their boundaries. Further, the information has been cross checked through multiple sources of information.
- This Standardized Administrative Division will contribute towards the development of smart system in the country by PPAF's development work.
- By this value added data, Maps of significant importance are developed like PPAF's District Prioritization for Grant Funded and Micro Finance Interventions in National Scenario, used by almost all the units of PPAF for funding/interventions, Coverage Maps of organization and for different components separately, Disaster Vulnerability by type of Hazard classification, which will be used for the Contingency Planning of disaster prone areas, and many other works as well.

- GIS Unit intends to continue the innovative and worthy work using RS/GIS as a strategic tool to receive information from the field, process and map it for information to use it for analyses and decision making.
- As GIS Laboratory has already been facilitating the units, it ensures continued support in future as well. Some of the salient achievements are: Detailed digitization work for the preparation of all the UC Landuse.
- Maps showing Cultivated Area, Uncultivated Area, Fallow Land, Residential Areas and Drainage network & all the other available type of features shown in the Landuse Maps for all the thirty eight Union Councils covering project areas spreading over the three administrative distribution of the country i.e. Balochistan [District Awaran (UCs: Awaran, Camp Jhaoo, Teertaj), District Gwadar (UCs: Pishukan, Surbandar), District Kech (UCs: Ginna, Gokdan, Kalatuk), District Killa Abdullah (UCs: Girdi Pinki, Purana Chaman, Zaraband), District Killa Saifullah (UCs: Kan Mehtarzai, Town Muslim Bagh) District Lasbela (UCs: Winder, Sakran) District Panjgur (UCs: Garamkan, Sordo, Washood), District Pishin (UCs: Bostan, Khushab), District Zhob (UCs: Badanzai, Meena Bazar, Shahbzai)], FATA [Bajaur Agency] and KP [District Chitral (UCs: Ayun, Drosh 1, Drosh 2), District Lower Dir (UCs: Balambat, Khazana, Koto), District Swat (UCs: Bar Abakhel Kabal, Hazara, Koz Abakhel Kabal), District Upper Dir (UCs: Barawal Bandai, Bibiour, Chukiatan)].

- Preparation of detailed Maps for the report titled "Geography of Poverty in

Pakistan – 2008-09 to 2012-13: Distribution, Trends and Explanations".

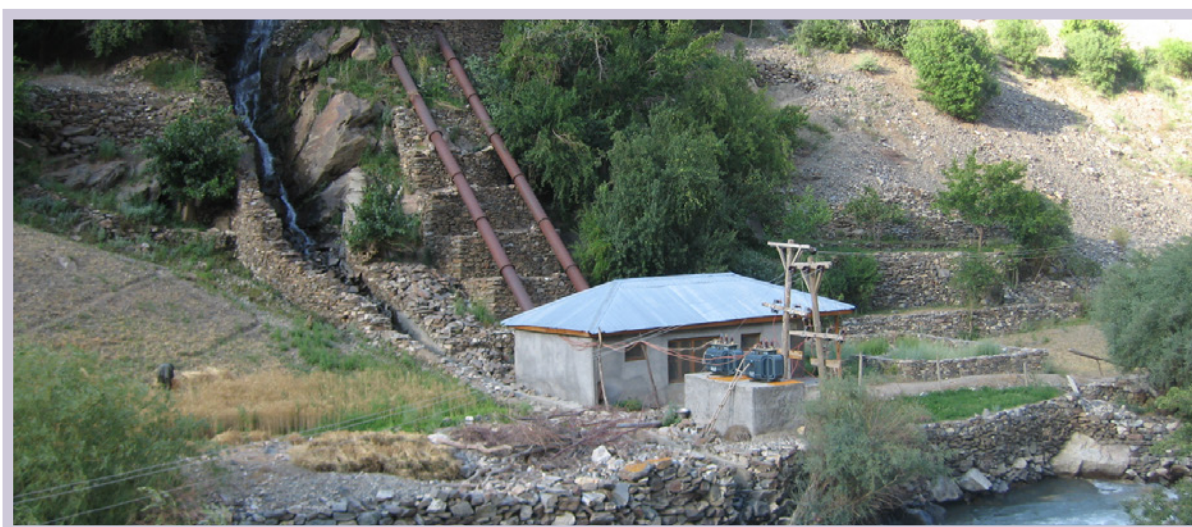
- CPEC, Routes Digitization, Layout designing and Mapping for whole the Balochistan Province and Union Council alignment information along the route.

- Preparation of District Wise PPAF's Component Specific Coverage Maps of Four Projects named: (Programme for Poverty Reduction (PPR), Prime Minister's Interest Free Loan Scheme (PMIFL), Livelihood Support and Community Infrastructure Project (LACIP), Development of Hydropower and Renewable Energy Project in Khyber Pakhtunkhwa (HRE).

- Preparation of Separate Visuals from all the 38 UC Maps (which are almost 275) of all the layers for UC Maps of PPR to prepare the interactive display of all the 38 GIS UC Maps at the event of the Italian National Day.

- Rectification of all the GIS Coordinates Data for LACIP-I for LACIP Infrastructure Interventions to incorporate in the MIS.

- At the start of 2016, GIS Unit has been consolidated and merged with MIS and IT Units which has not only enhanced the performance of the Unit but the GIS team is working in a technically productive environment by dealing with other technical and like-minded resources on interrelated assignments by creating synergies.





FINANCIAL MANAGEMENT & CORPORATE AFFAIRS

- Finance and Accounts
- Administration

FINANCE AND ACCOUNTS

OVERVIEW

The major functions of Finance & Accounts Unit include (i) maintenance of financial records; (ii) ensuring compliance with statutory regulations, donors' covenants, best practices of corporate governance and financial management; (iii) strengthening the financial management capacity at PPAF, Partner Organizations (POs) & Community Institutions (CIs); (iv) allocating resources and; (v) ensuring financial discipline.

The scope of Financial Management objectives encompasses the whole program which includes all the implementing partners (PPAF, POs and Community Institutions). During the initial years, the major emphasis was on strengthening the financial management aspects of PPAF and institutions for the poor (partner organizations). More recently greater 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:

1. TRANSPARENCY

Ensured through (i) true and fair preparation and presentation of financial/non-financial information conforming to national/international reporting standards as well as covenants stipulated in financing agreements; and (ii) timely dissemination of reports/information to various stakeholders (Government of Pakistan, regulators and donors.) and making them available in public domain/web-sites.

2. ACCOUNTABILITY

Encompasses audits, assessments and compliance with results framework linked with MDGs. There are multiple layers of audits (financial and social). The financial audits include external audits through reputed Chartered Accountant firms as well as dedicated internal audit functions which is complemented by social audits to improve governance, implementation and promote inclusive decision making. Third party assessments provide independent opinion on the effectiveness and impact of programs.

3. SUSTAINABILITY

Emphasized to ensure continuation of programs and interventions without donor funding and support. The institutions are facilitated in creating linkages and building reserves, which leads to sustainable development for the future.

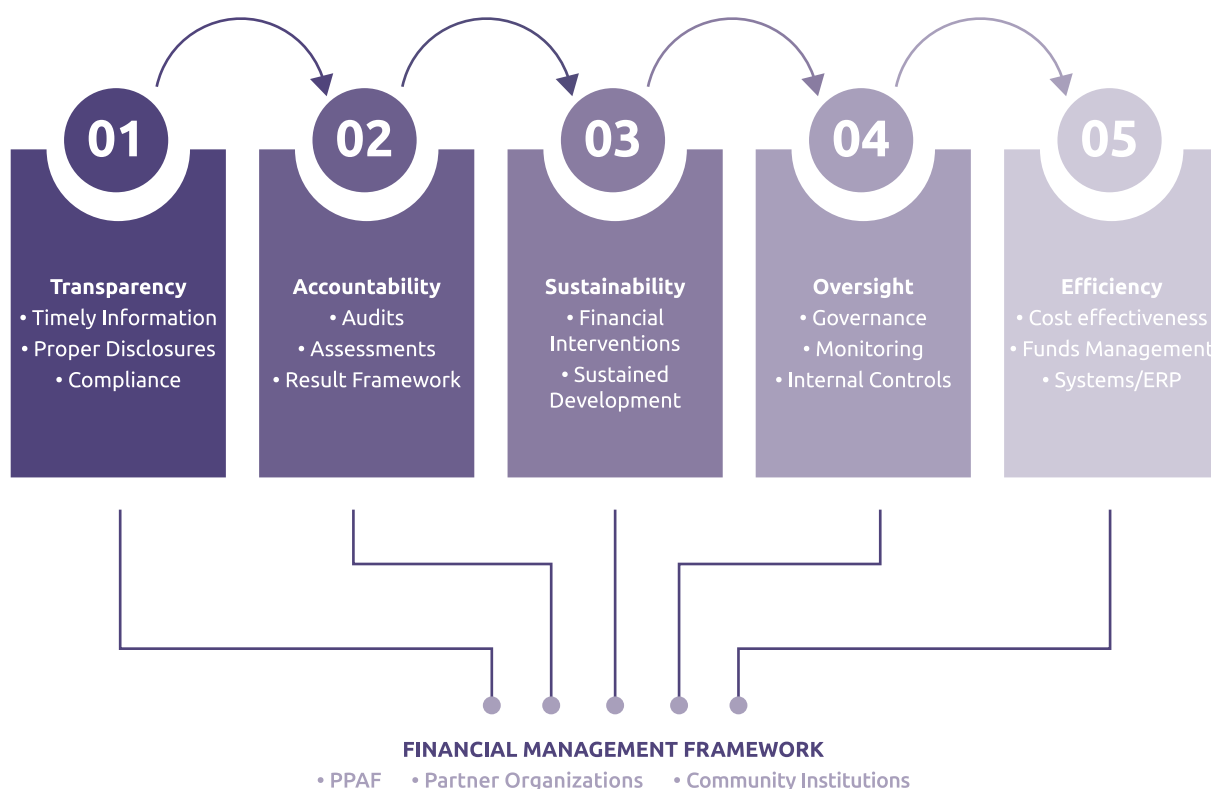
4. OVERSIGHT

Focuses on governance, monitoring and internal controls. Effective governance with defined roles and responsibilities is ensured by adopting best practices of corporate governance. There is a robust monitoring mechanism to assess the progress, impact and financial controls. Internal control systems are also strengthened/up-dated.

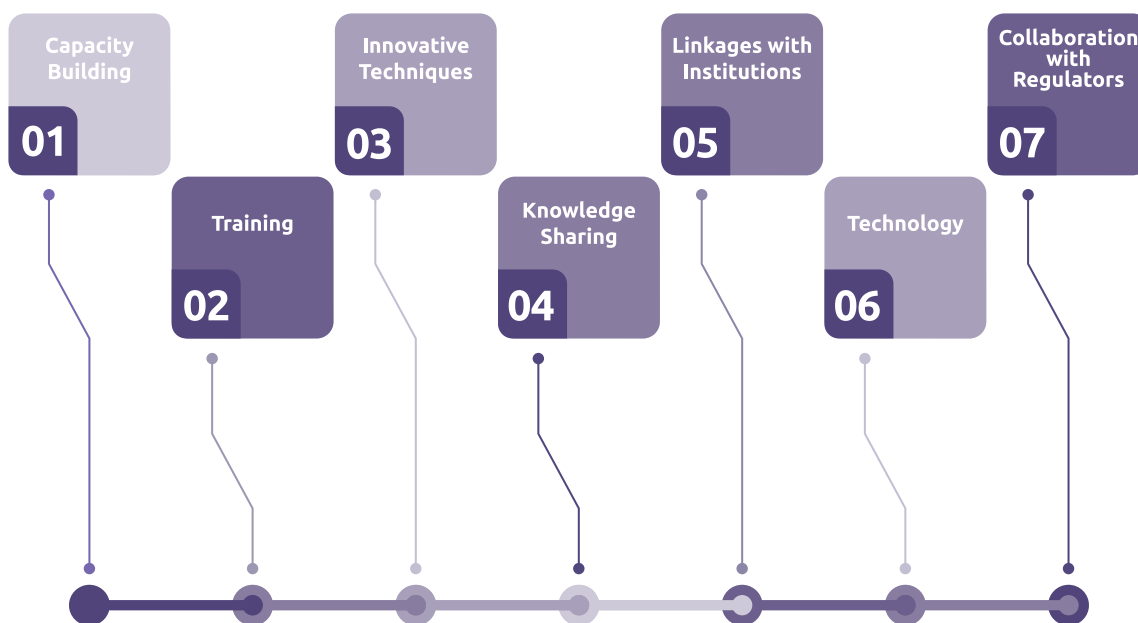
5. EFFICIENCY AND EFFECTIVENESS

Is ensured through

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



IMPLEMENTATION STRATEGY



IMPLEMENTATION STRATEGY:

1. CAPACITY BUILDING

Includes development/up-gradation of standard operational procedures and manuals; financial and management information systems; internal controls on sidelines.

2. TRAINING

At PPAF, POs and CIs levels to build the capacities to effectively manage the financial affairs.

a. PPAF level - two types of trainings were arranged (i) continued professional development Program for Finance & Accounts (F&A) staff and (ii) Financial Training for Non-Finance Executives of PPAF.

b. POs level - two categories of trainings had been organized (i) development/strengthening of financial management and internal control systems; and (ii) preparation of financial statements and Statement of Expenses (SOEs). The objective of these trainings is to ensure improvements in the quality of record keeping, financial statements, develop understanding about relevant local/national reporting standards, sharing of SOEs formats.

c. CIs level - The main purpose of conducting trainings at CI level is to build capacity and create awareness in first/second/third tier organizations about processes of registration; audit; record keeping; funds management; inculcating PPAF core values; and

preparation of village development plan. CI level training will be imparted through master trainers.

3. INNOVATIVE TECHNIQUES

For barefoot accountants, pictorial demonstration/material for record keeping for illiterate CIs, culture of social audits.

4. KNOWLEDGE SHARING

By exposure visits, workshops and seminars have been held to provide platform for learning and experience sharing.

5. LINKAGES WITH INSTITUTIONS

Were developed with national and international bodies working in the field of financial reporting and corporate governance. These institutes include Global Reporting Initiatives, Pakistan Institute of Corporate Governance, UN Global Compact Network, International Corporate Governance Network, ICAP, ICMAP and Universities.



6. TECHNOLOGY

Such as skype, video conferencing, were used for conducting trainings sessions in the community. In addition use of online/web based reporting, internet will be emphasized.

7. COLLABORATION WITH REGULATORS

Are being made with State Bank of Pakistan, Securities Exchange Commission of Pakistan, ICAP and ICMAP on matters related to regulations/reporting standards etc.

The F&A unit has established an accounting and internal control system which is sound in design and has effectively been implemented and monitored, with an ongoing effort for further improvement. Accounting controls consist of plans, procedures, and records safeguarding assets and checking 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 recordkeeping is done in a manner 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 manage-

ment 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 captured to enable all external and internal reporting requirements to be met in a timely fashion.

In addition, Finance & Accounts Unit is maintaining a comprehensive MIS Module for all the lending activities. The Module is capable of tracking all the financing agreements signed with POs for microcredit activities and is able to generate markup schedules on different rates of services charges applicable at different time periods on respective Partners. A comprehensive database has also been maintained by the Unit to track the utilization of grant funds provided to different Partners to carry out project activities and review the project funds available with them from time to time.

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 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 other 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 2016 were audited by its external auditors M/s EY Ford Rhodes, chartered accountants (and a member firm of Ernst & Young Global Limited) who provided a clean/unqualified opinion. The General Body approved the audited financial statements of the company for the financial year ending 30 June 2016 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.p-paf.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 of 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 2015-16, 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 2015
- Financial statements of the KfW Livelihood and Infrastructure project for the half year ended 30 June 2016

- Financial statements of the KfW Hydropower and Renewable Energy project for the half year ended 31 December 2015

- Financial statements of the KfW Livelihood and Infrastructure project for the half year ended 30 June 2016

- Financial statements of the project funded by Government of Italian Republic for Poverty Reduction Through Rural Development in Balochistan, KPK, FATA and neighboring areas for the period from October 1, 2013 to January 31, 2016

The external auditors of PPAF issued unqualified/clean opinions with respect to the above statements.

DONORS' ASSESSMENTS

The World Bank conducted two supervision missions during FY 2015-16. 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 and F&A Unit's performance was rated as "Satisfactory" as well.

FUNDS MANAGEMENT

All project funds are governed by the respective Financing Agreements signed for the specific project. The receipts are kept in separate dedicated project bank accounts and 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 is being managed to provide timely funding for the company's operational and lending needs. Short and long-term cash forecasts are being done on a regular basis and investment duration have continued to be matched against expected cash flow requirements.

SECURITY OF CAPITAL

Protection of principal is 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/disinvestment of funds was 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 also acts as secretary to the Committee. The treasury reports are prepared on quarterly basis and shared with the Risk Oversight Committee of the Board. Further, a 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 purposes.

BUDGETING

The F&A Unit prepared PPAF's budget for FY 2016-17 in coordination with PPAF's other units. The finalized budget was also approved by the Board of Directors. The budget package included the income statement, cash flow, and balance sheet with detailed notes/explanation. In addition, disbursement targets were linked to output & outcomes that are part of PPAF's overall 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. 7.52 billion on June 30, 2016. 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, IFAD's MIOP & PRISM are underway since November 2007, February 2012, June 2014 and December 2015, respectively.

PPAF is up-to-date in all of its repayment obligations to GoP (principal and service/ commitment charges). As of June 30, 2016, PPAF has repaid Rs. 3.254 billion as principal repayment. In addition, PPAF has paid Rs. 1,027 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 the relevant risks. A Monitoring Framework for the holistic overview of POs is in place. The F&A unit follow two pronged strategy for monitoring i.e. desk monitoring and field monitoring. The desk monitoring serves as a first line monitoring mechanism. The desk monitoring 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. The field monitoring assists the findings that had previously being 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.

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 2015-16, two (2) in-house trainings were organized which were attended by 35 participants.

OTHER ACTIVITIES

The F&A Unit provides facilitation to the operational and support units. The Unit provided active support in finalization of documentation and completion of necessary legal formalities regarding new entity i.e. Pakistan Microfinance Investment

Company (PMIC) for spinning off the Microcredit operations. In this regard the Unit participated in conference calls and meetings with shareholders (KfW, KARANDAAZ, DFID), legal advisors, Securities and Exchange Commission of Pakistan (SECP), Ministry of Finance. The Unit was involved in finalizing the term sheet (between the shareholders); transactions agreements (shareholder agreement, share subscription agreement and non-compete agreement); legal agreements between PPAF and PMIC for portfolio management and shareholder loan. Necessary approvals of the Boards were obtained for (i) investment in PMIC; (ii) amendment in byelaws of PPAF; and (iii) authorization of CEO to sign agreements and taking other necessary actions. The Unit got the spin off transaction approved by Government of Pakistan. The GoP approval included (i) authorization of investment in associated companies (ii) investment of up to Rs. 3 billion in the share capital; (iii) management of PPAF loan portfolio by PMIC and (iv) transfer of shareholder's loan to new entity. The F&A Unit filed documents with SECP for amendment in by-laws which were duly approved. The unit also prepared post spin off financial plan and presented the same to the Board, General body and donors.

The Unit had also managed to successfully close the Third Poverty

Alleviation Fund Project with the World Bank. The funds received for the Project was fully disbursed for the eligible categories of expenditure. The overall funds disbursed under the project were US\$ 255.82 including an exchange gain of US\$ 5.82 million and the project extension was secured till March 2016. By the end of the project out of total 770 grant agreements, 750 agreements stood financially closed. The Unit had also recovered Rs. 90 million unspent balances from POs. The financial management and internal control mechanism put in place for the project was continuously rated "Satisfactory" by the semiannual Supervision Missions of the World Bank.

Being member of the Outreach Committee the Unit facilitated the review and finalization of new funding proposals sent to different national and international donor agencies.

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, an annual general meeting and two extra ordinary general meetings.

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

OVERVIEW

Office administration is one of the key elements associated with a high level of workplace productivity and efficiency. Organizational success is supported by a strong administrative faculty. Cost effectiveness, time management, quality assurance, and providing the highest level of customer service is essential for the operations of PPAF.

The Administration unit facilitates PPAF staff and other individuals in matters of logistic support. In

addition, the unit is responsible for office upkeep with respect to the space allocation for staff, office maintenance, event management, maintenance of official vehicles and generators, record keeping of travel details and visa arrangements are some of the important and vital responsibilities of the Administration unit. During the year, the unit has arranged approximately 680 hotel bookings nationwide, 733 air travels country wide, 1033 made by road (283 by office vehicles & 750 by rent a car) country wide and approximately 36 international travel. In addition, approximately 215 in-house meetings, workshops, trainings were arranged and approximately 22 meetings and workshops outside the PPAF Office premises were arranged during the year.

MAJOR ACTIVITIES

- Relocation of PPAF Office
- Auction of old furniture and fixtures
- Construction of Store rooms & Support Staff rooms
- Installation of energy efficient generators
- Providing support for conferences (traveling, boarding, lodging, hall arrangements, lunch arrangements)
- Administrative support during retreats, meetings and workshops of different units



CORE SUPPORT SERVICES

- Procurement
- Human Resources
- Internal Audit

PROCUREMENT

OVERVIEW

The objective of the Procurement Unit (PU) is to provide responsive, effective, and quality procurement services and professional advice to PPAF Operations, partner and community organizations, while achieving the best value and ensuring a competitive, fair and transparent process in accordance with established regulations, rules and procedures.

The Procurement Unit is PPAF's operative delivery support for acquisition of services and goods in a timely, efficacious and cost-effective fulfillment of project objectives. In addition to the core functions of the Procurement unit, the unit ensures a smooth functioning of procurements for Partner Organizations and Community Institutions (CIs) by:

- providing guidance to employ best procurement practices
- imparting trainings as required
- monitoring of procurement techniques and procedures

Throughout the year, the unit has contributed as follows:

1) Provided 13 individual consultants and 9 Firms to assist the operation units in activities such as third party validation, production of video documentaries, case studies and development of materials. Additionally, the unit hired an Italian based training firm to conduct trainings in Pakistan and Italy, advertising & public relations agency, advisors and specialists in various fields. This operational support helped various units to meet organizational objectives in an effective and efficient manner.

2) Issued 110 Purchase Orders which included printing of communication and awareness material, office furniture and supplies, IT equipment and vehicles, repair and maintenance to aid units.

3) The PU supported 96 Partner Organizations of PPAF in procuring goods inclusive of vehicles, IT office equipment and furniture. Training, capacity building, monitoring and assessment of POs are regular activities of the PU which it accomplished by assessing and approving 368 procurement plans. In order to provide trainings to POs in the PPR project, the unit arranged detailed orientation sessions for new and old partner organizations on community procurement and community driven development which covered 10 POs and trained 119 PO's and CI's staff.

Furthermore, the PU supports an enhanced learning environment which augments the professionalism of its staff therefore, enhancing its credibility as a unit. This phenomenon continues PU satisfactory rating in the World Bank's progress appraisal missions which depicts the Bank's reliance and contentment. An exposure visit to Brazil was also organized by World Bank, to observe its Community Driven Development (CDD) approach under World Bank funded Project. Colleagues from Bangladesh were also part of this exposure visit. The goal of the visit was to mutually share international best practices among Brazil, Bangladesh & Pakistan and to adopt them in each other countries.

To expedite the approval process, committees of relevant PPAF units have been created in order to ensure transparency. Moreover, thresholds were defined and methods of hiring of individuals and institutes were devised in procurement perspective and got them approved from World Bank.

Additionally, the PU enhanced its presence in field with increased visits, capacity building of CIs, appraisals of POs and fact finding missions at the project sites in order to monitor the Partner Organizations (POs) and Community Institutions (CIs) efficiently. Active participation of the procurement staff was ensured at the community level by identifying procurement needs and providing solutions by utilizing their locally available options. Formats for designing and the implementation of training plans were also introduced to streamline the process. To avoid duplication of assets and for suitable utilization of funds, the PU prepared and shared existing capital items data of POs.

To strike consistency, transparency, economy and efficiency, PU has outsourced the services of an individual consultant for development of PPAF procurement guidelines and to establish Procurement Complaint Management System (PCMS). The timelines for the procurement activities are significantly reduced and concerted efforts are being made to decrease it further. Procurement cases tracking sheet was shared with management on weekly basis in order to aware them about current status. Procurement flow chart was introduced in order to give swift view to whole process.

PU had developed procurement guidelines for Community Driven Development (CDD) in Urdu to enable CIs to strengthen their procurement capacity and effective utilization of the procurement funds. To make these guidelines more impactful, initiative has been taken to develop animations on misc. relevant topics. These animations shall aware communities of CDD procurement guidelines in more entertaining way to get the optimal result.



HUMAN RESOURCES

OVERVIEW

PPAF believes an efficient human resources department is vital in providing the organization with structure and the ability to meet business needs through managing our PPAFs most valuable resources - its employees.

The revised HR manual introduced various policies which included the employment of the Grievance Redressal Mechanism for PPAF staff. The successful implementation of new GRM was carried through a democratic process in which the employees selected the GRO and Grievance Committee members of their own choice by showing their support in the elected members.

The core values of PPAF have always been the focus of all HR functions. The emphasis has been put on "Transparency" by implementing the "Conflict of Interest Policy" in an impartial manner. The declaration statement had been signed by all staff members and BODs. This has now become an integral part of PPAF's hiring process to get the Conflict of Interest declaration by the new hires.

This year, the focus of HR activities had been on making the PPAF a respectful workplace with an equitable access to resources for all staff without any discrimination. The

efforts have been made in this regard by organizing Focus Group Discussions (FGDs) and mandatory training sessions on "Strengthening Workplace Practice around Equity and Inclusion". The finding of these FGDs and training sessions found helpful to enable HR revisit existing policies and procedure and make them more employee friendly.

To strengthen the knowledge base of PPAF a series of mandatory workshops completed on "Participatory Development" by IRM. This enabled the staff to learn and understand the soul and philosophy of development in a more profound manner.

Being an ISO-14001 certified organization the true efforts have been made to ensure a safe and healthier workplace for Team PPAF. The employees were given trainings and opportunities to hands on best practices of "Occupational Health and Safety" along with "Crisis and Disaster Management" techniques.

HR is constantly looking for opportunities to nurture the talents of its employees in such a way that they can contribute towards their individual growth and improve performance in their current and future roles.

Therefore four (4) "Study visits" were made to Italy and Brazil which helped the staff to learn the best practices and models in the areas of Environment; Rural Development; Enterprise Development and Procurement. 311 employees participated in various national, international and customized training programs during the year. This included 18 participants in

national trainings and 61 participants in international trainings and exposure visits. Additionally, 232 participants attended various customized training programs conducted by external and in-house trainers.

The primary goal of PPAF's performance evaluation system is to provide an equitable measurement of an employee's contribution to the workforce, and to make sure that every person in the organization is working up to his or her full potential. Therefore the tool for Performance Assessment has been revised by making integrity; transparency and disclosure as the integral part of employees' assessment.

The essence of transparency & objectivity are being translated in all HR actions. The support from various recruitment tools like Psychometric Assessments; NTS (National Testing Services); Head Hunting Firms and active participation in Job fairs has not only enabled PPAF to create a competitive and diversified organizational culture but also augmented PPAF efforts in Employer Branding. The turnover rate for FY 2015-2016 was 9.56% which was high than past year due to closing of PPAF-III project.

A total of 07 additional professional staff members were taken on board (including 3 women and 4 men).

The tracking of gender and provincial diversity is an ongoing activity. PPAF's professional staff is currently composed of 29% women and 71% men.



INTERNAL AUDIT

OVERVIEW

The Internal Audit unit has continued to perform its role in ensuring financial discipline and strengthening an accountable environment throughout the organization. The realm of audit spreads not only to PPAF but also extends to the Partner Organizations. This multi-pronged audit approach has enabled Internal Audit unit to provide independent assurance about risk management, governance and internal control processes and their effectiveness. In this regard, the Unit employs a risk based audit approach, whereby the available resources were judiciously deployed to meet desired objectives.

The Internal Audit unit has also played pivotal role at various levels in ensuring traceability of financial resources and tracking their deployment for intended purposes. The weaknesses and gaps in processes are highlighted and it is ensured that adequate remedial measures are taken in a timely manner. As a consequence, a robust follow-up mechanism has been put in place to ensure a seamless flow of information to and from Internal Audit, operational units of PPAF and the Partner Organizations for monitoring of the suggested remedial measures.

In addition to the audit specific visits to POs by Internal Audit teams, some visits to POs were conducted by the Chief Internal Audit in order to acknowledge matters that came into awareness of the Internal Audit unit through reviews of financials and other information. Therefore, owing to this contact, certain insufficiencies were highlighted and adequate remedial measures were immediately taken.

CATALYST FOR CHANGE

Throughout the year, the Internal Audit unit has conducted audits of various operational and support units. The objective of these audits was to evaluate the effectiveness of internal controls system, compliance with donor covenants, requirements and benchmarking of activities with best practices. Internal Audit acts as a catalyst for improving PPAF's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of business processes. The improvement in systems therefore translated in achievement of objectives and goals of PPAF.

EXTERNAL ASSESSMENT

During the year two different missions thoroughly evaluated the activities of internal audit unit to review the methodology adopted, deliverables and other factors. The unit's performance was rated "satisfactory" by the team.

TRANSPARENCY AND ACCOUNTABILITY

In compliance with the requirements of Securities and Exchange Commission of Pakistan (SECP) and Code of Corporate Governance PPAF employs a whistle blowing mechanism duly approved by the Board. This creates conducive environment for accountability and transparency not only at PPAF level, but also at Partner Organizations and Community Institutions levels.

By virtue of this policy if someone has a concern about a malpractice or any wrongdoing, they are encouraged to report it directly to the Chief Internal Auditor PPAF. A number of complaints have been redressed under this system.

AUDIT COMMITTEE AND OVERSIGHT FUNCTION

During the year, the members of the Audit Committee retired after completing their terms in December 2015 and after re-election of the Board of Directors, the Committee was reconstituted.



FACTS & FIGURES

- Directors' Report
- Financial Highlights
- Financial Statements

DIRECTORS' REPORT

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the Sixteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2016.

Despite the admirable achievements in poverty reduction, extreme poverty remains high. Half of the world's poorest people still live under miserable conditions on less than \$1.90 a day—the updated international poverty line. In order to effectively combat global poverty focusing on key areas such as investing in economic systems, promoting education, and improving health systems has become vital. By improving these key factors in impoverished areas, the quality of life could be improved for a number of people.

Poverty is deep seeded in Pakistan with related problems of malnutrition, poor health, illiteracy, powerlessness, exclusion, violence, unemployment, underemployment, livelihood risks and vulnerabilities. Nevertheless, Pakistan's economy has maintained higher and broad based economic growth in outgoing fiscal year 2015-16 regardless of the number of internal and external challenges. The Government remained focused on the agenda aimed at reviving of the economy, resolving the energy crisis, improving security situation, and providing ample opportunities to all and sundry to boost up their socio-economic condition. Government has pursued growth oriented economic policies and introduced comprehensive structural reforms to achieve these objectives.

The key Government policy documents that outline the national poverty reduction strategy in Pakistan are Vision 2030, the Medium-Term Development Framework (2005-2010), Poverty Reduction Strategy Paper II (2008-2012) and the New Growth Framework (2010). Vision 2030 outlines ambitious plans for poverty reduction and aims to have "eliminated extreme poverty in all its manifestations before 2030." As part of these plans, Government strongly committed to supporting PPAF, seeing it as a key instrument of its support to alleviating poverty at the national level. The Government has turned to PPAF to implement

some of its most important initiatives including the recently launched Prime Minister's Interest Free Loan Scheme. In its annual Pakistan Economic Survey, the Ministry of Finance acknowledges the contribution of PPAF to achieving overall growth and poverty alleviation objectives and in the delivery of priority social safety net programmes.

PPAF has been at the frontage of addressing the challenges based on gender, income, disability and inequality with strong commitment on targeting the women, the poor and the disadvantaged. Since inception PPAF has achieved remarkable outcomes through implementation of multidimensional project of different Donors. During the voyage of eighteen years not only did PPAF play a central role in helping to channel Government funds, but PPAF's own organizational structure and poverty graduation approach attracted a variety of multilateral and bilateral donors beyond the World Bank including the Asian Development Bank, Department for International Development (DFID), International Fund for Agricultural Development (IFAD), KfW - German development bank, the Government of Italy and several corporates like Mari Gas,

Shell etc. with the aim to lift the poor people out of extreme poverty. As a result of PPAF's interventions most of the underprivileged community in the region have since achieved a lower middle-income status and now enjoy a better quality of life.

The successful completion of the World Bank financed third poverty alleviation project (PPAF III) involving funding of USD 256 million in March 2016 is one of the biggest milestones achieved during the year. The project comprised of five components: (i) Social mobilization and institution building (ii) Livelihoods enhancement and protection; (iii) Micro-credit access; (iv) Basic services/ infrastructure; and v) Project implementation support. The completion of PPAF III marks the 'graduation' of PPAF as an organization from World Bank financing. The project built on eight years of previous experience aimed to improve poverty outcomes through a deepening and saturation approach in targeted areas and having an even stronger focus on poor households and women. Despite the very difficult and challenging circumstances under which PPAF III project was implemented, the project fully reached its objective of ensuring that the

targeted poor have increased their incomes, improved their productive capacity and access to services under the project. PPAF's integrated model and regional strategies focused on vulnerable groups made it possible to complete the project in due course of time. There are a number of outcomes which are particularly noteworthy to mention here are: (i) supporting the growth of a nationwide microfinance sector into one which is now rated as one of the best in the world (The Economist Intelligence Unit); (ii) organizing over 120,000 community institutions (cumulatively from the start of PPAF I to todate) with a core focus of inclusion of women and the poorest; (iii) developing the capacity of 130 civil society organizations; and (iv) taking to scale its poverty graduation approach that has shown to significantly and positively impact income, consumption and wealth of the poorest households.

The potential market for microfinance is estimated at a minimum of 20.5 million. The market is poised for growth and has institutions that possess the capacity to serve a much larger client base, however the sector remains constrained due to the unavailability of funds. In order to reach up to 10 million active borrowers by year 2020, the industry would require additional financing for on-lending up to Rs. 300 billion. In order to meet the funding demands of the sector, PPAF, DFID through Karandaaz Pakistan and the KfW joined hands to establish Pakistan Microfinance Investment Company Limited (PMIC), private-sector investment finance company. The legal formalities for establishment of PMIC were completed during the year and Shareholders Agreement, Shares Subscription Agreement and Non-Compete Agreement was signed on April 28, 2016 at a ceremony attended by the Finance Minister, Deputy Governor-SBP, Chairman SECP and other delegates from PPAF, DFID, German and British Governments and Ministry of Finance. All the modalities have been met and the new company will be operationalized by October 2016. The major objective of the new entity is to attract commercial funding to serve increasing demand of those who are financially excluded and further improve the capability and capacity of the sector to absorb these funds. The National Financial Inclusion Strategy (NFIS) also recognizes microfinance as an important instrument for increasing financial inclusion in the country and

an important milestone of the strategy includes enhancing commercial funding for the microfinance sector through creation PMIC. The tripartite coalition between the three shareholders will be based on the initial equity investment of Rs. 5.5 to 6 billion. Thus, the entity would be able to bring in significant amount of foreign investment into the country in the form of both debt and equity. The entity is expected to attract sufficient funds from private and commercial sources to help the microfinance sector to meet the unmet demand for financial services and create employment opportunities in the country. PMIC is envisioned to follow the double bottom-line approach of poverty alleviation and financial sustainability, PMIC's mission is "to provide financial and institutional services to strengthen and scale-up provision of sustainable and responsible access to finance to individuals, micro entrepreneurs and micro enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor". In order to achieve the mission, strategic objectives of PMIC include (i) Creation of a financially sustainable organization; (ii) Provide innovative and customized support to PMIC investees, through a mix of financial instruments and institutional support to develop capacity to access commercial credit markets (iii) Contribute to building a robust financial ecosystem for the growth of sustainable micro finance in Pakistan (iv) Build a strong professional and innovative organization capable of achieving the mission of PMIC.

FIGURE 1 - PROGRESS REVIEW

During the year PPAF managed steady progress in terms of its operations. Total portfolio managed during the year was Rs 22,730 million as against Rs. 24,666 million in FY 2014-15.

Loan portfolio decreased by 4% to Rs. 16,866 million (FY 2014-15 – Rs. 17,513 million). The deployed portfolio included Rs. 14,716 million as loan outstanding with POs (direct exposure) and Rs 2,150 million placed with bank as guarantee facility to facilitate lending (indirect exposure).

The decline in loan portfolio deployment was due to reduction in funds available for lending which are decreasing with

repayments of loans by PPAF to the Government of Pakistan (PPAF repaid Rs 719 million during the year). Disbursements for grant based interventions during the year were Rs. 5,864 million as against Rs. 7,153 million last year, a decrease of 18%. The reduction was on account of closure of US\$ 255 million World Bank financed PPAF-III project during the year. Disbursements for water and infrastructure components decreased by 16% to Rs 1,512 million (FY 2014-15 - Rs 1,798 million). The decline was due to closure of PPAF III project which affected disbursement under the component. During the year Rs. 286 million was disbursed under PPAF III project as against Rs. 1,274 million during FY 2014-15.

Disbursements for livelihood component showed a reduction of 46% and were Rs 1,255 million (FY 2014-15 – Rs. 2,335 million). The bulk of funding for this component i.e. US\$

85 (33% of the total project size) was allocated under PPAF III Project the closure of which affected the disbursement (Rs. 897 million was disbursed during the year for PPAF III Project as against Rs. 2,209 million disbursed during FY 2014-15).

Disbursements for health and education component increased by 205% to Rs. 713 million (FY 2014-15 – Rs. 234 million). Under PPAF III project Rs 63 million was disbursed during the year. The increase in disbursement was on account of initiation of activities under Project for Poverty.

Reduction (financed by Italian Development Corporation) under which Rs 651 million was disbursed (FY 2014-15 – NIL).

Social mobilization disbursements were Rs. 359 million (FY 2014-15 – Rs. 941 million), reduction of 62% from last year. Due to closure of PPAF III Rs. 176 million was disbursed under the Project during the year as against Rs. 715 million disbursed in FY 2014-15.

During the year PPAF completed the first phase of Prime Minister's Interest Free Loan Scheme and disbursed Rs. 1,617 million (FY 2014-15 – Rs. 1,626 million). In addition to core operations, Rs 408 million (FY 2014-15 – Rs 219 million) were spent on projects and relief activities.

Components	Rupees in millions		Variance (% age)
	2016	2015	
Loan Portfolio			
Loan outstanding	14,716	13,913	6
Indirect Placement	2,150	3,600	(40)
Sub-total	16,866	17,513	(4)
Grants			
Water & Infrastructure	1,512	1,798	(16)
Livelihood enhancement & protection	1,255	2,335	(46)
Health & Education	713	234	205
Institutional Development	359	941	(62)
Prime Minister's Interest Free Loan Scheme	1,617	1,626	(1)
Project Activities	408	219	86
Sub Total	5,864	7,153	(18)
Grand Total	22,730	24,666	86

Figure 1

FIGURE 2 - SHARE OF FUNDS DISBURSED

Cumulative disbursements since inception to June 30, 2016, stood at Rs 178 billion 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%).

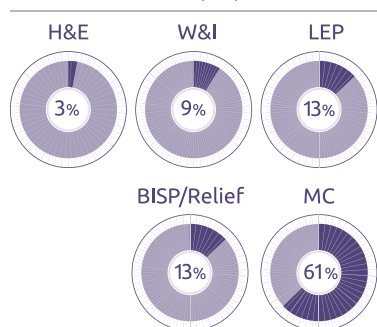


Figure 2

RESOURCE ALLOCATION STRATEGY

FIGURE 3 - PROVINCIAL DISTRIBUTION OF FUND SCUMULATIVE SINCE INCEPTION TO JUNE 30, 2016

Resource allocation strategy of PPAF focuses on regions that have historically lagged behind in socio-economic 4% development and are particularly underserved. PPAF played a SINDH significant role with respect to providing provincial coverage 16% to combat poverty. As of June 30, 2016, 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].ture (9%) and health & education (3%).

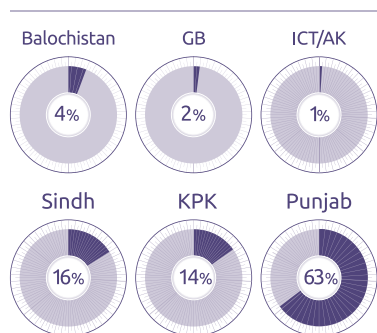


Figure 3

FIGURE 4 - PROVINCIAL DISTRIBUTION OF MICROCREDIT FUNDS

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 71% of the total share followed by Sindh 19%, KPK 5% and GB 5%.

Microcredit		
Province	2015-16	Cumulative
Balochistan	0%	1%
GB	5%	1%
KPK	5%	3%
Punjab	71%	82%
Sindh	19%	13%
Total	100%	100%

Figure 4

FIGURE 5 - PROVINCIAL DISTRIBUTION OF GRANT FUNDS

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. 37% of the funds were allocated in KPK, 22% in Punjab, 22% in Balochistan, 14% in Sindh and 5% in GB/ICT.

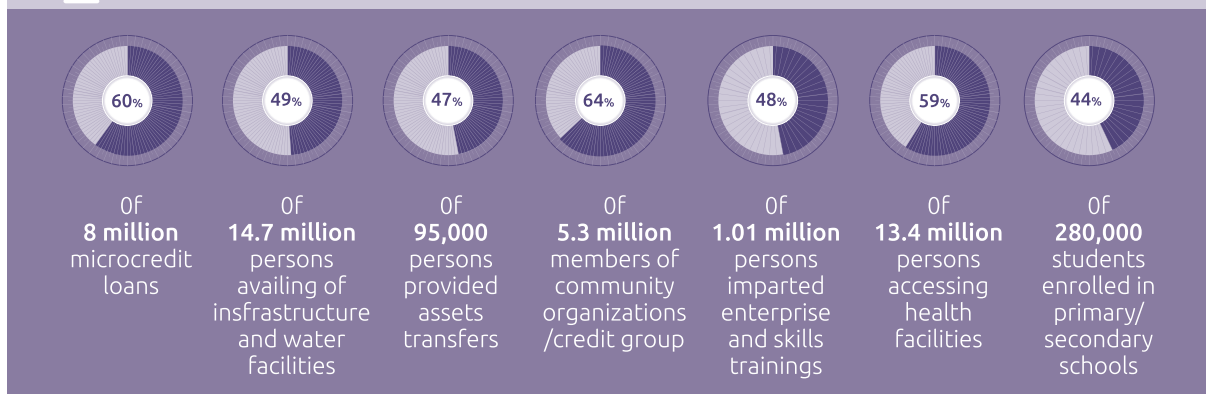
Grant		
Province	2015-16	Cumulative
Balochistan	22%	6%
GB	5%	3%
ICT/AK	0%	2%
KPK	37%	33%
Punjab	22%	44%
Sindh	14%	12%
Total	100%	100%

Figure 5

By the end of June 2016, PPAF had expanded its partnership with more than 134 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 8.1 million microcredit loans, of which 4.8 million (60%) were to women with 80% of the financing extended in rural areas, completed over 38,000 health, education, water and infrastructure projects, transferred 105,500 assets to poor and organized over 18,000 training events for 1.09 million 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 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.



WOMEN SHARE IN PPAF INTERVENTIONS



PPAF leveraged its strengths, expertise, and resources to help the partners to make a real impact on development by driving economic growth, promoting inclusiveness, and ensuring sustainability. PPAF's primary role is to support the disadvantaged people as they find ways to improve their income, reduce poverty, and build communities which are resilient and adapt to climate change.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

FIGURE 6 - TOTAL INCOME RS. IN MILLION

PPAF, as a non-profit institution, capitalized on profits to earn sufficient revenue to run its operations smoothly.

Total income earned during the year was Rs 2,963 million as against Rs 3,250 million in FY 2014-15, a reduction of 9%. The decline was mainly on account of reduced KIBOR to which both investment and microcredit incomes are linked. Service charges on loans to POs declined by 18%. The decrease in KIBOR resulted in reduction of lending rate charged to POs which decreased by 1.61% during the year and stood at 8.00% p.a. (FY 2015 9.61% p.a.). Income on investments/saving accounts had decreased by 10% mainly due to 3% average reduction in KIBOR during the year.

During the year grant in support of operational expenses decreased by 64% to Rs 207 million (FY 2014-15 – Rs. 582 million). The reduction was mainly due to reduced operational support under World Bank financed PPAF III project which closed during the year. Amount of Rs. 137 million realized as income from Project as against Rs. 505 million during FY 2014-15.

During the year other income of Rs. 408 million (FY 2014-15 – 1 million) was realized against projects which were closed in previous years against which all related project activities were completed. Further, there was no such communication, from respective donors, requiring the reimbursement of these funds. Accordingly, the obligation had been reassessed under these grant projects and the unspent balances are recognized as other income. This includes Rs. 116 million against US Agency for International Development; Rs. 99 million against US Department of Agriculture; Rs. 22 million against Committee Encouraging Corporate Philanthropy; Rs. 153 million against BISP; and Rs. 18 million against others.

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. 123 million (FY 2014-15: Rs.100 million).

FIGURE 7 - FINANCIAL RESULTS ARE SUMMARIZED AS FOLLOWS

The general and administrative expenses related to the operations of PPAF decreased by 2% to Rs 576 million (FY 2014-15 – Rs 587 million). Major reduction was in travelling expenses which decreased by 6% to Rs. 66 million (FY 2014-15 – Rs 70 million), rent expenses which reduced by 11% (due to consolidation of staff in one building) and repair expenses which reduced by 34%. Salaries expenses for the year also reduced to Rs. 360 million against Rs. 363 million for FY 2014-15.

Seminar, workshops and training expenses of Rs 20 million (FY 2014-15 – Rs 30 million) included Rs 10 million (FY 2014-15 - Rs 19 million) spent on trainings and Rs 10 million (FY 2014-15 - Rs 11 million) incurred on seminar and workshops. An amount of Rs 155 million (FY 2014-15 - Rs 168 million) was incurred on technical/other studies.

PPAF acquired income tax exemption from FBR with effect from the tax year 2003. Resultantly the income tax refundable created before this date will not be allowed by FBR and hence the amount of tax refundable Rs. 11.81 million was written off in accounts for the current year.

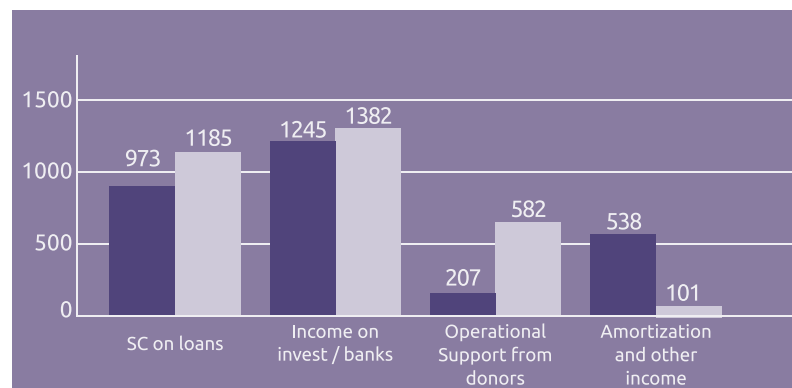


Figure 6

During the year general provision of 5% was created on loan portfolio i.e. Rs. 27 million (FY 2015 – Rs. 20 million); and provision of 18 million (FY 2015 – Rs. 7 million) was created for service charges.

The financial charges of Rs 235 million (FY 2014-15 - Rs 215 million) included Rs 112 million as service charges on long term loans and Rs 123 million amortization of deferred benefit of below market interest rate on long term loans and bank charges.

PPAF spent Rs 408 million (FY 2014-15 - Rs 219 million) on project and relief activities financed from its own resources. This amount included disbursements for emergency relief against flood & earthquake Rs. 9 million; Rs. 103 million spent on closure of PPAF III; Rs. 95 million for projects implemented in Dera Bugti; Rs. 62 million provided as Equity to microfinance institutions; Rs. 70 million as continuous support for Education Facilities; Rs 43 million for providing Interest Free Loans; and Rs. 26 million for other project activities.

Total expenditure increased by 2% to Rs 1,043 million (FY 2014-15 - Rs 1,027 million). Surplus before project and

relief activities and actuarial losses was Rs 1,920 million as against 2,224 million in FY 2014-15. Net surplus for the year decreased by 24% to Rs 1,512 million (FY 2014- 15 – Rs 1,998 million) mainly on account of decrease in KIBOR rates and increase in project and relief activities.

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 remained current in all its repayments to GoP. During the year, Rs. 791 million (FY 2014-15 - Rs. 654 million) was repaid on account of principal amount of loan and Rs 112 million (FY 2014-15 - Rs 114 million) as service/commitment charges to the GoP.

Considering the need for sustaining grant based operations in the absence of external financing, the Board of Directors had approved 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, 2016, the reserve stood at Rs 7,520 million, an increase of 12% (FY 2014-15 - Rs 6,706 million).

Total equity and reserves increased by 11% to Rs 15,519 million as at June 30, 2016 from Rs 14,007 million as at June 30, 2015. Total assets of the Company reached Rs. 30,857 million on June 30, 2016 against Rs 32,263 million as at June 30, 2015, a decrease of 4%. Total loan receivables were Rs 14,716 million on June 30, 2016 as against Rs 13,913 million as at June 30, 2015. The debt equity ratio improved to 44:56 (FY 2014-15 - 50:50).

During the year the cash and bank balances decreased by Rs 2,221 million as compared to last year. The main reduction was on account of closure of PPAF III project under which the available funds were fully utilized during the period (FY 2014-15

	Rs. In Million	
	2016	2015
Service Charges on loans to Partner Organizations	973	1,185
Income on investments and savings accounts	1,245	1,382
Amortization of deferred income - grant fund	207	582
Amortization of deferred benefit	123	100
Other income	415	1
Total income	2,963	3,250
General and administrative expenses	576	587
Seminars, Workshops and trainings	20	30
Technical and other studies	155	168
Provision against loans / services charges	45	27
Income tax refund written off	12	-
Financial charges	235	215
Total expenditure	1,043	1,027
Surplus before project and relief activities	1,920	2,223
Project and relief activities	408	219
Other comprehensive income(expense) for the year	-	6
Surplus for the year	1,512	1,998

Figure 7

– Rs. 1,378 million) and use of Rs. 556 million for Italian Project for Poverty Reduction from own resources. The project funds were utilized for programme/operational activities as per the respective financing agreements whereas own funds were used as per the Company's policy for short term and long term investments. At the end of the year, the Company had cash and bank balances of Rs 1,184 million (2014-15: Rs. 3,405 million).

Detailed financial projections are prepared and regularly updated to ensure availability of adequate funds for operations 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 EY Ford Rhodes, Chartered Accountants have completed the annual audit for the year ended June 30, 2016, and shall retire at the conclusion of 20th Annual General Meeting. Being eligible, they offered themselves to be re-appointment. The Audit Committee considered and recommended their re-appointment for the financial year ending June 30, 2017. The Board also endorsed the recommendations of the Audit Committee.

CONCLUSION

Nearly one third of the people in the country are living in extreme poverty who want an equal opportunity for a better life. They are counting on policies and programs that give them a chance. PPAF seize this moment. Our private sector partners are also exploring new investments. PPAF, its multilateral development partners, and new partners on the horizon all are working together to not let this opportunity slip away and collaborate with real conviction. Working together, we can promote inclusive and sustainable growth, as well as opportunity for the poor and the vulnerable. We can be the generation that ended extreme poverty.

PPAF believes in and continued to strive for inclusive economic growth to help ensure that each of its partnership reflects support for poor across the country. It invested in a range of programs and projects to create and expand economic opportunities, ensure broader access to these opportunities - especially for the poor and disadvantaged - and support social protection to reduce poverty and vulnerability. PPAF drives social protection by ensuring access to essential services for disadvantaged people, including widows, the jobless, children in poor households and people with disabilities.

ACKNOWLEDGEMENT

PPAF would like to place on record its sincere gratitude to all its members in general and those who served on the board and various committees of the company in particular for the support, dedication and help they had extended in continuation of our

journey towards poverty alleviation PPAF expresses its appreciation for the work done by its General Body and Board Members and would like to acknowledge the contributions made by them in strengthening the image of the Company and for their whole hearted support.

PPAF would also like to thank all its Stakeholders; the Government of Pakistan, the World Bank, the KfW - Development Bank (Germany), Italian Government, State Bank of Pakistan, Securities and Exchange Commission of Pakistan and partner organizations for their continued support and placing their trust on us and giving us the invaluable opportunity to contribute towards the betterment of our economy and the deprived community of the country.

At the core of PPAF's success, without a doubt, is the spirit and dedication of our incomparable employees. PPAF would like to take this opportunity to express its appreciation to its determined and dedicated staff, and gratefully acknowledges the active role they have played in order to enrich its performance and for helping PPAF in discharging its responsibilities at the grass root level.



Islamabad
September 27, 2016

ANNEXURES

OVERVIEW

PPAF STRATEGY AND APPROACH

The macroeconomic crisis in Pakistan and the unfolding global economic slowdown have made social protection an urgent priority as well as a strategic opportunity to build systems and institutions for better service delivery. Keeping in view the emerging needs of sector, PPAF management devised strategy by creating pathways to pull out the most vulnerable from extreme poverty into sustainable livelihoods.

GRADUATING THE POOR

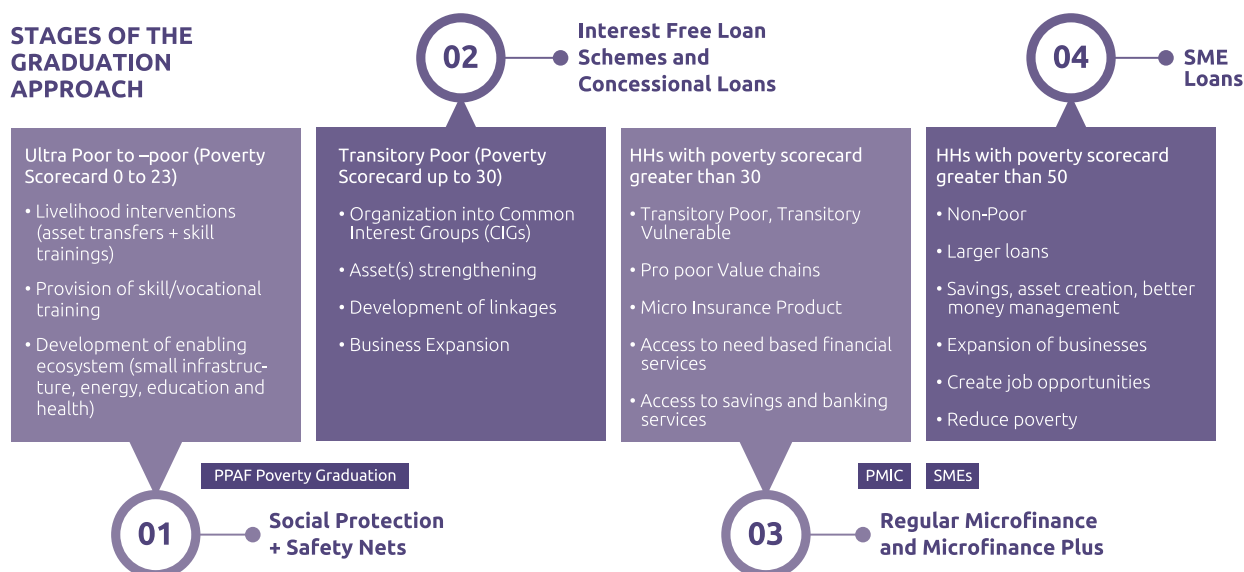
PPAF's "Graduation Approach" is

designed to provide sequenced safety nets, livelihoods and microfinance for the poorest to help them "graduate" out of extreme poverty in a time bound manner. The initial phase of the program would focus on social protection and safety nets for the ultra-poor (poverty scorecard 0 to 23) through skills / vocational trainings, regular coaching and asset transfers. This will be supplemented by development of an enabling ecosystem through provision of small scale infrastructure schemes, energy, health and education. The second phase would target the transitory poor (poverty scorecard up to 30) through interest free/concessional loans and will be complemented by organizing households into common interest groups, asset(s) strengthening, development of linkages and business expansion. In the third phase

households with poverty scorecard greater than 30 would be provided micro credit and related services which would include pro-poor value chains, micro insurance products and access to need based financial services, savings and banking services. In the last phase households with poverty scorecard greater than 50 could access larger loans which would facilitate in expansion of businesses, creation of job opportunities and poverty reduction. This would result in savings, asset creation and better money management.

PPAF the parent company will finance and implement the first two phases of the Graduation Approach whereas PPAF's associate company PMIC will provide microfinance and related service. For the last phase the beneficiaries can approach the financial sector.

STAGES OF THE GRADUATION APPROACH



INCLUSION AND MAINSTREAMING OF LAGGING REGIONS

In order to encourage all-inclusive participation there must be universal access to public infrastructure and facilities (such as community centers, recreational facilities, public libraries, resource centers with internet facilities, well maintained public schools, clinics, water supplies and sanitations). These are the basic services which will create, when partly or fully put into place, conditions for people to have a sense of belonging by not suffering the painful consequence of being unable to afford them.

PPAF is playing a leading role in undertaking measures that ensure equity, inclusion and women's

representation within the poor communities. PPAF is committed to bringing empowerment and improving representation of women, poor, youth, minorities, migrants, highly vulnerable individuals, people with special needs, and other marginalized community through a transformative framework.

To advance the cause of connecting different views, experiences, issues and vulnerabilities, PPAF use inclusion as methodology to reducing poverty and recognizes demographic diversity- women, children, elderly, persons with disabilities, indigenous groups and religious minorities. PPAF emphasis on active participation of women in Community Organizations (COs) formed as part of any social mobilization process. Having

representation of youth and minorities is also another dimension of PPAF's outreach strategy to communities.

GOVERNANCE

In recent years, development discourse has increasingly focused on how institutions and organizations can improve access to goods and services, enhance rural livelihoods and promote economic competitiveness in rural areas. Sound institutional and organizational development is critical in designing, implementing and coordinating development efforts.

Strengthening pro-poor institutions and organizations is a key principle of engagement within PPAF's Strategic Framework. Through established

policies, PPAF has put in place a responsive system of managing the affairs of the community institutions.

Given its mandate to empower poor people to help themselves out of poverty through self-organizing and institutional transformation, PPAF has adopted a strategy that:

1. Helps build the capacity of a wide range of organizations of poor rural people
2. Facilitates the development and transformation of the institutional landscape (i.e. rules, norms and policies) to empower poor people, especially women, and to enable secure access to productive resources; and
3. Promotes forums for dialogue among communities, grass-roots organizations, governments, civil society and donors, to ensure "comprehensiveness and full complementarities in the coverage of pro-poor institutional transformation needs".
4. Creating the right linkages for improved public services (education and health, water and sanitation, nutrition).
5. Conflict prevention and management and civic engagement at local levels.

PROGRAMME OVERVIEW

COMPLETION OF PPAF III PROJECT

Third Poverty Alleviation Fund Project (PPAF III), initiated on August 1, 2009 involving funding of USD 255 million, was successfully completed in March 2016. The Project Development Objective (PDO) was to ensure that the targeted poor were empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. The PPAF III Results Framework identified three outcome indicators to measure the achievement of the PDO. These indicators specified that (i) at least 60% of community institutions were viable and sustainable; (ii) at least 60% of the community members report a minimum of 20% increase in household incomes and/or assets and (iii) at least 33% of targeted community groups/institutions report improved access to municipal local services.

An assessment of the performance of PPAF and its partners based on a host of external evaluations and reports by

the POs shows that PPAF has been able to achieve the development objective of ensuring that the targeted poor have increased their incomes, improved their productive capacity and access to services under PPAF III. Under the project PPAF and its POs organized 65,448 COs with a membership of 1.28 million households. The reports of POs and third party assessments indicate that based on the performance rating criterion established to assess the viability and sustainability of the COs, 67% of the organizations were meeting this criteria at the end of December 2015. From among these members, 60% or roughly 730,000 households were expected to report a minimum of 20% increase in household income. An assessment of the number of beneficiaries from the different components who could have potentially realized an increase in income indicates that there are estimated to be 1.219 million households who have received training, assets, micro-credit services and benefitted from infrastructure schemes. Third Party assessments from a range of different sources report increase of income which is upwards of 20%. There are 127,112 students who benefited from the support to community and public sector schools and more than 12 million visits are reported to avail of the services of the community health centers and the basic health units established under PPAF III.

Despite the very difficult and challenging circumstances under which the project was implemented, PPAF successfully disbursed all the resources allocated (USD 255.82 million including the exchange gain of USD 5.82 million) under the PPAF III project and exceeded most of the physical targets specified under the project. One of the main reasons for the success of the organization in delivering the PPAF III targets was its well-established procedures for implementation of its activities through its POs. In addition, PPAF has had long standing relationships with most of the POs that were used to implement the project and has helped to build its own and its partners' capacity to comply with the financial management, environmental and social safeguards required under the project.

PPAF III initiated in 1610 Union Councils (UCs) located in 82 districts in the country. The priority districts

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PPAF III initiated in 1610 Union Councils (UCs) located in 82 districts in the country. The priority districts were selected based on previous investments in social mobilization as part of the World Bank-assisted social mobilization project, their status with reference to the Human Development Index (HDI), and the extent to which floods and food insecurity affected them. Since HDI values were not available for the 24 districts and agencies in AJK, FATA and GB, food security rankings were used as the primary basis for inclusion among the Priority Districts. However after the decision in July 2011 to further focus the efforts of the project its activities were concentrated in 1,020 Priority Union Councils (UCs) for further saturation and deepening. The provincial and special area coverage

of the project shows that the provinces and special areas that were disadvantaged got a much larger share of the resources of the project. Balochistan and Khyber Pakhtunkhwa both got much larger shares of the PPAF-III allocation compared with the other provinces.

By the end of December 2015 the Project had achieved all of its targets by forming or revitalizing 65,448 COs/Women Organizations, 5,616 Village Organizations and 380 Local Support Organizations. The institutional development component was implemented in 1006 UCs. The COs have a total membership of 1,287,617 households or 31% of the 3.89 million households in the target area. All numerical targets under the Project were exceeded by a significant margin. These institutions were the main channel for disbursement of PPAF III resources which they have undertaken effectively. The Community Institutions have implemented the infrastructure schemes and played an important role in other components of the Project. These institutions are also beginning to enhance their scope of work to include activities in the social sectors and livelihoods. The preparation of Village Development Plans and Union Council Development Plans served to identify the needs at the local level and help in sharpening the vision of the communities about their future. There has been considerable training of community members in organizational and financial management and leadership. The area of peace and tolerance and rights is gradually being introduced to their terms of reference. In 2012, PPAF also undertook additional efforts with dedicated financing for promoting women's inclusion. A Gender Committee (GenCom), comprising women and men from different units and tiers in the organization, was formed within PPAF to spearhead this effort. The objective of this committee was to facilitate a culture of inclusion within PPAF, POs and communities and to mainstream inclusion in the implementation of PPAF III. Activities included organizing conferences of rural women, instituting an award to recognize rural women leaders, initiating a national retreat for social mobilizers to dialogue on promoting Sustainable Development Goal (SDG) 5 – Gender Equality and running a pilot on reducing Gender-Based Violence.

The livelihood component has successfully achieved and exceeded most of its targets with distribution of assets to 88,357 beneficiaries and training delivered to 388,750 women and men. The arrangements for implementing the livelihood component were complex. It was initially delivered through 40 POs in 390 UCs dispersed in 48 districts across Pakistan and then focused in on 143 UCs in 26 districts in the last two years. A key achievement of PPAF III has been the inclusion of the ultra-poor, women, youth and persons of disability through this component. This was achieved through proactive policies, use of quotas, and utilization of a monitoring system that collected data disaggregated by gender, age and poverty scores for active course correction. The institutional innovations introduced under the component such as Nokri ya Karobar centres, Digital Hubs, Production Centres and Youth Centres required careful planning with POs which had little or no previous experience in these areas and were supported by PPAF through the development of detailed and high-quality training manuals. A key factor responsible for the success in achieving the training targets was the strategy of creating Community Resource Persons and providing training to communities through them.

The funds available for on-lending were fully utilized. By the end of December 2015, PPAF had disbursed the entire Rs. 2,975 million of the loan funds and revolved it around three times from reflows and exchange rate gains amounting to a total of Rs. 8,387 million. This disbursement translates into achieving 278% of the original component allocation. As far as the grant is concerned, PPAF disbursed Rs. 712.4 million which includes Rs. 500.4 million (USD 5.56 m) of the original allocation and Rs. 212 million which accrued as a result of exchange rate gains. The micro-credit component was implemented by 22 Partner

organizations across the country. However, support for institutional development from the grant sources was provided to 31 organizations. Funds for on-lending to organizations not working in the selected districts was made available through PPAF reflows and other sources. From an analysis of the funds under the component, it appears that 40% of the POs received 83% of the credit

funds. These same organizations received 58% of the grant funds. The PPAF approach to extending outreach through its partner Micro Finance Institutions succeeded in providing 582,990 loans with new loans comprising 376,532 as on December 2015. The gender distribution of the loans shows that women received 72% of the loans.

The targets specified under small scale community infrastructure component were categorised into several types of schemes. Under the project a total of 7,169 sub-projects were implemented at a total cost of Rs. 4.806 billion. These projects were implemented in 641 union councils, in 66 districts, ICT and 2 Agencies in some of the most remote and poor areas of Pakistan. These schemes were undertaken with the help of 9,139 COs and benefited 479,737 households. A categorization of these sub-projects shows that 29% were for drinking water supply, 28% were irrigation related schemes 18% were roads and bridges, and 10% were for the improvement or new drainage and sanitation infrastructure, while the remaining 15 % included other infrastructure which suited the local requirements and community needs. The provincial spread shows that the 30% of the schemes were in Sindh, 25% in Punjab, 24% in Balochistan, 14% in KPK, whereas the remaining 7% were in AJK, GB and FATA.

The education component exceeded its targets in terms of the number of schools it supported, the teachers hired and trained and the number of students supported. PPAF supported 896 schools of which 690 were government schools and 206 were community schools. Two thousand teachers were trained and placed in public schools and 1500 teachers were provided to the community schools. Under PPAF III, support was provided to schools in which a total of 127,112 students were enrolled. Of these 98,384 students or 77% were enrolled in the public schools and 28,728 students or 23% were enrolled in community schools. The health programme provided support to 504 health facilities: 361 were government health facilities and 143 Community Health Centres. The health programme's key achievement was providing Primary Health Care (PHC) and Maternal, Neo-natal and Child Health (MNCH) services through facilities where more than 12 million women and men are reported to have

visited the public and private health facilities during the project duration. About 83% of the patients (10 million) accessed public health facilities and 17% (2 million) used Community Health Centres.

After the modification of the education and health strategy and the withdrawal of PPAF III support from these facilities, these were handed over to the Government, community, taken over by the PO or continued with PPAF's own support. All the community schools and health facilities are still functioning and are being supported through one of these mechanisms. The modification of the health and education strategy entailed the direct financing of students through education vouchers, the training of 68 Community Resource Persons (CRPs) on the rights to education, 21 on education as social enterprise, 112 on school development plan, including 22% women. Due to these initiatives, 117 school development plans have been developed, 483 awareness raising sessions have been organized, and 68 awareness raising and confidence building events have been organized for children. Similarly, under the health component, the activities such as capacity building of CRP, health day advocacy, knowledge management and innovative health and nutrition models have been implemented. About 56 health CRPs have trained 19,355 community members (32% women) in improved hygiene practices. In addition, 103 Nutrition/MNCH CRPs have trained 82,557 community members. As a result of these efforts, 280 malnourished children and 147 pregnant lactating women were referred. Under the sub-component, 44 community health workers were also trained as social entrepreneurs and 144 awareness raising campaigns were launched by youth centers on polio; Expanded Programme on Immunization (EPI) vaccination; and Water and Sanitation for Health (WASH) which were attended by round 6,000 persons (14% women).

The implementation support component was designed to facilitate various governance, implementation, coordination, monitoring & evaluation, learning and quality enhancement efforts for successful project implementation. It consisted of four sub-components: (i) Governance Management; (ii) Project Management; (iii) Monitoring and Evaluation;

and (iv) Capacity Building for Institutional Development. The expected outcome of this component was an effective and transparent project management established for coordination, learning and impact evaluation, and quality enhancement.

PPAF made significant changes to integrate the functioning of its units, instituted an MIS system, strengthened its monitoring and evaluation functions, instituted a system for grievance redressal and aligned its salary and benefit structure and made some key changes to enhance its capacity for implementation of the wide range of activities under PPAF

III. There are a number of other outcomes which are particularly noteworthy including: (i) supporting the growth of a nationwide microfinance sector into one which is now rated as one of the best in the world (The Economist Intelligence Unit); (ii) organizing over 120,000 community institutions (cumulatively from the start of PPAF I to today) with a core focus of inclusion of women and the poorest; (iii) developing the capacity of 130 civil society organizations; and (iv) taking to scale its poverty graduation approach that has shown to significantly and positively impact income, consumption and wealth of the poorest households. Transformation of PPAF's microfinance operations into a separate entity under the Pakistan Micro-Finance Investment Company was one of the milestones achieved under PPAF III. This transformation had been seen as a special government strategy by the Government of Pakistan (GoP) to increase commercial finance to the microfinance sector. PPAF is also seen as an important partner in the strategy to help the Government develop new products and business models that rely on digital platforms, provision of agriculture finance and ensuring the adoption of principles of consumer protection. The Ministry of Finance's approval to PPAF to initiate the process for establishing the Pakistan Microfinance Investment Company shows that the Government is in accord with PPAF's long-term vision about its role in enhancing financial services to the poor. PPAF has also been invited to help shape the policy and regulatory environment for the sector as a member of the State Banks of Pakistan's Consultative Council.

The unit cost of establishing a

community organization and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs to implement the livelihood, community infrastructure and social sector components valued at USD 165 million. The community capacity to manage funds under PPAF was worth almost five times the funds invested in its own development. Community involvement through active participation in financial and labour contribution, financial management and the procurement of building materials not only improved the efficiency of expenditures, but ensured stronger community ownership of community infrastructure projects and empowered participating communities.

PPAF also helped to improve the fiduciary systems within the POs (especially small POs) and to strengthen financial management capacity at the community level. Within PPAF itself, a corporate governance framework compatible with best national and international practices was introduced alongside compliance with the statutory requirements and covenants stipulated in the agreements with the World Bank, other development partners and GoP.

Continued improvements in monitoring and evaluation capabilities were seen throughout the project implementation period. A Compliance and Quality Assurance Group was set up in 2012 to look after all monitoring, evaluation, research and environment and social management compliance. A three-tier monitoring system was established to monitor outputs, outcomes and process.

A number of third party assessments were also carried out to measure outcomes/impacts including The World Bank Development Economics Research Group (DECRG) which managed the impact assessment of PPAF III. The World Bank's own reviews of fiduciary arrangements of PPAF-III demonstrated the adequacy of the control and reporting systems including at all three tiers of World Bank-financed activities (PPAF, POs and COs). The financial management arrangements in place were rated as "Satisfactory" throughout the PPAF III implementation period.

LESSONS LEARNED

Given the positive learning for development approaches globally, PPAF also learnt some valuable lessons which were identified and documented during the project's life cycle. The purpose of documenting lessons learned is to share and use knowledge derived from experience to promote and preclude the recurrence of desirable outcomes. Amongst some of the most important lessons are the following:

a) The use of the Poverty Score Card to target the beneficiaries for transfer of asset and training programs and the use of COs to verify the poverty status of households to rectify any exclusion or inclusion errors from the scorecards was an essential element in the improved poverty targeting and deepening that was at the center of the project objectives.

b) PPAF did not dictate the political processes that community institutions were to use. Rather PPAF focused on providing guidelines to ensure that the community institutions were not hijacked to meet the political interests of one party but reflected

the broader interests of the membership. This was an important evolution in the role of CO facilitation which continues to provide solid evidence to global experience that community driven approaches have the capacity to implement a large number of community physical infrastructure schemes efficiently and cost-effectively.

c) The project provided many interconnected lessons on how to deliver on a deeper and more sustainable micro-finance sector and particularly on the ability to reach the ultra-poor. This included methods for better use of third party oversight in Community Livelihood Funds. The lessons also relate to striking a better balance between growth objectives and promotion of diversity amongst Micro Finance Institutions (MFIs) to get better outcomes. PPAF's role as an advocate for the smaller MFIs was instrumental in enhancing the sustainability of the microfinance sector.

d) A saturation approach to poverty reduction requires continued innovation in methods of delivery. Building the capacity of hard-to-reach localities through the training of



young people as community resource persons is a successful strategy to engage youth who may otherwise have been marginalized and to create a new and energetic network of development actors at the community level who also act as agents of change. Differentiated strategies are required for girls and boys.

e) The feedback received from the field by PPAF and its POs indicates that there is strong demand for quality education and thus a need to invest greater resources in service delivery models which can provide quality education. Investing in demand creation without the provision of a supply of quality education is neither efficient nor effective and may be counter-productive. PPAF has learnt that educating girls is the single most important intervention for women's empowerment. Although financing community schools entailed higher costs, it is likely that such schools would have been the most effective over the longer term. PPAF should have committed to the community schools for a longer period of time, at least 10-15 years, as this is what is required to create and graduate local human resource to sustain those schools.

PRIME MINISTER'S INTEREST FREE LOAN SCHEME

The Government of Pakistan (GoP) announced Rs. 3.5 billion Prime Minister's Interest Free Loan (PMIFL) Scheme, MOU signed on May 14, 2014 for a period of four years ending on June 2018, 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 GoP 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 within 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, 2016 is as follows:

Partner Organizations (POs)	26	
Coverage	Districts: 44	UCs: 287
Loan Applications	Total Received 213,009	Total Approved 197,278
No. of Loan Centers /Branches established	233	
Funds Disbursed (Rs in Mill)	PPAF - PO 3,248	PO – Borrowers 4,068.64
	188,785	
No. of Loans Disbursed to Borrowers	 Male 72,587 38%	 Female 116,198 62%
Average Loan Size (Rs)	21,552	

PROGRAMME FOR POVERTY REDUCTION

The project (financed by GoP through Italian Government funding) became fully operationalized during the year.

The overall 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, 2016 EUR 14.01 million were disbursed (35% of the total financing). Implementation progress as of June 30, 2016 is as follows:

Indicators with Components	Status as of June 30, 2016
Social Mobilization and Institution Building	No.
Formation & strengthening of community organizations	3,702
Formation & strengthening of 2nd tier community institutions	538
Formation & strengthening of 3rd tier community institutions	38
Number of Community members trainings	15,339
Number of staff members trainings	709
Livelihoods Enhancement and Protection (LEP)	
No. of LIPs developed	2,246
No. of CIGs formed	167
Number of CRPs developed	215
No. of individuals received skills/entrepreneurial training	5,308
No. of ultra and vulnerable poor received productive assets	2,246
Number of Loan centers established through CLF	2
Community Physical Infrastructure (CPI)	
No. of Water and Infrastructure projects completed	149
No. of beneficiary households	70,805
No. of population beneficiaries (51% female)	395,328
Basic Health & Education Services	
Total No. of school facilities constructed or renovated	491
Total no. of children benefitting from schools	65,934
Total no. of health centers constructed, renovated and/or equipped	45
Total no. of beneficiaries from health centers	194,757









LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME

The project (financed by GoP through funding of KfW – Development Bank of Germany) started in the year 2012, in Khyber Pakhtunkhwa (KPK) through GoP financed by Germany Development Bank (KfW). The project

is being implemented in 8 districts of KPK. The overall 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, 2016 EUR 24.4 million were disbursed (77% of the total financing). Implementation progress as of June 30, 2016 is as follows:

Sr.	Indicators with Components	Status as of June 30, 2016
Component: Institutional Development & Social Mobilization		
1	No. of community organizations formed/revitalized	3,593
2	No. of village organizations formed	256
3	No. of local support organizations formed	50
4	Membership in community institutions  39%  female	67,170
Component: 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
Component: 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	6,043
Component: Education, Health and Nutrition		
10	Total Enrolment	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

HYDROPOWER AND RENEWABLE ENERGY (HRE) PROJECT

The 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 overall project size is EUR 10 million. 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, 2016 PPAF had disbursed EUR 3.3 million (30% of total financing). Implementation progress as of June 30, 2016 is as follows:

Sr.	Indicators with Components	Status as of June 30, 2016
1	Micro Hydropower Project (MHP)	
1.1	No. of Sites Identified	05
1.2	No. of Projects Designed	05
1.3	No. of Projects Initiated	05
2	Solar Lighting Systems (SLS)	
2.1	No. of Projects Identified	96
2.2	No. of Projects Designed	96
2.3	No. of Projects Initiated	96

MICROCREDIT SPIN OFF

The potential market for microfinance is estimated at 20.5 million individuals. The market is poised for growth however the sector remains constrained due to the lack of funds. Conservative estimates depict that in order to reach 10 million clients by FY 2020 the industry would require additional debt for on-lending of up to Rs. 300 billion. One third of this amount will be financed through deposits raised by Microfinance Banks but long and short term debt will continue to remain the main driver of growth. Additional debt of over Rs. 200 billion and equity of over 45 billion will be required to meet the growing financing needs of the sector. This will necessitate obtaining funds from more commercially-minded sources, such as international microfinance investment vehicles (MIVs) and domestic sources such as commercial banks, capital markets, and even depositors.

PAKISTAN MICROFINANCE INVESTMENT COMPANY (PMIC)

Given the needs of the Microfinance sector and PPAF's agreement with the World Bank under PPAF-III Project in

2009 the Company decided (based on the study and assessment of independent international consultants engaged for the purpose) to spin-off its microcredit function into a new independent microfinance apex entity Pakistan Microfinance Investment Company (PMIC). The establishment of an autonomous micro-finance entity will ensure that PPAF is best able to support the expansion of a solid microfinance sector in Pakistan that can

provide financial services to those with no access and to participate in the professionalization of the sector. The decision to create a new entity was endorsed by many stakeholders including World Bank, State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Pakistan Microfinance Network (PMN) and retail service providers. Having been mentioned as a major milestone in the National Financial Inclusion Strategy (NFIS), launched by the Finance Minister, PMIC also received full support and endorsement from the Government of Pakistan.

The objective of the Company is to provide market based financing




mainly through debt initially to microfinance providers serving micro, small and medium enterprises (MSMEs) in Pakistan potentially accompanied by technical assistance. PMIC Board will comprise of members from the private sector having expertise in the fields of banking, finance, social sector development and overseeing financial affairs of large financial institutions. The company will inherit the institutional values of PPAF and its core team will comprise of staff members from the Financial Services Group at PPAF while some of the key positions will also be filled through bringing on board individuals with sound experience in working with financial markets.

In order to reach up to 10 million active borrowers by year 2020, the industry would require additional financing for on-lending of up to Rs. 300 billion. The United Kingdom's Department for International Development (through section 42 Company KARANDAAZ) and Germany's Development Bank (KfW) have agreed to co-invest with PPAF in PMIC which follows the double bottom-line approach of financial sustainability

and positive social impact. PMIC will have a commercial (for-profit) structure by being the first national level Microfinance Investment Vehicle (MIV) in the world registered as an Investment Finance Company under NBFC rules of SECP. While PPAF brings with it expertise, credibility and domestic experience of working with the retail microfinance sector in the country, DFID and KfW together bring rich international experience and resources which would be imperative in accessing additional sources of funds both domestically and internationally.

The Shareholders Agreement for PMIC was signed on April 28, 2016 at a ceremony attended by the Finance Minister, Deputy Governor-SBP, Chairman SECP and other delegates from PPAF, DFID, German and British Governments and Ministry of Finance. The Shareholders' Agreement was signed by CEO PPAF Qazi Azmat Isa, CEO Karandaaz Pakistan Mr. Ali Sarfraz Hussain and Deputy Head of KfW Pakistan Dr. Parvaiz Naim on behalf of their respective organizations. Moreover, shareholders also signed the Non-Compete Agreement and Share Subscription Agreement.

As per the Shareholder Agreement signed between PPAF, KARANDAAZ and KfW, the parties shall own the following respective percentage shareholding interests in PMIC:

PPAF	49%	
Karandaaz	37%	
KfW	14%	

PPAF will invest an amount not exceeding Rs.3 billion (exact amount to be determined based on foreign currency rate prevailing at the time of contribution in EUROS by KfW) in Pakistan Microfinance Investment Company (PMIC), a for-profit entity, comprising not less than 49% shareholding in the PMIC. The contribution by other shareholders will be: Karandaaz – Amount (Rs. equivalent of GBP 15 million); KfW – Amount (Rs. equivalent EUR 7 million).

The tripartite coalition between the three shareholders will be based on the initial equity investment of Rs. 5.5 - 6 billion. Thus, the entity would be able to bring in significant amount of foreign investment into the country in the form of both debt and equity. The entity is expected to attract sufficient

funds from private and commercial sources to help the microfinance sector to meet the unmet demand for financial services and create employment opportunities in the country.

In order to achieve the mission, strategic objectives of PMIC include:

- Create a financially sustainable organization,
- Provide innovative and customized support to PMIC investees, through a mix of financial instruments and institutional support to develop capacity to access commercial credit markets,
- Contribute to building a robust financial ecosystem for the growth of sustainable micro finance in Pakistan
- Build a strong professional and innovative organization capable of achieving the mission of PMIC.

Efforts are currently underway to complete all legal and compliance formalities and PMIC is expected to receive license to operate by 1st week of October 2016 following which the entity will initiate its operations.

ASSESSMENTS AND RATINGS

THIRD PARTY ASSESSMENTS

Assessments and evaluations are integral part of PPAF to improve future policy, programs and projects through feedback and lessons learnt. PPAF 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 BASIC SERVICES AND INFRASTRUCTURE COMPONENT OF PPAF-III

PROGRAMME (2015-16) BY SEBCON CONSULTING (PVT.) LIMITED

An Impact Assessment (IA) of PPAF intervention pertaining to Basic Services and Community Physical Infrastructure schemes was conducted by SEBCON Islamabad. The focused sectors were: Irrigation Water, Drinking Water Supply, Roads

and Bridges, Drainage & Sanitation, and Renewable Energy. The sample selection was undertaken in consultation with PPAF staff based on multi-stage criteria. Four types of questionnaires were developed for data collection for; individual households, Focused Group Discussions/Key Informant Interviews, POs, and Environmental and Social Management Framework stakeholders. The data was collected from 40 Union Councils (UCs) from 12 districts of four provinces of the country. A majority of respondents stated that schemes were relevant. Affirmative responses regarding priority were 100% for energy, 83% for Drinking Water Supply Schemes (DWSS), 79% for Roads, 75% for irrigation and 62% for drainage & sanitation showing that schemes were demand driven. The schemes have created social and economic capital in the form of better health of men, women and children. The field investigations revealed that the schemes were mostly inclusive except irrigation schemes where male domination was more evident and women's participation was limited.

IMPACT ASSESSMENT OF PPAF COMMUNITIES AND SKILLS TRAINING

PROGRAMS (2015-16) BY AASA CONSULTING

The primary purpose of this study was to assess the impact of PPAF and their POs training programs over the course of the PPAF-III project period (FY 2010-2013), with regards to outreach, impact and sustainability at the individual and community level.

During the survey, it was validated that a common yardstick was used in all provinces to reach out to program beneficiaries. The selection of beneficiaries was done with the help of Poverty Score Card which ruled prejudice out of the equation and, therefore, all individuals of the society including women, minorities and disabled had an equal chance of becoming a part of the skill training program.

The findings of the survey confirm that the training program was relevant in terms of the needs of the COs and the household beneficiaries. The impact of the skill trainings was effective and, most importantly, the training programs ensured making COs self-sufficient. Most COs affirmed that they have been instilled with skills and knowledge with the help of which they will be able to run and manage their respective COs without the help of PPAF and POs.

WORLD BANK UNDERTOOK AN IMPLEMENTATION SUPPORT MISSION IN NOVEMBER 2015. RATING BY THE MISSION IS AS FOLLOWS

RATINGS OF KEY PROJECT DATA

DESCRIPTION	RATING
Development Objectives	Satisfactory
Implementation Progress	Satisfactory
Financial Management	Satisfactory
Procurement	Satisfactory
Monitoring and Evaluation	Satisfactory
Environment and Social Safeguards	Satisfactory

PERFORMANCE RATINGS FOR PROJECT COMPONENTS

DESCRIPTION	RATING
Social Mobilization & Institutional Building	Satisfactory
Livelihood Enhancement & Protection	Satisfactory
Microcredit Access	Highly Satisfactory
Basic Services and Infrastructure	Satisfactory
Project Implementation Support	Satisfactory





AUDITOR GENERAL PAKISTAN (AGP) AUDITED THE FINANCIAL STATEMENT OF IDA CREDIT NO. 4599 (PPAF-III PROJECT) FOR THE YEAR ENDED JUNE 30, 2015 AND GAVE THE FOLLOWING OPINION

• The financial statements present fairly, in all material respects. The cash receipts and payments by the project for the year ended 30th June,

2015 in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting Standard.

• The expenditures have been incurred in accordance with the requirements of legal agreements.

PPAF WAS REVIEWED BY AND CERTIFIED BY PCP IN JULY 2015. PPAF PERFORMANCE DURING THE LAST THREE YEARS I.E. FROM 2012 TO 2014 WAS EVALUATED IN THIS REGARD. THE PCP REPORT EXAMINED PPAF'S STRUCTURE, FINANCES, SYSTEMS, PROCEDURES, PROCESSES AND PROGRAMMES DURING THE PERIOD FROM 2012 TO 2014 AGAINST STANDARDIZED PARAMETERS. THE RELEVANT SCORES UNDER THE REVIEW ARE AS FOLLOWS:

Evaluation Parameters	Total Score (A)	Minimum Score Required (B)	Score Obtained (C)	Strength (%age) (C/A%)	Remarks
Internal Governance	300	150	287	 95.66%	Qualified
Financial Management	300	150	290	 96.66%	Qualified
Programme Delivery	400	200	339	 84.75%	Qualified
Total	1000	600	916	 91.6%	Qualified

CORPORATE GOVERNANCE

Good governance is an indispensable tool for maintenance of Company's integrity and credibility in the eyes of its stakeholders. The Board of Directors hence, emphasizes on operational transparency and adherence to the best ethical practices, beyond the regulatory requirements for governance. In order to ensure that Company operations are carried out in an ethical manner, the Board has prioritized corporate accountability through provision of leadership within a framework of generally accepted best practices, compliance with corporate governance regulations, sound internal controls, the Code of Conduct, the Code of Business Ethics and the Whistle Blowing Policy.

BEST CORPORATE PRACTICES

To demonstrate PPAF's commitment towards adherence to the highest levels of moral and ethical values, the Company follows best business practices in addition to stipulated legal requirements. Sound Corporate Governance is critical to our Company's integrity and maintaining investors trust.

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.

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 half yearly 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.

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.

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 Board comprises of twelve Members including the Chairman and the Chief Executive Officer. Of these, three are 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; amendment in Memorandum of Association to allow PPAF to investment in associate companies, investment of Rs 3 billion in Pakistan Microfinance Investment Company, agreements related to PMIC (Shareholders Agreement, Non-Compete Agreement and Shares subscription Agreement).

The notice and 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:

Sr. No.	Name	No. of meetings attended	No. of meetings Eligible to attend
1	Mr. Hussain Dawood*	-	-
2	Dr. Naved Hamid	-	-
3	Mr. Amjad Mahmood	-	-
4	Dr. Rajab Ali Memon	1	1
5	Mr. Sarfaraz Ahmad Rehman	-	-
6	Dr. M. Suleman Shaikh	4	4
7	Dr. Fareeha Zafar	2	2
8	Mr. Aijaz Ahmad Qureshi	3	3
9	Mr. Omar Hamid Khan	3	3
10	Mr. Qazi Azmat Isa	3	3
11	Syed Ahmed Raza Asif	2	2
12	Ms. Roshan Khursheed Bharucha	2	2
13	Mr. Ahlullah Khan	2	2
14	Zubyr Soomro	2	2

* Mr. Hussain Dawood had resigned, hence did not attend.

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

Dr. M. Suleman Shaikh, Mr. Aijaz Ahmed Qureshi and Dr. Fareeha Zafar were re-elected as Directors while Mr. Zubyr Soomro, Ms. Roshan Khursheed Bharucha and Mr. Ahlullah Khan were elected as Directors for a period of three year in the Extra-Ordinary General Meeting held on January 25, 2016.

Dr. Rajab Ali Memon, Dr. Naved Hamid, and Mr. Sarfaraz Ahmad Rehman retired on January 25, 2016 as Directors on completion of their three year term. Mr. Amjad Mahmood was replaced by Syed Ahmed Raza Asif as Director of the Company. Mr. Zubyr Soomro resigned on assuming the responsibility of Chairman Pakistan Microfinance Investment Company (an associate company of PPAF) to avoid conflict of interest.

The Board placed on record its appreciation for the valuable contributions made by the outgoing Directors. The Board extended welcome to new Directors and resolved to work in partnership with them to benefit from their vision and valued experience which would go a long way in the future growth and prosperity of the Company.

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

The Audit Committee comprises of three 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 management's monitoring and assists the Board in oversight 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 two times during the year. 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 the External Auditors to discuss issues of concern.

BOARD COMPENSATION 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.

RISK OVERSIGHT 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.

The Board Compensation Committee and Risk Oversight Committee are in the process of being re-constitution.

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.

WHISTLE BLOWING POLICY

In order to ensure accountability and integrity in course of conduct, the Company has devised a transparent and effective whistle blowing mechanism for alerting 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 and the Board. The policy 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 have 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 s/he wants assistance in correcting the problem. Purpose of Grievance Policy is to (a) facilitate employees and management to resolve grievances rose by employees; and (b) create a healthy work environment. This policy is applicable to all regular employees of PPAF.

Salient features of Grievance policy are:

1. All Grievance issues are handled in a fair and just manner and where applicable within the stipulated PPAF Policy and legal boundaries of the applicable laws of Pakistan.
2. PPAF has an open door policy where complainants are encouraged to talk over their Grievance with Immediate Supervisor or Unit Head or Grievance Redressal Officer (GRO), whoever employee deems appropriate.
3. All Grievance cases are considered on merit, with relevant circumstances being carefully investigated before any action is taken.
4. All investigations, proceedings, witness statements and records of Grievance appeals and actions are kept confidential.
5. Complainants and Defendants are to be informed of the date set for the hearing of the appeal in a timely manner.
6. Defendant is given the opportunity during enquiry and at the hearing of the appeal to challenge any allegations and evidence before a decision is made.

7. All Complainants and Defendants have the right to appeal against any decision taken.

8. All grievances must be addressed within stipulated time.

Selection of GRO and grievance committee is through election. All the staff members are given the opportunity to elect one GRO and six staff members for the Grievance Committee from a pool of senior and middle management.

HUMAN RESOURCE MANAGEMENT

PPAF endeavors to incessantly evolve and redefine its HR strategy, systems and practices by proactively anticipating, analyzing and responding to the emerging needs and challenges faced by the Company while promoting diversity including representation of special persons, in an equitable and unbiased manner.

Human capital is the driving force behind PPAF's progress and it recognizes the importance of investing not only in talent acquisition but the management and retention thereof. Recognizing the ever increasing importance of human capital management, the Company has an effective and dynamic HR function to address all employee related matters including training, performance evaluation, career development and succession planning in a transparent and non-discriminatory manner while promoting a culture of integrity and compliance with the Company's Code of Conduct.

EMPLOYEE MANAGEMENT

PPAF system provides leadership and supporting management processes helped ensure employees are placed in the right roles with clearly defined responsibilities so that they are able to deliver against organizational goals.

During 2015-16, PPAF focused on further integrating the principles governing the system into our human resources practices at all levels. These principles reinforce the central role of people in achieving our organization objectives and the value being placed on treating one another with dignity and respect. PPAF's aim is to simplify human resources approach, translating it into practical action which could be easily applied, which emphasized focusing on relationships and interaction at all levels of the business and which harnessed technology to improve and streamline people management functions.

TALENT MANAGEMENT AND CAREER DEVELOPMENT

With a long term perspective in mind, PPAF also ensures that competent personnel are available in each department and ready to assume higher positions through a comprehensive succession planning policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude amongst other factors. This succession plan is updated periodically in line with the Company's requirements and career development objectives. Our consistent focus on talent acquisition and grooming our people via training and development in addition to providing them with market commensurate compensation packages ensures that we build and retain a workforce fully geared to steer the Company forward.

PPAF prides itself in being an equal opportunity employer, promoting gender diversity and providing one of the most rewarding career opportunities in the country thereby attracting high caliber professionals, and transforming them into future leaders.

TREASURY MANAGEMENT

The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash / liquidity in the money market / Government securities, term deposits with banks / financial institutions to augment profitability and increase the shareholders' returns.

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

- Periodic evaluation of planned revenues from sales/investment income and comparison with the timing and quantum of working capital requirements
- Identification of cash surpluses for investment in suitable opportunities offering optimal returns while providing preservation of invested capital.
- Matching of maturity dates of investments with working capital/other funding requirements.
- Maintenance of a fairly diversified portfolio to earn maximum returns, remaining within prudent levels of exposure.

• Investment options may include short/long term placements, with high credit rated institutions to minimize credit risk.

The placement of funds is arranged with target maturity dates to ensure availability of sufficient liquidity for working capital / investment requirements, besides generation of maximum returns.

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.

RISK MANAGEMENT

Preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 judgments about the 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 long term success of a company depends on its ability to find, acquire and develop its reserves. These activities are speculative in nature and are characterized by inherent uncertainties and complexities which may have a potential impact on the Company's financial conditions and results of development operations. PPAF regularly monitor such risks using information obtained or developed from external and internal sources and take appropriate actions to mitigate their adverse impact. Effective risk management strategies and proactive risk mitigation techniques are cornerstone in accomplishing the strategic objectives and protecting business assets, personnel and reputation. The role of risk Oversight Committee of the Board is to identify key business risks and devise and implement measures to mitigate the potential impact of the risks with the aim to ensure quality decision making. Management at PPAF periodically reviews major financial and operating risks faced by the business.

BUSINESS RISKS AND CHALLENGES

Operating in a business environment involves developing objectives, making decisions and undertaking transactions and hence inevitably bears some form of risk. PPAF has effective systems in place for the timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business as detailed in the following sections.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, system breakdowns, project delays, fluctuations in product markets including competitive position, legal liabilities, credit risk, accidents, natural causes and disasters, or other events of uncertain or unpredictable nature. These key sources of uncertainty in estimation carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Risks are broadly categorized between financial and nonfinancial risks. Key operational and non-operational risks including strategic risks are outlined below:

STRATEGIC RISKS

Strategic risks include risks created by the Company's strategic objectives and business strategy decisions that could affect its long term positioning and performance. They are monitored at the highest level with active oversight by the Board of Directors.

Strategic risk management is the response to uncertainties and opportunities faced by a company. It involves a clear understanding of corporate strategy, the risks in adopting it and the risks in executing it. These risks may be triggered from inside or outside the organization. PPAF management clearly understands its role in identifying the strategic risks. The project appraisal documents, business plans and strategies identify the key risks along with mitigation strategies.

OPERATIONAL RISKS

These are risks that can affect the Company's ability to execute its plans and objectives including operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns or control failures. By adopting an integrated approach, PPAF ensures that all operational risk management initiatives are aligned with the corporate strategy.

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.

CONCENTRATION OF CREDIT RISK

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the donor to incur a financial loss. The Company's credit risk is primarily attributable to loans to Partner Organizations, receivable from donors and POs 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 14,716,386 thousand (2015: Rs 13,912,719 thousand) (including loans to five major POs of Rs. 8,334,507 thousand) (2015: loans to five major POs of Rs. 7,299,601 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. The credit risk on grant receivable is also limited, as the receivable is in respect of amounts disbursed to POs in accordance with the provisions of an agreement with the donor.

LIQUIDITY RISK

Liquidity position of the Company is closely monitored to ensure availability of sufficient funds to meet operational requirements and to safeguard the Company against cash flow risks. This is done through effective cash flow forecasting, maintenance and management of maturity profiles of assets and liabilities to match cash inflows and outflows thereby optimizing the working capital cycle. In addition, the Company's Treasury Management System ensures placement of surplus funds in short term investments yielding incremental income for the Company.

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 28,252,192 (2015: Rs 27,441,473) thousand and financial liabilities include balances of Rs 14,304,338 (2015: Rs 15,027,048) 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 139,479 (2015: Rs 124,144) thousand higher/lower.

(ii) 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.

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.

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.

KEY ACTIVITIES

Children's Global Network Pakistan (CGNP), in collaboration with PPAF under a pilot project titled "Social Educational Enterprise" imparted training to 28 community resource persons (CRPs) from Kharan, Gawader, Kech, Panjgur, Awaran and Upper Dir. The six week training aimed at encouraging the participants

on how to provide quality education to out of school children in their own area by setting up their "Educational Enterprise" in the form of a low-cost private school. The training program built capacities of the participants on school management, teaching methodologies, school feasibility and business plans. The participants also received practical exposure of attending classroom sessions directly by visiting various schools set up by educational entrepreneurs in other areas. CGNP arranged a certificates distribution ceremony for the participants in Peshawar.

Thardeep Microfinance Foundation and PPAF successfully introduced Alternate Delivery Channels (ADC) for the new applicants of microfinance. This ADC e-appraisal system is benefiting microfinance clients at their doorstep, removing their burden of taking heavy files from home to offices. It has replaced the entire traditional manual mechanism of filling application forms to get microloan, taking photo state documents, including CNIC, pictures, etc.

A symposium on "Promoting Partnership for Youth and Community Development" was arranged jointly by AKRSP and AKPBS-P under the guidance of PPAF in Gilgit. Mr. Hafiz Hafeez-ur-Rahman – Chief Minister Gilgit-Baltistan – was the chief guest on this occasion. Around 250 LSOs representatives, CRPs, youth and other stakeholders attended the symposium.

A consultative workshop organized for KPK POs' to provide them orientation on PPAF Vision 2020 comprising program areas, operations, closure of PPAF-III, sustainability of on-going projects, formation of committees for KPK and FATA Chapters, developing a strategy at provincial level after the 18th Amendment and how to coordinate with officials of government line departments.

In collaboration with MANSOL Manpower Solutions, PPAF and Taraqee Foundation jointly organized a launching ceremony on technical training for youths of district Ziarat in Quetta recently. The three months training would be aimed at enhancing capacity of 220 youth between 20 to 35 years of age in technical and vocational skills to ensure them guaranteed job opportunities in the Gulf countries including Dubai, Qatar, United Arab Emirates and Saudi

Arabia. Dr. Abdul Malik Baloch, Chief Minister, Balochistan, was the chief guest at the ceremony.

PPAF inaugurated a two-day Naukri Ya Karobar convention in Islamabad, where NyK operators showcased their success with participants so that they can replicate the model for economic betterment of their communities.

PPAF celebrated International Day of the World's Indigenous People with communities in Kalash valley by engaging women to highlight the importance of the Day and discussing the implementation of the PPAF Indigenous Peoples' Plan. This year's theme was "Indigenous Peoples' Right to Education". PPAF Indigenous People's Plan ensures provision of education to the indigenous communities of Kalash Valley, Chitral – Khyber Pakhtunkhwa.

The PMIFL Scheme Team of PPAF facilitated the visit of Minister of State/BISP Chairperson, Ms. Marvi Memon to districts of Badin and Nagarparkar in Sindh where she met with BISP beneficiaries, who have also availed Prime Minister's Interest Free Loan (PMIFL) Scheme and become entrepreneurs to transform their lives.

PPAF participated in a seminar organized by UNDP in collaboration with Planning Commission titled "Bringing Inequality to the Public Agenda" in Islamabad. Federal Minister for Planning, Development and Reform, Mr. Ahsan Iqbal said the government had adopted inclusive and sustainable economic policies to minimize socio-economic inequalities. He noted that inclusive growth strategy implied egalitarian distribution of income and resources. In the seminar, Qazi Azmat Isa, CEO PPAF suggested the Planning Commission to devise a mechanism to determine whether the new public sector spending was going to Lahore or southern-Rajanpur district, which is at the bottom of Human Development Index.

PPAF - an innovative model of public private partnership, celebrates every year in collaboration with Citi Foundation – the philanthropic arm of Citibank. 10th Citi Microentrepreneurship Awards (CMA) were held in Islamabad. PPAF Chief Executive Officer Mr. Qazi Azmat Isa and Citi Country Officer Mr. Nadeem Lodhi led the ceremony. CMA programme has become known for its success in increasing awareness for microfinance and providing incentives to

microentrepreneurs. This year, a record breaking number of nominations were received from various microfinance institutions.

Mari Petroleum Company Limited (MPCL) and the Pakistan Poverty Alleviation Fund (PPAF) signed a MoU – launching the “School Improvement Program” in Quetta and Harnai districts of Balochistan. Through this agreement, MPCL and PPAF have agreed to form an alliance to embark on interventions in the fields of education, infrastructure, renewable energy and social sector services as identified by local stakeholders and as mutually agreed by MPCL and PPAF. Initially this pilot project included rehabilitation of two Government schools, i.e. the Government Girls and Boys School Astangi, Margat Quetta and the Government Girls High School, Harnai while a third school i.e., Govt. Primary School, Ziarat Kach, UC Khost became part of the project on MPCL’s proposition. This project is being funded through MPCL’s Corporate Social Responsibility (CSR) budget.

MOVING FORWARD

The Millennium Development Goals (MDGs) have guided countries and partners over the last 15 years in improving the living conditions of the poor. As the world reflects on the Millennium Development Goals and refines a new sustainable development agenda, it is evident now more

than ever that development is no longer the work of traditional actors and donors alone. With 2016 marking the new beginning with a transition from the Millennium to the Sustainable Development Goals (SDGs), the international community celebrated many development successes since 2000. Ensuring that no one is left behind is at the core of the 2030 Agenda for Sustainable Development, and is a fundamental guiding principle for its implementation.

PPAF has also started aligning its work with SDGs after the transition of developmental goals from MDGs to SDGs. In order to realign its programme with the new sustainable development agenda for the next 15 years, PPAF’s results framework has been mapped against the SDGs and Targets. Given that the SDGs and their targets are universal and all-encompassing in nature, PPAF has identified 11 SDGs and 23 targets which are fully or partially aligned with PPAF’s programme articulated in the form on nine long term goals and 34 targets. This results framework is being reviewed by the senior and middle tier management of PPAF for adoption as its agenda for the next 15 years. PPAF remains firmly committed to the task of development and poverty alleviation. PPAF has taken over the responsibility for achieving the SDGs which outline a 15-year agenda to address the 17 issues of the developing world which include

poverty, hunger, quality education, clean water, sanitation and affordable energy etc. With its wealth of experience and innovation, PPAF is in a strong position to assist the GoP and its current and future development partners in the achievement of the SDGs in partnership with its Partner Organizations and the community institutions on the ground.

PPAF aims to further strengthen its position in promoting economic diversity, enhancing regional connectivity, improving cross-border economic corridors, enhancing delivery of public services, and managing climate change. These ambitions will build up the forward-looking ventures and will require increased resources—and close coordination with development partners.

Achieving positive development outcomes will increasingly rely on engagement with a diversity of stakeholders. Collaboration with stakeholders continued to grow stronger. PPAF has made important strides toward unlocking nontraditional sources of development finance and moving beyond official development assistance alone.

FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012
Outreach - Numbers (Cumulative)					
Partner Organizations	137	137	130	127	116
Districts	129	129	129	129	129
Funds deployment - Rs. in million					
Microcredit					
Loans receivable from POs (Gross)	14,716	13,913	13,985	13,300	13,434
Guarantee facility	2,150	3,600	3,820	3,265	1,845
	16,866	17,513	17,805	16,565	15,279
Grant					
Core Operations	5,456	6,934	5,349	6,079	6,437
Relief & reconstruction operations	408	219	665	108	202
	5,864	7,153	6,104	6,187	6,639
Total funds deployment	22,730	24,666	23,189	22,752	21,918
Balance Sheet - Rs. in million					
Total assets	30,857	32,285	35,914	31,656	27,090
Endowment fund	1,000	1,000	1,000	1,000	1,000
Reserves					
Capital adequacy reserve	2,207	2,087	2,098	1,995	2,015
Grant fund	7,520	6,706	5,659	4,853	3,804
Reserve for lending activities	3,653	3,236	2,671	2,256	1,686
Income on grant fund	1,139	978	582	754	400
	14,519	13,007	11,010	9,858	7,905
Total equity (endowment + reserves)	15,519	14,007	12,010	10,858	8,905
Long term loans	13,448	14,236	14,801	15,003	15,355
Operational Results - Rs. in million					
Total income	2,963	3,250	2,880	2,896	2,794
General and admin expens	576	587	591	509	435
Surplus before loan loss prov. and relief workes	1,919	2,250	1,845	2,094	2,070
Net Surplus	1,511	1,998	1,152	1,953	1,375
Financial Ratios - Percentage					
Surplus before provisions & relief/total income	65%	69%	64%	72%	74%
Return on equity (Surplus before provision and relief activities to Equity)Reserve for lending activities	13%	17%	16%	21%	25%
Return on assets (Surplus before provision and relief activities to Assets)	6%	7%	5%	7%	8%
General and admin expenses /funds deployed	2.53%	2.38%	2.48%	2.24%	1.98%
Debt/equity	46:54	50:50	55:45	58:42	63:37

FINANCIAL STATEMENTS

Year ended June 30, 2016



EY Ford Rhodes
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan Poverty Alleviation Fund** ("the Company") as at 30 June, 2016 and the related income and expenditure account, statement of other comprehensive income, cash flow statement and statement of changes in funds and reserves together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 4 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of other comprehensive income, cash flow statement and statement of changes in funds 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

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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 30 June, 2016 and of the surplus and other comprehensive income, its cash flows and changes in funds 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).

Other Matter

The financial statements of the Company for the year ended 30 June, 2015, were audited by another firm of chartered accountants, who expressed an unmodified opinion on those financial statements on 21 September, 2015.

Chartered Accountants

Audit Engagement Partner's name: Mr. Khayyam Mushir


Date: 27 September, 2016

Place: Islamabad

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
BALANCE SHEET
AS AT 30 JUNE, 2016

		2016	2015 (Restated) (Note 45)
	Note	-----Rupees '000-----	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	70,724	62,441
Intangible assets	7	979	4,316
Long-term investments	8	2,657,798	2,953,037
Long-term loans to Partner Organizations	9	1,735,675	1,528,948
Long-term deposits and prepayments	10	29,825	4,228
		4,495,001	4,552,970
CURRENT ASSETS			
Grant fund receivable	11	556,208	-
Loans and advances	12	20,679	21,459
Short-term prepayments	13	33,600	47,250
Profit / service charges receivable	14	702,606	1,177,959
Other receivables	15	48,484	13,532
Current maturity of long-term investments	8	300,000	286,400
Current maturity of loans to Partner Organizations	9	12,037,609	11,467,824
Short-term investments	16	11,227,080	11,064,519
Tax refunds due from the Government	17	251,208	225,899
Bank balances-specific to projects	18	898,004	3,291,088
Cash and bank balances	19	286,287	114,031
		26,361,765	27,709,961
TOTAL ASSETS		30,856,766	32,262,931
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Endowment fund	20	1,000,000	1,000,000
Grant fund		7,519,584	6,706,090
Reserve for grant based activities		1,139,402	978,017
Accumulated surplus		5,860,255	5,323,306
		15,519,241	14,007,413
NON-CURRENT LIABILITIES			
Long-term financing	21	11,433,192	12,143,998
Deferred benefit	21	2,014,837	2,091,869
		13,448,029	14,235,867
CURRENT LIABILITIES			
Deferred liabilities - grant fund	22	910,939	3,155,221
Deferred income - grant fund	23	13,078	6,601
Trade and other liabilities	24	83,683	39,466
Service charges payable	26	25,489	27,182
Current portion of long-term financing	21	856,307	791,181
		1,889,496	4,019,651
TOTAL FUNDS, RESERVE AND LIABILITIES		30,856,766	32,262,931
CONTINGENCIES AND COMMITMENTS			
	27		E486

The annexed notes, from 1 to 47, form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2016

	Note	2016 ----- Rupees '000 -----	2015
INCOME			
Service charges on loans to Partner Organizations	28	973,129	1,184,374
Income on investments and savings accounts	29	1,245,032	1,382,108
Amortization of deferred income - grant fund	23	206,965	582,315
Amortization of deferred benefit	21	122,676	99,697
Other income	30	415,056	1,263
		2,962,858	3,249,757
EXPENDITURE			
General and administrative expenses	31	575,930	586,759
Seminars, workshops and trainings	32	20,195	29,819
Technical and other studies	33	155,018	168,026
Provision against loans / service charges	34	45,159	26,648
Income tax refund written-off		11,810	-
Financial charges	35	235,270	215,414
		1,043,382	1,026,666
EXCESS OF INCOME OVER EXPENDITURE BEFORE PROJECT AND RELIEF ACTIVITIES		1,919,476	2,223,091
Expenditure on project and relief activities	36	408,076	218,630
EXCESS OF INCOME OVER EXPENDITURE		1,511,400	2,004,461

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The annexed notes, from 1 to 47, form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2016

	Note	2016 ----- Rupees '000 -----	2015 -----
SURPLUS FOR THE YEAR		1,511,400	2,004,461
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Other comprehensive income not to be reclassified to income and expenditure in subsequent periods:			
Re-measurement gain / (loss) on employees' defined benefit plan	25	428	(6,868)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,511,828</u>	<u>1,997,593</u>

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The annexed notes, from 1 to 47, form an integral part of these financial statements.

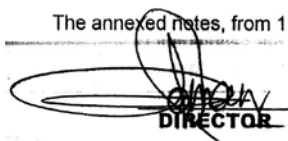

DIRECTOR

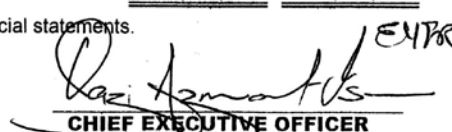

CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2016

	2016	2015 (Restated)
	----- Rupees '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	1,511,400	2,004,461
Adjustment for non cash and other items:		
Depreciation	29,979	29,577
Amortization of intangible assets	3,489	4,089
Amortization of deferred income - grant fund	(206,965)	(582,315)
Transfer of deferred liabilities - grant fund to other income	(407,676)	-
Amortization of deferred benefit	(122,676)	(99,697)
Adjustment on closure of project - IFAD Prism	-	54,449
Provision against loans / service charges	45,159	26,648
Income tax refund written-off	11,810	-
Gain on disposal of property and equipment	(4,859)	(786)
Remeasurement gain / (loss) on defined benefit plan	-	(6,868)
Financial charges	235,270	215,414
	(416,469)	(359,489)
	1,094,931	1,644,972
Working capital changes		
Decrease / (Increase) in current assets:		
Loans and advances	780	(8,259)
Other receivables	(19,943)	16,741
Short-term prepayments	-	30,600
Profit / service charges receivable	457,349	(289,817)
Increase / (decrease) in current liabilities:		
Trade and other liabilities	44,645	(47,477)
	482,831	(298,212)
Cash generated from operations	1,577,762	1,346,760
Disbursements to partner organizations:		
Loan	(9,668,239)	(9,444,989)
Grants	(5,456,332)	(6,934,141)
Recoveries of loans from partner organizations	8,864,572	9,517,331
Income tax paid	(37,119)	(100,298)
Financial charges paid	(114,287)	(116,890)
Prepayments	13,650	-
Deposits	(25,597)	-
	(6,423,352)	(7,078,987)
Cash utilized in operating activities	(4,845,590)	(5,732,227)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net	3,657,155	(1,358,814)
Capital expenditure incurred	(39,721)	(20,102)
Proceeds from disposal of fixed assets	6,166	4,550
Cash generated from/ (utilized in) investing activities	3,623,600	(1,374,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - received	68,471	171,985
Long term financing - repaid	(791,181)	(653,734)
Deferred liabilities - grant fund receipts	3,048,510	1,831,050
Deferred income - grant fund receipts	213,442	534,257
Cash generated from financing activities	2,539,242	1,883,558
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,317,252	(5,223,035)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,405,119	8,628,154
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,722,371	3,405,119

The annexed notes, from 1 to 47, form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Ordinance, 1984)
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE, 2016

Note	FUNDS		RESERVES		TOTAL
	Endowment Fund	Grant fund	Reserve for grant based activities	Accumulated Surplus	
	Rupees '000				
Balance as at 30 June, 2014	1,000,000	5,659,138	582,216	4,768,466	12,009,820
Total comprehensive income for the year	-	-	-	2,004,461	2,004,461
Surplus for the year	-	-	-	(6,868)	(6,868)
Other comprehensive income	-	-	-	1,997,593	1,997,593
Transfer from accumulated surplus to grant fund	-	1,046,952	-	(1,046,952)	-
Transfer from accumulated surplus to reserve for grant based activities	37	-	395,801	(395,801)	-
Balance as at 30 June, 2015	1,000,000	6,706,090	978,017	5,323,306	14,007,413
Total comprehensive income for the year	-	-	-	1,511,400	1,511,400
Surplus for the year	-	-	-	428	428
Other comprehensive income	-	-	-	1,511,828	1,511,828
Transfer from accumulated surplus to grant fund	-	813,494	-	(813,494)	-
Transfer from accumulated surplus to reserve for grant based activities	37	-	161,385	(161,385)	-
Balance as at 30 June, 2016	1,000,000	7,519,584	1,139,402	5,860,255	15,519,241

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The annexed notes, from 1 to 47, form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

PAKISTAN POVERTY ALLEVIATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

1 STATUS, BACKGROUND AND NATURE OF OPERATIONS

- 1.1 Pakistan Poverty Alleviation Fund ("the Company" / "PPAF") was registered in Pakistan on 06 February, 1997 as a public company, limited by guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984. The registered office of the Company is situated at plot 14, street 12, Mauve Area, G-8/1, Islamabad, Pakistan.

The Company's license under section 42 of the Companies Ordinance, 1984, issued by the Securities and Exchange Commission of Pakistan (SECP), expired in January, 2015. The Company's application for the renewal of the license, to SECP, submitted in January 2015, is awaiting clearance from the Ministry of Interior, Government of Pakistan. The management of the Company is confident that the license will be renewed in due course.

- 1.2 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 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.

- 1.3 The Company, Karandaaz Pakistan and German Financial Co-operation (KfW) (collectively hereinafter referred to as sponsors) have signed a Shareholder's Agreement, dated April 28, 2016, to incorporate a new company, by the name of Pakistan Microfinance Investment Company Limited (PMICL). In addition to the "Shareholder's Agreement", the sponsors have also signed two related agreements "Share Subscription Agreement", and "Non-Compete Agreement", both dated 28 April, 2016, defining the terms and conditions governing the relationship between themselves and PMICL. The Company, after obtaining (i) an approval from its members under Section 208 of the Companies Ordinance, 1984 and (ii) a permission from the Government of Pakistan, has committed to acquire 49% of the shareholding interest in PMICL, whereas Karandaaz Pakistan and KfW have jointly committed to acquire 51% of the shareholder's interest in PMICL. The Company's total investment in PMICL's equity will be limited to an amount up to Rs. 3 billion, whereas Karandaaz Pakistan and KfW will invest GBP 15 million and Euro 7 million, respectively. The exact amount of investment by the Company will be determined on the basis of the foreign currency rate prevailing at the time the contributions by Karandaaz Pakistan and KfW are made.

Subsequent to the year end, PMICL has been incorporated as a public company, on 10 August, 2016, and is in the process of obtaining a Non-Banking Finance Company (NBFC) license, from the SECP, to enable it to operate as an "Investment Finance Company", in accordance with the requirements of the Companies Ordinance, 1984. PMICL will carry out the business of provision of loans, to the Company's POs, for utilization, in the microfinance business. In accordance with the terms of the Non-Compete Agreement, the Company will cease to carry out the provision of new loans to its POs. PMICL will manage the recoveries, in respect of loans to POs already disbursed by the Company, for a period of two years, against a monitoring fee, to be mutually agreed between the Company and PMICL. The Company will retain all risks and rewards and control over these loans. Accordingly, the Company will continue to maintain its existing loan portfolio and the related general and specific provisions for these loans in its financial statements. The Company intends to maintain its investment portfolio, equivalent to 15% of the outstanding loan principal, until the entire loan principal has been repaid (refer to note 5.6).

The Company also intends to provide a shareholder's loan to PMICL, utilizing the loans provided to the Company by the Government of Pakistan, in accordance with terms to be mutually agreed between the Company and PMICL. The repayment terms of the shareholder loan will be structured to ensure that sufficient funds are available with the Company to enable it to repay its loan, to the Government of Pakistan, as and when the installments fall due.

As no existing non-current assets of the Company are being sold / transferred, disclosures and re-measurement of non-current assets under IFRS-5 - "Non-current Assets Held for Sale and Discontinued Operations" are not required. 20 employees of the Company, currently working in its Financial Services Group, will be transferred to PMICL. The impact of related early settlement of gratuity payable has been incorporated in these financial statements.

EURK

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 AMMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below against the respective standard and have not been adopted early by the Company:

Standard		Effective date (annual periods beginning on or after)
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendment)	01 January, 2018
IFRS 10	Consolidated Financial Statements, IFRS 12; Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements Investment Entities: Applying the Consolidation Exception (Amendment)	Not yet finalized
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January, 2016
IFRS 11	Joint Arrangements Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January, 2016
IAS 1	Presentation of Financial Statements Disclosure Initiative (Amendment)	01 January, 2016
IAS 7	Statement of Cash Flows (Amendments) Disclosure initiative	01 January, 2017
IAS 12	Income Taxes (amendments) Recognition of Deferred Tax Assets for unrecognized losses	01 January, 2017
IAS 16	Property, Plant and Equipment and IAS 38 Intangible assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January, 2016
IAS 16	Property, Plant and Equipment and IAS 41 Agriculture : Bearer Plants (Amendment)	01 January, 2016
IAS 27	Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	01 January, 2016

The above amendments are not expected to have any material impact on the Company's financial statements in the period of their initial application.

In addition to the above amendments, improvements to various accounting standards (under the Annual Improvements 2012-14 cycle) have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by the IASB, which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

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Standard		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July, 2009
IFRS 9	Financial Instruments: Classification and Measurement	01 January, 2018
IFRS 14	Regulatory Deferral Accounts	01 January, 2016
IFRS 15	Revenue from Contracts with Customers	01 January, 2018
IFRS 16	Leases	01 January, 2019

Further, the SECP has also notified the application of an Accounting Standard for Not-For-Profit Organizations, issued by the Institute of Chartered Accountants of Pakistan, for companies licensed under section 42 of the Companies Ordinance, 1984, for the annual financial period beginning on or after 01 July, 2016. The Company is in the process of assessing the implication of adopting this standard.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES RESULTING FROM ADOPTION OF STANDARDS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New Standards

The Company has adopted the following accounting standards which became effective for the current year:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the financial statements.

5 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

5.1 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 an actuarial valuation, and the fair value of the deferred benefit of the below market rate of interest on a long-term loan.

5.2 Significant judgments and estimates

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

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

The area involving a higher degree of judgment or complexity, or the area where assumptions and estimates are significant to the financial statements is the loan loss provision (note 9.3), deferred benefit of below market rate of interest on long-term loans (note 21.5) and the staff gratuity scheme (note 25).

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5.3 Employee benefits

The Company operates the following staff retirement benefits plans:

- (i) The Company operates an approved defined benefit gratuity fund for all eligible employees who complete the qualifying period of service. The fund is administered by its trustees. Annual contributions to the gratuity fund are based on an actuarial valuation using the projected unit credit method. The amount arising out of re-measurements 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 30 June, 2016, the related details of which are given in note 25 to the financial statements.
- (ii) The Company operates an approved contributory provident fund for all employees for which contributions of Rs 18,769 thousand (2015: Rs 21,524 thousand) were charged to income for the year.

5.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income, applying the straight line method to write off the cost of an asset over its estimated useful life, at the rates specified in note 6. Depreciation is charged on additions from the date the asset becomes available for its 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, if any, are capitalized and the assets so replaced are retired. A gain or loss on sale or retirement of an asset is included in the current year's surplus / loss.

5.5 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 7. Amortization is charged on additions from the date the asset becomes available for intended use up to the date on which the asset is derecognized.

5.6 Investments

These are held-to-maturity investments with fixed or determinable payments and fixed maturities and the Company has the positive intent and ability to hold the investment till maturity. Investments are carried at amortized cost using the Effective Interest Rate method.

In order to safeguard against a major default and provide to sufficient capital adequacy, with effect from 01 July, 2009, an amount equivalent to 15% (2015: 15%) of the total loan receivable from Partner Organizations is held in investments. 35% of the surplus funds of the Company, in excess of the above investments, are employed for lending activities (micro-credit and enterprise development facility), and the balance 65% are held in investments in the grant fund, the income of which is used for grant based health, education, infrastructure, emergency and other activities that fall within the overall strategic framework of the Company's objectives.

In order to respond quickly in emergency situations, with effect from July 1, 2011, an amount of 5% of the total loan receivable from Partner Organizations shall be kept as a disaster fund. The disaster fund has been aggregated in the grant fund in these financial statements.

5.7 Loans to Partner Organizations

These are stated net of provisions for loan losses.

A general provision is made for loan losses at the rate of 5% (2015: 5%) of the gross outstanding balances of loans to POs at the year end, provided that a provision once made will not be reduced with the reduction of outstanding balances of these loans in subsequent years.

A 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.

5.8 Grant fund / Reserve for grant based activities

The grant fund represents 65% of the surplus funds of the Company, in excess of investments as detailed in note 5.6. In order to respond quickly in emergency situations, 5% of the total loan receivable from POs is kept as a disaster fund, which is also aggregated in the grant fund in these financial statements.

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

5.9 Long-term financing

Long term loans, whose disbursement commenced before 30 June, 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 01 July, 2009 are carried at present value and the difference between the present value and loan receipts is treated as a Government grant and recorded as a deferred liability. The benefit is recognized as income using the Effective Interest Rate method over the period of the loan. A corresponding charge at the market rate of interest on the carrying value of the loan is recognized as an interest expense.

5.10 Receipt - loans and grants

Agreements have been entered into between the Government of Pakistan and various donors for the execution of projects. Amounts are received from the Government of Pakistan on account of these donors projects and the Prime Minister's Interest Free Loan Scheme, on the basis of Financial Monitoring Reports, advance requests and statement of expenses, raised by the Company on a periodic basis, under the relevant categories, as specified in the Financing Schedules under the respective Financing Agreements.

5.11 Deferred liabilities - grant fund

Receipts related to grants specific to Partner Organizations (POs) are presented as deferred liabilities, and the related disbursements to Pos, during the year, are set off there against.

5.12 Income Recognition

Service charges on loans and profit / mark-up on investments and bank accounts are recognized using the Effective Interest Rate method.

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

5.13 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 a reliable estimate can be made of the amount of the obligation.

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5.14 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its 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 had been recognized. An impairment loss or reversal of impairment loss is recognized in income for the year.

5.15 Borrowing costs

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

5.16 Taxation

No incidence of tax accrues to the Company as it is entitled to tax credits equivalent to its tax liability under the provisions of section 100(C) of the Income Tax Ordinance, 2001.

5.17 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, in case of financial liabilities, these are derecognized when the obligation specified in the contract is discharged, cancelled or expires. 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.

5.18 Financial assets

5.18.1 Classification

The Company classifies its financial assets in four categories:

- i. Held-to-maturity
- ii. Loans and receivables
- iii. At fair value through profit or loss and
- iv. 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 POs, Advances, Deposits, Prepayments and Other Receivables, Profit/Service Charges Receivable 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 the counter-party, a probability that the counter-party will enter bankruptcy or financial re-organization, and default or delinquency impairments (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.

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(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 twelve 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.

5.18.2 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 Income and Expenditure 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 Rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the Income and Expenditure account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of Other Income when the Company's right to receive payment is established.

5.18.3 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.

5.19 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 Pakistani Rupees, which is the Company's functional currency.

ii Transaction and balances

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

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5.20 Related party transactions

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

5.21 Offsetting

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

5.22 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet in case of local currency balances and at closing exchange rate, in case of foreign currency balances. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and short-term investments that are highly liquid and readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

5.23 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i In the principal market for the asset or liability; or
- ii In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- i Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ii Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- iii Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Chief Financial Officer determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External valuers may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not measure any of its assets or liabilities at fair value, except plan assets for gratuity, under the gratuity scheme.

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6 PROPERTY AND EQUIPMENT

2016	COST			Rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE As at 30 June	
	As at 01 July	Additions	Disposals		As at 30 June	Charge for the year	On disposals		
	Rupees '000				Rupees '000				
Furniture and fixtures	18,909	2,883	(2,357)	19,435	20	13,861	1,939	(2,285)	13,515
Vehicles	101,248	29,395	(17,260)	113,383	20	70,828	15,312	(16,709)	69,431
Office equipment	53,841	1,375	(14,240)	40,976	20	40,477	3,949	(13,775)	30,651
Computer equipment	71,783	5,916	(6,689)	71,010	25	58,174	8,779	(6,470)	60,483
	245,781	39,569	(40,546)	244,804		183,340	29,979	(39,239)	174,080
									70,724

- 6.1 Additions during the year include furniture and fixtures and office equipment received by the Company as a grant-in-kind, under the Italian Project (refer to note 22.10), with fair values of Rs. 174 thousand and Rs. 556 thousand, respectively. Control over these assets has been transferred to the Company by the Government of Italy.
- 6.2 Depreciation for the year is charged to General and Administrative expenses (refer to note 31).

2015	COST				Rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE As at 30 June Rupees in '000	
	As at 01 July	Additions	Disposals	As at 30 June		As at 01 July	Charge for the year	On disposals		
										As at 30 June
Furniture and fixtures	21,590	345	(3,026)	18,909	20	14,724	2,146	(3,009)	13,861	5,048
Vehicles	97,771	9,605	(6,128)	101,248	20	60,489	13,082	(2,743)	70,828	30,420
Office equipment	55,982	3,165	(5,306)	53,841	20	40,137	5,470	(5,130)	40,477	13,364
Computer equipment	76,283	6,865	(11,365)	71,783	25	60,474	8,879	(11,179)	58,174	13,609
	251,626	19,980	(25,825)	245,781		175,824	29,577	(22,061)	183,340	62,441

7 INTANGIBLE ASSETS

2016	COST				Rate %	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE As at 30 June Rupees in '000			
	As at 01 July	Additions	Disposals	As at 30 June		As at 01 July	Charge for the year	On disposals				
										Rupees '000	Rupees '000	Rupees '000
Satellite imageries	19,078	-	-	19,078	19,078	-	-	19,078	-			
Computer software	19,259	152	-	19,411	25	14,943	3,489	-	18,432			
	38,337	152	-	38,489		34,021	3,489	-	37,510			
									979			

- 7.1 Amortization for the year is charged to General and Administrative expenses (refer to note 31).

2015	COST				ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE As at 30 June Rupees in '000		
	As at 01 July	Additions	Disposals	As at 30 June	Rate %	As at 01 July	Charge for the year		On disposals	As at 30 June
Satellite imageries	19,078	-	-	19,078	25	18,945	133	-	19,078	
Computer software	19,137	122	-	19,259	25	10,987	3,956	-	14,943	
	38,215	122	-	38,337		29,932	4,089	-	34,021	
									4,316	

Pakistan Poverty Alleviation Fund

8	LONG-TERM INVESTMENTS	Note	2016	2015
			----- Rupees '000 -----	
	Held-to-Maturity			
	Specific to Endowment Fund			
	Pakistan Investment Bonds (PIBs)	8.1	1,000,000	1,000,000
	Less: Unamortized discount on purchase of PIBs		(41,536)	(49,119)
			958,464	950,881
	Specific to Grant Fund			
	Pakistan Investment Bonds (PIBs)	8.2	1,675,000	1,503,400
	Add: Unamortized premium on purchase of PIBs		24,434	39,076
			1,699,434	1,542,476
	Term Deposit Receipts (TDRs)		-	50,000
	Specific to others			
	Pakistan Investment Bonds (PIBs)	8.3	300,000	708,000
	Less: Unamortized discount on purchase of PIBs		(100)	(11,920)
			299,900	696,080
			2,957,798	3,239,437
	Less: Long-term investments maturing within next twelve months shown as a current asset		(300,000)	(286,400)
			2,657,798	2,953,037

8.1 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (per annum)	Payment terms
200,000	22 July, 2010	22 July, 2020	12%	Semi annually
200,000	22 July, 2010	22 July, 2020	12%	Semi annually
200,000	18 August, 2011	18 August, 2021	12%	Semi annually
400,000	29 April, 2014	19 July, 2022	12%	Semi annually
<u>1,000,000</u>				

8.2 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (per annum)	Payment terms
467,000	17 July, 2014	17 July, 2017	11.25%	Semi annually
800,000	17 July, 2014	17 July, 2019	11.50%	Semi annually
408,000	17 July, 2014	17 July, 2017	11.25%	Semi annually
<u>1,675,000</u>				

8.3 Represents investments in PIBs as follows:

Principal (Rupees '000)	Issue date	Maturity date	Coupon rate (per annum)	Payment terms
300,000	18 July, 2013	18 July, 2016	11.25%	Semi annually

8.3.1 These funds are available for lending activities, until PMICL commences its operations (refer to note 1.3).

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Pakistan Poverty Alleviation Fund

9 LONG-TERM LOANS TO PARTNER ORGANIZATIONS

Note	2016 ----- Rupees '000 -----	2015 ----- Rupees '000 -----
	<div>14,498,193</div> <div>218,193</div>	<div>13,696,026</div> <div>216,693</div>
9.1	14,716,386	13,912,719
9.3	(943,102)	(915,947)
	<div>13,773,284</div>	<div>12,996,772</div>
	<div>(12,037,609)</div>	<div>(11,467,824)</div>
	<div>1,735,675</div>	<div>1,528,948</div>

9.1 Breakup of loans to Partner Organizations:

Association for Gender Awareness and Human Empowerment	88,333	82,506
Al Mehran Rural Development and Welfare Organization	147,207	236,421
ASA Pakistan Limited	600,751	459,875
Asasah	197,096	197,096
Badbaan Enterprise Development Forum	24,232	36,934
Baidarie	25,147	53,847
BRAC - Pakistan	386,692	486,002
Buksh Foundation	49,925	46,075
Bunyard Literacy Community Council	14,850	35,813
Community Support Concern	390,946	318,206
Development Action for Mobilization and Emancipation	1,384,518	1,181,073
Farmers Friend Organization	369,677	418,292
Ghazi Brotha Taraqiatee Idara	65,200	1,555
Jinnah Welfare Society	538,000	538,000
Kashf Foundation	2,878,000	2,239,018
Khajji Cooperative Society	12,620	11,120
Khushhali Bank	980,000	520,000
Khwendo Kor Women and Children Development Programme	4,250	14,592
Mashal Development Organization	505	550
Mehran Education Society	21,748	37,130
Micro Options (Formerly Dia Welfare Organization)	74,925	79,405
Mojaz Foundation	335,933	311,958
Narowal Rural Development Programme	79,755	144,981
National Rural Support Programme	2,026,614	2,026,614
NRSP Microfinance Bank	150,000	150,000
Orangi Charitable Trust	122,043	172,043
Organization for Participatory Development	93,360	136,856
Orix Leasing Pakistan Limited	-	120,299
Poverty Eradication Network	1,827	1,827
Punjab Rural Support Programme	442,136	326,398
Rural Community Development Society	796,000	734,175
SAATH Development Society	74,695	77,900
Sarhad Rural Support Programme	-	37,500
Save The Poor	4,872	4,872
Sayya Foundation	23,900	23,844
Shadab Rural Development Organization	97,139	112,292
Shah Sachal Sami Welfare Association	90,615	118,375
Sindh Agricultural & Forestry Workers Coordinating Organization	620,963	313,393
Sindh Rural Support Organization	-	556,025
Soon Valley Development Programme	166,768	150,189
Thardeep Rural Development Programme	1,065,375	1,118,721
Villagers Development Organization	-	3,875
Waasil Foundation (Formerly Centre for Women Cooperative Development)	258,839	258,839
Women Social Organization	4,280	11,583
Young Pioneers Society	6,650	6,650
	14,716,386	13,912,719

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- 9.2 The Company has disbursed loans to POs for utilization in micro-credit operations, under various Financing Agreements, with applicable service charges based upon a range of benchmarks including KIBOR. These loans are secured through a letter of hypothecation on the 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 a quarterly basis within two years, under the respective Financing Agreements signed between the Company and the PO. Rates for service charges are determined on the basis of classification of POs into "for-profit" and "not-for-profit" and further sub-categories according to geographical areas. All financing agreements signed after 30 September, 2015 with "for profit" Microfinance Institutions and Microfinance Banks include service charges on the basis of an internal rating system of the Company, with rates ranging from 9% per annum to 9.5% per annum (2015: nil). All other financing facilities, that have completed two years of subsidized funding, are now charged service charges at the standard rates based on KIBOR, with a floor of 8% per annum. During the year, loans were disbursed at service charges ranging from 4.00% to 9.00% (2015: 4.16% to 11.68%). As explained in note 1.3, the Company will cease to provide new loans to its POs, after PMICL has commenced its operations.

Note	2016			2015
	Specific	General	Total	Total
9.3 Movement in provision for doubtful loans				
Opening balance	216,693	699,254	915,947	896,350
Provision during the year	34 1,500	25,655	27,155	19,597
	<u>218,193</u>	<u>724,909</u>	<u>943,102</u>	<u>915,947</u>

Note	2016		2015
	Rupees '000		
9.4 Movement in loans to Partner Organizations			
Opening balance	13,912,719	13,985,061	
Add: Disbursements	9,668,239	9,444,989	
	23,580,958	23,430,050	
less: Recoveries	(8,864,572)	(9,517,331)	
	14,716,386	13,912,719	
Less: Provision for doubtful loans	9.3 (943,102)	(915,947)	
	<u>13,773,284</u>	<u>12,996,772</u>	

10 LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits		7,425	4,228
Prepaid rent		56,000	-
Less: Current portion of prepaid rent shown under current assets	13 (33,600)	-	-
	<u>22,400</u>	<u>29,825</u>	<u>4,228</u>

11 GRANT FUND RECEIVABLE

Considered good, unsecured	11.1 & 22.2	556,208	-
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- 11.1 This represents the amounts disbursed to POs, from the Company's own financial resources, in respect of the "Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa and Federally Administered Tribal Areas" project (refer to note 22.10).

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Pakistan Poverty Alleviation Fund

		2016	2015
		----- Rupees '000 -----	
12 LOANS AND ADVANCES	Note		
Loans - considered good, secured			
Employees	12.1	806	2,534
Advances - considered good, unsecured			
Employees		19,209	15,852
Suppliers		664	3,073
		19,873	18,925
		<u>20,679</u>	<u>21,459</u>
12.1	This represents the advance salary loans and car loans given to the employees of the Company, carrying annual mark-up of 3% (2015: 3%) and 8% (2015: 8%), respectively. The principal amount is repayable in 18 equal monthly installments.		
13 SHORT-TERM PREPAYMENTS	Note	2016	2015
		----- Rupees '000 -----	
Prepaid rent		-	47,250
Current portion of long-term prepaid rent	10	33,600	-
		<u>33,600</u>	<u>47,250</u>
14 PROFIT / SERVICE CHARGES RECEIVABLE			
Service charges on Investments			
Specific to Endowment Fund		51,978	51,933
Specific to projects		174,198	114,385
Specific to Grant Fund		67,363	336,242
Specific to others and savings accounts		29,795	115,722
		323,334	618,282
Service charges receivable on loans to POs		442,698	612,150
Less: Provision for doubtful service charges	14.1	(63,426)	(52,473)
		379,272	559,677
		<u>702,606</u>	<u>1,177,959</u>
14.1	Movement in provision for doubtful service charges:		
Opening balance		52,473	45,422
Add: Provision for the year	34	18,004	7,051
Less: Service charges written-off against provision		(7,051)	-
		<u>63,426</u>	<u>52,473</u>
15 OTHER RECEIVABLES			
Considered good - unsecured			
Receivable from POs	15.1 & 22.2	15,009	-
Pre-incorporation expenses paid (PMICL)	15.2	18,658	-
Employees' Provident Fund		6,025	2,939
Consultant/service provider		7,787	9,824
Others		1,005	769
		<u>48,484</u>	<u>13,532</u>
15.1	This represents excess amounts distributed to POs, under the Government of Pakistan-IDA-III Project. These receivables are interest-free and the Company expects to recover them within twelve months, from the reporting date.		
15.2	In a meeting of the prospective shareholders of PMICL on 04 August, 2016, it has been clarified that all the parties will contribute in full for the shares' subscription and PMICL will reimburse the Company for the entire amount of pre-incorporation expenses incurred by it.		

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Pakistan Poverty Alleviation Fund

16	SHORT-TERM INVESTMENTS	Note	2016	2015
			----- Rupees '000 -----	----- Rupees '000 -----
	Specific to projects	16.1	2,150,000	3,600,000
	Specific to Grant Fund	16.2	5,844,585	5,152,690
	Specific to others	16.3	3,232,495	2,311,829
			<u>11,227,080</u>	<u>11,064,519</u>

16.1 These represent investments in Term Deposit Receipts (TDRs) maturing within one month to one year from the date of investment, at per annum mark-up rates ranging between 5.40% and 6.75% (2015: 6.57% to 10.35%).

These funds were placed with commercial banks as cash collaterals for providing a partial guarantee to those banks to facilitate lending to the below mentioned Microfinance Institutions. These deposits include Rs. 1,924,265 thousand (Rs. 2,061,713 thousand) invested out of funds received from IFAD in respect of the Programme for Increasing Sustainable Microfinance (PRISM) activities.

Microfinance institutions	Investment amount		Finance facility	
	2016	2015	2016	2015
	----- Rupees '000 -----	----- Rupees '000 -----	----- Rupees '000 -----	----- Rupees '000 -----
National Rural Support Programme	1,000,000	1,000,000	2,150,000	2,400,000
NRSP Micro-finance Bank Limited	1,000,000	1,000,000	1,550,000	1,600,000
Orangi Charitable Trust	150,000	150,000	150,000	150,000
Kashf Foundation	-	1,000,000	-	1,500,000
BRAC Pakistan	-	250,000	-	250,000
SAFCO Support Foundation	-	100,000	-	130,000
Punjab Rural Support Program	-	100,000	-	150,000
Total	<u>2,150,000</u>	<u>3,600,000</u>	<u>3,850,000</u>	<u>6,180,000</u>

16.1.1 The above cash collaterals will remain in effect until the maturities of the related investments.

16.2	Specific to Grant Fund	Note	2016	2015
			----- Rupees '000 -----	----- Rupees '000 -----
	Term Deposit Receipts (TDR)	16.2.1 & 16.2.2	5,844,585	2,952,852
	Government Treasury Bills		-	2,199,838
			<u>5,844,585</u>	<u>5,152,690</u>

16.2.1 These funds are invested in Term Deposit Receipts (TDRs) maturing within one month to one year from the date of investment, at per annum mark-up rates ranging from 6.30% to 11.00% (2015: 8.25% to 10.25%).

16.2.2 These include investments of Rs 735,819 thousand (June 2015: Rs 695,636 thousand), equivalent to 5% (June 2015: 5%) of the loan receivable from Partner Organizations, as disaster relief fund, and Rs 6,783,765 thousand (June 2015: Rs 4,457,050 thousand) as grant fund to finance grant based activities, of which Rs. 1,675,000 thousand is appearing as long-term investment (refer to note 8).

16.3	Specific to others	Note	2016	2015
			----- Rupees '000 -----	----- Rupees '000 -----
	Term Deposit Receipts (TDR)	16.3.1 & 16.3.2	3,232,495	2,169,120
	Government Treasury Bills		-	142,709
		16.3.2	<u>3,232,495</u>	<u>2,311,829</u>

16.3.1 These investments in Term Deposit Receipts (TDRs) are maturing within one year from the date of investment, at per annum mark-up rates ranging between 6.50% and 8.00% per annum (2015: 6.17% and 10.05%).

16.3.2 These include investments of Rs. 2,207,458 thousand (2015: Rs 2,086,908 thousand), equivalent to 15% (2015: 15%) of the loan receivable from POs, to safeguard against any major default on loans receivable and provide capital adequacy, and Rs. 1,025,037 thousand (2015: Rs. 224,921 thousand) for lending activities.

17	TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2016	2015
			----- Rupees '000 -----	----- Rupees '000 -----
	Income tax refunds	17.1	<u>251,208</u>	<u>225,899</u>

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- 17.1 This represents tax refunds relating to tax years 2003 to 2016. Management is confident that the tax department will allow the refunds, after necessary verification of supporting documents, as it considers the Company's record to be easily verifiable.

18	BANK BALANCES-SPECIFIC TO PROJECTS	Note	2016	2015
			Rupees '000	Rupees '000
	Current accounts			
	Specific to IDA III		-	1,378,503
	Specific to KfW - Livelihood and Community Infrastructure		370,471	394,471
	Specific to KfW - Renewable Energy		115,330	108,457
	Specific to Italian Project - Poverty Reduction Through Rural Development Activities in Baluchistan, KPK and FATA		80	1,180,780
	Specific to Benazir Income Support Program (BISP) - Waseela-e-Haq (Sindh)		-	84,374
	Specific to Prime Minister's Interest Free Loan Scheme (PMIFL)		412,123	124,324
18.1			898,004	3,270,909
	Deposit accounts			
	Specific to USDA grant		-	552
	Specific to Benazir Income Support Programme- Waseela-e-Haq		-	19,627
18.2			-	20,179
			<u>898,004</u>	<u>3,291,088</u>

- 18.1 Under the financing agreements signed with various donors, the Company is allowed to draw funds from the special accounts for carrying out eligible activities. Such funds may not be invested to earn profit, and are accordingly kept in current accounts.

- 18.2 These balances carry a per annum mark-up of 4% (2015: 4%).

19	CASH AND BANK BALANCES	Note	2016	2015
			Rupees '000	Rupees '000
	Cash in hand		9	58
	Cash at banks in:			
	- Current accounts		479	169
	- Deposit accounts		285,799	113,804
19.1			286,278	113,973
			<u>286,287</u>	<u>114,031</u>

- 19.1 These balances carry a per annum mark-up ranging between 3.7% to 6.0% (2015: 4.5% to 7.0%).

20	ENDOWMENT FUND	Note	2016	2015
			Rupees '000	Rupees '000
			<u>1,000,000</u>	<u>1,000,000</u>

This represents the amounts paid by GOP for the 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.

21	LONG-TERM FINANCING	Note	2016	2015
			Rupees '000	Rupees '000
	Unsecured - from a related party:			
	Government of Pakistan - PPAF - I (IDA financing)	21.1	1,315,674	1,534,961
	Government of Pakistan - PPAF - II (IDA financing)	21.2	6,982,227	7,340,220
	Government of Pakistan - (IFAD financing - MIOP)	21.3	955,675	1,032,129
	Government of Pakistan - (IFAD financing - PRISM)	21.4	1,924,264	2,061,713
	Government of Pakistan - PPAF - III (IDA financing)	21.5	3,126,496	3,058,025
			<u>14,304,336</u>	<u>15,027,048</u>
	Less: Amount payable within next twelve months shown as a current liability		(856,307)	(791,181)
			<u>13,448,029</u>	<u>14,235,867</u>
	Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF - III (IDA financing)	21.5.1	(2,014,837)	(2,091,869)
			<u>11,433,192</u>	<u>12,143,998</u>

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	2016	2015
Note	Rupees '000	
21.1 Government of Pakistan - PPAF - I (IDA financing)		
Opening balance	1,534,961	1,754,248
Amount repaid	(219,287)	(219,287)
	<u>1,315,674</u>	<u>1,534,961</u>

A Development Credit Agreement (DCA) was signed between International Development Association (IDA) and the Government of Pakistan (GoP) on 07 July, 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 a Subsidiary Financing Agreement (SFA) dated 18 August, 1999 executed between GoP and the Company, 50% of the amount was disbursed as a loan to the Company and the balance as a grant on non-reimbursable basis. The principal amount of the 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 15 May and 15 November, commencing from 15 November, 2007 and ending on 15 May, 2022. Each installment upto and including the installment payable on 15 May, 2013 was equal to 2.083% of such principal amount, 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 a 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 15 May and 15 November each year.

	2016	2015
	Rupees '000	
21.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	7,340,220	7,698,213
Amount repaid	(357,993)	(357,993)
21.2.1	<u>6,982,227</u>	<u>7,340,220</u>

21.2.1 Second DCA was signed between IDA and the GoP on 20 January, 2004, in respect of PPAF II. Under the 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.

Under an SFA dated 24 March, 2004, executed between the GoP and the Company, the GoP agreed to provide 56% of the amount as a loan to the Company and the balance as a grant on non-reimbursable basis. The principal amount of the loan is repayable over a period of twenty three years, including the grace period of eight years , in thirty semi-annual installments, payable on each 01 Feb and 01 August commencing from 01 February, 2012 and ending on 01 August, 2026. Each installment upto and including the installment payable on 01 August, 2017 shall be equal to 2.083% of such principal amount, 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 the loan withdrawn and outstanding from time to time, and a commitment charge at the rate set by IDA on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on 01 February and 01 August each year.

	2016	2015
	Rupees '000	
21.3 Government of Pakistan - (IFAD financing MIOP)		
Opening balance	1,032,129	1,108,583
Amount repaid	(76,454)	(76,454)
	<u>955,675</u>	<u>1,032,129</u>

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and the GoP on January 18, 2006, in respect of the Micro-finance Innovation and Outreach Programme (MIOP). Under the 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 a Subsidiary Loan and Grant agreement (SLGA) dated 18 April, 2006, executed between the GoP and the Company, the GoP agreed to provide 50% of the amount as a loan to the company, and the balance as a grant on a non-reimbursable basis on account of capacity building. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual installments, commencing on 01 June, 2014 and ending on 01 December, 2028. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, payable on 01 June and 01 December, each year.

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	2016	2015
	----- Rupees '000 -----	
21.4 Government of Pakistan - (IFAD financing - PRISM)		
Opening balance	2,061,712	2,007,264
Adjustment on closure of project	-	54,448
Amount repaid	(137,448)	-
	<u>1,924,264</u>	<u>2,061,712</u>

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and GoP on 22 November, 2007 in respect of the Programme for Increasing Sustainable Microfinance (PRISM). Under the 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 an SFA dated 12 January, 2008, executed between the GoP and the company, the GoP agreed to provide 65% of the amount as a loan to the Company and the balance as grant on a non-reimbursable basis on account of capacity building. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty equal semi-annual installments, commencing on 01 December, 2015 and ending on 01 June, 2030. These loans carry a service charge of 0.75% per annum on the principal amount of the loan withdrawn and outstanding from time to time, payable on 01 June and 01 December, each year.

	2016	2015
	----- Rupees '000 -----	
21.5 Government of Pakistan- PPAF - III (IDA financing)		
Opening balance	3,058,025	2,886,040
Amount received	68,471	171,985
	<u>3,126,496</u>	<u>3,058,025</u>
Less: Deferred benefit of below market rate of interest on long-term financing	21.5.1 (2,014,837)	(2,091,869)
	<u>1,111,659</u>	<u>966,156</u>

A financing agreement was signed between IDA and the GoP on 09 June, 2009 in respect of PPAF III. Under the agreement, IDA shall make available to GoP a sum of SDR of 167.2 million over a period of 5 years to be utilized by GoP through the Company.

Under Subsidiary Loan Agreement (SLA) dated 15 June, 2009 executed between the GoP and the Company, the GoP agreed to provide 13% of the amount as a loan to the Company, and the balance as a grant on a non-reimbursable basis. The principal amount of the loan is repayable over a period of twenty three years, including the grace period of eight years, in thirty semi-annual installments, payable on each 15 June and 15 December commencing from 15 June, 2017 and ending on 15 December, 2031. Each installment upto and including the installment payable on 15 December, 2022 shall be equal to 2.083% of such principal amount 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 the loan withdrawn and outstanding from time to time, and a commitment charge at the rate set by IDA, on the principal amount of the loan not withdrawn from time to time. The service and commitment charges are payable on 15 June and 15 December each year.

- 21.5.1 The loan is carried at present value computed at a market based interest rate. The difference between the present value and the loan proceeds, is recognized as a deferred benefit. The deferred benefit is recognized as income using the Effective Interest method over the period of the loan. The movement in the deferred

	2016	2015
	----- Rupees '000 -----	
Deferred benefit		
Opening balance	2,091,869	2,073,650
Additions during the year	45,644	117,916
Amortization during the year	(122,676)	(99,697)
	<u>2,014,837</u>	<u>2,091,869</u>

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22 DEFERRED LIABILITIES - GRANT FUND

Note	2016	2015
	Rupees '000	Rupees '000
22.3	-	946,545
22.4	-	115,984
22.5	-	97,528
22.6	115,330	106,876
22.7	370,655	386,880
22.8	-	21,668
22.9	-	152,947
22.10	-	1,177,768
22.11	412,123	124,324
22.12	12,831	24,701
	<u>910,939</u>	<u>3,155,221</u>

Government of Pakistan - IDA III
 US Agency for International Development (USAID) - Pakistan
 Government of Pakistan - United States Department of Agriculture (USDA)
 Government of Pakistan - KfW Renewable Energy (RE)
 Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP)
 Committee Encouraging Corporate Philanthropy (CECP)
 Benazir Income Support Programme (BISP)
 Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, Federally Administered Tribal Areas - (Italian Project)
 Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme
 Others

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

22.2 Movement during the year:

	IDA III	USAID	USDA	KfW RE	KfW LACIP	CECP	BISP	Italian Project	PMIFL	Others	2016	2015
Note												
Opening balance	946,545	115,984	97,528	106,876	386,880	21,668	152,947	1,177,768	124,324	24,701	3,155,221	8,304,497
Receipts during the year	581,349	-	1,854	348,134	439,789	-	-	-	1,905,000	5,826	3,261,952	1,831,350
Transfers to the deferred income - grant fund	(137,282)	-	-	(7,924)	(25,771)	-	-	(42,465)	-	-	(213,442)	(46,185)
Transfers to other income	-	(115,984)	(95,382)	-	-	(21,668)	(152,947)	-	-	(17,696)	(407,677)	(300)
Repayment to the donor during the year	1,370,612	-	-	447,086	800,898	-	-	1,135,303	2,029,324	12,831	5,796,054	10,089,362
Less: Disbursements for												
Water and infrastructure	281,552	-	-	331,880	304,933	-	-	593,410	-	-	1,511,775	1,797,905
Social sector development	47,443	-	-	-	14,773	-	-	651,278	-	-	713,494	233,715
Capacity/institutional building	66,399	-	-	(124)	35,829	-	-	154,408	-	-	256,512	516,269
Social mobilization	44,357	-	-	-	-	-	-	-	-	-	44,357	208,206
Livelihood enhancement and protection	887,657	-	-	-	74,708	-	-	292,415	-	-	1,254,780	2,334,782
Waseela-e-Haq Program	-	-	-	-	-	-	-	-	1,617,201	-	1,675,414	4,065
Micro credit access	58,213	-	-	-	-	-	-	-	-	-	-	200,213
Interest-free loans	-	-	-	-	-	-	-	-	-	-	-	1,625,676
Projects	-	-	-	-	-	-	-	-	-	-	-	13,310
22.13	1,385,621	-	-	331,756	430,243	-	-	1,691,511	1,617,201	-	5,456,332	6,934,141
	<u>(15,009)</u>	<u>-</u>	<u>-</u>	<u>115,330</u>	<u>370,655</u>	<u>-</u>	<u>-</u>	<u>(556,208)</u>	<u>412,123</u>	<u>12,831</u>	<u>339,722</u>	<u>3,155,221</u>
Represented by:												
Deferred liabilities - grant fund	-	-	-	115,330	370,655	-	-	-	412,123	12,831	910,939	3,155,221
Grant fund receivable	(15,009)	-	-	-	-	-	-	(556,208)	-	-	(556,208)	-
Receivable from POs	<u>(15,009)</u>	<u>-</u>	<u>-</u>	<u>115,330</u>	<u>370,655</u>	<u>-</u>	<u>-</u>	<u>(556,208)</u>	<u>412,123</u>	<u>12,831</u>	<u>339,722</u>	<u>3,155,221</u>

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22.3 Grants from Government of Pakistan - IDA III

A Financing Agreement was signed between GoP and IDA on 09 June, 2009 and a Subsidiary Loan Agreement between the GoP and PPAF on 15 June, 2009, for the PPAF-III project. The Project agreement was signed between PPAF and IDA on 09 June, 2009, under which financing is to be provided to Partner Organizations, 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.

22.4 Grants from USAID/Pakistan

The previous year's closing balance represented the revolving fund for disbursement to POs. These funds were received as a grant from U.S. Agency for International Development Mission to Pakistan (USAID/Pakistan) for Enterprise Development Facility. The management of the Company has decided to utilize these funds as they are relatively small.

As fully explained in note 1.3, the Company will discontinue the provision of loans to microfinance institutions, after the commencement of business by PMICL. Accordingly, the Company has derecognized its liability against the above mentioned revolving fund. As the Company is not obligated to return these funds to USAID, the Company has recorded an amount of Rs. 115,984 thousand under its Other Income (refer to note 30).

22.5 Grants from Government of Pakistan - USDA

On 30 August, 2002, the Government of the United States of America and GOP signed an agreement, under which the 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 the Trading Corporation of Pakistan to receive and monetize the commodity and use the sale proceeds to finance the Company to implement long-term poverty reduction programmes, including small-scale infrastructure programmes and sustainable agriculture development programmes. The project was completed in previous years and the Company had already utilized the funds provided by the Trading Corporation of Pakistan together with the profit earned by the Company on these funds. The remaining balance only represented the additional return on the profit earned by the Company on the funds provided by the Trading Corporation of Pakistan. During the year, the Company reassessed its obligation under the project and accordingly has recognized the unspent balance under Other Income (refer to note 30).

22.6 Grants from Government of Pakistan - KfW - Renewable Energy

On 22 June, 2012 the Company and the German Financial Cooperation - KfW signed a financing and project agreement, under which KfW has agreed to make available an amount of EUR 10 million to the Company as grant on a 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 (North West Frontier Province-NWFP). The agreement will expire on 30 December, 2017.

22.7 Grants from Government of Pakistan - KfW - Livelihood Support and Promotion of Small Community Infrastructure (LACIP)

On 12 June, 2010 the Company and German Financial Cooperation - KfW signed a loan, financing and project agreement under which KfW has agreed to make available an amount of EUR 31,562,661 to PPAF, as a grant on a non-reimbursable basis, for the support of livelihood measures and the promotion of small community economic and social infrastructure in Khyber Pakhtunkhwa (North West Frontier Province-NWFP). PPAF has entered into separate financing agreements with twenty three (23) POs for the implementation of the project. The agreement was to expire on 31 December, 2015, however, the project duration has now been extended to 31 December, 2016.

22.8 Grants from Committee Encouraging Corporate Philanthropy (CECP)

On 15 August, 2006, the Company and the Committee Encouraging Corporate Philanthropy (CECP) signed a programme agreement under which CECP agreed to make available an amount of US Dollars 12 million to the Company as a grant on a non-reimbursable basis for the design, reconstruction and refurbishment of regional health centers, clinics, primary schools and secondary schools affected by the earthquake.

During the year, the Company reassessed its obligation under the Project, and concluded that the outstanding balance of Rs. 21,668 thousand represented only the realized exchange gain, on funds received by the Company, which is not repayable. The Company has recognized the outstanding amount as under Other Income (refer to note 30).

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22.9 Benazir Income Support Program (BISP)

BISP signed an agreement with the Company on 29 September, 2010. Under the agreement the Company agreed to provide enterprise development training to 18,000 participants and skill trainings to 13,500 participants, of BISP's Waseela-e-Haq program. The project had a total cost of Rs. 884,400,814 and was initially for a period of two years. The specific objective of the enterprise and skill development training was to enhance the capacity of BISP's Waseela-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, the Company was entitled to a lump sum amount of Rs 49,133 for each participant trained, as against previous terms involving reimbursement of expenses for training from BISP.

Every beneficiary having successfully undergone enterprise and skill training was entitled to 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 preparation of pay orders in the names of Waseela-e-Haq beneficiaries, according to the beneficiaries lists issued and verified by BISP from time to time, BISP was required to transfer the funds into a bank account specifically opened by the Company. The Company handed over pay orders to BISP, for onward distribution to the beneficiaries. The beneficiaries was required to repay the loan directly to BISP, without any involvement of the Company. Further, there was no involvement of the Company in selection of beneficiaries and disbursements to the beneficiaries.

The Company had completed the aforementioned enterprise development and skill trainings by financial year 2013. However, owing to an ongoing reconciliation exercise with BISP, in respect of the aforementioned activities, the Company had not recognized an income of Rs. 152,947 thousand, representing the value attributable to its monitoring activities under the project. During the year, the Company has reassessed, in light of its recent correspondence with BISP, the probability of any reimbursement to BISP, in respect of any deficiency on the Company's part, and has accordingly recognized this amount under Other Income (refer note 30).

22.10 Poverty Reduction Through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, and Federally Administered Tribal Areas (Italian Project)

On 14 January, 2011, the Government of Italy and the Government of Pakistan signed a program agreement for the Italian Project. A financing agreement was signed between GoP and Artigiancassa S.p.A. (on behalf of Government of Italy) on 21 March, 2011 under which the Government of Italy has agreed to make available an amount of EUR 40 million to PPAF on a non-reimbursable basis. A Subsidiary Financing Agreement was signed between the GoP and PPAF on 02 December, 2011. The project focuses on poverty reduction through rural development in Baluchistan, Khyber-Pakhtunkhwa, Federally Administered Tribal Areas and neighboring areas. Under the Agreement, the World Bank would act as a Supervision Body, PPAF as Project Executing Agency, and interventions will be operated through POs. The financing part of the agreement currently expires on 30 September, 2016. The Company, however, has applied for an extension.

22.11 Prime Minister's Interest Free Loan Scheme

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

22.12 Other Funds**22.12.1 Engro Foundation - Flood Relief**

Engro Foundation signed a Memorandum of Understanding (MoU) with the Company on 14 August, 2010 for provision of relief and rehabilitation services to flood affectees of Punjab and Sindh. Such services include food, shelter, drinking water, clothing etc.

22.12.2 Mari Petroleum Company Limited

Mari Petroleum Company Limited (MPCL) signed a Memorandum of Understanding (MoU) with the Company on 05 May, 2016 to embark on interventions including education, infrastructure, renewable energy and social sector service.

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	IDA III	KfW RE	KfW LACIP	Italian Project	PMIFL	2016	2015
Rupees '000							
22.13 Breakup of disbursements to POs							
Awami Development Organization	6,117	-	-	-	71,500	77,617	105,970
Association of Gender Awareness and Human Empowerment	34,823	-	-	-	27,280	62,103	78,670
Asia Humanitarian Organization	-	-	50,225	-	-	50,225	23,696
Agha Khan Health Services - Pakistan Akhuwat	-	-	-	-	-	-	1,215
AKPBS-Water and Sanitation Extension Programme	-	-	-	-	123,490	123,490	358,860
Aga Khan Rural Support Programme	52,230	-	-	-	-	52,230	42,292
Al-Mehran Rural Development and Welfare Organization	20,916	85,568	-	56,526	-	163,010	153,231
Awaz Foundation Pakistan - Centre for Development Services	-	-	-	-	33,000	33,000	33,000
AZAT Foundation	(135)	-	-	-	-	(135)	8,594
Baanhn Beli	-	-	-	47,469	-	47,469	17,952
Baidarie	8,250	-	-	-	-	8,250	42,552
Baluchistan Rural Development Society	(2,650)	-	-	-	-	(2,650)	7,536
Badbaan Enterprise Development Forum	42,673	-	-	-	-	42,673	36,370
Baluchistan Environmental and Educational Journey	-	-	-	-	-	-	1,657
Bunyad Literacy Community Council	81,742	-	-	-	-	81,742	24,336
BRAC - Pakistan	1,526	-	-	-	18,040	19,566	34,840
Baluchistan Rural Development and Research Society	1,316	-	-	101,657	-	102,973	112,575
Badin Rural Development Society	6,529	-	-	23,873	-	30,402	18,951
Baluchistan Rural Support Programme	32,131	-	-	-	-	32,131	66,029
Center of Excellence for Rural Development	134,251	-	-	176,635	89,700	400,586	276,485
Community Development Concern	-	-	-	14,611	-	14,611	2,170
Children's Global Network Pakistan	-	-	-	-	-	-	624
Change in Education	-	-	268	-	-	268	-
Community Mobilization and Development Organization	-	-	13,749	-	-	13,749	12,612
Courage Development Foundation	11,605	69,262	-	-	-	80,867	107,223
Community Support Concern	8,032	-	-	-	-	8,032	2,972
Community Support Foundation	-	-	25,097	-	118,668	118,668	26,313
Community Uplift Programme	-	-	5,835	-	-	25,097	14,137
Environment Protection Society	474	-	-	-	-	6,309	94,809
Farmers Development Organization	58,665	-	19,430	105,793	23,100	206,988	148,247
Family Educational Services Foundation	3,289	-	-	-	100,100	103,389	85,843
Farmers Friend Organization	-	-	-	-	-	-	1,921
Ghazi Brotha Taraqiatee Idara	-	-	67,145	-	1,000	1,000	58,509
Hazara Development and Advocacy Foundation	-	-	53,442	-	62,634	129,779	83,046
Helping Hand for Relief and Development	(28)	-	-	-	-	53,414	53,297
Health and Nutrition Development Society	-	-	-	-	122,760	122,760	26,400
Human Development Foundation	6,202	-	-	-	59,892	66,094	43,266
Heartfile	(1,626)	-	-	49,627	-	48,001	8,100
Himalayan Wildlife Foundation	-	-	755	-	-	755	2,765
Indus Earth Trust	-	-	-	-	-	-	(81)
Indus Resource Centre	81,258	-	-	-	-	81,258	4,940
Idara Taleem O Agahi	16,277	-	-	-	-	16,277	67,812
Jinnah Welfare Society	3,721	-	-	-	-	3,721	-
Khushaal Awareness and Development Organization	34	-	-	-	-	34	1,039
Kashf Foundation	-	-	-	-	-	-	14,683
Khwendo Kor Women and Children Development Programme	(4,084)	-	-	-	24,750	20,666	58,256
Lasoona Society for Human and Natural Resource Development	(90)	-	-	61,051	-	60,961	18,436
Mamoona Development Foundation	-	-	-	52,722	-	52,722	2,125
Mehran Education Society	-	-	-	-	-	-	1,134
Mountain and Glacier Protection Organization	15,264	-	-	-	-	15,264	-
Mountain Institute of Educational Development	(16)	-	-	-	-	(16)	65,810
Mojaz Foundation	-	-	23,822	-	-	23,822	7,680
Marvi Rural Development Organization	139	-	-	-	66,000	66,139	138,749
Balance carried forward	-	-	-	-	-	-	12,837
	618,835	154,830	259,768	689,964	941,914	2,665,311	2,610,485

EYPR

Pakistan Poverty Alleviation Fund

	IDA III	KfW RE	KfW LACIP	Italian Project	PMIFL	2016	2015
22.13 Breakup of disbursements to POs	Rupees '000						
Balance brought forward	618,835	154,830	259,768	689,964	941,914	2,665,311	2,610,485
National Integrated Development Association	-	-	-	13,016	-	13,016	-
National Rural Support Programme	153,878	69,667	109,694	284,784	257,400	875,423	1,657,816
Narowal Rural Development Programme	-	-	-	-	30,000	30,000	46,181
NRSP Micro-finance Bank Limited	-	-	-	-	-	-	2,203
Omar Asghar Khan Development Foundation	-	-	-	-	-	-	63,609
ORIX Leasing Pakistan	-	-	-	-	-	-	44,000
Poverty Eradication Initiative	-	-	-	-	-	-	28,158
Pakistan Foundation Fighting for Blindness	2,755	-	-	-	-	2,755	15,009
Participatory Integrated Development Society	32,453	-	-	59,604	-	92,057	181,896
Punjab Rural Support Programme	-	-	-	-	31,488	31,488	12,483
Rural Community Development Society	8,875	-	-	-	128,700	137,575	171,920
Rural Development Project	-	-	24,358	-	-	24,358	3,222
Saath Development Society	-	-	-	-	18,028	18,028	11,000
Social Action Bureau for Assistance in Welfare and Organization Network	-	51,731	13,782	-	-	65,513	48,360
SAFCO Support Foundation	1,905	-	-	-	27,366	29,271	132,144
Sindh Agricultural & Forestry Workers Co-ordinating Organization	15,277	-	-	-	-	15,277	317,394
Salik Development Foundation	2,427	-	8,352	-	-	10,779	25,955
South Asia Partnership Pakistan	44,561	-	-	-	-	44,561	195,334
Sarhad Rural Support Programme	197,415	56,282	(23,992)	423,253	-	652,958	391,663
Save The Poor	200	-	-	-	-	200	-
Sayya Foundation	401	-	-	-	15,355	15,756	34,400
Society for Conservation and Protection of Environment	1,034	-	-	-	-	1,034	48,249
SEHER	(4,228)	-	-	82,820	-	78,592	7,753
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	(1)	-	(184)	-	59,950	59,765	53,561
Sindh Rural Support Programme	11,818	-	-	-	-	11,818	27,547
SOS Children's Village	(53)	-	-	-	-	(53)	3,710
Sustainable Peace and Development Organization	-	-	18,582	-	-	18,582	7,319
Strengthening Participatory Organization	-	-	-	-	-	-	99,879
Shadab Rural Development Organization	6,648	-	-	-	-	6,648	3,328
Sindh Rural Support Organization	31,226	-	-	-	30,000	61,226	155,986
Shah Sachal Sami Foundation	5,462	-	-	-	-	5,462	-
Sungi Development Foundation	1,532	-	-	-	-	1,532	60,259
Sustainable Use Special Group-Central Asia	27,540	-	-	-	-	27,540	49,166
Soon Valley Development Programme	214	-	-	-	-	214	3,608
Support With Working Solutions	-	-	19,301	-	-	19,301	4,130
Taraqee Foundation	128,355	-	-	41,630	-	169,985	144,975
Tehreek	-	-	-	-	-	-	8,481
Thardeep Rural Development Programme	70,753	-	-	-	77,000	147,753	228,948
Villagers Development Organization	(409)	-	-	-	-	(409)	11,600
Water Environment & Sanitation Society	205	-	-	-	-	205	4,093
Women Social Organization	12,081	-	-	-	-	12,081	300
Youth Organization	-	-	-	33,758	-	33,758	2,199
Direct expenses on project activities	14,462	(754)	582	62,682	-	76,972	15,818
	1,385,621	331,756	430,243	1,691,511	1,617,201	5,456,332	6,934,141

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Pakistan Poverty Alleviation Fund

	As at 01 July, 2015	Amount received	Expenditure from grant recognized as Income	As at 30 June, 2016
----- Rupees '000 -----				
23 DEFERRED INCOME - GRANT FUND				
Government of Pakistan (GoP) - Capacity building				
IDA III	-	137,282	137,282	-
IFAD (PRISM)	1,109	-	547	562
KfW (RE)	236	7,924	8,034	126
KfW (LACIP)	5,256	25,771	20,188	10,839
Government of the Italian Republic	-	42,465	40,914	1,551
2016	6,601	213,442	206,965	13,078
2015	8,474	580,442	582,315	6,601
24 TRADE AND OTHER LIABILITIES		Note	2016	2015
			----- Rupees '000 -----	
Creditors			2,217	398
Accrued liabilities			6,522	5,800
Payable to Staff Gratuity Fund		25.1	12,633	7,203
Consultancy fee payable			20,282	9,180
Withholding tax payable			2,315	2,183
Other payables				
CMA Awards payable			12,792	9,066
Payable to Provident Fund			9,959	1,199
Others			16,963	4,437
			39,714	14,702
			83,683	39,466
25 DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY FUND				
25.1 The movement in liability is as follows:				
Opening net liability			7,203	-
Expense recognized during the year			14,630	14,656
Contribution made directly to the Fund			(7,203)	-
Benefit payments on behalf of the Fund			(1,569)	(14,321)
Remeasurement loss recognized in other comprehensive income			(428)	6,868
			12,633	7,203
25.2 The details of actuarial valuation carried out as at 30 June, 2016 and 2015 are as follows:				
25.2.1 Reconciliation of payable to Defined Benefit Plan		Note	2016	2015
			----- Rupees '000 -----	
Present value of the defined benefit obligation		25.2.2	102,160	85,245
Fair value of the plan assets		25.2.4	(89,527)	(78,042)
			12,633	7,203
25.2.2 Change in the present value of defined benefit obligation				
Opening balance			85,245	71,755
Current service cost			14,588	15,605
Interest cost on defined benefit obligation			7,502	8,559
Benefits paid			(3,774)	(14,321)
Actuarial (gain) / loss recognized			(1,401)	3,647
			102,160	85,245
25.2.3 Charge recognized in the Income and Expenditure Account				
Current service cost			14,588	15,605
Interest cost on defined benefit obligation			7,502	8,559
Interest income on plan assets			(7,460)	(9,508)
			42	(949)
			14,630	14,656
Charge recognized in the Statement of Other Comprehensive Income				
Actuarial (gain) / loss recognized			(1,401)	3,647
Return on plan assets, excluding the amount included in interest income			973	3,221
			(428)	6,868

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Pakistan Poverty Alleviation Fund

	2016	2015
	Rupees '000	
25.2.4 Change in fair value of plan assets		
Opening balance	78,042	71,755
Interest income	7,460	9,508
Contribution made directly to Fund	7,203	-
Payments made on behalf of the Fund	1,569	-
Benefits paid	(3,774)	-
Return on plan assets, excluding the amount included in interest income	(973)	(3,221)
	<u>89,527</u>	<u>78,042</u>

25.2.5 Major categories of the plan assets as a percentage of total plan assets are as follows:

	2016		2015	
	Rupees '000	%	Rupees '000	%
Term Deposit Receipts	84,000	94	72,000	92
Cash and cash equivalents	5,527	6	6,042	8
	<u>89,527</u>	<u>100</u>	<u>78,042</u>	<u>100</u>

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

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

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

	2016	2015
Valuation discount rate (per annum)	<u>7.25%</u>	<u>9.00%</u>
Salary increase rate (per annum)	<u>6.25%</u>	<u>7.75%</u>
Salary increase rate - 1 year (per annum)	<u>5.00%</u>	<u>7.75%</u>

Mortality was assumed as per adjusted State Life Insurance Corporation (SLIC) 2001-2005 mortality table with one year age set back at valuations on both dates i.e. 30 June, 2015 and 2016.

The gratuity plan is a 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 the employees of the Company.

The plan exposes the Company to various actuarial risks such as 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 defined benefit obligation, at the end of the reporting period, would have increased or decreased, as a result of a change in the respective assumptions by one percent.

	Defined benefit obligation	
	1 % Increase	1 % decrease
	Rupees '000	
Discount rate (1 %)	(8,981)	10,552
Salary increase rate (1%)	<u>11,054</u>	<u>(9,547)</u>

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 years of the defined benefit obligation is given below:

Plan duration	Years
30 June, 2016	<u>9.56</u>
30 June, 2015	<u>9.61</u>
	<u>Rupees '000</u>

25.2.7 Projected payments as at 30 June, 2016

Contributions FY 2017	<u>15,645</u>
Benefit payments:	
Financial year 2017	<u>17,379</u>
Financial year 2018	<u>4,981</u>
Financial year 2019	<u>6,945</u>
Financial year 2020	<u>4,841</u>
Financial year 2021	<u>10,057</u>

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26 SERVICE CHARGES PAYABLE

These represent service charges payable to GOP at the rate of 0.75% per annum (2015: 0.75% per annum) on the principal amount of long term-financing outstanding withdrawn from time to time.

		2016	2015
	Note	Rupees '000	Rupees '000

27 CONTINGENCIES AND COMMITMENTS**27.1 Contingencies**

27.1.1	Guarantees to the banks against lending to Microfinance institutions	16.1	<u>2,150,000</u>	<u>3,600,000</u>
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27.1.2 In March 2016, the Community Uplift Programme (CUP, a PO of the Company), filed a suit with the Honorable Court of the Senior Civil Judge (West), Islamabad, for the recovery of Rs. 69,204 thousand representing the unpaid amount of grant under a financing agreement signed between the Company and CUP, for implementation of Livelihood Support and Small Infrastructure Projects, along with an additional amount of Rs 15,000 thousand as damages for non-payment for an extended period of time. The management of the Company contends that the Company has acted in accordance with the provisions of the concerned financing agreement. Further, CUP was required, under the Financing Agreement, to resolve any grievance by approaching an Arbitrator, appointed in accordance with the Arbitration Act, 1940. The Company has filed an application with the Honorable Court of Senior Civil Judge for the dismissal of the suit, which is pending adjudication. No provision has been made against the aforementioned case in these financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Company.

		2016	2015
	Note	Rupees '000	Rupees '000

27.2 Commitments

Aggregate commitments under Financing Agreements with Partner Organizations for:

Loans

1,378,624 5,421,946

Grants

Community physical infrastructure

1,016,461 2,942,256

Capacity building

361,565 597,812

Social sector development

622,737 765,441

Social mobilization

- 75,022

Livelihood enhancement and protection

217,666 1,700,332

2,218,429 6,080,863

3,597,053 11,502,809

28 SERVICE CHARGES ON LOANS TO PARTNER ORGANIZATIONS

These represent service charges on loans to POs under respective Financing Agreements at the rates disclosed in note 9.2.

		2016	2015
		Rupees '000	Rupees '000

29 INCOME ON INVESTMENTS AND SAVINGS ACCOUNTS

Profit on investments

Specific to Endowment Fund

128,440 125,675

Specific to projects

217,824 343,650

Specific to Grant Fund

569,461 614,431

Specific to others and savings accounts

329,307 298,352

1,245,032 1,382,108

30 OTHER INCOME

Income from financial assets

Mark-up on loans to employees

206 226

Income from non-financial assets

Gain on disposal of property, plant and equipment

4,859 786

Transferred from deferred liability- grant fund:

US-Agency for International Development

22.4 115,984 -

United States Department of Agriculture

22.5 99,382 -

Committee Encouraging Corporate Philanthropy

22.8 21,669 -

Benazir Income Support Programme

22.9 152,945 -

Others

17,696 -

30.1 407,676 -

Miscellaneous

2,315 251

415,056 1,263

30.1 These represent amounts transferred from deferred liabilities - grant fund during the year, in respect of closed grant projects.

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Pakistan Poverty Alleviation Fund

31 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2016	2015
		Rupees '000	
Salaries, wages and other benefits	31.1	359,640	363,048
Rent, rates and taxes		28,229	31,875
Repairs and maintenance		7,466	11,291
Traveling, lodging and conveyance		65,742	70,301
Communication		6,326	5,585
Printing and stationery		4,512	5,197
Insurance		13,093	12,023
Vehicles running and maintenance		20,008	23,319
Utilities		4,681	3,816
Legal and professional charges		9,492	3,635
Auditors' remuneration	31.2	2,300	6,130
Advertisement		1,854	3,319
Media projection		4,229	1,567
Newspapers, books and periodicals		576	691
Depreciation	6	29,979	29,577
Amortization	7	3,489	4,089
Security services		3,389	3,511
Office shifting and related expenses		4,550	1,155
Others		6,375	6,630
	31.3	<u>575,930</u>	<u>586,759</u>

31.1 This includes Rs 33,399 (2015: 37,525) thousand in respect of employees' retirement benefits.

31.2 Auditor's remuneration	2016	2015
	Rupees '000	
EY Ford Rhodes		
Statutory audit	1,100	-
Projects' audit	1,200	-
	<u>2,300</u>	<u>-</u>
A. F. Ferguson & Co.		
Statutory audit	-	1,100
Projects' audit	-	1,200
Audit of POs	-	3,830
	<u>-</u>	<u>6,130</u>
	<u>2,300</u>	<u>6,130</u>

31.3 General and administration expenses include Rs. 46,591 (2015: Rs 166,305) thousand incurred on different programme activities, as disclosed in note 23.

32 SEMINARS, WORKSHOPS AND TRAININGS	2016	2015
	Rupees '000	
Training	9,959	19,198
Seminar and workshops	10,236	10,621
	<u>20,195</u>	<u>29,819</u>

32.1 Seminars, workshops and training expenses include Rs. 9,304 (2015: Rs 24,259) thousand incurred on different programme activities as disclosed in note 23.

33 TECHNICAL AND OTHER STUDIES	2016	2015
	Rupees '000	
	<u>155,018</u>	<u>168,026</u>

33.1 Technical and other studies include Rs. 151,070 (2015: Rs 126,519) thousand incurred on different programme activities as disclosed in note 23.

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Pakistan Poverty Alleviation Fund

		2016	2015
	Note	Rupees '000	
34 PROVISION AGAINST LOANS / SERVICE CHARGES			
Provision against loans to POs	9.3	27,155	19,597
Provision against service charges receivable	14.1	18,004	7,051
		<u>45,159</u>	<u>26,648</u>
35 FINANCIAL CHARGES			
On long-term financing		109,946	113,917
Imputed interest on long-term loan at below market interest rate		122,676	99,697
Bank charges		2,648	1,800
		<u>235,270</u>	<u>215,414</u>
36 EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES			
Earthquake relief	36.1	3,192	36,662
Flood relief	36.2	5,755	48,139
Project and other activities	36.3	399,129	79,380
Project activities for PRISM (IFAD)		-	54,449
		<u>408,076</u>	<u>218,630</u>

36.1 This represents expenses incurred on earthquake relief activities carried out in District Awaran and Kech of Baluchistan province through National Rural Support Programme (NRSP).

36.2 This represented expenses incurred on flood relief activities carried out in the District Narowal of Punjab province through various POs.

36.3 This includes amounts disbursed to POs in respect of Institutional Development - Social Mobilization, infrastructure schemes, education interventions, endowment funds and interest-free loan schemes amounting to Rs. 145,036 thousand, 78,252 thousand, 68,437 thousand, 62,000 thousand and 43,187 thousand, respectively.

		2016	2015
	Note	Rupees '000	
37 MOVEMENT IN RESERVE FOR GRANT BASED ACTIVITIES			
Income earned during the period on grant fund investments	29	569,461	614,431
Less: expenditure on project and relief activities	36	(408,076)	(218,630)
		<u>161,385</u>	<u>395,801</u>
38 REMUNERATION OF CHIEF EXECUTIVE OFFICER			
Managerial remuneration		20,430	20,430
House rent allowance		5,100	5,100
Contribution to staff Provident Fund		1,857	1,857
		<u>27,387</u>	<u>27,387</u>
Number of persons		<u>1</u>	<u>1</u>

38.1 In addition, the Chief Executive Officer is provided with the medical insurance and a company maintained car. Gratuity is payable to the Chief Executive Officer in accordance with the terms of employment.

38.2 No remuneration was paid to the directors, during the year except reimbursement of actual expenses for attending the meetings of Board of Directors at actual.

39 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 the normal course of business pays for electricity, gas and telephone (utility bills) to entities controlled by the Government of Pakistan, which are not material, and hence not disclosed in these financial statements.

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40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Financial assets and liabilities

	2016			2015		
	Held to maturity investments	Loans and receivables	Total	Held to maturity investments	Loans and receivables	Total
	Rupees '000			Rupees '000		
Financial Assets:						
Maturity upto one year:						
Current maturity of long-term investments	300,000	-	300,000	286,400	-	286,400
Current maturity of loans to Partner Organizations	-	12,037,609	12,037,609	-	11,467,824	11,467,824
Short-term investments	11,227,080	-	11,227,080	11,064,519	-	11,064,519
Loans to employees	-	806	806	-	2,534	2,534
Other receivables	-	48,484	48,484	-	13,532	13,532
Profit/service charges receivable	-	702,606	702,606	-	1,177,959	1,177,959
Bank balances - specific to projects	-	898,004	898,004	-	3,291,088	3,291,088
Cash and bank balances	-	286,287	286,287	-	114,031	114,031
Maturity after one year:						
Long-term deposits	-	7,425	7,425	-	4,228	4,228
Long-term investments	2,657,798	-	2,657,798	2,953,037	-	2,953,037
Long-term loans to Partner Organizations	-	1,735,675	1,735,675	-	1,528,948	1,528,948
	14,184,878	15,716,896	29,901,774	14,303,956	17,600,144	31,904,100
Financial Liabilities:						
	Other financial liabilities	Total		Other financial liabilities	Total	
	Rupees '000			Rupees '000		
Maturities upto one year						
Deferred liabilities - grant fund	-	910,939	910,939	-	3,155,221	3,155,221
Current portion of long-term financing	-	856,307	856,307	-	791,181	791,181
Service and commitment charges payable	-	25,489	25,489	-	27,182	27,182
Trade and other payables	-	58,931	58,931	-	28,996	28,996
Maturity after one year but before five years						
Long-term financing	-	4,939,300	4,939,300	-	5,043,274	5,043,274
Maturity after five years						
Long-term financing	-	8,508,731	8,508,731	-	9,192,593	9,192,593
Off balance sheet items:	-	15,299,697	15,299,697	-	18,238,447	18,238,447
Commitments	-	3,597,053	3,597,053	-	11,502,809	11,502,809

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41 CREDIT QUALITY OF FINANCIAL ASSETS

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

	Name of Credit rating Agency	Short-term rating	2016 Rupees '000	2015
Investments				
Counterparties with external credit rating				
	PACRA	A1+	6,796,000	5,527,973
	JCR-VIS	A-1+	2,815,880	2,393,999
	PACRA	A1	-	280,000
	JCR-VIS	A-1	1,365,200	320,000
	JCR-VIS	A-2	250,000	250,000
Securities issued/supported by Government of Pakistan			2,957,798	5,531,984
			<u>14,184,878</u>	<u>14,303,956</u>
Bank balances				
Counterparties with external credit rating				
	PACRA	A1+	1,176,465	188,828
	JCR-VIS	A-1+	7,486	3,216,072
	JCR-VIS	A-1	309	-
	JCR-VIS	A-2	11	150
Balance with National Saving Centre			11	11
			<u>1,184,282</u>	<u>3,405,061</u>
Loans to Partner Organizations				
Counterparties with external credit rating				
	JCR-VIS	A-2	150,000	142,500
	JCR-VIS	A-1	980,000	494,000
Counterparties without external credit rating -Counterparties with no default in the past			12,643,284	12,360,272
			<u>13,773,284</u>	<u>12,996,772</u>
Profit/service charges receivable				
Counterparties with external credit rating				
	PACRA	A1+	117,302	172,413
	JCR-VIS	A-1+	6,338	98,352
	PACRA	A1	-	1,312
	JCR-VIS	A-1	45,005	31,145
	JCR-VIS	A-2	36,651	17,778
Securities issued/supported by Government of Pakistan			154,689	341,899
Counterparties without external credit rating Counterparties with no defaults in the past.			342,621	515,060
			<u>702,606</u>	<u>1,177,959</u>

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41.1 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 donor to incur a financial loss. The Company's credit risk is primarily attributable to loans to Partner Organizations, receivable from donors and POs 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 14,716,386 thousand (2015: Rs 13,912,719 thousand) (including loans to five major POs of Rs. 8,334,507 thousand) (2015: loans to five major POs of Rs. 7,299,601 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. The credit risk on grant receivable is also limited, as the receivable is in respect of amounts disbursed to POs in accordance with the provisions of an agreement with the donor.

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 the financial liabilities are disclosed in note 40.1.

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 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 28,252,192 (2015: Rs 27,441,473) thousand and financial liabilities include balances of Rs 14,304,338 (2015: Rs 15,027,048) 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 139,479 (2015: Rs 124,144) thousand 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) Determination of fair values

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities are reasonable approximation of their fair value. Accordingly, no fair value information has been disclosed in these financial statements.

41.2 Off-setting financial assets and liabilities

The Company does not off-set any of its financial assets and liabilities.

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41.3 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 the Company.

42 CONTRIBUTORY PROVIDENT FUND

Details of Employees' Provident Fund are as follows:

	2016		2015	
	Rupees '000		Rupees '000	
a) Size of the fund:				
Net assets			130,843	106,309
Total assets			133,419	110,080
Cost of investments made			95,986	89,518
Percentage of investments made to total assets			72%	81%
Fair value of investments made			95,986	89,518
	2016		2015	
	Rupees '000	%	Rupees '000	%
b) Breakup of investments - Fair value				
National Saving Scheme	40,000	30%	85,921	78%
Pakistan Investment Bonds	40,148	30%	-	0%
Balance with banks	15,838	12%	3,597	3%
	95,986	72%	89,518	81%

c) All the 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. The above figures are un-audited.

		2016	2015
	Note	Rupees '000	Rupees '000
43 CASH AND CASH EQUIVALENTS			
Short-term investments	16	3,538,080	-
Bank balances-specific to projects	18	898,004	3,291,088
Cash and bank balances	19	286,287	114,031
		4,722,371	3,405,119
		2016	2015
44 NUMBER OF EMPLOYEES			
Number of employees		208	217
Average number of employees during the year		210	222

45 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, for more appropriate presentation of transactions and events for the purpose of comparisons. Significant reclassification is as follows:

From	To	2015 Rupees '000
Advances, deposits, prepayments and other receivables	Loans and advances	21,459
	Short-term prepayments	47,250
	Tax refunds due from the Government	225,899
	Other receivables	13,532
	Long-term deposits and prepayments	4,228
Trade and other payables	Long-term investments	17,202

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As the impact of the above mentioned reclassifications is not material, a balance sheet as at the beginning of the preceding period (i.e. 01 July, 2014) is not presented.

46 GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

47 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company on **27 SEP 2016**

EMR



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 profound love, knowledge and action the core values of PPAF.



PAKISTAN POVERTY ALLEVIATION FUND

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