GRADUATING THE POOR TO PROSPERITY

2018 ANNUAL REPORT

Pakistan Poverty Alleviation Fund

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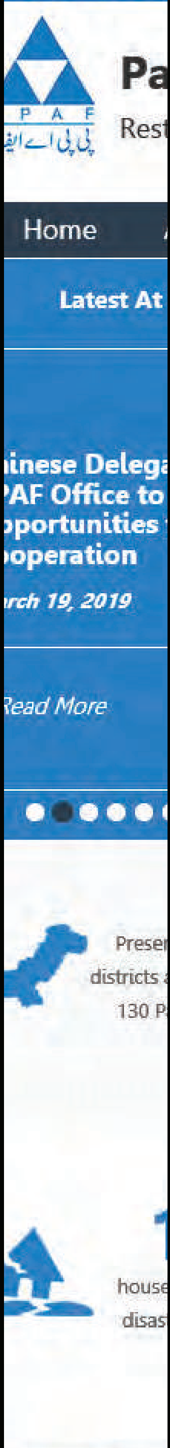
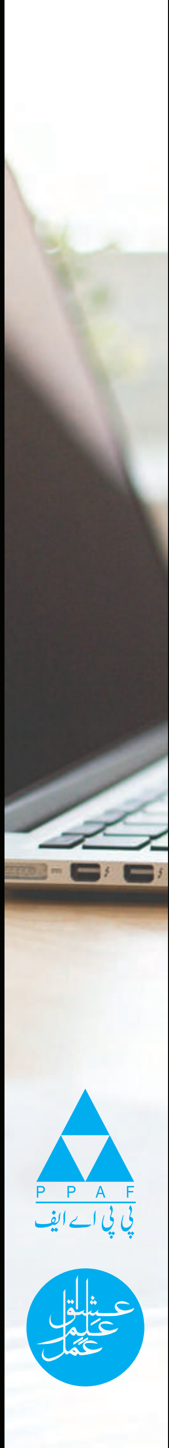
OUR VISION

Restoring hope | Securing the future | Ending poverty

OUR MISSION

Reduce poverty through a strategy that layers value driven social mobilisation of vulnerable communities and households, with investments in assets, skills, basic services and infrastructure, and access to finance, that improves their quality of life.







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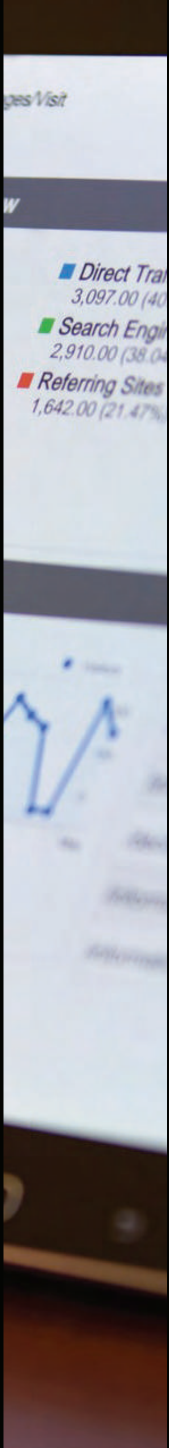
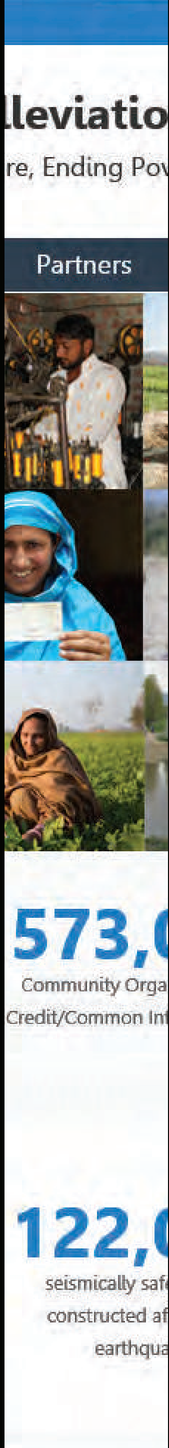

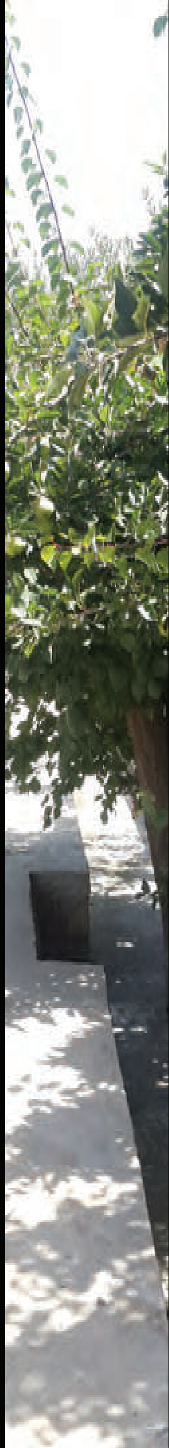
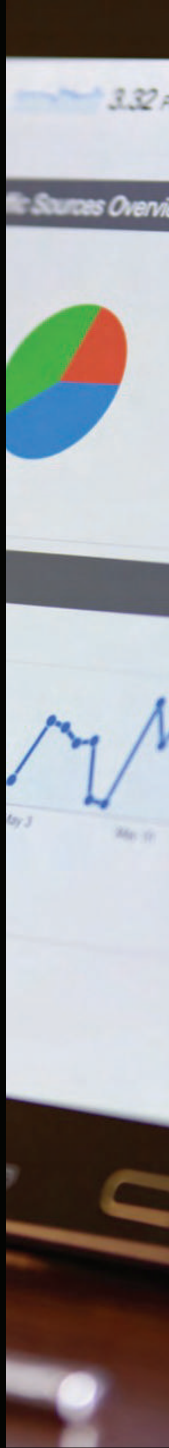


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ACRONYMS

AGP	Auditor General of Pakistan
AJK	Azad Jammu and Kashmir
AKRSP	Aga Khan Rural Support Programme
BHU	Basic Health Unit
BISP	Benazir Income Support Programme
BUITEMS	Balochistan University of Information Technology, Engineering and Management Sciences
BMZ	Federal Ministry for Economic Cooperation and Development in Germany
BoD	Board of Directors
BRAC	Building Resources Across Communities
CBDRM	Community Based Disaster Risk Management
CEO	Chief Executive Officer
CERP	Centre for Economic Research in Pakistan
CGAP	Consultative Group to Assist The Poor
CI	Community Institution
CLF	Community Livelihood Fund
CMA	Citi Microentrepreneurship Awards
CO	Community Organisation
CPEC	China Pakistan Economic Corridor
CPI	Community Physical Infrastructure
CRP	Community Resource Person
DDR	Disaster Risk Reduction
DFID	Department for International Development
DPM	Disaster Preparedness and Management
DPMC	Disaster Preparedness and Management Centers
DWSS	Drinking Water Supply Scheme
EAD	Economic Affairs Division
EDT	Enterprise Development Training
EDU	Enterprise Development Unit
ESA	Environmental and Social Audit
ESM	Environment and Social Management
ESMF	Environmental and Social Management Framework
FAO	Food and Agriculture Organisation
FATA	Federally Administered Tribal Areas
FMCA	Financial Management and Corporate Affairs
FMIS	Financial Management Information Systems
FY	Financial Year
GoP	Government of Pakistan
GRASP	Growth for Rural Advancement and Sustainable Progress
HH	Households
HR	Human Resources
HRE	Hydropower and Renewable Energy
HWF	Himalayan Wildlife Foundation
IA	Internal Audit
ICT	Information and Communications Technology
ID	Institutional Development
IDC	Italian Development Cooperation
IFAD	International Fund for Agricultural Development
III	Institutions, Innovations and Integration Unit
IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau
KPK	Khyber Pakhtunkwa
LACIP	Livelihood Support & Promotion of Small Community Infrastructure Project
LC	Loan Centre

LEED	Livelihood Employment and Enterprise Development
LEP	Livelihood Enhancement and Protection
LHV	Lady Health Visitors
LSE	Lahore School Of Economics
LSO	Local Support Organisation
M&E	Monitoring and Evaluation
MER	Monitoring, Evaluation and Research
MF-CIB	Microfinance Credit Information Bureau
MFB	Microfinance Bank
MFI	Microfinance Institution
MHP	Micro/Mini Hydro Power
MIS	Management Information Systems
MoU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
NDMA	National Disaster Management Authority
NFC	National Finance Corporation
NyK	NaukriyaKarobar
PAC	Pakistan Agricultural Coalition
PDMA	Provincial Disaster Management Authority
PHED	Public Health Engineering Department
PKR	Pakistani Rupee
PMIC	Pakistan Microfinance Investment Company
PMIFL	Prime Minister's Interest Free Loan
PMN	Pakistan Microfinance Network
PO	Partner Organisation
PPAF	Pakistan Poverty Alleviation Fund
PRISM	Programme for Increasing Sustainable Microfinance
PSC	Poverty Scorecard
PSLM	Pakistan Social and Living Standards Measurement
RBF	Results Based Framework
RCT	Randomized Control Trial
RE	Renewable Energy
SAARC	South Asian Association for Regional Cooperation
SADU	Sector Analysis and Development Unit
SBP	State Bank of Pakistan
SDPI	Sustainable Development Policy Institute
SECP	Securities and Exchange Commission of Pakistan
SOE	Statement of Expenditures
SOP	Standard Operating Procedure
ToR	Terms of Reference
ToT	Training of Trainer
TTO	Third Tier Organisation
UC	Union Council
UCDM	Union Council Disaster Management Committee
UCDO	Union Council Development Organisation
UCDP	Union Council Development Plan
USD	United States Dollar
VDO	Village Development Organisation
VDP	Village Development Plan
VO	Village Organisation

Concept & Design: Sana Saeed

COMPANY INFORMATION

BOARD OF DIRECTORS

Ms. Roshan Khursheed Bharucha *(Chairperson)*
Mr. Syed Ahmad Raza Asif
Mr. Kamal Hayat
Mr. Ahlullah Khan
Dr. Ijaz Nabi
Mr. Ahmad Hanif Orakzai
Mr. Aijaz Ahmed Qureshi
Dr. M. Suleman Shaikh
Mr. Qazi Azmat Isa *(Chief Executive Officer)*

BoD COMMITTEES

Audit Committee:
Dr. M. Suleman Shaikh *(Chairman)*
Mr. Syed Ahmad Raza Asif
Ms. Roshan Khursheed Bharucha

Compensation Committee:
Ms. Roshan Khursheed Bharucha *(Chairperson)*
Mr. Aijaz Ahmed Qureshi
Mr. Syed Ahmad Raza Asif

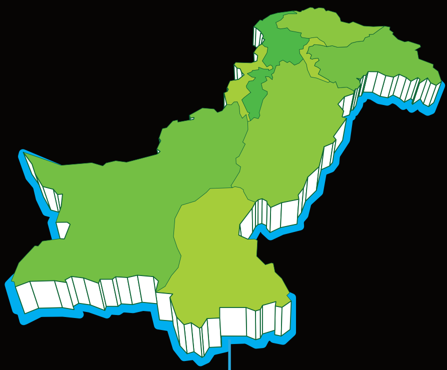
Risk Oversight Committee:
Mr. Kamal Hyat *(Chairman)*
Mr. Aijaz Ahmed Qureshi
Mr. Ahlullah Khan

Chief Financial Officer/ 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
Registered Office:	14, Street 12, Mauve Area, G-8/1, Islamabad, Pakistan UAN: (+92-51) 111-000-102, Ph: (+92-51) 8439450 - 79 Fax: (+92-51) 2282262, Email: info@ppaf.org.pk Website: www.ppaf.org.pk

GENERAL BODY

Mr. Mueen Afzal	Former Secretary General, Ministry of Finance, Government of Pakistan
Mr. Syed Ahmed Raza Asif	Deputy Secretary, External Finance Policy, Ministry of Finance
Mr. Rashid Bajwa	Chief Executive Officer, National Rural Support Programme
Ms. Maryam Bibi	Chief Executive Officer, Khawindo Kor
Ms. Zubaida Khatoon	Retired from UNICEF
Ms. Roshan Khurshed Bharucha	Director, Hunar Foundation
Mr. Eazaz A. Dar	Government Servant
Mr. Asif Faiz	Chief Executive Officer, Faiz and Associate Planning Consultant
Mr. Ahmad Hanif Orakzai	Additional Secretary, Economic Affairs Division, Government of Pakistan
Mr. Naved Hamid	Director, Centre for Research in Economics & Business, Lahore School of Economics
Mr. Zafar Ul Hasan	Chief Poverty Alleviation, Ministry of Planning, Development and Reform
Mr. Kamal Hyat	Development Specialist
Mr. Ahlullah Khan	Former Civil Servant
Mr. Shoaib Sultan Khan	Chairman, National Rural Support Programme
Mr. Rajab Ali Memon	Educationist
Mr. Nazar Memon	Director, National Rural Support Programme
Mr. Khawar Mumtaz	Chairperson, National Commission on the Status of Women
Mr. Ijaz Nabi	Director, International Growth Centre Pakistan Programme
Dr. Rashida Panezai	Chairperson, MEHAC Helping Council Balochistan
Mr. Syed Ayub Qutub	Executive Director, Pakistan Institute of Environment Development & Research
Mr. Aijaz Ahmed Qureshi	Professor, Karachi University
Mr. Anis ur Rehman	Chief Executive Officer, Himalayan Wildlife Foundation
Ms. Sadiqa Salahuddin	Executive Director, Indus Resource Centre
Mr. M. Suleman Shaikh	Chairperson, Sindh Graduates Association
Mr. Samiullah	Joint Chief Economist, Ministry of Planning Development and Research
Ms. Shazia Toor	Director, Benazir Income Support Programme

PPAF AT A GLANCE



Presence in **137** districts through **130** Partner Organisation across the country

449,600 Interest free loans provided under **Prime Minister's Interest Free Loan Scheme** *(66% women)*

A grassroots network of over **133,000** Community Organisations and **440,000** Credit/ Common Interest Groups

Productive assets transferred to over **111,500** ultra and vulnerable poor *(46% women)* in **56** poorest districts across the country

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

38,200 health, education, water and infrastructure projects completed

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

Skill development and managerial training events for **427,000** individuals *(49% women)*

Cumulative June 2018
(Figures rounded off)
Source:
Quality Assurance, Research & Design - PPAF

CHAIRPERSON's MESSAGE

I am proud to be the first female Chairperson of a national organisation that has been able to ensure that its interventions include at least 50% women from across the country. I have had the privilege of seeing PPAF's work in the field in Balochistan, where I was able to speak to our partners and local communities about the importance of including women in the process of development and I am pleased to see that our community institutions have equal women representation, ensuring that our organisation's core value of inclusion is reflected at the grassroots. Our unique Tabeer-o-Tameer Fund initiative launched last year, helps empower community institutions (through financial support) to further these core values to communities and ensure sustainable development.

PPAF's graduation model supports the Government's social protection programme and has proved to help poor households increase their household income and lift themselves out of poverty. I am pleased to say the new government has also endorsed our National Poverty Graduation Programme (NPGP) and has enabled us to engage with the provincial and district governments. I hope that we will continue to play a central role in policy and advising the government on its poverty reduction strategy. PPAF's action research agenda has allowed it to build relationships with international and national academia and think tanks in the hopes of continuing to improve its poverty graduation model so that more households are able to permanently break the cycle of poverty. Leveraging the Prime Ministers Interest Free Loan Scheme with the NPGP programme will allow us to reach the extreme poor and focus on the most marginalised communities in hard to access districts.

PPAF has continued to remain one of the leading national organisations of microfinance in the country and our recently established Pakistan Microfinance Investment Company (PMIC) serves half a million clients, including other borrowing institutions and in just two years, it has helped 5000 individuals graduate out of poverty.

I am grateful the Government of Pakistan, our donors, especially IFAD for supporting and allowing us to scale our poverty graduation model and through the hard work and dedication of our management, partner organisations and community institutions, I am optimistic that we will be able to reach our goal of supporting 1.2 million households from the most marginalised districts of Pakistan graduate out of poverty. I would like to thank PPAF's board of directors and general body for their continued guidance and our dedicated staff, without whom none of this would be possible.

Roshan Khursheed Bharucha

CEO's MESSAGE

This year, PPAF has focused on working directly with provincial government line departments, universities and ministries to strengthen their outreach and improve the quality of service delivery for infrastructure, environment, and agriculture. We have signed MoUs with Balochistan Education & Public Health & Engineering Departments and Agriculture Research Institute, AJK Tourism department, National Incubation Centre – Karachi, and Pakistan Agriculture Coalition. We are in the process of designing streams of work with each, and I look forward to updating you all as to the progress we have made.

A critical step towards PPAF's own goal of sustainable institution-building was put in place this year with the launch of our Tabeer-o-Tameer Fund, a PPAF self-financed initiative. The Fund supports the strengthening of community institutions that were established at village and union council levels during PPAF's previous programmes. The aim is to provide financial and technical support that allows community institutions to contribute towards achievement of the Sustainable Development Goals relevant to them. The first set of trainings related to good governance, implementation of PPAF's core values (inclusion, participation, accountability, transparency and stewardship) and organisational management for members of these institutions were conducted across Pakistan, including in Bannu, Besham, Tharparkar, Quetta, Gilgit and Muzzafargarh.

We continue our integrated programmes in Balochistan, KP and FATA through the Italian funded Programme for Poverty Reduction (PPR), and German funded Livelihoods and Small-scale Infrastructure Project (LACIP) – and have also launched LACIP Phase II in some of the poorest districts, including Shangla, Buner and Lakki Marwat. Our Prime Minister's Interest Free Loan scheme (PMIFL) has extended to 45 districts and we have cumulatively disbursed over 480,000 loans over the past four years. The success of both PPR and PMIFL can be seen in the results of external evaluations conducted this year, with 42% of the targeted poor households including 43% female headed household graduating out of poverty and 78% of IFL clients reporting an increase in monthly income by 25% or more. These gains are significant and demonstrates that our poverty graduation model is making a difference.

PPAF is one of the only organisations in Pakistan that has designed its results framework around the Sustainable Development Goals (SDGs). We try and adhere to the 'leave no one behind' motto and have worked hard to ensure the inclusion of women, individuals with special needs and minority groups. Disaggregated data from the field is collected for every project so that we can directly monitor our impact on marginalised groups, especially in areas where other organisations have limited access and PPAF and our partners are their only resource. I am proud that our organisation has taken the challenge of working in areas considered inaccessible by most and we hope that we will continue to serve more remote communities without compromising on the quality of our work.

While the work we do has brought some positive change in the lives of women we work with, it is sad and unfortunate that Pakistan's 2018 rank on the Global Gender Gap Index remains the highest – 147th out of 148 countries. This time we have fallen even further behind in two of the four indicators used (economic and political participation). PPAF is committed to delivering gender equity, both within the workplace, as well as across all our activities and programmes. PPAF was awarded the Diversity & Inclusion Award this year, which acknowledges our efforts in managing diversity and fostering inclusion in our work. Every year PPAF also marks the 16 days of Activism Against Gender-Based Violence and regularly conducts sensitisation and awareness campaigns and activities with partner and community institutions. There is a long way to go in overcoming the gender gap, but I believe that every little step counts.

Ending on a positive note, PPAF has once again been nominated for the prestigious 2018 Energy Institute (EI) Award, for its 'Community Managed Solar Energy Mini-Grid Systems'. The nomination acknowledges the impact of 60 solar mini-grid systems installed in districts Swabi, Karak and Lakki Marwat of KP with funding from the German Development Bank (KfW).

I would like to thank the Government of Pakistan for their continuous support and cooperation. We are grateful to our Board and General Body for providing their continuous guidance. We thank our bilateral and multilateral partners for the faith they have reposed in us that we will deliver, in terms of services, the agenda they have entrusted to us. Last but definitely not the least, we honour and thank every woman, man and child with and for whom we work in trying to make this country the Pakistan we wish to see.

Qazi Azmat Isa

"PPAF is one of the only organisations in Pakistan that has designed its results framework around the Sustainable Development Goals (SDGs). We try and adhere to the 'leave no one behind' motto and have worked hard to ensure the inclusion of women, individuals with special needs and minority groups."

CHAPTER 1

PPAF
A Catalyst for Change

The Pakistan Poverty Alleviation Fund (PPAF) was established by the Government of Pakistan as an innovative model of public-private partnership. It is incorporated under section 42 of the Companies Act and follows the regulatory requirements of the Securities and Exchange Commission (SECP) of Pakistan.
It started its operations in April 2000. PPAF is the first government sponsored social fund which manages investments across a wide range of sectors. It operates as an autonomous private sector entity with its own Board which has representation from public, private and civil society sectors. In the last eighteen years PPAF has established itself as one of the main players in the development sector in Pakistan and has expanded its sphere of work to include a broad range of thematic areas including social mobilisation, microfinance, livelihood enhancement and social services. It has developed itself as a professional and highly credible apex institution with a strong and efficient corporate culture.

VISION AND MISSION

PPAF's understanding and experience about the dynamics and dimensions of poverty has grown to recognize that poverty is not just about low-income levels but is endemic in households and communities which have limited opportunities, few assets, low education and health status, lack of access to basic infrastructure and lack of social, economic and political participation. This refined understanding has enabled PPAF to expand its vision to encompass a Pakistan without hunger and poverty. Its mission is to reduce poverty in the country through a multipronged strategy, which enables poor rural households to increase their productive potential and reduce their vulnerability through investments in assets, skills and enable access to services and increase their social, economic and political participation.

STRATEGIC DIRECTION

PPAF's strategy has evolved from its early days to reflect the development of the organisation as an apex institution that tests and scales up programmes that provide pathways out of poverty to potentially millions of households across Pakistan. The four key components of the strategy are:

1. STRENGTHENING INSTITUTIONS OF AND FOR THE POOR THROUGH ENSURING CORE VALUES

PPAF works with civil society organisations across the country – without preaching a specific model of community engagement/development. The organisation believes in letting 'a thousand flowers bloom'. Its core values bind it with its partners and PPAF expects that every organisation it works with respects and implements these core values as part of their daily work. This expectation extends to its own community organisations and internal units.

a. Inclusion: Recognising demographic diversity-women, children, elderly, persons, individuals with special needs, indigenous groups and religious minorities-and connecting different views, experiences, issues and vulnerabilities as a methodology to reducing poverty.

b. Participation: Increasing community engagement by having a broad process of consultation so that decisions on types of interventions, policies and programmes are not dominated by a single group's perspective.

c. Accountability: Having a legal and reporting framework, organisational structure, processes and procedures in place to make sure resources are used efficiently and personnel held responsible for their actions.

d. Transparency: Substantiating achievements by evidence, clear reporting on activities, and financial proof that would reflect on implementation of strategies and adherence to mandates and outcomes; advancing the practice of downward accountability to to the communities we serve and upholding the democratic traditions by having community institution leadership elected and follow a structure and processes for governance.

e. Stewardship: Responsible management of what has been entrusted to PPAF in terms of the ecosystems and communities it serves. As caretakers of the environment and its resources, PPAF strongly believes in having a constructive effect on the ambit of its influence. It is committed to fulfill its shared responsibility to our planet, our children, and our future.

2. MAINSTREAMING LAGGING REGIONS

PPAF depends upon robust evidence and reliable knowledge to generate insights into the dynamics of poverty and inequality in the country and enhance policies and priorities for poverty alleviation. Based on its 2015 study, Geography of Poverty in Pakistan, PPAF has updated its priority areas of intervention and categorised districts into 5 zones in order of highest to lowest headcount ratio (proportion of population that is poor). This poverty estimation uses 27 indicators on 4 dimensions of health, education, living conditions, and asset ownership, some of which include access to clean drinking water, sanitation, quality of housing and enrolment status of children. A combination of headcount ratio and the size of the poor population in a district determine the extent and depth of poverty, and thus districts with the highest deprivations become an investment priority.

The multidimensional poverty map is now widely used by PPAF in identifying priority districts and aligning PPAF interventions as shown in the map below.

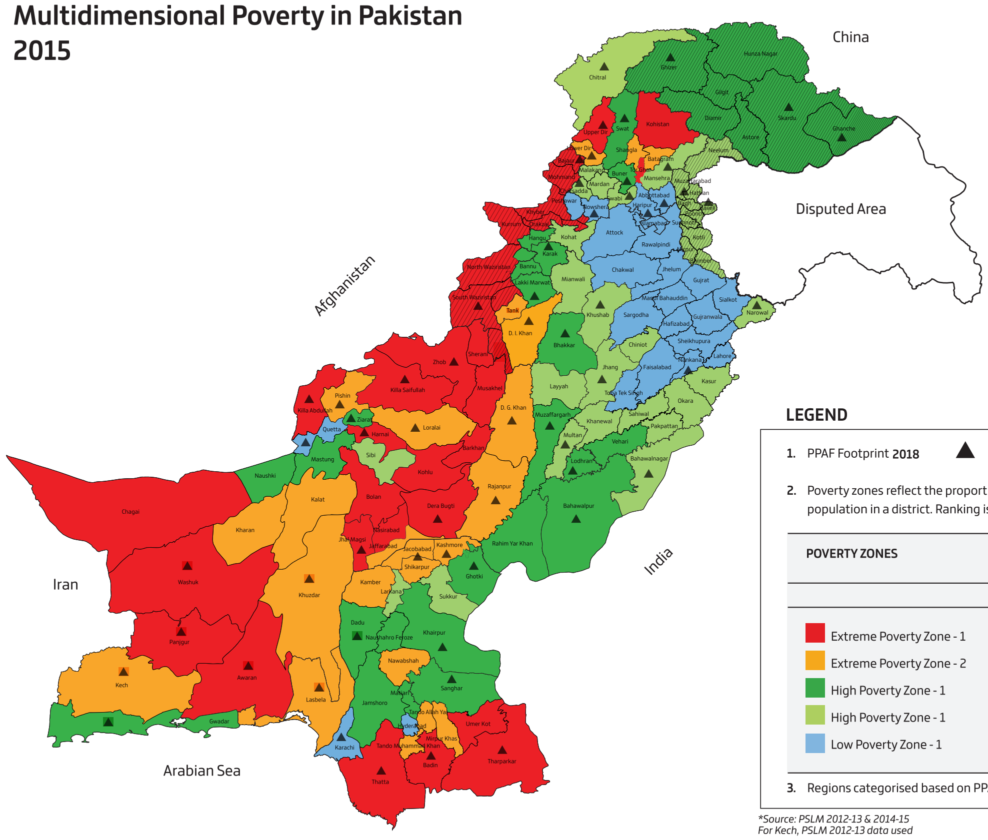
3. GRADUATING HOUSEHOLDS OUT OF POVERTY

PPAF's experience with poverty graduation began in 2008 when it participated in a Global Research Study on providing the poorest households with resources to help them move out of poverty. The pilot was based on the BRAC model of Targeting the Ultra Poor.

The key components of the programme were:

- Mentoring and engagement with community through community institutions
- Identification of poorest households through participatory wealth ranking with community institutions
- Provision of asset (such as livestock, karyana dukaan, agriculture inputs, donkey carts) and skill development of the households identified for an asset
- Stipend for one year to help with consumption support[1]

Multidimensional Poverty in Pakistan 2015



LEGEND

1. PPAF Footprint 2018 ▲
2. Poverty zones reflect the proportion of poor to the total population in a district. Ranking is from highest to lowest.

POVERTY ZONES	PROPORTION OF POOR (Headcount Ratio %) 2012-13	2014-15
Extreme Poverty Zone - 1	79	76.1
Extreme Poverty Zone - 2	56.8	55.9
High Poverty Zone - 1	45.4	38.1
High Poverty Zone - 1	31.2	27.2
Low Poverty Zone - 1	10.5	10.1

3. Regions categorised based on PPAF's own field experience

*Source: PSLM 2012-13 & 2014-15
For Kech, PSLM 2012-13 data used

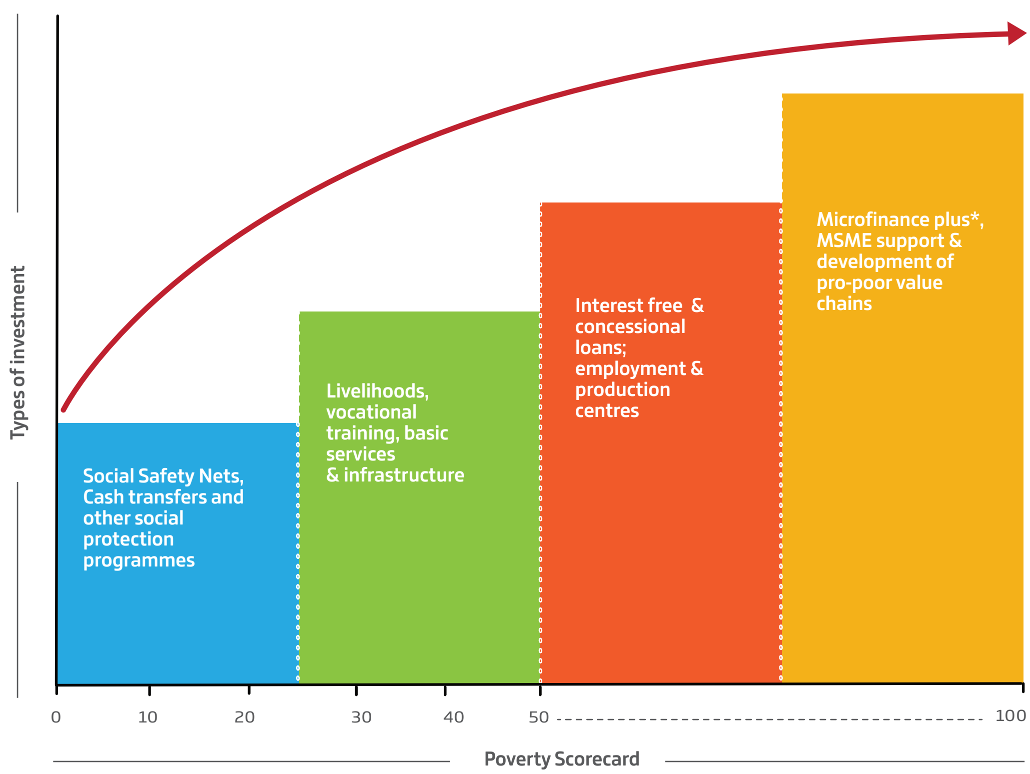
Processesd and prepared by the PPAF GIS Laboratory

[1] This includes the regular transfer of food or cash for a few months till one year.

This was carried out with 4,000 households (treatment and control group) in Sindh's coastal areas. The research in Pakistan was part of the broader Global Study on Graduation (CGAP) and Ford Foundation supported and all major universities involved, including Harvard, Princeton, and Yale, as well as known economists and academics including Esther Duflo, Abhijit Bannerjee, Dean Karlan etc). Midline (2012) and Endline (2015) results showed significant improvements in ultra-poor households' incomes, consumption, asset base, and savings. This was reported in the prestigious journal 'Science' in 2015 and followed up with a review in The Economist. PPAF went to scale after the midline results of 2012, and extended the programme to reach over 100,000 households across the country, this time using the poverty score-card as a way to objectively identify ultra-poor households.

Graduation Approach

Over the past few years, through learnings from the field, PPAF has refined its poverty graduation approach. Since 2012, it has used the poverty score card (National Socio-Economic Registry) to objectively identify the poorest households. It also ensures that communities are involved in providing the final go ahead by validating the households identified, through participatory wealth ranking exercises, so that ownership and support is created from within the area. The poorest people (also known as the ultra-poor and vulnerable poor) fall between 0-18 on the poverty score card and many of them are also registered with the Benazir Income Support Programme (BISP). The stipend they receive from BISP is enough to help them survive but not enough for them to improve their lives in any meaningful way. PPAF provides these households with an asset that can be used to generate income – because these are rural communities many of the assets take the form of either livestock or agriculture associated goods. The procurement of assets must be done in a participatory and



** Credit lines for conventional microfinance institutions are provided through the Pakistan Microfinance Investment Company Limited (PMIC), jointly set up by PPAF, Karandaaz Pakistan (financed by DFID) and KfW is an Associate Company of PPAF.*

transparent manner and PPAF's community procurement process is an essential step of this programme.

For those people who are on the higher end of the 0-18 bracket and are willing to learn a skill, PPAF offers them the opportunity to receive vocational training as a result of which they can either get a job or set up their own small business.

PPAF's experience has shown that it takes approximately 2 years for a household who has been provided with an asset to move up the poverty ladder. During this time mentoring and support is very important. It has also seen that not all households, even once provided the asset, can move out of poverty. Around 20-25% of households will always require some form of social protection (monthly/ quarterly stipends that BISP provides).

The next category of people falls in the 18 to 40 poverty band and they are slightly better off than the poorest and may require financial support to begin their own work. A small capital injection or loan is sufficient to help them become economically active. To put this in context, this is the tailor who knows how to stitch clothes but does not have his or her own sewing machine – so a small loan of around tewnty thousand rupees allows them to start earning money. They are not, however,well off enough to be able to pay interest on the capital amount they have received. For them, PPAF offers interest free loans and eligible individuals can actually take up to three loans (one after the other) until they graduate beyond the 40 score.

Once people graduate beyond the 40 score, they are able to access and benefit from the conventional microfinance available across the country without worrying about their ability to repay – their businesses have been established and are economically viable.

PPAF's GRADUATION TRAJECTORY

2000 – 2005: Focus on microfinance and infrastructure - Microfinance growth was impressive, but impact on poverty limited; Ultra poor and poor households not the target group

2005: PPAF shifts into stronger community-based approaches *(social mobilisation, infrastructure, health and education, disaster relief)*

2008: CGAP and Ford Foundation Global Study on Graduation in 8 countries to test BRAC ultra-poor model - PPAF, supported by IFAD, becomes test case for Pakistan

2008- 2014: PPAF/IFAD 'Targeting the Ultra Poor' pilot project implemented with two rounds of evaluations *(midline and endline);*

2011: Impressive midline results of the evaluation for Pakistan

2012-2016: Scale up of Asset Transfer Programme to 100,000+ households across Pakistan

2015: Global Study results published in May 2015 edition of 'Science' journal. Results continue to be impressive for Pakistan. This is followed by a review of the article by The Economist. Global interest *(donors and governments)* skyrockets

2014 – 2018: RCT with CERP/UCL/LSE "Asset vs Cash Transfers" – to determine most effective combinations of transfer to enable households to graduate sustainably

2017: Agreement signed between Government of Pakistan and IFAD for a US$100 million National Poverty Graduation Programme to support 157,000 BISP households to graduate out of poverty with PPAF as the implementing agency

4. COLLABORATION AND PARTNERSHIPS with provincial governments, regulators, private sector and academia.
As an apex of the development sector, PPAF believes it has a responsibility to collaborate, connect, inform, innovate, pilot and learn both within the development sector and with private corporations, government, academia, and other sectors.

PPAF has 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 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 programme components. Both the asset transfer / livelihoods component and the community social mobilization component have benefited from this research. Similarly, MoUs have been signed with a variety of corporates, international agencies such as the FAO (Food and Agriculture Organisation), and provincial government agencies to support benefits to the communities PPAF works with. This has helped PPAF forge commercial links between its clients, insurance companies and value chain actors in the agriculture and enterprise sectors.

HOW WE WORK

PPAF implements its strategy through strengthening the four kinds of capital identified below – with specific thematic areas linked to improvements in social, physical, economic & human, and financial capital.

1. SOCIAL CAPITAL: Engaging directly at village level in supporting institutional development and strengthening the foundations of the local government system by aggregating communities, while meeting key objectives linked to quality education (with a special focus on girls), nutrition, maternal and child health, pluralism, inclusion; and stewardship.

2. PHYSICAL CAPITAL:
Supporting access to environmentally friendly low-cost housing, water and sanitation, and local infrastructure and energy needs to enhance households' access to improved health and nutrition, mobility and access to markets.

3. ECONOMIC AND HUMAN CAPITAL: Providing assets and vocational skills training through a tested graduation model to develop gainful employment opportunities through livelihoods development, linking to employment opportunities through broader Union Council based initiatives.

4. FINANCIAL CAPITAL:
Creating opportunities for access to formal financial institutions as well as microfinance and micro-insurance (interest-free and interest-based) to support households to move out of poverty.

PPAF measures its progress and impact through a Results Framework which identifies specific goals linked to each of the areas above, and provides targets, indicators and means of verification which help in providing specific focus to all its activities. Over 2017-18, PPAF revised its Results Framework to align it with the organisations strategy and the Sustainable Development Goals (SDGs). This revised Results Framework, was approved by PPAF's Board of Directors in 2018, and is applicable to the entire range of programmes, projects, activities and operations undertaken by PPAF till 2030. Progress against the Results Framework will be measured every 2 years and in 2030 a comprehensive programme evaluation will be conducted to measure its relevance, effectiveness, efficiency, impact and sustainability.

PPAF GOALS (2018 -2030)

GRADUATING THE POOR TO PROSPERITY

GOAL 1
Graduate poor households out of their current poverty band and out of the BISP registry.
Corresponding SDG

GOAL 2
Establish, strengthen and empower institutions of the poor and for the poor.
Corresponding SDG

GOAL 3
Improve mother and child health and nutrition.
Corresponding SDG

GOAL 4
Ensure boys and girls have access to quality education up to at least lower-secondary level.
Corresponding SDG

GOAL 5
Support gender equality and empower women at all levels.
Corresponding SDG

GOAL 6
Ensure access to safe drinking water and sanitation.
Corresponding SDG

GOAL 7
Develop effective water conservation and management systems at local level.
Corresponding SDG

GOAL 8
Enhance access to sustainable and affordable energy solutions for off grid communities.
Corresponding SDG

GOAL 9
Enhance sustainable and resilient livelihood opportunities.
Corresponding SDG

GOAL 10
Create and strengthen partnerships for innovation and change.
Corresponding SDG

GOAL 11
Enhance value driven stewardship towards operations.
Corresponding SDG

SUSTAINABLE DEVELOPMENT GOALS

CUMULATIVE ACHIEVEMENTS

Since PPAF began operations in 2000, it has implemented a number of large scale, multi-sectoral programmes, with donors ranging from Government of Pakistan, The World Bank, International Fund for Agriculture Development, Government of Germany, Government of Italy, to private sector entities such as Shell Pakistan and Citi. PPAF has disbursed over US$ 2 billion in grants and micro-finance during this time.

The micro-finance sector was in a nascent state when PPAF entered the market in the year 2000. The market stood at 60,000 clients with a handful of Micro-Finance Partnerships. PPAF's entry at the early stages was geared towards sector development and attempting to develop institutions and communities that foster financial inclusion through the provision of credit. Due to investments in the sector made by PPAF through IFAD and other donors and working closely with the State Bank of Pakistan (SBP), the microfinance market now stands at 4.6 million loan clients, 23 million savers and 5.9 million[2] Insurance policy holders with a robust and dynamic institutional structure geared for sustainable growth. In 2016, PPAF spun-off its microfinance component into a separate for-profit entity called the Pakistan Microfinance Investment Company (PMIC) and PPAF's microfinance portfolio is now being managed through PMIC.

After 2005, PPAF gradually expanded its programme area

[2] Pakistan Microfinance Network Micro Watch Issue 42

to include those sectors which were found to be integrally linked to its task of poverty alleviation. Social mobilisation became an essential feature of all programmes after this point.

Alongside mobilising communities, and supporting them to determine their development priorities, PPAF increased support to community infrastructure with a focus on agriculture and livelihoods - through provision of rural finance and investments in rural roads; irrigation schemes; drought mitigation schemes; dams; land development and enhancing the skills of farmers. The improvement of social goods and services specifically in areas of access to healthcare and education for poor communities also became part of PPAF's portfolio. Learnings from our programmes showed that for long term solutions to succeed, people require as a minimum, to be educated and in good health – this includes having access to clean water and sanitation (wells, hand pumps, drainage, latrines). The devastation caused by the 2005 earthquake galvanised PPAF to contribute to disaster relief and rehabilitation, and the government requested PPAF to deliver relief efforts in 8 of the affected districts. Post 2008, PPAF began its experiment with livelihoods using the asset transfers as a vehicle to move households out of extreme poverty, and supporting the creation of an enabling environment to support improved entrepreneurship and employment opportunities and access to markets.

The Prime Minister's Interest Free Loan Scheme (PMIFL) – initiated by the Government of Pakistan in 2013 – is implemented through PPAF. The Government programme targets individuals between 0 and 40 on the poverty scorecard as they may not be eligible for conventional market based microfinance. The programme focuses on areas where conventional microfinance penetration is low and aims to foster graduation from interest free credit and safety net programmes to interest bearing microfinance. To date, 421,774 loans have been provided of which 64% have been provided to women; and 48% have been provided to the extreme vulnerable poor, who are typically unable to receive benefit of loans from financial institutions.

PPAF programmes are carried out through partner organisations (civil society organisations selected on the basis of robust criteria) following a community-led, demand-driven approach. The approach emphasizes community ownership right from identification and preparation to implementation and finally management of interventions in a sustained manner. PPAF has invested in developing the capacities of over 133,000 community organisations (COs), 440,000 community credit groups, 15,400 village organisations (VOs), and 690 union council based organisations (UCBOs) to date; as well as in its 130 partner organisations[3].

Knowledge is at the centre of PPAF's motto and research helps PPAF work together with communities to perform better and ensure that PPAF delivers on its targets. Externally commissioned independent studies have demonstrated positive outcomes and impact of PPAF interventions on the lives of benefiting communities related to PPAF's inclusion mandate, positively impacting household economic output, household incomes, assets, agricultural productivity skills and other quality of life indices. PPAF has been involved in 4 long-term RCTs (Randomised Controlled Trails) (with the Development Economics Group of the World Bank, the Global Study undertaken by Harvard, Yale and other; and two more recent ones on community organisation and graduation which are still in process). Dissemination of research and assessment findings is done through many ways at PPAF. This includes:

- Undertaking and publishing research studies, research briefs and other content specific policy documents for dissemination to policy makers, donors, development sector and the public at large;
- Holding stakeholder dialogues and research conferences to discuss PPAF's work and present to government and policy makers what works, what doesn't and why;
- Publishing a quarterly think piece - Development Dialogue – that focuses on sector specific themes bringing together a wide range of thought and opinion on the subject at hand – this year we focused on renewable energy and gender.

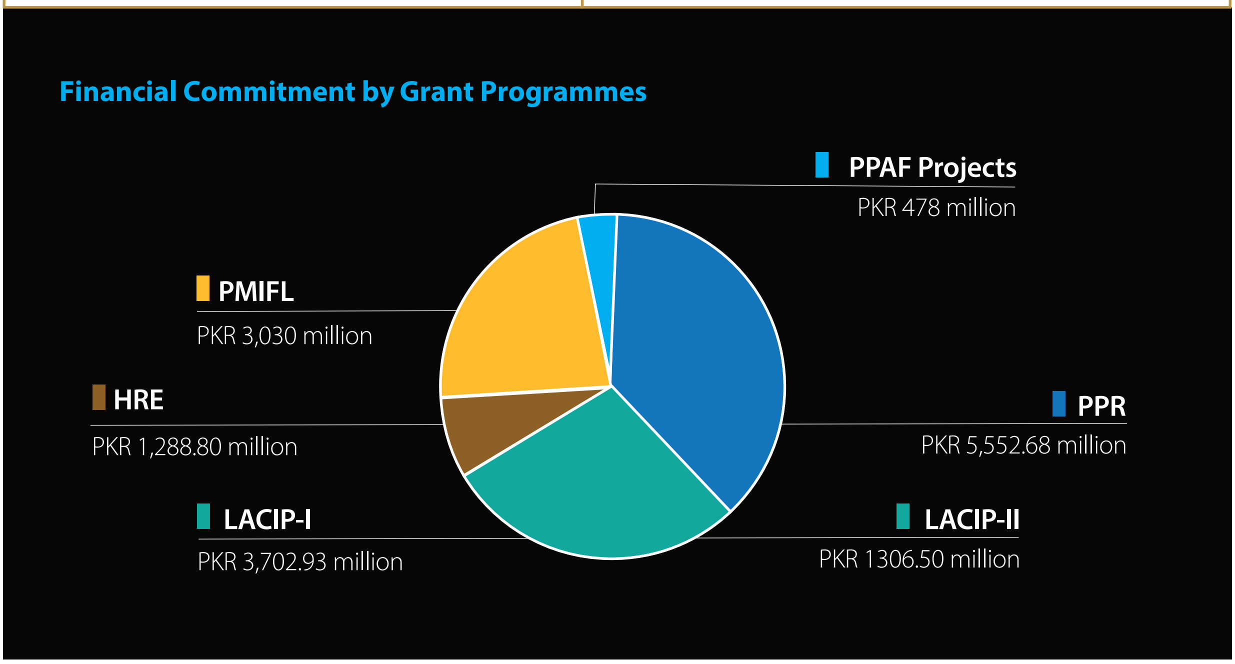
[3] Source: PPAF fact file as of June, 2018

CURRENT PROJECTS AND PROGRAMMES

The current donor-supported grants portfolio managed by PPAF is worth approximately USD 10 million annually with another USD 5 million annually that comes from PPAF's own resources. PPAF currently manages six different programs; three bilateral funded programmes, one programme funded by UNHCR, one programme funded by the Government of Pakistan and one from its own resources.

SUMMARY OF CURRENT PPAF PROGRAMMES

PROGRAMME FOR POVERTY REDUCTION (PPR) **Donor:** Government of Italy **Financial Value:** 40 million € **Coverage:** 38 UCs in 14 districts of Balochistan, KP & FATA **Duration:** 2013 – 2020	**LIVELIHOOD SUPPORT & PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME (LACIP)** **Donor:** KfW Bank **Financial value:** 41.56 million € **Coverage:** 70 UCs in 11 districts of KP **Duration:** LACIP I: 2012 – 2020, LACIP II: 2018 – 2020
HYDROPOWER AND RENEWABLE ENERGY PROJECT (HRE) **Donor:** Funded by BMZ through KfW **Financial value:** 10 million € **Coverage:** 8 UCs in 6 Districts of KP **Duration:** 2013 – 2019	**PRIME MINISTER INTEREST FREE LOAN SCHEME (PMIFL)** **Donor:** Government of Pakistan **Financial value:** PKR 3.5 billion **Coverage:** 357 UCs in 45 districts of Pakistan **Date of Inception:** 2014
PPAF PILOTS & SMALL PROJECTS **Donor:** PPAF's Own Resources **Financial value:** PKR 217.7 million	**POVERTY GRADUATION PILOT FOR AFGHAN REFUGEES (PGP)** **Donor:** UNHCR **Financial value:** PKR 122.26 million **Coverage:** 2 Camps in 2 Districts of KP and Balochistan **Duration:** 2017 – 18

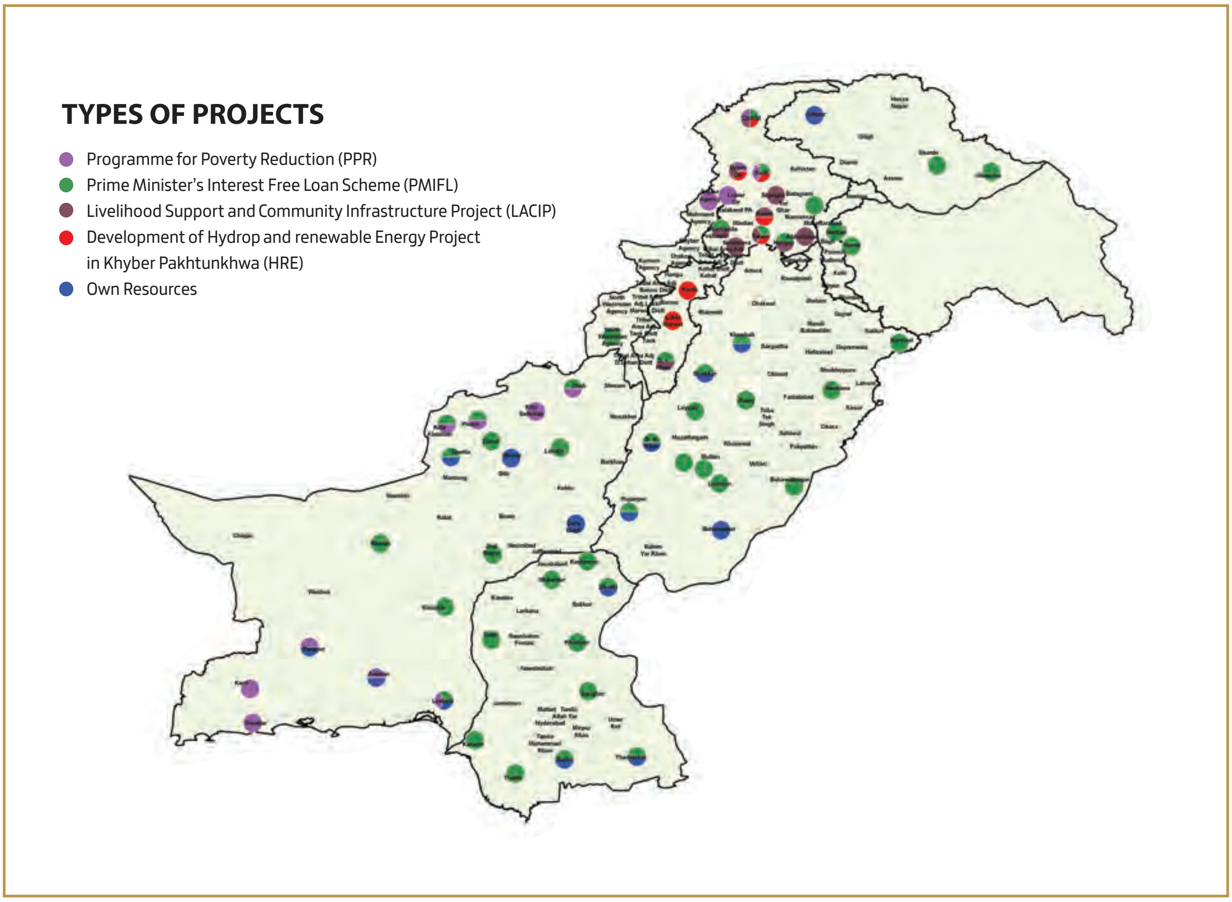


The Programmes along with their Financial Commitment in million (PKR)

The table below reflects on PPAF's grants management ability and efficacy showing 87.5% disbursement 11,677 million PKR of the total committed amount of PKR 13,347 million PKR with 93 % utilisation by Partner Organisations.

PROGRAMME		FUNDS IN MILLION (PKR)	
	FUNDS COMMITTED	FUNDS DISBURSEMENT	FUNDS UTILISATION
PPR*	5,026	3,940	3,382
LACIP-I	3,785	3,502	3,449
LACIP-II	21	4	2
HRE	1,007	800	761
PMIFL	3,030	3,030	3,030
PPAF Projects	478	401	323
Total	**13,347**	**11,677**	**10,947**

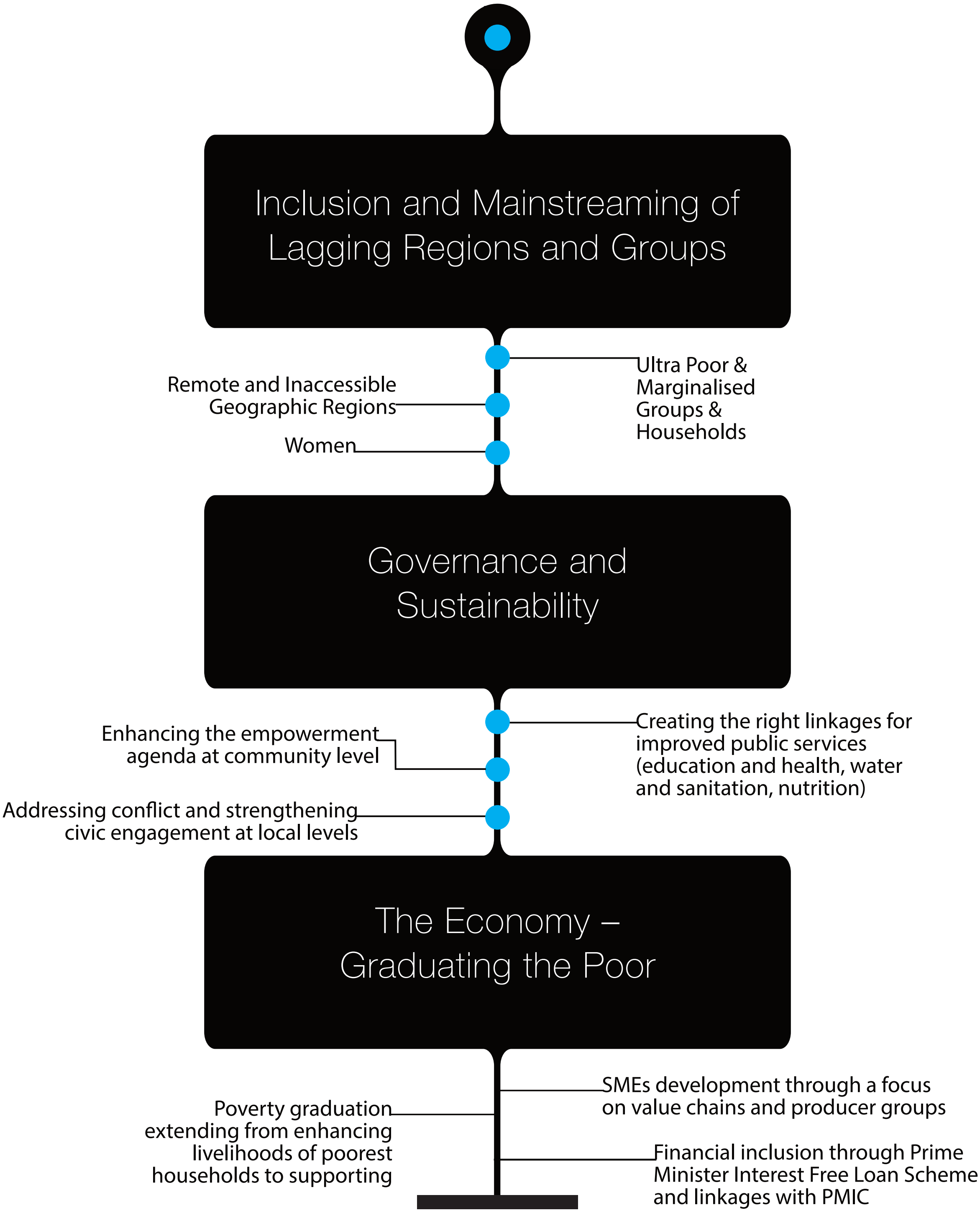
Grant Funds Status by Programmes in million (PKR)



Processesd and prepared by the PPAF GIS Laboratory

GOING FORWARD

Over the past ten years, the experience of going to scale with its graduation programme has resulted in the identification of an approach that manifests PPAF's vision into reality. PPAF's focus on contextualisation and constant review and learning mechanism helps us to look forward as well, so that we remain flexible and relevant. The next five years will be about delivering on our strategy keeping in mind:



CHAPTER 2

Integrated Programming through the Graduation Model

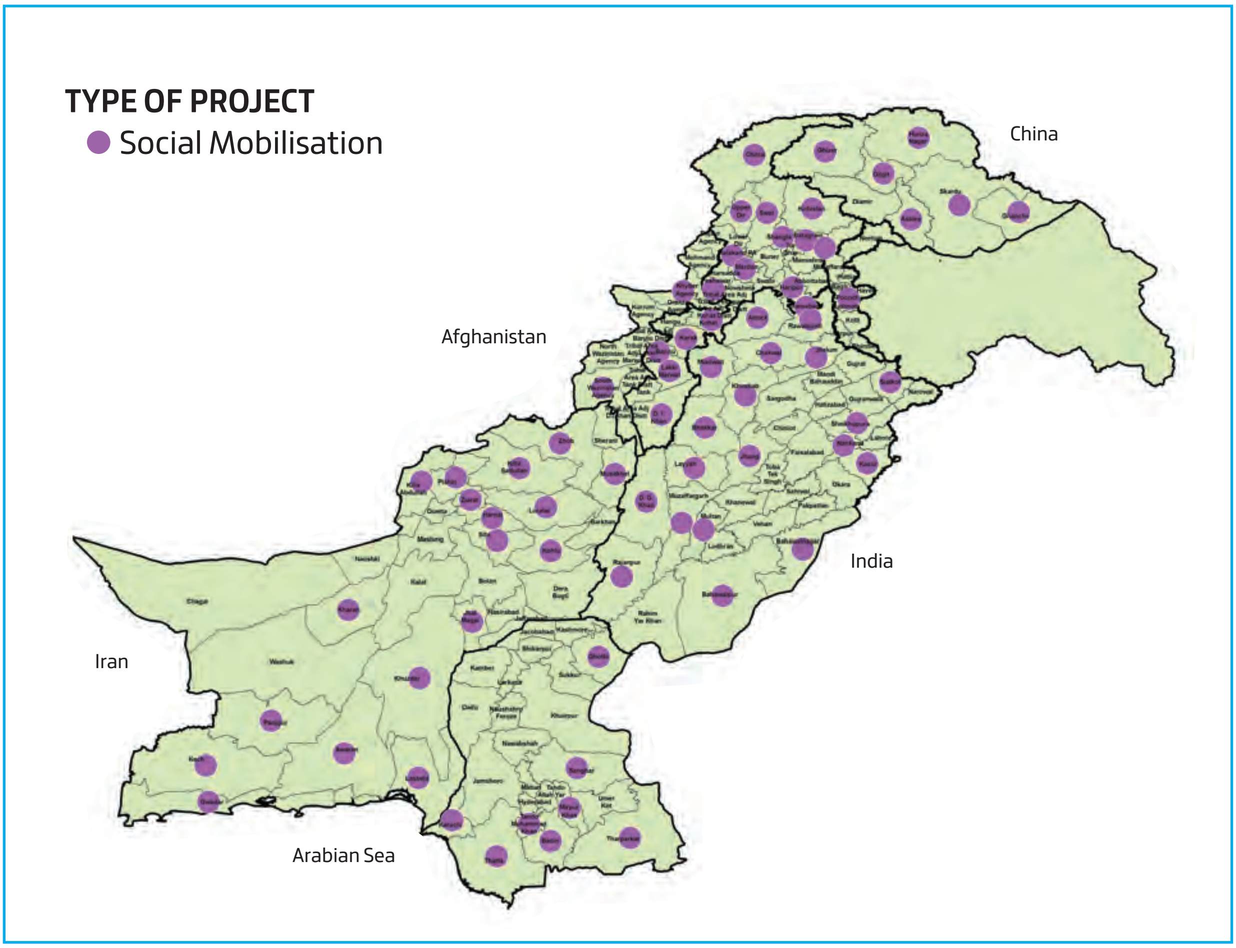
SECTION 1

1. INSTITUTIONS OF THE PEOPLE

PPAF is a staunch believer that needs must be driven by the communities they work with instead of driven by targets. Its approach to Community-driven development rests on the values of inclusion and participation. Social mobilisation is considered a cornerstone in participatory approaches for sustainable development and poverty alleviation. It is a powerful tool in facilitating and ensuring participation of the rural poor in decision-making, improving their access to social services and enhancing opportunities for the poorest of the poor.

There are three tiers to the social mobilisation model consisting of community organisations at the hamlet level (represented by15-20 households), village organisations (represented by around 100 households) and union council based/third tier organisations represented by the executive body members of VOs at the Union Council level. The primary purpose of these institutions is supporting households to form self-help community institutions and nurturing these institutions to build empowered communities. To date, PPAF has invested in developing the capacities of approximately 133,000 organised community institutions at the hamlet level 15,400 village organisations and 690 union council level organisations.[4]

The map below shows the extent of PPAF's social mobilisation efforts and outreach.



[4] Source: PPAF fact file as of June, 2018

Some of the key characteristics of these value led community based institutions include:

- All organisations are democratic in nature by being representative and inclusive;
- Collectively make informed decisions on which community members are the most deserving in order to prioritise access to benefits;
- Members are trained in basic book keeping and accounting so that transparency and good governance be maintained;
- Capacitated to supervise and monitor local level development programmes and mobilise resources, both locally and externally to alleviate poverty

To ensure these institutions remain inclusive, PPAF requires at least 40% of the members to be women and 60% to be from the poorest households (under 23 on the poverty scorecard), while covering at least 50% households in a Union Council. Youth, people with disabilities and minorities are also given priority. Since its inception PPAF has built over 149,000 community institutions spread through 137 districts and over 1600 union councils.

As part of its theory of change, PPAF believes that socio-economic development priorities is essential for transformation to occur. PPAF has found these institutions have proved to be highly responsive in undertaking community development activities which include identifying participants for assets distribution, training and other activities, assisting in verifying the status of poor households, implementation and maintenance of community infrastructure and providing economies of scale for the small producer and enhancing their negotiating and lobbying capacity, etc. The spirit of volunteerism is very pronounced among the members, especially the leaders. This demonstrates that

PRIORITISING INDIVIDUALS WITH SPECIAL NEEDS

PPAF's interventions for girls, boys, men and women with special needs revolve around improving their quality of life through provision of mobility and assistive devices, inclusive education, health rehabilitation, economic empowerment, and prioritising their needs during disaster response. PPAF's disability programme directly contributes to the SDGs, specifically Goal 1 *(End poverty in all its forms everywhere)*, Goal 4 *(Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)*, and Goal 8 *(Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all)*. To date, PPAF has facilitated over 200,000 individuals, through their participation in community institutions, provision of assistive devices including wheelchairs and hearing aids and enterprise and business development trainings.

Mr. Naseem Masih (Right), National Winner of 12th Citi – PPAF Microentrepreneurship Awards empowered and knowledgeable community institutions have the wherewithal to develop linkages, interface with government and identify prospects for economic enhancement. Federating from the Mohalla/hamlet level to the village level is also essential as it allows for the civic voice to be heard at government levels and supports linking policy initiatives to grassroots implementation. Community and village organisations are taught to devise Village Development Plans (VDPs), that are used as a tool for social mobilisation to engage target beneficiaries and communities to develop their own priorities and implementation process. The VDPs will help third tier/union based organisations to advocate for the implementation of communal level actions from other stakeholders including the local governments, local NGOs and other agencies and donors for the first and second tier organisations. An assessment of fund generation by the LSOs shows that they are able to generate almost the same amount of resources annually which have been invested in them by Partner Organisations.

To ensure sustainability of community institutions and continue project objectives beyond the project life cycle, active community members are identified and trained to carry forward development activities called community resource persons (CRPs). CRPs serve as local hubs of technical expertise and information that can allow communities to access further expertise as needed by linking to government programmes, markets and private sector investment opportunities, environment and climate change adaptation.

The capacity building programmes for CRPs have been designed around different themes, sectors and institutional systems. PPAF has trained 2,507 CRPs in different sectors of which majority were trained in health. In addition, under PPAF III, around 3,661 CRPs were trained in various sectors of which, 1,065 were women. Under the current programmes, a total of 483 CRPs (46% women) were trained in different sectors this year:

CRPS	MEN	WOMEN	TOTAL
Health	73	197	270
Education	38	22	60
Agriculture	34	-	34
Bio Gas	-	-	-
Enterprise Development	38	1	39
Fruit Processing	-	-	-
Livestock	35	-	35
Nursery Raising	-	-	-
Olive Farming	45	-	45
TOTAL	**263**	**220**	**483**

CRPs trained under current programmes (Fiscal Year: July 2017 – June 2018)

CRP's play an important role in institutional building, knowledge sharing and helping communities come together to find solutions for challenges they have identified, which has resulted in improved social cohesion, better quality of life and livelihoods.

SUCCESS STORY

SALIHA BIBI
The iron willed woman leader of Lasbela

Despite not receiving a formal education, Saliha Bibi is an inspiration to the women in her community in Lasbela. A mother of five, and an ardent social activist, she has proved to be a role model by assisting her community to avail opportunities in livelihood, education, health and hygiene. Being an example of defying rigid stereotypes, Saliha has been successful in persuading local authorities for providing CNICs, marriage and local certificates to her community, as well as convincing men to send their daughters to school. Recognising her efforts, she has been elected as the Vice President of the Local Support Organisation of UC Sakran that works for community development.

The real pleasure and satisfaction for me is to see happiness on the faces of my fellow community members whom I get a chance to serve, and to see our women pursuing their basic rights and supporting their families.

Saliha Bibi.

At an organisational level, PPAF has an institutions, Innovations and Integration Unit (III) that is the custodian of social mobilisation and community institutions at PPAF, acting as a driver to ensure that all community instutions engaged with PPAF are strengthened and able to leverage the social capital developed at the grassroots level while complying with quality standards.

PPAF is keen to ensure that its investment in community institutions is retained for the foreseeable future, so that the outcomes and impacts of our projects continue well beyond just the lifetime of a project.

Therefore, PPAF's Board of Directors have proposed lifeline support to 265 Village Organisations and Union Council Organisations to help them sustain their activities that directly contribute to the achievement of the (SDGs) as well as reduce vulnerability of low income households to financial shocks. This support is channelled through the Tabeer-O-Tameer Fund, Currently the fund is supporting 100 UCBOs.

ACHIEVEMENTS OF YEAR 2017-18

- Under its current grant programmes, during the fiscal year 2017-18 PPAF has formed/ strengthened 478 community institutions of which women constitute 46%.
- PPAF's Board of Directors has approved financing of PKR. 396.38 million, to sustain viable and active Union Council (UCs) and Village Organisations that have been formed under PPAF funding through the Tabeer-o-Tameer Fund. 265 TTOs from 30 partners were selected for life line support from high priority districts, of which disbursements have been made to 100 organisations.
- PKR 50 million was approved by PPAF for the capacity building of small organisations in Balochistan, KP and FATA. Trainings include financial, account and management, M&E, institutional development, gender mainstreaming, leadership management skills training and organisational governance.
- As part of knowledge management, III unit compiled a directory of 5,533 CRPS.
- PPAF, through its partner organisations, also arranged 386 different events in the communities involving community institutions.
- 411 events related to peace, pluralism, youth engagement and national and international days were attended by 85,871 men and women.

Membership by Gender
in Community Institutions

	Male	Female
1 LSO	28	17
70 VOs	451,581	3,906
407 COs	1,419	1,419

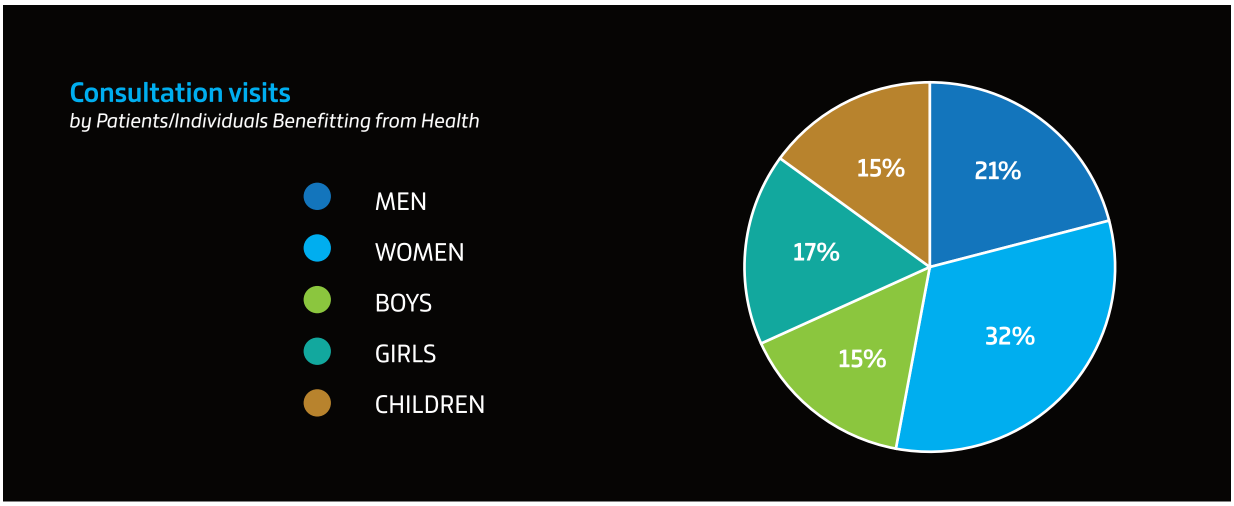
2. INVESTING IN SOCIAL CAPITAL

a. HEALTH & NUTRITION

PPAF programmes are aimed at increasing access to quality health services, through building the capacity of communities on basic health initiatives through CRPs, refresher trainings for midwives, strengthening of BHUs/dispensaries, provision of communal latrines, celebration of health, hygiene and nutrition days and establishing linkages and leveraging through organising district development forums, to date, 900 Health CRPs (including 480 women) were trained on health and nutrition specific topics. These CRPs have been trained for Health (168 men and 295 women), Nutrition/ Maternal Newborn and Child Health -MNCH (312 men and 125 women). These trained CRPS have conducted sessions with local communities. 315 household sessions on health were attended by 332,182 community members of which more than 60% (202,351) were women.

Similarly, PPAF has supported 42 BHUs, 30 Community Dispensaries, 30 Community Health Centres, 3 Civil Hospitals, 9 Maternal Newborn and Child Health (MNCH) and 3 Rural Health Centres under the current projects at the supported health interventions were accessed for different health services by more than a million (1,498,988) consultation visits by community members including men, women and children.

A PPAF Community Resource Person (CRP) providing guidance on Maternal Newborn & Child Health (MNCH) to a community woman in Bhakkar, Punjab



b. EDUCATION

Woven intricately within the poverty graduation model, the fourth Sustainable Development Goal "quality and equitable education" is an essential prerequisite to poverty alleviation. Education became a priority for PPAF because it is a vital factor to poverty alleviation, especially for rural populations. Since 2005, PPAF has extended support to 896 schools in remote and poverty-stricken areas across Pakistan. At the time, most interventions were focused on setting up community schools and making government schools functional so that the children had access to education.

Under its current projects, 766 government schools have been provided with missing facilities and and 184 community schools have been established with the active participation of communities. Missing facilities include toilets, additional classrooms, boundary walls, water tanks, repair and renovation of rooms, provision of laboratory equipment, library books etc.

Under the Chamalang Education Programme in the districts of Kohlu and Lora Lai of Balochistan, PPAF has provided scholarships to over 3,000 children of poor coal mining workers in some of the best schools in the province. Scholarships included school fees, books, uniforms and stationery.

Another major milestone PPAF has achieved is the enrollment of 159,630 out of school children into schools, of which 42 % are girls and 58% are boys. KP had the highest enrollment. The enrollment of children by regions is covered in the table below.

PPAF programmes also focus on improving the quality of education through teacher training and providing learning equipment to schools. new teaching methods, lessons planning and school administration. Exposure opportunities are also provided to students through exhibitions, celebrations of national and local festivals, speech competitions and sports competitions.

PPAF supported community school at Muhammad Ibrahim Sasuli Goth, Lasbela, Balochistan

REGION	BOYS	GIRLS	TOTAL
KP	52,419	39,624	92,043
Baluchistan	28,473	20,343	48,816
Sindh	5,713	6,594	12,307
Punjab	2,389	2,207	4,596
GB	839	1,029	1,868
TOTAL	**89,833**	**69,797**	**159,630**

Cumulative School Enrollment by Region

Collaboration between PPAF, Elementary & Secondary Education Foundation (ESEF) and Tele Taleem in KP

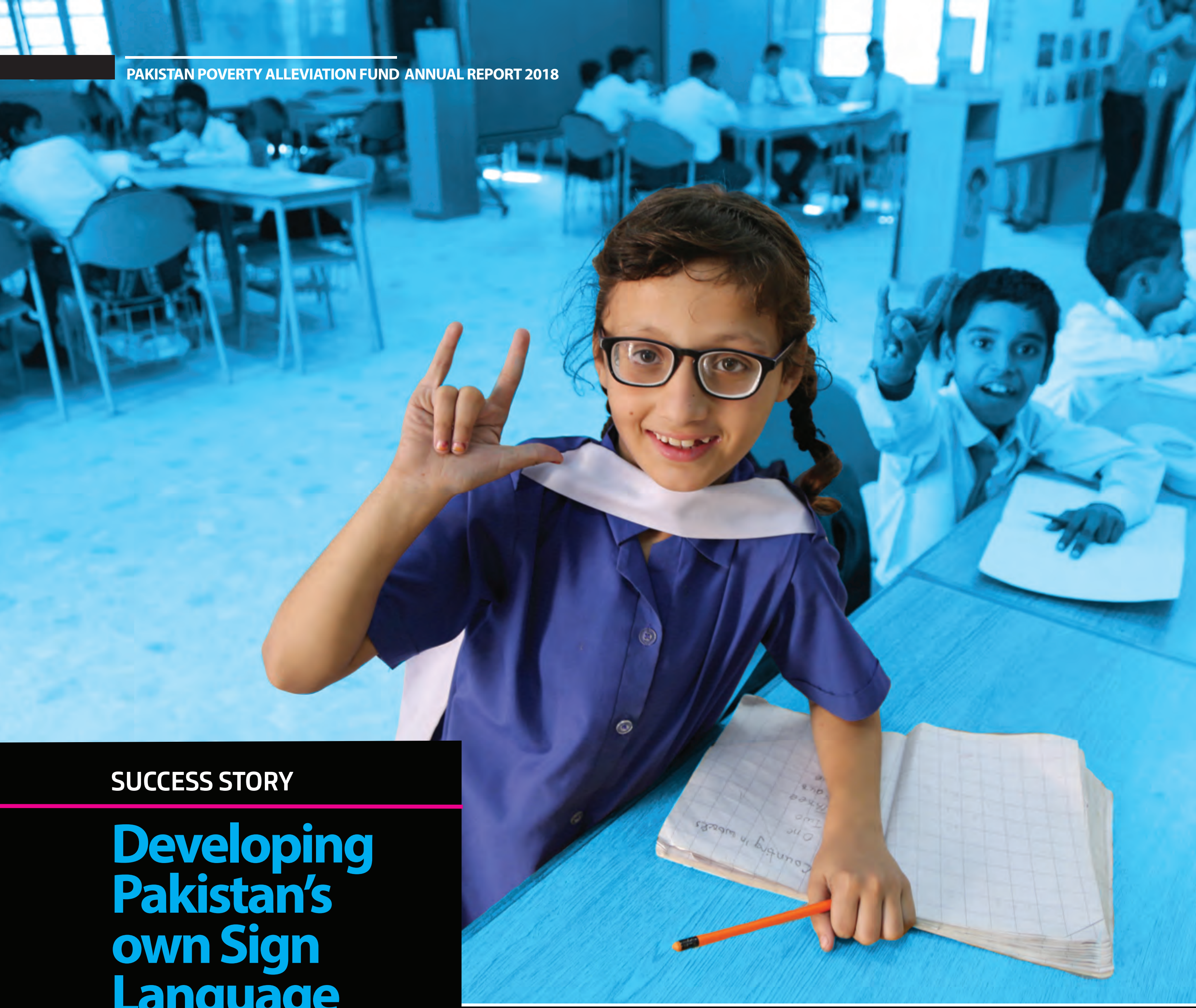
A teacher from Islamabad teaching children remotely via the Internet at a PPAF supported community school at Rumbore Valley, Chitral, KP

This year, PPAF's own funds were used to pilot the Bridging the Learning Gap in Girls Community Schools project. In January 2018, Elementary & Secondary Education Foundation (ESEF), Khyber Pakhtunkhwa and PPAF jointly agreed to implement an education uplift project for bridging the learning gap in four community Schools (3 schools in Chitral and 1 in Lower Dir).

In order to improve quality of education in the community schools of Chitral and Lower Dir, ESEF recommended a technical organisation i.e. Tele Taleem – for directly providing technology based solutions to classrooms including teacher trainings and online tutoring services, this partnership has the potential to lead to greater and long-term impact on society. ESEF is an autonomous government organisation working in Khyber Pakhtunkhwa to support the private and non-formal sector in providing quality education in the province. The project aims to improve the learning outcomes of students and quality of teaching in ESEF supported Girls Community Schools by introducing teachers and children to ICT enabled learning and improving learning outcomes of children, especially girls, in key subjects of early to primary grades. Tele Taleem is providing a digital classroom in four schools of Chitral and Lower Dir and teachers are given tablets to conduct formative assessments and impart digital training content.

As with all its programmes, PPAF emphasizes building the capacities of communities through training CRPs, Parent Teacher School Management Committees as well as providing innovative technology solutions and missing facilities to schools. CRPs play an important role in raising awareness on the importance of education and establishing education facilities as they trained to run and manage community schools. In Ziarat, Balochistan, PPAF has trained Community Based Change Makers (CBCs) to promote social enterprises that would enhance community access to health and education services for a marginal fee.

Upholding its commitment to prioritizing the need of individuals with special needs, PPAF also helped mainstream education for visually impaired children through computer centres within special government schools in Multan, Peshawar, and Lahore. Free training in computer/IT skills was also provided to users coming from underprivileged backgrounds.



SUCCESS STORY

Developing Pakistan's own Sign Language through Deaf Reach Programme

PPAF has partnered with Family Educational Services Foundation (FESF) to enroll over 1200 students in "Deaf Reach Schools" and train over 1400 young adults under the skills training program. Through developing market linkages and partnerships, 475 individuals with hearing and/or speech impairments have been provided employment in the private sector.

Under the "Deaf Reach" Programme , PPAF developed the Pakistan Sign Language (PSL), the first unified sign language for Pakistan. The PSL was developed to provide a communication platform for this unique community and to help deliver academic and vocational skills. PPAF supported FESF in developing the PSL training programme & resources including a dedicated PSL website, a 5000 word PSL Lexicon, Mobile application, a DVD and a book. The PSL programme has trained over 500 parents, 195 government teachers and 25 master trainers so far. The dictionary and DVD were created and distributed free of cost to individuals with hearing and/or speech impairments and institutions across all over Pakistan. As of December 2016, 25,000 PSL books and 8,000 DVDs have been distributed throughout Pakistan benefiting more than 150,000 individuals and their families.

SECTION TWO

1. IMPROVING ACCESS OF COMMUNITIES THROUGH COMMUNITY PHYSICAL INFRASTRUCTURE

Embedded in the graduation model, provision of physical capital is an essential component in bringing holistic change to the lives of the rural poor. This is done through supporting access to environmentally friendly low-cost housing, water and sanitation, and local infrastructure and energy needs to enhance households' access to improved health and nutrition, mobility and access to markets. Community physical infrastructure projects include basic infrastructure schemes related to safe drinking water supply, irrigation, roads and bridges, domestic/household lighting & drainage and sanitation schemes.

PPAF has supported small-scale infrastructure projects on a cost sharing basis with the community. The schemes are demand driven as they are identified by local communities through a participatory process so that they take ownership of operation and maintenance of them.

Under its current programmes, PPAF has so far completed 3,286 schemes benefitting a total of 1,978,526 community members.

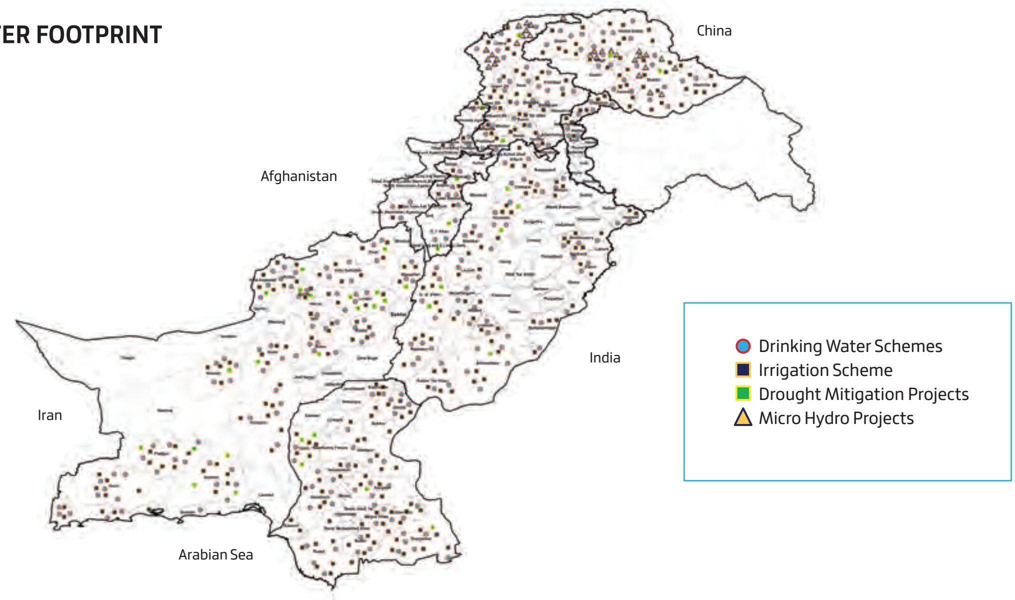
A detailed breakup of these CPI schemes is shown in the figures below:

Suspension Bridge built under PPAF's LACIP initiative at Ashraits, Chitral, KP

CPI SCHEMES AND POPULATION OUTREACH UNDER CURRENT PROJECTS		
CPI projects by type	**Number of projects**	**Population Outreach**
Drinking Water Supply Schemes	426	223,688
Drainage and Sanitation Schemes	829	311,574
Irrigation Schemes	624	335,674
Other Schemes	1407	1,107,590
TOTAL SCHEMES	**3,286**	**1,978,526**

A detailed breakup of CPI schemes

PPAF WATER FOOTPRINT



PROJECT TYPE	NO. OF PROJECTS	POPULATION OUTREACH
Drainage & Sanitation	4,863	2,871,090
DWSS	8,126	3,127,365
Flood Protection Works	843	415,950
IAUP	286	435,107
Irrigation	7,679	2,715,520
Roads & Bridges	3,956	3,593,193
Solar	164	40,361
TIP	496	158,921
DMPP	3141	1,237,744
IWEIP	563	134,075
MHDP	61	139,252
SCAD	4037	1,243,688
SGI/SRD	266	122,460
TOTAL	**34,481**	**16,234,724**

Cumulative Water and Infrastructure Projects and Population Outreach (since inception of PPAF till June 30, 2018)

2. DEVELOPING SMALL SCALE RENEWABLE ENERGY SOLUTIONS

PPAF supported Micro hydel project at Izh, Garam Chashma, Chitral, KP

As being environmentally responsible is a core value of PPAF, it aims to promote the development of affordable, reliable and sustainable renewable energy solutions coupled with innovative and flexible financing models that can benefit the entire population. PPAF's green solutions contributes to some of the SDGs, including increasing access to affordable, reliable, sustainable and modern energy (SDG-7), combating climate change and its impacts (SDG-13) by reducing use of fuel wood, kerosene and diesel-based power generation, strengthening of local civil society organisations and enhancing participation of the population in decision making at the local level (SDG-17).

PPAF has so far supported the implementation of more than 1,247 renewable energy projects, including the construction of micro and mini community-based hydropower plants, solar lighting and water pumping, biogas plants, wind energy, and other hybrid projects.

S.NO	PROJECT TYPE	NO. OF PROJECTS	INSTALLED CAPACITY (MW)	HOUSES SERVED	POPULATION OUTREACH
1	Mini & Micro-Hydroelectric Projects	106	11.8 MW	20,399	133,300
2	Solar Lighting Systems	602	1300 kW	8,276	54,058
3	Wind Energy Projects	157	80 kW	1,126	7,882
4	Hybrid (Wind/Solar) systems	77	77 kW	770	5,390
5	Solar Water Pumping	65	162.5 kW	2,725	17,713
6	Biogas Digesters	31	91.5 kW	198	1,287
	Sub-Total (Grants)	**1,038**	**13.511 MW**	**33,494**	**219,630**
7	Micro credit loans (solar lighting, solar water pumping and biogas)	2,775	269 kW	2,775	19,425
	G. TOTAL	**3,813**	**13.78 MW**	**46,269**	**239,055**

PPAF's Renewable Energy Interventions

PROJECT TYPE	NO. OF PROJECTS	HHS BENEFITTED	TOTAL POPULATION OUTREACH
Bio Gas Plant	80	1,930	13,820
Mini/ Micro Hydel	72	13,677	109,267
Solar Lighting System	724	29,147	209,996
Solar Water Pump	103	4,765	34,344
Wind Mill	140	5,556	34,720
Wind Turbine	49	1,884	12,852
Wind/Solar hybrid	79	2,181	17,878
TOTAL	**1,247**	**59,140**	**432,877**

PPAF Supported Renewable Energy Projects Supported (Since inception of PPAF till June 30, 2018)

Under its current programmes, PPAF is supporting 5 micro hydro power plants with a cumulative capacity of 803 kW and 68 Solar Lighting Systems with a capacity of 500 kW in remote and off-grid locations of KP. Micro hydro projects are not only able to support the lighting requirements of households but also the ability for them to establish mini enterprises, helping increase their overall household income.

Mr. Nafees Ahmad Khan, GM, HRE Unit, PPAF (Right) receiving the Alliance for Rural Electrification (ARE) Award

PPAF won the Alliance for Rural Electrification (ARE) "Best Off-Grid Project" Award 2018 in the Off-Grid Project Category. ARE Award is testament of PPAF's resolve and commitment for increasing access to energy of the most vulnerable and under-served communities in line with SDG-7. PPAF received this award for 60 state-of-the-art solar energy mini-grid projects in three districts of the KP including Lakki Marwat, Swabi and Karak.

SOLAR LIGHTENING SYSTEM (SLS) PROJECT CONSTRUCTED IN DISTRICT LAKKI MARWAT

The community based mini grid solar systems provide basic lighting requirements as well as support in village level businesses and local enterprises. In order to ensure long term sustainability and effective usage of these schemes, PPAF has carried out operators training and user awareness sessions in all completed solar lighting clusters. The trained operators are responsible for smooth operation of the projects under the supervision of project O&M committees.

PPAF's solar mini grid project at Motara Korona, Lakki Marwat, KP

In addition to this, PPAF have developed different technical design manuals for design and implementation of Mini/Micro Hydropower Plants and Solar PV Systems. These manuals provide technical guidelines for engineering professionals and are available on PPAF's website for wider dissemination.

SUCCESS STORY

Renewable Energy Solutions For Remote Communities

Badga is a small village located in Ghani Chatra in District Swabi. The village has a total of 50 houses, three primary schools (one for boys and two for girls) and 4 community Hujras (community gathering places). The unavailability of electricity and lack of basic infrastructure posed serious challenges in people's everyday lives.

n order to fulfill their energy needs seven solar mini-grids systems were installed with the technical and financial support of PPAF under the KfW funded Development of Hydropower and Renewable (HRE) Project. These mini-grid systems capacity ranges 3 to 16 kW and are currently providing uninterrupted electricity to the entire village.

Prior to this, light meant smelling and inhaling fumes from kerosene lamps. Activities such as cooking, children doing their homework, and other household chores were not possible after sunset.

The availability of electricity has changed people's lives. 60 year old Mehboob Khan is proud to have his single-room home well-lit with an LED bulb. He has a treadle sewing machine that his wife uses to stitch and mend clothes. , "My wife now works in evening also and is able to earn an additional income for the family. We used to have a kerosene lamp before, but this solar power is exciting and cheaper. Now we can save our money that was spent on buying kerosene for the lamp". Similarly, the women of the village also shared that they now spend their evening weaving chicks into the mats which they sell in local markets.

35 year old Sameen Khan, an active member of her village organisation and mother of four shared that before the electricity if someone died in the village it would take time to go door to door to tell everyone, but now we can announce it on the loud speaker of the mosque and save time and effort.

The community was not only actively involved in project implementation but has been successfully looking after the project. They have set up a tariff system and are regularly collecting monthly bills from the users. A trained operator has been assigned the responsibilities of regular operations of the systems.

SECTION THREE
1. BUILDING ECONOMIC AND HUMAN CAPITAL

Ending extreme poverty, the United Nations' first Sustainable Development Goal (SDG); is overwhelmingly challenging and can only be achieved through integrated and multi-dimensional concerted efforts at various levels. PPAF recognises Pakistan's demographic and geographical diversity and understands its importance in addressing poverty alleviation. The organisation's core value of inclusion is woven in all its programmes, interventions and processes; and a concerted effort is made to include the most marginalised regions and segments of society, irrespective of class, ethnicity, caste, religion and gender.

At the community level, PPAF has developed and used the poverty score card and participatory wealth ranking to identify the poorest households. Within households, the focus of interventions is on women, disabled, children, youth and minority groups.

Women's empowerment is at the heart of PPAF's work. PPAF through its interventions, have groomed women into leadership roles, provided training in a variety of skill sets and assets and interest free loans to run their own small businesses and become entrepreneurs. PPAF also tries to ensure at least 40% of all their beneficiaries are women. The figure below reflects the organisation's commitment to women's inclusion:

At the regional level, PPAF has developed a geographical poverty index that has helped PPAF target extremely marginalised districts across Pakistan. Based on its learning from previous projects, PPAF has customised its poverty graduation model to Pakistan by connecting different public and private initiatives in an integrated manner.

PPAF poverty graduation model is designed to pull people out of poverty and into the economic mainstream by building their resilience through providing access to improved social capital (local institutions, livelihoods, health and education), as well physical capital (renewable energy and infrastructure) and financial capital (services, loans, insurance, savings).

WOMEN SHARE – PPAF INTERVENTIONS

- **60%** of 8.4 million given microcredit loans
- **66%** of 449,673 provided interest free loans
- **51%** of 16.39 million individuals accessing infrastructure and water facilities
- **46%** of 111,757 individuals provided assets
- **62%** of 2.37 million members of community organisation s/credit groups
- **49%** of 427,217 individuals imparted enterprise and skills trainings
- **56%** of 14.59 million visited health centres for consultations
- **44%** of 378,275 students enrolled in primary/ secondary schools

CUMULATIVE ACHIEVEMENTS ON GRADUATION MODEL

5.4 million BISP recipients, social safety nets, cash transfers & other social protection programmes

111,476 assets transferred to ultra & vulnerable poor, **427,364** people trained in skill & vocational training, **38,371** health, education, water & infrastructure projects

421,777 Interest free & concessional loans; **353** loan centres, **77** employment (NyK) centres, **71** production centres, **80** digital hubs & **196** youth centres

8.4 million micro credit loans (**60%** loans to women & **80%** to rural areas) plus MSME support & development of pro-poor value chains

2. DEVELOPING LIVELIHOODS

PPAF supports the Government's social protection programme by assisting ultra or very poor households (as per poverty scorecard score 0-23) to lift them out of poverty (attain a score of 35 or above) on a sustainable basis. This means they remain out of poverty for at least three years. The approach involves building the skills and productive asset base of a poor household.

In the gradual model, PPAF's role begins by reaching out to BISP beneficiaries; the poorest of poor with a poverty score of up to 17. PPAF has invested considerably in building social capital for the poorest of poor. Under current programmes funded by bilateral, donor and PPAF's own resources, more than 73% of the funds (PKR 9,786 Million) were spent on improving livelihoods of the ultra and vulnerable poor through productive asset transfers, vocational and skill trainings, health, education, water and infrastructure interventions.

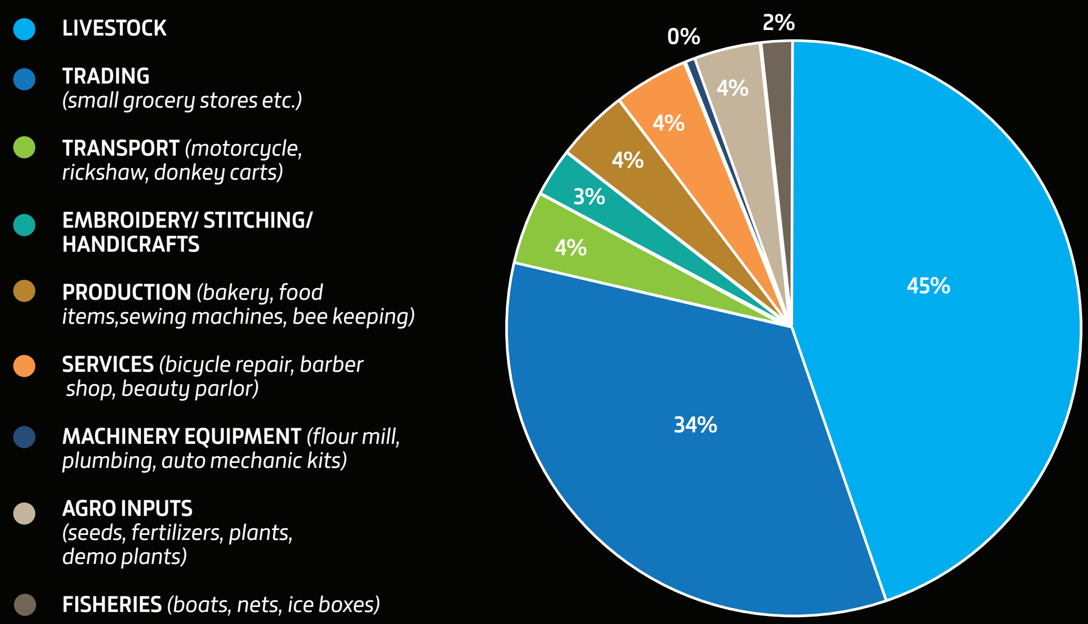
PPAF's Programme for Poverty Reduction provided boats to fishermen in Gwadar, Balochistan to enhance livelihood opportunities in the area

In terms of asset transfers under the current projects, cumulatively 15,5812 assets were distributed, of which 45 % were livestock followed by 34% related to trading and small enterprises. As PPAF believes in a community driven approach, individuals themselves choose the type of asset they wish to have that best corresponds with their previous experience and personal capacity. A detailed market and local value chain analysis is a perquisite before finalizing any livelihood plan for households. The tables below show the details of assets, types of assets:

SECTORS	Asset Recipients		
	Men	Women	Total
Livestock	3,157	3,809	6,966
Trading	3,249	2,040	5,289
Transport *(motorcycle, rickshaw, donkey carts etc.)*	610	36	646
Embroidery/ Stitching/ Handicrafts	56	372	428
Production *(bakery, food items, sewing machines, bee keeping)*	201	443	644
Services *(bicycle repair, barber shop, beauty parlour)*	509	147	656
Machinery/Equipment *(Flour mills, plumbing, auto mechanic kits)*	73	1	74
Agriculture Inputs *(seeds, fertilizers, plants)*	542	63	605
Fisheries *(boats, nets, ice boxes)*	196	77	273
TOTAL	**8,593**	**6,988**	**15,581**

Types of Assets and Beneficiaries by Gender (Cumulative)

ASSET BY TYPE OF CURRENT PROJECTS *(Cumulative)*



SECTORS	LEP Asset		
	Men	Women	Total
Livestock	287	323	610
Trading *(small grocery stores etc.)*	206	244	450
Transport *(motorcycle, rickshaw, donkey carts)*	29	0	29
Embroidery/ Stitching/ Handicrafts	11	68	79
Production *(bakery, food items, sewing machines, bee keeping)*	17	0	17
Services (bicycle repair, barber shop, beauty parlour)	4	1	5
Machinery/Equipment (flour mill, plumbing, auto mechanic kits)	0	0	0
Agro Inputs (seeds, fertilizers, plants, demo plants)	287	34	321
Fisheries (boats, nets, ice boxes)	21	18	39
TOTAL	**862**	**688**	**1,550**

LEP Asset transferred in the FY 2017-2018 under current programmes

SECTORS	LEP Asset		
	Men	Women	Total
Livestock	287	323	610
Trading *(small grocery stores etc.)*	206	244	450
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TOTAL	**862**	**688**	**1,550**

LEP Asset transferred in the FY 2017-2018 under current programmes

Types of Training	MEN	WOMEN	TOTAL
Advocacy/Awareness campaigns	80	7	87
CIG Training	51	28	79
CLF Training	11	0	11
Institutional CRP training	14	0	14
Managerial training	3,640	2,576	6,216
Sector CRP training	297	107	404
Technical/Skill training	1,044	71	1115
Trainings by CRPs	638	0	638
Vocational/Skill training	15,682	5,855	21,537
OVERALL TOTAL	**21,457**	**8,644**	**30,101**

Types of Livelihood Trainings under LEP component (Cumulative)

3. BUILDING ECONOMIC CAPITAL

Once asset transfers and livelihood trainings are given, PPAF facilitates households by creating platforms to leverage these skills and assets. These are done through Common Interest Groups (CIGs), Community Livelihood Funds (CLFs), Production Centers (PCs) and Naukari Ya Karobar Centers (NyKs) and Digital Hubs. Common Interest Groups help entrepreneurs of similar trades come together to develop business linkages and take collective steps for improving production, income and profit. The CIGs increase the bargaining power of the poor, create economies of scale through collective purchases and coordinated marketing, develop linkages with markets and public sector service providers, and reduce the vulnerability of the poor by creating a support mechanism and making small enterprises part of the larger value chain. Similarly, Naukari Ya Karobar Centers facilitate young men and women, many who may be part of community organisations or vocational trainee graduates, to help find jobs through career counselling, exposure visits, job placements as well as facilitating enterprise development. More details are given on the other platforms in the financial inclusion section.

SECTORS	LEP ASSET		
	Men	Women	Total
Livestock	287	323	610
Trading *(small grocery stores etc.)*	206	244	450
Transport *(motorcycle, rickshaw, donkey carts)*	29	0	29
Embroidery/ Stitching/ Handicrafts	11	68	79
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Types of Livelihood Trainings under LEP component (Cumulative)

SECTION FOUR
ENABLING FINANCIAL INCLUSION

Along with social and physical support, PPAF through its graduation model strives for financial inclusion of the ultra, vulnerable and transitory poor. To achieve this, PPAF is implementing an interest free loan scheme initiated by the Government of Pakistan as well helping communities form other economic and financial inclusion platforms. These platforms include Community Livelihood Funds (CLF), Common Interest Groups (CIGs), Production Centers (PCs) and '*Naukari Ya Karobar*' (NyK)Centers.

Financial inclusion helps improve livelihoods and strengthen financial resilience by providing an opportunity to save for the future, to invest and generate income and to insure against adverse events. The key features of PPAF's financial inclusion framework are:

1. IMPROVE AND DEEPEN THE ACCESS TO FINANCIAL SERVICES THROUGH INTEREST FREE LOANS AND MICRO-FINANCE

a. Prime Minister's Interest Free Loan Scheme (PMIFL) was initiated by the Government of Pakistan in 2013 with an aim to reach one million clients in three years. These loans are given for productive purposes, to generate an income.PPAF is mandated to provide Interest Free Loans to individuals between 0-40 the poverty score card, to help them sustain their livelihoods and attain a level where they can access conventional market based microfinance. The financial inclusion of ultra, vulnerable and transitory poor is based on social collateral through community institutions and personal guarantees in a group of borrowers. To date recovery rate from the PMIFL is 85.5%, clearly reflecting on the success of using social collateral.

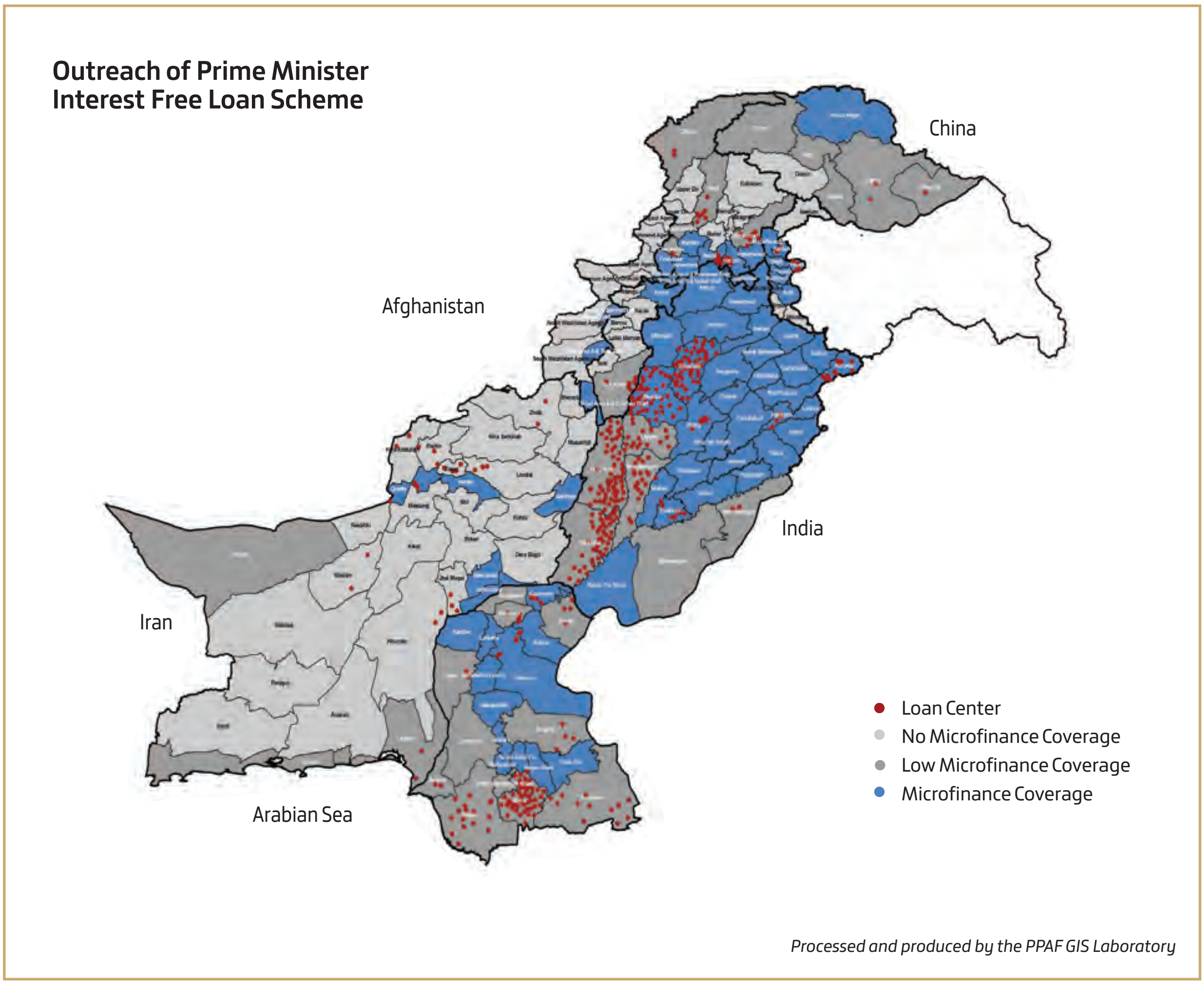
As of June,' 2018, a total of 421,777 loans were provided with cumulative disbursement of PKR 10,000 million. The cumulative recovery stands at PKR 6,974 million which is being efficiently revolved for generating new loans. The average loan scheme is PKR 23,710 and nearly 64% of the recipients are women. Overall, 353 Loan Centers/ branches have been established by 26 implementing partners covering 335 Union Councils (UCs) of 45 districts across the country including GB, FATA & AJK. The coverage of UCs has surpassed the planned target of 250 UCs.

Overall Outreach

As of June 2018, PMIFL Scheme has completed three years with the following key achievements.

	JULY, 2017– JUNE, 2018			CUMULATIVE (OCT, 2014 TO JUNE, 2018)		
	Men	Women	Total	Men	Women	Total
Number of Application Received	45,270	98,299	143,569	183,041	314,106	497,147
Number of Application Approved	50,017	110,063	160,080	177,551	316,693	494,244
Number of Loans provided to Borrowers	35,619	95,291	130,910	153,038	296,635	449,673
Amount Disbursed to Borrowers (Million. PKR.)	919.28	2,601.40	3,520.68	3,517.92	7,317.58	10,835.50
Induction of Partner Organisations	-			26		
Amount disbursed to POs (Million. PKR)	-			3,274.6		
Coverage under PMIFL (District)	-			45		
UCs/Tehsils Outreach	149			442		
Loan Centers/Branches Established	-			291		
Implementation support & Monitoring Visits (No.)	45			25		

A total amount of PKR 10,836 million has been disbursed to 449,673 borrowers as of June 30, 2018 by revolving of recoveries. This is almost PKR 7.7 billion higher than the amount provided by the Ministry of Finance for on-lending funds, demonstrating the success of the scheme. This year's mid-term evaluation showed at least 60% of the targeted borrowers graduated to higher scores on the Poverty Score Card and reported a minimum of 25% increase in household incomes and/or assets. At least 90% of the loans are utilised for productive purposes according to the initial business development plans.



The table below shows the distribution of loans by sector and gender. It is evident that beneficiaries prefer livestock (43%) followed by services (commodity trading or small stores (29%). For Women, other popular trades included agriculture (19%) and embroidery and handicrafts.

PROVINCES	MEN	WOMEN	TOTAL
Sindh	25,969	60,568	86,537
Punjab	61,472	164,123	225,605
KP	43,153	31,712	74,865
Baluchistan	8,889	7,849	16,738
GB	5,414	3,569	8,983
AJK	4,152	4,881	9,033

Number of beneficiaries by region (June, 2018)

TYPES OF LOAN	MEN	WOMEN	TOTAL	%
Agriculture/Cropping	22,413	24,399	46,812	11%
Commodity/Petty Trading	62,073	60,042	122,115	29%
BUSINESS FOR WOMAN	**198**	**4,811**	**5,009**	**1%**
Livestock/Poultry/ Fish Farming	46,735	132,864	179,599	43%
Manufacturing/Light Engineering/ Workshop	807	1,365	2,172	1%
CRAFTS	**266**	**10,977**	**11,243**	**3%**
Services *(Beauty Parlour, Barber, Carts, and Service Station etc.)*	10,073	32,804	42,877	10%
OTHERS	**2,671**	**4,704**	**7,375**	**2%**
TOTAL	**145,236**	**271,966**	**417,202**	**100%**

Interest Free Loans by sectors as per MIS data June, 2018.
Note 1: Highlighted in colour yellow (Crafts, Business for women and Others) are the categories given in MIS but not mentioned in the annual report
Note 2: No data available for the category Embroidery/Stitching/ Handicrafts

The Interest Free Loan is for households who score not more than 40 on Poverty Score Card. The figure below shows that most of the loans (49%) were given to households scoring up to 24.

POVERTY SCORE RANGE	MEN	WOMEN	TOTAL
0-11	7,257	14,854	22,111
12-18	15,959	92,549	108,508
19-23	25,642	46,061	717,04
24-30	44,893	64,612	109,512
31-35	26,632	30,904	57,538
35-40	28,670	23,734	52,404

Interest Free Loans by PSC Ranges: Poverty score band wise beneficiaries of IFL (as per MIS data as of June, 2018)

SUCCESS STORY

A dream realised

Noor Ahmed and Shehzadi Bibi were once suffering from acute poverty. With their foresightedness coupled with hardwork, they are now living a happy and prosperous life along with their families. The two of them together, worked out a solution to their hardships. Their intelligent move changed their fate. Both took a loan from the Prime Minister's Interest Free Loan scheme and started a fishing business. In a span of just two years their initial investment of Rs. 38,000 has made them owners of a business worth Rs 600,000. This is a story of a successful partnership between an unemployed poor man Noor Ahmed and a worried housewife Shahzadi Bibi. Both are neighbors in the village named Haji Abdullah Chang, District Badin,Sindh.

Noor Ahmed was a daily wager and the only breadearner of his family of six, while Shehzadi's family was also living hand to mouth. Living in the area where monsoon rains bring floods after almost every two years, was one of the most challenging situations they had to face. Flash floods also affected their agricultural land and livestock.

There is a saying that "every calamity and disaster brings an opportunity", but this is only possible if a person is capable enough to grab the opportunity. Noor Ahmad and Shahzadi were also victims of calamities. Each of them had less than an acre of land, having naturaly saline soil, this rendered the land useless for cultivation. When Noor Ahmed heard about the PMIFL Scheme in an awareness session of the field staff of PPAF's partner Orangi Charitable Trust (OCT), he consulted with Shahzadi and agreed upon a viable business plan that helped them to acquire loan for business on partnership.

They met the staff of OCT and submitted their applications for interest free loan. Noor and Shehzadi got loans of PKR 18,000 & PKR 20,000 respectively and they signed a partnership deal.

They hired an excavator to dig a pond in their barren land, which cost them PKR 30,000. With the remaining loan amount of PKR 8,000 they purchased fish juveniles for their pond. The partners took care of these juvenile fish. The first consignment of fish was sold after six months for PKR 50,000. The profit amount was used to purchase 4 acres land for another fish pond. After one year their earnings reached to PKR 120,000.

During this period they made lump sum repayment of their installments. In a span of just two years their initial investment of PKR 38,000, turned their business worth PKR 600,000.

Now Noor Ahmed, who was barely meeting the expenses of his family has now enrolled his children in the best available schools in he area, the family is now enjoying all the basic necessities of life. On the other hand Shahzadi bibi is also living a happy and empowered life, sending her children to school, and also saving for the dowry of her daughters.

b. Pakistan Microfinance Investment Company (PMIC)

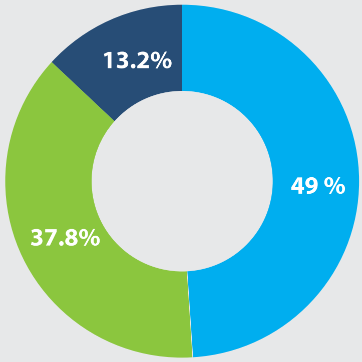
PPAF has always maintained the largest microcredit portfolio in the country and in 2016, it became the main shareholder (along with the KfW and Karandaaz Pakistan) in the Pakistan Microfinance Investment Company. The company was established to facilitate initiatives that enhance financial inclusion, through a combination of financing and capacity development support to microfinance institutions.

PMIC

Pakistan Microfinance Investment Company Limited

SHAREHOLDERS COMPOSITION

- Pakistan Poverty Alleviation Fund
- Karandaaz Pakistan
- KfW German Development Bank



As a registered company with the SECP, it provides wholesale lending, advisory services and strategic investments. Its wholesale lending business currently serves more than 20 borrowing institutions including microfinance providers and rural support networks. Of its 500,000 active clients, 84% are women and 55% of its portfolio are deployed in the rural areas of the country. The PMIC also manages PPAF's microcredit portfolio, amounting to PKR 14 billion and has already enabled 5000 clients to graduate out of poverty. 870 clients have been provided larger loans for enterprise development and it has created employment opportunities for 1,740 individuals. The company has also signed an MoU with the Sona Welfare Foundation of PKR 260 million to implement an Agriculture Value Chain for 5,000 small holder rice farmers in *Nankana Sahib*, Sheikhupura and Gujranwala. PPAF intends to support PMIC in becoming a sector leader for financial inclusion, allowing people that traditionally are unable to access financial services benefit from such initiatives.

2. PROMOTE ECONOMIC EMPOWERMENT AND PARTICIPATION OF UNDERSERVED SEGMENTS, ESPECIALLY WOMEN AND YOUTH, THROUGH FINANCIAL INCLUSION PLATFORMS

a. Community Livelihood Fund (CLF)

Through its Community Livelihood Funds (CLFs), PPAF has allowed poor households to obtain access to financial services for long term, economic growth. The revolving, community managed fund has been allocated USD $

SECTORS	MEN	WOMEN	MIX	TOTAL
Agriculture	70	7	10	87
Cultural Heritage	0	0	1	1
Enterprise	30	19	0	49
Handicraft	13	5	2	20
Transport	1	0	0	1
Services	1	0	0	1
Others	31	20	35	86
TOTAL	**146**	**51**	**48**	**245**

3 million through Community Institutions (LSO/VO/CIGs), specifically for PPAF-livelihood beneficiaries. This fund has allowed poor households to obtain access to financial services for long term sustainable economic growth.

The CLF fund was implemented through community formed loan centers, 107 of which are currently operational across different regions.

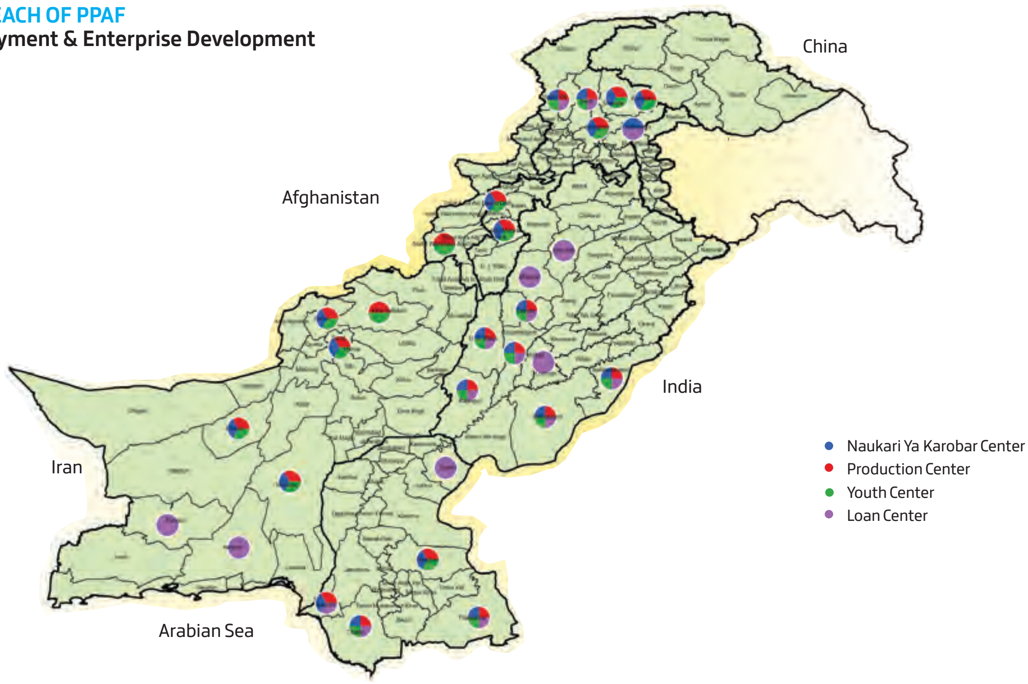
b. Common Interest Group (CIGs)

To promote economic activities, PPAF has supported the establishment and strengthening of Common Interest Groups (CIGs), an entrepreneur/workers group which performs similar economic activity or business. After identifying those households that need support, community institutions play an active role in assisting people becoming part of a CIG. CIGs increase the bargaining power of the poor, create economies of scale through collective purchases and coordinated marketing, develop linkages with markets and public sector service providers, and reduce the vulnerability of the poor by creating a support mechanism by making smaller enterprises part of the larger value chain. PPAF has formed a total of 264 CIGs across Pakistan. These are built around preferred local livelihood initiatives supported through asset creation and interest free loans. The table above shows details of CIGs by sector:

c. *Naukari Ya Karobar Centres* (NYKs)

Established at the union council level, these centers act as facilitator for youth to gain employment through providing career counselling, life skills, vocational skills and enterprise development. Managed by a focal person from the community or a male and female volunteer from Third Tier Organisations, these individuals are trained by PPAF to conduct market assessments for identified value chains as well as local, district and provincial level job opportunities. They are also trained to impart life skills, enterprise development and financial literacy training and strategies for linking employers to employees. This has proven to be successful as at least 100 young individuals in each union council have been able to obtain jobs within a year. The geographical spread is shown in map below.

OUTREACH OF PPAF
Employment & Enterprise Development



Processed and produced by the PPAF GIS Laboratory

3. PROMOTE DIGITAL FINANCIAL SERVICES AND INSTITUTIONAL INNOVATIONS

PPAF aims to implement financial inclusion initiatives in all its programmes in the form of linking digital platforms to our community institutions for savings, insurance and microcredit loans. PPAF has been in talks with leading telecom companies and banks including Jazz Cash, UBL, OMNI and Easy Paisa to integrate digital financial services with our grant-based operations, which if achieved would be a milestone.

4. DEVELOP EFFECTIVE PARTNERSHIPS AND ENSURE SECTOR-LEVEL COORDINATION FOR AN INCLUSIVE FINANCIAL SYSTEM

PPAF has collaborated with a number of regulators including the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Microfinance Banks and Institutions, National Incubation Centers and Universities to develop an inclusive financial framework that can be implemented throughout the country.

To this effect, an MoU was signed between PPAF and BISP to collaborate on different graduation programmes for BISP beneficiaries, seeking to enhance their potential. It also signed an MoU with the Microfinance Association (UK) to develop a curriculum for trainings on microfinance in Pakistan. This collaboration will enhance quality of curriculum and trainings directed towards financial inclusion in Pakistan.

PPAF is also a member of the SBP's Improving Access to Financial Services Fund Committee, which oversees National Financial Literacy Programme; Student Ambassador Programme; National Financial Literacy Programme Youth; Senior/Middle Management Training Programmes; and Farmers Financial Literacy Programme & Capacity Building of Agri - Credit Officers on value chain financing.

5. IMPROVE FINANCIAL COMPETENCIES AND ENSURE CONSUMER PROTECTION

PPAF has invested in CRPs responsible for providing training on financial literacy at the community level. These 449 CRPs spread over 42 districts across the country have been trained on the SBP approved financial literacy module and 196 of these have been certified as "A" grade trainers who can train other community members on financial literacy. PPAF is also a member of the National Financial Literacy Programme Committee, that targets one million beneficiaries over a four year period across the country. PPAF facilitates the SBP in organising groups for financial literacy trainings followed by opening of 'Assan' accounts for beneficiaries, which helps promote savings, transparency and access to additional financial services from MFI's and MFBs.

FACT SHEETS

Ongoing Programmes / Projects

PROGRAMME FOR POVERTY REDUCTION (PPR)

INTRODUCTION

The Programme for Poverty Reduction (PPR) is financed by the Italian Government through the Agency for Development Cooperation (AICS). The programme is being implemented in the field through 17 partner organisations (10 in Balochistan & 7 in KP/FATA).

OBJECTIVE

The programme objective is population poverty reduction through the creation of sustainable conditions of social and economic development, including income and production capacity increase in programme areas.

COMPONENTS

The activities being implemented under this programme are grouped under the following five categories:

1. SOCIAL MOBILISATION

Social Mobilisation (SM) component is the basis on which all other components of the programme work. Within the framework of a holistic, integrated and community demand driven approach, local communities have been empowered through:

- Formation/ strengthening of 4,913 community institutions (43% women at CO membership)
- The capacity of these community institutions has been built to develop union council development plans and improve governance, record keeping and linkages ensuring their overall sustainability

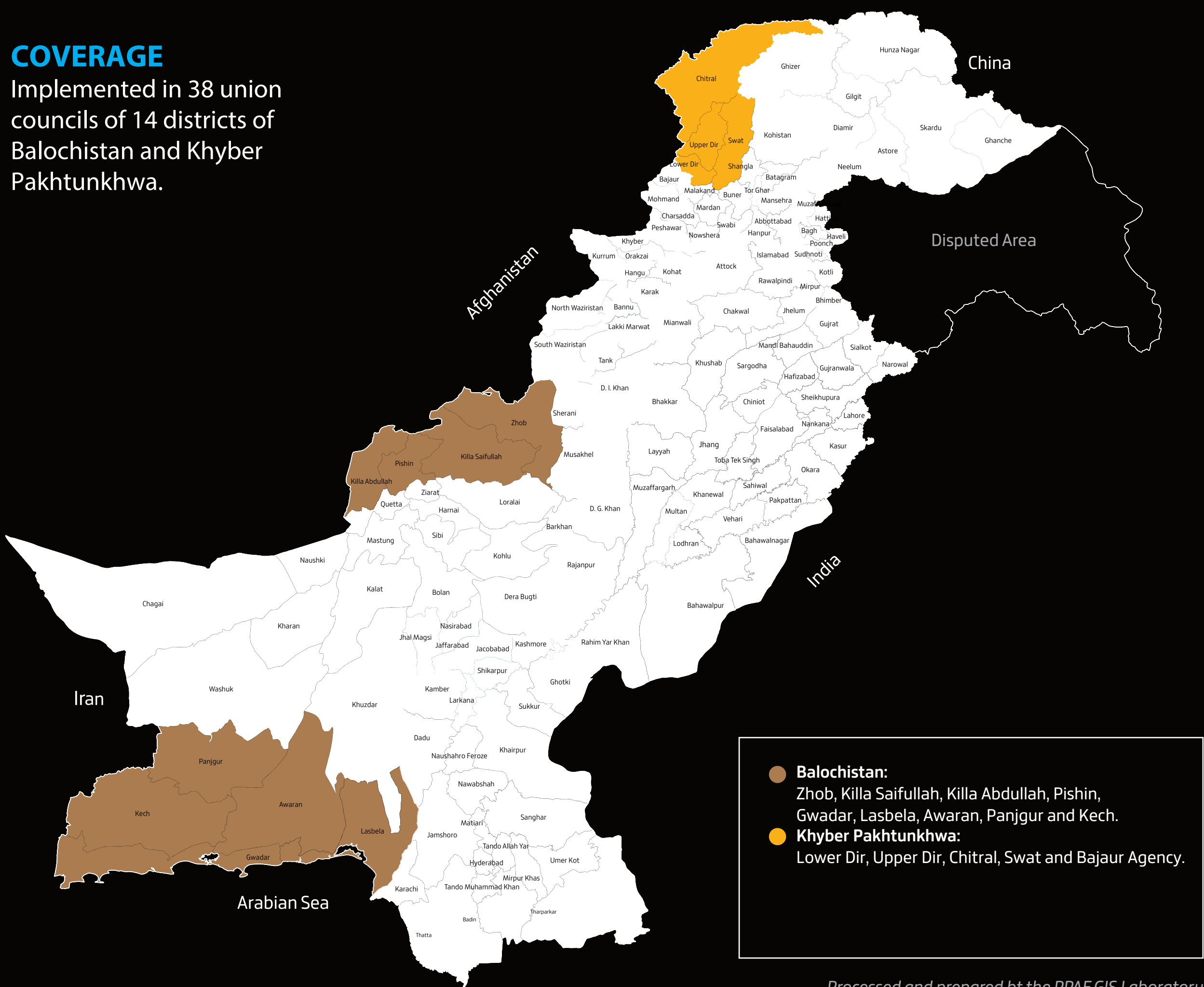
2. LIVELIHOOD ENHANCEMENT AND PROTECTION

Under Livelihood Enhancement & Protection component, the support is being extended through:

- Capacity building and provisioning of productive assets in the form of livestock, small businesses, fishing, agriculture and kitchen gardening, etc

COVERAGE

Implemented in 38 union councils of 14 districts of Balochistan and Khyber Pakhtunkhwa.



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- Productive assets have been provided to 6,362 individuals (48% of which are women) belonging to ultra and vulnerable poor households while 23,888 individuals (28% of which are women) have been trained around promoting income generating activities and rural micro-enterprise development

3. CONSTRUCTION AND IMPROVEMENT OF SMALL-SCALE COMMUNITY INFRASTRUCTURES

The component provides basic level infrastructure schemes to the community organisations as per their needs identified in union council development plans. As many as 1,063 infrastructure schemes have been completed; these include: clean drinking water schemes, link roads, food protection works, irrigation and renewable energy projects. These initiatives are improving communities' particularly women's access to drinking water and improved sanitation.

4. ESTABLISHMENT OF BASIC HEALTH SERVICES

The basic purpose of this component is to enhance access of targeted communities to primary health care services. Around 865 community resource persons & LHVs and CMWs (54% women) have been trained on disease prevention , nutrition and maternal and child health. Moreover, 114 programme supported government and community health facilities have resulted in improved access of more than 1,185,375 patients (41% women and 28% children) to better health services.

5. ESTABLISHMENT OF BASIC EDUCATION SERVICES

In education, the programme provides selected communities with an improved access to education and increasing literacy level. 107,925 students (42% girls) have been supported in 779 programme supported government, community/ enterprsie schools and coaching/learning centres. Community resource persons and teachers have received trainings in educational related themes including development of school development plans, awareness on right to education, innovative teaching approaches and running schools as a social enterprise.

PROGRESS UPDATE

Cumulative June, 2018
Source: Quality Assurance, Research & Design – PPAF

4,913
community institutions formed/strengthened (43% women at CO level)

1,063
small scale community infrastructures completed

6,362
individuals (48% women) received productive assets
23,888 individuals
(28% women) undertook livelihoods trainings

865
community resource persons & LHVs and CMWs (54% women) trained.
Supported **114** government & community health facilities benefiting more than
1,185,375 patients
(41% women & 28% children)

Supported **779** government, community/enterprise schools and coaching/learning centres helping **107,925** students
(42% girls)

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME (LACIP)

INTRODUCTION

LACIP is financed by Federal Republic of Germany through KfW and implemented through PPAF. Phase-I of the project helped in economic uplift of nearly 600,000 peolpe by the provision of productive community infrastructure and asset transfer meant to increase living standard and impart good governance. Phase-II is designed to benefit around 150,000 persons through infrastructure development, asset transfer and building linkages with local governments.

OBJECTIVES

The purpose of the programme is to contribute to the improvement of;

- Public infrastructure allowing for better access and sustainable usage by people living in selected project regions
- Access to income opportunities
- Political participation in the programme region and the stepping up of dialogue between government and citizens

LACIP-I

Phase-I is focused around five thematic areas, namely

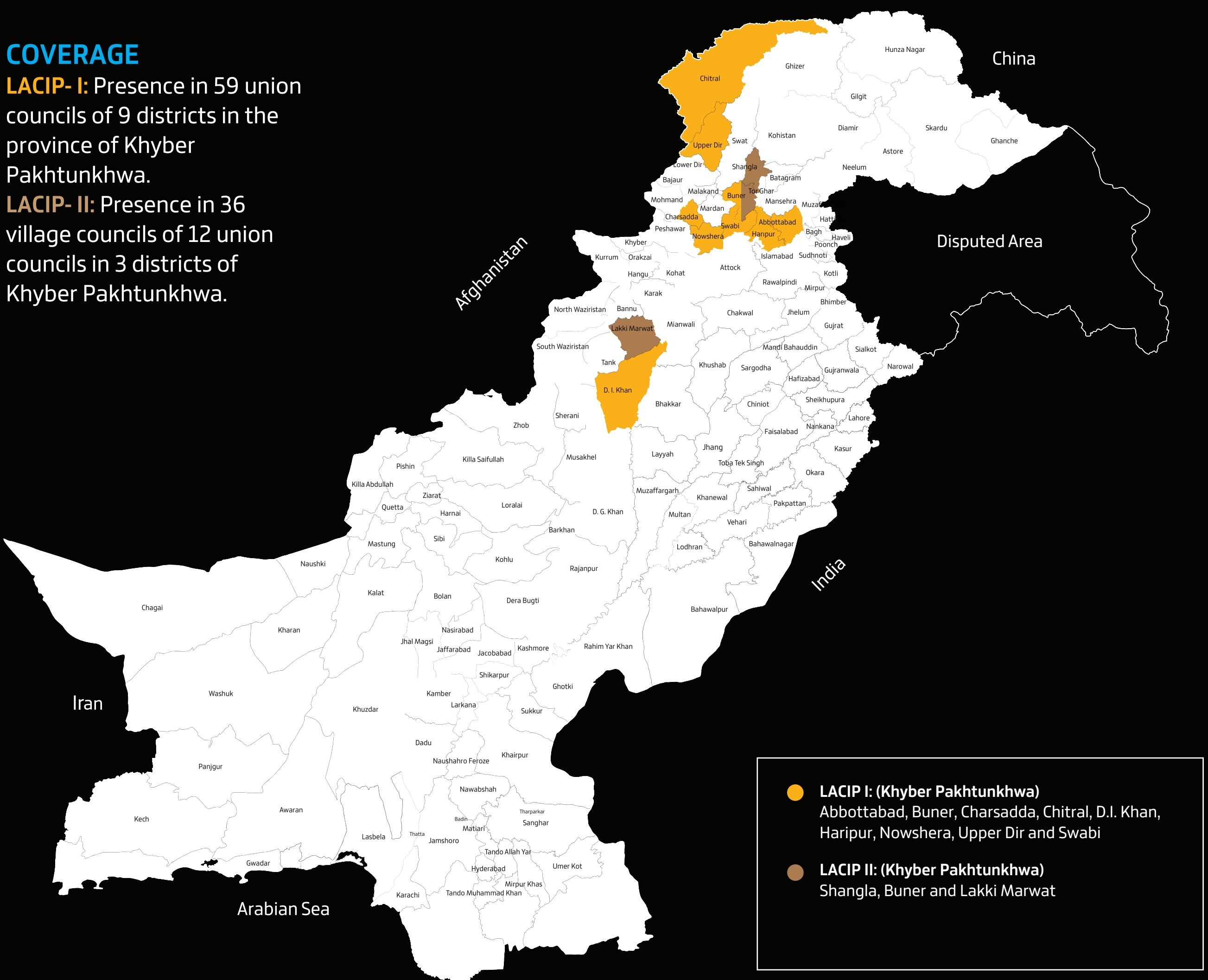
- Community Physical Infrastructure (CPI)
- Livelihood Enhancement & Protection (LEP)
- Health & Education (H&E)
- Disaster Preparedness and Mitigation (DPM) with institutional development (ID) as the bedrock of all activities implemented by PPAF

a. Financial Status

The project budget is € 31.56 million, of which € 29.68 million (94%) have been received in nine

COVERAGE

LACIP- I: Presence in 59 union councils of 9 districts in the province of Khyber Pakhtunkhwa.
LACIP- II: Presence in 36 village councils of 12 union councils in 3 districts of Khyber Pakhtunkhwa.



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tranches by PPAF. As of March 2018, PPAF has disbursed € 27.37 million to Pos while € 26.86 million has been utilised.

b. INSTITUTIONAL DEVELOPMENT

4,760 COs, 398 VOs and 38 LSOs have been formed. Under ID training, a total of 12, 467 members which includes 8,339 men and 4,128 women have been trained in 490 different training workshops on institutional development .

c. LIVELIHOOD ENHANCEMENT AND PROTECTION

8,759 assets have been transferred (44% women) against the target of 8,554 and 5,315 persons have received technical and vocational training (34% women) against the project target of 5,424. The programme achieved 100% of assets transfer targets and 98% of technical/vocational training targets. POs utilised € 5.1 million for these activities.

d. Community Physical Infrastructure

Construction of need based sustainable infrastructure schemes is the major focus area of LACIP-I. A significant amount (€ 14.96 million) have been allocated to achieve the target of this component.

Following the revised LACIP strategy, the total cost of CPI schemes is around € 30,000 – 80,000. As of March 2018, all 2,012 infrastructure projects (120 IAUPs and 1,892 small CPIs) have been completed against the target of 2,012. Approximately, 1,244,802 persons (52% women) benefited through these completed projects. As of March 2018, € 14.42 million have been utilised to complete all the infrastructure schemes.

LACIP-II

The LACIP-II phase is for a period of three years (2018-2020). The financial outlay of the project is € 10 million. Currently design and preparatory phase has kicked off and is set to be completed by March 31, 2019 by all 3 POs. Design phase envisages formation of 924 community institutions (COs &VOs), formulation of 120 development plans (VDPs & VCDPs), 467 capacity building and orientation sessions, development of 3,000 livelihood investment plans and preparation of 135 infrastructure proposals.

PROGRESS UPDATE: LACIP-I

Cumulative June, 2018
Source: Quality Assurance, Research & Design – PPAF

€ 31.56 million is co-financed by the Federal Republic of Germany through KfW and is being executed by PPAF

23 Partner Organisations

€ 30.15 million utilised

152 Education and **4** Health projects completed

2,012 Community Physical Infrastructure projects completed benefitting **1,244,802** persons *(52% women)*

95,337 households were organised into **4,760** COs, **398** VOs, and **38** LSOs

Organised **5,315** vocational sessions & technical trainings, **8,759** individuals provided productive assets and imparted related trainings

288 training/capacity building sessions organised on DPM* and DRR*, **74** Disaster Kits distributed and **27** DPM projects completed

PROGRESS UPDATE: LACIP-II

Cumulative June, 2018
Source: Quality Assurance, Research & Design – PPAF

€ 10 million is co-financed by the Federal Republic of Germany through KfW and is being executed by PPAF

03 Partner Organisations

256 COs and **11** VOs

€ 0.083 million disbursed

RENEWABLE ENERGY PROGRAMME (RE)

INTRODUCTION

PPAF has so far supported the implementation of more than 1,300 Renewable Energy (RE) projects of diverse types and various capacities. These include the design and implementation of mini & micro hydroelectric projects, solar lighting and water pumping systems, wind energy projects, solar-wind hybrid and biogas plants.

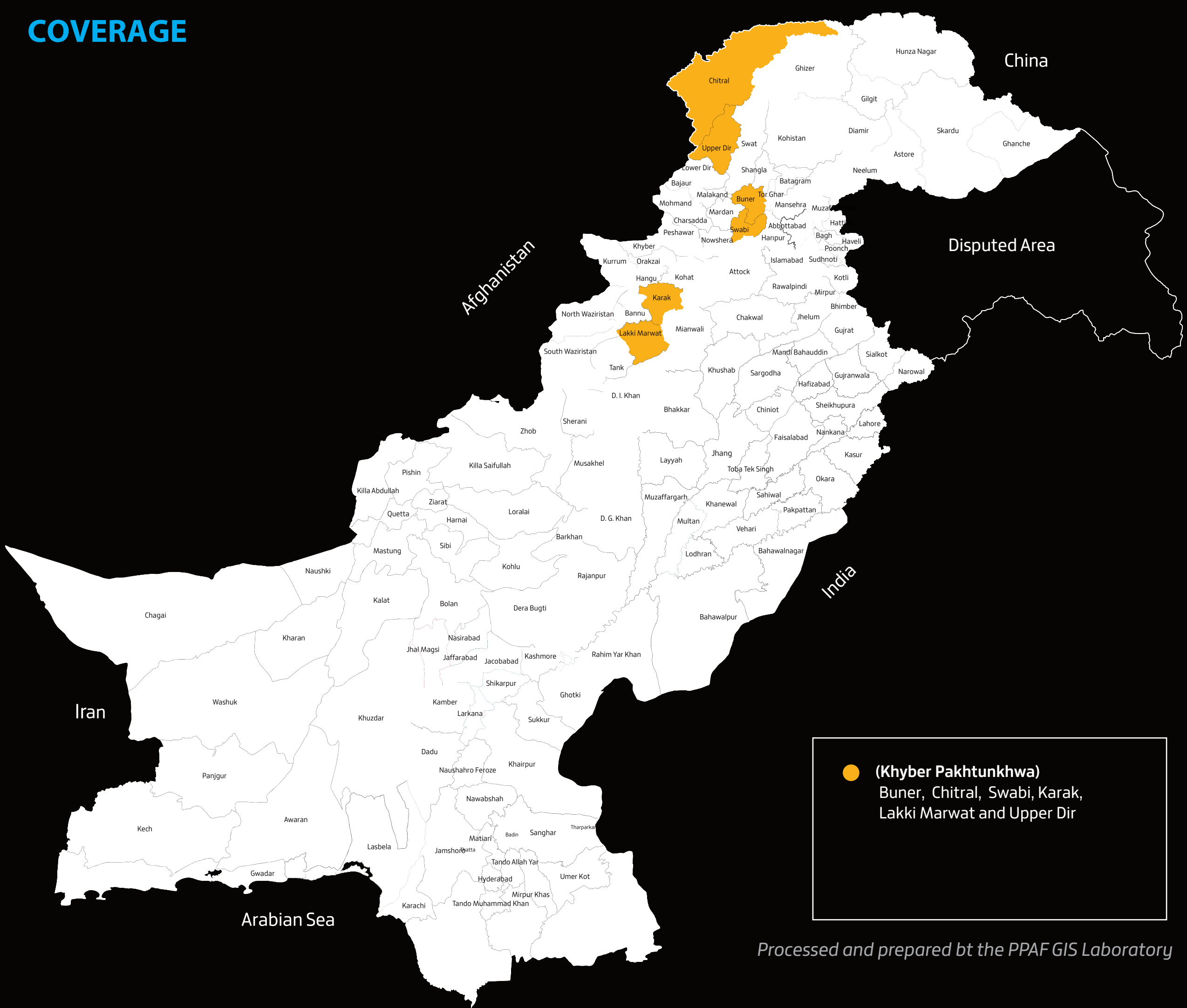
OBJECTIVES

- Eradicate poverty (SDG-1) by increasing access to affordable, reliable, sustainable and modern energy (SDG-7)
- Combating climate change and its impacts (SDG-13) thus reducing use of fuel wood, kerosene & diesel based power generation
- Strengthen local civil society organisations and enhance participation of the population in the decision making at the local level (SDG-17)
- Standardise design and implementation model of RE projects
- Build/enhance the technical capacity of project implementing partners
- Increase employment and income opportunities, especially for the poor, though the promotion of productive use of energy

PROJECT IMPACT

- 11.3 MW of clean energy generated from renewable energy resources
- 65,000 households electrified so far
- 481,000 people benefiting directly including 218,000 men, and 263,000 women
- Additional benefits are in the form of better health, improved livelihood and education opportunities

COVERAGE



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PROGRESS UPDATE

Cumulative June, 2018
Source: Quality Assurance, Research & Design – PPAF

106 micro/mini hydroelectric power projects were implemented with the installed **11.8 MW**

574 solar lighting projects were so far implemented with capacity of **1300 kW**

157 projects of wind energy were installed with total capacity of **80 kW**

65 projects of solar water pumping were implemented with the installed capacity of **163 kW**

77 projects of Hybrid (wind/solar) were installed with total capacity of **77 kW**

31 projects of Biogas plants were installed with total capacity of **91.5 kW**

THE HYDROPOWER & RENEWABLE ENERGY PROJECT

The Hydropower & Renewable Energy Project was initiated in 2013 and is planned for completion in 2019. Project comprises of two components i-e Micro Hydropower Projects and Solar Mini Grid Systems. Pakistan Poverty Alleviation Fund is implementing this project through indigenous and specialised partner organisations of PPAF including Aga Khan Rural Support Programme (AKRSP), National Rural Support Programme (NRSP), Sarhad Rural Support Programme (SRSP), Community Motivation & Development Organisation (CMDO) and Social Action Bureau for Assistance in Welfare & Organisational Networking (SABAWON).

COMPONENTS

a. Mini/ Micro Hydro Power Projects

Five mini/ micro hydropower plants with total capacity of over 800 kW (ranging from 36 kW to 306 kW) are planned to be implemented in Chitral, Upper Dir and Buner Districts of Khyber Pakhtunkhuwa. The produced electricity will not only be used for lighting purposes but small and mini enterprises will also be established. This will increase the household income, add value to local products and transform lives of marginalised communities.

b. Community Based Mini Grid Solar Systems

As many as 68 Community Based Mini Grid Solar Systems with total installed capacity of 500 kW are planned to be implemented in remote and off-grid locations of Karak, Swabi and Lakki Marwat districts of Khyber Pakhtukhuwa. These Community based Mini Grid Solar Systems will provide basic lighting requirements as well as support in village level businesses and local enterprises.

OVERVIEW

Project Cost:
€ 10 Million

Project Recepients:
11,500

Year of Commencement:
2013

Targetted Year of Completion:
2019

Project Implementing Partner Organisations:
05

PRIME MINISTER'S INTEREST FREE LOAN SCHEME (PMIFL)

INTRODUCTION

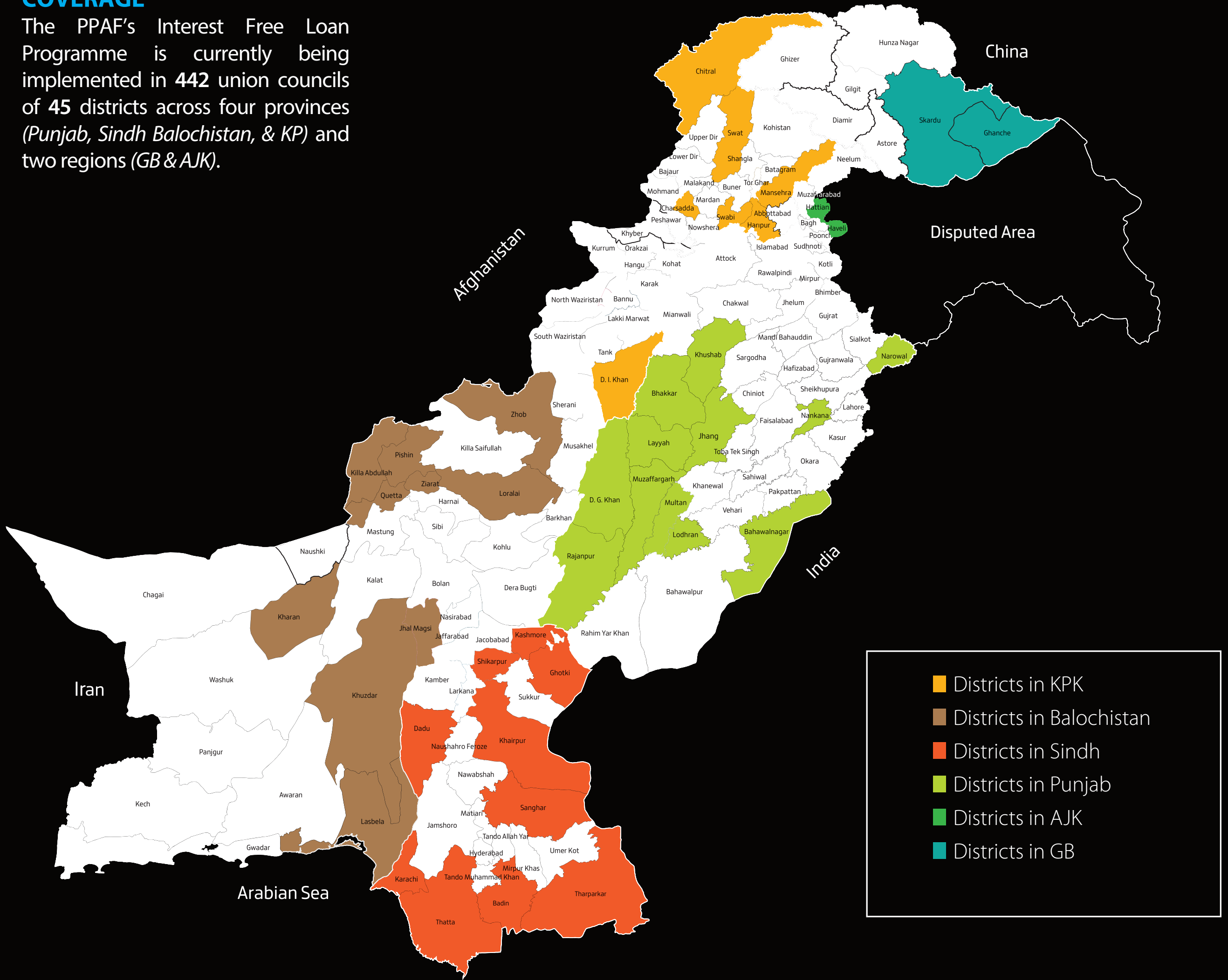
Government of Pakistan initiated PKR 3.5 billion Prime Minister's Interest Free Loan (PMIFL) Scheme to support productive microenterprise activities of poor, vulnerable and marginalised households, not yet tapped by the microfinance sector, so that they may engage in productive economic activities that will improve their lives and allow them to positively contribute to the economy. 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.

OBJECTIVES

- Provide access to Interest Free Loans for the marginalised segments of the society comprising of men, women, youth and PWDs from extreme & vulnerable poor and marginalised households categorised up to 40 on Poverty Score Card
- Support female participation and inclusion in economic activities by disbursing at least 50% loans to women
- Enhance the entrepreneurial competencies by linking the borrowers with institutions and programmes for extending capacity building services, e.g. enterprise training, counseling, market linkages, financial literacy and numeracy training
- Encourage behavioral change in loan beneficiaries especially for health, education and environment practices. Encourage implementing partners to establish UC based rural and urban loan centers/ branches for assessing, distributing and recovering Interest Free Loans.

COVERAGE

The PPAF's Interest Free Loan Programme is currently being implemented in **442** union councils of **45** districts across four provinces *(Punjab, Sindh Balochistan, & KP)* and two regions *(GB & AJK)*.



COMPONENTS

IFL covers following components under the umbrella of plus dimension.

1. Social Mobilisation and Behavioral Change
Social Mobilisation is the basis on which all the programmes of PPAF are implemented under the framework of holistic approach including IFL Programme. Local communities are mobilised and groups are formed for provision of Interest Free Loans. As the IFL borrowers' income is increased, they are encouraged to change their behaviour regarding health, hygiene, education and environment.

b. Business Advisory Services, Trainings and Market Linkages
To channelise the IFL Programme to union council based rural communities, PPAF actively supports development of a business-eco system, termed as PLUS Dimension of this programme. Here every branch/ loan center has a *Karobar Rahnomai Markaz* (KRM) that provides business advisory services to end beneficiaries towards productive enterprises. The KRM links beneficiaries for training in financial and digital literacy, numeracy, life skills and enterprise development. Regarding marketing linkages, it forms group enterprises to leverage buying, selling and joint investments.

c. Graduation of livelihood (assets/ trainings) & BISP beneficiaries by providing interest free loans and linkages with MFIs and MFBs
PPAF's poverty graduation approach supports the Government's social protection programme and contributes to achieving vision 2025. PPAF uses poverty scorecard data to assess ultra-poor households to access opportunities that can lift them out of poverty. The approach involves building the skills and productive asset base of beneficiary households through livelihoods support and gradually access to financial services starting from interest free loans and then linking them with MFIs and MFBs.

PROGRESS UPDATE

Cumulative June, 2018
Source: Quality Assurance, Research & Design – PPAF

26
Partner Organisations

45
Districts
442
Union Councils

291
Loan Centres Established

24,096
Average Laon Size (PKR)

PKR 3,502.7 million
Disbursed to Borrowers
(68% women)

449,673
Loans Disbursed
(66% women)

CHAPTER 3

Developing Partnerships

STRATEGIC DIRECTION

PPAF collaborates with a variety of stakeholders including the government, multilateral agencies, donors, the corporate sector, research institutes, academia and government departments. These partnerships are designed to support sector development, civil society outreach and effectiveness, innovation, testing and piloting of new ideas, enhanced government impact, and research and learning to build knowledge for greater effectiveness in the process of poverty reduction and grassroots development.

RESOURCE MOBILISATION AND OUTREACH

With the purpose of diversifying funding resources and building synergies, PPAF engages with multilateral and bilateral agencies to scale up its projects and replicate success around the country. Over the past year, PPAF has successfully engaged in formal partnerships with UNHCR and IFAD, as well as developing relations with the EU and continuing its long-term engagements with the German Development Bank (KfW) and the Italian Government.

PPAF aims to diversify its funding sources by soliciting funds from national and international funding entities for poverty alleviation interventions, while also developing, maintaining and consolidating existing relationships with the corporate sector. Ongoing corporate partnerships have produced some excellent results as seen by the Citi-PPAF relationship (spanning over a decade), as well as some of our other partnerships with the likes of Engro Foundation, Mari Petroleum and Shell Pakistan.

CITI MICROENTREPRENEURSHIP AWARDS (CMA)

The Citi Microentrepreneurship Awards (CMA) Programme aims to raise awareness about the importance of micro entrepreneurship and microfinance in supporting the financial inclusion and economic empowerment of low-income individuals. The awards ceremony highlights award winners, engages high-level country stakeholders, and generates local and national media coverage to help build continued awareness to encourage policymakers to recognise microentrepreneurs as key drivers of their local economies and to ensure that their policies support an environment that spurs growth and development of the sector.

Since 2005, Citi Foundation and PPAF have been holding the microentrepreneurship awards annually, providing a unique opportunity to reward and recognise those entrepreneurs who have successfully changed their own lives and made a difference in their communities. The winners are decided after a thorough assessment of their business models and their impact on communities. And the award categories include Best National Microentrepreneur (male & female), Best Regional Microentrepreneur (male & female), and Most Innovative Microfinance Institution. The twelfth Citi-PPAF Microentrepreneurship Awards were held in July 2018.

Since 2015, PPAF has organised a training workshop for the CMA award winners every year on business skills such as basic marketing, business planning and financial literacy to enable microentrepreneurs to become more successful business owners by encouraging them to increase production/ operational capacity, invest in a new venture and expand to a new market and/or produce a new product.

Citi Foundation and PPAF remain 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.

SUCCESS STORY

Making Young Self-Sufficient

Sajan Masih, from Noshehra Thal Kalan in Layyah is one of three winners who won the national CMA award for male category. He runs a beauty parlour and earns PKR 20,000 per month. After completing beautician courses, he established his own beauty parlour where he provides services at an affordable cost and training to young girls. As his parlour was in a remote area, he faced a lot of challenges including access to quality equipment, products and financial resources. Excessive load shedding is also a hindrance but he is passionate about making his businesses a success. He has now hired two women to work with him and is also training six women on a nominal fee. With the loan, he bought essential make up and beauty products, kits and other necessary items to run a beauty parlour. He has also been able to support his family and the marriage of his sisters. "My dream is to develop skills among young girls to make them self-sufficient", Sajan shared.

PARTNERSHIP WITH GOVERNMENT DEPARTMENTS AND STRATEGIC PARTNERS

1. The collaboration with the **Pakistan Craft Council** aims to revive and bring back artistry of dying crafts following a multipronged approach to identify, draft, design and exhibit crafts. The MoU signed in October 2017 also lays the foundation for research on crafts, including mapping and documentation of crafts and craftsmanship across Pakistan.

2. In January this year, **the Agriculture Research Institute, Balochistan (ARI)** and PPAF agreed to pursue a programme of scientific and technical collaboration to explore the possibility of facilitating grassroots communities to access relevant training, capacity building, technical support and new innovative interventions in the field of agriculture to directly support the livelihoods of farmers and improve their quality of life.

3. The International Trade Centre (ITC) and PPAF also signed the MoU in March this year to provide the framework for cooperation between PPAF and ITC to lay the groundwork for the EU- Growth for Rural Advancement and Sustainable Progress (GRASP) programme where PPAF will provide technical input based on existing research, experience and expertise.

4. The Education Department Balochistan and PPAF signed an agreement in May to pursue a joint educational programme to explore the possibility for engaging communities in quality education improvement initiatives, professional development of school teachers and school managers. Improvement of physical infrastructure of existing school buildings and provision of missing facilities are also part of the programme activities.

5. PPAF strongly believes in the potential and role of research and qualified human resource for successful social uplift and development. Additionally, PPAF believes in the sharing of knowledge and resources to effectively address the real-world obstacles to reduction of poverty. For this purpose, PPAF partnered with **Balochistan University of Information Technology, Engineering and Management Sciences (BUITEMS)** in May, 2018. The joint collaboration centres on poverty alleviation in Balochistan with a focus on innovation and research. The main areas identified under this agreement for mutual collaboration are knowledge sharing, knowledge activity and research. PPAF will have access to researches conducted by students and faculty at BIUTEMS while PPAF will involve and utilise BUITEMS student body and faculty for field research activities. The partnership will include collaborative research studies and PPAF will actively be engaged in roundtables, conferences and other policy activities with an SDG focus by BUITEMS.

6. The Pakistan Agriculture Coalition (PAC) and PPAF collaborated to develop a strategy and multi-year programme to realise the potential of the dates value chain for higher farmer profitability, exports and job creation. PAC will provide expertise related to dates value chain and associated topics through its in-house expertise and external experts as well as expert input on strategy and programme development. PPAF will conduct overall supervision of the programme.

7. As part of its commitment to identifying and alleviating the most vulnerable populations, PPAF signed the MoU with the Government of AJK to explore and facilitate ecotourism within hot-spot tourism destinations like Neelam Valley. The aim is to leverage the tourism sector and the income generating opportunities it provides for the community.


1


2


3
HOPE
securing the FUTURE
POVERTY


4


5

INNOVATIONS AND PILOTS

In 2018, PPAF formalised the Innovation Unit by introducing the innovation strategy and bringing in innovation staff on board. The vision of this unit was to ensure systematic innovation in PPAF's work. Structural innovation through the unit aims to mitigate the wastage of resources, allowing PPAF to make a coherent push towards championing innovative interventions throughout its mainstream activities and establish PPAF as the leading innovator within the sector

1. Innovation Strategy and Implementation Plan
The Innovation Unit's focus is on supporting and scaling innovations for improved service delivery, exploring sourcing options for innovative interventions for value-addition, leveraging research as a means to facilitate thought leadership and policy support, as well as developing relevant funding options to enable PPAF to invest in innovations through its operations.

2. PPAF starts Tourist Assistance Programme with Himalayan Wildlife Foundation (HWF) focusing on Air BnB style tourism in AJK. PPAF's pilot ecotourism project was successfully tested in Gilgit Baltistan with 130 households and hosts granted loans for infrastructure development. After the successful pilot, PPAF is working in collaboration with HWF to promote community based tourism in Neelam Valley with the support of the provincial government. Under the project, PPAF and HWF will work in tandem to further improve and develop the existing infrastructure within these areas by providing loans to local households for the purpose of renovations for lodging options for tourists. The AirBnB style of tourism will provide locals an opportunity to generate an income and thereby provide a means to graduate from poverty by putting local providers and businesses at the forefront.

3. Partnership with NIC Karachi
NIC Karachi aims to empower and equip the next generation of Sindh-based entrepreneurs to create high-potential and sustainable businesses through a variety of services including incubation, mentorship and access to investment network. PPAF, as NIC Karachi's rural outreach partner, will provide NIC Karachi with access to PPAF's established Digital Hubs in Sindh so as to provide communities with a platform to connect with essential business and technological aspects associated with the unique needs of start-ups. NIC Karachi and PPAF will mutually explore opportunities focused on start-ups working around the SDGs, particularly; renewable energy, health, education, agriculture, water and sanitation, employment and female empowerment. The partnership prioritises rural poverty in Sindh by engaging start-ups that identify rural areas as their customer base and work with rural communities to foster innovations.

PPAF Team at National Incubation Centre (NIC) Karachi at the Innovation for Poverty Alleviation 2018 event

NEW INITIATIVES

a. EU: Growth for Rural Advancement and Sustainable Progress (GRASP)

PPAF signed the MoU with the International Trade Centre to work on the design of the European Union funded Growth for Rural Advancement and Sustainable Progress (GRASP) programme, a six-year programme that will contribute to the reduction of poverty through development of rural SMEs and creating gender inclusive employment and income opportunities in the rural areas of Sindh and Balochistan. The programme is part of the focal sector "Rural Development" of the Multiannual Indicative Programme for Pakistan 2014-20.

The Programme's overall objective is to contribute to the reduction of poverty and gender inequality through developing sustainable economic growth in rural areas of Pakistan. The programme will intervene through three components: institutional strengthening and business environment; enhanced quantity and quality of primary production; and improved value chains. The project will be implemented in the Sindh and Baluchistan provinces, building upon community mobilisation and rural development projects already funded in these provinces by the EU and including both the private and public sector.

b. Pathways to Progress

The Citi Foundation invests in programmes that help young people, ages 16-24 – pursue their career and economic ambitions by creating opportunities for them to find gainful employment, leading to increased incomes and improved quality of life. In 2017, the Citi Foundation announced its largest philanthropic commitment ever with the global expansion of Pathways to Progress, Citi's response to persistent youth unemployment.

By 2020, Citi will invest an additional USD 100 million to impact the lives of 500,000 youth globally. Citi will also engage at least 10,000 employees as volunteers, serving as mentors, coaches and role models to young people in support of their career progress and aspirations.

The Citi Foundation's initiative of addressing youth unemployment aligns with PPAF's goal of alleviating poverty by providing equitable access to opportunities for increased incomes and improved quality of life. PPAF's programme under Pathways proposes to make 200 unemployed target beneficiaries in the selected districts of Balochistan i.e. Ziarat and Killa Saifullah eligible for employment through the provision of technical trainings. Through this programme, unemployed youth will be made eligible for employment in a year's time by providing region focused technical expertise to the youth for a minimum of 6 months. Training will include a variety of elements, particularly worker proficiency in technology application and operation of advanced machinery. Since the proposed districts are directly connected to the CPEC (China Pakistan Economic Corridor) route; there is a definitive chance of employment in this regard through the development and construction of CPECs various infrastructure projects and economic zones.

The relevant trainings in the CPEC context as identified by the Government of Balochistan for operation and management of the deep-sea port and to work in industrial and commercial businesses are; agriculture, construction, livestock, dairy and food, skills for women, business and information technology, hotel management, paramedics, ship making, leather industry etc.

PPAF will link the youth to market and internship opportunities through its livelihood platforms and involvement of Citi Volunteers. The trained youth will also have access to the Interest Free Loan Scheme which is ongoing in two districts. Based on the results from this pilot, PPAF hopes to scale up youth skill development as part of its overall livelihoods programme.

RESEARCH PARTNERSHIP WITH ACADEMIA AND RESEARCH INSTITUTIONS

PPAF continually invests its resources in in-depth research of the highest quality to generate ideas that improve the efficiency and efficacy of its endeavors while enabling the larger development sector to reflect and evolve. Linking up with academia and research institutes has been a source of continuous learning for PPAF. It helps us question our assumptions and guides us to evaluate the results of our work so that we use our resources prudently.

Focusing on themes of:
1. *institutions of the poor;*
2. *poverty graduation; and*
3. *poverty targeting,*
PPAF uses quantitative and qualitative data to generate knowledge and promoting evidence-based practice. Employing randomised control trials (RCT), we test ideas and measure impact magnitude through quantitative baseline and end line data on households, and community institutions at community, village and Union Council levels.

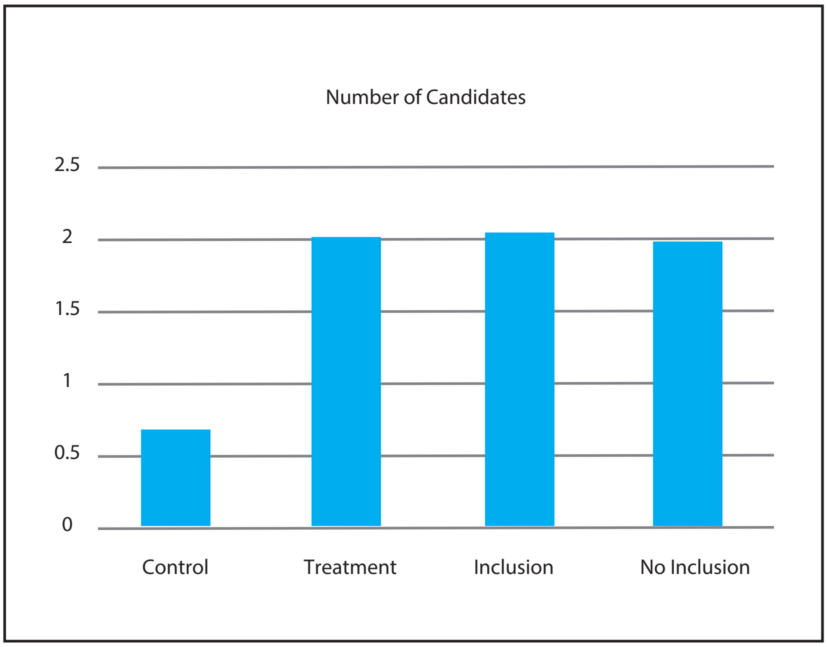
1. RESEARCH ON INSTITUTIONS OF THE POOR

a. Mobilisation for Empowerment

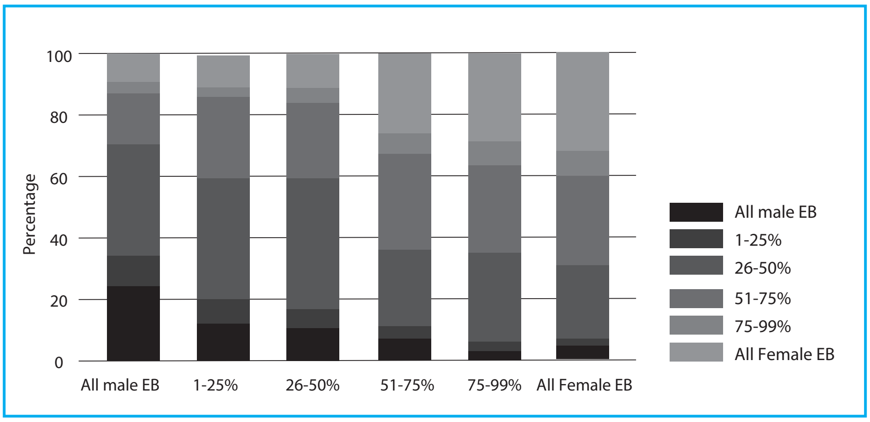
With Development Economics Research Group of the World Bank, PPAF is researching on community and village organisation examining impacts of inclusion mandate for women and the poor and the quality of social mobilisation for a strong community driven development. The study shows positive impact of inclusion mandate - 50% women and poor in the organisation - in terms of: collective action, interaction with local government leadership, voter turnout in the national election, relationship with the local government, aspirations for children and women's knowledge about law. The study also reports that treated households that are poor at baseline are less likely to be poor at endline.

b. Incentivising Development: A Field Experiment with Third Tier Organisations

With Lahore School of Economics, University of Oxford, and Duke University, PPAF is experimenting with 850 third tier organisations (TTOs) at the Union Council level and researching on how to improve their governance and make them more effective in representing all members of the community and delivering services to the community. Preliminary findings show that non-financial incentive increase self-reported achievements on governance, inclusion, and service delivery indicators. A maturity index for TTOs has also been developed to see TTO development over time and the process of their maturity. This information is helping inform PPAF's decisions going forward with other projects including PPAF's Tabeer-o-Tameer Fund set up for the third tier organisations.



Higher political competition in treatment villages



Gender in LSO Governance and Activities

c. Nurturing, Monitoring, Evaluation and Research

In 2018 PPAF initiated a Nurturing Monitoring Evaluation and Research (NMER) Project to nurture, monitor and evaluate four mini grids PPAF has established in Thatta in 2016. A study of the governance and management structure of the grids will help PPAF learn what works, what doesn't and why, to help devise a renewable energy model that could be scaled up across the country. The project proposes to engage community in project development and help them to increase their benefits from managing the project; make champions who would look after the project and earn as well; use energy for productive purposes and link to local businesses. The research will allow extensive cross-pollination of ideas between individuals, international academia and policy advice institutions. PPAF also plans to hire university students of to gather data for baseline and endline-thus providing opportunity to highly motivated students to gain skills, build their resume before they enter the world of work.

PPAF supported solar mini grid project at Village Jaffer Jokhi Thatha, Sindh

2. RESEARCH ON POVERTY GRADUATION

Narrowing the lens on understanding poverty and identifying the various types of poor in the intervention communities, PPAF is experimenting with the ways and means - providing productive assets, training and support, cash consumption support, and health services - to get households out of poverty. PPAF is looking into what kinds of support these different types of poor are getting from the government and in what ways PPAF could add to the support to move them out of poverty-the concept we call poverty graduation.

a. Social Safety Net-Targeting Ultra Poor

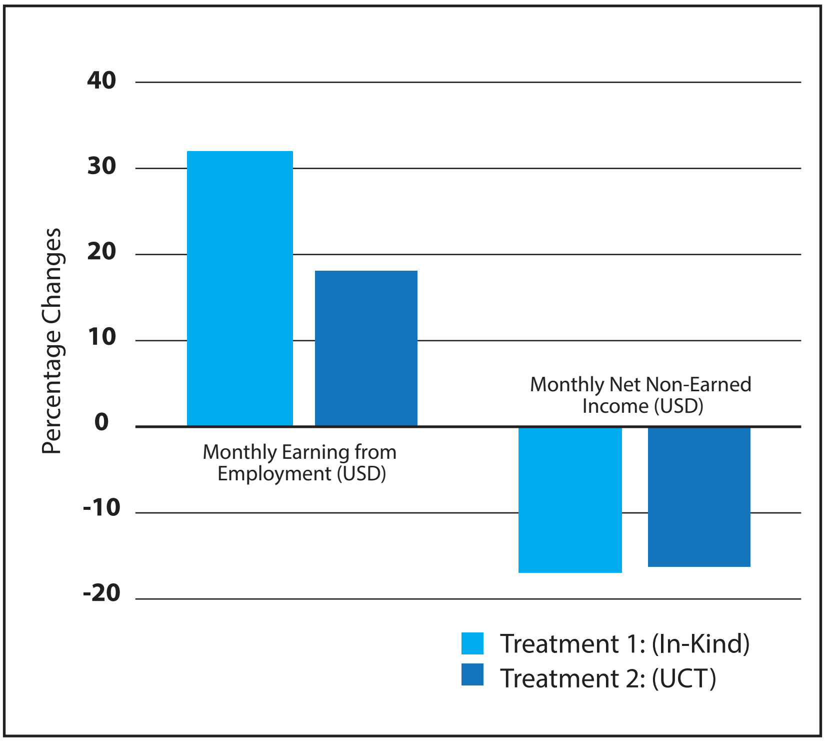
PPAF's community in the Sindh Costal Area Development (SCAD) areas became part of the global study on Graduation-Targeting the Ultra Poor conducted by the Consultative Group to Assist the Poor (CGAP) and the International Fund for Agriculture Development. This pilot on Social Safety Net-Targeting Ultra Poor (SSN-TUP) programme targeted the poorest members in a village and provided a productive asset as one-time grant, training and support, life skills coaching, temporary cash consumption support, and typically, access to savings accounts and health information or services. At the end of the intervention, statistically significant impacts on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc. were observed. Endline results show that on average monthly income of treated households was $30 higher than control households.

INDICATORS	MIDLINE RESULT 2011	ENDLINE RESULT 2014
Animals	Large increase	Large increase
Total income	No change	Increase
Consumption per capita	Increase	Increase
Loans	No change	Decrease in loans taken from money lenders
Food security	Increase	Slight increase
Education	No change	No change

Snapshot of results from midline and endline surveys

b. Asset Vs. Cash Transfer

In another RCT with Centre for Economic Research in Pakistan, University College London, London School of Economics, PPAF research on the best option for social protection out of an asset transfer graduation programme and an equivalently-valued cash transfer programme. Positive results ensued from the randomized control trial. The endline survey shows significant shift in occupational patterns: movement from wage employment to self-employment. Household earnings from livestock related businesses registered a significant increase in both treatment arms. There was an increase in consumption, savings & investment for both treatment arms.



Household Level Outcomes: % Changes

c. Asset Transfer Study of BISP and Non BISP Beneficiaries

An RCT has been planned under the National Poverty Graduation Programme to measure programme effectiveness by comparing outcomes of Benazir Income Support Programme (BISP) beneficiary and non BISP beneficiary households who received assets across 100 UCs of Sajawal, Thatta in Sindh and Layyah in Punjab against those households who did not receive assets. The RCT baseline will help identify the factors leading to the changes in lives of programme beneficiaries as a result of the programme interventions and poverty graduation trends on the target beneficiaries over time.

3. RESEARCH ON POVERTY TARGETING

In order to sharpen our poverty targeting approach and understand the sub-provincial dynamics of poverty and contributing factors, PPAF analysed multidimensional poverty in Pakistan at the national, provincial, and district levels using Pakistan Social and Living Standards Measurement (PSLM) 2014-15 data. The study "Geography of Poverty in Pakistan" uses 27 indicators pertaining to four dimensions of wellbeing, i.e. education, health, living conditions, and assets ownership to estimate poverty and ranks districts on the index of multidimensional poverty. The study informs that disparities in poverty headcount remain stark, both among and within provinces. The highest poverty is found in Balochistan followed by KP and Sindh, whereas the lowest poverty is found in Punjab. The urban-rural split in poverty headcount ratio has pervaded across all four provinces. This split was highest in Sindh, where rural poverty was 6.5 times higher than urban poverty. The research has identified priority districts and regions for planning future programming of PPAF.

Mr. Arif Naveed, Researcher, Faculty of Education at University of Cambridge, explaining Regional Inequalities: The Geography of Poverty in Pakistan at the Second International Conference on Research and Learning 2017 - From Knowledge to Action

RESEARCH PROJECT	RESEARCH INSTITUTE	RESEARCH ASPECTS
Research on Community Institutions		
2006-Mobilisation for Empowerment	Development Economics Research Group of the World Bank	Impact of inclusion mandate in community and village level institutions and quality of social mobilisation for community driven development
2013-Incentivising Development: A Field Experiment with Third Tier Organisations	Lahore School of Economics; University of Oxford, Duke University	Improving governance, inclusion and service delivery of third tier organisations
Research on Poverty Graduation		
2009-Social Safety Net-Targeting Ultra Poor	The Consultative Group to Assist the Poor; International Fund for Agriculture Development	Poverty graduation through support to household consumption and support to livelihoods
2013-Asset vs Cash Transfer	Centre for Economic Research in Pakistan; University College London; London School of Economics	Best option for poverty graduation of households
2019-Research under National Poverty Graduation Programme	Centrefor Economic Research in Pakistan; University College London; London School of Economics	Best option for poverty graduation-comparing outcomes of households who received assets and who didn't from amongst BISP and non BISP recipients
Other Research		
2015-Poverty Diagnostics: Geography of Poverty in Pakistan	Pakistan Poverty Alleviation Fund -Sustainable Development Policy Institute and individual consultant	Understand the sub-provincial dynamics of poverty and contributing factor
2018-Nurturing, Monitoring, Evaluation and Research	Researcher from University of California at Los Angeles	Governance and management of mini-grids in Thatta

CHAPTER 4

Compliance and Quality Assurance

OVERVIEW

Compliance and Quality Assurance are an essential part of PPAF's core values that including transparency, inclusion and accountability. Compliance entails ensuring adherence to the financial, procurement, communication, HR, and ESM guidelines and policies of PPAF and its donors in all PPAF's work, including its partner organisations. Compliance is ensured by different units at different stages including the Operation unit, Financial Monitoring Unit, Activity Monitoring Unit, Monitoring, Evaluation and Research Unit and Internal Audit Units. The financing/grant agreement and the project documents supplemented with the operations manual are the touch stones for ensuring compliance.

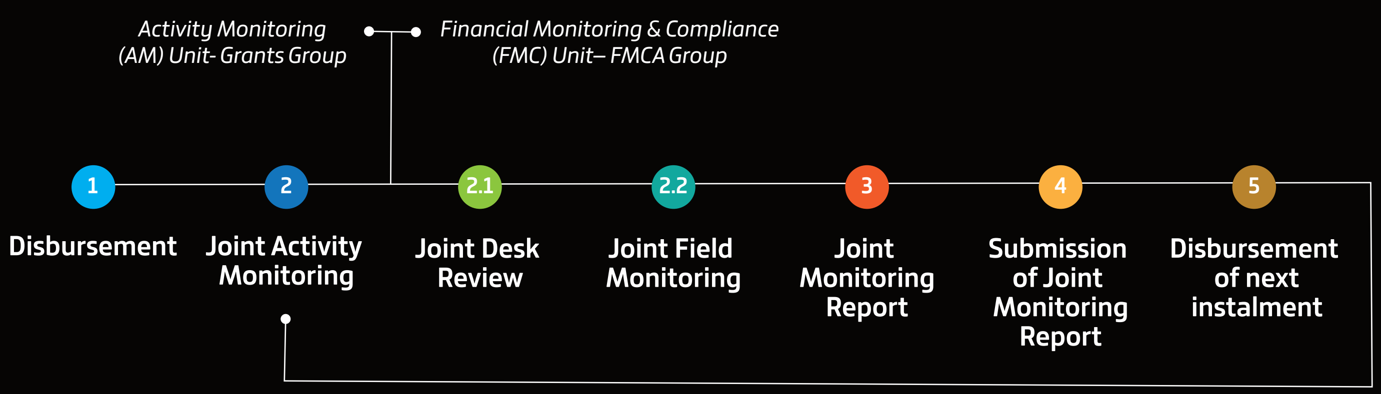
Quality assurance ensures that the programme design, implementation and reporting meet the required quality standards and requirements of PPAF and its donors. Quality assurance includes facilitating other units in the development of standard operating procedures to ensure uniformity and continuous improvement of PPAF's programme execution, incorporating lessons learnt from past evaluations as well as current projects.

1. COMPLIANCE: FINANCIAL AND ACTIVITY MONITORING

In order to strengthen financial monitoring related to programme implementation, a dedicated Financial Monitoring and Compliance unit was established to carry out financial monitoring of POs and CIs, to make sure funds are spent in accordance with the grant agreements and implementation plans and meet audit and donor requirements. This process includes assessing partners financial management and internal control systems and helps PPAF identify any potential risks and issues pertaining to the quality of interventions that may require technical assistance and capacity support.

To help utilise resources more efficiently, financial monitoring is jointly carried out with the activity monitoring unit to link financial disbursements with programme implementation. The units carry out joint field visits where they review all financial and programme documents of partner organisations including their field monitoring and progress reports. Some of the primary steps of the joint framework are described in figure below.

JOINT MONITORING FRAMEWORK



1 Disbursement	2 Joint Activity Monitoring	2.1 Joint Desk Review	2.2 Joint Field Monitoring	3 Joint Monitoring Report	4 Submission of Joint Monitoring Report	5 Disbursement of next instalment
1st Instalment to PO in advance	Joint desk review and field	On submission of progress report (fund utilisation and output) by PO to PPAF supported by necessary documents	• Use of comprehensive checklists • Linking of outputs/ activities with financials	• Preparation of JMR by AM and FMC units • Fund availability and utilisation status • Detail of question cost and ineligible expenses • Updated status of previous agreed actions • Agreed actions for the quarter • Status of watch list risk factors • Review of JMR by Group Heads Grants and FMCA	• Programme unit for initiation of disbursement note • MER unit for updating of PO risk rating and data base	Initiation of disbursement note by programme unit considering findings of Joint Monitoring Report

ACTIVITY MONITORING:

- Reviewing and verifying activities against the quarterly progress reports of POs.
- Observing and reporting project implementation process and quality outputs of POs critically.
- Ensuring PPAF's core values i.e. inclusion, participation, stewardship, accountability, and transparency are being observed in project activities.
- Identifying areas of concern and suggesting corrective measures for future action.

FINANCIAL MONITORING:

- Submission of Fund Status Report by PO to PPAF containing details of expenditures along with corresponding outputs supported by copy of bank statements. The funds utilisation reports will be accompanied by the certificate from the Project Coordinator stating that the funds were utilised exclusively for the project and eligible activities following agreed procurement procedures.
- Joint desk review and field visit of FMC and AM units executives after which a joint monitoring report is prepared.
- The status of the PO is updated on PPAF's watchlist.
- The next instalment of funds disbursed on the basis of the Joint Monitoring Report.

There are broadly three levels of monitoring in this framework which include monitoring against quarterly progress of reports according to the implementation plan (desk review), output monitoring through field visits, and financial monitoring.

A total of 11 joint visits were carried out during the year, details of which are given below:

S. NO.	PROJECT	TYPES OF MONITORING	NUMBER OF POs VISITED
1	PPR	Joint Monitoring	10
2	LACIP	Joint Monitoring	4
3	RE	Joint Monitoring	2
4	PMIFL	Joint Monitoring	4
5	Own Resources	Joint Monitoring	4
6	Capacity Building of Small POs	Appraisal Visit	25
7	Tabeer-o-Tameer Project	Orientation sessions	2

Field Visits as of July 2017- June 2018

TYPES OF TRAININGS	MEN	WOMEN	TOTAL
Advocacy/Awareness campaigns	80	7	87
CIG Training	51	28	79
CLF Training	11	0	11
Institutional CRP training	14	0	14
Managerial training	3,640	2,576	6,216
Sector CRP training	297	107	404
Technical/Skill training	1,044	71	1115
Trainings by CRPs	638	0	638
Vocational/Skill training	15,682	5,855	21,537
OVERALL TOTAL	**21,457**	**8,644**	**30,101**

Types of Livelihood Trainings under LEP component (Cumulative)

INTERNAL AUDIT: Given PPAF's size and nature of work, the organisation has an internal audit department that manages important processes that ensure financial compliance and help mitigate potential risk.

When working with a number of partners, all with different internal capacities, the Internal Audit plays an integral role in bringing financial discipline within PPAF and by extension to its partnerships with both partner organisations and community institutions. Internal Audit's outreach extends to community institutions through utilisation of financial resources channelled to them. The unit has developed a risk-based approach that helps identify areas that require immediate attention and remedial measures.

The recommendations of Internal Audit are designed to help PPAF achieve effective and efficient governance through financial transparency, risk and control processes associated with operations, financial management and legal/regulatory compliance objectives.

EFFECTIVE RISK MANAGEMENT:
Instead of playing a predominantly reactive function that mirrors an external audit and only reports on what went wrong, the internal audit at PPAF plays a more 'forward thinking' role

PPAF's Internal Audit Team during their immersion visit to a local community at Islamkot, Tharparkar, Sindh

where it helps the organisation anticipate, identify and understand potential risks and devising preventative measures. This allows management to adopt remedial measures before risks materialise, along it to remain financially compliant.
PPAF has also rolled out a whistleblowing mechanism, to encourage a culture where concerns can be openly addressed to potentially avoid serious breaches at different levels of project implementation.

EXTERNAL AUDIT: As with all SECP registered companies, PPAF is required to undergo an external audit every year. The external auditors are appointed by the General Body at the annual general meeting, on the recommendation of the board of directors and audit committee. The audited financial statements along with the Auditors' and Directors' Report for every financial year are reviewed by the Audit Committee. On the recommendations of the Board of Directors, the General Body approves the audited financial statements after which these are circulated to stakeholders and also made available on the Company's website. The audited financial statements are also submitted to the Securities and Exchange Commission of Pakistan. In addition to its own external audit, certain donors require their projects to be audited separately. After following the same procedure, the statements are sent to respective donors in compliance with the financing agreements signed with them.

The Institute of Chartered Accountants of Pakistan (ICAP) has adopted International Standards on Auditing that is mandatory for its practising members to follow. Since the firm that conducts PPAF's is a member of the ICAP, the audit of the PPAF conforms to International Standards of Auditing.

AUDIT OF THE AUDITOR GENERAL OF PAKISTAN:
In addition to these two kinds of external audits, there is a separate annual audit for projects that are funded through the Government of Pakistan by the Auditor General. The Auditor General's organisation is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. It issues a report for each donor financed project which is then shared with donors. A separate audit of PPAF as an entity is also done by Auditor General, ensuring financial compliance and transparency at multiple levels. The audit observations are discussed with representatives of the of Ministry of Finance.

PROCUREMENT: Most donor organisations and company rules require organisations to have transparent and cost-effective procurement policies the procurement unit at PPAF ensures smooth functioning of procurements not only for POs but also for Community Institutions (CIs), providing them guidance on how to employ best procurement practices and also monitoring their procurement procedures.

In this year alone, the unit has supported 40 PO's to procure a range of equipment as well as assess and approve 101 procurement plans worth PKR 146 billion. PPAF believes in providing consistent support to smaller organisations, so that they can effectively perform in the most deprived and vulnerable areas of Baluchistan, KP and FATA. 18 Small Partner Organisations (SPOs) were also trained about Community Driven Procurement in Peshawar (11 SPOs) and Quetta (7 SPOs) while capacity building sessions were held for 17 partner organizations under PPR project in which approximately 50 POs staff were trained and their procurements reviewed to ensure compliance.

2. QUALITY ASSURANCE:

As an apex organisation, PPAF pays particular attention to quality assurance, cost effectiveness and impact on quality assurance, cost effectiveness, sustainability and impact to pursue the double bottom line of financial sustainability and social responsibility. In order to achieve the best results and greatest impact at scale, there has to be quality in the work that PPAF does and supports, ensuring that the organisations core values are being incorporated both internally and through its partners and subsidiaries.

Gender and environmental protection are two core, cross cutting values that are integrated in all operational activities. PPAF has a dedicated unit mainstreaming environmental and social safeguards in all PPAF-funded interventions to ensure that activities do not have an adverse impact on the environment.

GENDER COMMITTEE: PPAF has a gender committee of 18 members to ensure that the SDG 5 (Achieve Gender Equity and Empower All Girls and Women) is considered in all planning, processes, policies, projects, strategies and programmes. Operational documents have been sensitively designed to be women inclusive and loans/ projects that respond to the priorities of women are given preference.

PPAF stresses on the representation of women on governing bodies and training staff in gender sensitisation. At the community level, through applying mandates for women's inclusion within community organisations, PPAF has managed to increase the participation and representation of women, achieving 60% participation within a period of 6 years. PPAF also demands that 25% of its PO's staff are female, as they cannot promise inclusion in the field if they are not

Closing ceremony of PPAF's campaign on 16 Days of Activism Against Gender-Based Violence

implementing it themselves. In an effort to guarantee parity in its work/operations, POs are extended financial resources, technical and managerial assistance, monitoring and feedback, as well as performance assessment and evaluations.

MONITORING, EVALUATION & RESEARCH (MER): Monitoring and feedback are critical for smooth running and continuous improvement of any programme.

The organisation closely monitors and evaluates all programme outputs and outcomes to make sure the impact achieved are in line with its results framework. The results framework is the basic benchmark through which PPAF measures its goals and achievements.
PPAF assesses these goals through three layers of monitoring:

(i) Implementation Monitoring: Partner organisations are responsible for implementation of projects activities including formation of community institutions and implementation of different project interventions including trainings, community infrastructure schemes, livelihood programmes, micro-credit programmes etc. At this level, the POs monitoring staff carries out monitoring of delivery of inputs and activities.

(ii) Activity Monitoring: Recently, a dedicated unit has been established to monitor and validate programme implementation activities. This is complimented by financial monitoring through joint monitoring visits. The joint monitoring report forms the basis of whether PO's qualify for their next financial tranche of funding, as well as linking the physical and financial progress of programmes.

(iii) Outcome and Process Monitoring: PPAF independently monitor programmes to verify if the target results are being achieved and to identify and rectify gaps. Results monitoring is an important tool for ensuring programmes are meeting their objectives without compromising on the quality of interventions.

Outcome monitoring encompasses monitoring of outcomes and processes in line with the programme result framework. PPAF has established a PO's watch list mechanism to monitor the performance of its partner organisations and address any issues based on the level and nature of risk to the project. The watch list helps at what point in time an issue shall be brought to the notice of the PPAF management.

PPAF also helps build the capacity of its partners and institutions in the development and implementation of M&E frameworks and tools and providing feedback during outcome and process monitoring visits, to help improve their internal capacity as well as ability to produce quality outcomes.

ASSESSMENTS AND EVALUATIONS: PPAF, as the apex organisation in the development system, prides itself on being a learning organisation that is constantly seeking to improve the quality of its work. Knowledge management and research helps PPAF improve its strategy for future projects, as lessons learnt from past projects are identified and incorporated into new frameworks and proposals. Long term monitoring and evaluation of projects and post project impact assessment studies are conducted and disseminated to all stakeholders.

Assessments help PPAF design their projects better and are integral to overall quality assurance. PPAF's evaluation mechanism is designed to:
(i) gain feedback for informed decisions leading towards improved policies, strategies, programmes and projects;
(ii) assure accountability towards donors; partner organisations, community institutions and beneficiaries;
(iii) measure impact and improve performance based on lessons learnt;

(iv) provide evidence for advocacy or policy dialogue. These are usually done by primary and third-party assessments, evaluations and impact studies.

Monitoring and knowledge management cannot guarantee quality results and outputs unless it is also applied within the organisation. There is an internal monitoring and due diligence mechanism, which includes periodic reporting to the Board of Directors (BoD) as well as monthly and quarterly progress reports of grants, programmes and monitoring visits, to ensure transparency and accountability both internally and externally. PPAF sets certain objectives that they aim to achieve every year.

MER team during their visit to the PCC Link Road and flood retaining wall in village Jabba Karoona, UC Dhakai, District Charsadda, KP

GLIMPSES FROM ASSESSMENTS/ EVALUATIONS -

Mid-term Evaluations of two Key Programmes:

- Mid-term evaluations of two key programmes were conducted during 2017-18 through third party consulting firms. The programmes include Programme for Poverty Reduction (PPR) that is being implemented in rural areas of KP and Balochistan funded by Italian Agency for Development Cooperation (AICS) and the Prime Minister Interest Free Loan (PMIFL) scheme implemented across Pakistan. Both the evaluations demonstrated positive changes in the lives of targeted households in terms of graduation out of poverty, improved livelihoods, increased income level, access to safe drinking water and improved maternal and child health care
- Under the Livelihood and Small Scale Infrastructure Project II, a Situation Analysis and Baseline survey was conducted by a third party firm The baseline collected data of 36,784 households. for identification of potential beneficiaries for the project interventions in 12 Union Councils (UCs) of 3 districts of KP
- As per recommendation of BoD of PPAF, an Outcome Assessment for the first phase of LACIP was conducted internally by MER unit. In addition to assessing outcomes, the assessment aimed at reviewing the programme implementation processes and document key learning to be considered for future phases of the programme
- During the reporting period, two different third party consulting firms were hired to undertake in-depth strategic assessments of PPR supported components. M/S World in Consulting (WiC) undertook strategic assessment of Social MobiliSation and Livelihood components while M/S NEC Consulting onboard for strategic assessment of Education, Health and Nutrition (EHN) and infrastructure components. Both the assessments would help the organisation to assess effectiveness of the components' strategies, identify key gaps, collect and compile the results and productivity of the major interventions of the components and suggest an improved implementation strategy for current and future interventions
- Market and Value Chain Assessments were conducted for the UNHCR funded Poverty Graduation Pilot (PGP) with an objective to identify livelihood opportunities to improve the living conditions of targeted refugees and host families. The assessments are helpful to give informed choices to the beneficiaries especially while selecting productive assets. The assessments also identify the knowledge gaps, input supply issues, technological gaps, financial access and issues related to backward and forward market linkages.

INTERNATIONAL STANDARD ORGANISATION (ISO) and ENVIRONMENTAL AND SOCIAL MANAGEMENT(ESM):

As PPAF is an ISO certified organisation, it has to adhere to ISO 14001:2015 quality management systems, which include a Green Task Force (GTF) that ensure the implementation of certain environmental parameters. Currently there are 13 members in the GTF from different units of PPAF, who meet periodically to review if PPAF is meeting its environmental management benchmarks. This year, Environment Management System (EMS) procedures have been revised and shared with the GTF.

An Environmental and Social Management Framework (ESMF) is also used to set out the environmental and social assessment procedures required by PPAF and its POs to assess the environmental and social effects of PPAF supported interventions. These assessment procedures are designed with a view to obviate interventions with significant negative environmental and social impacts. ESMF provides guidelines and technical and legal instruments to minimize potential negative impacts by incorporating mitigations at the design stage, and subsequently implementing them at the implementation stage of the interventions. In order to ensure compliance to the framework, ESM unit applies a three-tier implementation strategy that focuses on capacity building of PPAF staff, partner organisations and Community Institutions. To help communities understand this framework, a series of orientations and refresher sessions were conducted for ESM focal persons in partner organisations where 83 staff members from 27 POs who then proceeded to conduct awareness sessions in their own target communities through Community Resource Persons (CRPs).

Other than capacity building, the ESM Unit also conducts periodic Environmental and Social Audits (ESA) of PPAF funded interventions. This year, 14 audits were conducted in 7 districts with 10 Pos. These audits were conducted by following the set criteria defined by ESMF. As an agreed action of these audits POs are asked to comply with indicators on the ESM Negative list and adopt mitigating measures if necessary.

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Authorized Signature

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CERTIFIED ISO 14001:2015 RICI Environmental Management System

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North America
1585 Markham Rd, M1B 5Z2
Unit#308 Toronto Canada
info@ricionline.com

Middle East
Office # 403 Bld # 2795 Rd 2835
Blk 428 Orchid Business Center,
Al Seef, Kingdom of Bahrain
Email: sales@ricionline.com

Asia
31-B-3, Ali Zeb Road, Gulberg III,
Lahore, Pakistan
Email: info@ricipakistan.com

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INFORMATION TECHNOLOGY (IT):

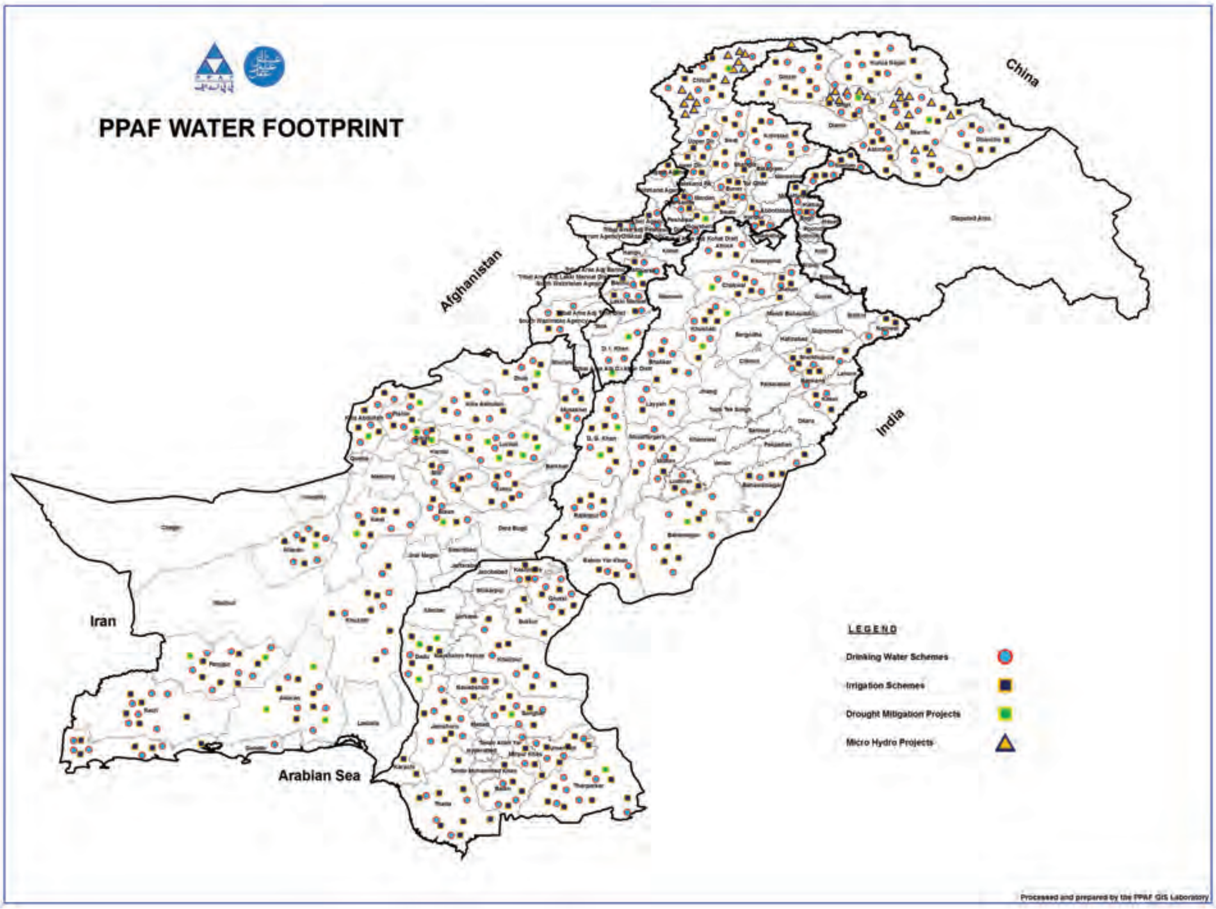
PPAF uses the latest technology that ensures its operations are transparent, time efficient and cost effective. The IT team at PPAF continuously adopts new technologies that add value to PPAF programmes and operations. In a constant improvement process of technology services, PPAF IT has also upgraded its IP Telephony setup with the latest version to utilize its enhanced features with increase in reliability of the service. In order to keep up with the pace of change in technology, IT Unit is eager to invest in capacity building, professic and personal growth of its team. All team members of and MIS have attended a customized training on IT Service Management and successfully got through th certification examination o Information Technology Infrastructure Library (ITIL) Foundation conducted by International accreditation body PeopleCert.

MANAGEMENT INFORMATION SYSTEM (MIS): Over the years, greater emphasis has been placed on more rigorous monitoring and evaluation processes, and additional steps have been taken to improve the quality of data being collected. PPAF has developed an online well-structured reporting mechanism through Management Information Systems (MIS) that ensure the availability of timely progress data that is disaggregated to ensure gender inclusion. Collection and analysis of gender disaggregated data and monitoring indicators that relate to the impact of projects on women are made an integral part of the monitoring and supervision process.

MIS has become a flagship information system that integrates its core operations across all programmes in a multidimensional manner and is unique to PPAF. Partner organisations are also able to upload their data on to it which helps the organisation track whether their core values are being adhered to in practice. The system is used by nine of PPAF's multiple programmes and is also equipped to assimilate all PPAF upcoming programmes and ventures.

GEOGRAPHICAL INFORMATION SYSTEM (GIS): As PPAF is a national organisation, it also uses Geographical Information System (GIS) to capture, store, and analyse information on the geographical locations of PPAF's interventions and present it in the form of maps. Both these systems contribute to quality donor reporting as well as internal monitoring reports. To streamline reporting, the MIS of PPAF also has customised reporting fields and dashboards to meet the reporting requirements of each of the donor funded programmes. The periodic progress reports are generated by the operation unit from the MIS progress data reported by the respective POs for first level quality review.

After this review, the respective operation units forward the progress reports to the MER unit for final quality review and onward submission to the donor. PPAF ensures quality of progress reporting in terms of data consistency, factual and textual accuracy and alignment of progress data to the donor's reporting requirements.
Through GIS, PPAF has prepared a number of integrated maps showing the geographical footprint of its main programmes. Multiple maps have been created for each project including a multi-dimensional Poverty Map that gives a comprehensive view of the different levels of poverty nationally. GIS is also able to capture location- tagged photos that not only enables recognition of the achievements of working in difficult-to-access locations but also mitigates the potential for inflated claims in relation to the status or delivery time-line for an activity. Donors can verify the GPS coordinates embedded in the photos against the location, a big advantage when working with an organisation with this size and scale. This information adds value to PPAF's reports, publications and proposals and also highlights the extent of PPAF's national outreach.



COMMUNICATIONS & MEDIA (C&M): The main functions of the Communications & Media Unit are to advocate the PPAF's vision of 'restoring hope, securing future & ending poverty' by raising awareness about its interventions and programmes across policy makers and the marginalised equally. The unit undertakes the responsibility to position PPAF at national and international levels as a lead apex organisation striving for mitigating the poverty from the nook & corner of the country.

The Communications & Media Unit also aware and educate communities and general public using IEC material and various communication techniques. C&M contributes to achieve PPAF's vision and mission by disseminating its achievements and contributing success stories through a variety of products and activities. The unit translates the PPAF's interventions and programmes through multi-dimensional media products for a diverse set of internal and external stakeholders. Communications and Media unit also undertakes the role of branding PPAF in policy corridors. At the same time the C&M unit plays a vital role in supporting both the partner organisations and communities in terms of their capacity building for media relationing and producing multiple communication products. As far as translating and documenting the success of four major programms of PPAF; PPR, LACIP, HRE & IFL- C&M stands in center of the stage to support and capacitate these programmes in terms of providing communication and media support. Generally, functions of C&M unit consist of four areas including;

a) documentation
b) information dissemination
c) capacity building and
d) stakeholders relationship

During 2017-18, Communications & Media managed 630 insertions in national media through its Public Relation Agency –APR. C&M also organised around a dozen events relevant to national and international days & on other important occasions. Communications & Media was also on the forefront to produce a variety of audio visual products such as 'Field Khanies', 'Short Documentaries', 'Photo Stories', 'Learning & Sharing Sessions', 'PPAF Akhbar', 'Impact Stories', and produced a range of 'Success Stories/Case Studies' for IFL, PPR & LACIP along with other IEC material for POs and communities. C&M was also an integral part of various trainings designed for LSOs to capacitate and acquaint them with the concept of 'Communications & Media' to showcase their achievements.

HUMAN RESOURCES (HR):

Capacity building of POs and community intuitions would not be possible without having trained, experienced staff within the organisation that understand and believe in the organisation's core values. In order to understand the communities they work in and their interventions, immersion visits are mandatory for all PPAF staff as it provides them the opportunity to live with the communities and refresh their spirits to work for the betterment of people of Pakistan. During the year, 82 immersion visits were made across Pakistan including. Nagarparker; Pishin, Gawadar, Chitral, GB; and Muzaffargarh. 29 of these were made by women. Every year, staff at PPAF are provided with a wide range of training opportunities including international trainings throughout the year to build on their professional competencies. 216 staff members attended trainings this year of which 152 were men and 64 were women. International exposure visits were also availed by 10 staff members to build their knowledge in the areas of microfinance; gender & development and financial inclusion.

As with all its work, PPAF is committed to ensuring equity and women's representation within the organisation. Gender equity requires a change in the management culture of an organisation and such change requires visible and sustained commitment from senior management, as well as the necessary resources, incentives, and accountability systems, which PPAF has developed and delivered. A study on PPAF's HR system conducted by Mercer in 2014 highlighted that PPAF's policies

PPAF won the Diversity and Inclusion Award 2018 as an acknowledgement for ensuring equity and inclusion

strongly support gender equity in its workforce resulting in a high women ratio of 30% as compared to the market average of 10%. PPAF's Board of Directors is chaired by a woman and 14 managerial positions are held by women.

To facilitate working mothers, a day care center has also been established at the head office. PPAF also tries to ensure its partners and community institutions also mainstream gender within their work. Every year, a budgeted annual action plan is developed specifically for gender which includes capacity building programmes for PPAF staff, partners, and community members and research is also conducted on topics pertaining to gender and inclusion. This year, 38 Union Councils' gender action plans were implemented in the field by trained CRPs.

PPAF also won the Diversity & Inclusion Award 2018, as an acknowledgement for equity and inclusion, one of PPAF's core values.
The "Global Diversity & Inclusion Benchmarks (GDIB)" standard is hosted by the Centre for Global Inclusion USA. The GDIB helps organisations across the world determine strategy and measure progress in managing diversity and fostering inclusion.

PPAF won the award for implementing an inclusive and innovative organisational culture that values growth and success, following policies and procedures that are employee friendly and ensuring diversity and inclusion not only within the organisation but also with all our partners and communities that it works with.

PPAF won the award among other competent multinationals and organisations including Telenor, British Council, Agha Khan University, Standard Chartered Bank, Mobilink, Pepsi and Nestle.

ADMINISTRATION:

The Administration unit is to facilitate PPAF staff and other entities in matters of logistic and administrative support. Important functions of the unit include office maintenance in respect of space allocation for staff, office upkeep and event management, maintenance of official vehicles & capital items and keeping record of all travel, boarding, lodging & visa arrangements of Team PPAF.

During the year the Administration unit has arranged approximately 678 by air travels country wide and arranged approximately 13 international tickets, 598 by road (264 through pool vehicles & 334 through rental services) with 862 hotel bookings country wide.

Whereas, approximately 908 in-house meetings/ workshops/ trainings were arranged & approximately 28 meetings/ workshops outside Islamabad or outside the PPAF Offices were also arranged during the year. Some of the key activities of the year are as under:

- All arrangements of Summer Internship Program
- Amplification of CCTV cameras at office premises
- Arrangements & celebrations for Independence Day
- Arrangements for Audit committee meetings, BOD meetings & AGM
- Arrangement for Rescue 1122 workshop
- Arrangements for GENCOM-SDG 5 event
- Upgradation of new Baby Day Care Centre
- Being an integral part of Green Force, compliance of ESM ISO 14001:2004 certification
- All arrangements for International Women Day
- Arrangements for Eid Millan Party
- Renovation of main reception area(provision of new furniture, calligraphy, green wall & footprints of PPAF at various points in office building)

GEOGRAPHICAL COVERAGE: **FIELD VISITS** *(JULY 2017- JUNE 2018)*

BALOCHISTAN		SINDH		AJK		PUNJAB		KPK	
Awaran	3	Badin	10	Muzaffarabad	2	Bhakkar	3	Abbottabad	23
Dera Bugti	21	Hyderabad	3	ICT	9	DG Khan	2	Chitral	41
Gawadar	25	Jamshoro	1			Jhang	3	Bajour	12
Kharan	1	Karachi	50			Kot Addu	1	Agency	3
Khuzdar	1	Khair Pur	2			Layyah	5	Bannu	38
Qila	15	Tharparker	4			Multan	8	Bunner	6
Saifullah	1	Thatta	14			Muzaffargarh	16	Charsadda	1
Kohlo	42	Nagarpark	6			Lahore	20	Chaudwan	13
Lasbela	2		4			Narowal	6	D.I.Khan	42
Lorlai	4		1			Rajanpur	3	Lower Dir	38
Muslim	1					Rawalpindi	1	Haripur	3
						Sheikhupura	6	Hattian	19
						Shore Kot	1	Karak	1
						Taxila	1	Khanpur	25
								Lakki Marwat	1
								Malakand/	5
								Mansehra	8
								Mardan	5
								Nowshera	33
								Peshawar	73
								Swabi	8
								Shangla	52
								Swat	1
								Timar Girah	24

FACT SHEET

Outcomes and Impacts

PROGRAMME FOR POVERTY REDUCTION (PPR)

Demonstrated in Mid-Term Evaluation

a. POVERTY GRADUATION

42% of the targeted poor *(PSC 0-23)* households including **Female Headed Household (FHHs)** 43% in programme area graduated out of poverty *(PSC>23)* against the target of 25%

85% of the extremely poor (0-11)

67% of the chronic poor (12-18)

54% of the transitory poor (19-23)

Households (HHs) moved to higher score on PSC *(including FHHs)* against the target of 25%

b. LIVELIHOODS AND INCREASE IN INCOME

86% of the target programme participants *(57% women)* got self-employed or employed to other sources as result of skills trainings against the target of 50% *(40% target for women)*

95% of the target households have their income and/or assets base *(including 36% FHHs)* against the targets of 70%

c. FINANCIAL & ECONOMIC RATE OF RETURNOF COMMUNITY PHYSICAL INFRASTRUCTURE INTERVENTIONS

Financial Internal Rate of Return (FIRR) of programme interventions is recorded as **50%** while Economic Internal Rate of Return (EIRR) recorded as **50.1%** against the target of 25% and 20% respectively

d. ACCESS TO WATER

45% of the target households reported improvement in access to safe drinking water against the target of 30%

e. HEALTH

80% of pregnant women from the target households had increased access to ante-natal and post-natal care in the target areas of PPAF supported programme against the target of 20%

73% of targeted households reported increase in hygiene related knowledge and practices against the target of 30%

PRIME MINISTERS INTEREST FREE LOAN SCHEME (PMIFL)

Demonstrated in Third Party Mid-Term Evaluations

a. POVERTY GRADUATION

74.6% of the respondents had graduated to higher scores against the target of 60%

b. LIVELIHOODS AND INCREASE IN INCOME

77.8%

of the target households had reported increase in monthly income by 25% or more against the target of 60% households

94.8%

of the target households established/strengthened their micro-enterprises through the loan given under PMIFL

60.3%

of the total PMIFL clients consist of women. The mid-term evaluation has recorded significant impact in terms of inclusion women reporting against the target of 50%

DIRECTOR'S REPORT

DIRECTOR'S REPORT

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the Eighteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2018.

During the year 2017-18 PPAF continued to meet its goals of reducing extreme poverty and boosting shared prosperity by orking through its partner organizations and communities. PPAF's major grants programs have been consistently improving and innovating in their approach and during FY 2017-18 the trend has continued in that direction. The Italian funded (through Government of Pakistan – GoP) Euro 40 million Programme for Poverty Reduction (PPR) being implemented in KPK, Balochistan and FATA following four pronged approach of targeting social mobilization, enhancing and protecting livelihoods, improving community infrastructure and establishing basic services (health and education) has created a sustainable socio-economic environment that is helping communities move up the poverty ladder. Our German Development Bank (KfW) funded (through GoP) livelihood and small scale infrastructure project (Euro 32 million) has created significant impact through its ability to connect extremely remote and marginalized communities with mainstream social and economic life – through provision of water, sanitation, link roads, bridges and livelihood opportunities in targeted areas of KPK. The Hydro and Renewable Energy Project (Euro 10 million) also funded by KfW (through GoP) takes on challenge of energy access in KPK. Access to energy has become key focus of PPAF and we are looking to develop innovative initiatives that can help communities access to energy not just for household requirements but to further spark economic activity and productivity in these areas. The interest free loan scheme financed by GoP is being successfully implemented in selected priority districts across the country where the financial inclusion indicators are the poorest. The scheme is making inroads in terms of loans disbursed and promoting women's inclusion.

During the year selection process for 1st batch of communities under Tabeer-o-Tameer Fund (TTF) Project was completed. The project aims to sustain viable and active institutions formed through PPAF support at village and union council level. TTF would further enhance capacities of community institutions so as to develop active, inclusive and informed membership; effective and responsive leadership, especially women's leadership and participation; and ensure contribution towards achieving key sustainable development goals.

The activities and funding under project for small POs commenced during the year. The project aims at institutional development and capacity building of new/small organizations in Balochistan, KPK and FATA. Financed by PPAF's own resources these twin initiatives signify our long-term commitment to supporting institutional development in the form of organizations of the people and for the people.

Financing Agreements for National Poverty Graduation Programme (NPGP) were signed in November 2017 between Government of Pakistan and International Fund for Agricultural Development. The USD 150 million NPGP has three main activities: asset transfers, interest free loans and social mobilization. With a nation-wide spread the programme will be implemented by PPAF through POs in 375 union councils within 22 of the poorest districts of Pakistan. NPGP is critical to help PPAF deliver its goal of moving the poorest and the most marginalized households out of extreme poverty. Selection of partners for the project has been completed and program activities would commence in third quarter of the year 2018.

PPAF's unrelenting efforts in support of conflicted areas persisted during the year with implementation of UNHCR project. Baseline data from UNHCR showed that there is a large category of poor and poorest families for whom, some viable solution for sustainable livelihoods is of essence. A poverty graduation approach which targets such households and supports them to move up and out of poverty is considered to be the best intervention for such segments of societies. To address the aforementioned gaps, UNHCR and PPAF entered into partnership to implement poverty graduation project on pilot basis in two districts – one each in Balochistan and KPK.

Creation of Pakistan Microfinance Investment Company Limited (PMICL) is the symbol of the role of PPAF as sector developer working with stakeholders across private, non-profit and government sectors to create structure and institutions that support inclusion and outreach to those that are often left out of mainstream progress. PPAF is the largest shareholder in PMICL alongside Karandaaz and KfW and the focus is on extending and enhancing financial inclusion to 10 million borrowers over the next five years.

PMICL – Associate Company of PPAF PPAF has invested Rs. 2,883 million in share capital of PMICL consituting 49% shareholding.

For the FY 2017-18 (as per the audited financial statements of PMICL for the period ended December 31, 2017 and un-audited financial statements for the half year ended June 30, 2018) PMICL generated cumulative net profit after tax of Rs. 193 million. PPAF has recognized a profit of Rs. 95 million (as its 49% share) during the year. Summary of income statement and assets/ labilities of PMIC is as follows:

	Rs. IN MOLLION	
	June 30, 2018	June 30, 2017
Current assets	2,038	3,584
Non-current assets	16,531	4,153
Current liabilities	(271)	(38)
Non-current liabilities	(12,223)	(1,818)
Equity	6,075	5,881
The carrying amount of PPAF's investment	2,976	2,882

	Rs. IN MOLLION	
	July 1, 2017 to June 30, 2018	August 1, 2016 to June 30, 2017
Income	1,170	267
Administrative expenses	(282)	(219)
Other operating expenses	(25)	-
Other income	34	24
Finance costs	(521)	(5)
General provision against loan portfolio	(133)	(42)
Profit before taxation	242	25
Taxation	(49)	(28)
Profit/(loss) for the year/(period)	193	(4)
PPAF's share of profit/(loss)	95	(2)

The net investment of PPAF in PMICL as of June 30, 2018 is reflected as follows:

	Rs. IN MOLLION
Opening balance of investment*	2,881
Share of profit of PMICL	95
	2,976

** Initial PPAF investment reduced by impact of loss of Rs 1.75 million incurred by PMICL during FY 2016-17.*

With creation of Associate Company the lending operations (except for interest free loans) carried out by PPAF are being managed by PMICL. As a result of agreement between PPAF and PMIC the amounts recovered by PPAF from POs under microcredit facility are disbursed to PMICL as subordinated loan. During the year loan portfolio of PPAF with POs reduced by 83% to Rs. 1,783 million at June 30, 2018 (June 30, 2017: Rs 10,708 million). During the year PPAF provided subordinated loan of Rs. 8,430 million to PMIC with total outstanding loan to PMICL standing at Rs. 10,248 million as of June 30, 2018. These loans carry markup rate of six months KIBOR plus 1% and are repayable in 43 installments. The summary of loans provided by PPAF to PMICL is as follows:

Date of disbursement	Amount Rs. In millions	First recovery due on	Last recovery due on
Jun 1, 2017	824	Oct 7, 2018	Oct 7, 2031
Jun 29, 2017	994	Jan 7, 2019	Jan 7, 2031
Aug 8, 2017	1,663	Jan 7, 2019	Jan 7, 2031
Nov 3, 2017	2,869	Jan 7, 2019	Jan 7, 2031
Dec 28, 2017	350	Jan 7, 2019	Jan 7, 2031
Jan 29, 2018	2,131	Jan 7, 2019	Jan 7, 2031
May 3, 2018	1,000	Jan 7, 2019	Jan 7, 2031
Jun 4, 2018		Jan 7, 2019	Jan 7, 2031
	10,248		

**Interest payment is on quarterly basis.*

During the year PMICL continued to manage microcredit portfolio of PPAF outstanding with POs. Previous Loan Portfolio Agreement with PMIC was terminated with mutual consent of both the parties with effect from December 31, 2017. The agreement required management of microcredit portfolio for a fee (1% of the outstanding principal). Under the terminated agreement PPAF paid an amount of Rs. 128 million to PMICL which included sales tax of 16% over and above 1% management fee. A new portfolio management agreement was signed covering the period January 1 to December 31, 2018 to manage remaining portfolio of PPAF for lumpsum fee of Rs. 1.2 million. PPAF retains all risks, rewards and control over these loans. Grant based interventions during the year were affected due to delay in receipt of funds under PPR and interest free loans. Similarly activities under NPGP were delayed due to delay in getting pproval from Ministry of Finance for opening of the assignment account for the project. Resultantly disbursement during the year were Rs. 1,088 million as against Rs. 2,337 million in FY 2016-17, a decrease of 53%. Disbursements for water and infrastructure

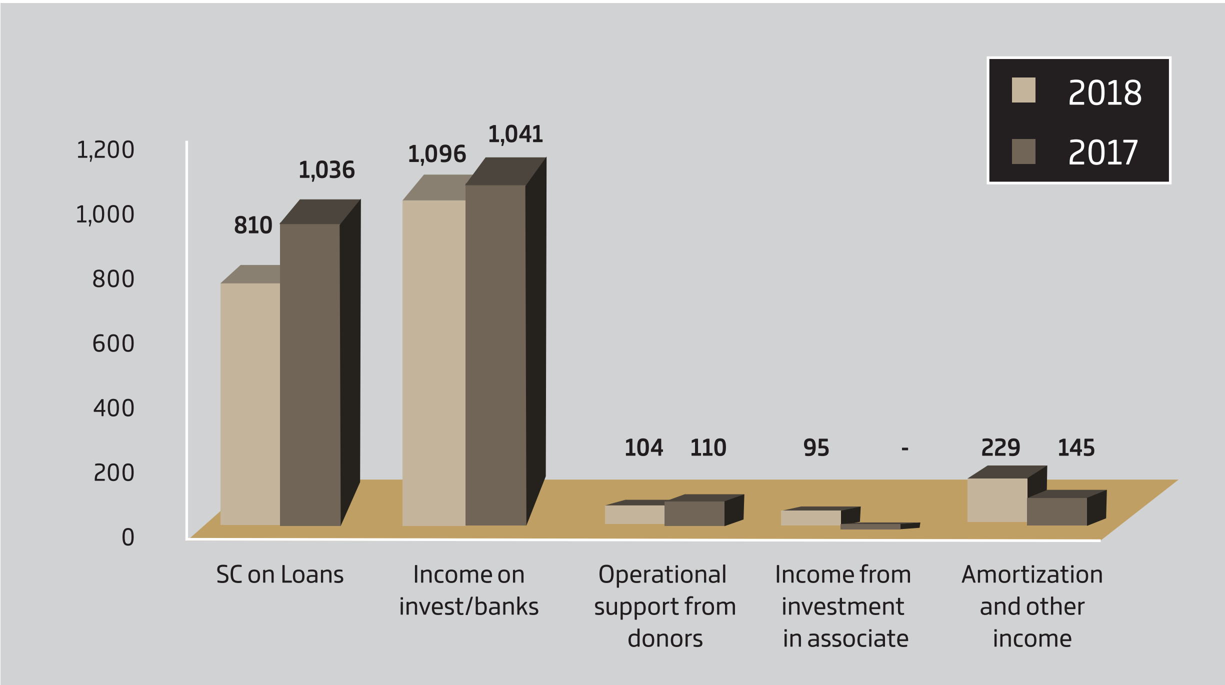
components	Rs. IN MOLLION		VARIANCE
	2018	2017	(%age)
Water & Infrastructure	226	879	(74)
Livelihood Enhancement & Protection	73	249	(71)
Health & Education	160	481	(67)
Institutional Development	268	400	(33)
Prime Minister's Interest Free Loan Scheme	279	177	58
Project Activities	82	151	(46)
Grand Total	**1,088**	**2,337**	**(53)**

components decreased by 74% to Rs 226 million (FY 2016-17 - Rs 879 million).

Disbursements for livelihood component showed a reduction of 71% and were Rs 73 million (FY 2016-17 – Rs. 249 million). Disbursements for health and education component decreased by 67% to Rs. 160 million (FY 2016-17 – Rs. 481 million). Institutional development and social mobilization disbursements were Rs. 268 million (FY 2016-17 – Rs. 400 million), decrease of 33% from last year. During the year 2017-18 PPAF disbursed operational cost of Rs. 279 million under PMIFL scheme (FY 2017-18 – Rs. 177 million), showing an increase of 58%. In addition to core operations, Rs 82 million (FY 2016-17 – Rs 151 million) were spent on projects activities from PPAF's own resources [fig.1].

Operational and Financial Highlights

PPAF, as a non-profit institution, capitalizes on profits to earn sufficient revenue to run its operations smoothly. Total income earned during the year was Rs 2,334 million as against Rs 2,332 million in FY 2016-17. Service charges on loans to POs and PMICL decreased by 22% to Rs 810 million in FY 2017-18 (FY 2016-17: Rs 1,036). The decrease in markup is mainly on account of reduction in portfolio due to repayment of Rs. 1.1 billion long term loans to government of Pakistan. Income on investments/saving accounts increased by 5% to Rs 1,096 (FY 2016-17: Rs 1,041). Grant in support of operational expenses decreased by 5% to Rs 104 million in FY 2017-18 (FY 2016-17 – Rs. 110 million). The cumulative net profit after tax of PMICL for the FY 2017-18 amounted to Rs. 193 million. PPAF has recognized a profit of Rs. 95 million (as its 49% share) during the year (FY 2016-17: loss of Rs. 1.75 million classified as expense for the year 2016-17). Other income of Rs. 80 million (FY 2016-17 – 3 million) includes Rs. 50 million recognized against reversal of general provision for the year 2017-18 due to reduction in portfolio; Rs. 12 million on account of sale of vehicles and Rs. 10 million on realization of deferred liability grant in respect of closed projects. 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



Operational and Financial Highlights (Total Income PKR millions) over loan period. Amortized income during the year was Rs. 149 million (FY 2016-17: Rs 142 million).

The general and administrative expenses related to the operations of PPAF increased by 21% to Rs 605 million (FY 2016-17 – Rs 505 million). Major increase was in salaries, travel, legal and audit expenses. Salaries expenses increased by 28% to Rs. 417 million (FY 2016-17 – Rs 325 million). The increase in salaries/benefits expense was due to impact of annual increment (to compensate for impact of inflation and reward performance) besides monetization of benefits (vehicles and medical). Travelling expenses increased by 49% to Rs. 63 million (FY 2016-17 Rs.42 million); legal and audit expenses increased by 45% to Rs 12 million (FY 2016-17 Rs 8.4 million).

During the FY 2017-18 Rs 54 million was incurred on account of fee for PMICL for management of PPAF lending portfolio outstanding with POs. The loan portfolio agreement with PMICL was terminated with mutual consent of both parties (PPAF and PMICL) with effect from December 31, 2017. PPAF and PMICL entered into a revised agreement to manage remaining portfolio for the period from January 1 to December 31, 2018 against a lumpsum fee of Rs. 1.2 million. Seminar, workshops and training expenses were Rs 9 million for FY 2017-18 (FY 2016-17 - Rs 16 million). This included Rs 5 million (FY 2016-17 - Rs 6 million) spent on trainings and Rs 4 million (FY 2016-17 - Rs 10 million) incurred on seminar and workshops. Technical and other studies increased by 26% to Rs 97 million in FY 2017-18 (FY 2016-17 - Rs 77 million).

Based on policy for loan loss an additional provision Rs. 16 million was charged against service charges receivable on loans to POs (FY 2016-17 Rs. 108 million).

components	Rs. IN MOLLION	
	2018	2017
Service charges on loans to POs and PMICL	810	1,036
Income on investments and savings accounts	1,096	1,041
Amortization of deferred income - grant fund	104	110
Amortization of deferred benefit	149	142
Share of income of associate	95	-
other income	80	3
Total income	**2,334**	**2,332**
General and administrative expenses	605	505
Portfolio monitoring fee	55	74
Seminars, workshops and trainings	9	16
Technical and other studies	97	77
Provision against loans/service charges	16	108
Share of loss of associate	-	2
Write-off of income tax refundable	6	-
Financial charges	247	248
Total expenditure	**1,035**	**1,030**
Surplus Before Project And Relief Activities	**1,299**	**1,302**
General and administrative expenses	605	505
Portfolio monitoring fee	55	74
Surplus For The Year	**1,207**	**1,148**

The financial charges of Rs 247 million (FY 2016-17 - Rs 248 million) included Rs 97 million as service charges on long term loans and Rs 150 million amortization of deferred benefit of below market interest rate on long term loans and bank charges. PPAF spent Rs 82 million for FY 2017- 18 (FY 2016-17 - Rs 151 million) on project activities financed from its own resources. Rs 10 million has been recognized as re-measurement loss on account of actuarial valuation of PPAF staff gratuity during the year.

Total expenditure was Rs 1,035 million at par with FY 2016-17 (FY 2016-17 - Rs 1,030 million). Surplus before project and relief activities and actuarial losses was Rs 1,299 million as against 1,302 million in FY 2016-17. Net surplus for the year increased by 5% to Rs 1,207 million (FY 2016-17 – Rs 1,148 million).

Financing Agreements signed with the 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. 1,101 million (FY 2016-17 - Rs. 856 million) was repaid on account of principal amount of loan and Rs 99 million (FY 2016-17 - Rs 106 million) as service charges to the GoP.

Total funds and reserves increased by 7% to Rs 17,874 million (includes Rs 1,000 endowment fund) as at June 30, 2018 from Rs 16,667 million as at June 30, 2017. Total assets of the Company reached Rs. 31,942 million on June 30, 2017 against Rs 31,259 million as at June 30, 2017, an increase of 2%. Total loan payable were Rs 12,348 million on June 30, 2018 as against Rs 13,448 million as at June 30, 2017. The debt equity ratio improved to 41:59 (FY 2016-17 - 45:55).

Deferred liability and deferred income constitute advance amounts received from donors in respect of ongoing projects. These funds are used for disbursements to POs under respective financing agreement as well as for operational support for project activities to PPAF. The balances for deferred liability & income at the end of year represent amounts to be disbursed to POs/ to be utilized by PPAF for project specific activities. Total funds under these heads increased by 62% to Rs. 1,629 million for FY 2017-18 (FY 2016-17: Rs. 1,006 million).

PPAF invests its surplus funds and reserves including capital adequacy reserve (Rs. 1,805 million) and grant fund (Rs. 10,358 million) in short term, medium term and long term investments. All the investments are done as per Treasury Management Strategy approved by Board of Directors of PPAF. Total investments as at June 30, 2018 were Rs. 14,489 million (2017: Rs. 13,373 million). These investments carry markup rates ranging from 5% to 11.5% per annum. In addition to these investments, endowment fund received from GoP is invested in government securities as per the terms of Endowment Deed and carry markup rate of 12% per annum (FY 2016-17: 12% per annum).

During the year the cash and bank balances specific to project increased by Rs 851 million as compared to last year mainly on account of receipt of funds under various projects. The project funds were utilized for programme/operational activities as per the respective financing agreements whereas own surplus funds were used as per the Company's policy for short term and long term investments. The Company has non project specific cash and bank balances of Rs 371 million at the end of FY 2017-18 which reduced by Rs. 78 million from last year. 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.

By the end of June 2018, PPAF had expanded its partnership with more than 130 POs which deployed resources in both urban and rural areas of 130 districts of the country in over 100,000 villages/rural and urban ettlements. Aggregately, PPAF created over 135,000 community institutions and 450,000 credit groups; enumerated a record spread of 8 million microcredit loans, of which 4.8 million (60%) were to women with 80% of the financing extended in rural areas; completed over 34,670 water and infrastructure projects benefiting over 2.3 million households; supported 2,685 schools in which 378,500 children were enrolled; financed 935 community health centers benefiting over 14.5 million people; transferred 111,500 assets to poor and organized over 18,000 training events for 1,136,000 staff and community members nationwide; disbursed over 450,000 interest free loans (66% female). 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.

Auditors:

M/s EY Ford Rhodes, Chartered Accountants have completed the annual audit for the year ended June 30, 2018, and shall retire at the conclusion of 22nd 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, 2019. The Board also endorsed the recommendations of the Audit Committee.

Conclusion:

Despite the extraordinary gains made in living standards in the country, a significant portion of the population is still excluded from the benefits of rapid economic growth. Without access to basic social services, they are vulnerable to illness, unemployment, and increasingly devastating natural disasters. The aim of PPAF's social development agenda is to reduce poverty, inequality, and vulnerability among the poor by involving people and their communities, organizations, institutions, societies, and provincial governments. Although PPAF's record level of investment is helping to improve the lives of millions, the need for development in poverty stricken areas continues to escalate. Through the support of Government PPAF will continue to spend on basic facilities such as health, education and small infrastructure besides enhacing and protecting livelihoods of the poor to reduce poverty and respond to rising inequality.

Maintaining the momentum will require PPAF to continue improving its business model to become even more nimble and adaptive in the way it operates. Delivering results in an evolving environment, while upholding PPAF's standards and quality, requires it to be flexible and creative. PPAF is nurturing a culture of greater innovation, empowerment, and accountability.

Acknowledgement:

The recent changes the country has experienced have produced new and complex challenges. PPAF must be relentless in facing them and the Board looks forward to working with you all to do just that. The Board plays an important role in guiding the general operations and strategic direction of the organization.

PPAF's agile programs scale up operational improvements to help teams achieve and sustain better results. This includes reducing paperwork and cutting red-tape, moving to a risk-based model, and responding better to the needs of the communities with innovative products and services. The Board is inspired by the positive response and engagement across the institution in support of these efforts.

The Board would like to place on record its sincere gratitude to all members in general and those who served in various committees of the organization in particular for their support, dedication and help they extended in policy formation and technical matters.

The Board is pleased to report that the performance of all the Directors and General Body members remained par excellence throughout the year and their contributions effectively steered the Company with not only having achieved the targets, but also creating new benchmarks, while maintaining its reputation for good governance.

The Company shall continue contributing towards the development of the communities through sustained supply of premium quality interventions in addition to extension of technical expertise for increased output.
We are deeply indebted to the General Body Members 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.

Across the organization, we're working to ensure that we have the knowledge, resources, and tools to be effective and agile in the face of rapid change. We're ready to scale up and strengthen our engagement to help communities overcome their development challenges, create equality of opportunity, and give everyone the chance to meet their aspirations.

We would like to express our thanks to our stakeholders particularly 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 the trust shown in our interventions. We are also grateful for their support and confidence in our management. Our partners and community institutions deserve profound appreciation for the hard work they put on in making a difference in the lives of the poor.

PPAF's dedicated staff members are doing an outstanding job every single day, often under pressure and in complex and sometimes risky environments. This annual report presents examples of recent ways we have supported communities' progress.

The Board is very proud of the impressive results the staff achieved this year. It is also proud of the management team who ensured PPAF had a stellar

Chief Executive Officer
Islamabad
September 26, 2018

Chairperson

STRATEGY AND APPROACH

PPAF's overarching aim is to alleviate poverty. Its understanding and experience about the dynamics and imensions of poverty has grown to recognize that poverty is not just about low income levels but is endemic in households and communities which have limited opportunities, few assets, low education and health status, lack of access to basic infrastructure and suffer from lack of social, economic and political participation. This refined understanding has enabled PPAF to expand its vision to encompass a Pakistan without hunger and poverty and its mission is to reduce poverty in the country through a multipronged strategy which enables poor rural households to increase their roductive potential, reduce their vulnerability through investments in assets, skills and access to services and increase their social, economic and political participation. Recognizing the heterogeneity and diversity of Pakistan, PPAF remains model neutral but is grounded by its values of inclusion, participation, accountability, transparency and stewardship - and expects the same from all its partners and community institutions.

The challenge that the country faces is to lift 33%of the people out of poverty and protect another 36%who are vulnerable. In terms of number of households, this translates into assisting 8.7 million households out of poverty and protecting another 9.5 million households from falling below the poverty line. The challenge for PPAF has been to devise a strategy which helps people achieve a sustainable increase in incomes as well as to deal with the other dimensions of poverty that enhances their socio-psychological well-being.

Experience from various poverty reduction programmes have revealed that stand-alone poverty reduction interventions of social protection alone do not provide a holistic solution to the complex nature of extreme poverty. Social protection programmes at their own are an inadequate instrument for building sustainable livelihoods and resilience against fluctuations and shocks. Social protection can be effective in smoothing consumption and protecting existing assets, but complementary interventions are needed to increase incomes and assets, and capacitate individuals and households resources and quality of life.

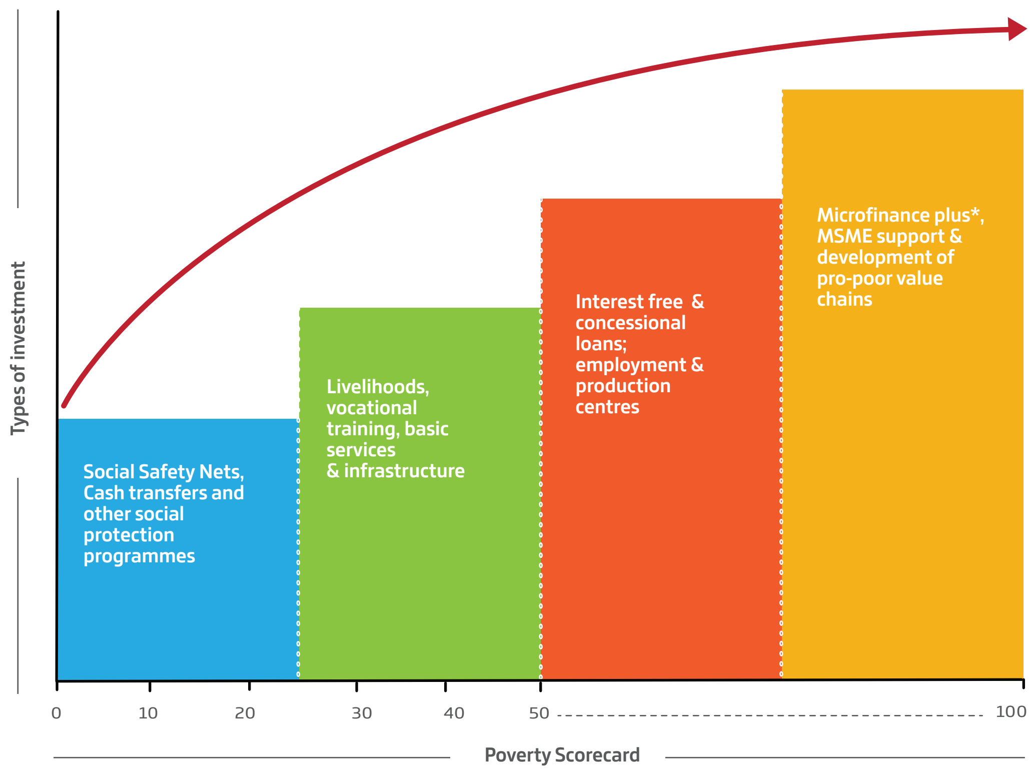
PPAF's theory of change regarding the pathways out of poverty has evolved based on its experience on the ground and its growing understanding of the dynamics of poverty alleviation in Pakistan. In its earlier phase, PPAF relied heavily on enhancing access to micro-finance as an effective way to help people increase their productive potential. The most instructive lesson from an analysis of our investment over time was that loans were not a powerful enough instrument for those well below the poverty line. PPAF thus gradually expanded its program area to include those sectors which were found to be integrally linked to its task of poverty alleviation. One of these is agriculture which PPAF supports through provision of rural finance and investments in infrastructure particularly rural roads, irrigation schemes, land development and enhancing the skills of farmers. The improvement of social services specifically in areas of access to healthcare and education for poor communities also became part of PPAF's portfolio, in the recognition that for long term solutions to succeed, people require as a minimum, to be educated and in good health.

PPAF's theory of change bases all outcomes on the creation of empowered and participatory community institutions (50% women's participation, 60% participation of the poorest households) that work inclusively to identify how they want their village/area to develop. Alongside strong community institutions is the opportunity to expand livelihood options and improve the overall quality of life of households with a focus on creating economic empowerment among women in the area. One of the most significant and long lasting impacts of PPAF is likely to be its investments in the institutional infrastructure in rural Pakistan. PPAF has been supporting its Partner Organizations in establishing a grassroots network of more than 135,000 Community Organisations (COs) along with another 440,000 plus credit and other groups across the country. Thus PPAF has ready access to a large proportion of the rural poor population through its partnerships.

In 2009, with the aim to support poorest households to a level where they could access mainstream microfinance, a pilot was launched by PPAF with International Fund for Agricultural Development (IFAD) assistance. This model operated on the premise that the poorest households needed tailored support matched to their circumstances and capacities to help them graduate out of poverty. Depending on each household's situation, it could comprise of cash grants, food aid, subsidized employment, a productive asset or a combination of them to initially meet their basic survival needs to then build sustainable streams of income. At the end of the intervention, statistically significant impacts on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc. had been observed and validated.

PPAF's livelihoods programme was initiated herewith with a focus on graduating households out of poverty. The objective benchmark used for this purpose was the poverty score-card, a tool that was utilized by Government of Pakistan (GoP) to undertake the first national socio-economic registry that scored all households on a scale between 1 – 100.

OUR STRATEGY – GRADUATING HOUSEHOLDS



** Credit lines for conventional microfinance institutions are provided through the Pakistan Microfinance Investment Company Limited (PMIC), jointly set up by PPAF, Karandaaz Pakistan (financed by DFID) and KfW is an Associate Company of PPAF.*

Over the past five years, the experience of going to scale with its graduation programme has resulted in the identification of a poverty graduation strategy that manifests PPAF's vision into reality. The diagram above provides an overview of the integrated yet contextualized strategy that PPAF follows in order to graduate households. The next five years will be about delivering this strategy with a core focus on:

INCLUSION AND MAINSTREAMING OF LAGGING REGIONS AND GROUPS:

- Women
- Ultra poor and marginalised groups and households
- Remote and inaccessible geographic regions

GOVERNANCE AND SUSTAINABILITY:

- Enhancing the empowerment agenda at community level
- Creating the right linkages for improved public services (education and health, water and sanitation, nutrition)
- Addressing conflict and strengthening civic engagement at local levels

THE ECONOMY – GRADUATING THE POOR:

- Poverty graduation extending from enhancing livelihoods of poorest households to supporting SMEs development through a focus on value chains and producer groups
- Financial inclusion through PM Interest Free Loan Scheme and linkages with PMIC.

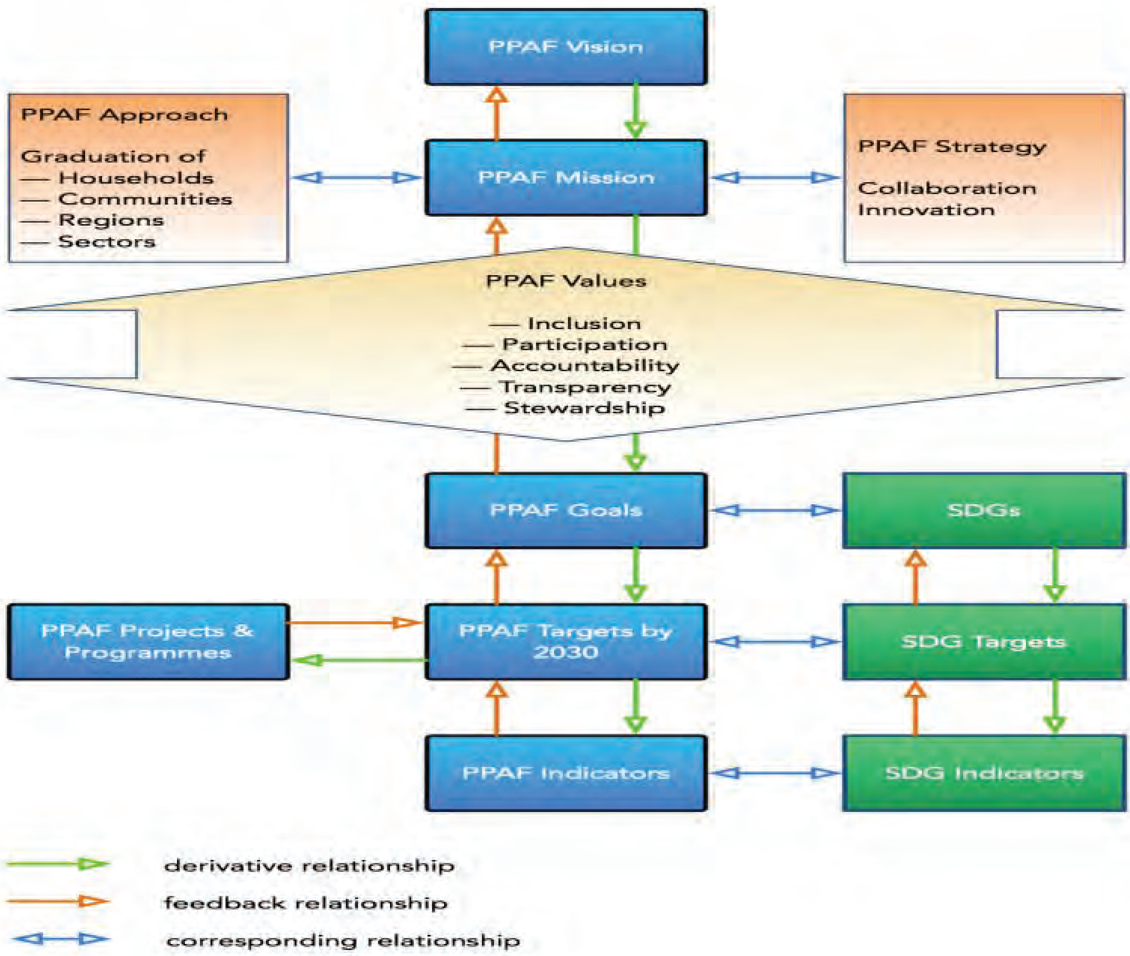
RESULTS FRAMEWORK– 2018-2030 "Graduating the Poor to Prosperity"

PPAF Results Framework provides a roadmap for PPAF programmes and projects up to 2030 with the main theme being to Graduate households and regions to prosperity (with poverty defined as the set of multi-faceted deprivations – economic, social, political – that prevent people from living a life with dignity). The indicators and targets, except where mentioned otherwise, correspond to the operational areas of PPAF. PPAF's Results Framework is aligned with the Sustainable Development Goals (SDGs) and PPAF expects to contribute towards the Government's achievement of SDGs in its areas of operations.

The Results Framework, as approved by PPAF's Board of Directors, is applicable to entire range of programmes, projects, activities and operations undertaken by PPAF and will be good through 2030. Progress against the Results Framework will be measured every 2 years and finally in 2030 a comprehensive programme evaluation will be conducted to measure its relevance, effectiveness, efficiency, impact and sustainability1. However, any adjustments and modification, if necessary, may be introduced in between by the PPAF with the consent of its Board of Directors.

This results framework is an attempt to consolidate and focus PPAF's energies for developing and implementing programmes and project that are aligned with its vision, mission and value system. Hence, it will not only guide the programme development but will also keep the programme implementation on track. The new programmes and project PPAF designs will have direct contribution towards the goals and targets set under this results framework.

The results hierarchy of PPAF Results Framework (Figure 1) flows from goals to targets to indicators while the feedback loop flows in the reverse order. The programmes and projects supported and implemented by PPAF contribute towards PPAF targets and then PPAF goals and overall strategy.


PPAF Vision
PPAF Approach
Graduation of
— Households
— Communities
— Regions
— Sectors
PPAF Mission
PPAF Strategy
Collaboration
Innovation
PPAF Values
— Inclusion
— Participation
— Accountability
— Transparency
— Stewardship
PPAF Goals
SDGs
PPAF Projects & Programmes
PPAF Targets by 2030
SDG Targets
PPAF Indicators
SDG Indicators
derivative relationship
feedback relationship
corresponding relationship

PPAF GOALS VIS-À-VIS SDGS	PPAF TARGETS BY 2030 (IN PPAF OPERATIONAL AREAS ONLY)
1. Graduate poor households out of their current poverty band and out of the BISP registry. Corresponding SDG: 1. End poverty in all its forms everywhere.	At least half of ultra-poor households (at baseline) graduate to higher PSC band
	At least 30% decrease (from baseline) in poor households
	75% of female-headed poor households and those with people with disability (PWD) graduate out of poverty
	Communities have access to climate and disaster resilient productive infrastructure to enable their economic activities
2. Establish, strengthen and empower institutions of the poor and for the poor. Corresponding SDG: 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	At least 75% of the community institutions supported by PPAF score above 80% on the relevant maturity index
3. Improve mother and child health and nutrition. Corresponding SDG: 3. Ensure healthy lives and promote well-being for all at all ages.	All pregnant women have access to antenatal and postnatal care
	All children under 5 years of age are healthy by height
	All children under 2 years of age are protected from infectious diseases
4. Ensure boys and girls have access to quality education up to at least lower-secondary level. Corresponding SDG: 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Net primary enrolment rate is increased to 100%
	All of schools have functional PTCs/SMCs
	The learning outcomes for children aged 5-16 improve by at least 20%
	50% of primary and 40% of lower-secondary enrolment is of girls
5. Support gender equality and empower women at all levels. Corresponding SDG: 5. Achieve gender equality and empower all women and girls.	At least 50% of PPAF interventions direct beneficiaries are women
	The economic and productive use and benefits of women focused PPAF interventions are managed by women
	At least 50% of executive body members in VOs/TTOs are women
	At least 50% of women-identified priorities are included in village development plan (VDPs)
	All of PPAF programming has gender disaggregated action plans and budgeting
	At least 50% of PPAF's programme budget is allocated to women focused interventions
6. a) Ensure access to safe drinking water and sanitation. **b) Develop effective water conservation and management systems at local level** Corresponding SDG: 7. Ensure availability and sustainable management of water and sanitation for all.	Water strategy developed for PPAF incorporating mechanisms for implementation and assessment of 6a and 6b.
	Entire population has access to safe drinking water

PPAF GOALS VIS-À-VIS SDGS	PPAF TARGETS BY 2030 (IN PPAF OPERATIONAL AREAS ONLY)
8. Enhance access to sustainable and affordable energy solutions for off grid communities. Corresponding SDG: 7. Ensure access to affordable, reliable, sustainable and modern energy for all.	At least 50% of off-grid households have access to electricity through renewable energy
	Innovative partnerships for renewable energy solutions are encouraged
9. Enhance sustainable and resilient livelihood opportunities Corresponding SDG: 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	The average family income in PPAF target households is increased by 300% of the baseline
	The beneficiaries of PPAF asset transfer make sustainable use of the assets
	At least 80% of men and 50% of women have access to some form of financial services
10. Create and strengthen partnerships for innovation and change	At least 75% of PPAF supported third-tier organisations (TTOs) demonstrate internalisation of PPAF values
	Local government institutions are strengthened to deliver services to poor communities
	Enhanced presence of PPAF on policy-making forums
	PPAF invests into and catalyses partnerships for innovation and change
11. Enhance value driven stewardship towards operations	Operational efficiency and programmatic effectiveness increases across PPAF operations

PROGRAMME OVERVIEW

PROGRAMME FOR POVERTY REDUCTION (PPR)

Project for Poverty Reduction (financed by Government of Pakistan (GoP) through Italian Government funding) has allocation of EUR 40 million of which EUR 2 million is for tied component i.e. funds allocated towards the procurement of goods and services of Italian origin.

The objective of PPR is establishment of a social and productive infrastructure system and an effective/ sustainable social safety net in project area (Balochistan, KPK and FATA). PPR is being implemented in 38 Union Councils of 14 districts of Balochistan, KP and FATA through 17 POs.

As of June 30, 2018 EUR 31.6 million were disbursed (79% of the total financing). Implementation progress under untied component as of June 30, 2018 is as follows:

INDICATORS WITH COMPONENTS	STATUS AS OF JUNE 30, 2018
	Number
Social Mobilization and Institution Building	
Formation & strengthening of community organizations	4,223
Formation & strengthening of 2nd tier (village level) community institutions	648
Number of Community members trained	23,251
Number of staff members trained	1,036
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans developed	5,041
No. of Common Interest Groups formed	278
Number of Community Resource Persons (CRPs) trained	390
No. of individuals received skills/entrepreneurial training	23,888
No. of ultra and vulnerable poor received productive assets	6,362
Number of Loan center established through Community Livelihood Fund (CLF)	9
Community Physical Infrastructure (CPI)	
No. of Water and Infrastructure projects completed	1,063
No. of beneficiary households	90,401
No. of population beneficiaries	665,847
Basic Health & Education Services	
School facilities constructed or renovated	779
Children benefitting from schools	107,925
Health centers constructed, renovated and/or equipped	114
Beneficiaries/patients treated from health centers	1,185,375

Progress under Tied component as of June 30, 2018 is as follows:

In the work plans of the tied component, a series of capacity building activities were planned and conducted for PPAF staff and Pakistani Government officials from relevant departments. The aim was to familiarize stakeholders with the Programme's objectives and transfer knowledge and skills relevant to the Programme. These activities involved study visits to Italy and training consultancies involving Italian experts coming to Pakistan. Till June 30, 2018, five study visits were conducted. In these study visits, a total of fifty five (55) participants visited Italy. These included forty eight (48) participants from PPAF and seven (07) from different government departments. These study visits were to receive; overview of the rural development work and learn from leading institutions; business models of entrepreneurial development and gaining knowledge in sectors like eco-tourism, minerals/marbles, olives, livestock (leather) handicrafts and traditional embroideries, renewable energy, hydro generation system, integrated water management and pressurized systems, Learning environment safeguards, with special focus on adaptation measures; and studying modalities of child-friendly and participatory learning techniques for the primary schooling system. Additional study visits in pipeline are specifically designed for staff of POs, community beneficiaries specifically Community Resource Persons (CRPs) and government officials, (specific departments like agriculture and agri-research, education, health and disaster management etc.). The capacity building activities will supplement the overall implementation of Programme activities. These activities will be executed once Programme timeline is extended.

The project completion date is September 12, 2018. PPAF has requested for extension in Tied Component till September 30, 2019 and Untied Component till March 31, 2020

PRIME MINISTER'S INTEREST FREE LOAN

Government of Pakistan initiated Rs. 3.5 billion Prime Minister's Interest Free Loan (PMIFL) Scheme to support productive microenterprise activities of poor, vulnerable and marginalized households, not yet tapped by the microfinance sector, so that they may engage in productive economic activities that will improve their lives and allow them to positively contribute to the economy. Based on its previous experience, PPAF was mandated by the Government of Pakistan to design, mobilize, implement and monitor the PMIFL Scheme. The POs have established loans centers at UC levels and funds are disbursed to beneficiaries as interest free loans as per predefined eligibility criteria. The community institutions are involved in different activities 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, 2018 is as follows:

Partner Organizations (POs)	26	
Coverage	Districts: 45	UCs: 442
No. of Loan Centers/Branches established	291	
Funds Disbursed from PPAF – PO (Rs in million)	3,502.7	
Funds Revolved PO – Borrowers (Rs in million)	10,835.5	
	449,673	
No. of Loans Disbursed to Borrowers	Male	Female
	153,038 (34%)	296,635 (66%)
Average Loan Size (Rs)	24,096	

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROJECT (LACIP-I)

The project (financed by GoP through funding of KfW – Development Bank of Germany) started in the year 2012 and is being implemented in 57 Union Councils of 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, 2018 EUR 30.56 million were disbursed (97% of the total financing). The closing date of LACIP I is September 30, 2019. Implementation progress as of June 30, 2018 is as follows:

SR.	INDICATORS WITH COMPONENTS	STATUS AS OF JUNE 30, 2018
		Number
	Component: Institutional Development & Social Mobilization	
1	Community organizations formed/revitalized	4,760
2	Village organizations level formed	398
3	Union Council level organizations formed	38
4	Membership in community institutions (34% female)	95,337
	Component: Water and Infrastructure	
5	Water and Infrastructure projects completed	2,012
6	Beneficiary households	167,664
7	Population benefitted (51% female)	1,244,802
	Component: Livelihood, Employment and Enterprise Development	
8	No. of ultra/vulnerable poor received productive assets (44% female)	8,7599
9	No. of individuals received skills/entrepreneurial training (34% female)	5,315
	Component: Education, Health and Nutrition	
10	Total Enrolment	32,033
	- Boys	18,150
	- Girls	13,883
11	Total Patients (A+B)	76,760
	Adults (A)	47476
	- Men	9,955
	- Women	37,521
	Children (B)	29,284

HYDROPOWER AND RENEWABLE ENERGY (HRE) PROJECT

The HRE project (financed by GoP through funding of KfW – Development Bank of Germany) started in the year 2013 in KPK. The overall objective of the Project is to contribute to the improvement of the general living conditions and quality of life of the poor in KPK province. The project concerns about the financing of micro/mini hydropower plants, solar lighting systems,integrated water efficient solar irrigation systems and pilot projects in renewable energy in KPK.

The overall project size is EUR 10 million. The project is being implemented in 8 union councils of 6 districts of KPK; Swabi, Chitral, Upper Dir, Buner, Lakki Marwat, and Karak. As of June 30, 2018 PPAF had disbursed EUR 6.76 million (68% of total financing). The closing date of HRE is December 31, 2018. Implementation progress as of June 30, 2018 is as follows:

SR.	INDICATORS WITH COMPONENTS	STATUS AS OF JUNE 30, 2018
1	**Micro Hydropower Project (MHP)**	
1.1	No. of Sites Identified	05
1.2	No. of Projects designed and initiated	05
2	**Solar Lighting Systems (SLS)**	
2.1	No. of Projects Identified	68
2.2	No. of Projects designed and initiated	68

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROJECT (LACIP-II)

PPAF and KfW signed Agreement for the Project 'Livelihood Support and Promotion of Small Community Infrastructure Program' (LACIP II) with project size of EUR 10 million. The objective of the project is to contribute to greater political participation of villagers in decision making in tehsil and village councils by supporting the implementation of decentralization reform in three districts of KPK. LACIP-II is planned to be implemented in three years till December 2020. The geographical outreach of the project covers 12 union councils including 36 village councils of districts Buner, Lakki Marwat and Shangla. These districts have been selected based on a poverty assessment carried out by KfW Consultant in close coordination with the PPAF. The three programme components include **(i)** Institutional Development; **(ii)** Livelihood Enhancement and Protection and **(iii)** Community Physical Infrastructure.

As of June 30, 2018 PPAF Board of Directors have approved funding for three POs to carry out design phase activities. POs are in process of getting NOCs from provincial authorities in order to carry out activities in the field.

NATIONAL POVERTY GRADUATION PROGRAMME

On the request of GoP (Ministry of Finance and EAD) the IFAD has appraised PPAF for National Poverty Graduation Programme. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. The Development Objective is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance following the toolbox approach.

Total programme cost, including price and physical contingencies, is US$ 150 million. The foreign exchange component is estimated at US$ 100 million. IFAD will cover US$ 100 million (agreement for US$ 82.6 million has been signed and the balance amount will be provided by the third year of the project) and GoP through PM Interest Free Loan Scheme will cover the remaining US$ 50 million. Project period is six years. The project will be implemented all over the country in 375 union councils of 21 districts.

PPAF hired a third party for the selection of POs to implement asset transfers and related social mobilization activities. Call for Expression of Interest (EOI) was advertised in national dailies.

Potential Partner Organizations (PPOs) submitted their EOIs. EOIs of PPOs were evaluated as per criteria the PPOs were qualified, and Request for Proposals (RFPs) was shared with them for the submission of maximum 02 proposals (for 02 Districts). A total of 126 detailed proposals were received by the firm. Technical and financial proposal's scores per district were allotted by the firm. PPAF senior management reviewed the scoring and ranked the PPOs based on previous experience with PPAF (past performance); ranking of partners on PPAF's watch list; only PPOs with a technical score of 35 and above were recommended for the field appraisal.

Based on technical and financial scores by the third party firm and ranking by PPAF made the final selection of POs on the basis of field appraisal report submitted by the firm. PPAF's Board of Directors in its meeting on June 26, 2018, approved selection of POs for NPGP. PPAF is awaiting opening of bank account and completion of other necessary formalities after which the project activities will commence.

POVERTY GRADUATION PILOT for Afghan Refugees and their Hosting Families in Pishin - Balochistan and Swabi - KPK

Pakistan has been hosting Afghan refugees for the last three decades and around 1.5 million registered Afghan refugees continue to reside in different parts of the country, mostly in settled camps. Apart from registered Afghan refugees, an equal number of refugees are residing as illegals with host families or constantly moving from place to place without proper settlement. Baseline data from UNHCR shows that there is a large category of poor and poorest families for whom, some viable solution for sustainable livelihoods is of essence. A poverty graduation approach which targets such households and supports them to move up and out of poverty is considered to be the best intervention for such segments of societies. To address the aforementioned gaps, UNHCR approached PPAF for partnership to implement poverty graduation project on pilot base in two districts – one each in Balochistan and KPK. After signing of project financing agreement with UNHCR, PPAF advertised seeking Request for Proposals. Through rigorous procurement processes, two organizations namely Youth Organization from Balochistan and Center of Excellence for Rural Development (CERD) from KPK were selected to implement the project in district Pishin and Swabi respectively.

The project has been designed for 18 months from July 2017 till December 2018 which is being implemented in two phases. The inception phase (Rs 9 million) was for six months (July to December 2017). During this phase the project focused on formation of community institutions, village development plans, and identification of 2,000 households for graduation and 2 market assessments (Pishin & Swabi). The Phase-II (Jan 2018 to December 2018) involves financing of Rs 138.45 million (UNHCR share Rs: 123.128 million and PPAF Share Rs: 15.331 million) and aims at gradual maturity of the CIs formed during inception phase, capacitating the entrepreneurial skills of the deserving households prior to providing them productive assets and form/strengthen common interest groups (CIGs) for collective business operations. Finally, poverty level of the households will be assessed again who were given assets or loans at the cost.

PROJECTS FINANCED FROM OWN RESOURCES

Dera Bugti Project PPAF is undertaking multi-sectoral intervention for the development of Dera Bugti from its own resources. Total 4 UCs namely Baiker, Kalchas, Phelawagh and Sham of tehsil Phelawagh where Masuri tribes of Bugti are the origin are part of the relief, assistance, rehabilitation and development programme of PPAF. Implementation progress of Dera Bugti project as of June 30, 2018 is as follows:

INDICATORS WITH COMPONENTS	STATUS AS OF JUNE 30, 2018
	Number
Social Mobilization and Institution Building	
Formation & strengthening of community organizations	286
Formation & strengthening of 2nd tier (village level) community institutions	61
Formation & strengthening of 3rd tier (union council) community institutions	4
Number of Community members trained	1,345
Number of staff members trained	29
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans developed	717
No. of Common Interest Groups formed	5
Number of Community Resource Persons trained	17
No. of individuals received skills/entrepreneurial training	60
No. of ultra and vulnerable poor received productive assets	717
Community Physical Infrastructure (CPI)	
Water and Infrastructure projects completed 61	61
Beneficiary households 2,695	2,695
Population benefited (47% female) 18,862	18,862
Basic Health & Education Services	
School facilities constructed or renovated	1 Boys Hostel Renovated
Health centers constructed, renovated and/or equipped	1 BHU Renovated
Beneficiaries/patients treated from health centers 3,896	3,896

CAPACITY BUILDING OF SMALL GRANT PROJECT FOR BALOCHISTAN, FATA & KP

PPAF through its own resources initiated project for small organizations. The objective of this project is to provide technical assistance and support to the small/new partner organizations and enhance their capabilities as social entrepreneurs with specialized technical capacity and provide initial operational support to help setup the basic and mandatory equipment's, tools and communications for working effectively at grassroots level. 20 small organizations were considered eligible and recommended for technical and financial assistance under the project. Selection of POs is based on the rigorous eligibility criteria of the PPAF. The following criteria has been adopted for selection and assessment of the small organizations

- The organization is found small in size (resources, staff, geographical presence and dono reach included)
- The organization represents the community at district level-board members and employees are mostly local
- The organization has a technical expertise/niche beyond

simple community mobilization and maintains a focus on gender related issues/capacity building. Total amount of Rs. 13.585 Million has been disbursed to small organization capacity building project till June 30, 2018. Orientation of small grant project has been completed. Training firm hiring is in process for conducting the capacity building of small partner organization.

TABEER-O-TAMEER FUND

The core approach of PPAF is to support households to form self-help community institutions, remains the foundation of all PPAF work. This is not a one-off instrument of poverty alleviation, but requires consistent nurturing so as to build empowered communities. To achieve this agenda PPAF Board of Directors approved Tabeer-O-Tameer Fund (TTF) through PPAF's own resources.

For the "Mentoring and support for Community Institutions (LSOs/VOs), in High Priority Districts" data set of community institutions available with PPAF has been organized and consolidated. Community Institutions that are located in PPAF's high priority Regions/ Districts i.e. appearing as Red and Orange, in PPAF Districts Prioritization Map (based on lowest HDI index, food security and Social mobilization, produced in 2012 by PPAF), are eligible for the first batch of financing under which a total of 100 Third Tier Organizations are taken on board with the technical support from 11 POs.

CHAMALANG BALOCHISTAN EDUCATION PROGRAMME (CBEP)

Chamalang Education Programme was initiated by Chamalang Tribal Education Committee supported from the funds generated from Chamalang Coal Mines. The funds were placed at the disposal of Mineral Development Department in a separate account specifically for the welfare of the target beneficiaries. PPAF was approached for support to students who were studying in Kohlu for school fees, books and uniform.

There are two phases of this program. Under first phase PPAF provided support to more than 3000 students of Chamalang Education Program in 2012-14. The students were facilitated in terms of two heads which are tuition fee, provision of text books, uniforms, shoes and stationary. The support was remained intact till Dec 2014. Total Rs.109 million were paid to the schools management for the support in the above mentioned heads by engaging two PO (PIDS and Taraqee Foundation). Major impact of the program was to enroll out of school children from militancy hit areas of Kohlu and Lasbela and enrolling them in reputable school where they are getting quality educational services without paying anything. Under phase II (which has commenced from 01 October, 2017) 932 students including 98 girl's students of 15 (9 schools of kohlu and 6 schools of Loralai) are supported. The total budget for this phase is Rs 35.11 million Rupees. This programme is supervised by Pakistan Army with the support of Chamalang Education Committee. As of June 30, 2018 PPAF disbursed Rs. 8.09 Million under the project.

PAKISTAN MICROFINANCE INVESTMENT COMPANY (PMIC)

PMIC, incorporated on August 10, 2016, was setup jointly by PPAF, Karandaaz Pakistan (financed by DFID) and KfW to catalyze and lead the next phase of growth in the microfinance sector of Pakistan. The shareholding percentage and amount of initial investment in PMIC is as follows:

INVESTOR	SHARE %AGE	EQUITY INVESTMENTS PKR IN BILLIONS	BOARD NOMINATIONS NUMBERS	REMARKS
PPAF	49%	2.85	3	1 Independent Director
KARANDAAZ	38%	2.16	2	1 Independent Director
KfW	13%	0.82	1	
CEO	0%	0	1	
Total	100%	5.83	7	

PMIC is an associated company of PPAF by virtue of one common director (Mr. Qazi Azmat Isa) and PPAF having 49% shareholding in PMIC.

LOAN PORTFOLIO MANAGEMENT

For management of loan portfolio already deployed with POs, a Loan Portfolio Agreement was signed between PPAF and PMIC on November 17, 2016. As per the said agreement PPAF has appointed PMIC to perform services which mainly include (i) desk and field monitoring; (ii) follow-up on late payments upon intimation by PPAF; (iii) providing recommendations on restructuring requests by POs. PPAF retains all risks, rewards and control over these loans. As compensation for PMIC Services rendered PPAF pays PMIC fee of one percent (1%) p.a. based on the actual average daily value (calculated on the basis of a 365-day calendar year) of the outstanding principal. As of June 30, 2018 the loan portfolio managed by PMIC stands at Rs.566.23 million. During the financial year 2017-18 PPAF paid Rs 128.3 million as a fee to PMIC.

Subordinated Debt to PMIC

PPAF agreed to provide the amount received from its POs on account of principal repayment of loan as subordinated debt to PMIC. For provision of shareholder loan PPAF and PMIC signed Master Loan Framework Agreement on November 17, 2017. During FY 2017-18 PPAF paid Rs 8.43 Billion as subordinated debt to PMIC. As of June 30, 2018 an amount of Rs. 10.246 Billion has been ransferred by PPAF to PMIC the details of which are as follows:

DATE OF DISBURSEMENT	AMOUNT RS. IN MILLIONS	FIRST RECOVERY DUE ON	LAST RECOVERY DUE ON
Jun 1, 2017	824	Oct 7, 2018	Oct 7, 2031
Jun 29, 2017	994	Jan 7, 2019	Jan 7, 2031
Aug 8, 2017	1,663	Jan 7, 2019	Jan 7, 2031
Nov 3, 2017	2,869	Jan 7, 2019	Jan 7, 2031
Dec 28, 2017	350	Jan 7, 2019	Jan 7, 2031
Jan 29, 2018	2,131	Jan 7, 2019	Jan 7, 2031
May 3, 2018	1,000	Jan 7, 2019	Jan 7, 2031
Jun 4, 2018	417	Jan 7, 2019	Jan 7, 2031
	10,248		

FINANCIAL HIGHLIGHTS

Summary of financial position of PMICL is as follows:

	Rs. IN MOLLION	
	June 30, 2018	June 30, 2017
Current assets	2,038	3,584
Non-current assets	16,531	4,153
Current liabilities	(271)	(38)
Non-current liabilities	(12,223)	(1,818)
Equity	**6,075**	**5,881**
The carrying amount of PPAF's investment	**2,976**	**2,882**

Summary of income statement of PMICL is as follows:

	Rs. IN MOLLION	
	July 1, 2017 to June 30, 2018	August 1, 2016 to June 30, 2017
Income	1,170	267
Administrative expenses	(282)	(219)
Other operating expenses	(25)	-
Other income	34	24
Finance costs	(521)	(5)
General provision against loan portfolio	(133)	(42)
Profit before taxation	**242**	**25**
Taxation	(49)	(28)
Profit/(loss) for the year/(period)	193	(4)
PPAF's share of profit/(loss)	**95**	**(2)**

PMIC Portfolio -Snapshot (June 30, 2018)	
Active Clients PMIC Funded	580,000
% of Women Active Clients	85%
PMIC Borrowers PAR > 30 Days for PMIC Funded portion	0.27%
PMIC Borrowers PAR > 30 Days	0.54%
No. of profitable Borrowers	20/20

Microfinance Plus Initiatives of PMIC:

- Graduating clients out of poverty – 5,000 client graduated by June 2018.
- Crop and Livestock insurance for small farmers and herders –2,351 acres and 6,930 animals insured
- Digitization of microfinance operations of 8 small Micro Finance Institutions (MFIs) – UBL Omni and Telenor Easy Paisa and Jazz Cash engaged
- Enterprise Development - 870 clients provided larger size loans, 1,740 jobs created. Cash flow based appraisal tool training conducted for credit officers and branch managers of MFIs
- Renewable Energy –400 loans deployed, facilitated collaboration between 2 MFIs andquality certified RE Vendors
- KfW Renewable Energy -Interim report on Scaling Up Financing for Solar Home Systems received (Feasibility study)
- Collaborating with Asian Development Bank for Micro Finance Risk Participation and Guarantee Programme
- In May 2018, PMIC and Opportunity International (OI) signed an agreement to engage in "Education through Microfinance", a project to finance and support low cost private schools in Pakistan.
- Sona Welfare Foundation – MOU of PKR 260 million signed to implement Agriculture Value Chain for 5,000 smallholder rice farmers in districts Nankana Sahib, Sheikhupura and Gujranwala
- KfW has offered subordinated debt of EUR 15 million.

ASSESSMENTS AND RATINGS

Third Party Assessments:

Ratings and institutional assessments aim to provide objective analysis of an institution and to benchmark that institution on a scale that allows it to be compared with other institutions. An independent third party assessment provides a neutral setting to assess performance of any organization in a selected domain and provide evidence for same. The need for third party assessment is becoming crucial as the third party assessments bring accountability and control over programmes.

Assessments and evaluations are integral part of PPAF to improve future policy, programmes 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 summarised as follows:

a) MID TERM EVALUATION (MTE) OF PRIME MINISTER INTEREST FREE LOAN

by MM Pakistan Pvt. Ltd.

A midterm evaluation of PPAF Prime Minister Interest Free Loan interventions pertaining to microcredit schemes was conducted by MM Pakistan Pvt. Ltd. The objective of the study was to assess and evaluate PMFIL Programme's performance related to its objectives and intended outcomes and to identify best practices, lessons learnt areas of improvement and suggest corrective measures.

Using multi-stage stratified systematic random sampling method, 19 districts (out of 44 districts) were selected as part of the sample. From the sampled districts, 4,120 beneficiaries (Male 1,636 & Female 2,484) were selected for household interviews. 27 Focused Group Discussions (14 with women and 13 with women) were conducted with 236 individuals. 22 In-depth Interviews (IDIs) were conducted with the officials of community institutions (CIs) and 22 IDIs were conducted with the officials of POs. While selecting the sample, representation in terms of gender, geography and ethnicity was taken into consideration.

Key Findings Related to Prime Minister Interest Free Loan:

PROGRAMME RESULTS	ACHIEVEMENTS AS REPORTED IN MTE
At least 60% of the targeted borrowers graduated to higher scores on the Poverty Score Card (PSC).	**74.6% of the respondents had graduated to higher scores.**
At least 60% of target community members/borrowers report a minimum of 25% increase in household incomes and/or assets.	77.8% of the beneficiaries had reported increase in monthly income by 25% or more.
At least 50% of targeted Third Tier Community Institutions of the poor report improved linkages with government line agencies, market and private sector.	64% of the Third-Tier Community Institutions reported that they have established and improved linkage with the concerned institutions.
At least 50% of those targeted are women.	60.3% of the PMIFL beneficiaries interviewed were female.
Environment friendly practices reflected during the development of business development plans, loan appraisal process and utilization of financial services.	Overall 94% of the beneficiaries reported that their business/micro-enterprises were not associated or involved with activities as identified in the negative list of PPAF's Environment & Social Management Framework (ESMF).
At least 90% of the IFL amount are utilized for productive purposes, as set in business development plans, developed during appraisal stage.	94.8% beneficiaries had utilized full loan amounts for their businesses.
At least 95% of average repayment rate maintained from beneficiary households to the Branches/ Loan Centers.	97.4% of the beneficiaries had completed the loan repayment.

b) MID TERM EVALUATION OF PROGRAMME FOR POVERTY REDUCTION (PPR)

by APEX Consulting Firm

The primary purpose of this study was to assess and evaluate Program outcomes and performance and to identify gaps, best practices and lessons learnt related to Program objectives and outputs, key interventions and implementation approach.

Sampling of the evaluation was done through multistage sampling technique using multistage stratified systematic random sampling was applied while selecting sample districts, UCs, villages and target households for interviews. Geographical, ethnic and gender representation was taken into account.

APEX Consulting selected 7 districts (out of total 14 districts) from Balochistan and KP. In the second stage, three revenue villages were selected randomly for each intervention from one district. Thus, a total of 84 villages were selected for all intervention from seven districts. 1637 beneficiary households were selected (considering 95% confidence interval and 5% margin of error) for household interviews. Equally distribution of male and female respondents was ensured.

Key Findings Related to Program for Poverty Reduction:

PROGRAMME RESULTS	ACHIEVEMENTS AS REPORTED IN MTE
At least 25% of the targeted poor (0-23) households including female headed household (FHHs) in program area graduated out of poverty (>23).	42% of the targeted poor (PSC 0-23) households including female headed household (43%) in program area graduated out of poverty (PSC>23).
PURPOSE OF THE PROGRAMME	
At least 60% of the poor and 50% of the poorest households (0-18) move to a higher score on PSC (includingFHHs.)	85% of the extremely poor (0-11), 67% of the chronic poor (12-18), and 54% of the transitory poor (19-23) HHs moved to higher score on PSC (including FHHs).
At least 40% of the target group have their income increased by 20% (including FHHs.)	36% of the target group have their income increased by 20% (including 36% FHHs).
At least 60% of the community institutions are viable and sustainable.	69% of the community institutions are viable and sustainable.
At least 80% of the beneficiaries report satisfaction with the program supported interventions.	Overall 97% of the beneficiaries reported satisfaction with the program supported interventions.
Minimum EIRR of 20% and FIRR of 25% of investment of the program interventions.	FIRR is 50.0% and EIRR is 50.1% of investment of the program interventions[3].
At least 40% of the community institutions including 40% of women community institutions (WCIs) continue to regularly update, implement and monitor their local development plans.	As per analysis of findings of FGDs 100% of the CIs (including 48% WCIs), reported that they continue to update, implement and monitor their local development plans.
At least 75% of infrastructure schemes are in use and well maintained, catering to the target communities, especially poorest households and at least 50% of these schemes are directly benefitting women.	97.4% of the beneficiaries had completed the loan repayment.
At least 75% of infrastructure schemes are in use and well maintained, catering to the target communities, especially poorest households and at least 50% of these schemes are directly benefitting women.	As per analysis of FGDs 100% of CI members reported infrastructure schemes are in use and well maintained catering to the target communities, especially poorest households (56%) and directly benefiting women.
SOCIAL MOBILISATIONS & INSTITUTION BUILDING	
At least 60% of households in targeted Union Councils (UCs) are members of community institutions with 40% women Membership.	45% of households in targeted Union Councils (UCs) are members of community institutions with 39% women Membership.
At least 60% of targeted poor (0-23) and 60% of poorest (0-18) households are members of community organizations.	81% of targeted poor (PSC 0-23) and 50% of poorest (PSC 0-18) households are members of community organizations.
At least 4,500 community institutions including 4,000 1st tier, 500 2nd tier and 38 3rd tier organizations formed and 60% of these meet regularly and are viable and sustainable.	4,444[4] CIs including 3,825 first tier, 578 second tier, 41 third tier organizations are formed and 70% of these are meeting regularly and also viable and sustainable.
At least 60% of 1st tier organizations including WCIs clustered into village level organizations and at least 40% of these including WCIs are federated at a higher / union council level.	80% (3,060) of 1st tier organizations including 42% (1,274) WCIs clustered into village level organizations and 79% (457) of these including 12% (57 WCIs) are federated at a higher / union council level[5].

[3] The results are pertaining to CPI component only
[4] As per PO's progress data as of Dec 31, 2018
[5] From PO's progress data as of Dec 31, 2016

PROGRAMME RESULTS	ACHIEVEMENTS AS REPORTED IN MTE
At least 50% of inclusive institutions including 50% WCIs show evidence of democratic decision-making in relation to internal organizational management and external decision-making.	As per analysis of findings of FGDs, 100% of the CIs (including 48% with WCIs) reported that they adopt democratic decision making process in relation to internal organizational management and external affairs.
25% of the office bearers of the 3rd tiers community institutions are women.	18% of the office bearers of the 3rd tiers community institutions are women.
At least 60% of the community institutions are viable and sustainable.	69% of the community institutions are viable and sustainable.
70% of the priorities identified by WCIs are included in village development plans (VDPs) and UC development plans (UCDPs), and 40% of WCIs are involved in implementing project interventions.	50% of the priorities identified by WCIs are included in village development plans (VDPs). As per analysis of findings of FGDs with WCIs, 64% of the WCIs are involved in implementing project interventions.
70% of conflicts registered with community institutions are mediated through participatory process.	99% of conflicts registered with community institutions are mediated through participatory process.
LIVELIHOOD	
At least 60% (40% in Draft) of poorest (0-18), in particular women (50% FHH), elderly and disabled (40% of identified persons with disabilities (PWDs) within population), benefit from diversified income sources.	46% of poorest (PSC 0-18), in particular women (PSC 46% FHH) benefited from diversified income sources.
Communities that have received Community Livelihood Fund (CLF) revolve savings for internal lending and maintain at least 95% repayment rates.	As per analysis of findings of KIIs with COs, 10 out of 24 COs received CLF and they revolved savings for internal lending.
50% beneficiaries (40% women) got self-employed or employed to other sources as result of skills trainings.	86% beneficiaries (57% women) got self-employed or employed to other sources as result of skills trainings.
At least 70% of livelihood beneficiaries (at least 40% women and 30% PWDs) report at least 20% increase in asset base and/or net income over the program period.	34% of livelihood beneficiaries reported at least 20% increase in net income over the program period. 61% beneficiaries who were provided livestock assets reported an increase in their asset base.
HEALTH	
Rehabilitation/support to 76 BHUs.	Rehabilitation/support to 43 BHUs against the target of (for mid-term period) 56 BHUs as of December, 2016.
Essential primary health care services are available and accessible to more than 80% of the targeted communities including 60% women.	Essential primary health care services are available and accessible to 29% of the targeted communities including women.
20 % increase in primary healthcare services utilization by communities' at targeted health Facilities.	As per analysis of findings of KII's data 29% increase in primary healthcare services utilization by communities' at targeted health Facilities.

PROGRAMME RESULTS	ACHIEVEMENTS AS REPORTED IN MTE
20% of pregnant women from the target households received ANC & PNC services in target areas.	80% of pregnant women from the target households received ANC & PNC services in target areas.
30% of targeted households reported increase in hygiene related knowledge and practice.	73% of targeted households reported increase in hygiene related knowledge and practices.
40% reduction in the number of children under-5 who are stunted.	Relevant data for stunting at baseline was not available. Evaluation team also consulted MICS KP and Balochistan reports to compare these as baseline benchmarks but MICS reports of both of the said provinces lacked specific data about prevalence of child-stunting6.
50% reduction of anemia in women of reproductive age.	As per analysis of findings of KIIs with health service staff 40% reduction of anemia in women of reproductive age.
At least 70% of the beneficiaries report satisfaction with the PPAF supported health facilities.	47% of the beneficiaries rated health support as very good, 27% good and 21% satisfactory and 5% remarked as poor.
EDUCATION	
Establishment of 200 Enterprise/community schools/learning centers and rehabilitation of 500 government school.	66 Enterprise/community schools/learning centers have been established and 195 government schools rehabilitated7 against the target of (for mid-term period) 140 Enterprise/community schools/learning centers and rehabilitation of 352 government schools as of December, 2016.
60% of all out of school children are enrolled annually, and are tracked by name to ensure they attend school throughout the life of the project and beyond. At least 50% of children enrolled under PPR project are girls.	As per analysis of findings of KIIs with schools staff, 71% respondent observed that out of school children are enrolled. As per survey data, 53% of children enrolled under PPR are girls.
At least 70% of the beneficiaries report satisfaction with the PPAF supported education facilities.	60% of the beneficiaries rated health support as very good, 30% good and 9% satisfactory and 1% remarked as poor.
COMMUNITY PHYSICAL INFRASTRUCTURE	
2,277 disaster resilient, gender sensitive, PWDs friendly infrastructure projects completed.	496 disaster resilient, gender sensitive, PWDs friendly infrastructure projects completed as of December 31, 20168 against the target (of midterm period) 707 disaster resilient, gender sensitive, PWDs friendly infrastructure projects as of December, 2016.
100% of the infrastructure schemes are disaster resilient, gender sensitive and PWDs friendly.	84% of the infrastructure schemes are disaster resilient, gender sensitive and PWDs friendly.

PROGRAMME RESULTS	ACHIEVEMENTS AS REPORTED IN MTE
60% of the targeted poor HH (PSC 0-23) benefitting from infrastructure schemes.	53% of the targeted poor HH (PSC 0-23) benefitting from infrastructure schemes.
Minimum EIRR of 20% and FIRR of 25% of investment in infrastructure.	50% EIRR and 50.1% FIRR of investment in infrastructure.
At least 30% improvement in communities' access to drinking water and proper sanitation due to the infrastructure built.	45% and 2.3% beneficiaries reported improvement in communities' access to drinking water and proper sanitation respectively due to the infrastructure built as per community need.
At least 30% improvement in communities' access to irrigation water due to the infrastructure built.	8% improvement in communities' access to irrigation water due to the infrastructure built[9].

CORPORATE GOVERNANCE

Good Governance lies at the core of PPAF's values and ethical standards. PPAF firmly believes in the importance of good governance and best practices, and the mechanism for good governance encompasses the highest standards of professionalism, ethical practices, accountability and transparency, in line with the Companies Act 2017 and corporate governance regulations. PPAF acknowledges that long term sustainable success is driven from good governance to protect stakeholders' values. The Board of Directors has developed a robust governance mechanism surpassing the legal requirements and regularly evaluates the processes to ensure sustainable stakeholders' value.

Transparency, accountability and adherence to ethical practices lie at the core of PPAF's practices and are implemented through the Code of Conduct, corporate governance regulations and sound internal controls.

PPAF being a Public Company remains steadfast in upholding the highest standards of corporate governance to create value and improve efficiency, whilst maintaining accountability and transparency in all business dealings. Overall management of the Company rests with the Board of Directors which is accountable to the General Body for good corporate governance while the management is responsible for day to day operations, implementation of policies and disclosure requirements as envisaged in its by laws, Companies Act 2017 and corporate governance regulations.

Compliance with the Best Corporate Practices

Over the last two decades, PPAF has positioned itself to surpass the legal requirements and adhere to SECP's best practices and standards of governance. The management of the Company is committed to good corporate governance and compliance with best practices. PPAF has adopted Principles of Corporate Governance for Non-listed Companies (NLCs) and is complying with following principles of the Corporate Governance for NLCs:

- Existence of an appropriate governance framework for Company contained in its Memorandum and Articles of Association.

[9] *Improvement is derived from increase in use of cultivable land due to irrigation support*

- Existence of an effective Board which is collectively responsible for the long-term success of the company. The Board promotes the company's and all its stakeholder's interests. The size and composition of the Board reflects the scale and complexity of the company's activities.
- Regular meetings of the Board are held to help discharge its duties. The Board is supplied with appropriate and timely information.
- Structure of remuneration is sufficient and appropriate to attract, retain, and motivate executives of the quality required to run company successfully.
- The Board is responsible for risk oversight and has maintained a sound system of internal control to safeguard shareholders' investment and the company's assets.
- There is a clear division of responsibilities between the running of the Board and the running of the company's business
- Board structures contain Directors with a sufficient mix of competencies and experiences in order to act objectively in their opinion and judgment.
- The Board has established appropriate Board Committees with terms of reference in order to allow a more effective discharge of its duties.
- The Board presents a balanced and understandable assessment of the company's position.

The Board has defined a set of corporate governance best practices and guidelines to help fulfill PPAF corporate responsibility towards its stakeholders. These guidelines ensure that the Board has the necessary authority and processes to review and evaluate Company's operations as and when required. Further, these guidelines allow the Board to make decisions that are independent of the Management. The Board reviews these guidelines regularly to achieve its stated objectives.

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 in the structure of the Company.

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.

The Directors confirm compliance that:

- 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 Act, 2017 and the Memorandum and Articles of Association of the Company, through Board meetings.

Size and composition of the Board

PPAF Board comprises of 9 members, one of whom is the executive director by virtue of being CEO, while the remaining eight members are non-executive independent directors. One out of 9 board members is a woman who is also the Chairperson of the Board. Except for the CEO, all members of the Board are non-executive Directors and serve in an honorary capacity, without compensation. 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.

Chairperson of the Board

Ms. Roshan Khursheed Bharucha, an independent director, is the Chairperson of the Board.

Role and Responsibilities of the Chairperson and the Chief Executive Officer:

The Chairperson 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 Chairperson 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.

Role and Responsibilities of the Board

The primary role of the Board is that of trusteeship to protect and enhance Company value through strategic direction. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals. The Board exercises its duties with care, skill and diligence and exercises independent judgment. It sets strategic goals and seeks accountability for their fulfillment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholders' aspirations and societal expectations. 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 Act, 2017 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, strategies; projects of different donors and sponsors; decisions 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; results framework; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports; Project specific audited financial statements; ToRs of credit committee of the management; strategies for (i) education, (ii) disability; (iii) innovation. The Board also approved establishment of Provincial Advisory Committees (PAC) having representation of provincial government; civil society and general body members of PPAF. PAC will have following roles and responsibilities:

- Review the ongoing projects in the province. Provide feedback and guidance to the Company on its programs in the respective province.
- Provide feedback on the provincial strategies.
- Explore joint ventures with provincial governments.

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.	NAME	NO. OF MEETINGS	NO. OF MEETINGS
1	Ms. Roshan Khursheed Bharucha	4	4
2	Ms. Humaira Ahmad	1	1
3	Syed Ahmed Raza Asif	3	4
4	Mr. Kamal Hyat	2	2
5	Mr. Ahlullah Khan	4	4
6	Dr. Ijaz Nabi	3	4
7	Mr. Ahmad Hanif Orakzai	2	2
8	Mr. Aijaz Ahmad Qureshi	2	4
9	Dr. M. Suleman Shaikh	2	4
10	Mr. Qazi Azmat Isa	4	4

Appointment of Directors:
As per the Articles of Association of the Company, all Members of the Board, except Government nominees, are appointed for a term of three years, on completion of which they are eligible for reelection through a formal election process. However, no such Member of the Board of Directors shall serve for more than two consecutive terms of three years each except for Government nominees.

Change of Directors:
The Government of Pakistan replaced Ms. Humaira Ahmad with Mr. Ahmad Hanif Orakzai, Additional Secretary, Economic Affairs Division as Director of the Company. Mr. Kamal Hyat, an independent director, was inducted on a vacant position. The Board placed on record its appreciation for the valuable contributions made by the outgoing Director. 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 primary objective of the audit committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The committee oversees the work carried out in the financial reporting process by the Management, the internal auditors and the independent auditors, and notes the processes and safeguards employed by each of them.

The Audit Committee met five times during the year. During the meetings the Committee reviewed the internal control systems and risk management mechanisms in conjunction with the Internal Audit reports presented to the Committee. The Committee also reviewed and approved the Internal Audit plan of the Internal Audit unit. Furthermore the Committee recommended for the approval of the Board the 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.

As per the best practices under the Code of Corporate Governance, the Committee held separate meetings with the Chief Financial Officer and the External Auditors to discuss issues of concern, if any.

Board Compensation Committee:

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

The Committee assists the Board in overseeing the Company's human resource policies and framework, with particular emphasis on ensuring fair and transparent compensation policy; and continuous development and skill enhancement of employees.

Risk Oversight Committee:

The Risk Oversight Committee comprises of three members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. The Company Secretary acts as Secretary of the Committee. The Committee reviews/asses effectiveness of overall risk management framework at PPAF; adequacy of risk management policies and procedures in identifying, measuring, monitoring and controlling risks; structure/ composition of PPAF's assets and liabilities overall and advise on maturity gaps, interest rate mismatches and exchange rate risk; Treasury Management Strategy (TMS) including composition of Treasury Management Committee and recommend changes, if any; progress and key issues of Pakistan Microfinance Investment Company. The Committee also approves/ ratifies the investment decisions made by Treasury Management Committee

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. PPAF operations are divided into following four groups:

Grants/Operational Group

All grant based interventions are managed by this group. Separate units exist for each project. A dedicated unit exists for programme/activity monitoring.

Institutions, Inclusion and Innovation “III” Group

This group support the cascade of community institutions set up by PPAF. The Group ensures that PPAF’s values are embedded into and implemented by its grants operations. “III” is also responsible for taking forward ‘Funds’ (created from time to time) including three existing ones
(a) Capacity Building of Small Organisations of Balochistan, KP and FATA (b) Lifeline Fund for Community Organisation; and (c) Social Enterprise Challenge Fund.

Quality Assurance, Research and Design (QARD) Group

The QARD Group comprises of (i) Monitoring; Evaluation & Research; (ii) Communications and Media; (iii) MIS/IT/GIS (iv) Donor Development (v) ISO, Environmental and Social Management and (Vi) Resource Mobilisation & Corporate Relations Management Unit to provides support for fundraising from private sector.

Financial Management and Corporate Affairs (FMCA) Group

The FMCA group comprises of (i) Financial Monitoring & Compliance Unit primarily responsible for POs related activities and monitoring; and (ii) Financial Planning and Reporting Unit which manages core finance functions including reporting, audits, budgeting, record keeping etc. Both these Units (iii) Corporate Affairs section to manage the secretarial affairs related to Board and General Body; (iv) Treasury/Funds Management and (v) Administration.

CEO Reporting Units

HR and Procurement units directly report to CEO. Human resource unit under the supervision of CEO plans, develops, and administers policies and programmes designed to make expeditious use of human resources. Procurement department ensures timely actions, procedures, systems and methods used to purchase and obtain the goods and services required to execute projects. Procurement Department is therefore, very conscious of its responsibility and accountability in the expenditure of public funds. There is also a dedicated Internal audit Unit reporting to Audit Committee of the Board. For administrative purposes it reports to CEO.

HUMAN RESOURCE MANAGEMENT

Human Resource function at PPAF supports and upholds PPAF's objective of fostering a positive and engaging work environment while identifying and addressing the changing needs of our diverse workforce. HR contributes to putting in action PPAF's vision, values, and strategies with a focus on building human capabilities. Besides, HR plays a role in developing an environment that fosters effective working relationships. Main functions of PPAF's HR are:

- Recruitment & Selection
- Learning & Development
- Performance Management & Career Development
- Compensation & Benefit
- Organisational Development & Employee Engagement
- HR Operations

Recognising that competent human resource is vital for continued success of the Company, PPAF's Human Resource Strategy has been proactively formulated to ensure availability of skilled workforce for all departments enabling achievement of the Company's strategic objectives and mission, which is further supplemented by the Succession Planning Policy. Career growth for employees is clearly mapped keeping in view individual's potential, qualification, period of service, professional attitude and department requirements, amongst other factors. Training and development is provided to employees equipping them with the proactive tools needed for performance of their duties keeping in view the company's current and future requirements.

The Human Resource strategy is continually evolved by proactively anticipating and evaluating the emerging needs and challenges faced by the Company, while promoting diversity including representation of genders and special persons, in an equitable and unbiased manner. In line with its mission to be the leading apex institute in Pakistan, PPAF employees have always been on the forefront in embracing new business challenges and accepting demanding tasks to maintain and further strengthen industry leadership position. Therefore, the Company highly values the importance of its human resource and fully respects their dignity and rights.

Business workforce development policies are geared towards maintaining a steady flow of talent and promoting continued learning, development and technical training through structured development programs to enhance the employees' technical and functional skills. Additionally, its HR strategy is playing a significant role in embedding high performing culture in the organisation hinging on business core values namely merit, teamwork, dedication, integrity, safety and innovation. PPAF's HR activities including employee induction, development, compensation, evaluation and promotion are carried out on the basis of merit, suitability and transparency. Moreover, performance based increments and awards are granted to inculcate competition and motivate the employees to take on further challenges. In addition, the company continues to promote diversity and equal employment opportunity along with providing a safe workplace free from discrimination, hostility and harassment. Any discrimination against or harassment of an employee based on age, gender, race, religion, creed, marital status, ethnic group, etc., is regarded as violation of the business regulations and results in disciplinary action as per the Company rules. The Company prides itself in having a wide range of expertise in its workforce. As at 30 June 2018, PPAF's manpower strength comprised a total of 188 employees working at Head Office, and field office in Quetta. This strength is also inclusive of minorities, women and disabled employees working in the organisation.

PPAF is focused on career growth and development of its employees by ensuring that effective succession planning exists in the organization. This culture is preserved on account of making persistent efforts to continuously invest in critical positions that shall ensure the vitality of a strong leadership bench for succession planning purposes. Structured training programs and appropriate management courses are also regularly designed to train the successors to share the higher responsibilities.

GRIEVANCE REDRESSAL POLICY

The objective of this 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. This policy provides guidelines to resolve any kind of grievance in a positive way as well as to allow an employee to raise any complaint regarding terms of employment, work conditions or work relationships which affects him/her and where he/she wants assistance in correcting the problem. The purpose of Grievance Policy is to (i) facilitate employees and management to resolve grievances raised by employees; and (ii) create a healthy work environment.

There is a Grievance Redressal Officer (GRO) elected among the staff members nominated from each department/ Unit except HR. GRO reports directly to CEO and assumes following responsibilities:

- To proactively facilitate end to end process that ensures impartiality, transparency, accuracy of data and evidence.
- To act as a Secretary to the Grievance Committee and may be a full member of this Committee.
- To keep the record of all Grievances.
- Arrange Committee meetings.
- Keep the minutes of all the meetings.
- Communicate the decisions on the grievance to the employee.
- Identify actions required on part of concerned units/ executives and communicate to them the relevant decisions.
- Ensure adherence to the Grievance policy and procedures defined in the Employee Grievance Redressal Policy.

There is a vetted pool of trusted professional staff. The members of that Staff Pool are selected on the basis of votes/ election among the nominated Staff Members from each department / Unit (except HR staff). All professional staff shall be given an opportunity to identify three (3) female and three (3) male staff members in whom the staff has trust and confidence.

The CEO forms the Grievance Committee from:

- The Panel for Grievance Committee which shall comprise of one Group Head except the unit from which grievance originated.
- Two members drawn from a vetted pool of trusted professional staff. Keeping in view the nature of grievance, female staff member maybe selected for the Grievance Committee.
- CEO selects the Members of the Grievance Committee from the Grievance Committee Staff Pool on case by case basis.

WHISTLE BLOWING POLICY

With a pragmatic approach towards holding highest standards of ethical business practices by all employees, a robust Whistle Blowing Mechanism is in place. Any instances of possibility of occupational fraud, noncompliance with Company policies, Code of Conduct and ethics, health, safety and environmental standards, and regulatory framework can be recorded through the mechanism by the management, employees, Board of Directors and other stakeholders.

Employees are encouraged to report concerns directly to immediate supervisors or, where impractical, to senior level management. The policy encourages stakeholders to raise queries, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

Mitigating protocols against abuse of the mechanism are also in place by defining consequences for the persons making false accusations resulting in unwarranted convictions.

The Policy encompasses possible fraud / corruption, and all stakeholders including contractors, suppliers, business partners and shareholders also come within the ambit of the Whistle Blowing Policy, who are encouraged to participate without fear of reprisal or repercussions, in confidentiality, under defined reporting channels. Due emphasis has also been placed on environmental risk and illegal use of sensitive company data.

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.

TREASURY & FUNDS MANAGEMENT

The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash in different portfolio of securities. To diversify the portfolio the approved treasury management strategy (TMS) includes the securities issued by the Government of Pakistan (GoP), placements in commercial banks as well as placements in microfinance banks. The TMS revolves around the principles of maintaining liquidity, security of capital & obtaining competitive rate of return.

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.

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 and sovereign guarantee security in the form of Treasury Bills issued by the GoP. For the long term credit risk, the deployed portfolio includes only the sovereign guarantee security in the form of Pakistan Investment Bonds issued by the GoP.

The diversification of portfolio is guided in TMS through defining maximum exposure to a single issuer in the form defining per party exposure limits. Thus, the element of risk and return is well balanced amongst the defined portfolio of securities.

RISK MANAGEMENT

Effective risk management is fundamental to the delivery of PPAF's strategic priorities. PPAF continuously evaluates its risk governance framework in line with the best practices, new regulatory requirements and changes to its business needs and focus.

PPAF has seen significant transformation since its inception, and this has naturally resulted in heightening of risks related to strategic choices, strategy execution along with traditional operational and compliance related risks. The business objectives of PPAF are articulated as a set of specific near-term goals, and long-term strategic goals. These goals cover the dimensions of consistent financial performance, market penetration, operational excellence, cost optimization initiatives, attracting and retaining talent, and the long-term sustainability of the organization. In addition, progress of initiatives to mitigate the impact of natural disasters and government regulations in the country are captured in developing risk management strategies.

PPAF harness the ability to turn risk management into a competitive advantage through a configurable solution that flexes into a unique methodology, while providing a holistic view of risk. PPAF analyses internal, external, and economic risks in detail to develop targeted mitigating strategies. PPAF recognizes that a sound risk culture is a fundamental requirement of an effective risk management framework. The long-held foundations of PPAF's risk culture are the principles of What We Stand For – Opportunity, Accountability and Integrity. Staff is made aware that these principles are expected to form the basis of all day-to-day behaviours and actions.

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 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.

Risk Management Framework

Since responding to risks is intended to help an organisation achieve its objectives, risk management must be integral to all aspects of the organisation including strategic planning, decision making, operational planning and resource allocation. It clarifies the accountabilities, the reporting and escalation processes, as well as the communication and consultation mechanisms for internal and external stakeholders.

The Company's Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The Board provides strategic direction and approves the risk appetite. It is supported by the Risk Oversight Committee which monitors, assesses and manages the risk profile fo PPAF on an ongoing basis. Various management committees at the senior management level are responsible for oversight and execution whereas day-to-day risk management activities are delegated to different levels through multi-tier management supervision and clearly articulated policies and procedures.

PPAF is undertaking a number of initiatives for further improving its compliance culture and controls, including enhancing the capacity and scope of the Compliance function. The Risk Management Framework (RMF) identifies potential threats and strategy for removing or minimizing the impact of these risks.

Risk Register

A risk register is maintained by PPAF containing the following categories of information:

- A description of the main risks facing by the PPAF. Categorization of risks is done and key risks affecting PPAF's objective are identified primarily based on risk identified by donors' at the commencement of the projects.
- The impact shall this event actually occur. The consequences are defined as: Insignificant, Moderate, Major, Critical.
- The probability of its occurrence through use of following scale:
- Very Low (may occur only in exceptional circumstances, 20% chance)
- Low (may occur at some time, 20% to 40% chance)
- Medium (likely to occur/reoccur, 40% to 70% chance)
- High (likely to occur/reoccur, 70% to 100% chance)
- A summary of the planned response when the event occur;
- A summary of risk mitigation (the actions that can be taken in advance to reduce the probability and/or impact of the event).

Risk register is periodically reviewed by Risk Oversight Committee of the Board. Major and significant risks with medium/high likelihood are brought to the attention of the Board of Directors.

Risks and Challenges:

PPAF has proactively instilled a culture of risk management and placed effective systems for timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business. The risks are classified into regulatory, funding, reputational, financial, operational and hazardous.

Financial 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. Financial Risk is one of the major concerns of every business across fields and geographies.

PPAF is taking all necessary steps to remain fully compliant with the International Financial Standards to meeting its obligations through well managed investment. Adequate loan loss provisions are in place at PPAF and POs levels. Financial risk is also accounted for by restricting per party exposure limits. Diversification of portfolio, repayments of problematic POs is ensured by taking post- dated cheques, effective appraisal and monitoring system at PPAF and regular analysis of loan portfolio regarding concentration risk.

Spinoff of credit operations to PMIC has reduced the financial risk due to shift in lending portfolio from high risk POs to low risk PMIC.

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 other to incur a financial loss. The

Company's credit risk is primarily attributable to loans to Partner Organisations, 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 Organisations of micro-credit loans to the extent of Rs. 1,783 million (2017: Rs. 10,708 million) (including loans to five major POs of Rs. 846 million) (2017: loans to five major POs of Rs. 6,021 million). The Company controls the credit risk through credit appraisals, assessing the credit-worthiness of POs and creating charge on the assets of POs. The Company is also exposed to credit related risk on loans to an associate amounting to Rs. 10,248 million (2017: Rs 1,818 million). The Company controls the credit risk on loans to associates via participating in associate's operations. 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 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.

Market Risk

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.

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. 25,677 million (2017: Rs. 25,923 million) and financial liabilities include balances of Rs. 12,347 million (2017: Rs. 13,448 million) which are subject to interest rate risk. Applicable interest rates for financial assets and financial liabilities have been indicated in respective notes.

If interest rates had been 1% higher / lower with all other variables held constant, surplus for the year would have been Rs. 133 million (2017: Rs. 124 million) higher / lower.

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

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.

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.

Risk Governance:

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

Board and Committees:

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.
- The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

- Compensation Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of talented human resources in each area of critical Company operations.

Policies & Procedures
Policies and procedures have been adopted by the Board and its committees and integrated into the Company's risk governance framework to ensure management of financial, operational and compliance risks. These are based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

Performance Management
Continuous monitoring is carried out to evaluate the effectiveness of implemented controls and identify areas of weakness to devise strategic plans for improvement, which has enabled aversion of majority of performance risks.

Internal Audit
Internal Audit function provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

Internal Control Compliance
Each Group/Unit identifies and manages risks pertaining to their respective areas of responsibility in addition to ensuring compliance with established internal controls.

KEY ACTIVITIES

- PPAF is collaborating with State Bank of Pakistan for implementing national financial literacy program under the umbrella of national financial inclusion strategy. PPAF is part of implementation committee of SBP for financial literacy.

- PPAF signed MoU with Benazir Income Support Programme (BISP) recently to implement Poverty Graduation Strategy across the country. In collaboration with IFAD and Government of Pakistan, PPAF is implementing a Nationa Poverty Graduation Programme (NPGP) in 372 Union Councils of 21 districts across Pakistan. The agreement will ensure mutual cooperation and collaboration for poverty graduation of programme beneficiaries between PPAF and BISP.

- PPAF and International Trade Centre (ITC) have signed MoU for developing framework for cooperation for poverty reduction in rural areas of Sindh and Balochistan. Under the MoU, PPAF will provide technical input based on its research, experience and expertise of working with the grassroots communities. ITC will provide support in developing Small and Medium Enterprises (SMEs) and creating gender inclusive employment and income opportunities by linking them with the global markets.

- PPAF signed MoU with Azad Jammu and Kashmir Tourism Department for promotion of environment friendly tourism development in Azad Jammu and Kashmir. Both organizations jointly agreed to coordinate efforts for the improvement of tourism activities and services in AJ&K as a pilot project in Neelum Valley.

- Agriculture Research Institute Balochistan and PPAF signed MOU with aimed to directly support livelihoods and improve quality of life of PPAF-supported grassroots communities in Balochistan. Under the five year agreement, ARI will provide technical training to the beneficiary farmers through PPAF implementing partners (POs). It will also provide best quality saplings and other agriculture inputs at reasonable price to the beneficiary farmers and will facilitate their access to their technological innovations for adoption. PPAF will facilitate ARI to engage with its POs and local communities at village level to replicate the best agriculture practices, to support Demonstration Plots and to carry on farm adaptive research and transfer of technology.

- Pakistan Agriculture Coalition and PPAF have signed MoU to realize potential in Sindh and Balochistan of the dates for value chain for higher farmer profitability, exports, and job creation.

- The Education Department of Balochistan (EDB) and PPAF signed MoU to pursue a joint educational program for engaging communities in quality education improvement initiatives; professional development of school teachers; capacity building of school managers; improving physical infrastructure of existing school buildings; and provision of missing facilities to make schools attractive for children to come to schools and remain in schools till the completion of secondary level education.

- PPAF and Balochistan University of Information Technology, Engineering and Management Sciences (BUITEMS) signed an MOU to coordinate efforts for poverty alleviation in the province of Balochistan tjrough innovation and research.

- PPAF's Solar Energy Mini-Grid Projects funded by KfW wins prestigious Alliance for Rural Electrification (ARE) Award 2018 in Best Off-Grid Project Category. The project comprises of 68 state-of-the-art solar energy mini-grid projects implemented in three districts of KP including Lakki Marwat, Swabi and Karak.

- PPAF has been awarded for ISO 14001:2015 re-certification for ensuring high standards of Environmental Management System (EMS). The new version of ISO 14001:2015 launched in September 2015 and team updated its EMS policies, manuals, systems and procedure as per the requirement of new system.

- PPAF was awarded the Global Diversity & Inclusion Award 2018 at the Global Diversity & Inclusion Benchmarks Conference (GDIC) held in Karachi. The award is an acknowledgment of PPAF innovative approach to ensure inclusion and diversity at all levels of work.

WAY FORWARD

With the operationalization of NPGP the poverty graduation approach of PPAF will be fully implemented which combines elements of three distinct approaches - social mobilisation, livelihoods development, and financial inclusion - and draws on the most relevant aspects of these to deliver results by combining support for immediate needs with longer-term human capital and asset investments to move households out of extreme poverty and into sustainable livelihoods. In this process, the capacity-building of community organizations through strong social mobilisation support is a key so as to support individual households to access multiple opportunities (from markets, private sector and government). A large network of existing partnerships between PPAF and its POs provides country wide scope to flexibly leverage its resources for maximum outreach and impact. Nearly 135,000 community organisations currently exist across the country linked to this network. PPAF also manages the Prime Minister's Interest Free Loan Scheme with an aim to reach one million clients in three years.

PMIFL is targeted for individuals between 0 and 40 on the poverty scorecard as they may not be eligible for conventional market based microfinance.

PPAF has a close policy level interface with the federal government and BISP which enables it to build key stakeholders' understanding of the graduation approach and its variations. Based on this existing network, PPAF through NPGP can develop a scalable model which other donors and partners can use, thus catalyzing the development of a national poverty graduation model.

NPGP is designed to catalyze change at the grassroots to pull people out of poverty, building largely (but not exclusively) upon BISP beneficiaries and leveraging PMIFL to build a smooth 'seamless service' where the poorest can move from consumption support to asset transfers to interest fee loans to microcredit. PPAF works on multi-dimensional aspects of poverty, addressing economic, social and institutional aspects which are reflected in the NPGP design and in the composition of the Poverty Score Card.

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL HIGHLIGHTS

	2018	2017	2016	2015	2014
Funds deployment – *Rs. in million*					
Microcredit					
Loans receivable from POs (Gross)	1,783	10,708	14,716	13,913	13,985
Loan to PMIC	10,248	1,818	-	-	-
Equity investment in PMIC	2,883	2,883	-	-	-
Gurantee facility	-	420	2,150	3,600	3,820
PMIFL portfolio	3,100	3,100	-	-	-
	18,014	**18,929**	**16,866**	**17,513**	**17,805**
Grant					
Donor financed	1,006	2,186	5,456	6,934	5,349
Relief & Reconstruction Operations	82	151	408	219	665
	1,088	**2,337**	**5,864**	**7,153**	**6,014**
Total funds deployment	**19,102**	**21,266**	**22,730**	**24,666**	**23,819**
Balance Sheet – *Rs. in million*					
Total assets	31,942	31,259	30,857	32,285	35,914
Endowment Fund	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Reserves					
Capital adequacy reserve	1,805	1,879	2,207	2,087	2,098
Grant fund	10,358	9,341	7,520	6,706	5,659
Reserve for lending activities	2,883	2,883	3,653	3,236	2,671
General reserve	1,828	1,564			
Income on grant fund	-	-	1,139	978	582
	16,874	**15,667**	**14,519**	**13,007**	**11,010**
Total equity (endowment + reserves)	**17,874**	**16,667**	**15,519**	**14,007**	**12,010**
Loans	12,348	13,448	14,304	15,027	15,454
Operational Results – *Rs. in million*					
Total income	2,334	2,332	2,963	3,250	2,880
General and admin expenses	605	505	576	587	591
Surplus before loan loss prov. and relief work	1,283	1,410	1,965	2,250	1,845
Net Surplus	1,213	1,150	1,511	1,998	1,152
Financial Ratios – *Percentage*					
Surplus brefore provisions & relief/total income	55%	60%	66%	69%	64%
Return on equity *(Surplus before provision and relief activities to Equity net of other income)*	7%	9%	10%	17%	16%
Return on assets *(Surplus before provision and relief activities net of other income to Total Assets)*	4%	5%	5%	7%	5%
General and admin expenses/funds deployed	3.17%	2.37%	2.53%	2.38%	2.48%
Debt/equity	41:59	45:55	48:52	52:48	56:44

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PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

EY Ford Rhodes
Chartered Accountants
Eagle Plaza 75-West, Fazlul-Haq Road
Blue Area, P.O. Box 2388
Islamabad 44000, Pakistan

Tel: +9251 234 4160-62
Fax: +9251 234 4163
ey.isb@pk.ey.com
ey.com/pk

EY
Building a better working world

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Chartered Accountants
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ey.isb@pk.ey.com
ey.com/pk

TO THE MEMBERS OF PAKISTAN POVERTY ALLEVIATION FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Pakistan Poverty Alleviation Fund (the Company), which comprise the statement of financial position as at 30 June 2018, the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, statement of other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the surplus and other comprehensive income, the changes in funds and reserves and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

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audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) The statement of financial position, the statement of income and expenditure, the statement of other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Ahsan Shahzad.

EY SR

Islamabad

Date: 26 September 2018

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PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2018

	Note	2018	2017
ASSETS		------------ Rupees '000	------------
NON-CURRENT ASSETS			
Property and equipment	6	34,874	52,065
Intangible assets	7	-	368
Investment in associate	8	2,976,238	2,881,509
Long-term investments	9	2,097,428	1,783,356
Long-term loans to associate	10	9,435,721	1,818,000
Long-term loans to Partner Organizations	11	55,896	809,665
Long term loans and advances		31,074	-
Long-term deposits and prepayments	12	32,764	7,556
		14,663,995	7,352,519
CURRENT ASSETS			
Grant fund receivable	13	25,176	60,127
Loans and advances	14	61,569	17,228
Short-term prepayments	15	41,956	24,511
Profit / service charges receivable	16	508,475	503,409
Other receivables	17	73,328	18,320
Current maturity of long-term investments	9	2,131,000	875,000
Current maturity of loans to Partner Organizations	11	803,100	8,923,734
Current maturity of loans to associate	10	812,279	-
Short-term investments	18	10,246,700	11,698,012
Tax refunds due from the Government	19	360,806	345,090
Bank balances-specific to projects	20	1,842,534	991,610
Cash and bank balances	21	371,240	449,569
		17,278,163	23,906,610
TOTAL ASSETS		31,942,158	31,259,129
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Endowment fund	22	1,000,000	1,000,000
Grant fund		10,358,191	9,340,591
Accumulated surplus		6,515,798	6,326,367
		17,873,989	16,666,958
NON-CURRENT LIABILITIES			
Long-term financing	23	9,344,441	10,474,762
Deferred benefit	23	1,723,480	1,872,752
		11,067,921	12,347,514
CURRENT LIABILITIES			
Deferred liabilities - grant fund	24	1,623,317	992,452
Deferred income - grant fund	25	5,490	13,375
Trade and other liabilities	26	69,873	114,313
Service charges payable	28	21,971	24,002
Current portion of long-term financing	23	1,279,597	1,100,515
		3,000,248	2,244,657
TOTAL FUNDS, RESERVES AND LIABILITIES		31,942,158	31,259,129
CONTINGENCIES AND COMMITMENTS	29		

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 Act, 2017)

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE, 2018

	Note	2018	2017
		------------ Rupees '000 ------------	
INCOME			
Service charges on loans to Partner Organizations and Associate	30	**809,760**	1,036,382
Income on investments and savings accounts	31	**1,096,126**	1,040,698
Amortization of deferred income - grant fund	25	**103,603**	109,714
Amortization of deferred benefit	23.5.1	**149,272**	142,085
Share of profit of an associate	8	**94,729**	-
Other income	32	**80,017**	3,049
		2,333,507	2,331,928
EXPENDITURE			
General and administrative expenses	33	**605,189**	505,200
Loan portfolio monitoring fee	8.2	**54,464**	74,428
Seminars, workshops and trainings	34	**9,332**	16,349
Technical and other studies	35	**96,591**	76,775
Provision against loans / service charges	36	**16,008**	107,615
Income tax refund written-off		**6,240**	-
Share of loss of an associate	8	**-**	1,749
Financial charges	37	**246,613**	248,215
		1,034,437	1,030,331
SURPLUS FOR THE YEAR BEFORE PROJECT AND RELIEF ACTIVITIES		**1,299,070**	1,301,597
Expenditure on project and relief activities	38	**(81,977)**	(151,186)
SURPLUS FOR THE YEAR		**1,217,093**	1,150,411

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 Act, 2017)

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE, 2018

	Note	2018	2017
		------------ Rupees '000	------------
SURPLUS FOR THE YEAR		**1,217,093**	1,150,411
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Other comprehensive loss not to be reclassified to income and expenditure account in subsequent periods:			
Re-measurement loss on employees' defined benefit plan	27.1	**(10,062)**	(2,694)
		1,207,031	1,147,717

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 Act, 2017)
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE, 2018

	Note	FUNDS		RESERVES		
		Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	TOTAL
		Rupees '000				
Balance as at 30 June, 2016		**1,000,000**	**7,519,584**	**1,139,402**	**5,860,255**	**15,519,241**
Total comprehensive income for the year						
Surplus for the year		-	-	-	1,150,411	1,150,411
Other comprehensive income		-	-	-	(2,694)	(2,694)
		-	-	-	1,147,717	1,147,717
Transfer from reserve for grant based activities to grant fund			1,139,402	(1,139,402)		
Transfer from accumulated surplus to reserve for grant based activities	39	-	476,728		(476,728)	-
Transfer from accumulated surplus to grant fund		-	204,877	-	(204,877)	-
Balance as at 30 June, 2017		**1,000,000**	**9,340,591**	**-**	**6,326,367**	**16,666,958**
Total comprehensive income for the year						
Surplus for the year		-	-	-	1,217,093	1,217,093
Other comprehensive income		-	-	-	(10,062)	(10,062)
		-	-	-	1,207,031	1,207,031
Transfer from accumulated surplus to reserve for grant based activities	5.8	-	-	636,209	(636,209)	-
Transfer from reserve for grant based activities to grant fund		-	636,209	(636,209)	-	-
Transfer from accumulated surplus to grant fund	5.8	-	381,391	-	(381,391)	-
Balance as at 30 June, 2018		**1,000,000**	**10,358,191**	**-**	**6,515,798**	**17,873,989**

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 Act, 2017)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE, 2018

	Note	2018	2017
		------------ Rupees '000 ------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		1,217,093	1,150,411
Adjustment for non-cash and other items:			
Depreciation		17,179	28,934
Amortization of intangible assets		389	463
Write-off of intangible assets		-	148
Amortization of deferred income - grant fund		(103,603)	(109,714)
Transfer of deferred liabilities - grant fund to other income		(10,000)	-
Unrealized gain on investment in associate		(94,729)	
Amortization of deferred benefit		(149,272)	(142,085)
Provision against loans / service charges recognized		(34,766)	107,615
Income tax refund written-off		6,240	-
Gain on disposal of property and equipment		(12,391)	(2,119)
Fixed assets written-off		1,432	-
Project activities reported by POs	17.1	(6,240)	6,193
Financial charges		246,613	248,215
		(139,148)	137,650
		1,077,945	1,288,061
Working capital changes			
(Increase) / decrease in current assets:			
Loans and advances		(75,415)	3,451
Other receivables		(55,008)	15,155
Profit / service charges receivable		(21,074)	123,085
Increase in current liabilities:			
Trade and other liabilities		(54,502)	27,936
		(205,999)	169,627
		871,946	1,457,688
Disbursements to Partner Organizations:			
Loans		-	(5,276,853)
Grants		(1,006,291)	(2,185,789)
Recoveries of loans from Partner Organizations		8,925,177	9,285,235
Disbursement of loans to an associate		(8,430,000)	(1,818,000)
Income tax paid		(15,716)	(93,882)
Financial charges paid		(99,372)	(107,617)
Prepayments		(43,205)	31,489
Deposits		552	(131)
		(668,855)	(165,548)
Cash generated from operating activities		203,091	1,292,140
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		(1,528,675)	(631,884)
Investment in associate		-	(2,881,509)
Capital expenditure incurred		(21,293)	(11,796)
Proceeds from disposal of fixed assets		32,243	3,640
Cash utilized in from investing activities		(1,517,725)	(3,521,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repaid		(1,100,514)	(856,307)
Deferred liabilities - grant fund receipts		1,682,107	2,772,199
Deferred income - grant fund receipts		95,718	110,011
Cash generated from financing activities		677,311	2,025,903
NET DECREASE IN CASH AND CASH EQUIVALENTS		(637,323)	(203,506)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,518,865	4,722,371
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	3,881,542	4,518,865

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 Act, 2017)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2018

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 (now replaced by the Companies Act, 2017, with effect from 30 May, 2017). The registered office of the Company is situated at plot 14, street 12, Mauve Area, G-8/1, Islamabad, Pakistan.

Geographical location and address of business units including mill/plant units

Islamabad	**Purpose**
Plot 14, Street 12, Mauve Area, G-8/1, Islamabad	Head Office

The Company's license under section 42 of the repealed 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 Pursuant to the establishment of the Pakistan Microfinance Investment Company Limited (PMICL), and in accordance with the terms of the Non-Compete Agreement (refer to note 8.2), the Company has ceased to underwrite new loans to its POs, with effect from 21 February, 2017.

1.4 Summary of significant transactions and events

a) During the year loans amounting to Rs. 8,925,177 thousand have been recovered from POs (refer to note 11.5 for details) and a loan amounting to Rs. 8,430,000 thousand has been disbursed to associate (refer to note 10 for details); and

b) During the year vehicles amounting to Rs. 59,206 thousand have been disposed-off due to change in the employee benefit policy (refer to note 6 for details).

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The financial statements for current year has for the first time been prepared under the provisions of and directives issued under the Companies Act, 2017, which have resulted in the following changes in the current year financial statements, as compared to prior year financial statements prepared under the provisions of and directives issued under the Companies Ordinance, 1984:

3

- Changes in nomenclature of the primary financial statements; and

- Disclosures by fifth schedule of the Companies Act, 2017, resulting in elimination of certain disclosures, already included in IFRSs, and inclusion of significant additional disclosures, refer to notes 1, 1.4, 2, 6.2, 26.2, 41.

3 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

3.1 Amendments 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, amendment and interpretation, and have not been adopted early by the Company:

Standard / IFRIC		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions – (Amendments)	January 01, 2018
IFRS 10 & IAS 28	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendment)	Not yet effective
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 19 & IFRIC 14	Employee benefits - Remeasurement on a Plan Amendment, Curtailment or Settlement / Availability of a Refund from a Defined Benefit Plan (Amendments)	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income tax treatment	January 01, 2019

The above amendments to the approved accounting standards and the new standards are not expected to have any material impact on the Company's financial statements in the period of their initial application, except for IFRS-15 and IFRS-16, for which management is assessing the financial impact.

In addition to the above new standards and amendments to standard and interpretations, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019, respectively. 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:

Standard	Effective date (annual periods beginning on or after)
IFRS 1 – First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

3.2 Changes in accounting policies and disclosures resulting from amendments in 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:

3.3 Amendments in standards

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

IAS 7	Statement of Cash Flows - Disclosure Initiative
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments did not have any effect on the Company's financial statements, in the period of their initial application.

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2014 - 2016 cycle) has also been adopted:

IFRS 12	Disclosure of Interest in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12

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

4 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 financing.

5 SIGNIFICANT ACCOUNTING POLICIES

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 financing.

5.1 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 form other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 11.3), deferred benefit of below market rate of interest on long-term loans (note 23.5.1) and the staff gratuity scheme (note 27). The Company has changed its basis for recognizing loan losses (refer note 5.7). If the basis has not been changed, the surplus for the year would have been lower by Rs. 424,457 thousand.

5.2 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, 2018, the related details of which are given in note 27 to the financial statements.

(ii) The Company maintains a separate, approved contributory provident fund for all employees for which contributions, at 10% of basic salary, amounting to Rs. 17,007 thousand (2017: Rs. 21,438 thousand) were charged to income for the year.

5.3 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.

5.4 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.

5.5 Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income and expenditure account reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in funds and reserves. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit or loss of an associate is shown on the face of the income and expenditure account and represents profit or loss after tax of an associate. When necessary, adjustments are made to bring the accounting policies in line with those of the Company, except for the effect of non-application of IAS 39 "Financial Instruments: Recognition and Measurement", IAS 40 "Investment Property" and IFRS 7 "Financial Instruments: Disclosures" by an associate holding a Non-Banking Finance Company (NBFC) License, as these standards have been deferred by SECP for NBFCs.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of profit of an associate' in the income and expenditure account.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in income and expenditure account.

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 to provide sufficient capital adequacy an amount equivalent to 15% of the total loans receivable from Partner Organizations and PMICL (refer to notes 10 and 11) is held in investments. Further, (i) subsequent to the Company's investments in PMICL (refer to note 8), Rs. 2,883 million i.e. the amount equivalent to the Company's equity investment in PMICL, is deemed to be employed for micro-credit development, and (ii) of the remaining surplus funds, 85% are classified as the grant fund.

The income allocable to the grant fund is used for grant based health, education, infrastructure, emergency and other activities that fall within the overall strategic framework of the Company's objectives. The remaining 15% (2017: 15%) is accounted for as a general reserve, which is to be used to meet the day to day working capital requirements, purchase of land and construction of a head office premises and other requirements of the Company.

As at 30 June, 2018, investments amounting to Rs. 1,804,625 thousand and Rs. 10,358,190 thousand (2017: 1,878,901 thousand and 9,340,591 thousand), respectively, are held for capital adequacy and the grant fund.

5.7 Loans to Partner Organizations and associate

These are stated at amortized cost net of provisions for loan losses.

In light of cessation of underwriting of new loans, in accordance with the terms of the Non-Compete Agreement (refer to note 8.2), the Company in the prior year changed its method of estimating loan losses.

A general provision is made, at each reporting date, for loan losses at the rate of 3% of the outstanding balances of loans to POs, not specifically provided for.

3

The Company recognizes specific provisions for loan losses by classifying its loan amounts, outstanding for 30 days or more, into the following four categories:

(i) Other Assets Especially Mentioned:

Loan instalments overdue for 30 days to 59 days are classified as "Other Assets Especially Mentioned". No specific loan loss provision is made in respect of these loan instalments.

(ii) Sub-standard:

Loan instalments overdue for 60 days to 89 days are classified as "Sub-standard". A specific loan loss provision is made at the rate of 25% of outstanding overdue loan instalments.

(iii) Doubtful:

Loan instalments overdue for 90 days to 179 days are classified as "Doubtful". A specific loan loss provision is made at the rate of 50% of outstanding overdue loan instalments.

(iv) Loss:

Loan instalments overdue for 180 or more days are classified as "Loss". A specific loan loss provision is made at the rate of 100% of outstanding overdue loan instalments.

Service charges on loan instalments, overdue for 60 days or more are recognized on receipt basis. Further, the Company also classifies its service charges outstanding for 60 days or more, into the following three categories:

(i) Sub-standard:

Service charges overdue for 30 days to 59 days are classified as "Sub-standard". No specific provision is made in respect of these overdue charges.

(ii) Doubtful:

Service charges overdue for 60 days to 89 days are classified as "Doubtful". A specific provision is made at the rate of 50% of these overdue charges.

(iii) Loss:

Service charges overdue for 90 or more days are classified as "Loss". A specific provision is made at the rate of 100% of these overdue charges.

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

The grant fund represents 85% of the surplus funds of the Company, in excess of investments, as detailed in note 5.6.

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 Receipts - loans and grants

The Government of Pakistan has executed various agreements with multiple donors for the execution of poverty alleviation 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 statements 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.

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 reporting 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 reporting 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

Pursuant to the promulgation of the Finance Act, 2017, from tax year 2018 onward, the Company's income has been exempted from income tax, under part 1 of the Second Schedule to 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
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 reporting date, which are classified as non-current assets. The Company's loans and receivables comprise loans to POs, loans to associate, advances to employees, deposits 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.

iii. 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

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 reporting date.

3

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 reporting 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.

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.

6 PROPERTY AND EQUIPMENT

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at 01 July	Additions	Disposals/ Written-off*	As at 30 June	Rate	As at 01 July	Charge for the year	On disposals	As at 30 June	As at 30 June
2018	Rupees '000				%	Rupees '000				Rupees '000
Furniture and fixtures	19,665	2,845	(401) *	22,109	20	15,259	2,439	-	17,698	4,411
Vehicles	103,617	-	(59,206)	44,411	20	71,712	6,517	(39,354)	38,875	5,536
Office equipment	42,023	3,604	(1,031) *	44,596	20	34,380	2,809	-	37,189	7,406
Computer equipment	75,706	14,823	-	90,529	25	67,595	5,413	-	73,008	17,521
	241,011	21,272	(60,638)	201,645		188,946	17,179	(39,354)	166,771	34,874

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	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	As at 30 June
2017	Rupees '000				%	Rupees '000				Rupees '000
Furniture and fixtures	19,435	230	-	19,665	20	13,515	1,744	-	15,259	4,406
Vehicles	113,383	5,686	(15,452)	103,617	20	69,431	16,212	(13,931)	71,712	31,905
Office equipment	40,976	1,047	-	42,023	20	30,651	3,729	-	34,380	7,643
Computer equipment	71,010	4,833	(137)	75,706	25	60,483	7,249	(137)	67,595	8,111
	244,804	11,796	(15,589)	241,011		174,080	28,934	(14,068)	188,946	52,065

6.1 Depreciation for the year is charged to General and Administrative expenses (refer to note 33).

6.2 **Disposals of Property and Equipment**

	Cost	Accumulated depreciation	Net book value	Sale price	(Gain)/Loss on disposals	Mode of disposals	Particulars of buyer
	Rupees '000						
Vehicles	24,834	8,299	16,535	16,535	-	BOD approval	Employees
Assets with net book value below Rs. 500,000 each							
Vehicles - given to employees	20,688	17,371	3,317	3,348	(31)	BOD approval	Employees
Vehicles - Sold through auction	13,684	13,684	-	12,360	(12,360)	Auction	Various bidders
Total - 30 June, 2018	59,206	39,354	19,852	32,243	(12,391)		
Total - 30 June, 2017	15,589	14,068	1,521	3,640	(2,119)		

6.2.1 During the year, as per the Company's revised employee vehicle benefit policy, all company maintained vehicles for employees were sold to them at their book value.

7 INTANGIBLE ASSETS

2018	COST					ACCUMULATED AMORTIZATION				WRITTEN DOWN VALUE
	As at 01 July	Additions	Write-off	As at 30 June	Rate	As at 01 July	Charge for the year	On write-off	As at 30 June	As at 30 June
					%	Rupees '000				Rupees '000
Satellite imageries	19,078	-	-	19,078	25	19,078	-	-	19,078	-
Computer software	19,136	21	-	19,157	25	18,768	389	-	19,157	-
	38,214	21	-	38,235		37,846	389	-	38,235	-

2017	COST					ACCUMULATED AMORTIZATION				WRITTEN DOWN VALUE
	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	As at 30 June
	Rupees '000				%	Rupees '000				Rupees '000
Satellite imageries	19,078	-	-	19,078	25	19,078	-	-	19,078	-
Computer software	19,411	-	(275)	19,136	25	18,432	463	(127)	18,768	368
	38,489	-	(275)	38,214		37,510	463	(127)	37,846	368

7.1 Amortization for the year is charged to General and Administrative expenses. (refer to note 33).

8 INVESTMENT IN ASSOCIATE	Note	2018	2017
		------------ Rupees '000 ------------	
Opening balance		2,881,509	-
Investment during the year	8.1	-	2,883,258
Share of profit / (loss) of an associate	8.2	94,729	(1,749)
		2,976,238	2,881,509

8.1 The Company has a 49% interest in Pakistan Microfinance Investment Company Limited (PMICL), an unlisted public company registered with SECP on 10 August, 2016, and licensed to act as an Investment Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of PMICL is situated at 21st Floor, Ufone Tower, 55 C, Main Jinnah Avenue, Blue Area, Islamabad, Pakistan.

The Company's interest in PMICL is accounted for using the equity method in the financial statements, as the Company has significant influence over PMICL's operational and financial policies but does not have control over PMICL. Control is achieved when the Company is exposed, or has right to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

8.2 PMICL and the Company have entered into memorandum of understanding, whereby with effect from 01 December, 2016, PMICL is performing the following services in respect of the Company's loans to POs:

(i) follow-up on late payments upon intimation by the Company, and
(ii) providing recommendations on restructuring requests of POs.

PMICL was entitled to a Loan Portfolio Monitoring fee of 1% per annum, of the actual average daily value of the outstanding principal amounts, as full compensation, however, during the year PMICL and the Company entered in a memorandum of understanding, with effect from 1 January 2018 and now the Company will pay an amount of Rs 1.2 million for the year, as full compensation. The Company retains all risks and rewards and control over these loans. Accordingly, the Company continues to maintain its existing loan portfolio and the related general and specific provisions for these loans in its financial statements.

The Company has also provided subordinated loans to PMICL, utilizing the loans provided to the Company by the Government of Pakistan, in accordance with terms mutually agreed between the Company and PMICL (refer to note 10).

8.3 The following table illustrates the summarized financial information of the Company's investment in PMICL, based upon the audited financial statements of PMICL for the period ended 31 March, 2018, and un-audited interim financial information for the three month period ended 30 June, 2018:

	2018	2017
	------------ Rupees '000 ------------	
Current assets	2,038,006	3,583,738
Non-current assets	16,531,116	4,153,441
Current liabilities	(271,205)	(38,527)
Non-current liabilities	(12,223,000)	(1,818,000)
Equity	6,074,917	5,880,652
The carrying amount of the Company's investment	2,976,238	2,881,509

	30 June, 2018	01 August, 2016 to 30 June, 2017
	------------ Rupees '000 ------------	
Income	1,170,340	266,565
Administrative expenses	(282,246)	(218,473)
Other operating expenses	(25,184)	-
Other income	34,498	23,764
Finance costs - borrowings	(521,349)	(4,876)
Finance costs - bank charges	(3)	(45)
General provision against loan portfolio	(133,380)	(42,100)
Profit before taxation	242,676	24,835
Taxation	(49,351)	(28,404)
Profit/(Loss) for the year/ (period)	193,325	(3,569)
The Company's share of profit/(loss)	94,729	(1,749)

9 LONG-TERM INVESTMENTS	Note	2018	2017
		Rupees '000	
Held-to-Maturity			
Specific to Endowment Fund			
Pakistan Investment Bonds (PIBs)	9.1	1,000,000	1,000,000
Less: Unamortized discount on purchase of PIBs		(26,228)	(34,499)
		973,772	965,501
Specific to others			
Pakistan Investment Bonds	9.2	3,242,300	1,675,000
Add: Unamortized premium on purchase of PIBs		12,356	17,855
		3,254,656	1,692,855
		4,228,428	2,658,356
Less: Long-term investments maturing within next twelve months shown as a current asset		(2,131,000)	(875,000)
		2,097,428	1,783,356

9.1 Represents investments in PIBs as follows:

Principal Rupees '000	Issue date	Purchase Date	Maturity date	Coupon rate (per annum)	Payment terms (Coupon)
200,000	22 July, 2010	30 Dec, 2010	22 July, 2020	12%	Semi annually
200,000	22 July, 2010	19 May, 2011	22 July, 2020	12%	Semi annually
194,500	18 August, 2011	09 August, 2012	18 August, 2021	12%	Semi annually
5,500	18 August, 2011	31 May, 2013	18 August, 2021	12%	Semi annually
400,000	29 April, 2014	29 April, 2014	19 July, 2022	12%	Semi annually
1,000,000					

9.2 Represents investments in PIBs as follows:

Principal Rupees '000	Issue date	Purchase Date	Maturity date	Coupon rate (per annum)	Payment terms (Coupon)
238,000	21 April, 2016	20 March, 2018	21 April, 2019	6.70%	Semi annually
303,000	21 April, 2016	26 March, 2018	21 April, 2019	6.70%	Semi annually
400,000	17 July, 2014	22 Dec, 2014	17 July, 2019	11.50%	Semi annually
400,000	17 July, 2014	22 Dec, 2014	17 July, 2019	11.50%	Semi annually
870,000	21 April, 2016	05 March, 2018	21 April, 2019	6.72%	Semi annually
720,000	21 April, 2016	07 March, 2018	21 April, 2019	6.75%	Semi annually
311,300	29 Dec,2016	27 April, 2018	29 Dec,2019	7.08%	Semi annually
3,242,300					

10 LONG-TERM LOANS TO ASSOCIATE	Note	2018	2017
		Rupees '000	
PMICL - unsecured	10.1 & 10.2	10,248,000	1,818,000
Less: Amount receivable within next twelve months shown as a current asset		(812,279)	-
		9,435,721	1,818,000

10.1 The Company and PMICL signed a Master Subordinated Loan Framework Agreement, on 17 November, 2016, for the provision of subordinated loans to PMICL, up to a total amount of Rs. 12,347,520 thousand, utilizing funds available to the Company for lending activities, under the Financing Agreements with the Government of Pakistan (GoP). The subordinated loans will be disbursed under separate subordinate loan agreements as and when the related repayments are received by the Company, against the Company's loans to its POs, within fifteen days after the end of each calendar quarter. These loans will be unsecured and fully subordinated to all other indebtedness of PMICL, carrying service charges at the rate of six months KIBOR plus 100 basis points, unless otherwise agreed by both parties, pursuant to the occurrence of specified conditions. The due dates of these loans will not be later than 31 December, 2031, i.e. the final repayment date of the Company's long-term loans from GoP.

10.2 After obtaining appropriate approvals from SECP, pursuant to a special resolution passed by the Company's members in accordance with the requirements of section 208 of the Companies Ordinance, 1984 (now replaced by the Companies Act, 2017), the Company till date has disbursed six separate loans in the current and prior year. The pertinent information regarding these loans is as follows:

Date of disbursement	Amount Rupees '000	First instalment due	Last instalment due	No. of instalments*
01 June, 2017	824,000	07 October, 2018	07 October, 2031	43
29 June, 2017	994,000	07 January, 2019	07 January, 2031	43
08 August, 2017	1,663,000	07 January, 2019	07 January, 2031	43
03 November, 2017	2,869,000	07 January, 2019	07 January, 2031	43
28 December, 2017	350,000	07 January, 2019	07 January, 2031	43
29 January, 2018	2,131,000	07 January, 2019	07 January, 2031	43
03 May, 2018	1,000,000	07 January, 2019	07 January, 2031	43
04 June, 2018	417,000	07 January, 2019	07 January, 2031	43
	10,248,000			

* The first 33 unequal instalments will be payable at quarterly intervals, with the remaining unequal instalments payable at semi-annual intervals.

The effective interest rate was 7.15 to 7.21% (2017: 7.15%) per annum.

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(A Company incorporated under Section 42 of the Companies Act, 2017)

		Note	2018	2017
11	LONG-TERM LOANS TO PARTNER ORGANIZATIONS		---------- Rupees '000 ----------	
	Secured			
	Considered good		886,137	10,021,920
	Considered doubtful		896,690	686,084
		11.1	1,782,827	10,708,004
	Less: Provision for doubtful loans	11.3	(923,831)	(974,605)
			858,996	9,733,399
	Less: Amount receivable within next twelve months shown as a current asset		(803,100)	(8,923,734)
			55,896	809,665

11.1 Breakup of loans to Partner Organizations

	2018	2017
Association for Gender Awareness and Human Empowerment Pakistan	30,000	89,833
Al Mehran Rural Development and Welfare Organization Foundation	91,471	155,895
ASA Pakistan Limited	43,750	499,859
Asasah	197,096	197,096
Badbaan Enterprise Development Forum	-	16,555
Bedari	18,647	19,647
BRAC Pakistan	65,678	316,846
Buksh Foundation	49,925	49,925
Bunyad Literacy Community Council	2,150	9,750
Community Support Concern - CEIP	-	266,903
Development Action for Mobilization and Emancipation Support Programme	116,881	946,786
Farmers Friend Organization Microfinance Company	71,021	331,107
Ghazi Brotha Taraqiatee Idara	-	48,560
Jinnah Welfare Society Pakistan	54,000	409,400
Kashf Foundation	-	1,931,000
Khilji Cooperative Society	12,620	12,620
Khushali Bank	-	320,000
Mashal Development Organization	505	505
Mehran Education Society	21,748	21,748
Micro Options (Formerly Dia Welfare Organization)	11,000	50,206
Mojaz Foundation Support Programme	45,100	367,583
Narowal Rural Development Programme	58,455	63,455
National Rural Support Programme	-	1,820,224
Orangi Charitable Trust	120,043	122,043
Organization for Participatory Development Support Program	74,733	74,733
Poverty Eradication Network	1,827	1,827
Punjab Rural Support Programme	-	305,179
Rural Community Development Program	91,404	433,640
SAATH Microfinance Foundation Pakistan	61,354	75,354
Save The Poor	4,872	4,872
Sayya Microfinance Company	4,000	40,388
Shadab Rural Development Organization	68,000	71,000
Shah Sachal Sami Welfare Association	43,811	100,555
Foundation	-	329,905
Soon Valley Development Programme	-	110,869
Thardeep Microfinance Foundation	154,417	823,417
Waasil Foundation (Formerly Centre for Women Cooperative Development)	257,839	257,839
Women Social Organization	3,830	4,230
Young Pioneers Society	6,650	6,650
	1,782,827	10,708,004

11.2 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 repayable on a quarterly basis within two years, under the respective Financing Agreements signed between the Company and the POs.

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 facilities are charged service charges at the standard rates based on KIBOR, with a floor of 8% per annum, for facilities to "not-for-profit" POs and "for-profit" POs utilizing facilities in remote geographical areas; the floor is 9% per annum for all other facilities to "for-profit" POs.

During the year no new loans were disbursed, the Company has ceased to underwrite new loans with effect from 21 February, 2017.

		Note	2018 Specific	2018 General	2018 Total	2017 Total
			------- Rupees '000 -------			Rupees '000
11.3	Movement in provision for doubtful loans					
	Opening balance		674,153	300,452	974,605	943,102
	Provision recognized / (reversed) during the year - Net	36	222,537	(273,311)	(50,774)	31,503
			896,690	27,141	923,831	974,605

11.4 Particulars of non-performing loans

	2018 Loan amount Rupees '000	Provision required %	Provision amount Rupees '000
Other Assets Especially Mentioned	-	0%	-
Sub-standard	-	25%	-
Doubtful	-	50%	-
Loss	896,690	100%	896,690
	896,690		896,690

		Note	2018	2017
			---------- Rupees '000 ----------	
11.5	Movement in loans to Partner Organizations			
	Opening balance		10,708,004	14,716,386
	Add: Disbursements		-	5,276,853
			10,708,004	19,993,239
	Less: Recoveries		(8,925,177)	(9,285,235)
			1,782,827	10,708,004
	Less: Provision for doubtful loans	11.3	(923,831)	(974,605)
			858,996	9,733,399
12	LONG-TERM DEPOSITS AND PREPAYMENTS			
	Deposits		7,004	7,556
	Prepaid rent		64,796	22,400
	Less: Current portion of prepaid rent shown under current assets	15	(39,036)	(22,400)
			25,760	-
			32,764	7,556
13	GRANT FUND RECEIVABLE			
	Considered good, unsecured		25,176	60,127

13.1 The current year balance represents the amounts disbursed to POs, from the Company's own financial resources, in respect of the "National Poverty Graduation Programme" (refer to note 24.9).

		Note	2018	2017
			---------- Rupees '000 ----------	
14	LOANS AND ADVANCES			
	Loans - considered good, secured			
	Employees	14.1	76,693	15,346
	Less: Long-term portion of loans and advances		(31,074)	-
			45,619	15,346
	Advances - considered good, unsecured			
	Employees		3,267	1,708
	Suppliers		12,683	174
			15,950	1,882
			61,569	17,228

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14.1 This represents the advance salary loans and car loans given to the employees of the Company, carrying annual mark-up of Nil (2017: 3%) and Nil (2017: 8%), respectively. The principal amounts are repayable in a maximum of 60 equal monthly instalments.

15 SHORT-TERM PREPAYMENTS	Note	2018	2017
		---------- Rupees '000 ----------	
Prepayments		2,920	2,111
Current portion of long-term prepaid rent	12	39,036	22,400
		41,956	24,511

16 PROFIT / SERVICE CHARGES RECEIVABLE	Note	2018	2017
Service charges on Investments			
Specific to Endowment Fund		51,600	51,600
Specific to projects		-	12,575
Specific to others and savings accounts		271,261	242,265
		322,861	306,440
Service charges receivable on loans to associate		172,094	4,876
Service charges receivable on loans to POs		169,066	331,631
Less: Provision for doubtful service charges	16.1	(155,546)	(139,538)
		13,520	192,093
		508,475	503,409

16.1 Movement in provision for doubtful service charges:

	Note	2018	2017
Opening balance		139,538	63,426
Add: Provision for the year	36	16,008	76,112
		155,546	139,538

17 OTHER RECEIVABLES	Note	2018	2017
Considered good, unsecured			
Employees' provident fund		10,484	9,690
Consultants / service providers		-	7,595
Withholding tax	17.1	61,727	
Others		1,117	1,035
		73,328	18,320

17.1 During the year, as per notice of demand [Letter no. 734418-1] dated 19 September, 2017, received by the Company, an order was passed under section 161/205 for the tax year 2014, whereby an amount of Rs. 61,727 thousand was determined to be payable by the Company. On 4 October, 2017, the Company filed an appeal with the Commissioner Inland Revenue – Appeals II against the notice of demand received and for grant of stay. The application for stay being dismissed, an amount of Rs. 61,727 thousand was deducted by the Federal Board of Revenue (FBR) on 27 October, 2017 directly from the bank account of the Company. Although, the matter has been remanded back for fresh proceedings based on arguments and facts presented by the Company in the hearings taken place during the year, the final decision, however, is pending till date.

18 SHORT-TERM INVESTMENTS	Note	2018	2017
		---------- Rupees '000 ----------	
Held-to-Maturity			
Specific to projects		-	420,000
Specific to others	18.1	10,246,700	11,278,012
		10,246,700	11,698,012
18.1 Specific to others			
Term Deposit Receipts (TDRs)	18.1.1	9,078,932	9,077,080
Government Treasury Bills	18.1.2	1,167,768	-
		10,246,700	9,077,080

18.1.1 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 6.1% to 9% (2017: 5.80% to 8.80%).

18.1.2 These funds are invested in Government Treasury Bills maturing within three months from the date of investment, at a mark-up of 6.74% (2017:5.97%) per annum.

19	TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2018	2017
			---------- Rupees '000 ----------	
	Income tax refunds	19.1	367,046	345,090
	Income tax refund written-off		(6,240)	-
			360,806	345,090

19.1 This represents tax refunds relating to tax years 2003 to 2018. 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.

20	BANK BALANCES-SPECIFIC TO PROJECTS	2018	2017
		---------- Rupees '000 ----------	
	In current accounts		
	Specific to KfW - Livelihood and Community Infrastructure	102,106	102,106
	Specific to KfW - Livelihood and Community Infrastructure Phase II	129,260	-
	Specific to KfW - Renewable Energy	81	3,624
	Specific to Italian Project - Poverty Reduction Through Rural Development Activities in Baluchistan, KPK and FATA	1,373,299	338,109
	Specific to UNHCR - Afghan Refugees	6,677	-
	Specific to Prime Minister's Interest Free Loan Scheme (PMIFL)	231,111	547,771
		1,842,534	991,610

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

21	CASH AND BANK BALANCES	Note	2018	2017
			---------- Rupees '000 ----------	
	Cash in hand		59	102
	Cash at banks in:			
	- Current accounts		605	1,834
	- Deposit accounts	21.1	370,576	447,633
			371,181	449,467
			371,240	449,569

21.1 These balances carry a per annum mark-up ranging between 3.7% to 6% (2017: 3.5% to 6.7%).

22	ENDOWMENT FUND	2018	2017
		---------- Rupees '000 ----------	
		1,000,000	1,000,000

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

23	LONG-TERM FINANCING	Note	2018	2017
			---------- Rupees '000 ----------	
	Unsecured - from a related party:			
	Government of Pakistan - PPAF - I (IDA financing)	23.1	877,097	1,096,387
	Government of Pakistan - PPAF - II (IDA financing)	23.2	6,087,162	6,624,234
	Government of Pakistan - (IFAD financing - MIOP)	23.3	802,767	879,221
	Government of Pakistan - (IFAD financing - PRISM)	23.4	1,649,370	1,786,816
	Government of Pakistan - PPAF - III (IDA financing)	23.5	2,931,122	3,061,371
			12,347,518	13,448,029
	Less: Amounts payable within the next twelve months shown as a current liability		(1,279,597)	(1,100,515)
			11,067,921	12,347,514
	Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF - III (IDA financing)	23.5.1	(1,723,480)	(1,872,752)
			9,344,441	10,474,762

23.1	Government of Pakistan - PPAF - I (IDA financing)	2018	2017
		---------- Rupees '000 ----------	
	Opening balance	1,096,387	1,315,674
	Amount repaid	(219,287)	(219,287)
		877,100	1,096,387

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)

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 the GoP, a sum of Special Drawing Rights (XDR) of XDR. 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 the GoP and the Company, 50% of the amount was disbursed 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 a grace period of eight years, in thirty semi-annual instalments, payable on each 15 May and 15 November, commencing from 15 November, 2007 and ending on 15 May, 2022. Each instalment, up to and including the instalment payable on 15 May, 2013, was equal to 2.083% of such principal amount, and each instalment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75 % per annum, on the principal amount of loan withdrawn and outstanding from time to time, and 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.

		2018	2017
		---------- Rupees '000 ----------	
23.2	Government of Pakistan- PPAF - II (IDA financing)		
	Opening balance	**6,624,234**	6,982,227
	Amount repaid	**(537,075)**	(357,993)
		6,087,159	6,624,234

A 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 XDR of 168.1 million, over a period of four years, to be utilized by the 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 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 instalments, payable on each 01 February and 01 August, commencing from 01 February, 2012 and ending on 01 August, 2026. Each instalment, up to and including the instalment payable on 01 August, 2017, shall be equal to 2.083% of such principal amount, and each instalment thereafter, shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75% per annum on the principal amount of 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.

		2018	2017
		---------- Rupees '000 ----------	
23.3	Government of Pakistan - (IFAD financing - MIOP)		
	Opening balance	**879,221**	955,675
	Amount repaid	**(76,454)**	(76,454)
		802,767	879,221

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 XDR 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 instalments, 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.

		2018	2017
		---------- Rupees '000 ----------	
23.4	Government of Pakistan - (IFAD financing - PRISM)		
	Opening balance	**1,786,816**	1,924,264
	Amount repaid	**(137,448)**	(137,448)
		1,649,368	1,786,816

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and the 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 XDR. 22.85 million over a period of five years, to be utilized by the 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 instalments, 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.

		Note	2018	2017
			---------- Rupees '000 ----------	
23.5	Government of Pakistan- PPAF - III (IDA financing)			
	Opening balance		3,061,371	3,126,496
	Amount received		-	-
	Amount repaid		(130,250)	(65,125)
			2,931,121	3,061,371
	Less: Deferred benefit of below market rate of interest on long-term financing	23.5.1	(1,723,480)	(1,872,752)
			1,207,641	1,188,619

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 XDR. 167.2 million over a period of 5 years to be utilized by GoP through the Company.

Under a 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 instalments, payable on each 15 June and 15 December commencing from 15 June, 2017 and ending on 15 December, 2031. Each instalment, up to and including the instalment payable on 15 December, 2022, shall be equal to 2.083% of such principal amount, and each instalment thereafter shall be equal to 4.167% of such principal amount. These loans carry a service charge of 0.75% per annum on the principal amount of 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.

23.5.1 The loan is carried at its present value computed at a market based interest rate i.e. 15% per annum. 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 benefit during the year is as follows:

	Note	2018	2017
		---------- Rupees '000 ----------	
Deferred benefit			
Opening balance		1,872,752	2,014,837
Additions during the year		-	-
Amortization during the year		(149,272)	(142,085)
		1,723,480	1,872,752

24 DEFERRED LIABILITIES - GRANT FUND

	Note	2018	2017
Government of Pakistan - KfW Renewable Energy (RE)	24.3	2,405	-
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP I)	24.4	111,889	104,956
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)	24.5	126,470	-
Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, Federally Administered Tribal Areas - (Italian Project)	24.6	1,146,988	331,199
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme	24.7	228,210	544,971
United Nations High Commissioner for Refugees (UNHCR)	24.8	7,262	
Others	24.10	93	11,326
		1,623,317	992,452

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

24.2 Movement during the year:

	Note	KfW LACIP II	KfW RE	KfW LACIP I	Italian Project	PMIFL	UNHCR-AR	NPGP	Others	2018	2017
Opening balance		-	(60,127)	104,956	331,199	544,971	-	-	11,326	932,325	339,722
Receipts during the year		130,648	200,953	-	1,367,171	-	77,688	-	2,250	1,778,710	2,882,210
Transfers to deferred income - grant fund	25	-	(11,733)	-	(48,036)	(9,711)	(1,062)	(25,176)	-	(95,718)	(110,011)
Project activities reported by POs		-	-	-	-	-	-	-	-	-	6,193
Funds returned to Donor		-	-	-	-	-	(885)	-	-	(885)	
Transfers to other Income	32	-	-	-	-	-	-	-	(10,000)	(10,000)	-
		130,648	129,093	104,956	1,650,334	535,260	75,741	(25,176)	3,576	2,604,432	3,118,114
Less: (Recovery) / Disbursements for											
Water and infrastructure		547	-	(976)	227,266	-	-	-	-	226,837	879,070
Social sector development		-	-	-	160,075	-	-	-	-	160,075	481,049
Capacity/Institutional building		3,029	(2,325)	182	34,544	27,391	-	-	2,626	65,447	303,698
Social mobilization		-	-	-	8,946	-	68,479	-	857	78,282	27,316
Livelihood enhancement and protection		602	-	-	72,515	-	-	-	-	73,117	249,374
Micro credit access		-	129,013	(6,139)	-	279,659	-	-	-	402,533	245,282
	24.8	4,178	126,688	(6,933)	503,346	307,050	68,479	-	3,483	1,006,291	2,185,789
		126,470	2,405	111,889	1,146,988	228,210	7,262	(25,176)	93	1,598,141	932,325
Represented by:											
Deferred liabilities - grant fund		126,470	2,405	111,889	1,146,988	228,210	7,262	-	93	1,623,317	992,452
Grant fund receivable		-	-	-	-	-	-	(25,176)	-	(25,176)	(60,127)
Receivable from POs		-	-	-	-	-	-	-	-	-	-
		126,470	2,405	111,889	1,146,988	228,210	7,262	(25,176)	93	1,598,141	932,325

24.3 During the year, the Company received Rs. 409,289 thousand from foreign donors, namely German Development Bank (KfW) and United Nations High Commissioner for Refugees (UNHCR). Further, the Company also received Rs.1,367,171 thousand, under agreements between the Government of Pakistan and foreign donors, namely the Government of Italy. The remaining amount was also received locally by the Company from Mari Petroleum Company Limited.

24.3 **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 a 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 was to expire on 31 December, 2017, however, the project duration has now been extended to 30 September, 2018.

24.4 **Grants from Government of Pakistan - KfW - Livelihood Support and Promotion of Small Community Infrastructure (LACIP I)**

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 previously expire on 31 December, 2015, however, with mutual consent between both parties, many revisions were made to the project period-end. As of the reporting date, however, the Company is in negotiation with the donor to agree the final plan and date for the completion of the project. As part of this plan the Company will also carry-out relevant welfare activities up to Rs. 48 million, in cooperation with its POs.

24.5 **Grants from Government of Pakistan - KfW - Livelihood Support and Promotion of Small Community Infrastructure Programme (LACIP-II)**

On 18 August, 2017, the Company and German Financial Cooperation - KfW signed financing and project agreements under which KfW has agreed to make available an amount of EUR 10,000,000 to PPAF, as a grant on a non-reimbursable basis, for the support of (i) public physical infrastructure (CPI) schemes inclusive of disaster management and climate adaptation aspects (ii) livelihood development on group-based approach inclusive of skills and enterprise development training and related asset transfer and (iii) beneficiaries will be mobilized and organized in a variety of groups in three districts, Lakki Marwat, Shangla and Buner, of Khyber Pakhtunkhwa. PPAF has entered into financing agreements with three (03) POs for the implementation of the project. The agreement will be expire on 30 December, 2021.

24.6 **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 was to expire on 30 September, 2016, however, the project duration was extended to 30 September, 2018.

24.7 **Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme**

On 14 May, 2014, the 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 was 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 was 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.

24.8 United Nations High Commissioner for Refugees (UNHCR)

On 23 March, 2018, UNHCR and PPAF signed a financing and project agreement for implementation of a graduation programme, under continuation of "Poverty Graduation for Afghan Refugee and Hosting Families in Pishin (Baluchistan) and Swabi (KPK)" (the Project). The Project implementation period is 01 January, 2018 to 31 December, 2018 whereas the previous phase was completed in December 2017. PPAF will implement the Project, which will target 2000 households including male and female young adults living in district Pishin in Baluchistan and district Swabi in Khyber Pakhtunkhwa. The Project focuses on Afghan refugees acquiring transferable skills so that refugee families are able to support themselves in a dignified manner for the duration of their stay in Pakistan and after their voluntary repatriation to Afghanistan. The same skills training will be provided to their Pakistani hosting families to enable them to participate in the formal labour market to achieve a steady income, support their families 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.

24.9 National Poverty Graduation Programme

On November 14, 2017 the Government of Pakistan(GoP) and International Fund for Agricultural Development (IFAD) signed project and financing agreements for "National Poverty Graduation Programme "(the Project), under which IFAD and GoP agreed to make available an amount of USD 100 million and USD 50 million, respectively, to PPAF, as a grant on a non-reimbursable basis over a period of six years. On January 10, 2018 GoP and PPAF signed a subsidiary financing agreement for the implementation of the Project. The Project aims to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis while simultaneously improving their overall food security, nutritional status and resilience to climate change. The development objective of the Project is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven, flexible and responsive menu of assistance. The Project consists of two key components; Poverty Graduation and Social Mobilization & Project Management.

24.10 Other funds

24.10.1 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.

24.11 **Breakup of (Recovery) / Disbursements to POs**

	KfW LACIP II	KfW RE	KfW LACIP I	Italian Project	PMIFL	UNHCR-AR	Others	2018	2017
	Rupees '000								
Awami Development Organization	-	-	-	-	8,500	-	-	8,500	2,000
Association of Gender Awareness and Human Empowerment Pakistan	-	-	-	-	7,000	-	-	7,000	2,000
Asia Humanitarian Organization	-	-	(268)	-	-	-	-	(268)	-
Akhuwat	-	-	-	-	44,600	-	-	44,600	41,850
Aga Khan Rural Support Programme	-	59,945	-	36,245	-	-	-	96,190	131,099
Al-Mehran Rural Development and Welfare Organization Foundation	-	-	-	-	6,000	-	-	6,000	3,000
AZAT Foundation	-	-	-	16,569	-	-	-	16,569	56,430
Bunyad Literacy Community Council	-	-	-	-	2,700	-	-	2,700	800
BRAC Pakistan	-	-	-	25,035	-	-	-	25,035	76,923
Baluchistan Rural Development and Research Society	-	-	-	-	-	-	-	-	21,689
Baluchistan Rural Support Programme	-	-	-	142,151	12,926	-	-	155,077	139,910
Center of Excellence for Rural Development	-	-	-	-	-	34,008	-	34,008	60,157
Change in Education	-	-	(17)	-	-	-	-	(17)	9,307
Community Mobilization and Development Organization	-	19,646	-	-	-	-	-	19,646	(2)
Community Support Concern - CEIP	-	-	-	-	-	-	-	-	2,400
Community Support Foundation	-	-	-	-	-	-	-	-	54,286
Community Uplift Programme	-	-	(976)	-	-	-	-	(976)	-
Environment Protection Society	-	-	-	14,249	5,600	-	-	19,849	167,022
Farmers Development Organization	-	-	-	-	11,512	-	-	11,512	3,000
Farmers Friend Organization Microfinance Company	-	-	-	-	2,000	-	-	2,000	2,000
Ghazi Brotha Taraqiatee Idara	-	-	-	-	7,094	-	-	7,094	55,826
Hazara Development and Advocacy Foundation	-	-	-	-	-	-	-	-	3,520
Helping Hand for Relief and Development	-	-	-		-	-	-	-	21,240
Health and Nutrition Development Society	-	-	-		6,000	-	-	6,000	1,000
Human Development Foundation	-	-	-	21,758	-	-	-	21,758	-
Kashf Foundation	-	-	-	-	3,000	-	-	3,000	3,000
Khwendo Kor Women and Children Development Programme	-	-	-	13,548	-	-	-	13,548	42,087

24.11 Breakup of (Recovery) / Disbursements to Pos (continued)

	KfW LACIP II	KfW RE	KfW LACIP I	Italian Project	PMIFL	UNHCR-AR	Others	2018	2017
	Rupees '000								
Lasoona Society for Human and Natural Resource Development	-	-	-	14,812	-	-	-	14,812	87,489
Mountain and Glacier Protection Organization	-	-	-	-	-	-	-	-	250
Mountain Institute of Educational Development	-	-	-	-	-	-	-	-	1,178
Mojaz Foundation Support Programme	-	-	-	-	11,100	-	-	11,100	2,000
National Integrated Development Association	-	-	-	-	-	-	-	-	43,212
National Rural Support Programme	-	11,800	(5,871)	177,905	-	-	-	183,834	560,887
Orangi Charitable Trust	-	-	-	-	8,000	-	-	8,000	
NRSP Micro-finance Bank Limited	-	-	-	-	-	-	-	-	1,220
Participatory Integrated Development Society	-	-	-	-		-	-	-	62,250
Punjab Rural Support Programme	-	-	-	-	4,000	-	-	4,000	4,000
Rural Community Development Program	-	-	-	-	16,700	-	-	16,700	5,000
Social Action Bureau for Assistance in Welfare and Organization Network	4,178	3,618	-	-	-	-	-	7,796	60,114
Sindh Agricultural & Forestry Workers Co-ordinating Organization	-	-	-	-	14,400	-	-	14,400	8,000
Sarhad Rural Support Programme	-	31,655	-	-	-	-	-	31,655	290,414
Save The Poor	-	-	-	-	-	-	-	-	-
Sayya Microfinance Company	-	-	-	-	4,496	-	-	4,496	2,000
SEHER	-	-	-	7,589	-	-	-	7,589	6,106
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	-	-	-	-	65,443	-	-	65,443	(61)
Sindh Rural Support Organization	-	-	-	-	12,000	-	-	12,000	15,000
Sustainable Use Special Group-Central Asia	-	-	-	-	-	-	-	-	(242)
Taraqee Foundation	-	-	-	10,445	-	-	-	10,445	49,996
Thardeep Microfinance Foundation	-	-	-	-	13,400	-	-	13,400	6,400
Water Environment & Sanitation Society	-	-	-	-	-	-	2,626	2,626	11,687
Youth Organization	-	-	-	15,678	-	34,471	-	50,149	19,669
CSC Empowerment & Inclusion Programme	-	-	-	-	13,188	-	-	13,188	-
Direct expenses on project activities	-	24	199	7,362	27,391	-	857	35,833	48,676
	4,178	126,688	(6,933)	503,346	307,050	68,479	3,483	1,006,291	2,185,789

25 DEFERRED INCOME - GRANT FUND

	Government of Pakistan (GoP) - Capacity building								
	PMIFL	UNHCR	NPGP	IFAD (PRISM)	KfW (RE)	KfW (LACIP)	Government of the Italian Republic	2018	2017
	Rupees '000								
Opening Balance	-	-	-	562	126	11,139	1,548	13,375	13,078
Amount transferred	9,711	1,062	25,176	-	11,733	-	48,036	95,718	110,011
Expenditure from grant recognized as income	(9,711)	(1,062)	(25,176)	(562)	(11,859)	(6,198)	(49,035)	(103,603)	(109,714)
	-	-	-	-	-	4,941	549	5,490	13,375

26 TRADE AND OTHER LIABILITIES

	Note	2018	2017
		Rupees '000	
Trade liabilities			
Creditors		3,786	480
Accrued liabilities		2,812	2,647
Payable to staff gratuity fund	27.1	15,115	4,686
Consultancy fee payable		927	3,505
Withholding tax payable		14,856	1,339
Loan Portfolio Monitoring fee payable	26.1	600	74,428
		38,096	87,085
Other liabilities			
CMA Awards payable		13,690	3,346
Payable to provident fund	26.2	14,160	13,103
Others		3,927	10,779
		31,777	27,228
		69,873	114,313

26.1 This represents amounts payable to PMICL, an associate of the Company, in respect of loan portfolio monitoring services provided during the year (refer to note 8.2).

26.2 The Company maintains a separate, approved contributory provident fund for all employees. All the investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated thereof.

	2018	2017
27 DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY FUND	---------- Rupees '000 ----------	

27.1 The movement in liability is as follows:

	2018	2017
Opening net liability	**4,686**	12,633
Expense recognized during the year	**16,952**	14,286
Contributions made directly to the Fund	**(13,317)**	(24,927)
Benefit payments on behalf of the Fund	**(3,268)**	-
Re-measurement loss recognized in other comprehensive income	**10,062**	2,694
	15,115	4,686

27.2 The details of actuarial valuation carried out as at 30 June, 2018 and 2017 are as follows:

27.2.1 Reconciliation of payable to defined benefit plan	Note	2018	2017
		---------- Rupees '000 ----------	
Present value of the defined benefit obligation	27.2.2	**130,239**	102,069
Fair value of the plan assets	27.2.4	**(115,124)**	(97,383)
		15,115	4,686

27.2.2 Change in the present value of defined benefit obligation

	2018	2017
Opening balance	**102,069**	102,160
Current service cost	**17,112**	13,483
Past service cost	**-**	333
Interest cost on defined benefit obligation	**8,032**	6,662
Benefits paid	**(3,268)**	(20,539)
Actuarial gain recognized	**6,294**	(30)
	130,239	102,069

27.2.3 Charge recognized in the Statement of Income and Expenditure

	2018	2017
Current service cost	**17,112**	13,483
Past service cost	**-**	333
Interest cost on defined benefit obligation	**8,032**	6,662
Interest income on plan assets	**(8,192)**	(6,192)
	(160)	470
	16,952	14,286

Charge recognized in the Statement of Other Comprehensive Income

	2018	2017
Actuarial (gain) / loss recognized	**6,294**	(30)
Return on plan assets, excluding the amount included in interest income	**3,768**	2,724
	10,062	2,694

	2018	2017
27.2.4 Change in fair value of plan assets	---------- Rupees '000 ----------	
Opening balance	**97,383**	89,527
Interest income	**8,192**	6,192
Contributions made directly to Fund	**13,317**	24,927
Payments made on behalf of the Fund	**3,268**	-
Benefits paid	**(3,268)**	(20,539)
Return on plan assets, excluding the amount included in interest income	**(3,768)**	(2,724)
	115,124	97,383

27.2.5 Major categories of plan assets as a percentage of total plan assets are as follows:

	2018		2017	
	Rupees '000	%	Rupees '000	%
Term Deposit Receipts	**114,086**	**99**	97,018	100
Cash and cash equivalents	**1,038**	**1**	365	0
	115,124	**100**	97,383	100

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.

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

	2018	2017
Valuation discount rate (per annum)	**9.00%**	8.00%
Salary increase rate (per annum)	**8.00%**	7.00%
Salary increase rate - 1 year (per annum)	**6.50%**	5.75%

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, 2017 and 2018.

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, salary risk, longevity risk and withdrawal 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

	Defined benefit obligation	
	1% Increase	1% decrease
	---------- Rupees '000 ----------	
Discount rate (1%)	(10,562)	12,293
Salary increase rate (1%)	12,964	(11,309)

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, 2018	8.77
30 June, 2017	8.17

	2018	2017
	Rupees '000	
27.2.7 Projected payments as at 30 June		
Contributions for next financial year	18,633	14,318
Benefit payments:		
Year 1	28,639	19,432
Year 2	6,666	6,716
Year 3	9,599	4,850
Year 4	4,490	10,932
Year 5	4,460	3,280

28 SERVICE CHARGES PAYABLE

These represent service charges payable to GOP at the rate of 0.75% per annum (2017: 0.75% per annum) on the principal amount of long term-financing outstanding withdrawn from time to time.

29 CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
		Rupees '000	
29.1 Contingencies			
29.1.1 Guarantees to banks against lending to Microfinance institutions		-	420,000
29.2 Commitments			
29.2.1 Aggregate commitments under Financing Agreements with Partner Organizations for Grants:			
Community physical infrastructure		441,251	579,404
Capacity building		107,593	305,760
Social sector development		445,713	239,161
Social mobilization		97,800	94,187
Livelihood enhancement and protection		245,886	139,260
		1,338,243	1,357,772
Loans under the Master Subordinate Loan Agreement with an associate of the Company		904,787	10,529,520
		2,243,030	11,887,292

29.2.2 PMICL

a) The Company has granted separate put options to other shareholders of PMICL, for sale of their shares in PMICL, individually, to the Company, between 2024 to 2026, at the higher of the aggregate net book value of the shares held by these shareholders and the total capital invested by them, on the option exercise date. As the management estimates that the fair value of these shares will be equal to or more than the amount of the consideration required to be paid, no liability for these options has been recognized in these financial statements. As at 30 June, 2018, the aggregate net book value of shares held by these shareholders is Rs. 3,098,208 thousand (at Rs. 1.032 per share) and the capital invested by them is Rs. 3,000,964 thousand.

b) Without the consent of all other shareholders of PMICL, holding at least 10% of PMICL's shares, the Company cannot sell or pledge, for a period of five years commencing from the date of incorporation of PMICL, its shares in PMICL. The Company has also granted other shareholders of PMICL, the right of first offer and tag-along rights, in case it receives a bona fide binding offer for the sale of shares held by it.

30 SERVICE CHARGES ON LOANS TO PARTNER ORGANIZATIONS AND ASSOCIATE	2018	2017
	---------- Rupees '000 ----------	
Service charges on loans to Partner Organizations	**350,940**	1,031,506
Service charges on loans to associate	**458,820**	4,876
	809,760	1,036,382

These represent service charges on loans to POs and an associate, under respective Financing Agreements at the rates disclosed in note 10.1 and 11.2.

31 INCOME ON INVESTMENTS AND SAVINGS ACCOUNTS	Note	2018	2017
		---------- Rupees '000 ----------	
Profit on investments			
Specific to Endowment Fund		**128,060**	126,680
Specific to projects		**3,565**	30,074
Specific to Grant Fund	31.1	**718,186**	627,914
Specific to others and savings accounts		**246,315**	256,030
		1,096,126	1,040,698

31.1 Income on investments is allocated to the grant fund, in the ratio of the balance of grant fund to the average investments during a period. This income will be used for grant based interventions, approved by the Board of Directors of the Company.

32 OTHER INCOME	Note	2018	2017
		---------- Rupees '000 ----------	
Income from financial assets			
Mark-up on loans to employees		**260**	394
Income from non-financial assets			
Gain on disposal of property equipment		**12,391**	2,119
Reversal of provision - Net	11.3	**50,774**	-
Reversal of deferred liability-grant fund	32.1	**10,000**	-
Miscellaneous	32.2	**6,592**	536
		80,017	**3,049**

32.1 This comprise of reversal of unutilized grant received from Fauji Fertilizer company Limited and Engro Foundation amounting to Rs 6,000 thousand and Rs 4,000 thousand, respectively and taken to statement of profit and loss account.

32.2 This includes a reversal of an expense amounting to Rs 5,755 thousand relating to project and relief activities, which erroneously charged in previous years.

33 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2018	2017
		---------- Rupees '000	----------
Salaries, wages and other benefits	33.1	**417,026**	325,356
Rent, rates and taxes		**36,135**	33,902
Repairs and maintenance		**8,753**	8,895
Traveling, lodging and conveyance		**62,525**	41,890
Communication		**6,408**	6,021
Printing and stationery		**3,090**	6,034
Insurance		**9,088**	13,022
Vehicles running and maintenance		**13,002**	16,831
Utilities		**6,598**	4,876
Legal and professional charges		**10,056**	6,015
Auditors' remuneration	33.2	**2,212**	2,420
Advertisement		**3,331**	1,795
Media projection		**394**	736
Newspapers, books and periodicals		**376**	408
Depreciation	6.1	**17,179**	28,934
Amortization	7.1	**389**	463
Security services		**3,038**	2,453
Others		**5,589**	5,149
	33.3	**605,189**	505,200

33.1 This includes Rs. 33,959 (2017: Rs. 33,440) thousand in respect of employees' retirement benefits.

33.2 Auditor's remuneration	2018	2017
	---------- Rupees '000	----------
EY Ford Rhodes		
Statutory audit	**1,100**	1,100
Projects' audit	**1,112**	1,320
	2,212	2,420

33.3 General and administration expenses include Rs. 59,235 (2017: Rs. 69,002) thousand incurred on different programme activities, as disclosed in note 25.

34 SEMINARS, WORKSHOPS AND TRAININGS	Note	2018	2017
		---------- Rupees '000	----------
Training		**4,938**	6,009
Seminars and workshops		**4,394**	10,340
	34.1	**9,332**	16,349

34.1 Seminars, workshops and training expenses include Rs. 2,508 (2017: Rs. 5,826) thousand incurred on different programme activities as disclosed in note 25.

PAKISTAN POVERTY ALLEVIATION FUND

(A Company incorporated under Section 42 of the Companies Act, 2017)

		Note	2018	2017
			Rupees '000	
35	**TECHNICAL AND OTHER STUDIES**	35.1	**96,591**	76,775

35.1 Technical and other studies include Rs. 27,614 (2017: Rs. 34,886) thousand incurred on different programme activities as disclosed in note 25.

		Note	2018	2017
			Rupees '000	
36	**PROVISION AGAINST LOANS / SERVICE CHARGES**			
	Provision made against loans to POs	11.3	-	31,503
	Provision against service charges receivable	16.1	**16,008**	76,112
			16,008	107,615
37	**FINANCIAL CHARGES**			
	On long-term financing		**97,102**	104,345
	Imputed interest on long-term loan at below market interest rate		**149,272**	142,085
	Bank charges		**239**	1,785
			246,613	248,215
38	**EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES**			
	The Government of Pakistan - IDA-III Project		-	6,193
	Flood relief		-	22,420
	Project and other activities	38.1	**81,977**	122,573
			81,977	151,186

38.1 This includes amounts disbursed to POs in respect of Institutional Development - Social Mobilization, infrastructure schemes, health and education interventions and livelihood enhancement schemes amounting to Rs. 37,112 thousand, 24,630 thousand, 8,445 thousand and 5,240 thousand, respectively.

		Note	2018	2017
			Rupees '000	
39	**MOVEMENT IN GRANT FUND / RESERVE FOR GRANT BASED ACTIVITIES**			
	Income allocated to grant fund / reserve for grant based activities	31	**718,186**	627,914
	Less: Expenditure on project and relief activities	38	**(81,977)**	(151,186)
			636,209	476,728
40	**REMUNERATION OF CHIEF EXECUTIVE OFFICER**			
	Managerial remuneration		**24,359**	21,043
	House rent allowance		**5,100**	5,100
	Contribution to staff Provident Fund		**2,066**	1,913
			31,525	28,056
	Number of persons		**1**	1

40.1 In addition to the above, the Chief Executive Officer is provided with medical insurance and gratuity as per policy.

40.2 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.

41 TRANSACTIONS WITH RELATED PARTIES

The Company has related parties which comprise of the Government of Pakistan, an associate, Employees Gratuity Fund, Employees Provident Fund, directors and key management personnel. Amounts due from / (to) related parties are disclosed in the relevant notes to the financial statements. The carrying value of investment in associate is disclosed in note 8 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. Unless otherwise stated, the transactions with related parties are carried out at arms length basis. The transactions with related parties not disclosed elsewhere are:

Relationship	Nature of transaction	2018 Rupees '000	2017 Rupees '000
PMICL Associate	-Expenses incurred on behalf of PMICL	-	74,231
Provident fund	-Payments in lieu of contributions made to the provident fund	**46,318**	28,515

41.1 Details of remuneration of key management personnel is disclosed in note 40.

41.2 Following are the pertinent details of a related party with whom the Company had transactions during the year or have agreements/ arrangements in place:

Serial Number	Name of the related party	Basis of association	Aggregate percentage
1	PMICL	Investment in Equity	49%

42 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

42.1 Financial assets and liabilities

	2018			2017		
	Held to maturity investments	Loans and receivables	Total	Held to maturity investments	Loans and receivables	Total
	Rupees '000					
Financial Assets:						
Maturity up to one year:						
Current maturity of long-term investments	2,131,000	-	2,131,000	875,000	-	875,000
Current maturity of loans to Partner Organizations	-	803,100	803,100	-	8,923,734	8,923,734
Current maturity of long-term loan to associate		812,279	812,279	-	-	-
Short-term investments	10,246,700	-	10,246,700	11,698,012	-	11,698,012
Loans to employees	-	76,693	76,693	-	15,346	15,346
Other receivables	-	73,328	73,328	-	18,320	18,320
Profit / service charges receivable	-	508,475	508,475	-	503,409	503,409
Bank balances - specific to projects	-	1,842,534	1,842,534	-	991,610	991,610
Cash and bank balances	-	371,240	371,240	-	449,569	449,569
Maturity after one year:						
Long-term deposits	-	7,004	7,004	-	7,556	7,556
Long-term investments	2,097,428	-	2,097,428	1,783,356	-	1,783,356
Long-term loans to associate	-	9,435,721	9,435,721	-	1,818,000	1,818,000
Long-term loans to Partner Organizations	-	55,896	55,896	-	809,665	809,665
	14,475,128	13,986,270	28,461,398	14,356,368	13,537,209	27,893,577

Financial Liabilities:	2018	2017
	Rupees '000	
Maturities up to one year:		
Deferred liabilities - grant fund	1,623,317	992,452
Current portion of long-term financing	1,279,597	1,100,515
Service charges payable	21,971	24,002
Trade and other payables	56,183	95,185
Maturity after one year but before five years:		
Long-term financing	6,154,819	5,118,330
Maturity after five years:		
Long-term financing	4,913,102	7,229,184
	14,048,989	14,559,668
Off balance sheet items:		
Commitments	2,243,030	11,887,292

43 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	2018	2017
			---------- Rupees '000 ----------	
Investments				
Counterparties with external credit rating				
	PACRA	A1+	6,548,369	6,921,407
	JCR-VIS	A-1+	-	1,199,000
	PACRA	A1	1,540,630	1,180,000
	JCR-VIS	A-1	989,933	793,600
Securities issued / supported by Government of Pakistan			5,410,068	4,279,005
			14,489,000	14,373,012
Bank balances				
Counterparties with external credit rating				
	PACRA	A1+	2,036,639	1,433,554
	JCR-VIS	A-1+	175,669	3,576
	PACRA	A1	967	1,676
	JCR-VIS	A-1	428	2,249
	JCR-VIS	A-2	12	11
Balance with National Saving Centre			-	11
			2,213,715	1,441,077
Loans to Partner Organizations and associate				
Counterparties with external credit rating:				
	JCR-VIS	A-1	-	310,400
	JCR-VIS	A-3	43,750	2,357,933
Counterparties without external credit rating:				
- Counterparties with no default in the past				
Loans to Partner Organizations			815,246	7065066
Loans to associate			10,248,000	1,818,000
			11,106,996	11,551,399
Profit / service charges receivable				
Counterparties with external credit rating				
	PACRA	A1+	104,827	93,238
	JCR-VIS	A-1+	1,294	19,099
	PACRA	A1	72,612	35,734
	JCR-VIS	A-1	21,930	30,320
	JCR-VIS	A-3	12,438	18,786
Securities issued / supported by:				
Government of Pakistan			122,198	138,355
Counterparties without external credit rating:				
- Counterparties with no defaults in the past			217,264	167,877
			552,563	503,409

43 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other 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. 1,782,827 thousand (2017: Rs. 10,708,004 thousand) (including loans to five major POs of Rs. 846,278 thousand) (2017: loans to five major POs of Rs. 6,021,286 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 Company is also exposed to credit related risk on loans to an associate amounting to Rs. 10,248,000 thousand (2017: Rs. 1,818,000 thousand). The Company controls the credit risk on loans to associates via participating in associate's operations. 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 42.1.

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. 25,677,464 (2017: Rs. 25,923,113) thousand and financial liabilities include balances of Rs. 12,347,515 (2017: Rs. 13,448,029) 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. 133,299 (2017: Rs. 124,751) 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.

43 Off-setting financial assets and liabilities

The Company does not off-set any of its financial assets and liabilities.

43.3 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.

44 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		--------- Rupees '000 ---------	
Short-term investments	18	**1,667,768**	3,077,686
Bank balances-specific to projects	20	**1,842,534**	991,610
Cash and bank balances	21	**371,240**	449,569
		3,881,542	4,518,865

45 NUMBER OF EMPLOYEES

	2018	2017
Number of employees	**186**	170
Average number of employees during the year	**180**	182

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 ________________.

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, action
the spirit of the institution

Pakistan Poverty Alleviation Fund
Plot14, Street 12, G-8/1, Mauve Area, Islamabad, Pakistan
UAN +92-51-111-000-102, Fax +92-51-261-3931-33
Website: www.ppaf.org.pk

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