



Celebrating 20 years of PPAF
Passion, Knowledge, Action

LEAVING NO ONE BEHIND

2019

ANNUAL REPORT

PAKISTAN POVERTY ALLEVIATION FUND





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PAK

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- 2) Pakistan–Social Conditions- Annual Reports
- ii) Title

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فرد قائم ربطِ ملت سے ہے تنہا کچھ نہیں
موج ہے دریا میں اور بیرونِ دریا کچھ نہیں
— اقبال

Survival of the individual is linked to the
unity of nation and is nothing alone.

Wave rises as long as it is linked
to ocean and is nothing outside it.

~ Iqbal

Vision

Restoring Hope, Securing the Future, Ending Poverty.

Mission

Reduce poverty through a strategy that layers value-driven social mobilization 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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Celebrating 20 Years of PPAF in Alleviating Poverty in Pakistan



- Presence in **137** districts through **130** partner organization across the country



A grassroots network of over **134,000** Community Organisations and **440,000** Credit / Common Interest Groups



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



- 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



531,000 Interest free loans provided under Prime Minister's Interest Free Loan Scheme (**67%** women)



38,300 health, education, water and infrastructure projects completed



18,000 skill development and managerial training events for **1,136,000** individuals (**49%** women)



Productive assets transferred to over **114,000** ultra and vulnerable poor (**45%** women) in **60** poorest districts across the country

Cumulative June 2019 (Figures rounded off)

Source: Quality Assurance, Research & Design - PPAF

Year in Review

Launched National Poverty Graduation Programme (NPGP)

Funded by IFAD, NPGP is a 150 million-dollar (USD) project which is focused on poverty graduation model. Through this programme the poor can move out of poverty through a blended programme extending from consumption support to asset transfers to interest free loans and microcredit.



Formed Community Institutions through social mobilization

Formed 1,509 Community Institutions that is 137% of the annual target. Capacitated 100 Local Support Organizations and technically supported 4,773 community members.

Completed Community Infrastructures Development Projects

PPAF has completed 233 infrastructure projects. Through these projects, PPAF has improved the living standards of 16,200 households (126,110 individuals).



Transferred productive assets to the ultra and vulnerable poor

PPAF has successfully transferred 1,678 productive assets to ultra and vulnerable poor households allowing them to improve their income streams and living standards. Among the recipients 33% were women.

Provided technical and vocational trainings

PPAF trained 4,123 eligible individuals (36% women trainees) with technical and vocational skills which lead towards their employment/self-employment. 11 Common Interest Groups (CIGs) were also formed which enhanced linkages with the value chain and helped in finding employment opportunities.



Provided medical assistance to PPAF supported Basic Health Units

PPAF reached out to 385,372 individuals for medical consultations in the 19 Basic Health Units supported and upgraded by PPAF. Among the individuals 46% were women.

Provided educational facilities to schools

PPAF supported 16 schools and enrolled 1,297 students in the remote areas. Among the enrolled students 55% were girls.



Distributed microfinance and interest free loans

PPAF reached out with 87,662 loans disbursements for entrepreneurship initiatives. Among the recipients 71% were women.

Global Recognitions

1. Energy Institution (EI) Award 2018
2. Alliance for Rural Electrification (ARE) Award 2018
3. International Award on Best Contributor to Islamic Finance Industry by CIBE³



Pioneered Water Engagement Project in Balochistan

PPAF has committed to developing a comprehensive "Water Strategy for Balochistan" along with an "Action Plan". In FY 18-19 PPAF conducted a thorough research on water crises and issues in Balochistan.

¹International Fund for Agriculture Development

²National Poverty Graduation Programme

³Center of Islamic Banking and Economics-Dubai

Company's 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: Mr. Amir Naeem

Company Secretary: Mr. Amir Naeem

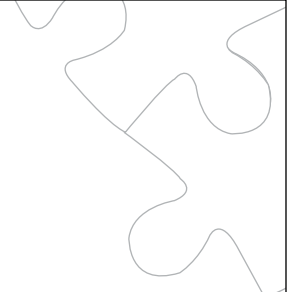
Auditors: EY Ford Rhodes, Chartered Accountants

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.pfaf.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

Acronyms

AJK	Azad Jammu and Kashmir
AKRSP	Aga Khan Rural Support Programme
BISP	Benazir Income Support Programme
BUIITEMS	Balochistan University of Information Technology, Engineering and Management Sciences
BRAC	Building Resources Across Communities
CERP	Centre for Economic Research in Pakistan
CLF	Community Livelihood Fund
CMA	Citi Micro-entrepreneurship Awards
CPI	Community Physical Infrastructure
CRP	Community Resource Person
DPM	Disaster Preparedness and Management
DWSS	Drinking Water Supply Scheme
ESA	Environmental and Social Audit
ESM	Environment and Social Management
ESMF	Environmental and Social Management Framework
FAO	Food and Agriculture organization
FATA	Federally Administered Tribal Areas
FMCA	Financial Management and Corporate Affairs
FY	Financial Year
GB	Gilgit Baltistan
GoP	Government of Pakistan
GRASP	Growth for Rural Advancement and Sustainable Progress
HRE	Hydropower and Renewable Energy
IFAD	International Fund for Agricultural Development
KfW	Development Bank of Germany
KPK	Khyber Pakhtunkwa
LEP	Livelihood Enhancement and Protection
LSE	Lahore School of Economics
LSO	Local Support organization
MER	Monitoring, Evaluation and Research
MFB	Microfinance Bank
MFI	Microfinance Institution
MIS	Management Information System
MoU	Memorandum of Understanding
NGO	Non-Government Organization
NPGI	National Poverty Graduation Initiative
PDMA	Provincial Disaster Management Authority
PKR	Pakistani Rupee
PMIC	Pakistan Microfinance Investment Company
PMIFL	Prime Minister's Interest Free Loan
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Scorecard
RCT	Randomized Control Trial
RE	Renewable Energy
SECP	Securities and Exchange Commission of Pakistan
SGDs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
TTO	Third Tier Organization
UCDP	Union Council Development Plan
USD	United States Dollar
VOs	Village Organizations
VDP	Village Development Plan



Chairperson's Message

2019 was an eventful yet rewarding year for PPAF, and I am proud to be associated with a prestigious institution which truly reflects the journey of "Ishq, Ilm & Amal" (profound passion, knowledge & action).

This was a year of courage to embrace change and test our boundaries. This was a year of preparing ourselves and our communities for the future. Instead of shying away from change and the fourth industrial revolution, we embraced it. We tested innovations within different sectors like education, tourism and arts & culture. We built partnerships with non-traditional stakeholders. Tapping into the unexplored creativity, innovation and talent of our community, we see our innovative efforts exponentially growing in 2020.

We are able to deliver owing to our people who come together as One Team with a commitment to living by our shared values. Our ambition is to become a great place to work, which is inclusive, diverse and inspiring with its key organizational and leadership capabilities.

While leveraging our efforts to alleviate poverty, we also work to ensure that we create value for each and every stakeholder. At PPAF, we give utmost importance to good corporate governance, accountability and transparency. I am proud of the initiatives taken by PPAF in the field of microfinance, renewable energy, education, infrastructure development, which has made us closer to our goal of serving 1.2 million households all across Pakistan.

I am grateful to the Government of Pakistan, our donors, especially IFAD for supporting and allowing us to scale our poverty graduation model. I would like to thank PPAF's Board of Directors and General Body who have always maintained a strong level of commitment towards creating social impact, adhering to the principles of corporate governance and transparency, and providing a strategic oversight to the management so they are able to deliver results. I would also extend my gratitude to the team members of PPAF, who have put their hearts into uprooting poverty from Pakistan. I am confident that with the passion, guidance and unprecedented efforts, we will exceed our expectations of eradicating poverty in Pakistan.

Roshan Khursheed Bharucha



CEO's Message

2019 has been a progressive year for the organization. This year, we were pleased to contribute to the Government of Pakistan's Ehsaas Strategy by spearheading the flagship National Poverty Graduation Programme (NPGP), aimed at graduating ultra-poor households out of poverty through a combination of asset transfers, skills trainings and interest free loans. In our programmes on infrastructure development, financial inclusion, education and economic empowerment, we continued to focus on addressing the underlying causes of poverty and mainstreaming lagging regions. We were able to deliver through collaboration with a diverse range of stakeholders including the federal and provincial governments, academic institutions and civil society organizations which have helped to strengthen the outreach and impact of our efforts for poverty alleviation as we strive to "leave no one behind".

PPAF is an institution that invests in research and development to continuously learn and evolve its programmes, influence pro-poor policy formulation and exchange knowledge with other stakeholders. This year, we held our Third International Conference on Research and Learning-Beyond Action, Towards Transformation which convened over a hundred participants from government, think tanks, academia, private sector and international development agencies. It has also been a year of recognition for us, where we were awarded various prestigious awards for diversity, inclusion and Islamic banking and finance.

The coming year will bring new opportunities and challenges which will require us to deepen our efforts by continuing our work for making a positive difference in the poorest communities across the country. Guided by our core values of inclusion, transparency, stewardship, participation and accountability, we will continue to grow our alliances, both nationally and internationally so that we can leverage resources for the people of Pakistan.

On behalf of PPAF, we are grateful to the Government of Pakistan for their continuous support and cooperation. We would also like to thank members of the Board and General Body for providing their sincere guidance. We thank our bilateral and multilateral partners for their trust in PPAF for responsibly stewarding their investment. We strongly acknowledge all our partner organizations for their collaboration in designing and executing development programmes. Most of all, we salute the communities we serve across Pakistan whose courage and resilience inspires us to continuously reflect, learn and enhance our work.

Qazi Azmat Isa

1

DRIVING TRANSFORMATION, CATALYZING CHANGE

PPAF's strategy has evolved from its early days to reflect the development of the organization 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 components of the strategy are as follows:

- Strengthening institutions of and for the poor through ensuring core values
- Mainstreaming lagging regions
- Graduating households out of poverty
- Key partnerships

1.1 Strengthening institutions of and for the poor

PPAF works with civil society organisations across the country – without preaching a specific model of community engagement/development. The organization believes in letting 'a thousand flowers bloom'. Its core values bind it with

its partners and PPAF expects that every organization 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.



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.



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.



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.



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 the communities we serve and upholding the democratic traditions by having community institution leadership elected and follow a structure and processes for governance.



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 fulfil its shared responsibility to our planet, our children, and our future.

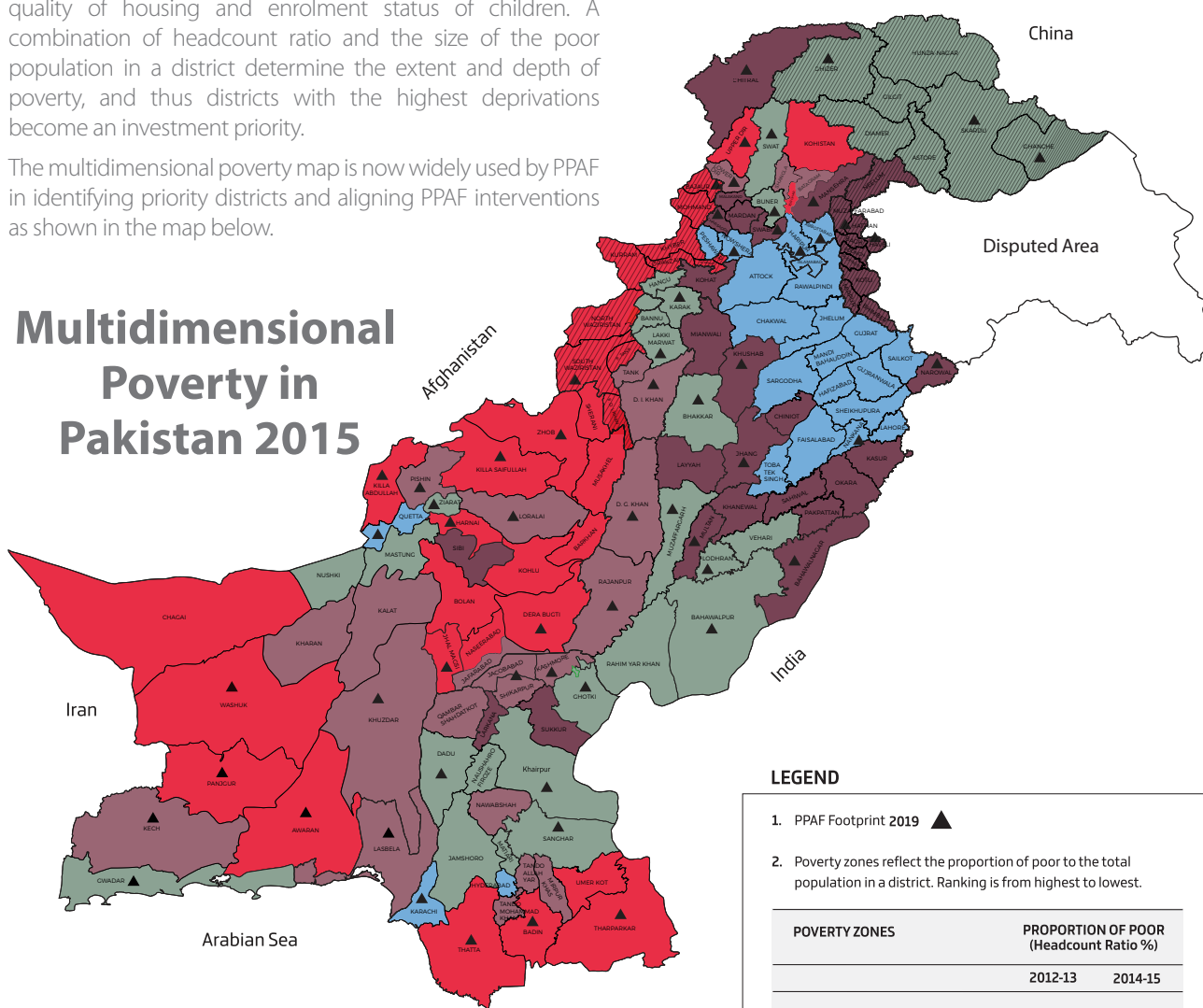
1.2 Mainstreaming lagging regions

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.

Multidimensional Poverty in Pakistan 2015



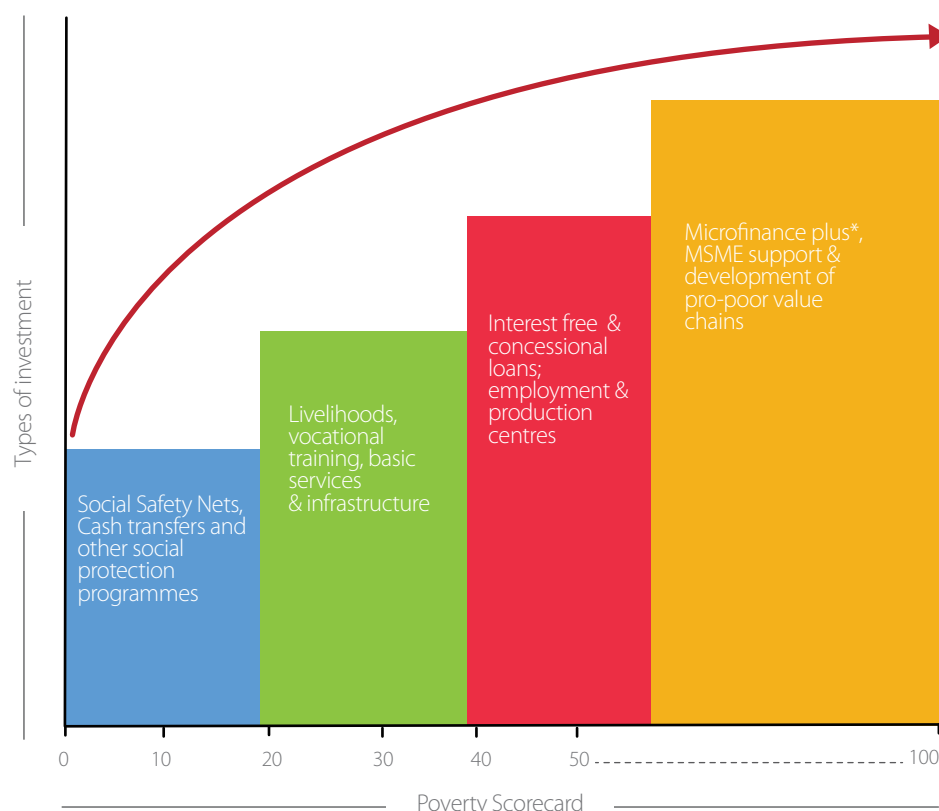
*Source: PSLM 2012-13 & 2014-15
For Kech, PSLM 2012-13 data used

1.3 Graduating households out of poverty

Lessons learnt from various poverty reduction programmes have revealed that social protection/ poverty alleviation interventions like cash transfers alone do not provide a holistic solution to the complex nature of extreme rural poverty. There have been some global pilots involving Pakistan that have shown positive results. One of the most successful approaches, in enabling the extremely poor to escape poverty has been the graduation approach initially pioneered by BRAC in Bangladesh.

The theory of change in the graduation programme illustrates

that with the right kind of responsive and flexible support a number of ultra and poor families can be graduated to the next level of wellbeing where they have opportunities to link up with other sources of assistance including microfinance. PPAF's Poverty Graduation Approach has been tried and tested successfully and is supported by the Government of Pakistan and multiple donors. The approach uses integrated and holistic set of tools based on understanding of multi-dimensional aspects of poverty and shows the kinds of interventions that are required to move people up and out of poverty.



** 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.*

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 participants of 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. For these people PPAF provides them with an asset that can be used to generate incomes – 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 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. PPAF 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 fall 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 20 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 poverty graduation approach combines elements of social mobilization, livelihoods development, and financial inclusion thereby combining support for immediate needs with longer-term human capital and asset investments to move households out of extreme poverty and into sustainable livelihoods. The approach supports the Government's Social Protection Programme and contributes to achieving Vision 2025.

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 mobilization, 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

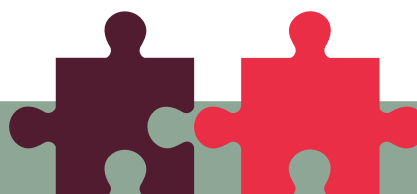
1.4 Partnerships with provincial governments, regulators, private sector and academia

As an apex of the development sector, PPAF has a responsibility to collaborate, connect, inform, innovate and pilot, 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 livelihoods and the community social mobilization component have benefitted from this research. Similarly, MoUs have been signed with a variety of corporates, international agencies such as the FAO (Food and Agriculture Organization), 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.

PPAF's Partners



Bilateral & Multilateral Partners

- AICS (Agenzia Italiana Per La Cooperazione Allo Sviluppo)
- Department for International Development (DFID)
- International Fund for Agricultural Development
- KFW
- The World Bank
- The UN Refugee Agency (UNHCR)
- United States Department of Agriculture (USDA)

Corporate Partners

- Citi Foundation
- Engro Foundation
- Fauji Fertilizer Company (FFC)
- Hub Power Company (HUBCO)
- Mari Petroleum Company Limited (MPCL)
- Pakistan Petroleum Limited (PPL)
- Shell Pakistan
- Telenor Pakistan

Government Partners

- Federal Government and all Provincial Governments

Research Partners

- Center for Economic Research in Pakistan (CERP)
- Development Research (DI)
- Sustainable Development Policy Institute (SDPI)

- London School of Economics (LSE)
- National University of Science and Technology (NUST)
- Pakistan Institute of Development Economics (PIDE)
- University of Oxford

Technical Partners

- Action Against Hunger
- CIMA (Chartered Institute of Management Accountants)
- Community World Service Asia
- Die Johanniter
- Enclude
- Fiat Paints
- Hope 87
- i-Genius Policy Center
- Indus Heritage Trust
- International Finance Corporation (World Bank Group)
- International Citizen Service (ICS)
- Lead
- National Logistics Cell (NLC)
- Overseas Pakistan Foundation
- Redr UK
- Renewable & Alternative Energy Association of Pakistan (REAP)
- Tele Taleem

Our thematic areas

PPAF supports the communities and changes the lives of the individuals by focusing on the following thematic areas:

	Social Mobilization: Supporting households to form self-help community institutions and nurturing to build empowered communities.
	Water Infrastructure and Renewable Energy: Investing in small scale physical infrastructure and comprehensive Union Council solutions to keep development projects such as access to water, sanitation, roads and bridges, as well as irrigation and energy.
	Livelihood Enhancement and Enterprise Development: Identifying economically productive opportunities for low income communities, providing productive assets, vocational and technical skills, and linking with value chains to help develop enterprises.
	Health and Nutrition: Complementing poverty alleviation initiatives by providing health and nutritional facilities in the remotest regions and where access is difficult and public services lagging.
	Education: Improving access to quality education through establishment, rehabilitation and strengthening of public and community schools to enhance enrollments, retention and completion rates.
	Financial Inclusion: Supporting the creation and expansion of microfinance sector in Pakistan, which now boasts both microfinance institutions as well as microfinance banks that provide financial services to those that do not have access to regular banking. For these people, PPAF has also developed customized products, such as weather index-based crop insurance and livestock insurance products.

How we work?

We develop and strengthen institutions of the people at hamlet and village levels, federating up to the Union Council level. These institutions are supported and mobilized to come together to design and implement solutions to their

identified challenges that result in improved social cohesion, better quality of life and livelihoods. PPAF implements its strategy through strengthening the four kinds of capital identified below:

	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.
	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.
	Economic and Human Capital: Imparting assets and vocational skills training to develop decent employment opportunities and creating linkages to employment opportunities through Union Council based initiatives.
	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.

2

IMPACT OF INTEGRATED PROGRAMMING

PPAF has prioritized 6 thematic areas to reach to the marginalized communities. These include institutional development and social mobilization, community physical infrastructure development, livelihood enhancement and enterprise development, health and nutrition, education and financial inclusion.

2.1 Institutional development and social mobilization

Institutional development and social mobilization is the primary component which continues to be the bedrock of all PPAF funded interventions. The core objective of this component is to empower the poor by forming self-help community institutions and nurturing these institutions to build civic voices, ensure participation in decision-making, improve access to social services and enhance opportunities for the poor.

The three tier Social Mobilization Model consists of community organisations at the hamlet level (represented by 15-20 households), village organisations (VOs- represented by around 100 households) and union council based/ third tier organizations represented by the executive body members of VOs at the Union Council level.

Community and village organisations are taught to devise Village Development Plans (VDPs), that are used as a tool

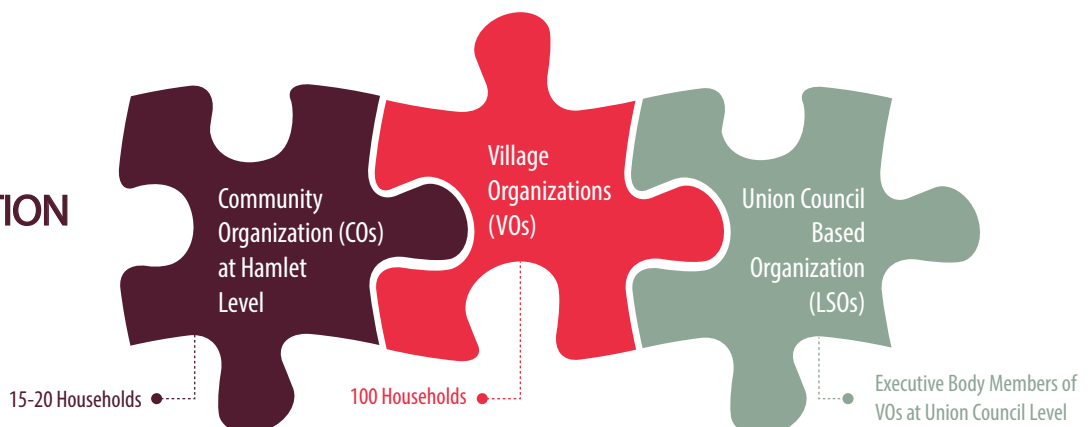
for social mobilization to engage communities in developing their own priorities and implementation processes. The VDPs help third tier/union-based organisations to advocate for the implementation of communal level actions from other stakeholders, including the local governments, local NGOs and other agencies and donors.

To ensure sustainability of the community institutions, active community members are identified and trained to carry forward development activities called community resource persons (CRPs).

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

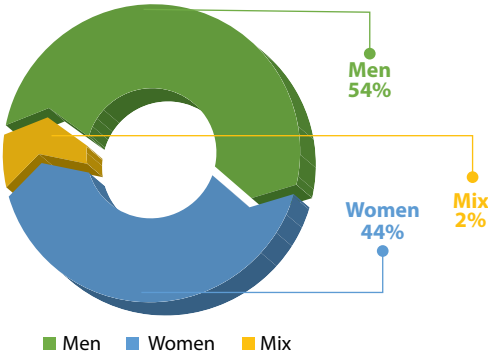
3-TIER SOCIAL MOBILIZATION MODEL

Community Institutions (CIs)



Our Reach

From July 2018 - June 2019

- **22,268**
new members reached through social mobilization initiatives.
- **1,509**
new Community Institutions formed, which is **137%** of the annual target.
- **40%**
women participation in Community Institutions through social mobilization initiatives.
- Community Institutions as per memberships;


Gender	Percentage
Men	54%
Women	44%
Mix	2%
- **100**
existing Local Support Organizations (LSOs) under Tabeer-o-Tameer Fund were provided technical support.
- **4,773**
Community Members trained.

Since Inception

- **150,814**
Community Institutions formed.
- **2.51m**
members reached.

Our Impact ¹



Community institution members have enhanced their capacity to manage funds

The community capacity to manage funds under PPAF is worth five times while funds generation ratio is 12 times the funds invested in the community institutions showing better fund's management.

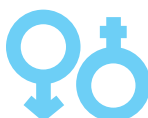
Efficiency Indicators of Community Institutions

Unit cost of COs (USD)	515
Fund Management Ratio	1:5
Community Contribution ratio	50% to 70%
Fund Generation Ratio	1:12 Annually



Community institution members have shown more participation in community-level projects/schemes

Communities have contributed 10 to 20% of the initial capital cost and the maintenance costs over the lifetime of the infrastructure scheme. It was accessed that 50-70% contribution came from the community depending on the nature of the infrastructure scheme.



Women participation has increased their decision-making power

89.4% of the community organization members confirmed that women are now more actively participating in the decision-making process.



Improved linkages ensure sustainability of the Community Institutions

Almost half of the Community Institutions have improved the ties with government line agencies, market and private sectors ensuring the presence of the Community Organizations beyond the program's life cycle.



Value for money

The monetary value of the benefits from Community Institutions leads to an Internal Rate of Return of 58% and a Net Present Value of USD 30.85 million at a discount rate of 10%.

1- PPAF-III Project Completion Report (<http://www.ppaf.org.pk/doc/programmes/1-PPAF-III-PCR-Final-July-2016.pdf>)

2.2 Community physical infrastructure: Water, infrastructure and renewable energy

To enhance households' access to improved health and nutrition, mobility and access to markets, PPAF invests in Community Physical Infrastructure (CPIs) projects. These include basic infrastructure schemes related to safe drinking water supply, irrigation, rural linked roads and bridges, rainwater harvesting schemes, domestic / household sanitation schemes and low-cost renewable energy projects.

The schemes are demand-driven as they are identified by local communities through a participatory process. It ensures ownership of the operations and maintenance by the community. PPAF supports these small-scale infrastructure projects on a cost-sharing basis with the community.

Our Reach

In FY 2018-19

• **233**

Infrastructure projects completed

- 3 Drainage and Sanitation Schemes
- 46 Drinking Water Supply Schemes
- 19 Flood Protection Works
- 88 Irrigation Schemes
- 45 Roads and Bridges
- 32 Solar Powered Light Systems

• **16,200**

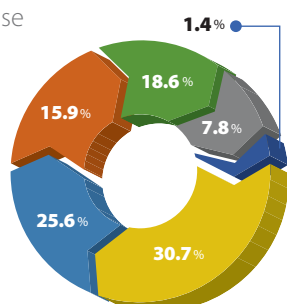
households' living standards improved reaching **126,110** individuals.

• Overall the infrastructure projects have benefitted the following;



• Infrastructure project wise disbursements by PPAF

- Irrigation
- Road & Bridges
- Drinking Water Supply
- Solar Power Systems
- Flood Protection Works
- Drainage & Sanitation



Since Inception

• **34,655**

Infrastructure Schemes have been completed.

• **16.40m**

individuals have benefited from the schemes among whom **51%** are women.

Our Impact ²⁻³



Safe drinking water schemes have improved health

Drinking Water Supply Schemes (DWSS) have increased access to tap water by 19%. While 77% women and 74% children reported a positive impact on their health, DWSS has also decreased the collection time for water from external sources saving the households around 1-3 hours per day.



Community Infrastructure Schemes have improved the standard of life

100% of infrastructure schemes are in use and well maintained, catering to the target communities, especially women (85%).



Irrigation schemes have increased incomes resulting in access to education, improved health status and enhanced food security

75% users of the irrigation schemes have increased their average incomes. As a result, 40% users reported a positive impact on children's education, 58% reported improvement in quantity and quality of food and 39% reported better family health status.



Value for Money

A third-party assessment indicates that infrastructure projects are highly effective in terms of internal rate of return. Economic Internal Rate of Return 50% and Financial Internal Rate of Return 50.1% against the target of 20% and 25% respectively.

2- PPAF-III Project Completion Report (<http://www.ppaf.org.pk/doc/programmes/1-PPAF-III-PCR-Final-July-2016.pdf>)
3- <http://www.ppaf.org.pk/doc/programmes/PPR%20MTE%20Report%20-%20Final.pdf>

2.3 Livelihood enhancement and enterprise development

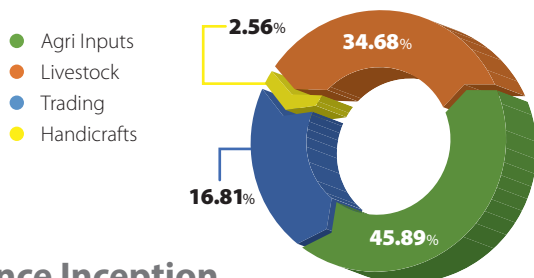
Through experience PPAF has learned that a monthly/regular stipend is not enough to move individuals up the poverty ladder. Therefore, various programmes at PPAF are designed to identify economically productive opportunities for low income communities and provide productive assets, vocational and technical skills trainings, and develop linkages with the value chain to help develop enterprises. This helps the community members to reduce their vulnerability to shocks, improve their livelihood initiatives and strengthen their business operations.

Once asset transfers and livelihood trainings are given, PPAF facilitates households by creating platforms to leverage their skills and assets. These are done through Common Interest Groups (CIGs), Community Livelihood Funds (CLFs), Production Centers (PCs), 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 profits.

Our Reach

In FY 2018-19

- **1,678**
productive assets transferred to ultra and vulnerable poor households allowing them to improve their income streams and living standards.
- **33%**
recipients of productive assets are women.
- **4,123**
individuals (34% women) trained with livelihood skills leading towards employment / self-employment.
- **11**
Common Interest Groups (CIGs) formed enhancing linkages with the value chain and finding productive opportunities.
- Productive assets distribution by sector



Since Inception

- **114,152**
total productive assets transferred among whom **45%** are women recipients.
- **431,265**
individuals trained on vocational and technical skills among whom **44%** are women.

Our Impact ⁴



Productive asset transfers have improved the living standards of the individuals

PPAF has evidence that due to the programmes focusing on productive asset transfer to the poor communities, 67% of the poor and 73% of the poorest households moved up the poverty ladder hence improving the living standards of the households.



Livelihood enhancement programmes have improved the income and enterprise opportunities

PPAF's impact analysis shows that 36% of the individuals enrolled in livelihood enhancement programmes have reported 20% increase in their incomes. 86% of the individuals (57% women) got self-employed or employed to other sources as result of vocational and technical skills trainings.



Value for money

Investment in livelihoods component leads to an Internal Rate of Return of 138% and a Net Present Value of USD 180 million at a discount rate of 10%.

4- <http://www.ppaaf.org.pk/doc/programmes/PPR%20MTE%20Report%20-%20Final.pdf>

2.4 Health and nutrition

Complementing poverty alleviation initiatives, PPAF aims to improve quality of living by increasing the access to health services. PPAF programmes focus on capacitating the communities on basic health care, arranging refresher trainings for midwives, strengthening Basic Health Units/Dispensaries, providing access to sanitation facilities,

celebrating health, hygiene and nutrition days and establishing linkages and leveraging through organising district development forums. PPAF reaches out to the remotest regions where access is difficult and public services are lagging.

Our Reach

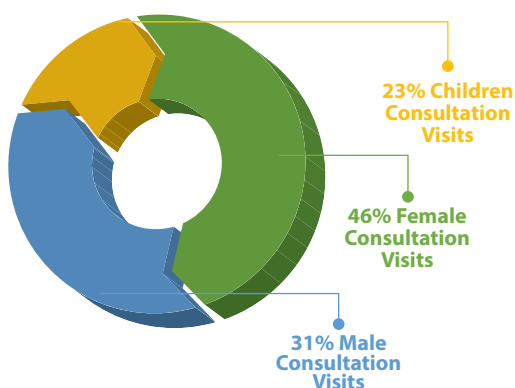
In FY 2018-19

• **385,372**

individuals reached for medical consultations in the **19 Basic Health Units** supported and upgraded by PPAF.

• **46%**

medical consultations were by women.



Since Inception

• **14.97m**

Reached out for consultation visits in **954** health facilities supported by various health initiatives.

Our Impact ⁵



Better health means more financial savings for the poor

As a result of the health services offered by PPAF programmes, individuals are able to save PKR 1,951 per month. This means the saving can be spent on improving the life standards like better education, quality food and recreation.



Better health means more productive time for the poor

As PPAF reaches out to the remote areas where public services are lagging therefore this initiative have saved more than four days per month for the households in travelling to far flung areas to seek health care services. 80% of the pregnant women from the community households received ANCⁱ & PNCⁱⁱ services. Hence leaving the households with more quality time to spend providing for the family or taking care of the employments/enterprises.



Awareness on health and hygiene means a quality life for the poor

With a satisfaction rate reaching up to 95%, PPAF's health and nutrition programmes have helped in increasing the knowledge of the communities on hygiene by 73%. This means a better and healthier life for the community members.



Value for money:

The overall analysis for this component shows an Internal Rate of Return of 73% at a discount rate of 10%. The Net Present Value of investments in the health sector is estimated to be USD 2.196 million.

5- PPAF-III Project Completion Report (<http://www.ppaaf.org.pk/doc/programmes/1-PPAF-III-PCR-Final-July-2016.pdf>)

i- Antenatal Clinic

ii- Postnatal Clinic

2.5 Education

Quality education is a prerequisite to poverty alleviation and hence it is a priority area for PPAF. The organization aims to improve access to quality education through establishment, rehabilitation and strengthening of public and community schools to enhance enrollments, retention and completion rates.

Demand-driven low-cost community education facilities are set up within a radius of 2 km of the settlement, specifically in areas where these facilities are not available.

Apart from rehabilitation, PPAF programmes focus on provision of scholarships, school fee, books, uniform and stationery, enrolment of out of school children and training of teachers on modern methods of pedagogy and equipping them with modern learning equipment and lesson plans. Exposure opportunities are also provided to students through exhibitions, celebrations of national and local festivals, sports and speech competitions.

Our Reach

In FY 2018-19

• **2,776**

students enrolled among whom
51% are girls.

• **16**

educational facilities supported by PPAF
in the remote areas.

Since Inception

• **2,713**

education facilities supported by PPAF.

• **379,572**

students enrolled in the supported
educational facilities among whom
44% are girls.

Our Impact ⁶⁻⁷



PPAF priority on girls' education has resulted in better health care and savings for their families

The households where girls are educated up to middle and high school level, have better understanding of health and hygiene. Hence, through PPAF's interventions, these households are able to reduce expenditure on health care by 50%. For a family of four this reduction would entail a saving of USD 66 per annum.



Students seeking education under PPAF programmed initiatives are satisfied and vow to continue schooling

A study conducted by PPAF indicates a satisfaction rate of 99% by the households on quality of education provided. While 88.9% of the households ensured continuation of education of their enrolled children to the higher education.



Value for money:

The overall analysis for this component shows an Internal Rate of Return of 22% at a discount rate of 10%. The Net Present Value of investments is estimated to be USD 4.2 million. The increased benefits for women in terms of reduction in fertility rates and reduced child and maternal mortality rates are not captured in the quantitative analysis. Incorporating this into the analysis will generate much higher rates of return.

6- <http://www.ppaf.org.pk/doc/programmes/1-PPAF-III-PCR-Final-July-2016.pdf>

7- <http://www.ppaf.org.pk/doc/programmes/PPR%20MTE%20Report%20-%20Final.pdf>

2.6 Financial inclusion

The heart of PPAF's Graduation Strategy is its innovative financial inclusion model which focuses on the ultra, vulnerable and transitory poor. It is a holistic approach which is tailored for the needs of the marginalized based

on an in-depth analysis of their financial status, household size, technical and vocational skill sets, economic opportunities, linkages with the market and exposure.

The key features of PPAF's financial inclusion framework are as follows:



Improve and deepen the access to financial services through interest free loans and microfinance

Interest Free Loan Programme (IFL): It was initiated by the Government of Pakistan in 2013. The loans are given for productive purposes which generates income streams. PPAF is mandated to provide Interest Free Loans to marginalized individuals to help them sustain their livelihoods and attain a level where they can access conventional market-based microfinance.

Pakistan Microfinance Investment Company (PMIC): In 2016, PMIC was established to facilitate initiatives that enhance financial inclusion, through a combination of financing and capacity development support to microfinance institutions. As a registered company with the SECP, it provides wholesale lending, advisory services and strategic investments.

National Poverty Graduation Initiative (NPGI): Supported by the International Fund for Agricultural Development (IFAD) and Government of Pakistan, NPGI is a blended programme which combines consumption support, asset transfers, interest free loans and micro-crediting to graduate individuals out of poverty.



Promote economic empowerment and participation of underserved segments, especially women and youth, through financial inclusion platforms

PPAF is able to expand its outreach by forming financial platforms at the grassroots level. These platforms provide career counselling, life skills, vocational skills and enterprise development opportunities. They help in linking small scale enterprises with larger value chains and allow poor households to have access to financial services through community managed livelihood funds.

These platforms include Community Livelihood Funds (CLF), Common Interest Groups (CIGs), Production Centers (PCs) and 'Naukari Ya Karobar' (NyK) Centers.



Promote digital financial services and institutional innovations

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.



Develop effective partnerships and ensure sector level coordination for an inclusive financial system

PPAF aims to implement financial inclusion initiatives in all its programmes in the form of linking digital platforms to the community institutions for savings, insurance and microcredit loans.



Improve financial competencies and ensure consumer protection

PPAF has identified Community Resource Persons (CRPs) who provide training on financial literacy to the community members. These 449 CRPs spread over 42 districts across the country and have been trained on the State Bank of Pakistan's approved financial literacy module. 196 of CRPs 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 individuals over a four-year period across the country.

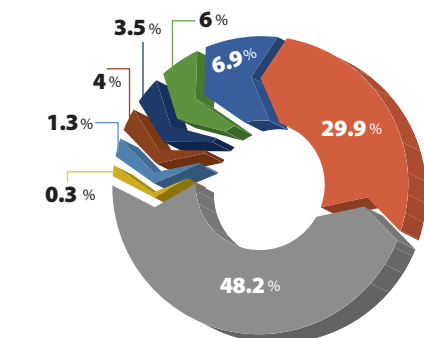
PPAF facilitates the State Bank of Pakistan in organizing groups for financial literacy trainings followed by opening of 'Assan' accounts for individuals, which helps promote savings, transparency and access to additional financial services.

Our Reach

• **87,662**

loans disbursements for entrepreneurship initiatives, among which **71%** were given to women.

• Interest free loan distribution by sector



- Agriculture
- Livestock
- Embroidery
- Business for Women
- Commodity
- Manufacturing
- Services
- Others

Our Impact ⁸



PPAF's interventions have helped individuals move up the poverty line

75% of the individuals benefiting from PPAF's programme initiatives have graduated to higher living standard (higher scores on poverty score card).



Individuals who invested interest free loans in enterprises have shown increased household incomes and profits

PPAF's study reveals that 78% of the individuals who acquired interest free loans and trainings on enterprise development have increased their monthly incomes by 25% or more.



The loan utilization and repayment rate has been up to the mark showing success of the programme

The profits earned from the entrepreneurial work has been sufficient to repay the loans. A study conducted by PPAF shows that 95% of the individuals have utilized their loan amounts fully for their businesses and 97% of the individuals have repaid the loans.

Since Inception

• **531,000**

individuals have received interest free loans.

• **67%**

of the loans have been disbursed to women.



Salma Boota, A recipient of Interest Free Loan programme from Narowal, Punjab

8- <http://www.ppaf.org.pk/doc/programmes/PMIFL-Final-MTE-Report.pdf>

3

CURRENT PROGRAMMES PROFILE

In FY 2018-19, PPAF alleviated poverty through the following programmes: Programme for Poverty Reduction (PPR), Livelihood Support and Promotion of Small Community Infrastructure Programme, Hydropower & Renewable Energy (HRE), Interest Free Loan Programme (IFL) and PPAF's funded Projects.

3.1 Programme for Poverty Reduction (PPR)

PPAF is the lead implementing agency of "Programme for Poverty Reduction through Rural Development in Balochistan, Khyber Pakhtunkhwa, Federally Adminstrated Tribal Areas and Neighbouring Districts", in short referred to as "Programme for Poverty Reduction (PPR)".

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

The programme has four components;

1

Social Mobilization

to strengthen and capacitate community institutions.

2

Livelihood Enhancement and Protection

to improve livelihood conditions of poor households.

3

Construction and Improvement of Small-Scale Community Infrastructure

to provide demand driven basic infrastructure schemes to the community.

4

Basic Health and Educational Services

to improve access and provide better health and educational services to the communities.

Duration:

7.3 Years

Budget:

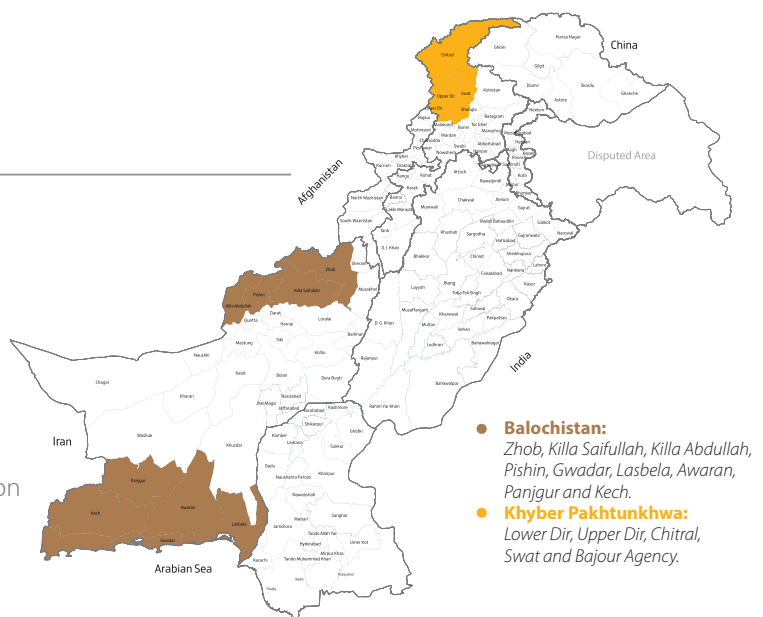
40 million EUR

Start Date:

September 2013

Financed by:

Government of Italy (GoI) through the Director General for Development Cooperation (DGCS) and managed by Italian Agency for Development Cooperation (AICS)



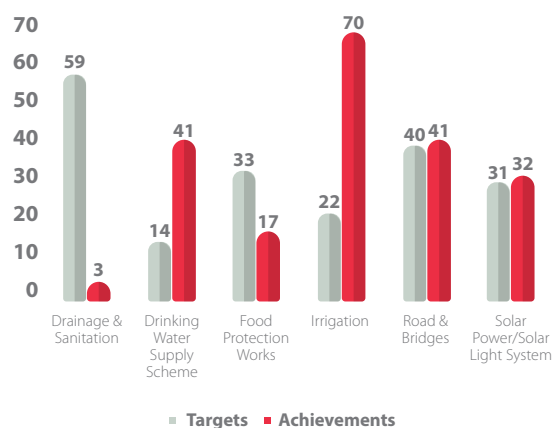
Our Progress in FY2018-19

Social Mobilization

- **6**
Community Organizations formed (**3** for male members and **3** exclusively for women).
- **154**
events conducted on women leadership; attended by **1,592** men and **2,731** women.
- **60**
events organized for youth engagement; attended by **8,926** men/boys and **7,415** women/girls.
- **86**
national/international days commemorated; attended by **7,446** men/boys and **5,960** women/girls.

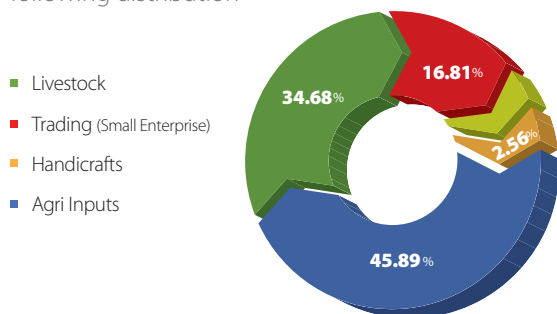
Construction and Improvement of Small-Scale Infrastructure (CPI)

- **214**
infrastructure schemes completed
- **15,852**
households (**123,210** individuals among whom **54%** are women and **0.09%** are transgenders) benefited from the schemes.



Livelihood Enhancement and Protection

- **1,678**
productive assets (**33%** assets to women) distributed to ultra and vulnerable poor households with the following distribution



- **4,123**
individuals (**34%** women) provided livelihood trainings leading towards their employment/self-employment.
- **11**
Common Interest Groups (CIGs) established their businesses through CIG grant funds.

Establishment of Health Services

- **385,372**
individuals reached for medical consultations in the **19** Basic Health Units by PPAF.
- **46%**
medial consultations by women.

Establishment of Educational Services

- **16**
schools supported.
- **2,776**
students enrolled, among whom **51%** are girls.

Other Accomplishments

Improvement of Indigenous Women Facilities:

PPAF is working with Agha Khan Rural Support Programme (AKRSP) on infrastructure sub-projects under Indigenous People Policy Framework (IPPF), which fosters full respect for Indigenous Peoples' dignity, human rights, and cultural uniqueness while implementing programmes.

One such example is the rehabilitation and improvement of women facilities (Bashalani) in Union Council Ayun, Chitral, KPK to provide better facilities to the community women. In addition, awareness raising activities and counselling sessions on menstrual hygiene management (MHM), identification of MHM Champions and training on safe sanitation were undertaken. The efforts have helped in breaking the taboos within the communities and has fostered an enabling environment where adolescent girls can discuss MHM with their mothers and teachers. In FY 2018-19 PPAF rehabilitated 7 Bashalanis.

Education Innovation Initiative:

PPAF along with Elementary and Secondary Education Foundation (ESEF) KPK and Tele Taleem signed a tripartite MoU for joint implementation of an education innovation initiative for bridging the learning gaps of students in four community schools in Khyber Pakhtunkhwa. Three schools are in Kalash valley, Union Council Ayun, District Chitral and one school is in Union Council Koto, District Lower Dir, Khyber Pakhtunkhwa. The project was initiated in February 2018 and continued with financial support of PPAF till October 31, 2018.

The initiative focuses on a technologically advanced education facility where the classrooms are digitally equipped, and teachers have access to teaching content via internet and standard laptops. Lessons for students and teachers training sessions are based on the national curriculum. Both the teaching and training sessions are monitored by relevant education staff. In addition, access to open educational content is provided to further reinforce the learning process of the teachers and students, alike.

Over 166 girls and 99 boys have benefited from this innovative project.

Strengthening Olive Plant Value Chain in Pakistan:

Aimed at creating an opportunity for the promotion and strengthening of olive value chain, PPAF distributed 22,000 olive plants to 441 farmers in Districts Upper and Lower Dir and Chitral. For further value addition, PPAF plans to install oil extraction units under PPR programme which will strengthen the olive eco-system and its value chain in Pakistan.

Joint Venture between PPAF and FAO:

PPAF has joined hands with FAO "Alliance for change in Balochistan", to leverage its social mobilization framework

Bashalani is an important part of Kalashi custom where menstruating girls and women are sent to stay until they regain their "purity". Bashalani is also important in time of childbirth as the mother has to stay there till the time she becomes pure.



Jamal Khan, Student of Killi Zarghon Government Primary School in Pishin, Balochistan

in common operational areas in Balochistan. Under the agreement FAO will provide technical support to PPAF in District Killa Saifullah and Kech, where it is implementing Australian Government and USAID funded projects. While PPAF will further enhance the capacity of the community organizations formed by FAO.

PPAF and FAO also planned joint activities to strengthen the livestock and agriculture sector. This included training of farmers through establishment of farmers field schools and assessment of land and water availability for kitchen gardening.

PPAF has trained 80 individuals on kitchen gardening and modern agricultural techniques, provided technical inputs on agricultural management training and trained another 80 farmers. Further 10 Common Interest Group Members (from Union Council Kan Mehtarzai and Muslim Bagh) visited FAO operational area (District Noshki) and established joint businesses through Common Interest Group's granted funds.

3.2 Development of Hydropower and Renewable Energy (HRE) Project

Pakistan Poverty Alleviation Fund (PPAF) is implementing Renewable Energy Programme with ultimate objective to alleviate poverty by increasing access to reliable, affordable and clean energy to off-grid areas having no chance of connectivity with national grid. Since 2001, PPAF has

completed over 1,300 projects with total installed capacity of over 1.3 MW.

The project focuses on mini/micro hydro power projects and solar mini-grid systems.

Our Progress

In FY 2018-19

• 306-kW

mini hydropower project in village Gazen, District Upper Chitral completed which is benefiting **335** households

• 5

Solar mini-grid systems with total capacity of 49 kW in village Azar Khel, District Karak completed which is benefiting **59** households.

Start Date:
2013

Budget:
10 million EUR

Financed by:
German Government through KfW Development Bank

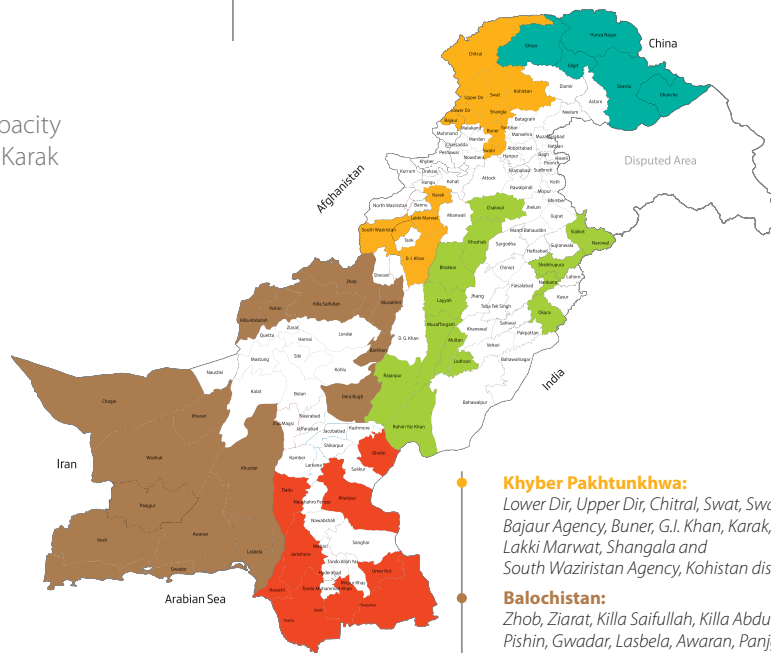
Since Inception

• 2

2 mini/micro hydropower projects completed which is benefiting **818** households.

• 65

solar mini grids installed which is benefiting **435** households.



Energy Institute (EI) Award 2018
for Community Managed Solar Energy Mini-grid Systems in the community initiative category.

PPAF received this award for 65 state-of-the-art solar energy mini-grid projects implemented in three districts Lakki Marwat, Swabi and Karak of KP Province.



Alliance for Rural Electrification (ARE) Award 2018
in Best Off-grid Project category.



Energy Institute (EI) Award 2016
for Community Managed Micro/mini Hydropower Projects

3.3 Livelihood Support and Promotion of Small Community Infrastructure Programme LACIP-I and LACIP-II

LACIP is an integrated poverty reduction programme that aims to contribute to the improvement of the general living conditions, and quality of life, reduction in vulnerabilities to disasters, and increase in income generating opportunities for poor.

Phase-I known as LACIP-I of the project was started in January 2012 with financial outlay of EUR 31.56 million and has been extended till September 2020. It helped in strengthening the economic conditions of nearly 600,000 poor individuals through community infrastructure and asset transfers which were meant to improve the living standards and impart good governance. It was decided that activities of extension period will be executed as per the design of Phase-II of the programme.

Phase-II or LACIP-II commenced in January 2018 with a total budget of EUR 10 million. LACIP-II is designed to benefit around 150,000 persons through infrastructure development,

The programme has five components;

1

Institutional Development

empowers community institutions which acts as the foundation for sustainable poverty alleviation.

2

Construction of need-based sustainable **community infrastructure schemes** is one of the main focus areas of LACIP.

3

The **livelihood enhancement and protection (LEP)** is focused on supporting and improving livelihood conditions of poor households, transferring them productive assets and providing skill trainings for enhancing their skills for income generation.

4

The **health and education component** contribute in improving the conditions of public health centres and schools.

5

The **disaster preparedness and mitigation (DPM)** component focuses on developing resilience and preparing communities to respond to natural disasters.

LACIP-I

Start Date:
2012

Budget
31.56 million EUR

Financed by

Federal Republic of Germany through KfW

LACIP-II

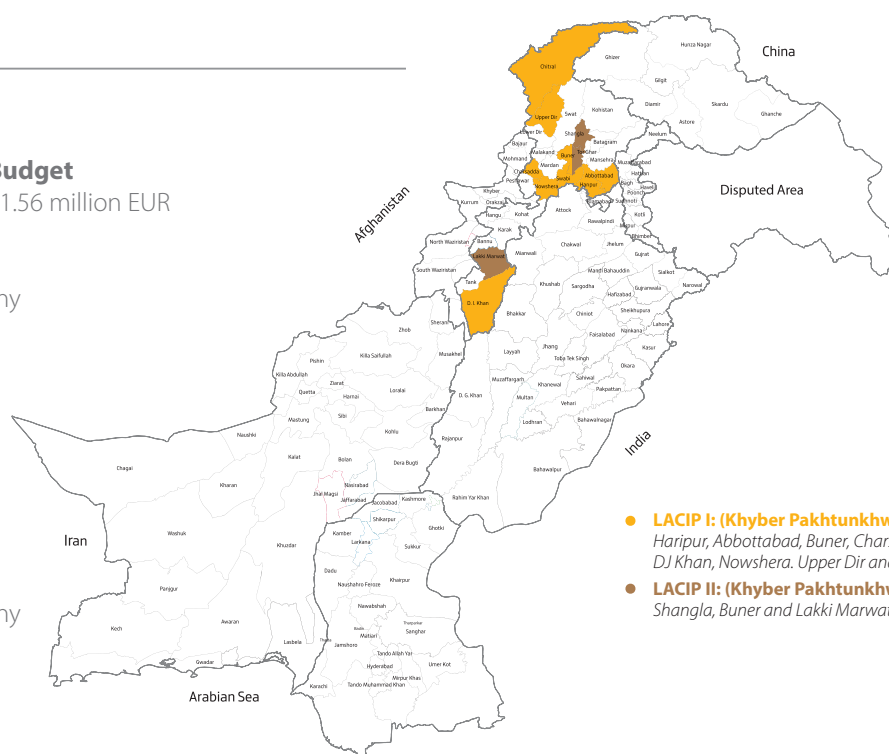
Start Date:
Jan 2018

Financed by

Federal Republic of Germany through KfW

Budget

10 million EUR



- **LACIP I: (Khyber Pakhtunkhwa)**
Haripur, Abbottabad, Buner, Charsadda, Chitral, DJ Khan, Nowshera, Upper Dir and Swabi.
- **LACIP II: (Khyber Pakhtunkhwa)**
Shangla, Buner and Lakki Marwat.

Our Progress

In FY 2018-19

• **17,637**

Households were organized into 1,304 Community Organizations (COs), 160 Village Organizations

• **39%**

Women participation in the Community Organizations

• **81**

Integrated Area Upgradation Project (IAUP) proposals approved by KfW

• **2,500**

Livelihood Investment Plans (LIPs) approved by KfW



Fazal Nadir, A beneficiary of LACIP from Tar village Chitral, Khyber Pakhtunkhwa

Since Inception

• **6,064**

Community Organizations formulated (COs)

• **116,229**

Members mobilized to form Community Organizations having 35% women participation

• **558**

Village Organizations formulated (VOs) and 38 Local Support Organizations formulated (LSOs)

• **2,012**

Community Infrastructure (CPI) projects completed benefitting 1,244,802 individuals (52% women)

• **8,759**

Individuals (44% women) received productive assets and 5,315 individuals (33% women) undertook livelihoods trainings

• **288**

Trainings organized on DDM and DRR, 74 disaster kits distributed and 27 DMP projects completed

• **152**

Education and 4 health projects completed



Suspension Bridge, UC Shishikoh, Chitral, Khyber Pakhtunkhwa

3.4 Interest Free Loan Programme (IFL)

The Government of Pakistan is committed to provide an array of opportunities to the poor people of Pakistan especially women, youth and marginalized segments of society so that they can play their effective role in national development. For

this very purpose, the government along with PPAF has launched the Interest Free Loan Programme which offers the poor a chance to set up their own small enterprises productively.

The programme is based on the following components

1

Social mobilization and Behaviour Change

is a holistic approach in which local communities are mobilised and groups are formed for provision of Interest Free Loans.

2

Provides business advisory services, trainings and creates market linkages through development of a business eco-system termed as PLUS Dimension.

3

Supports graduation of livelihood (assets/ trainings) & BISP enrolled individuals by providing interest free loans and linkages with Microfinance Institutions (MFIs) and Microfinance Banks (MFBs).

Start Date:

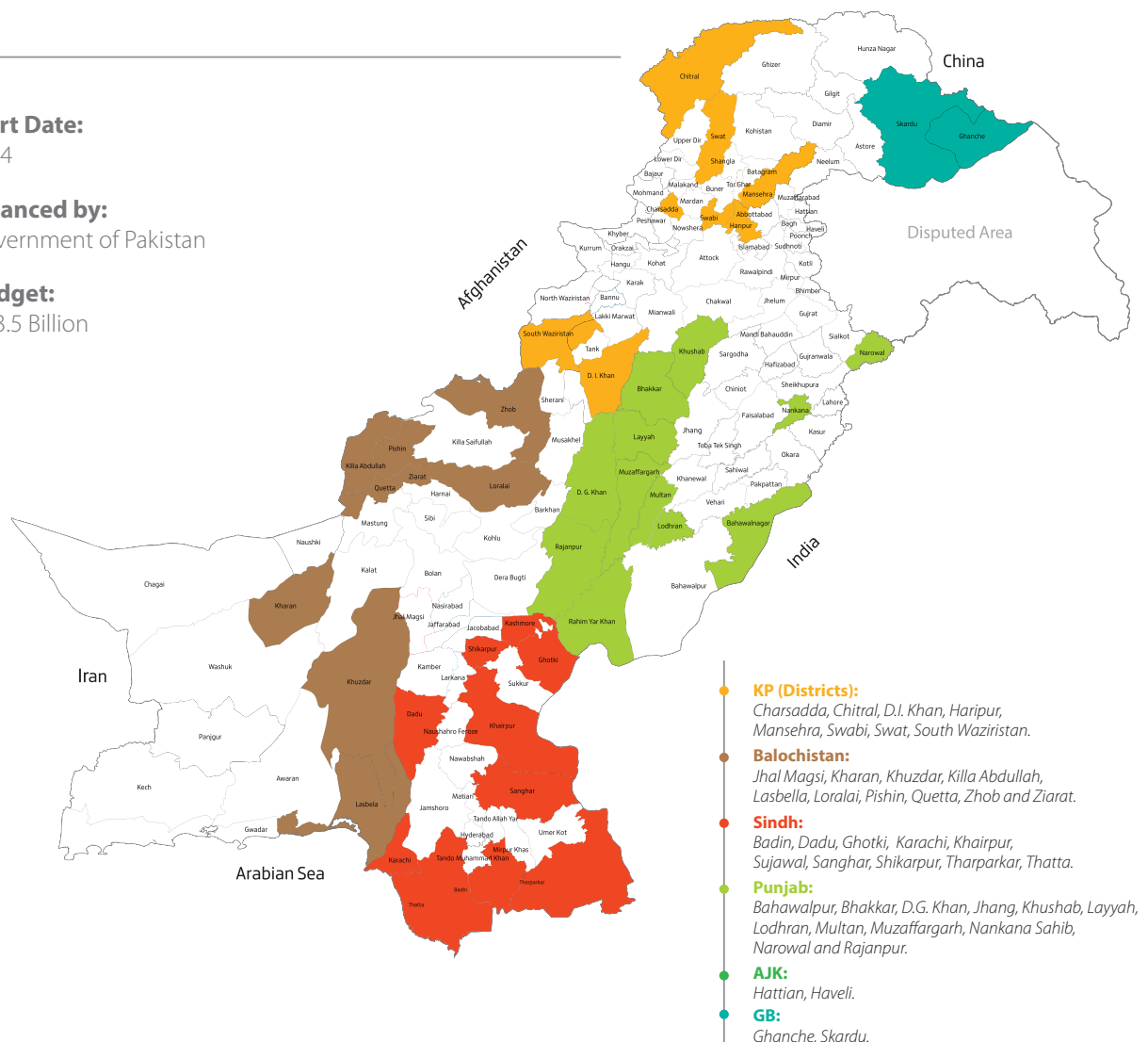
2014

Financed by:

Government of Pakistan

Budget:

Rs 3.5 Billion





Nabiyat Ali, Interest Free Loan livestock recipient from Tharparkar, Sindh

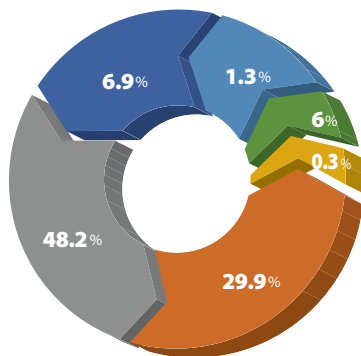
Our Progress

In FY 2018-19

• **86,662**

loans disbursed. Sector wise distribution of loans is depicted in the graph.

- Agriculture
- Commodity
- Livestock
- Manufacturing
- Embroidery
- Services



• **71%**

of the loans given to women borrowers

• **146**

loans provided to disable persons



International award from the Center of Islamic Banking & Economics (CIBE) based in Dubai for the best contributor to the Islamic Finance Industry (Tashkent-Uzbekistan).

Since Inception

• **111,546**

BISP participants graduated from dependency to self-sufficiency till to date.

• **154,812**

loans provided to youth between the age of 18-35.

• **1,918**

Interest Free Loan participants expanded their business and have graduated to acquire conventional microfinance loans from financial institutions (MFIs).

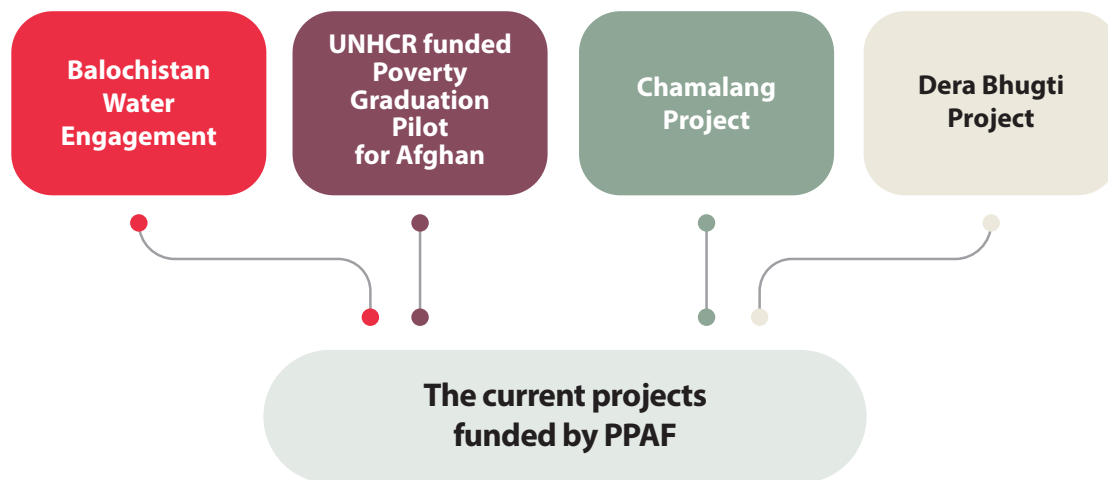
Our Achievements and Recognitions

- Successfully implemented a pilot on **In-Kind Interest Free Loan to farmers** of two districts of Southern Punjab and Southern Sindh where 178 farmers were provided inputs for crops worth of Rs. 6.67 million with a 100% recovery rate.
- Obtained **amendment in the Non-Banking Financial Company (NBFC) rules** for exemption of obtaining a license for the organizations having portfolio of less than Rs. 50 million or less than 5,000 active borrowers.

3.5 PPAF Projects Unit

The objective of setting up PPAF Project Unit was to implement grant-based interventions in areas, affected by natural disaster or conflicts. In addition, some of the poverty-stricken areas that could not be covered through

donor funded projects but need support in social sectors are supported through PPAF Projects by utilizing mainly PPAF's own financial resources or sometimes through corporate sectors or other small donors.



Balochistan Water Engagement Project

PPAF has pioneered a "Water Engagement Project" in Balochistan owing to the acute water crisis and impending water shortages and drought in the region. It is a unique initiative where PPAF will develop a draft "Water Strategy for Balochistan" and a comprehensive "Action Plan" tailored to

address water issues of the region. This programme has been carried out in close collaboration with universities of Balochistan, relevant government departments in Balochistan, non-government organizations and other stakeholder groups.

The main objectives of this intervention are to;

- 1 Draft PPAF's Water Action Plan for Balochistan.
- 2 Draft Balochistan specific interventions as part of PPAF's overall Water Strategy.
- 3 Provide suggestions to Government of Balochistan for developing its own Provincial Water Policy.
- 4 Provide inputs to revise PPAF's Balochistan Strategy.

Our Progress in FY2018-19

Research Study

To gather comprehensive information on water crisis in Balochistan, PPAF structured a team of researchers who collected data from five agroecological zonesⁱⁱⁱ of Balochistan.

This research study will help in identifying key interventions for managing water resource and developing an

evidence-based water action plan for the province. The plan will address the needs of the most vulnerable populations to access water and to withstand water related hazards. The research analysis will also help the Government of Balochistan in developing an evidence-based provincial water policy and interventions.

iii- Zone representing its unique ecological settings like highlands, deserts, plain areas and coastal belt, and its own unique water use and potential for agriculture, livestock and fisheries.

Highlights of Research



Teams Involved

7 teams of 80 researchers comprising of Academia, Government Experts, Partner Organizations, Civil Society Organizations and Water Experts.



Coverage

19 Districts and 5 agroecological zones of Balochistan.



Interviews Conducted

412 women, 742 men, 61 Community Organizations and 130 Public Officials.



Samples Collected

Visited and sampled 20 water infrastructure projects; collecting 97 water samples for testing.

Methodology

Adopting an anchor methodology, PPAF leveraged all available knowledge resources. PPAF brought in knowledge of academia,¹ operational experience of government, local knowledge and expertise of partner organizations² and civil society organizations,³ and pragmatic and technical guidance of water experts to deploy seven teams of over 80 researchers and professionals in 19 districts covering five agroecological zones of the province. The teams interacted with insiders and

outsiders and gained knowledge and gathered wisdom from 412 women and 742 men of 61 community organizations, and 130 public officials.⁴ The research teams also visited 20 water infrastructure projects supported by PPAF, government and other donors which included karez, perennial irrigation schemes, dams, agriculture fields, tube wells. The teams also collected 97 water samples for quality testing by the Quaid-e-Azam University.

Water related issues of Balochistan

The field visits culminated in a two-day consultative workshop at Lasbela University of Agriculture, Water and Marine Sciences where the zone-wise participant groups

presented key challenges and situation of drinking water, sanitation, water for irrigation, agriculture, livestock, drought and floods.

From this workshop, seven recurring themes emerged reflecting water issues in the province:

1. Drinking water for all
2. Groundwater management
3. Surface water storage and management
4. Limited agriculture with efficiency and value chain
5. Water for livestock and rangeland management
6. Women and water
7. Marine ecology and coastal waters

Avenue of Action

Drawing on the field findings and review of existing strategy and policy documents, a group of water sector experts is working on seven zonal reports and seven thematic areas to prepare seven thematic papers and five action plans for five agroecological zones with the intent to present zone-specific issues and recommendations for the government and other stakeholders.

A dialogue with the provincial government and other stakeholders at the BUITEMS is scheduled for December 2019, where the thematic papers and zonal action plans will be presented. The government will be persuaded to do its part, while PPAF, donors, NGOs, and the private sector will determine their roles.

1- Lasbela University of Agriculture, Water and Marine Sciences; Balochistan University of Information Technology, Engineering and Management Sciences, Quetta; University of Balochistan, Quetta; University of Turbat; Sardar Bahadur Khan Women's University, Quetta; Agriculture College, Quetta; Mehran University of Engineering & Technology, Jamshoro; NED University of Engineering & Technology, Karachi; Karachi University; Quaid e Azam University, Islamabad; National Defence University, Islamabad.
2- National Rural Support Programme (NRSP); Balochistan Rural Support Programme (BRSP); Human Development Foundation (HDF); Participatory Integrated Development Society (PIDS); and Balochistan Rural Development Society (BRDS).
3- Advocacy and Social Advancement Society, ASAS- PK; Muslim Aid; Leadership for Environment and Development (LEAD), Pakistan; Hum News; Vash News; journalists; and social activists
4- Public Health Engineering Department; Environmental Protection Agency; Irrigation; PDMA; PCRWR; Climate Change; Agriculture; Wildlife; Forest; Livestock; Fisheries; Health; Education; Local Government and Rural Development; Social Welfare; Communication and Works Department; WASA; Water Resource Management; Construction of 100 Dams in Balochistan Package - III Project; Turbat City Project; Gwadar Development Authority; District Administrations and their teams; and Public Health Engineering Department, Sindh.

UNHCR funded Poverty Graduation Pilot for Afghan Refugees

The project aimed to develop the capacities, opportunities, assets and productivity of Afghan refugees and their hosting families to reduce their vulnerability to shocks, improve their livelihoods and strengthen their business operations.

Community needs were addressed through a community demand driven approach whereby community institutions served as the bedrock of the project interventions.

Our Progress in FY2018-19

The project has been piloted in two Afghan refugee camps namely Barakai and Surkhab at Swabi and Pishin respectively.

- **1,495**
productive assets distributed.
- **1,736**
asset recipients trained in enterprise development
- **364**
host families oriented on Interest Free Loan programme
- **100**
refugees and host families capacitated on culturally compatible occupations

- **Financed by:**
United Nations High Commission for Refugees (UNHCR)
- **Coverage:**
Afghan camps in 2 districts (Pishin & Swabi) in Balochistan and Khyber Pakhtunkhwa

Our Impact

Through the intervention PPAF has been able to graduate **835** households out of poverty



Asset Distribution Ceremony for the Poverty Graduation Pilot Project for Afghan Refugees

Chamalang Education Project

The aim of the project is to improve education status in the remote districts of Kohlu and Loralai by providing scholarship

to out of school children of coal minors' families.

Our Progress in FY2018-19

• **733**

students (222 girls) provided scholarships including students' fee, books, uniform and other school supplies. These children are enrolled in 13 private schools of Kohlu and Loaralai and PPAF is directly paying fee to the schools

• **22**

students (11 boys and 11 girls) visited Lahore and Islamabad as part of confidence building and exposure exercise.

Financed by:

Chamalang Tribal Education Committee and PPAF

Budget:

Rs. 35 million

Coverage:

Kohlu and Loralai Balochistan

Our Impact

This year **55** students took their matriculation exams and all of them cleared with more than **60% marks**.

Dera Bugti Project

After the military operations in the region (2006-7), PPAF took the initiative to rehabilitate the community members through its graduation approach.

In phase I, PPAF invested in the form of food, shelter, non-food items and cash vouchers for transportation to the IDPs, under

its Relief and Repatriation Assistance programme.

In Phase II, the allocation of funds was divided under; social mobilization, livelihood, community physical infrastructure, education health and nutrition initiatives.

Our Progress in FY2018-19

Institutional Development

•

42 Community Organizations (63% women membership) and 9 Village Organizations formed in four union councils.

For the strengthening of these community institutions PPAF designed and organized community trainings for a total of **136** community members (51% women).

Start Date:

Phase I (2007) Phase II (2016)

Financed by:

PPAF

Budget:

Rs 326.70 million

Coverage:

Union Councils, Baiker, Kalchas, Phelawag and Sham of Dera Bugti-Balochistan

Livelihood Enhancement and Enterprise Development

PPAF prepared a comprehensive Livelihood Investment Plans (LIPs) for poor and ultra-poor who will get productive assets.

Community Physical Infrastructure

PPAF engaged in conducting a comprehensive analysis of existing infrastructure and potential requirements of the communities to identify infrastructure schemes for the region.

4

NATIONAL POVERTY GRADUATION PROGRAMME (NPGP)

Supported by International Fund for Agriculture Development (IFAD), NPGP focuses on poverty graduation where the poor can move out of poverty through a blended programme extending from consumption support to asset transfers to interest free loans and microcredit.

Over the past years Pakistan Poverty Alleviation Fund (PPAF) has learnt through various poverty eradication approaches that a standalone social protection intervention like cash transfers are not sufficient to cater the complexity of extreme rural poverty in Pakistan. Therefore, the Poverty Graduation Approach by PPAF proposes a holistic programme in which the right kind of responsive and flexible support to the ultra and poor families can graduate them to the next level of wellbeing where they have opportunities to link up with other sources of assistance including microfinance.

In this continuum, Pakistan Poverty Alleviation Fund (PPAF) as an implementing partner, has initiated a National Poverty Graduation Programme (NPGP) supported by the International Fund for Agricultural Development (IFAD) and Government of Pakistan.

The programme is designed to graduate households out of poverty, building largely (but not exclusively) upon individuals enrolled in Benazir Income Support Programme (BISP) and leveraging the Interest Free Loan (IFL) Programme to build a smooth 'seamless service'

where the poorest can move out of poverty through a blended programme extending from consumption support to asset transfers to interest free loans and microcredit.

The poverty graduation approach proposed in the NPGP combines elements of three distinct approaches - social mobilization, 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 mobilization support is key so as to support individual households to access multiple opportunities (from markets, private sector and government).

NPGP is a four- and half-year programme with a goal 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.



National Poverty Graduation Programme Fact Sheet

Start Date: 2017

Duration: 6 Years

Budget: USD 150 Million

Funded by: International Fund for Agricultural Development (IFAD) and Government of Pakistan (GoP)

Outreach: Asset transfers to 176,877 individuals

221,926 interest free loans to 206,700 individuals Training on livelihood and enterprise development to 336,276 individuals

Coverage

• **4** Provinces

• **23** Districts



Layyah, Jhang, DG Khan



Kohistan, Torghar, Batagram, Shangla,
North Waziristan, South Waziristan,
DI Khan, Tank



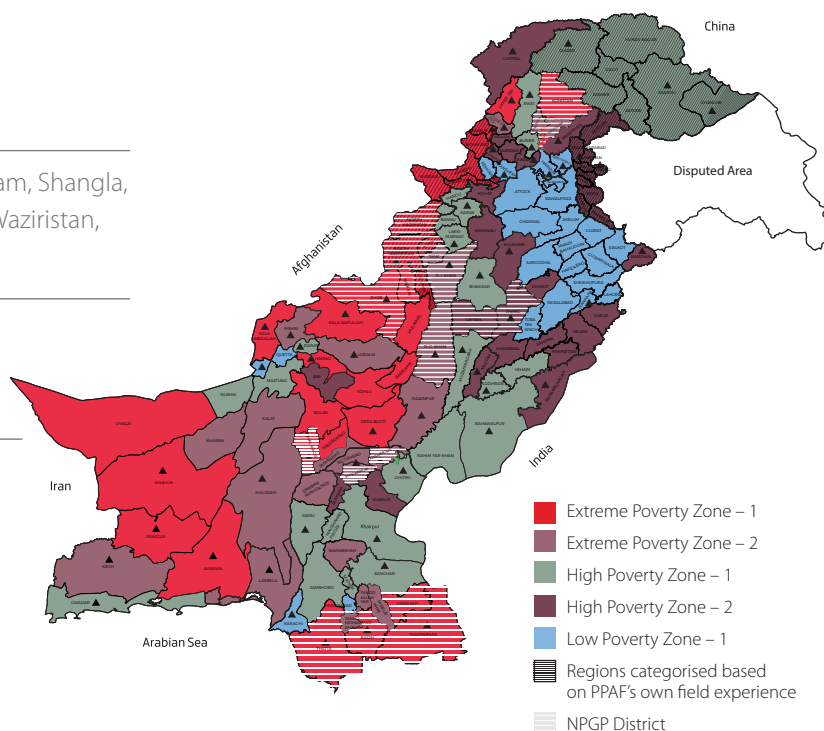
Thatta, Badin, Sujawal,
Tharparkar, Umerkot,
Kashmore, Shikarpur



Zhob, Shirani, Jhal Magsi

• **375**

Union Councils



What Success Looks Like

It is expected that by the end of the programme PPAF will be able to;

- 1 Improve livelihoods, living conditions and income-generative capacities for poor households and the youth (with diversified assets for sustainability moving up the poverty ladder);
- 2 Enhance socio-economic empowerment for women from ultra-poor and poor households and their families will experience improvement in nutrition and food security;
- 3 Increase access to financial services and investment opportunities for individuals reached under the programme;
- 4 Support and strengthen dialogue and knowledge sharing on pro-poor and climate resilient poverty reduction policies with evidence-based research.

The programme will achieve the above objectives by focusing on;

- 1 Graduating 50% of the households enrolled in Benazir Income Support Programme (BISP) to a higher level of socio-economic stability (higher level on poverty score card).
- 2 Improving the living conditions of 60% of the poorest household on the poverty score card, among which 20% household move out of poverty altogether.
- 3 Increasing the income by 30% or more for at least 60% households through productive use of assets and access to working capital.

Field Operations in FY2019-20

The programme will start its field operations in FY 2019-20 for which a target of disbursing 33,360 interest free loans to the eligible individuals for enterprise development, 53,947 asset

transfer for livelihood enhancement and trainings to 87,307 individuals on functional literacy and basic enterprise development are scheduled with the partner organizations.

5

CULTURE AND GOVERNANCE AT PPAF

“To win a marketplace, you must first win the workplace”
~ Doug Conant (Rise People)

Compliance and quality assurance

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, human resource, and environment & social management

guidelines and policies of PPAF and its donors in all PPAF's work, including its partner organisations. While quality assurance ensures that the programme design, implementation and reporting meet the required quality standards and requirements of PPAF and its donors.

Compliance at PPAF

- Financial Monitoring & Activity Monitoring
- Internal Audit
- External Audit
- Procurement
- Donor Reporting

Quality Assurance at PPAF

- MER (Monitoring, Evaluation & Research)
- IT, MIS, GIS (Information Technology, Management Information System, Geographical Information System)
- ESM (Environment & Social Management)
- C&M (Communications & Media)
- HR/Trainings/Immersion
- Partnerships & Collaborations/RMDO (Resource mobilization & Donor Outreach)
- ISO Task Force
- GenCom (Gender Committee)
- Admin



Water pump facilitation in Band Murad Sakiran , Lasbela , Balochistan



Strengthening outreach and collaboration

PPAF collaborates with a variety of stakeholders including the government, multilateral agencies, donors, 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.

The partnerships and collaborations are managed by Resource Mobilization and Donor Outreach (RMDO) Unit in PPAF. The unit carries out PPAF's vision for partnerships through networking and developing relationships with potential funding and technical partners for poverty alleviation programmes to achieve Sustainable Development Goals (SDGs). The Unit also engages with communities and key stakeholders during programme design to ensure their active participation and commitment to the initiatives.

Partnerships and Collaborations in FY 2018-19

Collaboration with TeleTaleem on e-Learning:

To improve quality of education in the community schools of Chitral and Lower Dir, PPAF collaborated with Elementary and Secondary Education Foundation (ESEF) and 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.

Collaboration with European Union (EU) and International Trade Centre (ITC):

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.

Citi Micro-entrepreneurship Awards (CMA):

Since 2005, Citi Foundation and PPAF have been holding the micro-entrepreneurship 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. The award categories include

1. Best National Microentrepreneur (male & female),
2. Best Regional Microentrepreneur (male & female),
3. And Most Innovative Microfinance Institution.

The 13th Citi-PPAF Micro-entrepreneurship Awards were held in July 2018.

Since 2015, PPAF organizes a training workshop for the CMA award winners every year on business skills such as basic marketing, business planning, financial literacy, and other micro-enterprise development skills. This initiative has enabled microentrepreneurs to become more successful business owners.

MoUs signed in FY2018-19:

All MoUs are housed with the RMDO team. Initial screening of all the MoUs before signing is done by the Unit to ensure that there are clear deliverables and further the objectives of PPAF. During the reporting year MoU(s) were signed with the following parties:

MoU Signed with	Date of Signing
Balochistan Environment Protection Agency	July 2018
Public Health Engineering Department, Govt. of Balochistan	18 September 2018
Lasbela University of Agriculture, Water & Marine Sciences (LUAWMS)	29 Dec 2018
Pakistan Microfinance Network	11 Jan 2019
Lahore School of Economics	11 July 2019

Competitive Bids in FY 2018-19

The unit maintains contact with local and international donors and participates in competitive bidding opportunities.

PPAF competes for the opportunities that fall in one or more of PPAF's identified SDGs, have a monetary value of at least USD 5 million, and is located in PPAF's priority districts. Following are the few bids to name:

- UNHCR
- BISP Graduation Programme
- Global Steering Group for Impact Assessment (GSG)
- Open Society Foundations / Economic Justice Programme
- GSMA M4H Innovation Fund with collaboration of Ufone, PTCL, Ubank
- Agriculture Delivery Unit, Govt. of Punjab
- SUNCSA
- MPCL
- FFC
- NDRMF
- IFAD – SSTC
- USF
- OGDCL



Drinking water facility at a PPAF supported mini dam Dera Bugti, Balochistan

Internal audit

The independent Internal Audit department ensures continuous compliance and monitoring of formal policies and effectiveness of the internal control framework, achievement of operational compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the company.

Audit Committee

During the year the Board reconstituted the audit committee comprising of three members of the Board. During the year five meetings of the committee were held. In compliance with the Internal Audit Charter, the Audit Committee approved the Annual Internal Audit Plan to ensure effectiveness and independence of Internal Audit Function. Annual Audit Plan for year 2018-19 covered core areas including operations and support units, as well as their partner organizations using risk-based approach.

The Internal Audit Function has carried out its duties under the charter defined by the Audit Committee. On a quarterly basis, the Committee has reviewed Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required. The reporting mechanism is further reinforced through timely review of remedial measures through robust follow-up mechanism.

Execution of Audit Plan

During the year 2018-19, the Internal Audit managed to achieve the targets approved in the previous internal Audit Plan through adoption of holistic integrated approach. The

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

Other Milestones

Another key activity of Internal Audit is that of the business advisor for the management, changes in operational manuals, policies, procedures and mechanisms which reviewed by the unit and the findings were shared. Resultantly any gaps therein were highlighted in timely manner. In this regard cognizance of sector and global best practices played pivotal role.

Another significant achievement of the year was the approval of updated Standard Operating Procedures Manual (SOPM) of Internal Audit unit by the Audit Committee which helps to achieve standardization, strengthening of the unit and inclusion of latest advancement in the internal audit field.

Whistle-blow Mechanism

An effective Whistle-blow mechanism has been established by virtue of which all the stake holders, staff and management report in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate remedial and mitigating measures are applied, where necessary. During the year the complaints were addressed aligned with the Standard Operating Procedures developed to govern this mechanism.

Monitoring and reporting

As a learning organization, PPAF's monitoring and evaluation system has evolved to systematically track progress against desired results in a timely and efficient manner. Monitoring, Evaluation and Research (MER) Unit in PPAF is mandated to ensure smooth running of operations by tracking the programme outputs and outcomes, and to ensure that the impact achieved are in line with its results framework. Results framework is a fundamental benchmark through which PPAF measures its goals and achievements. PPAF assesses these goals and achievements through the following layers of monitoring:

- **Implementation Monitoring:** Partner organizations are responsible for implementation of projects activities. At this level, the POs monitoring staff carries out monitoring of delivery of inputs and activities and PPAF staff provides implementation support.
- **Activity and Financial Monitoring:** Dedicated units monitor physical and financial progress of activities. The joint monitoring report partly forms the basis of whether partner organization qualify for their next financial tranche of funding, as well as linking the physical and financial progress of programmes.
- **Output Monitoring:** The output indicators in the programs' logical framework forms the basis of activities and deliverables for each partner organization. Monthly (brief), quarterly and annual (analytical) physical and financial progress reports are the fundamental outputs of the programmes.
- **Outcome and Process Monitoring:** MER independently monitors programmes to verify if the target results are being achieved and to identify and rectify gaps as well as to suggest suitable recommendations for the programme improvement.



Parveen Bibi, A recipient of Interest Free Loan from Layyah, Punjab

Progress in FY 2018-19

In the reporting period, MER team has carried out 78 field visits which include

- **8** outcome and process monitoring visits of various PPAF supported programmes.
- **4** operational monitoring visits in insecure areas by Balochistan based local monitoring staff.
- **13** visits were conducted to spot check the data collection field activities.
- **12** learning sharing workshops on the key findings from evaluation and assessments completed during the year.
- **41** field visits for important assignments including coordination with Govt officials and donor support missions.

Innovative Tools for Monitoring

Monitoring through Partner Organization Watchlist:

The Partner Organization (PO) Watchlist is a web based automated system used to monitor the performance of the partners and to screen partners for any future collaborations. Managed by a dedicated staff in PPAF, this system helps in identifying the potential risks for PPAF including reputational risk, compliance risk and financial risk and helps in taking timely corrective actions to maintain the credibility of the organization.

Field Monitoring via Mobile Application: PPAF has recently introduced a mobile technology-based monitoring, to strengthen its field monitoring mechanism that is integrated with its core Management Information System (MIS) in bidirectional mode to have real-time digitized monitoring and reporting of progress against activities. The mobile application is flexible enough to develop customized questionnaires meeting the needs of activity, financial, process, output and outcome monitoring.

Centralized Progress Reporting: PPAF has installed a centralized reporting system which enables all the partner organizations to update progress on centralized Management Information System (MIS). The updates are used to generate monthly, quarterly and other progress reports for all the projects under PPAF.

Financial monitoring and compliance

The Financial Monitoring and Compliance (FMC) Unit is part of Financial Management and Corporate Affairs (FMCA) Group. The unit is primarily mandated to carry out financial monitoring at Partner Organizations (POs) and Community Institutions (CIs) level.

FMCU is responsible for monitoring financial transactions to get assurance that utilization of project funds is in line with Financing Agreements signed with partners. FMCU also monitors compliance of financial covenants stipulated in financing agreements signed with POs. The unit is mandated to carry out liquidation of the amounts given as advance to the POs,

The primary objectives of FMC Unit are:

- Review the expenditures claimed to ensure that expenditures were made in accordance with Financing Agreements signed with the POs.
- Compliance with financing agreement (financial

management related clauses) between PPAF & PO

- Review the effectiveness of POs policies, controls and systems in place to ensure that PPAF and POs policies and regulations are followed:
- Ensure follow-up on agreed actions, issues highlighted, and corrective measures proposed.
- Identification of potential risks
- Identification of training needs.
- Review of disbursement notes to ensure that all pre-requisites before funds released are complied.
- Getting legal opinion on the financing agreements of POs.

The unit acts as the pivot of the organization through its involvement in liquidation of advances, identifying critical/improvement areas for POs and conducting capacity building sessions of POs.



A student from GGPS Dehro school, Swat, Khyber Pakhtunkhwa

Knowledge Management System

Continuous learning and commitment to quality is part of PPAF's ethos. Knowledge management is at the center of PPAF's motto and Monitoring and Evaluation Research (MER) Unit acts as a centrifugal point for knowledge management within the organization. The following chart depict knowledge management process currently being followed at PPAF:



Following are expected results through the knowledge management:

- Enhanced capacities and competencies of PPAF's staff and partner organizations.
- Improved pace and quality of programme delivery of PPAF.
- Continue to thrive as a lead apex agency not only in community driven development actions but also in knowledge management in the field of community driven poverty alleviation.
- Systematic knowledge-sharing and learning within PPAF - knowledge gained from implementation shared with stakeholders like donors, partners and communities to improve programme effectiveness and influence policies
- Knowledge products are systematically planned, prepared and disseminated

- Strengthened information technology platform to enable information management, communication and knowledge sharing and learning
- PPAF's transformation into a continually "learning organization".

Assessments and Evaluations

Assessment/Evaluation is an integral part of Knowledge Management system of PPAF which is one of the core functions of Monitoring Evaluation and Research (MER) Unit. PPAF's evaluation mechanism is designed to gain feedback to informed decisions leading towards improved policies, strategies, programmes and projects; assure accountability towards donors; partner organizations, community institutions and beneficiaries; measure impact and improve performance based on lessons learnt; and provide evidence

for advocacy or policy dialogue. The key findings from various assessments are being shared with the key stakeholders with a focus on lessons learnt to improve future programmes and interventions.

The following assessments and evaluations were managed by the unit during the reporting period:

1. In-depth Assessment of programme Components of Programme for Poverty Reduction (PPR)
2. Situation Analysis and Baseline of Second Phase of Livelihood Support and Promotion of Small Community
3. Infrastructure Project (LACIP)
4. Outcome Assessment of First Phase of LACIP
5. User Satisfaction Assessment of PPAF programmes in Selected Districts of KP and Balochistan
6. Market Value Chain Assessments for IFAD Funded National Poverty Graduation Programme (NPGP)
7. Assessment of learning outcomes of students of community and government schools of PPR supported districts.



Mini Hydropower project at Gazen, Chitral, Khyber Pakhtunkhwa

Research and learning

Research is one of the core functions of Monitoring Evaluation Research (MER) Unit that helps the organization to generate learnings and recommendations for strategic decision making for future and on-going programmes. PPAF collaborates with credible research institutes, international research wings of donors and academia for learning and designing of various programme interventions.

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. Research helps us question our assumptions and guides us to evaluate the results of our work so that we use our resources prudently.

PPAF has collaborated with research institutes, scholars and students at reputed universities including: Centre for Economic Research in Pakistan (CERP), University of Bath, University of Cambridge, Duke University, Lahore School of Economics, and Pakistan Institute of Development Economics to remain abreast with field realities, identify strengths/weaknesses and come up with policy inputs and sustainability options for interventions beyond the project life.

During the reporting period, following key research studies have been initiated by MER Unit:

1

Randomized Control Trial for NPGP:

Research is a core part of the National Poverty Graduation Programme (NPGP). PPAF, in partnership with Dr. Imran Rasul and the Centre for Economic Research in Pakistan (CERP) will undertake a Randomized Control Trial (RCT) in 3 districts of Thatta and Sujawal in Sindh, and the district of Layyah in Punjab. The study aims to assess the programme performance against the outcomes such as increased household economic activity, higher productivity, and higher overall wellbeing of households as measured in terms of their total income, consumption and self-reported life satisfaction.

2

Household Survey by University Researchers and Scholars through Randomized Control Trial Approach under NMER project:

Using its own resources, PPAF has initiated a Nurturing Monitoring Evaluation and Research (NMER) Project to nurture, monitor, evaluate and research on its success of four mini grids PPAF has set up in Thatta. PPAF is keen to study the gaps and requirements so that the pilots can be replicated and taken to scale up in a sustainable fashion. To conduct the study IET[™] with the close collaboration of MER unit has involved researchers from NED university Karachi to conduct the baseline survey through HHs surveys and FGDs[™] in four villages of district Thatta. Initial process including development of ToRs[™] and data collection tools are finalized. Data collection process for the baseline survey will be started shortly by involving researchers (university students) from NED university Karachi.



After the Concluding session of 3rd International conference on Research & Learning

Technology at PPAF

Information Technology (IT)

Pakistan Poverty Alleviation Fund's Mission relies heavily on effective utilization of latest technologies, not only to achieve the results in a timely manner, but it also plays a vital role in enhancing outreach and scaling up operations for achievement of organizational goals. Information Technology Unit in PPAF, has been continuously investing its efforts to acquire and implement cutting-edge technology solutions which help to accomplish PPAF's vision and mission and reflect its core values.

In the year 2018-19, IT has achieved multiple significant milestones.

IT Unit contributed its significant efforts in successful launching of Government of Pakistan's initiative of EHSAS programme and provided all the technical support in highlighting all programmes being operated under the umbrella of EHSAS Ministry.

Another major achievement of the year is taking the cognizance of setup for IT Security and Governance structure. IT developed PPAF's Security and IT infrastructural manual / guide which would define the road map for the future cyber security initiative. This road map would guide relevant stakeholders to constitute IT governance and security groups.

A third-party vulnerability assessment and penetration testing (VAPT) activity has also been conducted this year through a well-known IT Security firm on PPAF IT & MIS systems. The technology setup has been further strengthened and made more sophisticated in the light of the activity and evaluation mentioned above.

For further enhancing the reliability of PPAF Communication system, PPAF's Email setup has been upgraded with latest Microsoft Technologies and Setups that has increased the storage of users' mailboxes and ensured the high availability of Email System.

PPAF runs its IT operations over multiple colocation datacenters spread over three locations including a Disaster Recovery site (DR-Site) which runs in Active-Active mode. The protocols, security and infrastructure have been gradually strengthened and upgraded. PPAF DR-Site now acts as a PPAF's private cloud and has successfully launched PPAF's multiple applications.

Management Information System (MIS)

In this age of information, neither planning nor strategizing or any other management and operational paradigm is complete without a steady Management Information System (MIS) in an organization. PPAF has developed an online well-structured reporting mechanism through Management Information Systems (MIS) that ensure the availability of timely progress data.

In order to equip end-users in operationalization of MIS, the



team has conducted different trainings and orientation sessions throughout the year for PPAF's Operations, Finance, Monitoring teams as well as Partner Organizations. These orientation sessions include onsite and offsite hands-on training, refreshers, virtual trainings and users support.

The MIS is capable of generating information on multiple paradigms including intervention types, location, partner organization, gender, trainings, asset categories and infrastructure type.

This year, PPAF incorporated a new paradigm to poverty graduation which captures the baseline information of households for the programme areas. This baseline information will revolve and be referenced around full span of the programme with complete tracking of households and their graduation amongst various poverty levels. An online Poverty Score Calculation (PSC) module has been developed that not only calculates the PSC of the households but also tracks the households at all stages of programme cycles. This feature has been piloted with National Poverty Graduation Programme (NPGP).

Geographic Information System (GIS)

PPAF is benefiting from the state-of-the-art geospatial technologies including Geographical Information System (GIS), Remote Sensing (RS) and Global Positioning System (GPS) to capture, store, and analyse information on the geographical locations of PPAF's interventions and present it in the form of maps. These systems contribute to quality of reporting to donors and are helpful for internal monitoring reports.

Below are some of our significant achievements for the year:

- 1. District maps showing PPAF's interventions:** GIS team prepared district specific maps showing PPAF interventions including institutional development, water & infrastructure, education, health & nutrition, solar lighting system, livelihood, employment and enterprise development, disaster preparedness & management and interest free loan (IFL) scheme interventions. Team members from PPAF and Partners Organization (POs) were trained so that they could understand GPS and collect the correct GIS coordinates in their project areas.
- 2. Maps for programmes:** GIS team generated extensive maps showing all the details for programmatic interventions which included Livelihood Support and Promotion of Small Community Infrastructure (LACIP-II) and Pakistan Poverty Graduation Programme (PPR).
- 3. Multidimensional Poverty Map:** The team also developed maps showing multidimensional poverty in Pakistan to illustrate the geography of poverty. The maps also show the footprints of PPAF's interventions by comparing the poverty data from 2015 to PPAF's intervention in 2018. In addition, regional data pertaining to poverty in Azad Jammu and Kashmir, Gilgit Baltistan and FATA were developed.
- 4. Maps to show water related interventions in Balochistan:** The GIS team developed comprehensive maps to show all the details of water related interventions done by PPAF.
- 5. Maps for new initiatives:** GIS team is also developing maps for the new initiatives taken by PPAF like the National Poverty Graduation Programme. These maps help in developing a better visual of the intervention and its coverage.



Maryam Bibi, An Interest Free Loan recipient from Tharparkar, Sindh



Awareness raising session for Tharparkar LSOs around SDG4 - Quality Education

Generating synergies within the network

Environment and Social Management

As PPAF is an ISO certified organization, it has to adhere to ISO 14001:2015 quality management systems, which include an Environment and Social Management Unit (ESMU). ESMU functions to ensure compliance with PPAF's Environment and Social Management Framework (ESMF) within PPAF and its partner organizations (POs). 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.

Progress in FY2018-19

Monitoring and Capacity Building

1. ESMU conducted 11 Environmental and Social Audits (ESAs) in 11 districts and 11 POs were visited during these audits.
2. ESMU also participated in 1 joint monitoring visit and 1 spot-checking visit for Post PSC-UNHCR project in collaboration with MER unit.
3. ESMU conducted capacity building sessions on the three tiers of collaboration viz PPAF staff, Partner Organization and Community level.
 - a. ESMU conducted one in-house orientation session for 07 PMIFL staff members while staff of Renewable Energy, LACIP, Activity monitoring, Own Resources and PPR have already oriented last year. These capacity building events helped to ensure the compliance and monitoring activities of ESMF.
 - b. Overall 11 POs were oriented by the Unit in which 55 participants were trained.
 - c. At community level different awareness sessions, trainings and events were organized

Safeguarding ISO Certification Process

In continuation to the process of compliance and enforcement as per requirement of the ISO certification ESMU took a lead role in preparing documents, verifying rationales and ensuring compliance of PPAF's activities. The external Auditor RICI Pakistan conducted Surveillance Audit (as per the requirement of the Standard, Surveillance Audits are mandatory for subsequent two Years) of PPAF Environment Management System (EMS) on new upgraded version of ISO 14001:2015. No major non compliances were recorded, and Certification was awarded for continuation. In compliance to ISO 14001:2015, 5 in-house sessions were conducted to enhance the capacity of PPAF staff as per EMS requirements.

Commemoration of World Environment Day

World Environment Day (WED) is commemorate every year worldwide to provide awareness and action for the protection of our environment. UN every year highlights certain issues which effects our environment. Year 2019 theme is "Beat Air Pollution". ESM Team in collaboration with Communications & Media Team commemorated WED activity at PPAF Office Islamabad to create awareness among staff regarding impacts of air pollution, sources, role of PPAF, PO and community in combating air pollution.

ESM Team in collaboration with ASAS PK, Muslim Hands and SBK commemorated WED activity on Beat air pollution at Ziarat to create awareness among tourists regarding impacts of air pollution and solid waste management. Cluster meeting of stakeholders and meeting with Deputy Commissioner Ziarat was also organized.

In compliance to year 2019 theme of WED "Beat Plastic Pollution", PPAF in support of Baluchistan Environment Protection Agency, BRSP, WWF, BEEPA and Quetta Online organized awareness walk in Quetta city.

ESMU Activities with Environment Department (Balochistan)

PPAF signed MoU with Environment Department, Balochistan to facilitate different stakeholders to pursue a comprehensive approach focusing on advocacy and capacity building to ensure that government institutions and communities have adequate capacities and resources to undertake sustainable initiatives for protection of environment and climate as well as adaptation to the climate change.

Seven meetings were conducted during the year with DG Environment Protection Agency, AC Quetta, WWF, BRSP, IDSP, SBK university, PPHI, Education & Forest Department. A work plan was prepared in consultation with these stakeholders to reduce plastic pollution, plantation and waste management. A communication strategy was also discussed to approach target communities in a better and systematic way.

To spearhead environmental protection and climate change adaptation initiatives in Balochistan through a coordinated effort, PPAF formed a cluster named "Climate Protection Cluster Balochistan (CPCB)", which currently consists of Pakistan Poverty Alleviation Fund (PPAF), The Environment Protection Agency (EPA), World Wildlife Fund (WWF), Education and Forest Department, District representatives, PPHI, BRSP, ASAAS PK and Sardar Bahadur Khan Women's University, Quetta.

A talk show on FM 96 was organized by CPCB to explain aims and objectives of the cluster. During the programme, various callers from across Balochistan expressed their views regarding environmental protection and issues associated with climate change.

ESMU Facilitation

ESMU facilitated in CMA awards, Women Jamboree event, Air University Annual Career Fair, review of UCDPs of Baluchistan POs under PPR project, union council diagnostic study, Provisional Advisory Committee Balochistan and Women Water Group Quetta.

ESMU visited village Sardari, Neelam Valley, AJK under Tourist Assistance Programme (TAP). The objective of this project is to provide a comfortable, environment friendly, safe and a clean accommodation for tourists, to create business opportunities for the local communities without sacrificing biodiversity of the area.

ESMU in collaboration with Communication & Media and Green Squad and friends of Kachnar Park conducted Tree Plantation Drive in Kachnar Park and planted 200 plants of Bargad and Peliken in the park and in collaboration with Institutions, Inclusion and Innovations unit did tree plantation with 25 students of Chamalang Education Programme Balochistan in parking area outside PPAF office.

Communications and Media

The prime responsibility of Communications & Media (C&M) unit is to ensure that all PPAF interventions, programmes and projects are supported by a good blend strategy for the positioning, branding and information dissemination of PPAF achievements at national & international levels. C&M always strives for raising awareness to bring about positive behavioral change. At the same time it is the responsibility of C&M to build the image of the organization and keep all the stakeholders including PPAF Board & General Body, GoP, donors, civil society, community organizations, corporate & private sector, academia & media abreast with PPAF's interventions and successes. The C&M unit also sensitizes and creates understanding among the communities' using different techniques, tools and activities for documentation/dissemination and public/media relations. Communications & Media also contributes to achieve PPAF's mandate by promulgating its achievements and translating the best practices into success stories with the help of various products and activities.

The spectrum of Communications & Media activities is very vast; from producing a very diverse range of publications in print to audio & video product and from branding in print & electronic media to public relations and from producing Radio Programmes for awareness raising campaigns and to organizing Interactive Theaters for educating communities and from event management to organizing journalist visits to PPAF intervention areas. The Urdu newsletter "Umeed ka Safar" (Journey of Hope) is primarily for communities to provide them a platform of interaction through exchange of their activities and ideas. Communications & Media also takes the lead to capacitate Partner Organization (POs) in matters

pertaining to media coverage and producing IEC material. C&M unit also organizes "International Women's Day", "Amtul Raqeeb Awards" and "Citi-PPAF Micro-entrepreneurship Awards" every year as their flagship events. Ensuring PPAF's visibility on different Social Media platforms is C&M's prime responsibility as well. Communications & Media always endeavors to position PPAF as a lead, non-partisan, not for profit and inclusive national organization.

Administration

The Administration unit is to facilitate PPAF staff and other individuals in matters of logistic support and other related activities. Other important activities of the unit are office maintenance in respect of space allocation for staff, office upkeep, event management, maintenance of official vehicles & generators and keeping record of their travel details & visa arrangements etc. are the prime duties of administration unit.

During the year successful arrangements of boarding, lodging and logistics of following mega events were made

1. All arrangements of Summer Internship Programme (traveling, boarding, lodging, hall arrangements, lunch arrangements) July 2018
2. Arrangements & celebrations of for Independence Day. – August 2018
3. Arrangements for Audit committee meeting (Sep-18, May-19), BOD meeting (Sep-18, Nov-18, June-19), AGM Oct-18 & different missions (KFW, LACIP, PPR and IFAD) during the year and administrative support in their field visits.
4. All arrangements of two Citi-PPAF CMA award 12th on July 2018 and March 2109 (traveling, boarding, lodging, hall arrangements, lunch arrangements)
5. Balochistan TTO's Conference (administrative, logistic, boarding and lodging arrangements) Oct 2018
6. Balochistan Water Engagement (BWE) activity, April 06-17, 2019
7. Being an integral part of green force for implementing compliance of ESM ISO 14001:2015 certification. – April 2019
8. All arrangements for International Women Day (IWD) Women Jamboree Mela. – March 2019
9. Arrangements of inhouse meeting with SUNCSA Global, UNHCR,
10. Execution of 16 Days of Activism Campaign against Gender-Based Violence on December 12, 2018.

Procurement

The Procurement Unit (PU) continued performing with zeal and ambition like preceding years aiming at providing incessant, effective and efficient procurement services.

The unit served the organization to the satisfaction of its internal and external stakeholders by furnishing professional advice to PPAF operations, partners and community organizations, while achieving best value for money in accordance with established regulations, rules and procedures.

In addition to acquiring goods and services, the core functions of PPAF's procurement unit is to provide guidance to adopt best procurement practices, imparting trainings as and when required and monitoring of procurement techniques and procedures.

HIGHLIGHTS OF THE YEAR



Human Resources

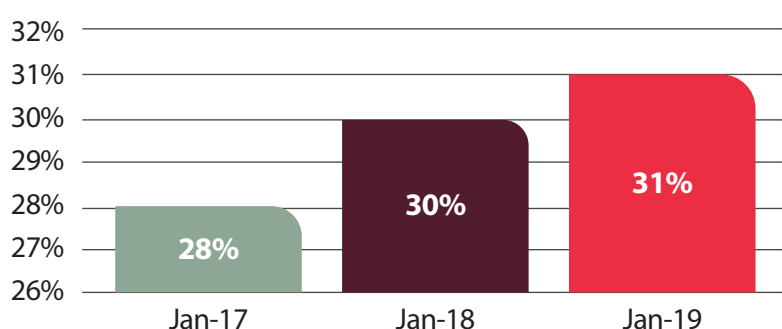
The year was of many challenges and opportunities for Human Resource unit at PPAF. It enabled us to strengthen the foundation of HR on the sound pillars of PPAF's core values i.e. Inclusion; Participation; Accountability; Transparency and Stewardship. The unit aimed at PPAF's mission with a focused approach to alleviate poverty even in hard and security threatened areas of Pakistan by acquiring and retaining the best talent which devotedly worked in field areas. 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.

Recruitment & Selection being a core activity of HR function demanded an intensive hard work to explore the best approaches to attract, hire and retain best talent across the

Pakistan. This challenging environment provided the opportunity to implement PPAF values in a very profound and impartial manner. Inclusion being the core value of PPAF is ensured and tracked in all HR processes. By the end of the year women representation at PPAF raised to 31%. For ensuring provincial diversity the provincial representation as per census of 2017 has been set as benchmark. Efforts are being made to track and ensure provincial diversity in its full spirit. The organization prides itself in having a wide range of expertise in its workforce. As at 30 June 2019, PPAF's staff strength comprised a total of 181 employees working at Head Office, and regional office in Quetta.

In recognition of our efforts, PPAF won the Diversity and Inclusion Award 2019 for consecutive third year.

Increasing Percentage of Women Employees at PPAF



In its efforts to nurture the youth of Pakistan, our Summer Internship Programme opens the doors of learning and experience for the students. PPAF's Annual Summer Internship Programme brings together youth from national and international institutions to gain insights into the dynamics of the development sector with a focus on PPAF's working model. The programme not only provides the opportunity to the students of various top notch national & international universities but also enables the students from marginalized areas with different cultures and backgrounds to obtain first hand development sector experience at PPAF.

Recognition at PPAF is at utmost importance and delivered through robust performance management system. Career growth for employees is clearly mapped keeping in view individual's potential, qualification, service tenure, professional attitude and departmental requirements, amongst other factors. Internal opportunities for growth motivate the staff to take higher responsibilities with high spirits.

Recognizing that our staff makes all the difference, efforts are being made to consistently develop and retain the best talent. Throughout the year their capacities were built through customized and National training Programmes and by providing them the international learning exposure. The emphasis was laid on polishing the existing competencies and developing the skills which are required to enhance their operational efficiencies more effectively. Renowned training firm, Management Development Institute (MDI) was on boarded to design and deliver tailor made course on soft and

technical skills for PPAF Staff. A total of six customized training courses were delivered in which 143 staff got trained. In addition, staff was also sent on various National and International Trainings to help them equip with best learning tools in the areas Value chain; Financial Inclusion; Microfinance; and Women empowerment etc.

PPAF being an ISO -14001:2015 certified organization fulfills its commitment to safeguard the environment. The staff went through various safety; security, disaster management and environment related trainings to help them tackle crisis and emergency situations.

Efforts are continuously being made to engage the diverse workforce in an environment where everyone is equally respected and given fair opportunities to express themselves. Transparency is being ensured in all PPAF affairs. A robust Grievance Redressal Mechanism and an efficient Whistle Blowing system are in place. These systems are helping the staff and other stakeholders to raise and satisfy their concerns in an impartial and independent manner.

We believe in our people; our diversified and inclusive team is contributing towards a conducive and engaging work environment. Efforts are continuously being dedicated in maintaining and upraising the culture of respect; dignity; tolerance and positivity. During the year staff Retreat and Team building exercises were held which facilitated staff to rejuvenate their alignment with PPAF's vision and core values.

DIRECTORS' REPORT & Audited Financial Statements

For the year ended June 30, 2019



Pakistan Poverty Alleviation Fund



Celebrating 20 years of PPAF
Passion, Knowledge, Action



PAKISTAN POVERTY ALLEVIATION FUND DIRECTORS' 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, 2019.

During the year PPAF continued its interventions to reduce poverty in the country through a multipronged strategy, which enabled poor rural households to increase their productive potential and reduced their vulnerability through investments in assets, skills and enable access to services and increase their social, economic and political participation. Successful implementation of our integrated programmes in Balochistan, KP and FATA through Programme for Poverty Reduction (financed by Italian Government through Government of Pakistan), and German funded Livelihoods and Small-scale Infrastructure Projects (financed by KfW through GoP) continued. These projects, alongside mobilising communities and supporting them to determine their development priorities, provided support for community infrastructure and livelihood opportunities. An enabling environment to support improved entrepreneurship and employment opportunities and access to markets was also created. Improvement of social goods and services especially in areas of access to healthcare and education for poor communities was also part of these projects. The Hydro and Renewable Energy Project (funded by KfW through GoP) provided financing for micro/mini hydropower plants and solar lighting systems in KP is nearing completion. PPAF's Interest Free Loan scheme has extended to 45 districts and 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. In collaboration with UNHCR, PPAF successfully completed pilot project for poverty graduation of Afghan refugees and host families. Tabeer-o-Tameer initiative is helping empower community institutions (through financial support) to further our core values to communities and ensure sustainable development.

Implementation of US\$ 150 million NPGP (financed by GoP through International Fund for Agricultural Development (IFAD) funding) commenced. The programme is designed to graduate households out of poverty, building largely (but not exclusively) upon BISP beneficiaries and leveraging the Interest Free Loan (IFL) scheme to build a smooth 'seamless service' where the poorest can move out of poverty through a blended programme extending from consumption support to asset transfers to interest free loans to microcredit. NPGP will benefit 288,077 households with 1,858,097 individuals directly; 176,877 assets will be distributed amongst eligible households. 90% of these assets will be tangible while 10% of the assets will be intangible that is vocational training, provided to approximately 17,688 beneficiaries, mainly the youth; 221,926 Interest Free Loans will be provided to 206,007 clients to graduate households out of poverty. NPGP is expected to have 6.4 million indirect beneficiaries.

Pakistan Microfinance Investment Company Limited (PMICL) an associate company of PPAF continued to work 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.

For the FY 2018-19 (as per the audited financial statements of PMICL for the nine months ended March 31, 2019 and un-audited financial statements for the quarter ended June 30, 2019) PMICL generated cumulative net profit after tax of Rs. 341 million. PPAF has recognized a profit of Rs. 167 million (as its 49% share) during the year. Summary of income statement and assets/liabilities of PMICL is as follows:

	June 30, 2019	June 30, 2018
	Rs in million	
Current assets	17,093	2,038
Non-current assets	10,083	16,531
Current liabilities	(2,295)	(271)
Non-current liabilities	(18,466)	(12,223)
Equity	6,415	6,075
The carrying amount of PPAF's investment	3,143	2,976

	FY 2018-19	FY 2017-18
	Rs in million	
Income	2,606	1,170
Administrative expenses	(353)	(282)
Other operating expenses	(3)	(25)
Other income	22	35
Finance costs	(1,551)	(521)
General provision against loan portfolio	(229)	(133)
Profit before taxation	492	243
Taxation	(151)	(49)
Profit for the year	341	193
PPAF's share of profit/(loss)	167	95

The net investment of PPAF in PMICL as of June 30, 2019 is reflected as follows:

	Rs in million
Opening balance of investment	2,976
Share of profit of PMICL	167
	3,143

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 PMICL the amounts recovered by PPAF from Partner Organizations (POs) under microcredit facility are disbursed to PMICL as subordinated loan. PPAF's loan portfolio with POs reduced by 45% to Rs. 977 million as at June 30, 2019 (June 30, 2018: Rs 1,783 million). During the year PPAF provided subordinated loan of Rs. 461 million to PMICL with total outstanding loan to

PMICL standing at Rs. 10,118 million as of June 30, 2019. These loans carry markup rate of six months KIBOR plus 1% and are repayable in 43 installments.

During the year PMICL continued to manage microcredit portfolio of PPAF outstanding with POs. The last Loan Portfolio Agreement with PMICL covered the period January 1 to December 31, 2018 to manage remaining portfolio of PPAF for lumpsum fee of Rs. 1.2 million.

Grant Operations:

Grant based interventions during the year were affected due to delay in receipt of funds for National Poverty Graduation Project. Resultantly

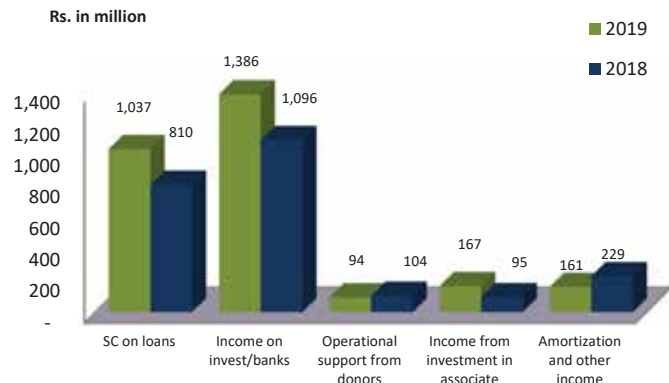
Components	Rupees in millions		Variance (%)
	2019	2018	
Water & Infrastructure	190	226	(16)
Livelihood Enhancement & Protection	173	73	137
Health & Education	164	160	3
Institutional Development	214	268	(20)
Prime Minister's Interest Free Loan Scheme	49	279	(82)
Project activities	265	82	223
Grand Total	1,055	1,088	(3)

disbursement during the year were Rs. 1,055 million as against Rs. 1,088 million in FY 2017-18, a decrease of 3%. Disbursements for water and infrastructure components decreased by 16% to Rs 190 million (FY 2017-18 - Rs 226

million). Disbursements for livelihood component showed an increase of 137% and were Rs 173 million (FY 2017-18 – Rs. 73 million). Disbursements for health and education component increased by 3% to Rs. 164 million (FY 2017-18 – Rs. 160 million). Institutional development and social mobilization disbursements were Rs. 214 million (FY 2017-18 – Rs. 268 million), decrease of 20% from last year. During the year 2018-19 PPAF disbursed operational cost of Rs. 49 million under PMIFL scheme (FY 2018-19 – Rs. 279 million), showing a decrease of 82%. In addition to core operations, Rs 265 million (FY 2017-18 – Rs 82 million) were spent on projects activities from PPAF's own resources [fig.1].

Operational and Financial Highlights

Figure 6: Total Income
Rs. in million



PPAF, as a non-profit institution, capitalizes on profits to earn sufficient revenue to run its operations smoothly. Total income earned during the year exceeded the budget by 22% to Rs 2,845 million as against Rs 2,334 million in FY 2017-18. Service charges on loans to POs and PMICL increased by 28% to Rs 1,037 million in FY 2018-19 (FY 2017-18: Rs 810 million). The increase in markup is mainly on account of increase in

KIBOR. Income on investments/saving accounts increased by 26% to Rs 1,386 (FY 2017-18: Rs 1,096). Grant in support of operational expenses decreased by 10% to Rs 94 million in FY 2018-19 (FY 2017-18 – Rs. 104 million). The cumulative net profit after tax of PMICL for the FY 2018-19 amounted to Rs. 341 million. PPAF has recognized a profit of Rs. 167 million (as its 49% share) during the year showing an increase of 76%(FY 2017-18: profit of Rs. 95 million).

Other income was Rs. 7 million (FY 2017-18 – 80 million). 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 is recognized as income over loan period. Amortized income during the year was Rs. 153 million (FY 2017-18: Rs 149 million).

The general and administrative expenses related to the operations of PPAF increased by 10% to Rs 667 million (FY 2017-18 – Rs 605 million). Major increase was in salaries expenses which increased by 12% to Rs. 467 million (FY 2018 – Rs 416 million); repair and maintenance expense increased by 18% to Rs. 10 million (FY 2018: Rs. 8.7 million); rent expense which increased by 10% to Rs. 40 million (FY 2018 Rs. 36 million); vehicle running and maintenance expenses increased by 27% to Rs 16 million (FY 2018 - Rs 13 million); utilities expenses increased by 46% to Rs. 9.6 million (FY 2018: Rs. 6.6 million).

During the FY 2018-19 Rs 0.6 million was incurred on account of fee for PMICL for management of PPAF lending portfolio outstanding with POs.

Seminar, workshops and training expenses were Rs 15 million for FY 2018-19 (FY 2017-18 - Rs 9 million). This included Rs 6 million (FY 2017-18 - Rs 5 million) spent on trainings and Rs 9 million (FY 2017-18 - Rs 4 million) incurred on seminar and workshops. Technical and other studies decreased by 12% to Rs 85 million in FY 2018-19 (FY 2017-18 - Rs 97 million).

Fig 7: Financial results are summarized as follows

	Rs. In million	
	2018	2018
Service charges on loans to POs and PMICL	1,037	810
Income on investments and savings accounts	1,386	1,096
Amortization of deferred income - grant fund	94	104
Amortization of deferred benefit	153	149
Share of income of associate	167	95
Other income	7	80
Total income	2,845	2,334
General and administrative expenses	667	605
Portfolio monitoring fee	1	55
Seminars, workshops and trainings	15	9
Technical and other studies	85	97
Provision against loans / service charges	10	16
Write-off of income tax refundable	-	6
Financial charges	241	247
Total expenditure	1,019	1,035
SURPLUS BEFORE PROJECT AND RELIEF ACTIVITIES	1,826	1,299
Project and relief activities	265	82
Other comprehensive income for the year	2	10
SURPLUS FOR THE YEAR	1,559	1,207

Based on policy for loan loss, Rs. 10 million was provided against loan to POs (FY 2017-18 Rs. 16 million).

The financial charges of Rs 241 million (FY 2017-18 - Rs 247 million) included Rs 88 million as service charges on long term loans and Rs 153 million amortization of deferred benefit of below market interest rate on long term loans and bank charges. PPAF spent Rs 265 million for FY 2018-19 (FY 2017-18 - Rs 82 million) on project activities financed from its own resources. Rs 2 million has been recognized as re-measurement loss on account of actuarial valuation of PPAF staff gratuity during the year.

Total expenditure during the year reduced to Rs 1,019 from Rs 1,035 million in FY 2017-18. Surplus before project and relief activities and actuarial losses was Rs 1,826 million as against 1,299 million in FY 2017-18 showing an increase of 41%. Net surplus for the year increased by 29% to Rs 1,559 million (FY 2017-18 – Rs 1,207 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. 1,280 million (FY 2017-18 - Rs. 1,101 million) was repaid on account of principal amount of loan and Rs 90 million (FY 2017-18 - Rs 99 million) as service charges to the GoP.

Total funds and reserves increased by 8% to Rs 19,433 million (includes Rs 1,000 endowment fund) as at June 30, 2019 from Rs 17,874 million as at June 30, 2018. Total assets of the Company reached Rs. 31,598 million on June 30, 2019 against Rs 31,942 million as at June 30, 2018. Total loan payable were Rs 11,068 million on June 30, 2019 as against Rs 12,348 million as at June 30, 2018. The debt equity ratio improved to 33:67 (FY 2017-18 - 38:62).

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 decreased by 35% to Rs. 1,059 million for FY 2018-19 (FY 2017-18: Rs. 1,629 million).

PPAF invests its surplus funds and reserves including capital adequacy reserve (Rs. 1,664 million) and grant fund (Rs. 11,259 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, 2019 were Rs. 15,843 million (2018: Rs. 14,489 million). These investments carry markup rates ranging from 10.6% to 14.15% 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 2017-18: 12% per annum).

During the year the cash and bank balances specific to project decreased by Rs 820 million as compared to last year mainly on account of utilization 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 159 million at the end of FY 2018-19 which reduced by Rs. 212 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 2019, PPAF had expanded its partnership with more than 130 POs which deployed resources in both urban and rural areas of 137 districts of the country in over 100,000 villages/rural and urban settlements. Aggregately, PPAF created around 134,000 community organizations and 440,000 credit/common interest groups; completed around 34,670 water and infrastructure projects benefiting around 2.3 million households; supported 2,700 schools in which 378,500 children were enrolled; financed 939 community health centers benefiting over

14.8 million people; transferred 113,000 assets to ultra and vulnerable poor (46% women) and organized over 18,000 training events for 1,113,500 skills and managerial training beneficiaries nationwide; disbursed over 516,000 interest free loans (68% women beneficiaries).

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.

Since inception to August 2016 PPAF enumerated a record spread of 8.4 million microcredit loans (60% loans to women), and 80% of the financing extended in rural areas. Since August 2016 the microfinance operations are managed by PMICL.

Auditors:

M/s EY Ford Rhodes, Chartered Accountants have completed the annual audit for the year ended June 30, 2019, and shall retire at the conclusion of 23rd 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, 2020. The Board also endorsed the recommendations of the Audit Committee.

Conclusion:

PPAF is one of the only organizations 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 marginalized groups, especially in areas where other organizations have limited access and PPAF and our partners are their only resource. We have taken the challenge of working in areas considered inaccessible by most and hope that we will continue to serve more remote communities without compromising on the quality of our work.

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 contextualization and constant review and learning mechanism helps us to look forward as well, so that we remain flexible and relevant.

Acknowledgement:

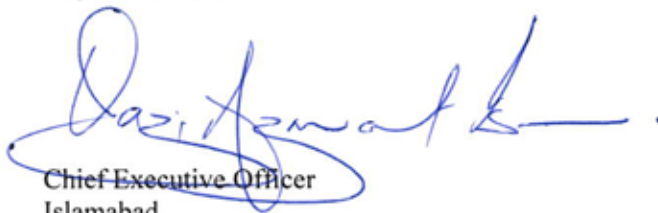
The Board of Directors and General Body made extraordinary contributions in guiding the Company in achieving its objectives. We look forward for their continued assistance in the future as well. We would like to thank all the Board members for their corporation, wisdom, support, able guidance and as well as the assistance and co-operation in benefit of the Company at all levels. The incisive, thorough and untiring commitment of the Board Members contributed significantly to the success of the Company. We are confident that this relationship will go a long way to reap fruitful prosperity of the Company.

PPAF also likes to express its gratitude to the Government of Pakistan for extending extraordinary facilitation, support and unconventionality for the trust and confidence shown. PPAF appreciates the faith and reliance of all financing partners – International Fund for Agricultural Development; Government of Italy; Government of the Federal Republic of Germany (through KfW) and UNHCR. 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.

We would like to express our appreciation for the efforts and dedication of all employees of PPAF which enabled the management to run the Company efficiently during the year resulting in attainment of its mission.

We look forward towards continuous support of all the stakeholders to synchronize the strategic vision of the Company with its activities. The Company continues to add to the stakeholders' value while being a socially responsible entity, bequeathing its corporate roles and responsibilities.



Chief Executive Officer
Islamabad
September 25, 2019



Chairperson

Annexures

1. STRATEGY AND APPROACH

PPAF's overarching aim is to alleviate poverty. Its 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 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 productive 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.

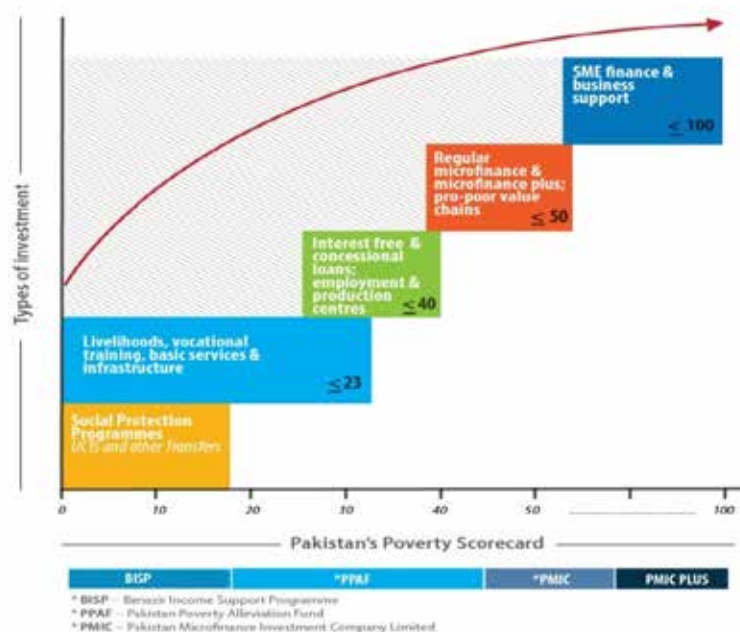
Experience from various poverty reduction programmes have revealed that stand-alone poverty reduction interventions of social protection alone do not provide a holistic solution to the complex nature of extreme poverty. Social protection programmes at their own are an inadequate instrument for building 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 Organizations (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



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

2. PROGRAMME OVERVIEW

a) Program 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, 2019 EUR, 36.07 million were disbursed (90% of the total financing). Implementation progress under untied component as of June 30, 2019 is as follows:

Indicators with Components	Status as of June 30, 2019
	Number
Social Mobilization and Institution Building	
Formation & strengthening of community organizations (COs)	4,229
Formation & strengthening of 2nd tier (village level) community institutions	648
Number of Community members trained	27,177
Number of staff members trained	1,036
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans (LIPs) developed	7,911
No. of Common Interest Groups formed	287
Number of Community Resource Persons (CRPs) trained	490
No. of individuals received skills/entrepreneurial training	28,011
No. of ultra and vulnerable poor received productive assets	8,040
Number of Loan center established through Community Livelihood Fund (CLF)	11
Community Physical Infrastructure (CPI)	
No. of Water and Infrastructure projects completed	1,267
No. of beneficiary households	105,602
No. of population beneficiaries	861,208
Basic Health & Education Services	
School facilities constructed or renovated	795
Children benefitting from schools	109,222
Health centers constructed, renovated and/or equipped	133
Beneficiaries/patients treated from health centers	1,317,832

Progress under Tied component as of June 30, 2019 is as follows:

- The formal request from The LUISS Guido Carli University was received in by the end of March 2019 for time extension in the contract till November 2019. Along with the University had requested the change of three focal persons due to their unavailability during the revised schedule. The same request was forwarded to AICS for approval. After receiving “no objection” from AICS for time extension and changes in the focal persons

for three activities on April 18, 2019, the contract was revised and re-signed by both PPAF and LUISS.

- The first visit on olive supply chain is planned to be held in first two weeks of July 2019. The nominations of 25 participants (9 PPAF, 4 Govt, 7 POs and 5 Community) have been approved by management for the first study visit.

b) Interest Free Loan Scheme:

The Government of Pakistan initiated Rs. 3.5 billion Interest Free Loan (IFL) 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 IFL 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 30th, 2019 is as follows:

Key Achievement Indicators	Status as of June 30, 2019 (Number)	
POs	26	
Coverage	Districts: 45	UCs: 442
No. of Loan Centers/Branches established	291	
Funds disbursed from PPAF – PO (Rs in million)	3,697	
Funds revolved from PO to borrowers (Rs in million)	13,120	
No. of Loans disbursed to borrowers	531,099	
	Male	Female
	177,689 (33%)	353,410 (67%)
Average Loan Size (Rs)	24,703	

c) Livelihood Support and Promotion of Small Community Infrastructure Project (LACIP-I):

LACIP-I (financed by GoP through KfW funding) is an integrated poverty reduction Programme funded by KfW that aims to develop disaster resilient public infrastructure (CPI) and provide livelihood enhancement & protection (LEP) with social mobilization as the basis for all activities. The project budget is EUR 31.56 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, 2019 an amount of EUR 30.48 million (97% of total financing) have been utilized cumulatively by PPAF, POs and monitoring consultants.

Implementation progress as of June 30, 2019 is as follows:

Sr.	Indicators with Components	Status as of June 30, 2019 (Number)
Component: Institutional Development & Social Mobilization		
1	Community organizations formed/revitalized	4,952
2	Village organizations level formed	410
3	Union Council level organizations formed	38
4	Membership in community institutions (34% female)	96,627
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)	8,759
10	No. of individuals received skills/entrepreneurial training (34% female)	5,315
Component: Education, Health and Nutrition		
11	Total Enrolment	32,033
	- Boys	18,150
	- Girls	13,883
12	Total Patients (A+B)	76,760
	Adults (A)	47,476
	- Men	9,955
	- Women	37,521
	Children (B)	29,284

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

LACIP-II (financed by KfW) focuses on betterment of living conditions of poor people and stabilization of fragile areas in KP. The project size of LACIP-II is EUR 10 million. The project is planned to be implemented in 36 village councils (VCs) of 12 union councils (UCs) belonging to three selected districts (Buner, Lakki Marwat and Shangla) of Khyber Pakhtunkhwa (KP). KfW and PPAF agreed to engage three partner organizations in three districts; NRSP for Buner, SRSP for Shangla and SABAWON for Lakki Marwat. As of June 30, 2019, an amount of EUR 0.86 million has been utilized under the project.

Key achievements as of June 30, 2019 are given below:

Key Achievement Indicators	Status as of June 30, 2019 (Number)
No. of COs Formed	1,126
No. of VO's formed	148

No. of VDPs Prepared	119
No. of VCDPs Prepared	35
No. of Community Capacity Building Trainings for COs and VOs	438
Staff Orientation Sessions	11
No. of IAUP Proposals Received from POs and Approved	138
No. of LIPs Developed	3,365

e) Hydropower and Renewable Energy (HRE) Project

The overall objective of HRE project (financed by GoP through KfW funding) 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, 2019, EUR 7.14 million has been utilized by PPAF and POs cumulatively (71.4% of total financing).

Implementation progress as of June 30, 2019 is as follows:

Sr.	Indicators with Components	Status as of June 30, 2019 (Number)
1	Micro Hydropower Project (MHP)	
1.1	No. of Sites Identified	05
1.2	No. of Projects designed and initiated	05
1.3	No. of Projects completed	01
2	Solar Lighting Systems (SLS)	
2.1	No. of Projects Identified	68
2.2	No. of Projects designed and initiated	68
2.3	No. of Projects completed	65

f) National Poverty Graduation Programme (NPGP)

NPGP (financed by GoP through International Fund for Agricultural Development (IFAD) funding) is a US\$ 150 million programme designed to graduate households out of poverty, building largely (but not exclusively) upon BISP beneficiaries and leveraging the Interest Free Loan (IFL) scheme to build a smooth 'seamless service' where the poorest can move out of poverty through a blended programme extending from consumption support to asset transfers to interest free loans to microcredit.

The poverty graduation approach combines elements of three distinct approaches - social mobilization, 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 mobilization support supports individual households to access multiple opportunities (from markets, private sector and government).

Programme Overview	
Duration	6 years
Budget	US\$ 150 million – US\$ 100 million from IFAD and US\$ 50 million from GoP as Interest Free Loan contribution already deployed in the field.
Goal	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.
Objective	Enabling 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.
Expected Outcomes:	<ul style="list-style-type: none"> (i) Improved livelihoods, living conditions and income-generative capacities for poor households and the youth (with diversified assets for sustainability moving up the poverty ladder); (ii) Women from ultra-poor and poor households experience higher levels of socio-economic empowerment and their families experience improved nutrition and food security; (iii) Target populations have improved access to financial services and investment opportunities; and (iv) Strengthened dialogue and knowledge sharing on pro-poor (and climate resilient) poverty reduction policies, supported with evidence-based research.
Lead Programme Agency	Pakistan Poverty Alleviation Fund (PPAF)

The programme targets 375 Union Councils in 21 districts in the four provinces of Pakistan.

Province	Target Districts
Punjab	Layyah, Jhang, DG Khan
Khyber Pakhtunkhwa	Kohistan, Torghar, Batagram, Shangla, North Waziristan, South Waziristan, DI Khan, Tank
Sindh	Thatta, Badin, Sujawal, Tharparkar, Umerkot, Kashmore, Shikarpur
Balochistan	Zhob, Shirani, Jhal Magsi

By the end of project period, the programme will benefit 288,077 Households with 1,858,097 individuals directly. 176,877 assets will be distributed amongst eligible households who score between 0-18 on the poverty score card. 90 percent of these assets will be tangible and distributed primarily to BISP beneficiaries i.e. households falling in 0-16.17 on the PSC. The remaining 10% of the assets will be intangible that is vocational training, provided to approximately 17,688 beneficiaries, mainly the youth. 221,926 Interest Free Loans will be provided to 206,007 clients (BISP and non-BISP beneficiaries) to graduate households out of

poverty. NPGP is expected to have 6.4 million indirect beneficiaries which is 50% of the total population of the targeted Union Councils who will have access to the various community awareness and engagement activities under the programme.

g) Poverty Graduation Pilot for Afghan Refugees and their Hosting Families in Pishin - Balochistan and Swabi - KPK

Poverty Graduation Pilot for Afghan Refugees (financed by UNHCR) and their hosting families was implemented on pilot base in two districts – one each in Balochistan and KP. The project was implemented in two phases. At the end of project in March 2019, 1418 households received productive assets, 1,736 individuals successfully completed Enterprise Development Trainings; 100 individuals received Skill Training, 10 CIG and 159 CIs were formed.

h) Dera Bugti Project

PPAF is undertaking multi-sectoral intervention for the development of Dera Bugti (financed from PPAF's 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, 2019 is as follows:

Indicators with Components	Status as of June 30, 2019
	Number
Social Mobilization and Institution Building	
Formation & strengthening of community organizations	326
Formation & strengthening of 2nd tier (village level) community institutions	62
Formation & strengthening of 3rd tier (union council) community institutions	4
Number of Community members trained	1,793
Number of staff members trained	44
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans developed	720
No. of Common Interest Groups formed	9
Number of Community Resource Persons trained	17
No. of individuals received skills/entrepreneurial training	826
No. of ultra and vulnerable poor received productive assets	720
Community Physical Infrastructure (CPI)	
Water and Infrastructure projects completed	123
Beneficiary households	5,471
Population benefited (49% female)	31,511
Basic Health & Education Services	
Renovation of Education Facilities	3
Health centers constructed, renovated and/or equipped	1 basic health unit renovated
Beneficiaries/patients treated from health centers	3,896

i) Capacity Building of Small Grant Project for Balochistan, FATA & KP:

The objective of this Project (financed from PPAF's own resources) 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. 18 Small Partner Organizations (SPOs) were considered eligible and recommended for technical and financial assistance under the project. As of June 30, 2019 an amount of Rs. 34.16 million (68.32%) has been disbursed to small organization capacity building project. As per implementation plan of the project, SPOs staff trainings have been completed. In addition manuals and policy documents have been developed by the consulting firm. Further all SPOs have submitted proposals for their pilot projects which are in implementation process. Consequently, these organization's systems, policies and financial documentation have been improved.

j) Tabeer-O-Tameer Fund (TTF):

TTF (financed from PPAF's own resources) aims to support households to form self-help community institutions. 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. As pf June 30, 2019 Rs. 76 million has been disbursed under the project.

k) Chamalang Balochistan Education Program (CBEP):

Chamalang Education Program (financed from PPAF's own resources) was initiated by Chamalang Tribal Education Committee supported from the funds generated from Chamalang Coal Mines. There are two phases of this program. Under first phase PPAF provided support to more than 3000 students of Chamalang Education Program from 2012-14. The students were facilitated through tuition fee, provision of textbooks, uniforms, shoes and stationery. The support remained intact till Dec 2014. A total of Rs.109 million were paid to the school management for the support in the above mentioned heads by engaging two POs. 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. As of June 30, 2019, PPAF disbursed Rs. 23 million under the project. In addition to scholarship, an exposure visit of the students was conducted in September 2018 for 22 students (11 boys and 11 girls) to Lahore and Islamabad. The purpose of this capacity building activity was to build confidence of the students by giving them exposure of history, culture and governing system of Pakistan.

3. 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 Rs in billions	Board Nominations Numbers	Remarks
PPAF	49%	2.88	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.

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. The total amount provided to PMIC, under 10 (ten) subordinated loan agreements, amounts to PKR 10.70 billion as of June 30, 2019. The repayment under all these agreements has started and PMIC is current in its repayments to PPAF.

Financial Highlights

	Rupees in million	
	June 30, 2019 (un-audited)	December 31, 2018 (audited)
Financing to MFIs / MFBs	21,922	20,533
Investments	3,994	825
Other assets	1,259	728
Total Assets	27,175	22,086
Share Capital	5,884	5,884
Accumulated Profit / Loss	531	361
Equity	6,415	6,245
Subordinated Loans	12,918	13,490
Other Loans	7,221	1,999
Other liabilities	621	352
Total Liabilities	20,760	15,841
Total Equity & Liabilities	27,175	22,087
	Rupees in million	
	June 30, 2019	June 30, 2018

Net income (Net of Sales Tax)	2,607	1,170
Finance Cost	(1,551)	(522)
Allowance for expected credit losses	(229)	(134)
Admin & Operating expenses	(356)	(307)
Other income	21	35
Profit before Tax	492	242
Taxation	(151)	(49)
Profit after Tax	341	193

4. 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 programs. Assessments and evaluations are integral part of PPAF to improve future policy, programs and projects through feedback and lessons learnt. PPAF place high priority on the third party assessments/studies and on their significance to ensure consistency persists in the operations implemented by PPAF.

Assessment of Social Mobilization Component of Program for Poverty Reduction by World in Consulting:

Objectives of the study were to (i) assess the relevance, efficiency and effectiveness of overall three-tier social mobilization approach in relation to the local cultural and governance dynamics as well as program objectives and outcomes; (ii) evaluate the viability and functioning of the Community Institutions (CIs) formed/strengthened to date as well as their role in the community development process; and (iii) identify areas of improvement and recommend strategies for enhancing effectiveness and relevance of the social mobilization approach.

Following are key findings of the study:

- The strategy for districts and Union Councils (UCs) selection i.e. (a) PPAF previous investment (b) level of social mobilisation (c) law and order situation and (d) clustering/contiguous UCs is good and well thought out. Further aspects including culture, language, social and economic deprivation is well covered during district and UC selection.
- District socio-economic profiles were developed through situation analysis and baseline. This is a good strategy. PPAF should also consider updating district socio-economic analysis at the end of PPR life.
- PPAF has started to define its social mobilisation exit strategy in written form at the beginning of the programme. It is recommended that in future programming, exit strategy for the sustainability of the CIs should be explicitly explained at the beginning of the programme to all POs. Similarly, POs should also be encouraged to develop their own exit strategy.
- One of the major setbacks for smooth and effective execution of the PPR component implementation strategies was that funding to the POs was not available in time. PPAF did not receive funds from donor as per agreement. As a stop-gap arrangement, PPAF provided bridge-financing from its own resources. However, later on, PPAF was stopped to do any bridge-financing from its own resources which eventually resulted in prolonged delays of funding to the POs resulting into suspension of activities.
- Strategy for formulation of CIs revolved around time tested mechanism commencing with 2-3 initial dialogues and formulation of CIs from those communities which agreed to inclusion of women, Persons with Disabilities (PWDs) and marginalised groups. This strategy was found to be very good and should be continued in future design. POs have done a good job in

engaging every segment of the society including women, PWDs and other social excluded groups for forming CIs.

- CIs nominate, elect or select office bearers in their respective tier. It was noted that this process was not repeated in most of the cases once the term of office bearers expired.
- Elite capturing the CIs was not found. In fact, in some of the cases, CI members want educated and wealthy individuals to come forward and take charge of their institution as they believe that elite might be able to highlight their issues in a better way.
- Village Development Plans (VDP) and Union Council Development Plans (UCDP) were prepared by the CIs with the active support of POs. PPAF provided training to POs for development of VDP and UCDP plans in a central locality. POs further trained their respective Local Support Organizations (LSOs) and Village Organizations (VOs) in this regard, however, so far no refresher courses have been arranged since initial training. Same has been planned under 3rd and 4th work plan. Furthermore, implementation of VDP and UCDP was limited as only those schemes could materialise where PPR funding was available. Funding from other sources could not be arranged except in few UCs. Community members were found involved in designing of schemes and release of payment.
- CI members were found to be actively engaging with the representatives of local bodies. Few of the CI members are also part of the local body system which helps them to utilise this platform for the development of their area.
- CIs have been linked with several development partners and local government institutions. Active CIs from the sampled area (Ayun and Barawal Bande) have been able to generate resources for the implementation of UCDP/VDP over and above PPR funding.
- Maturity Index (MI) for all three levels should be sent to POs for regular update (currently it has been sent for two levels). Currently, PPR has been following Rating Based Performance (RBP). It is recommended that MI should be used instead of RBP as it is more comprehensive and the updated tool. Furthermore, it is also recommended that PPR should seek regular updates on the use of MI from POs.
- There was active involvement of women and youth engagement in holistic community development, celebration of national and international days, youth engagement events and regional workshop for learning and sharing. These are good activities to bring peace and harmony in the area beside bring inclusive growth.
- Series of activities were undertaken for women empowerment. It is recommended that in future PPAF should develop a standalone “Women Empowerment Strategy Document” for economic and social empowerment focusing on immediate, medium and long-term results.

Assessment of Livelihood Component of PPR by World in Consulting:

The primary purpose of this study was to (i) assess the relevance and effectiveness of livelihood component strategy and interventions in relation to the beneficiary needs, local economy, market needs and opportunities at primary, secondary and tertiary levels; (ii) identify areas of improvement and recommend strategies for enhancing effectiveness and relevance of the livelihood component strategy. Following are key findings of the study:

- One of the major setbacks for smooth and effective execution of the PPR component implementation strategies was that funding to the POs was not made available in time by the donor.

- Livelihood Investment Plan (LIP) is a comprehensive document that helps in creating correlation amongst the existing capacities of the household and their asset requirement. Non-traditional assets based on market needs/value chain assessment were not identified by the POs for distribution.
- Poverty Score Card (PSC) was utilised for identification of poor households. This is a good tool and well understood by the research, therefore, should continue to remain in practice. A new version of PSC is now available under the name of National Socio-Economic Registry (NSER) which is recommended for use in future programs.
- Complaints were raised by the POs and Communities about the quality and coverage of PSC. It is recommended that in future an independent firm should be hired to supervise and endorse the quality and coverage issue by resurveying 5% area in each district.
- Beneficiary assessment using PSC/NSER is required at regular intervals. PPR currently plans to conduct post beneficiary assessment at the end of PPR. Post PSC on sample basis was conducted during Mid Term Evaluation. It is recommended that initially POs should take the lead in beneficiary assessment, however, as CIs are strengthened, LSO should shoulder the responsibility for which they need to undergo several training sessions.
- LIP beneficiaries were selected using PSC with special consideration to women and PWDs.
- Traditional assets and training requirements were identified in LIPs. It is recommended that community members should be guided through series of interactions so that they start looking beyond the traditional route.
- Senior team member needs to be engaged in filling of LIP proforma as it requires delicate handling and informed demand articulation. They should guide the community members in diversifying their thinking process is recommended to be entrusted this task.
- Except for one PO, market research was not conducted on scientific basis. It is recommended that in future, market research should be part of LEP component as it would give insight about the current market situation and future shapes it may take.
- Except for few assets, mostly traditional assets were distributed amongst the beneficiaries as these were identified during LIP process. It is recommended that out of box solutions should be looked in enhancing the capacity of the community members. All type of livestock should be purchased locally or quarantine issues must be handled fully to avoid precious losses.
- All assets transferred to the community performed well as community members and POs did not complaint about any one of them.
- Majority of trainings provided to the community members were traditional as it was guided by the LIP document while in some cases training need assessment (TNA) forms were used. It is recommended that training courses should be identified, designed and delivered to bring 180° change in the outlook of the community member.
- Only traditional trainings were designed for women. It is recommended that new aspects of training i.e. computer repair; electrician; mobile repair etc. should be also be explored.
- Currently, majority training programmes are delivered through individual trainers while some registered training institutes were also used. Currently, hiring process of training firms takes around six month which is one of the major hurdles in timely delivery of program activities. It is recommended that livelihood training programme should be designed in such a way so that training service providers could become part of the whole exercise.

- Training programs were of good duration, content and quality.
- On-farm, non-farm, livestock and natural resource management strategy and culture and eco-tourism studies were developed by consultant for PPR. Recommendations of the consultants were transformed in UCDP and program activities were designed accordingly.
- Strategy for Natural Resource Management (NRM) was developed under which PPR is promoting efficient, effective and equitable use of NRM based livelihood with special focus on olive plantation and grafting. In future, all plantations should start at the very beginning of the programme in order to provide hand holding.
- Limited number of Common Interested Groups (CIGs) were formed. CIG is now being actively taken by PPR under its current work plan/budgeted activity. However, given the local dynamics related to markets, culture and capacities of individuals and institutions, it is challenging in the Pakistani context to organise such groups in a very viable and productive manner. PPAF in its future programme should deliberate how to handle this challenge.
- Naukri ya Karobar (employment or business) model for job placement has not been implemented under PPR despite being part of the original strategy document.
- Number of Community Resource Persons (CRPs) were trained as master trainers in different areas of interest, however, their utility remained limited. It is recommended that in future, PPAF should develop step-wise, time bound training program and screen CRPs to determine their interest in business before selecting them as trainees.
- Community Livelihood Fund (CLF) was introduced which is a good concept as it caters to those community members who are not considered worthy enough by any formal/non-formal banking channels or financial service providers. However, the new challenge is the NBFC regulations wherein it requires the registration of institutions dealing in financial services for the poor which is found to be another challenge in the given circumstances. It is recommended that PPAF should consult its legal department/advisors how to satisfy NBFC requirements for the continuation of CLF.

Assessment of CPI Component of PPR by M/S NEC Consulting Pvt. Ltd

PPAF hired the consultancy services of NEC Consultants Private Limited (NEC) for undertaking the strategic assessment of PPR. The key objectives of the assessment were to assess the CPI component design and strategy, with a focus on relevance, efficiency and effectiveness (as reflected in the PPR programme documents) and examine whether CPI component is part of an integrated development plan and not a standalone initiative. Key findings of the assessment are provided below:

- The completeness of CPIs with respect to linkages with government or other donor agencies was excellent.
- No strict mechanism was in existence for maintaining 3% of operating and maintenance cost by CIs amount after the completion of program.
- Many CPIs were implemented in rush to achieve the targets at the cost of sustainability.
- Relevance of CPIs was very good. As per the community, CPIs of Drinking Water Supply Schemes (DWSS), Link Roads and Irrigation Schemes were highly relevant. About 44% were in favor of Irrigation Schemes, 33% DWSS, and 22% Link Roads for its relevancy, productivity and benefits.
- The process of program especially the signing of short-term contracts (implementation plans), targets vs timelines and duplication of efforts have affected the efficiency of program.

- Delay in disbursement is common complaint of POs which affected program implementation.
- Disaster management was very well executed in the PPR projects. In future such interventions should be carried out considering geographical conditions of the area.
- 58% of the CPIs were implemented efficiently and benefited the target communities.
- PPR engineering team comprised of two engineers which resulted in heavy working load and also reduced the efficiency of CPIs.
- Social mobilization in the program was depended on POs. In areas where NRSP, SRSP, AKRSP, EPS, BRSP like POs were present the social mobilization was excellent. In Bajaur Agency social mobilization of the POs was weak due to its political instability. In Balochistan NRSP and BRSP social mobilization were excellent. However, in case of small POs like SEHER social mobilization was very weak on the ground.
- Integration of CPIs with other components of PPR project was well observed and this strategical aspect was well established in CPI implementation.
- Almost all the CIs were well aware of the program. Design of program was highly appreciated.
- Most of the CPIs were implemented with the consent of community and women of the area. Out of 47 CPI schemes visited, 11 were implemented by women COs.
- Majority of the COs did not face funds disbursement issues. 27% of the COs reported that CPIs implementation got delayed due to non-availability of funds.
- 91% of CPIs were implemented by COs/VOs. Only in the case of 4.5% CPIs, community hired the contractor due to the requirement of higher skills. 4.5% of the communities did not want to work as labors.
- PPAF CPI manual does not provide design of all the projects undertaken under PPR. POs did not have access to “Sanitation Projects Design Manual” of PPAF. CPI manual should be updated, and addition of relevant CPI design will be made. Particularly Link road design should be included in the manual. All sections of designs should be shared with POs.

Assessment of Education, Health and Nutrition (EHN) Component of PPR by M/S NEC Consulting Pvt. Ltd

NEC Consultants Private Limited (NEC) was hired for undertaking strategic assessment of PPR EHN Component. Key findings of the assessment are provided below:

- The POs were found to have good reputation at community level and government line departments. The POs had existing knowledge of the needs and operational context that was leveraged very well to appraise the needs of the target area. The service delivery responded to the most acute needs. The government functionaries praised the interventions as timely and complementing their efforts.
- Participants were found well aware of the interventions. However, few Health Management Committee (HMC) members need more clarity about the roles and responsibilities and management process. The community members acknowledged service through projects as very gender sensitive and responsive towards the local customs.
- One of the areas where CRPs got maximum value added through the trainings was their effective outreach to community females to mobilize them to avail ANC, PNC, RH, FP and awareness services. Some follow-up mechanism could be made part of capacity building component of future interventions to ensure and record the efficacy of trainings.
- Regarding developing and enabling health facilities as social enterprises, there were some good examples of basic primary health care services in the form community health centers

(CHC). In future programming such CHCs can be initiated with seed funds from donors which could then be replicated through public/private partnership.

- Community women found ANC, PNC as helpful in terms of accessibility and savings. Mothers termed immunization services as regular and of quality. 100% of the children who visited the health facilities were immunized. The micronutrients and supplements provided during the routine ANC services helped to address the issue of anemia to a large extent.
- PPR's in-built approach of improving community resilience and coping capacity for greater effectiveness and sustainability in the implementation was the key of its successful and effective programming. The capacity building activities helped in sustaining different assistance provided. The Interventions were done in a smaller catchment area of 1-2 Health facilities per PO. Coordination with the communities was capitalized on the existing community structures of the UC and village development committees. This avoided duplication and maximized the impact. The coordination with the District health authorities was also working.
- The nutrition component could be made more effective through building partnerships with and providing information about other nutrition partners.
- A formal complaint and feedback mechanism was not part of the implementation methodology for PPR.
- A strong project level Monitoring and Evaluation system was in place to support projects' implementation.
- The project has also been able to indirectly improve health and nutrition related behavior, besides its direct benefits

Following are key findings of Education component of PPR:

- The Education component's interventions remained highly relevant to communities, project objectives, local government education departments, Government of Pakistan's priorities, UN sustainable development goals, etc. Existing government schools were strengthened, government schoolteachers were provided training, social enterprise schools were established where there were no government schools, incentives were given to the poor students such as, provision of transport, stationery, etc.
- Both CRPs and School Management Committees (SMCs) played important roles in increasing the enrollment and decreasing the drop-out rates. CRPs remained more effective in this regard, being more experienced and trained as compared to SMCs many of whom were capacitated during this project.
- Establishment of social enterprise schools is a good innovation and has attracted enrollment. However, most of the respondents lacked in-depth understanding of social enterprise concept. In terms of strict definition, many such schools are not yet social enterprise per se, but most do show potential to graduate into a social enterprise in near term. These schools are likely to continue beyond the project life, if salary is paid to the teacher; additional teachers are recruited, and school infrastructure expands as the enrollment increases; incentives to the poor students continue; adequate learning materials are available; etc. These schools must be handed over to the relevant education departments.
- Establishment of District Education Forums was envisaged in the program design but has not worked to its potential. Wherever elected representatives were engaged, it produced good results. EPS Swat invited elected representatives in its meetings and highlighted various

issues; appointment of additional teachers, non-functional Maktab Schools, political interference, etc. Most of these issues were resolved.

- The approach and implementation methodology applied to the education component of PPR are aligned with the original thinking delineated in the project proposal, e.g. community needs were taken into consideration during site selection for schools - parents are comfortable enrolling their children to the nearby school. Potential enrollment of girls and boys students was another factor in selecting a community for the programme intervention.
- The school infrastructure improvements have been carried out with the consultation of the respective District Education Departments. However, these contributions of the project have not been entered in the District Education Departments records, which might lead to unaccountable spending by the district education department. Some of the respondents (e.g. KII with PO Swat) have raised the issue of non-availability of funds for provision of furniture in some government schools. Some SMC members have expressed concern over their non-involvement in the utilization of school infrastructure budget.
- IT labs and computers have been provided in government and social enterprise schools, IT teachers and IT training were provided but these schools need support in teaching ICT for education such as use of computer in teaching/ learning different subjects. AKRSP uses different strategy such as hiring/ nominating qualified teacher in computer science as lab in charge for six months and it is her/his responsibility to train two other teachers in computer teaching. This approach is more workable as well as sustainable.
- Delay in availability of funds remained an issue in smooth and effective execution of PPR component implementation strategies.

5. CORPORATE GOVERNANCE

Good Corporate Governance holds a paramount importance to the Company. 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. The Board makes certain that all the activities carried out in line with the Companies Act 2017 and principles of corporate governance for Non-listed Companies (NLCs). PPAF acknowledges that long term sustainable success is driven from good governance to protect stakeholders' values.

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 bylaws and Companies Act 2017.

Compliance with the Best Corporate Practices

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.
- 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 four Board Committees (Audit Committee, Compensation/HR Committee, Strategy and Design Committee and Risk Oversight) 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. Besides statutory audit by a Chartered Accountant firm, PPAF is also audited by Auditor General of Pakistan. In addition to preparing financial statements abreast with statutory requirements, PPAF produces separate financial statements for different donors' projects, duly audited by its external auditors. The 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 financial and 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.

Adequacy of Internal Financial Controls

Internal financial controls of the Company have been formulated and implemented by the Board of Directors through various policies. These controls have been put in place to ensure efficient and smooth running of the business, safeguarding of Company's assets, prevention and detection of fraud and errors, accuracy and completeness of books of accounts and timely preparation of reliable financial information. Adequate internal controls provide reasonable assurance about the achievements of Company's objectives through reliable financial reporting. Compliance with applicable laws and regulations also depends upon internal controls and the Company has dependable internal controls put in place to make sure that regulatory requirements are complied with.

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

On completion of statutory term of three years, the election of directors was held on January 25, 2019. Six directors (Ms. Roshan Khursheed Bharucha, Dr. Naved Hamid, Mr. Kamal Hyat, Mr. Ahlullah Khan, Ms. Khawar Mumtaz and Dr. Ijaz Nabi) were elected for three year term. Dr. M. Suleman Shaikh and Mr. Aijaz Ahmed Qureshi retired on completion of two consecutive terms of three year. The present Board comprises of 9 directors out of which 8 are non-executive directors while CEO is the only executive director. Except for the CEO, all members of the Board are non-executive Directors and serve in an honorary capacity, without compensation. The elected Board possesses necessary skills, competence, knowledge and experience to deal with various business issues. The Chairman of the Board is a non-executive director.

Chairperson of the Board

Ms. Roshan Khurshed Bharucha, an independent director, was elected Chairperson of the Board for three year term.

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

The Chairperson heads the Board of Directors and is appointed by the Board. Heading the meetings, defining agendas and signing the minutes are the primary responsibilities of the Chairman and making sure that the duties of the Board of Directors are met. S/he also manages conflicts of interests arising, if any, and makes recommendations to improve performance and effectiveness of the Board. The Chairman, at the start of the term of Directors, intimates them regarding their roles, responsibilities, duties and powers to help them manage the affairs of the Company effectively. The CEO manages the Company and is responsible for all of its operations. The CEO designs and proposes strategies and implements decisions of the Board. The CEO reports to the Board regarding the Company's performance.

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 year five meetings of Board of Directors were held. The Board reviewed/approved financial assistance for POs; quarterly progress; annual targets and budget; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports;

Project specific audited financial statements. The Board also approved formation of Strategy and Design Committee to review the financing proposals and projects.

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:

<i>Sr. No.</i>	<i>Name</i>	<i>No. of meetings Attended</i>	<i>No. of meetings Eligible to attend</i>
1	Ms. Roshan Khursheed Bharucha	4	5
2	Syed Ahmed Raza Asif	5	5
3	Dr. Naved Hamid	1	2
4	Mr. Kamal Hyat	4	5
5	Mr. Ahlullah Khan	5	5
6	Ms. Khawar Mumtaz	1	2
7	Dr. Ijaz Nabi	3	5
8	Mr. Ahmad Hanif Orakzai	0	5
9	Mr. Aijaz Ahmed Qureshi	1	3
10	Dr. M. Suleman Shaikh	1	3
11	Mr. Qazi Azmat Isa	5	5

Appointment of Directors:

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

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 Audit Committee reviews the financial and internal reporting processes, the system of internal control, management of risk and the internal and external audit processes. The Audit Committee ensures that the Company has a sound system of internal financial and operational controls. It assists the Board in discharge of its fiduciary responsibilities. The Audit Committee reviews six monthly un-audited and annual audited financial statements of the Company before their respective presentation to the Board and ensures implementation of relevant controls for the integrity of the

information. The Committee recommends to the Board of Directors the appointment of external auditors and discusses major observations highlighted by internal and external auditors.

During the year Audit 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; project specific audited financial statements as per donors requirements; revised Internal Audit and financial operating policies and procedures manual.

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.

During the year one meeting of the Committee was held. The Committee recommended for Board approval annual increments for staff, new staff hiring, revision in HR polies and pension scheme in lieu of gratuity.

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.

During the year three meetings of the Committee were held. The Committee approved/ratified investment decisions made by Treasury Management Committee; reviewed risk management framework along with key risks; assessed performance/progress of PMIC besides recommending for Board approval revision in treasury management strategy.

Strategy and Design Committee:

The Board of Directors in its 97th meeting held on April 4, 2019 constituted PPAF Design Committee to review concept notes and financing proposals of POs. The objective of the Design Committee is to assist the Board in the effective discharge of its responsibilities with regard to approval of concept notes and financing proposals for partners and that of donors. The Committee comprises of three members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. Program Head is the Secretary of the Committee.

During the year one meeting of the Committee was held. The Committee reviewed its ToRs and recommended financing proposals for the approval of the Board.

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 groups:

(i) Integrated Development Group

This Group manages (i) productive infrastructure (ii) employment and enterprise development (iii) interest free loans, assets, livelihood and skills training (iv) special initiatives and (v) activity monitoring.

(ii) Institution, Integration and Innovation Group

This Group manages (i) Tameer O Tabeer fund (ii) small grants program (iii) innovation projects (iv) disability and other initiative and (v) social mobilization and training management.

(iii) Graduation Group

This Group manages (i) asset creation (ii) Livelihood and skill training (iii) Financial Inclusion; including interest free loans and (iv) graduation related research.

(iii) 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 Mobilization & Corporate Relations Management Unit to provides support for fundraising from private sector. Till the appointment of a new Group Head this group will report directly to CEO

(iv) 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.

6. 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 nurtures effective working relationships. Main functions of PPAF's HR are:

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

PPAF believes in its people; our diversified and inclusive team is contributing towards a conducive and engaging work environment. Efforts are continuously being dedicated in maintaining and upraising the culture of respect; dignity; tolerance and positivity.

Inclusion being the core value of PPAF is ensured and tracked in all HR processes at PPAF. An internal Gender Committee (GenCom) at PPAF is facilitating the efforts of HR unit to create an enabling socio-economic environment that value and promote inclusion, equity, and female empowerment.

PPAF has the distinction of having women at all tiers of governance and management. PPAF also recognizes the need for provincial and ethnic diversity to ensure that lagging regions are represented, and their voice heard. Inclusion at PPAF begins at the Board and extends through to the work at the community level. For ensuring provincial diversity the provincial representation as per census of 2017 has been set as benchmark. The efforts are being made to track and ensure provincial diversity in its full spirit.

Recognizing that our staff makes all the difference, efforts are being made to consistently attract, hire and retain the best talent. Gender and geographical diversity are ensured in all our talent acquisition endeavors, which resulted in achieving 45% women staff hired during past two years. PPAF is an equal opportunity employer and welcomes women candidates, minorities and persons with disabilities to join its cadres.

The Company prides itself in having a wide range of expertise in its workforce. As at 30 June 2019, PPAF's manpower strength comprised a total of 181 employees working at Head Office, and regional office in Quetta.

In order to engage with youth and to provide them with development sector exposure, a summer internship program is carried out every year. PPAF's Annual Summer Internship Program provides learning & growth opportunities to national & international students with real life development sector experience. To ensure interfaith harmony, regional and cultural diversity, students from different region, faith and ethnic background are selected.

The edifice of PPAF is based on the key pillar of employee satisfaction which is very much obvious through the staff attrition rate which is only 4.3 %.

Staff development policies are geared towards maintaining a steady flow of talent and promoting continued learning, development and technical trainings through structured development programs to enhance employees' technical and functional skills. The learning and growth opportunities are being provided to staff to nurture their talent through National and International trainings; exposure visits and conferences. Immersion visits being the soul of development, provide a reality check to the development practitioners and are considered as a mandatory requirement for PPAF staff. It provides them with the opportunity to spend time with the communities for at least one night and immerse themselves within their environment and refresh their spirits to work for the betterment of people of Pakistan.

Recognition at PPAF is delivered through robust performance management system supplemented by Succession Planning Policy. Career growth for employees is clearly mapped keeping in view individual's potential, qualification, service tenure, professional attitude and departmental requirements, amongst other factors.

The Human Resource strategy is continually evolved by proactively anticipating and evaluating the emerging needs and challenges faced by the Organization. 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.

PPAF's core values transparency and accountability are truly embedded in its culture with open and fair mechanisms that address employee's grievances in a transparent manner maintaining the congenial work environment.

PPAF's Grievance Redressal Policy is a great support in maintaining fair, impartial and transparent organization culture. 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. 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 highlighted by employees; and (ii) create a healthy work environment.

Through a democratic election approach a Grievance Redressal Officer (GRO) and six members Grievance Committee with equal number of Men and Women are elected by Team PPAF for a period of two years. The technical competencies of these elected members and GRO are polished with specialized trainings that help them in dealing with staff issues more proactively and professionally as per the requirement of applicable laws.

To ensure highest standards of ethical business practices by all employees, a vigorous Whistle Blowing Policy is also in place. The Policy encompasses possible fraud / corruption, and all stakeholders including contractors, suppliers, business partners and shareholders come within the ambit of the Whistle Blowing Policy. Everyone is 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. 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. 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.

To set and maintain high standard of integrity all employees and Board of Directors of PPAF sign conflict of interest declaration every year.

7. TREASURY & FUNDS MANAGEMENT

The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash in different portfolio of securities. Treasury function is governed by Board approved treasury management strategy (TMS) and managed by a Treasury Management Committee (TMC) comprising CEO as its head, two Senior Group Heads and a General Manager as its members and a secretary.

To diversify the portfolio the approved 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. During the year the Board of Directors approved revision in TMS having following key features:

- For placement of funds per party ceiling for (i) long term AAA rated banks fixed at Rs. 2.5 billion; (ii) long term AA rated banks fixed at Rs. 1.5 billion; and (iii) Microfinance Banks fixed at Rs. 500 million.
- Except for Microfinance Banks, funds placement allowed in banks/financial institutions having minimum long term AA rating.
- 70% of the overall portfolio is required to be invested in GoP securities and long term AAA rated banks.
- The long term investment (beyond 1 year) only to be made in long term AAA rated banks or GoP securities.
- Terms of Reference of TMC extended to include quorum of the meetings, investment process and interpretation by legal advisor.

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.

8. RISK MANAGEMENT

Effective risk management is fundamental to the delivery of PPAF's strategic priorities. Vigorous risk management strategies and proactive risk mitigation techniques are cornerstone in accomplishing the strategic objectives and protecting business assets, personnel and reputation. Since its inception PPAF has seen significant transformation, and this has naturally resulted in heightening of risks related to strategic choices, strategy execution along with traditional operational and compliance related risks. Management at PPAF periodically reviews major financial and operating risks faced by the Company whereas Risk Oversight Committee of the Board devises and implements measures to mitigate the potential impact of the risks with the aim to ensure quality decision making.

Risk Management Framework

Risk management at PPAF is integral to all aspects of the organization 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. It is supported by the Risk Oversight Committee which monitors, assesses and manages the risk profile for 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. PPAF's risk management framework is built upon following pillars:

- risk identification
- risk assessment
- risk mitigation
- risk reporting and monitoring
- risk governance

Risk Register

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

1. 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.
2. The impact shall this event actually occur. The consequences are defined as:
 - 2.1 Insignificant
 - 2.2 Moderate
 - 2.3 Major
 - 2.4 Critical
3. The probability of its occurrence through use of following scale:
 - 3.1 Very Low (may occur only in exceptional circumstances, 20% chance)

- 3.2 Low (may occur at some time, 20% to 40% chance)
- 3.3 Medium (likely to occur/reoccur, 40% to 70% chance)
- 3.4 High (likely to occur/reoccur, 70% to 100% chance)
- 4. A summary of the planned response when the event occur; and
- 5. 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.

1. 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.

2. 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. 977,133 thousand (2018: Rs. 1,782,827 thousand) (including loans to five major POs of Rs. 43,649 thousand) (2018: loans to five major POs of Rs. 846,278 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. 10,118,169 thousand (2018: Rs. 10,248,000 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.

3. 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.

4. 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. 25,978,436 (2018: Rs. 25,677,464) thousand and financial liabilities include balances of Rs. 10,978,948 (2018: Rs. 12,347,515) 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. 149,995 (2018: Rs. 133,299) 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.

5. 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.

6. 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.

9. KEY ACTIVITIES OF PPAF

- The Board of Directors of PPAF approved setting up Provincial Advisory Committees (PACs) in each of the four provinces with following composition, roles and responsibilities:

Roles and responsibilities of the PACs:

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

PAC Membership – PAC comprises of 10 members:

- Three representatives of Provincial Government.
- Three members of civil society from the province.
- Three General Body members from the province, one of them to be Chairman of PAC.
- Provincial Coordinator (senior management of PPAF)

The term of civil society and General Body members is three years.

Meetings/Quorum

The PAC for each province of Pakistan shall meet at least once in six (6) months. 50% of members of PAC will be quorum with mandatory participation of one representative of the provincial government and one General Body member.

Meetings of all the four PACs have been held.

- PPAF carried out an extensive water engagement exercise to come up with an action plan for effectively addressing water issues in Balochistan. The water engagement, held from April 09 to 16 in Balochistan comprised of field visits as well as a two-day consultative workshop at Lasbela University of Agriculture, Water and Marine Sciences (LUAWMS). As many as 86 participants, comprising water specialists and representatives from academia, civil society, government departments, and PPAF, were involved in the monumental exercise. PPAF has engaged in numerous poverty alleviation initiatives in Balochistan with a big focus on water. PPAF recognizes that it has become ever more important to focus attention on Pakistan's national and regional water crisis and water-related issues. Balochistan is the most water scarce province of Pakistan. It requires special attention to avert the impact of climate change, drought and disasters. Keeping in mind the water crisis and water problems in the province, PPAF planned this unique engagement with multiple actors to come up with a draft water strategy for the province, and a comprehensive action plan to address water issues. The workshop concluded with closing remarks from Vice Chancellor of LUAWMS, Professor Dost Muhammad Baloch and vote of thanks from Dr. Muhammad Arshad, Team Lead from LEAD Pakistan. Detailed research will be carried out by specialised academic institutions in Balochistan. Action plans will also be developed by PPAF for livelihoods development around the identified themes, in terms of asset transfers, community infrastructure, interest free loans, linking to microcredit loans etc. PPAF's pursuit in resolving the water crisis in Balochistan will continue. The leveraging, consultation and synergies amongst government line departments, educational institutions, universities, the think tank on rational use of water, water professionals and other relevant stakeholders' involvement will also play a pivotal role in developing more effective and innovative approaches and initiatives.
- The 13th Citi-PPAF Microentrepreneurship Awards Ceremony was held at Islamabad to celebrate outstanding microentrepreneurs across Pakistan, equip them to expand their

businesses, and raise awareness of the impact of small businesses on communities and economies. The Citi Microentrepreneurship Awards programme was first launched in 2005, quickly becoming a signature initiative of the Citi Foundation. It is aimed at raising awareness about the significance and benefits of microfinance in supporting financial inclusion and economic empowerment of low-income groups. The programme was implemented in nearly 30 countries last year, going on to becoming a resounding success. It also raises awareness of how the Citi Foundation supports microentrepreneurship as an enabler of economic growth and job creation in communities around the world, and showcases how microentrepreneurs are contributing to global progress and the Sustainable Development Goals (SDGs).

- PPAF has been elected as Chair and an Executive Council member for the next two years of the Scaling up Nutrition- Civil Society Alliance (SUN-CSA). The first Executive Council meeting was hosted and chaired by PPAF in its premises in which thirteen member organisations and the SUN-CSA Secretariat participated. Recently, a 2nd Executive Council was formed by the SUN-CSA Secretariat, in which 15 national/international organisations were elected as Executive Council members through a secret ballot amongst 156 leading civil society organisations working on nutrition all over Pakistan. Pakistan signed the global SUN (Scaling up Nutrition) Movement – a unique movement founded on the principle that all people have a right to food and good nutrition – in 2013. SUN-CSA Pak is a national nutrition civil society network created with the goal to promote sustainable improvement and the nutritional status of the people of Pakistan. This would be done by creating a strong, coordinated and vibrant civil society constituency which would support further development and wider implementation of the nutrition agenda.
- A ten member Chinese delegation led by Deputy Director - CPEC, Ministry of Planning, Development and Reform - Pakistan visited PPAF recently. The delegation aimed to learn from PPAF's countrywide work on poverty alleviation and community driven socio-economic transformation and to look into the possibility of linking PPAF's work with CPEC in Pakistan and with Chinese Poverty Alleviation Program across China.
- The first ever National Women's Jamboree invited community leaders from across Pakistan to celebrate the 8th Amtul Raqeeb Awards and present awards to seven exceptional women for their extraordinary and courageous developmental work for their communities. The Women's Jamboree offered the interaction of community women with senior officials of the Government of Pakistan, ambassadors, diplomats, donors, PPAF board & general body members, federation of chambers, civil society organisations, media representatives and Team PPAF.
- A twelve member Nepalese delegation accompanied by officials from the World Bank visited PPAF. The delegation was led by Mr. Sushil Gyewali, Chief Executive Officer, status of federal minister, of the National Reconstruction Authority (NRA). They were accompanied by members from Central Level Project Implementation Unit Nepal, Ministry of Finance and National Planning Commission, Nepal. The visit aimed to learn from PPAF's experience of post-earthquake 2005 reconstruction as well as post flood 2010 reconstruction.
- Pakistan Poverty Alleviation Fund (PPAF) and Pakistan Microfinance Network (PMN) have signed an MoU to collaborate on upcoming Thar Drought Relief & Resilience Programme. The MoU was signed at PPAF Head Office in Islamabad. CEO - PMN, Mr. Syed Mohsin Ahmed and Mr. Qazi Azmat Isa, CEO - PPAF signed the MoU. Under the MoU, PPAF and PMN will collaborate on upcoming Thar Drought Relief & Resilience Programme. The programme will be rolled out in the region of Thar and other calamity hit areas in Sindh in

three implementation phases including relief activities in kind for first three months, asset replacement for affectees who have lost their assets in drought after first three months and long term approach and policy for resilience including development of strategies and policy, rescaling lending behaviours of people and exploring value chain around tourism and other innovative sectors.

- Pakistan Poverty Alleviation Fund (PPAF) has been recognised with the prestigious 2018 Energy Institute (EI) Award, for its ‘Community Managed Solar Energy Mini Grid Systems’. The award acknowledges the impact of 60 solar mini-grid systems installed in districts Swabi, Karak and Lakki Marwat of KP, during the period 2016 to 2017, with funding from the German Ministry of Economic Cooperation and Development (BMZ) through the German Development Bank (KfW). This year, there were over 120 entries for the EI Awards from across 29 countries including India, Pakistan, Nigeria, Saudi Arabia, UAE, Malaysia, Hong Kong, Australia, United States, Canada and many of the European countries.
- PPAF has won the prestigious **CIS Islamic Banking and Finance for being the best contributor to the** Islamic Finance Industry in a ceremony held recently in Tashkent, Uzbekistan. PPAF was selected for successfully implementing the Interest Free Loan Programme across Pakistan. The **CIS Islamic Banking and Finance** Awards is a signature initiative of Al Huda CIBE aimed to recognise the industry leaders and to promote the concept of sustainable economy. PPAF’s Interest Free Loan Programme was selected for its extensive outreach and its unique feature of catering to the financial needs of the poor and marginalized communities across Pakistan with women being the major clients.
- PPAF has won the prestigious ‘Diversity and Inclusion Award 2019’ in five categories. The award recognise PPAF’s commitment to diverse workforce, programmes, initiatives, resources and impactful community involvement for promoting diversity and inclusion in our workplace and the communities we work in.

10. WAY FORWARD

PPAF is the lead agency for implementing National Poverty Graduation Initiative (NPGI) which was launched by the honourable Prime Minister as part of the *Ehsaas* strategy. NPGI aims to graduate the poorest households out of poverty and set them on a course of economic and social prosperity. Its components include i) asset transfers; ii) interest free loans, and; iii) vocational and skills training to make assets productive. The graduation initiative aims to reduce dependence of the population at the bottom of the pyramid on government-led social safety nets (BISP, Zakat and Baitul Mal programs) and helps to bring this population into the mainstream of economic development and financial inclusion. The government, in addition to its own funding, is partnering with the International Fund for Agriculture Development (IFAD) and the Asian Development Bank (ADB) in this initiative. Total projected cost of the initiative is Rs. 42.65 billion.

	<i>Funds Rs. Billion</i>	Year of Approval & Initiation
National Poverty Graduation Initiative		
IFAD Funded PPAF Graduation programme (Federal government)	13.00	2019-20
ADB Funded BISP Graduation programme (Federal government)	6.30	2018-19
Interest Free Loans by the Federal and Provincial Governments of KP and Punjab	23.35	Rs. 5 billion from Federal government in 2019
Total	42.65	

Implementation Arrangements

The initiative will be executed by Pakistan Poverty Alleviation Fund (PPAF) and BISP. More than forty partnering NGOs will be involved in executing this initiative including the Rural Support Programs and Akhuwat.

Targeting, Selection and Impact:

This initiative is being rolled out in over 100 districts and will impact 16.28 million people with 50% women. The initiative also includes youth, persons with disabilities, transgenders, minorities and marginalized communities in lagging districts. Selection of beneficiaries is based on the Poverty Score Card used by the government and donors.

Components of the National Poverty Graduation Initiative

- i. **Asset transfer:** 225,000 assets will be provided to the poorest of the poor to start their businesses along with skills training and business planning. The average cost of the asset which will be given as a grant is Rs. 50,000. Furthermore, they will have access to interest free loans (see component ii below). In total 1.45 million people¹ will benefit from this component.

¹ 225,000 households x 6.45 persons (average household size is 6.45 persons)

Recipients of asset transfers will be determined by the partner organizations using the Poverty Score Card.

- ii. **Interest Free Loans** are a major component of the Initiative. From June 2019 onwards, 80,000 interest free loans will be disbursed every month. The range of the interest free loans is Rs. 20,000 – Rs. 75,000. As many as 3.8 million interest free loans will be provided (80,000 loans a month for the next 4 years) to 2.28 million households. In total, 14.7 million people² will benefit from this component.

Interest free loans are being accessed through existing 350 loan centers operated by partnering NGOs. As additional districts are added, new loan centers will be established.

- iii. **Vocational and Skills Training:** Recipients of asset transfer and interest free loans will be provided skills and business development training as needed to ensure sustainable livelihoods. Furthermore, an additional 20,000 youth will be provided special skills to develop innovative businesses. This additional training will benefit 129,000 people.

² 2.28 million households x 6.45 persons (average household size is 6.45 persons)

PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL HIGHLIGHTS

	2019	2018	2017	2016	2015
Funds deployment - Rs. in million					
Microcredit					
Loans receivable from POs (Gross)	977	1,783	10,708	14,716	13,913
Loan to PMIC	10,118	10,248	1,818	-	-
Equity investment in PMIC	2,883	2,883	2,883	-	-
Guarantee facility	-	-	420	2,150	3,600
PMIFL portfolio	3,100	3,100	3,100	-	-
	17,078	18,014	18,929	16,866	17,513
Grant					
Donor financed	790	1,006	2,186	5,456	6,934
Relief & Reconstruction Operations	265	82	151	408	219
	1,055	1,088	2,337	5,864	7,153
Total funds deployment	18,133	19,102	21,266	22,730	24,666
Balance Sheet - Rs. in million					
Total assets	31,598	31,942	31,259	30,857	32,285
Endowment Fund	1,000	1,000	1,000	1,000	1,000
Reserves					
Capital adequacy reserve	1,664	1,805	1,879	2,207	2,087
Grant fund	11,259	10,358	9,341	7,520	6,706
Reserve for lending activities	2,883	2,883	2,883	3,653	3,236
General reserve	1,987	1,828	1,564		
Income on grant fund	640	-	-	1,139	978
	18,433	16,874	15,667	14,519	13,007
Total equity (endowment + reserves)	19,433	17,874	16,667	15,519	14,007
Long term loans	9,788	11,068	12,348	13,448	14,236
Operational Results - Rs. in million					
Total income	2,844	2,334	2,332	2,963	3,250
General and admin expenses	667	605	505	576	587
Surplus before loan loss prov. and relief work	1,835	1,315	1,410	1,965	2,250
Net Surplus	1,561	1,217	1,150	1,511	1,998
Financial Ratios - Percentage					
Surplus before provisions & relief/total income	65%	56%	60%	66%	69%
Return on equity	10%	7%	9%	10%	17%
Return on assets	6%	4%	5%	5%	7%
G&A/funds deployed	3.68%	3.17%	2.37%	2.53%	2.38%
Debt/equity	33:67	38:62	43:57	46:54	50:50

INDEPENDENT AUDITORS' REPORT

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 2019, 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 2019 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 *Auditors' 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 Auditors' 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 auditors' 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.



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.

Auditors' 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 auditors' 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 auditors' 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 audit evidence obtained up to the date of our auditors' 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 auditors' report is Ahsan Shahzad.



Chartered Accountants
Place: Islamabad, Pakistan
Date: 26 September 2019

PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

ASSETS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
NON-CURRENT ASSETS			
Property and equipment	7	43,698	34,874
Investment in the Associate	8	3,143,225	2,976,238
Long-term investments	9	982,280	2,097,428
Long-term loans to the Associate	10	8,975,231	9,435,721
Long-term loans to Partner Organizations	11	-	55,896
Long term loans and advances	14	35,821	31,074
Long-term deposits and prepayments	12	7,104	32,764
		13,187,359	14,663,995
CURRENT ASSETS			
Grant fund receivable	13	55,226	25,176
Loans and advances	14	69,066	61,569
Short-term prepayments	15	27,431	41,956
Profit / service charges receivable	16	605,617	508,475
Other receivables	17	62,033	73,328
Current maturity of long-term investments	9	1,111,300	2,131,000
Current maturity of loans to Partner Organizations	11	43,650	803,100
Current maturity of loans to the Associate	10	1,142,938	812,279
Short-term investments	18	13,731,926	10,246,700
Tax refunds due from the Government	19	379,512	360,806
Bank balances-specific to projects	20	1,022,724	1,842,534
Cash and bank balances	21	159,190	371,240
		18,410,613	17,278,163
TOTAL ASSETS		31,597,972	31,942,158
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Endowment fund	22	1,000,000	1,000,000
Grant fund		11,258,794	10,358,191
Reserve for grant based activities		639,682	-
Accumulated surplus		6,534,399	6,515,798
		19,432,875	17,873,989
NON-CURRENT LIABILITIES			
Long-term financing	23	8,217,984	9,344,441
Deferred benefit	23	1,570,342	1,723,480
		9,788,326	11,067,921
CURRENT LIABILITIES			
Deferred liabilities - grant fund	24	1,056,760	1,623,317
Deferred income - grant fund	25	1,797	5,490
Trade and other liabilities	26	19,001	69,873
Service charges payable	28	19,616	21,971
Current portion of long-term financing	23	1,279,597	1,279,597
		2,376,771	3,000,248
TOTAL FUNDS, RESERVES AND LIABILITIES		31,597,972	31,942,158
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 2019

	Note	2019 ----- Rupees '000 -----	2018 -----
INCOME			
Service charges on loans to Partner Organizations and the Associate	30	1,037,084	809,760
Income on investments and savings accounts	31	1,386,432	1,096,126
Amortization of deferred income - grant fund	25	93,549	103,603
Amortization of deferred benefit	23.5.1	153,138	149,272
Share of profit of the Associate	8	166,987	94,729
Other income	32	7,345	80,017
		2,844,535	2,333,507
EXPENDITURE			
General and administrative expenses	33	666,879	605,189
Loan portfolio monitoring fee	8.2	600	54,464
Seminars, workshops and trainings	34	15,284	9,332
Technical and other studies	35	85,340	96,591
Provision against loans / service charges	36	9,653	16,008
Income tax refund written-off		-	6,240
Financial charges	37	241,022	246,613
		1,018,778	1,034,437
SURPLUS FOR THE YEAR BEFORE PROJECT AND RELIEF ACTIVITIES		1,825,757	1,299,070
Expenditure on project and relief activities	38	(265,116)	(81,977)
SURPLUS FOR THE YEAR		1,560,641	1,217,093

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 2019

	Note	2019 ----- Rupees '000 -----	2018 -----
SURPLUS FOR THE YEAR		1,560,641	1,217,093
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Other comprehensive loss not to be reclassified to income and expenditure statement in subsequent periods:			
Re-measurement loss on employees' defined benefit plan	27.1	(1,755)	(10,062)
		<u>1,558,886</u>	<u>1,207,031</u>

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

→ *Signature*

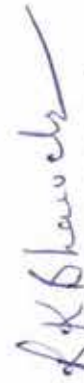

DIRECTOR


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 2019

	FUNDS		RESERVES			TOTAL
	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	Rupees '000	
Note						
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 reserve for grant based activities to grant fund		636,209	(636,209)			
Transfer from accumulated surplus to reserve for grant based activities			636,209	(636,209)		
Transfer from accumulated surplus to grant fund		381,391		(381,391)		
Balance as at 30 June 2018	1,000,000	10,358,191		6,515,798		17,873,989
Total comprehensive income for the year						
Surplus for the year				1,560,641		1,560,641
Other comprehensive income				(1,755)		(1,755)
				1,558,886		1,558,886
Transfer from accumulated surplus to reserve for grant based activities			639,682	(639,682)		
Transfer from reserve for grant based activities to grant fund		900,603		(900,603)		
Transfer from accumulated surplus to grant fund						
Balance as at 30 June 2019	1,000,000	11,258,794	639,682	6,534,399		19,432,875

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 2019

	Note	2019 Rupees '000	2018 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		1,560,641	1,217,093
Adjustment for non cash and other items:			
Depreciation	7	17,562	17,179
Amortization of intangible assets		-	389
Reversal of allowance for expected credit loss	32	(6,738)	-
Amortization of deferred income - grant fund	25	(93,549)	(103,603)
Transfer of deferred liabilities - grant fund to other income	32	(93)	(10,000)
Unrealized gain on investment in the Associate	8	(166,987)	(94,729)
Amortization of deferred benefit	23.5.1	(153,138)	(149,272)
Provision against loans / service charges recognized	36	9,653	(34,766)
Income tax refund written-off		-	6,240
Gain on disposal of property and equipment	32	(59)	(12,391)
Fixed assets written off		-	1,432
Project activities reported by Pos		-	(6,240)
Financial charges	37	241,022	246,613
		(152,327)	(139,148)
		<u>1,408,314</u>	<u>1,077,945</u>
Working capital changes			
(Increase) / decrease in current assets:			
Loans and advances		(12,244)	(75,415)
Other receivables		11,295	(55,008)
Profit / service charges receivable		(90,404)	(21,074)
Increase in current liabilities:			
Trade and other liabilities		(52,627)	(54,502)
		(143,980)	(205,999)
		<u>1,264,334</u>	<u>871,946</u>
Disbursements to Partner Organizations:			
Grants	24.2	(790,504)	(1,006,291)
Recoveries of loans from Partner Organizations	11.5	805,693	8,925,177
Disbursement of loans to the Associate		129,831	(8,430,000)
Income tax paid		(18,706)	(15,716)
Financial charges paid		(90,237)	(99,372)
Prepayments		40,285	(43,205)
Deposits		(100)	552
		<u>76,262</u>	<u>(668,855)</u>
Cash generated from operating activities		1,340,596	203,091
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		(2,707,179)	(1,528,675)
Capital expenditure incurred	7	(26,385)	(21,293)
Proceeds from disposal of fixed assets	32	59	32,243
Cash utilized in from investing activities		<u>(2,733,505)</u>	<u>(1,517,725)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repaid	23	(1,279,597)	(1,100,514)
Deferred liabilities - grant fund receipts		193,989	1,682,107
Deferred income - grant fund receipts	25	89,856	95,718
Cash generated from financing activities		<u>(995,752)</u>	<u>677,311</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,388,661)	(637,323)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,881,542	4,518,865
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	1,492,881	3,881,542

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 2019

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 Act, 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

Plot 14, Street 12, Mauve Area, G-8/1, Islamabad

Purpose

Head Office

The Company's license under section 42 of the Companies Act, 2017, 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 ("MOI"), Government of Pakistan.

SECP vide its letter CLC/CCD/Co.42/RN/157/2015-318 dated 06 August 2019 stated that the matter has been forwarded to MOI, Government of Pakistan for obtaining necessary clearance regarding foreign funding/directors before grant of renewal of licence under section 42 of the Companies Act, 2017. 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 (PMIC), 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.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting 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;

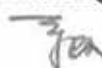
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

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

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

3 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.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 2019, 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. 20,387 thousand (2018: Rs. 17,007 thousand) were charged to income for the year.

4.2 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 7. 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.

4.3 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.

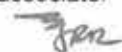
Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives. Amortization is charged on additions from the date the asset becomes available for intended use up to the date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

4.4 Investment in the 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 recognised at cost. The carrying amount of the investment is adjusted to recognise 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 recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in funds and reserves. Unrealised 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 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 recognise 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 recognises 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 recognised in income and expenditure account.

4.5 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 PMIC and Partner Organizations (refer to notes 10 and 11) is held in investments. Further, (i) subsequent to the Company's investments in PMIC (refer to note 8), Rs. 2,883 million i.e. the amount equivalent to the Company's initial equity investment in PMIC, 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% (2018: 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 2019, investments amounting to Rs. 1,664,295 thousand and Rs. 11,258,794 thousand (2018: 1,804,625 thousand and 10,358,190 thousand), respectively, are held for growth of reserves and the grant fund.

4.6 Loans to Partner Organizations and the Associate

These are stated net of provisions for loan losses.

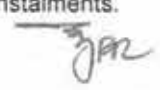
In light of cessation of underwriting of new loans, in accordance with the terms of the Non-Compete Agreement (refer to note 8.2), the Company has changed its method of estimating loan losses.

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. They are stated at amounts disbursed by the Company, cost less general provision and an allowance for Expected Credit Losses (ECL), if any.

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

(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.

4.7 Grant fund

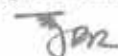
The grant fund represents 85% of the surplus funds of the Company, in excess of investments, as detailed in note 4.5.

4.8 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.

4.9 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.



4.10 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.

4.11 NPO Guideline

The Company has adopted the deferral method of accounting instead of fund accounting.

4.12 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.

4.13 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.

4.14 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.

4.15 Borrowing costs

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

4.16 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.

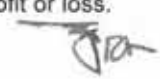
4.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.18 Financial assets

4.18.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

4.18.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables, deposits, loan and advances to employees and other receivables.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3a

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation are not held for trading. The classification is determined on an instrument-by-

Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any investment in equity instrument.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

The Company does not have any financial asset at fair value through profit or loss.

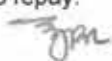
4.18.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



4.18.4 Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At each reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on investment grade debt instruments at fair value through OCI on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit agencies, both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.19 Financial liability

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

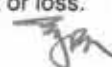
The Company's financial liabilities include trade and other liabilities and long-term financing.

4.19.1 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

4.19.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.



Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments, if any, entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

4.19.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

4.20 Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.21 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

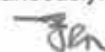
Transactions in foreign currencies are translated in Pak Rupees at the monthly average rate of exchange. Monetary assets and liabilities expressed in foreign currencies are translated into Pak Rupees at the official rate prevailing on the reporting date. Gains and losses on foreign currency transactions 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.

4.22 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.

4.23 Offsetting

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



4.24 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the Statement of Financial Position 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.

4.25 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 is 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.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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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 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 estimates / judgements and associated assumptions that have significant effect on financial statements are as follows:

	Note
Determining the useful lives, residual value and methods of depreciation/ amortization of fixed assets and intangibles	4, 5
Provision against loans to Partner Organizations and the Associate	4.6, 4.17, 4.18
Defined retirement benefit	
Contingencies	

6 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following accounting standards which became effective for the current year:

Standard / IFRIC	Effective date (annual periods beginning on or
IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions – (Amendments)	January 01, 2018
IFRS 10 & Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other IAS 28 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 & Employee benefits - Remeasurement on a Plan Amendment, Curtailment or IFRIC 14 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	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

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

IAS 28	Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value
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The adoption of the above amendments and improvements to accounting standards did not have any material effect on the financial statements, except for changes introduced by IFRS 9.

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

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Standard	Effective date (annual periods beginning on or
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

The Company applied IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standard is described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for periods ending on or after June 30, 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of July 1, 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 would be instead required to be recognized directly in "Unappropriated profit and other components of equity". The effect of adopting IFRS 9 as at 1 July 2018 was, however, insignificant.

The nature of these adjustments are described below:

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI.

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Non-current and current financial assets (i.e. Loans to associate and Partner Organisations, loans/ advances to employees, deposits and other receivables) as at 30 June 2018 were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning 1 July 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

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In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at July 1, 2018.

		IFRS 9 Measurement category
	Carrying amounts	Amortized cost
	----- Rupees '000 -----	
IAS 39 measurement category		
Held to maturity		
Long-term & short-term investments	12,344,128	12,344,128
Loans and receivables		
Loans to associate	10,248,000	10,248,000
Loans to Partner Organizations	858,996	858,996
Long term loans and advances	76,693	76,693
Deposits	7,104	7,104
Profit / service charges receivable	508,475	508,475
Grant fund receivable	25,176	25,176
Other receivables	10,484	10,484

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Company would have been required to recognise additional impairment on the Company's Debt instruments, however, as the impact was insignificant the unappropriated profit and other components of the equity as at 1 July 2018 and as at 30 June 2019 have not been adjusted.

c) Other adjustments

At the date of initial application, the Company did not have any existing hedging relationships.



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PROPERTY AND EQUIPMENT		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	
		Rupees '000			%		Rupees '000				Rupees '000
2019											
Furniture and fixtures	22,109	1,743	-	23,852	20	17,698	1,444	-	19,142	4,710	
Vehicles	44,411	13,090	(4,252)	53,249	20	38,875	4,656	(4,252)	39,279	13,970	
Office equipment	44,596	5,105	-	49,701	20	37,189	4,167	-	41,356	8,345	
Computer equipment	90,529	6,447	(7,903)	89,073	25	73,008	7,295	(7,903)	72,400	16,673	
	201,645	26,385	(12,155)	215,875		166,770	17,562	(12,155)	172,177	43,698	
2018											
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)	166,770	34,874	
7.1	Depreciation for the year is charged to general and administrative expenses (refer to note 33).										
7.2	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										
	7,903	7,903	-	59	(59)	Transfer after BOD approval	Employees				
	4,252	4,252	-	-	-	Transfer after BOD approval	Employees				
	12,155	12,155	-	59	(59)						
	63,458	43,606	19,852	32,243	(12,391)						

7.2.1 During the year, the Company sold fully depreciated computers to employees @ Rs. 1,000 each.

7.2.2 The disposal of vehicles pertains to the previous year.

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8 INVESTMENT IN THE ASSOCIATE	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Opening balance		2,976,238	2,881,509
Share of profit / (loss) of the Associate	8.3	166,987	94,729
		<u>3,143,225</u>	<u>2,976,238</u>

- 8.1** The Company has a 49% interest in Pakistan Microfinance Investment Company Limited (PMIC), 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 PMIC is situated at 21st Floor, Ufone Tower, 55 C, Main Jinnah Avenue, Blue Area, Islamabad, Pakistan.

The Company's interest in PMIC is accounted for using the equity method in the financial statements, as the Company has significant influence over PMIC's operational and financial policies but does not have control over PMIC. 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** PMIC and the Company have entered into memorandum of understanding, whereby with effect from 01 December 2016, PMIC 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, on 16 July 2018 PMIC and the Company entered in a memorandum of understanding, with effect from 1 January 2018 and expiring on 31 December 2018 according to which PMIC is entitled to a Loan Portfolio Monitoring fee Rs 1.2 million for the year, as full compensation. The Company has paid this amount in full. 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

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

- 8.3** The following table illustrates the summarized financial information of the Company's investment in PMIC, based upon the audited financial statements of PMIC for the period ended 31 March 2019, and un-audited interim financial information for the three month period ended 30 June 2019:

	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Current assets	17,093,069	2,038,006
Non-current assets	10,082,829	16,531,116
Current liabilities	(2,294,517)	(271,205)
Non-current liabilities	(18,466,611)	(12,223,000)
Equity	<u>6,414,770</u>	<u>6,074,917</u>
The carrying amount of the Company's investment	<u>3,143,225</u>	<u>2,976,238</u>

	30 June 2019 ----- Rupees '000 -----	30-Jun-18 ----- Rupees '000 -----
Income	2,606,487	1,170,340
Administrative expenses	(353,025)	(282,246)
Other operating expenses	(3,196)	(25,184)
Other income	21,845	34,498
Finance costs - borrowings	(1,551,247)	(521,349)
Finance costs - bank charges	-	(3)
Allowance for expected credit losses against loan portfolio	(228,878)	(133,380)
Profit before taxation	<u>491,986</u>	<u>242,676</u>
Taxation	(151,195)	(49,351)
Profit for the year	<u>340,791</u>	<u>193,325</u>
The Company's share of profit	<u>166,987</u>	<u>94,729</u>

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- 8.4 PMIC has maintain general provision at 1% of the outstanding balance of financing net of specific provision; based on the institutional rating system of the individual borrower. This general provision in is excess of allowance for the expected credit loss required to be provided under IFRS 9 "Financial Instrument".

9 LONG-TERM INVESTMENTS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Amortized cost			
Specific to Endowment Fund			
Pakistan Investment Bonds (PIBs)	9.1	1,000,000	1,000,000
Less: Unamortized discount on purchase of PIBs		(17,027)	(26,228)
		982,973	973,772
Specific to others			
Pakistan Investment Bonds	9.2	1,111,300	3,242,300
Add: Unamortized premium on purchase of PIBs		(693)	12,356
		1,110,607	3,254,656
		2,093,580	4,228,428
Less: Long-term investments maturing within next twelve months shown as a current asset		(1,111,300)	(2,131,000)
		982,280	2,097,428

- 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)
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
311,300	29 Dec 2016	27 April 2018	29 Dec 2019	7.00%	Semi annually
1,111,300					

10 LONG-TERM LOANS TO THE ASSOCIATE

PMIC - unsecured	10.1 & 10.2	10,118,169	10,248,000
Less: Amount receivable within next twelve months shown as a current asset		(1,142,938)	(812,279)
		8,975,231	9,435,721
		8,975,231	9,435,721

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- 10.1** The Company and PMIC signed a Master Subordinated Loan Framework Agreement, on 17 November 2016, for the provision of subordinated loans to PMIC, 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 PMIC, 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 199 of the Companies Act, 2017, the Company till date has disbursed ten 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
13 August, 2018	395,000	07 January 2019	07 January 2031	43
11 December, 2018	66,000	07 January 2019	07 January 2031	43
	10,709,000			

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

10.2.2 The effective interest rate ranges from 8.04 to 11.8% (2018: 7.15 to 7.21%) per annum.

10.3 The maximum aggregate amount outstanding at any point of time during the year was Rupees 10,689,639 thousand.

11 LONG-TERM LOANS TO PARTNER ORGANIZATIONS

	Note	2019 ----- Rupees '000 -----	2018
Unsecured			
Considered good		45,000	886,137
Considered doubtful		932,134	896,690
	11.1	977,134	1,782,827
Less: Allowance for expected credit losses	11.3	(933,484)	(923,831)
		43,650	858,996
Less: Amount receivable within next twelve months shown as a current asset		(43,650)	(803,100)
		-	55,896

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	Note	2019 ----- Rupees '000 -----	2018 -----
11.1 Breakup of loans to Partner Organizations			
Considered good			
Al Mehran Rural Development and Welfare Organization Foundation		-	91,471
ASA Pakistan Limited		-	43,750
Association for Gender Awareness and Human Empowerment Pakistan		8,000	30,000
BRAC Pakistan		-	65,678
Bunad Literacy Community Council		-	2,150
Development Action for Mobilization and Emancipation Support Programme		-	116,881
Farmers Friend Organization Microfinance Company		6,000	71,021
Jinnah Welfare Society Pakistan		-	54,000
Micro Options (Formerly Dia Welfare Organization)		11,000	11,000
Mojaz Foundation Support Programme		-	45,100
Rural Community Development Program		-	91,404
SAATH Microfinance Foundation Pakistan		-	61,354
Sayya Microfinance Company		4,000	4,000
Shah Sachal Sami Welfare Association		16,000	43,811
Thardeep Microfinance Foundation		-	154,417
Women Social Organization		-	100
		45,000	886,137
Considered doubtful			
Al Mehran Rural Development and Welfare Organization Foundation		19,822	-
Asasah		197,096	197,096
Baidarie		18,148	18,647
Buksh Foundation		49,925	49,925
Khajji Cooperative Society		12,620	12,620
Mashal Development Organization		505	505
Mehran Education Society		21,748	21,748
Narowal Rural Development Programme		55,955	58,455
Orangi Charitable Trust		108,000	120,043
Organization for Participatory Development Support Program		70,233	74,733
Poverty Eradication Network		1,827	1,827
SAATH Microfinance Foundation Pakistan		37,164	-
Save The Poor		4,872	4,872
Shadab Rural Development Organization		68,000	68,000
Waasil Foundation (Formerly Centre for Women Cooperative Development)		255,739	257,839
Women Social Organization		3,830	3,730
Young Pioneers Society		6,650	6,650
		932,134	896,690
		977,134	1,782,827

- 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 were 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.



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Note	2019			2018
	Specific	Rupees '000 General	Total	Rupees '000 Total
11.3	Movement in provision for doubtful loans			
Opening balance	896,690	27,141	923,831	974,605
Charge/ (reversal) for the year				
Charge	75,234	1,350	76,584	235,653
Reversal	(39,790)	(27,141)	(66,931)	(286,427)
36	35,444	(25,791)	9,653	(50,774)
	<u>932,134</u>	<u>1,350</u>	<u>933,484</u>	<u>923,831</u>
11.4	Particulars of non-performing loans			
	2019 Loan amount Rupees '000	2018 Loan amount Rupees '000	2019 Provision required %	2018 Provision amount Rupees '000
Other Assets Especially Mentioned	-	-	0%	-
Sub-standard	-	-	25%	-
Doubtful	-	-	50%	-
Loss	932,134	896,690	100%	896,690
	<u>932,134</u>	<u>896,690</u>		<u>896,690</u>
11.5	Movement in loans to Partner Organizations			
Opening balance			1,782,827	10,708,004
Less: Recoveries			(805,693)	(8,925,177)
			<u>977,134</u>	<u>1,782,827</u>
Less: Allowance for expected credit losses			(933,484)	(923,831)
			<u>43,650</u>	<u>858,996</u>
12	LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits			7,104	7,004
Prepaid rent			25,760	64,796
Less: Current portion of prepaid rent shown under current assets			(25,760)	(39,036)
			-	25,760
			<u>7,104</u>	<u>32,764</u>
13	GRANT FUND RECEIVABLE			
Considered good, unsecured			55,226	25,176
13.1	The current year balance represents the amounts utilized for operating expenses from the Company's own financial resources, in respect of the "National Poverty Graduation Programme" (refer to note 24.9). On 27 July 2019 Rs. 2,350,866,670 was received in respect of the mentioned project.			

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14	LOANS AND ADVANCES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Loans - considered good, secured			
	Employees	14.1	98,711	76,693
	Less: Long-term portion of loans and advances		(35,821)	(31,074)
			62,890	45,619
	Advances - considered good, unsecured			
	Employees		6,087	3,267
	Suppliers		89	12,683
			6,176	15,950
			69,066	61,569
14.1	This represents the advance salary loans and car loans given to the employees of the Company, carrying annual mark-up of Nil (2018: Nil) and Nil (2018: Nil), respectively. The principal amounts are repayable in a maximum of 60 equal monthly instalments.			
15	SHORT-TERM PREPAYMENTS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Prepayments		1,671	2,920
	Current portion of long-term prepaid rent	12	25,760	39,036
			27,431	41,956
16	PROFIT / SERVICE CHARGES RECEIVABLE			
	Service charges on Investments;			
	Specific to Endowment Fund		50,893	51,600
	Specific to others and savings accounts		251,563	271,261
			302,456	322,861
	Service charges receivable on loans to associate		298,177	172,094
	Service charges receivable on loans to POs		153,792	169,066
	Less: Allowance for expected credit losses	16.1	(148,808)	(155,546)
			4,984	13,520
			605,617	508,475
16.1	Movement in provision for doubtful service charges:			
	Opening balance		155,546	139,538
	Charge/ (reversal) for the year			
	Charge		2,197	17,951
	Reversal		(8,935)	(1,943)
			(6,738)	16,008
			148,808	155,546
17	OTHER RECEIVABLES			
	Considered good, unsecured			
	Withholding tax with held by FBR	17.1	61,727	61,727
	Employees' provident fund		17	10,484
	Others		289	1,117
			62,033	73,328

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- 17.1 During Financial Year 2018, FBR issued a demand [Letter no. 734418-1 dated 19 September 2017], 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 [CIR(A)] against the demand and for grant of stay. The application for stay being dismissed, an amount of Rs. 61,727 thousand was withdrawn by the Federal Board of Revenue (FBR) on 27 October 2018. The Company filed new appeal with CIR (A) who remanded back on 23 April 2018. On 30 June 2019 the tax authorities issued a new order reducing the demand to Rs. 16,348 thousand. The Company has filed an appeal against the reduced demand on July 31 2019. No allowance has been recognised against the amount. The management is confident that the case will ultimately be decided in its favour.

18	SHORT-TERM INVESTMENTS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Amortized cost			
	Specific to others	18.1	<u>13,731,926</u>	<u>10,246,700</u>
18.1	Specific to others			
	Term Deposit Receipts (TDRs)	18.1.1	9,383,961	9,078,932
	Pakistan Investment Bonds (PIBs)	18.1.2	3,189,333	-
	Government Treasury Bills	18.1.3	<u>1,158,632</u>	<u>1,167,768</u>
			<u>13,731,926</u>	<u>10,246,700</u>

- 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 10.6% to 14.15% (2018: 6.1% to 9%).

- 18.1.2 These funds are invested in Pakistan Investment Bonds (PIBs) maturing within a year from the date of investment, at a mark-up of 11.28%.

- 18.1.3 These funds are invested in Government Treasury Bills maturing within three months from the date of investment, at per annum mark-up rates ranging from 12.66% to 12.73% (2018: 6.74%) per annum.

19	TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Income tax refunds	19.1	379,512	367,046
	Income tax refund written-off		-	(6,240)
			<u>379,512</u>	<u>360,806</u>

- 19.1 This represents tax refunds relating to tax years 2003 to 2019. 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	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Specific to KfW - Livelihood and Community Infrastructure	91,706	102,106
	Specific to KfW - Livelihood and Community Infrastructure Phase II	14,187	129,260
	Specific to KfW - Renewable Energy	37,759	81
	Specific to Italian Project - Poverty Reduction Through Rural Development Activities in Baluchistan, KPK and FATA	527,714	1,373,299
	Specific to UNHCR - Afghan Refugees	-	6,677
	Specific to Prime Minister's Interest Free Loan Scheme (PMIFL)	<u>351,358</u>	<u>231,111</u>
		<u>1,022,724</u>	<u>1,842,534</u>

- 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.

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21 CASH AND BANK BALANCES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Cash in hand		1	59
Cash at banks in:			
- Current accounts		7,117	605
- Deposit accounts	21.1	152,072	370,576
		159,189	371,181
		159,190	371,240

21.1 These balances carry a per annum mark-up ranging between 8% to 11.25% (2018: 3.7% to 6%).

22 ENDOWMENT FUND	2019 ----- Rupees '000 -----	2018 ----- 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	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Unsecured - from a related party:			
Government of Pakistan - PPAF - I (IDA financing)	23.1	657,810	877,097
Government of Pakistan - PPAF - II (IDA financing)	23.2	5,371,005	6,087,162
Government of Pakistan - (IFAD financing - MIOP)	23.3	726,313	802,767
Government of Pakistan - (IFAD financing - PRISM)	23.4	1,511,923	1,649,370
Government of Pakistan - PPAF - III (IDA financing)	23.5	2,800,872	2,931,122
		11,067,923	12,347,518
Less: Amounts payable within the next twelve months shown as a current liability		(1,279,597)	(1,279,597)
		9,788,326	11,067,921
Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF - III (IDA financing)	23.5.1	(1,570,342)	(1,723,480)
		8,217,984	9,344,441
23.1 Government of Pakistan - PPAF - I (IDA financing)			
Opening balance		877,100	1,096,387
Amount repaid		(219,290)	(219,287)
		657,810	877,100

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 (SDR) of 66.5 million over a period of five years, to be utilized by GoP, through the Company.

Under a Subsidiary Financing Agreement (SFA) dated 18 August 1999, executed between 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.

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	2019	2018
	----- Rupees '000 -----	
23.2 Government of Pakistan- PPAF - II (IDA financing)		
Opening balance	6,087,159	6,624,234
Amount repaid	<u>(716,154)</u>	<u>(537,075)</u>
	<u>5,371,005</u>	<u>6,087,159</u>

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 SDR 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.

	2019	2018
	----- Rupees '000 -----	
23.3 Government of Pakistan - (IFAD financing - MIOP)		
Opening balance	802,767	879,221
Amount repaid	<u>(76,454)</u>	<u>(76,454)</u>
	<u>726,313</u>	<u>802,767</u>

A programme loan agreement was signed between the International Fund for Agriculture Development (IFAD) and the GoP on January 18 2006, in respect of the Micro-finance Innovation and Outreach Programme (MIOP). Under the agreement IFAD shall make available to GoP a sum of SDR of 18.30 million over a period of five years to be utilized by GoP through the Company.

Under a Subsidiary Loan and Grant agreement (SLGA) dated 18 April, 2006, executed between the GoP and the Company, the GoP agreed to provide 50% of the amount as a loan to the Company, and the balance as a grant on a non-reimbursable basis on account of capacity building. The principal amount of the loan is repayable over a period of twenty three years, including a grace period of eight years, in thirty semi-annual 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.

	2019	2018
	----- Rupees '000 -----	
23.4 Government of Pakistan - (IFAD financing - PRISM)		
Opening balance	1,649,369	1,786,815
Amount repaid	<u>(137,446)</u>	<u>(137,448)</u>
	<u>1,511,923</u>	<u>1,649,368</u>

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 SDR of 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.

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	Note	2019 ----- Rupees '000 -----	2018 -----
23.5			
Government of Pakistan- PPAF - III (IDA financing)			
Opening balance		2,931,121	3,061,371
Amount repaid		(130,249)	(130,250)
		<u>2,800,872</u>	<u>2,931,121</u>
Less: Deferred benefit of below market rate of interest on long-term financing	23.5.1	(1,570,342)	(1,723,480)
		<u>1,230,530</u>	<u>1,207,641</u>

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

Under 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	2019 ----- Rupees '000 -----	2018 -----
Deferred benefit			
Opening balance		1,723,480	1,872,752
Additions during the year		-	-
Amortization during the year		(153,138)	(149,272)
		<u>1,570,342</u>	<u>1,723,480</u>

24 DEFERRED LIABILITIES - GRANT FUND

Government of Pakistan - KfW Renewable Energy (RE)	24.3	38,784	2,405
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP I)	24.4	100,637	111,889
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)	24.5	11,181	126,470
Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, Federally Administered Tribal Areas - (Italian Project)	24.6	527,709	1,146,988
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme	24.7	345,810	228,210
United Nations High Commissioner for Refugees (UNHCR)	24.8	-	7,262
National Poverty Graduation Programme	24.9	-	-
Citifoundation	24.10	32,639	-
Others		-	93
		<u>1,056,759</u>	<u>1,623,317</u>

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

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Note

Represented by:

Deferred liabilities - grant fund
Grant fund receivable
Receivable from POs

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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 December 2021.

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, the project duration was extended up to 31 December 2016 and 30 June 2017. During the year, the project duration was extended up to 31 December 2017. On January 19 2018, however, via an email correspondence between PPAF and KfW, the Project period has been extended uptill 31 December 2020.

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 31 March 2020.

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 14 November 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

24.10 Citifoundation

On 4 December 2018 PPAF received funds from Citifoundation for the project "Revitalizing Youth Enterprise" which is aimed at skills and vocational training of beneficiaries with a total budget of Rs 32 million. The project will be implemented in the areas of Ziarat and Kila Saifullah in Balochistan in a tenure of sixteen months from start of the project.

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	KW/LACIP II	KW/RE	KW/LACIP I	Italian Project	Rupees '000				2019	2018
					PMIFL	UNHCR-AR	Others			
Awami Development Organization	-	-	-	-	-	-	-	-	-	8,500
Association of Gender Awareness and Human Empowerment Pakistan	-	-	-	-	-	-	-	-	-	7,000
Asia Humanitarian Organization	-	-	-	-	-	-	-	-	-	(268)
Akhuwat	-	-	-	-	-	-	-	-	-	44,600
Aga Khan Rural Support Programme	-	8,000	-	28,598	-	-	-	36,598	-	96,190
Al-Mehran Rural Development and Welfare Organization Foundation	-	-	-	-	-	-	-	-	-	6,000
AZAT Foundation	-	-	-	6,116	-	-	-	6,116	-	16,569
Bunyad Literacy Community Council	-	-	-	-	-	-	-	-	-	2,700
Buildinf Resources across Communities - Pakistan	-	-	-	10,805	-	-	-	10,805	-	25,035
Baluchistan Rural Development and Research Society	-	-	-	27,354	-	-	-	27,354	-	-
Baluchistan Rural Support Programme	-	-	-	44,975	-	-	-	44,975	-	155,077
Center of Excellence for Rural Development	-	-	-	9,654	-	28,008	-	37,662	-	34,008
Change in Education	-	-	-	-	-	-	-	-	-	(17)
Community Mobilization and Development Organization	-	712	-	-	-	-	-	712	-	19,646
Community Uplift Programme	-	-	-	-	-	-	-	-	-	(976)
Environment Protection Society	-	-	-	25,378	-	-	-	25,378	-	19,849
Farmers Development Organization	-	-	-	-	-	-	-	-	-	11,512
Farmers Friend Organization	-	-	-	-	-	-	-	-	-	-
Microfinance Company	-	-	-	-	-	-	-	-	-	2,000
Ghazi Brotha Taraqiafee Idara	-	-	-	-	-	-	-	-	-	7,094
Health and Nutrition Development Society	-	-	-	-	-	-	-	-	-	6,000
Human Development Foundation	-	-	-	29,428	-	-	-	29,428	-	21,758
Kashf Foundation	-	-	-	-	-	-	-	-	-	3,000
Khwendo Kor Women and Children Development Programme	-	-	10,400	14,830	-	-	-	25,230	-	13,548

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25 DEFERRED INCOME - GRANT FUND

UNHCR	NPGP	KfW (RE)	KfW (LACIP)	KfW (LACIP-II)	Government of the Italian Republic	2019	2018
Rupees '000							
Opening Balance	-	-	4,941	-	549	5,490	13,375
Amount transferred	3,120	11,196	852	8,365	36,272	89,855	95,718
Deferred liabilities - grant fund							
Expenditure from grant recognized as income	(3,120)	(11,196)	(3,996)	(8,365)	(36,821)	(93,548)	(103,603)
	-	-	1,797	-	-	1,797	5,490

26 TRADE AND OTHER LIABILITIES

Trade liabilities
Creditors
Accrued liabilities
Payable to staff gratuity fund
Consultancy fee payable
Payable to service providers
Withholding tax payable
Loan Portfolio Monitoring fee payable

Note	2019	2018
	Rupees '000	Rupees '000
	-	3,786
	2,374	2,812
27.1	4,355	15,115
	1,076	927
	2,342	2,496
	650	14,856
26.1	-	600
	10,797	40,592

Other liabilities
CMA Awards payable
Payable to provident fund
Others

	3,932	13,690
	-	14,160
26.2	4,272	1,431
	8,204	29,281
	19,001	69,873

26.1 This represents amounts payable to PMIC, the Associate of the Company, in respect of loan portfolio monitoring services provided during the year. The agreement expired on 31 December 2018. The amount has been paid in full.

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.

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		2019	2018
		----- Rupees '000 -----	----- Rupees '000 -----
27	DETAILS OF ACTUARIAL VALUATION OF STAFF GRATUITY FUND		
27.1	The movement in liability is as follows:		
	Opening net liability	15,115	4,686
	Expense recognized during the year	24,502	16,952
	Contributions made directly to the Fund	(37,017)	(13,317)
	Benefit payments on behalf of the Fund	-	(3,268)
	Re-measurement loss recognized in other comprehensive income	1,755	10,062
		<u>4,355</u>	<u>15,115</u>
27.2	The details of actuarial valuation carried out as at 30 June 2019 and 2018 are as follows:		
27.2.1	Reconciliation of payable to defined benefit plan	Note	2019 ----- Rupees '000 -----
	Present value of the defined benefit obligation	27.2.2	164,360
	Fair value of the plan assets	27.2.4	(160,005)
			<u>4,355</u>
27.2.2	Change in the present value of defined benefit obligation		
	Opening balance	130,239	102,069
	Current service cost	24,908	17,112
	Interest cost on defined benefit obligation	11,575	8,032
	Benefits paid	(1,024)	(3,268)
	Actuarial gain / (loss) recognized	(1,338)	6,294
		<u>164,360</u>	<u>130,239</u>
27.2.3	Charge recognized in the Income and Expenditure Statement		
	Current service cost	24,908	17,112
	Interest cost on defined benefit obligation	11,575	8,032
	Interest income on plan assets	(11,981)	(8,192)
		(406)	(160)
		<u>24,502</u>	<u>16,952</u>
	Charge recognized in the Statement of Other Comprehensive Income		
	Actuarial (gain) / loss recognized	(1,338)	6,294
	Return on plan assets, excluding the amount included in interest income	3,093	3,768
		<u>1,755</u>	<u>10,062</u>
27.2.4	Change in fair value of plan assets		
	Opening balance	115,124	97,383
	Interest income	11,981	8,192
	Contributions made directly to Fund	37,017	13,317
	Payments made on behalf of the Fund	-	3,268
	Benefits paid	(1,024)	(3,268)
	Return on plan assets, excluding the amount included in interest income	(3,093)	(3,768)
		<u>160,005</u>	<u>115,124</u>

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27.2.5 Major categories of plan assets as a percentage of total plan assets are as follows:

	2019		2018	
	Rupees '000	%	Rupees '000	%
Term Deposit Receipts	-	-	114,086	99
Cash and cash equivalents	160,005	100	1,038	1
	<u>160,005</u>	<u>100</u>	<u>115,124</u>	<u>100</u>

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

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

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

	2019	2018
Valuation discount rate (per annum)	<u>14.25%</u>	<u>9.00%</u>
Salary increase rate (per annum)	<u>13.50%</u>	<u>8.00%</u>
Salary increase rate - 1 year (per annum)	<u>13.50%</u>	<u>6.50%</u>

Mortality was assumed as per adjusted State Life Insurance Corporation (SLIC) 2001-2005 mortality table with one year age set back at valuations on both dates i.e. 30 June 2018 and 2019.

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 percent.

	Defined benefit obligation	
	1% Increase	1% decrease
	----- Rupees '000 -----	
Discount rate (1%)	(12,219)	14,067
Salary increase rate (1%)	<u>14,799</u>	<u>(13,048)</u>

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

The Company contributes to the Fund on the advice of the Fund's actuary.

The weighted average number of years of the defined benefit obligation is given below:

Plan duration	Years
30 June, 2019	<u>8.18</u>
30 June, 2018	<u>8.77</u>

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	2019	2018
	----- Rupees '000 -----	
27.2.8 Projected payments as at 30 June		
Contributions for next financial year	<u>19,155</u>	<u>18,633</u>
Benefit payments:		
Year 1	<u>37,397</u>	<u>28,639</u>
Year 2	<u>11,933</u>	<u>6,666</u>
Year 3	<u>6,372</u>	<u>9,599</u>
Year 4	<u>6,327</u>	<u>4,490</u>
Year 5	<u>6,561</u>	<u>4,460</u>

28 SERVICE CHARGES PAYABLE

Unsecured - from a related party:

Government of Pakistan - PPAF - I (IDA financing)	630	822
Government of Pakistan - PPAF - II (IDA financing)	16,692	18,791
Government of Pakistan - (IFAD financing - MIOP)	447	477
Government of Pakistan - (IFAD financing - PRISM)	929	980
Government of Pakistan - PPAF - III (IDA financing)	918	901
	<u>19,616</u>	<u>21,972</u>

These represent service charges payable to GOP at the rate of 0.75% per annum (2018: 0.75% per annum) on the principal amount of long term-financing outstanding withdrawn from time to time.

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

29.1.1 The Company has no contingencies as at 30 June 2019 (2018: Nil)

	2019	2018
	----- Rupees '000 -----	
Commitments		
Note		
29.2.1 Aggregate commitments under Financing Agreements with Partner Organizations for Grants:		
Community physical infrastructure	151,050	441,251
Capacity building	128,465	107,593
Social sector development	150,204	445,713
Social mobilization	-	97,800
Livelihood enhancement and protection	-	245,886
	<u>429,719</u>	<u>1,338,243</u>
Loans under the Master Subordinate Loan Agreement with the Associate of the Company	-	904,787
	<u>429,719</u>	<u>2,243,030</u>

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29.2.2 PMIC

- a) The Company has granted separate put options to other shareholders of PMIC, for sale of their shares in PMIC, 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 2019, the aggregate net book value of shares held by these shareholders is Rs. 3,271,544 thousand (2018: Rs. 3,098,208 thousand) at Rs. 1.090 per share (2018: Rs. 1.032 per share) and the capital invested by them is Rs. 3,000,964 thousand (2018: Rs. 3,000,964 thousand).
- b) Without the consent of all other shareholders of PMIC, holding at least 10% of PMIC's shares, the Company cannot sell or pledge, for a period of five years commencing from the date of incorporation of PMIC, its shares in PMIC. The Company has also granted other shareholders of PMIC, 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 THE ASSOCIATE	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Service charges on loans to Partner Organizations	7,298	350,940
	Service charges on loans to the Associate	1,029,786	458,820
		<u>1,037,084</u>	<u>809,760</u>

These represent service charges on loans to POs and the Associate, under respective Financing Agreements at the rates disclosed in note 10.1 and 11.1.

31	INCOME ON INVESTMENTS AND SAVINGS ACCOUNTS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Profit on investments			
	Specific to Endowment Fund		130,427	128,060
	Specific to projects		-	3,565
	Specific to Grant Fund	31.1	904,798	718,186
	Specific to others and savings accounts		351,207	246,315
			<u>1,386,432</u>	<u>1,096,126</u>

- 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	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	Income from financial assets		
	Mark-up on loans to employees	9	260
	Income from non-financial assets		
	Gain on disposal of property equipment	59	12,391
	Reversal of ECL against Long term loans to partner organization	-	50,774
	Reversal of ECL against profit/service charges receivable	6,738	-
	Reversal of deferred liability-grant fund	93	10,000
	Miscellaneous	446	6,592
		<u>7,345</u>	<u>80,017</u>

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33 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Salaries, wages and other benefits	33.1	467,101	417,026
Rent, rates and taxes		39,636	36,135
Repairs and maintenance		10,361	8,753
Traveling, lodging and conveyance		65,526	62,525
Communication		6,959	6,408
Printing and stationery		3,242	3,090
Insurance		9,232	9,088
Vehicles running and maintenance		16,453	13,002
Utilities		9,633	6,598
Legal and professional charges		4,259	10,056
Auditors' remuneration	33.2	2,799	2,212
Advertisement		3,198	3,331
Media projection		1,208	394
Newspapers, books and periodicals		371	376
Depreciation	7.1	17,562	17,179
Amortization		-	389
Security services		3,581	3,038
Others		5,758	5,589
	33.3	<u>666,879</u>	<u>605,189</u>

33.1 This includes Rs. 44,888 (2018: Rs. 33,959) thousand in respect of employees' retirement benefits.

33.2 Auditor's remuneration	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
EY Ford Rhodes		
Statutory audit	1,210	1,100
Projects' audit	1,589	1,112
	<u>2,799</u>	<u>2,212</u>

33.3 General and administration expenses include Rs. 71,274 (2018: Rs. 59,235) thousand incurred on different programme activities, as disclosed in note 24.

34 SEMINARS, WORKSHOPS AND TRAININGS	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Training		5,727	4,938
Seminars and workshops		9,557	4,394
	34.1	<u>15,284</u>	<u>9,332</u>

34.1 Seminars, workshops and training expenses include Rs. Nil (2018: Rs. 2,508) thousand incurred on different programme activities as disclosed in note 24.

35 TECHNICAL AND OTHER STUDIES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
	35.1	<u>85,340</u>	<u>96,591</u>

35.1 Technical and other studies include Rs. 17,828 (2018: Rs. 27,614) activities as disclosed in note 24.

36 ALLOWANCE FOR EXPECTED CREDIT LOSS AGAINST LOANS / SERVICE CHARGES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Allowance for Expected credit loss against			
Loans to POs	11.3	9,652	-
Loan/Service charges receivable		-	16,008
		<u>9,652</u>	<u>16,008</u>

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37 FINANCIAL CHARGES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
On long-term financing		87,852	97,102
Imputed interest on long-term loan at below market interest rate		153,138	149,272
Bank charges		32	239
		<u>241,022</u>	<u>246,613</u>

38 EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES

Project and other activities	38.1	<u>265,116</u>	<u>81,977</u>
		<u>265,116</u>	<u>81,977</u>

38.1 This includes amounts disbursed to POs in respect of Institutional Development - Social Mobilization, livelihood enhancement schemes, health and education interventions and infrastructure schemes amounting to Rs. 173,228 thousand, Rs. 30,088 thousand, Rs. 20,110 thousand and Rs. 41,691 thousand, respectively.

39 MOVEMENT IN GRANT FUND / RESERVE FOR GRANT BASED ACTIVITIES	Note	2019 ----- Rupees '000 -----	2018 ----- Rupees '000 -----
Income allocated to grant fund / reserve for grant based activities	31	904,798	718,186
Less: Expenditure on project and relief activities	38	<u>(265,116)</u>	<u>(81,977)</u>
		<u>639,682</u>	<u>636,209</u>

40 REMUNERATION OF CHIEF EXECUTIVE OFFICER

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	-----Rupees '000-----		-----Rupees '000'-----	
Managerial remuneration	24,504	24,359	166,591	140,577
House rent allowance	5,100	5,100	54,654	46,650
Contribution to staff Provident Fund	2,128	2,066	10,786	9,630
	<u>31,732</u>	<u>31,525</u>	<u>232,031</u>	<u>196,857</u>

	Chief Executive Officer		Executives	
	2019	2018	2019	2018
	-----Rupees-----		-----Rupees-----	
Number of persons	<u>1</u>	<u>1</u>	<u>46</u>	<u>43</u>

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, the 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 9 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. Unless otherwise stated, the transactions with related parties are carried out at arms length basis. The transactions with related parties not disclosed elsewhere are:

Relation ship	Nature of transaction	2019	2018
		-----Rupees '000-----	
Provident fund	-Payments in lieu of contributions made to the provident fund	<u>20,387</u>	<u>46,318</u>

41.1 Details of remuneration of key management personnel is disclosed in note 41.

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 No.	Name of the related party	Nature of relationship	%age of holding	2019	2018
				Aggregate percentage of holding	Aggregate percentage of holding
				-----Rupees '000-----	
1	Government of Pakistan	Consumer	N/A		
	Balance payable at year end			11,067,923	12,347,518
	Electricity			8,472	6,406
	Gas			170	50
2	PMIC	The Associate	49%		
	Investment in associate			3,143,225	2,976,238
	Loans disbursed to PMIC			461,000	8,430,000
	Repayments of Principal amount			590,831	-
	Repayment of Service charges			172,094	286,726
	Balance receivable at year end			10,118,169	10,248,000
3	Employees Gratuity Fund	Staff Retirement Benefit Plan	N/A		
	Payable to staff gratuity fund			4,355	15,115
4	Employees Provident Fund	Staff Retirement Benefit Plan	N/A		
	Payable to provident fund			-	14,160

42.1 Financial assets and liabilities

	At amortised Cost	Fair value through P&L	Fair value through OCI	Total	Held to maturity investments	Loans and receivables	Total
	Rupees '000						
42.1 Financial Assets:							
Amortized cost							
Maturity up to one year:							
Current maturity of long-term investments	1,111,300	-	-	1,111,300	2,131,000	-	2,131,000
Short-term investments	13,731,926	-	-	13,731,926	10,246,700	-	10,246,700
Current maturity of loans to Partner Organizations	43,651	-	-	43,651	-	803,100	803,100
Current maturity of long-term loan to the Associate	1,142,938	-	-	1,142,938	-	812,279	812,279
Loans to employees	98,711	-	-	98,711	-	76,693	76,693
Other receivables	62,033	-	-	62,033	-	73,328	73,328
Profit / service charges receivable	605,617	-	-	605,617	-	508,475	508,475
Bank balances - specific to projects	1,022,724	-	-	1,022,724	-	1,842,534	1,842,534
Cash and bank balances	159,190	-	-	159,190	-	371,240	371,240
					-	-	-
Maturity after one year:							
Long-term investments	982,280	-	-	982,280	2,097,428	-	2,097,428
Long-term deposits	7,104	-	-	7,104	-	7,004	7,004
Long-term loans to the Associate	8,975,231	-	-	8,975,231	-	9,435,721	9,435,721
Long-term loans to Partner Organizations	-	-	-	-	-	55,896	55,896
					-	-	-
	27,942,705	-	-	27,942,705	14,475,128	13,986,270	28,461,398

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	2019		2018	
	At amortised cost	Fair value through P&L	Total	Amortized Cost
	Rupees '000			
42.1.2 Financial Liabilities:				
Maturities up to one year:				
Deferred liabilities - grant fund	1,056,759	-	1,056,759	1,623,317
Current portion of long-term financing	1,279,597	-	1,279,597	1,279,597
Service charges payable	19,616	-	19,616	21,971
Trade and other payables	15,068	-	15,068	56,183
Maturity after one year but before five years:				
Long-term financing	6,065,844	-	6,065,844	6,154,819
Maturity after five years:				
Long-term financing	3,633,507	-	3,633,507	4,913,102
	12,070,391	-	12,070,391	14,048,989
Off balance sheet items:				
Commitments			429,719	2,243,030

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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	2019 ----- Rupees '000 -----	2018 -----
Investments				
Counterparties with external credit rating				
	PACRA	A1+	5,352,432	6,548,369
	VIS	A1+	1,932,228	-
	PACRA	A1	1,068,827	1,540,630
	VIS	A1	1,030,474	-
	JCR-VIS	A-1	-	989,933
Securities issued / supported by Government of Pakistan			6,459,265	5,410,068
			<u>15,843,226</u>	<u>14,489,000</u>
Bank balances				
Counterparties with external credit rating				
	PACRA	A1+	17,214	2,036,639
	JCR-VIS	A-1+	1,163,795	175,669
	PACRA	A1	153	967
	JCR-VIS	A-1	2,208	428
	JCR-VIS	A-2	12	12
			<u>1,183,382</u>	<u>2,213,715</u>
Loans to Partner Organizations and the Associate				
Counterparties with external credit rating:				
	JCR-VIS	A-3	-	43,750
Loans to the Associate	PACRA	AA	10,118,169	-
Counterparties without external credit rating:				
- Counterparties with no default in the past				
Loans to Partner Organizations			43,651	815,246
Loans to the Associate			-	10,248,000
			<u>10,161,820</u>	<u>11,106,996</u>
Profit / service charges receivable				
Counterparties with external credit rating				
	PACRA	A1+	61,977	104,827
	JCR-VIS	A-1+	26,668	1,294
	PACRA	A1	23,209	72,612
	JCR-VIS	A-1	26,221	21,930
	JCR-VIS	A-3	-	12,438
Securities issued / supported by: Government of Pakistan			164,381	122,198
Counterparties without external credit rating:				
- Counterparties with no defaults in the past				
			<u>303,161</u>	<u>217,264</u>
			<u>605,617</u>	<u>552,563</u>

43.1 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rates risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other 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. 977,133 thousand (2018: Rs. 1,782,827 thousand) (including loans to five major POs of Rs. 43,649 thousand) (2018: loans to five major POs of Rs. 846,278 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. 10,118,169 thousand (2018: Rs. 10,248,000 thousand). The Company controls the credit risk on loans to associates via participating in the 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. 25,978,436 (2018: Rs. 25,677,464) thousand and financial liabilities include balances of Rs. 10,978,948 (2018: Rs. 12,347,515) 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. 149,995 (2018: Rs. 133,299) 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.

43.2 Off-setting financial assets and liabilities

The Company does not off-set any of its financial assets and liabilities.

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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	2019	2018
			----- Rupees '000 -----	-----
	Short-term investments	18	310,967	1,667,768
	Bank balances-specific to projects	20	1,022,724	1,842,534
	Cash and bank balances	21	159,190	371,240
			<u>1,492,881</u>	<u>3,881,542</u>
45	NUMBER OF EMPLOYEES		2019	2018
	Number of employees		181	186
	Average number of employees during the year		<u>182</u>	<u>180</u>

46 GENERAL


Figures have been rounded off to the nearest thousand rupees, unless otherwise stated. Corresponding figures have been rearranged, wherever necessary, for better presentation.

47 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company on

25 SEP 2019
JFR


DIRECTOR


CHIEF EXECUTIVE OFFICER

STATEMENT OF COMPLIANCE

with Principles of Corporate Governance
for Non-listed Companies
for the year ended 30 June 2019



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



Pakistan Poverty Alleviation Fund



Celebrating 20 years of PPAF
Passion, Knowledge, Action

Review Report to the Members On the Statement of Compliance with the Principles of Corporate Governance

We have reviewed the enclosed statement of compliance with the principles of corporate governance for non-listed companies - voluntarily adopted by Pakistan Poverty Alleviation Fund (the Company) ("the Statement of Compliance"), prepared by the Board of Directors of the Company, for the year ended 30 June 2019.

The responsibility for compliance with the principles of corporate governance for non-listed Companies ("the Principles"), issued by the Securities and Exchange Commission of Pakistan, is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Principles and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Principles.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Company's assessment on internal controls, as presented in the Company's latest Annual Report published, covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Principles as applicable to the Company for the year ended 30 June 2019.



EY Ford Rhodes

Chartered Accountants

Engagement Partner's name: Ahsan Shahzad

Place: Islamabad

Date: 30 September 2020

Pakistan Poverty Alleviation Fund
Statement of Compliance with Principles of Corporate Governance for Non-Listed Companies
For the year ended 30 June 2019

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
Principle 1	General				
	Shareholders may establish an appropriate governance framework for the company, which may preferably be contained in the company's constitutive document				
1.1	Have general body members established a basic framework of corporate governance through the company's constitutive documents (e.g. articles of associations).		✓		The Memorandum and Articles of Association of PPAF spells out basic framework for corporate governance. In order to comply with this requirement PPAF management, in consultation with legal advisor, will prepare separate document containing corporate governance framework.
1.2	Is there any schedule which states which matters are specifically reserved for the general body members' decision and which are to be delegated to the board	✓			
1.3	Have general body members minimized the extent to which the basic framework of corporate governance constrains the ability of the board to shape the detailed governance framework.		✓		There are no constraints at Board level for shaping the detailed governance framework. Board is empowered to devise it.
Principle 2	Board of Directors				
	Every company may strive to establish an effective board, which is collectively responsible for the long-term success of the company. It shall promote the company's and all its shareholder's interests.				
2.1	Are there any board of directors ?	✓			
2.2	Does the board's role provide leadership to the company?	✓			Strategic plan is part of the annual budget. As per the said plan resources and manpower are budgeted for which approval of the Board as well as General Body is obtained. All the strategies are put up to the Board for their review and approval. The Board has recently constituted Strategy and Design Committee of Directors with the mandate to review the programs and strategies.

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
2.3	Is there explicit procedure for the appointment of new directors to the board.?	✓			
2.4	Does board constitute of any independent members?		✓		The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.
2.5	Has the board elected the chairman ?	✓			
2.6	Has the board appointed or has the authority to appoint the chief executive ?	✓			
2.7	The board has set or has authority to set the company's strategic objectives?	✓			
2.8	Is the board responsible for monitoring and evaluating managements performance?	✓			
2.9	Has the board set or has the authority to set the company's values and standards and ensure that its obligations to its shareholders and other stakeholders are understood and met.	✓			
2.10	Has the Board maintained a compliance schedule, which shows when various financial, legal, and regulatory requirements must be completed, and who is responsible for dealing with each item.	✓			Management is maintaining the compliance schedule on behalf of the Board. PPAF is maintaining the financial, legal, and regulatory requirements schedules.
	Does the schedule include the following? - obligations relating to the preparation and filing of financial statements - tax compliance - banking facilities and covenants - health and safety compliance - insurance	✓			
2.11	Has board decided/ drafted any schedule that reserves or delegates any matters to management or board it self ?	✓			
	Does matters potentially reserved for the board include the following: - Definition of corporate goals, strategy, and structure - Responding to and third parties - Supervising and controlling company progress - Supervising the Chief Executive or managing director - Approval of corporate plans - Approval of operating and capital budgets including policy related to bad debts - Approval of major corporate actions (e.g. acquisitions, commencing of business activities) - Approval of borrowings or creditor guarantees	✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			

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Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
	<ul style="list-style-type: none"> - Policy on external communications, e.g. with regulators, shareholders, or the media - Definition of authorities delegated to management - Nomination and dismissal of the managing director/CEO, and on his/her remuneration as prescribed in law. - Acting as the custodian of the corporate governance 	✓			
		✓			
		✓			
		✓			Company Secretary, Board Committees and Management ensure compliance with all these requirements.
	Does the powers delegated to management cover the following areas:	✓			
	- Preparing strategic proposals, corporate plans, and budgets	✓			
	- Executing the strategy agreed upon by the board of directors	✓			
	- Executing actions in relation to board decisions on investments, mergers, and acquisitions, etc.	✓			
	- Authorizing financial payments	✓			
	- Signing of contracts on behalf of the Company	✓			
	- Signing of regulatory documents	✓			
	- Powers of attorney	✓			
	- External communication	✓			
	- Staff recruitment and remuneration	✓			
	- Establishing a system of internal control and risk management	✓			
	- Health and safety operations.		✓		Health policy is part of HR manual.
2.12	Were there any unresolved issues/ matters in any board meeting ?	✓			The unresolved issues/matters are followed up and reported as action on come back items in next meeting.
2.13	Were there unresolved issues or concerns recorded in board minutes ?	✓			
2.14	Are there any written terms of reference which state roles and responsibilities of directors	✓			The role, responsibilities and powers of Board of Directors are given in clauses 38, 39 and 62 of Articles of Association of PPAF, and the Companies Act, 2017.
2.15	Has the board drafted/ maintained any code of conduct?	✓			
	Does the internal code state the company's expectations with respect to:				
	- compliance with laws and regulations	✓			
	- standards of customer service	✓			
	- conflicts of interest	✓			
	- gifts or preferential treatment in respect of suppliers, customers, etc.	✓			
	- the need for integrity and ethical business practice	✓			

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
		✓			
		✓			
2.16	The board is not be so large as to be unwieldy.	✓			
2.18	The board may satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management.		✓		PPAF holds a pool of potential directors as well as pool of directors available with PICG. Plans for orderly succession for appointments to the senior management will be devised in future.
Principle 3	Meetings of the board of the directors				
3.1	Are board meetings being conducted regularly i.e at least one in quarter of financial year ?	✓			
3.2	Is appropriate organization of board meetings considered?	✓			
3.3	Does the chairman take responsibility for ensuring that the directors receive accurate, timely and clear information and board and general meetings are held in time.				
		✓			
		✓			
		✓			
		✓			
		✓			
3.4	The board has establish explicit procedures which allow directors to approach management for further information.		✓		Directors approach the management for information on as and when required basis.
3.5	Do the directors have access to independent professional advice in case where it is necessary to discharge there responsibilities as directors?		✓		Directors are provided with any professional help as required by them. However no formal procedure is in the written form.

Signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
Principle 4	Remuneration of board of directors				
	Structure of remuneration may be sufficient to attract, retain, and motivate executives and non-executives of the quality required to run the company successfully.				
4.1	A clear distinction is made between the remuneration of executives and nonexecutives and reflects the time commitment and responsibilities of the role ?			✓	As per companies Act 2017 non profit organizations are not allowed to pay remuneration to its directors or members.
4.2	Members of board are accountable to GB members ?	✓			
4.3	Board has developed formal remuneration policy ?			✓	As per companies Act 2017 non profit organizations are not allowed to pay remuneration to its directors or members.
4.4	A significant proportion of executive remuneration may be structured so as to link rewards to corporate and individual performance. They may be designed to align their interests with those of shareholders and other key stakeholders, and give these executives incentives to perform at the highest levels.			✓	As per companies Act 2017 non profit organizations are not allowed to pay remuneration to its directors or members.
Principle 5	Internal Controls				
	The board is responsible for risk oversight and may maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets and also to facilitate the Board's fulfilment of its supervisory responsibilities.				
5.1	The board has developed processes and procedures to identify and manage any risks faced by the company ?	✓			
	Has the company maintained any risk register containing the following information:				PPAF has devised a risk management framework and maintains a risk register to highlight and address any risk.
	- A description of the main risks facing the company	✓			
	- The impact should this event actually occur	✓			
	- The probability of its occurrence	✓			
	- A summary of the planned response should 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).	✓			
5.2	The company has maintained manuals which outlines policies and procedures regarding:				

File

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
	- Anti-corruption		✓		Currently, the Company has draft manual for anti-corruption policies and procedures.
	- Anti money-laundering		✓		The Company is in process for drafting the anti money-laundering manual.
	- Key Operational Risks and Whistle Blowing	✓			
	- Cash management	✓			
	- Monitoring of banking covenants	✓			Currently there are no loans from the banks. However, the Company has obtained loans from the Government of Pakistan in prior years. Now there are only repayments of those loans, compliance of which is governed under the section 5.3.4 of operating procedures manual of Financial Planning and Reporting unit.
	- Business continuity		✓		Under the manual for Information Technology Unit, the aspects of Business Continuity Planning & Disaster Recovery Management Solution are outlined. The Company has maintained a risk register which addresses the mitigating steps and follow up actions in respect of regulatory, funding and reputational risks. However, the management of the Company is in the process to compile the existing policies and procedures for business continuity and to add other aspects of business continuity into a comprehensive single manual.
	- Data security and reliability	✓			
	- Records managements	✓			
	- Regulatory and standards compliance	✓			
	- Health and safety compliance	✓			
5.3	The board may establish formal and transparent arrangements for applying financial reporting standards e-g Accounting and Financial Reporting Standards and International Financial Reporting Standards as applicable in Pakistan and internal controls principles, and for maintaining an appropriate relationship with the company's auditors.	✓			

Signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
5.4	The board has established the internal controls and monitors their effectiveness such as	✓			
	- authorization limits	✓			
	- segregation of duties	✓			
	- accounting reconciliations and monitoring of cash flow	✓			
	- suitable qualifications and training	✓			
	- budgetary controls	✓			
	- controls over funds, expenditure, and access to bank accounts	✓			
	- security of premises and control over assets.	✓			
5.5	The board has devised mechanism to avoid frauds by (strict surveillance) of its operating and administrative functions.	✓			
Principle 6	Training of board of director				
	All directors may receive training on joining the board and may regularly update and refresh their skills and knowledge.				
6.1	The chairman/ company ensures or has laid plans that the directors continually update their skills, and obtain the knowledge and familiarity with the company required to fulfil their role on the board.		✓		A detailed plan will be discussed with the chairperson during the review of appraisal plan for Directors.
6.2	Are directors (encouraged) to participate in trainings about applicable legal regime.?	✓			PPAF has made it mandatory for Directors to attend SECP approved "Directors' Training Program". Directors are intimated (through email) to attend these trainings. This is a comprehensive course which covers all important aspects relating to area of responsibility of Directors.
6.3	The chairman/ company (allows/encourages/) board members to engage in professional training that specifically enhances their functioning as company directors.	✓			
Principle 7	General Meetings				
	There may be a dialogue between the board and the shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The board may not forget that all shareholders have to be treated equally.				
7.1	The board keeps in touch with shareholder (general body members) opinion in whatever ways are most practical and efficient.	✓			

Signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
7.2	The chairman has particular responsibility for the effectiveness of communication between shareholders (general body member) and the board, and may discuss corporate governance and strategy with shareholders (general body members).	✓			
7.3	The chairman is the primary means of ensuring that the views of shareholders are communicated to the board as a whole. However, other directors are also offered the opportunity of attending meetings with shareholders.	✓			
7.4	A key role of the chairman is to set the agenda of the Annual (and Extra-ordinary) General Meetings.	✓			
7.5	The relationship with the shareholders (general body meeting) may be viewed as a continuous process and not limited to an annual formal meeting.	✓			
7.6	The board will ensure that the Annual General Meeting is properly used as an adequate channel to communicate with General Body members and foster their participation.	✓			
7.7	While conducting general meetings following recommendations are being followed ?				
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			

- The Annual General Meeting approves its own regulation, which allows management and maintenance of control there over.
- To call the Annual General Meeting with sufficient notice as provided in the law to ensure that shareholders may benefit from information in time to exercise their rights prior to the Meeting and to decide whether to take part and how they are going to vote.
- To advise the date, place and agenda and to ensure that the complete text of the resolutions to be approved is made available.
- To contact all shareholders (general body members) individually through delivery of the notice at their registered address before the meeting or through email where consented by shareholders to ensure that they are informed and are aware of the items to be discussed.
- To furnish shareholders all reports that justify each resolution proposed, at the time notice of the meeting is sent, at the Meetings called, or at the start of the meeting.

Handwritten signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
		✓			
	<ul style="list-style-type: none"> - To ensure availability, while Meetings are being held, of those professionals in the company, as well as external professionals, given their association or knowledge of the items to be discussed, who may be considered useful for shareholders (GB members) to receive complete information, ask for clarification and thus form a better opinion. - To ensure the right of shareholders present at the Meeting to have their interventions and votes set forth in the minutes. - Secret balloting procedure may contain modus operandi for balloting in given Secret balloting procedure may contain modus operandi for balloting in given circumstances as prescribed in law. 	✓			
		✓			
		✓			
Principle 8	ROLE OF CHAIRMAN AND CHIEF EXECUTIVE				
	There may be a clear division of responsibilities at the head of the company between the running of the board and the running of the company's business.				
8.1	Are the roles of chairman of Board of Directors and chief executive (or managing director) segregated ?	✓			
8.2	Are the responsibilities set out in writing and approved by the board ?	✓			
8.3	The chairman of the board is not involved in day to day activities/ businesses of the company ?	✓			
Principle 9	INDEPENDENT/ NON EXECUTIVE DIRECTOR				
	Board structures may contain directors with a sufficient mix of competencies and experiences in order to act objectively in their opinion and judgment. No single person (or small group of individuals) should dominate the board's decision making.				
9.1	The board of directors include non executive and independent directors ?	✓			Except CEO, all other Directors are non executive directors. The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.

Signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
9.2	Has company taken any measures to ensure that independent and non executive directors represent significant proportion of board seats ?		✓		Except CEO, all other Directors are non executive directors. The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.
9.3	Are the non executive/ independent able to devote sufficient time to the job ?		✓		Except CEO, all other Directors are non executive directors. Non executive directors devote time for the meeting. The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.
9.4	Other significant commitments of independent/ Non executive directors is disclosed to the board before appointment and the board is informed of subsequent changes.		✓		Except CEO, all other Directors are non executive directors. The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.
9.5	Non-executive directors /independent directors scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance?		✓		Except CEO, all other Directors are non executive directors. The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.
9.6	Non-executive directors and independent directors satisfy themselves on the integrity of financial information and make sure that financial controls and systems of risk management are robust and defensible		✓		Currently, the Board includes non-executive directors, however the Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017. Third party evaluation/assessment reports ensures the reliability and integrity of information provided to non-executive/independent directors. Audit Committee and Risk Oversight Committee comprising of non-executive directors get satisfaction on financial control and risk management.
9.7	Have assumed the primary responsibility for determining appropriate levels of remuneration of management, including executive directors?	✓			
9.8	Non-executive directors and independent directors also play a leading role in appointing, and where necessary removing, executives, and in succession planning?	✓			

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Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
9.9	Has chairman held any meetings or plans to hold meetings with the non-executive directors in absence of the executive directors?			✓	Chairperson has not conducted any meeting with non-executive directors in absence of the executive director during FY 2018-19.
9.10	Has any non executive director resigned during the period ?			✓	None of the non executive director has resigned during FY 2018-19.
9.11	On resignation (if any), Has a non-executive director provided a written statement to the chairman, for circulation to the board, containing any significant concerns about the running of the company?			✓	
9.12	Before appointment, have the following been considered to determine the independence of non executive directors ?				
		✓			- Has not in recent years been an employee of the company
		✓			- Has no material business relationship with the company
		✓			- Does not receive (additional) remuneration from the company during the period of appointment/election as a director (apart from the director's fee)
		✓			- Does not have close family ties with any of the company's advisers, directors, or senior employees
		✓			- Does not hold cross-directorships or have significant links with other directors through involvement in other companies or bodies
		✓			- Has not served on the board for an extended period.
Principle 10	BOARD COMMITTEES				
	The board may establish appropriate board committees with appropriate terms of reference in order to allow a more effective discharge of its duties.				
10.1	Has board established any committees ?	✓			
		✓			
		✓			
		✓			
10.2	Has board defined any TORs for committees in writing ?	✓			
10.3	Are TORs periodically reviewed by the board ?	✓			
10.4	Are committees provided sufficient resources to undertake their duties?	✓			
10.5	Have independent directors been given significant roles in committees?		✓		The Company is in process to evaluate the independence of the directors as per the requirements of the Companies Act 2017.

Handwritten signature

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
10.6	The committees responsibilities (at least) include the following				
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
		✓			
10.7	Is at least one member of the audit committee (if any) has recent and relevant financial experience/qualification.		✓		One member of the audit committee is from Ministry of Finance. In future, it will be ensured that relevant qualified members having relevant experience are part of audit committee.
10.8	Is there any internal audit function established by the board ?	✓			
10.9	Head of internal audit reports to audit committee ?	✓			
10.10	Appointment and removal of head of internal audit is subject to the recommendation by the audit committee and the formal approval by the board?		✓		Currently the appointment of head of internal audit is made by Board. The process of hiring of head of internal audit in HR manual will be revised after Board's approval. All the manuals and strategies are subject to the approval of BOD.
10.11	Whistle blowing policy?	✓			

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Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
Principle 11	APPRAISAL OF BOARD OF DIRECTORS.				
	The board may undertake a periodic appraisal of its own performance and that of each individual director.				
11.1	The chairman uses the appraisal process to obtain feedback on the effectiveness of his or her management of the board. ?		✓		A thorough plan will be discussed with the chairperson for the development and dissemination of appraisal format and procedures of Directors appraisal.
11.2	Group appraisal examined how the board operates as a collective decision-making body		✓		
11.3	whether (any) individual appraisal aimed to show if each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time)		✓		
11.4	The company has any formal appraisal process for directors ?		✓		
11.5	Does the appraisal process (at least) covers the following		✓		
	- Is there sufficient challenge of executive management in board meetings?				
	- Does the board have the right balance between expertise and independence?				
	- Does the board correctly perform its duties? Are directors setting direction (guidance and advice on strategy) and monitoring the company (control and risk management) and its management?				
	- Do board members devote sufficient time and effort to the company and their boardroom role?				
	- Do board members have adequate access to information and advice?				
	- Does the board engage sufficiently with shareholders and key stakeholders?				
	- Are there personal factors that might inhibit individual board members from fulfilling their duties in an independent and objective manner?				
	- Does board have effective practices and procedures for running board meetings?				

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
Principle 12	Annual Report The board may present a balanced and understandable assessment of the company's position and prospects of compliance with these principles for external stakeholders, and also establish a suitable program of stakeholder engagement.				
12.1	Annual reports (at least) include following information on the following corporate issues:				
		✓			- A statement of the company's vision, mission, and values.
		✓			- An outline of the company's business strategy and the likely risks associated with that strategy.
		✓			- A review of the company's activities and performance, and a forward-looking assessment of the business environment.
		✓			- A statement of its corporate governance principles and the extent to which it has complied with a specific corporate governance code, with additional governance information, such as:
		✓			- a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management;
		✓			- the names of all the directors, including the chairman, the chief executive, and the chairmen and members of the nomination, audit and remuneration committees (if relevant);
			✓		- the names of the non-executive directors whom the board determines to be independent, with reasons for that assessment where necessary;
			✓		- details of the appraisal of the board, its committees, and its directors that has been conducted.
		✓			- A summary of activities and projects of special relevance to stakeholders.
12.3	The board facilitates communications by providing a contact person with whom stakeholders may discuss any issues.		✓		CEO PPAF and Company's secretary/GHs, all are available to stakeholders as per their requirement/issues.

Principle	Heading /Questionnaire on Key Points & Notes to principles	YES	NO	N/A	Reason for Non-compliance/Comments
12.4	Stakeholders – including individual employees and their representative bodies – are able to freely communicate their concerns about illegal or unethical practices to the board.	✓			

R. Khan

Chairman

Date: 24 SEP 2020

Place: Islamabad

R. Khan

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 +92-51-228-2262

Website: www.ppaf.org.pk



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