LEADING THROUGH DISRUPTION

2020
ANNUAL REPORT

PAKISTAN POVERTY ALLEVIATION FUND

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Pakistan Poverty Alleviation Fund.
Leading through Disruption:
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2020 | ANNUAL REPORT

PAKISTAN POVERTY ALLEVIATION FUND

CONTENTS

OUR VISION

Restoring Hope | Securing the Future | Ending Poverty

OUR MISSION

Transforming the lives of the poor to create a more equitable and prosperous Pakistan

OUR CORE VALUES

Inclusion | Participation | Accountability | Transparency | Stewardship

ABBREVIATIONS AND ACRONYMS

AA	Aurat Association
ADF	Al Falah Development Organization
ADO	Awami Development Organization
AF	Azad Foundation
AFAC	Anjuman Falah-o-Behbood Council
AGAHE	Association for Gender Awareness & Human Empowerment
AICS	Italian Agency for Development Cooperation
AIM	Akhuwat Islamic Microfinance
AJK	Azad Jammu and Kashmir
AKRSP	Aga Khan Rural Support Programme
AMRDO	Al-Mehran Rural Development Organization
AP	AGAHE Pakistan
ASAS PK	Advocacy and Social Advancement Society Pakistan
BB	Bhaahn Beli
BISP	Benazir Income Support Programme
BLCC	Bunyad Literacy Community Council
BRDRS	Balochistan Rural Development & Research Society
BRDS	Balochistan Rural Development Society
BRSP	Balochistan Rural Support Programme
BUITEMS	Balochistan University of Information Technology, Engineering and Management Sciences
CCDP	Creative Community Development Program
CEIP	CSC Empowerment & Inclusion Program
CERD	Centre of Excellence for Rural Development
CERP	Centre for Economic Research in Pakistan
CLF	Community Livelihood Fund
CMA	Citi Micro-entrepreneurship Awards
CMDO	Community Motivation & Development Organization
CPI	Community Physical Infrastructure
CRDO	Community Research & Development Organization
CRP	Community Resource Person
CUP	Community Uplift Program
DSDO,	Dir Sustainable Development Organization
DEWA	Development Empowerment Women Association
DOC	Development Organization for Community
DWSS	Drinking Water Supply Scheme
EIRR	Economic Internal Rate of Return
EPS	Environmental Protection Society
FAO	Food and Agriculture Organisation
FATA	Federally Administered Tribal Areas
FDO	Farmers' Development Organization
FESF	Family Education Services Foundation
FFOSP	FFO Support Program
FGD	Focus Group Discussion
FMCA	Financial Management and Corporate Affairs
FY	Financial Year
GAAP	Global Alliance against Poverty
GB	Gilgit Baltistan
GBTI	Ghazi Barotha Taraqiati Idara
GDIB	Global Diversity and Inclusion Benchmarks
GoP	Government of Pakistan
HADAF	Hazara Development & Advocacy Foundation
HANDS	Health and Nutrition Development Society
HDF	Human Development Foundation
HEEP	Health Education and Environment Programme
HHRD	Helping Hand for Relief and Development
HRE	Hydropower and Renewable Energy
HWF	Himalayan Wildlife Foundation
IDEA	Initiative for Development & Empowerment Axis

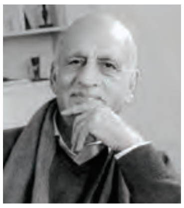
IAUP	Integrated Area Upgradation Plan
IFAD	International Fund for Agricultural Development
IET	Indus Earth Trust
IRC	Indus Resource Center
IRR	Internal Rate of Return
KF	Kashf Foundation
KfW	Development Bank of Germany
KP	Khyber Pakhtunkhwa
KK	Khwendo Kor
LACIP	Livelihood Support and Promotion of Small Community Infrastructure Programme
LSE	Lahore School of Economics
LSO	Local Support Organisation
MERC	Mechanism for Rational Change
MF	Mojaz Foundation
MGPO	Mountain and Glacier Protection Organization
MIED	Mountain Institute for Educational Development
MORE	Mobilization for Empowerment
MoU	Memorandum of Understanding
NDRMF	National Disaster Risk Management Fund
NIDA	National Integrated Development Association
NMD	Newly Merged Districts
NPGI	National Poverty Graduation Initiative
NPGP	National Poverty Graduation Programme
NPV	Net Present Value
NRSP	National Rural Support Programme
OPRCTP	Organization for Poverty Reduction & Community Training Program
PIDS	Participatory Integrated Development Society
PKR	Pakistani Rupee
PMIC	Pakistan Microfinance Investment Company
PPAF	Pakistan Poverty Alleviation Fund
PPR	Programme for Poverty Reduction
PRSP	Punjab Rural Support Program
PSC	Poverty Scorecard
RCDP	Rural Community Development Programmes
RDO	Rabt Development Organization
REPID	Rural Empowerment & Institutional development
SABAWON	Social Action Bureau for Assistance in Welfare & Organizational Networking
SAF	Social Activists Foundation
SAWFCO	Sindh Agricultural Forestry Workers & Coordinating Organization
SECP	Securities and Exchange Commission of Pakistan
SERVE	Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment
SGDs	Sustainable Development Goals
SHAD	Society for Human Assistance and Development
SHED	Society for Human and Environmental Development
SMC	Sayya Microfinance Company
SMEs	Small and Medium Enterprises
SRSO	Sindh Rural Support Organization
SSF	SAFCO Support Foundation
TF	Taraqee Foundation
TRDP	Thardeep Rural Development Programme
TTO	Third Tier Organisation
UC	Union Council
UCBO	Union Council Based Organisation
UCDP	Union Council Development Plan
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
VDP	Village Development Plan
VO	Village Organisation
VSO	Village Support Organisation
YO	Youth Organization

ABOUT PPAF

The Pakistan Poverty Alleviation Fund (PPAF) is the national apex institution for poverty alleviation, created by the Government of Pakistan in February 1997 as an autonomous not-for-profit company registered under the Securities and Exchange Commission of Pakistan. Since it commenced operations in the year 2000, PPAF has worked in 144 districts with 130 partner organisations to serve the poorest and most marginalised rural households across the country providing them with an array of financial and non-financial services. With the immense regional diversity within Pakistan and the intersecting vulnerabilities impacting communities, PPAF recognizes poverty as a complex, multi-dimensional challenge. It seeks to 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, leading to measurable improvements in their quality of life. To this end, we strive to mainstream lagging regions, focus on rural communities and graduate people from reliance on safety nets.

BOARD OF DIRECTORS

Ms. Roshan Khursheed Bharucha



Mr. Kamal Hayat

Dr. Ijaz Nabi

Dr. Naved Hamid

Mrs. Khawar Mumtaz

Mr. Ali Raza Bhutta

Mr. Syed Ahmad Raza Asif

Mr. Ahlullah Khan

Mr. Ahmad Hanif Orakzai

SENIOR MANAGEMENT TEAM

Mr. Qazi Azmat Isa
Chief Executive Officer

Mr. Amir Naeem
Senior Group Head
Financial Management & Corporate Affairs

Ms. Simi Kamal
Head of Programmes

Ms. Samia Liaquat Ali Khan
Senior Group Head
Graduation

Mr. Khalid Iqbal
Group Head
Support Services

Ms. Ayesha Salma
Group Head
Quality Assurance, Research & Design

COMPANY INFORMATION

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.ppaf.org.pk

GENERAL BODY

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

MESSAGE FROM CHAIRPERSON

The year July 2019 – June 2020 started on a positive note for bringing a meaningful change in the lives of the poor as we launched new projects for power generation, asset transfers for livelihoods, disaster risk reduction, and supporting Afghan refugees and host communities. From our own resources, we initiated women's economic empowerment activities through the Women Owned Dairy Cooperative project providing self-employment to women from the poorest households in Haripur in Khyber Pakhtunkhwa. We continued our efforts for improving social inclusion through the Empowering the Deaf Community project in Sindh that supports differently abled students to study and expand opportunities for jobs and enterprise development.

At the same time, this has been a deeply challenging year. The COVID-19 pandemic arrived and we found our lives altered. My heartfelt condolences go out to those who have lost their loved ones. The crisis affected the lives of many people around us, including the most vulnerable communities we serve. PPAF prepared a Business Continuity Plan to guide its response to the affected communities as well as to adjust its workforce operations to the new ways of working required in the lockdown. The Board rapidly approved a COVID-19 Emergency Response Fund, allocating Rs. 413 million of its own resources, while our donors, the International Fund for Agriculture Development, the Citi Foundation, and the AICS also joined hands to assist the affected communities.

As we embark on 2021, our priorities are clear: foster institutions of and for the poor; enhance sustainable and resilient livelihood opportunities to support households to graduate out of poverty; and address systemic deprivations that exacerbate poverty through localized infrastructure for community wellbeing. We remain confident, since PPAF has the expertise, partnership networks, and organised community institutions required to embrace change and promote meaningful outcomes for the rural poor of Pakistan.

Finally, I thank the members of the Board for their commitment and contributions as well as the Poverty Alleviation and Social Safety Division and the Benazir Income Support Programme of the Government of Pakistan for providing guidance and inspiration amidst these tough circumstances.

Roshan Khursheed Bharucha
Chairperson

MESSAGE FROM
CHIEF EXECUTIVE OFFICER

This was an extraordinary year which tested our resilience as the COVID-19 global pandemic affected our families, our staff and the communities we serve. At the Pakistan Poverty Alleviation Fund, maintaining business continuity was important at this time as we provided economic revival assistance to over 64,000 households in some of the poorest communities across the country. Overcoming challenging situations, learning, and adapting to change became our hallmark. Allah Almighty gave us courage as we emerged from the most challenging environment— scathed as well as renewed—and continued with our mission to reduce poverty and improve the quality of life of the poor in the country.

During the year, our hard work resulted in initiating several new projects. In October 2019, we inaugurated a KfW-funded 306 kW hydro power plant in Gazeen, Chitral, providing renewable energy to benefit 300 households.

In November 2019, we signed an agreement with the National Disaster Risk Management Fund to bolster the disaster-readiness of communities through local organisations as they undertake structural measures to protect the community against disasters and climate change. In January 2020, we signed a pact with the UNHCR to assist Afghan refugees and host families in Mansehra, Peshawar, and Chagai graduate out of poverty on a sustainable basis while simultaneously improving their overall skills and making them self-reliant.
In January 2020, utilising our own resources, we launched a project for enhancing food security in 12 union councils of districts Swabi and Torghar. In PPAF's flagship National Poverty Graduation Programme, we distributed productive assets to 25,054 ultra-poor and vulnerable poor households to assist them in overcoming poverty. In our Interest Free Loans Programme, we gave 787,865 loans as support for income diversification and business expansion.

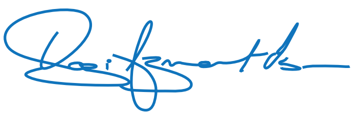
In the Programme for Poverty Reduction, funded by the AICS, we re-aligned implementation modalities to better serve communities in light of the COVID-19 pandemic.

This year also brought laurels to PPAF as we won the United Nation's Global Compact Best Practices Sustainability Award 2019 in "Global Compact – Business Sustainability" category and later in the year won the prestigious Global Diversity and Inclusion Benchmarks (GDIB) Award for the fourth consecutive year. This recognition strengthens our resolve to further enhance our institutional alignment with global standards and improve workforce diversity and inclusion.

Much of the credit for this year's success goes to our dedicated staff and partner organisations who worked tirelessly to achieve our mission despite the many obstacles we faced. In this challenging year, our commitment to our core values helped us progress towards our goals and increased our solidarity as we grieved for the loss of our loved ones.

We are grateful to the Government of Pakistan, especially the Poverty Alleviation and Social Safety Division and the Benazir Income Support Programme, our Board of Directors, our research partners and our donors for their support and trust. With your continued cooperation in the coming year, we will continue strengthening our efforts for reducing inequalities and mainstreaming under-served regions across the country.

This year has reminded us of our connections to nature and how much of our future depends on taking care of our environmental health and wellbeing. It made us acknowledge with humility our position and our limitations. May we gain strength to choose wiser paths as we fulfil our responsibility to our planet, our children, and our future.



Qazi Azmat Isa
Chief Executive Officer

2019-20 AT A GLANCE

MULTIDIMENSIONAL POVERTY IN PAKISTAN

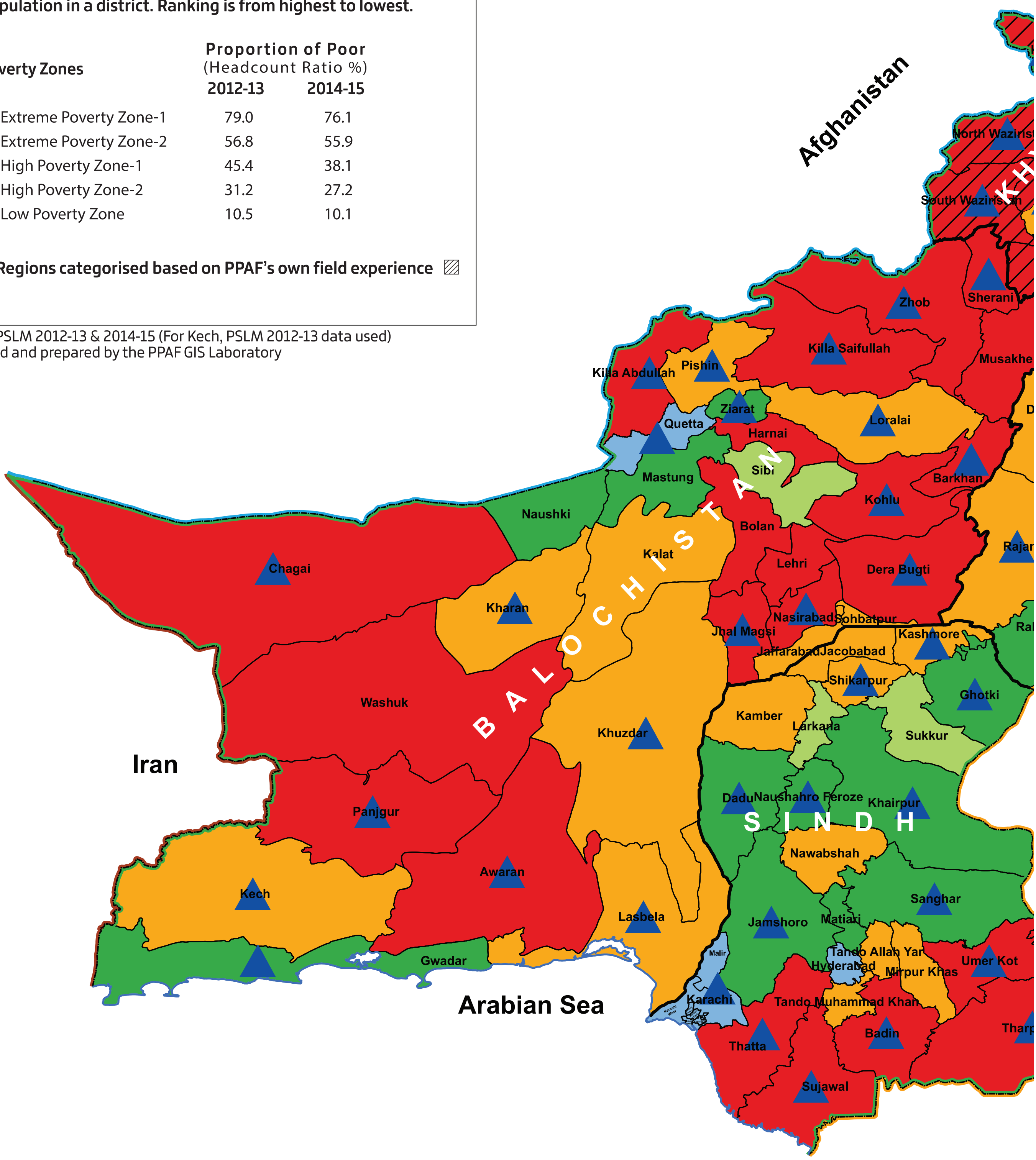
LEGEND

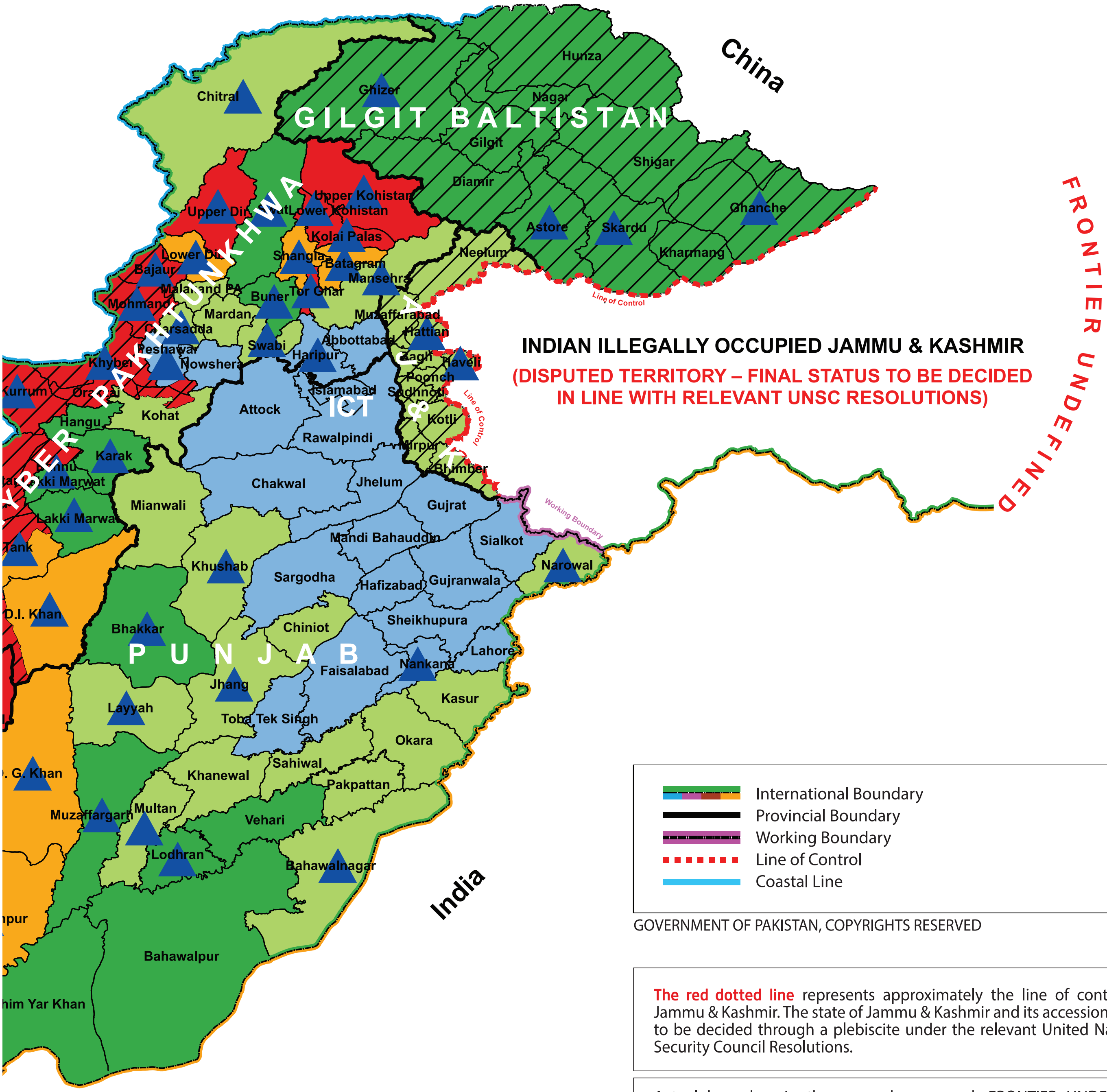
1. PPAF Active Footprint ▲
2. Poverty zones reflect the proportion of poor to the total population in a district. Ranking is from highest to lowest.

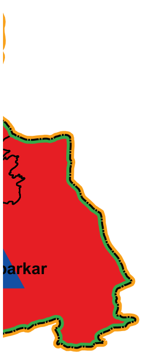
Poverty Zones	Proportion of Poor (Headcount Ratio %) 2012-13	2014-15
Extreme Poverty Zone-1	79.0	76.1
Extreme Poverty Zone-2	56.8	55.9
High Poverty Zone-1	45.4	38.1
High Poverty Zone-2	31.2	27.2
Low Poverty Zone	10.5	10.1

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

Source: PSLM 2012-13 & 2014-15 (For Kech, PSLM 2012-13 data used)
Processed and prepared by the PPAF GIS Laboratory







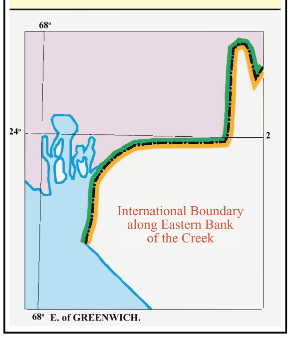
International Boundary
Provincial Boundary
Working Boundary
Line of Control
Coastal Line

The red dotted line represents approximately the line of control in Jammu & Kashmir. The state of Jammu & Kashmir and its accession is yet to be decided through a plebiscite under the relevant United Nations Security Council Resolutions.

Actual boundary in the area where remark FRONTIER UNDEFINED appears, would ultimately be decided by the sovereign authorities concerned after the final settlement of the Jammu & Kashmir dispute.

AJ&K stands for Azad Jammu & Kashmir as defined in the AJK Interim Constitution Act, 1974.

SIR CREEK



JUNAGADH & MANAVADAR

PROGRAMME ACHIEVEMENTS

2019-2020 OVERVIEW

PKR 13.1 BILLION
disbursed as micro credit loans

15,865
women leaders in community institutions

55,819
households organised under community institutions as a vehicle for responsive governance

LIVELIHOODS

INTEREST FREE LOANS PROVIDED TO

351,368 WOMEN &
429,566 MEN

PRODUCTIVE ASSETS DISTRIBUTED TO

24,299 WOMEN &
1,726 MEN

SKILLS AND MANAGERIAL TRAININGS PROVIDED TO

2,444 WOMEN &
2,186 MEN

VALUE CHAINS DEVELOPED

5

WATER, ENERGY AND INFRASTRUCTURE

ACCESSED IMPROVED INFRASTRUCTURE

5,951 HOUSEHOLDS

CONNECTED TO ELECTRICITY

1,271 HOUSEHOLDS
for domestic and productive uses

FLOOD PROTECTION WALLS

1 KILOMETRE (approx) length

MADE RESILIENT TO FLOODS

738 HOUSEHOLDS

CONNECTED THROUGH TERTIARY ROADS

2,076 HOUSEHOLDS
in hard-to-reach areas

ACCESSED SAFE WATER

846 HOUSEHOLDS

HEALTH

PRIMARY HEALTHCARE SERVICES

231,369 WOMEN AND MEN

47

AWARENESS SESSIONS

on good hygiene, safe sanitation, clean water

& 3,764 HOUSEHOLDS
oriented on mother & child health.

EDUCATION

TECHNICAL AND FINANCIAL SUPPORT

61 SCHOOLS

SCHOOL ENROLLMENTS

10,933 CHILDREN
(47.5% girls) till secondary level

PROVISION OF SCHOLARSHIPS

1,208 CHILDREN
to access quality education in private schools

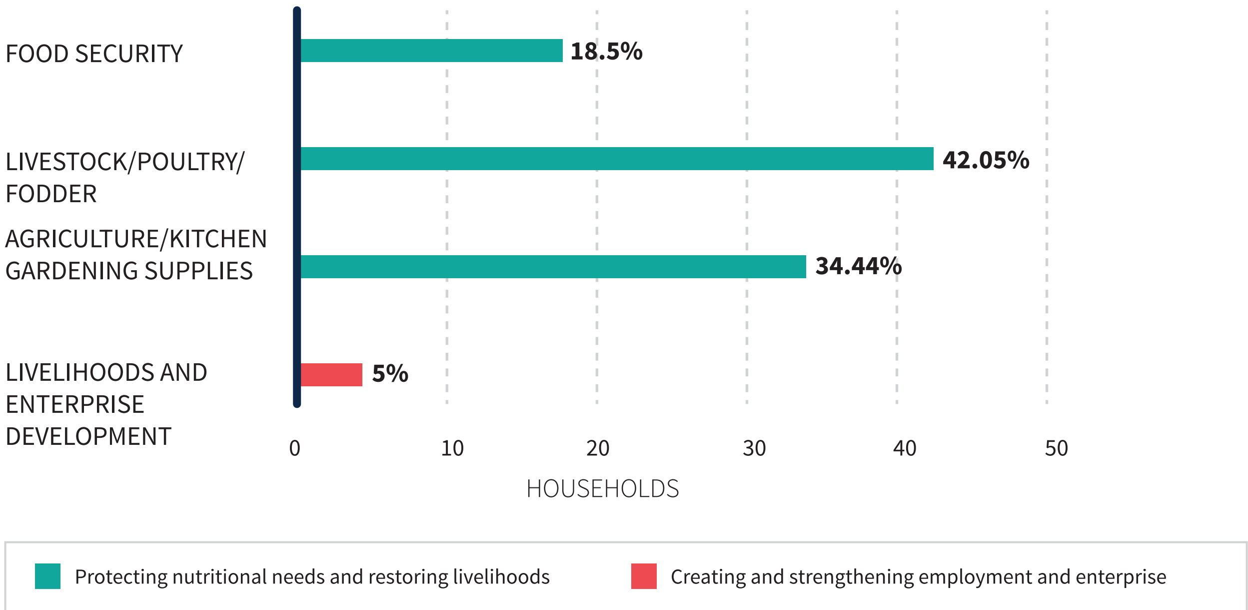
GRADUATED TO THE NEXT LEVEL

9,694 CHILDREN (49% girls)

RESPONDING TO THE COVID-19 PANDEMIC

The biggest challenge that PPAF faced this year was the global COVID-19 pandemic which spread across Pakistan in the last quarter of FY 2019-FY2020. The impact of the pandemic and associated risk management measures significantly inhibited economic activity and resulted in loss of livelihoods and increased food insecurity for the poorest communities. Considering the immediacy of the challenge, PPAF launched its COVID-19 Emergency Response Fund with a commitment of its own resources of PKR 413 million. In support of the Government of Pakistan's objective to revive the economy and avoiding duplication with government schemes, PPAF's focus is on economic revival and resilience. The aim of PPAF's emergency relief is that households are able to not only survive the crisis but that they also do not drop further down the poverty ladder. Working with its partner organisations, PPAF set out to support households in 20 districts falling in the Extreme Poverty Zone -1 in Balochistan, Khyber Pakhtunkhwa and Sindh, through a transparent beneficiary selection process. By December 2020, over 66,000 households received assistance to mitigate the social and economic impacts of COVID-19.

COVID-19 ECONOMIC REVIVAL ASSISTANCE




District Upper Dir, Khyber Pakhtunkhwa.


District Badin, Sindh.


District Barkhan, Balochistan.


District Tharparkar, Sindh.


District Swabi, Khyber Pakhtunkhwa.


District Badin, Sindh.


District Tharparkar, Sindh.


District Dera Bugti, Balochistan.

District Badin, Sindh.

District Tharparkar, Sindh.


District Kharan, Balochistan.

This package of economic revival and emergency food assistance was augmented with awareness campaigns to sensitise communities regarding COVID-19 risk mitigation SOPs related to maintaining hygiene, use of masks and social distancing. PPAF was a familiar face to its 30,000 followers on social media who further helped disseminate these messages on their social networks. In the field offices of Partner Organisations (POs), standees and backdrops helped educate communities on standard operating procedures to be followed during asset/ration distribution.

This COVID-19 response effort was bolstered by the generous support of the CITI Foundation whose USD 100,000 contribution allowed PPAF to extend this support to an additional to 2,760 ultra-poor households in two Union Councils (UCs) of Badin and Rajanpur.

NATIONAL POVERTY GRADUATION PROGRAMME

In February 2020, the honourable Prime Minister Imran Khan inaugurated the flagship National Poverty Graduation Programme (NPGP) supported by the International Fund for Agriculture Development (IFAD) and the Government of Pakistan (GoP).

The programme aims to assist the poor and ultra-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 approach combines three distinct elements: social mobilisation, livelihoods development, and financial inclusion.

During 2020, a total of 32,358 beneficiary households were identified from National Socioeconomic Registry (NSER) data maintained by Benazir Income Support Programme (BISP) and their baseline Poverty Scorecard calculated and community Validated. Our partner organisations work with each eligible household to develop a Livelihood Investment Plan (LIP) based on their existing skills and resources, aspirations and market opportunities. Accordingly, each household receives a productive asset relevant to their LIP, such as equipment, tools, livestock, agri-inputs and vocational trainings.

The programme has been initiated in all provinces and takes pride in transferring over 95% of assets to women. A proportion of eligible beneficiaries also receive interest-free loans, under the Government of Pakistan's Ehsaas Bila Sood Qarza programme (also led by PPAF) to support income diversification and business expansion.

This year, IFAD also extended its support to the beneficiary households to cope with the economic impact of the COVID-19 pandemic. Eligible households received an additional PKR 6,000 for their start-up and working capital needs to overcome the challenges they faced during this crisis.

IFAD
Investing in rural people

BUDGET
USD 150 Million

DURATION
2017- 2023

PARTNERS
NRSP, SRSO, TRDP, BRSP, SABAWON, LASOONA

COVERAGE

PUNJAB
DG Khan, Jhang, Layyah

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

BALOCHISTAN
Zhob, Gwadar, Lasbela

KHYBER PAKHTUNKHWA
Kohistan Upper, Kohistan Lower, Palas Kolai, Torghar, Battagram, Shangla, North Waziristan, South Waziristan, D.I. Khan, Tank

A woman weaves a mat in Tehsil Chobaran in district Layyah, Punjab.
She received a supply of reeds that expanded her business and increased her income.

NATIONAL POVERTY GRADUATION PROGRAMME	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Households organised	41,960
Livelihood Investment Plans developed	27,656
Assets distributed	25,054
Assets distributed to women	23,801
Assets distributed to men	1,253

POVERTY GRADUATION PROGRAMME FOR AFGHAN REFUGEES

Pakistan Poverty Alleviation Fund and the United Nations High Commissioner for Refugees (UNHCR) are jointly taking forward the poverty graduation approach to assist Afghan refugees and host families in Mansehra, Peshawar, and Chagai graduate out of poverty on a sustainable basis while simultaneously improving their skills and increase their reliance.

The project targets 3,000 households in 5 refugee villages and camps, namely Lejay Carez Camp, refugee villages in Chagai, Ichrian and Khaki, refugee villages in Mansehra, and Khazana and Kababian Camps in Peshawar.

The components include forming and strengthening a hundred community institutions. The members will be trained in management skills and enabled to develop a Village Development Plan for their camp. The households identified through the Poverty Scorecard will be coached in agriculture, livestock management, and entrepreneurship related to the asset they receive. The households will then form community interest groups and, through exposure visits, the groups will gain experience from observing successful entrepreneurs. This way the refugees and host families will acquire skills to become self-reliant.

BUDGET
PKR 320 Million

DURATION
2020- 2021

PARTNERS
IDEA, TF

COVERAGE
KHYBER PAKHTUNKHWA
Peshawar, Mansehra
BALOCHISTAN
Chagai

PPAF and UNHCR sign the pact.

INTEREST FREE LOAN PROGRAMME

Interest Free Loan Programme (IFL) is one of the major components of the National Poverty Graduation Initiative, under the Government of Pakistan's Ehsaas Programme, being implemented by PPAF. As many as 3.8 million interest free loans will be provided for the next 4 years to 2.28 million households for income diversification and business expansion.

This programme feeds into PPAF's overall approach for poverty graduation. Once the skills and productive asset base is built, the poor can access financial services beginning with the interest free loan. Local communities are mobilised and groups are formed for individuals to avail interest free loans. Under the PLUS dimension of the programme, to develop a business ecosystem, the loan centres offer business advisory services. The centres also give exposure and create linkages to input suppliers, markets and skill training institutions.

INTEREST FREE LOAN PROGRAMME	YEAR 2020	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Loans disbursed	780,934	1,318,966
Women	351,368	710,497
Men	429,566	608,469

BUDGET
PKR 17.7 billion

DURATION (Phase-II)
2019- 2023

PARTNERS
ADO, EPS, SMC, SSF, SERVE, CEIP, BRSP, FDO, FFOSP, GBTI, HANDS, MF, NRSP, OPRCTP, PRSP, SRSO, TRDP, AIM, RCDP, AP, AMRDO, BLCC, HHRD, KF

COVERAGE
Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa, Azad Jammu and Kashmir, Gilgit-Baltistan

DISTRICTS 110

UNION COUNCILS 442

A woman tends to her flock of chickens. She got loan for backyard poultry farming in district Layyah, Punjab.

PROGRAMME FOR POVERTY REDUCTION

The Programme for Poverty Reduction (PPR) is financed by the Government of Italy (GoI) through the Directorate General for Development Cooperation (DGCS) and managed by the Italian Agency for Development Cooperation (AICS). This integrated programme has created sustainable conditions of social and economic development, including income and productive capacity increase in 14 districts of Balochistan and Khyber Pakhtunkhwa.

The programme organised households into community institutions at the hamlet, village and Union Council levels and developed their capacities to design their Union Council Development Plans (UCDPs), practice good governance, press the local government for improving access to various services and fulfil their needs, and link up with the markets. Individuals from the ultra and vulnerable poor households received productive assets, such as livestock, small businesses, fishing, agriculture and kitchen gardening. They then received training to use the asset and gained micro-enterprise development skills.

The infrastructure work identified in UCDPs included clean drinking water schemes, link roads, flood protection works, irrigation and renewable energy projects. Access to infrastructure improved social and economic wellbeing of the poor and disadvantaged communities.
The programme has also supported government and community health facilities and made primary healthcare services available to the people as

AGENZIA ITALIANA PER LA COOPERAZIONE ALLO SVILUPPO

BUDGET
EURO 40 million

DURATION
2013- 2021

PARTNERS
AKRSP, KK, SRSP, CERD, EPS, LASOONA, NIDA.Pakistan, BRSP, BRDRS, PIDS, TF, HDF, NRSP, BRAC (until October 2019), AF, YO, SEHER

COVERAGE
BALOCHISTAN Zhob, Killa Saifullah, Killa Abdullah, Pishin, Gwadar, Lasbela, Awaran, Panjgur, Kech
KHYBER PAKHTUNKHWA Lower Dir, Upper Dir, Chitral, Swat,Bajaur

A *karez* cleaned and extended by Pak Village Organisation in UC Khushab, district Pishin, Balochistan.

1,802,117 patients (44% women and 26% children) accessed these centres. Around 1,197 community resource persons (CRPs) have been trained on disease prevention and health seeking behaviour, nutrition and maternal and child health. The CRPs in turn raised awareness within their communities.

The programme has improved access to education services through 807 supported government, community/ enterprise schools and coaching / learning centres. A total of 111,007 students, including 42% girls, were enrolled in these schools. CRPs and teachers have been trained to design school development plans, innovative teaching approaches, and running schools as a social enterprise.

PROGRAMME FOR POVERTY REDUCTION	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Capacity building for livelihoods	31,828
Women	10,288
Men	21,540
Asset Transfer	8,693
Women	3,942
Men	4,751
Basic services and infrastructure	
Community infrastructure built	1,337
Health centres constructed or rehabilitated	135
Schools constructed or rehabilitated	804

The Kalasha Craft Centre is the central display and selling point of indigenous crafts for the local women in Bomburate Valley, Ayun.

Value Chain Development

Date value chain

200 farmers have received training to develop the date value chain. Two date processing units in Kech and one in Panjgur have been established to stimulate the local economy. The plants will be run by 15 households who will process, pack, and market the produce of around 400 small farmers.

Olive value chain

Over 50,000 olive plants have been distributed to 822 small farmers and CRPs. Training of farmers, plantation of olive plants, grafting on wild olives continues. Lower Dir, Zhob and Killa Saifullah will get an oil extraction unit each. A plant will cater to the needs of small farmers of 2-3 more adjacent districts.

Horticulture tunnel farming

Two tunnel farms for 10 households have been established in Killa Abdullah and Killa Saifullah. The households earn from selling off-season vegetables as well as enhance their food security and of around 80 other households in the villages.

Handicrafts

In Kalash, a platform to promote Kalasha indigenous crafts has been set up. 55 women producers received material for craft development followed by technical training of 27 women in traditional craft making. Now 2 Kalasha craft display centre and a gem and jewellery centre have been established and linked with the market.

Fishery

122 fishermen received boats under the asset programme. Of these, 6 fishermen got together and established a boat repair and maintenance centre in UC Surbandar. The project successfully forged linkages with the IFAD funded Livelihood Support Project where a jetty has been constructed. Now Surbandar has emerged has a fishery market.

LIVELIHOOD SUPPORT AND PROMOTION OF SMALL COMMUNITY INFRASTRUCTURE PROGRAMME

The Livelihood Support and Promotion of Small Community Infrastructure Project (LACIP) began in April 2012 to improve the general living conditions and quality of life of the poor in 8 districts of Khyber Pakhtunkhwa. The project was completed in 2017. Using some unspent funds, LACIP-I Extension was designed to invest in physical infrastructure, livelihoods and social mobilisation of 2 UCs of Upper Dir.

LACIP-I EXTENSION	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Community Infrastructure	
Integrated Area Upgradation Projects proposals developed	18
Community institutions	
Community Organisations formed	192
Village Organisations formed	12

LACIP-I Extension

BUDGET
EURO 1.41 million

DURATION
2018- 2021

PARTNER
Khwendo Kor

COVERAGE
KHYBER PAKHTUNKHWA
Upper Dir


A flood protection wall and a water course constructed by SRSP in UC Ayun, district Chitral.

LACIP-II	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Assets transferred beneficiaries	221
Women	117
Men	104
Technical and vocational skills trainees	210
Women	189
Men	21
Community Infrastructure	
IAUP initiated	50
IAUP completed	5
Individuals benefited	11,544
Community institutions	
Community Organisations formed	1,126
Village Organisations formed	148
Community trainings and capacity building events	70
Community trainees	1,402

LACIP-II

BUDGET
EURO 10 million

DURATION
2018- 2021

PARTNERS
NRSP, SRSP, SABAWON

COVERAGE
KHYBER PAKHTUNKHWA
Buner, Shangla, Lakki Marwat

Following the satisfactory performance under LACIP-I, the second phase, LACIP-II, commenced with the overall objective of contributing to the betterment of the living conditions of poor people and stabilization of under-served areas in Khyber Pakhtunkhwa. LACIP-II features institutional development, community physical infrastructure and livelihood and enterprise development.

Members of VO Falahi Tanzeem Alori survey land for construction of an irrigation channel in UC Akhagram, Upper Dir

HYDROPOWER AND RENEWABLE ENERGY

The Hydropower and Renewable Energy (HRE) Project aims to improve the general living conditions and quality of life of the poor in Khyber Pakhtunkhwa through mini/micro hydropower projects and solar mini grid systems. In October 2019, a 306 kW hydro power plant was inaugurated in Gazeen, Chitral, providing renewable energy to 300 households.

In 2020, five hydropower plants with a total installed capacity of over 800 kW, ranging from 36 kW to 306 kW, have transformed the lives of marginalized communities in Chitral, Upper Dir, and Buner. The electricity does not only meet lighting, cooking, and heating needs of 1,141 households, but also serves the energy needs of small enterprises in the community.

Likewise, in 2020, 3 new solar mini-grid systems with a total installed capacity of 121 kW, ranging from 34 kW to 51kW, came online in remote communities in Swabi providing electricity to 130 households for domestic needs as well as for local enterprises.

This year, the training and capacity-building of the community for operation and maintenance of the installed systems has also begun. While some solar water pumps are being installed, adding more households to the systems is in process. As part of the project, over 27,000 local species and fruit trees have been planted for long term environmental and economic benefits to the community.

KFW german cooperation DEUTSCHE ZUSAMMENARBEIT

BUDGET
EURO 11 million

DURATION
2013- 2021

PARTNERS
AKRSP, NRSP, SRSP, CMDO, SABAWON

COVERAGE
KHYBER PAKHTUNKHWA
Lakki Marwat, Swabi, Buner, Upper Dir, Chitral, Karak

HYDROPOWER & RENEWABLE ENERGY	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Community Infrastructure	
Hydropower plants completed	5
Solar minigrid systems completed	68
Women benefited	6,640
Men benefited	7,143
Community institutions	
Community Organisations formed	46
Village Organisations formed	12


A 51.24 kW solar mini grid installed in village Jabba, UC Ghani Chitra, district Swabi.

BUILDING RESILIENCE TO DISASTERS AND CLIMATE CHANGE

PPAF entered into partnership with the National Disaster Risk Management Fund (NDRMF) in November 2019 for building resilience to disasters and climate change (BRDCC) of communities in 8 districts in Balochistan, Khyber Pakhtunkhwa, Sindh and Gilgit-Baltistan. In 2020, the project organised over 12,000 households under 67 village organisations. The members were trained to manage development activities, reduce risk and protect the community against disasters and climate change. Once infrastructure construction begins, the members of the organisations will also be trained in operation and maintenance. The structural measures for flood protection will include gabions, concrete and stone-masonry walls, and earthen embankments.

BUILDING RESILIENCE TO DISASTERS & CLIMATE CHANGE	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Households organised	12,312
Village Organisations formed	67
Women	15
Men	17
Mixed	35
Membership	1,432
Women	593
Men	839
Youth	310
Differently abled persons	6

NDRMF

PPAF

BUDGET

PKR 823.98 million
(30% PPAF's share)

DURATION

2019 - 2021

PARTNERS

BRDS, MGPO, EPS, GBTI, FDO, TRDP, HANDS, SAWFCO

COVERAGE

BALOCHISTAN Nasirabad
KHYBER PAKHTUNKHWA Shangla, Swabi
SINDH Dadu, Jamshoro, Naushero Feroze
PUNJAB Multan
GILGIT- BALTISTAN Skardu

Thardeep Rural Development Programme holds a community consultation for preparing a Village Disaster Management Plan for village Sher Muhammad Dawach in UC Pir Tarho, district Dadu, Sindh.

REVITALISING YOUTH ENTERPRISE

In order to enhance youth financial empowerment, PPAF started the Revitalising Youth Enterprise project with the support of the Citi Foundation. Three hundred unemployed youth, aged 16-24 years, in districts Ziarat and Killa Saifullah received locally relevant, technical and vocational trainings that increased their employability and entrepreneurship capacity.

Among the trainees, the girls opted for trainings as beauticians, fashion designers and bedlinen designers, whereas boys preferred to learn mobile repairing, solar panel repairing, veterinary health support, professional baking and cooking. The duration of each training course was 4 months which included mentoring from experts as it enabled the youth to learn and benefit from professional grooming.

As the trainings ended, trainees were linked with the relevant internship opportunities for one months, with employers being encouraged to provide stipends to the apprentices. This internship period gave potential employers enough time to assess which trainee could serve in their organisation for a longer term.

Citi Foundation

BUDGET
USD 240,000

DURATION
2019- 2020

PARTNER
BRSP

COVERAGE
BALOCHISTAN
Ziarat and Killa Saifullah

A trainee of the programme uses his skills to repair a mobile phone.

ENHANCING FOOD SECURITY THROUGH STRATEGIC INTERVENTIONS IN AGRICULTURE

PPAF launched a project for enhancing food security in districts Swabi and Torghar. The project aims to develop skills and knowledge of farmers about modern agricultural practices and facilitate setting up agriculture value chains for improving the livelihoods of small farmers.

Through institutional development, capacity building of farmers and innovative interventions in agriculture, the project aims at expanding livelihood opportunities for small farmers, diversifying cropping patterns and increasing farm income.

ENHANCING FOOD SECURITY	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Households organised	1,547
Community Organisations formed	62
Women	14
Men	48

BUDGET
PKR 200 million

DURATION
2020- 2021

PARTNERS
CERD and IDEA

COVERAGE
KHYBER PAKHTUNKHWA
Swabi, Torghar

Partner Organisation, CERD, meets with women in order to form a community institution of women in UC Zarobi, district Swabi.

WOMEN OWNED DAIRY COOPERATIVE

PPAF and its partner HADAF supported a women's local support organisation (LSO) called Anmol Tanzeem Barai Khawateen to launch the Women Livestock Cooperative Project as a social enterprise for enhancing income of the ultra-poor households in UC Seriya, district Haripur. The cooperative will generate resources for the LSO's health programme and address women's primary healthcare needs.

With the help of technical persons of the partner organisation, the LSO drafted the procurement, HR, finance and administrative policies and got itself registered under the Social Welfare Ordinance 1961. Out of a total of 500 targeted ultra-poor households, over 170 households have been identified this year to receive health cards. The LSO has renovated the livestock farm and made water and sanitation arrangements. It has also developed the selection criteria for procuring livestock and farm implements and have procured the essential machinery like fodder cutter and milking utensils from the local market. By the end of June 2020, all essential work required for establishing social enterprise was completed. In the coming year, the rest of the programme implementation will proceed for procurement of animals, which were delayed due to the lockdown associated with COVID-19 which impacted the last quarter of the reporting period.

BUDGET
PKR 9.9 million

DURATION
2019- 2020

PARTNER
HADAF

COVERAGE
KHYBER PAKHTUNKHWA
UC Seriya, Haripur

Anmol LSO members members generate ideas during a capacity building session.

CHAMALANG EDUCATION PROGRAMME BALOCHISTAN

Since 2010, under the Chamalang Education Programme Balochistan (CEPB) launched by the Chamalang Tribal Education Committee, PPAF has provided scholarships to over 3,000 children of coal miners studying in private schools in Kohlu, Loralai and Quetta. Currently, PPAF is paying the fees of 968 students (including 292 girls) studying at 15 private schools. Most of these students are enrolled in secondary schools.

The examination results of 2019 were encouraging and validated PPAF's efforts and belief to create a robust quality education system. Fifty-five students appeared in Matriculation exams and all of them passed with over 60% marks. Twenty-two students secured above 70% and four received over 80% marks. It is a matter of pride that students from marginalized areas are achieving academic milestones in their lives with their hard work.

The support from PPAF and the Pakistan Army are not only making quality education accessible in this remote region, but also contributing to the overall development of the private school system in Kohlu and Loralai. In 1996, Iqra Model School was established, later followed by another branch of the private school, New Iqra Public School. Both schools got initial support from CEPB. They first operated in rented buildings but now have their own purpose-built premises providing services to 1,100 students; 665 students in both schools are supported through CEPB and, of these, 372 by PPAF. Another school, City School, which began in 2006 from a mud structure, with support in 2007 from the armed forces and PPAF has now transformed into a beautiful, spacious school building.

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BUDGET
PKR 35.1 million

DURATION
2017- 2020

PARTNER
PIDS

COVERAGE
BALOCHISTAN
Kohlu, Loralai, Quetta

SCHOLARSHIPS TO CHILDREN
968 (30% girls)

SCHOOLS
15

Children at New Iqra Model School, Kohlu supported through CBEP.

CONTINUED SUPPORT TO PPAF'S ESTABLISHED SCHOOLS IN SINDH AND GILGIT-BALTISTAN

With the purpose of improving the quality of education, PPAF is carrying out two school improvement projects in the poverty-stricken rural areas of Sindh and Gilgit Baltistan. Close to 9,000 children are attending the 35 community-based schools, 9 public schools and a community college under the projects. For each school, a management committee has been formed that engages parents and the community in school activities.

PPAF is providing salary and transportation support to 86 local teachers. Of these 56 are women and 30 are men teachers. The project is expanding the capacities of teachers through exposure visits, pedagogy skills, and teaching aids. Computer and science labs have been set up. Other support includes furniture provision, paying for school utilities, and maintenance.

PROGRAMME FEATURES

- Improvement in learning environment
- Early childhood development
- Provision of teachers
- Professional development of teachers
- Computer and science labs
- Capacity building of school management committees

BUDGET
PKR 59.5 million

DURATION
2019- 2021

PARTNERS
IRC, BB, BRDS, MIED

COVERAGE
GILGIT- BALTISTAN Ghizer
SINDH Badin, Tharparker, Coastal area Karachi, Jamshoro, Dadu, Khairpur

SCHOOLS SUPPORTED 44

STUDENTS
8,726 (49% girls)

IRC House of Learning Din Mohammad Rind, Khairpur, Sindh.

DERA BUGTI PROJECT-PHASE-III

Dera Bugti is a remote and underserved district of the country. In 2018, PPAF committed to improving infrastructure, health and education services in 2 Union Councils of the district. It also set out to strengthen the productivity of households and their businesses and reduce their vulnerability to economic and environmental shocks. This is a multi-phase project, commencing from response to recovery, rehabilitation. The community institutions at various levels were strengthened to carry out the task. The members were taken on an exposure visit to Loralai where they observed and experienced integrated development work, involvement of women in community activities, and enterprises developed based on assets received.

Livelihood assistance to households comprised productive assets to ultra-poor (0-18) and associated training.

Water supply schemes powered by solar panels made clean water accessible to 75 households. Various other interventions, such as irrigation, stone pitching, flood protection works, embankments and pondage will be undertaken. Healthcare services constituted rehabilitating a staff residential quarter for Lady Health Workers (LHWs) and providing assisted devices to differently abled people. For improving access to education, PPAF will be providing missing facilities in schools, such as toilets, boundary walls, gates, furniture and school bags. Five government schools will also be rehabilitated under the project.

BUDGET
PKR 136.70 million

DURATION
2018- 2020

PARTNERS
BRDS, BRSP

COVERAGE
BALOCHISTAN
Dera Bugti

DERA BUGTI PROJECT-III	CUMULATIVE PROGRESS ACHIEVED AS OF JUNE 2020
Households organised	539
Community Organisations formed and strengthened	42
Village Organisations formed and strengthened	1
Infrastructure schemes completed	2
HH beneficiaries of infrastructure	75
Asset transferred to ultra-poor	67
Women	19
Men	48
Livelihood trainings for income and productivity	428
Women	60
Men	368
LHW quarter built	1
Differently abled people provided with assisted devices	25


A water pond constructed by Villlage Organisation Gulab in UC Baikar, Dera Bugti

EMPOWERING THE DEAF COMMUNITY

Committed to the spirit of inclusion and support to the differently abled people given a career path, PPAF provided scholarships to 240 students of class 1 to 12 to study at Deaf Reach schools set up by the Family Educational Services Foundation (FESF). To expand opportunities for productive jobs and enterprise development, PPAF is also building the skills of 175 deaf students in Hyderabad, Rashidabad and Nawabshah. They are provided with transportation and a nourishing meal at the school as they learn to cook, sew, stitch and embroider to become productive members of society. Moreover, online 100 teachers are being trained from across the four provinces and Gilgit-Baltistan (GB) on methodologies for educating deaf students.

Progress had been a little slow because of the pandemic. However, so far, 22 deaf alumni of the school have got employment.

PROGRAMME FEATURES

Activity 1: Capacity Building of teachers through online Pakistan Sign Language training course and digital resources

Activity 2: Scholarships for students

Activity 3: Livelihood development

BUDGET
PKR 34.5 million

DURATION
January 2020-December 2020

PARTNER
FESF

COVERAGE
SINDH Hyderabad, Shaheed Benazirabad, Rashidabad
GILGIT BALTISTAN

SCHOLARSHIPS
240
Girls 96; Boys 144

SKILLS TRAINEES
175

TEACHERS TRAINED
100

The differently abled students, supported by teachers, learn at the Deaf Reach School in Rashidabad.

TABEER-O-TAMEER FUND—LIFELINE FUND

The formation of the Union Council Based Organisations (UCBOs) at the Union Council level, to support and enhance community development, is a step forward in the work of PPAF and its POs. PPAF expects these organisations to become independent agents for collective action. To realize this goal, PPAF has set up a Lifeline Fund to nurture the UCBOs and make them move from dependency to self-reliance. These institutions were formed under Social Mobilization Project and Third Poverty Alleviation Fund Project (PPAF-III) from FY 2007-FY2016 and exist in PPAF's high priority regions, i.e., the poorest areas of the country.

As part of the support, the offices of 100 Union Council based organisations have been set up and laptops, printers and furniture have been provided. Focal persons of Partner Organisations have also been taken on board. Close to 800 sessions on SDGs 3, 4, 5 and 16 have been held with these community institutions, so that they innovate and take forward the global goals, and achieve social, economic, and environmental outcomes. So far, 25 UCBOs have got themselves registered with the local authorities and 72 have functional bank accounts. Out of 100, 94 UCBOs have received operational support as salaries to two staff members each for the duration of the project.

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BUDGET
PKR 152.6 million

DURATION
2018 - 2021

PARTNERS
TRDP, AGAHE, PIDS, YO, SERVE, CMDO, SABAWON, CUP, BB, AKRSP

COVERAGE
SINDH Tharparkar
PUNJAB Rajanpur
BALOCHISTAN Loralai, Kech
KHYBER PAKHTUNKHWA Shangla, Kohistan, Bannu, Lakki Marwat, South Waziristan
GILGIT BALTISTAN Astore, Ghanche, Ghizar, Skardu

Orientation session for the community members on quality education at Village Bhatian Ji Veri, UC Bhakuo, district Tharparkar, Sindh.

SMALL GRANTS PROJECT: CAPACITY BUILDING OF SMALL ORGANISATIONS

The Small Grants Project purpose is to provide technical assistance and support to the small/new partner organisations to define their role, develop SOPs, by-laws and internal control systems, and eventually enhance their capabilities as social entrepreneurs having specialized technical capacity.

A total of 18 small partner organisations have been selected: 9 from KP, 2 from FATA and 7 From Balochistan and their capacities built in institutional governance, linkage development, and operational self-sufficiency. Exposure visits to Karachi, Tharparkar, and Nagarparkar helped these organisations observe and learn from community development activities and upon return, initiate their own projects. A one-day Show-and-Tell session, provincial consultation workshops organised in Quetta and Peshawar were also part of the process. So far, 780 households have benefited from 16 pilot projects undertaken by these small partner organisations.

PROGRAMME FEATURES

Activity 1: Preparation of manuals, videos and case studies to enhance organisation's internal control system

Activity 2: Training and capacity building of small partners

Activity 3: Design of innovation pilots

Activity 4: Roll out of pilots

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BUDGET
PKR 50 million

DURATION
2018 - 2020

PARTNERS
Aurat Association, GAAP, Rabt Development Organization, Rural Development Organization, CCDP, DSDO, DEWA, SHED, CRDO, REPID, MERC, HEEP, SHAD, DOC, AFAC, SAF, ADF, Al Mehboob Welfare Society

COVERAGE
BALOCHISTAN
Khuzdar, Chagai, Kech, Zhob, Panjgur, Barkhan

KHYBER PAKHTUNKHWA
Torghar, Kohistan, Buner,
Lower Dir, Upper Dir, Bannu, Battagram,
Mohmand Agency, Kurram Agency

Dir Sustainable Development Organization participants learn to manage bees and use the equipment they received as asset from PPAF for developing honey value chain in UC Badwan, district Lower Dir, KP.

ECO TOURISM IN NEELAM VALLEY, AJK-INNOVATIVE PILOT

Pakistan Poverty Alleviation Fund has adapted and improved on its methods of delivery to widen its coverage and ensure inclusion of marginalized communities through projects across industries, such as eco-tourism, musical and cultural preservation and digital safe spaces.

The Neelam Valley Project is a Home-Stay concept where designated rooms within local households were renovated and marketed via an online portal. The project focused on directly engaging low-income communities with high-tourism potential to generate self-employment opportunities in tourism services. Loans of PKR 125,000 per household, with reimbursement terms of 20 months, were distributed by Akhuwat for room renovations and management. Of the beneficiaries, 77% were women. Upon inauguration in April 2019, the Neelam Valley Project made 17 rooms available to the public as affordable, environmentally conscious and family-friendly lodging options, offering a unique cultural tourism experience. A call centre was set up in central Sharda for tourist assistance, along with a website and online web portal for booking management and picture previews of the available room listings.

On average, the room occupancy rate was 18% throughout project duration and there was a 41% average increase in household income as a result of the project. Under the project, Himalayan Wildlife Foundation (HWF) revitalised 30 COs and involved local communities in all stages of the project to ensure community ownership. The total earnings from the project were PKR 606,900 with 100% loans returned to Akhuwat.   Based on a qualitative survey administered by HWF, over 90% of the participating households were satisfied by the programme and wanted a continuation of the programme, with extension further into the Valley.

اخوت
ایمان-احسان-اخلاص

BUDGET
PKR 13 million

DURATION
2018 - 2019

PARTNER
Himalayan Wildlife Foundation

COVERAGE
Village Sharda,
Azad Jammu and Kashmir

A room renovated by a household in a low income community in Neelam Valley and made available, through online portal, for guests for home-stay.

KNOWLEDGE GENERATION

PPAF invests in research and development to generate evidence to guide its programmes and inform policy-making. This year, we forged new alliances with the University of Turbat, University of Malakand, University of Chitral, University of Swat, and continued our collaboration with several other research partners such as the Lahore School of Economics (LSE) and the Centre for Economic Research in Pakistan (CERP).

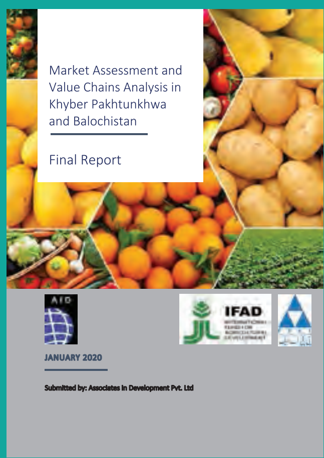
Beyond Action, Towards Transformation 3rd International Conference on Research and Learning

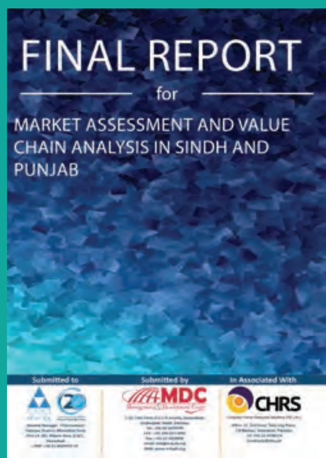
On 30th and 31st of October 2019, PPAF held its Third International Conference on Research and Learning to understand how interventions have led to transforming lives of underserved communities. The event shared outcomes of recent studies as well as new initiatives by PPAF that laid the ground for stimulating panel discussions. Dr. Sania Nishtar (Special Assistant to the Prime Minister on Social Protection and Poverty Alleviation) was the keynote speaker. There were engaging sessions on poverty graduation approaches; innovations that alleviate poverty through investments in eco-tourism and digital hubs in rural areas; community governance and social capital etc. The conference was widely attended by over a hundred participants from academia, government, think tanks, private sector and development agencies.

STUDIES AND SURVEYS

Market Assessment and Value Chains Analysis

Under the NPGP, PPAF commissioned market assessment and value chain analysis for all four provinces to identify small and micro enterprise growth opportunities and employment opportunities relevant to the programme intervention areas.





PPAF's Strategy for Balochistan

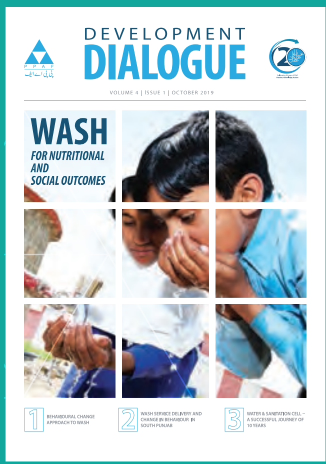
PPAF updated its strategy for Balochistan to ensure the communities of Balochistan benefit from the investments in the province, in line with the Sustainable Development Goals and the new opportunities arising out of the China Pakistan Economic Corridor.

User Beneficiary Satisfaction Survey

Committed to accountability and quality of service, PPAF commissioned an extensive field survey this year to gauge the level of beneficiary satisfaction with the interventions under its various donor-funded programmes including PPR, IFL, LACIP-I and HRE.

Development Dialogue

PPAF publishes a Development Dialogue in order to engage various stakeholders for the design of pro-poor, sustainable policies and practice. This year researchers, academics and practitioners provided their insights on WASH examining behavioural change approach; delivery service in South Punjab and change in behaviour as a result of it; water service delivery in Khyber Pakhtunkhwa; the zero carbon and livelihoods approach to WASH; innovation and technology and lessons for PPAF and Pakistan.



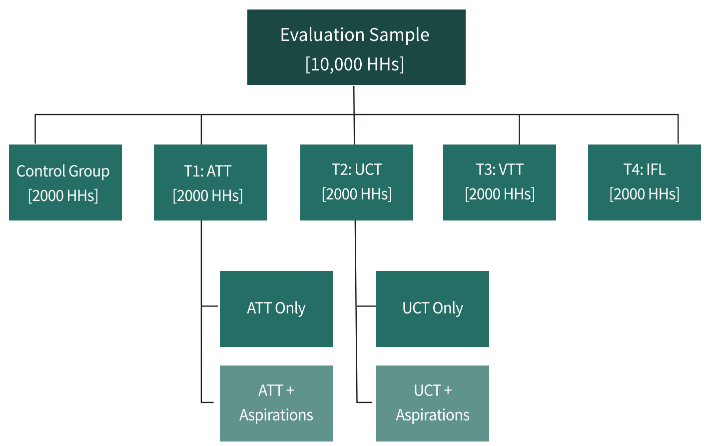
Balochistan Water Engagement

Pakistan Poverty Alleviation Fund, in April 2019, undertook a Balochistan Water Engagement initiative to identify water-related needs of Balochistan and then develop PPAF's water programme for Balochistan. The exercise has created pathways to engage with the Government of Balochistan and support development of government's water policy for long term management of water resources in the province. In this year, briefing papers on eight themes and action papers on the four agroecological zones and Quetta city have been prepared. These will guide PPAF to develop PPAF's water strategy for Balochistan in addition to local water action plans. The plans will include measures not only to improve access to water but also to enhance livelihoods framed in the context of PPAF's present range of interventions, such as asset transfer, interest free loans, community infrastructure, and microcredit offered by the Pakistan Microfinance Investment Company (PMIC).

Research on Asset Transfers

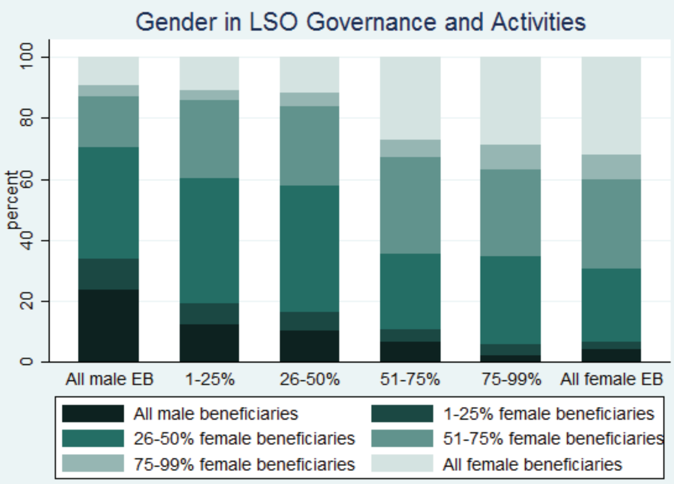
PPAF also draws on research and knowledge that capture regional variations to provide evidence-based insights and policy support. Collaborating with the Centre for Economic Research Pakistan, PPAF has initiated a randomized control trial that would compare four different poverty alleviation strategies in the same context: unconditional cash transfers, in-kind asset transfers, microfinance (interest free loans) and skills training. The study will consider a broader range of social and psychological outcomes that are impacted by anti-poverty policies in villages in Thatta and Sajawal in Sindh and in Layyah in Punjab. All the included households have baseline PSC between 0 and 18. When evaluating the households, the study will assess which interventions work best and their social and psychological impacts.

Design of the Randomized Control Trial



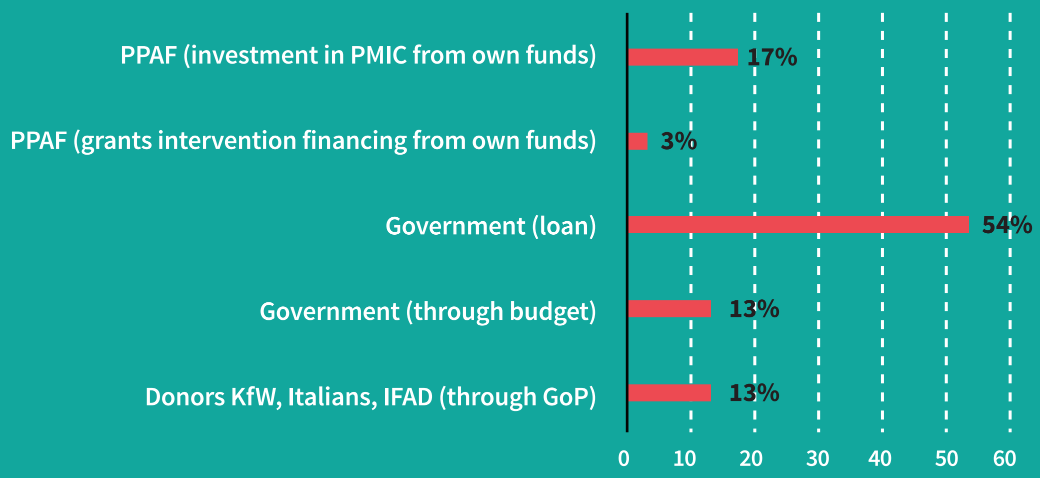
Incentivizing Development: A field experiment with Third-Tier Organisations

This research on 850 Third Tier Organisations (TTO) of Pakistan by a team of researchers from the Lahore School of Economics, Oxford University, and Duke University is being done to understand how PPAF and its POs can support TTOs and their development as effective community institutions. The pilot uses alternative approaches to motivate TTOs improve governance and services they provide to the poor. It also involves TTOs to assess their own performance. The research team has collected rich data on TTOs' leadership, governance, activities, finance, beneficiaries, and decision-making over 2014-2020 and shared in three research conferences organised by PPAF. As a final step, the research team will inform how the self-reported data by TTOs may be used by POs and PPAF along with other data from the field.

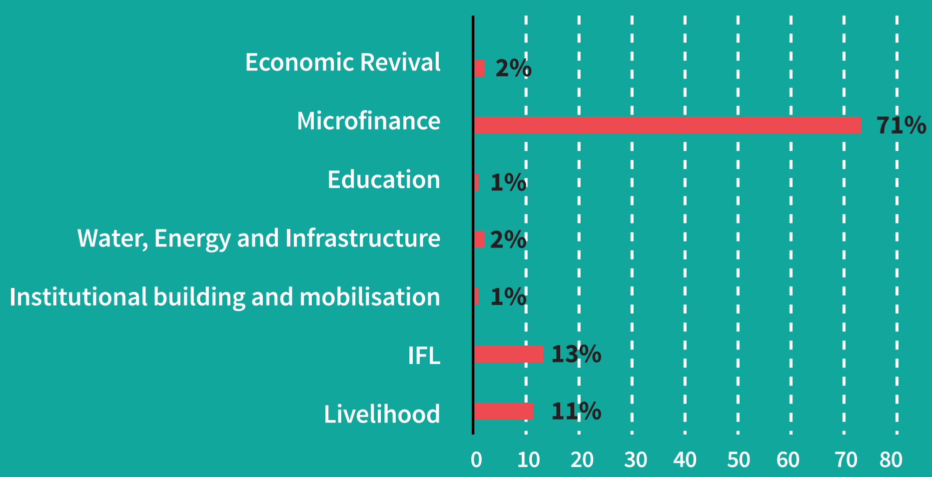


FINANCIAL HIGHLIGHTS

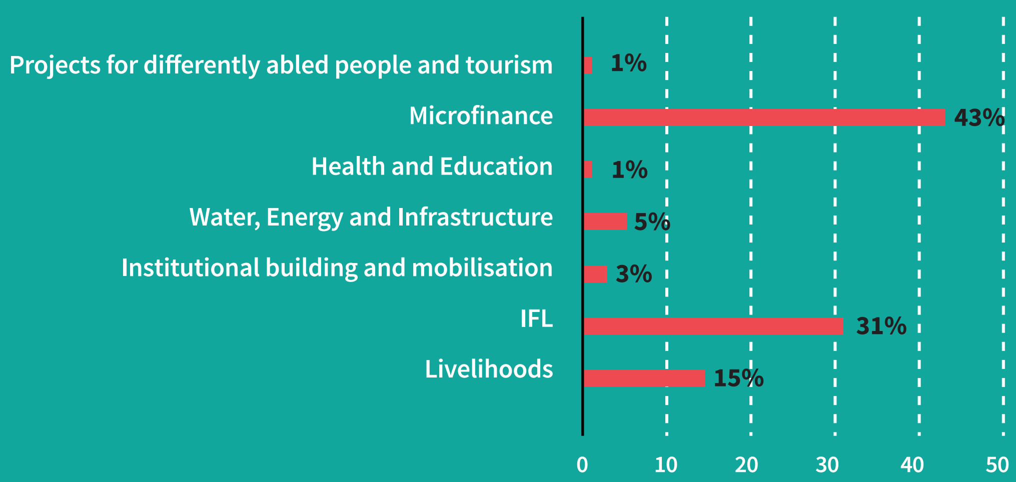
2019-20 Funding Sources and Share



2019-20 Investment by Sector



2020-21 Commitments by Sector



DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended June 30, 2020

PAKISTAN POVERTY ALLEVIATION FUND
DIRECTORS' REPORT

The Board of Directors of Pakistan Poverty Alleviation Fund (PPAF) is pleased to present the nineteenth Annual Report along with audited financial statements of the Company for the year ended June 30, 2020.

The financial year 2019-20 was marked by COVID-19 pandemic. The challenges of extreme poverty and widening income inequalities magnified because of this catastrophe. The rapid spread of the COVID-19 pandemic since March 2020 brought economic activity to a near-halt. Most of the country was placed under a partial lockdown. The closure of businesses and domestic supply chain disruptions had a significant impact on the poor. The pandemic became a global health emergency requiring forceful action at the national, regional, and international levels. The COVID-19 crisis and the political, economic, and social disruptions it has caused have exposed the inadequacies of our current economic systems. Amid global concern for lives, livelihoods, and the planet, leaders find themselves at a historic crossroads for shaping the recovery and are challenged to reset economies on a new trajectory of more inclusive and sustainable growth.

Working closely with our partner institutions, PPAF responded with Rs 413 million economic revival package to finance urgent needs of the poor and vulnerable to instigate a path to strong recovery during the pandemic. To deliver the package in a much faster, more tailored, and impactful manner, PPAF further streamlined its processes, and made the terms and conditions of financing more flexible. PPAF’s swift response was made possible by strong processes/procedures, capable and motivated staff, and a close relationship with partner organizations.

Besides responding to the emergency of COVID 19 pandemic, PPAF continued its interventions to reduce poverty in the country by launching variety of interventions aimed at enabling poor rural households increase their income through enhancing resilience and sustainability, strengthening human capital with a focus on women and addressing the climate risks. Through its Institutional development and social mobilisation interventions, PPAF empowered the poor by forming self-help community institutions. These institutions were nurtured to build civic voices; ensure participatory decision making; improve access to social services and enhance opportunities for the poor. PPAF’s investment in infrastructure schemes (drinking water supply, irrigation, rural linked roads, bridges, rainwater harvesting, domestic / household sanitation, low-cost renewable energy, and micro-hydel projects) enhanced households’ access to improved health, nutrition, mobility, and access to markets. The schemes were identified by local communities through a participatory process and financed by PPAF on a cost-sharing basis. PPAF provided economic opportunities to low income households through provision of productive assets, vocational/technical/skills trainings, and development of linkages with value chain to help create enterprises. Households were facilitated by creating platforms like Common Interest Groups, Community Livelihood Funds, Production Centers, Naukari Ya Karobar Centers and Digital Hubs. PPAF also focused on basic health care by arranging refresher trainings for midwives, strengthening Basic Health Units/dispensaries, providing communal latrines, celebrating health, hygiene and nutrition days, and establishing linkages and leveraging through organizing district development forums. Access to quality education was provided through establishment, rehabilitation and strengthening of public and community schools to enhance enrollments, retention, and completion rates. Demand-driven low-cost community education facilities were set up in areas where these facilities were not available. Financial inclusion was ensured through provision of interest free loans to the poor for productive purposes to help them sustain their livelihoods and conventional market-based microfinance through PPAF's associate company (Pakistan Microfinance Investment Company Limited (PMICL).

For the FY 2019-20 (as per the audited financial statements of PMICL for the nine months ended March 31, 2020 and un-audited financial statements for the quarter ended June 30, 2020) PMICL generated cumulative net profit after tax of Rs. 81 million. PPAF has recognized a profit of Rs. 40 million (as its 49% share) during the year. Summary of income statement and assets/labilities of PMICL is as follows:

	June 30, 2020	**June 30, 2019**
	Rs in million	
Current assets	21,224	17,093
Non-current assets	6,431	10,083
Current liabilities	(4,020)	(2,295)
Non-current liabilities	(17,140)	(18,467)
Equity	**6,496**	**6,414**
The carrying amount of PPAF's investment	**3,183**	**3,143**

	FY 2019-20	**FY 2018-19**
	Rs in million	
Income	4,012	2,606
Administrative expenses	(340)	(353)
Other operating expenses	(65)	(3)
Other income	19	22
Finance costs	(2,756)	(1,551)
General provision against loan portfolio	(742)	(229)
Profit before taxation	**128**	**492**
Taxation	(48)	(151)
Profit for the year	**80**	**341**
Other comprehensive income for the year	1	-
Total comprehensive income for the year	**81**	**341**
PPAF's share of profit/(loss)	**40**	**167**

The net investment of PPAF in PMICL as of June 30, 2020 is reflected as follows:

	FY 2019-20	**FY 2018-19**
	Rs in million	
Opening balance	3,143	2,976
Share of profit of the Associate		
Recognized in statement of income and expenditure	39	167
Recognized in statement of other comprehensive income	1	-
	40	167
Closing balance	**3,183**	**3143**

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 POs under microcredit facility are disbursed to PMICL as subordinated loan. During the year PPAF had not provided any further subordinated loan to PMICL with total outstanding loan to PMICL standing at Rs. 8,975 million as of June 30, 2020 (June 30, 2019: Rs. 10,118 million). These subordinated loans carry markup rate of six months KIBOR plus 1% and repayable in instalments by FY 2031.

Grant Operations:

Grant based interventions during the year increased by 195%. Disbursements for water and infrastructure components increased by 52% to Rs 288 million (FY 2018-19 - Rs 190 million).

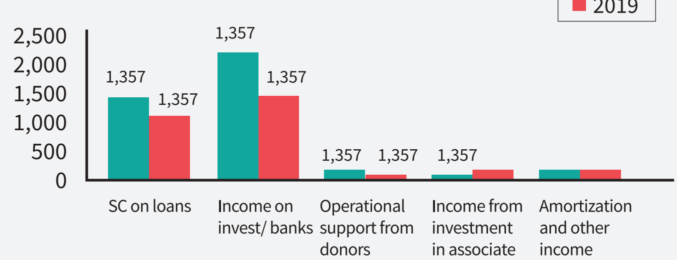
Components	Rupees in millions		Variance
	2020	2019	(%age)
Water & Infrastructure	288	190	52
Livelihood Enhancement & Protection	1,880	173	987
Health & Education	40	164	(76)
Institutional Development	267	214	25
Prime Minister's Interest Free Loan Scheme	105	49	114
Project activities	534	265	102
Grand Total	**3,114**	**1,055**	**195**

Disbursements for livelihood component showed an increase of 987% and were Rs 1,880 million (FY 2018-19 – Rs. 173 million). This was due to initiation of activities under NPGP. Disbursements for health and education component decreased by 76% to Rs. 40 million (FY 2018-19 – Rs. 164 million). Institutional development and social mobilization disbursements were Rs. 267 million (FY 2018-19 – Rs. 214 million), an increase of 25% from last year. PPAF disbursed operational cost of Rs. 105 million under IFL scheme (FY 2018-19 – Rs. 49 million), showing an increase of 114%. In addition, Rs 534 million (FY 2018-19 – Rs 265 million) were spent on projects activities from PPAF's own resources [fig.1]. Of this amount, Rs. 413 million was spent on communities whose livelihoods was affected by the economic downturn associated with the spread of the COVID-19 pandemic. This amount was disbursed to 20 POs for provision of economic revival package in 103 union councils of 20 poorest districts for approximately 63,500 beneficiaries.

Operational and Financial Highlights

PPAF, as a non-profit institution, capitalizes on profits to earn sufficient revenue to run its operations smoothly. Total income earned during FY 2019-20 was Rs 3,788 million as against Rs 2,845 million in FY 2018-19, an increase of 33%. Service charges on loans PMICL and POs increased by 31% to Rs 1,357 million (FY 2018-19: Rs 1,037 million). Income on investments andsavings accounts increased by 50% to Rs 2,078 million (FY 2018-19: Rs 1,386 million). The surge in service charges and investment income was mainly on account of increase in KIBOR which was tied to policy rate. The policy rate remained at 13.25% for most part of FY 2019-20. Donors' grants in support of operational and other expenses increased by 62% to Rs 152 million in FY 2019-20 (FY 2018-19 – Rs. 94 million). This was mainly due support available for NPGP. The after tax profit of PMICL for the FY 2019-20 amounted to Rs. 81 million. PPAF has recognized a profit of Rs. 40 million (as its 49% share) during the year showing a decrease of 76% (FY 2018-19: profit of Rs. 167 million). The reduction in profit of PMICL was due to higher

Figure 6:
Total Income Rs. in million



provision for expected credit loss mainly on account of impact of COVID 19 pandemic. Other income was Rs. 4 million (FY 2018-19 - 7 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. 158 million (FY 2018-19: Rs 153 million).

The general and administrative expenses for FY 2019-20 were Rs 731 million as against Rs 667 million in FY 2018-19, an increase of 10%. Major increase was in salaries expenses which increased by 11% to Rs. 520 million (FY 2018-19 – Rs 467 million) due to impact of new staff hiring and annual increment for existing staff to compensate for cost of living and work performance; repair and maintenance expense increased by 30% to Rs. 13 million (FY 2018-19: Rs. 10 million) mainly due to renewal of software licenses and increase in maintenance of building and equipment; insurance expense increased by 68% to Rs. 15.5 million (FY 2018-19 Rs. 9.2 million) because of addition of new vehicles and incremental rate of staff health and life insurance; vehicle running, and maintenance expenses increased by 19% to Rs. 19 million (FY 2018-19 - Rs 16 million) mainly due to increase of fuel prices; utilities expenses increased by 15% to Rs. 11 million (FY 2018-19: Rs. 9.6 million) on account of increased electricity rates. During the year Seminar, workshops and training expenses were Rs 19 million (FY 2018-19 - Rs 15 million). This included Rs 5 million (FY 2018-19 - Rs 6 million) spent on trainings and Rs 14 million (FY 2018-19 - Rs 9 million) incurred on seminar and workshops. Technical and other studies decreased by 18% to Rs 70 million (FY 2018-19 - Rs 85 million). Based on policy for loan loss, Rs. 1 million was provided against loans/service charges receivable (FY 2018-19 Rs. 10 million).

The financial charges of Rs 273 million (FY 2018-19 - Rs 241 million) included Rs 78 million as service charges on long term loans; Rs 158 million amortization of deferred benefit of below market interest rate on long term loans, and Rs 37 million interest expense on lease liability due to impact of IFRS 16 – leases adopted for the first time by PPAF. PPAF spent Rs 534 million (FY 2018-19 - Rs 265 million) on project activities financed from its own resources. In addition, Rs 15 million has been recognized as re-measurement loss on account of actuarial valuation of PPAF staff gratuity and Rs. 1 million PPAF's share of other comprehensive income of PMICL during the year.

Fig 7: Financial results are summarized as follows

	Rs. In million	
	2020	2019
Service charges on loans to POs and PMICL	1,357	1,037
Income on investments and savings accounts	2,078	1,386
Amortization of deferred income - grant fund	152	94
Amortization of deferred benefit	158	154
Share of income of associate	39	167
Other income	4	7
Total income	**3,788**	**2,845**
General and administrative expenses	731	667
Portfolio monitoring fee	-	1
Seminars, workshops and trainings	18	15
Technical and other studies	70	85
Provision against loans / service charges	1	10
Financial charges	272	241
Total expenditure	**1,092**	**1,019**
SURPLUS BEFORE PROJECT AND RELIEF ACTIVITIES	**2,696**	**1,826**
Project and relief activities	534	265
Other comprehensive loss for the year	14	2
SURPLUS FOR THE YEAR	**2,148**	**1,559**

Total expenditure during the year increased by 7% to Rs 1,093 million from Rs 1,019 million in FY 2018-19. Surplus before project and relief activities and actuarial losses was Rs 2,696 million as against 1,826 million in FY 2018-19 showing an increase of 48%. Net surplus for the year increased by 38% to Rs 2,148 million (FY 2018-19 – Rs 1,559 million).

Financing Agreements signed with the Government of Pakistan (GoP) required repayment of loan amounts along with service and commitments charges from PPAF on the stipulated rates each year. PPAF remained current in all its repayments to GoP. During the year, Rs. 1,280 million (FY 2018-19 - Rs. 1,280 million) was repaid on account of principal amount of loan and Rs 81 million (FY 2018-19 - Rs 90 million) as service charges to the GoP.

Total funds and reserves increased by 11% to Rs 21,581 million (includes Rs 1,000 million endowment fund) as at June 30, 2020 from Rs 19,433 million as at June 30, 2019. Total assets of the Company reached Rs. 33,537 million on June 30, 2020 against Rs 31,598 million as at June 30, 2019. Total loan payable were Rs 9,788 million on June 30, 2020 as against Rs 11,068 million as at June 30, 2019. The debt equity ratio improved to 29:71 (FY 2018-19 - 33:67).

Deferred liability and deferred income constitute advance amounts received from donors in respect of ongoing projects. Deferred liability is used for disbursements to POs under respective financing agreement and deferred income is available to PPAF to finance operational and other expenses incurred on project activities. The balances for deferred liability and income at the end of year represent amounts to be disbursed to POs and utilized by PPAF respectively for project specific activities. Total funds under these heads increased by 80% to Rs. 1,901 million for FY 2019-20 (FY 2018-19: Rs. 1,059 million). The main reason for increase is the availability of funds for NPGP.

PPAF invests its surplus funds and reserves 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, 2020 were Rs. 17,041 million (2018-19: Rs. 15,825 million). These investments carry markup rates ranging from 6.85% 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 2018-19: 12% per annum).

During the year, the cash and bank balances specific to project increased by Rs 913 million as compared to last year mainly on account of receipts of funds from IFAD for NPGP. The project funds were utilized for programme/operational activities as per the respective financing agreements with donors/GoP, whereas PPAF's own surplus funds were placed as per the Company's policy in short term and long-term investments. The Company has non project specific cash and bank balances of Rs 464 million at the end of FY 2019-20 which increased by Rs. 305 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 2020, PPAF had deployed resources in both urban and rural areas of 144 districts of the country in over 100,000 villages/rural and urban settlements. Aggregately, PPAF created and supported 134,500 community organizations and 440,000 credit/common interest groups; completed 34,700 water and infrastructure projects benefiting around 2.38 million households; supported 2,700 schools in which 381,000 children were enrolled; financed 950 community health centers benefiting over 15.20 million people; transferred

140,000 assets to ultra and vulnerable poor (54% women) and organized over 18,000 training events for 1,140,000 beneficiaries nationwide. In addition, over 1.32 million interest free loans (54% women beneficiaries) were provided from the funds managed by PPAF and Akhuwat.
PPAF also responded to the natural calamity (floods and earthquakes) by facilitating over 1.8 million individuals through provision of relief items followed by rehabilitation and reconstruction. Major activities financed under this initiative included provision of financing to 122,000 households for construction of earthquake resistant homes and building capacities of over 100,000 individuals in seismic construction and related skills in the aftermath of 2005 earthquake.
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:
Present external auditor M/s EY Ford Rhodes, Chartered Accountants have completed their assignment for the year ended 30 June 2020 and shall retire on the conclusion of 24th Annual General Meeting. On the recommendations of Audit Committee and the Board of Directors a competitive process was followed for selection of Auditors. Based on competitive process, the Audit Committee recommended appointment of M/s A. F. Ferguson & Co. Chartered Accountants, as External Auditors of the Company for the year ending June 30, 2021.

Conclusion:
We at PPAF promise to strive to be the tree that yields constant fruit for the poor, marginalized, and disadvantaged of this country. Our roots will be firm by staying true to the values that have served us well; we will stay lean and flexible; create value and impact for those we serve; we will work hard, stay hungry and never get complacent. By promoting inclusive growth and long-term sustainability and resilience, PPAF can help the government alleviate poverty and ensure a better quality of life for everyone in the Country.

Acknowledgement
PPAF's undeterred pursuance to meet the growing demands of the poor led the Company to record enhancement in developmental results besides maintaining position as leaders in the sector. In this respect, we would like to put on record our sincere gratitude for the enthusiasm and professionalism of management team and employees as well as Board of Directors for their continued stewardship. We are also grateful to the trust and confidence reposed by the Government of Pakistan and acknowledge firm support and guidance extended by all financing partners - International Fund for Agricultural Development; Government of Italy; Government of the Federal Republic of Germany (through KfW) and UNHCR.

We are grateful to the Members of the Board for overseeing the development of the strategy for the current pandemic along with its implementation. We applaud the Board and our members for improving PPAF's response in these times of need. We deeply appreciate the commitment of our members to support our poorest and most vulnerable population.

We close with the expression of confidence that as we enter fiscal year 2020-21, all of us at PPAF remain committed to long term value creation through an approach that returns value to stakeholders, accomplishes, and produce results to impact the society. As we continue our journey towards achieving organizational goals and objectives, we will continue to strengthen our distinctive objectives and capabilities and work hard to keep and earn support of all stakeholders.

Chief Executive Officer
Islamabad

Chairperson

September 24, 2020

Annexures

1. PPAF BUSINESS CONTINUITY APPROACH DURING COVID-19 PANDEMIC

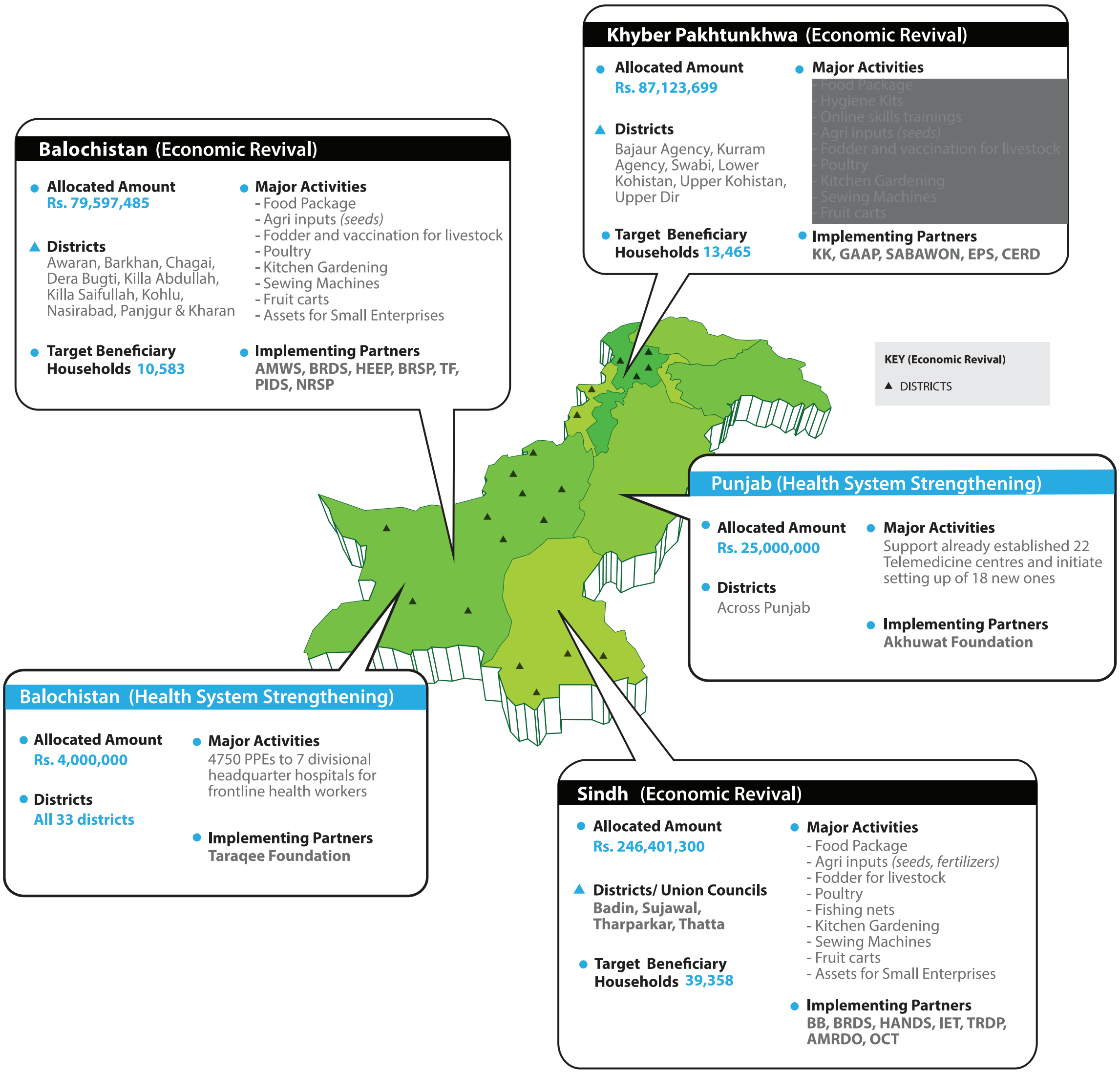
PPAF adopted a robust, well-planned approach at the outbreak of the COVID-19 pandemic through rapid formulation of a Business Continuity Plan, including how PPAF will continue its operations and respond to the emerging needs of the poorest communities who were worst affected by the crisis. This commitment ensured that PPAF launched its COVID-19 Emergency Economic Revival project to help vulnerable communities in 20 of the poorest districts across Pakistan. A rapid needs assessment was conducted to identify beneficiaries; financing agreements were finalized and signed with POs; remote monitoring mechanism was used to assess the programme performance; and over Rs 400 million disbursed. Besides successfully rolling out this new initiative, PPAF also made progress on its other core programmes during the lockdown. The Interest Free Loan (IFL) Programme continued with 103,557 loans disbursed during March to May 2020 while 25,000 assets were transferred to poor households under the National Poverty Graduation Programme (NPGP).

As a responsible employer mindful of its duty of care obligations, a partial work-from-home (WFH) strategy was instituted to avert risks to employees' health and wellbeing. The WFH strategy was implemented in last week of March 2020 after Islamabad Administration notified (on March 24, 2020) that "all private offices shall remain closed" along with clear mentioning of some specific exemptions.

Daily senior management team (SMT) meetings, regular interaction of departmental teams, interdepartmental coordination, and video conference among the entire PPAF team ensured that work continued as the "new normal" and interaction with key stakeholders continued without disruption. Strong communication with staff has been a key element to the Business Continuity Plan. Throughout this period, PPAF team maintained a smooth flow of operations without losing even a single workday. The IT team of PPAF provided the required technological infrastructure and guidelines. Numerous virtual meetings were facilitated among internal and external stakeholders. PPAF employees remained available online over Skype for Business during and even after the office hours and over weekends. Their presence was monitored and ensured by respective supervisors and IT Unit. Virtual roundtable sessions, POs consultative meetings, orientation sessions, learning and sharing sessions, meetings with donors were also arranged.

Normal office working resumed from May 28, 2020 and SOPs were developed and shared in advance. Necessary precautionary measures were adopted including placement of sanitizing gate, temperature and symptom checks on entrance, regular disinfecting of office premises, availability of hand sanitizer, mandatory wearing of face mask, disposable gloves and maintaining social distancing, etc. Gradually numbers of staff physically available in the office was enhanced with Senior management and all PPAF units in presence. As the authorities have moved to the smart lockdowns with ease in earlier restrictions, PPAF has now returned to normal office operations with all precautionary measures in place and adherence to government guidelines. SOPs for travelling during the pandemic were also developed.

PPAF has always been at the forefront of relief and rehabilitation efforts. Working with its POs, PPAF supported communities in some of the poorest districts of Balochistan, Khyber Pakhtunkhwa and Sindh whose livelihoods have been affected by the economic downturn associated with the spread of the COVID-19 pandemic in Pakistan. Recognizing the immediacy of the challenge, PPAF initiated its COVID-19 Emergency Response Fund and allocated Rs. 413 million for 20 of the poorest districts and Rs 29 million for health system strengthening. In support of the Government of Pakistan's objective to revive the economy and avoiding duplication with government schemes, PPAF's focus is on economic revival and resilience. The aim of PPAF's emergency relief is that households are able to not only survive this crisis but that they also do not drop further down the poverty ladder.



Leveraging Outreach

PPAF leveraged its vast network of community outreach to spread awareness of and supported government efforts by widely supporting registration of eligible households under the Government of Pakistan's Ehsaas Emergency Cash Programme through a network of its trusted partner organizations across Pakistan.

Raising Awareness

To raise awareness regarding COVID-19 prevention and response, PPAF developed information, education, and communication material for distribution in communities. This includes audio and visual public service messages, informative flyers and animations developed in English, Urdu and regional languages including Balochi, Sindhi & Pashto. Major topics touched in these informative products include hand hygiene, appropriate use of mask, need for maintaining social distancing, mobility during the coronavirus pandemic, tending for elders and children, myths, and facts about coronavirus etc. More than 30,000 followers of PPAF social media channels have directly accessed this information and shared it further. Besides ensuring availability of all information material on PPAF website www.ppaf.org.pk. our partner organizations are kept updated with all the new material developed for onward dissemination to the community institutions through various activities and platforms

2. PROGRAMME OVERVIEW

a) Program for Poverty Reduction (PPR)

PPR (financed by 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. As of June 30, 2020, Euro 37.85 million was disbursed by PPAF under this project. Implementation progress of the project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
	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 *(47% female)*	27,177
Number of staff members trained	1,036
Livelihoods, Enhancement and Protection (LEP)	
No. of Livelihood Investment Plans (LIPs) developed	8,564
No. of Common Interest Groups formed	294
Number of Community Resource Persons (CRPs) trained	490
No. of individuals received skills/entrepreneurial training	31,828
No. of ultra and vulnerable poor received productive assets	8,692
Number of Loan center established through Community Livelihood Fund	11
Community Physical Infrastructure (CPI)	
No. of Water and Infrastructure projects completed	1,337
No. of beneficiary households	108,398
No. of population beneficiaries	883,326
Basic Health & Education Services	
School facilities constructed or renovated	807
Children benefitting from schools	111,335
Health centers constructed, renovated and/or equipped	133
Beneficiaries/patients treated from health centers	1,802,117

b) Interest Free Loan Scheme:

The Government of Pakistan initiated Rs. 3.5 billion 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.

With effect from July 2019, PPAF was made responsible for overseeing the IFL component available with it besides Rs 15 billion available with Akhuwat. Implementation progress of IFL project (managed from PPAF and Akhuwat funds) as of June 30, 2020 is as follows:

<table>
<tr><th>Key Achievement Indicators</th><th colspan="2">Status as of June 30, 2020 (Number)</th></tr>
<tr><td>POs</td><td colspan="2">24</td></tr>
<tr><td>Coverage</td><td colspan="2">Districts: 110</td></tr>
<tr><td>No. of Loan Centers/Branches established</td><td colspan="2">1,100</td></tr>
<tr><td rowspan="3">No. of Loans disbursed to borrowers</td><td colspan="2">1,318,966</td></tr>
<tr><td>Male</td><td>Female</td></tr>
<tr><td>608,469</td><td>710,497</td></tr>
<tr><td>Average Loan Size (Rs)</td><td colspan="2">30,515</td></tr>
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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 pubic infrastructure (CPI) and provide livelihood enhancement & protection (LEP) with social mobilization as the basis for all activities. The project size is EUR 31.56 million. 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, 2020, Euro 28.97 million was disbursed by PPAF under this project. Implementation progress of LACIP I project as of June 30, 2020 is as follows:

Sr. No.	Indicators with Components	Status as of June 30, 2020 (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 organizations (35% female)	100,321
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
9	No. of individuals received skills/entrepreneurial training (34% female)	5,315
Component: Education, Health and Nutrition		
10	Total Enrolment	32,033
	- Boys	18,150
	- Girls	13,883
11	Total Patients (A+B)	76,760
	Adults (A)	47476

	- Men	9,955
	- Women	37,521
	Children (B)	29,284

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 being implemented in 36 village councils of 12 UCs belonging to three selected districts (Buner, Lakki Marwat and Shangla) of KP. As of June 30, 2020, Euro 2.65 million was disbursed by PPAF under this project. Implementation progress of LACIP II project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020 (Number)
Component: Institutional Development & Social Mobilization	
Community organizations formed	1,126
Village organizations level formed	148
Membership in community organizations (37% female)	16,025
Community Physical Infrastructure (CPI)	
Infrastructure projects (IAUPs) completed	5
Beneficiary households	1,753
Population benefitted (49% female)	11,544
Livelihoods, Enhancement and Protection (LEP)	
No. of ultra/vulnerable poor received productive assets (53% female)	221
No. of individuals received skills/entrepreneurial training (90% female)	210

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 project size is EUR 10 million. The project is being implemented in 8 union councils of 6 districts of KPK i.e. Swabi, Chitral, Upper Dir, Buner, Lakki Marwat, and Karak. As of June 30, 2020, Euro 7.39/- million was disbursed by PPAF (67% of the total financing). Implementation progress of HRE I project as of June 30, 2020 is as follows:

Sr. No.	Indicators with Components	Status as of June 30, 2020 (Number)
1	**Micro Hydropower Project (MHP)**	
	No. of Projects completed	05
2	**Solar Lighting Systems (SLS)/ Mini-grids**	
3	No. of Projects completed	68

f) Hydropower and Renewable Energy (HRE-II) Project

PPAF and KfW signed an addendum to the HRE-I project in July 2019. According to this addendum KfW is providing additional 1 million Euro grant funding to PPAF to cover training and capacity building of community for operation and maintenance of the installed systems and spans over two years till June 2021. As of June 30, 2020, Euro 0.10 million was disbursed by PPAF under this project. Implementation progress of HRE II project as of June 30, 2020 is as follows:

- Tree Plantation has been completed in 5 UCs.
- Procurement and installation of transmission and distribution items for additional connections at MHP Bishoo Patrak is progress.
- Feasibility study of additional household connections in Solar Lighting System is in progress.
- Feasibility study for installation of solar water pumps is in progress
- Trainings of operators and community has been initiated. Remote monitoring and data collection system has been installed. Currently, this system is going through test run.

g) National Poverty Graduation Programme (NPGP)

NPGP is a GoP and IFAD funded USD 150 million (GoP USD 50 Million and IFAD USD 100 Million) programme to be implemented over a period of six years with an overarching objective to assist the ultra-poor and very poor including women in graduating out of poverty on sustainable basis. The programme components include Poverty Graduation with the sub-component of asset creation and interest free loans. NPGP aims at transferring livelihood assets and trainings to 176,947 households in 23 districts of 4 provinces of Pakistan. Under NPGP, 222,012 interest free loans will also be disbursed to 166,626 clients (PSC 12-40) over the project life. Under social mobilization component, the programme has planned capacity building sessions for the target households and communities on SDGs such as health and nutrition, gender, climate resilience and DRR to reach out to approximately 60% of the population of the target UCs. As of June 30, 2020, US$ 12.09 million was disbursed by PPAF under this project. Implementation progress of NPGP as of June 30, 2020 is as follows:

Sr. No.	Indicators with Components	Status as of June 30, 2020 (Number)
Component: Institutional Development & Social Mobilization		
1	Community organizations formed/revitalized	4,196
2	Village organizations level formed/revitalized	480
Component: Livelihood, Employment and Enterprise Development		
3	No. of ultra/vulnerable poor received productive assets (95% female)	25,054
Component: IFL		
5	Total Number of loans disbursed	5,208
6	Number of loans disbursed to Male	2,547
7	Number of loans disbursed to Female	2,661

g) National Disaster Risk Management Fund (NDRMF)

PPAF is implementing Project titled “Building Resilience to Disasters & Climate Change) in 8 districts across the country, namely, Nasirabad (Balochistan), Multan (Punjab), Shangla, Swabi (KP), Dadu, Jamshoro, Naushero Feroze (Sindh) and Skardu (GB). Project is co-financed by National Disaster Risk Management Fund (NDRMF) and is designed to strengthen readiness of the communities through establishing an institutional framework to mobilize and organize communities, understand their specific vulnerabilities to natural hazards and design structural and non-structural measures to reduce and protect against community vulnerabilities.

As of June 30, 2020 Rs. 12.55 million was disbursed by PPAF for this project. Implementation progress of NDRMF project as of June 30, 2020 is as follows:

Sr. No.	Indicators with Components	Status as of June 30, 2020 (Number)
Component: Institutional Development & Social Mobilization		
1	Village organizations level formed	67
2	Membership in village organizations (42% female)	1,452
Component: Community Physical Infrastructure (CPI)		
3	No. of proposals submitted by POs	32

h) Dera Bugti Project

PPAF is undertaking multi-sectoral intervention for the development of Dera Bugti (financed from PPAF's own resources). As of June 30, 2020 Rs. 243.51 million was disbursed by PPAF for this project. Implementation progress of Dera Bugti project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
	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 BHU renovated
Beneficiaries/patients treated from health centers	3,896

i) Enhancing Food Security through Strategic Interventions in Agriculture

PPAF is implementing project for enhancing Food Security through Strategic Interventions in Agriculture at District Torghar and Swabi. The project aims at expanding livelihoods opportunities for the small farmers, diversifying cropping through efficient water management and optimizing farm income. As of June 30, 2020, Rs. 13.75 million was disbursed by PPAF under this project. Implementation progress of Food Security project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
	Number
Social Mobilization and Institution Building	
Formation & revitalization of community organizations	62

j) Women based Dairy Cooperative Project

The 'Women based Dairy Cooperative Project' aims at establishment of a social enterprise for income generation to financially support women to address their curative health issues. As of June 30, 2020, Rs. 8.10 million was disbursed by PPAF. Implementation progress of Women based Dairy Cooperative project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
	Number
Social Mobilization and Institution Building	
Strengthening[1] of women LSO	3
Number of policies[2] developed for Social enterprise Management system	4
Registration of LSO	1
Basic Health Services	
Provision of Health Cards	106

k) Chamalang Balochistan Education Program

Chamalang Education Project PPAF is providing scholarship to students, in order to provide good educational services to out of school children of coal miners from Loralai and Kohlu. This program is being implemented in collaboration with Pakistan Army and has improved enrolment tremendously in ignored region. PPAF has supported more than 3000 students under this project. Most of the students who are supported are enrolled in secondary schools. As of June 30, 2020 Rs. ……… million was disbursed by PPAF under this project. Implementation progress of Chamalang Balochistan Education Program as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
Education	Number
Number of Students getting support	968
Number of Girls getting support	292
Number of Schools	15
Students provided exposure of different cities	22
Students appeared and passed in matric exam (secured more than 60% marks)	55

l) Education Project Sindh & GB:

The objective of the project is to improve quality of education through provision of services to the community managed schools which have been established/strengthened by PPAF in

[1] Number of trainings conducted for LSO and systems developed for management of social enterprise.

[2] Number of policies developed for management of Social enterprise based on Finance, administration, procurement, and HR policies

remotest areas of Sindh and Gilgit Baltistan. These schools are operational in very remote districts including districts Ghizer, Badin, Tharparker Taluka Nagarparker, coastal area Karachi, Jamshoro, Dadu and Khairpur. As of June 30, 2020, Rs. 28.5 million was disbursed by PPAF under this project. Implementation progress of Education Project Sindh & GB project as of June 30, 2020 is as follows:

Indicators with Components	Status as of June 30, 2020
Education	**Number**
Number of Students getting support	8726
Number of Girls getting support	4275 (49%)
Number of Schools	44
No if districts	7
Number of teachers getting salary and capacity building	86

m) Tabeer-O-Tameer Fund (TTF):
TTF aims to support households to form self-help community institutions. For the mentoring and support for Community Institutions in High Priority Districts" a data base of community institutions is available with PPAF. In batch-I, total 100 Third Tier Organizations (TTOs) are taken on board in Balochistan, KPK, FATA, Sindh, Punjab, and GB. TTOs (union council level organization) which are in PPAF's high priority regions/districts (based on lowest HDI index, food security and Social mobilization). As of June 30, 2020 Rs. 58.26 million were disbursed under this project.

n) Capacity Building of Small Grant Project for Balochistan, FATA & KP:
The objective of this Project is to provide technical assistance and support to the small/new POs to 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, 2020 Rs. 33.98 million was disbursed under the project.

o) Disability Component
PPAF has supported and contributed towards in sustaining socio-economic status of the PWDs (Person with Disabilities) yet there is enough space and opportunity to uplift their livelihoods. PPAF is implementing project for empowering the deaf community in Sindh. As of June 2020, Rs 16.94 million was disbursed under this project.

p) Revitalization of Youth Entrepreneur
PPAF in collaboration with financial support of CITI foundation initiated "Revitalization of Youth Entrepreneur" project ,the "Pathways to Progress" with aims to make 300 youth (aged 16-24) from Ziarat and Killa Saifullah districts eligible for employment through the provision of technical trainings. This initiative has developed skills and work-related knowledge of youth and help them to gain better employment opportunities. PPAF in collaboration and facilitation from its partner organization-BRSP has also linked the youth to market and internship opportunities through its livelihood platforms and involvement of community Volunteers. As of June 2020, Rs 22.78 million disbursed under the project.

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%	2.22	2	1 Independent Director
KfW	13%	0.78	1	
CEO	0%	0	1	
Total	**100%**	**5.88**	**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 8.974 billion as of June 30, 2020 (amount outstanding with PMIC as subordinated debt was Rs as of June 30, 2020). The repayment under all these agreements has started and PMIC is current in its repayments to PPAF.

Financial Highlights

	Rupees in million	
	June 30, 2020 (un-audited)	December 31, 2019 (audited)
Financing to MFIs / MFBs (net of provision)	22,938	22,823
Investments	2,684	2,094
Other assets	2,034	2,275
Total Assets	**27,655**	**27,192**
Share Capital	5,884	5,884
Accumulated Profit / Loss	612	402
Equity	**6,496**	**6,286**
Subordinated Loans	11,775	12,347
Other Loans	8,547	7,568
Other liabilities	838	991
Total Liabilities	**21,159**	**20,906**
Total Equity & Liabilities	**27,655**	**27,192**
	Rupees in million	
	June 30, 2020	**June 30, 2019**
Net income (Net of Sales Tax)	4,012	2,607
Finance Cost	(2,756)	(1,551)
Allowance for expected credit losses	(742)	(229)
Admin & Operating expenses	(405)	(356)

Other income	19	21
Profit before Tax	128	492
Taxation	(47)	(151)
Profit after Tax	**81**	**341**

Since the outbreak of Corona virus and the resultant lockdown due to that PMIC has been active to address multi-dimensional challenges emanating from the situation. PMIC regularly engaged with government departments, regulators, financial institutions, different stakeholders of microfinance sector such as Pakistan Microfinance Network, Micro Finance Banks and Micro Finance Institutions, research institutions and universities, internal staff, and team members. These interactions have resulted in raising awareness about microfinance sector and translated into various steps taken by these players and relatively better management of the crisis.

PMIC rescheduled principal repayments from 17 borrowers falling due between Jan-Dec 2020 for a period of 12 months amounting to more than Rs.10 Billion. Further, markup payments from 5 borrowers, approximately Rs. 125 million, due in March 2020 and June 2020 have been deferred till September 2020 and December 2020 to support their liquidity position and financial health. This has helped the institutions reschedule the loans of their clients and in deferment of their facilities from other lenders.

4. RESEARCH AND LEARNING

As an apex of the development sector, PPAF believes it has a responsibility to collaborate, connect, inform, innovate, pilot, and learn both within the development sector and with private corporations, government, academia, and other sectors. PPAF has also fostered several partnerships with academia, corporates, and government entities that supported the work being carried out under the project. PPAF developed research partnerships with Centre for Economic Research in Pakistan, Lahore School of Economics, Oxford University, and others to strengthen the role of research and evidence-based planning/design for its program components. Both the asset transfer/livelihoods component 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.

Valuing the importance of research and learning, PPAF commissions independent studies to assess the quality and impact of their work. To better understand how these interventions have led to transforming lives of underserved communities, PPAF held their Third International Conference on Research and Learning titled ‘Beyond Action, Towards Transformation’ on the 30th and 31st of October in 2019 at Islamabad.

The conference showcased some of its high-quality external research with a diverse audience to help reflect, grow, and improve. This conference allowed participants to discuss issues in a comparative and global context, with the aim of generating knowledge that could bring positive changes in and across the development sector. It presented an opportunity to develop new collaborations that could ultimately translate into more sustainable programmes and policies
The event was attended by PPAF staff, representatives of POs, academia, government officials and guests from corporates, embassies, institutes, and international development organizations. The purpose of the conference was to assess how PPAF’s interventions for the poor have led to transforming lives and communities. This year’s event shared outcomes of completed and ongoing studies as well as new initiatives by PPAF that laid the ground for interesting panel discussions.

The conference was divided into four sessions. The first session titled ‘Poverty Graduation’ was a continuation of a study presented in the last conference, specifically, Dr. Imran Rasul’s end line research on what form of social assistance has longer term gains for the ultra-poor: asset or unconditional cash transfers. This was followed by a keynote address by Dr. Sania Nishtar (Special Assistant to the Prime Minister on Social Protection and Poverty Alleviation) followed by a panel discussion on Imran Rasul’s presentation and whether the graduation model is a sustainable route to poverty alleviation.

The second session explored the ‘Components of Graduation’, testing variations of the components and how they link together to create the best benefit for households. It included a presentation by Dr. Imran Rasul on his new research study looking at the psycho-social impacts of such programmes, a presentation by Mr. Rehan Rafay Jamil which looked at Benazir Income Support Programme (BISP) from a social policy perspective and whether it increases citizens engagement with the state. This was followed by a panel discussion on Small Medium Enterprises (SMEs), the final transformation in the graduation model and the importance of supporting their development.

The third session focused on ‘Piloting Innovations’ highlighted some of PPAF’s new innovative projects that boost eco-tourism and digital hubs in rural areas. PPAF stressed that innovations are essential to support their current programming. It also generated a debate on importance of micro, small and medium enterprises in rural economy.
The final session on ‘Community Governance and Social Capital’ put a spotlight on additional findings from Dr. Kate Vyborny’s research study on Third Tier Organizations (TTO) followed by a panel discussion on the sustainability of these organizations and their ability to create linkages and engage with the local political landscape to generate social capital. It also included a presentation by Dr. Salman Khan on the role of micro enterprises in generating social capital. The final panel discussion looked at transforming social capital in the rural economy, where points on TTOs, their sustainability and role in the rural economy were further debated.

The Third International Conference on Research & Learning is proof on how consistent effort can lead to the kind of transformation PPAF longs to see. It has been ten years since PPAF has been investing in ultra-poor households using the graduation approach and research has strengthened their belief in the work they do as well as the need to continuously learn. It has also opened up other opportunities for PPAF, including supporting the growth of local economies, value chain and Small Medium Enterprises (SMEs).

5. CORPORATE GOVERNANCE

PPAF recognizes that corporate governance plays a pivotal role in building and maintaining shareholders' confidence, and a robust governance framework ensures that shareholders' value is at the core of all decision making. The Company's integrity and credibility is demonstrated by adherence to global best practices, beyond the stipulated regulatory requirements. PPAF has demonstrated continued commitment towards adherence to corporate Best Practices and Standards of Governance. The Board ensures 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.

The Company operates under the framework enshrined in the Companies Act 2017, whereby overall superintendence rests with the Board of Directors. Management is responsible for day to day operations, implementation of policies and disclosure requirements as envisaged in the Companies Act, Rules, Regulations, and the Code of Corporate Governance.

Compliance with the Best Corporate Practices
PPAF voluntary adopted and implemented best corporate practices, in addition to the stipulated regulatory requirements evidences our commitment towards adherence to highest levels of moral and ethical standards.

Key features of PPAF's corporate governance framework are:

- 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 Committee) with terms of reference to allow a more effective discharge of its duties.
- The Board presents a balanced and understandable assessment of the company's position.

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 approved by the Board of Directors 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.

Code of Conduct and Conflict of Interest

PPAF's Code of Conduct aims to ensure that business operations are conducted in accordance with the highest ethical considerations complying with all statutory regulations and standards of good corporate governance. The code provides guidelines on fair employment practices, equitable treatment of the employees and procedures to report financial malpractices, damage to assets and actions likely to harm the reputation of the Company. The Company's commitment to abide by the Code of Conduct along with portraying transparent corporate governance in all business dealings are pivotal in achieving the desired business growth and success.

To avoid any known or perceived conflict of interest, formal disclosure of vested interests is mandatory on all Board and staff members. The Code defines what constitutes a conflict of interest and how such a conflict will be managed. The directors and employees adhere in letter and spirit to all laws and avoid conflict of interest, which if any (real or perceived) are to be notified to the Company immediately.

Adequacy of Internal Financial Controls

Internal control serves to provide an independent and objective appraisal of the organizational dealings leading to continuous improvement in processes and procedures. Internal control ensures that methods and measures are in place to safeguard the business assets, monitor compliance with the best practices of Corporate Governance, check the accuracy and reliability of accounting data and adherence to prescribed rules and policies.

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

The present Board comprises of 10 directors out of which 9 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 Board possesses necessary skills, competence, knowledge, and experience to deal with various business issues. The Chairman of the Board is a non-executive director.

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 agenda and signing the minutes are the primary responsibilities of the Chairman and making sure that the duties of the Board of Directors are met. She 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 four meetings of Board of Directors were held. The Board reviewed/approved financial assistance for POs; quarterly progress; annual targets and budget; un-audited financial statements alongwith Management Reviews; audited financial statements alongwith Directors' and Auditors' Reports; Project specific audited financial statements.

The notice and agenda of the meetings were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had the minimum quorum attendance as stipulated in the Articles of Association. The Chief Financial Officer/Company Secretary attended the meetings of the Board in the capacity of non-director without voting entitlements as required by the Code of Corporate Governance. The number of meetings attended by each director during the year is shown below:

Sr. No.	Name	No. of meetings Attended	No. of meetings Eligible to attend
1	Ms. Roshan Khursheed Bharucha	4	4
2	Mr. Ali Raza Bhutta	2	2
3	Syed Ahmed Raza Asif	4	3
4	Dr. Naved Hamid	4	1
5	Mr. Kamal Hyat	4	4
6	Mr. Ahlullah Khan	4	2
7	Ms. Khawar Mumtaz	4	4
8	Dr. Ijaz Nabi	4	1
9	Mr. Ahmad Hanif Orakzai	4	-
10	Mr. Qazi Azmat Isa	4	4

Appointment of Directors:

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

Change of Directors:

The Board welcomes the new Director; Mr. Ali Raza Bhutta, Secretary, Poverty Alleviation and Social Safety Division on the Board. We look forward to working in partnership with Mr. Ali Raza Bhutta to benefit from his vision and valued experience which we are confident will go a long way in the future growth and prosperity of the Company.

Board Committees

Board Audit Committee:

The Audit Committee comprises of four non-executive directors, including the Chairman, having relevant expertise and experience. The Chairman is an independent non-executive Director. The Chief Internal Auditor acts as Secretary of the Committee.

The 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; annual budget 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 meeting with External Auditors.

Board Compensation Committee:
The Compensation Committee comprises of four members of the Board including the Chairman who is appointed by the Board from the non-executive Directors. Group Head (Support Services) acts as a Secretary of the Committee.
The Committee assists the Board in overseeing the Company's human resource policies and framework, with emphasis on ensuring fair and transparent compensation policy, and continuous development and skill enhancement of employees.
During the year, the Committee recommended for Board approval new staff hiring, revision in HR policies and pension scheme in lieu of gratuity.

Risk Oversight Committee:
The Risk Oversight Committee comprises of four 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, the Committee endorsed investment decisions made by Treasury Management Committee; reviewed risk management framework along with key risks and mitigation plans; assessed performance/progress of PMIC besides recommending for Board approval revision in treasury management strategy.

Strategy and Design Committee:
The Design 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 Program acted as Secretary of the Committee.
The Design Committee assists the Board in the effective discharge of its responsibilities about approval of concept notes and financing proposals for partners and that of donors. During the year, the Committee reviewed its ToRs, recommended financing proposals, concept notes and projects 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 different units and groups for effective functioning of the Company.

6. HUMAN RESOURCE MANAGEMENT

HR efforts translate our philosophy of ISHQ; ILM and AMAL in all our actions. PPAF's HR section captures the basic philosophy of human resource management in a very efficient manner by attracting, retaining, and nurturing the best talent across the country. The efforts are made to strengthen the operational skills set of the organization by providing them with ample and quality learning and development opportunities. This enable the staff to embrace new knowledge and ultimately broaden their horizon of expertise. As a guiding function of PPAF, the role of HR has changed in recent years. More than ever, it operates in partnership with stakeholders especially with senior management and all business and support units. Key to this role has been its continued focus on bringing PPAF's values and beliefs to life through specific commitments underpinning the vision of HR.
Mainly HR at PPAF manages the six core functions:

- Recruitment and Selection
- Learning and Development
- Performance and Career Development
- Compensation and Benefits
- Organizational Development & Employee Engagement
- HR Operations

The era of COVID-19 has shifted the focus of HR activities more towards strengthening of "HR Communications" which has now grown as a pivotal function.
This Human Resources Report provides transparency in PPAF HR processes and how we are translating our strategic priorities into action. It gives examples of what we achieved in 2019-2020 in organizational culture, diversity and inclusion, talent acquisition and development, compensation and benefits, change management, and collaboration with our stakeholders.
The talent acquisition efforts at PPAF are well focused and rightly aligned with our core values to make the workforce diversified and inclusive. Talent hunt is being made by tracing the gender; ethnic; and provincial diversity along with people with par- abilities. Meeting the demands of new projects for hiring the right talent with specialized technical skills has enabled us to challenge the traditional talent attraction methodologies and prepared ourselves to welcome the innovative prospects of recruitment.

The accomplishments of PPAF 2019 – 2020 depends in part on our ability to retain, motivate, develop, and continue to attract employees with the skills and experience to help PPAF master challenges and make the most of opportunities. Investing in our employees remains of paramount importance. Exploring National /International learning avenues enabled us to achieve three (3) working days training per person this year.

The evolving HR world demands a rapid response to keep the workforce motivated and well engaged. PPAF has a very robust and competitive Compensation and Benefit structure that is helping us to keep our staff satisfied and help to continuously raising the bar of staff attrition which is 5.82 % this year. An initiation of PPAF's Pension Scheme is a milestone in PPAF's end of service benefits.

We believe in developing an environment that nurtures effective working relationships. Our transparent and robust Grievance Redressal Procedure, Whistle Below Mechanism and well-defined conflict of Interest policy are helping us to attain the envisaged respectful; fair; transparent and positive culture of the workplace. To set and maintain high standard of integrity, conflict of interest declaration is signed by all staff / Board Members every year.

A well-structured Performance Management System at PPAF is in place which helps reward the performing employees and provides them to tap the opportunities for their professional growth. It depicts a very vivid reflection of organizational values of transparency and accountability. The employee achievement is recognized by aligning the career aspirations with required needs of organization.

A diversified workforce with wide range of expertise is contributing proactively to achieving PPAF's vision. As of 30 June 2020, PPAF's staff strength comprised of a total of 205 employees working at Head Office, and regional office in Quetta representing 33% women at PPAF.

The Human Resource strategy is continually evolved by proactively anticipating and evaluating the emerging needs and challenges faced by the Organization. The current pandemic challenged the normal working environment and thus developed new protocols of working from homes, visiting of field areas, and attending of office. HR communication during this period was focused on employee health and safety and information. This facilitated the staff work comfortably and confidently in this crisis. PPAF employees have always been on the forefront in embracing new challenges and accepting demanding tasks to maintain and further strengthen industry leadership position.
PPAF won Global Diversity & Inclusion Benchmarks (GDIB) Award consecutively for the fourth year. These awards are the acknowledgement of what we believe – Diversity and Inclusion are at the heart of our work. We continuously strive for equity, diversity, and inclusion not only within PPAF but with all our Partners and Communities that we work with. This year PPAF has won the award in following categories:

- D&I Vision, Strategy, Business Case
- D&I Structure and Implementation
- Recruitment, Retention, Development, and Advancement
- Community, Government Relations, and Social Responsibility
- Products and Services Development

7. TREASURY & FUNDS MANAGEMENT

An effective cashflow management system forms the basis for successful treasury management and safeguards the Company from any cashflow risks. The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash in diversified portfolio. Treasury function is governed by Board approved Treasury Management Strategy (TMS) and managed by a Treasury Management Committee (TMC) which comprises of CEO as its head, two Senior Group Heads and a General Manager as its members and a secretary.

Diversification with Exposure Limits

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:

- Minimum 70% and maximum 100% of the overall portfolio can be invested in Government of Pakistan (GoP) securities and long term AAA rated banks.
  (i) full portfolio can be invested in securities issued by Government of Pakistan (ii) a maximum of Rs. 2,500 million per bank with long term AAA rating can be invested (iii) investment in Islamic bank with long term AAA rated banks to a maximum 5% of the portfolio can be invested.
- Funds can be place for any tenor as per liquidity requirements, except for Islamic banks, where tenure can be a maximum of one year.
- Minimum 0% and maximum 30% of the overall portfolio can be invested in long term AA rated Banks with a maximum cap of Rs. 1,500 million per bank. Investments in long term AA rated Banks can only be made if ceiling of long-term AAA Banks have been exhausted or difference in mark-up rate between long term AAA rated Banks and long-term AA rated banks is minimum 1%. Funds in this category can be placed for a maximum tenure of one year.
- Minimum 0% and maximum 15% of the overall portfolio can be invested in long term A rated Microfinance Banks. Maximum cap per bank is the lower of Rs. 500 million or 15% of bank's equity. Funds in this category can be placed for a maximum tenure of one year.
- 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.

Repayment of Debts

A portfolio of long term and short-term investments is maintained after thorough financial evaluation of available investment opportunities. The Company has remained current in its repayments of loans to Government of Pakistan (GoP) due to effective cashflow projections. 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 Government of Pakistan. 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 Government of Pakistan.

Investment Objective

The objective is to earn competitive risk adjusted rate of return by investing in a blend of short, medium, and long-term fixed income and debt instruments while ensuring security of funds.

Portfolio Breakup
As of June 2020, exposure in Govt Securities & AAA rated banks was Rs. 16,725 million and Rs. 316 million in AA & MFBs.

The SBP had increased the policy rate by 7.5% in the past two and half year to 13.25% in Jul 2019. To gain maximum benefit from the rising interest rates, majority of funds were placed by PPAF in short term investments. Once the rate had peaked and market expectations of lowering rate emerged.

PPAF started pacing funds in long term investments and as of June 30, 2020, 66% of the funds were placed in Medium/long term and 34% in short term.

8. RISK MANAGEMENT

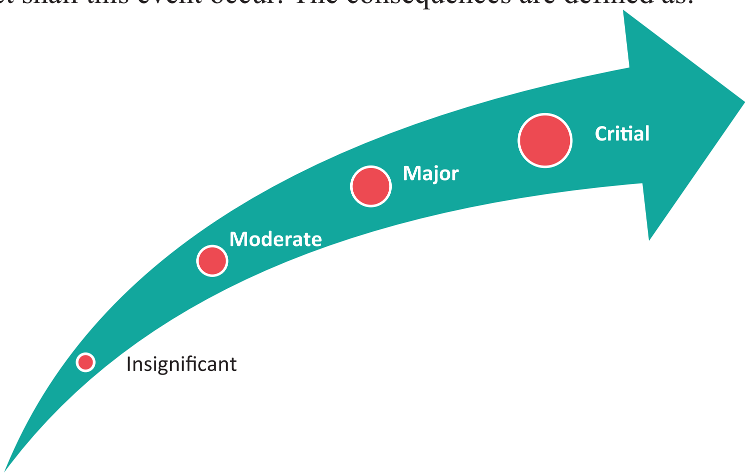
Effective risk management is fundamental to the delivery of PPAF's strategic priorities. Vigorous risk management strategies and proactive risk mitigation techniques are cornerstone in accomplishing the strategic objectives and protecting business assets, personnel, and reputation. Since its inception 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 devises and implements measures to mitigate the potential impact of the risks with the aim to ensure quality decision making. The Company's Board of Directors has overall responsibility for establishment of the Company's risk management framework. It is supported by the Risk Oversight Committee which reviews risk framework and risk register of PPAF on an ongoing basis.

PPAF is undertaking 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 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 occur. The consequences are defined as:



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 occurs; 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.

Key Sources of 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.

International Financial Reporting Standards require judgments, estimates and assumptions while preparing the financial statements which affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. PPAF is taking all necessary steps to remain fully compliant with the International Financial Reporting Standards to meeting its obligations through well managed investment.

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.

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 Rupees 949,647 thousand (2019: Rupees 977,133 thousand) (including loans to two major POs of Rupees 19,400 thousand) (2019: loans to five major POs of Rupees 43,650 thousand). The Company controls the credit risk through credit appraisals, assessing the creditworthiness 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 Rupees 8,975,231 thousand (2019: Rupees 10,118,169 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 expenditure incurred against which the Company has received amount from the donor more than the receivable balance.

The Company evaluates the concentration of risk with respect to bank balances and investments as low, as its bank balances and investments are held with multiple banks having high external credit rating and with Government of Pakistan, and these banks operate in largely independent market.

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 Rupees 26,033,817 thousand (2019: Rupees 25,980,207 thousand) and financial liabilities include balances of Rupees 9,995,991 thousand (2019: Rs. 11,067,923 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 Rupees 160,378 thousand (2019: Rupees 149,123 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.

iv. Fair value of financial instruments

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure based on 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.

v. 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 Prime Minister launched National Poverty Graduation Initiative (NPGI) on July 5, 2019 under the government's flagship Poverty Alleviation Program 'Ehsaas'. PPAF, the leading implementing agency for NPGI, was assigned following tasks:
  - (i) Disbursement of 80,000 interest free loans (IFL) per month over four years (funding for this include Rs 3 billion already available with PPAF, Rs 15 billion available with Akhuwat and Rs 5 billion new funding committed by GoP).
  - (ii) Provision of 180,000 assets to the poor to start their businesses along with skills training and business planning. This is being done under National Poverty Graduation Project (NPGP).

- PPAF and PASS Division jointly organized launch ceremony of Ehsaas Amdan Programme (asset transfer) under NPGP on Feb. 21, 2020 in district Layyah in which 400 households received assets. The event was chaired by Prime Minister.

- Balochistan Water Engagement - Considering Balochistan acute water crisis and impending water shortages and drought, PPAF started work on water engagement program in Balochistan to come up with draft water strategy for Balochistan and a comprehensive action plan to address water issues in the province. PPAF hired two consultancy firms to (i) complete research work on water and for supporting field activity and reporting; and (ii) develop a video documentary on water condition in Balochistan and possible solutions. PPAF collaborated with universities of Balochistan, relevant government departments in Balochistan, non-government organizations and other stakeholder groups. The major activity of the project was a detailed field visit to 7 zones of Balochsitan which was successfully completed. Thereafter workshop held in Lasbella University for sharing field visits experience. People from diverse group including water specialist, journalists and government and PPAF officials were part of the team. They assessed the water situation on ground and provide suggestion for further actions.

- PPAF won Global Diversity & Inclusion Benchmarks (GDIB) Award consecutively for the fourth year. PAF won the award in five categories (i) Diversity and Inclusion Vision, Strategy, Business Case; (ii) Diversity and Inclusion Structure and Implementation; (iii) Recruitment, Retention, Development, and Advancement; (iv) Community, Government Relations, and Social Responsibility; and Products and Services Development.

- PPAF won the Global Compact Best Practices Sustainability Award 2019 in "Global Compact – Business Sustainability" category.

- PPAF's Annual Summer Internship Programme in July brought together students from across Pakistan to help the youth gain insight into the dynamics of the development sector with a focus on PPAF's working model. This year 21 interns took part in the internship programme. The interns were taken to Neelum Valley, AJK, where they engaged with community members and visited PPAF's programme interventions including CPI schemes.

- To celebrate the "International Day for the Eradication of Poverty" organised asset transfer events in Shangla and Buner respectively. During these events 15 females and

5 males received assets in Shangla and 21 community members including 14 males and 7 females were transferred assets in Buner. The assets comprised of items for setting up general stores, cloth shops and tuck shops.

- Around 50 staff members from organizations under the PPAF's Small Grants project visited the Deaf Reach School/ Training Centre at Karachi. The activity aims at providing them with an opportunity to know about the best and innovative practices/interventions of PPAF in Sindh and replicate them in the local context where possible.

- PPAF in collaboration with Marvi Rural Development Organization (MRDO) donated 100 wheelchairs to differently abled individuals belonging to Ghotki and Khairpur, Sindh at Shah Latif University, Khairpur.

PAKISTAN POVERTY ALLEVIATION FUND
FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016	2015
Funds deployment - *Rs. in million*						
Loans receivable from POs (Gross)	950	977	1,783	10,708	14,716	13,913
Subordinated debt to PMIC	8,975	10,118	10,248	1,818	-	-
Equity investment in PMIC	2,883	2,883	2,883	2,883	-	-
Gurantee facility	-	-	-	420	2,150	3,600
Interest Free Loan portfolio	2,500	2,500	3,100	3,100	-	-
	15,308	**16,478**	**18,014**	**18,929**	**16,866**	**17,513**
Grant						
Donor financed	2,579	790	1,006	2,186	5,456	6,934
Relief & Reconstruction Operations	534	265	82	151	408	219
	3,113	**1,055**	**1,088**	**2,337**	**5,864**	**7,153**
Total funds deployment	**18,421**	**17,533**	**19,102**	**21,266**	**22,730**	**24,666**
Balance Sheet - *Rs. in million*						
Total assets	33,537	31,598	31,942	31,259	30,857	32,285
Endowment Fund	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Reserves						
Capital adequacy reserve	1,349	1,664	1,805	1,879	2,207	2,087
Grant fund	12,173	11,259	10,358	9,341	7,520	6,706
Reserve for lending activities	2,883	2,883	2,883	2,883	3,653	3,236
General reserve	2,134	1,987	1,828	1,564	-	
Income on grant fund	2,042	640	-	-	1,139	978
	20,581	**18,433**	**16,874**	**15,667**	**14,519**	**13,007**
Total equity (endowment + reserves)	21,581	**19,433**	**17,874**	**16,667**	**15,519**	**14,007**
Long term loans payable by PPAF	8,716	9,788	11,068	12,348	13,448	14,236
Operational Results - *Rs. in million*						
Total income	3,788	2,844	2,334	2,332	2,963	3,250
General and Admininstrative (G&A) expenses	731	667	605	505	576	587
Surplus before loan loss provision and relief work	2,696	1,835	1,315	1,410	1,965	2,250
Net Surplus	2,162	1,561	1,217	1,150	1,511	1,998
Financial Ratios - *Percentage*						
Surplus brefore provisions & relief/total income	71%	65%	56%	60%	66%	69%
Return on equity	13%	10%	7%	9%	10%	17%
Return on assets	8%	6%	4%	5%	5%	7%
G&A/funds deployed	3.97%	3.80%	3.17%	2.37%	2.53%	2.38%
Long term debt/equity	29:71	33:67	38:62	43:57	46:54	50:50

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PAKISTAN POVERTY ALLEVIATION FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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INDEPENDENT AUDITOR'S 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 2020, 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 2020 and of the surplus and other comprehensive income, the changes in funds and reserves and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other information included in the Company's Annual Report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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When we read the other information included in the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Board of Directors.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

EY Ford Rhodes
Chartered Accountants
Islamabad
Date: 30 September 2020

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PAKISTAN POVERTY ALLEVIATION FUND
(A Company incorporated under Section 42 of the Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019
		-------- Rupees '000 --------	
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	68,091	43,698
Right-of-use asset	8	252,532	-
Investment in the Associate	9	3,183,047	3,143,225
Long-term investments	10	10,834,962	982,280
Long-term loans to the Associate	11	7,832,293	8,975,231
Long term loans and advances	12	33,487	35,821
Long-term deposits and prepayments	13	18,738	7,104
		22,223,150	13,187,359
CURRENT ASSETS			
Grant fund receivable	14	155,778	55,226
Loans and advances	12	24,806	69,066
Short-term prepayments	15	10,224	27,431
Profit / service charges receivable	16	891,639	605,617
Other receivables	17	61,862	62,033
Current maturity of long-term investments	10	400,000	1,111,300
Loans to Partner Organizations	18	19,400	43,650
Current maturity of loans to the Associate	11	1,142,938	1,142,938
Short-term investments	19	5,805,805	13,731,926
Tax refunds due from the Government	20	401,405	379,512
Bank balances-specific to projects	21	1,935,386	1,022,724
Cash and bank balances	22	464,278	159,190
		11,313,521	18,410,613
TOTAL ASSETS		33,536,671	31,597,972
FUNDS, RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
Endowment fund	23	1,000,000	1,000,000
Grant fund		12,172,504	11,258,794
Accumulated surplus		6,366,229	6,534,399
		19,538,733	18,793,193
Reserve for grant based activities		2,042,109	639,682
		21,580,842	19,432,875
NON-CURRENT LIABILITIES			
Lease liabilities	24	207,015	-
Long-term financing	25	7,095,971	8,217,984
Deferred benefit	25	1,412,759	1,570,342
		8,715,745	9,788,326
CURRENT LIABILITIES			
Deferred liabilities - grant fund	26	1,891,979	1,056,760
Deferred income - grant fund	27	9,031	1,797
Trade and other liabilities	28	41,964	19,001
Service charges payable	29	16,864	19,616
Current portion of lease liabilities	24	649	-
Current portion of long-term financing	25	1,279,597	1,279,597
		3,240,084	2,376,771
TOTAL FUNDS, RESERVES AND LIABILITIES		33,536,671	31,597,972
CONTINGENCIES AND COMMITMENTS	30		

The annexed notes, from 1 to 49, form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE OFFICER**

2

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 2020

	Note	2020	2019
		-------- Rupees '000 --------	
INCOME			
Service charges on loan to the Associate	31	**1,357,382**	1,037,084
Income on investments and savings accounts	32	**2,078,368**	1,386,432
Amortization of deferred income - grant fund	14 & 27	**152,152**	93,549
Amortization of deferred benefit	25.5.1	**157,583**	153,138
Share of profit of the Associate	9	**39,099**	166,987
Other income	33	**3,878**	7,345
		3,788,462	2,844,535
EXPENDITURE			
General and administrative expenses	34	**730,965**	666,879
Loan portfolio monitoring fee	9.2	**-**	600
Seminars, workshops and trainings	35	**18,549**	15,284
Technical and other studies	36	**69,744**	85,340
Provision against loans / service charges	37	**728**	9,653
Financial charges	38	**272,524**	241,022
		1,092,510	1,018,778
SURPLUS BEFORE PROJECT AND RELIEF ACTIVITIES		**2,695,952**	1,825,757
Expenditure on project and relief activities	39	**(533,672)**	(265,116)
SURPLUS FOR THE YEAR		**2,162,280**	1,560,641

The annexed notes, from 1 to 49, 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 2020

	Note	2020	2019
		------ Rupees '000 ------	
SURPLUS FOR THE YEAR		**2,162,280**	1,560,641
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Other comprehensive loss not to be reclassified statement of income and expenditure in subsequent periods:			
Re-measurement loss on employees' defined benefit plan	28.2.5	**(15,036)**	(1,755)
Share of other comprehensive income of an associate	9	**723**	-
		2,147,967	1,558,886

The annexed notes, from 1 to 49, form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE OFFICER**

4

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 2020

		FUNDS		RESERVES		
	Note	Endowment fund	Grant fund	Reserve for grant based activities	Accumulated surplus	TOTAL
		Rupees '000				
Balance as of 01 July 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 loss		-	-	-	(1,755)	(1,755)
		-	-	-	1,558,886	1,558,886
Transfer from accumulated surplus to reserve for grant based activities	40	-	-	639,682	(639,682)	-
Transfer from accumulated surplus to grant fund		-	900,603	-	(900,603)	-
Balance as of 30 June 2019		**1,000,000**	**11,258,794**	**639,682**	**6,534,399**	**19,432,875**
Total comprehensive income for the year						
Surplus for the year		-	-	-	2,162,280	2,162,280
Other comprehensive loss		-	-	-	(14,313)	(14,313)
		-	-	-	2,147,967	2,147,967
Transfer from accumulated surplus to reserve for grant based activities	40	-	-	1,402,427	(1,402,427)	-
Transfer from accumulated surplus to grant fund		-	913,710	-	(913,710)	-
Balance as of 30 June 2020		**1,000,000**	**12,172,504**	**2,042,109**	**6,366,229**	**21,580,842**

The annexed notes, from 1 to 49, form an integral part of these financial statements.

R K Bhawda

DIRECTOR

CHIEF EXECUTIVE OFFICER

5

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 2020

	Note	2020	2019
		-------- Rupees '000 --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		**2,162,280**	1,560,641
Adjustment for non cash and other items:			
Depreciation	7	**21,580**	17,562
Amortization of right-of-use asset	8	**33,385**	-
Share of profit of an associate	9	**(39,099)**	(166,987)
Reversal of allowance for expected credit loss	33	**(3,237)**	(6,738)
Amortization of deferred income - grant fund	27	**(152,150)**	(93,549)
Transfer of deferred liabilities - grant fund to other income	33	**-**	(93)
Amortization of deferred benefit	25.5.1	**(157,583)**	(153,138)
Provision against loans / service charges recognized	37	**728**	9,653
Gain on disposal of property and equipment	33	**(15)**	(59)
Financial charges	38	**272,524**	241,022
		(23,867)	(152,327)
		2,138,413	1,408,314
Working capital changes			
(Increase) / decrease in current assets:			
Loans and advances		**46,594**	(12,244)
Deposits and prepayments		**(20,187)**	40,185
Other receivables		**171**	11,295
Profit / service charges receivable		**(286,750)**	(90,404)
Increase in current liabilities:			
Trade and other liabilities		**7,927**	(52,627)
		(252,245)	(103,795)
		1,886,168	1,304,519
Disbursements to Partner Organizations - Grants	26.2	**(2,579,138)**	(790,504)
Receipt of loan repayment from the Associate	11	**1,142,938**	129,831
Recoveries of loans from Partner Organizations	18.3	**27,487**	805,693
Income tax paid		**(21,893)**	(18,706)
Financial charges paid		**(117,693)**	(90,237)
		(1,548,299)	36,077
Cash generated from operating activities		**337,869**	1,340,596
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - net		**(1,150,232)**	(2,707,179)
Capital expenditure incurred	7	**(46,230)**	(26,385)
Proceeds from disposal of fixed assets	33	**272**	59
Cash utilized in investing activities		**(1,196,190)**	(2,733,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	24	**(52,493)**	-
Long term financing - repaid	25	**(1,279,596)**	(1,279,597)
Deferred liabilities - grant fund receipts	26.2	**3,414,357**	193,989
Deferred income - grant fund receipts	27	**58,832**	89,856
Cash generated from / (utilized in) financing activities		**2,141,100**	(995,752)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,282,779**	(2,388,661)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,492,881**	3,881,542
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	45	**2,775,660**	1,492,881

The annexed notes, from 1 to 49, 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. STATUS, BACKGROUND AND NATURE OF OPERATIONS

1.1. Pakistan Poverty Alleviation Fund ("the Company" / "PPAF") was registered in Pakistan on 06 February 1997 as a public company, limited by guarantee, not having share capital and licensed under Section 42 of the Companies Ordinance, 1984 (now replaced by Section 42 the Companies Act, 2017, with effect from 30 May 2017). The registered office of the Company is situated at plot 14, street 12, Mauve Area, G-8/1, Islamabad, Pakistan.

Geographical location and address of business units

Islamabad	**Purpose**
Plot 14, Street 12, Mauve Area, G-8/1, Islamabad	Head office
Quetta	**Purpose**
House 399/A Gulistan Road, Near Govt Girls College, Quetta	Branch office

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 9.2), the Company has ceased to underwrite new loans to its POs, with effect from 21 February 2017.

1.4. License under section 42 of the Companies Act, 2017

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 / NOC from the Ministry of Interior ("MOI"), Government of Pakistan. SECP vide its letter CLD/CCD/Co.42/17/2005-7569 dated 20 May 2020, has requested MOI to expedite the clearance / issuance of NOC. The management, based on the advice of the legal advisor, believes that it is a procedural matter and till such time the license is renewed, the existing license remains valid under regulation 8(2) of the Associations with Charitable and Not for Profit Objects Regulations 2018.

The management believes that the Company's primary source of earning is income from its investments and service charges on loan to its associate company. Furthermore, the Company has been receiving grants from multiple donors including Government of Pakistan to execute various charitable activities and expects to receive such grants in future as well. Therefore, the above matter does not cast any material uncertainty about the Company's ability to continue as a going concern and the management is confident that license will be renewed to continue its operations in Pakistan for a foreseeable future.

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 of 30 June 2020, the related details of which are given in note 28 to the financial statements.

The Board has resolved to windup the staff gratuity fund with effect from 30 June 2020 and the Company's liability towards staff has also been settled on the same date.

ii) The Company maintains a separate, approved contributory provident fund for all employees for which contributions, at 10% of basic salary, amounting to Rupees 26,040 thousand (2019: Rupees 20,387 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 11 and 18) is held in investments. Further, subsequent to the Company's investments in PMIC (refer to note 9), 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.

4.6. Loans to Partner Organizations

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 9.2), 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 is established to ensure long-term sustainability of PPAF and is funded in accordance with the appropriation policy as follows:

i) microcredit reserve (amounting to Rupees 2,883,250 thousand as at 30 June 2020, included in accumulated surplus) will be kept at the level of initial investment in the Associate;
ii) capital adequacy reserve (amounting to Rupees 1,349,195 thousand as at 30 June 2020, included in accumulated surplus) will be kept at 15% of outstanding loan portfolio;
iii) net surplus before project and relief activities will be allocated to reserve for grant-based activities in the ratio of opening balance of grant fund to average investments (other than investment and loans to associate); and

iv) remaining net surplus before project and relief activities along with savings from capital adequacy reserve, if any, will be allocated to grant fund and general reserve in the ratio of their opening balances in equity.

4.8. Reserve for grant-based activities (RGA)

The RGA is used for grant-based health, education, infrastructure, emergency and other activities that fall within the overall strategic framework of the Company's objectives and is funded in accordance with the appropriation policy as mentioned in note 4.7 above.

4.9. Long-term financing

Long term loans, whose disbursement commenced before 30 June 2009, are measured at amortized cost. In accordance with IAS-20, long-term loans at a below market rate of interest whose disbursement commenced on or after 01 July 2009 are carried at present value and the difference between the present value and loan receipts is treated as a Government grant and recorded as a deferred liability. The benefit is recognized as income using the Effective Interest Rate method over the period of the loan. A corresponding charge at the market rate of interest on the carrying value of the loan is recognized as an interest expense.

4.10. Leases (Policy applicable before 01 July 2019)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income and expenditure account on a straight-line basis over the period of the lease.

The Company leases certain property and equipment. Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are shown under non-current liabilities. The interest element of the finance cost is charged to the statement of income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases (Policy applicable as of 01 July 2019)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 4.16 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Company's lease liabilities are reflected under "Lease Liabilities" (see Note 24).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

4.11. 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.

The Company has no obligation (contractual or constructive) in respect of the funds received from the donors and transferred to Partner Organizations under the above mentioned donor agreements, except for the monitoring of the execution of the projects against which the Company is entitled to receive certain percentages of the respective approved budgets of the Projects.

4.12. 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.

4.13. NPO Guideline

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

4.14. 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.

4.15. 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.

4.16. Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each 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.

4.17. Borrowing costs

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

4.18. 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.

4.19. 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.

4.20. Financial assets

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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.

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 statement of income and expenditure when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes investments, deposits, loan and advances to employees, loan to the associate, profit / service charges receivable and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and expenditure 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 statement of income and expenditure.

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- instrument basis.

Gains and losses on these financial assets are never recycled to statement of income and expenditure. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any investment in equity instrument and financial instrument at fair value through profit or loss.

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 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.

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.

4.21. 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, deferred liabilities - grant fund, service charges payable and long-term financing.

Subsequent measurement

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

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 income and expenditure.

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.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of income and expenditure when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income and expenditure.

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 income and expenditure.

4.22. 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.

4.23. 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.

4.24. 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.

4.25. 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.

4.26. 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.

4.27. 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 based on 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.

4.28. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
  All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

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 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 right-of-use asset	4.2, 4.10, 7 and 8
Provision against loans to Partner Organizations and the Associate	4.6, 4.20, 11 and 18
Defined retirement benefits	4.1, 28
Contingencies	30

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has certain lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on shifting costs/operations if a replacement building is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and revised standards

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:

IAS 19	Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement
IAS 28	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments)
IFRS 9	Financial Instruments - Prepayment Features with Negative Compensation
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

In addition to the above amendments, improvements to the following accounting standard (under the annual improvements 2015 - 2017 cycle) has also been adopted:

IFRS 3 & IFRS 11	Business Combinations & Joint Arrangements - When an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.
IAS 12	Income Taxes - Income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.
IAS 23	Borrowing Costs - If any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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 16.

IFRS 16 Leases

The Company applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 July 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 on statement of financial position [increase/(decrease)] are, as follows:

	01 July 2019 Rupees '000'
Assets	
Right-of-use assets	285,917
Prepayments	(25,760)
Total Assets	**260,157**
Equity	
Retained earnings	-
Total equity	**-**
Liabilities	
Lease liabilities	260,157
Total liabilities	**260,157**

The effect of adoption IFRS 16 on statement of income and expenditure account [increase/(decrease)] are, as follows:

	For the year ended 30 June 2020 Rupees '000'
Increase in financial charges – interest expense on lease liability	37,040
Increase in general and administrative expenses	
- Amortization of right-of-use assets	33,385
Decrease in surplus for the year	**70,425**

The Company has lease contracts for buildings only. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 4.10 Leases for the accounting policy prior to 1 July 2019.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to note 4.10 Leases for the accounting policy beginning 1 July 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Rupees '000'
Operating lease commitments as at 30 June 2019	-
Incremental borrowing rate as at 1 July 2019	16%
Discounted operating lease commitments as at 1 July 2019	-
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value assets	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	260,157
Lease liabilities as at 1 July 2019	**260,157**

Standards not yet effective

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

			Effective date (annual periods beginning on or after)
IAS 1 & IAS 8	-	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments)	01 January 2020
IAS 1	-	Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.	01 January 2022
IFRS 3	-	Business combinations to clarify the definition of business	01 January 2020
		The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022
IFRS 4	-	Insurance contracts to clarify extension of the Temporary Exemption from Applying IFRS 9 defers the fixed expiry date of the following temporary exemptions from applying IFRS 9 to annual periods beginning on or after 01 January 2023.	01 January 2023
IFRS 9	-	Financial Instruments to clarify the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.	01 January 2020
IFRS 10 & IAS 28	-	Consolidated Financial Statements & Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment)	Not yet finalized
IFRS 16	-	Leases to clarify the amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification.	01 June 2020
IAS 16	-	Property, plant and equipment to clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	01 January 2022

Pakistan Poverty Alleviation Fund
(A Company incorporated under Section 42 of the Companies Act, 2017)

		Effective date (annual periods beginning on or after)
IAS 37	- Provisions, contingent liabilities and contingent assets to specify which costs should be included in an entity's assessment whether a contract will be loss-making.	01 January 2022

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

In addition to the above new standards and amendments to standard and interpretations, The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

In addition to the above new standards and amendments to standard and interpretations, improvements to various accounting standards have also been issued by the IASB in May 2020. Such improvements are generally effective for accounting periods beginning on or after 01 January 2020. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

	Effective date (annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17 - Insurance Contracts	01 January 2023

PAKISTAN POVERTY ALLEVIATION FUND

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

7 PROPERTY AND EQUIPMENT

2020	COST As at 01 July	COST Additions	COST Disposals	COST As at 30 June	Rate	ACCUMULATED DEPRECIATION As at 01 July	ACCUMULATED DEPRECIATION Charge for the year	ACCUMULATED DEPRECIATION On disposals	ACCUMULATED DEPRECIATION As at 30 June	WRITTEN DOWN VALUE As at 30 June
	Rupees '000				%	Rupees '000				Rupees '000
Furniture and fixtures	23,852	4,879	-	28,731	20	19,142	2,422	-	21,564	7,167
Vehicles	53,249	24,517	-	77,766	20	39,279	8,290	-	47,569	30,197
Office equipment	49,701	3,172	-	52,873	20	41,356	3,039	-	44,395	8,478
Computer equipment	89,073	13,662	(2,956)	99,779	25	72,400	7,829	(2,699)	77,530	22,249
	215,875	46,230	(2,956)	259,149		172,177	21,580	(2,699)	191,058	68,091

2019	COST As at 01 July	COST Additions	COST Disposals	COST As at 30 June	Rate	ACCUMULATED DEPRECIATION As at 01 July	ACCUMULATED DEPRECIATION Charge for the year	ACCUMULATED DEPRECIATION On disposals	ACCUMULATED DEPRECIATION As at 30 June	WRITTEN DOWN VALUE As at 30 June
	Rupees '000				%	Rupees '000				Rupees '000
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

7.1 Depreciation for the year is charged to general and administrative expenses (refer to note 34).

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						
Computers - sold to employees	2,956	2,699	257	272	(15)	Transferred as per policy	Employees
Total - 30 June 2020	2,956	2,699	257	272	(15)		
Total - 30 June 2019	12,155	12,155	-	59	(59)		

7.2.1 During the year, the Company sold fully depreciated computers to employees @ Rupees 1,000 each; and where the NBV of computers is not zero, the said computers are sold at their NBV.

		2020	2019
8 RIGHT-OF-USE ASSET		--------- Rupees '000 ---------	
Cost			
Initial recognition under IFRS 16		285,917	-
Deletions / write off		-	-
As of 30 June		285,917	-
Accumulated depreciation			
Initial recognition under IFRS 16		-	-
Additions / transfers		(33,385)	-
Deletions / write off		-	-
As of 30 June		(33,385)	-
Net Book Value		252,532	-
Useful life (Years)		3-9	-

9 INVESTMENT IN THE ASSOCIATE

		2020	2019
Opening balance		3,143,225	2,976,238
Share of profit of the Associate			
Recognized in statement of income and expenditure		39,099	166,987
Recognized in statement of other comprehensive income		723	
	9.3	39,822	166,987
		3,183,047	3,143,225

9.1 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.

9.2 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 had 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 11).

9.3 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 2020, and un-audited interim financial information for the three month period ended 30 June 2020:

	2020	2019
	----------- Rupees '000 -----------	
Current assets	**21,224,381**	17,093,069
Non-current assets	**6,431,313**	10,082,829
Current liabilities	**(4,020,125)**	(2,294,517)
Non-current liabilities	**(17,139,555)**	(18,466,611)
Equity	**6,496,014**	6,414,770
The carrying amount of the Company's investment	**3,183,047**	3,143,225

	30 June 2020	30 June 2019
	----------- Rupees '000 -----------	
Income	**4,011,567**	2,606,487
Administrative expenses	**(340,191)**	(353,025)
Other operating expenses	**(64,723)**	(3,196)
Other income	**19,373**	21,845
Finance costs - borrowings	**(2,756,358)**	(1,551,247)
Allowance for expected credit losses	**(741,953)**	(228,878)
Profit before taxation	**127,715**	491,986
Taxation	**(47,922)**	(151,195)
Profit for the year	**79,793**	340,791
Other comprehensive income for the year	**1,476**	-
Total comprehensive income for the year	**81,269**	340,791
The Company's share of profit	**39,822**	166,987

9.4 PMIC has adopted IFRS 9 "Financial Instruments" for group reporting purposes and the Company's share in the net assets of PMIC reflects the impact of expected credit losses determined under IFRS-9 and specific provisions calculated by PMIC under the relevant applicable Prudential Regulations.

10 LONG-TERM INVESTMENTS

	Note	2020	2019
		----------- Rupees '000 -----------	
Amortized cost			
Specific to Endowment Fund			
Pakistan Investment Bonds (PIBs)	10.1	**1,000,000**	1,000,000
Less: Unamortized discount on purchase of PIBs		**(6,843)**	(17,027)
		993,157	982,973
Specific to others			
Pakistan Investment Bonds	10.2	**10,066,500**	1,111,300
Less: Unamortized discount on purchase of PIBs		**(424,695)**	(693)
		9,641,805	1,110,607
Term Deposit Receipt (TDR)	10.3	**600,000**	-
		11,234,962	2,093,580
Less: Long-term investments maturing within next twelve months shown as a current asset	10.1	**(400,000)**	(1,111,300)
		10,834,962	982,280

10.1 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-Jul-10	30-Dec-10	22-Jul-20	12%	Semi annually
200,000	22-Jul-10	19-May-11	22-Jul-20	12%	Semi annually
194,500	18-Aug-11	9-Aug-12	18-Aug-21	12%	Semi annually
5,500	18-Aug-11	31-May-13	18-Aug-21	12%	Semi annually
400,000	29-Apr-14	29-Apr-14	19-Jul-22	12%	Semi annually
1,000,000					

10.2 Represents investments in PIBs as follows:

Principal Rupees '000	Issue date	Purchase Date	Maturity date	Coupon rate (per annum)	Payment terms (Coupon)
2,186,000	19-Sep-19	24-Sep-19	19-Sep-22	9%	Semi annually
613,000	19-Sep-19	2-Oct-19	19-Sep-22	9%	Semi annually
175,000	19-Sep-19	13-Nov-19	19-Sep-22	9%	Semi annually
175,300	19-Sep-19	22-Nov-19	19-Sep-22	9%	Semi annually
2,747,300	19-Sep-19	29-Nov-19	19-Sep-22	9%	Semi annually
1,124,000	19-Sep-19	4-Dec-19	19-Sep-22	9%	Semi annually
2,051,200	19-Sep-19	27-Mar-20	19-Sep-22	9%	Semi annually
994,700	19-Sep-19	27-Mar-20	19-Sep-24	9.5%	Semi annually
10,066,500					

10.3 These funds are invested in Term Deposit Receipt (TDR) maturing on 27 March 2022, at per annum mark-up rate of 11.95%.

11 LONG-TERM LOANS TO THE ASSOCIATE

		2020	2019
		Rupees '000	Rupees '000
PMIC - unsecured	11.1 & 11.2	8,975,231	10,118,169
Less: Amount receivable within next twelve months shown as a current asset		(1,142,938)	(1,142,938)
		7,832,293	8,975,231

11.1 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 Rupees 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 were disbursed under separate subordinate loan agreements as and when the related repayments were received by the Company, against the Company's loans to its POs, within fifteen days after the end of each calendar quarter. These loans were 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.

11.2 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 during the prior years. The pertinent information regarding these loans is as follows:

Date of disbursement	Amount Rupees '000	First instalment due	Last instalment due	No. of instalments
1-Jun-17	824,000	7-Oct-18	7-Oct-31	43
29-Jun-17	994,000	7-Jan-19	7-Jan-31	43
8-Aug-17	1,663,000	7-Jan-19	7-Jan-31	43
3-Nov-17	2,869,000	7-Jan-19	7-Jan-31	43
28-Dec-17	350,000	7-Jan-19	7-Jan-31	43
29-Jan-18	2,131,000	7-Jan-19	7-Jan-31	43
3-May-18	1,000,000	7-Jan-19	7-Jan-31	43
4-Jun-18	417,000	7-Jan-19	7-Jan-31	43
13-Aug-18	395,000	7-Jan-19	7-Jan-31	43
11-Dec-18	66,000	7-Jan-19	7-Jan-31	43
	10,709,000			

During the year 2020, no new loan was disbursed to the associate.

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

11.2.2 The effective interest rate ranges from 11.8% to 14.49% (2019: 8.04% to 11.8%) per annum.

11.3 The maximum aggregate amount outstanding at any point of time during the year was Rupees 9,861,289 thousand (2019: Rupees 10,689,639 thousand).

12 LOANS AND ADVANCES

	Note	2020	2019
		Rupees '000	Rupees '000
Loans - considered good, secured			
Employees	12.1	51,031	98,711
Less: Long-term portion of loans and advances		(33,487)	(35,821)
		17,544	62,890
Advances - considered good, unsecured			
Employees		7,061	6,087
Suppliers		201	89
		7,262	6,176
		24,806	69,066

12.1 This represents the advance salary loans and car loans given to the employees of the Company, carrying annual mark-up of Nil (2019: Nil) and Nil (2019: Nil), respectively. The principal amounts are repayable in a maximum of 60 equal monthly instalments.

13 LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2020	2019
		Rupees '000	Rupees '000
Deposits		9,431	7,104
Prepaid rent		17,837	25,760
Less: Current portion of prepaid rent	15	(8,530)	(25,760)
		9,307	-
		18,738	7,104

14 GRANT FUND RECEIVABLE

Opening balance		**55,226**	25,176
Income recognised against expenditures		**100,552**	30,050
Closing balance	14.1	**155,778**	55,226

14.1 This 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 26.9). On 27 July 2019 Rupees 2,350,867 thousand was received in respect of the mentioned project, however, the balance will only be transferred from the project's bank account once the audited financial statements of the project is submitted and IFAD accepted the narrative progress report, which is due on 31 December 2020.

15 SHORT-TERM PREPAYMENTS	Note	2020	2019
		-------- Rupees '000	-------
Prepayments		**1,694**	1,671
Current portion of long-term prepaid rent	13	**8,530**	25,760
		10,224	27,431

16 PROFIT / SERVICE CHARGES RECEIVABLE

Service charges on Investments;			
Specific to Endowment Fund		**51,560**	50,893
Specific to others and savings accounts		**513,757**	251,563
		565,317	302,456
Service charges receivable on loans to associate		**325,111**	298,177
Service charges receivable on loans to POs		**150,747**	153,792
Less: Allowance for expected credit losses	16.1	**(149,536)**	(148,808)
		1,211	4,984
		891,639	605,617

16.1 Movement in allowance for expected credit losses:

Opening balance	**148,808**	155,546
Charge/ (reversal) for the year		
Charge	**728**	2,197
Reversal	**-**	(8,935)
	728	(6,738)
	149,536	148,808

17 OTHER RECEIVABLES

Considered good, unsecured			
Withholding tax withheld by FBR	17.1	**61,727**	61,727
Employees' provident fund		**-**	17
Others		**135**	289
		61,862	62,033

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 Rupees 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 Rupees 61,727 thousand was withdrawn by the Federal Board of Revenue (FBR) on 27 October 2017. 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 Rupees 16,348 thousand. The Company has filed an appeal against the reduced demand on 31 July 2019. No allowance has been recognised against the amount. The management is confident that the case will ultimately be decided in its favour.

18 LOANS TO PARTNER ORGANIZATIONS

	Note	2020	2019
		---------- Rupees '000 ----------	
Unsecured			
Considered good	18.1	**20,000**	45,000
Considered doubtful	18.2	**929,647**	932,134
		949,647	977,134
Less: Allowance for expected credit losses	18.4	**(930,247)**	(933,484)
		19,400	43,650

18.1 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, as the Company has ceased to underwrite new loans with effect from 21 February 2017.

18.2 Particulars of non-performing loans

	2020 Loan amount	2019 Loan amount	Provision required	2020 Provision amount	2019 Provision amount
	------ Rupees '000 ------		%	-------- Rupees '000 --------	
Other Assets Especially Mentioned	-	-	0%	-	-
Sub-standard	-	-	25%	-	-
Doubtful	-	-	50%	-	-
Loss	**929,647**	932,134	100%	**929,647**	932,134
	929,647	932,134		**929,647**	932,134

18.3 Movement in loans to Partner Organizations

	Note	2020	2019
Opening balance		**977,134**	1,782,827
Less: Recoveries		**(27,487)**	(805,693)
		949,647	977,134
Less: Allowance for expected credit losses	18.4	**(930,247)**	(933,484)
		19,400	43,650

		Note	2020 Specific	2020 General	2020 Total	2019 Total
			---------------- Rupees '000		----------------	Rupees '000
18.4	Movement in allowance for expected credit losses					
	Opening balance		932,134	1,350	933,484	923,831
	Charge/ (reversal) for the year					
	Charge		16,365	-	16,365	76,584
	Reversal		(18,852)	(750)	(19,602)	(66,931)
		33 & 37	(2,487)	(750)	(3,237)	9,653
			929,647	600	930,247	933,484

		Note	2020	2019
19	SHORT-TERM INVESTMENTS		------- Rupees '000	-------
	Amortized cost			
	Specific to others			
	Term Deposit Receipts (TDRs)	19.1	4,271,905	9,383,961
	Pakistan Investment Bonds (PIBs)	19.2	-	3,189,333
	Government Treasury Bills	19.3	1,533,900	1,158,632
			5,805,805	13,731,926

19.1 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 7.00% to 14.15% (2019: 10.6% to 14.15%).

19.2 These funds were invested in Pakistan Investment Bonds (PIBs) matured during the year, at a mark-up of 11.28% to 12.18%.

19.3 These funds are invested in Government Treasury Bills maturing within one month to one year from the date of investment, at per annum mark-up rates ranging from 6.85% to 13.90% (2019: 12.66% to 12.73%) per annum.

		Note	2020	2019
20	TAX REFUNDS DUE FROM THE GOVERNMENT		------- Rupees '000	-------
	Income tax refunds	20.1	401,405	379,512

20.1 This represents tax refunds relating to tax years 2003 to 2020. Management is confident that the tax department will allow the refunds as these are valid refund claims of the Company under the Income tax Ordinance, 2001. All the related evidences are available and verifiable.

		Note	2020	2019
21	BANK BALANCES-SPECIFIC TO PROJECTS		------- Rupees '000	-------
	In current accounts			
	KfW - Livelihood and Community Infrastructure		68,144	91,706
	KfW - Renewable Energy		170,903	37,759
	Prime Minister's Interest Free Loan Scheme (PMIFL)		263,769	351,358
	National Poverty Graduation Programme		456,109	-
	National Disaster Risk Management Fund		57,439	-
	Italian Project - Poverty Reduction Through Rural Development Activities in Baluchistan, KPK and FATA		347,030	527,714
		21.1	1,363,394	1,008,537
	In saving accounts			
	KfW - Livelihood and Community Infrastructure Phase II		455,521	14,187
	UNHCR - Afghan Refugees		116,471	-
		21.2	571,992	14,187
			1,935,386	1,022,724

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

21.2 These balances carry a per annum mark-up ranging between 5.5% to 6.5% (2019: 3.7% to 6%).

22 CASH AND BANK BALANCES	Note	2020	2019
		------- Rupees '000 -------	
Cash in hand		-	1
Cash at banks in:			
- Current accounts		1,581	7,117
- Deposit accounts	22.1	462,697	152,072
		464,278	159,189
		464,278	159,190

22.1 These balances carry a per annum mark-up ranging between 5.5% to 6.55% (2019: 8% to 11.25%).

23 ENDOWMENT FUND

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.

24 LEASE LIABILITIES	2020	2019
	------- Rupees '000 -------	
Initial recognition under IFRS 16	260,157	-
Additions / transfers	-	-
Accretion of interest	37,040	-
Payments	(89,533)	-
As of 30 June	207,664	-
Current lease liabilities	649	-
Non-current lease liabilities	207,015	-
	207,664	-

24.1 The undiscounted maturity analysis of lease liabilities at 30 June 2020 is as follows:

	Up to 1 year	2 to 5 years	Over 5 years	Total
	---------- Rupees '000 ----------			
Lease payments	726	220,534	135,163	356,423

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

		Note	2020	2019
			------- Rupees '000 -------	
25	**LONG-TERM FINANCING**			
	Unsecured - from a related party:			
	Government of Pakistan - PPAF - I (IDA financing)	25.1	**438,523**	657,810
	Government of Pakistan - PPAF - II (IDA financing)	25.2	**4,654,848**	5,371,005
	Government of Pakistan - (IFAD financing - MIOP)	25.3	**649,859**	726,313
	Government of Pakistan - (IFAD financing - PRISM)	25.4	**1,374,475**	1,511,923
	Government of Pakistan - PPAF - III (IDA financing)	25.5	**2,670,622**	2,800,872
			9,788,327	11,067,923
	Less: Amounts payable within the next twelve months shown as a current liability		**(1,279,597)**	(1,279,597)
			8,508,730	9,788,326
	Less: Deferred benefit of below market rate of interest on long-term financing - Government of Pakistan - PPAF-III (IDA financing)	25.5.1	**(1,412,759)**	(1,570,342)
			7,095,971	8,217,984

		2020	2019
25.1	Government of Pakistan - PPAF - I (IDA financing)		
	Opening balance	**657,810**	877,100
	Amount repaid	**(219,287)**	(219,290)
		438,523	657,810

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.

		2020	2019
		------- Rupees '000 -------	
25.2	Government of Pakistan- PPAF - II (IDA financing)		
	Opening balance	**5,371,005**	6,087,159
	Amount repaid	**(716,157)**	(716,154)
		4,654,848	5,371,005

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 installment 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.

		2020	2019
		------- Rupees '000 -------	
25.3	Government of Pakistan - (IFAD financing - MIOP)		
	Opening balance	**726,313**	802,767
	Amount repaid	**(76,454)**	(76,454)
		649,859	726,313

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.

		2020	2019
		------- Rupees '000 -------	
25.4	Government of Pakistan - (IFAD financing - PRISM)		
	Opening balance	**1,511,923**	1,649,369
	Amount repaid	**(137,448)**	(137,446)
		1,374,475	1,511,923

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.

		Note	2020	2019
			------- Rupees '000 -------	
25.5	Government of Pakistan- PPAF - III (IDA financing)			
	Opening balance		**2,800,872**	2,931,121
	Amount repaid		**(130,250)**	(130,249)
			2,670,622	2,800,872
	Less: Deferred benefit of below market rate of interest on long-term financing	25.5.1	**(1,412,759)**	(1,570,342)
			1,257,863	1,230,530

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.

25.5.1 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	2020	2019
		------- Rupees '000 -------	
Deferred benefit			
Opening balance		**1,570,342**	1,723,480
Amortization during the year		**(157,583)**	(153,138)
		1,412,759	1,570,342

26 DEFERRED LIABILITIES - GRANT FUND

	Note	2020	2019
Government of Pakistan - KfW Renewable Energy (RE)	26.3	**168,226**	38,784
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP I)	26.4	**64,108**	100,637
Government of Pakistan - KfW Livelihood Support and Protection of Small Community Infrastructure (LACIP II)	26.5	**450,520**	11,181
Poverty Reduction through Rural Development Activities in Baluchistan, Khyber Pakhtunkhwa, Federally Administered Tribal Areas - (Italian Project)	26.6	**298,798**	527,709
Government of Pakistan - Prime Minister's Interest Free Loan (PMIFL) Scheme	26.7	**260,720**	345,810
United Nations High Commissioner for Refugees (UNHCR)	26.8	**112,632**	-
National Poverty Graduation Programme	26.9	**455,883**	-
Citifoundation	26.10	**23,653**	32,639
National Disaster Risk Management Fund	26.11	**57,439**	-
		1,891,979	1,056,760

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

26.2 Movement during the year:

	Note	KfW RE	KfW LACIP I	KfW LACIP II	Italian Project	PMIFL	UNHCR-AR	NPGP	CF	NDRMF	2020	2019
		Rupees '000										
Opening balance		38,784	100,637	11,181	527,709	345,810	-	-	32,639	-	1,056,760	1,623,317
Receipts during the year		166,238	-	688,628	-	20,000	112,349	2,350,867	16,499	57,439	3,412,020	324,543
Profit on project account		-	-	42,283	-	-	4,128	-	-	-	46,411	5,072
Transfers to deferred income - grant fund	27	(3,410)	(13,939)	(6,351)	(13,830)	-	(3,845)	-	(2,699)	-	(44,074)	(59,805)
Funds returned to Donor		-	-	-	-	-	-	-	-	-	-	(45,770)
Transfers to other income	33	-	-	-	-	-	-	-	-	-	-	(93)
		201,612	86,698	735,741	513,879	365,810	112,632	2,350,867	46,439	57,439	4,471,117	1,847,264
Less: Disbursements / (recovery) for												
Water and infrastructure		-	20,577	217,857	49,201	-	-	-	-	-	287,635	190,212
Social sector development		-	-	-	39,739	-	-	-	-	-	39,739	163,597
Capacity/Institutional building		33,386	(441)	-	50,633	105,090	-	164,295	3,519	-	356,482	239,322
Social mobilization		-	2,454	12,428	660	-	-	-	-	-	15,542	24,126
Livelihood enhancement and protection		-	-	54,936	74,848	-	-	1,730,689	19,267	-	1,879,740	173,247
	26.12	33,386	22,590	285,221	215,081	105,090	-	1,894,984	22,786	-	2,579,138	790,504
Closing balance		168,226	64,108	450,520	298,798	260,720	112,632	455,883	23,653	57,439	1,891,979	1,056,760

26.3 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.

26.4 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 then to 30 June 2017. During the year 2017, 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.

26.5 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.

26.6 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 neighbouring 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 December 2020.

26.7 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 behavioural 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.

26.8 United Nations High Commissioner for Refugees (UNHCR)

On 18 December 2019, UNHCR and PPAF signed a financing and project agreement for implementation of a graduation programme, under continuation of "Poverty Graduation for Refugees in Mansehra and Peshawar in KPK and Chaghi in Baluchistan" (the Project). The Project implementation period is 01 January 2020 to 31 December 2020 whereas the previous phases were completed in March 2019 and December 2017 respectively. PPAF will implement the Project, which will target 2000 households including male and female young adults living in Mansehra and Peshawar in KPK and Chaghi in Baluchistan. 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.

26.9 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 agreed to make available an amount of USD 80.60 million, to PPAF, as a grant on a non-reimbursable basis over a period of six years. On 10 January 2018, GoP and PPAF signed a subsidiary financing agreement for the implementation of the Project. The project is expected to be completed on 30 June 2024. The Project aims to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis while simultaneously improving their overall food security, nutritional status and resilience to climate change. The development objective of the Project is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven, flexible and responsive menu of assistance. The Project consists of two key components; Poverty Graduation and Social Mobilization & Project Management.

26.10 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 Rupees 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.

26.11 National Disaster Risk Management Fund

On 25 November 2019, National Disaster Risk Management Fund (NDRMF) and Pakistan Poverty Alleviation Fund signed Grant Implementation Agreement for "Building Resilience to Disasters and Climate Change" ("the Project"). The total cost of the Project is Rupees 823,984 thousand, out of which Rupees 575,112 thousand is the grant amount by NDRMF and Rupees 248,872 thousand is PPAF's contribution. The Project implementation period is from 25 November 2019 to 24 May 2021 with the aim to strengthen readiness of the communities in proposed districts through establishing and institutional framework to mobilize and organize communities, understand their specific vulnerabilities to natural hazards and conduct capacity analysis, ensuring that sound structural measures are taken to reduce and protect against community vulnerabilities. Eight districts from NDMA district priority list in 4 provinces and Gilgit-Baltistan region have been selected for nationwide coverage.

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

26.12 **Breakup of Disbursements / (recovery) to / (from) POs**

	KfW RE	KfW LACIP I	KfW LACIP II	Italian Project	PMIFL	UNHCR-AR	NPGP	CF	2020	2019
		Rupees '000								
Awami Development Organization	-	-	-	-	1,789	-	-	-	1,789	-
Association of Gender Awareness and Human Empowerment Pakistan	-	-	-	-	2,937	-	-	-	2,937	-
Akhuwat	-	-	-	-	19,558	-	-	-	19,558	-
Aga Khan Rural Support Programme	667	-	-	6,063	-	-	-	-	6,730	36,598
Al-Mehran Rural Development and Welfare Organization Foundation	-	-	-	-	1,333	-	-	-	1,333	-
AZAT Foundation	-	-	-	-	-	-	-	-	-	6,116
Bunyad Literacy Community Council	-	-	-	-	562	-	-	-	562	-
Building Resources across Communities - Pakistan	-	-	-	-	-	-	-	-	-	10,805
Baluchistan Rural Development and Research Society	-	-	-	2,487	-	-	-	-	2,487	27,354
Baluchistan Rural Support Programme	-	-	-	(99)	1,790	-	-	22,788	24,479	44,975
Center of Excellence for Rural Development	-	-	-	(1,591)	-	-	-	-	(1,591)	37,662
Community Mobilization and Development Organization	15,725	-	-	-	-	-	-	-	15,725	712
Community Support Concern - CEIP	-	-	-	-	5,553	-	-	-	5,553	-
Environment Protection Society	-	-	-	6,411	2,372	-	-	-	8,783	25,378
Farmers Development Organization	-	-	-	-	5,276	-	-	-	5,276	-
Farmers Friend Organization Microfinance Company	-	-	-	-	857	-	-	-	857	-
Ghazi Brotha Taraqiatee Idara	-	-	-	-	2,995	-	-	-	2,995	-
Health and Nutrition Development Society	-	-	-	-	1,277	-	-	-	1,277	-
Human Development Foundation	-	-	-	5,341	-	-	-	-	5,341	29,428
Kashf Foundation	-	-	-	-	1,417	-	-	-	1,417	-
Khwendo Kor Women and Children Development Programme	-	23,562	-	(1,909)	-	-	-	-	21,653	25,230
Lasoona Society for Human and Natural Resource Development	-	-	-	(81)	-	-	141,071	-	140,990	5,447
Mojaz Foundation Support Programme	-	-	-	-	4,624	-	-	-	4,624	-
National Integrated Development Association	-	-	-	-	-	-	-	-	-	25,882
National Rural Support Programme	-	-	85,678	147,827	25,074	-	898,621	-	1,157,200	227,549
Orangi Charitable Trust	-	-	-	-	1,781	-	-	-	1,781	-
National Rural Development Program	-	-	-	-	(2,500)	-	-	-	(2,500)	(10,000)

PAKISTAN POVERTY ALLEVIATION FUND

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

26.12 Breakup of Disbursements / (recovery) to / (from) POs (Continued)

	KfW RE	KfW LACIP I	KfW LACIP II	Italian Project	PMIFL	UNHCR-AR	NPGP	CF	2020	2019
	Rupees '000									
Punjab Rural Support Programme	-	-	-	-	1,860	-	-	-	1,860	-
Participatory Integrated Development Society	-	-	-	-	-	-	-	-	-	36,083
Rural Community Development Program	-	-	-	-	7,204	-	-	-	7,204	-
Social Action Bureau for Assistance in Welfare and Organization Network	-	-	128,478	-	-	-	171,558	-	300,036	35,822
Sindh Agricultural & Forestry Workers Co-ordinating Organization	-	-	-	-	6,223	-	-	-	6,223	-
Sarhad Rural Support Programme	16,702	-	71,066	-	-	-	-	-	87,768	165,068
Sayya Microfinance Company	-	-	-	-	1,913	-	-	-	1,913	29,281
Sustainable Development, Education, Rural Infrastructure, Veterinary Care & Environment	-	-	-	-	5,345	-	-	-	5,345	-
Sindh Rural Support Organization	-	-	-	-	2,893	-	447,779		450,672	-
Taraqee Foundation	-	-	-	-	-	-	-	-	-	26,285
Thardeep Microfinance Foundation	-	-	-	-	2,956	-	235,729	-	238,685	-
Youth Organization	-	-	-	-	-	-	-	-	-	(5,678)
Direct expenses on project activities	292	(973)	-	50,631	-	-	226	-	50,176	10,507
	33,386	22,589	285,222	215,080	105,089	-	1,894,984	22,788	2,579,138	790,504

27 DEFERRED INCOME - GRANT FUND

	KfW (RE)	KfW (LACIP)	KfW (LACIP-II)	Italian Project	UNHCR	CF	EU-GRASP	2020	2019
	Rupees '000								
Opening Balance	-	1,797	-	-	-	-	-	1,797	5,490
Amount received/transferred from deferred liabilities	3,410	13,939	6,351	13,830	3,845	2,699	14,758	58,832	89,856
Expenditure from grant recognized as income	(3,410)	(15,736)	(6,351)	(13,830)	(3,845)	(2,699)	(5,727)	(51,598)	(93,549)
	-	-	-	-	-	-	9,031	9,031	1,797

PAKISTAN POVERTY ALLEVIATION FUND

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

28	TRADE AND OTHER LIABILITIES	Note	2020	2019
			---------- Rupees '000 ----------	
	Trade liabilities			
	Payable to employees		**3,513**	-
	Accrued liabilities		**2,957**	2,374
	Consultancy fee payable		**1,535**	1,076
	Payable to service providers		**5,988**	2,342
	Withholding tax payable		**338**	650
			14,331	6,442
	Other liabilities			
	Provident fund	28.1	**4,853**	-
	Staff gratuity fund	28.2	**-**	4,355
	CMA Awards payable	28.3	**19,683**	3,932
	Others		**3,097**	4,272
			27,633	12,559
			41,964	19,001

28.1 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.

28.2	**Staff gratuity fund**		2020	2019
			---------- Rupees '000 ----------	
	Present value of the defined benefit obligation	28.2.2	-	164,360
	Fair value of the plan assets	28.2.3	-	(160,005)
			-	4,355

28.2.1 The Board has resolved to windup the staff gratuity fund with effect from 30 June 2020 and the Company's liability towards the staff gratuity fund has also been settled on the same date.

28.2.2	Change in the present value of defined benefit obligation:	2020	2019
		---------- Rupees '000 ----------	
	Opening balance	**164,360**	130,239
	Current service cost	**21,750**	24,908
	Interest cost on defined benefit obligation	**22,253**	11,575
	Benefits paid	**(141,771)**	(1,024)
	Settlements	**(57,578)**	-
	Re-measurement gain on defined benefit obligation	**(9,014)**	(1,338)
		-	164,360

28.2.3	Change in fair value of plan assets:	2020	2019
	Opening balance	**160,005**	115,124
	Interest income	**23,985**	11,981
	Contributions	**24,440**	37,017
	Benefits paid	**(141,771)**	(1,024)
	Settlements	**(42,609)**	-
	Re-measurement loss on plan assets	**(24,050)**	(3,093)
		-	160,005

28.2.4 Charge recognized in the Statement of Income and Expenditure:

Current service cost	**21,750**	24,908
Net interest income	**(1,732)**	(406)
Settlements	**(14,969)**	-
	5,049	24,502

28.2.5 Remeasurement losses / (gains) in OCI:

Re-measurement (gain) on defined benefit obligation	**(9,014)**	(1,338)
Re-measurement loss on plan assets	**24,050**	3,093
	15,036	1,755

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

	Rupees '000	%	Rupees '000	%
Cash and cash equivalents	-	-	160,005	100
	-	-	160,005	100

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.

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

	2020	2019
Valuation discount rate (per annum)	-	14.25%
Salary increase rate (per annum)	-	13.50%
Salary increase rate - 1 year (per annum)	-	13.50%

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 2019 and 2020.

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)
Salary increase rate (1%)	-	14,799

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 2020	-
30 June 2019	8.18

	2020	2019
	---------- Rupees '000 ----------	
28.2.8 Projected payments as at 30 June		
Contributions for next financial year	-	19,155
Benefit payments:		
Year 1	-	37,397
Year 2	-	11,933
Year 3	-	6,372
Year 4	-	6,327
Year 5	-	6,561

28.3 This represents funds received from the donor (Citi Bank) for awarding the prize money to the microfinance entrepreneurs, who have performed outstandingly. During the current year, the event was not held due to the COVID-pandemic situation.

29 SERVICE CHARGES PAYABLE

	2020	2019
Unsecured - from a related party:		
Government of Pakistan - PPAF - I (IDA financing)	**411**	630
Government of Pakistan - PPAF - II (IDA financing)	**14,387**	16,692
Government of Pakistan - (IFAD financing - MIOP)	**400**	447
Government of Pakistan - (IFAD financing - PRISM)	**845**	929
Government of Pakistan - PPAF - III (IDA financing)	**821**	918
	16,864	19,616

29.1 These represent service charges payable to GOP at the rate of 0.75% per annum (2019: 0.75% per annum) on the principal amount of long term-financing outstanding withdrawn from time to time.

30 CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

The Company has no contingencies as at 30 June 2020 (2019:Nil)

30.2 Commitments	Note	2020	2019
		---------- Rupees '000 ----------	
30.2.1 Aggregate commitments under Financing Agreements with Partner Organizations for Grants:			
Community physical infrastructure		**1,390,221**	151,050
Capacity building		**431,940**	128,465
Social sector development		**-**	150,204
Livelihood enhancement and protection		**4,686,270**	-
		6,508,431	429,719

30.2.2 The Company has entered into a contract for lease of portion measuring 4847 sq. ft at first floor of ICCI building on 12 March 2020 (lease inception date), for a period of five years commencing on 01 July 2020 (lease commencement date) when the portion will become available for use by the Company. As of reporting date, the contract is not onerous and accordingly no adjustment in this regard is required in the financial statements. Following is the liquidity profile of lease payments for the non-cancellable period: Rupees 11.594 thousand within one year; Rupees 26.616 thousand within five years.

30.2.3 Investment in the Associate

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 (strike price), on the option exercise date.

Management estimates that, as of reporting date, estimated fair value of the shares (spot price) held by these shareholders is not less than their aggregate net book value. Management's assessment is based upon PMIC's performance till date as against projections at the time of initial investment and growth in the market in which PMIC operate. Accordingly, as of reporting date, the put option does not have any intrinsic value ("Out of money") to other shareholders of PMIC. Management is highly confident, considering the track record of management of PMIC, that this pattern will hold during the option exercise period. Fair value of out of money put option is zero. Effect of probability of any adverse developments is not expected to be significant, considering the time value component of put options. Accordingly, no liability in this regard has been recognized in these financial statements.

As at 30 June 2020, the aggregate net book value of shares held by these shareholders is Rupees 3,321,967 thousand (2019: Rupees 3,271,544 thousand) at Rupees 1,104 per share (2019: Rupees 1,090.2 per share) and the capital invested by them is Rupees 3,000,964 thousand (2019: Rupees 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.

31 SERVICE CHARGES ON LOAN TO THE ASSOCIATE

These represent service charges on loan to the Associate, under the Financing Agreement at the rate disclosed in note 11.1.

32 INCOME ON INVESTMENTS AND SAVINGS ACCOUNTS

	Note	2020	2019
		Rupees '000	Rupees '000
Profit on investments			
Specific to Endowment Fund		**130,498**	130,427
Specific to others and savings accounts		**1,947,870**	1,256,005
		2,078,368	1,386,432

33 OTHER INCOME

		2020	2019
Gain on disposal of property and equipment		**15**	59
Reversal of ECL against loans and profit/service charges receivable		**3,237**	6,738
Reversal of deferred liability-grant fund		**-**	93
Miscellaneous		**626**	455
		3,878	7,345

34	GENERAL AND ADMINISTRATIVE EXPENSES	Note	2020	2019
			---------- Rupees '000	----------
	Salaries, wages and other benefits	34.1	**520,192**	467,101
	Rent, rates and taxes		**-**	39,636
	Repairs and maintenance		**13,305**	10,361
	Traveling, lodging and conveyance		**67,895**	65,526
	Communication		**5,968**	6,959
	Printing and stationery		**2,031**	3,242
	Insurance		**15,562**	9,232
	Vehicles running and maintenance		**19,010**	16,453
	Utilities		**11,325**	9,633
	Legal and professional charges		**4,469**	4,259
	Auditors' remuneration	34.2	**4,018**	2,799
	Advertisement		**2,111**	3,198
	Media projection		**1,028**	1,208
	Newspapers, books and periodicals		**374**	371
	Depreciation of property and equipment	7.1	**21,580**	17,562
	Depreciation of right-of-use asset	8	**33,385**	-
	Security services		**3,559**	3,581
	Others		**5,153**	5,758
		34.3	**730,965**	666,879

34.1 This includes Rupees 28,035 (2019: Rupees 44,888) thousand in respect of employees' retirement benefits.

34.2	Auditor's remuneration	2020	2019
		---------- Rupees '000	----------
	EY Ford Rhodes		
	Statutory audit	**1,544**	1,210
	Projects' audit	**2,474**	1,589
		4,018	2,799

34.3 General and administration expenses include Rupees 127,145 (2019: Rupees 71,274) thousand incurred on different donors' agreed programme activities.

35	SEMINARS, WORKSHOPS AND TRAININGS	Note	2020	2019
			---------- Rupees '000	----------
	Training		**4,980**	5,727
	Seminars and workshops		**13,569**	9,557
		35.1	**18,549**	15,284

35.1 Seminars, workshops and training expenses include Rupees 10,035 (2019: Rupees Nil) thousand incurred on different programme activities.

36 Technical and other studies include Rupees 14,972 (2019: Rupees 17,828) thousand on different programme activities.

		Note	2020	2019
37	**ALLOWANCE FOR EXPECTED CREDIT LOSS**		---------- Rupees '000	----------
	Allowance for expected credit loss against:			
	Loans to POs	18.4	-	9,653
	Service charges receivable	16.1	728	-
			728	9,653

			2020	2019
38	**FINANCIAL CHARGES**			
	On long-term financing		77,857	87,852
	Imputed interest on long-term loan at below market interest rate		157,583	153,138
	Interest expense on lease liability		37,040	-
	Bank charges		44	32
			272,524	241,022

			2020	2019
39	**EXPENDITURE ON PROJECT AND RELIEF ACTIVITIES**			
	Institutional Development - Social Mobilization		41,384	173,228
	Livelihood Enhancement Schemes		-	30,088
	Health and Educational Interventions		37,413	20,110
	Infrastructure Schemes		4,091	41,690
	Operational cost - NDRMF		10,676	-
	COVID-19 Emergency Response		413,122	-
	Other program activities		26,986	-
			533,672	265,116

		Note	2020	2019
40	**MOVEMENT IN GRANT FUND / RESERVE FOR GRANT BASED ACTIVITIES**			
	Income allocated to reserve for grant based activities		1,936,099	904,798
	Less: Expenditure on project and relief activities	39	(533,672)	(265,116)
			1,402,427	639,682

41 **REMUNERATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES**

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	-----Rupees '000-----		-----Rupees '000'-----	
Managerial remuneration	24,504	24,504	205,410	166,591
House rent allowance	5,100	5,100	60,960	54,654
Contribution to staff Provident Fund	2,128	2,128	12,383	10,786
	31,732	31,732	278,753	232,031

	Chief Executive Officer		Executives	
	2020	2019	2020	2019
	-----Rupees-----		-----Rupees-----	
Number of persons	1	1	56	46

41.1 In addition to the above, the Chief Executive Officer is provided with medical insurance and gratuity as per policy.

42 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:

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

42.2 Following are the pertinent details of a related party with whom the Company had transactions during the year or have agreements/ arrangements in place:

S No.	Name of the related party and transactions	Nature of relationship	%age of holding	2020	2019
				------Rupees '000-------	
1	**Government of Pakistan**	Significant influence	N/A		
	Repayments of principal amount			**1,279,596**	1,279,597
	Service charges paid			**80,609**	90,208
	Balance of loans payable at year end			**9,788,327**	11,067,923
	Service charges payable at year end			**16,864**	19,616
	Telephone			**256**	334
	Electricity			**10,211**	8,472
	Gas			**160**	170
2	**PMIC**	Associate	49%		
	Share of profit			**39,099**	166,987
	Investment in Associate at year end			**3,183,047**	3,143,225
	Loans disbursed			**-**	461,000
	Repayments of principal amount			**1,142,938**	590,831
	Service charges received			**1,327,464**	1,201,880
	Service charges receivable at year end			**325,111**	298,177
	Balance of loan receivable at year end			**8,975,231**	10,118,169
3	**Staff Gratuity Fund**	Benefit Plan	N/A		
	Contributions made			**24,440**	37,017
	Payable to staff gratuity fund			**-**	4,355
4	**Employees Provident Fund**	Contribution Plan	N/A		
	Payment made during the year			**26,040**	20,387
	Payable to provident fund			**4,853**	-

42.3 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.

43 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES	2020	2019
	------Rupees '000-------	
Financial Assets:		
Amortized cost		
Maturity up to one year:		
Current maturity of long-term investments	**400,000**	1,111,300
Grant fund receivable	**155,778**	55,226
Short-term investments	**5,805,805**	13,731,926
Current maturity of loans to Partner Organizations	**19,400**	43,650
Current maturity of long-term loan to the Associate	**1,142,938**	1,142,938
Loans to employees	**51,031**	98,711
Other receivables	**61,862**	62,033
Profit / service charges receivable	**891,639**	605,617
Bank balances - specific to projects	**1,935,386**	1,022,724
Cash and bank balances	**464,278**	159,190
Maturity after one year:		
Long-term investments	**10,834,962**	982,280
Long-term deposits	**9,431**	7,104
Long-term loans to the Associate	**7,832,293**	8,975,231
	29,604,803	27,997,930
Financial Liabilities:		
Amortized cost		
Maturities up to one year:		
Lease liabilities	**649**	-
Deferred liabilities - grant fund	**1,891,979**	1,056,760
Current portion of long-term financing	**1,279,597**	1,279,597
Service charges payable	**16,864**	19,616
Trade and other payables	**21,943**	14,419
Maturity after one year but before five years:		
Lease liabilities	**207,015**	-
Long-term financing	**4,786,248**	4,875,223
Maturity after five years:		
Long-term financing	**3,722,482**	4,913,103
	11,926,777	12,158,718
Off balance sheet items:		
Commitments	**6,546,641**	429,719

44 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.

	Credit Rating Agency	Long-term rating	Short-term rating	2020	2019
				------- Rupees '000 -------	
Investments					
Counterparties with external credit rating					
	VIS	AAA	A-1+	**2,496,590**	1,932,228
	PACRA	A	A-1	**315,910**	1,030,474
	PACRA	AAA	A-1+	-	5,352,432
	PACRA	A	A-1	-	1,068,827
Securities issued / supported by Government of Pakistan				**14,659,804**	6,459,265
				17,472,304	15,843,226
Bank balances					
Counterparties with external credit rating					
	PACRA	AAA	A-1+	**2,043,181**	1,163,795
	PACRA	AA	A-1+	**346,945**	15,898
	PACRA	AA+	A-1+	**5,775**	-
	PACRA	A	A-1	**1,556**	-
	PACRA	AA-	A-1+	**1,120**	-
	PACRA	A+	A-1	**1,087**	2,208
	JCR-VIS	AA	A-1	-	
	JCR-VIS	A-	A-2	-	12
				2,399,664	1,181,913
Loans to Partner Organizations and the Associate					
Counterparties with external credit rating:					
Loans to the Associate	PACRA	AA	A-1+	**8,975,231**	10,118,169
Counterparties without external credit rating:					
- Counterparties with no default in the past					
Loans to Partner Organizations				**19,400**	43,650
				8,994,631	10,161,819
Profit / service charges receivable					
Counterparties with external credit rating					
	VIS	AAA	A-1+	**109,418**	88,645
	PACRA	A	A-1	**11,478**	28,960
	PACRA	A+	A-1	-	20,470
	PACRA	AA	A-1+	**325,111**	298,177
Securities issued / supported by:					
Government of Pakistan				**444,421**	164,381
Counterparties without external credit rating:					
Counterparties with no defaults in the past				**1,211**	4,984
				891,639	605,617

Other financial assets	**2020**	**2019**
	------- Rupees '000 -------	
Counterparties without external credit rating:		
Grant fund receivable	**155,778**	55,226
Loans to employees	**51,031**	98,711
Deposits	**9,431**	7,104

44.1 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. The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The management of the Company is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) 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 and the associate, receivable from donors, 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 Rupees 949,647 thousand (2019: Rupees 977,133 thousand) (including loans to two major POs of Rupees 19,400 thousand) (2019: loans to five major POs of Rupees 43,650 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 Rupees 8,975,231 thousand (2019: Rupees 10,118,169 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 (that have a credit rating of at least A1 and A) and Government of Pakistan. Based upon above mentioned high external credit ratings, ECLs relating to cash at bank and investments of the Company rounds to zero. The credit risk on grant receivable is also limited, as the receivable is in respect of expenditure incurred against which the Company has received amount from the donor in excess of the receivable balance.

The Company evaluates the concentration of risk with respect to bank balances and investments as low, as its bank balances and investments are held with multiple banks having high external credit rating and with Government of Pakistan, and these banks operate in largely independent market.

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 43.

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 Rupees 26,033,817 (2019: Rupees 25,980,207) thousand and financial liabilities include balances of Rupees 9,995,991 (2019: Rs. 11,067,923) 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 Rupees 160,378 (2019: Rupees 149,123) 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.

44.2 Off-setting financial assets and liabilities

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

44.3 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.

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

45	CASH AND CASH EQUIVALENTS	Note	2020	2019
			Rupees '000	
	Short-term investments	19	375,996	310,967
	Bank balances-specific to projects	21	1,935,386	1,022,724
	Cash and bank balances	22	464,278	159,190
			2,775,660	1,492,881

46	NUMBER OF EMPLOYEES	2020	2019
	Number of employees	206	181
	Average number of employees during the year	192	182

47 COVID-19 PANDEMIC

Nature of event

On 31 January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond it's point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

Effect on the Company

The government imposed restrictions on movement and the Company adopted the regulations and arranged for colleagues to work from home. The Company is uniquely positioned to continue its business operations with colleagues working virtually. The outbreak of COVID-19 is not expected to impact the continuance of the Partner Organizations' agreements with the Company.

Financial effect

The full impact of the COVID-19 outbreak continues to evolve at the date of authorization of these financial statements. Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020 and 2021 financial year.

48 GENERAL

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

49 DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on 24 SEP 2020.

DIRECTOR

CHIEF EXECUTIVE OFFICER

عشق، علم، عمل

پی پی اے ایف کی بنیادی اقدار اور اس کے کام کی اصل روح ہیں۔

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

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