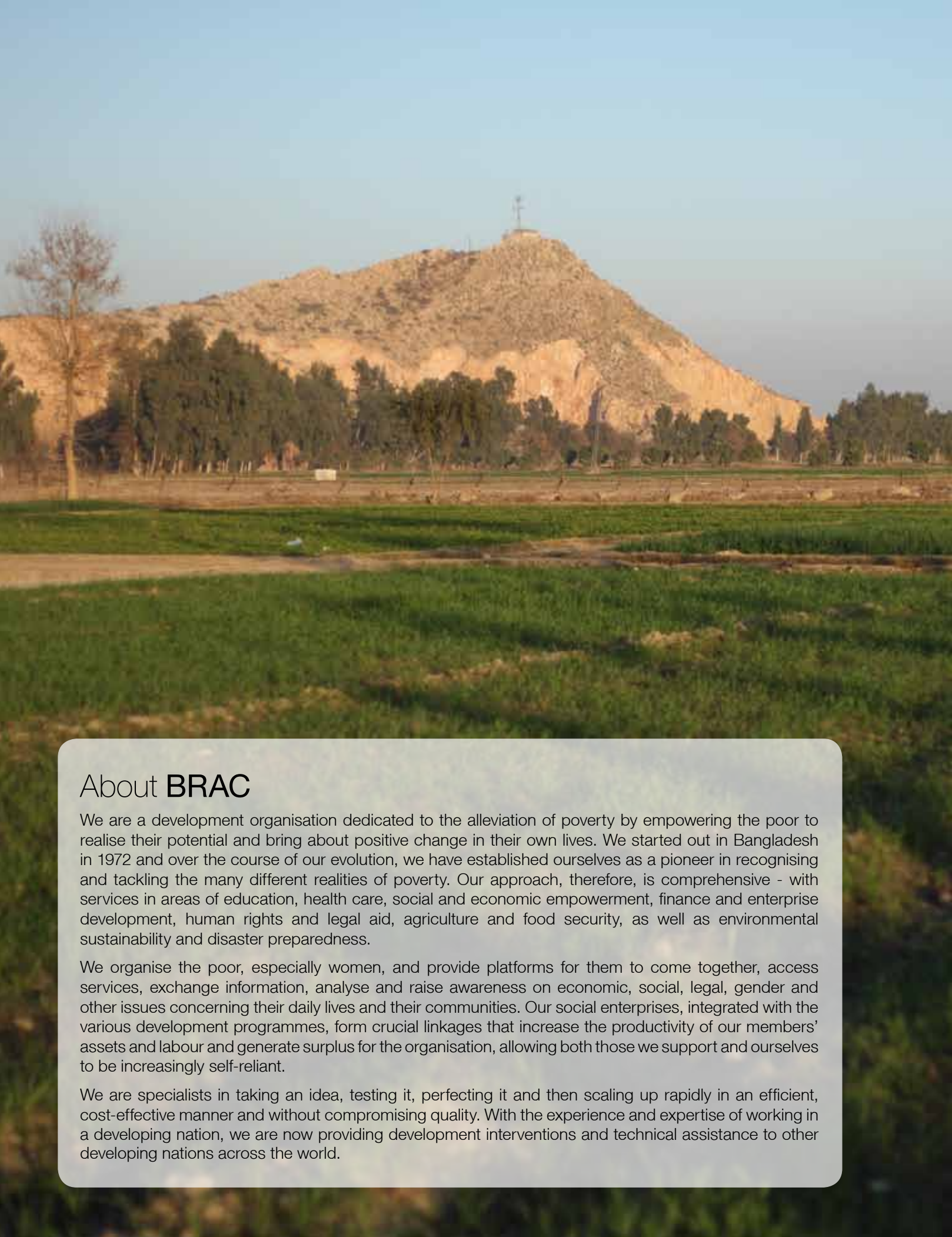




PAKISTAN
Annual Report 2010



About **BRAC**

We are a development organisation dedicated to the alleviation of poverty by empowering the poor to realise their potential and bring about positive change in their own lives. We started out in Bangladesh in 1972 and over the course of our evolution, we have established ourselves as a pioneer in recognising and tackling the many different realities of poverty. Our approach, therefore, is comprehensive - with services in areas of education, health care, social and economic empowerment, finance and enterprise development, human rights and legal aid, agriculture and food security, as well as environmental sustainability and disaster preparedness.

We organise the poor, especially women, and provide platforms for them to come together, access services, exchange information, analyse and raise awareness on economic, social, legal, gender and other issues concerning their daily lives and their communities. Our social enterprises, integrated with the various development programmes, form crucial linkages that increase the productivity of our members' assets and labour and generate surplus for the organisation, allowing both those we support and ourselves to be increasingly self-reliant.

We are specialists in taking an idea, testing it, perfecting it and then scaling up rapidly in an efficient, cost-effective manner and without compromising quality. With the experience and expertise of working in a developing nation, we are now providing development interventions and technical assistance to other developing nations across the world.

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Cover Photo: Ayesha Karimi is a student of class 3, living in the Pirsabagh village of Pakistan's Khyber Pakhtunkhwa province.

About BRAC: A typical Pakistani landscape.

BRAC

in PAKISTAN

BRAC started activities in Pakistan in April 2007. We currently cover 21 districts in all 4 provinces - Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa - through our network of 94 branch offices and 18 area offices. Our microfinance programme works with 104,097 people who are members of 6,164 village organisations. The health programme, with 160 community health promoters, is providing primary healthcare services in four districts. Under our education programme, we have 20 pre-primary schools with 609 current students and 601 graduates who have successfully moved on to government primary schools and this year, opened 5 primary schools with 169 students. Our newest initiative in Pakistan targeting extreme poverty is already reaching out to 1,500 ultra poor households.



Two BRAC staff members set off from a branch office in Arifwala Chowk of Sahiwal district for their weekly collection meeting.



Chairperson's Statement

2010 was a challenging year for Pakistan, the devastating flood taking an immense toll on lives and livelihoods and leaving an indelible mark on the country's economy. Within the short span of time since starting our operations in Pakistan, the communities with whom we work have come to trust BRAC and rely on our support. I am pleased to note the alacrity with which our staff responded to the crisis and mobilised resources to meet the immediate needs of our members and others affected.

With the help of our partners, we were able to raise over USD 1.5 million towards relief and rehabilitation efforts. BRAC's experience with disaster relief in Bangladesh was especially relevant as our expatriate staff joined local staff members and volunteers to quickly assess needs and develop an effective response strategy. We were successful in reaching out to 250,000 people with food, water, ORS packets, mosquito nets and other relief materials. Our health camps treated over 40,000 for diseases such as diarrhoea, infections and injuries. As floodwaters receded, we shifted to rehabilitation work, helping restart livelihoods with new loans and input support.

Our flood response efforts generated much goodwill and interest in BRAC's activities among those previously unfamiliar with our work. While regular microfinance activities were halted during the flood, the programme experienced strong growth overall this year. Several new branch offices were added and membership increased by 40%, while new loans issued to members affected by the flood helped to nearly double loan disbursement.

2010 also marked the start of our Targeting the Ultra Poor programme in Pakistan. Supported by the Pakistan Poverty Alleviation Fund (PPAF), the programme is based on the pioneering model developed by BRAC in Bangladesh to offer an intensive support package of asset transfer, capacity development and community support to extreme poor households. The adaptation of the programme's components to country context has so far proved extremely positive, demonstrating high potential for expansion. Our pilot projects in health and education demonstrate equal promise, as we learn to adapt to the diverse socio-cultural contexts in preparation for national expansion.

The success of our efforts in Pakistan is largely due to the active participation of our members and the hard work and dedication of our staff, whose commitment to development allows BRAC to take on and overcome increasingly greater challenges. We are also grateful for the strong support of the government and our partners – Open Society Institute, Whole Planet Foundation, Silicon Valley Community Foundation, Tides Foundation, American Pakistan Foundation, Hilton Foundation and NoVo Foundation in particular. I hope that we will continue to build on these relationships towards greater successes for the poor of Pakistan.

Fazle Hasan Abed
Founder and Chairperson, BRAC



Md. Aminul Alam
1949-2010

A Lasting Legacy

Aminul Alam: Field Marshall and Changemaker

“an exceptional person with an exceptional commitment to rural development. BRAC would not be what it is without him”

Sir Fazle Hasan Abed

“he has left a rich legacy to BRAC: of programmes firmly in place around the world, of staff and members inspired by his pragmatic vision, and of practical solutions to many of the world’s seemingly intractable problems”

Marty Chen

Aminul Alam (1949-2010) joined BRAC in 1975 and worked closely with Sir Fazle Hasan Abed for more than thirty-five years helping turn vision into reality. Amin was at the heart of our very first field programmes and eventually went on to become a leading figure in the evolution and story of BRAC as we know it today. We want to celebrate his achievements and continue to build on his efforts towards helping men and women realise their potential in Bangladesh and in developing countries around the world.

The story of Aminul Alam and BRAC began in 1975 with a young man, recently graduated from Dhaka University, full of radical ideas about helping the poor in post liberation Bangladesh. It was at this turbulent time, amidst devastating drought and famine, that Amin recalled he had seen truly poor people for the first time. Abed had offered Amin a job in the Rangpur District as part of an emergency relief effort, feeding 15,000 children two meals a day, marking some of BRAC’s earliest work in Bangladesh.

Amin moved to Manikgang to continue his work for BRAC and ended up staying for eight years leaving him with an experience that would change his views forever. More than thirty years later Amin went on to become a leading figure and much loved member of the BRAC family working closely with Abed and introducing pioneering ideas towards their shared mission to fight poverty.

Amin made his first visit to Afghanistan in 2002, leading a team of just four people, to start BRAC operations in post war Afghanistan. Tackling the returning flood of refugees, coupled with a challenging political situation, didn’t make for an easy task. More recently Amin played a crucial role in leading BRAC’s efforts to help victims of Haiti’s earthquake and the devastating floods in Pakistan that ensued last year.

Today, BRAC is the largest NGO in Afghanistan offering education and health services across the country reaching more than 24 million people. Amin’s leadership in expanding BRAC programmes across Bangladesh, and then to 10 countries around the world is undoubtedly one of his most important legacies to BRAC’s work.

Microfinance



Shehzadi Hanfi, a BRAC microfinance programme member, attends a weekly meeting of her VO in Sutri Watt of Multan.

Programme Highlights

“Many of our members are starting from zero after the flood, and we are helping them. Other women whose livelihoods were destroyed by the flood are also coming to BRAC to become first-time members”

Sima Gul, *BRAC microfinance programme credit officer, Khyber-Pakhtunkhwa*

2010 marked three years of operations for BRAC's microfinance programme in Pakistan, since the opening of its first set of branches in Khyber-Pakhtunkhwa province. By the summer of 2010, BRAC's microfinance programme had reached critical mass in Pakistan, with a 94-branch footprint serving over 100,000 members in four provinces – Punjab, Sindh, Khyber-Pakhtunkhwa and Balochistan. However, 2010 quickly turned into BRAC's most challenging year in Pakistan when the country was hit by the severest flooding in 80 years.

The flood disaster began in July with heavy monsoon rains in the northern parts of the country. The flooding gradually spread southward in August and September, leaving a trail of destruction along the way. According to Pakistan's National Disaster Management Authority (NDMA), the flood, which covered a geographical area about the size of England, affected over 20 million people and resulted in over \$9.6 billion in damages. Nearly 25% of BRAC's microfinance membership was affected by the floods and 23 of our 94 branches were flooded.

BRAC has been managing natural disasters, floods in particular, for four decades in its home country of Bangladesh. Informed by this experience, staff members in Pakistan were quick to respond, temporarily halting microfinance operations and mobilising emergency relief activities during the first week of August. BRAC staff on the ground, including microfinance programme managers and credit officers, joined the flood response effort.

As flood waters receded and displaced families began returning home in October-November, BRAC shifted from relief to rehabilitation efforts. With microfinance as the primary intervention in the rehabilitation effort, BRAC began disbursing new microloans to enable flood-affected members to rebuild their enterprises. Mobilisation of necessary capital was made possible by the generous support of the Open Society Institute, Whole Planet Foundation, BRAC USA and other partners.

Sakinah, Amna and Saeeda Bibi were neighbors who jointly invested their BRAC loans in a shoe-making business which they ran out of their homes. “Flood waters rose 15 feet and completely covered our homes”, Sakinah says, “we stayed with relatives in drier parts of Multan for two months.” She returned to find all their shoe making materials damaged. “We had a stock of finished shoes

for sale during the Qurbani Eid season, but that was damaged too”, she says. New loans from BRAC enabled the three women to replenish their stock and restart their enterprise.

The extension of new loans by BRAC to flood affected members helped resuscitate many other types of enterprises, including Nasreen's: “I take custom orders from the community and travel to the border city of Quetta to buy the goods in bulk. I supply household items such as blankets and cooking ware. I was unable to work for three months because of the flood. BRAC helped me restart my enterprise by extending new loans.”

As word spread that BRAC was disbursing new loans, there was a surge of new membership applications from flood-affected community members who were previously not members of BRAC.

For BRAC in Pakistan, 2010 was defined by the resilience our members demonstrated in rebuilding their lives after the flood, as well as the dedication shown by our staff during this difficult time. The goodwill generated from BRAC's flood response efforts has motivated greater interest from people who have not heard of BRAC before but are keen to become members. The stage is set for BRAC to further scale up its work in the country to multiply its impact.

ACHIEVEMENTS 2010

104,097 members in 6,164 village organisations

USD 26,605,065 disbursed to date, with an average loan size of \$173

USD 1.3 million dedicated funding for new loans to BRAC members whose livelihoods were affected by the flood



Nasra and Shakina are working together to create a beautiful bridal dress. They have been running a bridal boutique business in Alandisura, Multan with the support of loans from BRAC.

Programme Description

It is estimated that more than half of Pakistan's microfinance market remains untapped. A large number of the poor have little to no experience in dealing with banks and other financial institutions. Therefore there is a great need for BRAC's microfinance multiplied approach to poverty alleviation in Pakistan. Our microfinance programme aims to strengthen the income base of poor women by providing easy access to credit which in turn enables them to start and expand income generating enterprises.

Our policy in Pakistan is to encourage investments by poor women in productive activities. The main focus is on women borrowers because they play a pivotal role within both family and community financial networks. Investing in these women results in significant social and economic benefits for their entire families and also adds to their independence and empowerment.

Microloans

At the core of the programme are microloans, which are exclusively for women participating in the Village organisations (VOs). We target poor but economically active women who are within the bottom 50% of the national poverty line. Our credit officers are responsible for identifying clients and forming VO groups from among

the women in their target area. Some guidelines for membership include:

- Only women aged between 18-55 years
- Special emphasis on female-headed households and widows
- Must not be a member of any other microfinance organisation
- VO size: 15-30 members (3-6 in the sub-groups)

We have created a standard microloan product based on women's financial capacity, specifically designed to assist poor women in undertaking income and employment generating activities.

Key Features of Microloans:

- Loan Range: USD 100 - 600
- Loan Security Deposit: 10% of the sanctioned amount (refundable after repayment)
- Repayment Mechanism: Payable weekly in 24 or 48 equal instalments
- No collateral is required
- After four group meetings the loan disbursement starts taking place



After the flood, Faiza Mai took a second loan from BRAC to buy new stock and restart her general store.

Most Popular Loan Uses

- Retailing - grocery and clothing stores
- Yoghurt making
- Tailoring/embroidery
- Clothes trading
- Cosmetics
- Fattening cattle
- Meat preparation
- Nurseries
- Running confectionary and sweet shops
- Poultry and livestock rearing
- Running beauty parlours
- Making artificial flowers
- Jewellery making

Flood Response

The support of our partners enabled our microfinance operations to withstand the impact of the flood and, more importantly, extend further support to our flood-affected members to rehabilitate their livelihoods. This has been a critical component of the overall rehabilitation effort, especially considering that BRAC members are often the primary wage earners supporting large families.

With 23 out of 94 branches flooded, nearly one-quarter of our members were affected by the disaster. As part of its post-flood livelihood recovery efforts, in the fall of 2010, BRAC began issuing new loans to flood-affected VO members who lost their enterprises. Repayments from flood-affected members on microloans that were outstanding pre-flood were paused; credit officers (COs) resumed collection only after determining, following careful case-by-case examination, that the member was on sound footing with regard to their enterprise in order to be able to restart repayments.

Small Enterprise Programme

In 2011, BRAC is expected to expand its microfinance activities in Pakistan by introducing the Small Enterprise Programme (SEP). Similar to the SEP programme that BRAC operates in other countries, the SEP loans in Pakistan will be larger in size (about USD 1,000 or higher) and both men and women will be eligible. The introduction of this new product is intended to augment BRAC impact on generating greater livelihood development via microfinance.

Education



Afsana Hossaini (3), a BRAC pre-primary school student in Bera, Nowshera, performs a drama as a part of her daily school activities.

Programme Highlights

“The main asset of BRAC's education programme is the creation of a friendly environment between teachers and students in our schools”

Abdur Razzaque, *BRAC's education manager in Lasbela*

The BRAC pre-primary schools in Haripur, Khyber-Pakhtunkhwa province, are in their second year of operations, made possible by a grant from BRAC USA. Similar to last year, the number of schools are at 20, but after consultation with the government, 12 schools were moved to locations that had greater need. “Even in areas where some people resisted the idea of girls going to school, we told them ‘look at our work first’” The demonstration effect is persuasive. “Now they say, ‘Open more schools anywhere here, we will help you’.” BRAC has become a part of the family,” says Abdul Gaffar, BRAC's education manager in Pakistan.

One such school is in Bhakka Purana. Some of the children come from the nearby camp for Afghan refugees. The power supply is unstable and the space was bare when it was first rented for starting a school. “I wanted to make a very artistic learning environment,” says Bushra, one of the two programme organisers that manages the school. Now the space abounds with clay figurines, learning-aids for math, Urdu, and English on the walls, and other artwork, all hand-made. Even the childrens' pencil cases were made by hand from empty soda bottles.

Haripur native Shazia, who is in her second year as a BRAC education programme organiser, is largely responsible for the management of the 20-school programme. Haripur was spared the brunt of the flood devastation that affected the rest of the province. “But the heavy rains in August made it difficult for kids to come to school”, says Shazia, “several schools had to be closed temporarily while attendance at other schools decreased; I worked with the teachers to modify the lesson plan so that no child fell behind”.

As part of her job as programme organiser, Shazia also monitors the progress of the 600-plus children who graduated from BRAC's pre-primary programme last school year, and are now enrolled at government primary schools. She checks on them at least twice a month. “Their attendance is good. Now I have teachers from the government schools asking me to send the BRAC pre-primary students to their schools next year,” says Shazia. BRAC is looking to further leverage its two years of experience with pre-primary schools in Haripur to expand further. In 2011, BRAC is expecting to open 120 pre-primary schools in the Khyber-Pakhtunkhwa province with large funding from a partner outside Pakistan. In

anticipation of the funding, surveying of school locations have begun with a series of community meetings.

Last summer, with funding from Pakistan Poverty Alleviation Fund, BRAC also started 5 primary schools in Lasbela, Balochistan, as part of its Target the Ultra Poor (TUP) programme. With an overall literacy rate below 25%, and female literacy even lower, it is the most difficult region BRAC has entered in Pakistan to date. Tribe elders were slow to trust schools run by “outsiders” due to past experiences and the women initially refused to meet with BRAC staff. After several months of meetings with community members and conducting door-to-door surveys, BRAC was successful in earning the community members' trust. Now the entire BRAC education establishment – the 5 schools and their teachers as well as BRAC staff – are wholly embraced by the communities. “The tribe members are highly appreciative of BRAC. Now it is easy to instantly mobilise for meetings, with both women and men present”, says education manager of Lasbela, Abdur Razzaque, “Our emphasis on engaging mothers is paying off, as mothers have a strong influence on children's upbringing.”

A total of 169 students are currently enrolled, with about 30~35 students per school. The children are mainly from families who are members of BRAC's TUP programme. The schools follow the curriculum set by the Balochistan Province's education board, but utilises the interactive and fun style of teaching seen in BRAC schools everywhere.

With school becoming a core part of their lives, the children are taking lessons learned in the classrooms - discipline, punctuality, hygiene. etc, to their homes. In less than two years, BRAC has already made a significant progress in education in some of the most challenging areas of Pakistan.

ACHIEVEMENTS 2010

5 primary schools opened in the ultra poor programme areas, with 169 students

20 pre-primary schools with a total of 609 students and 601 graduates mainstreamed



A typical BRAC pre-primary school classroom in Bhakka Purana of Nowshera district of Khyber Pakhtunkhwa province.

Programme Description

In Pakistan, about a third of the population lives below the national poverty line and nearly 40% is under 14 years of age. The literacy rate is less than 45%. Given this backdrop, BRAC's education intervention in Pakistan aims to (1) increase girls' enrolment in education as a means for Pakistan to achieve the Millennium Development Goals (MDGs) of Universal Primary Education and Gender Parity by 2015 and (2) contribute towards reducing poverty and improving the quality of life of marginalised citizens.

Our education programme in Pakistan is still in its early stages. So far, BRAC has successfully launched a pilot pre-primary programme, operating 20 schools in the Haripur district of NWFP, run by local female staff who work with a programme manager. Pre-primary education can help teachers motivate children to stay in school and parents to send their children to school. Furthermore, pre-primary schools that particularly target girls can help ensure their continued participation in primary school, promoting greater gender equality in education. This type of intervention is consistent with the recent emphasis of the Government of Pakistan on Early Childhood Care and Education.

BRAC has extensive experience in pre-primary schooling as it operates nearly 12,000 pre-schools in Bangladesh which enrol around 330,000 children, 61% of whom are

girls. BRAC's experience in Bangladesh illustrates that children completing pre-school education do better in primary school, both academically and otherwise. They are more regular in school attendance and tests, proactive in classroom work and co-curricular activities and demonstrate better hygiene.

BRAC's education programme in Pakistan is a synthesis of our international experience and local needs. The programme seeks to achieve success in Pakistan by providing pre-school education to the most vulnerable children, building their skills and confidence levels and motivating them to continue their education through the formal school system. One of the distinctive features of BRAC's approach is its involvement of a wide range of stakeholders including community members, local government officials and provincial and central education officials.

Key Features of BRAC Pre-Primary Schools:

- Flexible school timings
- Proximity to students' homes
- Small class sizes managed by local female teachers
- Child-friendly teaching and learning environment
- Innovative curricula



Phoolnihar (6), a differently-able student attending a BRAC pre-primary school in Haripur, Nowshera, is an active participant in class activities.

- No costs to parents
- Close involvement of parents and communities in school management
- Close monitoring and supervision of programme

Children who graduate from BRAC's pre-primary programme are expected to enrol in government-run primary schools. We expect these children to have a head-start over their peers when they start primary level education. It is also expected that the children involved in the programme will carry the knowledge and skills they learn for the rest of their lives. As part of our research and evaluation efforts, we will monitor the progress of these students through the course of their primary education. The specific long-term objectives of our education programme are to:

- Provide good quality, cost effective education to non-enrolled girls
- Create employment opportunities for local women as teachers and programme staff
- Help change mind sets by emphasising the need for female education and ensuring effective participation of parents and community members in the programme

In 2010, we also started 5 primary schools in Lasbela, Balochistan, as part of our Target the Ultra Poor (TUP) programme.

With initial pilots showing strong promise, in five years we plan to expand our education programme to 1,000 pre-primary schools and 1,000 primary schools. The programme will be run primarily in the provinces of NWFP and Balochistan, catering particularly to girls who come from poor families, are excluded by the mainstream system and suffer from discrimination at multiple levels.

BRAC hopes to provide access to cost effective, quality pre-primary education to children between the ages of four and six, and primary education particularly to girls between the ages of seven and 12 years. The main challenges of such an initiative will be to create access with a high retention rate, employing and developing the capacity of locally recruited female teachers, overcoming traditional barriers, gaining community trust and ownership and maintaining tight quality-control.

Health



Ghazala, a BRAC community health promoter, discusses health care issues with women of Midhali village in Sahiwal during a weekly health forum.

Programme Highlights

"I don't have any privacy at home, but I don't mind. Patients find us very accessible. I am seeing that people are becoming more aware. They come to us first when they notice problems. My selling medicine is a big benefit to the community because the dispensary is too far from here"

Ghazala, a BRAC community health promoter in Sahiwal, Punjab

Since 2009, BRAC has been running its health programme in several districts in Pakistan, including Nowshera in Khyber-Pakhtunkhwa province, which was one of the hardest hit by the 2010 flood.

From August to October, BRAC put regular health programmes activities on hold in Nowshera and dedicated itself to the flood response effort. Staff and resources were mobilised to set up emergency health camps, especially in areas where no other support was available. Six health camps were set up which together treated around 40,000 patients over a 2-month period, for conditions such as diarrhoea, jaundice, malaria, skin infections and physical injuries. "Each health camp was staffed by one doctor, one paramedic and several other BRAC staff. During peak periods, we treated over 100 patients a day", says Saber Gul, the regional health coordinator for BRAC in Nowshera.

BRAC's community health promoters (CHPs), who have established a high level of visibility and trust in the communities where they work, were essential in the effective distribution of emergency health commodities such as water purification tablets, oral rehydration salts, mosquito nets, bottles of clean water, etc. Health education was carried out simultaneously in order to prevent disease outbreaks that tend to occur after large scale natural disasters.

When regular programme activities resumed in late October, many community members expressed interest in joining BRAC's health programme. "There is a big difference between what I know now and what I used to know before I became a community health promoter", says Sadia, who used to be a cook, "I cover 150 families, visiting 6 to 7 households a day. For pregnant women, I know what specific things I need to educate them on for each trimester".

"BRAC health promoters are paid incentives for encouraging hospital deliveries to pregnant women, as opposed to home deliveries by traditional birth attendants (TBAs) which are the norm in many parts of Pakistan", says "The incentive component is important," add Muhammad Zubair, BRAC's health programme manager in Pakistan, "they also receive incentives for identifying TB cases in their communities and referring them to clinics".

In areas such as central Punjab, which were fortunately unaffected by the flood, regular health programme activities, such as community health forums, continued as usual. "In the cold season, our health promoters focused on relevant issues such as pneumonia at the community health forums", says Muhammad Luqman, BRAC's health coordinator in Sahiwal. In response to the dengue outbreak, the health programme arranged numerous public awareness activities, such as seminars and rallies, in Punjab, which received extensive coverage in the national press. The programme has also started sending CHPs to the weekly meetings of microfinance VOs to discuss health issues.

Building on the experience gained in providing health services in Pakistan since 2009, BRAC launched its health programme in Lasbela district of Balochistan in mid 2010, with funding from the Pakistan Poverty Alleviation Fund (PPAF). The programme in Lasbela runs in the communities where BRAC operates its Targeting the Ultra Poor (TUP) intervention.

Water and sanitation issues are critical in the region. Many people have to travel 3 or more kilometres to collect water and children are frequently absent from school due to fever or diarrhoea. Alongside the regular community mobilisation and education activities, BRAC has added a health and hygiene component to the curricula of BRAC schools in the region and set up its own clinics.

Even though still in its infancy, the programme is already being called on to handle difficult cases. Wazedul Islam Pahlowan, BRAC's health programme manager in Lasbela, recalls one such situation: "The office got a call to help a pregnant woman who was suffering from profuse bleeding. The nearest hospital is quite far away, but we arranged to take her there and also worked with her village community to collect blood and raise money for her hospital bills.

ACHIEVEMENTS 2010

10,570 community health forum meetings held to date, with 126,840 participants

9,145 health services provided to date, including referral of 5,023 malaria cases



Farhanda Naveed, a BRAC health worker, checks the blood pressure of a pregnant woman during her daily door-to-door visits to households in her community.

Programme Description

BRAC launched its health programme in Pakistan in August 2009, with services in Punjab's Sahiwal and Pakpattan districts, followed by Nowshera district in North West Frontier Province. The programme started with awareness building on the programme itself and its intentions and objectives. This was followed by the recruitment of community health workers and volunteers who then began conducting door-to-door surveys to further orient households in the area about the programme.

Poor people from remote locations are often unable to access health services and also lack awareness about basic health needs. The level of progress towards the Millennium Development Goals (MDGs) to reduce child mortality and improve maternal health is worst in the remotest districts of Pakistan. BRAC's health programme in Pakistan has been developed to demonstrate BRAC's commitment to support the Government of Pakistan to achieve the MDGs. The project draws on BRAC's rich experiences in Bangladesh and Afghanistan to reach poor members of society with an essential package of health services, which is consistent with the government-designed health care service package.

BRAC's health programme aims to reach poor households to provide first-line treatment, health education, primary

health care, as well as services for maternal and child health and ante and post-natal care. Our experiences in Afghanistan and Bangladesh show that information and education services delivered by community health workers (CHWs) and community health promoters (CHPs) have immense potential to improve the health of the poor.

It is rare for health practitioners to knock on doors of people who are at the bottom 50% of the population, therefore, BRAC's CHWs can act as a bridge and facilitator between people in the community and registered medical practitioners. Each CHW supervises 10 CHPs. Each CHP covers a cluster of 150 households, visiting 8 to 10 households a day. The health programme in Sahiwal is run by a Regional Health Coordinator, under the supervision of a locally hired project manager.

To immediately engage the community with the health programme, BRAC commenced a course of immunisations, targeting 100% of children under five, as well as antenatal check-ups for all pregnant mothers in the area of coverage. BRAC's CHPs and CHWs have been effective in educating people in Sahiwal about malaria, polio and diarrhoea through home visits and health forums.



Farhanaz, a BRAC health worker, provides essential medicines to members of her community in Kalan village of Nowshera district.

Main Objectives of the Health Programme

- Provide equitable and accessible health services for all children, women and men, the poor and ultra poor
- Reduce the vulnerability of the poor and ultra poor to common diseases
- Intensify existing efforts to reduce maternal and child mortality and morbidity
- Mobilise women for education and dissemination of health information
- Strengthen national policy of community based tuberculosis, malaria, and HIV control and treatment
- Collaborate with the government to implement national programmes on immunisation, sanitation and other health matters

In the medium-term, BRAC plans to increase the number of CHPs nationwide, staff each BRAC health programme branch office with a medical officer, conduct extensive training for traditional birth attendants and start a TB control programme.

The expected outputs and benefits that BRAC seeks to achieve include:

- The targeted communities will have widespread equitable access to quality health services
- Continuous health education will bring change in behaviour and false traditional practices in rural areas
- Overall health status of the poor, particularly women and children, be improved
- Improved health status of the community will bring about sustained economic development
- Interventions will complement and catalyse uptake of existing programmes by the Government of Pakistan and other organisations

Targeting the ultra poor



BRAC's TUP programme has started working in Lasbela district, providing intensive support to extreme poor families, especially those headed by women.

Programme Highlights

“People in Lasbela were growing tired of watching many NGOs come and go. Many in the region didn’t believe in women working. But BRAC is actually delivering results so now there is a great acceptance of our programmes”

Wazedul Islam Pahlowan, *TUP programme manager for BRAC in Pakistan*

In 2010, BRAC started its Targeting the Ultra Poor (TUP) programme in the Lasbela district of Balochistan province, with support from the Pakistan Poverty Alleviation Fund (PPAF). The programme is based on the highly successful model developed by BRAC in Bangladesh to address extreme poverty. The TUP support package includes asset transfer, enterprise development training, continuous assistance and eventual graduation into mainstream development interventions such as microfinance.

Over half the population of Lasbela is poor, more than a third of whom fall within the extreme poor category. The population density is low and land area is 70% desert, with few paved roads and no village-level markets. Many people have to travel 6-7 kilometres for water. The region is particularly difficult for operations due to its geography as well as its highly conservative social structure.

BRAC began implementing the TUP programme in Lasbela in mid-2010, with a target group of 1,500 women who qualified in the ultra-poor survey. Eligibility was assessed based on several indicators, including level and source of income and assets. For example, a landless household which depended on begging as a primary income source and whose children did not attend school would be considered eligible for the programme.

Each of the 1,500 women selected for the programme chose from one of the following asset packages and related enterprise development training: (a) 1 cow and 10 poultry birds, (b) 1 cow and 2 goats, (c) 4 goats and 10 poultry birds, (d) 4 sheep and 10 poultry birds, (e) 2 goats and vegetable cultivation or (f) non-farm activities. The combination of assets is aimed at providing the families with multiple sources of income, covering both long and short terms. For example, produce like eggs and milk can generate short-term income while livestock and poultry fattening is an income source that will pay off later. Clients make their selection based on discussions with BRAC programme organisers (POs), who conducted feasibility analysis to determine whether the family would be able to carry out the work needed to manage the particularly type of asset.

Assets are transferred to the clients after 4-6 days of training for their selected enterprise. At the time of transfer, ownership of the asset is explicitly established to be the woman's and not her husband's through verbal acknowledgement by the husband in front witnesses.

After the asset transfer, the types of assistance delivered by the POs differ from client to client. Some clients may need to refit their homes with a cow shed or poultry cage. All who received poultry or livestock receive feed and deworming and vaccine services from BRAC to preserve their asset's productive value.

To ensure the security of the assets transferred, a Village Poverty Reduction Committee (or GGMC/Gaonki Goribanki Madad Korneki Committee) was formed in Lasbela in partnership with BRAC and prominent members of the community, such as tribal leaders and educators. The GGMC functions as a type of social safety net, helping the landless relocate if they get evicted by a landlord, rebuild or find new homes in case of natural disasters or fire, etc.

Afia Khatun is one of BRAC's TUP clients in Lasbela. A victim of child-trafficking, Afia was forced to marry an elderly man when she was just 12 years old. Following the death of her husband, she was thrown out of his home by his family and left with only a small piece of land. She resorted to begging to survive. When BRAC started the TUP programme in Lasbela, Afia was approached by a PO and eventually selected to join. “Now I am the owner of one cow and two goats”, she says, “the GGMC has built shelters for my livestock and for me and my children. After a long struggle, I finally consider myself happy.”

The GGMC was particularly helpful for TUP clients Amna Aslam, Noor Bibi Ramzan and Shehnaz Saleem. One morning, their children took their three cows to the nearest mountain for grazing. It was very hot that day so the children came home to drink water, leaving the cows behind but only to find on their return that the cows were gone. After many unsuccessful attempts by the GGMC to locate the cows, they managed to raise money from the community to replace the lost livestock.

ACHIEVEMENTS 2010

1,500 clients selected and provided enterprise development training

1,340 of the clients provided asset transfers

Flood relief and rehabilitation



Usman and other villagers use the hand pump installed by BRAC after the flood to ensure a steady supply of safe drinking water for the Pirsabagh village of Khyber Pakhtunkhwa.

2010 FLOOD REPORT

It is being called the worst disaster of the decade by some; the destruction caused by the massive floods that hit Pakistan surpasses even that of the 2005 earthquake. The official death toll is around 2,000 and the number injured stands just under 2,100. About a fifth of the country was underwater and approximately 20 million people are thought to have been affected by the floods, many of whom lost crops, livestock and other assets. The number of houses completely destroyed or damaged across all four provinces number in the millions.

BRAC launched emergency flood relief efforts on August 2nd, 2010, sending out a field team to survey the affected areas, analyse the magnitude of destruction and finalise sites for health camps and food distribution. The main components of the relief programme included distribution of food and non-food items, health camps while rehabilitation efforts included the sinking of tube-wells for permanent access to clean drinking water and financial support for house repair and reconstruction.

The floods affected 25% of BRAC's microfinance clients and 23 of its 94 branch offices. In the affected regions, regular activities were halted and staff and other resources deployed for relief and rehabilitation efforts, under the supervision of the regional manager of relief efforts. The main regions where relief work was taking place included Nowshera and its surrounding towns (Pabbi and Akora Khattak), Charsadda and affected suburbs of Peshawar. BRAC also launched relief efforts further south, in Punjab (Multan and Muzaffargarh districts), Sindh (District Sukkur and Hyderabad) and Balochistan (Districts Jaffarabad and Naseerabad).

BRAC'S STRATEGY

BRAC's immediate response strategy focused on emergency relief, as per the needs of the population assessed by staff. From its many years of experience in responding to natural disasters in Bangladesh and beyond, BRAC understands that immediate relief is not a sustainable answer to the problems faced by disaster-affected populations. They need to repair and reconstruct their homes and communities and find a source of steady income to compensate for loss of livelihoods through damaged or destroyed crops and livestock. Therefore, as the flood water receded and people start returning to their homes, BRAC strategy shifted to rehabilitation activities - the rebuilding of homes, livelihoods and communities.

For its relief programme, BRAC established base offices at main hubs in all four provinces: Peshawar in Khyber Pakhtunkhwa, Sukkur in Sindh, Quetta in Balochistan and Multan in Punjab. Designated key staff members as well as recruited local staff and volunteers carried out relief operations at the grass roots level. They conducted the initial needs assessments at the village level and distributed relief materials to the affected families.

RELIEF EFFORTS

Food and water

BRAC distributed 13,232 food packets consisting of flour, pulses and oral rehydration solution (ORS) packets. We also distributed 6,232 six-litre mineral water bottles. As the flood damages spread across Punjab, Sindh and Balochistan, our immediate response included the disbursement of around 90,000 cooked food packets. BRAC also distributed 10,000 dry ration packets in Pabbi and Amargarh, Nowshera, in partnership with PPAF.

Non-food items

Aside from food, flood affected families were in urgent need of non-food items. After initial assessment by the relief teams, BRAC distributed 6,484 straw mats and 2,000 mosquito nets to prevent the spread of malaria. BRAC also distributed anti-bacterial soap to 10,000 households, in association with UNICEF, in Jacobabad.

Health

Four medical camps had been set up, as well as two mobile health camps, which together treated over 40,000 patients. The medical teams provided ORS for treatment for diarrhoea, ointments for skin infections and cough, cold and flu medication. Patients were also provided water purification tablets and counseled on the benefits of clean drinking water and hygiene. Around 200 bottles of mineral water were distributed by the medical teams. In partnership with Muslim Aid, BRAC distributed 18,000 packets of ORS and 260,000 packets of water purification tablets in Jaffarabad, Naseerabad and Jacobabad.

Education

Children were deprived of education as they were unable to get to schools. Many schools were damaged and students lost books, bags and other education materials. In response, BRAC distributed 2,016 school supplies packages consisting of school uniforms, school bags and stationary.

REHABILITATION

BRAC implemented a "cash for work" initiative for the long-term rehabilitation of survivors for 2,273 households. BRAC also installed 230 hand pumps and provided 320 needy households who previously did not own latrines or whose latrines were destroyed, with materials to construct sanitary latrines. Local community was involved in construction of the latrines.

Realising the importance for farmers to plant their wheat seeds in time for the RABI planting season, BRAC distributed 30,000 kilograms of wheat seeds to 750 farmers who were struggling to restore cultivation. Among families who had lost livestock, 342 goats and 65 cows were distributed.

Partnerships



Children of Muhib Banda village in Nowshera.

Joining hands for the same cause can result in bigger achievements for all parties involved. Collaborations are a key to expanding access and impact in the development sector, as all organisations are working for similar goals. BRAC in Pakistan has also entered into several beneficial collaborations and partnerships since its inception. At its inception, in 2007, BRAC signed a Memorandum of Understanding (MoU) with the Government of Pakistan and Ministry of Economic Affairs for working in Pakistan in the field of microfinance, health and education.

BRAC is a partner organisation of the Pakistan Poverty Alleviation Fund (PPAF). PPAF has collaborated with BRAC in its microfinance and targeting the ultra poor programmes and is one of its major donors. Recently, PPAF is also considering further collaborations with BRAC in other areas such as capacity building and social development.

For microfinance, BRAC is a member of the Pakistan Micro Finance Network (PMN), Pakistan's largest microfinance institution. Being part of PMN has enabled BRAC to network with other microfinance institutions in the country; widening the horizon for knowledge-sharing and learning from experience.

BRAC signed an MoU with the Government of North West Frontier Province (NWFP) for BRAC's education programme. The Government of Pakistan supports BRAC's education programme by providing the necessary curricula for the students and inducting the students into the government primary schools after completion of their pre-primary schooling from BRAC schools.

Partnerships with various other NGOs are also being discussed. BRAC is also negotiating further partnerships and collaborations in areas such as agriculture, social development and water, sanitation and hygiene. Various governmental organisations and NGOs have shown keen interest in working with BRAC.

BRAC's activities in Pakistan are also supported by many international partners, including Open Society Institute, Whole Planet Foundation, Silicon Valley Community Foundation, Tides Foundation, American Pakistan Foundation, Hilton Foundation, NoVo Foundation and BRAC USA.

FINANCIAL STATEMENTS

BRAC PAKISTAN

For the year ended
December 31, 2010



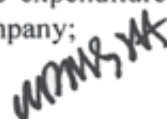
Auditors' Report to the Members of BRAC Pakistan

We have audited the annexed balance sheet of BRAC Pakistan ("the Company") as at 31 December 2010 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as indicated in note 2.6 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the deficit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Financial statements of the Company as of and for the year ended 31 December 2009 were audited by another auditor whose report dated 9 May 2010 expressed an unqualified opinion on those financial statements.

Date: 07 April 2011
ISLAMABAD


KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Audit Engagement Partner
Muhammad Rehan Chughtai 

BRAC PAKISTAN
BALANCE SHEET
As at 31 December 2010

		2010		2009	
	Note	Rupees	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)
NON-CURRENT ASSETS					
Property and equipment	4	29,074,408	346,537	14,673,043	174,470
CURRENT ASSETS					
Inventories		671,314	8,001	-	-
Microcredit					
receivables, secured - net	5	670,137,916	7,987,342	349,330,488	4,153,751
Advances	6	585,988	6,985	759,249	9,028
Deposits and prepayments	7	5,423,910	64,647	4,727,839	56,217
Interest accrued	8	2,820,665	33,620	2,286,120	27,183
Other receivables	9	-	-	15,924,827	189,356
Tax deducted at source		1,745,231	20,801	1,007,917	11,985
Cash and bank balances	10	421,357,799	5,022,144	470,914,470	5,599,459
Total current assets		1,102,742,823	13,143,540	844,950,910	10,046,978
TOTAL ASSETS		1,131,817,231	13,490,077	859,623,953	10,221,448
RESERVES AND LIABILITIES					
FUNDS AND RESERVES					
Accumulated deficit		(140,454,325)	(1,774,736)	(54,220,542)	(750,584)
Fund balance	11	170,643,000	2,033,886	-	-
Convenience translation reserve	2.5	-	93,333	-	119,428
Total funds and reserves		30,188,675	352,483	(54,220,542)	(631,156)
NON-CURRENT LIABILITIES					
Loan from Pakistan Poverty Alleviation					
Fund (PPAF) - secured	12	-	-	6,930,000	82,208
Deferred grant	13	6,543,578	80,780	2,562,637	33,459
Total non-current liabilities		6,543,578	80,780	9,492,637	115,667
CURRENT LIABILITIES					
Payable to related parties	14	97,497,122	1,162,063	114,591,974	1,359,335
Accrued and other liabilities	15	7,836,273	93,403	8,329,226	98,860
Restricted grant	16	65,488,774	785,104	87,345,624	1,045,229
Interest accrued on loan from PPAF		21,882,052	260,811	13,923,829	165,170
Current portion of					
loan from PPAF- secured	12	782,084,800	9,321,631	617,932,950	7,330,165
Security against					
microcredit receivables, secured	17	120,295,957	1,433,802	62,228,254	738,177
Total current liabilities		1,095,084,978	13,056,814	904,351,857	10,736,936
TOTAL EQUITY AND LIABILITIES		1,131,817,231	13,490,077	859,623,953	10,221,448
Contingencies and commitments	18				

The annexed notes are an integral part of these financial statements.


Chief Executive Officer


Director Finance


Director

Wahid

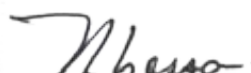
BRAC PAKISTAN
INCOME AND EXPENDITURE STATEMENT
For the year ended 31 December 2010

Note	2010		2009	
	Rupees	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)
INCOME				
Interest income on				
microcredit receivables	208,208,346	2,472,783	106,317,047	1,299,402
Amortization of restricted grant	16 115,372,550	1,370,223	18,242,245	223,847
Amortization of deferred grant	13 1,972,634	23,428	190,331	2,335
Admission fee from group members	2,860,792	33,976	1,276,975	15,607
Income from the sale of passbooks	960,306	11,405	239,339	2,925
Interest income on bank deposits	9,692,845	115,117	4,633,082	56,625
Other income	1,203,455	14,293	1,066,966	13,040
	340,270,928	4,041,225	131,965,985	1,613,781
EXPENDITURE				
Administrative and				
program expenses	19 (321,319,100)	(3,816,142)	(125,091,402)	(1,529,294)
Provision against				
microcredit receivables	(26,289,028)	(312,221)	(12,615,700)	(154,362)
Exchange gain / (loss)	1,737,984	20,641	(6,169,978)	(75,409)
Financial charges	20 (80,634,567)	(957,655)	(30,927,582)	(378,132)
Deficit of income over expenditure for the year	(86,233,783)	(1,024,152)	(42,838,677)	(523,416)

The annexed notes are an integral part of these financial statements.


Chief Executive Officer


Director Finance

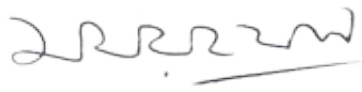

Director

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BRAC PAKISTAN
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	2010		2009	
		Rupees	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)
Loss for the year		(86,233,783)	(1,024,152)	(42,838,677)	(523,416)
Convenience translation reserve	2.5	-	(26,095)	-	12,858
Contribution from BRAC group companies	11	170,643,000	2,033,886	-	-
Total comprehensive income / (expense) for the year		84,409,217	983,639	(42,838,677)	(510,558)

The annexed notes are an integral part of these financial statements.



Chief Executive Officer



Director Finance



Director

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BRAC PAKISTAN
CASH FLOW STATEMENT
For the year ended 31 December 2010

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		2010		2009	
	Note	Rupees	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)
CASH FLOWS FROM OPERATING ACTIVITIES					
Deficit of income over expenditure for the year		(86,233,783)	(1,024,152)	(42,838,677)	(523,416)
Adjustments for:					
Depreciation	4	4,056,415	48,176	1,297,527	15,857
Provision adjusted against microcredit receivables written off	5.2	26,289,028	312,221	12,615,700	154,362
Provision adjusted interest receivable written off	5.2	(7,505,881)	(89,462)	(6,066,726)	(72,137)
Interest receivable written off	5.2	(252,765)	(3,012)	(59,619)	(709)
Income from interest on microcredits		(208,208,346)	(2,472,783)	(106,317,047)	(1,299,402)
Interest income on FDR		(9,692,845)	(115,117)	(4,633,082)	(56,625)
Gain on disposal of assets		(234,655)	(2,787)	-	-
Interest on loan from PPAF		79,858,880	948,443	30,909,822	377,778
Deficit before working capital changes		(201,923,952)	(2,398,473)	(115,092,102)	(1,404,291)
Working capital changes:					
(Increase) / decrease in current assets					
Inventories		(671,313)	(8,001)	-	-
Microcredit receivables - net		(339,337,810)	(4,054,846)	(133,948,333)	(1,404,991)
Advances		173,261	2,043	(725,049)	(8,593)
Deposits and prepayments		(696,071)	(8,430)	(2,872,303)	(32,640)
Other receivables		15,924,827	189,356	(1,155,693)	(1,692)
		(324,607,106)	(3,879,878)	(138,701,378)	(1,447,916)
(Decrease) / increase in current liabilities					
Accrued and other liabilities		(492,953)	(5,457)	6,147,945	71,214
Payable to related parties		(17,094,852)	(197,272)	18,449,896	140,804
Security deposits payable		58,067,703	695,625	25,947,336	278,342
		40,479,898	492,896	50,545,177	490,360
		(486,051,160)	(5,785,455)	(203,248,303)	(2,361,848)
Interest paid		(71,900,660)	(852,802)	(17,974,306)	(225,134)
Interest received		217,366,648	2,530,808	109,535,105	1,339,913
Taxes paid		(737,314)	(8,817)	(231,459)	(2,119)
Net cash used in operating activities		(341,322,486)	(4,116,266)	(111,918,963)	(1,249,188)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	4	(20,199,929)	(239,904)	(13,299,264)	(156,387)
Proceeds from disposal of property and equipment		1,976,805	23,477	-	-
Net cash used in investing activities		(18,223,124)	(216,427)	(13,299,264)	(156,387)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease) / increase in restricted grant		(21,856,850)	(260,126)	59,573,451	706,057
Increase in deferred grant		3,980,941	47,321	2,135,978	28,106
Contribution received from BRAC	11	170,643,000	2,033,886	-	-
Loan received from PPAF - net		157,221,849	1,909,063	449,855,700	5,194,284
Net cash generated from financing activities		309,988,940	3,730,144	511,565,129	5,928,447
Net (decrease) / increase in cash and cash equivalents		(49,556,670)	(602,549)	386,346,903	4,522,873
Cash and cash equivalent at beginning of the year		470,914,470	5,599,458	84,567,567	1,074,558
Effect of convenience translation		-	25,235	-	2,028
Cash and cash equivalent at end of the year	10	421,357,799	5,022,144	470,914,470	5,599,458

The annexed notes are an integral part of these financial statements.

Chief Executive Officer

Director Finance

Director

BRAC PAKISTAN
STATEMENT OF CHANGES IN RESERVES AND FUNDS
For the year ended 31 December 2010

Note	Accumulated deficit		Fund balance		Convenience translation reserve	Total	
	Rupees	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)	US\$ (Note 2.5)	Rupees	US\$ (Note 2.5)
Opening balance	(11,381,865)	(227,168)	-	-	106,570	(11,381,865)	(120,598)
Loss for the year	(42,838,677)	(523,416)	-	-	-	(42,838,677)	(523,416)
Effect of convenience translation	-	-	-	-	12,858	-	12,858
Total comprehensive income / (expense) for the year	(42,838,677)	(523,416)	-	-	12,858	(42,838,677)	(510,558)
As at 31 December 2009	(54,220,542)	(750,584)	-	-	119,428	(54,220,542)	(631,156)
Loss for the year	(86,233,783)	(1,024,152)	-	-	-	(86,233,783)	(1,024,152)
Effect of convenience translation	-	-	-	-	(26,095)	-	(26,095)
Contribution from BRAC group companies	-	-	170,643,000	2,033,886	-	170,643,000	2,033,886
Total comprehensive income / (expense) for the year	(86,233,783)	(1,024,152)	170,643,000	2,033,886	(26,095)	84,409,217	983,639
As at 31 December 2010	(140,454,325)	(1,774,736)	170,643,000	2,033,886	93,333	30,188,675	352,483

The annexed notes are an integral part of these financial statements.


Chief Executive Officer


Director Finance


Director

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BRAC PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1. STATUS AND OPERATIONS

1.1 Company status

BRAC Pakistan ("the Company") was registered in Pakistan on 4 February 2008 as a public company with liability limited by guarantee, under section 42 of the Companies Ordinance, 1984. The registered office of the Company is situated in Islamabad, Pakistan. Prior to its registration, the Company was operating as a branch of BRAC Bangladesh in Pakistan. Upon conversion, the net liabilities of the Pakistan Branch of BRAC International (Bangladesh) were transferred to the Company on 04 February 2008.

The principal activity of the Company is to undertake programmes associated with socio-economic development in Pakistan, particularly in the field of micro-financing, health, education and poverty alleviation.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presentation currency. Amounts presented have been rounded off to the nearest Rupees.

2.4 Significant estimates

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

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

Significant area requiring the use of management estimates in these financial statements and that may have significant affect in the future years are as follows:

2.4.1 Property and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and the impairment.

2.4.2 Provisions

The Company reviews the carrying amount of liabilities on a regular basis and appropriate amount of provision is made as and when necessary.

unaudited

2.4.3 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

2.5 Convenience translation reserve

For the purpose of convenience translation:

The exchange rate of US\$1 = PKR 83.9 is used for balance sheet items. This represents the selling rate of US Dollar at the end of the year as quoted by the main banker of the Company who is also a foreign exchange dealer authorized by the State Bank of Pakistan to conduct foreign exchange transactions.

The average conversion rate is used for the items of income and expenditure statement, cash flow statement and statement of comprehensive income. The average conversion rate is the monthly average of the selling rate as quoted by the main banker of the Company who is also a foreign exchange dealer authorized by the State Bank of Pakistan to conduct foreign exchange transactions. The difference between average and year end exchange rates is recognized in reserves as convenience translation foreign currency reserve.

Amounts presented in foreign currencies are for the purpose of convenience only and do not necessarily represent amounts at which assets and liabilities could be realised.

2.6 Change in accounting policy

2.6.1 The Company has applied revised IAS-1 "Presentation of Financial Statements" which became effective as of January 01, 2009. This change requires the Company to present in the statement of equity, all owner changes in equity whereas all other changes in equity are presented in statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 31 December 2010. Since the change in policy only impacts presentation aspects, there is no impact on Income and Expenditure statement.

2.6.2 Up to last year, the financial statements were being prepared in accordance with the accounting and financial reporting standards for Medium Size Entities (MSE). The preparation of financial statements under the approved accounting standards as applicable in Pakistan has resulted in certain increased disclosures without any impact on Income and Expenditure statement which mainly relates to disclosure requirements of IFRS 7.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Deferred grant

Grant received and utilized for capital expenditure is accounted for as deferred grant in balance sheet. An amount equal to the annual charge for depreciation on assets so acquired is recognized as income in the income and expenditure statement.

3.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is charged to income applying the straight-line basis using the rates as mentioned in note 4.

Maintenance and normal repairs are charged off as these are incurred. Major repairs are capitalised.

Gains and losses on disposal of assets are recognized in the year in which the asset is disposed off.

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3.3 Microcredit receivables

These are stated at net of provision for non-performing receivables. Non-performing loans are monitored on a regular basis and provision is recorded or receivables are written off when recovery is unlikely. Provision against loans is charged to income for the year.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

3.5 Revenue recognition

Admission fee

Revenue is recognized on receipt basis to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of pass books

Revenue from sale of pass books is recognized when the pass book is handed over to the borrower.

Grants

Grants related to income are included in income when the related conditions are fulfilled. Un-utilized portion of grant related to a specific purpose is transferred to restricted funds at the year end to match with the extent of expenditure incurred during a particular accounting year. Grants in kind are recognized on the basis of non-commercial invoices submitted by the donors. Grants for capital assets are taken to the deferred grant account. (Refer note 3.1 for details).

Interest income

Interest income on microcredit receivables is recognized on a time proportion basis using the applicable interest rate.

3.6 Foreign currency transactions

These financial statements are presented in Pak Rupees (Rupees) and US Dollars. The functional currency of the Company is Rupees. The figures in US\$ are reported for information purposes only.

Foreign currency transactions during the year are recorded in functional currency at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the initial transaction.

3.7 Taxation

A provision for current taxation has not been made in these financial statements as the Company has applied to the taxation authorities for grant of a retrospective exemption from the date of its incorporation, and management is confident of securing this exemption. The legal advisor of the Company is also of the view that the exemption will be granted to the Company in view of its status as an 'Association Not for Profit' under the Companies Ordinance, 1984.

3.8 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value and amortised cost respectively, whichever is applicable. The Company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

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Financial assets mainly comprise of microcredit receivables, accrued interest, advances, other receivables and bank balances. Significant financial liabilities are loan from PPAF, markup on loan, payable to related parties, security against microcredit receivables and accrued and other liabilities.

3.9 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recorded on judgmental basis, for which provision may differ in the future years based on the actual experience.

3.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost represents weighted average purchase cost. Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

3.11 Provisions

Provisions are recorded when the Company has a present obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of provision.

3.12 Off setting of financial instruments

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 Restricted grant

Funds received as grants for specific purposes are classified as restricted grant with separate accounting records being maintained for each and every account. Restricted grant is transferred to income to the extent of expenditures incurred out of these funds in a particular accounting year.

3.14 Borrowing costs

Markup, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other markup, interest and related charges are charged to the income and expenditure statement.

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

3.16 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

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- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.

- **IAS 24 Related Party Disclosures (revised 2009)** – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- **Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction** (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

- **Improvements to IFRSs 2010** – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

- **Amendments to IAS 12** – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

- **Amendments to IFRS 7 - Disclosures** – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.

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4. PROPERTY AND EQUIPMENT

	Motor vehicles	Furniture and fixtures	Office equipment Rupees	Computer equipment	Total
Cost					
Balance as at 1 January 2009	478,230	1,527,954	405,948	918,515	3,330,647
Additions during the year	5,186,193	4,397,514	2,472,140	1,243,417	13,299,264
Balance as at 31 December 2009	5,664,423	5,925,468	2,878,088	2,161,932	16,629,911
Balance as at 1 January 2010	5,664,423	5,925,468	2,878,088	2,161,932	16,629,911
Additions during the year	12,419,762	1,829,335	1,761,063	4,189,769	20,199,929
Disposal during the year	(2,365,950)	(2,650)	(43,300)	-	(2,411,900)
Balance as at 31 December 2010	15,718,235	7,752,153	4,595,851	6,351,701	34,417,940
Depreciation					
Balance as at 1 January 2009	68,112	210,508	153,177	227,544	659,341
Depreciation charge for the year	668,997	368,854	119,504	140,172	1,297,527
Balance as at 31 December 2009	737,109	579,362	272,681	367,716	1,956,868
Balance as at 1 January 2010	737,109	579,362	272,681	367,716	1,956,868
Charge for the year	1,815,117	773,964	714,933	752,401	4,056,415
Disposal during the year	(629,606)	(1,775)	(38,370)	-	(669,751)
Balance as at 31 December 2010	1,922,620	1,351,551	949,244	1,120,117	5,343,532
Written down value					
31 December 2010 - Rupees	13,795,615	6,400,602	3,646,607	5,231,584	29,074,408
31 December 2010 - US\$	164,429	76,289	43,464	62,355	346,537
31 December 2009 - Rupees	4,927,314	5,346,106	2,605,407	1,794,216	14,673,043
31 December 2009 - US\$	58,589	63,568	30,979	21,334	174,470
Rates of depreciation %	20	10	15	15	

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	Note	2010		2009	
		Rupees	US\$	Rupees	US\$
5. MICROCREDIT RECEIVABLES, SECURED - NET					
Microcredit receivables:					
- considered good		670,137,916	7,987,341	349,330,488	4,153,751
- considered bad		32,383,097	385,974	13,852,715	164,717
	5.1	702,521,013	8,373,315	363,183,203	4,318,468
Provision	5.2	(32,383,097)	(385,973)	(13,852,715)	(164,717)
		670,137,916	7,987,342	349,330,488	4,153,751
5.1 Movement in microcredit receivables is as follows :					
Opening balance		363,183,203	4,318,468	229,234,870	2,912,767
Disbursements made during the year	5.3	1,248,655,000	14,882,658	631,293,000	7,506,457
Recoveries made during the year		(901,811,309)	(10,748,645)	(491,277,941)	(5,841,593)
Principal written off during the year		(7,505,881)	(89,462)	(6,066,726)	(72,137)
Effect of translation difference		-	10,294	-	(187,026)
		702,521,013	8,373,313	363,183,203	4,318,468
5.2 Particulars of provision are as follows:					
Opening balance		13,852,715	164,717	7,363,360	93,325
Provisions made during the year		26,289,028	312,221	12,615,700	154,362
Provision adjusted against:					
- receivable written off		(7,505,881)	(89,462)	(6,066,726)	(72,137)
- interest receivable written off		(252,765)	(3,011)	(59,619)	(709)
Effect of translation difference		-	1,509	-	(10,124)
Closing balance		32,383,097	385,974	13,852,715	164,717
5.3 Microcredit receivables were disbursed by the Company to individuals pursuant to different financing agreements with Pakistan Poverty Alleviation Fund (PPAF) in the provinces of Punjab, Sindh and Baluchistan and Khyber Pakhtun Khwa through its own funds. These carry mark-up at the rate of 20% per annum (2009: 20% per annum) and are secured against deposits as disclosed in note 16 and through personal guarantees of local community members of the borrowers. These receivables are repayable in 48 equal weekly installments.					

	2010 - Rupees		2009 - Rupees	
	Gross	Impairment	Gross	Impairment
5.4 Age analysis of microcredit receivables				
Not yet due	663,172,759	13,263,455	345,315,329	5,924,046
Over due by: - 30 days	9,910,228	495,511	6,853,834	342,692
- 31 to 180 days	13,246,404	2,649,281	4,221,481	844,296
- 181 to 365 days	867,089	650,317	203,508	152,631
- above 365 days	15,324,533	15,324,533	6,589,051	6,589,051
	702,521,013	32,383,097	363,183,203	13,852,716

		2010 - US\$		2009 - US\$	
		Gross	Impairment	Gross	Impairment
Not yet due		7,904,323	158,086	4,105,501	70,440
Over due by: - 30 days		118,120	5,906	81,691	4,075
- 31 to 180 days		157,883	31,577	50,316	10,039
- 181 to 365 days		10,335	7,751	2,426	1,815
- above 365 days		182,652	182,652	78,535	78,348
		8,373,313	385,972	4,318,469	164,717
		2010		2009	
		Rupees	US\$	Rupees	US\$
6. ADVANCES - unsecured, considered good					
Employees		555,059	6,616	295,604	3,515
Others		30,929	369	463,645	5,513
		585,988	6,985	759,249	9,028
7. DEPOSITS AND PREPAYMENTS					
Security deposits		156,595	1,866	110,000	1,308
Prepaid rent		5,267,315	62,781	4,617,839	54,909
		5,423,910	64,647	4,727,839	56,217
8. INTEREST ACCRUED					
On microcredit receivables		2,489,012	29,666	1,057,993	12,580
Interest receivables written off		(252,765)	(3,012)	(59,619)	(709)
		2,236,247	26,654	998,374	11,871
On bank deposits		584,418	6,966	1,287,746	15,312
		2,820,665	33,620	2,286,120	27,183
9. OTHER RECEIVABLES					
This includes Rs. Nil (2009: Rs. 14,704,694) due from BRAC International (Bangladesh) on account of net assets transferred from BRAC International Pakistan Branch on 04 February 2008 on incorporation of the Company. The amount is unsecured, interest free and receivable on demand.					
		2010		2009	
Note		Rupees	US\$	Rupees	US\$
10. CASH AND BANK BALANCES					
Cash in hand					
- Local currency		4,414,703	52,619	5,791,933	68,870
- Foreign currency		82,138	979	159,559	1,897
		4,496,841	53,598	5,951,492	70,767
Cash at banks					
- Local currency - current accounts		226,146,061	2,695,424	210,948,270	2,508,303
- Investment in fixed deposits		186,165,000	2,218,892	239,300,000	2,845,422
- Foreign currency - current accounts		4,549,897	54,230	14,714,708	174,967
		416,860,958	4,968,546	464,962,978	5,528,692
		421,357,799	5,022,144	470,914,470	5,599,459

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- 10.1** These represent fixed deposits placed with a commercial bank. These carry return ranging from 9.5% to 10% (2009: 10.15% to 10.55%) per annum calculated on a daily-basis and have maximum maturity till 31 January 2011.

	2010		2009	
	Rupees	US\$	Rupees	US\$
11. FUND BALANCE				
BRAC USA	125,850,000	1,500,000	-	-
BRAC Bangladesh	44,793,000	533,886	-	-
	170,643,000	2,033,886	-	-

These represent contribution received during the year from BRAC USA for microfinance purpose and conversion of loan payable to BRAC Bangladesh pursuant to Board of Directors decision dated 15 December 2010. The fund balance will be utilised for microfinance activity and self sustainability of the Company.

	Note	2010		2009	
		Rupees	US\$	Rupees	US\$
12. LOAN FROM PAKISTAN POVERTY ALLEVIATION FUND (PPAF) - SECURED					
Opening balance		624,862,950	7,412,373	175,007,250	2,218,089
Received during the year					
PPAF Reflows	12.1	854,000,000	10,178,784	-	-
PPAF-III	12.2	55,000,000	655,542	-	-
Micro Finance Innovation and Outreach Programme (MIOP)	12.3	30,000,000	357,569	46,200,000	548,043
Micro Finance Innovation and Outreach Programme (MIOP)	12.4	10,000,000	119,190		
PHASE-II		-	-	620,000,000	7,354,686
PHASE-I		-	-	59,994,000	711,673
		949,000,000	11,311,085	726,194,000	8,614,402
Repayments made during the year		(791,778,150)	(9,437,165)	276,338,300	(3,278,034)
Effect of translation difference		-	35,338	-	(142,084)
		782,084,800	9,321,631	624,862,950	7,412,373
Less: Current portion shown under current liabilities		782,084,800	9,321,631	617,932,950	7,330,165
Long term portion		-	-	6,930,000	82,208

- 12.1** During the year, the Company has entered into Financing Agreements (the Agreements) with the Pakistan Poverty Alleviation Fund (PPAF). The Agreements are for a period from October 2010 to September 2011 amounting to Rs 700,000,000 and from January 2010 to December 2010 amounting to Rs 750,000,000 respectively. The Agreements are aimed at the alleviation of poverty through credit and enterprise development. As at 31 December 2010, the Company has received Rs. 854,000,000, under these two agreements. These loans are solely for providing microcredit to the borrowers. These financing carry fixed interests of 13.71% p.a and 12.7 % p.a respectively. The principal and interest thereon are repayable on a quarterly basis. These financing are secured against assignment of rights over a portfolio of the Company's loans upto an amount received by the Company under the Agreement, a demand promissory note and a first charge on all assets / capital items created out of the Agreements.

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- 12.2** During the year, the Company has entered into Financing Agreements (the Agreements) with Pakistan Poverty Alleviation Fund (PPAF). The Agreements are for a period from January 2010 to December 2010 amounting to Rs. 50,000,000 and from October 2010 to September 2011 amounting to Rs. 50,000,000 respectively. The Agreements are aimed at the alleviation of poverty through credit and enterprise development. As at 31 December 2010, the Company has received Rs.55,000,000 under the Agreements. These loan are solely for providing microcredit to the borrowers. These financing carry fixed interests of 12.7% p.a and 13.71 % p.a respectively. The principal and interest thereon are repayable on a quarterly basis. These financing are secured against assignment of rights over a portfolio of the Company's loans upto an amount received by the Company under the Agreement, a demand promissory note and a first charge on all assets / capital items created out of the Agreements.
- 12.3** The Company entered into a Financing Agreement (the Agreement) under Micro Finance Innovation and Outreach Programme (MIOP) for Baluchistan in August 2009. According to the Agreement, PPAF committed to provide a loan of Rs. 180,000,000 over a period of one year. Out of the total facility, the Company has received Rs. 30,000,000 during the year. The financing carries a fixed interest of 11.72% p.a. This facility was cancelled during the year, however, the principal and interest thereon in respect of credit financing by the Company are repayable on a quarterly basis. The financing is secured against assignment of rights over a portfolio of the Company's loans upto an amount received by the Company under the Agreement, a demand promissory note and a first charge on all assets / capital items created out of the Agreements.
- 12.4** During the year, the Company entered into a new agreement with PPAF for a period from October 2010 to September 2011. According to the terms of new agreement, PPAF will provide a total amount of Rs 100,000,000 for a period of one year, out of this, an amount of Rs. 10,000,000 has been received during the year which is in addition to Rs. 30,000,000 already received during the year against the previous agreement. This carries fixed interest of 13.71% p.a. The loan is solely for providing microcredit to the borrowers. The principal and interest thereon in respect of credit financing by the Company are repayable on a quarterly basis. The financing is secured against assignment of rights over a portfolio of the Company's loans upto an amount received by the Company under the Agreement, a demand promissory note and a first charge on all assets / capital items created out of the Agreements.

		2010		2009	
		Rupees	US\$	Rupees	US\$
13. DEFERRED CAPITAL GRANT					
Opening balance		2,562,636	33,459	426,659	5,353
Value of fixed assets transferred from restricted grant		5,953,576	70,749	2,326,309	30,441
Depreciation charge recognized as income		(1,972,634)	(23,428)	(190,331)	(2,335)
		6,543,578	80,780	2,562,637	33,459
14. PAYABLE TO RELATED PARTIES					
BRAC Bangladesh - Head office	14.1	97,497,122	1,162,063	25,107,523	297,835
BRAC Afghanistan		-	-	89,484,451	1,061,500
		97,497,122	1,162,063	114,591,974	1,359,335

- 14.1** This represents amount payable to BRAC Bangladesh on account of expenditure incurred on behalf of the Company, loan obtained and head office logistic expense / management fee. This amount is unsecured, interest free and payable on demand.

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		2010		2009	
		PKR	US\$	PKR	US\$
15. ACCRUED AND OTHER LIABILITIES					
Salaries payable		5,629,529	67,098	5,346,842	63,462
Others		2,206,744	26,305	2,982,384	35,398
		7,836,273	93,403	8,329,226	98,860
16. RESTRICTED GRANT					
Opening balance		87,345,624	1,045,229	26,770,968	327,500
Received during the year	16.1	127,241,449	1,511,862	81,143,209	970,300
Unutilised amount refunded to Oxfam Novib	16.2	(27,772,173)	(331,015)	-	-
Utilized during the year against					
- capital expenditure	16.4	(5,953,576)	(70,749)	(2,326,308)	(28,724)
- operating expenditure	16.5	(115,372,550)	(1,370,223)	(18,242,245)	(223,847)
		(121,326,126)	(1,440,972)	(20,568,553)	(252,571)
Closing balance	16.3	65,488,774	785,104	87,345,624	1,045,229
16.1 Following grants were received during the year:					
PPAF (for operating expenditure of microfinance)					
Phase -II		-	-	51,241,780	607,850
MIOP		8,226,900	98,056	17,106,780	202,927
Phase -III		4,998,750	59,580	-	-
Capacity building		2,784,472	33,188	-	-
Health Program					
BRAC USA		-	-	9,018,495	112,380
PPAF		2,818,050	33,469	-	-
Community Based School Program					
BRAC USA		4,788,760	56,874	3,776,154	47,143
PPAF		334,370	3,971	-	-
TUP-PPAF		54,639,850	648,929	-	-
Flood					
BRAC USA		37,553,926	446,009	-	-
PPAF & others		11,096,371	131,786	-	-
		127,241,449	1,511,862	81,143,209	970,300

16.2 During the year, unutilised amount under the grant agreement with Oxfam Novib in the year 2008 was refunded to the donor on expiry of the agreement.

16.3 As per terms of the grants agreements, maximum period for utilisation of grants is 31 December 2011.

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BRAC PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

	Micro Finance			Non-Micro Finance						Total		
	Oxfam Novib	PPAF capacity building	MIOP	Health		Education		TUP PPAF	Flood PPAF & others	BRAC USA	Total 2010	Total 2009
				PPAF	BRAC USA	PPAF	BRAC USA					
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17 SECURITY AGAINST MICROCREDIT RECEIVABLES, SECURED

In accordance with the microcredit policy of the Company, 10% of the amount of microcredit disbursed, is retained as a security deposit, which is repayable after recovery of the full amount of the principal and interest thereon from the borrowers.

18. CONTINGENCIES AND COMMITMENTS

As at 31 December 2010, there were no contingencies or capital commitments of the Company.

	2010		2009	
	Rupees	US\$	Rupees	US\$
19. ADMINISTRATIVE AND PROGRAM EXPENSES				
Salaries and benefits	164,244,610	1,950,649	84,455,346	1,032,209
Rent expense	17,512,502	207,987	11,190,293	136,767
Utilities	5,613,873	66,673	3,047,522	37,247
Printing and stationery	3,773,073	44,811	2,252,453	27,530
Travelling and transportation	17,251,823	204,891	10,058,855	122,940
Depreciation	4,056,415	48,176	1,297,527	15,859
Training and development	2,271,907	26,982	895,924	10,950
Group member death benefits	1,736,000	20,618	1,270,000	15,522
Maintenance and general expenses	15,416,120	183,089	6,409,390	78,765
Head office logistics and management fee	21,547,472	255,908	-	-
Program supplies	65,987,849	783,704	2,293,720	28,034
Professional charges	1,169,136	13,885	1,274,727	15,580
Audit fee	738,320	8,769	645,645	7,891
	321,319,100	3,816,142	125,091,402	1,529,294
20. FINANCIAL CHARGES				
Interest on loan from PPAF	79,858,880	948,443	30,909,822	377,915
Bank charges	775,687	9,212	17,760	217
	80,634,567	957,655	30,927,582	378,132
21. TAXATION				

A provision for current taxation has not been made in these financial statements as the Company has applied to the taxation authorities for grant of a retrospective exemption from the date of its incorporation and management is confident of securing this exemption. The legal advisor of the Company is also of the view that the exemption will be granted to the Company in view of its status as an 'Association Not for Profit' under the Companies Ordinance, 1984.

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22. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of directors, key management personnel and entities over which the directors are able to exercise influence. Balances with related parties are shown in notes 9 and 14 of the financial statements. The remuneration to Chief Executive and Directors is disclosed in note 23 to the financial statements. Transactions with related parties are as follows:

	2010		2009	
	Rupees	US\$	Rupees	US\$
Associated company by virtue of common directorship				
BRAC Bangladesh				
- Capital contribution	44,691,451	529,506	-	-
- Liabilities undertaken by BRAC Bangladesh from BRAC Afghanistan	44,793,000	533,250	-	-
- Expense incurred on behalf of the Company	20,753,821	232,902	12,389,728	157,031
- Head office logistic / management fee for the year	21,547,472	145,735	-	-

23. REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements for the year in respect of remuneration including benefits applicable to the Chief Executive and the Directors of the Company are given below:

	2010 - Rupees		2009 - Rupees	
	Chief executive	Directors	Chief executive	Directors
Managerial remuneration	1,716,343	-	1,739,157	-
	1,716,343	-	1,739,157	-

	2010 - US\$		2009 - US\$	
	Chief executive	Directors	Chief executive	Directors
Managerial remuneration	20,547	-	20,679	-
	20,547	-	20,679	-
No. of persons	1	5	1	5

Chief Executive is also provided with the Company maintained car and Company maintained residence.

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24. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also 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 Company'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.

The Board of Directors 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.

24.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to microcredit receivables, security deposits, interest accrued, other receivables and balances at banks.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings.

24.1.1 Counterparties

In relation to the Company's exposure to credit risk, microcredit loanees and financial institutions are major counter parties and the company's policies to manage risk in relation to these counter parties are as follows:

Microcredit receivables

Receivable from loanees with respect to microcredit receivables is diversified due to number of clients comprising the Company's customer base. The Company has credit policy that governs the management of credit risk, including the specific transaction approvals and establishment of counter party credit repayment timeline. The Company limits credit risk by limiting the loan up to a maximum amount and continuing to evaluate creditworthiness of loanees after transactions have been initiated. The Company controls its credit risk of micro credit advance by the following methods:

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- (i) Ascertainment of credit worthiness of loanees
- (ii) Monitoring of advance on a continuing basis
- (iii) Social and moral pressure of community
- (iv) Active follow up

Banks

The Company maintains its bank balances and makes investment in fixed deposits with banks having high credit rating and marketable securities in reputable companies. These balances are exposed to minimal credit risk as these are with reputable financial institutions and can be redeemed upon demand.

24.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure at the reporting date as follows:

	2010		2009	
	PKR	US\$	PKR	US\$
Microcredit receivables	670,137,916	7,987,342	349,330,488	4,153,751
Advances	585,988	6,985	759,249	9,028
Deposits	156,595	1,866	110,000	1,308
Interest accrued	2,820,665	33,620	2,286,120	27,183
Other receivables	-	-	15,924,827	189,356
Bank balances	416,860,958	4,968,546	464,962,978	5,528,692
	1,090,562,122	12,998,359	833,373,662	9,909,318

24.1.3 Concentration of credit risk

The maximum exposure to credit risk at the balance sheet date by geographic region was as follows:

	2010		2009	
	PKR	US\$	PKR	US\$
Pakistan	1,090,562,122	12,998,359	817,448,835	9,719,962
Bangladesh	-	-	15,924,827	189,356
	1,090,562,122	12,998,359	833,373,662	9,909,318

As at the year end the Company's most significant receivable was with a Bank from whom Rs. 340,059,400 (US\$: 4,053,151) 2009 Rs. 239,300,000 (US\$ 2,845,422) was receivable.

Based on past experience, the management believes that no further impairment allowance is necessary in respect of Company's financial assets. The age analysis of Microcredit receivables and provision there against has been disclosed in note 5.4 to these financial statements.

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24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within one year	Over one year
2010 - Rupees				
Loan from PPAF	803,966,852	(803,966,852)	(803,966,852)	-
Accrued and other liabilities	97,497,122	(97,497,122)	(97,497,122)	-
Trade and other payables	7,836,273	(7,836,273)	(7,836,273)	-
Security against microcredit receivables	120,295,957	(120,295,957)	(120,295,957)	-
	1,029,596,204	(1,029,596,204)	(1,029,596,204)	-
2010 - US\$				
Loan from PPAF	9,582,442	(9,582,442)	(9,582,442)	-
Accrued and other liabilities	1,162,063	(1,162,063)	(1,162,063)	-
Trade and other payables	93,400	(93,400)	(93,400)	-
Security against microcredit receivables	1,433,802	(1,433,802)	(1,433,802)	-
	12,271,707	(12,271,707)	(12,271,707)	-
2009 - Rupees				
Loan from PPAF	638,786,780	(638,786,780)	(631,856,779)	(6,930,000)
Accrued and other liabilities	114,591,974	(114,591,974)	(114,591,974)	-
Trade and other payables	8,329,226	(8,329,226)	(8,329,226)	-
Security against microcredit receivables	62,228,254	(62,228,254)	(62,228,254)	-
	823,936,234	(823,936,234)	(817,006,233)	(6,930,000)

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	2009 - US\$			
Loan from PPAF	7,577,543	(7,577,543)	(7,577,543)	-
Accrued and other liabilities	1,359,335	(1,359,335)	(1,359,335)	-
Trade and other payables	98,860	(98,860)	(98,860)	-
Security against microcredit receivables	738,177	(738,177)	(738,177)	-
	9,773,915	(9,773,915)	(9,773,915)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is not significantly exposed to market risk.

24.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on its bank balances denominated in foreign currencies, primarily US Dollars and UK Pounds.

	2010		2009	
	Equivalent Rupees	US\$	Equivalent Rupees	US\$
Cash at bank	4,549,897	54,230	14,714,708	174,967
Receivable from related party	-	-	15,924,827	189,356
Payable to related parties	(97,497,122)	(1,162,063)	(114,591,974)	(1,359,335)
Net exposure	(92,947,225)	(1,107,833)	(83,952,439)	(995,012)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
US Dollars	84.2	84.2	83.9	84.1

unaudited

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at 31 December would have decreased / (increase) net deficit for the year by Rs. 9.29 million (US\$: 110,783) (2009: Rs. 8.64 million (US\$: 102,734)).

24.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. Majority of the interest rate exposure arises from microcredit receivables and loans from PPAF.

	2010		2009	
	Rupees	US\$	Rupees	US\$
Fixed rate instruments				
Financial assets				
Investments in fixed deposits	186,165,000	2,218,892	239,300,000	2,845,422
Microcredit receivables - net	670,137,916	7,987,342	349,330,488	4,153,751
	856,302,916	10,206,234	588,630,488	6,999,173
Financial liabilities				
Loan from PPAF	782,084,800	9,321,631	624,862,951	7,412,373
	782,084,800	9,321,631	624,862,951	7,412,373

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset at fair value through profit and loss. Therefore a change in interest rate at reporting date would not affect income and expenditure account of the Company.

24.4 Fair value

The carrying value of all the financial assets and liabilities reflected in financial statements approximate their fair values.

24.5 Fund management

The Board of Directors of the Company monitors the performance along with the fund required for the sustainable operations of the Company. There were no changes to the Company's approach to the fund management during the year. The Company is not subject to externally imposed fund requirements.


25. DATE OF APPROVAL

These financial statements were approved by the Board of Directors of BRAC Pakistan in their meeting held on

April 12, 2011


Chief Executive Officer


Director Finance


Director

Wahid

BRAC Around the World

USA



Initiated:
2007

An independent charity to raise profile and funds for BRAC globally

UK



Initiated:
2006

An independent charity to raise profile and funds for BRAC globally

Netherlands



Initiated:
2009

BRAC International registered as a charity (Stichting)

Haiti



Initiated:
2010

Programme Focus:
Agriculture, Housing, Limb and Brace Centre

Population reached:
Ultra Poor

Sierra Leone



Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock, Human Rights, Legal Empowerment

Population reached:
527,743

Liberia



Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock

Population reached:
577,598

Southern Sudan



Initiated:
2007

Programme focus:
Microfinance, Education, Health and Agriculture, Empowerment of Adolescent Girls

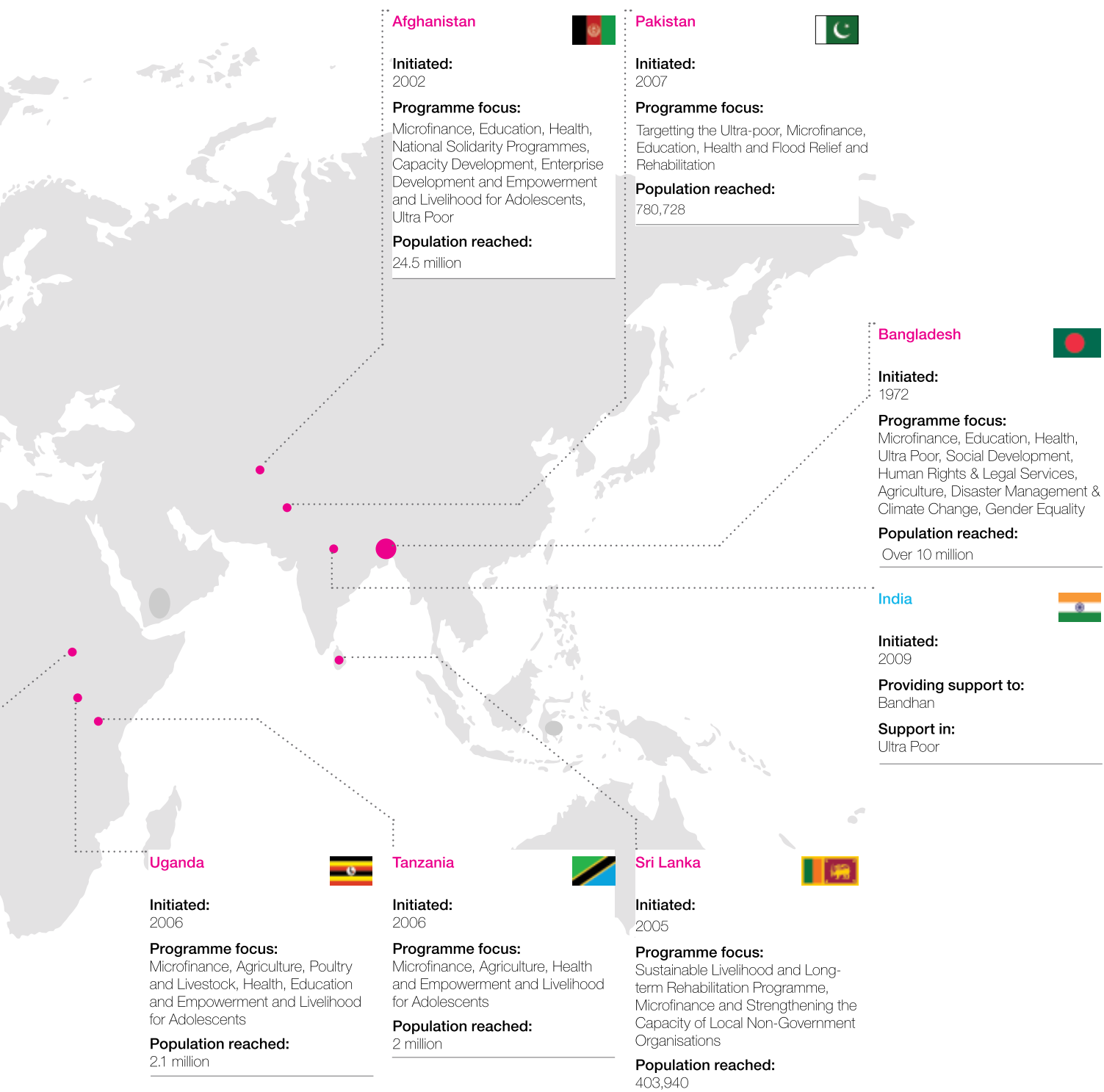
Population reached:
348,359

Key

Programme Countries

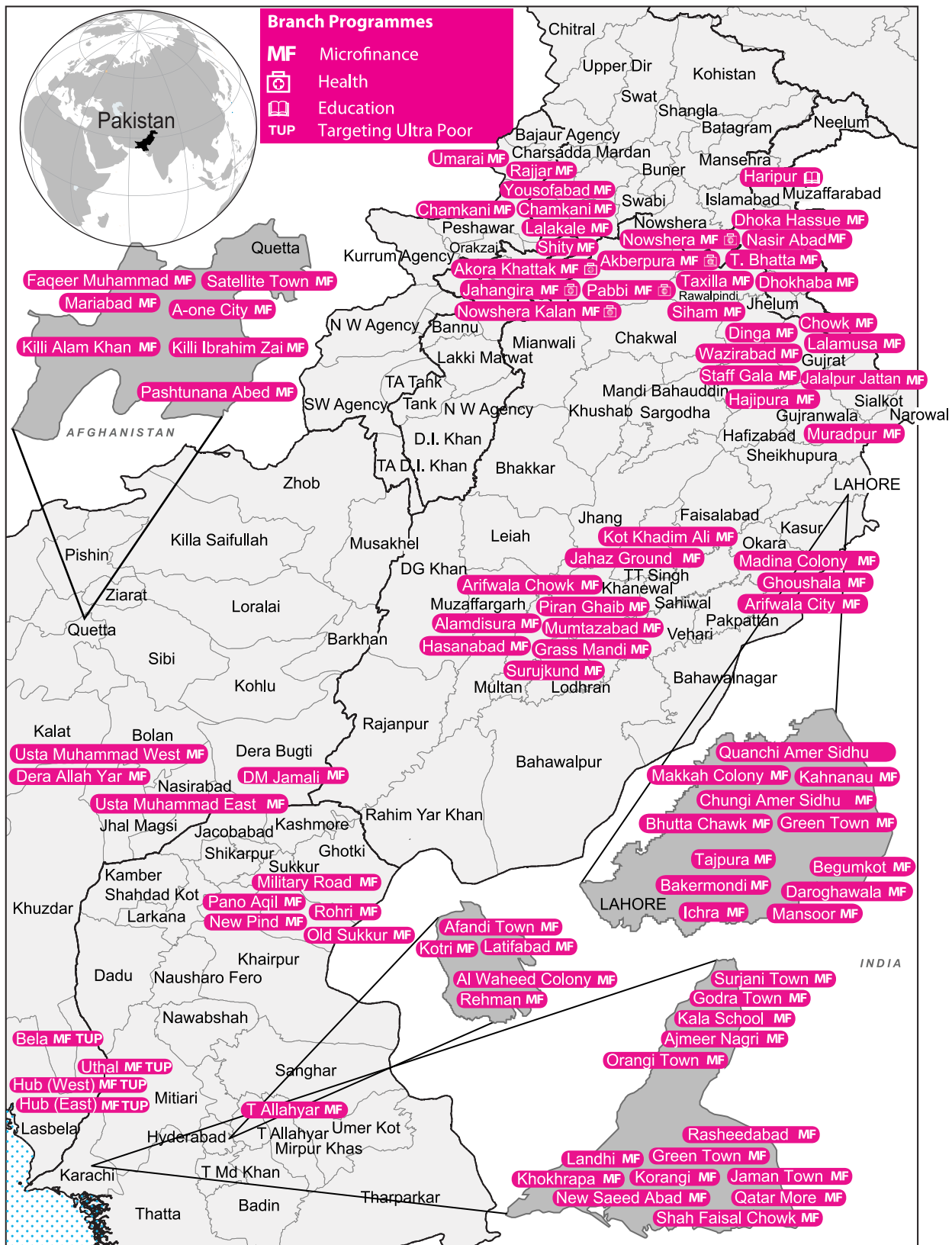
Affiliate Countries

Technical Support Countries



BRAC IN PAKISTAN

BRANCH LOCATIONS



At a glance

Programme Update as of December 2010

Programme Outreach

Total number of branch offices	94
Total number of area offices	18
Pakistani staff (77% women)	1,047
Bangladeshi staff	45

Health

Community health promoters	160
Health meetings	10,570
Health meeting participants	126,840
Health services provided	9,145
Family planning products supplied	2,155
Oral Rehydration Solutions provided	900

Education

Number of schools	25
Students	778
Teachers trained (cumulative)	45
Graduates mainstreamed (cumulative)	601

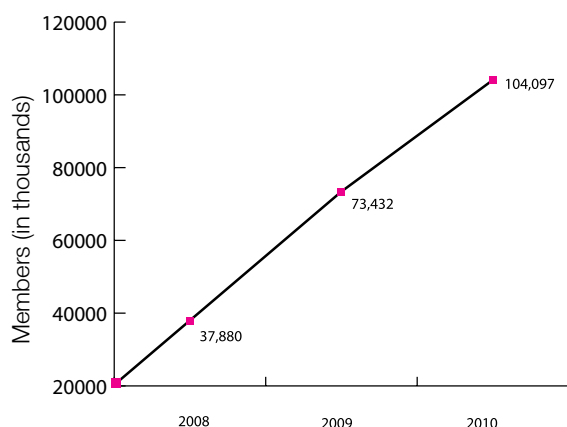
Microfinance

Microloan groups	6,164
Microloan group members	104,097
Borrowers (current)	83,797
Microloan disbursement (cumulative)	USD 26,605,065
Microloan disbursement (Jan-Dec 2010)	USD 14,776,982
Average loan size (2010)	USD 173
Loan outstanding	USD 8,313,858

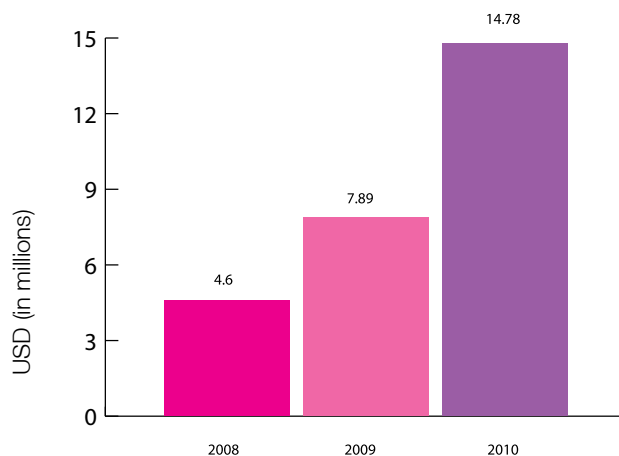
Targeting the Ultra Poor

Village selected	239
Households selected	1,500
Enterprise development training provided	1,500
Asset transfer completed	1,340
Participants received subsistence allowance	1,381
Participants received health subsid	114
Village assistance committees formed	51
House extensions completed	77

Number of Microloan Members (100% women)



Microloan Disbursement (USD)



1 USD = 85 PKR (Pakistani Rupees) (2010)

NOTES

BRAC International

Mahabub Hossain, PhD
Executive Director

Imran Matin, PhD
Deputy Executive Director

Shabbir Ahmed Chowdhury
Director

Shib Narayan Kairy
Chief Financial Officer (BRAC Group)

Tanwir Rahman CPA
Director Finance

BRAC in Pakistan

Muhammed Faridur Rahman
Country Representative

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Cover

All Images:

BRAC

BRAC

BRAC Centre
75 Mohakhali
Dhaka 1212
Bangladesh

T : +88 02 9881265
F : +88 02 8823542
E : info@brac.net
W : www.brac.net

BRAC International

Teleportboulevard 140
1043 EJ Amsterdam
the Netherlands

BRAC in Pakistan

House # 397, Street # 13,
Sector # F-10/2
Islamabad, Pakistan
Tel: +92-051-221351

