***Financial Risk Management including asset liability management***

1. **Short Depiction of PKSF Activities**
   1. ) With a view to alleviate poverty through employment generation, Government of the People’s Republic of Bangladesh has established Palli Karma-Sahayak Foundation (PKSF) under the Company Act 1913(amended in 1994) as “not for Profit” company in 1990. PKSF makes available financial services (Micro-credit, Agricultural credit, Micro-Enterprise credit, Micro-Insurance), Technical knowhow, Capacity Building, and comprehensive community development services through a network of 273 Partner Organizations to support *Income generating Activities* and employment generation that will ensure sustainable up-gradation and standard of livelihood of Poverty stricken marginalized people. To generate opportunities for self-employments and wage employments among poverty stricken people across the rural and urban areas of the country, PKSF through its Partner Organizations has disbursed a cumulative BDT 2135473 million as loans to the targeted poor clients till Ma7, 2015.

Credit recovery is a critical element for ensuring sustainable source of financing for marginalized people. PKSF and its Partner Organization has shown resilience in maintaining solid track record in recovery. Credit recovery rate till May, 2015 at PKSF-Partner Organization level is 98.99%, whereas it is 99.65% at Partner Organization-Clients level.

* 1. ) PKSF along with development partners (IDA, WB, IFAD, DFID, ADB , EU, KFAED etc.) also implementing several projects targeted toward, employment generation, capacity building, Technology Transfer, Insurance, Education, Health, Nutrition, Social Awareness, climate change adaptation and Knowledge Dissemination.

Besides PKSF undertake several other target oriented and specific development interventions in socio- economic development of marginalized people.

* 1. ) Toward addressing multi dimensionality of poverty PKSF has been implementing a holistic development program named “ENRICH**”** from 2010.The program is now active in 43 Unions and 100 more unions are going to be covered in FY2014-15. The program is continually evolving with changing dynamics of socio economic condition of the country.

Currently it comprises of sub programs targeted toward Education, Health, Youth Development and Employment, Community Development, Beggar Rehabilitation, Environment Friendly Stove, Medicinal Plant Cultivation, Promotion of adaptation of Vermin Compost technology etc.

PKSF manages its financial risks by developing a variety of policies, procedures and manuals. Along with these PKSF follows all Act, Laws, Rules, Ordinances of the Government.

1. PKSF raises funds and accept donations, grants, loans or other financial assistance from any Government, private or any other sources and agencies, institutions in Bangladesh and abroad for use in work consistent with the purposes and objects of the Foundation: Provided, however, that the receipt of any such foreign loans or donations will be subject to Government approval on such terms as may be prescribed by the Government from time to time, excepting that for loans from domestic sources no such approval of the Government will be necessary.
2. PKSF finances more than 200 partner organizations (PO) which have more than 7000 branches all over the country. As a result risks associated with Partner organizations and clients are well diversified. Moreover, each PO is rated annually and only well rated POs are being financed.
3. PKSF is a whole sale credit organization of the country. Its credit and development activities are done by its Partners Organization (POs). The authorities of Financial Risk Management including asset liability management are as under:

The following shall be the authorities of the Foundation:

i) The General Body

ii) The Governing Body

iii) The Chairman

iv) The Managing Director

v) Such other bodies, committees, sub-committees or panels as may be appointed and/or constituted from time to time, by the Governing Body of the Foundation.

5. For better financial risk management the Governing body of PKSF segregated the responsibilities among the five divisions: (1) Credit Operations and Programme Development (2) Administration, Finance and Integrated Development (3) Credit Operations and Capacity Development (4) Audit and (5) Research. All divisional heads are responsible to report to the managing director of PKSF. Managing director is responsible to report to the Governing body and Governing body is responsible to the general Body of PKSF.

6. From the inception of PKSF it has established the following policies, rules, authorities/committee/Cell, Manual to manage financial risk and got approval from the competent authority:

1. Delegation of Administrative and Financial Authority
2. *Audit Committee*
3. *Senior Management Team*
4. *Loan Committee*
5. *Panel Leader’s Forum*
6. *Investment Committee*
7. Investment Policy
8. Procurement policy
9. Loan Loss Policy
10. Internal Audit Policy
11. External Auditor Appointment Committee
12. Integrity Committee guidelines
13. Separate Legal Cell.
14. Accounting Manual
15. Audit Manual.

**7. Asset liability Management:**

All assets and liabilities of PKSF are managed by its administration and finance department. PKSF’s Governing Body Acts as an Assets and liabilities committee of the organization. Moreover Annual inventory is done by a separate Inventory Undertaking Committee each year.

Moreover in accordance of the Article of Association of the resources o the foundation is managing in the following manner:

. The resources of the Foundation shall consist of the following:

a) grants made by the Government;

b) funds and donations, grants, loans or other financial assistance from any Government, private or any other sources and agencies, or institutions in Bangladesh and abroad for use in work consistent with the purposes and objects of the Foundation, provided, however, that the receipt of any such foreign loans or donations will be subject to such procedures as may be prescribed by the Government from time to time.

c) fees and charges imposed by the Foundation for services rendered by it;

d) income from investments; and

e) income and receipts from other sources.

The Foundation may in furtherance of its objects:

a) invest and deal with funds and monies of the Foundation;

b) borrow and raise resources for the Foundation with or without any securities;

c) draw, accept, make, endorse, discount and deposit Government and other promissory notes, bills of exchange, cheques or other negotiable instruments;

d) create reserve fund, sinking fund, insurance fund or any other special fund whether for depreciation, repairs, improvement, extension or maintenance of any of the properties or rights of the Foundation and/or for recouping wasting assets and for any other purposes for which the Foundation deems it expedient or proper to create or maintain any such fund or funds.

All properties of the Foundation, movable and immovable, shall vest in the Foundation and shall be administered by the Managing Director, on behalf of the Foundation within the parameters set by the Foundation in its General Meeting or otherwise as directed by the Governing Body.

The Foundation may purchase, hire, lease, exchange or otherwise acquire property movable and immovable, tangible and intangible (including copyrights, patents and intellectual properties) which may be necessary or convenient for the purpose of the Foundation and construct, alter and/or maintain such buildings and works as may be necessary for carrying out the objects of the Foundation.

(i) The Foundation for its financial security may get the immovable property of its Partner-Organisations mortgaged in its name through registered mortgage deed and registered power of attorney should the situation so demand, with the approval of its Governing Body.

(ii) The Foundation may realize its dues from its defaulting Partner-Organisations initiating case/suit through Public Demand Recovery Act (PDR Act), 1913 as amended in 2001 and through other laws of the country.

The Foundation may sell, hire, lease, exchange or otherwise transfer or dispose of all or any property, movable or immovable of the Foundation, provided that for the transfer of immovable property approval of the General Body shall be required to be obtained.

The income and property of the Foundation, however derived, shall be applied towards the promotion and furtherance of the objects of the Foundation as set forth in the Memorandum of Association hereto annexed. Save as otherwise provided elsewhere with respect to the Chairman, Managing Director and such other persons as may be named by the Foundation in general meeting, no portion of the income and property of the Foundation shall be paid or transferred directly or indirectly by way of dividend, or by way of profit to persons who at any time are or have been members of the Foundation or to any of them or to any person claiming through them or any of them provided that nothing herein shall prevent the payment in good faith of remuneration to any member or other person in return for services rendered to the Foundation or for travelling allowance, halting allowance and other similar charges.

a) All funds shall be paid into the Foundation’s account with the bankers of the Foundation and shall not be withdrawn except by cheque signed by the Managing Director, or by such officer of the Foundation as may be duly empowered in this behalf by the Chairman, the Managing Director or the Governing Body.

Unless otherwise authorised by the Governing Body, the Chairman or the Managing Director of the Foundation, no new account in the name of the Foundation shall be opened.