



SAARC Development Fund

Building Regional Integration Through Project Funding

Annual Report of SAARC Development Fund (2013 - 2014)

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To the Governing Council

In accordance with Section 27 (2) (iii) of the SDF Bye-Laws, I submit to the Governing Council the Fund's Comprehensive Report for the years ended December 31, 2013 and 2014 as endorsed and approved by the Board of Directors. The Annual Report also contains the Fund's audited financial statements.

Mr. Baikuntha Aryal
Chairman, SAARC Development Fund Board
Joint Secretary, Ministry of Finance
Kathmandu, Nepal

Message from the Chairman



It is an honor for me to submit the Annual Report FY 2013 and 2014 to the Governing Council. This report reflects a momentous journey of the Fund in promoting the welfare of the people of SAARC Region, improving the quality of life, and accelerating economic growth, social progress and poverty alleviation in the SAARC Region through financing and implementation of development projects.

With the stated mandates the SAARC Development Fund operates through the three financing windows: Social, Economic and Infrastructure. As of now, the Fund has only been able to implement eight projects under the Social Window with a project portfolio ranging among strengthening the livelihood of the home based workers, addressing the needs of small farmers, reaching connectivity and content of e-governance to rural folks, reducing the infant mortality and steps at ending violence against children in South Asia.

There is an urgency of operationalization of Economic and Infrastructure Windows to help accelerate economic growth and improve quality of life in the SAARC region. The Fund has taken necessary decisions to operationalize these windows and made some progresses during 2013 and 2014. We expect this will excel and pave the way for achieving the SDF's objective in the coming days. The SDF is fully committed to play a catalytic role to strengthen regional integration among the SAARC Member States through project funding and collaboration.

For the SAARC Development Fund, 2013 and 2014 were years of important developments which we expect will contribute to meet future targets. During 2013-2014, the emphasis was upon implementation of Social Window projects, institutional strengthening, safeguarding the interests of shareholders and focusing upon maintaining the high quality of the existing portfolio, increasing efficiencies, and consolidating activities internally.

I want to acknowledge the Board of Directors, staff and other relevant stakeholders of the SAARC Development Fund who are working towards transforming SDF into a more dynamic, flexible, and innovative regional funding institution for SAARC Member States.

Mr. Baikuntha Aryal
Chairman, SAARC Development Fund Board
Joint Secretary, Ministry of Finance
Kathmandu, Nepal

Message from the Chief Executive Officer



I take this opportunity to present the second Annual Report on the development operations of the SAARC Development Fund for the fiscal years ending December 31, 2013 and December 31, 2014.

As in previous years, the Fund had pursued its activities throughout the year with the primary objective of assisting the SAARC Member States with their endeavors to achieve their development goals and further improve the standard of living of their people and societies.

During the year as we celebrate 5 years of existence of SDF we plan to increase the vigor and focus with which we aim to work towards achieving the targets for which SDF was established and providing our contribution to meeting the SDG goals. We intend to operationalize Economic and Infrastructure windows by lending/co lending for significant projects of the region which would benefit two or more countries of the SAARC region and meet the goals of regional integration and cooperation.

We plan to increase our engagements for cooperation and international collaboration with other financial institutions, multilateral organizations and Banks in an effort to make SDF a vibrant and more effective funding institution across the SAARC region. The objective of this exercise is to implement a comprehensive strategy for the SDF to

- Lend to significant projects which meet the requirements of SAARC region. This would include various steps like co financing, refinancing, investments etc.
- Mobilization of funds- SDF also simultaneously plans to raise funds so that its lending strength is in a position to meet the infrastructure, economic and social needs of the region.
- Fund deployment for achieving results in all the three windows- Economic, Infrastructure and Social.
- International collaborations with other Multilateral institutions , Development organizations and Banks to ensure that programmes and projects achieve significant impact
- Activate and operationalize two schemes, one being funding to Social Enterprises vide Social Enterprises Development Programme (SEDP) and providing Lines of credit to Financial Institutions for meeting the fund requirements of Medium and Small Scale Enterprises requirements vide the MSME scheme

In 2013 and 2014, SDF committed a total of US\$ 28.56 million under Social Window projects and for Economic and Infrastructure Windows put in place a team, credit policy and other framework together.

SAARC region's diversity provides huge opportunities for trade, investment, and economic growth. The region's remarkable success in recent decades demonstrates this. Geographically, the SAARC region is very wide and heterogeneous. There are, however, challenges to the SAARC Member States to maintain the regional competitiveness and complementarity. One of the best solutions to such challenges is to strengthen regional connectivity and trade facilitation which would further support the regional economic integration. SDF remains committed to supporting the development of SAARC region as it tackles the evolving challenges.

This annual report highlights our contributions to inclusive, sustainable growth in 2013 & 2014, with a special emphasis on the poverty alleviation, and regional cooperation and integration.

Dr. Sunil Motiwal
Chief Executive Officer
SAARC Development Fund

Governing Council of SAARC Development Fund

Islamic Republic of Afghanistan



His Excellency Mr. Eklil Ahmad Hakimi
Minister, Ministry of Finance

People's Republic of Bangladesh



His Excellency Mr. Abul Maal Abdul Muhith
Minister, Ministry of Finance

Kingdom of Bhutan



His Excellency Lyonpo Namgay Dorji
Minister, Ministry of Finance

Republic of India



His Excellency Shri Arun Jaitley
Minister, Ministry of Finance

Republic of Maldives



His Excellency Mr. Abdulla Jihad
Minister, Ministry of Finance and Treasury

Federal Democratic Republic of Nepal



His Excellency Mr. Bishnu Prasad Paudel
Minister, Ministry of Finance

Islamic Republic of Pakistan



His Excellency Mr. Mohammad Ishaq Dar
Minister, Ministry of Finance

Democratic Socialist Republic of Sri Lanka



His Excellency Mr. Ravi Karunanayake
Minister, Ministry of Finance

Board of Directors of SAARC Development Fund

Islamic Republic of Afghanistan



Director

H.E. Dr. M. Mustafa Mastoor
Deputy Minister, Ministry of Finance



Alternate Director

Mr. Mustafa Aria
Aid Management Director
Ministry of Finance

People's Republic of Bangladesh



Director

Mr. A.R.M. Nazmus Sakib
Additional Secretary, Treasury and
Debt Management Wing, Finance
Division, Ministry of Finance



Alternate Director

Mr. Tapan Kumar Karmaker
Additional Secretary
Finance Division
Ministry of Finance

Kingdom of Bhutan



Director

Mr. Lekzang Dorji
Director, Department of National
Budget, Ministry of Finance



Alternate Director

Mr. Sonam Tenzin
Chief Planning Officer, Department of
Planning and Policy Division
Ministry of Finance

Republic of India



Director

Mr. Sameer Kumar Khare, IAS
Joint Secretary
Dept of Economic Affairs
Ministry of Finance



Alternate Director

Ms. Petal Dhillon
Dy Secretary
Dept of Economic Affairs
Ministry of Finance

Republic of Maldives



Director

Ms. Khadeeja Hussain
Financial Controller
Ministry of Finance & Treasury



Alternate Director

Ms. Aminath Nashia
Director
External Resources Management Division
Ministry of Finance & Treasury

Federal Democratic Republic of Nepal



Director

Mr. Baikuntha Aryal
Joint Secretary
Ministry of Finance



Alternate Director

Mr. Surya Pokharel
Under Secretary
Ministry of Finance

Islamic Republic of Pakistan



Director
Ms. Saira Najeeb Ahmed
Joint Secretary
External Finance Policy
Finance Division



Alternate Director
Mr. Syed Ahmad Raza Asif
Deputy Secretary (EFP-I)
Finance Division
Ministry of Finance

Democratic Socialist Republic of Sri Lanka



Director
Mr. S.R. Attygalle
Deputy Secretary to the Treasury
General Treasury



Alternate Director
Mr. K.D.N. Ranjith Asoka
Director General
Department of Trade and
Investment Policy

SAARC Secretariat



Director
H.E. Mr. Arjun Bahadur Thapa
Secretary General
SAARC Secretariat
Kathmandu, Nepal



**Representative of
Secretary General of SAARC**
Mr. M J H Javed
Director, ARD
SAARC Secretariat
Kathmandu, Nepal

SAARC Development Fund (SDF) Secretariat



Director
Dr. Sunil Motiwal
Chief Executive Officer
SAARC Development Fund Secretariat
Thimphu, Bhutan.

Counterpart Agencies for the SAARC Development Fund

Islamic Republic of Afghanistan



Mr. Mustafa Safi
Aid Coordination Specialist
Aid Management Directorate
Ministry of Finance

People's Republic of Bangladesh



Mr. Mohd. Rashedul Amin
Deputy Secretary
Finance Division
Ministry of Finance

Kingdom of Bhutan



Mr. Chenchu Tshering
Deputy Chief Planning Officer
Planning & Policy Division
Ministry of Finance

Republic of India



Mr. Jaydip Kumar Choudhury
Under Secretary (MR)
Department of Economic Affairs
Ministry of Finance

Republic of Maldives



Ms. Aminath Nashia
External Resource Management Division
Ministry of Finance and Treasury

Federal Democratic Republic of Nepal



Mr. Surya Pokharel
Under Secretary
Ministry of Finance
International Economic Cooperation Coordination Division

Islamic Republic of Pakistan



Mr. Behzad Amir Memom
Section Officer (EFP-II)
Finance Division
Ministry of Finance

Democratic Socialist Republic of Sri Lanka



Deepthika Gunarathna
Director (Investment)
Department of Trade & Investment Policy
Ministry of Finance

Staff of SAARC Development Fund Secretariat



Dr. Sunil Motiwal
Chief Executive Officer

Directors

VACANT

*Director, Economic & Infrastructure
Windows*

VACANT

*Director, Social Window Projects,
Administration & Finance*

Assistant Directors



Mr. Philip Baidya
*Assistant Director,
Social Window*



Mr. Ganapathi Kamath Miyal
*Assistant Director, Economic &
Infrastructure Windows*



Mr. Deepak K. Agrawal
*Assistant Director,
Administration & Finance*



Mr. Kamal Suresh Ahuja
*Assistant Director,
Internal Audit*

VACANT

*Assistant Director
Monitoring and Evaluation*

VACANT

*Assistant Director
Legal*

VACANT

*Assistant Director
Investment/Credit*

VACANT

*Assistant Director
Social Enterprise Development Program*

Managers



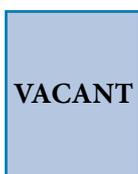
Mr. Ajay Kumar Shrestha
Accounts Manager



Mr. Harris Farman
IT Manager



Ms. Sania Akhtar
*Manager, Communication &
Knowledge Management*



Executive Assistant to CEO

Program Officers



Ms. Ishori Rai
Program Officer



Ms. Yangchen Dekar
Program Officer



Ms. Lhaki
Program Officer

Administrative & Human Resources



Ms. Pema Wangmo
Assistant Admin. & HR Officer



Ms. Chador Tshomo
Assistant Admin. & HR Officer

Administrative / Supporting Staff



Ms. Phuntsho Wangmo
Office Assistant



Ms. Sushma Hingmang
Receptionist



Mr. Sherab Dorji
Driver



Mr. Jamyang Chodea
Driver to CEO



Mr. Jangchuk Dorji
Driver

About SAARC



The South Asian Association for Regional Cooperation (SAARC), founded in 1985, is dedicated to improving the welfare of the people of South Asia through economic growth, social progress and cultural development in the region. SAARC's seven founding members are Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Afghanistan joined the organization in 2007. Australia, China, European Union, Iran, Japan, Mauritius, Myanmar, the Republic of Korea and United States are the Observers to SAARC. Meetings of heads of state are usually scheduled annually; meetings of foreign secretaries, twice annually. It is headquartered in Kathmandu, Nepal.

Areas of Cooperation

The 10 areas of cooperation are

- Agriculture;
- Education,
- Culture, and sports;
- Health, population, and child welfare;
- Environment and meteorology;
- Rural development (including the SAARC Youth Volunteers Program);
- Tourism;
- Transport;
- Science and technology; and
- Communications

SAARC Development Fund

The SDF was established and inaugurated on 28th April, 2010 by the Heads of States/Governments during the Sixteenth SAARC Summit held in Thimphu. The Fund serves as the umbrella financial institution for SAARC projects and programmes, which are in fulfilment of the objectives of the SAARC Charter. It is aimed to contribute to regional cooperation and integration through project collaboration. The primary objective of SDF is to promote the welfare of the people of SAARC region, improve their quality of life, and accelerate economic growth, social progress and poverty alleviation. To support these objectives, SDF has mandate to identify the projects, finance projects, mobilize funds, provide financing and technical assistance including managing the Fund.

SDF has three financing windows – namely Social, Economic and Infrastructure. The Social Window primarily funds projects, on poverty alleviation, social development focusing on education; health; human resources development; support to vulnerable /disadvantaged segments of the society; funding needs of communities, micro-enterprises, rural infrastructure development. The Economic Window extends funding to non-infrastructure projects related to trade and industrial development, agriculture, service sector, science and technology and other non-infrastructure areas and the Infrastructure Window is primarily utilized to fund projects in areas such as energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas.

History

In 1996, a first funding mechanism was created in SAARC, 'South Asian Development Fund (SADF), merging the SAARC Fund for Regional Projects (SFRP) and the SAARC Regional Fund. SADF objectives were to support industrial development, poverty alleviation, protection of environment, institutional/human

resource development and promotion of social and infrastructure development projects in the SAARC region. SADF started with a resource base of US\$5 million (contributed on pro-rata basis by SAARC Member States), and till its closure in June 2008, had funds amounting to approx. US\$ 7.0 million. Till its closure, SADF completed techno-economic feasibility studies for sixteen project studies.

During 2002-2005, SAARC Member States considered instituting various sectoral funding mechanisms e.g. Poverty Alleviation Fund, Infrastructure Fund, South Asian Development Bank, Media Development Fund, Voluntary Fund for the Differently Able Persons. A primary reason was that the existing South Asian Development Fund (SADF) was found to be inadequate i.e. in terms of required quantum of funds and its limited scope of work. In order to avoid proliferation of funds, the SAARC Financial Experts (September 2005) looked at the entire gamut of issues relating to funding of SAARC projects and programmes; and, amongst others, agreed that in lieu of proliferating sectoral financing mechanisms, the SADF be reconstituted into the SAARC Development Fund (SDF). And, SDF would have a permanent Secretariat, with three Windows (Social, Economic, and Infrastructure). The Thirteenth SAARC Summit (Dhaka, 12-13 November 2005) finally decided to reconstitute the SADF into SDF to serve as the "umbrella financial mechanism" for all SAARC projects and programmes.

SAARC Development Fund (SDF) Secretariat was inaugurated by the Heads of State/Governments of SAARC Member States on the first day of the 16th SAARC Summit held in Thimphu. The SDF Charter was ratified by Parliaments of the eight SAARC Member States and the Instrument of Ratification was issued on April 15, 2010.

Organizational Overview



Objectives

- to promote the welfare of the people of SAARC Region,
- to improve their quality of life, and
- to accelerate economic growth, social progress and poverty alleviation in the SAARC Region.

Activities/Windows

The SDF has three financing windows:

- Social
- Economic
- Infrastructure

Social Window

The Social Window primarily funds projects, inter alia, on poverty alleviation, social development focusing on education; health; human resources development; support to vulnerable/disadvantaged segments of the society; funding needs of communities, micro enterprises, rural infrastructure development. The

projects are in line with regional consensus as reflected in the SAARC Social Charter, SAARC Development Goals, SAARC Plan of Action on Poverty Alleviation and other SAARC agreed and endorsed plans, programmes and instruments.

Economic Window

The Economic Window primarily extends funding to non-infrastructure projects related to trade and industrial development, agriculture, service sector, science and technology and other non-infrastructure areas. It can also be utilized for identifying, studying, developing and /or sponsoring commercially viable programmes/projects of regional priority including their pre-feasibility and feasibility studies.

The Economic Window is utilized for supporting any other projects which are not covered explicitly under the Social and Infrastructure Window.

Infrastructure Window

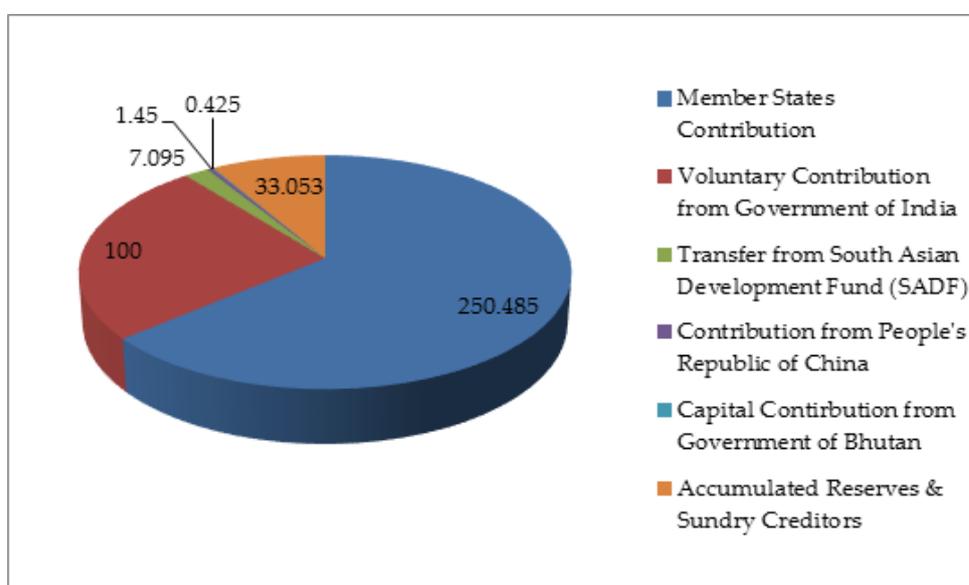
The Infrastructure Windows primarily funds projects in areas such as energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas.



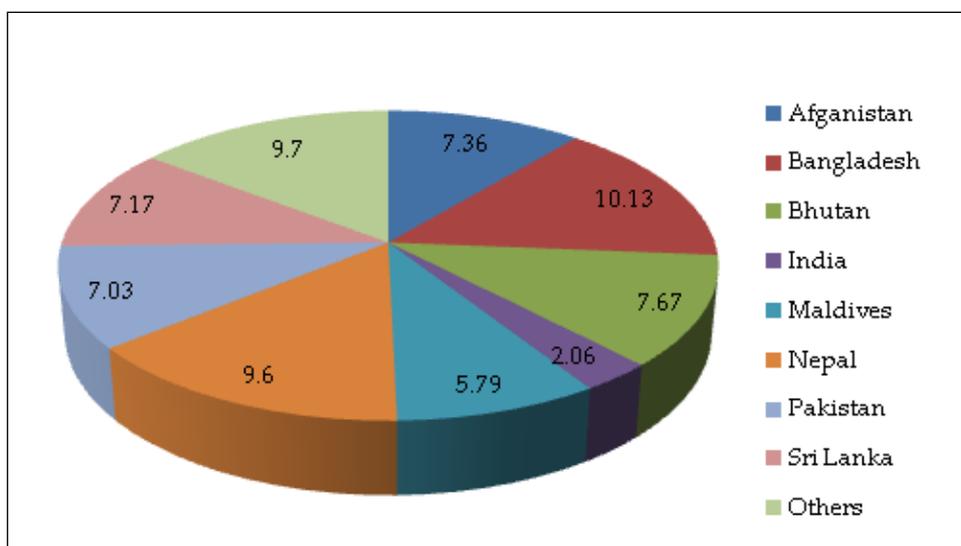
Overview of funds

Sources of Fund (as on December 31st 2014)

1. Member States Contribution of USD 250.485 million
2. Voluntary Contribution from Govt. of India of USD 100.00 million
3. Transfer from South Asian Development Fund (SADF) of USD 7.095 million
4. Contribution from People's Republic of China of USD 1.450 million
5. Capital Contribution from Government of Bhutan to set up SDF Secretariat of USD 0.425 million in kinds
6. Accumulated Reserves & Sundry Creditors USD 33.053 million



Fund Allocation per country under Social Window of SDF (Total Fund US \$ 66.51 million)



SDF Funded Projects

Afghanistan

- SABAH
- MCH
- ZECS
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development

Pakistan

- SABAH
- MCH
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development

India

- ZECS
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development

Maldives

- SABAH
- MCH
- CeCs
- SAIEVAC
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Toll Free Helplines for Women & Children



in SAARC Region

Nepal

- SABAH
- MCH
- ZECS
- CeCs
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development



Bangladesh

- SABAH
- MCH
- CeCs
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development

Sri Lanka

- SABAH
- MCH
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science



Bhutan

- SABAH
- MCH
- ZECS
- CeCs
- SAIEVAC
- Post Harvest Management
- Toll Free Helplines for Women & Children
- WASH
- SAARC Regional Inter-Professional Master's Program in Rehabilitation Science
- Bamboo Based Enterprise Development

SAARC DEVELOPMENT FUND
MASTER PROJECT BUDGET (ON-GOING & PIPELINE)

SAARC MEMBER STATES

SOCIAL WINDOW

SL. No.	Name of Project	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka	Others	Total
		US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$	US \$
On-Going Projects:											
1	SABAH	2.19	2.20	1.77	-	2.23	2.34	2.22	2.34	5.48	20.78
2	MCH	2.07	3.32	1.17	-	1.14	2.07	2.07	2.43	0.76	15.04
3	ZECS	0.74	-	0.52	0.56	-	0.68	-	-	0.88	3.38
4	CeCs	-	1.35	2.53	-	1.89	1.93	-	-	0.23	7.94
5	SAIEVAC	0.24	0.35	0.20	-	0.19	0.29	0.34	0.29	0.70	2.60
6	Post Harvest Management	0.73	0.87	0.58	-	-	0.73	0.87	0.73	0.47	4.98
7	MSc in Rehabilitation Science	-	1.50	-	-	-	-	-	-	-	1.50
8	Toll Free Helplines for Women and Children	0.44	0.55	0.33	-	0.33	0.44	0.55	0.44	0.93	4.00
9	Water, Sanitation and Hygiene (WASH)	0.96	-	0.57	1.50	-	1.12	0.98	0.94	0.24	6.30
	Sub-Total	7.36	10.13	7.67	2.06	5.79	9.60	7.03	7.17	9.70	66.51
Pipeline Projects:											
10	Bamboo Based Enterprise Development	0.83	0.81	0.80	0.80	-	0.82	0.75	-	-	4.81
	Sub-Total	0.83	0.81	0.80	0.80	-	0.82	0.75	-	-	4.81
	Grand-Total	8.19	10.93	8.48	2.86	5.79	10.42	7.77	7.17	9.70	71.32

A brief on SDF Funded Current Projects

Under Social Window, nine projects were initiated with budget of approximately USD 66.512 million (USD 71.32 million including in-principle approved project). Cumulative disbursement of project fund was USD 28.56 million.

Strengthening the livelihood initiative for homebased workers in SAARC Region

- Established eight Trade Facilitation Centers (TFCs) and fifteen Community Facilitation Centers (CFCs) in Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. 9,323 Home Based Workers (HBWs) were registered as primary members (Shareholder) of eight TFCs. 9,507 HBWs were trained in technical, managerial and leadership skills and in food processing, embroidery and garmenting. 2,789 HBWs were provided regular work from 8 TFCs and 15 CFCs. Total sales turnover from eight TFCs was US 1.102 million. Sixteen sales outlet was opened for selling of products made by HBWs.

Strengthening Maternal and Child Help Including Immunization

- Completed civil work (construction) and equipped Special Care New Born Units (SCANUs) in 27 District Hospitals and 962 Primary Health Centers/ Community Health in Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka. 447 Doctors, Nurses and Bio-Medics were trained by master trainers (specialist doctors on maternal and child health).

Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC Countries

- Constructed 8 new Zero Energy Cold Storage (ZECS) and renovated 2 ZECS in Bhutan and Nepal. 9 ZECS were handed over to communities for storage of fruits and vegetables. 9,742 farmers were trained on Quality Production using beneficial microbes (Jeevatu) and distributed 100,000 Liter of beneficial microbes (Jeevatu-plant nutrients) to community farmers in Afghanistan, Bhutan, India and Nepal.

Empowering Rural Communities - Reaching the Unreached

- Constructed 63 Community Centers (CCs) and Community e Centers (CeCs) in Bhutan and Maldives. Procured equipment and furniture for 263 CCs, CeCs and Union Information Service Center (UISCs) in Bangladesh, Bhutan and Maldives. 172 Operators were trained for operating CCs and UISCs in Bangladesh and Bhutan.

South Asia Initiative to End Violence Against Children

- 4 consultation meetings were held in different SAARC countries on “End Violence Against Children”. 300 parents in Maldives attended a workshop on “preventing child sexual abuse”. Printed and distributed 232,500 brochures on Child Protection. 904 participants were provided trainings on “Child Rights and Child Protection”. 2,300 officials of SAARC Governments and Civil Society Organizations took part in “Child Rights and End Violence against Children” events. 4,500 Schools in Sri Lanka adopted “School Child Protection Guideline”. 120 children were supported to access education through seed funding and school feeding program in Bhutan.

Post harvest management and value addition of fruits in production catchments in SAARC Countries

- One Pack House was constructed. Twenty user groups were formed with 600 farmers to get benefits on Post Harvest management of fruits in Bangladesh. Seventy five farmers were trained on Post Harvest Technology and Fruit Processing during catchment.

SAARC Regional Inter-professional Master's Program in Rehabilitation Science

- MSc Program in Rehabilitation Science (under University of Dhaka Curriculum) was started at the Center for Rehabilitation of Paralyzed (CRP), Savar, Bangladesh with 19 students from SAARC countries. Nine (9) SAARC students got scholarship for Academic Year 2014. Ten Decimal land was purchased for construction of a four storey Hostel for SAARC Students. Constructed and equipped Computer Laboratory and E-Library. Procured classroom equipment and furniture for MSc program. Developed architectural design for construction of SAARC Students' Hostel.

Water, Sanitation and Hygiene (WASH)

- Signing of project financing agreement was in the process, project fund disbursed to six participating Member States (Implementing Agencies). Baseline survey and procurement for water infrastructure was in process by the IAs.

Toll Free Help lines for Women and Children

- In the process of signing project financing agreements.

Bamboo Based Enterprise Development

- A project for bamboo-based enterprise development has been approved by SDF Board for 5 Member States. In the process of signing project financing agreements.

Ongoing Projects



Strengthening the livelihood initiative for homebased workers in SAARC Region

Phase I: Start Date: 1-Aug-2008
End Date: 30-June-2015

Phase II (Nepal & Pakistan): Start Date: 1-Jan- 2012
End Date: 31-Dec-2015

Phase II (Bhutan): Start Date: 1-Jan-2014
End Date: 31-Dec-2016

Phase II (Afghanistan, Bangladesh, Maldives & Sri Lanka)
End Date: 31-Dec-2017

Project Budget: US \$ 20,775,821.00

Total Disbursement: US \$ 13,382,271.00

Participating Countries

Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka

Beneficiary

Poor /marginal home-based women workers from informal sectors in the SAARC Members States, except India.

There are more than 100 million home based workers (HBWs) in the world, of which around 50 percent are in South Asia alone where they form a fast growing part of the workforce. Of these workers, an estimated 80 percent are women.

The SAARC Development Fund (SDF) has been firmly committed to empowering HBWs by supporting them to improve and diversify their skills, train them in Comprehensive customized Product and Design Development, and educate them in marketing skills.

The Project Objective is “**To strengthen the livelihoods of poor homebased workers living in the region primarily through awareness and exposure to development, capacity building, intensive training and gaining a fair share of mainstream market**”. In addition; through SAARC Development fund’s support, it has brought the women homebased workers together in the region.



SABAH has changed my life; with increased income, my life has improved dramatically.



**-Bhabi Pun
(sample weaver)**

& SABAH’s Board member

Strengthening Maternal and Child Health Including Immunization

Start Date: 19-Jun-2009

End Date: 31-Dec-2015

Project Budget: US \$ 15,039,229.00

Total Disbursement: US \$ 4,993,148.00

Participating Countries

Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka

Beneficiary:

Mothers and Newborns in 7 countries, doctors and nurses and Infrastructure Development / up-gradation of Maternal and Newborn Care Facilities for 7 countries in 52 District Hospitals, 242 Sub-district Hospitals or FRUs and 1,180 Health Post Centers / Community Health Centers

SAARC account for 25% of the global population whereas SAARC countries have young population, with nearly 50% in the reproductive group. The number of pregnant women and the number of babies born annually are very high. An estimated 37 million child births take place annually. The region also accounts for more than 0.18 million maternal deaths and over 3 million child deaths annually. Half of the under-5 deaths occur during the first 28 days of life; and most of the deaths are preventable.

In this context, the 2nd Meeting of SAARC Finance Ministers agreed to undertake a Project on Maternal & Child Health Care under the Social Window of the SAARC Development Fund (SDF).

SDF is dedicated to ensuring that every infant and woman of childbearing age in the SAARC region is fully immunized. Working with, regional, national and sub-national partners, the project aims to:

1. Reduce child maternal mortality
2. Access to integrated comprehensive primary MCH health care
3. Improve availability and adequacy of infrastructure and equipment at district and sub-district level, and
4. Improve skills towards MCH services for doctors and nurses

The project aims to cover about 10 districts hospitals, 30 FRUs and 120 PHCs facilities in each SAARC member

country – for infrastructure development, Supply of Equipment and capacity building.

Project Activities

1. Infrastructure Development / up-gradation of Maternal and Newborn Care Facilities for 7 countries in :
 - a. 52 District Hospitals
 - b. 242 Sub-district Hospitals or FRUs
 - c. 1,110 Health Post Centers / Community Health Centers
2. Reinforce Maternal Health Interventions and Care at Birth
3. Expand Community based Care for Newborn through Community Health Workers
4. Strengthen care of newborn at health facilities
5. Multi-skilling of Medical Officers (Mos) and Bio-medics.



Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC Countries

Start Date: 1-Dec-2010

End Date: 31-Dec-2015

Project Budget: US \$ 3,380,931.00

Total Disbursement: US \$ 2,065,820.00

Implementing Countries:

Afghanistan, Bhutan, India and Nepal

Beneficiary: 12,150 Farmers & 50,000 people

Agriculture is the engine of development for majority of the SAARC countries, often employing the majority of the population. SDF has actively promoted the integration of modern energy services with agriculture and horticulture in the region, to support social and economic development and to address the need for greatly expanded food production and food security. The project aims:

1. To enhance the shelf-life of fruits and vegetables by disseminating ZECS technology in the hills of SAARC countries.
2. To increase the farm income by reducing stress sale and post-harvest glut situation of fruits and vegetables.
3. To increase the availability of the fruits and vegetables during off-season.
4. To train the farmers for the adoption of ZECS technology.

Project Activities

1. Base-line Survey on recent status of storage system at working sites;
2. Orientation of the potential zero energy cold storage technology in Nepal;
3. Farmers' training in the construction on ZECS at working sites;
4. 12,150 farmers of implementing countries will receive Grower's Training on

- a. Quality production
 - b. Pre-harvest treatment
 - c. Grading
 - d. Fruit selection
 - e. Fruit treatment
 - f. Pre-cooling
 - g. Storage technique.
5. Construction of sixteen (16) Zero Energy Cold Stores of 24 ton capacity in Afghanistan, Bhutan, India and Nepal;
 6. Modification and expansion of existing two (2) ZEC stores in Nepal;
 7. Report by participating farmers for quality of products in ZECS;
 8. Publication of posters, booklets and preparation of audiovisual materials for technology dissemination; and
 9. Seminar to disseminate the outputs of ZECS technology.



Monitoring temperature outside the ZECS, Jumla

Empowering Rural Communities- Reaching the Unreached

Start Date: 1-Apr-2011
End Date: 30-June 2015

Project Budget: US \$ 7,938,335.00

Total Disbursement: US \$ 5,724,576.00

Implementing Countries

Bangladesh, Bhutan, Maldives and Nepal

Beneficiaries: Rural people of 200 Unions in Bangladesh, 50 Gweogs in 18 Dzongkhags of Bhutan, 20 atolls in Maldives and 81 Village Development Centers in Nepal.

With the shift towards a 'knowledge society', the role of interactive communication technologies (ICTs) such as email and the Internet in sustainable community and economic development is becoming increasingly important. Therefore, SDF aims to empower rural communities in the SAARC region through community mobilization, training, and equipping them with the skills, methods, and knowledge needed to improve their lives and conditions in rural communities. In order to mobilize people at the grassroots level to build self-reliance, the project 'Empowering Rural Communities - Reaching the Unreached' was approved in the 10th

meeting of the SDF Board. The primary objectives of the project are:

1. Employment generation and creation of new economic activities using ICT
2. Ensure govt. services in rural areas
3. Reduce turnaround time
4. Fully functional UISCs, CCs, CeCs and VDCs

Project Activities

1. Equip 200 Union Information and Services Centers in Bangladesh
2. Establish and equip 60 Community Centers in Bhutan
3. Establish and equip 50 Community e-Centers in Maldives
4. Establish 5 Village Development Centers (VDCs) and equip 81 VDCs in Nepal
5. Provide internet connection
6. Train 782 operators
7. Provide G2C, B2B online services and offline services



South Asia Initiative to End Violence Against Children (SAIEVAC)

Start Date: 1-Jan-2012
End Date: 31-Dec-2015

Project budget: US \$ 2,600,000

Total Disbursement: US \$ 1,521,058 .00

Participating Countries:

Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka

Protecting children from violence is one of the priorities of SDF. Violence against children has a devastating impact — threatening children's survival, development and participation in society. SDF is working with communities and partners at the national and regional levels to fight violence against children and promise a future worthy of children's potential.

In response to the continued violence meted against children in the region SDF jointly with SAIEVAC Secretariat have initiated a project 'South Asia Initiative to End Violence Against Children' to curb the problem of violence against children in the SAARC region.

The overall objective of the project is to enhance protection of children in South Asia, especially the most vulnerable, from all forms of violence through enhanced advocacy, awareness and capacity development of the

implementing institutions and the target population. The project also provides strategic support to national level SAIEVAC activities dealing with advocacy, training and awareness focused on ground level activities.

Project Activities

1. Mapping of national and local information on SAIEVAC five thematic areas.
2. Development and dissemination of child friendly materials.
3. Promoting child rights through community sensitization and awareness program.
4. Seminar and workshops to identify gaps to reform the legal system of Violence Against Children (VAC).
5. Consultative Meeting to develop M&E Guidelines, tools and follow up meetings.
6. Regional HR development workshop on Child Protection.
7. Mapping and Documentation of Good Practices.
8. Regional Children Consultation.
9. Thematic Technical Consultation Meetings / Workshops.



Post Harvest Management and Value Addition of Fruits in Production Catchments in SAARC Countries

Start Date: 1-Jan-2013
End Date: 31-Dec-2015

Project budget: US \$ 4,979,075.00

Total Disbursement: USD 378,847.00

Participating Countries:

Phase I- Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka (India and Maldives to join in phase II)

South Asia is home to half of the world poor, with a combined population of 1.5 billion. Poverty is widespread in rural areas of South Asia. Farmers in this area are largely resource poor and own small pieces of land. It is not possible to earn decent livelihood through agriculture production activities alone. In fact, the spare capacities available in the farm sector could be utilized in post-harvest management practices and some value addition activities to enhance the income of the farm families and also generate additional livelihood opportunities for them. In this context, the promotion of post-harvest management practices and value addition in production catchments is highly relevant and of high importance to SDF.

Objectives:

1. To identify and share the knowledge on post-harvest and fruit processing technologies across the SAARC countries.
2. To adapt, evaluate and disseminate post-harvest, processing and value addition technologies for fruits in SAARC countries.
3. To establish post-harvest infrastructure and value addition in production catchments of fruits in SAARC countries.
4. To develop effective marketing linkages of processed products in SAARC countries.
5. To assess the impact of adapted technological packages at project sites.
6. To ensure product quality

and safety in the adoption of package of technologies.

Expected Outcome(s)/benefits

1. Reduction in post-harvest losses by 25 % of existing losses.
2. Improvement in quality of fruits.
3. Realization of better prices by the farmers.
4. Generation of employment and enhancement in income through introduction and adoption of appropriate post-harvest management and value addition technologies/infrastructure in production catchments in participating countries

Project Activities

1. Baseline Survey/technology identification;
2. Construction of infrastructure (New/Renovation/Rent);
3. Install/ adapt drying technology and packaging plant;
4. Procurement of equipment;
5. Procurement of consumables (chemicals, carton for packaging/ labeling etc.)
6. Identify and establish market linkages;
7. Capacity building (training and demonstration/ inception).
8. Hiring of Local Consultants.
9. Project visits for experience sharing and monitoring.



SAARC Regional Inter-professional Master's Program in Rehabilitation Science

Start Date: 1-Jun-2013
End Date: 31-May-2018

Project Period: 5 years

Total Budget: US \$ 1,500,000.00

Total Disbursement: USD 288,373.00

Implementing Agency

Bangladesh Health Professions Institute (BHPI), an Academic Institute of Center for the Rehabilitation of the Paralyzed (CRP), Chapain, Savar, Dhaka-1343, Bangladesh.

Beneficiary Countries

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

Beneficiary

Up to 25 Master's students will be enrolled annually, and 50% of places will be reserved for students from the SAARC region.

The purpose of the project at the Academic Institute of CRP - Bangladesh Health Professions Institute (BHPI, CRP) is to build the capacity of health and rehabilitation of human resources for services, education, policy and research in the SAARC region through development of its capability to deliver regional, inter-professional, graduate education programmes with support from Queen's University, Canada and York St. John's University, United Kingdom. The project will contribute to the enhancement of the range and quality of basic health, disability, and rehabilitation services for the population of disabled people in Bangladesh and participating SAARC countries, and to facilitate their integration into mainstream society while supporting poverty reduction initiatives. Disability is a significant

issue in South Asia and it is of utmost importance that high-quality therapists are trained and retained in the health professions to continue to develop services for disabled people.

Project Objectives

1. To build the health and rehabilitation human resources for services, education, policy and research in the SAARC region through development of capacity of the BHPI,CRP to deliver regional, inter-professional, **Master's in Rehabilitation Science** programs with support from Queen's University, Canada and York St. John University, UK.
2. To create effective, modern learning facilities providing infrastructure, renowned resource person, access for students and faculty members to electronic and library resources and current teaching and learning technologies.
3. To create a cadre of leaders capable of advancing education, research and practice in the field of disability and rehabilitation in Bangladesh and participating countries of the SAARC region.

Expected Outcome(s)/benefits

1. A sustainable MSc Program in Rehabilitation Science at BHPI-CRP, Bangladesh;
2. Learning networks will be established for translating graduate research into community client-centered and evidence-based practice, both in Bangladesh and participating SAARC countries; and
3. Upgraded learning and accommodation facilities for students of SAARC Member States, enhancing significantly the learning environment and quality of learning experience.

Project Activities

1. Construction of International Hostels for students from SAARC Member States;
2. Establishment of well equipped computer laboratory.
3. Establishment of on-site library.
4. Launching of Masters program (MSc) in Rehabilitation Science i.e. Physio Therapy;
5. Scholarship schemes for students for SAARC Member States;



Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries

Project Period: Start Date: 1-Sep-2013
End Date: 16-Dec-2017

Approved Budget: US \$ 6,298,408.00

Total Disbursement: US \$ 124,865.00

Participating Countries

Afghanistan, Bhutan, India, Nepal, Pakistan and Sri Lanka

Beneficiary

30,000 women/ household workers/ farmers will be provided with water for drinking and small scale livelihoods such as home garden cultivation, floriculture, animal husbandry, and food processing etc.

Project Objectives

The objectives of project, inter alia, include:

1. Equitable access to safe drinking / household / livelihood water;
2. Ensure adequate quantity of good quality of

water;

3. Identify appropriate/innovative technologies for treatment, restoration and development of sustainable water resource mechanisms (including financial and social models);
4. Open Defecation Free (ODF) declared in targeted areas;
5. Promote hygiene and sanitation practices in schools and targeted communities;
6. Capacitate Community Based Organizations (CBOs) in management of water and sanitation facilities and promotion of hygiene;
7. Promote water based livelihoods and build a cadre/ cohort of women led service providers and
8. Experience and knowledge sharing on good practices in SAARC countries.

The Project Strengthening of Water, Sanitation and Hygiene emphasizes on regional cooperation between six SAARC countries and complies with the SAARC Development Fund objectives of poverty focus, preserve and reduce adverse impact of the climate change and promote regional understanding. Therefore WASH is Promoting safe and sustainable water supplies through improved water resources management, and its main responsibility is to promote and implement measures to protect the fresh water resources base Focusing on sanitation, water quality and hygiene at the household level.



Upcoming Projects



Toll Free Help-lines for Women and Children in SAARC Member States

Project Period: 3 years

Approved Budget: US \$ 4,000,000.00

Disbursed Amount: Yet to disburse fund

Participating Countries

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

Beneficiary

Children and women of SAARC Member Countries

The Helplines is the direct operationalisation of the SAARC Convention on Preventing and Combating Trafficking in Women and Children. The intra-country mechanisms will bring convergence to the efforts of the 8 Member States to prevent and combat trafficking of women and children. The Project outcomes also contribute to achieving the SDGS (DG 4 related to a robust pro-poor growth process; 6 on Reducing social and institutional vulnerabilities of the poor, women and children; 7 on accesses to affordable justice), the MDGs and the poverty reduction strategies being implemented.

It is also a proven fact that progress for children and women are core factors for preventing state fragility and ensuring long-term sustainable development, social cohesion, stability and security at national and regional levels.

The aim of the project is to:

- Strengthen system to protect rights of women and children; and
- Help rescue and rehabilitation of victims, apprehend perpetrators of trafficking and deter intra country trafficking in South Asia through strengthening/ establishment of Toll free help lines in SAARC Member States.

Expected Outcome(s)/benefits

1. Toll Free Helpline setup/strengthen and fully functional.
2. Increased accessibility for women and children and other stakeholders to Helpline and referral services.
3. Referral and coordination mechanism set up to provide services to women and children in need.
4. Women and Children successfully rehabilitated and re-integrated into the society.
5. Strengthened capacity of relevant stakeholders

to identify and respond to needs of women and children in difficult circumstances.

6. More follow up of the news and reports of violence against women and children and mass people aware the helpline number.
7. Reduce the incidences of violence against women and children in SAARC Member State.

Project Activities

1. Set up or strengthen existing Toll Free Helpline/s in SAARC Member States;
2. Build capacity of the relevant institutions;
3. Sharing of regional experiences;
4. Advocacy and raising public awareness; and
5. Setting up of Monitoring and Evaluation system.

Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries

Project Period: 3 years

Approved Budget: US \$ 4,387,385

SDF Funding: US \$ 3,756,215

Funding from proponents: US \$ 631,170

Participating Countries

Afghanistan, Bangladesh, India, Nepal and Pakistan.

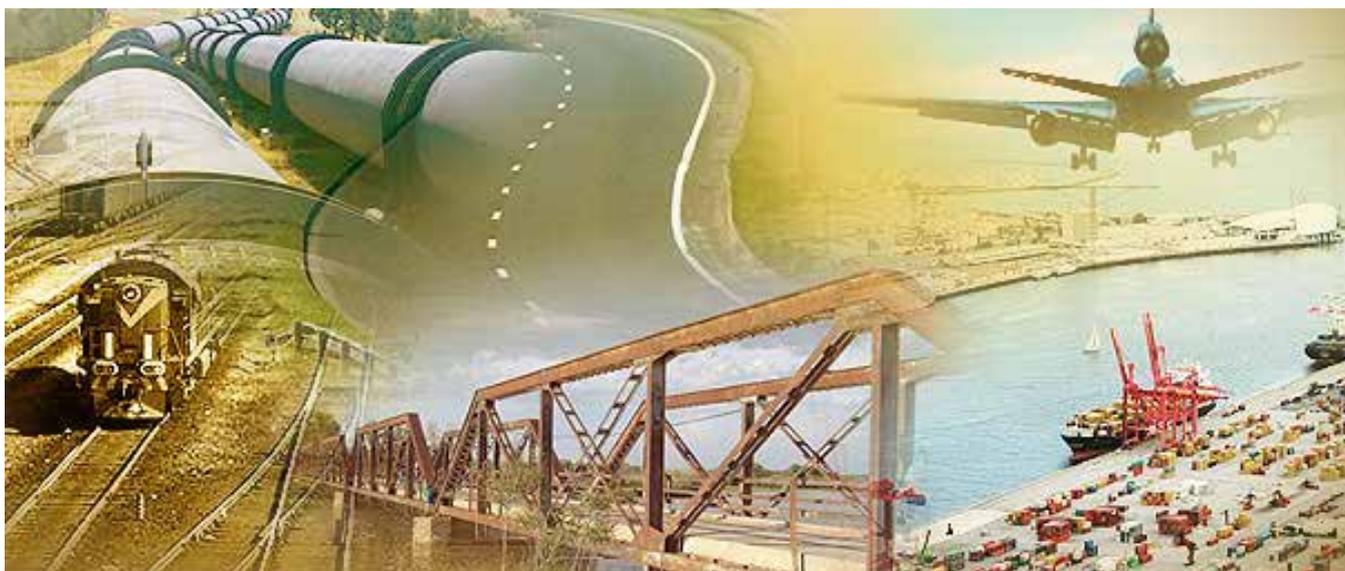
Beneficiary

At least 3500 households of farmers/ artisans/ workers directly

Bamboo constitutes a significant portion of the total forest area in SAARC Countries. However, despite having rich bamboo resources, the sector suffers from poor protection, management especially inefficient harvesting systems and underutilization of the natural resource. Moreover, bamboo related value-added, market-oriented products are limited, causing insignificant contribution to the economy despite much dependence of the poor especially tribal people for their livelihood.

This project proposes a bamboo based integrated enterprise development model by creating opportunities across harvesting to production and marketing. The development model is based on identification of key stakeholders and the challenges they face across the value chain. The creation of sustainable high value economic opportunities will directly improve the quality of life for farmers, artisans, micro & small enterprises, designers, traders and exporters.

Economic & Infrastructure Windows



Current Scenario of Economic and Infrastructure Windows

The SAARC Development Fund is now fully geared-up to activate its Economic and Infrastructure windows. A number of strategic actions have been taken by the Secretariat to put in place required policies and procedures for the loan operations under the two windows, proper staffing, business development, networking and devising strategy for future. A number of bankable projects focussing on regional integration and connectivity are under consideration for co-financing of SDF.

Focus Areas of Funding

- As per SDF Charter, the focus areas of the two windows are as follows:
 - The **Infrastructure Window** shall primarily be utilized to fund projects in areas such as energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas.
 - The **Economic Window** shall primarily extend funding to non-infrastructure projects related to trade and industrial development, agriculture, service sector, science and technology and other non-infrastructure areas. It shall also be utilized for identifying, studying, developing and /or sponsoring commercially viable programs/projects of regional priority including their pre-feasibility and feasibility studies. The Economic Window would be utilized for supporting any other projects which are not covered explicitly under the Social and Infrastructure Window.

Action taken so far

- **Credit Policy:** The Credit Policy, laying down policy parameters for lending operations under the two windows has been put in place.
- **Credit Manual:** The Secretariat has also developed in-house the Credit Manual detailing the operational mechanism for handling proposals under the two windows.
- **Drafting of legal framework and legal documents:** The legal framework and draft legal documents for the two windows are now in place.
- **Pricing:** The broad pricing policy for loans under the two windows has also been finalized.
- **Collaboration and co-funding:** As a risk mitigation strategy and to catalyze investment, it was decided to fund projects through co-lending mechanism and thus the Secretariat made efforts to forge relationships with Multilateral, International, Regional and National funding institutions in SAARC Member States for the purpose.

- **Potential Areas of intervention:** The Secretariat has taken a number of initiatives to identify the potential areas of intervention by SDF under the two windows in the Member States and took several steps to procure suitable bankable projects during the years. The Secretariat is focusing on energy projects (especially renewable energy), transport connectivity projects, and projects which provide regional integration and connectivity. Another focus area that has been identified is MSME and trade facilitation. The SDF has developed a scheme for financing MSMEs in SAARC Member States through banks and financial institutions. Priority trade facilitation projects have also been identified for possible intervention.

Action Plan for future

- **Collaboration with Multilateral, Regional and National institutions:** The Fund aims to increase its efforts to collaborate with other institutions to catalyze investments and also co-fund projects. The SDF Secretariat is also entering into MoUs with other institutions to strengthen partnerships with other institutions for strategic development of SAARC region.
- **Focusing on country priority projects:** The Secretariat shall be focusing on priority projects for Member States to accelerate development of infrastructure and financing focus industries. Energy and SAARC connectivity shall be the focus areas. The Fund has received a number of project proposals which are under active consideration. It is expected that the Fund will soon have a portfolio of sanctioned/disbursed projects.
- **MSME and Trade Facilitation:** The Fund shall also focus on MSME and trade facilitation projects. SAARC is the least integrated region in the world and thus a number of initiatives are required to boost intra-region trade. Similarly strengthening of MSME sector is required so that they can become part of global or regional value chains.
- **Project Development Facility and PPP Facilitation:** Paucity of bankable projects is one problem which all institutions face. Thus, the Secretariat plans to activate a Project Development Facility in SDF to identify and develop projects which can be then referred to investors. Also, the Secretariat plans to play a critical role in PPP facilitation in the Member States since PPP has emerged as one of the viable ways of implementing social and infrastructure projects.
- **Developing other innovative solutions:** The Secretariat also proposes to develop innovative solutions for Credit Guarantee, providing viability gap funding, create thematic funds, carry out pre-feasibility and feasibility studies, initiate programs for private sector, thereby accelerating economic growth, social progress and poverty alleviation in the region.

Financials (2013)



Audit Report - SDF (2013)

Independent Auditor's Report

To The Members of the Governing Council

The SAARC Development Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the SAARC Development Fund ("the Fund"), which comprises the statement of financial position as at December 31, 2013, the statements of profit or loss and other comprehensive income, statement of changes in net assets, reserve and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation⁹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SAARC Development Fund as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matters

The financial statements of the SAARC Development Fund for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those statements on August 30, 2012. The basis of modification was for non - accrual of committed initial contribution by some of the member countries as per the Charter and Bye-laws of the Fund. The Fund has rectified the above misstatement and reinstated the previous year financial statements which have been disclosed in Note 14.1.2.

Deloitte Haskins & Sells

Dhaka, Bangladesh

28th April, 2014

SAARC Development Fund (SDF)

Statement of Financial Position as at 31 December 2013

(All amounts in SDR unless otherwise stated)

	Note	As at 31 December 2013	As at 31 December 2012
Assets			
Non-current assets			
Property, plant and equipment	7	132,453	135,878
Intangible Assets	8	25,802	29,137
Other financial assets	9	-	88,026,904
Total non-current assets		158,255	88,191,919
Current assets			
Other financial assets	9	153,099,392	95,665,330
Cash and cash equivalents	10	55,940,550	786,676
Total current assets		209,039,942	96,452,006
Total assets		209,198,197	184,643,925
Net assets and liabilities			
Non-current liabilities			
Provision	11	3,801	1,411
Total non-current liabilities		3,801	1,411
Current liabilities			
Trade and other payables	12	23,126	45,377
Total current liabilities		23,126	45,377
Deferred unrestricted contributions	13	55,536,514	58,203,306
Deferred restricted contributions	13	57,104	-
Deferred contributions - Capital Assets	13	34,001	46,509
		55,627,619	58,249,815
Net Assets			
Unrestricted net assets	14	153,543,651	126,347,322
Total net assets		153,543,651	126,347,322
Total Net assets and liabilities		209,198,197	184,643,925

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

SAARC Development Fund (SDF)

Statement of profit or loss and other comprehensive Income for the year ended 31 December 2013

(All amounts in SDR unless otherwise stated)

	Notes	For the year ended 31 December 2013	For the year ended 31 December 2012
Investment income	15	5,726,995	5,475,233
Other gain and losses	16	(864,936)	(110,257)
Employee benefit expenses	17	(277,795)	(230,328)
General expenditure	18	(254,639)	(162,216)
Less: Fund received on technical assistance from World Bank (See note 13.2)		33,561	-
Less: Contribution in kind from Royal Government of Bhutan - Rent		27,116	29,406
Depreciation and amortization	7 & 8	(36,916)	(33,506)
Less: Transferred from restrictive reserve against property, plant and equipment (See note 13.2)		12,576	12,456
Funds disbursed under social window		(2,781,156)	(1,582,391)
Less: allocated from voluntary contribution		2,781,156	1,582,391
Net income for the year		4,365,962	4,980,788
Other comprehensive income			
<i>Items that may be reclassified subsequently to Profit or Loss</i>			
Actuarial loss on long term employee benefits		(776)	-
Foreign currency translation reserves		(3,718,987)	7,752
Other comprehensive (loss)/income for the year		(3,719,763)	7,752
Total comprehensive income for the year		646,199	4,988,540

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

SAARC Development Fund (SDF)

Statement of changes in net assets for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

Note	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
Opening balance as at 1 January 2012	105,642,404	8,064,344	65,818	113,772,566
Income for the year	-	4,980,788	-	4,980,788
Other comprehensive income for the year	-	-	7,752	7,752
Total comprehensive income for the year	105,642,404	13,045,132	73,570	118,761,106
Contribution made during the year	7,758,866	-	-	7,758,866
Currency translation adjustments	(172,650)	-	-	(172,650)
Balance as at 31 December 2012	113,228,620	13,045,132	73,570	126,347,322

Note	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
Opening balance as at 1 January 2013	113,228,620	13,045,132	73,570	126,347,322
Income for the year	-	4,365,962	-	4,365,962
Other comprehensive income	-	(776)	(3,718,987)	(3,719,763)
Total comprehensive income for the year	113,228,620	17,410,318	(3,645,417)	126,993,521
Contribution made during the year	23,763,215	-	-	23,763,215
Currency translation adjustments	2,786,915	-	-	2,786,915
As at 31 December 2013	139,778,750	17,410,318	(3,645,417)	153,543,651

SAARC Development Fund

Statement of Cash Flows for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

	For the year ended 31 December 2013	For the year ended 31 December 2012
Cash flow from operating activities		
Net income for the year	4,365,964	4,980,788
Adjustments:		
Investment income	(5,726,995)	(5,475,233)
Contribution in kind received from Kingdom of Bhutan	(12,576)	(12,456)
Depreciation and amortization	36,916	33,506
Expenses from contribution in kind	(27,116)	29,406
Voluntary contribution received from Kingdom of Bhutan	27,116	(29,406)
Fund received on technical assistance from World Bank	33,561	-
Expenses incurred out of technical assistance received from World Bank	(33,561)	-
Actuarial loss on long term employee benefits	(776)	-
Operating profit before working capital changes	(1,337,468)	(473,395)
Adjustments for :		
Decrease/(increase) in other financial assets	246	1,357
Increase/(decrease) in other payables	(19,776)	28,640
Increase / (Decrease) in provisions	2,391	896
Net Cash used in operating activities	(1,354,607)	(442,502)
Cash flow from investing activities:		
Interest income received	4,478,417	2,141,118
Investment in deposits (net)	31,841,173	(7,917,900)
Purchase of fixed assets	(32,877)	(50,360)
Net cash used in investing activities	36,286,714	(5,827,142)
Cash flow from financing activities:		
Voluntary grant received	194,805	195,464
Funds disbursed under social window	(2,781,156)	(1,582,391)
Capital contribution	26,550,130	7,758,866
Technical Assistance from World Bank	90,231	-
Expenses under Technical Assistance from World Bank	(33,561)	-
Net cash from financing activities	24,020,449	6,371,939
Net (decrease)/increase in cash and cash equivalents	58,952,557	102,295
Effect of foreign currency translation reserves	(3,798,682)	(250,513)
Cash and cash equivalents as at the beginning of the period	786,676	934,894
Cash and cash equivalents as at the end of the period	55,940,550	786,676

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

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2013

1 Reporting entity

SAARC Development Fund ('the Fund') is established by eight member countries i.e. Islamic Republic of Afghanistan, People's Republic of Bangladesh, Kingdom of Bhutan, Republic of India, Republic of Maldives, Federal Democratic Republic of Nepal, Islamic Republic of Pakistan and Democratic Socialist Republic of Sri Lanka ('Member States') and is governed by its Charter duly signed on 3 August 2008.

The Fund, as per the Charter, has a Governing Council, comprising of the SAARC Ministers of Finance, a Board of Directors, consisting of one member nominated by each member state, Secretary General of the SAARC Secretariat or his/her representative and the Chief Executive Officer of the Fund and it also has such officers and staff, as approved by the Governing Council.

The Fund has international character, possesses, full juridical personality and operates under the Rules, Regulations and Bye Laws made for the purpose of the Charter by the Governing Council. As per the Bye Laws, the Fund, its property, other assets, income and its operations and transactions shall be exempt from all taxation and duties.

The address of the Fund is SAARC Development Fund Secretariat, 3rd Floor, BDFC Building, Norzin Lam, Post Box 928, Thimphu 11001, Bhutan.

The Fund is established to promote the welfare of the people of its member countries, to improve their quality of life and to accelerate economic growth, social progress and poverty alleviation in the region. The Fund will serve as a financial institution for projects and programs, which are in fulfillment of the objective of the SAARC Charter. It is aimed to contribute to regional cooperation and integration through project collaboration.

The utilisation of fund monies shall be for the projects emanating from the following three windows:

- The 'Social Window' shall primarily fund projects on poverty alleviation, social development focusing on education, health, human resource development, rural infrastructure development etc.
- The 'Infrastructure Window' shall primarily be utilised to fund projects in areas such as energy, power, transportation, telecommunication, environment, tourism and other infrastructure areas.
- The 'Economic Window' shall primarily extend funding to non-infrastructure projects related to trade and industrial development, agriculture, service sectors, science and technology and other non-infrastructure areas and also for projects which are not covered under Social and Infrastructure Windows.

The Fund has currently activated the Social Window and disbursing fund for projects approved by the Governing Council under social window. The Fund is also under process to operationalise its other two windows viz. Economic & Infrastructure Windows

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the fund has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

2.1.1 Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Fund has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Fund does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

2.1.2 Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Fund has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the Statement of profit or loss and income statement. Under the amendments to IAS 1, the 'statement of profit or loss' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.1.3 Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Fund are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

2.1.4 IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Fund has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had no impact on the amounts recognised in profit or loss and other comprehensive income in prior years of the Fund. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures which has been followed for the current year disclosure.

2.2 New and revised IFRSs in issue but not yet effective

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 :	Financial Instruments*
Amendments to IFRS 9 and IFRS 7 :	Mandatory Effective Date of IFRS 9 and Transition Disclosures*
Amendments to IAS 32 :	Offsetting Financial Assets and Financial Liabilities**

* Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

** Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

The Fund is currently evaluating the requirements of the above IFRSs and has not yet determined the impact on the financial statement.

3 Basis of preparation

3.1 Statement of compliance

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and are presented in accordance with the Fund's Charter and Bye-laws.

The financial statements for the year ended 31 December 2013 were authorized by the Board of Directors on 28th April 2014 for issue to the Governing Council on 20th August 2015 for their final approval.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

3.3 Functional currency

The Fund's functional currency is U.S. dollar (USD). The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

3.4 Presentation currency

As required under Bye Laws of the Fund these financial statements are presented in Special Drawings Rights ('SDR'). All financial information presented in SDR has been rounded to the nearest SDR, except when otherwise indicated.

The value of the SDR is determined by the International Monetary Fund ('IMF') each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The current composition of the SDR valuation basket became effective on 1 January 2011.

The currencies in the basket at 31 December 2013 and 31 December 2012 and their amounts were as follows:

Currency	2013	2012
Euro	0.423	0.423
Japanese yen	12.1	12.1
Pound sterling	0.111	0.111
U.S. dollar	0.660	0.660

At 31 December 2013, one SDR was equal to US\$1.54000 (one SDR was equal to US\$1.53692 as at 31 December 2012), which is as determined and reported by International Monetary Fund (IMF).

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation/uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Refer note 4.7 Property, plant and equipment
- Refer note 4.8 Intangible assets
- Refer note 4.10 Employee benefit

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on translation are recognized in statement of profit or loss.

Translation from functional currency to presentation currency:

As mentioned above, these financial statements are presented in Special Drawings Rights ('SDR').

- The assets and liabilities are translated to SDR at exchange rate at the date of the balance sheet.
- The income and expenses are translated to SDR at exchange rates at an average rate of the financial year.
- Initial contribution received from member countries are converted at agreed upon historical rate (followed from the financial year 2013, corresponding impact relating to earlier years has been adjusted in the current year through Foreign currency translation reserves).

All resulting exchange differences are recognized in other comprehensive income and are presented in the translation reserve within 'Statement of Changes in Reserves'

4.2 Financial instruments**a. Non- derivative financial assets:**

The classification of financial instruments depends on the substance of the contractual arrangement. The Fund's non-derivative financial assets comprise of Loans and receivables.

The Fund initially recognizes loans and receivables on the date that they are originated.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured initially at cost plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. Loans and receivables comprise investment in fixed deposits with original maturities more than 3 months and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in their fair value. For these short term deposits, the carrying value approximates the fair value due to the short maturity of these instruments.

Investments

Investments comprise of fixed deposits with original maturities of more than three months.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

Other receivables

Other receivables mainly comprise of advances paid to vendors.

b. Non derivative financial liabilities :

The Fund recognizes financial liabilities initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Fund classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise 'Trade and other payable'.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.3 Retained earnings

These reserves represent accumulation of excess of income over expenditure in Statement of profit or loss. Such excess Funds carry no specific reservation or restriction and can be applied as per the Fund Charter.

4.4 Unrestricted and restricted contribution

• Capital contribution

This represents the contribution given by the Member States. These are not subject to any legal or third-party restriction and can be applied as per the Fund Charter.

• Voluntary contributions and contributions in kind

Voluntary contributions from member states (unrestricted reserves) or other governments/institutions are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such income is presented on a systematic basis as a deduction in reporting the related expense in the periods in which the expenses are recognised.

Contribution in kind for assets are recognised initially as restricted reserves (deferred income) at fair value when there is reasonable assurance that they will be received and the Fund will comply with the conditions associated with the grant, and are then recognised in Statement of profit or loss as income on a systematic basis over the useful life of the asset.

The value of contributions in kind is determined by the donor's indication of the value of the goods, including the cost of transport to the final destination.

Contribution in services such as in the form of rent or other expenses is recognized in the Statement of profit or loss when such services are received and are presented in statement of profit or loss as a deduction from the related expense.

• Funds received on cessation of South Asian Development Fund ('SADF')

This represents the balance transferred on the closure of the earlier SADF to the Fund. These are not subject to any legal or third-party restriction and can be applied as per the Fund Charter in the "Economic window" as decided by the Management.

4.5 Payments to and on behalf of beneficiaries

Payments to and on behalf of beneficiaries under social window are recognized as expense in the Statement of profit or loss when the specified conditions in the respective agreements are achieved and amount disbursed to the Implementing Agencies and/or Lead Implementing Agencies. Equivalent amount has been transferred from the voluntary contribution made by Republic of India to the Statement of profit or loss.

4.6 Investment income

Finance income comprises interest income on Funds invested and idle Funds lying with projects detailed in paragraph 15 below. Interest income is recognized as it accrues in statement of profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis

4.7 Property, plant and equipments

a. Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognized net under the head 'Other gain or losses (as the case may be)' in statement of profit or loss.

b. Subsequent Costs

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be reliably determined. The costs of the day-to-day servicing of property, plant and equipment are recognized in Statement of profit or loss as incurred.

c. Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognized in Statement of profit or loss unless the amount is included in the carrying amount of another asset.

The estimated useful lives are as follows:

- Vehicles: 6 years
- Furniture : 10 years
- Office equipment : 6 years
- Computers and peripherals : 6 years
- Leasehold improvements : Useful life of asset or lease term whichever is shorter
- Servers and networking equipments : 6 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as appropriate.

4.8 Intangible assets

a. Acquired intangibles.

Acquired rights and licenses are measured at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the intangible assets.

b. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

c. Amortization

Amortization is recognized in the Statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

- Software : 6 years or licensing period or over the period for which the right is obtained

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

4.9 Impairment

a. Financial assets

The carrying amount of Fund's assets is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Fund considers evidence of impairment for receivables for each specific asset. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in Statement of profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

b. Non-Financial Assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.10 Employee benefit plans

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of profit or loss in the periods during which related services are rendered by employees.

b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In accordance with the SAARC Development Fund's Financial and Administration Provisions, SDF provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) to its eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

The Fund's net obligation in respect of defined benefit plans is calculated for the gratuity plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is based on the Government securities yield that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to surplus in the Statement of profit or loss in the period in which they arise.

4.11 Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assumptions of the time value of money and the risks specific to the liability. The unwinding of discount is recognized as finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Fund. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

4.12 Leasing arrangements as a lessee

Accounting for Operating Leases

Assets held under other leases are classified as operating leases and are not recognised in the Fund's statement of financial position. Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management is carried out by the top management under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, 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 Fund's activities. The Fund, 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 Fund's overall risk management program focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to The Board of Directors.

a. Credit risk

The Fund treasury policy focuses on security of cash and cash equivalents including term deposits. Investments are allowed only in liquid securities and only with counterparties that have a high credit rating.

The Fund held cash and cash equivalents and investments in fixed deposits of SDR 209,695,429 (2012: SDR 184,474,668), which represents its maximum credit exposure on these assets. These are held in government authorised banks and there is no significant exposure. Details of investments in different countries:

Name of country	As at 31-Dec-13 (SDR)	As at 31-Dec-12 (SDR)
Nepal	126,390,208	154,726,967
India	77,442,408	29,441,743
Bhutan	583,609	305,958
Pakistan	5,279,204	-
	209,695,429	184,474,668

b. Liquidity risk

The Fund's objective is to strike a balance between Funding continuity and flexibility by maintaining sufficient Funds as cash in hand or as on-demand or short-term deposits with maturities of three months or less to meet short-term liabilities. There are no non-derivative financial liabilities at the end of reporting period. The Fund'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 Fund's reputation.

The Fund uses activity-based costing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Fund ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Fund regularly monitors its liquidity to keep it at adequate levels, with periodic reports to the chief operating decision maker.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Exposure to fluctuations in foreign currency exchange rates arises from transactions denominated in currencies other than the Fund's functional currency, which is the USD.

The carrying amount of the Fund's financial assets and liabilities in different currencies are as follows:

Currency (as at 31.12.2013)	Financial assets	Financial liabilities
PKR	821,531,312	-
NPR	744,788,462	-
Nu	828,682	369,284
Currency (as at 31.12.2012)		
NPR	489,952,224	-
Nu	2,818,013	2,133,052

Sensitivity analysis for foreign currency risk

The following table demonstrate the sensitivity of the Company's profit or (loss) to a reasonably possible 10% change in exchange rate of the other currencies against USD:

Currency	Effect of 10% strengthening	Effect of 10% weakening
PKR	82,153,131	(82,153,131)
NPR	74,478,846	(74,478,846)
Nu	45,940	(45,940)

(ii) Interest Rate Risk

The investment portfolio is exposed to market risk due to interest rate movements. The interest rate risk is reduced by limiting the duration of the portfolio to a weighted average of 0-2 years and investment in fixed rate instruments.

SAARC Development Fund (SDF)

Notes to financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

7. Property, plant and equipment *

7.1 Carrying amount of	As at 31.12.2013	As at 31.12.2012
Vehicles	33,002	26,694
Furnitures	27,083	25,717
Office equipments	6,678	8,763
Computers and peripherals	18,775	14,615
Leasehold improvements	8,941	11,744
Servers and networking equipments	37,976	48,344
	132,453	135,878

7.2	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2013	47,320	31,115	14,236	18,886	16,704	61,736	189,998
Additions during the year	14,526	4,802	334	8,112	-	-	27,774
Currency translation adjustments	(282)	(125)	(33)	(143)	(34)	(124)	(742)
31 December 2013	61,564	35,792	14,537	26,855	16,670	61,612	217,030
Accumulated depreciation							
1 January 2013	20,626	5,398	5,473	4,271	4,960	13,392	54,120
Depreciation charge for the year	8,082	3,367	2,428	3,868	2,815	10,405	30,965
Currency translation adjustments	(145)	(55)	(43)	(59)	(46)	(161)	(508)
31 December 2013	28,562	8,709	7,859	8,080	7,729	23,637	84,577
Carrying amounts							
1 January 2013	26,694	25,717	8,763	14,615	11,744	48,344	135,878
31 December 2013	33,002	27,083	6,678	18,775	8,941	37,976	132,453

7.3	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2012	47,371	23,839	13,558	10,601	13,100	60,875	169,344
Additions during the year	-	7,312	694	8,308	3,623	928	20,865
Currency translation adjustments	(51)	(36)	(16)	(23)	(19)	(67)	(212)
31 December 2012	47,320	31,115	14,236	18,886	16,704	61,736	189,998
Accumulated depreciation							
1 January 2012	12,752	2,736	3,146	1,993	2,738	3,211	26,576
Depreciation charge for the year	7,899	2,669	2,334	2,283	2,228	10,199	27,612
Currency translation adjustments	(25)	(7)	(7)	(5)	(6)	(18)	(68)
31 December 2012	20,626	5,398	5,473	4,271	4,960	13,392	54,120
Carrying amounts							
1 January 2012	34,619	21,103	10,412	8,608	10,362	57,664	142,768
31 December 2012	26,694	25,717	8,763	14,615	11,744	48,344	135,878

* The Fund during the year ended 31 December 2009 and 31 December 2010 received certain fixed assets by way of contribution in kind from Royal Government of Bhutan, the details of which are as under:

	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2013	47,320	12,689	7,501	4,064	8,118	-	79,692
Additions during the year	-	-	-	-	-	-	-
Currency translation adjustments	(94)	(25)	(15)	(9)	(16)	-	(159)
31 December 2013	47,226	12,664	7,486	4,055	8,102	-	79,533
Accumulated depreciation							
1 January 2013	20,626	3,427	3,513	1,926	3,690	-	33,182

Depreciation charge for the year	7,976	1,283	1,264	685	1,368	-	12,576
Currency translation adjustments	(144)	(24)	(23)	(12)	(25)	-	(227)
31 December 2013	28,458	4,686	4,755	2,598	5,033	-	45,531
Carrying amounts							
1 January 2013	26,694	9,262	3,988	2,138	4,428	-	46,510
31 December 2013	18,768	7,977	2,732	1,457	3,069	-	34,002

SAARC Development Fund (SDF)

Notes to financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2012	47,371	12,702	7,509	4,068	8,127	-	79,777
Additions during the year	-	-	-	-	-	-	-
Currency translation adjustments	(51)	(13)	(8)	(4)	(9)	-	(85)
31 December 2012	47,320	12,689	7,501	4,064	8,118	-	79,692
Accumulated depreciation							
1 January 2012	12,752	2,160	2,266	1,250	2,340	-	20,768
Depreciation charge for the year	7,899	1,271	1,252	678	1,355	-	12,455
Currency translation adjustments	(25)	(4)	(5)	(2)	(5)	-	(41)
31 December 2012	20,626	3,427	3,513	1,926	3,690	-	33,182
Carrying amounts							
1 January 2012	34,619	10,542	5,243	2,818	5,787	-	59,009
31 December 2012	26,694	9,262	3,988	2,138	4,428	-	46,510

8. Intangible assets

	8.1 Carrying amount of	As at	As at
		31.12.2013	31.12.2012
	Acquired software	25,802	29,137
		25,802	29,137
8.2		Acquired software	Total
Historical cost			
	1 January 2013	35,305	35,305
	Additions during the year	2,631	2,631

Currency translation adjustments	(105)	(105)
31 December 2013	37,831	37,831
Accumulated depreciation		
1 January 2013	6,168	6,168
Amortisation for the year	5,951	5,951
Currency translation adjustments	(90)	(90)
31 December 2013	12,029	12,029
Carrying amounts		
1 January 2013	29,137	29,137
31 December 2013	25,802	25,802
8.3	Acquired software	Total
Historical cost		
1 January 2012	35,343	35,343
Additions during the year	-	-
Currency translation adjustments	(38)	(38)
31 December 2012	35,305	35,305
Accumulated depreciation		
1 January 2012	282	282
Amortisation for the year	5,894	5,894
Currency translation adjustments	(8)	(8)
31 December 2012	6,168	6,168
Carrying amounts		
1 January 2012	35,061	35,061
31 December 2012	29,137	29,137

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

9. Other financial assets

	As at 31 December 2013	As at 31 December 2012
Loans and advances carried at amortised cost		
Fixed deposits with banks (maturities more than 3 months)	146,651,698	178,492,872
Interest accrued on fixed deposits with banks	6,443,699	5,195,121
Other receivables	3,995	4,241
	153,099,392	183,692,234
Current	153,099,392	95,665,330
Non-current	-	88,026,904
	153,099,392	183,692,234

9.1 Fixed deposits with banks

	As at 31 December 2013	As at 31 December 2012
(maturities more than 3 months)		
Nepal SBI Bank Limited, Nepal	69,467,423	149,051,129
Punjab National Bank, India	77,123,552	29,441,743
Habib Bank Limited, Pakistan	60,723	-
	146,651,698	178,492,872

9.2 Other receivables

	As at 31 December 2013	As at 31 December 2012
Advance to vendors	1,919	3,751
Staff advance	1,594	490
Other Advances	482	-
	3,995	4,241

10. Cash and cash equivalents

	As at 31 December 2013	As at 31 December 2012
<i>Cash at bank</i>		
Current account	604,258	786,162
Deposit account (maturities less than 3 months)	55,334,784	-
Cash in hand	1,508	514
	55,940,550	786,676

The above deposits maintained by the Fund with banks comprise of time deposits, which can be withdrawn by the Fund at any point without prior notice or penalty on the principal.

11. Provisions

	As at 31 December 2013	As at 31 December 2012
Employee benefits		
Provision for long term employee benefits	3,801	1,411
Closing balance	3,801	1,411

12. Trade and other payable

	As at 31 December 2013	As at 31 December 2012
Creditors for fixed assets	262	2,734
Sundry creditors	21,551	40,405
Payable to staff	1,279	2,103
Statutory dues	34	133
	23,126	45,375

15. Investment income

	For the year ended 31 December 2013	For the year ended 31 December 2012
Interest income on fixed deposits	5,625,998	5,305,990
Interest income on idle funds with implementing agencies	100,997	169,243
	5,726,995	5,475,233

16. Other gain and losses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net foreign exchange gain/(losses)	(864,936)	(110,257)
	(864,936)	(110,257)

17. Employee benefit expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Post employment benefits		
Defined contribution plan (See note- 18)	(3,343)	(1,891)
Defined benefit plan (See note -18)	(1,617)	(896)
Other employee benefits		
Salaries and other benefits	(271,288)	(226,862)
Staff-welfare expenses	(1,547)	(679)
	(277,795)	(230,328)

18. General expenditure

	For the year ended 31 December 2013	For the year ended 31 December 2012
Staff recruitment expenses	(31,473)	(491)
Rent *	(27,116)	(29,406)
Travelling and conveyance	(35,623)	(47,977)
Advertisement expenses	(12,288)	(1,177)
Meeting expenses	(20,306)	(14,698)
Printing and stationary	(12,276)	(8,345)
Communication expenses	(8,007)	(7,735)
Vehicle running and maintenance expenses	(4,595)	(3,198)
Electricity charges	(1,347)	(1,540)
Repair and maintenance expenses	(2,310)	(1,520)
Books and periodicals	(458)	(1,459)
Security expenses	(1,783)	(1,796)
Audit Fees	(10,197)	(10,000)
Legal and professional expenses	(19,382)	-
Training expenses**	(47,590)	(27,803)
Computer Hardware and software Maintenance	(5,126)	(1,258)
Miscellaneous expenses	(14,762)	(3,813)
	(254,639)	(162,216)

Royal Government of Bhutan has given office premises to SDF without any charge and the same is considered as contribution in kind from the Royal Government of Bhutan

	For the year ended 31 December 2013	For the year ended 31 December 2012
Rent	(27,116)	(29,406)
	(27,116)	(29,406)

The World Bank has sanctioned Technical Assistance of USD 349,595 (SDR 227,010), (Previous Year NIL) out of which the following have been expensed during the year

Legal and professional expenses	-	-
Training expenses	(33,561)	-
	(33,561)	-

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

13. Deferred unrestricted and restricted contributions

	Deferred unrestricted contribution		Deferred restricted contribution		Deferred contributions - Capital Assets
	As at 31.12.2013	As at 31.12.2012	As at 31.12.2013	As at 31.12.2012	
13.1 Carrying amount					
Voluntary contribution received from Republic of India	50,344,953	53,196,539	-	-	
Voluntary contribution received from Republic of China	584,416	390,392	-	-	
Fund received on cessation of South Asian Development fund	4,607,144	4,616,376	-	-	
Contribution received in kind from Kingdom of Bhutan	-	-	-	-	34,001
Technical assistance received from World Bank	-	-	57,104	-	46,509
Total deferred unrestricted and restricted reserves	55,536,514	58,203,306	57,104	-	46,509

13.2

	Deferred unrestricted contribution			Deferred re- stricted contri- bution - World Bank TA ***	Deferred Contri- butions - Capital Assets from Royal Govt. of Bhutan	Total deferred contribution
	Voluntary contribution received from Republic of India*	Voluntary contri- bution received from Republic of China	Funds received on cessation of South Asian De- velopment Fund ("SADF") **			
Opening balance as at 01 January 2013	53,196,539	390,392	4,616,376	-	46,509	58,249,815
Received during the year	-	194,805	-	90,231	-	285,036
Less: Allocated to the other expenditure to the extent of related grant disbursed	(2,781,156)	-	-	(33,561)	-	(2,814,717)

Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	-	(12,576)	(12,576)
Add: Currency translation adjustments	(70,430)	(781)	(9,232)	434	68	(79,941)
Closing Balance as at 31 December 2013	50,344,953	584,416	4,607,144	57,104	34,001	55,627,617

13.3

	Deferred unrestricted contribution			Deferred restricted contribution - World Bank TA ***	Deferred Contributions - Capital Assets from Royal Govt. of Bhutan	Total deferred contribution
	Voluntary contribution received from Republic of India *	Voluntary contribution received from Republic of China	Funds received on cessation of South Asian Development Fund ("SADF") **			
Opening balance as at 01 January 2012	54,835,746	195,406	4,644,829		59,008	59,734,988
Addition made during the year	-	195,464	-		-	195,464
Less: Allocated to the other expenditure to the extent of related grant disbursed	(1,582,391)	-	-		-	(1,582,391)
Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-		(12,455)	(12,455)
Add: Currency translation adjustments	(56,816)	(478)	(28,453)		(44)	(85,791)
Closing Balance as at 31 December 2012	53,196,539	390,392	4,616,376	-	46,509	58,249,815

* As informed by the management, in the fourth inter- governmental meeting of South Asian Association for Regional Cooperation, Nepal, held on 6 -7 March 2008 at Lahore, it has been decided that voluntary contribution from India has to be used for the “Social window” as defined in the Fund charter for funding regional/sub-regional projects within the SAARC countries, but outside of India.

** As informed by the management and adopted by the Board of Directors in their meeting held on 30 November 2010 and 1 December 2010, funds received on cessation of SADF has to be used for the “Economic window” as defined in the Fund charter.

*** World Bank sanctioned Technical Assistance of SDR 227,010 for Consultancy services, capacity building and for acquiring software during the year 2013.

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

	As at 31 December 2013	As at 31 December 2012
14. Unrestricted net assets		
Capital contribution from member states	139,778,750	113,228,620
Retained earnings	17,410,318	13,045,132
Foreign currency translation reserves	(3,645,417)	73,570
	153,543,651	126,347,322
14.1 Capital contribution from member states		
Capital contribution due and paid	128,298,083	90,187,070
Capital contribution due and receivable	31,701,917	26,930,290
Total Capital Contribution committed	160,000,000	117,117,360
Less: Capital contribution due and receivable	(31,701,917)	(26,930,290)
Capital contribution received in advance	11,480,667	23,041,550
Total capital contribution from member states	139,778,750	113,228,620

	As at 31 December 2013				As at 31 December 2012			
	Opening	Addition	Currency trans- lation adjust- ments	Closing	Opening	Addition	Currency translation adjustments	Closing
14.1.1 Capital contribution due and paid								
Islamic Republic of Afghanistan	5,855,868	2,000,000	144,132	8,000,000	3,908,118	1,927,992	19,758	5,855,868
People's Republic of Bangladesh	12,021,165	-	295,880	12,317,045	8,234,028	3,844,457	(57,320)	12,021,165
Kingdom of Bhutan	5,855,868	2,000,000	144,132	8,000,000	3,908,118	1,986,417	(38,667)	5,855,868
Republic of India	35,509,984	12,128,000	874,016	48,512,000	23,698,828	11,836,661	(25,505)	35,509,984
Republic of Maldives	3,969,075	-	97,692	4,066,767	3,973,351	-	(4,276)	3,969,075
Federal Democratic Republic of Nepal	12,554,981	4,288,000	309,019	17,152,000	12,568,507	-	(13,526)	12,554,981
Islamic Republic of Pakistan	6,050,142	11,641,882	148,914	17,840,938	6,056,661	-	(6,518)	6,050,142
Democratic Socialist Republic of Sri Lanka	8,369,987	3,833,333	206,013	12,409,333	8,379,005	-	(9,018)	8,369,987
Total	90,187,070	35,891,215	2,219,798	128,298,083	70,726,615	19,595,527	(135,073)	90,187,070

14.1.2 Capital contribution due and receivable

	As at 31 December 2013	As at 31 December 2012
People's Republic of Bangladesh	4,834,955	533,816
Republic of Maldives	3,933,234	1,886,794
Islamic Republic of Pakistan	18,191,062	20,324,687
Democratic Socialist Republic of Sri Lanka	4,742,666	4,184,994
Total	31,701,917	26,930,290

14.1.3 Capital contribution received in advance

Republic of India

	As at 31 December 2013	As at 31 December 2012
Opening	23,041,550	34,915,788
Less, Transfer to C-paitl contribution due and paid	(12,128,000)	(11,836,661)
Currency translation adjustments	567,117	(37,577)
Total	11,480,667	23,041,550

The initial authorized capital of the Fund shall be SDR One Thousand Million, to be divided into callable capital and paid - up capital.

14.1.4

14.1.5 Initial paid up capital contribution

The initial paid-up capital of the Fund shall be SDR Two Hundred Million. The initial paid-up capital will be subscribed by the Member States in accordance with the proportion of the assessed contribution to the SAARC Secretariat budget and as set forth in the Table below. Future contributions to the paid -up capital will be raised as per decision of the Governing Council.

Member state (s)	Amount in SDR
Islamic Republic of Afghanistan	10,000,000
People's Republic of Bangladesh	21,440,000
Kingdom of Bhutan	10,000,000
Republic of India	60,640,000
Republic of Maldives	10,000,000
Federal Democratic Republic of Nepal	21,440,000
Islamic Republic of Pakistan	45,040,000
Democratic Socialist Republic of Sri Lanka	21,440,000
Total	200,000,000

Subscriptions by each member state to the initial paid up capital of the Fund shall be made in five (5) equal instalments. The first instalment shall be due within one month of entry into force of the SDF Charter i.e April 15, 2010

The liability of the contributors shall be limited to the unpaid portion of their contributions. No contributor shall be liable for obligations of the Fund.

14.2 Retained earnings

Balance at the beginning of the year	As at 31 December 2013	As at 31 December 2012
Net income for the year as per statement of profit or loss	13,045,132	8,064,344
Other comprehensive income arising from actuarial gain/(loss) on long term employee benefits	4,365,962	4,980,788
Balance at the end of year	(776)	-
	17,410,318	13,045,132

14.3

Foreign currency translation reserves

Balance at the beginning of the year	As at 31 December 2013	As at 31 December 2012
Exchange difference arising on translation from functional currency to presentation currency	73,570	65,818
Balance at the end of year	(3,718,987)	7,752
	(3,645,417)	73,570

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2013

18 Defined contribution plans

An amount of SDR 3,343 (Previous year SDR 1891) for the year has been recognized as an expense in respect of the Fund's contributions towards Provident Fund, which is deposited with the government authorities and has been included under employee benefits expense in the Statement of Comprehensive Income.

Defined benefit plan

The Fund's gratuity scheme is a defined benefit plan. Gratuity is paid as a lump sum amount to employees at retirement or termination of employment at an amount based on the respective employee's eligible salaries and the years of employment with the Fund. The following table sets out the disclosure in respect of the defined benefit plan:

	As at 31 December	
	2013	2012
Present value of unfunded obligations	3,801	1,411
Total	3,801	1,411

Movement in the present value of the defined benefit obligation

	As at 31 December	
	2013	2012
Present value of obligation as at the beginning of the period	1,411	515
Interest cost	112	41
Current service cost	1,505	855
Benefits paid	-	-
Actuarial (gain)/loss on obligation	773	-
Total	3,801	1,411

Movement in the present value of the defined benefit obligation

	As at 31 December	
	2013	2012
Current service cost	1,505	855
Interest cost	112	41
Net actuarial (gain)/ loss recognized in the period	773	-
Total	2,390	896

The expense is recognized in employee benefit expenses in the statements of comprehensive income.

Actuarial assumptions

Principal actuarial assumptions are given below:

(a) Economic Assumptions

	As at 31 December	
	2013	2012
Discounting Rate	3.60	8.00
Interest cost	3.00	5.50

(b) Demographic Assumption

Retirement Age (Years)	60	60
	Withdrawal Rate (%)	Withdrawal Rate (%)
Up to 30 Years	3.00	3.00
From 31 to 44 years	2.00	2.00
Above 44 years	1.00	1.00

Assumptions regarding future mortality rates are based on IALM (2006-2008).

The actuarial valuation is carried out yearly by an independent actuary. The discount rate used for determining the present value of obligation under the defined benefit plan is determined by reference to market yields at the end of the reporting period on Government Bonds. The currency and the term of the government bonds is consistent with the currency and term of the defined benefit obligation.

The salary growth rate takes into account inflation, seniority, promotion and other relevant factors on long-term basis

19 Related parties

For the purpose of financial statements, parties are considered to related to the Fund, if the Fund has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) **Name and relationship of related parties:**

Related parties and nature of related party relationships:

Nature of relationship	Name of related parties	Relationship
Key management personnel	Mr. Karma	CEO
Relative of Key management personnel	Mrs. Pemzam	Wife of CEO

(b) **Details of transactions during the year:**

(i) **Key managerial person**

Particulars	For the year ended	
	31-Dec-13	31-Dec-12
Salaries and other benefits	60,573	61,721*

Excluding the amount of house rent allowance as mentioned below, which is paid directly to the relative of key managerial person between Jan 2013 and July 2013. During the 16th Board Meeting held at Colombo on August 26-27, it was decided that henceforth house rent allowance shall form part of the salaries.

(ii) **Relative of Key managerial person**

Particulars	For the year ended	
	31-Dec-13	31-Dec-12
Other benefits	4,145	7037

(c) **Balance outstanding at the end of the reporting period :**

(i) **Key managerial person**

Particulars	For the year ended	
	31-Dec-13	31-Dec-12
Salaries and other benefits	117	459

20 Operating leases

The Fund incurred operating lease charges of 27,116 (previous year 29,406). There are no non-cancellable leases entered into by the Fund and accordingly no disclosure in respect of future lease rental payable has been made. The operating lease charges are in respect of the SDF Permanent Secretariat at Thimphu, Bhutan, as per the Head Quarter Agreement dated 8th September 2010 between the SDF Secretariat and Royal Government of Bhutan.

21 Financial instruments

Credit risk

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Particulars	For the year ended	
	31-Dec-13	31-Dec-12
Cash and cash equivalents	605,765	786,676
Investments (current)	208,430,180	95,661,088
Investments (non-current)	-	88,026,904
Other receivables	3,995	4,241
Total	209,039,940	184,478,909

Liquidity risk

The following are the contractual maturities of non derivative financial liabilities as of the reporting dates.

As at 31 December 2013	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	22,533	22,533	22,533

As at 31 December 2012	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	45,375	45,375	45,375

Interest rate risk

Profile

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was as follows:

Fixed rate instruments	As at	
	31-Dec-13	31-Dec-12
Financial assets		
Cash and cash equivalents	605,765	786,676
Investments (current)	208,430,180	95,661,088
Investments (non-current)	-	88,026,904
Total	209,035,945	184,474,668

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

22 Contractual commitments

The Fund has approved the following projects as per its Charter as at 31 December 2013:

Project Name	Amount approved/ granted #	Amount disbursed/ expensed till 31st December, 2012	Amount disbursed/ expensed in the year ended 31st December, 2013	Balance committed amount
Strengthening the livelihood initiative for home based workers in SAARC Region *(SABAH Project)	10,893,390	7,003,362	637,572	3,252,456
Maternal & Child Health Project (MCH) for strengthening Maternal and Child Health Including Immunization	9,765,733	1,632,016	891,984	7,241,733
Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC countries	2,195,410	1,312,612	-	882,798
Empowering Rural Communities "Reaching the Unreached" (CeCs)	5,154,763	1,604,298	1,001,298	2,549,167
South Asia Initiative to End Violence Against Children (SAIEVAC)	1,688,312	238,991	108,047	1,341,274
Post Harvest Management and Value Addition of fruits in Production Catchments in SAARC Countries	3,233,166	20,989	107,047	3,105,130
Regional Inter-professional Master's Program in Rehabilitation Science	974,026	-	-	974,026
Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries	4,090,543**	-	15,311	4,075,232
Uniform Toll Free Helpline for Children and Women	2,597,403	9,199	10,547	2,577,657
SAARC Handicraft	***	-	9,350	***
Total	40,592,746	11,821,467	2,781,156	25,990,123

#Amount approved/granted have been computed in SDR using the closing rate as at 31st December, 2013

* Approved vide decision No 35 to graduate SABAH Bhutan to Phase II for a period of 3 years beginning 1st January 2014 at a Budget of USD 823,529

** Approved Phase I of the Project by Board of Directors in the 16th Board Meeting held at Colombo between August 26-27, for Afghanistan, Bhutan, India, Nepal, Pakistan and Sri Lanka.

*** Spent on Focal Group discussion, project yet to be approved by Board of Directors.

23 As required under project financing agreement interest income on idle funds lying with projects is accounted in these financial statements on the basis of amount calculated by the respective project Lead Implementing Agency/Implementing agency.

24 Subsequent events

There were no such events after the balance sheet date which represents unusual changes affecting the existence or substratum of the Fund at the balance sheet date.

25 New Accounting Standards and interpretations adopted during the year 2013

Vide Decision Number 49, in the 16th Board Meeting held at Colombo, Sri Lanka between August 26-27, 2013 while retrospectively adopting all the Accounting Policies and Accounting Standards mentioned in the Auditor's Report(s) for the years ended December 31, 2008, 2009, 2010, 2011 and 2012, it was decided also adopt the following IFRSs and IASs with effect from the Accounting Years starting 1st January, 2013.

- a. IFRS 7: "Disclosures- offsetting financial assets and financial liabilities"
- b. IFRS 13: Fair Value Measurement
- c. IAS 1 (Amended): Presentation of Financial Statements
- d. IAS 19 (Amended): Employee Benefits

Vide Decision Number 52, in the 17th Board Meeting held at Kabul, Afghanistan between December 3-5, 2013 it was decided to adopt amendments to IAS 32 "Offsetting financial assets and financial liabilities" starting 1st January 2014.

26 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

Financials (2014)



Audit Report - SDF (2014)

To

The Members of the Governing Council

The SAARC Development Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the SAARC Development Fund (“the Fund”), which comprises the statement of financial position as at December 31, 2014, and the statements of profit or loss and other comprehensive income, statement of changes in equity, reserve and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation⁹ of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SAARC Development Fund as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte Haskins & Sells

Kolkata, India

26th April, 2015

SAARC Development Fund (SDF)

Statement of Financial Position as at 31 December 2014

(All amounts in SDR unless otherwise stated)

	Note	As at 31 December 2014	As at 31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	7	110,043	132,452
Intangible Assets	8	21,498	25,802
Other financial assets	9	-	-
Total non-current assets		131,541	158,254
Current assets			
Other financial assets	9	129,984,875	153,099,392
Cash and cash equivalents	10	121,601,440	55,940,550
Total current assets		251,586,315	209,039,942
Total assets		251,717,856	209,198,196
Net assets and liabilities			
Non-current liabilities			
Provision	11	9,193	3,801
Total non-current liabilities		9,193	3,801
Current liabilities			
Trade and other payables	12	28,976	23,126
Total current liabilities		28,976	23,126
Deferred unrestricted contributions	13	55,250,375	55,536,513
Deferred restricted contributions	13	19,883	57,104
Deferred contributions - Capital Assets	13	22,946	34,001
		55,293,204	55,627,618
Net Assets			
Unrestricted net assets	14	196,386,483	153,543,651
Total net assets		196,386,483	153,543,651
Total Net assets and liabilities		251,717,856	209,198,196

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

SAARC Development Fund (SDF)

Statement of profit or loss and other comprehensive Income for the year ended 31 December 2014

(All amounts in SDR unless otherwise stated)

	Notes	For the year ended 31 December 2014	For the year ended 31 December 2013
Investment income	15	5,439,099	5,726,995
Other gain and losses	16	(55,258)	(864,936)
Employee benefit expenses	17	(346,317)	(277,795)
General expenditure	18	(336,449)	(254,639)
Less: Fund received on technical assistance from World Bank		91,483	33,561
Less: Contribution in kind from Royal Government of Bhutan - Rent		25,976	27,116
Depreciation and amortization	7 & 8	(41,114)	(36,916)
Less: Transferred from restrictive reserve against property, plant and equipment (See note 12)		12,620	12,576
Funds disbursed under social window		3,989,713	(2,781,156)
Less: allocated from voluntary contribution		(3,989,713)	2,781,156
Net income for the year		4,790,040	4,365,962
Other comprehensive income			
Actuarial loss on long term employee benefits		(2,241)	(776)
Foreign currency translation reserves		10,843,612	(3,718,987)
Other comprehensive (loss)/income for the year		10,841,371	(3,719,763)
Total comprehensive income for the year		15,631,411	646,199

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

SAARC Development Fund (SDF)

Statement of changes in net assets for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
Note				
Opening balance as at 1 January 2013	113,228,620	13,045,132	73,570	126,347,322
Income for the year	-	4,365,962	-	4,365,962
Other comprehensive income for the year	-	(776)	(3,718,987)	(3,719,763)
Contribution made during the year	23,763,215	-	-	23,763,215
Currency translation adjustments	2,786,915	-	-	2,786,915
Balance as at 31 December 2013	139,778,750	17,410,318	(3,645,417)	153,543,651
Note				
Opening balance as at 1 January 2014	139,778,750	17,410,318	(3,645,417)	153,543,651
Income for the year	-	4,790,040	-	4,790,040
Other comprehensive income	-	(2,241)	10,843,612	10,841,371
Contribution made during the year	27,211,421	-	-	27,211,421
As at 31 December 2014	166,990,171	22,198,117	7,198,195	196,386,483

SAARC Development Fund

Statement of Cash Flows for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

	For the year ended 31 December 2014	For the year ended 31 December 2013
Cash flow from operating activities		
Net income for the year	4,790,040	4,365,964
Adjustments:		
Investment income	(5,439,099)	(5,726,995)
Contribution in kind received from Kingdom of Bhutan	(12,620)	(12,576)
Depreciation and amortization	41,114	36,916
Expenses from contribution in kind	(25,976)	(27,116)
Voluntary contribution received from Kingdom of Bhutan	25,976	27,116
Fund received on technical assistance from World Bank	91,483	33,561
Expenses incurred out of technical assistance received from World Bank	(91,483)	(33,561)
Actuarial loss on long term employee benefits	(2,241)	(776)
Operating profit before working capital changes	(622,807)	(1,337,467)
Adjustments for :		
Decrease/(increase) in other financial assets	133	246
Increase/(decrease) in other payables	2,512	(19,776)
Increase /(Decrease) in provisions	4,928	2,391
Net Cash used in operating activities	(615,234)	(1,354,606)
Cash flow from investing activities:		
Interest income received	8,827,692	4,478,417
Investment in deposits (net)	34,143,818	31,841,173
Purchase of fixed assets	(4,344)	(32,877)
Net cash used in investing activities	42,967,166	36,286,713
Cash flow from financing activities:		
Voluntary grant received	363,096	194,805
Funds disbursed under social window	(3,980,329)	(2,781,156)
Capital contribution	26,945,803	26,550,130
Technical Assistance from World Bank	52,444	90,231
Expenses under Technical Assistance from World Bank	(91,483)	(33,561)
Net cash from financing activities	23,289,531	24,020,449
Net (decrease)/increase in cash and cash equivalents	65,641,463	58,952,556
Effect of foreign currency translation reserves	19,426	(3,798,682)
Cash and cash equivalents as at the beginning of the period	55,940,551	786,676
Cash and cash equivalents as at the end of the period	121,601,440	55,940,551

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

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2014

1 Reporting entity

SAARC Development Fund ('the Fund') is established by eight member countries i.e. Islamic Republic of Afghanistan, People's Republic of Bangladesh, Kingdom of Bhutan, Republic of India, Republic of Maldives, Federal Democratic Republic of Nepal, Islamic Republic of Pakistan and Democratic Socialist Republic of Sri Lanka ('Member States') and is governed by its Charter duly signed on 3 August 2008.

The Fund, as per the Charter, has a Governing Council, comprising of the SAARC Ministers of Finance, a Board of Directors, consisting of one member nominated by each member state, Secretary General of the SAARC Secretariat or his/her representative and the Chief Executive Officer of the Fund and it also has such officers and staff, as approved by the Governing Council.

The Fund has international character, possesses, full juridical personality and operates under the Rules, Regulations and Bye Laws made for the purpose of the Charter by the Governing Council. As per the Bye Laws, the Fund, its property, other assets, income and its operations and transactions shall be exempt from all taxation and duties.

The address of the Fund is SAARC Development Fund Secretariat, 3rd Floor, BDFC Building, Norzin Lam, Post Box 928, Thimphu 11001, Bhutan.

The Fund is established to promote the welfare of the people of its member countries, to improve their quality of life and to accelerate economic growth, social progress and poverty alleviation in the region. The Fund will serve as a financial institution for projects and programs, which are in fulfillment of the objective of the SAARC Charter. It is aimed to contribute to regional cooperation and integration through project collaboration.

The utilisation of fund monies shall be for the projects emanating from the following three windows:

- The 'Social Window' shall primarily fund projects on poverty alleviation, social development focusing on education, health, human resource development, rural infrastructure development etc.
- The 'Infrastructure Window' shall primarily be utilised to fund projects in areas such as energy, power, transportation, telecommunication, environment, tourism and other infrastructure areas.
- The 'Economic Window' shall primarily extend funding to non-infrastructure projects related to trade and industrial development, agriculture, service sectors, science and technology and other non-infrastructure areas and also for projects which are not covered under Social and Infrastructure Windows.

The Fund has currently activated the Social Window and disbursing fund for projects approved by the Governing Council under social window. The Fund is also under process to operationalise its other two windows viz. Economic & Infrastructure Windows

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the fund has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

2.1.1 Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The Fund has applied the amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The amendments have been applied retrospectively. As the Fund does not have any financial assets and financial liabilities that qualify for set off, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

2.1.2 Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting

The Fund has applied amendment to IAS 39 Novation of derivatives and continuation of hedge accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any changes to the fair value of the derivative designated as a hedge instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the fund does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

3 New and revised IFRSs in issue but not yet effective

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 :	Financial Instruments*
IFRS 15 :	Revenue from contracts with customers**
Amendments to IAS 16 and IAS 38 :	Clarification of acceptable methods of Depreciation and Amortisation***
Amendments to IAS 19 :	Defined benefit plans : Employee contributions****
Amendments to IFRSs :	Annual Improvements to IFRSs 2010-11 cycle*****
Amendments to IFRSs :	Annual Improvements to IFRSs 2011-13 cycle*****

* Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

** Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

*** Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

**** Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

***** Effective for annual periods beginning on or after 1 July 2014 with limited exceptions, with earlier application permitted.

The Fund is currently evaluating the requirements of the above IFRSs and has not yet determined the impact on the financial statement.

4 Basis of preparation

4.1 Statement of compliance

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and are presented in accordance with the Fund's Charter and Bye-laws.

The financial statements for the year ended 31 December 2014 were authorized by the Board of Directors on for issuance to the Governing Council on for their final approval.

4.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

4.3 Functional currency

The Fund's functional currency is U.S. dollar (USD). The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

4.4 Presentation currency

As required under Bye Laws of the Fund these financial statements are presented in Special Drawings Rights ('SDR'). All financial information presented in SDR has been rounded to the nearest SDR, except when otherwise indicated.

The value of the SDR is determined by the International Monetary Fund ('IMF') each day by summing the values in U.S. dollars, based on market exchange rates, of the currencies in the SDR valuation basket. The IMF reviews the SDR valuation basket every five years. The current composition of the SDR valuation basket became effective on 1 January 2011.

The currencies in the basket at 31 December 2014 and 31 December 2013 and their amounts were as follows:

Currency	2014	2013
Euro	0.423	0.423
Japanese yen	12.1	12.1
Pound sterling	0.111	0.111
U.S. dollar	0.660	0.660

At 31 December 2014, one SDR was equal to US\$1.44881 (one SDR was equal to US\$1.54000 as at 31 December 2013), which is as determined and reported by International Monetary Fund (IMF).

4.5 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation/uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Refer note 4.7 Property, plant and equipment
- Refer note 4.8 Intangible assets
- Refer note 4.10 Employee benefit

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on translation are recognized in statement of profit or loss.

Translation from functional currency to presentation currency:

As mentioned above, these financial statements are presented in Special Drawings Rights ('SDR').

- The assets and liabilities are translated to SDR at exchange rate at the date of the balance sheet.
- The income and expenses are translated to SDR at exchange rates at an average rate of the financial year.
- Initial contribution received from member countries are converted at agreed upon historical rate (followed from the financial year 2013, corresponding impact relating to earlier years has been adjusted through Foreign currency translation reserves).

All resulting exchange differences are recognized in other comprehensive income and are presented in the translation reserve within 'Statement of Changes in Reserves'

5.2 Financial instruments

a. Non- derivative financial assets:

The classification of financial instruments depends on the substance of the contractual arrangement. The Fund's non-derivative financial assets comprise of Loans and receivables.

The Fund initially recognizes loans and receivables on the date that they are originated.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured initially at cost plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. Loans and receivables comprise investment in fixed deposits with original maturities more than 3 months and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in their fair value. For these short term deposits, the carrying value approximates the fair value due to the short maturity of these instruments.

Investments

Investments comprise of fixed deposits with original maturities of more than three months.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

Other receivables

Other receivables mainly comprise of advances paid to vendors.

b. Non derivative financial liabilities :

The Fund recognizes financial liabilities initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Fund classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise 'Trade and other payable'.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.3 Retained earnings

These reserves represent accumulation of excess of income over expenditure in Statement of profit or loss. Such excess Funds carry no specific reservation or restriction and can be applied as per the Fund Charter.

5.4 Unrestricted and restricted contribution

• Capital contribution

This represents the contribution given by the Member States. These are not subject to any legal or third-party restriction and can be applied as per the Fund Charter.

• Voluntary contributions and contributions in kind

Voluntary contributions from member states (unrestricted reserves) or other governments/institutions are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such income is presented on a systematic basis as a deduction in reporting the related expense in the periods in which the expenses are recognised.

Contribution in kind for assets are recognised initially as restricted reserves (deferred income) at fair value when there is reasonable assurance that they will be received and the Fund will comply with the conditions associated with the grant, and are then recognised in Statement of profit or loss as income on a systematic basis over the useful life of the asset.

The value of contributions in kind is determined by the donor's indication of the value of the goods, including the cost of transport to the final destination.

Contribution in services such as in the form of rent or other expenses is recognized in the Statement of profit or loss when such services are received and are presented in statement of profit or loss as a deduction from the related expense.

• Funds received on cessation of South Asian Development Fund ('SADF')

This represents the balance transferred on the closure of the earlier SADF to the Fund. These are not subject to any legal or third-party restriction and can be applied as per the Fund Charter in the "Economic window" as decided by the Management.

5.5 Payments to and on behalf of beneficiaries

Payments to and on behalf of beneficiaries under social window are recognized as expense in the Statement of profit or loss when the specified conditions in the respective agreements are achieved and amount disbursed to the Implementing Agencies and/or Lead Implementing Agencies. Equivalent amount has been transferred from the voluntary contribution to the Statement of profit or loss.

Expenses incurred for projects in pipeline are initially charged off to the Statement of profit or loss. On subsequent approval of the project, equivalent amount has been transferred to the Statement of profit or loss.

5.6 Investment income

Finance income comprises interest income on Funds invested and idle funds lying with projects detailed in paragraph 15 below. Interest income is recognized as it accrues in statement of profit or loss, using the effective interest method. Interest earned on idle funds lying with projects has been recognised based on information received from the Implementing agencies and Lead implementing agencies.

Foreign currency gains and losses are reported on a net basis.

5.7 Property, plant and equipments

a. Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognized net under the head 'Other gain or losses (as the case may be)' in statement of profit or loss.

b. Subsequent Costs

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be reliably determined. The costs of the day-to-day servicing of property, plant and equipment are recognized in Statement of profit or loss as incurred.

c. Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognized in Statement of profit or loss unless the amount is included in the carrying amount of another asset.

The estimated useful lives are as follows:

- Vehicles: 6 years
- Furniture : 10 years
- Office equipment : 6 years
- Computers and peripherals : 6 years
- Leasehold improvements : Useful life of asset or lease term whichever is shorter
- Servers and networking equipments : 6 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted as appropriate.

5.8 Intangible assets

a. Acquired intangibles.

Acquired rights and licenses are measured at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the intangible assets.

b. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

c. Amortization

Amortization is recognized in the Statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

- Software : 6 years or licensing period or over the period for which the right is obtained

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

5.9 Impairment

a. Financial assets

The carrying amount of Fund's assets is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Fund considers evidence of impairment for receivables for each specific asset. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in Statement of profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

b. Non-Financial Assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a pro rata basis

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.10 Employee benefit plans

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of profit or loss in the periods during which related services are rendered by employees.

b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In accordance with the SAARC Development Fund's Financial and Administration Provisions, SDF provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) to its eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

The Fund's net obligation in respect of defined benefit plans is calculated for the gratuity plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is based on the Government securities yield, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to surplus in the Statement of profit or loss in the period in which they arise.

5.11 Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assumptions of the time value of money and the risks specific to the liability. The unwinding of discount is recognized as finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Fund. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

5.12 Leasing arrangements as a lessee

Accounting for Operating Leases

Assets held under other leases are classified as operating leases and are not recognised in the Fund's statement of financial position. Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

6 Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

6.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management is carried out by the top management under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, 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 Fund's activities. The Fund, 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 Fund's overall risk management program focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to The Board of Directors.

6.1.1 a. Credit risk

The Fund treasury policy focuses on security of cash and cash equivalents including term deposits. Investments are allowed only in liquid securities and only with counterparties that have a high credit rating.

The Fund held cash and cash equivalents and investments in fixed deposits of SDR 251,582,207 (2013: SDR 209,695,429), which represents its maximum credit exposure on these assets. These are held in government authorised banks and there is no significant exposure. Details of investments in different countries:

Name of country	As at 31-Dec-14 (SDR)	As at 31-Dec-13 (SDR)
Nepal	90,825,122	126,390,208
India	411,299	77,442,408
Bhutan	123,328	583,609
Pakistan	153,641,096	5,279,204
Sri Lanka	6,510,037	-
Bangladesh	71,325	-
	251,582,207	209,695,429

6.1.2 b. Liquidity risk

The Fund's objective is to strike a balance between Funding continuity and flexibility by maintaining sufficient Funds as cash in hand or as on-demand or short-term deposits with maturities of three months or less to meet short-term liabilities. There are no non-derivative financial liabilities at the end of reporting period. The Fund'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 Fund's reputation.

The Fund uses activity-based costing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Fund ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Fund regularly monitors its liquidity to keep it at adequate levels, with periodic reports to the chief operating decision maker.

6.1.3 c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Exposure to fluctuations in foreign currency exchange rates arises from transactions denominated in currencies other than the Fund's functional currency, which is the USD.

The carrying amount of the Fund's financial assets and liabilities in different currencies are as follows:

Currency (as at 31.12.2014)	Financial assets	Financial liabilities
PKR	1,999,904,788	-
NPR	772,800,792	-
Nu	479,186	1,196,070
TK	8,221,474	-
Currency (as at 31.12.2013)		
PKR	821,531,312	-
NPR	744,788,462	-
Nu	828,682	369,284

Sensitivity analysis for foreign currency risk

The following table demonstrate the sensitivity of the Company's profit or (loss) to a reasonably possible 10% change in exchange rate of the other currencies against USD:

Currency	Effect of 10% strengthening	Effect of 10% weakening
PKR	(199,990,479)	199,990,479
NPR	(77,280,079)	77,280,079
Nu	71,688	(71,688)
TK	(822,147)	822,147

(ii) Interest Rate Risk

The investment portfolio is exposed to market risk due to interest rate movements. The interest rate risk is reduced by limiting the duration of the portfolio to a weighted average of 0-2 years and investment in fixed rate instruments.

SAARC Development Fund (SDF)

Notes to financial statements for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

7. Property, plant and equipment*

7.1 Carrying amount of	As at 31.12.2014		As at 31.12.2013	
Vehicles	24,169	33,001		
Furnitures	26,424	27,082		
Office equipments	5,527	6,679		
Computers and peripherals	17,103	18,775		
Leasehold improvements	7,371	8,939		
Servers and networking equipments	29,449	37,976		
	110,043	132,452		

7.2	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2014	61,564	35,792	14,537	26,855	16,670	61,612	217,030
Additions during the year	-	1,395	1,119	1,851	875	33	5,273
Currency translation adjustments	3,875	2,316	966	1,775	1,090	3,880	13,902
31 December 2014	65,439	39,503	16,622	30,481	18,635	65,525	236,205
Accumulated depreciation							
1 January 2014	28,563	8,710	7,858	8,080	7,731	23,636	84,578
Depreciation charge for the year	10,434	3,655	2,623	4,581	2,916	10,475	34,684
Currency translation adjustments	2,273	714	614	717	617	1,965	6,900
31 December 2014	41,270	13,079	11,095	13,378	11,264	36,076	126,162
Carrying amounts							
1 January 2014	33,001	27,082	6,678	18,775	8,939	37,976	132,452
31 December 2014	24,169	26,424	5,527	17,103	7,371	29,449	110,043

7.3	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2013	47,320	31,115	14,236	18,886	16,704	61,736	189,998
Additions during the year	14,526	4,802	334	8,112	-	-	27,774
Currency translation adjustments	(282)	(125)	(33)	(143)	(34)	(124)	(742)
31 December 2013	61,564	35,792	14,537	26,855	16,670	61,612	217,030
Accumulated depreciation							
1 January 2013	20,626	5,398	5,473	4,271	4,960	13,392	54,120
Depreciation charge for the year	8,082	3,367	2,428	3,868	2,815	10,405	30,965
Currency translation adjustments	(145)	(55)	(43)	(59)	(44)	(161)	(507)
31 December 2013	28,563	8,710	7,858	8,080	7,731	23,636	84,578
Carrying amounts							
1 January 2013	26,694	25,717	8,763	14,615	11,744	48,344	135,878
31 December 2013	33,001	27,082	6,679	18,775	8,939	37,976	132,452

* The Fund during the year ended 31 December 2009 and 31 December 2010 received certain fixed assets by way of contribution in kind from Royal Government of Bhutan, the details of which are as under:

	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2014	47,226	12,664	7,486	4,055	8,102	-	79,533
Additions during the year	-	-	-	-	-	-	-
Currency translation adjustments	2,973	797	471	255	510	-	5,006
31 December 2014	50,199	13,461	7,957	4,310	8,612	-	84,539
Accumulated depreciation							
1 January 2014	28,458	4,686	4,755	2,598	5,033	-	45,530
Depreciation charge for the year	8,004	1,287	1,269	687	1,373	-	12,620
Currency translation adjustments	2,156	354	357	195	381	-	3,443
31 December 2014	38,618	6,327	6,381	3,480	6,787	-	61,593
Carrying amounts							
1 January 2014	18,768	7,977	2,732	1,457	3,069	-	34,003
31 December 2014	11,581	7,134	1,576	830	1,825	-	22,946

SAARC Development Fund (SDF)

Notes to financial statements for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

	Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
Historical cost							
1 January 2013	47,320	12,689	7,501	4,064	8,118	-	79,692
Additions during the year	-	-	-	-	-	-	-
Currency translation adjustments	(94)	(25)	(15)	(9)	(16)	-	(159)
31 December 2013	47,226	12,664	7,486	4,055	8,102	-	79,533
Accumulated depreciation							
1 January 2013	20,626	3,427	3,513	1,926	3,690	-	33,182
Depreciation charge for the year	7,976	1,283	1,264	685	1,368	-	12,576
Currency translation adjustments	(144)	(24)	(23)	(12)	(25)	-	(227)
31 December 2013	28,458	4,686	4,755	2,598	5,033	-	45,531
Carrying amounts							
1 January 2013	26,694	9,262	3,988	2,138	4,428	-	46,510
31 December 2013	18,768	7,977	2,732	1,457	3,069	-	34,002
8. Intangible assets							
8.1 Carrying amount of					As at 31.12.2014	As at 31.12.2013	
Acquired software					21,498	25,802	
					21,498	25,802	
8.2					Acquired software	Total	
Historical cost							
1 January 2014					37,831	37,831	
Additions during the year					759	759	
Currency translation adjustments					2,417	2,417	
31 December 2014					41,007	41,007	

Accumulated depreciation		
1 January 2014	12,029	12,029
Amortisation for the year	6,430	6,430
Currency translation adjustments	1,050	1,050
31 December 2014	19,509	19,509
Carrying amounts		
1 January 2014	25,802	25,802
31 December 2014	21,498	21,498
8.3	Acquired software	Total
Historical cost		
1 January 2013	35,305	35,305
Additions during the year	2,631	2,631
Currency translation adjustments	(105)	(105)
31 December 2013	37,831	37,831
Accumulated depreciation		
1 January 2013	6,168	6,168
Amortisation for the year	5,951	5,951
Currency translation adjustments	(90)	(90)
31 December 2013	12,029	12,029
Carrying amounts		
1 January 2013	29,137	29,137
31 December 2013	25,802	25,802

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

9. Other financial assets

	As at 31 December 2014	As at 31 December 2013
Loans and advances carried at amortised cost		
Fixed deposits with banks (maturities more than 3 months)	126,674,303	146,651,698
Interest accrued on fixed deposits with banks	3,306,464	6,443,698
Other receivables	4,108	3,995
	129,984,875	153,099,392
Current	129,984,875	153,099,392
Non-current	-	-
	129,984,875	153,099,392

9.1 Fixed deposits with banks

(maturities more than 3 months)

	As at 31 December 2014	As at 31 December 2013
Nepal SBI Bank Limited, Nepal	46,158,029	69,467,423
Punjab National Bank, India	-	77,123,552
Habib Bank Limited, Pakistan	74,007,574	60,723
Peoples Bank, Sri Lanka	6,508,700	-
	126,674,303	146,651,698

9.2 Other receivables

	As at 31 December 2014	As at 31 December 2013
Advance to vendors	2,040	1,919
Staff advance	3,113	1,594
Other Advances	995	482
Less, Provision for doubtful advances	(2,040)	-
	4,108	3,995

10. Cash and cash equivalents

	As at 31 December 2014	As at 31 December 2013
<i>Cash at bank</i>		
Current account	213,878	604,258
Deposit account (maturities less than 3 months)	121,387,115	55,334,784
Cash in hand	447	1,508
	121,601,440	55,940,550

The above deposits maintained by the Fund with banks comprise of time deposits, which can be withdrawn by the Fund at any point without prior notice or penalty on the principal.

11. Provisions

	As at 31 December 2014	As at 31 December 2013
Employee benefits		
Provision for long term employee benefits	9,193	3,801
Closing balance	9,193	3,801

12. Trade and other payable

	As at 31 December 2014	As at 31 December 2013
Creditors for fixed assets	1,950	262
Sundry creditors	24,778	21,551
Payable to staff	2,211	1,279
Statutory dues	37	34
	28,976	23,126

15. Investment income

	For the year ended 31 December 2014	For the year ended 31 December 2013
Interest income on fixed deposits	5,391,561	5,625,998
Interest income on idle funds with implementing agencies	47,538	100,997
	5,439,099	5,726,995

16. Other gain and losses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Net foreign exchange gain/(losses)	(55,258)	(864,936)
	(55,258)	(864,936)

17. Employee benefit expenses

	For the year ended 31 December 2014	For the year ended 31 December 2013
Post employment benefits		
Defined contribution plan (See note- 18)	(4,125)	(3,343)
Defined benefit plan (See note -18)	(2,911)	(1,617)
Other employee benefits		
Salaries and other benefits	(336,964)	(271,288)
Staff-welfare expenses	(2,317)	(1,547)
	(346,317)	(277,795)

18. General expenditure

	For the year ended 31 December 2014	For the year ended 31 December 2013
Staff recruitment expenses	(31,872)	(31,473)
Rent *	(25,976)	(27,116)
Travelling and conveyance***	(53,793)	(35,623)
Advertisement expenses	(7,337)	(12,288)
Meeting expenses***	(67,614)	(20,306)
Printing and stationary	(8,791)	(12,276)
Communication expenses	(8,714)	(8,007)
Vehicle running and maintenance expenses	(6,174)	(4,595)
Electricity charges	(1,969)	(1,347)
Repair and maintenance expenses	(1,804)	(2,310)
Books and periodicals	(367)	(458)
Security expenses	(1,762)	(1,783)

Audit Fees	(11,223)	(10,197)
Legal and professional expenses**	(39,428)	(19,382)
Training expenses**	(18,181)	(47,590)
Computer Hardware and software Maintenance	(1,124)	(5,126)
Provision for bad and doubtful advances	(2,040)	-
Expenses for project in pipeline	(31,266)	-
Miscellaneous expenses	(17,014)	(14,762)
	(336,449)	(254,639)

* Royal Government of Bhutan has given office premises to SDF without any charge and the same is considered as contribution in kind from the Royal Government of Bhutan

	For the year ended 31 December 2014	For the year ended 31 December 2013
Rent	(25,976)	(27,116)
	(25,976)	(27,116)

** The World Bank has sanctioned Technical Assistance of USD 349,595 (SDR 227,010) (previous year SDR - 227,010) out of which the following have been expensed during the year :

	For the year ended 31 December 2014	For the year ended 31 December 2013
Legal and professional expenses	(35,385)	-
Training expenses	(11,615)	(33,561)
	(47,000)	(33,561)

*** The World Bank has sanctioned fund of SDR 44,482 (previous year - nil) for brainstorming workshop and market study visit :

	For the year ended 31 December 2014	For the year ended 31 December 2013
Travelling and conveyance	(14,064)	-
Meeting expenses	(30,419)	-
	(44,483)	-

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

13. Deferred unrestricted and restricted contributions

13.1 <i>Carrying amount</i>	As at		Deferred restricted contribution		Deferred contributions - Capital Assets	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Voluntary contribution received from various countries	50,353,235	50,929,369	-	-	-	-
Fund received on cessation of South Asian Development fund	4,897,140	4,607,144	-	-	-	-
Contribution received in kind from Kingdom of Bhutan	-	-	-	-	22,946	34,001
Technical assistance received from World Bank	-	-	19,883	57,104	-	-
Total deferred unrestricted and restricted reserves	55,250,375	55,536,513	19,883	57,104	22,946	34,001

13.2	Deferred unrestricted contribution		Deferred restricted contribution - World Bank TA ***	Deferred Contributions - Capital Assets from Royal Govt. of Bhutan	Total deferred contribution
	Voluntary contribution received from various countries	Funds received on cessation of South Asian Development Fund ("SADF") **			
Opening balance as at 01 January 2014	50,929,369	4,607,144	57,104	34,001	55,627,618
Received during the year	363,096	-	52,444	-	415,540
Less: Allocated to the other expenditure to the extent of related grant disbursed	(3,989,713)	-	(91,483)	-	(4,081,196)
Add/(less): Expenses for project in pipeline	9,384	-	-	-	9,384
Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(12,620)	(12,620)
Add: Currency translation adjustments	3,041,099	289,996	1,818	1,565	3,334,478
Closing Balance as at 31 December 2014	50,353,235	4,897,140	19,883	22,946	55,293,204

13.3

	Deferred unrestricted contribution		Deferred restricted contribution - World Bank TA ***	Deferred Contributions - Capital Assets from Royal Govt. of Bhutan	Total deferred contribution
	Voluntary contribution received from various countries	Funds received on cessation of South Asian Development Fund ("SADF") **			
Opening balance as at 01 January 2013	53,586,931	4,616,376	-	46,509	58,249,816
Addition made during the year	194,805	-	90,231	-	285,036
Less: Allocated to the other expenditure to the extent of related grant disbursed	(2,781,156)	-	(33,561)	-	(2,814,717)
Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(12,576)	(12,576)
Add: Currency translation adjustments	(71,211)	(9,232)	434	68	(79,941)
Closing Balance as at 31 December 2013	50,929,369	4,607,144	57,104	34,001	55,627,618

* As informed by the management, in the fourth inter- governmental meeting of South Asian Association for Regional Cooperation, Nepal, held on 6 -7 March 2008 at Lahore, it has been decided that voluntary contribution from India (balance as on 31.12.2014 - SDR 45,362,698, as on 31.12.2013- SDR 50,344,953) has to be used for the "Social window" as defined in the Fund charter for funding regional/sub-regional projects within the SAARC countries, but outside of India.

** As informed by the management and adopted by the Board of Directors in their meeting held on 30 November 2010 and 1 December 2010, funds received on cessation of SADF has to be used for the "Economic window" as defined in the Fund charter.

*** World Bank sanctioned Technical Assistance of SDR 227,010 for Consultancy services, capacity building and for acquiring software during the year 2013.

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

14. Unrestricted net assets	As at 31 December 2014	As at 31 December 2013
Capital contribution from member states	166,990,171	139,778,750
Retained earnings	22,198,117	17,410,318
Foreign currency translation reserves	7,198,195	(3,645,417)
	196,386,483	153,543,651

14.1 Capital contribution from member states

Capital contribution due and paid	As at 31 December 2014	As at 31 December 2013
Capital contribution due and receivable	166,990,171	128,298,083
Total Capital Contribution committed	33,009,829	31,701,917
Less: Capital contribution due and receivable	200,000,000	160,000,000
Capital contribution received in advance	(33,009,829)	(31,701,917)
Total capital contribution from member states	-	11,480,667
	166,990,171	139,778,750

14.1.1 Capital contribution due and paid

	As at 31 December 2014			As at 31 December 2013				
	Opening	Addition	Currency translation adjustments	Closing	Opening	Addition	Currency translation adjustments	Closing
Islamic Republic of Afghanistan	8,000,000	-	-	8,000,000	5,855,868	2,000,000	144,132	8,000,000
People's Republic of Bangladesh	12,317,045	8,064,722	-	20,381,767	12,021,165	-	295,880	12,317,045
Kingdom of Bhutan	8,000,000	2,000,000	-	10,000,000	5,855,868	2,000,000	144,132	8,000,000
Republic of India	48,512,000	11,480,667	-	59,992,667	35,509,984	12,128,000	874,016	48,512,000
Republic of Maldives	4,066,767	-	-	4,066,767	3,969,075	-	97,692	4,066,767
Federal Democratic Republic of Nepal	17,152,000	-	-	17,152,000	12,554,981	4,288,000	309,019	17,152,000

Islamic Republic of Pakistan	17,840,938	13,546,699	-	31,387,637	6,050,142	11,641,882	148,914	17,840,938
Democratic Socialist Republic of Srilanka	12,409,333	3,600,000	-	16,009,333	8,369,987	3,833,333	206,013	12,409,333
Total	128,298,083	38,692,088	-	166,990,171	90,187,070	35,891,215	2,219,798	128,298,083

**As at
31 December 2014**

**As at
31 December 2013**

14.1.2 Capital contribution due and receivable

Islamic Republic of Afghanistan	2,000,000	-						
People's Republic of Bangladesh	1,058,232							4,834,955
Republic of India	647,333							-
Republic of Maldives	5,933,233							3,933,234
Federal Democratic Republic of Nepal	4,288,000							-
Islamic Republic of Pakistan	13,652,364							18,191,062
Democratic Socialist Republic of Srilanka	5,430,667							4,742,666
Total	33,009,829							31,701,917

14.1.3 Capital contribution received in advance

Republic of India								
Opening	11,480,667							23,041,550
Less, Transfer to Capital contribution due and paid	(11,480,667)							(12,128,000)
Currency translation adjustments	-							567,117
Total								11,480,667

The initial authorized capital of the Fund shall be SDR Two Hundred Million. The initial paid-up capital will be subscribed by the Member States in accordance with the proportion of the assessed contribution to the SAARC Secretariat budget and as set forth in the Table below. Future contributions to the paid-up capital will be raised as per decision of the Governing Council.

14.1.5 Initial paid up capital contribution

The initial paid-up capital of the Fund shall be SDR One Thousand Million, to be divided into callable capital and paid-up capital.

Member state (s)	Amount in SDR
Islamic Republic of Afghanistan	10,000,000
People's Republic of Bangladesh	21,440,000
Kingdom of Bhutan	10,000,000
Republic of India	60,640,000
Republic of Maldives	10,000,000
Federal Democratic Republic of Nepal	21,440,000
Islamic Republic of Pakistan	45,040,000
Democratic Socialist Republic of Sri Lanka	21,440,000
Total	200,000,000

Subscriptions by each member state to the initial paid up capital of the Fund shall be made in five (5) equal instalments. The first instalment shall be due within one month of entry into force of the SDF Charter i.e April 15, 2010.

The liability of the contributors shall be limited to the unpaid portion of their contributions. No contributor shall be liable for obligations of the Fund.

14.2 Retained earnings

Balance at the beginning of the year	As at 31 December 2014	As at 31 December 2013
Net income for the year as per statement of profit or loss	17,410,318	13,045,132
Other comprehensive income arising from actuarial gain/(loss) on long term employee benefits	4,790,040	4,365,962
Balance at the end of year	(2,241)	(776)
	22,198,117	17,410,318

14.3 Foreign currency translation reserves

Balance at the beginning of the year	As at 31 December 2014	As at 31 December 2013
Exchange difference arising on translation from functional currency to presentation currency	(3,645,417)	73,570
Balance at the end of year	10,843,612	(3,718,987)
	7,198,195	(3,645,417)

SAARC Development Fund (SDF)

Notes to the financial statements for the year ended 31 December 2014

19 Defined contribution plans

An amount of SDR 4,125 (Previous year SDR 3,343) for the year has been recognized as an expense in respect of the Fund's contributions towards Provident Fund, which is deposited with the government authorities and has been included under employee benefits expense in the Statement of Comprehensive Income.

Defined benefit plan

The Fund's gratuity scheme is a defined benefit plan. Gratuity is paid as a lump sum amount to employees at retirement or termination of employment at an amount based on the respective employee's eligible salaries and the years of employment with the Fund. The following table sets out the disclosure in respect of the defined benefit plan:

	As at 31 December	
	2014	2013
Present value of unfunded obligations	9,193	3,801
Total	9,193	3,801

Movement in the present value of the defined benefit obligation

	As at 31 December	
	2014	2013
Present value of obligation as at the beginning of the period	3,801	1,411
Interest cost	146	112
Current service cost	2,766	1,505
Benefits paid	-	-
Actuarial (gain)/loss on obligation	2,241	773
Exchange rate movement on conversion to reporting currency	240	-
Total	9,193	3,801

Movement in the present value of the defined benefit obligation

	As at 31 December	
	2014	2013
Current service cost	2,766	1,505
Interest cost	146	112
Net actuarial (gain)/ loss recognized in the period	2,241	773
Total	5,153	2,390

The expense is recognized in employee benefit expenses in the statements of comprehensive income.

Actuarial assumptions

Principal actuarial assumptions are given below:

(a) Economic Assumptions

	As at 31 December	
	2014	2013
Discounting Rate	2.80	3.60
Interest cost	3.00	3.00

(b) Demographic Assumption		
Retirement Age (Years)	60	60
	Withdrawal Rate (%)	Withdrawal Rate (%)
Up to 30 Years	3.00	3.00
From 31 to 44 years	2.00	2.00
Above 44 years	1.00	1.00

Assumptions regarding future mortality rates are based on IALM (2006-2008).

The actuarial valuation is carried out yearly by an independent actuary. The discount rate used for determining the present value of obligation under the defined benefit plan is determined by reference to market yields at the end of the reporting period on Government Bonds. The currency and the term of the government bonds is consistent with the currency and term of the defined benefit obligation.

The salary growth rate takes into account inflation, seniority, promotion and other relevant factors on long-term basis

20 Related parties

For the purpose of financial statements, parties are considered to related to the Fund, if the Fund has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) Name and relationship of related parties:

Related parties and nature of related party relationships:

Nature of relationship	Name of related parties	Relationship
Key management personnel	Mr. Karma	CEO

(b) Details of transactions during the year:

(i) Key managerial person

Particulars	For the year ended	
	31-Dec-14	31-Dec-13
Salaries and other benefits	59,311	60,573

(c) Balance outstanding at the end of the reporting period :

(i) Key managerial person

Particulars	For the year ended	
	31-Dec-14	31-Dec-13
Salaries and other benefits	360	117

21 Operating leases

The Fund incurred operating lease charges of 25,976 (previous year 27,116). There are no non-cancellable leases entered into by the Fund and accordingly no disclosure in respect of future lease rental payable has been made. The operating lease charges are in respect of the SDF Permanent Secretariat at Thimphu, Bhutan, as per the Head Quarter Agreement dated 8th September 2010 between the SDF Secretariat and Royal Government of Bhutan.

22 Financial instruments

Credit risk

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Particulars	For the year ended	
	31-Dec-14	31-Dec-13
Cash and cash equivalents	121,601,440	55,940,550
Investments (current)	129,980,767	153,095,396
Investments (non-current)	-	-
Other receivables	4,108	3,995
Total	251,586,315	209,039,942

Liquidity risk

The following are the contractual maturities of non derivative financial liabilities as of the reporting dates.

As at 31 December 2014	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	28,976	28,976	28,976

As at 31 December 2013	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	22,533	22,533	22,533

Interest rate risk

Profile

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was as follows:

Fixed rate instruments	As at	
	31-Dec-14	31-Dec-13
Financial assets		
Cash and cash equivalents	121,387,115	55,334,784
Investments (current)	126,674,303	146,651,698
Investments (non-current)	-	-
Total	248,061,418	201,986,482

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

23 Contractual commitments

The Fund has approved the following projects as per its Charter as at 31 December 2014:

Project Name	Amount approved/ granted #	Amount disbursed/ expensed till 31st December, 2013	Currency fluctuation movement on conversion of USD to SDR	Amount disbursed/ expensed in the year ended 31st December, 2014	Balance committed amount*
Strengthening the livelihood initiative for home based workers in SAARC Region *(SABAH Project)	11,579,074	7,640,934	472,457	1,123,374	2,342,310
Maternal & Child Health Project (MCH) for strengthening Maternal and Child Health Including Immunization	10,380,437	2,524,000	213,082	709,308	6,934,047
Scaling up of Zero Energy Cold Storage (ZECs) technology for the horticultural commodities in the high hills of SAARC countries	2,333,609	1,312,612	128,184	-14,919	907,732
Empowering Rural Communities "Reaching the Unreached" (CeCs)	5,479,229	2,605,596	207,236	1,138,408	1,527,990
South Asia Initiative to End Violence Against Children (SAIEVAC)	1,794,582	347,038	49,248	653,585	744,712
Post Harvest Management and Value Addition of fruits in Production Catchments in SAARC Countries	3,436,677	128,036	10,940	122,513	3,175,188
Regional Inter-professional Master's Program in Rehabilitation Science	1,035,336	0	8,665	190,377	836,294
Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries	4,348,023	15,311	-12,258	67,067	4,277,903
Uniform Toll Free Helpline for Children and Women	2,760,896	19,746	4,324	0	2,736,826
Total	43,147,864	14,593,273	1,081,879	3,989,713	23,483,000

#Amount approved/granted have been computed in SDR using the closing rate as at 31st December, 2014

*Amount remaining to be disbursed have been computed in SDR using the closing rate as at 31st December 2014.

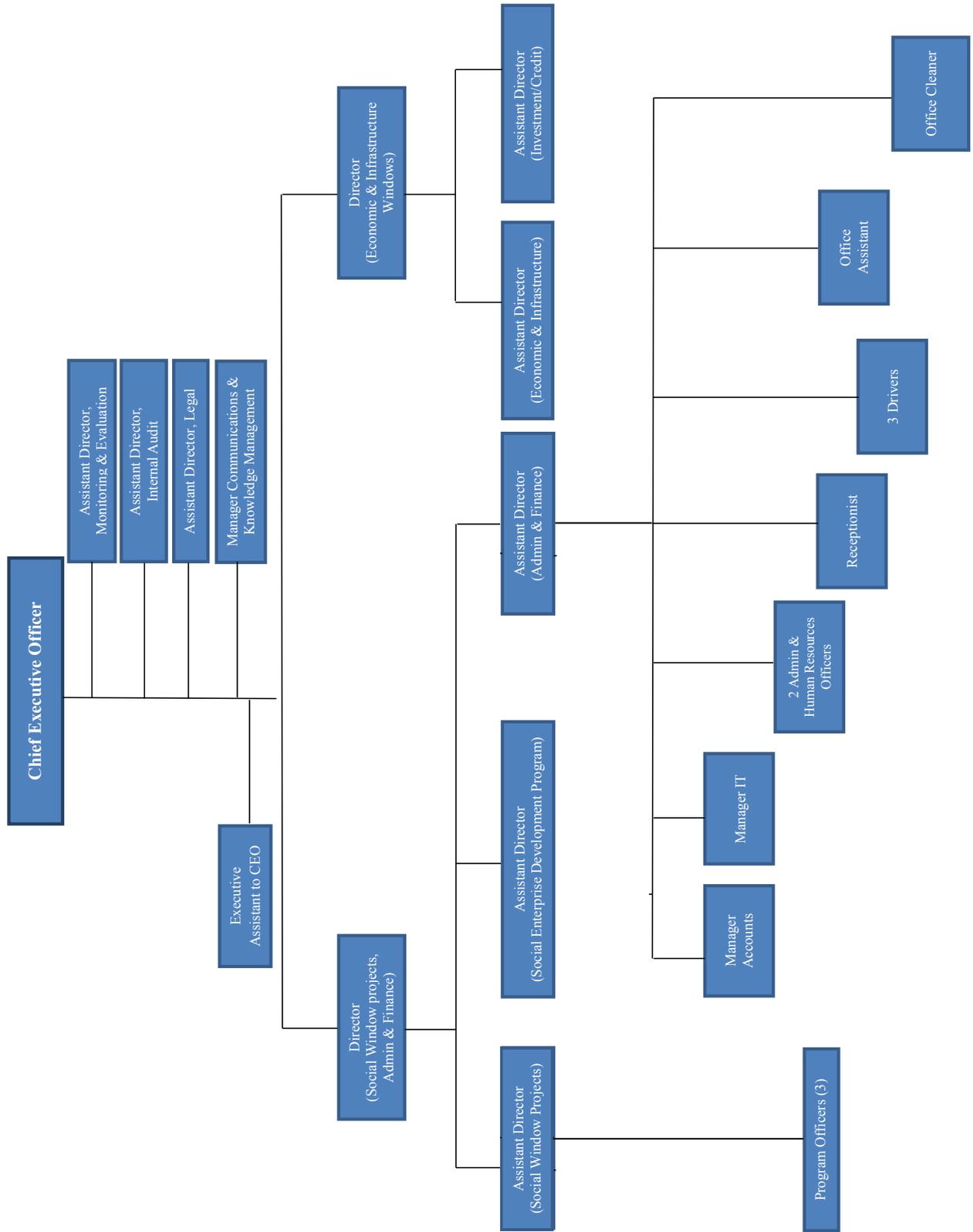
24 As required under project financing agreement interest income on idle funds lying with projects is accounted in these financial statements on the basis of amount calculated and reported by the respective project Lead Implementing Agency/Implementing agency.

25 Subsequent events

There were no such events after the balance sheet date which represents unusual changes affecting the existence or substratum of the Fund at the balance sheet date.

26 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

SDF ORGANOGRAM





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