



SAARC

## SAARC Development Fund

*"Promoting regional integration and cooperation  
through project collaboration"*

# ANNUAL REPORT 2016 & 2017







SAARC

# **SAARC Development Fund**

Annual Report 2016 and 2017





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## TO THE GOVERNING COUNCIL

In accordance with Section 27 (2) (iii) of the SDF Bye-Laws, I have the honour to submit to the Governing Council the SAARC Development Fund (SDF) the Annual Report for the years 2016 and 2017 as endorsed by the Board of Directors. The Annual Report also contains the Fund's audited financial statements for the two years.

Aamir Nazir Gondal  
*Chairman, SAARC Development Fund Board*  
*Joint Secretary, Ministry of Finance*  
*Islamabad, Pakistan*



## Message from the Chairman

### ***Consolidated Annual Report for the years 2016 and 2017***

I am honored to submit the consolidated Annual Report for the years 2016 and 2017 to the Governing Council of SDF.

This report highlights SDF's continued commitment towards promoting the welfare of the people of SAARC Region, improving the quality of life, accelerating economic growth and social progress, and alleviating of poverty through financing and implementation of development projects in all the SAARC Member States.

Despite significant progress, much remains to be done as the SAARC Development Fund continues with its mandate to build regional integration through project funding.

With the above stated mandate, the SAARC Development Fund Secretariat operates through the three financing windows: Social, Economic and Infrastructure. Currently, SDF has approved 14 projects with over 80 Implementing Agencies under the Social window and 5 projects under the Economic and Infrastructure windows (including 2 in-principle approved projects) with Currently, SDF is implementing 90 projects in all SAARC Member States under its Social, Economic and Infrastructure funding windows with a total fund commitment/allocation of USD 198.24 million including the MSME Program with fund allocation of USD 50 million in SAARC Member States.

The regional projects include strengthening the livelihood of home-based workers, addressing the needs of farmers, reducing the mother and child mortality, delivering connectivity and content of e-governance to rural folks, ending violence against children and women, and improving the sanitation in the SAARC region. These projects are successfully implemented through 67 lead implementing agencies/coordinating agencies under the Social Window. With the recent activation of our Economic and Infrastructure Windows, SDF aims to foster synergies across the region to fund projects related to energy, power, transportation, tourism and other infrastructural areas.

Regional cooperation and integration, the process by which SAARC Member States become more interconnected regionally, is critical in promoting the wellbeing of the people of South Asia. Hence, I would like to acknowledge the Board of Directors, staff and our esteemed partners of the SAARC Development Fund who made everything we do possible. We are grateful for their support in transforming SDF into a more dynamic and innovative regional funding institution for the people in SAARC Member States.

Aamir Nazir Gondal  
Chairman<sup>1</sup>, SAARC Development Fund Board  
Joint Secretary EFP, Ministry of Finance  
Islamabad, Pakistan

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<sup>1</sup> Pakistan, Chair of the SDF Board from February 2017- August 2019





**“Funding under the Economic and Infrastructure windows has also commenced to benefit countries of the SAARC region and meet the goals of regional integration and cooperation”.**

## Message from the Chief Executive Officer

It is a great honor for me to present the Annual Report of the SAARC Development Fund (SDF) for 2016 and 2017. This Annual Report provides an insight into SDF's growing presence across the SAARC region through project-based collaboration.

SDF was established in April 2010 to promote regional integration and economic cooperation. To realize this mission, we at the SDF Secretariat continue to undertake a number of initiatives for the strategic growth of the region. The last few years have offered us new projects, partners and new interventions to enable SDF to become a stronger regional financial institution. Currently, SDF is implementing 90 projects in all SAARC Member States under its Social, Economic and Infrastructure funding windows with a total fund commitment/allocation of USD 198.24 million. 48 projects (in 7 areas) have been successfully completed to benefit thousands of

people in SAARC Member States.

Building partnership is the key for the South Asian region to realize its full economic potential. Hence, SDF has developed a strong relationship with various Multinational Development Banks, International Financial Institutions, Regional Banks, MSME Banks, SME Banks, Chambers of Commerce and Industries, and Trade and Investment Promotion Agencies. Our increased presence in South Asia reflects our unflinching commitment to bring dividends of regional cooperation to the people at the grassroots with a view to promoting their welfare and improving quality of their life, which is the primary objective of SAARC. Despite challenges, we do foresee the enormous potential for project-based collaboration in achieving overall progress and prosperity across the region for the common good of our people.

I wish to express sincere gratitude to Their Excellencies the members of the Governing Council and the Board of Directors for their guidance and support in charting out an eventful journey for SDF during 2016-2017. I am also thankful to my colleagues at the SDF Secretariat for their continued cooperation and support in the discharge of my responsibilities.

Dr. Sunil Motiwal,  
Chief Executive Officer, SAARC Development Fund



# Governing Council of SAARC Development Fund (as of 02 July 2019)



**Islamic Republic of Afghanistan:**

His Excellency Mr. Mohammad Humayon Qayoumi, Minister, Ministry of Finance



**Republic of Maldives:**

His Excellency Mr. Ibrahim Ameer, Minister, Ministry of Finance



**People's Republic of Bangladesh:**

His Excellency Mr. A H M Mustafa Kamal, Minister, Ministry of Finance



**Federal Democratic Republic of Nepal:**

His Excellency Mr. Yuba Raj Khatriwada, Minister, Ministry of Finance



**Royal Kingdom of Bhutan:**

His Excellency Lyonpo Namgay Tshering, Minister, Ministry of Finance



**Islamic Republic of Pakistan:**

His Excellency Mr. Asad Umar, Minister, Ministry of Finance



**Republic of India:**

Her Excellency Smt. Nirmala Sitharaman, Minister, Ministry of Finance



**Democratic Socialist Republic of Sri Lanka:**

His Excellency Mr. Mangala Samaraweera, Minister, Ministry of Finance and Planning

## Board of Directors of the SAARC Development Fund

### ISLAMIC REPUBLIC OF AFGHANISTAN



#### DIRECTOR

Ms. Salma Alokzai  
Aid Management Director  
Ministry of Finance



#### ALTERNATE DIRECTOR

Mr. Ghulam Mustafa Safi  
Aid Coordination Specialists  
& Focal Point for SDF  
Ministry of Finance

### PEOPLE'S REPUBLIC OF BANGLADESH



#### DIRECTOR

Mr. Md. Ekhlashur Rahman  
Additional Secretary,  
Treasury and Debt  
Management Wing,  
Finance Division, Ministry  
of Finance



#### ALTERNATE DIRECTOR

Mr. Md. Monzorul Haque  
Deputy Secretary  
Department/Ministry:  
Treasury and Debt  
Management Wing,  
Finance Division

### ROYAL KINGDOM OF BHUTAN



#### DIRECTOR

Mr. Lekzang Dorji  
Director General,  
Department of  
Macroeconomic Affairs,  
Ministry of Finance



#### ALTERNATE DIRECTOR

Mr. Chencho Tshering  
Chief Planning Officer,  
Ministry of Finance

### REPUBLIC OF INDIA



#### DIRECTOR

Mr. Rajat Kumar Mishra  
Joint Secretary, International  
Economic Relations and  
Bilateral Cooperation  
& Sustainable Finance  
Division, Department of  
Economic Affairs, Ministry  
of Finance



#### ALTERNATE DIRECTOR

Mr. Virender Singh  
Director (IER)  
International Economic  
Relations Division,  
Department of Economic  
Affairs, Ministry of Finance

## REPUBLIC OF MALDIVES



**DIRECTOR**  
Ms. Fathimath Razeena  
Financial Controller  
Ministry of Finance &  
Treasury



**ALTERNATE DIRECTOR**  
Ms. Aminath Nashia  
Director  
External Resources  
Management  
Ministry of Finance &  
Treasury

## FEDERAL DEMOCRATIC REPUBLIC OF NEPAL



**DIRECTOR**  
Mr. Shree Krishna Nepal  
Joint Secretary  
Ministry of Finance



**ALTERNATE DIRECTOR**  
Mr. Tek Bahadur Khatri  
Under Secretary,  
International Economic  
Cooperation Coordination  
Ministry of Finance

## ISLAMIC REPUBLIC OF PAKISTAN



**DIRECTOR**  
Mr. Aamir Nazir Gondal  
Joint Secretary(EFP),  
Finance Division, Ministry  
of Finance



**ALTERNATE DIRECTOR**  
Mr. Syed Ahmad Raza Asif  
Deputy Secretary (EF-P-I),  
Finance Division, Ministry  
of Finance

## DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA



**DIRECTOR**  
Mr. K. A. Vimalenthirarajah  
Director General,  
Department of Fiscal  
Policy, Ministry of Finance



**ALTERNATE DIRECTOR**  
Mr. J R C Jayatilake  
Director, Department of  
Trade & Investment Policy  
Ministry of Finance



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## SAARC SECRETARIAT

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### SECRETARY GENERAL OF SAARC

H.E Mr. Amjad Hussain  
B. Sial  
Secretary General of  
SAARC  
SAARC Secretariat



### REPRESENTATIVE OF THE SECRETARY GENERAL OF SAARC

Ms. Ishrat Jahan  
Director, ARD  
SAARC Secretariat  
Kathmandu, Nepal

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## SAARC DEVELOPMENT FUND SECRETARIAT

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### CHIEF EXECUTIVE OFFICER

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

## Counterpart Agencies

### AFGHANISTAN

Counterpart Agency: Ministry of Finance

Contact Person:

Mr. Mustafa Safi

Aid Coordination Specialist

Aid Management Directorate

Ministry of Finance

Telephone No: +93799344397, +93785699559,  
+93707899880

Email: mustafa.safi@mof.gov.af

### BANGLADESH

Counterpart Agency: Ministry of Finance

Contact Person:

Mr. Md. Ruhul Amin

Deputy Secretary

Ministry of Finance, Finance Division,

Bangladesh Secretariat, Dhaka, Bangladesh

Telephone No. +0088 02 9576028 (Office)

+008801716122922 (Cell)

Email: ruhulyn@finance.gov.bd / ruhulyn@gmail.com

### BHUTAN

Counterpart Agency: Planning and Policy Division,  
Ministry of Finance

Contact Person:

Ms. Chimi Pem

Sr. Program Officer

cpem@mof.gov.bt

Telephone No. +975 17673138

### INDIA

Counterpart Agency: MR Division, Department of  
the Economic Affairs, Ministry of Finance

Contact Person:

Mr. Balasubramanian. P

Under Secretary (IER)

International Economic Relations Division

Department of Economic Affairs, Ministry of  
Finance

Room No. 166 A, North Block

Ministry of Finance, Government of India

Email: prbala.pandu@nic.in

Telephone No.: 91-11-2309 5160, 91-11-2309 5023  
M – 0091 9868655985

### MALDIVES

Counterpart Agency: External Resource  
Management Division, Ministry of Finance and  
Treasury

Contact Person:

Ms. Aminath Nashia

External Resource Management Division

Ministry of Finance and Treasury

Telephone No: 00960-3349109, Fax: 00960-  
3307802

Email: aminath.nashia@finance.gov.mvk

### NEPAL

Counterpart Agency: International Economic  
Cooperation Coordination Division, Ministry of  
Finance

Contact Person:

Mr. Tek Bahadur Khatri,

Under Secretary, Ministry of Finance, International  
Economic Cooperation Coordination Division ,  
Singhdurbar, Kathamandu, Nepal.

Email: tkhatri@mof.gov.np

Telephone No: 977-01-4211366 / 4211360

### PAKISTAN

Counterpart Agency: Finance Division (External  
Finance Policy Wing), Government of Pakistan

Contact Person:

Mr. Khursheed Ahmed

Section Officer (EFP-II)

Finance Division, Government of Pakistan

Telephone No. +92 51 9201332, 92 3338987151

Email: kahmed99105@hotmail.com

### SRI LANKA

Counterpart Agency: Department of Trade, Tariff  
and Investment Policy, Ministry of Finance and  
Planning

Contact Person:

Mrs H.G.T Prasangika

Assistant Director

Telephone No: +94 112 51479, M:+94 714461367,

Email: prasangika.hg@tipd.treasury.gov.lk

# ABOUT SAARC

Founded in December 1985, the South Asian Association for Regional Cooperation (SAARC) is a regional intergovernmental organization. SAARC's founding members are Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. Afghanistan joined the organization in 2007. Australia, China, the European Union, Iran, Japan, Mauritius, Myanmar, the Republic of Korea and the United States of America are observers to SAARC. SAARC is headquartered in Kathmandu, Nepal.

SAARC is dedicated to promote welfare of the people of South Asia through economic growth, social progress and cultural development in the region.

## AREAS OF COOPERATION

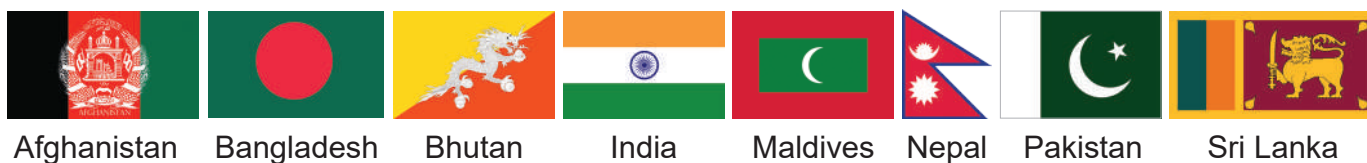
SAARC commenced regional cooperation in limited areas in its initial phase. Today, SAARC promotes regional collaboration in almost every sphere of human activity, having a bearing on the life and livelihood of the people in the region. The areas of cooperation being pursued under the auspices of the Association include:

- Agriculture and Rural Development
- Biotechnology
- Blue Economy
- Cooperatives
- Culture
- Trade, Economy and Finance
- Education
- Energy
- Environment
- Finance
- Funding Mechanism
- Information and Communications Technology
- Migration
- People-to-People Contacts
- Poverty Alleviation
- Science and Technology
- Security Aspects
- Social Development
- Tourism



With just about 2.5% of the world's land surface area, the South Asian region is home to one fourth of the world's population. It is the fastest growing region in the world but also is one of the world's poorest regions.





## SAARC Development Fund

### GENESIS

In 1996, SAARC created a funding mechanism, namely, 'South Asian Development Fund' (SADF), merging the SAARC Fund for Regional Projects (SFRP) and the SAARC Regional Fund. SADF's objectives were to support industrial development, poverty alleviation, protection of environment, institutional/human resource development and promotion of social and infrastructural development in the SAARC region. SADF started with a resource base of US\$ 5 million (contributed on a pro-rata basis by the Member States) and till its closure in June 2008, had funds amounting to approximately US \$ 7 million. SADF completed techno-economic feasibility studies for sixteen projects.

The primary reason for establishing SDF was that the erstwhile SADF had inadequate quantum of funds and limited scope of work. In September 2005, the Financial Experts of the Member States considered the entire gamut of issues relating to the funding of SAARC projects and programs, and, amongst others, recommended to reconstitute SADF into SDF, instead of proliferating sectoral financing mechanisms. The Thirteenth SAARC Summit (Dhaka, 12-13 November 2005) decided to reconstitute SADF into SDF to serve as the "umbrella financial mechanism" for all SAARC projects and programs.

### INTRODUCTION

The SAARC Development Fund (SDF) Secretariat was inaugurated on 28 April 2010 by the Heads of State or Government during the Sixteenth SAARC Summit held in Thimphu, Bhutan. The Fund serves as the umbrella financial institution of SAARC for implementing projects and programs in the attainment of its Charter objectives. It is aimed to contribute to regional cooperation and integration through project-based collaboration. The primary objectives of SDF are to promote welfare of the people of the SAARC

## CURRENT STATUS

SDF has an authorized capital of US \$ 1.5 billion and a total capital base of US \$ 511.52 million. Currently, SDF is implementing 90 projects in all SAARC Member States under its Social, Economic and Infrastructure funding windows with a total fund commitment/ allocation of USD 198.24 million.

48 projects (in 7 areas) of the Social Window have been successfully completed to benefit thousands of people in SAARC Member States.

Further, more than 10 bankable projects are also under active consideration of SDF for co-financing in the Member States.

region and improve their quality of life through accelerated economic growth, social progress and poverty alleviation in the region. In the accomplishment of these objectives, SDF is mandated to identify projects, and provide financing and technical assistance for their implementation across the region through its own resources as well as through mobilization of funds from external sources.

## Focus Areas of Funding

SDF has three funding Windows, namely, Social Window, Economic Window and Infrastructure Window:

### SOCIAL WINDOW

The Social Window primarily funds projects in poverty alleviation and social development, focusing on education, health, human resources development, support to vulnerable/disadvantaged segments of the society, funding needs of communities, micro-enterprises and rural infrastructure development. These projects are inline with the consensus reflected in the SAARC Social Charter, SAARC Development Goals, SAARC Plan of Action on Poverty Alleviation and other regional 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, and science and technology, among others. It can also be utilized for identifying, developing and sponsoring commercially viable programmes/projects of regional priority, including preparing their pre-feasibility and feasibility studies. In essence, it supports any other projects which do not fall under the Social and Infrastructure Windows.

SDF proposes to fund Micro, Small and Medium Enterprises (MSME) program in the Member States under the MSME funding scheme within the ambit of its Economic Window.

### INFRASTRUCTURE WINDOW

The Infrastructure Window is utilized primarily to fund projects in areas such as energy, power, transportation, telecommunications, environment and tourism, among others.

## Partnership – Building Strategic Alliances

SDF has established and strengthened relationship with various partners to co-finance cross-border projects through Memoranda of Understanding. These include Multinational Development Banks, International Financial Institutions, Regional Banks, MSME Banks, SME Banks, Chambers of Commerce and Industries, and Trade and Investment Promotion Agencies.

### SDF in Statistics

**USD1.5 Billion**

Total SDF Authorized Capital



**USD 508 million**

Total Capital Base

### Projects

Strengthening the livelihood of home-based workers; addressing the needs of farmers, reducing the mother and child mortality, delivering connectivity and content of e-governance to rural folks, ending violence against children and women, and improving water and sanitation.



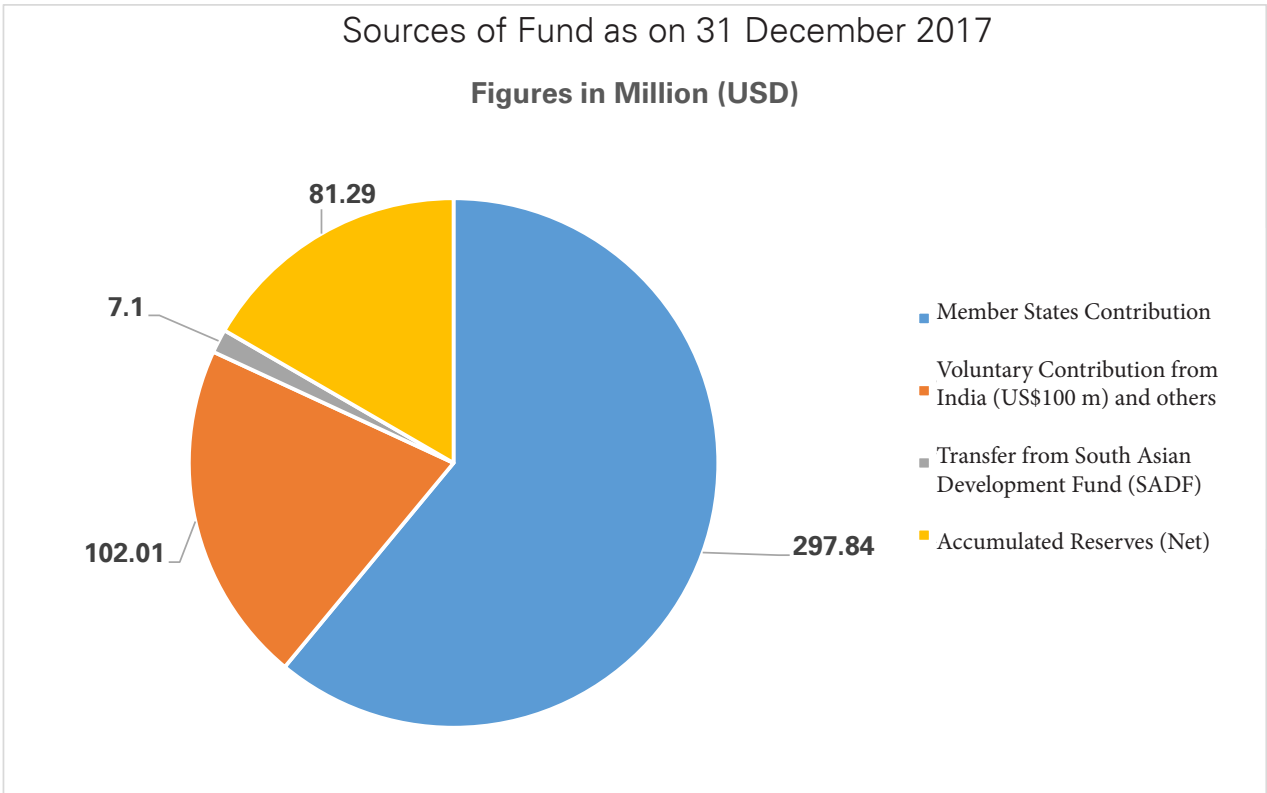
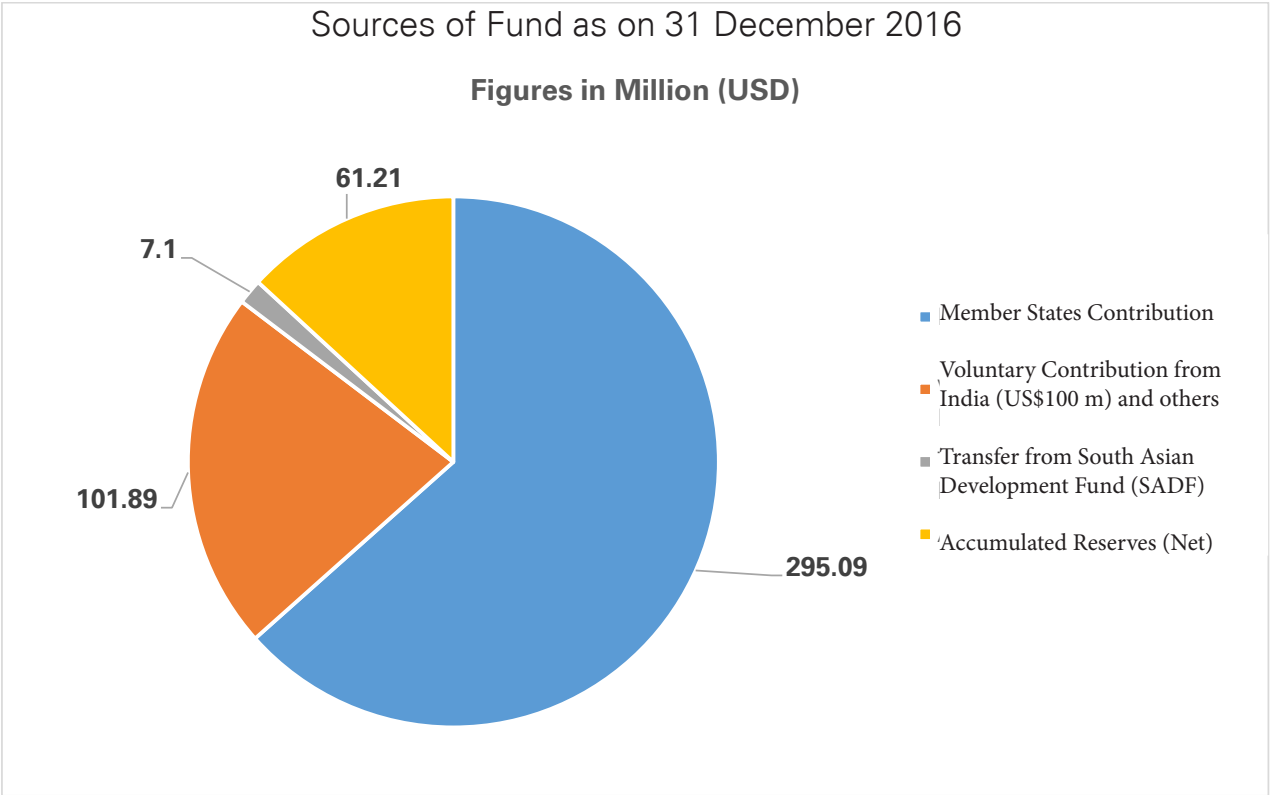


## Reaching the Unreached

A project under SDF Social Window to empower rural communities in the SAARC Member States by setting up Community E-Centres (CECs) with ICT services.

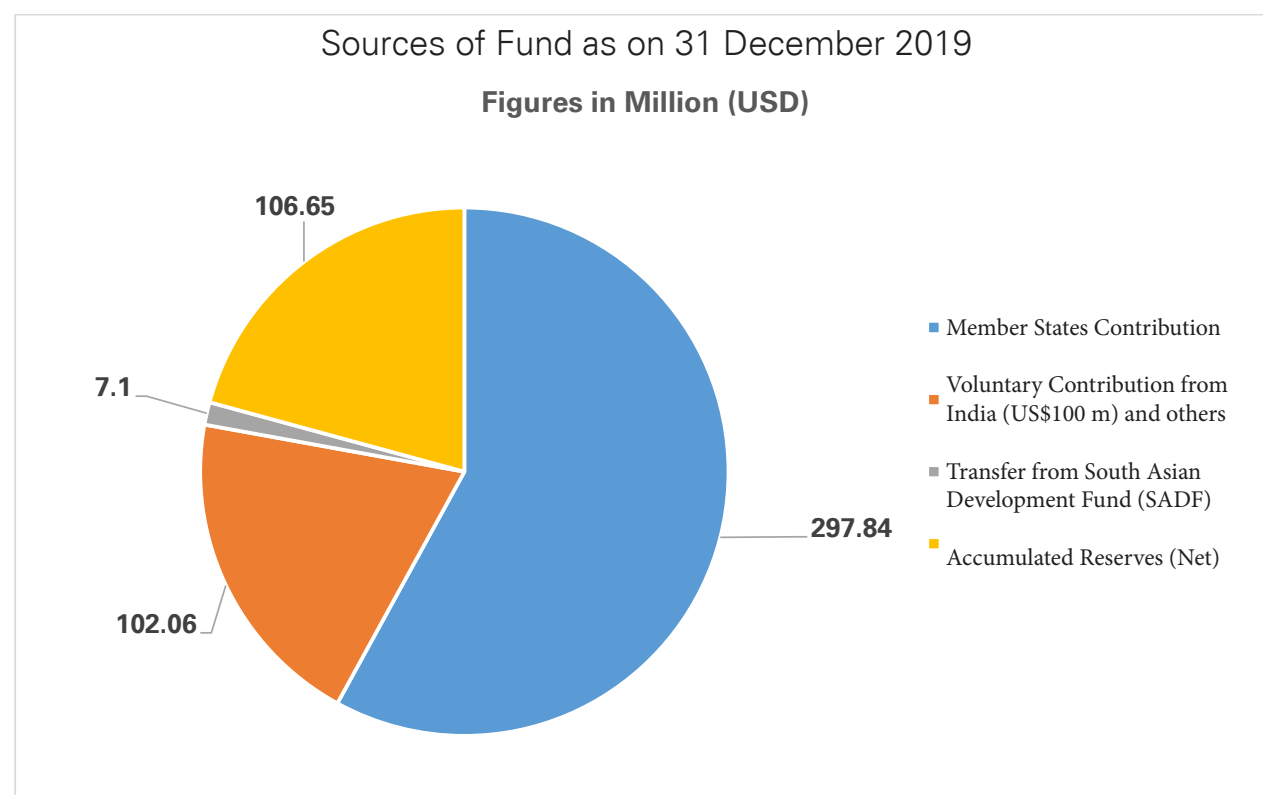
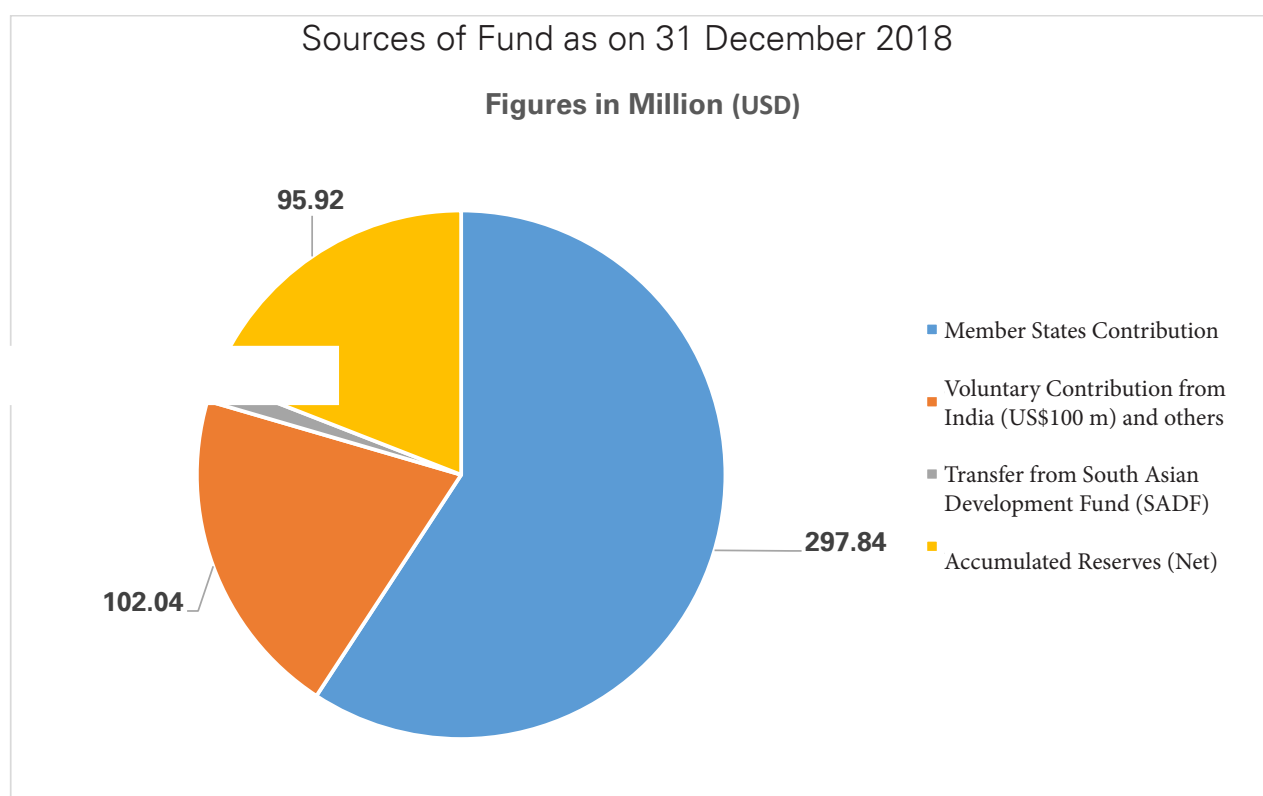


# Overview of Funds





# Overview of Funds





# SAARC DEVELOPMENT FUND (SDF)

SAARC Development Fund

## AFGHANISTAN

### SOCIAL WINDOW

1. SABAH
2. MCH
3. ZECS
4. SAIEVAC
5. POST HARVEST
6. TOLL FREE
7. WASH
8. BAMBOO
9. NETWORKING
10. LIVELIHOOD
11. C-SUCSeS
12. SAARC B2B

## PAKISTAN

### SOCIAL WINDOW

1. SABAH
2. MCH
3. SAIEVAC
4. POST HARVEST
5. TOLL FREE
6. WASH
7. BAMBOO
8. NETWORKING
9. LIVELIHOOD
10. C-SUCSeS
11. SAARC B2B

## INDIA

### SOCIAL WINDOW

1. ZECS
2. WASH
3. BAMBOO
4. NETWORKING
5. LIVELIHOOD
6. C-SUCSeS
7. SAARC B2B

## PROJECTS - ECONOMIC & INFRASTRUCTURE WINDOWS

1. Purchase of new ATR aircraft for Drukair Corporation under sovereign guarantee extended by the Royal Government of Bhutan
2. 37MW Upper Trishuli Hydroelectric power plant for the SPV- Trishuli Jal Vidyut Company Ltd with SDF financing up to USD 15 million.
3. Proposal to finance Government of Nepal for onward lending to Nepal Electricity Authority (NEA) for Expansion of Koshi Corridor 220 kV Transmission Line Project being extended to the Government of Nepal
4. 900 MW GMR Upper Karnali Hydropower Project in Nepal\*
5. 13.2 MW Waste to Energy Project of Fairway Waste Management Private Limited in Sri Lanka\*

## MALDIVES

### SOCIAL WINDOW

1. SABAH
2. MCH
3. CeC
4. SAIEVAC
5. TOLL FREE
6. NETWORKING
7. LIVELIHOOD
8. SAARC B2B

\*In-princip

# F) FUNDED PROJECTS IN SAARC REGION

## NEPAL

### INFRASTRUCTURE WINDOW

1. 37 MW Upper Trishuli Hydroelectric Power Plant
2. Expansion of Koshi Corridor 220 KV Transmission Line
3. 900 MW Upper Karnali Hydropower Project

### SOCIAL WINDOW

1. SABAH
2. MCH
3. ZECS
4. CeC
5. SAIEVAC
6. POST HARVEST
7. TOLL FREE
8. WASH
9. BAMBOO
10. NETWORKING
11. LIVELIHOOD
12. C-SUCSeS
13. SAARC B2B



## BANGLADESH

### SOCIAL WINDOW

1. SABAH
2. MCH
3. CeC
4. SAIEVAC
5. POST HARVEST
6. CRP
7. TOLL FREE
8. BAMBOO
9. NETWORKING
10. LIVELIHOOD
11. C-SUCSeS
12. SAARC B2B



Sri Lanka

## SRI LANKA

### INFRASTRUCTURE WINDOW

1. 13.2 MW Waste to Energy Project

### SOCIAL WINDOW

1. SABAH
2. MCH
3. SAIEVAC
4. POST HARVEST
5. TOLL FREE
6. WASH
7. NETWORKING
8. LIVELIHOOD
9. C-SUCSeS
10. SAARC B2B

## BHUTAN

### ECONOMIC WINDOW

1. Purchase of New ATR Aircraft

### SOCIAL WINDOW

1. SABAH
2. MCH
3. ZECS
4. CeC
5. SAIEVAC
6. POST HARVEST
7. TOLL FREE
8. WASH
9. BAMBOO
10. NETWORKING
11. LIVELIHOOD
12. C-SUCSeS
13. SAARC B2B

### PROJECTS - SOCIAL WINDOW

1. Strengthening the Livelihood Initiative for Home-based Workers in SAARC Region (SABAH)
2. Strengthening Maternal and Child Health Including Immunization (MCH)
3. Scaling up of Zero Energy Cold Storage technology for the horticultural commodities in the high hills of SAARC countries (ZECS)
4. Empowering Rural Communities: Reaching the Unreached (CeC)
5. South Asia Initiative to End Violence Against Children (SAIEVAC)
6. Post- Harvest Management and Value Addition of Fruits in Production Catchments in SAARC Countries (POST HARVEST)
7. Regional Inter-professional Master's Program in Rehabilitation Science (CRP) Phase I & II
8. Toll Free Helplines for Women and Children in SAARC Member States (TOLL FREE)
9. Strengthening of Water, Sanitation and Hygiene services in selected areas of SAARC Countries (WASH)
10. Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries (BAMBOO)
11. Networking and Capacity Building of Women Entrepreneurs (SMEs) from SAARC Countries (NETWORKING)
12. Livelihood Enhancement of Small Farmers in SAARC Region through Small Agro-business Focusing on Value Chain Development (LIVELIHOOD)
13. Consortium for Scaling Up Climate Smart Agriculture in South Asia (C-SUCSeS)
14. SAARC B2B and E-Commerce Trade Portal (SAARC B2B)\*



Strengthening maternal and child health (MCH) including immunization in the SAARC Member States to reduce child and maternal mortality in the region through the MCH Project.



# SDF FUNDED PROJECTS UNDER SOCIAL WINDOW in 2016 and 2017

## 1. Project Title: Strengthening the livelihood initiative for home based workers in SAARC Region (Phase I & II) - Status: Ongoing

Start Date	: 1 August 2008
Project Budget	: US \$ 21,075,821
Total Disbursement	: US \$ 14,833,547.00 in 2016
	: US \$ 1,547,400 in 2017

### Participating Countries

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

### Beneficiary:

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

### About the Project:

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 segment of the workforce. Of these workers, an estimated 80 percent are women.

SDF is firmly committed to empowering HBWs by supporting them to improve and diversify their skills, train them in Consolidated Customized Product and Design Development, and educate them in marketing skills.

The project on women's empowerment 'Strengthening the Livelihood Initiative of Home-based Workers in the SAARC Region' has been awarded to Home Net South Asia (HNSA) and Self-Employed Women's Association (SEWA) for implementation in all the SAARC countries, except India.

### Project Objectives

- To build a strong supply chain and to generate employment;
- Build a social business organization i.e. SAARC Business Association for Home-based Workers (SABAH) in each Member State and strengthen its marketing capability;
- Promote development and inclusive growth through sharing experiences;
- Build a model for empowerment of women through crafts making and marketing; and
- Deepen relationship among the SAARC Member States based on learning and sharing.

## 2. Project Title: Strengthening Maternal and Child Health Including Immunization, Status: Ongoing

Start Date	: 19 June 2009
Project Budget	: US \$ 15,039,229.00
Total Disbursement	: US \$ 1,332,852 in 2016
	: US \$ 38,000 in 2017

### Participating Countries

Afghanistan, Bangladesh (Project Closed in 2017), Bhutan, Maldives, Nepal, Pakistan and Sri Lanka (Closed in December 2016)

### Beneficiary:

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



### About the Project

SAARC region accounts for 25 percent of the global population with a very 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 Second Meeting of the SAARC Finance Ministers agreed to undertake a Project on Maternal & Child Health Care under the Social Window of SDF.

SDF is dedicated to ensure that every infant and woman of childbearing age in the SAARC Region is fully immunized. SDF collaborates with regional, national and sub-national partners in this project.

### Project Objectives

- Improve skills of doctors and nurses;
- Reduction in child and maternal mortality;
- Provide access to integrated comprehensive primary MCH healthcare; and
- Improve availability and adequacy of infrastructure and equipment at district and sub-district levels.



### 3. Project Title: Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC countries, Status: Ongoing

Start Date : 1 December 2010  
 Project Budget : US \$ 3,380,945  
 Total Disbursement : US \$ 163,383 in 2017

#### Implementing Countries

Afghanistan, Bhutan, India and Nepal (Closed in April 2016)

#### Beneficiary:

- 12,150 Farmers
- 50,000 people

#### About the Project

Agriculture is the mainstay of economies of the majority of the SAARC countries, employing a large amount of population. SDF actively promotes the integration of modern energy services with agriculture and horticulture in the region for its socio-economic development through enhanced food production and food security.

#### Project Objectives

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



#### 4. Project Title: Empowering Rural Communities “Reaching the Unreached”, Status: Ongoing

Start Date : 1 April 2011  
Project Budget : US \$ 7,938,335.00  
Total Disbursement : Completed

##### Implementing Countries

Bangladesh, Bhutan, Maldives (Closed in September 2016) and Nepal (Closed in December 2016)

##### Beneficiary:

- Rural people of 200 Unions in Bangladesh
- Rural people of 60 Gewogs of Bhutan
- Rural people of 50 Atolls in Maldives
- Rural people of 81 Villages in Nepal

##### About the Project

With the shift towards a ‘knowledge society’, the role of interactive communication technologies (ICTs), such as email and the internet, is becoming increasingly important for sustained socio-economic development. 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 living conditions in rural communities. In order to mobilize people at the grassroots level to build self-reliance, SDF initiated the project, Empowering Rural Communities “Reaching the Unreached”.

##### Project Objectives

- Generate employment and create new economic activities using ICT;
- Ensure Government services in rural areas; and
- Reduce turnaround time and fully functional Union Information and Service Centers, Community Centers, Community e-Centers and Village Development Committees.



## 5. Project Title: South Asia Initiative to End Violence Against Children (SAIEVAC), Status: Ongoing

Start Date : 1 January 2012  
 Project budget : US \$ 2,600,000  
 Total Disbursement : Completed

### Participating Countries

Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan (Closed December 2016) and Sri Lanka

### About the Project

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 the 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.

SDF and the SAIEVAC Secretariat have initiated a project 'South Asia Initiative to End Violence against Children' to curb violence against children in the SAARC Region.

### Objectives

- Children are better protected through a comprehensive child protection systems set up at regional and national levels that prevent, mitigate and respond to violence against children; and
- Governments, Civil Society, NGOs, UN and children formalize linkages to better cooperate, share experiences and learning for increased impact on actions to end violence against children.





## 6. Project Title: Post Harvest Management and Value Addition of Fruits in Production Catchments in SAARC Countries, Status: Ongoing

Start Date : 1 January 2013  
Project budget : US \$ 4,979,075.00  
Disbursed Amount : US \$ 1,437,096 in 2016  
: US\$ 1,019,159 in 2017

### Participating Countries:

Phase I- Afghanistan, Bangladesh (Closed in September 2017), Bhutan, Nepal, Pakistan and Sri Lanka (India and Maldives to join in phase II)

### Objectives:

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

### Expected Outcomes/Benefits:

- Reduction in post-harvest losses by 25% of existing losses;
- Improvement in quality of fruits;
- Realization of better prices by the farmers; and
- 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 the participating countries.



## 7. Project Title: SAARC Regional Inter-Professional Master's Program in Rehabilitation Science, Status: Ongoing

Start Date	: 1 June 2013
Project Period	: 5 years
Total Budget	: US \$ 1,500,000.00
Disbursed Amount	: US\$ 365,559 in 2016
	: US\$ 197,551 in 2017

### 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 Masters students will be enrolled annually, and 50% of places will be reserved for students from the SAARC region.

### About the Project

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 the people with disabilities. 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 human resources in services, education, policy and research in the SAARC Region to deliver regional, inter-professional, graduate education programmes with the support from Queen's University, Canada, and York St. John's University, United Kingdom. Ultimately, the project will contribute to the enhancement of the range and quality of basic health, disability, and rehabilitation services for the disabled people in Bangladesh and the participating SAARC countries, and to facilitate their integration into mainstream society while supporting poverty reduction initiatives.

### Project Objectives

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

### Expected Outcomes/Benefits:

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

## 8. Project Title: Toll-Free Helplines for Women and Children in SAARC Member States, Status: Ongoing

Start Date: August 1, 2017

Project Period : 3 years

Approved Budget : US \$ 4,000,000.00

Disbursed Amount : US \$ 1,086,067 in 2016  
: US \$ 9,491 in 2016

### Participating Countries

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

### Beneficiary

Children and women of SAARC Member Countries

### About the Project

It is a proven fact that development of children and women is crucial for ensuring long-term sustainable development, social cohesion, stability and security at national and regional levels.

This Project stems from the SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution. The intra-country mechanisms will bring convergence to the efforts of the eight Member States to prevent and combat trafficking of women and children. The Project's outcomes also contribute to achieving SDG-4 related to a robust pro-poor growth process; SDG-6 on Reducing social and institutional vulnerabilities of the poor, women and children; SDG-7 on providing access to affordable justice, as well as MDGs and poverty reduction strategies.

### Project Objectives

- To provide emergency outreach services to women and children in need of care and protection through 24-hour emergency phone outreach service.
- To guide the women and children and other stakeholders in the time of crisis where they are currently inaccessible, inadequate or non-existent.
- To provide a platform for networking amongst organizations and to provide linkages to support systems which facilitate the rehabilitation of women and children;
- To link women and children in need of care and protection to long-term rehabilitation programmes; and
- To build capacity of individuals, institutions and systems to achieve promotion and protection of the rights of vulnerable women and children.

### Expected Outcomes/Benefits

- Toll Free Helpline setup/strengthened and fully functional;
- Increased accessibility of women and children and other stakeholders to Helpline and referral services;
- Referral and coordination mechanism set up to provide services to women and children in need;
- Women and Children successfully rehabilitated and re-integrated into the society;
- Strengthened capacity of relevant stakeholders to identify and respond to the needs of women and children in difficult circumstances;
- More follow up of the news and reports of violence against women and children and increased awareness about the helpline number; and
- Reduce incidences of violence against women and children in the SAARC Member States.



## 9. Project Title: Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries, Status: Ongoing

Start Date : 1 September 2013

Approved Budget : US \$ 6,298,408.00

Disbursed Amount : US \$ 1,086,067 in 2016

: US \$ 992,406 in 2017

### 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, food processing etc.

### Project Objectives:

- Equitable access to safe drinking / household / livelihood water;
- Ensure adequate quantity of good quality of water;
- Identify appropriate/innovative technologies for treatment, restoration and development of sustainable water resource mechanisms (including financial and social models);
- Open Defecation Free (ODF) declared in targeted areas;
- Promote hygiene and sanitation practices in schools and targeted communities;
- Capacitate Community Based Organizations (CBOs) in management of water and sanitation facilities and promotion of hygiene;
- Promote water based livelihoods and build a cadre/ cohort of women led service providers and
- Experience and knowledge sharing on good practices in SAARC countries.

### Expected Outcome(s)/benefits

- Equitable and adequate supply of water will be available at the household level;
- Improved water use and improved quality of water;
- Integrated local water resources management, with strengthened water infrastructure, based on the country's context and priority areas;
- Expanded sanitation facilities like toilets in the targeted households or availability of water in the existing toilets;
- Enhanced awareness and understanding amongst the communities, especially, women and girl students on need and practices for sanitation and hygiene;
- Schools will become the 'models' of cleanliness for the project areas;
- There will be more of women managed and owned social security, and services management, e.g. women based hand-pump maintenance, village water supply and sanitation committees for after-care of constructed facilities systems;
- Feasible technology options adopted to improve the drinking water quality, waste-water disposal-management and safe sanitation and hygiene practices;
- Declaration of ODF in project implementation sites;
- Project implementation areas will be clean, the solid and liquid waste will be disposed properly by each family and community as well; and
- Exchange programs for experience and knowledge in sharing about good practices in WASH, in the SAARC region.

## Project Activities

- Baseline Survey;
- Situation analysis and mapping of resources through community participation;
- Creation of awareness and community mobilization;
- SOPs for users; and
- Documentation and dissemination of project.

## Water

- Engineering Survey, design and estimates of the project;
- Procurement of materials for Water Infrastructure;
- Civil work for Water Infrastructure;
- Formation and Capacity building of Users Committee;
- Development and rehabilitation of water sources; and
- Identification and adaptation of appropriate technology.

## Sanitation

- Spreading awareness among CBOs, schools and communities;
- Training on appropriate approaches / models;
- Construction and modification of sanitation facilities and demonstration units;
- Linkage to government programs;
- Declaration of Open Defecation Free (ODF) areas;
- Build up local level institutional capacity;
- Awareness creation on standards of sanitation; and
- Technology options for toilets.

## Hygiene

- Study on socio cultural practices of targeted communities, especially women and schools;
- Develop Information, Education and Communication (IEC) materials for Behavior Change Communication (BCC); and
- Adaptation to and awareness of appropriate modules on hygiene practices / technology.





## 10. Project Title: Promoting Integrated Bamboo-Based Enterprise Development among SAARC Countries, Status: Ongoing

Start Date : 30 March 2017  
Project Period : 3 years  
Total Project Budget : US\$ 4,387,385.00 (SDF Funding- US\$ 3,756,215.00 and Co-funding from Implementing Partners in cash and kind- US\$ 631,170.00)  
Disbursed : US\$ 173,572 in 2017

### Participating Countries

Afghanistan, Bangladesh, Bhutan, India, Nepal and Pakistan.

### Beneficiary

Farmers, artisans, micro & small enterprises, designers, traders and exporters

### About the Project:

Bamboo constitutes a significant portion of the total forest area in the SAARC Countries. However, the sector suffers from poor protection and management especially inefficient harvesting systems and underutilization of the natural resources despite having such rich bamboo resources. The project proposes a bamboo-based integrated development model by creating opportunities for harvesting, production and marketing of bamboo products. The development model is based on the identification of key stakeholders and their challenges across the value chain. The creation of sustainable high value economic opportunities will directly improve the quality of life for farmers, artisans, micro and small enterprises, designers, traders and exporters.

### Project Objectives

- To promote bamboo based enterprises for income generation and employment opportunities.



**2016:** One project namely “Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries” was approved during the FY 2016 with the aggregate approved Budget of US\$ 4,388,384/- and a total of 4 projects completed their project period during the FY 2016 as follows.

#### Projects completed during FY 2016

Sl. No.	Name of the Project	Country
1	Strengthening Maternal and Child Health including immunization	Sri Lanka
2	Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC countries	Nepal
3	Empowering Rural Communities “Reaching the Unreached”	Maldives Nepal
4	South Asia Initiative to End Violence Against Children (SAIEVAC)	Pakistan

**2017:** Two projects namely “Empowering Rural Communities “Reaching the Unreached” and “South Asia Initiative to End Violence Against Children (SAIEVAC)” with the aggregate approved Budgets of US\$ 7,938,335 and US\$ 2,600,000 respectively, were approved during the FY 2017 and a total of 2 projects were completed during the FY 2017 as follows.

#### Projects completed during FY 2017

Sl. No.	Name of the Project	Country
1	Strengthening Maternal and Child Health including immunization	Bangladesh
2	Post Harvest Management and Value Addition of Fruits in Production Catchments in SAARC Countries	Bangladesh



Training on Water testing in one of the villages in a SAARC Member State. SDF is working with partners to strengthen access to safe water, hygiene and sanitation (WASH) services in the SAARC Member States.



# Summary of approved PROJECTS in 2017

## 1. Project Title: Networking and capacity building of women entrepreneurs (SMEs)

Project Period : 2 years  
Approved by the SDF Board in February 2017  
Total Project Budget : USD 0.73 million

### Participating Countries

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

### Beneficiary

1,200 women entrepreneurs

### Objectives of the Project:

1. Capacity building of women entrepreneurs on contemporary ICT handling entrepreneurial skills, knowledge and techniques.
2. A Web Portal of the SAARC Women Entrepreneurs (SMEs) on PASTIC website with:
  - 2.1. Consortium of Women Entrepreneurs (SMEs) from the SAARC region.;
  - 2.2. Business Information of Women SMEs (company name, date of establishment, address, phone, website, annual turnover, product/services range) in different industrial sectors;
  - 2.3. Success Stories of Women SMEs;
  - 2.4. Promotion of innovative technologies for Women SMEs of the SAARC region;
  - 2.5. Promotion of Product/Services and Technology of the SAARC Women SMEs; and
  - 2.6. Quarterly News Bulletin promoting the SAARC women SMEs products, services and entrepreneurial activities (seminars/exhibitions).

## 2. Project Title: Livelihood enhancement of small farmers of the SAARC region through small agro-business focusing on Value Chain Development.

Project Period : 3 years  
Total Project Budget : USD 1.81 million  
Participating Countries All SAARC Member States

### Beneficiary

1,000 small farm holders

### Objectives of the Project

1. Increase income and improve livelihood of the small farm holders;
2. Promote employment and empowerment of rural women through promotion of agri-business; and
3. Develop value chain of the agriculture products and their mainstreaming with the locally produced commodities.





## Economic & Infrastructure Windows

The Economic Window of SDF extends funding to projects related to trade and industrial development, agriculture and allied value additions, Industry/Manufacturing, Micro Irrigation and ICT, while the Infrastructure Window funds infrastructure projects in Renewable Energy, Water Harvesting, Forestry, Tourism, Climate change and any other sectors approved by the Board of Directors of SDF.

SDF has activated its Economic and Infrastructure (E&I) Window by finalizing the E&I Guidelines and Credit Policy. SDF is in consultation with various ministries, chambers of commerce and trade promotion bodies to identify projects in its areas of focus. SDF is also in the process of establishing credit and syndication relationships with regional banks and financial institutions. SDF is building its own project development and loan processing capacities to identify, develop and implement various projects under the E&I Window. SDF aims at funding MSME projects creating access to financial services which can in-turn boost job creation, raise income, reduce vulnerability and increase investments in human capital in the Member States.

SDF funds projects/programs involving one or more than one Member State with the benefits accruing to more than one Member State.

The short-term goal of SDF will be to promote investments in the infrastructure sector in partnership with financial institutions, which will have a bearing on the economic development of the region. However, SDF's long-term strategy is to deploy assets in economic and infrastructure projects to attain the SAARC Development Goals and to facilitate commitments of the Member States towards the Sustainable Development Goals.

Current Status of Projects in-principle approved by SDF Board of Directors in the 29<sup>th</sup> SDF Board meeting held in Thimphu, Bhutan in 2018:

- a. Disbursement of US \$ 13 million loan to purchase new aircraft of Drukair Corporation with Sovereign Guarantee of Royal Government of Bhutan. The project comes under tourism sector of SDF's Economic Window. The aircraft extends connectivity with Bangladesh, India and Nepal and thus, promoting economic connectivity and regional integration.
- b. Proposal to finance Government of Nepal for onward lending to Nepal Electricity Authority (NEA) for Expansion of Koshi Corridor 220 kV Transmission Line Project (Sovereign Loan). This hydroelectricity project is under the Infrastructure Window of SDF.
- c. Proposal to co-finance 37MW Upper Trishuli Hydroelectric power plant with Hydroelectricity Investment and Development Company (HIDCL) as the co-borrower (Loan Guaranteed by State Owned Entities of Royal Government of Nepal). This hydroelectricity project is under the Infrastructure Window of SDF.

### CURRENT STATUS

SDF has approved 5 projects under the Economic and Infrastructure Windows (including 2 projects approved in-principle by the Board) with a fund commitment of **USD 73 million** and MSME Program with fund allocation of **USD 50 million** in SAARC Member States. The cumulative fund commitment under the E&I windows including MSME Program stands at **USD 123 million**. **USD 13 million** for purchase of Drukair ATR aircraft has been disbursed. Furthermore various bankable projects are under active consideration in E&I Windows of SDF to co-finance in SAARC Member States.



## Upcoming Programs

### **Funding of Micro Small and Medium Enterprises Sector Under the MSME Funding Program**

A number of initiatives are regularly being launched to strengthen the vital sector of MSMEs in the SAARC economies. The SDF has been exploring co-funding opportunities in the SAARC Member States under its MSME Funding Program falling under the Economic and Infrastructure Windows of SDF.

The Program seeks to bolster the efforts of the Member States in supporting their MSMEs.

The MSME-funding Program aims to encourage and boost intra-regional trade among SAARC Member States through resource support by way of providing the Line of Credit to Financial Intermediaries (FIs) in the SAARC Member States for further lending to MSME units in their respective countries at a concessional rate of interest.

The program targets financial institutions/any other specialised FIs/banks in the SAARC Member States, which are predominantly engaged in funding MSMEs or any other specialized FI/Bank. The institution shall be recommended by the Member States in keeping with the eligibility criteria of the Scheme, under which the maximum quantum of the Line of Credit per Fiscal Year is US \$ 10 million.

### **Project Development Facility (PDF)**

SDF is in the process of setting up of a Project Development Cell in its Secretariat. PDF aims at developing national and regional projects that could be funded either by SDF itself or a range of investors, including governments and private sectors. This facility has already started exploring project ideas to be developed into bankable project proposals.

FINANCIAL (2016)



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
GOVERNING COUNCIL OF SAARC DEVELOPMENT FUND.****Report on the Audit of the Financial Statements****Opinion**

We have audited the accompanying financial statements of SAARC Development Fund ("the Fund"), which comprise the statement of financial position of the Fund as at December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Fund are properly drawn up in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board so as to give a true and fair view of the financial position of the Fund as at December 31, 2016 and of the financial performance, changes in equity and cash flows of the Fund for the year ended on that date.

**Basis for Opinion**

We conduct our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the Directors' Statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.



- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

*Deloitte Haskins & Sells.*  
**Deloitte Haskins & Sells**



**Place : Kolkata, India**  
**Date : 16/01/2018**

**SAARC Development Fund (SDF)**  
**Statement of Financial Position as at 31 December 2016**  
**(All amounts in SDR unless otherwise stated)**

	Note	As at 31 December 2016	As at 31 December 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	87,262	78,965
Intangible Assets	8	9,114	15,330
<b>Total non-current assets</b>		<b>96,376</b>	<b>94,295</b>
<b>Current assets</b>			
Other financial assets	9	166,663,665	152,098,729
Cash and cash equivalents	10	153,476,184	150,563,929
<b>Total current assets</b>		<b>320,139,849</b>	<b>302,662,658</b>
<b>Total assets</b>		<b>320,236,225</b>	<b>302,756,953</b>
<b>Net assets and liabilities</b>			
<b>Non-current liabilities</b>			
Provision	11	17,518	11,381
<b>Total non-current liabilities</b>		<b>17,518</b>	<b>11,381</b>
<b>Current liabilities</b>			
Financial liabilities	12	24,874	21,198
<b>Total current liabilities</b>		<b>24,874</b>	<b>21,198</b>
Deferred unrestricted contributions	13	49,603,805	51,990,371
Deferred restricted contributions	13	-	55,570
Deferred contributions - Capital Assets	13	4,803	10,194
		<b>49,608,608</b>	<b>52,056,135</b>
<b>Net Assets</b>			
Unrestricted net assets	14	270,585,225	250,668,239
<b>Total net assets</b>		<b>270,585,225</b>	<b>250,668,239</b>
<b>Total Net assets and liabilities</b>		<b>320,236,225</b>	<b>302,756,953</b>
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 2016

(All amounts in SDR unless otherwise stated)

	Notes	For the year ended 31 December 2016	For the year ended 31 December 2015
Investment income	15	12,439,443	9,238,196
Other gain and losses	16	27,615	(1,010,200)
Employee benefit expenses	17	(314,479)	(382,024)
General expenditure	18	(355,921)	(242,366)
Less: Fund received on technical assistance from World Bank		141,441	14,608
Less: Contribution in kind from Royal Government of Bhutan - Rent		25,740	26,793
Depreciation and amortization	7 & 8	(40,960)	(45,633)
Less: Transferred from restrictive reserve against property, plant and equipment (See note 13)		5,533	13,692
Funds disbursed under social window		3,865,586	5,731,073
Less: allocated from voluntary contribution (See Note 13.2)		(3,865,586)	(5,731,073)
<b>Net income for the year</b>		<b>11,928,412</b>	<b>7,613,065</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on long term employee benefits		(1,944)	1,237
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserves		7,984,259	13,508,375
<b>Other comprehensive income for the year</b>		<b>7,982,315</b>	<b>13,509,612</b>
<b>Total comprehensive income for the year</b>		<b>19,910,727</b>	<b>21,122,677</b>
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 2016**  
*(All amounts in SDR, unless otherwise stated)*

	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
<b>Note</b>				
<b>Opening balance as at 1 January 2015</b>	200,000,000	22,198,117	7,198,195	229,396,312
Income for the year	-	7,613,065	-	7,613,065
Other comprehensive income for the year	-	1,237	13,508,375	13,509,612
<b>Total comprehensive income</b>	200,000,000	29,812,419	20,706,570	250,518,989
Movement in contribution due, paid and paid in advance	149,250	-	-	149,250
<b>Balance as at 31 December 2015</b>	<b>200,149,250</b>	<b>29,812,419</b>	<b>20,706,570</b>	<b>250,668,239</b>

	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
<b>Note</b>				
<b>Opening balance as at 1 January 2016</b>	200,149,250	29,812,419	20,706,570	250,668,239
Income for the year	-	11,928,412	-	11,928,412
Other comprehensive income	-	(1,944)	7,984,259	7,982,315
<b>Total comprehensive income</b>	200,149,250	41,738,887	28,690,829	270,578,966
Movement in contribution due, paid and paid in advance	6,259	-	-	6,259
<b>As at 31 December 2016</b>	<b>200,155,509</b>	<b>41,738,887</b>	<b>28,690,829</b>	<b>270,585,225</b>

**SAARC Development Fund**  
**Statement of Cash Flows for the year ended 31 December 2016**  
*(All amounts in SDR, unless otherwise stated)*

	For the year ended 31 December 2016	For the year ended 31 December 2015
<b>Cash flow from operating activities</b>		
<b>Net income for the year</b>	11,928,412	7,613,065
Adjustments:		
Investment income	(12,439,443)	(9,238,196)
Contribution in kind received from Kingdom of Bhutan	(5,533)	(13,691)
Depreciation and amortization	40,960	45,633
Expenses from contribution in kind	(25,740)	(26,793)
Voluntary contribution received from Kingdom of Bhutan	25,740	26,793
Fund received on technical assistance from World Bank	141,441	14,608
Expenses incurred out of technical assistance received from World Bank	(141,441)	(14,608)
Actuarial loss on long term employee benefits	(1,944)	1,237
<b>Operating profit before working capital changes</b>	<b>(477,548)</b>	<b>(1,591,952)</b>
<b>Adjustments for :</b>		
Decrease/(increase) in other financial assets	7,166	(12,156)
Increase/(decrease) in other payables	5,609	1,756
Increase /(Decrease) in provisions	2,931	(9,028)
<b>Net Cash used in operating activities</b>	<b>(461,842)</b>	<b>(1,611,380)</b>
<b>Cash flow from investing activities:</b>		
Interest income received	10,359,505	5,829,571
Investment made in fixed deposits	(147,216,314)	(134,297,703)
Investment withdrawn from fixed deposits	135,221,034	131,435,887
Purchase of fixed assets	(40,166)	(2,726)
<b>Net cash from investing activities</b>	<b>(1,675,941)</b>	<b>2,965,029</b>
<b>Cash flow from financing activities:</b>		
Voluntary grant received	-	-
Funds disbursed under social window	(3,865,586)	(5,731,073)
Capital contribution	4,387,177	27,592,744
Technical Assistance from World Bank	85,913	49,127
Expenses under Technical Assistance from World Bank	(141,441)	(14,608)
<b>Net cash from financing activities</b>	<b>466,063</b>	<b>21,896,190</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,671,720)</b>	<b>23,249,839</b>
Effect of foreign currency translation reserves	4,583,975	5,712,650
<b>Cash and cash equivalents as at the beginning of the period (refer note 10)</b>	<b>150,563,929</b>	<b>121,601,440</b>
<b>Cash and cash equivalents as at the end of the period (refer note 10)</b>	<b>153,476,184</b>	<b>150,563,929</b>
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 2016**

#### **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 2016.

### 2.1.1 Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The Fund has applied the amendments for the first time in the current year. The amendments require the Fund that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

These amendments have been applied in the current year. As the rate used to discount post-employment benefit obligations by the Fund is the same as the market yields at the end of the reporting period on high quality corporate bonds, the application of these amendments has had no impact on the disclosures or the amounts recognised in the Funds financial statements.

### 2.1.2 Annual Improvements to IFRSs 2012 – 2014 Cycle

The Fund has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2012 - 2014 Cycle for the first time in the current year. The application of the these amendments has had no impact on the disclosures or amounts recognised in the Fund's 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**
IFRS 16 :	Leases***
Amendments to IFRS 2 :	Classification and Measurement of Share-based Payment Transactions**
Amendments to IFRS 10 and IAS 28 :	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture****
Amendments to IAS 7 :	Disclosure Initiative*
Amendments to IAS 12 :	Recognition of Deferred Tax Assets for Unrealised Losses*

\* 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 2018, with earlier application permitted.

\*\*\* Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

\*\*\*\* Effective for annual periods beginning on or after a date to be determined.

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 2016 were authorized by the Board of Directors on 22.12.2017 for issuance to the Governing Council on 22.12.2017 for their final approval.

## 4.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

## 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 2016 and 31 December 2015 and their amounts were as follows:

Currency	2016	2015
Euro	0.387	0.423
Japanese yen	11.900	12.100
Pound sterling	0.086	0.111
U.S. dollar	0.583	0.660
Chinese yuan	1.017	-

At 31 December 2016, one SDR was equal to US\$1.344330 (one SDR was equal to US\$1.385730 as at 31 December 2015), 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 5.7 Property, plant and equipment (refer note 7 for carrying amount)
- Refer note 5.8 Intangible assets (refer note 8 for carrying amount)
- Refer note 5.10 Employee benefit (refer note 11 for carrying amount)



## 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 the rate as on the date of receipt.

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.

#### *Fixed deposits with banks*

Fixed deposits with banks 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 is 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 is 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 note 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 equipment

### *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. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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 Other comprehensive income 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund's 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's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Fund held cash and cash equivalents and investments in fixed deposits along with accrued interest thereon of SDR 313,034,096 (2015: SDR 292,779,455), 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 held in different countries:

Name of country	As at 31-Dec-16	As at 31-Dec-15
	(SDR)	(SDR)
Nepal	7,247,004	16,939,085
India	230,463	265,426
Bhutan	4,169	86,346
Pakistan	17,621,360	72,329,789
Sri Lanka	287,895,505	203,125,170
Bangladesh	35,596	33,638
	<b>313,034,097</b>	<b>292,779,454</b>

### 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. All the non-derivative financial liabilities as on the date of the balance sheet have a maturity period of less than one year. 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.

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

As at 31 December 2016	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	24,874	24,874	24,874

As at 31 December 2015	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	21,198	21,198	21,198

### 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 31.12.2016)	Financial assets	Financial liabilities
PKR	2,485,107,039	-
NPR	1,036,154,733	-
Nu	843,637	153,035
TK	3,877,478	-
INR	-	8,625
Currency (as at 31.12.2015)		
PKR	2,349,883,335	-
NPR	1,000,127,494	-
Nu	2,440,673	353,461
Tk	3,731,923	-

*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	2,632,099	(2,153,536)
NPR	1,062,952	(869,688)
Nu	1,133	(927)
TK	5,361	(4,386)
INR	(14)	12

*(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 0-12 months and investment in fixed rate instruments.

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-16	As at 31-Dec-15
Financial assets		
Cash and cash equivalents	151,976,621	149,733,851
Fixed deposits (current)	151,865,426	135,323,890
Fixed deposits (non-current)	-	-
<b>Total</b>	<b>303,842,047</b>	<b>285,057,741</b>

*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.

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7.	Property, plant and equipment *									
7.1	Carrying amount of							As at 31.12.2016	As at 31.12.2015	
	Vehicles							9,123	13,864	
	Furnitures							21,179	23,498	
	Office equipments							10,129	3,258	
	Computers and peripherals							19,895	14,030	
	Leasehold improvements							15,388	4,457	
	Servers and networking equipments							11,548	19,858	
								87,262	78,965	
7.2										Total
	Historical cost									
	1 January 2016							19,482	69,254	249,704
	Additions during the year							13,756	3,163	39,546
	Currency translation adjustments							1,035	2,123	9,072
	31 December 2016							34,273	74,540	298,322
	Accumulated depreciation									
	1 January 2016							15,025	49,396	170,739
	Depreciation charge for the year							3,293	11,810	33,858
	Currency translation adjustments							567	1,786	6,463
	31 December 2016							18,885	62,992	211,060
	Carrying amounts									
	1 January 2016							4,457	19,858	78,965
	31 December 2016							15,388	11,548	87,262



7.3		Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
	<b>Historical cost</b>							
	1 January 2015	65,439	39,503	16,622	30,481	18,635	65,525	236,205
	Additions during the year	-	-	464	1,522	-	740	2,726
	Currency translation adjustments	2,978	1,799	760	1,400	847	2,989	10,773
	<b>31 December 2015</b>	<b>68,417</b>	<b>41,302</b>	<b>17,846</b>	<b>33,403</b>	<b>19,482</b>	<b>69,254</b>	<b>249,704</b>
	<b>Accumulated depreciation</b>							
	1 January 2015	41,270	13,079	11,095	13,378	11,264	36,076	126,162
	Depreciation charge for the year	11,319	4,099	2,965	5,345	3,223	11,589	38,540
	Currency translation adjustments	1,964	626	528	650	538	1,731	6,037
	<b>31 December 2015</b>	<b>54,553</b>	<b>17,804</b>	<b>14,588</b>	<b>19,373</b>	<b>15,025</b>	<b>49,396</b>	<b>170,739</b>
	<b>Carrying amounts</b>							
	1 January 2015	24,169	26,424	5,527	17,103	7,371	29,449	110,043
	<b>31 December 2015</b>	<b>13,864</b>	<b>23,498</b>	<b>3,258</b>	<b>14,030</b>	<b>4,457</b>	<b>19,858</b>	<b>78,965</b>
	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:							
*								
	<b>Historical cost</b>							
	1 January 2016	52,483	14,073	8,320	4,507	9,004	-	88,387
	Additions during the year	-	-	-	-	-	-	-
	Currency translation adjustments	1,617	434	256	139	277	-	2,723
	<b>31 December 2016</b>	<b>54,100</b>	<b>14,507</b>	<b>8,576</b>	<b>4,646</b>	<b>9,281</b>	<b>-</b>	<b>91,110</b>
	<b>Accumulated depreciation</b>							
	1 January 2016	49,124	8,023	8,057	4,391	8,598	-	78,193
	Depreciation charge for the year	3,343	1,406	262	116	406	-	5,533
	Currency translation adjustments	1,618	291	257	140	275	-	2,581
	<b>31 December 2016</b>	<b>54,085</b>	<b>9,720</b>	<b>8,576</b>	<b>4,647</b>	<b>9,279</b>	<b>-</b>	<b>86,307</b>
	<b>Carrying amounts</b>							
	1 January 2016	3,359	6,050	263	117	406	-	10,194
	<b>31 December 2016</b>	<b>15</b>	<b>4,787</b>	<b>-</b>	<b>(1)</b>	<b>2</b>	<b>-</b>	<b>4,803</b>

		Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
	<b>Historical cost</b>							
	1 January 2015	50,199	13,461	7,957	4,310	8,612	-	84,539
	Additions during the year	-	-	-	-	-	-	-
	Currency translation adjustments	2,284	612	363	197	392	-	3,848
	<b>31 December 2015</b>	<b>52,483</b>	<b>14,073</b>	<b>8,320</b>	<b>4,507</b>	<b>9,004</b>	-	<b>88,387</b>
	<b>Accumulated depreciation</b>							
	1 January 2015	38,618	6,327	6,381	3,480	6,787	-	61,593
	Depreciation charge for the year	8,683	1,397	1,376	746	1,490	-	13,692
	Currency translation adjustments	1,823	299	300	165	321	-	2,908
	<b>31 December 2015</b>	<b>49,124</b>	<b>8,023</b>	<b>8,057</b>	<b>4,391</b>	<b>8,598</b>	-	<b>78,193</b>
	<b>Carrying amounts</b>							
	1 January 2015	11,581	7,134	1,576	830	1,825	-	22,946
	<b>31 December 2015</b>	<b>3,359</b>	<b>6,050</b>	<b>263</b>	<b>116</b>	<b>406</b>	-	<b>10,194</b>
<b>8.</b>	<b>Intangible assets</b>							
<b>8.1</b>	<b>Carrying amount of</b>						<b>As at 31.12.2016</b>	<b>As at 31.12.2015</b>
	Acquired software						9,114	15,330
							9,114	15,330
<b>8.2</b>							<b>Acquired software</b>	<b>Total</b>
	<b>Historical cost</b>							
	1 January 2016						42,873	42,873
	Additions during the year						620	620
	Currency translation adjustments						1,340	1,340
	<b>31 December 2016</b>						<b>44,833</b>	<b>44,833</b>

[illegible]

**SAARC Development Fund (SDF)**  
**Notes to the financial statements for the year ended 31 December 2016**  
*(All amounts in SDR, unless otherwise stated)*

<b>9.</b>	<b>Other financial assets</b>		
		<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	<b>Loans and advances carried at amortised cost</b>		
	Capital contribution due and receivable (refer note 14.1.2)	5,539,084	9,866,658
	Fixed deposits with banks (maturities more than 3 months)	151,865,426	135,323,890
	Interest accrued on fixed deposits with banks	9,249,494	6,891,637
	Other receivables	9,661	16,544
		<b>166,663,665</b>	<b>152,098,729</b>
	Current	166,663,665	152,098,729
	Non-current	-	-
		<b>166,663,665</b>	<b>152,098,729</b>
<b>9.1</b>	<b>Fixed deposits with banks</b>		
	(maturities more than 3 months)	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	Nepal SBI Bank Limited, Nepal	6,962,684	16,213,966
	Habib Bank Limited, Pakistan	8,801,181	20,905,001
	Peoples Bank, Sri Lanka	98,116,341	98,204,923
	Bank of Ceylon, Sri Lanka	25,992,326	-
	DFCC Bank, Sri Lanka	11,992,894	-
		<b>151,865,426</b>	<b>135,323,890</b>
<b>9.2</b>	<b>Other receivables</b>		
		<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	Advance to vendors	2,198	2,132
	Staff advance	8,926	15,884
	Other Advances	735	660
	Less, Provision for doubtful advances	(2,198)	(2,132)
		<b>9,661</b>	<b>16,544</b>
<b>10.</b>	<b>Cash and cash equivalents</b>		
		<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	Cash at bank		
	Current account	1,499,251	828,988
	Deposit account (maturities less than 3 months)	151,976,621	149,733,851
	Cash in hand	312	1,090
		<b>153,476,184</b>	<b>150,563,929</b>
	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.		



<b>11.</b>	<b>Provisions</b>		
		<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	<b>Employee benefits</b>		
	Provision for long term employee benefits	17,518	11,381
	<b>Closing balance</b>	<b>17,518</b>	<b>11,381</b>
<b>12.</b>	<b>Financial liabilities</b>		
		<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
	<b>Trade and other payable</b>		
	Trade Payables	23,428	20,149
	Payable to staff	1,407	1,010
	Statutory dues	39	39
		<b>24,874</b>	<b>21,198</b>

**SAARC Development Fund (SDF)**  
**Notes to the financial statements for the year ended 31 December 2016**  
*(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 31.12.2016	As at 31.12.2015	As at 31.12.2016	As at 31.12.2015	As at 31.12.2016	As at 31.12.2015
13.1	Carrying amount						
	Voluntary contribution received from various countries	44,326,083	46,870,326	-	-	-	-
	Fund received on cessation of South Asian Development fund	5,277,722	5,120,045	-	-	-	-
	Contribution received in kind from Kingdom of Bhutan	-	-	-	-	4,803	10,194
	Technical assistance received from World Bank	-	-	-	55,570	-	-
	<b>Total deferred unrestricted and restricted reserves</b>	<b>49,603,805</b>	<b>51,990,371</b>	<b>-</b>	<b>55,570</b>	<b>4,803</b>	<b>10,194</b>

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 2016	46,870,326	5,120,045	55,570	10,194	52,056,135
	Received during the year	-	-	85,913	-	85,913
	Less: Allocated to the other expenditure to the extent of related grant disbursed	(3,865,586)	-	(141,441)	-	(4,007,027)
	Add/(less): Expenses for project in pipeline	-	-	-	-	-
	Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(5,533)	(5,533)
	Add: Currency translation adjustments	1,321,343	157,677	(42)	142	1,479,120
	<b>Closing Balance as at 31 December 2016</b>	<b>44,326,083</b>	<b>5,277,722</b>	<b>-</b>	<b>4,803</b>	<b>49,603,608</b>
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 2015	50,353,235	4,897,140	19,883	22,946	55,293,204
	Addition made during the year	-	-	49,127	-	49,127

Less: Allocated to the other expenditure to the extent of related grant disbursed	(5,731,073)	-	(14,608)	-	(5,745,681)
Add/less: Expenses for project in pipeline	-	-	-	-	-
Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(13,691)	(13,691)
Add: Currency translation adjustments	2,248,164	222,905	1,168	939	2,473,176
<b>Closing Balance as at 31 December 2015</b>	<b>46,870,326</b>	<b>5,120,045</b>	<b>55,570</b>	<b>10,194</b>	<b>52,056,135</b>
* 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. During the current year the tenure of the fund completed on May 12, 2016 and the entire amount has been utilized for the intended purpose.					

14.	Unrestricted net assets	As at 31 December 2016	As at 31 December 2015						
	Capital contribution from member states	200,155,509	200,149,250						
	Retained earnings	41,738,887	29,812,419						
	Foreign currency translation reserves	28,690,829	20,706,570						
		<b>270,585,225</b>	<b>250,668,239</b>						
14.1	Capital contribution from member states	As at 31 December 2016	As at 31 December 2015						
	Capital contribution due and paid	194,460,916	190,133,342						
	Capital contribution due and receivable	5,539,084	9,866,658						
	Total Capital Contribution committed	200,000,000	200,000,000						
	Capital contribution received in advance	155,509	149,250						
	<b>Total capital contribution from member states</b>	<b>200,155,509</b>	<b>200,149,250</b>						
		As at 31 December 2016							
		As at 31 December 2015							
14.1.1	Capital contribution due and paid	Opening	Addition	Currency translation adjustments	Closing	Opening	Addition	Currency translation adjustments	Closing
	Islamic Republic of Afghanistan	7,762,532	2,237,468	-	10,000,000	-	8,000,000	-	7,762,532
	People's Republic of Bangladesh	21,345,833	-	-	21,345,833	-	20,381,768	1,131,606	21,345,833

Kingdom of Bhutan	9,841,959	157,531	-	9,999,490	10,000,000	-	(158,041)	9,841,959
Republic of India	57,303,003	-	-	57,303,003	59,992,667	-	(2,689,664)	57,303,003
Republic of Maldives	6,116,736	1,932,575	-	8,049,311	4,066,767	2,156,489	(106,520)	6,116,736
Federal Democratic Republic of Nepal	21,283,280	-	-	21,283,280	17,152,000	4,578,751	(447,471)	21,283,280
Islamic Republic of Pakistan	45,039,999	-	-	45,039,999	31,387,636	13,789,989	(137,626)	45,039,999
Democratic Socialist Republic of Sri Lanka	21,440,000	-	-	21,440,000	16,009,333	5,755,619	(324,952)	21,440,000
<b>Total</b>	<b>190,133,342</b>	<b>4,327,574</b>	<b>-</b>	<b>194,460,916</b>	<b>166,990,171</b>	<b>27,412,454</b>	<b>(4,269,283)</b>	<b>190,133,342</b>

<b>14.1.2</b>	<b>Capital contribution due and receivable</b>	<b>As at 31 December 2016</b>					<b>As at 31 December 2015</b>		
		Opening	Net off Due/ (Received)	Currency translation adjustments	Closing	Opening	Net off Due/ (Received)	Currency translation adjustments	Closing
	Islamic Republic of Afghanistan	2,237,468	(2,237,468)	-	-	2,000,000	-	237,468	2,237,468
	People's Republic of Bangladesh	94,168	-	-	94,168	1,058,232	(1,131,606)	167,542	94,168
	Kingdom of Bhutan	158,041	(157,531)	-	510	-	-	158,041	158,041
	Republic of India	3,336,997	-	-	3,336,997	647,333	-	2,689,664	3,336,997
	Republic of Maldives	3,883,264	(1,932,575)	-	1,950,689	5,933,233	(2,156,489)	106,520	3,883,264
	Federal Democratic Republic of Nepal	156,720	-	-	156,720	4,288,000	(4,578,751)	447,471	156,720
	Islamic Republic of Pakistan	-	-	-	-	13,652,364	(13,789,989)	137,625	-
	Democratic Socialist Republic of Sri Lanka	-	-	-	-	5,430,667	(5,755,619)	324,952	-
	<b>Total</b>	<b>9,866,658</b>	<b>(4,327,574)</b>	<b>-</b>	<b>5,539,084</b>	<b>33,009,829</b>	<b>(27,412,454)</b>	<b>4,269,283</b>	<b>9,866,658</b>

<b>14.1.3</b>	<b>Capital contribution received in advance</b>	<b>As at 31 December 2016</b>			<b>As at 31 December 2015</b>	
	Islamic Republic of Pakistan			85,764		85,764
	Democratic Socialist Republic of Sri Lanka			63,486		63,486
	Islamic Republic of Afghanistan			6,259		-
	<b>Total</b>			<b>155,509</b>		<b>149,250</b>

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



14.1.5	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 installment. The first installment 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	As at 31 December 2016As at 31 December 2015
	Balance at the beginning of the year	29,812,41922,198,117
	Net income for the year as per statement of profit or loss	11,928,4127,613,065
	Other comprehensive income arising from actuarial gain/(loss) on long term employee benefits	(1,944)1,237
	Balance at the end of year	41,738,88729,812,419
14.3	Foreign currency translation reserves	As at 31 December 2016As at 31 December 2015
	Balance at the beginning of the year	20,706,5707,198,195
	Exchange difference arising on translation from functional currency to presentation currency	7,984,25913,508,375
	Balance at the end of year	28,690,82920,706,570

15.	Investment income		
		For the year ended 31 December 2016	For the year ended 31 December 2015
	Interest income on fixed deposits	12,436,467	9,230,061
	Interest income on idle funds with implementing agencies	2,976	8,135
		<b>12,439,443</b>	<b>9,238,196</b>
16.	Other gain and losses		
		For the year ended 31 December 2016	For the year ended 31 December 2015
	Net foreign exchange gain/(losses)	27,615	(1,010,200)
		<b>27,615</b>	<b>(1,010,200)</b>
17.	Employee benefit expenses		
		For the year ended 31 December 2016	For the year ended 31 December 2015
	<b>Post employment benefits</b>		
	Defined contribution plan (See note- 18)	(6,040)	(5,324)
	Defined benefit plan (See note -18)	(3,843)	(3,006)
	<b>Other employee benefits</b>		
	Salaries and other benefits	(298,456)	(368,023)
	Staff-welfare expenses	(6,140)	(5,671)
		<b>(314,479)</b>	<b>(382,024)</b>
18.	General expenditure		
		For the year ended 31 December 2016	For the year ended 31 December 2015
	Staff recruitment expenses	(16,872)	(30,702)
	Rent *	(25,740)	(26,793)
	Travelling and conveyance	(24,974)	(25,811)
	Advertisement expenses	(17,970)	(20,680)
	Meeting expenses	(8,327)	(10,526)
	Printing and stationary	(14,618)	(9,732)
	Communication expenses	(19,475)	(13,166)
	Vehicle running and maintenance expenses	(6,905)	(6,428)
	Electricity charges	(3,155)	(1,859)
	Repair and maintenance expenses	(4,604)	(4,778)
	Books and periodicals	(541)	(901)
	Security expenses	(3,540)	(1,933)
	Audit Fees	(12,259)	(13,249)
	Legal and professional expenses**	(123,342)	(10,135)
	Training expenses**	(39,912)	(16,115)
	Computer Hardware and software Maintenance	(3,383)	(15,700)
	Miscellaneous expenses **	(30,304)	(33,858)
		<b>(355,921)</b>	<b>(242,366)</b>
	*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 2016	For the year ended 31 December 2015
	Rent	(25,740)	(26,793)
		<b>(25,740)</b>	<b>(26,793)</b>
	**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 2016	For the year ended 31 December 2015
	Legal and professional expenses	(122,322)	(9,863)
	Training expenses	(5,028)	(4,745)
	Miscellaneous expenses	(14,091)	-
		<b>(141,441)</b>	<b>(14,608)</b>
<b>19</b>	<b>Defined contribution plans</b>		
	An amount of SDR 5,787 (Previous year SDR 1,769) 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:		
		<b>As at 31 December</b>	
		<b>2016</b>	<b>2015</b>
	Present value of unfunded obligations	17,167	11,381
	<b>Total</b>	<b>17,167</b>	<b>11,381</b>
		<b>Movement in the present value of the defined benefit obligation</b>	
		<b>As at 31 December</b>	
		<b>2016</b>	<b>2015</b>
	Present value of obligation as at the beginning of the period	11,381	9,193
	Interest cost	340	269
	Current service cost	3,502	2,737
	Benefits paid	-	-
	Actuarial (gain)/loss on obligation	1,497	(1,237)
	Exchange rate movement on conversion to reporting currency	447	419
	<b>Total</b>	<b>17,167</b>	<b>11,381</b>
		<b>Movement in the present value of the defined benefit obligation</b>	
		<b>As at 31 December</b>	
		<b>2016</b>	<b>2015</b>
	Current service cost	3,503	2,737
	Interest cost	340	269
	Net actuarial (gain)/ loss recognized in the period	1,944	(1,237)
	<b>Total</b>	<b>5,787</b>	<b>1,769</b>
	Recognized in employee benefit expenses in the statements of profit or loss	3,843	3,006
	Recognised in other comprehensive income	1,944	(1,237)

<b>Actuarial assumptions</b>			
Principal actuarial assumptions are given below:			
<b>(a)</b>	<b>Economic Assumptions</b>		
		<b>As at 31 December</b>	
		<b>2016</b>	<b>2015</b>
	Discounting Rate	2.90	2.90
	Interest cost	3.00	3.00
<b>(b)</b>	<b>Demographic Assumption</b>		
	Retirement Age (Years)	60	60
		<b>Withdrawal Rate (%)</b>	<b>Withdrawal Rate (%)</b>
	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			
<b>20</b>	<b>Related parties</b>		
	For the purpose of financial statements, parties are considered to be 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.		
<b>(a)</b>	Name and relationship of related parties:		
	Related parties and nature of related party relationships:		
	<b>Nature of relationship</b>	<b>Name of related parties</b>	<b>Relationship</b>
	Key management personnel	Mr. Karma (till 31 July, 2015)	CEO
	Key management personnel	Dr. Sunil Motiwal (Since 12 August, 2015)	CEO
<b>(b)</b>	Details of transactions during the year:		
<b>(i)</b>	Key managerial person		
	<b>Particulars</b>	<b>For the year ended</b>	
		<b>31-Dec-16</b>	<b>31-Dec-15</b>
	Salaries and other benefits to Mr. Karma	-	50,890
	Salaries and other benefits to Dr. Sunil Motiwal	62,930	31,238
<b>(c)</b>	Balance outstanding at the end of the reporting period :		
<b>(i)</b>	Key managerial person		
	<b>Particulars</b>	<b>For the year ended</b>	
		<b>31-Dec-16</b>	<b>31-Dec-15</b>
	Salaries and other benefits payable to Mr. Karma	-	-
	Salaries and other benefits payable to Dr. Sunil Motiwal	-	-



<b>21</b>	<b>Operating leases</b>					
	The Fund incurred operating lease charges of SDR 25,740 (previous year SDR 26,793). There are no non-cancelable 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.					
<b>22</b>	<b>Contractual commitments</b>					
	The Fund has approved the following projects as per its Charter as at 31 December 2016:					
	Project Name	Amount approved/ granted #	Amount disbursed/ expensed till 31st December, 2015	Currency fluctuation movement on conversion of USD to SDR	Amount disbursed/ expensed in the year ended 31st December, 2016	Balance committed amount*
	Strengthening the livelihood initiative for home based workers in SAARC Region *(SABAH Project)	15,947,029	9,846,271	1,258,847	845,781	3,996,130
	Maternal & Child Health Project (MCH) for strengthening Maternal and Child Health Including Immunization	11,187,156	5,590,964	602,449	961,110	4,032,633
	Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC countries \$	2,514,967	1,307,306	214,259	-	993,402
	Empowering Rural Communities "Reaching the Unreached" (CeCs)	5,905,049	4,863,275	557,592	-	484,182
	South Asia Initiative to End Violence Against Children (SAIEVAC)	1,934,049	1,306,214	142,657	-	485,178
	Post Harvest Management and Value Addition of fruits in Production Catchments in SAARC Countries	3,703,759	839,784	86,775	1,036,279	1,740,921
	Regional Inter-professional Master's Program in Rehabilitation Science	1,115,797	285,900	36,152	263,603	530,142
	Strengthening of Water, Sanitation and Hygiene (WASH) services in selected areas of SAARC Countries	4,681,916	254,598	-33,672	783,156	3,677,834
	Uniform Toll Free Helpline for Children and Women	2,975,460	19,746	6,195	-	2,949,519
	Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries	3,264,365	-	10,902	-	3,253,463
	Networking and capacity building of women entrepreneurs (SMEs) from SAARC Countries	543,021	-	-	-	543,021
	Economic Empowerment of Women through Energy Access in Mountain Countries of South Asia	2,307,292	-	-	-	2,307,292

	Support to Value Chain development, Entrepreneurship and Skill Development and Improved Connectivity	5,649,762	-	-	-	5,649,762
	<b>Total</b>	<b>61,729,622</b>	<b>24,314,058</b>	<b>2,882,156</b>	<b>3,889,929</b>	<b>30,643,479</b>
#	Amount approved/granted have been computed in SDR using the closing rate as at 31st December, 2016					
*	Amount remaining to be disbursed have been computed in SDR using the closing rate as at 31st December 2016.					
\$\$	Persuant to the irregularities noted in ZECS project, the management has decided to close the project and has seeked refund of the unspent amount of USD 124,540.64. Nessessary action has been initiated against the implementation agency of the project as approved by the Board in its 26th meeting held on 11th February 2017.					
23	As required under project financing agreement interest income of SDR 2,976 (previous year SDR 8,135) 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.					
<b>24</b>	<b>Subsequent events</b>					
	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	Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.					

# FINANCIAL (2017)



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GOVERNING COUNCIL OF  
SAARC DEVELOPMENT FUND.**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of SAARC Development Fund ("the Fund"), which comprise the statement of financial position of the Fund as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Fund are properly drawn up in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board so as to give a true and fair view of the financial position of the Fund as at December 31, 2017 and of the financial performance, changes in equity and cash flows of the Fund for the year ended on that date.

**Basis for Opinion**

We conduct our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the Directors' Statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GOVERNING COUNCIL OF  
SAARC DEVELOPMENT FUND.**

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

*Deloitte Haskins & Sells*  
**Deloitte Haskins & Sells**

**Place : Kolkata, India**

**Date : 02, January , 2019**

**SAARC Development Fund (SDF)**  
**Statement of Financial Position as at 31 December 2017**  
*(All amounts in SDR unless otherwise stated)*

	Note	As at 31 December 2017	As at 31 December 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	57,687	87,262
Intangible Assets	8	1,629	9,114
<b>Total non-current assets</b>		<b>59,316</b>	<b>96,376</b>
<b>Current assets</b>			
Other financial assets	9	163,243,033	166,663,666
Cash and cash equivalents	10	150,545,170	153,476,184
<b>Total current assets</b>		<b>313,788,203</b>	<b>320,139,850</b>
<b>Total assets</b>		<b>313,847,519</b>	<b>320,236,226</b>
<b>Net assets and liabilities</b>			
<b>Non-current liabilities</b>			
Provision	11	19,665	17,518
<b>Total non-current liabilities</b>		<b>19,665</b>	<b>17,518</b>
<b>Current liabilities</b>			
Financial liabilities	12	54,784	24,874
<b>Total current liabilities</b>		<b>54,784</b>	<b>24,874</b>
Deferred unrestricted contributions	13	43,947,034	49,603,805
Deferred contributions - Capital Assets	13	3,163	4,804
		<b>43,950,197</b>	<b>49,608,609</b>
<b>Net Assets</b>			
Unrestricted net assets	14	269,822,873	270,585,225
<b>Total net assets</b>		<b>269,822,873</b>	<b>270,585,225</b>
<b>Total Net assets and liabilities</b>		<b>313,847,519</b>	<b>320,236,226</b>
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 2017

(All amounts in SDR unless otherwise stated)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Investment income	15	15,607,799	12,439,443
Other gain and losses	16	2,197	27,615
Employee benefits expense	17	(295,402)	(314,479)
General expenditure	18	(860,311)	(355,921)
Less: Fund received on technical assistance from World Bank		-	141,441
Less: Contribution in kind from Royal Government of Bhutan - Rent		27,033	25,740
Depreciation and amortization expenses	7 & 8	(34,612)	(40,960)
Less: Transferred from restrictive reserve against property, plant and equipment (See note 13)		1,403	5,533
Funds disbursed under social window		2,946,871	3,865,586
Less: allocated from voluntary contribution (See Note 13.2)		(2,946,871)	(3,865,586)
<b>Net income for the year</b>		<b>14,448,107</b>	<b>11,928,412</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of Defined Benefit Obligation		(187)	(1,944)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference arising during the year		(15,210,316)	7,984,259
<b>Other comprehensive (loss)/ income for the year</b>		<b>(15,210,503)</b>	<b>7,982,315</b>
<b>Total comprehensive (loss)/ income for the year</b>		<b>(762,396)</b>	<b>19,910,727</b>
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 2017**  
*(All amounts in SDR, unless otherwise stated)*

	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
<b>Note</b>				
<b>Opening balance as at 1 January 2016</b>	200,149,250	29,812,419	20,706,570	250,668,239
Income for the year	-	11,928,412	-	11,928,412
Other comprehensive income for the year	-	(1,944)	7,984,259	7,982,315
<b>Total comprehensive income</b>	200,149,250	41,738,887	28,690,829	270,578,966
Movement in contribution due, paid and paid in advance	6,259	-	-	6,259
<b>Balance as at 31 December 2016</b>	<b>200,155,509</b>	<b>41,738,887</b>	<b>28,690,829</b>	<b>270,585,225</b>

	Capital contributions	Retained earnings	Foreign currency translation reserves	Total unrestricted net assets
<b>Note</b>				
<b>Opening balance as at 1 January 2017</b>	200,155,509	41,738,887	28,690,829	270,585,225
Income for the year	-	14,448,107	-	14,448,107
Other comprehensive income/ (loss)	-	(187)	(15,210,316)	(15,210,503)
<b>Total comprehensive income</b>	200,155,509	56,186,807	13,480,513	269,822,829
Movement in contribution due, paid and paid in advance	44	-	-	44
<b>As at 31 December 2017</b>	<b>200,155,553</b>	<b>56,186,807</b>	<b>13,480,513</b>	<b>269,822,873</b>

**SAARC Development Fund**  
**Statement of Cash Flows for the year ended 31 December 2017**  
*(All amounts in SDR, unless otherwise stated)*

	For the year ended 31 December 2017	For the year ended 31 December 2016
<b>Cash flow from operating activities</b>		
<b>Net income for the year</b>	<b>14,448,107</b>	<b>11,928,412</b>
Adjustments:		
Investment income recognised in profit or loss	(15,607,799)	(12,439,443)
Contribution in kind received from Kingdom of Bhutan	(1,403)	(5,533)
Depreciation and amortization expense	34,612	40,960
Expenses from contribution in kind	(27,033)	(25,740)
Voluntary contribution received from Kingdom of Bhutan	27,033	25,740
Fund received on technical assistance from World Bank	-	141,441
Expenses incurred out of technical assistance received from World Bank	-	(141,441)
Remeasurement loss/ (gain) on defined employee benefits	(187)	(1,944)
<b>Operating loss before working capital changes</b>	<b>(1,126,670)</b>	<b>(477,548)</b>
<b>Adjustments for :</b>		
Decrease/(increase) in other financial assets	(3,014)	7,166
Increase in other payables	3,205	5,609
Increase in provisions	32,348	2,931
<b>Net Cash used in operating activities</b>	<b>(1,094,131)</b>	<b>(461,842)</b>
<b>Cash flow from investing activities:</b>		
Interest received	13,987,275	10,359,505
Investments made in Bank deposits	(152,937,040)	(147,216,314)
Proceeds on account of withdrawn from Bank deposits	146,830,641	135,221,027
Payments for property, plant and equipment	(2,484)	(40,166)
<b>Net cash generated by/ (used in) investing activities</b>	<b>7,878,392</b>	<b>(1,675,948)</b>
<b>Cash flow from financing activities:</b>		
Funds disbursed under social window	(2,946,871)	(3,865,586)
Capital contribution	1,969,233	4,387,177
Technical Assistance from World Bank	-	85,913
Expenses under Technical Assistance from World Bank	-	(141,441)
<b>Net cash (used in)/ generated by financing activities</b>	<b>(977,638)</b>	<b>466,063</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>5,806,623</b>	<b>(1,671,727)</b>
Effect of foreign currency translation difference	(8,737,639)	4,583,978
<b>Cash and cash equivalents as at the beginning of the period (refer note 10)</b>	<b>153,476,180</b>	<b>150,563,929</b>
<b>Cash and cash equivalents as at the end of the period (refer note 10)</b>	<b>150,545,164</b>	<b>153,476,180</b>
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 2017**

#### **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 and 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 2017.

### 2.1.1 Amendments to IAS 17: Disclosure Initiative

The amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendment applies prospectively. The comparative information for earlier periods are not required to be presented when an entity first applies this amendment. The Fund has applied the amendments for the first time in the current year. However, since the Fund has no external debt, and therefore, the disclosure has no material impact on the financial statements.

### 2.1.2 Annual Improvements to IFRSs 2014 – 2016 Cycle

The annual improvements include amendments to IFRS 1 (regarding the deletion of short term exemptions for the first time adopters regarding IFRS 7, IAS 19 and IFRS 10) and IAS 28 (regarding measuring an associate or joint venture at fair value). The package also includes IFRS 12- Disclosure of Interests in Other Entities which states that an entity need not provide summarised financial information of interests in subsidiaries, associates or joint ventures that are classified as held for sale which is effective from 1 January 2017. The amendments to IFRS 1 and IAS 28 are mandatorily effective from 1 January 2018. These amendment are not applicable to the Fund.

### 2.1.3 Amendments effective on or after 1 January 2017 which are not applicable to the Fund:

a. Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses: The amendment states that if the tax laws restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The Fund is required to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those deductible temporary differences. Since the Fund is not liable to pay taxes on the income, this amendment is not applicable to it.

## 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 and related clarifications*
IFRS 16 :	Leases**
Amendments to IFRS 2 :	Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 10 and IAS 28 :	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
Amendments to IAS 40	Transfers of Investment Property*
IFRIC 22	Foreign Currency Transactions and Advance Considerations*

\* 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 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

\*\*\* IASB postponed the effective date of this amendment indefinitely. Earlier application is still 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 2017 were authorized by the Board of Directors on ..... 2018 for issuance to the Governing Council on .....2018 for their final approval.

### 4.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

### 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 2017 and 31 December 2016 and their amounts were as follows:"

Currency	2017	2016
Euro	0.387	0.387
Japanese yen	11.900	11.900
Pound sterling	0.086	0.086
U.S. dollar	0.583	0.583
Chinese yuan	1.017	1.017

At 31 December 2017, one SDR was equal to US\$1.424134 (one SDR was equal to US\$1.344330 as at 31 December 2016), 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. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. 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 5.7 Property, plant and equipment (refer note 7 for carrying amount)
- Refer note 5.8 Intangible assets (refer note 8 for carrying amount)
- Refer note 5.10 Employee benefit (refer note 11 for carrying amount)

#### 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 the rate as on the date of receipt.

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

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets

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 at amortized cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial. Loans and receivables comprise investment in bank deposits with original maturities more than 3 months, interest accrued on such bank deposits, capital contributions due and receivable and other receivables such as advance to vendors, staff advances and deposits.

#### *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.

#### *Fixed deposits with banks*

Fixed deposits with banks 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.

#### *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 is transferred from the voluntary contribution to the Statement of profit or loss.

Expenses incurred for projects which are in pipeline are initially charged off to the Statement of profit or loss. On subsequent approval of the project, the amount spent initially is transferred to the respective project disbursement and equivalent amount adjusted from voluntary contribution.

#### 5.6 Investment income

Finance income comprises interest income on Funds invested and idle funds lying with projects detailed in note 15 below. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. 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 equipment

### *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. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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 Fund'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 Other comprehensive income 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. Contingent rentals arising are recognised as an expense in the period in which they are incurred. Lease incentives received to enter into operating lease are recognised as a liability. The aggregate benefit of incentives is recognised as reduction of rental expense on a straight line basis.

The Fund does not has any lease classified as Finance Lease. The Fund has not entered into any leasing transaction as a Lessor.

#### 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund's 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's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Fund held cash and cash equivalents and investments in fixed deposits along with accrued interest thereon of SDR 310,180,216 (2016: SDR 313,034,096), which represents its maximum credit exposure on these assets. These are held in government authorised banks. Details of investments held in different countries:

Name of country	As at 31-Dec-17	As at 31-Dec-16
	(SDR)	(SDR)
Nepal	7,741,418	7,247,004
India	227,523	230,463
Bhutan	79,204	4,169
Pakistan	16,531,329	17,621,360
Sri Lanka	285,561,294	287,895,505
Bangladesh	34,959	35,596
	<b>310,175,727</b>	<b>313,034,097</b>

#### 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. All the non-derivative financial liabilities as on the date of the balance sheet have a maturity period of less than one year. 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.

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

As at 31 December 2017	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	54,784	54,784	54,784

As at 31 December 2016	Carrying amount	Less than 1 year	Total
Current			
Accounts payable and others	24,874	24,874	24,874

### 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 31.12.2017)	Financial assets	Financial liabilities
PKR	2,612,050,979	12,000
NPR	1,120,351,792	18,750
Nu	1,740,184	1,900,286
TK	4,149,814	-
INR	210,465	97,750
Currency (as at 31.12.2016)		
PKR	2,485,107,039	-
NPR	1,036,154,733	-
Nu	843,637	153,035
TK	3,877,478	-
INR	-	8,625

#### 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	2,140,245	(2,615,856)
NPR	999,494	(1,221,604)
Nu	(228)	279
TK	4,526	(5,532)
INR	161	(197)

*(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 0-12 months and investment in fixed rate instruments.

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

<b>Fixed rate instruments</b>	<b>As at 31-Dec-17</b>	<b>As at 31-Dec-16</b>
Financial assets		
Cash and cash equivalents	150,107,704	151,976,621
Fixed deposits (current)	149,317,209	151,865,426
Fixed deposits (non-current)	-	-
<b>Total</b>	<b>299,424,913</b>	<b>303,842,047</b>

*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.

**SAARC Development Fund (SDF)**  
**Notes to financial statements for the year ended 31 December 2017**  
*(All amounts in SDR, unless otherwise stated)*

7.	Property, plant and equipment *											
7.1	Carrying amount of								As at 31.12.2017	As at 31.12.2016		
	Vehicles								5,853	9,123		
	Furnitures								16,759	21,179		
	Office equipments								7,977	10,129		
	Computers and peripherals								12,762	19,895		
	Leasehold improvements								11,099	15,388		
	Servers and networking equipments								3,237	11,548		
									<b>57,687</b>	<b>87,262</b>		
7.2		Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total				
	<b>Historical cost</b>											
	Balance as at 1 January 2017	71,634	45,826	25,736	46,313	34,273	74,541	298,323				
	Additions	-	1,225	319	-	-	640	2,184				
	Currency translation adjustments	(4,014)	(2,597)	(1,450)	(2,596)	(1,921)	(4,192)	(16,770)				
	<b>Balance as at 31 December 2017</b>	<b>67,620</b>	<b>44,454</b>	<b>24,605</b>	<b>43,717</b>	<b>32,352</b>	<b>70,989</b>	<b>283,737</b>				
	<b>Accumulated depreciation</b>											
	Balance as at 1 January 2017	62,511	24,647	15,607	26,418	18,885	62,992	211,060				
	Depreciation expenses	2,826	4,537	1,942	6,164	3,509	8,491	27,469				
	Currency translation adjustments	(3,570)	(1,489)	(921)	(1,627)	(1,142)	(3,731)	(12,480)				
	<b>Balance as at 31 December 2017</b>	<b>61,767</b>	<b>27,695</b>	<b>16,628</b>	<b>30,955</b>	<b>21,253</b>	<b>67,752</b>	<b>226,050</b>				
	<b>Carrying amounts</b>											
	Balance as at 1 January 2017	9,123	21,179	10,129	19,895	15,388	11,549	87,263				
	<b>Balance as at 31 December 2017</b>	<b>5,853</b>	<b>16,759</b>	<b>7,977</b>	<b>12,762</b>	<b>11,099</b>	<b>3,237</b>	<b>57,687</b>				



7.3		Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
	<b>Historical cost</b>							
	Balance as at 1 January 2016	68,417	41,302	17,846	33,403	19,482	69,254	249,704
	Additions	1,076	3,153	7,116	11,282	13,756	3,163	39,546
	Currency translation adjustments	2,141	1,371	774	1,628	1,035	2,123	9,072
	<b>Balance as at 31 December 2016</b>	<b>71,634</b>	<b>45,826</b>	<b>25,736</b>	<b>46,313</b>	<b>34,273</b>	<b>74,540</b>	<b>298,322</b>
	<b>Accumulated depreciation</b>							
	Balance as at 1 January 2016	54,553	17,804	14,588	19,373	15,025	49,396	170,739
	Depreciation expenses	6,086	4,313	2,341	6,015	3,293	11,810	33,858
	Currency translation adjustments	1,872	2,530	(1,322)	1,030	567	1,786	6,463
	<b>Balance as at 31 December 2016</b>	<b>62,511</b>	<b>24,647</b>	<b>15,607</b>	<b>26,418</b>	<b>18,885</b>	<b>62,992</b>	<b>211,060</b>
	<b>Carrying amounts</b>							
	Balance as at 1 January 2016	13,864	23,498	3,258	14,030	4,457	19,858	78,965
	<b>Balance as at 31 December 2016</b>	<b>9,123</b>	<b>21,179</b>	<b>10,129</b>	<b>19,895</b>	<b>15,388</b>	<b>11,548</b>	<b>87,262</b>
	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:							
*								
	<b>Historical cost</b>							
	Balance as at 1 January 2017	54,100	14,507	8,576	4,646	9,281	-	91,110
	Additions	-	-	-	-	-	-	-
	Currency translation adjustments	(3,032)	(813)	(481)	(261)	(520)	-	(5,107)
	<b>Balance as at 31 December 2017</b>	<b>51,068</b>	<b>13,694</b>	<b>8,095</b>	<b>4,385</b>	<b>8,761</b>	<b>-</b>	<b>86,003</b>
	<b>Accumulated depreciation</b>							
	Balance as at 1 January 2017	54,085	9,720	8,576	4,646	9,279	-	86,306
	Depreciation charge for the year	-	1,403	-	-	-	-	1,403
	Currency translation adjustments	(3,031)	(577)	(481)	(260)	(520)	-	(4,869)
	<b>Balance as at 31 December 2017</b>	<b>51,054</b>	<b>10,546</b>	<b>8,095</b>	<b>4,386</b>	<b>8,759</b>	<b>-</b>	<b>82,840</b>
	<b>Carrying amounts</b>							
	Balance as at 1 January 2017	15	4,787	-	-	2	-	4,804
	<b>Balance as at 31 December 2017</b>	<b>14</b>	<b>3,148</b>	<b>-</b>	<b>(1)</b>	<b>2</b>	<b>-</b>	<b>3,163</b>

		Vehicles	Furnitures	Office equipments	Computers and peripherals	Leasehold improvements	Servers and networking equipments	Total
	<b>Historical cost</b>							
	Balance as at 1 January 2016	52,483	14,073	8,320	4,507	9,004	-	88,387
	Additions	-	-	-	-	-	-	-
	Currency translation adjustments	1,617	434	256	139	277	-	2,723
	<b>Balance as at 31 December 2016</b>	<b>54,100</b>	<b>14,507</b>	<b>8,576</b>	<b>4,646</b>	<b>9,281</b>	-	<b>91,110</b>
	<b>Accumulated depreciation</b>							
	Balance as at 1 January 2016	49,124	8,023	8,058	4,390	8,598	-	78,193
	Depreciation charge for the year	3,343	1,406	262	116	406	-	5,533
	Currency translation adjustments	1,618	291	256	140	275	-	2,580
	<b>Balance as at 31 December 2016</b>	<b>54,085</b>	<b>9,720</b>	<b>8,576</b>	<b>4,646</b>	<b>9,279</b>	-	<b>86,306</b>
	<b>Carrying amounts</b>							
	Balance as at 1 January 2016	3,359	6,050	262	117	406	-	10,194
	<b>Balance as at 31 December 2016</b>	<b>15</b>	<b>4,787</b>	-	-	<b>2</b>	-	<b>4,804</b>
<b>8.</b>	<b>Intangible assets</b>							
<b>8.1</b>	<b>Carrying amount of</b>						<b>As at 31.12.2017</b>	<b>As at 31.12.2016</b>
	Acquired software						1,629	9,114
							<b>1,629</b>	<b>9,114</b>
<b>8.2</b>							<b>Acquired software</b>	<b>Total</b>
	<b>Historical cost</b>							
	Balance as at 1 January 2017						44,833	44,833
	Additions						-	-
	Currency translation adjustments						(2,512)	(2,512)
	<b>Balance as at 31 December 2017</b>						<b>42,321</b>	<b>42,321</b>

[illegible]

**SAARC Development Fund (SDF)**  
**Notes to the financial statements for the year ended 31 December 2017**  
*(All amounts in SDR, unless otherwise stated)*

<b>9.</b>	<b>Other financial assets</b>		
		<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	<b>Loans and advances carried at amortised cost</b>		
	Capital contribution due and receivable (refer note 14.1.2 & 14.1.4)	3,600,412	5,539,084
	Bank deposits (maturities more than 3 months, refer note 9.1)	149,317,209	151,865,426
	Interest accrued on Bank deposits	10,313,349	9,249,494
	Other receivables (refer note 9.2)	12,063	9,661
		<b>163,243,033</b>	<b>166,663,665</b>
	Current	163,243,033	166,663,665
	Non-current	-	-
		<b>163,243,033</b>	<b>166,663,665</b>
<b>9.1</b>	<b>Bank Deposits</b>		
	(maturities more than 3 months)	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	Nepal SBI Bank Limited, Nepal	7,233,861	6,962,684
	Habib Bank Limited, Pakistan	8,264,300	8,801,181
	Peoples Bank, Sri Lanka	98,579,566	98,116,341
	Bank of Ceylon, Sri Lanka	24,869,573	25,992,326
	DFCC Bank, Sri Lanka	10,279,053	11,992,894
	Standard Chartered Bank, Nepal	90,856	-
		<b>149,317,209</b>	<b>151,865,425</b>
<b>9.2</b>	<b>Other receivables</b>		
		<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	Advance to vendors	2,075	2,198
	Staff advance	7,455	8,926
	Other Advances and Deposits	4,608	735
	Less: Provision for doubtful advances	(2,075)	(2,198)
		<b>12,063</b>	<b>9,661</b>
<b>10.</b>	<b>Cash and cash equivalents</b>		
		<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	Cash at bank		
	Current account	434,031	1,499,251
	Bank Deposits (maturities less than 3 months)	150,107,704	151,976,621
	Cash in hand	3,435	312
		<b>150,545,170</b>	<b>153,476,184</b>
	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 2017	As at 31 December 2016
	Employee benefits		
	Provision for long term employee benefits	19,665	17,518
	<b>Closing balance</b>	<b>19,665</b>	<b>17,518</b>
	Current	337	300
	Non-Current	19,328	17,218
		<b>19,665</b>	<b>17,518</b>
12.	Financial liabilities	As at 31 December 2017	As at 31 December 2016
	<b>Trade and other payable</b>		
	Trade Payables	49,937	23,428
	Payable to staff	4,810	1,407
	Statutory dues	37	39
		<b>54,784</b>	<b>24,874</b>



**SAARC Development Fund (SDF)**  
**Notes to the financial statements for the year ended 31 December 2017**  
*(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 31.12.2017	As at 31.12.2016	As at 31.12.2017	As at 31.12.2016	As at 31.12.2017	As at 31.12.2016
13.1	Carrying amount						
	Voluntary contribution received from various countries	38,965,059	44,326,083	-	-	-	-
	Fund received on cessation of South Asian Development fund	4,981,975	5,277,722	-	-	-	-
	Contribution received in kind from Kingdom of Bhutan	-	-	-	-	3,163	4,803
	Technical assistance received from World Bank	-	-	-	-	-	-
	<b>Total deferred unrestricted and restricted reserves</b>	<b>43,947,034</b>	<b>49,603,805</b>	<b>-</b>	<b>-</b>	<b>3,163</b>	<b>4,803</b>

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 2017	44,326,083	5,277,722	-	4,803	49,608,608
	Received during the year	-	-	-	-	-
	Less: Allocated to the other expenditure to the extent of related grant disbursed	(2,946,871)	-	-	-	(2,946,871)
	Add/(less): Expenses for project in pipeline	-	-	-	-	-
	Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(1,403)	(1,403)
	Add: Currency translation adjustments	(2,414,153)	(295,747)	-	(237)	(2,710,137)
	<b>Closing Balance as at 31 December 2017</b>	<b>38,965,059</b>	<b>4,981,975</b>	<b>-</b>	<b>3,163</b>	<b>43,950,197</b>
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 2017	46,870,326	5,120,045	55,570	10,194	52,056,135
	Addition made during the year	-	-	85,913	-	85,913

	Less: Allocated to the other expenditure to the extent of related grant disbursed	(3,865,586)	-	(141,441)	-	(4,007,027)
	Add/less: Expenses for project in pipeline	-	-	-	-	-
	Less: Depreciation on such assets charged to statement of comprehensive income	-	-	-	(5,533)	(5,533)
	Add: Currency translation adjustments	1,321,343	157,677	(42)	142	1,479,120
	<b>Closing Balance as at 31 December 2016</b>	<b>44,326,083</b>	<b>5,277,722</b>	<b>-</b>	<b>4,803</b>	<b>49,608,608</b>
	* 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 had sanctioned Technical Assistance of SDR 227,010 for Consultancy services, capacity building and for acquiring software during the year 2013. The tenure of the fund was completed on 12 May, 2016 and entire amount has been utilized for the intended purpose.					

14.	Unrestricted net assets	As at 31 December 2017	As at 31 December 2016
	Capital contribution from member states	200,155,553	200,155,509
	Retained earnings	56,186,807	41,738,887
	Foreign currency translation reserves	13,480,513	28,690,829
		<b>269,822,873</b>	<b>270,585,225</b>

14.1	Capital contribution from member states	As at 31 December 2017	As at 31 December 2016
	Capital contribution due and paid	196,399,588	194,460,916
	Capital contribution due and receivable	3,600,412	5,539,084
	<b>Total Capital Contribution committed</b>	<b>200,000,000</b>	<b>200,000,000</b>
	Capital contribution received in advance	155,553	155,509
	<b>Total capital contribution from member states</b>	<b>200,155,553</b>	<b>200,155,509</b>

		As at 31 December 2017				As at 31 December 2016			
14.1.1	Capital contribution due and paid	Opening	Addition	Currency translation adjustments	Closing	Opening	Addition	Currency translation adjustments	Closing
	Islamic Republic of Afghanistan	10,000,000	-	-	10,000,000	7,762,532	2,237,468	-	10,000,000
	People's Republic of Bangladesh	21,345,833	-	-	21,345,833	21,345,833	-	-	21,345,833

Kingdom of Bhutan	9,999,490	554	-	10,000,044	9,841,959	157,531	-	9,999,490
Republic of India	57,303,003	-	-	57,303,003	57,303,003	-	-	57,303,003
Republic of Maldives	8,049,311	1,938,118	-	9,987,429	6,116,736	1,932,575	-	8,049,311
Federal Democratic Republic of Nepal	21,283,280	-	-	21,283,280	21,283,280	-	-	21,283,280
Islamic Republic of Pakistan	45,039,999	-	-	45,039,999	45,039,999	-	-	45,039,999
Democratic Socialist Republic of Sri Lanka	21,440,000	-	-	21,440,000	21,440,000	-	-	21,440,000
<b>Total</b>	<b>194,460,916</b>	<b>1,938,672</b>	<b>-</b>	<b>196,399,588</b>	<b>190,133,342</b>	<b>4,327,574</b>	<b>-</b>	<b>194,460,916</b>

14.1.2	Capital contribution due and receivable	As at 31 December 2017				As at 31 December 2016		
		Opening	Net off Due/ (Received)	Currency translation adjustments	Closing	Opening	Net off Due/ (Received)	Closing
	Islamic Republic of Afghanistan	-	-	-	-	2,237,468	(2,237,468)	-
	People's Republic of Bangladesh	94,168	-	-	94,168	94,168	-	94,168
	Kingdom of Bhutan	510	(510)	-	-	158,041	(157,531)	510
	Republic of India	3,336,997	-	-	3,336,997	3,336,997	-	3,336,997
	Republic of Maldives	1,950,689	(1,938,162)	-	12,527	3,883,264	(1,932,575)	1,950,689
	Federal Democratic Republic of Nepal	156,720	-	-	156,720	156,720	-	156,720
	Islamic Republic of Pakistan	-	-	-	-	-	-	-
	Democratic Socialist Republic of Sri Lanka	-	-	-	-	-	-	-
	<b>Total</b>	<b>5,539,084</b>	<b>(1,938,672)</b>	<b>-</b>	<b>3,600,412</b>	<b>9,866,658</b>	<b>(4,327,574)</b>	<b>5,539,084</b>

14.1.3	Capital contribution received in advance	As at 31 December 2017		As at 31 December 2016	
	Islamic Republic of Pakistan		85,764		85,764
	Democratic Socialist Republic of Sri Lanka		63,486		63,486
	Islamic Republic of Afghanistan		6,259		6,259
	Kingdom of Bhutan		44		-
	<b>Total</b>		<b>155,553</b>		<b>155,509</b>

14.1.4 With respect to the contribution receivable from Member States, the Fund had made the computation and sent to all Member States along with the request for payment of pending contributions. The fixation of SDR rate for capital contributions is under discussion by the the Board of Directors of the Fund which has advised the Fund to send a request to SAARC Secretariat asking for date of initiation of payments of capital contribution from each Member State in order to facilitate the Fund in getting the exchange rates to be applied on respective date of initiations of the Contributions. Pending final decision by the Board of Directors, this has been shown as receivable from Member States.

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

14.1.6	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.		
	<b>Member state (s)</b>	<b>Amount in SDR</b>		
	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		
	<b>Total</b>	<b>200,000,000</b>		
	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	<b>Retained earnings</b>	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>	
	Balance at the beginning of the year	41,738,887	29,812,419	
	Net income for the year as per statement of profit or loss	14,448,107	11,928,412	
	Other comprehensive income arising from actuarial gain/(loss) on long term employee benefits	(187)	(1,944)	
	Balance at the end of year	56,186,807	41,738,887	
14.3	<b>Foreign currency translation reserves</b>	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>	
	Balance at the beginning of the year	28,690,829	20,706,570	
	Exchange difference arising on translation from functional currency to presentation currency	(15,210,316)	7,984,259	
	<b>Balance at the end of year</b>	<b>13,480,513</b>	<b>28,690,829</b>	

<b>15.</b>	<b>Investment income</b>		
		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	Interest income on Bank deposits	15,592,191	12,436,467
	Interest income on idle funds with implementing agencies	15,608	2,976
		<b>15,607,799</b>	<b>12,439,443</b>
<b>15.2</b>		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	The following is the analysis of interest income by category of assets:		
	Loans and Receivables (including cash and bank balances)	15,592,191	12,436,467
	Total interest income earned on financial assets that are not designated as at fair value through profit or loss	15,592,191	12,436,467
	Interest income on idle funds with implementing agencies	15,608	2,976
		<b>15,607,799</b>	<b>12,439,442</b>
<b>16.</b>	<b>Other gain and losses</b>		
		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	Net foreign exchange (losses)/gain	-	27,615
	Others	2,197	-
		<b>2,197</b>	<b>27,615</b>
<b>17.</b>	<b>Employee benefit expenses</b>		
		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<b>Post employment benefits</b>		
	Defined contribution plan (See note- 19)	(6,401)	(6,040)
	Defined benefit plan (See note -19)	(3,791)	(3,843)
	<b>Other employee benefits</b>		
	Salaries and other benefits	(277,212)	(298,456)
	Staff-welfare expenses	(7,998)	(6,140)
		<b>(295,402)</b>	<b>(314,479)</b>
<b>18.</b>	<b>General expenditure</b>		
		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	Staff recruitment expenses	(43,093)	(16,872)
	Rent *	(27,033)	(25,740)
	Travelling and conveyance	(42,249)	(24,974)
	Advertisement expenses	(19,699)	(17,970)
	Net foreign exchange (losses)/ gain	(561,494)	-
	Brainstorming Expense	(3,129)	-
	SEDP Platform	(12,500)	-
	E & I Window Expenses	(29,756)	-
	Counterpart Agency Meeting	(17,709)	-
	Social Window Expenses	(11,363)	-
	Meeting expenses	(13,463)	(8,327)
	Printing and stationary	(10,392)	(14,618)



	Communication expenses	(13,122)	(19,475)
	Vehicle running and maintenance expenses	(5,014)	(6,905)
	Electricity charges	(4,209)	(3,155)
	Repair and maintenance expenses	(6,057)	(4,604)
	Books and periodicals	(269)	(541)
	Security expenses	(4,235)	(3,540)
	Audit Fees	(12,226)	(12,259)
	Legal and professional expenses**	(11,121)	(123,342)
	Training expenses**	(450)	(39,912)
	Computer Hardware and software Maintenance	(4,586)	(3,383)
	Miscellaneous expenses **	(7,141)	(30,304)
		<b>(860,311)</b>	<b>(355,921)</b>
* 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			
	Rent	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
		(27,033)	(25,740)
		<b>(27,033)</b>	<b>(25,740)</b>
** 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/ previous year :			
		<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	Legal and professional expenses	-	(122,322)
	Training expenses	-	(5,028)
	Miscellaneous expenses	-	(14,091)
		-	<b>(141,441)</b>

## 19 Defined contribution plans

An amount of SDR 6,401 (Previous year SDR 5,787) 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	
		2017	2016
	Present value of unfunded obligations	19,665	17,167
	<b>Total</b>	<b>19,665</b>	<b>17,167</b>
	<b>Movement in the present value of the defined benefit obligation</b>		
		As at 31 December	
		2017	2016
	Present value of obligation as at the beginning of the period	17,167	11,381
	Interest cost	415	340

Current service cost	3,376	3,502
Benefits paid	(773)	-
Actuarial (gain)/loss on obligation	187	1,497
Exchange rate movement on conversion to reporting currency	(707)	447
<b>Total</b>	<b>19,665</b>	<b>17,167</b>

Movement in the present value of the defined benefit obligation			
		As at 31 December	
		2017	2016
	Current service cost	3,376	3,503
	Interest cost	415	340
	Net actuarial (gain)/ loss recognized in the period	187	1,944
	<b>Total</b>	<b>3,978</b>	<b>5,787</b>
	Recognized in employee benefit expenses in the statements of profit or loss	3,791	3,843
	Recognized in other comprehensive income	187	1,944

	Actuarial assumptions		
	Principal actuarial assumptions are given below:		
(a)	Economic Assumptions		
		As at 31 December	
		2017	2016
	Discounting Rate (%)	2.40	2.45
	Future salary Increase (%)	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 with a term that matches that of the liabilities. 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.

The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

A. If the discount rate is 50 basis point higher (lower), the defined benefit obligation would decrease by SDR 1,806 (increase by SDR 2,036).

B. If the future salary escalation is changed by 50 basis point higher (lower), the defined benefit obligation would increase by SDR 2,014 (decrease by SDR 1,805).

The sensitivity analysis given above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Statement of Financial Position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

20	Related parties					
	For the purpose of financial statements, parties are considered to be 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	Dr. Sunil Motiwal		CEO		
(b)	Details of transactions during the year:					
(i)	Key managerial person					
	Particulars	For the year ended				
		31-Dec-17	31-Dec-16			
	Salaries and other benefits	62,017	62,930			
(c)	Balance outstanding at the end of the reporting period :					
(i)	Key managerial person					
	Particulars	For the year ended				
		31-Dec-17	31-Dec-16			
	Salaries and other benefits payable to Dr. Sunil Motiwal	1,911	-			
21	Operating leases					
	The Fund incurred operating lease charges of SDR 27,033 (previous year SDR 25,740). There are no non-cancel- lable 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	Contractual commitments					
	The Fund has approved the following projects as per its Charter as at 31 December 2017:					
	Project Name	Amount approved/ granted #	Amount disbursed/ expensed till 31st December, 2015	Currency fluctuation movement on conversion of USD to SDR	Amount disbursed/ expensed in the year ended 31st December, 2016	Balance committed amount*
	Strengthening the livelihood initiative for home based workers in SAARC Region (SABAH Project)	15,053,405	10,692,052	339,977	1,112,860	2,908,516
	Maternal & Child Health Project (MCH) for strengthening Maternal and Child Health Including Immunization	10,560,261	6,552,074	745,381	27,330	3,235,476
	Scaling up of Zero Energy Cold Storage (ZECS) technology for the horticultural commodities in the high hills of SAARC countries \$\$	2,374,035	1,307,306	183,737	117,506	765,486

	Empowering Rural Communities "Reaching the Unreached" (CeCs)	5,574,148	4,863,275	-20,641	-	731,514
	South Asia Initiative to End Violence Against Children (SAIEVAC)	1,825,671	1,306,214	87,921	-31,287	462,823
	Post Harvest Management and Value Addition of fruits in Production Catchments in SAARC Countries	3,496,212	1,876,063	118,480	732,982	768,687
	Regional Inter-professional Master's Program in Rehabilitation Science	1,053,272	549,503	63,814	142,079	297,876
	Strengthening of Water, Sanitation and Hygiene	4,419,555	1,037,754	610,374	713,742	2,057,685
	(WASH) services in selected areas of SAARC Countries			-		
	Uniform Toll Free Helpline for Children and Women	2,808,724	19,746	711,499	6,826	2,070,653
	Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries	3,081,440	-	752,087	124,834	2,204,519
	Networking and capacity building of women entrepreneurs (SMEs) from SAARC Countries	512,592	-	131,293	-	381,299
	Economic Empowerment of Women through Energy Access in Mountain Countries of South Asia	2,177,999	-	557,862	-	1,620,137
	Support to Value Chain development, Entrepreneurship and Skill Development and Improved Connectivity	5,634,961	-	1,571,631	-	4,063,330
	<b>Total</b>	<b>58,572,275</b>	<b>28,203,987</b>	<b>5,853,415</b>	<b>2,946,871</b>	<b>21,568,001</b>
#	Amount approved/granted have been computed in SDR using the closing rate as at 31 December, 2017.					
*	Amount remaining to be disbursed have been computed in SDR using the closing rate as at 31 December 2017.					
\$\$	Persuant to the irregularities noted in ZECS project, the management has decided to close the project and has seeked refund of the unspend amount. Nessessary action has been initiated against the implementation agency of the project as approved by the Board of the Fund in its 26th meeting held on 11 February 2017.					
23	As required under project financing agreement interest income of SDR 15,607 (previous year SDR 2,976) 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.					
24	For the projects completed till 31 December 2017, the Fund is in process of reconciling with the project Lead Implementing Agencies, the disbursements made by the Fund to the respective projects and the expenditures incurred by the projects. Pending reconciliation, the outcome is not known whether the Projects are liable to refund any surplus disbursements to the Fund.					
<b>25</b>	<b>Subsequent events</b>					
	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.					



**SAARC Development Fund**

*“Promoting regional integration and cooperation  
through project collaboration”*

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Norzin Lam, Thimphu, Bhutan | 3<sup>rd</sup> Floor, BDBL Building

T +975-2-321152/53 | F +975-2-321203

Email: [info@sdfsec.org](mailto:info@sdfsec.org)/[ceo@sdfsec.org](mailto:ceo@sdfsec.org)

Website: [www.sdfsec.org](http://www.sdfsec.org)

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