



## **SAARC Development Fund**

*Building Regional Integration Through Project Funding*

### **Annual Report of SAARC Development Fund (2013 - 2014)**



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## To the Governing Council

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

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



## Message from the Chairman



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

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

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

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

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

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





# Message from the Chief Executive Officer



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

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

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

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

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

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

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

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

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



# Governing Council of SAARC Development Fund

## Islamic Republic of Afghanistan



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

## People's Republic of Bangladesh



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

## Kingdom of Bhutan



His Excellency Lyonpo Namgay Dorji  
Minister, Ministry of Finance

## Republic of India



His Excellency Shri Arun Jaitley  
Minister, Ministry of Finance

## Republic of Maldives



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

## Federal Democratic Republic of Nepal



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

## Islamic Republic of Pakistan



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

## Democratic Socialist Republic of Sri Lanka



His Excellency Mr. Ravi Karunanayake  
Minister, Ministry of Finance

# Board of Directors of SAARC Development Fund

## Islamic Republic of Afghanistan



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



**Alternate Director**  
Mr. Mustafa Aria  
Aid Management Director  
Ministry of Finance

## People's Republic of Bangladesh



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



**Alternate Director**  
Mr. Tapan Kumar Karmaker  
Additional Secretary  
Finance Division  
Ministry of Finance

## Kingdom of Bhutan



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



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

## Republic of India



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



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

## Republic of Maldives



**Director**  
Ms. Khadeeja Hussain  
Financial Controller  
Ministry of Finance & Treasury



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

## Federal Democratic Republic of Nepal



**Director**  
Mr. Baikuntha Aryal  
Joint Secretary  
Ministry of Finance



**Alternate Director**  
Mr. Surya Pokharel  
Under Secretary  
Ministry of Finance

### Islamic Republic of Pakistan



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



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

### Democratic Socialist Republic of Sri Lanka



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



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

### SAARC Secretariat



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



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

### SAARC Development Fund (SDF) Secretariat



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

## Counterpart Agencies for the SAARC Development Fund

### Islamic Republic of Afghanistan



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

### People's Republic of Bangladesh



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

### Kingdom of Bhutan



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

### Republic of India



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

### Republic of Maldives



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

### Federal Democratic Republic of Nepal



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

### Islamic Republic of Pakistan



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

### Democratic Socialist Republic of Sri Lanka



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

## Staff of SAARC Development Fund Secretariat



Dr. Sunil Motiwal  
*Chief Executive Officer*

### Directors

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VACANT

*Director, Economic & Infrastructure  
Windows*

VACANT

*Director, Social Window Projects,  
Administration & Finance*

### Assistant Directors

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Mr. Philip Baidya  
*Assistant Director,  
Social Window*



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



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



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

VACANT

*Assistant Director  
Monitoring and Evaluation*

VACANT

*Assistant Director  
Legal*

VACANT

*Assistant Director  
Investment/Credit*

VACANT

*Assistant Director  
Social Enterprise Development Program*



## Managers

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Mr. Ajay Kumar Shrestha  
*Accounts Manager*



Mr. Harris Farman  
*IT Manager*



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



*Executive Assistant to CEO*

## Program Officers

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Ms. Ishori Rai  
*Program Officer*



Ms. Yangchen Dekar  
*Program Officer*



Ms. Lhaki  
*Program Officer*

## Administrative & Human Resources

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Ms. Pema Wangmo  
*Assistant Admin. & HR Officer*



Ms. Chador Tshomo  
*Assistant Admin. & HR Officer*

## Administrative / Supporting Staff

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Ms. Phuntsho Wangmo  
*Office Assistant*



Ms. Sushma Hingmang  
*Receptionist*



Mr. Sherab Dorji  
*Driver*



Mr. Jamyang Chodea  
*Driver to CEO*



Mr. Jangchuk Dorji  
*Driver*

# About SAARC



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

## Areas of Cooperation

The 10 areas of cooperation are

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

# SAARC Development Fund

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

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

## History

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

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

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

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

## Organizational Overview





## Objectives

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

## Activities/Windows

The SDF has three financing windows:

- Social
- Economic
- Infrastructure

### Social Window

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

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

### Economic Window

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

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

### Infrastructure Window

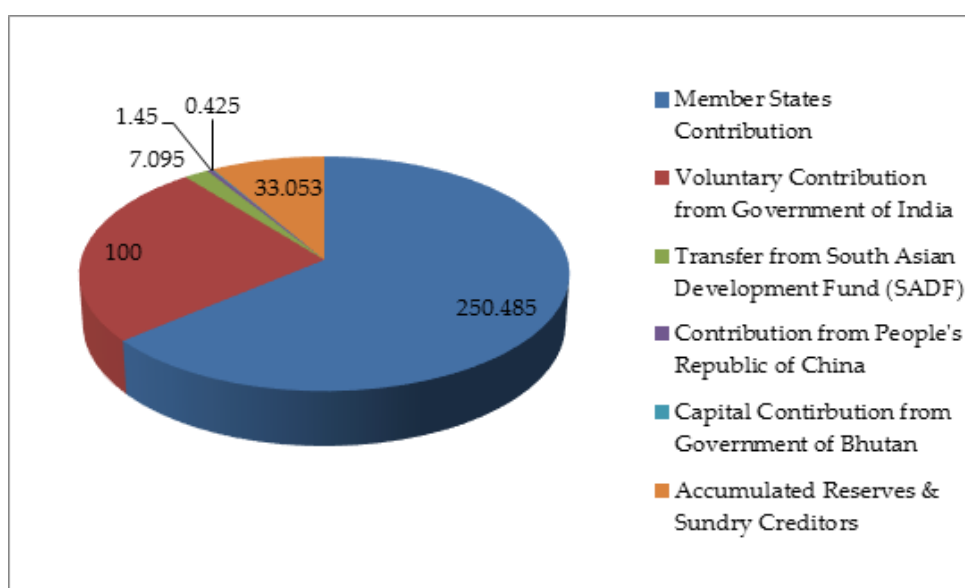
The Infrastructure Windows primarily funds projects in areas such as energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas.



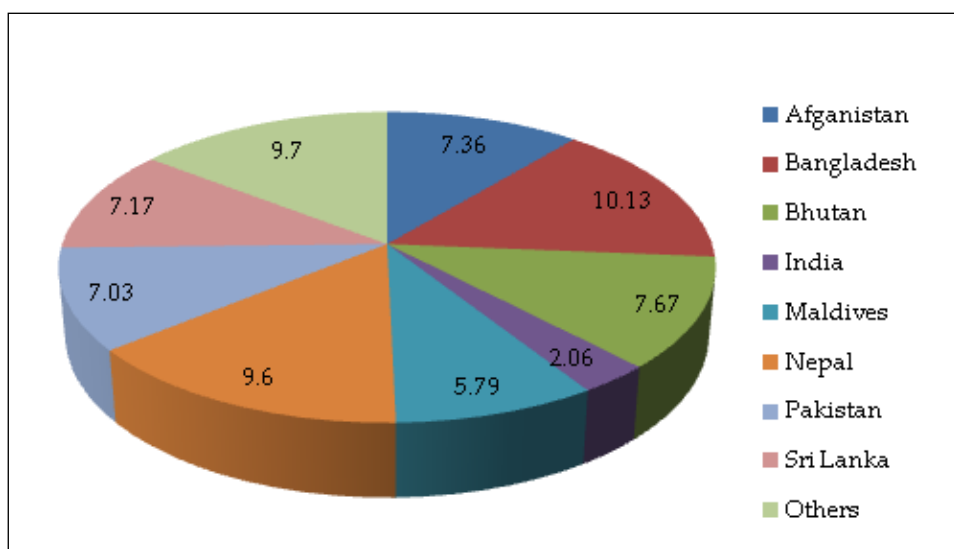
# Overview of funds

## Sources of Fund (as on December 31<sup>st</sup> 2014)

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



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



# SDF Funded Projects

## Afghanistan

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

## Pakistan

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

## India

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

## Maldives

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





# in SAARC Region

## Nepal

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



## Bangladesh

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

## Bhutan

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

## Sri Lanka



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

# SAARC DEVELOPMENT FUND

## MASTER PROJECT BUDGET (ON-GOING & PIPELINE)

### SAARC MEMBER STATES

#### SOCIAL WINDOW

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

# A brief on SDF Funded Current Projects

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

## Strengthening the livelihood initiative for homebased workers in SAARC Region

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

## Strengthening Maternal and Child Help Including Immunization

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

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

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

## Empowering Rural Communities - Reaching the Unreached

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

## South Asia Initiative to End Violence Against Children

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

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

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

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

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

### **Water, Sanitation and Hygiene (WASH)**

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

### **Toll Free Help lines for Women and Children**

- In the process of signing project financing agreements.

### **Bamboo Based Enterprise Development**

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

## Ongoing Projects



## Strengthening the livelihood initiative for homebased workers in SAARC Region

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

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

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

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

**Project Budget:** US \$ 20,775,821.00

**Total Disbursement:** US \$ 13,382,271.00

### Participating Countries

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

### Beneficiary

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

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

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

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



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

**-Bhabi Pun  
(sample weaver)**

**& SABAH's Board member**



# Strengthening Maternal and Child Health Including Immunization

Start Date: 19-Jun-2009

End Date: 31-Dec-2015

**Project Budget:** US \$ 15,039,229.00

**Total Disbursement:** US \$ 4,993,148.00

## Participating Countries

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

## Beneficiary:

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

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

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

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

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

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

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

## Project Activities

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



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

Start Date: 1-Dec-2010

End Date: 31-Dec-2015

**Project Budget:** US \$ 3,380,931.00

**Total Disbursement:** US \$ 2,065,820.00

### Implementing Countries:

Afghanistan, Bhutan, India and Nepal

**Beneficiary:** 12,150 Farmers & 50,000 people

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

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

### Project Activities

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

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



*Monitoring temperature outside the ZECS, Jumla*



## Empowering Rural Communities- Reaching the Unreached

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

**Project Budget:** US \$ 7,938,335.00

**Total Disbursement:** US \$ 5,724,576.00

### Implementing Countries

Bangladesh, Bhutan, Maldives and Nepal

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

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

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

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

### Project Activities

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



## South Asia Initiative to End Violence Against Children (SAIEVAC)

Start Date: 1-Jan-2012

End Date: 31-Dec-2015

**Project budget:** US \$ 2,600,000

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

### Participating Countries:

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

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

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

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

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

### Project Activities

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



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

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

**Project budget:** US \$ 4,979,075.00

**Total Disbursement:** USD 378,847.00

## Participating Countries:

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

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

## Objectives:

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

and safety in the adoption of package of technologies.

## Expected Outcome(s)/benefits

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

## Project Activities

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





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

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

**Project Period:** 5 years

**Total Budget:** US \$ 1,500,000.00

**Total Disbursement:** USD 288,373.00

### Implementing Agency

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

### Beneficiary Countries

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

### Beneficiary

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

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

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

### Project Objectives

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

### Expected Outcome(s)/benefits

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

### Project Activities

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



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

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

**Approved Budget:** US \$ 6,298,408.00

**Total Disbursement:** US \$ 124,865.00

### Participating Countries

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

### Beneficiary

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

### Project Objectives

The objectives of project, inter alia, include:

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

water;

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

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





## Upcoming Projects



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

Project Period: 3 years

**Approved Budget:** US \$ 4,000,000.00

**Disbursed Amount:** Yet to disburse fund

### Participating Countries

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

### Beneficiary

Children and women of SAARC Member Countries

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

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

The aim of the project is to:

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

### Expected Outcome(s)/benefits

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

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

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

### Project Activities

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

## Promoting Integrated Bamboo Based Enterprise Development among SAARC Countries

Project Period: 3 years

**Approved Budget:** US \$ 4,387,385

**SDF Funding:** US \$ 3,756,215

**Funding from proponents:** US \$ 631,170

### Participating Countries

Afghanistan, Bangladesh, India, Nepal and Pakistan.

### Beneficiary

At least 3500 households of farmers/ artisans/ workers directly

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

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



# Economic & Infrastructure Windows



## Current Scenario of Economic and Infrastructure Windows

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

## Focus Areas of Funding

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

## Action taken so far

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



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

#### Action Plan for future

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

## Financials (2013)



# Audit Report - SDF (2013)

## **Independent Auditor's Report**

**To The Members of the Governing Council**

**The SAARC Development Fund**

## **Report on the Financial Statements**

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

## **Management's Responsibility for the Financial Statements**

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

## **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation<sup>9</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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

## **Other matters**

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

**Deloitte Haskins & Sells**

**Dhaka, Bangladesh**

**28<sup>th</sup> April, 2014**

## SAARC Development Fund (SDF)

### Statement of Financial Position as at 31 December 2013

(All amounts in SDR unless otherwise stated)

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

(All amounts in SDR unless otherwise stated)

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

*(All amounts in SDR, unless otherwise stated)*

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

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



## SAARC Development Fund

### Statement of Cash Flows for the year ended 31 December 2013

(All amounts in SDR, unless otherwise stated)

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

### 1 Reporting entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.1.4 IAS 19 Employee Benefits (as revised in 2011)

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

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

## 2.2 New and revised IFRSs in issue but not yet effective

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

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

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

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

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

## 3 Basis of preparation

### 3.1 Statement of compliance

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

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

### 3.2 Basis of measurement

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

### 3.3 Functional currency

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

### 3.4 Presentation currency

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

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

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

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

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

### 3.5 Use of estimates and judgments

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

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

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

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

## 4 Significant accounting policies

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

### 4.1 Foreign currency translation

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

**Translation from functional currency to presentation currency:**

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

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

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

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

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

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

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

**Cash and cash equivalents**

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

**Investments**

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

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

**Other receivables**

Other receivables mainly comprise of advances paid to vendors.

**b. Non derivative financial liabilities :**

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

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

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

Other financial liabilities comprise 'Trade and other payable'.

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

### 4.3 Retained earnings

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

### 4.4 Unrestricted and restricted contribution

#### • Capital contribution

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

#### • Voluntary contributions and contributions in kind

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

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

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

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

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

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

### 4.5 Payments to and on behalf of beneficiaries

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

### 4.6 Investment income

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

Foreign currency gains and losses are reported on a net basis

## 4.7 Property, plant and equipments

### a. Recognition and Measurement

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

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

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

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

### b. Subsequent Costs

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

### c. Depreciation

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

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

The estimated useful lives are as follows:

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

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

## 4.8 Intangible assets

### a. Acquired intangibles.

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

### b. Subsequent expenditure

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

### c. Amortization

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



The estimated useful lives are as follows:

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

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

## 4.9 Impairment

### a. Financial assets

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

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

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

### b. Non-Financial Assets

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

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

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

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

#### 4.10 Employee benefit plans

##### Short-term employee benefits

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

##### a) Defined contribution plans

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

##### b) Defined benefit plans

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

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

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

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

#### 4.11 Provisions and contingent liabilities

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

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

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

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

#### 4.12 Leasing arrangements as a lessee

##### Accounting for Operating Leases

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

##### Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

##### Risk management framework

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

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

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

##### a. Credit risk

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

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

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

## **b. Liquidity risk**

The Fund's objective is to strike a balance between Funding continuity and flexibility by maintaining sufficient Funds as cash in hand or as on-demand or short-term deposits with maturities of three months or less to meet short-term liabilities. There are no non-derivative financial liabilities at the end of reporting period. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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

## **c. Market risk**

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

### **(i) Currency risk**

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

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

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

### **Sensitivity analysis for foreign currency risk**

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

| <b>Currency</b> | <b>Effect of 10% strengthening</b> | <b>Effect of 10% weakening</b> |
|-----------------|------------------------------------|--------------------------------|
| PKR             | 82,153,131                         | (82,153,131)                   |
| NPR             | 74,478,846                         | (74,478,846)                   |
| Nu              | 45,940                             | (45,940)                       |

### **(ii) Interest Rate Risk**

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

#### 7. Property, plant and equipment \*

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

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

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

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

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



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

(All amounts in SDR, unless otherwise stated)

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

## 8. Intangible assets

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

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

#### 9. Other financial assets

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

#### 9.1 Fixed deposits with banks

(maturities more than 3 months)

|                               | As at<br>31 December 2013 | As at<br>31 December 2012 |
|-------------------------------|---------------------------|---------------------------|
| Nepal SBI Bank Limited, Nepal | 69,467,423                | 149,051,129               |
| Punjab National Bank, India   | 77,123,552                | 29,441,743                |
| Habib Bank Limited, Pakistan  | 60,723                    | -                         |
|                               | <b>146,651,698</b>        | <b>178,492,872</b>        |

#### 9.2 Other receivables

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

#### 10. Cash and cash equivalents

|   | As at<br>31 December 2013 | As at<br>31 December 2012 |
|---|---------------------------|---------------------------|
| <i>Cash at bank</i>                             |                           |                           |
| Current account                                 | 604,258                   | 786,162                   |
| Deposit account (maturities less than 3 months) | 55,334,784                | -                         |
| Cash in hand                                    | 1,508                     | 514                       |
|   | <b>55,940,550</b>         | <b>786,676</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<br>31 December 2013 | As at<br>31 December 2012 |
|---|---------------------------|---------------------------|
| <b>Employee benefits</b>                  |                           |                           |
| Provision for long term employee benefits | 3,801                     | 1,411                     |
| <b>Closing balance</b>                    | <b>3,801</b>              | <b>1,411</b>              |

## 12. Trade and other payable

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

## 15. Investment income

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

## 16. Other gain and losses

|                                    | For the year ended<br>31 December 2013 | For the year ended<br>31 December 2012 |
|------------------------------------|--|--|
| Net foreign exchange gain/(losses) | (864,936)                              | (110,257)                              |
|                                    | <b>(864,936)</b>                       | <b>(110,257)</b>                       |

## 17. Employee benefit expenses

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

## 18. General expenditure

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

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

|                                 |                 |   |
|---------------------------------|-----------------|---|
| Legal and professional expenses | -               | - |
| Training expenses               | (33,561)        | - |
|                                 | <b>(33,561)</b> | - |



## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

### 13. Deferred unrestricted and restricted contributions

|  | Deferred unrestricted contribution |                   | Deferred restricted contribution |                  | Deferred contributions - Capital Assets |                  |
|--|------------------------------------|-------------------|----------------------------------|------------------|---|------------------|
|  | As at 31.12.2013                   | As at 31.12.2012  | As at 31.12.2013                 | As at 31.12.2012 | As at 31.12.2013                        | As at 31.12.2012 |
| <b>13.1 Carrying amount</b>                                |                                    |                   |                                  |                  |   |                  |
| Voluntary contribution received from Republic of India     | 50,344,953                         | 53,196,539        | -                                | -                | -                                       | -                |
| Voluntary contribution received from Republic of China     | 584,416                            | 390,392           | -                                | -                | -                                       | -                |
| Fund received on cessation of South Asian Development fund | 4,607,144                          | 4,616,376         | -                                | -                | -                                       | -                |
| Contribution received in kind from Kingdom of Bhutan       | -                                  | -                 | -                                | -                | 34,001                                  | 46,509           |
| Technical assistance received from World Bank              | -                                  | -                 | 57,104                           | -                | -                                       | -                |
| <b>Total deferred unrestricted and restricted reserves</b> | <b>55,536,514</b>                  | <b>58,203,306</b> | <b>57,104</b>                    | <b>-</b>         | <b>34,001</b>                           | <b>46,509</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 Republic of India* | Voluntary contribution received from Republic of China | Funds received on cessation of South Asian Development Fund ("SADF") ** |  |  |                             |
| <b>Opening balance as at 01 January 2013</b>                                      | 53,196,539  | 390,392  | 4,616,376   | -  | 46,509   | 58,249,815                  |
| Received during the year  | -   | 194,805  | -   | 90,231   | -  | 285,036                     |
| Less: Allocated to the other expenditure to the extent of related grant disbursed | (2,781,156)   | -  | -   | (33,561)   | -  | (2,814,717)                 |

|  |                   |                |                  |               |               |                   |
|--|-------------------|----------------|------------------|---------------|---------------|-------------------|
| Less: Depreciation on such assets charged to statement of comprehensive income | -                 | -              | -                | -             | (12,576)      | (12,576)          |
| Add: Currency translation adjustments  | (70,430)          | (781)          | (9,232)          | 434           | 68            | (79,941)          |
| <b>Closing Balance as at 31 December 2013</b>                                  | <b>50,344,953</b> | <b>584,416</b> | <b>4,607,144</b> | <b>57,104</b> | <b>34,001</b> | <b>55,627,617</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 Republic of India * | Voluntary contribution received from Republic of China | Funds received on cessation of South Asian Development Fund ("SADF") ** |  |  |                             |
| <b>Opening balance as at 01 January 2012</b>                                      | 54,835,746   | 195,406  | 4,644,829   |  | 59,008   | 59,734,988                  |
| Addition made during the year   | -  | 195,464  | -   |  | -  | 195,464                     |
| Less: Allocated to the other expenditure to the extent of related grant disbursed | (1,582,391)  | -  | -   |  | -  | (1,582,391)                 |
| Less: Depreciation on such assets charged to statement of comprehensive income    | -  | -  | -   |  | (12,455)   | (12,455)                    |
| Add: Currency translation adjustments   | (56,816)   | (478)  | (28,453)  |  | (44)   | (85,791)                    |
| <b>Closing Balance as at 31 December 2012</b>                                     | <b>53,196,539</b>  | <b>390,392</b>   | <b>4,616,376</b>  | <b>-</b>   | <b>46,509</b>  | <b>58,249,815</b>           |

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

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

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

### 14. Unrestricted net assets

|   | As at<br>31 December<br>2013 | As at<br>31 December<br>2012 |
|---|------------------------------|------------------------------|
| Capital contribution from member states | 139,778,750                  | 113,228,620                  |
| Retained earnings                       | 17,410,318                   | 13,045,132                   |
| Foreign currency translation reserves   | (3,645,417)                  | 73,570                       |
|   | <b>153,543,651</b>           | <b>126,347,322</b>           |

### 14.1 Capital contribution from member states

|  | As at<br>31 December<br>2013 | As at<br>31 December<br>2012 |
|--|------------------------------|------------------------------|
| Capital contribution due and paid                    | 128,298,083                  | 90,187,070                   |
| Capital contribution due and receivable              | 31,701,917                   | 26,930,290                   |
| <b>Total Capital Contribution committed</b>          | <b>160,000,000</b>           | <b>117,117,360</b>           |
| Less: Capital contribution due and receivable        | (31,701,917)                 | (26,930,290)                 |
| Capital contribution received in advance             | 11,480,667                   | 23,041,550                   |
| <b>Total capital contribution from member states</b> | <b>139,778,750</b>           | <b>113,228,620</b>           |

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

#### 14.1.2 Capital contribution due and receivable

|   |                   |                   |
|---|-------------------|-------------------|
| People's Republic of Bangladesh           | 4,834,955         | 533,816           |
| Republic of Maldives                      | 3,933,234         | 1,886,794         |
| Islamic Republic of Pakistan              | 18,191,062        | 20,324,687        |
| Democratic Socialist Republic of Srilanka | 4,742,666         | 4,184,994         |
| <b>Total</b>                              | <b>31,701,917</b> | <b>26,930,290</b> |

#### 14.1.3 Capital contribution received in advance

##### Republic of India

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

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

#### 14.1.4

#### 14.1.5 Initial paid up capital contribution

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

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

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

#### 14.3 Foreign currency translation reserves

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

## SAARC Development Fund (SDF)

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

#### 18 Defined contribution plans

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

##### Defined benefit plan

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

|                                       | As at 31 December |              |
|---------------------------------------|-------------------|--------------|
|                                       | 2013              | 2012         |
| Present value of unfunded obligations | 3,801             | 1,411        |
| <b>Total</b>                          | <b>3,801</b>      | <b>1,411</b> |

##### Movement in the present value of the defined benefit obligation

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

##### Movement in the present value of the defined benefit obligation

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

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

##### Actuarial assumptions

Principal actuarial assumptions are given below:

##### (a) Economic Assumptions

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

(b) Demographic Assumption

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

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

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

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

**19 Related parties**

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

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

Related parties and nature of related party relationships:

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

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

(i) **Key managerial person**

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

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

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

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

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

(i) **Key managerial person**

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

**20 Operating leases**

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

**21 Financial instruments**

**Credit risk**

**Exposure to Credit Risk**

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

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

**Liquidity risk**

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

| As at 31 December 2013      | Carrying amount | Less than 1 year | Total  |
|-----------------------------|-----------------|------------------|--------|
| <b>Current</b>              |                 |                  |        |
| Accounts payable and others | 22,533          | 22,533           | 22,533 |

| As at 31 December 2012      | Carrying amount | Less than 1 year | Total  |
|-----------------------------|-----------------|------------------|--------|
| <b>Current</b>              |                 |                  |        |
| Accounts payable and others | 45,375          | 45,375           | 45,375 |

**Interest rate risk**

**Profile**

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

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

## 22 Contractual commitments

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

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

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

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

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

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

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

## 24 Subsequent events

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

## 25 New Accounting Standards and interpretations adopted during the year 2013

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

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

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

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



## Financials (2014)



# Audit Report - SDF (2014)

To

**The Members of the Governing Council**

**The SAARC Development Fund**

## **Report on the Financial Statements**

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

## **Management’s Responsibility for the Financial Statements**

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

## **Auditors’ Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation<sup>9</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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

**Deloitte Haskins & Sells**

**Kolkata, India**

**26<sup>th</sup> April, 2015**

## SAARC Development Fund (SDF)

### Statement of Financial Position as at 31 December 2014

(All amounts in SDR unless otherwise stated)

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

*(All amounts in SDR unless otherwise stated)*

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

*(All amounts in SDR, unless otherwise stated)*

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

## SAARC Development Fund

### Statement of Cash Flows for the year ended 31 December 2014

(All amounts in SDR, unless otherwise stated)

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

### 1 Reporting entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3 New and revised IFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

## **4 Basis of preparation**

### **4.1 Statement of compliance**

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

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

### **4.2 Basis of measurement**

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

### **4.3 Functional currency**

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

### **4.4 Presentation currency**

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

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

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

| <b>Currency</b> | <b>2014</b> | <b>2013</b> |
|-----------------|-------------|-------------|
| Euro            | 0.423       | 0.423       |
| Japanese yen    | 12.1        | 12.1        |
| Pound sterling  | 0.111       | 0.111       |
| U.S. dollar     | 0.660       | 0.660       |

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

### **4.5 Use of estimates and judgments**

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

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

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

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

## 5 Significant accounting policies

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

### 5.1 Foreign currency translation

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

#### **Translation from functional currency to presentation currency:**

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

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

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

### 5.2 Financial instruments

#### **a. Non- derivative financial assets:**

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

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

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

#### **Cash and cash equivalents**

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

#### **Investments**

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

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

## **Other receivables**

Other receivables mainly comprise of advances paid to vendors.

### **b. Non derivative financial liabilities :**

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

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

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

Other financial liabilities comprise 'Trade and other payable'.

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

## **5.3 Retained earnings**

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

## **5.4 Unrestricted and restricted contribution**

### **• Capital contribution**

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

### **• Voluntary contributions and contributions in kind**

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

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

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

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

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

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

## 5.5 Payments to and on behalf of beneficiaries

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

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

## 5.6 Investment income

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

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

## 5.7 Property, plant and equipments

### a. Recognition and Measurement

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

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

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

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

### b. Subsequent Costs

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

### c. Depreciation

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

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

The estimated useful lives are as follows:

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

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



## 5.8 Intangible assets

### a. Acquired intangibles.

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

### b. Subsequent expenditure

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

### c. Amortization

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

The estimated useful lives are as follows:

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

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

## 5.9 Impairment

### a. Financial assets

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

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

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

## b. Non-Financial Assets

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

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

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

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

### 5.10 Employee benefit plans

Short-term employee benefits

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

#### a) Defined contribution plans

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

#### b) Defined benefit plans

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

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

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

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

### **5.11 Provisions and contingent liabilities**

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

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

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

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

### **5.12 Leasing arrangements as a lessee**

#### **Accounting for Operating Leases**

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

## **6 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

### **6.1 Risk management framework**

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

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

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

### 6.1.1 a. Credit risk

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

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

| Name of country | As at<br>31-Dec-14<br>(SDR) | As at<br>31-Dec-13<br>(SDR) |
|-----------------|-----------------------------|-----------------------------|
| Nepal           | 90,825,122                  | 126,390,208                 |
| India           | 411,299                     | 77,442,408                  |
| Bhutan          | 123,328                     | 583,609                     |
| Pakistan        | 153,641,096                 | 5,279,204                   |
| Sri Lanka       | 6,510,037                   | -                           |
| Bangladesh      | 71,325                      | -                           |
|                 | <b>251,582,207</b>          | <b>209,695,429</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. There are no non-derivative financial liabilities at the end of reporting period. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

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

### 6.1.3 c. Market risk

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

#### (i) Currency risk

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

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

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

#### Sensitivity analysis for foreign currency risk

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

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

#### (ii) Interest Rate Risk

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

#### 7. Property, plant and equipment\*

| 7.1 | Carrying amount of                | As at 31.12.2014 |            |                   |                           |                        | As at 31.12.2013                  |         |
|-----|-----------------------------------|------------------|------------|-------------------|---------------------------|------------------------|-----------------------------------|---------|
|     | Vehicles                          |                  |            |                   |                           | 24,169                 | 33,001                            |         |
|     | Furnitures                        |                  |            |                   |                           | 26,424                 | 27,082                            |         |
|     | Office equipments                 |                  |            |                   |                           | 5,527                  | 6,679                             |         |
|     | Computers and peripherals         |                  |            |                   |                           | 17,103                 | 18,775                            |         |
|     | Leasehold improvements            |                  |            |                   |                           | 7,371                  | 8,939                             |         |
|     | Servers and networking equipments |                  |            |                   |                           | 29,449                 | 37,976                            |         |
|     |                                   |                  |            |                   |                           | 110,043                | 132,452                           |         |
| 7.2 |                                   | Vehicles         | Furnitures | Office equipments | Computers and peripherals | Leasehold improvements | Servers and networking equipments | Total   |
|     | Historical cost                   |                  |            |                   |                           |                        |                                   |         |
|     | 1 January 2014                    | 61,564           | 35,792     | 14,537            | 26,855                    | 16,670                 | 61,612                            | 217,030 |
|     | Additions during the year         | -                | 1,395      | 1,119             | 1,851                     | 875                    | 33                                | 5,273   |
|     | Currency translation adjustments  | 3,875            | 2,316      | 966               | 1,775                     | 1,090                  | 3,880                             | 13,902  |
|     | 31 December 2014                  | 65,439           | 39,503     | 16,622            | 30,481                    | 18,635                 | 65,525                            | 236,205 |
|     | Accumulated depreciation          |                  |            |                   |                           |                        |                                   |         |
|     | 1 January 2014                    | 28,563           | 8,710      | 7,858             | 8,080                     | 7,731                  | 23,636                            | 84,578  |
|     | Depreciation charge for the year  | 10,434           | 3,655      | 2,623             | 4,581                     | 2,916                  | 10,475                            | 34,684  |
|     | Currency translation adjustments  | 2,273            | 714        | 614               | 717                       | 617                    | 1,965                             | 6,900   |
|     | 31 December 2014                  | 41,270           | 13,079     | 11,095            | 13,378                    | 11,264                 | 36,076                            | 126,162 |
|     | Carrying amounts                  |                  |            |                   |                           |                        |                                   |         |
|     | 1 January 2014                    | 33,001           | 27,082     | 6,678             | 18,775                    | 8,939                  | 37,976                            | 132,452 |
|     | 31 December 2014                  | 24,169           | 26,424     | 5,527             | 17,103                    | 7,371                  | 29,449                            | 110,043 |



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

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

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

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

## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

#### 9. Other financial assets

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

#### 9.1 Fixed deposits with banks

(maturities more than 3 months)

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

#### 9.2 Other receivables

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

#### 10. Cash and cash equivalents

|   | As at<br>31 December 2014 | As at<br>31 December 2013 |
|---|---------------------------|---------------------------|
| <i>Cash at bank</i>                             |                           |                           |
| Current account                                 | 213,878                   | 604,258                   |
| Deposit account (maturities less than 3 months) | 121,387,115               | 55,334,784                |
| Cash in hand                                    | 447                       | 1,508                     |
|   | <b>121,601,440</b>        | <b>55,940,550</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<br>31 December 2014 | As at<br>31 December 2013 |
|---|---------------------------|---------------------------|
| <b>Employee benefits</b>                  |                           |                           |
| Provision for long term employee benefits | 9,193                     | 3,801                     |
| <b>Closing balance</b>                    | <b>9,193</b>              | <b>3,801</b>              |

**12. Trade and other payable**

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

**15. Investment income**

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

**16. Other gain and losses**

|                                    | For the year ended<br>31 December 2014 | For the year ended<br>31 December 2013 |
|------------------------------------|--|--|
| Net foreign exchange gain/(losses) | (55,258)                               | (864,936)                              |
|                                    | <b>(55,258)</b>                        | <b>(864,936)</b>                       |

**17. Employee benefit expenses**

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

**18. General expenditure**

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

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

|      | <b>For the year ended<br/>31 December 2014</b> | <b>For the year ended<br/>31 December 2013</b> |
|------|--|--|
| Rent | (25,976)                                       | (27,116)                                       |
|      | <b>(25,976)</b>                                | <b>(27,116)</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 :

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

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

|                           | <b>For the year ended<br/>31 December 2014</b> | <b>For the year ended<br/>31 December 2013</b> |
|---------------------------|--|--|
| Travelling and conveyance | (14,064)                                       | -  |
| Meeting expenses          | (30,419)                                       | -  |
|                           | <b>(44,483)</b>                                | <b>-</b>                                       |



## SAARC Development Fund (SDF)

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

(All amounts in SDR, unless otherwise stated)

### 13. Deferred unrestricted and restricted contributions

|  |                     |                     | Deferred restricted contribution |                     | Deferred contributions - Capital Assets |                     |
|--|---------------------|---------------------|----------------------------------|---------------------|---|---------------------|
| 13.1 Carrying amount                                       | As at<br>31.12.2014 | As at<br>31.12.2013 | As at<br>31.12.2014              | As at<br>31.12.2013 | As at<br>31.12.2014                     | As at<br>31.12.2013 |
| Voluntary contribution received from various countries     | 50,353,235          | 50,929,369          | -                                | -                   | -                                       | -                   |
| Fund received on cessation of South Asian Development fund | 4,897,140           | 4,607,144           | -                                | -                   | -                                       | -                   |
| Contribution received in kind from Kingdom of Bhutan       | -                   | -                   | -                                | -                   | 22,946                                  | 34,001              |
| Technical assistance received from World Bank              | -                   | -                   | 19,883                           | 57,104              | -                                       | -                   |
| <b>Total deferred unrestricted and restricted reserves</b> | <b>55,250,375</b>   | <b>55,536,513</b>   | <b>19,883</b>                    | <b>57,104</b>       | <b>22,946</b>                           | <b>34,001</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 2014   | 50,929,369   | 4,607,144   | 57,104   | 34,001   | 55,627,618                  |
| Received during the year  | 363,096  | -   | 52,444   | -  | 415,540                     |
| Less: Allocated to the other expenditure to the extent of related grant disbursed | (3,989,713)  | -   | (91,483)   | -  | (4,081,196)                 |
| Add/(less): Expenses for project in pipeline                                      | 9,384  | -   | -  | -  | 9,384                       |
| Less: Depreciation on such assets charged to statement of comprehensive income    | -  | -   | -  | (12,620)   | (12,620)                    |
| Add: Currency translation adjustments   | 3,041,099  | 289,996   | 1,818  | 1,565  | 3,334,478                   |
| <b>Closing Balance as at 31 December 2014</b>                                     | <b>50,353,235</b>                                      | <b>4,897,140</b>  | <b>19,883</b>  | <b>22,946</b>  | <b>55,293,204</b>           |

|   | 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") ** |  |  |                             |
| <b>Opening balance as at 01 January 2013</b>                                      | 53,586,931   | 4,616,376   | -  | 46,509   | 58,249,816                  |
| Addition made during the year   | 194,805  | -   | 90,231   | -  | 285,036                     |
| Less: Allocated to the other expenditure to the extent of related grant disbursed | (2,781,156)  | -   | (33,561)   | -  | (2,814,717)                 |
| Less: Depreciation on such assets charged to statement of comprehensive income    | -  | -   | -  | (12,576)   | (12,576)                    |
| Add: Currency translation adjustments   | (71,211)   | (9,232)   | 434  | 68   | (79,941)                    |
| <b>Closing Balance as at 31 December 2013</b>                                     | <b>50,929,369</b>                                      | <b>4,607,144</b>  | <b>57,104</b>  | <b>34,001</b>  | <b>55,627,618</b>           |

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

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

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

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

(All amounts in SDR, unless otherwise stated)

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

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

#### 14.1.2 Capital contribution due and receivable

|   |                   |   |  |  |  |  |                    |                    |
|---|-------------------|---|--|--|--|--|--------------------|--------------------|
| Islamic Republic of Afghanistan           | 2,000,000         | - |  |  |  |  | <b>As at</b>       | <b>As at</b>       |
| People's Republic of Bangladesh           | 1,058,232         |   |  |  |  |  | <b>31 December</b> | <b>31 December</b> |
| Republic of India                         | 647,333           |   |  |  |  |  | <b>2014</b>        | <b>2013</b>        |
| Republic of Maldives                      | 5,933,233         |   |  |  |  |  |                    |                    |
| Federal Democratic Republic of Nepal      | 4,288,000         |   |  |  |  |  |                    |                    |
| Islamic Republic of Pakistan              | 13,652,364        |   |  |  |  |  |                    |                    |
| Democratic Socialist Republic of Srilanka | 5,430,667         |   |  |  |  |  |                    |                    |
| <b>Total</b>                              | <b>33,009,829</b> |   |  |  |  |  | <b>As at</b>       | <b>As at</b>       |
|   |                   |   |  |  |  |  | <b>31 December</b> | <b>31 December</b> |
|   |                   |   |  |  |  |  | <b>2014</b>        | <b>2013</b>        |

#### 14.1.3 Capital contribution received in advance

|   |              |  |  |  |  |  |                    |                    |
|---|--------------|--|--|--|--|--|--------------------|--------------------|
| <b>Republic of India</b>                            |              |  |  |  |  |  |                    |                    |
| Opening   | 11,480,667   |  |  |  |  |  |                    | 23,041,550         |
| Less, Transfer to Capital contribution due and paid | (11,480,667) |  |  |  |  |  |                    | (12,128,000)       |
| Currency translation adjustments                    | -            |  |  |  |  |  |                    | 567,117            |
| <b>Total</b>  | <b>-</b>     |  |  |  |  |  | <b>As at</b>       | <b>As at</b>       |
|   |              |  |  |  |  |  | <b>31 December</b> | <b>31 December</b> |
|   |              |  |  |  |  |  | <b>2014</b>        | <b>2013</b>        |

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         |
| <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 Retained earnings

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

#### 14.3 Foreign currency translation reserves

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

## SAARC Development Fund (SDF)

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

#### 19 Defined contribution plans

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

#### Defined benefit plan

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

|                                       | As at 31 December |              |
|---------------------------------------|-------------------|--------------|
|                                       | 2014              | 2013         |
| Present value of unfunded obligations | 9,193             | 3,801        |
| <b>Total</b>                          | <b>9,193</b>      | <b>3,801</b> |

#### Movement in the present value of the defined benefit obligation

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

#### Movement in the present value of the defined benefit obligation

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

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

#### Actuarial assumptions

Principal actuarial assumptions are given below:

##### (a) Economic Assumptions

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



(b) Demographic Assumption

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

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

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

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

## 20 Related parties

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

(a) Name and relationship of related parties:

Related parties and nature of related party relationships:

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

(b) Details of transactions during the year:

(i) Key managerial person

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

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

(i) Key managerial person

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

## 21 Operating leases

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

## 22 Financial instruments

### Credit risk

Exposure to Credit Risk

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

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

### Liquidity risk

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

| As at 31 December 2014      | Carrying amount | Less than 1 year | Total  |
|-----------------------------|-----------------|------------------|--------|
| <b>Current</b>              |                 |                  |        |
| Accounts payable and others | 28,976          | 28,976           | 28,976 |

| As at 31 December 2013      | Carrying amount | Less than 1 year | Total  |
|-----------------------------|-----------------|------------------|--------|
| <b>Current</b>              |                 |                  |        |
| Accounts payable and others | 22,533          | 22,533           | 22,533 |

### Interest rate risk

Profile

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

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

## 23 Contractual commitments

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

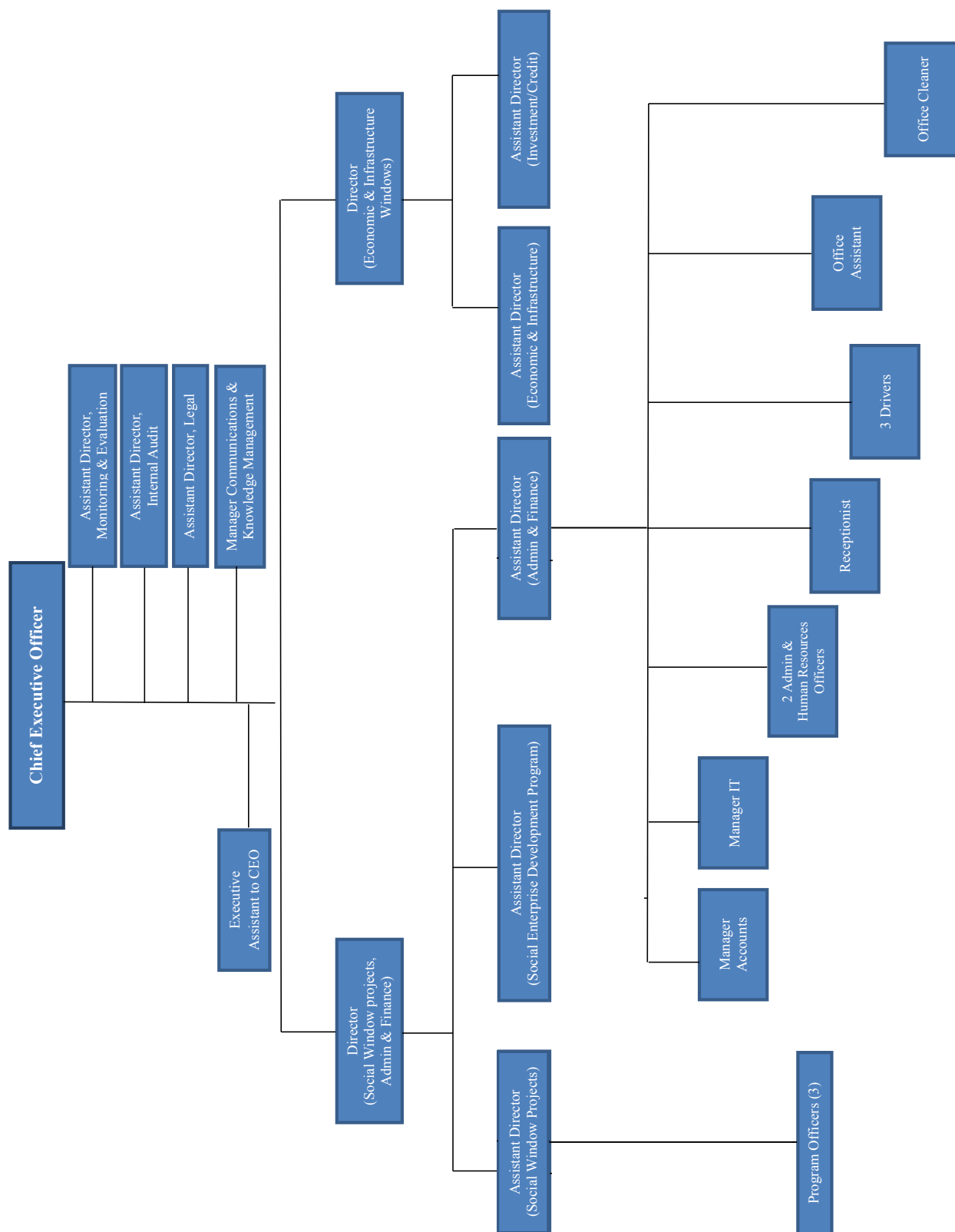
| Project Name  | Amount approved/<br>granted # | Amount disbursed/<br>expensed till 31st<br>December, 2013 | Currency<br>fluctuation<br>movement<br>on<br>conversion<br>of USD to<br>SDR | Amount<br>disbursed/<br>expensed<br>in the year<br>ended 31st<br>December,<br>2014 | Balance<br>committed<br>amount*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

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

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

- 24 As required under project financing agreement interest income on idle funds lying with projects is accounted in these financial statements on the basis of amount calculated and reported by the respective project Lead Implementing Agency/Implementing agency.
- 25 **Subsequent events**  
There were no such events after the balance sheet date which represents unusual changes affecting the existence or substratum of the Fund at the balance sheet date.
- 26 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

## SDF ORGANOGRAM





## CONTACT

### **SAARC Development Fund Secretariat**

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

(M) +975-17140975

(T) +975-02-321152

(F) +975-02-321203/321150

[ceo@sdfsec.org](mailto:ceo@sdfsec.org)

[info@sdfsec.org](mailto:info@sdfsec.org)

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