

Audited Project Financial Statements

Project Number: 49202-001

Grant Number: G9180

Period covered: 16 July 2017 to 16 July 2018

NEPAL: Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities

Prepared by Ministry of Finance

For the Asian Development Bank

Date received by ADB: 26 January 2019

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Government of Nepal.



Government of Nepal

Ministry of Finance



Ref.No: 2075/76/371

Date: 26 Jan. 2019

Country Director
Asian Development Bank
Nepal Resident Mission,
Metropark Building, Lazimpat,
Kathmandu, Nepal

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26 JAN 2019

Sub: Submission of Audited Project Financial Statement of JFPR 9180 NEP: Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities Project (MOF Part)

Dear sir

Please find attached herewith the Audited Project Financial Statement of JFPR 9180 NEP: Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities Project (MOF Part) for the Fiscal Year 2074/75 (NFY 2017/18) as mentioned in the Grant agreement.

With best regards,

Yours Sincerely


.....

Bhim Prasad Regmi
Under Secretary (Accounts)
Ministry of Finance



Ref. No. 150-2075/76

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Babar Mahal, Kathmandu, Nepal

January 15, 2019

INDEPENDENT AUDITOR'S REPORT

*The Secretary
Ministry of Finance
Singh Durbar, Kathmandu*

Report on the Financial Statements

We have audited the accompanying Project Financial Statements including Statement of Advance Account of the "Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities" financed by JFPR Grant No: 9180-NEP as at 16 July 2018 (32 Ashad, 2075) and for the year then ended and a summary of accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Government of Nepal (GON) accounting policies and relevant practices. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of project financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Project Financial Statements based on our audit. We conducted our audit in accordance with the INTOSAI (International Organisation of Supreme Audit Institutions) Fundamental Auditing Principles. Those Principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation 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 entity'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

Management letter highlighting areas for improving financial management is including compliance with financial covenant is attached herewith.

In our opinion, the Project Financial Statements including Advance Account, in all material respects, give a true and fair view of the financial position of the "Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities" as of 16 July 2018 (32 Ashad, 2075), and of the results of its operations and its cash flows for the year then ended in accordance with GON accounting policies. We also report that funds provided under JFPR Grant No: 9180-NEP have been utilized for intended purposes.


(Ramu Prasad Dotel)
Deputy Auditor General

Government of Nepal
Ministry of Finance

**Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected
Communities Project**
JFPR 9180 NEP

Audited Project Financial Statement
FY 2017/18 - NFY 2074/75

Government of Nepal
Ministry of Finance

**Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected
Communities Project
JFPR 9180 NEP**

**Audited Project Financial Statement
FY 2017/18 - NFY 2074/75**

1

Ministry of Finance
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected
Communities
JFPR GRANT No: 9180 NEP

Notes to Project Financial Statement: Accounting Policy and Explanatory Notes

1. Project Background

The Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities project (the Project) supports the Government of Nepal (the government) to accelerate recovery and reconstruction following the devastating earthquake on 25 April 2015 and major aftershock on 12 May 2015. The Project will support model disaster resilient schools, microcredit for livelihood restoration and disaster risk reduction capacity building.

The Project shall comprise three components:

Components 1: Schools in Poorer and Severely Affected Districts Constructed or Rebuilt as Model Disaster Resilient Schools; Rebuild and retrofit at least 14 model schools that are in line with school reconstruction plans to disaster resilient standards and equipped with ICT equipment, science laboratories and improved learning space.

Component 2: Microcredit Facility for Livelihood Restoration Provided to Small Farmer Cooperative Members. Provision of microcredit to at least 12,500 affected households to restore damages from the earthquake. The multipurpose microcredit may be used to: (i) revive microenterprises, (ii) restore livestock, agriculture activities, and other means of livelihood, and (iii) cover essential expenses during recovery period.

Component 3: Strengthening the Disaster Risk Management Capacity of the Affected Communities. Provision of training on disaster resilient construction and disaster risk management planning. Consulting services are provided to support the above activities

Output 1: Schools in poorer and severely affected districts constructed or rebuilt as model disaster resilient schools. This will rebuild or retrofit at least 14 model schools (e.g., year 1-12 senior secondary schools) with disaster resilient standards in line with the government's school reconstruction plans and to be equipped with ICT equipment, science laboratories and improved learning space, furniture, and amenities. The component will be implemented using the same implementation arrangements as the Earthquake Emergency Assistance Project (EEAP).

There shall be no overlaps between EEAP and the Project locations, while covering the 14 most affected districts. The output will have a strong linkage to disaster risk reduction capacity building (Output 3) to make the model schools serve as local learning centers for disaster risk reduction.

Output 2: Microcredit facility for livelihood restoration provided to small farmer cooperative (SFC) members. This will provide microcredit to approximately 12,500 affected households to restore damages from the earthquake. The microcredit will have flexible purposes to meet various needs of affected households and could finance (i) reviving microenterprises; (ii)

restoring livestock, agricultural activities, and other means of livelihood; and (iii) essential expenses during the recovering period such as food. Microcredit will be channeled through the networks of small farmers cooperatives (SFCs) affiliated under Small Farmers Development Bank (SFDB). SFCs are member-owned and member-governed cooperatives with small and poor farmers as members. SFDB has 85 SFCs in the affected districts with the total 150,000 member households.

Using the grant proceeds, the government provides a loan to SFDB. SFDB on-lends the loan to SFCs and SFCs relend to its members. Microcredit will be provided in the same areas for the model schools. SFC members' networks will also be utilized to provide training on disaster-resilient construction, and community-based disaster risk management (Output 3).

Output 3: Disaster risk management capacity of the affected communities strengthened. The component will conduct training programs on disaster resilient construction and disaster risk management. The disaster resilient construction training will adopt the training of trainer methodologies in which trained masons and carpenters will conduct community level training.

The Project will also support disaster risk management trainings for the settlements associated with the concerned community schools, including maintenance of school buildings, as potential evacuation centers in the event of disasters. The Project will prepare community-based disaster risk management plans for the individual school areas, and train teachers, education administrators, school management committee members and village development committee members, selected at the local level.

Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Japan Fund for Poverty Reduction (JFPR)	15.0	84.0
Government of Nepal	1.3	8.0
Small Farmers Development Bank	1.5	8.0
Total	17.8	100.0

The grant agreement was signed between MOF and ADB on 8 December 2015 for Grant amount of USD15 million and the Grant was made effective from 8 January 2016. The Project is expected to be completed by 30 September 2018 and the Grant closing date is 31 March 2019.

Of the total JFPR support of US\$ 15.0 million, US\$ 7.5 million is for component 1 to be spent through Ministry of Education and remaining US\$ 7.5 million is for component 2 and 3 to be spent through Ministry of Finance.

2. Statement of Compliance

Project Financial Statements have been prepared in accordance with Audit Guide of Project Financial Statements issued by Office of the Auditor General, Nepal in 2015; Financial Procedural Act and Rules of GON and GON Accounting Guideline 2016 issued by FCGO



3. Basic of Accounting

The project has maintained accounts on a cash basis of accounting and double entry accounting systems.

3. Fund Flow mechanism

After the annual program is approved by the parliament, based on the Line Ministry Budget Information System (LMBIS) annual program, the concerned District Treasury Controller Office (DTCO) release the budget under Treasury Single Account System for GON fund. A subsidiary agreement has been signed between MOF and SFDB to manage the credit fund. MOF had transferred the amount from Advance Account (USD) in installment basis to Small Farmer Development Bank's account to implement the project activities. Fee to consultants working in MOF was paid by MOF directly from Advance Account. Further, for the expenses in training and capacity development incurred by SFDB, MOF directly reimburse the eligible expenditures. The budget head has been approved under Fiscal budget head under MOF. There is separate subsidiary Loan agreement between MOF and SFDB for fund flow mechanism.

4. Advances

Advances are treated as expenditure. There are no any outstanding advances at the end of the FY.

5. Sources and Application

Project Financial Statement (Main sheet) reflects the figures as Source and Application. GON fund, ADB grant, and Advance account replenishable amount are the main sources of the project. Category wise total expenditure are shown in the Application. Expenditure heads are grouped in the respective donor's category as per Note-1.

6. Previous Year and Cumulative up to the Current FY .

The Project Financial Statement shows previous year column to show only the comparison between current year and previous year's data.

Similarly, Cumulative up to the current FY is shown for cumulative purpose by adding cumulative up to previous year and current year's data.

7. Recognition of Project Expenditure Value Date

Actual date of financial transaction (cheque issue date) is considered as value date for the expenditure done by the project in Nepalese Currency. Similarly, expenditure made from Advance Account (USD), amount transferred date as per Nepal Rastra Bank's statement is considered.



8. Exchange Rate Applicable

Buying rate (exchange rate) as per Nepal Rastra Bank is applied for the unspent balance (USD) in the advance account at the end date of FY to convert it in Nepalese rupees.

9. mprest Account is Replaced by Advance account

As per Loan Disbursement Handbook 2017, 'Imprest Account' is replaced by the name 'Advance Account'. Since, there is no implication in the financial accounting and reporting system. Project Financial Statements are updated accordingly with the name of 'Advance Account'.

10. Reporting Currency

The reporting currency is in Nepalese Rupees - NRs. (currency of Nepal). Financial statements for projects financed under JFPR grant is reported showing USD currencies of financed in Note-3.

11. Foreign currency transactions

An Advance Account of US\$6.0million was established in Nepal Rastra Bank, Banking Office, Thapathali, Kathmandu for Small Farmer Development Bank (SFDB) component. Advance account is replenished / liquidated as per Loan Disbursement Handbook 2017. This account is operated by MOF.FCGO releases the amount to SFDB on installment basis and the same amount is reimbursed to the FCGO's account from Advance account.

12. Nepalese Fiscal Year

FY2017/18 commenced from 16 July 2017 and ended on 16 July 2018. The figures mentioned in this Project Financial Statement are within this reporting period

13. Component covered

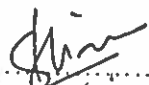
This project financial statement covers the expenditure of MOF portion only (including Advance A/C) . Other implementing agencies (IAs) Small Farmer Development Bank (SFDB) and .Ministry of Education/Central Level Project Implementing Unit (CLPIU) will submit separate project financial statement of FY 2017/18 under JFPR 9180 NEP.

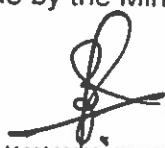
14. Intended purpose

The Grant has been used exclusively for the intended purpose of the project.

15. Date of authorization:

These financial statements have been authorized for issue by the Ministry of Finance, Singhdurbar, Kathmandu, on 23 December 2018.


Bhim Prasad Regmi
Under Secretary (Account)


Uttar Kumar Khatri
Joint Secretary/Project Director

Government of Nepal
Ministry of Finance
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
JFPR9180 NEP (MOF Component)

Project Financial Statement

FY 2017/2018(NFY 2074/75)

From 16 July 2017 to 16 July 2018

Amount in NRs				
	Note	Previous Year	Current Year	Cumulative up to current year
Sources				
GON Fund	2	-	2,911,237.00	2,911,237.00
GON Reimbursable Fund	2	-	-	-
ADB Grant	3	259,278,000.00	255,978,143.58	515,256,143.58
Advance Account Replenishable	4	336,093,768.00	(232,674,607.58)	103,420,769.77
Sub-Total (A)		595,371,768.00	26,214,773.00	621,588,150.35
Advance Account Initial Deposit	4	(260,907,302.72)	(253,511,525.13)	129,321,172.15
Exchange Gain/Loss	4	4,875,709.93	(128,848.73)	1,386,869.61
Sub total (B)		(256,031,592.79)	(253,640,373.86)	130,708,041.76
Total (A+B)		339,340,175.21	(227,425,600.86)	752,296,192.11
Application				
Consulting services	1	833,155.00	7,776,790.00	8,609,945.00
Equipments and supplies	1	-	-	-
Capacity Building and training	1	6,038,613.00	18,437,983.00	24,476,596.00
Credit line	1	588,500,000.00	-	588,500,000.00
Civil works	1	-	-	-
Bank commission charge	1	-	-	1,609.35
Sub-Total(A)		595,371,768.00	26,214,773.00	621,588,150.35
Advance Account Balance	4	(592,125,360.79)	(20,965,766.27)	27,287,272.00
Outstanding Replenishment	4	336,093,768.00	(232,674,607.58)	103,420,769.77
Sub Total (B)		(256,031,592.79)	(253,640,373.86)	130,708,041.76
Total (A+B)		339,340,175.21	(227,425,600.86)	752,296,192.11

Separate Project Financial Statement will be submitted by Small Farmer Development Bank and Ministry of Education, Central Level Project Implementing Unit under JFPR Grant 9180 NEP

(Bhim Prasad Regmi)
Under Secretary (Account)
MOF

(Raj Kumar Khatri)
Project Director/Joint Secretary
MOF

(Dr. Rajan Khanal)
Secretary
Ministry of Finance

Surya Prasad Gautam
Financial Comptroller General

(Ramu Prasad Dotel)
Deputy Auditor General
Office of the Auditor General




Ministry of Finance
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities (MOF Component)
JFPR9180 NEP

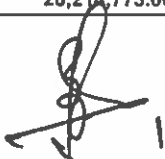
Notes: 1

The project has maintained accounts as per the GON accounting system, that is on cash basis. All disbursements including advances are treated as expenditures. The project accounts has been compiled from GON accounting records.

Amount in NRs

	Budget Item	Budget Expenditure/ Category	Previous year	Current year	Cumulative up to Current year
A	Consulting services- 3101				
		Consultant	833,155.00	4,027,558.00	4,860,713.00
		Consultant	-	3,749,232.00	3,749,232.00
		Sub Total	833,155.00	7,776,790.00	8,609,945.00
B	Equipment and supplies- 3602				
		Equipments	-	-	-
		Furniture	-	-	-
		Sub-Total	-	-	-
C	Capacity Building and training -3801				
		Training	6,038,613.00	18,084,010.50	24,122,623.50
		Training and workshop	-	353,972.50	353,972.50
		Sub-Total	6,038,613.00	18,437,983.00	24,476,596.00
D.	Civil works				
		Civil works	-	-	-
E	Credit Line				
	31111	Loan Investment	588,500,000.00	-	588,500,000.00
		Bank commission Charge	-	-	1,609.35
		Sub-Total	588,500,000.00	-	588,501,609.35
		Grand Total	595,371,768.00	26,214,773.00	621,588,150.35


 (Bhim Prasad Regmi)
 Under Secretary (Account)
 MOF


 (Uttar Kumar Khatri)
 Project Director/Joint Secretary
 MOF

Ministry of Finance
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
JFPR 9180 (MOF Component)

Notes 2: GON Fund and Reimbursable Fund

Amount in NRs

Particulars	Previous Year	Current Year	Cumulative up to current year
A. Budget Release			
GON fund	-	2,911,237.00	2,911,237.00
GON Reimbursable fund	-	-	
Total (A)		2,911,237.00	2,911,237.00
B.		-	
Less		-	
i) Unspent Balance- GoN Fund	-	-	-
ii) Unspent Balance- ADB Reimbursable	-	-	-
		-	-
Less		-	
Reimbursed to Ka-7-717	-	-	-
i) Reimbursed by ADB	-	-	-
ii) Transferred from Advance Account	-	-	-
	-	-	-
Total (B)	-	-	-
Total Fund (A-B)	-	2,911,237.00	2,911,237.00
C - GON Fund	-	-	-
Sub total GON Fund (i)	-	2,911,237.00	2,911,237.00
GON Reimbursable Fund			
Sub total GON Reimbursable Fund (ii)	-	-	-
Total Fund (i+ii)	-	2,911,237.00	2,911,237.00



(Bhim Prasad Regmi)
Under Secretary (Account)
MOF




(Uttar Kumar Khatri)
Project Director/Joint Secretary
MOF


Ministry of Finance
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
JFPR9180 NEP

Details of Disbursement
FY 2017/2018 (2074/75)

Note : 3

Disbursement	Previous Year		Current Year		Cumulative up to current year	
	NRs	USD	NRs	USD	NRs	USD
A Reimbursement	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
B Replenishment	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
C Liquidation of Advance A/C	259,278,000.00	2,431,795.16	255,978,143.58	2,362,862.57	515,256,143.58	4,794,657.73
Sub-Total	259,278,000.00	2,431,795.16	255,978,143.58	2,362,862.57	515,256,143.58	4,794,657.73
D Direct Payment	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Total (A)	259,278,000.00	2,431,795.16	255,978,143.58	2,362,862.57	515,256,143.58	4,794,657.73
E Advance A/C initial deposit after liquidation	(260,907,302.72)	(2,431,795.16)	(253,511,525.14)	(2,362,862.57)	129,321,172.14	1,205,342.27
Total (B)	(1,629,302.72)	-	2,466,618.44	-	644,577,315.72	6,000,000.00


(Bhim Prasad Regmi)
Under Secretary (Account)
MOF


(Uttar Kumar Khatri)
Project Director/Joint Secretary
MOF

Ministry of Finance

Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities

JFPR9180 NEP


Memorandum of Advance Account


Note-4

Advance Account No:1201000/001.044.840 (Nepal Rastra Bank, Thapathali Kathmandu)

	Description	Equivalent NRs.	USD
A	Balance of Imprest A/C as at 16 July 2018 as per bank statement (Exchange rate USD 1 = NRS109.34)	27,287,272.00	249,563.49
B	Outstanding Replenishment of Previous Year		
	Fund Transfer to GON Central A/C	-	-
	Payment made from Advance account	336,095,377.35	3,099,091.11
	Sub-total	336,095,377.35	3,099,091.11
C	Disbursement during 2017/18		
	Fund Transfer to GON Central A/C	-	-
	Payment made from Advance account	23,303,536.00	219,550.24
	Sub-total	23,303,536.00	219,550.24
D	Replenishment during 2017/18		
	Fund Transfer to GON Central A/C	-	-
	Payment made from Advance account	-	-
	Sub-total		
E	Liquidation during 2017/18		
	Fund Transfer to GON Central A/C	-	-
	Payment made from Advance account	255,978,143.58	2,362,862.57
	Sub-total	255,978,143.58	2,362,862.57
E	Outstanding Replenishment as at 16 July 2018		
	Fund Transfer to GON Central A/C	-	-
	Payment made from Advance account	103,420,769.77	955,778.78
	Sub-total	103,420,769.77	955,778.78
F	Exchange gain/loss (A+E-G)	1,386,869.61	-
	Sub-total		
G	Advance Account Initial Deposit (15 June 2016) Exchange Rate USD 1= NRs107.29	382,832,697.28	3,568,204.84
	Less: Liquidation as of 2016/17		
	Less: Liquidation as of 2017/18	253,511,525.14	2,362,862.57
	Net Initial deposit	129,321,172.15	1,205,342.27

USD15.00 is the bank commission charge of the correspondent Bank at the time of initial advance. USD15.00 is deficit in the bank balance. Which is shown as outstanding replenishment.


(Bhim Prasad Regmi)
Under Secretary (Account)
MOF


(Jitendra Kumar Khatri)
Project Director/Joint Secretary
MOF

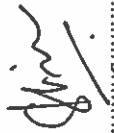
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities

JFPR9180 NEP

Ministry of Finance

Memorandum of Withdrawal Application Liquidation/Replenishment Account

WA#	Amount		Liquidation		Replenishment		Withheld		Value Date
	NPR	US\$	NPR	US\$	NPR	US\$	NPR	US\$	
002	259,278,000.00	2,431,795.16	259,278,000.00	2,431,795.16	-	-	-	-	10 Jan 2017
' 2016/17	259,278,000.00	2,431,795.16	259,278,000.00	2,431,795.16	-	-	-	-	-
003	255,978,143.58	2,362,862.57	255,978,143.58	2,362,862.57	-	-	-	-	22 Feb 2018
' 2017/18	255,978,143.58	2,362,862.57	255,978,143.58	2,362,862.57					
tal up to 2017/18	515,256,143.58	4,794,657.73	515,256,143.58	4,794,657.73					



(Bhim Prasad Regmi)
Under Secretary (Account)
MOF




(Uttam Kumar Khatri)
Project Director/Joint Secretary
MOF


Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
JFPR9180 NEP (SFDB Component)
Advance Account Ledger (operated by MOF-USD account)

Description	Transfer to Ka-7-17				Payment (Credit)				Receipt /Replenishment (Debit)				Balance	
	Ex.Rate	USD	NRs.	NRs	Ex.rate	USD	WA No.	USD	Rx.rate	NRs.	USD	NRs.	USD	NRs.
2	3	4	5	6=8*7	7	8	9	11	12	13=12*11	14	15		
al advance							00001	6,000,000.00	107.29	643,738,390.65	5,999,985.00			
ment to SFDB				300,000,000.00	106.62	2,813,731.01		-	-	-	3,186,253.99			
ment to SFDB				288,500,000.00	108.82	2,651,167.06		-	-	-	535,086.93			
ment to SFDB				6,871,768.00	104.16	65,973.20		-	-	-	469,113.73			
il of FY 2016/17				595,371,768.00		5,530,871.27					469,113.73	48,253,038.27		
											Ex rate USD1= NRs 102.86			
ment to SFDB				13,014,600.00	103.98	125,164.45					343,949.28			
ment to NHD				2,145,896.00	106.68	20,115.26					323,834.02			
ment (TDS) NHD				33,632.00	106.68	315.26					323,518.76			
ment to SFDB				7,064,508.00	109.64	64,433.67					259,085.09			
ment (TDS) to NHD				16,128.00	109.74	146.97					258,938.12			
ment NHD				1,028,772.00	109.74	9,374.63					249,563.49	27,287,272.00		
il of FY 2017/18				23,303,536.00		219,550.24					Ex rate USD1= NRs 109.34			
rd total				618,675,303.99		5,750,421.51								

Total exp. USD	5,750,421.51
Bank Balance USD	249,563.49
Sub Total	5,999,985.00
Bank commission	15.00
Initial advance USD	6,000,000.00

WA No.		Liquidation
	USD	NRs
00002	2,431,795.16	259,278,000.00
00003	2,362,862.57	258,978,143.58
	4,794,657.73	518,256,143.58


 (Bhim Prasad Regmi)
 Under Secretary (Account)
 MOF


 (Ulkar Kumar Khatri)
 Project Director/Joint Secretary
 MOF

FINANCIAL COVENANTS AS PER GRANT AGREEMENT

JFPR9180 NEP


Schedule	Para No.	Description	Not complied	Complied	On going	Not yet due
ARTICLE IV		Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.			On going	
ARTICLE IV		Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.		Complied		
ARTICLE IV		(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's				
ARTICLE IV		(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.				
ARTICLE IV		Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.			On going	
ARTICLE IV		Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable SFDB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.			On going	
ARTICLE IV		Section 4.05. (a) The Recipient shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes				
ARTICLE IV		(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB				
ARTICLE IV		Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for JFPR. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the JFPR, and (ii) that ADB does not assume any obligations or responsibilities of JFPR in respect of the Project or the Grant other than those set out in this Grant Agreement.			On going	

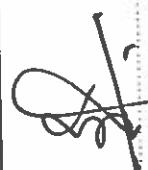
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[Signature]

Government of Nepal
Ministry of Finance
Status of Implementation of Audit Observations of 2016/17
JFPR 9180 NEP

Main Audit Observation	Clarification	Status of Implementation	Remarks
<p>1 The main objective of the project is to support the Government of Nepal to accelerate recovery and reconstruction from the affect of earthquake on April 25, 2015 and major aftershock on May 12, 2015. The project mainly supports in the area of model disaster resilient schools, microcredit for livelihood restoration and disaster risk reduction capacity building. Total major earthquake affected districts of Nepal are 14 but the project has provided the support service only to 3 districts (i.e. Dhading, Nuwakot and Rasuwa) and remaining 11 districts' farmers are out of the coverage.</p>	<p>A total of 5.4 million population was affected in 14 severely affected districts by the earthquake. Considering the affected population in those districts, the available fund was insufficient. Thus, the Board of SKBBL decided to disburse this credit to small farmers of Dhading, Nuwakot and Rasuwa districts. The BoD had also decided to revolve the recovered loan in other earthquake affected districts based on demand.</p>	<p>The project was extended in other districts namely Gorkha, Makawanpur, Kathmandu, Kavre, Dolakha, Ramechhap and Sindhupachok.</p>	
<p>2 As per the statement, the approved grant for the micro-credit institution was RS 458.2 Million and out of which only Rs 370.5 million was disbursed to the concerned micro-credit institutions. The balance amount Rs. 87.7 Million is neither shown in financial statement nor disbursed to the small farmer agriculture cooperatives. Project should make cleare about the balance amount.</p>	<p>By th end of FY 2016/17, MoF released Rs 588.5 Million to SKBBL for Livelihood Credit. SKBBL disbursed theamountas loan to SFACL based on their demand for loan. The SKBBL disbursed Rs 745.3 Million by November, 2017.</p>	<p>In reporting year, SKBBL disbursed additional Rs 80.4 Million as per demand from SFACLs.</p>	


(Bhim Prasad Regmi)
Under Secretary (Account)
MOF


(Uttam Kumar Khatri)
Project Director/Joint Secretary
MOF


Ministry of Finance
Financial Statement
FY 2074/075(017/18)


Head 305104

Programme	Budget Head	Expenditure Head	Allocation			Virement			Expenditure			Balance	
			GON	ADB DP	Total	Gon	ADB DP	Total	GON	ADB DP	Total	GON	ADB DP
Farmer Development Link(Regular)	305104	25112	80,000,000.00	-	80,000,000.00	-	-	-	80,000,000.00	-	80,000,000.00	-	-
Risk Reduction and Restoration for Disaster-Affected Areas(JFPR 9180 Grant)	305104	25111	16,049,000.00	94,901,000.00	110,950,000.00	-	-	-	2,911,237.00	23,303,536.00	26,214,773.00	18,960,237.00	71,597,464.00

000 is the regular budget provided by MOF, which is not related to this Grant No 9180 NEP. Hence, this amount has not been included in the project financial statement.

Included in the project financial statement 26,214,773.00


(Bhim Frasad Regmi)
Under Secretary (Account)
MOF


(Ullar Kumar Khatri)
Project Director/Joint Secretary
MOF



MINISTRY OF FINANCE

STATEMENT OF ACCOUNT

AS AT : 16.07.18

CURRENT ACCOUNT

NUMBER : 1201000/001.042.51

Disaster Risk Reduction Livelihood
IN UNITED STATES DOLLARS

MINISTRY OF FINANCE

ISSUED ON : 06.04.75 PAGE 1

DATE	DESCRIPTION	VALUE DATE	DEBIT	CREDIT	BALANCE	REF.
	OPENING BALANCE PER : 01.04.74			469,113.73		
2012/74	PA.SA. 2074/75, CHA NO. 557 DATED	2012/74	125,164.45		343,949.28	150 2400368/854
01/75	PA.SA. 074/75, CHA NO. 625	230175	20,115.26		323,834.02	150 2400372/854
01/75	PA.SA. 074/75, CHA NO. 625	230175	315.26		323,518.76	150 2400372/854
260375	2074/75, CHA NO. 813	260375	64,433.67		259,085.09	150 2400372/854
03/75	2074/75, CHA NO. 819, INTD 2075/03/7	280375	146.94		258,938.12	150 2400372/854
280375	2074/75, CHA NO. 820 DATED AS 2075/03/75	280375	9,374.63		249,563.49	150 2400372/854
	BALANCE IN YOUR FAVOUR			249,563.49		



Handwritten signature and number:
A-482



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 ☒ Rejected
 ☒ Disbursement Details

Nepal ▼

9180-NEP ▼

GRANT ID			
Grant Number:	9180	Country:	Nepal
Grant Title:	DISASTER RISK REDUCTION & LIVELIHOOD RESTORATION 4 EARTHQUAKE-AFFECTED COMM	Related Loan:	
Original Total Amount:	US\$ 15,000,000.00	Grant Status:	Active
Revised Total Amount:	US\$ 15,000,000.00	Project Number:	4920201
Grant Type:	1	Related TAs:	
		Delegated Disbursement Indicator:	N

Executing Agency Ministry of Finance ▼

Category All Categories ▼

Fund All Funds ▼

 Value Date
 From: 1 ▼ January ▼ 1990 ▼
 To: 16 ▼ July ▼ 2018 ▼

As of 23 Dec 2018

EA

W/Appl. No.	CP Transaction No.	Appl. Amount		Amount Paid		US\$ Equivalent	Fund	Value Date
00002		US\$	2,431,795.16	NRS	259,278,000.00	2,431,795.16	46	10 Jan 2017
00003		US\$	2,362,862.57	NRS	255,978,143.58	2,362,862.57	46	22 Feb 2018
A0002		US\$	123,579.46	NRS	12,684,452.00	123,579.46	46	21 Sep 2017
A0003		US\$	336,951.67	NRS	34,443,200.00	336,951.67	46	28 Sep 2017
A0004		NRS	34,355,200.00	NRS	34,355,200.00	335,113.83	46	22 Dec 2017
A0005		NRS	40,396,312.06	NRS	40,396,312.06	388,276.73	46	28 Mar 2018
A0006		NRS	24,553,603.68	NRS	24,553,603.68	236,069.64	46	12 Apr 2018
A0007		NRS	53,036,799.21	NRS	53,036,799.21	492,834.68	46	11 May 2018
A0008	13043	NRS	37,350,207.85	NRS	37,350,207.85	342,524.19	46	28 Jun 2018
TOTAL						7,050,007.93		

ADB

Contract No.	Contract Amount	Amount Paid	US\$ Equivalent	Fund	Value Date
No record exists.					

Advances

Contract No.	Withdrawal Appl. No.	CP Transaction No.	Amount Paid/(Liquidated)	US\$ Equivalent	Fund	Value Date
No record exists.						
GRAND TOTAL				7,050,007.93		

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12/24/2018

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