

**Note these Guidelines are a short excerpt of the Financial Management Manual meant to help you get started. In case of doubt, please consult the Financial Management Manual or contact the ESAT Finance Section for guidance.**

The designated Responsible Officer should ensure that the following tasks are carried out:

### **1. Budget**

- Detailed output-based work plan and budget should be prepared and submitted with the Budget Release Request Form to facilitate the smooth processing of releases.
- Activities have to be carried out within the approved budget.
- The ESAT office aims to process all Budget Release Requests within maximum three working days. However, meeting this goal requires that all documents are in order. If you are a new Responsible Officer, please submit your Budget Release Request Form and necessary documents 7 days in advance of planned activities, thereby allowing the ESAT Office to provide guidance in case the documents are incomplete. All Budget Release Requests have to be submitted with a clear output-based budget breakdown for the requested amount and details of which activities will be carried out, where and when during the plan period.
- Any changes in the approved outputs require proper justification and have to be pre approved by the Steering Committee, before the ESAT Office can release budget.
- Cross utilization of amount between outputs is not allowed without prior approval. If the amount spent within one output area exceeds the budget by up to 5 % of the budgeted amount and total expenses doesn't exceed the total budgeted amount for this Activity area a proper justification and approval in writing from the concerned official is required. However if it exceeds 5%, a proper justification is required and has to be approved by the Steering Committee. If not the excess expenses will be disallowed.

### **2. Accounting and Program Reporting**

- The budget released from the Direct Funding Facility should be accounted properly. As far as possible ESAT encourages maintaining separate books and bank account. The funds received from Direct Funding and expenses made should be managed in a transparent and accountable manner following the financial management rules and procedures for use of Direct Funding. The concerned officials of the ESAT and the auditors of the ESAT have the right to access the books of accounts pertaining to Direct Funding.
- The accounting reports should be submitted to ESAT in the prescribed format within 10 days from the end of the quarter showing the following details latest by the end of each quarter as per format attached.
  - i. Total fund received (advance)
  - ii. Date of advance
  - iii. Total Expenses made (output and activity wise along with comparison with budgeted amount and computation of variance)
  - iv. Balance amount (Represented by the bank statement, bank reconciliation etc)
- Books of accounts must be reconciled on a quarterly basis with the books maintained by ESAT.

- All the expenses should be adequately evidenced by the supporting documents and should be sent to ESAT while sending the quarterly statements (all original supporting documents).
- The program implementation schedule documents, training report, distribution list, participant list, follow up report should be maintained properly.
- The quarterly progress report should be made showing comparison between planned/budgeted and actual achievements/expenditures output and activity wise and submitted to ESAT in the prescribed format within 10 days from the end of the quarter showing the following details.
  - i. Total no of training/survey/workshop to be conducted ( No of participant, date of program, program reports, matters discussed and conclusion reached in brief)
  - ii. Total to be conducted
  - iii. Variance

Final financial reports and Program reports to be submitted with in 10 days of completion of the program. The excess cash if any is to be refunded to the ESAT at the same time and if any amount is to be paid by ESAT, ESAT will pay after verifying the records. The program report should make performance comparison as budgeted and actual that has taken place.

### **3. Procurement of Good and Services**

- Procurement of goods and services will be done with an intention of the best use of resources.
- The ESAT follows the rules and guidelines for the procurement of goods issued by Ministry of Foreign Affairs, Danida dated September 1994.

As per these guidelines, ESAT has the following system for procurement of goods:

### **4. Local Procurement of Goods**

The local procurement amounting to DKK 1,000,000 or equivalent NRs. (as per Embassy's exchange rate, existing rate is 1 DKK = NRs.11.60) will be decided by ESAT. ESAT management may take necessary assistance and involve a Procurement Agent on behalf of ESAT. Where value of procurement exceeds amount of DKK 1,000,000 or equivalent NRs., ESAT or the Procurement Agent on its behalf makes necessary procurement in consultation with EOD. The following procedures will be applied while procuring the goods for ESAT.

For any kind of procurement, a procurement request form need to be filled and approved by DANIDA direct funding whereas the cost up to NRs. 10,000 (ten thousand) can be approved by the Office Manager.

Procurement worth less than NRs.50,000 (fifty thousand) will not require quotations. However the most competitive price (regarding other aspects such as quality, brand name and service) will be taken into consideration through market inquiry.

Procurement locally, with a value of NRs.50,000 (fifty thousand) to NRs. 2,000,000 (two million), requires a minimum of 3 sealed quotations solicited in writing. Before requesting for the quotations, specifications for quality and brand must be finalized at ESAT.

Procurement locally, with a value of greater than NRs. 2,000,000 (two million) and upto NRs. equivalent DKK 1,000,000 requires minimum of five quotations solicited through advertising in a national daily newspaper. Following information will be provided in the advertisement:

- Description of goods and specification brand name
- Quantity requirement
- Quotation for the goods
- Payment terms
- Income-tax registration/VAT Registration
- Due date of delivery
- Place of delivery
- Requirement of Guarantee

Quotation obtained in preceding paragraphs must be evaluated through analysing price, quality and delivery of goods. The quotation will be accepted considering price; adherence to specification; quality; suppliers experience and reputation; delivery time; guarantee and availability of spare parts and service. The quotation must be opened and evaluated jointly with ESAT. The evaluation must be documented.

In case of authorised sole dealer or distributor (certificate required the company) or procurement from organisation of the Government of Nepal. (i.e. National Trading Limited) or registered government co-operative society (i.e. Saja Pasal), quotation processing is not required and direct purchase can be made from such parties.

Procurement must be carried out with a supplier/consultant who is registered with VAT, TAX and PAN and is able to issue a valid VAT invoice.

All the original invoices must be in the name of ESAT/DANIDA else wise invoice will not be accepted.

## **6. Local Procurement for Others**

When ESAT makes procurement on behalf of MOES/DOE or other implementing agencies, it will be according to the specification of goods developed by DOE/MOES together with and agreed by DANIDA direct funding. The quotations procedures will be as mentioned above.

## **7. Tax-withholding or Tax Deduction Source (TDS)**

ESAT ensures necessary tax deductions are made while making certain payments in line with Income-tax Act of Nepal. Since same is to be deposited to concerned revenue office of Government of Nepal within 15th of following month which pertains to Nepali calendar.

However, the rules and regulation of tax is subject to change as per Government of Nepal taxation policy and any changes are to be strictly complied with.

- Incase of Rent, Royalties, service fee and natural resource payment shall withhold tax on the gross amount of payment @15%. (Refer Sec 88 of IT Act).
- 15% of the tax must be withheld on the gross amount of payment while paying any kind of remuneration, fee and allowance (except daily and travelling allowance) to the researchers, instructor, interpreter, artist, operator and peon. Incase of salaried employee a tax has to be deducted as prescribed by the act and rules
- Incase of insurance premium paid other than life insurance as per the act shall withhold tax on the gross amount of payment @1.5%. (Refer Sec 89 of IT Act). Similarly, for Pvt. Ltd. 1.5% tax must be deducted.
- Incase of contractual payment exceeding Rs. 50,000 (This amount is to be considered by aggregating with the payment made under this contract with any other payment made by the person or the associate of the person during the previous ten days under the same contract to the same payee or the associate of the payee) shall withhold tax on the gross amount of payment @1.5%. (Refer Sec 89 of IT Act). Obtaining of quotation and accepting one among them shall be considered as contract.

## 8. Procurement of Consultancy Services

DANIDA direct funding can hire a service provider for the programme within approved annual budget and plan. DANIDA direct funding is authorized to conclude individual contract upto DKK 1,000,000 or equivalent NRs. with respect to procurement of services at local and regional level. However such authorization must be within the scope of authority delegation or directives from EOD/Danida. The fee to be paid must not exceed rates prescribed by ESAT for local and in case of regional consultants; the fee will be as per DF directives. ESAT must obtain the prior approval of EOD if the service contract exceeds the value of DKK 1,000,000 or equivalent NRs.

For procuring of services, following procedures will be followed:

Terms of Reference (TOR) will be developed mentioning the exact nature of services required for ESAT. Upon immediate agreement of TOR, a standard questionnaire will be prepared.

Based on above terms of reference and an estimation of work including required manpower, cost is estimated by the Finance Officer using prescribed rates for consultant, showing the budget required for service.

Quotations must be obtained from three different service providers where the value of service exceeds NRs. 1,000,000.

The quotations received from approved consultant must be evaluated in terms of cost, professional capacity and timely delivery of service. Based on this, service provider will be approved by DANIDA direct funding Procurement Committee as consultant.

A contract will be prepared and entered into. The contract must include following information/condition but not limited to:

Contract For  
CTR No/Agreement No:

Component Code:  
 Activity Area Code:  
 Output Code:  
 Background Information  
 Objectives  
 Output  
 Duration  
 Fee/Remuneration and mode of payment specifying the instalments payments, including the provision for performance evaluation before final instalment to consultant.  
 Reporting  
 Personnel  
 Work Activity and Implementation Schedule  
 Obligation of the consultant  
 Availability of Information  
 Indemnify and Insurance  
 Impossibility of Performance  
 Suspension  
 Termination of Contract  
 Representation  
 Force Majeure  
 Confidentiality  
 Amendments  
 Conflict of Interest  
 Penalties on delay  
 Dispute Resolution  
 Assignment  
 Contractual Ethics  
 Notices  
 Governing Law

Upon the completion of services, a performance evaluation form of consultancy services will have to be filled and completed and recommended by concerned adviser for final approval and payment by DANIDA direct funding.

Due consideration to "Financial Management Guidelines" and "Danida: Action Plan to Fight Corruption" shall also be made while making procurements.

#### **Hiring of equipment**

Any equipment and materials which are for short term use for the purpose of the programme running can be hired from the market as mentioned-above.

#### **Assets**

Any assets procured must be registered in the separate fixed asset register and Danida direct funding is liable to inspect at any time if necessary.

#### **9. Advances against Programme Field Activities**

Advance for field activities can be obtained. A request letter with proper estimate including budget available for different activities must be made and submitted for approval by DANIDA direct funding using the Budget Release Request Form. Duly approved request along with estimates be submitted to Finance Section of ESAT for

payment processing generally 15 days before start of activities. The advance so provided will have to be settled within 15 days from the completion of the programme activities or depletion of all money received as advance. Keeping the urgency and following the request, DANIDA direct funding can extend the period for settlement or provide second advance. No further advance will be entertained after the second extension until settlement of both advances.

**10. General Guidelines**

- The admin and finance department of ESAT must be contacted in case for any confusion regarding the support with the contract..
- Meeting allowance will not be paid to any of the person in connection with this program. Prior approval with ESAT is required when allowance (other than meeting is planned to be paid.