

## **Poverty Reduction Fund Project II**

*(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)*

Report of the Project's Management and  
Audited Financial Statements

For the year ended 30 September 2015

# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

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# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

## GENERAL INFORMATION

### The Poverty Reduction Fund Project II

The Poverty Reduction Fund Project ("PRF I") was set up following the Development Credit Agreement No. 3675-LA dated 19 August 2002 between the Government of Lao PDR ("GoL") and the International Development Association ("IDA") aiming to assist the GoL in its on-going efforts to alleviate poverty throughout the country. The Poverty Reduction Fund Project II ("PRF II") is the next phase of PRF I.

While the purpose of PRF II remains the same as in PRF I, the overall objective is revised to reflect an increased focus on outcome: to improve the access to and the utilization of basic economic and social infrastructure and services for communities in targeted poverty locations through processes of inclusive community and local development planning, implementation and monitoring.

The specific objectives of PRFII are to:

- ▶ improve delivery of public services at the village level, particularly access to safe and reliable water for consumption and irrigation, resulting in measurable progress toward achievement of the Millenium Development Goals in the uplands; and
- ▶ strengthen citizen's engagement in local development and encourage to adoption of responsive and accountable participatory planning, financing and implementation approaches for service delivery.

PRFII's activities mainly cover 274 groups of villages ("Koum Ban") in Lao PDR.

PRFII is implemented by the Poverty Reduction Fund of the Committee for Planning and Cooperation. On 1 May 2011, the Poverty Reduction Fund has been assigned to be monitored by the National Leading Board for Rural Development and Poverty Alleviation, Prime Minister's Office.

### Financing

PRFII is currently financed by various funds including the IDA, the Swiss Agency for Development and Cooperation ("SDC") and the Australian Government through the Australian Agency for International Development ("AusAID") and the Government of Lao PDR ("GOL").

On 14 July 2011, the IDA agreed to provide Grant No. H685-LA with an amount of 15,800,000 Designated Drawing Rights (equivalent to USD 25,000,000) to finance PRFII through the Financing Agreement signed with the GoL, represented by the Ministry of Finance, on the same date. The Closing Date of the Grant is 31 December 2016.

On 31 October 2011, the Swiss Government through the Swiss Agency for Development and Cooperation ("SDC") committed funds in the form of a non-reimbursable Grant of a maximum of USD 13,636,000 to the GoL for financing the PRFII. The Grant, which is part of SDC's commitment to implement the Seven Socio-Economic Development Plan from 2011 to 2013, will run through until 30 September 2015.

On 26 August 2013, the Ministry of Finance, being represented by the Budget Department of the Government of Lao PDR ("GOL"), issued a Budget payment approval No.A004164/GOL, approved to pay PRF II a budget of LAK 16,000,000,000.

## Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

### GENERAL INFORMATION (continued)

Subsequently, the Australian Government through the Australian Agency for International Development ("AusAID") agreed to provide co-financing of USD 14,500,000 for additional financial assistance to PRFII through the "Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility" ("TF") administered by the IDA. The IDA and the GoL signed the Multi-Donor Trust Fund Grant Agreement No. TF012419 on 22 January 2013. This fund is for 37% of goods, works, non-consulting services, community development sub-grants, training and workshops and incremental operating costs of PRFII.

The accompanying financial statements are for the IDA Credit No. H685-LA, TF Grant No. TF012419, the SDC and GOL funding ("the Project").

The Project activities consist of the following components:

- ▶ Component 1: Community development sub-grants
  - Support Koum Ban in planning community and local development activities.
  - Carry out community development sub-projects in villages through the provision of community development sub-grants made available by the Project to Koum Ban committees to finance such sub-projects in accordance with the provisions of the sub-grant agreements.
- ▶ Component 2: Local and community development capacity building and learning
  - Strengthen the capacity of Koum Ban and villages to, inter alia, (a) assess their needs, (b) plan community development sub-projects, and (c) implement and supervise community development sub-projects.
  - Strengthen the GoL's institutional capacity at the provincial and district levels to, inter alia, improve the quality of service delivery; promote participatory planning, accountability and transparency mechanisms; and, facilitate dialogue between provinces, districts and communities and between various sector ministries with other entities supporting rural development.
  - Strengthen, at the central level, (a) the National Committee for Rural Development and Poverty Eradication (NLCRDPE)'s institutional capacity and (b) the PRF's coordination with line ministries and other entities supporting rural development.
  - Undertake project monitoring and evaluation activities.
- ▶ Component 3: Project management
  - Support the Poverty Reduction Fund in implementing the Project.

These three components are implemented in Vientiane, Houaphan, Savannakhet, Xiengkhuang, Saravan, Louangnamtha, Sekong, Attapeu, Phongsaly, Oudomxay and Louangprabang.



# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

## REPORT OF THE PROJECT'S MANAGEMENT

### MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Project's Management is responsible for the preparation of the Project's financial statements which comprise the statement of fund balance as at 30 September 2015 and the statement of receipts and disbursements for the year then ended together with the explanatory notes thereto.

In preparing the financial statements, the Project's Management is required to:

- ▶ adopt accounting policies as described in Note 3 to the financial statements and apply them consistently in accordance with the requirements of IDA and SDC for Government-executed projects' financial statements;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ maintain proper financial operations and controls;
- ▶ maintain adequacy of the management structure and general control environment;
- ▶ ensure that all non-expendable properties are used solely for and by the Project, and maintain proper control over those properties; and
- ▶ comply with the related grant and financing agreements.

The Project's Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the funds requested, authorized for, received and disbursed by the Project and to ensure that the accounting records comply with the accounting policies described in Note 3 to the financial statements. The Project's Management is also responsible for safeguarding the assets of the Project, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project's Management confirms that they have complied with the above requirements in preparing the financial statements.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as at and for the year ended 30 September 2015 which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements and comply with the related grant and financing agreements.

The financial statements are prepared to assist the Project's Management in meeting the reporting requirements of the IDA and SDC. As a result, the financial statements may not be suitable for any other purpose.

On behalf of Project Management:



Mr. Bounkouang Souvannaphanh  
Executive Director

Vientiane, Lao PDR

7 March 2016

Ms. Boualy Sayavong  
Head of Finance and Administration

Reference: 61170997/18139408

## **INDEPENDENT AUDITORS' REPORT**

**To: The Management of Poverty Reduction Fund Project II;  
The International Development Association; and  
The Swiss Agency for Development and Cooperation**

We have audited the accompanying financial statements of the Poverty Reduction Fund Project II under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding ("the Project") as set out on pages 6 to 18, which comprise the statement of fund balance as at 30 September 2015, the statement of receipts and disbursements for the year then ended and the notes thereto ("the financial statements"). The financial statements have been prepared by the Project's Management in accordance with the accounting policies as described in the Note 3 to the financial statements.

### ***Management's responsibility for the financial statements***

The Project's Management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the preparation 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 Project'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 of the Project as at and for the year ended 30 September 2015 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

**Accounting policies and restriction on use**

We draw attention to Note 3 to the financial statements, which describes the accounting policies adopted by the Project.

This report is intended for the information of the Project, the IDA, SDC and the Government of Lao PDR and no for other purpose. However, upon release by the IDA and SDC, this report will be a matter of public record and its distribution will not be limited. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

*Ernst & Young Lao Ltd*

Vientiane, Lao PDR

7 March 2016





# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

## STATEMENT OF RECEIPTS AND DISBURSEMENTS for the year ended 30 September 2015

Currency: \$US

	Notes	Accumulated as at 30 September 2015	For the year ended 30 September 2015	For the year ended 30 September 2014
<b>Receipts</b>				
Funds from IDA and TF	4	37,523,233	10,141,195	9,455,101
Funds from SDC	5	13,636,000	3,736,000	4,300,000
Funds from GOL	6	5,951,198	3,956,186	1,995,012
<b>Total receipts</b>		<b>57,110,431</b>	<b>17,833,381</b>	<b>15,750,113</b>
<b>Disbursements</b>				
Component 1: Community development sub-grants		35,063,328	11,043,295	12,358,635
Component 2: Local and community development capacity building and learning		5,543,986	1,163,636	1,444,045
Component 3: Project management		9,265,639	2,701,084	2,344,574
<b>Total disbursements</b>	7	<b>49,872,953</b>	<b>14,908,015</b>	<b>16,147,254</b>
<b>Net receipt/(disbursements)</b>		<b>7,237,478</b>	<b>2,925,366</b>	<b>(397,141)</b>



Mr. Bounkouang Souvannaphanh  
Executive Director

Ms. Boualy Sayavong  
Head of Finance and Administration

Vientiane, Lao PDR

7 March 2016



# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

## STATEMENT OF FUND BALANCE as at 30 September 2015

		Currency: \$US	
	Notes	30 September 2015	30 September 2014
Opening fund balance		4,312,112	4,709,253
Net receipt/(disbursements)		2,925,366	(397,141)
<b>Closing fund balance</b>		<b>7,237,478</b>	<b>4,312,112</b>
<i>Represented by:</i>			
Cash on hand and cash at banks	8	7,146,848	4,148,031
Advances	9	90,630	164,081
		<b>7,237,478</b>	<b>4,312,112</b>



Mr. Bounkouang Souvannaphanh  
Executive Director

Ms. Boualy Sayavong  
Head of Finance and Administration

Vientiane, Lao PDR

7 March 2016

# Poverty Reduction Fund Project II

(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

## NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 30 September 2015

### 1. PROJECT BACKGROUND

#### The Poverty Reduction Fund Project II

The Poverty Reduction Fund Project ("PRF I") was set up following the Development Credit Agreement No. 3675-LA dated 19 August 2002 between the Government of Lao PDR ("GoL") and the International Development Association ("IDA") aiming to assist the GoL in its on-going efforts to alleviate poverty throughout the country. The Poverty Reduction Fund Project II ("PRF II") is the next phase of PRF I.

While the purpose of PRF II remains the same as in PRF I, the overall objective is revised to reflect an increased focus on outcome: to improve the access to and the utilization of basic economic and social infrastructure and services for communities in targeted poverty locations through processes of inclusive community and local development planning, implementation and monitoring.

The specific objectives of PRFII are to:

- ▶ improve delivery of public services at the village level, particularly access to safe and reliable water for consumption and irrigation, resulting in measurable progress toward achievement of the MDGs in the uplands; and
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#### Financing

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**Poverty Reduction Fund Project II**  
(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**1. PROJECT BACKGROUND (continued)**

Subsequently, the Australian Government through the Australian Agency for International Development ("AusAID") agreed to provide co-financing of USD 14,500,000 for additional financial assistance to PRFII through the "Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility" ("TF") administered by the IDA. The IDA and the GoL signed the Multi-Donor Trust Fund Grant Agreement No. TF012419 on 22 January 2013. This fund is for 37% of goods, works, non-consulting services, community development sub-grants, training and workshops and incremental operating costs of PRFII.

The accompanying financial statements are for the IDA Grant No. H685-LA, the Trust Fund Grant No. TF012419, the SDC and the GOL funding ("the Project").

**2. BASIS OF PREPARATION**

The Project's financial statements comprise the statement of receipts and disbursements and the statement of fund balance which are expressed in United States dollars ("USD"). These financial statements are prepared by the Project's management in accordance with the accounting policies as described in Note 3.

The Project maintains its accounting records in USD.

The financial statements are prepared solely to assist the Project's Management in meeting the reporting requirements of the IDA and SDC.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1. Funds from IDA and TF**

Funds from IDA and TF are recognized as receipts when cash is debited to the Project's Designated Account.

**3.2. Funds from SDC**

Funds from SDC and GOL are recognized as receipts when cash is debited to the Project's bank account.

**3.3. Disbursements**

Expenditures are recognized when documents substantiating the Project's transactions are submitted and approved and payment is made, except for sub-grants under components 1 and 2 which is recognized when cash is transferred from the Project's bank accounts to Koum Ban.

**3.4. Advances**

Amounts advanced for Project's activities are recorded as advances in the statement of fund balance when disbursed. When the advances are liquidated, the related expenses are recognized in the statement of receipts and disbursements.



## Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.5. *Fixed assets*

Fixed assets procured are recognized as expenditures in full in the statement of receipts and disbursements when received or when handed-over from the contractors or suppliers upon the respective acceptance and approval by the Project and when payment is made. Accordingly, fixed assets are not recognized in the statement of fund balance at the end of the year.

The Project maintains a fixed asset register for control and monitoring purposes, which includes vehicles, furniture and fittings, computers and office equipment.

#### 3.6. *Foreign exchange differences*

Disbursements and withdrawals in foreign currencies other than USD are converted into USD at the actual exchange rates ruling at the dates of transactions. Fund balance denoted in foreign currencies are translated into USD at the closing exchange rate at the reporting date. Foreign exchange differences are recognized in the statement of receipts and disbursements.

**Poverty Reduction Fund Project II**  
 (IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
 as at and for the year ended 30 September 2015

**4. FUNDS FROM IDA AND TF**

*Currency: US\$*

<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
<b>IDA H685 - LA</b>			
Application No. 019	31 October 2013	-	551,623
Application No. 020	13 November 2013	-	712,243
Application No. 021	27 December 2013	-	378,350
Application No. 022	7 February 2014	-	639,150
Application No. 023	27 February 2014	-	558,543
Application No. 024	22 April 2014	-	324,468
Application No. 025	30 April 2014	-	399,221
Application No. 026	9 July 2014	-	446,013
Application No. 027	29 August 2014	-	1,947,091
Application No. 028	26 November 2014	1,002,517	-
Application No. 029	02 February 2015	1,052,988	-
Application No. 030	12 March 2015	515,250	-
Application No. 031	24 September 2015	828,447	-
		<b>3,399,202</b>	<b>5,956,702</b>
<b>TF 12419</b>			
Application No. 09	31 October 2013	-	323,974
Application No. 010	13 November 2013	-	418,301
Application No. 011	27 December 2013	-	222,220
Application No. 012	30 January 2014	-	375,374
Application No. 013	28 February 2014	-	328,033
Application No. 014	22 April 2014	-	190,561
Application No. 015	30 April 2014	-	234,463
Application No. 016	9 July 2014	-	261,944
Application No. 017	29 August 2014	-	1,143,529
Application No. 018	26 November 2014	588,780	-
Application No. 019	02 February 2015	618,422	-
Application No. 020	12 March 2015	302,607	-
Application No. 021	22 May 2015	1,147,586	-
Application No. 022	17 June 2015	1,450,000	-
Application No. 023	03 September 2015	1,313,074	-
Application No. 024	03 September 2015	349,000	-
Application No. 025	28 September 2015	972,524	-
		<b>6,741,993</b>	<b>3,498,399</b>
<b>Total replenishments of designated account No. 0000010092800127</b>		<b>10,141,195</b>	<b>9,455,101</b>

# Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

## 5. FUNDS FROM SDC

Currency: US\$

<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
<b>SDC Funding</b>			
Oct.13.SDC.Rec01	1 October 2013	-	1,000,000
Oct.13.SDC.Rec02	2 October 2013	-	2,300,000
Sep.14.SDC.Re01	10 September 2014	-	1,000,000
Oct.14.SDC.Rec02	22 October 2014	436,000	-
Nov.14.SDC.Rec01	25 November 2014	2,300,000	-
May.15.SDC.Rec01	11 May 2015	1,000,000	-
<b>Total replenishments of operating account No. 0105110119672</b>		<b>3,736,000</b>	<b>4,300,000</b>

## 6. FUNDS FROM GOL

Currency: US\$

<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
<b>Lao PDR Government Contribution</b>			
Mar.14.GOL.B02	25 March 2014	-	1,995,012
Aug.15.GOL.B01	26 August 2015	1,964,154	-
Oct.14.GOL.GOL.01	21 October 2014	1,992,032	-
<b>Total replenishments of operating account No. 471000.00.D00100320</b>		<b>3,956,186</b>	<b>1,995,012</b>



**Poverty Reduction Fund Project II**  
(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**7. DISBURSEMENTS**

Currency: US\$

	Total budget	Accumulated as at 30 September 2015			For the year ended 30 September 2015			For the year ended 30 September 2014			
		IDA and TF	SDC	GOL	IDA and TF	SDC	GOL	IDA and TF	SDC	GOL	Total
<b>Component 1: Community Development Sub-Grants</b>											
1.1 Sub-project	44,342,631	29,843,840	5,760,612	2,145,764	1,955,411	9,861,787	5,907,565	2,863,194	1,736,774	10,507,533	
1.2 Equipment	-	168,411	22,252	7,282	-	29,534	71,371	3,616	17,126	92,113	
1.3 Water Sub-project (SDC)	-	2,648,955	-	653,150	-	653,150	125,205	450,516	215,401	791,122	
1.4 Kum Bans training	-	2,402,122	442,210	56,614	-	498,824	967,867	-	-	967,867	
<b>Sub-total expenditure of component 1</b>	<b>44,342,631</b>	<b>35,063,328</b>	<b>6,225,074</b>	<b>2,862,810</b>	<b>1,955,411</b>	<b>11,043,295</b>	<b>7,072,008</b>	<b>3,317,326</b>	<b>1,969,301</b>	<b>12,358,635</b>	
<b>Component 2: Local and Community Development Capacity Building and Learning</b>											
2.1 Capacity Building	3,928,435	3,041,195	308,569	268,578	-	577,147	537,993	179,162	-	717,155	
2.2 Assessments	1,467,010	854,110	137,185	-	-	137,185	311,967	-	-	311,967	
2.3 Sub-grant monitoring	2,147,923	1,630,822	232,728	208,166	-	440,894	275,898	129,576	-	405,474	
2.4 Innovation Fund (SDC)	300,000	17,859	-	8,410	-	8,410	1,914	7,535	-	9,449	
<b>Sub-total expenditure of component 2</b>	<b>7,843,368</b>	<b>5,543,986</b>	<b>678,482</b>	<b>485,154</b>	<b>-</b>	<b>1,163,636</b>	<b>1,127,772</b>	<b>316,273</b>	<b>-</b>	<b>1,444,045</b>	

**Poverty Reduction Fund Project II**  
(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

**7. DISBURSEMENTS (continued)**

Currency: US\$

	Total budget	Accumulated as at 30 September			For the year ended 30 September 2015			For the year ended 30 September 2014		
		2015 IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total	
<b>Component 3: Project Management</b>										
3.1 External Audit	172,895	59,311	21,580	-	21,580	12,972	17,723	-	30,695	
3.2 Local staff salaries	8,362,284	7,262,162	2,165,303	-	2,165,303	1,997,189	-	-	1,997,189	
3.3 Equipment	946,484	922,733	84,560	168,707	253,267	38,117	1,587	-	39,704	
3.4 Works	201,711	164,403	1,129	3,415	4,544	26,987	-	-	26,987	
3.5 Operation cost	1,040,310	857,030	8,737	241,225	256,390	32,431	210,147	7,421	249,999	
<b>Sub-total expenditure of component 3</b>	<b>10,723,684</b>	<b>9,265,639</b>	<b>2,281,309</b>	<b>413,347</b>	<b>2,701,084</b>	<b>2,107,696</b>	<b>229,457</b>	<b>7,421</b>	<b>2,344,574</b>	
<b>Contingencies</b>	<b>226,317</b>	-	-	-	-	-	-	-	-	
<b>Total disbursement</b>	<b>63,136,000</b>	<b>49,872,953</b>	<b>9,184,865</b>	<b>3,761,311</b>	<b>14,908,015</b>	<b>10,307,476</b>	<b>3,863,056</b>	<b>1,976,722</b>	<b>16,147,254</b>	

Poverty Reduction Fund Project II  
(under IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

8. CASH ON HAND AND CASH AT BANKS

Currency: US\$

	30 September 2015			30 September 2014				
	IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total
<b>Cash on hand</b>								
Cash on hand at Vientiane	1,400	2,652	-	4,052	1,491	3,576	-	5,067
Cash on hand at Provinces	1,508	1,168	-	2,676	2,846	1,152	-	3,998
<b>Total cash on hand</b>	<b>2,908</b>	<b>3,820</b>	<b>-</b>	<b>6,728</b>	<b>4,337</b>	<b>4,728</b>	<b>-</b>	<b>9,065</b>
<b>Cash at banks</b>								
Operating accounts								
PRF II – Vientiane bank accounts	758,230	1,415,562	2,011,768	4,185,560	686,705	1,677,350	17,520	2,381,575
PRF II – Province bank accounts	104,677	175,545	870	281,092	267,839	56,397	770	325,006
Designated account – BoL (Note 8.1)	2,673,468	-	-	2,673,468	1,432,385	-	-	1,432,385
<b>Total cash at banks</b>	<b>3,536,375</b>	<b>1,591,107</b>	<b>2,012,638</b>	<b>7,140,120</b>	<b>2,386,929</b>	<b>1,733,747</b>	<b>18,290</b>	<b>4,138,966</b>
<b>Total cash on hand and cash at banks</b>	<b>3,539,283</b>	<b>1,594,927</b>	<b>2,012,638</b>	<b>7,146,848</b>	<b>2,391,266</b>	<b>1,738,475</b>	<b>18,290</b>	<b>4,148,031</b>



## Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 8. CASH ON HAND AND CASH AT BANKS (continued)

#### 8.1 Cash in Designated Account

In accordance with the financing agreement of the Project, the following Designated Account is maintained in USD at the Bank of Lao PDR:

Account No.:	0000010092800127
Depository:	Bank of Lao PDR
Address:	Yonet Street, Vientiane, Lao PDR
Related Grant:	IDA Credit Agreement No. H685-LA and TF on Credit Agreement No. TF 12419
Currency:	USD

The purpose of the Designated Account is to receive fund from IDA on Credit No. H685-LA and TF on Credit No. TF 12419 for transferring to operating accounts and for certain direct payments to suppliers, contractors and service providers.

The Designated Accounts are non-interest bearing. Movement of the Designated Accounts during the year is as follows:

#### 8.1.1 Account activities

	<i>Currency: US\$</i>	
	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
Opening balance	1,432,385	1,584,413
Add:		
IDA and TF replenishment (Note 4)	10,141,195	9,455,101
Total opening balance of cash on hand and cash at bank (Note 8) and Advance (Note 9)	1,109,184	1,857,464
	12,682,764	12,896,978
Deduct:		
Total disbursements during the year (Note 7)	(9,184,865)	(10,307,476)
Advances (Note 9)	(6,625)	(150,303)
Replenishments to operating accounts (Note 8)	(862,907)	(954,544)
Cash on hand (Note 8)	(2,908)	(4,337)
Expense on behalf of the SDC	-	(47,933)
Amount received from SDC (*)	48,009	-
<b>Closing balance (Note 8)</b>	<b>2,673,468</b>	<b>1,432,385</b>

(\*) The Project transferred fund from the mentioned Designated Account to fund for a sub-project which is fully funded by the SDC for the year ended 30 September 2014. This amount was transferred back from the SDC's Bank account on 23 October 2014.

## Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 8. CASH ON HAND AND CASH AT BANKS (continued)

#### 8.1 Cash in Designated Account (continued)

##### 8.1.2 Account reconciliation

	<i>Currency: US\$</i>	
	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
Amount advanced by the IDA to the Designated Account during the year	3,950,000	3,950,000
<b>Closing balance of amount advanced to Designated Account</b>	<b>3,950,000</b>	<b>3,950,000</b>
Closing balance of Designated Account ( <i>Note 8</i> )	2,673,468	1,432,385
<i>Add:</i>		
Cash balance of the Project's operating account at Vientiane ( <i>Note 8</i> )	758,230	686,705
Amount withdrawn but not yet claimed (*)	511,677	1,769,375
Outstanding advances at Vientiane office ( <i>Note 9</i> )	6,625	13,602
Expense paid on behalf of SDC	-	47,933
<b>Closing outstanding amount advanced to Designated Account</b>	<b>3,950,000</b>	<b>3,950,000</b>

(\*) This amount was replenished through withdrawal applications (W/A) 032 and 033 for IDA6850 and 026 and 027 for TF12419. The replenishment amounts for such W/A's will be received by USD 419,239 and USD 92,438 in December 2015 and January 2016 respectively.

### 9. ADVANCES

	<i>Currency: US\$</i>					
	<i>30 September 2015</i>			<i>30 September 2014</i>		
	<i>IDA</i>	<i>SDC</i>	<i>Total</i>	<i>IDA</i>	<i>SDC</i>	<i>Total</i>
Advances at Vientiane ( <i>Notes 8.1.2</i> )	6,625	83,513	90,138	13,602	7,268	20,870
Advances at provinces	-	492	492	136,701	6,510	143,211
	<b>6,625</b>	<b>84,005</b>	<b>90,630</b>	<b>150,303</b>	<b>13,778</b>	<b>164,081</b>

## Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 30 September 2015

### 10. COMMITMENTS

The details of commitments as at 30 September 2015 are as follows:

	<i>Currency: US\$</i>	
	<u>30 September 2015</u>	<u>30 September 2014</u>
Sub-grants contractors	5,384,851	5,247,753
External auditor	27,111	5,024
<b>Total</b>	<b><u>5,411,962</u></b>	<b><u>5,252,777</u></b>

This mainly represents committed contracts for local contractors, which are all expected to be completed within three to six months after the reporting date. The committed balance includes contracts for civil works such as the construction of school buildings, spillways and bridges in the provinces. The total amount of USD 5,384,851 is allocated to USD 1,336,659 for the International Development Association ("IDA"); USD 1,569,121 for Trust Fund ("TF"); USD 488,896 for Swiss Agency for Development and Cooperation ("SDC") and USD 1,990,175 for the Government of Lao PDR ("GOL").