

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419,
SDC and GOL Funding)

Report of the Project's Management and
Audited Financial Statements

For the year ended 31 December 2016



Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

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Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - 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 MDGs 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"), Australian Government 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 Special 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.

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 17,256,000 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 2016, will run through until 31 December 2016.

The Ministry of Finance, being represented by the Budget Department of the Government of Lao PDR ("GOL"), issued a Budget payment approval No. 0127898/GOL and Budget payment approval No. A000520/MOF.BD, approved to pay PRF II a budget of LAK 16,000,000,000 and LAK 5,000,000,000 respectively.

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

GENERAL INFORMATION (continued)

Subsequently, the Australian Government agreed to provide co-financing of USD 16,900,000 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, IDA Credit No. 5677 - 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.

- ▶ Component 4: Livelihood and Nutrition
 - Strengthen mobilizing ethnic communities for improved Livelihood and Wellbeing which focus on: (a) formation of community Self-Help Groups and Capacity Building of Local Service Providers, (b) Community Asset Creation, (c) Participatory Pro-Nutrition Assessment and Activities; and (d) Monitoring and Impact Evaluation of Activities.

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - 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 31 December 2016 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 31 December 2016 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. Bounkeuang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

24 March 2017

Reference: 60826839/18847908

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Poverty Reduction Fund Project II ("the Project"), which comprise the statement of fund balance as at 31 December 2016, and the statement of receipts and disbursements for the period from 1 October 2015 to 31 December 2016, and the related explanatory notes, including a summary of significant accounting policies as set out on page 8 to 17.

In our opinion, the accompanying statement of fund balance as at 31 December 2016 and statement of receipts and disbursements of the Project for the period from 1 October 2015 to 31 December 2016 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the statement of expenditures in Lao P.D.R, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to Note 3 to the financial statements which describes the basis of accounting. The financial statements is prepared to assist the Project's management in meeting the reporting requirements of Donors. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Project's management and Donors, and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Project management's responsibility for the statement of expenditures

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



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

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

Ernst & Young

Vientiane, Lao PDR

24 March 2017



Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

STATEMENT OF RECEIPTS AND DISBURSEMENTS for the year ended 31 December 2016

			Currency: \$US	
			<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
	Notes	Accumulated as at 31 December 2016		
Receipts				
Funds from IDA and TF	4	52,275,835	14,752,602	10,141,195
Funds from SDC	5	17,256,000	3,620,000	3,736,000
Funds from GOL	6	8,540,135	2,588,937	3,956,186
Total receipts		78,071,970	20,961,539	17,833,381
Disbursements				
Component 1: Community development sub-grants		53,298,920	18,235,592	11,043,295
Component 2: Local and community development capacity building and learning		8,543,226	2,999,240	1,163,636
Component 3: Project management		13,646,752	4,381,113	2,701,084
Component 4: Likelihood and nutrition		1,930,389	1,930,389	-
Total disbursements	7	77,419,287	27,546,334	14,908,015
Net (disbursements)/receipts		652,683	(6,584,795)	2,925,366



Mr. Bounkoudang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

24 March 2017

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

STATEMENT OF FUND BALANCE
as at 31 December 2016

		Currency: \$US	
	Notes	31 December 2016	30 September 2015
Opening fund balance		7,237,478	4,312,112
Net disbursements		(6,584,795)	2,925,366
Closing fund balance		652,683	7,237,478
<i>Represented by:</i>			
Cash on hand and cash at banks	8	652,683	7,146,848
Advances	9	-	90,630
		652,683	7,237,478



Mr. Bounkhouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

24 March 2017

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

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
- ▶ 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"), Australian Government 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.

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 17,256,000 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 2016, will run through until 31 December 2016.

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

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

1. PROJECT BACKGROUND (continued)

Subsequently, the Australian Government agreed to provide co-financing of USD 16,900,000 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, IDA Credit No. 5677 - LA, TF Grant No. TF012419, the SDC and 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 credited to the Project's Designated Account.

3.2. Funds from SDC

Funds from SDC are recognized as receipts when cash is credited 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, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

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.

4. FUNDS FROM IDA AND TF

		<i>Currency: \$US</i>	
		<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>		
IDA H685 - LA			
Application No. 028	24 September 2015	-	1,002,517
Application No. 029	12 March 2015	-	1,052,988
Application No. 030	02 February 2015	-	515,250
Application No. 031	26 November 2014	-	828,447
Application No. 032	16 December 2015	192,850	-
Application No. 033	21 January 2016	384,288	-
Application No. 034	12 February 2016	327,223	-
Application No. 035	22 March 2016	6,029	-
Application No. 037	03 August 2016	104	-
		910,494	3,399,202
Additional funded received from IDA			
IDA 5677 - LA			
Application No. 001	16 March 2016	2,500,000	-
Application No. 002	18 April 2016	1,969,895	-
Application No. 003	14 January 2016	1,834,634	-
Application No. 004	23 September 2016	1,410,433	-
Application No. 005	19 October 2016	779,550	-
Application No. 006	08 November 2016	988,957	-
Application No. 007	10 November 2016	653,123	-
Application No. 008	19 December 2016	636,853	-
Application No. 009	08 December 2016	768,895	-
Application No. 010	16 December 2016	11,821	-
		11,554,161	-

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

4. FUNDS FROM IDA AND TF (continued)

		Currency: \$US	
<i>Withdrawal Application No. Date of receipt</i>		<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
TF 12419			
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
Application No. 026	21 December 2015	113,194	-
Application No. 027	21 January 2016	225,560	-
Application No. 028	17 February 2016	121,028	-
Application No. 029	22 March 2016	2,230	-
Application No. 030	18 April 2016	728,591	-
Application No. 031	08 June 2016	678,563	-
Application No. 032	03 August 2016	418,781	-
		2,287,947	6,741,993
Total replenishments of designated account No. 0000010092800127		14,752,602	10,141,195

5. FUNDS FROM SDC

		Currency: \$US	
<i>Withdrawal Application No. Date of receipt</i>		<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
SDC Funding			
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
Oct.15.SDC.Rec01	19 October 2015	2,000,000	-
May.16.SDC.Rec01	11 May 2016	1,620,000	-
		3,620,000	3,736,000
Total replenishments of operating account No. 0105110119672		3,620,000	3,736,000

Poverty Reduction Fund Project II

(IDA Grant No. H685-LA, IDA Credit No. 5677 - LA, TF Grant No. TF012419, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2016

6. FUNDS FROM GOL

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
Lao PDR Government Contribution			
Oct.14.GOL.GOL.01	21 October 2014	-	1,992,032
Aug.15.GOL.B01	26 August 2015	-	1,964,154
Sep.16.GOL.001	30 September 2016	1,977,017	-
Dec.16.GOL.B12	23 December 2016	611,920	-
Total replenishments of operating account No. 471000.00.D00100320		2,588,937	3,956,186

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 31 December 2016

7. DISBURSEMENTS

Currency: \$US

	Total budget	Accumulated as at 31 December 2016	For the period from 1 October 2015 to 31 December 2016			For the year ended 30 September 2015				
			IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total
Component 1: Community Development Sub-Grants										
1.1 Sub-project	56,618,256	45,767,301	9,688,422	2,283,686	3,951,353	15,923,461	5,760,612	2,145,764	1,955,411	9,861,787
1.2 Equipment	-	373,606	185,949	19,246	-	205,195	22,252	7,282	-	29,534
1.3 Water Sub-project (SDC)	-	2,817,812	29,880	138,976	-	168,856	-	653,150	-	653,150
1.4 Kum Bans training	-	4,340,201	1,681,223	256,857	-	1,938,080	442,210	56,614	-	498,824
Sub-total expenditure of component 1	56,618,256	53,298,920	11,585,474	2,698,765	3,951,353	18,235,592	6,225,074	2,862,810	1,955,411	11,043,295
Component 2: Local and Community Development Capacity Building and Learning										
2.1 Capacity Building	5,099,853	5,099,853	448,601	1,610,057	-	2,058,658	308,569	268,578	-	577,147
2.2 Assessments	1,266,248	1,266,248	396,887	15,251	-	412,138	137,185	-	-	137,185
2.3 Sub-grant monitoring	2,158,319	2,158,319	53,804	473,693	-	527,497	232,728	208,166	-	440,894
2.4 Innovation Fund (SDC)	18,806	18,806	-	947	-	947	-	8,410	-	8,410
Sub-total expenditure of component 2	8,543,226	8,543,226	899,292	2,099,948	-	2,999,240	678,482	485,154	-	1,163,636

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 31 December 2016

7. DISBURSEMENTS (continued)

Currency: \$US

	Total budget	Accumulated as at 31 December 2016	For the period from 1 October 2015 to 31 December 2016			For the year ended 30 September 2015				
			IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total
Component 3: Project Management										
3.1 External Audit	94,415	78,253	18,942	-	-	18,942	21,580	-	-	21,580
3.2 Local staff salaries	9,973,337	9,973,337	2,711,175	-	-	2,711,175	2,165,303	-	-	2,165,303
3.3 Equipment	1,980,685	1,980,685	986,108	71,844	-	1,057,952	84,560	168,707	-	253,267
3.4 Works	238,937	238,936	20,281	54,252	-	74,533	1,129	3,415	-	4,544
3.5 Operation cost	1,376,755	1,375,541	130,684	374,114	13,713	518,511	8,737	241,225	6,428	256,390
Sub-total expenditure of component 3	13,664,129	13,646,752	3,867,190	500,210	13,713	4,381,113	2,281,309	413,347	6,428	2,701,084
Component 4: livelihood and Nutrition										
4.1 Assessments	65,117	65,117	65,117	-	-	65,117	-	-	-	-
4.2 Staff	406,500	406,500	406,500	-	-	406,500	-	-	-	-
4.3 Trainings	373,179	373,179	373,179	-	-	373,179	-	-	-	-
4.4 Operating Costs	141,424	141,424	141,424	-	-	141,424	-	-	-	-
4.5 Sub-Grants	944,169	944,169	944,169	-	-	944,169	-	-	-	-
Sub-total expenditure of component 4	1,930,389	1,930,389	1,930,389	-	-	1,930,389	-	-	-	-
Contingencies	-	-	-	-	-	-	-	-	-	-
Total disbursement	80,756,000	77,419,287	18,282,345	5,298,923	3,965,066	27,546,334	9,184,865	3,761,311	1,961,839	14,908,015

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 31 December 2016

8. CASH ON HAND AND CASH AT BANKS

Currency: \$US

	31 December 2016				30 September 2015			
	IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total
Cash on hand								
Cash on hand at Vientiane	-	-	859	859	1,400	2,652	-	4,052
Cash on hand at Provinces	-	-	-	-	1,508	1,168	-	2,676
Total cash on hand	-	-	859	859	2,908	3,820	-	6,728
Cash at banks								
Operating accounts								
PRF II – Vientiane bank accounts	3,593	-	635,650	639,243	758,230	1,415,562	2,011,768	4,185,560
PRF II – Province bank accounts	-	9	-	9	104,677	175,545	870	281,092
Designated account – BoL (Note 8.1)	12,572	-	-	12,572	2,673,468	-	-	2,673,468
Total cash at banks	16,165	9	635,650	651,824	3,536,375	1,591,107	2,012,638	7,140,120
Total cash on hand and cash at banks	16,165	9	636,509	652,683	3,539,283	1,594,927	2,012,638	7,146,848

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 31 December 2016

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 Grant Agreement No. H685-LA, IDA Credit No. 5677 – 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 period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
Opening balance	2,673,468	1,432,385
Add:		
IDA and TF replenishment (Note 4)	14,752,602	10,141,195
Total opening balance of cash on hand and cash at bank (Note 8) and Advance (Note 9)	872,440	1,109,184
	18,298,510	12,682,764
Deduct:		
Total disbursements during the year (Note 7)	(18,282,345)	(9,184,865)
Advances (Note 9)	-	(6,625)
Replenishments to operating accounts (Note 8)	(3,593)	(862,907)
Cash on hand (Note 8)	-	(2,908)
Expense on behalf of the SDC	-	48,009
	12,572	2,673,468
Closing balance (Note 8)	12,572	2,673,468

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 31 December 2016

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

8.1 Cash in Designated Account (continued)

8.1.2 Account reconciliation

	Currency: \$US	
	<i>For the period from 1 October 2015 to 31 December 2016</i>	<i>For the year ended 30 September 2015</i>
Amount advanced by the IDA to the Designated Account during the year	3,950,000	3,950,000
Withdrawal of advance by the IDA	(1,537,930)	-
Closing balance of amount advanced to Designated Account	2,412,070	3,950,000
Closing balance of Designated Account (<i>Note 8</i>)	12,572	2,673,468
<i>Add:</i>		
Cash balance of the Project's operating account at Vientiane (<i>Note 8</i>)	3,593	758,230
Amount withdrawn but not yet claimed (**)	2,395,905	511,677
Outstanding advances at Vientiane office (<i>Note 9</i>)	-	6,625
Closing outstanding amount advanced to Designated Account	2,412,070	3,950,000

(**) This amount was replenished through withdrawal applications (W/A) 11 for IDA5677 - LA. The replenishment amount of USD 2,395,905 for such W/A will be made in January 2017.

9. ADVANCES

Currency: \$US

	<i>31 December 2016</i>			<i>30 September 2015</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
Advances at provinces	-	-	-	-	492	492
	-	-	-	6,625	84,005	90,630

10. COMMITMENTS

The details of commitments as at 30 September 2016 are as follows:

Currency: \$US

	<i>31 December 2016</i>	<i>30 September 2015</i>
Sub-grants contractors	1,950,268	5,384,851
External auditor	16,164	-
Total	1,966,432	5,384,851

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 amount of USD 1,950,268 includes contracts for civil works such as the construction of school buildings, spillways and bridges in the provinces which were funded by the Government of Lao PDR ("GOL").