

**MOBILISING ETHNIC COMMUNITIES FOR IMPROVED
LIVELIHOODS AND WELLBEING PROJECT FUNDED BY
INTERNATIONAL DEVELOPMENT ASSOCIATION, ACTING
AS ADMINISTRATOR OF THE JAPAN SOCIAL
DEVELOPMENT FUND, UNDER GRANT AGREEMENT
No.TF097786**



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**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

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STATEMENT BY THE PROJECT MANAGEMENT

On 22 April 2011, the International Development Association ("IDA"), acting as administrator of the Japan Social Development Fund ("JSDF") and the Government of the Lao People's Democratic Republic ("GoL") signed Grant Agreement number TF097786 to provide a grant of USD2,621,500 for the purpose of financing the Mobilising Ethnic Communities for Improved Livelihoods and Wellbeing Project ("the Project").

The GoL shall carry out the Project through the Poverty Reduction Fund ("PRF" or "Project Implementation Entity") under the Subsidiary Grant Agreement signed by the GoL and PRF on 8 July 2011, in which PRF commits to the objective of the Project and undertakes to carry out such objective.

The objective of the Project is to pilot an innovative, livelihood-focused, community-driven development programme in five selected poverty reduction priority districts in Houphanh and Savannakhet provinces, enabling 28,800 households in ethnic communities in rural areas of Lao PDR to improve their livelihoods and wellbeing through group-based activities. The implementation of the Project was approved by the IDA on 22 April 2011 to 22 April 2015.

The eligible expenditures that will be financed out of the proceeds of the grant are allocated in each category as follows:

- Category 1:** Goods, consultants' services and training
- Category 2:** Incremental operating costs
- Category 3:** Sub-grants under Part (b) of the Project

The Project maintains its records and prepares its financial statements in accordance with the cash receipts and disbursements basis of accounting. Any direct payments made by financiers for Project expenditure are recorded by the Project at the time they take place.

The following components of the financial statements summarise the Project's financial position and performance for the period from 1 October 2011 to 30 September 2012:

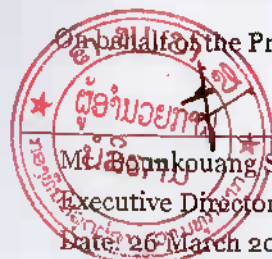
- Statement of receipts and disbursements.
- Statement of fund balance.
- Notes to the financial statements.

As the responsible officials, we hereby state that, to the best of our knowledge and belief, the financial statements for the period from 1 October 2011 to 30 September 2012:

- have been prepared in accordance with the IDA's requirements
- have been prepared, in all material respects, in accordance with the basis of accounting set out in Note 2 to the financial statements.

We also hereby state that the statement of cash receipts and disbursements includes only costs that are eligible under Grant Agreement No. TF097786-LA and that adequate supporting documentation has been maintained for these costs.

On behalf of the Project:



Mr. Boukhouang Souvannaphanh
Executive Director

Date: 26 March 2013

Mrs. Boualy Sayavong

Head of Finance and Administration Division

Date: 26 March 2013



INDEPENDENT AUDITOR'S REPORT

To the Government of Lao PDR, the Management of the Project and the International Development Association, acting as administrator of the Japan Social Development Fund (JSDF), on the financial statements of the Ethnic Communities for Improved Livelihoods and Wellbeing Project under Grant Agreement No. TF097786 – LA.

We have audited the accompanying financial statements of the Mobilising Ethnic Communities for Improved Livelihoods and Wellbeing Project ("the Project") funded by the International Development Association ("IDA"), acting as administrator of the Japan Social Development Fund (JSDF), under Grant Agreement No. TF097786, which comprises the statement of receipts and disbursements for the period from 1 October 2011 to 30 September 2012 and statement of fund balance as at 30 September 2012 and other explanatory information. The financial statements have been prepared by the management of the Project in accordance with the accounting policies described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies described in Note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying 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 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 Project's 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, if any, 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 accompanying financial statements of the Project for the period from 1 October 2011 to 30 September 2012 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.



INDEPENDENT AUDITOR'S REPORT (continued)

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project's management to complying with the financial reporting requirements of the Project. As a result, the financial statements may not be suitable for other purposes

Other matters

The financial statements of the Project for the period from 22 April 2011 (commencement date) to 30 September 2011 were included in the financial statements of Poverty Reduction Fund Project for the period from 1 October 2010 to 30 September 2011 and were audited by another firm of auditors, whose report, dated 28 December 2011, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

This report is intended for the information of the Project, the IDA and Government of Lao PDR, and for no other purpose. However, upon release by the IDA, 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.

For PricewaterhouseCoopers (Lao) Co., Ltd.



By Paiboon ~~Dankoon~~
Partner
Vientiane, Lao PDR
Date: 26 March 2013

MOBILISING ETHNIC COMMUNITIES FOR IMPROVED LIVELIHOODS AND WELLBEING PROJECT FUNDED BY INTERNATIONAL DEVELOPMENT ASSOCIATION, ACTING AS ADMINISTRATOR OF THE JAPAN SOCIAL DEVELOPMENT FUND, UNDER GRANT AGREEMENT No.TF097786

STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012

	Notes	From 1 October 2011 to 30 September 2012 USD	From 22 April 2011 (commenceme nt date) to 30 September 2011 USD
Receipts			
Grant Agreement number TF097786			
- Funds received	3	147,647	250,000
Total receipts		147,647	250,000
Disbursements by category			
Category 1: Goods, consultants' services and training		211,747	-
Category 2: Incremental operating costs		5,564	11
Category 3: Sub-grants under Part (b) of the Project		-	-
Total disbursements	4	217,311	11
Surplus/(deficit) of receipts over disbursements		(69,664)	249,989



Mr. Bounkouang Souvannaphanh
Executive Director
Date: 26 March 2013

Mrs. Boualy Sayavong
Head of Finance and Administration Division
Date: 26 March 2013

The accompanying notes on pages 6 to 13 form an integral part of the financial statements
Auditor's report – page 2 and 3

MOBILISING ETHNIC COMMUNITIES FOR IMPROVED LIVELIHOODS AND WELLBEING PROJECT FUNDED BY INTERNATIONAL DEVELOPMENT ASSOCIATION, ACTING AS ADMINISTRATOR OF THE JAPAN SOCIAL DEVELOPMENT FUND, UNDER GRANT AGREEMENT No.TF097786

**STATEMENT OF FUND BALANCE
AS AT 30 SEPTEMBER 2012**

	Notes	As at 30 September 2012 USD	As at 30 September 2011 USD
Opening fund balance		249,989	-
Surplus /(Deficit)		(69,664)	249,989
Closing fund balance		180,325	249,989
<i>Represented by:</i>			
Cash on hand and cash at banks	5	175,709	249,989
Advances	6	4,616	-
Total current assets		180,325	249,989



Mr. Bounkouang Souvannaphanh
Executive Director
Date: 26 March 2013

Mrs. Boualy Sayavong
Head of Finance and Administration Division
Date: 26 March 2013

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Auditor's report – page 2 and 3

MOBILISING ETHNIC COMMUNITIES FOR IMPROVED LIVELIHOODS AND WELLBEING PROJECT FUNDED BY INTERNATIONAL DEVELOPMENT ASSOCIATION, ACTING AS ADMINISTRATOR OF THE JAPAN SOCIAL DEVELOPMENT FUND, UNDER GRANT AGREEMENT No.TF097786

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

1. General information

On 22 April 2011, the International Development Association (“IDA”), acting as administrator of the Japan Social Development Fund (“JSDF”) and the Government of the Lao People’s Democratic Republic (“GoL”) signed Grant Agreement number TF097786 to provide a grant of USD2,621,500 for the purpose of financing the Mobilising Ethnic Communities for Improved Livelihoods and Wellbeing Project (“the Project”).

The GoL shall carry out the Project through the Poverty Reduction Fund (“PRF” or “Project Implementation Entity”) under the Subsidiary Grant Agreement signed by the GoL and PRF on 8 July 2011, in which PRF commits to the objective of the Project and undertakes to carry out such objective.

The objective of the Project is to pilot an innovative, livelihood-focused, community-driven development programme in five selected poverty reduction priority districts in Houphanh and Savannakhet provinces, enabling 28,800 households in ethnic communities in rural areas of Lao PDR to improve their livelihoods and wellbeing through group-based activities. The implementation of the Project was approved by the IDA on 22 April 2011 to 22 April 2015.

The eligible expenditures that will be financed out of the proceeds of the grant are allocated in each category as follows:

Category 1: Goods, consultants’ services and training

Category 2: Incremental operating costs

Category 3: Sub-grants under Part (b) of the Project

The Project has been managed by the management of Poverty Reduction Fund. As of 30 September 2012, the Project had 13 full-time employees.

The Project’s address is Poverty Reduction Fund, Souphanouvong Road, Vientiane, Lao People’s Democratic Republic. The Project’s financial statements were authorised for issue by Executive director (Bounkouang Souvannaphanh) on 26 March 2013.

2. Significant accounting policies

a. Basis of preparation

The financial statements are expressed in United States dollars (“USD”), and have been prepared under the historical cost convention and the cash basis of accounting, with the exception of advances. Under the cash basis of accounting, transactions are recorded when cash is paid or received by the Project. Advances are included in the statement of fund balance and presented as ‘Advances’ in the statement of fund balance until the advance is cleared by its owner and recorded as a payment.

b. Cash receipts

Cash receipts represent cash received from the IDA, and are recognised when they are actually received rather than when earned or, in the case of direct payments by the IDA, when the Project receives a notification of payment advice regarding the payment from the IDA.

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**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

2. Significant accounting policies (continued)

c. Cash disbursements

Cash disbursements represent all cash expenses of the Project for the activities funded by the IDA, paid in line with the Project's objectives and approved budgets. They are recorded when disbursed, except for advances, which are recognised as expenses after they are cleared and evidence of payment is received by the Project.

d. Disbursements of sub-grants

Sub-grants are made available by the Project from the proceeds of the financing to Kum Bans located in the Project's targeted provinces to finance the carrying out of sub-projects under Components 1 and 2, in accordance with the provisions of the sub-grant agreement.

The disbursement of sub-grants made to Kum Bans by the Project are recognised as expenditure on the date money is transferred to the Kum Bans.

e. Fixed assets

The cost of fixed assets is charged to expenditure at the time the disbursements are made. Fixed assets purchased are charged to the category to which they relate. The Project maintains fixed assets registers at each location, which include vehicles, office equipment and furniture, for control purposes only.

f. Advances

Advances represent amounts paid in advance to the Project's employees for the purposes of travel to provinces, districts or overseas, or for meetings, workshops or conferences. Advance payments for Project activities are credited to cash and debited to the advance account at the time the advance is provided to the recipient of the advance. The expenses related to the advanced amount will only be recorded to the related expenditure category line on the date of liquidation, and any excess amount will be debited from the cash account upon receipt by the Project. Outstanding advances are included in the statement of fund balance and presented as advances.

g. Foreign currency

The measurement and presentation currency of the Project is USD. Transactions arising in currencies other than USD are translated to USD using the rate prevailing at the transaction dates. Cash balances in currencies other than USD are translated into USD using the rate at the period end. All foreign exchange differences arising are included in the statement of receipts and disbursements. The exchange rate prevailing as at 30 September 2012 was USD1 = LAK7,986.

h. Designated account replenishments

The designated account replenishments represent cash received by the Project under Grant Agreement No. H685-LA. The designated account is replenished by the IDA in accordance with the Statement of Expenditure (SOE) and the Withdrawal Application form, which are prepared by the Project and approved by the National Treasury, Ministry of Finance, Lao PDR.

The replenishments are made to the designated account at the Bank of Lao PDR ("BoL") and are used exclusively to cover the IDA's share of eligible expenses under Grant Agreement No. TF097786.

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**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

3. Designated bank account replenishments

Application number	Date of application	For the period from 1 October 2011 to 30 September 2012 USD	From 22 April 2011 (commencement date) to 30 September 2011 USD
No. 001*	20 September 2011	-	250,000
No. 002	08 February 2012	11,371	
No. 003	12 March 2012	28,720	
No. 004	22 April 2012	3,554	
No. 005	01 June 2012	43,401	
No. 006	19 June 2012	15,160	
No. 007	31 August 2012	19,587	
No. 008	07 September 2012	25,854	
		147,647	250,000

Withdrawal applications ("W/A") for the Project are submitted to the IDA by the Project management through the Ministry of Finance.

* W/A No. 001 represent an advance amount from the IDA to the Project for the initial implementation activities of the Project.

4. Summary of disbursements

		From 1 October 2011 to 30 September 2012 (USD)	From 22 April 2011 (commencement date) to 30 September 2011 (USD)	Accumulated as at 30 September 2012 (USD)	Unaudited Budget allocated to each category (USD)
Category 1:	Goods, consultants' services and training	211,747	-	211,747	1,101,500
Category 2:	Incremental operating costs	5,564	11	5,575	120,000
Category 3:	Sub-grants under Part (b) of the Project	-	-	-	1,400,000
		217,311	11	217,322	2,621,500

Category 1: Goods, consultants' services and training mainly represent salary for staff hired on a full-time basis, consultant costs for international consultant and procurement of computers. As of 30 September 2012, the Project had 13 employees and xxx international advisors.

Category 2: Incremental operating costs pertain to vehicle maintenance costs and fuel costs.

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**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

5. Cash on hand and at banks

	As at 30 September 2012 USD	As at 30 September 2011 USD
Cash on hand		
Cash on hand at Provinces	88	
Cash on hand at Vientiane	1,447	-
Total cash on hand	1,535	-
Cash at banks		
Operating accounts		
Vientiane operating account	-	-
Provinces operating accounts	602	-
Total operating Accounts	602	-
Designated account ("BOL")	173,572	249,989
Total cash at banks	173,572	249,989
Total cash on hand and at banks	175,709	249,989

The cash on hand balance comprises individual petty cash balances maintained at each office for small payments made by the Project.

Cash at bank represents cash deposited in current accounts at local banks, with no interest.

Operating accounts are bank accounts opened at local banks by each office of the Project (three offices in total) to manage funds received from the designated account. Operating accounts are normally current accounts that bear no interest.

The details of the designated account are as follows:

Designated account

Account No: 0000010056200101
 Account Name: Poverty Reduction Fund Project II
 Depository Bank: Bank of Lao PDR ("BOL")
 Type of account: Current account
 Interest rate: Nil
 Address: Yonet Road P.O. Box 2925 Vientiane, Lao PDR
 Related credit: IDA Grant No. TF097786-LA
 Currency: USD

Note: The Project uses the designed account of "Poverty Reduction Fund II project" as its designated bank account for receiving fund from donors.

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NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012

6. Advances

Advances by province	At 30 September 2012 USD	At 30 September 2011 USD
- Vientiane	2,739	-
- Hua Phan	1,877	-
Total advances outstanding	4,616	-

Advances as at 30 September 2012 were mainly advances to the Project's staff for conducting Kum Ban and village training. All such advances were subsequently cleared in October and November 2012.

7. Statement of designated account

	For the period from 1 October 2011 to 30 September 2012 USD	For the period from 22 April 2011 (commencement date) to 30 September 2011 USD
Opening balance of designated bank account	249,989	-
Add: Designated bank account replenishments (Note 3)	147,647	250,000
Less: Total disbursements for the period (Note 4)	(217,311)	(11)
Less: Advances (Note 6)	(4,616)	-
Less: Replenishments to operating accounts (Note 5)	(602)	-
Less: Cash on hand (Note 5)	(1,535)	-
Closing balance of designated bank account	173,572	249,989

MOBILISING ETHNIC COMMUNITIES FOR IMPROVED LIVELIHOODS AND WELLBEING PROJECT FUNDED BY INTERNATIONAL DEVELOPMENT ASSOCIATION, ACTING AS ADMINISTRATOR OF THE JAPAN SOCIAL DEVELOPMENT FUND, UNDER GRANT AGREEMENT No.TF097786

**NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2011 TO 30 SEPTEMBER 2012**

7. Statement of designated account (continued)

Reconciliation of designated account	For the period 1 October 2010 to 30 September 2012 USD	For the period from 22 April 2011 (commencement date) to 30 September 2011 USD
Amounts advanced to the Project by the IDA	250,000	250,000
Less: Total amount recovered by the IDA	-	-
Total advanced to the Project by the IDA	250,000	250,000
Designated account ending balance (Note 5)	173,572	249,989
Amounts withdrawn by the Project but not yet replenished by the IDA*	76,428	11
Total advanced to the Project by the IDA	250,000	250,000

* This amount was replenished through withdrawal applications (W/A) 9 and 10. The replenishment amounts for such W/A were received in December 2012.

8. Commitments

There is no significant commitment as at 30 September 2012 and 30 September 2011.