

POVERTY REDUCTION FUND PROJECT II



STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

**FOR THE PERIOD FROM 1 OCTOBER 2012
TO 30 SEPTEMBER 2013**

POVERTY REDUCTION FUND PROJECT II

CONTENTS	Page
Statement by Project management	1
Independent auditor's report	2 -3
Statement of receipts and disbursements	4
Statement of fund balance	5
Notes to the financial statements	6-16

STATEMENT BY PROJECT MANAGEMENT

On 14 July 2011, the International Development Association (IDA) agreed to provide the Government of the Lao People's Democratic Republic (GoL) with a grant of SDR15,800,000 (equivalent to USD25,000,000) to assist in financing the Poverty Reduction Fund II (the Project) through Grant Agreement Number H685-LA.

The GoL agreed to carry out the Project through the Poverty Reduction Fund (PRF or Project Implementing Entity) under the subsidiary grant agreement signed by the GoL and the PRF on 2 August 2011, in which PRF commits to the objective of the Project and undertakes to carry out such objective.

On 31 October 2011, the Government of Switzerland through the Swiss Agency for Development and Cooperation (SDC) committed funds in the form of a non-reimbursable grant of a maximum of USD13,200,000 to the GoL for its effort to eradicate poverty and to improve the livelihoods of the population, especially rural and ethnic communities, and as part of its commitment to implement the Seventh Socio-Economic Development Plan from 2011 to 2013.

Later, the Australian Government through the Australian Agency for International Development (AusAID) agreed to provide co-financing of USD14,500,000 for additional assistance for the Project through the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility administered by the IDA. The IDA and the GoL signed the Multi-Donor Trust Fund Grant Agreement Number TF012419 on 22 January 2013.

The objective of the Project is to improve access to and utilisation of basic infrastructure and services for the Project's targeted poor communities in a sustainable manner through inclusive community and local development processes. The Project is managed by the Project management (executive director). Project activities mainly cover 284 groups of villages (Kum Ban) in Lao PDR to support local community development in poor areas. The implementation of the Project was approved by the IDA on 11 October 2011. The Project activities consist of the following components:

Component 1: Community Development Sub-grants

Component 2: Local and Community Development Capacity Building and Learning

Component 3: Project Management

The Project maintains its records and prepares its financial statements under the cash basis of accounting. Any direct payments made by the IDA for Project expenditure are recorded by the Project when paid.

The following components of the financial statements summarise the Project's financial position and performance for the period from 1 October 2012 to 30 September 2013:

- statement of receipts and disbursements
- statement of fund balance, and
- notes to the financial statements


As the responsible officials, we hereby state that the financial statements for the period from 1 October 2012 to 30 September 2013, to the best of our knowledge and belief:

- have been prepared in accordance with the IDA's requirements, and
- 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 only includes costs which are eligible under Grant Agreement No. H685-LA and under the grant agreement between the GoL and the SDC and adequate supporting documentation has been maintained for these costs.

On behalf of the Project:


Mr. Bounkonang Souvannaphanh
Executive Director


Mrs. Boualy Sayavong
Head of Finance and Administration Division

28 MAR 2014

28 MAR 2014

INDEPENDENT AUDITOR'S REPORT

To the Government of Lao PDR, the Management of the Project, the International Development Association and the Swiss Agency for Development and Cooperation on the financial statements of the Poverty Reduction Fund Project II.

We have audited the financial statements of the Poverty Reduction Fund Project II (the Project) funded by the International Development Association (IDA) and the Swiss Agency for Development and Cooperation (SDC), which comprise the statement of receipts and disbursements for the period from 1 October 2012 to 30 September 2013, the statement of fund balance as at 30 September 2013 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 financial statements of the Project for the period from 1 October 2012 to 30 September 2013 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 describe the basis of accounting. The financial statements are prepared to assist the Project's management to comply 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 funded by the Swiss Agency for Development and Cooperation (SDC) for the period from 1 October 2011 to 30 September 2012 have not been audited by any firms but are presented herewith for comparative purposes only. However, we have been engaged as the Project auditor commencing from the period from 1 October 2012 to 30 September 2013. Certain works are performed to satisfy ourselves as to the adequacy of the opening fund balance as at 1 October 2012 only.

This report is intended for the information of the Project, the IDA and the 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 Tunkoon
Partner
Vientiane, Lao PDR

Date: 28 March 2014

POVERTY REDUCTION FUND PROJECT II

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013**

	Notes	Accumulated as at 30 September 2013 USD	From 1 October 2012 to 30 September 2013 USD	From 1 October 2011 to 30 September 2012 USD
Cash receipts				
Fund received from the IDA H 685 – LA and TF 12419	3	17,926,937	13,313,337	4,613,600
Fund received from the SDC	4	5,600,000	2,300,000	3,300,000
Total receipts		23,526,937	15,613,337	7,931,600
Cash disbursements by component				
Component 1: Community Development Sub-grants		11,661,398	11,406,990	254,408
Component 2: Local and Community Development Capacity Building and Learning		2,658,431	1,525,294	1,133,137
Component 3: Project Management		4,497,855	2,707,354	1,790,501
Total disbursements	5	18,817,684	15,639,638	3,178,046
Surplus of receipts over disbursements		4,709,253	(26,301)	4,735,554

Mr. Bounkouang Souvannaphanh
Executive Director

28 MAR 2014

Mrs. Boualy Sayavong
Head of Finance and Administration Division

28 MAR 2014

The accompanying notes on pages 6 to 16 form an integral part of the financial statements.
The auditor's report is on pages 2 and 3.

POVERTY REDUCTION FUND PROJECT II

STATEMENT OF FUND BALANCE
AT AS 30 SEPTEMBER 2013

	Notes	As at 30 September 2013 USD	As at 30 September 2012 USD
Opening fund balance		4,735,554	-
Surplus/(deficit)		(26,301)	4,735,554
Closing fund balance		<u>4,709,253</u>	<u>4,735,554</u>
<i>Represented by:</i>			
Cash on hand and cash at banks	6	4,604,227	4,508,340
Advances outstanding	7	105,026	227,214
		<u>4,709,253</u>	<u>4,735,554</u>



Mr. Bounkouang Souvannaphanh
Executive Director

28 MAR 2014

Mrs. Boualy Sayavong
Head of Finance and Administration Division

28 MAR 2014

The accompanying notes on pages 6 to 16 form an integral part of the financial statements.
The auditor's report is on pages 2 and 3.

1. General information

On 14 July 2011, the International Development Association (IDA) agreed to provide the Government of the Lao People's Democratic Republic (GoL) with a grant of SDR 15,800,000 (equivalent to USD 25,000,000) to assist in financing the Poverty Reduction Fund II (the Project) through Grant Agreement Number H685-LA.

The GoL agreed to carry out the Project through the Poverty Reduction Fund (PRF or Project Implementing Entity) under the subsidiary grant agreement signed by the GoL and the PRF on 2 August 2011, in which the PRF commits to the objective of the Project and undertakes to carry out such objective.

On 31 October 2011, the Government of Switzerland through the Swiss Agency for Development and Cooperation (SDC) committed funds in the form of a non-reimbursable grant of a maximum of USD 13,200,000 to the GoL for its effort to eradicate poverty and to improve the livelihoods of the population, especially rural and ethnic communities, and as part of its commitment to implement the Seventh Socio-Economic Development Plan from 2011 to 2013.

Later, the Australian Government through the Australian Agency for International Development (AusAID) agreed to provide co-financing of USD 14,500,000 for additional assistance for the Project through the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility administered by the IDA. The IDA and the GoL signed the Multi-Donor Trust Fund Grant Agreement Number TFO12419 on 22 January 2013. This co-financing of USD 14,500,000 is for 37% of goods, works, non-consulting services, consultants' services, Community Development Sub-grants, Training and workshops and Incremental Operating Costs under the Project.

The overall objective of the PRF is "to improve access to and utilisation of basic infrastructure and services for the projects targeted poor communities in a sustainable manner through inclusive and participatory community and local development processes".

The Project's specific objectives 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
- to strengthen citizen's engagement in local development and encourage the adoption of responsive and accountable participatory planning, financing and implementation approaches for service delivery.

The Project is managed by the Project management (executive director). Project activities mainly cover 284 groups of villages (Kum Ban) in Lao PDR to support local community development in poor areas. The implementation of the Project was approved by the IDA on 11 October 2011. As at 30 September 2013, the Project had 230 full-time staff and an international advisor.

The Project activities consist of the following components:

Component 1: Community Development Sub-grants

1. Support Kum Bans in planning community and local development activities.
2. Carry out community development sub-projects in villages through the provision of community development sub-grants made available by the Project to Kum 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

1. Strengthen the capacity of Kum Bans and villages to, inter alia, (a) assess their needs, (b) plan community development sub-projects, and (c) implement and supervise community development sub-projects.

1. General information (continued)

2. 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.
3. 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.
4. Undertake project monitoring and evaluation activities.

Component 3: Project Management

1. 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.

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 the Project management on 28 March 2014.

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 receipts and disbursements basis of accounting, except for 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 outstanding' until the advance is cleared by its owner and recorded as a payment.

The normal accounting period for the Project is from 1 October to 30 September each year. The first financial statements were prepared from the effective date of the Project, 1 October 2011, to 30 September 2012.

b. Cash receipts

Cash receipts represent cash received from the IDA and the SDC, 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 regarding the payment from the IDA.

c. Cash disbursements

Cash disbursements represent all cash expenses of the Project for the activities funded by the IDA and the SDC, 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. Disbursement 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 sub-projects under Components 1 and 2, in accordance with the provisions of the sub-grant agreement. The disbursement of sub-grants to Kum Bans by the Project is recognised as expenditure on the date money is transferred to the Kum Bans.

2. Significant accounting policies (continued)

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 asset 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 employees for the purpose 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 are recorded to the related expenditure category line on the date of liquidation, and any excess amount is debited to the cash account upon receipt by the Project. Outstanding advances are included in the statement of fund balance and presented as advances.

f. Foreign currency

The measurement and presentation currency of the Project is US dollars. Transactions arising in currencies other than US dollars are translated to US dollars using the rates prevailing at the transaction dates. Cash balances in currencies other than US dollars are translated into US dollars 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 2013 was USD1 to LAK 7,837.

g. Designated account replenishments

The designated account replenishments represent cash received by the Project under Grant Agreement Number H685-LA and Number TF012419. The designated account is replenished by the IDA in accordance with the Statement of Expenditure (SOE) and the Withdrawal Application, 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 Numbers H685-LA and TF012419.

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

3. Designated bank account replenishments

For the period from 1 October 2012 to 30 September 2013

Application number	Date of application	Particulars	USD
Agreement No. IDA H 685 - LA:			
No.0007	10 October 2012	DA-A IDA H685-LA	479,053
No.0008	30 November 2012	DA-A IDA H685-LA	973,876
No.0009	7 February 2013	DA-A IDA H685-LA	769,254
No.0010	27 February 2013	DA-A IDA H685-LA	1,402,601
No.0011	28 March 2013	DA-A IDA H685-LA	342,338
No.0012	22 April 2013	DA-A IDA H685-LA	298,860
No.0013	2 May 2013	DA-A IDA H685-LA	349,169
No.0014	20 June 2013	DA-A IDA H685-LA	896,327
No.0015	11 July 2013	DA-A IDA H685-LA	271,817
No.0016	18 July 2013	DA-A IDA H685-LA	857,751
No.0017	30 August 2013	DA-A IDA H685-LA	1,484,306
No.0018	12 September 2013	DA-A IDA H685-LA	816,362
			8,941,714
Agreement No. TF012419:			
No.0001*	5 April 2013	TF012419	1,450,000
No.0002	22 April 2013	TF012419	175,521
No.0003	2 May 2013	TF012419	205,068
No.0004	3 June 2013	TF012419	526,429
No.0005	11 July 2013	TF012419	159,643
No.0006	18 July 2013	TF012419	503,763
No.0007	30 August 2013	TF012419	871,744
No.0008	12 September 2013	TF012419	479,455
			4,371,623
Total replenishments of designated account No. 0000010092800127			13,313,337

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

* W/A No.001 represents an advance from the IDA under Grant Agreement No. TF012419 to the Project for the initial implementation activities of the Project.

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

3. Designated bank account replenishments (continued)

For the period from 1 October 2011 to 30 September 2012

Application number	Date of application	Particulars	USD
Agreement no. IDA H 685 - LA:			
No.001*	14 November 2011	DA-A IDA H685-LA	2,500,000
No.002	27 March 2012	DA-A IDA H685-LA	431,807
No.003	17 May 2012	DA-A IDA H685-LA	821,580
No.004	24 May 2012	DA-A IDA H685-LA	293,181
No.005	18 June 2012	DA-A IDA H685-LA	317,417
No.006	7 August 2012	DA-A IDA H685-LA	249,615
Total replenishments of designated account No. 0000010092800127			4,613,600

W/A for the Project are submitted to the IDA by the Project management through the Ministry of Finance.

* W/A No.001 represents an advance from the IDA under Grant Agreement No. H6850-LA to the Project for the initial implementation activities of the Project.

4. Operating bank account replenishments

For the period from 1 October 2012 to 30 September 2013

Application number	Date of application	Particulars	USD
Oct12.SDC.Reco01	16 October 2012	SDC 7F-06037.03.01	2,300,000
Total replenishments of operating account No. 0105110119672			2,300,000

The fund of USD2,300,000 was transferred from the SDC through Banque pour le Commerce Exterieur Lao (BCEL) on 16 October 2012 in accordance with the finance agreement between the SDC and the GoL.

For the period from 1 October 2011 to 30 September 2012

Application number	Date of application	Particulars	USD
Dec11.VTE.BK.001	5 December 2011	SDC 7F-06037.03.01	3,300,000
Total replenishments of operating account No. 0105110119672			3,300,000

The fund of USD 3,300,000 was transferred from the SDC through BCEL on 5 December 2011 in accordance with the finance agreement between the SDC and the GoL.

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

5. Summary of disbursements by component

	Total budget ("Unaudited") USD	Accumulated as at 30 September 2013 USD	For the period 1 October 2012 to 30 September 2013				For the period 1 October 2011 to 30 September 2012			
			IDA		SDC		IDA		SDC ("Unaudited")	
			USD	USD	USD	USD	USD	USD	USD	USD
Component 1: Community Development Sub-Grants										
1.1 Sub-grants(1)	33,497,440	9,474,520	6,971,124	2,503,396	9,474,520	-	-	-	-	-
1.2 Equipment	-	46,764	38,373	8,391	46,764	-	-	-	-	-
1.3 Water sub-grants (SDC) (2)	-	1,204,684	139,225	1,065,459	1,204,684	-	-	-	-	-
1.4 Kum Bans training	2,032,815	935,430	681,022	-	681,022	254,408	-	-	254,408	-
Component 1 expenditure subtotal	35,530,255	11,661,398	7,829,744	3,577,246	11,406,990	254,408	-	-	254,408	-
Component 2: Local and Community Development Capacity Building and Learning(3)										
2.1 Capacity building	4,013,923	1,650,928	571,003	200,534	771,537	777,440	101,951	879,391	52,895	-
2.2 Assessments	705,240	223,050	132,379	37,775	170,154	52,895	-	52,895	-	-
2.3 Training/meeting	-	-	-	-	-	-	-	-	-	-
2.4 Sub-grant monitoring	2,172,000	784,454	576,400	7,203	583,603	197,338	3,513	200,851	-	-
2.5 Innovation fund (SDC)	400,000	-	-	-	-	-	-	-	-	-
Component 2 expenditure subtotal	7,291,163	2,658,431	1,279,782	245,512	1,525,294	1,027,673	105,464	1,133,137	-	-
Component 3: Project Management										
3.1 External audit	150,000	7,036	7,036	-	7,036	-	-	-	-	-
3.2 Local staff salaries (4)	8,932,355	3,099,670	1,825,512	-	1,825,512	1,274,159	-	1,274,159	-	-
3.3 International advisors	531,000	181,908	112,141	-	112,141	69,767	-	69,767	-	-
3.4 Equipment	704,462	629,761	370,416	1,505	371,921	256,881	958	257,839	-	-
3.5 Works	495,060	132,872	111,139	-	111,139	20,956	777	21,733	-	-
3.6 Operating costs	2,065,795	446,608	24,720	254,885	279,605	20,726	146,277	167,003	-	-
Component 3 expenditure subtotal	12,878,582	4,497,855	2,450,964	256,390	2,707,354	1,642,489	147,012	1,790,501	-	-
Total disbursements	55,700,000	18,817,684	11,560,490	4,079,148	15,639,638	2,924,570	253,476	3,178,046	-	-

Source of budget: Total budget provided by the Head of Finance and Administration Division of the Project.

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

5. Summary of disbursements by project activity (continued)

Component 1: Community Development Sub-Grants

- (1) These disbursements incurred at sub-grants which it funded by the IDA under the grants agreement number H685-LA, TF012419 and SDC. The disbursements for sub-grants during the period, it funded by the IDA under grant agreement number H685-LA total 63% of total disbursements and funded by the AusAID through grant agreement number TF012419 total 37% of total disbursements. Sub-grant disbursements mainly related to education projects such as elementary schools, nursery schools and dormitories; water and sanitation projects such as irrigation systems and ground water systems; and, public works and transportation projects such as road construction and bridges in villages. Most expenses were incurred in Huaphan, Savannaketh Xiengkhoang and Louang Namtha provinces.

The sub-grants funded by the SDC are mainly for construction of irrigation system, ground water systems and dike dam in Huaphan Phongsaly and Louangphabang provinces.

- (2) This represents disbursements incurred by sub-grants funded by the IDA and the SDC, which pertain to water development projects in provinces such as the construction of irrigation systems, dikes and reservoirs in Savannaketh and Sekong.

Component 2: Local and Community Development Capacity Building and Learning

- (3) The disbursements for this component mainly relate to sub-grants monitoring and evaluation of training at the sub-grant level.

Component 3: Project Management

- (4) The disbursements are mainly salaries for local staff and an international advisor who work for the Project in various provinces. As of 30 September 2013, the Project had 230 local staff and international advisors.

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

6. Cash on hand and at banks

	As at 30 September 2013			As at 30 September 2012		
	IDA USD	SDC USD	Total USD	IDA USD	SDC USD	Total USD
Cash on hand						
Cash on hand at Vientiane	3,563	5,845	9,408	1,910	523	2,433
Cash on hand at provinces	2,293	365	2,658	1,178	162	1,340
Total cash on hand (Note 8)	5,856	6,210	12,066	3,088	685	3,773
Cash at banks						
Operating accounts						
PRF II – Vientiane bank accounts	1,466,712	1,152,562	2,619,274	712,036	3,040,596	3,752,632
PRF II – Province bank accounts	279,973	108,501	388,474	80,311	4,634	84,945
Total operating accounts (Note 8)	1,746,685	1,261,063	3,007,748	792,347	3,045,230	3,837,577
Designated account – BoL (Note 8)	1,584,413	-	1,584,413	666,990	-	666,990
Total cash at banks	3,331,098	1,261,063	4,596,161	1,459,337	3,045,230	4,504,567
Total cash on hand and cash at banks	3,336,954	1,267,273	4,604,227	1,462,425	3,045,915	4,508,340

The cash on hand mainly consists of individual petty cash balances maintained at each location for small payments made by the Project. Cash at banks represents cash deposited in current accounts at local banks, bearing no interest.

Operating accounts are bank accounts opened at local banks by each office of the Project to manage funds received from the designated account and funds received from the SDC. Operating accounts are normally current accounts that bear no interest. For the period 1 October 2012 to 30 September 2013, there were three new accounts opened for the Phongsaly, Oudomxay and Louang Prabang provinces. All operating accounts are current accounts bearing no interest.

Cash on hand and cash at banks denominated in Lao kip (LAK) are translated into US dollars using the BCEL exchange rate as at 30 September 2013, which was LAK7,837 to USD1 (2012: LAK7,986 to USD1).

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

6. Cash on hand and at banks (continued)

The details of cash at bank accounts are as follows:

Designated account

Account No.:	0000010092800127
Account Name:	Poverty Reduction Fund Project H 685-LA
Depository Bank:	Bank of Lao PDR
Type of account :	Current account
Interest rate :	Nil
Address:	Yonet Road, PO Box 2925, Vientiane, Lao PDR
Related credit :	IDA Grant Agreement No. H685-LA and TF012419
Currency:	USD

Operating account at Vientiane office under Grant Agreement No. H685-LA and TF 012419

Account No.:	010110100132385001
Account Name:	Poverty Reduction Fund Project H 685-LA
Depository Bank:	Banque pour le Commerce Extérieur Lao, Head Office in VTE
Type of account :	Current account
Interest rate :	Nil
Address:	No 1 Pangkham Street, PO Box 2925, Vientiane, Lao PDR
Related credit:	IDA Grant Agreement No. H685-LA and TF012419
Currency:	USD

Operating account at Vientiane office under the grant agreement from the SDC

Account No.:	010110100405801001
Account Name:	Poverty Reduction Fund Project
Depository Bank:	Banque pour le Commerce Extérieur Lao, Head Office in VTE
Type of account :	Current account
Interest rate :	Nil
Address:	No 1 Pangkham Street, PO Box 2925, Vientiane, Lao PDR
Related credit:	Grant Agreement between the GoL and the SDC
Currency:	USD

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

7. Advances

Advances by province	As at 30 September 2013			As at 30 September 2012		
	IDA	SDC	Total	IDA	SDC	Total
	USD	USD	USD	USD	USD	USD
Houaphan	-	-	-	35,343	-	35,343
Savannakheth	3,828	-	3,828	35,504	-	35,504
Vientiane	10,639	-	10,639	62,146	-	62,146
Xiengkhoaung	689	-	689	15,773	-	15,773
Salavan	-	-	-	10,019	189	10,208
Louang Namtha	-	-	-	12,804	-	12,804
Sekong	-	-	-	24,776	-	24,776
Attapeu	12,916	103	13,019	25,312	250	25,562
Phongsaly	7,709	-	7,709	-	-	-
Oudomxay	44,233	-	44,233	2,459	170	2,629
Louangprabang	24,909	-	24,909	2,469	-	2,469
Total advances	104,923	103	105,026	226,605	609	227,214

Advances as at 30 September 2013 were mainly advances to the Project's staff to perform Kum Ban and village training. Training sessions mainly related to the design and materials used for construction and rural development planning. All such advances were cleared in October and November 2013.

8. Statement of designated account

IDA Grant No. 6850 – LA and TF012419

	As at 30 September 2013	As at 30 September 2012
	USD	USD
Opening balance	666,990	-
Add: Designated account replenishments (Note 3)	13,313,337	4,613,600
Add: Total cash on hand, advances and cash at bank at opening	1,022,040	-
Less: Total disbursements for the period 1 October 2012 to 30 September 2013 (Note 5)	(11,560,490)	(2,924,570)
Less: Advances (Note 7)	(104,923)	(226,605)
Less: Replenishments to operating accounts (Note 6)	(1,746,685)	(792,347)
Less: Cash on hand (Note 6)	(5,856)	(3,088)
Closing balance	1,584,413	666,990

POVERTY REDUCTION FUND PROJECT II

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2012 TO 30 SEPTEMBER 2013

8. Statement of designated account (continued)

Reconciliation of designated account	As at 30 September 2013 USD	As at 30 September 2012 USD
Amount advanced to the Project by the IDA under agreement No. H658-LA	2,500,000	2,500,000
Add: Advances to the Project by the IDA under agreement No. TF012419	1,450,000	-
Total advanced to the Project by the IDA	3,950,000	2,500,000
Designated account balance as at 30 September	1,584,413	666,990
Vientiane operating bank accounts (Note 6)	1,466,712	712,036
Amounts withdrawn by the Project but not yet replenished under IDA 6850 and TF012419*	888,236	1,058,828
Advance remaining at Vientiane office (Note 7)	10,639	62,146
Total advanced to the Project by the IDA	3,950,000	2,500,000

*This amount was replenished through W/A 019 for USD 551,623 and W/A 020 for USD 12,640 under agreement No. IDA 6850-LA, and W/A 009 for USD 323,973 under agreement No. TF12419. The replenishments for such W/A were received in October 2013 and November 2013.

9. Commitments

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

	As at 30 September 2013 USD	As at 30 September 2012 USD
Sub-grant contractors*	4,642,119	1,914,940
External auditor	26,272	-
Total	4,668,391	1,914,940

*This mainly represents committed contracts with local contractors, which are expected to be completed within one to three years of the reporting date. The committed balance includes contracts for civil works, such as the construction of school buildings, spillways and bridges in the provinces.

Commitments consist of committed contracts under the IDA of USD 3.28 million and committed contracts under the SDC of USD 1.36 million.