

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 2014

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 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"), 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 13,200,000 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 PRFII 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 Grant No. H685-LA, TF Grant No. TF012419, 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 2014 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 2014 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

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

Reference: 61170997/17482963

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 2014, 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 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 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 2014 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.



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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. As also disclosed in Note 2 to the financial statements, the accompanying financial statements are prepared to assist the Project's Management in meeting the reporting requirements of IDA and SDC. As a result, the financial statements may not be suitable for another purpose.

Other matter

The financial statements of the Project as at and for the year ended 30 September 2013 were audited by another audit firm which expressed an unmodified opinion on those financial statements on 28 March 2014.

Ernst & Young



Vientiane, Lao PDR

20 March 2015

1/21/15 10:00 AM

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 2014

Currency: \$US

	Notes	Accumulated as at 30 September 2014	For the year ended 30 September 2014	For the year ended 30 September 2013
Receipts				
Funds from IDA and TF	4	27,382,038	9,455,101	13,313,337
Funds from SDC	5	9,900,000	4,300,000	2,300,000
Funds from GOL	6	1,995,012	1,995,012	-
Total receipts		39,277,050	15,750,113	15,613,337
Disbursements				
Component 1: Community development sub-grants		24,020,033	12,358,635	11,406,990
Component 2: Local and community development capacity building and learning		4,380,350	1,444,045	1,637,435
Component 3: Project management		6,564,555	2,344,574	2,595,213
Total disbursements	7	34,964,938	16,147,254	15,639,638
Net disbursements		4,312,112	(397,141)	(26,301)



Mr. Bounkouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

12/07/2015

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 2014

Currency: \$US

	30 September 2014	30 September 2013
Opening fund balance	4,709,253	4,735,554
Net disbursements	(397,141)	(26,301)
Closing fund balance	4,312,112	4,709,253
<i>Represented by:</i>		
Cash on hand and cash at banks	4,148,031	4,604,227
Advances	164,081	105,026
	4,312,112	4,709,253

Notes

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Mr. Bounkouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

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 2014

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

(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 2014

1. PROJECT BACKGROUND (continued)

Financing (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 and GOL

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

(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 2014

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
(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 2014

4. FUNDS FROM IDA AND TF

		Currency: \$US	
<i>Withdrawal Application No. Date of receipt</i>	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>	
IDA H685 - LA			
Application No. 007	10 October 2012	-	479,053
Application No. 008	30 November 2012	-	973,876
Application No. 009	7 February 2013	-	769,254
Application No. 010	27 February 2013	-	1,402,601
Application No. 011	28 March 2013	-	342,338
Application No. 012	22 April 2013	-	298,860
Application No. 013	2 May 2013	-	349,169
Application No. 014	20 June 2013	-	896,327
Application No. 015	11 July 2013	-	271,817
Application No. 016	18 July 2013	-	857,751
Application No. 017	30 August 2013	-	1,484,306
Application No. 018	12 September 2013	-	816,362
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	-
		5,956,702	8,941,714
TF 12419			
Application No. 01	5 April 2013	-	1,450,000
Application No. 02	22 April 2013	-	175,521
Application No. 03	2 May 2013	-	205,068
Application No. 04	3 June 2013	-	526,429
Application No. 05	11 July 2013	-	159,643
Application No. 06	18 July 2013	-	503,763
Application No. 07	30 August 2013	-	871,744
Application No. 08	12 September 2013	-	479,455
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	-
		3,498,399	4,371,623
Total replenishments of designated account No. 0000010092800127		9,455,101	13,313,337

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 2014

5. FUNDS FROM SDC

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
SDC Funding			
Oct12.SDC.Rec001	16 October 2012	-	2,300,000
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	-
Total replenishments of operating account No. 0105110119672		<u>4,300,000</u>	<u>2,300,000</u>

6. FUNDS FROM GOL

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
Lao PDR Government Contribution			
Mar.14.GOL.B02	25 March 2014	1,995,012	-
Total replenishments of operating account No. 471000.00.D00100320		<u>1,995,012</u>	<u>-</u>

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 2014

7. DISBURSEMENTS

	Total budget	Accumulated as at 30 September 2014				For the year ended 30 September 2014				For the year ended 30 September 2013			
		IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total	IDA and TF	SDC	GOL	Total
Component 1: Community Development Sub-Grants													
1.1 Sub-project	44,214,947	19,982,053	5,907,565	2,863,194	1,736,774	10,507,533	6,971,124	2,503,396	9,474,520				
1.2 Equipment	-	138,877	71,371	3,616	17,126	92,113	38,373	8,391	46,764				
1.3 Water Sub-project (SDC)	-	1,995,805	125,205	450,516	215,401	791,122	139,225	1,065,459	1,204,684				
1.4 Kum Bans training	2,927,685	1,903,298	967,867	-	-	967,867	681,022	-	681,022				
Sub-total expenditure of component 1	47,142,632	24,020,033	7,072,008	3,317,326	1,969,301	12,358,635	7,829,744	3,577,246	11,406,990				
Component 2: Local and Community Development Capacity Building and Learning													
2.1 Capacity Building	3,692,435	2,464,048	537,993	179,162	-	717,155	571,003	200,534	771,537				
2.2 Assessments	1,467,010	716,925	311,967	-	-	311,967	244,520	37,775	282,295				
2.3 Sub-grant monitoring	2,147,923	1,189,928	275,898	129,576	-	405,474	576,400	7,203	583,603				
2.4 Innovation Fund (SDC)	300,000	9,449	1,914	7,535	-	9,449	-	-	-				
Sub-total expenditure of component 2	7,607,368	4,380,350	1,127,772	316,273	-	1,444,045	1,391,923	245,512	1,637,435				

Currency: \$US

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 2014

7. DISBURSEMENTS (continued)

Currency: \$US

	Total budget	Accumulated as at 30 September 2014		For the year ended 30 September 2014			For the year ended 30 September 2013		
		IDA and TF	SDC	GOL	Total	IDA and TF	SDC	Total	
Component 3: Project Management									
3.1 External Audit	172,895	37,731	12,972	17,723	-	30,695	7,036	-	7,036
3.2 Local staff salaries	8,362,284	5,096,859	1,997,189	-	-	1,997,189	1,825,512	-	1,825,512
3.4 Equipment	376,484	669,466	38,117	1,587	-	39,704	370,416	1,505	371,921
3.5 Works	201,711	159,859	26,987	-	-	26,987	111,139	-	111,139
3.6 Operating cost	1,260,310	600,640	32,431	210,147	7,421	249,999	24,720	254,885	279,605
Sub-total expenditure of component 3	10,373,684	6,564,555	2,107,696	229,457	7,421	2,344,574	2,338,823	256,390	2,595,213
Contingencies	576,316	-	-	-	-	-	-	-	-
Total disbursement	65,700,000	34,964,938	10,307,476	3,863,056	1,976,722	16,147,254	11,560,490	4,079,148	15,639,638

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 2014

8. CASH ON HAND AND CASH AT BANKS

Currency: \$US

	30 September 2014			30 September 2013			Total
	IDA and TF	SDC	GOL	Total	IDA and TF	SDC	
Cash on hand							
Cash on hand at Vientiane	1,491	3,576	-	5,067	3,563	5,845	9,408
Cash on hand at Provinces	2,846	1,152	-	3,998	2,293	365	2,658
Total cash on hand	4,337	4,728	-	9,065	5,856	6,210	12,066
Cash at banks							
Operating accounts							
PRF II – Vientiane bank accounts	686,705	1,677,350	17,520	2,381,575	1,466,712	1,152,562	2,619,274
PRF II – Province bank accounts	267,839	56,397	770	325,006	279,973	108,501	388,474
Designated account – BoL (Note 8.1)	1,432,385	-	-	1,432,385	1,584,413	-	1,584,413
Total cash at banks	2,386,929	1,733,747	18,290	4,138,966	3,331,098	1,261,063	4,592,161
Total cash on hand and cash at banks	2,391,266	1,738,475	18,290	4,148,031	3,336,954	1,267,273	4,604,227

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 2014

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 2014</i>	<i>For the year ended 30 September 2013</i>
Opening balance	1,584,413	666,990
Add:		
IDA and TF replenishment (Note 4)	9,455,101	13,313,337
Total opening balance of Cash on hand and Cash at bank (Note 8) and Advance (Note 9)	1,857,464	1,022,040
	12,896,978	15,002,367
Deduct:		
Total disbursements during the year (Note 7)	(10,307,476)	(11,560,490)
Advances (Note 9)	(150,303)	(104,923)
Replenishments to operating accounts (Note 8)	(954,544)	(1,746,685)
Cash on hand (Note 8)	(4,337)	(5,856)
Expense on behalf of the SDC (*)	(47,933)	-
Closing balance (Note 8)	1,432,385	1,584,413

(*) The Project transferred fund from the mentioned Designated Account to fund for a sub-project which is fully funded by the SDC. This amount will be transferred back from the SDC's Bank account.

Poverty Reduction Fund Project II
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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2014

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 2014</i>	<i>For the year ended 30 September 2013</i>
Amount advanced by the IDA to the Designated Account during the year (Note 4)	3,950,000	3,950,000
Closing balance of amount advanced to Designated Account	3,950,000	3,950,000
Closing balance of Designated Account (Note 8)	1,432,385	1,584,413
<i>Add:</i>		
Cash balance of the Project's operating account at Vientiane (Note 8)	686,705	1,466,712
Amount withdrawn but not yet claimed (**)	1,769,375	888,236
Outstanding advances at Vientiane office (Note 9)	13,602	10,639
Expense paid on behalf of SDC (*)	47,933	-
Closing outstanding amount advanced to Designated Account	3,950,000	3,950,000

(*) The Project transferred fund from the mentioned Designated Account to fund for a sub-project which is fully funded by the SDC. This amount will be transferred back from the SDC's Bank account.

(**) This amount was replenished through withdrawal applications (W/A) 028 and 029 for IDA6850 and 018 and 019 for TF12419. The replenishment amounts for such W/A's were received by USD 1,591,298 and USD 178,077 in November 2014 and January 2015 respectively.

9. ADVANCES

	<i>Currency: \$US</i>					
	<i>30 September 2014</i>			<i>30 September 2013</i>		
	<i>IDA</i>	<i>SDC</i>	<i>Total</i>	<i>IDA</i>	<i>SDC</i>	<i>Total</i>
Advances at Vientiane (Notes 8.1.2)	13,602	7,268	20,870	10,639	-	10,639
Advances at provinces	136,701	6,510	143,211	94,284	103	94,387
	150,303	13,778	164,081	104,923	103	105,026

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 2014

10. COMMITMENTS

The details of commitments as at 30 September 2014 are as follows:

	<i>Currency: \$US</i>	
	<u>30 September 2014</u>	<u>30 September 2013</u>
Sub-grants contractors	5,247,753	4,642,119
External auditor	5,024	26,272
Total	<u>5,252,777</u>	<u>4,668,391</u>

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. These contracts are eligible activities under Finance Agreement number H685-LA.