

Poverty Reduction Fund Project III

(IDA Credit No. 5827 - LA, SDC and GOL Funding)

Report of the Project's Management and
Audited Financial Statements

For the year ended 31 December 2019



Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

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Poverty Reduction Fund Project III

(IDA Credit No. 5827 - LA, SDC and GOL Funding)

GENERAL INFORMATION

The Poverty Reduction Fund Project III

The Poverty Reduction Fund Project ("PRF I") and the Poverty Reduction Fund Project II ("PRF II") were set up following the Development Credit Agreement No. 3675-LA dated 19 August 2002 and No. 5677-LA dated 13 July 2016, respectively, 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 III ("PRF III") is the next phase of PRF I and PRF II which was set up under the Development Credit Agreement No. 5827-LA between GoL and IDA dated 13 July 2016.

While the purpose of PRF III remains the same as in PRF I and PRF II, the overall objective is revised to reflect an increased focus on outcome: to improve access to basic services for the Project's targeted poor communities.

PRFIII's activities mainly cover 263 groups of villages ("Koum Ban") of 43 districts in 10 provinces in Lao PDR.

PRFIII is implemented by the Poverty Reduction Fund of the Committee for Planning and Cooperation. On 3 August 2017, the Poverty Reduction Fund has been assigned to be monitored by the Ministry of Agriculture and Forestry.

Financing

PRFIII is currently financed by various funds including the IDA, the Swiss Agency for Development and Cooperation ("SDC") and GoL.

On 13 July 2016, the IDA agreed to provide Credit No. 5827-LA with an amount of 21,300,000 Special Drawing Rights (equivalent to USD 30,000,000) to finance PRFIII 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 30 June 2020.

The Swiss Government through SDC committed funds in the form of a non-reimbursable Grant of maximum USD 18,000,000 to the GoL for financing the PRFIII.

The GoL approved to pay PRF III a budget of LAK 11,000,000,000 and LAK 37,000,000,000 in 2018 and 2019, respectively.

Poverty Reduction Fund Project III

(IDA Credit No. 5827 - LA, SDC and GOL Funding)

GENERAL INFORMATION (continued)

The accompanying financial statements are for the IDA Credit No. 5827-LA, the SDC and GOL funding ("the Project").

The Project activities consist the following components:

► Component 1: Community development sub-grants

- Carrying out of participatory community and local development planning processes at the village and Kum Ban levels.
- Provision of sub-grants for the implementation of the eligible community infrastructure Sub-projects based on the Kum Ban development plans prepared under the Project.

► Component 2: Local and community development capacity building

- Provision of technical assistance to build the capacity of Kum Bans and Villages to assess their needs and prepare Kun Ban development plans, and to plan, implement and monitor sub-projects.
- Provision of technical assistance to build the capacity of the provincial and district authorities to facilitate community and local development planning processes and to support and supervise the development and implementation of sub-projects.
- Provision of technical assistance of National Committee for Rural Development and Poverty Eradication ("NCRDPE") to promote participatory rural development in coordination with various sector ministries and other entities supporting rural development in the recipient's territory.
- Provision of technical and operational assistance for the development and implementation of partnerships between PRF and other agencies in rural sanitation, nutrition, poverty assessment, and other areas within the mandate of PRF.
- Monitoring and evaluation of the activities carried out under Parts 1 and 2 of the Project.

► Component 3: Project management

- Provision of technical and operational assistance for the day-to-day management of the Project and the carrying out of financial audits.

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

► Component 4: Nutrition Enhancing and Livelihood Development

- Provision of capacity building assistance to village self-help groups, with a focus on women's self-help groups in selected communities, to develop and implement nutrition sensitive livelihood activities and to enhance their knowledge of livelihood activities including financial literacy and production cycles.
- Monitoring and evaluation of the activities carried out under Part 4 of the Project, including carrying out of studies on thematic or operational innovations and participatory assessment of nutrition training.

Poverty Reduction Fund Project III (IDA Credit No. 5827 - LA, 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 and the statement of receipts and disbursements for the year ended 31 December 2019 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 it has 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 2019 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 Donors. As a result, the financial statements may not be suitable for any other purpose.

On behalf of Project Management:



Mr. Chit Thavisay
Executive Director



Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

2 June 2020

Reference: 60826839/21605453

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Poverty Reduction Fund Project III ("the Project") as set out on page 6 to 17, which comprise the statement of fund balance and the statement of receipts and disbursements for the year ended 31 December 2019, and the related explanatory notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 *Auditors' Responsibilities for the Audit of the Financial Statements* 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 financial statements in Lao PDR, and we have fulfilled our other 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 – Accounting Policies and Restriction on Distribution and Use

We draw attention to Note 3 to the financial statements which describes the accounting policies adopted by the Project. These accounting policies are not intended to present the financial position, the results of operations of the Project in accordance with international generally accepted accounting principles. As also disclosed in Note 2 to the financial statements, the financial statements are prepared to assist the Project's management in meeting the reporting requirements of its 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 its Donors, and should not be distributed to or used by other parties. Our opinion is not modified in respect of these matters.

Responsibility of the Project Management 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 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 for the Audit of the Financial Statements

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.

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.

We communicate with the Project Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Lao



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ລາວ ຈຳກັດ
ERNST & YOUNG
LAO CO., LTD
ຫລວງ ບຸນລີ

Vientiane, Lao PDR

2 June 2020

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the year ended 31 December 2019

			<i>Currency: \$US</i>
		<i>For the year</i>	<i>For the year</i>
		<i>ended 31</i>	<i>ended 31</i>
	<i>Notes</i>	<i>Accumulated as at</i>	<i>December 2018</i>
		<i>31 December 2019</i>	
Receipts			
Funds from IDA	4	29,537,740	9,405,507
Funds from SDC	5	16,100,000	4,315,000
Funds from GOL	6	2,481,425	1,255,586
Total receipts		48,119,165	14,976,093
Disbursements			
Component 1:			
Community development sub-grants		31,740,853	11,424,076
Component 2: Local and community development capacity building		3,773,316	1,510,108
Component 3: Project management		6,851,870	2,258,728
Component 4: Nutrition Enhancing Livelihood Development		1,417,026	500,533
Total disbursements	7	43,783,065	15,693,445
Net disbursements		4,336,100	(717,352)



Mr. Chit Thavisay
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

2 June 2020

Poverty Reduction Fund Project III
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STATEMENT OF FUND BALANCE
for the year ended 31 December 2019

		Currency: \$US	
	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Opening fund balance		4,330,407	5,047,759
Net disbursements		5,693	(717,352)
Closing fund balance		4,336,100	4,330,407
<i>Represented by:</i>			
Cash on hand and cash at banks	8	4,336,100	4,315,647
Advances	9	-	14,760
		4,336,100	4,330,407



Mr. Chit Thavisay
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

2 June 2020

Poverty Reduction Fund Project III (IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2019

1. PROJECT BACKGROUND

The Poverty Reduction Fund Project III

The Poverty Reduction Fund Project ("PRF I") and the Poverty Reduction Fund Project II ("PRF II") were set up following the Development Credit Agreement No. 3675-LA dated 19 August 2002 and No. 5677-LA dated 13 July 2016, respectively, 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 III ("PRF III") is the next phase of PRF I and PRF II which was set up under the Development Credit Agreement No. 5827-LA between GoL and IDA dated 13 July 2016.

While the purpose of PRF III remains the same as in PRF I and PRF II, the overall objective is revised to reflect an increased focus on outcome: to improve access to basic services for the Project's targeted poor communities.

PRFIII's activities mainly cover 263 groups of villages ("Koum Ban") of 43 districts in 10 provinces in Lao PDR.

PRFIII is implemented by the Poverty Reduction Fund of the Committee for Planning and Cooperation. On 3 August 2017, the Poverty Reduction Fund has been assigned to be monitored by the Ministry of Agriculture and Forestry.

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On 13 July 2016, the IDA agreed to provide Credit No. 5827-LA with an amount of 21,300,000 Special Drawing Rights (equivalent to USD 30,000,000) to finance PRFIII 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 30 June 2020.

The Swiss Government through SDC committed funds in the form of a non-reimbursable Grant of maximum USD 18,000,000 to the GoL for financing the PRFIII.

The GoL approved to pay PRF III a budget of LAK 11,000,000,000 and LAK 37,000,000,000 in 2018 and 2019, respectively.

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 Donors.

Poverty Reduction Fund Project III

(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. *Funds from IDA*

Funds from IDA 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. *Funds from GOL*

Funds from Gol are recognized when paid direct to the supplier.

3.4. *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.

3.5. *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.

3.6. *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's Director 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.

3.7. *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 denominated 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 III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

4. FUNDS FROM IDA

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 31 December 2019</i>	<i>For the year ended 31 December 2018</i>
Application No. 11	12 February 2018	-	1,371,462
Application No. 12	30 March 2018	-	524,701
Application No. 13	21 May 2018	-	530,762
Application No. 14	25 May 2018	-	515,041
Application No. 15	31 May 2018	-	790,538
Application No. 16	17 July 2018	-	1,540,287
Application No. 17	10 August 2018	-	1,396,311
Application No. 18	06 September 2018	-	1,704,538
Application No. 19	10 October 2018	-	1,031,867
Application No. 20	11 January 2019	796,036	-
Application No. 21	6 March 2019	1,099,824	-
Application No. 22	3 June 2019	988,623	-
Application No. 23	10 June 2019	688,041	-
Application No. 24	17 July 2019	1,639,017	-
Application No. 25	10 September 2019	725,174	-
Application No. 26	23 October 2019	1,900,510	-
Application No. 27	15 November 2019	618,309	-
		8,455,534	9,405,507

5. FUNDS FROM SDC

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 31 December 2019</i>	<i>For the year ended 31 December 2018</i>
Application No. 003	26 June 2018	-	3,315,000
Application No. 004	26 October 2018	-	1,000,000
Application No. 05	3 September 2019	4,310,000	-
		4,310,000	4,315,000

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

6. FUNDS FROM GOL

		<i>Currency: \$US</i>	
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 31 December 2019</i>	<i>For the year ended 31 December 2018</i>
Application No. 001	31 December 2018	-	39,505
Application No. 002	31 December 2018	-	27,804
Application No. 003	31 December 2018	-	43,638
Application No. 004	31 December 2018	-	31,221
Application No. 005	31 December 2018	-	28,244
Application No. 006	31 December 2018	-	23,222
Application No. 007	31 December 2018	-	39,591
Application No. 008	31 December 2018	-	39,355
Application No. 009	31 December 2018	-	38,727
Application No. 010	31 December 2018	-	37,289
Application No. 011	31 December 2018	-	28,675
Application No. 012	31 December 2018	-	27,964
Application No. 013	31 December 2018	-	34,775
Application No. 014	31 December 2018	-	37,616
Application No. 015	31 December 2018	-	44,087
Application No. 016	31 December 2018	-	38,311
Application No. 017	31 December 2018	-	34,429
Application No. 018	31 December 2018	-	35,386
Application No. 019	31 December 2018	-	30,630
Application No. 020	31 December 2018	-	36,474
Application No. 021	31 December 2018	-	27,135
Application No. 022	31 December 2018	-	26,627
Application No. 023	31 December 2018	-	40,949
Application No. 024	31 December 2018	-	13,173
Application No. 025	31 December 2018	-	9,711
Application No. 026	31 December 2018	-	5,343
Application No. 027	31 December 2018	-	35,052
Application No. 028	31 December 2018	-	34,269
Application No. 029	31 December 2018	-	41,255
Application No. 030	31 December 2018	-	36,274
Application No. 031	31 December 2018	-	34,791
Application No. 032	31 December 2018	-	44,257
Application No. 033	31 December 2018	-	43,587
Application No. 034	31 December 2018	-	38,441
Application No. 035	31 December 2018	-	27,432
Application No. 036	31 December 2018	-	37,083
Application No. 037	31 December 2018	-	36,758
Application No. 038	31 December 2018	-	26,506
Application No. 39	27 December 2019	1,225,839	-
		1,225,839	1,255,586

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

7. DISBURSEMENTS

	Total budget of 2019	Total budget of 2018	Accumulated as at 31 December 2019	For the year ended 31 December 2019				For the year ended 31 December 2018				Currency: \$US
				IDA	SDC	GOL	Total	IDA	SDC	GOL	Total	
Component 1: Community Development Sub-Grants												
1.1 Sub-grants	34,209,000	11,465,000	29,148,278	6,165,209	2,153,391	1,225,839	9,544,439	5,785,158	3,332,400	1,255,586	10,373,144	
1.2 Kourm Ban Planning	3,633,507	1,200,000	2,592,575	670,266	15,305	-	685,571	1,029,930	21,002	-	1,050,932	
Sub-total expenditure of component 1	37,842,507	12,665,000	31,740,853	6,835,475	2,168,696	1,225,839	10,230,010	6,815,088	3,353,402	1,255,586	11,424,076	
Component 2: Local and Community Development Capacity Building												
2.1 Capacity Building	3,311,590	1,125,579	1,467,002	75,762	241,510	-	317,272	211,743	312,756	-	524,499	
2.2 Assessments and other consultants	1,125,680	322,000	645,442	104,640	62,030	-	166,670	341,437	37,851	-	379,288	
2.3 Sub-grant monitoring	1,768,000	566,000	1,509,351	174,814	323,902	-	498,716	100,840	406,313	-	507,153	
2.4 Innovation Fund	474,000	158,000	151,521	8,415	10,784	-	19,199	-	99,168	-	99,168	
Sub-total expenditure of component 2	6,679,270	2,171,579	3,773,316	363,631	638,226	-	1,001,857	654,020	856,088	-	1,510,108	

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

7. DISBURSEMENTS (continued)

	For the year ended 31 December 2019				For the year ended 31 December 2018				Currency: \$US			
	Total budget of 2019	Total budget of 2018	Accumulated as at 31 December 2019	IDA	SDC	GOL	Total	IDA		SDC	GOL	Total
Component 3: Project Management												
3.1 PRF staff salary	6,881,486	2,325,370	5,459,203	1,759,468	-	-	1,759,468	1,836,353	-	-	1,836,353	
3.2 Equipments	510,000	60,000	318,136	129,954	1,273	-	131,227	36,226	14,928	-	51,154	
3.3 Works	100,000	35,000	34,083	-	-	-	-	15,209	69	-	15,278	
3.4 External and internal Audit	207,000	69,000	133,261	47,948	-	-	47,948	46,585	-	-	46,585	
3.5 Incremental operation costs	859,000	290,000	907,187	17,836	308,775	-	326,611	15,306	294,052	-	309,358	
Sub-total expenditure of component 3	8,557,486	2,779,370	6,851,870	1,955,206	310,048	-	2,265,254	1,949,679	309,049	-	2,258,728	
Component 4: Nutrition Enhancing Livelihood Development												
4.1 Capacity building	541,698	-	297,045	126,815	-	-	126,815	117,489	-	-	117,489	
4.2 Sub-grant monitoring	92,000	-	283,716	91,303	-	-	91,303	101,483	-	-	101,483	
4.3 IEC materials	-	-	1,170	796	-	-	796	-	267	-	267	
4.4 LN Project management	287,039	-	835,095	269,645	-	-	269,645	280,847	447	-	281,294	
Sub-total expenditure of component 4	920,737	-	1,417,026	488,559	-	-	488,559	499,819	714	-	500,533	
TOTAL	54,000,000	17,615,949	43,783,065	9,642,871	3,116,970	1,225,839	13,985,680	9,918,606	4,519,253	1,255,586	15,693,445	

Poverty Reduction Fund Project III

(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

8. CASH ON HAND AND CASH AT BANKS

Currency: \$US

	31 December 2019			31 December 2018		
	IDA	SDC	Total	IDA	SDC	Total
Cash on hand						
Cash on hand at Vientiane	995	3,331	4,326	4,048	3,527	7,575
Cash on hand at provinces	9	4	13	843	416	1,259
Total cash on hand	1,004	3,335	4,339	4,891	3,943	8,834
Cash at banks						
Operating accounts	61,453	3,904,661	3,966,114	1,474,410	2,707,009	4,181,419
PRF III – Vientiane bank accounts	61,265	3,903,873	3,965,138	1,350,960	2,702,886	4,053,846
PRF III – Province bank accounts	188	788	976	123,450	4,123	127,573
Designated account	365,647	-	365,647	125,394	-	125,394
Total cash at banks	427,100	3,904,661	4,331,761	1,599,804	2,707,009	4,306,813
Total cash on hand and cash at banks	428,104	3,907,996	4,336,100	1,604,695	2,710,952	4,315,647

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

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

8.1 Cash in Designated Account of IDA

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

Account No.: 0000010092800127
Depository: Bank of Lao PDR
Address: Yonet Street, Vientiane, Lao PDR
Related Grant: IDA Credit No. 5827 - LA
Currency: USD

The purpose of the Designated Account is to receive fund from IDA on Credit No. 5827 - LA 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 31 December 2019</i>	<i>For the year ended 31 December 2018</i>
Opening balance	125,394	405,942
Add:		
IDA replenishment (Note 4)	8,455,534	9,405,507
Total opening balance of cash on hand and cash at bank (Note 8) and advance (Note 9)	1,490,046	1,722,597
	10,070,974	11,534,046
Deduct:		
Total disbursements during the year (Note 7)	(9,642,871)	(9,918,606)
Advances (Note 9)	-	(10,745)
Replenishments to operating accounts (Note 8)	(61,453)	(1,474,410)
Cash on hand (Note 8)	(1,004)	(4,891)
Closing balance (Note 8)	365,647	125,394

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

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

8.1 Cash in Designated Account (continued)

8.1.2 Account reconciliation

	Currency: \$US	
	For the year ended 31 December 2019	For the year ended 31 December 2018
Amount advanced by the IDA to the Designated Account during the year	3,500,000	3,500,000
Withdrawal of advance by the IDA	-	-
Closing balance of amount advanced to Designated Account	3,500,000	3,500,000
Closing balance of Designated Account (Note 8)	365,647	125,394
Add:		
Cash balance of the Project's operating account (Note 8)	62,457	1,479,301
Amount withdrawn but not yet claimed (**)	3,054,100	1,895,861
Outstanding advances (Note 9)	-	10,745
Loss from exchange rate	17,795	6,127
Deduction claimed	-	(17,428)
Closing outstanding amount advanced to Designated Account	3,500,000	3,500,000

(**) This amount was replenished through withdrawal applications (W/A) 20 and 21 for IDA5827 - LA. The replenishment amount of USD 3,054,100 for such W/A was fully reimbursed in January 2020.

9. ADVANCES

	Currency: \$US					
	31 December 2019			31 December 2018		
	IDA	SDC	Total	IDA	SDC	Total
Advances at Vientiane	-	-	-	-	-	-
Advances at provinces	-	-	-	10,745	4,015	14,760
	-	-	-	10,745	4,015	14,760

Poverty Reduction Fund Project III
(IDA Credit No. 5827 - LA, SDC and GOL Funding)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2019

10. COMMITMENTS

The details of commitments as at 31 December 2019 are as follows:

	<i>31 December 2019</i>	<i>Currency: \$US 31 December 2018</i>
Sub-grants contractors	-	179,036
External auditor	8,640	18,015
Total	8,640	197,051

11. SUBSEQUENT EVENTS

There is no matter or circumstance that has arisen since 31 December 2019 that requires adjustment or disclosure to be made in the financial statements of the Project.