

29 MAR 2016

29 MAR 2016

RECEIVED



Public Disclosure Authorized

Public Disclosure Authorized

EY

Building a better
working world

Forest Carbon Partnership Facility (FCPF)

*Funded by the International Development Association under
Financing Agreement Grant No. TF 014777*

Report of the Project's Management and
Audited Financial Statements

For the period from 11 August 2014 to 30 September 2015

Forest Carbon Partnership Facility

*Funded By The International Development Association Under Financing Agreement
Grant No. TF014777*

CONTENTS

	<i>Pages</i>
General information	1
Report of the management	2
Independent auditors' report	3 - 4
Statement of receipts and disbursements	5
Statement of fund balance	6
Notes to the financial statements	7 - 12

Forest Carbon Partnership Facility

*Funded By The International Development Association Under Financing Agreement
Grant No. TF014777*

GENERAL INFORMATION

THE PROJECT

Forest Carbon Partnership Facility ("the Project") was funded by International Development Association in accordance with the Financing Agreement Grant No. TF014777 dated on 11 August 2014. The total grant for the Project is three million six hundred thousand dollars (USD 3,600,000). The objective of Grant is to assist the Recipient to carry out the Reduced Emissions from Deforestation and Degradation REDD+ Readiness Preparation Activities which consist of the following parts:

- i) Readiness Process Management and Stakeholder Consultation.
 - a) Establishment of operational Reduced Emissions from Deforestation and Degradation offices at the national levels and in selected provinces and development of protocols for coordination amount these offices;
 - b) Assessment and alignment of REDD+ strategy and activities with the national policy, legal and regulatory framework;
 - c) Establishment of a stakeholder participation working group, updating of the stakeholder participation and consultation plan acceptable to the World Bank, and development of an effective communication and outreach strategy, to ensure and facilitate participation of relevant stakeholder in REDD+ Readiness Preparation Activities.
- ii) REDD+ Strategy Development
 - a) Carrying out of an assessment of the existing policy and regulatory framework to further develop and finalize the REDD+ strategy;
 - b) Carrying out of analytical studies on land and natural resources tenure, right, access and use, and development of participatory land use planning and REDD+ strategy options;
 - c) Carrying out of the Strategic Environmental and Social Assessment ("SESA") and development of the Environmental and Social Management Framework ("ESMF"), both in compliance with World Bank Safeguard Policies.
- iii) Implementation Arrangements
 - a) Establishment of the necessary institutional, regulatory, and financial arrangements for supporting the REDD+ preparatory process;
 - b) Carrying out analytical studies on revenue management and benefit sharing mechanisms, establishment of a benefit sharing working group, and development of benefit sharing arrangements acceptable to the World Bank;
 - c) Conduct of an assessment of existing feedback and grievance redress mechanisms, and reinforcement and/or development, as appropriate, such mechanisms to address the needs of relevant REDD+ stakeholders;
 - d) Assessment of the needs and development of options to build capacity in information and knowledge management of relevant institutions for the REDD+ preparation process.
- iv) Reference Emission Level and Monitoring Systems
 - a) Development of reference emission levels aligned with REDD+ strategy;
 - b) Design of a system to monitor, report and verify the forest carbon stock and co-benefits of REDD+;
 - c) Establishment of a carbon registry, which can be used for both carbon and non carbon requirements of REDD+.

Implementing agency is Ministry of Agriculture and Forestry, Department of Forestry (DOF).

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

REPORT OF MANAGEMENT

THE PROJECT MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Project's management is responsible for the financial statements which comprise the statement of receipts and disbursements and the statement of fund balance together with the explanatory notes thereto as at and for the period from 11 August 2014 to 30 September 2015.

The financial statements are prepared solely to report to the Government of Lao PDR and the International Development Association ("IDA") on the funds received by the Project from the IDA and related disbursements made during the period.

In preparing the accompanying financial statements, Project Management is required to:

- ▶ adopt the accounting policies as described in Note 3 to the financial statements and then apply them consistently in accordance with the presentation and disclosure requirements of IDA for the Government-executed Project;
- ▶ 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 advance.

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 as described in Note 3 to the financial statements.

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.

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 period from 11 August 2014 to 30 September 2015 which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements and comply with the related grant agreements.

The financial statements are prepared to assist the Project in meeting the reporting requirements of the donor. As a result, it may not be suitable for any other purpose and will not be distributed to or used by other parties.

On behalf of Project Management:



Khamsene OUNEKHAM
National Project Director

Vientiane, Lao PDR

25 March 2016



Vilayphone SENGSAVANG
Head of Financial Unit



Ernst & Young Lao Limited.
6th Floor, Capital Tower
23 Singha Road, Nongbone Village
Saysetha District, Vientiane Capital, Lao PDR

Tel : +856 21 455 077
Fax: +856 21 455 078
ey.com

Reference: 61253240/ 18294923

INDEPENDENT AUDITORS' REPORT

To: The Project's Management and the International Development Association

We have audited the accompanying financial statements of Forest Carbon Partnership Facility ("the Project") which is funded by International Development Association ("IDA") under the Financing Agreement Grant No. TF014777 as set out on pages 5 to 12, which comprise the statement of fund balance as at 30 September 2015, and the statement of receipts and disbursements for the period from 11 August 2014 to 30 September 2015 together with 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.

Responsibility of the Project's 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

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 the Project's 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 30 September 2015 and for the period from 11 August 2014 to 30 September 2015 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.



Building a better
working world

Accounting policies

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes the accounting policies. 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 the IDA. As a result, the financial statements may not be suitable for another purpose.

Ernst & Young Lao Ltd



Vientiane, Lao PDR

25 March 2016

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period from 11 August 2014 to 30 September 2015

	Notes	For the period from 11 August 2014 to 30 September 2015 USD
Receipts		
Funds from IDA - Designated account replenishment	4	349,068
Total receipts		<u>349,068</u>
Disbursements by category		
Goods	5	114,108
Workshops and seminars	6	52,360
Consultancy services	7	12,885
Incremental operating costs	8	21,324
Total disbursements		<u>200,677</u>
Net receipts		<u>148,391</u>



Khamsene OUNEKHAM
National Project Director



Vilayphone SENSAVANG
Head of Financial Unit

Vientiane, Lao PDR

25 March 2016

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

STATEMENT OF FUND BALANCE as at 30 September 2015

	Notes	For the period from 11 August 2014 to 30 September 2015 USD
Fund balance		
Opening balance		-
Net receipts		148,391
Closing balance		148,391
Represented by:		
Cash on hand and at banks	9	148,391
		148,391



Khamsene OUNEKHAM
National Project Director

Vientiane, Lao PDR

25 March 2016



Vilayphone SENSAVANG
Head of Financial Unit

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS

as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

1. BACKGROUND INFORMATION

Forest Carbon Partnership Facility ("the Project") was funded by International Development Association in accordance with the Financing Agreement Grant No. TF014777 dated on 11 August 2014. The total grant for the Project is three million six hundred thousand dollars (USD 3,600,000). The objective of Grant is to assist the Recipient to carry out the Reduced Emissions from Deforestation and Degradation Readiness ("REDD+") and Preparation Activities which consist of the following parts:

- i) Readiness Process Management and Stakeholder Consultation.
 - a) Establishment of operational Reduced Emissions from Deforestation and Degradation offices at the national levels and in selected provinces and development of protocols for coordination among these offices;
 - b) Assessment and alignment of REDD+ strategy and activities with the national policy, legal and regulatory framework;
 - c) Establishment of a stakeholder participation working group, updating of the stakeholder participation and consultation plan acceptable to the World Bank, and development of an effective communication and outreach strategy, to ensure and facilitate participation of relevant stakeholder in REDD+ Readiness Preparation Activities.
- ii) REDD+ Strategy Development
 - a) Carrying out of an assessment of the existing policy and regulatory framework to further develop and finalize the REDD+ strategy;
 - b) Carrying out of analytical studies on land and natural resources tenure, right, access and use, and development of participatory land use planning and REDD+ strategy options;
 - c) Carrying out of the Strategic Environmental and Social Assessment ("SESA") and development of the Environmental and Social Management Framework ("ESMF"), both in compliance with World Bank Safeguard Policies.
- iii) Implementation Arrangements
 - a) Establishment of the necessary institutional, regulatory, and financial arrangements for supporting the REDD+ preparatory process;
 - b) Carrying out analytical studies on revenue management and benefit sharing mechanisms, establishment of a benefit sharing working group, and development of benefit sharing arrangements acceptable to the World Bank;
 - c) Conduct of an assessment of existing feedback and grievance redress mechanisms, and reinforcement and/or development, as appropriate, such mechanisms to address the needs of relevant REDD+ stakeholders;
 - d) Assessment of the needs and development of options to build capacity in information and knowledge management of relevant institutions for the REDD+ preparation process.
- iv) Reference Emission Level and Monitoring Systems
 - a) Development of reference emission levels aligned with REDD+ strategy;
 - b) Design of a system to monitor, report and verify the forest carbon stock and co-benefits of REDD+;
 - c) Establishment of a carbon registry, which can be used for both carbon and non carbon requirements of REDD+.

Implementing agency is Ministry of Agriculture and Forestry, Department of Forestry (DOF).

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement

Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

2. BASIS OF PREPARATION

The 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 Project Management in accordance with the accounting policies as described in Note 3.

The financial statements are prepared solely to report:

- a. funds received from International Development Association ("IDA");
- b. funds disbursed by the Project; and
- c. the Project's fund balance.

The Project maintains its accounting records in USD.

The financial statements are prepared to assist Project Management in meeting the reporting requirements of the IDA.

Fiscal period

The Project's fiscal year applicable for the preparation of these financial statements started on 1 October and ended on 30 September. However, the Project's first fiscal year starts on 11 August 2014 and ends on 30 September 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies adopted in the preparation of the financial statements are set out below.

Receipts

Funds from IDA are recognized as receipts when cash is debited to the Project's designated bank account at the Bank of the Lao PDR, which is managed by the Ministry of Finance, rather than when committed or budgeted.

Disbursements

Expenditure under each category is recognized when documents substantiating the Project's transactions are submitted and approved and payment are made.

The expenditures are sub-divided into four categories as follows:

- ▶ Goods;
- ▶ Workshops and seminars;
- ▶ Consultancy services; and
- ▶ Incremental operating costs.

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement

Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period.

The Project maintains a fixed asset register for control and monitoring purposes.

Foreign exchange currency translations

Disbursements and withdrawals in foreign currencies other than USD are converted into USD at the actual exchange rate ruling at the dates of transactions. Monetary items denominated in foreign currencies are recognized at the actual exchange rate at the dates of transactions. No foreign exchange differences are recognised in the statement of receipts and disbursements.

4. FUND RECEIPTS

<i>Borrower reference</i>	<i>Date</i>	<i>For the period 11 August 2014 to 30 September 2015 USD</i>
1 st Replenishment No. 0001	19 November 2014	300,000
2 nd Replenishment No. 0002	10 April 2015	5,005
3 th Replenishment No. 0003	21 September 2015	44,063
		349,068

5. GOODS

	<i>For the period 11 August 2014 to 30 September 2015 USD</i>
Office equipment and tools	114,108
	114,108

6. WORKSHOPS AND SEMINARS

	<i>For the period 11 August 2014 to 30 September 2015 USD</i>
Training, workshop and seminar	52,360
	52,360

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

7. CONSULTANCY SERVICES

	<i>For the period 11 August 2014 to 30 September 2015 USD</i>
Consultants	12,885
	<u>12,885</u>

8. INCREMENTAL OPERATING COSTS

	<i>For the period 11 August 2014 to 30 September 2015 USD</i>
Publication and announcement	4,882
Telecommunication	3,203
Fuel	5,181
Salary for administrative staffs	3,190
Other expense	4,868
	<u>21,324</u>

9. CASH ON HAND AND CASH AT BANKS

	<i>30 September 2015 USD</i>
Cash at designated account	139,990
Cash at bank	8,385
Cash on hand	16
	<u>148,391</u>

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement

Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

10. STATEMENT OF DESIGNATED ACCOUNT

	<i>For the period 11 August 2014 to 30 September 2015</i>
	<i>USD</i>
Opening balance	-
Add:	
Amount initially received from the IDA	300,000
IDA replenishment (Note 4)	49,068
	<u>349,068</u>
Deduct:	
Total amount withdrawn	<u>209,078</u>
Closing balance (Note 9)	<u>139,990</u>

11. RECONCILIATION OF DESIGNATED ACCOUNT

	<i>30 September 2015</i>
	<i>USD</i>
Amount initially received from the IDA	300,000
Outstanding amount advanced to Designated Account	<u>300,000</u>
Closing balance of Designated Account (Note 9)	139,990
Add/(Deduct):	
Cash at operating account (Note 9)	8,385
Cash on hand (Note 9)	16
Amount withdrawn and not yet claimed (Note 12)	<u>151,609</u>
	<u>300,000</u>

Forest Carbon Partnership Facility

Funded By The International Development Association Under Financing Agreement
Grant No. TF014777

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 30 September 2015 and for the period from 11 August 2014 to 30 September 2015

12. SUMMARY OF WITHDRAWAL APPLICATIONS

12.1 Summary of withdrawal applications for the period from 11 August 2014 to 30 September 2015

<i>Borrower reference</i>	<i>Date</i>	<i>Amount (USD)</i>
1st Replenishment No. 0001	19 November 2014	300,000
2nd Replenishment No. 0002	10 April 2015	5,005
3rd Replenishment No. 0003	21 September 2015	44,063
		<u>349,068</u>

Summary of withdrawal applications for the period from 11 August 2014 to 30 September 2015:

Reconciliation SOE to the statement of receipts and disbursements for the period from 11 August 2011 to 30 September 2015

Total disbursements included in statement of expenditure	49,068
Amount withdrawn and not yet claimed	151,609

Total disbursements included in the statement of receipts and disbursements

200,677

Add:

Transferred from Designated Account to and remained in operating account (Note 9)	8,385
---	-------

Transferred from Designated Account to and remained in cash on hand (Note 9)	16
--	----

Total amount withdrawn from the designated account (Note 10)

209,078