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Mekong River Commission Lao PDR

**Mekong Integrated Water Resources
Management Project
(M-IWRM, IDA Grant No. H762)**

Financial Statements for the year ended 31
December 2016
and
Independent Auditors' Report

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project
(M-IWRM, IDA Grant No. H762)

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Project Information

Project	Mekong Integrated Water Resources Management Project (M-IWRM, IDA Grant No. H762)
Funding Agency	International Development Association ("IDA")
Duration	17 August 2012 – 31 March 2018
Implementing Agency	Mekong River Commission ("MRC")
Project Director	Mr. Pham Tuan Phan (Chief Executive Officer, MRC Secretariat)
Registered Office	Mekong River Commission Office of the Chief Executive Officer 184 Fa Ngoum Road, P.O.Box 6101 Vientiane Capital, Lao PDR Tel: (856-21) 263 263 Fax: (856-21) 263 264
Auditors	KPMG Lao Co., Ltd. 3 rd - 4 th Floor, 37 K.P. Tower 23 Singha Road, Ban Phonexay, Saysettha District, P.O. Box 6978 Vientiane Capital, Lao PDR



Mekong River Commission

Office of the Secretariat in Vientiane (OSV),
Office of the Chief Executive Officer
184 Fa Ngoum Road, P.O. Box 6101, Vientiane, Lao PDR
Tel: (856-21) 263 263. Fax: (856-21) 263 264

Statement of Management's Responsibilities

It is the responsibility of management to prepare financial statements of the Mekong Integrated Water Resources Management Project ("the Project") for the year ended 31 December 2016, which are prepared in all material respects in accordance with the accounting policies as described in Note 2 to the financial statements. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Maintain financial records and prepare the financial statements based on the accounting policies as described in Note 2; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Project will continue its operations.

Project Management of Mekong Integrated Water Resource Management Project is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position and financial performance of the Project. Members of project management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Project and to prevent and detect fraud and other irregularities.

Project Management confirms that the Project has complied with the above requirements in preparing the financial statements.

On behalf of the management

Pham Tuan Phan
Chief Executive Officer
Date: 29 JUN 2017

Naruepon Sukumasavin
Director of Administration Division
Date: 29 JUN 2017



KPMG Lao Co., Ltd.
3rd - 4th Floor, 37 K.P. Tower
23 Singha Road, Ban Phonexay,
Saysettha District, P.O. Box 6978
Vientiane Capital, Lao PDR
Tel +856 (21) 454240-7

ບໍລິສັດ ເຄພີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 3-4, 37 ຕຶກ ເຄພີທາວເວີ
ຖະໜົນ 23 ສິງຫາ, ບ້ານໂພນໄຊ,
ເມືອງໄຊເສດຖາ, ຕູ້ ປ.ມ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

Independent Auditors' Report

To the Project Management, Mekong Integrated Water Resources Management Project

Opinion

We have audited the financial statements of the Mekong Integrated Water Resources Management Project ("M-IWRM, IDA Grant No. H762" or "the Project") which comprise the statement of cash receipts and payments for the year ended 31 December 2016, the statement of the designated bank account for the year then ended, and notes, comprising significant accounting policies and other explanatory information. The financial statements have been prepared by the management based on the accounting policies as described in Note 2 to the financial statements.

In our opinion, the financial statements of the Project for the year ended 31 December 2016 are prepared, in all material respects, in accordance with accounting policies as described in Note 2 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 ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Project Management is responsible for the preparation of the financial statements in accordance with the accounting policies as 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.



In preparing the financial statements, Project Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Project Management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibilities 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 auditors' 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 Project Management.
- Conclude on the appropriateness of Project Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance 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.

Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to the Project Management of Mekong Integrated Water Management Project to report to the donor IDA. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Project management and the donor IDA and should not be used by parties other than the Project management and the donor IDA. Our opinion is not modified in respect of this matter.

KPMG Lao

KPMG Lao Co., Ltd.
Vientiane Capital



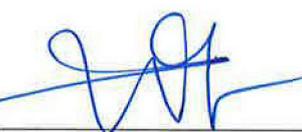
Date: 29 JUN 2017

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project
(M-IWRM, IDA Grant No. H762)

Statement of cash receipts and payments
for the year ended 31 December 2016

	Note	2016 USD	2015 USD
Receipts	5	1,742,713	788,575
Payments			
Goods, Works, Incremental Operating costs, Training and Workshops	6	488,871	690,103
Consultants' Services	7	717,833	455,404
Management and administration fees	8	-	126,006
Total payments		1,206,704	1,271,513
Surplus/(Deficit) of receipts over payments		536,009	(482,938)
Fund balance at the beginning of the year		(128,333)	354,605
Fund balance at the end of the year		407,676	(128,333)
Represented by:			
Cash at designated bank account		254,406	57,457
Expenses paid by using MRC (pooling account)	3	(77,268)	(392,028)
Advances	4	230,538	206,238
Total		407,676	(128,333)

The notes on pages 8 to 11 are an integral part of these financial statements.



Pham Tuan Phan
Chief Executive Officer

Date: **29 JUN 2017**



Naruepon Sukumasavin
Director of Administration Division

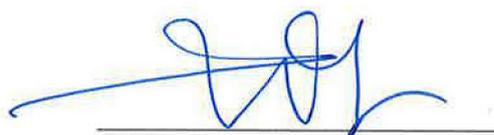
Date: **29 JUN 2017**

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project
(M-IWRM, IDA Grant No. H762)

Statement of designated bank account
for the year ended 31 December 2016

	Note	2016 USD	2015 USD
Receipts	5	1,742,713	788,575
Payments			
Payments made out of MRC pooling account		(1,206,704)	(1,271,513)
(Increase)/Decrease of cash at MRC pooling account		(108,522)	554,809
Advances		(230,538)	(206,238)
		<u>(1,545,764)</u>	<u>(922,942)</u>
Surplus/(Deficit) of receipts over payments		196,949	(134,367)
Fund balance at the beginning of the year		57,457	191,824
Fund balance at the end of the year		<u>254,406</u>	<u>57,457</u>
Represented by:			
Cash at designated bank account		<u>254,406</u>	<u>57,457</u>

The notes on pages 8 to 11 are an integral part of these financial statements.



Pham Tuan Phan
 Chief Executive Officer

Date: **29 JUN 2017**



Naruepon Sukumasavin
 Director of Administration Division

Date: **29 JUN 2017**

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project
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Notes to the financial statements
for the year ended 31 December 2016

1. Principal activities

The Mekong River Commission (MRC) was established by the 1995 Agreement on Co-operation for the Sustainable Development of the Mekong River Basin, between the governments of Cambodia, Laos, Thailand and Vietnam. In accordance with this Agreement, the mission of the MRC is “to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well-being by implementing strategic programmes and activities and providing scientific information and policy advice”.

The Mekong Integrated Water Resources Management Project (M-IWRMP) is one of the MRC’s programmes with financial support from AusAID (from 2009 to 2014) and the World Bank (2012-2018). The overall objective of the M-IWRMP is to improve the enabling framework and capacity for Integrated Water Resources Management (IWRM) in the Lower Mekong Basin (LMB) Countries and strengthen the role of MRC as the facilitator of significant water resources development, guided by IWRM principles.

The M-IWRMP consists of 3 components; Regional, Transboundary and National. The project has been funded by AusAID with a grant of AUD 7 million in support of the regional component. From August 2012, the World Bank funding more than USD 8 million come on line after the effectiveness of the financial agreement between the WB/IDA and the MRC Secretariat (MRCS).

The objective of the Project is to establish key examples of IWRM practices in the LMB at the regional, national and sub-national levels, thus contributing to more sustainable river basin development in the LMB.

The project constitutes the first phase of the Program and consists of the following parts, the Recipient acknowledging and confirming that the Association shall not provide any financial or technical support under the Project for the Processing of a Dam in the mainstream Mekong.

The main activities of the Project in the period are set out in the comparison of budget and actual expenditure.

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Project in the preparation of these financial statements:

(a) Basis of financial statements preparation

The financial statements, which are expressed in United States Dollar (“USD”), have been prepared in accordance with the modified cash basis of accounting. The accounting policies have been applied consistently throughout the period.

(b) Cash

Cash comprises cash on hand and balances with banks.

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Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(c) Foreign exchange

The Project maintains its accounting records in USD in accordance with the MRC accounting system for all transactions. All cash is held in USD. Transactions in currencies other than USD during the period have been translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the statement of receipts and payments.

(d) Accounting reporting period

The financial accounting year starts on 1 January and ends on 31 December.

(e) Comparison of budget and actual payments

The approved budget is developed on the same accounting basis, same classification basis and for the same period as for the financial statements.

(f) Receipts recognition

Fund receipt from Development Partner (World Bank) is recognised as income when cash is credited to the project's designated bank account. Bank interest is recognised when credited to the project's bank account and recorded in the following month. Receipts and revenue are recognised upon cash receipts.

(g) Expenditure recognition

Expenditure is recognised when paid, except for: staff health and life insurance premiums, personal telephone costs charged to staff which are recognised on an accrual basis, and advance to National Mekong Committees, projects and employees, which are recognised when cleared.

Amount for expenditures is withdrawn from project's designated bank account and deposited to MRC's own account (MRC pooling account). All payments are made from MRC pooling account.

(h) Management and administration fees

Management and administration fees are calculated at a percentage of 11% of the projects expenditure and are recognised as revenue under the Operating Expenses Budget fund (OEB) and as expense under the World Bank-funded project. These are used to cover the expenses of the MRC Secretariat in rendering technical and administrative services to the projects.

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Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Balance at MRC pooling account

Funds are periodically transferred from project's designated bank account to MRC pooling account. During 2016, MRC's own funds were utilised for the project. Subsequently during Quarter 1 of 2017, an amount of USD 411,928 was transferred by the donor to project's designated bank account which was then reimbursed to MRC pooling account.

	2016	2015
	USD	USD
MRC pooling account	(77,268)	(392,028)
	<u>(77,268)</u>	<u>(392,028)</u>

4. Advances

	2016	2015
	USD	USD
Cambodia National Mekong Committee	62,856	62,856
Lao Mekong IWRM Project Lao and Cambodia	40,700	18,500
Participants of Training Workshop	38,081	35,636
Lao Mekong IWRM Project Lao and Thailand	29,495	29,495
Vietnam National Mekong Committee	24,620	24,620
Nam Kam – Xebanghieng	17,853	17,853
Tonle Sap-Songkhla Project (Cambodia-Thailand)	16,250	16,250
DSA advances for supporting staffs	683	-
Education Grant Advance to Staff	-	1,028
	<u>230,538</u>	<u>206,238</u>

5. Receipts

	2016	2015
	USD	USD
Funds received from IDA-World Bank	1,739,190	784,537
Interest income	3,523	4,038
	<u>1,742,713</u>	<u>788,575</u>

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Notes to the financial statements
for the year ended 31 December 2016 (continued)

6. Goods, Works, Incremental Operating costs, Training and Workshops

	2016 USD	2015 USD
National Indicative Plan	99,666	-
Wetland Management (Lao-Thailand)	75,192	95,971
Transboundary Environmental Impact Assessment (TbEIA) guidelines	60,346	-
Support for adaptable programmatic loan ("APL") Communication	49,299	-
Staff cost	44,594	-
Fisheries (Lao-Cambodia)	38,174	61,183
Water Resources Management Sesan-Srepok (Cambodia-Vietnam)	32,450	20,285
Project Coordination	29,063	27,295
Tonle Sap-Songkhla Project (Cambodia-Thailand)	23,431	93,162
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	20,968	62,972
Feedback opinions from local stakeholders to refine the MRC activities	15,661	18,591
General expenditure for International Consultants	27	64,320
Development risk assessment approach	-	190,788
Year 2013: Joint risk assessment validation and mitigation measures	-	28,879
Inception support	-	11,856
Field visits and Workshops	-	10,851
Support for Adaptable Programmatic Loan ("APL")	-	2,870
	-	1,080
	488,871	690,103

7. Consultants' Services

	2016 USD	2015 USD
Staff cost	487,662	396,004
Transboundary Environmental Impact Assessment (TbEIA) guidelines	62,300	-
Communication	57,940	-
Fisheries (Lao-Cambodia)	27,000	6,900
Feedback opinions from local stakeholders to refine the MRC activities	21,000	29,400
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	20,750	4,500
Wetland Management (Lao-Thailand)	19,325	-
Water Resources Management Sesan-Srepok (Cambodia-Vietnam)	13,950	4,500
Tonle Sap-Songkhla Project (Cambodia-Thailand)	4,106	-
National Indicative Plan	3,800	-
Support for adaptable programmatic loan ("APL")	-	14,100
	717,833	455,404

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Notes to the financial statements
for the year ended 31 December 2016 (continued)

8. Management and administration fees

Management and administration fees in 2016 is 132,048 USD (2015: 126,006 USD). In 2016 the amount has not yet been charged to the expenditure account, the amount is subsequently charged as expenditure in quarter one, 2017.

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Mekong Integrated Water Resources Management Project
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Comparison of budget and actual payments
for the year ended 31 December 2016 (continued)

(Appendix)

	Actual		Budget* (Not audited)		Variance (Not audited)		Project Appraisal Document ("PAD")		
	1 January 2016 to 31 December 2016	Cumulative to date	1 January 2016 to 31 December 2016	Cumulative to date	1 January 2016 to 31 December 2016	Cumulative to date	Total budget	Remaining budget as at 31 December 2016	
World Bank Components	USD	USD	USD	USD	USD	USD	USD	USD	
A. Regional Support for Facilitating trans-boundary IWRM dialogue									
1. Inception support (for 4 proposals)	-	73,493	-	254,865	-	181,372	71	524,600	451,107
2. Fisheries (Lao-Cambodia)	59,450	122,259	82,000	394,900	22,550	272,641	69	535,200	412,941
3. Water Resources Management Sesan-Srepok (Cambodia-Vietnam)	43,013	85,071	67,000	251,700	23,987	166,629	66	354,000	268,929
4. Wetland Management (Lao-Thailand)	94,517	208,212	128,000	329,634	33,483	121,422	37	354,000	145,788
5. Water Resources Management Delta Water Resources (Cambodia-Vietnam)	36,411	69,621	67,000	249,600	30,589	179,979	72	354,000	284,379
6. Tonle Sap-Songkhla Project (Cambodia-Thailand)	25,074	124,312	63,000	309,522	37,926	185,210	60	457,000	332,688
Sub-total	258,465	682,968	407,000	1,790,221	148,535	1,107,253	62	2,578,800	1,895,832
B. Impact and Risk Assessment to Reach Environmental Baseline Objectives in a Selected Mekong River Sub-Area									
1. Development risk assessment approach and establishment environmental baseline	-	28,879	-	69,837	-	40,958	59	52,000	23,121
2. Field work and country level assessments	-	-	-	70,000	-	70,000	100	100,000	100,000
3. Joint risk assessment validation and mitigation measures	-	12,906	-	77,000	-	64,094	83	73,000	60,094
4. TbEIA Guidelines	122,646	122,646	145,000	145,000	22,354	22,354	15	335,000	212,354
Sub-total	122,646	164,431	145,000	361,837	22,354	197,406	55	560,000	395,569

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Comparison of budget and actual payments
for the year ended 31 December 2016 (continued)

(Appendix)

	Actual		Budget* (Not audited)		Variance (Not audited)		Project Appraisal Document ("PAD")		
	1 January 2016 to 31 December 2016	Cumulative to date	1 January 2016 to 31 December 2016	Cumulative to date	1 January 2016 to 31 December 2016	Cumulative to date	Total budget	Remaining budget as at 31 December 2016	
	USD	USD	USD	USD	USD	USD	USD	USD	
World Bank Components									
C. Preparation for developing the LMB Risk Modeling									
1. International Consultant	-	190,788	-	112,000	-	(78,788)	319,800	129,012	
2. Data gaps generation/acquisition	-	-	-	53,000	-	53,000	35,000	35,000	
3. Field visits and Workshops	-	11,490	-	60,000	-	48,510	35,000	23,510	
4. Development of data base and purchase of satellite photos	-	-	-	74,000	-	74,000	50,000	50,000	
5. Contingency, operation cost	-	-	-	9,000	-	9,000	10,000	10,000	
6. National Indicative Plan	103,466	97,197	120,000	120,000	16,534	22,803	200,000	102,803	
Sub-total	103,466	299,475	120,000	428,000	16,534	128,524	649,800	350,325	
D. Support for Communication Outreach									
1. Disseminate the knowledge acquired by the MRC to local stakeholders	-	3,278	-	39,000	-	35,722	363,500	360,222	
2. Dissemination of IWRM Implementation Status	-	-	-	28,000	-	28,000	198,000	198,000	
3. Analysis and Dissemination on the outcome for the extremely events	-	-	-	20,000	-	20,000	125,000	125,000	
4. Feedback opinions from local stakeholders to refine the MRC activities	21,026	114,746	30,000	89,000	8,974	(25,746)	295,000	180,253	
5. Communication	102,535	102,535	120,000	127,000	17,465	24,465	110,000	7,465	
Sub-total	123,561	220,559	150,000	303,000	26,439	82,441	1,091,500	870,941	

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Comparison of budget and actual payments
for the year ended 31 December 2016 (continued)

(Appendix)

	Actual		Budget* (Not audited)		Variance (Not audited)		Project Appraisal Document ("PAD")	
	1 January 2016 to 31 December 2016 USD	Cumulative to date USD	1 January 2016 to 31 December 2016 USD	Cumulative to date USD	1 January 2016 to 31 December 2016 USD	Cumulative to date USD	Total budget USD	Remaining budget as at 31 December 2016 USD
World Bank Components								
E. Project Coordination, Monitoring and Technical Support								
1. Project Coordination	23,431	129,906	35,000	195,000	11,569	65,094	552,900	422,994
2. Support to MIWRM 1, MIWRM 2 and MIWRM 3	-	137,283	-	284,110	-	146,827	414,000	276,717
3. Support for APL	49,299	49,299	58,000	58,000	8,701	8,701	300,000	250,701
Sub-total	72,730	316,489	93,000	537,110	20,270	220,622	1,266,900	950,412
F. PCMU establishment								
1. Staff Cost	525,836	1,343,491	672,600	1,319,842	146,764	(23,649)	1,238,400	(105,091)
2. General contribution (11%)	-	200,278	179,900	554,150	179,900	353,872	812,400	612,122
Sub-total	525,836	1,543,819	852,500	1,873,992	326,664	330,223	2,050,800	507,031
Total Project Expenditure	1,206,704	3,227,690	1,767,500	5,294,160	560,796	2,066,470	8,197,800	4,970,110

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Comparison of budget and actual payments
for the year ended 31 December 2016 (continued)

Analysis of variances between actual and budget payments* (Not audited)

(*Source of Information: Interim Financial Reports submitted to World Bank on quarterly basis and discussion with the Programme Manager)

As the Project approached to 2016, the total project expenditure was prepared based on Project Implementation Plan from each component. The year 2015 saw the slow progress in implementation of the activity due to; 1) revision on project outcomes of the five-transboundary project, 2) delay on communication officer recruitment and 3) shifting from Environmental Risk Assessment project to Transboundary Environmental Impact Assessment (TbEIA).

The cancellation of Open Risk Model by FMMP provided opportunity for MRC to reallocate budget to support development of National Indicative Plan (NIPs) and the implementation of the MRC Procedures and Joint Platform considered as priority activity for the MRC.

The variance analysis looks after the fact at what caused a different between plan¹ and actual. In 2016, the budget analysis shows the positive variance of 567,015.12\$ due to the fact that most activities were under spent. Explanation on root cause of the variance per category/component is provided below.

Components:

A. Regional Support for facilitating trans-boundary IWRM dialogue

1. Inception support (for 4 proposals)

During the inception period (2012-2013), M-IWRMP organized a series of technical meeting to facilitate the preparation of the transboundary project document. Inception support mission was completed in July 2014 when all five transboundary projects were launched. Once the transboundary projects were launched, the projects moved to implementation phase which the bilateral partners will take responsibility to implement activities indicated in the project implementation plan with support from M-IWRMP. The completion of inception phase causes under spent compared to the budget plan under this category.

2. Implementation of the five transboundary projects

Variances between actual and budget payments for the transboundary projects occurred because of;

- **Delay on national project implementation from member countries and joint activity which directly impact to the project expenditure.** Firstly, the transboundary project implementation requires participation from number of stakeholder groups including line agency, local authority and locals. To organize the national event, coordination between the National Mekong Committee and line agency is required since on-ground activity are being implemented by line agency and locals. In several occasions, line agency has other commitment for their

¹ Project Appraisal Document dated on 4 April 2012

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Comparison of budget and actual payments
for the year ended 31 December 2016 (continued)

activity and not available for the transboundary project activity. Therefore, the national activity had to be delayed. As a result, the joint activity was also delayed. In addition, different capacity of the bilateral countries has impact on the project implementation progress, taking example of the wetland transboundary management between Thailand (Nam Kam) and Lao (Xe bang hieng) with different progress from both sides.

- **Delay on imprest account clearance.** The imprest account is designed to be replenished on monthly basis allowing member countries to manage their cash flow properly. However, it was found that the member countries submitted the replenishment once in 2-3 months, in some case almost 6 months. This practice influenced the shortage of cash-on-hand for NMC to implement the activity as planned which affect the delay of project implementation.
- **Delay on procure items and recruitment of the outsource to support the project activity.** The procurement plan was updated and approved by the World Bank as 10 May 2016 which allows the member countries to purchase goods and recruit the consultants as requested. However, there were few consultants were recruited and items were purchased but below approved procurement plan due to unfamiliarity with the World Bank procedures. Some new consultants/ outsources were proposed after the member countries learned that more consultants will be needed to complete tasks in the Project Implementation Plan. As a result, new proposed consultants will need approval from the World Bank and this delay the project activity implementation and less budget was spent than plan.

B. Impact and Risk Assessment to Reach Environmental Baseline Objectives in a Selected Mekong River Sub-Area

As agreed by the World Bank, the Impact and Risk Assessment component was shifted to Transboundary Environmental Impact Assessment (TbEIA) in mid-2015. Since then, the component started to recruit national and international consultants to carry the activity. On the project progress, the component activity showed slow progress but steady due to some delay in fieldwork to collect data and information. This combination contributed to the budget variance

C. Preparation for developing the LMB Risk Modelling

The open risk modeling project was dropped after the World Bank supervision mission on 3-6 March 2016 and a budget for LMB Risk Modelling was reallocated to support the MRC priority activity including the finalization of National Indicative Plan and the MRC Procedures and Joint Platform. Therefore, there is 30% variance reported.

D. Support for Communication Outreach

Communication outreach component had good progress in year 2016 producing number of trainings and publication to support the transboundary projects. The component also recruited a number of consultants to run the trainings and support

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publication. The payments for recruited consultants was made in early 2016 which made the disbursement rate of the communication outreach component a bit lower than plan. In addition, the payment for publication was also made in 2016. With explanation above, communication

E. Project Coordination, Monitoring and Technical Support

Budget variance for this component are influenced by various reasons as explanation below.

- **Cancellation of the project steering committee meeting and under number of project coordination meeting.** In 2015, the World Bank suggested to the PCMU to maintain project steering committee meeting once a year, tentatively in December 2015. However, the World Bank had a number of support missions to the MRC in 2016 and suggested that the project steering committee may not necessary since rounds of support mission had been organized. In addition, the PCMU planned for two rounds of project coordination meeting but it was organized only one time. For these reasons, the positive budget variance occurred.
- **National component (MIWRM-1, MIWRM-2 and MIWRM-3) fully mobilized.** In 2016, the national component in Lao PDR (MIWRM-1), Viet Nam (MIWRM-2) and Cambodia (MIWRM-3) has started up and fully mobilized using loan provided to the World Bank. Therefore, the budget was not planned to support this component in 2016 which contributed to the budget variance.

F. PCMU establishment

Key factors which results to the budget variance in this component are;

- With regard to staff cost, 2% variance may cause by additional national consultants (8 consultants) recruitment to accelerate the outcome¹ of transboundary projects according to suggestion from the World Bank; and
- The MAF (11%) for 2016 is charged in January 2017 which was not record in this report. Therefore, the variance has significant figure. However, the MAF (11%) in 2017 will cover the MAF of both 2016-2017.

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Corrective actions to be taken

The root causes of the variance are identified by component as mentioned above and it can be seen that all factors are related to each other. Corrective actions are applied to the causes of variance by observing the factor in an effort to prevent the budget variance. Comprehensive understanding of issues and problems are required before giving corrective actions recommendation. Following corrective actions will be taken to produce a realistic budget planning

Cost Variance Cause	Corrective Actions
Delay on national project implementation from member countries and joint activity	<ul style="list-style-type: none"> - Project technical and management support workshop to update project implementation and budget plan to ensure project implementation in timely manner and cost effectiveness - Support mission to member countries to provide support and guidance on budget management and imprest account clearance - Closely communication and follow up with the national focal point - Project M&E set up
Delay on imprest account clearance	<ul style="list-style-type: none"> - Reminding imprest account clearance on the 20th of every month - Review the documents submitted by member countries before official submission
Delay on procure items and recruitment of the outsource to support the project activity	<ul style="list-style-type: none"> - Update the procurement plan - Encourage and follow up with member countries on procurement process - Provide guidance and support when needed

In addition to corrective action, the budget variance analysis may be conducted in comparison to the project annual work plan rather than the PAD.