

Mekong River Commission Lao PDR

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

**Financial Statements
and
Independent Auditors' Report**

For the year ended 31 December 2015

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. 4th Floor, K.P. Tower 23 Singha Road P.O. Box 6978 Vientiane Capital, Lao PDR



Mekong River Commission

Office of the Secretariat in Phnom Penh (OSP)
576 National Road, #2, Chak Angre Krom,
P.O. Box 623, Phnom Penh, Cambodia
Tel. (855-23) 425 353.
Fax (855-23) 425 363

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 2015, 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 Resources Management Project is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position 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

Mr Pham Tuan Phan
Chief Executive Officer

Date: 09 AUG 2016

Mr Naruepon Sukumasavin
Director of Administration
Division

Date: 09 AUG 2016



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.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ : +856 (21) 454240-7

Independent Auditors' Report

To The Project Management, Mekong Integrated Water Resources Management Project

We have audited the accompanying financial statements of the Mekong Integrated Water Resources Management Project ("M-IWRM" or "the Project") which comprise the statement of cash receipts and payments for the year ended 31 December 2015, the statement of the designated bank account for the year then ended, and notes, comprising of a summary of significant accounting policies and other explanatory information from page 5 to page 10. The financial statements have been prepared by the management based on the accounting policies as described in Note 2.

Management's Responsibility for the Financial Statements

Project Management is responsible for the preparation of these financial statements in accordance with the accounting policies as described in Note 2 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.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity'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 for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the accounting policies as described in Note 2.

Basis of Accounting and Restriction on Use

Without modifying our opinion, 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 Resources 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.

KPMG Lao

KPMG Lao Co., Ltd.

Vientiane Capital, Lao PDR

09 AUG 2016



Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)


Statement of cash receipts and payments
Year ended 31 December 2015

	Note	2015 USD	2014 USD
Receipts	7	788,575	443,795
Payments			
Goods, Works, Incremental Operating costs, Training and Workshops	5	690,103	195,196
Consultants' Services	6	455,404	283,021
Management and administration fees		126,006	74,272
Total payments		1,271,513	552,489
Deficit of receipts over payments		(482,938)	(108,694)
Fund balance at the beginning of the year		354,605	463,299
Fund balance at the end of the year		(128,333)	354,605
Represented by			
Cash at bank		57,457	191,824
Expenses paid by using MRC (Pooling account)	3	(392,028)	14,055
Advances	4	206,238	148,726
Total		(128,333)	354,605

The notes on pages 7 to 10 are an integral part of these financial statements.


 Mr Pham Tuan Phan
 Chief Executive Officer

Date: 09 AUG 2016


 Mr Naruepon Sukumasavin
 Director of Administration
 Division

Date: 09 AUG 2016

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)

Statement of designated bank account
Year ended 31 December 2015

	Note	2015 USD	2014 USD
Receipts	7	788,575	443,795
Payments			
Payments made out of MRC pooling account		(1,271,513)	(552,489)
Decrease of cash at MRC pooling account		554,809	115,121
Advances		(206,238)	(148,726)
		<u>(922,942)</u>	<u>586,094</u>
Deficit of receipts over payments		(134,367)	(142,299)
Fund balance at the beginning of the year		191,824	334,123
Fund balance at the end of the year		<u>57,457</u>	<u>191,824</u>
Represented by			
Cash at designated bank account		<u>57,457</u>	<u>191,824</u>

The notes on pages 7 to 10 are an integral part of these financial statements.



Mr Pham Tuan Phan
 Chief Executive Officer

Date: 09 AUG 2016



Mr Naruepon Sukumasavin
 Director of Administration
 Division

Date: 09 AUG 2016

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)

Notes to the financial statements
Year ended 31 December 2015

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 AUS\$ 7 million in support of the regional component. From August 2012, the World Bank funding more than US\$ 8 million come on line after the effectiveness of the financial agreement between the WB/IDA and the 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 Dollars (“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.

(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

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)

Notes to the financial statements (continued)
Year ended 31 December 2015

2. Summary of significant accounting policies (continued)

(c) Foreign exchange (continued)

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 designated 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 project 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.

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)

Notes to the financial statements (continued)
Year ended 31 December 2015

3. Balance at MRC (pooling account)

Funds are periodically transferred from project's designated bank account to MRC pooling account. During 2015, MRC's own funds were utilised for the project, subsequently during Quarter 1 of 2016, an amount of USD 606,077 was transferred by the donor to project's designated bank account which was then reimbursed to MRC pooling account.

	2015	2014
	USD	USD
MRC pooling account	<u>(392,028)</u>	<u>14,055</u>

4. Advances

	2015	2014
	USD	USD
Cambodia National Mekong Committee	62,856	62,856
Participants of Training Workshop	35,636	-
Lao Mekong IWRM Project Lao and Thailand	29,495	13,014
Vietnam National Mekong Committee	24,620	24,620
Lao Mekong IWRM Project Lao and Cambodia	18,500	18,500
Nam Kam – Xebanghieng	17,853	12,271
Songhla-Tonle Sap	16,250	16,250
Education Grant Advance to Staff	1,028	1,215
	<u>206,238</u>	<u>148,726</u>

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

	2015	2014
	USD	USD
General expenditure for International Consultants	190,788	-
Wetland Management (Lao-Thailand)*	95,971	(4,386)
Project Coordination	93,162	-
Feedback opinions from local stakeholders to refine the MRC activities	64,320	-
Tonle Sap-Songkhla Project (Cambodia-Thailand)*	62,972	(33)
Staff cost	61,183	116,285
Development risk assessment approach	28,879	-
Water Resources Management Sesan-Srepok (Cambodia - Vietnam)	27,295	2,460
Fisheries (Lao-Cambodia)	20,285	17,849
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	18,591	10,118
Year 2013: Joint risk assessment validation and mitigation measures	11,856	913
Inception support	10,851	14,435
Field visits and Workshops	2,870	8,620
Support for adaptable programmatic Loan ("APL")	1,080	27,356
Disseminate the knowledge acquired by the MRC to local stakeholders.	-	1,579
	<u>690,103</u>	<u>195,196</u>

*Negative expenditures are the adjustments made by M-IWRMP project due to allocation of project expenses in correct category according to approved budget.

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)

Notes to the financial statements (continued)
Year ended 31 December 2015

6. Consultants' Services

	2015	2014
	USD	USD
Staff Cost	396,004	177,944
Feedback opinions from local stakeholders to refine the MRC activities	29,400	-
Support for adaptable programmatic loan (“APL”)	14,100	82,144
Fisheries (Lao-Cambodia)	6,900	-
Water Resources Management Sesan-Srepok (Cambodia - Vietnam)	4,500	-
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	4,500	-
Inception support	-	34,048
Disseminate the knowledge acquired by the MRC to local stakeholders.	-	1,685
Project Coordination*	-	(12,800)
	<u>455,404</u>	<u>283,021</u>

*Negative expenditures are the adjustments made by M-IWRMP project due to allocation of project expenses in correct category according to approved budget.

7. Receipts

	2015	2014
	USD	USD
Fund received from IDA-World bank	784,537	439,394
Interest Income	4,038	4,401
	<u>788,575</u>	<u>443,795</u>

Mekong River Commission, Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments
Year ended 31 December 2015

This table represents the use of funds by component and detailed activities, as set out in the Project Appraisal Document (“PAD”), compared with the current budget.

*(Project Appraisal Document 4 April 2012)

WB Components	Actual		Budget* (Not audited)		Variance (Not audited)			Project Appraisal Document (“PAD”)	
	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	Cumulative to date (%)	Total budget (USD)	Remaining budget as at 31 December 2014 (USD)
A. Regional Support for Facilitating trans-boundary IWRM dialogue									
1. Inception support (for 4 proposals)	10,851	73,493	185,000	254,865	174,149	181,372	71	524,600	451,107
2. Fisheries (Lao-Cambodia)	27,185	62,809	245,000	312,900	217,815	250,091	80	535,200	472,391
3. Water Resources Management Sesan-Srepok (Cambodia-Vietnam)	31,795	42,058	125,000	184,700	93,205	142,642	77	354,000	311,942
4. Wetland Management (Lao - Thailand)	95,971	113,695	125,000	201,634	29,029	83,939	44	354,000	240,305
5. Water Resources Management Delta Water Resources (Cambodia-Vietnam)	23,091	33,210	125,000	182,600	101,909	149,390	82	354,000	320,790
6. Tonle Sap-Songkhla Project (Cambodia-Thailand)	62,972	99,258	160,000	246,522	97,028	147,284	60	457,000	357,762
Sub-total	251,865	424,502	965,000	1,383,221	713,135	958,719	69	2,578,800	2,154,298
B. Impact and Risk Assessment to Reach Environmental Baseline Objectives in a Selected Mekong River Sub-Area									
Development risk assessment approach and establishment environmental baseline	28,879	28,879	62,700	69,837	33,821	40,958	59	152,000	123,121
Field work and country level assessments	-	-	63,000	70,000	63,000	70,000	100	235,000	235,000
Joint risk assessment validation and mitigation measures	11,856	12,906	64,000	77,000	52,144	64,094	83	173,000	160,094
Sub-total	40,735	41,785	189,700	216,837	148,965	175,052	81	560,000	518,215

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments (continued)
Year ended 31 December 2015

WB Components	Actual		Budget* (Not audited)		Variance (Not audited)			Project Appraisal Document ("PAD")	
	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	Cumulative to date (%)	Total budget (USD)	Remaining budget as at 31 December 2014 (USD)
C. Preparation for developing the LMB Risk Modeling									
1. International Consultant	190,788	190,788	96,000	112,000	(94,788)	(78,788)	(-70)	369,800	179,012
2. Data gaps generation/acquisition	-	-	49,000	53,000	49,000	53,000	100	35,000	35,000
3. Field visits and Workshops	2,870	11,490	49,000	60,000	46,130	48,510	81	35,000	23,510
4. Development of data base and purchase of satellite photos	-	-	71,000	74,000	71,000	74,000	100	200,000	200,000
5. Contingency, operation cost	-	-	6,000	9,000	6,000	9,000	100	10,000	10,000
Sub-total	193,658	202,278	271,000	308,000	77,342	105,722	34	649,800	447,522
D. Support for Communication Outreach									
1. Disseminate the knowledge acquired by the MRC to local stakeholders	-	3,278	26,000	39,000	26,000	35,722	92	463,500	460,222
2. Dissemination of IWRM Implementation Status	-	-	20,000	28,000	20,000	28,000	100	198,000	198,000
3. Analysis and Dissemination on the outcome for the extremely events	-	-	12,000	20,000	12,000	20,000	100	125,000	125,000
4. Feedback opinions from local stakeholders to refine the MRC activities	93,720	93,720	51,000	59,000	(42,720)	(34,720)	(59)	295,000	201,280
5. Monitoring and Evaluation	-	-	4,000	7,000	4,000	7,000	100	10,000	10,000
Sub-total	93,720	96,998	113,000	153,000	19,280	56,002	37	1,091,500	994,502
E. Project Coordination, Monitoring and Technical Support									
1. Project Coordination	93,162	100,207	90,000	160,000	(3,162)	59,793	37	852,900	752,693
2. Support for APL	15,180	137,283	60,000	284,110	44,820	146,827	52	414,000	276,717
Sub-total	108,342	237,490	150,000	444,110	41,658	206,620	47	1,266,900	1,029,410

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments (continued)
Year ended 31 December 2015

WB Components	Actual		Budget* (Not audited)		Variance (Not audited)			Project Appraisal Document ("PAD")	
	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	1 January 2015 to 31 December 2015 (USD)	Cumulative to date (USD)	Cumulative to date (%)	Total budget (USD)	Remaining budget as at 31 December 2014 (USD)
F. PCMU establishment									
1. Staff Cost	457,188	817,655	327,444	647,242	(129,744)	(170,413)	(26)	1,238,400	420,745
2. General contribution (11%)	126,006	200,278	221,776	374,250	95,770	173,972	46	812,400	612,122
Sub-total	583,194	1,017,933	549,220	1,021,492	(33,974)	3,599	0.35	2,050,800	1,032,867
Total Project Expenditure	1,271,513	2,020,986	2,237,920	3,526,660	966,406	1,505,674	43	8,197,800	6,176,814

The actual expense from 1 January 2015 to 31 December 2015 and cumulative to date do not match with Interim Financial Reports ("IFR") submitted by M-IWRM Project to World Bank. The reason for difference is adjustment by M-IWRM Project in Q1'2016 which is related to Q4'2015. The total project expenditure agrees between the financial data provided by M-IWRM Project and IFR submitted.

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments (continued)
Year ended 31 December 2015

Reconciliation between statement of designated bank account and comparison of actual and budget payments

	2015	2014
	USD	USD
	<hr/>	<hr/>
Actual Payments reported in comparison of actual and budget payments	1,271,513	552,489
Outstanding advances	206,238	148,726
Bank fee	-	-
Payments reported in statement of designated bank account	<hr/><u>1,477,751</u>	<hr/><u>701,215</u>

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)

Most activities were under spent during the period from 01 January to 31 December 2015.

The realistic revisions made to the budgeted disbursements based on the past experience and the appropriate identification of project activities for the budget plan contributed to the negligible variance. In addition, the budget plan was planned under consultation with the Member Countries and relevant MRC Programmes according to project implementation plan for year 2015.

Components:

A. Regional Support for facilitating trans-boundary IWRM dialogue

1. Inception support (for 4 proposals)

During the inception period, 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. Songkhla-Tonle Sap on Communication Outreach project and Nam Kam – Xe bang Hieng Transboundary project on Wetland and flood plain managements were launched in 2013 when three transboundary projects were launched in 2014 namely Water Resources Management in the Se San and Srepok sub-basins, Water Resources Management in the Mekong Delta and Mekong mainstream fisheries management. 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 with lower number of meetings and workshops than previous plan causes under spent compared to the budget plan under this category.

2. Fisheries (Lao-Cambodia)

Variances between actual and budget payments for the transboundary Lao-Cambodia Project on Mekong mainstream fisheries management occurred because of delay on project implementation from both countries due to following reasons.

Firstly, the implementing agencies for Lao and Cambodia are line agencies from both countries, not the National Mekong Commission (NMC) so the implementation took time for coordination and action between implementing agency and the NMC.

Secondly, being implemented by the line agency which is not familiar with the World Bank procurement policy and the MRC imprest account system, the paper work for replenishment of the

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments (continued)
Year ended 31 December 2015

imprest account taken considerable time to complete the process. Therefore, there was an issue of shortage of cash-on-hand for NMC to implement the activity as planned.

Thirdly, both the NMC's have not purchased any items from approved procurement plan which contributed to lower expenditures compared to planned expenditures. In addition, the project outcomes and Project Implementation Plan (PIP) was redefined according to the World Bank supervision mission on 3- 6 March. As a result, the project completion was extended to the year 2017 and some activities, which were planned to implement in 2015, were shifted to 2016.

3. *Water Resources Management Sesan-Srepok (Cambodia-Vietnam)*

Different pace of the progress on implementing activity for Cambodia and Vietnam due to different capacity of the respective countries and unable to conduct joint activity had influenced on variances between actual and budget payments for the transboundary project. The modification of project outcomes and Project Implementation Plan (PIP) contributed to the variance as mentioned above.

4. *Wetland Management (Lao - Thailand)*

The modification of project outcomes and Project Implementation Plan (PIP) contributed to the variance as mentioned above. The difference in budgeted spending between two respective countries was an issue for the variances between actual and budget payments. There was low budget spent by Lao side on 1st and 2nd quarter because the implementation was on hold due to resignation of the national consultant and recruitment of the new consultant, while Thailand spent their budget to organise the activities on establishing their 15 working group. The unfamiliarity to the imprest account system and issue of revision of procurement plan were also among other key issues.

5. *Water Resources Management Delta Water Resources (Cambodia-Vietnam)*

Explanation for the variances between actual and budget payments is similar to Sesan-Srepok transboundary project.

6. *Tonle Sap- Songkhla Project*

The Project was launched since October 2013, but the delay on project implementation and differences in budget spending by respective countries caused low expenditure for the project. In addition, it was suggested by the World Bank to relook at the project logical link and activities to clearly illustrate the communication aspect. As a result, the project outcomes and Project Implementation Plan (PIP) was modified and caused some variance on the budget. In addition, unfamiliarity to the imprest account system also contributed to the variance.

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

1. *Year 2011: Development risk assessment approach and establishment environmental baseline*

Under the supervision mission of the World Bank in September 2014, the World Bank saw difficulty in recruiting consultant to implement activities under the Risk Assessment and seek for clarification from MRC (EP) on the project approach and study area. Following the recommendation from the World Bank, EP proposed to shift from Impact and Risk Assessment to Transboundary Environmental Impact Assessment (TbEIA). The project document was agreed by NMCs and the World Bank. The shifts of project focus and slow progress on the Transboundary Environmental Impact Assessment (TbEIA) implementation are major causes for the variance.

¹ Imprest accounts are fixed amounts made available in advance to various projects within MRC, established in recognition of the need for local access to funds for project related expenses

Mekong River Commission Lao PDR
Mekong Integrated Water Resources Management Project (M-IWRM)
Comparison of budget and actual payments (continued)
Year ended 31 December 2015

2. *Year 2012: Field work and country level assessments*
No budgeted expenditure carried out during the year.
3. *Year 2013: Joint risk assessment validation and mitigation measures*
As explained in B1 above.

C. Preparation for developing the LMB Risk Modelling

1. *International Consultant*
2. *Data gaps generation/acquisition*
3. *Field visits and Workshops*
4. *Development of data base and purchase of satellite photos*
5. *Contingency, operation cost*

In 2015, 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 was low expense in 2015.

D. Support for Communication Outreach

1. *Disseminate the knowledge acquired by the MRC to local stakeholders*
Low expenditure on Communication Outreach caused by delay on recruitment of the international consultant who is responsible for the project. Once the international consultant was on board on mid-April 2015, some activities were organised and low budget was spent.
2. *Dissemination of IWRM Implementation Status*
No budgeted expenditure carried out during the year.
3. *Analysis and Dissemination on the outcome for the extremely events*
No budgeted expenditure carried out during the year.
4. *Feedback opinions from local stakeholders to refine the MRC activities*
Budgeted expenditure was spent on the regional workshops on communication that were organised in Vietnam during 2015.
5. *Monitoring and Evaluation*
No budgeted expenditure carried out during the year.

E. Project Coordination, Monitoring and Technical Support

1. *Project Coordination*
Explanation is provided under A.1
2. *Support for Adaptable Programmatic Loan*
M-IWRMP has less support to national component in 2015 because MIWRM-1 for Lao and MIMRM-2 for Viet Nam were approved. The budget for implementation of activities under national component is subject to Lao and Vietnam. Some budget was allocated to Vietnam as recommended by the World Bank to support interim staffs.

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F. PCMU establishment

1. Staff Cost

The position of International Technical Advisor (ITA) was approved by the M-IWRMP Project Steering Committee. The recruitment took place in 2014, but the ITA was recruited in 2015.

2. General contribution (11%)

The Management Fees 11% was budgeted at USD 221,776 with the total actual expenses USD 126,006. This total amount is based on total expenditures of year to date from January to December 2015.