PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

CONTENTS

PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

STATEMENT BY THE PROJECT MANAGEMENT

The Government of Lao PDR (GoL) is strengthening the management of its public finances through establishing guiding principles and policies for improved public finance management (PFM). As part of its objective to strengthen the management of its public finances, the Ministry of Finance (MoF) has adopted the Vision to 2030 and Public Finance Development Strategy to 2025 (PFM Strategy) to improve policy consistency, efficiency, transparency and accountability in public expenditure and revenue management by strengthening institutional systems and capacity, as well as making progress towards meeting appropriate international financial management standards.

To support the implementation of the PFM Strategy, the Government of Laos (GoL) has received a trust fund financed by the European Union and Australia's Department of Foreign Affairs and Trade (DFAT) USD$1.8 million for the Third Public Finance Management Reform Program, which is managed by the World Bank. from its effectiveness to its expected closing date on 31 August 2027.

On behalf of the Project:

Somchit Khammoungkhoun
Head of Project Implementation Unit
Date: 26 June 2026

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 26 June 2026

INDEPENDENT AUDITOR'S REPORT

TO THE PROJECT DIRECTOR OF PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

Our opinion

In our opinion, the financial statements of Public Finance Management Reform Project (PFMRP or the Project) for the year ended 31 December 2025 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Project's financial statements comprise:

- the statement of receipts and disbursements for the year ended 31 December 2025
- the statement of fund balance as at 31 December 2025, and
- the notes to the financial statement, which include significant accounting policies and other explanatory information.

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 Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Project in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter - Basis of preparation

We draw attention to Note 2 to the financial statements, which describes the basis of preparation. The financial statements are prepared in accordance with accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

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This report is intended for the information of the Project and donors, and for no other purpose. However, upon release by donor, this report will be a matter of public record and its distribution will not be limited. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing. Our opinion is not modified in respect to this matter.

Responsibilities of the director for the financial statements

The director is responsible for the preparation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the director 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, the director 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 the director either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 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 scepticism 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 Director.

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- Conclude on the appropriateness of 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 auditor's 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 auditor's report. However, future events or conditions may cause the Programme to cease to continue as a going concern.

We communicate with the Project's 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.

For PricewaterhouseCoopers (Lao) Sole Company Limited

By: Apisit Thiengtrongpinyo
Partner

Vientiane Capital, Lao PDR
26 June 2026

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PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Cummulative to 31 December 2024	For the year ended 31 December 2025	Cummulative to 31 December 2025
RECEIPTS			
Designated account replenishment	493,000	666,450	1,159,450
	493,000	**666,450**	**1,159,450**
DISBURSEMENTS			
Improving budget preparation and public expenditure management	45,970	191,074	237,044
Improving revenue management	34,382	110,720	145,102
Improving public procurement	31,671	9,972	41,643
Modernizing human resources management	11,203	131,026	142,229
Project management, coordination, analytics and just-in-time support	30,768	168,975	199,743
	153,994	**611,767**	**765,761**
Surplus of receipts over disbursements	**339,006**	**54,683**	**393,689**

Somchit Khammoungkhoune
Head of Project Implementation Unit
Date: 26 June 2026

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 26 June 2026

The accompanying notes on pages 8 to 12 form an integral part of the statements of receipts, disbursements and fund balance.

PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 USD	2024 USD
RECEIPTS			
Designated account replenishment	3	666,450	493,000
		666,450	**493,000**
DISBURSEMENTS			
Improving budget preparation and public expenditure management	4	191,074	45,970
Improving revenue management	5	110,720	34,382
Improving public procurement	6	9,972	31,671
Modernizing human resources management	7	131,026	11,203
Project management, coordination, analytics and just-in-time support	8	168,975	30,768
		611,767	**153,994**
Surplus of receipts over disbursements		**54,683**	**339,006**

Somchit Khammoungkhoune
Head of Project Implementation Unit
Date: 26 June 2026

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 26 June 2026

The accompanying notes on pages 8 to 12 form an integral part of the statements of receipts, disbursements and fund balance.

PUBLIC FINANCE MANAGEMENT REFORM PROJECT (PFMRP)

STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2025

	Notes	2025 USD	2024 USD
Fund balance			
Opening fund balance		339,006	-
Surplus of receipts over disbursements		54,683	339,006
Closing fund balance		**393,689**	**339,006**
Represented by:			
Cash on hand		-	1,518
Cash at banks	9	353,147	329,250
Advance	10	40,542	8,238
		393,689	**339,006**

Somchit Khammoungkhoune
Head of Project Implementation Unit
Date: 26 June 2026

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 26 June 2026

The accompanying notes on pages 8 to 12 form an integral part of the statements of receipts, disbursements and fund balance.

1. GENERRAL INFORMATION OF THE PROJECT

The Government of Lao PDR (GoL) has requested the WB to prepare the Lao PDR Public Financial Management Reform Project. The Project funded by a trust fund financed by the European Union and Australia's Department of Foreign Affairs and Trade (DFAT) USD$1.8 million Recipient-Executed Trust Fund (RETF). The Project aims to improve the management of public finances and MOF's internal processes, as well as the processes for public procurement, which can deliver a wide range of benefits for GoL. The Ministry of Finance (MoF) will be the implementing agency (IA) of the fund. The Project aims to support GoL to improve the management of its public financial and human resources and the processes for public procurement. The Project sets to achieve five targets below:

Component 1- Improving budget preparation and public expenditure management:This component will have four subcomponents aimed at strengthening different aspects of budget preparation and execution, in line with the State Budget Law. The beneficiary institution will be the State Budget Department, the National Treasury, the Accounting Department, the Asset Management Department and the Financial Information Technology Department of the MoF, as well as the Ministry of Education and Sports, SOEs and the Bank of Lao PDR. The activities build upon those supported by the previous PFM Reform Program and will focus on support for implementation for the initiated reforms. The State Audit Organization and the National Assembly will not be included in the RETF part of the Program in order to avoid any potential conflict of interest.

Component 2- Improving revenue management: This component will have two subcomponents supporting activities in line with the recently approved tax administration reform plan 2021-2025. The beneficiary institution will be the Tax Department (TD) of the MoF at central level, as well as tax offices at the provincial level. The activities build upon those supported by the previous PFM Reform Program and will focus on strengthening of the legal framework and improving tax administration processes.

Component 3- Improving public procurement: This component will provide support to continue building the capacity of the PPMD and the procuring entities and central and provincial level to implement the public procurement legislation, which was supported by the 1st PFM Program, and the implantation tools supported by the 2nd PFM Program.

Component 4- Modernizing human resources management in the Civil Service: This component will provide support to continue building the capacity of the MOHA to strengthen the management and integrity of civil servants.

Component 5- Project management, coordination, analytics and just-in-time support: This component provide support to MoF's PFM Reform Secretariat to implement the PFM Reform Action Plan and capacity for different analytical reports.

The Project Implementation Unit (PIU) was established in December 2018. Under the oversight of the MoF's PFM Reform Secretariat, the PIU will be responsible for the PFM Reform Grant (P179106). The PIU will be the central executing agency, responsible for overall implementation monitoring, fiduciary oversight, and provision of technical, procurement, and financial management support to MoF implementing departments responsible for the technical implementation of project/program components. Furthermore, the PIU will be responsible for the preparation of work plans and for the provision of logistics, administration and coordination across implementing departments.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies will be based on a Modified Cash Basis of accounting method in which receipts and disbursements are recorded when cash is received or paid out. Except for:

- Advance as mentioned in Note 2c
- Borrow fund from Government of Lao (GoL) as mentioned in Note 2d
- Receivable as mentioned in Note 2e

a. *Cash receipts*

Receipts consist of the authorized allocation of the World Bank (donor) fund, direct payments made by donor and eligible expenditure refunded to date. These funds are accounted for when received or, in the case of direct payments made by donor, when notified as having been paid to the Project's funds by donor.

b. *Disbursements*

Disbursements represent all paid of the Project paid in line with its objectives and approved budgets.

c. *Advance*

Advances are representing amounts paid in advance to the Project staff for the purpose of travel to the province, district or overseas or meetings, workshops, or conferences.

Advances are included in the Project's available fund and presented as "advance payment outstanding" in the statement of fund balance.

The expenses related to advanced amounts will only be classified to the related expenditure activity line on the date of liquidation.

d. *Borrow fund from Government of Lao PDR (GoL)*

Borrow fund from Government of Lao PDR are representing payable amounts to the GoL, the borrow for the purpose of payment for the project activities and represent in the statement of fund balance.

e. *Receivables*

Receivables are representing the receivable from the remaining fund from advance clearance, the over payment for the project activites and receivable from the ineligible expenditure and represent in the statement of fund balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Fixed assets and depreciation

No depreciation will be charged for the fixed asset as these items are expensed in full during the month of purchase. At the end of the project life, all assets will be transferred to the government of Lao PDR in line with the government asset management policy.

A separate fixed asset register will be maintained by the project to ensure that all money expended purchasing assets is recorded in detail listing the date is use, location and condition and the person responsible for the asset.

g. Foreign currency translation

Accounting transactions will be recorded in US Dollars in parallel with Lao Kip (local currency) and entered into the Project financial accounting system. Transactions arising in other foreign currencies shall be translated at the exchange rates ruling at transaction dates into US Dollars.

The source of the rate used must be recorded for auditing purposes and all foreign exchange differences arising ate included in the statement of receipts and disbursements.

h. Direct disbursements

Direct disbursements relate to payments made by the donor direct to suppliers, contractors and consultants. These payments are accounted for when the payment is notified by donor.

i. Designated account replenishment

The designated account replenishment represents cash received by the Project under the Grant Agreements, which is maintained in a special deposit account and is used exclusively to cover the donor's share of eligible expenses.

3. DESIGNATED ACCOUNT REPLENISHMENT

Receipt date	2025 USD	2024 USD
25 June 2024	-	493,000
09 April 2025	216,000	-
15 October 2025	450,450	-
	666,450	**493,000**

Designated account replenishment refers to the process of depositing funds from donor into the Bank of Lao PDR (BoL) bank account.

4. IMPROVING BUDGET PREPARATION AND PUBLIC EXPENDITURE MANAGEMENT

	2025 USD	2024 USD
Support to budget planning and preparation, and gender budgeting	5,389	34,467
Strengthening public expenditure management in sectors	-	76
Support to GFIS+/IFMIS implementation and treasury reforms*	132,355	-
Support to SOE governance*	53,330	11,427
	191,074	**45,970**

* Support to GFIS+/IFMIS implementation and treasury reforms, as well as support for SOE governance, was mainly used to cover training and workshop expenses.

5. IMPROVING REVENUE MANAGEMENT

	2025 USD	2024 USD
Strengthening tax policy and legislation*	110,720	34,382
	110,720	**34,382**

* Strengthening tax policy and legislation are mainly covered TaxRis training and training for managers and policymakers of the tax department and related ministries, which was primarily paid for training and workshops.

6. IMPROVING PUBLIC PROCUREMENT

	2025 USD	2024 USD
Capacity building and professionalization*	9,972	31,671
	9,972	**31,671**

* Capacity building and professionalization primarily cover training on the implementation of the procurement manual, harmonized bidding documents, evaluation reports, and the PPMD website for four ministries and companies; as well as dissemination and training on the PPMD website and complaint mechanism for SOEs, and training on 10 PPMD forms for private companies.

7. MODERNIZING HUMAN RESOURCES MANAGEMENT

	2025 USD	2024 USD
Support to modernizing human resources management in the civil service*	93,588	6,288
Civil Service Strategy implementation **	34,430	4,915
Strengthening civil service ethics and professionalism	3,008	-
	131,026	**11,203**

* Support to modernizing human resources management in the civil service is mainly paid for a study visit to exchange lessons learned on Civil Service Management and the modernization of human resources management of civil servants in Australia, amounting to USD 88,398, and for civil service data collection/verification, amounting to USD 5,190.

** Civil Service Strategy implementation was mainly used to cover expenses for training and workshops.

8. PROJECT MANAGEMENT, COORDINATION, ANALYTICS AND JUST-IN-TIME SUPPORT

	2025 USD	2024 USD
Project management and coordination*	166,306	30,768
Analytics and just-in-time support	2,669	-
	168,975	**30,768**

*Project management and coordination include the audit service fee for the year 2024, amounting to USD 5,940, and for the audit fee for the year 2025, amounting to USD 6,820, which will be recorded when paid.

9. CASH AT BANKS

	2025 USD	2024 USD
Cash at BoL	273,965	242,556
Cash at BCEL	79,182	86,694
	353,147	**329,250**

BoL stands for Bank of Laos.
BCEL stands for Banque pour le Commerce Extérieur Lao Public.

10. ADVANCES

	2025 USD	2024 USD
Cash advance*	40,542	8,238
	40,542	**8,238**

* The cash advances are mainly for public procurement training. The outstanding advances as of 31 December 2025 were subsequently cleared in January 2026.