

**MEKONG RIVER COMMISSION  
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement  
for the year ended 31 December 2008**

**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2008**

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## REPORT OF THE INDEPENDENT AUDITORS

### To the members of the Joint Committee of the Mekong River Commission

We have audited the income and expenditure statement (“the statement”) of the Operating Expense Budget of the Mekong River Commission (“the Commission”) for the year ended 31 December 2008, as set out on pages 2 to 8. This statement is the responsibility of the Commission’s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the statement has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards.

In our opinion the income and expenditure statement presents fairly, in all material respects, the income and expenditure of the Commission in respect of its Operating Expense Budget for the year ended 31 December 2008 in accordance with the basis of accounting and accounting policies set out in Notes 2 and 3.

*KPMG Lao Company*  
**KPMG Lao Co., Ltd.**  
Vientiane



12 February 2009

**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2008**

	Notes	2008 USD	2007 USD
<b>Income</b>			
<b>Contributions</b>			
Contributions - riparian governments	4	956,042	1,627,588
		<u>956,042</u>	<u>1,627,588</u>
<b>Revenue</b>			
Interest	5	36,014	34,589
Management and administration fees	6	1,301,678	1,004,524
Miscellaneous revenue		5,352	15,770
		<u>1,343,044</u>	<u>1,054,884</u>
<b>Total Income</b>		<u>2,299,086</u>	<u>2,682,471</u>
<b>Expenditure</b>			
Salaries and fees	7	834,758	743,120
Common staff costs	8	546,945	403,453
Official travel	9	23,226	17,014
Contractual services	10	96,772	93,679
General operating expenses	11	181,253	170,068
Supplies	12	26,732	23,172
Furniture and equipment	13	90,115	74,120
MRC meeting expenses	14	201,775	262,535
Support to National Mekong Committees and Water Utilisation Programme	15	47,949	82,815
Repayment of relocation project loan	16	100,000	60,000
<b>Total Expenditure</b>		<u>2,149,525</u>	<u>1,929,976</u>
<b>Operating Surplus</b>		149,561	752,495
<b>Operating Expense Budget balance at 1 January</b>		1,220,428	467,933
<b>Operating Expense Budget balance at 31 December</b>	18	<u>1,369,989</u>	<u>1,220,428</u>

*The notes set out on pages 3 to 8 form an integral part of this statement*



Jeremy Bird  
Chief Executive Officer  
MRC Secretariat

Approved by:



Dirk Overweg  
Chief, Finance and Administration Section

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2008**

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These notes form an integral part of, and should be read in conjunction with, the accompanying income and expenditure statement.

**1. Principal activities**

The Mekong River Commission (“MRC” or “the Commission”) was established in 1995 with the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin. The MRC member countries are Cambodia, the Lao PDR, Thailand and Vietnam, with China and Myanmar as dialogue partners.

The role 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. It fulfils this role by providing scientific information and policy advice and implementing strategic programs and activities in accordance with the 1995 Agreement.

**2. Basis of preparation**

The financial statements, expressed in United States Dollars (“USD”), have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when received rather than earned, except for interest income which is recognised when earned. Expenditure is recognised when paid rather than incurred, except for: staff health and life insurance premiums, personal telephone costs charged to staff and repatriation fee, which are recognised on an accruals basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

**3. Summary of significant accounting policies**

*(a) Property and equipment*

For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment is expended in full at the date of acquisition.

*(b) Foreign currency transactions*

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD are translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the income and expenditure statement.

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2008**  
**(continued)**

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**4. Contributions from riparian governments**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Cambodia	297,350	280,160
Lao PDR	297,350	280,160
Thailand	-	734,574
Vietnam	361,342	332,694
	<u>956,042</u>	<u>1,627,588</u>

MRC received and recorded the annual contribution from Thailand for the year 2008 amounting to USD383,521 in 2007.

**5. Interest**

Interest is earned on MRC funds and contributions from development partners. The interest is used following the specific agreement between MRC with the development partners for either project expenditures or OEB expenditures, or is returned to the development partners.

**6. Management and administration fees**

Revenue for management and administration fees comes from development partners. Management and administration fees are calculated at 11% of expenditure for most projects. The revenue is used to cover the expenses of the Secretariat in rendering technical and administrative services to MRC projects.

**7. Salaries and fees**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Professional posts	540,804	484,825
General service posts	261,959	220,897
Temporary general services	22,011	30,077
Overtime payments	9,984	7,321
	<u>834,758</u>	<u>743,120</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2008**  
(continued)

**8. Common staff costs**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Dependency allowances – professional staff	12,658	11,426
Assignment/relocation allowances	26,950	5,739
Housing allowances	34,943	28,186
Post allowances	57,565	40,981
Hardship allowances	37,431	29,011
Dependency allowances – general staff	43,626	40,014
Uniforms/laundry allowances	1,071	647
Devaluation allowances – professional staff	40,455	-
Devaluation allowances – general staff	23,316	-
Provident fund – professional staff	75,013	54,135
Provident fund - general staff	34,815	26,215
Medical insurance	18,924	17,007
Life and accident insurance	4,222	3,946
Medical examinations	919	264
Education grants	32,525	21,381
Home leave travel	21,317	9,027
Recruitment	9,524	43,207
Separation costs	13,413	14,472
Other training	49,506	49,265
Other costs	8,752	8,530
	<u>546,945</u>	<u>403,453</u>

**9. Official travel**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
External travel	17,926	5,728
Riparian travel	5,300	11,286
	<u>23,226</u>	<u>17,014</u>

**10. Contractual Services**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
External audit	36,170	26,950
External printing	16,152	24,900
EDP system development	5,075	12,795
Security guards	10,157	16,160
Miscellaneous contractual services	29,218	12,874
	<u>96,772</u>	<u>93,679</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2008**  
**(continued)**

**11. General operating expenses**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Office improvements	14,237	13,290
Office maintenance	8,039	6,818
Utilities	55,353	47,866
Equipment rental and maintenance	8,099	6,335
Vehicle operation and maintenance	14,761	8,134
Vehicle insurance	-	2,212
Internet and e-mail	29,497	32,269
Telephone installation, rent and maintenance	271	-
Local telephone calls	4,340	4,794
Long distance telephone calls	4,262	4,608
Pouch and courier	2,986	4,579
Postage	171	5,919
Facsimile	1,184	3,021
Hospitality expenses	8,913	6,492
Non-life insurance	10,208	6,850
Bank charges	13,388	13,033
Miscellaneous expenses	5,544	3,848
	<u>181,253</u>	<u>170,068</u>

**12. Supplies**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Stationery	8,216	15,984
Document reproduction	125	-
Computer supplies	3,363	1,430
Books/periodicals	3,165	2,207
Audio visual aids	-	300
Other supplies	11,863	3,251
	<u>26,732</u>	<u>23,172</u>

**13. Furniture and equipment**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Furniture and fixtures	1,580	7,083
Non-EDP equipment	42,354	26,186
EDP equipment	26,029	30,654
EDP Software – ready made	20,152	10,197
	<u>90,115</u>	<u>74,120</u>



**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2008**  
**(continued)**

**14. MRC meeting expenses**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Council meetings	41,578	75,830
Joint Committee meetings	112,467	109,144
Development partner Consultative Group meetings	9,548	22,913
Dialogue meetings	5,083	18,395
Other meetings	33,099	36,253
	<u>201,775</u>	<u>262,535</u>

**15. Support to National Mekong Committees (“NMC”) and Water Utilisation Programme (“WUP”)**

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
Cambodia NMC	15,000	18,000
Lao NMC	17,996	15,900
Vietnam NMC	17,474	9,000
Support to WUP	(2,521)	39,915
	<u>47,949</u>	<u>82,815</u>

The Secretariat provides funds for the staff costs of personnel working at the Secretariat specifically for the Water Utilisation Programme in accordance with the MRC’s agreement with the World Bank. In 2008, WUP refunded 75% of the salaries of these personnel amounting to USD2,977 (in 2007 the Secretariat funded 75% of the salaries for USD37,529). In addition, the above amounts include other operating expenses incurred by the MRC for the WUP amounting to USD456 (2007: USD2,386).

**16. Relocation project loan**

This represents the drawdown of a loan facility amounting to USD600,000 from the Government of the Lao PDR which was used to finance the MRC Secretariat relocation to Vientiane (Lao PDR). The loan is unsecured and interest free. The MRC shall repay the loan gradually, upon availability of surplus funds from the MRC Operational Expense Budget (“OEB”) and/or funds made available from other sources, within five years; this may be extended to a maximum of ten years. The generation of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the MRC made the forth repayment amounting to USD100,000 and the outstanding balance is USD320,000.

**17. Provident Fund**

The Commission manages a provident fund, which had a balance at 31 December 2008 of USD1,713,461 (2007: USD1,583,385), to provide a savings scheme in lieu of a pension fund on behalf of 140 (2007: 135) members of staff eligible for the scheme. Staff and Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the income and expenditure statement, as personnel services in respect of project expenditure, and as staff salaries and fees in respect of administrative expenditure; the provident fund is not otherwise reflected in the financial statements of the Commission.

**18. Operating Expense Budget balance at 31 December**

The operating expense budget balance at 31 December represents the Administrative Reserve Fund maintained by the MRC and recorded as "Operating Expenses Budget Surplus" in the financial statements of MRC.