

Ministry of Industry and Commerce
Promotion of Export Competitiveness
and Sustainability Support to Public
Private Dialogue in Northern Lao PDR (ECL)
Financial Statements
And
Independent Auditors' Report
For the period from 18 February 2019 to 31 December 2019

Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)

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Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)

Project information

| | | |
|----------------------------|---|-------------------------------------|
| Project | Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR (“ECL”) | |
| Funding agencies | United Nations office for Project Service (“UNOPS”) | |
| Duration | 18 February 2019 to 17 February 2022 | |
| Implementing agency | National Implementation Unit (“NIU”) Department of Planning and Cooperation (“DPC”) Ministry of Industry and Commerce (“MoIC”) | |
| Project management | Phouvieng Phongsavath Nitnida Phonsavath | Director General Project Manager |
| Registered office | Ministry of Industry and Commerce Phonexay Road, P.O. Box 4107 Vientiane Capital, Lao PDR | |
| Auditors | KPMG Lao Co., Ltd. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, P.O.Box 6978, Vientiane, Lao PDR | |

Statement of management's responsibilities

It is the responsibility of management to prepare financial statements of Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR ("ECL") ("the Project") for the period from 18 February 2019 to 31 December 2019, which are prepared in all material respect in accordance with the accounting policies as described in Note 2 to the financial statements. In preparing these financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Maintain financial records and prepare the financial statements based on the accounting policies as described in Note 2 to the financial statements.

Project Management of Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR ("ECL") is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position and 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



Phouvieng Phongsa
Director General
NIU Program Director
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020



Nitnida Phongsavath
Project Manager
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020



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Independent Auditors' Report
To the Project Management of the Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR

Opinion

We have audited the financial statements of Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR ("ECL" or the "Project"), which comprise the statement of cash receipts and payments and the statement of operating bank account for the period from 18 February 2019 to 31 December 2019, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the Project for the period from 18 February 2019 to 31 December 2019 are prepared, in all material respects, in accordance with the accounting policies as described in Note 2.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") 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.

Emphasis of Matter- Basic of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 (a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project management to report to donor. As a result, the financial statements may not be suitable for other purpose. Our report is intended solely for the Project management and donor, and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and policies 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.



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 management.

We communicate with 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.

KPMG Lao
KPMG Lao Co., Ltd.
Vientiane Capital, Lao PDR



Date: 04 June 2020

**Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Statement of cash receipts and payments
For the period from 18 February 2019 to 31 December 2019**

| | Note | 18 February 2019 to 31 December 2019 USD |
|--|------|--|
| Receipt | 3 | 500,000 |
| Payments | | |
| Equipment | 4 | 111,724 |
| Support staffs | 5 | 5,782 |
| National experts | 6 | 61,405 |
| Travel and workshops | 7 | 41,160 |
| Communications | 8 | 28,066 |
| Sundries | 9 | 8,707 |
| Learning costs | 10 | 84,037 |
| Total payments | | 340,881 |
| Excess of receipts over payments | | 159,119 |
| Fund balance at the end of the period | | 159,119 |
| Represented by: | | |
| Cash on hand and cash at bank | 11 | 159,019 |
| Advance | 12 | 100 |
| | | 159,119 |

The accompanying notes form an integral part of this financial statements



Phouvieng Phongsa
Director General
NIU Program Director
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020



Nitnida Phongsavath
Project Manager
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020

**Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Statement of operating bank account
For the period from 18 February 2019 to 31 December 2019**

| | Note | 18 February 2019 to 31 December 2019 USD |
|--|------|--|
| Receipts | 3 | 500,000 |
| Payments | | |
| Payments made out of the Project's account | | (340,881) |
| Increase in advance | | (100) |
| Decrease of cash on hand | | (24) |
| Total | | (341,005) |
| Movement in fund balance for the year | | 158,995 |
| Fund balance at the end of the period | | 158,995 |
| Represented by: | | |
| Cash at operating bank account | 11 | 158,995 |

The accompanying notes form an integral part of these financial statements



Phouvieng Phongsa
Director General
NIU Program Director
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020



Nitnida Phongsavath
Project Manager
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 04 June 2020

**Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

Noted to the financial statements

For the period from 18 February 2019 to 31 December 2019

1. Principal activities

The project aims to increase investment in and exports of targeted sectors, leading to sustainably improve incomes of poor households, particularly women in three Northern provinces of Lao PDR. This is to be achieved through improving the export competitiveness of the three Northern provinces, with focus on improving the local business environment; removing barriers for starting a business; sustainably institutionalizing public-private dialogue; and enhancing the productivity and export performance of handicrafts and selected agribusinesses (the rice sector in Luangnamtha, maize in Oudomxay, and tea in Phongsaly).

The project will deliver on the following results:

a) Result I: Improved local business environment through:

- Simplification of business start-up procedures, including the business registration process, and streamlining priority business operating licenses;
- Institutionalization of regular public-private dialogue to address specific local business environment issues, especially those related to the inconsistent implementation of laws and regulations at local level; support participation and representation of local businesses in local-level policy making and at the National Lao Business Forum; and improve policy making at local level. This results will be funded through EIF sustainability support.

The expected outcome of Result I will be measured, among other things, by a reduction in the time and cost involved in starting a business, an increased number of newly registered Micro, small and medium enterprises (MSMEs), the number of specific issues affecting the operation of businesses in the general manufacturing and services sectors, and improved policy making at local level.

b) Result II: Enhanced productivity and exports of key sectors, namely handicraft, in all three provinces (rice in Luangnamtha, maize in Oudomxay, and tea in Phongsaly), using a value chain development approach.

The expected outcome of Result II will be measured by production outputs, household income and export volume of targeted sectors. It is envisaged that targeted technical assistance will be provided to promote the handicraft sector in all three provinces, and rice in Luangnamtha, maize in Oudomxay, and tea in Phongsaly, for which detailed value chain studies have been carried out under the Mainstreaming Support Facility and other development projects.

Through targeted interventions to reduce the cost of doing business, enhancing the competitiveness of the handicraft sector and raising the efficiency of rice, tea and maize processing agribusiness, the project is expected to sustainably improve the incomes of poor households through new and improved (formal) employment opportunities. Existing and new micro and small and medium-sized businesses (SMEs), and especially women-led businesses, are expected to benefit from lower compliance and operating costs, as well as direct access to sector-specific business development services.

**Ministry of Industry and Commerce
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Noted to the financial statements

For the period from 18 February 2019 to 31 December 2019

1. Principal activities (continued)

It is envisaged that at least 200 individual households engaged in handicraft production, and the plantation of maize, tea and rice will be supported by the project, and more than 60% of households/individual producers are expected to be led by women.

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 are prepared in accordance with the accounting policies of the Project consist of the statement of cash receipts and payments and statement of designated bank account, which is expressed in United States Dollars (“USD”). The financial statements have, therefore, not been designed for those who are not familiar with the accounting policies of the Project.

The financial statements have been prepared in accordance with modified cash basis of accounting. Under this basis of accounting, receipts are recognised when funds are received in cash rather than when earned and payments are recognised when made rather than when incurred. This is a comprehensive basis of accounting that is designed to meet the requirements of the Project and its donors; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards or other prominent generally accepted accounting principles

b) Equipment

All purchases of equipment are recorded as payments in the statement of cash receipts and payments upon acquisition as goods. The Project maintains a Fixed Assets Register for control purposes.

c) Cash

Cash comprises cash on hand and balances with banks.

d) Foreign exchange

The Project maintains its accounting records in USD in accordance with the financial agreement. All cash is held in USD. Transactions in currencies other than USD during the period have been translated into USD at rates approximating those ruling at the transaction dates.

e) Accounting reporting period

The financial accounting period from 18 February 2019 to 31 December 2019

**Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

Noted to the financial statements

For the period from 18 February 2019 to 31 December 2019

2. Summary of significant accounting policies (continued)

f) 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.

g) Receipt recognition

Fund receipt from UNOPS is recognised as receipt when cash is credited to the Project's operating bank accounts.

h) Payment recognition

Payments are recognized when documents substantiating the Project's transactions are submitted and approved and the payment is made.

Categories of payments

i. Equipment

Equipment consist of office equipment, furniture, vehicles and computers. All purchases of equipment are recorded as payments in the statement of cash receipts and payments upon acquisition as goods. The Project maintains a Fixed Assets Register for control purposes.

ii. Support staffs

The support staffs consist of the project, which were based on the province

iii. National experts

National experts consist of national project coordinator, national procurement assistant, national finance officer, national part-time advisor, and national local public-private Dialogue at ECL Project.

iv. Travel and workshops

Travel and workshops consist of per-diems, travelling cost for workshops.

v. Communication expenses

Office communication expenses are included dissemination and outreach material and activities expenses.

vi. Sundries

Miscellaneous expenses are for the administration and operations activities.

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**Noted to the financial statements
For the period from 18 February 2019 to 31 December 2019**

2. Summary of significant accounting policies (continued)

h) Payment recognition (continued)

vii. Learning cost

Training and workshop consists of train the trainer program, promoting public awareness on International Standards, series of consultation workshop and conduct series of seminars and workshops.

i) Advances

Advances are recognized as assets and recorded as payments only after the presentation of documents and liquidation of the advance.

3. Receipt

| | 18 February 2019 to 31 December 2019 USD |
|---------------------------------|---|
| Fund from UNOPS transferred to: | 500,000 |
| | <u>500,000</u> |

4. Equipment

| | 18 February 2019 to 31 December 2019 USD |
|---------------------|---|
| Furniture equipment | 2,880 |
| IT equipment | 43,470 |
| Vehicle | 65,374 |
| | <u>111,724</u> |

5. Support staffs

| | 18 February 2019 to 31 December 2019 USD |
|----------------------|---|
| Admin staff & driver | 5,782 |
| | <u>5,782</u> |

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**Noted to the financial statements
For the period from 18 February 2019 to 31 December 2019**

6. National experts

| | 18 February 2019 to 31 December 2019 USD |
|------------------------------|---|
| National project coordinator | 21,825 |
| Finance officer | 15,070 |
| Procurement assistant | 2,780 |
| Part-time advisor | 19,650 |
| Nat'l LPPD | 2,080 |
| | <hr/> 61,405 <hr/> |

7. Training and workshops

| | 18 February 2019 to 31 December 2019 USD |
|-----------------------------|---|
| Travel ticket | 7,018 |
| Travel insurance | 108 |
| DSA allowance | 3,828 |
| Other on travel & workshops | 30,206 |
| | <hr/> 41,160 <hr/> |

8. Communications

| | 18 February 2019 to 31 December 2019 USD |
|-----------------------|---|
| Communications_others | 28,066 |
| | <hr/> 28,066 <hr/> |

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Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Noted to the financial statements
For the period from 18 February 2019 to 31 December 2019**

9. Sundries

| | 18 February 2019 to 31 December 2019 USD |
|----------------------------------|---|
| Books, subscriptions, reference | 239 |
| Postage, mailing service | 111 |
| Telephone, telecommunications | 227 |
| Stationaries and office supplies | 4,330 |
| Printing and copying | 215 |
| Fuel and maintenance of vehicle | 849 |
| Govt stamp duty | 45 |
| Bank charge | 123 |
| Vacancy & register fee | 2,446 |
| Other paid | 124 |
| | <hr/> 8,707 <hr/> |

10. Learning costs

| | 18 February 2019 to 31 December 2019 USD |
|------------------------|---|
| DSA allowance | 23,210 |
| Travel tickets | 16,853 |
| Travel insurance | 913 |
| Venue hire & catering | 5,543 |
| Fuel | 5,218 |
| Other paid on workshop | 32,299 |
| | <hr/> 84,037 <hr/> |

11. Cash on hand and cash at Bank

| | 18 February 2019 to 31 December 2019 USD |
|--------------------------------|---|
| Cash at operating bank account | 158,995 |
| Cash on hand | 24 |
| | <hr/> 159,019 <hr/> |

**Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Noted to the financial statements
For the period from 18 February 2019 to 31 December 2019**

12. Advance

**18 February 2019 to
31 December 2019
USD**

| | |
|---|------------|
| Advance to Sub-unit in Luangnumtha province | 100 |
| | <u>100</u> |

13. Commitments

The Project has outstanding commitments as follows:

**18 February 2019 to
31 December 2019
USD**

| | |
|--|----------------|
| Individual Consultants Consulting Handicraft Firm | 183,322 |
| | <u>183,322</u> |

14. Comparative figures

There are no comparative figures, as this is the first financial statements prepared for the funds provided by United Nations office for Project Service (“UNOPS”) for the period from 18 February to 31 December 2019.

**Ministry of Industry and Commerce
Promotion of Export competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Comparison of budget and actual payments
For the period from 18 February 2019 to 31 December 2019**

(Appendix)

This table represented the used of funds by category and detail activities, and set out in the project document, compared with current budget (*Memorandum of Understanding dated 25 January, 2019)

| Budget Account Code | Category | Actual (USD) | Budget* (USD) | Variance (USD) | Project document* for ECL | |
|---------------------|---------------------|----------------|----------------|----------------|---------------------------|---|
| | | | | | Total budget (USD) | Remaining budget as at 31 December 2019 (USD) |
| 75700 | Learning costs | 84,037 | 67,400 | (16,637) | 157,700 | 73,663 |
| 71200 | Int'l experts | - | 91,000 | 91,000 | 309,000 | 309,000 |
| 71300 | Support staff | 5,971 | 30,000 | 24,029 | 90,000 | 84,029 |
| 71400 | National experts | 61,216 | 219,100 | 157,884 | 608,800 | 547,584 |
| 71600 | Travel & workshops | 41,160 | 69,600 | 28,440 | 165,700 | 124,540 |
| 72100 | Subcontracts | - | - | - | 42,000 | 42,000 |
| 72200 | Equipment | 111,724 | 115,000 | 3,276 | 165,000 | 53,276 |
| 74100 | Prof services | - | 3,500 | 3,500 | 10,500 | 10,500 |
| 74200 | Communications | 28,066 | 54,000 | 25,934 | 111,000 | 82,934 |
| 74500 | Sundries | 8,707 | 24,400 | 15,693 | 140,300 | 131,593 |
| | Agricultural inputs | - | 34,000 | 34,000 | - | - |
| Total | | 340,881 | 708,000 | 367,119 | 1,800,000 | 1,459,119 |

**Ministry of Industry and Commerce
Promotion of Export competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)**

**Comparison of budget and actual payments
For the period from 18 February 2019 to 31 December 2019**

(Appendix)

Analysis of variances between budget and actual payments

In overall, the project faced the delay in implementation and disbursement of its budget due to some following reasons:

The budget was initially planned for the whole year which begins from January. However, the project was approved on 18 February 2019 which delayed most of the activities, particularly, activities for starting up the intervention and forming coordination agencies. Furthermore, the support activities from the project in three northern provinces was less likely to be as initial planed, the project had to start from providing capacity building for the provincial project team more than directly supporting to production partnership group because it has been observed that key project partners at local level still lack an in-depth understanding of the project concept, overview of the project governance framework as well as project reporting requirements due to largely language barrier and limited experience in implementing donor funded PSD projects.

After setting up the provincial project coordination team, the project recruited Admin staffs to facilitate the project in the provinces which took time due to qualified consultant was limited in the local market. The capacity building for provincial project coordination team and activities for finding tune intervention in the provinces were started from the end of second quarter and continued through third and fourth quarter while intervention in handcraft sector was confirm in the end of October 2019.

the reason why finding tune intervention of project took such long time because a sector specialist expertise in value chain who would provide recommendation for project support was limited in the market at the time, especially, for working in the isolated area.