

**Ministry of Industry and Commerce  
Small and Medium Enterprise Access to Finance Project  
(SMEA2F)**

**Financial Statements  
and  
Independent Auditors' Report  
For the year ended 31 December 2020  
(Including three-month grace period)**

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**

<b>Contents</b>	<b>Page</b>
Project information	1
Statement of management's responsibilities	2
Independent Auditors' Report	3-4
Statement of cash receipts and payments	5
Statement of designated bank account	6
Notes to the financial statements	7-12
Budget and actual payments ( <i>Appendix 1</i> )	13-14

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**

**Project information**

<b>Project</b>	Small and Medium Enterprise Access to Finance (SMEA2F) IDA H958-LA and IDA 5471-LA	
<b>Funding agencies</b>	International Development Association (IDA)	
<b>Duration</b>	15 September 2014 to 31 December 2020	
<b>Implementing agency</b>	National Implementation Unit (NIU) Department of Planning and Cooperation (DPC) Ministry of Industry and Commerce (MOIC)	
<b>Project management</b>	Phouvieng PHONGSA Lattanaphone Vongsouthi	Director General Director of NIU Division
<b>Registered Office</b>	Ministry of Industry and Commerce Phonexay Road, P.O. Box 4107 Vientiane Capital, Lao PDR	
<b>Auditors</b>	KPMG Lao Co., Ltd. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, P.O. Box 6978, Vientiane, Lao PDR Tel +856 (21) 454240-7	

## Statement of Management’s Responsibilities

It is the responsibility of management to prepare financial statements of the Small and Medium Enterprise Access to Finance Project (“the Project”) for the year ended 31 December 2020 (including three-month grace period), 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.

Project Management of Small and Medium Enterprise Access to Finance 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



Phouvieng PHONGSA  
Director General  
NIU Programme Director  
Department of Planning and Cooperation  
Ministry of Industry and Commerce  
Date: 20 April 2021



Lattanaphone Vongsouthi  
Director of NIU Division  
Department of Planning and Cooperation  
Ministry of Industry and Commerce  
Date: 20 April 2021



KPMG Lao Co., Ltd.  
10<sup>th</sup> Floor, Royal Square Office Building,  
Samsenthai Road, Nongduong Nua Village,  
Sikhotabong District, P.O. Box 6978,  
Vientiane, Lao PDR  
Tel: +856 (21) 454240-7  
Website: home.kpmg/la

ບໍລິສັດ ເຄຟເອັມຈີລາວ ຈຳກັດ  
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ  
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ໜອງດ້ວງເໜືອ,  
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,  
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ  
ໂທ: +856 (21) 454240-7  
ເວັບໄຊ: home.kpmg/la

## **Independent Auditors' Report**

### **To the Project Management of the Small and Medium Enterprise Access to Finance Project**

#### ***Opinion***

We have audited the financial statements of Small and Medium Enterprise Access to Finance Project ("SMEA2F" or "the Project"), which comprise the statement of cash receipts and payments and the statement of designated bank account for the year ended 31 December 2020 (including three-month grace period), and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the Project for the year ended 31 December 2020 (including three-month grace period) 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' International Code of Ethics for Professional Accountants (including International Independence Standard) (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 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 Co., Ltd.  
Vientiane Capital, Lao PDR  
Date: 20 April 2021

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Statement of cash receipts and payments**  
**For the year ended 31 December 2020 (Including three-month grace period)**

<i>In USD</i>	Note	2020 (Including three-month grace period)	2019
<b>Receipts</b>	3	256,839	1,188,041
<b>Payments</b>			
Technical assistance	4	1,100,487	1,660,567
<b>Total payments</b>		<b>1,100,487</b>	<b>1,660,567</b>
(Deficit) excess of receipts over payments		(843,648)	(472,526)
Fund balance at the beginning of the period/year		883,899	1,356,425
<b>Fund balance at the end of the period/year</b>		<b>40,251</b>	<b>883,899</b>
<b>Represented by:</b>			
Cash on hand and cash at bank	5	40,251	647,662
Advance	6	-	236,237
		<b>40,251</b>	<b>883,899</b>

*The accompanying notes are an integral part of these financial statements.*



*[Signature]*  
 Phouvieng PHONGSA  
 Director General  
 NIU Programme Director  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce  
 Date: 20 April 2021

Lattanaphone Vongsouthi  
 Director of NIU Division  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce  
 Date: 20 April 2021


**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Statement of designated bank account**  
**For the year ended 31 December 2020 (Including three-month grace period)**

<i>In USD</i>	Note	2020 (Including three-month grace period)	2019
<b>Receipts</b>	3	256,839	1,188,041
<b>Payments</b>			
Payments made out of project's accounts	4	(1,100,487)	(1,660,567)
Increase of cash at project's operating accounts		(5,180)	(10,681)
Decrease in advance		236,237	300,212
Decrease of cash on hand		6	90
		<u>(869,424)</u>	<u>(1,370,946)</u>
Deficit of receipts over payments		(612,585)	(182,905)
Fund balance at the beginning of the period/year		627,489	810,394
<b>Fund balance at the end of the period/year</b>		<u><b>14,904</b></u>	<u><b>627,489</b></u>
<b>Represented by:</b>			
<b>Cash at designated bank account:</b>			
<b>Bank of Lao</b>	5	<u><b>14,904</b></u>	<u><b>627,489</b></u>

*The accompanying notes are an integral part of these financial statements.*



  
 \_\_\_\_\_  
 Phouvieng PHONGSA  
 Director General  
 NIU Programme Director  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce  
 Date: 20 April 2021

  
 \_\_\_\_\_  
 Lattanaphone Vongsouthi  
 Director of NIU Division  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce  
 Date: 20 April 2021



**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**1. Principal activities**

The Small and Medium Enterprise Access to Finance Project (“the Project”) is supported by the International Development Association (“IDA”) of the World Bank under Contract Credit No.5471-LA and Grant No. H958-LA; (dated 14 August 2014 and amendments to the financial agreement dated 24 November 2016), which is implemented by the Ministry of Industry and Commerce (“MoIC”) Lao PDR.

The objective of the Project is to provide long-term funding sources for banks to provide long-term credit to Small and Medium Enterprises (“SMEs”).

The project consists of the following parts:

Part 1: Line of Credit Facility

Provision of a line of credit facility to Participating Financial Institution (“PFI”) for extending long-term local currency loans to SMEs for the implementation of Specific investment sub-projects.

Part 2: Technical Assistance

2.1 Provision of technical assistance to Department of Small and Medium Enterprise Promotion (“DOSMEP”) and other relevant agencies to strengthen their capacity to formulate and implement strategies, policies, investments and other activities related to the promotion of SMEs, and to implement, monitor and evaluate the project.

2.2 Provision of technical assistance to Participating Financial Institutions and other relevant financial institutions to improve their SME banking strategies, products and practices, including their compliance with environmental social due diligence and safeguard requirements.

2.3 Provision of technical assistance to SMEs to build their capacity in business development and administration and financial management.

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

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**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) Fixed assets**

All purchases of fixed assets are recorded as payments in the statement of cash receipts and payments upon acquisition. 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 grant 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. All exchange differences are recorded in the statement of cash receipts and payments.

**e) Accounting reporting period**

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

For the year ended 31 December 2020 (including three-month grace period) represented 15 months final period (from 1 January 2020 to 31 March 2021) as due to the end of project.

**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 IDA is recognised as receipt when cash is credited to the project’s designated account. The IDA may make direct payments, at the Project’s request, directly to a third party for eligible expenditures.

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**2. Summary of significant accounting policies (Continued)**

**h) Payment recognition**

Payments incurred in the framework of the Grant Agreement are recognised on the cash basis of accounting, i.e. when the payments are made.

*Categories of payments*

*I. Consultants' Services, Non-Consultant services; Training and workshop, Incremental Operating Costs and Goods*

The reasonable costs of goods and non-consulting services required or the day to day coordination, administration and supervision of project, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expense, insurance, Project-related meeting expense, Project – related travel, subsistence and lodging expenses , and other administrative costs directly related to the project, but excluding salaries, bonuses, fee and honoraria or equivalent payments of members of the recipient's civil service.

*II. Direct payments*

The IDA may make direct payments, at the Project's request, directly to a third party for eligible expenditures.

*III. Line of credit to Participating Financial Institutions ("PFIs")*

Line of credit facility is provided under the financing agreement for the Small and Medium Enterprise ("SME") to provide loans to small and medium-scale borrowers for expanding their production activities and employment.

**i) Advances**

Advances, for activities such as workshops, conferences, monitoring trips, are reimbursable to the project until expensed by the Implementing Agencies ("IA"). Advances are recognized as expenditure after the advance has been liquidated and the expenses reports are approved. Advances are requested by IA from the Project through formal advance request forms.

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**3. Receipts**

<i>In USD</i>	<b>2020 (Including three-month grace period)</b>	<b>2019</b>
<b>Reference No:</b>	<b>Description</b>	
24/A2F-GRA	Fund Received from WB	-
25/A2F-GRA	Fund Received from WB	86,203
26/A2F-GRA	Fund Received from WB	76,257
27/A2F-GRA	Fund Received from WB	346,835
29/A2F-GRA	Fund Received from WB	129,260
30/A2F-GRA	Fund Received from WB	98,789
31/A2F.GRA	Fund Received from WB	40,872
32/A2F GRA	Fund Received from WB	75,967
34/A2F GRA	Fund Received from WB	140,000
	<b>256,839</b>	<b>1,188,041</b>

**4. Technical Assistance**

<i>In USD</i>	<b>2020 (Including three-month grace period)</b>	<b>2019</b>
<b>Consultant services for SMEs</b>		
International consultants	248,197	867,704
National consultants	25,080	7,694
	<b>273,277</b>	<b>875,398</b>
<b>Consultant services for PFIs</b>		
International consultants	215,453	383,261
National consultants	4,700	4,320
	<b>220,153</b>	<b>387,581</b>
<b>Consultant services for DOSMEP</b>		
International consultants	180,446	82,879
National consultants	147,365	147,826
Consulting firm	64,295	14,520
	<b>392,106</b>	<b>245,225</b>
<b>Training and workshop for DOSMEP</b>		
Conference, Convention, Meeting	33,661	19,249
DSA	17,143	11,691
Transportation cost	13,782	11,118
Other related costs	38,470	52,870
	<b>103,056</b>	<b>94,928</b>

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**4. Technical Assistance (continued)**

<i>In USD</i>	<b>2020 (Including three-month grace period)</b>	<b>2019</b>
<b>Incremental operating cost for DOSMEP</b>		
Driver SMEA2F	11,399	11,559
Supplies	6,739	5,130
Printing and copying	5,791	9,152
Advertisement	2,693	5,008
Fuel for office work	2,233	2,241
Communication	1,360	2,145
Bank charges	437	1,157
Books, Subscriptions, Reference	-	58
Other expenses	13,232	16,564
	<u>43,884</u>	<u>53,014</u>
<b>Goods</b>		
Office equipment	32,948	2,677
	<u>32,948</u>	<u>2,677</u>
<b>Incremental operating cost for SMEs</b>		
Printing and copying	9,569	1,744
	<u>9,569</u>	<u>1,744</u>
<b>Training and workshop for SMEs</b>		
Conference, Convention, Meeting	3,133	-
Transportation costs	26	-
Other related costs	22,335	-
	<u>25,494</u>	<u>-</u>
	<u>1,100,487</u>	<u>1,660,567</u>

**5. Cash on hand and cash at bank**

<i>In USD</i>	<b>2020 (Including three-month grace period)</b>	<b>2019</b>
Designated bank account: Bank of Lao	14,904	627,489
Operating bank account: Lao Viet Bank	25,347	20,167
Petty cash	-	6
	<u>40,251</u>	<u>647,662</u>

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Notes to the financial statements**  
**For the year ended 31 December 2020 (Including three-month grace period)**

**6. Advance**

<i>In USD</i>	<b>2020 (Including three-month grace period)</b>	<b>2019</b>
ILO	-	231,550
DOSMEP	-	4,687
	<u>-</u>	<u>236,237</u>

**7. Commitment**

After three-month grace period, the Outstanding actual commitment remaining only for external audit fee of USD 9,020, the audit fee will be paid after completion of the audit report.

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Budget and actual payments**  
**For the year ended 31 December 2020 (Including three-month grace period)**  
**(Appendix 1)**

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. (\*Financing Agreement dated 14 August 2014 and Amendment to the Financing Agreement dated 24 November 2016)

<i>In USD</i>	Actual		Budget		Variance			Project Appraisal Document (“PAD”)*	
	2020 (Including three-month grace period)	Cumulative to date	2020 (Including three-month grace period)	Cumulative to date	2020 (Including three-month grace period)	Cumulative to date	Cumulative to date (%)	Total budget	Remaining budget at the end
<b>Part 1: Line of Credit Facility</b>									
Line of Credit	-	13,600,000	-	13,600,000	-	-	-	15,000,000	1,400,000
<b>Total Part 1</b>	<b>-</b>	<b>13,600,000</b>	<b>-</b>	<b>13,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>	<b>1,400,000</b>
2.1 Technical Assistance to Department of Small and Medium Enterprise Promotion (“DOSMEP”)	571,994	2,395,359	651,858	2,475,223	79,864	79,864	3%	3,500,000	1,104,641
2.2 Technical Assistance to Participating Financial Institution (“PFIs”)	220,154	774,246	180,541	734,633	(39,613)	(39,613)	-5%	1,000,000	225,754
2.3 Technical Assistance to Small and Medium Enterprise (SMEs)	308,339	1,342,895	308,339	1,342,895	-	-		500,000	(842,895)
<b>Total Part 3 (note 4)</b>	<b>1,100,487</b>	<b>4,512,500</b>	<b>1,140,738</b>	<b>4,552,751</b>	<b>40,251</b>	<b>40,251</b>	<b>1%</b>	<b>5,000,000</b>	<b>487,500</b>
<b>Total expenses</b>	<b>1,100,487</b>	<b>18,112,500</b>	<b>1,140,738</b>	<b>18,152,751</b>	<b>40,251</b>	<b>40,251</b>	<b>1%</b>	<b>20,000,000</b>	<b>1,887,500</b>

**Ministry of Industry and Commerce**  
**Small and Medium Enterprise Access to Finance Project**  
**Budget and actual payments**  
**For the year ended 31 December 2020 (Including three-month grace period)**  
**(Appendix 1)**

**Analysis of variances between budget and actual payments**

In overall, the project achieved the goal and met the budget of the whole project life. Out of the total Credit/Grant budget, USD 18,112.49 was disbursed with a utilization rate of 99.80% (Line of Credit USD 13,600,000 and Technical Assistance USD 4,512,500) and Outstanding actual commitment remaining only for external audit fee of USD 9,020, the audit fee will be paid after completion of the audit report and before grace period end. The remaining fund after payment of the audit fee will return back to the World Bank.

Due to exchange rate fluctuation during the project implementation period, therefore, the total fund under Line of Credit already fully disbursed, the variance USD 1,400,000 due to loss on exchange rate difference. In addition, the actual total fund under “Technical Assistant” available is USD 4,552,750 (already disbursed from the WB USD 4,412,750). As of 31 March 2021, against original budget USD 5,000,000, so loss on exchange rate as of 31 March 2021 is approximately USD 447,249.

**Line of Credit:**

As of reporting date, the total fund transferred to 4 PFIs in USD 13.60 million consist of source from Credit USD 9.08 million and Grant USD 4.51 million. Based on the loan Utilisation report from PFIs as of reporting date, noted that all loan disbursed to SMEs cover 100% of the total fund and some refinance of the repaid loan to new SMEs, after second amendment of the Subsidiary Financing Agreement with 3 PFIs (ST bank, Sacom bank and Lao Viet Bank) to extend the principal repayment period start from Oct 2024 to Oct 2034.

**Technical Assistance:**

During the period the project had extended more six months to end of December 2020 and the budget were revised accordingly to the actual requirement/needed of each component to meet the donors and project target. The difference of the budget due to some consultants were recruited near the project completion period based on the output requirement. in addition, some time-based consultants under TA to DOSMEP were not claimed the outstanding contract balance due to work already completed, therefore, the fund remaining. As of reporting date, there is one outstanding commitment of USD 9,020 to pay to external auditor for the final audit cover annual 2020 and include grace period to 31 March 2021.