

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 year ended 31 December 2020

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 31 December 2022	
Implementing agency	National Implementation Unit (“NIU”) Department of Planning and Cooperation (“DPC”) Ministry of Industry and Commerce (“MoIC”)	
Project management	Phouvieng Phongsa 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 or the Project”) for year ended 31 December 2020, 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 Phongsavath
Director General
NIU Program Director
Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 15 June 2021

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

Date: 15 June 2021



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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 year ended 31 December 2020, 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 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 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 Co., Ltd. ຫລວງ ວຽງຈັນ
Vientiane Capital, Lao PDR

Date: 15 June 2021

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 year ended 31 December 2020

<i>In USD</i>	<i>Note</i>	31 December 2020	18 February 2019 to 31 December 2019
Receipts	3	308,200	500,000
Payments			
Equipment	4	1,512	111,724
Support staffs	5	10,122	5,782
National experts	6	140,710	61,405
International experts	7	36,980	-
Travel and workshops	8	1,926	11,407
Communications	9	8,760	13,066
Sundries	10	17,591	8,707
Learning costs	11	75,732	60,793
Professional services	12	3,201	-
Sub-contracts	13	69,052	67,997
Agricultural inputs	14	12,629	-
Total payments		378,215	340,881
(Deficit) excess of receipt over payments		(70,015)	159,119
Fund balance at the beginning of the year/period		159,119	-
Fund balance at the end of the year/period		89,104	159,119
Represented by:			
Cash on hand and cash at bank	15	89,104	159,019
Advance	16	-	100
		89,104	159,119

The accompanying notes form an integral part of this financial statements



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

Date: 15 June 2021

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

Date: 15 June 2021

**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 year ended 31 December 2020**

<i>In USD</i>	Note	31 December 2020	18 February 2019 to 31 December 2019
Receipts	3	308,200	500,000
Payments			
Payments made out of the Project's account		(378,215)	(340,881)
Decrease (increase) in advance		100	(100)
Decrease of cash on hand		(10)	(24)
		<u>(378,125)</u>	<u>(341,005)</u>
(Deficit) excess of receipts over payments		(69,925)	158,995
Fund balance at the beginning of the year/period		158,995	-
Fund balance at the end of the year/period		<u>89,070</u>	<u>158,995</u>
Represented by:			
Cash at operating bank account	15	<u>89,070</u>	<u>158,995</u>

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: 15 June 2021

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

Date: 15 June 2021

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 year ended 31 December 2020

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 result 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.

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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.

On 25 February 2020 signed memorandum of understanding between UNOPS and the Lao Government for implementation the Diagnostic Trade Integration Study Update (DTISU).

In this regarding, primary objective of this activity is to review the implementation of Trade Sector Development Roadmap for 2012-2019 and propose medium term strategic plan to strengthen competitiveness of non-resource sector, including manufacturing, tourism and agro-based industry.

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 operating 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.

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Noted to the financial statements
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2. Summary of significant accounting policies (continued)

e) Accounting reporting period

The financial accounting year of the Project starts on 1 January and ends on 31 December.

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, computers and software. All purchases of equipment are recorded as payments in the statement of cash receipt 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, national local public-private Dialogue and maize and rice specialist 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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2. Summary of significant accounting policies (continued)

h) Payment recognition (continued)

Categories of payments (continued)

vii. *International experts*

International experts consist of short-term lead author, political economy analyst and tourism sector consultant for the project.

viii. *Professional services*

Professional services are included audit service and capacity needs assessment and skill development plan.

ix. *Learning cost*

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

x. *Sub-contracts*

Sub-contracts consist of consulting service for developing a value chain analysis of, and strategy for four agro sub-sector in Laos.

xi. *Agricultural input*

Agricultural input consists of all Seed, fertilizer and agricultural equipment for the three targeted products in the provinces.

i) Advances

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

3. Receipt

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
Fund from UNOPS transferred to:		
- ECL	208,200	500,000
- DTISU	100,000	-
	<u>308,200</u>	<u>500,000</u>

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4. Equipment

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-Equipment</i>		
Vehicle	1,512	65,374
IT equipment	-	43,470
Furniture equipment	-	2,880
	<u>1,512</u>	<u>111,724</u>

5. Support staffs

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-Support staffs</i>		
Admin staff & driver	10,122	5,782
	<u>10,122</u>	<u>5,782</u>

6. National experts

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-National experts</i>		
National project coordinator	26,355	21,825
Finance officer	18,203	15,070
Procurement assistant	11,209	2,780
Part-time advisor	30,150	19,650
Nat'l LPPD	15,933	2,080
Maize and Rice specialist	19,510	-
<i>DTISU -National experts</i>		
National experts	19,350	-
	<u>140,710</u>	<u>61,405</u>

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Noted to the financial statements
For the year ended 31 December 2020

7. International experts

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-International experts	14,300	-
DTISU-International experts	22,680	-
	36,980	-

8. Travel and workshops

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-Travel and workshops</i>		
Travel ticket	799	7,018
Travel insurance	11	108
DSA allowance	1,104	3,828
Other on travel & workshops	12	453
	1,926	11,407

9. Communications

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Communications	8,333	13,066
DTISU-Communications	427	-
	8,760	13,066

10. Sundries

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-Sundries</i>		
Books, subscriptions, reference	172	238
Postage, mailing service	232	110
Telephone, telecommunications	453	227
Stationaries and office supplies	9,872	4,330
Printing and copying	105	215
Fuel and maintenance of vehicle	1,605	849
Govt stamp duty	26	45

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Noted to the financial statements
For the year ended 31 December 2020

10. Sundries (continue)

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
Bank charge	173	123
Vacancy & register fee	994	2,446
Other paid	1,048	124
<i>DTISU-Sundries</i>		
Books, subscriptions, reference	12	-
Fuel and maintenance of vehicle	131	-
Govt stamp duty	22	-
Vacancy & register fee	683	-
Bank charge	1	-
Stationaries and office supplies	1,931	-
Printing and copying	45	-
Other paid	86	-
	<u>17,591</u>	<u>8,707</u>

11. Learning costs

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
<i>ECL-Learning costs</i>		
DSA allowance	28,720	23,211
Travel tickets	14,167	16,853
Travel insurance	1,083	913
Venue hire & catering	5,392	5,543
Fuel	6,924	5,218
Other paid on workshop	19,446	9,055
	<u>75,732</u>	<u>60,973</u>

12. Professional services

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Professional fee for the audit	<u>3,201</u>	<u>-</u>
	<u>3,201</u>	<u>-</u>

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Support to Public Private Dialogue in Northern Lao PDR (ECL)
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For the year ended 31 December 2020

13. Sub-contracts

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Consulting handicraft firm	69,052	67,997
	69,052	67,997

14. Agricultural inputs

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Agricultural inputs	12,629	-
	12,629	-

15. Cash on hand and cash at Bank

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Cash at operating bank account	34,437	158,995
DTISU-Cash at operating bank account	54,633	-
ECL-Cash on hand	34	24
	89,104	159,019

16. Advance

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
ECL-Advance to Sub-unit Luangnumtha province	-	100
	-	100

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 year ended 31 December 2020

17. Commitments

The Project has outstanding commitments as follows:

<i>In USD</i>	31 December 2020	18 February 2019 to 31 December 2019
Individual consultants	203,272	-
Consulting firm	<u>128,946</u>	<u>183,322</u>
	<u>332,218</u>	<u>183,322</u>

18. Reclassification of accounts

Certain accounts in financial statements have been reclassified to the presentation in the 2020 financial statements as follows:

<i>In USD</i>	2019		
	Before reclass	Reclass	After reclass
Statement of cash receipts and payments			
Travel and workshops	41,160	(29,753)	11,407
Communications	28,066	(15,000)	13,066
Learning costs	84,037	(23,244)	60,793
Sub-contracts	<u>-</u>	<u>67,997</u>	<u>67,997</u>
	<u>153,263</u>	<u>-</u>	<u>153,263</u>

The reclassifications have been made in order to comply with the finance agreement revision and approved by the donor which more appropriate to the project's activities.

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 (unaudited)
For the year ended 31 December 2020

(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).

<i>In USD</i>		Actual		Budget		Variance			Project document*	
Budget account code	Category	31 December 2020	Cumulative to date	31 December 2020	Cumulative to date	31 December 2020	Cumulative to date	Cumulative to date (%)	Total revised budget	Remaining budget as at 31 December 2020
<i>ECL</i>										
75700	Learning costs	75,732	136,525	75,000	142,400	(732)	5,875	4	308,000	171,475
71200	Int'l experts	14,300	14,300	15,000	106,000	700	91,700	87	158,000	143,700
71300	Support staff	10,122	15,904	10,800	40,800	678	24,896	61	72,000	56,096
71400	National experts	121,360	182,765	150,000	369,100	28,640	186,335	50	465,200	282,435
71600	Travel & workshops	1,926	13,333	33,400	103,000	31,474	89,667	87	95,900	82,567
72100	Subcontracts	69,052	137,049	68,000	68,000	(1,052)	(69,049)	-102	302,000	164,951
72200	Equipment	1,512	113,236	17,000	132,000	15,488	18,764	14	139,500	26,264
74100	Prof services	3,201	3,201	3,500	7,000	299	3,799	54	14,000	10,799
74200	Communications	8,333	21,399	13,100	67,100	4,767	45,701	68	61,900	40,501
74500	Sundries	14,680	23,387	16,900	41,300	2,220	17,913	43	73,500	50,113
74500A	Agricultural inputs	12,629	12,629	-	34,000	(12,629)	21,371	63	110,000	97,371
		332,847	673,728	402,700	1,110,700	69,853	436,972	39	1,800,000	1,126,272
<i>DTISU</i>										
75700	Learning costs	-	-	41,000	41,000	41,000	41,000	100	41,000	41,000
71200	Int'l experts	22,680	22,680	96,000	96,000	73,320	73,320	76	96,000	73,320
71400	National experts	19,350	19,350	50,000	50,000	30,650	30,650	61	50,000	30,650
74200	Communications	427	427	10,000	10,000	9,573	9,573	96	10,000	9,573
74500	Sundries	2,911	2,911	3,000	3,000	89	89	3	3,000	89
		45,368	45,368	200,000	200,000	154,632	154,632	77	200,000	154,632
Total		378,215	719,096	602,700	1,310,700	224,485	591,604	45	2,000,000	1,280,904

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 (unaudited)
For the year ended 31 December 2020

(Appendix)

Analysis of variances between budget and actual payments

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

Major variance between accumulated budget and actual expenditures as of end of 2020 was caused by the following main reasons:

- ECL

Significant delay in project implementation during the first half of 2019 due to slow process of establishing project implementation infrastructure, including project coordination mechanism, office refurbishment, as well as recruitment of local project coordinators;

Delay in 2020 was mainly caused by two factors: 1) limited pool of local agri-business experts, and 2) COVID-19 outbreak and associated mitigation measures imposed during the second quarter of 2020;

Restrictions on international domestic travels contributed to significant variance for learning, utilization of technical experts, especially international experts;

Supply of agricultural inputs was also affected by the delay in commencement of technical assistance to farmers that was linked to recruitment of local agri-business experts;

Significant variance for sub-contracting was caused by significant restructuring of the implementation arrangement for Output 1 under Outcome II: Improvement of Handicraft Productivity from NIU execution modality to public private partnership modality through engaging Ock Pop Tok Social Enterprise as key implementing partner;

The project has now been extended to the end of 2022.

- DTISU

Variance in learning was caused by domestic traveling as part of the mitigation measures to contain the outbreak of the COVID 19;

Delay in disbursement of international consultant category was caused by inability to start this assignment due to the COVID-19;

The project has now been extended to end of 2022.