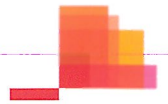


**MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND  
COOPERATION**

**NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE  
PROJECT (LCTP)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**



**pwc**

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

31 DECEMBER 2020

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**MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)**

**31 DECEMBER 2020**

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**Statement by the Project management**

The Lao PDR Competitiveness and Trade Project is implemented by the Ministry of Industry and Commerce (MoIC). The operation focuses on issues of highest priority to allow the Lao economy to attract increased (foreign) investment that can help generate the jobs needed for more inclusive growth. The total project cost is US\$ 13 million, and it is expected to be funded through a US\$ 10 million IDA credit, as well as grant funding multi-donor trust fund. The project aims to achieve these objectives by supporting four project components of high priority to the government: (A) Improving Aspects of the Business Environment (US\$3 million); (B) Facilitating Trade and Connecting to Markets (US\$3 million); (C) Improving Firm-Level Competitiveness (US\$4 million); and (D) Project Management and Improved Policy Making (US\$3 million).

The National Implementation Unit under the Department of Planning and Cooperation in the Ministry of Industry and Commerce (MOIC) will be the central executing agency responsible for overall project implementation monitoring, fiduciary oversight, and providing technical, procurement, and financial management support to implementing departments responsible for the technical implementation of project components or those implementing Challenge Facility proposals. In close collaboration and agreement with implementing departments, the NIU will also be responsible for preparing the workplans that will be discussed at the PRC and which the PEC will review and endorse.

On behalf of the Project:



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

Date: 16 June 2021

\_\_\_\_\_  
Lattanaphone Vongsouthi  
Director of NIU  
Department of Planning and Cooperation  
Ministry of Industry and Commerce

Date: 16 June 2021



## **Independent auditor's report**

### **To the management of Lao PDR Competitiveness and Trade Project (LCTP)**

#### **Our opinion**

In our opinion, the financial statements of Lao PDR Competitiveness and Trade Project (LCTP or the Project) for the year ended 31 December 2020 are prepared, in all material respects, in accordance with accounting policies described in Note 2 to the financial statements.

#### **What we have audited**

The Project's financial statements comprise:

- the statement of fund balance as at 31 December 2020;
- the statement of receipts and disbursements for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

#### **Independence**

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

#### **Emphasis of matter - Basis of accounting and restriction on distribution and use**

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

Our report is intended solely for Lao PDR Competitiveness and Trade Project (LCTP) and should not be distributed to or used by parties other than Lao PDR Competitiveness and Trade Project (LCTP). Our opinion is not modified in respect to this matter.



## **Responsibilities of the Project's director for the financial statements**

The Project's director are responsible for the preparation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Project's director is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Project's director either intend to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- However, future events or conditions may cause the Project to cease to continue as a going concern.



We communicate with regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For PricewaterhouseCoopers (Lao) Sole Company Limited



Apisit Thienstrongpinyo  
Partner

Vientiane, Lao PDR  
16 June 2021

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCPTP)

STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	CREDIT No. 6318-LA (IDA)		GRANT No. TFA9747 (TF)	
	Cumulative to 31 December 2019 USD	For the year ended 31 December 2020 USD	Cumulative to 31 December 2019 USD	For the year ended 31 December 2020 USD
<b>RECEIPTS</b>				
Direct disbursements	243,426	-	81,142	-
Designated Account replenishment	2,000,959	1,294,921	351,452	431,640
	<b>2,244,385</b>	<b>1,294,921</b>	<b>432,594</b>	<b>431,640</b>
<b>DISBURSEMENTS</b>				
A. Improving the Business Environment	256,473	616,039	61,927	193,216
B. Facilitating Trade and Connecting to Markets	295,307	241,682	39,604	77,002
C. Improving Firm-Level Competitiveness	330,417	495,697	100,157	163,462
D. Supporting Better and More Inclusive Policies	681,398	425,854	91,328	137,538
	<b>1,563,595</b>	<b>1,779,272</b>	<b>293,016</b>	<b>571,218</b>
<b>(Deficit) of receipts over disbursements</b>	<b>680,790</b>	<b>(484,351)</b>	<b>139,578</b>	<b>(139,578)</b>



Phouvieng Phongsā  
Director General  
NIU Program Director  
Department of Planning and Cooperation  
Ministry of Industry and Commerce  
Date: 16 June 2021

Lattanaphone Vongsouthi  
Director of NIU

Department of Planning and Cooperation  
Ministry of Industry and Commerce  
Date: 16 June 2021

The accompanying notes on pages 8 to 11 form an integral part of the statements of receipts, disbursements and fund balance.

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	For the year ended 31 December 2020		
		IDA USD	TF USD	TOTAL USD
<b>Receipts</b>				
Direct disbursements		-	-	-
Designated account replenishment	3	1,294,921	431,640	1,726,561
		<b>1,294,921</b>	<b>431,640</b>	<b>1,726,561</b>
<b>Disbursements</b>				
A. Improving the Business Environment	4	616,039	193,216	809,255
B. Facilitating Trade and Connecting to Markets	5	241,682	77,002	318,684
C. Improving Firm-Level Competitiveness	6	495,697	163,462	659,159
D. Supporting Better and More Inclusive Policies	7	425,854	137,538	563,392
		<b>1,779,272</b>	<b>571,218</b>	<b>2,350,490</b>
<b>(Deficit) of receipts over disbursements</b>		<b>(484,351)</b>	<b>(139,578)</b>	<b>(623,929)</b>



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

Date: 16 June 2021

Lattanaphone Vongsouthi  
Director of NIU  
Department of Planning and Cooperation  
Ministry of Industry and Commerce

Date: 16 June 2021

The accompanying notes on pages 8 to 11 form an integral part of the statements of receipts, disbursements and fund balance.



MINISTRY OF INDUSTRY AND COMMERCE  
 DEPARTMENT OF PLANNING AND COOPERATION  
 NATIONAL IMPLEMENTATION UNIT  
 LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

STATEMENT OF FUND BALANCE  
 AS AT 31 DECEMBER 2020

As at 31 December 2020			
Note	CREDIT No. 6318-LA (IDA) USD	GRANT No. TFA9747 (TF) USD	TOTAL USD
Opening fund balance	680,790	139,578	820,368
Surplus of receipts over disbursements	(484,351)	(139,578)	(623,929)
<b>Closing fund balance</b>	<b>196,439</b>	<b>-</b>	<b>196,439</b>
Represented by:			
<b>Cash on hand and at banks</b>			
Cash on hand and at banks	8 181,556	-	181,556
Advance	14,883	-	14,883
	<b>196,439</b>	<b>-</b>	<b>196,439</b>



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

Date: 16 June 2021

Lattanaphone Vongsouthi  
 Director of NIU  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce

Date: 16 June 2021

The accompanying notes on pages 8 to 11 form an integral part of the statements of receipts, disbursements and fund balance.

**MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020**

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**1. General Information of the Project**

The Lao PDR Competitiveness and Trade Project is implemented by the Ministry of Industry and Commerce (MoIC). The operation focuses on tissues of highest priority to allow the Lao economy to attract increased (foreign) investment that can help generate the jobs needed for more inclusive growth. The total project cost is US\$ 13 million, and it is expected to be funded through a US\$ 10 million IDA credit, as well as grant funding multi-donor trust fund. The project aims to achieve these objectives by supporting four project components of high priority to the government: (A) Improving Aspects of the Business Environment (US\$3 million); (B) Facilitating Trade and Connecting to Markets (US\$3 million); (C) Improving Firm-Level Competitiveness (US\$4 million); and (D) Project Management and Improved Policy Making (US\$3 million).

The National Implementation Unit under the Department of Planning and Cooperation in the Ministry of Industry and Commerce (MOIC) will be the central executing agency responsible for overall project implementation monitoring, fiduciary oversight, and providing technical, procurement, and financial management support to implementing departments responsible for the technical implementation of project components or those implementing Challenge Facility proposals. In close collaboration and agreement with implementing departments, the NIU will also be responsible for preparing the workplans that will be discussed at the PRC and which the PEC will review and endorse.

**2. Significant accounting policies**

Financial statements are prepared under the historical cost basis double entry accounting. No depreciation will be charged for the fixed assets as these items are expensed in full at the date of purchase and at the end of the project life all assets will be transferred to the Government of Lao PDR in line with the Government asset management policy.

The reports are to be presented in US Dollar in accordance with the requirements of the Projects.

**a) Cash Accounting**

NIU had adopted the modified cash basis of accounting "Cash Accounting" in accordance with, the World Bank guidelines. Income / expenses are accounted only when related cash are received /paid, except for cash advances.

**b) Accounting Convention**

The accounts are to be prepared under the historical cost convention. Prices of assets on Balance Sheet are based on nominal original costs when acquired.

**c) Advance**

Advances are included in the aggregated Statement of Financial Position when cash is disbursed. When the advances are liquidated and approved, the related expenses are recognised in the aggregated Statement of Income and Expenditure.

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

2. Significant accounting policies (Continued)

c) Advance (Continued)

Any long outstanding and uncollectible advances are written-off and the resulting expenses are recognized as expenditures in the Statement of Income and Expenditures.

d) Fixed Assets and Depreciation

- Fixed Assets are those intended for use over a period exceeding one accounting year and whose value per unit is not below \$500.
- No Depreciation is charged on the project's fixed assets as there are no revenues to be matched against such charges and because the cash basis of accounts is in effect.
- Disposal of fixed assets will be appropriately authorized by the Project director.
- The disposal should be supported by appropriate documentation concerning the estimated useful life, justification of for disposal and replacement / non replacement.

e) Foreign Exchange Policy

The NIU adopted the Foreign Exchange Policy that is in-line with Ministry of Finance policy on project management. However, exchange gain or loss will not be recorded in the system and gain or loss in exchange rate will be responsible of the Implementing Agencies (IAs).

3. Designated account replenishment

	<b>Date of application</b>	<b>IDA USD</b>	<b>TF USD</b>	<b>Total USD</b>
IDA-APPLICATION NO 19	25 February 2020	400,710	-	400,710
IDA-APPLICATION NO 24	11 June 2020	378,476	-	378,476
IDA-APPLICATION NO 26	25 September 2020	515,735	-	515,735
TF-APPLICATION NO 9	25 February 2020	-	133,570	133,570
TF-APPLICATION NO 14	11 June 2020	-	126,158	126,158
TF-APPLICATION NO 16	25 September 2020	-	171,912	171,912
		<b>1,294,921</b>	<b>431,640</b>	<b>1,726,561</b>

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

4. Improving the business environment

	<u>IDA USD</u>	<u>TF USD</u>	<u>Total USD</u>
A1: Making it Easier to Start a Business	309,375	94,135	403,510
A2: Streamlining and Publishing Operating Licenses	227,026	75,675	302,701
A3: Implementing Emerging Priority Reforms	79,638	23,406	103,044
	<u><b>616,039</b></u>	<u><b>193,216</b></u>	<u><b>809,255</b></u>

5. Facilitating trade and connecting to markets

	<u>IDA USD</u>	<u>TF USD</u>	<u>Total USD</u>
B1: Supporting the Trade Facilitation Secretariat	102,153	30,493	132,646
B2: TFA Challenge Facility	139,529	46,509	186,038
	<u><b>241,682</b></u>	<u><b>77,002</b></u>	<u><b>318,684</b></u>

6. Improving firm-level competitiveness

	<u>IDA USD</u>	<u>TF USD</u>	<u>Total USD</u>
C1: Business Assistance Facility:	495,697	163,462	659,159
	<u><b>495,697</b></u>	<u><b>163,462</b></u>	<u><b>659,159</b></u>

7. Supporting better and more inclusive policies

	<u>IDA USD</u>	<u>TF USD</u>	<u>Total USD</u>
D1: Supporting Better and More Inclusive Policies	280,223	88,995	369,218
D2: Improving Policy Making	88,082	29,360	117,442
D3: Supporting Public-Private Dialogue	57,549	19,183	76,732
	<u><b>425,854</b></u>	<u><b>137,538</b></u>	<u><b>563,392</b></u>

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

8. Cash on hand and cash at banks

	IDA USD	TF USD	Total USD
Cash on hand	13	-	13
Cash at banks	181,543	-	181,543
	<u>181,556</u>	<u>-</u>	<u>181,556</u>

9. Commitment

Operating commitment

As at 31 December 20120, the Project had the operating commitment which mainly come from the consultant amounting USD 2,724,021.

	2020 USD
Individual Local consultant	1,322,934
Individual International consultant	726,327
Company	674,760
	<u>2,724,021</u>

10. Events occurring after the statement of financial position

The COVID-19 infections in Lao increased significantly during April of 2021 leading to the lockdown of Vientiane Capital and all provinces of Laos. This significant increase of infections is described as the second wave where stricter measures taken by various governments to contain the virus have affected the economic activity.

The Project has taken several measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures (like social distancing and working from home).

At this stage, there is some effect to the Project. There is no activities plan implementation during this period. Some activities have to postpone to the next financial year.

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCPT)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

Appendix: Comparison of budget and actual payment (Un-audit)

Category	Actual Expense from 1 Jan. 2020-31 Dec. 2020						Budget* (Not audited)		Variance (Not audited)		Project Appraisal Document ("PAD")		
	Consultants Services	Goods	Incremental Operating Costs	Training and work shop	Matching Grant	Total (USD)	Cumulative to date (USD)	1 Jan 2020-31 Dec.2020 (USD)	Cumulative to date (USD)	1 Jan 2020 to 31 Dec 2020 (USD)	Cumulative to date (USD)	Total budget (USD)	Remaining budget as at 31 December 2020 (USD)
<b>Component A: Improving the Business Environment/Regulations</b>													
A1- Making it Easier to Start a Business	389,035	-	12,591	1,884		403,510	596,590	565,700	870,500	162,190	273,910	1,300,000	703,410
A2 -Streamlining and Publishing Operating Licenses	299,852	-	228	2,621		302,701	379,060	577,346	852,346	274,645	473,286	750,000	370,940
A3 - Implementing Emerging Priority Reforms	86,210		9,979	6,855		103,044	152,005	502,000	905,500	398,956	753,495	1,350,000	1,197,995
<b>Total component A</b>	<b>775,097</b>	<b>-</b>	<b>22,798</b>	<b>11,360</b>		<b>809,255</b>	<b>1,127,655</b>	<b>1,645,046</b>	<b>2,628,346</b>	<b>835,791</b>	<b>1,500,691</b>	<b>3,400,000</b>	<b>2,272,345</b>
<b>Component B: Facilitating Trade and Connecting to Markets</b>													
B1- Supporting the Trade Facilitation Secretariat	60,577		15,220	56,849		132,646	467,557	408,250	1,318,750	275,604	851,193	1,000,000	532,443
B2 -TFA Challenge Facility	101,208	-	10,356	74,474		186,038	186,038	1,378,540	1,378,540	1,192,502	1,192,502	1,800,000	1,613,962
<b>Total component B</b>	<b>161,785</b>	<b>-</b>	<b>25,576</b>	<b>131,323</b>		<b>318,684</b>	<b>653,595</b>	<b>1,786,790</b>	<b>2,697,290</b>	<b>1,468,106</b>	<b>2,043,695</b>	<b>2,800,000</b>	<b>2,146,405</b>
<b>Component C: Improving Firm-Level Competitiveness</b>													
C1 - Business Assistance Facility	428,631	-	-	-	230,528	659,159	1,089,733	1,058,000	1,312,600	398,841	222,867	3,900,000	2,810,267
<b>Total component C</b>	<b>428,631</b>				<b>230,528</b>	<b>659,159</b>	<b>1,089,733</b>	<b>1,058,000</b>	<b>1,312,600</b>	<b>398,841</b>	<b>222,867</b>	<b>3,900,000</b>	<b>2,810,267</b>

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

Appendix: Comparison of budget and actual payment (Un-audit) (Continued)

Category	Actual Expense from 1 Jan 2020-31 Dec 2020							Budget*			Variance		Project Appraisal Document ("PAD")	
	Consultants & Services	Goods	Incremental Operating Costs	Training and work shop	Matching Grant	Total (USD)	Cumulative to date (USD)	(Not audited)		Cumulative to date (USD)	Cumulative to date (USD)	Total budget (USD)		Remaining budget as at 31 December 2020 (USD)
								1 Jan 2020- 31 Dec 2020 (USD)	Cumulative to date (USD)					
<b>Component D: Supporting Better and More Inclusive Policies</b>														
D1: Supporting Better and More Inclusive Policies	288,835	-	59,950	20,433	-	369,218	930,606	483,000	1,102,300	113,782	171,694	16%	1,800,000	869,394
D2: Improving Policy Making	114,099	-	3,343	-	-	117,442	226,119	389,000	570,000	271,558	343,881	60%	600,000	373,881
D3: Supporting Public-Private Dialogue	54,466	-	14,495	7,771	-	76,732	179,393	171,200	343,200	94,468	163,807	48%	500,000	320,607
Total Component D	457,400	-	77,788	28,204	-	563,392	1,336,118	1,043,200	2,015,500	479,808	679,382	34%	2,900,000	1,563,882
Total	1,822,913	-	126,162	170,887	230,528	2,350,490	4,207,101	5,533,036	8,653,736	3,182,546	4,446,635	51%	13,000,000	8,792,899

Analysis of variances between budget and actual payments (Not audited)

Actual expenditure for the whole project for the reporting period accounts for 58% mainly due to the impact of COVID-19 containment and mitigation measures imposed within and outside the country as well as over optimistic work plan and budget plan.

MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

**Appendix: Comparison of budget and actual payment (Un-audit) (Continued)**

**Component A-Improving the Business EnvironmentRegulations**

For this reporting period, expenditure of US\$ 809,255 has been recorded for Pillar A. Resulting in utilization of 49% of budget for the reporting period. This has caused by delay in subsequent payments made to consulting firms due to delay in submitting revised deliverables/reports subject to comments provided by key stakeholders. Ongoing international travel restrictions and government measures on COVID-19 containment continued to be major challenges/issues for implementation delay of the project activities. Moreover, low spending rate also caused by delay in implementation of approved CF proposals under component A3 in particular the CF proposal on property registration of the Land Department experienced significant delay and led to the need to extend the timeline of the proposal.

**Component B- Facilitating Trade and Connecting to Markets**

During the reporting period, actual expenditure of US\$ 318,684 has been recorded for Pillar B. Resulting in utilization rate of only 18% of the budget. Main causes for this large variance is the lengthy procedures for procuring some equipment required for border agencies especially the identification of technical specifications of each item was time consuming, several rounds of back and forth communications; delay of activities implementation by each implementing agencies and also the delay caused by unexpected cases caused by some specialised international consultants who could not complete their deliverables as stated in their contracts and timelines in particular the consultants recruited for LCD. Another reason is due to the impact from the pandemic of COVID 19 on the restriction of international travels and international consultants could not come to Laos in order to provide some specific trainings such as E-STAT system under DIMEX's CF and other border agencies such as Lao Customs Dept., Dept. of Agriculture, Dept. of Livestock and Fishery, and Dept. of Food and Drug Administration.



MINISTRY OF INDUSTRY AND COMMERCE  
DEPARTMENT OF PLANNING AND COOPERATION  
NATIONAL IMPLEMENTATION UNIT  
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LC2P)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDE 31 DECEMBER 2020

**Appendix: Comparison of budget and actual payment (Un-audit) (Continued)**

**Component C-Improving Firm-Level Competitiveness**

During the reporting period, the actual expenditure of US\$ 659,159 has been recorded for Pillar C, which includes BAF2 disbursed matching grants of US\$ 230,528. Resulting in 62% of budget utilization for the reporting period. The rationals behind the unspent budget were that i) even though the number of BAF2 application approved by NIU increased quarterly, the number of firms completing their proposed activities and submitting their deliverables for disbursement gradually decreased to the previous semester. This was because the COVID-19 pandemic is causing the shock on the firm's financial status, causing them not to pay for the services from the Business Development Service (BDS), which have agreed on the Letter of Agreement (LOA) with BAF2. Therefore, the number of the firm applying for extension through submitting agreement amendment form increased but the amount of grant disbursement decrease. ii) Due to the international travel restriction from COVID-19, the firm applying for BAF2 matching grants have to be dependent on the local BDS. Sometimes, the BDS providers could not provide the service that the firm would like to. Therefore, the firms paused their business development activities and waited for the COVID-19 situation become better, iii) the COVID-19 pandemic also caused the international travel restriction, so that the BAF team leader could not travel to Lao PDR to closely working with the BAF team, and the expense from BAF2 team leader on his accommodation and travelling did not include in the expenditure.

**Component D Supporting Better and More Inclusive Policies**

During the reporting period, actual expenditure of US\$ 563,392 has been recorded for Pillar D. Resulting in utilization rate of only 54% of the budget. Due to the impact of COVID-19, delay in commencement of key planned activities including project review committee meeting as well as policy dialogue at TPSWG level were postponed.