

**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 2021**

**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**

<b>Project</b>	Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR (“ECL”)	
<b>Funding agencies</b>	United Nations office for Project Service (“UNOPS”)	
<b>Duration</b>	18 February 2019 to 31 December 2022	
<b>Implementing agency</b>	National Implementation Unit (“NIU”) Department of Planning and Cooperation (“DPC”) Ministry of Industry and Commerce (“MoIC”)	
<b>Project management</b>	Sengphanomchone Inthasane Nitnida Phongsavath	Deputy Director General Project Manager
<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	



## 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 2021, 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



Sengphanomchone Inthasane  
Deputy Director General  
Project Director  
Department of Planning and Cooperation  
Ministry of Industry and Commerce

Date: 14 June 2022

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

Date: 14 June 2022



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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 2021, 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 2021 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.**

**Vientiane Capital, Lao PDR**

Date: 14 June 2022

**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 2021**

<i>In USD</i>	<i>Note</i>	31 December 2021	31 December 2020
<b>Receipts</b>	<b>3</b>	<b>720,200</b>	<b>308,200</b>
<b>Payments</b>			
Equipment	4	34,962	1,512
Support staffs	5	10,926	10,122
National experts	6	180,609	140,710
International experts	7	13,491	36,980
Travel and workshops	8	-	1,926
Communications	9	6,136	8,760
Sundries	10	22,426	17,591
Learning costs	11	92,926	75,732
Professional services	12	3,322	3,201
Sub-contracts	13	82,862	69,052
Agriculture input	14	66,128	12,629
<b>Total payments</b>		<b>513,788</b>	<b>378,215</b>
(Excess)/Deficit of receipt over/under payments		206,412	(70,015)
Fund balance at the beginning of the year		89,104	159,119
<b>Fund balance at the end of the year</b>		<b>295,516</b>	<b>89,104</b>
<b>Represented by:</b>			
Cash on hand and cash at bank	15	294,262	89,104
Advance	16	1,254	-
		<b>295,516</b>	<b>89,104</b>

*The accompanying notes form an integral part of this financial statements*



Sengphanomchone Inthasane  
Deputy Director General  
Project Director  
Department of Planning and Cooperation  
Ministry of Industry and Commerce

Date: 14 June 2022

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

Date: 14 June 2022

**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 2021**

<i>In USD</i>	<i>Note</i>	31 December 2021	31 December 2020
<b>Receipts</b>	<i>3</i>	<b>720,200</b>	<b>308,200</b>
<b>Payments</b>			
Payments made out of the Project's account		(513,788)	(378,215)
(Decrease)/increase in advance		(1,254)	100
Decrease of cash on hand		(387)	(10)
		<u><b>(515,429)</b></u>	<u><b>(378,125)</b></u>
<b>(Excess)/Deficit of receipts over/under payments</b>		<b>204,771</b>	<b>(69,925)</b>
Fund balance at the beginning of the year		89,070	158,995
<b>Fund balance at the end of the year</b>		<u><b>293,841</b></u>	<u><b>89,070</b></u>
<b>Represented by:</b>			
<b>Cash at operating bank account</b>	<i>15</i>	<u><b>293,841</b></u>	<u><b>89,070</b></u>

*The accompanying notes form an integral part of these financial statements*



Sengphanomchone Inthasane  
 Deputy Director General  
 Project Director  
 Department of Planning and Cooperation  
 Ministry of Industry and Commerce

Date: 14 June 2022

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

Date: 14 June 2022



**Ministry of Industry and Commerce**  
**Promotion of Export Competitiveness and Sustainability**  
**Support to Public Private Dialogue in Northern Lao PDR (ECL)**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**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 the Trade Sector Development Roadmap for 2012- 2019 and propose a medium term strategic plan to strengthen the competitiveness of non-resource sectors, 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 where except for cash advance. 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.

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

**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 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 consists 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. Travel and workshops*

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

*iii. Communication expenses*

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

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

*iv. Sundries*

Miscellaneous expenses are for the administration and operations activities.

*v. International experts*

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

*vi. Professional services*

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

*vii. 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.

*viii. Sub-contracts*

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

*ix. 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.

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**Notes to the financial statements**  
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**3. Receipts**

<i>In USD</i>	31 December 2021	31 December 2020
Fund from UNOPS transferred to:		
- ECL	645,200	208,200
- DTISU	75,000	100,000
	<b>720,200</b>	<b>308,200</b>

**4. Equipment**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-Equipment</i>		
Vehicle	-	1,512
IT equipment	32,957	-
Furniture equipment	2,005	-
	<b>34,962</b>	<b>1,512</b>

**5. Support staffs**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-Support staffs</i>		
Admin staff & driver	10,926	10,122
	<b>10,926</b>	<b>10,122</b>

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**Notes to the financial statements**  
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**6. National experts**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-National experts</i>		
National Project Coordinator	27,670	26,355
Finance officer	19,112	18,203
Procurement assistant	11,089	11,209
Part-time advisor	21,371	30,150
Nat'l LPPD	17,692	15,933
Maize and Rice Specialist	42,725	19,510
Midterm review	10,500	-
<i>DTISU -National experts</i>		
National experts	30,450	19,350
	<b>180,609</b>	<b>140,710</b>

**7. International experts**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-International experts	4,141	14,300
DTISU-International experts	9,350	22,680
	<b>13,491</b>	<b>36,980</b>

**8. Travel and workshops**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-Travel and workshops</i>		
Travel tickets	-	799
Travel insurance	-	11
DSA allowance	-	1,104
Other on travel & workshops	-	12
	<b>-</b>	<b>1,926</b>

**9. Communications**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Communications	6,136	8,333
DTISU-Communications	-	427
	<b>6,136</b>	<b>8,760</b>

**Ministry of Industry and Commerce**  
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**Notes to the financial statements**  
**For the year ended 31 December 2021**

**10. Sundries**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-Sundries</i>		
Books, subscriptions, reference	234	172
Postage, mailing services	135	232
Telephone, telecommunications	288	453
Stationaries and office supplies	12,717	9,872
Printing and copying	72	105
Fuel and maintenance of vehicle	3,814	1,605
Govt stamp duty	41	26
Bank charge	225	173
Vacancy & register fees	544	994
Other paid	3,856	1,048
<i>DTISU-Sundries</i>		
Books, subscriptions, reference	-	12
Fuel and maintenance of vehicle	107	131
Govt stamp duty	-	22
Vacancy & register fees	30	683
Bank charge	-	1
Stationaries and office supplies	335	1,931
Printing and copying	-	45
Other paid	28	86
	<b>22,426</b>	<b>17,591</b>

**11. Learning costs**

<i>In USD</i>	31 December 2021	31 December 2020
<i>ECL-Learning costs</i>		
DSA allowance	40,602	28,720
Travel tickets	10,564	14,167
Travel insurance	784	1,083
Venue hire & catering	10,991	5,392
Fuel	19,057	6,924
Other paid on workshop	10,928	19,446
	<b>92,926</b>	<b>75,732</b>

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**Notes to the financial statements**  
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**12. Professional services**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Professional fee for the audit	3,322	3,201
	<b>3,322</b>	<b>3,201</b>

**13. Sub-contracts**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Consulting handicraft firm	82,862	69,052
	<b>82,862</b>	<b>69,052</b>

**14. Agricultural inputs**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Agricultural inputs	66,128	12,629
	<b>66,128</b>	<b>12,629</b>

**15. Cash on hand and cash at Bank**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Cash at operating bank account	204,508	34,437
DTISU-Cash at operating bank account	89,333	54,633
ECL-Cash on hand	421	34
	<b>294,262</b>	<b>89,104</b>

**16. Advance**

<i>In USD</i>	31 December 2021	31 December 2020
ECL-Advance to Sub-unit Oudomxay province	654	-
ECL-Advance to Sub-unit Phongsaly province	300	-
ECL-Advance to Sub-unit Luangnamtha province	300	-
	<b>1,254</b>	<b>-</b>



**Ministry of Industry and Commerce**  
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**Notes to the financial statements**  
**For the year ended 31 December 2021**

**17. Commitments**

The Project has outstanding commitments as follows:

<i>In USD</i>	31 December 2021	31 December 2020
Individual consultants	101,102	203,272
Consulting firm	55,732	128,946
	<b><u>156,834</u></b>	<b><u>332,218</u></b>

**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 2021**

*(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			Budget			Variance			Project document*	
		31 December 2021	Cumulative to date	31 December 2021	Cumulative to date	31 December 2021	Cumulative to date	Cumulative to date (%)	Total revised budget	Remaining budget as at 31 December 2021		
<b>ECL</b>												
75700	Learning costs	92,926	229,451	168,917	302,917	75,991	73,466	24%	435,127	205,676		
71200	Int'l experts	4,141	18,440	22,500	22,500	18,359	4,060	18%	47,500	29,060		
71300	Support staff	10,926	26,830	11,100	26,968	174	138	1%	38,618	11,788		
71400	National experts	150,159	332,924	215,765	412,255	65,606	79,331	19%	590,245	257,321		
71600	Travel & workshops	-	13,333	-	23,407	0	10,074	43%	23,407	10,074		
72100	Subcontracts	82,862	219,911	96,000	261,000	13,138	41,089	16%	276,100	56,189		
72200	Equipment	34,962	148,198	30,000	159,500	(4,962)	11,302	7%	159,500	11,302		
74100	Prof services	3,322	6,523	3,500	7,000	178	477	7%	14,000	7,477		
74200	Communications	6,136	27,533	6,658	27,759	522	226	1%	36,357	8,824		
74500	Sundries	21,926	45,313	26,200	51,546	4,274	6,233	12%	79,146	33,833		
74500A	Agricultural inputs	66,128	78,757	74,000	74,000	7,872	(4,757)	-6%	100,000	21,243		
		<b>473,488</b>	<b>1,147,215</b>	<b>654,640</b>	<b>1,368,852</b>	<b>181,152</b>	<b>221,637</b>	<b>16%</b>	<b>1,800,000</b>	<b>652,785</b>		
<b>DTISU</b>												
75700	Learning costs	-	32,030	41,000	41,000	41,000	8,970	22%	41,000	8,970		
71200	Int'l experts	9,350	49,800	96,000	96,000	86,650	46,200	48%	96,000	46,200		
71400	National experts	30,450	-	50,000	50,000	19,550	50,000	100%	50,000	50,000		
74200	Communications	-	427	10,000	10,000	10,000	9,573	96%	10,000	9,573		
74500	Sundries	500	3,411	3,000	3,000	2,500	(411)	-14%	3,000	(411)		
		<b>40,300</b>	<b>85,667</b>	<b>200,000</b>	<b>200,000</b>	<b>159,700</b>	<b>114,333</b>	<b>57%</b>	<b>200,000</b>	<b>114,333</b>		
<b>Total</b>		<b>513,788</b>	<b>1,232,882</b>	<b>854,640</b>	<b>1,568,852</b>	<b>340,852</b>	<b>335,970</b>	<b>21%</b>	<b>2,000,000</b>	<b>767,118</b>		

**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 2021**

*(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 its disbursement as of the end of 2021 was caused by following main reasons:

**ECL**

1. The COVID-19 outbreak, and its associated mitigation measured has delayed the project implementation in provinces. Restriction on international and domestic travels contributed to significant variance for learning which major activities were delayed to 2022. As Results delaying in utilization of technical expert especially input of national consultant to support activities in learning.

2. The outbreak has also impacted the implementation of the lead firm in provinces, revised workplan and extension of the MOU has been considered in order to deliver the achievement of the project. The MOU has now extended to the end of July 2022.

**DTISU**

Variance in learning was caused by international and domestic travelling as part of the mitigation measured to contain the COVID-19 outbreak which caused also delay in input of national and international consultants.