

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

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



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



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

FOR THE YEAR ENDED 31 DECEMBER 2022

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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\$ 19.5 million, and it is expected to be funded through a US\$ 10 million by International Development Association (IDA) credit referred to (Credit no. 6318-LA), as well as grant funding from multi-donor trust fund (MDTF) referred to (Grant no. TFA9747), US\$ 9.5 million from USAID, Australian Aid, and Irish Aid. 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\$4.8 million); (B) Facilitating Trade and Connecting to Markets (US\$3.6 million); (C) Improving Firm-Level Competitiveness (US\$6.9 million); and (D) Project Management and Improved Policy Making (US\$4.2 million).

In the 7th Implementation Support Mission during 14-28 Nov 2021, the financing ratio was adjusted to be 50-50 percent for IDA and MDTF financing (from 75-25 initially) starting from 01 January 2022. Moreover, in the 8th Support Mission during 8-18 May 2023, it is decided that this financial ratio will cease at of 30 Jun 2023 and the new adjusted ratio will be 10 percent for IDA and 90 percent for MDTF starting from 01 July 2023 onwards. This financial ratio is applied for both fund advance replenishment and expenditure documentation and it would be adjusted again based on the amount of remaining project fund.

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 agencies responsible for the technical implementation of project components or those implementing Challenge Facility proposals. In close collaboration and agreement with implementing agencies, 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:



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

Date: 23 June 2023

Nitnida Phongsavath
Deputy Director of NIU

Department of Planning and
Cooperation
Ministry of Industry and Commerce

Date: 23 June 2023



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 2022 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 receipts and disbursements for the year ended 31 December 2022;
- the statement of fund balance as at 31 December 2022; 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 the Project and should not be distributed to or used by parties other than the Project. Our opinion is not modified in respect to this matter.



The Director's responsibilities for the financial statements

The directors 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 directors are 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 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




By Sunya Rattanaibull
Director

Vientiane Capital, Lao PDR
23 June 2023

**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 2022**

	CREDIT No. 6318-LA (IDA)				GRANT No. TFA9747 (TF)				
	Cumulative to 31 December 2021		For the year ended 31 December 2022		Cumulative to 31 December 2021		For the year ended 31 December 2022		
	USD	USD	USD	USD	USD	USD	USD	USD	
RECEIPTS									
Direct disbursements	243,426	-	243,426	81,142	-	81,142	81,142		81,142
Designated Account replenishment	6,242,132	943,234	7,185,366	1,765,176	943,234	2,708,410	2,708,410		2,708,410
	6,485,558	943,234	7,428,792	1,846,318	943,234	2,789,552	2,789,552		2,789,552
DISBURSEMENTS									
A. Improving the Business Environment	1,399,634	166,372	1,566,006	430,851	166,372	597,223	597,223		597,223
B. Facilitating Trade and Connecting to Markets	969,181	270,309	1,239,490	260,670	270,309	530,979	530,979		530,979
C. Improving Firm-Level Competitiveness	1,638,017	658,244	2,296,261	534,673	658,244	1,192,917	1,192,917		1,192,917
D. Supporting Better and More Inclusive Policies	1,542,378	327,555	1,869,933	373,869	327,555	701,424	701,424		701,424
	5,549,210	1,422,480	6,971,690	1,600,063	1,422,480	3,022,543	3,022,543		3,022,543
Surplus/(deficits) of receipts over/(under) disbursements	936,348	(479,246)	457,102	246,255	(479,246)	(232,991)	(232,991)		(232,991)



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

Nitrida Phongsavath
Deputy Director of NIU

Department of Planning and Cooperation
Ministry of Industry and Commerce

Date: 23 June 2023

Date: 23 June 2023

The accompanying notes on pages 8 to 12 form an integral part of these financial statements.

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 2022

	Notes	For the year ended 31 December 2022		
		IDA USD	TF USD	TOTAL USD
Receipts				
Designated account replenishment	4	943,234	943,234	1,886,468
		943,234	943,234	1,886,468
Disbursements				
A. Improving the Business Environment	5	166,372	166,372	332,744
B. Facilitating Trade and Connecting to Markets	6	270,309	270,309	540,618
C. Improving Firm-Level Competitiveness	7	658,244	658,244	1,316,488
D. Supporting Better and More Inclusive Policies	8	327,555	327,555	655,110
		1,422,480	1,422,480	2,844,960
Deficits of receipts under disbursements		(479,246)	(479,246)	(958,492)



Sengphanomchone Inthasane
Deputy Director General
Project Director
Department of Planning and
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NATIONAL IMPLEMENTATION UNIT
LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)

STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2022

As at 31 December 2022			
Note	CREDIT No. 6318-LA (IDA) USD	GRANT No. TFA9747 (TF) USD	TOTAL USD
Opening fund balance	936,348	246,255	1,182,603
Deficits of receipts under disbursements	(479,246)	(479,246)	(958,492)
Closing fund balance	457,102	(232,991)	224,111
Represented by:			
Cash on hand and at banks	9	220,379	-
Advance		3,732	-
		224,111	224,111



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

Date: 23 June 2023

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**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 2022**

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 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\$ 19.5 million, and it is expected to be funded through a US\$ 10 million by International Development Association (IDA) credit referred to (Credit no. 6318-LA), as well as grant funding from multi-donor trust fund (MDTF) referred to (Grant no. TFA9747), US\$ 9.5 million from USAID, Australian Aid, and Irish Aid. 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\$4.8 million); (B) Facilitating Trade and Connecting to Markets (US\$3.6 million); (C) Improving Firm-Level Competitiveness (US\$6.9 million); and (D) Project Management and Improved Policy Making (US\$4.2 million).

In the 7th Implementation Support Mission during 14-28 Nov 2021, the financing ratio was adjusted to be 50-50 percent for IDA and MDTF financing (from 75-25 initially) starting from 01 January 2022. Moreover, in the 8th Support Mission during 8-18 May 2023, it is decided that this financial ratio will cease at of 30 Jun 2023 and the new adjusted ratio will be 10 percent for IDA and 90 percent for MDTF starting from 01 July 2023 onwards. This financial ratio is applied for both fund advance replenishment and expenditure documentation and it would be adjusted again based on the amount of remaining project fund.

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 agencies responsible for the technical implementation of project components or those implementing Challenge Facility proposals. In close collaboration and agreement with implementing agencies, 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

National Implementation Unit 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.

**MINISTRY OF INDUSTRY AND COMMERCE
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LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDE 31 DECEMBER 2022**

2 Significant accounting policies (continued)

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 Receipts and Disbursements.

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

c) 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 base on the accounting policy of cash modified.
- 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.

d) Foreign Exchange Policy

The National Implementation Unit 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).

**MINISTRY OF INDUSTRY AND COMMERCE
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LAO PDR COMPETITIVENESS AND TRADE PROJECT (LCTP)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDE 31 DECEMBER 2022**

3. Reclassification

During the year 2022, there was the workplan revision which effect to the recalssification of the amount of component A and component B amounting of USD 792. Management has considered to reclassified the component type of the disbursements for comparative purpose since management believes that the statement of receipts and disbursements will present real financial information after these reclassification as show below.

Statement of receipts and disbursements

	CREDIT No. 6318-LA (IDA)			GRANT No. TFA9747 (TF)		
	31 December 2021 Prior year presentation USD	31 December 2021 Current year presentation USD	31 December 2021 Prior year presentation USD	31 December 2021 Current year presentation USD	Reclassification USD	31 December 2021 Current year presentation USD
RECEIPTS						
Direct disbursements	243,426	243,426	81,142	81,142	-	81,142
Designated Account replenishment	6,242,132	6,242,132	1,765,176	1,765,176	-	1,765,176
	6,485,558	6,485,558	1,846,318	1,846,318	-	1,846,318
DISBURSEMENTS						
A. Improving the Business Environment	1,400,228	1,399,634	431,049	430,851	(198)	430,851
B. Facilitating Trade and Connecting to Markets	968,587	969,181	260,472	260,670	198	260,670
C. Improving Firm-Level Competitiveness	1,638,017	1,638,017	534,673	534,673	-	534,673
D. Supporting Better and More Inclusive Policies	1,542,378	1,542,378	373,869	373,869	-	373,869
	5,549,210	5,549,210	1,600,063	1,600,063	-	1,600,063
Surplus of receipts over disbursements	936,348	936,348	246,255	246,255	-	246,255

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 2022

4. Designated account replenishment

	Date of application	IDA USD	TF USD	Total USD
IDA-APPLICATION NO 34	19 May 2022	721,257	-	721,257
IDA-APPLICATION NO 37	28 September 2022	221,977	-	221,977
TF-APPLICATION NO 24	19 May 2022	-	721,257	721,257
TF-APPLICATION NO 27	28 September 2022	-	221,977	221,977
		943,234	943,234	1,886,468

5. Improving the business environment

	IDA USD	TF USD	Total USD
A1: Making it Easier to Start a Business	46,364	46,364	92,728
A2: Streamlining and Publishing Operating Licenses	58,341	58,341	116,682
A3: Implementing Emerging Priority Reforms	61,667	61,667	123,334
	166,372	166,372	332,744

6. Facilitating trade and connecting to markets

	IDA USD	TF USD	Total USD
B1: Supporting the Trade Facilitation Secretariat	57,837	57,837	115,674
B2: TFA Challenge Facility	212,472	212,472	424,944
	270,309	270,309	540,618

7. Improving firm-level competitiveness

	IDA USD	TF USD	Total USD
C1: Business Assistance Facility:	658,244	658,244	1,316,488
	658,244	658,244	1,316,488

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 2022

8. 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	271,220	271,220	542,440
D2: Improving Policy Making	12,331	12,331	24,662
D3: Supporting Public-Private Dialogue	44,004	44,004	88,008
	<u>327,555</u>	<u>327,555</u>	<u>655,110</u>

9. Cash on hand and cash at banks

	<u>IDA USD</u>	<u>TF USD</u>	<u>Total USD</u>
Cash on hand	1,181	-	1,181
Cash at banks	219,198	-	219,198
	<u>220,379</u>	<u>-</u>	<u>220,379</u>

10. Commitment

Operating commitment

As at 31 December 2022, the Project had the operating commitment as follow;

	<u>2022 USD</u>	<u>2021 USD</u>
Individual Local consultants	142,567	306,556
Individual International consultants	1,009,138	684,925
Private Company consultants	1,264,259	456,054
	<u>2,415,964</u>	<u>1,447,535</u>

**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 2022**

Comparison of budget and actual payment (Un-audited)

The management of the Project present the un-audited information, which is Comparison of budget and actual payment of the transaction during the year, as part of these financial statements.

Category	Actual Expense from 1 Jan 2019-31 Dec 2022						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)	01 Jan 2022 - 31 Dec 2022 (USD)	Cumulative to date (USD)	1 Jan 2022 to 31 Dec 2022 (USD)	Cumulative to date (%)	Total budget (USD)	Remaining budget as at 31 December 2022 (USD)
Component A - Improving the Business Environment													
A1- Making it Easier to Start a Business	43,469		8,695	40,565		92,729	92,729	809,500	716,771	89%	2,100,000	2,007,271	
A2 -Streamlining and Publishing Operating Licenses	106,128		3,200	7,354		116,682	116,682	340,900	224,218	66%	1,350,000	1,233,318	
A3 - Support to Border Business Reforms	71,119		10,736	41,479		123,333	123,333	1,024,256	900,923	88%	1,350,000	1,226,667	
Total component A	220,715	-	22,630	89,398	-	332,744	332,744	2,174,656	1,841,912	85%	4,800,000	4,467,256	
Component B - Facilitating Trade and Connecting to Markets													
B1- Supporting the Trade Facilitation Secretariat	93,874	102	8,314	13,383		115,673	115,673	271,000	155,327	57%	1,000,000	884,327	
B2 -TFA Challenge Facility	117,141	147,276	11,471	149,056		424,944	424,944	1,414,002	989,057	70%	2,600,000	2,175,056	
Total component B	211,015	147,378	19,785	162,439	-	540,617	540,617	1,685,002	1,144,385	68%	3,600,000	3,059,383	
Component C - Improving Firm-Level Competitiveness													
C1 - Business Assistance Facility	554,422			2,133	759,934	1,316,489	1,316,489	1,703,000	386,511	23%	6,900,000	5,563,511	
Total component C	554,422	-	-	2,133	759,934	1,316,489	1,316,489	1,703,000	386,511	23%	6,900,000	5,563,511	
Component D Supporting Better and More Inclusive Policies													
D1: Project Management and Coordination	323,734	57,087	104,722	56,898		542,441	542,441	585,500	43,059	7%	2,600,000	2,057,559	
D2: Improving Policy Making and transparency	24,662					24,662	24,662	84,000	59,338	71%	600,000	575,338	
D3: Supporting Public-Private Dialogue	56,664		14,256	17,088		88,008	88,008	263,440	175,432	67%	1,000,000	911,992	
Total Component D	405,060	57,087	118,978	73,986	-	655,111	655,111	932,940	277,829	30%	4,200,000	3,544,889	
Total	1,391,212	204,465	161,393	327,956	759,934	2,844,960	2,844,960	6,495,597	3,650,637	56%	19,500,000	16,655,040	

Analysis of variances between budget and actual payments (Un audited)

Actual expenditure for the whole project for the reporting period accounts for US\$ 2,844,960 which covers 44% compared to the budget. This is mainly due to slower than expected completion of the procurement package for the e-BRS under A.1, slow implementation of the CF proposals under A3 and B2.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDE 31 DECEMBER 2022

Comparison of budget and actual payment (Un-audited) (Continued)

Component A-Improving the Business Environment Regulations

For this reporting period, expenditure of US\$ 332,744 has been recorded for Pillar A. There is unspent variance of US\$ 1,841,912, resulting in utilization of only 15% of budget for the reporting period. This was primarily caused by postponement of planned activities for workshops and events in particular the launch event of the Inventory of Business License (IBL) Portal which was postponed to January 2023, and reduced time inputs of the international consultants based outside Laos due to shift in priorities of line IAs such as DERM and IPD-MPI. Most importantly, the delay in finalization of the bidding package for the electronic Business Registration System (eBRS) has further delayed concluding of such procurement package to commence development of the eBRS. Moreover, low spending rate also was caused by the delay in implementation of approved CF proposals under component A3, particularly the CF proposals on property registration of the Land Department, Enforcing Contract, and resolving insolvency; hence, delayed submissions of payment requests by both individual and firm consultants.

Component B- Facilitating Trade and Connecting to Markets

During the reporting period, actual expenditure of US\$ 540,617 has been recorded for Pillar B. There is unspent variance of US\$ 1,144,385, resulting in utilization rate of 32% of the budget. Main causes for this large variance are delay in implementing activities under major TFA CF proposals, especially LCD led CF proposal, DIMEX led proposal, and DOA led CF proposal. In addition, the delay in procuring IT under Pillar B also contributed to large unspent variance of Pillar B.

Component C-Improving Firm-Level Competitiveness

During the reporting period, the actual expenditure of US\$ 1,316,489 has been recorded for Pillar C, which includes BAF2 disbursed matching grants of US\$ 759,934. There is the unspent variance of only US\$ 386,511, resulting in 77% of budget utilization for the reporting period. This indicates a slight increase of almost 10% compared to the previous reporting period (68% for the previous period).

Component D Supporting Better and More Inclusive Policies

During the reporting period, actual expenditure of US\$ 655,111 has been recorded for Pillar D. There is unspent variance of US\$ 277,829, resulting in utilization rate of 70% of the budget. This illustrates an increase of nearly 20% compared to the previous reporting period (52% for the previous period). This was caused mainly by lack of decision in recruiting consultants to support the LBF (D3).