

**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 period from 1 January to 31 August 2023**

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 30 September 2023 (as per the MOU EIF -
TIER2-LAO-001-C; Amendment No.03 on date 30 Dec 2022).

Implementing agency National Implementation Unit (“NIU”)
Department of Planning and Cooperation (“DPC”)
Ministry of Industry and Commerce (“MoIC”)

Project management Sengphanomchone Inthasane Deputy Director General
Nitnida Phongsavath 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 period from 1 January to 31 August 2023, 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: 26 October 2023

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

Date: 26 October 2023



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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 period from 1 January to 31 August 2023, 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 August 2023 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.



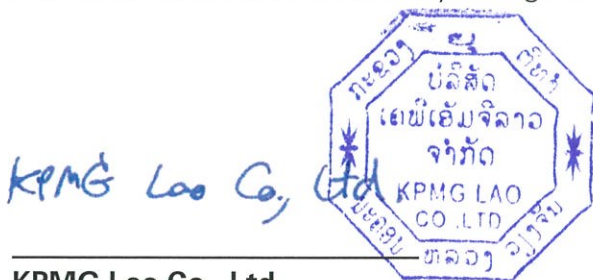
Auditors' Responsibilities for the Audit of the Financial Statements

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: 26 October 2023

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 period from 1 January to 31 August 2023

<i>In USD</i>	<i>Note</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
Receipts	<i>3</i>	141,500	444,455
Payments			
Equipment	<i>4</i>	-	10,410
Support staffs	<i>5</i>	-	11,484
National experts	<i>6</i>	65,557	191,250
International experts	<i>7</i>	640	53,080
Travel and workshops	<i>8</i>	4,286	26,806
Communications	<i>9</i>	3,251	18,177
Sundries	<i>10</i>	17,768	28,555
Learning costs	<i>11</i>	54,669	207,927
Professional services	<i>12</i>	-	3,317
Sub-contracts	<i>13</i>	60,000	53,774
Agriculture input	<i>14</i>	-	56,291
Total payments		206,171	661,071
Deficit of receipt under payments		(64,671)	(216,616)
Fund balance at the beginning of the year		78,900	295,516
Fund balance at the end of the year		14,229	78,900
Represented by:			
Cash on hand and cash at bank	<i>15</i>	14,229	75,523
Advance	<i>16</i>	-	3,377
		14,229	78,900

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: 26 October 2023

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

Date: 26 October 2023

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 period from 1 January to 31 August 2023

<i>In USD</i>	<i>Note</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
Receipts	3	141,500	444,455
Payments			
Payments made out of the Project's account		(206,171)	(661,071)
Increase (decrease) in advance		3,377	(2,123)
Increase (decrease) of cash on hand		464	(43)
		<u>(202,330)</u>	<u>(663,237)</u>
Deficit of receipts under payments		<u>(60,830)</u>	<u>(218,782)</u>
Fund balance at the beginning of the year		75,059	293,841
Fund balance at the end of the year		<u>14,229</u>	<u>75,059</u>
Represented by:			
Cash at operating bank account	15	<u>14,229</u>	<u>75,059</u>

The accompanying notes form an integral part of these financial statements



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Deputy Director General
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Date: 26 October 2023

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Date: 26 October 2023

Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
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Notes to the financial statements
For the period from 1 January to 31 August 2023

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.

As following the update of the work plan agreed upon between the Executive Secretariat for the EIF (ES) and the EIF Trust Fund Manager (TFM). The project was extended by 09 months until 30 September 2023 with additional fund of USD 140,000 as per the MOU EIF -TIER2-LAO-001-C; Amendment No.03 on date 30 Dec 2022. However, the final financial period would be finalized until 31 August 2023 as per project's requirement. all remaining commitments and funds would be paid and returned in the following month.

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.

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2. Summary of significant accounting policies (continued)

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.

e) Accounting reporting period

The financial accounting year of the Project starts on 1 January and ends on 31 December. However, for these financial statements, the accounting period started from 1 January 2023 to 31 August 2023 as the final financial period as per project's requirement. As such, the amounts presented in the statement of cash receipts and payments and statement of operating bank account of comparative information are not directly comparable.

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.

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2. Summary of significant accounting policies (continued)

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.

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.

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Notes to the financial statements
For the period from 1 January to 31 August 2023

2. Summary of significant accounting policies (continued)

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.

3. Receipts

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
Fund from UNOPS transferred to:		
- ECL	141,500	419,455
- DTISU	-	25,000
	141,500	444,455

4. Equipment

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-Equipment</i>		
IT equipment	-	10,410
	-	10,410

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Notes to the financial statements
For the period from 1 January to 31 August 2023

5. Support staffs

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-Support staffs</i>		
Admin staff & driver	-	11,484
	<u>-</u>	<u>11,484</u>

6. National experts

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-National experts</i>		
National Project Coordinator	20,424	28,985
Finance officer	13,767	20,019
Procurement assistant	4,456	9,386
Part-time advisor	-	74,145
Nat'l LPPD	-	18,580
Maize and Rice Specialist	11,910	40,135
Nat'l Final Evaluation	15,000	-
	<u>65,557</u>	<u>191,250</u>

7. International experts

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-International experts	640	160
DTISU-International experts	-	52,920
	<u>640</u>	<u>53,080</u>

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Notes to the financial statements
For the period from 1 January to 31 August 2023

8. Travel and workshops

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-Travel and workshops</i>		
Travel tickets	2,724	18,871
Travel insurance	115	300
DSA allowance	1,123	7,480
Other on travel & workshops	324	155
	<u>4,286</u>	<u>26,806</u>

9. Communications

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Communications	3,251	8,730
DTISU-Communications	-	9,447
	<u>3,251</u>	<u>18,177</u>

10. Sundries

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-Sundries</i>		
Books, subscriptions, reference	46	49
Postage, mailing services	62	674
Telephone, telecommunications	380	661
Stationaries and office supplies	11,876	15,108
Printing and copying	47	1,609
Fuel and maintenance of vehicle	809	1,885
Bank charge	87	332
Vacancy & register fees	109	266
Other paid	4,352	7,971
	<u>17,768</u>	<u>28,555</u>

Ministry of Industry and Commerce
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Notes to the financial statements
For the period from 1 January to 31 August 2023

11. Learning costs

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
<i>ECL-Learning costs</i>		
DSA allowance	24,450	70,391
Travel tickets	11,688	11,040
Travel insurance	868	718
Venue hire & catering	6,651	16,174
Fuel	9,271	45,531
Other paid on workshop	1,741	32,652
<i>DTISU-Learning costs</i>		
DSA allowance	-	12,638
Travel tickets	-	787
Travel insurance	-	215
Venue hire & catering	-	8,903
Fuel	-	5,826
Other paid on workshop	-	3,052
	54,669	207,927

12. Professional services

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Professional fee for the audit	-	3,317
	-	3,317

13. Sub-contracts

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Consulting handicraft firm	60,000	53,774
	60,000	53,774

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Notes to the financial statements
For the period from 1 January to 31 August 2023

14. Agricultural inputs

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Agricultural inputs	-	56,291
	<u>-</u>	<u>56,291</u>

15. Cash on hand and cash at bank

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Cash at operating bank account	14,229	75,059
ECL-Cash on hand	-	464
	<u>14,229</u>	<u>75,523</u>

16. Advance

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
ECL-Advance to Sub-unit Phongsaly province	-	3,377
	<u>-</u>	<u>3,377</u>

17. Commitments

The Project has outstanding commitments as follows:

<i>In USD</i>	For the period from 1 January to 31 August 2023	For the year ended 31 December 2022
Individual consultants	1,746	16,065
Consulting firm	6,741	5,945
	<u>8,487</u>	<u>22,010</u>

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 period from 1 January to 31 August 2023

(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*	
		For the period from 1 January to 31 August 2023	Cumulative to date	For the period from 1 January to 31 August 2023	Cumulative to date	For the period from 1 January to 31 August 2023	Cumulative to date	Cumulative to date (%)	Total revised budget	Remaining budget as at 31 August 2023
<i>ECL</i>										
75700	Learning costs	54,669	460,626	68,946	456,140	14,277	(4,486)	-1%	456,140	(4,486)
71200	Int'l experts	640	19,240	-	19,600	(640)	360	2%	19,600	360
71300	Support staff	-	38,314	-	38,368	-	54	0%	38,368	54
71400	National experts	65,557	589,731	72,604	603,095	7,047	13,364	2%	603,095	13,364
71600	Travel & workshops	4,286	44,425	-	40,408	(4,286)	(4,017)	-10%	40,408	(4,017)
72100	Subcontracts	60,000	333,686	60,000	333,686	-	0	0%	333,686	0
72200	Equipment	-	158,609	-	159,400	-	791	0%	159,400	791
74100	Prof services	-	9,840	2,000	15,600	2,000	5,760	37%	15,600	5,760
74200	Communications	3,251	39,515	1,800	39,558	(1,451)	43	0%	39,558	43
74500	Sundries	17,768	91,636	22,200	97,146	4,432	5,510	6%	97,146	5,510
74500A	Agricultural inputs	-	135,048	-	137,000	-	1,952	1%	137,000	1,952
Total		206,171	1,920,671	227,550	1,940,000	21,379	19,330	1%	1,940,000	19,330

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 period from 1 January to 31 August 2023

(Appendix)

Analysis of variances between budget and actual payments

As of end of August 2023 there are two outstanding commitments, including audit fee of USD 6,741 and salary for Finance Officer of USD 1,746, which will be paid out by the end of September. After these pending expenditures, the project will have unused fund which will be returned to the EIF. Overspending for learning costs and travel and missions is within the threshold of the (+/-)15% and no-objection was provided by the EIF.