

**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 September 2023 to 31 March 2024**

Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)

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Ministry of Industry and Commerce
Promotion of Export Competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)

Project information

Project	Promotion of Export Competitiveness and Sustainability Support to Public Private Dialogue in Northern Lao PDR (“ECL”)	
Funding agencies	United Nations Office for Project Service (“UNOPS”)	
Duration	18 February 2019 to 31 March 2024	
Implementing agency	National Implementation Unit (“NIU”) Permanent Secretary Office Ministry of Industry and Commerce (“MoIC”)	
Project management	Sengphanomchone Inthasane Nitnida Phongsavath	Deputy Permanent Secretary 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 September 2023 to 31 March 2024, 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 Permanent Secretary
Project Director
Permanent Secretary Office
Ministry of Industry and Commerce

Date: 29 May 2024



Nitida Phongsavath
Project Manager
Permanent Secretary Office
Ministry of Industry and Commerce

Date: 29 May 2024



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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 September 2023 to 31 March 2024, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the Project for the period from 1 September 2023 to 31 March 2024 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 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 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.

For and on behalf of KPMG Lao Co., Ltd.

Yootapong Soonatalink

Statutory auditor

ID No.SA0053/2023

Vientiane Capital, Lao PDR

Date: 29 May 2024



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 September 2023 to 31 March 2024

<i>In USD</i>	<i>Note</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Receipts	3	38,505	141,500
Payments			
National experts	4	3,492	65,557
International experts	5	22,219	640
Travel and workshops	6	4,232	4,286
Communications		-	3,251
Sundries	7	79	17,768
Learning costs	8	12,205	54,669
Professional services	9	6,741	-
Sub-contracts	10	-	60,000
Total payments		48,968	206,171
Deficit of receipt under payments		(10,463)	(64,671)
Fund balance at the beginning of the period		14,229	78,900
Fund balance at the end of the period		3,766	14,229
Represented by:			
Cash on hand and cash at bank	11	3,766	14,229
		3,766	14,229

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



Sengphanomchone Inthasane
 Deputy Permanent Secretary
 Project Director
 Permanent Secretary Office
 Ministry of Industry and Commerce

Date: 29 May 2024

Nitnida Phongsavath
 Project Manager
 Permanent Secretary Office
 Ministry of Industry and Commerce

Date: 29 May 2024

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 September 2023 to 31 March 2024

<i>In USD</i>	<i>Note</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Receipts	3	38,505	141,500
Payments			
Payments made out of the Project's account		(48,968)	(206,171)
Increase in advance		-	3,377
Increase (decrease) of cash on hand		-	464
		<u>(49,968)</u>	<u>(202,330)</u>
Deficit of receipts under payments		(10,463)	(60,830)
Fund balance at the beginning of the period		14,229	75,059
Fund balance at the end of the period		<u>3,766</u>	<u>14,229</u>
Represented by:			
Cash at operating bank account	11	<u>3,766</u>	<u>14,229</u>

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



Sengphanomchone Inthasane
 Deputy Permanent Secretary
 Project Director
 Permanent Secretary Office
 Ministry of Industry and Commerce

Date: 29 May 2024

Nitnida Phongsavath
 Project Manager
 Permanent Secretary Office
 Ministry of Industry and Commerce

Date: 29 May 2024

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 period from 1 September 2023 to 31 March 2024

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 to 31 March 2024 with additional fund of USD 40,000 as per the MOU EIF -TIER2-LAO-002-D; Amendment No.04 dated 28 September 2023.

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 period of the Project starts on 1 January 2023 and ends on 31 August 2023 is 8 months period as the project end. For these financial statements, the accounting period started from 1 September 2023 to 31 March 2024 is 7 months period extension from 31 August 2023 as the 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.

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 International Consultant to Conduct Midterm Review (MTR) of the Implementation of LNCCI Private Sector Development (PSD) Strategic Action Plan (SAP).

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.

3. Receipts

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Fund transferred from UNOPS	38,505	141,500
	<u>38,505</u>	<u>141,500</u>

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4. National experts

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Finance officer	3,492	13,767
National Project Coordinator	-	20,424
Procurement assistant	-	4,456
Maize and Rice Specialist	-	11,910
Nat'l Final Evaluation	-	15,000
	<u>3,492</u>	<u>65,557</u>

5. International experts

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
International consultant	22,219	640
	<u>22,219</u>	<u>640</u>

6. Travel and workshops

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
DSA allowance	4,124	1,123
Travel tickets	64	2,724
Other on travel & workshops	44	324
Travel insurance	-	115
	<u>4,232</u>	<u>4,286</u>

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Notes to the financial statements
For the period from 1 September 2023 to 31 March 2024

7. Sundries

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Bank charge	23	87
Books, subscriptions, reference	-	46
Postage, mailing services	-	62
Telephone, telecommunications	-	380
Stationaries and office supplies	-	11,876
Printing and copying	-	47
Fuel and maintenance of vehicle	-	809
Vacancy & register fees	-	109
Other paid	56	4,352
	<u>79</u>	<u>17,768</u>

8. Learning costs

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
DSA allowance	5,632	24,450
Venue hire & catering	2,876	6,651
Travel tickets	2,681	11,688
Fuel	882	9,271
Travel insurance	-	868
Other paid on workshop	134	1,741
	<u>12,205</u>	<u>54,669</u>

9. Professional services

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Professional fee for the audit	6,741	-
	<u>6,741</u>	<u>-</u>

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10. Sub-contracts

<i>In USD</i>	For the period from 1 September 2023 to 31 March 2024	For the period from 1 January 2023 to 31 August 2023
Consulting handicraft firm	-	60,000
	<u>-</u>	<u>60,000</u>

11. Cash on hand and cash at bank

<i>In USD</i>	As at 31 March 2024	As at 31 August 2023
ECL-Cash at operating bank account	3,766	14,229
	<u>3,766</u>	<u>14,229</u>

12. Commitments

The Project has outstanding commitments as follows:

<i>In USD</i>	As at 31 March 2024	As at 31 August 2023
Consulting firm	3,060	6,741
	<u>3,060</u>	<u>22,010</u>

The outstanding commitment balance as at 31 March 2024 was paid to consulting firm on 30 April 2024.

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Comparison of budget and actual payments
For the period from 1 September 2023 to 31 March 2024

(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 amendment No. 5, dated 13 March 2024).

Budget account code	Category	Actual		Budget (unaudited)		Variance (unaudited)			Project document*	
		For the period from 1 Sep 2023 to 31 Mar 2024	Cumulative to date	For the period from 1 Sep 2023 to 31 Mar 2024	Cumulative to date	For the period from 1 Sep 2023 to 31 Mar 2024	Cumulative to date	Cumulative to date (%)	Total revised budget	Remaining budget as at 31 Mar 2024
75700	Learning costs	12,205	472,831	12,500	463,505	295	(9,326)	(2%)	463,505	(9,326)
71200	Int'l experts	22,219	41,459	22,300	51,240	81	9,781	19%	51,240	9,781
71300	Support staff	-	38,314	-	38,314	-	-	-	38,314	-
71400	National experts	3,492	593,223	1,746	593,223	(1,746)	-	-	593,223	-
71600	Travel & workshops	4,232	48,658	-	48,658	(4,232)	-	-	48,658	-
72100	Subcontracts	-	333,686	-	333,686	-	-	-	333,686	-
72200	Equipment	-	158,609	-	158,609	-	-	-	158,609	-
74100	Prof services	6,741	16,581	3,079	19,581	(3,662)	3,000	15%	19,581	3,000
74200	Communications	-	39,515	-	39,515	-	-	-	39,515	-
74500	Sundries	79	91,715	375	227,074	296	135,359	60%	227,074	135,359
74500A	Agricultural inputs	-	135,048	-	-	-	(135,048)	(100%)	-	(135,048)
Total		48,968	1,969,639	40,000	1,973,405	(8,968)	3,766	(1%)	1,973,405	3,766

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Promotion of Export competitiveness and Sustainability
Support to Public Private Dialogue in Northern Lao PDR (ECL)
Comparison of budget and actual payments
For the period from 1 September 2023 to 31 March 2024

(Appendix)

Analysis of variances between budget and actual payments

The project was extended by 6 months until 31 March 2024 with additional fund of USD 40,000. We have an approval for reallocating for unused fund under international consultant to support a national workshop to disseminate formal structure and process defined in the recently promulgated PM Decision on PPD mechanism in Laos. And as of 31 March 2024, there is one outstanding commitments. Which paid on 30 April 2024 for Audit fee. For the unspent balance will be return to Project.