

**LAO AGRICULTURE COMPETITIVENESS
PROJECT (LACP)
FUNDED BY THE INTERNATIONAL
DEVELOPMENT ASSOCIATION (IDA) UNDER
CREDIT NO. IDA 6205-LA**



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
FUNDED BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)
UNDER CREDIT NO 6205-LA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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UNDER CREDIT NO 6205-LA**

STATEMENT OF THE PROJECT MANAGEMENT

On 17 May 2018, the government of the Lao People's Democratic Republic (GOL) had agreements with International Development Association (IDA) as below:

Credit No. IDA 62050-LA

The Government of the Lao People's Democratic Republic (GOL), through its Ministry of Agriculture and Forestry and the Provincial Government of each of the Project provinces, is implementing the Project with financial assistance from International Development Association (IDA) under Financing Agreement Credit No. 6205-LA in an original approved amount of SDR 17,200,000 (Seventeen Millions Two Hundred Thousand Special Drawing Rights). The Project was declared effective on 25 June 2018 and expected to be closed by 28 June 2024.

The objective of the project is to increase the competitiveness of selected agricultural value chains in the project areas. The project consists of the following parts:

- Component 1: Improved Agricultural Efficiency and Sustainability
- Component 2: Enhanced Agricultural Commercialization
- Component 3: Project management

The project components performances for the period from 25 June 2018 to 28 June 2024 are as below:

- **Component 1: Improved Agricultural Efficiency and Sustainability:**
 - Promoting adoption of good varieties and quality seeds, carrying out of a program of activities designed to promote the adoption of good varieties and quality seeds, including the provision of: (a) technical assistance for the establishment of SMGs and building their capacity to adopt good varieties and quality seeds; (b) matching grants to selected SMGs to carry out Sub-projects for improving the production and postharvest handling, packaging and storage of quality seeds; (c) technical and material assistance to build the capacity of PAFOs, DAFOs, MAF technical departments and research institutions to conduct training for SMGs and carryout seed quality monitoring and certification; and (d) technical assistance to link SMGs with FPGs and agribusinesses in marketing certified seeds.
 - Promoting good agricultural practices, carrying out of a program of activities designed to promote good agricultural practices, including the provision of; (a) technical assistance for the establishment of FPGs and building their capacity to adopt good agricultural practices, ; (b) Matching grants to selected FPGs to carry out sub-projects that implement good agricultural practices; (c) technical and material assistance to build the capacity of PAFOs, DAFOs, and MAF technical departments to conduct training for FPGs on good agricultural practices and to carry out related extension and certification activities including soil analysis, organic fertilizer production and organic farming ; and (d) technical assistance to link FPGs with agribusinesses in marketing farm product.
 - Providing critical productive infrastructure, carry out of a program of activities designed to improve critical irrigation infrastructure and water use practices, including; (a) rehabilitation of selected irrigation schemes; and (b) provision of technical assistance to establish water user groups and to build their capacity to adopt improved water use models.

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STATEMENT OF THE PROJECT MANAGEMENT (CONTINUED)

- **Component 1: Improved Agricultural Efficiency and Sustainability (Continue):**
 - Strengthening public services delivery, carry out of a program of activities designed to strengthen agriculture and nutrition service delivery, including the provision of technical and material assistance to; (a) improve the overall extension service capacity of PAFOs, DAFOs, and MAF technical departments; (b) develop and implement mapping and demarcation pilots for agricultural land in irrigation areas; (c) conduct studies on integrated farming systems and diversification for nutrition, and carry out social behavioural change communication activities related to dietary diversity, adequate care practices, and processing and cooking for improved nutrition.
- **Component 2: Enhanced Agricultural Commercialization**
 - Establishing an agricultural value chain facility, establishment and operation of an agricultural value chain facility for the purpose of extending technical and financial services to agribusinesses, including the provision of: (a) technical assistance to establish and operate the facility and provide advisory and sub-project implementation support to agribusinesses; and (b) matching grants to selected agribusinesses to carry out sub-projects for upgrading their processing and postharvest handling facilities and their management capacities to improve product quality, increase operational efficiency, reduce physical losses and link agribusinesses with FPGs to improve the marketing of farm produce.
 - Linking farmers to markets, carry out of a program of activities designed to link farmers to markets, including the provision of technical assistance to: (a) strengthen the horizontal links of farmers within FPGs for implementing procurement, marketing and other collective actions, and the vertical link of FPGs and agribusiness in productive partnerships undertake further processing and marketing of the produce; and (b) develop an improved agriculture market information system to provide reliable market information for productive partnerships.
 - Improving the enabling environment, carrying out of a program of activities by MAF technical departments, MOIC and other relevant agencies to improve the enabling legal, policy and institutional environment for supporting agribusiness investment and agriculture trade policies, including the development of improved sanitary and phytosanitary standards, rice standards and rice export policies, and improved import and export legislation focusing on agriculture inputs and farm machinery.
- **Component 3: Project management**
 - Project management, carry out of the day-to-day implementation, coordination, and management of project activities including planning and execution, financial management, procurement, internal and external audits, and environmental and social safeguards management.
 - Project monitoring and evaluation, carry out of the day-to-day monitoring, reporting and evaluation of the project activities.

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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STATEMENT OF THE PROJECT MANAGEMENT (CONTINUED)

The Financial statements are the responsibility of project management. The following are components of the financial statements summarize the Project's position and performance:

- Statement of cash receipts and disbursements;
- Statement of fund balance; and
- Statement of designated accounts (note 5)
- Note to the financial statement

As the responsible officials, we do hereby state that the financial statements to the best of our knowledge and belief:

- have been prepared in accordance with IDA's requirements; and
- have been prepared, in all material respects, of the fund balance of the Project as at 31 December 2022 and its receipts and disbursements for the year ended 31 December 2022 in accordance with the basis of accounting set out in Note 2 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which are prepared in accordance with the accounting policies as described in Note 2 to the financial statements.

The financial statements are prepared to assist the Project in meeting the reporting requirements of the Project. As a result, the financial statements may not be suitable for another purpose.

On behalf of the management of the Project:



Mr. Phouthone SIRIPHANTHONG
National Project Coordinator

Date: 6 June 2023



INDEPENDENT AUDITOR'S REPORT

TO THE GOVERNMENT OF LAO PDR (GOL), THE MANAGEMENT OF THE PROJECT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) ON THE FINANCIAL STATEMENTS OF THE LAO AGRICULTURE COMPETITIVENESS PROJECT FUNDED BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) UNDER CREDIT NO. 6205-LA

Our opinion

In our opinion, the financial statements of Lao Agriculture Competitiveness Project (LACP or the Project) for the year ended 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Project's financial statements comprise:

- The statements of cash 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 statement, which include a summary of 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 donor and shouldn't be distributed to or used by parties other than the project and donor. Our opinion isn't modified in respect of this matter

Responsibilities of the director for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but isn't a guarantee that an audit conducted in accordance with International Standards on Auditing 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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's 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 concluded 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 the director 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 Apisit Thiengtrongpinyo
Partner

Vientiane Capital, Lao PDR
Date: 6 June 2023

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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UNDER CREDIT NO 6205-LA**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Cumulative to 31 December 2021 USD	For the year ended 31 December 2022 USD	Cumulative to 31 December 2022 USD
RECEIPTS			
Designated account replenishment	11,840,365	4,499,182	16,339,547
	11,840,365	4,499,182	16,339,547
DISBURSEMENTS			
Component 1:	6,666,420	2,465,679	9,132,099
Component 2:	1,055,294	379,823	1,435,117
Component 3:	3,200,493	639,881	3,840,374
	10,922,207	3,485,383	14,407,590
	918,158	1,013,799	1,931,957



Mr. Phouthone SIRIPHANTHONG
National Project Coordinator

Date: 6 June 2023

The accompanying notes on pages 10 to 17 form an integral part of these financial statements

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<u>Notes</u>	<u>2022 USD</u>	<u>2021 USD</u>
RECEIPTS			
Designated account replenishment	7	4,499,182	3,074,778
		<u>4,499,182</u>	<u>3,074,778</u>
DISBURSEMENTS			
Component 1:	8.1/8.2	2,465,679	3,567,073
Component 2:	8.1/8.2	379,823	514,064
Component 3:	8.1/8.2	639,881	756,437
		<u>3,485,383</u>	<u>4,837,574</u>
Surplus/ (deficit) of disbursements over receipts		<u>1,013,799</u>	<u>(1,762,796)</u>



Mr. Phouthone SIRIPHANTHONG
National Project Coordinator

Date: 6 June 2023

The accompanying notes on pages 10 to 17 form an integral part of these financial statements.

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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**STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2022**

	<u>Notes</u>	<u>2022 USD</u>	<u>2021 USD</u>
Fund balance			
Opening balance		918,158	2,680,954
Surplus/ (deficit) of disbursements over receipts		<u>1,013,799</u>	<u>(1,762,796)</u>
Fund balance, end		<u>1,931,957</u>	<u>918,158</u>
Represented by:			
Cash on hand and cash at banks	3	1,928,296	918,158
Advance	4	<u>3,661</u>	-
		<u>1,931,957</u>	<u>918,158</u>



Mr. Phouthone SIRIPHANTHONG
National Project Coordinator

Date: 6 June 2023

The accompanying notes on pages 10 to 17 form an integral part of these financial statements.

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
FUNDED BY THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)
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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. PROJECT BACKGROUND

On 17 May 2018, the Government of the Lao People's Democratic Republic (GOL) had agreements with International Development Association (IDA) as below:

Credit No. 6205-LA

The Government of the Lao People's Democratic Republic (GOL), through its Ministry of Agriculture and Forestry and the Provincial Government of each of the Project provinces, is implementing the Project with financial assistance from International Development Association (IDA) under Financing Agreement Credit No. 6205-LA in an original approved amount of SDR 17,200,000 (Seventeen Millions Two Hundred Thousand Special Drawing Rights). The Project was declared effective on 25 June 2018 and expected to be closed by 28 June 2024. In project implementation activities comprises national level cost centres such as: National Project Management Office (NPMO), Ministry of Agriculture and Forestry (MAF), Provincial Agriculture and Forestry Offices (PAFO), District Agriculture and Forestry Offices (DAFO), National Agriculture and Forestry Research (NAFRI), Ministry of Industry and Commerce (MOIC), Provincial Industry and Commerce Office (PICO), Ministry of Natural Resource and Environment (MONRE), Ministry of Finance (MOF) and 5 provincial level cost centres such as: Xayabouly, Vientiane province, Vientiane Capital, Bolikhamxay province and Khammouane province.

The objective of the project is to increase the competitiveness of selected agricultural value chains in the project areas. The project consists of the following parts:

- Component 1: Improved Agricultural Efficiency and Sustainability
- Component 2: Enhanced Agricultural Commercialization
- Component 3: Project management

The project components performances for the period from 25 June 2018 to 28 June 2024 as re as below

- Component 1: Improved Agricultural Efficiency and Sustainability:
 - Promoting adoption of good varieties and quality seeds
 - Promoting good agricultural practices
 - Providing critical productive infrastructure
 - Strengthening public services delivery
- Component 2: Enhanced Agricultural Commercialization
 - Establishing an agricultural value chain facility
 - Linking farmers to markets,
 - Improving the enabling environment
- Component 3: Project management
 - Project management.
 - Project monitoring and evaluation

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES

A. *Accounting convention*

The statements of receipts, disbursements and fund balance, expressed in United State Dollar (USD), have been prepared under the historical cost convention and the cash receipts and disbursements basis of accounting. Under the cash receipts and disbursements basis of accounting, transactions are recorded when cash is paid or received by the Project. Advances are included in the Project's disbursements in according with Note 2. The Project maintains its accounting records in USD, as this is the currency in which the majority of its transactions are denominated and settled.

B. *Cash receipts*

Receipts consist of the authorized allocation of the association fund, direct payments made by Association and eligible expenditure refunded to date. These funds are accounted for when received or, in the case of direct payments made by Association, when notified as having been paid to the Project's funds by Association.

C. *Cash disbursements*

Disbursements represent all the Project's cash costs paid in line with the Program's objectives and approved budgets.

D. *Advance*

Advances are representing amounts paid in advance to the Project staff for the purpose of travel to the province, district or overseas or meetings, workshops or conferences. Advances are included in the Project's available fund and presented as "advance payment outstanding" in the statement of fund balance. The expenses related to advanced amounts will only be classified to the related expenditure activity line on the date of liquidation.

E. *Fixed assets*

The cost of fixed assets is charged as expenditure at the time of purchase. Fixed assets purchased are charged to the expenditure categories to which they relate. The Project maintains a fixed asset register, which includes only vehicles, office equipment and furniture, for control purposes only.

F. *Foreign currency translation*

The measurement and presentation currency of the Project is USD. Transactions arising in currencies other than USD are translated to USD using the rate prevailing at the transaction dates. Cash balances in currencies other than USD are translated into USD using the rate at the period end. All foreign exchange differences arising are included in the statement of receipts and disbursements.

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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Direct disbursements

Direct disbursements relate to payments made by the Association direct to suppliers, contractors and consultants. These payments are accounted for when the payments are notified by Association to the project.

H. Designated account replenishment

The Designated Account replenishment represents cash received by the Project under the Financing Agreement, which is maintained in a special deposit account and is used exclusively to cover the Association's share of eligible expenses (Note 5.1).

3. CASH ON HAND AND CASH AT BANKS

	As at 31 December 2022 USD	As at 31 December 2021 USD
Cash at Designated Account (Note 5.1)	1,493,534	724,377
Cash at Project Accounts (Note 6)	434,762	193,781
	1,928,296	918,158

4. ADVANCES

	As at 31 December 2022 USD	As at 31 December 2021 USD
Central Project Management Office*	1,526	-
Department of Small and Medium Enterprise Promotion**	2,135	-
	3,661	-

*The advance was for the annual meeting on updating the annual budget for 2023.

**The advance was for the Good Manufacturing Practice (GMP) training in Khammouane Province.

These advances were cleared in January 2023.

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. STATEMENT OF DESIGNATED ACCOUNTS

5.1 Cash at Designated Account

	As at 31 December 2022 USD	As at 31 December 2021 USD
Account No. 0000010121330165	1,493,534	724,377
	1,493,534	724,377

Account No. : 0000010121330165
 Depository Bank : Bank of Lao PDR
 Type of account : Current account
 Interest rate : Nil
 Address : Yonet Road P.O. Box 2925 Vientiane, Lao P.D.R
 Related Credit : Credit No. 6205-LA
 Currency : USD

Reconciliation of cash from Designated Accounts;

	2022 USD	2021 USD
Part A - Account Activities		
Opening balance	918,158	2,680,954
Add: fund receipts (Note 7)	4,499,182	3,074,778
Less:		
Total disbursements	(3,485,383)	(4,837,574)
Cash at Project's accounts (Note 6)	(434,762)	(193,781)
Amount advance to staff	(3,661)	-
Closing balance	1,493,534	724,377

	2022 USD	2021 USD
Part B - Account reconciliation		
Opening statement of fund balance	918,158	2,680,954
Add additional advance	4,499,182	3,074,778
Less:		
Amount recovered by World Bank	(2,664,208)	(3,350,713)
Amount claimed in application No.0023	-	(451,092)
Amount claimed in application No.0024	-	(341,329)
Amount claimed in application No.0025	-	(621,615)
Amount claimed in application No.0025	-	(72,825)
Amount claimed in application No.0034	(666,737)	-
Amount claimed in application No.0035	(154,438)	-
Total Outstanding advanced amount	1,931,957	918,158

Closing balance on DA	1,493,534	724,377
Cash at Project's accounts (Note 6)	434,762	193,781
Amount advance to staff (Note 4)	3,661	-
Total Outstanding advanced amount	1,931,957	918,158

**LAO AGRICULTURE COMPETITIVENESS PROJECT (LACP)
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**NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. CASH AT PROJECT ACCOUNTS

	As at 31 December 2022 USD	As at 31 December 2021 USD
Cash at bank;		
Project Management Office (NPMO)	299,658	136,799
Xayabouly	17,941	17,418
Vientiane Province	31,409	5,066
Vientiane Capital	38,174	5,024
Bolikhamxay	22,781	23,006
Khammouane	24,514	5,579
Total cash at bank	434,477	192,892
	As at 31 December 2022 USD	As at 31 December 2021 USD
Cash on hand;		
Project Management Office (NPMO)	68	173
Xayabouly	6	141
Vientiane Province	88	125
Vientiane Capital	19	165
Bolikhamxay	37	54
Khammouane	67	231
Total cash on hand	285	889
Total cash at project accounts	434,762	193,781

7. DESIGNATED ACCOUNT REPLENISHMENT

Replenishment for the year ended 31 December 2022 consists of;

	2022 USD	2021 USD
Designated account replenishment	4,499,182	3,074,778
	4,499,182	3,074,778

Withdrawal application (W/A) for the program will be submitted to International Development Association (IDA) by the Project Steering Committee (PSC) through the Ministry of Finance. Fund at the designated bank account will be used for implementing activities. It will be managed by the Ministry of Finance, day by day management and submission of withdrawal application will be done by the Project Steering Committee including expenditures incurred by component 1, 2 and 3. (Note 8.1 and 8.2)

Application number	Date of application	2022 USD	2021 USD
WA0019	4 August 2021	-	3,074,778
WA0026	1 March 2022	2,673,219	-
WA0031	15 August 2022	1,825,963	-
		4,499,182	3,074,778

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**NOTE TO THE FINANCIAL STATEMENTS
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8. DISBURSEMENTS

8.1 Disbursements by project's component activities category are as follows:

Component 1: Improved Agricultural Efficiency and Sustainability

	2022 USD	2021 USD
Promoting adoption of good varieties and quality seeds	226,105	465,035
Promoting good agricultural practices	955,743	2,219,757
Providing critical productive infrastructure	848,049	535,827
Strengthening public services delivery	435,782	346,454
	2,465,679	3,567,073

Component 2: Enhanced Agricultural Commercialization

	2022 USD	2021 USD
Establishing agricultural value chain facility	301,120	138,931
Linking farmers to markets	195,685	229,050
Improving the enabling environment*	(116,982)	146,083
	379,823	514,064

*Improving the Enabling Environment are presented in the negative balance was from client adjustment this budget line.

Component 3: Project Management

	2022 USD	2021 USD
Project management	617,685	673,203
Monitoring and evaluation	22,196	83,234
	639,881	756,437
Grand total:	3,485,383	4,837,574