



Interim Unaudited Financial Report (IFR)
1st Semester 2019 (covering 01 Oct., 2018 - 30 Jun 2019)
Lao PDR Competitiveness and Trade Project



Prepared by:
NIU/DPC, MOIC
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LCT Supported by:



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Abbreviations

A2F	Access to Finance
ARISE	Asean Regional Integration Support by EU
BAF	Business Assistance Facility
CF	Challenge Facility
DB	Doing Business
DERM	Department of Enterprise Registration and Management
DFAT	Department of Foreign Affairs and Trade
DIMEX	Department of Import and Export of the Ministry of Industry and Commerce
DPC	Department of Planning and Cooperation
FM	Financial Management
IA	Implementing agency
IDA	International Development Association
IFR	Interim Financial Report
IPD	Investment Promotion Department
LBF	Lao Business Forum
LCTP	Lao Competitiveness and Trade Project
LNCCI	Lao National Chamber of Commerce and Industry
LSP	Lao Services Portal
LTP	Lao Trade Portal
MIS	Management Information System
MoIC	Ministry of Industry and Commerce
MPI	Ministry of Planning and Investment
NIU	National Implementation Unit
NTFC	National Trade Facilitation Committee
NTM	Non-Tariff Measure
PEC	Program Executive Committee
PMO	Prime Minister's Office
PRC	Project Review Committee
PSD	Private sector development
RELATED	Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development Project
SME	Small and Medium-Sized Enterprise
TDF II	Second Trade Development Facility
TF	Trade Facilitation
TFA	Trade Facilitation Agreement
TFS	Trade Facilitation Secretariat
TIN	Tax Identification Number
TPSWG	Trade and Private Sector Working Group
TRS	Time Release Study
VAT	Value Added Tax
WBG	World Bank Group
WTO	World Trade Organization

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INTRODUCTION

This First IFR for LCT Project presents financial position of the project covering period from October 01, 2018 to June 30, 2019¹.

The report also summarizes key outputs of the project delivered during first half of 2019. It also highlights major implementation challenges and key priorities for the remaining 06 months of fiscal year 2019.

Overall project implementation is progressing well. All major technical assistance packages are nearly finalized, key individual consultants for all project components have been on board already - 26 procurement activities have been completed with estimated contract amount of USD5.9 Mill. In terms of overall budget performance, the project achieved 60% of total budget for the reporting period, which is expected to significantly improve in the second half of FY 2019 due to good progress in advancing major technical assistance packages.

In terms of project overall performance, encouraging reform initiatives aimed at simplifying business entry have been implemented through adoption of two key Ministerial Decisions by MOIC in the beginning of 2019, and public private dialogue process has gradually generated more interest from general public and started to deliver generating tangible results.

¹ Although the project became effective from Dec. 10, 2018. However, the Financing Agreement provides retroactive financing for eligible expenses incurred prior to the project effectiveness date.

I. PROJECT OVERVIEW

High regulatory burden, excessive trade costs, and firms' limited capacity remain the key challenges to private sector-led growth in Laos. Despite some progress, to unlock its full economic potential by attracting higher quality private sector investment in a wider range of diversified sectors, Lao PDR will have to significantly improve the business environment and to compensate for the natural disadvantages the country faces as a landlocked economy.

In order to assist The Government of Laos to further deepen reforms to improve the business environment, improve connectivity with neighboring economies, and raise firm-level productivity, the Lao Competitiveness and Trade Project was launched with funding from the World Bank and a multi-donor trust fund. The project aims to eliminate barriers to private sector-led growth by improving the regulatory environment, lowering trade costs, and raising firm-level competitiveness.

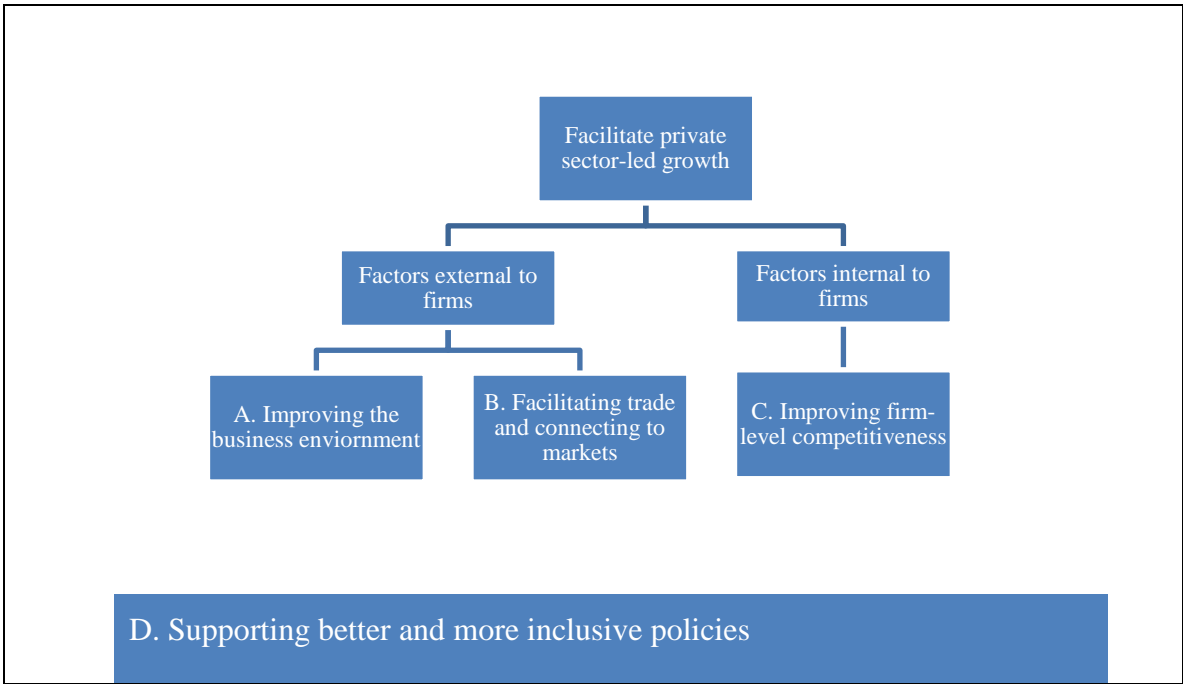
As described in the Project Appraisal Document,² the project has four pillars:

1. (A) **Improving Business Environment:** This pillar builds on recent support under the Second Trade Development Facility (TDF-2) that started to improve company registration processes, the transparency in administering operating licenses, and overall support to the PM Order. There are following components: A1 (Making it Easier to Start a Business), A2 (Streamlining and Publishing Operating Licenses), and A3 (Support to Broader Business Reforms).
2. (B) **Facilitating Trade and Connecting to Markets:** This pillar is designed to support the government of Lao PDR in implementing the provisions of the WTO Trade Facilitation Agreement (TFA)³ through i) supporting operations of the Trade Facilitation Secretariat and ii) establishing a TFA Challenge Fund, which will provide necessary resources to key agencies responsible for TFA implementation.
3. (C) **Improving Firm-Level Competitiveness:** This pillar will support individual private enterprises in accessing business development services through a matching grant facility. The intervention aims to reduce costs internal to firms by improving company management and innovation in terms of products, markets, and distribution channels such as e-commerce.
4. (D) **Supporting Better and More Inclusive Policies:** This pillar will support effective project implementation, monitoring, evaluation as well as improved economic analysis and policy making under MOIC's leadership, and public private dialogue under the Lao Business Forum (LBF). It will also support the transparency agenda for trade and private sector-related regulations.

Basic Structure of LCTP

² The Project Appraisal Document is available here: <http://projects.worldbank.org/P164813?lang=en>

³ Lao PDR was the 18th WTO member to formally accept the WTO TFA (in September 2016).



Source: LCTP PAD

II. ACHIEVEMENTS OF THE CURRENT PERIOD AND PRIORITIES FOR SECOND HALF OF FY 2019

The overall budget performance of LCTP project achieved 60% during the first semester of the project implementation. This Semester period covers from October 01, 2018 to June 30, 2019.

Expenditure by Pillar for 01 Oct. 2018 - Jun. 2019				
Pillars	Actual	Budget	Variance	%
A. Improving the Business Environment	\$45,749	\$270,000	\$224,251	17%
B. Facilitating Trade and Connecting to Markets	\$118,153	\$120,000	\$1,847	98%
C. Improving Firm-Level Competitiveness	\$0	\$60,000	\$60,000	0%
D. Supporting Better and More Inclusive Policies	\$318,137	\$350,000	\$31,863	91%
Grand Total:	\$482,039	\$800,000	\$317,961	60%

1. Pillar A: Improving the Business Environment

For this reporting period, expenditure of \$45,749 has been recorded for Pillar A. There is unspent variance of \$224,251, resulting in utilization rate of only 17% of the budget. Main causes for this large variance is delay in concluding two firm contracts and one international consultant planned for this pillar.

Pillar A builds on recent support under TDF-2 to improve enterprise registration processes, the transparency in administering operating licenses, and overall support to the PM Order No. 2. The pillar aims to improve the transparency and reduce regulatory compliance cost for businesses', especially SMEs and women-led enterprises.

Component A.1: Making it easier to start a business will support efforts of the Government to: 1) streamline and simplify process for starting a business within and outside Industry and Commerce sector; and 2) automate enterprise registration through developing a new online business registration system.

DERM is primary technical implementing agency for component A.1.

Key outputs/outcomes:

Key outputs during the reporting period include:

- Introduction of ex-post registration process through adoption of Ministerial Decision No. 0023 (January 09, 2019) significantly simplified procedures' for registering a business in the country. The new business registration process only entails 04 steps instead of 10 steps in the past and the whole process can be completed within 40 working days instead of average 174 days in the past;
- The new registration process is the result of the following key changes:
 - Simplification of enterprise registrars' documentation requirements through abolishment of verification of location by village chief, articles of association,

and approval for seal carving. Under new system only application form and list of intended business activities are required for sole trader, and one more document is required for partnership and company, which is shareholder agreement;

- Issuance of tax identification number in enterprise registration certificate through real time connection with tax registration database;
- Simplification of procedures in other government agencies, namely abolishment of requirement for approving content of company signage by MOICT; separate tax registration and TIN certificate; and mandatory tax orientation seminar. Production and registrations of company seal in provinces and simplified procedures for registering worker for social security have significantly reduced time required to complete these two procedures (about 5 working days for company seal and 2 days for registering for social security);
- Staff from 108 districts out of 148 total districts in the country have received training on new procedures to register a business. The remaining 48 districts from 08 provinces will receive hands on training from DERM's core team in the coming months;
- A full-time national project coordinator for DERM to support components A1 and A2 was onboard in late April and the contract for the firm to support DERM and other relevant agencies in further streamlining procedures for starting a business, including design of online business registration is expected to be finalized within June 2019;
- During reporting period 347 participants from both public and private sector attended various training and dissemination workshops.

Implementation challenges

Key implementation challenges facing A1 and A2 are summarized under A2.

Priorities for the second half of FY 2019

- Finalization of firm contract and support selected firm in implementing key activities outlined in the TOR, including detailed assessment of existing business registration process, development of action plan on DB starting a business reform and guidelines for transition to ex-post regulations by line agencies, proposing necessary legal and regulatory revisions, design a new online business registration system, and performing business process re-engineering of inter-agency steps in business registration.
- Continue dissemination workshops and capacity building activities for local business registrars' offices.

Component A.2: Streamlining and publishing operating licenses will provide implementation support to: 1) streamline business operating license administration, and 2) set up an online portal of business licenses.

DERM and IPD will jointly lead implementation of activities under component A.2.

Key outputs/outcomes:

Key outputs during the reporting period include:

- Finalization of firm contract and selected firm is scheduled to commence the assignment by the end of June 2019;
- In the meantime, MOIC issued Ministerial Decision Number 0044 (January 18, 2019), which defines business activities from general manufacturing and handicraft sector, domestic trade and import export that are required operating license. Full implementation of this Decision is expected to significantly reduce time to operate general manufacturing and distribution services outside the defined list;
- During the project implementation support mission, both DERM and IPD expressed their continued support to plan to streamline 30 high priority business licenses and setting up online portal of business licenses.

Implementation challenges

- Both DERM and IPD are relatively new to lead implementation of technical assistance project funded by international finance institutions such as World Bank. Familiarization with project fiduciary requirements, especially complicated procurement guideline and financial management regulations will take time.

Priorities for the second half of FY 2019

- Establishment of coordination mechanism between DERM and IPD to supervise implementation of key activities under A.2;
- Facilitate selected consulting firm in meeting with key stakeholders and access to relevant legal and regulatory documents; and
- Mobilize public support to carry out all planned activities under this component.

Component A.3: Support to broader business reforms will support MPI in coordinating and monitoring complex reform under PM Order No. 02 and providing technical support to relevant line ministries and agencies in the development and implementation of specific reform action plans.

IPD is expected to play leading role in coordinating/supporting implementation of specific regulatory reforms based on PM Order No. 02 and technical review reports such as DB reform memo and indicator specific action plans.

Key outputs/outcomes:

Key outputs during the reporting period include:

- Strengthened inter-ministerial coordination to support implementation of PM Order No. 02 through appointing one Deputy Minister of relevant ministries to support DPM;
- Progress of DB reform implementation is discussed at government monthly meetings and DPM-PM meeting. The ongoing reform also draws closed attention from the Party and National Assembly;
- National project team has been on board since April;
- Conducted technical meeting on May 3 with the Doing Business reform committee members to discuss reform updates by line agencies and reporting cycle for reform update memo. The meeting also discuss CF Guidelines on fund application in particular with line agencies that are potential CF applicants.
- Two draft CF proposals, namely enforcing contract and resolving insolvency, prepared by MoJ and Supreme Court with support from WBG experts are expected to be submitted to PEC by Mid July. Department of Land has also prepared very first draft CF proposal to support implementation of reform related to Registering Property Indicator; and
- Conducted a joint meeting with LNCCI on June 26th to update major reforms in relation to the PM Order 02 including new/amended legislation with participants from the private sector, in particular representatives from legal consultants and law firms, and line government agencies.

Implementation challenges

See A.2.

Priorities for the second half of FY 2019

- Finalization of recruitment of part time international consultant;
- Finalization of three CF proposals for PEC's approval;
- Closely monitor implementation of approved CF proposals;
- Improve regular monitoring and reporting of DB reform activities to Government and general public.

2. Pillar B: Facilitating Trade and Connecting to Markets

During reporting period, actual expenditure of \$118,153 has been recorded for Pillar B, resulting in budget utilization rate of 98%.

Pillar B is designed to support implementation of the provisions of the WTO TFA.⁴ Full and effective implementation of the TFA commitments is expected to reduce the high trade costs and streamline procedures for imports and exports.

Component B.1 will support the Trade Facilitation Secretariat (TFS) to strengthen its capacity as well as that of other relevant line ministries and agencies to implement the trade facilitation agenda, including carrying out stakeholder consultations; identifying, prioritizing, and coordinating trade facilitation initiatives; and monitoring and advancing the implementation of related reforms.

Component B.2 will establish a Trade Facilitation Challenge Facility -“TFA Challenge Facility” to carry out additional proposed activities related to the implementation of the TFA. Funding under the TFACF will be allocated in line with clear criteria outlined in the Challenge Facility Guideline.

DIMEX is main implementing agency for both B.1 and B.2.

Key outputs/outcomes:

Key outputs during the reporting period include:

- Finalization of inter-agency coordination structure under DPM chairmanship is strong indication of attention given to the trade facilitation agenda;
- Adoption of PM Decree (December 31, 2018) on border checkpoints and international airports to clarify roles and responsibilities of key border management agencies is important step to simplify trading across borders;
- The first semi-annual NTFC meeting took place in April, 2019. One of the key outcomes of the NTFC meeting is adoption of draft PM Order on facilitation of imports, exports, transits and imports for re-export and domestic movement of goods. The new PM Order aims to reduce regulatory compliance burden for exporters/exporters through promoting joint inspection by Customs and Quarantine and remove unnecessary road-side checks (keeping only traffic police, weighbridge, and mobile Customs anti-smuggling unit);
- Several technical working group meetings under NTFC structure were organized to discuss and address issues readiness of border agencies to facilitate trade along the Lao-China railway, draft PM Order on trade facilitation, methodology and Laos performance in trading across border indicator of DB report, findings of NTM review, procedures for approving master list for importation of goods under duty exemption, risk based inspection at border management and other trade facilitation issues;

⁴ Lao PDR was the 18th WTO member to formally accept the WTO TFA (in September 2016).

- One field visit to key border checkpoints by international TF and NTM specialists;
- Three provincial level trade facilitation committee meetings were also held in Bokeo, Luangnamtha and Xayyaboury;
- Planned first first time release study (TRS) is deferred to [mid 2020] because Customs already conducted a TRS in January 2019 without project support. During the project implementation support mission, it was agreed that the next TRS should expand to include time taken for issuing permits, certificates and registration for imports and exports. However, the TRS methodology may have to be adapted to the regulatory agencies' context and processes.

Implementation challenges

- Getting buy-in from key border agencies to implement TF Roadmap and TFA commitments remains challenging;
- Delay in approving action plans by key concerned agencies;
- Inability to address specific issues raised by private sector;
- Inconsistent implementation of regulations and guidelines among key border checkpoints.

Priorities for the second half of FY 2019

- Submit at least three CF proposals to PEC for approval by Mid July (from DIMEX, the Customs Dept., and Food and Drug Dept.);
- Recruit PSD Coordinator ASAP;
- Support and monitor implementation of approved CF proposals;
- Address pending trade facilitation related issues such as procedures for approving master list, barriers for domestic movement of goods, procedures for exporting wooden products, certification of quality standards of electrical and electronic devices;
- Implement targeted actions to simplify procedures related to trading across border indicator of DB report;
- Organize three trade facilitation committee secretariat meetings to finalize action plan for Category C measures for line agencies for submission to WTO;
- Support DIMEX team's participation at TFSP/WTO Peer to Peer and 7th Global Review of Aid for Trade in Switzerland in July.

3. Pillar C: Improving Firm-Level Competitiveness - Business Assistance Facility

No expenditures have been recorded for this pillar due to fact that selection of firm to manage BAF was just completed in early May.

To complement improvements in the overall business and trade environment, this pillar will support individual private enterprises, especially SMEs in accessing business development services through a matching grant facility.

The Business Assistance Facility (BAF) will be implemented by an independent contractor and will consist of two activities. First, the facility will provide direct, free-of-charge, advisory services to potential and actual BAF clients. Second, it will scale up the total amount of matching grants available to crowd in investments into business development services by private firms.

Through competitive selection process, ECORYS has been selected to implement BAF under direct supervision

Key outputs/outcomes:

Key outputs during the reporting period include:

- Full BAF team is on board from second half of May and fully furnished office has been established at LNCCI;
- Outreach:
 - In less than three weeks BAF team has established initial contacts with over 80 business associations, chambers of commerce and individual businesses, including women owned and managed - potential clients;
 - More contacts with potential clients outside Vientiane Capital were also established after completing two trips to commercial centers in the north and south of the country;
 - Work is progressing well on the BAF website and the BAF portal. The Contractor aims to use the portal to support its internal operations;
- BAF Launch:
 - Internal operational procedures have been developed and key performance indicators of BAF team have been agreed;
 - All necessary documents, including application form, internal reporting templates, recommendation for providing grant, claim forms, letter of agreement and others are largely finalized;
 - The tax issue that had been a problem for the original BAF under TDF-2 was discussed during the support mission. Both the BAF team and NIU are confident that the arrangements now in place will operate efficiently and cause minimal additional work for BAF clients.

Implementation challenges

- No major challenges have been identified at this stage.

Priorities for the second half of FY 2019

- Organize official launch by the end of July;
- Finalize letter of agreement by end of June;
- Process about 25 applications for BAF grant;
- Monitor implementation of approved grants.

4. Pillar D: Support Better and More Inclusive Policies.

Total expenditure for Pillar D was \$318,137 which equivalent to 91% of the semester's budget.

This pillar will support effective project implementation, monitoring, evaluation, and improved economic analysis and policy making under the MOIC's leadership. It will also support the transparency agenda for trade and private sector-related regulations.

Component D.1: Project Management and Coordination

This component will support the DPC and especially the NIU in overseeing implementation of the project and monitoring of implementation progress and achieving outcomes.

Component D.2: Improving Policy Making and Transparency

This component will support improved economic analysis and policy making across the Government under the MOIC's leadership and support the transparent information dissemination agenda.

NIU under DPC is responsible for day to day activities under D.1. DIMEX, DFTP and other agencies play key role in implementing D.2 activities in closed coordination with NIU.

Key outputs/outcomes:

- Key outputs during the reporting period under D.1 include:
- NIU team is fully on board (including technical, fiduciary, gender and M&E staff);
- All necessary manuals and guidelines, financial manual, manual for BAF, guidelines for DB and TFA Challenge Facilities have been developed and approved;
- Necessary governance structure, including PRC members, BAF Task Force were established prior to project effectiveness;
- The first PEC meeting took place in December, where key project activities and budget for all pillars and components were approved;

- One workshop on financial management guideline was organized for all implementing agencies and two NIU-IA quarterly meetings were organized to discuss specific issues affecting day to day operations of the project;
- NIU continued to serve as technical secretariat for policy dialogue between government and development partners under Trade Private Sector Working Group. The first semi-annual SWG meeting for 2019 took place on June 06;
- The first sector working group meeting attracted about 150 representatives from government, development partners, both foreign and domestic private sector. The meeting discussed challenges concerning implementation of Investment Promotion Law, PM Order No.02 on improving business environment, progress of National Single Window and public private dialogue under Lao Business Forum;
- Gender mainstreaming. With technical guidance from World Bank and DFAT, NIU gender advisor has started conceptualizing gender action plan for LCTP. A number of meetings with key implementing partners and other stakeholders took place during March – June and brainstorming session to discuss and agree scope of the gender action plan, possible immediate interventions as well as capacity building activities. While the full gender action plan will not be developed before Mid August, some practical actions have been agreed during the project implementation support mission.
- Monitoring and evaluation. NIU has started developing action plan to leverage project result framework as effective tool for project progress monitoring. M&E specialist has started developing guideline for monitoring evaluation, which among others will include standard templates for periodical project progress reporting, propose indicator specific monitoring plan, M&E information management system and others.
- Procurement. The team has been fully on board. In fact a number of firm packages were started several months before project effectiveness. NIU Procurement Unit has made a considerable progress. As of May 30 26 procurement activities in the total amount of approximately 5,900,000 USD have been completed under newly adopted World Bank procurement regulation.
- Key outputs during the reporting period under D.2 include:
- Finalization of maintenance contract for LTP and LSP after long delay;
- Good progress being made in recruiting consulting firm to support MOIC in preparing the first trade policy review. They are expected to be completed by mid-June. The NIU and World Bank team discussed opportunities for additional studies during the project implementation support mission and identified a more detailed analysis of the barriers that women-led enterprises face in Lao PDR as potential topic.

Implementation challenges

- Lack of good understanding about the nature of technical assistance to support complicated regulatory reform among key implementing partners;

- Inadequate understanding of executing agency's fiduciary responsibilities and overall project oversight;
- Limited technical and practical experience in mainstreaming gender in trade and private sector development;
- Familiarization with new procurement regulations and new template as well as new MIS system – STEP will take sometime.

Priorities for the second half of FY 2019

- Continue supporting the implementation of all approved project workplans for all components of LCT;
- Promote complementarity between LCTP and other projects, namely ECL, SME-A2F, RELATED, ARISE Plus and others);
- Organize regular NIU-IA, second PRC, annual PEC meetings;
- Organize Trade Private Sector Working Group meeting and provide inputs to the Annual Roundtable Meeting;
- Upgrade the t4dlaos.org website and Internal Document Management System (DMS);
- Organize training on Financial and Procurement Management, including internal control;
- Revise procurement plan and submit IFR on time.
- Gender. Among others, the agreed actions include:
 - Continue to meet individually with senior representatives of all key implementing agencies to discuss options for gender mainstreaming into relevant project components and activities;
 - Develop outreach program to raise awareness on simplified business registration procedures and on streamlined operating licenses incorporating a gender dimension;
 - Explore options to progressively mainstream trade & gender issues into the discussions of Trade Facilitation, gender could be included as a non-binding criterion used for evaluation of proposals received under the TFA Challenge Facility – and the NIU Gender Advisor will be invited to join the TFA Challenge Facility evaluation committee;
- Support the BAF team in outreach and potential engagements;
- Work with relevant members of the LNCCI team to design solutions aimed at increasing the share of retained issues raised by women in Lao Business Forum's

working groups and to support LNCCI in ensuring that expanded geographic participation in the LBF will be inclusive vis-à-vis women-led businesses operating at provincial level.

- Design and subsequent delivery of a series of capacity building activities on gender targeting NIU members. At a later stage this would be expanded to other implementing agencies with the aim of progressively strengthening gender institutional capacity within those institutions;
- Propose options for a gender diagnostic, study or similar analytical effort, aimed at expanding the current base of knowledge and evidence available on gender-specific trade, competitiveness and business environment constraints affecting women-led enterprises in Lao PDR;
- Work with the M&E specialist in designing relevant monitoring indicators to support the LCTP Results Framework as shadow indicators.

Component D.3: Supporting Public-Private Dialogue

- This component will continue to support the existing PPD under the LBF to effectively address the challenges faced by the private sector in Lao PDR, including those faced particularly by small, regional, start-up, and women-led enterprises.
- Public private dialogue process is primarily led by LNCCI based LBF Secretariat and government focal point under DPC, MOIC.

Key outputs/outcomes:

- Key outputs during the reporting period include:
- Organization of private sector working group meetings for new round of dialogue. As of end of May 06 sector/association based working group meetings were organized. Three more sector based private sector working group meetings for hydro power, mining, and agribusinesses will be organized by the end of June 2019;
- Good progress is being made in resolving issues raised at LBF process. Out of 23 priority sub issues raised in the process of 11th LBF, four issues (VAT on commercial bank services, printing house regulation, access to import-export data, and removal of interest rate caps for commercial banks) were solved completely, four issues (internet excise tax, VAT on transit goods, import master list for investment promotion, and access to public procurement information) are expected to be solved before the 12th LBF.
- Before new round of dialogue scheduled for July - August, LNCCI executive committee together with heads of all active private sector working group will review progress and reprioritize outstanding issues from LBF 11 and new issues raised by private sector working group;

- To facilitate effective dialogue with concerned agencies in the Government, the LBF secretariat completed drafting of 06 position papers, carried out one technical study on impact of interest rate cap on SME access to finance, facilitated a number of consultation workshops on draft key legislations affecting private businesses;
- Extra efforts were made to reach out to women led businesses by visiting Lao handicraft association, Lao Business Women's association, a number of visits to foreign chambers of commerce are planned for July 2019.

Implementation challenges

- No major challenges have been identified at this stage.

Priorities for the second half of FY 2019

- Complete private sector working group meetings and visits to foreign chambers of commerce;
- Organize technical Level-Public-Private Consultative Meetings are organized (July 2019)
- Finalize agenda and list of issues for LBF 12th for approval by the Coordinating Committee (August 2019)
- Organize the 12th Lao Business Forum (October 2019)
- Prepare report of the 12th LBF for submission to the PMO (November 2019)
- Follow up on LBF issue progress and actions as agreed at the 12th LBF (November-December 2019).

III. FINANCIAL INFORMATION

This part of the Interim Un-audited Financial Report (IFR) is intended to provide information on the financial activities and movement of funds during the 1st semester 2019 of Government of the Lao PDR financial year which covered the period from 31 Oct 2018 - 30 Jun 2019.

Financial Statements

Project Balance Sheet

Table 01: PROJECT BALANCE SHEET				
As of 30 Jun 2019				
ASSETS	Jun-19		Change	% Change
Fund Balances				
Designated Account @ Bank of Lao P D R - LCTP	\$123,044	\$0	\$123,044	
Project Operating account @ BCEL Bank - LCTP	\$134,736	\$0	\$134,736	
Project Operating account @ BCEL - BAF - LCTP	\$199,998	\$0	\$199,998	
NIU Petty Cash - LCTP	\$815		\$815	
			\$0	
			\$0	
Advances - LCTP IAs	\$5,972		\$5,972	
Cash Advance	\$0		\$0	
Un-Cleared Cheque	\$0		\$0	
Subtotal	<u>\$464,565</u>	<u>\$0</u>	<u>\$464,565</u>	
Cumulative Expenditures				
Consultants' Services	\$361,949		\$361,949	
Goods	\$0		\$0	
Incremental Operating Costs	\$59,984		\$59,984	
Trainings and Workshops	\$60,106		\$60,106	
Matching Grants - BAF	\$0		\$0	
Subtotal	<u>\$482,039</u>	<u>\$0</u>	<u>\$482,039</u>	
TOTAL ASSETS	<u>\$946,604</u>	<u>\$0</u>	<u>\$946,604</u>	
FUNDS				
Sources of LCTP Grant	\$946,604			
Other sources of fund (Other income)		\$0	\$0	
TOTAL FUNDS	<u>\$946,604</u>	<u>\$0</u>	<u>\$946,604</u>	

* The above information is based on Cash Accounting and un-audited

The above Balance Sheet demonstrates the financial position of the project AS the end of 30 June 2019. The statement includes current assets and liabilities of LCTP project that are currently managed by NIU.

Summary of Sources and Uses of Funds

	Note	1st Semester			Cumulative		
		IDA	TF	Total	TF	IDA	Total
Cash Receipts							
World Bank Grant Account LCTP		946,604				946,604	946,604
Other income*							
Total Cash Receipts		<u>946,604</u>	<u>-</u>	<u>946,604</u>	<u>-</u>	<u>946,604</u>	<u>946,604</u>
Less Expenditure by Component							
A. Improving the Business Environment		45,749		45,749		45,749	45,749
B. Facilitating Trade and Connecting to Markets		118,153		118,153		118,153	118,153
C.Improving Firm-Level Competitiveness		-		-		-	-
D.Supporting Better and More Inclusive Policies		318,137		318,137		318,137	318,137
Total Expenditures		<u>482,039</u>	<u>-</u>	<u>482,039</u>	<u>-</u>	<u>482,039</u>	<u>482,039</u>
Receipts Less Expenditures				464,565			464,565
Net Change in Cash				<u>464,565</u>			<u>464,565</u>
Opening Cash Balance							
Designated Account @ Bank of Lao P D R - LCTP							
Project Operating account @ BCEL - LCTP							
Project Operating account @ BCEL - BAF - LCTP							
Undeposit Cash/Cash in Transit - LCTP							
NIU Petty Cash - LCTP							
Advances - LCTP IAs							
Un-Cleared Cheque							
Cash Advance							
Total Opening Cash				<u>-</u>			<u>-</u>
Net Cash Available				<u>464,565</u>			<u>464,565</u>
Closing Cash Balance							
Designated Account @ Bank of Lao P D R - LCTP		123,044		123,044			
Project Operating account @ BCEL Bank - LCTP		134,736		134,736			
Project Operating account @ BCEL - BAF - LCTP		199,998		199,998			
Undeposit Cash/Cash in Transit - LCTP		-		-			
NIU Petty Cash - LCTP		815		815			
Advances - LCTP IAs	a	5,972		5,972			
Un-Cleared Cheque							
Cash Advance							
Total Closing Cash Balance				<u>464,565</u>			<u>464,565</u>
Un-Cleared Cheque							
Cash Advance							
Total Closing Cash Balance				<u>464,565</u>			<u>464,565</u>

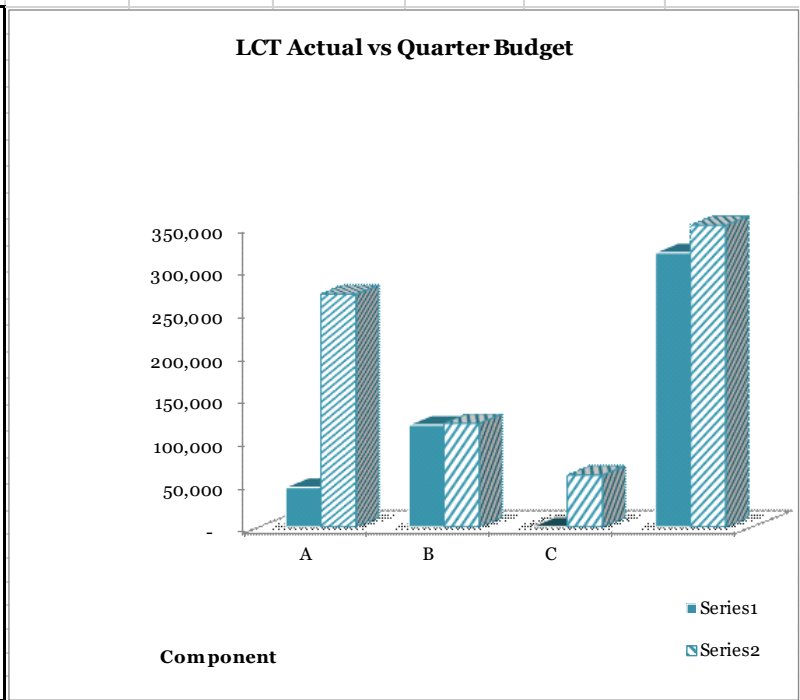
The table 2 above displays the funds used by the LCTP project during the semester and accumulated figure to the end of June 2019. It reflects the expenditures of each project component during the reporting period. The table also demonstrates current balance of all project accounts.

The currency of this report is presented in USD as per Grant Agreement.

**Sources and Uses of Funds
Period ended 30 Jun 2019**

	Actual			Planned			Variance		
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date
Sources of Funds									
World Bank Grant Account LCTP	946,604	946,604	946,604	800,000	800,000	800,000	(146,604)	(146,604)	(146,604)
Other income*		-	-		-	-		-	-
Total Financing	946,604	946,604	946,604	800,000	800,000	800,000	(146,604)	(146,604)	(146,604)
Less: Expenditures by Component									
A. Improving the Business Environment	45,749	45,749	45,749	270,000	270,000	270,000	224,251	224,251	224,251
B. Facilitating Trade and Connecting to Markets	118,153	118,153	118,153	120,000	120,000	120,000	1,847	1,847	1,847
C.Improving Firm-Level Competitiveness	-	-	-	60,000	60,000	60,000	60,000	60,000	60,000
D.Supporting Better and More Inclusive Policies	318,137	318,137	318,137	350,000	350,000	350,000	31,863	31,863	31,863
LCTP Total Expenditures	482,039	482,039	482,039	800,000	800,000	800,000	317,961	317,961	317,961

Net Change in Cash (Receipts - Expenditures)	\$464,565	\$464,565
Opening Cash Balances		
Designated Account @ Bank of Lao P D R - LCTP	\$0	
Project Operating account @ BCEL - LCTP	\$0	
Project Operating account @ BCEL - BAF - LCTP	\$0	
Undeposit Cash/Cash in Transit - LCTP	\$0	
NIU Petty Cash - LCTP	\$0	
Advances - LCTP IAs	\$0	
Un-Cleared Cheque	\$0	
Cash Advance	\$0	
Total Opening Cash	\$0	
Net Change in cash	\$464,565	
Net Cash Available	\$464,565	
Closing Cash Balance		
Designated Account @ Bank of Lao P D R - LCTP	\$123,044	
Project Operating account @ BCEL - LCTP	\$134,736	
Project Operating account @ BCEL - BAF - LCTP	\$199,998	
Undeposit Cash/Cash in Transit - LCTP	\$0	
NIU Petty Cash - LCTP	\$815	
Advances - LCTP IAs	\$5,972	
Un-Cleared Cheque	\$0	
Cash Advance	\$0	
Total Closing Cash Balance	\$464,565	



The above table exhibits the comparison of the actual expenditure against planned budget and variances by each component.

Statement of Uses of Funds by pillar

Table 03: Sources of fund (in US\$)
Period ended 30 Jun 2019

Components	Actual			Budget			Variance		
	Current Quarter	Year to date	Cumulative to date	Workplan Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date
Pillar A - Improving the Business EnvironmentRegulations									
A1: Making it Easier to Start a Business	33,621	33,621	33,621	90,000	90,000	90,000	56,379	56,379	56,379
A2: Streamlining and Publishing Operating Licenses	654	654	654	90,000	90,000	90,000	89,346	89,346	89,346
A3: Implementing Emerging Priority Reforms	11,473	11,473	11,473	90,000	90,000	90,000	78,527	78,527	78,527
Total component A mproving the Business EnvironmentRegulations	45,749	45,749	45,749	270,000	270,000	270,000	224,251	224,251	224,251
Pillar B - Facilitating Trade and Connecting to Markets									
B1: Supporting the Trade Facilitation Secretariat	118,153	118,153	118,153	120,000	120,000	120,000	1,847	1,847	1,847
B2: TFA Challenge Facility	-								
Total component B Facilitating Trade and Connecting to Markets	118,153	118,153	118,153	120,000	120,000	120,000	1,847	1,847	1,847
Pillar C - Improving Firm-Level Competitiveness									
C1: Business Assistance Facility	-			60,000	60,000	60,000	60,000	60,000	60,000
Total component C - Improving Firm-Level Competitiveness				60,000	60,000	60,000	60,000	60,000	60,000
Pillar D: Supporting Better and More Inclusive Policies									
D1: Supporting Better and More Inclusive Policies	263,251	263,251	263,251	278,000	278,000	278,000	14,749	14,749	14,749
D2: Improving Policy Making	13,522	13,522	13,522	30,000	30,000	30,000	16,478	16,478	16,478
D3: Supporting Public-Private Dialogue	41,364	41,364	41,364	42,000	42,000	42,000	636	636	636
Total Component D: Supporting Better and More Inclusive Policies	318,137	318,137	318,137	350,000	350,000	350,000	31,863	31,863	31,863
LCTP TOTAL	482,039	482,039	482,039	800,000	800,000	800,000	317,961	317,961	317,961

Table 04: Use of Funds by Pillar /Component
Consolidated for all sources of funding (in US\$)
Period ended 30 Jun 2019

Project Pillar/Component	Consultants' Services			Goods			Incremental Operating Costs			Training and Workshop			Matching Grants			TOTAL EXPENDITURES		
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date
Pillar A: Improving the Business Environment/Regulations																		
A1: Making it Easier to Start a Business	4,690	4,690	4,690				3,463	3,463	3,463	25,469	25,469	25,469				33,621	33,621	33,621
A2: Streamlining and Publishing Operating Licenses	-	-	-				654	654	654	-	-	-				654	654	654
A3: Implementing Emerging Priority Reforms	7,841	7,841	7,841				2,000	2,000	2,000	1,633	1,633	1,633				11,473	11,473	11,473
Total Pillar A: Improving the Business Environment/Regulations	12,531	12,531	12,531	-	-	-	6,117	6,117	6,117	27,101	27,101	27,101				45,749	45,749	45,749
Pillar B: Facilitating Trade and Connecting to Markets																		
B1: Supporting the Trade Facilitation Secretariat	88,172	88,172	88,172		-		10,143	10,143	10,143	19,837	19,837	19,837				118,153	118,153	118,153
B2: TFA Challenge Facility	-	-	-													-	-	-
Total Pillar B: Facilitating Trade and Connecting to Markets	88,172	88,172	88,172	-	-	-	10,143	10,143	10,143	19,837	19,837	19,837	-	-	-	118,153	118,153	118,153
Pillar C: Improving Firm-Level Competitiveness																		
C1: Business Assistance Facility	-	-	-				-	-	-							-	-	-
Total Pillar C: Improving Firm-Level Competitiveness																		
Pillar D: Supporting Better and More Inclusive Policies																		
D1: Supporting Better and More Inclusive Policies	217,167	217,167	217,167	-			34,682	34,682	34,682	11,402	11,402	11,402				263,251	263,251	263,251
D2: Improving Policy Making	9,880	9,880	9,880				3,642	3,642	3,642	-	-	-				13,522	13,522	13,522
D3: Supporting Public-Private Dialogue	34,200	34,200	34,200				5,399	5,399	5,399	1,765	1,765	1,765				41,364	41,364	41,364
Total Pillar D: Supporting Better and More Inclusive Policies																		
	261,247	261,247	261,247	-	-	-	43,724	43,724	43,724	13,167	13,167	13,167	-	-	-	318,137	318,137	318,137
Total	361,949	361,949	361,949	-	-	-	59,984	59,984	59,984	60,106	60,106	60,106	-	-	-	482,039	482,039	482,039

Year	Fund Received	
1st Year	\$ 946,604	Current Year
Total	\$ 946,604	

Total funding to date came from IDA Credit and from August 2019, 25% of total funding will come from MDTF as per below (in USD):

Source of fund	IDA Credit
IDA Credit	\$946,604
MDTF	\$ 0
Total:	\$ 946,604

Outstanding Cash Advances	USD	
As of 30 Jun 2019		Indicative
Component	Outstanding amount	Average Aging
LCTP		
A1: Making it Easier to Start a Business		
A2: Streamlining and Publishing Operating Licenses		
A3: Implementing Emerging Priority Reforms	233.42	0
B1: Supporting the Trade Facilitation Secretariat	2,766.00	0
B2: TFA Challenge Facility		
C1: Business Assistance Facility		
D1: Supporting Better and More Inclusive Policies	2,973.36	0
D2: Improving Policy Making		
D3: Supporting Public-Private Dialogue		
		*
		*
Total LCTP	5,972.78	