



Interim Unaudited Financial Report (IFR)
No. 5th covering from 1 January to 30 June 2021
Lao PDR Competitiveness and Trade Project



Prepared by:
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Abbreviations

A2F	Access to Finance
AF	Additional Financing
ARISE	ASEAN Regional Integration Support by EU
BAF	Business Assistance Facility
BE	Business Environment
BOL	Business Operating License
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
DOA	Department of Agriculture
DOFD	Department of Food and Drug
DOLF	Department of Livestock and Fishery
DOMM	Department of Mining Management
ECL	Enhancing Export Competitiveness in Northern Laos
EIF	Enhanced Integrated Framework
ERC	Enterprise Registration Certificate
ERO	Enterprise Registration Office
FM	Financial Management
IA	Implementing agency
IBL	Inventory of Business Licenses
IDA	International Development Association
IFR	Interim Financial Report
IPD	Investment Promotion Department
IPSC	Investment Promotion and Supervision Committee
LBE	Lao Business Environment Project
LBF	Lao Business Forum
LCD	Lao Customs Department
LCTP	Lao Competitiveness and Trade Project
LNCCI	Lao National Chamber of Commerce and Industry
LOE	Law on Enterprise
LSP	Lao Services Portal
LTP	Lao Trade Portal
MIS	Management Information System
MoIC	Ministry of Industry and Commerce
MPI	Ministry of Planning and Investment
MTR	Mid-term Review
NIU	National Implementation Unit
NTFC	National Trade Facilitation Committee
NTM	Non-Tariff Measure
PEC	Program Executive Committee

PMO	Prime Minister's Office
PPCM	Public Private Consultation Meeting under LBF
PRC	Project Review Committee
PSD	Private sector development
SAB	Starting a Business
SME	Small and Medium-Sized Enterprise
Sub-IA	Sub-Implementing agency (agency in charge of implementing CF proposal)
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
TPR	Trade Policy Review
TRS	Time Release Study
VAT	Value Added Tax
WBG	World Bank Group
WTO	World Trade Organization

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INTRODUCTION

This fifth IFR for LCT Project presents financial position of the project covering period from January 1st to June 30th, 2021.

This current report summarizes key outputs of the LCT Project delivered during the first half of 2021. It also highlights major implementation challenges and key priorities for the second half of FY 2021. Indicative activities and budget plans for the remaining period of project until December 2024 are also provided by components/pillars as parts of detailed work plan and budget¹.

The Report is primarily compiled from periodical financial reports as well as progress reports submitted by implementing agencies and sub-implementing agencies as well as Aide-memoires of the project implementation support missions conducted by the World Bank, DFAT, Ireland, and USAID teams as well as extensive discussions between NIU and both IAs/Sub-IAs.

Key project outputs for the reporting period can be summarized as following:

- Finalization of all technical outputs under A.1- Making it easier to start a business, namely reform action plan and functional required specifications of online business registration;
- Finalization of package of best practice business licensing guidelines and completion of comprehensive portal of inventory of business licenses (IBL) - <http://www.bned.moic.gov.la/>, and establishment Intra-Ministry and Inter-Ministerial coordination structures for streamlining business operating licenses;
- Strengthened progress reporting mechanism on DB Report regulatory reform and approval of additional CF proposal to strengthen legal right framework for getting credit;
- Encouraging start with developing Joint Risk Management Framework at borders through issuing clear instructions by NTFC, establishment of inter-ministerial risk management committee, drafting of Memorandum of Understanding (MOU) and Standard Operating Procedures (SOPs) to guide collaboration between LCD and key border agencies, and completion of the Time Release Study (TRS) for 2020;
- Good progress in developing risk management framework and post clearance audits for animal quarantine and food safety;
- Advisory services and support through matching grants under BAF are on track of achieving pre-defined targets despite adverse impact of the COVID 19 pandemic;
- PPD under LBF has been gaining stronger public support, including attention from policy makers and efforts to improve inclusiveness are being paid off with stronger participation from foreign investors;

¹ Detailed work plan and budget is provided in separate excel sheet.

- Collaboration between various PSD related inter-ministerial coordination structures such as LBF, NTFC, DB Reform initiative have been established;
- Adequate project implementation support is being provided to all IAs and Sub-IAs, M&E and Gender infrastructure have been developed;
- Despite adverse impact of the pandemic, project implementation at intervention level remains strong. As of June 30, 2021, the total expenditure for the project stood at **USD 5,777,012** and total outstanding commitment is **USD 2,379,605** (including outstanding LOAs under BAF). Financial management and procurement are on track with the FM manual and procurement guideline and plan. The project financial statements for FY 2020 were audited by an independent auditor, who concluded that the financial statements are fairly and appropriately presented without any identified exceptions, and in compliance with prevailing financial rules and regulations set out in the project financing/grant agreements. As of 30 June 2021, most of procurement activities especially the large packages of QCBS under Procurement Plan approved when the project started, has been completed. This includes completion of the 03 major QCBS contracts and 62 procurement activities.

Although project implementation progress towards the PDO is advancing and was rated *Moderately Satisfactory* during MTR, mobility and travel restrictions imposed amid COVID-19 continue to pose challenges across all components although to a varying extent. As highlighted in the MTR, significant progress has been made in delivering technical outputs under all pillars/components, but translating those outputs into necessary policy changes remains challenging, especially under Pillars A and B.

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.

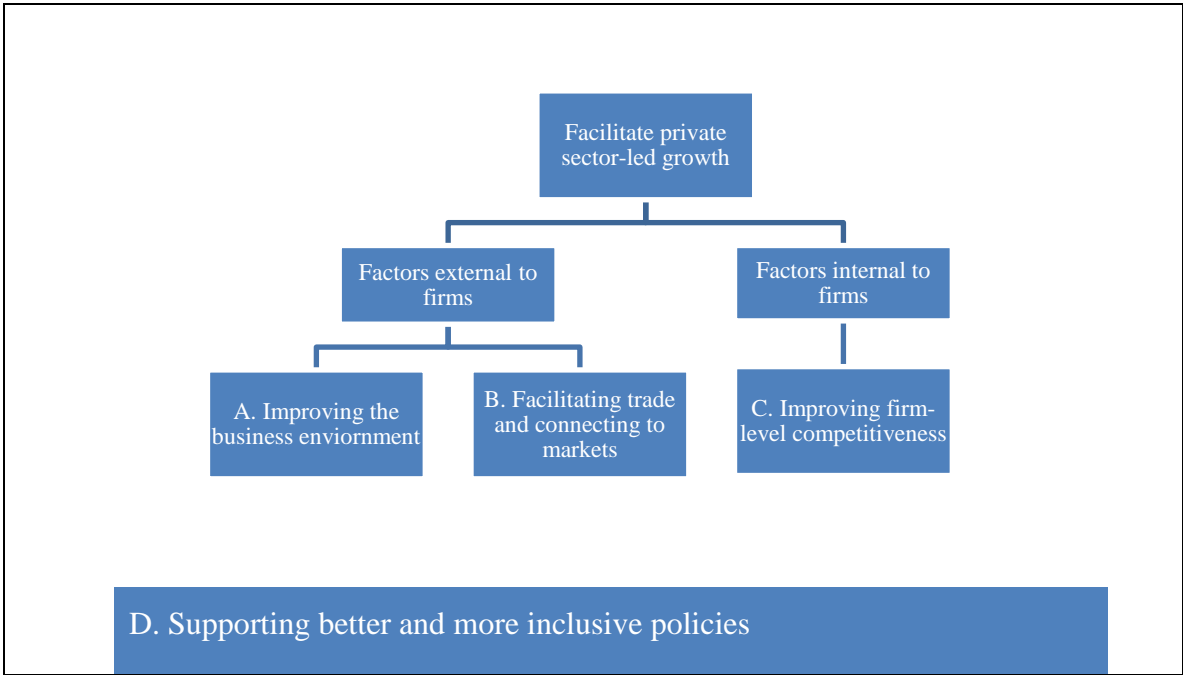
As described in the Project Appraisal Document,² the project has four pillars:

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.

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).

Basic Structure of LCTP



Source: LCTP PAD

II. ACHIEVEMENTS OF THE CURRENT PERIOD AND PRIORITIES FOR SECOND HALF OF FY 2021

The overall budget performance of LCT Project achieved 47% during the first semester of fiscal year 2021 of the project implementation. This semester period covers from January 01st to June 30th, 2021.

Expense by Component from 1 Jan to 30 June 2021				
Components	Actual	Budget	Variances	%
A. Improving the Business Environment	\$387,681	1,278,553	\$ 890,872	30%
B. Facilitating Trade and Connecting to Markets	\$261,872	1,009,737	\$ 747,865	26%
C.Improving Firm-Level Competitiveness	\$634,133	582,375	\$ (51,758)	109%
D.Supporting Better and More Inclusive Policies	\$286,225	458,508	\$ 172,283	62%
Grand Total:	\$1,569,911	\$3,329,173	\$1,759,262	47%

Actual expenditure for the whole project for the reporting period accounts for 47% mainly due to the impact of COVID-19 containment and mitigation measures imposed within and outside the country as well as over optimistic work plan and budget plan.

For more detail – see explanation in each component below.

1. Pillar A: Improving the Business Environment

For this reporting period, expenditure of US\$ 387,681 has been recorded for Pillar A, representing a decrease of 29% compared to the previous reporting period. There is unspent variance of US\$ 890,872 resulting in utilization of only 30% of budget for the reporting period. As mentioned above, this was caused by postponement of planned activities for workshops, seminars and reduced activities of international consultants based outside Laos due to restrictions related to COVID-19 prevention and mitigation measures imposed, especially lockdown imposed during Q2. Ongoing international travel restrictions and government measures on COVID-19 containment continued to be major challenges/issues for implementation delay of the project activities. Moreover, low spending rate also caused by delay in implementation of approved CF proposals under component A3 in particular the CF proposals on property registration of the Land Department and Enforcing Contract.

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.

Implementation progress

During the reporting period, DERM and concerned line Ministries/agencies' efforts to further improve simplification of procedures for starting a business focused on the following areas:

- 1) Monitoring and supporting Vientiane Capital in implementing regulatory reform measures adopted in 2000, including revision of the Enterprise Law;
- 2) Finalization of all remaining outputs of the TA package provided through JC&A, including finalization of detailed functional required specifications of the online business registration system; and
- 3) Implementation of agreed actions from the Mid-term review mission and finalization of interventions under additional financing package.

DERM continued its efforts to disseminate information on simplified procedures for starting a business through holding public consultation workshops, distribution of reader friendly and gender sensitive infographics in closed collaboration with Vientiane Capital Office of Industry and Commerce. In total 137 participants from key concerned public sector from central level and Vientiane Capital and business community participated in the workshops. In order to improve enforcement of new procedures at local level, DERM technical team and TA team from JC&A held several technical meetings with officials from Vientiane Capital Office of Industry and Commerce to improve their understanding of new procedures for starting a business as well as future reform action plans.

In order to fully implement simplified procedures for business registration on taxation, namely orientation seminar and activation of TIN at tax authority, DERM reached agreement with the Tax Department to issue specific notification in the coming months. To improve effectiveness of SAB Task Force, an action plan with clear and time-bound actions, and reporting mechanism has been developed and endorsed by the Task Force. Among others, DERM has committed to use time tracking tool embedded in the Enterprise Registration System to monitor time required to issue ERCs across all EROs.

Following recommendations from the Mid-term review, the Law on Enterprise Revision Team decided to conduct a holistic and comprehensive review of the LoE through engaging external international and national legal experts in the process. Currently, detailed TORs for both international and national legal experts are being reviewed by WBG's legal team. To ensure sufficient time for comprehensive review of the LoE, MoIC management has submitted request to extend deadline for submission of revised LoE from end of 2021 to end of 2022.

JC&A completed all required deliverables under the contract and all major outputs have been translated into Lao language and final editing is expected to be completed in the next two months.

As part of comprehensive support to develop online business registration system, a part time national IT expert is being recruited. Selected consultant is expected to be on board by end of August. The national IT expert will assist DERM in the implementation of online business registration system based on approved functional requirement specifications, including

providing inputs to preparation of bidding documents, evaluation of bids as well as supervision of the system development, testing and roll out.

NIU is making good progress in preparing bidding documents, which will be reviewed and endorsed by dedicated project team to be established by DERM. To date, DERM has prepared list of project team members, which will be submitted to MOIC management for approval within July 2021.

All actions agreed during the Mid-term review, including defining detailed scope of national and international TA to revision of LoE and adoption of time-bound action plan by Task Force were completed within agreed deadline.

Through closed consultations with development partners and key stakeholders, it was agreed during the MTR, appraisal mission and AF package negotiation that the following activities will be further supported under additional financing package:

- i. *Increase human and IT capacity at MOIC to implement online service delivery.* The AF would be used for infrastructure support including inter alia servers and computers but also support through consultancies that would ensure training of officials. On-line services reduce interactions and improve efficiency of response, and therefore lower the risk of contagion of COVID-19.
- ii. *Improve MOIC communication of reform across all components and strengthening reform feedback mechanisms in a COVID-19 context.* The objective is to change perceptions and attitudes towards government service delivery and raise the private sector awareness and leverage its role to raise the pace for reforms. Activities supported would include, inter alia, a rebranding of business registration offices at central, provincial and district level. The offices would have re-designed and streamlined workflow and service standards to limit face-to-face interaction and ensure fast and safe service delivery in a COVID-19 context. Rebranding effort will include gender-focused messages and, where appropriate, local languages in signs and materials.

Implementation Challenges

While most challenges identified in the previous progress report such as inconsistent implementation of reform measures at local level, existing perception of time cost and regulatory burden by private sector, especially SMEs, lack of comprehensive monitoring system in most offices, confusion about definition on SAB used in WBG DB report and actual practice of obtaining business operating licenses/permits/certificates remain, continued outbreak of COVID-19 and its containment/mitigation measures are having additional impact on project activities due to difficulties in recruiting consultants, need for adapting to new working environment such as working remotely with recruited consultants and provincial authorities.

Priorities for 2nd Half of 2021

- Activate inter-ministerial SAB Task Force and initiate implementation of time-bound plan of actions, including:
 - Conduct systematic capacity building activities for local authorities;

- Continue working with Tax Authority to adopt a unique business ID and IT system integration and interoperability and seek solutions to issue related to tax orientation and VAT registration;
- Continue streamlining procedures for starting a business outside MOIC focusing on company seal and registration of company Articles of Association;
- Establish dedicated project team for online business registration system and commence process of recruiting consulting firm;
- Continue to improve time tracking system of the National Enterprise Registration Database; and
- Continue to implement communications plans to inform public sector stakeholders and general public, particularly business community about new reform measures.

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.

During the second support mission it was agreed and confirmed by both DERM and IPD management that full responsibility over streamlining operating licenses has been moved to DERM.

Implementation Progress

Key activities during the reporting period included:

- 1) Reorganization of implementing structure for business operating licensing reforms within and outside MOIC;
- 2) Finalization of “Best Practice Licensing Guidelines”; and
- 3) Implementation of agreed actions from the Mid-term review mission and finalization of interventions under additional financing package.

Following decision to transfer full responsibility in leading and coordinating licensing streamlining component to MOIC and improve better coordination, MOIC management decided to establish two different Task Forces: 1) coordinate implementation of licensing reform within MOIC; and 2) coordinate licensing reform outside MOIC. The first TF is led by the Cabinet of MOIC, and the second TF is led by DERM and consisting of representatives from all Ministries that issue business operating licenses.

The two newly established task forces focus their efforts in finalizing “Best Practice Licensing Guidelines” into Local language and holding technical workshops on those guidelines to enhance capacity of their members in implementing risk-based licensing regime.

Due to the delay in establishing inter-ministerial TF to coordinating licensing reforms outside

MOIC, little progress is being made on most agreed actions during the MTR. These include adoption of 20 priority licenses to be simplified, issuance of guidelines for updating IBL Portal as well as discussions on establishment of centralized licensing authority.

Within MOIC, Department of Industry and Handicraft in charge of issuing operating licenses for all manufacturing activities have drafted Ministerial Regulation to classify all manufacturing activities based on their level of environmental impact. This document will serve as basis for identification of activities that require operating licenses.

Highlight of the current reporting period for A2 is launch of comprehensive portal of inventory of business licenses (IBL) - <http://www.bned.moic.gov.la/>.

The IBL Portal is an online catalogue of all the licenses, permits, certificates, and other types of government authorizations from all licensing authorities that individuals have to obtain to start and operate a business in Lao PDR.

The IBL is a powerful tool for businesses to find the information in a single location of all the licenses individuals have to obtain to start and operate a business for the first time in Lao PDR. Its database currently has over 350 licenses⁴.

Each of the published formalities in the IBL includes the following information (Figure 6 shows the information on the web portal):

- General information to identify the license.
- Legal framework to request the license and the process.
- Required documents and supporting evidence.
- Means of presentation.
- Information to renew the license.
- Fees.

⁴ The JC&A increased the formalities included in the IBL from 208 during the TDF project in 2018 to 360 formalities by 2021 during this Project.

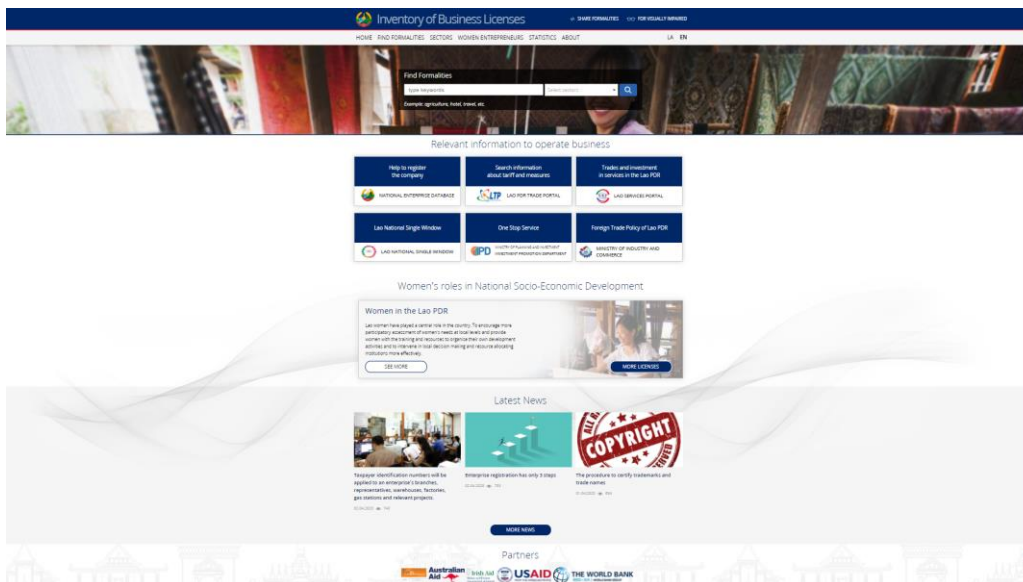
Information in the IBL

Certificate for Enterprise Registration of Company Limited <i>ໃບທະບຽນວິສາຫະກິດຂອງບໍລິສັດຈຳກັດ</i>		ໃບທະບຽນວິສາຫະກິດຂອງບໍລິສັດຈຳກັດ <i>Certificate for Enterprise Registration of Company Limited</i>	
GENERAL INFORMATION		ຂໍ້ມູນທີ່ໄດ້ຮັບຈາກຂະແໜງການທີ່ກ່ຽວຂ້ອງ	
Type of formality	Certificate	ປະເພດເອກະສານ	ໃບຢັ້ງຢືນ
Date of last modification	01.09.2020	ວັນທີເຜົາໂຂ້ຂໍ້ມູນລ່າສຸດ	01.09.2020
Responsible Authorities	Department of Enterprise Registration and Management	ພາກສ່ວນທີ່ປຶກສາຮ່ວມ	ກົມທະບຽນ ແລະ ຄຸ້ມຄອງວິສາຫະກິດ
L-SIC	All sectors	L-SIC	ທຸກພາກສ່ວນ
Who should complete this business formality?	Those who intend to invest or conduct business in Lao PDR.	ຜູ້ທີ່ສາມາດຍື່ນສໍາເລັດການ	ຜູ້ທີ່ມີຈຸດປະສົງຈະລົງທຶນ ຫຼື ດໍາເນີນທຸລະກິດຢູ່ໃນ ສປປ ລາວ
Qualifications needed by the business to get the formality	N/A	ເງື່ອນໄຂໃນການສໍາເລັດການ	ບໍ່ມີ
Additional Comment	The company limited will be suspended as follow: 1. The company limited could not operate within 90 days after the certificate is issued. 2. The company limited violates the contract with the government, or other relevant regulations, and laws.	ຄໍາເຫັນເພີ່ມເຕີມ	ບໍລິສັດຈຳກັດ ຈະຖືກຊົ່ງໄຈ ໃນກໍລະນີດັ່ງນີ້: 1. ບໍລິສັດຈຳກັດບໍ່ສາມາດເຄື່ອນໄຫວໄດ້ພາຍໃນ 90 ວັນ ນັບແຕ່ມີວັນຕົ້ນທະບຽນ 2. ບໍລິສັດຈຳກັດ ລະເມີດສັນຍາກັບລັດຖະບານ, ລະບຽບ ແລະ ກົດໝາຍທີ່ກ່ຽວຂ້ອງ
LEGAL FRAMEWORK		ກົດໝາຍ ແລະ ນິຕິກຳທີ່ກ່ຽວຂ້ອງ	
Name	Number	Date	Comment
Law on Enterprises (Revised)	46/INA	26.12.2013	Part II Enterprise Chapter 2 Enterprise Registration (Article 14 to Article 18) Part V Company Chapter 2 Company Limited (Article 91)
Decision on Enterprise Registration	0023/MoIC.DERM	09.01.2019	Part II, Chapter 2 (Article 14 to 18) Part V, Chapter 2 (Article 91)
Presidential Ordinance on Fees and Service Fees	003/PO	26.12.2012	Part II, Article 11
ຊື່	ເລກທີ	ວັນຕົ້ນທີ	ໝາຍເຫດ
ກົດໝາຍດຳລັດວ່າ ວິສາຫະກິດ (ສະບັບປັບປຸງ)	46/ສະຊ	26.12.2013	ພາກທີ II ວິສາຫະກິດ ສະໂມດູນທີ 2 ການຍື່ນທະບຽນວິສາຫະກິດ (ມາດຕາ 14 ຫາ ມາດຕາ 18) ພາກທີ V ບໍລິສັດ ສະໂມດູນທີ 2 ບໍລິສັດຈຳກັດ (ມາດຕາ 91)
ຂໍ້ຕົກລົງລະດັບອຳນາດສູນທະບຽນວິສາຫະກິດ	0023/ສສ.ກສສຄ	09.01.2019	ພາກທີ II ວິສາຫະກິດ ສະໂມດູນທີ 2 ການຍື່ນທະບຽນວິສາຫະກິດ (ມາດຕາ 14 ຫາ ມາດຕາ 18) ພາກທີ V ບໍລິສັດ ສະໂມດູນທີ 2 ບໍລິສັດຈຳກັດ (ມາດຕາ 91)
ລັດຖະບັນຍັດຂອງປະທານປະເທດ ສປປ ລາວ (ລາຍຮັບ ຄ່າຮັບທຽມ ແລະ ຄ່າບໍລິການ)	003/ປສທ	26.12.2012	ສະໂມດູນທີ II, ມາດຕາ 11

For Lao PDR authorities, the IBL allows businesses to be aware and understand the regulation and licenses to be enforced, to address ways to improve them, and to seek efficiencies in particular reducing duplication, overlaps and contradictions. It helps to communicate the process from the central authority to provincial and district governments. And finally, the IBL will help generate efficiencies within the public administration and improve public servants' understanding of the regulatory framework.

For businesses, national and international, micro, small, medium or large, the IBL will reduce the cost of understanding the obligations and requirements and, therefore, the need for compliance (or not). It will also reduce the excessive discretion that some public official or inspectors could have. Overall, the IBL will work as a single One-Stop-Shop that will provide information and templates reducing time and costs for complying (and risks of informality or illegality).

The IBL also has long-lasting effects, as it also improves society's perception of the services provided by the State, helping to renew the relationship between the Government and citizens. This tool is a watershed to generate an improvement in the business climate and the relationship between the citizen and the Government, generating greater trust and a better perception of the State's services. Currently, the IBL is under the National Enterprise Database domain at <http://bned.moic.gov.la/en>.



As agreed by all parties, the additional financing will provide further support to implement reforms of licensing and other regulatory compliance instruments (incl. risk-based approaches) and corresponding capacity building. The AF would support inter alia the move of information on operating licensing procedures to online platforms for businesses.

Implementation Challenges

A majority of challenges identified earlier still remain. They are: 1) lack of national licensing policy; 2) lack of priority setting; 3) lack of legal framework for systematic update of IBL Portal; and 4) sustainability of the IBL Portal beyond project duration.

Similar to other components, A2 is experiencing similar impact from ongoing outbreak of the pandemic.

Priorities for 2nd Half of 2021

- Official launch the Inventory of Business Licenses Portal – IBF Portal;
- Leverage PM Order No. 03 to get licensing issue on the national agenda;
- Adopt Ministerial Decision on implementation of risk-based licensing regime within MOIC;
- Adopt National Licensing Guidelines/Policy;
- Adopt 20 priority licenses to be streamlined;
- Develop plan for maintenance and updating of IBF portal; and
- Carry out a series of capacity building and knowledge sharing workshops/events.

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 lead agency in coordinating and supporting implementation of specific regulatory reforms based on PM Order No. 02 and prepare periodical DB reform memos and monitor implementation progress of indicator specific action plans.

Implementation progress

Key activities included: 1) dissemination of the reform update memo and expansion of reform task force's membership with representatives from private sector; 2) support implementation of three approved CF proposals, namely: resolving insolvency, registering property, and enforcing contract and development of new proposals; and 3) address specific issues raised during the MTR.

IPD has strengthened its PM Order No. 02 monitoring functions through preparation of progress report to high level management on monthly basis and concentrated resources on supporting implementation of newly adopted regulatory measures to improve their enforcement, especially at local level.

All three active CF proposals above have been experiencing significant delay due to a number of both internal and external factors, however through extensive consultations of all parties involved key bottlenecks have been removed. For example, currently all required international and national consultants under resolving insolvency proposal have been on board, procurement issue under registering property proposal has been resolved – procurement of IT firm for upgrading of Department of Land (DOL) is in advanced stage, and all planned consulting contracts under contract enforcement proposal have been finalized.

One new proposal designed to strengthen legal right framework for Getting Credit in Lao PDR has been approved. Among others, the proposal will support comprehensive review of existing legal framework (including laws and regulations/ administrative guidelines) governing secured transactions and assess current practice of secured transactions in Laos in line with international/regional good practice and make concrete recommendations to improve existing framework through revisions and or development of necessary implementing regulations/ guidelines.

Per recommendation from the MTR, key performance indicator (KPI) to incentivize line agencies to advance reform and enhance accountability under PM order No. 02 have been drafted for further consultations by the TF members.

Implementation challenges

- Developing and adjusting reform coordination mechanism as well as building technical expertise in business regulatory reforms takes more time than expected; and
- Lack of experience in developing and implementing challenge facility modality discourages lead agencies in applying for CF Fund.

Priorities for 2nd Half of 2021

- Continue strengthening inter-ministerial coordination mechanism and reporting implementation progress;

- Continue capacity building activities for secretariat and lead Ministries and Agencies;
- Support implementation and enforcement of reform measures under priority indicators, namely: Starting a Business, Dealing with Construction Permits, Getting Electricity and Paying Tax;
- Explore opportunities for 03 additional CF proposals and
- Support implementation of all 04 approved CF proposals.

2. **Pillar B: Facilitating Trade and Connecting to Markets**

During the reporting period, actual expenditure of US\$ 261,872 has been recorded for Pillar B. There is unspent variance of US\$ 747,865, resulting in utilization rate of only 26% of the budget. Main causes for this large variance is the lengthy procedures for procuring some equipment required for border agencies especially the identification of technical specifications of each item was time consuming, several rounds of back and forth communications; delay of activities implementation by each implementing agencies and also the delay caused by unexpected cases caused by some specialised international consultants who could not complete their deliverables as stated in their contracts and timelines in particular the consultants recruited for LCD. Another reason is due to the impact from the pandemic of COVID 19 on the restriction of international travels and international consultants could not come to Laos in order to provide some specific trainings such as E-STAT system under DIMEX’s CF and other border agencies such as Lao Customs Dept., Dept. of Agriculture, Dept. of Livestock and Fishery, and Dept. of Food and Drug Administration.

Pillar B is designed to support implementation of the provisions of the WTO TFA.⁵ 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.

⁵ Lao PDR was the 18th WTO member to formally accept the WTO TFA (in September 2016).

Implementation progress

B.1 Support of the National Trade Facilitation Committee

Although the semi-annual committee has not taken place due to the impact of the COVID-19, the secretariat has held regular technical meetings with key members and private sector to address specific trade facilitation issues, especially issues related to implementation of COVID-19 mitigation measures. The secretariat has played very active roles in assessing and reporting on the impact of COVID-19 containment and mitigation measures on domestic movement, cross-border movement, and transit of goods; and recommend appropriate strategies and measures to ensure the right balance between public health concerns and impact on logistics and transport system in the new environment. To date, 18 out of 36 TF measures included in the National Trade Facilitation Roadmap have now been implemented and action has been initiated on a number of outstanding measures.

Time Release Study (TRS). The 2020 TRS report was finalized. The study results indicate substantial reduction in average time from submission of customs declarations to customs release of goods from average time of 08 hours and 10 minutes in 2019 to 05 hours and 07 minutes in 2020. However, the reduction in average time was observed only in 06 out of 10 major international checkpoints covered by the study. In addition to measuring time for releasing goods at customs checkpoints, the study in 2020 also examined time in issuing permits/certificates by key border agencies, the results show average time among agencies ranges from 23 hours to more than 4 days. The study also proposes a number of specific recommendations for LCD to reduce average time for releasing goods and all non-customs border agencies to reduce average time in issuing relevant permits and certificates. The TRS will form the basis of workshops with officials and agencies to identify opportunities for improvement.

Public Sector Perception Surveys. The first of series of perception surveys is being carried out by external consulting firm through competitive selection. The survey aims to gain perception of general public on implementation of TFA measures and effectiveness of NTFC in monitoring their progress with recommendations for improvement and validate the project's new end target commitments under TFA of 80 % by the end of 2024, from a baseline of 21% at its start. Because of the lockdown measures imposed from April 2021, contracted company just resumed their planned key stakeholders' interviews in late June and new completion date has been postponed to end of September 2021.

Joint Risk Management Framework (JRMF). The work has been initiated on developing a JRMF with formal instruction on modalities and implementation arrangements issued by MOIC in January 2021. Following decision of the NTFC made in its meeting held in December 2020, a specific order was issued by NTFC Vice Chair on 21 of January, 2021 directing the concerned departments to undertake following responsibilities:

- 1) Set up Risk Management Unit (RMU) at the department level.
- 2) Establish a Joint Risk Management Committee (JRMC) consisting of the RMU of each department and relevant border agencies as committee.
- 3) Develop detailed instructions on implementing risk management for border agencies such as Standard Operating Procedures (SOPs).

- 4) Sign a joint Memorandum of Understanding (MOU) officially on implementing risk management and Post Clearance Audit (PCA).

On April 27, 2021 a Joint Risk Management Committee (JRMC) was also established by Minister of Finance. The Committee is led by DG of LCD and consists of representatives from all concerned border agencies, including FDD, DOA, and DOLF. All concerned departments have reached consensus to cooperate in implementing risk management framework and joint inspection of goods in all international checkpoints. In order to facilitate this cooperation among key border agencies, detailed MOU and Standard Operating Procedures (SOPs) have been developed, however, more consultations are required to finalize both MOU and SOPs.

Collaboration between the NTFS and Lao Business Forum (LBF) Secretariat has been enhanced in the past year with discussions taking place on priority trade facilitation issues. Several trade related issues had been raised with the NTFS and resolved satisfactorily. The NTFS and the LNCCI are collaborating closely on facilitating public private consultations on trade facilitation issues raised at both national and provincial level as well as preparations for the 13th LBF.

With targeted technical support under CF proposals, integrated risk management framework and post clearance audit/ post entry surveillance and audit have been drafted for food products, animal quarantine's border operations under responsibilities of FDD and DOLF, however, similar works under LCD and DOA are experiencing significant delay due to both internal and external factors.

B2. WTO Trade Facilitation Agreement Challenge Facility (CF)

With approval of DOMM's proposal on "Promoting simplified and enhanced mineral export procedures" submitted on July 01, 2021, 100 percent of the CF fund will be fully committed.

Implementation of all these proposals is experiencing delay due to slower than expected recruitment process as well as impact of COVID-19 related travel restrictions. All 04 approved CF proposals will require no-cost extension by another 06 to 12 months. It is too early to assess results of the CF proposals at this stage.

DIMEX's CF project. The project has facilitated the classification of 327 domestic NTMs with 51 high priority measures identified for streamlining. Reviews of NTMs have been undertaken for fuel and lubricants, cultural products, vehicles, and mineral products, with a range of recommendations made for rationalization and simplification.

On the E-Statistics System support, about 75 percent of required tasks have been completed and an MOU between DIMEX and LCD on sharing trade from ASYCUDA to E-Stat system has been signed, however, some remaining issues (lack of connectivity to ASYCUDA, lack of standard extraction data format from ASYCUDA, and finalization of report format) will need to be resolved in the next 3-4 months.

Lao Customs Department (LCD) CF project has been delayed due to the unavailability and/or unsuitability of international consultants, however, some work has continued on implementation of the Customs-related aspects of the TFA. With approval of the new Customs Law in August 2020, the current focus is developing the necessary implementation

rules, regulations and associated procedural changes. Work is continuing on preparing the necessary reforms but has been hampered by a lack of international expert technical advice. Urgent attention is now being paid to recruiting two new international consults to facilitate completion of this work program.

The LCD has established a Risk Management Unit tasked with strengthening the LCD's capacity to research and analyze data and regularly update risk profiles. The Unit will also lead work on establishing the cross agency IRMF and incorporating profiles for DOA, DOLF and FDD as well as other agencies that LCD perform delegated controls on behalf of.

The DOA and DOLF CF project. This sub-project is focused on implementing risk management for animal and plant Quarantine at the border as well as introducing for post entry surveillance and audit disciplines. With support from recruited consultant, DOLF has completed a gap assessment of regulatory issues and has developed preliminary risk categorizations to inform future risk profiles. A Risk Management Committee consisting of officials from key operational areas and border checkpoints has been formally established and SOPs have been drafted covering key the importation of key animal and animal products. Officials now need access to ASYCUDA historical transaction data to make further progress. Work is also progressing on classification of products to the HS. Given the delays experienced due to COVID-19 and the scope and complexity of the project, it is envisaged that an extension of time and provision of additional resources will need to be allocated to achieve the expected outcomes and impact of the project. Similar work plans for DOA have not been implemented due to inability of recruited consultant to work remotely with the team. The issue is being discussed with DIMEX and NIU.

The FDD CF project. This project has focused on implementing risk management at border checkpoints and establishing Post-Clearance Audit for strengthening regulatory compliance in food safety. Progress to date has been satisfactory with a committee on risk management established and capacity building for officials conducted. Internal meetings with departmental stakeholders have been conducted with participation of officials from provincial offices. A comprehensive work program has been developed and a gap assessment undertaken covering existing standards, regulations, and procedures. All manuals and SOPs relating to border inspections have been reviewed and are currently being revised. Capacity building for officials in risk management, product categorization, and development of risk profiles for inclusion in ASYCUDA has been undertaken. A preliminary meeting with Customs has been held to discuss incorporation of FDD profiles in the ASYCUDA selectivity module. In the next phase FDD will start the activity to develop post entry surveillance and audit capabilities.

During the MTR as well as appraisal mission of the additional financing to the LCT Project, it was agreed to provide additional resources of USD800,000 to support the following new activities:

- i. *Strengthen the capacity of the ASYCUDA ICT team to better support participating agencies (DOA, DOLF, FDD) in developing and implementing an integrated risk management framework and joint inspection regime; and*
- ii. *Strengthening the capacity of DIMEX to support and expand their provincial Trade Facilitation Committee engagement including the implementation of the*

Decree on Border Checkpoint and International Airport, No.558/PM, dated 31 December 2018.

Implementation challenges

Key challenges identified earlier such as getting buy-in from key border agencies to implement TF Roadmap and TFA commitments, slow process of resolving specific issues raised by private sector through NTFC mechanism, inconsistent and poor enforcement of regulations and guidelines among key border checkpoints, and limited pool of national and international experts in specific TF areas are affecting implementation progress of Pillar B activities.

Priorities for 2nd Half of 2021

- Leverage NTFC to support implementation of NTF Roadmap measures, streamlining high priority NTMs and address TF issues raised under PPD mechanism;
- Strengthen implementation support to all 05 CF proposals;
 - Accelerate adoption of integrated risk management framework and commence joint inspection as soon as possible;
 - Implement targeted actions to simplify procedures related to trading across border indicator of DB report.
- Finalize detailed implementation arrangement to strengthen ASYCUDA ICT team and capacity of DIMEX to support and expand their provincial TFC engagement.

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

During the reporting period, the actual expenditure of US\$ 634,133 has been recorded for Pillar C, which includes BAF2 disbursed matching grants of US\$ 516,866. This amount also includes 45 SMEs claimed during this semester. There is the over-spent variance of US\$ 51,758, resulting in 109% of budget utilization for the reporting period.

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

Implementation progress

The BAF II team was mobilized within one month of contract signing, and full operations commenced at the beginning of May 2019, commencing with an inception phase. An official launch of BAF II was enacted on 22nd July 2019, chaired by the Minister of MoIC. The BAF II website and application portal went live within the first three months of operations.

Despite the adverse impact of COVID-19, and the various mitigation measures and other protocols placed on businesses since March 2020, demand for BAF II's offerings has remained relatively robust. Demand for BAF II's (pro bono) generic advisory work has been strong throughout, and the relative strength of demand for grants has also surprised on the up side, even though companies must 'match' these funds. As of end-June 2021, 883 firms had some degree of one-to-one engagement with BAF II, of which 63.5% are women-led.

As of end-June 2021, 175 grant recommendations had been submitted to NIU, with an aggregate matching grant figure of roughly US\$1,132,600. As of the same date, 169 grants had been approved by NIU, valued at roughly US\$1,116,845, of which 107 (63%) were to women-led companies, and 21% were to firms headquartered outside of Vientiane Capital. Of these, 98 grants had been completed and funds disbursed, valued at US\$607,610.⁶ As of end-June 2021, there were 67 'live' grants in operation, representing contingent liabilities to BAF II of US\$457,590.

To date, just four grants have been cancelled by the relevant firm, representing US\$27,113, in addition to US\$24,528 in under-spend from disbursed grants.⁷ Such a low attrition rate during a global pandemic is surprising.

The anticipation is that this demand will further increase as Laos enters the post-pandemic phase, and companies seek to pivot their business models to respond to changes in market behavior seen during the pandemic. For example, businesses shifting towards greater e-commerce sales and marketing activity, as well as new and different customer and client offerings. BAF II's assistance in this context is expected to be particularly valuable, and we continue to see a role for BAF II in helping 'Lao Inc.' to 'snap forward' (as opposed to 'snapping back') in a post-COVID-19 business environment.

Since Q3 2020, BAF II has placed increased emphasis on online and social media platforms as a way of engaging with the private sector in Laos. BAF II's Facebook page now has over 1,750 followers and is thus serving as an effective outreach vehicle. For a few months in Q2 2020 and again in Q2 2021, the BAF II team shifted to a working from home (WFH) mode, in order to be compliant with public health protocols. While this made it impossible to conduct in-person site / company visits, the usual work of the BAF II team continued.

By end-June 2021, 824 companies had registered on the BAF II website; up from 514 at end-June 2020. This includes 107 BDS providers.

⁶ A further US\$141,623 has been paid in tax by BAF II.

⁷ Under-spend is when the amount disbursed is less than the amount stated in the initial grant contract, typically due to the fact that not all of the activities are completed in full and/or to the satisfaction of the grant team.

BAF II portfolio breakdown, as of end of June 2021.

Breakdown metrics	Jan. to June 2021	Accumulated figure from 2019
Total registered applicants, to date	131	824
Total number of draft submissions (ie., incomplete grant applications)	36	168
Total grant submissions rejected, to date	1	18
Total number of grants approved by NIU, to date ('green grants')/ (women-led businesses)	54/36	169/(107)
Proportion of grants for women-led businesses (number/amount)	36/US\$210,851.50	107/ US\$676,266.98
Total grants suspended / cancelled to date ('red grants')	3	4
Total BAF II matching grant support available (US\$), including tax		\$2,300,000
Total US\$ amount of grants approved to date - BAF II's contingent liabilities/ (women owned businesses)	US\$282,467.50	US\$1,116,843.75/ (US676,266.98)
Total number of grants fully disbursed, to date / (women-led businesses)	45/27	98/ (64)
Total amount disbursed, to date / (women-led businesses)	US\$406,103.69/US\$165,899.85	US\$607,610.46/ (US\$324,791.32)
Remaining US\$ cash to be allocated to new grants (including taxes)		US\$1,093,175

Source: BAF II team.

Implementation challenges

- The primary challenge has been that posed by COVID-19 and the various protocols enacted to respond to the pandemic, which have had a marked impact on business activity, particularly for some sectors that have been hugely affected, such as tourism and hospitality, as well as other sectors that relied heavily on foreign in-bound tourists. This has inevitably had an effect on aggregate demand for BAF II's grants, given the requirement that applicant firms must 'match' the grant funding provided, at a time when cash flows are under pressure and non-essential spending has been cut

back. But grant demand remains adequate, and demand for advisory from BAF II remains strong.

- More specifically, a number of grantee companies have been unable to complete the BDS activities agreed under a grant contract as a consequence of their dependence on non-Lao BDS providers that have been unable to enter the country, due to border closures. In such cases, BAF II has been obliged to provide extensions in the terms of the relevant grant contract, until such time as borders re-open and overseas BDS providers can enter the country to complete their work. As a result, the number of grant disbursements is lower than we would have envisaged at this point.
- As we move into the post-pandemic period, there will be changes in the way that business activity resumes, markets behave, and what customers and clients will demand from product and service offerings. This will create a more unpredictable and challenging business environment in which BAF II's advisory and grants will be expected to perform, and deliver meaningful support to companies in Laos. As such, the BAF II team will need to keep abreast of developments in order to ensure that the facility stays relevant and of utility.

Priorities for 2nd Half of 2021

1. With the extension of the LCT umbrella project, and additional funding, BAF II has been given a target increase of 500 matching grant disbursements by April 2024. In addition, BAF II is mandated to provide at least 100 matching grants to companies directly and adversely impacted by the pandemic, and to recover from the shock incurred. Thus, the core work of the BAF II team – i.e., i) pro-bono generic business advisory provision, and ii) the sourcing, enactment, monitoring and disbursement of matching grants - will remain constant.
2. As long as the pandemic continues, and various restrictions remain in force, the BAF II team will focus on maintaining the pace of work and grant disbursements, despite the more challenging environment in which to operate. If the pandemic begins to abate before the end of 2021, the BAF II team will be focusing on resuming non-virtual outreach and engagement work. A priority will be to enact more outreach and marketing events in southern Laos.
3. Within the context of the rationale for the LCT project's time extension and additional funding, the BAF II team will be looking at ways to actively contribute to the post-pandemic economic recovery agenda in 2021-24. This will include efforts to support companies that are seeking to better position themselves in the post-pandemic period, as well as an increase in efforts around outreach beyond Vientiane Capital.
4. With the Chinese railway provisionally due to commence commercial operations in December 2021, the BAF II team will be exploring ways of supporting Lao companies to leverage the potential economic opportunities arising from this, particularly in northern provinces.
5. As the number of grants disbursed increases, and the knowledge gained by the BAF II also increases, we will be looking to generate more knowledge products (e.g. case studies) and other materials that Lao companies may find useful and inspiring.

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

During the reporting period, actual expenditure of US\$ 286,225 has been recorded for Pillar D. There is unspent variance of US\$ \$172,283, resulting in utilization rate of 62% of the budget. This was mainly caused by delay in recruitment of M&E Officer and cancelation of some capacity building activities, one sector working group meeting and postponement of annual Lao Business Forum and a number of private sectors working group as well as technical level public private consultation meetings due to COVID-19 mitigation measures and travel restrictions.

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.

Implementation progress

Despite locked down, all required project governance structure, including PRC members, BAF Task Force, and project task team within main implementing agencies remain active and all project guidelines, including financial manual, manual for BAF, guidelines for DB and TFA Challenge Facilities remain unchanged.

Project implementation mechanism such as quarterly NIU-IA meetings, quarterly BAF Task force meetings, semi-annual project progress review meetings (PRC), annual Program Executive Committee meetings, mid-term review and appraisal mission for additional financing were organized to monitor project implementation progress and seek policy guidance.

A number of capacity building workshops on financial management and basic procurement policies, guidelines, gender mainstreaming and others were organized for newly recruited staff and key members of project task teams from all implementing agencies.

Recognizing the importance of political support for regulatory reform in broader business environment as well as trade facilitation areas, key findings and recommendations from both MTR and Appraisal missions were presented to all key project partners in formal setting under chairmanship of Senior MOIC Official.

NIU continued to serve as technical secretariat for policy dialogue between government and development partners under Trade Private Sector Working Group. One WG meeting was organized as plan on 4th February, 2021. The meeting was chaired by H.E. Mrs. Khemmani Pholsena, Minister of the Ministry of Industry and Commerce (MOIC), co-chaired by H.E. Ms. Ina Marciulionyte, Ambassador of the European Union Delegation to Lao PDR and Ms. Jane Chandler, Charge d’Affairs, Australian Embassy. More than 80 participants from the MOIC, Line Ministries, Development Partners, Embassies, Foreign Chambers of Commerce and domestic private sector representatives attended the meeting. The meeting focused its discussions on the medium-term trade development plans including Lao PDR Trade Integration Study (DTIS) Update Concept Note, Trade impact of LDC graduation and key strategic pillars of the draft 9th National Social Economic Development Plan. In its second session, the meeting provided an update on business environment reform that includes implementation progress of PM Order No.2, PM Order No.3 and Public-Private Partnership Decree as well as Updates on preparations for the 13th Lao Business Forum.

Gender mainstreaming. Validated Gender Strategic Action Plan is being implemented in closed collaboration with gender Focal Points in all IAs and Women Advancement Unit of MOIC. One awareness raising activity on key findings of the Global Gender Gap 2021 Report and the Impact of COVID-19 on Women-Owned/Led Businesses in Laos was organized with participation of all NIU technical team and focal points from IAs. All gender related indicators at both output and outcome level are being monitored and updated as part of ongoing monitoring and evaluation process. Gender mainstreaming strategy and interventions were shared with other active AfT projects in Laos.

Final report of the study to identify specific constraints facing women-owned and managed enterprises in policy, institutional, regulatory and social cultural conditions that govern or affect business activities and design concrete policy and regulatory solutions to address these constraints is being finalized.

Monitoring and evaluation. In order to strengthen its monitoring and evaluation function, NIU has recruited a full time M&E consultant, who will be on board from early August. Among others, the new M&E person will provide the NIU with technical and analytical support to monitor and evaluate implementation of the LCTP project, including the implementation of monitoring and evaluation strategies and action plans.

Financial management. As of June 30, 2021, the total expenditure for the project stood at **USD 5,777,012** and total outstanding commitment is **USD 2,379,605** (including outstanding LOAs under BAF). As part of the revised Annual Work Plan and Budget (AWPB), the financing percentage between loan and grant proceeds for project expenses has been set at 75 percent for IDA 6318 and 25 percent for grant TFA9747, respectively. This percentage will be revised for FY 2022. FM performance is on track with the FM manual adopted, all required financial reports were submitted on time and there are no overdue financial reports to date. The project financial statements for FY 2020 were audited by an independent auditor, who concluded that the LCT financial statements are fairly and appropriately presented without any identified exceptions, and in compliance with prevailing financial rules and regulations set out in the project financing/grant agreements.

Procurement. The project became effective since December 2018, and the team has been fully on board. As of 30 June 2021, most of procurement activities especially the large packages of QCBS under Procurement Plan approved when the project started, has been

completed. This includes completion of the 03 major QCBS contracts and 62 procurement activities.

Implementation challenges

All challenges highlighted in previous report, namely: difficulty in alignment of technical assistance with Government reform plans, complex nature of business regulatory reforms, most roadmaps lack clarity in terms of time-bound outputs and required inputs at both technical and policy level, and recently, some confusions regularly arise because of evolving roles of MOF and MPI in project fiduciary oversight.

Priorities for 2nd Half of 2021

- Be more pragmatic and more pro-active in assisting implementing agencies in overcoming bottlenecks in producing reform results, especially translating technical outputs into policy/regulatory decisions;
- Continue supporting the implementation of all approved project workplans for all components of LCT - having more interactions between NIU and IA/Sub-IA project teams;
- Promote complementarity between LCTP and other projects, namely ECL, ARISE Plus, USAID LBE and others);
- Leverage regular NIU-IA, PRC and annual PEC meetings to address project implementation issues and seek political support from leadership of MOIC as well as IAs/ Sub-IAs;
- Improve effectiveness of Trade Private Sector Working Group meetings in supporting implementation of Trade and PSD priorities;
- Upgrade the t4dlaos.org website and Internal Document Management System (DMS);
- Organize training on project cycle management, financial and procurement management as well as gender mainstreaming topics and M&E system;
- Develop comprehensive communications strategy and make extra efforts to assist IA/Sub-IAs in implementing communications, gender strategic action plan and M&E strategy.

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.

Implementation progress

Although prioritization and development of position papers of new issues papers as well consultations between business leaders and concerned agencies on new priority issues took place as plan, due to change in the Government and the impact of COVID-19 containment and mitigation measures, the 13th LBF has not taken place. However, key preparations, including agenda, position papers, summary of issue matrix as well as potential speakers from private sector have been finalized and proposal to hold the next Forum in August 2021 was also sent to PMO for considerations.

As part of improving inclusiveness of the LBF, it is expected that Australian Chamber of Commerce will report on issues affecting financial services and a representative from Provincial Chamber of Commerce and Industry will also report on initial results of promoting Public Private Dialogue at local level.

With continuous support since TDF II LNCCI based LBF Secretariat has gradually improved its technical capacity as well as meeting facilitation skills, which enable PPD process to attract interest from growing number of domestic and foreign businesses in raising their issues. During second half of 2020, Australian Chamber of Commerce has started taking the lead in organizing and facilitating PPD related to financial services sectors, including commercial banks, insurance, leasing and MFI sectors.

DPC under MOIC continued to act as Government Focal Point for LBF and continued to provide demand driven technical advice to LBF Secretariat on regular basis. Recently, with strong support from MOIC Senior Management, PPD process under LBF has formally established working relationships with NTFC and IPSC.

Key elements of dialogue process under LBF have also been replicated by other donor funded projects, namely EIF funded ECL and USAID funded LBE to provincial level.

Both number of issues raised by women owned enterprises and number of issues solved per year remain on track. The following new issues are expected to be resolved before the next Forum planned for end of January 2021.

- Issues related to investment incentives – procedures for approving duty and tax exemptions for imported inputs;
- Procedures for import/export/transit;
- Policy for promoting Start-up in ICT sectors;
- Establishment of broad-based tourism promotion board;
- Collateral registration (fees and procedures); and
- Policy to streamline licensing procedures.

Implementation challenges

Main challenges identified in previous report, namely lack of effective inter-ministerial coordination mechanism to promote private sector development and limited understanding

of the role of PPD in promoting private sector/SME development within general public have contributed to low level of participation by SMEs in various sector working groups.

Priorities for 2nd Half of 2021

- Follow up with all concerned agencies to implement PMO Notifications;
- Strengthen LNCCI's policy advocacy capacity as well issue identification and formulation skills;
- Conduct regular quarterly progress update meetings with NTFS, IPD PM Order No.2/03 Secretariat as well as DERM -Lead agency for SAB and licensing reform to strengthen collaboration at operational level;
- Organize capacity building activities for LNCCI and selected PCCI staff involved in facilitating PPD;
- Conduct in-depth research and studies on complex issues; and
- Increase outreach activities through coordinating with other similar structures and wider dissemination of position papers.

Summary of Sources and Uses of Funds

Ministry of Industry and Commerce
National Implementation Unit
Lao PDR Competitiveness and Trade Project - LA Multi Donor Trust Fund
Sources and Uses of Funds
For the 5th Semester (01 Jan to Jun 2021)
Expressed in US Dollar

	Note	5th Semester			Cumulative		
		IDA	TF	Total	IDA	TF	Total
Cash Receipts							
World Bank Grant Account LCTP		1,733,966	577,989	2,311,955	5,273,272	1,442,223	6,715,495
Other income*							
Total Cash Receipts		<u>1,733,966</u>	<u>577,989</u>	<u>2,311,955</u>	<u>5,273,272</u>	<u>1,442,223</u>	<u>6,715,495</u>
Less Expenditure by Component							
A. Improving the Business Environment		290,761	96,920	387,681	1,154,201	361,134	1,515,335
B. Facilitating Trade and Connecting to Markets		196,404	65,468	261,872	730,725	184,743	915,467
C. Improving Firm-Level Competitiveness		475,285	158,848	634,133	1,300,072	423,795	1,723,866
D. Supporting Better and More Inclusive Policies		214,690	71,536	286,225	1,318,635	303,709	1,622,344
Total Expenditures		<u>1,177,140</u>	<u>392,772</u>	<u>1,569,911</u>	<u>4,503,632</u>	<u>1,273,381</u>	<u>5,777,012</u>
Receipts Less Expenditures				742,044			938,483
Net Change in Cash				<u>742,044</u>			<u>938,483</u>
Opening Cash Balance							
Designated Account @ Bank of Lao P D R - LCTP		40,429					
Project Operating account @ BCEL - LCTP		31,285					
Project Operating account @ BCEL - BAF - LCTP		109,829					
Undeposit Cash/Cash in Transit - LCTP		-					
NIU Petty Cash - LCTP		13					
Advances - LCTP IAs		14,883					
Un-Cleared Cheque							
Cash Advance		-					
Total Opening Cash		<u>196,438</u>	<u>-</u>	<u>196,438</u>			
Add Net Change in cash				742,044			938,483
Net Cash Available				<u>938,482</u>			<u>938,483</u>
Closing Cash Balance							
Designated Account @ Bank of Lao P D R - LCTP		831,453			831,453		
Project Operating account @ BCEL Bank - LCTP		5,234			5,234		
Project Operating account @ BCEL - BAF - LCTP		97,722			97,722		
Undeposit Cash/Cash in Transit - LCTP		-			-		
NIU Petty Cash - LCTP		3			3		
Advances - LCTP IAs	a	4,070			4,070		
Un-Cleared Cheque							
Cash Advance		-			-		
Total Closing Cash Balance				<u>938,482</u>			<u>938,482</u>

The table 2 above displays the funds used by the LCTP project during this semester and accumulated figure to the end of June 2021. It reflects the expenditures of each project component during the reporting period. The table also demonstrates current balance of all project accounts.

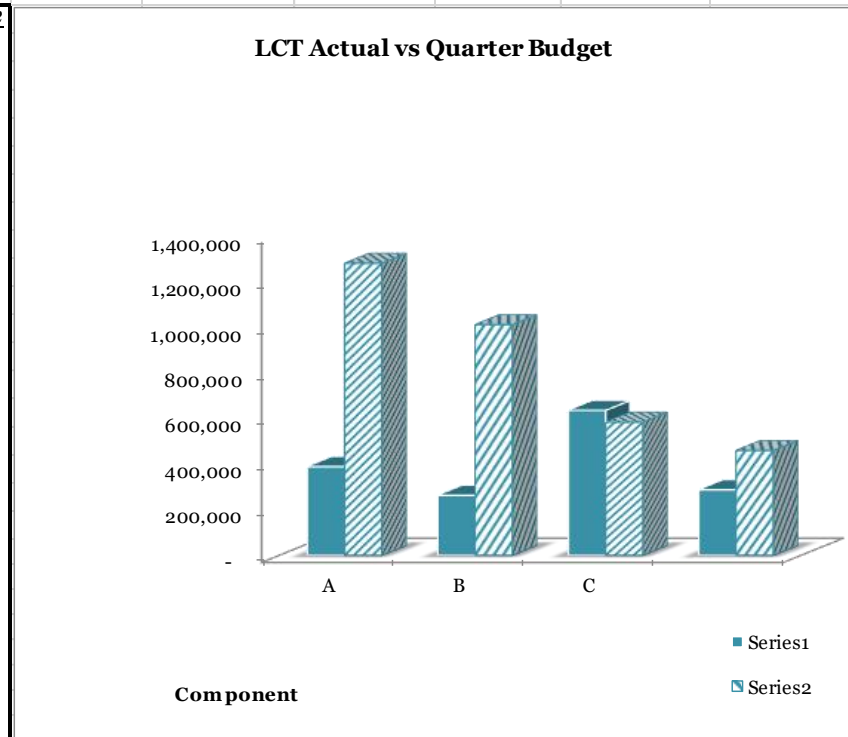
The currency of this report is presented in USD as per Grant Agreement.

Sources and Uses of Funds (LCTP)

Period ended 30 June 2021

	Actual			Planned			Variance		
	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date
Sources of Funds									
World Bank Grant Account LCTP	2,311,955	2,311,955	6,715,495	3,329,173	3,329,173	12,009,909	1,017,218	1,017,218	5,294,414
Other income*	-	-	-	-	-	-	-	-	-
Total Financing	2,311,955	2,311,955	6,715,495	3,329,173	3,329,173	12,009,909	1,017,218	1,017,218	5,294,414
Less: Expenditures by Component									
A. Improving the Business Environment	387,681	387,681	1,515,335	1,278,553	1,278,553	3,933,899	890,872	890,872	2,418,564
B. Facilitating Trade and Connecting to Markets	261,872	261,872	915,467	1,009,737	1,009,737	3,707,027	747,865	747,865	2,791,560
C. Improving Firm-Level Competitiveness	634,133	634,133	1,723,866	582,375	582,375	1,894,975	(51,758)	(51,758)	171,109
D. Supporting Better and More Inclusive Policies	286,225	286,225	1,622,344	458,508	458,508	2,474,008	172,283	172,283	851,664
LCTP Total Expenditures	1,569,911	1,569,911	5,777,012	3,329,173	3,329,173	12,009,909	1,759,262	1,759,262	6,232,897

Net Change in Cash (Receipts - Expenditures)	\$742,044	\$938,482
Opening Cash Balances		
Designated Account @ Bank of Lao P D R - LCTP	\$40,429	
Project Operating account @ BCEL - LCTP	\$31,285	
Project Operating account @ BCEL - BAF - LCTP	\$109,829	
Undeposit Cash/Cash in Transit - LCTP	\$0	
NIU Petty Cash - LCTP	\$13	
Advances - LCTP IAs	\$14,883	
Un-Cleared Cheque	\$0	
Cash Advance	\$0	
Total Opening Cash	\$196,438	
Net Change in cash	\$742,044	
Net Cash Available	\$938,482	
Closing Cash Balance		
Designated Account @ Bank of Lao P D R - LCTP	\$831,453	
Project Operating account @ BCEL - LCTP	\$5,234	
Project Operating account @ BCEL - BAF - LCTP	\$97,722	
Undeposit Cash/Cash in Transit - LCTP	\$0	
NIU Petty Cash - LCTP	\$3	
Advances - LCTP IAs	\$4,070	
Un-Cleared Cheque	\$0	
Cash Advance	\$0	
Total Closing Cash Balance	\$938,482	



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

LCTP sources of fund(in US\$)
Period ended 30 June 2021

Components	Actual			Budget			Variance		
	Current Semester	Year to date	Cumulative to date	Workplan Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date
Component A - Improving the Business EnvironmentRegulations									
A1: Making it Easier to Start a Business	111,453	111,453	708,042	315,750	315,750	1,186,250	204,297	204,297	478,208
A2: Streamlining and Publishing Operating Licenses	225,242	225,242	604,303	420,000	420,000	1,272,346	194,758	194,758	668,043
A3: Implementing Emerging Priority Reforms	50,986	50,986	202,991	542,803	542,803	1,475,303	491,817	491,817	1,272,312
Total component A mproving the Business EnvironmentRegulations	387,681	387,681	1,515,336	1,278,553	1,278,553	3,933,899	890,872	890,872	2,418,563
Component B - Facilitating Trade and Connecting to Markets									
B1: Supporting the Trade Facilitation Secretariat	42,087	42,087	509,644	203,500	203,500	1,522,250	161,413	161,413	1,012,606
B2: TFA Challenge Facility	219,784	219,784	405,822	806,237	806,237	2,184,777	586,453	586,453	1,778,955
Total component B Facilitating Trade and Connecting to Markets	261,872	261,872	915,466	1,009,737	1,009,737	3,707,027	747,865	747,865	2,791,561
Component C - Improving Firm-Level Competitiveness									
C1: Business Assistance Facility	634,133	634,133	1,723,865	582,375	582,375	1,894,975	(51,758)	(51,758)	171,110
Total component C - Improving Firm-Level Competitiveness	634,133	634,133	1,723,865	582,375	582,375	1,894,975	(51,758)	(51,758)	171,110
Component D: Supporting Better and More Inclusive Policies									
D1: Supporting Better and More Inclusive Policies	215,797	215,797	1,146,404	253,400	253,400	1,355,700	37,603	37,603	209,296
D2: Improving Policy Making	36,111	36,111	262,229	104,408	104,408	674,408	68,297	68,297	412,179
D3: Supporting Public-Private Dialogue	34,318	34,318	213,712	100,700	100,700	443,900	66,382	66,382	230,188
Total Component D: Supporting Better and More Inclusive Policies	286,225	286,225	1,622,345	458,508	458,508	2,474,008	172,283	172,283	851,663
TOTAL	1,569,911	1,569,911	5,777,012	3,329,173	3,329,173	12,009,909	1,759,262	1,759,262	6,232,897

LCTP Used of Funds by Components
Consolidated for all sources of funding (in US\$)
Period ended 30 June 2021

Project Components / Category	Consultants' Services			Goods			Incremental Operating Costs			Training and Workshop			Matching Grants			TOTAL EXPENDITURES		
	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date	Current Semester	Year to date	Cumulative to date
Component A: Improving the Business Environment Regulations																		
A1: Making it Easier to Start a Business	104,890	104,890	572,338	-	-	50,309	5,640	5,640	35,380	923	923	50,015				111,453	111,453	708,042
A2: Streamlining and Publishing Operating Licenses	224,889	224,889	599,703	-	-	-	-	-	882	353	353	3,718				225,242	225,242	604,303
A3: Implementing Emerging Priority Reforms	39,612	39,612	130,932	-	-	7,587	3,150	3,150	16,363	8,224	8,224	48,109				50,986	50,986	202,991
Total component A Improving the Business Environment Regulations	369,391	369,391	1,302,973	-	-	57,896	8,790	8,790	52,625	9,500	9,500	101,842				387,681	387,681	1,515,336
Component B: Facilitating Trade and Connecting to Markets																		
B1: Supporting the Trade Facilitation Secretariat	31,845	31,845	303,700		-	48,179	9,843	9,843	54,691	399	399	103,074				42,087	42,087	509,644
B2: TFA Challenge Facility	116,266	116,266	217,474			-	4,439	4,439	14,795	99,079	99,079	173,553				219,784	219,784	405,822
Total component Component B: Facilitating Trade and Connecting to Markets	148,111	148,111	521,174	-	-	48,179	14,282	14,282	69,486	99,479	99,479	276,627	-	-	-	261,872	261,872	915,466
Component C: Improving Firm-Level Competitiveness																		
C1: Business Assistance Facility	117,267	117,267	962,000			-	-	-	-	-	-	-	516,866	516,866	761,865	634,133	634,133	1,723,865
Total component Component C: Improving Firm-Level Competitiveness	117,267	117,267	962,000			-	-	-	-	-	-	-	516,866	516,866	761,865	634,133	634,133	1,723,865
Component D: Supporting Better and More Inclusive Policies																		
D1: Supporting Better and More Inclusive Policies	135,643	135,643	831,408	12,360	12,360	70,988	38,853	38,853	161,011	28,941	28,941	82,997				215,797	215,797	1,146,404
D2: Improving Policy Making	36,111	36,111	253,973			-	-	-	8,256	-	-	-				36,111	36,111	262,229
D3: Supporting Public-Private Dialogue	27,388	27,388	144,061			-	6,930	6,930	33,065	-	-	36,586				34,318	34,318	213,712
Total Component D: Supporting Better and More Inclusive Policies	199,141	199,141	1,229,442	12,360	12,360	70,988	45,783	45,783	202,332	28,941	28,941	119,582				286,225	286,225	1,622,345
Total	833,910	833,910	4,015,589	12,360	12,360	177,063	68,855	68,855	324,444	137,920	137,920	498,051	516,866	516,866	761,865	1,569,911	1,569,911	5,777,012

Year	Fund Received	
1st Year	\$ 2,676,979	
2nd Year	\$ 1,726,562	
3rd Year	\$ 2,311,955	Current year
Total	\$ 6,715,495	

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

Source of fund	IDA Credit
IDA Credit	\$ 5,273,272
TFA	\$ 1,442,223
Total:	\$ 6,715,495

Outstanding Cash Advances	USD	
	As of 30 June 2021	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	500.00	0
B1: Supporting the Trade Facilitation Secretariat	-	0
B2: TFA Challenge Facility	3,344.15	
C1: Business Assistance Facility		
D1: Supporting Better and More Inclusive Policies	226.18	0
D2: Improving Policy Making		
D3: Supporting Public-Private Dialogue		
		*
		*
Total LCTP	4,070.33	