

LAO PEOPLE'S DEMOCRATIC REPUBLIC

MINISTRY OF INDUSTRY AND COMMERCE

DEPARTMENT OF PLANNING AND COOPERATION

NATIONAL IMPLEMENTATION UNIT

SECOND TRADE DEVELOPMENT FACILITY PROJECT (TDF II)

Interim Unaudited Financial Report (IFR)
2nd Quarter 2018 (Apr to Jun 2018)



Contents

ACRONYMS	3
INTRODUCTION.....	4
PROJECT PROGRESS.....	5
Scope of the report	5
Component A- Trade Facilitation, Trade Policy and Regulations	5
Component B - Diversification and Competitiveness	9
Component C – Mainstreaming Aid For Trade.....	10
FINANCE.....	14
PROCUREMENT	21

ACRONYMS

ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
BAF	Business Assistance Facility
CCES	Center for Customs and Excise Studies
CPA	Certified public accountant
DERM	Department of Enterprise Registration and Management
DIMEX	Department of Import and Export of the Ministry of Industry and Commerce
E-CO	Electronic Certificate of Origin Issuing System
ERIIT	Economic Research Institute for Industry and Trade
FTPD	Foreign Trade Policy Department
GATT	General Agreement on Tariffs and Trade
GSDC	Garment Skills Development Centre
IA	Implementing agency
ILO	International Labour Organization
IP	Implementation progress
LBF	Lao Business Forum
LNCCI	Lao National Chamber of Commerce and Industry
LPI	Logistics performance Index
LSP	Lao Services Portal
LTP	Lao Trade Portal
LTRA	Lao Telecommunication Regulatory Authority
MoIC	Ministry of Industry and Commerce
MoLSW	Ministry of Labor and Social Welfare
NIU	National Implementation Unit
NSC	National Steering Committee for Economic Integration
NTM	Non-tariff measure
PEC	Program Executive Committee
PRC	Project Review Committee
PSD	Private sector development
SME	Small and medium-sized enterprise
SPS	Sanitary and Phytosanitary
TDF II	Second Trade Development Facility
TFA	Trade Facilitation Agreement
TFS	Trade Facilitation Secretariat
TIU	Technical Implementation Unit
TPSWG	Trade and Private Sector Working Group
WBG	World Bank Group
WTO	World Trade Organization

INTRODUCTION

The Second Trade Development Facility (TDF-2) aims to support government objectives to achieve high rates of economic growth that translate into meaningful poverty reduction, as outlined in the 7th National Socio-Economic Development Plan (NSEDPlan). Increased trade, openness and integration can act as a powerful driver of pro-poor growth.

TDF-2 builds upon the results achieved under TDF-1 and forms part of an ambitious and integrated country trade program supported by the World Bank in partnership with Australia, the European Union, Germany and Ireland. TDF-1 focused on trade facilitation reforms for non-customs agencies, successfully laying the foundations for a Lao National Single Window; core support to WTO accession negotiations, including technical capacity development for negotiations, legal reform with a priority on sanitary and phytosanitary measures, and accession impact evaluation; as well broader support to trade related research, and sector investments in competitive sectors.

The operation of TDF-2 is primarily informed by the government's 2012 DTIS Update, as well as related analytical work undertaken by the World Bank and development partners, including the 2010 Lao Development Report (a Country Economic Memorandum), the 2011 Lao Investment Climate Assessment and a series of trade-related analytical products under the Trade Development Facility MDTF (Diversification/Product Space paper, Gender and Trade Work Program, Export Survival Study, ATIGA Tariff Reform Impact Study, Agribusiness Work Program, and the Trade and Transport Facilitation Assessment).

The Lao trade sector is increasingly seen, both Lao PDR and International, as a good practice example of development partner coordination in a government-led country reform program. TDF-2 forms the core element of a second phase Lao trade program, which includes a complementary IDA Customs and Trade Facilitation Project, grants from the Japan Social Development Fund, Trade Facilitation Facility, Gender Action Plan and a large trade-related analytical program. The proposed operation is closely aligned with the broader Aid-For-Trade program in Lao PDR and related projects financed by EIF, USAID, SECO, ADB and others.

The purpose of this report is to provide financial update for April to June 2018 as well as a brief summary of the project implementation progress for the same period.

PROJECT PROGRESS

Scope of the report

The purpose of this report is to provide brief summary of the project implementation and financial activities of TDF 2 project for **Apr-Jun 2018**.

The current financial report is prepared in line with the Government of Lao PDR's Fiscal year 2018. The table 1 below shows the actual expenditure of the project against their quarter budget and variances by each component.

Table 1: Expenditure by component vs. quarter budget

Expense by Component Apr-Jun 2018

Components	Quarter Actual	Quarter Budget	Variances	%
A. Trade Facilitation, Trade Policy and Regulations	\$324,002	\$538,245	\$214,243	60%
B. Diversification and Competitiveness	\$92,422	\$238,500	\$146,078	39%
C. Mainstreaming Aid-for-Trade	\$271,136	\$391,140	\$120,004	69%
Grand Total:	\$687,559	\$1,167,885	\$480,326	59%

According to the figure indicated in the table above showing that the project has been slow in term of disbursement of activities. The budget performance of the TDF2 project is in a sluggish progress during the quarter of April-June 2018. The overall project performance was 59% of the overall quarter budget with significant huge variances. In general, this may have caused by the slow implementation of activities under all three components. Furthermore, the budget or work plan for the period may have been set up too high which make it unrealistic to implement for the festive period.

Major activities carried out during the reporting period are briefly discussed in the following section of the report.

Component A- Trade Facilitation, Trade Policy and Regulations

Over the period, expenditure for the component A were \$324,002, if compared to the previous quarter, this quarter was significantly increased, however, there were variances of \$214,243 at the end of quarter, these variances were caused by delay in implementing some of the activities in the component. The below sections of the report provide more detailed information on activities carried out by the Implementing Agencies.

A1. Trade Facilitation

Major outputs for the reporting period can be summarized as following:

A1.1 Trade Facilitation Support

A. 1.1: Trade facilitation secretariat and action plan implementation support

- During this reporting period, DIMEX continued to conduct a number of technical consultation meetings with key stakeholders, including line Ministries/agencies and private sector at both central and provincial level (Khammuan, Savannakhet and Champasak Provinces, and selected major international checkpoints) to operationalize TF Roadmap, including exploring options for establishing TF Secretariat at provincial level, assessing the Roadmap implementation progress in line agencies, technical assistance needs' assessment for implementing category C measures of TFA, and validation of PS's compliance with TFA provisions.
- As part of efforts to implement PM Order No. 02/PM to improve the country's ranking in WBG's Ease of Doing Business Report, DIMEX organized second TIU meeting in April 2018 to identify key bottlenecks in administrative procedures and agree options to streamline overall import and export licensing procedures. As a result of the consultation, the relevant departments agreed to adopt a number of specific measures to simplify administrative procedures for import and export.
- Organized several meetings to discuss specific TF issues facing the private sector.
- Publication of TF related materials and translation of some lessons learned from other countries into Lao language.

A.1.2: Capacity building for managers in trade related agencies

- Conducted one capacity building training for mid-level management officials from District and Provincial Offices of central and southern part of the country.

A.1.3: Lao Trade Portal support and development

- Organized training on news, announcement and article writing for LTP management team and LTP taskforce in May 2018.
- Organized seminar/training on LTP using guide for students at Faculty of Economic and Administration, National University of Laos on 15th May 2018.
- Organized a meeting with LTP's focal points in Vientiane Capital to review the implementation in the previous phase and future actions in June 2018.
- Translated, revised and published documents related to trade for uploading on LTP.

A2.1. Non-tariff measures review and rationalization

- Working closely with Department of Agriculture, Department of Livestock and Fishery, Department of Food and Drug, Department of Standard and Methodology,

and other relevant departments, DIMEX organized 06 public-private consultations to review and assess impacts of NTMs administered by these departments and explore options for further streamlining existing NTMs.

- Cooperated with the Legal Division, MOIC Cabinet Office to organize consultation regarding the review of impacts from vehicle import permit issuance and draft decision on vehicle business (Amended), on the 25th April, 2018.
- Organized one consultation meeting with line sectors on the import-export permits to enhance understanding of relevant sectors on goods under import and export control as well as ensure their consistent implementation. The consultation was organized on the 23rd May 2018.
- Organized meeting with the line departments to discuss products that need automatic and non-automatic import/export licenses on 20 June 2018 in Vientiane Capital.
- Organized a meeting to discuss works related CO certifications on 13-14 June 2018 in Vientiane Capital.
- Organized the 4th NTM-WG meeting on 26-29 June 2018 in Vientiane province.
- Attended regional and international trainings/workshops on the topics related to TF or NTMs in order to build staff's capacity.
- Published the formalities and documentation needed for import licenses to encourage transparency among governmental officers and traders.

A3. Trade in service

A3.1. Enhancing Regulatory Capital in Services Trade:

A3.1.2 Services Horizontal Assessment:

The project supported organization of one consultation workshop on the draft Ministerial Decisions related to Distribution Services, on May 21st -22nd 2018, in Vientiane Province, which attended by representatives from line ministries and relevant sectors.

A3.1.3 Trade in Service under TISD:

During this reporting period, the project supported a number of important events as follows:

1. Organized a consultation meeting on the draft Lao PDR's Schedule of Movement of Natural Persons for the submission under the RCEP, on April 26th 2018, at MoIC which was chaired by the Deputy Director General of DFTP and attended by representatives from relevant agencies. The final draft Schedule incorporates relevant comments from relevant agencies.
2. Organized a workshop on E-Commerce, on May 9th 2018 in Vientiane Capital with over 50 people from relevant agencies and key stakeholders attended. The workshop provided information and knowledge including lessons learnt from other countries in the region on E-Commerce to government officers and private sectors. Such information could be utilized in drafting e-commerce related legislation. The workshop noted the importance and valuable enhancement on the understanding of E-Commerce related issues since such topic is fairly new to Lao PDR.

3. Organized a workshop on financial services related to financial data processing services and provision/transfer of financial information services in Vientiane Capital with a total of 104 participants from line agencies attended. The workshop provided opportunities for participants to seek clarifications on how to regulate financial services related to financial data processing services and provision/transfer of financial information services, which was a great support to the BOL and Lao Securities Commission Office on drafting regulations related to such services sector, particularly to be compliant with the commitments under the WTO of Lao PDR. The workshop also provides knowledge on best practices of other countries and relevant legal terms used that could be applicable for designing Lao PDR's legal and regulatory framework for supervising such sectors. Furthermore, the workshop also provided in depth understanding of issues surrounding financial services especially on financial data processing services and provision/transfer of financial information services.

A3.1.3 ASEAN review and evaluation meeting:

The project supported a consultation workshop to discuss progress of the working group and sub-working group meetings and prepare for the upcoming 22nd RCEP Trade Negotiating Committee Meeting and related meetings. The workshop was attended by over 25 participants – members of Lao delegation for RCEP negotiations.

A3.2 Improving access to services regulation (Development of Lao Services Trade and Investment Portal – STIP)

During this reporting period, the project supported a number of information dissemination workshops including:

1. Dissemination workshop on the Demonstration of Lao Services Portal (LSP) which was organized in Vientiane Capital with a total of 46 participants attended from the private sector. The workshop provided information on what types of services related information are included in LSP and demonstrated how to access LSP and for membership.
2. Workshop on the Identification and Classification of Services Measures for Lao Services Portal which was held in Vientiane Capital with a total of 95 participants attended from line agencies that are LSP focal points. The purpose of the consultation was to explain on how to identify and classify services measures in order to be included in LSP. The workshop noted the importance of enhancing LSP sustainability through capacity building for LSP focal points on services measures classification and identification as the nominated focal points will play an important role on coordination and supply of services related information amongs line ministries.
3. Dissemination workshop on the guidebook and curriculum on Lao PDR's economic integration in Luangprabang Province with over 300 participants attended from line agencies and private sector from 9 provinces of the Northern part of Laos. The workshop, chaired by H.E. Khemmani Pholsena, Minister of Industry and Commerce. The workshop provided information on Lao PDR's economic integration, particularly, the commitments under WTO, ASEAN, and other Free Trade Agreements. The workshop also demonstrated on how to access LSP and

information on types of information included in LSP for participants in order to provide opportunity for participants to understand market expansion opportunity in international market including import-export procedures. During the same period, a similar Workshop was organized for students as they could also utilize information on LSP for their study and research.

Component B - Diversification and Competitiveness

Total expenditure for component B was \$92,422 which equivalent to 39% of the quarter budget. There was a big variance of \$146,078 which caused by a delay in submission of invoices by the PMG/JCA.

Besides above, most of activities have been implemented according to work plan. For more details please see below:

B1. Business assistance facility (BAF)

This subcomponent was completed in March 2017.

B2. Labour standards and manufacturing

The subcomponent B2.1 on factory standards improvement scheme was completed in August 2017.

B3. Business regulations review and rationalization

Good progress has been made on this component. Achievements for the reporting period included the following:

Completion of the business regulations review and rationalization assignment: in addition to the agreed firm's project deliverables, the firm further developed a process mapping on an Ex-Post Scheme to be implemented by DERM once the Ministerial Instruction is effective. The Ex-Post Scheme process map would help DERM to prepare for implementation of the new business registration scheme and provide guidance on the process simplification.

PMG/JCA organized their final consultation workshop on main findings and recommendations on June 15, 2018 and submitted the final completion report by the end of June 2018.

With support from the project, officials from DERM led by DDG attended the 2018 Corporate Registrars Forum (CRF) on 21 – 25 May 2018 in Botswana. Among others, the Forum participants were able to reflect on evolution of Laos' business registrar over the past 10 years, learn experiences and good practices from other countries from all over the world and finally the participants also gained new ideas and knowledge for further modernizing Laos registrar in the future.

To prepare for and support implementation of the Ministerial Instruction No. 0537/MOIC.DERM dated 04/05/2018 on new business registration scheme (Ex-Post), the project team conducted a series of information dissemination workshops on June 18, 19 and 20 with different groups of audience respectively including line departments within MOIC,

line divisions of industry and commerce sectors in Vientiane Capital and nearby provinces and concerned agencies from public and private sectors at the central level.

Furthermore, in order to support the effort to pilot simplification of business operating licenses within MOIC as well as building on the work done under inventory of business licenses and review/recommendations for improving 30 high priority business licenses, the project agreed to extend the contract for the consulting firm (PM Group & JCA) to undertake additional selected assignment including 1) streamlining two licenses issued by the MOIC namely: Wholesale and retail business licenses (under Department of Domestic Trade) and License to operate manufacturing and handicraft activities (under Department of Industry and Handicraft) and 2) Review/comment on MOIC Instructions on new business registration procedures as part of the implementation of PM Order No. 02 in order to ensure effectiveness of the Ministerial Instructions post implementation. The consultant will be on board for this short and intensive assignment during August to September 2018.

Component C – Mainstreaming Aid For Trade

Total expenditure for component C was \$271,136 which equivalent to 69% of the quarter budget. Expenditure for the component had considerably increased if compared to the previous quarter. Though, there is the variance of \$120,004 which caused by some delay in a few planned activities. However, the activities are planned to be implemented in the next quarter. This component includes a number of sub-components, namely: C1: Project Management and SWG, C2: DTIS Challenge Facility, and C4: Public-Private Dialogue.

C1: National Implementation Unit, and Trade and Private Sector Development Working Group

The NIU continued to perform its routine functions as main executing agency for TDF II, other government executed projects, and bilaterally implemented technical assistance under PEC structure.

During the reporting period, NIU hosted two pre-appraisal and one appraisal missions for LCTP and one TDF II support mission led by the WB.

Good progress was made in preparing for LCTP, official negotiation of which was scheduled for August 2018.

NIU provided intensive support to all implementing agencies to accelerate implementation of remaining activities. During the reporting period, through working closely with IAs, NIU completed 14 procurement activities.

DPC also organized the twelfth Trade and Private Sector Working Group meeting on March 28, 2018 at Don Chan Palace Hotel (from 8:30 – 12:00). The meeting was chaired by H.E Mrs. Khemmani Pholsena, Minister of Industry and Commerce (MOIC), and co-chaired by H.E. Mr. Leo Faber, European Union Ambassador to Lao PDR. More than 100 participants from the MOIC, Line ministries, Development Partners, Embassies, Foreign Chambers of Commerce and domestic private sector representatives attended the meeting.

The meeting discussed a number of issues affecting competitiveness of Lao businesses, particularly high logistics cost, Government's efforts to improve investment regulatory framework, namely implementation of the Revised Investment Promotion Law and PM Order on Improving Business Regulatory Environment; and the design of the Lao Trade and Competitiveness Project financed by the World Bank and Australia.

With support from the project, key officials from NIU and DPC also attended Result-Based Project Management Workshop in Bangkok organized by GIZ

C2. DTIS action matrix/roadmap challenge facility

Implementation of nine active projects is progressing well. Brief activity summary for the reporting period is presented below.

- 1) ***Support human resource development for improving labor compliance, productivity and workers' well-being in Laos' garment industry.*** External Training Advisor supported GSDC to develop new training product on HR management and supervisory skills; Technical support to upgrade GSDC's website also started. The external consultant also provided short term training on Website Design, Photography and Video taking to GSDC staff. An international consultant on TOT has been recruited and actual training will be delivered in the next quarter.
- 2) ***Project to support implementation and follow-up of LBF issues.*** The aim is to allocate additional resources to the Lao Business Forum allowing it to undertake analytical work and analyze and develop solutions to identified challenges in greater detail. During the reporting period major activities included:
 - Recruitment process for International Banking Expert to conduct a study on banking regulations in Lao PDR was completed. Although, the Consultant is expected to work with LBF secretariat team from mid-August to end of September 2018, the team has taken initiatives to work online with the consultant and to start collected necessary data from Lao Banker Association, Bank of Laos, and selected Commercial Banks, so that the data will be ready for the analysis when the consultant arrives.
 - For Value-added tax issue, the terms of references to revise and develop the Implementing Instruction of amended VAT law as initially requested by the tax department were completed. The consultant is expected to work with Secretariat team from late August to end of September 2018.

3) Strengthening capacity of ERIIT in producing policy briefs

During this quarter, ERIIT produced one more policy brief on the Impacts of PM Order No.15 on the production and export of Lao PDR's wood products and ERIIR research team has started working on the second batch of policy briefs, which includes:

- Policy and issue with enforcing contract in contract faming;
- Problems and obstacles of exporting Lao rice to China;

- Challenges and impacts of GMP Standard on Lao rice trading;
- Assessing strength of Lao SMEs;
- Study on tourists' preference of spending.

Necessary data collection activities has been carried out and all remaining nine draft policy briefs are expected to be completed by the mid of September 2018.

4) ***Enhance the sustainability of the existing automated customs system ASYCUDA World, in support of trade facilitation.*** During this quarter, the following activities were implemented:

- Worked with the LNSW of BIVAC team to develop linkage between ASYCUDA and LNSW;
- Cooperated with Cyberia and MOIC to link the LNSW with E-CO;
- Improved the linkage of VPN with other networks within the Department of Customs to ensure the safety and efficiency;
- Established the database and linkage to department's data system in order to produce the reserved information;
- Improved the reporting format for statistics of the QlikView;
- Created the Asean Customs Declaration document in the ASYCUDA.

5) ***Support the technical assistance for improving regulatory and institutional framework for insurance services in order to help in formulating the law on insurance sector.*** For this reporting period, while waiting for the comments from the MOF's Vice Minister on the revised versions of the three related regulations, the planned training activities were carried out. To provide additional time for implementation, contracts for both national and international consultants were extended until mid-September 2018.

6) ***Technical Assistance for review of MOIC's Policy Instruments to Maintain Price Stability of Key Sensitive Products.*** One stakeholders' consultation was carried out and the final technical report on the Review of Policy Measures for Maintaining Price Stability of Key Sensitive Products in Lao PDR was finalized and submitted by the international consultant. This project is officially closed.

7) ***Technical Assistance to support MOIC Statistical Information Centre in developing consolidated trade and industry statistical information system.*** Template of MOIC Statistical Yearbook Report was produced by the international consultant. Technical report includes the aforementioned review of the current state of trade and industry/enterprise statistics and proposes appropriate Statistical Data Management Information System (SD MIS) with the aim to improve public accessibility, reliability and timeliness of the statistical data, including specific suggestions for improving data collection and manipulation, and ceasing of duplication in data collection was submitted.

- 8) *Technical assistance to support the Ministry of Industry and Commerce (MOIC) Department of Domestic Trade to establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition*: This is a newly approved project in this reporting period (June 2018) and the recruitment of both international and national consultants was completed.
- 9) *Support implementation of Doing Business indicator-based regulatory reform*. Good progress has been made on this support project. The international consultant's contract was signed in May 2018 (May 15 to September 15, 2018) with the first field mission took place from May 29 to June 06, 2018. Following the mission, the international consultant submitted draft proposed coordination structure and monitoring mechanism to the project team for comments. The proposed draft coordination structure is expected to be discussed in a workshop scheduled for July 2018.

C3. Research and policy analysis

This subcomponent was completed in the first quarter of 2017.

C4. Public-Private Dialogue

During this reporting period, the project had successfully completed several activities as follows:

LBF Steering Committee Meeting (SCM) and Public-Private Dialogues on selected LBF issues: Together with the government focal point, the LBF secretariat team successfully organized LBF-Steering Committee Meeting, chaired by the minister of MoIC and the president of LNCCI. A number of key representatives from various line government agencies and the heads of private sector working groups were actively participated. The meeting agreed upon the status of the business issues, which will be reported in the 11th Lao Business Forum, and the agenda of the forum. From the SCM, it was agreed that out of the total 19 priority issues, four- issues are considered as completely solved, seven-issues are partially solved, and eight-issues are unresolved. The meeting also agreed upon the three-selected groups of issues, Business Taxation, Trade Facilitation, and Tourism, to be discussed in the annual forum. The status of issues reported in the SCM urged the related government agencies to take further actions. Consequently, the Customs Department proposed to sign a Memorandum of Understanding with LNCCI, so as to work more closely with the private sector to solve the issues. Afterwards, Customs Department, Department of Import-Export and Department of Investment Promotion also joined with LNCCI in organizing special public-private dialogues on Trade Facilitation issue.

Other on-going tasks: in order to provide general public with a short summary and analysis of a particular issue raised under LBF dialogue process, together with international consultant, the team produced five Business Issue Bulletins. Two drafts were completed in June 2018; and three drafts will be completed by end of August 2018. All Business Issue

Bulletins will be finalized and published in the website of LNCCI/LBF by September 2018. In addition, the team also completed initial draft of analysis report for the issue related to Lao cement industry, and the final report is expected to be completed by August 2018.

FINANCE

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 2nd quarter of Government of the Lao PDR financial year which covered the period from Apr-Jun 2018.

Financial Statements

TDF II Project Balance Sheet

Table 1: TDF 2 Project Balance Sheet

Second Trade Development Facility (TDF II)				
PROJECT BALANCE SHEET				
As of 30 June 2018				
ASSETS	Jun-18	Jun-17	Change	% Change
Fund Balances				
Designated Account @ Bank of Lao P D R - TDF	\$520,645	\$138,022	\$382,622	277%
Project Operating account @ BCEL Bank - TDF	\$8,498	\$153,895	-\$145,397	-94%
Project Operating account @ BCEL - BAF - TDF	\$0	\$21,266	-\$21,266	-100%
NIU Petty Cash - TDF	\$67	\$931	-\$863	-93%
FAO - UN Advance	\$0	\$166,274	-\$166,274	-100%
ILO - UN Advance	\$0	\$352,144	-\$352,144	-100%
Advances - TDF IAs	\$61,212	\$13,257	\$47,955	362%
Cash Advance	\$0	\$0	\$0	0%
Un-Cleared Cheque	\$0	-\$550	\$550	-100%
Subtotal	<u>\$590,422</u>	<u>\$845,239</u>	<u>-\$254,817</u>	<u>100%</u>
Cumulative Expenditures				
Consultants' Services	\$9,728,964	\$7,216,878	\$2,512,086	35%
Goods	\$411,401	\$397,936	\$13,464	100%
Incremental Operating Costs	\$924,681	\$707,235	\$217,447	31%
Trainings and Workshops	\$2,048,728	\$1,707,504	\$341,224	20%
Matching Grants - BAF	\$1,123,800	\$1,123,800	\$0	100%
Subtotal	<u>\$14,237,574</u>	<u>\$11,153,353</u>	<u>\$3,084,221</u>	<u>100%</u>
TOTAL ASSETS	<u>\$13,760,469</u>	<u>\$11,998,592</u>	<u>\$1,761,877</u>	<u>100%</u>
FUNDS				
Sources of TDF 2 Grant	\$14,827,996	\$11,998,592	\$2,829,404	24%
Other sources of fund (Other income)	\$0	\$0	\$0	0%
TOTAL FUNDS	<u>\$13,760,469</u>	<u>\$11,998,592</u>	<u>\$1,761,877</u>	<u>100%</u>

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

The above Balance Sheet exhibits the financial position of the TDF 2 Project as at the end of 2nd quarter 2018(Apr-Jun 2018). The statement includes current assets, expenses and funds disbursed. The statement also shows the figures for same quarter of the previous year for comparison purpose. It is noted that if we compared same time last year, the project has only disbursed only \$1.7 million this year.

TDF II Sources and Uses of Funds Summary

Table 2: TDF 2 Sources and Uses of Funds

Ministry of Industry and Commerce
National Implementation Unit
Second Trade Development Facility Project - LA Multi Donor Trust Fund
Sources and Uses of Funds
For the 2nd Quarter (Apr-Jun 2018) Fiscal Year 2018
Expressed in US Dollar

	Note	2nd Quarter				Cumulative			
		TF 60%	TFA3946 20%	IDA 20%	Total 100%	TF 60%	TFA3946 20%	IDA 20%	Total 100%
Cash Receipts									
World Bank Grant Account TDF		570,051	488,448	9,027	1,067,527	9,900,000	1,217,692	3,710,303	14,827,996
Other income*									
Total Cash Receipts		<u>570,051</u>	<u>488,448</u>	<u>9,027</u>	<u>1,067,527</u>	<u>9,900,000</u>	<u>1,217,692</u>	<u>3,710,303</u>	<u>14,827,996</u>
Less Expenditure by Component									
A. Trade Facilitation, Trade Policy and Regulations		194,401	64,800	64,800	324,002	3,335,331	380,999	1,320,570	5,036,900
B. Diversification and Competitiveness		55,453	18,484	18,484	92,422	3,036,856	327,895	1,207,826	4,572,577
C. Mainstreaming Aid-for-Trade		162,682	54,227	54,227	271,136	3,099,700	279,935	1,248,461	4,628,097
Total Expenditures		<u>412,536</u>	<u>137,512</u>	<u>137,512</u>	<u>687,559</u>	<u>9,471,887</u>	<u>988,830</u>	<u>3,776,857</u>	<u>14,237,574</u>
Receipts Less Expenditures					379,967				590,422
Net Change in Cash					<u>379,967</u>				<u>590,422</u>
Opening Cash Balance									
Designated Account @ Bank of Lao P D R - TDF		44,262							
Project Operating account @ BCEL - TDF		157,596							
Project Operating account @ BCEL - BAF - TDF		-							
Undeposit Cash/Cash in Transit - TDF		-							
NIU Petty Cash - TDF		749							
FAO - UN Advance									
ILO - UN Advance									
Advances - TDF IAs		8,067							
Un-Cleared Cheque		(219)							
Cash Advance		-							
Total Opening Cash					<u>210,454</u>				
Add Net Change in cash					379,967				590,422
Net Cash Available					<u>590,422</u>				<u>590,422</u>
Closing Cash Balance									
Designated Account @ Bank of Lao P D R - TDF		520,645				520,645			
Project Operating account @ BCEL Bank - TDF		8,498				8,498			
Project Operating account @ BCEL - BAF - TDF		-				-			
Undeposit Cash/Cash in Transit - TDF		-				-			
NIU Petty Cash - TDF		67				67			
FAO - UN Advance	a	-				-			
ILO - UN Advance	a	-				-			
Advances - TDF IAs	a	61,212				61,212			
Un-Cleared Cheque		-				-			
Cash Advance		-				-			
Total Closing Cash Balance					<u>590,422</u>				<u>590,422</u>

The table 2 above displays the funds used by the TDF 2 project during the quarter and accumulated figure as the end of June 2018. It reflects the expenditures of each project component during the reporting period. The table also demonstrates current balance of each bank account of the NIU (TDF 2).

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

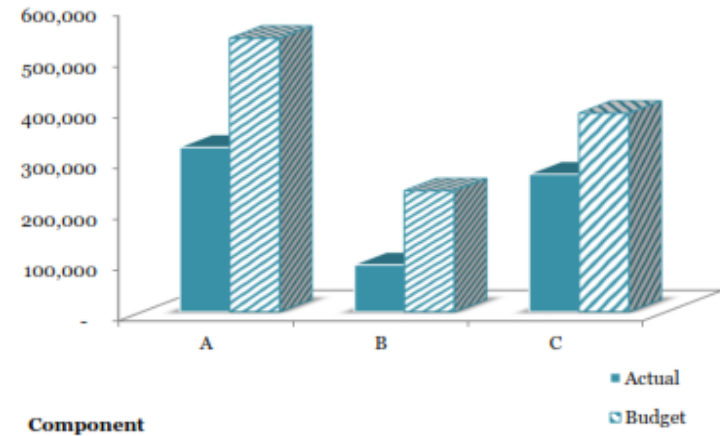
**TDF - INTERNATIONAL DEVELOPMENT ASSOCIATION - IDA H8192 AND
MULTI DONOR TRUST FUND – TF 14189
INTERIM UNAUDITED FINANCIAL REPORT (IFR)**

**Sources and Uses of Funds TDF 2
Period ended 30 June 2018**

	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 TDF	1,067,527	8,264,880	14,827,996	1,200,000	8,300,000	15,900,000	132,473	35,120	1,072,004
Other income*		-	-		-	-		-	-
Total Financing	1,067,527	8,264,880	14,827,996	1,200,000	8,300,000	15,900,000	132,473	35,120	1,072,004
Less: Expenditures by Component									
A. Trade Facilitation, Trade Policy and Regulations	324,002	579,968	5,036,900	538,245	864,343	5,533,422	214,243	284,375	496,521
B. Diversification and Competitiveness	92,422	526,351	4,572,577	238,500	495,350	4,524,226	146,078	(31,001)	(48,351)
C. Mainstreaming Aid-for-Trade	271,136	538,035	4,628,097	391,140	807,825	4,872,342	120,004	269,790	244,245
TDF Total Expenditures	687,559	1,644,353	14,237,574	1,167,885	2,167,518	14,929,989	480,326	523,165	692,415

Net Change in Cash (Receipts - Expenditures)	\$379,967	\$590,422
Opening Cash Balances		
Designated Account @ Bank of Lao P D R - TDF	\$44,262	
Project Operating account @ BCEL - TDF	\$157,596	
Project Operating account @ BCEL - BAF - TDF	\$0	
Undeposit Cash/Cash in Transit - TDF	\$0	
NIU Petty Cash - TDF	\$749	
FAO - UN Advance	\$0	
ILO - UN Advance	\$0	
Advances - TDF IAs	\$8,067	
Un-Cleared Cheque	-\$219	
Cash Advance	\$0	
Total Opening Cash	\$210,454	
Net Change in cash	\$379,967	
Net Cash Available	\$590,422	
Closing Cash Balance		
Designated Account @ Bank of Lao P D R - TDF	\$520,645	
Project Operating account @ BCEL - TDF	\$8,496	
Project Operating account @ BCEL - BAF - TDF	\$0	
Undeposit Cash/Cash in Transit - TDF	\$0	
NIU Petty Cash - TDF	\$67	
FAO - UN Advance	\$0	
ILO - UN Advance	\$0	
Advances - TDF IAs	\$61,212	
Un-Cleared Cheque	\$0	
Cash Advance	\$0	
Total Closing Cash Balance	\$590,422	

TDF Actual vs Quarter Budget



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

Sources and Uses of Funds by Components

Table 4: Sources and Uses of Funds by Components

The table above represents use of funds by component with detailed by activities as per the project documents “PAD” with the new revised budget.

TDF 2 sources of fund(in US\$)									
Period ended 30 June 2018									
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
Component A - Trade Facilitation, Trade Policy and									
A1 - Trade Facilitation Support	107,769	216,421	1,644,235	180,870	338,570	1,789,553	73,101	122,149	145,318
A2 - Non Tariff Measures review and rationalization	67,590	143,060	770,266	95,087	190,959	817,380	27,497	47,899	47,114
A3 - Trade in services	148,642	220,487	1,477,435	262,288	334,814	1,781,524	113,646	114,327	304,089
A4 - Trade in goods	-	-	1,144,965	-	-	1,144,965	-	-	-
Total component A Trade policy and Regulation	324,002	579,968	5,036,900	538,245	864,343	5,533,422	214,243	284,375	496,521
Component B - Diversification and Competitiveness									
B1 - Business Assistance Unit (BAU)	-	-	2,368,406	-	-	2,368,406	-	-	-
B2 - Labour standards and manufacturing productivity	-	280,552	1,636,091	-	-	1,355,539	-	(280,552)	(280,552)
B3. Business Regulations review and rationalization	92,422	245,799	568,080	238,500	495,350	800,281	146,078	249,551	232,201
Total component B Diversification and Competitiveness	92,422	526,351	4,572,577	238,500	495,350	4,524,226	146,078	(31,001)	(48,351)
Component C - Mainstreaming Aid-for-Trade									
C1 - National Implementation Unit, and Trade and Private Sector Developm	96,208	182,111	2,515,777	118,740	231,025	2,571,146	22,532	48,914	55,369
C2 - DTIS action matrix/roadmap challenge facility	140,366	251,171	1,054,090	200,000	432,000	1,202,919	59,634	180,829	148,829
C3 - Research and policy analysis	-	-	723,869	-	-	723,869	-	-	-
C4.-Lao Business Forum	34,562	104,753	334,362	72,400	144,800	374,408	37,838	40,047	40,046
Total component C	271,136	538,035	4,628,097	391,140	807,825	4,872,342	120,004	269,790	244,245
TDF TOTAL	687,559	1,644,354	14,237,574	1,167,885	2,167,518	14,929,989	480,326	523,164	692,415

Table 5: Sources and Uses of Funds By category / components

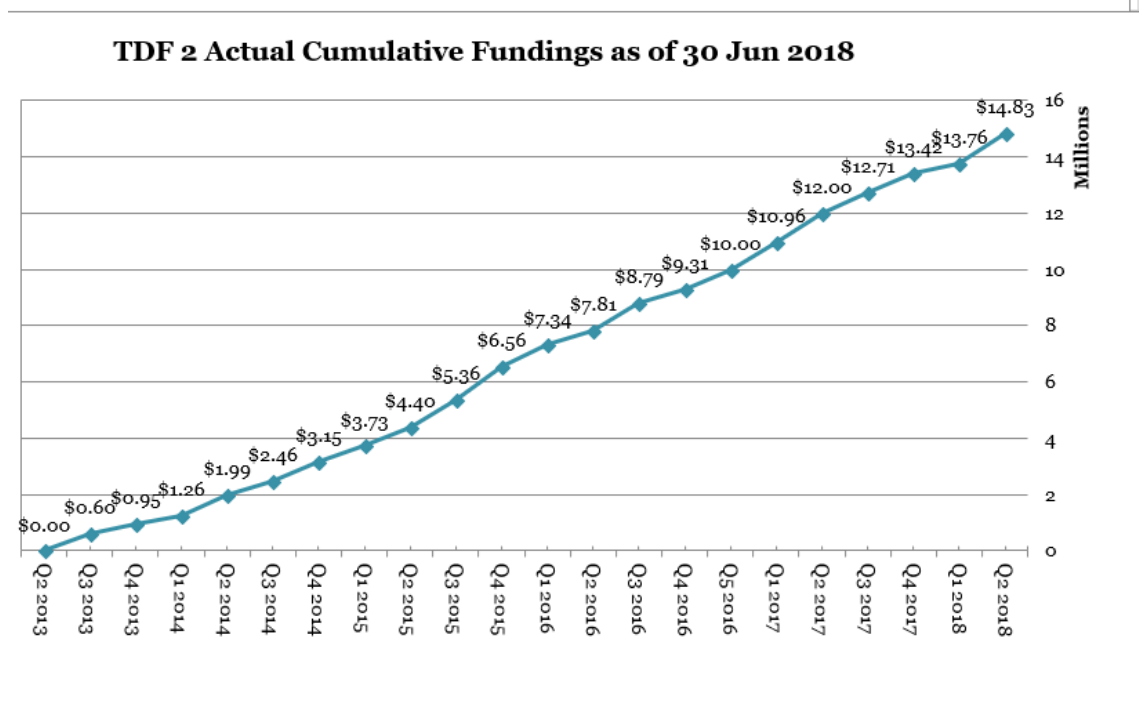
TDF 2 Used of Funds by Components																		
Consolidated for all sources of funding (in US\$)																		
Period ended 30 June 2018																		
Project Components / Category	Consultants' Services			Goods			Incremental Operating Costs			Training and Workshop			Matching Grants			TOTAL 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
Component A - Trade Facilitation, Trade Policy and																		
A1 - Trade Facilitation Support	64,307	110,023	911,518	3,009	7,938	75,679	11,294	34,430	221,730	29,159	64,030	435,308				107,769	216,421	1,644,235
A2 - Non Tariff Measures review and rationalization	64,532	127,213	589,928	-	-	10,643	-	-	8,459	3,058	15,847	161,237				67,590	143,060	770,266
A3 - Trade in services	90,801	133,419	1,061,628	-	-	88,906	31,971	43,798	128,111	25,871	43,270	198,789				148,642	220,486	1,477,435
A4 - Trade in goods			886,237	-	-	41,597	-	-	82,760	-	-	134,371				-	-	1,144,965
Total component A Trade policy and Regulation	219,640	370,655	3,449,311	3,009	7,938	216,825	43,265	78,228	441,060	58,088	123,147	929,705				324,002	579,968	5,036,900
Component B - Diversification and Competitiveness																		
B1 - Business Assistance Facility (BAF)	-	-	1,233,280	-	-	5,258	-	-	379	-	-	5,688			1,123,800	-	-	2,368,406
B2 - Labour standards and manufacturing productivity	-	280,552	1,460,264	-	-	4,701	-	-	118,372	-	-	52,755				-	280,552	1,636,091
B3-Business regulation review and rationalization	77,476	228,514	535,586	-	-	-	1,621	3,960	13,779	13,325	13,325	18,715				92,422	245,799	568,080
Total component B Diversification and Competitiveness	77,476	509,066	3,229,130	-	-	9,959	1,621	3,960	132,529	13,325	13,325	77,158	-	-	1,123,800	92,422	526,351	4,572,577
Component C - Mainstreaming Aid-for-Trade																		
C1 - National Implementation Unit, and Trade and Private Sector Development Working Group	62,097	118,122	1,750,348	-	-	114,652	12,164	27,417	251,817	21,947	36,572	398,960				96,208	182,111	2,515,777
C2 - DTIS action matrix/roadmap challenge facility	128,772	221,479	742,735	-	-	49,120	3,742	6,946	32,560	7,852	22,746	229,675				140,366	251,171	1,054,090
C3 - Research and policy analysis	-	-	286,530	-	-	18,230	-	-	57,870	-	-	361,239				-	-	723,869
C4-Lao Business Forum	28,391	86,987	270,910	-	-	2,615	1,500	3,000	8,846	4,671	14,766	51,991				34,562	104,753	334,362
Total component C	219,260	426,588	3,050,523	-	-	184,617	17,406	37,363	351,092	34,470	74,084	1,041,865	-	-	-	271,136	538,035	4,628,097
Total	516,377	1,306,310	9,728,964	3,009	7,938	411,401	62,291	119,550	924,681	105,883	210,556	2,048,728	-	-	1,123,800	687,559	1,644,353	14,237,574

Table 5 above displays expenditure by component and category during the quarter ended June 2018.

TDF 2 Grant Fund Receipts (Cash inflows)

During the period from Apr-Jun 2018, an additional fund of \$488,448 had been transferred into the Project Designated Account from the World Bank.

The Chart 1 below summaries the fund receipts by TDF-NIU project as of 30 June 2018.



The chart above shows the total fund receipts from the commencement of the project to end of June 2018 total amount of \$14.83 million was received by the project, representing 89% of the total original budget estimate of \$16.5 million.

From the chart above, it is cleared that the project is making a reasonable progress. However, if compared this figure to the same figure last year seems to be high.

Year	Fund Received	
4th Year	\$ 8,264,880	Current Year
3rd Year	\$ 3,408,328	
2nd Year	\$ 2,204,480	
1st Year	\$ 950,308	
Total	\$ 14,827,996	

Total funding to date came from 3 sources, namely: 20% IDA / 60% TF and TFA 20% respectively as per below (in USD):

20%

60%

20%

Fund	IDA H8190	TF 14189	TFA 3946	Total
Total	\$ 3,710,303	\$ 9,900,000	\$ 1,217,693	\$ 14,827,996

Note to Financial Statements (Sources and Uses of Funds) for TDF 2 project.

Note a:

Outstanding Cash Advances		USD	
As of 30 June 2018		Indicative	
Component	Outstanding amount	Average Aging	
TDF 2			
Trade Facilitation Support			
Non Tariff Measure	6,679.82	0	
Trade in Services	16,634.95	34	
Trade in Goods	-		
Business Regulation Review	28,983.60	15	
Garment Skills Development Center	-		
NIU	738.50	0	
Department of Industry			
CF: Assessment of Barriers to Free Movement of Goods in Domestic Market			
CF: Development of Medium Term ICT Strategy for MOIC			
Development of Electric ECO			
CF-DDT			
CF-ERIIT	6,589.12	0	
CF-DPC	1,585.83	0	
FAO - UN Advance		*	
ILO - UN Advance		*	
Total TDF 2	61,211.82		

* Please also note that the above Average Aging is only indicative. The outstanding cash advance figure showed above is an aggregate amount that recorded in the system against each relevant component. The figure may include numbers of advance transactions, where some of these transactions may be current or outstanding as of end of the month. Reasons and clarifications for the long overdue cash advance are filed with the actual transaction in hardcopy and maintained at NIU office.

PROCUREMENT

OVERALL PROGRESS

During the reporting period of past 03 months, comprising April 01, 2018 – June 30, 2018, the NIU's procurement unit carried out the activities as planned and managed to complete the activities in line with the second revision of the TDF-2 Procurement Plan dated 16 Jan 2018 (attached). There are some activities ongoing and some yet to start, as summarized below:

Completed selection processes

The following activities have been completed:

- A1.1: IC - International Trade Facilitation Specialist (contract amendment) – Contract signed on 01 April 2018;
- A1.8: SSS - Consultant for E-COO finalization work – Contract signed on 02 April 2018
- A3.17.1: IC - International Trade in Services Legal Specialist (DDT) – Contract signed on 10 April 2018;
- A3.17.2: IC - National Consultant to support International Consultant (DDT) – Contract signed on 30 April 2018;
- C2.3.6: IC - International ToT Training Expert to facilitate ToT – Contract signed on 20 June 2018;
- C2.4.3: IC - International Consultant for Banking Regulation to Conduct Study on Issues to be discussed at the Lao Business Forum 2018 – Contract signed on 08 June 2018;
- C2.7.1: IC - International Consultant to Develop Consolidated Trade and Industry Statistical Information System – Contract signed on 23 April 2018;
- C2.7.2: IC - National Project Coordinator to support the Development of Consolidated Trade and Industry Statistical Information System – Contract signed on 19 April 2018;
- C2.8.1: IC - International Consultant to support implementation of Doing Business indicator-based regulatory reform in Lao PDR – Contract signed on 15 May 2018;
- C2.9.1: IC - International Consultant to support implementation of establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition – Contract signed on 26 June 2018;
- C4.7: SSS - Part-time International Consultant to Develop Business Issue Bulletins – Contract signed on 30 April 2018
- B3.1: QCBS - Technical Assistance for Business Regulation Review and Rationalization in Lao PDR – Contract Amendment #1 signed on June 03, 2018;

- CF02: IC – Part-time National Consultant for Insurance Supervisory – Contract Amendment #5 was signed on June 07, 2018;
- A1.6: CQS: National Consultant Firm to Undertake Study to Address Issues Faced by the Lao Trade Transiting through Thailand and Vietnam – contract signed with EMC on June 25, 2018;

Ongoing activities

There was a significant progress made, which can be summarized as follows:

- GS.1: RFQ – Office equipment for B3: Under delivery period.
- GS.2: RFQ – Office furniture for C1: Under delivery period.
- C2.9.2: IC - National Consultant to support implementation of establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition – Under contract negotiation.
- C2.8.2: IC - National Consultant to support implementation of Doing Business indicator-based regulatory reform in Lao PDR – Under evaluation process.

Activities to start soon:

There were some activities remaining in the procurement plan that had to start soon:

- GS.1: RFQ – Office equipment for B3: Will be re-bided
- B3.1.1: SSS – Technical Assistance for Business Regulation Review and Rationalization in Lao PDR – Contract Extension with JCA;
- C5.1 SSS – International Consultant to Develop Consolidated Trade and Industry Statistical Information System – Contract Extension with Nicholas Read;

Activities to be considered (excluded from PP / reallocated / started)

The following activities remaining in the procurement should be considered by the NIU for further implementation, reallocation or exclusion from the PP, depending on the actual need:

- A3.11: IC – National Consultant for Capacity Building – Teaching Techniques;
- A3.16: IC – International Trade Expert to assist DFTP and line Ministries in implementing trade liberalization commitments through workshops/seminars/consultations;
- C1.14: IC – International Trade Consultant to review the implementation of DTIS Roadmap;
- C2.3.4: IC – National Independent Evaluator to conduct training impact survey and write report;
- C2.3.5: IC – National Photoshop Software Expert to train GSDC staff in Photoshop;

C2.4.2: IC – International Consultant to prepare position paper on high cost of transport and logistics based on available research and studies.

ISSUES

There were seemingly no major issues faced in the reported period, or issues that would extend to the next quarter. The only problem that the Procurement Unit was facing was to start implementing all remaining activities in the PP, since the TDF-2 Project was approaching to its completion date – September 30, 2018. Therefore, the NIU procurement team is making all efforts in order to speed up the implementation of the activities and get all remaining funds disbursed by the project completion.

PLAN FOR NEXT QUARTER

Procurement will continue to carry on the ongoing activities and start the newly planned ones, as per section “Activities to Start Soon” above, including other new activities added to the TDF-2 Procurement Plan.