

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)**  
**1<sup>st</sup> Quarter 2018 (Jan to Mar 2018)**



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## ***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 7<sup>th</sup> National Socio-Economic Development Plan (NSEDPP). 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 January to March 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 from **Jan-Mar 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 Jan-Mar 2018**

<b>Components</b>	<b>Quarter Actual</b>	<b>Quarter Budget</b>	<b>Variances</b>	<b>%</b>
A. Trade Facilitation, Trade Policy and Regulations	\$255,967	\$326,098	\$70,131	78%
B. Diversification and Competitiveness	\$433,929	\$256,850	(\$177,079)	169%
C. Mainstreaming Aid-for-Trade	\$266,899	\$416,685	\$149,786	64%
<b>Grand Total:</b>	<b>\$956,795</b>	<b>\$999,633</b>	<b>(\$42,838)</b>	<b>96%</b>

The budget performance of **TDF 2** project had been improved significantly compared to the last quarter. The overall expenditures stood at 96% of the overall quarterly budget.

### **Component A- Trade Facilitation, Trade Policy and Regulations**

Over the period, expenditure for the component A were \$255,967 and similar to previous quarter, As per the table above, there were variances of \$70,131 over the budget planned for the quarter. This variances caused by delay in implementation of some activities in the sub-components.

The below sections of the report provide more detailed information on activities by the Implementing Agencies.

Overall some important progress has been made across all components of the project during the reporting period. Major outputs of the reporting period can be summarized as follows:

- Finalization of action plans to implement TF measures under category A, B and C of TFA;
- Completion of LTP upgrading;
- Commencement of external review of NTMs administered by 04 key regulatory authorities;
- Commencement of comprehensive capacity building activities for Lao CPAs and LFRS;
- Completion of prioritization of 30 high impact business licenses and commencement of SCM for the priority licenses;
- Good progress has been made on preparation for the upcoming LBF 11 including completion of all private sector working groups' meetings (PSWGs) and organization of the Public-Private Consultative (PPC) meetings in Luang Prabang and Champasack provinces and PPC meeting on taxes related issues in Vientiane Capital;
- Additional funds for the Challenge Facility have been committed, with 04 new proposals approved;
- One new project preparation mission were carried out;
- Annual PEC meeting for all donor funded projects took place in January 2018.

## **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 the reporting period, with support from the project DIMEX was able to conduct extensive consultations with key stakeholders at both central and provincial level regarding implementation of measures under category A, B and C of the TFA, including identification of capacity building needs to implement measures under category C;
- Disseminated key contents of the TF Roadmap to key stakeholders from both public and private sector in 10 provinces in the central and southern parts of the country;

- Some progress has been made to recruit consulting firm to conduct identify issues faced the Lao trade transiting through Thailand and Vietnam; and
- Publication of the Trade Facilitation Factsheet.

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

- Delivered one training course on trade facilitation to middle level officials from the Northern provinces.

### **A.1.3: Trade Portal support and development**

- Organized one LTP focal point meeting on 15<sup>th</sup> January 2018 to discuss challenges in collecting trade related information from line Ministries and agree on a number of actions to ensure timely sharing of information between the focal points and LTP team;
- Completed upgrading the Trade Portal (version 2) by improving both the appearance and key functionality to enhance the effectiveness of the Portal;
- Completed publishing LTP advertising tools such as notebooks, posters, pens, umbrellas, cups and LTP handbooks.

### **A2.1. Non-tariff measures review and rationalization**

- As part of efforts to implement PM Order No. 02 to improve the country's ranking in WBG's Ease of Doing Business Report, DIMEX hosted a meeting to discuss Laos' performance in Trading Across Border of DB Report, particularly steps, time and cost to import vehicle spare parts and steps, time and cost to export mineral products to explore opportunities for streamlining. The meeting requested all agencies concerned to review current procedures in their respected agencies and propose concrete recommendations for simplification;
- As part of process of improving existing import and export regime in line with international and regional good practice, DIMEX is currently in the process of reviewing existing list of goods subject to automatic and non-automatic licenses, and list of goods prohibited for import and export. To this end, a number of stakeholders' consultation workshops were organized;
- Organized meetings with local government authorities (central and southern part of Laos) on NTMs implementation to collect data on procedure and supporting documents required for issuing the license. This meeting also discussed the solutions of difficulties in implementation of NTMs faced by public and private sectors;
- EMC was commissioned to conduct Impact Assessments for NTMs/products selected by four regulatory authorities. This will include identifying the rationale,

cost and benefit of NTMs, as well as their operational procedures in order to make recommendations on how to streamline or eliminate unnecessary requirements and / complexity. The first kick off meeting between EMC and four regulatory authorities took place was held;

- Regular updating of NTM database in LTP, including updated HS code of NTMs and measures, updated procedures linked to NTMs, continuous updating of flow charts of import procedures and time required to obtain import license and linking flow charts with measures.

### **A3. Trade in services**

#### **A3.1. Enhancing Regulatory Capital in Services Trade:**

##### **A3.1.3 Trade in Service under TISD:**

In order to improve public awareness about opportunities and challenges arising from increased economic integration at both ASEAN and WTO framework, DFTP organized dissemination workshop on March 15-16 in Pakse, which attended by more than 100 participants from both public and private sector.

The workshop introduced key obligations to liberalize trade and investment regime under WTO and AEC, as well as potential impact in terms of market access for Lao products/services and expected increased competition from imported products, especially those from ASEAN member states.

Additionally, the meeting also introduced key features and contents of the LSP.

##### ***A3.1.3 ASEAN review and evaluation meeting:***

The project supported a number of technical consultation workshops to formulate Lao PDR's position in a number of issues under negotiation, including:

- ATISA negotiation (transition from AFAS to ATISA and negotiation for extending transition period to X:15, Y:5 and Z: 20 years);
- Issues related to transition from AHTN 2012 to 2017;
- Solution on corn exportation to Thailand by bilateral cooperation;
- The implementation of ASEAN Wide Self-Certification;
- The progress in implementation of ASEAN Single Window;
- Preparation for the 21<sup>st</sup> RCEP meeting, focusing on issues related to ROO; and
- Preparation for AEM Retreat and related meetings.



## **The implementation of Mutual Recognition Arrangements (MRAs) in Laos: Accountancy services:**

Implementation of technical assistance to build capacity of Lao CPAs started with signing of two contracts with the following international organizations:

- The Association of Chartered Certified accountants (ACCA) in January 2018 with an objective to provide consulting service related to: 1). evaluate the current ethical and professional knowledge and skills of existing professional accountants, 2). Assist designing special continuing professional development (CPD) training program for existing professional accountants to be prepared of entering professional level of ACCA qualification, 3). Train the trainer for professional level of ACCA qualification to be able to deliver training for CPA students and other existing Lao professional accountants to become ASEAN Chartered Professional Accountants;
- The Joint Venture of French institute of certified public accountants and French institute of statutory auditors (CSOEC/CNCC) was signed in March 16<sup>th</sup> 2018 to provide support and assistance to Accounting Department and LCPAA including: 1). Preparation of necessary training materials, 2). Development the chart of manual of accounts with explanations, 3). Training of trainers on LFRS. This assignment will help building a comprehensive accountancy syllabus by incorporating the newly adopted financial reporting standards for non-public interest entities and producing qualified accountants in order to be competitive to be ASEAN CPA as part of implementation ASEAN MRA in Lao PDR.

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

- Produced materials for advertising Lao service portal (LSP) such as brochures, pens, bags, umbrella, cups, notebook and started distributing them as souvenirs to LSP focal point;
- Completed printing guidebook for economic integration of Lao PDR.

### ***Component B - Diversification and Competitiveness***

During reporting period, actual expenditure of \$433,929 has been recorded for component B, cost included international consultant firm under B3 “Business regulation review and rationalization” (DERM) and ILO cleared advance; the disbursement for quarter was equivalent to 169% of the budgeted figures.

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

#### **B1. Business assistance facility (BAF)**

This subcomponent was completed in the first quarter.

## **B2. Labour standards and manufacturing**

The subcomponent B2.1 on factory standards improvement scheme was completed in the last quarter (August 2017).

## **B3. Business regulations review and rationalization**

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

With regards to business registration reform, the PM Group's consultant team produced and shared an executive note on business start-up that outlines current situation on business registration as well as proposes a number of reform options for consideration by DERM's management team. Following the Prime Minister Order no. 02 dated 01/02/2018, a major reform initiative has been carried out by the Ministry of Industry and Commerce by adopting an Ex-Post scheme for business registration which is one of the reforms proposed. The Ex-Post scheme will be fully in place for implementation once a Ministerial Instruction is endorsed and issued tentatively in the second quarter of 2018.

A full-day Triage discussion was held by the consultancy team on January 18, 2018 at DERM, MOIC. The objective of the discussion was to select 30 high priority business formalities from an inventory of more than 200 business licenses and permits as well as relevant regulations issued at the central and provincial levels. Representatives from various parties attended including DERM, Investment Promotion Department, Department for Small and Medium-sized Enterprises Promotion, law firms, NIU and WBG.

However, some information dissemination workshops on business registration legislation and related regulations planned for this quarter have been rescheduled to the second and third quarters of 2018 subsequently when the new business registration scheme (Ex-Post) is adopted which will be in-line with the implementation of the One-Shop-Service Office by the Ministry of Planning and Investment (scheduled for April 2018).

### ***Component C – Mainstreaming Aid For Trade***

Over the period, expenditure for the component C was \$266,899, with equivalent to 64% of quarter budget. The table above shows that there was a variance of \$149,786 under the quarter budget due to some planned activities for capacity building were not implemented.

## **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 organized an annual Program Executive Committee Meeting for all donor funded projects under AfT governance framework, including TDF II to review implementation progress of last fiscal year and discussed priority actions/activities for fiscal year 2018. A number of technical meetings with key IAs to discuss and resolve specific issues affecting implementation of approved activities were held.

NIU also facilitated one project preparation mission for Lao Competitiveness and Trade Project and one USAID's project formulation mission new project preparation mission.

A number of capacity building activities were carried out, including training on result-based project management, workshop on Comparative Analysis of Trade and Investment Regime of Selected ASEAN Member States and Laos Performance in Major International Benchmarking Exercises, procurement management and others.

## **C2. DTIS action matrix/roadmap challenge facility**

On the Challenge Facility, the implementation of six on-going projects and 4 newly approved projects in this reporting period is progressing well. Current active projects include:

- 1) ***Support human resource development for improving labor compliance, productivity and workers' well-being in Laos' garment industry.*** During the reporting period, contracts for both national and international consultants have been extended to end of August 2018.
- 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:
  - Completion of a study on the VAT related issue by the international VAT expert as well as providing technical inputs for the draft amendments of VAT law to tax department and fiscal policy department. Two key recommendations have been agreed by relevant government agencies and one recommendation on VAT refund will be further discussed. In addition, a one-and-half-day seminar on basics operations of VAT was organized for businesses and members of LNCCI.
  - Given the fact that there was no applicant for the regional/international expert for the Lao Cement Industry Assessment, the project team decided to carry out the assessment on its own comprised of the focal point from NIU and the LNCCI Secretariat team by conducting a field trip to Vang Vieng to collect necessary data and information on the cement industry. The recommendation report is underway and will be presented to the Lao cement producers group by June 2018.

- For the issue related to Banking Industry, the team finished drafting the terms of references for recruiting an international banking consultant. The consultant is expected to be on board in June 2018.

3) ***Strengthening capacity of ERIIT in producing policy briefs.*** In this reporting period, major activities included:

With support from the international research advisor, ERIIT's researchers have started working on the first batch of policy briefs:

- Impacts of PM Order No. 15 on the production and export of Lao PDR's wood products;
- A mechanism to promote Thabok dried fish to become exportable products
- Financing development to promote exports by SMEs
- Impacts of a lowered interest rate on SMEs and the economy
- Impacts of VAT on carry-on goods imported by consumers, a case study at the Vientiane-Nonghai Friendship Bridge.

All five topics are expected to be completed by the end of May 2018.

4) ***Enhance the sustainability of the existing automated customs system ASYCUDA World, in support of trade facilitation.*** The objective is to implement Lao PDR's priorities under the WTO-TFA by enhancing an optimal use of the electronic customs system (ASYCUDA World). During this quarter, a number of project activity were implemented including:

- Building a commodity statistics dashboard;
- Conducting knowledge transfer and training session for Bureau Veritas staff with respect to integrating the single window system with ASYCUDA declaration, manifest, bill of lading and e-payment modules;
- Conducting progress evaluation on the creation of a valuation database for vehicle importation;
- Identifying issues that need to be addressed with respect to tariff, valuation and general categorization;
- Configuring the Manifest and BOL analytics to ascertain checkpoints compliance with revised processes; and
- Working closely with BIVAC Lao team to integrate ASYCUDA with LNSW and many other related works.

5) ***Additional financing to continue supporting 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, major activities included consultations on three related regulations and submission of the revised versions for MOF's Vice Ministers' review. Also, contracts for both national and international consultants were extended until August 2018.

- 6) ***Technical Assistance for review of MOIC's Policy Instruments to Maintain Price Stability of Key Sensitive Products.*** For this quarter, the project recruited both national and international consultants. first draft technical report was produced after reviewing the existing related regulations, meetings with public and private sectors and field visits to Luangprabang and Savannakhet. The report is expected to be sent to NIU by May 2018.
- 7) ***Technical Assistance to support MOIC Statistical Information Centre in developing consolidated trade and industry statistical information system.*** This project was approved in reporting period (January 2018). Both international and national consultants were recruited to support implementation of the project.
- 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 new CF project was in the process of requesting for approval by the chairman of the Project Executive Committee (PEC). TORs for both international and national were drafted.
- 9) ***Support implementation of Doing Business indicator-based regulatory reform.*** This is a newly approved project in this reporting period (March 2018) and recruitment process for both international and national consultants started.

### **C3. Research and policy analysis**

This subcomponent was completed in the first quarter of 2017.

### **C4. Public-Private Dialogue**

During the reporting period, good progress has been made on the PPD subcomponent. Majority of the preparation work for the Lao Business Forum 11<sup>th</sup> rescheduled for early June 2018 were completed as follows:

Public-private consultative meetings: Together with the government focal point, the LBF secretariat team successfully organized Public-Private Consultative meetings in Vientiane.

Representatives from various line government agencies and the issue owners from the private sector, both Lao and foreign chambers of commerce, were actively participated. From the meetings, ten issues were discussed, and out of these ten issues, two issues (Visa Application for International Chamber Staffs, and Classification of Printing Business) were considered resolved at the meetings, and two issues on Barriers to Tourism Development, and Trade Facilitation and Logistics, will be proposed to the Steering Committee meeting for the discussion at the LBF11.

Other LBF issues that require further analysis: During this reporting period, the team also completed other tasks and activities related to issues that require further analysis as follows:

For the issue related to Value Added Tax (VAT), the team successfully completed a study on the issue and provided technical inputs for the draft amendments of VAT law to tax department and fiscal policy department; two key recommendations have been agreed by relevant government agencies and one recommendation on VAT refund will be further discussed. In addition, a one-and-half-day seminar on basics operations of VAT were organized for businesses and members of LNCCI.

For the issue related to Lao Cement Industry, together with the focal point, the team conducted a field trip to Vang Vieng to collect necessary data and information on the cement industry. The recommendation report is underway and will be presented to the Lao cement producers group by June 2018.

For the issue related to Banking Industry, the team finished drafting the terms of references for recruiting an international banking consultant. The consultant is planned to be in place by May 2018.

Other tasks and activities:

LNCCI/LBF website: in this reporting period, the new LNCCI website was finalized. The website contains a specific section for Lao Business Forum, so that all information related to LBF is now easily accessible by the public.

Business Issues Bulletin: the terms of references for international consultant to support the design and content of Business Issues Bulletin was finalized. The international consultant is expected to produce the bulletin papers on the selected five business issues that considered to have strong impacts on the business environment in Lao PDR.

## 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 1<sup>st</sup> quarter of Government of the Lao PDR financial year which covered the period from Jan-Mar 2018.

### Financial Statements

#### TDF II Project Balance Sheet

**Table 1: TDF 2 Project Balance Sheet**

<b>Second Trade Development Facility (TDF II)</b>				
<b>PROJECT BALANCE SHEET</b>				
<b>As of 31 Mar 2018</b>				
<b>ASSETS</b>	<b>Mar-18</b>	<b>Mar-17</b>	<b>Change</b>	<b>% Change</b>
<b>Fund Balances</b>				
Designated Account @ Bank of Lao P D R - TDF	\$44,262	\$104,027	-\$59,765	-57%
Project Operating account @ BCEL Bank - TDF	\$157,596	\$2,853	\$154,743	5424%
Project Operating account @ BCEL - BAF - TDF	\$0	\$54	-\$54	-100%
NIU Petty Cash - TDF	\$749	\$950	-\$202	-21%
FAO - UN Advance	\$0	\$210,830	-\$210,830	-100%
ILO - UN Advance	\$0	\$352,144	-\$352,144	-100%
Advances - TDF IAs	\$8,067	\$5,576	\$2,492	45%
Cash Advance	\$0	-\$220,000	\$220,000	-100%
Un-Cleared Cheque	-\$219	-\$1,220	\$1,000	-82%
Subtotal	<u>\$210,454</u>	<u>\$455,213</u>	<u>-\$244,759</u>	<u>100%</u>
<b>Cumulative Expenditures</b>				
Consultants' Services	\$9,212,588	\$6,767,033	\$2,445,555	36%
Goods	\$408,392	\$335,646	\$72,746	100%
Incremental Operating Costs	\$862,788	\$663,601	\$199,187	30%
Trainings and Workshops	\$1,942,448	\$1,618,372	\$324,076	20%
Matching Grants - BAF	\$1,123,800	\$1,123,800	\$0	100%
Subtotal	<u>\$13,550,015</u>	<u>\$10,508,451</u>	<u>\$3,041,564</u>	<u>100%</u>
<b>TOTAL ASSETS</b>	<u><b>\$13,760,469</b></u>	<u><b>\$10,963,665</b></u>	<u><b>\$2,796,804</b></u>	<u><b>100%</b></u>
<b>FUNDS</b>				
Sources of TDF 2 Grant	\$13,760,469	\$10,963,665	\$2,796,805	26%
Other sources of fund (Other income)	\$0	\$0	\$0	0%
<b>TOTAL FUNDS</b>	<u><b>\$13,760,469</b></u>	<u><b>\$10,963,665</b></u>	<u><b>\$2,796,804</b></u>	<u><b>100%</b></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 1<sup>st</sup> quarter 2018(Jan-Mar 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 \$2.7 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 1st Quarter (Jan-Mar) Fiscal Year 2018  
Expressed in US Dollar

	Note	1st Quarter				Cumulative			
		TF 60%	TFA3946 20%	IDA 20%	Total 100%	TF 60%	TFA3946 20%	IDA 20%	Total 100%
<b>Cash Receipts</b>									
World Bank Grant Account TDF		223,282	74,426	42,293	340,001	9,329,949	729,244	3,701,276	13,760,469
Other income*									
<b>Total Cash Receipts</b>		<b>223,282</b>	<b>74,426</b>	<b>42,293</b>	<b>340,001</b>	<b>9,329,949</b>	<b>729,244</b>	<b>3,701,276</b>	<b>13,760,469</b>
<b>Less Expenditure by Component</b>									
A. Trade Facilitation, Trade Policy and Regulations		153,580	51,193	51,193	255,967	3,140,930	316,199	1,255,770	4,712,899
B. Diversification and Competitiveness		260,357	86,786	86,786	433,929	2,981,403	309,411	1,189,341	4,480,155
C. Mainstreaming Aid-for-Trade		160,139	53,380	53,380	266,899	2,937,019	225,708	1,194,234	4,356,961
<b>Total Expenditures</b>		<b>574,077</b>	<b>191,359</b>	<b>191,359</b>	<b>956,795</b>	<b>9,059,351</b>	<b>851,318</b>	<b>3,639,346</b>	<b>13,550,015</b>
<b>Receipts Less Expenditures</b>					(616,794)				210,454
<b>Net Change in Cash</b>					<b>(616,794)</b>				<b>210,454</b>
<b>Opening Cash Balance</b>									
Designated Account @ Bank of Lao P D R - TDF		432,694							
Project Operating account @ BCEL - TDF		29,164							
Project Operating account @ BCEL - BAF - TDF		-							
Undeposit Cash/Cash in Transit - TDF		-							
NIU Petty Cash - TDF		880							
FAO - UN Advance									
ILO - UN Advance		352,144							
Advances - TDF IAs		12,525							
Un-Cleared Cheque		(158)							
Cash Advance		-							
<b>Total Opening Cash</b>					<b>827,249</b>				
Add Net Change in cash					(616,794)				210,454
<b>Net Cash Available</b>					<b>210,454</b>				<b>210,454</b>
<b>Closing Cash Balance</b>									
Designated Account @ Bank of Lao P D R - TDF		44,262				44,262			
Project Operating account @ BCEL Bank - TDF		157,596				157,596			
Project Operating account @ BCEL - BAF - TDF		-				-			
Undeposit Cash/Cash in Transit - TDF		-				-			
NIU Petty Cash - TDF		749				749			
FAO - UN Advance	a	-				-			
ILO - UN Advance	a	-				-			
Advances - TDF IAs	a	8,067				8,067			
Un-Cleared Cheque		(219)				(219)			
Cash Advance		-				-			
<b>Total Closing Cash Balance</b>					<b>210,454</b>				<b>210,454</b>

The table 2 above displays the funds used by the TDF 2 project during the quarter and accumulate figure to the end of Mar 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



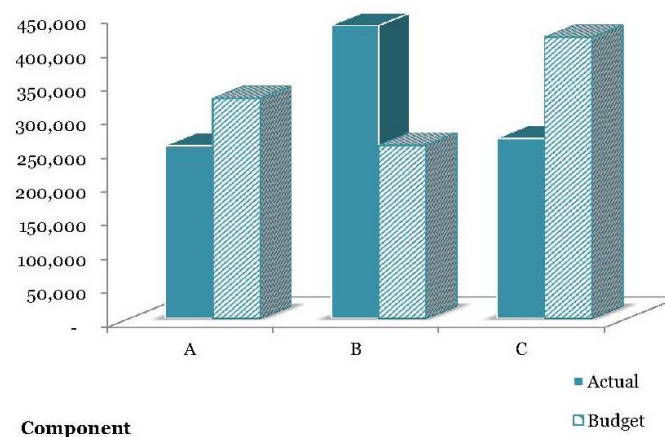
TDF - INTERNATIONAL DEVELOPMENT ASSOCIATION - IDA H8190 AND  
MULTI DONOR TRUST FUND – TF 14189  
INTERIM UNAUDITED FINANCIAL REPORT (IFR)

**Sources and Uses of Funds TDF 2**  
**Period ended 31 Mar 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
<b>Sources of Funds</b>									
World Bank Grant TF 14189	223,282	223,282	9,329,949	599,996	599,996	9,706,663	376,714	376,714	376,714
World Bank Grant IDA H8190	42,293	42,293	3,701,276	199,999	199,999	3,858,982	157,706	157,706	157,705
World Bank Grant TFA 3946	74,426	74,426	729,244	199,999	199,999	854,817	125,572	125,572	125,573
Other income*	-	-	-	-	-	-	-	-	-
<b>Total Financing</b>	<b>340,001</b>	<b>340,001</b>	<b>13,760,469</b>	<b>999,993</b>	<b>999,993</b>	<b>14,420,461</b>	<b>659,992</b>	<b>659,992</b>	<b>659,992</b>
<b>Less: Expenditures by Component</b>									
A. Trade Facilitation, Trade Policy and Regulations	255,967	255,966	4,712,899	326,098	326,098	4,783,030	70,131	70,132	70,131
B. Diversification and Competitiveness	433,929	433,929	4,480,155	256,850	256,850	4,303,076	(177,079)	(177,079)	(177,079)
C. Mainstreaming Aid-for-Trade	266,899	266,899	4,356,961	416,685	416,685	4,506,747	149,786	149,786	149,786
<b>TDF Total Expenditures</b>	<b>956,795</b>	<b>956,794</b>	<b>13,550,015</b>	<b>999,633</b>	<b>999,633</b>	<b>13,592,853</b>	<b>42,838</b>	<b>42,839</b>	<b>42,838</b>

<b>Net Change in Cash (Receipts - Expenditures)</b>	<b>-\$616,794</b>	<b>\$210,454</b>
<b>Opening Cash Balances</b>		
Designated Account @ Bank of Lao P D R - TDF	\$432,694	
Project Operating account @ BCEL - TDF	\$29,164	
Project Operating account @ BCEL - BAF - TDF	\$0	
Undeposit Cash/Cash in Transit - TDF	\$0	
NIU Petty Cash - TDF	\$880	
FAO - UN Advance	\$0	
ILO - UN Advance	\$352,144	
Advances - TDF IAs	\$12,525	
Un-Cleared Cheque	-\$158	
Cash Advance	\$0	
<b>Total Opening Cash</b>	<b>\$827,249</b>	
<b>Net Change in cash</b>	<b>-\$616,794</b>	
<b>Net Cash Available</b>	<b>\$210,454</b>	
<b>Closing Cash Balance</b>		
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	
<b>Total Closing Cash Balance</b>	<b>\$210,454</b>	

**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**

**TDF MULTI DONOR TRUST FUND  
INTERIM UNAUDITED FINANCIAL REPORT (IFR)**

**TDF 2 sources of fund(in US\$)  
Period ended 31 Mar 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
<b>Component A - Trade Facilitation, Trade Policy and</b>									
A1 - Trade Facilitation Support	108,652	108,652	1,536,466	157,700	157,700	1,585,513	49,048	49,048	49,048
A2 - Non Tariff Measures review and rationalization	75,470	75,470	702,676	95,872	95,872	723,078	20,402	20,402	20,402
A3 - Trade in services	71,845	71,845	1,328,793	72,526	72,526	1,329,474	681	681	681
A4 - Trade in goods	-	-	1,144,965	-	-	1,144,965	-	-	-
<b>Total component A Trade policy and Regulation</b>	<b>255,967</b>	<b>255,967</b>	<b>4,712,899</b>	<b>326,098</b>	<b>326,098</b>	<b>4,783,030</b>	<b>70,131</b>	<b>70,131</b>	<b>70,131</b>
<b>Component B - Diversification and Competitiveness</b>									
B1 - Business Assistance Unit (BAU)	-	-	2,368,406	-	-	2,368,406	-	-	-
B2 - Labour standards and manufacturing productivity	280,552	280,552	1,636,091	-	-	1,355,539	(280,552)	(280,552)	(280,552)
B3. Business Regulations review and rationalization	153,377	153,377	475,658	256,850	256,850	579,131	103,473	103,473	103,473
<b>Total component B Diversification and Competitiveness</b>	<b>433,929</b>	<b>433,929</b>	<b>4,480,155</b>	<b>256,850</b>	<b>256,850</b>	<b>4,303,076</b>	<b>(177,079)</b>	<b>(177,079)</b>	<b>(177,079)</b>
<b>Component C - Mainstreaming Aid-for-Trade</b>									
C1 - National Implementation Unit, and Trade and Private Sector Development	85,904	85,904	2,419,569	112,285	112,285	2,445,951	26,382	26,382	26,382
C2 - DTIS action matrix/roadmap challenge facility	110,805	110,805	913,724	232,000	232,000	1,034,919	121,195	121,195	121,195
C3 - Research and policy analysis	-	-	723,869	-	-	723,869	-	-	-
C4.-Lao Business Forum	70,191	70,191	299,799	72,400	72,400	302,008	2,209	2,209	2,209
<b>Total component C</b>	<b>266,899</b>	<b>266,899</b>	<b>4,356,961</b>	<b>416,685</b>	<b>416,685</b>	<b>4,506,747</b>	<b>149,786</b>	<b>149,786</b>	<b>149,786</b>
<b>TDF TOTAL</b>	<b>956,795</b>	<b>956,795</b>	<b>13,550,015</b>	<b>999,633</b>	<b>999,633</b>	<b>13,592,853</b>	<b>42,838</b>	<b>42,838</b>	<b>42,838</b>

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

Based on the figure above, component B1 disbursed more fund that target in the budget, reflecting acceleration of project activities.

**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 31 Dec 2017

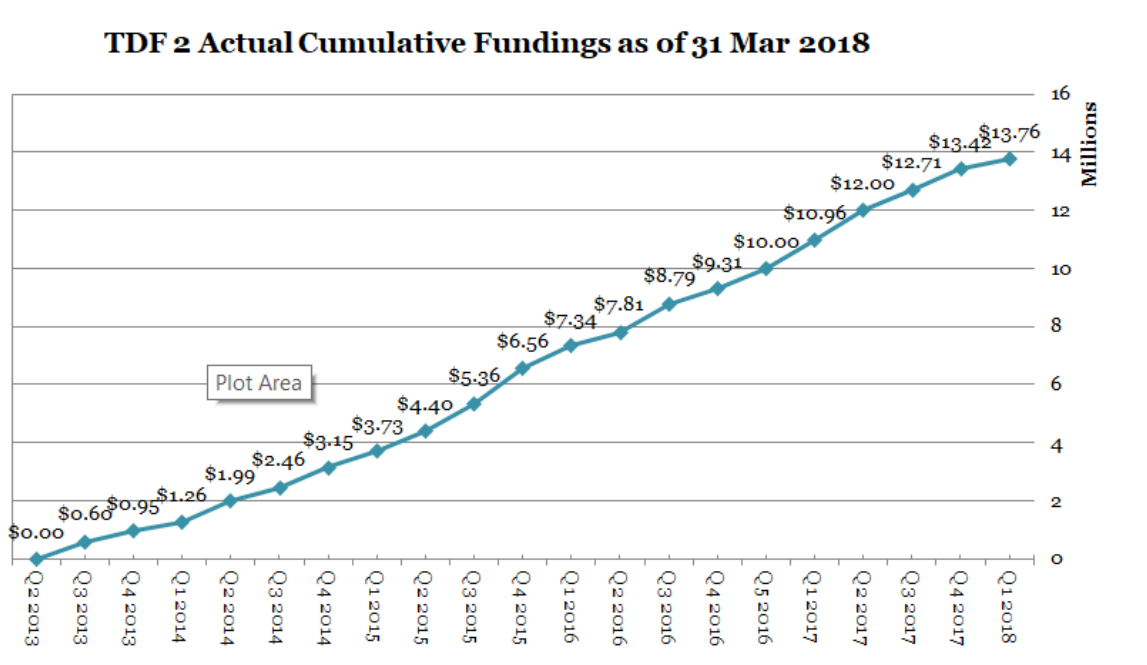
Project Components / Category	Consultants' Services			Goods			Incremental Operating Costs			Training and Workshop			Matching Grants			TOTAL EXPENDITURES		
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date
<b>Component A - Trade Facilitation, Trade Policy and</b>																		
A1 - Trade Facilitation Support	40,386	423,646	801,495	5,038	18,184	67,741	7,787	103,825	187,300	8,152	196,994	371,278				61,364	742,649	1,427,813
A2 - Non Tariff Measures review and rationalization	52,149	348,107	462,715	-	1,632	10,643	-	5,188	8,624	11,100	51,270	145,225				63,248	406,196	627,206
A3 - Trade in services	92,204	540,775	928,209	-	52,621	88,906	14,973	79,204	84,313	436	40,490	155,519				107,613	713,090	1,256,948
A4 - Trade in goods		528,056	886,237	-	-	41,597	-	30,744	82,760	-	48,911	134,371				-	607,711	1,144,965
<b>Total component A Trade policy and Regulation</b>	<b>184,739</b>	<b>1,840,583</b>	<b>3,078,656</b>	<b>5,038</b>	<b>72,437</b>	<b>208,887</b>	<b>22,761</b>	<b>218,960</b>	<b>362,997</b>	<b>19,688</b>	<b>337,665</b>	<b>806,393</b>				<b>232,225</b>	<b>2,469,646</b>	<b>4,456,932</b>
<b>Component B - Diversification and Competitiveness</b>																		
B1 - Business Assistance Facility (BAF)	-	539,751	1,233,280			5,258	-	267	379	-	271	5,688		933,719	1,123,800		1,474,008	2,368,406
B2 - Labour standards and manufacturing productivity	-	817,907	1,179,712			4,701	-	10,659	118,372			52,755					828,566	1,355,539
B3-Business regulation review and rationalization	112,749	307,071	307,071				6,105	9,819	9,819		5,390	5,390				118,854	322,281	322,281
<b>Total component B Diversification and Competitiveness</b>	<b>112,749</b>	<b>1,664,729</b>	<b>2,720,064</b>	<b>-</b>	<b>-</b>	<b>9,959</b>	<b>6,105</b>	<b>20,745</b>	<b>128,370</b>	<b>-</b>	<b>5,661</b>	<b>63,833</b>	<b>-</b>	<b>933,719</b>	<b>1,123,800</b>	<b>118,854</b>	<b>2,624,855</b>	<b>4,046,226</b>
<b>Component C - Mainstreaming Aid-for-Trade</b>																		
C1 - National Implementation Unit, and Trade and Private Sector Development Working Group	59,857	615,969	1,632,226		8,398	114,652	9,137	92,317	224,632	17,174	141,534	362,156				86,168	858,218	2,333,666
C2 - DTIS action matrix/roadmap challenge facility	106,822	317,171	521,256	-	48,500	49,120	634	22,915	25,614	12,396	100,924	206,929				119,852	489,510	802,919
C3 - Research and policy analysis	-	123,390	286,530	-	-	18,230	-	18,403	57,870	-	130,887	361,239				-	272,680	723,869
C4-Lao Business Forum	76,845	183,923	183,923		2,615	2,615	2,176	5,846	5,846	22,118	37,225	37,225				101,139	229,608	229,608
<b>Total component C</b>	<b>243,524</b>	<b>1,240,453</b>	<b>2,623,935</b>	<b>-</b>	<b>59,513</b>	<b>184,617</b>	<b>11,947</b>	<b>139,481</b>	<b>313,961</b>	<b>51,688</b>	<b>410,570</b>	<b>967,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,159</b>	<b>1,850,016</b>	<b>4,090,062</b>
<b>Total</b>	<b>541,012</b>	<b>4,745,766</b>	<b>8,422,655</b>	<b>5,038</b>	<b>131,950</b>	<b>403,463</b>	<b>40,813</b>	<b>379,187</b>	<b>805,528</b>	<b>71,376</b>	<b>753,895</b>	<b>1,837,775</b>	<b>-</b>	<b>933,719</b>	<b>1,123,800</b>	<b>658,239</b>	<b>6,944,517</b>	<b>12,593,220</b>

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

**TDF 2 Grant Fund Receipts (Cash inflows)**

During the period from Jan-Mar 2018, an additional fund of \$340,001 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 31 Mar 2018.



The chart above shows the total fund receipts from the commencement of the project to end of Mar 2018 total amount of \$13.76 million was received by the project, representing 83% 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	\$ 7,197,353	Current Year
3rd Year	\$ 3,408,328	
2nd Year	\$ 2,204,480	
1st Year	\$ 950,308	
<b>Total</b>	<b>\$ 13,760,469</b>	

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	\$ 3,701,276	\$ 9,329,949	\$ 729,244	\$ 13,760,469

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

Note a:

Outstanding Cash Advances		USD	
As of 31 Mar 2018		Indicative	
Component	Outstanding amount	Average Aging	
<b>TDF 2</b>			
Trade Facilitation Support	5,737.21	0	
Non Tariff Measure	280.87	0	
Trade in Services	-		
Trade in Goods	-		
<b>Business Regulation Review</b>			
Garment Skills Development Center			
NIU	-	0	
CF-DDT	2049.32		
FAO - UN Advance		*	
ILO - UN Advance		*	
<b>Total TDF 2</b>	<b>8,067.40</b>		

\* 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 January 01, 2018 – March 31, 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:

- A1.2: IC - National Trade Facilitation Analyst: Contract signed on 16 March 2018
- A1.4: IC - Lao Trade Portal Content Coordinator: Contract signed on 18 January 2018
- A2.3: CQS (firm) - National Consultant to Undertake Review and Impact Assessment of NTMs in Lao PDR: Contract signed on 16 February 2018
- A3.12: CQS (firm) – Consultant on Lao Financial Reporting System: Contract signed on 16 March 2018
- A3.13: SSS (firm) – Training Institution for Lao CPA ToT on Accountancy, CPD program and Lao CPA Professional Level: Contract signed on 31 January 2018.
- C2.3.3: IC – International Website Designer and Photographer: Contract signed on 20 Mar 2018.
- C2.6.1: IC – International Consultant to review Policy Measures for Maintaining Price Stability of Key Sensitive Products in Lao PDR: Contract signed on 14 February 2018.
- C2.6.2: IC – National Project Coordinator to support the review of Policy Measures to Maintain Price Stability of Key Sensitive Products in Lao PDR: Contract signed on 21 February 2018.
- C2.1.2: IC – Part-time National Insurance Supervisory Consultant: Contract extension signed on 30 March 2018

### **Ongoing activities**

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

- GS.1: RFQ – Office equipment for B3: Under bid evaluation.
- GS.2: RFQ – Office furniture for C1: Under bid evaluation.
- A1.1: IC – International Trade Facilitation Specialist (extension): Contract negotiation.
- A1.6: CQS – National firm to conduct study on transit trade in neighboring countries to identify particular bottlenecks: Under advertisement.
- A1.10: IC – 03 National Coordinators to be based in related ministries: Under advertisement.
- A3.9: IC – National Webmaster for STIP: Under advertisement process.
- A3.17.1: IC – International Trade in Services Legal Specialist (DDT): Under evaluation process.

- A3.17.2: IC – National Consultant to Support International Services Legal Specialist (DDT): Under advertisement.
- C1.2: IC – Procurement Assistant: Selection was cancelled
- C2.3.2: IC – National Project Coordinator for GSDC: Under re-advertisement process.
- C2.3.6: IC – International ToT Training Expert: Under advertisement.
- C2.4.3: IC – International Consultant for Banking Regulation to Conduct Study on Issues to be discussed at the Lao Business Forum 2018: Under advertisement.
- C5.1: IC (New Activity, to be included in PP) – International Consultant to Develop Consolidated Trade and Industry Statistical Information System: Under contract negotiation process.
- C5.2: IC (New Activity, to be included in PP) – National Project Coordinator to support the Development of Consolidated Trade and Industry Statistical Information System: Under contract negotiation process.
- C6.1: IC (New Activity, to be included in PP) – International Consultant to support implementation of Doing Business indicator-based regulatory reform in Lao PDR: Under evaluation process.
- C6.2: IC (New Activity, to be included in PP) – National Consultant to support implementation of Doing Business indicator-based regulatory reform in Lao PDR: Under evaluation process.
- C7.1: IC (New Activity, to be included in PP) – International Consultant to support implementation of establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition: Under advertisement process.
- C7.2: IC (New Activity, to be included in PP) – National Consultant to support implementation of establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition: Under advertisement process.
- A1.8: SSS (Firm, New Activity, to be included in PP) – IT Firm for Electronic Certificate of Origin (E-COO) System Upgrade to Allow Printing of Trader’s Signature and Company Stamp: Contract negotiation.

**Activities to start soon:**

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

- A3.11: IC – National Consultant for Capacity Building – Teaching Techniques: ToR preparation.

- A3.16: IC – International Trade Expert to assist DFTP and line Ministries in implementing trade liberalization commitments through workshops/seminars/consultations: ToR preparation.
- C1.14: IC – International Trade Consultant to review the implementation of DTIS Roadmap: ToR preparation.
- C2.3.4: IC – National Independent Evaluator to conduct training impact survey and write report: ToR preparation.
- C2.3.5: IC – National Photoshop Software Expert to train GSDC staff in Photoshop: ToR preparation.
- C2.4.2: IC – International Consultant to prepare position paper on high cost of transport and logistics based on available research and studies: ToR preparation.
- C2.1.2: SSS IC (New Activity, to be included in PP) – International Consultant to develop Business Issue Bulletins Trade Development Facility: ToR preparation.

### **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.