

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)



1th Quarter 2017

(Jan to Mar 2017)

Interim Unaudited Financial Report (IFR)

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ACRONYMS

| | |
|-------|--|
| DIMEX | Department of Import-Export |
| DPC | Department of Planning and Cooperation |
| DTIS | Diagnostic Trade Integration Study |
| EC | European Union |
| EIF | Enhance Integrated Framework |
| ERIT | Economic Research Institute for Trade |
| FTPD | Foreign Trade Policy Department |
| GoL | Government of Lao PDR |
| GSEU | Government Sub-Executing Unit |
| IF | Integrated Framework |
| IAs | Implementation Agencies |
| M&E | Monitoring and Evaluation |
| MAF | Ministry of Agriculture and Forestry |
| MoFA | Ministry of Foreign Affairs |
| MoH | Ministry of Health |
| MoIC | Ministry of Industry and Commerce |
| MoF | Ministry of Finance |
| NAST | National Authority for Science and Technology |
| NIFGS | National Integrated Framework Governance Structure |
| NIU | National Implementation Unit |
| PEC | Program Executive Committee |
| SPS | Sanitary and Phyto-Sanitary |
| TBT | Technical Barriers to Trade |
| TDF | Trade Development Facility |
| TDF 2 | Second Trade Development Facility |
| TPPD | Trade Promotion and Product Development |
| WB | World Bank |
| WTO | World Trade Organization |

I. Overview

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.

II. 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 **January to March 2017**.

Due to the change in the Lao PDR Financial Year, this quarter is the 1st quarter of the financial year, NIU have produced this report in line with the Government of Lao PDR's

Fiscal year 2017. 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 to Mar 2017

| Components | Quarter Actual | Quarter Budget | Variances | % |
|---|--------------------|--------------------|------------------|------------|
| A. Trade Facilitation, Trade Policy and Regulations | \$304,913 | \$417,455 | \$112,542 | 73% |
| B. Diversification and Competitiveness | \$718,681 | \$730,000 | \$11,319 | 98% |
| C. Mainstreaming Aid-for-Trade | \$191,432 | \$207,000 | \$15,568 | 92% |
| <u>TDF Total Expenditures</u> | \$706,589 | \$625,019 | \$139,429 | 90% |
| Grand Total: | \$1,215,026 | \$1,354,455 | \$139,429 | 90% |

The budget performance of **TDF 2** project had been considerably a good progress for this quarter. The overall project performance were 90% of the overall quarter budget.

Component A- Trade Facilitation, Trade Policy and Regulations

Over the period, expenditure for the component A were \$304,913,if compared to the previous quarter, this quarter was significantly increased due to most of planed activities has been implemented as plan, As per the table above , there were variances of \$112,542 at the end of quarter, these variances caused by delay in some of activities in the sub-components, which those activities has been postponed to implement in coming period.

The below report will provide more details on activities by the Implementing Agencies.

A1. Trade Facilitation

Major activities for the reporting period can be summarized as follows:

A. 1: Trade Facilitation Support

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

- Internal consultation meeting on Trade Facilitation agreement under WTO in order to build action plan on category B and C with line agencies in Vientiane Capital.
- Consultation meeting with international border and line department in southern province to collect data and information in order to build action plan on category B and C under WTO TFA.
- To review and prioritize issues related to TF raised by private sector and develop action plan to address those issues through 2 consultation WS
- VI round Trade Facilitation Secretariat meetings in Vientiane Capital to review Trade Facilitation Strategy 2011-2015 and road map for TF 2017-2020.
- Contingency budget for solving private sector issues nationwide

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

- Capacity building for DIMEX, TFS members' officers to attend workshops abroad on TF and NTMs related topics Translation/Printing of curriculum for Management Development Program.
- Translation/Printing of curriculum.
- Capacity building LTP and NTM related to relevant authorities in Vientiane Capital.

- Training for DIMEX officer on management of change under capacity programme by using trainer who has been train in Vientiane capital.

A.1.3: Trade Portal support and development

- Upgrading the Trade Portal by improving both the appearance and key functionality to enhance the effectiveness of the Portal- it may be changed subject to Luc' recommendation
- Digitization and translation of trade related documents for uploading on the Lao Trade Portal (Website).
- To interact with LTP focal points to ensure up to date information available in the website
- Hosting and Domain Name Service Fee
- Internet Access service.
- Promotional activities/ materials for the LTP.

A.2: Non-tariff measures review and rationalization

A.2.1: Classifying, reviewing and streamlining domestic NTMs

- 2nd NTMs-WG meeting was organized on 31 Jan 2017 to review the Progress of NTMs Project; to present the outcome of the RIA on Vehicle and Fuel Import Licensing and plan for the next step of NTMs project;
 - Organized Consultation meeting with public and private sector on how to simplify the Vehicle and Fuel Import Licensing on 15-16 February 2017;
 - Organized Consultation meeting to present a draft minister's order on eliminating the issuance of import license for Vehicle Spare Part and Crude Oil assembling or manufacturing in factories on 02 March 2017;
 - Organized consultation meeting on preparing for the Lao Business Forum according to the guidance of the Minister, in particular the issues related to import procedure of vehicle and products for project use and pharmaceutical products on 16 March 2017;
 - Organized the consultation meeting on the issues raised by private sectors related to Domestic Movement of Goods such as: Wood Charcoal in Salavanh Province, and Local Fruit in Vientiane Province.
-
- Completed draft a review of Trade Facilitation Strategic Plan (TFSP) 2011-2015 and Drafted Trade Facilitation Road Map for 2017-2022.
 - Public and private consultation meeting was held on 2 March 2017 to discuss on the structure and content of the reviewed TFSP 2011-2015 and the TF Road Map 2017-2022.
 - DIMEX NTMs Team has finished the RIA on Vehicle and Fuel Import Licensing. A report with the RIA results were sent to the Minister of Ministry of Industry and Commerce for her consideration as the Chair of Trade Facilitation Secretariat and the Minister Order has already been signed according to the regulation no. 0535/MOIC.DIMEX, dated 10 April 2017. This Order would reduce the 03 working days and additional costs for businesses at DIMEX.
 - NTMs Core Team finished translating the UNCTAD Classification and The Guideline of NTM Data Collection, and these two documents were officially printed in Lao Language.
 - NTM Team have linked many measures with the newly uploaded procedures in Lao Trade Portal.
 - NTM Core Team is currently revised and translated a Practical Guideline for Conducting RIA on NTMs, drafted by International Consultant.

A3. Trade in services

A3.1. Enhancing Regulatory Capital in Services Trade:

Sectoral Assessments to Deepen the Understanding of Key Services, Inform Sector-Specific Policies and Regulation, and Identify Gaps in Regulation Institution and Capacity:

The workshop on ASEAN Certified Public Accountant (CPA) was organized on 08 February 2017, at Mercure Hotel. There were 41 participants (14 females) from Lao Chamber of Professional Accountants and Auditors (LCPAA), Accounting Department, members of the big 4, the local accounting and auditing entities and other related parties. The primary objective of this workshop was to discuss the proposals for task 1-6 and suggest the potential approaches for task 7-11. Dr. Phirany PHISSAMAY, Deputy Director-General of Accounting Department, MoF, started the workshop with an update on the current status of legal framework and the implementation of MRA that emphasized the important of this project in terms of improvement professional standards and reputation of ASEAN professional accounts. The international consultant team then presented and discussed their proposals for the first six tasks. The team proposed the criteria for recognition of ASEAN CPAs as Registered Foreign Professional Accountant (RFPA) in Lao PDR which included (i) candidates shall be assessed with their home country to be compliant with ASEAN MRA, and (ii) Lao PDR as a host country may require supplement assessments about domestic requirements and RFPA candidates have to comply with Lao requirements under Code of Professional Conduct, in which this has been agreed upon the committee and participants. The tasks 7-11 were also discussed in the workshop which covered the guide for training program, language of aptitude test, handbook with a code of conduct, regulatory system and capacity building. The international consultant team also proposed forthcoming plan for the next mission.

The Preparatory consultation for SEOM 1/48 and related meetings was organized on 31 January 2017, at MoIC, with 35 representatives (17 females) from relevant government agencies. This consultation was chaired by Mr. Saysana SAYAKONE, Deputy Director-General of DFTP, and aimed to determine negotiating position of Lao PDR for SEOM 1/48. The chair started with discussion on the priorities proposed by the Philippines during her 2017 ASEAN Chairmanship, especially the 3rd priority on Focused and Strategic (FAST) action agenda on Investment. The chaired also requested each working group to report on progress of their negotiations including the important issues to be advised by the chair, started with Trade in Goods, Standards and Conformance, ASEAN Single Window, ASEAN Food Safety Regulatory Framework, Trade in Services, Investment, and trade negotiations under ASEAN +1 Consultation. For trade in goods, Lao CCA informed the meeting on transition of HS code from AHTN 2012 to 2017 which is now on the process of getting the comments from relevance sectors and the list will be shared ASEAN member countries in April 2017. The discussion was also focused on the Self-Certification issues which covered the differences between ASEAN Self-Certification Pilot project 1 and Pilot project 2 for the implementation of ASEAN Wide Self-Certification. For trade in services, ASEAN proposed to extend Business Travel Card. In this issue, Lao PDR has difficulties to implement such proposal since it would be contraction to our domestic regulations which state that visitors cannot stay more than 90 days due to the national security reasons.

The Consultation meeting to follow up the outcome of SEOM 1/48 and the 31st HLTF and prepare for the 23rd AEM Retreat was held on 28 February 2017, at MoIC, with 25 participants (10 females) from relevant government agencies, and chaired by Mr. Saysana SAYAKONE, Deputy Director-General of DFTP. The meeting started with following up the outcome of SEOM 1/48 and the 31st HLTF especially the progress of Lao PDR on ratification the ASEAN agreements such as: Agreement on the Establishment of the ASEAN Coordinating Center for Animal Health and Zoonosis; ASEAN MRA on the Bioequivalence Study report for Generic Medical Products; Protocol to Implement the 8th and 9th of Commitments on Air Transport Services under ASEAN Service Agreement Framework and the 2nd Protocol to Amend ASEAN Comprehensive Investment (ACIA). In addition, the meeting also aimed to prepare content for the 23rd AEM Retreat. The discussion mainly focused on progress in drafting the TOR and work program related to E-commerce for ASEAN Coordinating Committee on E-Commerce (ACCEC); discussion and providing comment on a draft ASEAN Work Plan on Good Regulatory Practice; and transition from Positive list to Negative list under ATISA. The chair also took this opportunity to discuss the development of the coordination mechanism which all participants from related agencies fully agreed that ASEAN Economic Division, DFTP will perform as the focal point in charge of ensuring coordination and promoting economic integration towards AEC; and there shall be the consultation meeting to update progress of negotiations, achievements and remaining tasks under their mandatory two times a year.

Horizontal Regulatory Assessment (HRA):

DFTP, in collaboration with the Trade Policy Advisor, identified priority recommendations, in particular those related to WTO and ASEAN commitments under the regulatory purview of MoIC. The distribution services was identified as a sector of priority. The list of regulations governing distribution services as identified by HRA and the regulations currently in force were compared to verify regulatory reform taken place, specifically rules and regulations currently in force in distribution services were analyzed on their consistency with the country's GATS and AFAS commitments. The technical note was prepared to assist on how to further proceed to ensure full regulatory compliance with Lao PDR's commitments in distribution services.

Developing regulatory framework for telecommunication sector:

MPT finalized the draft Decree for the Establishment of the LTRA based on the comments received from the relevant agencies including DFTP, and submitted to the MHA for consideration. The Decree was finally approved and signed by the Prime Minister on 27 March 2017. DTPF, through the Second Trade Development Facility (TDF II), will continue support MPT on dissemination of key telecommunication regulations and this PM Decree, and some activities related to setting up LTRA including capacity for LTRA staffs.

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

Laws and regulations related to Accountancy Services have been translated. After organizing a kick off workshop in November 2017 on the preparation for the full implementation of the ASEAN MRA on accountancy services including the ASEAN CPA registration and education process and the preparation of a policy paper, Accounting

Department, MoF, in collaboration with consultants, organized the ASEAN CPA Workshop in February 2017 to discuss the proposals for tasks 1-6 as specified in the policy paper and suggest potential approaches for discussion for task 7-11.

The International consultant contract has been extended with no cost until June 2017 for completing all remaining tasks as outlined in the work-plan. In June 2017, the international consultant will have his last mission in Lao PDR to assist the Accounting Department, MoF in preparation of the first Aptitude Test for foreign accountancy professionals wishing to practice in Lao PDR.

Improving access to service regulation (Services Trade and Investment Portal)

DFTP has been working closely with consultants and Translation Company on translating batch 4 of regulations. The classified measures in English by DFDL were submitted for review by the World Bank prior DFTP revision. The draft of the Sustainability Blueprint is under revising process. On 05 April 2017, DFTP organized a technical workshop on sustainability with MoIC staffs and other related stakeholders inclusive of a demonstration of the portal usage, which aimed to discuss and provide comments on the draft blueprint and the portal's design and technical specifications. On 06 April 2017, DFTP organized an inter-ministerial workshop to review the contents and technical specifications of the portal. DFTP is currently revising the draft to reflect the comments gathered during the first workshop. In addition, in collaboration with Cyberia, the team is working on the portal contents and digitalization of the Laws and Regulations. DFTP plans to hold several meetings with related stakeholders including Cyberia and consultants to ensure smooth development of the portal.

The International Consultant (Ms.Tira Green) will have a mission in Lao PDR in early May 2017 which will also coincide with the WB's mission that will focus on STIP activities. The main purpose of the mission is to work with the team on the portal testing, finalizing the Blueprint, working on the portal's contents including procedures, and presenting STIP to DFTP leads.

A4. Trade in Goods:

A4.2. Dissemination Commitments and Building Capacity on Trade Remedies:

The Public forum on the 4th Anniversary of Lao PDR's Accession to WTO was organized on 10 February 2017 at MoIC, with 157 participants (66 females) from relevant government agencies, private sectors and university students. The forum was chaired by HE. Somchit INTHAMIT, Vice Minister of Industry and Commerce, together with a panel of speakers who are representatives from MoIC, MoF, MoAF, MoST and Lao Chamber of Commerce and Industry (LCCI). The chair kicked off the forum with his opening remark emphasized the important of Lao PDR's accession to the WTO and the achievements in the past 4 years. The speakers from each line Ministry then took turn to update the progress in implementing their WTO commitments. As of the main objective of this forum was to exchange opinions between the government agencies and private sectors on *the opportunities and challenges of Lao PDR's WTO post-accession*, several related issues were therefore discussed such as: the preparation for Doha Round Negotiations, trade in goods, trade in services, trade facilitation, SPS, the development of National Single Window and the Small and Medium Enterprises (SMEs) promotion. The private sectors put their focus on the advantages and difficulties in running their business, in which LCCI

presented the strategic plan 2020 for promoting the SMEs that included the establishment of SMEs center.

The dissemination seminar on ASEAN Economic Integration, and Lao PDR's Accession to WTO took place on 16 February 2017 at MoIC, with 79 participants (44 females), and aimed at educating new officials and internship students in MoIC for better understanding of ASEAN Economic Integration and Lao PDR's accession to WTO. The seminar was chaired by Mr. Bountheung DOUANGSAVANH, Deputy Director-General of DFTP, and conducted in two sessions. The first session started with a brief explanation on the ASEAN background information (ASEAN history, ASEAN Charter, the main objective and areas of cooperation of ASEAN) and then followed by discussion on the advantages, opportunities and challenges of Lao PDR from becoming one of ASEAN member states and AEC. The second session focused on the fundamental principles of the WTO Agreements, its dispute settlement mechanisms, an update on Doha Round negotiations and the WTO post-accession opportunities for private sectors in Lao PDR. The seminar has high magnitude and closed with successful results. Through the comprehensive discussion and Q&A session, the participants have clearer picture of Lao PDR's economic integration in regional and global economic. DFTP will continue to conduct the similar seminar for students and new MOIC trade officials to ensure their understanding and updated knowledge on the two aforementioned matters.

The 1st Internal consultation on Lao PDR's Trade in Goods negotiations under RCEP consultation was organized on 16 February 2017 at Lao Plaza Hotel, with 30 participants (8 females) from relevant government agencies. The meeting was chaired by Dr. Laohoua CHUECHING, Director-General of DFTP, which aimed to hear an update on the progress of RCEP negotiations for trade in goods and discuss key issues related to (i) the structure of tariff reduction modality and the scope of limited deviations; (ii) RoO especially the full cumulation rules, chemical transfiguration process and PSR list negotiations and (iii) NTMs in order to facilitate Lao PDR's exported products to RCEP markets. Lao PDR has submitted the request list to 6 dialogue partners and received preferential market access for our agricultural products from category 01-08, electrical machinery, vehicles and the parts thereof. The meeting agreed to establish a specific committee to work on analyzing *Lao PDR potential exports for future market access negotiations*.

Law on Safeguards:

The Law on Safeguards has been drafted and reviewed multiple times to ensure the full compliance with the WTO, final revisions are under way with consultation at central level. The finalised draft Law is rescheduled to be submitted for approval by the Lao National Assembly in October 2017.

A4.3. Further strengthening of SPS legal framework:

The National Assembly adopted the Law on Livestock and Veterinary Matters on 11 November 2016 and the Law on Plant Protection on 15 November 2016, and the Standing Committee of the National Assembly then proposed the two adopted Laws to the President of Lao PDR to consider for promulgation which the Law on Plant protection was promulgated first by the Presidential Decree dated 16 February 2017 and the law on Livestock and Veterinary Matters was later promulgated on 19 February 2017.

An international legal specialist (Ms. Ambra Bobena) has been hired from February – August 2017 to support the improvement of SPS regulatory framework, especially the finalization of the secondary legislations of the above two laws.

Capacity building on the implementation of notification obligations under the WTO agreements on SPS and TBT:

In order to help DFTP staffs familiarize with duties, forms and procedures required by their assigned position in the SPS and TBT notification unit as well as to ensure the smooth and sustainable operation of the unit, two separate training sessions were organized by the Trade Policy Advisor as follows:

1. A plenary session which took place on 15 February 2017 and was attended by 10 DFTP staffs, focused on:
 - A general introduction of the TBT and SPS agreements;
 - An explanation of their transparency provisions; and
 - An illustration of practical examples of the implementation of notification obligation.

2. A more technical follow-up session, opened exclusively to 3 staffs of Trade in Goods Division (SPS and TBT notification unit), which took place on 1 March 2017, the participants were primarily coached on:
 - The functioning of the TBT and SPS information management systems set up by the WTO Secretariat, including instructions on how to create customized report, how to search for documents and how to look for specific notifications;
 - How to write notifications to be submitted to the WTO secretariat; and
 - How to distinguish notification formats (e.g TBT vs. SPS; regular notification vs. urgent/emergency notification, correction vs. revision)

Component B - Diversification and Competitiveness

During reporting period, actual expenditure of \$718,681 has been recorded for component B that included BAF Matching Grants of \$408,140. Thus, the disbursement for quarter was equivalent to 98% of quarter budget. During the quarter we paid all for BAF clients only outstanding invoices of the PM group have been settled Jan-Mar 2017, the table above shows that there was a variance of \$11,319 at the end of the quarter. This caused by the advance clearance of ILO for \$168,395.23 that was recorded as expenditure in late Mar 2017.

Besides above, most of activities have made progress according to plan in component B. For more detail please see below:

B1. Business assistance facility (BAF)

B1. Business assistance facility (BAF)

During the reporting period, BAF has focused its effort on completing remaining activities planned before the program ended in March 2017. At closure of the program, BAF had assisted 208 firms, of which 34% were woman-owned, and BAF-assisted firms achieved average growth rates 21% higher than non-assisted companies. The final EMC evaluation report of 28th March 2017 found that: “BAF met and surpassed their main goal of increasing the revenue growth of supported firms by 20 percent more than non-supported firms” and the program was successful in surpassing the target number of assisted firms.

B2. Labour standards and manufacturing

B2.1: Factory standards improvement scheme

The key outputs during this reporting period include:

1. 32 factory visits conducted; factory inspection visits completed in 10 factories; key findings of labour inspections in garment factories participating in the project available (incl. excessive overtime without permission, no internal regulations, unclear and incomplete labour contracts, cleanliness and maintenance issues, lack of occupational health and safety, non-compliance with maternity benefits);
2. Outcome of labour law training;
3. 55 workers trained on fundamental principles and rights at work (of which 76% were female);
4. 40 workers trained on social security (of which 93% were female);
5. 20 workers trained on minimum wage (of which 90% were female);
6. 20 workers trained on working time (of which 90% were female);
7. 15 workers trained on OSH (of which 73% were female).
8. 10 WIC meetings held and 1 new WIC established
9. 8 labour inspectors at central level and 66 labour inspectors at provincial level re-appointed – a major activity under MD 4277;
10. 2 experience sharing and coaching sessions conducted for core labour inspectors.
11. Preparatory work for labour inspector training in provinces and trade union member training completed.

B2.2: Transition of the Garment Skills Development Centre towards financial and operational independence

Key activities of the center during the reporting period can be summarized as follows:

- Delivered Sewing Operator training for 18 public trainees (18 female).
- Delivered Pattern making of female clothes training for 4 public trainees (4 female).
- Pattern making of female clothes training on weekend session is in progress.
- Work in progress on developing curriculum packages for the six required job profiles in the Lao apparel sector (VELA project).
- Cooperate with VEDI – Vocational Education Development Institute for curriculum development (VELA project).
- Supported NTC – National Training Council Permanent Office to wrap-up documents on competency standard for the next approval process.
- Supported NTC – to conduct the Trade working group workshop.
- Visited garment factory to propose GSDC training services.
- Visited ex- trainee tailoring shops to consult/coach and get feedbacks for improvement.
- Participated on the short course seminar – a CSR activity at Diep Vu Co.Ltd.
- Co-operated with Component B2.1 “A Factory Standard Improvement scheme” to wrap-up and submitted the CF’s proposal on Human Resource Development assistance for improving productivity and worker wellbeing in Lao garment Industry.
- Extended contract and paid for renting a house – GSDC centre.
- Extended employment contract for all GASD staff.
- GSDC team building and retreat.

Component C – Mainstreaming Aid For Trade

Total expenditure for component C was \$191,432 which equivalent to 92% of quarter budget. There was a small variance of \$15,568 which caused by some delays in few activities. However, the activities are planned to be implemented in next quarter. There was number of activities implementing within the subcomponent C1: NIU, C2: CF and C3: Research facilities and more detailed activities please see below;

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

The NIU has been performing its key functions as coordinating and facilitating implementation of TDF II activities under all components at satisfactory level, as shown by the high disbursements and satisfactory fiduciary ratings. The NIU has risen to the challenge of coordinating formulation and implementation of multiple projects, including TDF II, EIF projects, WB’s SME Access to Finance Project and other projects directly implemented by development partners.

During the reporting period, NIU continue to fulfil its role in coordinating the delivery of trade related assistance to Lao PDR, carried out several significant activities in this reporting period.

Intensive discussions were held to reach consensus with EU regarding modality of future EU’s support program. NIU has also processed extension of GIZ implemented RELATED project until September 2018.

Regular meeting between NIU and IAs were held to discuss specific issues affecting implementation of project activities and one capacity building workshop on project procurement and financial management was organized.

C2. DTIS action matrix/roadmap challenge facility

Two CF funded projects are currently active. Implementation progress is summarized below.

DTIS action matrix/roadmap challenge facility

1. Technical assistance to improve business environment through a structured public private dialogue mechanism under the Lao Business Forum.

Several consultation meetings were held to prepare for the 10th Lao Business Forum including:

- 2 steering committee meetings held in December 2016 and March 2017 respectively to discuss LBF 10th issues, its readiness and Agenda. Both meetings were shared by the Minister of MOIC and co-shared by President of LNCCI (a total of 100 people attended).

- 2 high level consultation meetings were held with relevant ministries including

a) Meeting held with relevant departments within MOIC in December 2016 (chaired by Minister of MOIC) and

b) Meeting held with Ministry of Finance in early March 2017 with participation from relevant departments within MOF to discuss LBF related issues and seek guidance from MOF's management on resolutions. The meeting was chaired by Minister of MOF and co-chaired by Minister of MOIC. - Further, a clarification workshop was also held on general tax and VAT issues in order to provide opportunity for private sector to learn more about VAT implementation as well as obtained clarity on general tax related issues. The meeting was co-chaired between LNCCI's executive and the Director General of Tax Department. A total of 80 ppl from relevant private companies attended the workshop.

- The 10th Lao Business Forum (LBF) was held on 28 March 2017 chaired by the Prime Minister, co-chaired by Minister of MOIC and President of LNCCI as well as other key government agencies including the Minister of MPI and the President of Economic and Finance sub-committee of the National Assembly. Over 300 people attended the LBF.

2. Technical Assistance for improving regulatory and institutional framework for insurance services.

This project was newly approved in previous quarter- July 2016. During this quarter the recruitment of both international and national consultants to support the project implementation was completed and both consultants started their assignment in November 2016. The first technical report featuring an assessment of the Insurance law of 2011 taking into account Insurance Core Principles (ICP), providing guidance on the provisions that should be repealed or amended in order to incorporate best international practices, in particular in line with its ASEAN partners, has been drafted and shared with all stakeholders.

No activities took place during the reporting period. The next consultant’s mission is planned for the second half of May 2017.

C3. Research and policy analysis

Key achievements in this reporting period include the following:

- Four research projects granted by TDF2 project have been submitted as listed below:
 - 1). Completed the final report of “*An Emerging Flowers and Decorative Plants Trade and Its Potential Role in Agribusiness and Socio-Economic Development in Lao PDR*”.
 - 2). Completed the final report of “*An Improving the Economic Vulnerability Index (EVI) for Laos: the determinants of export earning instability*”.
 - 3). Completed the final report of “*Cross-Border Impacts of Thai SEZs on Lao SEZs Collaboration in the Midst of Regional Integration*”.
 - 4). Completed the final report of “*Does Farm’s Commercialization Increase Household Income in Upland Areas of Laos?*”.
- Completed the Lao Trade Research Digest vol.6 and published the Lao Trade Research Digest vol.6 via ERIT’s website.
(<http://www.laosft.org/erit/index.php/en/publications/category/52-volume-6-2017>)
- Completed the research forum to disseminate the research papers granted by TDF2 project.

❖ C3.1 Research Methodology and Capacity Building

- The ERIT researchers were coached and guided on their research work with embedded International Research Advisor.

❖ C3.2 Research Facility

- The progression of the following grant research papers are summarized as follow:

| No | Granted research papers | Remark |
|-----------------------------|---|------------------|
| 2nd Batch | | |
| 1 | NERI “ <i>An Improving the Economic Vulnerability Index (EVI) for Laos: the determinants of export earning instability</i> ”. | - Completed 100% |
| 2 | NoUL + Chiang Mai University – “ <i>An Emerging Flowers and Decorative Plants Trade and Its Potential Role in Agribusiness and Socio-Economic Development in Lao PDR</i> ”. | - Completed 100% |
| 3rd Batch | | |
| 1 | NUOL - “ <i>Does Farm’s</i> | - Completed 100% |

| | | |
|---|---|------------------|
| | <i>Commercialization Increase Household Income in Upland Areas of Laos?”</i> | |
| 2 | <i>“Cross-Border Impacts of Thai SEZs on Lao SEZs Collaboration in the Midst of Regional Integration”</i> | - Completed 100% |

This subcomponent was closed at the end of March 2017.

III. Financial Information

This part of the Interim Un-audited Financial Report (IFR) is intended to provide information on the financial activities and movement of funds during the **1th quarter** of Government of the Lao PDR financial year which covered the period from **Jan-Mar 2017**.

Financial Statements

Trade Development Facility II Financial Statement (TDF2)

TDF II Projects Balance Sheet

Table 2: TDF 2 Project Balance Sheet

| Second Trade Development Facility (TDF II) | | | | |
|---|----------------------------|---------------------------|---------------------------|--------------------|
| PROJECT BALANCE SHEET | | | | |
| As of 31 Mar 2017 | | | | |
| ASSETS | Mar-17 | Mar-16 | Change | % Change |
| Fund Balances | | | | |
| Designated Account @ Bank of Lao PDR - TDF | \$104,027 | \$29,823 | \$74,203 | 249% |
| Project Operating account @ BCEL Bank - TDF | \$2,853 | \$1,689 | \$1,164 | 69% |
| Project Operating account @ BCEL - BAF - TDF | \$54 | \$12,718 | -\$12,664 | -100% |
| NIU Petty Cash - TDF | \$950 | \$480 | \$470 | 98% |
| FAO - UN Advance | \$210,830 | \$226,044 | -\$15,214 | -7% |
| ILO - UN Advance | \$352,144 | \$288,699 | \$63,444 | 22% |
| Advances - TDF IAs | \$5,576 | \$25,272 | -\$19,696 | -78% |
| Cash Advance | -\$220,000 | | | |
| Un-Cleared Cheque | -\$1,220 | | | |
| Subtotal | <u>\$455,213</u> | <u>\$584,725</u> | <u>-\$129,512</u> | <u>100%</u> |
| Cumulative Expenditures | | | | |
| Consultants' Services | \$6,767,033 | \$4,766,568 | \$2,000,466 | 42% |
| Goods | \$335,646 | \$320,757 | \$14,889 | 100% |
| Incremental Operating Costs | \$663,601 | \$507,764 | \$155,837 | 31% |
| Trainings and Workshops | \$1,618,372 | \$1,268,472 | \$349,899 | 28% |
| Matching Grants - BAF | \$1,123,800 | \$359,874 | \$763,926 | 100% |
| Subtotal | <u>\$10,508,451</u> | <u>\$7,223,435</u> | <u>\$3,285,017</u> | <u>100%</u> |
| TOTAL ASSETS | <u>\$10,963,665</u> | <u>\$7,808,159</u> | <u>\$3,155,505</u> | <u>100%</u> |
| FUNDS | | | | |
| Sources of TDF 2 Grant | \$10,963,665 | \$7,808,159 | \$3,155,505 | 40% |
| Other sources of fund (Other income) | \$0 | \$0 | \$0 | 0% |
| TOTAL FUNDS | <u>\$10,963,665</u> | <u>\$7,808,159</u> | <u>\$3,155,505</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 1st quarter March 2017(Jan-Mar 2017). The statement includes current assets, expenses and funds disbursed of projects. The statement is also shown same quarter of the previous year for comparison purpose. It is noted that if we compared same time last year, the project have only disbursed only \$3.1 million this year.

TDF II Sources and Uses of Funds Summary

Table 3: TDF 2 Sources and Uses of Funds

| National Implementation Unit Second Trade Development Facility Project - LA Multi Donor Trust Fund Sources and Uses of Funds For the 1st Quarter (Jan-Mar 2017 Fiscal Year 2017) Expressed in US Dollar | | | | | | | | | |
|--|------|----------------|----------------|----------------|------------------|------------------|----------------|------------------|-------------------|
| | Note | 1st 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 | | 567,883 | 200,000 | 194,452 | 962,335 | 7,603,014 | 200,000 | 3,160,651 | 10,963,665 |
| Other income* | | | | | | | | | |
| Total Cash Receipts | | <u>567,883</u> | <u>200,000</u> | <u>194,452</u> | <u>962,335</u> | <u>7,603,014</u> | <u>200,000</u> | <u>3,160,651</u> | <u>10,963,665</u> |
| Less Expenditure by Component | | | | | | | | | |
| A. Trade Facilitation, Trade Policy and Regulations | | 182,948 | 60,983 | 60,983 | 304,913 | 2,375,280 | 60,983 | 1,000,554 | 3,436,816 |
| B. Diversification and Competitiveness | | 431,209 | 143,736 | 143,736 | 718,681 | 2,484,380 | 143,736 | 1,023,667 | 3,651,783 |
| C. Mainstreaming Aid-for-Trade | | 114,859 | 38,286 | 38,286 | 191,432 | 2,374,753 | 38,286 | 1,006,812 | 3,419,852 |
| Total Expenditures | | <u>729,015</u> | <u>243,005</u> | <u>243,005</u> | <u>1,215,026</u> | <u>7,234,413</u> | <u>243,005</u> | <u>3,031,033</u> | <u>10,508,451</u> |
| Receipts Less Expenditures | | | | | (252,691) | | | | 455,213 |
| Net Change in Cash | | | | | <u>(252,691)</u> | | | | <u>455,213</u> |
| Opening Cash Balance | | | | | | | | | |
| Designated Account @ Bank of Lao P D R - TDF | | 8,258 | | | | | | | |
| Project Operating account @ BCEL - TDF | | 2,663 | | | | | | | |
| Project Operating account @ BCEL - BAF - TDF | | 52,490 | | | | | | | |
| NIU Petty Cash - TDF | | 218 | | | | | | | |
| FAO - UN Advance | | 210,830 | | | | | | | |
| ILO - UN Advance | | 474,916 | | | | | | | |
| Advances - TDF IAs | | 8,529 | | | | | | | |
| Cash Advance | | (50,000) | | | | | | | |
| Total Opening Cash | | | | | <u>707,904</u> | | | | |
| Add Net Change in cash | | | | | (252,691) | | | | 455,213 |
| Net Cash Available | | | | | <u>455,213</u> | | | | <u>455,213</u> |
| Closing Cash Balance | | | | | | | | | |
| Designated Account @ Bank of Lao P D R - TDF | | 104,027 | | | | 104,027 | | | |
| Project Operating account @ BCEL Bank - TDF | | 2,853 | | | | 2,853 | | | |
| Project Operating account @ BCEL - BAF - TDF | | 54 | | | | 54 | | | |
| NIU Petty Cash - TDF | | 950 | | | | 950 | | | |
| FAO - UN Advance | a | 210,830 | | | | 210,830 | | | |
| ILO - UN Advance | a | 352,144 | | | | 352,144 | | | |
| Advances - TDF IAs | a | 5,576 | | | | 5,576 | | | |
| Un-Cleared Cheque | | (1,220) | | | | (1,220) | | | |
| Cash Advance | | (220,000) | | | | (220,000) | | | |
| Total Closing Cash Balance | | | | | <u>455,213</u> | | | | <u>455,213</u> |

The table 3 above displays the funds used by the TDF 2 project during the quarter and accumulate figure to the end of March 2017. It reflects the expenditures of each project component during the report 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

Sources and Uses of Funds (Actual vs. Budget)

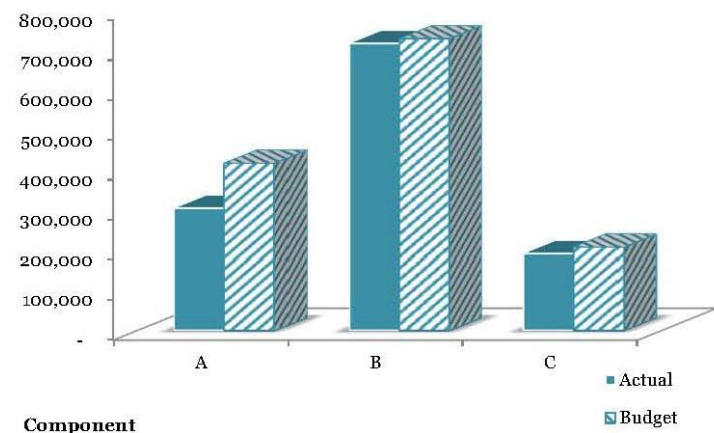
Table 4: Sources and Uses of Funds (Actual vs. Budget)

Sources and Uses of Funds TDF 2 Period ended 31 Mar 2017

| | 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 | 962,335 | 4,400,549 | 10,963,665 | 1,000,000 | 4,300,000 | 12,300,000 | 37,665 | (100,549) | 1,336,335 |
| Other income* | - | - | - | - | - | - | - | - | - |
| Total Financing | 962,335 | 4,400,549 | 10,963,665 | 1,000,000 | 4,300,000 | 12,300,000 | 37,665 | (100,549) | 1,336,335 |
| Less: Expenditures by Component | | | | | | | | | |
| A. Trade Facilitation, Trade Policy and Regulations | 304,913 | 1,449,530 | 3,436,816 | 417,455 | 2,156,430 | 5,622,092 | 112,542 | 706,900 | 2,185,276 |
| B. Diversification and Competitiveness | 718,681 | 2,230,412 | 3,651,783 | 730,000 | 2,046,460 | 3,902,216 | 11,319 | (183,952) | 250,433 |
| C. Mainstreaming Aid-for-Trade | 191,432 | 1,179,806 | 3,419,852 | 207,000 | 2,155,088 | 4,266,300 | 15,568 | 975,282 | 846,448 |
| TDF Total Expenditures | 1,215,026 | 4,859,748 | 10,508,451 | 1,354,455 | 6,357,978 | 13,790,608 | 139,429 | 1,498,230 | 3,282,157 |

| | | |
|---|-------------------|------------------|
| Net Change in Cash (Receipts - Expenditures) | -\$252,691 | \$455,213 |
| Opening Cash Balances | | |
| Designated Account @ Bank of Lao P D R - TDF | \$8,258 | |
| Project Operating account @ BCEL - TDF | \$2,663 | |
| Project Operating account @ BCEL - BAF - TDF | \$52,490 | |
| Undeposit Cash/Cash in Transit - TDF | \$0 | |
| NIU Petty Cash - TDF | \$218 | |
| FAO - UN Advance | \$210,830 | |
| ILO - UN Advance | \$474,916 | |
| Advances - TDF IAs | \$8,529 | |
| Cash Advance | -\$50,000 | |
| Total Opening Cash | \$707,904 | |
| Net Change in cash | -\$252,691 | |
| Net Cash Available | \$455,213 | |
| Closing Cash Balance | | |
| Designated Account @ Bank of Lao P D R - TDF | \$104,027 | |
| Project Operating account @ BCEL - TDF | \$2,853 | |
| Project Operating account @ BCEL - BAF - TDF | \$54 | |
| Undeposit Cash/Cash in Transit - TDF | \$0 | |
| NIU Petty Cash - TDF | \$950 | |
| FAO - UN Advance | \$210,830 | |
| ILO - UN Advance | \$352,144 | |
| Advances - TDF IAs | \$5,576 | |
| Un-Cleared Cheque | -\$1,220 | |
| Cash Advance | -\$220,000 | |
| Total Closing Cash Balance | \$455,213 | |

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 5: Sources and Uses of Funds by Components

| TDF 2 sources of fund(in US\$) | | | | | | | | | |
|---|------------------|------------------|--------------------|--------------------------|------------------|--------------------|-----------------|------------------|--------------------|
| Period ended 31 Mar 2017 | | | | | | | | | |
| 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 | 125,814 | 554,751 | 1,239,916 | 151,055 | 605,211 | 1,573,868 | 25,241 | 50,460 | 333,952 |
| A2 - Non Tariff Measures review and rationalization | 43,872 | 278,475 | 499,485 | 22,500 | 429,069 | 941,206 | (21,372) | 150,594 | 441,721 |
| A3 - Trade in services | 68,942 | 231,211 | 775,069 | 209,300 | 719,550 | 1,905,818 | 140,358 | 488,339 | 1,130,750 |
| A4 - Trade in goods | 66,284 | 385,093 | 922,347 | 34,600 | 402,600 | 1,201,200 | (31,684) | 17,507 | 278,853 |
| Total component A Trade policy and Regulation | 304,913 | 1,449,530 | 3,436,816 | 417,455 | 2,156,430 | 5,622,092 | 112,542 | 706,900 | 2,185,276 |
| Component B - Diversification and Competitiveness | | | | | | | | | |
| B1 - Business Assistance Unit (BAU) | 530,176 | 1,397,714 | 2,292,111 | 540,000 | 1,190,000 | 2,512,966 | 9,824 | (207,714) | 220,855 |
| B2 - Labour standards and manufacturing productivity | 184,373 | 828,566 | 1,355,539 | 185,000 | 851,460 | 1,384,250 | 627 | 22,894 | 28,711 |
| B3. Business Regulations review and rationalization | 4,132 | 4,132 | 4,132 | 5,000 | 5,000 | 5,000 | 868 | 868 | 868 |
| Total component B Diversification and Competitiveness | 718,681 | 2,230,412 | 3,651,783 | 730,000 | 2,046,460 | 3,902,216 | 11,319 | (183,952) | 250,433 |
| Component C - Mainstreaming Aid-for-Trade | | | | | | | | | |
| C1 - National Implementation Unit, and Trade and Private Sector Developme | 91,048 | 591,653 | 2,067,102 | 100,000 | 1,024,296 | 2,589,598 | 8,952 | 432,643 | 522,496 |
| C2 - DTIS action matrix/roadmap challenge facility | 35,077 | 333,511 | 646,920 | 40,000 | 776,000 | 776,000 | 4,923 | 442,489 | 129,080 |
| C3 - Research and policy analysis | 53,308 | 242,642 | 693,830 | 55,000 | 342,792 | 888,702 | 1,692 | 100,150 | 194,872 |
| C4 -Lao Business Forum | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | - | - | - |
| Total component C | 191,432 | 1,179,806 | 3,419,852 | 207,000 | 2,155,088 | 4,266,300 | 15,568 | 975,282 | 846,448 |
| TDF TOTAL | 1,215,026 | 4,859,748 | 10,508,451 | 1,354,455 | 6,357,978 | 13,790,608 | 139,429 | 1,498,230 | 3,282,157 |

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 indicated that the component B1 have accelerated their activities which they have disbursed more than what they have budgeted in order to catch up with the project timeline.

Table 6: Sources and Uses of Funds By category / components

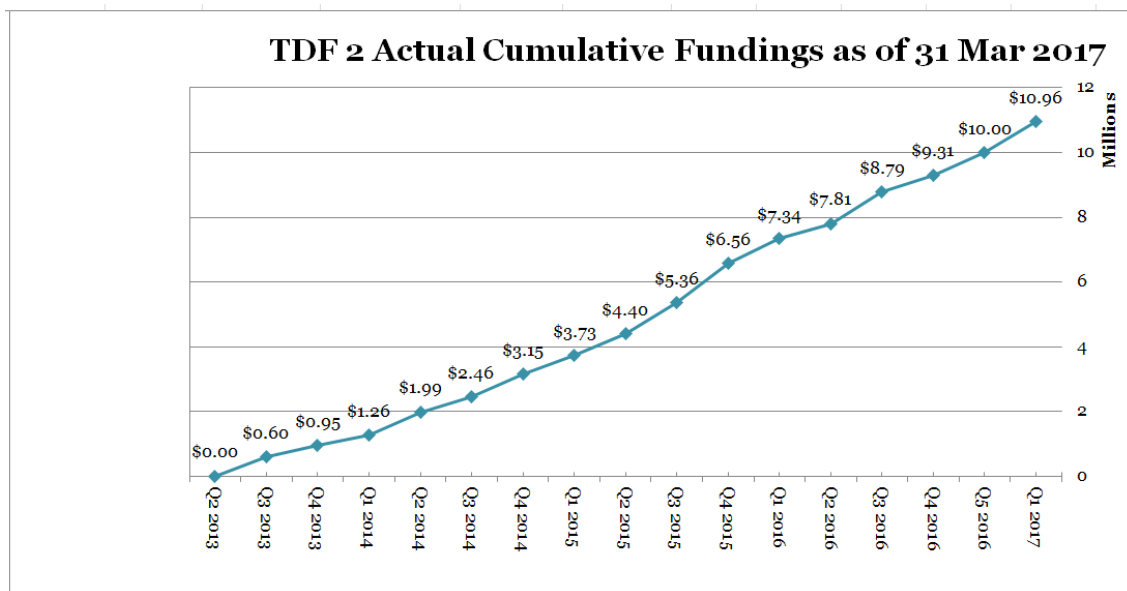
| TDF 2 Used of Funds by Components Consolidated for all sources of funding (in US\$) Period ended 31 Mar 2017 | | | | | | | | | | | | | | | | | | |
|---|-----------------------|------------------|--------------------|-----------------|---------------|--------------------|-----------------------------|----------------|--------------------|-----------------------|----------------|--------------------|-----------------|----------------|--------------------|--------------------|------------------|--------------------|
| 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 |
| Component A - Trade Facilitation, Trade Policy and | | | | | | | | | | | | | | | | | | |
| A1 - Trade Facilitation Support | 78,443 | 333,510 | 711,359 | 6,596 | 9,814 | 59,371 | 20,020 | 77,259 | 160,735 | 20,755 | 134,168 | 308,451 | | | | 125,814 | 554,751 | 1,239,916 |
| A2 - Non Tariff Measures review and rationalization | 39,480 | 238,247 | 352,855 | - | 1,632 | 10,643 | - | 5,023 | 8,459 | 4,392 | 33,574 | 127,529 | | | | 43,872 | 278,475 | 499,485 |
| A3 - Trade in services | 62,250 | 188,540 | 575,974 | - | - | 36,285 | 2,976 | 8,032 | 13,142 | 3,716 | 34,639 | 149,668 | | | | 68,942 | 231,211 | 775,069 |
| A4 - Trade in goods | 54,885 | 305,438 | 663,619 | - | - | 41,597 | 8,282 | 30,744 | 82,760 | 3,117 | 48,911 | 134,371 | | | | 66,284 | 385,093 | 922,347 |
| Total component A Trade policy and Regulation | 235,058 | 1,065,734 | 2,303,807 | 6,596 | 11,446 | 147,895 | 31,278 | 121,058 | 265,095 | 31,981 | 251,291 | 720,019 | | | | 304,913 | 1,449,530 | 3,436,816 |
| Component B - Diversification and Competitiveness | | | | | | | | | | | | | | | | | | |
| B1 - Business Assistance Facility (BAF) | 121,769 | 463,457 | 1,156,986 | | | 5,258 | 267 | 267 | 379 | - | 271 | 5,688 | 408,140 | 933,719 | 1,123,800 | 530,176 | 1,397,714 | 2,292,111 |
| B2 - Labour standards and manufacturing productivity | 182,807 | 817,907 | 1,179,712 | | | 4,701 | 1,565 | 10,659 | 118,372 | | | 52,755 | | | | 184,373 | 828,566 | 1,355,539 |
| B3-Business regulation review and rationalization | | | | | | | 176 | 176 | 176 | 3,956 | 3,956 | 3,956 | | | | 4,132 | 4,132 | 4,132 |
| Total component B Diversification and Competitiveness | 304,577 | 1,281,364 | 2,336,698 | - | - | 9,959 | 2,008 | 11,102 | 118,927 | 3,956 | 4,227 | 62,400 | 408,140 | 933,719 | 1,123,800 | 718,681 | 2,230,412 | 3,651,783 |
| Component C - Mainstreaming Aid-for-Trade | | | | | | | | | | | | | | | | | | |
| C1 - National Implementation Unit, and Trade and Private Sector Development Working Group | 62,072 | 421,668 | 1,437,924 | | 4,187 | 110,442 | 11,701 | 64,790 | 197,105 | 17,274 | 101,009 | 321,631 | | | | 91,048 | 591,653 | 2,067,102 |
| C2 - DTIS action matrix/roadmap challenge facility | 23,810 | 185,988 | 390,074 | - | 48,500 | 49,120 | 2,753 | 21,906 | 24,605 | 8,513 | 77,116 | 183,122 | | | | 35,077 | 333,511 | 646,920 |
| C3 - Research and policy analysis | 30,219 | 123,390 | 286,530 | - | - | 18,230 | 2,520 | 18,403 | 57,870 | 20,570 | 100,849 | 331,200 | | | | 53,308 | 242,642 | 693,830 |
| C4-Lao Business Forum | 12,000 | 12,000 | 12,000 | | | | | | | | | | | | | 12,000 | 12,000 | 12,000 |
| Total component C | 128,101 | 743,046 | 2,126,528 | - | 52,687 | 177,792 | 16,974 | 105,099 | 279,579 | 46,357 | 278,974 | 835,953 | - | - | - | 191,432 | 1,179,806 | 3,419,852 |
| Total | 667,735 | 3,090,144 | 6,767,033 | 6,596 | 64,133 | 335,646 | 50,260 | 237,259 | 663,601 | 82,294 | 534,492 | 1,618,372 | 408,140 | 933,719 | 1,123,800 | 1,215,026 | 4,859,748 | 10,508,451 |

Table 6 above displays expenditure by component and category during the quarter ended March 2017.

TDF 2 Grant Fund Receipts (Cash inflows)

During the period from **January to March 2017**, an additional fund of \$962,335 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 2017.



The chart above shows the total fund receipts from the commencement of the project to ended March 2017 which total funding of \$10.96 million has been received by the project, which this representing 66% of the total original budget \$16.5 million.

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

| Year | Fund Received | |
|--------------|----------------------|--------------|
| 4th Year | \$ 4,400,549 | Current Year |
| 3rd Year | \$ 3,408,328 | |
| 2nd Year | \$ 2,204,480 | |
| 1st Year | \$ 950,308 | |
| Total | \$ 10,963,665 | |

The total funding to date came from 3 sources of funding in the proportion of 20% IDA / 60% TF and TFA 20% respectively as per below in USD:

| | 20% | 60% | 20% | |
|--------------------------|---------------------|---------------------|----------------------|----------------------|
| Fund | IDA H8192 | TF 14189 | TFA 3946 | Total |
| Total | \$ 3,160,651 | \$ 7,603,014 | \$ 200,000.00 | \$ 10,963,665 |
| Total Quarter 1st | \$ 194,452 | \$ 567,883 | \$ 200,000 | \$ 962,335 |

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

Note a:

| Outstanding Cash Advances | | USD |
|-----------------------------------|---------------------------|----------------------|
| As of 31 Mar 17 | | Indicative |
| Component | Outstanding amount | Average Aging |
| TDF 2 | | |
| Trade Facilitation Support | 5,575.69 | 0 |
| Non Tariff Measure | - | |
| Trade in Services | | |
| Trade in Goods | | |
| Garment Skills Development Center | | |
| NIU | | |
| Department of Industry | | |
| Development of Electric ECO | | |
| FAO - UN Advance | 210,830.00 | * |
| ILO - UN Advance | 352,143.77 | * |
| Total TDF 2 | 568,549.46 | |

*Please note that there are UN – Advances paid to FAO and ILO. This advance is part of the contract between NIU and UN Agencies. The advance is a long term advance which it is expects to be cleared in approximate every 6 months.

** 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 transections, 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.

IV. Procurement Status Report

OVERALL PROGRESS

During the reporting period of past 03 months, comprising January 01, 2017 – March 31, 2017, the NIU's procurement unit carried out the activities as planned and managed to complete the activities in line with the revised procurement plan (attached) as well as some additional activities approved during the course of implementation and those added with the approval of the new Additional Financing for the TDF-2 Project (TDF-2-AF) with respective new Procurement Plan. There are some activities ongoing and some yet to start, as summarized below:

- Completed selection processes. The following activities have been completed:

A1.3: National PSD Coordinator (IC): The contract signed on 31 March 2017, period of contract is started from 03 Apr 2017 – 30 Sep 2018.

A3.8: Additional Support to the STIP (SSS): Contract signed on 09 Feb 2017.

B1: Business Assistance Facility (SSS): The contract amendment #7 signed on 11 Jan 2017.

B3.2: National Coordinator (IC): The contract signed on 06 Mar 2017, period of contract is started from 06 Mar – 30 Sep 2018.

B3.4: Business Assistance Facility (SSS): The contract signed on 15 Jan 2017, period of contract is started from 16 Jan – 31 Mar 2017.

A4.1.1 (C1.12) : International Consultant for Sanitary and Phytosanitary Legislation in Lao PDR (SSS): Contract signed on 4 Feb 2017, period contract is starting from 14 Feb 2017 – 14 Aug 2017.

C1.1: Part-time Inter Procurement Advisor (IC): Contract amendment #4 signed on 01 Jan 2017 continuing to 30 Sep 2018.

C4.2: National Senior PSD consultant to support MOIC: The contract was moved from C1.1.12, and contract signed on 1 Jan 2017 continuing to 31 Mar 2017.

- Ongoing activities. There was a significant progress made, which can be summarized as follows:

A3.2: Software, hardware and IT Equipment for STIP (Shopping): PO was sent to supplier on 8 Feb 2017, and contract signed on 21 Feb 2017. Following up good delivery

A1.1: International Trade Facilitation Specialist (IC): Contract extension

A1.2: National Trade Facilitation Specialist (IC). The post was advertised 2 times (4 weeks) on several local medias but there was not qualified application apply.

A1.4: Lao Trade Portal Content Coordinator (IC): Contract extension

A1.5: Administrative Officer (IC): Contract extension

A2.1: International NTM specialist (IC): WB provided NOL to the TOR and REOI on 1 Feb 2017. The REOI was first published on UNDB website and local medias from 3 – 24 Feb 2017 but there was not any qualified applications applied, and second published on 2 – 31 Mar 2017.

A3.4: Trade Analyst (IC): Contract extension

A3.5: National Project Coordinator (IC): Contract extension

A3.6: Public Relations Officer (IC): Contract extension

A3.7: Administrative Officer (IC): Contract extension

B3.1: Business Regulation Review and Rationalization – Firm (QCBS): WB provided NOL to Evaluation report and RFP on 6 Jan 2017. Technical proposals were opening on 15 Feb 2017, and Technical evaluation report was signed on 29 March 2017.

C1.3: National Finance Officer (IC): Contract extension

C1.4: International Finance Management Specialist (IC): Contract ended

C1.5: Finance Assistant (SSS): Request NOL for SSS

C1.7: M&E Officer (IC): Contract ended

C1.8: National Trade and Private Sector Development Advisor (IC): Contract extension

C1.9: National Trade Analyst (IC): Contract extension

C1.10: Public Relation Assistant (IC): Contract ended

C1.11: Administrative Officer (IC): Contract extension

C4.1: Part-time International technical assistance for Strategy and Inclusiveness (IC): WB provided NOL to the TOR & REOI. The REOI was published on UNDB and local medias from 13 – 28 Feb 2017. The shortlist was given score, and PU prepares ER.

C4.3: National consultant for inclusive engagement (IC): WB provided NOL on 1 Mar 2017. The REOI was published on local medias from 13 – 31 Mar 2017.

C4.5: Administrative assistance to LNCCI (IC): The REOI was published on local medias on 23 Feb – 17 Mar 2017. The shortlist was given score by committees.

- There are some activities in the procurement plan that are planning to start soon:

B3.3: Data preparation and uploading – firm

A2.2: National NTM Specialist

A3.2: STIP Content coordinator

GS.1: Office equipment for B3.

I. ISSUES

There were seemingly no major issues faced in the reported period, or issues that would extend to the next quarter.

Currently, the TDF-2 Procurement Plan is being revised by the NIU based on the updated work plans of the IAs. Once the revision is finalized, the new draft shall be submitted to WB (by May 2017) for review and non-objection.

II. PLAN FOR NEXT QUARTER

Procurement will continue to carry on the ongoing activities and start the newly planned ones, including those scheduled in the revised TDF-2 Procurement Plan.

PLAN FOR NEXT QUARTER

Procurement will continue to carry on the ongoing activities and start the newly planned ones, including those scheduled in the revised Procurement Plan, as necessary. The short term objective is to finalize the 6 on-going processes and start the 1 remaining and more that are potentially to be added in the PP.