

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)



5th Quarter 2016

(Oct to Dec 2016)

Interim Unaudited Financial Report (IFR)

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ACRONYMS

CF	Challenge Facility
BAF	Business Assistance Facility
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, Ireland and USAID. 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 summary of the project implementation and financial activities of TDF 2 project from **Oct to Dec 2016**.

Due to the change in the Lao PDR Financial Year, and this year is a transition year hence this quarter is now the Fifth quarter of the financial year. This year is the first year of the implementation new financial year therefore, NIU have produced this report in line with the Government of Lao PDR's fiscal year 2015 - 2016. 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 Oct to Dec 2016

Components	Quarter Actual	Quarter Budget	Variiances	%
A. Trade Facilitation, Trade Policy and Regulations	\$183,133	\$513,194	\$330,061	36%
B. Diversification and Competitiveness	\$147,663	\$205,730	\$58,067	72%
C. Mainstreaming Aid-for-Trade	\$151,393	\$263,314	\$111,921	57%
<u>TDF Total Expenditures</u>	\$482,189	\$982,238	\$500,049	49%
Grand Total:	\$482,189	\$982,238	\$500,049	49%

According to the figure indicated in the table above showing that the project has been slow in term of disbursement for activities. The budget performance of **TDF 2** project is in a sluggish progress during the quarter of Oct to Dec 2016. The overall project performance was only 49% of the overall quarter budget with significant huge variances. In general, this may have caused by the slow implementation of activities under each component. Furthermore, the budget or workplan for the period may have been set up too high which make it unrealistic to implement for the festive period.

Component A- Trade Facilitation, Trade Policy and Regulations

Overall, there had been number of activities implemented during reporting period for component A. However, only \$183,133 has been disbursed over the reporting period which it is considered as slow if we compared to the previous quarter. The table above shown, there were variances of \$330,061 at the end quarter. The variances were also caused by few outstanding supplier invoices that were not due in the reporting period and they will be settled in the next reporting period. Plus, there has been slow in implementation of some activities which postponed into the next quarter.

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:

Trade facilitation secretariat and action plan implementation support:

Regular public private dialogue on TF issues organized for participants from Northern provinces to disseminate and discuss trade facilitation agreement under WTO commitments as well as visited international border check point at southern provinces.

DIMEX official participated in the training on investment and trade facilitation in Singapore in order to strengthen staff's knowledge in this area.

Workshop on Change management organized for TFS and NTM focal point for capacity building purpose.

Trade Portal support and development

Continued translating regulations and relevant documents to upload in the LTP website.

A2. Non-tariff measures review and rationalization

Classifying, reviewing and streamlining domestic NTMs`

Workshop organized on 26 October 2016 to present the result of RIA on import licensing for fuel and vehicle and key line ministries were requested to select two products for conducting the RIA. So far Food and Drug Department and Department of Livestock and Fisheries have responded on the above request.

1st NTMs WG meetings was held on 11 November 2016 to (i) present the structure, roles and responsibilities of the NTMs WG; (ii) provide overview of the NTMs in Lao PDR; (iii) present the result of RIA on import licensing for fuel and vehicle; and (iv) discuss next plan.

A3. Trade in services

A3.1 Enhancing regulatory capacity in services trade:

Preparatory coordination meeting prior to RCEP organized on 06 October 2016 with 100 representatives from relevant government agencies to report on the progress of RCEP negotiations for trade in goods, trade in services, and investment, and discuss the way forward.

Training on legal aspects of trade negotiations was organized from 27-28 October 2016 focusing on some technical aspects of legal language and instruments used in trade agreement. The participants are 30 trade negotiators from relevant government agencies

Preparatory consultation for SEOM Retreat took place on 31 October 2016, with 25 participants from relevant government agencies. This consultation aimed to prepare content for SEOM Retreat in Cebu, Philippines which started with follow up from high-level meetings update on achievement of Lao PDR's ASEAN Chairmanship 2016 and implementation and publication of 8 Plan and Priorities for Laos' 2016 ASEAN chairmanship in the area of the ASEAN Economic Community, at the same time, several important issues of SEOM Retreat Agenda are also discussed.

The workshop on ASEAN Certified Public Accountant was organized on 04 November 2016, with 30 participants from Accounting Department, monitoring committee, member of the big 4 and other related parties. The primary objective of the workshop was to discuss the preparation for the implementation of MRA on Accountancy services that related to the ASEAN CPA.

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

1. Horizontal Regulatory Assessment (HRA):

The newly appointed Trade Policy Advisor, in close cooperation with FTPD, has worked on identifying priority recommendations, in particular those related to WTO and ASEAN commitments under the regulatory purview of MoIC and developed an action plan which identifies all activities under sub-component A.3 Trade in Services and A.4 Trade in Goods that must be given priority for implementation in the next 4 months (until March 2017); and also which actions could be postponed to the period of April - December 2017.

2. Developing regulatory framework for telecommunication sector:

The DG level consultation meeting between three Ministries was held on 08 August 2016 and chaired by Vice Minister of MPT. A decision from the meeting is to transform the existing Telecom Department to be an Independent Regulator by issuing Prime Minister Decree which incorporates the elements from the Telecom Reference Paper. Along with other relevant agencies, FTPD contributed comments on the draft Decree and MPT has already finalized the draft based on the comments received, and submitted to Prime Minister Office for consideration.

3. The implementation of Mutual Recognition Arrangements (MRAs) in Laos:

Accountancy services:

Laws and regulations related to Accountancy Services have been reviewed and translated; and Accountancy Department, MoF, in collaboration with consultants organized a workshop on ASEAN CPA registration and education process on 04 November 2016, with 30 participants from Accountancy Department, Monitoring and LCPAA Educational Committees. The department and consultants will also organize another workshop in February 2017 on the Guideline on Aptitude Test for foreign membership. The expecting participants for this workshop are foreign members and related parties which is about 40 people.

Other MRAs: Surveying Services

FTPD has reached out to National Geographic Department, MHA, to assist them in implementing the MRA on surveying services, especially in strengthening their regulatory capacity. Both departments have discussed and included the activities to be supported with the project available resources in FTPD's Work Plan for next fiscal year.

A 3.2 Improving access to service regulation (Services Trade and Investment Portal)

FTPD has been working closely with consultants and Translation Company on translating batch 2 of regulations. Some tasks are ongoing process including the procurement of DFDL to work on the classification measures supporting the STIP international consultant and the firm for translation of batch 3 of regulations. FTPD currently drafted the Decision on Establishment of Focal Points to Notify and Provide Trade in Services and Investment related Information in order to ensure the sustainability of STIP and in collaboration with Cyberia, the team is working on portal content and digitization of the laws and regulation.

In addition, FTPD plans to hold several meetings with related stakeholders including IT team (Cyberia) and consultants to ensure smooth development of portal.

A4. Trade in goods

A4.1 Strengthening Trade Policy Coordination Mechanism

FTPD continues to serve as technical secretariat to NSC in charge of ensuring coordination, work programing and regulatory conformity with the international trade obligations in all goods and services and other trade related areas.

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

Law on Safeguards:

The mass consultations at central and provincial levels have been completed in December 2016. The drafting committee has revised and finalized the draft to reflect the comments gathered from the consultations. The final draft has been submitted to MOJ for their consideration before submitting to and being discussed at Government Meeting in February 2017. The draft Law is expected to be submitted to the National Assembly session in April 2017 to review the consistency and techniques of the law drafting.

A4.3 Further strengthening of SPS legal framework:

The Law on Plant Protection and Law on Livestock and Veterinary Matters have been discussed and approved at the November session of national assembly secondary ordinary session 2016. The Laws are being revised to reflect the comments given by the National Assembly before submitting to the president of the National Assembly for her signature and seal in February 2017

Component B - Diversification and Competitiveness

During reporting period, actual expenditure of \$147,663 has been recorded against the component B that included BAF Matching Grants of \$132,494. Thus, the disbursement for quarter was equivalent to 72% of quarter budget. Again, during the quarter, there was a minor delay in payment to few BAF clients due to delay in processing withdraw application at Ministry of Finance same as previous quarter. However, they were only few activities remaining for the period and which it is expected to be paid in the coming period. Moreover, we have transferred \$329,337.00 into ILO's account but it was recorded under UN Advance which will be record as expenditure once they have submitted the expenditure report, which it is normally 6 months.

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

B1. Business assistance facility (BAF)

The BAF fund is now fully committed and the task in the final quarter of operations (Q1 2017) will be to ensure maximum disbursements without at any time exceeding the grant

limit of \$1.2 million.

By end-December 2016, BAF had achieved \$1.163k of net grant approvals representing private-sector growth plan investments of over \$2.3 million, of which 154 disbursed grants came to a total of \$721k, and active claimable grants are \$442.

New applicants have been notified that applications will be held on file if there is a continuation of a fund or program like BAF.

B2. Labour standards and manufacturing

B2.1: Factory standards improvement scheme

The key outputs during this reporting period include:

1. Signing of the Ministerial Agreement 5523 on Labour Inspection (now renamed Ministerial Agreement 4277).
2. 42 workers trained on occupational safety and health (37 workers were female);
3. 136 workers trained on working time (125 workers were female);
4. 111 workers trained on minimum wage (73 workers were female);
5. 60 workers trained on social security (44 workers were female);
6. 10 WIC meetings held and one new WIC established, now WICs were established for 11 factories, and Workplace Improvement Plan (WIP) were developed for 8 factories.
7. Completed factory assessment/inspections for 5 factories participated in the project.

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

During this period the GSDC is attempting to reach operational independence, most of the trainings provided are serving the other development projects. Despite recent increased revenue from training-to-trainees activities, GSDC continues to be well behind in its primary expectation to earn fees through the provision of training on supervisory and technical skills to the garment industry sufficient to cover operational costs.

Key activities of the centre during the reporting period can be summarized as the following:

- GSDC delivered Sewing Operator training for scholarship trainees supported from ADB-STVET project, there were total 45 participants, of out those 44 are females and 1 male.
- Pattern making of female clothes training for scholarship trainees was also delivered to ADB-STVET project, with total of 15 participants, 14 of them are females and 1 male.
- GSDC was also developing curriculum packages for the six required job profiles in the Lao apparel sector under the VELA project.
- Apart from direct trainings, GSDC also cooperated with VEDI – Vocational Education Development Institute in order to develop curriculum (VELA project).
- GSDC supported NTC – National Training Council Permanent Office to wrap-up documents on competency standard for the next approval process.

Component C – Mainstreaming Aid For Trade

Total expenditure for component C was \$151,393 which equivalent to 57% of quarter budget. There was variance of \$111,921 which caused by some delays in few activities. However, the activities are planned to be implemented in next quarter. Over the period, there was number of activities implemented 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 level of 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 continues to fulfil its role in coordinating the delivery of trade related assistance to Lao PDR, carried out several significant activities in this reporting period. With regard to the project management and oversight, the NIU learnt that all projects would benefit from having separate technical level committee meeting to allow an in depth discussions. PRC meetings for the projects under PEC was held during November 2016.

In the area of Aid for Trade coordination and alignment, the NIU organized the 10th Trade Private Sector Working Group (TPSWG) on 20 October 2016 to discuss measures to improve trade facilitation and investment attractiveness in Laos.

C2. DTIS action matrix/roadmap challenge facility

DTIS action matrix/roadmap challenge facility

1. Development of Implementing Regulations for Manufacturing Law, implemented by the Department of Industry and Handicraft (DoIH).

Two draft ministerial regulations: 1) Regulation on factory standards and licensing; and 2) Regulation on industrial safety and hygiene have been prepared for stakeholder consultation. During this quarter, with the guidance from MoIC Minister, the two regulations were re-reviewed by legal division of MoIC's Cabinet Office. It is expected that the two new regulations will be resubmitted to Minister for approval by the next quarter of early 2017. In terms of finance, the fund supported to this project has been closed.

2. Assessment of Barriers to Free Movement of Goods in Domestic Market, implemented by the Department of Domestic Trade (DDT)

The final report in Lao version was reviewed and raised for discussion in the consultation workshops organized in previous quarter and the recommendations to streamline required procedures and remove unnecessary physical checkpoints were made for further discussion within MoIC. In terms of finance, the fund supported to this project has been closed.

3. Development of Medium Term ICT Strategy for MoIC DPC, implemented by the Information and Statistics Division of the Department of Planning and Cooperation (DPC)

The ICT Strategy for MoIC was completed and endorsed by MoIC and the project has been closed.

4. Development of Electronic Certification of Origin (E-CO), implemented by the Department of Import and Export (DIMEX)

Development and testing of the E-CO has been completed and services of E-CO was officially launched in April 2016. This project was also closed.

5. Development of legislation on control of toxic chemicals consistent with international treaties and regional best practices, implemented by the Department of Industry and Handicraft (DoIH)

The final draft of Chemical Law was principally endorsed by the National Assembly in December 2016, however, some minor comments to the draft law made by NA will need to be taken into account and revised. In terms of finance, the fund supported to this project has been closed.

6. Conduct an assessment of gender dimension of manufacturing and service sectors using available secondary sources of data and develop a methodology for systematic monitoring of gender dimension of the sector, implemented by the Sub-committee for women advancement of the Ministry of Industry and Commerce (the Women Advancement and Child and Mother Affair Division)

All of the project objectives have been achieved. This project has been closed with no further support from project fund.

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

Number of private sector working group meetings was held to finalize and prioritize issues raised for further discussion with relevant government agencies. Public private consultation meeting on agreed priority issues was held in October and plan to organize the 10th LBF in March 2017.

8. 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 considering 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.

C3. Research and policy analysis

C3.1 Research Methodology and Capacity Building

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

C3.2 Research Facility

- ❖ There has been number of activities implemented by ERIT during the reporting period:
 - Received the revised version of final report of *“An Emerging Flowers and Decorative Plants Trade and Its Potential Role in Agribusiness and Socio-Economic Development in Lao PDR”*.
 - Completed the revision of first draft report of *“An Improving the Economic Vulnerability Index (EVI) for Laos: the determinants of export earning instability”*.
 - Received the first draft report of *Cross-Border Impacts of Thai SEZs on Lao SEZs Collaboration in the Midst of Regional Integration*.
 - Revising and commenting for improvement of *Cross-Border Impacts of Thai SEZs on Lao SEZs Collaboration in the Midst of Regional Integration*.
 - Received the first draft report of *Does Farm’s Commercialization Increase Household Income in Upland Areas of Laos?*
 - Revising and commenting for improvement of *Does Farm’s Commercialization Increase Household Income in Upland Areas of Laos?*

Furthermore, the progression of the following grant research papers is 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 the delivery of comments on first draft report
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> .	- The revised version of final draft report submitted, but the report has to be revised and approved by the research team.
3rd Batch		
1	NUOL - <i>“Does Farm’s Commercialization Increase Household Income in Upland Areas of Laos?”</i>	- The first draft report submitted - The report is being revised and delivered comments for improvement
2	<i>“Cross-Border Impacts of Thai SEZs on Lao SEZs Collaboration in the Midst of Regional Integration”</i>	- The first draft report completed - Guided the research team for improving drafting the final draft report

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 **5th Quarter** of Government of the Lao PDR financial year which covered the period from **Oct to Dec 2016**.

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 Dec 2016				
ASSETS	Dec-16	Dec-15	Change	% Change
Fund Balances				
Designated Account @ Bank of Lao P D R - TDF	\$8,258	\$100,714	-\$92,456	-92%
Project Operating account @ BCEL Bank - TDF	\$2,663	\$88,511	-\$85,848	-97%
Project Operating account @ BCEL - BAF - TDF	\$52,490	\$39,886	\$12,603	32%
NIU Petty Cash - TDF	\$218	\$151	\$67	45%
FAO - UN Advance	\$210,830	\$226,044	-\$15,214	-7%
ILO - UN Advance	\$474,916	\$645,929	-\$171,013	-26%
Advances - TDF IAs	\$8,529	\$24,110	-\$15,581	-65%
Cash Advance	-\$50,000			
Subtotal	<u>\$707,904</u>	<u>\$1,125,346</u>	<u>-\$417,442</u>	<u>100%</u>
Cumulative Expenditures				
Consultants' Services	\$6,099,298	\$4,020,457	\$2,078,841	52%
Goods	\$329,050	\$319,001	\$10,048	100%
Incremental Operating Costs	\$613,341	\$461,979	\$151,362	33%
Trainings and Workshops	\$1,536,077	\$1,178,849	\$357,228	30%
Matching Grants - BAF	\$715,660	\$235,718	\$479,942	100%
Subtotal	<u>\$9,293,426</u>	<u>\$6,216,003</u>	<u>\$3,077,422</u>	<u>100%</u>
TOTAL ASSETS	<u>\$10,001,329</u>	<u>\$7,341,349</u>	<u>\$2,659,981</u>	<u>100%</u>
FUNDS				
Sources of TDF 2 Grant	\$10,001,329	\$7,341,349	\$2,659,981	36%
Other sources of fund (Other income)	\$0	\$0	\$0	0%
TOTAL FUNDS	<u>\$10,001,329</u>	<u>\$7,341,349</u>	<u>\$2,659,981</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 5th Quarter 2016 (Oct to Dec 16). 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 \$2.7 million this year.

TDF II Sources and Uses of Funds Summary

Table 3: 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 5th Quarter (Oct to Dec 16 Fiscal Year 2016)
Expressed in US Dollar

	Note	5th Quarter			Cumulative		
		TF 70%	IDA 30%	Total 100%	TF 70%	IDA 30%	Total 100%
Cash Receipts							
World Bank Grant Account TDF		485,968	208,272	694,240	7,035,131	2,966,199	10,001,329
Other income*							
Total Cash Receipts		485,968	208,272	694,240	7,035,131	2,966,199	10,001,329
Less Expenditure by Component							
A. Trade Facilitation, Trade Policy and Regulations		128,193	54,940	183,133	2,192,333	939,571	3,131,904
B. Diversification and Competitiveness		103,364	44,299	147,663	2,053,171	879,931	2,933,102
C. Mainstreaming Aid-for-Trade		105,975	45,418	151,393	2,259,894	968,526	3,228,420
Total Expenditures		337,532	144,657	482,189	6,505,398	2,788,028	9,293,426
Receipts Less Expenditures				212,051			707,904
Net Change in Cash				212,051			707,904
Opening Cash Balance							
Designated Account @ Bank of Lao P D R - TDF		119,704					
Project Operating account @ BCEL - TDF		14					
Project Operating account @ BCEL - BAF - TDF		5,180					
NIU Petty Cash - TDF		329					
FAO - UN Advance		210,830					
ILO - UN Advance		145,579					
Advances - TDF IAs		14,217					
Total Opening Cash				495,853			
Add Net Change in cash				212,051			707,904
Net Cash Available				707,904			707,904
Closing Cash Balance							
Designated Account @ Bank of Lao P D R - TDF		8,258			8,258		
Project Operating account @ BCEL Bank - TDF		2,663			2,663		
Project Operating account @ BCEL - BAF - TDF		52,490			52,490		
NIU Petty Cash - TDF		218			218		
FAO - UN Advance	a	210,830			210,830		
ILO - UN Advance	a	474,916			474,916		
Advances - TDF IAs	a	8,529			8,529		
Un-Cleared Cheque					-		
Cash Advance from SECO Project		(50,000)			(50,000)		
Total Closing Cash Balance				707,904			707,904

The table 3 above displays the funds used by the TDF 2 project during the quarter and accumulate figure to the end of December 2016. 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).

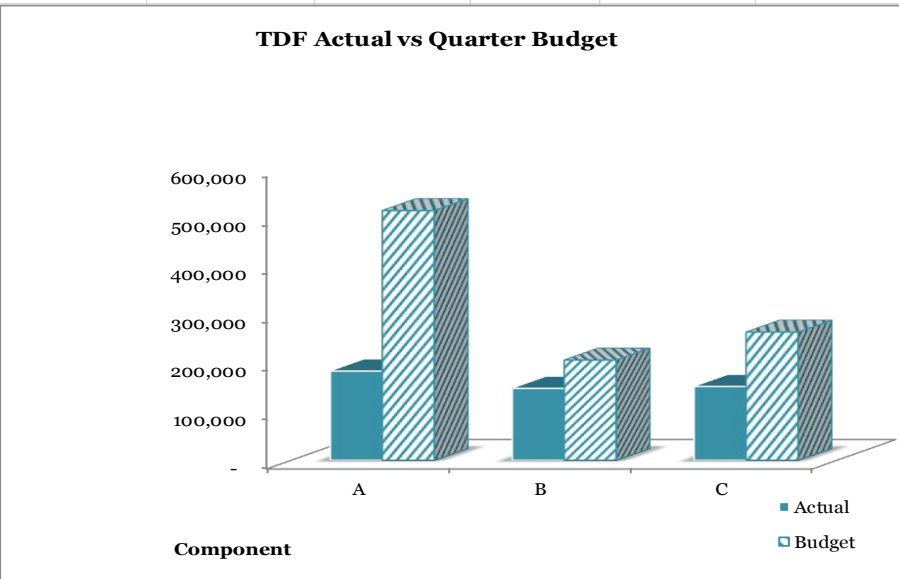
The currency of this report is presented in USD as per Grant Agreement

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 Dec 2016**

	Actual			Planned Estimated			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	694,240	3,438,214	10,001,329	700,000	3,300,000	11,300,000	5,760	(138,214)	1,298,671
Other income*		-	-	-	-	-	-	-	-
Total Financing	694,240	3,438,214	10,001,329	700,000	3,300,000	11,300,000	5,760	(138,214)	1,298,671
Less: Expenditures by Component									
A. Trade Facilitation, Trade Policy and Regulations	183,133	1,144,617	3,131,904	513,194	1,738,975	5,204,637	330,061	594,358	2,072,733
B. Diversification and Competitiveness	147,663	1,511,731	2,933,102	205,730	1,316,460	3,172,216	58,067	(195,271)	239,114
C. Mainstreaming Aid-for-Trade	151,393	988,374	3,228,420	263,314	1,948,088	4,059,300	111,921	959,714	830,880
TDF Total Expenditures	482,189	3,644,722	9,293,426	982,238	5,003,523	12,436,153	500,049	1,358,801	3,142,728
Net Change in Cash (Receipts - Expenditures)	\$212,051		\$707,904						
Opening Cash Balances									
Designated Account @ Bank of Lao P D R - TDF	\$119,704								
Project Operating account @ BCEL - TDF	\$14								
Project Operating account @ BCEL - BAF - TDF	\$5,180								
Undeposit Cash/Cash in Transit - TDF	\$0								
NIU Petty Cash - TDF	\$329								
FAO - UN Advance	\$210,830								
ILO - UN Advance	\$145,579								
Advances - TDF IAs	\$14,217								
Total Opening Cash		\$495,853							
Net Change in cash		\$212,051							
Net Cash Available		\$707,904							
Closing 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								
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								
Un-Cleared Cheque	\$0								
Cash Advance	-\$50,000								
Total Closing Cash Balance		\$707,904							



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 Dec 2016

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 Regulations									
A1 - Trade Facilitation Support	61,059	428,937	1,114,102	109,950	454,156	1,422,813	48,891	25,219	308,711
A2 - Non Tariff Measures review and rationalization	62,468	234,603	455,613	160,494	406,569	918,706	98,026	171,966	463,093
A3 - Trade in services	29,966	162,269	706,126	84,250	510,250	1,696,518	54,285	347,981	990,392
A4 - Trade in goods	29,640	318,808	856,062	158,500	368,000	1,166,600	128,860	49,192	310,538
Total component A Trade policy and Regulation	183,133	1,144,617	3,131,904	513,194	1,738,975	5,204,637	330,061	594,358	2,072,733
Component B - Diversification and Competitiveness									
B1 - Business Assistance Unit (BAU)	132,494	867,538	1,761,936	100,000	650,000	1,972,966	(32,494)	(217,538)	211,030
B2 - Labour standards and manufacturing productivity	15,169	644,193	1,171,167	105,730	666,460	1,199,250	90,561	22,267	28,083
Total component B Diversification and Competitiveness	147,663	1,511,731	2,933,102	205,730	1,316,460	3,172,216	58,067	(195,271)	239,114
Component C - Mainstreaming Aid-for-Trade									
C1 - National Implementation Unit, and Trade and Private Sector Development	100,716	500,606	1,976,054	184,680	924,296	2,489,598	83,964	423,690	513,544
C2 - DTIS action matrix/roadmap challenge facility	28,882	298,435	611,844	15,500	736,000	736,000	(13,382)	437,565	124,156
C3 - Research and policy analysis	21,794	189,334	640,522	63,134	287,792	833,702	41,340	98,458	193,180
Total component C	151,393	988,374	3,228,420	263,314	1,948,088	4,059,300	111,921	959,714	830,880
TDF TOTAL	482,189	3,644,722	9,293,426	982,238	5,003,523	12,436,153	500,049	1,358,801	3,142,728

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 B 1 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 Dec 2016

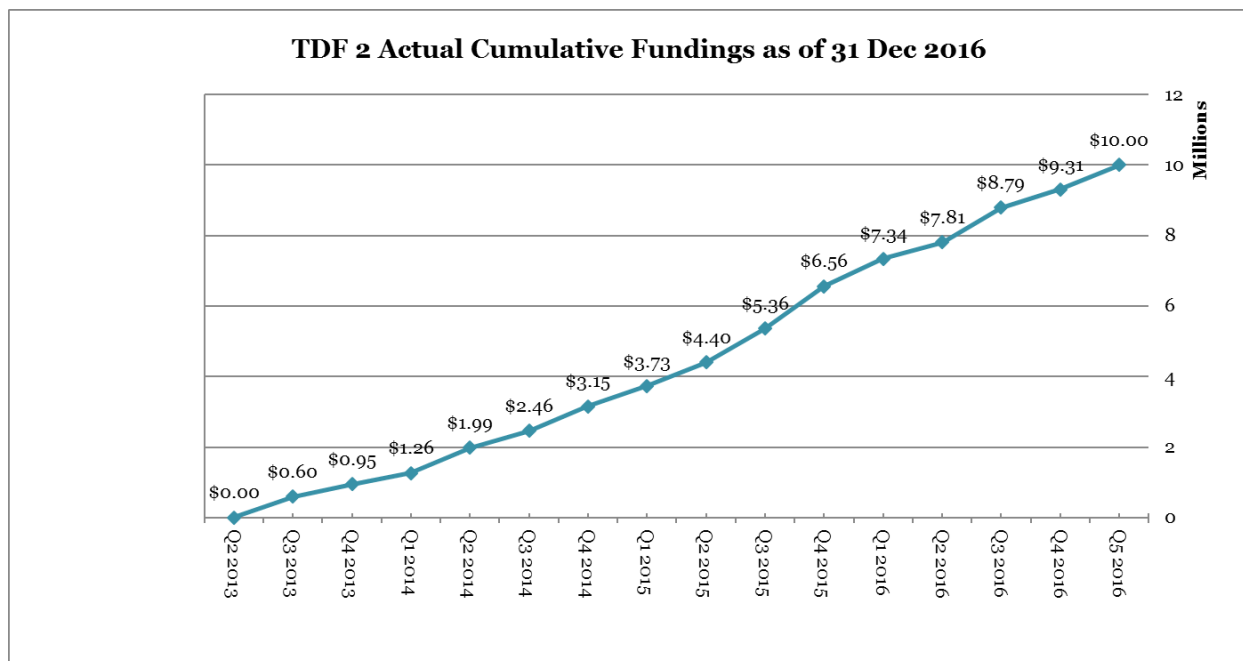
Project Components / Category	Consultants' Services			Goods			Incremental Operating Costs			Training and Workshop			Matching Grants			TOTAL EXPENDITURES		
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current Quarter	Year to date	Cumulative to date	Current 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	11,232	255,067	632,916	3,218	3,218	52,775	15,116	57,240	140,715	31,494	113,412	287,696				61,059	428,937	1,114,102
A2 - Non Tariff Measures review and rationalization	59,620	198,767	313,375	-	1,632	10,643	182	5,023	8,459	2,667	29,181	123,136				62,468	234,603	455,613
A3 - Trade in services	16,034	126,290	513,724	-	-	36,285	-	5,056	10,166	13,932	30,923	145,952				29,966	162,269	706,126
A4 - Trade in goods	25,268	250,552	608,734	-	-	41,597	2,649	22,462	74,477	1,723	45,794	131,254				29,640	318,808	856,062
Total component A Trade policy and Regulation	112,153	830,676	2,068,749	3,218	4,850	141,299	17,946	89,780	233,817	49,815	219,310	688,038				183,133	1,144,617	3,131,904
Component B - Diversification and Competitiveness																		
B1 - Business Assistance Facility (BAF)	-	341,688	1,035,216			5,258	-		113	-	271	5,688	132,494	525,579	715,660	132,494	867,538	1,761,936
B2 - Labour standards and manufacturing productivity	13,602	635,099	996,905			4,701	1,567	9,094	116,806			52,755				15,169	644,193	1,171,167
Total component B Diversification and Competitiveness	13,602	976,787	2,032,121	-	-	9,959	1,567	9,094	116,919	-	271	58,443	132,494	525,579	715,660	147,663	1,511,731	2,933,102
Component C - Mainstreaming Aid-for-Trade																		
C1 - National Implementation Unit, and Trade and Private Sector D	69,072	359,596	1,375,852	2,138	4,187	110,442	15,674	53,089	185,404	13,832	83,735	304,357				100,716	500,606	1,976,054
C2 - DTIS action matrix/roadmap challenge facility	21,287	162,178	366,264	-	48,500	49,120	1,500	19,153	21,852	6,096	68,603	174,608				28,882	298,435	611,844
C3 - Research and policy analysis	13,661	93,171	256,311	-	-	18,230	4,379	15,883	55,350	3,754	80,279	310,631				21,794	189,334	640,522
Total component C	104,020	614,945	1,998,427	2,138	52,687	177,792	21,553	88,125	262,605	23,681	232,616	789,596	-	-	-	151,393	988,374	3,228,420
Total	229,775	2,422,409	6,099,298	5,356	57,537	329,050	41,067	186,999	613,341	73,497	452,198	1,536,077	132,494	525,579	715,660	482,189	3,644,722	9,293,426

Table 6 above displays expenditure by component and category during the quarter ended Dec 2016.

TDF 2 Grant Fund Receipts (Cash inflows)

During the period from **Oct to Dec 2016**, an additional fund of \$694,240 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 ended Dec 2016.



The chart above shows the total fund receipt from the commencement of the project to the end Dec 2016 was \$10 million, which this representing 71% of the total original budget \$14 million.

Moreover, from the chart above, it was cleared that the project is in a reasonable progress. And given the project extension to another 18 months, it is expected that the project will be completed in time with an accelerate progress in the coming period.

Year	Fund Received	
4th Year	\$ 3,438,214	Current Year
3rd Year	\$ 3,408,328	
2nd Year	\$ 2,204,480	
1st Year	\$ 950,308	
Total	\$ 10,001,329	

The total funding to date came from 2 sources of funding in the proportion of 30% IDA / 70% TF respectively as per below in USD:

	30%	70%	
Fund	IDA H8192	TF 14189	Total
Total	\$ 2,966,199	\$ 7,035,131	\$ 10,001,329
Total Quarter 5	\$ 208,272	\$ 485,968	\$ 694,240

As ended of December 2016, the 18 months TDF 2 extension has been approved with additional funding of \$2 million. As a result, in the next quarter, the funding will be updated to the new structure.

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

Note a:

Outstanding Cash Advances	USD	
As of 31 December 2016		Indicative day
Component	Outstanding amo	Average Aging
TDF 2		
A1. Trade Facilitation Support	1,356.50	30
A4. Trade In Good	724.38	30
C1. NIU	5779.57	8
C27. Lao Business Forum	668.34	2
FAO - UN Advance	210,830.00	
ILO - UN Advance	474,916.00	
Total Outstanding Advances	694,274.79	

*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 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.

IV. Procurement Status Report

OVERALL PROGRESS

During the reporting period of past 03 months, comprising October 01, 2016 – December 31, 2016, 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:

- A3.2.18: National Consultant to Service Regulation (IC). The contract was signed and the consultant started working on Nov 18, 2016.
- A3.1.20: Part Time National Consultant MRA for Accounting Department, MOF (IC). The contract was signed and the consultant started working on Dec 29, 2016.
- A4.1.1.22: Part-time International Trade Policy Advisor (IC). The contract was signed and the consultant started working on Nov 7, 2016.
- CF01: Part-time International Consultant for Insurance Advisory (IC). The contract was signed and the consultant started working on Nov 20, 2016.
- CF02: Part-time National Consultant for Insurance Advisory (IC). The contract was signed and the consultant started working on Nov 21, 2016.
- C3.2: Part-time International Research Advisor (IC). The contract was signed and the consultant started working on Nov 20, 2016.
- A3.2.18: National Consultant to Service Regulations for STIP (IC). The contract was extended.
- B3.1: Technical Assistance for Business Regulation Review and Rationalization in Lao PDR (QCBS). The REOI was advertised and the EOI Evaluation Report is under review of the WB.

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

- A3: Selection of Firm for Regulatory Review and Classification for STIP (SSS). The TOR, REOI and RFP was prepared, WB provided NOL to the TOR & REOI. REOI was published on UNDB and NIU Website and local newspaper. The shortlisted was made and RFP was sent out to qualified firms.
- B3.4: Selection of Firm to conduct the final assessment of BAF (SSS). The TOR, REOI and RFP was prepared, WB provided NOL to the TOR & REOI. REOI was published on UNDB and NIU Website and local newspaper. The shortlisted was made and RFP was sent out to qualified firms. The Evaluation report of proposal was prepared.

- A4.1: Selection of International Legal Adviser to provide Technical Assistance for Sanitary and Phytosanitary Legislation in LAO PDR (IC-SSS). The Tor was prepared and justification prepared for the WB for using Single Source Selection.
- A3.2 Procurement of IT Equipment for STIP (RFQ). The procurement process was advertised and 7 bids received. The bids are currently under evaluation.
- C1.2 Part-time International Procurement Adviser (IC-SSS). The contract of IPA was extended for the TDF-2-AF Project.
- C1.1: National Procurement Officer (IC). The REOI was advertised in November and the CVs are currently under evaluation.

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

- A1.2: National Trade Facility Specialist (IC)
- A1.3: International NTM Advisor (IC)
- A1.6: National Private Sector Coordinator (IC)
- B1.1: Contract Amendment of BAF (QCBS)
- A1.5: National Project Coordinator for DERM (IC)
- C.4.5 Administrative Assistant of the Lao Business Forum Secretariat (IC)
- C4.3. National Consultant for Gender and Small Business Development (IC) to support the Lao Business Forum
- C4.1 Strategy and Inclusiveness International Advisor to support the Lao Business Forum (IC)

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 February 2017) for review and non-objection. The Procurement Plan shall be combined with that of the TDF-2 Additional Financing recently approved by the WB.

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 and the TDF-2-AF Procurement Plan.