H.E. Mr. Somdy Douangdy
Deputy Prime Minister
Minister
Ministry of Finance
Vientiane, Lao PDR

Excellency:

Re: Lao PDR: Second Trade Development Facility Project
(IDA Grant No. H819-LA, MDTF Grant No. TF014189 & MDTF Grant No. TF0A3946)
Amendments to the Financing Agreement and Grant Agreement

We refer to: (i) the Financing Agreement, dated March 28, 2013, between the Lao People’s Democratic Republic (the “Recipient”) and the International Development Association (the “Association”); and (ii) the Grant Agreement, of the same date, between the Recipient and the Association acting as administrator of the Lao PDR Second Trade Development Facility Multi-Donor Trust Fund (MDTF), relating the above-referenced Project.

In connection with the approved MDTF additional financing for, and related restructuring of the Project, the Association hereby proposes to amend the Financing Agreement and the Grant Agreement as follows:

I. Financing Agreement

1. The description of the Project in Schedule 1 to the Financing Agreement shall be amended to read as set out in the updated description of the Project in the Attachment to this amendment letter.

2. Section IV.A of Schedule 2 to the Financing Agreement shall be amended to read as follows:

“A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Category | Amount of the Financing Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes)
--- | --- | ---
(1) Goods, non-consulting services, consultants’ services, Incremental Operating Costs, and Training for the Project except under Part B.1.(b) of the Project | 2,370,000 | 20% 
(2) Matching Grants under Part B.1.(b) of the Project | 230,000 | 20% of amount disbursed
TOTAL AMOUNT | 2,600,000 |  

3. Section IV.B.2 of Schedule 2 to the Financing Agreement shall be amended to read as follows:

> "4. The Closing Date is September 30, 2018."

II. **Grant Agreement**

4. The Grant number on the front page of the Grant Agreement shall be amended to read “Grant Number TF014189 & Grant Number TF0A3946”, and Section 3.01 of the Grant Agreement shall be amended to read as follows:

> "3.01 The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not exceeding eleven million two hundred thousand Dollars ($11,200,000) ("Grant") to assist in financing the Project."

5. Section IV.A of Schedule 2 to the Grant Agreement shall be amended to read as follows:

> "A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects", dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Grant TF014189 Allocated (expressed in USD)</th>
<th>Amount of Grant TF0A3946 Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Incremental Operating Costs, and Training for the Project except under Part B.1.(b) of the Project</td>
<td>9,068,400</td>
<td>1,300,000</td>
<td>60% from TF014189 and 20% from TF0A3946 until IDA Grant No. H819-LA has been fully disbursed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>60% from TF014189 and 40% from TF0A3946 after IDA Grant No. H819-LA has been fully disbursed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100% from TF TF0A3946 after IDA Grant No. H819-LA and TF014189 has been fully disbursed</td>
</tr>
<tr>
<td>(2) Matching Grants under Part B.1.(b) of the Project</td>
<td>831,600</td>
<td>0</td>
<td>80% from TF014189 until IDA Grant No. H819-LA has been fully disbursed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100% from TF014189 after IDA Grant No. H819-LA has been fully disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,900,000</td>
<td>1,300,000</td>
<td></td>
</tr>
</tbody>
</table>

6. Section II.B.2 of Schedule 2 to the Grant Agreement shall be amended to read as follows:

"4. The Closing Date is September 30, 2018."

Except as specifically amended by this letter, all other provisions of the Financing Agreement and the Grant Agreement shall remain unchanged and in full force and effect.
Please confirm your agreement with the amendments set out above by countersigning, dating and returning to us the enclosed copy of this letter. Upon receipt by the Association of the countersigned copy of this letter, the amendments shall become effective as of the date of countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

AGREED:
LAO PEOPLE'S DEMOCRATIC REPUBLIC

By: _____________________________________________
Name: Thipphakone CHANTHAVONGSA
Title: Deputy Minister of Finance
Date: 04 JAN 2017
LAO PDR SECOND TRADE DEVELOPMENT FACILITY PROJECT

AMENDED SCHEDULE 1

Project Description

The objective of the Project is to support the implementation of the Recipient’s trade and integration priorities outlined in the DTIS Roadmap, and in particular to contribute to improved competitiveness and diversification, focusing outside the natural resource sectors.

The Project consists of the following parts:

Part A. Trade Facilitation, Trade Policy and Regulations

1. Trade facilitation support

Provision of support to, inter alia: (a) the Trade Facilitation Secretariat in the implementation of the secretariat’s action plan; (b) enhance the capacity of management starting at the middle level of the Recipient’s civil servants in trade related agencies; and (c) enhance and operate the Recipient’s trade portal.

2. Non tariff measures review and rationalization

Streamline, simplify and harmonize non-customs border agency measures through, inter alia: (a) the classification, review and streamlining of domestic non tariff measures; and (b) the conduct of a survey and related activities to identify and assess non tariff measures faced by Lao exporters.

3. Trade in services

Strengthen the governance of the regulatory environment affecting trade in services through, inter alia: (a) the conduct of regulatory assessments to, inter alia, compile the existing measures affecting trade in services, review the performance in their implementation, and identify gaps in the existing trade in services regulatory framework; and, (b) the improvement of access to the regulatory framework affecting trade in services.

4. Trade in goods

Support to activities associated with the implementation of the Recipient’s trade obligations to, inter alia, WTO and ASEAN, through, inter alia: (a) strengthening trade policy coordination mechanisms to ensure trade policy coherence; (b) disseminating the Recipient’s trade commitments and strengthening capacity on trade remedies; and (c) strengthening the legal framework for sanitary and phytosanitary measures.

Part B. Diversification and Competitiveness

1. Business Assistance Facility

Establish a Business Assistance Facility to inter alia: (a) advise firms on business growth plans; (b) provide Matching Grants to assist firms in purchasing specialized business development services in support of growth plans; and (c) conduct impact evaluation of services provided.
2. Labor standards and manufacturing productivity

Improve productivity, competitiveness and labor standards of the garments manufacturing sector, by, *inter alia*: (a) strengthening the supervision of the Recipient’s labor standards and developing a scheme to improve said standards; and (b) supporting the transition of the Garment Skills Development Centre towards financial and operational independence.

3. Business regulations review and rationalization

Support transparency and rationalization of business regulations related to entry and operations of enterprises, by, *inter alia*: (a) mapping out related regulations, procedures, and processes, making such information publicly available; and (b) reviewing and streamlining selected regulations affecting the setting up and operating environment for private businesses.

**Part C. Mainstreaming Aid-For-Trade**


Support the Recipient’s aid-for-trade governance framework through, *inter alia*, the strengthening of the capacity of the National Implementation Unit and the Trade and Private Sector Development Working Group.

2. DTIS action matrix/roadmap challenge facility

Establish a challenge facility to support implementation of smaller priority activities identified within the DTIS Roadmap on a demand-driven basis.

3. Research and policy analysis

Support to the Recipient’s trade policy research capacity by, *inter alia*: (a) research methodology and capacity building; and (b) development of policy relevant research on issues related to trade and private sector development.

4. Public-private dialogue

Strengthen the Recipient’s mechanisms for discussions among the private and public sector by, *inter alia*: enhancing the capacity, inclusivity and effectiveness of the Lao Business Forum.