

Trade Development Facility Evaluation

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ABBREVIATIONS

ADB	Asian Development Bank
AfT	Aid-for-Trade
AFTEX	ASEAN Federation of Textile Industries
AFTA	ASEAN Free Trade Area
AusAID	Australian Agency for International Development
ASYCUDA	Automated Systems for Customs Data
BTA	Bilateral Trade Agreement
BDS	Business Development Service
B2B	Business-to-business
CIM	Centre for International Migration
CEPT	Common Effective Preferential Tariff
CSF	Cost Sharing Facility
CGF	Credit Guarantee Facility
CBTA	Cross-Border Trade Agreement
DIMEX	Department of Import and Export
DTIS	Diagnostic Trade Integration Study
DTI	direct trader input
ERIT	Economic Research Institute for Trade
EIF TF	EIF Trust Fund
EIF	Enhanced Integrated Framework
EC	European Commission
FTPD	Foreign Trade Policy Department
GSC	Garment Skills Development Centre
GATT	General Agreement on Trade in Goods
GATS	General Agreement on Trade in Services
BMZ	German Federal Ministry for Economic Cooperation and Development
GIZ	German International Cooperation Agency
GoL	Government of the Lao PDR
GSEU	Government Sub-Executing Units
GMS	Greater Mekong Subregion
HS	Harmonized System
ICR	Implementation Completion Report
IT	Information Technology
IF	Integrated Framework
IPR	Intellectual Property Rights
ITD	International Institute for Trade and Development
ICA	Investment Climate Assessment
JSDF	Japan Social Development Fund
LUNA-Lao	Lao PDR-U.S. International and ASEAN Integration Project
LTP	Lao Trade Portal
LDCS	Least Developed Countries
LPI	Logistics Performance Index

MI	Mekong Institute
MOU	Memoranda of Understanding
MAF	Ministry of Agriculture and Forestry
MOIC	Ministry of Industry and Commerce
M&E	Monitoring and evaluation
MFN	Most Favored Nation
MDTF	Multi Donor Trust Fund
MTPD	Multilateral Trade Policy Division
NAST	National Authority for Science and Technology
NIU	National Implementation Unit
NIFGS	National Integrated Framework Governance Structure
NSEDP	National Social and Economic Development Plan
NUOL	National University of Laos
NTBs	Non-tariff barriers
NTMs	Non-tariff measures
PREM	Poverty Reduction and Economic Management
PAD	Project Appraisal Document
SPS	Sanitary and phytosanitary
SPSDSG	Sanitary and phytosanitary standards
SEO	Search Engine Optimization
SMEPDO	Small and Medium Enterprises Promotion and Development Office
SMEs	Small and medium-sized enterprises
SRF	Statistics for Results Facility
TBT	Technical barriers to trade
SPSDSG	Trade and Private Sector Development Sub-Group
TPSDSG	Trade and Private Sector Development Sub-Group
TPSDWG	Trade and Private Sector Development Working Group
TPPD	Trade and Product Promotion Department
TPPD	Trade and Product Promotion Department
TDF	Trade Development Facility
TDF-1	Trade Development Facility, Phase 1
TDF-2	Trade Development Facility, Phase 2
TFS	Trade Facilitation Secretariat
TPEC	Trade Program Executive Committee
TPEC	Trade Program Executive Committee
TRIPS	Trade-related Aspects of Intellectual Property Rights
TRTA	Trade-related technical assistance
USAID	U.S. Agency for International Development
UNOPS	United Nations Office for Project Services
VIT	Vietnam Institute for Trade
WTO	World Trade Organization

EXECUTIVE SUMMARY

A. Background

The present evaluation assesses the first phase of the Trade Development Facility (TDF-1) spanning the period between 2008 and March 2013.¹ The evaluation follows a standard framework used by development partners to assess the performance of completed trade-related technical assistance. It uses a set of evaluation criteria to measure project outcomes in terms of (i) relevance, (ii) effectiveness, (iii) efficiency, and (iv) impact as measured in terms of (a) sustainability and (b) cross-cutting gender issues. The evaluation uses the World Bank's rating scale for its monitoring and evaluation framework plus numerical scoring: (a) highly satisfactory (score = 6); (b) satisfactory (score = 5); moderately satisfactory (score = 4); (c) moderately unsatisfactory (score = 3); (d) unsatisfactory (score = 2); and (e) highly unsatisfactory (score = 1). The assessment is based on performance indicators, stakeholder questionnaires, program documents, interim reviews by TDF development partners, structured interviews and comments received from stakeholders at the meeting of the Program Executive Committee (PEC) on 3 April 2013.

B. Overall Assessment

The TDF's overall assessment is rated as *satisfactory*. Ratings for each of the major evaluation criteria are given an equal weight to arrive at an overall evaluation score. The results for the overall TDF-1 assessment are as follows:

	Relevance	Effectiveness	Efficiency	Sustainability	Gender Equality	Overall
Score	5.1	4.9	4.9	4.8	4.4	4.8
Rating	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Moderately Satisfactory	Satisfactory

Relevance – The TDF-1 responded to key needs and challenges faced by the Government of the Lao PDR (GoL) and businesses, and it had strong synergies with other trade-related technical assistance. It also responded well to the changing circumstances in the international and domestic environments, particularly in terms of the growing importance and opportunities for private sector-led export growth in the region and the global economy.

Effectiveness – The program achieved or exceeded most of its targets under the results framework and generally contributed in a substantial way to faster and more transparent trade, improved integration into the multilateral trading system, increased skills and productivity in particular export sectors, most notably that of the garments industry, and increased aid-for-trade (Aft) management capacity.

Efficiency – Project activities were generally efficient in their implementing modalities, composition of inputs and interaction with beneficiaries. All activities were well articulated and complemented other trade-related activities and the GoL's overall strategy and action

¹ The World Bank's Board approval date was 16 November 2007; closing date is 31 March 2013.

plan under the National Social and Economic Development Plan (NSED). Despite start-up delays, nearly all activities were delivered in a timely and cost-efficient manner.

Sustainability – The TDF-1 has been especially noteworthy in two areas. First, the trust fund has had strong ownership by the Government, which largely implemented the program; second, it has involved substantial intra and inter-ministerial collaboration. Government ownership of the trade strategy formulation and implementation processes has helped to ensure the Lao PDR’s medium to long-term sustainability of its trade and economic reform agenda. The increasing shift from donor to national management of resources has made an important contribution to the institutional capacity of the Ministry of Industry and Commerce (MOIC) and has helped to ensure that issues surrounding activity prioritization and cost-effectiveness are sustained in the future.

Gender Issues – Although there was no mention of gender issues in the TDF’s Project Appraisal Document (PAD), the World Bank underscored its importance at the time that the DTIS was being prepared. Gender issues were also part of the terms of reference for the Trade and Private Sector Working Group. During the course of TDF-1’s implementation, the program supported a study about gender issues for the garment industry. While a rating of ‘moderately satisfactory’ is given to the extent to which the program addressed the enhancement of women’s economic empowerment, no rating is given to how gender equality improved during the course of the program since the improved situation of women in the Lao PDR situation cannot be ascribed to TDF-1 activities

C. Component Assessments

The TDF-1 comprises five main components, namely (a) trade facilitation; (b) strengthening of sanitary and phytosanitary (SPS) standards and technical barriers to trade (TBT) frameworks; (c) improving export competitiveness and the business environment; (d) capacity building, trade policy, trade agreements and global opportunities; and (e) strengthening of the National Implementation Unit (NIU). The overall rating of the components is ‘satisfactory’, though there is considerable divergence in the scoring of individual components. The results of the TDF-1 component assessments are as follows:

	Trade Facilitation	Strengthening SPS and TBT Framework	Improving Competitiveness & Business Environment	Capacity Building, Trade Policy & Agreements	Strengthening National Implementation Unit	Overall
Score	5.8	4.3	4.3	4.0	5.7	4.8
Rating	Highly Satisfactory	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory	Highly Satisfactory	Satisfactory

Trade Facilitation – The trade facilitation component scores ‘highly satisfactory’ in terms of the relevance, effectiveness and efficiency of its sub-components on the Trade Facilitation Master Plan, the Lao Trade Portal and the support for the DIMEX GSEU Management Unit. Where there remains some concern is in the sustainability of some of those activities, especially that of the Trade Portal because of concern about (a) the ability of Lao businesspersons to understand and apply the information to their trade-related activities, especially those of small and medium size enterprises; and (b) the ability of GoL to maintain the website once the contractual arrangements and TDF Phase 2 (TDF-2) are completed. There is also some concern at this point in time about the implementation of the action plan for trade facilitation.

SPS and TBT Framework – The SPS and TBT framework component adapted well to changing situations, specifically in terms of the need to shift from institution-building to address practical issues. However, that shift gave rise to delays. Progress was also affected by inter-agency collaboration inertia and the need to shift GSEU management within the MAF Department. Legal and regulatory reforms led to a substantial closure in the gap between the current legal and regulatory framework on SPS issues and that required to facilitate trade and protect health. However, because of the urgency of the four priority pieces of legislation for the country's WTO accession, other areas of importance were unable to be addressed.

Competitiveness and Business Environment – The competitiveness and business environment component was overly ambitious in its efforts to promote certain industries. There were mixed results in the achievements of the five sub-projects, with the Garment Service Center emerging as the most successful sub-project. The Trade and Product Promotion Department (TPPD) worked diligently to manage the large portfolio of activities required to implement the five priority sub-sector projects. Those multiple activities, in conjunction with the delayed start-up of the projects, made it difficult for all sub-projects to progress evenly and achieve the desired results within the TDF-1 framework.

Capacity Building – The capacity building sub-component of Component D (Capacity Building, Trade Policy and Agreements) succeeded in its goal of substantially improving trade-related knowledge among government officials through its training activities. However, it experienced difficulties in producing the type of applied research that had been envisioned in the TDF-1 PAD and subsequent technical assistance to develop a long-term plan for capacity building in trade-related research.

Trade Policy and Agreements – The trade policy and agreements sub-component of the Component D (Capacity Building, Trade Policy and Agreements) was highly satisfactory in terms of its relevance, effectiveness and efficiency. The activities of the Multilateral Division of the Foreign Trade Policy Department of MOIC were highly consistent with the overall TDF-1 development goals, as well as the broader expected outcomes established by the GoL and development partners. The ASEAN Economic Cooperation Division was effective in carrying out studies assessing the impact of potential new agreements and preparing guides for businesses to make greater use of regional trade agreements.

National Implementation Unit (NIU) – The National Implementation Unit (NIU) component is also rated as highly satisfactory in terms of relevance, effectiveness and efficiency. It carried out its activities with strong synergies and close collaboration with the lead departments in MOIC and other government agencies. Substantial progress was made in building NIU's capacity. The resulting quality and depth of its work proved to be one of the most impressive aspects of the TDF.

D. Lessons Learned

There are a number of lessons learned that support the design and implementation of TDF-2. In the focal intervention areas, they are to (a) involve stakeholders in the design of trade-related interventions (*Lesson 1*), (b) avoid small uncoordinated projects that can have high transaction costs (*Lesson 2*), and promote a level playing field in production and trade activities (*Lesson 3*).

In the area of organizational structure, the lessons are to (a) align activities within existing structures (*Lesson 4*), and (b) harmonize program design and implementation with other trade-related technical assistance (*Lesson 5*). In MOIC's structure, the lessons are to (a) mainstream the program into departmental-wide activities (*Lesson 6*), and (b) broaden the

scope of trade-related research and analysis, along with strengthening knowledge transfer and skills of MOIC departments (*Lesson 7*).

For donor coordination, the lesson is that successful collaboration of trade-related technical assistance is an on-going activity (*Lesson 8*). For operational aspects, the lessons are that (a) program sustainability requires medium to long-term engagements with strong focus on capacity building and skills strengthening (*Lesson 9*), (b) transparent and accountable monitoring and evaluation need to be an integral part of the program (*Lesson 10*), and (c) procurement activities of large contracts should be started early in program implementation (*Lesson 11*).

E. Areas of Improvement in TDF2

Ten recommendations are offered for the next round of trade-related technical assistance based on the new TDF-2 Project Appraisal Document (PAD), which adopts a more focused set of activities in the areas of (a) trade facilitation, trade policy and regulation; (b) diversification and competitiveness; and (c) mainstreaming aid-for-trade:

1. *Narrow the Knowledge Gap between GoL and the Private Sector.* While the TDF-2 PAD correctly identifies the need to engage the private sector in implementing WTO and ASEAN commitments, the private sector and SMEs in particular will need to gain a better understanding of the changing competitive environment and how to exploit their comparative advantages in domestic and foreign markets. That process should encompass the technical information contained in the Trade Portal, preferential trade arrangements, and the expected impact on local businesses from a more open economy.
2. *Support an Integrative Approach to Private Sector Development.* To facilitate specific activities under the Business Assistance Facility in Sub-Component B1, consideration could be given to including the three activities (business advisory services, matching grants and impact evaluations) under business development facilities located in key provinces that would serve as high profile pilot projects for the sub-component. This integrative approach is particularly important for SME development since these types of enterprises often require a broad yet flexible set of support activities. When combined with financing systems that ensure sustainability, Business Development Service (BDS) centers have proven successful in upgrading SMEs and facilitating their entry into value chains.
3. *Accelerate Start-Up of Activities.* Delays should be avoided in the start-up of TDF-2 by preparing large contracts concurrently with the present design process. One way to accelerate implementation of the DTIS Update's action plan is to continue shifting day-to-day oversight controls of the project from donors to national management since there is strong government ownership and clear commitment to the TDF-2 implementation process.
4. *Mainstream Research and Policy Analysis in NIU and MOIC Departments.* One way to build MOIC's research capacity is to add research and trade policy analysis as a sub-component in the operations of each of the departments that are responsible for carrying out TDF-2 activities. Adding those functions would improve in-house production of studies jointly produced by staff and consultants and strengthen the knowledge and monitoring capabilities of the departments. Within ERIT, the success of a part-time international research advisor will largely depend on the ability to focus trade policy research in areas that directly address the operational needs of MOIC. To that end, consideration could be given to the

selection of a few key high-profile projects that would produce measureable outcomes whose progress would be tracked with quantifiable indicators.

5. *Enhancing Linkages to Other Trade-Related Projects.* The TDF-2 will need to give particular attention to other trade-related technical assistance being carried out during its implementation. To that end, the role of the Trade Program Executive Committee (TPEC) will be crucial to the successful collaboration of development partners, as well as inter-agency collaboration among relevant line ministries in a number of inter-related activities that will depend on effective inter-agency coordination.
6. *Focus on Beyond WTO Implementation Issues.* MOIC's Foreign Trade Policy Department (FTPD) will need to shift its attention to a coordination role in the implementation of specific WTO and ASEAN commitments. Implementation of specific WTO commitments will also imply significant changes in the conduct of foreign trade practices and the protection of intellectual property rights (IPR). Activities related to implementation of IPR commitments could benefit from the current work being carried out by ESCAP, which provides technical assistance to countries like the Lao PDR in the implementation of those measures.
7. *Strengthen Private Sector's Competitiveness in Regional Markets.* The TDF-2 will need to dedicate a considerable amount of its resources to meeting ASEAN commitments. On the one hand, there is the need to improve technical skills, knowledge and coordination among government agencies through trainings, workshops and study trips; on the other, there is the need to enhance the capacity of the private sector in accessing preferential markets. Some of the proposed channel for reducing costs and gaining externalities in knowledge resources are (a) use of the regional network of research institutions, and (b) the possible creation of in-house fellowship programs for visiting researchers.
8. *Enhance Support to Cross-Cutting Issues.* While the TDF-2 PAD recognizes that the right policies need to be put into place to act as drivers for women's economic empowerment, it is unclear what kind of support will be given under the TDF-2 to women's empowerment. The DTIS Update makes a number of specific recommendations on possible intervention channels, and it could prove useful to revisit those recommendations.
9. *Mainstream Results Framework into Ongoing Operations.* At the higher level, the TDF-2 results framework monitors the three core pillars in the DTIS Action Matrix/Roadmap using three indicators. All three indicators address the first core pillar on establishing a conducive trading environment. For other higher level outcomes, it would be useful to include indicators to monitor the improved competitiveness and aid-for-trade governance framework. More generally, TDF-2 would do well to shift attention from an aid-delivery focus under TDF-1 to a Program-Based Approach (PBA) in which its components were formulated in a way that focused on the development of Lao PDR's trade sector.
10. *Follow-Up Evaluation.* Due to the relatively short timeframe for implementing TDF1, some activities have yet to produce their desired outcomes. For that reason, an independent ex-post evaluation is recommended in 2-3 years in order to assess the impact and to garner lessons learned from the program's results.

1. INTRODUCTION

1.1. Background

The Trade Development Facility (TDF) is a Multi-Donor Trust Fund (MDTF) whose implementation began in 2008 with contributions from the Australian Government through Australian Agency for International Development (AusAID), the European Commission (EC), the German Government through German International Cooperation Agency (GIZ) and the World Bank.² It is executed by the Ministry of Industry and Commerce (MOIC) under the supervision of the Lao Integrated Framework Secretariat to support implementation of the Integrated Framework's Diagnostic Trade Integration Study (DTIS) Action Matrix.³ There is also a World Bank-based TDF Facilitation Team that is responsible for coordination of donor support, administration of the multi-donor trust fund, and the provision of analytical and advisory services on trade. The initial financial resource allocation equaled USD 6.8 million, and in September 2011 the total amount available was increased to USD 7.6 million.⁴ At the same time, the closing date for the first phase of the TDF-1 was extended from February 28, 2012 to March 31, 2013. In 2011 an additional USD 1.8 million was forthcoming from the World Bank-Japan Social Development Fund to finance activities supporting competitiveness in the silk handicrafts export sector.

The TDF-1 was designed to facilitate trade and cross-border movement of goods, and to increase the capacity of the Government to undertake specific tasks related to regional and global economic integration. It has thereby contributed to the GoL's overall poverty reduction and economic development goals. Its coverage has responded to the main constraints identified by the 2006 DTIS Action Matrix as part of the Integrated Framework (IF) process set up to provide Least Developed Countries (LDCs) with trade-related technical assistance, including human and institutional capacity building, for supporting trade and trade-related activities.⁵ While the DTIS strongly emphasized the need to build

² "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

³ World Bank, "*Diagnostic Trade Integration Study (DTIS), Building Export Competitiveness in Laos*", Summary Report, East Asia Poverty Reduction and Economic Management (PREM) Department, November 2006.

⁴ World Bank, "Restructuring Paper on a Proposed Project Restructuring of Lao PDR Trade Development Facility Project Multi Donor Trust Fund Grant No. TF091201 to the Lao People's Democratic Republic". 13 January 2012.

⁵ The Enhanced Integrated Framework (EIF) is a multi-donor program that supports the LDCs to overcome supply-side constraints and thereby become more fully integrated into the global trading system. It is supported by the EIF Trust Fund (EIF TF), which is a multi-donor trust fund with contributions from 22 donors and which is managed by the United Nations Office for Project Services (UNOPS). The EIF TF has two funding facilities:

- *Tier 1* supports the establishment of the national EIF structure in the country and funds the DTIS and the DTIS Updates. The DTIS identifies constraints to competitiveness, supply chain weaknesses and sectors of greatest export growth potential. It includes an Action Matrix containing a list of priority reforms, which is validated by national stakeholders and by the Government.
- *Tier 2* funds Action Matrix priority projects to build up trade-related and supply-side capacities. While the funds support some priority small-scale projects that build trade related and supply-

competitiveness and further regional and international integration, its Action Matrix outlined priority areas where trade-related technical assistance would be needed in areas covering export competitiveness, trade facilitation, the business environment, trade policy, trade agreements and global opportunities, and trade opportunities for the poor. The resulting progress made from 2008 to early 2013 in trade and private sector development helped the Government to achieve sustainable growth through its National Social and Economic Development Plan (NSEDP).

1.2. Purpose and Methodology

The present evaluation assesses the TDF-1 performance during 2008-2013 and derives lessons learned and recommendations for more effective future technical assistance operations. The evaluation follows a standard framework used by development partners to assess the performance of completed trade-related technical assistance.⁶ It adopts a set of evaluation criteria to assess project outcomes in terms of (i) relevance, (ii) effectiveness, (iii) efficiency, and (iv) impact, measured in terms of (a) sustainability and (b) cross-cutting gender issues.

- *Relevance* indicates the extent to which the objectives of the overall assistance and the individual projects were consistent with the country's conditions, needs and development priorities, as well as the overall mission of the development partners.
- *Effectiveness*, sometimes referred to as *efficacy*, indicates the extent to which the objectives of the assistance and the individual projects were achieved.
- *Efficiency* indicates the extent to which program activities were carried out with respect to the scale of resources utilized.
- *Sustainability* captures the extent to which the activities, outputs and impacts will continue after external support has ended and is linked to ownership and to the underlying economic reform process.
- *Cross-cutting gender issues* indicate the extent to which cross-cutting issues were address, in particular that of gender equality.

The evaluation uses the World Bank's rating scale for its monitoring and evaluation approach:⁷

- (1) *Highly Satisfactory* (Score = 6). There were no shortcomings in the operation's achievements.
- (2) *Satisfactory* (Score = 5). There were minor shortcomings in the operation's achievements.
- (3) *Moderately Satisfactory* (Score = 4). There were moderate shortcomings in the operation's achievements.
- (4) *Moderately Unsatisfactory* (Score = 3). There were significant shortcomings in the operation's achievements.
- (5) *Unsatisfactory* (Score = 2). There were major shortcomings in the operation's achievements.

side capacities, the bulk of AfT funding to implement the Action Matrix and the country's trade strategy and action plan need to originate from other forms of donor support.

⁶ OECD-DAC, "DAC Criteria for Evaluating Development Assistance". Available: <http://www.oecd.org/dac/evaluationofdevelopmentprogrammes/daccriteriaforevaluatingdevelopmentassistance.htm>.

⁷ World Bank, Independent Evaluation Group (IEG). "World Bank Project Performance Ratings". Available: <http://ieg.worldbankgroup.org/content/ieg/en/home/ratings.html>.

(6) *Highly Unsatisfactory* (Score = 1). There were severe shortcomings in the operation's achievements.

The assessment is based on the analysis of performance indicators and program documents; stakeholder questionnaires; interim assessments conducted by TDF development partners; structured interviews carried out during the preparation of this report; and feedback received from the presentation of a preliminary draft of this report to the Program Executive Committee Meeting. The methodology follows a sequenced approach that builds on each of these activities:

- The process began with a review of documents, the most important of which are identified in Annex B of this document. The included program documents, earlier TDF-1 assessment, and studies and reports covering the TDF component activities.
- Two sets of consultations were held with TDF donors and beneficiaries; the first, during 7-9 November; the second between 28 January and 1 February.
- A preliminary draft was prepared and, following revisions by the National Implementation Unit staff, it was distributed to all stakeholders for comments.
- On 3 April 2013, a presentation was made to participants of the Program Executive Committee Meeting, including the EIF, JSDF, SECO and TDF projects in Vientiane, Lao PDR. The participants to the meeting provided comments and observations that were subsequently incorporated into the final report.

This evaluation was commissioned by MOIC as an independent assessment of TDF-1. The World Bank will also conduct its own Implementation Completion Report (ICR) ex-post, for which this project evaluation report will be a key input and which will, in turn, be subject to review by the World Bank's Independent Evaluation Group.

The report is organized as follows: after this brief introduction, Chapter 2 presents the overall assessment of the project in terms of project relevance, the efficiency of implementing modalities, the effectiveness of the assistance, sustainability and cross-cutting issues. Chapter 3 then evaluates each of the five components, and Chapter 4 evaluates four specific subcomponents that serve as case studies of the components. Chapters 5 and 6 provide lessons learned and areas for improvement in the next phase of the technical assistance.

2. OVERALL ASSESSMENT

2.1. Overview and Summary

The Lao PDR has made considerable progress since the 2006 DTIS in implementing economic reforms, encouraging market-based development, and promoting regional and global economic integration. Those achievements benefited from targeted trade assistance in tackling many of the key constraints identified in the 2006 DTIS Action Matrix.

The TDF-1's overall assessment is based on the results for set of issues covered by the evaluation criteria (relevance, effectiveness, efficiency, sustainability and gender equality). The ratings for each issue within the evaluation criteria are given an equal weight to arrive at an overall score. In the case of effectiveness, the overall score is a weighted average of achieved outcomes.

The results of the evaluation ratings for the overall assessment of TDF-1 are as follows:

	Relevance	Effectiveness	Efficiency	Sustainability	Gender Equality	Overall
Score	5.1	4.9	4.9	4.8	4.4	4.8
Rating	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Moderately Satisfactory	Satisfactory

2.2. Relevance

- *Extent to which TDF-1 responded to key needs and challenges faced by government and businesses, given the economic and business development conditions in Lao PDR at the time.*

The TDF-1 has been closely aligned with key priorities of the 6th and 7th National Social and Economic Development Plans (NSEDPs) covering 2006-2010 and 2011-2015 respectively, both of which have underscored the significance of trade in generating pro-poor growth. It has also been in line with commitment made by the GoL to the WTO accession process, as well as to the Vientiane Declaration on Aid Effectiveness. The strategic objectives of the TDF-1 stressed poverty reduction and economic growth through increased competitiveness and regional integration, and it focused on the creation of a National Integrated Framework Governance Structure (NIFGS) to address key institutional and operational bottlenecks that have hindered cross-border trade. The TDF-1 is rated as *satisfactory* to the government's priorities on trade and integration and to the business community's interests in promoting and accelerating private sector development.

- *Responsiveness of TDF-1 to demand for activities and changes in export competitiveness and business environment.*

The TDF-1 was initially designed to support implementation of the 2006 DTIS Action Matrix and, through trade and private sector development progress, help the Government of the Lao PDR (GoL) to achieve sustainable growth. During the period of implementation, considerable work was carried out on the changing export environment of the Lao economy, both in terms of the growing importance and

opportunities of private sector-led export growth in the ASEAN region and global economy. Among the important TDF-supported studies were those that originated from the World Bank-based TDF Facilitation Team, the Foreign Trade Policy Department on specific sector studies and WTO and ASEAN issues, and the comprehensive DTIS Update prepared under the auspices of the Trade and Private Sector Working Group.⁸ The involvement of inter-government agencies and private sector representatives in defining the direction of the DTIS process and evolution of the TDF-1 and other trade-related technical assistance ensured that the TDF-1 responded to the needs of the government and business community in addressing emerging trade issues. The TDF-1 is rated as *satisfactory* in terms of its responsiveness to changes in export competitiveness and business environment.

- *Extent to which the activities and outputs of the TDF-1 were consistent with the overall TDF-1 development goals, as well as the broader expected outcomes of the government and development partners.*

The outcome objectives of the TDF-1 were (1) improved trading environment, with simplified bureaucratic procedures; (2) improved legal and regulatory framework; (3) enhanced general capacity of line ministries and agencies involved in the trade sector; (4) improved private sector's capacity to compete in the international market; (5) more effective participation in bilateral and multilateral negotiations; and (6) increased competitiveness of Lao products that contribute to the poverty reduction. To achieve these aims, the TDF-1 targeted five types of activities: (a) facilitating trade; (b) strengthening of sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT) frameworks; (c) improving export competitiveness and the business environment; (d) building capacity, trade policy, trade agreements and global opportunities; and (e) strengthening the National Implementation Unit (NIU). These activities were consistent with the overall output goals of the TDF, based on the priority areas for government and donor support to move the country towards greater regional and international integration and improved competitiveness as an essential part of the country's socio-economic development. The TDF-1 activities and outputs are therefore rated as *satisfactory* to the TDF-1 goals and the expectations of the Government and development partners.

- *Synergies and collaboration with other development partners/organizations active in the Lao PDR.*

Context – During the TDF-1 implementation period, there were several other channels of trade-related technical assistance (TRTA) that build up the Lao PDR's trade-related and supply-side capacities. The main ones were the (a) Enhanced Integrated Framework (EIF) Trust Fund (EIF TF); (b) GIZ's project to support the Lao PDR's integration into regional markets; (c) USAID's Luna Project assistance to the Bilateral Trade Agreement (BTA) and accession process to the World Trade Organization (WTO); (d) the World Bank's Customs and Trade Facilitation Project; (e) the Asian Development Bank's GMS SPS Action Plan 2010-2015; and (f) the SECO-UN Trade Cluster project on enhancing sustainable tourism, clean production and export capacity. TDF-1 synergies and collaboration with these projects are evaluated below.

⁸ Department of Planning and Cooperation, Ministry of Industry and Commerce, "Diagnostic Trade Integration Study 2012: Trade and Private Sector Development Roadmap". July 2012. Available: www.laosaft.org/phocadownload/DTIS/DTIS2012.pdf.

IF and EIF Trust Funds – Under the Integrated Framework (IF), the Lao PDR has received Window I funds for the preparation of the DTIS and Window II funds to support four projects, namely, (i) the NIU’s institutional strengthening; (ii) capacity building and technical support for the WTO accession negotiations; (iii) improving the capacity of garment companies; and (iv) strengthening capacity to negotiate and administer rules of origin requirements. Under the Enhanced Integrated Framework (EIF), approved in January 2010, the Lao PDR received funding from Tier 1 to support the EIF/AfT work program and funding for Tier 2 for some priority small-scale projects for the 2012 DTIS Update. As the government unit responsible for the TDF and IF/EIF Trust Funds, the NIU coordinated, managed and monitored the programs in a way that complemented and supported the activities of one another, especially for TDF-1 activities that supported implementation of the Action Matrix and the country’s trade strategy and action plan. Relevance of activities design and implementation of the monitoring and evaluation (M&E) system were well articulated and in line with each program’s priorities and delivery of project results.

German Federal Ministry for Economic Cooperation and Development (BMZ) – During the TDF-1 implementation, the German Government through GIZ provided 850,000 euros to support the Lao PDR’s integration into regional markets within the EIF context. Of that total, 280,000 euros was channeled to the TDF-1 to support two modules: (a) increasing the capacity of the Government of the Lao PDR to implement newly emerging opportunities arising from ASEAN integration and to support the country’s regional trade integration processes; and (b) strengthening awareness of Lao businesses about opportunities and risks from regional trade integration. Also, since the Lao PDR will take over the ASEAN chairmanship in 2016, the project aimed to support government officials in preparing and fulfilling those functions. As a TDF contributing member, the German Government ensured that its funding of both TDF-1 activities and other trade-related technical assistance complemented and supported each other in targeting the country’s priorities related to regional and global economic integration, and the GoL’s overall poverty reduction and economic development goals.

Lao PDR-U.S. International and ASEAN Integration Project (LUNA-Lao). The USD 5.3 million project has operated under the Agency for International Development (USAID) and U.S. State Department-funded ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) program. The support has targeted (a) the implementation of the U.S.-Laos Bilateral Trade Agreement (BTA); (b) the WTO accession of Lao PDR; and (c) the fulfillment of the Lao PDR’s commitments under the ASEAN Economic Community (AEC). While the demand-driven approach has been favorably received by Lao government officials, it differs from the TDF approach aimed at building long-term trade-related capacity within the country and therefore the very nature of the two approaches made it sometimes difficult to adopt common or complementary solutions. For that reason, the LUNA project at times conflicted with the TDF’s efforts to integrate assistance within the GoL’s own management system. This issue was noted especially in the first half of project implementation period.⁹ Increased coordination with TDF programming ameliorated overlapping and possibly conflicting activities in the latter half of the TDF-1 project

⁹ W. Butterfield et al. “Acceding Expectations: A programmatic evaluation of USAID’s ongoing efforts to assist Lao PDR to meet requirements associated with the US Bilateral Trade Agreement, ASEAN Economic Community, and the WTO”. November 2011. Available: pdf.usaid.gov/pdf_docs/PDACT320.pdf.

implementation period. Going forward, it is important that TDF-2 and LUNA projects avoid overlap and duplication of tasks that could conflict in their approaches.

World Bank – The Customs and Trade Facilitation Project has supported improvements in the efficiency and effectiveness of customs administration through simplified custom processes and procedures, reductions in transaction costs, and increased transparency. To that end, the project has focus on two activities: (a) implementation of Automated Systems for Customs Data (ASYCUDA) for the Lao PDR Customs Department (LCD) Information Technology (IT) staff to prepare them to maintain and run the ASYCUDA system; and (b) customs modernization support through a range of capacity building activities. The TDF-1 supported parallel activities related to (i) the design of a Trade Facilitation Master Plan; (ii) establishment of the Trade Portal; and (iii) support for the creation of a National Trade Facilitation Strategy and Action Plan and establishment of the National Trade Facilitation Secretariat. All of these activities had strong synergies with the Customs and Trade Facilitation Project.

Asian Development Bank (ADB) – The ADB-financed Greater Mekong Subregion (GMS) Sanitary and Phytosanitary (SPS) Action Plan 2010-2015 has provides capacity building to the Lao PDR and other less-developed GMS countries for implementing SPS measures.¹⁰ Its actionable areas were (a) capacity building in areas of plant health, animal health and food safety; (b) capacity improvement for SPS handling at the border; (c) surveillance and testing of the quality and use of pesticides and veterinary drugs, including selectively upgrading laboratory capacities for testing and analyzing veterinary drugs and pesticides; and (d) safety improvements in the tourist industry through the introduction of improvements to small and medium-sized enterprises (SMEs) in the food industry. The TDF-1 component on SPS complemented these activities in the areas of (i) legal and regulatory reforms, and (ii) risk-based policies. There was considerable focus on institution building in the application of risk-based policies rather than on practical risk assessment applications, which reduced the component's relevance to effectively complement the ADB's project. Nonetheless, the TDF-1's support to the SPS legal framework has been the only activity providing comprehensive SPS legal support to the Lao PDR.

2.3. Effectiveness

- *Approach to monitoring results in trade-related technical assistance.*

A monitoring and evaluation framework was formulated under TDF-1 as part of MOIC's approach to the implementation of the DTIS Action Matrix.¹¹ Under the TDF's Project Appraisal Document (PAD), the National Implementation Unit, with technical support from the TDF Facilitation Team, was tasked with the preparation of yearly updates from progress reports based on the World Bank's results-based management approach for measuring development effectiveness.¹² In general, the indicators used were appropriate measures of the outcomes laid out in the TDF-1 PAD, namely, to

¹⁰ Asian Development Bank (ADB), *Kingdom of Cambodia and Lao People's Democratic Republic: Trade Facilitation: Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade Project*. Project Number: 43120. June 2012.

¹¹ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

¹² World Bank, "Designing a Results Framework for Achieving Results: A How-To Guide". Washington, DC. Independent Evaluation Group, 2012.

facilitate trade and cross-border movement of goods and increase the capacity of the Government to undertake specific tasks related to regional and global economic integration. The project development objective indicators for the higher outcomes measured the efficiency and effectiveness of TDF-1 activities in terms of (i) improvements in the growth of non-resource exports as measured by changes in the US dollar value of non-resource exports; (ii) improvements in the growth of trade in services as measured by the US dollar value of trade in services; and (iii) improvements in the country's score on trade facilitation as measured by the World Bank's Logistics Performance Index (LPI).¹³

Intermediate-level outcomes showed progress in 12 performance measures for the TDF-1 component activities.¹⁴ These generally addressed the more specific outcomes targeted by the TDF-1 PAD: (a) simplification of bureaucratic procedures to improve the trading environment, which are covered by Component A on trade facilitation; (b) improvement of the legal and regulatory environment, which are covered in Component B on the SPS and TBT frameworks; (c) improvements in the private sector's capacity to compete in the international markets as well as increased competitiveness of Lao PDR products, both of which are covered by Component C on export competitiveness and the business environment; (d) the effective participation the Government in bilateral and multilateral negotiations, and the enhanced capacity of line ministries and line agencies involved in the trade sector, which are covered in Component D and E on capacity building and trade policies and agreements, and the strengthening of the NIU. The table below show the specific indicators associated with these outcomes and demonstrate that all higher level outcomes were achieved and that 10 of the 12 intermediate-level outcomes were achieved. For the broader Aid-for-Trade program, NIU also monitored project impact indicators for the ratio of trade-to-GDP and progress towards WTO accession, and intermediate outcome indicators for each of the TDF-1 components.

While the results framework for TDF-1 made important progress in measuring the progress and effectiveness of the program, more could have been done. The results framework would have benefited from a well-articulated results chain that showed how the long-term objectives, in the form of higher-outcomes or impacts, were to be obtained through intermediate outcomes and outputs from the program. These different levels could have charted the flow across inputs, outputs, intermediate outcomes and impact in a way that demonstrated the cause and effects from the program activities. Because the results framework was developed after the TDF's PAD, it became a tool for monitoring the performance of individual activities under the TDF-1 components. The alternative approach described below in the chapters on lessons learned and recommendations would formulate interventions in ways that lead to program goals using a Program-Based Approach (PBA), which would help shift attention from an aid-delivery focus to the development of Lao PDR's trade sector.

- *Extent to which outputs, outcomes and results were achieved.*

¹³ World Bank, "Logistics Performance Index: Connecting to Compete 2012". Available: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:23188613~pagePK:210058~piPK:210062~theSitePK:239071,00.html>.

¹⁴ Details of the measures used to monitor the performance of the intermediate-level outcomes are available in World Bank, "Implementation Status and Results: Lao PDR Trade Development Facility Project (P106165)". Available: <http://www.worldbank.org/projects/P106165/lao-pdr-trade-development-facility-project?lang=en>.

The following table summarizes the current outcomes and results that are likely to be achieved by the close of the TDF-1 on 31 March 2013:

Indicator	Baseline (2008)	Actual	Target
Project Development Objective Indicators			
Growth in non-resource exports	US\$438 million	3.1% (2012)	2.5% (2012)
Growth in trade in services	US\$331 million	N.A. (2012)	2.5% (2012)
Improved scores on trade facilitation	2.25	2.5% (2012)	2.7% (2012)
Intermediate Results Indicators			
Reduction in mean import, export and transit non-customs clearance times	5 days	2.9 days (2012)	3.6 days (2012)
Substantial closure in the gap between current trade-related information made available to the public, and that required to facilitate trade and for Lao PDR to accede to the WTO	Significant gap	Substantial closure (2013)	Substantial closure (2013)
Trade facilitation action plan approved with participatory results-based monitoring system	Not yet initiated	Partially Implemented (2013)	Partially Implemented (2013)
Substantial closure in the gap between the current legal and regulatory framework on SPS issues, and that required to facilitate trade, protect health and for Lao PDR to accede to the WTO	Framework not in place/significant gap	Substantial closure (2013)	Substantial closure (2013)
Interagency SPS Risk Evaluation Group established and operational	Not in place	Risk Evaluation Group operational (2012)	Risk Evaluation Group operational (2012)
Technical Barriers to Trade (TBT) reform assessment completed	Framework not in place	TBT reform assessment completed (2010)	TBT reform assessment completed (2010)
Improved performance in terms of productivity and/or exports among firms benefitting from TDF sub-projects	Low labor productivity in Lao garment industry	Productivity of production line rose by 18%, measured by real-time in-factory training delivered by Garment Service Center (2012)	Improved labor productivity (2012)
Completion of Working Parties on WTO accession	4th Working Party	WTO member (2013)	WTO member (2013)
Share of training participants rating trade-related training as relevant to their work	0%	85% (2012)	65% (2012)
Increased number of regional integration/trade policy research outputs produced	0 reports	5 reports (2012)	2 reports (2012)
Effective and efficient administration of Aid for Trade (Aft) through enhanced capacity of NIU and GSEU staff to implement Aft projects	Framework not in place	Satisfactory (2013)	Satisfactory (2013)
Increased share of trade-related assistance coordinated directly by the NIU	57%	72% (2013)	N.A.

Note: N.A. indicates 'not available'.

Source: World Bank, "Implementation Status & Results Lao People's Democratic Republic Lao PDR Trade Development Facility Project (P106165)". Report: ISR9586. Undated.

Key Results Achieved – Key results achieved include the approval of a National Trade Facilitation Strategy and Action Plan; the establishment of a permanent National Trade Facilitation Secretariat; the launch of an electronic Trade Portal that puts all trade-related information on tariffs, licenses, measures, laws, regulations and import/export procedures in the public domain; the establishment of an inter-agency Sanitary and Phytosanitary measures Risk Evaluation Group; the completion of a Technical Barriers to Trade diagnostic assessment; accession to the World Trade Organization; studies to assess the impact of potential new agreements under the ASEAN GSEU; and measured growth in domestic trade policy research capacity, including the design of a technical trade policy and competitiveness curriculum for civil servants and the publication of the Lao Trade Research Digest.

Key Outcomes Achieved – TDF-1 activities contributed towards faster and more transparent trade, improved integration into multilateral trading system, increased skills and productivity in the garments export sector, and increased aid-for-trade management capacity.

- *Non-achievement (or likelihood of non-achievement) of outputs, outcomes, and results - and reasons why.*

It took time for the newly established NIU to recruit essential fiduciary staff and to become familiar with Bank procedures and guidelines, which delayed its ability to coordinate trade-related assistance. Notwithstanding the delays, by the latter part of the project implementation period, the NIU team had gained sufficient experience for the project to operate effectively. By then, all major procurement selections had been completed and activities were proceeding smoothly across all components. .

Although there was substantial closure of the gap between current trade-related information made available to the public and that required to facilitate trade, limitations existed. For the SPS legal and regulatory gap closure, there were substantial legislative reforms on SPS measures associated with the WTO accession process. But there has yet to be substantial closure on the gap between the current SPS legal and regulatory framework and that required to facilitate trade and protect health; a Legal Advisor was on board as of 29 November 2011 and existing laws and regulations were reviewed and drafted for adoption by end the of 2012.

For Lao PDR's accession to the WTO, there was not an assessment of the 'volume of work' that should be done at the beginning of the TDF-1 and, as such, no baseline and no quantitative target. Instead, the work was carried out through a rolling plan of work. The WTO process imposed a number of priorities to be done that were not based on systematic analysis. It appeared, however, that the need of filling gaps, improving legal quality and improving compliance with WTO went far beyond the WTO list. Only gradually did the amount of work to be done become clear and become established in the results framework for the component.

2.4. Efficiency

- *Extent to which activities were cost-efficient in relation to results produced.*

Project activities were generally efficient in their implementing modalities, composition of inputs and interaction with beneficiaries. All activities were well articulated and complemented other trade-related activities and the GoL's overall strategy and action plan under the NSEDP. Despite the delays in the TDF-1 startup, nearly all activities were delivered in a timely and cost-efficient manner. Where additional resources were needed, they were used to (a) complete the full scope of activities planned under the Trade Portal assignment for Component A of the TDF; and (b) support an intensified pace of WTO accession negotiations under TDF Component D in the latter part of the implementation period. In contrast there were cost savings because less technical assistance was required for (i) institutional, legal and regulatory reforms and adjustments; and (ii) the SPS GSEU Management Unit because of the late start of the activities. The project benefited from a strong government commitment and ownership to the process, strong team leadership from both the World Bank's TDF Facilitation Team and the National Implementation Unit in MOIC, which during the implementation period developed the necessary technical capabilities, dedication and commitment to

the project, and was able to work effectively with development partners and government agencies, academic institutions and other project stakeholders. For activities related to the capacity enhancement of line ministries and agencies involved in the trade sector, there was a comprehensive gap analysis conducted at the beginning of the TDF-1 process that identified workshops and trainings, studies, disseminations not directly link to a clear policy development process or work of other TDF components.¹⁵ However, as discussed in Section 4.4 of this report, many of those activities were unable to be carried out because of capacity limitations and other constraints to the sub-component on trade policy research and training.

- *Efficiency of time used to achieve objectives*

The TDF-1 had a slow start due to several challenges associated with establishing a new multi-donor approach. First, there were delays of over one year between the appraisal, signing of administrative agreements with donors, and signing of the grant agreement and project effectiveness. Second, since the TDF-1 was the first project fully executed by the MOIC, it took time for the NIU to be established, recruit essential staff, and familiarize the staff with World Bank procedures. Once those administrative and institutional components were in place, the TDF-1 operated effectively throughout the remaining period of implementation.

2.5. Sustainability

- *Extent of ownership, capacity and resources of the relevant government agencies and private sector partners in implementing interventions*

The TDF-1 has been especially noteworthy in two areas. First, the trust fund has been largely and increasingly implemented by the Government and, second, it has involved substantial intra and inter-ministerial collaboration. Government ownership of the trade strategy formulation and implementation processes has been strong and has helped to ensure the Lao PDR's medium to long-term sustainability of its trade and economic reform agenda. That increased shift from donor to national management of resources has made an important contribution to MOIC's institutional capacity and has helped ensure that issues surrounding activity prioritization and cost-effectiveness are sustained in the future. Intra-ministerial collaboration within MOIC has been possible through the Government Sub-Executing Units (GSEU) responsible for ensuring the delivery of specific components related to trade facilitation, SPS, export competitiveness and trade capacity building. While these GSEUs proved effective, they lacked mainstreaming into departmental functions and therefore had less impact on MOIC activities than would otherwise have occurred if they were fully integrated into the departments. More challenging was the implementation of activities requiring inter-ministerial collaboration. In some cases, difficulties could be resolved by shifting responsibilities, as occurred with the transfer of GSEU management from the Ministry of Agriculture and Forestry (MAF) Department of Agriculture to Department of Planning. In the case of trade facilitation across ministries, progress was made in the establishment of a Trade Facilitation Strategy and Action Plan. Implementation of its Action Matrix across agencies will be an important challenge for ensuring broad government participation in the reform process.

¹⁵ European Union, "Program Proposal Framework: Report on Capacity Building Component of the Trade Development Facility (TDF) in Lao PDR". Prepared by Montague Lord. EUROPEAID/119860/C/SV/multi, Framework Contract Lot. No. 2007/143854, 2008.

- *Appropriateness of strategies and measures taken to assure sustainability, as well as the likelihood of achieving sustainability*

The commitment to the TDF-1 implementation process has been reflected in the resource and time commitments towards the central technical and fiduciary program management through the NIU and the National Integrated Framework Governance Structure (NIFGS). Given substantial enhancements in institutional capacities that have occurred in MOIC and other agencies and the institutional mechanisms that have been created to ensure that progress continues in each of the components, there is a high probability that the trade reforms that have been promulgated by the TDF-1 will continue in the future. Sustainability in all areas identified by the TDF-1 components will, however, require that either more progress be made in the more challenging areas of trade reforms and capacity building or that there be more focus on the successful activities at the expense of those areas that proved resistant to change during the TDF-1 implementation period. In particular, the following sustainability issues beyond TDF-2 are noted:

- In trade facilitation, there are three sustainability concerns related to the Trade Portal. The first is the capacity of the Government to maintain the Portal once contractual arrangements come to an end. The second is the concern about the ability to extend the Portal's activities to those concerned with the automation of licensing procedures because of large infrastructural requirements. The third is the capacity of small businesses to effectively utilize the resource as a means of expanding their trade-related activities. For the Trade Facilitation Strategy, there are implementation concerns about its Action Plan since carrying out the implementation will largely depend on the effective engagement and coordination of inter-agency activities and the ability to ensure a public-private sector dialogue identifying the remaining obstacles to border procedures.
- In export competitiveness, the sustainability of the Garment Service Center will depend on the ability and willingness of beneficiaries to fully compensate the Center in a manner that ensures its cost recovery. To date, companies have been reticent about providing that level of compensations. For the other sectors supported under TDF-1 Component C, there is much less likelihood of sustainability in the specific activities that were financed by the program since the issues discussed in Section 3.4 of this report are likely to impede significant and sustained progress in the specific activities that were supported for those sectors.
- In the improvement of the legal and regulatory environment, the sustainability of progress being made on the SPS and TBT frameworks will largely depend on the magnitude of capacity building at the central and provincial levels. Under TDF-2 support in this area is being limited and much of the progress in capacity building will be left to other donor programs, notably the ADB and Luna projects.
- In the enhancement of the capacity of line ministries and agencies involved in trade-related activities, there remains considerable capacity limitations in ERIT. Those constraints greatly limited its ability to carry out the range of activities that were envisioned in TDF-1 under both the PAD and they will continue to impede progress in the range of activities proposed under TDF-2. These issues are discussed in Section 4.4 of this report.

- In monitoring progress of trade-related technical assistance, there are concerns about the ability to shift the results framework from an aid-delivery focus under TDF-1 to a Program-Based Approach (PBA) in which the program components are formulated in a manner that focuses on the development of Lao PDR's trade sector. The reason is that such an approach requires broad-based shared approach to the vision, strategic outcomes and key performance indicators within the context of the Lao economy in which trade development cuts across sectors and therefore needs the participation and sustained commitment across line ministries and agencies as well as the private sector.
- In Lao PDR's regional and multilateral arrangements, the major sustainability issue relates to the ability to mobilize the private sector and to implement the Government's commitments under the WTO, ASEAN and bilateral trade agreements. Under TDF-2 the Foreign Trade Policy Department will need to concentrate on implementation and mobilization issues that often represent large challenges for countries once they have acceded to the WTO and other agreements. Likewise, implementation of the ASEAN Economic Community (AEC) for a single market and production base will require large human resource development and capacity building for the country, along with the mobilization of the private sector to integrate industries across the region and promote regional sourcing.

- *Appropriateness and adequacy of project monitoring and supervision*

The Project Appraisal Document (PAD) for the TDF-1 indicated that a monitoring and evaluation (M&E) framework was to be put in place and would contain indicators for each of the components.¹⁶ Responsibility was assigned to the NIU for monitoring progress and result indicators. Subsequent efforts were undertaken by NIU to prepare a results framework for monitoring achievements during the initial stages of project implementation and the framework was endorsed by the development partners during the TDF midterm review mission in January 2011. A merged TDF/EIF Results Framework provided a useful way of monitoring economy-wide trade-related results at both the higher impact level and those of the outcomes from activities within the TDF-1 components. Experience gained during the TDF-1 implementation period was used in the design of the results framework for the DTIS Update. The strong supervisory roles of both the NIU and the World Bank's TDF Facilitation Team contributed greatly to the program's success. The NIU developed strong supervisory capacity through TDF Component E, and the TDF Facilitation Team provided strong support not only in managing the TDF, coordinating supervision missions, and ensuring compliance with World Bank rules, but also in providing technical assistance in the form of analytical and advisory services to the Government.

2.6. Gender Equality

- *Extent to which the program addressed the enhancement of women's economic empowerment.*

There was no mention of gender issues in the Project Appraisal Document (PAD) for the TDF-1 (nor any mention of issues related to the environment), even though the World Bank underscored its importance at the time that the DTIS was being

¹⁶ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

prepared.¹⁷ This was in part due to the limited understanding of the gender dimension of trade in the Lao context.¹⁸ To overcome these limitations, TDF-1 supported four studies to develop a better understanding of gender issues in trade and to better inform future programming activities in the area.

A study was conducted by the World Bank with partial TDF funding. Although gender issues were not the central theme of the study, there were instances in which the issue was examined from the perspective of workers and plant owners. Gender was also an issue in the training program of the Garments Training Centre. Additionally, there was an article on 'Gender and Entrepreneurship' in the September 2011 issue of the World Bank's Trade Development: Briefing Notes (issue 6), which was published with funding from the TDF. It examined the results of the World Bank's annual enterprise survey from the perspective of gender ownership in Lao firms. More recently, gender (and environment) issues have been mainstreamed into the work of the TDF during the DTIS Update. The results are expected to impact on the TDF Phase 2 activities and complement MOIC's Strategy for Women's Advancement in Industry and Commerce 2011-2015.

Gender was part of the terms of reference for the Trade and Private Sector Development Sub-Group (TPSDSG) insofar as it stated that, "enhancing incorporation of a gender perspective in actions recommended by the group in order to contribute to women's empowerment in trade and private sector development".¹⁹

- *How gender equality improved during the course of the program*

There is evidence showing that the labor force participation rate of women in the Lao PDR has remained unchanged since 2008, with an unchanged gender equality rating of 3.5 (1=low; 6=high) for 2005-2011.²⁰ The situation cannot, however, be ascribed to TDF-1 activities since gender issues were only marginally addressed and those activities related mainly to information gathering and dissemination about the situation of women in Lao enterprises, particularly those in the garment industry. Project monitoring has been carried out by the NIU as reflected in the results framework, and all outcome indicators were either met or exceeded the target indicators that are available to date. However, it is difficult to ascribe any of the changes in gender equality to specific activities carried out by the TDF, other than improving general awareness of the role of women in the Lao economy.

¹⁷ World Bank, "Gender Equality a Priority for Lao PDR". Joint Press Release No: JPR-002/06/EAP-LA. Available: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/LAOPRDEXTN/0,,contentMDK:21053863~menuPK:293689~pagePK:2865066~piPK:2865079~theSitePK:293684,00.html>.

¹⁸ A noteworthy exception was the 2006 UNDP National Human Development Report for Lao PDR, which addressed women in trade-related activities for key sectors of the economy. See UNDP, "International Trade and Human Development: Lao PDR 2006". National Human Development Report, 2006.

¹⁹ "Report of the Trade and Private Sector Development Sub-Group (TPSDSG)". Report prepared for the 10th Round Table, 2010. Available: www.laosoft.org/documents.

²⁰ World Bank, Online Data. Available: <http://data.worldbank.org/country/lao-pdr>.

3. ASSESSMENT OF COMPONENTS

3.1. Overview

The TDF-1 comprises five main components, namely:

- A. Trade Facilitation
- B. Strengthening of Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT) Frameworks
- C. Improving Export Competitiveness and the Business Environment
- D. Capacity Building, Trade Policy, Trade Agreements and Global Opportunities
- E. Strengthening of the National Implementation Unit (NIU)

This part evaluates each of these components in terms of their relevance, effectiveness, efficiency, sustainability, and gender equality. The results of the evaluation ratings are as follows:

	Trade Facilitation	Strengthening SPS and TBT Framework	Improving Competitiveness & Business Environment	Capacity Building, Trade Policy & Agreements	Strengthening National Implementation Unit	Overall
Score	5.8	4.3	4.3	4.0	5.7	4.8
Rating	Highly Satisfactory	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory	Highly Satisfactory	Satisfactory

3.2. Trade Facilitation

- *Relevance* – There were three trade-facilitation sub-components, two of which were created in the TDF Project Appraisal Document (PAD) and the other one that was introduced in the January 2012 TDF Restructuring Paper.²¹ The first two were (a) the preparation of a Trade Facilitation Master Plan, and (b) the implementation of a Lao PDR Trade Portal; and the third one was support for the DIMEX GSEU Management Unit. All three sub-components were *highly relevant* based on:
 - (i) Their consistency with the Lao PDR’s needs to address non-tariff barriers (NTBs) to trade and overcome constraints to the business environment identified in the country’s Investment Climate Assessment (ICA), as reflected in the ranking in the Logistics Performance and Doing Business surveys;
 - (ii) The extent to which each of the interventions from the sub-components were balanced across key issues for the component; and
 - (iii) The degree to which TDF assistance was harmonized with that of other technical assistance, namely the World Bank’s Customs and Trade Facilitation Project as well as its Trade and Transport Facilitation Assessment project; the USAID Regional ADVANCE Project; and the ADB’s Greater Mekong Subregion (GSM) Cross-Border Trade

²¹ World Bank, "Restructuring Paper on a Proposed Project Restructuring of Lao PDR Trade Development Facility Project Multi Donor Trust Fund Grant No. TF091201 to the Lao People’s Democratic Republic". 13 January 2012.

Agreement (CBTA). Establishment of the Lao Trade Portal by DIMEX has been a key ingredient to the GoL's efforts to move towards electronic processing and the establishment of a National Single Window, consistent with the ASEAN Single Window, as well as WTO commitments to comply with GATT Article X.

- *Effectiveness* – The trade facilitation component was *highly successful* in achieving its key objectives and those for the individual sub-components. Overall, the Logistics Performance Index for the Lao PDR has improved significantly, especially in the areas of customs, infrastructure, logistics competence, and tracking.²² In Doing Business, time to trade (for both exports and imports) has fallen by one-third between 2008 and 2012, though the cost of trading across borders has increased.²³ In terms of the GoL's strategy, the Trade Facilitation Strategy and Action Plan 2011-2015 was approved in July 2011 and the event that was recognized as a major achievement for the country. Following that approval, MOIC's Department of Import and Export (DIMEX) made good progress in the implementation and dissemination of the strategy and in updates to the action list. Much of the implementation success was due to the way that the consultative process between the public and private sectors was carried out. In formulating the master plan, representatives from both sectors were asked to participate in open discussions during the formulation process, and those discussions were used to identify key areas through which reforms could be introduced. This approach should serve as a model for future trade-related technical assistance where the private sector has an important role to play in mobilizing trade. For the Trade Portal, it has been effective in putting all trade-related information on tariffs, licenses, measures, laws, regulations and import/export procedures into the public domain. These achievements have occurred in the context of the need for inter-agency agreement on the exchange of information.²⁴
- *Efficiency* – All trade facilitation activities were generally cost-efficient in relation to results produced. The introduction of a results framework for monitoring and evaluation has strengthened management, increased accountability and promoted a more efficient and effective management for the trade facilitation component. Overall, project activities are considered to have been carried out in an efficient manner in terms of their implementing modalities, composition of inputs and interaction with beneficiaries. All trade facilitation activities were well articulated and complemented other trade-related activities and the GoL's overall strategy and action plan under the NSEDP. Despite the delays in the TDF-1 startup and contract negotiations for the Trade Portal, all activities were delivered in a timely and cost-efficient manner.
- *Sustainability* – While key elements of focal activities for trade facilitation are in place, there remains some concern about their long-term sustainability. For the Trade Portal, some of the contributing development partners have expressed

²² World Bank, "Logistics Performance Index: Connecting to Compete 2012". Available: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:23188613~pagePK:210058~piPK:210062~theSitePK:239071,00.html>.

²³ International Finance Corporation, "Doing Business". Available: <http://www.doingbusiness.org>.

²⁴ A more detailed assessment of the effectiveness of the Trade Portal is available in the next chapter.

concern about (a) access to the information by Lao businesses and whether there is enough capacity on the part of those business persons to understand the material; and (b) the ability of GoL to maintain the website once the contractual arrangements and TDF Phase 2 (TDF-2) are completed. To date, the Trade Portal team has had a strong interaction with DIMEX, which has contributed to the ability of the department to maintain the website in the future. Considerable work remains to be done, however, in making the information accessible to Lao businesses, especially SMEs. On the Trade Facilitation Strategy, implementation of the Action Plan is a concern for some development partners. The Trade Facilitation Secretariat (TFS), established in October 2010, has provided one way to strengthen the coordination mechanisms for trade facilitation activities among ministries and between the public and private sectors.²⁵ Following the TFS mobilization meeting in late 2011, members agreed that the challenge for implementing the strategy would largely depend on the effective engagement and coordination of inter-agency activities and the ability to ensure a public-private sector dialogue identifying the remaining obstacles to border procedures. That work will be one of the key challenges for TDF-2.

- *Score* – Based on the results of the assessment, the rating for trade facilitation is scored as *highly satisfactory*.

3.3. Strengthening SPS and TBT Framework

- *Relevance* – The focal areas of Component B were the legal and regulatory reforms and adjustments required across the fields of plant health, animal health and food safety in the Lao PDR, as key elements of the Lao PDR's WTO accession process. The initial list of legislative reforms proposed by government agencies was considered excessively long and had to be prioritized in terms of requirements for the country's WTO accession.²⁶ It was much longer than the one put forward by the WTO working party. The WTO working party's list was an ad hoc one not based on systematic analysis by the WTO or Government. Also of importance was the promulgation of risk-based policies and measures. Originally, the work concentrated on institution-building activities, but during the implementation phase of the project, development partners recommended that the focus be shifted to implementation issues through hands-on risk assessment exercises.²⁷ Although the subsequent shift to implementation correctly addressed practical issues, time limitations created a bunching of activities that limited the absorption of materials by relevant staff. In the area of technical barriers to trade, the TDF-1 provides financing to assist the National Authority for Science and Technology (NAST) in the preparation of a comprehensive assessment of legal and institutional reforms and TBT capacity building. The resulting recommendations and follow-up TBT activities were to be carried out under either Tier 2 of the EIF or TDF-2. That support,

²⁵ Government of the Lao PDR, "Agreement on the Structure and Role of the Trade Facilitation Secretariat". Vientiane Capital, Date: 20th Oct 2010.

²⁶ K. van der Meer, "Lao PDR Trade Development Facility (TDF) Project Activity: Technical Assistance for the Development of the SPS-related Legal Framework in the Lao People's Democratic Republic - UTF/LAO/018/LAO. July 2012.

²⁷ Joint World Bank/AusAID/EU/GIZ Implementation Support Mission, "Aide Memoire". Trade Development Facility - Multi Donor Trust Fund, November 16-24, 2011.

however, would need to be carefully aligned with the USAID Luna support to TBT legislation.

- *Effectiveness* – Legal and regulatory reforms have led to a substantial closure in the gap between the current legal and regulatory framework on SPS issues, and that required to facilitate trade, protect health and help Lao PDR to accede to the WTO. However, four priority pieces of legislation for the country's WTO accession became urgent from an ad hoc administrative and negotiation agenda perspective, but not based on solid legal and economic assessment. For that reason, other areas of importance were unable to be addressed, including (i) consultations with the private sector, and (ii) training of Lao staff about principles of SPS legislation. While compliance with the WTO requirements was met in terms of an ad hoc list of legal pieces, it was far from compliance with the legal system under the WTO principles. There are therefore a number of areas that remained to be addressed in order to place international standards into the Lao context, as well as compliance with broader legislative requirements, decentralization, ensuring consistency between legislative practices, and implementing specific legislative measures on SPS and TBT.²⁸ The risk-based policies shift to implementation progressed through a series of training courses and the preparation of a practical guide for pest risk analysis.²⁹ Also, for the effective promulgation of risk-based policies, an Interagency SPS Risk Evaluation Group was established and made operational. In general, the activities under Component B were well aligned with the activities of other development partners, especially those of ADB-financed GMS SPS project, which provides capacity building to the Lao PDR and other less-developed GMS countries for implementing SPS measures.³⁰
- *Efficiency* – Due to delays in startup of the sub-components, there were losses in the cost-efficiency of the activities in relation to results produced. These delays created some inefficiency in terms of implementing modalities; composition of inputs and interaction with beneficiaries, especially in relation to the private sector; inter-agency collaboration; and capacity building that could otherwise have taken place had the activities started earlier.
- *Sustainability* – The long-term prospects for continued progress in the SPS and TBT framework will largely depend on the magnitude of capacity building at the central and provincial levels. Under TDF-1, progress was constrained by limited due to the late start-up of SPS and TBT legal and regulatory reforms and the introduction of risk-based policies and measures, along with delays in selecting consultants. Progress was also affected by inter-agency collaboration inertia and the need to shift GSEU management from the MAF Department of Agriculture to the Department of Planning.

²⁸ A. Gobena, "(Draft) Report of Activities in the Third Quarter: June 2012 – August 2012". Lao PDF Trade Development Facility (TDF) Activity: Technical Assistance for the Development of the SPS-related Legal Framework in the Lao People's Democratic Republic - UTF/LAO/018/LAO, Undated. See also, A. Gobena, "TDF Activity: Strengthening the SPS Legal Framework in Lao PDR". Undated.

²⁹ S. Tontyaporn, "Consulting Services for the Development of SPS Risk Evaluation Capacity in the Lao PDR". Project ID No. P106165. Mission Report, September 2012.

³⁰ ADB, "Kingdom of Cambodia and Lao People's Democratic Republic: Trade Facilitation: Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade Project". Project Number: 43120, June 2012.

- *Score* – Based on the results of the assessment, the rating for strengthening the SPS and TBT framework is scored as *moderately satisfactory*.

3.4. Improving Competitiveness and the Business Environment

- *Relevance* – The coverage of the component was overly ambitious, as it addressed numerous activities aimed at sector-specific growth of the industries for garments, handicraft, wood processing and agro-processing. While the TDF PAD identified both cross-cutting constraints and sector-specific activities for the component, there were little if any activities undertaken on cross-cutting issues. Instead, all the activities focused on the five priority industries. Targeting specific industries and “picking winners” can be counterproductive and has been increasingly discouraged.³¹ A more non-selective approach aimed at facilitating the private sector in market-driven areas was therefore promoted in the DTIS Update and is now reflected in TDF-2.³²
- *Effectiveness* – There were mixed results in the achievements of the five sub-projects. The *Garment Service Center* was the most successful sub-project under Component C. For the *Sustainable Silk Production Partnership* sub-project, TDF-1 support was scaled down to modest pilot silk production partnership activities and support to the Lao Handicrafts Festival, while the more significant production support activities were financed under the World Bank’s Japan Social Development Fund (JSDF) grant for a Sustainable Silk Production Partnership in Rural Lao PDR project. For the *E-Commerce for Handicrafts Products* sub-project, the business-to-business (B2B) website www.buyasean.com.la (subsequently <http://www.buyasean.jp/laos/>) was created to promote handicraft sales. The *Secondary Wood Processing* sub-project was the most problematic because of the lack of private sector buy-in to the activities. Because of the absence of private sector participation, the sub-project’s funding was channeled to a modest set of activities supporting the Wood Processing and Furniture Association. Those activities included a series of market linkage activities aimed at improving the competitiveness of the Lao processing sector. For the *Strengthening the Role of the Private Sector in Managing SPS*, there were start-up delays because of difficulties in arriving at a consensus among project stakeholders on the scope and objectives of the project. Eventually, the sub-project procured equipment to establish a basic SPS diagnostic and technical assistance facility in Pakse and efforts were made to operationalize the facility and provide SPS export market requirement training and outreach events. The related Luang Prabang Agribusiness Study produced a scoping study and pilot activities aimed at facilitating greater food product market linkages between producers and the tourism sector.
- *Efficiency* – The Trade and Product Promotion Department (TPPD) worked diligently to manage the large portfolio of activities required to implement the five priority sub-sector projects. Those multiple activities, in conjunction with the delayed start-up of the projects, made it difficult for all sub-projects to progress evenly and achieve the desired results within the TDF framework. The relatively

³¹ N. Birdsall and F. Fukuyama, “The Post-Washington Consensus: Development after the Crisis”. Foreign Affairs, March-April 2011.

³² M. Lord, “The Lao PDR Diagnostic Trade Integration Study (DTIS): Resource Exports – Impacts and Linkages”. Background Paper for DTIS Update. November 2011.

less-well articulated monitoring and evaluation (M&E) system for this component lowered management control and weakened accountability. In particular, M&E for the component established targets for the growth of garment exports and processed wood products, but it did not offer targets for either the growth of silk product exports and overall exports from Champasak, or user ratings of the 'buyloa' website. The TDF results framework monitors progress for the export of agricultural commodities from Champasak and the silk industry sub-projects, but does not offer targets against which progress can be measured.³³ Specifically, there is one performance indicator for 'Improved performance in terms of productivity and/or exports among firms benefitting from TDF-1 sub-projects', which is 'Skills of attended workers improved', but no end target is given.

- *Sustainability* – Getting the fundamentals right is more important than picking winners in the long run.³⁴ Indeed, as indicated in one of the background papers for the Lao PDR Development Report 2010, tomorrow's 'winners' may not be in existence today and therefore impossible to 'pick'.³⁵ Notwithstanding the success of the Garment Service Center, the Centre was unable to achieve full financial sustainability within the TDF-1 timeframe. Moving forward, it will be important to consider what level of cost recovery is feasible and how the operations of the Centre will be sustained beyond TDF-2.
- *Gender Equality* – Component C had significant work undertaken on gender issues, consisting mainly of a survey of labor market conditions in the garment sector (including survey of 55 firms and a series of garments worker and ex-worker focus group discussions, with results presented at a workshop in October 2011). The results were used in the DTIS Update to map out activities to be carried out in TDF-2.
- *Score* – Based on the results of the assessment, the rating for improving competitiveness and the business environment is scored as *moderately satisfactory*.

3.5. Capacity Building, Trade Policy and Agreements

3.5.1. Capacity Building

- *Relevance* – Capacity building across a broad spectrum of topics is vital to both the GoL and the private sector to enable them to acquire the necessary information, knowledge and expertise with which to take advantage of trading opportunities and effectively participate in trade negotiations. It also contributes to enhancing export competitiveness and addressing critical linkages between trade and the macro-economy, sectors and industries as well as poverty reduction, the environment and the country's socio-economic development. Within this context, the Economic Research Institute for Trade (ERIT) is a

³³ World Bank, "Lao PDR Trade Development Facility Project: Results Framework". Available: <http://www.worldbank.org/projects/P106165/lao-pdr-trade-development-facility-project?lang=en>.

³⁴ H. Hill, "Industrialisation in ASEAN: Some Analytical and Policy Lessons," in Leung, Suiwah (ed.) Vietnam and the East Asian Crisis, Cheltenham: Edward Elgar, 1999.

³⁵ R. Record and K. Nghardsaysone, "Export Dynamics and Diversification in Lao PDR: An analysis of the product space". Lao PDR Development Report 2010: Natural Resource Management for Sustainable Development". Background Paper. August 2009.

department within MOIC whose core mission is to serve as a researcher and policy advisory body for the Ministry, along with providing support to enterprises in the form of market information and capacity building.

Notwithstanding its efforts during TDF-1, ERIT's capacity limitations prevented it from responding to the key needs and challenges faced by GoL and businesses. One possible channel to overcome those constraints was suggested by the contributing development partners, in particular the European Commission, in terms of developing synergies and collaboration with other research institutions in both the Lao PDR and the region. While some memoranda of understanding (MOUs) have been signed with research institutions, joint research activities have not been carried out. Under these circumstances, ERIT has been limited in its ability to (a) adopt a rapid-response mechanism to provide short-term technical assistance on critical trade issues for government officials; and (b) disseminate of best practices and analytical tools to government officials in the focal areas of MOIC activities to help trade officials address ongoing activities.

- *Effectiveness* – ERIT proved effective in designing curricula on international trade and in providing training for entry level and provincial industry and commerce officials. The training included English language and IT courses for provincial industry and commerce staff. Less progress was made building trade research and policy analysis capacity among industry and commerce mid-level officials and to develop research capabilities.
- *Efficiency* – ERIT was able to keep transaction costs down in the institutional delivery mechanism for capacity building, given their limited budget relative to total capacity building needs. There would have been more effective use of resources for research and analysis had a more detailed and focused results-oriented approach for ERIT been used from the onset of the TDF-1 in the design of a responsive and appropriate program applicable to the trade-related needs and requirements of the Lao PRD.
- *Sustainability* –ERIT has proven effective and sustainable in the conduct of training on economic and legal factors related to trade and business issues, and organizing trade-related capacity building in Lao PDR.

3.5.2. Trade Policy and Agreements

- *Relevance* – The TDF PAD recognized that acceding to the WTO and optimizing the use of ASEAN Free Trade Area (AFTA) could help to unleash the Lao PDR's growth potential.³⁶ To that end, the activities of the Foreign Trade Policy Department of MOIC were highly relevant to the overall TDF-1 development goals, as well as the broader expected outcomes of the GoL and development partners. Those activities focused on technical capacity development for trade and WTO compliance and implementation, and support to priority areas related to the ongoing negotiations and in particular legal obligations. It also carried out important activities related to regional economic integration and the implementation of the GSEU established in the ASEAN

³⁶ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

Division of the Foreign Trade Policy Department. In terms of synergies and collaboration with other development partners, such as the large USAID Luna project to support Lao compliance with the WTO accession process and ASEAN commitments, as well as the GIZ project to support Laos Integration into regional markets, the sub-component activities minimized the potential overlaps that could have arisen from the significant support on legal drafting issues of the former and the support on enhancing capacity towards AEC of the latter.

- *Effectiveness* – As part of the work undertaken under the new GSEU in the ASEAN Division, the sub-component was highly effective in carrying out studies assessing the impact of potential new agreements, particularly in the area of services, and on preference utilization under overlapping bilateral, regional and multilateral trade agreements. Those activities benefited from the additional funds made available through GIZ, which supported a series of activities that would help the GoL implement trade-related commitments under the ASEAN Economic Blueprint.
- *Efficiency* – Project activities were highly efficient in implementing WTO accession requirements and meeting ASEAN commitments, including modalities, composition of inputs and interaction with beneficiaries. All activities were well articulated and strongly complemented other trade-related activities and the GoL’s overall strategy and action plan under the NSEDP. The sub-component also has had strong linkages across other TDF components, particularly on SPS work in Component B, trade facilitation in Component A, and the overall capacity building work of Component D, where several studies were carried out on the impact of WTO accession in general and in sector-specific activities in manufacturing (beverage, cement and steel) and services sectors (insurance, professional and distribution services). The studies on insurance and distribution services have recently been used in policy formulation and legislative reforms, including a new law on insurance services.³⁷
- *Sustainability* – The sub-component has proven to be highly sustainable in the long run since implementation of WTO and ASEAN commitments will be central to the work of TDF-2 and beyond. There was a high degree ownership on the part of the GoL, and strong capacity and resources in the Foreign Trade Policy Department of MOIC needed to carry out the work. Project monitoring was successfully carried out by NIU as reflected in the detailed results framework. All sub-project activities either met or exceeded the target indicators that are available to date.

3.6. Strengthening the National Implementation Unit

- *Relevance* – The NIU’s activities have remained highly consistent with the country’s overall development goals within the NSEDPs, as well as the

³⁷ See, for example, M. Lord, “Implications of WTO Accession for Insurance Sector of Laos”. Vientiane, Ministry of Industry and Commerce, 2010. Available: mpra.ub.uni-muenchen.de/41151/1/Lao_WTO_Impact_Analysis.pdf and M. Lord, “Implications of WTO Accession for Selected Domestic Industries of Laos”. Vientiane, Ministry of Industry and Commerce and United Nations Development Programme (UNDP), 2010. Available: mpra.ub.uni-muenchen.de/41150/1/MPRA_paper_41150.pdf.

expected outcomes of TDF-1 contributing development partners. Its role in coordinating trade-related assistance and implementing the TDF-1 has been critical to progress in facilitating trade and cross-border movement of goods, and in increasing the GoL's capacity to support regional and global economic integration and move the Lao PDR towards a greater and more effective participation in the global economy. It has worked towards achieving these broad objectives by focusing on the implementation of the DTIS Action Matrix's priority areas for trade-related assistance in areas covering export competitiveness, trade facilitation, the business environment, capacity building, trade policy, trade agreements and global opportunities, and the elimination of non-tariff barriers (NTBs) to trade. Based on its experienced gained in these and other areas, it produced the DTIS Update in 2012 used in the design of TDF-2 and other trade-related technical assistance.³⁸

The NIU has carried out its activities with strong synergies and close collaboration with the lead departments in MOIC and in other government agencies for each of the TDF components, namely, the Department of Imports and Exports (MOIC) for trade facilitation (Component A); Department of Agriculture and later Department of Planning, Ministry of Agriculture and Forestry (MAF) for the sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT) frameworks (Component B); Department of Production and Trade Promotion (MOIC) for export competitiveness and the business environment (component C); and Economic Research Institute for Trade (ERIT) and Foreign Trade Policy Department (MOIC) for capacity building, trade policy, trade agreements and global opportunities.

The NIU structure and operational modality has responded to changes in AFT delivery needs. Originally located in the Official Development Assistance (ODA) of the Foreign Trade Policy Department (MOIC), the NIU in early 2012 became a division-level unit as part of the Foreign Aid Division under the Department of Planning and Cooperation. That organizational change responded to the needs to mainstream MOIC's IF governance and management structures. It included not only NIU's administrative and financial management of TDF funds and those of the EIF, but also the role of Secretariat for the Trade and Private Sector Development Working Group (TPSDWG), which coordinates, administers, monitors and evaluates all trade-related technical assistance carried out under the National Integrated Framework Governance Structure (NIFGS).

The first meeting of the TPSDWG took place in July 2012 to officially launch the secretariat, present the terms of reference of the working group and discuss the sector work program. It also validated the Trade and Private Sector Development Roadmap, which was part of the 2012 DTIS Update. The second meeting of the TPSDWG took place in October 2012 to discuss the draft sector working group report, launch the 2012 DTIS, update on WTO accession process, and discuss TDF-2. The third meeting occurred in April 2013 and the major issues discussed were the way forward for trade facilitation and the business and investment environment in Laos. Participants to these meetings included members from the government, private sector and development

³⁸ Department of Planning and Cooperation, Ministry of Industry and Commerce, "Diagnostic Trade Integration Study 2012: Trade and Private Sector Development Roadmap". July 2012. Available: www.laosaft.org/phocadownload/DTIS/DTIS2012.pdf.

partners. In general, the TDF-1 implementing units provided valuable information to TPSDWG on the Lao PDR's trade and private sector developments, which in turn helped the secretariat to better formulate ways to facilitate improvements in the sector.

For its part, the NIFGS has strengthened the MOIC's inter-ministry coordination and implementation of trade-related technical assistance and thereby ensured overall aid-for-trade effectiveness. More recently, the NIFGS governance structure has been further streamlined under TDF-2 to three key levels of responsibilities, which has helped to make the AFT mechanisms more responsive to changes in the country's economic environment.³⁹

- *Effectiveness* – Substantial progress was made during the TDF-1 period of implementation in building the capacity of the NIU. The resulting quality and depth of its work planning process proved to be one of the most impressive aspects of TDF-1. These results were achieved relatively early in the TDF-1 and in the first part of the TDF-1 implementation period the NIU was already operating as an effective and well-staffed division with strong central project management capacity. The personnel consist of a mixture of government officials and staff financed from the TDF and EIF, including a resident advisor until mid-2012 who was funded by AusAid as part of its commitment to the TDF. All staff members are highly dedicated and motivated and their outputs provide compelling evidence about the strength of their capacity in planning, coordination, implementation, procurement, financial management, and reporting. As the staff gains confidence in their own knowledge and capabilities, their ability to monitor and supervise the substantive work of projects and individual consultants will grow and become stronger.

Contracting Consultants – Locating adequate national consultants remains difficult because of lack of expertise or high fees requested by some national consultants. While there is a required two-week period for posting of consultant opportunities, the selection and contracting process has been slow. It would be useful to also establish a deadline on the selection period of both national and international consultants to avoid excessively long contracting periods and the loss of qualified consultants who are in demand and can therefore not wait a long time for the selection process to be completed. At present, the principal channels for job postings are the Vientiane Times, DG Markets, Devex, DevelopmentAid.org, and the Aid-for-Trade website. For individual consultants, postings should be limited to those sites that have reasonable access costs for individuals, which exclude the use of DG Markets. DG Markets could, however, be used for large firm-based contracts. The NIU could also consider renewing its practice of directly notifying selective national and international consultants through its in-house mailing list, built on its experience and network of

³⁹ The three key levels of responsibilities are as follows: (1) the National Steering Committee for Economic Integration (NSCEI), which makes key policy decisions on trade-related issues and is chaired by the Deputy Prime Minister; (2) Secretariats associated with the major areas of TDF-2 activities, along with an Aid for Trade Executive Committee responsible to the TPSDWG; and (3) the lead agencies or departments involved in trade-related activities from MOIC, Ministry of Agriculture and Forestry (MAF), Ministry of Health (MOH), National Authority for Science and Technology (NAST), and other linked government agencies like the Ministry of Finance (MOF), Ministry of Planning and Investment (MPI), Ministry of Justice (MOJ), and representatives of the private sector.

consultants. For goods, requests for quotations based on specification of needs and prices from three local companies have proven to be effective in terms of both in time and costs.

DTIS Update – The in-house management and implementation of the DTIS Update was an important landmark for MOIC and ensured the GoL buy-in to the process and its eventual results. In preparing the background papers and chapters, NIU provided strong guidance in their scope and contents. This process was productive for the preparation of the chapters since it allowed the consultants to provide the necessary inputs that would generate the detailed outputs specified in their terms of reference. However, it created difficulties for the team leader of the DTIS consultants in working with the NIU advisor to produce the overall report and accompanying action matrix. One workaround for this type of work in the future would be to select the team leader from within NIU so that only one effective team leader existed, and to also contract an editor who could ensure a consistent and balanced coverage on the material. This approach has been successfully adopted by a number of development partners, including the Asian Development Bank.

- *Efficiency* – The NIU has, by necessity, had to maintain a high level of efficiency in its activities to ensure that all staff members use their time effectively in carrying out their responsibilities. The NIU now comprises three main units responsible for technical, finance and procurement activities. The overall procurement performance improved greatly during the TDF-1 implementation period. All major selection packages were completed and the focus has more recently been on contract implementation. The NIU's financial management system has operated efficiently and the external audits have been favorably rated. Transaction processing systems have improved progressively over the course of implementing the TDF, and there was an expansion in size of the project operating account to a ceiling of US\$ 100,000 in August 2011, which further helped facilitate processing time. Its procedures are based on those of the World Bank and the Government of the Lao PDR, with the Special Designated Account (DA) being managed by Ministry of Finance. At present it takes the NIU three days to prepare requests and a minimum of one week to receive approvals, which the NIU would like to have shortened. Notwithstanding the relatively slow processing of funds, there is a need to balance bureaucratic processes with good management practices and effective monitoring of flow of funds. The TDF-1 has established a good reputation for high quality procurement and financial management and this favorable perspective by donors is one of the key determinants of growing confidence and resource mobilization in the trade sector.
- *Sustainability* – The strengthening of NIU's capacity during the TDF-1 has helped MOIC to be more strategic in planning and implementing development assistance activities. It has also contributed to the mobilization of additional commitments from Japan through the JSDF commitment (USD 1.8 million) and Germany through GIZ commitment (EUR 280 thousand). The DTIS Update and the accompanying Action Matrix provided the foundations for future support to TDF-2 related activities, especially the pressing issues that are following the country's WTO accession and ASEAN commitments. In terms of the appropriateness and adequacy of project monitoring and supervision, the NIU has achieved a strong focus on a results framework where concentration is on

impact and outcomes rather than just outputs. Outcome indicators have, however, not always been available in a sufficiently timely manner as to compare existing outcomes with their target levels. It would therefore be useful to re-examine how those indicators could be better updated or altered in a way that ensures the availability of leading indicators for monitoring TDF-1 outcomes in a timely manner. Notwithstanding known difficulties in measurement, it is always better to use objectively verifiable measures of those indicators rather than subjective measures. For higher level outcomes, use of 'mirror trade data', which depends on the up-to-date reporting of all trading partners, should be avoided in favor of Lao customs data since otherwise the data are likely to be underreported and inaccurate for the most recent periods. The DTIS Update contains proposals for some indicators that are likely to be highly questionable and difficult to monitor, so further consideration should be given to a robust set of indicators for the results framework.

- *Score* – Based on the results of the assessment, the rating for strengthening the National Implementation Unit component is scored as *highly satisfactory*.

4. ASSESSMENT OF SUB-COMPONENTS

This part contains in-depth reviews of four case studies for selected sub-components: (a) Garment Service Centre; (b) Lao Trade Portal; (c) ERIT/trade policy research and training; and (d) WTO accession support.

4.1. Lao Trade Portal

4.1.1. Background

The TDF-1 Trade Facilitation Component calls for the Department of Imports and Exports (DIMEX) to help simplify procedures, automate processes, and better coordinate the delivery of the country's trade facilitation agenda through a process that includes the establishment of a Trade Portal. The portal intends to provide basic procedures and systems for the capture of customs and other trade information, disseminate the information, and prepare a diagnosis of future requirements for the automation of licensing and registration for possible future financing.

The three main functions of the portal consist of (a) process simplification and harmonization based on risk management principles, including procedures and documentation requirements for licenses and permits; (b) publication of trade-related information covering regulations, procedures, fee schedules, penalties and forms used by line ministry and agencies; and (c) automation of trade-related processing of licenses and permits in line ministries and agencies. Under TDF-1, the portal aimed to consolidate all trade-related information available on individual ministries and agency website in an easily accessible manner. The project team began operations on 16 July 2011 and the portal was officially launched a year later on 22 June 2012. The team is remaining on site until the end of February 2013 in order to help build capacity within DIMEX.

4.1.2. Relevance

The key questions pertinent to relevance cover three dimensions:

- *Operational Level:* To what extent did the portal help to inform businesses about how to import and export goods?
- *Institutional Level:* To what extent did the portal generate needed information for dialogue among government agencies about streamlining import and export procedures?
- *Knowledge Level:* To what extent did the portal draw attention to ideas that are applicable to future operational efficiency for importing and exporting in Laos?

Each of these questions addresses the portal's objective, as stated in the PAD; namely, to create basic procedures and systems for capturing customs and other trade information, to disseminate and promote that information, and to prepare a diagnosis of future requirements for the automation of licensing and registries for potential future financing.⁴⁰

At the *operation level*, the portal succeeded in bringing together trade-related information of individual ministries and agency and linking the information into an easily accessible manner. Its webpage at www.laotradeportal.gov.la provides information in both English

⁴⁰ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

and Lao on detailed product information at the 8-digit Harmonized System (HS) commodity classification. The information covers Most Favored Nation (MFN) and Common Effective Preferential Tariff (CEPT) tariffs, trade-related laws and regulations, procedures and related forms, and SPS and TBT measures where applicable. The website also contains news, announcements, events and publications, as well as the legal text of trade agreements. Additionally, it contains SPS and TBT Enquiry Points that appear to be separate websites because of their different page layouts; but they are in fact part of the same Trade Portal.⁴¹

At the *institutional level*, DIMEX has had strong ownership of the Trade Portal, maintaining close operational involvement with its development and dissemination. Its departmental-wide operations have been closely integrated into the portal through the notifications of rules about import and export licensing requirements, categories of prohibited goods, and types of exports subject to duty exemptions. It has also been a recipient of training and other forms of capacity building by the project team.

At the *knowledge level*, the project team has provided considerable information about additional funding that will be necessary. For example, after surveying requirements as well as infrastructure and personnel needs, the team reported that automation of licensing and permitting procedures for the participating agencies would require a significant amount of additional investment to establish and maintain a network system and provide the necessary training and other forms of capacity building for the system.

4.1.3. Effectiveness

The key question addressed is as follows: *To what extent has the portal achieved the desired outputs, outcomes and results, and have the interventions reached the target population?*

The project team has completed all its deliverables related to the provision of a comprehensive set of information on tariff and non-tariff measures applied to import, export and transit goods in a manner that is readily accessible by users. More specifically, the team (a) developed options and recommendations on the overall governance and operational model for the portal; (b) developed an IT Implementation Plan (ITIP) for the automation of trade related licensing and permit processes in key line ministries and agencies, with a view to eventually establishing a 'single window' system; and (c) implemented the first phase of the Lao ITIP to provide the electronic publication of all trade-related information such as regulations, procedures, fee schedules, penalties and necessary forms.

Transfer of knowledge about the trade portal has taken place within DIMEX, first, through staff training sessions and, second, through promotional activities and materials aimed at end-users. A launching ceremony of the portal was held at the Lao Plaza Hotel in Vientiane on 22 June 2012, and two dissemination workshops were subsequently held. The first one was held on 20-21 September 2012 at the Mercure Hotel in Vientiane; the second one in Champasak province on 14 August 2012. Other workshops are planned once funding is available through TDF-2. A brochure has been prepared that describes the portal, its features, background, and information about its contents. Other promotional materials include a promotional video, t-shirts, a DVD, notebooks and press releases. Interviews with transport and logistics companies along with usage tracking statistics

⁴¹ This was a compromise agreed on with the SPS and TBT team, who accepted the use of the portal's structure to publish the SPS/TBT enquiry points but preferred that their pages have their own identity.

indicate that regular use is being made of the portal. The challenge will be to extend that use to the non-traditional exporters, especially small and medium-size businesspersons, including those in the provinces beyond the capital.

In all likelihood, given enough time for the portal to be widely adopted by traders and line agencies, the portal will achieve its desired higher level outcome. That outcome consists of achieving substantial closure in the gap between current trade-related information made available to the public, and that required to facilitate trade and for Lao PDR to accede to the WTO, with a view to reducing the mean import, export and transit non-customs clearance times.

4.1.4. Efficiency

The key question addressed is as follows: *To what extent is the Trade Portal an efficient and cost-effective instrument for linking persons interested in exporting and importing with information about the relevant procedures to import or export goods in Laos or to transport goods across international borders through the territory of Laos?*

In terms of meeting the implementation schedule, the portal was established in a timely manner once the activities got underway. Initially there were delays from the lengthy procurement process, partly as a result of concerns about the ambitiousness of the proposed activities within the timeframe of TDF-1, the long term sustainability of the portal, the absorptive capacity of DIMEX, and changes in the proposed staff of the consulting team. A decision was made to exclude one activity related to the preparation of a practical roadmap for process simplification and harmonization of procedures and documentation requirements for licensing and permit issuing authorities. Although the activity was excluded, the contractor's terms of reference referred to, "Development of a multi-phased information technology implementation plan for the automation of trade related licensing and permit processes in key line ministries and agencies, and the eventual establishment of a 'single window' system." In order to accomplish this task, the project team had to prepare a detailed analysis of current business processes and the associated re-engineering needed to simplify them. Eventually, the request for a roadmap was introduced and a report prepared on the situation in all the license and issuing agencies, other than Customs, which was then used to prepare recommendations on the portal's future integration with the Single Window, along with the implementation and financing implications.⁴² The experience demonstrated the importance of sequencing the process by first building a structured repository of information, then simplifying and harmonizing processes and data, and finally moving onto an integrated Single Window environment.

Notwithstanding the delays, once the activities began in mid-July 2011 the project delivered all of its contracted outputs, on schedule and within budget. By the end of January 2012, the open-source website software had been developed and in March 2012 the initial loading of the data had been completed. On 22 June 2012 the portal was officially launched and, since then, ongoing support and capacity building has been carried out.

4.1.5. Impact

The key question addressed is as follows: *To what extent has the Trade Portal assisted the GOL to simplify procedures, automate the process and better coordinate delivery of the*

⁴² L. Pugliatti, "Roadmap to Simplification and Harmonization: Final Report". Vientiane, 1 February 2013.

*trade facilitation in order to reduce the mean import, export and transit non-customs clearance times?*⁴³

The portal is helping to create transparency and simplify procedures in a way that will improve the country's trade facilitation score. Measured in terms of the Logistics Performance Index (LPI), the performance indicators include the efficiency of customs and border management clearance that covers border procedures and time taken to complete trade transactions. Since the portal's launching occurred fairly recently, it is too early to associate any changes in the trade facilitation performance indicators with the portal's implementation. Nevertheless, the strong progress made by the project to date will undoubtedly contribute greatly to reducing mean import, export and transit non-customs clearance times.

4.1.6. Sustainability

The key question pertinent to sustainability is as follows: *What measures are being taken to assure the Trade Portal's sustainability?*

A Lao Trade Portal (LTP) governance structure has been put in place. It consists of DIMEX officials, a webmaster, a content coordinator and a data entry operator under the supervision of DIMEX management. Sufficient information has been provided by the project on the steps necessary for the Lao PDR to progress from a manual trade facilitation system to an automated single window system consistent with the ASEAN single window.

The current provisions under TDF-2 call for the portal's continued support and development to ensure its effective maintenance and timely updating, including its expansion in scope to meet commitments under GATT Article X and ASEAN commitments with respect to the posting of all non-tariff measures (NTMs) on a National Trade Repository and its eventual connection to the ASEAN Trade Repository. To ensure that all information is current and accurate, TDF-2 proposes to finance the continued engagement of a webmaster and content coordinator, as well as the provision of translation and other support services to the LTP management team. TDF-2 also envisions a legal basis for ensuring that information is always updated through the close collaboration of different agencies, in line with the implementation of Decision 90/NCEI.

For the roadmap for process simplification and harmonization of procedures and documentation requirements for licensing and permits, work has progressed under the same consultancy contract financed by TDF-1 on the preparation of a roadmap for process simplification that will facilitate related work on business process reengineering to be undertaken both as a part of the National Single Window preparation project and under the NTM component of TDF-2. A similar project is being financed by the Asian Development Bank (ADB) for certain areas of Laos, including the East-West Economic Corridor (EWEC), which should provide for synergies between the two activities.

4.1.7. Possible Extensions under TDF-2

- (1) *Full Automation* – Much of the licensing procedures in DIMEX are still carried out manually and a fully automated system that covers licensing and registries will have to be based on a computer networking system with central data storage. That type of electronic connectivity could eventually allow for the full implementation of

⁴³ Based on overall outcome target for Trade Facilitation (Component A) from National Implementation Unit, "Monitoring Framework". Ministry of Industry and Trade (MOIC).

the ASYCUDA++ customs software to streamline and reduce customs forms and procedures. The software allows direct trader input (DTI) by brokers, who are able to enter declarations electronically for processing, which significantly accelerate the clearance process while at the same time improving control capacity and reducing transactions costs. Traders' main concerns about facilitation remain border procedures which, despite Asycuda, still rely on manual processes and face-to-face contact. Without eliminating these manual procedures, which make every transaction subject to varying and possibly arbitrary delays, it will be very difficult to establish baseline metrics. Brokers have to go physically to the border post and enter data into Asycuda at terminals provided by Customs and still handle cash and paper documents with signatures. Due to the architecture of Asycuda (which is not designed for the Web though it should work over the Internet) each broker would have to have a dedicated line to the central server to submit declarations from their premises. Therefore this facility has so far only been extended to a limited number of large traders. A major step forward, however, would occur if the terminals were placed at Customs offices in the main centers near traders' place of business.

- (2) *Search Engine Optimization (SEO)* – There is scope for further improvements in the web search since a search of the term 'Lao import regulations' in Google does not rank the portal among the top results. The majority of traffic on the Internet comes from search engines, and most people only follow the first few links of search results. This search pattern means that websites that do not have high search engine rankings will have few visitors. It is therefore important for webmasters to use search engine optimization (SEO) design practices when they are creating web pages. While SEO is based on keyword content and the portal already uses beta keywords, there are also a number of other factors that determine a website's search engine rankings, and many of them are related to the HTML and coding of a website. SEO website design includes things like file naming structures, image identification, appropriate use of coding and ensuring that a website loads quickly. In so-called technical SEO, it is important to ensure that the portal's website adheres to search engine guidelines, like those of Google, based on design and content, technical factors, and quality. The second important area is 'content driven SEO', which involves content marketing through updated contents, links and site optimization aimed at reaching a high position on search engines. Finally, 'social SEO' allows websites to engage with users, create dialogue and establish relationships. Social media marketing can deliver results by increasing traffic to the portal's website and is a feature that should be incorporated with a view to creating engaging content that is important to users and that they will be willing to share. Popular social media sites are LinkedIn, Facebook, Twitter, and Google Plus, which are no longer limited to individual users and have become major marketing tools for all successful businesses. The Trade Portal's news, announcements and features are some of the content that could be redirected to these social media.
- (3) *Website Consolidation* – Consideration could be given to consolidating MOIC's websites with the portal's website. Those websites include the Aid-for-Trade website at <http://www.laosaft.org/>, which is maintained by the National Implementation Unit within the Department of Planning and Cooperation. The Foreign Trade Policy Department's website at <http://laoftpd.com/> maintains information on WTO and other regional and bilateral agreements where information is not always updated or available. There is also a MOIC website at

www.moc.gov.la which appears to be down because of a recent virus. Bringing together these sites into one central depository of information would present a more use-friendly information dissemination system and help to ensure that contents remains updated and accurate. Like the SPS and TBT Enquiry Points in the Trade Portal, each of these websites could appear to be separate websites because of their different page layouts, but they would in fact be part of the same Trade Portal. In practical terms, the consolidation would undoubtedly give rise to governance issues that would need to be resolved within MOIC; and the aforementioned websites would probably have to be largely re-written, which would be costly. However, there are also clear advantages in presenting a unified and cohesive set of trade-related information about Laos to users.

- (4) *Mobile Apps* – Mobile apps for use with smartphones or tablets could increase usability of the portal and would provide practical information for persons requiring data and copies of their forms at the border checkpoints or in other locations where they were traveling. A mobile edition of the Lao Trade Portal would require a simplified and more tailored design to that of the web version. For example, it could provide essential information to brokers, transporters and businesspersons on-the-go related to tariffs, licenses, measures, laws, regulations and import and export procedures, as well as alerts on their products and other important notices.

4.2. Garment Service Centre

4.2.1. Background

TDF-1 funding has supported the establishment and operation of the Garment Skills Development Centre (GSC) in Vientiane.⁴⁴ It offers training and consultancy services to garment factories, targeting supervisors, middle managers, and sewing operators. The objective has been to address the scarcity of management staff and skilled workers along with labor shortages in the industry, all of which have contributed to the relatively slow growth of garment exports relative to competing suppliers to the global market. As of 2011 the industry employed 30,000 workers. While the Association of the Lao Garment Industry (ALGI) established a target employment level of twice that amount by 2015 in an effort to revitalize the industry and accelerate export growth. The industry is dominated by women, who account for 86% of the workforce.

The TDF-1 sub-project for the garment industry is part of Component C on ‘Increasing Export Competitiveness and Business Environment’ and aims to “improve the productivity of sectors with high potential growth for exports”.⁴⁵ In the first phase of the technical assistance for the component, a feasibility analysis was carried out to identify priorities and desired results; the second phase implemented an action plan for each of the targeted sectors. For garments, a decision was made to support the establishment of a training center to be carried out in partnership with ALGI. After a lengthy process of business planning and curriculum development, new premises were identified for the Centre and training events began in mid-2011. Additional resources to support the GSC were

⁴⁴ The Centre initially operated under the name Garment Service Centre through the Ministry of Labor (MoL). Its focus was on short-term vocational trainings in order to provide skills to garment workers. Since November 2011 the project has been renamed Garment Skills Development Centre.

⁴⁵ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

mobilized from the Centre for International Migration (CIM) and in May 2012 new industrial sewing machines were contributed to the Centre by the German Government.

The GSC training program aims to enhance training supervisory knowledge and skills, and training new recruits to become effective sewing operators. At present, the GSC program has two levels of training: (a) training for supervisors, line leaders and assistant line leaders on productivity improvement, time and work study, line balancing and supervisory management; and (b) training newcomers in two production lines and on different sewing machines to become sewing operators.⁴⁶

4.2.2. Relevance

The key question pertinent to relevance is as follows: *To what extent has the GSC the appropriate mechanism for developing skills and productivity in the garments export sector?*

The GSC has been an important vehicle for addressing the lack of managerial and skilled workers in the garment industry. By training workers to improve their productivity, the GSC is helping to strengthen the competitiveness of the garment sector. In recent years, the Lao PDR's garment export market shares have fallen sharply. In the EU market, which absorbs around 75 percent of Lao garment exports, export market shares have fallen from 0.27% in 2001 to 0.17% in 2011.⁴⁷ In 2012 the country's garment exports are estimated to have fallen, notwithstanding an overall expansion of 8.2% by the economy as a whole.⁴⁸

The difficulties faced by the industry have been associated with labor constraints and low labor skills and productivity, along with a long lead time from when orders are placed to when the finished products are transported to the markets.⁴⁹ A more recent study reported that "when asked to identify priority training needs for their firm's workforce, production skills (cutting, stitching, etc.) and basic literacy/numeracy were identified as priorities for production workers, while production management skills (e.g. line balancing) and quality assurance (control, inspection, etc.) were most commonly identified as top priorities for production supervisors by small and medium firms. Large firms also identified team management and motivation as a top priority. At the management level, a diversity of training priorities was identified and responses varied significantly."⁵⁰ By helping to deliver technical, managerial and leadership skills and knowledge, the GSC's activities are closely aligned with the garment industry's goals of improving competitiveness and regaining export market shares.

⁴⁶ W. Driessler, "Lao Textile and Garment Industry 2012 - Garment Skills Development Centre: The Service Centre of the Association of the Lao Garment Industry". Vientiane, 30 May 2012.

⁴⁷ Based on data for EU imports of HS 61, 62, 63 from the Lao PDR relative to total extra-EU imports of those products. Source of data: European Commission, Eurostat database. Available: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

⁴⁸ World Bank, "Lao PDR Economic Monitor". November 2012.

⁴⁹ National Statistics Centre, Committee for Planning and Investment, "Addressing the Impact of the Phasing Out of the Textiles and Clothing Quotas in Lao PDR". Vientiane, Laos, August 2007. Available: <http://www.nsc.gov.la/PostATC.htm>.

⁵⁰ R. Record, S. Kuttner and K. Phouxay, "Lao PDR - Labor standards and productivity in the garments export sector: a survey of managers and workers". World Bank, Poverty Reduction and Economic Management Sector Department, East Asia and Pacific Region, July 2012. Available: <http://documents.worldbank.org/curated/en/2012/07/16652831/lao-pdr-labor-standards-productivity-garments-export-sector-survey-managers-workers>.

4.2.3. Effectiveness

The key question addressed is as follows: *To what extent has the GSC achieved the desired outputs, outcomes and results, and have the interventions reached the target population?*

The GSC has adapted its services to the needs of the industry by offering 'demand-driven' training and consultancy to garment factories. The focus of the training has been on the two categories of manpower that are most urgently needed: supervisors and machine operators. For a factory of 500 workers, there are normally 45-55 supervisors, suggesting that with a workforce of 30,000, there are 3,000 supervisors currently employed in the industry, and that another 3,000 will be needed by 2015 if the industry is to meet the 60,000 workforce target set by ALGI.⁵¹ While GSC could potentially train that amount of supervisors, it faces skepticism by factory managers and owners over training of workers outside of their factories for fear of losing those workers to competing factories. For that reason, efforts are being made to establish some type of assurance or commitment that trained graduates from GSC will remain in the factories that have funded the courses for a sufficient amount of time to recover costs.

The GSC has been highly effective in marketing its activities through the media and has effectively networked with factory owners and managers. Its website at <http://laodev.com/views.php?id=1> provides information on training and workshop courses, consulting and coaching services and different types of certifications offered. Training courses are scheduled in a way that are least disruptive to factory operations, certificates are issued to those participants who reach competency in the coursework and pass whatever standards are set by the instructors, and training is delivered in Lao language. Common standards have been established for textile and garment job competencies within Laos through a system of testing and certifying of these competencies, based on a Memorandum of Understanding (MOU) signed between ALGI and the ASEAN Federation of Textile Industries (AFTEX).⁵² The GSC has focus on sewing operator and supervisor competencies as two of the most important of the five competencies offered by AFTEX because of the urgency of their need in Laos.

4.2.4. Efficiency

The key question addressed is as follows: *To what extent is the GSC an efficient instrument for developing skills and productivity in the garments export sector?*

The GSC has been highly cost-effective and it aims to become financially self-sufficient over the medium to long term. Initially, that target was established for the end of the third year of the Centre's operation. Factory managers and owners, however, have been reticence to pay even the relatively low fees currently charged for courses by GSC because of fears about cost recovery and, as mentioned earlier, concerns that graduates will be employed by competing factories. But without that formal training, the Lao garment industry is unlikely to regain its competitive position since it is estimated that less than 20% of supervisors currently have specific supervisory training.⁵³ Collaboration among firms in

⁵¹ Ministry of Industry and Commerce, "The Lao Garment Service Centre". Vientiane, undated. Available: www.documbase.com/Lao-for-Lao.pdf.

⁵² Garment Skill Development Center, "ASEAN Common Competency Program for the Textile Industry in Laos" in *Lao Trade Magazine*, Issue 7, July 2012.

⁵³ Department of Trade Promotion and Product Development, "The Garment Service Centre and Sustainable Silk Production Projects" in *Lao Trade Magazine*, Issue 4, January 2011.

the form of joint training activities is not promising, according to one study of the Lao garment industry. It found that there is little if any cooperation between firms because “they are very busy with day-to-day survival and they have no time to cooperate with other firms in both informal and formal relationship”.⁵⁴ Despite these constraints, the survival of the industry itself will likely depend on whether factories are able to enhance productivity and attract a considerably larger number of workers to the industry.

4.2.5. Impact

The key question addressed is as follows: *To what extent has the GSC improved productivity, enhanced competitiveness and promoted export growth in the garment industry?*

The GSC is playing a critical role in helping to improve the garment industry’s competitiveness. Since the GSC’s launching of its training activities occurred fairly recently, it is too early to associate any changes in the trade facilitation performance indicators with the GSC’s implementation. Nevertheless, the strong progress made by the Centre to date and its continued work under TDF-2 will undoubtedly help to improve productivity of those factories that make use of GSC’s services.

4.2.6. Sustainability

The key question pertinent to sustainability is as follows: *What measures are being taken to assure the GSC’s sustainability?*

In the interests of sustainability, the Lao Deputy-Director was appointed as Director of the Centre in April 2012, and the previous CIM-financed Director shifted her duties to that of providing advisory services. In addition, the GSC’s fee-based productivity training services courses on supervisory skills and operator skills for the Lao garment workers are an important step towards ensuring sustainability. As mentioned earlier, there are concerns by factory managers and owners about paying for the services due to fears that graduates from the Center will leave. Existing annual turnover rates of 40 to 60% a year are high.⁵⁵ So factories are reticent about investing in workforce improvements. As a result, it is unlikely that the Centre will be able to achieve financial sustainability by the end of TDF-2, so it will be important to consider how the operations of the Centre will be sustained in the future.

4.2.7. Gender Equality

The key question pertinent to sustainability is as follows: *To what extent was gender equality addressed?*

The garment industry is one of the leading sectors where women represent a high of the workforce outside of agriculture in Laos. Gender issues in the garment industry were addressed directly or indirectly in several studies that were partly funded by TDF-1. There

⁵⁴ X. Kongmanila and Y. Takahashi, “Inter-Firm Cooperation and Firm Performance: An Empirical Study of the Lao Garment Industry Cluster” in *International Journal of Business and Management*, Vol. 4, No. 5, May 2009.

⁵⁵ National Statistics Centre, Committee for Planning and Investment, “Addressing the Impact of the Phasing Out of the Textiles and Clothing Quotas in Lao PDR”. Vientiane, Laos, August 2007. Available: <http://www.nsc.gov.la/PostATC.htm>. Even higher rates were reported in S. Aiko and O. Keiichi, “Assessment of Current Garment Industry in the Lao PDR: Based on a Field Survey in Vientiane City”. *Journal of International Cooperation Studies*, Vol.14, No.1, July 2006.

have been numerous surveys of labor market conditions in the garment sector, including a surveyed 55 firms that carried out a series of interviews with garments worker and ex-worker focus groups to inform the DTIS Update team and identify support for the next phase of interventions in the garments sector.⁵⁶ One noteworthy study pointed to the difficult conditions facing women in the garment industry.⁵⁷ It underscored the limited information that most women have on working and living conditions in garment factories before being recruited, and problems of adjusting to factory work and the urban environment. The role of women in the garment industry was also highlighted in the DTIS Update and recommendations were made on ways to enhance the role of women. The recommendations have been adopted in the TDF-2 PAD through support given to Component B on Diversification and Competitiveness through a set of activities aimed at contributing towards women's economic empowerment via improved skills, better labor standards and higher employment rates.

4.2.8. The GSC under TDF-2

The DTIS Update recommends continued support to the Garment Service Centre in order to address the industry's low labor productivity, high labor turnover, and lack of poor managerial, design and basic skills.⁵⁸ Under Sub-Component B2 on labor standards and manufacturing productivity, the TDF-2 PAD states that the program will, "improve productivity, competitiveness and labor standards focusing on the garments manufacturing sector, an industry where a majority of workers are female. Activities will include (i) a factory standards improvement scheme; and (ii) the transition of the Garment Skills Development Centre towards financial and operational independence."⁵⁹ Those activities will also be supported by the wider experience of the "Better Work" for factory standards improvements, which include enterprise advisory services designed to remedy gaps in labor standards identified through factory assessments.

One area where there could be synergies between different TDF-2 components relates to the higher learning educational programs for the garment industry. The GSC has expressed an interest in supporting and promoting courses in applied economic and business practices for the garment industry, with the intent of not only supporting improved productivity in the industry but also affording students the opportunity to have practical experience and industry networking that would help them find work placements after graduation. Since ERIT's Commence College differentiated itself from the National University of Laos (NUOL) by its practical approach to economic and business practices,

⁵⁶ See, for example, P.S. Robertson Jr., "Basic Information on Labour Conditions and Social Auditing in the Lao Garment Industry". The Fair Wear Foundation Background Study on Laos. January 2007.

⁵⁷ R. Record, S. Kuttner and K. Phouxay, "Lao PDR - Labor standards and productivity in the garments export sector: a survey of managers and workers". World Bank, Poverty Reduction and Economic Management Sector Department, East Asia and Pacific Region, July 2012. Available: <http://documents.worldbank.org/curated/en/2012/07/16652831/lao-pdr-labor-standards-productivity-garments-export-sector-survey-managers-workers>.

⁵⁸ Ministry of Industry and Commerce, "Diagnostic Trade Integration Study 2012: Trade and Private Sector Development Roadmap". Vientiane, Department of Planning and Cooperation, Ministry of Industry and Commerce, July 2012.

⁵⁹ World Bank, "International Development Association Project Appraisal Document on a Proposed Grant in the Amount of SDR 2.6 Million (US\$4 Million Equivalent) and a Proposed Multi Donor Trust Fund Grant in the Amount of US\$10 Million to the Lao People's Democratic Republic for a Second Trade Development Facility Project". November 2012.

consideration could be given to the incorporation of those applied courses in the garment industry to students at the Commerce College. This would afford them the opportunity to have practical, hands-on experience and gain practical knowledge of industrial economics and best practices in business.

4.3. WTO Accession Support

4.3.1. Background

In the TDF-1 PAD, the first part of Component D refers to the sub-component on Technical Capacity Development for Trade and WTO Compliance and Implementation. It describes the proposed activities under this sub-component as involving technical assistance that supports the GoL in priority areas related to the ongoing negotiations at bilateral, regional and multilateral levels. As part of those activities, the subcomponent on improving WTO-related capacity for trade negotiations, policy-making and compliance was to be designed in such a way that ensures that knowledge transfer became embedded in local institutions.⁶⁰ Under MOIC's organizational structure, the Multilateral Trade Policy Division (MTPD) in the Foreign Trade Policy Department (FTPD) has been directly responsible for WTO accession support and, in support of that agenda, TDF-1 has been financing a number of full-time technical staff in the WTO accession team. TDF-1 has also financed several WTO-related studies and the participation of officials in WTO accession Working Party meetings and bilateral negotiations. Among the noteworthy contributions made by TDF-1 were the following:

- Financing of five full-time team members in MTDP, which included the only full-time lawyer in MOIC.
- Financing of the last five working-party meetings.
- Financial support to bilateral negotiations carried out with the United States and Ukraine.
- Financing of travel of MTDP staff to Geneva, Switzerland.
- Financing of significant dissemination and outreach activities.
- Financing of several sector WTO impact assessments.
- Financing of legal reforms in SPS and trade facilitation.

Although there are a number of WTO-related TDF-1 components and subcomponents like those of trade facilitation and SPS and TBT measures, this section is limited to a review of the activities undertaken by MTPD in direct support of the country's WTO accession.

4.3.2. Relevance

The key question pertinent to relevance is as follows: *To what extent did the activities and outputs remain consistent with attaining the overall goals of WTO accession?*

Thanks in large part to TDF-1, Lao PDR completed its WTO accession negotiations and became the 158th member of the WTO as of 2 February 2013. Early on, the PAD recognized that the Lao PDR's accession to the WTO would require enhance capacity building for trade and support for trade policy analysis. To that end, MTPD activities have

⁶⁰ "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People's Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

been highly consistent with those TDF-1 goals, as well as the broader expected outcomes of the GoL and development partners. The activities have focused on technical capacity development for trade and WTO compliance and implementation, and support given to priority areas associated with the ongoing negotiations, particularly the legal obligations.

4.3.3. Effectiveness

The key question addressed is as follows: *To what extent has MTPD achieved its desired outputs, outcomes and results?*

MTPD has been highly effective in achieving its outputs and goals in the areas supporting WTO accession negotiations, along with that for WTO compliance of line ministries, WTO-related trade policy analysis and capacity building that leads to greater knowledge and awareness about the Lao PDR's WTO membership. The majority of MTPD's work has concentrated in the support to WTO accession negotiations and legislative reforms. MTPD coordinated inputs from line ministries for the preparation of documents to submit to the WTO Secretariat, including the sets of answers to WTO member questions, legislative action plans, and legislation covered by WTO Agreements including the General Agreement on Trade in Goods (GATT), General Agreement on Trade in Services (GATS) and Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). Consultations with line ministries have included those on the SPS-TBT Notification Unit and Enquiry Points (Component B) and the adoption or revision of laws and regulations in compliance with the WTO. Among them were the Law on Investment Promotion; SME Promotion Law; Law on Intellectual Property; Law on Telecoms; Law on Insurance; Law on Value Added Tax; Tax Law; Customs Law; Law on Laws; E-Transactions Law; Law on Plant Protection; Law on Animal and Veterinary Matters; Decree on Import and Export of Goods; Decree on Import Licensing Procedures; Decree on Trade-related Information; Decree on Rules of Origin; and Edict on Management of Foreign Currency and Precious Metals.

In support of capacity building in WTO-related knowledge and awareness, MTPD has organized training events and workshops to disseminate WTO trade-related information, particularly on WTO principles and the state of play of Lao's accession, including those on trading rights, sanitary and phytosanitary measures, technical barriers to trade, and intellectual property rights. Participants rated the workshops high in terms of new knowledge gained that was useful and relevant to their work. In all instances the ratings were substantially above the target ratings established under the results framework. Other activities were also considered successful in terms of increasing awareness about the Lao PDR's WTO accession. Those activities included the production of a television program called "The Idea" that aired on Lao National TV, radio spots, WTO-related booklets, factsheets, T-shirts, key rings, handbags and pens for distribution to line ministries, businesses, educational institutions and the general public.

In support of WTO trade-related policy analysis, sector studies have been carried out for the manufacturing sectors (beverage, cement and steel) and services sectors (insurance, professional and distribution services). Some of these studies, e.g. on insurance and distribution, have recently been used in policy formulation and legislative reforms.

4.3.4. Efficiency

The key question addressed is as follows: *What was the efficiency of time used to achieve objectives of the sub-component?*

MTPD has been able to leverage in a cost-effective manner the funding from several sources, including the TDF-1 for dissemination, capacity building, and legal compliance and policy analysis; the USAID/Luna-Lao Project for dissemination and legal compliance; the ADB for SPS issues related to SMEs; UNCTAD and SECO/IDEAS Centre for capacity building and advisory services on negotiations; and the WTO Secretariat for capacity building. Project activities have been generally efficient in implementing WTO accession

requirements, including modalities, composition of inputs and interaction with beneficiaries. All activities have been well articulated and have strongly complemented other trade-related activities and the GoL's overall strategy and action plan under the NSEDP. MTPD has also maintained strong linkages across other TDF-1 components, particularly on SPS work (Component B), trade facilitation (Component A), and the overall capacity building work of Component D, where several studies were carried out on the impact of WTO accession in general and in sector-specific activities in professional services, distribution services, insurance services which are supplementary to studies carried out by other donors on WTO accession impacts on the agricultural sector by GIZ/InWEnt and backbone services (transport, telecommunications and banking services) by the World Bank.

4.3.5. Impact

The key question addressed is as follows: *How were the activities formulated so as to take into account the intended impact?*

MTDP has had four major interrelated tasks that together have contributed to the objective of building capacity for trade negotiations, policy-making and WTO compliance, namely, support to the WTO accession process, WTO-related knowledge and capacity building, improving trade-related laws and regulations in compliance with WTO agreements, and undertaking trade-related analysis and studies supporting the WTO accession process. MTDP has achieved or exceeded all intermediate outcome targets under the results framework and generally contributed in a substantial way to the country's integration into multilateral trading system. During the TDF-1 period, the 5th through 10th Sessions of the Working Party on WTO Accession were completed on schedule; in knowledge transfer, participants rated the WTO knowledge and capacity building workshops substantially above target levels; and in the support to WTO consistent legislation, there were a considerable number of improved trade-related laws and regulations that were approved in order to bring them into compliance with WTO agreements.⁶¹

4.3.6. Sustainability

The key question pertinent to sustainability is as follows: *What was the extent of ownership, capacity and resources to implement the designed interventions in this sub-component?*

MTDP's activities are highly sustainable since implementation of WTO commitments will be central to the work of TDF-2 and beyond. For WTO-related activities, the TDF-2 PAD envisions a "progressively shifting to a 'beyond WTO' agenda focused on effective implementation of goods and services commitments ..., including a strong emphasis on private sector engagement." Under the TDF-2 Component A4 on Trade in Goods, support will address the main challenges associated with implementation of WTO obligations and ways to take full advantage of trade opportunities made available by participation in the multilateral trading system through work on the following areas: (i) strengthening trade policy coordination mechanisms; (ii) disseminating commitments and building capacity on trade remedies; and (iii) further strengthening the legal framework for sanitary and phytosanitary measures. Under Subcomponent A3 on Trade in Services, the work will build on enhancing regulatory capacity in services trade, sectoral assessments and improvements of laws, and establishing a Services Trade and Investment Portal as well as

⁶¹ World Trade Organization Secretariat, "Laos' WTO membership terms agreed — next stop: General Council". Geneva, 28 September 2012. Available: http://www.wto.org/english/news_e/news12_e/acc_lao_28sep12_e.htm.

on related work by the World Bank and other donors. FTDP will also need to monitor regulations in collaboration with the Ministry of Justice to ensure conformity with obligations undertaken by Lao PDR to the WTO and ASEAN. Because of concerns about the loss of momentum that other countries have experienced after WTO accession, significant efforts will be made to raise awareness on the benefits of maintaining a WTO-consistent regulatory framework, not simply for the sake of acceding to the WTO but as a broader means of building economic competitiveness. These shifts will redirect much of the work of the MTPD staff to new activities and it will also involve finding ways to engage more effectively with agencies outside of MOIC.

The shift to a beyond WTO focus on implementation and follow-through of commitments will place a heavy workload on MTPD and require the staff to redirect much of its attention from past WTO negotiations to new areas of work that include a strong emphasis on private sector engagement, interagency coordination of implementation and dissemination of commitments, deepening research and extending it from trade in goods to trade and services, and aligning its overall work program with that being carried out on regional integration within ASEAN and other regional trade agreements. FTPD is in a good position to carry out these activities, given the strengthened capacity to manage projects and the increased knowledge of its staff developed under TDF-1.

4.4. Trade Policy Research and Training

4.1.8. Background

The TDF-1 PAD established the areas of support for capacity building in trade policy research and training under Component D. It based the need for that type of capacity building on the observation that, “past support in this area achieved mixed results largely because of the following reasons: a) lack of comprehensive approach to capacity development largely due to fragmentation of donors’ short term interventions; b) focus on officials in the Capital Vientiane to the detriment of officials employed in provincial offices; c) excessive use of short-term external expertise in a non-sustainable fashion; d) poor monitoring and evaluation of capacity development activities; e) insufficient involvement of beneficiaries during planning and implementation.”⁶²

The PAD proposed that capacity development under the TDF-1 be anchored to existing institutions and that, during the initial phase of TDF-1’s implementation, a long-term plan be formulated to strengthen Lao PDR’s internal institutional capacity in trade through short-term technical assistance. The resulting review and findings of that technical assistance proposed five major areas of activities related to capacity building for trade policy research and training: (a) *Rapid-Response Network-Based Technical Support* – Establishment of a rapid-response mechanism to provide short-term technical assistance on critical trade issues needing to be addressed in the immediate term by government officials; (b) *Upgrade Trade-Related Regulatory Knowledge of Government Officials* – Dissemination to government officials of best practices and analytical tools to address trade-related activities applicable to the needs and requirements of Lao PRD in the international and regional trading system; (c) *Trade-Related Support for Academic and Research Institutions* – Enhancement of the capacity of local institutions by funding research activities and promoting the development of research networks using a demand-

⁶² "Project Appraisal Document on a Proposed Grant in the Amount of [US\$ 6.45 Million] to the Lao People’s Democratic Republic under a Multi-Donor Trust Fund for a Trade Development Facility". 6 February 2008.

driven approach based on the practical needs of the Government; and (d) *Building Trade Policy Capacity of Government Officials* – The design of a curricula on international trade based on a flexible and modular format for embedding academic assistance from different sources, especially by enhancing the use of regional and academic networks.⁶³

Under TDF-1, the Economic Research Institute for Trade (ERIT) was designated as the lead implementing agency for capacity building of the trade policy research and training sub-components under Component D. Its responsibilities have consisted of managing and coordinating trade-related research and training technical assistance and equipment allocated by the TDF-1 budget. To monitor its performance, the results framework has used the following intermediate outcomes related to trade policy research and training: (a) upgrading of trade knowledge and skills among Government officers; and (b) providing greater capacity to supply trade-related training, research and policy analysis (academic and private sector) based on indicators for (i) amount of trade-related research papers published; and (ii) share of trade-related technical assistance procured nationally under AfT.

4.1.9. Relevance

The key question pertinent to relevance is as follows: *To what extent did the activities and outputs of ERIT remain consistent with attaining the overall goals of trade policy research and training?*

ERIT has succeeded in its goal of substantially improving trade-related knowledge among government officials through its training activities. The objective of the training course material has been to provide practical knowledge about economics that is relevant to the work of those officials. However, ERIT has experienced difficulties in producing the type of applied research that had been envisioned in the TDF-1 PAD and subsequent technical assistance to develop a long-term plan for capacity building in trade-related research. Those difficulties have been associated with limitations in the number of its professional staff along with their initial capacity limitations, the restructuring of ERIT during the establishment of a College of Commerce, and difficulties in operationalizing research networks that could have leveraged research activities through other national research institutions and those within the region. As a result, there were fewer achievements in attaining the goals established for trade policy research, particular those related to (a) the adoption of a rapid-response mechanism to provide short-term technical assistance on critical trade issues for government officials; and (b) the dissemination of best practices and analytical tools to government officials in order to help them address trade-related activities applicable to the needs and requirements of the Lao PRD.

4.1.10. Effectiveness

The key question addressed is as follows: *To what extent has ERIT achieved the desired outputs, outcomes and results, and have the interventions reached the target population?*

ERIT has proven effective in designing curricula on international trade and in providing training for entry level and provincial industry and commerce officials. The training included English language and IT courses for government staff, including training for the qualification of trainers in central and provincial areas. Less progress has been made building trade research and policy analysis capacity among mid-level officials and

⁶³ European Commission, "Report on Capacity Building Component of the Trade Development Facility (TDF) in Lao PDR". EUROPEAID/119860/C/SV/multi. Framework Contract Lot No. 2007/143854, 12 September 2008.

developing research capabilities. Additionally, ERIT's progress reports indicate that there has been considerable effort expended on maintaining and training staff for the website at <http://www.laosaft.org/erit/>. The training covers Staff in provinces have been trained on uploading data, statistics and information related to research works, but to date the website does not appear to contain statistics or other types of data, nor information on provincial level research. Given ERIT's limited resources, it is unclear why a decision was made to expend time and effort on the website when no more than a few hours each month by an administrative staff member would have been sufficient.

Research capacity has been constrained, according to ERIT's progress reports, by the lack of incentives that are able to be offered to outside researchers because of payment limitations by the Ministry of Finance.⁶⁴ Efforts have been made to establish relations with other research institutions in the region through the signing of Memorandum of Understandings (MOUs) with those institutes. They include, among others, the Vietnam Institute for Trade (VIT), International Institute for Trade and Development (ITD), and Mekong Institute (MI). To date, however, there has been a lack of research collaboration between these research institutes and ERIT. The absence of ERIT in the preparation of the DTIS Update reflected its research capacity constraints. For its part, DTIS Update did not draw on the experience of ERIT in providing lessons learned for developing Lao PDR's domestic trade-related research activities and for incorporating those lessons into the Action Matrix.

The publication of the Lao Trade Research Digest, which has produced three issues to date, offers some lessons for TDF-2. Some contributing development partners noted a lack of thematic focus in the content of the Digest and suggested that instead each issue address a common theme that would contribute to the GoL and private sector current topics around the time of publication. Others noted the absence of original research in some of the articles that were published from studies that appear elsewhere under the name of other authors. Consideration could therefore be given to focusing each issue on thematic areas that are directed at supporting high-profile trade-related issues for the Lao PDR, as well as ensuring that the contributing articles be distinguished by professional standards of writing, presentation, and sourcing.

4.1.11. Efficiency

The key question addressed is as follows: *What was the efficiency of time used to achieve objectives of trade policy research and training?*

ERIT has been able to keep transaction costs down in the institutional delivery mechanism for capacity building, given its limited budget relative to overall capacity building needs. There would have been more effective use of resources for research and analysis had there been a larger number of qualified and high-level research staff. Activities of staff members have increasingly been shifted to the College of Commerce and training activities have taken up a large portion of all professional staff, thereby substantially reducing the amount of time available for research. The restructuring of ERIT to accommodate the College of Commerce has also redirected attention away from research activities, as did the maintenance of, and training for, the ERIT website.

Resources could have been used more effectively in research and analysis had a more detailed and focused results-oriented approach for ERIT been used from the onset of the TDF-1 in the design of a responsive and appropriate program for Lao PDR. Instead, the

⁶⁴ Ministry of Finance, "Minister of Finance Agreement on Government Payment For Administrative Work", Document No.0008/MOF, Vientiane, Lao PDR, 5 January 2010

results framework that has been used to monitor performance indicators has relied heavily on outputs rather than outcomes, for example, the number of trainers certified and amount of research papers published. Outcomes refer to the relevance, efficacy and efficiency of the results, an example of which would be the progress made by ERIT in providing applied research support to MOIC and other line ministries in trade-related policy analysis, measures by time between request and product delivery and by the quality of resulting policymaking activity based on perceptions by beneficiaries.

Research activities could also have been leveraged through the development of a national and regional networking system of institutions and researchers that could provide a rapid response mechanism to support trade-related issues for the public and private sectors, along with networking activities with other research institutions.

4.1.12. Impact

The key question addressed is as follows: *How has the program and its projects been formulated so as to take into account the intended impact?*

The intended impact of capacity building in trade policy research and training has been to develop a “home grown capacity, strengthening of local research, academic and vocational institutions and improve and strengthen Government managerial and technical know-how and ownership.”⁶⁵ While considerable progress has been made in training and strengthening the know-how of central and provincial government officials, a number of limitations mentioned earlier prevented the level of progress in trade policy research that had been envisioned in the TDF-1 PAD and the subsequent long-term plan that was developed for capacity building in trade-policy research.

4.1.13. Sustainability

The key question pertinent to sustainability is as follows: *What was the extent of ownership, capacity and resources of ERIT to implement the designed interventions in trade policy research and training?*

ERIT has had strong ownership of its training activities through the development of a comprehensive curriculum. It has dedicated a considerable amount of time and financial resources to both the curriculum development and the establishment of the Commerce College. There has also been substantial hardware investment, which together with the training curriculum and start-up of the Commerce College, should help to ensure its sustainability.

Because of the small amount of staff-time resources dedicated to trade policy research relative to that of training, ERIT is likely to face greater challenges in sustaining the kind of applied research envisioned by the DTIS Update. Those activities recommended by the DTIS Update covered (i) supporting MOIC with advice on issues relating to implementation of commitments under the WTO, AFTA and other trade policy reforms; (ii) conducting research on trade-related economic issues relevant to Lao PDR; (iii) formulating strategies for promoting and developing Lao domestic and international trade; and (iv) conducting research and providing advice on commercial law reform.⁶⁶

⁶⁵ National Implementation Unit, “Monitoring Framework: Project impact and outcomes monitoring plan”. Ministry of Industry and Trade (MOIC).

⁶⁶ Department of Planning and Cooperation, Ministry of Industry and Commerce, “Diagnostic Trade Integration Study 2012: Trade and Private Sector Development Roadmap”. July 2012. Available: www.laosaft.org/phocadownload/DTIS/DTIS2012.pdf.

4.1.14. TDF-2 Capacity Building in Trade Policy Research and Training

The TDF-2 PAD is continuing to support trade policy research under Subcomponent C3-1 on Research Methodology and Capacity Building. It provides funding for a part-time international research advisor to ERIT to support the development of methodological tools and approaches to trade policy research. Funding is also being given to the Lao Trade Research Digest, trade research forums and training, and access to trade-related data. There will also be a Visiting Fellowship Scheme for visiting researchers to be hosted by ERIT for short periods. Some modest resources are being provided to support the continued delivery of the advanced policy course on trade and competitiveness at both the central and provincial levels.

In addition, under Subcomponent C3-2 on Research Facility, funding is being provided for the commissioning of policy relevant research on issues related to trade and private sector development in the areas of impact analysis of trade agreements on Laos, non-tariff measures and market access constraints, diversification and cross-cutting trade issues. Of the two funding windows, one will be reserved for research activities proposed directly by ERIT. Research progress across the entire research fund is to be supervised by ERIT.

The considerably greater focus on trade-related research in TDF-2 than took place under TDF-1 will place huge workload and delivery challenges for ERIT staff. Those challenges cover the delivery of methodological tools and analytical approaches to producing high-quality trade policy, publishing the Lao Trade Research Digest, organizing trade research forums, collaborating with visiting fellows, carrying out research activities in the four areas identified by Subcomponent C3-2, and monitoring and evaluating research across the entire range of research activities under Subcomponent C3-2. While a part-time international research advisor could undertake, for example, the monitoring and evaluation of research across the entire range of research activities under Subcomponent C3-2, the bulk of the work will need to be carried out by ERIT staff. The Trade Policy Research Division currently consists of a director, deputy-director and two officials. As mentioned earlier, farming out research work has proven untenable because of payment limitations imposed on by the Ministry of Finance. And implementation of joint research activities with national and regional research networks has, to date, not yielded any practical results. Given the considerable amount of time that must be invested in delivering high-quality research, the range of proposed tasks under TDF-2 will need to be carefully reviewed in order to not create unrealistic expectations and innovative ways of ensuring their delivery considered.

The lessons learned under TDF-1 should be taken into account when planning ERIT's activities under TDF-2. At the onset, consideration should be given to a careful programming of ERIT activities based on a results framework that ensures timely delivery of the outputs. The focus, however, should be on clearly defined outcomes that relate to research that addresses the practical needs of MOIC and other line-ministries in trade-related issues. As part of the results framework, consideration should be given to the establishment of clear benchmarks to monitor the overall effectiveness of technical capacity building delivery instruments in terms of their output cost and benefits and outcomes for the two TDF-2 sub-components (C3-1 and C3-2). Given the limited staff of ERIT, considerations could also be given to focusing activities on the delivery of the sub-component activities through a network of national and regional researchers who could deliver the targeted research leading to applied trade policy of use to MOIC and line ministries. There would, however, need to be innovative ways to incentive that research and overcome existing remuneration constraints. A research network that included other MOIC departments would allow ERIT staff to focus their activities organizing and ensuring high quality standards in (a) the

publication of the Lao Trade Research Digest in focal areas of interest to ongoing MOIC activities; (b) the organization of trade research forums; (c) providing for the delivery of training; (d) supervising research on issues related to trade and private sector development in the areas of impact analysis of trade agreements on Laos, non-tariff measures and market access constraints, diversification and cross-cutting trade issues; and (e) supervising the entire range of research activities under the research fund established in sub-component C3-2.

5. LESSONS LEARNED

There are a number of lessons learned that support the design and implementation of the Trade Development Facility's Second Phase (TDF-2). They relate to the follow aspects: (a) intervention areas; (b) organizational structure; (c) donor coordination; and (d) operational aspects of the program.

5.1. Intervention Areas

Lesson 1: Involve beneficiaries and other stakeholders in the design of trade-related interventions. The TDF-1 was designed to focus on five intervention areas that would ensure a high degree of program relevance for the GoL and the private sector. In selecting the priority areas, there was a large amount of time and resources spent on ensuring the full involvement of beneficiaries and other stakeholders in the design of those trade-related interventions and confirming that those interventions were well aligned with the GoL's overall development goals of reducing poverty and achieving economic development. While time consuming, the approach succeeded in ensuring a high degree of ownership on the part of Government.

Lesson 2: Avoid small uncoordinated projects that can have high transaction costs. The program generally sought to avoid small, uncoordinated projects that would otherwise involve high transaction costs to the GoL and development partners. Where activities proved unproductive, as in some of the sub-projects intended to improve the competitiveness of specific sectors, adjustments had to be made to shift the focus from an overly ambitious number of activities to a more narrow set of interventions whose success could have either widespread effects or serve as demonstration projects for others to emulate.

Lesson 3: Avoid picking winners. TDF-1 focused on the promotion of specific industries with varying degrees of success. Based in part on that experience, the DTIS Update concluded that it is questionable whether targeting specific industries and 'picking winners' is in fact an effective development strategy. Instead, it recommended that the GoL work towards a level playing field, one driven by the market in which the GoL has a facilitating role in the process.

5.2. Organizational Structure

Lesson 4: Align activities within existing structures and building ownership. The TDF-1 worked well because of strong government ownership. The buy-in was largely due to the alignment of all activities within the Government's existing structures and efforts to reduce burdensome administrative requirements from the program. Undoubtedly, the greatest organizational challenges arose from cross-ministerial collaboration efforts, particularly in the context of inter-ministerial collaboration. In some cases, difficulties could be resolved by shifting responsibilities, as occurred with the transfer of GSEU management from the Ministry of Agriculture and Forestry (MAF) Department of Agriculture to Department of Planning. Intra-ministerial collaboration within MOIC has been possible through the Government Sub-Executing Units (GSEU) responsible for ensuring the delivery of specific components related to trade facilitation, SPS, export competitiveness and trade capacity building. Within MOIC, these activities have now been mainstreamed into departmental functions.

Lesson 5: Harmonize program design and implementation with other trade-related technical assistance. TDF-1 expended a considerable effort on harmonizing the TDF's design and implementation strategy within EIF Tier 1 and 2. It involved sharing work plans, having a common steering committee and NIU implementation team, and most recently jointly implementing support missions. Harmonization is now increasingly building on the collaboration, such the preparation of Trade and Private Sector Working Group (TPSWG) report to enhance synergies between trade and private sector/SME development, especially in collaborative linkages across line ministries and agencies as well as between the Government, development partners and private sector representatives. In the context of its activities to translate the current NSEDP into concrete initiatives, it will be important to involve SME development agencies such as SMEPDO in the early stage of TDF-2's implementation.

5.2.1. MOIC Structure

Lesson 6: Mainstream the program into trade-related departmental activities. One of the most important lessons of TDF-1 has been the need to mainstream the project's component activities based on the Action Matrix as the focal areas and mandate of MOIC departments. In the past, the Government Sub-Executing Units (GSEUs) were responsible for implementation of the TDF components. While the GSEU were effective operational units, they tended to centralize operations and limit spillover of the TDF component activities to the rest of the departments. Under TDF-2 implementation will be more effective at department-wide levels that ensured that all sections within MOIC departments are fully engaged in the TDF's component activities.

Lesson 7: Broaden trade-related research and analysis, and strengthen knowledge transfer and skills to MOIC departments. The NIU and GSEUs have established good practices in their contracting and financial management operations. There has been less progress, however, in department-wide absorption of knowledge and skills from international consultants who have been contracted to carry out the TDF component activities. One way to strengthen knowledge transfer and the absorption of analytical methods by MOIC staff would be to extend the management function of the staff beyond the contracting stage to also cover monitoring and evaluation processes. By requiring that the staff member review and evaluate the methodologies and analytical findings of consultants, analytical skills could be developed. Another way to increase to strengthen the analytical capacity would be to base research and trade policy analysis within the NIU team and include those functions as one of the unit's key sub-component functions. The same lessons apply to the departments implementing the TDF components, where opportunities to carry out analysis within the departments could encourage and promote a deeper understanding and operational capacity of trade officers.

5.3. Donor Coordination

Lesson 8: Successful collaboration of trade-related technical assistance is an on-going activity. Synergies between donors under the EIF and AfT umbrellas have been strong. During the joint TDF/EIF implementation support mission representatives from non-TDF members such as that from the USAID Luna Project often participated in meetings and expressed their interest in ensuring that their projects complemented TDF-1 activities. Nonetheless, it would be useful to establish clearer guidelines for project activities. One example is support to the private sector envisioned through SMEPDO, where the work program has clearly defined areas involving projects of a short or long duration. The nature of the TDF component for building private sector capacity would suggest focusing on

larger projects and those with a longer duration, while other donor projects that are demand driven could concentrate on projects of a relatively short duration.

5.4. Operational Aspects

Lesson 9: Program sustainability requires medium to long-term engagements with strong focus on capacity building and skills strengthening. A strong central management unit is critical to program success. The TDF-1 benefited from the early development of the NIU as a fully functioning program management unit with strong monitoring capabilities and a robust system of fiduciary controls. Its role in coordinating trade-related assistance and implementing the TDF-1 was critical to facilitating trade and cross-border movement of goods, and in increasing the GoL's capacity to support regional and global economic integration and move the Lao PDR towards a greater and more effective participation in the global economy. Further capacity building of the NIU team in the area of research and policy analysis by possibly adding that function as one of its sub-components would contribute to better monitoring and supervision of consultants and improved in-house production of large studies like that of the DTIS Update through the use of its own team members to lead activities.

Lesson 10: Transparent and accountable monitoring and evaluation need to be an integral part of the program throughout its implementation. It is important to establish a results framework at the onset of the program since it is a useful tool for determining how trade-related development objectives are to be achieved, including the underlying assumptions and causal relationships needed to achieve the desired results. In this regard, the TDF-1 results framework benefitted from the inclusion of objectively verifiable benchmarks for which leading indicators were available for the current period of evaluation, whereas it had difficulties in monitoring indicators for which current data was often unavailable. Overall, the TDF-1 results framework focused on the effectiveness of aid deliver rather than ways in which the program could contribute to the development of the Lao PDR trade sector. In large part this was due to the results framework being developed after TDF's PAD. As a consequence, the components and projects were defined and performance measures were then adopted to monitor their delivery effectiveness. The lesson learned is that if TDF-2 is to focus on the development of the Lao PDR trade sector, the results framework needs to be developed as a full Program Based Approach (PBA) to supporting trade development within the context of the NSEDP.

Lesson 11: Accelerate start-up of activities by preparing procurement of large contracts early on. The TDF-1 project was slow to start because of the sequencing of appraisal, agreement signing, and establishment of the institutional mechanisms and recruitment of key (especially fiduciary) staff into the NIU. One way to avoid similar delays in TDF-2 would be to prepare large contracts and request expressions of interest now that the TDF-2 PAD has been approved. The process appears to already be underway as requests for some large activities have been launched. It is also important that a portion of the trade-related activities remain flexible to ensure that the project can adjust to changing circumstances dictated by modifications in the results-oriented activities.

6. AREAS FOR IMPROVEMENT IN TDF-2

6.1. Context

Today, the Lao PDR faces a new generation of challenges from those that existed when the DTIS was prepared in 2006. Exports of copper and electricity now account for almost two-thirds of total export earnings, compared with their contribution of less than 10 percent at the time of the DTIS. That type of export concentration carries significant economic risks, including heightened exposure to terms-of-trade shocks, and a potential loss of competitiveness in non-natural resource based sectors.

Already there are signs of weaknesses emerging in the non-resource based sectors. They include (i) higher returns for domestically oriented firms compared with those for non-resource exporters; (ii) faster growth of services sector activities compared with those of the manufacturing sector; (iii) difficulties in accessing finance by the non-resource based private sector; and (iv) the growing disparities in the labor market because of a large proportion of an inadequately educated labor force.⁶⁷ Moreover, exporters are more likely to report key regulatory constraints as a problem than non-exporters because of difference in required business licensing for exporters and non-exporters.

6.2. Recommendations

To overcome existing obstacles to an outward-oriented, export-led growth strategy for the Lao PDR, the TDF-2 will need to focus on concrete mechanisms that will allow the country to integrate more closely into the rapidly growing regional economy and participate more fully in the global economy. To that end, several recommendations are made for the next round of trade-related technical assistance based on the new TDF-2 PAD, which adopts a more focused set of activities in the areas of (a) trade facilitation, trade policy and regulation; (b) diversification and competitiveness; and (c) mainstreaming aid-for-trade.⁶⁸

1. *Narrow the Knowledge Gap between GoL and the Private Sector*

The private sector has lagged behind the GoL during the considerable knowledge transfer that occurred in the TDF-1 implementation period. The TDF-2 PAD correctly identifies the need to engage the private sector in the 'beyond WTO' period during which time the Lao PDR will have to implement its commitments on goods and services to the WTO and ASEAN. In addition, the private sector and SMEs in particular will need to gain a better understanding of the changing competitive environment under the WTO and ASEAN trading systems, and how to access the growing amount of information needed to exploit their competitive advantage in domestic and foreign markets. That process will need to include a better understanding of the technical information contained in the Lao Trade Portal, how to use preferential trade arrangements with ASEAN trade partners and the Dialogue Partners, and how to improve awareness of the effects of an open

⁶⁷ World Bank, "Lao PDR Investment Climate Assessment: Policies to Promote Growth in the Non-Resource Sector". Washington, DC, Report No. 64800-LA, 2011.

⁶⁸ World Bank, "International Development Association Project Appraisal Document on a Proposed Grant in the Amount of SDR 2.6 Million (US\$4 Million Equivalent) and a Proposed Multi Donor Trust Fund Grant in the Amount of US\$10 Million to the Lao People's Democratic Republic for a Second Trade Development Facility Project". November 2012.

economy and greater foreign competition under the WTO and ASEAN trading systems.

2. *Support an Integrative Approach to Private Sector Development*

The TDF-2 PAD adopts a broader coverage of private sector development and less focus on activities aimed at sector-specific growth of specific industries. There is therefore less emphasis on 'picking winners' and more on 'rewarding winners' like the garment industry by building the skills of firms that have the potential to become internationally competitive. This non-selective approach is emphasized in the DTIS Update and requires a strong integrative approach to private sector development covering all aspects of the supply chain and supporting networks. The TDF-2 activities therefore includes interventions at different levels of supply or value chains, depending on where there exist opportunities and constraints for the firms selected for the Business Assistance Facility in Sub-Component B1.

To facilitate these specific activities, consideration could be given to implementing the three activities (business advisory services, matching grants and impact evaluations) within business development facilities located in key provinces that would serve as high profile pilot projects for Component B1. This integrative approach is particularly important for SME development since these types of enterprises often require a broad yet flexible set of support activities. Business Development Service (BDS) centers have proven successful in upgrading SMEs and facilitating their entry into value chains. The centers provide a wide range of services covering management and vocational skill training, consultancy and advisory services, marketing assistance, access to information, technology development and transfer and business linkage promotion that allow enterprises to take advantage of value chains.

Financing these services has, however, proven difficult as many businesses are unable or unwilling to pay for the services, with the result that BDS centers go out of business within a few years of the completion of TDF-2. Moreover, because the medium and upper range of small businesses is more capable of paying for these services, business consultants usually target those enterprises rather than micro and small scale enterprises. As a result, SMEs, which are the largest and most important type of enterprises in the Lao PDR, often do not benefited from the services.

One way to overcome these inherent difficulties is to use a mix of commercial business consultants and private commercial and public institution assistance to develop a system that supports these centers by combining a Cost Sharing Facility (CSF) with Credit Guarantee Facility (CGF). The challenge is to make BDS centers self-sustainable within a period of, for example, five to seven years from their inception. The Cost Sharing Facility (CSF) is a fund normally managed by the BDS center that provides matching grants to businesses using the BDS services. To overcome the resistance of small businesses in paying for the services, the business portion of the cost is taken from a part of loan offered to the businesses. Those loans are supported through a Credit Guarantee Facility that selectively backs loan applications by enterprises to commercial banks. They could also be funded partly by the matching grants already proposed in TDF-2 under Component B.1.

Under this mechanism, a direct relationship is created between the guarantor and the borrower since the former needs to assess loan applications and selects the

ones to be guaranteed. This process reduces the probability of moral hazard on the part of the commercial bank during the screening process. Whatever the form of the BDS service, it is important to recognize that its success will depend on a mix of both SMEs and large enterprises, financial institutions, and TDF-2 assisted interventions.⁶⁹

3. *Accelerate Start-Up of Activities*

Delays should be avoided during the start-up of TDF-2 by preparing large contracts concurrently with the present design process. At the same time, a portion of trade-related activities should remain flexible to ensure that the project can adjust to changing circumstances dictated by modifications in the results-oriented activities. One way to accelerate implementation of the DTIS Update's action plan is to continue shifting day-to-day oversight controls of the project from donors to national management since there is strong government ownership and clear commitment to the TDF-2 implementation process, as reflected in NIU's effectiveness in its central technical and fiduciary program management capacity.

4. *Mainstream Research and Policy Analysis in NIU and MOIC Departments*

Continuing to strengthen skills and technical knowledge in the line ministries responsible for trade-related policies and regulatory issues is essential to the WTO accession process, ASEAN integration and other international commitments. Notwithstanding extensive improvements in capacity building carried out under earlier and ongoing trade-related technical assistance, government officials still lack sufficient capacity to undertake technical evaluations and strategic analysis of multilateral, regional and bilateral issues. One way to build that type of capacity in MOIC is to add research and trade policy analysis as a sub-component in the operations of each of the departments that are responsible for carrying out TDF-2 activities. Adding those functions would improve in-house production of studies jointly prepared by staff and consultants and it would strengthen the knowledge and monitoring capabilities of the departments. These types of research activities were successfully carried out under TDF-1 by the Foreign Trade Policy Department and that model could be used for other departments under TDF-2.

Support for building ERIT's research capabilities will be critical to its sustainability. The success of the proposed funding of a part-time international research advisor will largely depend on the ability to focus trade policy research in areas that directly address the operational needs of MOIC. To that end, consideration could be given to the selection of a few key high-profile projects, possibly in the areas of WTO implementation and ASEAN business opportunities, which would produce measureable outcomes and whose progress could be tracked with measureable indicators in the TDF-2 results framework.

Parallel to the research and policy analysis, TDF-2 could support the statistical capacity building activity under the World Bank's Statistics for Results Facility (SRF), the multi-donor supported initiative that is designed to increase the level of investment in statistical systems in developing countries and to improve the

⁶⁹ The approach has been incorporated into the Greater Mekong Subregion (GMS) East-West Economic Corridor (EWEC) strategy and action plan, with an illustration of the way it would operate in Savannakhet. Available: <http://www.adb.org/publications/strategy-and-action-plan-greater-mekong-subregion-east-west-economic-corridor>.

effectiveness of support from donors. The TDF-2 could link to SRF activities in its support of an integrated approach to building the information system on trade and industry statistics. MOIC's involvement could be at the level of the end-user design for usage and analysis of those statistics. Since the TDF-2 PAD proposes trade in services as a major sub-component, access to services trade statistics being compiled by customs officials should also be an integral part of that work if it is to have economic rather than just regulatory substance.

5. *Enhancing Linkages to Other Trade-Related Projects*

Enhancing linkages to other trade-related projects helps to minimize duplication and improves the effectiveness of limited donor resources, along with improving the identification of areas where donors can maximize their impact based on their corresponding comparative advantages. There are a number of areas covered under the TDF-2 that will also be addressed by other trade-related technical assistance. They include the SPS project of the Asian Development Bank and the USAID's Luna project, trade in services covered by the SECO-UN Trade Cluster project, and SME development support by SMEPDO funded by the Asian Development Bank. The role of the Trade Program Executive Committee (TPEC) will be crucial to the successful collaboration of development partners, as well as inter-agency collaboration among relevant line ministries in a number of inter-related activities that will depend on effective inter-agency coordination.

6. *Focus on Beyond WTO Implementation Issues*

MOIC's Foreign Trade Policy Department (FTPD) will need to shift its focus to a coordinating role in the implementation of specific WTO and ASEAN commitments made by the Lao PDR. The cost of those commitments will not be negligible. There are already fairly large investments in the modernization and harmonization of institutions and the legal and regulatory environment. Implementation of specific WTO commitments will also imply significant changes in the conduct of foreign trade practices and protection of intellectual property rights (IPR). Activities related to implementation of IPR commitments could benefit from the current work being carried out by ESCAP, which provides technical assistance to countries like the Lao PDR in the implementation of IPR measures. It would also be useful to survey post-WTO accession experiences and lessons from neighboring countries like Vietnam and Cambodia.

7. *Strengthen Private Sector's Competitiveness in Regional Markets*

The TDF-2 will need to dedicate a considerable amount of its resources to meeting the Lao PDR's commitments and obligations to ASEAN. An important channel for reducing costs and gaining externalities in knowledge resources is the regional network of research institutions and the possible creation of in-house fellowship programs for visiting researchers. Two other areas needing considerable technical assistance will be, first, the implementation and application of new procedures under the commitments made by the Lao PDR in amending laws and regulations to align them with ASEAN standards; and, second, the preparation of the Government for the ASEAN chairmanship in 2016. The latter area will require improved technical skills, knowledge and coordination among government agencies, and capacity building through trainings, workshops and study trips to increase the Government's understanding of the ASEAN economic integration process.

Another important area is the capacity enhancement of the private sector, in particular the SMEs in accessing preferential markets of ASEAN member countries and Dialogue Partners. Already there is some evidence that Lao businesses have under-utilized preferences to those markets and that much work remains to be done in order to bring the Lao PDR's exports market shares in those countries in line with other ASEAN countries. Market access guides have been prepared on how to make greater use of preferential trading arrangements under ASEAN's free trade agreements (FTAs) with its Dialogue Partners.⁷⁰ They point to a large number of opportunities for Lao businesses in non-traditional exports in the areas of agriculture (e.g., organic and other safe-foods, coffee and tea, nuts); consumer goods (e.g., jewelry, footwear, furniture, rubber tires, mattress supports, semi-precious stones); and industrial goods (e.g., containers, pipe valves, and natural gums). It will be important to disseminate the information to SMEs and provide practical them with hands-on guidance on how to make use of those preferential trading opportunities.

8. *Enhance Support to Cross-Cutting Issues*

The TDF-2 recognizes that the right policies need to be put into place in order for increased trade, openness and integration to act as a driver for women's economic empowerment. However, it is unclear what kind of support will be given under the TDF-2 to women's empowerment, other than the issue receiving priority funding from the challenge facilities. Since the DTIS Update makes a number of specific recommendations on possible intervention channels, it might be useful to revisit those recommendations. One possibility that would fit well into the TDF-2 structure would be a more proactive approach under the Business Assistance Facility of Sub-Component B.1. In this context, more attention could be given to gender development modules for women-owned enterprises that have traditionally represented the smaller size enterprises in the Lao economy. Also, since there has been a sufficient amount of information gathering studies to identify the constraints for women, the proposed Business Development Centers (recommendation #2) could concentrate on building knowledge, access to finance and the adoption of modern technologies and skills for women in Lao enterprises having an export potential. It also bears mentioning that, whereas the DTIS Update makes a number of recommendations for mainstreaming environmental issues in trade, there is no mention of support for trade-related environmental interventions in the TDF-2.

9. *Mainstream Results Framework into Ongoing Operations*

Developing a results framework for the TDF-2 will help guide monitoring and performance evaluations through its system of quantitative and qualitative impact assessment indicators that will ensure that the assistance responds to the beneficiaries' needs. At the higher level, the results framework monitors the three core pillars in the DTIS Action Matrix in the form of: (i) establishing conducive trade and investment environment; (ii) improving competitiveness, quality and value of agricultural, manufacturing and service sectors; and (iii) improving aid-for-trade governance framework for mainstreaming trade and private sector development.

⁷⁰ Prepared by the ASEAN Economic Cooperation Division, Foreign Trade Policy Department under the project on Studies on Market Potentials and ASEAN Economic Integration of the Lao PDR. A dissemination workshop was held on 28-29 January 2013 in Savannakhet, and further dissemination events are planned in the near future.

The TDF-2 PAD proposes to measure performance with three indicators: (i) reducing the number of days to clear imports; (ii) reducing the number of days to clear exports; and (iii) improving logistics performance scores. All three indicators address the first core pillar. It would also be useful to use the Doing Business indicator on time to import and export for the first core pillar since up-to-date information is always available for this indicator. For the other higher level outcomes, indicators could be added to monitor the improved competitiveness and aid-for-trade governance framework. Competitiveness requires trade data and can be monitored with an indicator that measures change in market shares, either globally, by region (e.g., ASEAN countries or ASEAN Dialogue Partners), or by product category. As mentioned earlier, 'mirror trade data' is unreliable for recent years. Adding that type of indicator would therefore necessitate information from the customs authority and NIU's use of the information could be part of the recommended activity number 4 above for MOIC to actively participate in the end-user portion of the World Bank's Statistics for Results Facility (SRF).

More generally, TDF-2 would do well to shift attention from an aid-delivery focus under TDF-1 to a Program-Based Approach (PBA) in which the program components were formulated in a way that focused on the development of Lao PDR's trade sector. That approach would adopt a sequence of steps that involve the following four levels:

- *Level 1:* Define the goals and associated indicator benchmarks and targets in ways that best develop the trade sector within the context of the NSEDP, which for trade development refers to economic diversification, poverty reduction and LDC graduation;
- *Level 2:* Identify the intermediate outcomes (and associated indicator benchmarks and targets) that promote and facilitate private sector development in trade-related activities within the context of the DTIS Update Action Matrix/Roadmap;
- *Level 3:* Determine the outputs (and associated indicator benchmarks and targets) in terms of their tangible contributions to core operational areas by the priority activities and related component projects and activities; and
- *Level 4:* Identify the organizational and operational effectiveness indicators that would lead to increased institutional responsiveness, improved human resources, knowledge development, partnerships, and an institutional structure that contributed to the higher level goals, outcomes and outputs for TDF-2.

Having established the overall TDF-2 results framework, each of the major projects within the TDF components would then need to establish well-defined outputs that were associated with the outcomes its corresponding component. They process would include the key issues to be addressed; the proposed project description of impact, outcomes, outputs and inputs; costs estimates; and the associated design and monitoring framework for the project. As in all results framework designs, there should be a mapping out of the channels through which "what is targeted" is to be measured, the sources of the data or information for those indicators, and how that performance measure are reflects in intermediate and higher level outcomes.

10. *Extend Coverage and Access to Lao Trade Portal*

The TDF-2 PAD call for the portal's continued support and development to ensure its effective maintenance and timely updating, including its expansion in scope to

meet commitments and ensuring that information is always updated through the close collaboration of different agencies. For the roadmap for process simplification and harmonization of procedures and documentation requirements for licensing and permits, some work has been undertaken under TDF-1 to facilitate related work on business process reengineering to be carried out both as a part of the National Single Window preparation project and under the NTM component of TDF-2. A similar project is being financed by the Asian Development Bank (ADB) for certain areas of Laos, including the East-West Economic Corridor (EWEC), which should provide for synergies between the two activities.

There are at least four areas where further support could be provided by TDF-2 to support the portal's goal of reducing the mean import, export and transit non-customs clearance times:⁷¹ (a) support a full automation system by providing MOIC with a operating networking system to integrate activities of DIMEX staff and those of other departments, as well as support use of ASYCUDA++ software to streamline and reduce customs forms and procedures and automate DIMEX import and export licensing, and issuance of duty exemptions on exports; (b) improve the Search Engine Optimization (SEO) for the portal's website to increase web traffic and disseminate information, including the incorporation of social media pages that allow users to be engaged, create dialogue, establish relationships and disseminate news, announcements and special features; (c) consider the consolidation of the MOIC departmental-based web sites, which like the SPS and TBT Enquiry Points in the Trade Portal, could appear to be separate websites with different page layouts, but would in fact be part of the same Trade Portal; and (d) the develop a mobile app for use with smartphones or tablets to increase usability of the portal and provide practical information for persons requiring data and copies of their forms at the border checkpoints or in other locations where they were traveling.

11. *Follow-Up Evaluation.*

Due to the relatively short timeframe for implementing TDF-1, some activities have yet to produce their desired outcomes. For that reason, an independent ex-post evaluation is recommended in 2-3 years in order to assess the impact and to garner lessons learned from the program's results.

⁷¹ For details, see Section 4 on the Lao Trade Portal.

ANNEX A: CONSULTATIONS AND MEETINGS

Date	Institution	Person Interviewed
7-Nov-12	Ministry of Industry and Trade (MOIC)	Mr. Phouvieng Phongsa, NIU Director and Team Leader.
		Mr. Somsanith Ninthavong, Finance Specialist.
		Ms. Amphaphone Thongsawath , Procurement Officer.
		Ms. Viengxay Praphasiri, NIU M&E Officer.
8-Nov-12	World Bank	Mr. Richard Record, WB Trade Specialist
		Mr. Konesawang Nghardsaysone, Trade Analyst
	AusAid	Ms. Phanthakone Champasith, Program Manager
	European Union	Mr. Stefan Schleuning, Head of Cooperation
Ms. Khankeo Moonvong, Program Officer		
9-Nov-12	Gesellschaft für Internationale Zusammenarbeit (GIZ)	Mr. Armin Hofmann, Director
		Petra Polgar, Project Manager Supporting Laos' Integration into Regional Markets
	Economic Research Institute for Trade (ERIT)	Mr. Santisouk Vilaychareun, Director General
		Mr. Xaysomphet Norasingh, Director, Economic and Trade Policy Research Division
30-Jan-13	ERIT	Xaysomphet Norasingh, Director, Economic & Trade Policy Research Division
	DIMEX Trade Portal	Ms. Latthana Douangboupa, Director of the Trade Facilitation Division, Department of Import and Export
		Mr. Luciano Pugliatti, Team Leader of DIMEX Trade Portal
	International Transport Association	Mr. Vichit Sadettan, Vice-President
	NIU Team	Ms. Viengxay Praphasiri, M&E Officer
3-Jan-13		
	GSC Garment Skills Development Centre	Ms. Borivon Noulack, Director, and Ms. Wilma Driessler, Management Advisor
	Alpilao International Company Limited	Mr. Fidelio, Factory Manager, and Mr. Satheesh Vallipuram, Finance and Administration Manager
1-Feb-13	Foreign Trade Policy	Mr. Buavanh Vilavong, Director, and Ms. Vilayphone

	Department, Multilateral Trade Division	Xindavong, Trade Officer
3-Apr-13	Programme Executive Committee Meeting	Presentation and discussion with participants to PEC meeting

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