

Document of
The World Bank

Report No: ICR2684

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-091201)

ON A

MULTI DONOR TRUST FUND GRANT

IN THE AMOUNT OF US\$ 7.6 MILLION

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

FOR A

TRADE DEVELOPMENT FACILITY PROJECT

September 22, 2013

Poverty Reduction and Economic Management Sector Unit
Southeast Asia Country Department
East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of March 31, 2013)

Currency Unit	=	LAK
LAK 8,042	=	US\$ 1

FISCAL YEAR

October 1 – September 30

ABBREVIATIONS AND ACRONYMS

AFT	Aid for Trade	MoIC	Ministry of Industry and Commerce
ASEAN	Association of Southeast Asian Nations	MoST	Ministry of Science and Technology
ASYCUDA	Automated System for Customs Data	NIFGS	National Integrated Framework Governance Structure
AusAID	Australian Agency for International Development	NIU	National Implementation Unit
DTIS	Diagnostic Trade Integration Study	NSEDP	National Socio-Economic Development Plan
EIF	Enhanced Integrated Framework	ODA	Official Development Assistance
ERIT	Economic Research Institute for Trade	PAD	Project Appraisal Document
EU	European Union	PDO	Project Development Objective
FAO	Food and Agriculture Organization	PREM	Poverty Reduction and Economic Management
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	REG	SPS Risk Evaluation Group
GoL	Government of Lao PDR	SECO	Swiss State Secretariat for Economic Affairs
GSC	Garment Skills Development Centre	SME	Small and Medium Sized Enterprise
GSEU	Government Sub-Executing Unit	SPS	Sanitary and Phytosanitary Standards
ICR	Implementation Completion Report	TA	Technical Assistance
IDA	International Development Association	TBT	Technical Barriers to Trade
IF	Integrated Framework	TDF	Trade Development Facility
ISR	Implementation Status and Results Report	TRS	Time Release Survey
LNCCI	Lao National Chamber of Commerce and Industry	TRTA	Trade Related Technical Assistance
LPI	Logistics Performance Index	USAID	United States Agency for International Development
LUNA	Laos-US International and ASEAN Integration Project	WB	World Bank
M&E	Monitoring and Evaluation	WDI	World Development Indicators
MDTF	Multi Donor Trust Fund	WTO	World Trade Organization
MoF	Ministry of Finance		

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LAO PEOPLE’S DEMOCRATIC REPUBLIC
TRADE DEVELOPMENT FACILITY PROJECT
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LAO PEOPLE'S DEMOCRATIC REPUBLIC
TRADE DEVELOPMENT FACILITY PROJECT
DATA SHEET

A. Basic Information			
Country:	Lao People's Democratic Republic	Project Name:	Trade Development Facility Project
Project ID:	P106165	L/C/TF Number(s):	TF091201
ICR Date:	09/22/2013	ICR Type:	Core ICR
Lending Instrument:	Technical Assistance Loan	Grantee:	Government of Lao PDR
Original Total Commitment:	US\$ 6.82 million	Disbursed Amount:	US\$ 7.59 million
Revised Amount:	US\$ 7.60 million		
Environmental Category:	C		
Implementing Agency:	National Implementation Unit, Department of Planning and Cooperation Ministry of Industry and Commerce		
Cofinanciers and Other External Partners:	Australian Agency for International Development Deutsche Gesellschaft für International Zusammenarbeit European Union		

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	N/A	Effectiveness:		12/11/2008
Appraisal:	10/22/2007	Restructuring(s):		01/13/2012
Approval:	11/16/2007	Mid-term Review:	01/24/2011	01/24/2011
		Closing:	02/28/2012	03/31/2013

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Highly Satisfactory
Grantee Performance:	Highly Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Highly Satisfactory	Implementing Agency/Agencies:	Highly Satisfactory
Overall Bank Performance:	Highly Satisfactory	Overall Borrower Performance:	Highly Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
General industry and trade sector	70	70
Other domestic and international trade	30	30
Theme Code (as % of total Bank financing)		
Export development and competitiveness	34	34
Regional integration	33	33
Trade facilitation and market access	33	33

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Axel van Trotsenburg	James Adams
Country Director:	Annette Dixon	Ian Porter
Sector Manager:	Mathew Verghis	Mathew Verghis
Project Team Leader:	Richard Record	Ekaterina Vostroknutova
ICR Team Leader:	Richard Record	
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F. Results Framework Analysis
Project Development Objectives (from Project Appraisal Document)
The TDF aimed to support the establishment of the National Integrated Framework Governance Structure (NIFGS) and implement NIFGS's initial activities facilitating trade and cross-border movement of goods, and increasing the capacity of the government to undertake specific tasks related to regional and global economic integration.
Revised Project Development Objectives (as approved by original approving authority)
Not applicable.

(a) PDO Indicator(s)				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Growth in non-resource exports			
Value	US\$ 438m		US\$ 641m	US\$ 623m
Date achieved	08/08/2008		03/31/2013	12/31/2012
Comments	Lao exports and imports grow very strongly over the project implementation period, as the country became increasingly integrated into the regional economy. Aggregate export growth was driven principally by natural resource based exports (mining and hydropower), while non-resource exports increased by 42 percent from project start in 2008 to 2012 (the latest full year for which data is available). The target was largely achieved.			
Indicator 2 :	Growth in trade in services			
Value	US\$ 331m		US\$ 646m	US\$ 661m
Date achieved	08/08/2008		03/31/2013	12/31/2012
Comments	Similarly, services trade increased over the project implementation period as the country benefitted from closer regional integration and strong demand. Services increased by 100 percent from project start in 2008 to 2012, driven principally by growth in tourism.			
Indicator 3 :	Improved scores on objective measures of trade facilitation			
Value	2.25		2.83	2.50
Date achieved	08/08/2008		03/31/2013	06/30/2012
Comments	The most recent Logistics Performance Index was carried out by the World Bank in 2012, where Lao PDR's score increased to 2.50 from 2.25 in 2008 (on a scale of 0-5). The country has moved progressively up the LPI rankings (from 117 th in 2007 to 109 th in 2012), but still compares poorly with regional competitors.			

(b) Intermediate Outcome Indicator(s)				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Reduction in mean import, export and transit non-customs clearance times			
Value	5 days		2.5 days	2.9 days
Date achieved	08/08/2008		03/31/2013	09/30/2012
Comments	A new Time Release Survey was carried out by the Lao Customs Department in mid 2012 to follow up on the 2009 baseline survey (financed by the World Bank and using the World Customs Organization methodology). Mean customs clearance times at border checkpoints across Lao PDR reduced by 36 percent from 17.9 hours to 11.4 hours over the 2009-12 period. Clearance times for goods requiring clearance by non-customs agencies reduced by 42 percent from 5.0 days to 2.9 days over the same period.			
Indicator 2 :	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			
Value	Significant gap		Substantial closure	Substantial closure
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	The WTO Agreements, as well as the ASEAN Trade in Goods Agreement, require member countries to promptly publish all trade-related information in the public domain. The launch of the Lao Trade Portal in June 2012 was a major breakthrough in putting all trade-related laws, regulations, procedures, licensing requirements, tariff and fee schedules into the public domain. This was a key step towards making trade more predictable and transparency for the private sector.			
Indicator 3 :	Trade facilitation action plan approved with participatory results-based monitoring system			
Value	Not yet initiated		Substantially initiated	Met
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	The approval of the National Trade Facilitation Strategy and Action Plan by the national cabinet in July 2011 after an intense consultative process was a key landmark achievement. Similarly, the subsequent establishment of a permanent National Trade Facilitation Secretariat (established via a Decision by the Deputy Prime Minister), as the national coordinating body for border-related agencies was a key step towards achieving better regulation of trade facilitation.			
Indicator 4 :	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			
Value	Framework not in place/significant gap		Substantial closure	Met
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	Major regulatory work was undertaken to bring the Lao legislative framework on SPS issues into line with WTO requirements, including revisions to a number of laws, decrees and regulations relating to plant health, animal health and food safety.			
Indicator 5 :	Interagency SPS Risk Evaluation Group established and operational			
Value	Not in place		REG fully operational	Met
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	The establishment of an interagency Risk Evaluation Group in late 2011, as well as extensive capacity building to the key staff of the plant health, animal health and food safety authorities, was a key step towards putting in place a more modern risk-based approach to SPS regulation and control that will more effectively balance trade facilitation with public health concerns.			
Indicator 6 :	TBT reform assessment completed			
Value	Framework not in place		Completed	Completed
Date achieved	08/08/2008		03/31/2013	12/31/2011
Comments	The Technical Barriers to Trade assessment was completed in mid 2011 as a first step towards identifying necessary institutions reforms and capacity building investments to put in place an effective National Quality Infrastructure system.			

Indicator 7 :	Improved performance in terms of productivity and/or exports among firms benefitting from TDF sub-projects			
Value	Low labor productivity in the Lao garment industry		Improved labor productivity	Productivity of production lines receiving training increased by 18 percent
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	Data is only available for beneficiaries of the Garment Skills Development Centre. Impact evaluation results of productivity among production lines where garment manufacturers have received on-site training showed an 18 percent increase in productivity after training of line leaders (according to industry measures of Standard Allowed Minutes).			
Indicator 8 :	Progress towards WTO accession			
Value	4th Working Party		WTO member	WTO member
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	After 15 years of negotiations, Lao PDR became the 158 th member of the WTO in February 2013. This was a key landmark achievement by the government, made possible with support from the TDF and other donor supported programs. Five Working Parties were completed during the course of project implementation, as well as the enactment of substantial legislative reforms, and a series of sector impact assessments.			
Indicator 9 :	Participants rating trade-related knowledge and capacity building activities as useful and relevant to their work			
Value	0 percent		65 percent	85 percent
Date achieved	08/08/2008		03/31/2013	12/31/2012
Comments	A comprehensive training recording system was put in place under the project, including exit questionnaires for participants of all training received. An average of 85 percent of training recipients indicated that knowledge and capacity building activities delivered were useful and directly relevant to their work.			
Indicator 10 :	Increased number of regional integration/trade policy research outputs produced			
Value	0		3	5
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	The capacity of the government to commission and undertake quality research products on trade-related policy issues grew over the course of the project, but major gaps still remain.			
Indicator 11 :	Effective and efficient administration of AfT through enhanced capacity of NIU and GSEU staff to implement AfT projects			
Value	Framework not in place		Satisfactory	Met
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	The effectiveness and efficiency of the NIFGS grew considerably over the course of the project, including on fiduciary issues (procurement and financial management), on results management and in terms of technical skills related to trade and private sector development.			
Indicator 12 :	Increased share of trade-related assistance channeled through the ODA Division/NIU of MOIC			
Value	24 percent (US\$ 7.52m out of US\$ 31.12m)		65 percent	72 percent (US\$ 25.8m out of US\$ 35.83m)
Date achieved	08/08/2008		03/31/2013	03/31/2013
Comments	Growth in the capacity of national aid-for-trade implementation is measured through increased donor confidence, "crowding in" of resources and a substantially increased share of trade-related technical assistance flowing through the government and aligned with priorities outlined in the DTIS Action Matrix/Roadmap for Trade and Private Sector Development.			

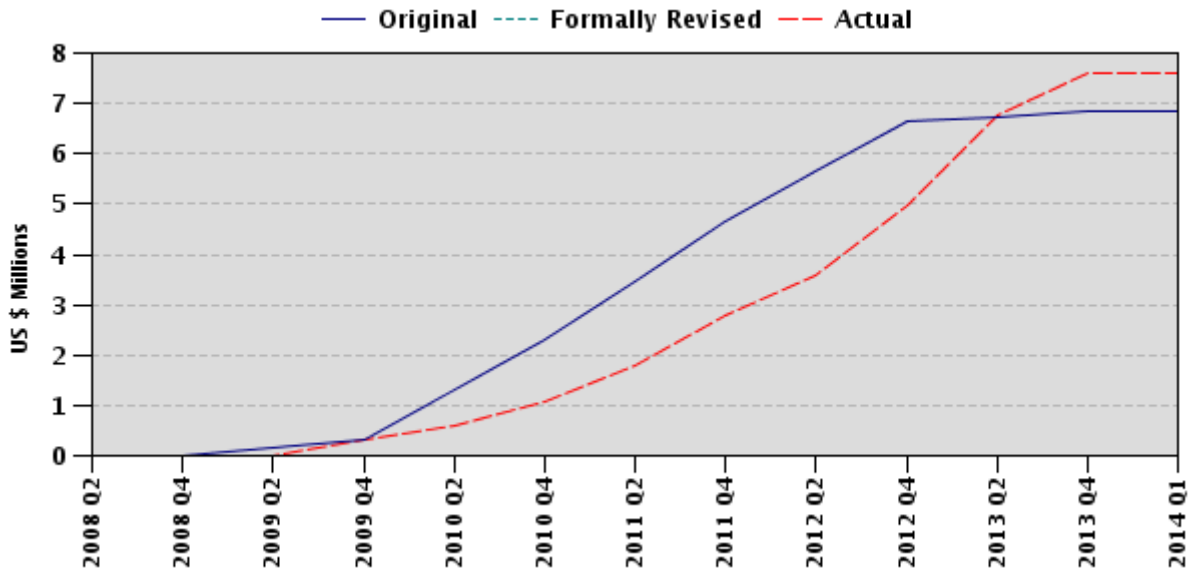
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (US\$ million)
1	06/09/2009	Satisfactory	Satisfactory	0.30
2	09/05/2009	Satisfactory	Satisfactory	0.45
3	06/30/2010	Satisfactory	Satisfactory	1.06
4	12/25/2010	Satisfactory	Satisfactory	1.81
5	02/24/2012	Satisfactory	Satisfactory	3.99
6	11/13/2012	Satisfactory	Satisfactory	6.61
7	05/16/2013	Satisfactory	Satisfactory	7.53

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in US\$ million	Reason for Restructuring & Key Changes Made
		DO	IP		
01/13/2012	N	S	S	3.62	To extend the closing date to complete ongoing activities and increase the size of the grant amount

I. Disbursement Profile



LAO PEOPLE’S DEMOCRATIC REPUBLIC
TRADE DEVELOPMENT FACILITY PROJECT
IMPLEMENTATION COMPLETION AND RESULTS REPORT

1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

At the time of appraisal, one of the main elements of the Government of Lao PDR’s National Socio-Economic Development Plan (NSEDPlan) was to improve competitiveness in order to increase non-resource exports and economic growth. Total exports, after stagnating during 2000-03, increased by around 5 percent in 2006, with most of these going to ASEAN countries and China. Apart from the mining sector exports that benefited from commodity price increases, export growth was driven by agriculture (mainly coffee and maize) and garments, with both of these industries increasing by over 20 percent. Implementing the strategy of increasing non-resource export growth was considered to be of critical importance for sustaining high rates of economic growth, the generation of employment opportunities for Lao PDR’s youthful population, and the achievement of shared growth and poverty reduction policy objectives.

A Diagnostic Trade Integration Study (DTIS) prepared in 2006 strongly emphasized the need to build competitiveness and further objectives associated with international and regional integration.¹ The DTIS “Action Matrix for Trade Related Assistance” was approved at a National Validation Workshop on September 12, 2006 following extensive stakeholder consultations. It outlined priority areas where trade-related technical assistance (TRTA) would be needed.

The DTIS identified five priority areas where external trade-related technical assistance and reform efforts should be concentrated: (i) export competitiveness; (ii) trade facilitation; (iii) business environment; (iv) trade policy, trade agreements and global opportunities; and (v) trade opportunities for the poor. The GoL intended to implement its trade agenda through the establishment of a permanent National Integrated Framework Governance Structure (NIFGS), a multi-agency entity consistent with the World Trade Organization (WTO) Integrated Framework (IF), and the Vientiane Declaration on Aid Effectiveness in order to better coordinate Official Development Assistance (ODA) in this sector². The overall aim was to provide more coherent and effective implementation of the reform plan spelled out in the DTIS Action Matrix, increase the benefits from ODA, and reduce overlaps, gaps and transaction costs associated with fragmented stand-alone development partner assistance.

The Ministry of Industry and Commerce (MoIC), along with development partners, established the Trade Development Facility (TDF) as the principle mechanism for financing the implementation of the DTIS Action Matrix via a Multi Donor Trust Fund (MDTF). Initial commitments to the TDF MDTF were made

¹ World Bank (2006) *Building Export Competitiveness in Laos*, Diagnostic Trade and Integration Study, Report No. 38660-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.

² The Integrated Framework (later the Enhanced Integrated Framework) is a global multi donor initiative aiming to facilitate the effective participation of Least Developed Countries in the multilateral trading system. The program, which is operated out of the WTO Secretariat in Geneva, was established by the International Monetary Fund, the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Development Program and the World Bank. It provides a coordinating framework in support of aid-for-trade in Least Developed Countries.

by the European Union (EUR 4,200,000) and Australia (AUD 3,050,000) in 2008. In early 2012 Germany made a commitment (EUR 280,000) to also join the MDTF. The World Bank acted as administrator for the MDTF and contributed additional resources to supervise the project. The rationale for Bank involvement included prior country-level analytical work, including the preparation of the DTIS on behalf of the government, significant experience in trade-related lending activities in Lao PDR (the Customs and Trade Facilitation Project) and elsewhere in the region, and close linkages to Country Assistance Strategy objectives to improve competitiveness and connectivity. The majority of trust fund resources were on-granted to the MoIC to finance the TDF Project (initially US\$ 6.8 million at appraisal, later increased to US\$ 7.6 million upon restructuring). The balance of resources (US\$ 1.7 million) was provided for implementation support and complementary analytical and advisory activities provided by a World Bank-based facilitation team.

1.2 Original Project Development Objective (PDO) and Key Indicators

The development objective of the TDF was to support the establishment of the National Integrated Framework Governance Structure (NIFGS) and implement NIFGS's initial activities facilitating trade and cross-border movement of goods, and increasing the capacity of the government to undertake specific tasks related to regional and global economic integration. These activities were to support the GoL's larger aims of poverty reduction and economic development as reflected in the NSEDP.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and Reasons/Justification

The PDO was not revised during implementation.

The Project Appraisal Document (PAD)³ noted that a monitoring and evaluation (M&E) framework would be put in place, with a set of indicators for each component of TDF-financed activities. The National Implementation Unit (NIU)—which the project would aim to strengthen as the principle aid-for-trade coordination unit in Lao PDR—would prepare yearly updates of the indicators for the TDF Steering Committee. These would be prepared based on day-to-day management and on aide memoires of implementation support missions for each component. In addition, the NIU would be responsible for gathering progress reports which would detail progress towards agreed results.

A detailed framework for monitoring results was prepared and approved during the mid-term review of the TDF (in January 2011). To contribute towards the building of a program based approach for trade, the TDF results framework was linked and interrelated with the Enhanced Integrated Framework (EIF) log frame and combined into a joint TDF-EIF results framework for trade related technical assistance in the Lao PDR. This combined results framework was linked to the overarching outcomes of the 2006 DTIS Action Matrix, as follows:

- Better trading environment, with simplified bureaucratic procedures including in customs;
- Improved legal and regulatory framework;
- Enhanced general capacity of line ministries and agencies involved in the trade sector;
- Improved private sector capacity to compete in the international market;
- More effective participation in bilateral and multilateral negotiations; and,
- Increased competitiveness of Lao PDR products and contribution to poverty reduction.

³ At the time of preparation, recipient-executed projects (financed via trust funds) did not require a formal Project Appraisal Document as part of the preparation and approval process. Thus, the task team prepared a modified PAD incorporating many, but not all, aspects normally required. As such, preparation of a full results framework was deferred to the implementation stage.

An updated version of the TDF results framework is included in the datasheet. This framework provided for PDO level results as well as intermediate outcome indicators for each component. The PDO level results referred to annual targets for growth in non-resources exports, services, and to an improvement in Lao scores on measures of trade facilitation and logistics. Annual intermediate outcomes indicators were identified for each of the five project components.

1.4 Main Beneficiaries

The ultimate beneficiaries of the project are the Lao producers and workers whose income opportunities would be enhanced by better integration in the world economy and improved external competitiveness. The GoL would also stand to benefit from strengthening of its capacity to effectively manage its trade reform agenda and to better coordinate the aid-for-trade (AfT) support it receives from the donor community.

1.5 Original Components

The TDF MDTF was set up to finance investments; technical assistance and capacity building initiatives; analytical, diagnostic and advisory services; and the provision of goods for a total of US\$ 6.82 million (later increased to US\$ 7.6 million after restructuring) with the following five components.

A. Trade Facilitation (US\$ 0.8 million at appraisal, US\$ 1.08 million at restructuring)

This component of the TDF was led by the Ministry of Industry and Commerce (MoIC) Department of Import and Exports and was to finance technical assistance for government agencies (mostly other than Customs) to help them simplify their procedures, automate their processes, and better coordinate on the trade facilitation agenda under regional and international agreements. This included (i) technical assistance, ICT investment and training to establish the Lao PDR Trade Portal for the dissemination and use of this information, creation of basic procedures and systems for the capture of customs and other trade information, and the preparation of a diagnosis of future requirements for the automation of licensing and registries for potential future financing. In addition, (ii) support was provided to prepare a Trade Facilitation Master Plan; assist trade-related agencies in integrity development; and build capacity to improve the coordination amongst these agencies to deliver on the trade facilitation agenda. Customs operations were already being rationalized and automated through the introduction of an automated system financed by a parallel World Bank financed project (the Customs and Trade Facilitation Project⁴).

B. Strengthening of the Sanitary and Phytosanitary Standards and Technical Barriers to Trade Frameworks (US\$ 1.77 million at appraisal, US\$ 1.55 million at restructuring)

This component sought to: (i) strengthen the SPS institutional, legal and regulatory framework; (ii) determine risk-based policies and control measures for SPS; (iii) strengthen the role of the private sector in managing SPS; and (iv) strengthen the TBT institutional, legal and regulatory frameworks. The component, which involved activities across a number of government agencies including the Department of Food and Drugs (Ministry of Health), Department of Agriculture, Department of Livestock and fisheries and Department of Planning (Ministry of Agriculture, and Department of Standardization, Quality Assurance and Metrology (Ministry of Science and Technology), aimed to facilitate international trade and improve food safety, animal and plant health. The component financed technical assistance, training and goods.

⁴ P101750 Lao PDR Customs and Trade Facilitation Project, US\$ 6.0m 2008-2013.

C. Increasing Export Competitiveness and Business Environment (US\$ 1.39 million at appraisal)

This component, which was led by the MoIC Trade Promotion and Product Development Department, was designed around interventions based on the principles of developing a market for business development services in priority sectors. Details of the interventions to be financed were to be worked out during project implementation and based on detailed feasibility studies so as to improve the productivity of selected sectors with a high potential growth for export, namely the garment industry, handicrafts, secondary wood processing sectors and agro processing amongst others. This component financed technical assistance, training, and goods.

D. Capacity Building, Trade Policy, Trade Agreements and Global Opportunities (US\$ 1.75 million at appraisal, US\$ 2.40 million at restructuring)

This component was to finance technical assistance and training programs, and was designed flexibly to adapt to changing circumstances and priorities. Its objective was to (i) develop home grown capacity and strengthen local research and academic institutions; and (ii) strengthen government managerial and technical know-how and ownership of the trade related policy agenda. Technical assistance was to be provided to support the GoL in its ongoing negotiations at the bilateral, regional and multilateral level and in particular with respect to the legal obligations, implementation issues and negotiations associated with efforts to accede to the World Trade Organization (WTO). Trade policy activities were led by the MoIC Foreign Trade Policy Department and capacity building activities were led by the MoIC Economic Research Institute for Trade. Particular attention was to be given to ensure that the component ensured the transfer of know-how and the building up of institutional capacity and institutional memory.

E. Strengthening of the National Implementation Unit (US\$ 1.11 million at appraisal, US\$ 1.21 million at restructuring)

The final component of the TDF was to provide technical assistance, training and capacity building in accounting and administrative systems, procurement, project management, performance indicator determination and verification, and results management. It was also to finance investments in office equipment, management information and IT systems. The overall objective was to build the capacity of the MoIC to manage aid-for-trade resources effectively and efficiently as part of broader efforts to move towards a program based approach in trade.

1.6 Revised Components

No substantial changes were made to components during implementation.

1.7 Other Significant Changes

This project was restructured in January 2012, based on the recommendations of the mid-term review, as follows:

- The financing plan was updated to account for the new contribution to the TDF MDTF of EUR 280,000 from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the realization of exchange rate discounts and earned investment income from existing contributions (from AusAID and the EU). The overall grant size was, therefore, increased by US\$ 784,145 (from US\$ 6,815,855 to US\$ 7,600,000). Additional resources were provided to complete the full scope of activities planned under the Lao Trade Portal assignment (Component A); to support an intensified pace of WTO accession negotiations (Component D); to address priority issues

associated with regional commitments at the ASEAN level (Component D); and for further investments in the strengthening of the NIU (Component E). Some cost savings were recorded on SPS due to less technical assistance being required than originally envisaged (Component B).

- The closing date of the project was extended from February 28, 2012 to March 31, 2013 as justified by time compression between appraisal and actual start-up of activities (due to delays in the signing of legal agreements between the Bank and the trust fund donors), and due to a slower than expected start of several of the project components. The extension was to ensure that there was sufficient time available to complete all activities. A revised action plan that reflected the new proposed closing date was agreed with the government at the mid-term review.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

The project was designed to support implementation of the DTIS Action Matrix that had been approved by GoL in September 2006. Initial resources of US\$ 1 million were allocated from the global Integrated Framework (Window 2) trust fund to begin supporting the implementation of the DTIS Action Matrix with much of the resources devoted to the strengthening of the NIU. In addition, AusAID financed a technical advisor to start building up the capacity of the new NIU staff as part of its commitment to the TDF. However the majority of resources to support implementation of the DTIS Action Matrix were to be provided via the newly established TDF MDTF.

Project design was informed principally by the 2006 DTIS (which had been undertaken by the Bank) as well as other relevant analytical work, including the 2007 Investment Climate Assessment⁵ and a 2006 SPS Capacity Building Assessment⁶. However, no dedicated resources were available to finance actual preparation of the TDF project. In addition, at the time when the project was prepared, there were no systematic Bank guidelines for the preparation of projects financed via recipient executed trust funds. Formal preparation of a Project Appraisal Document was not required at the time of preparation, so the team prepared a modified PAD incorporating many, but not all, of the requirements normally found in such a document. This situation affected the overall project preparation and led to start-up delays and impacted somewhat on project implementation. Project components were arrived at through dialogue with MoIC management, as follows:

- **Component A (Trade Facilitation)**, with most of its resources dedicated to designing the Lao Trade Portal, was prepared largely in parallel with the 2008 IDA-financed Customs and Trade Facilitation Project.
- **Component B (Strengthening SPS and TBT Frameworks)** was prepared on the basis on extensive analytical work undertaken by Bank staff of the Agriculture and Rural Development Department that had culminated in a Lao specific SPS Action Plan for Capacity Building.
- **Component C (Export Competitiveness and Business Environment)** described in very general terms actions to be undertaken and sectors to be targeted. This was based on the analysis in the DTIS that listed several sectors that had “a high potential for export”. However, no sector background work had been initiated on these sectors, to identify their problems and possible project interventions. The PAD admits up front that: “*Given that the thinking on this component*

⁵ World Bank (2007) *Lao PDR Private Sector and Investment Climate Assessment – Reducing Investment Climate Constraints to Higher Growth*, Report No. 39237-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.

⁶ World Bank (2006) *Lao PDR Sanitary and Phytosanitary Standards Management – Action Plan for Capacity Building*, Report No. 38579-LA, The World Bank, East Asia and Pacific Region, Agriculture and Rural Development Department.

*has not been finalized, this component is designed in a flexible way to allow for future improvements*⁷.

- **Component D (Capacity Building, Trade Policy, Trade Agreements and Global Opportunities)** was to finance technical assistance and training programs, and was designed to adapt to changing circumstances. It was based to developing home-grown capacity; strengthening the local research, academic and vocational institutions; and improving government managerial and technical knowledge. The capacity building aspects of this component were based on design activities undertaken by the EU⁸ while the activities to support WTO accession were left broadly undefined in order to provide rapid response resources to the GoL negotiating team.
- **Component E (strengthening the National Implementation Unit)** was based on the need to (i) build/enhance the capacity within the MoIC to manage project procurement and financial management of the TDF project as well as of other aid-for-trade projects; and, to (ii) ensure that the MoIC would assume full ownership of the trade development agenda.
- The preparation of the M&E framework was left as a task to be completed once the project had started. The NIU was tasked with its preparation with support from the World Bank facilitation team. The framework was developed during the first year of project implementation, but not formalized until the project was restructured at the mid-term review.

Financial Management and Procurement assessments were undertaken during project preparation to assess weaknesses, and to proposed mitigation measures to manage risks.

Rating: *Satisfactory*

Based on the analysis presented above, the ICR rates Quality at Entry as satisfactory. The PDO and design were well aligned with GoL policy and the CAS, and the analytical work supporting the project was solid. Lessons from similar operations/projects were incorporated into the design. However, in the absence of systematic Bank guidelines for the preparation of projects financed via recipient executed trust funds, the project suffered from start-up delays and lack of a detailed results framework.

2.2 Implementation

Project implementation was to be coordinated by the NIU, with day-to-day technical implementation of activities undertaken by Government Sub Executing Units (GSEUs) established across a number of agencies as part of the National Integrated Framework Governance Structure. The project had a slow start largely because (i) the finalization of the financing agreements with donors took longer than anticipated; and, (ii) it took time to build up the necessary capacity and skills of the NIU and GSEU staff to implement a project that was significantly larger and more complex than any previous aid-for-trade project in Lao PDR. Supervision of the project was intense with six supervision missions undertaken prior to the mid-term review of early January 2011, as well as day-to-day support provided by the full-time and in-country World Bank facilitation team. Implementation support missions were undertaken jointly with co-financing donors.

The mid-term review of January 2011 undertook a thorough review of progress achieved and made suggestions on how to improve project implementation. This review led to the restructuring as explained above in section 1.7 and the formal approval of a detailed results framework.

⁷ TDF Project Appraisal Document p. 4.

⁸ Europe Aid (2008) "Report on Capacity Building Component of the Trade Development Facility in Lao PDR", Program Proposal Framework document prepared for the EU Delegation in Lao PDR.

The mid-term review recorded the following key findings:

- The pace of implementation of the TDF had accelerated substantially and the MoIC was demonstrating strong ownership and clear commitment to the program. While some components under the TDF were performing better than others, overall implementation progress was considered to be “Satisfactory”.
- The continued relevance of the project was assessed and considered by the mission to remain close to the priorities of the GoL and donors to support closer regional integration and modernization of trade.
- Solid progress was recorded at the level of the project outcome indicators, indicating that the overall direction of the project was appropriate. Some details per component:
 - **Component A (Trade Facilitation):** Agreement was reached to scale down the process simplification activity that was part of the Lao PDR Trade Portal design and to proceed with documenting the trade-related procedures “as is”. This would reduce the overall cost of consultancy services and prevent the project support from being eroded due to internal resistance to change. Staff made concrete suggestions to improve the draft of the Trade Facilitation Master Plan.
 - **Component B (SPS and TBT Frameworks):** This component had encountered serious procurement delays and was given greater urgency as to permit progress in Laos’ WTO accession efforts. Issues of coordination challenges between SPS-related agencies were addressed through the transfer of responsibility for this agenda to the Planning Department of the Ministry of Agriculture and Forestry.
 - **Component C (Export Competitiveness and Business Environment):** Support to several sectors was inhibited due to a number of sector specific issues. The mid-term review mission made efforts to move the agenda forward and identify other resources that could be helpful in that process. In some instances the TDF-supported interventions were scaled down.
 - **Component D (Capacity Building, Trade Policy, Trade Agreements and Global Opportunities):** The support of the TDF to Lao PDR’s WTO accession process and related initiatives to engage with concerned sectors was reviewed, with additional resources provided to support the final, intensified phase of accession. Additional activities in support of ASEAN regional integration challenges were also mapped.
 - **Component E (Strengthening of the NIU):** Substantive progress was noted in building up the capacity of the NIU. The mission recommended that to enhance the long-term sustainability of technical skills of NIU staff it would be advisable to appoint additional government officials to the NIU. Substantial improvements in procurement and financial management were noted after earlier recommendations had been implemented.

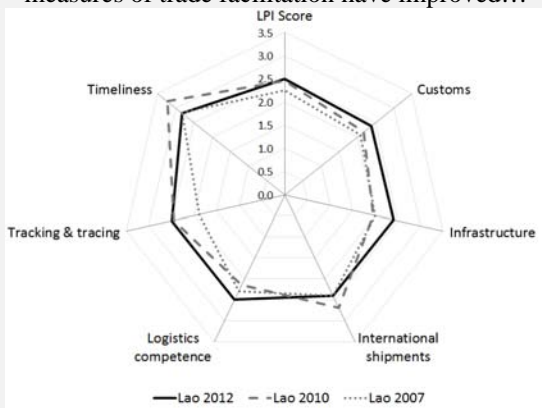
2.3 M&E Design, Implementation and Utilization

As noted above, the design of the formal results framework was left for the NIU to finalize and it was only at the mid-term review stage that the project results framework was formally approved. The NIU was tasked with the compilation of the results framework and its capacity was strengthened by the appointment of a full-time M&E Officer. Result indicators are obtained from readily available publications, the review of project documents and supervision reports, and discussion with the people involved in project implementation. As such, some provide statistical precision while others are basically an informed assessment of progress or the absence thereof. The intermediate result indicators appear well-designed and even before their formal inclusion in the M&E framework, were guiding project implementation. Progressive efforts were made over the course of the project to shift the focus of six-monthly progress reports from activity to outcome based reporting.

Box 1: Trade facilitation in Lao PDR – getting faster, but still behind regional comparators

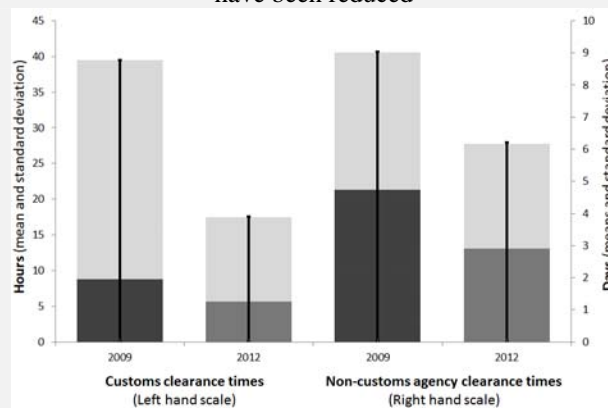
Trade facilitation performance is improving, but high logistics costs due in part to a landlocked supply chain, continue to tax competitiveness and limit the scope for diversified growth. Improvements have been made through reform to customs processing procedures, through the introduction of an automated customs declaration processing system (ASYCUDA World) and via investments in better border infrastructure. Time Release Survey data shows that the mean customs clearance time has reduced from 17.9 hours in 2010 to 11.2 hours in 2012. The same survey shows mean non-customs clearance times (which apply to around a third of imports, but account for a disproportionate share of time taken) falling from 5.0 to 2.9 days. Variances have also been reduced over the same period. These results are consistent with World Bank enterprise survey data which also shows that manufacturing firms reporting that the average number of days to import and export has fallen.

Figure 1: Lao PDR’s scores on cross-country measures of trade facilitation have improved...



Source: Logistics Performance Index 2012

Figure 2: ...and average clearance times at the border have been reduced



Source: Time Release Surveys 2009, 2012

Perceptions of trade facilitation performance in Lao PDR have also seen progressive improvements under the global Logistics Performance Index⁹. However, gains in Lao PDR are from a low base and the country continues to compare unfavorably against neighboring Vietnam and Thailand. Trader expectations for performance at the border are also rising. Similarly while tariffs have progressively fallen, non-tariff measures (many of which are implemented in a non-transparent way), are increasingly seen as binding constraints to both greater imports and exports.

2.4 Safeguard and Fiduciary Compliance

Capacity within the NIU (and more broadly within MoIC) to undertake effective procurement and financial management was very weak at the start of the project, as was noted in the PAD. At the time of appraisal, the MoIC had no prior experience of implementing large technical assistance projects. Strengthening these capacities so as to ensure adherence to the procurement and financial management guidelines was given great attention during life of the project, not only to ensure efficient implementation of the TDF but also to build donor confidence and lay the foundations for a program based approach in trade. AusAID provided a full-time technical advisor within the NIU from approximately one year before project effectiveness to support the establishment of the NIFGS and build capacity in the MoIC.

⁹ Lao PDR’s score under the Logistics Performance Index has improved from 2.08 in 2007, to 2.17 in 2010 and to 2.38 in 2012. However, in 2012 Lao PDR still ranked 113 out of 155 countries.

The NIU grew in size considerably over the life of the TDF, as the number of government officials appointed to the unit grew, supplemented by a number of full-time national consultants financed by the project and by the EIF. A full-time procurement advisor was on board for one year after which the advisor's services were available on a part-time basis. A full-time financial management advisor was also in place throughout the period of project implementation. Internship programs were designed to transfer skills to junior staff and NIU officials attended various training courses provided by the World Bank. The NIU staff has access on a case-by-case basis to advice from World Bank procurement and financial management specialists based in Bangkok and Vientiane. NIU staff turnover requires that capacity building on fiduciary issues remains an ongoing activity. Lengthy procurement for the large packages requiring full competitive selection of consultancy teams caused delays in a number of key activities, particularly those relating to trade facilitation and sanitary and phytosanitary measures, in the early stages of project implementation. However as the NIU team gained experience, fiduciary performance gradually improved. By the time of the final Implementations Status and Results Report (ISR) prepared by the World Bank, it was noted that the NIU had gained an outstanding record on managing procurement and financial management, and in this regard was considered to be one of the strongest performers in the Bank portfolio.

2.5 Post-completion Operation/Next Phase

The TDF project closed on March 31, 2013. The preparation of a successor project (Second Trade Development Facility Project or TDF-2¹⁰) started in mid-2012 informed by the updated 2012 DTIS, as well as related analytical work prepared during TDF-1. A PAD outlining the scope of activities for TDF-2 was presented to the Executive Board on December 4, 2012. Increased confidence among donors in the capacity of the MoIC to effectively and efficiently manage aid-for-trade resources, as well as strong government leadership and clear priorities, resulted in increased resources becoming available to support the second phase of the program. The number of donors increased with commitments made by AusAID, the European Union, GIZ and IrishAid¹¹. IDA Financing has also been committed to TDF-2, with the total size of the project reaching US\$ 14.0 million (including an IDA grant of US\$ 4.0 million and an MDTF Recipient Executed grant of US\$ 10.0 million). The IDA Financing and MDTF Grant Agreements were signed in March 2013 and the project became effective in May 2013, allowing for seamless continuity from TDF-1 to TDF-2.

The design of TDF-2 reflects lessons learned from TDF-1. The follow-on project has a deepened focus on addressing the binding constraints to increased integration by Lao PDR into the regional and multilateral trading system. The breadth of activities to be financed under TDF-2 has been reduced compared to under TDF-1, allowing for a deeper engagement in a smaller range of selected areas. The project includes three main technical components. The first component—Trade Facilitation, Trade Policy and Regulations—provides for follow through implementation in existing areas under TDF-1 where implementation is moving to a set of second generation reforms, post WTO accession. The second component—Diversification and Competitiveness—provides for a new engagement reflecting the increasing challenges that Lao PDR is facing in this area, including an enterprise level matching grants scheme and support to manufacturing productivity and labor standards. Finally, the—Mainstreaming Aid-for-Trade—component provides support to the next generation framework for the management of trade related technical assistance in Lao PDR, as well as formal movement to a program based approach to support implementation of the 2012 DTIS Action Matrix/Roadmap for Trade and Private Sector Development.

¹⁰ P130512 Lao PDR Second Trade Development Facility Project, IDA grant of US\$ 4m and an MDTF grant of US\$ 10m.

¹¹ At the time of preparation of the ICR, USAID also indicated its desire to join the MDTF for TDF-2.

Box 1: Lao PDR's accession to the World Trade Organization¹²

What has happened?

- **Following the completion of accession negotiations in late 2012, Lao PDR became the 158th member of the WTO in February 2013.** The accession process required a series of **negotiations with members of the “working party”**, including answering several hundred questions from WTO members. It is the completion of a fifteen year process, with application first made in 1997. However, the year **2012 saw unprecedented progress** including the reaching of crucial agreements with the US and EU, and three meetings of the working party in Geneva.
- **The WTO General Council approved the accession protocol for Lao PDR's membership in October 2012.** This was the final agreement on exactly what Lao has done in terms of reform, and what Lao has agreed to do over the next 3-5 years. It includes a “working party report” and a “schedule of commitments”. The National Assembly ratified the accession package in December 2012. Formal membership came into force 30 days after the ratified documents were deposited with the WTO Secretariat in Geneva.

What does it mean?

- **Lao PDR is a least developed country** and so was allowed to receive “**special and differential treatment**” during the accession process, generally meaning that Lao did not need to make as deep commitments as other acceding countries and has been given more time to fully implement commitments.
- It means signing up to the WTO core **principles of non-discrimination, transparency and predictability** and ensuring that these principles are incorporated into Lao law. Plus a series of more specific reform measures to bring Lao legislation into line with the WTO agreements on issues such as subsidies, price controls, restrictions, and state enterprises.
- **The average tariff has been bound (so cannot be raised above) 18.8 percent.** This will not have a significant impact, as Laos will have to make deeper commitments to ASEAN member states by 2015. The WTO agreements cover both trade in goods and trade in services. **Market access commitments have been made in 10 service sectors allowing foreign access** (in for example, banking, telecoms, distribution, health, environment, tourism, construction, air transport). This means that there are limits on how the country regulates these sectors.
- **The terms of Lao PDR's accession package, including the extent of commitments made, are in line with other similar recently acceding countries** (such as Cambodia, Vietnam and Nepal).
- **While a surge in foreign investment resulting from accession is not to be expected, accession to the WTO is an important externally verified signal of reform and sustained commitment to reform.** However, **for Laos to fully benefit, commitments will need to be fully implemented.** This is a challenge as the reform pressure will be reduced once Lao is a WTO member and, other country experience suggestions, there will be a very real risk of backsliding.

What are the World Bank and Development Partners doing?

- **The World Bank and Development Partners have been supporting the Lao WTO accession process for more than four years under the Trade Development Facility Multi Donor Trust Fund** financed by AusAID, EU and GIZ. Support has been provided in partnership with a number of other development partner initiatives. The TDF has supported the direct costs of negotiations - including the last five Working Party negotiations in Geneva, drafting of legal texts in key areas (especially on sanitary and phyto-sanitary measures), bilateral negotiations, technical assistance to the negotiating team (including the first and only full time lawyer in MoIC), and a series of sector impact studies in professional services, distribution services, financial services, transport and telecommunications. Similarly, it included a substantial program on trade facilitation (including the launch of the Lao Trade Portal - which allows Lao to meet WTO Trade Facilitation Agreement requirements on transparency and publication) and, via the Customs and Trade Facilitation Project, support on customs reform, including the phase out of reference pricing and movement

¹² See <http://www.worldbank.org/en/news/feature/2012/12/05/lao-pdr-journey-towardswto-membership-close-to-completion> for further details.

towards compliance with the WTO Customs Valuation Agreement. The **second series of the Poverty Reduction Support Operations** (Development Policy Lending) was also instrumental in supporting a number of trade facilitation reforms required as part of Lao PDR's WTO accession process.

- **The World Bank and Development Partners have recently approved a Second Trade Development Facility (TDF-2), a follow on operation to support the "beyond WTO" agenda over 2013-17, co-financed by AusAID, EU, GIZ and Irish Aid.** This will support key aspects of the next phase trade program of MoIC, including post accession work on trade in goods, trade in services and trade facilitation.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

The TDF was designed to support the establishment of the NIFGS and its initial activities that were based upon the 2006 DTIS Action Matrix. These activities were in turn fully aligned with GoL's development priorities and the key objectives outlined in the 6th and 7th National Socio-Economic Development Plans covering 2006-2010 and 2011-2015 periods respectively. Both of these Plans underscored the significance of increased trade and closer international integration as part of efforts to generate and sustain pro-poor economic growth. The project was also in line with commitments made by the GoL to the WTO accession process.

The TDF was similarly aligned to the strategic objectives of the World Bank's Country Assistance Strategy for the period 2005-2010 as well as with Australian and EU country strategy objectives, and formed a core part of a larger country trade and competitiveness program including the IDA Customs and Trade Facilitation Project, policy dialogue under the Poverty Reduction Support Operations, and complementary analytical work on trade and private sector development issues.

Upon completion on March 2013, the TDF remained highly relevant to the new Country Partnership Strategy 2012-2016, whose first strategic objective was competitiveness and connectivity, particularly outcome 1.1 "Strengthened government capacity to support growth diversification and competitiveness". The approval of the TDF's follow-on project, TDF-2 demonstrates GoL's continued strong commitment to improving trade facilitation, competitiveness and the mainstreaming of aid-for-trade.

Rating: *Highly Satisfactory*

3.2 Achievement of Project Development Objectives

PDO Indicators

Positive results been achieved across all components of the TDF, and the capacity of the MoIC to manage a large multi-sectoral reform program (through the National Integrated Framework Governance Structure) has grown substantially over the life of the project. Over the 2008-13 implementation period, Lao PDR has become much more closely integrated into the regional and international economy as measured by substantial increases in trade in goods and services. While significant barriers remain, measured improvements in trade facilitation and logistics have been achieved (particularly in terms of time performance). Activities undertaken with financing from the TDF have contributed towards faster and more transparent trade facilitation; better coordination among government agencies operating at the border; improved integration into the regional and multilateral trading system; increased productivity in the garments export sector (a key diversified manufacturing industry); and increased aid-for-trade management capacity.

Key achievements include substantial trade negotiating efforts culminating in Lao PDR's formal accession into the World Trade Organization in February 2013; the approval and implementation of a first 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 into the public domain; the establishment of an inter-agency SPS Risk Evaluation Group; substantial legislative reforms on SPS measures associated with WTO accession; the completion of a TBT diagnostic assessment; the launch of fee-based productivity training services in the Garments Skills Development Centre; support to the operations and commercialization of the Lao Handicrafts Festival; 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.

Lao PDR now has the key building blocks in place to manage and implement an effective aid-for-trade program, with enlarged capacity and heightened ambitions for the next phase of the program - to commence in early 2013 under the Second Trade Development Facility.

However, as with any intervention of this nature it is not possible to directly attribute the changes in the PDO level results indicators, namely growth of non-resource exports and services and improvement in trade facilitation, solely to TDF project activities since many factors other than the TDF project components will have had an impact on these outcome indicators. In particular, non-resources exports and exports of services are affected by exchange rate developments and commodity price shocks inside and outside of Lao PDR, by the export performance of competitors, by the implementation of regional preferential agreements, and by growth of income in destination markets¹³.

In addition, the time lag between (i) agreeing upon policy changes, their translation into new regulations, their implementation by agents that often are resistant to change, and (ii) their impact on the behavior of economic agents is substantial and certainly lengthier than the lifetime of the project. Similarly, the relatively modest scale of the TDF interventions also suggests that expectations of significant impact on these indicators should be modest.

Project outcome indicator 1: Non-resource exports grew by over 40 percent over the project implementation period, in line with growth rates expected over the project implementation period.

Project outcome indicator 2: Trade in services rose by more than 100 per cent over the course of the project, substantially above the expected target growth rate, largely because of rapid growth in tourism receipts.

Project outcome indicator 3: Lao PDR's score under the Logistics Performance Indicators rose from 2.25 in 2008 to 2.46 in 2010 and 2.50 2012 (on a scale from 0 to 5), but still registered a relatively low place compared to comparator countries (the ranking improved from 117th in 2007 to 109th out of 155 countries in 2012). Hence, there is considerable scope for further improvement and a need to vigorously pursue the trade facilitation agenda through the ongoing Customs and Trade Facilitation Project and under the next phase of the TDF (in TDF-2).

¹³ Olivier Cadot, Anna Fernandes, Julien Goudron and Aaditya Mattoo (2011) *Where to spend the next million? Applying Impact Evaluation to Trade Assistance*, World Bank, Washington, DC.

Intermediate Outcome Indicators

The attribution gap and length time lag is somewhat easier to address at the level of intermediate outcome indicators, with the following results recorded under the project:

- Lao PDR become a member of the WTO in February 2013, a culmination of 15 years of negotiations (see box for further details);
- Non-customs clearance time was reduced from 5.0 days in 2009 to 2.9 days in 2012 exceeding the target;
- 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 was substantially closed by the launch of the Lao PDR Trade Portal;
- A national Trade Facilitation Strategy and Action Plan was approved by the government, and a permanent national coordinating body (the Trade Facilitation Secretariat) was established;
- 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 was substantially achieved by the revision of a number of SPS related laws, decrees and subsidiary pieces of legislation;
- An interagency SPS Risk Evaluation Group was established as part of efforts to build capacity on risk evaluation and assessment, but is not yet fully operational;
- The TBT assessment was completed, as part of efforts to identify policy and reform requirements and investment financing needs to establish a National Quality Infrastructure framework;
- Productivity gains among firms benefitting from TDF sub-projects were achieved only in the garments sector (through the establishment of the Garment Skills Development Centre, and subsequent launch of fee-based training services);
- The great majority (85 percent) of participants in trade-related capacity building activities rated the initiatives as relevant to their work;
- Capacity in the MoIC Economic Research Institute for Trade to produce research outputs was noted, with growth in the number of research projects completed during the life of the project (from zero to five), and through initiatives such as the launch of the Lao Trade Research Digest and the holding of regular research forum events; and
- NIU management of AfT resources rose from 11 percent of total TRTA in Lao PDR before the start of the TDF to around 72 percent out of a much larger volume of AfT by the end of the project implementation period.

Well-designed impact evaluation studies of individual project components might have shed more light on the outcome impact of the project. Yet such studies would provide interesting results only when sufficient time has lapsed after the intervention. A case in point would be an evaluation of the impact of the training provided to firms and individuals by the Garments Skills Development Centre, e.g. in addition to the measurement of increases in productivity in firms where in-house training has been provided, the analysis could cover the replacement of foreign line managers by Lao nationals; reduction of staff turnover; increase in the share of females in the line, middle and top management; increased profitability; and exports and investment.

Rating: *Satisfactory*

3.3 Efficiency

The efficiency of project implementation was negatively affected by slow start of project implementation. This was largely due to (i) the more than one year time lag between appraisal, signing of administrative agreements with donors, and signing of the grant agreement and project effectiveness; and (ii) the NIU was at the outset a very small and weak institution and some time was required to recruit essential staff, and familiarize them with World Bank procedures. Once those administrative and institutional

components were in place, the TDF operated effectively. An example is the support given to the Garment Skills Development Centre where effective implementation started only in 2011, after which time progress was very satisfactory.

Despite the slower than anticipated start of initiating the various project components, project activities were generally efficient in their implementing modalities, composition of inputs, and interaction with beneficiaries. Well-managed procurement and financial management processes ensured cost-efficiency and the smooth execution of project components once their launch was agreed upon. Some procurement delays could have been further shortened somewhat e.g. the recruitment of FAO to draft SPS legislation, and the procurement of consultancy services for the Lao Trade Portal took considerable time. Once the relevant issues were solved, services were delivered very effectively. The project also implemented a much appreciated degree of flexibility to adjust component financing to changing circumstances and needs. This was done during the mid-term review when additional resources obtained from reducing support for other components and the new contribution to the TDF from GIZ were allocated to priority activities (on trade facilitation, on WTO accession negotiations and on ASEAN integration needs).

Rating: *Satisfactory*

3.4 Justification of Overall Outcome Rating

Based on the rating for relevance, effectiveness and efficiency, the TDF is rated Satisfactory. As noted earlier some of the problems and delays encountered during project implementation resulted from some weaknesses in project preparation that left many issues to be solved during project implementation, including the design of the M&E framework. However, the Ministry of Industry and Commerce’s capacity and ownership of the project grew strongly and steadily during the course of implementation, in excess of expectations at the time of appraisal. This resulted in some key potentially transformative results towards the end of the project implementation period, most importantly including accession to the World Trade Organization, but also the launch of the Lao Trade Portal, trade facilitation reforms, the successful preparation of a DTIS update “in-house” and demonstrated improvements in aid-for-trade coordination and management capacity. These achievements would not have happened either at all, or at anything like the same pace, were it not for the resources provided under the TDF. Satisfaction with results achieved was demonstrated by the government’s strong desire for a follow-up operation, and by an increased number of development partners providing enlarged commitments to the second phase project (TDF-2).

	Trade facilitation	SPS and TBT	Competitiveness	Trade Policy	NIU Strengthening
Relevance	HS				
Effectiveness	HS	S	MS	HS	HS
Efficiency	S				

HS=Highly Satisfactory; S=Satisfactory; MS=Moderately Satisfactory

Rating: *Satisfactory*

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

Gender issues were not specifically addressed during the design of the TDF and thus not articulated in the PAD. Yet during the course of TDF implementation, gender issues were selectively addressed in a number of interventions, particularly in the context of the support given to the garment industry (where employment is highly female intensive).

In order to remedy this gap, efforts were made during implementation to improve knowledge and understanding on the linkages between trade and gender in particular, with resources from an additional grant from the Gender Action Plan. Analysis was undertaken on entrepreneurship, analyzing the World Bank’s enterprise survey data from a gender perspective¹⁴; significant primary research was also carried out on labor standards in the garments industry, laying the foundations for scaled up “better work” activities under TDF-2¹⁵; and a macro-micro study on the linkages between gender and trade was prepared as background for the DTIS update exercise¹⁶. Issues associated with the poverty, gender and environmental impact of increased trade and integration were also closely integrated into the updated 2012 DTIS, led by the MoIC.

(b) Institutional Change/Strengthening

The project devoted substantial resources to strengthening the capacity of the MoIC NIU to undertake the overall management of the national trade agenda. Areas where major improvements have been realized are in procurement and financial management, and increasingly in technical and policy bases area. Broader success can be seen through the institutional change that has accompanied growing confidence and capacity in the NIU. Initially, part of the General Division within the MoIC Foreign Trade Policy Department, the NIU now forms the heart of the Foreign Aid Division in the MoIC Planning and Cooperation Department, established in 2011. This expansion in mandate, together with strong national ownership of the trade agenda within MoIC, has provided for a gradual move from a project to program based approach. The NIU is now in a position to effectively manage not only TDF resources, but also other trade-related support provided to the MoIC, and is driving the adoption of common standards in terms of reporting, oversight and transparency across all TRTA in Lao PDR. Most significant is the fact that the ownership of the trade agenda of the GoL has increasingly become national in contrast with the situation at the outset of the TDF when external development partners were largely responsible for defining the trade agenda.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Not applicable.

4. Assessment of Risk to Development Outcome

The main risks to the development outcome are a function of its sustainability. The risk to Development Outcome is considered ‘moderate’ given the risks detailed below per project component, together with the remedial actions undertaken to mitigate these risks.

Component A: Trade Facilitation

- The sustainability of the Lao Trade Portal and the probability that it will develop further will depend to a significant extent on the effective implementation of the Roadmap for Process Simplification and Harmonization agreed upon in March 2013. The Roadmap specifies the process of licensing simplification, the decision to provide for continuous updates of the data base,

¹⁴ World Bank (2011) “Lao PDR Trade Development Briefing Note No.6: Gender and Entrepreneurship”, The World Bank, East Asia and Pacific Region, PREM Sector Department.

¹⁵ Record, Richard, Stephanie Kuttner and Kabmanivanh Phouxay (2012) *Lao PDR: Labor Practices and Productivity in the Lao Garment Sector - Perspectives from Management and Workers*, Report No 70809-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.

¹⁶ World Bank (2012) *Lao PDR: Mapping the Gender Dimensions of Trade – A Preliminary Exposition*, Report No 70808-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.

adequate dissemination so that SMEs will increase their use of the Portal, and the identification of the financial resources to provide a sustainable resource base for the Portal. For the next few years TDF-2 will further support the Portal and will help in identifying sustainable financial resources, but dedicated staffing will be required. Linking the Portal to the Single Window and a unified fee structure for border agency services, the preparation of which is being supported by the World Bank's global Trade Facilitation Facility MDTF, will also contribute to its sustainability.

- Implementation of the Trade Facilitation Strategy and Action Plan has had a good start and will require that the MoIC will be able to play the coordinating role required to assure that all related ministries and agencies continue to honor their commitments.

Component B: Strengthening the SPS and TBT Framework

- Lack of coordination between ministries and agencies involved in the SPS and TBT framework may weaken now that Laos has obtained WTO membership and stall further progress. Agencies involved in SPS and TBT implementation are still reluctant to adopt the necessary transparent risk management practices; success in this endeavor is not assured. Moving the responsibility for coordinating this to the Planning Department in the Ministry of Agriculture is a step in the right direction. TDF-2 has included further support on developing the SPS legal framework as a continuation of activities under TDF-1.
- The broader SPS capacity building agenda will also receive continued support from the Asian Development Bank's recently launched SPS Handling Project.

Component C: Improving Competitiveness and Business Environment

- Efforts were made by the Garment Skills Development Centre to ensure the charging of fees for all services provided to the industry as part of efforts to ensure cost recovery. However, the Centre is still not yet able to cover all costs, including overheads. Additional resources will be provided under TDF-2 to support the transition to full cost recovery; however this will require continued growth in fee income (both in volume and margin terms).
- The output for other interventions is more mixed. Agribusiness activities in Luang Prabang have been fully taken over by the UN Cluster Project (with SECO support), and silk activities by the Sustainable Silk Production Project (with support from the World Bank-Japan Social Development Fund). However, the output for agribusiness activities in Pakse, for secondary wood processing and for e-commerce in the handicrafts sector is uncertain without further donor financing.

Component D: Trade Policy and Agreements

- Now that WTO accession has been obtained, there is a risk that the reform momentum could weaken and that implementation of the agreements and further work on the outstanding issues could stall. For this reason the TDF-2 will continue its support for this agenda, including supporting implementation of the phased commitments made as part of Lao PDR's accession package. Commitments to ASEAN are now increasingly acting as a driver of trade reform.
- On capacity building, without more own resources ERIT will not be able to continue its training and research agenda. Therefore there is a need to further develop research capacity.

Component E: Strengthening of the NIU

- While the capacity of the NIU has grown considerably, the unit remains highly dependent on a significant number of full-time national consultants. While the number and capacity of government officials assigned to the NIU has grown, the unit would struggle to maintain current performance without external funded staff.
- Similarly, even though the NIU now has a clear mandate on aid-for-trade coordination under the MoIC Planning and Cooperation Department, efforts to fully implement a program based

approach for trade and private sector development may face resistance from other government departments.

Rating: *Moderate*

Box 3: The Lao Trade Portal – making trade more transparent¹⁷

The Lao PDR Trade Portal (www.laotradeportal.gov.la), launched by the Ministry of Industry and Commerce on June 22, 2012, enables traders to cut down the number of trips needed to get information or the length of time for carrying out transactions when trading across borders. In a transitional economy such as Lao PDR, new firms often find it difficult to get information on business processes. The private sector has identified a lack of transparency and predictability surrounding regulations as a major investment climate constraint. It is also the first step towards the establishment of a National Single Window which will allow traders to discharge all import/export obligations through one channel electronically.

The Lao PDR Trade Portal provides traders with access to:

- All trade-related laws, regulations, measures, restrictions and licensing requirements and tariffs indexed, cross-referenced, and searchable by commodity code;
- Detailed process maps of business procedures for importing and exporting;
- Full listings of national standards for products;
- Procedures for clearing goods at the border;
- Downloadable forms; and,
- E-alerts which traders can customize to receive information on commodities.

“The creation of the Lao PDR Trade Portal is a key milestone in improving our country’s business environment,” said **Dr. Nam Viyaket, Minister of Industry and Commerce at the launch event for the Lao Trade Portal**, *“The Seventh National Social and Economic Development Plan (2011-2015) identifies trade information services as one of its priority areas. If we want to take part in international regional trade and production networks we have to move swiftly towards paperless transactions,”*

The Lao PDR Trade Portal is also helping Lao PDR comply with **WTO and ASEAN commitments** that require member countries to make their trade-related regulations available to the public in an easily accessible manner.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Design of the project was well informed by a large stock of analytical work, including principally the 2006 DTIS that was carried out by the Bank, as well as an Investment Climate Assessment and related work on SPS issues. Limited resources to support formal preparation of the project meant that a number of key tasks normally undertaken during project preparation (including development of a results framework) were deferred to the implementation stage. However, much of the design activities were carried out by the Customs and Trade Facilitation Project task team, which was prepared at the same time as the TDF and also informed by the same underlying analytical work. The project was closely aligned

¹⁷ See <http://www.worldbank.org/en/news/feature/2012/07/09/lao-pdr-new-online-platform-to-boost-trade-transparency> for further details for the Lao Trade Portal. A good practice note was developed by the World Bank International Trade Department based on the Lao model - World Bank (2012) *Developing a Trade Information Portal*, The World Bank, International Trade Department.

with the objectives in the CAS as well as with government's strategic priorities, and the task team benefitted from close specialized support from the International Trade Department, and from similar projects under preparation at the same time in Cambodia and Vietnam.

Rating: *Satisfactory*

(b) Quality of Supervision

The impact of limitations resulting from the lack of resources available during preparation, was mitigated by intense supervision of project implementation, including: (i) organizing regular (twice per year) intense implementation support missions, undertaken jointly by the Bank and donors contributing to the MDTF; (ii) establishing an active TDF facilitation team in Vientiane to provide ongoing day-to-day implementation support to the client, with resources from the Bank-executed portion of the MDTF; and, (iii) by undertaking a strong program of complementary analytical work. A list of research papers and dissemination briefs is provided Annex 10.

The availability of additional resources to provide high intensity implementation support and an in-depth trade-related analytical program, including with substantial staff inputs from the World Bank's International Trade Department in Washington, DC, was a key factor in supporting the strong results achieved by the government under the TDF. That implementation capacity in the MoIC on both fiduciary and technical issues grow substantially over the course of the project was due to a significant extent to the high investments made by the Bank in implementation support. The pooling of resources by development partners into a single MDTF, also help to reduce transactions costs and provide the client with the space to develop capacity and ownership. Similarly the availability of Bank-executed trust fund resources from the MDTF allowed for an intensity of technical assistance, both in-country and mission-based from the International Trade Department that would not have been possible under regular circumstances.

It was also notable that the project benefitted from most of the task team, including the task team leader, being based in the country office (in Vientiane) and from the maintenance of a consistent task team through the 4.5 year project implementation period, including the same task team leader from project effectiveness to project closing.

Rating: *Highly Satisfactory*

(c) Justification of Rating for Overall Bank Performance

The excellent performance of the Bank team during project implementation compensates for limitations during project preparation.

Rating: *Highly Satisfactory*

5.2 Borrower Performance

(a) Government Performance

Government performance was generally Satisfactory, although there were initial challenges during the project start-up period to ensure effective coordination between the MoIC (responsible for technical implementation) and the MoF (responsible for fiscal coordination and management of the designated account through which project resources flowed). By the time of the mid-term review, the government was in compliance with all legal covenants in the grant agreement.

Inter-agency coordination presented significant challenges over much of the implementation period, but progressively improved driven to some extent by the political objective of WTO accession. Institutional arrangements developed during the course of the project, including for example the establishment of a permanent National Trade Facilitation Secretariat, played a major role in improving coordination between trade-related government agencies. Similarly, the process of preparing the 2012 DTIS update acted as a catalyst for better policy consistency across government departments on trade policy and competitiveness issues.

Rating: *Satisfactory*

(b) Implementing Agency or Agencies Performance

Project implementation involved a large number of government stakeholders including several departments from the Ministry of Industry of Commerce (Planning and Cooperation; Foreign Trade Policy, Imports and Exports; Economic Research Institute for Trade; Trade and Product Promotion) as well as departments from the Ministry of Agriculture and Forestry (Planning; Agriculture; Livestock and Fisheries), the Ministry of Health (Food and Drugs) and the Ministry of Science and Technology (Standardization, Quality Assurance and Metrology). Initially coordination challenges between the numerous agencies slowed implementation, but over time performance improved with strong results achieved across the components. WTO accession efforts acted as a strong incentive for coordination in this regard.

A substantial number of technical activities were completed under the project, involving work by a large number of technical implementing departments across several ministries. Significant experience was gained on how best to address inter-agency coordination issues across government of the type necessary to manage aid-for-trade resources. Inevitably some components saw faster progress than others, but on balance the quality of implementation was high. Activities undertaken under the TDF have leveraged significant additional resources to support aid-for-trade in Lao PDR. A number of lessons were learned during implementation of the TDF, which have informed the design of the follow-up operation (TDF-2). This include the need in the second phase to focus activities around fewer areas to allow greater depth of engagement; follow-up activities to consolidate gains and push for further reform, simplification and harmonization in trade facilitation; the need to leverage the opportunities provided by WTO accession to deepen regulatory policy reform; and a decision to step back from sector work on competitiveness to instead provide direct resources at the enterprise level as part of efforts to facilitate broad-based private sector development.

Project management skills in the National Implementation Unit, the lead coordinating unit for the TDF, grew substantially over the course of TDF implementation, as did the quality of progress and financial reporting. The project benefited from a strong and transparent work planning process, with regular six-monthly steering committee meetings to review progress over the previous six months and approve detailed work plans for the next six months. The establishment of this system (as part of the National Integrated Framework Governance Structure), and the clear delegation of authority to high capacity and well-motivated officials within the MoIC has been a key factor in this success.

The MoIC prepared its own independent evaluation report on the TDF prior to project closing. A brief summary of this report, as well as comments received at the Program Executive Committee meeting where the report was presented, is provided in Annex 7.

Rating: *Highly Satisfactory*

(c) Justification of Rating for Overall Borrower Performance

Lao PDR now has an effective and well-functioning aid-for-trade management structure (the National Integrated Framework Governance Structure), that has seen substantial growth in capacity over the life of the TDF. This has been recognized within the global Integrated Framework program where Laos is now considered to be a model case study on the effective management and use of aid-for-trade resources. A key achievement was the endorsement in 2012 of an updated Diagnostic Trade and Integration Study (DTIS), setting out an updated framework for Lao PDR's trade and integration priorities. While the original 2006 DTIS was carried out by the Bank, the 2012 update was prepared directly by the government (the first time that an LDC has successfully updated a DTIS "in house").

An enlarged multi donor trust fund to support the second phase of the program (TDF-2), with increased donor contributions and new donors joining the program (including IDA) is a strong indication of "crowding in" and increased development partner confidence in the project management capacity of the MoIC to manage aid-for-trade resources in Lao PDR.

Rating: *Highly Satisfactory*

Box 4: The Garments Skills Development Centre – addressing labor mismatches in the Lao manufacturing sector

For the Lao garment industry, labor productivity is critical for the industry to remain competitive. Labor is the only factor that the industry requires locally as all other inputs are imported. On average, this represents around 20 percent of garment production costs. While real wages in Lao PDR continue to rise, labor productivity remains low in most industries including in garments. Despite trade preference access for the EU and US, the industry struggles to compete with more competitive exporters in Cambodia, Vietnam and Bangladesh. However, in the context of a natural resources boom, the garments manufacturing sector is one of the few industries that creates meaningful employment opportunities (of which a majority of workers are female migrants from rural areas).

Like other sectors, the garment industry also faces shortage of semi-skilled workers and has high turnover rate, with firms losing as many as 6 percent of workers per month. Larger garment manufacturing firms recognize the need to invest in better technology, logistics and human resources to enhance export competitiveness. Firms often run their own in-house basic training for entry-level operators as well as some supervisory coaching. However, it is more challenging for them to run more advanced training for supervisors and team leaders. In 2011, the Association of the Lao Garment Industries (ALGI) and the Ministry of Industry established the Garment Skills Development Center (GSC), with the support of resources from the Trade Development Facility.

In response to the primary objective of the industry to increase labor productivity, GSC engages with manufacturers offering demand-driven, fee-based training services. Training courses are tailored to the needs and requirements of the industry, and utilize a comprehensive garment skills curriculum adapted from a similar facility in Indonesia, including on areas such as line leading and balancing, quality management, leadership and motivational skills.

The GSC is in the early stages of development, still expanding product offerings and working to achieve full cost recovery in an environment where only a limited number of firms are willing to pay for employee training. However, early impact evaluation of on-site training services delivered for supervisory skills in the factory has shown an average 18 percent increase in daily productivity among targeted production lines, using industry measures of productivity (Standard Allowed Minutes).

Source: World Bank (2013) *Lao PDR Investment Climate Assessment*, draft manuscript, The World Bank, East Asia and Pacific Region, PREM Sector Department.

6. Lessons Learned

Key lessons learned for the Lao trade program during the implementation of TDF-1, and incorporated into the design of TDF-2 include the following (as highlighted in the PAD for TDF-2):

- **Reform momentum needs to be maintained once the goal of WTO accession has been achieved.** A key lesson that has been learned from reform experiences in other countries that have acceded to the WTO is that momentum can be lost once the incentive of accession is removed. MoIC may lose influence and convening power in the post accession period, and struggle to ensure follow through with efforts to continue streamlining of regulations. This will require significant efforts 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. It is, however, expected that the focus will shift progressively to pending regional/ASEAN commitments, many of which are linked to aspects of the WTO agreements.
- **Similarly, it may also be appropriate to respond more rapidly to emerging trade policy needs.** A constant challenge under TDF-1 has been how to balance careful planning and accountability with being able to respond rapidly to emerging priorities. This has, at times, created tension with other project modalities, particularly those where implementation takes place outside of government and such projects can respond more quickly with the rapid mobilization of resources.
- **Translating reforms into results takes time.** The time it takes to implement institutional reforms, and for those reforms to translate into results that are visible to the private sector can be long and uncertain. Similarly, trade outcomes are rarely under the total control of policymakers in the way that specific policy levers may be. A multiplicity of stakeholders, particularly for the type of second generation reforms towards which Lao PDR is moving, can make it hard to sustain reform momentum. Thus it is appropriate to adopt a more realistic level of ambition and focus more deeply in fewer areas, and then clearly monitor results achievement over time.
- **The complexity of moving to a full program based approach will be taxing on the implementation team.** This will require continued and deepened investments in capacity development for the long term, as well as continued partnerships with initiatives financed outside the TDF. The capacity of MoIC has grown progressively and significant lessons have been learned by both the client and TDF donors during the implementation of TDF-1.

More general lessons for application in countries undertaking similar aid-for-trade programs, particularly Least Developed Countries in the context of the EIF program are as follows:

- Projects that are **aligned with government priorities** (in this case the DTIS Action Matrix and NSEDP) and adopt the principles of participatory preparation have the best chance of obtaining continued government ownership and support.
- Better **quality of project at entry** will permit a better allocation of resources (even the elimination of project components as too complex for the resources at hand), avoid implementation delays, and complex and lengthy negotiations with potential beneficiaries.
- It is very important to **make the most of political commitment to reform**. The commitment of the GoL to join the WTO opened the door to a number of key reforms on trade facilitation and on SPS/TBT that might have taken many years to occur otherwise, or would have been implemented out of line with international standards.
- Support for **improving the overall business environment** has a greater chance of success than selectively supporting priority sectors.
- **Be flexible, not dogmatic in component design and implementation** and adjust to the concerns of the beneficiaries. Allowing a more gradual implementation of the Lao Trade Portal (without in the first instance insisting on process simplification) allowed the project to proceed with full and continued backing of the beneficiary.

- **Capacity building of government staff and the private sector is essential for the sustainability of project results.** Much was gained by devoting substantial project resources to build up that capacity of the NIU and by disseminating WTO agenda across the country. TDF-2 will benefit from having the support of a fully effective NIU and thus will, in all likelihood, avoid excessive implementation delays. Similarly, capacity building for research and policy analysis needs to be closely integrated with operational project activities.
- **The availability of resources to provide for high intensity implementation support and complementary analytical work** on trade was essential. This included the establishment of a full-time, in-country facilitation team, as well as significant specialized support from the International Trade Department. This level of intensity of support was possible only through the provision of resources from the Bank-executed portion of the TDF MDTF.

7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors

(a) Grantee/Implementing agencies

The Ministry of Industry and Commerce commissioned its own independent Implementation Completion Report prior to closing of the TDF project. The report was an extensive document that was prepared drawing broadly on the World Bank's own ICR methodology. It reviewed not only the TDF but also the other AfT projects managed by the NIU. A summary of this report is included in Annex 7, along with the comments of the Ministry of Industry and Commerce on the ICR prepared by the World Bank. The government's view is that the TDF performed well and was instrumental in contributing towards key national achievements, highlighting accession to the WTO as well as preparation for the ASEAN Economic Community in particular. The Ministry also stressed the importance of the TDF MDTF in building a platform for improved inter-agency coordination, strengthened dialogue with development partners and increased national ownership of Lao PDR's Aid for Trade program.

(b) Co-financiers/Donors

Comments and feedback were solicited from the three contributors to the TDF MDTF: Australia, the European Union and Germany, copies of which are included in Annex 8. The three donors expressed broad satisfaction with the TDF and concurred with the assessment presented in the ICR. There was common appreciation of the role of the TDF in facilitating improved coordination in the delivery and management of AfT resources in Lao PDR and of strengthened policy dialogue on trade related issues between the government and development partners. All three donors to the first phase of the TDF have made commitments to the second phase of the program, reflecting a high degree of confidence in an established mechanism for supporting the government's AfT program (in addition, new donors have also joined the second phase). However, a number of areas were also identified where the co-financiers would like to see increased focus during the second phase, including the need for greater private sector participation and a stronger focus on business enabling environment issues, greater prioritization and efforts to ensure linkages among and between activities, as well as more focus on effectiveness and efficiency at the activity level.

(c) Other partners and stakeholders

A range of other partners and stakeholders were consulted during the preparation of the ICR, including from the private sector, other government agencies and development partners. A list of persons met is included in Annex 9. Discussion also took place during the Trade Program Executive Committee meeting in April 2013 at which a draft of the government's own independent Implementation Completion Report was presented for feedback.

Annex 1: Project Costs and Financing

(a) Project Cost by Component (in US\$ Million equivalent)

Components	Appraisal Estimate (US\$ million)	Restructuring Estimate (US\$ million)	Actual/Latest Estimate (US\$ million)	Percentage of Appraisal
A. Trade Facilitation	0.800	1.080	1.069	133 %
B. Sanitary and Phytosanitary Measures and Technical Barriers to Trade Frameworks	1.766	1.550	1.736	98 %
C. Export Competitiveness and Business Environment	1.388	1.388	1.233	89 %
D. Capacity Building, Trade Policy, Trade Agreements and Global Opportunities	1.175	2.375	2.255	192 %
E. Strengthening of the National Implementation Unit	1.112	1.207	1.302	117 %
Total Project Costs	6.816	7.600	7.594	111 %

(b) Financing

Source of Funds	Type of Co- financing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Lao PDR Trade Development Facility Multi Donor Trust Fund	RETF	6.82	7.60	111 %

Annex 2: Outputs by Component

Component A: Trade Facilitation

This component of the TDF focused on providing support to a series of activities aiming to improve trade facilitation, focusing principally on non-customs agencies. Activities benefited from a strong technical implementation team that grew in capacity and confidence over the course of the project. Significant results have been achieved, including the preparation, subsequent approval by the national Cabinet, and commencement of implementation of the National Trade Facilitation Strategy and Action Plan. Similarly a permanent National Trade Facilitation Secretariat has been established via a Decision of the Deputy Prime Minister as part of efforts to improve coordination among public sector agencies operating at the border.

- The launch of the Lao PDR Trade Portal in June 2012 was a major achievement and the result of two years of preparatory work. The portal, which fulfills WTO and ASEAN commitments, is a key part of efforts to reduce barriers to entry and improve trade transparency and predictability for the private sector. It puts all trade related laws, regulations, tariffs, licensing requirements and measures into the public domain for the first time in Lao PDR (www.laotradeportal.gov.la) - making the country one of the first within ASEAN to meet publication requirements under the ASEAN Trade in Goods Agreement, and also fulfilling obligations under the WTO Trade Facilitation Agreement. More recently the Lao Trade Portal has been highlighted as a good practice model across the Bank and by a number of other international organizations. The Ministry of Industry and Commerce has also licensed the Trade Portal system to Lesotho and received similar interest from Nepal and Cambodia.
- In March 2013, a detailed roadmap for process simplification and harmonization among non-customs border agencies received high-level endorsement. The roadmap sets out a detailed program of work to restructure business processes among non-customs border agencies (moving from "as is" processes to a "to be" model), with implementation to take place under the follow-up operation (TDF-2). The Trade Portal reports legislation and regulations on SPS and TBT but has not yet been able to fully translate these regulations in "measures" that can guide traders in their operations. Automation of the trade related processes in line ministries and agencies will be greatly facilitated by the existence of the Portal and will be taken up when the Single Window—supported by the World Bank's global Trade Facilitation Facility MDTF—is launched.

Results indicators suggest that Lao PDR's performance on trade facilitation and logistics has improved significantly over the course of TDF implementation, but that a large gap with regional comparator countries remains. Similarly, while the private sector recognizes that improvements have been made in terms of processing times and transparency, expectations have also risen.

- The Trade Facilitation Strategy and Action Plan for 2011-2015 were approved in July 2011 after intense public consultation.
- A permanent National Trade Facilitation Secretariat has been established as part of efforts to improve coordination among public sector agencies operating at the border.
- The Lao Trade Portal was launched in July 2011 and represents a major achievement in that by consolidating prevailing trade related regulation in one accessible place it has greatly enhanced the transparency of trade related regulations.

Rating: *Highly Satisfactory*

Component B: Strengthening SPS and TBT Framework

This component provided support to the modernization of the legal and regulatory framework for SPS and TBT. After a slow start and significant coordination challenges, good results have been achieved with progressively stronger inter-agency coordination - driven in part by pressing WTO accession

requirements. A TBT regulatory gaps assessment was satisfactorily completed in mid 2011 and as of early 2013, a financing is under preparation to obtain resources from the Enhanced Integrated Framework to implement the TBT action plan.

The SPS risk based policies work program achieved solid results with the formal establishment of an inter-agency SPS Risk Evaluation Group, building on significant capacity investments and experience of practice risk analysis gained. Follow-up work on this will be taken forward under the new SPS Handling Project financed by the Asian Development Bank.

Similarly, after some delays the SPS Legal Services assignment (the largest and most substantial part of the component and contracted to FAO) has made significant progress supporting SPS legal drafting as part of WTO accession efforts. Timely and high-quality support to the preparation of a number of key legislative instruments was provided during WTO negotiations, with follow-up work in support of post-accession obligations set to take place as part of TDF-2.

- Legal and regulatory reforms have led to a substantial closure in the gap between the current legal and regulatory framework on SPS issues which was required to facilitate trade, protect health and help Lao PDR to accede to the WTO.
- Four key pieces of SPS related legislation have been approved (Decision on Food Inspections , Decree Implementing the Law on Plant Protection, Decree on Animal Movement Control ,Decree on Animal Disease Control and Prevention)
- A TBT regulatory gaps assessment was satisfactorily completed and financing to implement the TBT action plan is expected to be acquired from the EIF.
- Some progress in establishing the SPS risk based policies framework achieved with the creation of the REG; but this group is not yet operational and further work will be required (and will be taken up under a new SPS handling project financed by the ADB).

Rating: *Satisfactory*

Component C: Improving Competitiveness and Business Environment

This component provided for a series of sector competitiveness studies, followed by pilot implementation of sub-projects in selected sectors. The results in this component have been mixed, with very strong results in the garments sub-project, but more disappointing results in other sub-projects (handicrafts, agribusiness and secondary wood processing). Component C also saw much weaker implementation arrangements than under other components of the project. Experience gained under this component has fed directly into the design of the follow-up operation (TDF-2), where there will be a movement away from sectoral competitiveness interventions (with the exception of garments).

- Very promising results have been achieved in the garments sub-project with the establishment of a well-managed Garment Skills Development Centre operating under the supervision of the Association of Lao Garment Industries, one of the strongest sectoral business associations in Lao PDR. Measured growth in the delivery of fee-based productivity training services shows evidence of private sector demand being met by the Centre and is a vital step towards achieving the financial sustainability. The Centre has adopted a strong results focus from the outset, and uses productivity improvement data from previous clients as part of its marketing strategy when approaching potential new clients. The evaluation of in-house training events suggest that the productivity of production lines improved by 48 percent, overall productivity rose by 18 percent, and supervisor's performance improved by 43 percent. Participants in the training courses indicated a 90 percent satisfaction with the relevance of the course material and achieved an 80 percent score on the end of course tests.

Additional support to the Centre will be provided under the follow-up operation (TDF-2), as part of a larger engagement of labor standards and productivity in the Lao manufacturing sector.

In the handicrafts sub-sector, resources were provided over a number of years to support the annual Lao Handicrafts Festival. A detailed business plan for Festival has also been completed and is under implementation as part of efforts to improve commercialization and move towards greater cost recovery. Training was also provided to handicrafts firms to improve access to markets through better use of e-commerce. However, it is unclear if this has resulted in significant impact in terms of increased sales. A related Sustainable Silk Production Partnership Project emerged out of this component, financed via a grant from the Japan Social Development Fund.

Good quality analysis has been undertaken to map the market potential to link local agribusiness (vegetable) producers to the tourism sector in Luang Prabang and joint pilot activities have commenced with the UN Trade Cluster Project, financed by Switzerland/SECO. However, there are concerns about sustainability and finding a viable exit strategy. An export facilitation / phytosanitary testing laboratory has been established in Champasak to support improved export market access for vegetables based on analytical work on agribusiness in the south of the country undertaken as part of the component. However, there are similar concerns as to the longer term sustainability of this facility and of real private sector demand being met.

Activities in the secondary wood processing sub-sector were scaled back given insufficient evidence of demand from the private sector, with more limited activities focusing on building the capacity of the Wood Processing/Furniture Association.

Rating: *Moderately Satisfactory*

Component D: Capacity Building, Trade Policy, Trade Agreements and Global Opportunities and Agreements

This component provided for a set of support measures aiming to improve Lao PDR's ability to engage effectively in the regional and multilateral trading system. Activities have been principally focused around support to WTO accession efforts, where implementation benefited from a committed and motivated implementation team.

WTO accession activities, supported in part under Component D of the TDF, saw substantial progress throughout the life of the project and in particular during 2012 with the completion of three working party negotiations (previously during Lao PDR's 15 year accession period, working parties have never taken place more frequently than once per year) and the completion of all remaining bilateral negotiations with key working party members. Lao PDR's WTO accession package was finally approved by WTO members in late October 2012, with formal accession taking place in February 2013. This is possibly the most significant result achieved under the project. The TDF provided for a large, long-time and full-time team to support WTO negotiations, including the only full-time lawyer in the Ministry of Industry and Commerce, and financed the bulk of the direct costs of negotiations (including the holding of working party and bilateral negotiations). Good quality accession impact analyses have also been undertaken in a series of sub-sectors including on professional services (law, accountancy and engineering) distribution services (including wholesale, retail and franchising) and financial services (insurance). Additional activities on regional/ASEAN integration have also been undertaken during the latter stages of project implementation (as focus has begun to shift from WTO towards pressing ASEAN commitments), including analysis on preference utilization and market access, overlapping agreements, and a business guide towards ASEAN opportunities.

Promising results have also been achieved in trade research activities, including the design of a curriculum and pilot delivery of an advanced trade policy and competitiveness short course for civil servants, the holding of a series of regular Trade Research Forums, and the publication of three editions

of the Lao Trade Research Digest. Given the large amount of training activities undertaken through this component, a monitoring system was put in place to measure satisfaction and relevance among training participants. However, engagement between ERIT and other departments within MoIC remains rather weak with both demand (from other departments) and supply (of ERIT's services) rather limited.

- Support to the preparatory work for WTO accession was highly successful and resulted in formal WTO accession in February 2013. The project financed background studies, extensive legal advice and the costs of part taking in the several working parties. Support of the USAID/LUNA project, among others, also contributed to this positive outcome.
- The MoIC ERIT designed and delivered advanced trade policy, competitiveness and management courses for MoIC staff at headquarters and in the provinces, undertook academic research, published several issues of the Lao Trade Research Digest and organized a number of research forum events.

Rating: *Highly Satisfactory*

Component E: Strengthening the National Implementation Unit

This component provided for capacity investments in the National Implementation Unit, the core anchor team responsible for managing aid-for-trade resources in Lao PDR as part of the National Integrated Framework Governance Structure. After four years of implementing the TDF, the initially rather inexperienced staff at the NIU have grown into an increasingly seasoned team. Staff are ambitious, highly motivated and supported by high-level management with clearly delegated responsibilities. The unit, initially spun out of the General Division in the Foreign Trade Policy Department has become the Foreign Aid Division and forms the heart of the newly established Planning and Cooperation Department in the Ministry of Industry and Commerce. Capacity growth has also been seen on technical issues, with significant experience gained in the NIU from the process of leading the development of an update to the Diagnostic Trade and Integration Study (the first time this has been successfully undertaken "in house" by an LDC government - the original DTIS was prepared in 2006 by the World Bank).

A well-developed work planning process across implementing departments and coordinated by the NIU, has emerged as one of the enduring strengths of the TDF. This capacity will serve as the foundation for the follow-up operation (TDF-2). An enlarged Multi Donor Trust Fund to provide financing for TDF-2, with increased donor commitments and with new donors joining the MDTF as well as a commitment from IDA, provides strong evidence of increased development partner confidence in the capacity of the MoIC NIU to effectively manage aid-for-trade resources in Lao PDR. The challenge for the next phase will be for the team to continue to meet and exceed expectations that are now higher, with increased policy reform ambitions and an enlarged resource envelope.

- Capacity building in the NIU has endowed the MoIC with a strong unit responsible for managing AfT resources in Lao PDR as part of the National Integrated Framework Governance Structure.
- The NIU has become the Foreign Aid Division within the new Planning and Cooperation Department of the MoIC and manages the procurement and financial management not only for the TDF but also for several other aid-for-trade projects. The share of TRTA received by Lao PDR that is managed by the NIU has grown considerably over the life of the TDF, as donor resources have "crowded in".
- The successful completion of the 2012 DTIS update "in house" by the MoIC NIU was a major achievement among participating LDCs in the EIF program.

Rating: *Highly Satisfactory*

Annex 3: Economic and Financial Analysis

The activities supported under the TDF all followed proven approaches in their respective fields. In appraising activities, particular attention was given to the existing capacity constraints of the core implementing departments.

Trade Facilitation. High trade transaction costs have been shown throughout developing countries to act as a major barrier to competitiveness, especially so in landlocked developing countries that already face considerable geographic constraints¹⁸. While the country has made significant improvements in improving border performance through major reforms and investments, Lao PDR still lags behind regional competitors¹⁹. Border performance will need to be above regional averages in order to offset the disadvantages of being landlocked.

SPS/TBT. Trade in agricultural products is a major source of demand in Lao PDR and, in the context of a mining and hydropower boom, one of the few sectors that has the potential to generate significant income generation and employment opportunities in rural areas (with significant pro-poor and gender positive outcomes)²⁰. However, lack of a modern regulatory framework and increasingly high standards in middle-income regional markets pose threats to further increases in the trade of SPS-sensitive products²¹.

Trade Policy. Effective participation in the fast growing regional economy requires predictable and transparent trade policy and regulations. Lao PDR has made significant reforms as part of the WTO accession process, but ensuring that the private sector fully benefits from these reforms will require additional efforts to follow through with both multilateral and regional (ASEAN) commitments, and to fully disseminate, implement and enforce enacted legislation.

Competitiveness. Activities under this component aimed to support improved private sector competitiveness and trade diversification in the context of an ongoing natural resources boom. This approach is informed by significant analysis of the risks of lack of diversification faced in Lao PDR²², and on the export survival challenges faced by Lao firms when entering new markets²³. Similarly, activities to improve manufacturing competitiveness through improved labor productivity in the garments sector build on successful experiences gained through the Better Work/Better Factories approaches in Cambodia and Vietnam, as well as on research conducted in Lao PDR²⁴.

¹⁸ Cross-country research has shown that each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Or put differently, each day of delay is equivalent on average to a country distancing itself from its trading partners by an additional 70km. Estimates of the costs of poor trade facilitation are even higher for perishable agricultural products, where a day's delay reduces a country's relative exports of time-sensitive to time-insensitive agricultural goods by 6 percent. See Djankov, Freund and Pham (2006) 'Trading on Time', Policy Research Working Paper No. 3909, Washington DC: The World Bank.

¹⁹ See data from the Logistics Performance Index, the 2011 Lao PDR Investment Climate Assessment and the 2012 Lao PDR Trade and Transport Facilitation Assessment. Lao PDR currently ranks 165th among countries under the Doing Business index, and 168th under the Trading Across Borders sub-index. .

²⁰ World Bank (2006) *Lao PDR Sanitary and Phytosanitary Standards Management – Action Plan for Capacity Building*, Report No. 38579-LA, The World Bank, East Asia and Pacific Region, Agriculture and Rural Development Department.

²¹ World Bank (2009) *Lao PDR Sanitary and Phytosanitary Measures – Enhancing Trade, Food Safety and Agricultural Health*, The World Bank, East Asia and Pacific Region, Sustainable Development Department.

²² World Bank (2011) *Lao PDR Development Report – Natural Resource Management for Sustainable Development*, Country Economic Memorandum, Washington, DC: The World Bank.

²³ See Stirbat, Record and Nghardsaysone (2011) 'Exporting from a Small Landlocked Economy – An Assessment of Firm-Product-Destination Survival Rates in Lao PDR', Policy Research Working Paper No.5695, Washington, DC: The World Bank

²⁴ See World Bank (2012) 'Lao PDR: Labor standards and Productivity in the Garments Export Sector – A Survey of Managers and Workers', Washington, DC: The World Bank.

Strengthening of the NIU. There is growing cross-country evidence on the returns to be obtained from a well-coordinated and coherent approach to managing and absorbing trade related technical assistance. This has been demonstrated primarily through the Integrated Framework/Enhanced Integrated Framework program to support the effective participation of LDCs in the multilateral trading system and the mainstreaming of trade into national development strategies. Similarly, prior to TDF-1, aid-for-trade in Lao PDR was characterized by very few projects being implemented by the government with significant overlaps and gaps in assistance, limited government ownership and poor impact. While challenges clearly remain, progress made in building government capacity to manage aid-for-trade (through the NIU and across MoIC) under TDF-1 has begun to demonstrate meaningful results in terms of aid management capacity and effectiveness of project delivery.

Annex 4: Grant Preparation and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/Specialty
Lending/Grant Preparation			
Ekaterina Vostroknutova	Senior Economist	LCSPE	Task Team Leader
Gerard McLinden	Senior Trade Facilitation Specialist	PRMTR	Trade Facilitation
Kees van der Meer	Consultant	EASPR	SPS/TBT
Sengxay Phousinghoa	Senior Private Sector Development Specialist	EASFP	Private Sector Development
Nipa Siribuddhamas	Financial Management Specialist	EASFM	Financial Management
Sirirat Sirijaratwong	Procurement Specialist	EASR2	Procurement
Roch Levesque	Senior Counsel	LEGES	Counsel
Christine Wong	Operations Officer	EASPW	Task Team
Vatthana Singharaj	Program Assistant	EACLF	Administrative Support
Supervision/ICR			
Richard Record	Trade Specialist	EASPT	Task Team Leader
Konesawang Nghardsaysone	Operations Analyst	EASPT	Task Team
Gerard McLinden	Senior Trade Facilitation Specialist	PRMTR	Trade Facilitation
Sebastian Saez	Senior Trade Economist	PRMTR	Trade Policy
Ramesh Siva	Lead ICT Specialist	TWICT	Information Technology
Genevieve Boyreau	Senior Economist	EASPT	Task Team
Kees van der Meer	Consultant	EASPR	SPS/TBT
James Tomecko	Consultant	EASPR	Private Sector Development
Anthony Zola	Consultant	EASPR	Private Sector Development
Siriphone Vanitsaveth	Financial Management Specialist	EASFM	Financial Management
Sirirat Sirijaratwong	Procurement Specialist	EASR2	Procurement
Roch Levesque	Senior Counsel	LEGES	Counsel
Christine Wong	Operations Officer	EASPW	Task Team
Phet Udom Mainolath	Program Assistant	EACLF	Administrative Support
Chanthalay Chanthavisouk	Temporary	EACLF	Administrative Support

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost ²⁵	
	No. of Staff Weeks	USD Thousands (including travel and consultant costs)
Lending²⁶		
FY08	0	0.0
Supervision/ICR		
FY08	6.8	22.7
FY09	72.1	194.0
FY10	52.7	240.2
FY11	62.6	267.0
FY12	48.9	232.3
FY13	35.1	152.0
Total	278.2	1,108.2

²⁵ Including both BB and Bank Executed Trust Fund resources (from TF091202 and TF094840) provided as part of the Multi Donor Trust Fund to finance enhanced implementation support in a low capacity environment as well as broader donor coordination activities. These resources only became available once the project had been prepared and the MDTF established.

²⁶ No formal budget was provided to support preparation.

Annex 5: Beneficiary Survey Results

Not applicable.

Annex 6: Stakeholder Workshop Report and Results

A draft of the TDF independent evaluation report commissioned by the MoIC was presented for review and stakeholder discussion at a meeting of the Program Executive Committee on April 3, 2013. The Program Executive Committee, chaired by the MoIC Vice-Minister, serves as the steering committee for the TDF and is the program level steering committee for all aid-for-trade projects in Lao PDR. Participants included representatives from all government departments involved in, and benefitting from aid-for-trade interventions, the private sector and development partners. Substantive comments were received, and incorporated into the revised and final version of the independent evaluation report.

The Bank's own two-week ICR mission followed on from the completion of the MoIC independent evaluation report, and included discussion with all key stakeholders involved in the implementation of the TDF (see Annex 9 for the list of persons met). A wrap-up discussion was held with key stakeholders at the conclusion of the mission on May 3, 2013.

Annex 7: Summary of Grantee's ICR and/or Comments on Draft ICR²⁷

The MoIC commissioned its own independent ICR that was discussed at a very well attended Fourth Program Executive Committee Meeting held in Vientiane on April 3, 2013. The government's ICR was an extensive document that was prepared drawing broadly on the World Bank's own ICR methodology. It reviewed not only the TDF but also the other AfT projects managed by the NIU. It contained an exhaustive narrative pertaining to the implementation processes of the TDF, the implementation of its various components, an evaluation of the various components as implemented and an overall evaluation of the project.

This Annex reports briefly on the overall evaluation contained in the government's ICR and on the main conclusions of the meeting as recorded in the minutes.

Comments from the MoIC on the ICR prepared by the World Bank follow.

1. Summary of findings related to the TDF

The TDF's overall assessment is rated as "satisfactory" based on the results for the set of issues covered by the evaluation criteria. Ratings for each issue within the evaluation criteria are given an equal weight to arrive at an overall evaluation score for each criterion. The results for the overall TDF-1 assessment are as follows:

Relevance	Effectiveness	Efficiency	Sustainability	Gender	Overall
5.8	2.5	4.5	5.3	4.0	5.0
Highly Satisfactory	Satisfactory	Moderately Satisfactory to Fully Satisfactory	Satisfactory	Moderately Satisfactory	Satisfactory

Relevance – The TDF-1 responded to key needs and challenges faced by the 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 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 multilateral trading system; increased skills and productivity in particular export sectors, most notably that of the garments industry; and increased AfT management capacity.

Efficiency – Project activities were generally efficient in their implementing modalities, composition of inputs, and interaction with beneficiaries. Activities were well articulated and complemented other trade-related activities and the GoL's overall strategy and action plan under the National Social and Economic Development Plan. Despite start-up delays, nearly all activities were delivered in a timely and cost-efficient manner.

²⁷ Montague Lord, Independent Evaluation of the Trade Development Facility Project, February 2013, draft report presented to the National Implementation Unit of the Ministry of Industry and Commerce.

Sustainability – The TDF-1 has been especially noteworthy in two areas: first, the trust fund has had strong ownership by the Government; second, it has involved substantial intra and inter-ministerial collaboration. The increasing shift from donor to national management of resources has made an important contribution to the institutional capacity of the 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 PAD, the TDF program supported a major training intervention in the garments industry, an industry where employment is highly female intensive.

2. Key discussion points and conclusion of the meeting

- a. On the key TDF-1 achievements: the assessment presented is part of a broader assessment process, which includes project completion report prepared by MOIC, and an ICR to be prepared by the World Bank, where MoIC's assessment will be used as key input;
- b. Regarding questions raised about the baseline data for the results framework, the meeting clarified that baseline data are based on 2008 data; the NIU maintains the data including updates for all the indicators;
- c. Highlights of key results from TDF-1 include significant improvement in national capacity to manage TRTA including completion of the first ever nationally led DTIS; development of the Lao Trade Portal, meeting WTO and ASEAN repository requirements (the design and functionalities of the Trade Portal is currently being replicated in Lesotho); WTO accession, and others;
- d. Although clearly some things worked better than others, TDF-1 has been a commendable success, especially given the capacity limitations at the start of implementation. There have been many important lessons learned through the course of TDF-1 implementation, which have informed the design of the follow-on operation (TDF-2) which has benefited from increased donor resources being made available;
- e. On the draft TDF-1 evaluation commissioned by MoIC, the overall view of the meeting was that the assessment is comprehensive, however in finalizing the report, it is recommended to strengthen the following aspects:
 - *Effectiveness*. More analysis is needed around outcomes/impacts as outlined in the PAD.
 - *Results framework*. More elaboration is required on the underlying project logic for a trade-related technical assistance project, from trade policy/capacity building/regulatory reform, to reduced compliance costs, to changed private sector activity, to increased trade, growth/poverty reduction.
 - *Efficiency*. A greater focus is needed, particularly in the future under TDF-2, on “value for money”. This does not necessarily mean cutting spending but achieving greater results, cost-efficiency, better justification why certain project activities are supported, and what can be done better. More analysis of the linkages and complementarities between workshops, trainings, studies and dissemination events across different components would help the broader policy development process.
 - *Sustainability*. More assessment of the sustainability of interventions and changes brought about by the TDF would improve the report.
 - *Gender*. Gender was not sufficiently considered in the PAD due to limited understanding of gender dimensions/linkages with trade in the Lao context at the time of project preparation. However, TDF-1 has been instrumental in supporting studies and research to get a better understanding of issues and inform future programming. The net result is that the body of knowledge of trade and gender issues in Lao PDR is now much improved, and the results of this work has ensured that TDF-2 is fully gender informed.

- *Description of the evaluation methodology.* It would be useful to describe the evaluation methodology in more depth, including an indication of how recommendations from the assessment will be taken into consideration by MoIC in the future.
- While recognizing differences in implementation models, some participants highlighted a number of activities jointly supported by the TDF and other donor supported projects (including the LUNA project) and commented that successful collaboration between the two projects should be more clearly highlighted in the evaluation.



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Peace Independence Democracy Unity Prosperity

10 SEP 2013
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Ministry of Industry and Commerce
Phonxay Rd, Vientiane, Lao PDR
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1716
Ref:...../MOIC.DPC
Vientiane Capital, 10 SEP 2013

Ms. Keiko Miwa
Country Manager, Lao PDR
East Asia and Pacific Region
The World Bank

Thank you for sharing the draft Implementation Completion and Results Report (ICR) for the Lao PDR Trade Development Facility Project (TDF) for comments by the Ministry of Industry and Commerce (MoIC).

First, I would like to congratulate the World Bank, in close cooperation with other Partners (Australia, the European Union, and Germany), for the successful completion of the TDF-1. This project has been challenging for the MoIC on many levels, but the success of the project has reassured us to be on the right track. Nevertheless, with reference to the "highly satisfactory" performance of the project in the majority of indicators (as outlined in the ICR) and moderate risk, I would like to recommend to rate the overall performance of the project also with "highly satisfactory".

The TDF has contributed, in close cooperation with the Government of Lao PDR and other development partners, to major achievements such as the accession to the World Trade Organization (WTO) on 2 February 2013 as well as preparing Lao PDR for the upcoming ASEAN Economic Community 2015. In particular, the TDF has significantly increased ownership of the Lao PDR Aid for Trade program across all implementing agencies. The prospects of joining the WTO has facilitated inter-agency coordination and allowed to establish a well-functioning coordination structure. The capacity of the MoIC, and in particular the National Implementation Unit (NIU), leaves the Government of Lao PDR with an effective and efficient structure to coordinate future trade-related assistance to tackle future development challenges.

One of the key development challenges for the MoIC is how to best utilize the opportunities offered by WTO accession and ASEAN Economic Community in 2015 for the private sector and mitigate possible negative effects. Particular attention will be paid towards maintaining the reform momentum the WTO accession has created and implement commitments. The second TDF, which was established as a follow-on project

to the first TDF due to the great success, will be the main source of financing to implement the Roadmap of the DTIS 2012 Update.

In the long-run, it is also critical to ensure sustainability of the project. Over the course of the TDF-1 project, the MoIC has increased the number of Government officers engaged in the project, working side-by-side with national and international experts in order to maximize the benefit for the Government. I would like to emphasize the importance of this knowledge transfer to Government staff as well as reassure the continuation to do so in the future.

I further would like to highlight the good cooperation between the Government of Lao PDR and the World Bank, as trust fund manager. However, a major challenge under TDF-2 will be to improve cooperation between development partners/donors in the area of trade and private sector development. The goal is to use the Program Executive Committee (PEC) as the main coordination body for all ongoing trade-related assistance within MoIC.

Lastly, I would like to thank all development partners contributing to the TDF and reassure that the MoIC remains committed under the TDF-2 to successfully implement the project and working towards tangible results.

Sincerely,



Khemmani PHOLSENA
Vice Minister
Ministry of Industry and Commerce

CC:

- Mme. Thipphakone Chanthavongsa, Director-General, External Finance Department, Ministry of Finance;
- Mme. Sisomboun Ounavong, Acting Director-General, Department of International Cooperation, Ministry of Planning and Investment.

Annex 8: Comments of Co-financiers and Other Partners/Stakeholders



Australian Government
Aid Program

Ms Keiko Miwa
Country Manager
World Bank Office
Vientiane, Lao PDR

11 September 2013

Dear Ms Miwa,

Subject: Draft Implementation Completion and Results Report for the Trade Development Facility (TDF) project

Thank you for sharing the draft TDF completion report and opportunity to provide comments. We appreciate that our initial comments are reflected in the revised draft report.

We broadly agree with the TDF overall assessment as satisfactory. However, although TDF is considered to be a good example and has delivered a good result, there is still room for improvement in number of areas. These include improved inter-agency coordination; more effort to prioritise high impact activities and therefore improving cost-effectiveness; and creating better linkages between the components (e.g. research being linked to policy reform). The lessons learned section of the ICR report provides a useful reflection on TDF implementation.

We commend the World Bank TDF Facilitation Team for their great contribution and support to this program. We have appreciated their approach and their responsiveness to our priorities. We look forward to on-going cooperation during the implementation of the second phase of the TDF.

We look forward to our continued cooperation.

Yours sincerely,

Daye Vosen
Counsellor
Development Cooperation

Australian Agency for International Development
Australian Embassy
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EUROPEAN UNION
DELEGATION TO LAOS

Vientiane, 03 September 2013
Ref: StS/km:2013/D 367

Ms Keiko Miwa
Country Manager
The World Bank Office,
Vientiane, Lao PDR

Subject: Draft Implementation Completion and Results Report

Project: Administration Agreement between the European Commission and the International Development Association: Trade Development Facility (TDF) Multi Donor Trust Fund (TF070918) - DCI-ASIE/2008/147-718

I would like to thank you for sharing with us the draft completion report of the above-mentioned project. In this regard, I am pleased to note that the earlier EL's comments have been incorporated into this revised version.

I agree with the general conclusions of the report including satisfactory results of TDF as regards its efficiency in delivery based on the agreed work plan. TDF also made an important contribution to enhance effectiveness of Aid for Trade activities in Laos in particular to improve coordination across relevant ministries, development partners and between the government and development partners under Trade Programme Executive Committee structure. This mechanism provides valuable inputs to help us fostering the policy dialogue with the government under the Trade and Private Sector Development Working Group.

I would however like to note the project impact is somewhat less tangible in its effects to improve business environment for the private sector. A high level of technical barriers for trade across the border still exist; and there has been a relatively low level of private sector awareness and involvement in TDF, in particular concerning the activities on trade policy. We would therefore like to request that the World Bank is paying particular attention to further engage strategically the private sector in TDF2 activities to ensure the project bring concrete benefits to the private sector.

I look forward to our continued cooperation.

Yours sincerely,


Stefan Schleuning
Chargé d'Affaires a.i.

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AUTHOR: Hans Peter Kueppers

SUBJECT **Trade Development Facility Project (P106165)**
HERE Draft Implementation Completion and Results Report
REFERENCE Request for comments

Vientiane, 12 September 2013

Dear Ms Miwa,

we very much appreciate the World Bank's efforts in drafting this very informative and concise Implementation Completion and Results (ICR) Report for the first phase of the Lao PDR Trade Development Facility (TDF). We believe that in general the ICR report provides a good outline of the project concept and implementation as well as the achieved results and lessons learned.

We would welcome a more comprehensive review of the results achieved through the TDF. We recommend to undertake a more in-depth assessment of how outcomes are related to specific interventions. In addition, a close examination of the input-output ratio could provide useful insights for further optimizing the effectiveness and efficiency of the TDF.

We would like to use the opportunity to express our sincere appreciation for the fruitful and close cooperation with the World Bank, the European Commission and Aus-Aid in the framework of TDF I and looking forward to continuing our joint engagement in the second phase of the TDF.

Kind regards,

signed by
Hans Peter Kueppers
Head of Development Cooperation

Annex 9: List of People Interviewed

Ministry/Agency	Department/Unit	Name	Title
Ministry of Industry and Commerce	Planning and Investment Department	Mr. Phouvieng Phongsa	Deputy Director General, Director of National Implementation Unit
		Mr. Sengphanomchone Inthasane	Director of Foreign Aid Division
	Foreign Aid Division / National Implementation Unit	Ms. Vilavanh Bounleuth	Officer
		Ms. Sodavanh Souvannaphoum	Officer
		Mr. Sengxay Phousinghoa	Private Sector Development Advisor
		Mr. Christian Ksoll	Trade Advisor
		Mr. Somsanith Ninthavong	Financial Management Specialist
		Ms. Amphaphone Thongsawath	Procurement Officer
		Ms. Nitida Phongsavath	National Finance Officer
		Ms. Viengxay Praphasiri	Monitoring and Evaluation Officer
	Foreign Trade Policy Department	Mr. Santisouk Phounesavath	Deputy Director of Multilateral Trade Policy Division
		Mr. Kiengkhammanh Khottavong	Director of ASEAN Division
	Trade and Product Promotion Department	Mr. Sysangkhom Khotnhotha	Director of Planning & Cooperation Division
		Mr. Chaleun Sounichan	Deputy Director of Division
		Mr. Phoukhong Phengkhammy	Trade Technical Officer
Imports and Exports Department	Ms. Lattana Douangboupaha	Director of Trade Facilitation Division	
	Ms. Athnasak Sisouk	Coordinator	
	Mr. Phonexay Chanthavong	Officer	
Economic Research Institute for Trade	Mr. Xaysomphet Norasingh	Director of Research division	
	Ms. Malaykham Philaphone	Deputy Director of Division	
	Mr. Chanphasouk	Trade Technical Officer	
Ministry of Health	Food and Drug Department	Ms. Sivily Naphayvong	Director of Food and Drug Standards Division
		Ms. Viengxay Vanhsilalom	Director of Legislation Division
		Ms. Phoxay Sisomvang	Administration
Ministry of Agriculture and Forestry	Department of Planning	Dr. Somphanh Chanphengxay	Deputy Director General
		Mr. Samlan Paseuthkhamla	Deputy Director of International Cooperation Division
	Department of Agriculture	Mr. Phaydy Phiasaysalakhom	Deputy Director General
		Dr. Soulaphonh Inthavong	Director of Plant Quarantine Division
	Department of Livestock and Fisheries	Dr. Sounthone Vongnarath	Director of Animal Health Legislation Division
Ministry of Science and Technology	Department of Standardization and Metrology	Mr. Souksavath Sihapanya	Director of Quality Center
Lao National Chamber of Commerce and Industry		Mr. Oudet Souvannavong	Vice President
Association of Lao Garment Industries		Mr. One-sy Boutsyvongsakd	President of Association/ Board Advisor of LNCCI
Garment Skills Development Center		Ms. Wilma Driessler	Advisor
		Ms. Borivone Phafong	Director
AusAID	Development Cooperation	Ms. Phanthakone Champasith	Program Manager
German Embassy	Development Cooperation and GIZ	Dr. Hans-Peter Kueppers	Head of Development Cooperation
		Ms. Petra Polgar	Project Manager, GIZ ASEAN Project
EU	Development Cooperation	Mr. Stefan Schleuning	Head of Development Cooperation
		Ms. Khankeo Moonvong	Program Officer

USAID/US Embassy Vientiane	Nathan Associates, Contractor of USAID	Mr. Steve Parker	USAID/Luna Project Director and Resident Advisor
SECO-UN Cluster Program	United Nations Office for Project Services	Mr. Franc Causin	International Coordinator
Asian Development Bank	Lao PDR Resident Mission	Mr. Barend Frielink	Country Economist / Deputy Country Director
		Mr. Phantouleth Luanglath	Economic Officer

Annex 10: List of Supporting Documents

Project Documents of the World Bank

- Project Appraisal Document, Lao PDR Trade Development Facility Project, October 8, 2008, Report No.48901-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.
- Restructuring Paper, Lao PDR Trade Development Facility Project, January 31, 2013, Report No.66398-LA, The World Bank, East Asia and Pacific Region, PREM Sector Department.
- Implementation Status and Results Reports, Sequence 1-7.
- Aide Memoires of various implementation support missions

Project Documents of the MoIC

- Six-monthly Project Progress Reports presented to the Steering Committee/Program Executive Committee
- Quarterly unaudited Interim Financial Reports
- Consulting Services for the Development of SPS Risk Evaluation Capacity in the Lao PDR, (February 2013), Application Europeene de Technologies et de Services, Billère France
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- Van der Meer, Kees (2012) “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.

Publications of the Vientiane based WB TDF Facilitation Team

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Annex 11: Aid-For-Trade in Lao PDR

The following short note provides a summary overview of the major related projects currently providing aid-for-trade resources to Lao PDR, and the broader context of donor assistance into which the TDF (including both TDF-1 and TDF-2) is located. In a number of areas, effective partnership arrangements have been established between aid-for-trade projects operating through government systems and those operating outside.

The **Second Trade Development Facility Project** (US\$ 14.0m, 2013-17) is the largest source of trade related technical assistance to Lao PDR, and is co-financed jointly by Australia/AusAID, the European Union, Germany/GIZ, Irish Aid and the World Bank. The project is informed by priorities in the 2012 DTIS update and focuses on trade facilitation, trade policy, support to diversification and competitiveness and the building Lao institutions responsible for managing aid-for-trade. It follows on the **First Trade Development Facility Project** (US\$ 7.6m, 2008-2013), which provided resources to support the implementation of the original DTIS action matrix. Both TDF and TDF-2 are implemented by the MoIC. In addition, and with financing from the World Bank-Japan Social Development Fund (JSDF), a **Sustainable Silk Production Partnership Project** (US\$ 1.8m, 2011-15) aims to develop domestic supply chains in the production of silk products through a market based approach. The JSDF Silk project is implemented as part of the TDF.

The World Bank/IDA **Customs and Trade Facilitation Project** (US\$ 12.5m, 2008-16) is financing the automation of customs systems through the installation of ASYCUDA and related regulatory reforms and adjustments necessary to operate a modernized declaration processing system. The project is implemented by the Lao Customs Department, MoF and aims to facilitate trade by improving the efficiency and effectiveness of customs administration. The project is simplifying customs procedures, eliminating duplication and redundancy, reducing transactions costs and time to clear goods, and increasing transparency and accountability. The World Bank is also financing inputs towards the design of a next phase of customs administration through a **Lao National Single Window Preparation Project** (US\$ 1.35m, 2012-13) with resources from the global Trade Facilitation Facility. Once implemented the National Single Window system will allow traders to submit all import, export and transit information required by regulatory agencies via a single electronic gateway instead of submitting essentially the same information numerous times to different government entities, some that are automated and others that still rely heavily on paper.

Trade and investment climate issues form one of five core components in the annual **Poverty Reduction Support Operations** (PRSO4-US\$ 10m, 2008; PRSO5-US\$ 20m, 2009; PRSO6-US\$ 20m, 2010; PRSO7-US\$ 10m, 2011; PRSO8-US\$ 20m, 2012) as part of direct general budget support/development policy grants by the World Bank, with parallel financing by Australia, the European Union and Japan. The PRSOs have supported a series of reforms associated with trade facilitation, investment policy and customs modernization.

The **Enhanced Integrated Framework** (US\$ 1.3m, 2010-13), financed from the EIF Multi Donor Trust Fund²⁸, has provided Tier 1 resources to support capacity development in the NIU and an update to the

²⁸ The EIF is a global multi donor initiative aiming to facilitate the effective participation of LDCs in the multilateral trading system. The program, which is operated out of the WTO Secretariat in Geneva, was established by the International Monetary Fund, the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Development Program and the World Bank. The EIF Multi Donor Trust Fund, which has received contributions from more than 20 donors, is administered by the United Nations Office for Project Services.

Diagnostic Trade Integration Study. Strong partnership arrangements have been established between the TDF and EIF with shared investments in the NIU and common arrangements to reduce transactions costs including joint progress reporting, a shared financial year, joint work plans and steering committee meetings and a single external audit. It is expected that these arrangements will continue under TDF-2. EIR Tier 2 resources will also be available to support financing gaps for priority trade and private sector development interventions in Lao PDR, likely to be in areas where the TDF-2 is not providing resources.

The Asian Development Bank is financing two major trade-related projects in Lao PDR: an **Improved SPS Handling in the Greater Mekong Subregion** (US\$ 13.5m, 2012-17) grant/loan focusing on building institutional capacity and systems for the administration of sanitary and phytosanitary measures; and an **SME Development Program** (US\$ 15.0m, 2010-14) grant/loan providing sector budget support and related technical assistance to support enterprise registration and improved private sector policy. The ADB GMS SPS Project will be the largest source of financing for investment in SPS measures in Lao PDR. As such, the proposed TDF-2 SPS legal framework subcomponent has been carefully designed to complement the ADB project, which will not provide any resources for SPS legal work.

The United States Agency for International Development **Laos-US International and ASEAN Integration (LUNA) Project** (US\$ 5.3m, 2009-13) provides technical assistance to support the implementation of the Lao-US bilateral trade agreement, WTO accession and ASEAN commitments. The project, which focuses primarily on legal technical assistance, has played a key role in the development process for a range of laws and regulations related to trade agreements including on transparency, intellectual property, technical barriers to trade, electronic commerce, regulatory impact, commercial dispute resolution, and on legislation affecting services such as telecoms, insurance and lawyers. Effective partnership and coordination arrangements have been established between TDF-1 and LUNA based on recognized relative strengths of the two project approaches, with the TDF able to provide longer term institutional and capacity building investments, and LUNA able to bring in targeted and highly specialized legal technical assistance on demand. In some cases this has involved specialization by the two projects and in other areas joint interventions. It is anticipated that such an approach will continue under TDF-2. USAID also finances an **ASEAN Single Window Project** which provides technical assistance and awareness raising across ASEAN member states, including in Lao PDR. Both projects are implemented by consulting firms.

Germany, through the Deutsche Gesellschaft für Internationale Zusammenarbeit, is implementing the third phase of the **Human Resource Development for Market Economy Project** (EUR 6.8m, 2011-2014) supporting activities across SME policy and business development support services, public-private dialogue and vocational training. With resources from the German Monterrey Fund, GIZ also implements a **Supporting Lao Integration into Regional Markets Project** (US\$ 1.0m, 2011-2013), including Germany's contribution to TDF-1. A follow on **Regional Integration of Laos into ASEAN, Trade and Entrepreneurship Development** (EUR 6.4m) program is under preparation for the period 2013-2017 aiming to support the integration of Lao PDR into ASEAN (and including GIZ's contribution to the TDF-2 MDTF).

The Swiss State Secretariat for Economic Affairs (SECO) financed project **Enhancing Sustainable Tourism, Clean Production and Export Capacity** (US\$ 4.0m, 2011-2013) provides resources for UN agencies within the UN Inter-Agency Cluster on Trade and Productive Capacity to provide technical assistance to Lao PDR, with a focus on trade promotion in the tourism sector. SECO also finances a **Lao WTO Accession Support Project** providing direct consultancy services to support WTO negotiations.

The International Finance Corporation, a member of the World Bank Group, through its **Investment Climate Advisory Services Program**, provides technical assistance to the Lao government to improve the overall enabling environment for doing business. Funded by SECO, the **Tax Simplification Project**

(US\$ 1m, 2012-2015) is supporting efforts to strengthen the tax regulatory environment and improve the tax administration system for SMEs by increasing transparency, fairness and equity. With co-funding from Korea, the **Regulatory Reform Project** (US\$ 0.3m, 2012-2015) aims to improve the legal and regulatory framework related to licensing and on broader regulatory reforms related to the World Bank Group's Doing Business indicators. The project follows on from earlier initiatives focusing on support to preparation and implementation of the Investment Law, and on broader support to public private dialogue via the Lao Business Forum.

100E 102E 104E 106E 108E 22N 20N 18N 16N 14N

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Gulf of Tonkin

LAO PEOPLE'S DEMOCRATIC REPUBLIC

- CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES