

Trade Development Facility Phase II (TDF II)

Project Completion Report

The National Implementation Unit

Department of Planning and Cooperation

Ministry of Industry and Commerce

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ABBREVIATIONS

| | |
|---------|--|
| ASEAN | Association of Southeast Asian Nations |
| BAF | Business Assistance Facility |
| CCES | Center for Customs and Excise Studies |
| CPA | Certified Public Accountant |
| DERM | Department of Enterprise Registration and Management |
| DIMEX | Department of Import and Export of the Ministry of Industry and Commerce |
| DOIH | Department of Industry and Handicraft |
| DOIT | Department of Internal Trade |
| DTIS | Diagnostic Trade Integration Study |
| e-CO | Electronic Certificate of Origin Issuing System |
| EIF | Enhanced Integrated Framework |
| ERIIT | Economic Research Institute for Industry and Trade |
| FTPD | Foreign Trade Policy Department |
| GSDC | Garment Skills Development Centre |
| HPBF | High Priority Business Formality |
| HS Code | Harmonized Item Description and Coding System |
| IA | Implementing Agency |
| ILO | International Labour Organization |
| IP | Implementation Progress |
| LBF | Lao Business Forum |
| LCTP | Lao Competitiveness and Trade Project |
| LNCCI | Lao National Chamber of Commerce and Industry |
| LPI | Logistics Performance Index |
| LSP | Lao Services Portal |
| LTP | Lao Trade Portal |
| LTRA | Lao Telecommunication Regulatory Authority |
| MoF | Ministry of Finance |
| MoIC | Ministry of Industry and Commerce |
| MoLSW | Ministry of Labor and Social Welfare |
| MRA | Mutual Recognition Arrangement |

| | |
|--------|--|
| NIU | National Implementation Unit |
| NSC | National Steering Committee for Economic Integration |
| NTFS | National Trade Facilitation Secretariat |
| NTM | Non-tariff Measure |
| PEC | Program Executive Committee |
| PRC | Project Review Committee |
| PSD | Private Sector Development |
| SME | Small and medium-sized enterprise |
| SPS | Sanitary and Phytosanitary |
| TDF II | Second Trade Development Facility |
| TFA | Trade Facilitation Agreement |
| TFS | Trade Facilitation Secretariat |
| TIU | Technical Implementation Unit |
| TPSWG | Trade and Private Sector Working Group |
| TRTA | Trade-related Technical Assistance |
| WBG | World Bank Group |
| WTO | World Trade Organization |

1 INTRODUCTION

The current report summarizes the key outputs and outcomes of Trade Development Facility Phase II (TDF II), and key lessons learned.

TDF-II is a multi-donor program financed by Australia, the European Union, Germany, Ireland, USAID and the World Bank, which focuses on improving trade and private sector development in Lao PDR. Its development objective, which is implemented by the Ministry of Industry and Commerce (MoIC), is to support the implementation of the Government's trade and integration priorities outlined in the 2012 Diagnostic Trade Integration Study (DTIS) Roadmap, and in particular to contribute to improved competitiveness and diversification, focusing outside the natural resource sectors. TDF-II has three main components:

1. Trade facilitation, trade policy and regulations.
2. Diversification and competitiveness.
3. Mainstreaming aid-for-trade.

The appraised value of the project is US\$ 16.5 million, with implementation to take place over a period of five-and-a-half years, starting in April 2013. Technical responsibility for implementation of the Trade Development Facility lies with the National Implementation Unit (NIU), based in the MoIC Department of Planning and Cooperation.

2 OVERALL ASSESSMENT

2.1 Summary of Key Results

Despite the complexity of the nature of reform areas supported by the project, the implementation of which involved more than 10 agencies within MoIC and line ministries as well as business membership organizations such as the Lao National Chamber of Commerce and Industry (LNCCI) and the Lao Textile Garment Association at central and provincial level, the TDF II project has successfully delivered all key project outputs agreed defined in the project design as well as agreed periodical work plans as well as laid down strong foundations for promoting long term legal and regulatory reforms affecting trade and enterprise competitiveness in the country.

However, by project closure not all result indicators were successfully achieved, especially those at PDO level, which is partly explained by special challenges for assessing impact of trade or private sector development programs such as TDF II. The impact chains (result framework) used to measure impact of TDF II is not much different from common best practice in measuring impact of market development or private sector development programs, which are quite complex and it often takes years for higher level of impacts to materialize.

Trade facilitation, trade policy and regulations

All planned key activities under sub-components A1: Trade facilitation support, and A2: non-tariff measure (NTM) review and rationalization have been completed. These include: gradual evolution of the trade facilitation secretariat into a national primary inter-ministerial coordinating body for trade facilitation, which played a key role in coordinating implementation of the National Trade Facilitation Strategy; adoption of the new National Trade Facilitation Roadmap; ratification of the World Trade Organization (WTO) trade facilitation agreement; upgrading the Lao Trade Portal (LTP); completion of the first ever specialized capacity building program in trade facilitation for middle-level technical officials from key agencies concerning trade facilitation, collection, classification, and uploading all NTMs onto the LTP; and conducting a detailed review of priority NTMs leading to abolishment of automatic import licenses for steel bars and transformed steel, cement, mortar and concrete.

However, partly due to the complex nature of trade facilitation and the NTM agenda and delays in starting the NTM review process, the project was not able to support significant reduction in the time and cost associated with cross border trade, or contributing to improving the overall competitiveness of Lao exports.

Similarly, all major activities planned for A3, and A4: Trade in services and trade in goods were completed during the duration of the project. These include: completion of the horizontal regulatory assessment; institutional and regulatory assessment for the telecommunication and insurance sector; capacity needs assessment for implementing Association of Southeast Asian Nations (ASEAN) mutual recognition arrangement (MRAs) covering seven professional services; technical assistance to developing necessary sector regulations (including regulations for the framework for competition, interconnection, licensing regime and spectrum management for the

telecommunication sector; regulations for governance and business conducts, reserves and solvency, and the reporting requirement of insurance companies and brokers for the insurance sector; adoption of the Bylaw of the Lao Chamber of Public Accountants and Auditors, and regulations for Lao Certified Public Accountants CPAs; and the Ministerial Decision on a Code of Ethics for Professional Accountants); and the adoption of key sanitary and phytosanitary (SPS) legislation, including the Law on Plant Protection, Livestock and Veterinary, and regulations for the import, export and transit of food products.

With the launch of the Lao Services Portal (LSP), access to services regulations has been greatly improved.

However, progress has been limited in the areas of distribution services, general regulations on business entry, and the majority of professions covered by ASEAN MRAs, as well as strengthening the inter-ministerial coordination mechanism to promote economic integration.

Highlights under **diversification and competitiveness** are summarized below:

1. **Business Assistance Facility (BAF)**

In spite of being a pioneer business development service support initiative, and some structural and environmental obstacles, the BAF program achieved all of its targets in terms of the number of businesses supported, the performance of supported businesses, and the gender target. The BAF program also proved that there is a strong demand among the small and medium-sized enterprise (SME) sector for both general business management advisory services and specialized external technical support.

2. **Factory standards improvement scheme**

The project made impressive progress on strengthening the labor inspection system through policy work, and to a lesser degree on improving awareness of labor rights and obligations, and improving working conditions within the 12 participating factories. The approval of Ministerial Decision No. 4277, the mandatory use of the labor inspection checklist, and the introduction the labor inspection toolkit with information in seven key areas of labor law, has established a strong systematic base to improve labor inspection and compliance in Lao PDR.

However, institutionalization of the newly introduced labor inspection system will be challenging, if additional external technical assistance is not available in the near future.

3. **Garment Skills Development Centre (GSDC)**

During TDF II, the GSDC further developed its capacity in the delivery of both customized advisory services as well as standard training programs for line supervisors from the garment industry and sewing operators in the general public. However, due to the small size of the highly fragmented garment industry, it is challenging for the GSDC to achieve full financial sustainability from fees earned from serving it.

The GSDC will continue to explore and develop the market for training outside the garment industry. The center is well equipped, with practical training products for the general manufacturing sector in Lao PDR. However, long term institutional and financial sustainability of the center remain uncertain.

4. Business regulations review and rationalization

The project supported all ground work for implementing comprehensive reform of business entry by completing the process mapping of existing business registration procedures, building the first ever inventory of business formalities (operating licenses, permits, certificates etc.) with a detailed costing estimate of 30 high-priority licenses (formalities) and recommendations for simplification and streamlining in line with international good practice.

Additional minor technical assistance provided concrete recommendations for drafting new instructions to streamline and improve the process involving key Startup formalities, including registration and obtaining operating licenses issued by MoIC. If implemented, important benefits should accrue to the business sector, as well as improvements in the Doing Business indicators exercise.

Challenge Facility and Research Facility

There has been strong demand for access to the facility to support priorities under the updated DTIS Roadmap for Trade and Private Sector Development. Over time, the Challenge Facility has evolved into a mechanism by which implementing agencies can swiftly and efficiently gain funding for analytical inputs into policymaking, as well as developing more specific implementing regulations/guidelines to improve enforcement of officially endorsed legislation, and as such it represents a refreshing programmatic tool through which funds can be swiftly designated towards targeted areas.

A total of 16 proposals have been approved to receive funding from the Facility, all of which have been completed and closed.

In total, nine research proposals were funded under TDF II and all research papers were completed and five papers were published in the Lao Trade Research Digest.

Public-private dialogue

The project supported institutionalization of an effective public-private dialogue mechanism through the establishment of the secretariat and more than 10 private sector working groups, and facilitating regular meetings of private sector working group leaders and relevant departments in the public sector, high-level steering committee meetings, and annual forums chaired by the Prime Minister.

Since mid-2016, the dialogue process under the Lao Business Forum (LBF) has discussed 19 priority issues faced by the private sector, which led to complete resolution of 4 issues (namely: 1. collection of VAT on bank charges; 2. abolishment of VAT on logistical cost of transit goods; 3. reclassification of printing businesses to be eligible for lower electricity tariff; and 4. reduction of

registration fee for bank collateral); and made partial progress in resolving 7 issues (namely: 1. access to labor market information; 2. reduction of time and cost for imports and exports; 3. streamlining procedures for exporting planted wood; 4. access to import and export data; 5. simplification of the business registration and licensing regime; 6. access to long-term and affordable bank loans; and 7. enhancing SME access to public procurement).

Program administration

Despite the complexity of the nature of reform areas supported by the project, the implementation of which involved more than 10 agencies within MoIC and line ministries as well as business membership organizations such as the Lao National Chamber of Commerce and Industry (LNCCI) and the Lao Textile Garment Association at central and provincial level, the TDF II project has successfully delivered all key project outputs agreed defined in the project design as well as agreed periodical work plans as well as laid down strong foundations for promoting long term legal and regulatory reforms affecting trade and enterprise competitiveness in the country.

However, by project closure not all result indicators were successfully achieved, especially those at PDO level, which is partly explained by special challenges for assessing impact of trade or private sector development programs such as TDF II. The impact chains (result framework) used to measure impact of TDF II is not much different from common best practice in measuring impact of market development or private sector development programs, which are quite complex and it often takes years for higher level of impacts to materialize.

By closure, the project exceeded specific targets set for 12 out of the 17 intermediate result indicators. The target for successful completion rates for the trade facilitation capacity building program was fully achieved.

By project closure, specific targets set for four intermediate result indicators were only partially achieved.

Fiduciary aspects

Procurement

The procurement performance for TDF II has been rated consistently as ‘satisfactory’ through the project duration. In total, the project completed 146 procurement packages for consultants, including 53 packages under the international competitive procurement method.

Financial management

The Financial Management performance of the project remained ‘satisfactory’ throughout the project life. The quarterly IFRs were submitted on time. The independent external auditors consistently reported an unqualified opinion (clean opinion), highlighting the fact that project financial reports are free from material misstatements, and that the internal control system is effective.

Disbursements

As of November 31 2018, almost all available funds from the three project accounts had been disbursed as presented in the table below.

Cumulative disbursements, including DA balances as of November 31 2018:

| Account | Currency | Allocations | Disbursements | % of disbursements | Undisbursed amounts |
|-----------|----------|-------------|---------------|--------------------|---------------------|
| IDA H8190 | XDR | 2,600,000 | 2,597,248 | 99.9 | 2,752 |
| TF 14189 | USD | 9,900,000 | 9,900,000 | 100.00 | 0 |
| TFA 3946 | USD | 2,500,000 | 2,498,891 | 99.8 | 5,109 |

In terms of resource utilization, by project closure, 98.86% of total available project fund (16,181,000) had been used. The table below summarizes detailed budget and expenditures by project component.

NIU role

NIU's role in coordinating trade-related assistance and implementing TDF-II has been critical to progress in improving the trade and investment environment and in increasing the Government's capacity to support regional and global economic integration and economic diversification, and move Lao PDR towards greater and more effective participation in the global economy. It has worked towards achieving these broad objectives by focusing on the implementation of the DTIS Roadmap priority areas for trade-related assistance in areas covering trade facilitation, the business environment, firm-level competitiveness, promoting evidence-based policy making and public-private dialogue. NIU's outputs provide compelling evidence of the strength of its capacity in planning, coordination, implementation, procurement, financial management, and reporting. As the staff gain confidence in their own knowledge and capabilities, their ability to monitor and supervise the substantive work of projects and individual consultants has grown and become stronger.

Key lessons learned

In the view of the main implementing agency, a number of useful lessons have been learned related to TDF-II. These can be grouped into the following areas: a) intervention design; b) implementation modality; and c) operational aspects.

Project Design

Lesson 1: Strong engagement of key stakeholders and beneficiaries in project design enhances national ownership. Strong engagement of both implementing partners and project beneficiaries

at all stages of project design created a high degree of national ownership of the project, which became the most critical factor in its success.

Lesson 2: Investment in project design pays off. A large number of technical experts from the World Bank, DFAT/Australia, and EU from the donor side, and all technical departments from MoIC, other line Ministries (the Ministries of Agriculture and Forestry, Planning and Investment, Labor and Social Welfare, and Finance), LNCCI, and the Lao Textile and Garment Association took part in the design of TDF II. The whole design process took place over a one-year period, providing sufficient time for key stakeholders to digest proposed project concepts and provide their inputs through the lens of an implementing agency.

Lesson 3: Pilot of DTIS Challenge Facility was successful. The Challenge Facility established under TDF-II generated strong demand for access to the facility to support priorities under the updated DTIS Roadmap for Trade and Private Sector Development, and it has matured into a mechanism to support analytical inputs into policymaking as well as targeted technical assistance in specific areas of public policy and business regulatory reform. A number of specific lessons learned from the DTIS Challenge Facility include:

- Challenge facility has proven to be an effective tool to address demand driven government policy reform initiatives;
- While the facility enforces government ownership in identification, design and implementation of specific reform initiative, it also requires closed technical support to guide implementing agencies through the whole project cycle;
- The facility also creates competition among agencies to produce tangible results;
- Effective tool to pilot new reform initiative before committing to provide long term support (for example: CF proposal to support public private dialogue and CF proposal to support reform around DB indicators)

Lesson 4: Pilot of the matching grant scheme under the BAF was very successful. The BAF includes free advisory services and a challenge fund, which have clearly defined strategies/principles for sharing the cost and risk of private investment, based on proposals from businesses. A number of key specific lessons can be learned from the BAF, including:

- The role of the fund manager should not be as a remote ‘hands-off’ disbursing of grants, but rather as a ‘hands-on’ investor of social venture capital.
- The purpose of any challenge fund should be to contribute to wider systemic (i.e. beyond project level) change; most funds get bogged down in narrow and short-term projects.
- The ‘challenge’, of challenge funds, should be clearly defined and informed by research, engagement and experience.
- Money should be seen as just one of a fund manager’s tools for engaging effectively with private firms.
- Larger firms represent stronger partners, with greater implementation capacity, and larger projects with larger firms tend to offer more potential for systemic impact.

- Partner firms should concentrate on delivering the commercial (private) objectives of the project. The fund manager should concentrate on ensuring that the social (public) objectives of the fund are measurable and significant.
- The principle of ‘cost-sharing’ is central to the concept of a ‘Matching Grant’ facility. The intention is not to substitute the core costs of the partners’ business models but rather to supplement them with technical assistance and small amounts of money to reduce the risks associated with innovation development and wider outreach. In principle, the total grant should be no more than 50% of the project costs.
- The Fund would be managed by a team of professional experts on a day-to-day basis, by a Fund Manager supported by full-time professionals. Their tasks would include the co-development of project proposals and the monitoring of disbursements and impact. Management should be light-touch, arms-length, and primarily about the performance of the business.
- The key concept of BAF is being replicated in a number of areas, including agriculture productivity improvement, agro-processing upgrading, and business start-ups.

Implementation modality

Lesson 5: Align activities within existing structures and building ownership. TDF-II worked well because of strong government ownership. The buy-in was largely due to the alignment of all activities within the Government’s existing structures. However, the greatest organizational challenges arose from supporting a reform agenda involving multiple agencies such as trade facilitation, services liberalization, and business entry regulations that require intra- and inter-ministerial collaboration.

Lesson 6: Harmonize program design and implementation with other trade-related technical assistance. The adoption of a single governance framework for all trade-related technical assistance (TRTA) in Lao PDR under various structures of the Trade and Private Sector Working Group (TPSWG) (such as semi-annual TPSWG meetings, Program Executive Committee meetings, and Project Review Committee meetings) enhances synergy between trade and private sector/SME development, facilitates collaboration between line Ministries/agencies and between the Government, development partners and the private sector.

Operational Aspects

Lesson 7: Program sustainability requires medium- to long-term engagements with a strong focus on capacity building and skills strengthening. A strong central management unit is critical to program success. TDF-II benefited from the early development of the NIU as a fully functioning program management unit with strong monitoring capabilities and a robust system of fiduciary control.

Lesson 8: Maximize the results framework for monitoring project implementation progress. The TDF-II results framework benefitted from the inclusion of objectively verifiable benchmarks for which leading indicators were available for the evaluation. However, TDF II could benefit from a

more robust results chain with clearly defined indicators for *inputs, activities, outputs, outcome, and impact*.

Lesson 9: Accelerate start-up of activities by preparing procurement of large contracts early on.

The TDF-II project was slow to start because of the sequencing of appraisal, agreement signing, and establishment of the institutional mechanisms. One way to avoid similar delays in Lao Competitiveness and Trade Project would be to prepare large contracts and initiate advanced procurement following official project negotiation.

2.2 Implementation Progress by Component

2.2.1 Component A: Trade Facilitation, Trade Policy and Regulations

Component A has four sub-components: trade facilitation support (A1); non-tariff measures review and rationalization (A2); trade in services (A3); and trade in goods (A4). The components build on the success of trade facilitation and trade policy activities under TDF I, and consist of a number of inter-related activities aimed at improving transparency and predictability, and lowering associated compliance costs for traders. Trade facilitation activities focus primarily on improving inter-agency coordination and supporting the adoption of modern risk-based approaches to managing regulatory compliance in non-customs agencies, including reform of NTMs. The trade policy aspect of the project focuses on the provision of essential and continued technical assistance in support of WTO accession-related efforts, but progressively shifting to a ‘beyond WTO’ agenda focused on effective implementation of goods and services commitments at both WTO and ASEAN level, including a strong emphasis on private sector engagement.

Sub-component A1: Trade facilitation support

Objectives

Trade Facilitation Support under TDF II focuses on three separate but interrelated sub-components:

1. Direct assistance to the Department of Import and Export (DIMEX) at MoIC to support and enhance the operation of the Trade Facilitation Secretariat.
2. Capacity building for middle to senior managers in all participating trade-related ministries and agencies, focused on developing a cadre of officials that understand and are able to apply modern risk-based approaches to regulatory compliance, and effectively plan and guide ongoing trade facilitation reform efforts.
3. Additional support to ensure effective maintenance and timely updating of the Trade Portal and its expansion in scope to meet commitments under the General Agreement on Tariffs and Trade Article X and ASEAN with respect to the posting all NTMs on a National Trade Repository and its eventual connection to the ASEAN Trade Repository.

Key results:

A1.1. Trade Facilitation Support and Action Plan Implementation

This sub-component supports the Trade Facilitation Secretariat housed in DIMEX to fully achieve its objective of serving as the principal vehicle for discussing national trade facilitation issues and priorities, and ensuring effective coordination, monitoring and implementation of Lao PDR's National Trade Facilitation Strategy and Action Plan.

The project provided both national and international technical assistance throughout its duration to support DIMEX in performing its core trade facilitation secretariat functions. The secretariat was tasked with leading and coordinating the implementation of the National Trade Facilitation Strategy and Action Plan, including: implementing Lao PDR's commitments under WTO, ASEAN, and GMS; addressing specific issues raised by the private sector; and coordinating the efforts of relevant agencies to simplify and modernize non-customs border procedures.

Key results of the sub-component include:

- Gradual transformation of the National Trade Facilitation Secretariat (NTFS) into important platforms for inter-ministerial coordination and stakeholder consultation with the increasing participation of private sector representatives and improved coordination with relevant private sector working groups under the LBF.
- The NTFS convened its regular technical and semi-annual meetings to discuss emerging issues and to review progress in implementing the trade facilitation strategic plan. Among other things, the NTFS enabled the adoption of the NTM review and streamlining work plan and the establishment of the NTM working group.
- Completion of a comprehensive review of the implementation of the Trade Facilitation Strategic Plan for 2011-2015.
- Ratification of the WTO Trade Facilitation Agreement (TFA). Lao PDR is the 18th WTO member and the second Least Developed Country to ratify the TFA.
- Development and validation of a new Trade Facilitation Roadmap covering the period 2017-2022 through extensive consultation with public and private stakeholders at central and local level.
- Endorsement of the Roadmap on Trade Facilitation in August 2017 led to the establishment of 17 Technical Implementation Units (TIUs) in key line departments including Agriculture, Livestock and Fisheries, Food and Drugs, Transport, Standards and Meteorology, Customs, and Information Technology.
- Following endorsement of the Roadmap, the detailed assessment and validation of measures under Cat A (in implementation), Cat B (requiring time to implement,) and Cat C (requiring both time and technical resources to implement) were carried out and specific action plans for implementing measures under Cat B and Cat C were endorsed.
- In order to further enhance the effectiveness of the NTFS, the Government upgraded NTFS to the National Committee for Trade Facilitation under the chairmanship of the Deputy Prime Minister.

- Specific trade facilitation issues addressed included:
 - Cumbersome procedures for exporting rice in Savannakhet province.
 - Inconsistent implementation of the customs declaration at one of the customs checkpoints in Sayaboury province.
 - Enforcement of the Customs Department’s Notification on temporary importation of raw materials and semi-finished products for further processing and re-export.
 - Lengthy procedures for export of processed wood and charcoal.
 - Lengthy process for issuance of import permits for medicine.
 - Lengthy approval process for transiting goods between Malaysia and Lao PDR through Sadao customs checkpoint.
 - Transit charge imposed by Ha Tinh provincial authority.
 - Impact of concession agreement on exporting bananas to China from Oudomxay province.
 - Problems relating to exporting bananas from Lao PDR to China via Vietnam.

A1.2. Capacity Building for Managers in Trade-related Agencies

Sub-component A1.2 is designed to strengthen long-term sustainability by supporting the development of a critical mass of skilled and motivated senior and middle managers across all trade facilitation agencies to ensure effective inter-agency collaboration and implementation of the Lao PDR Trade Facilitation Strategy and related initiatives. This component is contracted to the Center for Customs and Excise Studies (CCES) to carry out training needs assessments, design training programs and deliver training of trainers, and training for both senior and middle managers in trade-related agencies.

A total of 265 technical and middle level officials from various relevant border agencies, including those at provincial level were trained under the Trade Facilitation Capacity Building Program, of which 79 are female. 06 national trainers were also trained, who can now deliver training in local languages.

All three training programs developed and delivered by the CCES received high satisfaction ratings from the participants in key aspects of the program, including content, quality of materials, trainers, and their applicability in the Lao context. DIMEX is planning to utilize national trainers who have completed the training of trainer’s course delivered by CCES to conduct some training programs for relevant officials in trade-related agencies in the coming months.

A1.3. Lao PDR Trade Portal Support and Development

This sub-component aims to ensure that all the information provided on the Lao Trade Portal (LTP) is kept strictly up-to-date and that system reliability is good. This component finances one content coordinator, maintenance and upgrade of the Portal and additional enhancement where possible.

The ongoing operation of the LTP has been up-to-date throughout the project duration and similar initiatives have been replicated in developing countries including Bangladesh, Botswana, Cambodia, Lesotho, Malawi, Myanmar and Nepal. The LTP complies with ASEAN Trade in

Goods Agreement National and ASEAN Trade Repository Requirements. DIMEX has maintained and ensured that the Portal is live, up-to-date, stable and relevant. The trading community continues to have positive feedback on the LTP.

The LTP V2 software was successfully installed, tested, accepted and went live on 19 April 2018. In addition, a new suite of management reports was developed and deployed for the LTP. These reports make it easier to monitor the content of the LTP, measure progress, identify outstanding tasks and to identify areas of the LTP that needed updating and/or maintenance.

The number of LTP visitors has also grown substantially. The total number of page views in the first 9 months of 2018 reached 315,065, which equates to an average of around 276 visitors per working day. As of the end of September 2018, the cumulative hits on the home page exceeded 1.8 million since the LTP launch in June 2012. The viewing figures thus continue to indicate targeted and sustained interest from a regular readership. The LTP has also benefited from the efforts of the NTM Review Team that have resulted in several additional standards and procedures being identified and uploaded. This demonstrates the importance of coordinating efforts with the various initiatives concurrently undertaken by the Ministry.

Sub-component A2: Non-tariff measures review and rationalization

Objectives

The NTM review and rationalization component is designed to complement and extend ongoing efforts to streamline and harmonize NTMs. It focuses on three interrelated activities or sub-components and is designed to:

- Enhance transparency and predictability by making additional information on trade requirements and procedures (including NTMs) available via the Trade Portal, and to ensure Lao PDR is able to meet its commitments associated with participation in the ASEAN Trade Repository program.
- Establish a sound and well-resourced capacity to identify, categorize and review NTMs with a view to achieving a major reduction in the trade restrictive impact of NTMs and, where feasibly possible, their streamlining, or when they no longer serve sound policy objectives, their elimination.
- Identify and assess the impact of NTMs faced by Lao PDR exporters in ASEAN and other key markets and strengthen the capacity of relevant officials to participate in negotiations on the elimination, streamlining and harmonization of NTMs.

Key results

- A total of 384 NTMs have been collected, classified based on UNCTAD classification, and posted on the LTP.
- The establishment of an NTM Working Group consisting of representation from 16 key trade related agencies under the umbrella of the National Trade Facilitation Secretariat was an important step in moving the NTM agenda forward.

- By the end of the project, 104 NTMs had been reviewed under agreed review methodology. This represents a major achievement by the NTM team. The reviews recommend that 55 NTMs be repealed, 25 be retained as is (fit for purpose), and 24 be significantly amended – required but not effective as currently used or applied.
- Following the review process, MOIC removed import licenses for steel bars and transformed steel, cement, mortar and concrete.
- The majority of the 25 NTMs recommended for amendment represent overuse of inspections by border agencies. Once the above recommendations are reviewed by the NTM issuing agencies, it is likely that further NTMs will be removed, amended or repealed, in the near future.
- As part of a review of the content of the LTP, approximately 300 additional National Standards were identified, confirmed and entered by the NTM team in the LTP, taking the total number of National Standards in the LTP to 438. This means the LTP National Standards stock is up to date for the first time since 2014.
- To improve the quality of information available to traders, a major exercise was undertaken to update all HS Codes in the LTP where relevant to any particular Measure. This resulted in the upload of over 13,000 HS Codes to the LTP and corresponding procedures of more than 130 measures were also developed, and as at August 2018, the latest Lao 2018 Tariff update was uploaded and available through the LTP.
- A major exercise was undertaken to match Prohibited, Hazardous and Dangerous chemicals and wastes to HS Codes within the LTP, leading to matching over 1,000 chemicals and wastes to the Lao Tariff and loading them against the appropriate Measures. This exercise was a first for Lao PDR and the first for Trade Portals anywhere.
- Completed review of NTMs administered by four key agencies (the Departments of Agriculture, Food and Drug, Livestock and Fishery, and Metrology and Standards) as well as NTMs faced by Lao exporters of agriculture products. Outputs from these reviews will provide useful inputs for future NTM rationalization and streamlining.

Conclusion

All planned key activities under sub-component A1: Trade facilitation support and A2: NTM review and rationalization have been completed. These include: gradual evolution of the trade facilitation secretariat into a national primary inter-ministerial coordinating body for trade facilitation, which played a key role in coordinating implementation of the National Trade Facilitation Strategy; adoption of the new National Trade Facilitation Roadmap; ratification of the WTO trade facilitation agreement; upgrading the Lao Trade Portal; completion of the first ever specialized capacity building program in trade facilitation for middle-level technical officials from key agencies concerning trade facilitation, collection, classification, and uploading of all NTMs to the LTP; and conducting a detailed review of priority NTMs leading to the abolishment of automatic import licenses for steel bars and transformed steel, cement, mortar and concrete.

However, partly due to the complex nature of trade facilitation and NTM agenda and a delay in starting the NTM review process, the project was not able to support significant reduction in time and cost for cross border trade and contributing to improving the overall competitiveness of Lao exports.

Sub-component A3: Trade in services

Objectives

The objective of this component is to strengthen the governance of the regulatory environment affecting services trade by: improving understanding of the services sector; providing for greater access to and transparency of services regulations; and enhancing the performance of key services sectors. This component has two interrelated sub-components: 1) enhancing regulatory capacity in services trade; and 2) improving access to services regulations.

Key results

Horizontal Regulatory Assessment

The regulatory assessment of services trade and investment was successfully completed. The assessment identified laws, regulations and administrative practices that are limiting the potential of the services sector in Lao PDR. In particular, the regulatory assessment included the following elements: i) a mapping of laws and regulations relevant to trade in services; ii) their assessment in light of Lao PDR's WTO and ASEAN commitments; and iii) the identification of areas where laws and regulations need to be adopted or amended in order to fully reap the benefits of services reforms.

The assessment found that while some important formal restrictions on the services sector remain in place, services in Lao PDR are mostly hampered by limitations associated with weak governance. The assessment offers a number of specific recommendations for action in different areas, including on horizontal matters that affect services sectors across the board.

Within the context of the 2014 Horizontal Regulatory Assessment, a technical note on distribution services was drafted in January 2017 outlining policy recommendations to address the inconsistencies between the existing legislative framework and the country's commitments at regional and international level. Based on these recommendations, three implementing regulations on distribution services were also prepared for further review and endorsement.

Telecommunications

An evaluation of the telecommunications regulatory and institutional framework in line with Lao PDR's WTO obligations was supported by the project. The assessment concluded that the two main priorities for compliance with the WTO Telecom Reference Paper are: i) the establishment of a sector regulator independent from the policy-making role; and ii) the implementation of a licensing framework to allow the authorization of telecommunications operators. The project also provided support to the Ministry of Posts and Telecommunications in the drafting of regulatory instruments, in particular on the framework for competition, interconnection, licensing regime and spectrum management. All of these regulations were officially endorsed during the project

duration. The Ministry of Posts and Telecommunications is in the process of revising the Telecom Law and upgrading the Decree on radio frequencies into Law.

Insurance

An evaluation of existing institutional capacity and technical support to the Ministry of Finance (MoF) in improving the regulatory and monitoring framework for insurance services was supported. Along with policy recommendations, the evaluation report also include draft regulations and the establishment of the Insurance Association.

Following the sector regulatory assessment, additional technical assistance was provided through the DTIS Challenge Facility, key outputs of which include: drafting of by-laws towards the establishment of a National Insurance Association that will exercise a degree of self-monitoring and regulation for the industry; supervision manual and regulation on reinsurance and inspections; and drafting and endorsement of three key regulations (Regulation on governance and business conducts; Regulation on reserves and solvency, and Regulation on reporting requirement of insurance companies and brokers).

Professional Services

The needs assessment of the ASEAN MRAs, which examines what Lao PDR needs to do to participate fully in the ASEAN Mutual Recognition Agreements (MRAs) for accountants, engineers, architects, surveyors, medical practitioners, dental practitioners and nursing services, was completed.

Among other things, the assessment report: provides an analysis of the gaps between MRA requirements and existing Lao implementation; outlines the issues and challenges that face the various stakeholders responsible for the MRAs as they complete the implementation process; sets out summary recommendations as to how Lao PDR can maximize the benefits of its participation in the MRAs; outlines the actions that flow from these recommendations, including road maps for each MRA sector; and indicates further technical assistance needs.

Following the needs assessment, the project provided further technical assistance to enhance the competitiveness of Lao professional accountants and enable them to fully benefit from the ASEAN MRA on Accountancy services.

Key results include:

- Development and adoption of Bylaw of the Lao Chamber of Public Accountants and Auditors; Regulation on Lao CPA; and Ministerial Decision on Code of Ethics for Professional Accountants.
- Conducting the first aptitude test for foreign CPAs.
- Completed capacity building program for the Lao Chamber of Professional Accountants and Auditors, focusing on evaluating the ethical and professional knowledge and skills of existing professional accountants, designing a special continuing professional development training program for existing professional accountants, and training trainers for a professional-level Association of Certified Chartered Accountants qualification, and developing a comprehensive accountancy syllabus by incorporating the newly adopted financial reporting standards and training of trainers with the objective of producing

qualified accountants that can qualify as ASEAN CPAs. In total, 10 existing CPA were trained as trainers.

Lao Services Portal

After some delay, the Lao Services Portal (LSP) was officially launched on August 31 2017, and it is now available at www.laoservicesportal.gov.la. The Foreign Trade Policy Department (FTPD) gave proof of ownership and commitment by adding a number of resources to the Portal during the last phase of the project. For example, five new legislative texts were analysed and uploaded, as well as several new forms and procedures, 400 measures were translated into Lao and some static pages were finalized. Overall, 5,114 pages were viewed, and 18 individuals have registered as members.

As a sustainability measure, a number of capacity building workshops were successfully organized for representatives from 20 line ministries and MoIC officials, with a view to enabling them to effectively identify, analyze and classify services measures.

Sub-component A4: Trade in goods

This component was designed to address the key challenges associated with the implementation of WTO obligations, effective participation in ASEAN, and taking full advantage of trade opportunities available through Lao PDR's participation in the multilateral trading system. Activities built on work undertaken during TDF I and focused on: i) strengthening trade policy coordination mechanisms; ii) disseminating commitments and building capacity on trade remedies; and iii) further strengthening the legal framework for Sanitary and Phytosanitary (SPS) measures. All activities under this component were completed in March 2017.

Key results

A4.1. Strengthening trade policy coordination mechanism.

As envisaged in the project appraisal document, in order to cope with challenges associated with the implementation of WTO obligations, effective participation in ASEAN, and taking full advantage of trade opportunities made available by participation in the multilateral and regional trading system, the Government decided to restructure the former WTO Accession Secretariat under the National Steering Committee for Economic Integration (NSC) into a single body responsible for coordinating foreign trade policy formulation and negotiations.

Necessary technical support has been provided to FTPD to perform its secretariat functions to the NSC, including facilitation of consultation processes with the private sector, establishing information exchange mechanisms, keeping track of work and assessing the progress of trade negotiations under ASEAN (including ASEAN – Hong Kong Free Trade Agreement, the Regional Comprehensive Economic Partnership, ASEAN Chairmanship, review of existing bilateral trade agreements).

During 2016, the NSC Secretariat was overloaded with the task of Lao PDR's ASEAN Chairmanship, particularly the preparation of all major activities under the ASEAN Economic

Pillar. As a result, and due to the changes in government structure for the NSC, the meeting of the 13th National Steering Committee for Economic Integration originally planned for the end of 2015 was postponed.

In an effort to better align various committees relating to trade and private sector development, including linkages with the LBF, the MoIC Department of Planning and Cooperation proposed a new decree to establish a coordination structure that will encompass Trade Integration, Trade Facilitation, Business Environment, and Competitiveness under the National Committee for Trade & Private Sector Development, to be chaired by either the Prime Minister or the Deputy Prime Minister, with a view to replacing the NSC. However, official submission of the proposed Decree is still pending.

Further Strengthening of the SPS Legal Framework.

The primary objective of this sub-component is to improve SPS legislation by removing gaps and inconsistencies, and strengthening compliance with WTO and ASEAN. It also strengthens capacity in the SPS departments and contributes to closing the gap between Lao PDR and other countries in SPS management capacity, and thus contributes to improved economic integration.

Additional technical support was provided to key SPS agencies to finalize all relevant implementing regulations in order to ensure all legislation and regulation under the Law on Plant Protection, the Law on Livestock and Veterinary Matters, and the Food Safety Law are fully consistent with commitments made under WTO and ASEAN. However, by the end of the project, due to the busy schedule of Government monthly meetings, the secondary legislation for the Plant Protection and Livestock Law by the Minister of Agriculture has not been approved. While ministerial and departmental implementing regulations have been agreed and finalized, they cannot be officially endorsed before Government's approval of two key Prime Minister's Decrees (Decree on Veterinary Drugs, and Decree on Veterinary Feeds). The regulatory framework has been fully updated for the Food Safety Law, including adoption of a Ministerial Decision on the import, export and transit of food.

A4.2. Disseminating commitments and building capacity on trade remedies

During the project duration, extensive dissemination workshops on opportunities and challenges associated with WTO membership and key commitments under AEC were organized at both central and local level. These workshops reached out to more than 500 participants from the public and private sectors and academia.

Drafting of the Law on Anti-Dumping and Countervailing Measures was supported by the LUNA-2 project. It is now scheduled for submission to the National Assembly session in 2019. It will complement the Law on Safeguards to establish a trade remedy legal framework, which was endorsed by the National Assembly in June 2018.

Conclusions

As with sub-components A1 and A2, all major activities planned for A3 and A4 were completed during the project duration. These include: completion of the horizontal regulatory assessment; institutional and regulatory assessment for the telecommunications and insurance sectors; a capacity needs assessment for implementing the ASEAN MRAs covering 7 professional services; technical assistance to developing necessary sector regulations (including regulations on the framework for competition, interconnection, licensing regime and spectrum management for the telecommunication sector; regulation on governance and business conduct; regulation on reserves and solvency; regulation on the reporting requirement of insurance companies and brokers for the insurance sector; adoption of the Bylaw of the Lao Chamber of Public Accountants and Auditors; regulation on Lao CPA; and the Ministerial Decision on Code of Ethics for Professional Accountants); adoption of key SPS legislation including the Law on Plant Protection, Livestock and Veterinary; and regulation on the import, export and transit of food products.

With the launch of the Lao Services Portal, access to services regulations has been greatly improved.

However, progress has been limited in the areas of distribution services, general regulations on business entry, and the majority of professions covered by ASEAN MRAs, as well as strengthening the inter-ministerial coordination mechanism to promote economic integration.

2.2.2 Component B: Diversification and Competitiveness

Component B includes a new set of activities aimed at supporting the private sector outside the natural resource sectors to improve their competitiveness in domestic and international markets.

Sub-component B1: Business Assistance Facility

The primary objective of the proposed BAF is to support individual firms in building their skills and experience, so as to become more competitive through the provision of two forms of assistance to individual private firms operating within Lao PDR:

1. Direct consulting services, supplied by professionals staffing the BAF team, advising the individual firms on their business expansion plans.
2. Matching grants to assist the individual firms financially in purchasing specialized business development services in support of their growth plans.
3. Impact evaluation.

Key results

The BAF matching grant program started in October 2013 and finished in March 2017 (3.5 years). At its closure in March 2017:

- BAF had assisted 208 firms, of which 34% were woman-owned, and BAF-assisted firms achieved average growth rates 21% higher than those of non-assisted companies.

- The final independent evaluation report of 28 March 2017 found that: “BAF met and surpassed their main goal of increasing the revenue growth of supported firms by 20% more than non-supported firms” and the program was successful in surpassing the target number of assisted firms.

In terms of process, the final evaluation reported that “encouragingly, BAF-supported firms were generally satisfied with the quality of advice and support they received from the BAF team. The general view is that the team’s advice is professional, informative and clear, and recommended services that were in the best interest of the firms.

Also encouraging is that most BAF-supported firms believed the processes relating to applying for a grant and claiming for a reimbursement were relatively straightforward.”

In spite of some structural and environmental obstacles, the BAF program achieved all of its targets and established that there is a strong entrepreneurial drive in the Lao SME sector waiting to be harnessed and developed. There was enthusiastic take-up of BAF services, with a strong beneficial impact on the assisted SMEs; and there is a clear case for a continuation or re-launch of a similar program.

Sub-component B2: Labor standards and manufacturing productivity

This component is designed to address the labor supply, labor productivity, and buyer confidence constraints for the garment industry, by improving factory working condition standards through support to factory inspection and training in two sub-components.

B2.1: Factory standards improvement scheme

The objectives of this sub-component are to: i) improve respect for national laws and international working condition (labor) standards in Lao garment factories; and, ii) develop buyers' confidence that standards in these factories are being publicly monitored, and reliably and accurately reported. This will be done by: a) strengthening the supervision of working condition standards by the Ministry of Labor and Social Welfare (MoLSW) Labor Inspection Division to an internationally recognized level of competency and operational effectiveness; and b) developing and projecting tripartite industry commitment to improve and monitor these standards as a means of increasing employment in the sector. All activities under this sub-component were completed by the end of August 2017.

Key results

- Supported significant labor inspection policy changes and strengthened capacities of various partners. However, the long-term impact of the project is very much dependent upon the actions of the tripartite constituents in the near future.
- It is critical to have follow-up activities to ensure the changes are institutionalized. Final judgements on value for money, long-term impact, and sustainability are thus dependent upon the willingness and resources of the tripartite constituents, particularly MoLSW, to consolidate the gains of the project.

- The project made some impressive progress on strengthening the labor inspection system through policy work, and to a lesser degree on improving awareness of labor rights and obligations, and improving working conditions within the 12 participating factories.
- The approval of Ministerial Decision 4277, the mandatory use of the labor inspection checklist, and the introduction the labor inspection toolkit with information in seven key areas of labor law, have established a strong systematic base to improve labor inspection and compliance in Lao PDR.
- The core group of Labor Inspectors has improved its knowledge of labor law and as a result is better respected in garment enterprises. The consolidation of the Labor Management Department to 70 Labor Inspectors should help expand the gains from the project to the provinces.
- Working conditions have improved in most of the 12 pilot factories that participated in the project. There is also evidence to suggest the knowledge of labor law among employers and workers in the pilot factories has increased. However, the progress in these two areas is patchy. This often seems to be driven by acceptance, or lack thereof, by factory Human Resources Managers, and their ability to persuade the owner(s) of the benefits of being involved. Workplace improvements have tended to target the easier options, it has been difficult to get updated work improvement plans, and it is unclear whether factories will continue these activities after the project.
- The project was ambitiously designed, and expected too high results for a short two-and-a-half-year project. It estimated that policy changes would take place early in the project, which would build the foundation for achieving the other outputs and outcomes. This was optimistic, and as a result, activities were delayed. Most of the activities should be achieved by the end of project, but the depth to which they could be undertaken, and the institutionalization of changes by the implementing partners was weakened by the delay and the short-term nature of the project.
- The tripartite partners have a challenge moving forward to ensure the sustainability of the project. This will require critical discussion about what role the Labor Inspectors should have, what responsibilities the garment sector will take on, and what other sectors the labor inspection system should reach. The framework for a strong labor inspection system has been developed but it requires institutionalization by finalizing the strategic plan for 2017-2020, ensuring that the provinces develop plans to complement this, obtaining a sufficient budget, and ensuring that structures are in place to manage and mentor the labor inspectors.
- The garment industry element of the project faces more substantial challenges. It is not clear how in its current form a future project could attract more garment enterprises. The Association of the Lao Garment Industry, possibly with International Labour Organization (ILO) support, needs to work to highlight the gains made by the factories currently involved.

There also needs to be agreement on whether a future project should be mandatory for the sector, and what possible extra incentives to participate could be identified.

- In order to institutionalize changes in labor inspection introduced by the project, the ILO has already secured additional funding from the ‘Vision Zero Fund’– a multi-donor initiative to promote labor standards in export-oriented industries, including garment manufacturing in Lao PDR, with a focus on occupational safety and health and employee insurance schemes to protect workers against workplace accidents and diseases in global supply chains.

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

The focus of this sub-component is to support the transition of the GSDC towards a fully sustainable operating model, with financial and operational independence, and with the capability of advising enterprises on management systems that help improve labor standards hand-in-hand with productivity. With technical assistance, GSDC will embed within its current service offerings advisory services using international approaches, as well as international training for management and workers that is adapted to Lao PDR.

Key results

This sub-component focuses on support to the GSDC established under the supervision of the Association of Lao Garments Companies with support from TDF I. The objective is that the GSDC be financially and operationally independent by the end of TDF II, and the expectation was that from November 2015, GSDC would begin a gradual phase-out of project financing towards self-financing of its revenue-generating activities. Specific results include:

- GSDC has continued to provide both training and advisory services to members of the Lao Garment and Industry Association and general public on topics including quality management, supervisor qualification, production, pattern and HR management, as well as soft skills trainings (leadership and marketing).
- Along with provision of training and advisory services to the industry, GSDC has developed a number of training products for development projects active in vocational education, including training of trainers, adult teaching methods, basic training for sewing operators.
- Today, GSDC has an independent management board, which approves GSDC medium-term strategy and the annual business plan, and sets performance targets. As of September 2018, GSDC had trained more than 1,500 trainees (including 1,200 women) and generated accumulated revenue of US\$285,000 from their services, and is on track to become a financially sustainable institution.

Sub-component B3: Business Regulations Review and Rationalization

This sub-component was added to TDF II in December 2016, and effectively started in January 2017. It aims to support transparency and rationalization of regulations related to business entry and operations focusing on two interrelated tasks: 1) mapping and reforming the business registration process; and 2) inventory of business formalities and recommendations for improving the business formalities system.

Under task 1, the project supported documentation of current business registration process mapping through detailed legal, institutional, and administrative mapping that was validated by relevant government authorities at central level (Vientiane Capital), provincial level (Vientiane Capital and Champasak Province) and two selected districts (Xaysetha in Vientiane Capital and Pakse in Champasack Province).

Based on ‘AS IS’ process maps with insights from international best practices, a new process scheme was proposed based on the following key recommendations:

- Introduce an ex-post scheme for business registration.
- Loosen the pre-registration requirement and tighten post-registration monitoring/inspection capacities.
- Make all information related to business registration publicly available online.
- Establish a mechanism for enforcing time commitments.
- Make the inter-ministerial coordination mechanisms more effective.
- Simplify unnecessary procedures to post-registration (for example: registration of articles of association and list of assets, seal carving and utilization permit, company signage formalities).
- Avoid duplication of information requirements and annexed documents during application preparation and submission.
- Take advantage of information and communication technology.

Under task 2, the project completed establishing the inventory of all business licenses, permits and authorizations, etc. (defined collectively as the ‘Business Formalities’).

The inventory compiled consisted of 208 formalities enforced by 17 ministries. For each business formality, the inventory lists key information and requirements including its name, the public enforcing authority, legal and administrative justifications, the existence of an official application form, the official fee and response time to obtain approval.

After triage discussion with the key inputs from the panel of experts, 30 high-priority business formalities were selected. The project measured their compliance costs for the application of business formalities by the adjusted Standard Cost Measurement methodology of the ResultReformCalculator of the ‘AS IS’ situation, and prepare a model a set of detailed recommendations for each HPBF was implemented to show the ‘TO BE’ situation. In addition, the

project proposed the following four schematic policy recommendations to guide business formalities reform in the medium term:

- Set up a national registry of formalities.
- Adopt key principles and minimum quality criteria to enforce all formalities through new legislation.
- Review official fees based on a cost-recovery principle.
- Eliminate as far as possible the justification documents to be attached to formalities or the pre-requisite regulatory requirements when such documents or those requirements are unjustifiable.

In order to accelerate implementation of PM Order No. 02, additional technical assistance was provided to DERM, DOIT, and DOIH focusing on: 1) streamlining two licenses (manufacturing and retail/wholesale business licenses) issued by MoIC; and 2) reviewing MoIC Instruction N° 0537 on new business registration procedures as part of the implementation of PM Order No. 02.

General recommendations include:

- Business registration should not be considered an authorization but a public service for businesses.
- Consider administrative burdens imposed on business by the licensing process in terms of excessive compliance costs, time spent on the processes and the waiting time for receiving the final response, the risk of discretionary decisions, and unjustified fees and irregular payments.
- Increase coordination with other agencies.
- Define the mandate and aims of DOIH licensees.
- Increase the use of Information and Communication Technologies.
- Adopt a risk-based regulation approach.

This time-limited project achieved progress in terms of appraising the overall business startup system under the mandate of MoIC, and proposed concrete steps for streamlining and improving the process involving key Startup formalities – that is the formalities including registration and obtaining opening licenses. If implemented, important benefits should accrue to the business sectors as well as improvements in the Doing Business indicators exercise.

Conclusions

1. BAF

In spite of being a pioneer business development service support initiative, and some structural and environmental obstacles, the BAF program achieved all of its targets in terms of the number of businesses supported, and the performance of supported businesses, including the gender target.

The BAF program also proved that there is a strong demand among the SME sector for both general business management advisory services and specialized external technical support.

2. Factory standards improvement scheme

The project made impressive progress in strengthening the labor inspection system through policy work, and to a lesser degree in improving awareness of labor rights and obligations, and improving working conditions within the 12 participating factories. The approval of Ministerial Decision 4277, the mandatory use of the labor inspection checklist, and the introduction the labor inspection toolkit with information in seven key areas of labor law, has established a strong systematic base to improve labor inspection and compliance in Lao PDR.

However, institutionalization of the newly introduced labor inspection system will be challenging, if additional external technical assistance is not available in the near future.

3. GSDC

During TDF II, GSDC has further developed its capacity to deliver both customized advisory services and standard training programs for line supervisors from the garment industry and sewing operators from the general public. However, due to the small size of the highly fragmented garment industry, it is challenging for GSDC to achieve full financial sustainability from fees earned from serving it.

The GSDC will continue to explore and develop the market for training outside the garment industry. The center is well equipped with practical training products for the general manufacturing sector in Lao PDR. However, long term institutional and financial sustainability of the center remain uncertain.

4. Business regulations review and rationalization

The project supported all ground work for implementing comprehensive reform of business entry by completing the process mapping of existing business registration procedures, building the first ever inventory of business formalities (operating licenses, permits, certificates, etc.), with a detailed costing estimate of 30 high priority licenses and recommendations for simplification and streamlining in line with international good practice.

Additional minor technical assistance provided concrete recommendations for drafting new instructions to streamline and improve the process involving key Startup formalities, including registration and obtaining opening licenses issued by MoIC. If implemented, important benefits should accrue to the business sector as well as improvements in the Doing Business indicators exercise.

2.2.3 Component C: Mainstreaming Aid-for-Trade

The mainstreaming aid-for-trade component provides support to further develop Lao PDR's 'aid-for-trade' governance framework, as part of efforts to move to a full program-based approach. This component includes further capacity investment in Lao PDR's NIU, including support to its role

as secretariat to the Trade and Private Sector Development Working Group, as well as research, policy analysis and communication to support implementation of the 2012 DTIS Trade and Private Sector Development Roadmap.

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

Objectives

A key TDF II objective is to build stronger technical capacity on trade and private sector development policy within the NIU, to support more effective implementation of activities financed not only under TDF II, but more widely as part of a movement towards a program-based approach. To this end, the project financed technical assistance to support NIU's technical role in program formulation, implementation support and Monitoring and Evaluation. TDF II also provided continued technical assistance where necessary to ensure that NIU can carry out its core fiduciary functions effectively.

Key results

NIU's role in coordinating trade-related assistance and implementing TDF-II has been critical to progress in improving the trade and investment environment, and in increasing the Government's capacity to support regional and global economic integration and economic diversification, and move Lao PDR towards greater and more effective participation in the global economy. It has worked towards achieving these broad objectives by focusing on the implementation of the DTIS Roadmap priority areas for trade-related assistance in areas covering trade facilitation, the business environment, firm-level competitiveness, and promoting evidence-based policy making and public private dialogue. NIU's outputs provide compelling evidence about the strength of their capacity in planning, coordination, implementation, procurement, financial management and reporting. As the staff gains confidence in its own knowledge and capabilities, its ability to monitor and supervise the substantive work of projects and individual consultants has grown and become stronger.

The NIU has carried out its activities with strong synergies and close collaboration with the lead departments in MoIC, in other government agencies, and private sector membership organizations for each of the TDF II components, namely: the Department of Imports and Exports and Department of Foreign Trade Policy (MoIC) for trade facilitation, trade policy and regulations (Component A); the Departments of SME Promotion and Enterprise Registration Management (MoIC); the Lao National Chamber of Commerce and Industry (LNCCI), and Department of Labor Management (MoLSW) for competitiveness (Component B); the Economic Research Institute for Industry and Trade (ERIT); multiple technical departments inside and outside MoIC; and a number of development partners active in trade and private sector development in Lao PDR for mainstreaming aid-for-trade (Component C).

The NIU structure as a division-level unit of the official structure of the Department of Planning and Cooperation and its operational modality has responded to changes in aid-for-trade delivery

needs. That organizational structure adequately responded to the evolving need to mainstream aid-for-trade into MoIC's overall sector development strategy and operational structure. It included not only NIU's administrative and financial management of all government-executed TRTA (TDF II, SME Access to Finance and those of the Enhanced Integrated Framework [EIF]), but also the role of Secretariat for the Trade and Private Sector Development Program Executive Committee (PEC), which coordinates, administers, monitors and evaluates all trade-related technical assistance the country.

NIU also supported the newly created Division under the Department of Planning and Cooperation (the Trade and Economic Cooperation Division) in performing its key functions in coordinating development assistance as well as serving as technical secretariat to the Trade and Private Sector Working Group (TPSWG), which is a platform for policy dialogue between the Government, development partners and the private sector. The TPSWG is one of the 10 sector working groups under the Roundtable Process and is currently chaired by MoIC and co-chaired by the EU and Australia. It has been meeting twice a year since its launch as a full sector working group in 2012. It has become the main policy forum between the Government and development partners to discuss and identify priorities for trade and private sector development and promote aid effectiveness in Lao PDR with the increasing participation of both domestic and foreign businesses.

NIU has consistently been recognized as a good practice example for donor coordination and aid effectiveness among the EIF participating countries. During the TDF II Project, NIU hosted a number of visits from EIF countries including Bhutan, Cambodia, Ethiopia, Myanmar, and Tanzania.

Sub-component C2: DTIS Action Matrix Challenge Facility

Objectives

A challenge facility has been established, making resources available to support the implementation of lower-priority activities identified within the DTIS Action Matrix/Roadmap on a demand-driven basis. Resources are not pre-identified under this component, but remain available to support new activities proposed by implementing agencies on an ongoing basis. Priority will also be given to activities which have a demonstrable impact on supporting pro-poor growth and/or women's economic empowerment.

Key results

There has been strong demand for access to the facility to support priorities under the updated DTIS Roadmap for Trade and Private Sector Development. The Challenge Facility has evolved into a mechanism by which implementing agencies can swiftly and efficiently gain funding for analytical inputs into policymaking as well as developing more specific implementing regulations/guidelines to improve enforcement of officially endorsed legislation, and as such it represents a refreshing programmatic tool through which funds can be swiftly designated towards targeted areas.

A total of 16 proposals have been approved to receive funding from the Facility, all of which have been completed and closed. See Annex 2 for a summary of all supported Challenge Facility proposals.

Sub-component C3: Research and Policy Analysis

Objectives

The objective of this sub-component was to support improved trade and private sector development policy formulation, and better measurement of the impact of policy. Activities included investment in: i) research methodology and capacity building; and ii) a research facility to commission high-quality, policy-relevant research. No additional funds have been allocated to this sub-component and it was completed as planned in March 2017.

Results

- ***Research methodology and capacity building.*** The Economic Research Institute for Industry and Trade (ERIIT) has developed capacity building programs through the intervention of an embedded international advisor, who provided training and hands-on capacity building to ERIIT staff focusing on research methodology, developed and delivered a training course for policy note writing, and supported the implementation of the research facility.
- ***Research Facility.*** A total of nine research proposals were funded under TDF II and all research papers were completed and five papers published in the Lao Trade Research Digest. The research fellowship program envisaged at the outset of the TDF-II has been cancelled.
- The research proposals include: i) Cluster formation for Lao SMEs in three sectors, for which the research partner is the Mekong Institute; ii) Assessment of Cattle Trade Development in Lao PDR, for which the research partner is the National Agriculture and Forestry Research Institute; iii) Study of the Emerging Flowers and Decorative Plants and its role in agribusiness value chains, in partnership with Chiang Mai University and the National University of Laos (NUOL); iv) the Utilization of Preferential Trade Agreements, in partnership NUOL; v) value chain and SME development by ERIT; vi) the role of human capital in Lao PDR's participation in regional production networks, in partnership with ANU and NERI; vii) Cross-border impacts of the Thai SEZs on Lao SEZs and collaboration in the midst of Regional Integration; viii) Agricultural commercialization and households' livelihood in Lao PDR; and ix) Export instability in partnership with NERI.
- ERIIT has developed partnership programs with a number of regional research institutes (including the Mekong Institute and the International Institute for Trade and Development) to implement joint research projects and conduct regular knowledge sharing activities.

Sub-component C4: Public-Private Dialogue

A new sub-component for US\$400,000 was added in January 2017, which aims to strengthen the mechanisms for discussion among the private and public sectors by enhancing the capacity,

inclusivity and effectiveness of the LBF. This sub-component builds on the earlier approved Challenge Facility proposal and supports MoIC in its newly transferred high-profile coordination responsibilities for the LBF, allowing MoIC to strengthen LBF operations and the Lao private sector to raise its concerns with high-level Government officials. This sub-component supports: i) MoIC in improving and making the design of the LBF more inclusive, improving coordination and feedback between the public and private sector, and leading the LBF politically to ensure decisions are followed up by relevant ministries; and (ii) LNCCI technically to implement the LBF and make it more inclusive by supporting small and women-led enterprises in formulating their concerns in an actionable manner.

Results

- Supported institutionalization of an effective public-private dialogue mechanism by: establishing the secretariat and more than 10 private sector working groups, and facilitating regular meetings of private sector working group leaders and relevant departments in the public sector; high-level steering committee meetings; and annual forums chaired by the Prime Minister.
- The issue matrix, which contains detailed description of all priority issues, proposed recommendations, and progress of dialogue, has been updated on a regular basis. More than 10 position papers on specific issues raised by private sector working groups were prepared and widely distributed.
- Since receiving project support in May 2016, the dialogue process under the LBF discussed 19 priority issues faced by the private sector, which led to complete resolution of four issues (1) collection of VAT on bank charges; 2) abolishment of VAT on the logistical cost of transit goods; 3) reclassification of printing businesses to be eligible for lower electricity tariffs; and 4) reduction of registration fee for bank collateral); and made partial progress towards resolving 7 issues (1) access to labor market information; 2) reduction of time and cost of imports and exports; 3) streamlining procedures for exporting planted wood; 4) access to import and export data; 5) simplification of the business registration and licensing regime; 6) access to long-term and affordable bank loans; and 7) enhancing SME access to public procurement).

2.2.4 Program Administration

Monitoring and Evaluation

Despite the complexity of the project design (which supports the broad legal and regulatory reform agenda of the Government in line with commitments under WTO and ASEAN, and support for enhancing firm-level competitiveness and mainstreaming aid-for-trade that involves the efforts of many stakeholders in both the public and private sectors), the project achieved most of the target indicators defined in the results framework, specifically the project achieved target for two out of three PDO level result indicators, thirteen out of seventeen intermediate result indicators as shown below. (see Annex 1 for the detailed project results framework).

Summary of result framework indicators

| PDO Level Results Indicators | Baseline | Target | Actual | Remarks |
|--|--------------|---------|---------|--------------|
| 1. Reduced mean number of days to clear imports | 10.6 (2009) | 5.3 | 3.2 | Achieved |
| 2. Reduced mean number of days to clear exports | 7.5 (2009) | 3.8 | 7.2 | Not achieved |
| 3. Number of products at 6 digit level of the HS with exports exceeding USD100,000 in a year | 282 (2009) | 100 | 317 | Achieved |
| Component A: Trade facilitation, trade policy and regulations | | | | |
| Intermediate Results Indicators | Baseline | Target | Actual | Remarks |
| 1. Reduction in percentage of firms identifying customs and trade regulations as a major constraint | 6.8 (2009) | 2.8 | 11.39 | Not achieved |
| 2. Increase in number of hits for Lao Trade Portal | 7,179 (2012) | 200,000 | 386,500 | Achieved |
| 3. Successful completion rates for Trade Facilitation Capacity Building Program | 0 | 90 | 90 | Achieved |
| 4. Frequency and participation of National Trade Facilitation Secretariat meetings to resolve trade facilitation issues, with decisions documented and follow up actions prioritized | 4 (2012) | 2 | 2 | Achieved |

| | | | | |
|--|-------------------------------------|---|--|--------------|
| 5. Reduction in the mean number of days required to obtain import license | 20.7 (2009) | 9 | 8 | Achieved |
| 6. Reduction in the mean number of days for service firms to obtain operating license | 14.7 (2009) | 10.1 | 24.62 | Not achieved |
| 6.a. Cumulative number of new regulations adopted affecting the telecom sector/insurance sector/professional service sectors | 0 | 8 | 11 | Achieved |
| Component B: Diversification and competitiveness | | | | |
| 7. Sales growth in BAF supported firms compared to non-supported firms | 0 | +20 | +21 | Achieved |
| 8. Cumulative number of BAF grant approvals | 0 | 150 | 208 | Achieved |
| 8.a. Average percentage of female owned businesses among approved applicants by BAF | 0 | 30 | 34 | Achieved |
| 8.b. Within supported businesses, percentage of women employed | 0 | 30 | 34 | Achieved |
| 9. Cumulative of garment factory labor standards assessed | 0 | 12 | 15 | Achieved |
| 10. Number of new company registration per year | 9,348 | 7% increase | 7.9% (average per year) | Achieved |
| Component C: Mainstreaming aid-for-trade | | | | |
| 11. Improved aid for trade governance moving towards a program based approach operating under TPS WG | Fragmented, standalone work program | Coordinated joint work planning and result monitoring supervised under TPS WG | 8 projects adopted single governance structure under PRC/PEC | Achieved |

| | | | | |
|--|------------|-----|-------|--------------------|
| 12. Perception of Lao Business Forum's effectiveness increased | 50% (2016) | 60% | 90% | Achieved |
| 13. Cumulative number of issues and concerns raised by small and women-led enterprises captured and actioned through the LBF | 2 (2016) | 10 | 06 | Partially achieved |
| 14. Increased share of firms with female management / ownership participation | 39 (2016) | 47 | 36.46 | Partially achieved |

Fiduciary aspects

Procurement

The procurement performance for TDF II has been rated consistently as ‘satisfactory’ through its duration. The project completed a total of 141 procurement packages for consultants, including 54 packages under the international competitive procurement method. See Annex 3 for a summary of procurement activities.

The general finding of the World Bank regular project implementation support missions, which also conducted ex-post reviews for the packages procured by NIU under the project is that the NIU has had a good understanding of, and satisfactorily implemented, project procurement. All procurement processes for contracts awarded during the review period were in line with the World Bank’s procurement guidelines.

Financial management

The Financial Management performance of the project remained ‘satisfactory’ throughout its life. The quarterly IFRs were submitted on time. The independent external auditors consistently reported an unqualified opinion (clean opinion), highlighting the fact that project financial reports are free from material misstatements, and that the internal control system is effective.

Disbursements

As of November 31, 2018, almost all available funds from three project accounts were disbursed as presented below.

Cumulative disbursements, including DA balances as of November 31, 2018:

| Account | Currency | Allocations | Disbursements | % of disbursements | Undisbursed amounts |
|----------------|-----------------|--------------------|----------------------|---------------------------|----------------------------|
| | | | | | |

| | | | | | |
|-----------|-----|-----------|-----------|--------|-------|
| IDA H8190 | XDR | 2,600,000 | 2,597,248 | 99.9 | 2,752 |
| TF 14189 | USD | 9,900,000 | 9,900,000 | 100.00 | 0 |
| TFA 3946 | USD | 2,500,000 | 2,498,891 | 99.8 | 5,109 |

In terms of resource utilization, by project closure, 98.86% of total available project funds (16,181,000) had been used. The table below summarizes detailed budget and expenditure by project component.

Summary of budget and expenditure, by sub-component

| Sub-component | Original Budget | Additional Financing | Total Estimated Budget | Forex Loss | Revised Total Budget Estimate | Actual Expenditure | Variance |
|---------------|-------------------|----------------------|------------------------|----------------|-------------------------------|--------------------|----------------|
| A1&A2 | 2,600,000 | 100,000 | 2,700,000 | 73,000 | 2,627,000 | 2,747,547 | (120,547) |
| A3&A4 | 3,000,000 | 100,000 | 3,100,000 | 73,000 | 3,027,000 | 2,945,093 | 81,907 |
| B1.a | 1,200,000 | - | 1,200,000 | | 1,200,000 | 1,182,355 | 17,645 |
| B1.b | 1,200,000 | - | 1,200,000 | | 1,200,000 | 1,123,800 | 76,200 |
| B1.c | 100,000 | - | 100,000 | | 100,000 | 62,251 | 37,749 |
| B2 | 1,600,000 | - | 1,600,000 | | 1,600,000 | 1,636,091 | (36,091) |
| B3 | - | 750,000 | 750,000 | | 750,000 | 1,003,651 | (253,651) |
| C1 | 2,500,000 | 300,000 | 2,800,000 | 73,000 | 2,727,000 | 2,702,357 | 24,643 |
| C2 | 1,000,000 | 500,000 | 1,500,000 | | 1,500,000 | 1,463,940 | 36,060 |
| C3 | 800,000 | - | 800,000 | | 800,000 | 723,869 | 76,131 |
| C4 | - | 400,000 | 400,000 | - | 400,000 | 405,853 | (5,853) |
| Contingency | - | 350,000 | 350,000 | 100,000 | 250,000 | - | 250,000 |
| Total: | 14,000,000 | 2,500,000 | 16,500,000 | 319,000 | 16,181,000 | 15,996,806 | 184,194 |

3 LESSONS LEARNED

In the view of the main implementing agency, a number of useful lessons have been learned in relation to TDF-II. These can be grouped into the following areas: a) intervention design; b) implementation modality; and c) operational aspects.

Project Design

Lesson 1: Strong engagement of key stakeholders and beneficiaries in project design enhances national ownership. TDF II is considered the largest and most comprehensive technical assistance project in the area of trade and private sector development and implementation. It involved more than 10 public sector agencies as well as private sector membership organizations such as LNCCI, and various industry associations/groups at both central and provincial level. The strong engagement of both implementing partners and project beneficiaries at all stages of project design created a high degree of national ownership of the project, which became the most critical factor in its success.

Lesson 2: Investment in project design pays off. A large number of technical experts from the World Bank, DFAT/Australia, and EU from the donor side, and all technical departments from MoIC, other line ministries (the Ministries of Agriculture and Forestry, Planning and Investment, Labor and Social Welfare, and Finance), the LNCCI, and the Lao Textile and Garment Association took part in the design of TDF II. The whole design process took place over a one-year period, providing sufficient time for key stakeholders to digest the proposed project concept and provide their inputs through the lens of implementing agencies.

Lesson 3: Pilot of DTIS Challenge Facility was successful. The Challenge Facility established under TDF-II generated a strong demand for access to the Facility to support priorities under the updated DTIS Roadmap for Trade and Private Sector Development, and the Facility has matured into a mechanism to support analytical inputs into policymaking as well as targeted technical assistance in specific areas of public policy and business regulatory reform. Learning lessons from TDF II, a similar fund has been established under the new Lao Competitiveness and Trade Project to support the implementation of the Trade Facilitation Agreement and broader business environment reform around Doing Business report indicators. A number of specific lessons learned from the DTIS Challenge Facility include:

- Challenge facility has proven to be an effective tool to address demand driven government policy reform initiatives;
- While the facility enforces government ownership in identification, design and implementation of specific reform initiative, it also requires closed technical support to guide implementing agencies through the whole project cycle;
- The facility also creates competition among agencies to produce tangible results;
- Effective tool to pilot new reform initiative before committing to provide long term support (for example: CF proposal to support public private dialogue and CF proposal to support reform around DB indicators)

Lesson 4: Pilot of the matching grant scheme under the Business Assistance Facility (BAF) was very successful. The BAF includes free advisory services and a challenge fund, which have clearly defined the strategies and principles for sharing the cost and risk of private investment based on proposals from businesses. A number of key specific lessons can be learned from the BAF, including:

- The role of the fund manager should be as less of a remote ‘hands-off’ disbursing of grants, and more as a ‘hands-on’ investor of social venture capital.
- The purpose of any challenge fund should be to contribute to wider systemic (i.e. beyond project-level) change; most funds get bogged down in narrow and short-term projects.
- The ‘challenge’ of challenge funds should be clearly defined and informed by research, engagement and experience.
- Money should be seen as just one of the fund manager’s tools for engaging effectively with private firms.

- Larger firms represent stronger partners, with greater implementation capacity, and larger projects with larger firms tend to offer more potential for systemic impact.
- Partner firms should concentrate on delivering the commercial (private) objectives of the project. The fund manager should concentrate on ensuring that the social (public) objectives of the fund are measurable and significant.
- The principle of cost-sharing is central to the concept of a ‘Matching Grant’ facility. The intention is not to substitute the core costs of the partners’ business models but rather to supplement them with technical assistance and small amounts of money to reduce the risks associated with innovation development and wider outreach. In principle, the total grant should be no more than 50% of the project costs.
- The Fund would be managed by a team of professional experts on a day-to-day basis by a Fund Manager supported by full-time professionals. Their tasks would include the co-development of project proposals and the monitoring of disbursements and impact. Management should be light-touch, arms-length, and primarily about the performance of the business.
- The key concept of BAF is currently being replicated in a number of areas, including agriculture productivity improvement, agro-processing upgrading, and business start-ups.

Implementation modality

Lesson 5: Align activities within existing structures and building ownership. TDF-II worked well because of strong Government ownership. The buy-in was largely due to the alignment of all activities within the Government’s existing structures. However, the greatest organizational challenges arose from supporting a reform agenda involving multiple agencies including trade facilitation, services liberalization, and business entry regulations, which require intra- and inter-ministerial collaboration. Additional work will be required to achieve a better understanding of the key drivers and incentives for promoting the effective operation of the inter-ministerial collaboration mechanism.

Lesson 6: Harmonize program design and implementation with other trade-related technical assistance. The adoption of a single governance framework for all TRTA in Lao PDR under various structures of the Trade and Private Sector Working Group (TPSWG), such as semi-annual TPSWG meetings, Program Executive Committee meetings, and Project Review Committee meetings, enhance the synergy between trade and private sector/SME development, facilitate collaboration between line ministries/agencies and between the Government, development partners and the private sector. All TDF II-supported dialogue platforms, such as TPSWG, PEC/PRC, LBF, and the National Trade Facilitation Secretariat, play a critical role in promoting harmonization of program design and implementation of all TRTA. Lao PDR is increasingly being recognized for its good practices in donor coordination and effective aid-for-trade governance.

Operational Aspects

Lesson 7: Program sustainability requires medium- to long-term engagement with a strong focus on capacity building and skills strengthening. A strong central management unit is critical to program success. TDF-II benefited from the early development of the NIU as a fully functioning program management unit with strong monitoring capabilities and a robust system of fiduciary controls. Its role in coordinating trade-related assistance and implementing TDF-II was critical to promoting deepening economic integration, improving the business environment and enhancing firm-level competitiveness.

Lesson 8: Maximize the results framework for monitoring project implementation progress. It is important to establish a results framework at the onset of the program, since it is a useful tool for determining how trade-related development objectives are to be achieved, including the underlying assumptions and causal relationships needed to achieve desired results. In this regard, the TDF-II results framework benefitted from the inclusion of objectively verifiable benchmarks for which leading indicators were available for the evaluation, whereas it had difficulties in monitoring indicators for which current data was often unavailable. Although it is quite challenging to design a comprehensive results framework for a complex technical assistance project such as TDF II, the project could benefit from having a more robust results chain with clearly defined indicators for *inputs, activities, outputs, outcome, and impact*. A detailed results chain could serve as a practical tool for the monitoring project implementation tool. The design of LCTP emphasizes the importance of monitoring and evaluation functions by financing M&E and gender positions within the NIU.

Lesson 9: Accelerate start-up of activities by preparing procurement of large contracts early on. The TDF-II project was slow to start because of the sequencing of appraisal, agreement signing, and establishment of institutional mechanisms. One way to avoid similar delays in LCTP would be to prepare large contracts and initiate advanced procurement following official project negotiation. The process appears to be already underway as requests for some large activities have been launched. It is also important that a portion of the trade-related activities remain flexible to ensure that the project can adjust to changing circumstances dictated by modifications in the results-oriented activities.

4 ANNEXES

Annex 1: Results framework

| PDO Level Results Indicators | Core | Unit of Measures | Baseline | Cumulative target values/actual | | | | | | End Target | Frequency | Data source/ Methodology | Responsibility for data collection | Description of observed progress | | |
|--|------|------------------|--------------|---------------------------------|---------|---------|---------|---------|---------|------------|-----------|--------------------------|------------------------------------|----------------------------------|---|--------------------------------------|
| | | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | | | | | | 2018 | |
| 1. Reduced mean number of days to clear imports | ☐ | Days | 10.6 (2009) | | | 10.1 | 9.5 | 8.5 | 5.3 | 5.3 | 5.3 | Every 2-3 years | WB Enterprise Survey | NIU | Positive result. Exceeded the target | |
| | | | | 3.3 | 3.3 | 3.3 | 3.3 | 2.0 | 3.2 | 3.2 | | | | | | |
| 2. Reduced mean number of days to clear exports | ☐ | Days | 7.5 (2009) | | | 7.1 | 6.8 | 6.0 | 3.8 | 3.8 | 3.8 | Every 2-3 years | WB Enterprise Survey | NIU | Positive result. Exceeded the target | |
| | | | | 5.6 | 5.6 | 5.6 | 5.6 | 2.0 | 7.2 | 7.2 | | | | | | |
| 3. Number of products at 6 digit level of the HS with exports exceeding USD100,000 in a year | ☐ | Number per year | 282 (2009) | | | | | | | | 100 | 100 | Every year | UN COMTRADE | NIU | Positive result. Exceeded the target |
| | | | | 282 | 282 | 290 | 317 | | | | | | | | | |
| Component A: Trade facilitation, trade policy and regulations | | | | | | | | | | | | | | | | |
| Intermediate Results Indicators | | | | | | | | | | | | | | | | |
| 1. Reduction in percentage of firms identifying customs and trade regulations as a major constraint | ☐ | % | 6.8 (2009) | | | 5.8 | 4.8 | 3.8 | 2.8 | 2.8 | 2.8 | Every 2-3 years | WB Enterprise Survey | NIU | Significant reduction compared to 2012. However, it will be challenging to meet the target | |
| | | | | 12.4 | 12.4 | 12.4 | 12.4 | 7.6 | 11.39 | 11.39 | | | | | | |
| 2. Increase in number of hits for Lao Trade Portal | ☐ | Number | 7,179 (2012) | | | | | | | | 200,000 | | | DIMEX | Positive result. Exceeded the target | |
| | | | | 7,179 | 167,378 | 190,456 | 310,072 | 386,475 | 386,500 | | | | | | | |
| 3. Successful completion rates for Trade Facilitation Capacity Building Program | ☐ | % of graduation | 0 | | | | 100 | | | | 90 | Annual | Student records | NIU | The target was achieved | |
| | | | | | | | 90 | | 90 | | | | | | | |
| 4. Frequency and participation of National Trade Facilitation Secretariat meetings to resolve trade facilitation issues, with decisions documented and follow up actions prioritized | ☐ | Number per year | 4 (2012) | | | 2 | 2 | 2 | 2 | 2 | 2 | Annual | Secretariat report | DIMEX | No meetings during 2012-14. However, since 2016 the Secretariat meets at least twice a year | |
| | | | | | | | | 2 | 2 | | | | | | | |
| 5. Reduction in the mean number of days required to obtain import license | ☐ | Days | 20.7 (2009) | | | 18 | 15 | 12 | 9 | | 9 | Every 2-3 years | WB Enterprise Survey | NIU | Positive result. Exceeded the target | |
| | | | | 14.2 | 14.2 | 14.2 | 14.2 | 5.4 | 8 | 8 | | | | | | |
| 6. Reduction in the mean number of days for service firms to obtain operating license | ☐ | Days | 14.7 (2009) | | | 14.1 | 13.1 | 11.8 | 10.1 | | 10.1 | Every 2-3 years | WB Enterprise Survey | NIU | Partially achieved | |
| | | | | 12.6 | 12.6 | 12.6 | 12.6 | 13.6 | 24.63 | 24.62 | | | | | | |
| 6.a. Cumulative number of new regulations adopted affecting the telecom sector/insurance sector/professional service sectors | ☐ | Number | 0 | | | | | | | | 8 | Semi-annually | Project progress report | NIU | Positive result. Exceeded the target | |
| | | | | | | 4 | 1 | 1 | 8 | 11 | | | | | | |

| Component B: Diversification and competitiveness | | | | | | | | | | | | | | | | | |
|--|--------------------------|-------------|------------------------------------|--|--|--|-------|-------|-------|--------|--------|-------|-------------------------------|-----------------|------------------------------------|--------------------------------------|--|
| 7. Sales growth in BAF supported firms compared to non-supported firms | <input type="checkbox"/> | % | 0 | | | | +20 | | | +20 | | +20 | Mid-term and end term surveys | Survey reports | NIU | Positive result. Exceeded the target | |
| 8. Cumulative number of BAF grant approvals | <input type="checkbox"/> | Number | 0 | | | | | | | | | | 150 | Annual | Progress reports | BAF | Positive result. Exceeded the target |
| 8.a. Average percentage of female owned businesses among approved applicants by BAF | <input type="checkbox"/> | % | 0 | | | | 10 | 10 | 30 | 30 | | | | Annual | Progress reports | BAF | Positive result. Exceeded the target |
| 8.b. Within supported businesses, percentage of women employed | <input type="checkbox"/> | % | 0 | | | | 30 | 30 | 30 | 30 | | | | Twice | Final report | BAF | Positive result. Exceeded the target |
| 9. Cumulative of garment factory labor standards assessed | <input type="checkbox"/> | Number | 0 | | | | 5 | 8 | 10 | 12 | | | | annual | Annual progress report | ILO/MOLSW | Positive result. Exceeded the target |
| 10. Number of new company registration per year | <input type="checkbox"/> | Number | 8,981 (2012) | | | | | | | | | | | annual | Enterprise registration statistics | DERM | New business creation rate has been maintained between 7.4 to 9.8% during 2013-2016 |
| | | | | | | | 9,413 | 8,962 | 9,116 | 10,052 | 10,191 | 8,222 | 7% increase | | | | 7.9% average |
| Component C: Mainstreaming aid-for-trade | | | | | | | | | | | | | | | | | |
| 11. Improved aid for trade governance moving towards a program based approach operating under TPS WG | <input type="checkbox"/> | Descriptive | Fragmented standalone work program | | | | | | | | | | | annual | Progress reports | NIU | Positive result |
| | | | | | | | | | | | | | | | | | Coordinated joint work planning and results monitoring supervised by the TPS WG 8 TRTAs adopted single governance structure under TPSWG/PEC |
| 12. Perception of Lao Business Forum's effectiveness increased | <input type="checkbox"/> | Qualitative | 50% (2016) | | | | | | | | | | | annual | Annual progress report | LBF Secretariat | Positive result. On track of achieving the target |
| 13. Cumulative number of issues and concerns raised by small and women-led enterprises captured and actioned through the LBF | <input type="checkbox"/> | Number | 2 (2016) | | | | | | | | | | | annual | LBF progress report | LBF Secretariat | Partially achieved |
| 14. Increased share of firms with female management / ownership participation | <input type="checkbox"/> | % | 39 (2016) | | | | | | | | | | | Every 2-3 years | WB Enterprise Survey | NIU | Partially achieved |
| | | | | | | | 41.9 | 41.9 | 41.9 | 41.9 | 43.1 | 36.46 | 36.46 | | | | 47 |

Annex 2: Summary of projects funded by the Challenge Facility

| Item | Project | IAS | Key outputs | Approved amount | Disbursed amount | Remarks |
|------|--|---------|--|-----------------|------------------|---------|
| 1 | Development of Implementing regulations for Manufacturing Law | DoIH | Two implementing regulations, namely: regulation on factory standards and licensing; and regulation on industrial safety and hygiene were submitted to Minister for approval. The final draft texts are being reviewed by the Legal Division of the Cabinet. | 98,000 | 73,320 | |
| 2 | Assessment of Barriers to Free Movement of Goods in Domestic Market | DDT | Final Assessment report, including Lao translation was endorsed by MoIC and widely distributed to the general public. Implementation of the recommendations is being followed up with DDT and DIMEX under the National Trade Facilitation Secretariat structure. | 59,000 | 54,123 | |
| 3 | Development of Medium Term ICT Strategy for MoIC | DPC | The final MoIC ICT Strategy was endorsed and implementation is being funded through aid from PRC. | 165,000 | 165,563 | |
| 4 | Development of Electronic Certification of Origin (E-CO) | DIMEX | Development and testing of the E-CO was completed. The official lunch of E-CO was organized on 29 April 2016. However, full operation of the E-CO is hindered by deficiency of legislation on E-signature in a few trading partner countries. | 100,000 | 99,840 | |
| 5 | Development of legislation on control of toxic chemicals | DoIH | The legislation was endorsed by the National Assembly in 2017. | 98,000 | 92,451 | |
| 6 | Conduct an assessment of gender dimension of manufacturing and service sectors | Cabinet | The assessment was completed and the final report in both English and Lao was published and widely distributed. | 85,000 | 60,105 | |

| | | | | | | |
|---|--|-------|--|---------|---------|--|
| | | | All planned capacity building workshops were organized with strong participation of representatives from all relevant departments within MoIC. | | | |
| 7 | Technical assistance to support public-private dialogue under the Lao Business Forum | LNCCI | <p>All planned outputs were delivered. These include:</p> <ul style="list-style-type: none"> • Properly-functioning forum secretariat. • 15 private sector working groups formed. • Private sector's issues were prioritized and discussed at technical level, steering committee level, and the main forum chaired by Prime Minister on 8 December, 2016. | 72,500 | 60,365 | |
| 8 | Technical Assistance for improving regulatory and institutional framework for insurance services | MOF | <p>Key outputs include: drafting of by-laws towards the establishment of a National Insurance Association that will exercise a degree of self-monitoring and regulation for the industry; supervision manual and regulation on reinsurance and inspections; and drafting and endorsement of three key regulations: 1) regulation on governance and business conducts; 2) regulation on reserves and solvency; and 3) regulation on reporting requirement of insurance companies and brokers.</p> | 165,000 | 127,826 | |
| 9 | Human Resource Development for improving labor compliance, productivity and workers' well- | GSDC | <ul style="list-style-type: none"> • Completed revised medium-term sustainability strategy. • Completed development of materials for training of trainers. • Upgraded the center's website. | 150,000 | 75,986 | |

| | | | | | | |
|----|---|-------------|--|---------|--------|--|
| | being in Lao PDR garment Industry | | <ul style="list-style-type: none"> Developed and piloted training programs in area of labor standards. | | | |
| 10 | Industry and Trade Policy Brief Circulars | ERIIT | <ul style="list-style-type: none"> All planned capacity building workshops were carried out. Ten target policy briefs were completed: <ol style="list-style-type: none"> Impacts of PM Order No. 15 on the production and export of wood products. Strategy to promote local dried fish from Thabok for export. Practical measures to improve export-oriented SMEs access to finance. Impacts of a lowered interest rate on SMEs and the economy. Impacts of VAT on carry-on goods imported by consumers, a case study at the Vientiane-Nongkhai Friendship Bridge. Problems with enforcing contracts in Contract Farming. Opportunities and challenges of exporting Lao rice to China. The challenge and impacts of GAP standard for Lao rice production. International tourists' spending patterns in Lao PDR. Assessing situation of SMEs in Luangprabang, Savannakhet and Champasak | 65,450 | 56,791 | |
| 11 | Project to Support Implementation and Follow-up of LBF Issues | DPC - LNCCI | <p>The project supported two areas, namely:</p> <ul style="list-style-type: none"> Implementation of VAT (Collection of VAT on bank charges, VAT on logistic services for transit goods, revision of VAT Law and development of manual for revised VAT). | 150,000 | 85,698 | |

| | | | | | | |
|----|---|---------------|--|---------|---------|--|
| | | | <ul style="list-style-type: none"> • Assessment of demand and supply of cement product and transformation of the cement industry and future outlook. • Study on the impact of policy on interest cap on SME access to finance. | | | |
| 12 | Technical Assistance for review of MoIC's Policy Measures to Maintain Price Stability of Key Sensitive Products | DIT | Final report with policy recommendations presented at a workshop in July 2018. | 85,000 | 83,003 | |
| 13 | Sustainability and enhancement of the existing automated system ASYCUDA World in support of trade facilitation | Customs (MOF) | <p>Key project outputs include:</p> <ul style="list-style-type: none"> • Development of commodity statistics dashboard. • Conducted training for Bureau VERITAS staff with respect to integrating the single window system with ASYCUDA declaration, manifest, and bill of lading and e-payment modules. • Completed evaluation of the creation of a valuation database for vehicle importation. • Identification of issues that must be addressed, including valuation and general categorization issues. • Configured Manifest and BOL analytics to ascertain checkpoint compliance with revised processes. • Worked with BIVAC Lao team to integrate ASYCUDA with LNSW. | 150,000 | 113,130 | |

| | | | | | | |
|----|--|--|---|--------|--------|--|
| | | | <ul style="list-style-type: none"> • Worked with Cyberia, which developed the E-Certificate of Origin Portal for Lao PDR. • Facilitated collaboration between Cyberia, LCD and BIVAC to ensure safe integration between this system and the LNSW/ASYCUDA. • The LCD's Virtual Private Network was upgraded to improve security and scalability. • A staging database has been created to assist with integration between the Tax Department and the LNSW. • A trade statistics dashboard using advanced analytics tools has been developed. • Additional Customs procedure codes have been added to ASYCUDA, together with new tax rules. • A series of training courses and mentoring have been carried out for LCD IT staff by the consultant. | | | |
| 14 | Technical Assistance to support MoIC Statistical Information Centre in developing consolidated trade and industry statistical information system | Statistical Information Centre under DPC | Final report outlining strengths and weaknesses of current information and proposals for producing periodical statistical reports based on available information completed and discussed in several technical workshops. | 77,500 | 86,991 | |
| 15 | Technical assistance to support the MoIC | DIT | <p>Key outputs include:</p> <ul style="list-style-type: none"> • Draft decisions to establish the Lao Competition Commission and its secretariat. | 90,000 | 50,000 | |

| | | | | | | |
|----|--|------------|---|--------|--------|--|
| | Department of Domestic Trade to establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition | | <ul style="list-style-type: none"> Completed two competition-related sector analyses and one competition case. Development of necessary secondary legislation for Law on Competition. | | | |
| 16 | Support implementation of Doing Business indicator-based regulatory reform | DIP of MPI | <p>Key outputs include:</p> <ul style="list-style-type: none"> Draft proposed coordination structure and monitoring mechanism. Review of Government's recent efforts to improve the business environment, assessing the effectiveness of the existing coordination structure and proposed improvements to the existing mechanism and necessary monitoring system in line with international good practice to coordinate complex policy reform. Draft terms of references/roles for each of the actors in the coordination structure, and a proposed list of participants in each working group. Proposed reform action plans of the three priority DB Indicators. Conducted two capacity building workshops. | 80,000 | 82,000 | |

Annex 3: Summary of procurement activities

| Year | Sector | Number of contract packages/form of selection of contractor | | | | Value (US\$) | | | |
|------|--------------------|---|----------------------|---------------------------------------|--------|--------------|----------------------|---------------------------------------|--------|
| | | Total | National Procurement | International Competitive Procurement | Others | Total | National Procurement | International Competitive Procurement | Others |
| 2013 | Goods | 7 | 7 | - | | 269,099 | 269,099 | - | |
| | Consultants ICs: | 29 | 25 | 4 | | 844,430 | 364,838 | 479,592 | |
| | Consultants Firms: | 4 | 2 | 2 | | 1,793,333.72 | 47,000 | 1,746,333.72 | |
| 2014 | Goods | - | - | - | | - | - | - | |
| | Consultants ICs: | 23 | 13 | 10 | | 1,137,357 | 241,744 | 511,795.27 | |
| | Consultants Firms: | 3 | 1 | 2 | | 1,740,777.73 | 6,960 | 1,733,817.73 | |
| 2015 | Goods | 3 | 3 | - | | 73,500 | 73,500 | - | |
| | Consultants ICs: | 12 | 6 | 6 | | 425,305 | 72,225 | 353,080 | |
| | Consultants Firms: | 4 | 3 | 1 | | 279,070 | 125,506 | 153,564 | |
| 2016 | Goods | - | - | - | | - | - | - | |
| | Consultants ICs: | 16 | 10 | 6 | | 705,086 | 137,340 | 567,746 | |
| | Consultants Firms: | 2 | 1 | 1 | | 119,020 | 110,220 | 8,800 | |
| 2017 | Goods | 1 | 1 | - | | 52,029 | 52,029 | - | |
| | Consultants ICs: | 22 | 16 | 6 | | 889,513 | 322,546 | 566,967 | |
| | Consultants Firms: | 6 | 4 | 2 | | 857,591 | 83,868 | 773,723 | |
| 2018 | Goods | 2 | 2 | 0 | | 95,623 | 95,623 | - | |
| | Consultants ICs: | 19 | 9 | 10 | | 427,238 | 59,373 | 367,865 | |
| | Consultants Firms: | 6 | 3 | 3 | | 395,415 | 128,230 | 267,185 | |