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PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT
IN THE AMOUNT OF US\$6.8 MILLION
TO THE
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
FOR A
TRADE DEVELOPMENT FACILITY
October 8, 2008

Poverty Reduction and Economic Management Unit
East Asia and the Pacific Region

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LAO PEOPLE'S DEMOCRATIC REPUBLIC

GOVERNMENT FISCAL YEAR

October 1 – September 30

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2008)

Currency Unit: Kip

US\$1.00 = 8,532

WEIGHTS AND MEASURES

Metric System

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	LIC	Low-Income Country
ADB	Asian Development Bank	LNCCI	Lao National Chamber of Commerce and Industry
AFTA	ASEAN Free Trade Area	LOA	Loans Department of the World Bank
ASYCUDA	Automated Systems for Customs Data	M&E	Monitoring and Evaluation
AusAID	Australian Agency for International Development	MAF	Ministry of Agriculture and Forestry
CAS	Country Assistance Strategy	MAF	Ministry of Finance
CFAA	Country Financial Accountability Assessment	MDGs	Millennium Development Goals
CPIA	Country Policy and Institutional Assessment	MDTF	Multi Donor Trust Fund
CQS	Consultants' Qualifications Selection	MEM	Ministry of Energy and Mining
CSF	Classical Swine Fever	MFA	Multi Fiber Agreement
DAC	OECD Development Assistance Committee	MOF	Ministry of Finance
DED	Deutscher Entwicklungsdienst	MOFA	Ministry of Foreign Affairs
DIMEX	MOIC Department of Imports and Exports	MOH	Ministry of Health
DOA	MAF Department of Agriculture	MOIC	Ministry of Industry and Commerce
DOFD	MOH Department of Food and Drugs	MPDF	IFC Mekong Private Sector Development Facility
DOLF	MAF Department of Livestock and Fisheries	MPI	Ministry of Planning and Investment
DPTP	MOIC Department of Production and Trade Promotion	MPWT	Ministry of Public Works and Transport
DTIS	Diagnostic Trade Integration Study	MTEF	Medium Term Expenditure Framework
EC	European Commission	NCB	National Competitive Bidding
ERIT	MOIC Economic Research Institute for Trade	NEM	New Economic Mechanism
FAO	Food and Agricultural Organization of the United Nations	NERI	National Economic Research Institute
FDI	Foreign Direct Investment	NGO	Non-governmental Organization
FDI	Foreign Direct Investment	NGPES	National Growth and Poverty Eradication Strategy
FM	Financial Management	NIFGS	National Integrated Framework Governance Structure
FMCBP	Financial Management Capacity Building Project	NIU	MOIC National Implementation Unit
FMD	Foot and Mouth Disease	NSEDP	National Socio-Economic Development Plan
FMR	Financial Monitoring Report	NZAID	New Zealand Agency for International Development
FTPD	MOIC Foreign Trade Policy Department	ODA	Official Development Assistance
GDP	Gross Domestic Product	OECD	Organization for Economic Cooperation and Development
GMP	Good Manufacturing Practices	PFMSP	Public Financial Management Strengthening Program
GMS	Greater Mekong Sub-region	PMO	Prime Minister's Office
GOL	Government of the Lao Peoples' Democratic Republic	PRA	Pest Risk Assessment
GSEU	Government Sub-Executing Unit	PRSO	Poverty Reduction Support Operation
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit	QBS	Quality Based Selection
HACCP	Hazard Analysis and Critical Control Point	QCBS	Quality and Cost-based Selection
HPAI	Highly Pathogenic Avian Influenza	REF	Risk Evaluation Group
IBRD	International Bank for Reconstruction and Development	SAO	Supreme Audit Office
ICA	Investment Climate Assessment	SECO	Swiss State Secretariat for Foreign Affairs
ICB	International Competitive Bidding	SIDA	Swedish International Development Agency
IDA	International Development Association	SME	Small and Medium Enterprises
IDF	Institutional Development Fund	SNV	Netherlands Development Organization
IF	Integrated Framework	SOE	State-Owned Enterprise
IFC	International Finance Corporation	SPS	Sanitary and Phytosanitary Standards
IFR	Interim Financial Report	SSS	Single Source Selection
ILO	International Labor Organization	TBT	Technical Barriers to Trade
IMF	International Monetary Fund	TDF	Trade Development Facility
IRR	Implementing Rules and Regulations	UNCTAD	United Nations Conference on Trade and Development
IT	Information Technology	UNDP	United Nations Development Programme
JPER	Joint Portfolio Effectiveness Review	UNIDO	United Nations Industrial Development Organization
LBF	Lao Business Forum	USBTA	United States Bilateral Trade Agreement
LCD	Lao Customs Department	WCO	World Customs Organization
LCS	Least Cost Selection	WREA	Water Resources and Environment Agency
LCTFP	Lao Customs and Trade Facilitation Project	WTO	World Trade Organization

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BACKGROUND

The Government of Lao Peoples' Democratic Republic (GOL) seeks to increase growth and improve export competitiveness through the implementation of its medium-term strategy outlined under its Action Matrix for Trade-Related Assistance,¹ as reflected in the PRSP/NSEDP.² The Diagnostic Trade Integration Study (DTIS) action matrix, prepared by Government, was approved during the Lao PDR National Validation Workshop on September 12, 2006, following extensive stakeholder consultations. The DTIS identifies five priority areas where external assistance and reform should be concentrated:

1. Export Competitiveness,
2. Trade Facilitation,
3. Business Environment,
4. Trade Policy, Trade Agreements and Global Opportunities,
5. Trade Opportunities for the Poor.

One of the ways in which the GOL will implement its trade agenda is through the establishment of the permanent National Integrated Framework Governance Structure (NIFGS), a multi-agency entity consistent with the WTO Integrated Framework (IF) and the Vientiane Declaration on Aid Effectiveness which will coordinate Official Development Assistance (ODA) in this sector. This will permit a more coherent, effective, and participatory implementation of the comprehensive reform plan spelled out in the Action Matrix (reviewed on a multi-annual rolling basis), synergistic increase in benefits from ODA, and a reduction of the transaction costs incurred with stand-alone development partner assistance. Development partners in future are expected to consider contributing to the GOL medium-term priorities via NIFGS.

Based on lessons of experience, NIFGS is designed to:

- (a) avoid small uncoordinated projects, which have high transaction costs both for the Government and development partners;
- (b) ensure full involvement of beneficiaries and stakeholders in the design of trade-related interventions;
- (c) align all activities with the Government's existing structures, building ownership and reducing burdensome administrative requirements;
- (d) permit reasonable flexibility to adapt to changing circumstances;
- (e) permit medium to long-term engagements permitting a strong focus on capacity building and strengthening skills, and
- (f) permit transparent and accountable monitoring and evaluation consistent with the objectives established in the IF Action Matrix.

The Government, under the NIFGS will identify and implement the program in the IF Action Matrix, according to the following principles:

- (a) Align development partners support with the multi-year work plans as presented in the regularly updated by GOL Action Matrix for Trade-Related Assistance;
- (b) Clearly identify and account for programs/interventions that development partners will support either through the Multi Donor Trust Fund or outside;

¹ Attachment 5: DTIS Action Matrix presents the Action Matrix.

² The National Socio Economic Development Plan (NSEDP) is being assessed as a Poverty Reduction Strategy Paper (PRSP) at the moment.

- (c) Streamline reporting and monitoring for government and development partners increasing flexibility and reducing government and donors' transactions cost; and
- (d) Provide a multi-year predictable development partner support commitment to the government-led trade reform.

The NIFGS will be supported by the Trade Development Facility (TDF), a multi-donor trust fund to be administered by the World Bank with initial financing from Australia and the EC. Australia and the European Commission will contribute approximately US\$6.82m³ to the part of the TDF managed by the Government for an initial period of four years. Accompanying TDF activities financed by the donors will include additional technical and coordination assistance, and advisory services. The initial activities described below, to be supported by this trust fund, have been selected with the above principles in mind. Australia and European Commission will also contribute to the part of the TDF managed by the World Bank that will support the implementation of TDF (see Attachment 7: TOR of the TDF Facilitation Team for more details on this part of TDF).

TDF DEVELOPMENT OBJECTIVES

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

The overarching outcomes pursued are:

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

The following tables summarize the activities and types of activities under the proposed TDF and more details are provided in the summary below and in the Attachment 2: Description of Activities.

Table 1. Preliminary break-down of costs by TDF component

Component	TDF	
	Amount (US\$)	% of total
A. Trade Facilitation	800,000	11.74%
B. Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade Frameworks	1,766,000	25.91%
C. Export Competitiveness and Business Environment	1,388,000	20.36%
D. Capacity Building, Trade Policy, Trade Agreements, and Global Opportunities	1,750,000	25.68%
E. Strengthening of National Implementing Unit	1,111,855	16.31%
Base Costs	6,815,855	100.00%

³ Final amount depends on exchange rate at the time of transfer from donors to WB.

Table 2. Estimated Disbursement schedule (US\$)

	Y1	Y2	Y3	Y4	Total
Annual	2,282,664	2,139,964	1,542,964	850,264	0
Cumulative	2,282,664	4,422,628	5,965,591	6,815,855	6,815,855

Table 3. Preliminary break-down by type of expenditure, US\$

	Amount Allocated
Consulting Services	3,647,855
Goods	341,000
Training and Workshops	2,343,000
Incremental Operating Costs	90,000
Study Tours	40,000
Miscellaneous Minor expenses	354,000
Total	6,815,855.00

DESCRIPTION OF ACTIVITIES

The trust fund will finance investment (stand-alone or co-financed), technical assistance and capacity building, analytical, diagnostic and advisory services, and provision of goods for a total of US\$6.82 million, in five components (for more information, see Attachment 2: Description of Activities and Attachment 3: Detailed Activity Costs):

A. Trade Facilitation (US\$0.8 million)

This component of the TDF will be led by the MOIC DIMEX department and will finance technical assistance for the Government agencies (mostly other than Customs),⁴ to help them simplify their procedures, automate their processes, and better coordinate to deliver on the Trade Facilitation agenda under the regional and international agreements. These will include, in particular, computer equipment and training to establish a Trade Portal for the dissemination and use of this information, create basic procedures and systems for the capture of customs and other trade information, and the preparation of a diagnosis of future requirements for the automation of licensing and registries for potential future financing. In addition, support will be provided to a Trade Facilitation Master Plan, including discussions and establishment of the National Body for Trade Facilitation, legislative and policy Trade Facilitation Action Plan, a strategy for trade-related agencies in integrity development, and capacity building for trade-related agencies to improve their coordination to deliver on the trade facilitation agenda.

B. Strengthening of the Sanitary and Phyto-Sanitary Standards (SPS) and Technical Barriers to Trade (TBT) Frameworks (US\$1.77 million)

This component seeks to: (i) strengthen the SPS institutional, legal and regulatory framework; (ii) determine risk-based policies and control measures for SPS; (iii) strengthen the role of the private sector in managing SPS; (iv) strengthen the TBT institutional, legal and regulatory frameworks. The project component will facilitate international trade and improve food safety, animal health and plant

⁴ Customs operations are already being rationalized and automated through the introduction of an automated system financed by a parallel WB project ("Lao PDR Customs and Trade Facilitation Project"). Short description of the project is in Attachment 6: .

health through: (1) meeting requirements of WTO, AFTA and other international agreements; (2) improving the investment climate, and (3) improving governance.

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

Given that the thinking on this component has not yet been finalized, this component is designed in a flexible way to allow for future adjustments. It is currently designed around interventions based on the fundamental principles of developing market for Business Development Services in priority sectors. The aim is thus to improve the productivity of selected sectors with a high potential growth for export, namely the garment industry, handicraft, secondary wood processing sectors and agro processing amongst others. The component will finance technical assistance, training, goods and office equipment to be implemented in two phases: feasibility phase will identify priorities and results; based on these, implementation of actions will be determined and carried out based on detailed plans developed in the first phase.

In addition, a number of activities in support of the private sector competitiveness were identified which have to do with strengthening SPS management, and for this reason are detailed here but will be implemented by the SPS-GSEU (see Attachment 2: Description of Activities).

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

The capacity development component will finance technical assistance and training program, and is designed to adapt to changing circumstances. The component is designed based on the principles of developing home grown capacity and strengthening of local research, academic and vocational institutions and improve and strengthen Government managerial and technical know-how and ownership. TA will be provided to support the GOL in its ongoing negotiations at bilateral, regional and multilateral level and in particular with respect to the legal obligations, implementation issues and WTO compliance. Particular attention will be given to the design of the TA component with respect to ensuring the transfer of know-how and building of institutional capacity and institutional memory.

The goals of the capacity development program will be identified from the outset and sufficient feedback mechanisms will be provided to ensure that the support program answers to current capacity needs during the TDF implementation. Given that the thinking on the exact content of this component has not developed to produce a detailed plan, several feasibility studies will be conducted first to identify possible interventions.

E. Strengthening of the National Implementation Unit and support the Government Sub-Executing Agencies (US\$1.11 million)

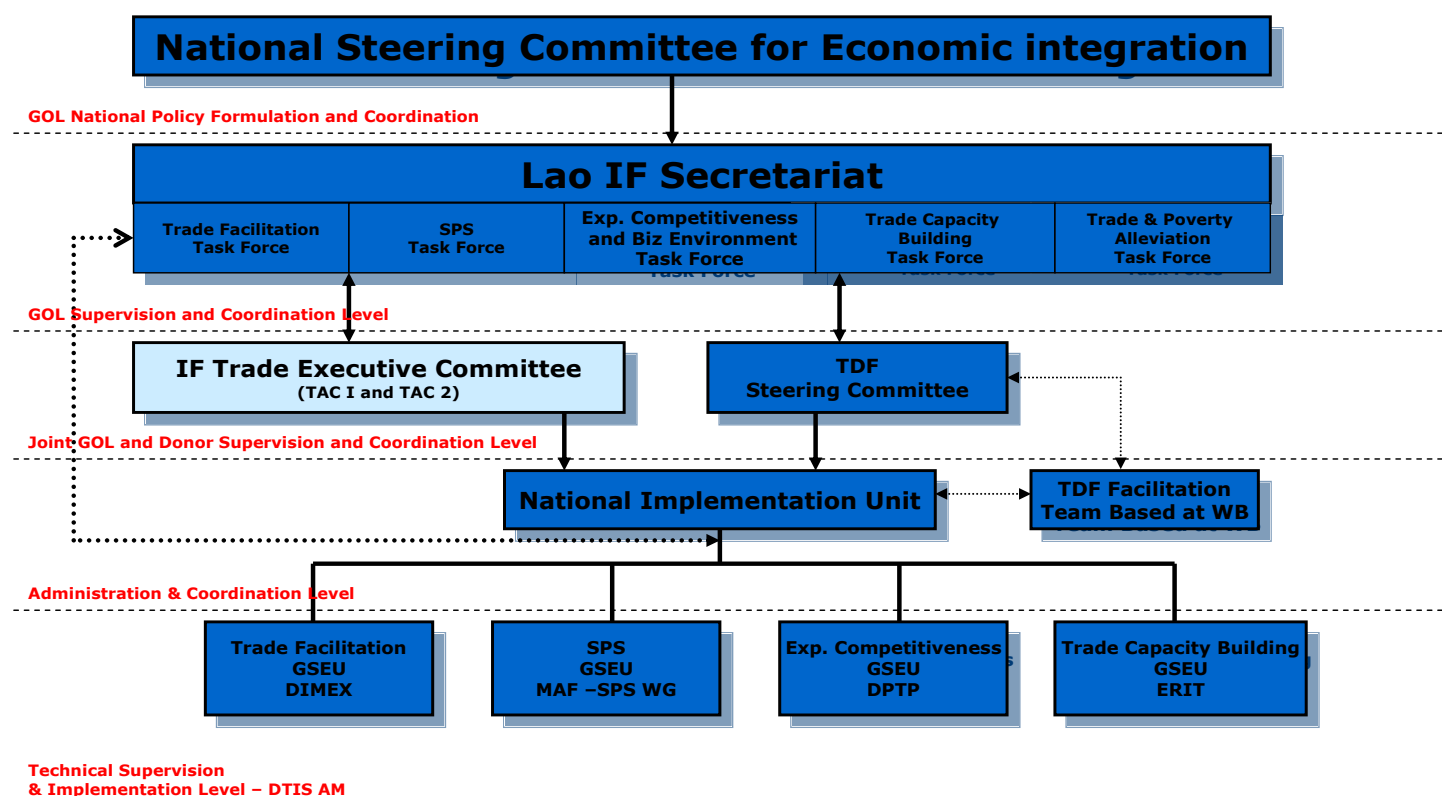
This component will finance accounting and administrative systems as well as training and technical assistance in procurement, project management, performance indicator determination and verification, and result verification. It will also finance office equipment, management information and IT systems and equipment.

PARTNERSHIP ARRANGEMENTS

Under the NIFGS, consultations with all stakeholders (all development partners active in the sector, private sector, etc.) will take place in the framework of the relevant Sector Working Group⁵ (or a sub-working group under this working group, as will be discussed during the Round table Meeting in November 2007); however, the final decision on the overall trade policy, reforms, implementation of the trade agenda stays with the Government. The Lao IF Secretariat (LIFS) will remain the body in charge of taking policy decisions, while the Sector Working Group will be a venue for consultations and information sharing. Consultations will take place annually or semi-annually, as deemed appropriate by the LIFS in consultation with the IF Focal Point.

The current Action Matrix will be reviewed on a regular basis and approved by the LIFS through a Government owned structures under NIFGS (see process in Chart below). The matrix, as it does in its current form, will represent a multi-year work plan for reform and needed assistance in trade-related areas. All interventions aiming at implementing the government's trade policy, including activities financed through the TDF and by other development partners, should be consistent with the Action Matrix.

Figure 1. Overview of the NIFGS, including NIU, GSEUs, and TDF within it.



⁵ The Sector Working Group on Macroeconomics and Private Sector Development is one of eight such groups established within the Round Table process in Lao PDR, and is currently responsible for the trade-related agenda.

INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

The **TDF Steering Committee** will be co-chaired by a senior representative (Vice Minister of MOIC) of the Ministry of Industry and Commerce and by a Donor Representative agreed by the donors who finance the TDF. It will consist of representatives of government (including MOIC and other line ministries), TDF participating development partners as voting members. The WB as the TDF Administrator will participate in the TDF Steering Committee as observer. The Bank in conformity with its fiduciary responsibility will need to endorse the decisions of the TDF Steering committee, through a Bank-issued 'No objection' before implementation. Other key stakeholders will be invited to participate as observers. The TDF Steering Committee:

- (a) Provides general oversight and strategic directions including advise to the Government on their proposed annual work plan to be financed under the TDF, based on a selection of actions from the Action Matrix and joint identification missions which have taken place;
- (b) Reviews periodic financial and progress reports, prepared by the NIU with assistance from TDF Facilitation Team.

Decisions are made by consensus and in case of disagreement -- by a system agreed at the first meeting. The TDF Steering Committee will meet at least once a year.

The Administrator (WB) ensures that funds are used in accordance with approved work programs. The Administrator has the final authority to approve projects, programs or actions in accordance with its procedures. The Administrator will manage TDF using its policies and procedures including:

- (a) Prior to project approval, the conduct of appraisal to ensure that project design and implementation arrangements are compliant with WB policies and procedures and meets expectations for achieving agreed development objectives; and
- (b) During project implementation, the conduct of supervision where the WB task team is expected to monitor, supervise, and review all aspects of the implementation, including technical, procurement, financial management, and relevance.⁶
- (c) The Administrator will establish a **TDF Facilitation Team** accountable to the WB that will be responsible for calling development partner meetings on the TDF and generally administrative support to donor coordination within a trade sector-wide approach, generate commitments, help carry out day-to-day management of the TDF, provide inputs to the supervision missions, help ensure compliance with WB rules, and – most importantly -- provide technical assistance (analytical and advisory services) to the GOL/NIU;
- (d) The Administrator together with the GOL will set up a yearly Fund Raising Plan of activities directed at raising more funds for the TDF.

⁶ WB will regularly (a) monitor progress in all substantive aspects of the project against the targets, development objectives and performance monitoring indicators set out in the Project Appraisal Document and Project Implementation Plan; (b) monitor procurement implementation and disbursement, recommending ways to ensure that procurement activities and grant disbursements proceed smoothly in line with the planned schedule; (c) review the audited financial statements, audit reports, and Project Monitoring Reports and other project progress reports submitted by the Government; (d) ascertain the extent of compliance with grant agreement covenants, including those related to environmental and social safeguards; and (e) review the continued relevance of the project to the Government and WB priorities. As appropriate, the task team will visit the project sites and facilities to review progress, provide advice, meet with project beneficiaries and stakeholders, perform sample reviews of the documentation supporting statements of expenditure, review Project Monitoring Reports and carry out ex-post reviews of procurement and obtain additional information.

The National Implementation Unit⁷ will be responsible for drafting action plans proposals; for coordinating the IF Task Forces and Government Sub Executing Units (GSEU) with respect to implementation; for finalizing monitoring reports; for providing any other inputs to the Lao IF Secretariat on issues related to policies, strategies and rolling programs. TA (including AusAID funded advisor) will be provided as necessary to support these functions. This unit will also include procurement and a financial management staffs who will manage the TDF finances and work in close collaboration with the Government Sub Executing Units (GSEU) providing them with financial management and procurement support. It is expected that the IF National Implementation Unit created under the Window II funds will act as the TDF Implementation Unit.

The IFF Specialist⁸ will support the coordination of inputs from development partners not participating in the TDF and will help to ensure that TDF is aligned with GOL Strategy and Plans. AusAID funded IFF Specialist will be attached to the NIU and serve as advisor to the MOIC. IFF Specialist will assist the NIU in the ways that the MOIC finds useful, for example, provide assistance in drafting proposals, provide information on international experiences and best practices, and facilitate participating and non-participating development partner coordination as it comes to TDF Steering Committee and other meetings concerning implementation of the Action Matrix.

The Government Sub-Executing Units (GSEUs) are agency implementing units, directly responsible for the technical implementation of the project and execution of the day-to-day activities as stated in the approved action plan. The GSEU will be responsible for ensuring the delivery of specific project outputs. They will work closely with the NIU and report to the NIU on all financial, administrative and procurement issues. For technical matters they may report directly to the appropriate IF Task Force. The composition of each GSEU will be determined on a case by case basis.

IF Task Forces – These inter ministerial Task Forces are critical for ensuring effective and coordinated implementation of the Action Matrix across Ministries, government agencies and specific sectors. Initially there will be 5 Task Forces set up based on the DTIS Action Matrix and these will be a sub- group of the Lao IF Secretariat. Where there are existing working groups, these will be used in WREAd e.g., National Transport Committee, SPS Working Group, etc. These will play an important role in supporting the GSEU, and the NIU and will ensure broad based ‘buy in’ of all key Ministries in the implementation process of the Action Matrix. The IF Task force will be responsible to provide guidance to the NIU and GSEU on technical and policy direction in a given sector. The IF Task Force will be responsible to ensure that the outcome for specific sector is reached.

MONITORING AND EVALUATION

A monitoring and evaluation framework will be put in place, with a set of indicators for each component of the TDF-financed activities. The National Implementation Unit, with technical advice from the TDF Facilitation Team, will prepare yearly updates for the TDF Steering Committee. These will be prepared based on the day to day management, and on Aide Memoirs of supervision missions for each component. In addition the NIU will be responsible for gathering progress reports, which will detail progress towards agreed results and expenditures by activity compared to planned expenditure according to the agreed action plan and budget. All activities will have progress and result indicators, and will be monitored by the NIU, which will also provide all necessary information to the twice-yearly supervision missions.

⁷ This unit has already been created, and is a “partially integrated PIU” that is led by Government staff and employs several staff who are not GOL officials.

⁸ Not funded by the TDF.

A report on the implementation and TDF performance will be discussed in the TDF Steering Committee. This report will include information on: (i) report on activities conducted and their link to the development objectives; (ii) financial and procurements conducted according to the annual plan; and (iii) implementation plans for the next review period.

The TDF should include capacity building on M&E within MOIC and the relevant IF entities. For supervision of the ongoing activities, joint missions will be financed from the TDF for this purpose.

PROJECT RISKS AT APPRAISAL

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
Possible lack of sustained political commitment to the project.	Creation of the National Integrated Framework Governance Structure will institutionalize the proposed governance scheme.	L
Possible weak governance structure; lack of clear responsibilities and authority of the various entities.	TDF assistance in the form of an O&M specialist and the preparation of a NIFGS Procedure Manual will help clarify responsibilities and authorities. The TDF Steering Committee and the TDF Facilitation Team will provide assistance throughout project implementation.	M
Lack of Implementing Capacity.	Local, regional and international expertise is being brought to bear to bolster existing capacity and ensure adequate TA through the NIU strengthening component.	M
Lack of knowledge and experience in Government and underestimation of technical complexity and international dimensions may lead to deficient and ineffective implementation.	In each component and in the implementation unit, national and international TA is brought in periodically to back up capacities for planning, implementation and quality assurance.	M
Lack of management expertise in staff involved in the reform may delay implementation.	On-the-job training by experts is being planned for the initial and middle stages of the project.	M
Insufficient coordination with development partners may affect program activities.	The TDF Steering Committee is composed of Donor Representatives as well as Government representatives. IFF Specialist will facilitate donor coordination outside the TDF.	L
Fiduciary: The risk that the funds will not be efficiently and effectively used for the purposes it was made to attain development objectives.	Considerable strengthening of the IF NIU is envisaged, including electronic project monitoring and accounting systems. A Procedure Manual is being drafted. Semi-annual supervisions and annual External Audit reviews of the Project will help maintain the integrity of the implementation	M
Sector and country risk	Based on a similar project risk assessment, (P101750, approved by the WB Board on June 17, 2008), the combined country and sector risk after mitigation is medium.	M
Overall project risk		M

Attachment 1: Procurement, Financial Management and Disbursement Arrangements

PROCUREMENT

A. General

Procurement for the proposed project shall be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits"; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006, and the provisions stipulated in the Legal Agreements for the proposed Project and as per the agreed procurement plan. For each contract to be financed by the IDA, the different procurement methods or consultant selection methods, the need for prequalification, post-qualification, estimated cost, prior review requirements and time frame are to be agreed between the Recipient and the World Bank team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

Procurement of Goods:

Goods expected to be procured under the project include Office Equipment, Office Furniture, Audio Visual Equipment, Air Conditioning, and Software. Goods estimated to cost more than US\$100,000 equivalent per contract shall be procured through the International Competitive Bidding (ICB) method and the procedures set forth in the World Bank's Procurement Guidelines and use the World Bank's applicable Standard Bidding Documents. Goods estimated to cost between US\$30,000 to US\$100,000 equivalent per contract may be procured through the National Competitive Bidding (NCB) method and the procedures, set forth in the Decree 03/PM dated January 9, 2004, and in the Implementing Rules and Regulations (IRR) dated March 12, 2004, including national standard bidding document with IDA's prior concurrence, will be followed subject to the improvements listed in the NCB-Annex to the Legal Agreement. Goods estimated to cost less than US\$30,000 equivalent per contract may be procured through the Shopping method and the procedures, including standard bidding documents with IDA's prior concurrence, set forth in the aforesaid Decree and IRR.

Selection of Consultants:

Consultant services expected under the project include Implementation of the Lao Trade Portal; Trade Facilitation Master Plan; Institutional, Legal, Regulatory Reform and Adjustments; Legal, Food Safety, Plant Health, Animal Health; Risk-based Policies and Measures; SPS; Improving Legislation, and Regulation for Technical Barriers to Trade; Project Design for Export Competitiveness and Business Environment; Promoting Private Association Mandating Associations Quality, Safety Management; Trade and WTO Compliance; International Project Coordinator; Procurement Management; Finance and Account; Monitoring & Evaluation; and Auditor. Services requiring hiring of firms would generally be procured through Quality-and Cost-based Selection (QCBS) method. However, for complex or specialized assignments meeting the circumstances described in para. 3.2 of the Consultant Guidelines the Quality Based Selection (QBS) method may be used, for assignments estimated to cost less than US\$50,000 equivalent per contract the method Selection Based on Consultants' Qualifications (CQS) may be used, and for external audit assignments the Least Cost Selection (LCS) method may be used. Services for tasks under circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines may, with the World Bank's prior agreement, be procured through the Single Source Selection (SSS) method. Services requiring hiring of individual consultants may

be procured in accordance with the provisions of Section V of the Consultant Guidelines, whereas SSS of individual consultants may be done only with the World Bank's prior agreement and under the circumstances described in paragraph 5.4 of the Consultant Guidelines. Shortlists of consultants for consulting services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants.

B. Summary Assessment of the Agency's Capacity to Implement Procurement

Currently, the NIU is led by the Director of General Division and includes two more government officials plus two contractual staff, none of which are procurement professionals. One of the government officials has worked on UNDP funded projects, but only with limited experience in carrying out procurement processes, and no experience in IDA's procurement procedures. The current NIU with its current staffing does not have adequate capacity to undertake procurement under the TDF following the Bank's procurement procedures. Therefore the current risk for procurement is High, but through capacity strengthening measures this risk can be mitigated to Moderate. It is proposed that an international procurement consultant be engaged to provide a total 12 staff-months of inputs, along with one local procurement officer on full-time basis for at least the duration of the Project and possibly to later be made a permanent staff member of NIU to support their continuing procurement needs after the Project. The international procurement consultant will also train the local procurement officer to build local capacity. The Bank will also provide training to the NIU staff/consultants. With these capacity strengthening measures, establishing rationalized thresholds for IDA's prior review and for encouraging greater use of the more competitive procurement methods, the overall procurement risk is expected to be "Moderate".

C. Procurement Plan

The National Implementation Unit (NIU) has finalized a detailed Procurement Plan for the first 24 months of project implementation. This plan has been agreed with the Task Team and will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. The IDA's Procurement Review Requirements

The following contracts shall be subject to IDA's prior review in accordance with the Procurement Guidelines or Consultant Guidelines:

1. The first NCB and first Shopping contract for procurement of goods regardless of value and all subsequent contracts exceeding US\$100,000 equivalent per contract.
2. All contracts for goods procured through direct contracting.
3. The first contract for employment of consulting firm under the CQS method, and the first contract for hiring of individual consultant regardless of value, and all subsequent consulting services contracts exceeding US\$100,000 equivalent for firms and US\$50,000 equivalent for individuals per contract respectively.
4. All contracts for hiring of firms and individual consultants procured through single source selection.

All other contracts shall be subject to ex-post review by IDA, and will also include checks for transparency in the procurement process and verification of end-use deliveries, in addition to verification of compliance with the agreed procurement procedures. The percentage to apply to the sample for ex-post review will be 30 percent.

E. Frequency of Procurement Supervision

Procurement supervision missions will be conducted by IDA at least twice a year to include ex-post review of procurement activities and to address any procurement implementation issues.

F. Details of the Procurement Arrangements Involving International Competition

1. Goods

1	2	3	4	5	6	7	8	9
Ref No	Contract (Description)	Estimated Cost (US\$)	Procurement Method	Prequalification (yes/no)	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid- Opening Date	Comments
1	Office Equipment (Y1)	100,000	ICB	No	Yes	Prior	Jan 09	Combined bid for Component B and E
2	Office Furniture (Y1)	66,000	NCB	No	No	Prior (First contract)	Jan 09	Combined bid for Component B and E
3	Audiovisual equipment (Y1)	15,200	Shopping	No	No	Post	Oct 09	Combined bid for Component B and E
4	Air-conditioning (Y1)	2,000	Shopping	No	No	Prior (First contract)	Jan 09	Component E
5	Miscellaneous (Y1)	19,000	Shopping	No	No	Post	Jan 09	Component E
6	Software (Y1)	3,000	Shopping	No	No	Post	Apr 09	Component E

All ICB contracts and the first NCB and first Shopping contract for goods and all direct contracting will be subject to prior review by the IDA.

2. Consulting Services

1	2	3	4	5	6	7
Ref. No.	Contract (Description)	Estimated Cost (US\$)	Selection Method	Review by Bank (Prior / Post)	Expected Proposal Submission Date	Comment
A.1	Implementation of the LAO PDR Trade Portal (Y1)	600,000	QBS	Prior	December 2008	
A.2	Trade Facilitation Master Plan (Y1)	200,000	QCBS	Prior	December 2008	
B.1.1	Institutional, legal and regulatory reform and adjustments (Y1)	510,000	QCBS	Prior	February 2009	B.1.1 and B.3.1 could be combined into one tender
	Legal Specialist (National consultant)	60,000	IC	Prior	April 2009	
	Food safety Specialist (National Consultant)	40,000	IC	Post	April 2009	
	Plant Health Specialist (National Consultant)	40,000	IC	Post	April 2009	
	Animal Health Specialist (National Consultant)	20,000	IC	Post	April 2009	
B2.1	Risk-based Policies and Measures Specialist	260,000	IC	Prior	September 2008	
B2.2	Risk-based Policies and Measures Officer (National consultant)	48,000	IC	Post	September 2008	
B.3.1	SPS Specialist	296,000	IC	Prior	November 2008	B.1.1 and B.3.1 could be combined into one tender
B.3.2	SPS National Expert	72,000	IC	Prior	November 2008	
B.3.3	Translator	43,200	IC	Post	November 2008	
B4	Improving legislation and regulation for Technical Barriers to Trade	147,300	QCBS	Prior	November 2008	Include International and National experts. Firm will need to include training coat and workshops in their bids
C1.1 –	Project Design for Export Competitiveness and	171,250	QCBS	Prior	November 2008	Combined tender + cost of

1	2	3	4	5	6	7
Ref. No.	Contract (Description)	Estimated Cost (US\$)	Selection Method	Review by Bank (Prior / Post)	Expected Proposal Submission Date	Comment
to C.1.4	Business Environment					workshop to be included in tender
C3.1 – C.3.3	Promoting Private Association Mandating Associations Quality and Safety Management	473,000	QCBS	Prior	January 2009	
D.4.2	Technical Assistance for Trade and WTO Compliance - Approximately 6 ST Consultancy and on-going advice	200,000	IC	Prior	On-going (TBD)	For SSS, Prior is required
E.1.1	Procurement International Specialist	240,000	IC	Prior	August 2008	
E.1.2	National Procurement Officer	20,000	IC	Post	November 2008	
E.1.3	International Finance and Account Specialist	240,000	IC	Prior	July 2008	
E.1.4	Senior National Account and Finance Officer	40,000	IC	Post	August 2008	
E.1.5	Development of Programme Monitoring and Evaluation System and Archiving system	20,000	IC	Post	September 2008	
E.7	Audit	60,000	LCS	Prior	August 2008	
E.1.8	Local Staff Initial Bridging Cost – Project Analyst	6,000	SSS	Prior	August 2008	
E.1.8	Local Staff Initial Bridging Cost – Administrative Assistant	4,000	SSS	Prior	August 2008	

(a) Consultancy services estimated to cost above US\$100,000 for firms and US\$50,000 for individuals per contract and all single source selection of consultants (firms and individuals) will be subject to prior review by IDA.

(b) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$100,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

NCB – ANNEX to Legal Agreement

National Competitive Bidding Procedures

1. Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers contractors and their subcontractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
2. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be provided to all bidders who submitted bids.
3. The Recipient shall publish the following information on contract award on a free or open access website when it becomes operational or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bid were rejected and the reasons for rejection; (e) name of the winning bidder, contract price, explanation if it is different that bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.
4. The eligibility of bidders shall be as defined under section I of the Bank's Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Bank in October 2006; accordingly, a firm or individual previously declared ineligible by the Association based on determination by the Association that this firm or individual has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices shall be declared ineligible to be awarded a contract financed by Association.

FINANCIAL MANAGEMENT

Summary of the Financial Management Assessment

A financial management capacity assessment of the National Implementation Unit (NIU) of the Ministry of Industry and Commerce which will coordinate the implementation of TDF project was done in September through to October 2007. The assessment also extended to the current accounting department of the ministry. The objective of the assessment was to assess the adequacy of proposed financial management arrangements of the project whether they meet the IDA's requirements as per OP/BP10.02. The financial management assessment covered areas such as budgeting, accounting, internal controls, funds flow, financial reporting and auditing arrangements. These arrangements are deemed acceptable if they are capable of correctly and completely recording all transactions and balances relating to the project. In addition, such arrangements are acceptable if they can facilitate the preparation of regular, timely and reliable financial statements and safeguard the projects assets; and are subject to auditing arrangements acceptable to IDA. The assessment was conducted through discussions with the directors and staff from the Ministry of Industry and Commerce and the NIU and staff from Ministry of Finance.

The TDF project will be implemented in an inherently moderate risk environment. Thus the inherent risk of the project is assessed as moderate owing to the strong mitigation measures the ministry is already undertaking in view of the weak financial control environment within which it will be implemented and systems of the public sector. The ministry has decided to use a parallel system and has opted to document such systems which staff working on the project will follow. Otherwise the residual risks the project will be confounded with are weak enforcement of contracts, specifications and procedures. Other elements of the residual risk arise from the country's slippage on the ranking by Transparency International where the slippage is by more than ten percent to 163. The difficulty of timely accounting for fuel advances and allowances also pose serious risk.

A number of mitigation measures have been outlined in the report. In addition, good governance framework measures will be formulated and included in the project financial management and the project manual of operations to ensure that the key risks are addressed during implementation. External audits performed annually will help to deal with some of the risks outlined in the report.

In conclusion, the proposed financial management arrangements put in place by the MOIC for the project have been assessed as meeting the Bank's requirements as per OP/BP10.02. The MOIC, however, has to proceed to implement the key suggested action plans as outlined in the detailed financial management capacity assessment paper.

Country Issues

The Country Financial Accountability Assessment (CFAA), carried out in mid-2002 concluded that the overall fiduciary risk in Lao PDR is considered to be high, despite the fact that there are elaborate built-in controls within the government FM system. The findings are as a result of insufficient transparency in public finances. The budget process is not yet transparent and public access to government financial information is limited. These weaknesses have been compounded by insufficient awareness of modern practices of internal control in the public sector and by the government's ongoing decentralization initiative, which needs to be supported with a sufficiently robust institutional framework that clearly defines the new responsibilities at lower levels. Technical capacity of staff at these levels needs to be strengthened and the oversight functions

and the State Audit Organization need improvement. A recently completed IDF grant to improve accountability in State owned enterprises and the private sector has helped develop the environment for the accounting and auditing professions and initiated amendments to accounting and auditing laws. A Public Expenditure Review combined with an Integrated Fiduciary Assessment has been completed and disseminated whose findings do support the weak accounting environment.

The recent Joint Portfolio Effectiveness Review (JPER) undertaken by GoL, ADB, SIDA and WB also identified similar issues and weaknesses and it was agreed that a series of remedial measures in a time bound action plan would be implemented, including: (i) delegation of authority over the management of project designated accounts to executing agencies that have in place adequate quality and control systems; (ii) streamlining of approval processes; (iii) harmonization of a FM manual; (iv) utilization of uniform FM software; (v) consolidation of project FM functions; and (vi) implementation of a consolidated training program.

While these actions have started to improve specific fiduciary issues, the country FM environment for externally-funded projects remains weak as the effects of some of the measures being implemented are not yet being felt. In addition, some of the recommendations are at early stages of implementation.

The bulk of external assistance has been channeled off-budget both in the sense that resource allocations are not reflected in the government's budget documents and those funds are not disbursed through Treasury. This lack of information and absence of effective instruments to guide the allocation of external financing seriously undermine the integrity and effectiveness of the budgetary system. There is insufficient transparency in public finances. The budget process is not yet transparent. The FMCBP and the formulation of government's master plan for reform of Public Financial Management through the PEMSP aim at addressing all the above weaknesses by mobilizing funds from a number of donors to finance a comprehensive Public financial management overhaul of the respective inter related systems.

A financial transactions review undertaken in 2007 reveals a number of project portfolio wide financial management weaknesses. A review of management letters issued on previous projects implemented by the sector shows a number of weaknesses in internal control.

Risk Analysis

As annotated above, the previous AAA undertaken by the World Bank and its partners in 2002 reveals that the overall fiduciary risk in Lao PDR is considered high. As most of the aspects aimed at mitigating the risks are still under implementation, the risk level has not changed much. The risks arise from the increased usage of cash although there is serious attempt by government to more usage of cheques and transfers as part of the FMCBP. The systemic weaknesses heighten fiduciary risk to funds to be made available by the financiers of the project. To address the perceived risks, an action plan has been developed to strengthen the project's financial management systems. In addition, some of the big tickets items are already incorporated in the PEMSP to address the PFM systemic weaknesses.

Risk	Risk Rating	Risk Mitigation measures incorporated into project design	Risk after Mitigation
Inherent Risk			
<i>Country level Fiscal environment:</i> There is weak control environment with serious weaknesses in National Treasury operations, especially in cash management, inadequacies in PFM accounting system, and weak internal and external auditing capacity. Owing to low salary level within Public service, fuel, training and workshop allowances are a means of livelihood and are likely subject of abuse.	High	<p>The NT weaknesses and the generic PFM inadequacies are being addressed through the FMCBP. Government wide, staff will be trained in MTEF principles, Treasury management, commitment control and debt management. Annual public expenditure reviews will be undertaken to check on the weaknesses noted amongst other things. The FMCBP has clear achievement indicators in reforming and addressing the weaknesses noted.</p> <p>At project level, TDF will have specific project level financial management arrangements aimed at addressing some of the key weaknesses observed above. It will have its own planning, budgeting and reporting on financial performance, project specific staff appointed from the Ministry whose skills will be further enhanced by training in project FM; a designated accounts of the finances of the project will be opened, monitoring of FM through FMRs and bi-annual supervision. There will be annual external audits. Fuel and allowance rule compliance will be subject of review of every mission and will also be checked upon by external auditors. A specific project FM manual has been developed which outlines the various processes to be followed.</p>	Substantial
<i>Inability to use funds efficiently and economically for purposes intended</i>	Substantial	There shall be enhanced accounting and reporting. Independent external auditors shall be engaged to conduct annual audits.	Moderate
<i>Potential corruption arising from procurement</i>	Substantial	ICB shall apply for all contracts above a certain threshold and WB rules shall apply. A review of indicative red flags for collusion will be periodically conducted.	Moderate
Inability to properly account for advances, fuel and allowances	Substantial	The project shall maintain an advances register which shall be reviewed by external auditors. Log books and fuel registers shall also be maintained by the project. The respective books shall be reviewed each mission.	Moderate

Overall inherent risk	Moderate		
Control risk			
Budgeting	Substantial	Budgets will be prepared annually and revised bi-annually. Financial budgets will be linked to physical outputs through the operating plan. The FMRs to be prepared will be used to monitor variance analysis with budget	Moderate
Funds Flow-IDA administered funds. Such funds may be released untimely.	Moderate	The funds from IDA will flow directly from IDA to the designated accounts maintained at the Bank of Lao PDR	Low
Staffing	Substantial	Finance staff to be chosen will be trained in handling WB managed funds in addition to the experience they already have in managing UNDP funds. Attempt will be made to select such staff on meritocracy with experience and good qualifications.	Moderate
Lack of experience in managing multiple donors	Substantial	Project staff will be supported by a consultant on FM and other areas initially for a period of eighteen months. A new financial management manual has been written and will be available to guide all staff. A launch workshop where FM procedures will be discussed will be organized.	Moderate
Accounting policy and procedures	Moderate	A consistent set of accounting policies and procedures has been set up and will be applied as per FM manual. Training of the accounting policies and procedures to be organized for staff.	Low
External Audit	Low	Annual financial audit of the project's financial statements by independent auditors to be conducted. This will be done annually.	Low
Reporting and Monitoring	Substantial	An update of the system will ensure that there is a link between financial and physical progress reports. The reports will be system generated after inputting all the requisite inputs. Only one report shall be produced for all donors sharing the financing of the project.	Moderate
Information Systems	Moderate	Attempts will be made to buy software for the project.	Low
Overall control risk			Moderate
Overall Project Risk Rating	Moderate		

Financial Management staffing

Currently, the NIU has one staff in charge of accounting who is running the finance section of the unit. Since the staff is also responsible for other projects within the ministry, the current capacity is not deemed adequate. The observation is exacerbated by the fact that this unit has never implemented a World Bank funded project arising from multi-donor Trust funds. Apart from an identified accountant for the project, it would be good if an assistant accountant were selected to help the former and also enhance the level of segregation of functions within the project. The Accountant for the project has a Bachelors degree in Financial Management from a reputable university in Thailand and five years experience of work on donor financed project. One of the two people identified to work with her as assistants has lower ranking accounting qualification and more than two years experience in managing a donor funded project. The identified staff has been assessed as having adequate capacity to undertake the envisaged functions of the TDF. However, they could do with an assistant accountant. It is therefore suggested that one more accounting staff be identified to work as an assistant accountant in the project selected from civil service.

The organizational structure of the finance function of the TDF has been determined. The job titles and descriptions though determined have not yet been fully written up in the project operational manual. This will be done by the time the TDF is set up. Such staff is ministry staff that is not on contract. The transfer rate of such staff out of the ministry is very minimal. Currently, there is no training policy for finance and accounting staff. It is hoped that accounting staff working on this project shall benefit from capacity building efforts and a resultant capacity building plan of the project to further their accounting skills.

Accounting Policies, systems and procedures

The project's key accounting policies and procedures have been articulated in a draft project accounting manual. The NIU accounting systems are currently manual. Whilst they have been running very well so far, it takes staff quite sometime to produce the annual financial statements on the current projects being implemented. It is envisioned that project specific software will be purchased to enhance recording of information and production of financial reports. The software to be bought will have to be able to record and track project expenditures, including the allocation of expenditures in accordance with the respective components, disbursement categories and various sources of funds. It will ensure that cost allocations to the various funding sources are made accurately.

All accounting and supporting documentation will be retained by the finance unit of the NIU on a permanent basis in a defined system that allows authorized users easy access.

Budgeting

The budgets as currently prepared in the ministry and by the NIU do not lay down physical and financial targets. However, budgets are prepared for all significant activities in sufficient detail to provide meaningful tool with which to monitor subsequent performance. Actual expenditures are normally compared to the budget every quarter and explanations obtained for significant variations from budget. Approvals for variations from budget are obtained in advance. The ministry has enough procedures to plan project activities, collect information from the units in charge of the different components and prepare budgets. Other project budgets developed by the ministry have so far not been realistic based on assumptions developed by knowledgeable persons

because in most cases they are not activity based. They are more incremental budgets developed by ministries rather than anchored on Medium Term Expenditure Framework.

Payments

Invoice processing was reviewed and considered less adequate. This is because there is no comparison between actual goods received and the quantity for which an invoice has been issued by the supplier. In addition, there is no checking with warehouse or supplies with on quantities received. For goods purchased comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received is not done. Checking of calculations on such invoices is done though not authenticated. Invoices are not stamped “PAID”, dated, reviewed and approved and clearly marked for account code assignment.

Policies and Procedures

The basis of accounting is cash. Preparation of financial statements is supposed to be guided by Lao accounting standards. Note should be taken that there are only less than fifteen Lao standards derived directly from International Accounting Standards. Their applicability in government is very limited if not non existence. The NIU to manage the project has a properly written draft financial management manual. It is this manual that describes all project accounting procedures to be adopted and used during implementation. Effort will have to be made to ensure that this manual is regularly updated. In the sector, there are no explicit procedures in place that allow for authorized persons only to alter or establish a new accounting principle, policy or procedure to be used by the ministry. Conflict of interest and related party transactions rules are not explicit within the ministry and so are rules that provide safeguards to protect the ministry from such actions. However, the project draft manual of procedures will have to be distributed to appropriate personnel and clearly articulate the issues of conflict of interest and who is authorized to change codes and establish new accounting policy.

Cash and Bank

Since the project is at an appraisal stage, no bank accounts have yet been opened. The authorized signatories have been annotated above-being the Minister of Finance or his designee. For the current projects financed by the UNDP and other donors in the sector, there are adequate controls that exist for the collection, timely deposit, and recording of receipts at each cash location. Cash and bank are reconciled on a monthly basis. There was no evidence we obtained to show that unusual items on the bank reconciliation are followed up after review and approval.

Information systems

Whilst the projects financial management system is not yet in place, the existing NIU does not have a computerized accounting system. As such, it is difficult to determine whether there is ample evidence that the processing system does help in safeguarding the confidentiality, integrity and availability of data.

Safeguard over Assets

There are not explicit policies and procedures to safeguard and protect assets from fraud and waste through recording such assets in a fixed asset register. Periodic count of inventory is not regularly done. Assets are not insured. It will be necessary that the project maintains a fixed asset register and conducts period count of its physical inventory.

Reporting and Monitoring

The project financial statements will be prepared by NIU and follow the Lao Accounting standards. Every quarter, such financial statements will be prepared. Such reports will have to be prepared in timely fashion-forty five days after the end of the quarter. The current system does not have the capacity to link the financial information with the projects physical progress. A separate system may need to be developed to gather and compile physical data and establish controls to reduce the risk that physical data may not synchronize with financial data. In view of this suggestion, there will be need to establish financial management responsibilities that specify what reports are to be produced, what they are supposed to contain and how they are to be used. Management of the NIU will have to be inducted on how to use such reports. The reports will have to compare actual expenditures with budgeted and programmed allocations

Internal control/Internal audit

There is no internal audit function within the MOIC. MOF is planning to establish internal audit government wide soon and it is that the ministry will benefit from such an act. The internal audit will therefore cover the review of project internal controls within its work program once in place.

External Audit

The Ministry of Industry and Commerce is supposed to be audited by the Supreme Audit Office. The SAO can only do compliance audits at the moment. As such, the project's annual financial statements will be audited in accordance with International Standards on Auditing by independent auditors based on acceptable terms of reference to IDA. The audited financial statements and audit reports will be submitted to the World Bank and other donors within six months after the end of each fiscal year, and the closing date of the project.

There will be one audit report and one set of financial statements on which the auditors will issue a single opinion covering project accounts, the usage of funds, and the management of designated accounts. In addition, a management letter outlining any internal control weaknesses of the implementing office and other agencies at various implementation points will also be issued by the external auditor together with the audit reports. The MOIC through NIU will be responsible for engaging and managing the audit contract. It will be responsible for appointing an auditor six months after signing of the projects governing legal agreement. The cost of the audit will be financed from project proceeds.

Emphasis will be placed on assessment of proper use and accountability of funds, and procurement.

Supervision Plan

As the Financial Management inherent risk is assessed as moderate, supervision of project financial management will be performed at least twice a year. The supervision will review the projects financial management systems including but not limited to operation of designated account, evaluating quality of budgets, project financial management reports, assessing relevance of financial management manual, statements of expenditures, internal controls, reporting and follow up of audit and mission findings. The review will also conduct random reviews of financial statements, compliance with covenants; the financial management supervision will be conducted by IDA's financial management specialist staff and at times assisted by consultants. At

each time of supervision, the projects financial management risks of the project will be assessed and influence the frequency of supervision.

Funds flow and Disbursements Arrangements

Disbursement basis

Disbursement Arrangements

A Grant Account will be opened for this project by the World Bank. Withdrawals from this account will be directed to a special Designated Account which will be opened at the Bank of Lao PDR and managed by the Treasury of the Ministry of Finance. The Ministry of Industry and Commerce will establish an Operating Account in any Commercial bank to facilitate the project expenditure. A grant agreement between IDA and the GOL will establish the applicable disbursement arrangements for the project.

Allocations from the Grant Account will be made to the Designated Account. Withdrawals/disbursements against the Designated Account will be made on the basis of the Grant Agreement that will be executed between IDA and the Government of Lao PDR.

IDA will establish disbursement arrangements for the project in consultation with GOL-specifically Ministries of Finance and Ministry of Industry and Commerce, on the basis of a financial management capacity assessment of the projects financial management arrangements, and the projected cash flow needs of the project. The Banks LOA department will specify these arrangements in a Disbursement Letter to the Government of Lao PDR. The LOA may disburse proceeds from the grant account to designated account for the project using one or more of the following disbursement mechanisms:

- **Reimbursement:** GOL would be reimbursed for eligible expenditures pre-financed from their own resources;
- **Advance:** grant proceeds are advanced into the Designated Account to finance eligible expenditures as they are incurred.

Prior to the withdrawal of any grant proceeds from the grant account, the GOL will furnish the World Bank's Country lawyer for Lao PDR with the names of the officials authorized to sign applications for withdrawal applications and their authenticated specimen signatures.

Withdrawal from the designated account

Ministry of Finance, on behalf of the recipient, will open and manage special (designated) account at the Bank of the Lao PDR on terms and conditions satisfactory to IDA.

Since the project expenditures will be expected to vary during the life of the project, a ceiling based on periodic (six-monthly) forecasts will be established and agreed in order to meet variant implementation needs. As such, the ceiling will be based on GOL forecasts of disbursements as provided for in the interim un-audited financial reports. Thus the ceiling of the designated account is likely to change from period to period to reflect changes in cash flow needs. The Bank task team will assess the reasonableness of forecasts and may adjust the amount it will be willing to advance if not satisfied that the forecast is justified by planned project expenditures.

The authorized representative of the Recipient will approve these periodic (six-monthly) withdrawal applications given the preliminary plan of disbursements provided by MOIC/NIU and provided that MOIC/NIU submits the supporting documentation and statements of expenditure, as below.

The GOL will periodically (six-monthly) request for funds to be transferred from the grant account to the respective designated account by preparing and delivering to the LOA team in Manila through the Lao Country office, a written application for withdrawal for such amount and category as stipulated in the Grant agreement.

Withdrawal applications must be:

- Authorized by a representative of the recipient;
- Accompanied with evidence in support of the application as the World Bank may reasonably request.

In summary, IDA requires the following supporting documentation:

- Interim financial reports;
- Statements of expenditure;
- Records required by IDA for specific expenditures and statements of expenditure for all other expenditures.

Direct payment methods may also be used for expenditures above the levels for SOEs given below.

Disbursement of Trust funds into a government managed designated account will be based on Interim unaudited reports, or direct payment. The NIU shall prepare interim unaudited reports forty five days after the end of each quarter to be submitted to IDA for its designated account through Ministry of Finance unit which deals with IDA replenishments. This application will be accompanied by robust cash forecast for the next two quarters, a designated account bank reconciliation.

Financial Management Action Plan

The Conditions of Effectiveness consist of the following:

- (a) Recipient has adopted an Operational Manual for the Project, satisfactory to the Association pursuant to paragraph 6 Section I of Schedule 2 of this Agreement;
- (b) Recipient has conducted a TDF Steering Committee meeting and has approved the terms of reference of said committee, and its annual work plan.
- (c) Recipient has approved the terms of reference, and started the selection process for the following positions in the NIU: (i) international procurement advisor, (ii) international financial management/accounting advisor, and (iii) national procurement and financial management staff (assistant accountant).

The Recipient shall by December 30, 2008 appoint:

- (i) an international procurement advisor, with a contract duration of a minimum one year, and of not less than three months for each of the following years until completion of the Project, with terms of reference satisfactory to the Association;
- (ii) an international financial management/accounting advisor, with a contract duration of a minimum one year, and of not less than three months for each of the following years until completion of the Project, with terms of reference satisfactory to the Association;
- (iii) and maintain for the duration of the Project one national procurement staff to the NIU and one national financial management staff (assistant accountant) on the terms satisfactory to Association;

The Recipient shall by February 1, 2009:

- (iv) install a financial management system software satisfactory to the Association; and
- (v) appoint an auditor for the Project.

Attachment 2: Description of Activities

Attachment Table. Costs by TDF component

Component	TDF	
	Amount (US\$)	% of total
A. Trade Facilitation	800,000	11.74%
B. Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade Frameworks	1,766,000	25.91%
C. Export Competitiveness and Business Environment	1,388,000	20.36%
D. Capacity Building, Trade Policy, Trade Agreements, and Global Opportunities	1,750,000	25.68%
E. Strengthening of National Implementing Unit	1,111,855	16.31%
Base Costs	6,815,855	100.00%

Component A: Trade Facilitation

Extensive diagnostic work done with Government by the World Bank and other development partners specifically identify border procedures as a key constraint and priority to be addressed. The Diagnostic Trade Integration Study led by the WB under the IF framework identified business environment and trade barriers as key constraints to exporters. The Joint WB/ADB Investment Climate Assessment identified key investment climate constraints that exporters and other firms face, and highlighted the differences between the constraints that exporters and non-exporters face.

In spite of significant improvements achieved in recent years, both by the Lao PDR Customs Department (LCD) and other border-related regulatory agencies, the processing and clearance of import, export and transit goods in Lao PDR remains relatively inefficient and time consuming. The processes rely excessively on manual processing of paper-based documentation, are not based on modern standards such as risk management and are applied inconsistently across the country.

While principal responsibility for the processing and clearance of goods rests with the Lao PDR Customs Department (LCD), up to sixteen⁹ other local and central government entities were still involved in the process in 2006. Although as of October 2007 most of them are no longer physically present at the border complying with their regulatory requirements still imposes a heavy administrative burden on traders.

Customs operations are already being rationalized and automated through a reform and modernization program financed by a complementary IDA project (Lao Customs and Trade Facilitation Project). This component of the TDF will finance a range of technical assistance activities designed to enhance the efficiency and effectiveness of border management agencies other than Customs. The technical assistance and support provided under the TDF will be directed at:

- Provision of computer equipment and technical assistance to design and implement a Trade Information Portal. The Portal will provide access to all relevant information and

⁹ For example, Immigration Police, Customs, Commerce, Food and Drug, Quarantine, Treasury, Health, Insurance, Drug Control, Post, Tourism, Forestry, Tax, Foreign Affairs, Communications and Transport were present at the Friendship Bridge border check point in Vientiane province in 2006.

- regulatory requirements associated with import, export and transit and assist traders to voluntarily comply with national regulations;
- Preparation of a comprehensive ICT strategy and implementation plan to cater for the automated submission and processing of all import, export and transit license and permit requirements in non-Customs agencies. The strategy will also develop the functional requirements and technical specifications for the proposed system or systems and their integration and interoperability with the Customs IT system (Asycuda World).
- Assistance in the preparation of a Trade Facilitation Master Plan, including support for the establishment and administration of an appropriate national coordinating body; and
- Assistance to prepare a a national border management integrity action plan.

Sub-Component 1: Implementation of Lao PDR Trade Portal (US\$550,000)

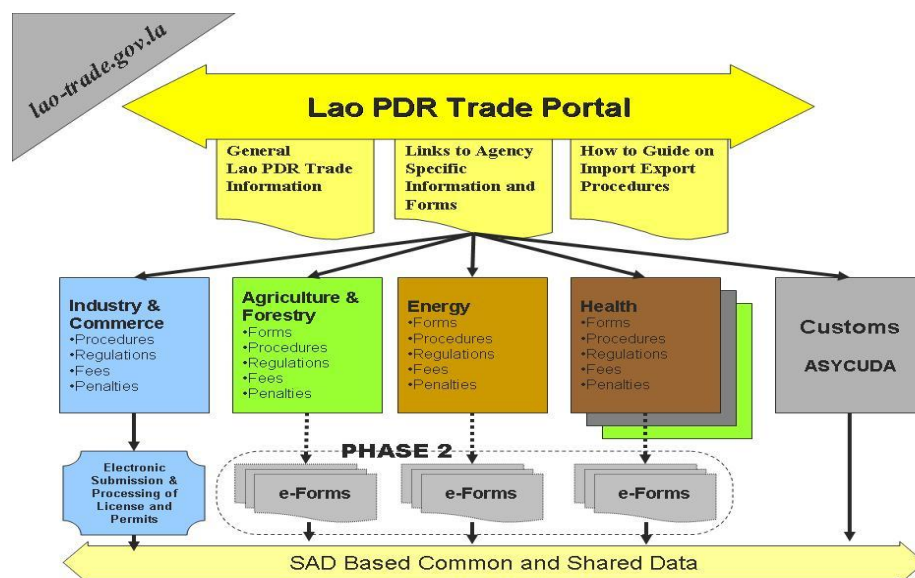
This subcomponent envisages the establishment of a trade portal for Lao PDR. Initially, the portal will aggregate and integrate all of the trade related information available on individual ministries and agency websites in an easily accessible manner. This subcomponent will consist of three primary activities:

- (a) Process simplification and harmonization of procedures and documentation requirements for licensing and permitting issuing authorities;
- (b) Publication of trade related information including regulations, procedures, fee schedules, penalties and necessary forms on a Trade Information Portal; and
- (c) Preparation of and IT strategy and implementation plan for the automation of trade related licensing and permitting processes in key line ministries and agencies and the eventual establishment of a ‘single window’ system¹⁰.

Based on the initial review of documentary requirements undertaken by the EU, this sub-component will first support the **rationalization and simplification of trade related documents** and procedures. The subcomponent will review and redesign all import, export, and transit procedures and documentation with a view to simplifying and harmonizing procedures across agencies and eliminating all non-essential and duplicated documents. New procedures will be based on internationally recognized risk principles, enabling selective intervention in circumstances indicated by pre-determined risk criteria. In addition, the review will consider options for assurance regimes that do not require the submission of transaction based documentation. This activity will complement similar rationalization of customs procedures and documentation that will be undertaken in the Customs and Trade Facilitation (CTF) project. The activity will also ensure that the Single Administrative Document (customs declaration) implemented in the LCTF project provides the necessary information and data sets for all involved border agencies.

Once this is completed a **Trade Information Portal** linking all of this information together in an easily accessible manner will be developed and deployed. The chart below depicts *a possible* approach. The portal should logically be operated and maintained by the Ministry of Industry and Commerce with its mandate to facilitate trade and competitiveness. Financing for the development of the portal (Lao-Trade.gov.la) and the relevant changes to individual agencies websites and procedures are to be included in this activity. Such an approach would have an added advantage in that it would assist Lao PDR to comply with changes to GATT Article X currently being discussed as part of the WTO Trade Facilitation negotiations.

¹⁰ Funding for the automation process is not included in the TDF.



Activity 1.3 Automation of Licensing and Permitting Procedures

The World Bank financed Customs and Trade Facilitation project will provide Lao PDR Customs with the ASYCUDA Customs system which will provide traders with the capacity to submit Customs declarations electronically. This system is appropriate for Customs but it will not, on its own, contribute to the automation and coordination of other border management agencies. To achieve the project objectives described above priority will be given to developing a **comprehensive IT strategy and implementation plan** to allow for the eventual linkage to a suite of small, purpose built IT solutions linked through the portal that can connect and interact with the Customs system.

The project will therefore finance the development of an IT strategy and implementation plan designed to ensure that IT is deployed effectively and efficiently to support operations of the non-customs border agencies, enhance cross-agency communications, and seamlessly interface with the Customs system. Automation will enable these agencies to streamline their operations, reduce the risk of errors, improve the level of transparency and accountability, and reduce the costs borne by the importing and exporting community and ultimately by the national economy. The strategy will purposely be developed to provide the functional requirements and technical specifications for a later phased introduction of a full ‘single window’ functionality.

The IT strategy will provide a framework for the eventual and carefully phased implementation of full ‘single window’ functionality to connect the trade community and relevant government agencies and stakeholders via a shared system and trade network. The architecture for the ‘single window’ including the detailed design, timing and activity phasing of the IT sub-component will be based on a detailed assessment of IT and business requirements. This activity will therefore make a significant contribution to the achievement of the government’s trade facilitation objectives by lowering transaction costs and reducing clearance times.

Sub-Component 2: Trade Facilitation Master Plan (US\$200,000)

To ensure all appropriate government agencies and private sector stakeholder work together in a coordinated manner to improve the trade facilitation environment in Lao the project will finance technical assistance to support the development of a comprehensive **Lao PDR Trade**

Facilitation Master Plan. Such a plan is necessary to ensure all stakeholders work cooperatively to achieve implementation of regional and international commitments (such as successful WTO accession) and meet the trade facilitation objectives stated in the NSEDP. In this respect, support will be provided to develop and implement a Trade Facilitation Master Plan, led by the MOIC/DIMEX but including all relevant stakeholders. Support will also be provided for the establishment and administration of an appropriate national coordinating body. Work on developing the Master Plan has already commenced and is expected to be completed in March 2009, however, successful implementation of the plan will require a significant amount of coordination and performance monitoring. The sub component will therefore finance technical assistance to develop and refine the plan as well as the provision of expert support for the national coordinating body.

Sub-Component 3 – Integrity Development (\$US 50,000)

The system and procedural improvements that will be introduced in Customs via the Customs and Trade Facilitation Project and in non-Customs agencies via the activities financed by the TDF will do much to reduce opportunities for corruption. In particular, the introduction of automation will radically limit opportunities for the inappropriate use of official discretion and face to face contact between officials and traders. Likewise, the provision of accurate trade related information will improve the level of voluntary compliance with national laws and regulations.

These improvements will, however, need to be complemented by other integrity development initiatives to improve supervision and accountability and reduce incentives and opportunities for corruption. The nature of border management work does, however, entail a number of inherent risks and these need to be mitigated by the development and implementation of a comprehensive integrity/anti-corruption program based on the provisions of the World Customs Organization's Revised Arusha Declaration on Integrity in Customs. While designed specifically for the Customs operating environment the provisions of the WCO's instrument are equally relevant to other non-Customs border management agencies. The project will therefore finance technical assistance to undertake a comprehensive review of compliance with the provisions of the Arusha Declaration and the development of a Lao PDR national integrity action plan.

Component B: Sanitary and Phyto-sanitary (SPS) and Technical Barriers to Trade (TBT) Framework

Lao PDR has shown much progress in its overall economic development with sustained growth rates of about 6 percent per year. Agriculture still contributes 45 percent of the country's GDP and it employs about 80 per cent of the population. Its sustained growth of about 4 percent per year—facilitated among others by expanded infrastructure, spill-over of technology from neighboring countries and improved investment climate—has contributed to poverty reduction. However, there is much untapped potential for poverty reduction through accelerated and diversified agricultural growth and exports.

Increasing income and growth in neighboring countries forecast a growing demand for food and agricultural products. These can be supplied from Lao PDR, whose natural resources favor expansion of agricultural production. Foreign Direct Investment (FDI) in production, processing and trade could be an important contribution to increased production capacity in exportable products, as well as to further spill-over of technology. Improvement of the investment climate, membership of the World Trade Organization (WTO) and making optimal benefits of ASEAN Free Trade Area (AFTA) membership will play synergetic roles in unleashing the growth potential of agriculture.

Exports of agricultural products from Lao PDR have not yet faced a major ban or suspension for SPS non compliance, but there are specific concerns for the future. At present most agricultural exports are destined to market segments in neighboring countries where food safety and quality requirements are still moderate or low. Probably half of agricultural exports are through informal border trade. However, public and market requirements for quality and safety in neighboring countries are also increasing. Accessing more demanding market segments in the region and elsewhere will generally require two elements: (i) a greater private sector role in scaling up local production, and (ii) improved SPS management in the public and private sector. Hence, SPS management becomes an increasingly important part of competitiveness and investment climate.

The present management of food safety and animal and plant health has severe weaknesses and its implementation does not meet WTO and AFTA requirements. The main issues are:

- Incidence of food and water-borne diseases is much higher than in other countries of Southeast Asia (except for Cambodia) and cause high mortality and high costs to households because of inability to work and expenditures on treatment.
- Several endemic livestock diseases, such as Highly Pathogenic Avian Influenza (HPAI), Foot and Mouth Disease (FMD), Classical Swine Fever (CSF), Newcastle Disease, and various other animal diseases form serious constraints on formal trade and income of farmers; zoonotic diseases form risks for human health.
- Plant pests seriously affect productivity and income of farmers. With increased reliance on higher value crops and new varieties, and larger-scale operations for exports, the risk that trade will be disrupted by outbreaks increases.

Many aspects of SPS management are private sector responsibilities. However, most private sector entities are small, and lack capacities to rapidly upgrade product quality, safety, volume and consistency. Moreover, they are in part dependent on an environment that offers good governance, adequate public services and business development services. Government agencies dominate in policy preparation and implementation; in the area of SPS management trade and business associations are not yet engaged on a regular base in public-private dialogue and public-private cooperation.

The legislative and regulatory framework for food safety and agricultural health does not meet the basic requirements of WTO SPS and AFTA. Transparency requirements cannot be met and inspections and border controls are not science- and risk-based. Overall, implementation is weak, and there is too much discretionary power and rent-seeking. Human skills in relevant areas, such as institutional development, standard setting, diagnostics and detection, surveillance, inspection, training in hygiene, is scarce. There are very few legal specialists in the ministries to improve the legal and regulatory framework and they have little experience with international law and foreign languages. A sustained effort is needed to bridge the gap between the present situation and international requirements, to solve institutional weaknesses and overlaps, enhance capacity, and improve governance.

In late 2006 GoL endorsed the SPS Action Plan, prepared as part of the DTIS process. This Plan contains 29 actions which combine policy reform, capacity building, and improvement of the investment climate, with an estimated cost of US\$9.75 million. The present component will implement a portion of these actions with a cost of US\$1.60 million for SPS and US\$170,000 for TBT (plus US\$0.487 million for quality and safety management in the private sector included under Component C) over a 4 year period (see Attachment 4: Coverage of Actions in Lao PDR Action Plan by the SPS/TBT Component of the TDF). It is expected that in the coming years additional resources will become available from lending and grants to implement the remaining actions.

GoL has given priority to improvement of its capacities to manage SPS in ways compatible with international principles of WTO and AFTA. Enhancing competitiveness, trade diversification and adequate health protection for people, crops and livestock requires establishing and maintaining a fully functioning SPS system, which in turn requires long-term commitment, policy and regulatory reform, TA and capacity building.

The Ministries of Agriculture and Forestry (MAF), Health (MoH) and the Water Resources and Environment Agency (WREA) have formed an SPS Working Group led by the Director General of Agriculture for coordination of all SPS capacity-building activities supported by donors and facilitate cooperation on cross-cutting activities. Additional strengthening will be needed for it to accomplish this role successfully.

Rationale for the TBT sub component

Lao PDR has adopted principles of a market-based economy and it pursues integration in the international economy through membership of AFTA and WTO. However, the legal and regulatory framework for TBT is still deficient. Laws for standardization and metrology are not in place yet, and a WTO compliant regulatory frame work needs to be added. Many of the existing regulations are still based on principles that were common in the state planned economy in which quality and safety requirements were insufficiently separated. Moreover, they were strongly biased to end-of-pipe controls. The principles of WTO SPS/TBT are that safety requirements have to be based on risks and science, whereas quality requirements should largely be voluntary and left to the private sector. Hundred percent controls of products have to be replaced by a system of surveillance to identify risks and inspection programs with sampling rates proportional to risks. The GMS project on trade facilitation pursues that with the aim to better comply with SPS/TBT requirements, reduce border controls, and to facilitate trade within the region. In the market economy the private sector has the responsibility for safety of products and the role of Government is to provide oversight and inspections based on risks. Some risks need to be addressed at critical points in the supply chain where they occur.

The need for support for improving the legal and regulatory framework is clear. The knowledge of relevant technical issues, international law and foreign languages is limited. Terminology on SPS/TBT in Lao language needs to be developed in order to better reflect international concepts. However, the amount and various dimensions of work involved and the support needed need further assessment. Whereas for the SPS sector a systematic analysis of needs for change has been made resulting in the SPS Action Plan, such an assessment and plan are not available for the TBT area. Although donor and international agencies have organized many training workshops on various aspects of WTO SPS and TBT rules with the effect that awareness is created, little training has been given to larger numbers of middle ranking officers. Since the revision of the legal and regulatory framework includes new principles and many new issues, concepts and terminology there is much need of a process of on the job training throughout the various phases of regulatory reform and implementation. These phases include:

- understanding of reasons for change
- designing draft regulations
- consultation, consensus building, dissemination
- adoption, enactment, promulgation
- preparation for implementation

Although WREA has the main responsibility for TBT, several other ministries in charge of sectoral issues—MOIC, MAF—and the private sector have roles and economic interests in this area.

Component Description

The component activities are divided into five sub-components:

- (i) institutional, legal and regulatory reform and adjustments for SPS;
- (ii) preparing risk-based policies and control measures for SPS;
- (iii) strengthening the role of the private sector in managing SPS;
- (iv) a unit for implementing the SPS sub-components and strengthening coordination with other SPS projects; and
- (v) institutional, legal and regulatory reform and adjustments for TBT.

Table 1. Component Description¹¹

Sub-component	Budget	Objectives
1. institutional, legal and regulatory reform and adjustments for SPS	700,000	<ul style="list-style-type: none"> - improve institutional alignment between institutions with SPS responsibilities - assist in drafting amended laws and regulations - amend border procedures - support consensus building, training and dissemination
2. risk-based policies and measures	400,000	<ul style="list-style-type: none"> - create risk evaluation (assessment) capacity in support of SPS policy making - provide on the job training and training abroad - carry out a program of risk evaluations for support of drafting regulations and preparation of policy reform
3. SPS sub-Project Implementation Unit (SPS-GSEU)	500,000	<p>Under the policy guidance of the SPS Working Group and the administrative guidance of the TDF-NIU:</p> <ul style="list-style-type: none"> - prepare and implement annual and quarterly plans - draft TORs and coordinate with the NIU on procurement and contracting - organize training activities - cooperate with all SPS projects - advise the Working Group on coordination issues
4. institutional, legal and regulatory reform and adjustments for TBT	166,000	<ul style="list-style-type: none"> - assess the institutional, legal and regulatory framework for TBT with regard to WTO compliance and effectiveness in enabling a market economic system and make a plan of action for drafting legal texts.
Total	1,766,000	

The selection of SPS projects was based on the following priority criteria:

1. Contribution to preparation of WTO accession
2. Need for increasing absorptive capacity and software for future investments in SPS infrastructure
3. Contribution to improved human skills, governance and investment climate
4. Stock taking of ongoing SPS project activities¹²

Because of fund limitation many actions from the SPS Action Plan could not or not fully be added. For an overview see Attachment 4: Coverage of Actions in Lao PDR Action Plan by the SPS/TBT Component of the TDF. Surveillance, infrastructure, diagnostic capacity, regional cooperation, and development of university curriculum activities were therefore not included, but the selected activities will in part prepare the ground for future action in these areas.

The legislative and risk analysis activities for food safety, animal health and plant health will be carried in parallel with the aim to achieve consistency in approach where relevant and to assure that cross cutting issues are handled properly. The resources for the three areas will be allocated on the base of the amount of work to be done, while taking into consideration resources that are

¹¹ The detailed calculations based on unit cost and divided by calendar quarter were prepared with the SPS-GSEU and can be seen in a spreadsheet “Lao TDF SPS Costs” in the project file.

¹² The main on-going activities are projects by NZAID/FAO on food safety, NZAID and Australia on phyto-sanitary, activities by World Bank, FAO and bilateral donors on HPAI, and support for control of trans-boundary animal diseases by Australia and FAO/ADB.

available from other sources. In animal health several support projects cover the area in part already.

Sub-Component 1. Institutional, legal and regulatory reform and adjustments for SPS

An assessment will be made of weaknesses in the laws, regulations, and related border handling procedures (including permits etc.) for trade in food and agricultural products, and food safety, animal health and plant health protection. The assessment will focus on the following aspects:

1. Gaps and overlap in institutional responsibilities (both as assigned in legislation and as practiced)
2. Compliance with SPS agreement principles and other international obligations, such as AFTA
3. Main legal and regulatory gaps and redundancies in protection of animal health, plant health and human health against pests and diseases and food-borne hazards
4. Weaknesses/gaps in effective enforcement and implementation
5. Needs to strengthen rule of law, governance and investment climate through an improved regulatory framework
6. Cost-effectiveness of existing regulations / redundancies

The assessment will provide prioritized recommendations for:

- Alignment of responsibilities of the institutions involved in managing food safety, animal health and plant health
- Phased work plans for drafting improvements in laws, regulations and border procedures, including filling missing pieces.

After review and approval of the recommendations, assistance will be provided on:

- Alignment
- Drafting of legal texts.

Given the limited capacities in the country, prioritization of new measures will be based as much as possible on (i) mandatory international obligations, (ii) opportunities for trade, (iii) risk, severity of health hazards and (iv) related costs and benefits from intervention. Introduction of international standards in domestic markets will be selective and guided by the same principles.

On the basis of revised legal texts an assessment will be made of likely implications for demand for diagnostic work and testing in support of surveillance and inspection.

In parallel, consultations, training and consensus building activities will be conducted to build capacities and promote sustainability.

Sub-component 2. Risk-based policies and measures for SPS

This component will create capacity for risk evaluation¹³ (assessment) needed to design risk-based SPS measures, such as inspections and border controls. It will also help Government to prioritize measures based on risks, costs and benefits. In less complicated cases it can be applied for market access requests. Since risk assessment principles are the same for food safety, plant health and animal health management, and resources limited, one unit will be created to provide services to the three sectors.

The sub-component will include:

1. Creation of an interdisciplinary Risk Evaluation Group (REG) staffed by four full-time Government experts with broad backgrounds in cost-benefit evaluation, food safety management, plant health management, and animal health management. Expertise in epidemiology, public administration and trade is relevant as well.
2. Participatory training in the country will be conducted by an international specialist. Some projects will be carried out as part of the training. Part of the training will be open to interested staff from relevant Government agencies, the private sector, the University of Laos, and NAFRI.
3. Preparation of a rolling work plan for the first and second year. Every year the two-year work plan will be updated. It will be approved by the Working Group.
4. Training abroad

The work plan will consist of risk evaluation projects that contribute information to:

- Concrete activities undertaken in sub-component 1 on regulatory reform
- Policy makers for their preparation of concrete policy issues in which risks, costs and benefits play an important role.

For each risk evaluation project a small project team will be formed consisting of at least one core-team member and, where relevant, specialists from Government agencies, the private sector, NAFRI and the University. The REG will have independence from policy making units and will contribute objective information and options to decision makers. It will not be directly involved in decision making.

For the time being, the REG will be located in the Department of Agriculture, though in its work it will equally contribute to the areas of food safety, animal health and plant health. Towards the end of the project its institutional location will be reviewed.

¹³ Risk evaluation is synonymous with risk assessment. However, risk assessment is often narrowly associated with Risk Assessment needed for requests for market access. Since such risk assessments can require much information from sophisticated research, in this project the term risk evaluation is used in WREAd. In this project risk assessment principles will mainly be used for applications other than market access and cases where limited data and less sophisticated research capacities are available. In fact capacities for preparing demanding PRAs are not available in LAO PDR and will only emerge over a longer time period than covered in this project, but the capacities created through this project will be a step in that direction.

Sub-Component 3. SPS Government Sub-Executing Unit (GSEU)

Under the National Steering Committee (Ministerial level) a **SPS Sub-Steering Committee** will be formed consisting at least of: MAF and MoH, and possibly including PMO (WREA), and MOIC. An **SPS Working Group** has been formed consisting of senior officials in these ministries with direct responsibilities in managing SPS. They will mandate day to day work to a **SPS Task Force**. An SPS GSEU will be formed which will also be in charge of with coordination of all SPS donor activities (fitting in structure in Figure 1 on page 5 under MAF GSEU). It may consist of:

- GSEU project manager;
- technical officer;
- translator, and
- administrative assistant.

However, these positions will be determined based on need and funds available. Members of the SPS Task Force (MAF-DOA, MAF-DOL&F, MOH-DOF&D) will selectively participate in parts of the work.

The TOR of the SPS-GSEU is:

Under the policy guidance of the SPS Working Group and the administrative guidance of the TDF-NIU the following tasks will be carried out

- prepare annual and quarterly plans for approval by the Working Group
- send progress reports to Working Group
- draft TORs and coordinate with NIU on procurement and contracting
- organize training activities
- through the SPS Task Force, cooperate closely with all SPS projects by other donors and agencies
- advise the Working Group on SPS coordination issues

Sub-Component 4. Institutional, legal and regulatory reform and adjustments for TBT

An assessment will be made of weaknesses in the laws, regulations, and related border handling procedures (including permits etc.) for TBT. Special focus will be on Standardization and Metrology. The assessment will focus on the following aspects:

1. Gaps and overlap in institutional responsibilities (both as assigned in legislation and as practiced)
2. Compliance with TBT agreement principles and other international obligations, such as AFTA
3. Main legal and regulatory gaps and redundancies in present legislation
4. Weaknesses/gaps in effective enforcement and implementation
5. Needs to strengthen rule of law, governance and investment climate through an improved regulatory framework
6. Cost-effectiveness of existing regulations / redundancies

The assessment will provide prioritized recommendations for:

- Alignment of responsibilities of the institutions involved in managing TBT
- Phased work plans for drafting improvements in laws, regulations and border procedures, including filling missing pieces

As resources become available, the next steps can be implemented, starting with the alignment and drafting of legal texts based on the above results. Priorities would be based on (i) mandatory international obligations, (ii) opportunities for trade, (iii) commercial and health risk, and (iv) related costs and benefits from intervention. Introduction of international standards in domestic markets would be selective and guided by the same principles. In addition, an assessment could be made on the basis of revised legal texts of the likely implications for demand for diagnostic work and testing in support of surveillance and inspection. These activities should be accompanied by training and consensus building activities to build capacities and promote sustainability.

Organization

The work for the sub-component will be led by WREA, but since there are many cross cutting subjects with tasks of other ministries, and since important private sector interests can be involved, a consultative group will be established for the sub-component, led by WREA, and including public and private stakeholders, such as MOIC, MAF and private sector representatives. Consultations on establishment of this group will take into consideration the existing groups.

WREA will appoint a manager to lead the project implementation team for the sub-component. The other ministries will engage in the work of activities for which they share responsibilities. Implementation of each project component and its sub-component will be under the responsibility of the GSEU based in the respective Line Ministry or Agency and coordinated through the NIU.

Sector-Specific Risks

Kind of risk	severity	Risk mitigation
Lack of coordination within and between TDF SPS sub-components and with other donors' SPS projects leads to overlap and reduced efficiency	M	The already formed SPS Working Group is capable of securing coordination and synergies
Weak absorptive capacity leads to insufficient action	M/S	The strong implementation unit backed up with external capacity (TA) will manage the process of project implementation and ensure timely preparation of quarterly and annual plans and management decisions on implementation
Weak absorptive capacity leads to consultant-driven project	M	Emphasis on a long implementation period, ongoing consultation, training and workshops will enhance Lao ownership and capacity building.
Lack of knowledge and experience in Government and underestimation of technical complexity and international dimensions may lead to deficient and ineffective SPS measures	S	In each component and in the implementation unit, international TA is brought in periodically to back up capacities for planning, implementation and quality assurance.
Inefficiency through organizational complexity bureaucratization	M/S	Decision making on contents needs short direct lines with the Government institutions with direct responsibilities for managing food safety, animal health and plant health.
Vested interests in present inspection and border procedures may thwart project preparation and implementation of improved SPS measures	M	Periodic reporting and direct contact between the Working Group with the national Steering Committee and especially the SPS Sub-Steering Committee, consisting of Ministers directly responsible for SPS implementation, will enhance change.

M = moderate; S = severe

Overall Risk: Moderate

Monitoring and evaluation framework

The activities of the component are highly diverse. The direct outputs can be measured relatively easily: number of legal texts drafted, number of workshops and trainings. But the outcomes are difficult to measure, since they partly occur beyond the lifespan of the project. Examples are enactment, promulgation and implementation of laws and regulations, increased competitiveness and increase in trade. Some outcomes are very difficult to attribute to particular factors. For example, regulation and trained staff are only part of the factors that affect competitiveness. For most of the project activities no baseline data are available to be used in later outcome evaluations.

Output indicators

1. Number of legal texts drafted
2. Number of new and modified regulations adopted
3. Number of regulations dropped
4. Number of workshops and consultative meetings conducted
 - Number of persons participated
 - Recorded appreciation of persons who participated*

5. Number of trainings
 - Number of persons trained
 - Recorded appreciations of persons trained*
 6. Number of risk evaluation projects completed
 7. Number of private sector and civil society organizations strengthened
 - Effectiveness*
 8. Number of public-private arrangements supported
 - Effectiveness*
 9. Number of SMEs supported on food safety
 - Effectiveness*
 10. Number of SMEs supported on sourcing from small-scale farmers
 - Effectiveness*
- * proxies for impact

The outcome of the project will be partly measured through recording of crude outcome indicators. The outcome measurement will be completed by a project exit survey in which for a random sample of project outputs impacts will be assessed through qualitative interviews among beneficiaries and stakeholders.

Component C: Export Competitiveness and Business Environment

In its Sixth National Socio-Economic Development Plan (2006-2010), the Government of Lao PDR sets an ambitious growth target at about 7 percent per year, with the objective of graduating from Least Developed Countries by 2020. Export is a main element driving this growth, and is targeted to grow at about 12 percent per year. This can only be achieved through raising competitiveness of its key sectors and the competitiveness will be determined by its ability to support:

1. Improvements in the business environment and address cross cutting, binding constraints to growth;
2. Sector-specific growth, driven by local companies that are successful in raising the sophistication of their operations and strategies and increasing their competitiveness.

To understand the key constraints to improving export potential and export competitiveness of Lao PDR's private sector, three analytical reports have been developed by the World Bank, in close cooperation with other development partners and the GOL. In December 2004, a process of consultation between the Government and the enterprise sector was initiated in Lao PDR which led to the formulation of a national export strategy for the country. This strategy is aligned with Government's overall developmental objectives and has been integrated in the 5-year plan (2006-2010) of the Ministry of Commerce. The Diagnostic Trade Integration Study was led by the WB and MOIC under the IF framework and identified key steps to building export competitiveness in Lao PDR. The Joint WB/ADB/CPI Investment Climate Assessment identified key investment climate constraints that exporters and other firms face, and analyzed differences between exporters and non-exporters.

Improving export competitiveness of the local producers means to adopt a three-prong strategy that will improve market access, eliminate or reduce costs of trade and transit, and improve domestic productivity by eliminating investment climate constraints. Export competitiveness therefore can be broken down to three main factors: (i) domestic productivity, which determines the costs of production; (ii) trade costs, which determine the cost of moving and/or exporting the good and/or service and, (iii) the effective level of market access which is determined by the extent of unilateral, regional or multilateral trade reforms and the capacity to meet standards and overcome information gaps on export markets.

- With respect to market access, Lao PDR is in the process of negotiating its access to the WTO and it is currently a member of ASEAN and it is actively negotiating with various ASEAN Dialogue partners. Development partners such as, SECO, WB, Japan, EC, and others, are currently assisting the Government establish practices compatible with participation in these regional and international agreements
- With respect to reducing costs of trade and transit, several projects are in place to assist in improving trade facilitation through streamlining regulations, automation of customs, building necessary infrastructure, and increasing compatibility with ASEAN and WTO requirements. In particular, the GMS program by ADB and other partners supports cross-border infrastructure, legal framework, and single stop inspections. A WB project deals with automation of customs aiming at reducing clearance times and costs. Japan is working to improve business environment alongside the main trade routes and corridors.
- With respect to domestic productivity, the Government developed a comprehensive strategy to reduce key constraints to business, such as poor infrastructure, excessive regulations, access to finance, etc. For example, the National Assembly approved a

new Enterprise Law, replacing the old Business law. This creates a level playing field for private businesses, significantly simplifies regulations and procedures to start up a business, moves from licensing to registration as the main principle, envisages a transparent “negative list” of the sectors where entry of private business is conditional, and envisages a one-stop-shop for business registration.

Recognizing the importance of enabling business environment in enhancing competitiveness of businesses in both domestic and international market place, the Government has recently issued several important pieces of legislations and regulations, including the Enterprise Law, the Law on Commercial Laws, regulations to streamline import and export procedures, and has begun process of reviewing existing legal framework for investment promotion and the existing mining law. The most recent development is the adoption of the first SME Development Strategy, which outlines specific measures for improving the business environment, including:

1. Simplification of business registration procedures through effective implementation of the Enterprise Law and development of national business registry;
2. Conducting licensing review process to measure impacts and identify ways to reduce the burden of regulation on businesses;
3. Further simplify import export procedures through reviewing list of controlled goods subject to import and export license;
4. Measures aimed at improving SMEs’ access to market information, business development services such as training, counseling, trade fairs and exhibitions will contribute to improving SMEs overall competitiveness and their ability to compete in both domestic and international markets.

Several development partners, including EC, ADB, GTZ, ILO, IFC-MPDF have already developed concrete proposals to assist the Government in implementing the strategy and majority of support will focus on address cross cutting, binding constraints in business environment. For this reason, it was decided not to include specific business environment component under the TDF.

Sectoral analysis

The Assessment of the export potential of Lao non-resource based industries conducted by UNIDO, ITC and by WB, together with the GOL under the DTIS identifies the following sub-sectors as priority industries that have export potential: Tourism, Garment industry; Handicraft; Wood processing; and Agro processing.

Tourism is a critical industry for driving economic development. The sector currently generates over US\$120 million in revenues, creates 18,000 direct jobs and 300,000 indirect jobs, represents over 4 percent of GDP, about 15 percent of export revenue and is projected to grow by nearly 12 percent in the coming years. In addition, capital investment in tourism projects is projected to double in the next ten years. According to assessment in the DTIS the industry has potential to triple its revenues in 5 years if major weaknesses are properly addressed.

The industry weaknesses include the lack of bilingual and multilingual staff with training in the service industry, a short high season, relative isolation, low capacity of air transport, low capacity to market internationally, very short stays by tourists as an “add-on” and others. However, most of these issues are currently being addressed by the Lao National Tourism Authority in closed collaboration with business associations (Lao Hotel and Restaurant Association and Lao Association of Travel Agents) and with strong support from donor community, including ADB,

New Zealand Aid, Grand Duchy of Luxembourg, AFD, DED, SNV, GTZ and others. Additionally issues related to business environment are being addressed through the Lao Business Forum, Ecotourism Forum and dialogue between the industry associations and the Government. Therefore, at this stage tourism sector is not considered as priority sector for support under the TDF.

Garment industry in Lao PDR started in early 1990s. Today there are 59 exporting companies and 57 sub-contractors, employing more than 28,000 workers. Between 1998 and 2002 garment exports have accounted for between 30 and 40 percent of the country's total merchandise exports. According to the Lao Textile and Garment Industry Association, three new garment factories are currently under constructions and after completion these factories are expecting to employ additional 1,600 workers. Interestingly, despite the generally anticipated loss of employment after the expiration of the MFA, the number of workers has still increase; this may be due to the imposition of Textile Safeguard Mechanism on certain categories of Chinese textile and apparel exports until December 2008 by the EU and US.

According to the supply chain study conducted under the ICA, and to other studies, the largest constraints facing the industry are ability to export, and thus availability of management staff, level of education and skill of workers, productivity, and access to raw materials.

Handicraft sector is predominantly dominated by small informal producers. According UNIDO study conducted in 2003, the sector employs 30-40,000 full time workers, of which 15-20,000 people work full time, while 100,000 work part time or as complimentary activity. Out of estimated value of US\$30-40 million, half was hand woven and textile.

Traditional Lao textiles have significant market potential. Hand-woven textiles in Lao PDR not only reflect the strong tradition of weaving, but are also unique among the world's textile. High value silk products are being sold to interior designers in New York. High value and uniquely designed wood products are being exported to the San Francisco area. Unique, hand-made and high value cotton products using natural indigo and other dyes are being exported from Savannakhet to Japan. However, exports of handicrafts are limited and dominated by a few companies. Key constraints facing the sector include limited interest of international buyers in Lao handicraft, lack of market information, poor design and marketing skills, high transportation costs and insufficient volume of raw material.

Wood processing industry accounts for 32 percent of the gross output of the manufacturing sector, 35 percent of exports of the country's manufactured goods and employs 22,000 workforce. The challenge to the Government is how to promote the production and exports of secondary wood products in parallel with pursuing other objectives related to forestry such as sustainable management of forests, ensuring that benefits from the forests accrue to the rural poor, and biodiversity conservation. This broad perspective is maintained in the Government's forestry strategy and other relevant policies. One of the fundamental problems is that existing wood processing industry itself has very little interest to enter into secondary wood processing, as most of enterprises are directly or indirectly linked to secondary processing enterprises in neighboring countries. Another issue is the uncertainty of wood quota allocation, which discourages investments in secondary wood processing facilities. Another major problem confronting the existing wood processing industry is its weaknesses in terms of management, marketing, technology, design capacity and skills levels of the labor to restructure from primary to secondary wood processing.

Agro businesses or food processing industry. Annual exports of processed food amount to about US\$20 million, whereof 75 percent consists of primary processed coffee. In addition, there

are significant unrecorded trade in both directions, primarily with neighboring Thailand and Vietnam.

Key constraints facing the sector include high cost of production and distribution, weak extension services, poor availability dissemination of market information, lack of technical know-how, lack of institutional support and research on modern processing and packaging techniques and others.

Support measures to improve hygiene, food safety and quality standards for processed food will be implemented under the SPS component of the TDF.

Component description

The component will finance technical assistance, training, goods and office equipment through three subcomponents:

Sub-Component 1: Feasibility Studies

Conduct feasibility studies for supporting skills development facility for the garment industry, handicraft sector, linking handicraft producers with international markets through promoting e-commerce, and develop an action plan to promote the production and exports of secondary wood products in parallel with pursuing the objective of sustainable management of forests.

Sub-Component 2: Project implementation.

Depending on the above findings and based on effectiveness and efficiency analyses of proposed actions, sector-related weaknesses will be addressed through identified activities.

Sub-Component 3: Strengthening the role of the private sector in managing SPS

This sub-component will focus on collective and individual private sector capacities and on the interaction between the public and private sectors. It includes items for promoting competitiveness and business environment of Agribusiness. The following activities will be promoted:

1. Fostering and strengthening private sector associations that have roles to play in aspects of SPS management, such as producers groups, processors, trade and export associations, etc. If possible the establishment of a consumer organization will be encouraged. For each of the three sectors (Food Safety, Animal Health and Plant Health), a consultative and advisory body (Council) will be established, consisting of private sector participants, independent experts and government representatives. The Councils will meet regularly twice a year and other times as appropriate.
2. Mandating and supporting private sector entities, under proper regulation and supervision from Government, to assume active responsibility in the implementation of aspects of SPS management. A good example is the wood industry that takes care of treatment of wood under ISPM 15. The project will actively explore other options, such as food safety associations that provide services to members, exporter's organizations that carry out the work for certification, applied research, testing services etc.
3. Introduction and improvement of quality and safety management systems, such as Good Agricultural Practice among farmers, Good Manufacturing Practices among processors, training in hygiene and basic HACCP principles in SMEs. Experiences by the NZAID/FAO food safety project with training of trainers in good hygiene practices and

GMP in food handling SMEs will be used to design interventions. Priority will be given to enterprises that are exporting and operate in the tourist industry.

4. Enterprises that buy produce from small-scale farms and make efforts to upgrade quality and safety of their products for better market access can receive time-bound support for (i) training of their own staff that assist farmers; and (ii) for training activities provided to small farmers and farmers groups.

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

As outlined in the Diagnostic Trade Integration Study (DTIS), enhancing capacity of trade stakeholders in Lao PDR is critical to improve the country's trade performance. Capacity development is a necessarily endogenous process which has to be led from within Lao PDR, with development partners playing a supporting role. Government's commitment and leadership are necessary conditions for improving institutional outputs. The capacity development component will be designed to leave sufficient flexibility to adapt to changed circumstances in order to improve and strengthen GoL ownership. The goals of the capacity development program will be identified from the outset and sufficient feed-back mechanisms will be provided to ensure that the support program will answer to current capacity needs during the TDF implementation (a) "strategic incrementalism" approach¹⁴). A central role will be played by the National Implementation Unit which will have to draft annual work plans for capacity development.

In Lao PDR, capacity development in trade related matters is perceived as a high priority by all stakeholders. It is also widely perceived that past support in this area achieved mixed results largely because of the following reasons: a) lack of comprehensive approach to capacity development largely due to fragmentation of donors' short term interventions; (b) focus on officials in the Capital Vientiane to the detriment of officials employed in provincial offices; (c) excessive use of short-term external expertise in a non-sustainable fashion; (d) poor monitoring and evaluation of capacity development activities; (e) insufficient involvement of beneficiaries during planning and implementation.

A number of shortcomings of past interventions is expected to be addressed under the newly established governance structure to implement the IF Action Matrix. Moreover, in order to increase aid effectiveness, capacity development under the TDF will be institutionalized by anchoring any intervention in this area to existing institutions (ERIT, NERI, NOSPE, University, etc.). Consistently with the "OECD/DAC Guidelines for Strengthening Trade Capacity for Development",¹⁵ in the initial phase a long-term plan to strengthen the internal Lao PDR's institutional capacity in trade will be developed with the assistance of a short term external expert. Use of home grown capacity will be promoted and international/regional experts will be used only when local capacity is scarce. These experts' inputs will be embedded in an institutional framework which will ensure future sustainability and ownership.

This component will address the needs of four categories of stakeholders:

1. Government Officers dealing with trade matters (this includes officers from MOIC, but also officers from other ministries and agencies dealing with trade-related issues, i.e., Ministry of Agriculture, Ministry of Finance, Ministry of Education, Ministry of Health, WREA, etc.);
2. Training and research institutions and agencies (ERIT, NERI, NOSPE, National University);
3. Private Sector Representatives (LNCC and other sector business organizations).

¹⁴ "Building State Capacity in Africa", Brian Levy (World Bank, 2005).

¹⁵ <http://www.oecd.org/dataoecd/46/60/2672878.pdf>

Description of Component

A preliminary assessment of this component has identified the following needs in the sector. However, the prioritization of these activities within the overall framework of the TDF will take place during the initial stages of implementation. Preliminary analysis points out at the following sub-components:

- 1. Technical Capacity Development for Trade and WTO Compliance and Implementation.** Regional/international Short-Term Technical Assistance will support the GOL in their priority areas related to the ongoing negotiations at bilateral, regional and multilateral level and in particular with respect to the legal obligations being taken by the GOL. This subcomponent will be designed in such a way as to ensure that the knowledge transfer is embedded in local institutions. The National Implementation Unit will prepare an annual plan for assistance based on the needs of various line ministries
- 2. Upgrading Government Officers' Trade Knowledge and Management Skills.** The content of this sub-component will be defined in the capacity development plan. It will focus curriculum design and on Training of Trainers with the aim of developing capacity of local institutions (NERI, ERIT, NOSPE, etc.). It will include support to enhance Human Resource Management skills with the aim of improving the government's capacity to select trainees and to match their needs to training on-offer, including by other donors, and to monitor and evaluate training results. Basic training (i.e., English language) and equipment is also included. The possibility to build on and expand the ongoing APEC project¹⁶ with NERI will be considered, with additional sectoral courses developed and delivered at central level and the expansion of introductory trade courses also at provincial level.
- 3. Support to Academic and Research Institutions.** Capacity of local institutions in trade-related research to be used by policy-makers will be enhanced by funding research activities and promoting the development of research networks. A demand-driven approach will be adopted: the GoL will identify a list of research topics. Research grants will be awarded on a competitive basis. A mentoring program will assist researchers to develop their methodological and technical capacity. The mentoring program will be developed in partnership with local, regional and international research institutes.
- 4. Establish a Course in International Trade and Competitiveness.** The Department of Economics of Lao University will be supported with the provision of Technical Assistance to design the course curricula and to develop a flexible and modular format that will be used to embed academic assistance offered by different sources. Networking with regional/international academic institutes will be promoted. Courses will be open to both private and public sector. The course will be subsidized for the initial period of three years with the aim of achieving sustainability from the fourth year. For the first three years, the participation of a selected number of government officers per year will also be subsidized.

¹⁶ The APEC project is funded by CIDA. It covers the period 2005-2009.

Component E: Strengthening the National Implementation Unit

The National Implementation Unit responsible for coordinating and facilitating implementation, result verification and quality control. The NIU will provide the MOIC with advice on the direction and implementation of the TDF and signal any problems and implementation bottleneck. The NIU will work in close collaboration with the GSEU and assist the GSEU in the project preparation phase. The actual project implementation will be carried out by the respective GSEU. They will ensure uniformity of procedures and compliance with appropriate donor regulations by preparing and providing guidelines on project management, planning, preparation of terms of reference and bidding documents, progress reporting, and preparing of project proposals and Project Procedure Manual for each different project being implemented by NIFGS. The NIU will work closely with the TDF Facilitation Team at all stages of the TDF implementation. The day-to-day implementation of the various sub-components will be carried out by the respective GSEU under the overall coordination of the NIU.

The NIU centralizes all procurement, accounting, financial management and archiving for all projects under NIFGS, working in close collaboration with the GSEU. Initially, strengthening will consist of:

- The Procurement staff will conduct the procurement process and work with the GSEU and TDF FT, as needed for the preparation of the terms of reference and goods specification, and support the evaluation panel for each acquisition, ensuring the full transparency and auditability of the procurement process. They will require initial training and six months of external assistance and be supported by international and national procurement specialists.
- The Administration staff will organize the flow of documents and internal control and direct the writing of each Project Proposals and Procedure Manual. They will be responsible for all administrative matters including travel arrangements, workshop requirements, conference rooms, logistics, for those activities which fall directly under their responsibility. They will be assisted by an O&M expert and be supported by other national staff.
- The Accounting staff will keep track of all project budgets and accounts, separately by project and in aggregate (with NIU budget and expenditures) for semi-yearly reporting and yearly auditing. The NIU will work with the GSEU to obtain and consolidate all budget and accounts, using an integrated software to be set up under the TDF. It will be the responsibility of each GSEU to provide timely reports and information to the NIU. They will initially require the development of an accounting system which in addition to complying with GAAP and national laws is also able to keep track of the project budget and expenditures at the level of contract or expenditure within each activity (e.g., aggregates to the levels of activity, subcomponent, component, and project). Accounting is responsible for disbursements according to contract, and will need initial training on donor guidelines in this respect.
- The Archiving staff will operate the document reception desk, and keep all project documentation in hard and soft copy and made available through a local area network. They will require an automated recording and retrieval system and scanning facilities for all paper documentation, as well as a room with archiving material. Initially, an O&M specialist and an IT specialist will be required to set up the system.

- Set up a Monitoring and Evaluation framework, to allow the NIU to carry out regular project monitoring and reporting of project performance against set targets and indicators. This will be in parallel to external evaluations carried out regularly throughout the project life cycle.

Please note that these are the indicative tasks and responsibilities for the NIU, for more details please refer to the TORs in Annex 8.

Attachment 3: Detailed Activity Costs

Component A: TRADE FACILITATION

	Total	Year 1	Year 2	Year 3	Year 4
A. 1 Implementation of the LAO PDR Trade Portal					
A.1. 1 Process simplification and Harmonization	100,000	80,000	20,000		
A. 2 Automation of trade-related licensing and permitting processes	160,000	80,000	80,000		
A. 3 Trade Information Portal	100,000		100,000		
A. 4 Pilot and implementation	240,000		100,000	100,000	40,000
A. 3 Trade Facilitation Master Plan					
A.3. 1 National Body for Trade Facilitation	30,000		30,000		
A.3. 2 Coordinated Policy Action Plan	70,000		70,000		
A.3. 3 National Border Processing Integrity Action Plan	100,000		100,000		
Base Costs	800,000	160,000	500,000	100,000	40,000

Component B: SANITARY AND PHYTOSANITARY (SPS) AND TECHNICAL BARRIERS TO TRADE FRAMEWORKS

	Total	Year 1	Year 2	Year 3	Year 4
B. 1 Institutional, legal and regulatory reform and adjustments					
B.1. 1 International Technical Assistance					
Legal	300,000	125,000	100,000	50,000	25,000
Food Safety	40,000	20,000	20,000		
Plant Health	40,000	20,000	20,000		
Animal Health	15,000	15,000			
International Travel expenses	55,000	20,000	20,000	10,000	5,000
National Technical Assistance					
Legal	60,000	22,000	18,000	12,000	8,000
Food Safety	40,000	13,000	18,000	9,000	
Plant Health	40,000	13,000	18,000	9,000	
Animal Health	20,000	6,000	8,000	6,000	
Office Equipment					
Information Technology	15,000	10,000			5,000
Miscellaneous	15,000	4,000	4,000	4,000	3,000
Workshops	30,000	8,000	7,000	7,000	8,000
Training	30,000	8,000	8,000	8,000	6,000
B. 2 Risk-based Policies and Measures					
International Technical Assistance	220,000	80,000	60,000	40,000	40,000
International Travel expenses	40,000	10,000	10,000	10,000	10,000
National Technical Assistance	48,000	12,000	12,000	12,000	12,000
Seconded specialists					
Office Equipment					
Information Technology	10,000	7,500			2,500
Miscellaneous	10,000	3,000	2,000	2,000	3,000
workshops	30,000	8,000	6,000	8,000	8,000
In country training	2,000	2,000			
Overseas Training	40,000	10,000	10,000	10,000	10,000
B. 3 Government Sub-Executing Unit					
International Technical Assistance	240,000	80,000	60,000	60,000	40,000
International Travel expenses	56,000	14,000	14,000	14,000	14,000
Translator	43,200	11,200	12,000	11,000	9,000
National Technical Assistance	72,000	20,000	20,000	16,000	16,000
Office Equipment	50,000	30,000	10,000	10,000	
In country travel	35,000	8,000	10,000	9,000	8,000
Miscellaneous	3,800	1,000	1,000	1,000	800
B. 4 Improving legislation and regulation for Technical Barriers to Trade (TBT)					
B.4. 1 Assess current situation and prepare plan of action					
international TA					
legal	50,000	50,000			
Technical	40,000	40,000			
international travel	20,000	20,000			
national TA					
legal	8,000	8,000			
translator	4,800	4,800			
other	8,000	8,000			
office equipment					
computers	6,000	6,000			
miscellaneous	12,200	12,200			
in-country travel	3,000	3,000			
workshops	8,000	8,000			
training (incl.language)	4,000	4,000			
dissemination	2,000	2,000			
Base Costs	1,766,000	746,700	468,000	318,000	233,300

Component C: EXPORT COMPETITIVENESS AND BUSINESS ENVIRONMENT

		Total	Year 1	Year 2	Year 3	Year 4
C. 1 Project Design						
C.1. 1	Conduct feasibility study for supporting skills development facility for the Garment Industry					
	International TA including travel	35,000	35,000			
	In Country Travel	5,000	5,000			
	National TA	2,000	2,000			
	Workshops/training	3,000	3,000			
C.1. 2	Conduct feasibility study for supporting skills development facility for the Handicraft sector					
	International TA including travel	35,000	35,000			
	In Country Travel	5,000	5,000			
	National TA	2,000	2,000			
	Workshops/training	3,000	3,000			
C.1. 3	Conduct feasibility study for linking handicraft producers with international markets through promoting e-commerce					
	International TA including travel	26,000	26,000			
	In Country Travel	5,000	5,000			
	National TA	2,000	2,000			
	Workshops/training	3,000	3,000			
C.1. 4	Develop action plan to promote the production and exports of secondary wood products					
	International TA including travel	35,000	35,000			
	In Country Travel	5,000	5,000			
	National TA	2,000	2,000			
	Workshops/training	3,000	3,000			
C. 2 Project Implementation						
C.2. 1	Skills development project for selected industries					
	Goods	230,000		100,000	130,000	
	Services	230,000		100,000	130,000	
	Workshops/training	400,000		50,000	150,000	200,000
C. 3 Strengthening the role of the private sector in managing SPS						
C.3. 1 Promote private sector associations						
	International Technical Assistance					
	Institutions specialist	20,000	20,000			
	International Travel expenses	7,000	7,000			
	National Technical Assistance	24,000	6,000	8,000	6,000	4,000
	In country travel	3,000	1,000	1,000	1,000	
	Consultation/workshop	12,000	6,000	4,000		2,000
	Training	10,000	2,000	2,000	2,000	4,000
C.3. 2 Mandating associations						
	International Technical Assistance					
	Private Sector Specialist	30,000		20,000	10,000	
	International Travel expenses	14,000		7,000	7,000	
	National Technical Assistance	24,000		8,000	8,000	8,000
	In country travel	4,000		2,000	1,000	1,000
	Consultations	12,000		4,000	4,000	4,000
	Training	10,000		2,000	4,000	4,000
C.3. 3 Quality and Safety Management						
	International Technical Assistance					
	Private Sector Specialist	50,000		20,000	20,000	10,000
	International Travel expenses	14,000		14,000		
	National Technical Assistance	50,000		12,000	24,000	14,000
	In country travel	10,000		2,000	4,000	4,000
	Consultations	10,000		4,000	4,000	2,000
	Training	13,000			3,000	10,000
	Workshop	10,000		4,000	4,000	2,000
	Business Development Services	30,000		5,000	10,000	15,000
Base Costs		1,388,000	213,000	369,000	522,000	284,000

Component D: CAPACITY BUILDING, TRADE POLICY, TRADE AGREEMENTS, AND GLOBAL OPPORTUNITIES

	Total	Year 1	Year 2	Year 3	Year 4
D. 1 Upgrading Government Officers' Trade Knowledge and Management Skills					
D.1. 1 Training	400,000	200,000	200,000		
D. 2 English Course in International Trade and Competitiveness					
D.2. 1 Training	150,000	150,000			
D. 3 Support to Academic and Research Institutions					
D.3. 1 Analysis and Research	500,000	100,000	200,000	200,000	
D. 4 Technical Capacity Development for Trade and WTO Compliance					
D.4. 1 Technical Assistance	700,000	150,000	200,000	200,000	150,000
Base Costs	1,750,000	600,000	600,000	400,000	150,000

Component E: STRENGTHENING OF THE NATIONAL IMPLEMENTATION UNIT

	Total	Year 1	Year 2	Year 3	Year 4
E. 1 Assistance to the National Administration Unit					
E.1. 1 Procurement International TA	240,000	240,000			
E.1. 2 Procurement National TA	20,000	5,000	5,000	5,000	5,000
E.1. 3 Accounting and Finance International TA	240,000	120,000	60,000	60,000	
E.1. 4 Accounting and Finance National TA	40,000	10,000	10,000	10,000	10,000
E.1. 5 Development of Program Monitoring and Evaluation System and Archiving System	20,000	20,000			
E.1. 6 Office equipment	30,000	30,000			
E.1. 7 External audits	60,000	15,000	15,000	15,000	15,000
E.1. 8 Local Staff initial bridging costs	10,000	10,000			
E.1. 9 Incremental Operating Costs	90,000	22,500	22,500	22,500	22,500
E. 2 Contingency	361,855	90,464	90,464	90,464	90,464
Base Costs	1,111,855	562,964	202,964	202,964	142,964

Attachment 4: Coverage of Actions in Lao PDR Action Plan by the SPS/TBT Component of the TDF

	Institutional, legal, regulatory reform and adjustments	Preparing risk-based policies and control measures	strengthening the role of the private sector in managing SPS;	Coordination and implementation unit
I. Recommended actions for public sector				
Coordination team and preliminary studies				
1. Establish coordination team International SPS coordinator:				proportion
2. Conduct studies on the following: a. SPS req'ts of potential markets for NTAE b. Consistency of SPS req'ts of both Lao PDR and trading partners with WTO&AFTA c. Possibility of local certification				
Legislative and regulatory issues				
3. Review legislations on food safety, plant and animal health on compliance with SPS agreement and recommend ways for effective enforcement and implementation	fully			
4. Establish legislative task force and work plans for institutional alignment and for drafting of legislative amendments	fully			
5. Draft proposed amendments on: 5a. effectiveness of enforcement 5b. import restrictions to protect against human health hazards, pests and diseases 5c. monitoring and enforcement of the import, production, sale and use of agrochemicals 5d. inclusion of emergency powers for plant/animal authorities 5e. better governance on border procedures	fully			
6. Review and amend regulations/procedures on food safety, plant/animal health on: 6a. better guidelines for inspection and certification 6b. unnecessary inspection and permit requirements 6c. more effective lines of communication and better incentives for disease reporting (especially in cases of outbreaks) 6d. possible simplification of border procedures	fully			
Institutional issues				
7. Determine implications of proposed amendments to downstream responsibilities and inspection and testing capacity needs of various agencies	largely			
8. Prepare national guidelines outlining responsibilities of Ministries in cases of outbreaks Establish inter-Ministry emergency task force to deal with pest/disease outbreaks				
9. Establish small core group of risk assessors under University/research institute with support specialists from MAF and MOH		largely		
10. Prepare individual actions plans (food safety, plant and animal health) The preparation of the individual work plans should be done in close coordination with or alongside the preparation of lab work plans (Action #13). Moreover, it is recommended that these work plans include the identification of human resource requirement to be able to achieve goals (Action #17).	proportion	proportion		

11. Communicate new legislations, regulations, procedures and emergency guidelines to provincial and district offices 3 SPS workshops for provincial and district staff/inspectors with 40 participants each for food safety, plant health and animal health to discuss: a. SPS in general b. (Proposed) Changes in legislations (Action #5 above) c. Changes in procedures and regulations (Action #6 above) d. Emergency guidelines (Action #8 above)	largely			
Surveillance				
12. Create databases through active surveillance for the following: 12a. Human health hazards caused by food- and water-borne diseases 12b. Plant pests/disease specimens 12c. Animal disease prevalence 12d. Production, sale and use of agrochemicals & veterinary materials				
Diagnostic capacity				
<i>Note:</i> The following actions should be done in close coordination to assure consistency with planned capacity and needed equipment. 13. Develop lab work plans for food safety, animal and plant health (Refer to Action #10) Work includes identification of appropriate equipment for labs (Action #16) 14. Assess/design cost-effective regular calibration of equipment 15. Acquire equipment for rapid detection and screening for provinces/border posts				
16. Upgrade lab capacities in accordance with recommendations from Action #13				
Building human skills				
17. Develop an SPS skills program that will identify human resource requirements to achieve the goals identified in the individual work plans (Action #10) and laboratory work plans (Action #13).				
18. Provide training on risk assessment of food safety, animal and plant health Two kinds of training: a. Overseas training for core group of risk assessors (Action #9) b. Local basic risk assessment training for staff of MAF, MOH and WREA		yes		
19. Provide training on economic analysis, cost-benefit analysis for senior staff of MAF and MOH (overseas)		yes		
20. Training at all levels for all other SPS capacities Two types of training: a. Overseas training for staff of MAF and MOH to be future trainers b. Local training for all other staff by trainers	proportion	proportion	proportion	proportion
Regional cooperation				
21. Conduct periodical bilateral consultations with China, Vietnam and Thailand Consultations are assumed to be held twice a year for four years for each of the three countries. Trade panel composed of 5 Government staff. International consultant to assist in setting up trade panel and to advise on agenda for negotiations and trade and SPS issues				

Public information and education				
22. Design and initiate educational campaigns International consultant to advice on relevant materials and design of campaign Workshops to be held for producers, food processors, consumer groups, and food retailers Use of local media (TV, radio and print) to disseminate general information on hygiene or info on specific health concerns, such as fish-borne parasites	partly			
23. Gather, translate and disseminate relevant materials to stakeholders	proportion	proportion	proportion	proportion
II. Recommended actions for University				
24. Develop and implement appropriate University curricula on animal and plant health and food safety Implementation of new curricula would require both additional faculty and infrastructure to house labs and equipment				
25. Provide higher education and specialized studies for MAF and MOH staff Scholarships for senior staff				
III. Recommended actions for private sector				
26. Promote outgrower schemes via pilot projects Workshop for producers, traders, processors and retailers			partly	
27. Promote business and exporter associations Workshop for agribusiness groups and exporters associations, with support from MOIC			largely	
28. Provide mandate for coffee exporter association on quality control, pest management and issuance of phyto certificates. Workshop for coffee producers and exporters, with support from plant authorities			optional, not earmarked	
29. Promote HACCP to processed food plants Workshop for food processors, with support from MOH			no partly	

Source: Actions as presented in Appendix Table C.1 of SPS Action Plan

Attachment 5: DTIS Action Matrix

An Action Matrix of Projects and Technical Assistance to Promote Export Competitiveness in Lao Updated on 11 September 2006

	Objectives	Priority/ Timing	Responsibility in Government	Costing	Related Trade Assistance Programs	Type of Intervention	Econ' impact
Component 0: Putting in Place the IF implementation and Monitoring Structure							
	Rationalize IF supervisory committees, establish national IF management Unit	High priority with actions already having begun and will be ongoing	MOIC/IF Steering Committee	Medium - to date support provided by IF Trust Fund (ITF). Estimated cost of establishing a IF Implementation Unit in the Lao PDR Government is US\$1.5 million over 5 years		Governance	NA

Component 1: Export Competitiveness ¹⁷							
Project 1: Support agricultural competitiveness	Encourage the production of organic agricultural products for export; improve quality standards of traditional agricultural products; improve productivity of traditional agricultural products; develop agro-processing industry for export; improve distribution channel infrastructure; improve productivity; training in modern agriculture techniques for farmers; encourage the production of medicinal plants and spices for export.	High priority with action to be undertaken from the first year	MAF, LNCCI, NUOL, MOIC(LTPC & DOI)	High - in particular significant investment is required to improve productivity and develop processing industry. Estimated costs for project to improve just the production and supply chain of organic agriculture are US\$1.7-2 million over 3 years. Estimated costs for project to build-up the medicinal plants and spices sector are US\$1.5-1.75 million over 3 years.	EC's Asia Invest Open Resource for Commerce in Horticulture Aided by Species Identification Systems (2006-09, €0.3m) & Developing Food and Agribusiness Training in the Mekong Region (completed 2006, US\$0.4 shared with 5 countries); ADB's Marketing Support for the Organic Produce of Ethnic Minorities (2004-07, US\$0.6m); Switzerland's Promotion of Organic Farming and Marketing (completed 2006, US\$0.3m); FAO's Improvement of Coffee Industry Project (completed 2005, US\$0.35)	Technical assistance; regulatory; human resource capacity building and infrastructure development; encouraging investment	Large

¹⁷ Projects 1, 2 and 3 under Component 1 are in line with the National Export Strategy of 2006-2008 where more details can be found.

Project 2: Support light manufacturing competitiveness	<u>Garment sector:</u> Encourage local producers to gradually shift from working on CMT to FOB basis; improve productivity of garment sector; promote Lao garment products; improve quality of Lao garment products; develop trade information and linkages with buyers on garment.	High priority with preferably for action to begin from the first year	LNCCI, ALGI, MOIC (LTPC & DIE)	Medium - Estimated costs for a project to strengthen the export capacity and competitiveness of the garment sector are US\$1.5-1.7 million.	<i>General Export Competitiveness Support:</i> Switzerland/ITC's Support to Trade Promotion and Export Development (2004-07, US\$1m); Switzerland's Promotion of Cleaner Industrial Production (2004-08, US\$0.95); <i>Specific to Garment Sector:</i> UNDP's Textile and Clothing Project (2006-07, 0.09m)	Technical assistance; human and infrastructure capacity building; international trade promotion; and information distribution	Medium -Large
	<u>Silk products:</u> Improve domestic supply capacity in Lao native silk; improve Lao silk product designs; develop new silk products; develop standard for Lao silk handicraft; improved training for silk production techniques; develop trade information on silk sector.	Medium priority with action to be undertaken as soon as possible	MAF, LNCCI, MOIC(LTPC & DIE)	Medium - Estimated costs for a project to improve capacity of producers and exporters of silk products are US\$1.6-1.85 million	US's Economic Acceleration Program for the Silk Sector (completed 2006, US\$0.5m)	Technical assistance; human resource capacity building and infrastructure development; and information distribution	Medium
	<u>Other handicraft products:</u> Improve design capabilities; study and improve distribution channels; trade information and linkages with buyers.	Relatively low priority	MOIC (LTPC), LNCCI	Small financial outlay		Technical assistance	Small
	<u>Wood processing sector:</u> Promote and upgrade Lao wood products to the international standards and recognition; improve productivity of the wood sector; ensure sustainability of raw materials to support the industry.	Medium priority with action to be undertaken in the medium term	MAF, MOIC(DIE), LNCCI	Medium-High - Estimated costs for a project to improve quality and sustainability of wood products sector would be around US\$2	EC's Asia Invest Fund Upgrading the Wood-Processing Industry for the European Market (2005-07, €0.2m); FAO's Marketing System Development for Non-Wood Forest Products (completed 2006, US\$0.37)	Technical assistance; regulatory assistance	Medium

				million over 3 years			
Project 3: Support tourism	Develop craft villages such as local artisans and craftsman (textiles, jewellery, wood based, etc); develop services capacity and competency of Lao tourism sector; strengthen the institutional framework; encourage tourism linkages to other sectors of the economy; diversify services capacity within the tourism sector; promote Lao tourism to make it internationally recognized.	High priority requiring ongoing support.	LNTA, LNCCI, MOIC (LPTC), MFA	Medium- Estimated costs of a tourism training center with involvement of the private sector of US\$1,000,000 for a period of 4 years; Medium-estimated costs for establishment of model craft villages in 10 major tourism destinations of US\$1,000,000 for a period of 4 years	ADB's Mekong Tourism Development Project (2002-07, 10.9m shared with Cambodia and Vietnam); EC's Asia Invest Fund - Marketing Responsible Tourism in Lao (2006-09, €0.3m); New Zealand's Nam Ha Ecotourism Project (2004-07, US\$0.34); German Human Resource Development for Market Economy Programme (2004-07 US\$5.5 m; Planned: Japan's Tourism Development in the East-West Corridor (2007-10, US\$2m); planned: German Vocational Education Programme (2007-10 € 5 m)	Human resource capacity building; trade promotion; encouraging private investment	Medium
	Develop local agriculture and healthy food products (vegetable, meat, local food cottage, etc) in tourism destination through the development capacity and competency of small and medium sized farming and agro-processing.	High priority required on-going support	LNTA LNCCI-LHRA-LHA MAF LTPC	Medium high - estimated cost for establishment of model village cottage food industry, animal farms, modern slaughter house in 10 major tourism destination of US\$2,000,000 for a period of 4 years			

Project 4: Micro, small and medium enterprise project for export development	Build an integrated market access and trade facilitation infrastructure; support entrepreneurship development; develop and strengthen the capacity of local intermediaries to deliver financial and non-financial services to MSMEs; provide an enabling environment (access to finance, trade promotion, and trade facilitation infrastructure) to boost increased investment.	High priority with projects to begin from the first year	MOIC (DOI, DIE, LTFC), BOL, LNCCI	Medium - Estimated costs of a trade information and export training program for the business sector would be US\$800,00-950,000 over two years.	UNINDO & India's South-South Response to Poverty (completed 2006, US\$0.15 shared with 5 countries); UNESCAP & Japan's Capacity Development of SMEs (completed 2006, US\$0.59m); ADB's Small and Medium Enterprise Project (completed 2005, US\$0.79m); EC's SME Development Programme (2006-10, € 3 m)	Human resource capacity building & infrastructure development; information dissemination ; encouraging investment	Medium - High
Project 5: Regional development of export potential	Construct and rehabilitate critical infrastructure essential for sustained regional economic activity in the tourism, manufacturing, agribusiness and mining sectors;	Medium priority with a long term focus	Provincial governments	High - A high level of capital investment required to address infrastructure issues which would not to be funded directly through IF. Other funding sources required, possibly including Aid for Trade. IF process can assist in policy development and capacity building (cost would be low to medium)		Regulatory assistance; technical assistance; human resource capacity building;	Medium -Large
	Put in place appropriate incentive measures at the regional level to achieve rapid growth;						
	Develop the instruments to ensure equitable, sustainable growth.						
	Strengthen the capacity of local authorities to formulate, prepare, implement, and manage medium- and long-term integrated regional development projects.						

Component 2: Trade Facilitation							
Project 1: Customs modernization	Develop regulations to implement the new Customs law	High priority with actions to begin as soon as possible	MOF and MOIC	Medium-High - Funds needed for a broad range of activities mainly based on training but also including investments in improved customs processing systems.	IMF's Technical Assistance on Customs Operations (204-07, US\$0.5m); Japanese Customs Technical Cooperation Program (completed 2005, US\$0.17);	Legislative/regulatory reform; human capacity building and infrastructure development; customs infrastructure development	Medium
	Reform the national customs administration						
	Strengthen capacity building to properly administer the customs valuation provisions of the law						
	Simplify/modernize border clearance procedures (including external expert advice to prepare a long term customs modernization project)				ADB's technical assistance (2006-2008) to support trade facilitation and capacity building in the Greater Mekong Subregion (Part I to support trade facilitation, including gap analysis for customs procedures) at US\$890,000.		
	Automation and data processing systems (e.g. automated customs clearance system)						
	Strengthen and expand the anti-smuggling program						
	Licensing of Customs Brokers						
	Develop a customs training program, e.g. seminar/workshop as well as medium and long term program.				ADB's technical assistance (2006-2007) on implementing the Cross Border Transport Agreement in GMS (Appendix 4 on Frontier Crossing Formalities - single window/single stop inspection at selected border crossings, targeting among others, customs agencies) at US\$860,000.		

Project 2: Trade facilitation	Pilot Gold Card Program (to expedite clearance procedures for approved traders)	High priority/2nd year	MOF, MOIC (DIE), MTCPC, Border agencies, National quarantine and standards agencies, National Transport Facilitation Committee	Medium-High - Funds needed for investments in improved technology and processes. Also, potentially high capital investment needed to build a container logistics centre	ADB's Trade Facilitation in Greater Mekong (2006-08, US\$1.49m shared regionally); UNESCAP/Netherlands' Institutional Capacity Building for Landlocked Countries (completed 2006, US\$0.4m); ADB's regional technical assistance (2006-2008) to support trade facilitation and capacity building; ADB's regional technical assistance (2006-2007) on implementing the Cross Border Transport Agreement.	Infrastructure development	Medium-High
	International container logistics center in Vientiane						
	Licensing of customs agents						
	Improve the single window operations in various provinces						
	Increase transparency						
	Institutional strengthening of trade facilitation focal point, to coordinate trade facilitation activities						
	Needs and gap assessment on customs procedures (as in Project 1); trade logistics development (including trade logistics center and service sectors development, etc.); standards/technical regulations development; and improved business mobility).						
	Facilitate cross border movements of goods, people, and vehicles (single window, single stop inspection at GMS selected land border crossings, involving Lao PDR, GMS transit traffic regime, vehicle standards, exchange of traffic rights, etc.)						
	Simplify or eliminate export licensing and export-import indicative plan.						

Component 3: Business Environment							
Project 3: SPS	Institutional and legislative framework (high priority)	High priority with projects for long-term improvement of capacity to begin as soon as possible	WREA, MAF; MOH	High - Estimated costs of an export quality management project would be US\$1.4-1.6 million, but investments in SPS-related laboratory equipment could increase this amount significantly	Norway's Market Access & Trade Facilitation Project (2006-09, US\$1.7m shared with Cambodia & Vietnam); Australia's SPS Capacity Building Project (ongoing, US\$4m shared between 8 countries) & ASEAN Development Cooperation (2002-08, A\$45m); EC's Asia Invest Capacity Building of Geographical Indication (2006-09, €0.3m shared with China and Cambodia), & EC's Project on Standards, Quality & Conformity (ongoing, €0.5m) & Intellectual Property Rights Cooperation (completed 2006, €0.5m); FAO's Improving Food Safety and its Management (2005-08, US\$0.85 shared by 3 countries); ADB's Integrating the Poor Through Standard Setting (completed 2005, US\$0.7m)	Technical assistance; human capacity building and infrastructure development; supply of technology	Medium-High
	Diagnostic capacity (high priority)						
	Market opportunities and trade requirements						
	Surveillance						
	Emergency response						
	Risk assessment and economic analysis						
	Inspection and certification						
	Building human skills						
	Information and education						
	Private sector development						
	Regional cooperation						
Project 1: Development of industrial strategy to facilitate business operations	Develop an industrial strategy that: sets a broad framework for promoting and developing Lao' industrial base; identifies priority areas; and ensures a consistent and stable policy environment.	Medium priority with actions to take place in the medium term	MOIC (DOI)	Small-medium	<i>General Business Environment Support:</i> IFC's Mekong Project Facility (2003-07, US\$2.85m); ADB's Private Sector Development Program (2005-10, US\$0.7m plus US\$10m loan); UNIDO's Integrated Programme (2004-08, US\$6.3m); Japan's Macro	Regulatory and possibly legislative	Medium

					Policy Support for Development (completed 2005, US\$1.2m); Germany's Human Resource Development for Market Economy Program (2004-07, US\$5.5m)		
Project 2: Investment promotion	Review and simplify business regulations, e.g. foreign investment start-up and registration procedure reform; create investment guidelines (sector by sector); set up a public-private stakeholder platform to discuss the reforms on a regular basis	High priority with actions already underway	CPI	Small-medium	Japan's Expert on Promotion of Investment for Lao Government (2007-09, US\$0.3m); US's South East Asia Commercial Law (2005-07, US\$0.24m shared regionally) & Competition Law to ASEAN (2005-08, US\$0.75 shared regionally); ADB's Research on Improving Climate for Investment & Productivity (completed 2006, US\$0.15)	Regulatory assistance and possibly legislative	Medium -High
	Review the legal framework for investment, including contract enforcement and dispute resolution						
	Implement a one stop shop for investment, including training of officials						
Project 3: Banking system	Through banking staff training, a rationalisation of regulations and expanded linkages with the private sector, improve capacity of Lao banking sector to support export performance through the provision of trade finance	Medium priority with a long term focus	BOL, MOF	Medium - Estimated costs for a training-based project to improve trade financing would be US\$1.2-1.4 million.	ADB's Strengthening Governance for Bank Sector Reform (completed 2006, US\$4m) & Bank Sector Reform Program (completed 2006, US\$15m); EC's Technical Assistance Programme for Transition to a Market Economy - Bank Training Project (completed 2005)	Technical assistance and human capacity building; regulatory	Medium -High

Component 4: Trade Policy, Trade Agreements, and Global Opportunities

Project 1: Capacity building for international trade policy and negotiations	Improve capacity building of MOC and other ministries with trade-related functions to take considered and well-coordinated decisions on all aspects of international trade policy, regional and multilateral trade negotiations, and trade relations.	High priority with programs to begin in the first year	MOIC	Small-Medium - Estimated costs of a general training and research project to improve business competency among business and government involved in exports would be US\$900,000 - 1.1 million over two years. Additional, more targeted training would also be required in relation to trade agreements and negotiations.	UNCTAD/France's Train for Trade (2003-07, US\$2.3m); Australia's Trade Analysis & Reform Project (2005-08, US\$5m shared 4 countries); EC's Asia Trust Building Capacity of the Economic Research Institute (2006-07, US\$0.25m); EC's Multilateral Trade Assistance Project (completed 2006, €1m); UNDP's Promoting Private Sector Development Project (2006-09, US\$2.33m) and National Human Development Report (2004-07, US\$0.8m); WTO/UNESCAP's Technical Assistance (ongoing, US\$1.7m shared globally); Canada's Asia-Pacific Training Network on Trade (2004-07, US\$0.7m shared regionally) & APEC Eco Integration (2004-09, US\$7.2m shared 6 countries); US's ASEAN Technical Assistance Facility (2004-07, US\$7.33 shared regionally) and Strengthening Market Analysis Capacity (2005-07, US\$0.24m shared regionally)	Technical assistance and human capacity building	High
	Establish clear division of roles and responsibilities between MOC and other ministries, including inter-ministerial coordination and public-private sector dialogue in support of the WTO accession process						
	Increase MOC's capacity to analyze trade issues, impact of trade policies, and to lead trade negotiations. Support analytical work for trade policy formulation and implementation.						
	Trade Policy Advisory						
	Promote an effective trade information center, improve collection of trade statistics						
	Increase capacity to efficiently administer: Rules of Origin						
	To build in-house capacity on research and facilities for trade sector						

	Trade Database						
	Increase transparency						
Project 2: Technical assistance and capacity building for the formulation and implementation of trade negotiation strategies	WTO accession: assistance with legislative review and required documentation as well as legislative reform needed for WTO compliance; negotiation strategy and analytical support for accession, including in non-agricultural goods, agriculture, services, etc.; institutional and human capacity building for trade negotiations and policy formulation; consultations and information on WTO accession for line Ministries and stakeholders; training in Geneva to prepare Working Party meetings;				UNDP/ AUSAID's Integration Into the Trading System (completed 2006, US\$1.68m)		
	Regional agreements: ASEAN (AFTA, AFAS), AFTA+China, etc.						
Component 5: Trade Opportunities for the Poor							
Project 1: Promotion of traditional handicraft and textile industry at village level	Build business linkages with Fair Trade Organizations in North America and Japan	Medium priority	MOIC, LNCCI, WREA	Medium	UNESCAP/UNDP's Development of E-business Support Services in the Greater Mekong (completed 2006, US\$0.2m)	Technical assistance and human capacity building	Small
	Engage in e-commerce						
	Provide technical training to artisans						
	Mirco-credits, improved access to distribution channels, information and linkages to buyers						

Project 2: Roads linking villages to markets	Improve reach and quality of road network to better connect towns and villages to markets and export opportunities	High priority with actions to be undertaken as soon as possible (and already underway in certain areas)	MCTPC	High level of capital investment required. Not to be funded directly through IF. Other funding sources required, possibly Aid for Trade.	ADB Northern Economic Corridor Infrastructure Project (2004-07, US\$30m)	Direct construction of infrastructure	Large
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Notice: - *All these can be components of one project or divided into individual projects*
- *May be advisable to seek a donor to take a lead for each component or sub-component*

Attachment 6: Summary of the proposed IDA Customs and Trade Facilitation Project

This Annex represents a summary of the preliminary design of the Lao PDR Customs and Trade Facilitation Project and the Government of Lao PDR. This project will be financed in the amount of US\$6.0 million (grant) from IDA, to be implemented over four years beginning in July 2008.

The objective of the Project is to facilitate trade by improving the efficiency and effectiveness of customs administration. The Project will simplify customs procedures, eliminate duplication and redundancy, reduce transaction costs and time to clear goods, and increase transparency and accountability.

Key performance indicators for the Project are divided into two main groups:

Customs Efficiency:

- Reduction in the mean import, export, and transit clearance times;
- Reduction in the number of steps to clear commercial shipments.

Customs Effectiveness:

- Increase in the ratio of detections/inspections by customs;
- Increase in the perception of customs performance and integrity by clients.

1. Project components

The project will finance consulting services, business and information systems, goods, training and equipment over five years, through two components. The total cost for each project component from IDA is provided below.

	Financing	Objectives
Component A	US\$3.98m from IDA	Implementation of ASYCUDA <i>World</i>
Component B	US\$2.02m from IDA	Customs Reform and Modernization Support

Component A: Implementation of ASYCUDA World (US\$4.22 million of which US\$3.98 million IDA)

This component will finance installation costs of the ASYCUDA system and some related activities including translations, modifications, training, equipment, communications infrastructure and implementation of the system in three phases (see draft TOR in Project Document Files):

Phase 1 - A fully functional prototype will be developed by the project team in the LCD headquarters in Vientiane. As a preliminary to this phase, a mapping of the current export and import processes has been carried out, to identify all documentation requirements (see TOR in Project Document Files).

Phase 2 - Upon validation of the prototype, the system will be deployed in a pilot site. The process of installing the computerized system will be accompanied by adaptation and introduction of procedures and documentation. This will involve substantial interaction with, and training of, the trading community to ensure maximum efficiency and promote the Government's priority policy in terms of liberalization of the trading process.

Phase 3 - Upon validation of the pilot, the nationwide rollout of the system to customs offices will be carried out.

The implementation of ASYCUDA will complement Government's decision to centralize customs functions and the reduction of Ministry/Agency functions at border points to no more than three. The centralization, which involves absorbing regional customs duties and personnel, was decreed in October 2007, and is in the process of implementation (the broad action plan can be found in the Project Document Files). At the same time, Government is committed to rationalize (and reduce) restrictions on exports/imports through, inter alia, the use of the Single Administrative Document (SAD) proposed by the WCO and implemented in ASYCUDA; this document would capture the information required by all agencies at present operating at the border, and transmit to them the appropriate information. This will permit a drastic decrease in the formalities today demanded at border checkpoints.

It must be emphasized that this project does not intend to be anything other than an important first step in the modernization of customs. It is clear that such a modernization program, although critically dependent on information technology, goes far beyond automated systems; nor is this particular automated system expected to be other than a first step permitting later enhancements and improvements.

In addition, the component will finance the strengthening, through training and provision of some basic computer equipment, of the LCD IT staff, to prepare them to maintain and run the ASYCUDA system once in operation. This component will finance PC familiarization and basic computer skills development for LCD staff and other relevant agencies to facilitate the successful adoption and long term sustainability of the ASYCUDA *World* system. A staffing plan and a skills development plan will need to be developed and implemented to ensure the smooth operation and sustainability of the new system. Key officials in other relevant agencies will receive similar technical training in basic IT skills and relevant application-specific skills.

Component B: Customs Modernization Support (US\$2.02 million of which US\$2.02 million IDA)

WB experience suggests that while implementation of the new customs IT system is likely to streamline and rationalize processes and procedures and will provide a sound platform for the introduction of a range of internationally agreed standards, it is unlikely to realize its full potential unless a number of complementary reforms and supporting operational changes are undertaken in parallel with system implementation. To ensure these complementary measures are introduced in a structured and cost effective manner the project will also finance a range of capacity building activities and a long term international customs reform and modernization advisor. The Advisor will be responsible for assisting customs management in supervising the introduction of the new systems, quality control and where necessary verification of results. The Advisor will also assist in the overall change management process.

With support from the Advisor, a technical assistance (TA) sub-component will be implemented to support the introduction of the WTO Valuation Agreement, post clearance audit, a compliance improvement and management strategy, client service charters, intelligence and risk management development, introduction of an advance rulings regime, the development of an integrity and anti-corruption strategy and a cost effective administrative appeals system.

Table 1: Project Financing by Component (US\$ million)

Project Cost by Component	Local US\$ million	Foreign US\$ million	Total US\$ million
A: Implementation of ASYCUDA <i>World</i>	0.35	3.64	3.98
B: Customs Modernization Support	0.37	1.64	2.02
Total Project Costs	0.72	5.28	6.00

Attachment 7: TOR of the TDF Facilitation Team

The TDF is divided into a GOL-executed child trust fund (TF) and a WB-executed child trust fund. The activities financed from the GOL-executed TF are presented in the main document above. The WB-executed child TF will cover the staff and associated expenses of the TDF Facilitation Team, (one full time international Trade Specialist, one full time national Trade Analyst, and one Team Assistant), research and analysis to support implementation, contingency (1.6 percent), WB administration fee (2 percent). The WB will also provide an additional US\$0.5m in kind contribution for additional operating and supervision costs, office space, and staff time.

The WB-executed child TF will be for implementation support of the TDF, including administration and management costs, and will be fixed at 19.5 percent of the total donor contributions to both GOL-executed and WB-executed child TFs. These costs will not increase over the four years of the program and will reduce as a proportion of the TDF if additional funding becomes available. Administration and management costs will cover:

- (i) Staff and associated expenses of the TDF Facilitation Team, (one full time international Trade Specialist, one full time national Trade Analyst, and one Team Assistant),
- (ii) Research and analysis to support implementation,
- (iii) Contingency (1.6 percent),
- (iv) WB administration fee (2 percent).

TOR of the TDF Facilitation Team

A Bank executed child TF will support a Vientiane based and externally recruited donor Facilitation Team (TDF Facilitation Team) and provide analytical support to GOL, as well as administrative support to donor coordination and establishing a sector-wide approach. If needed for further identification of the TDF components, it will also support technical missions and analytical studies. The TDF Facilitation Team will work closely with the NIU through project implementation, providing technical support, on project preparation, accounting, procurement and administrative systems. The TDF Facilitation Team will provide the following functions:

1. Assisting the Government – via the NIU, GSEU and the TDF Steering Committee – to identify and develop terms and scope of work, assist with training on developing good terms of references and capacity building for effective evaluation of proposals;
2. Real time monitoring of TDF implementation, early warning to WB Task Team Leader (TTL) on problems, and providing Government with timely technical support;
3. Effectively and timely reporting to the TDF Steering Committee on implementation progress, support the monitoring of the implementation, including assistance with supervision missions;
4. Assisting the NIU and GSEU in preparation of its financial and operational reports to the TDF Facilitation Team, where appropriate;
5. Provide technical and analytical support to the GSEU in collaboration with the NIU; and
6. Facilitating timely and efficient response on cross-sector issues under NIU and GSEU's jurisdiction;
7. Assisting the WB TTL in providing implementation support to Government, including day-to-day technical advice.

The TDF Facilitation Team thus has a purpose to improve, development partners' harmonization in supporting the trade sector, improve predictability of such support, and reduce transaction costs.

Attachment 8: ROLE AND STRUCTURE OF THE NATIONAL IMPLEMENTATION UNIT

The NIU will be responsible for operationalizing the DTIS Action Matrix and it will be the main operational body, which coordinates the implementation of Trade Related Assistance, coming from Window II funding, the Enhanced IF, Trade Development Fund (TDF) and other bilateral and regional funding. In other words, the NIU will work with government line ministries and agencies in translating the identified actions in the DTIS Action Matrix into bankable and feasible projects. The initial NIU team is composed of (i) IF national Project Director (ii) Project Manager, (iii) Assistant Project Manager, (iv) Administrative Officer (v) Finance Officer (vi) Project Analyst. (vii) IFFS Specialist. The IF NIU is housed in the MOIC, under the Foreign Trade Policy Department. The NIU will work on a day to day basis in close collaboration with the following entities:

- The IF Task Forces (IF TFs) - Which will be a sub-committee of the Lao IF Secretariat, will provide support to the NIU on overall project direction and on technical issues and will be actively involved with the initial stages of project identification and project formulation.
- Government Sub-Executing Agencies (GSEU) will be set up in the relevant line ministry and will be responsible for the day-to-day implementation of individual projects under the TDF Subcomponents, the EIF, etc. The GSEU will be responsible for ensuring the delivery of project outputs and activities. The NIU will provide support to the GSEU in their main functions of procurement, monitoring, and evaluation.
- The TDF Facilitation Team (TDF FT) - The IF NIU will work in close collaboration with the TDF FT based at the World Bank office. The NIU will ensure coordination between the various funding channels and ensure smooth flow of information between the two entities.

The NIU will assist Government Sub Executing agencies with for the following tasks:

- Project identification,
- Project proposal write ups,
- Set up of the project implementation structures, i.e. GSEU
- Preparation of terms of references, tenders and procurements,
- Monitoring the outputs and activities against set indicators,
- Review the implementation by various service providers/government agencies/non-state actors,
- Work with the IF TF and GSEUs and support them in their activities,

The NIU will work closely with the IF Task Force and the Government Sub-Executive Agencies (GSEU). The IF TF/GSEUs will provide the NIU with the technical expertise for designing the various projects. The GSEU will be responsible for the hands on implementation of the various activities under the project sub-components. . The GSEU will be responsible to deliver the project outputs and oversee the day-to-day running of the project. Whilst the NIU will be responsible for the overall project identification, project write up, and project set up and coordination and project monitoring.

1. DETAILS TASKS OF THE NIU

The main role and responsibilities of the IF NIU are as follows:

Coordination, Dissemination and Mainstreaming

1. Ensure coordination at all stages of the IF process of the national stakeholders, including government, private sector, and civil society. Facilitates intra-governmental and donor coordination, as well as public-private sector dialogue on trade development, using proper consultation processes such as the PRSP, other national development plans and private sector development programmes. Advises on sectoral and cross-sectoral trade issues, including the regional trade dimension, involved in the IF line Ministries, such as Agriculture, Health, Customs, etc.
2. Maintain and promote the dialogue between the national authorities and the bilateral and multilateral development partners towards achieving a coordinated and comprehensive support to the implementation of the priorities in the country's trade integration strategy. To this end, it works closely with the donor facilitator as well as development agencies.
3. Recommend to the NSCEI prioritized areas for IF actions and elaborates strategies of intervention.
4. Implement the national IF sensitization/communication activities aimed at enhancing support and involvement by local stakeholders.
5. Update the TRA matrix for Laos annually
6. Serve as the Secretariat for the Trade Executive Committee, The TDF SC, the IF Steering Committee and any other coordination committees (sub sector working groups etc.)

Budgeting, Accounting and Reporting Process:

7. Prepare a multi-year work plan for and the detailed annual operational plan of the TDF,
8. Prepare consolidated budget and work plan for all TRA, including Tier 2, bilateral and regional funding.
9. Report on progress of IF implementation progress, to the IF Secretariat, the Trade Executive Committee, and TDF Facilitation Team.
10. Coordinate the accounting reporting of all GSEU. Each GSEU will be responsible for preparing its budgets and maintaining its accounts, they will report to the NIU on a monthly basis, whilst the NIU will need to ensure regular consolidated accounts are generated and circulated to the TDF Steering Committee.
11. Approval of technical assistance reports will be under the responsibility of each GSEU and the NIU will be copied on all correspondence related to the approval of TA reports.

Project identification and Preparation

12. Work with implementing partners to turn priorities in the action Matrix into “bankable projects”. Implementing partners is broadly understood to mean Ministries, other Government entities, private sector, NGOs and development partners.
13. Prepare in close collaboration with GSEU, the ToRs, Project Write up, identification of TA, etc.

Monitoring and Evaluation

14. Oversee the set up a monitoring and evaluation framework, with a set of indicators for each component of the TDF-financed activities
15. Endeavour to set up a joint M&E framework for all TRA when possible
16. Monitor the implementation of all trade related projects/programmes, including the projects/programmes supported by the IF Trade Development Facility, IF projects, as well as for projects/programmes funded through bilateral and regional funds.
17. Provide all necessary information to the twice-yearly supervision missions.
18. Gather progress reports from the various GSEU, which will detail progress towards agreed results and expenditures by activity compared to planned expenditure according to the agreed action plan and budget

Procurement and Administration

19. Oversee the procurement process for TDF, EIF and other bilateral and regional projects which fall under the coordination of the NIU.
20. Prepare and update manual of procedures.
21. Organizes project monitoring meetings for IF, TDF and other bilateral and regional projects which fall under the coordination of the NIU.
22. Oversee the logistical arrangements for those projects/programs which fall directly under their responsibility, whilst respective GSEU will be responsible for all administrative matters including travel arrangements, workshop requirements, conference rooms, logistics, which fall under their jurisdiction.
23. Ensure all project documentation in hard and soft copy are filed and made available through a local area network. The NIU will set up an automated recording and retrieval system and scanning facilities for all paper documentation, as well as a room with archiving material.

Job Title: <u>IF Project Manager (1 Position)</u>
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The IF Project Manager is a MOIC appointed staff who is responsible for the overall day to day management of the IF NIU. All NIU staff (local and international), report to him/her. Below are key responsibilities of the IFPM:

- Assist the Foreign Trade Policy Department in the overall implementation of IF funded projects, including technical and administrative matters.
- Oversee the day to day management of the IF NIU and oversee the overall coordination between NIU and other government line agencies and working group.
- Over see the technical work and analysis of NIU staff and TA in consultation with related division(s);
- Coordinate, manage and monitor the project implementation;
- Coordinate preparation of annual work plans;
- Monitor and document the results of the project activities;
- Monitor and document the implementation of the project by utilizing viable indicators and lessons learned/good practices of project activities;
- Coordinate with relevant ministries and agencies including the IF Secretariat;
- Oversee the organization of meetings for IF Secretariat/ IF Task Forces meetings, etc,
- Manage the NIU Staff both local and international
- Provide close liaison with the key donors

Qualifications:

- Minimum a Master degree in economics or social sciences.
- Minimum 5 years of experience, with proven project management skills
- Prior work experience with international agencies will be an asset.
- Good interpersonal skills and result orientation.
- Effective written/verbal communication skills.
- Proven knowledge of IT is an advantage

Job Title: <u>IF Assistant Project Manager (1 Position)</u>
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The IF Assistant Project Manager report directly to the IFPM and will be responsible for the following tasks:

- Assist the Foreign Trade Policy Department in the overall implementation of the Project, with particular reference to administrative matters.
- Assist IFFP and IFPM to oversee the harmonization and coordination of all Trade Related Assistance and ensure regular tracking of ODA in the area of Aid for Trade.
- Assist IFPM to provide technical support, analysis and guidance, in consultation with related GOL agencies, division(s), and private sector organization.
- Assist IFPM to coordinate with relevant ministries and agencies including the IF Trade Executive Committee (IF TEC).
- Assist IFFP and IFPM to oversee the implementation of the Trade Development Fund (TDF) and work closely with the TDF Facilitator Team and WB.
- Assist IFFP and IFPM to ensure the mainstreaming of trade across the GOL as well as information dissemination on IF process and trade related assistance.
- Work closely with the IFFS.

- Assist IFFP and IFPM to oversee the functioning of the IF Task Forces and provision of secretarial support by the NIU staff.
- Assist to in the coordination, management and monitoring of the project implementation;
- Preparation of annual work plans;
- Oversee the work of the Administrative Assistant
- Coordinate with relevant ministries and agencies including the IF Secretariat;
- Control and manage expenditures, maintain and update records of financial expenditures by monitoring the operational and financial aspects of the project.
- Prepare monthly reports as required
- Perform other tasks as requested by the Department

Qualifications:

- Minimum Master degree in economics or social sciences.
- Minimum 5 years of experience, with proven project management skills
- Prior work experience with international agencies will be an asset.
- Good interpersonal skills and result orientation.
- Effective written/verbal communication skills.
- Proven knowledge of IT is an advantage

<p>Job Title: <u>National Project Analyst (3 Position)</u></p>

The National Project Analyst will report to the IF Project Manager and will work closely with the IF Assistant Project Manager on a day-to-day basis.

- Assist with the day to day management of projects
- Work on a day-to-day basis with Government Sub-executing agencies (GSEU) based in various ministries and agencies, assist them in project identification and design.
- Prepare in conjunction with relevant stakeholders project write up, budgets, terms of references, monthly and quarterly reports.
- Provide secretarial support to the IF Task Forces, TDF SC
- Prepare dissemination material and maintain the MOIC webpage.
- Work closely with the IFFS
- Prepare minutes of meeting/SCs/ect
- Prepare weekly weekly/monthly work plans
- Provide technical inputs as required
- Provide support to the international and national staff members;
- Assist with all TDF procurement manual, procedures and issues.
- Liaise with the UNDP, World Bank and all other relevant donors on TDF preparation
- Prepare monthly reports as required
- Perform other tasks as requested by the Department

Qualifications:

- Minimum bachelor degree in any disciplines.
- Minimum 3 years of experience, with proven project management skills
- Prior work experience with international agencies will be an asset.
- Good interpersonal skills and result orientation.
- Effective written/verbal communication skills.
- Proven knowledge of IT is an advantage

Job Title: <u>Administrative Officer (1 Position)</u>
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Report to the IF Assistant Project Manager and National Project Analyst and will perform the following tasks:

- Assist all IF administrative issues.
- Assist visiting missions, arranging appointments, hotel accommodations and other travel);
- Assist in the preparation and organization of seminars, workshops, meetings and consultations, including preparation of relevant documentation;
- Filling and copying document
- Organize, support, maintain and archive a database on all the reports, notes, maps and any other data on project activities;
- Manage and control the petty cash account, the safe custody of petty cash and documents and inspection of daily petty cash disbursement documents.
- Manage and purchase office stationary.
- Arrange office vehicle registration and maintenance.
- Maintain and record office asset inventory
- Organize translation of necessary project documents;
- Take responsibility for organizing visa applications, meeting and seeing off for project staff as well as other logistics needed;
- Distribute information concerning project activities and planned actions among interested organizations and public in a timely manner.
- Perform other tasks as requested by the Department

Qualifications:

- Proven knowledge of office procedures and office equipment.
- Effective written/verbal communication skills (in English).
- Good interpersonal skills and result orientation.
- Computer literate (MS Office, Excel).

Job Title: <u>Financial Officer (1 Position)</u>

Finance Officer will report to the IF Project Manager and work closely with the IF Assistant Project Manager and National Project Analyst.

Accounting duties

- Oversee the establishment and maintenance of the finance in accordance with the financial rules and procedures of the MoF and the respective donors
- Prepare, implement and review the funding of the budgeted and actual annual cash flows.
- Responsible for the safe custody of petty cash and documents and inspection of daily petty cash disbursement documents
- Inspect and evaluation of accounting documents and records
- Reconcile accounts and prepare financial details
- Produce monthly, quarterly and annual financial reports
- Endure closure of accounts at the end of the month and prepare a reconciliation statement and submit updated account to the NPM.

Financial management

- Produce and maintain records of financial documents
- Inspect and oversee that expenditures comply with the regulations of the respective donors
- Prepare request for funds, collate, and maintain all justifying documentation

Qualifications:

- Professional degree in finance and accounting
- Relevant work experience in project implementation
- Familiarity with government and foreign aid project operations
- Effective written/verbal communication skills (in English).
- Good interpersonal skills and result orientation.
- Computer literate (MS Office, Excel).

Job Title: <u>IF Facilitation Specialist (1 Position)</u>
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The IFF will assist the Lao Ministry of Industry and Commerce (MIC) to ensure that the greatest possible benefit flows to Laos from the many inputs and activities of the various IF agencies and other donors in the trade sector.

The specific objectives include:

- To enhance local ownership of IF process through active involvement of the public and private sectors and civil society;
- To provide information on the IF process to key donors and stakeholders in Laos, as well as interested parties in donor countries and at the headquarters of the IF Core Agencies;
- To foster integration of the findings of the Diagnostic Trade and Integration Strategy (DTIS) exercise into the NGPES/NSEDP and GoL-Donor Round Table Meeting processes
- To assist the GoL to coordinate and enlist donor responses to the Action Matrix produced by the MIC and the DTIS team, including liaison with donors to ensure effectiveness, complementarity and harmonization of interventions;
- To provide technical and policy advice to the GoL on trade-related policy and planning priorities
- Assist the MOIC and the National IF Working Group in implementing the steps outlined in the Action Matrix;
- Work closely with the MOIC in identifying priority projects that could be assessed by the IF

Job Title: <u>Senior Project Analyst (1 Position)</u>
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The Senior Project Analyst will report to the IF Project Manager.

- Assist the Foreign Trade Department, Ministry of Industry and Commerce, in the overall implementation of the DTIS, including overseeing project identification, project formulation and financial and administrative matters.
- Oversee the harmonization and coordination of all Trade Related Assistance and ensure regular tracking of ODA in the area of Aid for Trade.
- Provide technical support, analysis and guidance, in consultation with related GOL agencies, division(s), private sector organization;
- Coordinate, manage and monitor the complete project cycle. (i) Coordinate preparation of annual work plans;(ii) Monitor and document the results of the project activities; (iii) Monitor and document

the implementation of the project by utilizing viable indicators and lessons learned/good practices of project activities;

- Coordinate with relevant ministries and agencies;
- Oversee the implementation of the Trade Development Fund (TDF) and work closely with the TDF Facilitation Team and WB.
- Assisting the National Implementation Unit, Government Sub-executing Unit and the TDF Steering Committee – to identify and develop terms and scope of work, assist with training on developing good terms of references and capacity building for effective evaluation of proposals;
- Real time monitoring of IF implementation and providing Government with timely technical advise;
- Effectively and timely reporting on implementation progress, support the monitoring of the implementation, including assistance with supervision missions;
- Assisting the NIU in preparation of its financial and operational reports to the TDF Facilitation Team, where appropriate;
- Provide technical and analytical support on executing the main trust fund; and
- Facilitating timely and efficient response on cross-sector issues under NIU jurisdiction;
- Ensure the mainstreaming of trade across the GOL as well as information dissemination on IF process and trade related assistance.
- Work closely with the IFFS
- Undertake other duties as requested by the department.

Qualifications:

- Minimum a Master degree in economics or social sciences or MBA.
- Minimum 7 years of experience, with proven project management skills
- Prior work experience with international agencies will be an asset.
- Good interpersonal skills and result orientation.
- Effective written/verbal communication skills.
- Proven knowledge of IT is an advantage

Job Title: National Monitoring and Evaluation (Phase III – to fill in a later stage (1 Position)

Job Title: International Procurement Specialist (1 Position)

The International Procurement Specialist's duties and responsibilities will include, but not limited to:

- Assist and advise the project team at all stages of procurement to ensure that the correct procedures are followed;
- Prepare bid advertisements pre-qualification documents, bidding documents, evaluation reports, requests for proposals for consulting services, draft contracts following procedures of relevant international funding agency;
- Provide technical oversight on pre-tender and post-tender activities (bidding and evaluation) including contracts management of the procurement packages.
- Provide training as required on procurement procedures for the local procurement consultants/officers, ministry procurement staff and other members of the project implementation/management team on a regular basis so that all the staff are oriented towards organizing/conducting of procurement activities in accordance with correct procedures as part of the Government's strategy to build up capacity within the Ministries. The training should focus on measures to improve the institutional capacity for procuring goods, equipments, and services;
- At the Ministry's specific request and in coordination/consultation with the competent ministerial staff, conduct an initial assessment of training and capacity building needs and develop a training

strategy with quantified requirements for staff to be trained through on the job training (learning by doing) and/or short-term in-country upgrading courses and/or external training;

- Update the procurement plan every three months or at periodic intervals, and to set in place a monitoring system for procurement activities;
- Review the procurement procedures that have been implemented and suggest improvements in the procedures in subsequent bidding/tender operations;
- Resolve any procurement-related issues, including complaints from contractors, suppliers, consultants, and Government Sub-Executing Agencies;
- Supervise and provide guidance to the national consultants/officers;
- Prepare communications and coordinate between Ministry and the international donor agencies for procurement document clearance and other procurement related activities;
- Assist in preparing of progress reports.

Qualifications:

- Must have an advanced degree in management, economics, business administration or any related field
- At least 10 years of working experience in public procurement in developing countries, including at least 2 years in conducting procurement under World Bank financed projects.
- Familiarity with government and foreign aid project operations
- Excellent communication skills, including speaking and writing in English
- Willingness to train junior staff and to work as a team
- Good working knowledge of computer programs such as word, excel etc.
- Working experience in the region and knowledge of local language preferable.

<p>Job Title: <u>International Accounting and Finance Specialist (1 Position)</u></p>
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The International Accounting and Finance Specialist's duties and responsibilities will include, but not limited to:

- Draft a financial management capacity building program for NIU staff within the project and finance unit of the Ministry.
- Review the project's chart of accounts and ensure that it covers the requirements of the project.
- Become in charge of the computerization of the project's financial management system.
- Provide on the job training to assist NIU Financial Management team in establishment and management of the financial management system including the usage of the project software to be procured.
- Become in charge of project financial management function which will include: overall management of accounting staff, management of safeguarding project assets, liaison with MOF and WB on overall financial and accounting issues, review of all transaction vouchers to ensure that expenditures are being used for purposes intended, review of financial reports and review of withdrawal applications prepared.
- In accounting, the advisor will help with the establishment and maintenance of project accounting which complies with guidelines and procedures laid out in the financial management manual, maintenance of project accounting internal controls with project financial operations-particularly for bank accounts, petty cash and cash advances, production of monthly reports which will be consolidated into quarterly FMRs.
- Setting up required books of accounts for the project.

- Ensuring that there is proper maintenance of financial information under generally accepted accounting principles to provide a basis for adequate financial control and timely preparation of audited accounts.
- Producing within agreed time frames and in standard formats Financial Monitoring Reports, monthly management accounts and related supporting reports.
- Assisting the project coordinator in the preparation of quarterly and annual reports for presentation to the steering Committee and other interested parties by providing the required financial data for decision making.
- Evaluating project financial performance against projected Government of Lao PDR and Donor funding obligations for the determination of expenditure priorities and the timely replenishment of funds.
- Reviewing and evaluating internal control and check systems, procedures and methods.
- Recommending and subsequently implementing in conjunction with relevant agencies, improved methods of maintaining project financial accounts in order to meet project changing needs.
- Controlling internal disbursement of all funds to ensure that the government of LAO PDR and IDA's standing instructions are adhered to, thereby safeguarding project interests against fraud, thefts.
- Ensuring proper disbursement of funds in order to facilitate timely availability of funds for operational and administrative purposes.
- Controlling the quality of withdrawal applications by ensuring that there is sufficient supporting documentation and the expenditures being paid for are in line with the DCA.
- Ensure monthly reconciliations of Bank accounts, petty cash and any other accounts are undertaken.

Qualifications:

- Advanced university degree (Masters or equivalent) in Accounting and Finance
- 10 years of relevant working experience
- Demonstrable experience of having worked for externally-funded projects (bilateral or multi-lateral) would be highly desirable
- Familiarity with government and foreign aid project operations
- Excellent written/verbal communication skills (in English)
- Good interpersonal skills and result orientation
- Excellent analytical and presentation skills
- Computer literate (Microsoft Office and Excel).
- Fully conversant with accounting packages such as ACCPAC.

<p>Job Title: <u>Senior National Accounting and Finance Officer (1 Position)</u></p>

The TDF Senior National Accounting and Finance Officer's duties and responsibilities will include, but will be not limited to:

- Ensuring that there is proper maintenance of financial information under generally accepted accounting principles to provide a basis for adequate financial control and timely preparation of audited accounts
- Producing within agreed time frames and in standard formats Financial Monitoring Reports, monthly management accounts and related supporting reports
- Assisting the project coordinator in the preparation of quarterly and annual reports for presentation to the steering Committee and other interested parties by providing the required financial data for decision making.

- Evaluating project financial performance against projected Government of Lao PDR and Donor funding obligations for the determination of expenditure priorities and the timely replenishment of funds.
- Reviewing and evaluating internal control and check systems, procedures and methods.
- Recommending and subsequently implementing in conjunction with relevant agencies, improved methods of maintaining project financial accounts in order to meet project changing needs.
- Controlling internal disbursement of all funds to ensure that the government of LAO PDR and IDA's standing instructions are adhered to, thereby safeguarding project interests against fraud, thefts.
- Ensuring proper disbursement of funds in order to facilitate timely availability of funds for operational and administrative purposes.
- Designing acceptable Financial Monitoring Reports for clearance by the Bank.
- Controlling the quality of withdrawal applications by ensuring that there is sufficient supporting documentation and the expenditures being paid for are in line with the DCA.
- Comprehensive capacity building plan for the NIU FM team and Finance and Admin Desk.
- Computerization of the TDF financial management system.

Qualifications:

- Advanced university degree (Masters or equivalent) in Accounting and Finance and/or professional qualification such as ACCA, Lao CPA, or the equivalent;
- 5 years of relevant working experience;
- Demonstrable experience of having worked for externally-funded projects (bilateral or multi-lateral) would be highly desirable, but not required;
- Familiarity with government and foreign aid project operations;
- Excellent written/verbal communication skills (in English);
- Good interpersonal skills and result orientation;
- Excellent analytical and presentation skills;
- Computer literate (Microsoft Office and Excel);
- Fully conversant with accounting packages such as ACCPAC.

Attachment 9: ROLE AND STRUCTURE OF THE GOVERNMENT SUB-EXECUTING AGENCIES

The **Government Sub-Executing Agencies** (GSEUs) are agency implementing units, directly responsible for the technical implementation of the project and execution of the day-to-day activities as stated in the approved action plan. The GSEU will be responsible for ensuring the delivery **of specific project outputs**. They will work closely with the NIU. For technical matters they may report directly to the appropriate IF Task Force. The composition of each GSEU will be determined on a case by case basis, they may consist of: GSEU project manager; technical officer and administration support.

Below are the generic tasks which GSEUs will carry out:

- prepare annual and quarterly plans for approval by the IF Taskforce or any equivalent working group
- send progress reports to Working Group /IF Task Forces
- draft TORs, and coordinate with the NIU on procurement and contracting;
- organize training activities
- through the respective IF Task Force/working group, cooperate closely with all TRA projects funded by other donors and agencies
- advise the respective IF Task force/working group on coordination issues