

Ministry of Industry and Commerce
In Partnership with Integrated Framework Core Agencies:

United Nations Development Programme
International Monetary Fund
International Trade Centre
United Nations Conference on Trade and Development
World Bank
World Trade Organization

Title: Institutional strengthening of the IF coordination and implementation structures

Duration: 3 Years

Starting date: January 2010

End date: December 2012

Budget (US\$)		
	EIF	Counterpart Funds
2010	299,928	See Annex 9 for the GOL contribution
2011	299,986	
2012	300,086	
Total	899,999	

The major challenge in coordinating, managing, and implementing trade related policies and projects, stems from the nature of trade, which in itself is cross cutting. The Lao DTIS states, “Despite recent liberalization and simplification, the management of trade is still restrictive, with burdensome, nontransparent, and inconsistent rules acting to increase costs and reduce competition. Reform in these areas has been constrained by the fragmentation of the trade policy and administrative architecture”¹.

The intended overall objective of the proposed project is to enhance Laos’s national capacity to formulate, implement, manage, and monitor a pro-poor trade policy that is consistent with and supportive of the country’s National Socio Economic Development Plan (NSEDPlan) and its Millennium Development Goals. The specific project purpose is to strengthen the trade integration and coordination mechanisms in Laos. The main beneficiaries of this project will be Officials from the Ministry of Industry and Commerce (MOIC), involved in trade policy formulation, negotiation and implementation, and officials from Finance (customs in particular), Agriculture, Tourism, Transport & Telecommunications ministries, as well as educational and research institutes.

This project for ‘Institutional strengthening of the IF coordination and implementation structures’ is an integral part of the MOIC’s efforts to establish a fully functioning and sustainable National Integrated Framework Governance Structure (NIFGS). The Foreign Trade Policy Department (FTPD) of MOIC will be the implementing partner for this project. This project is a continuation of the Window II project and will focus on strengthening the entities of the NIFGS and particularly the IF NIU, which was established under Window II in September 2007 within the FTPD. This project proposal is considered as Phase 1 of the EIF Tier 1, where there is a possible extension for a phase 2 in the future.

¹ DTIS

Key Results

This project aims to address the constraints identified in section 2.1 by providing continued support to the management and monitoring unit, i.e. the IF NIU based in the FTPD of the MOIC. The key expected results are to assist the MOIC in:

- Supporting the implementation of the DTIS Action Matrix and coordinating Trade Related Assistance (TRA) across ministries and donors
- Formulating EIF Tier II projects in collaboration with key line Ministries and non-state actors
- Implementing the Government of Laos' trade policy reform agenda
- Mainstreaming trade into the NSEDP and raising the profile of trade and enterprise development amongst the public and private sectors

Key activities and outputs

The outputs selected under this proposal focuses on building the Government and Private Sector's Trade capacity at three levels:

- Institutional Capacity
- Managerial Capacity
- Technical Capacity

These are the 3 strategic pillars of the Government's Aid for Trade strategy, whereby strong institutions endowed with technically and managerial competent human resources are believed to be the bedrock of the country's economic growth engine.

Approved by:

	
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Acronyms

AFAS:	ASEAN Framework Agreement on Services
AFTA:	ASEAN Free Trade Area
AfT:	Aid for Trade
AM:	Action Matrix
ASEAN:	Association of Southeast Asian Nations
CB:	Capacity Building
CMT:	Cut-Make-Trim
DG:	Director General
DIMEX:	Department of Import-Export
DOA:	Department of Agriculture
DOI:	Department of Industry
DPTP:	Department of Production and Trade Promotion
DPs:	Development Partners
DRR:	Deputy Resident Representative
DSA:	Daily Subsistence Allowance
DTIS:	Diagnostic Trade and Integration Study
EC:	European Commission
EIF:	Enhanced Integrated Framework
ERIT:	Economic Research Institute for Trade
ES:	Executive Secretariat
FMRs:	Financial Monitoring Reports
FOB:	Free On Board
FTPD:	Foreign Trade Policy Department
GOL:	Government of Laos
GSEAs:	Government Sub-Executing Agencies
GSEUs:	Government Sub-Executing Units
GSP:	Generalized System of Preferences
IADB:	Inter-American Development Bank
IF:	Integrated Framework
IFFP:	IF Focal Point
IFSC:	IF Steering Committee
ITF:	IF Task Force
LAP:	Legislative Action Plan
LCTFP:	Lao Customs and Trade Facilitation Project
LDC:	Least Developed Country
LIFS:	Laos Integrated Framework Secretariat
LNTA:	Lao National Tourism Authority
LNCCI:	Lao National Chamber of Commerce and Industry
LPAC:	Local Project Appraisal Committee
LTPC:	Lao Trade Promotion Centre
MAF:	Ministry of Agriculture and Forestry
MDGs:	Millennium Development Goals
MOF:	Ministry of Finance
MOH:	Ministry of Health
MOIC:	Ministry of Industry and Commerce

MPI:	Ministry of Planning and Investment
MPWT:	Ministry of Public Work and Transport
NAST:	National Authority for Science and Technology
NERI:	National Economic Research Institute
NEX:	National Execution
NHDR:	National Human Development Report
NIFGS:	National Integrated Framework Governance Structure
NIU:	National Implementation Unit
NPD:	National Project Director
NSC:	National Steering Committee
NSCEI:	The National Steering Committee for Economic Integration
NSEDP:	National Socio-Economic Development Plan
NUOL:	National University of Laos
OCP:	Operational Certification Procedure
ODA:	Official Development Assistance
ODOP:	One District One Product
OECD:	Organization for Economic Co-operation and Development
PM:	Project Manager
PMU:	Project Management Unit
PRSP:	Poverty Reduction Strategy Paper
PS:	Private Sector
PSR:	Product Specific Rules
PU:	Project Unit
ROO:	Rules of Origin
RR:	Resident Representative
RTM:	Round Table Meeting
SME:	Small and Medium Enterprise
SP:	Special Preferences
SPS:	Sanitary and Phyto-sanitary
TA:	Technical Assistance
TBT:	Technical Barriers to Trade
TDF:	Trade Development Facility
TEC:	Trade Executive Committee
TRA:	Trade Related Assistance
TRTA:	Trade-Related Technical Assistance
TTL:	Task Team Leader
UNCTAD:	United Nations Conference on Trade and Development
UNESCAP:	United Nations Economic and Social Commission for Asia and the Pacific
UNDAF:	United Nations Development Assistance Framework
UNOPS:	United Nations Office for Project Services
WITS:	World Integrated Trade Solution
WP:	Working Party
WTO:	World Trade Organization

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SECTION I: SITUATION ANALYSIS

1 OVERVIEW OF THE COUNTRY'S TRADE DEVELOPMENT AGENDA IMPLEMENTATION AND AID FOR TRADE IMPLEMENTATION

The Sixth National Socio-Economic Development Plan (NSEDP), which is the main framework for national development in Laos for the period (2006-2010), recognizes the importance of trade and international integration as a gateway to economic growth and poverty alleviation. The main objectives of the NSEDP are to:

*'accelerate economic growth and improve the people's quality of life; restructure the economy and employment in building a market economy through sustainable natural resource management and fostering deeper and stronger regional and international integration'*².

The NSEDP sees trade and exports as having a central role in stimulating growth through increasing competitiveness and utilizing comparative advantages to effectively implement international economic commitments in the framework of the ASEAN and other bilateral and multilateral commitments, including WTO. The main pillars of the NSEDP's trade and export strategy for Laos are (i) the expansion and diversification of markets and strengthening the present position in existing markets (ii) increasing market access and (iii) product diversification and quality improvements. To implement these overarching objectives the Lao Government, led by the Ministry of Industry and Commerce (MOIC) has been engaged in a three-pronged strategy aimed at:

- (a) Improving Laos' market access opportunities through bilateral, regional and WTO accession negotiations.
- (b) Expanding Laos' capacity to trade by engaging in multilateral initiatives such as 'The Integrated Framework' (IF) and Trade Related projects and programmes which focus on addressing key supply side constraints and the promotion of trade and regional integration.
- (c) Improving the aid effectiveness in the area of TRA through strengthening government aid delivery and coordination mechanism.

Based on the overall trade strategy, targets and tasks laid out in the NSEDP, the MOIC has prepared a number of key documents, which flesh out in detail the required policy reforms and accompanying TRA required for implementing the NSEDP Trade Sector Strategy. The National Export Strategy (NES) and the Integrated Framework Diagnostic Trade Integration Study (DTIS) are two main frameworks put together by the MOIC to guide the implementation of the NSEDP Trade Strategy. The NES is a cluster study, which covers the following sectors namely - tourism, garments, medicinal herbs, organic (agricultural) products, silk, handicrafts and wood products. A complementary and more detailed analytical study, the DTIS was undertaken through the Integrated Framework Process (IF) by the MOIC and Development Partners (DPs). The DTIS further refined the GOL trade strategy and goals and translated these goals into a comprehensive and flexible Action Matrix with lays out a series of TRA and policy reforms to be undertaken by the GOL. The NSEDP (2006 -2010) is now in its 4th year of implementation of the 11

² Lao PDR: National Socio Economic Development Plan (2006-2010)

programmes and 111 projects identified and adopted by the Government of Laos (GOL) in May 2006. The GOL has recently under taken a mid-term evaluation of the 6th NSEDP in September 2008. The MOIC is in the process of preparing for the upcoming 7th NSEDP. The new NSEDP will be approved by the National Assembly in early 2011. The preparations will take place through 3 steps:

Step 1: Trade Sector Brief - The MOIC/FTPD is currently preparing a brief, which will be discussed internally –January 2010.

Step 2: Preparation of Sector Profile, which will be discussed and validated through extensive consultation process with GOL/PS and DP. Draft Sector Profiles is to be ready by February 2010.

Step 3: 7th NSEDP Plan Write-Up Analytical Report submitted by April 2010.

An update of the DTIS will be prepared in tandem with the 7th NSEDP Trade Strategy from January – April 2010, in line with steps 1 and 2 depicted above.

Whilst the trade agenda in Laos is fairly well articulated and both GOL and donors are strongly engaged in the implementation of this agenda, there remain some key challenges, which are common to many LDCs, namely the low absorptive capacity of relevant key ministries and agencies involved in the area of trade. This low absorption capacity is directly related to the GOL and the private sector's limited technical, managerial and institutional capacity, both in terms limited human resources and in terms of having the right skill sets to engage effectively in the implementation process of the GOL Aft Agenda.

1.1 Summary of IF Process in-Country and Progress achieved to date

Laos joined the Integrated Framework (IF) in 2004 and has since been an active member of the IF process. The Diagnostic Trade Integration Study's (DTIS) and Action Matrix (AM) were validated during the National Validation Workshop, on 12 September 2006, following extensive stakeholder consultations. The DTIS identified five priority areas for development assistance for Laos:



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

The first milestone achieved by the MOIC in 2007, after the validation of the DTIS - was accessing the IF Window II funding of US\$ 1 million. IF Window II funds were designed to kick-start the implementation of projects identified under the Action Matrix. Four projects were approved in May 2007 for funding under the IF Window II:

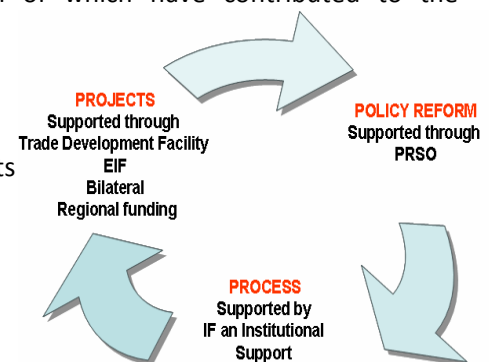
1. Institutional strengthening of the IF National Implementation Unit - IF Coordination and Implementation Structures
2. Capacity building and technical support to Laos in the WTO accession negotiations (Component 4 of the Action Matrix).

3. Improving the capacity of Lao garment companies and shift from CMT to FOB and strengthening the capacity of Association of Lao Garment Industry. (Component 1 of the Action Matrix)
4. Strengthening capacity to negotiate and administer Rules of Origin requirements (Component 4 of the Action Matrix)

The Window II projects have made significant progress in establishing the National Integrated Framework Governance Structure (NIFGS) including: (i) Set up IF Task Force; (ii) set up of IF National Implementation Unit and (iii) set up Government Sub-Executing Units. The Window II support to NIU is due to end in December 2009 and there is a critical need to further strengthen and sustain the institutions established with the support of Window II. Since the Government funds are currently scarce. Tier 1 funds are requested to fill in this need.

The IF process has provided the Government, Private Sector and Development Partners with a unique opportunity to rally around a common goal i.e. of 'stimulating economic growth through promoting trade integration and exports oriented growth'. Over the last two years, the MOIC and Development Partners have worked on three fronts quite effectively, all of which have contributed to the implementation of the NSEDP Trade Strategy:

- Policy Reforms Agenda and WTO accession process
- Process and Institutional reforms
- Strategy for the Implementation of Trade Related Projects



The success of the IF Process in Laos can be attributed to the MOIC and the Development Partners progress in the following main areas:

- Strengthening the institutional framework for coordinating Trade Related Assistance (TRA) i.e. NIFGS;
- Mobilizing substantial ODA through the set up of a multi-donor trust fund, the Trade Development Facility and other sources of bilateral and multilateral funding;
- Moving to greater reliance on Government financial management and accountability systems
- Stronger Government/development Partner coordination

The 2nd IF milestone in Laos has been establishing Trade Development Facility (TDF). On 8 August 2008, the Government of Lao PDR signed the Grant Agreement for the TDF. The TDF is a multi-donor trust fund, which aims at facilitating trade and cross-border movement of goods and builds the capacity of the Government to implement its regional and global economic integration and trade reform agenda. These activities in turn support the GOL's overarching goal of poverty reduction and economic development, as reflected in the NSEDP.

While TDF supports the NIU by providing finance and procurement officers, other required posts are currently funded through the Window II project. The EIF Tier 1 is considered as a significant source of funds to assist the NIU to remain equipped and staffed as the GOL still have insufficient staff and lack funding support. The proposed EIF staff will lead activities to ensure the completion of the Work Plan and ensure effective use of the funding.

1.2 Summarize support to the country's trade agenda:

Over the last 2 years, trade in Laos has been increasingly mainstreamed into the plans and projects of key ministries such as the Ministry of Finance (MOF), Ministry of Industry and Commerce, Ministry of Public Works and Transport (MPWT), and Ministry of Agriculture and Forestry (MAF). These Ministries have initiated a number of important trade related projects in areas such as (i) Trade Facilitation, (ii) Customs Reform (iii) SPS (iv) Trade Promotion (v) Strengthening of business environment and (vi) Capacity building and training in the area of Trade negotiations (Annex 1- Trade Donor Matrix). These projects and programs, which are currently being implemented or are in the pipeline are closely linked to the identified priority activities identified in the NSEDP and support the main goals of the GOL trade reform agenda. These are also directly linked to the DTIS action matrix. The IF process in Laos has harnessed the MOIC and donors' efforts in supporting the GOL Trade agenda and ultimately assisting the GOL reach the development objectives of its Sixth NSEDP.

Trade related assistance has been increasing steadily in Laos over the last five years.. While there is no accurate estimate of how much ODA flows to Trade Related Technical Assistance (TRTA) and Capacity Building (CB) in Laos, the OECD TRTA and CB database gives an estimate of US\$ 56,754 million (this figure includes US\$30 million for infrastructure). Excluding infrastructure, an estimated amount of US\$ 20 million³ was allocated to TRTA over a six-year period, spanning 2001-2007.

Table 1 – TRA in Lao PDR – OECD DAC

	Trade Policy and Regulation US \$	Trade Development US \$	Grand Total
2001	425,000	481,000	906,000
2002	*30,391,000	2,171,000	32,562,000
2003	2,197,000	2,096,000	4,293,000
2004	3,850,000	2,513,000	6,363,000
2005	327,000	1,795,000	2,122,000
2006	2,374,000	6,114,000	8,488,000
2007	808,000	1,211,000	2,019,000
*including infrastructure			56,756,000

A rough estimation of the total amount of grants to be channeled to AfT for the next 2 years based on the projects in the pipeline, stands at around US\$ 35 Million (excluding economic infrastructure). Below are a number of key projects currently in the pipeline or early stages of implementation:

- The Trade Development Facility (TDF) – a multi donor trust fund financed by the EC and AusAID, and administered by the WB (US\$ 6.8 Million, 2008-2012 executed by MOIC)
- The Lao Customs and Trade Facilitation Project – World Bank (US\$ 6 million over 4 years, 2008-2012 executed by MOF)

³This excluded the recent Window II funding

- The Enhanced Integrated Framework – Global Trust Fund (Tier 1 US\$ 1.5 million and Tier 2 projects)
- ODOP (One District One Product) Project – JICA (US\$ 2 million, executed by MOIC – 2008 – 2011)
- SECO EIF Pilot country (under discussion US\$ 3.5 million)
- The Poverty Reduction Support Operation (PRSO), a general budget support operation led by the World Bank and supported by Australia, EC, and Japan supports aspects of the GOL Trade and private sector development reform agenda (approx US\$20 million/year).

These activities will come on top of future commitments foreseen by other bilateral, regional and multilateral agencies and all funding foreseen under the Aid for Trade initiative, which is likely to be channeled through regional development banks such as the ADB. Compared to the previous years (see table 1), there is likely to be a scaling up of ODA in the area of TRA in Laos. A surge in TRA raises important issue of aid effectiveness and adsorption capacity for the GOL and Development Partners.

Given the growing importance of TRA in Laos, the MOIC and a number of development partners are working towards improving coordination and effectiveness of TRA. A trade and private sector development sub-working group was launched under the round table process in September 2008.

1.3 Status of the IF National Implementation Unit

As discussed in the section above, AfT in Laos has over the last few years taken a central role in government and donors' development agendas and this has been accompanied by a marked increase in the amount of ODA for AfT. This underlines the urgent need for stronger inter-agency coordination and government/donor coordination and the need for improved adsorptive capacity of government agencies. In order to assist the GOL in the implementation of Window II projects, EIF, TDF and other TRA projects being implemented in the context of the IF, the MOIC established a National Implementation Unit (NIU) within the FTPD in September 2007.

The key role of the NIU is to ensure coordination at all stages of the IF process of the national stakeholders, including government, private sector, and civil society. The NIU is responsible for operationalising the DTIS Action Matrix and it is intended as the main operational body, which coordinates the implementation of TRA, coming from Multilateral, Bilateral and regional funding. The NIU's key role is to work with government line ministries and agencies in translating the identified actions in the DTIS Action Matrix into feasible projects. This unit works in tandem with the various beneficiaries of the EIF projects and is responsible for project management and overall implementation of the projects/programs identified in the DTIS Action Matrix. The IF NIU in Laos is currently responsible for the management and coordination of the multi donor trust fund - the Trade Development Facility (TDF) - and it is expected that the NIU will coordinate and manage the EIF Tier II.

The NIU received initial funding from the IF Window II, as well as contributions from the TDF, with in-kind contribution from the GOL in the form of Office Space and Staff (see Annex 9).. In the short run, it is expected that external funding from EIF/TDF and other bilateral donors will support the NIU, however on a longer-term basis it is expected that the NIU will be internalized into the MOIC to possibly become a full-fledged department or division. This is deemed critical for the sustainability of the NIU.

1.3.1 Key responsibilities of the NIU

The IF NIU is under the overall supervision of the IF Focal Point and the NIU Project Director. The main role and responsibilities of the IF NIU are provided in Annex 2 – Detailed Scope of work of the NIU.

The NIU works closely with the IF Task Forces (IF TF) and the Government Sub-executing Units (GSEU) (refer to Annex 3 – Description of the NIFGS Governance Structure):

- The IF Task Forces (IF TFs) - The TFs are sub-committees of the Lao IF Secretariat (LIFS) and 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 Units (GSEU) – The GSEU have been set up in the relevant line ministry and are responsible for the day-to-day implementation of individual project. The GSEU are responsible for ensuring the delivery of project outputs and activities.

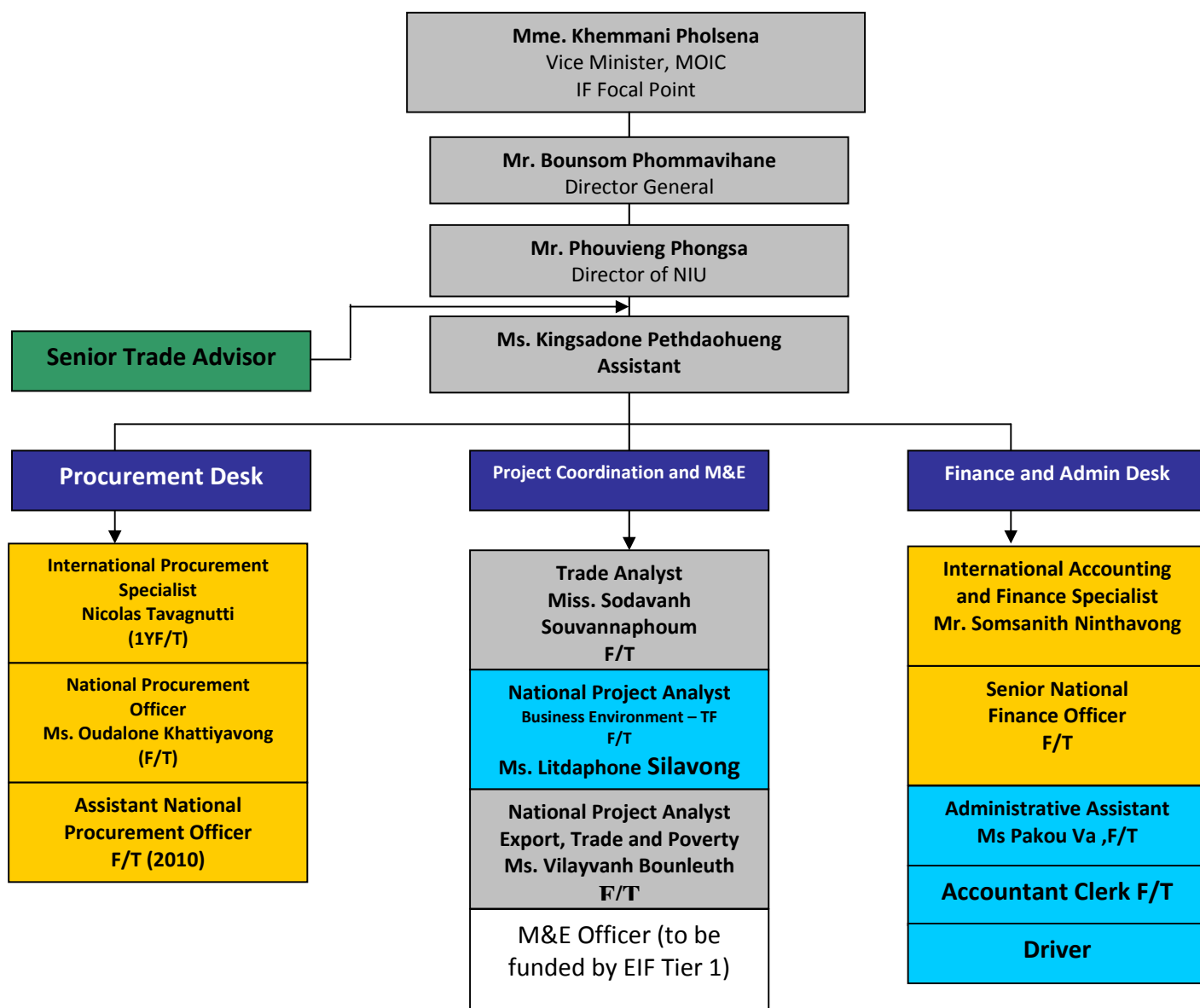
1.3.2 Overall staffing and lines of responsibility

The IF NIU organization structure is depicted below. The NIU consists partly of Government officials (Strategic apex and middle line⁴) and externally recruited TAs (Operational core⁵) who are currently funded through the IF Window II Trust Fund, the TDF and AusAID. The posts which are shaded in grey represent the currently filled post by Government staff. Those shaded in yellow are funded through the TDF. Those in blue are currently funded under Window II and will continue to be funded for the next 3 years under the EIF Tier I funding.

⁴ ‘Strategic Apex is charged with ensuring that the organization serve its mission in an effective way, and also that it serve the needs of those who control or otherwise have power over the organization (such as its owners, government agencies, union of the employees, pressure groups)’The Strategic apex is joined to the operating core by the chain of middle line managers with formal authority - Structures in Five – Designing Effective Organisation – Henry Mintzberg, Prentice-Hall International

⁵ The operating core of the organization encompasses those members – the operator – who perform the basic work related directly to the production of products and services – Structures in Five – Designing Effective Organisation – Henry Mintzberg.

Figure 2 – NIU Organization Chart



Note:

Coordinator GSEU SPS: Ms. Litdaphone and Oudalone
 Coordinator GSEU CB: Mr. Somsanith
 Coordinator GSEU TF: Ms. Sodavanh
 Coordinator GSEU Export Com. Ms. Vilayvanh

The NIU will be organized functionally as below:

1. Procurement Desk
2. Project Coordination and M&E Desk
3. Finance and Administration Desk

The staffing/recruitment for the NIU is foreseen as below. The Tier 1 will provide support for NIU posts currently funded by the Window II Project since the GoL lacks of supporting funds and TDF is only provide fund for procurement and finance related staff. (Annex 4 – Summary ToRs of Key NIU Team):

Table 2 – NIU Recruitment Plan

Government	Middle management		
Post	Funding	Timing	Notes
IF Focal Point	MOIC	September 2007	Government official
Director General	MOIC	September 2007	Government official
NIU Director	MOIC	September 2007	Government official
NIU Assistant Director	MOIC	September 2007	Government official
GSEU Team leaders	Respective line ministry	October 2008	Government official– serve as TDF project liaison
Phase 1 – Recruitment: Window II and AusAID			
Administrative Officer	Window II	October 2007	To be taken over by EIF January 2010
Financial Officer	Window II	September 2008	To be taken over by EIF January 2010
Senior Trade Advisor	AusAID	December 2006	To be maintained over the life time of TDF
Phase II – Recruitment: TDF, Window II and GOL			
International Procurement Specialist	TDF	February 2009	Full time for 1 st year + yearly supervision and training mission
National Procurement Officer	TDF	February 2008	4 years
International Accounting and Finance Specialist	TDF	March 2009	Full time for 1 st year – yearly supervision and training mission
Senior National Accounting and Finance Officer	TDF	February 2009	4 years
Trade Analyst	MOIC	September 2007	To be taken over by EIF January 2010
National Project Analyst - Business Environment and TF	Window II	May 2009	To be taken over by EIF January 2010
National Project Analyst - Export,	MOIC	September 2008	Funded by GOL

Trade and Poverty			
Driver	Window II	May 2009	To be taken over by EIF January 2010
Phase III – Recruitment EIF/TDF - (January 2010)			
Assistant National Procurement Officer	TDF	January 2009	Based on justification and ToRs
National M&E Officer	EIF	January 2010	Based on justification and ToRs
Account Clerk	EIF	January 2010	To be taken over by EIF

This proposal under Tier 1 funding of the EIF will cover specifically the recruitment of the following staff from January 2010 – December 2012:

- National Project Analyst Business Environment and Trade Facilitation
- M&E Officer
- Administrative Assistant
- Trade Analyst
- Accounts Clerk
- Driver

1.3.3 Consultation and Coordination Mechanism

To support the implementation of the Aft agenda in Laos the MOIC has set up two key mechanisms which aim at strengthening coordination, harmonisation and alignment of AFT namely:

National IF Governance Structure: The MOIC has established a permanent National Integrated Framework Governance Structure (Annex 3 – National IF Governance Structure - NIFGS), a multi-agency entity consistent with the WTO Integrated Framework (IF) and the Vientiane Declaration on Aid Effectiveness, which is mandated to coordinate Official Development Assistance (ODA) in trade sector.

Trade and Private Sector Development Sub-Group: The MOIC in collaboration with Ministry of Planning and Investment organized the first Trade and Private Sector Development Sub-Group (TPSDSG) Meeting in October 08. The TPSDSG was official launched at this meeting. The purpose of the TPSDSG is to enhance synergies between the two inter-related areas to promote more collaborative linkages across line ministries and agencies as well as between the GOL, Development Partners (DPs) and private sector representatives. The TPSDSG is intended to complement the ongoing dialogue-taking place in other fora. These include the Laos Integrated Framework Secretariat (LIFS), SME Promotion and Development Committee, and Public-Private Dialogues (Lao Business Forum, Provincial Public Private Dialogues).

SECTION II - STRATEGY

2 PROJECT STRATEGY AND RATIONAL

2.1 Challenges and Constraints

The rationale for setting up and continuing to support the NIU is based on the implementation difficulties which IF countries, such as Laos, have to face once they have completed the DTIS. These include difficulties with the timely and sustained identification, formulation, implementation, and monitoring of projects identified in the Action Matrix. Coordination of TRA and the management of projects is a complex process, which requires trained staff and the right management tools, structures and systems in place. LDCs such as Laos, given their scarce human resources and very heavy trade agenda, are often faced with low absorptive capacity. It has been reported that a number of IF countries have found it difficult to access Window II funding due to lack of capacity to prepare projects and coordinate their implementation with multiple agencies.

The main challenge, which the MOIC is having to continuously grapple with as it moves into the implementation phase of the Action Matrix, is the lack of human resources to internally manage and implement the DTIS and to ensure a continuous link between the activities of the Action Matrix to relevant ministries. This is inherently due to a number of constraints which LDCs such as Laos have in common namely; (i) a lack of dedicated staff responsible for overlooking project management; (ii) low level of project management capacity within government and; (iii) weak inter-ministry and inter-department coordination systems. It is therefore expected that the continued support to the IF NIU will help remedy some of these problems by providing a core dedicated staff responsible for coordinating in-country EIF activities and for implementing the DTIS Action Matrix, whilst the set up of an inter-ministry coordination mechanism will help to strengthen the inter-ministry and interdepartmental coordination. This proposal is coherent with the overall identified needs in Laos for strengthening national capacity in the area of trade and trade policy formulation.

2.2 Objectives

The major challenge in coordinating, managing, and implementing trade related policies and projects, stems from the nature of trade, which in itself is cross cutting. The DTIS states, “Despite recent liberalization and simplification, the management of trade is still restrictive, with burdensome, nontransparent, and inconsistent rules acting to increase costs and reduce competition. Reform in these areas has been constrained *by the fragmentation of the trade policy and administrative architecture*”⁶.

The intended overall objective of the proposed project is to enhance Laos’s national capacity to formulate, implement, manage, and monitor a pro-poor trade policy that is consistent with and supportive of the country’s NSEDP and its Millennium Development Goals. The specific project purpose is to strengthen the trade integration and coordination mechanisms in Laos. The main beneficiaries of this project will be:

⁶ DTIS

- Officials from the MOIC involved in trade policy formulation, negotiation and implementation, officials from the Ministries of Finance (customs in particular), Agriculture, Tourism, Transport & Telecommunication, as well as educational and research institutes.
- Private sector associations such as the Lao National Chamber of Commerce and Industry (LNCCI) and business associations.

This project for ‘Institutional strengthening of the IF coordination and implementation structures’ is an integral part of the MOIC’s efforts to establish a fully functioning and sustainable NIFGS. FTPD of MOIC will be the implementing partner for this project. This project is a continuation of the Window II project and will focus on strengthening the entities of the NIFGS and particularly the IF NIU, which was established under Window II in September 2007.

2.3 Key Results

This project aims to address the above constraints (section 2.1) by providing continued support to the management and monitoring unit, i.e. the IF NIU. The key expected key results are to assist the MOIC in:

- Supporting the implementation of the DTIS Action Matrix and coordinating TRA across ministries and donors to achieve this establishing, strengthening and sustaining support-mechanisms and Inter-ministerial coordination mechanisms.
- Formulating EIF Tier II projects in collaboration with key line Ministries and non-state actors.
- Implementing the Government of Laos’ trade policy reform agenda.
- Mainstreaming trade into the NSEDP and raising the profile of Trade and enterprise development amongst the public and private sector

2.4 Key activities, outcomes and outputs

The outputs selected under this proposal focuses on building the Government and Private Sector’s Trade capacity at three levels:

- Institutional Capacity
- Managerial Capacity
- Technical Capacity

These are the 3 strategic pillar of the MOIC Aft strategy, whereby strong institutions endowed with technically and managerial competent human resources are believed to be the bedrock of the country’s economic growth engine.

The project main purpose will be achieved through the delivery of the following outcomes and related outputs:

<u>Project Outcome 1⁷:</u>	<u>Enhanced institutional capacity to coordinate and implement trade related policies and Trade Related Projects</u>
<i>Output⁸ 1.1:</i>	Significant increase in efficient and effective implementation of the DTIS Action Matrix
	<u>Output Target :</u> <i>IF NIU continues to be adequately staffed and equipped</i> <i>Tier II projects formulated and approved by TAC II</i> <i>The DTIS is updated</i>
<i>Output 1.2:</i>	Improved inter-ministerial coordination
	<u>Output Target :</u> <i>IF Task Forces established and running smoothly</i>
<i>Output 1.3:</i>	Improved government and Development Partner coordination in the area of Trade and Private sector Development
	<u>Output Target:</u> <i>Trade and Private Sector Development Sub-Group established and running smoothly</i>
<i>Output 1.4:</i>	Improved and sustained functioning of the LIFS
	<u>Output Target:</u> <i>Lao IF Secretariat continues to meet regularly and fully engaged in the IF process</i> <i>GOL officials actively engaged in the IF process</i>
<u>Project Outcome 2:</u>	<u>Enhanced management capacity within the relevant line ministries involved in the implementation of Trade Related Projects</u>
<i>Output 2.1</i>	Improved project management skills of NIU staff and the respective GSEU
	<u>Output Target:</u> <i>Management Training Delivered to NIU and GSEUs staff</i>
<i>Output 2.2</i>	Improved English communication skills
	<u>Output Target:</u> <i>Training in English at elementary, post elementary, and professional level delivered to government and project staff.</i>

⁷ **Outcomes** are actual or intended changes in development conditions that the **Core Agencies** interventions are seeking to support. They describe a change in development conditions between the completion of outputs and the achievement of impact

⁸ **Outputs** are tangible products and services that emerge from processing inputs through programme or non-programme activities. Outputs, therefore, relate to the *completion* (rather than the conduct) of activities and are the type of result over which managers have a high degree of influence

Project Outcome 3:	Enhanced public and private sector's knowledge and awareness on the policy implication of trade and private sector development on growth and poverty alleviation
<i>Output 3.1</i>	<p>Improved knowledge of GOL Officials (IF Secretariat/Task Force) on Trade, Private Sector Development and Growth Strategies</p> <p>Output Target : <i>GOL officials (IF Secretariat/Task Force) trained on key trade related topics</i></p> <p><i>Round table meetings organized in conjuncture with National Economic Research Institute, National University of Laos and other research institutions to enhance government capacity in mainstreaming trade into NSEDP.</i></p>
Output 3.2	<p>Improved awareness on Trade Issues</p> <p>Output Target: <i>Newsletter and trade briefs and fact sheets regularly prepared and disseminated to government agencies, academia, mass organization and private sectors.</i></p> <p><i>Set-up webpage for IF and NIU</i></p> <p><i>Set up of Trade Resource Centre</i></p>
Output 3.3	<p>Raised profile of trade in the GOL National Development Agenda</p> <p>Output Target: <i>Trade mainstreamed into the NSEDP</i></p>

This project will indirectly contribute to Laos' growth and pro-poor development strategy, by providing the GOL with management skills and structures needed to implement the Action Matrix identified from the DTIS, which ultimately will boost the country's production, trade and export potential and competitiveness.

2.5 Link to DTIS/Action Matrix

The National Export Strategy (NES) and the Integrated Framework Diagnostic Trade Integration Study (DTIS) are two main frameworks put together by the MOIC to guide the implementation of the NSEDP Trade Strategy. The Action Matrix lays out clearly as one of its components 'the set up of an IF implementation and Monitoring Structure'. The objective was to rationalize the existing Lao IF Secretariat and establish a national IF management Unit. The latter being the objective of this Tier 1 Proposal. It is expected that the NIU will play a key role in the implementation of the DTIS Action Matrix.

2.6 Government Contribution

Government contribution in the IF process can be traced back to the initial set-up of the Lao IF Secretariat, which consists of high level government officials which serves as a supervisory and coordination mechanism. In 2007, the MOIC set up the IF NIU, providing office space and dedicated

government officials paid by the MOIC to work exclusively on the IF Process. The Table 1, and the NIU organization structure provides an overview of staffing provided by the MOIC. In the initial phase in 2007, the Ministry provided 2 full-time staff and a supervisory team, which consisted of the Director General of the FTPD and the IF Focal Point. In 2008 the full time team was increased to 3 staff and a number of support staff were assigned by various key departments of the MOIC. Relevant line Ministries have assigned members to the IF Task Forces (Annex 5 – IF Task Forces) as well as key staff have been assigned to follow up the implementation of the DTIS components under the set up of 4 Government Sub executing Agencies (GSEU) (Annex 6 – GSEU). Please see Annex 9 for detail on the Government Contribution

2.7 Sustainability Strategy

The NIU sustainability strategy hinges in four key elements:

- Firstly, a multi donor co-funding arrangement, which brings together funds from Window II, the TDF, and now the EIF. This ensures that the NIU is not depended on a single source of funding. Tier I is expected to cover some NIU pots currently funded by the Window II project, which ends in December 2009. In the short run, it is expected that external funding from EIF/TDF and other bilateral donors will support the NIU.
- Secondly, the MOIC's contribution to the IF process, through the set up of a fully integrated unit within the Ministry, which is staffed and managed by the Ministry.
- Thirdly, the MOIC is currently discussing the possibility of internalizing the NIU, with a view to become a full-fledged division. This long-term strategy is deemed critical for the sustainability of the NIU.
- Fourthly, the MOIC has been working through the NIU and with support from the TDF on setting up financial and procurement systems based on international standards and in line with the GOL rules and procedures. These rules are being used currently for managing the TDF and it is foreseen that these standard procurement and financial rules will be used to manage the Tier I and Tier II funding.

2.8 Exit Strategy

Currently the NIU is an integral part of the General Division (see Annex 7 – Structure of the FTPD). The Exit Strategy for the NIU is linked to the third element of the MOIC sustainability Strategy, which is to merge the NIU into a new division. The funding requirement for the NIU will be for a total of 5 years and the first request, is for 3 years. By Year 5 (2014) the MOIC will aim to finance 2 additional core positions, namely (1) National Project Analyst and (1) Trade Analyst. Given the increasing focus of donors on Budget support in Laos, which is general budget support, it is likely that through the PRSO, and since Trade reform figures as key triggers in the process that the MOIC will be able to make a strong case to the treasure for an increase in their yearly budget, which may be foreseen after the year 2015.

SECTION III - RISKS AND MITIGATION

3 PROJECT RISKS AND MITIGATION

3.1 *Sustainability of a Project Management Unit (NIU):*

Project Management Units (PMUs) have been used as implementation model for ODA projects in most developing countries for a number of years. Some of the weaknesses which have been associated with such structures are that they tend to be parallel structures and are not fully integrated into government systems and structures and that often they are tantamount to being 'islands of excellence' embedded into relatively weak government systems which tend to disappear once donor funds are exhausted. To mitigate the above, the IF NIU has been set up within the FTPD of the MOIC. The staff of the NIU are partly detached MOIC staff supported by locally recruited staff. The salary structure is based on local rates to ensure that government can eventually fund such a structure once the external funding is exhausted. However, this has proven to be quite a challenge when it comes to recruiting the best and brightest candidates. The ⁹MOIC will work out an exit strategy for the IF NIU, with the long-term view of ensuring that the responsibility for the implementation of trade-related technical assistance is eventually decentralized to the relevant ministries and departments.

3.2 *Setting up inter-ministry and inter-departmental coordination mechanisms*

The effectiveness of the NIU is contingent on both the quality and expertise of the staff within the unit and on the effectiveness of the inter-ministry and departmental coordination structures (i.e. the GSEU and the IF Task Forces. The Laos IF Secretariat has nominated these members to these entities i.e. GSEU and IF TF. While the GSEUs are already functioned, the IF TF has not yet started to function and meet. Setting up such entities will require a broad base buy-in at the highest level of government. Mobilizing support for such management change will require strong leadership and change management skills. Resistance to change in such cases may be high and difficult to overcome. To mitigate the above, the FTPD and the NIU will need to work closely with the all relevant players and share the Terms of references with them. The process will need to be **flexible and adaptable at all time.**

3.3 *Risk of micro-management*

Any structures with multiple layers and lines of command can fall prey to micromanagement. The key reason for this usually stems from ill-defined terms of references of various actors at play and poor reporting, monitoring, and control systems. To mitigate the above, clear ToRs have been set up for each actor and each structure which will be part of the NIFGS. Well-defined reporting, monitoring and control systems will also be developed to ensure that each member of the NIU will be adequately supervised and accountable for their performance.

3.4 *Splintering of the DTIS implementation structure*

⁹ Once the Project comes to the end, the government still needs this institution for other purpose like to support the enhance IF, which will be in place.

The DTIS action matrix will be funded through a number of channels, namely Window II, the TDF, EIF and bilateral and regional funds. The risk lies in the possibility that each development partner may require certain reporting, control or fiduciary obligations which may lead to the set up of parallel systems to that of the NIU. The MOIC will need to ensure that all systems and structures which are to be set up in the course of the implementation of the DTIS, build on the NIU systems and do not duplicate or lead to parallel structures and system. This will require strong leadership and a common shared vision between the GOL and development partners.

SECTION IV – EXECUTION MODALITIES

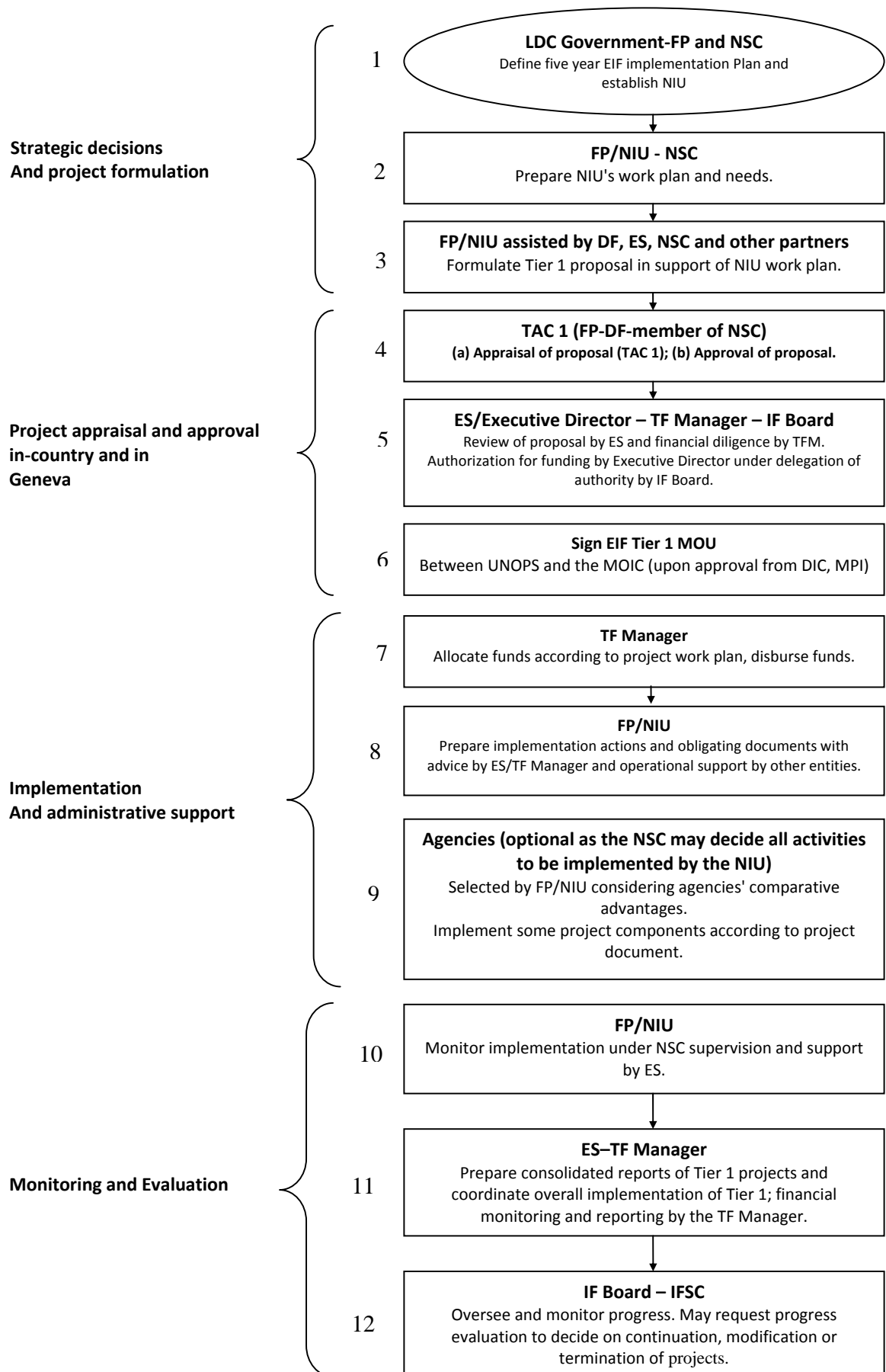
4 EXECUTION MODALITIES AND MANAGEMENT ARRANGEMENTS

The FTPD of the MOIC will be the implementing party, and as such will be responsible for ensuring that the annual work plans and quarterly work plans are implemented and that activities are completed efficiently and on time. Accordingly MOIC will sign the MOU with UNOPS with the approval of the MPI. This project for ‘Institutional strengthening of the IF coordination and implementation structures’ will be implemented through the NIFGS and specifically the NIU which is based in the FTPD of the MOIC. The NIU is an integral part of the FTPD and as such functions within the overall management structure and reporting lines of the FTPD. The implementation of the various projects, including the Tier I and Tier II overseen by the NIU will follow the GOL procurement and financial rules. The NIU has been specifically design to fit within the existing MOIC structure with a view to ensuring that the unit is fully integrated with the MOIC and sustainable over time and that it does not become a project driven unit (Annex 7 – Structure of Foreign Trade Policy Department). The NIU is accountable for the delivery of outputs, the achievement of project objectives, and the use of project resources as laid out in the Annual Work Plan (Section VI). The project will be managed on a day-to day basis by the NIU Project Director, who reports directly to the IF Focal point and the Director General of the FTPD of the MOIC.

The NIU will be managing both EIF and TDF; Work plans of both projects will be made to complement each other and be shared with the relevant in country committees, UNOPS, ES and the World Bank (the supervising agency for TDF); audits done by same auditor, training courses by both programmes will complementary and will benefit the whole NIU staff.

4.1 Policy Direction and Project Approval

The IF Focal Point and the Director General of the FTPD are part of the high level management, whose role and responsibility are to ensure the overall IF process and IF related projects are effectively and efficiently implemented. The IF Focal Point and DG are respectively the chair and alternate chair for the Lao IF Secretariat which is the 2nd highest level of decision making in the IF Process in Laos. The IF Focal Point and the DG are part of the overall decision making process of the EIF, through the TAC 1. The TAC 1 will be constituted as per the EIF Guidelines. The flowchart below lays out the key stages from project preparation, approval to implementation and M&E:



4.2 Project Oversight:

The proposed project will be steered by the IF Focal Point and the DG of FTPD, with respect to the overall project direction. The IF Focal Point delegates the oversight of the IF process to the DG of FTPD. The DG oversees the running of the NIU and key decisions related to the running of the NIU such as (i) appointment of new staff, (ii) unforeseen expenses (iii) Publication and dissemination of information. The DG will keep the IF Focal Point informed of all key decisions at all time.

With respect to major project orientation and changes the TAC 1 will be consulted if judged necessary by the IF Focal Point. TAC 1 will be composed of the IF Focal Point and a representative of the LIFS, the IF Donor Facilitator and any other key strategic partners chosen by the IF FP. The NIU will, on a quarterly basis, review progress on implementing activities, assess the relevancy of the project within the overall context of national reforms, and propose necessary recommendations to adjust project activities as required. The NIU will report on a quarterly basis to the IF Focal point, who will in turn disseminate these quarterly operational reports to the TAC 1 committee for information

The NIU will be responsible for monitoring the project, ensuring the proper use of the project funds, and proper implementation of project evaluation. The M&E reporting will be part of the quarterly operational reporting.

4.3 Implementation and day-to-day Management

The IF Focal Point delegates the day-to-day management to the Director of the General Division of the FTPD of the MOIC i.e. NIU Project Director. The NIU Project Director (NIU PD) is responsible for the overall day to day management of the IF NIU and of managing the EIF Tier 1 project as well as other key TRA projects which are under the FTPD, such as the TDF. The NIU PD will be responsible for day-to-day decision making with respect to the implementation of the activities as laid out in the Annual Work Plan. The NIU Project Director will ensure that the EIF Tier 1 project outcomes are being met and will report regularly to the DG and IF Focal Point. With respect to any changes to be made to the project the NIU Project Director will need to inform the DG and IF Focal Point for approval. The NIU Project Director will be supported by the NIU staff. All NIU staff (local and international), report to him/her. Below are key responsibilities of the NIU PD

- Assist the FTPD in the overall implementation of an EIF funded project, 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

The NIU Project Director has the overall responsibility for project liaison within Government, the implementing partner, and development partners on the project's technical and administrative matters. The NIU Project Director coordinates and supervises the preparation of quarterly and annual work plans, three-month progress reports, Annual and Terminal Project Reports and audit.

The proposed project shall be audited yearly, in accordance with UNOPS rules and regulations. The proposed project is built to accommodate the need for flexibility required by such a wide array of activities. The NIU will follow the financial reporting structure and rules as stated in the Memorandum of Understanding between the GOL and UNOPS.

Reallocation of funds between activities will be possible throughout the lifetime of the project. In addition, new ideas and activities will be accommodated so far as these fit into the general framework and objective of the project. Relocation and readjustment of activities and funds will be carried out on a six months basis and will have to be approved by the DG and the IF Focal Point. The reallocation of fund will all also be preceded in accordance with the General Provision as provided in the MOU signed between the GOL and UNOPS.

4.4 *Monitoring and Evaluation*

Implementation of the project will be undertaken according to GOL guidelines for national implementation. The major elements of project monitoring and evaluation will be the M&E framework which has been established by the MOIC (See Annex 8 – M&E Framework). This framework has been established with the GOL and Donors involved in the Multi Donor Trust Fund, the TDF. This Framework has been validated by the various GSEU. Work is on-going to improve the framework. The EIF M&E will be included in the MOIC M&E Framework when the EIF M&E Guideline are made available.

SECTION V - LOGICAL FRAMEWORK

SEE Attachement 1

SECTION VI. - BUDGET

SEE Attachment 2

SECTION VI – ANNUAL WORK PLAN

Project Outcome 1:			
Enhanced institutional capacity to coordinate and implement trade related policies and Trade Related Project effectively and efficiently			
Outputs	Output targets and indicators	Activities	Inputs
1.1 - Significant increase in efficient implementation of the DTIS Action Matrix	<p><i>The IF National Implementation Unit (NIU) continue to be adequate staffed and equipped</i></p> <p>Time Frame January 2010 – December 2012</p> <p><i>Output indicator</i></p> <p>Number of projects under the Action Matrix implemented</p>	<p>1.1.1 Recruitment of local project Analyst and support staff,</p> <p>1.1.2 Renewal of contract of existing staff</p> <p>1.1.3 Recruitment of an M&E Officer</p>	<ul style="list-style-type: none"> • NIU Project Director – detached from the MOIC • NIU Assistant Project Director – detached from MOIC • Senior Trade Advisor – AusAID funded Technical Assistance • National Project Analyst Business Environment and Trade Facilitation • National Project Analyst - export, Trade and Poverty - detached from the MOIC • Senior National Project Analyst • M&E Officer • Administrative Officer • Accounts Clerk • Driver • Office furniture and equipment

	<p><i>Tier II projects formulated and approved by TAC</i></p> <p>Time Frame January 2010 – December 2012</p> <p><i>Output indicator</i></p> <p><i>Number of Tier II project submitted to TAC II and approved</i></p>	<p>1.1.4 – NIU to work in collaboration with the IF Task Forces for the formulation of Tier II projects</p>	<ul style="list-style-type: none"> • Use of NIU in-house staff
	<p><i>The DTIS is updated</i></p> <p>Time Frame by the end of 2010</p> <p><i>Output indicator</i></p> <p><i>Updated DTIS Validated</i></p>	<p>1.1.5 Set up a technical and Editorial Committee for updating the DTIS</p>	<ul style="list-style-type: none"> • GOL Officials from across ministries • Local TA • International TA • Conference package for validation workshop • Printing and dissemination
1.2 – Improved inter-ministerial coordination	<p><i>IF Task Forces established and running smoothly</i></p> <p>Time Frame from 2008 continuously</p> <p><i>Output indicator</i></p> <p>Number of meetings convened by the IF Task Forces</p>	1.2.1 – Disseminate the detailed TORs for the IF Task Force	<ul style="list-style-type: none"> • Input from NIU (no cost implication)
		1.2.2 - Provide secretariat support to the IF Task Force	<ul style="list-style-type: none"> • Support from the NIU Staff
		1.2.3 - 10 IF Task Force Meetings	<ul style="list-style-type: none"> • Printing • logistical support for conferences/meetings • Rental of conference room
1.3 Improved government and Development Partner Coordination in the area of Trade and Private	<p><i>Sub sector Working Group on Trade and Private Sector established and running smoothly</i></p>	<p>1.3.1 – Disseminate the detailed TORs for the SSWG Trade and Private Sector</p>	<ul style="list-style-type: none"> • Input from NIU (Logistical/ secretarial support)

sector Development	Time Frame from September 2008 continuously <i>Output indicator</i> Number of meetings held and effective participation in the Round Table Process	1.3.2 Bi-Annual SSWG	<ul style="list-style-type: none"> • Support from the NIU Staff (Logistical/ secretarial support) • Meeting/venue package • Translation • Printing • secretariat support to the SSWG Trade and Private Sector provided by the NIU
1.4 Improved and sustained functioning of the LIFS	<i>Lao IF Secretariat continue to run effectively and fully engaged in the IF process</i> Time Frame from September 2008 continuously <i>Output indicator</i> Yearly retreat LIFS and yearly participation of 3 LIFS members in international EIF events	1.4.1 Yearly retreat and quarterly meeting for LIFS	<ul style="list-style-type: none"> • Travel and accommodation • Conference package • secretariat support provided by the NIU
		1.4.2 Participation of IF Focal Point and key GoL officials in international IF meetings	<ul style="list-style-type: none"> • Travel and Per diem

Outcome 2:		
Enhanced Management capacity within the relevant line ministries involved in the implementation of Trade Related Projects		

Outputs	Output targets	Activities	Inputs
2.1 Improved project management skills of NIU Staff and the respective	<i>Management training carried out for NIU and GSEU Staff</i>	2.1.1 – Training of GOL staff in project management	<ul style="list-style-type: none"> • Course fees

Government sub-executing Units	Time Frame 2010 - 2011 <i>Output indicator</i> <i>Five GOL staff participate yearly in management course</i>		
2.2 Improved English Communication Skills	Training in English at elementary, post elementary, and professional level delivered. Time Frame September 2008 – ongoing <i>Output indicator</i> Analysis of pre-training and post-training assessments.	2.3.1 Part time post elementary English language course	• 7 students for 2 terms i.e. 80hrs
		2.3.2 Part time professional English and communication course	• One group of 18 for 2 terms i.e. 80hrs

Outcome 3:

Enhanced public and private sector's knowledge and awareness on the policy implication of trade and private sector development on growth and poverty alleviation

Outputs	Output targets	Activities	Inputs
3.1 – Improved knowledge of GOL Officials on Trade, Private Sector	GOL officials trained on key trade related topics	3.1.1 – 3 GOL officials trained yearly on Trade related topics	<ul style="list-style-type: none"> • Course Fees • Travel • Per diem

<p><i>Development and Growth Strategies</i></p> <p>3.2 Improved awareness on Trade Issues</p>	<p><i>Round table meetings organized in conjuncture with NERI, NOUL and other research institutions</i></p> <p>Time Frame 2010-2012</p> <p><i>Output indicator</i></p> <p><i>2 Provincial level workshop</i> <i>2 roundtable meeting held yearly</i> <i>10 GOL officials trained on key trader related topic through regional courses and or international courses</i></p>	<p>3.1.2 – Two (2) 2-day workshops at provincial level on chosen trade related topics</p>	<ul style="list-style-type: none"> • Training Institute/specialized in research in the area of trade • Funds for conference hall, refreshments, travel and printing costs • Conference translation services • Local consultant as facilitator and reporter
	<p><i>Newsletter and trade briefs and fact sheets, other publications regularly prepared and disseminated</i></p> <p><i>Set-up webpage for IF and NIU</i></p> <p>Time Frame Jan 2008 ongoing</p> <p><i>Output indicator</i></p> <p><i>No of Newsletter and Brief disseminated</i></p> <p><i>Dissemination Material posted on website</i></p>	<p>3.1.3 – Two(2) 1/2 day Round table meeting on Key trade Topic for LIFS</p>	<ul style="list-style-type: none"> • Facilitation by the NIU and FTPD • Funds for conference hall, refreshments, travel and printing costs • Conference translation services • Travel and accommodation for regional and international speakers
		<p>3.2.1 – Prepare bi-annual newsletter</p>	<ul style="list-style-type: none"> • Fees for articles • Printing • Postage
		<p>3.2.2 Preparation of fact sheets and Briefs, Trade related publications</p>	<ul style="list-style-type: none"> • NIU staff • Printing • Local TA
		<p>3.2.3 Set up of webpage</p>	<ul style="list-style-type: none"> • Consultancy services

		3.2.4 Purchase of books ect	<ul style="list-style-type: none"> • Books – subscriptions – ect
		3.2.5 Set up a Trade Resources Center	<ul style="list-style-type: none"> • Furniture • Refurbishing and Works • Running cost
3.3 Trade mainstreamed into the National Socio- Economic Development Plan	<p>Raised profile of trade in the GOL National Development Agenda</p> <p>Time Frame Jan 2009 ongoing</p> <p><i>output indicator</i></p> <p>Trade included in the 7th NSEDP Round table government statement Document and Report</p>	3.3.1 -Short term TA to provide a Support on the preparation on the 7 th NSEDP Trade Strategy	<ul style="list-style-type: none"> • 2 man months of Technical Assistance
		3.3.2 - 2 day training of high level official on the importance of mainstreaming trade into National Development Plan and the tools available for mainstreaming trade into National plans	<ul style="list-style-type: none"> • Facilitation by the NIU and FTPD • Funds for conference hall, refreshments, travel and printing costs • Conference translation services • Local consultant as facilitator and reporter • Travel and accommodation for regional and international speakers

ANNEXES

ANNEX 1 – TRADE ACTION MATRIX 2006

An Action Matrix of Projects and Technical Assistance to Promote Export Competitiveness in Laos Updated on 14 September 2006

	Objectives	Priority/ Timing	Government Responsibility	Costing	Related Trade Assistance Programs	Type of Intervention	Econ' impact
<p>Policy Statement:</p> <p>The overarching goal of the DTIS is to use trade as an engine for sectoral transformation and growth. In this context the Lao PDR government recognises that policy reform in line with the findings of the DTIS is an important component of the IF process. The Lao government is committed to a process of policy reform to improve trade performance albeit within an appropriate timeframe given the country's constraints as a LDC. Policy reform in this area will take place in the context of Lao PDR's current negotiations to accede to the WTO and as per some of the specific projects detailed in this Action Matrix.</p>							
Putting in Place the IF implementation and Monitoring Structure							
	Rationalize IF supervisory committees, establish a National IF Management Unit	High priority with actions already having begun and will be ongoing	MOIC/IF Steering Committee	Medium - Estimated cost of establishing and training a IF Implementation Unit in is US\$1.5 million over 5 years	IF Trust Fund	Governance	NA
Component 1: Export Competitiveness¹⁰							

¹⁰ 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.

<p>Project 1: Support agricultural competitiveness</p>	<p>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.</p>	<p>High priority with action to be undertaken from the first year</p>	<p>MAF, LNCCI, NUOL, MOIC (LTPC & DOI)</p>	<p>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.</p>	<p>France's Coffee Value Chain Development (2005-08, US\$2.4m) & Cash Crop Production Project (2006-08, US\$6.4m); EC's Asia Invest Commerce in Horticulture Aided by Species Identification Systems (2006-09, €0.3m) & Developing Food & 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)</p>	<p>Technical assistance; regulatory; human resource capacity building and infrastructure development; encouraging investment</p>	<p>Large</p>
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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 & DIMEX)	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& DIMEX)	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(DIMEX), LNCCI	Medium-High - Estimated costs for a project to improve quality and sustainability of wood products sector would be around US\$2 million over 3 years	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
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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 (LTPC), MFA	Medium- Estimated costs of a tourism training centre with involvement of the private sector of US\$1m for a period of 4 years; estimated costs for model craft villages in 10 major tourism destinations of US\$1m 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 Laos (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 destinations through developing the capacity and competency of small and medium sized farming and agro-processing enterprises.	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\$2m 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, DIMEX, LTPC), BOL, LNCCI	Medium - Estimated costs of a trade information and export training program for the business sector would be US\$800,000-950,000 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
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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	IMF's Technical Assistance on Customs Operations (204-07, US\$0.5m); Japanese Customs Technical	Legislative/ regulatory reform; human capacity building and infrastructure development;	Medium
	Reform the national customs administration						
	Strengthen capacity building to properly administer the customs valuation provisions of the law						

	<p>Simplify/modernize border clearance procedures (including expert advice to prepare long term customs modernization project)</p> <p>Automation and data processing systems (e.g. automated customs clearance system)</p> <p>Strengthen and expand the anti-smuggling program</p> <p>Licensing of customs brokers</p> <p>Develop a customs training program, e.g. seminar/workshop as well as medium and long term program.</p>			including investments in improved customs processing systems.	Cooperation Program (completed 2005, US\$0.17); ADB's technical assistance (2006-2008) to support trade facilitation and capacity building in the Greater Mekong Subregion (US\$890,000).; ADB's Technical Assistance on implementing the Cross Border Transport Agreement in GMS (2006-2007, US\$860,000).	customs infrastructure development	
Project 2: Trade facilitation	Pilot Gold Card Program (to expedite clearance procedures for approved traders)	High priority/2nd year	MOF, MOIC (DIMEX), MTCP, Border agencies, National quarantine and standards agencies, National Transport	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,	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		Facilitation Committee		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.		
	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 1: Sanitary and Phyto-Sanitary (SPS) and Technical Barriers to Trade (TBT) Issues	Institutional and legislative framework (high priority)	High priority with projects for long-term improvement of capacity to begin as soon as possible	NAST, 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 regionally); 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); France's Geographic Indications Elaboration Project (2006-08, US\$1.2m); FAO's Improving Food Safety Management (2005-08, US\$0.85 shared); 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						
	Technical Barriers to Trade (TBT)						
	Regional cooperation						

Project 2: Development of industrial strategy to facilitate business operations	Develop an industrial strategy that: sets a broad framework for promoting and developing Laos' 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); France's Business Management Training (2001-07, US\$3.8m); Germany's Human Resource Development for Market Economy Program (2004-07, US\$5.5m)	Regulatory and possibly legislative	Medium
Project 3: 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	MPI	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 4: 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.	France's Capacity Building at the Ministry of Finance Project (2005-08, US\$0.8m); 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
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Component 4: Trade Policy, Trade Agreements, and Global Opportunities							
Project 1: Capacity building for international trade policy and negotiations	Improve capacity building of MOIC 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	Technical assistance and human capacity building	High
	Establish clear division of roles and responsibilities between MOIC and other ministries, including inter-ministerial coordination and public-private sector dialogue in support of the WTO accession process						
	Increase MOIC's capacity to analyze trade issues, impact of trade policies, and to lead trade negotiations.						
	Support analytical work for trade-related 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 (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)		
	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;	High priority	MOIC	Medium	UNDP/ AusAID's Integration Into the Trading System (completed 2006, US\$1.68m)	Technical assistance and human capacity building; budget support	Large
	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, NAST	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)	MPWT	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

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

ANNEX 2 - DETAILS SCOPE OF WORK OF THE NIU

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

1. Works with the Ministry of Industry and Commerce, Ministry of Finance, and Ministry of Planning and Investment, as appropriate, to advocate for and assist in the inclusion of trade integration priorities in the PRSP and other national development plans. Raises awareness among Ministries, the private sector and civil society on the relationship between trade, economic growth, and poverty reduction with the aim of ensuring that agreed priorities are integrated into the PRSP/national development plans, relevant line ministry plans, and the national budget.
2. Ensures 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, involving meaningfully in the IF line Ministries, such as Ministry of Agriculture and Forestry, Ministry of Health, Ministry of Finance (Customs Department), etc.
3. Maintains and promotes 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.
4. Recommends to the NSC prioritized areas for IF actions and elaborates strategies of intervention.
5. Implements the national IF sensitization/communication activities aimed at enhancing support and involvement by local stakeholders.
7. Prepares a multi-year work plan for and the detailed annual operational plan of the TDF-NIU, including its budget under Tier 1, for approval by the NSC and subsequent submission to the IF Executive Secretariat. Aspects of this work plan would include all the leadership and coordinating functions mentioned under points 2 to 5 above.
8. Identifies the preparation of diagnostic work to be carried out in partnership with other Ministries. This can range from full-fledged DTIS or DTIS updates to more narrowly specified analytical work that is required as a follow-up to the DTIS or to assist project identification/preparation. Selects, in consultation with the IF Secretariat, one of the six IF core agencies that will assist in the preparation of the diagnostic work. To facilitate programming needs, IF NIU would inform the IF secretariat on its diagnostic needs and request for agency help with at least six months previous notice.
9. Works with implementing partners to turn priorities in the Action Matrix into "bankable projects", including Tier 2 projects and projects for the financial consideration of bilateral and multilateral donors. Implementing partners is broadly understood to mean Ministries, other Government entities, private sector, NGOs, and development partners.
10. Monitors the implementation of the overall trade integration strategy, including the implementation of programmes supported by the IF TDF, in close collaboration with key government agencies (e.g. MPI) as well as development partners (e.g., donors and IFIs). This will include the establishment of a monitoring and evaluation system for the IF, integrated as much as possible into existing systems for monitoring development programmes.

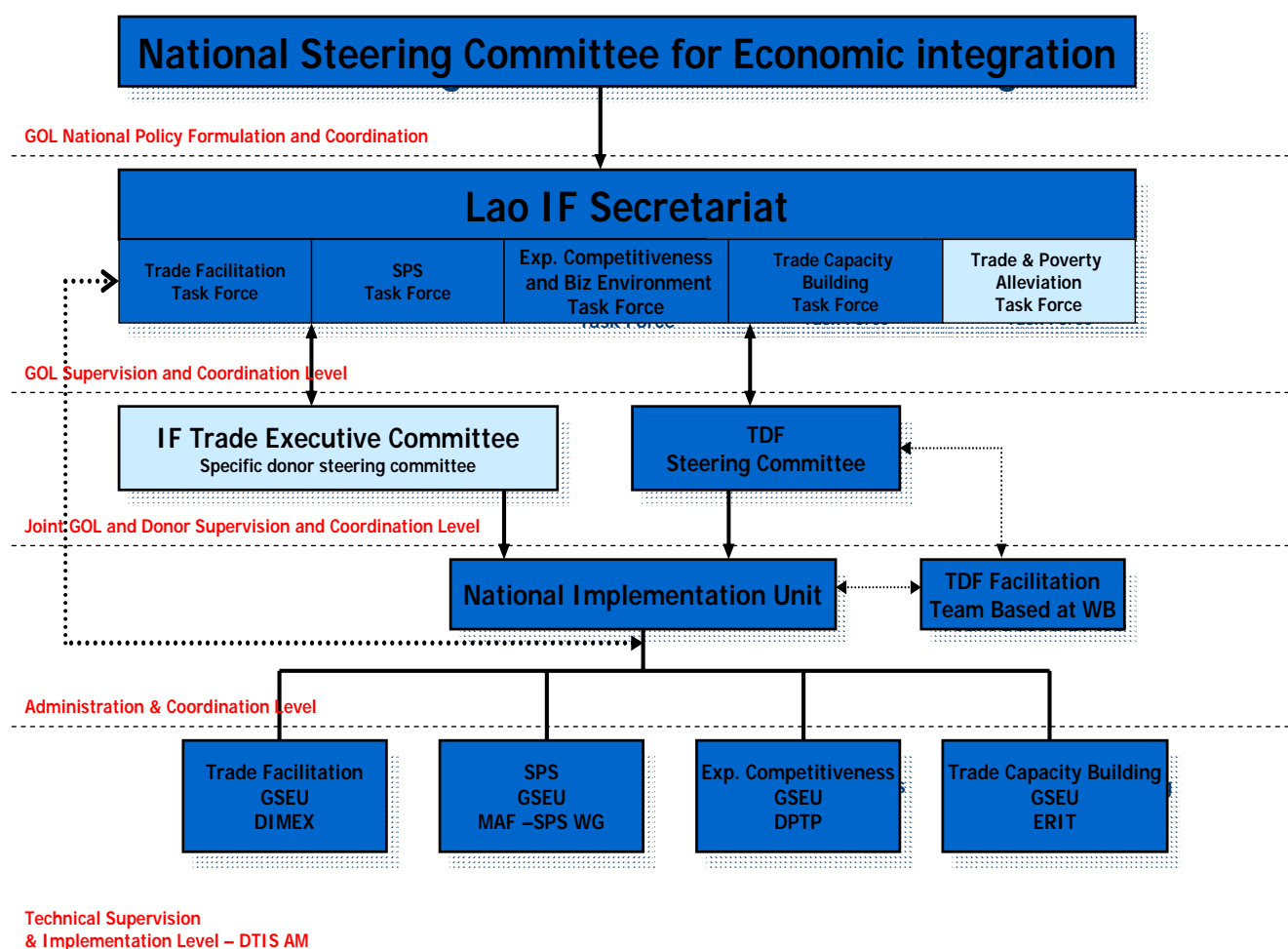
11. Reports on progress of IF implementation at relevant government coordination meetings (e.g. PRSP, national development plans, Private Sector Development Programme, etc) where they exist. Where these do not exist, organizes quarterly meetings. Reports on IF implementation progress, to the NSC, and the IF Executive Secretariat.
12. Prepares an inventory of all ongoing and planned TRTA projects in the country.
13. Organizes IF implementation meetings to assess IF progress at the country level with key stakeholders and donors at least twice a year.
14. Coordinates mid-term reviews and evaluations of the IF at the request of the IF Board and IFSC.

IF NIU will work closely with the IF Task Force and the Project Units

ANNEX 3 - NIFGS GOVERNANCE STRUCTURE

National Integrated Framework Governance Structure (NIFGS)

The NIFGS has been put in place with a view to strengthen the MOIC inter-ministry coordination and implementation of Trade Related Assistance, with the objective of ensuring overall aid effectiveness in the area of Aid for Trade. The initial building block of the NIFGS was the Lao IF Secretariat (LIFS), which was created by the MOIC upon joining the IF process in 2004. The LIFS was set up under the aegis of the National Steering Committee (renamed the National Steering Committee for Economic Integration). The TDF is part of the overall IF process, which the MOIC joined in 2004. The ultimate objective of the IF process is to support LDCs trade agenda, whilst ensuring that trade is mainstreamed, i.e. that all key stakeholders, across government and private sector are fully involved in the countries trade reform, trade policy formulation and implementation process.



The NIFGS is comprised of five key levels of responsibilities and functions to be undertaken by the various entities which make up the overall architecture of the NIFGS. The NIFGS is based on a core structure i.e. the IF NIU which centralizes administration, finance and procurement. This central core is coupled with a decentralized implementation setup through the various government line agencies i.e. GSEU. Coordination and liaison will be achieved through the IF Taskforces and the TDF Steering committee. Below is a detail description of the various entities which flesh out the NIFGS:

Policy Formulation and Coordination Level

The National Steering Committee for Economic Integration: The NSCEI (previously the National Steering Committee) is chaired by the Deputy Prime Minister and meets twice yearly at Vice Ministerial Level. The NSCEI focuses on making key policy decisions pertaining to Trade and all associated trade related policy decisions. A decree for the establishment of the NSCEI was passed in April 2007. Under the NSCEI, 2 secretariats have been established namely:

- Lao IF Secretariat
- WTO Secretariat

GOL Supervision and Coordination Level

Lao IF Secretariat: The LIFS is chaired by the Vice Minister of MOIC. The Secretariat meets twice a year and is responsible for technical decisions and policy recommendations pertaining to the IF and broader TRA issues. The Secretariat is also responsible for decision making pertaining to overall management and implementation of the IF and broader TRA. The LIFS is constituted at DG level and is represented by all ministries, private sector and academia. It counts a membership of around 30 representatives. The LIFS is responsible in ensuring the achievement of the intended impact of the IF process.

IF Task Force: These inter ministerial Task Forces are critical for ensuring effective and coordinated implementation of the Action Matrix across Ministries, government agencies and specific sectors. The IF Task forces are subgroups of the Lao IF Secretariat. Based on the DTIS Action Matrix, an indicative number of 5 IF TF was foreseen¹¹, but to date only four Task Forces have been set up. Where there are existing working groups, there will be used instead 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 and will provide technical recommendations to the TDF SC when requested. The IF Task Force will be responsible to ensure that the outcome for specific sector is reached and these will be used to provide technical support for implementing all projects under the IF Action Matrix. Below are the four IF Taskforces and their composition.

Joint Donor and GOL Supervision and coordination Level

IF Trade Executive Committee: This Committee will act as a steering and decision making committee, which will approve the annual work plans, and all other work plans linked to the Action Matrix (under EIF and other funding besides the TDF¹²). As far as possible, a consolidated work plan will be prepared by the NIU. This committee will have the overall mandate to oversee and review period financial and progress reports drafted by the National Implementation Unit. The TEC will be chaired for by the Vice Minister or by a senior government official of the MOIC (Director General or Deputy Director General

¹¹ The five IF Task forces were initially meant to correspond to the five key components of the DTIS Action Matrix i.e. Export Competitiveness – Trade facilitation – Business Environment - Trade Policy, Trade agreements and Global Opportunities – Trade and Poverty Alleviation. As the project moves into more concrete implementation modalities, and in particular as the NIU prepares for the implementation of the Trade Development Facility, a number of changes are proposed with respect to the IF Task Forces, namely:

- (i) Export Competitiveness and Business Environment have been merged into one Task Force
- (ii) A Task Force specifically for SPS is being proposed
- (iii) The IF Task force on Trade Policy, Trade Agreements and Global opportunity has been spilt into a specific Task Force on Capacity Building.
- (iv) The IF Task Force for trade and poverty alleviation will be established at a later stage

¹² Given that the TDF is a multi donor trust fund and thus entails specific rules and fiduciary responsibilities for the Trust Fund manager, a separate Steering Committee has had to be established specifically for the TDF.

Level) for all projects for which it will not be the direct beneficiary¹³. The NIU will be guided by the TEC for all project management issues and the NIU will report to the TEC. The IF TEC will be responsible for ensuring that the DTIS overall outcomes are achieved.

The Trade Development Facility Steering Committee (the “TDF Steering Committee”) has been established to oversee and coordinate the operations of the TDF in Lao PDR in accordance with the Project Appraisal Document. This Steering Committee Terms of Reference and Rules of Procedure are designed to guide and facilitate the work of the Steering Committee.

The TDF Steering Committee:

- a. Provides general oversight and strategic directions including advise to the Government on their proposed annual work plan and or individual programmes/projects 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. Make decisions on the TDF allocation at the country level.
- c. Reviews periodic financial and progress reports, prepared by the NIU with assistance from TDF Facilitation Team

The TDF Steering Committee operates by consensus, and is co-chaired by a senior representative of the Ministry of Industry and Commerce and by a senior Donor Representative agreed by the donors who finance the TDF. In case of disagreement, the issue will be resolved by a system agreed at the first meeting. To the extent possible, the Steering Committee will use existing coordination mechanisms in Laos to undertake the process of planning and stakeholder consultations that the TDF operations will require.

Set up of a trade and private sector development sup-group

The Trade and Private Sector Development Sub-Group (TPSDSG) aims to strengthening government donor coordination in the area of Trade. The Ministry of Planning and Investment, together with the MOIC have agreed to set up the TPSDSG under the Macroeconomic and Private Sector working group. This TPSDSG aims at (i) Improving the effectiveness of Policy dialogue in the area of Trade and Private Sector (ii) Improving Coordination, Harmonization, Simplification and Alignment Efforts. The key tasks of the TPSDSG will be to *ensure government leadership and ownership over key strategic issues in the area of Trade and Private Sector and provide a common policy and programming framework for GOL and DP*. The first meeting of the TPSDSG organized in October 2008.

Administrative and Coordination level

The Integrated Framework National Implementation Unit (IF NIU): has been set up within the FTPD of the Ministry of Industry and Commerce (MOIC). The IF NIU forms part of the MOIC IF Governance and Management structures which have been put in place to assist the MOIC in the coordinate the implementation and monitoring of trade related assistance within the Integrated Framework. This Unit will be responsible for the administrative and financial management of the Trade Development Facility (TDF).

The Trade Development Facilitation Team: TDF Facilitation Team is composed of (one full time international Trade Specialist, one full time national Trade Analyst, and one Team Assistant. This externally recruited donor Facilitation Team (TDF Facilitation Team) will provide analytical and advisory 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 in all stages of

¹³ For those projects which will benefit the Ministry of Trade directly, an alternate Chair will be appointed with the participation of IF stakeholders, representatives from the Government, the national institutions involved in the project and, representatives of other donors, civil society, the private sector and target groups

project implementation, providing advice and 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 advice;
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 GSEA in preparation of its financial and operational reports to the TDF Facilitation Team, where appropriate;
5. Liaising with GSEA on technical and analytical support on executing the main trust fund; 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. See the attached.

Technical Supervision and Implementation Level

The Government Sub-Executing Units (GSEUs): are agencies 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, admin 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. Each GSEU will nominate a project team leader, who will have the overall responsibility to oversee the implementation of the activities foreseen under its respective component. The GSEU will be technically supported by a team of short term and long term expert, as foreseen in the TDF Project Appraisal Document (attachment 2 – Description of activity). The need for additional project support task will be examined on a case by case basis.

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
- upon budget release, implement the plans
- draft ToRs, conduct 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

Relation between IF - NIU and GSEU

- upon approval of work plans by respective IF Taskforce or Working Group, the GSEU will request budget release/ or procurement of services and goods from the IF NIU
- the GSEU will send progress and financial reports to IF NIU
- the GSEU will follow the formats and templates for financial management, planning, reporting and monitoring provided by the IF NIU

The IF NIU will include reporting and budget requests from each GSEU in its overall reporting and financial documents after marginally testing for consistency, sufficiency and compliance with administrative rules for the TDF. The responsibility for the contents of the each sub-project reports and proposals will lie with the GSEU and the respective IF Task Force or working group; and are no double approvals on contents by the NIU.

Four GSEU will be set up for implementing the 4 components of the TDF:

- **GSEU SPS:** Ministry of Agriculture and Forestry, Planning Department
- **GSEU Trade Facilitation:** Ministry of Industry and Commerce, Import-Export Department
- **GSEU Export Competitiveness:** Ministry of Industry and Commerce, Department of Production and Trade Promotion
- **GSEU Trade Capacity Building:** Ministry of Industry and Commerce, Economic Research Institute for Trade

ANNEX 4 - SUMMARY OF TOR OF NIU TEAM

NIU Project Director

The NIU Project Director is an 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 PM:

- Assist the FTPD in the overall implementation of a UNDP-funded project, 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.
- Oversee 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

NIU Assistant Project Director

The assistant project director is an MOIC appointed staff, who report directly to the Director and will be responsible for the following tasks:

- Assist the FTPD in the overall implementation of the Project, with particular reference to administrative matters.
- Assist IFFP and NIU Director 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 NIU Director to provide technical support, analysis and guidance, in consultation with related GOL agencies, division(s), and private sector organization.
- Assist NIU Director to coordinate with relevant ministries and agencies including the IF Trade Executive Committee (IF TEC).
- Assist IFFP and NIU Director to oversee the implementation of the Trade Development Fund (TDF) and work closely with the TDF Facilitator Team and WB.
- Assist IFFP and NIU Director 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 Senior Trade Advisor.
- Assist IFFP and NIU Director 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

National Project Analyst (Business Environment and Trade Facilitation)

The National Project Analyst will report to the NIU Project Director and will work closely with the NIU Assistant Project Director on a day-to-day basis. This post is currently funded by the Window II Project and the procurement of this position followed the UNDP guideline. This post is expected to be taken over by the EIF Tier 1 funding.

- Assist with the day to day management of projects
- Work on a day-to-day basis with Government Sub-executing agencies (GSEA) 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 Senior Trade Advisor
- 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

Administrative Officer

Report to the NIU Assistant Project Director and National Project Analyst. This post is currently funded by the Window II Project and the procurement of this position followed the UNDP guideline. This post is expected to be taken over by the EIF Tier 1 funding.

- Assist all IF administrative issues.
- Assist visiting missions, arranging appointments, hotel accommodations and other travel);
- Filling and copying document
- Assist in the preparation and organization of seminars, workshops, meetings and consultations, including preparation of relevant documentation;
- 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

Senior Trade Advisor

The AusAID funded Senior Trade Advisor will assist the Lao Ministry of Industry and Commerce (MOIC) 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

International Procurement Specialist (Funded by TDF)

The objective of the International Procurement Specialist's services is to:

- Assist the National Implementation Unit (NIU) to carry out procurement of goods, and consultant services under the TDF Project.
- Build up capacity of the NIU procurement management team (national staff).
- Strengthen the procurement management capacity and provide oversight, monitoring and supervision of the TDF procurement management staff.

The services will be provided by an individual consultant to be appointed by the Ministry of Industry and Commerce. Procurement of such a consultant shall follow the World Bank guidelines. 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.

International Accounting and Finance Specialist (Funded by TDF)

The objective of the International Accounting and Finance Specialist's services is to:

- Build up capacity of the NIU financial management team that shall comprise two project accountants (national staff) and the current accountant, develop and manage the financial management system of the project.
- Use the documents to be provided including the project's financial management manual as a financial management framework to produce and customize the projects computerized accounting system.
- Strengthen the financial management capacity and provide oversight, monitoring and supervision of the TDF financial management staff; and establish a safeguard mechanism for the project assets.

The services will be provided by an individual consultant to be appointed by the Ministry of Industry and Commerce. Procurement of such a consultant shall follow the World Bank guidelines. The International Accounting and Finance Specialist 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 DSA.
- Ensure monthly reconciliations of Bank accounts, petty cash and any other accounts are undertaken.

Senior National Accounting and Finance Officer (Funded by TDF)

The objective of the Senior National Accounting and Finance Officer's services is to:

- Build capacity of the NIU financial management team that shall comprise two project accountants (national staff) and the current accountant, develop and manage the financial management system of the project.
- Use the documents to be provided including the project's financial management manual as a financial management framework to produce and customize the projects computerized accounting system.
- Strengthen the financial management capacity and provide oversight, monitoring and supervision of the TDF financial management staff; and establish a safeguard mechanism for the project assets.

The services will be provided by an individual consultant to be appointed by the Ministry of Industry and Commerce. Procurement of such a consultant shall follow the World Bank guidelines. The 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.

Accounts Clerk (to be funded by TDF)

As Accounts Clerk mainly deals with cash aspects, he/she will:

- Maintain proper documentation (for audit trail purposes) on all cash received by the Project;
- Maintain proper documentation (for audit trail purposes) on all cash expended by the Project;
- Prepare and follow up on cash advances;
- Prepare daily cash movement and submit to accounts officer, head of finance and subsequently to the NIU Project Director;
- Reconciles daily cash balance in the account to the cash amount kept in the safe;
- Prepare monthly report dealing with cash management and assists the accounts officer in preparing other reports;
- Maintain the fixed assets register which would include tagging of assets and preparing assets maintenance reports; and
- maintain and monitor vehicle log books to ensure that Project vehicles are solely used for the purposes of the Project

Procurement of this post shall follow the World Bank guidelines

ANNEX 5 – IF TASK FORCE

Composition of IF Task Force:

Trade Facilitation:

Lead Agency:	Import-Export Department, MOIC
Members:	<ul style="list-style-type: none"> – Customs Department, MOF – Foreign Trade Policy Department, MOIC – Department of Intellectual, Standard and Methodology, National Authority of Science – Consul Department, Ministry of Foreign Affairs – Economics Department, Ministry of Foreign Affairs – Planning Department, Ministry of Agriculture and Forestry – Immigration Department, Ministry of Public Security – Transport Department, Ministry of Public Work and Transport – Industry Department, MOIC

SPS and TBT:

Lead Agency:	Planning Department, Ministry of Agriculture and Forestry
Members:	<ul style="list-style-type: none"> - Department of Intellectual, Standard and Methodology, National Authority of Science - Planting Department, Ministry of Agriculture and Forestry - Lives Stock and Fishery Department, MAF - FTPD, MOIC - Food and Drugs Department, Ministry of Health - Department of Production and Trade Promotion, MOIC - Lao Agro-Processing Group, LNCCI

Export Competitiveness and Business Environment:

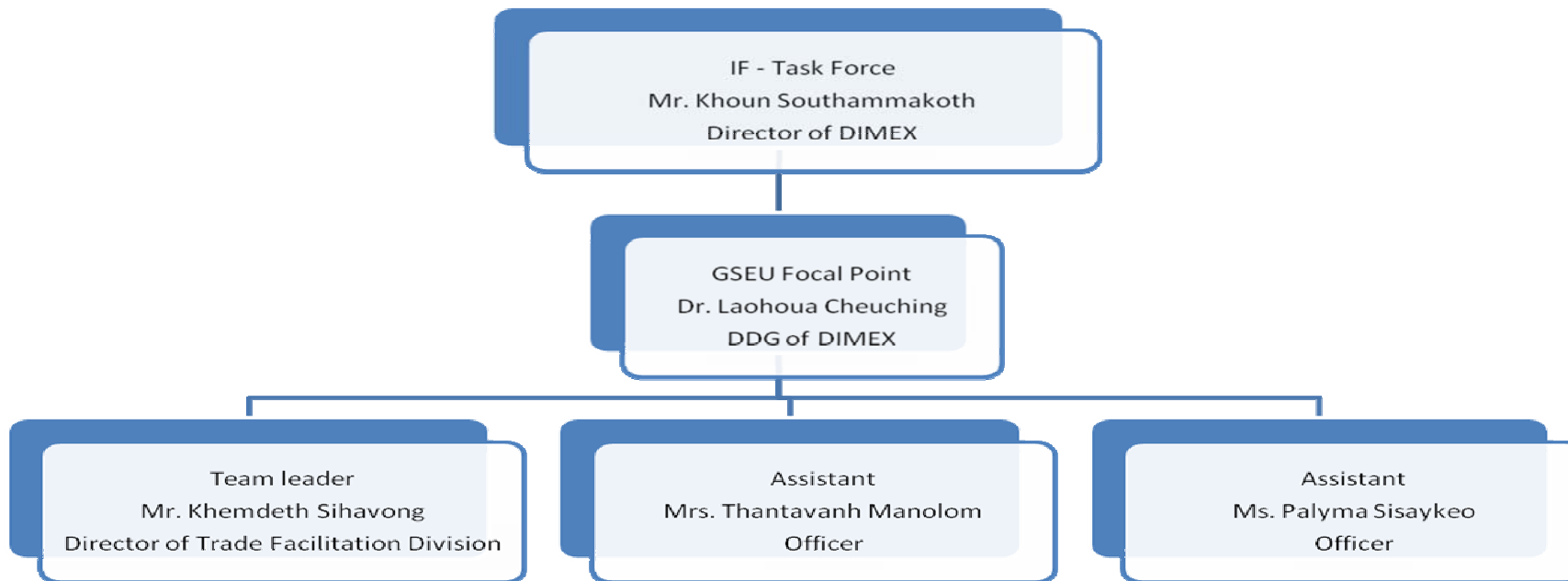
Lead Agency:	Department of Production and Trade Promotion, (MOIC)
Members	<ul style="list-style-type: none"> - Foreign Trade Policy Department, MOIC - Import-Export Department, MOIC - Planting Department, MAF - Lives Stock and Fishery Department, MAF - Industry Department, MOIC - Tax Department, MOF - SME Cabinet, MOIC - Internal Trade Department, MOIC - Secretary, LNCCI

Trade Capacity Building:

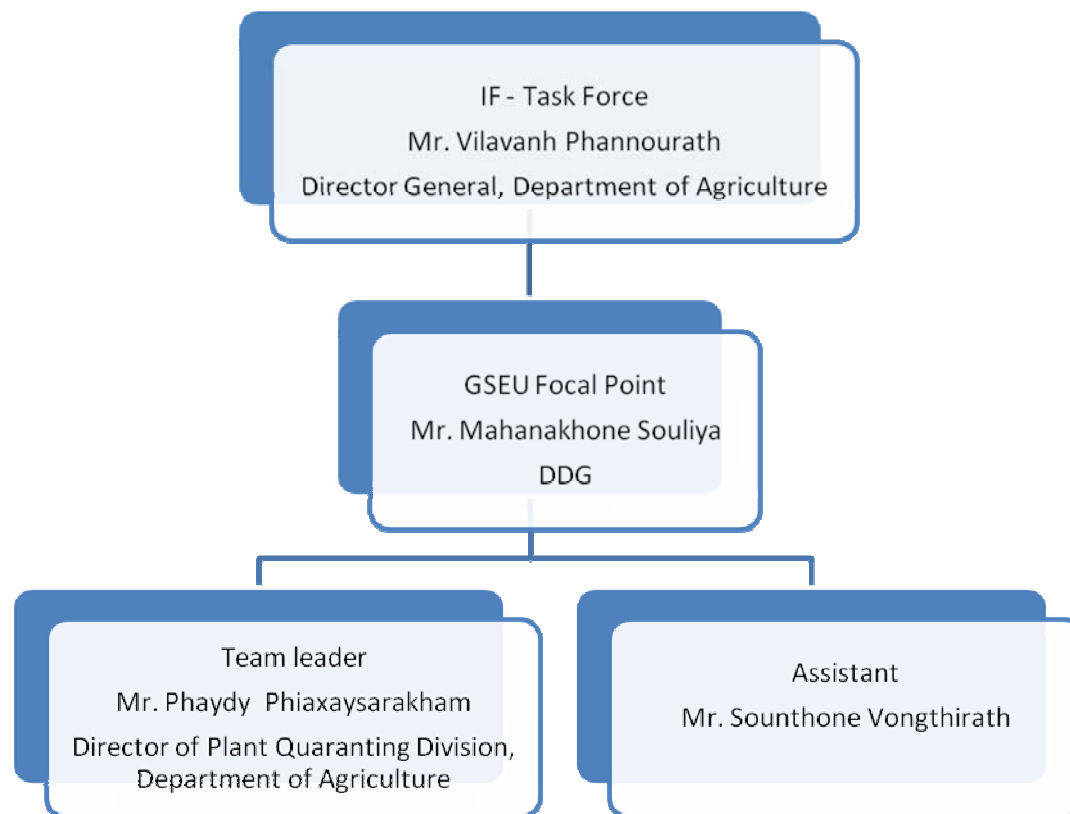
Lead Agency:	Economic Research Institute for Trade
Members:	<ul style="list-style-type: none">- National Economic Research Institute, MPI- Law Research Institute, Ministry of Justice- FTPD, MOIC- Treaties and Law Department, Ministry of Foreign Affairs- SME Cabinet, MOIC- Economic Faculty, National University of Laos- Secretary, LNCCI

ANNEX 6 – THE CHART OF GSEUs

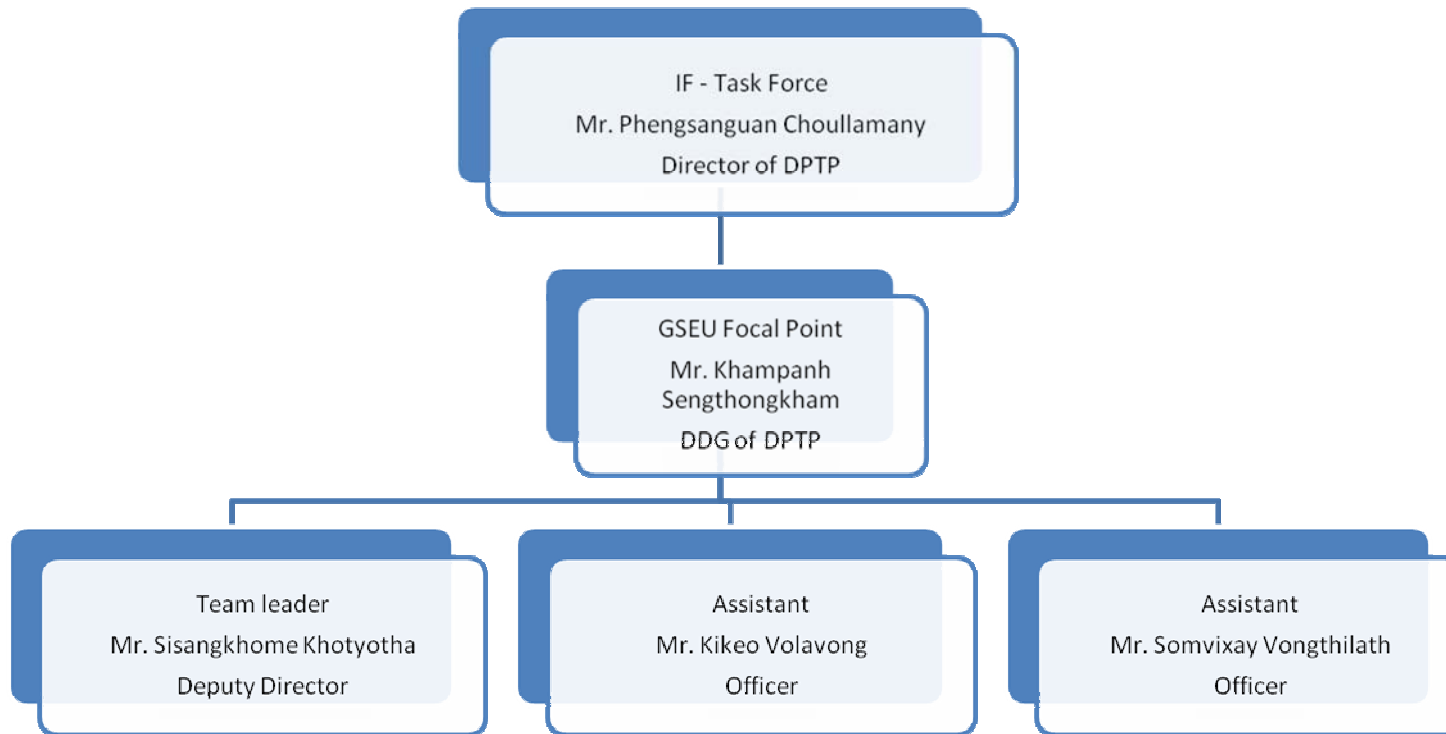
GESU Organization – DIMEX (Component A)



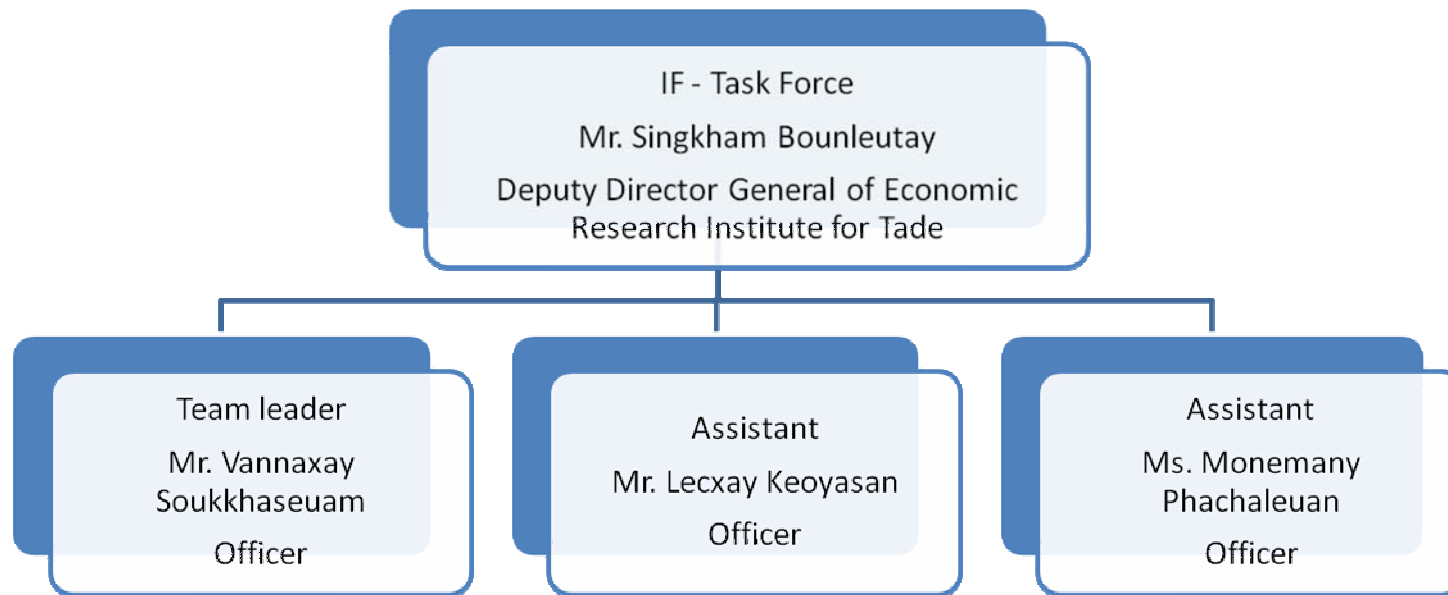
GESU Organization – SPS (Component B)



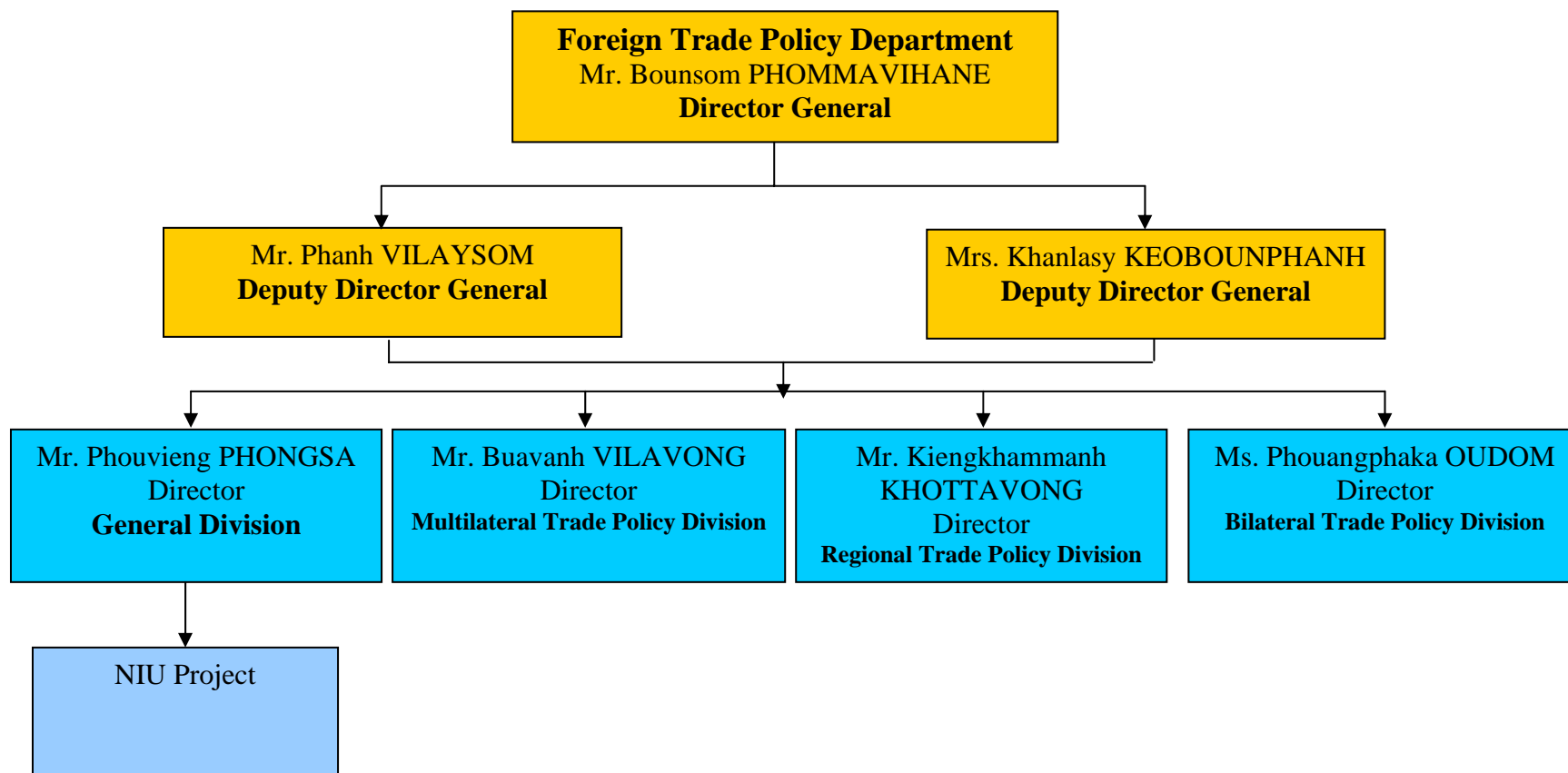
GESU Organization – DPTP (Component C)



GESU Organization – ERIT (Component D)



ANNEX 7 – STRUCTURE OF FOREIGN TRADE POLICY DEPARTMENT



ANNEX 8 – M&E FRAMEWORK

Results Framework and Monitoring

Final draft – February 18, 2009

The Framework provides a mechanism for monitoring the performance of recipient-executed activities undertaken with financing from the multi-donor trust fund. As far as is possible, outcome indicators have been selected and agreed upon as the basis for monitoring.

The challenge in measuring results in the area of trade and private sector development is inevitably one of attribution. While there is strong theoretical evidence that increased trade and private sector investment can act as a major driver of growth and poverty reduction, at the micro level it is very difficult to directly attribute project interventions to macroeconomic outcomes such as improved export performance, higher growth, or lower poverty. Thus performance against intermediate outcome indicators will be evaluated as a proxy means of measuring overall performance. Intermediate outcome indicators have been selected with the aim of striking a balance between identifying an outcome that can be measured, and one which is likely to contribute to improved higher level outcomes.

Responsibility for measuring performance and demonstrating results for each intermediate outcome indicator lays with the Government Sub-executing Agency responsible for implementing each respective component. The National Implementation Unit is responsible for measuring performance against the overall project outcome indicator, and for coordinating the monitoring activities of the GSEU. Performance towards each outcome indicator will be assessed jointly by the Government and donor partners on an annual basis during the World Bank's formal implementation support missions. The GSEU will be responsible for reporting to the TDF SC the assessment of the each outcome indicator on a yearly basis.

Project Development Objective (PDO)	Project Outcome Indicators	Use of Project Outcome Information
To support the establishment of the National Integrated Framework Governance Structure (NIFGS) and implement NIFGS's initial activities to address the key institutional and operational bottlenecks and capacity gaps that hinder cross-border trade.	NIFGS is in place, fully operational and has the capacity [National Implementation Unit (NIU) and Government Sub-executing Agencies (GSEU)] to manage and implement a trade SWAp.	Outcome indicators provide an overarching results framework for project management, monitoring, progress reporting and periodic reviews.

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p>Component A. Trade Facilitation</p> <p>A1. Lao PDR trade portal</p> <p>A2. Trade Facilitation Master Plan</p> <p>A3. Integrity Development for border-related agencies</p>	<p>Reduction in mean import, export and transit non-customs clearance times for commercial shipments by 30 percent by end of project¹⁴.</p> <p>Substantial closure in the gap between current trade-related information made available to the public, and that required to facilitate trade and for Lao PDR to accede to the WTO.</p>	<p>Measure the efficiency of border-related agencies in facilitating cross-border trade.</p>
<p>Component B. SPS and TBT Frameworks</p> <p>B1. Institutional, legal and regulatory reform and adjustments for SPS;</p> <p>B2. Risk-based policies and measures for SPS;</p> <p>B3. Institutional, legal and regulatory reform and adjustments for TBT.</p>	<p>Substantial closure in the gap between the current legal and regulatory framework on SPS issues, and that required to facilitate trade, protect health and for the Lao PDR to accede to the WTO.</p>	<p>Measure the effectiveness of GOL in establishing an appropriate legal framework for SPS.</p>
<p>Component C. Export Competitiveness and Business Environment</p> <p>C1. Feasibility Studies</p> <p>C2. Project Implementation</p> <p>C2. Strengthening the role of the private sector in managing SPS</p>	<p>Substantial improvement among firms selecting themselves to participate in TDF-funded sub-projects, measured by achievement of minimum improvements in performance benchmarks in terms of unit productivity or output.</p>	<p>Measure the effectiveness of direct support to export sectors and associations.</p>
<p>Component D. Capacity Building, Trade Policy, Trade Agreement, and Global Opportunities</p> <p>D1. Technical capacity development for trade and WTO compliance and implementation</p> <p>D2. Upgrading government officers' trade knowledge and management skills</p> <p>D3. Support to academic and</p>	<p>Better informed and coordinated trade policy formulation process, achieved through the development of a systematic national training mechanism that meets the capacity building needs of Lao trade officials.</p> <p>Increased capacity of local service providers in the delivery and implementation of trade-related technical assistance, measured by a minimum of 15 percent of TA person-weeks procured nationally under</p>	<p>Measure the effectiveness of national trade policy support institutions to provide appropriate support to policy formulation.</p>

¹⁴ Baseline will be based on a World Customs Organization Time Release Study currently being carried out. A separate IDA funded Customs and Trade Facilitation Project, implemented by the Lao Customs Department, will target reductions in clearance times for the customs aspects of importing, exporting and transiting goods. Joint monitoring will be carried out by the Trade Development Facility and the Customs and Trade Facilitation Project on these project outcome indicators.

research institutions D4. Establish a course in international trade and competitiveness	the TDF.	
Component E. Strengthening of National Implementation Unit	NIU is able to provide effective and timely technical advice to GSEU, as well as procurement, financial management and monitoring and evaluation support to activities carried out under the NIFGS. A monitoring and evaluation framework is established and used as a management tool for the TDF.	Measure the capacity of NIU to act as the anchor unit for the NIFGS and future trade SWAp.

LAO PDR: Trade Development Facility – Monitoring & Evaluation Framework

		Target values				Data collection and reporting		
Project Outcome Indicators	Baseline	Yr1	Yr2	Yr3	Yr4	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
NIFGS is in place, fully operational and has the capacity (NIU and GSAEs) to manage and implement a trade SWAp.	Not in place	Substantial in place	Fully in place	Fully in place	Trade SWAp	Annual	Observation	NIU
Intermediate Outcome Indicators								
Component A. Trade Facilitation								
Reduction in mean import, export and transit non-customs clearance times for commercial	To be developed as part of the WCO TRS ¹⁵	-	10%	10%	10%	Annual	Joint surveys with LCTFP	DIMEX / LCD

¹⁵ Baseline will be based on a World Customs Organization Time Release Study currently being carried out. A separate IDA funded Customs and Trade Facilitation Project, implemented by the Lao Customs Department, will target reductions in clearance times for the customs aspects of importing, exporting and transiting goods. Joint monitoring will be carried out by the Trade Development Facility and the Customs and Trade Facilitation Project on these project outcome indicators.

shipments by 30 percent by end of project.								
Substantial closure in the gap between current trade-related information made available to the public, and that required to facilitate trade and for Lao PDR to accede to the WTO.	No information available - significant gap	-	Partial closure of gap	Partial closure of gap	Substantial closure of gap	Annual	Evaluations	DIMEX
Component B. SPS and TBT Frameworks								
Substantial closure in the gap between the current legal and regulatory framework on SPS issues, and that required to facilitate trade, protect health and for the Lao PDR to accede to the WTO.	Framework not in place	-	Partial closure of gap	Partial closure of gap	Substantial closure of gap	Annual	Evaluations	DOA
Component C. Export Competitiveness and Business Environment								
Substantial improvement among firms selecting themselves to participate in TDF-funded sub-projects, measured by achievement of minimum improvements in	0%	-	15% change	-	15% change	At mid-term and end of sub-projects	Subproject evaluations	DPTP

performance benchmarks in terms of unit productivity or output.								
Component D. Capacity Building, Trade Policy, Trade Agreement, and Global Opportunities								
Better informed and coordinated trade policy formulation process, achieved through the development of a systematic national training mechanism that meets the capacity building needs of Lao trade officials.	Needs not being met	-	Partial closure of gap	-	Substantial closure of gap	Annual	Evaluations	ERIT
Increased capacity of local service providers in the delivery and implementation of trade-related technical assistance, measured by a minimum of 15 percent of TA person-weeks procured nationally under the TDF.	0%	15%	15%	15%	15%	Annual	Procurement and FM reviews	NIU / ERIT
Component E. Strengthening of National Implementation Unit								
NIU is able to provide effective and timely	-	Satisfactory performance	Satisfactory performance	Satisfactory performance	Satisfactory performance	Annual	Procurement and FM reviews	NIU

technical advice to GSEAs, as well as procurement, financial management and monitoring and evaluation support to activities carried out under the NIFGS.		rmance						
A monitoring and evaluation framework is established and used as a management tool for the TDF.	Not in place	In place	In place	In place	In place	Annual	Observation	NIU

Annex 9: The GOL Contribution

Institution	Contribution	Estimated input per year in man-day – Y 2008	Estimated input per year in man-day – Y 2009	Estimated input per year in man-day – Y 2010
Lao IF Secretariat	<ul style="list-style-type: none"> ➤ Approximately 30 high level government official ➤ Meeting an average 3 times a year for man day 	150 man days	150 man days	150 man days
NIU	<ul style="list-style-type: none"> ➤ Director General FTPD ➤ Regular oversight of the NIU/ IF and TDF – approximate 3 days per month 	20 man days	36 man days	45 man days
	<ul style="list-style-type: none"> ➤ IF Focal Point ➤ Regular oversight of the IF process and participation to international conferences – approximate 3 days per month 	36 man days	36 man days	36 man days
	<ul style="list-style-type: none"> ➤ NIU Director ➤ Daily management of the NIU/IF Process and TDF 	242 man days	242 man days	242 man days
	<ul style="list-style-type: none"> ➤ IF Assistant Project Director ➤ Daily support to the NIU/IF Process and TDF 	242 man days	242 man days	242 man days
	<ul style="list-style-type: none"> ➤ National Project Analyst – Export, Trade and Poverty ➤ Daily support to the DTIS implementation 		242 man days	
IF Task Force	<ul style="list-style-type: none"> ➤ 27 GOL Representatives ➤ Meeting an average 4 times a year for man day 	96 man days	96 man days	96 man days
GSEU	<ul style="list-style-type: none"> ➤ 3 staff attached to the GSEUs * 4 GSEUs ➤ Average of 10 days per month 		1320 man days	5 GSEUs 1650 man days

	<ul style="list-style-type: none"> ➤ 4 GSEU Focal Point ➤ Average 3 days per month 		132 man days	132 man days
Office Space for NIU	Office space of 100 Square foot	Equivalent of 10,000 US per year Electricity Telephone	Equivalent of 10,000 US per year Electricity Telephone	Equivalent of 10,000 US per year Electricity Telephone