

## **Guide: How to Apply for funding with the Challenge Facilities of the Lao Competitiveness & Trade Project (LCTP)**

### **I. Introduction to LCTP**

The LCTP is a multi-donor funded project aims to eliminate barriers to private sector-led growth by improving the regulatory environment, lowering trade costs and raising firm-level competitiveness. As described in the Project Appraisal Document, the project will have four components:

**(A) Improving Business Environment:** This component builds on recent support under the Second Trade Development Facility (TDF-2) that started to improve company registration processes, the transparency in administering operating licenses, and overall support to the PM Order No. 02. There are following sub-components: A1 (Making it Easier to Start a Business), A2 (Streamlining and Publishing Operating Licenses), and A3 (Support to Broader Business Reforms).

**(B) Facilitating Trade and Connecting to Markets:** The component is designed to support the government of Lao PDR in implementing the provisions of the WTO Trade Facilitation Agreement (TFA)<sup>1</sup> through i) supporting operations of the Trade Facilitation Secretariat and ii) establishing a TFA Challenge Fund, which will provide necessary resources to key agencies responsible for TFA implementation.

**(C) Improving Firm-Level Competitiveness:** This component will support individual private enterprises in accessing business development services through a matching grant facility. The intervention aims to *reduce costs internal to firms* by improving company management and innovation in terms of products, markets, and distribution channels such as e-commerce.

**(D) Supporting Better and More Inclusive Policies:** This component will support effective project implementation, monitoring, evaluation as well as improved economic analysis and policy making under MOIC's leadership, and public private dialogue under the Lao Business Forum. It will also support the transparency agenda for trade and private sector-related regulations.

In order to strengthen Government ownership in business environment reform and enhance responsiveness in provision of targeted technical assistance to multiple agencies in charge of specific reform area, two challenge facilities are established under the project, namely: 1) **DB Challenge Facility** to support line agencies to implement broad reform based on PM Order No. 02 and WBG's Ease of Doing Business Report; and 2) **TFA Challenge Facility** to support key technical departments to implement specific reforms identified for the implementation of the TFA provisions.

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<sup>1</sup> Lao PDR was the 18th WTO member to formally accept the WTO TFA (in September 2016).

## **II. DB Challenge Facility**

### **Purpose of the DB Challenge Facility**

The DB Challenge Facility is designed to support technical departments/ line agencies to implement specific reforms defined in the PM Order No. 02 and WBG's Ease of Doing Business Report. Funds will be allocated on a demand-driven basis on the submission of specific proposals, allowing government departments to compete for these funds with the objective of improving elements of the Doing Business ranking. Resources will be available to support priority reforms under the PM Order for any of the relevant implementing agencies as long as the proposed activities are in line with the PM Order and improve the business environment in line with international good practice.

### **Targets**

Any technical departments/agencies in charge of specific reform areas defined in the PM Order No. 02.

### **Eligibility Criteria**

Eligible activities are technical assistance supporting regulatory reforms making it easier to do business across the different areas measured by Doing Business Report<sup>2</sup>, which are not covered by other components of the LTCP or other donor funded projects.

The proposal needs to demonstrate how proposed reform measures will affect 11 areas of the life of a business, namely: removing obstacles for starting a business; streamlining process of obtaining a building permit; making access to electricity more efficient and reliable; improving quality of land administration; strengthening access to credit; protecting the rights of minority shareholders; enhancing tax compliance systems; facilitating international trade; enhancing judicial efficiency; promoting efficient bankruptcy regime; making labour market regulations more flexible.

Standalone project designed to primarily support dissemination activities is not eligible for the Challenge Facility.

### **Size and duration of project**

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<sup>2</sup> *Doing Business* measures regulations affecting 11 areas of the life of a business. Ten of these areas are included in 2018's ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures labour market regulation, which is not included in this year's ranking.

The maximum size for any project proposal will be US\$ 150,000. All activities within an approved proposal must be completed and resources disbursed within one year. Unspent resources within the window of one-year will be automatically returned to the facility without further extension and be available for other projects.

### **Application for Funding and Project Proposal Submission**

Any implementing agency wishing to apply for the Challenge Facility submits a project proposal using the standard template (see Annex 1) to the Department of Investment Promotion, Ministry of Planning and Investment, who will perform technical review, obtain no-objection from WB Task team and submit the proposal to PEC for official endorsement.

### **Screening and Appraisal**

The IPD, in collaboration with NIU, reviews the initial enquiry and determines whether the proposal is generally eligible for funding by the Challenge Facility. If deemed eligible, the IPD will provide guidance to interested departments in the preparation of proposals requesting for funding from the challenge facility, and review any submissions before requesting for no-objection from WB and subsequent request for official approval from the PEC Chair/or Designee.

### **Approval**

All eligible project proposals must seek approval from PEC. PEC has three decision options, namely 1) approval; 2) approval with minor adjustments; and 3) return for revision (see annex 01 for project cycle flow chart).

All approved CF Proposals will be posted on [www.t4d.org](http://www.t4d.org).

### **Implementation**

IA submitting project proposal will be directly responsible for the technical implementation of project activities outlined in the approved project proposal. Each IA will be responsible for timely delivery of specific outputs, and providing progress reporting to IPD. IA will also be required to work closely with IPD/NIU and report to IPD/NIU on all financial, administrative and procurement issues.

While recipient-IAs will be directly responsible for technical implementation of approved activities, NIU in his capacity as main executing agency for the project will be responsible for overall project implementation monitoring, fiduciary oversight, and providing technical, procurement and financial management support to all IAs.

After project approval, all IAs are required to prepare quarterly activity plan, which is subject to approval by Senior Officer (Minister/or Deputy Minister) of their respected Ministry. The quarterly activity plan shall include all project activities except procurement of goods and consulting services.

Following approval of quarterly work plan, IAs can submit their request for advance based on budget estimate by activity basis according to procedures for advance defined in 9.8.1 of the Project Financial Manual (page 31).

Goods, works and services financed under CF projects will be procured in accordance with relevant general conditions, relevant financing agreements, including specific provisions of the World Bank Procurement Policies and Procedures<sup>3</sup> for the World Bank projects and GOL's Procurement Policies and Procedures. Such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the conditions specified in the Procurement Plan.

Following approval of each CF proposal, NIU procurement team will update overall project procurement plan to include all procurement items from the proposal and perform procurement process according to applicable guidelines defined in relevant project documents.

Similar to other project components, NIU will perform its financial management function of approved CF proposals according to guidelines defined in relevant project documents, including the Project Financial Management Manual, Project Appraisal Document and others. Administrative costs must follow Ministerial Decision No. 2066/MoF<sup>4</sup> dated 25 June, 2015 and expenditures under CF proposals will also be covered by project regular audits..

## **Reporting**

Recipients of the Challenge Facility are required to submit quarterly and project completion report to the IPD, MPI, who will submit consolidated report to NIU, MOIC. From time to time, recipients and or IPD will be required to report implementation progress to PRC and or PEC as deemed necessary.

## **Modifications**

Modifications, including adjustments to the work plans/budget, time frame and others are allowed in exceptional circumstances only. All IAs wishing to make modifications to approved project

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<sup>3</sup> See Guidelines: Procurement Regulations for IPF Borrowers dated July 1, 2016, revised November 2017.

<sup>4</sup> Some exception applies. Technical departments /agencies are encouraged to consult the NIU finance team when applying this Ministerial Decision

proposals will be required to complete “Project Proposed Modification” (annex 03) and submit it to IPD for further review and subsequent request for no objection from World Bank.

Only modifications which would have had no impact on the expected results/outcomes will be considered and all the modifications must be authorized, prior to their implementation, by the IPD after obtaining no objection from World Bank.

### **III. TFA Challenge Facility**

#### **Purpose of the TFA Challenge Facility**

The TFA Challenge Facility aims to close existing gaps of regulatory inconsistency between national regulations and TFA to modernize Lao PDR's trade-related regulations for imports and exports. The TFA Challenge Facility expects to finance around five proposals throughout the project life, each supporting a number of related reform measures that could be implemented by multiple agencies.

#### **Targets**

Key technical departments, including Lao Customs Department, DIMEX, Department of Agriculture, Department of Food and Drug, Department of Standard and Metrology and others in charge of implementing priority measures in TFA.

#### **Eligibility Criteria**

The Challenge Facility will support the implementation of all the measures listed under WTO's Trade Facilitation Agreement in an accelerated time bound manner to cut down the cost of trading to its utmost potential. Besides, it will also support a time-bound assessment of the existing NTMs to remove those that are not required and streamline the remaining ones. The Facility will also support some priority measures defined in the National Trade Facilitation Roadmap such as extension of working hours at major border crossings, ban on roadside checks, single point payment, publication of Service Charters by all line departments for time bound delivery of services and establishment of the national single window, which will have immediate bearing on bringing down time and cost of trading.

Standalone project designed to primarily support dissemination activities is not eligible for the Challenge Facility.

#### **Size and duration of project**

The maximum size for any project proposal will be US\$ 500,000. All activities within an approved proposal must be completed and resources disbursed within two years. Unspent resources within the window of one-year will be automatically returned to the facility without further extension and be available for other projects.

#### **Application for Funding and Project Proposal Submission**

Any implementing agency wishing to apply for the Challenge Facility submits a project proposal using the standard template (see Annex 1) to the Department of Import and Export, Ministry of Industry and Commerce, who will perform technical review, obtain no objection from the World Bank Task Team and submit the proposal to PEC for official endorsement.

#### **Screening and Appraisal**

The DIMEX in its capacity as Secretariat to the National Trade Facilitation Committee reviews the initial enquiry and determines whether the proposal is generally eligible for funding by the Challenge Facility. If deemed eligible, the DIMEX will provide guidance to interested departments in the preparation of proposals requesting for funding from the challenge facility, and review any submissions before requesting for no-objection from WB and subsequent request for official approval from the PEC Chair/or Designee.

## **Approval**

All eligible project proposals must seek approval from PEC. PEC has three decision options, namely 1) approval; 2) approval with minor adjustments; and 3) return for revision.

All approved CF Proposals will be posted on [www.t4d.org](http://www.t4d.org).

## **Implementation**

IA submitting project proposal will be directly responsible for the technical implementation of project activities outlined in the approved project proposal. Each IA will be responsible for timely delivery of specific outputs, and providing progress reporting to DIMEX. IA will also be required to work closely with DIMEX/NIU and report to DIMEX/NIU on all financial, administrative and procurement issues.

While recipient-IAs will be directly responsible for technical implementation of approved activities, NIU in his capacity as main executing agency for the project will be responsible for overall project implementation monitoring, fiduciary oversight, and providing technical, procurement and financial management support to all IAs.

After project approval, all IAs are required to prepare quarterly activity plan, which is subject to approval by Senior Officer (Minister/or Deputy Minister) of their respected Ministry. The quarterly activity plan shall include all project activities except procurement of goods and consulting services.

Following approval of quarterly work plan, IAs can submit their request for advance based on budget estimate by activity basis according to procedures for advance defined in 9.8.1 of the Project Financial Manual (page 31).

Goods, works and services financed under CF projects will be procured in accordance with relevant general conditions, relevant financing agreements, including specific provisions of the World Bank Procurement Policies and Procedures<sup>5</sup> for the World Bank projects and GOL's Procurement Policies and Procedures. Such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the conditions specified in the Procurement Plan.

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<sup>5</sup> See Guidelines: Procurement Regulations for IPF Borrowers dated July 1, 2016, revised November 2017.

Following approval of each CF proposal, NIU procurement team will update overall project procurement plan to include all procurement items from the proposal and perform procurement process according to applicable guidelines defined in relevant project documents.

Similar to other project components, NIU will perform its financial management function of approved CF proposals according to guidelines defined in relevant project documents, including the Project Financial Management Manual, Project Appraisal Document and others. Administrative costs must follow Ministerial Decision No. 2066/MoF<sup>6</sup> dated 25 June, 2015 and expenditures under CF proposals will also be covered by project regular audits..

### **Reporting**

Recipients of the Challenge Facility is required to submit quarterly and project completion report to the DIMEX, MOIC, who will submit consolidated report to NIU, MOIC. From time to time, recipients and or DIMEX will be required to report implementation progress to PRC and or PEC as deemed necessary.

### **Modifications**

Modifications, including adjustments to the work plans/budget, time frame and others are allowed in exceptional circumstances only. All IAs wishing to make modifications to approved project proposals will be required to complete “Project Proposed Modification” (annex 03) and submit it to IPD for further review and subsequent request for no objection from World Bank.

Only modifications which would have had no impact on the expected results/outcomes will be considered and all the modifications must be authorized, prior to their implementation, by the Project Director after obtaining no objection from World Bank Task Team Leader.

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<sup>6</sup> Refer to footnote 3



# Annex 1: Project Proposal Template

## Proposal for Challenge Facilities

Section 1: Summary Page	
<i>Project title:</i>	
<i>Implementing agency:</i>	
<i>Beneficiary:</i>	
<i>Location:</i>	
<i>Project duration:</i>	
<i>End of project:</i>	
<i>Total project cost:</i>	
<i>Challenge fund funding sought:</i>	
<i>Other sources of funding:</i>	
Section 2: Project Description	
<i>2.1 What are the main objectives of the proposed project?</i>	
<i>2.2 What are the specific issues to be addressed within those main objective</i>	

<p><b>2.3 What activities exactly is the Challenge Facility being asked to fund?</b></p>	
<p><b>2.4 What results can be expected and how to they relate to the objectives in point 2.1 above?</b></p> <p><i>List the specific outputs the project seeks to achieve, the expected outcomes to measure the achievement of project and expected impact produced by the project interventions</i></p>	
<p><b>2.5 What is the Implementing Agency's role in the area to be addressed by the proposed project?</b></p>	
<p><b>2.7 Are there any efforts being undertaken by the Implementing Agency, other government agencies, domestic stakeholders, bilateral or multilateral development partners to address the issues identified in point 2.2 above? Are other sources of funding available?</b></p>	
<p><b>Section 3: Project risks / obstacles and risk mitigation measures</b></p>	

<p><b>3.1 Describe the risks and obstacles during project preparation and implementation. Explain mitigating measures.</b></p>	
<p><b>Section 4: Monitoring and evaluation</b></p>	
<p><b>4.1 Identify indicators, outputs and outcomes which can be monitored before, during and after project implementation. eg:</b></p> <p><b>Outputs:</b>  # of research/studies conducted  # of national sector strategies developed  # of regulations/guidelines developed</p> <p><b>Outcomes:</b>  # of findings/recommendations implemented  # of strategies approved  # of regulations/guidelines approved</p>	
<p><b>Section 5: Project implementation arrangements</b></p>	
<p><b>5.1 Describe project implementation entity</b></p>	
<p><b>5.2 Describe internal supervision arrangements</b></p>	
<p><b>5.3 Describe reporting line</b></p>	

**Section 6: Timetable**

<b>Activity</b>	<b>Budget (US\$)</b>	<b>Expected start date</b>	<b>Expected completion date</b>
<b>Total</b>			

**Section 7: Budget estimate**

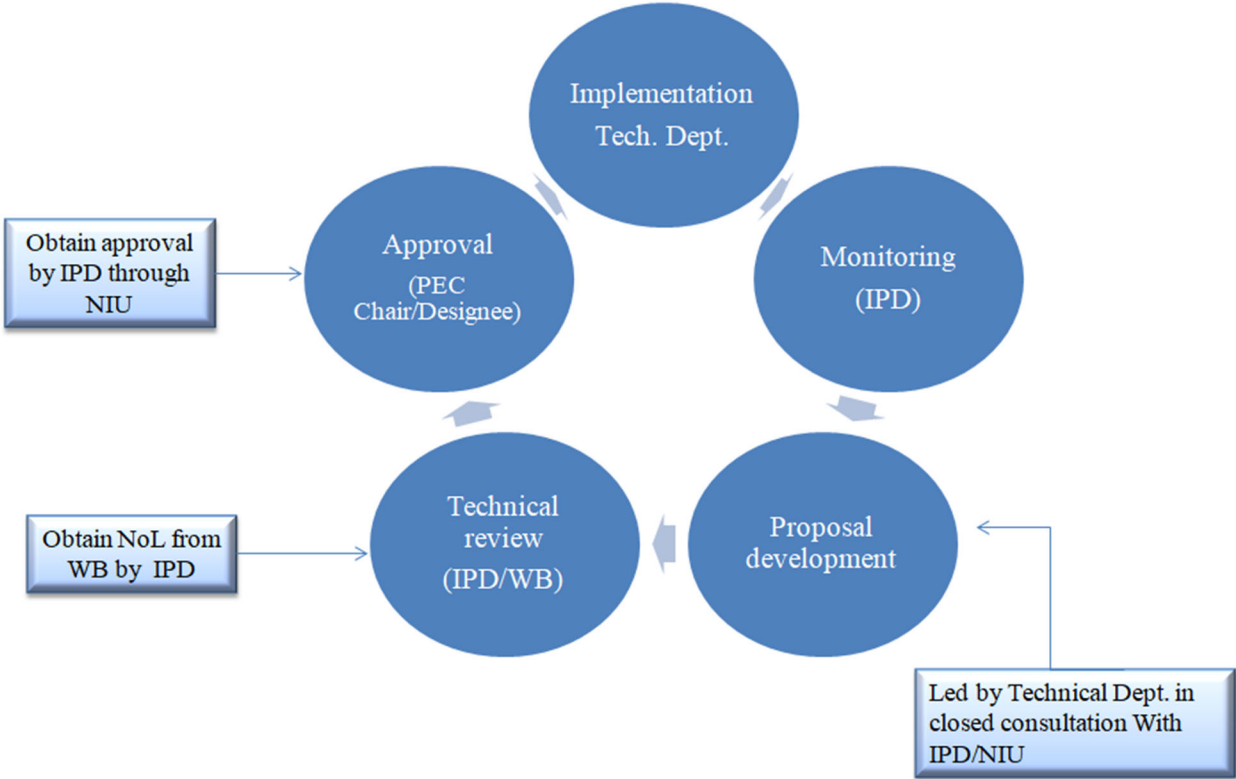
<b>Description</b>	<b>Budget (US\$)</b>	<b>Remarks</b>
National consultants		
International consultants		
Training/workshops		
Equipment		
Miscellaneous (Max. 200USD per month)		
Others		

<b>Total</b>		
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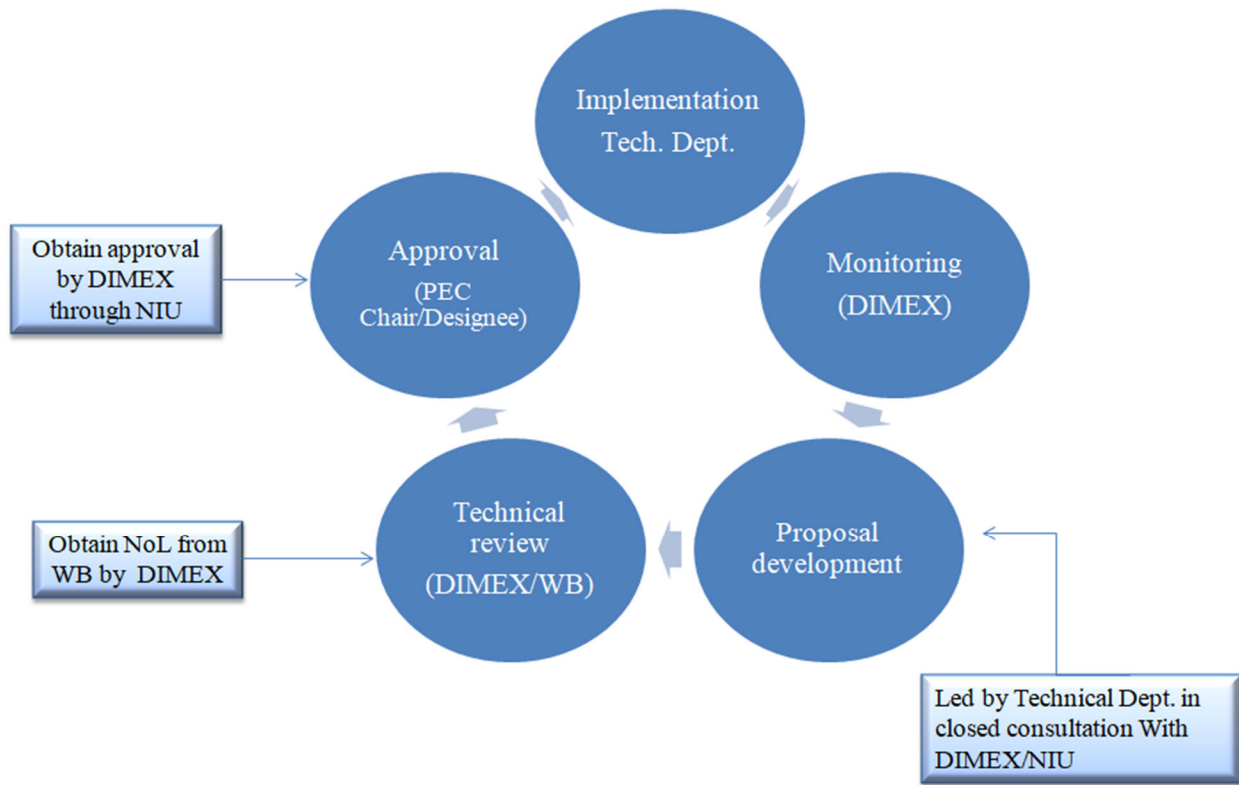
**Format:**

- Font: Times New Roman
- Font Size: 12 pt
- Spacing line: Single
- Length: 8 – 10 pages
- Language: English

# Annex 2: Project Cycle for DB Challenge Facility



## Annex 2: Project Cycle for TFA Challenge Facility



## **Annex 3: Project Modification Template**

### Lao Competiveness and Trade Project

PROPOSED PROJECT MOFIFICATION

OF

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Under DB/TFA Challenge Facility



<b>Basic Information</b>	
Project Title: _____ _____ _____ _____	Original Approval Date:  Current Closing Date:
Responsible Agency:	_____ _____ _____
<b>A. Summary of Proposed Changes</b>	
<b>B. Project Status</b>	

**C. Detailed Description of Proposed Changes**

**C. Proposed Revised Time Table (If any)**

<b>Activity</b>	<b>Budget (US\$)</b>	<b>Expected start date</b>	<b>Expected completion date</b>
Total budget:			

**C. Proposed Revised Budget (If any)**

<b>Description</b>	<b>Budget (US\$)</b>	<b>Remarks</b>
National consultants		
International consultants		
Training/workshops		
Equipment		
Miscellaneous (Max. 200USD per month)		
Others		