Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development (RELATED) Project

Lao – German Development Cooperation

Program Executive Committee (PEC) Meeting,
Crowne Plaza Hotel, Vientiane Capital, December 12th 2019
The Quality of Growth (I)

• Since several years, Lao economy experiences **high economic growth rates**

• While maintaining **level of growth, quality of growth** might be further improved
The Quality of Growth (II)

Dimensions to improve **Quality of Growth**

- **Inclusiveness of Growth**
  Inclusion of more Lao people into productive processes

- **Sustainability of Growth**
  Non-resource sectors, sustainable consumption and production

- **Smartness of Growth**
  Strengthening productivity, use of human skills, technology and innovation;

- **Resilience of Growth**
  Diversifying economic and export structure, climate change adaptation
Regional Economic Integration and the Quality of Growth (I)

Regional economic integration processes, including improved connectivity, as **opportunity to improve quality of growth**

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<thead>
<tr>
<th></th>
<th>Inclusiveness</th>
<th>Sustainability</th>
<th>Smartness</th>
<th>Resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tightness of domestic market overcome</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
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<tr>
<td>Integration into regional (industrial) value chains</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Trade with perishable goods enabled</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Attractiveness (of the whole region) for foreign investments improved</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</table>
Regional Economic Integration and the Quality of Growth (II)

- **Potentials** for Laos in
  - Agro- and Wood-Processing
  - Manufacturing as part of regional value chains
  - Selected **services sectors** (such as tourism, transport and logistics)

➢ Economic Diversification, Structural Transformation
Selected Challenges for Economic Transition (I)

Challenges in

- **Business and investment climate**
- **Entrepreneurship**
- **Sector-specific services**
- **Competitiveness, technology transfer and innovation**
Selected Challenges for Economic Transition (II)

Challenges in

- **Market access** due to transport and logistics costs, lack of certification and branding
- **Access to finance** (in particular for small and medium enterprises)
- Level of **highly qualified workers** in key qualifications
- **Climate Change**
Improve the AEC-related policy framework conditions and the capacities of the business sector for sustainably using economic potentials arising from Laos’ integration into the AEC

**Objective**

AEC-related policy framework conditions in the areas of trade in goods, trade in services and investments

Laos AEC 2025 National Work Plans

Regulations and standards in line with ASEAN Agreements

**Activity Areas**

AEC-related services for the private sector

Demand-oriented AEC-related services in particular for SMEs

Particular focus on SME Service Centres

Competitiveness of AEC-oriented private sector companies

AEC-related Tourism Products

Generic instructions and training material

Sector-specific training courses in TQM
Part 2: Component 1

Improving Public Framework Conditions for the AEC
Support to the Laos’ National Workplan 2018 - 2020 to Implement the ASEAN Economic Community Blueprint 2025

• Reduce barriers to and facilitate intra-regional trade in goods

• Reduce barriers to and promote intra-regional investments
PM Decree on E-Commerce

Legal Gap Analysis

Study Visits to Thailand and Vietnam

Drafting Committee on Decree on E-commerce

Consultation Meeting with Line Ministries, Private Sector and in Provinces
Simplification and Harmonization of Procedures of One-Stop Services in Special Economic Zones

Analysis of current One-Stop Services in SEZ in Laos

Regional and International Practices
Meetings with relevant Lao Structures

Identification of Simplification Reforms
Elaboration of Reform Action Plans to Implement PM Order 002 on the Ease of Doing Business

For each of the 10 Indicators of the Ease of Doing Business:

• Identification of criteria for score
• Elaboration and approval of ambitious, yet realistic measures that directly and substantially increase the score
Adaptation of national regulations, procedures and standards – Transport and Logistics

Prime Ministers Decree on Dry Ports almost finalized

Ministerial Decision on Truck Terminals On-going
Part 3: Component 2
AEC-Related Services for the Private Sector
1. Supporting Partners in the Development of SME Promotion Strategies
2. Developing and Upscaling Demand-Oriented Services for the Lao Private Sector: 4th Year Organizing the ASEAN Business Awards Laos

8 Lao Enterprises were honored with 9 ABA Awards in at the ABA Gala Night 2019 in Bangkok, Thailand

LOCA Ride Hailing Service is honored with the ABA in the Category Startup and Innovation-Driven Enterprise

18 Companies Received the ABA Laos 2018

- ABA Laos application forms and procedures now fully aligned with the regional standards and requirements.
- 4 new categories were introduced this year.
2. Developing and Upscaling Demand-Oriented Services for the Lao Private Sector: 4th Edition of the SSC Breakfast Talk

Breakfast Talk #4 on “Towards a Plastic Free Laos: Reducing Single-Use Plastics in the Tourism Industry” on September 16th 2019 at the Lao National Chamber of Commerce and Industry, Vientiane Capital

Previous SSC Breakfast Talk Topics Included

- Lao Future Economic Outlook
- Women in Business
- The Belt and Road Initiative and Its Impact on Laos
2. Developing and Upscaling Demand-Oriented Services for the Lao Private Sector: Support to Lao Value Chain Manual, Brochure and Trainings

Overview of the Lao Coffee Sector Value Chain

Finalization and Translation of ValueLinks Manual Draft Brochure on Application of ValueLinks Methodology
2. Developing and Upscaling Demand-Oriented Services for the Lao Private Sector: B2B Preparation and Exhibitions (ITB, ABIS and STSE)

Sales Pitch and Trade Show Preparation Training for 30+ STSE Exhibitors on 26th September 2019

ASEAN Business and Investment Summit 2018 in Singapore with 7 Lao Companies
3. Supporting Distribution Channels for Service Provision: Opening of two Provincial SME Service Center
3. Supporting Distribution Channels for Service Provision: LNCCI Database, Knowledge Management System and Mobile App
Part 4: Component 3
Competitiveness of AEC-Oriented Private Sector Companies
Coffee Sector Competitiveness

Phase 1 Quality Management Approach
• Post-Harvest Processing Training + Advisory
• Coffee Demonstration Farm

Phase 2 Quality Management Approach
• Including Pre-Harvest Management into Training
• Online Learning and Knowledge Repository
• Coffee Demonstration Farm Enhancement
• Sustainable Coffee Certifications
• Training of Trainers with Village-Based Agents
Access to Markets:
Coffee Export Toolkit, Coffee Film, Coffee Table Book
Tourism Sector Competitiveness

Resource Efficiency in Hotels and Restaurants
Tourism Sector Competitiveness

Plastic Free Laos Label
Tourism Sector Competitiveness

Support to the Sustainable Tourism Solutions Expo 2019
Handicraft Sector Competitiveness

Phase 1 Handicraft Product Development Approach
  • Trainings on Design, Tailoring and Natural Dyeing
  • DIY Learning Videos and Manual
  • Handmade in Luang Prabang (Night Market)

Phase 2 Sustainable Improvement of Handicraft Product Development Approach
  • Expansion of Target Provinces
  • Community-Based Skills Development Approach
  • New Textiles and Bamboo Handicraft Products
Handicraft Sample Product Designs and Do-It-Yourself Manuals
A platform that offers learning materials and interactive modules in coffee, sustainable tourism practices, handicraft, and organic food.
Regional Economic Integration of Laos into ASEAN, Trade and Entrepreneurship Development (RELATED) Project

The Way Forward
Orientations Guiding the RELATED Project (I)

1. 08th and upcoming 09th National Socio-Economic Development Plan
   - Diversified economic base
   - Trade, production chain
   - Improvement of business environment
   - Development of MSMEs
   - Productivity
   - Employment generation
   - Responsible consumption and production
   - Regional and international cooperation
Orientations Guiding the RELATED Project (II)

2. Green Growth Strategy
3. Ease of Doing Business and Implementation of PM Order 002
4. Belt and Road Initiative (How can Laos benefit from the Railroad PR China – Vientiane)
5. Regional Economic Integration Process (ASEAN, ASEAN+ and RCEP)
## Prioritized Activities 2020

### Component 1: AEC-related policy framework conditions in the areas of trade in goods, trade in services and investments

<table>
<thead>
<tr>
<th>No</th>
<th>Title</th>
<th>Lao Partner</th>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Build Capacity on and Disseminate E-commerce Decree</td>
<td>FTPD (MoIC)</td>
<td>Indicator 1.1</td>
</tr>
<tr>
<td>2</td>
<td>Amend Regulation related to Certification of Origin</td>
<td>DIMEX (MoIC)</td>
<td>Indicators 1.1, 1.2, 1.3</td>
</tr>
<tr>
<td>3</td>
<td>Support Coordination and Monitoring of Reform Action Plans to Implement PM’s Order 002</td>
<td>IPD (MPI)</td>
<td>Indicator 1.2, 1.3</td>
</tr>
<tr>
<td>4</td>
<td>Support Implementation of selected measures of Reform Action Plans to Implement PM’s Order 002</td>
<td>IPD (MPI)</td>
<td>Indicator 1.2, 1.3</td>
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<tr>
<td>5</td>
<td>Improve of One-Stop-Shop Services in Special Economic Zones</td>
<td>SEZO (MPI)</td>
<td>Indicators 1.2, 1.3</td>
</tr>
<tr>
<td>6</td>
<td>Develop National Standards in line with ASEAN Mutual Arrangement on Automotive Parts</td>
<td>DIMEX (MoIC)</td>
<td>Indicators 1.2, 1.3</td>
</tr>
<tr>
<td>7</td>
<td>Elaboration of Ministerial Decision on Truck Terminals</td>
<td>Department of Transport (MPWT)</td>
<td>Indicators 1.2, 1.3</td>
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# Prioritized Activities 2020

## Component 2: AEC-related services for the private sector

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<tr>
<td>1</td>
<td>Development of LNCCI Lao Private Sector Development Strategic Plan for 2021 - 2025</td>
<td>LNCCI</td>
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<tr>
<td>2</td>
<td>Establishment of SME Service Centre in Savannakhet Province</td>
<td>SME Service Centre</td>
<td>Indicators 2.1, 2.2</td>
</tr>
<tr>
<td>3</td>
<td>Finalization of LNCCI Mobile Application</td>
<td>LNCCI</td>
<td>Indicators 2.1, 2.2</td>
</tr>
<tr>
<td>4</td>
<td>Support to ASEAN Business Awards and ASEAN Business Awards Laos</td>
<td>LNCCI, BAC</td>
<td>Indicators 2.1, 2.2</td>
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<tr>
<td>5</td>
<td>Development of BDSP and Access to Finance Referral</td>
<td>SME Service Centre</td>
<td>Indicators 2.1, 2.2, 2.3</td>
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<tr>
<td>6</td>
<td>Elaboration of ValueLinks Brochure and Training Courses</td>
<td>SME Service Centre</td>
<td>Indicators 2.1, 2.2, 2.3</td>
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<td>7</td>
<td>SME Clinic for SMEs, Startups &amp; Entrepreneurs with focus on inclusive and sustainable businesses</td>
<td>SME Service Centre</td>
<td>Indicators 2.1, 2.2, 2.3</td>
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<td>8</td>
<td>Support to Digital Skills for SME Growth</td>
<td>SME Service Centre</td>
<td>Indicators 2.1, 2.2, 2.3</td>
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## Prioritized Activities 2020

### Component 3: Competitiveness of AEC-oriented private sector companies

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<tr>
<td>1</td>
<td>Finalization of Study on Competitiveness of Lao Enterprises in ASEAN</td>
<td>NIER</td>
<td>Baseline</td>
</tr>
<tr>
<td>2</td>
<td>Elaboration of practice-oriented Instructions and Training Materials to increase Competitiveness of Lao SMEs</td>
<td>DOSMEP</td>
<td>Indicators 2.2, 3.3, 3.4</td>
</tr>
<tr>
<td>3</td>
<td>Elaboration of Materials and further Development of Sustainability4Laos.org Online Learning Platform</td>
<td>SSC</td>
<td>Indicators 2.2, 3.2, 3.3, 3.4</td>
</tr>
<tr>
<td>4</td>
<td>Improvement of Resource Efficiency of Hotels and Guesthouses</td>
<td>LHRA</td>
<td>Indicators 2.2, 3.2, 3.4</td>
</tr>
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<td>5</td>
<td>Up-scaling of No Single-Use Plastic Label for Hotels and Restaurants</td>
<td>SSC, LHRA</td>
<td>Indicators 3.1, 3.4</td>
</tr>
<tr>
<td>6</td>
<td>Sustainable Tourism Solutions Expo</td>
<td>Tourism Development Department (MoICT)</td>
<td>Indicators 2.3, 3.4</td>
</tr>
<tr>
<td>7</td>
<td>Training of Trainers. Training and Coaching of Coffee Farmer Groups</td>
<td>LCA</td>
<td>Indicators 2.2, 3.2, 3.4</td>
</tr>
<tr>
<td>8</td>
<td>Sustainable Certification of Lao Coffee</td>
<td>LCA</td>
<td>Indicators 3.2, 3.4</td>
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<tr>
<td>9</td>
<td>Further Development of Existing Handicraft Products</td>
<td>LHA, LPB HA, CPS HA</td>
<td>Indicators 3.1, 3.4</td>
</tr>
<tr>
<td>10</td>
<td>Training and On-the-Job Coaching for Handicraft Producer Groups</td>
<td>LHA, LPB HA, CPS HA</td>
<td>Indicators 2.2, 3.2, 3.4</td>
</tr>
<tr>
<td>11</td>
<td>Further Development of Organic Food Value Chain to intensify Linkages with Tourism Value Chain</td>
<td>Organic Farmers’ Association</td>
<td>Indicator 2.3</td>
</tr>
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Prioritized Activities 2020
Outlook beyond 2020

- Current phase of RELATED until December 31st 2020.
- New commitment for a potential third phase of RELATED would have to be agreed upon during Intergovernmental Negotiations in 2020.
- Commitment would concern a new phase, not only a replenishment and extension.
- Therefore, evaluation and planning mission would come to Lao PDR in 2020.