



Trade and Investment Sector Assessment

Output 1: Trade and Investment Sector Assessment

*ADB TA9136 on Economic Policy Support for Enhancing
Productivity and Employment*

Lao PDR in Shock

The time to act is now

Covid-19 has been a shock to the system

Unprecedented economic downturn

Laos to Experience Stunted Economic Growth amid Coronavirus Pandemic
Laos Remains Vulnerable Despite Mostly Avoiding COVID-19 Carnage, Officials Say

World Bank's 'third shock' threatens to reverse Asia's economic progress

Disruption to existing growth plans

Laos borders to stay closed to foreign nationals

NA worried government will be unable to meet growth targets
One-stop service 'still can't be implemented': DPM

Environmental/ social backlash

Development dilemma: How did coal sneak into Laos' energy plans?

Displaced Lao villagers still waiting for compensation

Lao dam project sparks environmental concerns

Competitors seem to be coping better than Lao PDR

Positive economic outlook

Vietnam's outlook is 'one of the brightest' in Asia, UBS says

Cambodia, Myanmar, Vietnam to gain most from apparel shifts: Report

Myanmar trade volumes expected to grow despite pandemic

Following through trade growth plans

Cambodia eyes India FTA, China deal set for August

Ministry releases five-year plan for garment and textile sector

Japan to pay firms to produce goods locally or in Southeast Asia, in shift from China

EU-Vietnam trade agreement enters into force

Persistent investor appeal

MoIT plans sustainable development of national brand

Vietnam's new immigration law to attract investment

Legal reinforcement to FDI appeal in Vietnam

New investment law to attract more investments

Kingdom's first 'smart city' to be a magnet for investments

Myanmar to build SEZ connecting Greater Mekong Sub-Region East-West Economic Corridor, West Yangon Industrial Park

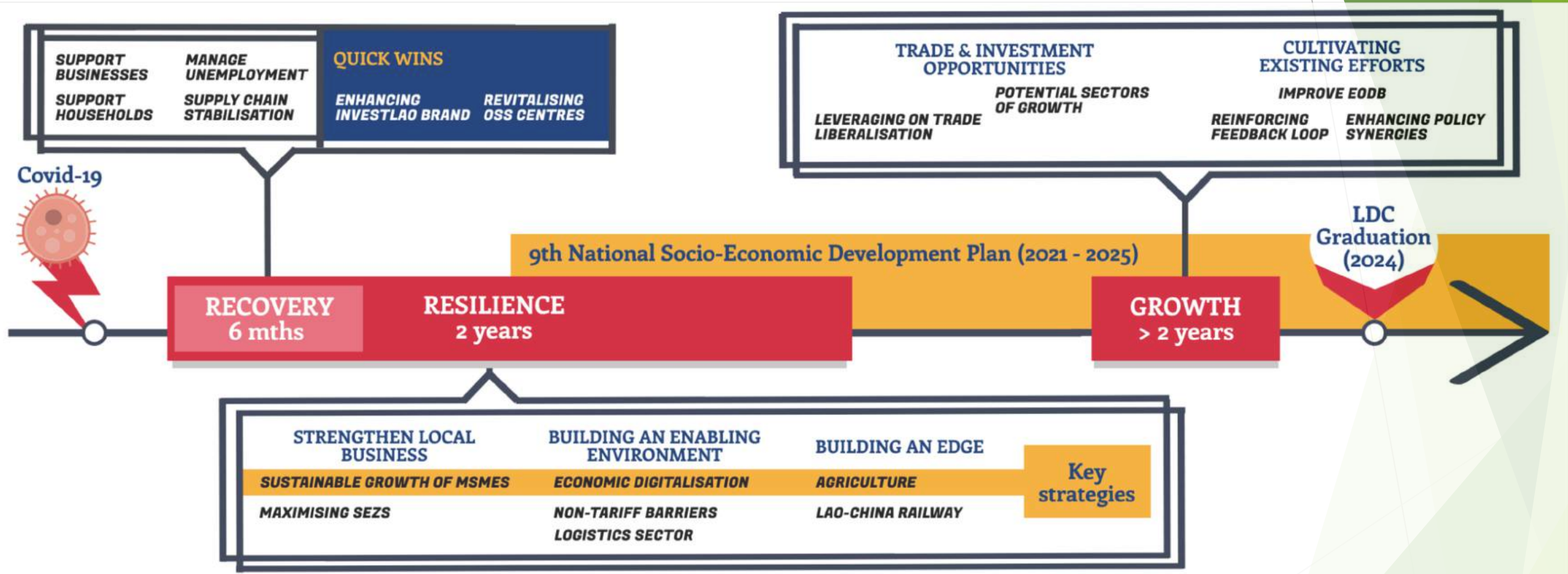
Enhancing digitalisation

Commerce ministry drafts e-commerce plan of action

Myanmar, China to Promote Cross-Border e-Commerce Systems

The time to act is **now**

Summary of Recommendations



Recovery

Covid-19

Directly-hit industries

- **Tourism:** Estimated US\$27 million to US\$77 million revenue loss
- **Manufacturing:** Global lockdowns and the surge of panic buying has affected global supply chains.

Businesses

Impact on employment, revenue and wages not limited to directly-hit industries, but the wider economic ecosystem

Workers

Rising unemployment

Local unemployment is on the rise with **34,000 jobs** at risk according to ADB estimates, if the outbreak continues into September 2020

Households

Persistent economic slowdown

Caused by an estimated drop of **40 – 50 % in discretionary consumer spending**, change in consumer habits, and **the trickle-down effects** of the directly-hit industries

Ongoing: 13-measure economic stimulus package

US\$11.2 million has been invested to address the economic impact with initiatives such as:

- A new **electricity tariff** and extra avenues of **revenue collection**,
- **Tax relief** and extension of interest payment for directly hit industries, and
- **Restructured loans** and targeted credits to farmers and producers

To stabilise and support the economy, more needs to be done **NOW**



1. Support businesses

- **Stimulus:** Identify directly-hit industries for stimulus to tide over the period
- **Tax Relief:** Enhance property or business tax rebates, delay tax payments and delay land-use fees for businesses



2. Manage unemployment

- **Tax relief:** Income and property tax rebates
- **Job matching:** Tide over the crisis with temporary jobs
- **Work with the private sector:** Encourage businesses to retain employees and support immediate capacity building needs



3. Supply chain stabilisation

- **Engage existing and new suppliers:** optimise logistics and production, manage inventory and demand



4. Support households

- **Greater flexibility** of government fees, taxes and loans

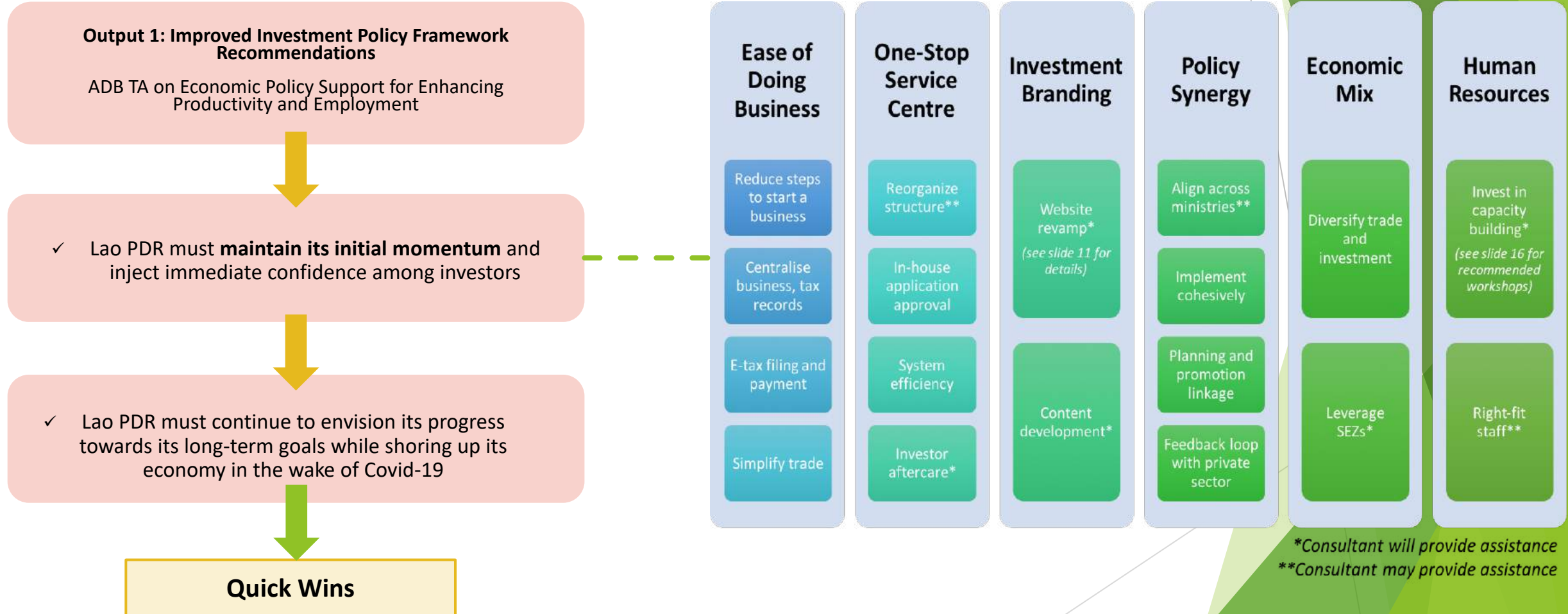


5. Communicate support available to business owners and investors

- A centralised COVID-19 helpdesk or FAQs for business owners and investors can be made available in multiple languages, like English and Laotian

The Way Forward

Output 1: Snapshot of Existing Recommendations



The Way Forward

Quick wins

Enhancing the *InvestLao* brand

Continue efforts in improving websites

Clear objectives and standardised information

Comprehensive FAQs

Directed traffic via social media, and search engine optimisation

English-translated policies and regulations

Actively communicate success of “Savan Park” for investment and business promotion

Short time period, little resources required

→ Long-term benefits as websites serve investors for years to come

Revitalising OSS centres

1. Onsite approvals

One-stop service ‘still can’t be implemented’: DPM

The one-stop service introduced by the government to enable the completion of service procedures at one location is still not implemented effectively, a deputy prime minister told parliament on Thursday.

Responding to questions raised at the ninth ordinary session of the National Assembly’s eighth legislature, Dr Sonexay Siphandone said investors still need to get approval from each line ministry responsible for a particular area of the proposed investment.



2. Service delivery

Build on existing systems

Implement a matrix system with specific divisions

Develop capacity by managing performance

Appoint designated account manager, establish key performance indicators, etc.

Right-fitting personnel

Align human resources with clear roles and job descriptions

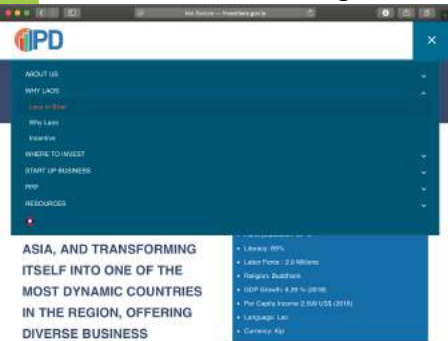
3. Investor aftercare – ensure continuity in investment promotion & facilitation

- ADB organises workshops on customer service, account management, relationship building, and communications and sales that can be considered to upskill staff
- Establish mentorship system

Philippines Investor Aftercare

The Philippine Board of Investments (BOI) created a dedicated Investment Assistance Center (IAC) with an Aftercare Services Division (ASD). The ASD provides post-investment assistance to fast-track the resolution of business-related barriers.

Great work, but the work goes on...



The Way Forward

Resilience is key

Adapting to the “new normal”

The pandemic has evolved into an economic crisis and will have a long-lasting impact globally

Short to medium term: Resilience

New priorities to lay the foundation of greater resilience

Long term: Growth

Lao PDR should take advantage of on the new global economic order to achieve sustainable long-term growth

Three key strategies for Lao PDR

1. Sustainable growth of MSMEs

Given the importance of MSMEs in the economy, efforts must be taken to ensure they develop sustainably

2. Agriculture

Lao PDR should play on existing strengths and stay on track with its National Green Growth Strategy 2030

3. Economic digitalisation

Lockdowns have demonstrated the importance of digitalisation. A whole-of-government approach should be adopted

The Way Forward

Resilience

In the next 6 months to 2 years

- ▶ The crucial test for countries goes beyond the first 6 months of recovery
- ▶ Lao PDR should extract lessons of Covid-19 to focus on building a strong foundation for the NSDEP9 (2021-2025)
- ▶ NSEDP9 will prepare Lao PDR for the next stage of achieving sustainable long-term **growth**

Resilience

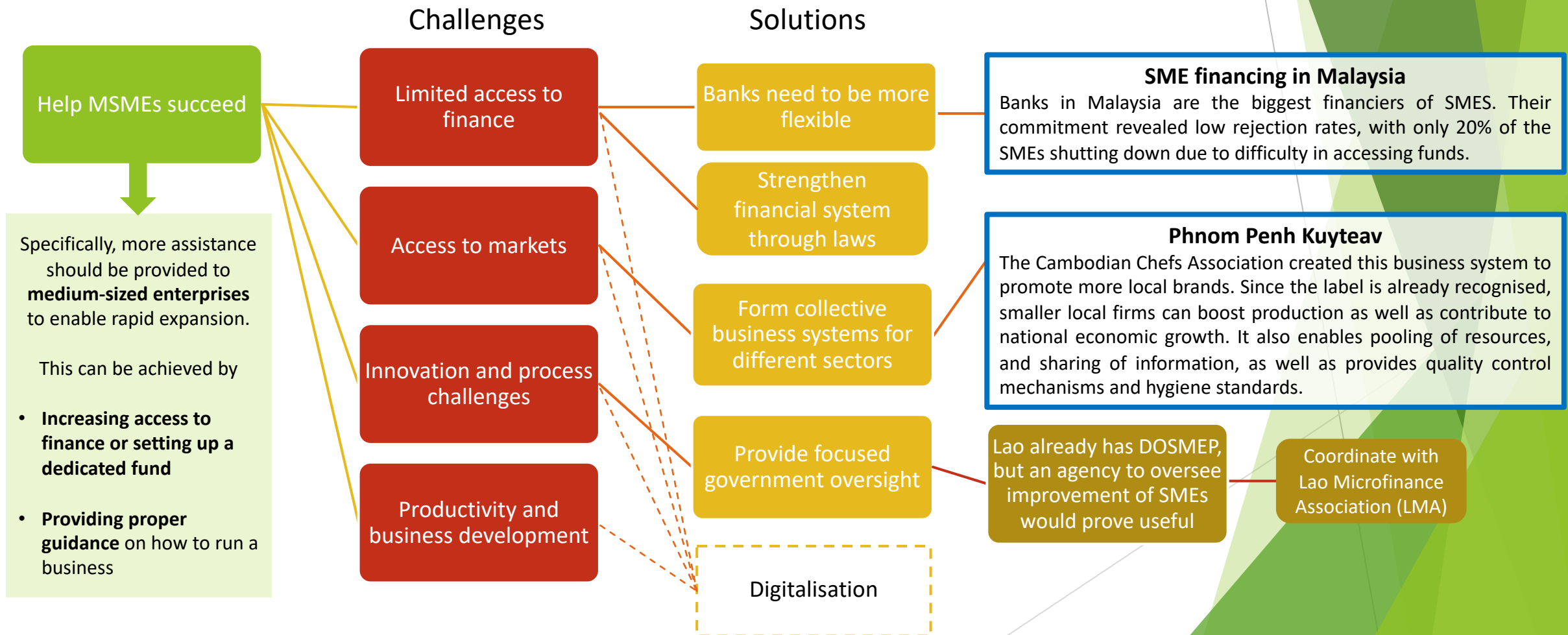
Sustainable growth of MSMEs

Key strategy for Lao PDR

- MOIC
- MPI
- Other agencies

Alongside these measures, the root of the problem – **unfavourable businesses environments** – must be addressed.

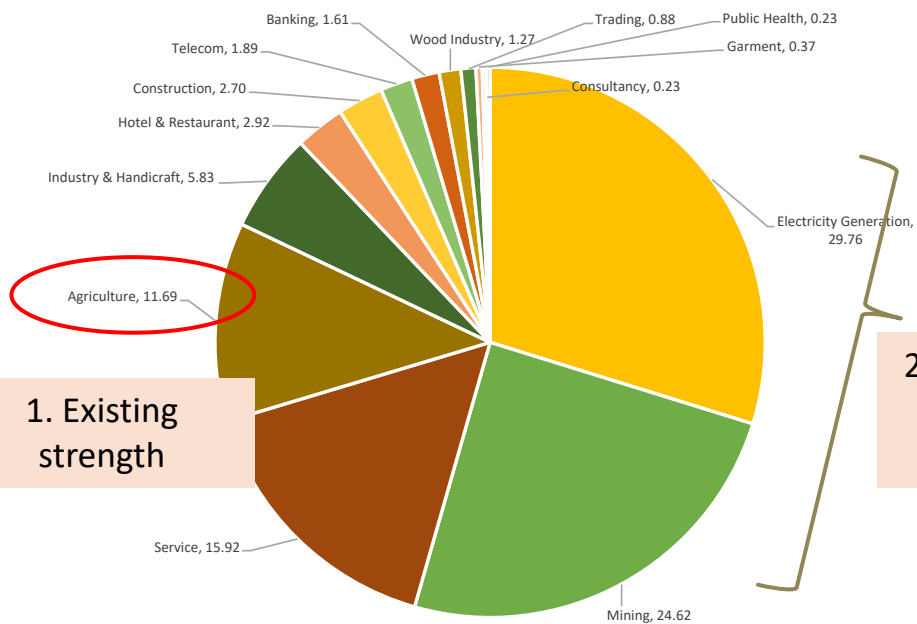
This can be achieved by **strengthening and consolidating Laotian banks, designing and implementing regulation** that would guard the bank against non-payment and criminal activities, in turn encouraging long-term investment



Resilience Agriculture

Why?

% of Foreign Share in local sectors (1989 – 2019)

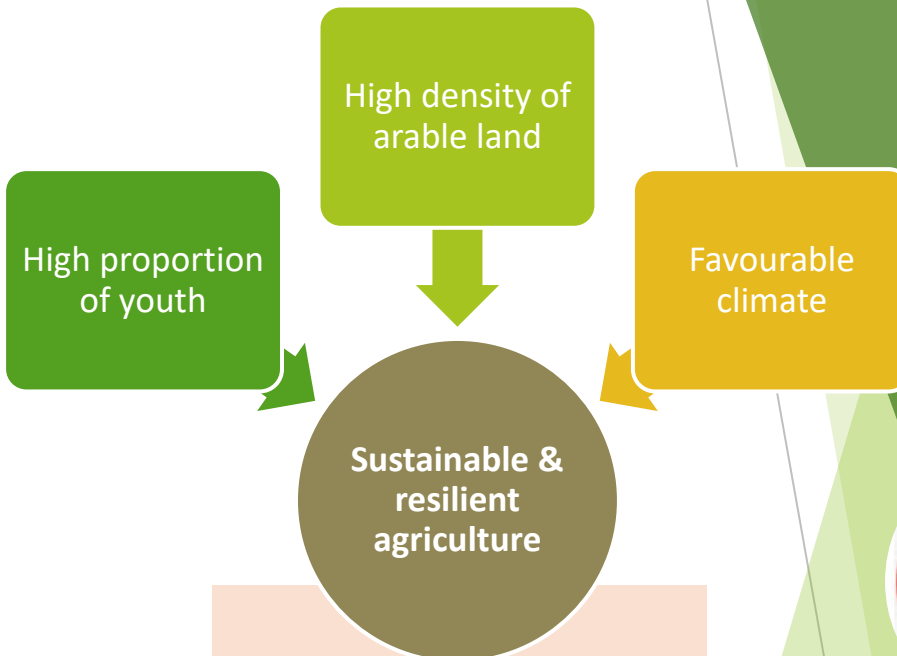


1. Existing strength

2. Need to diversify beyond resource-based industries

Key strategy for Lao PDR

- MOIC
- MPI
- Other agencies



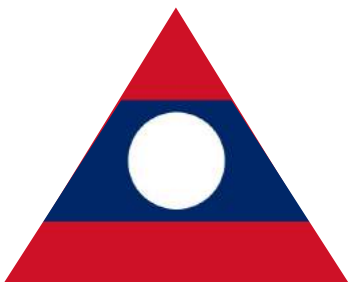
3. In line with endorsement of National Green Growth Strategy (2030)

4. Leverage on the Lao-China railway



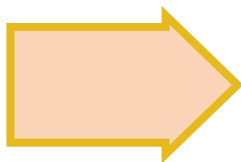
Resilience Agriculture

How?

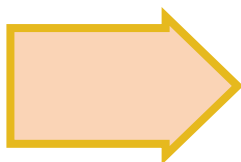


Due to greater manpower as well as technological and expansion capacity, neighbouring countries generally export a large amount of low-end products

Increase capacity



Differentiation



Key strategy for Lao PDR

- MOIC
- MPI
- Other agencies



Fixed agricultural export quotas (food security)

- ▶ Yearly reviews of quotas lead to unpredictable market demand for the medium-term
- ▶ Difficult for agricultural producers and traders to prepare medium-term production and export strategies

Increasing knowledge & technology

- ▶ Experiences can be learnt and expanded from the Mekong Institute's Regional and Local Economic Development – East West Economic Corridor (RLED-EWEC) Project

Matching platform

- ▶ Match suitable businessmen to farmers, allowing for greater export of desirable products

Improve crop quality & safety

- ▶ Improve relations and sales, as well as prevent wastage
- ▶ Establishing trans-boundary quality control centers

Production of premium agricultural products

- ▶ Reap larger gains in the value chain of agricultural business



Annex 2: The Case for Promoting the Growth of MSMEs in the Organic Agricultural Industry

Key gap: Potential of targeting the MSMEs especially beyond the initial production phase

Proposed solution:

- (1) Identify key stakeholders, gaps in the existing system to address with targeted cross-cutting solutions with respect to the wider picture of success
- (2) Coordination and synergy among different key stakeholders, governments and even international bodies

Resilience

Economic Digitalisation

Effects of Covid-19 demonstrates that Lao PDR will benefit greatly from encouraging digitalisation

- ✓ Enabled governments to easily disseminate important information to citizens
- ✓ Provides firms with cutting-edge services at competitive prices
- ✓ Enables businesses to participate in global value chains

A whole-of-government approach with a dedicated task force for implementation and monitoring

Malaysia Digital Economy Corporation (MDEC)

MDEC has been entrusted to lead the nation's digital economy. MDEC's mandate includes driving digital adoption, development of industry-ready tech talents, digital economy policies and global champions. To future-proof Malaysia for the digital age, MDEC will commercialise digital initiatives to advance a thriving and sustainable digital economy placing diversity and inclusivity at its core.

Key strategy for Lao PDR

- MOIC
- MPI
- Other agencies

Short term: Government

- Lao government leads by example to signal a wider society shift
- Support online communication and provide necessary digital equipment to key ministries like MOIC

Medium term: Society

- E-commerce platforms
- Adapt competition policies to digital age
- Improve skills within the private sector
- Invest in ICT eco-system and digital infrastructure
- Design regulatory frameworks to foster competition and market conditions

Long term: Global

- Enable internet payments on a global scale
- An alternative source of revenue for governments

MDEC's Perkhidmatan e-Dagang Setempat (PeDAS) to empower rural SMEs in e-commerce

MDEC launched 10 Rural Internet Centers (PID) to serve as one-stop centers to offer opportunities and space for SMEs to hone their e-commerce skills. This enables SMEs to gain access to wider platforms such as the Digital Free Trade Zone (DFTZ). The services offered by PeDAS include business profiling to assist MSMEs to identify the marketability and viability of their business. PeDAS eases the burden of entrepreneurs and 'solo-preneurs' who do not have an integrated support system or complete knowledge of digital marketing, branding and certification.

Resilience

Other strategies

- MOIC
- MPI
- Other agencies

Maximising SEZs

Lao-China railway

Local employment & training

- Specific obligation can be added to the Decree On Special Economic Zones
- Central labour market database for investors
- Technical schools and training programs
- Subsidise training for locals
- Promote vocational training of pre-graduates
- Quality training
- Translated guide for each sector

SEZ Strategic Development Plan 2021-2030

Sustaining job creation and transfer of knowledge

Land-linked

Thailand-Plus-One model

Companies with industrial operations in Thailand extend the supply chains by transferring certain parts of the production process to neighboring countries, particularly to Cambodia, Laos and Myanmar (CLM).

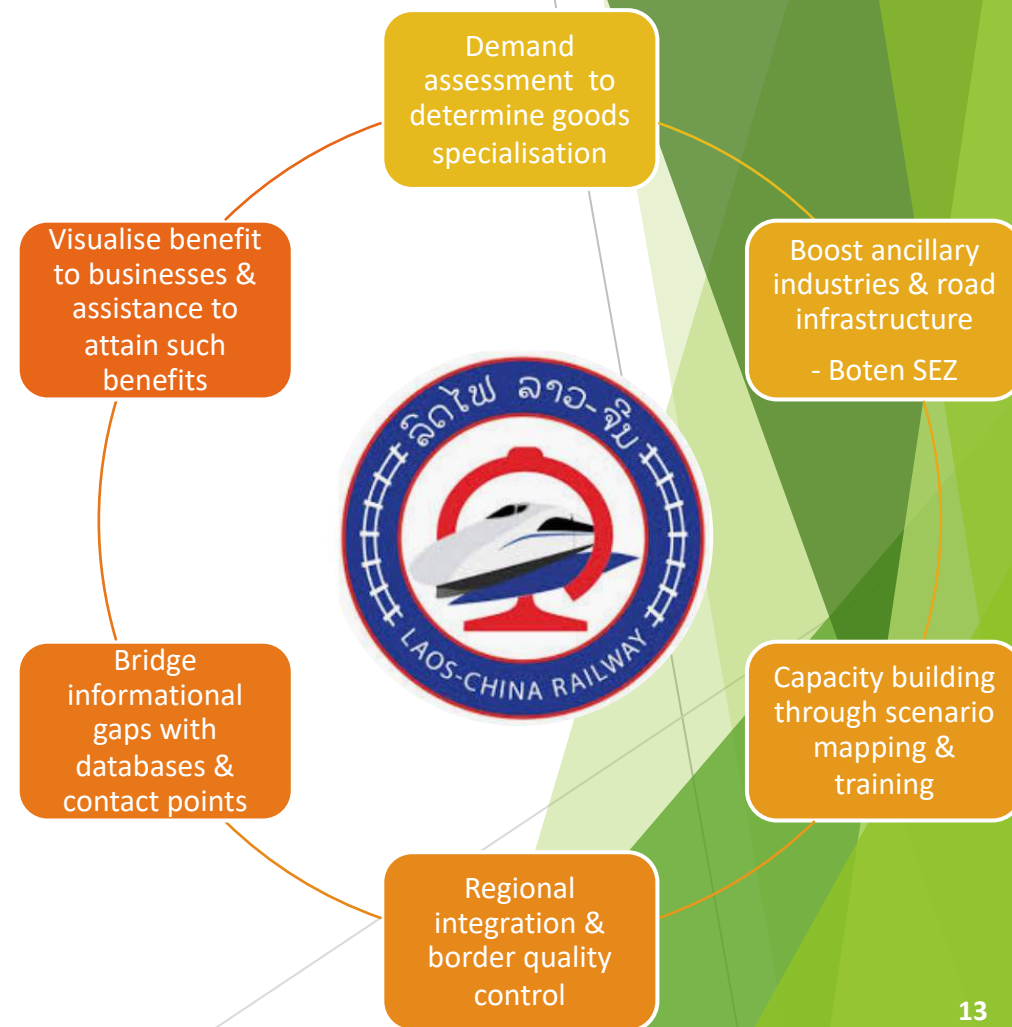
Covid-19

Special scheme to attract investors in this period

Integration of SMEs into the supply chain of SEZs

- Allow SMEs to get more business and improve capacity
- Lower costs for investment projects in SEZs
 - ✓ Matching platform for investors-SMEs
- Increased local employment

- MOIC
- MPI
- Other agencies

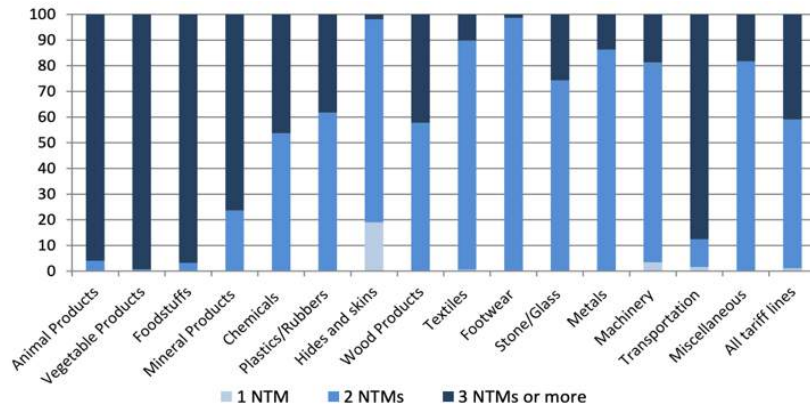


Resilience

Other strategies – Trade facilitation

Non-tariff barriers

Lao PDR Tariff Lines in Each Product Group Affected by Non-tariff Measures (%) (2016)



NTBs must be addressed to ensure the private sector's smooth entry into the international market

Continue reducing vast number of NTBs

Build and maintain database on NTBs to be shared

Logistics sector



Prioritise **integrating** the transport and logistics sectors to facilitate trade by reducing cost of external trade

Town planning to provide provinces with greater **connectivity**



Attract **investors** to invest in the construction of distribution and freight centres as well as local infrastructure to address **budget issues**

The Way Forward Resilience

	Resilience	
People	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Maximising SEZs 3. Lao-China railway 4. Agriculture 5. Economic digitalisation 6. Logistics sector 	<ol style="list-style-type: none"> 1.1 Form collective business associations 2.1 Promote Lao PDR to investors in bordering countries 3.1 Robust exchange of information between the public and private sector 3.2 Understanding Chinese standards to build internal capacities to meet them 4.1 Training to meet standards of crop quality & safety 5.1 In view of COVID, encourage digitisation & e-commerce platforms 6.1 Domestic transport companies to compete and cooperate
Process	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Maximising SEZs 3. Lao-China railway 4. Agriculture 5. Economic digitalisation 6. NTBs 7. Logistics sector 	<ol style="list-style-type: none"> 1.1 Increase bank loan flexibility 1.2 Improve coordination with Lao Microfinance Association (LMA) 2.1 Increase local employment and training 3.1 Demand assessment to determine goods special digitalisation 3.2 Economic projections and models can be created 4.1 Target higher priced agricultural crops and herbs 4.2 Beyond yearly reviews of Laos' agricultural export quotas 5.1 Form dedicated e-commerce task force 5.2 Improve digital capacity and capability within ministries 6.1 Continue reducing vast number of NTBs 7.1 Improving the coordination mechanism
Infrastructure	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Lao-China railway 3. Agriculture 4. Economic digitalisation 5. NTBs 6. Logistics sector 	<ol style="list-style-type: none"> 1.1 Create dedicated task force for SME improvement 2.1 Boosting ancillary industries and road infrastructure 3.1 Technology to meet standards of crop quality & safety 3.2 Platform to match suitable businessmen to farmers 4.1 Design a tracking system to measure success 4.2 Implement regulatory framework to protect competition & consumers 4.3 Invest in ICT eco-system and digital infrastructure 5.1 Build and maintain database on NTBs to be shared 6.1 Key infrastructure and ancillary industries along the Lao-China Railway

The Way Forward

Growth

Beyond the 2 years

- ▶ After laying a strong foundation, Lao PDR should continue to work towards its goal of graduating from least developed country (LDC) status in 2024
- ▶ Long-term planning will allow Lao PDR to capitalise on its resilient foundation to achieve sustainable long-term growth
- ▶ A working group to coordinate between PMO, MOIC and relevant ministries will be set up to outline a graduation strategy and oversee the graduation from LDC status

Growth

Trade & investment opportunities

- MOIC
- MPI
- Other agencies

Need to diversify beyond resource-based industries

Potential sectors of growth

APPAREL & CLOTHING ACCESSORIES

- Lao clothing products remain in demand in **European** markets, with Germany as its top destination followed by the UK, the UAE, and Sweden
- Potential for maximising Lao-EU bilateral trade agreement

ELECTRICALS (MACHINERY & EQUIPMENT)

- Japanese** manufacturing have relocated away from China due to rising costs and grants from the government post Covid-19, and **Thailand** due to political instability
- Laos has and continues to benefit from such relocation

TOURISM (ECO-, AGRO- & CULTURAL)

- Contributed about US\$2 billion or 13.7% of GDP in 2017, expected to rise to US\$3.3 billion by 2028
- Numerous global and regional tourism accolades, including UNESCO World Heritage Sites

Capitalise on existing trends

- Manufacturing could be key considering trade in electricals (Japan), vehicle and spare parts (Thailand) and garments (Europe) could offer high value-add and employment
- Relatively low electricity cost can be used to sufficiently entice key industries

→ Developing the manufacturing sector at large should be a **long-term focus** due to immense competition from neighbouring countries

→ **Low-quantity, high-value products focus**

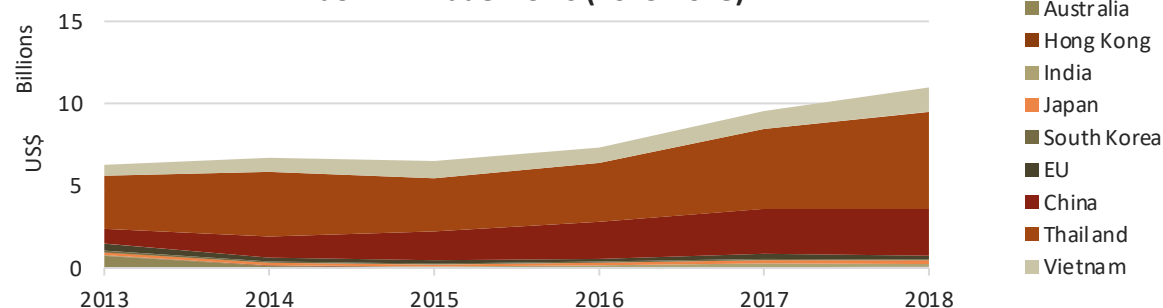
Strengthening Public Private Partnerships (PPP)

Mitigate exposure to risks through PPP

- Promotion of PPP through investment schemes will help alleviate the fiscal pressure on the development of Lao PDR's public infrastructure and services

Leveraging on trade liberalisation

Lao PDR Trade Flows (2013-2018)



Strategic diversification for long-term sustainability

- China represents both the biggest opportunity and risk for macroeconomic stability in Laos
- China's growing footprint in the most strategic areas of Lao PDR's national structures must be managed delicately to ensure that national interests are protected
- Laos should strengthen its other relations so that it can withstand external shocks

→ Trade: **India, Japan and Australia**

→ FDI: **EU and Japan**

Growth

Trade & investment opportunities – beyond bilateral links

- MOIC
- MPI
- Other agencies

Covid-19

- ✓ ASEAN Member States have renewed commitment to greater unity and cooperation
 - Travel corridors
 - Commitments to free trade
- ✓ In the short run, Laos can capitalise on this to accelerate economic recovery and mitigate fallout

→ Despite the outbreak, growth is expected to rebound to more than 6% in 2021

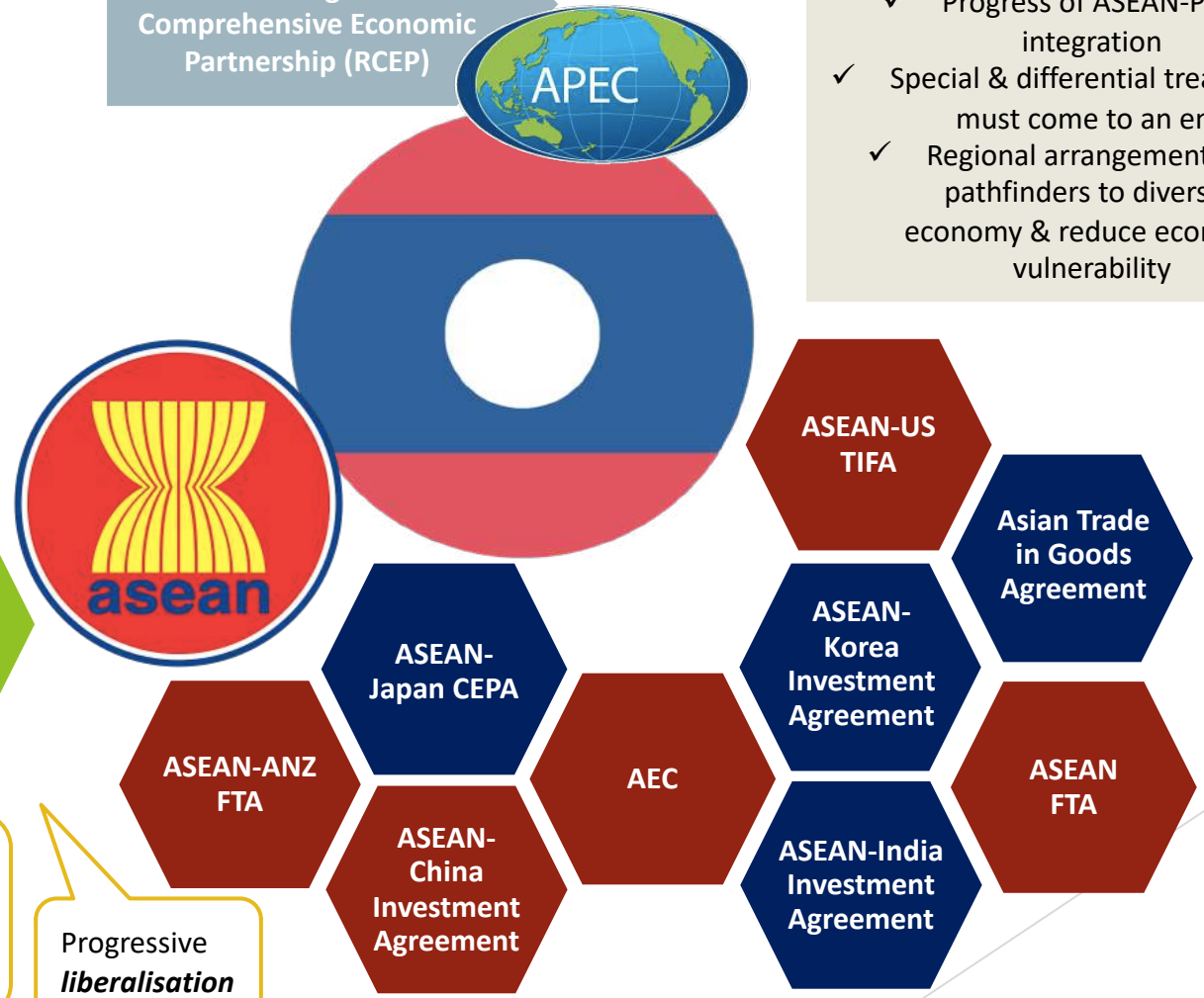
Current push for the signing of the **Regional Comprehensive Partnership (RCEP)**



Great Expectations

- ✓ Increasingly rapid pace of intra-ASEAN integration
- ✓ Progress of ASEAN-Plus integration
- ✓ Special & differential treatment must come to an end
- ✓ Regional arrangements as pathfinders to diversify economy & reduce economic vulnerability

Coupled with intra-ASEAN and ASEAN-Plus trade and investment agreements, the **halo effect of ASEAN strengthens the external appeal of Laos as a promising trade partner and investment destination**



ASEAN Comprehensive Investment Agreement

Improve **transparency & predictability**

Provide enhanced **protection** to investors of all Member States

Jointly promote the region as an **integrated** investment area; and cooperate to create **favorable conditions**

Progressive **liberalisation**

Efforts should be guided by:

Lao PDR government's draft Post Trade Policy Review and Roadmap (2020) aims to

1. Outline clear steps towards efficient implementation of trade policy reforms
2. Expand ties with potential trade partners
3. Enhance the negotiation capacity of officials

Growth

Cultivating existing efforts

The **3-step business registration** process introduced in January 2020 has been widely praised by the private sector. However, this is just one aspect of doing business.

Improve EODB

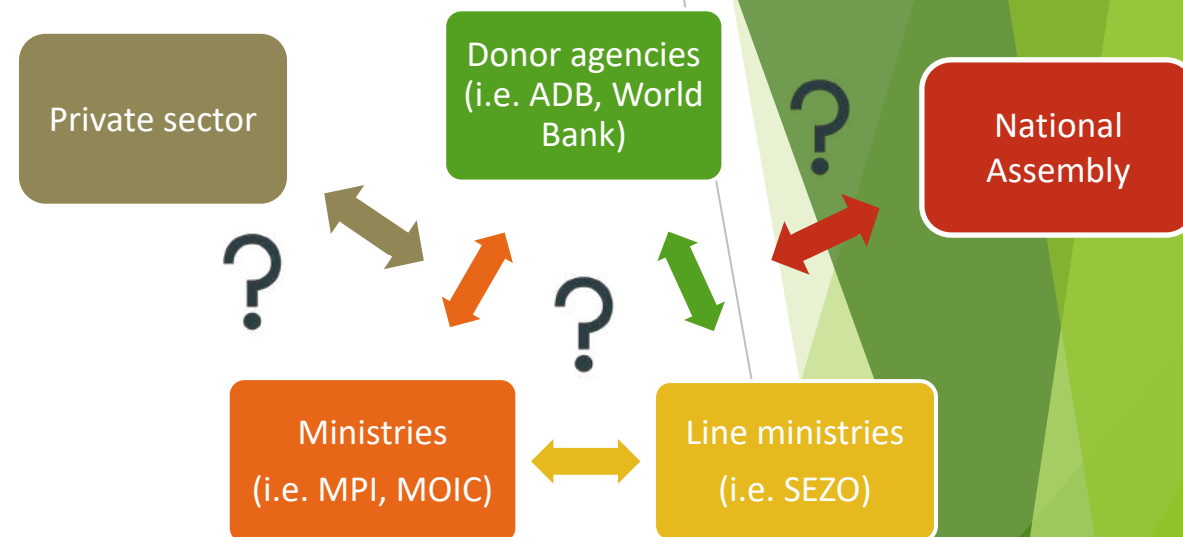
- MOIC
- MPI
- Other agencies

EODB Indicator	Why Laos underperformed	Immediate steps to take
Starting a business	Overly complex in procedures and a lack of clarity in policies applying to potential investors	Continue the momentum of MOIC's Notice and factor in private sector's feedback
Paying taxes	Large numbers and the proliferation of informal businesses, coupled with collection gaps, create an uneven playing field for foreign businesses	Keep centralised records of businesses and tax profiles Adopt electronic filing and payment systems
Trading across borders	Documentary compliance requirements and procedures result in disproportionate time and monetary costs for foreign businesses	Simplify documentation requirements and procedures

- Improving EODB will require extensive resources and complex changes. Nonetheless, in the immediate term, the above steps not only require minimal administrative changes but can easily propel Laos up a few spots in these EODB indicators.

Reinforcing feedback loop

Please also refer to Annex 3



- Proactive communication with National Assembly – demonstrate resolve in opening doors to trade and investment in Lao PDR
- Alignment across ministries on key policies – confusion over responsibilities and jurisdiction with regard to trade and investment activities, resulting in limitations to the effectiveness of policies to improve trade and investment
- Collection of decisions & reports – effectively and efficiently implemented policies
- Communication with **private sector** – REGULAR feedback should be representative of the sector's key players; public-private consultations with a smaller audience of relevant business leaders should be considered too

- MOIC
- MPI
- Other agencies

Growth

Enhancing policy synergies

Please also refer to Annex 3



ADB Capacity Building Workshop (27-30 Aug 2019)

HUMAN CAPACITY-BUILDING

Training sessions for skills development

Adopt multi-dimensional approach, covering investor acquisition etc.

Establish **economic intelligence and strategy units**

To specialise in in-depth study of Laos' key sector performance with (1) its competitors to help Laos stay abreast of its competitors' development plans, and (2) anticipate threats and opportunities in the horizon

Strong policy

- Clearly defined provisions
- Assignment of responsibilities

Implementing guidelines

- Sectors, incentive levels, conditions, timelines
- Prompt issuance of guidelines

Action plan

- Coordinated actions by ministries through more links at sub-national level
- Targets and interim milestones

Cascade to local level by introducing competition element (e.g. Provincial Competitiveness Index, scorecard system)

INFORMATION ON POLICIES

Cohesion of laws with regulations and implementation

Improved access to information and reduce costs of trading

Clarity for investors, building confidence in businesses and investment

COORDINATING AUTHORITY

Enforcement of clear actions (incentives and penalties) potentially by senior officials

Monitoring and evaluation tied to KPIs

Cutting down steps and streamlining approval processes across line ministries

- Following the process of policy synergy, it is also essential to establish economic intelligence and strategy units specialising in in-depth study of Laos' key sector performance vis-à-vis its competitors
- This will help Laos stay abreast of its competitors' development plans, and anticipate threats and opportunities in the horizon

Enterprise Singapore (ESG)

Under the Ministry of Trade and Industry of the Singapore Government, ESG facilitates the overseas growth of Singapore-based companies and promotes international trade. They are involved in basic trade facilitation, and reviewing existing marketing policies, strategies and techniques.

- MOIC
- MPI
- Other agencies

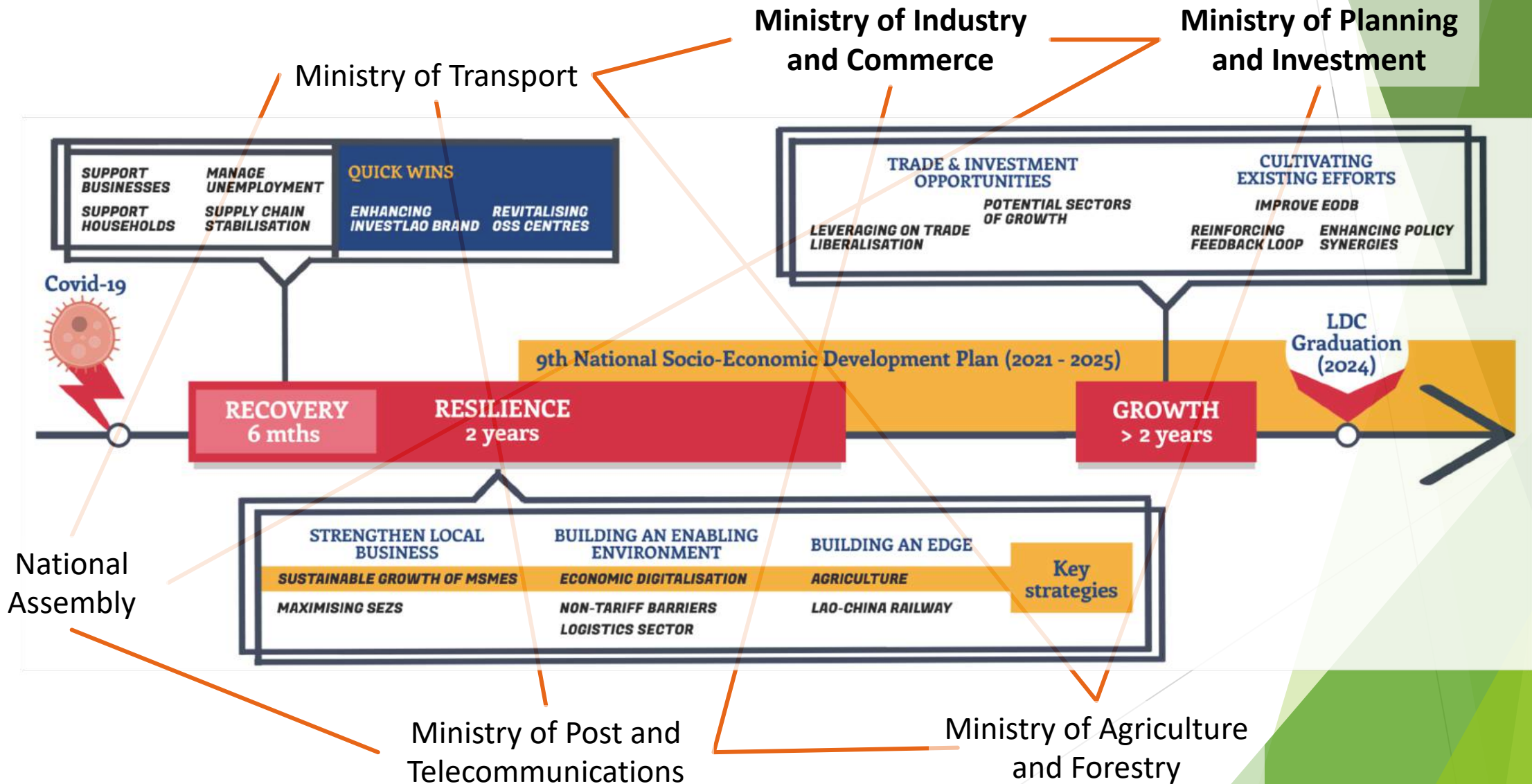
The Way Forward Growth

	Growth	
People	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. Invest in human capital 	<ol style="list-style-type: none"> 1.1 Prepare workforce to adapt 2.1 Invest in Capacity Building (specific skills, KPIs, update training resources)
Process	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. Leveraging on trade liberalisation 3. EODB 4. Enhance feedback loop 5. Enhance policy synergies 	<ol style="list-style-type: none"> 1.1 Identify key steps to transition Lao PDR towards manufacturing 2.1 Maximise ties in ASEAN / ACIA / FTAs 2.2 Build ties with potential partners & strengthen standing in Greater Mekong Subregion Economic Cooperation Program 3.1 Simplify requirements for trading across borders 4.1 Proactive communication with National Assembly 4.2 Alignment across ministries on key policies 4.3 Repository of decisions & reports 4.4 Communication with private sectors 4.5 Review of feedback and recalibration of national strategies, policies and visions 5.1 Review of feedback and recalibration of national strategies, policies and visions
Infrastructure	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. EODB 3. Enhance policy synergies 	<ol style="list-style-type: none"> 1.1 Continue to strengthen infrastructure development to support tourism while exploring benefits of niches such as eco-tourism 2.1 Keep centralised records of businesses and tax profiles 2.2 Adopt electronic filing and payment systems 3.1 Establish a coordinating authority 3.2 Establish an Economic Intelligence unit in conjunction with MPI 3.3 Establish TFIU and NCTPSD

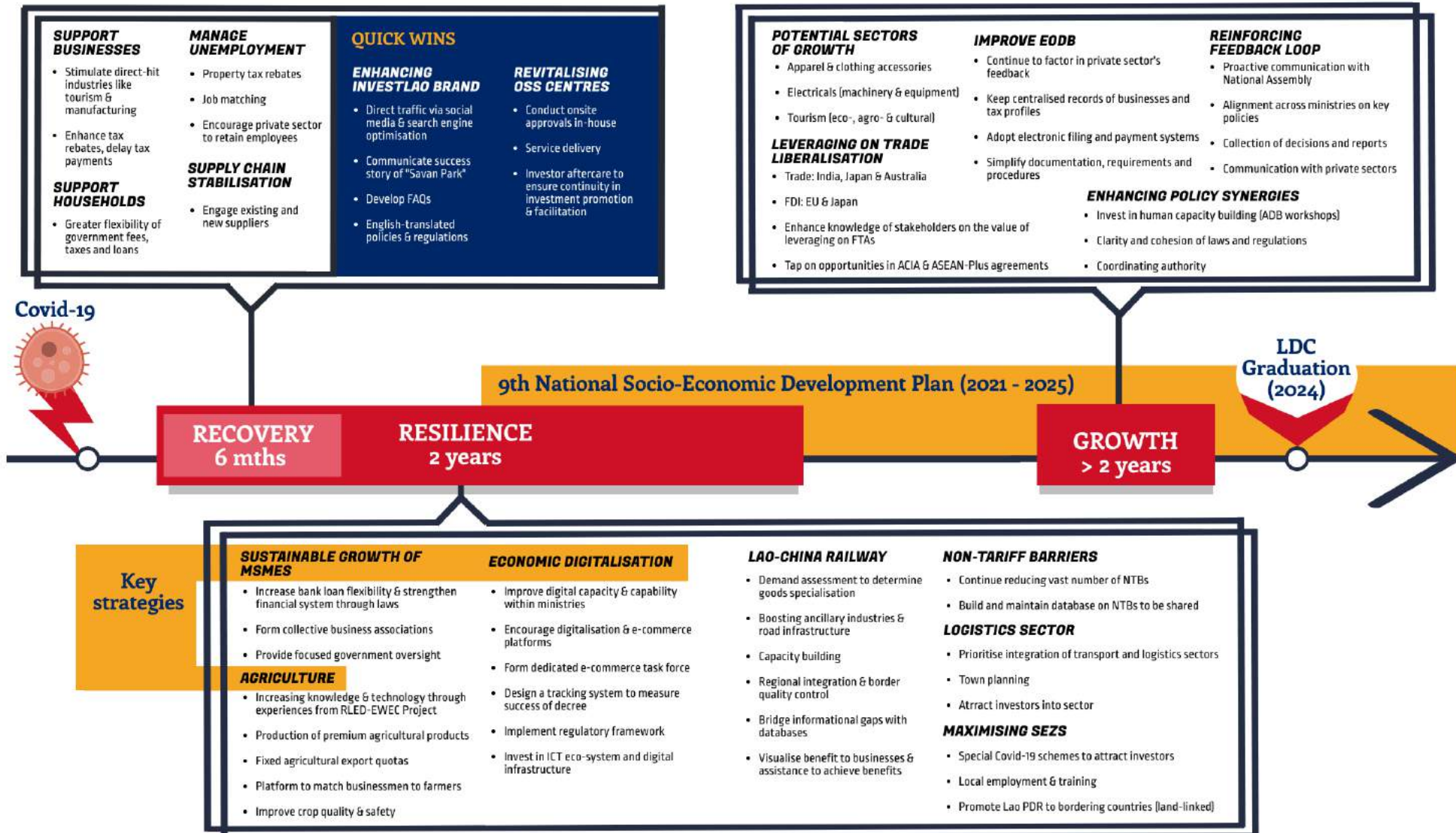
Picture of Success

A whole-of-government approach

All ministries are required for success



Sector Assessment Recommendations



Recommendation Matrix

Quick wins

1. Provision of information
2. Revitalising OSS Centres

- 1.1 Continue revamping sites to standardise information
- 1.2 Develop FAQs
- 1.3 Direct traffic via social media, and search engine optimisation

- 2.1 Upskill staff
- 2.2 Conduct simple approvals in-house
- 2.3 Investor aftercare teams

Recovery

Resilience

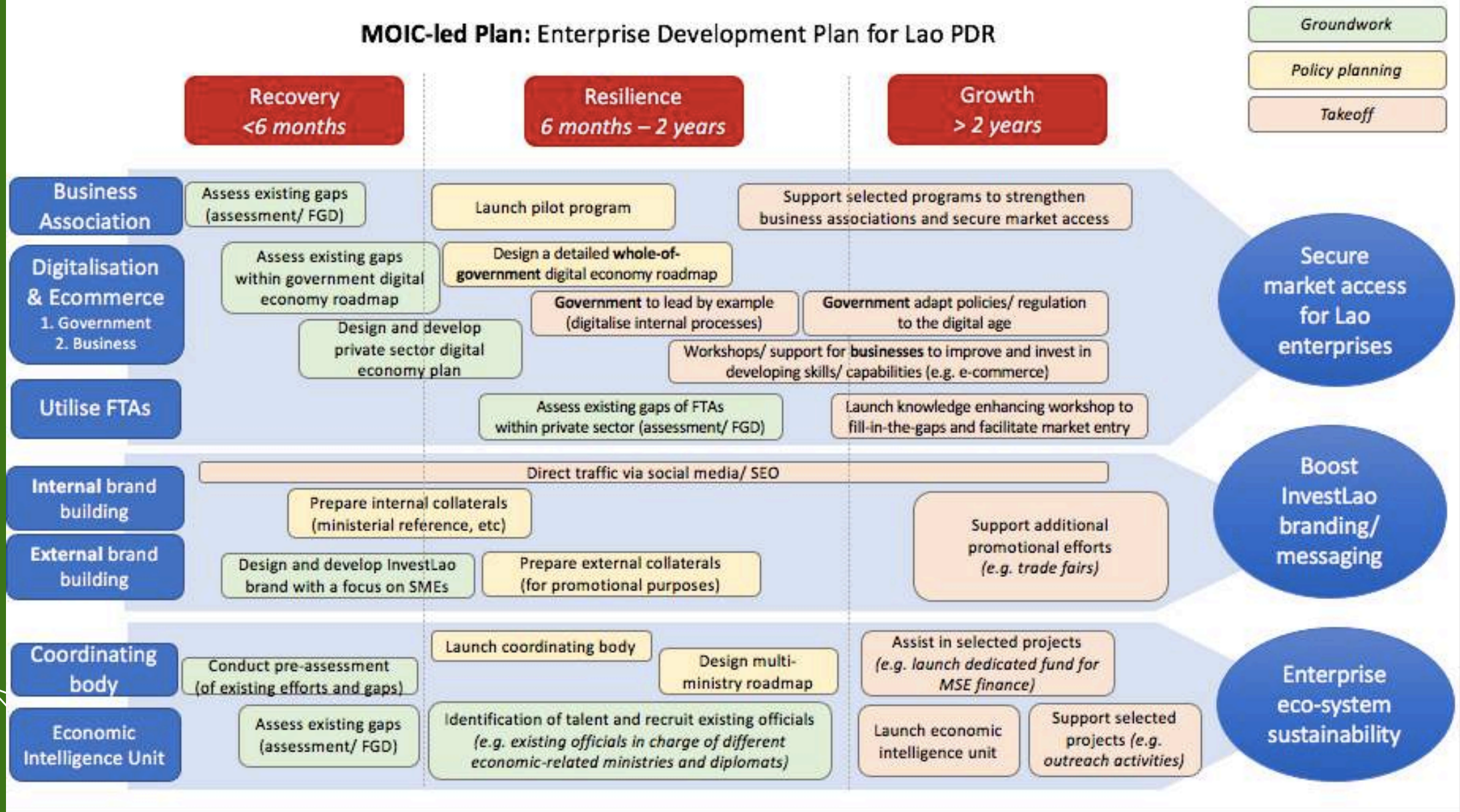
Strengthen local businesses Building an edge Building an enabling environment

Growth

Trade & investment opportunities Cultivating existing efforts

People	<u>Manage unemployment</u> - Provide cash grants - Tax relief - Job matching - Encourage businesses to retain employees and support immediate capacity building needs	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Maximising SEZs 3. Agriculture 4. Economic digitalisation 5. Logistics sector 	<ol style="list-style-type: none"> 1.1 Form collective business associations 2.1 Promote Lao PDR to investors in bordering countries 2.2 Present a compelling story i.e. "Savan Park" 3.1 Training to meet standards of crop quality & safety 4.1 In view of COVID, encourage digitalisation & e-commerce platforms 5.1 Domestic transport companies to compete and cooperate 	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. Invest in human capital 	<ol style="list-style-type: none"> 1.1 Prepare workforce to adapt 2.1 Invest in Capacity Building (specific skills, KPIs, update training resources)
Process	<u>Support businesses</u> - Identify directly-hit industries for stimulus to tide over the period - Enhance property or business tax rebates, delay tax payments and delay land-use fees for businesses	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Maximising SEZs 3. Lao-China railway 4. Agriculture 5. Economic digitalisation 6. NTBs 7. Logistics sector 	<ol style="list-style-type: none"> 1.1 Increase bank loan flexibility 1.2 Improve coordination with Lao Microfinance Association (LMA) 2.1 Increase local employment 3.1 Demand assessment to determine goods specialisation 3.2 Economic projections and models can be created 4.1 Target higher priced agricultural crops and herbs 4.2 Beyond yearly reviews of Laos' agricultural export quotas 5.1 Form dedicated e-commerce task force 6.1 Continue reducing vast number of NTBs 7.1 Improving the coordination mechanism 	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. Leveraging on trade liberalisation 3. EODB 4. Enhance feedback loop 5. Enhance policy synergies 	<ol style="list-style-type: none"> 1.1 Identify key steps to transition Lao PDR towards manufacturing 2.1 Maximise ties in ASEAN / ACIA / FTAs 2.2 Build ties with potential partners & strengthen standing in Greater Mekong Subregion Economic Cooperation Program 3.1 Simplify requirements for trading across borders 4.1 Proactive communication with National Assembly 4.2 Alignment across ministries on key policies 4.3 Repository of decisions & reports 4.4 Communication with private sectors 4.5 Review of feedback and recalibration of national strategies, policies and visions 5.1 Review of feedback and recalibration of national strategies, policies and visions
Infrastructure	<u>Supply chain stabilisation</u> - Engage existing and new suppliers <u>Support households</u> - Greater flexibility of government fees, taxes and loans - Relief on electricity	<ol style="list-style-type: none"> 1. Sustainable growth of SMEs 2. Lao-China railway 3. Agriculture 4. Economic digitalisation 5. NTBs 6. Logistics sector 	<ol style="list-style-type: none"> 1.1 Create dedicated task force for SME improvement 2.1 Boosting ancillary industries 3.1 Technology to meet standards of crop quality & safety 3.2 Platform to match suitable businessmen to farmers 4.1 Design a tracking system to measure success 4.2 Implement regulatory framework to protect competition & consumers 5.1 Build and maintain database on NTBs to be shared 6.1 Key infrastructure and ancillary industries along the Lao-China Railway 	<ol style="list-style-type: none"> 1. Other potential sectors of growth 2. EODB 3. Enhance policy synergies 	<ol style="list-style-type: none"> 1.1 Continue to strengthen infrastructure development to support tourism while exploring benefits of niches such as eco-tourism 2.1 Keep centralised records of businesses and tax profiles 2.2 Adopt electronic filing and payment systems 3.1 Establish a coordinating authority 3.2 Establish an Economic intelligence unit in conjunction with MPI 3.3 Establish TFIU and NCTPSD

MOIC-led Plan: Enterprise Development Plan for Lao PDR

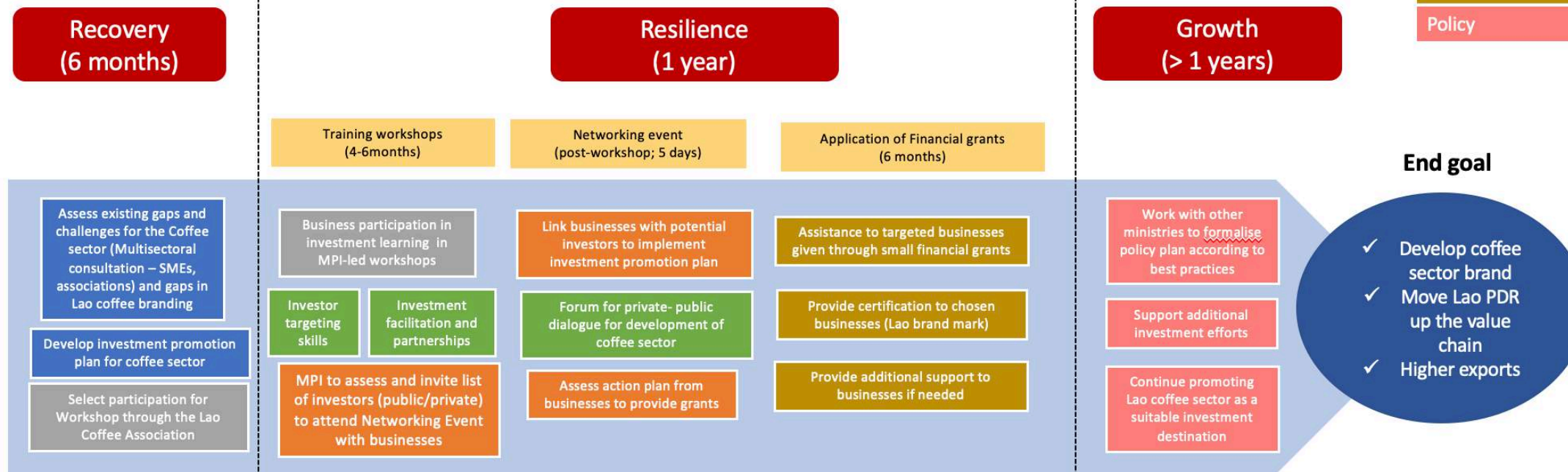


Illustrative example of an MOIC-led Enterprise Development Plan

Planning
Workshop
Outcomes
Networking Event
Grants
Policy

- Develop coffee sector: What's in it for MPI**
- Scaling up production of premium agricultural products/ high-value crops to move Lao up the value chain
 - Participation in investment promotion workshops to enhance dialogue and strengthen feedback loop and boost linkages between industry and commerce, policy planning and investment and private sector (Recovery/Resilience)
 - Active promotion of Lao brand coffee (Resilience/Growth)

MPI-led plan: Scaling up Coffee Sector Investments



(1) Case study: Indonesia's "Indonesian Coffee Week" launched by Ministry of Trade

The event was launched to promote the nation's beans and boost exports, especially to the European Union as trade lags during the pandemic. The event aims to market coffee varieties with a Geographical Indication, a designation for products that have a specific region of origin and possess qualities, or a reputation related to that region. Indonesia and the EU already have an agreement to promote Gayo coffee through the **ASEAN Regional Integration Support by the EU (ARISE) Plus** program. The program has some 15 million euros (US\$17.5 million) in funding and will last until 2023.

For Laos: The networking event could be couched as a "Coffee Week" where MPI could provide the networks for the events and invite other major trade associations to participate in order to boost potential investments for the sector.

(2) Case Study: Singapore Coffee Association's Microlot Auction

The association launched the Singapore Microlot Specialty Coffee Auction online in October 2020, making dozens of individual coffee lots available to international buyers, which include 56 coffee lots from 45 different producers of high-scoring coffees.

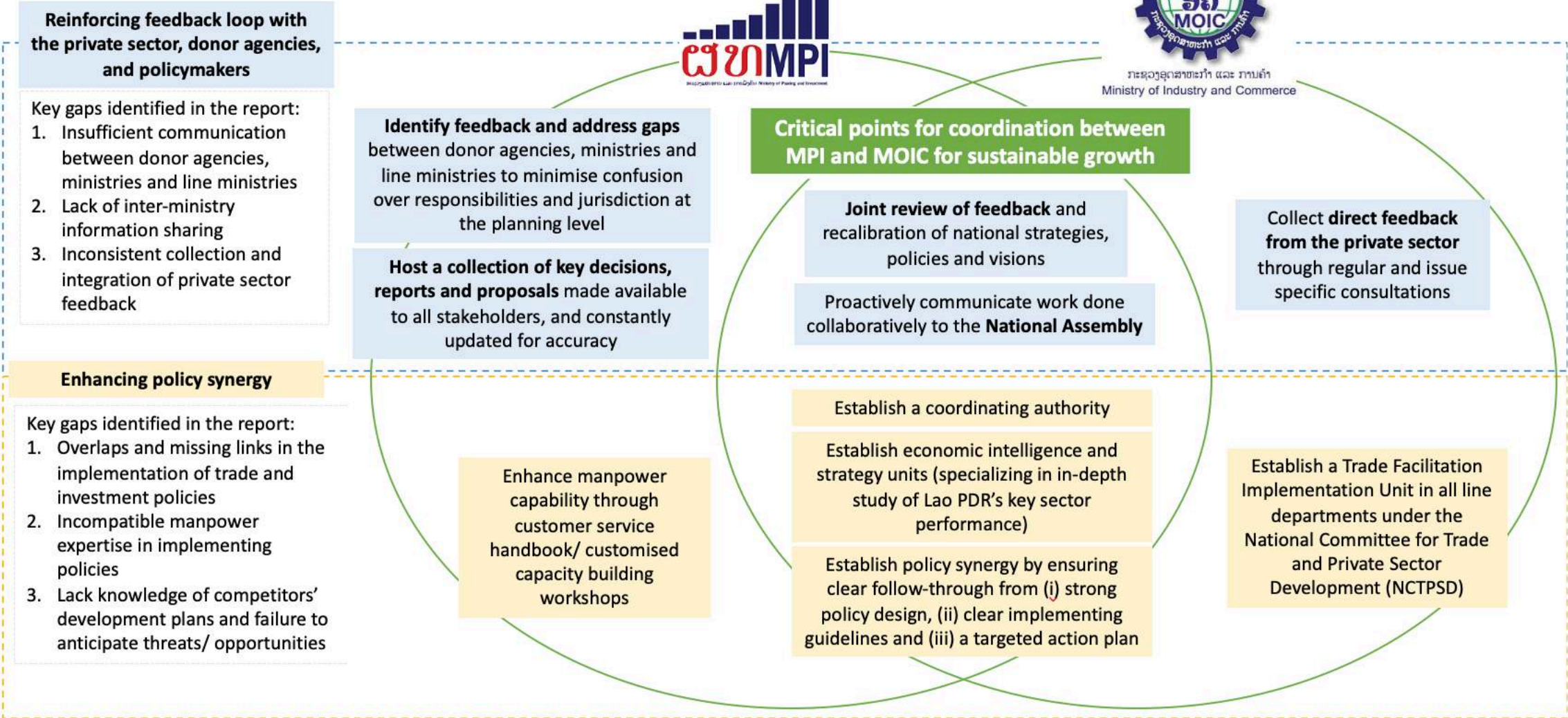
For Laos: A virtual coffee auction during the resilience/growth phase could help mitigate trade and supply challenges by allowing buyers to source directly from the origin and enable coffee producers to establish a presence in the global market. MPI could facilitate such a connection.

Illustrative example of an MPI-led Coffee Sector Plan

Coordination between MPI and MOIC: Effective policy planning in the Growth phase



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Ministry of Industry and Commerce





Trade and Investment Sector Assessment

Output 1: Trade and Investment Sector Assessment

*ADB TA9136 on Economic Policy Support for Enhancing
Productivity and Employment*