

# Country profile LAO PDR

Enhanced Integrated Framework (EIF)  
for trade-related assistance for Least Developed Countries (LDCs)







## SUMMARY

Lao PDR has had a challenge in attracting investment due to the environment for doing business, having been ranked 171 according to 2011 World Bank's *Doing Business Survey*, on the different indicators. However, three potential indicators have already been identified for reform. These include trading across borders – time involved to import and export – plus starting up a business.

Lao PDR joined the Integrated Framework (IF) programme in 2004, and its Diagnostic Trade Integration Study (DTIS) was part of an effort by the Government to identify key barriers to becoming more competitive. The DTIS was validated in September 2006 and served to develop the Government's trade strategy and goals, which were translated into a comprehensive Action Matrix. The Action Matrix sets out the priority areas in supporting:

- export competitiveness;
- customs modernization and trade facilitation;
- business environment;
- capacity building for international trade policy and negotiations; and
- promotion of trade opportunities.

These priorities are being looked at in a series of trade-related assistance and policy reforms being carried out by the Government. As such, the DTIS and the National Export Strategy (NES) set up the framework that provides for the country's trade development agenda within the Sixth National Social Economic Development Plan (NSEDP) 2006-2010. An updated DTIS is planned later in 2011.

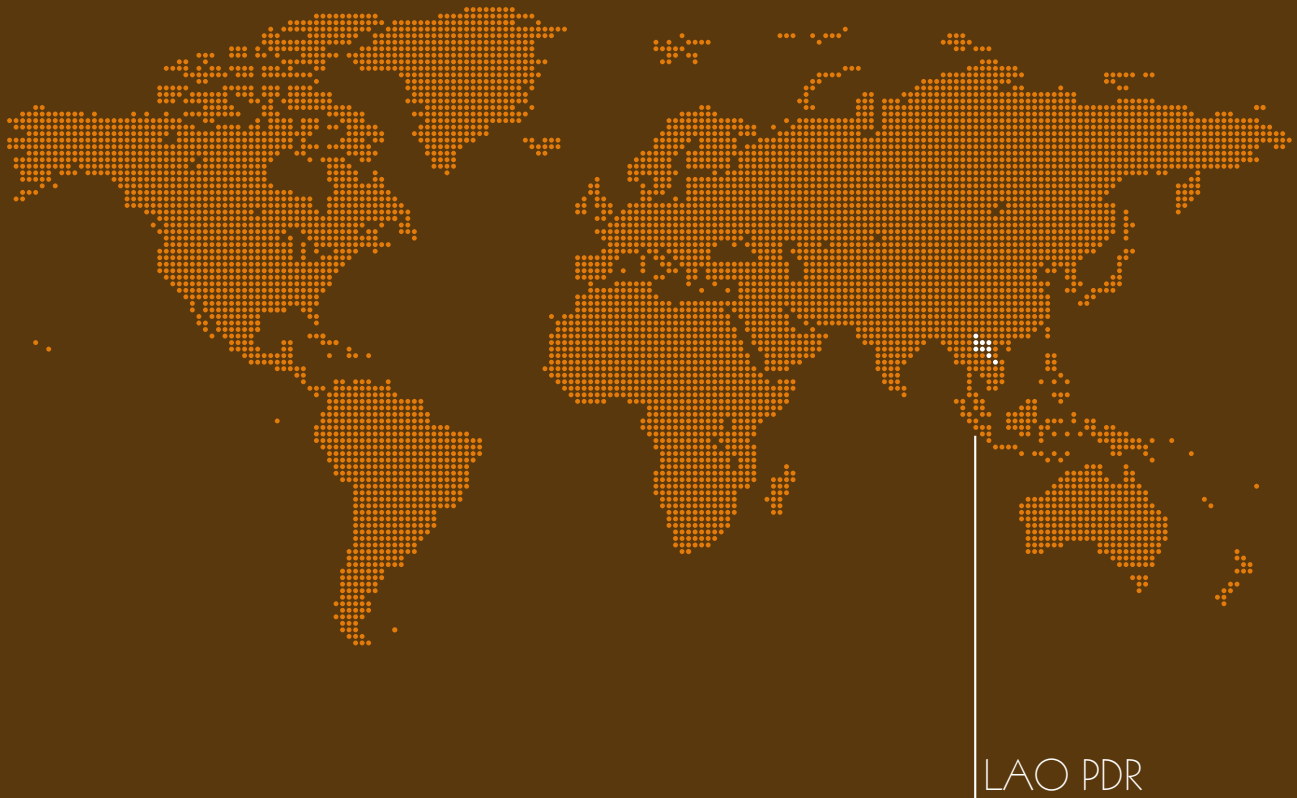
As part of the IF programme, Lao PDR benefitted from four projects: capacity building and technical support for WTO accession; building up capacity for IF coordination; support to the garment industry; and capacity building at the Ministry of Industry and Commerce (MOIC). The National Implementation Unit (NIU) was also set up under the project. The World Bank-managed Trade Development Facility (TDF) brings together Government ministries, development partners, and local organizations in support of Lao PDR's sector-wide approach to trade.

Lao PDR's Enhanced Integrated Framework (EIF) Project was approved in January 2010. The NIU acts as the Government unit that coordinates, manages, and monitors the EIF/Aid for Trade (AfT) work programmes. It serves as an advisory body at both high-level and technical level in cross-government and government-donor coordination, as well as to deliver results in projects on the ground.





# WORLD MAP



## EIF countries:

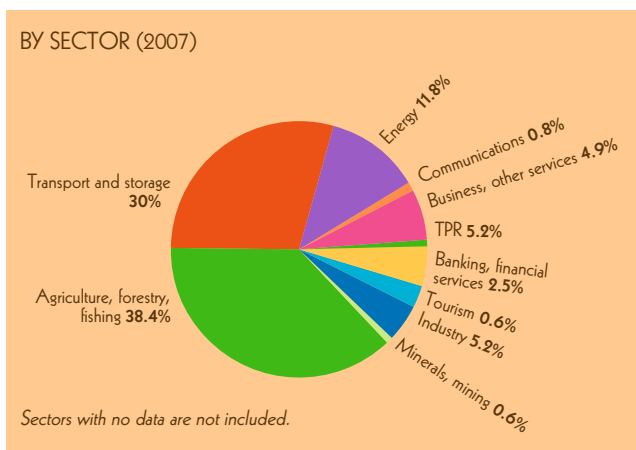
Afghanistan	Democratic Republic of the Congo	Madagascar	Solomon Islands
Angola	Djibouti	Malawi	South Sudan
Bangladesh	Eritrea	Maldives	Sudan
Benin	Ethiopia	Mali	Tanzania
Bhutan	The Gambia	Mauritania	Timor-Leste
Burkina Faso	Guinea	Mozambique	Togo
Burundi	Guinea-Bissau	Nepal	Tuvalu
Cambodia	Haiti	Niger	Uganda
Cape Verde	Kiribati	Rwanda	Vanuatu
Central African Republic	Lao PDR	Samoa	Yemen
Chad	Lesotho	São Tomé and Príncipe	Zambia
Comoros	Liberia	Senegal	
		Sierra Leone	

# FACTS AND FIGURES

<b>Geographical area:</b> 236,800 sq km
<b>Population (2009):</b> 6,127,682
<b>Population growth rate (2010):</b> 2.2%
<b>GDP real growth rate (2009):</b> 7.6%
<b>GDP (2009):</b> US\$5,585 million
<b>GDP per capita (not PPP adjusted) (2009):</b> US\$914
<b>Main exports:</b> mining, electricity, wood and wood products, garments and agriculture
<b>Poverty (% living below US\$1.25/day):</b> 44% <sup>1</sup>
<b>Human development index (2006):</b> 133/179 <sup>1</sup>
<b>Aid for Trade flows:</b> disbursements in 2007 US\$95.1 million (commitments US\$129.3 million) <sup>1</sup>
Lao PDR is currently in the final stages of WTO Accession and has joined the ASEAN Free Trade Area

Lao PDR National Statistics 2011

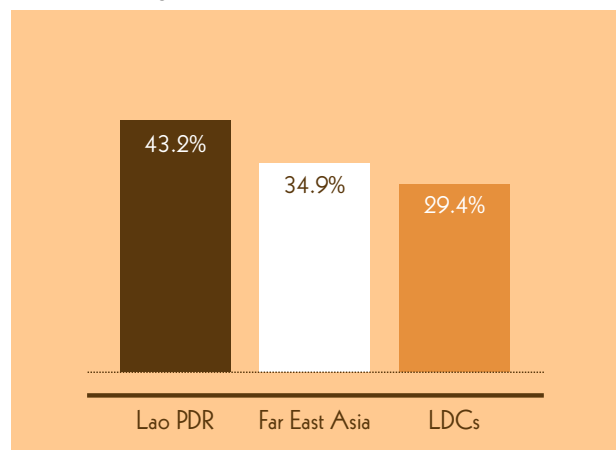
## AID FOR TRADE FLOWS



Aid for Trade at a Glance 2009

## SHARE IN ODA

Share of Aid for Trade in sector allocable ODA compared to regional and income group averages (2006-2007 avg.)



Aid for Trade at a Glance 2009

<sup>1</sup>Aid for Trade at a Glance 2009





## ISSUES



Lao PDR has shifted gears on trade. Moving to a market-based economy since the mid-1980s and opening up to international and regional markets has ushered in a new era for communities, local organizations and businesses nationwide.

This in turn has led to the promotion of rural livelihoods through support given to silk weaver communities including on marketing silk products. Meanwhile, the garment industry's success in exports has led to higher wages for women, particularly for those coming from poorer northern areas.

Yet challenges remain, whether it is the need to create new opportunities for 80% of jobs still linked to subsistence agriculture or to continue fighting family poverty as the rate fell from almost 28% in

2002-03 to just over 20% in 2009-10. As a land-linked country reliant on transit transport, Lao PDR faces constraints in infrastructure and how to move away from a narrow range of exports with a need to focus on how to make trade easier and meet international standards. Plans to accelerate WTO accession (now already at an advanced stage) continue apace. At the same time, this is leading to trade policy and legal reforms to make Lao PDR a better place to do business.

The 6<sup>th</sup>, and soon the 7<sup>th</sup>, National Social Economic Development Plan provides the framework for progress with trade and exports playing a central role. And it is the backing Lao PDR has received from the international community, coordinated by the Enhanced Integrated Framework's (EIF) National Implementation Unit (NIU), that has been at the heart of making these strides possible. Now donors are coming together to support Government initiatives and pool funding behind clearly defined priorities.









## RESULTS



Government, donors and local organizations partner up at the Fifth Trade Development Facility Steering Committee Meeting

Lao PDR has seen high levels of growth averaging 6% over the last decades, outside of the Asian financial crisis, and is working hard to build on these results. The National Export Strategy and the Diagnostic Trade Integration Study (DTIS) have laid the foundation for developing the country's trade goals.



The political support shouldering this agenda has been a driving force for change, with the National Steering Committee for economic integration chaired by the Deputy Prime Minister and the Enhanced Integrated Framework's (EIF) Focal Point and National Implementation Unit (NIU) team coordinating efforts across the board.

Under the first phase of the Integrated Framework (IF) programme, Lao PDR was able to build up the structures that have brought together the wider partnership on trade. Support was provided for:

- WTO accession, strengthening coordination and delivery amongst stakeholders, building up capacity at the Ministry of Industry and Commerce and assistance to the garment industry. Since support began, five garment firms have been able to obtain ethical WRAP certification, and assistance was provided to develop the Association of Lao Garments Industry (ALGI) networks. All of this helped

contribute to the growing success of the garment industry. Companies involved were able to upgrade their production procedures to international standards, were trained in export logistics, and the garments association and selected firms have since developed a strong presence online.

- Progress was made in simplifying investment procedures and rolling out bank credits for small farmers and businesses as well as raising the country's profile among investors. In addition, the Government has helped support the country's handicraft associations and secured their participation at international fairs and backed promotional activities. This included the set-up of the Lao PDR handicraft national day, which is now in its ninth year.
- Throughout the support for the trade and development agenda, there has been a focus on promoting women's economic empowerment, including through workshops and training events. Moreover, building up trade-related knowledge has led to the dissemination of the Lao PDR trade magazine and fact sheets, as well as the launch of the Aid for Trade website to keep all stakeholders in the loop.

Donors have come together to support Lao PDR's sector-wide approach through the scaling-up of funds channeled through the World Bank-managed Trade Development Facility (TDF), which was set up with contributions from the European Union and AusAid, totaling US\$6.8 million. Other donor support, from Germany (€280,000) and Japan (US\$1.8 million), has come in to back the initiative. The TDF builds on the EIF framework to put in place activities that facilitate trade, increase cross-border movement of goods and boost regional and global economic integration.

Wider donor funds being managed in cooperation with the TDF include Switzerland's SECO UN Cluster, with a commitment of approximately US\$4 million, as well as other projects from GIZ, JICA, LUNA, USAID and the Asian Development Bank.









## FORWARD LOOK

As a result of strong coordination and Government leadership on the trade agenda, kick-started by the Integrated Framework (IF) and continuing under the Enhanced Integrated Framework (EIF), new activities are taking off. The upcoming Diagnostic Trade Integration Study (DTIS) update will become the trade sector action plan for the new National Development Plan. Further support under the EIF to tackle technical barriers to trade is in the pipeline. With all of these measures, Lao PDR is in good shape for the future, with businesses, farmers and community associations all standing to benefit.



Lao PDR's broader trade programme goals to reduce import, export and transit timescales and close the gap on standards and the regulatory framework remain vital. And, by bringing together partners from across Government including departments within the Ministry of Industry and Commerce, such as Trade Promotion and Product Development, and the Ministry of Agriculture and Forestry, it means that everyone has a stake in moving forward together. Already strong links have been forged with national associations and with the Lao Business Forum and the Provincial Public-Private Dialogue.

Areas such as agricultural products, wood processing, handicrafts and garments are continuing to receive support, such as with the set-up of a Garments Services Centre in the capital to boost training and skills for the industry. Research shows that 70% of factories have an urgent need for supervisory skills, critical for the industry to be able to compete in today's global marketplace. On silk, community associations are preparing innovative ways to harness technology by reaching out to rural areas with remote skills training through setting up virtual classrooms to boost silk production and quality.

It is clear that the innovative Trade Development Facility (TDF) model, coupled with EIF support, has laid the basis for the sector-wide approach to trade and private sector development in Lao PDR. It has provided the framework for bringing together trade-related assistance of approximately US\$20 million, mobilizing aid behind clear goals that all partners



can buy into. Lao PDR's approach has already been shared on the international stage and is being closely followed by other countries in the region and beyond.

As a top performer in the 2010 Human Development Report, Lao PDR has an opportunity to make sure it meets the goal of creating 'growth with equity', all the more so in the context of the ambition to graduate from Least Developed Country (LDC) status by 2020. This is also set against national aims to reach the Millennium Development Goals (MDGs) and accede to the WTO in a 2015 timeframe. And there are plans to increase exports at 18% per year over the next five years. At the same time, there is a need to build measures to protect the environment, boost non-resource sectors, create jobs, support the private sector, improve skills and access to finance – all priority areas for the national development planning process.

Against this promising backdrop, results show that there has been a growing trend of growth in non-resource exports and trade in services. Furthermore, looking forward, Lao PDR's export earnings are projected to rise in 2011 with higher commodity prices and increased regional demand, and this promises to be just the beginning.

Are you ready to get involved and be part of Lao PDR's trade story?

To find out more go to:

[www.laosaft.org](http://www.laosaft.org) and [www.enhancedif.org](http://www.enhancedif.org)



Find out more at:  
[www.enhancedif.org](http://www.enhancedif.org)

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