





lao pdr

trade on the ground

Trade is blowing a wind of change across the country.

Trade is guiding visitors across the sweeping hilltops at the Plain of Jars where families pose by ancient carved urns. The journey slows down as students cycle the lanes past orange temple scenes and tourists exchange Laotian kip for handicrafts in Luang Prabang.

Trade is being carried across the Thai-Lao Friendship Bridge, blue, red, white flags blowing in the breeze, as trucks loaded with produce clear customs. The pace changes as shoppers hail a painted tuk-tuk in Vientiane to hear the street vendors selling spicy summer rolls. And it's time to take a break to order a serving of steaming *pho* with the office workers.

Trade is stirring through villages in Xiengkhouang as women in royal patterned skirts soak silk in natural dyes under the new tin roofs of raised wooden houses. Moving south, past hotel developments springing up at the Mekong's edge, couples stroll into a crimson-hued sunset, ice creams in hand, over by the night market.

“We have seen the trade sectors play very good role on Lao economic development. I mean trade integration, we found that if we tried to open to go global, it means you can have many helping hands to come to help you.”

Nam Viyaketh, Minister of Industry and Commerce

trade journey

Trade is laying foundations for growth across the country. In garment factories, workers are trained to boost productivity; in rural areas, public-private sector partnerships are taking off in silk production, leading to greater global connections and raising standards to meet norms is going to help tackle barriers at borders.

building the roadmap on trade

Twenty years ago, buying and selling was not commonplace in Lao PDR. Moving from central planning to a market economy was a big step forward and boosted with the recent accession to the WTO and deeper engagement with ASEAN. With 80% of jobs linked to subsistence agriculture, focusing on livelihoods is a priority. While family poverty levels fell, economic growth and investment need to be matched with equity. Trade features in the Seventh National Social and Economic Development Plan (2011-2015) as well as in strategies for agribusiness, garments, tourism and a trade facilitation strategy. There is also a Strategic Plan for Development of National Quality Infrastructure in place with a focus on trade. Underpinning these developments, the Ministry of Industry and Commerce has helped build a programmatic approach to trade and private sector development, and there is a trade portal online that acts as a one-stop shop for import and export procedures.

With the EIF's backing, the Diagnostic Trade Integration Study (DTIS) Update's Action Matrix led to a practical five-year Trade and Private Sector Development

trade snapshot

At Alpilao Ltd. in Vientiane, young women exchange notes back from a garments course. Then it's time to pick up the pace sewing top brands heading for Europe.

In the Mulberries flagship store in the capital, striking shades of silk scarves and cushions hang next to fair trade certificates as tourists pick up souvenirs.

Over in the rice fields, there's investment coming in with technology and expertise, as women in conical hats fend off the sun collecting a season's harvest.

At the Lao Sericulture farm, workers heap organic fertilizer onto mulberry plants while leaves are picked by hand and fed to silk worms, kick-starting the process.

In Vientiane College, Government students laugh and raise their hands to try out the latest English business terms in the popular weekend training courses.

At the Garments Skills Development Centre, a presentation on industry prospects is in full swing as students take notes on innovative growth solutions.

In Xiengkhouang, impromptu stalls conquer a rural roadside while markets from Vientiane to Luang Prabang are colour explosions of orderly stacked vegetables.





“Now we give very much importance in exercising EIF to get further funding from Aid for Trade with strengthened coordination within Government agencies and also between Government agencies and the donor community.”

Khemmani Pholsena, EIF Focal Point and Vice-Minister of Industry and Commerce

Roadmap linked to the National Development Plan. The DTIS Update (DTISU) mobilized support, particularly from agencies in charge of delivery, embedding a way to monitor outcomes and turning priorities into projects. The process was driven and managed by the Government with a mix of international and national expertise, reflecting strong local capacity being built up, as well as high political involvement and coordination. The Roadmap is a living document in which Action Matrix priorities are linked to results, and it serves as the work programme for the Trade and Private Sector Development Working Group.

Communicating the vision of what Aid for Trade (AfT) can do countrywide has had an important impact. With EIF backing, there has been wide-reaching stakeholder consultation for the DTISU beginning with the concept of the vision, throughout the drafting stage and an inclusive approval process that involved two regional and further national workshops together with video material. A multi-media outreach campaign with a user-friendly website in both Lao and English, bi-annual Trade magazines (now in their 9th edition), articles, publications and film screenings have all played a part.

connecting partners on trade

The EIF has helped stakeholders to understand their role and what more can be done to add value and drive delivery of the trade programme across the different sectors. The set-up of the right structures has been critical for success. Added to the mix, there has been a high-level political championing of the process, alongside a strong network of senior level and technical officials from line ministries engaged in secretariats and operational clusters on trade.

At the national level, the Deputy Prime Minister chairs the National Steering Committee (NSC) with involvement at senior political level. This is complemented by an active EIF National Implementation Unit (NIU) within the Foreign Aid Division in the Ministry of Industry and Commerce's Department for Planning. The team oversees the programme approach on trade through its unique mix of professional and administrative staff. They are funded from Government, EIF and Trade Development Facility (TDF) projects and are grouped into sub-teams focusing on delivery as well as monitoring and evaluation. With EIF coordination, more AfT is channelled through the NIU and national mechanisms, and there is a common results framework. As a result, trade-related assistance went from US\$7.6 million in 2008 to US\$11.1 million in 2011 and Government contributions to US\$312,500, alongside secondments to the NIU in 2012-2013. The EIF is supporting the NIU as a knowledge hub with courses held in the English language, IT, project management and results measurement. Over 67 workshops in 2012 led to 2,617 people trained. It's helped with the Government procurement guidelines developed with World Bank (WB) support, leading to more projects coming in from development partners.

The TDF administered by the WB brings together funds of US\$7.6 million (Australia, European Union and Germany) and US\$1.8 million through the Japan Social Development Fund. Designed to roll out the DTIS, the TDF has helped to facilitate trade in cross-border movement of goods and boosted access to the regional and global economy. A second phase up to 2017 to kick-start delivery of the DTISU will have increased funding of US\$14 million from more partners including Australia, the European Union, Germany, Ireland and the WB.

With EIF backing, interventions are aligned to the Government financial year and Government procedures. A common Projects Executive Committee is chaired by the Minister of Industry and Commerce and co-chaired by development partners. There is a harmonized steering committee for the TDF, EIF and UN-CEB Cluster managed by the NIU, with joint work plans and reports and an upgraded donor coordination forum, the Trade and Private Sector Working Group. The private sector has also been supported through the Lao Business Forum, the Lao National Chamber of Commerce and Industry and in the opening-up of the provincial public-private sector dialogue. The EIF Donor Facilitator role led by the European Union has also been instrumental in building the skills development agenda and streamlining coordination, at the same time co-chairing the Working Group with Germany and overseeing additional informal donor meetings.

charting the trade impact

Earlier IF support laid the basis for coordination efforts, starting with the first DTIS, helping with WTO accession, capacity building as well as assistance for the garments sector. This led to five firms obtaining ethical Worldwide Responsible Accredited Production (WRAP) certification, and investment procedures were simplified. It helped the handicraft association to be part of international fairs, and a high-profile national handicraft day was established.

The TDF is coming in to make a difference in the garments industry, which is made up of 30,000 workers, overwhelmingly female and from poorer northern areas. Research estimates that 70% of factories need supervisory skills to compete internationally. Working in line with the Government's goal to double the number of workers, the Garments Skills Development Centre is changing prospects. Alongside support from Germany in machinery and expertise, courses are underway for garment operators and supervisors. As a result of the training, productivity is up by 20%, and performance is up by 43%. The focus on empowerment is making waves in an industry that was previously not seen as providing opportunities to move ahead.

Another area supported by AfT is in silk, which has boosted public-private partnerships and promotes community development. In northern areas, silk is a way for women, many from minority groups, to earn an income and develop their entrepreneurial skills. The inclusive business approach championed by Mulberries and Lao Sericulture Ltd., among other firms, is building demand as well as a strong relationship with farmers, with plans to scale up support to 1,200 households by 2015. There is a positive social angle investing profits back into water, sanitation and training, while at the same time promoting organic and fair trade methods, using natural dyes and by-products.

An upcoming EIF project focuses on industrial statistics and standards to improve business competitiveness in the post-WTO accession phase. With technical expertise from UNIDO, it aims to set up the Lao National Accreditation Bureau and the Lao Quality Centre to boost quality, safety and reliability of products and services for higher export potential.



signposting the trade horizon

Lao PDR's vision on trade is moving ahead with the aim to graduate from LDC status by 2020. It's been about developing a programmatic approach, national coordination efforts and structures that have also been shared as a model for other countries, including at the EIF Steering Committee. The Trade and Private Sector Development Roadmap in 2012 sets out the key economic sectors and support needed from across Government and the donor community.

To get everyone on the same page, it will mean making the most of the country's skills to plug the labour shortage and high turnover in the garments sector and stem the flow of migration at the same time as continuing to improve workers' conditions. For a landlinked country, it means building on regional and global market opportunities by tackling barriers to exports in standards and quality. It will involve taking a hard look at transportation, moving trade across borders and reducing import and export times. Focusing on reforms to business development, access to finance, building competitiveness and moving away from a reliance on natural resources are all important areas. At the same time, it will be about developing manufacturing and services alongside agriculture. Taking a closer look to help the Government build capacity to manage the process along the way will all contribute to a sustainable future on trade.

With the EIF platform and Aft's momentum, there is a clear future ahead. A focus on driving results, bringing on board more support and giving communities the tools they need will mean trade can bring long-term prosperity.

"Donors have played a constructive role here over a long period. The EIF has really helped to put a framework behind all of that. It provides a sense of governance under which trade coordination activities can take place."

Lynda Worthaisong,
Ambassador of Australia



trading high

making trade matter:

Trade and Private Sector Development has been created as a new Working Group under the Seventh National Social and Economic Development Plan (2011-2015)	The update of the Diagnostic Trade Integration Study (DTIS), its Action Matrix and the Trade and Private Sector Development Roadmap are guiding documents for trade-related technical assistance
A Projects Executive Committee has been set up, chaired by the Minister of Industry and Commerce with co-chairing by development partners	A Strategic Plan for the Development of a National Quality Infrastructure is in place with a strong focus on trade, and a Trade Facilitation Strategy up to 2015 has been developed to boost regional trade
Line ministries are being linked up through a strong network of senior and technical officials engaged in secretariats and operational clusters on trade	WTO accession in February 2013 is a milestone for a stronger global trading role

“Training is very important to improve the skills and knowledge. We can see that the performance is increased which gives more good results, more output and they feel confident to apply this to their jobs.”

Borivone Phafong, Director, Garment Skills Development Centre

support to trade:

EIF total support equals US\$1,236,999	
The EIF is providing support of US\$837,559 to strengthen trade capacity and coordination	Trade-related assistance channelled through the National Implementation Unit (NIU) went from US\$7.6 million in 2008 to US\$11.1 million in 2011, with Government contributions rising to US\$312,500, alongside staff secondments to the NIU in 2012-2013, up from US\$25,000 in 2011-2012
The World Bank (WB)-administered Trade Development Facility (TDF) Multi-Donor Trust Fund with support from Australia, the European Union and Germany is moving into a second phase of US\$14 million for 2013-2017 with an increasing number of co-financing donors, which include Australia, the European Union, Germany, Ireland, and the WB	

private sector:

The private sector joined up with Government and development partners to update the DTIS and develop the Trade and Private Sector Development Roadmap	NIU support stimulates private sector engagement in developing partnerships for silk yarn production
---	--

“We need people to buy our product because one product has many steps, we can help many people. If you buy one product, you can help 25-6 people, do not only give us money, but in this way as you buy you help people too.”

Kommaly Chanthavong, Director, Lao Sericulture Company ‘Mulberries’

building knowledge:

With EIF support, capacity has been developed to produce the DTIS Update – the first managed by the Government with leading national and international expertise. Government procurement guidelines have been developed with support from the WB to manage projects for development partners

2,617 participants countrywide benefited from 67 training sessions in 2012 scoring 80% satisfaction rates, and in many courses, over a third are women

garments:

With TDF support, training by the Garments Skills Development Centre led to an increase of 43% in sewing operators' productivity and efficiency in the production lines of participating firms of 20%. 70% of factories urgently need supervisory skills to compete

The Government's goal is to double the number of workers to 60,000 with a target of US\$500 million exports by 2015 up from US\$200 million. The work-force is mainly made up of female workers aged 18-25, and there is a turnover of 40-50%

IF support led to five garment firms certified as complying with Worldwide Responsible Accredited Production standards

silk:

With support from the TDF, the business model linking leading firms such as Mulberries and Lao Sericulture Ltd. to farmers plans to scale up support to over 180 farmers and 1,200 households by 2015

With project support, a village group hopes to harvest 6,000 to 10,000 metres of silk per year over the next five years with each family earning on average 30 million Laotian kip (US\$3,800)

trade across borders:

Backed by the TDF and the NIU, the Trade Portal was launched in June 2012 providing a one-stop shop for import/export procedures, including technical barriers to trade and sanitary and phytosanitary standards inquiries

doing business:

The WB's 'Doing Business' ranking was 163 in 2013 up from 171 in 2011 with improvements in indicators in *starting a business* and *trading across borders*

"We can here really see now a programme bearing fruit that focused a lot on capacity development in the Government. A programme where the Government has a lot of ownership and increasingly takes on more ownership of this."

Stefan Lock, former EIF Donor Facilitator representative, European Union

"Trade can do a lot more for enhancing these Small and Medium Enterprises, that's where over 90% of the private sector is in Lao. A lot more can be done through the EIF to promote the livelihood of the ordinary people of Lao PDR."

Keiko Miwa, Country Manager, The World Bank





trade story

"My chief sent me to the training. After I came back, I became line supervisor, taking care of the sewing line. After I get more money, I use it to support my family, to feed my kids and send them to school." Maneela Sengvone, Supervisor, Alpilao International Ltd.

Maneela finishes cutting the loose threads on the pile of blue sweatshirts, her sewing operators' machines humming behind her on the open-plan factory floor. She looks down, eyes sparkling, at her supervisor badge. Maneela comes from a family of rice farmers, the first to become a skilled worker, and earns US\$150 a month. She is planning to move up the knowledge ladder to help her two girls: *"I want to develop myself in the way of supervisor. I will improve myself to be chief of the supervisors,"* she adds with determination. It's an industry that is changing fast, investing in people to grow business and turning productivity into exports. That's progress. *"I want the developed countries' help to find big orders to Laos. So that Lao people would not be unemployed."*

High-rise banks line the commercial streets in Vientiane, next door to carved temple statues. In the national music school courtyard, instrumental notes fill the air on the sound system – musicians in modern uniforms and traditional dress. The country is building on its heritage and resources moving beyond a legacy of poverty to bring know-how to rural areas and minority groups. Women like Maneela are part of a bright new vision, which will help stem migration flows and promote people's prospects nationwide.



"Poverty reduction is at the core of our national development strategy. If we can develop trade, we can develop production, we can generate employment, we can increase the income of the people all over the country."

Sirisamphanh Vorachith, Director General of Planning and Cooperation, Ministry of Commerce and Industry
