

## An Action Matrix of Projects and Technical Assistance to Promote Export Competitiveness in Laos

|  | Objectives  | Priority/<br>Timing   | Government<br>Responsibility | Costing   | Related Trade Assistance<br>Programs  | Type of<br>Intervention   | Econ'<br>impact |
|--|---|---|------------------------------|---|---|---|-----------------|
| <b>Putting in Place the IF implementation and Monitoring Structure</b> |   |   |                              |   |   |   |                 |
|  | Rationalize IF supervisory committees, establish a National IF Management Unit  | High priority with actions already having begun and will be ongoing | MOIC/IF Steering Committee   | Medium - Estimated cost of establishing and training a IF Implementation Unit is US\$1.5 million over 5 years   | IF Trust Fund   | Governance  | NA              |
| <b>Component 1: Export Competitiveness<sup>1</sup></b>                 |   |   |                              |   |   |   |                 |
| <b>Project 1: Support agricultural competitiveness</b>                 | Encourage the production of organic agricultural products for export; improve quality standards of traditional agricultural products; improve productivity of traditional agricultural products; develop agro-processing industry for export; improve distribution channel infrastructure; improve productivity; training in modern agriculture techniques for farmers; encourage the production of medicinal plants and spices for export. | High priority with action to be undertaken from the first year      | MAF, LNCCI, NUOL, MOIC       | High - in particular significant investment is required to improve productivity and develop processing industry. Estimated costs for project to improve just the production and supply chain of organic agriculture are US\$1.7-2 million over 3 years. Estimated costs for project to build-up the medicinal plants and spices sector are US\$1.5-1.75 million over 3 years. | France's Coffee Value Chain Development (2005-08, US\$2.4m) & Cash Crop Production Project (2006-08, US\$6.4m); EC's Asia Invest Commerce in Horticulture Aided by Species Identification Systems (2006-09, €0.3m) & Developing Food & Agribusiness Training in the Mekong Region (completed 2006, US\$0.4 shared with 5 countries); ADB's Marketing Support for the Organic Produce of Ethnic Minorities (2004-07, US\$0.6m); Switzerland's Promotion of Organic Farming and Marketing (completed 2006, US\$0.3m); FAO's Improvement of Coffee Industry Project (completed 2005, US\$0.35) | Technical assistance; regulatory; human resource capacity building and infrastructure development; encouraging investment | Large           |

<sup>1</sup> Projects 1, 2 and 3 under Component 1 are in line with the National Export Strategy of 2006-2008 where more details can be found.

|   |   |   |                   |  |   |   |               |
|---|---|---|-------------------|--|---|---|---------------|
| <b>Project 2: Support light manufacturing competitiveness</b> | <u>Garment sector:</u> Encourage local producers to gradually shift from working on CMT to FOB basis; improve productivity of garment sector; promote Lao garment products; improve quality of Lao garment products; develop trade information and linkages with buyers on garment. | High priority with preferably for action to begin from the first year | LNCCI, ALGI, MOIC | Medium - Estimated costs for a project to strengthen the export capacity and competitiveness of the garment sector are US\$1.5-1.7 million.          | <i>General Export Competitiveness Support:</i> Switzerland/ITC's Support to Trade Promotion and Export Development (2004-07, US\$1m); Switzerland's Promotion of Cleaner Industrial Production (2004-08, US\$0.95m); <i>Specific to Garment Sector:</i> UNDP's Textile and Clothing Project (2006-07, US\$ 0.09m) | Technical assistance; human and infrastructure capacity building; international trade promotion; and information distribution | Medium -Large |
|   | <u>Silk products:</u> Improve domestic supply capacity in Lao native silk; improve Lao silk product designs; develop new silk products; develop standard for Lao silk handicraft; improved training for silk production techniques; develop trade information on silk sector.       | Medium priority with action to be undertaken as soon as possible      | MAF, LNCCI, MOIC  | Medium - Estimated costs for a project to improve capacity of producers and exporters of silk products are US\$1.6-1.85 million                      | US's Economic Acceleration Program for the Silk Sector (completed 2006, US\$0.5m)   | Technical assistance; human resource capacity building and infrastructure development; and information distribution           | Medium        |
|   | <u>Other handicraft products:</u> Improve design capabilities; study and improve distribution channels; trade information and linkages with buyers.   | Relatively low priority   | MOIC, LNCCI       | Small financial outlay   |   | Technical assistance  | Small         |
|   | <u>Wood processing sector:</u> Promote and upgrade Lao wood products to the international standards and recognition; improve productivity of the wood sector; ensure sustainability of raw materials to support the industry.   | Medium priority with action to be undertaken in the medium term       | MAF, MOIC, LNCCI  | Medium-High - Estimated costs for a project to improve quality and sustainability of wood products sector would be around US\$2 million over 3 years | EC's Asia Invest Fund Upgrading the Wood-Processing Industry for the European Market (2005-07, €0.2m); FAO's Marketing System Development for Non-Wood Forest Products (completed 2006, US\$0.37m)  | Technical assistance; regulatory assistance   | Medium        |

|   |   |  |                                 |  |  |  |               |
|---|---|--|---------------------------------|--|--|--|---------------|
| <b>Project 3: Support tourism</b>   | Develop craft villages such as local artisans and craftsman (textiles, jewellery, wood based, etc); develop services capacity and competency of Lao tourism sector; strengthen the institutional framework; encourage tourism linkages to other sectors of the economy; diversify services capacity within the tourism sector; promote Lao tourism to make it internationally recognized. | High priority requiring ongoing support.                 | LNTA, LNCCI, MOIC, MFA          | Medium- Estimated costs of a tourism training centre with involvement of the private sector of US\$1m for a period of 4 years; estimated costs for model craft villages in 10 major tourism destinations of US\$1m for a period of 4 years | ADB's Mekong Tourism Development Project (2002-07, 10.9m shared with Cambodia and Vietnam); EC's Asia Invest Fund - Marketing Responsible Tourism in Laos (2006-09, €0.3m); New Zealand's Nam Ha Ecotourism Project (2004-07, US\$0.34m); German Human Resource Development for Market Economy Programme (2004-07 US\$5.5 m; Planned: Japan's Tourism Development in the East-West Corridor (2007-10, US\$2m); planned: German Vocational Education Programme (2007-10 €5 m) | Human resource capacity building; trade promotion; encouraging investment  | Medium        |
|   | Develop local agriculture and healthy food products (vegetable, meat, local food cottage, etc) in tourism destinations through developing the capacity and competency of small and medium sized farming and agro-processing enterprises.  | High priority required on-going support                  | LNTA, LNCCI-LHRA-LHA, MAF, LTPC | Medium high - estimated cost for establishment of model village cottage food industry, animal farms, modern slaughter house in 10 major tourism destination of US\$2m for a period of 4 years  |  |  |               |
| <b>Project 4: Micro, small and medium enterprise project for export development</b> | Build an integrated market access and trade facilitation infrastructure; support entrepreneurship development; develop and strengthen the capacity of local intermediaries to deliver financial and non-financial services to MSMEs; provide an enabling environment (access to finance, trade promotion, and trade facilitation infrastructure) to boost increased investment.           | High priority with projects to begin from the first year | MOIC,BOL, LNCCI                 | Medium - Estimated costs of a trade information and export training program for the business sector would be US\$0.8-0.95m over two years.   | UNINDO & India's South-South Response to Poverty (completed 2006, US\$0.15m shared with 5 countries); UNESCAP & Japan's Capacity Development of SMEs (completed 2006, US0.59m); ADB's Small and Medium Enterprise Project (completed 2005, US\$0.79m); EC's SME Development Programme (2006-10, €3 m)  | Human resource capacity building & infrastructure development; information dissemination; encouraging investment | Medium - High |

|  |   |   |                        |  |  |  |               |
|--|---|---|------------------------|--|--|--|---------------|
| <b>Project 5: Regional development of export potential</b> | Construct and rehabilitate critical infrastructure essential for sustained regional economic activity in the tourism, manufacturing, agribusiness and mining sectors; | Medium priority with a long term focus                  | Provincial authorities | High - A high level of capital investment required to address infrastructure issues which would not be funded directly through IF. Other funding sources required, possibly including Aid for Trade. IF process can assist in policy development and capacity building (cost would be low to medium) |  | Regulatory assistance; technical assistance; human resource capacity building;   | Medium -Large |
|  | Put in place appropriate incentive measures at the regional level to achieve rapid growth;  |   |                        |  |  |  |               |
|  | Develop the instruments to ensure equitable, sustainable growth.  |   |                        |  |  |  |               |
|  | Strengthen the capacity of local authorities to formulate, prepare, implement, and manage medium- and long-term integrated regional development projects.             |   |                        |  |  |  |               |
| <b>Component 2: Trade Facilitation</b>                     |   |   |                        |  |  |  |               |
| <b>Project 1: Customs modernization</b>                    | Develop regulations to implement the new Customs law  | High priority with actions to begin as soon as possible | MOF and MOIC           | Medium-High - Funds needed for a broad range of activities mainly based on training but also including investments in improved customs processing systems.   | IMF's Technical Assistance on Customs Operations (2004-07, US\$0.5m); Japanese Customs Technical Cooperation Program (completed 2005, US\$0.17m); ADB's technical assistance (2006-2008) to support trade facilitation and capacity building in the Greater Mekong Subregion (US\$0.89m); ADB's Technical Assistance on implementing the Cross Border Transport Agreement in GMS (2006-2007, US\$0.86m). | Legislative/ regulatory reform; human capacity building and infrastructure development; customs infrastructure development | Medium        |
|  | Reform the national customs administration  |   |                        |  |  |  |               |
|  | Strengthen capacity building to properly administer the customs valuation provisions of the law   |   |                        |  |  |  |               |
|  | Simplify/modernize border clearance procedures (including expert advice to prepare long term customs modernization project)   |   |                        |  |  |  |               |
|  | Automation and data processing systems (e.g. automated customs clearance system)  |   |                        |  |  |  |               |
|  | Strengthen and expand the anti-smuggling program  |   |                        |  |  |  |               |
|  | Licensing of customs brokers  |   |                        |  |  |  |               |
|  | Develop a customs training program, e.g. seminar/workshop as well as medium and long term program.  |   |                        |  |  |  |               |

|  |   |                        |  |   |   |                            |             |
|--|---|------------------------|--|---|---|----------------------------|-------------|
| <b>Project 2: Trade facilitation</b>                                   | Pilot Gold Card Program (to expedite clearance procedures for approved traders)   | High priority/2nd year | MOF, MOIC, MTCPC, Border agencies, National quarantine and standards agencies, National Transport Facilitation Committee | Medium-High - Funds needed for investments in improved technology and processes. Also, potentially high capital investment needed to build a container logistics centre | ADB's Trade Facilitation in Greater Mekong (2006-08, US\$1.49m shared regionally); UNESCAP/Netherlands' Institutional Capacity Building for Landlocked Countries (completed 2006, US\$0.4m); ADB's regional technical assistance (2006-2008) to support trade facilitation and capacity building; ADB's regional technical assistance (2006-2007) on implementing the Cross Border Transport Agreement. | Infrastructure development | Medium-High |
|  | Increasing capacity building for officials dealing with Import-Export Issues  |                        |  |   |   |                            |             |
|  | International container logistics center in Vientiane   |                        |  |   |   |                            |             |
|  | Licensing of related government agents  |                        |  |   |   |                            |             |
|  | Improve the single window operations in various provinces   |                        |  |   |   |                            |             |
|  | Increase transparency   |                        |  |   |   |                            |             |
|  | Institutional strengthening of trade facilitation focal point, to coordinate trade facilitation activities  |                        |  |   |   |                            |             |
|  | Needs and gap assessment on customs procedures (as in Project 1); trade logistics development (including trade logistics center and service sectors development, etc.); standards/technical regulations development; and improved business mobility). |                        |  |   |   |                            |             |
|  | Facilitate cross border movements of goods, people, and vehicles (single window, single stop inspection at GMS selected land border crossings, involving Lao PDR, GMS transit traffic regime, vehicle standards, exchange of traffic rights, etc.)    |                        |  |   |   |                            |             |
| Simplify or eliminate the export-import licensing and indicative plan. |   |                        |  |   |   |                            |             |

|  |   |  |                |   |  |  |             |
|--|---|--|----------------|---|--|--|-------------|
| <b>Project 3: Sanitary and Phyto-Sanitary (SPS) and Technical Barriers to Trade (TBT) Issues<sup>2</sup></b> | Institutional and legislative framework (high priority) | High priority with projects for long-term improvement of capacity to begin as soon as possible | STEA, MAF; MOH | High - Estimated costs of an export quality management project would be US\$1.4-1.6 million, but investments in SPS-related laboratory equipment could increase this amount significantly | Norway's Market Access & Trade Facilitation Project (2006-09, US\$1.7m shared regionally); Australia's SPS Capacity Building Project (ongoing, US\$4m shared between 8 countries) & ASEAN Development Cooperation (2002-08, A\$45m); EC's Asia Invest Capacity Building of Geographical Indication (2006-09, €0.3m shared with China and Cambodia), & EC's Project on Standards, Quality & Conformity (ongoing, €0.5m) & Intellectual Property Rights Cooperation (completed 2006, €0.5m); France's Geographical Indications Elaboration Project (2006-08, US\$1.2m); FAO's Improving Food Safety Management (2005-08, US\$0.85m shared); ADB's Integrating the Poor Through Standard Setting (completed 2005, US\$0.7m) | Technical assistance; human capacity building and infrastructure development; supply of technology | Medium-High |
|  | Diagnostic capacity (high priority)                     |  |                |   |  |  |             |
|  | Market opportunities and trade requirements             |  |                |   |  |  |             |
|  | Surveillance  |  |                |   |  |  |             |
|  | Emergency response                                      |  |                |   |  |  |             |
|  | Risk assessment and economic analysis                   |  |                |   |  |  |             |
|  | Inspection and certification                            |  |                |   |  |  |             |
|  | Building human skills                                   |  |                |   |  |  |             |
|  | Information and education                               |  |                |   |  |  |             |
|  | Private sector development                              |  |                |   |  |  |             |
|  | Technical Barriers to Trade (TBT)                       |  |                |   |  |  |             |
|  | Regional cooperation                                    |  |                |   |  |  |             |

<sup>2</sup> More detail can be found in the Action Plan for Sanitary and Phytosanitary Management Capacity Building Report for Lao PDR, World Bank, May 2006, prepared in conjunction with the IF.

| Component 3: Business Environment  |   |   |          |  |   |  |              |
|--|---|---|----------|--|---|--|--------------|
| <b>Project 1: Development of industrial strategy to facilitate business operations</b> | Develop an industrial strategy that: sets a broad framework for promoting and developing Laos' industrial base; identifies priority areas; and ensures a consistent and stable policy environment.  | Medium priority with actions to take place in the medium term | MOIC     | Small-medium   | <i>General Business Environment Support:</i> IFC's Mekong Project Facility (2003-07, US\$2.85m); ADB's Private Sector Development Program (2005-10, US\$0.7m plus US\$10m loan); UNIDO's Integrated Programme (2004-08, US\$6.3m); France's Business Management Training (2001-07, US\$3.8m); Germany's Human Resource Development for Market Economy Program (2004-07, US\$5.5m) | Regulatory and possibly legislative                          | Medium       |
| <b>Project 2: Investment promotion</b>   | Review and simplify business regulations, e.g. foreign investment start-up and registration procedure reform; create investment guidelines (sector by sector); set up a public-private stakeholder platform to discuss the reforms on a regular basis | High priority with actions already underway                   | CPI      | Small-medium   | Japan's Expert on Promotion of Investment for Lao Government (2007-09, US\$0.3m); US's South East Asia Commercial Law (2005-07, US\$0.24m shared regionally) & Competition Law to ASEAN (2005-08, US\$0.75m shared regionally); ADB's Research on Improving Climate for Investment & Productivity (completed 2006, US\$0.15m)   | Regulatory assistance and possibly legislative               | Medium -High |
|  | Review the legal framework for investment, including contract enforcement and dispute resolution  |   |          |  |   |  |              |
|  | Implement a one stop shop for investment, incl. training of officials   |   |          |  |   |  |              |
| <b>Project 3: Banking system</b>   | Improve capacity of Lao banking sector to support export performance through the provision of trade finance through banking staff training, a rationalisation of regulations and expanded linkages with the private sector.                           | Medium priority with a long term focus                        | BOL, MOF | Medium - Estimated costs for a training-based project to improve trade financing would be US\$1.2-1.4 million. | France's Capacity Building at the Ministry of Finance Project (2005-08, US\$0.8m); ADB's Strengthening Governance for Bank Sector Reform (completed 2006, US\$4m) & Bank Sector Reform Program (completed 2006, US\$15m); EC's Technical Assistance Programme for Transition to a Market Economy - Bank Training Project (completed 2005)   | Technical assistance and human capacity building; regulatory | Medium -High |

| Component 4: Trade Policy, Trade Agreements, and Global Opportunities               |   |  |      |   |  |  |      |
|---|---|--|------|---|--|--|------|
| <b>Project 1: Capacity building for international trade policy and negotiations</b> | Improve capacity building of MOC and other ministries with trade-related functions to take considered and well-coordinated decisions on all aspects of international trade policy, regional and multilateral trade negotiations, and trade relations. | High priority with programs to begin in the first year | MOIC | Small-Medium - Estimated costs of a general training and research project to improve business competency among business and government involved in exports would be US\$0.9 - 1.1 million over two years. Additional, more targeted training would also be required in relation to trade agreements and negotiations. | UNCTAD/France's Train for Trade (2003-07, US\$2.3m); Australia's Trade Analysis & Reform Project (2005-08, US\$5m shared 4 countries); EC's Asia Trust Building Capacity of the Economic Research Institute (2006-07, US\$0.25m); EC's Multilateral Trade Assistance Project (completed 2006, €1m); UNDP's Promoting Private Sector Development Project (2006-09, US\$2.33m) and National Human Development Report (2004-07, US\$0.8m); WTO/UNESCAP's Technical Assistance (ongoing, US\$1.7m shared globally); Canada's Asia-Pacific Training Network on Trade (2004-07, US\$0.7m shared regionally) & APEC Eco Integration (2004-09, US\$7.2m shared 6 countries); US's ASEAN Technical Assistance Facility (2004-07, US\$7.33m shared regionally) and Strengthening Market Analysis Capacity (2005-07, US\$0.24m shared regionally) | Technical assistance and human capacity building | High |
|   | Establish clear division of roles and responsibilities between MOC and other ministries, including inter-ministerial coordination and public-private sector dialogue in support of the WTO accession process  |  |      |   |  |  |      |
|   | Increase MOC's capacity to analyze trade issues, impact of trade policies, and to lead trade negotiations.  |  |      |   |  |  |      |
|   | Support for trade-related policy formulation and implementation (e.g. analytical work, Trade Policy Advisory, etc.)   |  |      |   |  |  |      |
|   | Promote an effective trade information center, improve collection of trade statistics   |  |      |   |  |  |      |
|   | Increase capacity to efficiently administer Rules of Origin   |  |      |   |  |  |      |
|   | Build in-house capacity on research and facilities for trade sector   |  |      |   |  |  |      |
|   | Establish a Trade Database  |  |      |   |  |  |      |
|   | Increase transparency   |  |      |   |  |  |      |



|   |  |   |                   |  |  |  |       |
|---|--|---|-------------------|--|--|--|-------|
| <b>Project 2: Technical assistance and capacity building for the formulation and implementation of trade negotiation strategies</b> | WTO accession: assistance with legislative review and required documentation as well as legislative reform needed for WTO compliance; negotiation strategy and analytical support for accession, including in non-agricultural goods, agriculture, services, etc.; institutional and human capacity building for trade negotiations and policy formulation; consultations and information on WTO accession for line Ministries and stakeholders; training in Geneva to prepare Working Party meetings; | High priority   | MOIC              | Medium   | UNDP/ AUSAID's Integration Into the Trading System (completed 2006, US\$1.68m)                             | Technical assistance and human capacity building; budget support | Large |
|   | Regional agreements: ASEAN (AFTA, AFAS), AFTA+China, etc.  |   |                   |  |  |  |       |
| <b>Component 5: Trade Opportunities for the Poor</b>  |  |   |                   |  |  |  |       |
| <b>Project 1: Promotion of traditional handicraft and textile industry at village level</b>   | Build business linkages with Fair Trade Organizations in North America and Japan   | Medium priority   | MOIC, LNCCI, STEA | Medium   | UNESCAP/UNDP's Development of E-business Support Services in the Greater Mekong (completed 2006, US\$0.2m) | Technical assistance and human capacity building                 | Small |
|   | Engage in e-commerce   |   |                   |  |  |  |       |
|   | Provide technical training to artisans   |   |                   |  |  |  |       |
|   | Mirco-credits, improved access to distribution channels, information and linkages to buyers  |   |                   |  |  |  |       |
| <b>Project 2: Roads linking villages to markets</b>   | Improve reach and quality of road network to better connect towns and villages to markets and export opportunities   | High priority with actions to be undertaken as soon as possible (and already underway in certain areas) | MCTPC             | High level of capital investment required. Not to be funded directly through IF. Other funding sources required, possibly Aid for Trade. | ADB Northern Economic Corridor Infrastructure Project (2004-07, US\$30m)                                   | Direct construction of infrastructure                            | Large |

Note: - All these can be components of one project or divided into separate projects