

Lao People’s Democratic Republic

SECOND TRADE DEVELOPMENT FACILITY

Implementation Support Mission – May 2018

AIDE MEMOIRE

KEY PROJECT INFORMATION			
Project Number	P130512	IDA Grant Number	H8190
Signing Date	March 28, 2013	MDTF Grant Number	TF014189/TF0A3946
Effectiveness Date	May 8, 2013	Grant Amount	US\$ 16.40 million ¹
Closing Date	September 30, 2018	Disbursements	US\$ 14.22 million

1. A supervision mission for the Second Trade Development Facility (TDF-2) Multi Donor Program took place in Vientiane, Lao PDR on May 14-18, 2017. The mission team was led by Mr. Mombert Hoppe (Senior Trade Economist and Task Team Leader) and included technical staff from the World Bank as well as representatives from Australia/DFAT and the European Union. The list of mission members is in Annex 2.

2. The team would like to express its gratitude to H.E. Mme. Khemmani Pholsena (Minister of Industry and Commerce) for her leadership. The team would also like to sincerely thank Mr. Sirisamphanh Vorachith (Director General, Department of Planning and Cooperation) and all the members of the many departments within the Ministry of Industry and Commerce as well as other Ministries who kindly met with and invested significant time in working with the mission team, prior to and during the mission period.

3. In accordance with the mission announcement letter dated April 26, 2018 the purpose of the supervision mission was to:

- a. Review overall project implementation progress, performance, and provide technical support to the implementation of each component towards the achievement of the project development objective;
- b. Detailed analysis of outstanding commitments and implementation of the approved work plan;
- c. Review and support procurement and financial management performance; and,
- d. Discuss necessary activities for project closure, including those needed for preparing the Implementation Completion Report.

4. This supervision mission was the 8th implementation support mission undertaken since the beginning of the project. This was also the last mission before the end of the project in September 2018. The Aide Memoire covers progress made since the last support mission held in December 2017. As part of the World Bank’s Access to Information policy, the team sought guidance from the implementing agencies as to whether the Aide Memoire would be publicly disclosed. It was agreed that it would be publicly disclosed.

¹ The total appraised amount for TDF-2 is US\$ 16.5 million. However, due to exchange rate losses the grant to the government from the multi-donor trust-fund amount was revised from US\$ 12.5 million to US\$ 12.4 million.

I. OVERALL PROGRESS

5. Overall, the Project performance continues to progress well, with the Project Development Objective (PDO) and Implementation Progress (IP) rated consistently as “Satisfactory” over the last 12 months, and expected to remain ‘Satisfactory’. Disbursements under TDF-2 project stood at US\$14.22 million (or 87 percent) on May 14, 2018. Disbursements are in line with estimates (which are US\$14.8 million for June 30, 2018) and the budget is expected to be fully disbursed by the end of the Application Deadline on January 31, 2019. As of end of April 2018, the actual expenditures (out of the Designated Account) stand at US\$13.72 million and the outstanding commitments are US\$1.75 million. It is important to note that all project activities need to be completed and deliverables accepted by September 30, 2018; and this deadline cannot be extended.

6. Since December 2017, progress has been made across the project, particularly in the areas of trade in services and business regulations. The Mutual Recognition Agreement for accounting services is now fully operational, and the coordination mechanism for the Lao Services Portal (LSP) has been formalized. The LSP has also seen a substantial increase in usage since early February 2018 (number of monthly visits have doubled since the last quarter of 2017). The Lao Trade Portal has been upgraded and significant simplifications for company registration have been approved. Additional funds for the Challenge Facility have been committed, with 3 new proposals approved since the last mission. The next LBF is planned for the first week of July.

7. TDF-2 only has 4 months left for project implementation and little time remains to finalize all activities and achieve all project objectives. Continued monitoring and project implementation by the NIU is needed to ensure remaining activities can be fully completed and captured in the Implementation Completion reports (both by government and the World Bank. In particular the team recommends putting emphasis on:

- (i) NTM agenda: while transparency and policy coordination have been significantly enhanced, significant improvements to the regulatory environment are still pending. The removal of automatic licences would be a priority in the coming months.
- (ii) Lao Business Forum (LBF): The 11th LBF, originally planned in March 2018, is now scheduled for the first week of July. While some issues have been resolved, a number remains outstanding and renewed efforts to ensure a successful LBF 11 will be needed.
- (iii) Finalization of the Sanitary and Phytosanitary (SPS) secondary legislation: The laws on plant protection and livestock were approved in November 2016 but elements of secondary legislation are still pending approval, limiting the positive impact of the new laws.
- (iv) Publication of operating licences: To ensure public access to the work undertaken, the teams agreed that all operating licenses would be published on the web to be publicly available.

II. STATUS OF PROJECT COMPONENTS

8. TDF-2 is a multi-donor program financed by Australia, the European Union, Germany, Ireland, the United States, and the World Bank focusing on improving trade and private sector development in Lao PDR. TDF-2, implemented by the Ministry of Industry and

Commerce, has three main components focusing on (A) Trade facilitation, trade policy and regulations; (B) Diversification and competitiveness; and, (C) Mainstreaming aid-for-trade. The appraised value of the project is US\$16.5 million, with the closing date on September 30, 2018.² Financing for TDF-2 is pooled and provided via an IDA grant of US\$4 million equivalent and a Multi Donor Trust Fund grant of US\$12.4 million (US\$9.9 million original Trust Fund³ + US\$2.5 million added through a parallel Trust Fund⁴).

COMPONENT A: TRADE FACILITATION, TRADE POLICY AND REGULATIONS

A1: Trade Facilitation Support

A1.1. Trade Facilitation Support and Action Plan Implementation

9. ***Trade Facilitation Secretariat (TFS)***. On May 10, 2018 and following the issuance of the PM Order No.2 to improve the ease of doing business, MoIC submitted a draft Prime Minister's Decree on National Trade Facilitation Committee (NTFC) to the Prime Minister's Office for his decision. NTFC is an upgrade compared to the TFS with an expanded mandate to deal with trade facilitation-related procedures and issues, and it is composed of 25 technical departments as members (with DIMEX acting as secretariat). NTFC is clearly defined as the Committee required under international agreements, including WTO TFA. NTFC will be chaired by Minister of Industry and Commerce. In addition, the draft Decree on NTFC defines a role for Provinces, with Vice-Governors chairing provincial level committees. The draft Decree is expected to be approved by the Prime Minister in June 2018 and is directly supporting the implementation of the PM Order No.2 to improve the trade and business environment. The mission welcomed this recent development and emphasized that there must be strong alignment of decisions and outcomes between the provincial and national levels. In light of the above development, TFS convened a meeting on May 25, 2018 to review trade facilitation issues and finalize the detailed action plans to implement the Roadmap. DIMEX is helping the line departments to develop their Departmental Action Plans (DAPs) for implementing the TF Road Map (TFRM). Since TFRM includes full implementation of the TFA, it also entails an action plan for implementing Category C measures. Based on it, specific proposals will be prepared to seek donor support in implementing Category C measures by various line departments, including through the challenge funding facility under the next project. It is expected that trade facilitation issues will be feeding to the upcoming Lao Business Forum scheduled for the first week of July 2018. DIMEX recruited a trade facilitation analyst to support the TFS in March 2018.

10. ***Technical Implementation Units (TIU)***. DIMEX has made good progress in establishing 16 TIU in priority line department across ministries, exceeding the target of 7 TIU outlined in December 2017. TIU are designed to be the leading cluster within the line departments to document and analyze issues, and propose required reforms including detailed action plans for Roadmap implementation. Most line departments have established their high-level priorities in the Roadmap but lack technical capacity and dedicated staff to undertake reforms. Because no suitable consultants could be identified and limited remaining time,

² The original amount was \$14 million which was increased to \$16.5 million in early 2017. All information on TDF-2 can be found on the [project website](#); and in the Additional Financing Project Paper [here](#).

³ The total amount TF Grant Agreement was amended from US\$10 million to US\$9.9 million in July 2014 due to exchange rate depreciation of non-USD donor contributions to the MDTF.

⁴ Parallel to the original TF, an additional TF was signed with the government, with additional contributions received from Australia into the MDTF.

DIMEX informed the mission that the recruitment process for three national trade facilitation specialists to support key departments has been suspended.

11. *Assessment on transit issues*, to identify Lao PDR's bottlenecks and challenges facing both exports and imports in land transit in Thailand and Vietnam. ToRs to conduct an assessment on transit issues were completed and contract negotiations are under way and the consultant company is expected to start data collection in June 2018. DIMEX assured the mission that a draft report of this assessment would be delivered by August 2018.

12. *Detailed Action Plans to implement the Roadmap*. Several consultations were conducted to validate the required technical assistances for implementing Category B and C commitments that Lao PDR submitted to the WTO. The four main departments (Customs, Standards & Metrology, Agriculture, and Food & Drugs) are expected to present their action plans in June. Finalization of the action plan with all required technical assistance needs will be critical to ensure Lao PDR will be able to facilitate trade in line with international good practices and standards for its border clearance regime. These action plans are also critical to inform the next generation of trade-related technical assistances in Lao PDR, especially for implementation of the WTO TFA. It is expected that all detailed action plans will be delivered by July 2018.

A1.2. Capacity Building for Managers in Trade Related Agencies

13. Training materials, curriculum development, and main trainers trained under the Trade Facilitation Building Program remain important to build capacity of staff across agencies. Since the last mission in December 2017, two workshops have been conducted for senior officers and mid-level supervisors at the provincial level: one in Xayaboury comprising 8 provinces of northern Laos (32 participants); and the other in Champasack comprising 7 provinces of central and southern Laos (35 participants). To increase the applicability of course material, DIMEX has incorporated more practical case studies and trade facilitation theory, while also inviting participants to present experience and challenges with their work related to trade facilitation.

A1.3. Lao PDR Trade Portal (LTP) Support and Development

14. The performance of the LTP, which is now operational since June 2012 continues to remain highly satisfactory. The LTP received a total of 69,000 visits and 360,000 page-views in 2017, which equates to an average of around 260 visitors per working day. The same average appears to be sustained in 2018 so far. In addition, 271 new applications for online membership were received bringing the total of subscribed members to over 1,900. The LTP also received and handled 108 enquiries. These, and other indicators, point to the LTP as having established itself as a regular point of reference for a core specialist audience.

15. Content is being kept up to date through the efforts of the LTP management team which was joined by the new Content Coordinator recruited in February 2018. The accuracy of the data in the LTP has also benefited from the efforts of the NTM Review Team who have continued to perfect the classification of NTMs as well as their links to commodity codes. The LTP Management Team successfully managed the implementation of the new, re-vamped version of the website (known as LTP-2) which was developed by Cyberia and was launched successfully in April 2018. LTP-2 provides a long overdue, much improved modern look and makes the website suitable for viewing on smartphones or tablets as well as offering

various new facilities including a set of tools that facilitate management of NTM classification and analysis.

16. The major challenge facing the LTP is now sustainability beyond the end of September 2018 when financial support from TDF2 will cease. The hosting contract for the LTP expired at the end of March 2018 and is awaiting renewal. While the website remains live for now, this is an item for urgent attention. The current software support contract (which also includes the eCO system and the Lao Services Portal) also expires on 30 September 2018 to coincide with the end of TDF2 funding. Until a new project for further assistance is defined, interim arrangements will need to be put in place by DIMEX to fund the hosting and support of the LTP. The mission asked DIMEX to prepare a proposed costed action plan for financing beyond September 2018 by the end of May 2018 in order to have sufficient time to make the necessary arrangements. The mission strongly recommends that DIMEX maintains the existing maintenance contract with Cyberia as these have proved extremely reliable and to provide value for money over several years. The total cost of these contracts is around \$1,400 p/a for hosting and \$3,000 p/a for software support. While DIMEX considers transferring the hosting and support either in-house or with the Ministry of Telecom, the mission team advised against this as it would entail the loss of expertise which has allowed the LTP to be supported and upgraded thus far. Such arrangements would also incur additional transition, equipment and capacity building costs which would negate any potential savings.

17. Furthermore, the current software support contract with Cyberia for LTP, LSP and eCO is based on hours of work. This is a highly unusual form of contract for software support which is cumbersome to administrate and leaves the client exposed in the case of major issues to be resolved (e.g. a major crash or a security breach) which would require a large number of hours of work. It also presents challenges to the supplier who cannot be expected to ensure that skilled personnel is always available on demand without the certainty of a predictable income. The norm in the software industry is for a software support contract to be paid as a lump sum in advance, similarly to an insurance policy. The mission strongly urges that any future contracts should be on this basis.

18. ***Electronic Certificate of Origin (e-CO)***. The e-CO system is operational since April 2016. Following agreement to allow traders to submit the e-CO Form D with a scanned stamp and signature, the e-CO system has now been upgraded by Cyberia and it is currently being piloted. Issues emerging are being fixed and this work is expected to be completed by end of June 2018. The Decision on Electronic CO (Decision No. 369/MOIC.DIMEX) requires updating to allow for an e-CO with scanned stamp and signature to take the place of a printed CO and is awaiting action by the Minister. This is expected to become effective from the beginning of June 2018. Workshops are planned thereafter to instruct the public. The mission agreed for the procurement of a printer/scanner at DIMEX to enable traders who do not have scanning facilities of sufficiently high quality to access these.

19. DIMEX informed the mission team that Myanmar (contrary to the provision of the ATIGA agreement) does not accept COs unless they are signed by hand. The e-CO therefore retains an option to insert manual signature and stamp by the trader. DIMEX confirmed that, with the only exception of Myanmar, all other Form Ds would be submitted with a scanned signature and stamp thus reducing the number of trips to DIMEX by the trader to only one (i.e. to pay the fees and collect the final approved CO).

20. Hosting for the e-CO system is provided by MoIC's IT Department. Therefore, arrangements for supporting the hosting infrastructure are already the responsibility of DIMEX. Software support will be provided by Cyberia only until 30 September 2018. It is very important that continuity is provided for support of the e-CO system because, being a transactional system, which provides a service to the public of a complexity far greater than the LTP, it is imperative that expert resource is available to provide assistance in the case of failures or bugs also considering that substantial changes have been recently made. The same recommendations made above for providing for ongoing support apply to the e-CO.

A2: Non-Tariff Measures review and rationalization

21. With the effort to identify and classify NTMs and link them to relevant commodities largely completed, efforts by the NTM Review Team in the months since the last mission in December 2017 were mainly directed towards analysing the impact of NTMs in order to identify candidates for simplification or elimination. Consultations with various department involved in administering NTMs both at central and provincial level have been held and as a result a few changes have been made by issuing an appropriate regulation, namely:

- Notification No. 1616/CD eliminates the procedure for applying for export approval for minerals;
- Order No. 535/MOIC.DIMEX partially removes some requirements from the procedure for applying for an import license for vehicle parts and crude oil for domestic production bringing the procedure in line with *PM's Decree No. 180/PM* which states that "*applicants shall have to approach only one Government authority*";
- Notification No. 420/MOF removes the requirement for import certification for goods funded under ODA by the External Debt Department of the MoF passing the duty of monitoring onto the Customs Department.

22. At the same time, good progress is being made in a study of the impact of NTMs for a number of products with four departments which is being conducted by the firm EMC with completion being expected by the end of June 2018.

23. However, the above achievements are small compared to the significant benefits that would accrue by implementing recommendations made by the international NTM consultant in conjunction with the NTM Review Team. These concern primarily the elimination of automatic import licenses which affect high volumes of products such as motor vehicles, steel and cement, rice, timber, timber machinery, and printing products. These recommendations have been on the table for some time and already included in the previous mission's recommendations. Little progress has been made since then in this respect. Consultations with other departments are still inconclusive or pending and the mission was informed that there is a fundamental reluctance by the relevant ministries, including some departments in MoIC, to eliminate the automatic licenses. This is despite the fact that analysis carried out by the NTM Review Team has proven that the licensing mechanism is ineffective in terms of producing accurate statistics (this is their only official justification) and, in fact, more accurate statistics can already be obtained from other available sources. DIMEX has stated that they will eliminate the import license for rice once they have conducted consultations with the concerned departments. The mission urged DIMEX to ensure that this decision should not be conditional on the consultations. As for the rest of the licenses, proposals for how these could be eliminated has been discussed at the TFS on 25 May. The mission urged DIMEX to implement the recommendations to eliminate the automatic licenses before the end of TDF-2.

A3: Trade in services

24. The trade in services component includes several elements related to the regulation and governance of the services sector. Activities are grouped into two main areas: (i) enhancing regulatory capacity in services trade; and (ii) improving access to services regulations.

25. ***Horizontal Regulatory Assessment.*** The consultant on Distribution Services (International Trade in Services Legal Specialist) is on board and has put forward recommendations for the revised drafts of three Ministerial Decisions on wholesale/retail trade, shopping malls, and markets in order to comply with the ASEAN and WTO commitments. These are meant to bring the regulatory framework in compliance with ASEAN and WTO commitments, and will be discussed during a workshop on 21-22 May. DFTP and the Domestic Trade Department (DTD) expect that the Ministerial Decisions can be approved by July 2018. In addition, the consultant is working on a regulation for minimum capital requirements for wholesale/retail to ensure these requirements are also in line with WTO and ASEAN commitments. The team recommended that DFTP and DTD start discussing the content of the draft regulations early with the Minister to ensure her support early on.

26. ***Telecommunications.*** Lao PDR has now set up an independent regulator called the Lao Telecommunication Regulatory Authority (LTRA). In addition, the Law on Radio Frequency was adopted in May 2017, and the review of the Telecom Law is progressing but its finalization is now scheduled for 2019.

27. ***Insurance.*** Three of the priority regulations for the insurance sector have been submitted to the Minister and are awaiting approval. These are Ministerial regulations on business conduct and governance, reporting standards, as well as reserves standards and insolvency which have been combined. Adoption of the regulations is expected before the end of September 2018. The “Supervision Manual” was adopted. The international consultant has provided some training on supervision activities, including on how to effectively read financial statements, but the State-owned Enterprise Management and Development and Insurance Department feels that further capacity building will be required to allow staff effectively achieving their mandate. Some additional training will be provided and the consultant has also prepared a draft structure of the insurance law, as well as an early draft of the law amendment. The setting up of the formal drafting committee is still pending but expected to be complete in June. The revised Insurance Law is scheduled to go to the National Assembly in 2019, well beyond the end date of TDF-2. The consultant will continue to build support for an improved structure and content of the proposed amendment of the draft law, and to provide capacity building activities for Department staff.

28. ***Professional Services.*** All activities are in line with the policy on implementing Mutually Recognition Agreements (MRAs) approved by the Accounting Department in May 2017. The MRA for accounting services is now effective in Lao PDR. 12 Certified Public Accountants (CPAs) have taken the aptitude test for foreign CPAs in Lao PDR organized in two testing rounds (first in Sept 2017, second test in May 2018) and all have passed the test. The training of trainers in the Lao Chamber of Professional Accountants and Auditors is underway, with ACCA having developed a training program that will be delivered before mid-August. The training on the Lao Financial Reporting Standards over 25 days will start in June and target around 20 practitioners. It is expected to be completed by September 2018.

29. **Other activities.** Two workshops were organized in early May and delivered by WB staff as part of the implementation support to the project. The first workshop on e-commerce on May 9 was aimed at familiarizing Lao officials with the core concepts and different angles of e-commerce. The full-day workshop was delivered by three WB staff and focused on i) providing an overview of the key policy and regulatory enablers of e-commerce; ii) discuss relevant experiences from other countries; iii) and present recommendations on priority areas that may need to be addressed in Lao PDR to promote e-commerce. The workshop was attended by over 40 representatives from multiple government agencies. The participants welcomed the workshop, expressing their appreciation in particular for the broad selection of topics, which was recognized as a valuable input to understand the linkages, complexity, and also potential of the topic.

30. At the request of the Bank of Lao (BoL), another workshop was organized on 10-11 May 2018 along the theme of “*Regulatory Framework to give effect to Lao’s commitments relating to paras (xv) and (xvi) of WTO Annex on Financial Services*” to assist the government in ensuring domestic regulations in this area are compatible with international commitments. The workshop, also delivered by WB staff, was intended to assist the different agencies, particularly the BoL and the Lao Securities Commission Office to understand the range of financial sector activities that are envisaged under paras (xv) and (xvi) of GATS Financial Services Annex, commitments made, and the appropriate international best practices that are applicable in the design of their respective legal and regulatory frameworks. Both workshops were well received by the participants in their understanding of the approach and the way forward in respect of Laos’ commitments.

31. **Lao Services Portal (LSP).** The LSP was officially launched on August 31, 2017 and is available at www.laoservicesportal.gov.la. The Ministerial Decision formalizing a cooperation mechanism among the various line ministries and DFTP was signed on 2 April 2018, and has been shared with line ministries to appoint LSP focal points (around 1/3 have already appointed their focal point). Between 1 September 2017 and 15 May 2018 around 1600 users visited the LSP (around half originating from Laos, then mainly Thailand and China); 19,684 pages were viewed and 64 people have registered as members. The number of monthly visits’ have doubled since February 2018, compared to the last quarter of 2017. Dissemination activities started early 2018 and included distribution of advertisement material to provincial representatives and universities students, adds on the radio and in newspapers, as well as a workshop with law firms and consultancy companies in March and April 2018. Other dissemination initiatives, such as contacting universities, provincial workshops and finalizing a video on the LSP, are planned for the coming months. A second training for LSP focal points on classification of measures is planned for the end of May.

32. The LSP has been running satisfactorily under an arrangement where the hosting server is under Champa IT Company, which is located in Thailand and software support is covered by Cyberia until 30 September 2018. The mission pointed out to DFTP the same issue of sustainability as the LTP and e-CO above. DFTP expressed a preference for bringing software support in-house by recruiting and training a webmaster. The mission advised against this approach as finding suitable qualified staff would be difficult and it would expose them to the risk of lack of continuity if unable to retain them. The mission feels that it would be far more effective to continue contracting software support services from Cyberia who have in-depth knowledge of the software and can guarantee contractually continuity of availability of skilled personnel.

A4: Trade in goods

33. This component was designed to address the key challenges associated with implementation of WTO obligations, effective participation in ASEAN, and taking full advantage of trade opportunities available through Lao PDR's participation in the multilateral trading system. All activities under this component have been completed.

A4.1. Strengthening trade policy coordination mechanism

34. At post WTO accession, the coordination and design of trade policy has resided at MoIC through the Department of Foreign Trade Policy (DFTP) as the Trade Policy Secretariat under the National Steering Committee for Economic Integration (NSCEI). NSCEI was restructured in early 2015 to rationalize its alignment towards implementation of WTO obligations and participation in ASEAN integration. Unfortunately, this committee has not met in the last three years. A new Decree was drafted late 2017 and was expected to be submitted to the Government for consideration in March 2018. However, discussions are ongoing that if there are issues related to Economic Integration, those issues could be brought up to the regular government meetings.

A4.2. Disseminating Commitments and Building Capacity on Trade Remedies

35. The Guidebook on Lao PDR's economic integration prepared by DFTP was approved by the Minister in August 2017. Updated information on ongoing negotiations were then included in the Guidebook and it was printed and disseminated in March 2018. Printed versions of the Guidebook have been distributed in workshops as well as in universities and libraries in Vientiane Capital. DFTP is planning to organize a dissemination workshop in the North of Lao PDR.

A4.3. Further Strengthening of the Sanitary and Phytosanitary (SPS) Legal Framework.

36. This component was designed to improve SPS legislation by addressing key gaps and inconsistencies, and strengthening compliance with the WTO and ASEAN frameworks. Following promulgation of the Law on Plant Protection and the Law on Livestock and Veterinary Matters in 2017, elements of secondary legislation are still pending approval. In the area of plant protection, the Ministerial Regulations for Import of Plant and Plant products, for their export, and for Phytosanitary Businesses are being updated in Lao language to ensure coherence in terminology and are expected to be approved before the end of the TDF-2 project. Departmental guidelines for emergency responses to pest outbreaks as well as for pest free zones are expected to be approved at the same time. The three Decisions on veterinary drugs, animal feed, and import of aquatic and terrestrial animals have been upgrade to a PM Decree and are in the queue for discussion at the Cabinet Meeting in June or July 2018. The mission stressed the need to ensure implementing regulations will be approved to enable the completion of a robust legislative framework for SPS activities. Pending Ministerial Regulation on Import of Food and Ministerial Regulation on Food Business and Export are expected to be officially approved by end of September 2018.

COMPONENT B: DIVERSIFICATION AND COMPETITIVENESS

B1: Business assistance facility

37. The objective of this subcomponent was to support individual firms in building their skills and experience to become more competitive internationally. The Business Assistance Facility (BAF) was fully executed as planned by March 2017. The [final evaluation](#) concluded that the successful completion of the BAF component makes a clear case for a continuation or re-launch of a similar program. Plans are underway to set up such follow-on project.

B2: Labour standards and manufacturing productivity

38. This subcomponent aimed at improving productivity, competitiveness and labor standards focusing on the garments manufacturing sector, an industry where an overwhelming majority of workers are female (above 90%).

B2.1 Factory Standards Improvement Scheme

39. Work under this component was completed in August 2017. The [final evaluation](#) of the subcomponent is publicly available on ILO's website. The national Labor Inspection Plan for 2017-2020 (English version) was finalized and started implementation in June 2017. The translation of the plan into Lao is finalized and will be presented early June 2018 for a final consultation round before final approval by the Minister of Labor and Social Welfare. As mentioned in the final evaluation, the scheme supported some significant policy changes in order to improve Lao PDR's compliance with international labor standards and norms. With long-term impact of the scheme depending on the Ministry of Labor and Social Welfare's ability to institutionalize the changes, it is good news that ILO received US\$800,000 from the "Vision Zero Fund: Promoting Prevention and Protection in Global Supply Chains" from the G7 to continue the work in this area. Activities will include: ministerial agreement on labor inspection, labor inspection website, improve working conditions in two export oriented sectors (garment and agriculture), compensation on occupational accident and diseases, as well as complaint mechanism.

B2.2 Garment Skills Development Centre

40. Overall support to operating costs of the GSDC, including salaries, ended in March 2017 as originally planned. GSDC is fully recuperating its operating variable costs due to significant work with donor-funded projects and is now self-financing. GSDC continues to face difficulties in attracting sufficient private sector participants to their trainings. To improve the attractiveness and quality of their training services and broaden the offering to attract more private sector clients, GSDC has received in May 2017 a US\$150,000 funding from the Challenge Facility. The recruitment of the GSDC coordinator for skills development could not be completed as no qualified candidates applied for the position, and the advertisement for GSDC Training of Trainers was also extended until May 7, 2018. The project received a few interesting candidates with sound experience and a contract is expected to be signed by the end of May 2018.

B3: Business regulations review and rationalization

41. This subcomponent was added to TDF-2 in December 2016 and effectively started in January 2017. It aims at supporting transparency and rationalization of regulations related to business entry and operations. Work under this sub-component is progressing well. DERM has undertaken major reforms in moving from an ex-ante registration approach (where all other documentary requirements have to be obtained prior to obtaining an Enterprise Registration Certificate - ERC) to an ex-post approach to business registration (with the issuance of the ERC first). To implement this reform, MoIC issued Instruction No.0537, dated May 4, 2018, building on the PM Order No.02, dated February 1, 2018. As from July 1, 2018, all business activities will be required to register a company prior to obtaining a business operating license and/or investment license (in case required). DERM informed the mission that the ERC will no longer indicate the approved business activity categories which will be regulated through operating licenses, and that the Tax Identification Number will be simultaneously provided on the ERC. Other requirements, including company seal with Ministry of Public Security and capital registration with MoF, will be obtained after the ERC. The mission was told that this new approach has been discussed extensively and agreed with involved line ministries. These reforms are very encouraging and beyond expectations. However, it is likely that further refinements will be required as implementation of the new processes might create new bottlenecks. Next steps in the reform process will be to develop clear guidelines on how to obtain a company seal and complete tax registration. During this mission, the team agreed that DERM would ensure effective communication of the reform, including dissemination to National Assembly and private sector, uploading on DERM's webpage a chart flow and comprehensive explanation on the new business registration process and publicizing it in (public) media. Also, the outputs provided by the consulting company, including the list of all operating licenses and relevant references, will be made publicly available.

42. The final report with recommendations for re-engineering the business registration process and business licensing inventory has been submitted to DERM for approval. 30 high priority licenses were selected for detailed cost analysis in January 2018, focusing on high frequency and high costs licenses, including those affecting small and women-led enterprises and those not located in economic centers. The draft recommendations for re-engineering these high priority licenses by using a Standard Cost Model for the analysis was submitted during this mission. In addition, DERM has confirmed that the streamlining of starting business process, including some recommendations from process mapping, such as a removal of name reservation certificate requirement, have been implemented nationwide. As from July 2018, no pre-approval requirement from line ministries will be applied, only the ERC will be needed. In addition, Vientiane Capital has piloted a streamlined process by removing unnecessary requirements (e.g. removing the brief description of business activity, location inspection, and pre-meeting with business applicants that used to be part of the process).

43. DERM representatives will join the global Corporate Registrar Forum in Botswana on May 21-25, 2018. DERM is expected to then become a member of this Forum. A study tour in Thailand has also been identified and tentatively scheduled for July to learn from their experience on business registration reform.

COMPONENT C: MAINSTREAMING AID-FOR-TRADE

C1: National Implementation Unit, and Trade and Private Sector Working Group

44. *National Implementation Unit (NIU)*. The NIU continues to play an important role and ensures TDF-2 can deliver at a satisfactory rate, with project implementation arrangements reducing costs and improving coordination between donors. The NIU continues to coordinate several Aid for Trade projects, including the new EU funded trade project and additional financing to the RELATED project. Since the last mission, the NIU and the Implementing Agencies (IAs) have continued to hold regular meetings. The mission encouraged the NIU to continue close supervision and monitoring of IAs to ensure implementation of key issues and to accelerate the disbursements for the remaining 4 months of the project. The mission recommended the DG to send a message to all IAs stressing the hard deadline of September 30, 2018, and asking them to accelerate disbursements, sign all remaining contracts, follow up and review deliverables in a timely manner, and complete all activities as soon as possible. After this deadline, it will not be possible to replenish the Designated Account. The mission also asked the NIU to prepare a detailed disbursement plan until end of September, including expected replenishments and disbursements.

45. The most recent of the six-monthly Project Review Committee meetings was held on 22 December 2017 and approved the revised workplans until the end of the project. No other PRC is planned before the end of the project. The Program Executive Committee (PEC), overseeing all trade related initiatives, takes place on a yearly basis. The last one took place on 24 January 2018 and the next PEC should be held around December 2018/January 2019, demonstrating the continued role it plays in coordinating all externally funded projects.

46. *Trade and Private Sector Working Group (TPSWG)*. The TPSWG, chaired by MoIC, is currently co-chaired by the EU only. Germany resigned as co-chair. Australia is expected to co-chair as from the next working group meeting. The TPSWG continues to meet consistently twice a year since the beginning of TDF-2. The 12th TPSWG meeting took place on 28 March 2018; the next one is planned in October 2018.

C2: DTIS action matrix/roadmap challenge facility

47. The Challenge Facility under TDF-2 supports demand-driven implementation of smaller priority activities identified within the DTIS action matrix/roadmap. A total of 16 proposals have been approved to receive funding from this facility, of which 7 have been already completed and closed. The total budget committed for these **16 proposals** is **US\$1,690,450** of which **US\$922,341** has been disbursed. The following 3 new proposals were approved since the last mission in December 2017: (i) establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition; (ii) support the Statistical Information Centre in developing consolidated trade and industry statistical information system; and (iii) Support implementation of Doing Business indicator-based regulatory reform. Work on the three new proposals is advancing well and activities (i) and (ii) are expected to be completed by August. A detailed table of all approved Challenge Facility proposals is in Annex 3.

48. Through the Challenge Facility, the Lao Customs Department (LCD) has made some progress in using transit module and manifest module. The pilot of both module over the past 5 months has shown that the modules can be used as expected. However, to rollout these two

modules to high priority checkpoints, more work needs to be done for enhancement and some support is needed from the software provider UNCTAD. Lao PDR's access to virtual support of UNCTAD does not guarantee enhanced maintenance services for fixing and customizing the modules, thus LCD may need to review all options including a maintenance and support agreement with UNCTAD. The mission was informed that the customs valuation module is not in use due to bugs interrupting the declaration processing path when using the customs valuation data. This module would require a major fix by UNCTAD, or LCD may explore opportunity to build its own valuation system. Traders are still required to submit hardcopies of the customs declaration as face vetting for assessment because there has been no development towards the use of electronic signature. There are some service providers that may be capable of providing the services in Lao PDR. It would be useful for LCD to ensure users can register their ASYCUDA Id and obtain Certificate Authority at the same time for their e-signatures of digital document processing through LCD.

C3: Research and policy analysis

49. The objective of this subcomponent was to support improved trade and private sector development policy formulation, and better measurement of the impact of policy. This subcomponent has been completed as planned by March 2017.

50. ***Research methodology and capacity building.*** ERIIT obtained funding from the Challenge Facility in May 2017 to strengthen the use of the institute as just-in-time research provider to MoIC. An adviser was hired and the team is in the process of writing policy briefs. One policy brief in Lao language on “Impacts of PM Order No.15 on the production and export of Lao PDR's wood products” has already been delivered, the other 7 briefs are expected to be finalised in the coming month.

C4: Public-Private Dialogue

51. This subcomponent was added in January 2017 and aims to strengthen the mechanisms for discussions among the private and public sectors by enhancing the capacity, inclusivity and effectiveness of the Lao Business Forum (LBF). The contract for the National Gender and Small Business Development Consultant was extended until end of September 2018 in order to bring up issues concerning women and enterprises located outside economic centers; whereas the contract for senior international Strategy and Priority Advisor ended in January 2018. The new LNCCI website was finalized (<http://lncci.la/>) and contains a specific section for the Lao Business Forum, so that all information related to the LBF is now easily accessible by the public. The team was informed that since its launch, usage has increased from around 400 visitors per months to around 2000 visitors per month. LNCCI has also re-recruited the Strategy advisor to produce a LBF bulletin, to describe issues addressed under the LBF in greater detail and with a gender focus.

52. Consultations with private sector continued after the 10th LBF (held in March 2017): 23 working group meetings were held, with 30% of participants being women. Out of the 16 priority issues raised by the private sector at the 10th LBF, 4 issues are considered as resolved: Value added tax on commercial bank services; Value added tax on transit transport; classification of printing business; and registration fee on loan collateral backed by land title. The issue on access to labor information has been partially resolved through publishing labor market data. Good progress has been made regarding 6 other issues: export of planted wood

products; wood product export procedures; access to import-export data; business registration and licensing; access to finance for SMEs; and access to information on public procurement.

53. On April 5th, the LBF Secretariat held a Steering Committee Meeting to review implementation progress of the public-private dialogue process under the LBF structure as well as its readiness for organizing the 11th LBF. Originally scheduled for March 2018, it is now scheduled for the first first week of July. Issues will be organised around 3 main blocs: VAT related issues (e.g. export of professional services, VAT refund for export; excise tax on internet services); Trade facilitation on import and export issues; and Barriers to tourism development. As part of the analytical support to LNCCI, LNCCI and the Tax Department are planning to continue receiving support from the international VAT adviser to support the drafting of the secondary legislation regarding the revised VAT Law. Work on interest rate caps and taxation of FX gains is also about to start as contract negotiations for the international expert are expected to be concluded soon. The mission team encouraged the NIU and LNCCI to urgently start discussing this assignment and the related data requirements with the Bank of Lao to ensure the relevant analysis can be undertaken within the planned time frame.

III. MONITORING AND EVALUATION

54. Project implementation remains on track toward achieving the PDO and all three PDO indicators are on track to meet the target. Out of the 20 indicators of the results framework, 16 (or 80 %) have already been achieved, including all 3 PDO indicators. 2 intermediate results indicators (or 10 %) are on track to being achieved by September 2018, while updated data for the remaining 2 intermediate results indicators will only be available in August.⁵ The mission agreed that the NIU should update and annotate the results framework in preparation for preparing the government's implementation completion report.

55. The data for several indicators comes from the Enterprise Survey; the last one dating from July 2016. The collection of the new Enterprise Survey data will be undertaken in July 2018 with funding from the MDTF. The final dataset is expected for the end of August, in time to be included in the results framework for the final evaluation of the TDF-2. The results of the Lao Business Forum perception survey should also be available in August 2018 and thus be included in the final results framework. The mission informed the NIU that the Government needs to produce an Implementation Completion Report by mid-November 2018 to be included in the final project evaluation and focusing on key objectives and results.

IV. FIDUCIARY ISSUES

Procurement

56. The procurement performance for TDF-2 is considered "Satisfactory". The mission reviewed the progress of procurement work for the project, most of procurement packages were completed as per approved procurement plan. The project has completed around 50 procurement packages of Goods and Consultant Services in the last 12 months. There are four small pending procurement packages with total cost estimated of US\$108,000: i) National Consultant for capacity Building on Teaching Techniques, ii) International

⁵ The indicators off-track are: 1) reduction in percentage of firms identifying customs and trade regulations as a major constraint and 2) reduction in the mean number of days for service firms to obtain operating licenses.

consultant for Training of Trainers, iii) Consultant to conduct study on transit trade and iv) Office equipment. The four remaining packages will be completed by June 30, 2018.

57. The mission suggested the project team to closely monitor contract implementation of the consultants and suppliers to provide the outputs and deliver the goods before the project closing date on September 30, 2018. The project shall conduct the final inspection and issue letters of acceptance for the goods before the project closing date so payments for contracts can be eligible.

58. The mission conducted the ex-post procurement review for the project. The findings were presented to the procurement team and the letter with the findings will be sent to the project for the improvement of their future procurement process.

Financial Management

59. The Financial Management performance of the project remained “Satisfactory”. The last two IFRs were submitted on time. The audit report covering the period from October 1, 2016 to December 31, 2017 has been submitted on May 15, 2018 before its due date. The final project audit will be covering the period of 13 months from January 2018 to January 2019 (end of disbursement grace period) and due for submission on March 31, 2019.

60. The review of the controls included bank reconciliations, cash count, advance, monthly financial reports and some selected transactions from January to April 2018. These basic controls were followed and appeared to be in an acceptable manner. However, there are few questionable items requiring further explanation and justification from the project which the mission team will be working with NIU finance team.

61. As the project’s closing date is approaching, the NIU was reminded of the following points relating to financial management and disbursement at closure:

- (i) As consultants cannot be hired beyond the project closing date, the NIU should assign staff to be responsible for the project’s FM matters until the final audit is completed;
- (ii) No project activities shall be implemented beyond the project closing date (i.e. September 30, 2018). Only payments for goods and services already procured and delivered prior to such date can be paid;
- (iii) To ensure eligibility, expenditures must have been incurred prior to the project closing date (i.e. September 30, 2018). Goods, works, services shall be procured and delivered before the project closing date;
- (iv) The NIU should carry out a review of the remaining commitments and expected expenditures against available funds to ensure funds availability and that all eligible payments can be made within the disbursement grace period (October 1, 2018 to January 31, 2019);
- (v) Final Withdrawal Application for documentation of expenditure paid from the designated account or through direct payment must be received by the WB Manila office by January 31, 2019;
- (vi) All project assets need to be physically checked and counted. Fixed Asset Register updated prior to project closing in accordance with MoF regulation;

- (vii) Should the project not be able to pay for the audit fee before January 31, 2019, an escrow account will need to be opened to transfer the payment. Should there be a need, the NIU needs to inform the Bank team.

Disbursements

62. Designated Account (DA) replenishment and documentation of expenditure are done on a monthly basis as required. The mission was informed that the WA#77 totaling US\$167,801 for the documentation of IDA H8190 was submitted to MoF and thus IDA H8190 will be fully documented. It was noted that once the IDA H8910 is fully documented, the disbursement percentage will be shifted from 20:20:60 to 40:60. The shift of disbursement percentage will affect the total ceiling for the project of US\$800,000, therefore it was recommended to the NIU to prepare and submit the request including cash flow forecast to the WB to increase the ceiling of TFA3946 to maintain the ceiling at US\$800,000. As TF14189 will be getting fully documented (expected for August 2018), the mission recommended to the NIU to further increase the ceiling of TFA3946 accordingly to maintain the ceiling at US\$800,000. The NIU was informed that no funds will be advanced to the DA after the project closing date. The NIU is encouraged to continue replenishing funds to the DA on a regular basis (at least every three weeks) in order to fully disburse by the end of the project.

63. As of May 14, 2018, cumulative disbursements, including DA balances, are:

No.	Currency	Allocations	Disbursements	% of disbursement	Undisbursed amounts
IDA H8190	XDR	2,600,000	2,597,248	99.9 %	2,752
TF14189	US\$	9,900,000	9,664,371	97.6 %	235,629
TFA3946	US\$	2,500,000	840,718	33.6 %	1,659,282

64. The total disbursements for IDA and TF as of May 14, 2018, were **US\$14.22 million**. Compared with the total disbursements recorded in the previous mission (US\$13.19 million in December 2017), there is an average increase of around 8%. As of May 14, 2018, the IDA Grant has almost been fully disbursed. IDA disbursements stand at XDR2,6 million (US\$3.71 million equivalent). The disbursements for the original TF are US\$9.66 million or 98% of the original TF allocations. The disbursements for the parallel TF are US\$0.84 million or 34% of the parallel TF allocations. The projected disbursements are in line with the estimates. If disbursements remain very strong throughout the end of the project, it is likely to fully disburse by the end of the application deadline end of January 2019.

V. CONCLUSIONS

65. Overall, activities are being implemented as planned across all components and good progress has been made, although some critical activities remain to be completed. Disbursements are in line with estimates. Close monitoring of project activities by the NIU will be required with only 4 months remaining before the end of the project, including the completion and closure of contracts, and managing disbursements and withdrawal applications effectively to maximize disbursements before September 30, 2018 as the Designated Account will not be replenished after that date. Adjusting the ceilings for the DA across the IDA and two TFs will be important to maintain the size of the DA. Clearance of WAs by MoF will need to be closely followed up to avoid cash shortages.

66. While implementation of the NTM component is improving, more work to address and streamline NTMs is required and thus see results on the ground. Removing NTMs, starting with relatively easy ones like the ‘automatic’ licences under the purview of MoIC, can have a direct and quick impact on trade facilitation and investment climate in Lao PDR. Continued high-level political support and involvement for monitoring and project implementation is also needed, particularly regarding the approval of a number of Ministerial Decisions and Notifications required to fully implement relevant laws.

67. The table of agreed actions of this last TDF-2 implementation support mission summarizes key issues and priorities that will need management attention. A mission by the WB to inform the Implementation Completion Report is tentatively planned for October.

TABLE OF AGREED ACTIONS				
	Action	Responsible entity	Proposed timeline	Comments
<i>Component A: Trade facilitation, trade policy and regulations</i>				
1	Delivery of final report on assessment of transit issues	DIMEX	August 2018	Consultant’s contract to be signed in May 2018
2	Complete detailed Action Plans to implement the Trade Facilitation Roadmap	DIMEX Line departments	July 2018	
3	Renew the hosting contract for the LTP	DIMEX NIU	May 2018	Contract expired at the end of March 2018
4	Draft a costed action plan for financing beyond Sept 2018 (continuity plan) regarding the LTP/LSP/e-CO	DIMEX DFTP	June 15, 2018	Avoid going offline with related reputational risks. Interim arrangements to be put in place to fund the hosting and support of LTP/LSP/e-CO
5	Implement the recommendations to eliminate automatic licenses under MoIC purview	DIMEX	September 2018	To generate visible impact in reduction of non-tariff measures
6	SPS implementing regulations to be approved	NIU MoA MoH	September 2018	Enable the completion of a robust legislative framework for SPS activities
7	Three Ministerial Decisions for distribution services approved	MoIC	August 15, 2018	
<i>Component B: Diversification and competitiveness</i>				
8	Upload on web and publicize: list of all operating licenses and relevant references + a chart flow and explanation on new business registration process	DERM	July 2018	
<i>Component C: Mainstreaming Aid-for-Trade</i>				
9	Send a message to all IAs stressing the hard deadline in Sept 2018 and the need to complete all project activities	DG/NIU	May 2018	Not possible to replenish the Designated Account after Sept 2018

TABLE OF AGREED ACTIONS				
	Action	Responsible entity	Proposed timeline	Comments
10	Prepare table with expected disbursements and replenishments by end of Sept 2018	NIU	May 2018	
11	Close at least three of the Challenge Facility activities	NIU	August 15, 2018	To avoid bunching at the end of the project
12	Process a new contract for the VAT international adviser	LNCCI Tax Dptmt NIU	May 2018	Support the drafting of the secondary legislation regarding the revised VAT Law.
13	Discuss data requirements with BOL prior to starting the analytical work on interest rate caps and taxation of FX gains	LNCCI NIU	May 2018	To ensure completion of work and access to required data for analysis
<i>Fiduciary</i>				
14	Prepare government's Implementation Completion Report	NIU	November 15, 2018	
15	Provide list of key staff expected to continue work under new project	NIU	End of May 2018	
16	Provide justification and supporting documents relating to questionable item identify on transaction review	NIU finance team	No later than 25 May 2018	
17	Reallocate the ceiling of the Designated Account from IDA to new TF and From original TF to new TF	NIU	June 2018 August 2018	As soon as the IDA and the original TF are cleared
18	Submit IFR for quarter end June 2018	NIU finance team	15 August 2018	
19	Submit IFR for quarter end September 2018	NIU finance team	15 November 2018	
20	Submit Final IFR for period October 2018 to January 2019	NIU finance team	15 March 2019	
21	Count and check project assets and update FAR	NIU finance team	Before project closing date – 30 September 2018	
22	Submit Final WA for documentation, direct payment	NIU finance team	31 January 2019	Deadline to be received in Manila
23	Submit Final Audit Report and Management Letter covering from January 2018- January 2019	NIU finance team	31 March 2019	

ANNEX 1: List of representatives of Government Agencies and Organizations met during the supervision mission

Ministry/Agency	Department/Unit	Name	Title
Ministry of Industry and Commerce	Department of Planning and Cooperation (DPC)	Mr. Sirisamphanh Vorachith	Director General
		Mr. Phouvieng Phongsa	Deputy Director General
		Mr. Sengxay Phousinghoa	Trade and PSD Specialist
		Mr. Oudorn Phanekham	Procurement Officer
		Ms. Nitnida Phongsavath	Trade Officer
		Ms. Sonevilay Pheangthavanh	Trade Officer
		Mr. Soulivong Chanthalangsy	Financial Officer
		Ms. Vanlaty Siphom	Procurement Officer
		Ms. Thippaphone Vongsay	Trade Analyst
		Ms. Pinphakone Xayavong	Trade Analyst
		Ms. Nittaya Munekitirath	Trade Analyst
		Mr. Phoutsavong Phatsouda	PR Officer
		Ms. Latdaphone Vongkhamheng	PR Officer
		Ms. Thongsavanh Tansely	Finance Specialist
		Ms. Vanida Vongmountha	Project Analyst
	Department of Import and export (DIMEX)	Mr. Solinhon Philavong	Director General
		Mr. Keomorakoth Sidlakone	Deputy Director General
		Mr. Sonemala Nouanthasing	Deputy Director of Trade Facilitation Division
		Mr. Viengkham Thibounma	Officer
		Mr. Paul Schmidt	NTMs Consultant
		Ms. Chindaphone Saignoleuth	Private Sector Coordinator
		Mr. Vanxay Keokhamhan	Deputy Director of ECO Division
		Mr. Sonphan	
		Mr. Vangchai Vang	Director of Division
		Mr. Vilavong Southanilaxay	Deputy Director of Division
		Mr. Phoxay Inthaboualy	Deputy Director of Division
		Mr. Khambay Sitthirajvongsa	Deputy Director of Division
		Ms. Maniphet Phengsavaty	Trade Facilitation Analyst
	Department of Domestic Trade (DDT)	Mr. Phomma Inthanam	Director of Business Competition Management Division
		Pitheudeth Vongnada	Deputy Director of Division
		Kikeo Voraningsa	Deputy Director of Business competition management,
		Mr. Phongphackdy Sivilyay	Official
		Mr. Xaysongkharm Singhadouangpanya	Official
	Department of Foreign Trade Policy (DFTP)	Mr. Santisouk Phounesavath	Deputy Director General
		Mr. Anouphab Sayasensouk	Director General Affairs Division
		Ms. Onida Vinavong	Division Deputy Director of Trade in Services
		Mrs. Vanhnapha Onexayvieng	Trade Officer
		Ms. Souphansa Ngonphachanh	Trade Officer
		Mr. Khamsouk Sophilavanh	Trade Analyst
	Department of Enterprise Registration	Mr. Houmpheng Khamphasith	Director General
		Mr. Vanhmixay Douangphachanh	Director of Business Promotion Division

Ministry/Agency	Department/Unit	Name	Title
	Management (DERM)	Mr. Soulisak Si-outhoum	Deputy Director of Business Promotion Division
		Mr. Vankhoun Souvannalath	Official
		Ms. Phonevalae Thavitham	DERM Coordinator
Ministry of Finance	State Owned Enterprise Investment Management and Insurance Department	Mr. Sonephet Inthavong	Deputy Director General
		Mr. Somxay Keovandy	Deputy Director of Division
	Department of Accounting	Mr. Somsanouk Sinamonty	Deputy Director General
		Ms. Khamsamay Boulom	Head of Audit Division
		Mr. Oudone	Head of Legal Division
	Department of Customs	Mr. Anousack Sisa-ath	Deputy Director of Planning and Information Technology Division
		Mr. Sompasong Amphaengphai	Deputy Director of Customs Procedures and Formalities
	Ministry of Planning and Investment	Department of Investment Promotion	Dr. Phonesay Vilaysack
Ms. Sengdeun Sayasone			Director of Division
Ms. Phouvone Thammavone			Deputy Director of Division
Mr. Chanthasone Phetvixay			Official

ANNEX 2: List of mission members

1	Mombert Hoppe	Senior Trade Economist (Task Team Leader)	World Bank
2	Konesawang Nghardsaysone	Trade Economist	World Bank
3	Khampao Nanthavong	Private Sector Specialist	World Bank
4	Latharo Lor	Procurement Specialist	World Bank
	Sirirat Sirijaratwong	Procurement Specialist	World Bank
5	Kingfa Si Oudomphan	Financial Management Consultant	World Bank
6	Luc Pugliatti	Consultant	World Bank
8	Elise Vanormelingen	Consultant	World Bank
9	Phet Udom Mainolath	Program Assistant, EACLF	World Bank
10	Lisa Mortimer	Second Secretary	DFAT
11	Kalakate Xaythanith	Program Manager	European Union

ANNEX 3: Summary of implementation progress of projects funded by the Challenge Facility

Item	Project	Status	IAs	Key outputs	Approved amount	Disbursed amount (as of 24 April 2018)	Remarks
01	Development of Implementing regulations for Manufacturing Law	Closed	DoIH	Two implementing regulations, namely: regulation on factory standards and licensing; and regulation on industrial safety and hygiene were prepared and submitted to Minister for approval.	98,000	73,320	
02	Assessment of Barriers to Free Movement of Goods in Domestic Market	Closed	DDT	Final Assessment report by the international consultant is received and the Lao version of executive summary was submitted to the Minister for considerations.	59,000	54,123	
03	Development of Medium Term ICT Strategy for MoIC	Closed	DPC	The final MoIC ICT Strategy was developed and officially approved by MoIC Minister in early February 2016.	165,000	165,563	Contract amount with international consulting firm was 153,564.
04	Development of Electronic Certification of Origin (E-CO)	Closed	DIMEX	Development and testing of the E-CO have been completed. The official launching of E-CO was organized on 29 April 2016. However, additional support was required to further streamline procedures and technical functionalities of the E-CO. Additional support was financed outside CF.	100,000	99,840	
05	Development of legislation on control of toxic chemicals	Closed	DoIH	The Law on Control of Toxic Chemicals was approved by the NA in Dec. 2016.	98,000	92,451	
06	Conduct an assessment of gender dimension of manufacturing and service sectors	Closed	Cabinet	The final assessment report was published in June 2016 and a number of technical workshops were organized to strengthen capacity of the women advancement coordinating unit under the Cabinet.	85,000	60,105	
07	Technical assistance to support public private dialogue	Closed	LNCCI	<ul style="list-style-type: none"> The forum secretariat was operational since May 2016 15 private sector working groups were formed to prioritize their issues; 	72,500	60,365.40	Implementation is progressing

	under the Lao Business Forum			<ul style="list-style-type: none"> • First round of public private consultation meetings were organized during October to Mid-November 2016; • A number of follow up meetings will be organized by the end of November; • The second steering committee meeting was organized on November 22, 2016. • Main forum was conducted on December 08, 2016. 			well.
08	TA for improving regulatory and institutional framework for insurance services	On-going	MOF	<ul style="list-style-type: none"> • 3 implementing regulations were drafted and submitted to MOF Senior Management for final review and approval. • Contracts for both consultants have been extended until end of project in August 2018. 	98,500 + 66,500 = 165,000	102,186.51	Additional financing of 66,500 was added to the project.
09	Human Resource Development for improving labour compliance, productivity and workers' well-being in Laos' garment Industry	On-going	GSDC	<ul style="list-style-type: none"> • GSDC's long term sustainability strategy was drafted based on lessons learned from a study visit to Cambodia and Thailand ; • New website is under development • The Recruitment of International TOT Trainer – last position is expected to be completed by end of May. 	150,000	25,785.17	
10	Industry and Trade Policy Brief Circulars	On-going	ERIIT	<ul style="list-style-type: none"> • Capacity building activities, including workshop and study visit to Thailand were completed. • 08 topics for policy briefs were identified and approved by MOIC management; • Good progress is being made to produce the first batch of policy briefs – one final draft was prepared and 04 early drafts were prepared 	65,450	23,651.57	
11	Project to Support Implementation and Follow-up of LBF Issues	On-going	DPC - LNCCI	<ul style="list-style-type: none"> • Technical inputs to the revised VAT Law were provided to the Tax Dept., including specific recommendations to solve specific issues related to VAT administration, a number of technical workshops and consultation workshops with strong participation from the private sector; • Contract for selected Banking consultant is being processed to address issues related to cap on interest spread and others; • Cement industry information was compiled; • A VAT expert is expected to be recruited to support development of implementing guidelines for the revised 	150,000	58,909.69	

				VAT Law.			
12	Technical Assistance for review of MOIC's Policy Measures to Maintain Price Stability of Key Sensitive Products	On-going	DIT	<ul style="list-style-type: none"> Field visit was completed; Concept of first draft technical report was submitted; and First draft technical report is currently being prepared; Two workshops are scheduled for early June – one at technical level and one policy makers. 	79,500	38,364.96	
13	Sustainability and enhancement of the existing automated system ASYCUDA World in support of trade facilitation	On-going	Customs (MOF)	<p>Numbers of project activities have been implemented:</p> <ul style="list-style-type: none"> Commodity statistics dashboard was built. Knowledge transfer and training session for Bureau veritas staff with respect to integrating the single window system with ASYCUDA delaration, manifest, bill of lading and e-payment modules were conducted. Evaluation progress to date in the creation of a valuation database for vehicle importation. Issues that need to be addressed with respect to tariff, valuation and general categorization issues were identified. Manifest and BOL analytics to ascertain checkpoints compliance with revised processes were configured. Works with BIVAC Lao team to integrate ASYCUDA with LNSW were conducted and other many works etc 	150,000	65,487.50	
14	Technical Assistance to support MOIC Statistical Information Centre in developing consolidated trade and industry statistical information system	On-going	Statistica l Information Centre under DPC	<ul style="list-style-type: none"> First mission of international consultant was completed Recommendations from inception mission were well received by middle and senior level dtaff. 	77,500	1,538.24	
15	Technical assistance to support the Ministry of Industry and Commerce (MOIC) Department of Domestic Trade	On-going	DIT	<ul style="list-style-type: none"> NIU is in the process of recruiting both international and national consultant. 	90,000	0	

	to establish necessary institutions and preparation of additional guidance to implement the Law on Business Competition						
16	Support implementation of Doing Business indicator-based regulatory reform	On-going	DIP MPI of	<ul style="list-style-type: none"> International consultant is expected to start her first mission during the week of May 28, 2018 	80,000	646.67	

Financial status as of April 24, 2018:

- **Total Budget: 1,500,000**
- **Total commitments: 1,690,450**
- **Total disbursement: 922,341**
- **Total fund returned: 71,728.91**

ANNEX 4: Issues critical for portal sustainability

MoIC is currently responsible for three public-facing IT systems: the Lao Trade Portal (LTP), the Lao Service Portal (LSP) and the e-CO system. The first two are now established as the prime source for regulatory trade information both for Lao and overseas traders. The LTP, in particular, having been operational since 2012, has built up a substantial regular readership which demonstrates that it is a valuable resource for the Lao trading community and has also received widespread international recognition as a model which has been adopted by other countries in order to fulfil their obligations for transparency under the WTO's Trade Facilitation Agreement.

The e-CO system provides significant benefits to traders by automating the process of obtaining Certificates of Origin which can now be done online and it will enable Laos to also participate fully in the ASEAN Single Window initiative which will allow ASEAN certificates of origin (Form D) to be exchanged electronically.

To ensure that service is uninterrupted and reliable, these systems have so far been covered by hosting arrangements and software maintenance and support with funding provided by TDF2. Significant investment has gone into these systems and it is critical that they continue to perform and provide a reliable service to the public. Any failures, interruptions or degradation of service would reflect badly on MOIC and would be detrimental to the positive perception of Lao PDR's achievements in terms of trade modernization.

MoIC must, therefore, ensure that support for these system remains uninterrupted once funding through TDF2 comes to an end on 30 September 2018 and, in the long term, once donor support is no longer available.

In terms of hosting, it is important that this service is provided by an entity that can guarantee a high level of uninterrupted availability and high performance levels (e.g. bandwidth) as well as adequate backup, disaster recovery and intrusion prevention facilities. For the LTP, this has been provided so far through a contract arranged by Cyberia Ltd with an international hosting provider which has proved to be highly effective for a relatively low cost of around \$1,400 p/a. The LSP and the e-CO systems are hosted in-house by MOIC and it is important that the adequacy of this arrangement is assessed in terms of the parameters above.

Professional software maintenance and support is essential for any enterprise systems especially when, as in the case of the e-CO, they provide a service to the public and handle transactional data which is critical to the traders' business. Software support ensures that any bugs are promptly fixed, any failures or incidents (whether caused by bugs in the software or by failures of the facilities) are promptly dealt with and that expert help is available for users when required.

In order to provide support for the systems, various skills need to be available, e.g. knowledge of the technology platform (database, web server, programming language), intimate knowledge of the system's design and features, knowledge of the operating environment (network, server, etc.) as well as an understanding of the business environment and objectives. It is highly unlikely that this mix of skills can be provided for by a single person and, for this reason, we do not recommend that MOIC should consider trying to provide for support by recruiting in-house personnel. Furthermore, experience has shown that

it is difficult to recruit and then retain suitably qualified personnel. A high turnover of staff would leave MOIC critically exposed when a person leaves both in terms of loss of service and in terms of loss of critical knowledge.

Our recommendation is therefore that MoIC should provide for system support through a contract with a professional software engineering firm as is customary in public sector organizations in many countries. The firm would ensure that adequate resource with the required skills is available on demand as and when required according to the terms of the contract. It is customary in the IT industry for this kind of support contract to be paid annually in advance on a fixed fee basis. This allows both client and supplier to budget and plan the resourcing requirement ahead and gives the client peace of mind that there will be no loss of cover and continuity of service.

In the case of the LTP, LSP and e-CO we would recommend that such an arrangement is put in place with Cyberia Ltd. This is because Cyberia have built the original systems and, therefore, they have intimate knowledge of the technology and, being based in Vientiane, they are available to respond during Lao working hours also, if necessary, face-to-face. Furthermore, their services will continue to be needed when the e-CO system enters the phase of implementing the ASEAN SW data exchange. Having already provided support for these systems so far, we believe that the level of fees charged represents good value for money and we therefore urge MoIC to make the necessary provisions for adequate budget provisions to be made as a standard item of expenditure in the long term.