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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Trade Development Facility Project

Report No. 127054

JUNE 15, 2018

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Lao People's Democratic Republic

TRADE DEVELOPMENT FACILITY PROJECT (P106165)

June 15, 2018

Financial, Private Sector, and Sustainable Development
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Kip (KN)

2007	US$1.00	9,603 KN
2008	US$1.00	8,744 KN
2009	US$1.00	8,516 KN
2010	US$1.00	8,259 KN
2011	US$1.00	8,030 KN
2012	US$1.00	8,008 KN
2013	US$1.00	7,860 KN
2014	US$1.00	8,049 KN
2015	US$1.00	8,148 KN
2016	US$1.00	8,129 KN

Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
AusAid	Australian Agency for International Development
ASYCUDA	automated system for customs data
CPS	country partnership strategy
ERIT	Economic Research Institute for Trade
DTIS	diagnostic trade integration study
EIF	enhanced integrated framework
FAO	Food and Agriculture Organization
GIZ	Deutsche Gesellschaft fur International Zusammenarbeit
GNI	gross national income
GSDC	Garment Skills Development Center
GSEU	Government Sub-Executing Unit
ICR	implementation completion and results report
ICRR	implementation completion and results report review
IEG	Independent Evaluation Group
IFF	integrated framework facilitation
IMF	International Monetary Fund
IT	information technology
Lao PDR	Lao People’s Democratic Republic
LPI	Logistics Performance Index
MoIC	Ministry of Industry and Commerce
NIFGS	National Integrated Framework Governance Structure
NIU	National Implementation Unit
OECD	Organisation for Economic Co-operation and Development
PAD	project appraisal document
PPAR	project performance assessment report
SECO	Swiss State Secretariat for Economic Affairs
SPS	sanitary and phyto-sanitary standards
TBT	technical barriers to trade
TDF	trade development facility
WTO	World Trade Organization

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: October 1–September 30

Director-General, Independent Evaluation	Ms. Caroline Heider
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This report was prepared by Melvin P. Vaz (TTL) and Asita De Silva (Senior Consultant), who assessed the project in December 2017. The report was peer reviewed by Andrew H.W. Stone and panel reviewed by Soniya Carvalho. Emelda Cudilla and Feruza Abduazimova provided administrative support. Kia Dionis Penso edited the report.

Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Moderately satisfactory	Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
World Bank Performance	Highly satisfactory	Moderately satisfactory	Satisfactory
Borrower Performance	Highly satisfactory	Satisfactory	Satisfactory

*The Implementation Completion and Results (ICR) report is a self-evaluation by the responsible World Bank global practice. The ICR Review is an intermediate IEG product that seeks to independently validate the findings of the ICR.

Key Staff Responsible

Project	Task Manager or Leader	Division Chief or Sector Director	Country Director
Appraisal	Ekaterina Vostroknutova	Vikram Nehru	Ian Porter
Completion	Richard Record	Sudhir Shetty	Annette Dixon

IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About this Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which executive directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank country management unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in poverty reduction strategy papers, country assistance strategies, sector strategy papers, and operational policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for outcome:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, not evaluable.

World Bank Performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for World Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory.

Preface

This Project Performance Assessment Report (PPAR) assesses the Lao People's Democratic Republic (Lao PDR) Trade Development Facility project that was financed from a multi-donor trust fund. The project was approved on November 16, 2007 with initial commitments of $6.82 million from the European Commission (EC) and the Australian Agency for International Development (AusAid). In 2012, the commitment amount was increased to $7.6 million from exchange rate gains, earned investment income, and additional funding from Deutsche Gesellschaft für International Zusammenarbeit (GIZ).

As stated in the grant agreement, the project's objectives were as follows:

1. "To support the Recipient's aims in poverty reduction and economic development of Lao PDR, by facilitating trade and cross-border movement of goods, and by increasing capacity of the Government to undertake specific tasks related to regional and global economic integration; and
2. To assist the Recipient in implementing the Action Matrix for Trade-Related Assistance approved by the Recipient and donors in September 2006, and achieve the goals set up in the Recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the Recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan."

The purpose of this PPAR is to assess the performance of the Lao PDR Trade Development Facility project and to provide an input to the Independent Evaluation Group's (IEG) forthcoming macro evaluation on facilitating trade.

Methodology: This assessment is based on: (i) a desk review of project documentation—including the project appraisal document, implementation status and results reports, restructuring paper, implementation completion and results report, and implementation completion and results report review; and (ii) interviews with key stakeholders, including World Bank staff, the project's implementing agency staff, ministries and department officials involved in the project, and other stakeholders. As part of evidence collection for this PPAR and to understand the outcomes and impacts from the project, an IEG mission comprising Mr. Asita De Silva (Senior Consultant) visited Lao PDR from November 28 to December 5, 2017.

Following standard IEG procedures, a copy of the draft report was sent to Management requesting them to distribute the PPAR to the relevant government officials and agencies for their review and feedback. No Comments were received from the Borrower.

Summary

At the time of project approval in 2007, the government's National Socio-Economic Plan sought to improve competitiveness to increase non-resource exports and economic growth. In 2006, the World Bank prepared a Diagnostic Trade Integration Study (DTIS), which emphasized the need to improve competitiveness and identified five priority areas where reform efforts and external trade-related technical assistance should be concentrated: (i) export competitiveness; (ii) trade facilitation; (iii) the business environment; (iv) trade policy, trade agreements, and global opportunities; and (v) trade opportunities for the poor. The government subsequently prepared a DTIS Action Matrix that outlined priority areas where trade-related technical assistance would be needed. It planned to implement its trade agenda through a permanent National Integrated Framework Governance Structure (NIFGS) that would help provide coherent implementation of the DTIS Action Matrix; increase the benefits of official development assistance; and reduce overlaps, gaps, and transaction costs associated with fragmented, stand-alone development partner assistance.

To support the NIFGS and implementation of the DTIS Action Matrix, the government and several donors established the Trade Development Facility—a multi-donor trust fund that would be implemented by the Ministry of Industry and Commerce (MoIC). Financing was initially provided by AusAid and the European Commission in 2008 and subsequently by GIZ in 2012. The World Bank provided funding for the project under review and was the administrator of the facility.

The objectives of the Lao PDR Trade Development Facility Project were the following:

- Objective 1: Support the recipient's aims in poverty reduction and economic development of Lao PDR by facilitating trade and cross-border movement of goods and increasing capacity of the government to undertake specific tasks related to regional and global economic integration;
- Objective 2: Assist the Recipient in implementing the Action Matrix for Trade-Related Assistance approved by the Recipient and donors in September 2006; and
- Objective 3: Achieve the goals set up in the Recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the Recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan.

The project comprised five components: (i) improving trade facilitation through establishment of a trade portal, and design and implementation of a trade facilitation master plan; (ii) strengthening the frameworks for sanitary and phyto-sanitary standards (SPS) and technical barriers to trade (TBT); (iii) increasing export competitiveness and the business environment through feasibility studies and subsequent support in selected sectors; (iv) capacity building for trade policy, trade agreements, and global opportunities; and (v) strengthening the National Implementation Unit (NIU) that would implement the project.

The relevance of objectives is rated **High**. The project's development objective remained relevant to both country conditions and the World Bank's Country Partnership Strategy at the time of project closing. The objective of improving competitiveness in Lao PDR to

increase non-resource exports was important for furthering the government's goals of sustaining high rates of economic growth; generating employment opportunities for the youthful population; and sharing growth and poverty reduction. The project's trade facilitation objectives were fully consistent with the government's trade reform strategy, as reflected in the DTIS Action Matrix, which, in turn, was created in response to the World Bank's 2006 DTIS.

The relevance of design is rated **Modest**. The project did not initially have a results framework since at the time of appraisal there were no formal World Bank guidelines for the preparation of recipient executed trust funds. A results framework was added to the project at the time of project restructuring in January 2012. The project's stated objectives were generally clearly linked to intermediate outcomes. However, the direct link between the project's stated overall and intermediate objectives and the outcome indicators in the results chain was unclear. The three outcomes (growth in non-resource exports; growth in trade in services; and improved scores on objective measures of trade facilitation) were too broad to accurately reflect the influence of the activities of the project. Furthermore, the outcome "growth in trade in services" was not relevant to the project as most trade in services in Lao PDR was in tourism, and the tourism sector was not considered a priority for support under the project. Also, there were no outcome indicators defined for the second intermediate objective "increasing the capacity of the government to carry out specific tasks related to regional and global economic integration."

The project experienced a slow start at implementation for two reasons. First, start-up delays associated with the establishment of a multi-donor approach resulted in the loss of considerable time between appraisal, the signing of donor administrative agreements, the signing of the grant agreement, and project effectiveness. Second, it took more time than anticipated to build the capacity and skills of the NIU and Government Sub-Executing Unit (GSEU) to implement the project. The mid-term review conducted in January 2011 identified and addressed several implementation weaknesses, including scaling down the process simplification activity of the Trade Portal, shifting responsibilities under the SPS/TBT components, and scaling down sector competitiveness interventions.

The efficacy of the first intermediate objective under objective 1 in facilitating trade and cross-border movement of goods is rated **Modest**. The project achieved all of its expected outputs including: (i) implementation of the Lao Trade Portal that has been replicated in other countries; (ii) formulation of a National Trade Facilitation Strategy and Action Plan; (iii) establishment of a National Trade Facilitation Secretariat; and (iv) completion of gap assessments in the SPS and TBT legal and regulatory frameworks, as planned. Overall, the project's achievements contributed to timely progress in implementing many aspects of the 2011-2015 Trade Facilitation strategy and some trade facilitation indicators improved by the end of the project. However, momentum slowed after World Trade Organization (WTO) accession. Continuing obstacles persist that add to the time and costs of trading, and as of 2017, the SPS and TBT frameworks still had substantial weaknesses. In recent years, some of the trade facilitation indicators, especially the LPI have worsened.

The efficacy of the second intermediate objective under objective 1 in contributing to increased government capacity to undertake specific tasks related to regional and global economic integration is rated **Substantial**. A range of activities supported the final phase of WTO accession and Lao PDR became a member of the WTO in 2013. These included enabling a team of fulltime staff members in the MoIC to conduct negotiations; supporting five working party negotiations and bilateral negotiations with working party members; completion of several accession impact analyses in various sub-sectors; and drafting legal texts needed for WTO accession. At project completion, the government's capacity to manage a large multi-sectoral reform program had substantially improved. Strengthened capacity in trade-related areas was demonstrated by the government's lead role in preparing the 2012 DTIS update, in contrast to the 2006 DTIS that was fully prepared by the World Bank. Due to increased capacity in the NIU, development partners enhanced Aid for Trade financial support. The project also supported improvements in the government's in-house trade-related research capacity. However, there was less progress in mainstreaming the trade facilitation agenda in line ministries.

Overall, the efficacy of objective 1 of the project is rated **Substantial**. This is based on a rating of Modest on the achievement of the first intermediate objective—to facilitate trade and cross-border movement of goods—and a rating of Substantial on the achievement of the second intermediate objective—to increase the capacity of the government to undertake specific tasks related to regional and global economic integration. Although not fully attributable, achievement of these objectives may have contributed to progress toward economic growth and poverty reduction objectives in Lao PDR.

Since objectives 1 and 3 of the project are a subset of the objective 2, the efficacy of the objective 2 in assisting the recipient in implementing the Action Matrix is rated as **Substantial** due to a rating of Substantial on the achievement of the first objective and a rating of Modest on the achievement of third objective.

The efficacy of objective 3 of the project in contributing to increased growth and export competitiveness is rated as **Modest**. The project financed a skills development program in the garment sector that is estimated to have contributed to productivity improvements. However, there were limited achievements in other targeted non-resource sectors. Non-resource exports increased by 42 percent between 2008 and 2012, although attribution to the project is not possible.

The efficiency of the project is rated **Substantial**. Neither the project appraisal document (PAD) nor the implementation completion and results report (ICR) computed an economic or financial rate of return for the project. At the same time, there was a delay of 14 months between project appraisal and project effectiveness mainly due to start-up delays associated with the establishment of the multi-donor trust fund, such as signing of donor administrative documents, signing of grant agreement, and so on. During project implementation, there were considerable delays in the recruitment of consultants to draft SPS legislation and for the Lao Trade Portal. The total project cost increased by 11 percent from $6.8 million at project approval in November 2007 to $7.6 million in March 2013. Also, the project was extended by 11 months from the original closing date of February 2012 to the revised closing date of March 2013. However, at the time of closing, the project achieved key outcomes, including strengthening the capacity of the NIU; and establishment of the Lao Trade Portal that was replicated in several other countries. To some extent the Trade Portal contributed to trade facilitation because the Portal helped Lao PDR comply with WTO and ASEAN standards, and the creation of the Portal addressed a key private sector concern that the lack of transparency in border-related procedures and laws gave rise to informal payments, arbitrary decisions, and delays. Also, to some extent the increased capacity of the government contributed to trade facilitation because strengthened capacity in trade-related areas was demonstrated by the government's lead role in preparing the 2012 DTIS update. Because of increased capacity in the NIU, development partners enhanced their Aid for Trade financial support. Overall, efficiency of the project is rated as Substantial.

The outcome of the project is rated as **Satisfactory**. This rating is based on a combination of the following ratings: (i) Relevance of objectives is rated High and relevance of design is rated Modest; (ii) efficacy of the first objective (supporting the government's aims in poverty reduction and economic development by facilitating trade and cross-border movement of goods and increasing the trade-related capacity of the government) is rated Substantial; efficacy of the second objective (assisting the recipient implementation of the 2006 Action Matrix for Trade-Related Assistance) is rated Substantial; and efficacy of the third objective (achieving the goals set up in the recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan) is rated Modest; and (iii) the efficiency is rated Substantial.

The risk to development outcome is rated **Moderate**. Several issues may undermine the sustainability of achievements under the project. These include the waning of momentum on the trade facilitation agenda after WTO accession; the inability to ensure inter-ministerial coordination and effective private sector dialogue; and the inability to ensure contributions to the garment training center from garment manufacturers. In addition, ensuring the functioning and capacity of the NIU in the absence of external project financing needs to be addressed. At the same time, the strong government ownership of the trade reform agenda; participation in Association of Southeast Asian Nations (ASEAN) and bilateral trade agreements; the recent adoption of a comprehensive trade facilitation strategy for 2017-22; and increased in-house trade-related capacity, are all developments that support consolidation of achievements to date and further progress in advancing the trade facilitation agenda.

World Bank performance is rated as **Satisfactory**. Quality at entry is rated as Satisfactory due to minor shortcomings in identification, preparation and appraisal of the project. The quality of World Bank supervision is rated as Satisfactory. All project supervision missions were conducted jointly with the other development partners; implementation issues were addressed in a timely manner; locally-based World Bank staff supported the NIU in day-to-day operations; and there was continuity of the World Bank team with the task team leader and trade economist involved in the project from effectiveness to closing. However, the gaps in quality at entry noted above could have been better addressed during supervision. Also, the focus on development impact, especially in achieving export competitiveness in the handicraft and wood processing sectors, was weak.

Borrower performance is rated **Satisfactory**. Government performance is rated Satisfactory mainly due to the strong ownership and commitment to achieving the development objectives of the project. Also, coordination among key implementation agencies improved over time and the government complied with all the covenants in the grant agreement. Implementing agency performance is rated Highly Satisfactory. The NIU initially did not have adequate capacity on procurement and financial management as the project was significantly larger and more complex than any previous Aid for Trade project in Lao PDR. However, the confidence of the NIU grew during the implementation period due to its "learning-by-doing" approach. At the time of project closing there was substantial progress in the capacity of the NIU in terms of improvements in procurement and financial management, and in the management of the Aid for Trade program.

Project monitoring and evaluation is rated **Modest**. The intermediate results indicators were well defined and adequate to capture the contributions of the project's components/activities and achievement of outputs and intermediate outcomes. However, the indicators were too broad to attribute the outcome level results to the contributions made by the project. For example, growth in non-resource exports cannot be fully attributed to this project because the only contributions of the project under the export competitiveness component was the establishment of the Garment Skills Development Center.

Lessons from the project include:

- Early engagement with the government: Appropriate analytic work can lay the basis for sound project design and enhance the commitment of the government. Prior to project approval, the World Bank had engaged with the government on trade-related issues and prepared a DTIS. Following the DTIS report, the government prepared an Action Matrix that outlined priority areas where trade-related technical assistance would be needed. The project was highly relevant to the government's priorities because it was created to help implement the government's DTIS Action Matrix.
- Attribution issues: The final outcomes in a results framework should be specific and attributable to the project. It is difficult to attribute the outcomes of relatively smaller projects to broadly defined outcomes at the country-level. Efforts should be made to design project-level outcome indicators so that they are directly relevant and attributable to the specific activities of the project.
- Simple project design: In the context of low institutional capacity, simple project design with fewer components may enhance the focus of a project and the likelihood of full implementation. In addition to trade facilitation, the project included a component related to export competitiveness and the business environment. Although the project did contribute towards skills development in the garments sector, it did not make any major contributions in other non-resource sectors. These components may have been better suited to another project, with broader policy-related components, allowing this project to focus more narrowly on trade facilitation issues.
- Capacity building: In a limited capacity environment, a "learning-by-doing" approach can be effective in building government capacity. At the time of project

approval, the NIU had limited capacity for procurement and financial management. However, the confidence of the NIU grew during the implementation period mainly due to a "learning-by-doing" approach. This approach was based on: (i) a full-time procurement advisor attached to the NIU during the initial period; (ii) a full-time financial management advisor in place throughout the implementation period; (iii) training and advice provided by World Bank procurement and financial management specialists based in Bangkok and Vientiane; and (iv) continuity on the part of the World Bank team, with the team lead and trade economist remaining in place from project effectiveness until closing, allowing for key relationships to be developed and institutional memory retained.

- Political commitment: Accession to a major regional or global agreement such as WTO can serve as a strong incentive for reforms and ensure political commitment. The project helped implement several reforms that were part of Lao PDR's WTO and ASEAN membership commitments. For example, the Lao Trade Portal helped Lao PDR comply with WTO and ASEAN standards that require member countries to make their trade related regulations publicly available and easily accessible. Similarly, progress on improving the SPS legal and regulatory framework was driven by the need for WTO compliance. Accession and compliance requirements of multilateral agreements provided a strong overall impetus for many of the reforms that were supported by the project.

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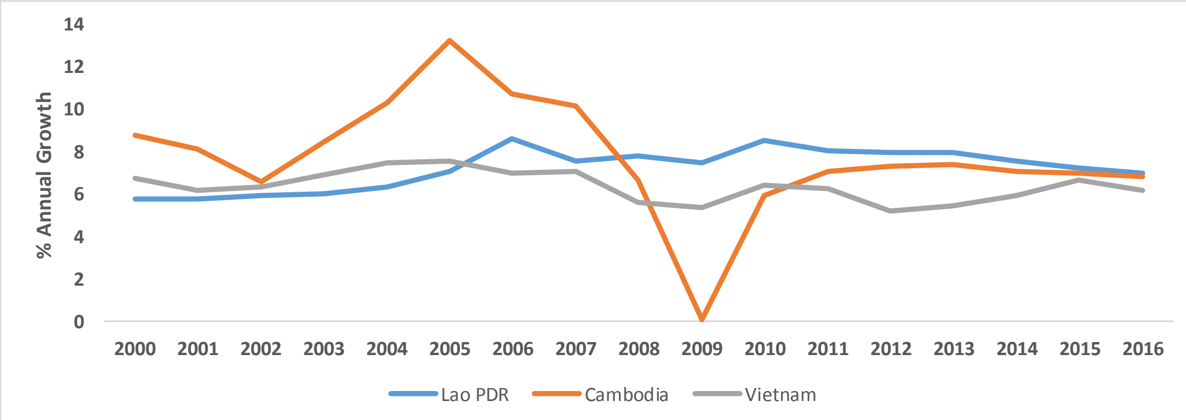
1. Background and Context

Country Background

1. **Lao People's Democratic Republic (PDR) is a small, landlocked country in Southeast Asia with a rich natural resource base.** Lao PDR is a lower-middle-income country with a 2016 population of 6.8 million. It is the only landlocked country in Southeast Asia and shares borders with Thailand, Vietnam, China, Cambodia, and Myanmar. Lao PDR is rich in natural resources, including water resources that offer substantial hydropower generation capacity; tropical forestry covering 40 percent of the country (offering wood, rubber, and other products); fertile agricultural land; and mineral resources (including copper, gold, and silver). Lao PDR also has a rich cultural heritage as well as a range of natural attractions that offer tourism potential. It is in the center of the dynamic Mekong region and benefits from access to rapidly growing regional markets as well as foreign direct investment from neighboring countries. Lao PDR has been governed by a single party, the Lao PDR People's Revolutionary Party, since 1975.

2. **Lao PDR has seen steady economic growth over the last decade**. Lao PDR began a transition from a command economy to a market economy in the mid-1980s. Following set-backs during the Asian financial crisis in the late 1990s, the government accelerated market-oriented economic reforms in the early 2000s. Key measures included maintaining macroeconomic stability; reducing the role of the government in commercial activity; sectoral reforms in the financial, forestry, agriculture and other sectors; improvements in the business enabling environment; and increased global integration through trade reforms and bilateral and multilateral trade agreements. Real gross domestic product (GDP) grew by 7.7 percent a year in 2007-2016, exceeding that of Vietnam (6 percent) and Cambodia (6.6 percent). Key sources of growth included minerals and hydropower exports and to a lesser extent, light manufacturing (including garments, wood products, and food processing), tourism, and construction. Exports grew an average of 11.6 percent a year in Lao PDR in 2007-16, compared to 11.1 percent in both Cambodia and Vietnam. Foreign direct investment in Lao PDR averaged 5.4 percent of GDP a year in 2007-16, compared to 10.6 percent in Cambodia and 6.6 percent in Vietnam.

Figure 1. GDP Annual Growth of Lao PDR compared to Cambodia and Vietnam (percent)



Source: IEG calculations based on the data from World Development Indicator.

3. **The nature of Lao PDR's growth has led to lower rates of poverty reduction than might be expected.** Per capita income rose from US$510 in 2006 to US$ 2,150 in 2016 and in 2011, Lao PDR became a lower-middle-income country.[1] However, Lao PDR's high economic growth has been accompanied by a less than proportionate decline in poverty, as well as rising inequality.[2] While the proportion of poor declined from 33.5 percent of the population in 2002/03 to 23.2 percent in 2012/13, the Gini coefficient rose from 32.5 to 36.2. The elasticity of poverty reduction to economic growth was also less than unity and for every 1 percent increase in GDP, poverty fell by approximately 0.47 percent.[3] Widening disparities were apparent both between rural and urban areas and within urban areas. This uneven trend suggested that the narrow growth base comprising hydropower and mineral exports—two sectors that do not generate significant employment or have strong links with the rest of the economy—had not been translating into shared benefits for all, underscoring the need for greater diversification of the economy.[4]

4. **A range of challenges exist to further improve the business environment and diversify the economy.** Lao PDR's location in the middle of the rapidly growing Southeast Asian region, its broad agricultural base, and tourist assets offer potential for developing export-oriented activities that can engage a larger share of the population in economic growth. Its status as a landlocked country is less of a constraint given its proximity (700 km) to ports in Thailand and Vietnam.[5] Outside the minerals sector, the private sector is engaged mostly in small, low-value-added and inward oriented activities (World Bank 2017b). A large segment of commercial activity is informal and estimated to account for 30 percent of GDP (World Bank 2016c). Lao PDR ranked 139th out of 190 economies in the 2017 Ease of Doing Business rankings, reflecting continuing weaknesses in the regulatory environment as well as complicated, burdensome, and unevenly applied procedures in many areas.[6] There continue to be lengthy delays and complex procedures for registering a business. According to the 2014 enterprise survey, there is a large gap between what is written in law and what businesses actually experience and the absence of transparency, policy certainty, and a rule-based regulatory framework remains a major obstacle to doing business. Corruption is also perceived as a major constraint and Lao PDR ranked 123 out of 176 countries in the 2016

Corruption Perception Index. Poor infrastructure, particularly transport services both within the country and links to neighboring countries, remains a key obstacle to doing business.

Project Context

5. **Prior to 2006, reforms had largely opened the trade regime, although an extensive range of obstacles to trade persisted.** Key reforms undertaken prior to 2006 included a reduction in tariff bands and lowering of import tariffs; removal of exchange rate controls; some streamlining of import licenses; and partial lowering of administrative and nontariff barriers, including efforts to simplify both import and export procedures. The 2006 *Diagnostic Trade Integration Study* (DTIS) prepared by the World Bank with inputs from the government found that notwithstanding the recent liberalization and simplification efforts, "management of trade is still restrictive, with burdensome, nontransparent, and inconsistent rules acting to increase costs and reduce competition".[7] As examples, customs inspected 100 percent of trade goods; exports and import license requirements on a wide range of goods discouraged trade and encouraged unofficial payments; some export products required 10 signatures from ministries and agencies; import clearance was lengthy, costly, and unpredictable; and companies needed to submit annual import/export plans. These obstacles, in addition to inefficient logistics services, lack of infrastructure and capacity at border crossings, and underdeveloped transport infrastructure in the country were severe obstacles to trade in Lao PDR.

6. **In 2006, the DTIS set out a broad agenda to promote export competitiveness, including improving trade facilitation**. The 2006 DTIS proposed a set of interventions to support economic diversification and export competitiveness. Key objectives were to improve export competitiveness interventions in agriculture, light manufacturing, and tourism; improve the business environment; improve government capacity for trade policy and negotiations; improve trade opportunities for the poor; and improve trade facilitation.[8] To improve trade facilitation, the DTIS and subsequent Action Matrix prepared by the government set out the following measures to be implemented: (i) customs modernization including implementing the new customs law, reform of customs administration, and simplification/modernization of clearance procedures; (ii) non-customs facilitation, including rationalized involvement of non-customs government agencies in clearance processes; increased transparency; a pilot program to expedite clearance for approved traders; improved trade logistics; standards/technical regulations development; and the establishment of a single window and single-stop inspection at border points; and (iii) improved sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) frameworks.

7. **The National Socio-Economic Development Plan for 2006-2010 sought to improve competitiveness to increase non-resource exports and economic growth**. The focus areas of the strategy were to promote economic development, with human development as a key vehicle; increase competitiveness, including through implementing commitments under ASEAN and other bilateral and multilateral agreements, including the World Trade Organization (WTO); and strengthening the links between economic growth and social development. A key element of the strategy was to increase exports of high value-added products, while reducing the amount of raw materials exported. Increasing non-resource export growth was important for (i) sustaining high rates of economic growth; (ii)

employment generation opportunities; and (iii) shared growth and poverty reduction objectives.

8. **To manage and finance the trade reform agenda, the government established a multi-agency governance structure and a multi-donor trust fund**. To implement the reform agenda, the government established the National Integrated Framework Governance Structure (NIFGS), a multi-agency entity that was consistent with the WTO's Integrated Framework and the Vientiane Declaration on Aid Effectiveness to better coordinate official development assistance.[9] Establishment of the NIFGS was expected to (i) provide coherent implementation of the DTIS Action Matrix; (ii) increase the benefits of official development assistance; and (iii) reduce overlaps, gaps, and transaction costs associated with fragmented, stand-alone development partner assistance. With support from several development partners, the government also established a multi-donor trust fund —the Trade Development Facility (TDF)—as the principal mechanism for financing the implementation of the DTIS Action Matrix. Initial commitments to the multi-donor trust fund were made by the European Union (EUR 4.2 million) and Australia (AUD 3.05 million) in 2008.[10] The World Bank was appointed the administrator of the multi-donor trust fund and provided an initial grant US$6.8 million (later increased to US$7.6 million) through the project under review–the Lao PDR Trade Development Facility Project, approved on November 16, 2007.

2. Objectives, Design, and their Relevance

Objectives

9. **The project sought to help the government implement several elements of its trade reform agenda**. As stated in the Grant Agreement, the objectives of the Lao PDR Trade Development Facility Project were:[11]

1. "(a) to support the Recipient's aims in poverty reduction and economic development of Lao PDR, by facilitating trade and cross-border movement of goods, and by increasing capacity of the Government to undertake specific tasks related to regional and global economic integration; and
2. (b) to assist the Recipient in implementing the Action Matrix for Trade-Related Assistance approved by the Recipient and donors in September 2006, and achieve the goals set up in the Recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the Recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan."

10. **A set of specific intermediate objectives would support achievement of the project's overall objectives.** To support achievement of these objectives, the project sought to help (i) improve trade facilitation; (ii) strengthen SPS and TBT frameworks; (iii) improve export competitiveness and the business environment; (iv) strengthen government capacity to support trade policy, trade agreements, and global opportunities; and (v) strengthen the National Implementation Unit/enhanced administration of Aid for Trade. The project was restructured on January 13, 2012. The restructuring involved refinancing among components of the project. It did not change the project's development objectives.

11. Achievement of the project's objectives would contribute to the government's broader trade-related objectives. These activities were expected to contribute to the following "overarching outcomes" of the government's trade reform strategy that were established in the 2006 DTIS: (i) a better trading environment, with simplified bureaucratic procedures including in customs; (ii) an improved legal and regulatory framework; (iii) enhanced general capacity of line ministries and agencies involved in the trade sector; (iv) improved private sector capacity to compete in the international market; (v) more effective participation in bilateral and multilateral negotiations; and (vi) increased competitiveness of Lao PDR products and contribute to poverty reduction. In turn, these activities would support the government's larger aims of poverty reduction and economic development.

Relevance of Objectives

12. **The project's objectives were appropriate to conditions in the country at project appraisal**. At the time of project appraisal in 2007, a range of constraints continued to impede cross-border movement of goods. The processing and clearance of import, export, and transit goods relied largely on manual processing of paper-based documentation and was inefficient and time consuming. Lao PDR ranked 161st out of 175 economies on trading across borders in the 2007 Doing Business report. Although Lao PDR had the potential to supply food and agricultural products to countries in the region, its legislative and regulatory framework for food safety and agricultural health did not meet WTO sanitary and phyto-sanitary or ASEAN Free Trade Area standards. Its regulatory framework for technical barriers to trade, such as laws for standardization and metrology also did not meet international standards. There was lack of transparency in border transactions and inspections and controls were not science- and risk-based, leading to elevated levels of discretionary power and rent-seeking. Furthermore, human skills in areas such as standard setting, diagnostics and detection, surveillance, inspection, and hygiene were scarce. In terms of export competitiveness, there were a range of issues impeding growth in sectors with high export potential such as tourism, garments, handicrafts, and wood processing. For example, some of the constraints in the handicraft sector included: (i) limited interest from international buyers; (ii) lack of market information; (iii) poor design and marketing skills; (iv) high transportation costs; and (v) insufficient volume of raw material.

13. **The project was consistent with the World Bank's country partnership strategy at completion**. The World Bank's FY12-16 country partnership strategy (CPS) that was in effect at the time of project closing in 2013, was organized around three strategic objectives: (i) competitiveness and connectivity; (ii) sustainable natural resource management; and (iii) inclusive development. One of the expected outcomes under the "competitiveness and connectivity" objective was "strengthened government capacity to support growth diversification and competitiveness." To support achievement of this outcome, the CPS sought to support policies that created a positive business environment and helped develop the non-resource sectors.

14. **The project also remained consistent with government development priorities throughout the period**. The project sought to support the priorities established in the 2006 DTIS to promote export competitiveness, including by improving trade facilitation. The 2012 DTIS Update reemphasized these objectives. It established a goal of moving Lao PDR from a

"land-locked" to a "land-linked" country and identified the following trade reform objectives for the 2012-2017 period: (i) simplifying, harmonizing, standardizing, and modernizing international trade and customs procedures; (ii) implementing best practice trade facilitation measures that were based on international recommendations and consultations with private and public stakeholders; (iii) working with neighboring countries to improve and reduce the cost of cross-border and transit procedures; (iv) implementing international, regional, sub-regional and bilateral trade facilitation commitments; (v) helping Lao PDR-based businesses take full advantage of bilateral, regional, and international trade agreements; and (vi) ensuring that rules and procedures were: proportionate to the risks they sought to protect against; clear and easy to understand; and published and easily accessed by the wider public.

15. The relevance of the project's objectives is rated **High** given the continuing high relevance of the project's development objectives to country conditions, the World Bank's CPS at the time of project closing, and the government's priorities throughout the implementation period.

Design

COMPONENTS

16. The project contained five components. The project proposed to finance investment; technical assistance and capacity building; analytical, diagnostic, and advisory services; and the purchase of goods for a total of US$6.82 million:

- **Improving Trade Facilitation.** This component would finance technical assistance for government agencies (other than customs) to help simplify procedures, automate processes, and improve interagency coordination to enable them to deliver on the trade facilitation agenda and meet conditions under regional and international agreements.[12] The component would include support for: (i) establishment of a trade portal for the dissemination and use of information though creation of basic procedures and systems for the capture of customs and other trade information. Support would also be provided for a diagnostic study of future requirements for automation of licensing and registries for potential future financing; and (ii) design and implementation of a trade facilitation master plan, including discussions and establishment of a national body for trade facilitation; a legislative and policy trade facilitation action plan; a strategy for trade-related agencies in integrity development; and capacity building for trade-related agencies to improve their coordination to deliver on the trade facilitation agenda.
- **Strengthening SPS and TBT Frameworks.** This component sought to strengthen the SPS institutional, legal, and regulatory framework; determine risk-based policies and control measures for SPS; strengthen the role of the private sector in managing SPS; and strengthen the TBT institutional, legal, and regulatory frameworks. The component would facilitate international trade and improve food safety, animal health, and plant health.
- **Increasing Export Competitiveness and the Business Environment.** This component sought to improve the productivity of selected sectors with high export

growth potential, including the garments, handicrafts, secondary wood processing, and agro-processing industries. The component would finance technical assistance, training, goods, and office equipment to be implemented in two phases: (i) a feasibility phase to identify priorities and results; and (ii) an implementation phase where detailed actions plans would be executed. The component was designed around interventions based on the principles of developing a market for business development services in priority sectors. This component was not fully defined at appraisal and was designed in a flexible way. The performance appraisal document (PAD) stated that "given that the thinking on this component has not yet been finalized, this component is designed in a flexible way to allow for future adjustments."

- **Capacity Building for Trade Policy, Trade Agreements, and Global Opportunities.** This component sought to finance technical assistance and training programs to (i) develop home-grown capacity and strengthen local research and academic institutions; and (ii) strengthen government managerial and technical know-how and ownership of the trade-related policy agenda. Technical assistance would be provided to support ongoing negotiations at the bilateral, regional, and multilateral levels and with respect to WTO accession. Activities sought to transfer know-how and build institutional capacity and institutional memory. This component was also intended to be flexible to adapt to changing circumstances and priorities.
- **Strengthening of the National Implementation Unit (NIU).** This component sought to finance accounting and administrative systems, as well as, training and technical assistance in procurement, project management, performance indicator determination and verification, and result verification. The component would also finance office equipment, management information, and information technology systems and equipment.

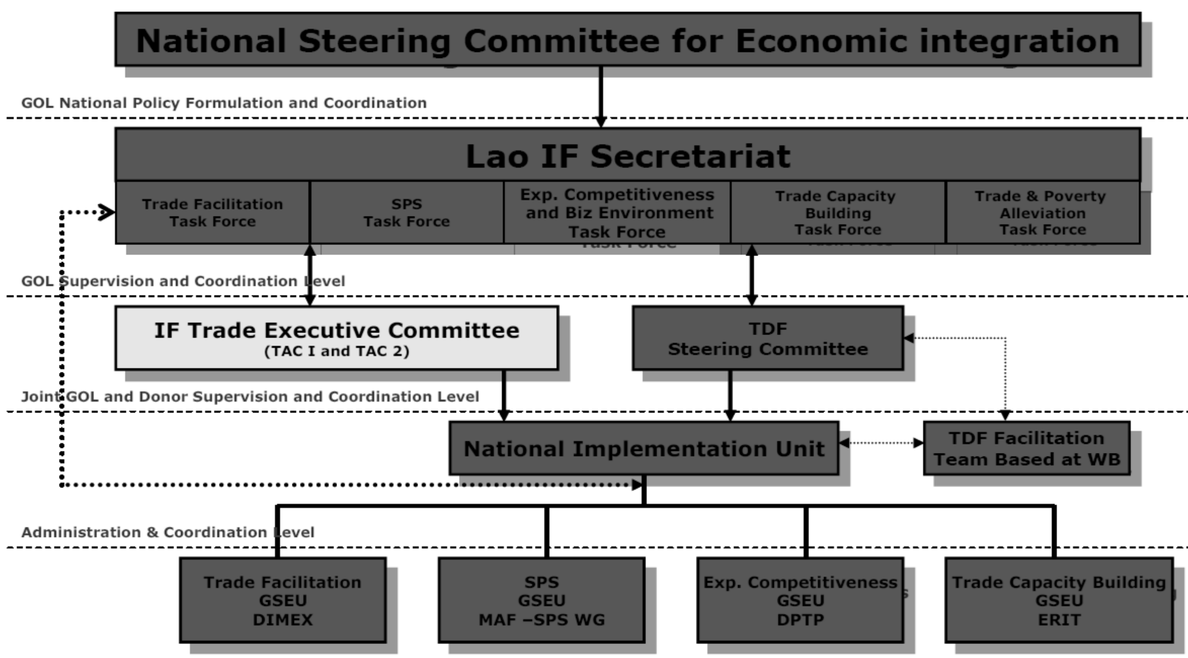
17. The project was restructured and funds reallocated among components in 2012. However, the project's development objectives and the overall component structure remained unchanged. The following changes were made: (i) additional resources were added. Funds from exchange rate gains, earned investment income, and additional funding from Deutsche Gesellschaft fur International Zusammenarbeit (GIZ), raised the total project funds from $6.82 million to $7.6 million; (ii) funds were reallocated among the project's components. Additional funds were allocated to complete the Lao Trade Portal, support WTO accession negotiations, improve compliance with ASEAN commitments, and further strengthen the NIU; funds allocated to the SPS/TBT components were reduced; (iii) results matrix/indicators were added. Since formal preparation of a PAD was not required at the time of preparation of this project, the project team prepared a modified PAD, which did not include a formal results framework. At the time of project restructuring, a results framework prepared by the NIU was added to the project; and (iv) the closing date of the project was extended from February 28, 2012 to March 31, 2013.

IMPLEMENTATION ARRANGEMENTS

18. The project was to be implemented by the NIU in the Ministry of Industry and Commerce (MoIC) under the integrated governance structure. At the time of project appraisal, the following implementation arrangements were established:

- The TDF Steering Committee was co-chaired by the Vice Minister of the MoIC and by a donor representative (figure 2). It had representatives from government (including MoIC and other line ministries) and TDF participating development partners as voting members. The World Bank as the TDF Administrator participated in the TDF Steering Committee as an observer.
- The Government Sub-Executing Units (GSEUs) were agency implementing units that were directly responsible for the technical implementation of the project and execution of the day-to-day activities.
- The NIU was the TDF Implementation Unit. It also provided procurement and financial management support to GSEUs.
- An AusAID-funded Integrated Framework Facilitation (IFF) Specialist served as an advisor to the MoIC.
- Integrated framework task forces were inter-ministerial bodies that were responsible for effective and coordinated implementation of the Action Matrix across ministries, government agencies, and specific sectors.

Figure 2. Overview of the Governance Structure for Implementing Trade Reforms



Source: PAD.

Relevance of Design

19. The project did not have a formal results framework in place at the time of project preparation. This is because at the time of appraisal, there were no systematic World Bank guidelines for the preparation of recipient executed trust funds. Formal preparation of a PAD was not required at the time of preparation. Although the project team prepared a PAD, it did not include a results framework. It was only at the time of project restructuring on January 13, 2012 that a results framework was added to the project design.

20. The project's stated development objectives were closely based on the DTIS Action Matrix. The project was specifically set up to implement the Action Matrix for Trade-Related Assistance approved by the government and development partners in September 2006 as stated in Objective 2. Objectives 1 and 3 of the project were subsets of Objective 2 (see para 10). The two intermediate objectives (facilitating trade and cross-border movement of goods; and increasing capacity of the government to undertake specific tasks related to regional and global economic integration) under Objective 1 and Objective 3 (increasing growth and export competitiveness) were outlined in the DTIS Action Matrix, and their components very closely mirrored the format of the DTIS Action Matrix.

21. The project's stated objectives were generally clearly linked to intermediate outcomes. To support "trade facilitation and cross border movement of goods," the project would support the following intermediate outcomes (figure 3): (i) reduction in mean import, export, and transit of non-customs clearance; (ii) substantial closure in the gap between current trade-related information made available to the public and what is required to facilitate trade and for Lao PDR to accede to WTO; and (iii) trade facilitation action plan approved with participatory results-based monitoring system. To help "increase the capacity of the government to carry out specific tasks related to regional and global economic integration," the project would support the following intermediate outcomes: (i) progression towards WTO accession; (ii) participants rating trade-related knowledge and capacity building activities useful and relevant to their work; and (iii) an increased number of regional/trade policy research outputs produced. To help "increase growth and export competitiveness," the project would support "improved performance in terms of productivity and/or exports among firms benefitting from Trade Development Facility sub-projects."

22. However, the direct link between the project's stated overall and intermediate objectives and the final outcomes in the results chain was unclear. The three outcomes (growth in non-resource exports; growth in trade in services; and improved scores on objective measures of trade facilitation) were too broad to accurately reflect the influence of project activities. Furthermore, the outcome "growth in trade in services" was not relevant to this project because most trade in services in Lao PDR was in tourism and the tourism sector was not considered a priority for support under the project.[13] Also, there were no outcomes defined for the second intermediate objective "increasing the capacity of the government to carry out specific tasks related to regional and global economic integration" in the results framework.

23. On this basis, the relevance of design is rated as **Modest**.

Figure 3. Results Framework of the Trade Development Facility Project

Inputs/Activities	Outputs	Intermediate Outcomes	Outcomes	Impacts
Component A: Trade Facilitation.	• Implementation of Lao PDR Trade Portal. • Establishment of National Body for Trade Facilitation. • Coordinated Policy Action Plan. • National Border Processing Integrity Action Plan.	• Reduction in mean import, export and transit non-customs clearance times. • Substantial closure in the gap between current trade-related information made available to the public, and that required to facilitate trade and for Lao PDR to accede to the WTO. • Trade Facilitation action plan approved with participatory results-based monitoring system.	• Growth in non-resource exports. • Growth in trade in services. • Improved scores on objective measures of trade facilitation.	• Poverty Reduction • Economic Development
Component B: Strengthening of the Sanitary and Phyto-Sanitary Standards (SPS) and Technical Barriers to Trade (TBT).	• Drafting improvements in laws, regulations and border procedures of SPS. • Participatory training on Risk-based policies and measures conducted by an international specialist. • Establishment of SPS Government Sub-Executing Unit. • Drafting improvements in laws, regulations and border procedures of TBT.	• Substantial closure in the gap between the current legal and regulatory framework on SPS issues, and that is required to facilitate trade, protect health and for Lao PDR to accede to the WTO. • Interagency SPS Risk Evaluation Group established and operational. • TBT reform assessment completed.		
Component C: Increasing Export Competitiveness and Business Environment.	• Conduct feasibility study for supporting skills development facility for the garment industry. • Conduct feasibility study for supporting skills development facility for the handicraft sector. • Conduct feasibility study for linking handicraft producers with international markets through promoting e-commerce. • Action plan to promote the production and export of secondary wood products. • Fostering and strengthening private sector associations that have roles to play in aspects of SPS management. • Mandating and supporting private sector entities to assume active responsibility in the implementation aspects of SPS management. • Introduction and improvement of quality and safety management systems.	Improved performance in terms of productivity and/or exports among firms benefitting from Trade Development Facility sub-projects.		
Component D: Capacity Building, Trade Policy, Trade Agreements and Global Opportunities.	• Technical Capacity Development for Trade and WTO Compliance. • Upgrading Government Officers' Trade Knowledge and Management Skills. • Supporting Academic and Research Institutions. • Establishing a Course in International Trade and Competitiveness.	• Progress towards WTO accession. • Participants rating trade-related knowledge and capacity building activities as useful and relevant to their work. • Increased number of regional integration/trade policy research outputs produced.		
Component E: Strengthening of the National Implementation Unit (NIU).	Assistance to NIU.	• Effective and efficient administration of Aid for Trade (AfT) through enhanced capacity of NIU and GSEU staff to implement AfT projects. • Increased share of trade related assistance channeled through the Official Development Assistance (ODA) Division/MIU		

3. Implementation

Planned versus Actual Expenditure by Component

24. Project restructuring in 2012 increased allocations to three of the project's components. During project restructuring, additional resources were added to the TDF from exchange rate gains, earned investment income, and additional funding from GIZ, raising the total available funds by about 11 percent from $6.82 million to $7.6 million (table 1). Additional funds were allocated to complete the Lao Trade Portal; support WTO accession negotiations and improved compliance with ASEAN commitments; and further strengthen the NIU. Funds allocated to the SPS/TBT components were reduced by about 10 percent.

Table 1. Project Cost by Component

Project Compoents	Cost at Appraisal ($million)	% Share of Total	Cost at Restructuring ($million)	Cost at Closing ($million)	% Share of Total	Cost at Closing as % of Cost at Appraisal
A. Trade Facilitation	0.8	12%	1.08	1.069	14%	134%
B. Strengthening of the Sanitary and Phyto-Sanitary Standards (SPS) and Technical Barriers to Trade (TBT) Frameworks	1.766	26%	1.55	1.736	23%	98%
C. Increasing Export Competitiveness and Business Environment	1.388	20%	1.388	1.233	16%	89%
D. Capacity Building, Trade Policy, Trade Agreements and Global Opportunities	1.75	26%	2.375	2.255	30%	129%
E. Strengthening of the National Implementation Unit (NIU)	1.112	16%	1.207	1.302	17%	117%
Total Project Cost	**6.816**	**100%**	**7.600**	**7.595**	**100%**	**111%**

Sources: PAD; Project Restructuring Paper; ICR; and ICRR.

Implementation Experience

25. The project had sought to compensate for the government's limited capacity in procurement with several capacity-building measures. At the time of project appraisal, the NIU did not have the capacity to undertake procurement under the World Bank's procurement procedures. This was acknowledged in the PAD and the procurement risk was identified as high (PAD, p. 10). The following capacity building measures were proposed in the PAD to mitigate the procurement risk: (i) hire an international procurement consultant to engage and provide a total of 12 staff-months of inputs; (ii) hire a local procurement officer on a full-time basis for at least the duration of the project; and (iii) engage an international consultant to train the local procurement officer to build local capacity of NIU.

26. Implementation of the project experienced a slow start. Start-up delays associated with the establishment of a multi-donor approach resulted in loss of considerable time between appraisal, the signing of donor administrative agreements, the signing of the grant agreement, and project effectiveness. In addition, it took more time than anticipated to build capacity and skills in the NIU and GSEU to implement the project. During the mid-term review in January 2011, the World Bank made several suggestions to improve project implementation, which led to the restructuring of the project in January 2012. During the restructuring, funds were reallocated among components and a results matrix was added to the project. The start-up delay had reduced the time available for implementation from the

original four years to three years, so the project closing date was therefore extended for one year to ensure sufficient time to complete all activities.

27. Several adjustments were made to address implementation weaknesses at the time of project restructuring. The process simplification activity of the Trade Portal was scaled down and the decision was made to proceed with documenting trade-related procedures "as is," resulting in cost savings. The SPS/TBT activities had encountered long procurement delays because of the need for full competitive selection of consultancy teams. Coordination issues between the SPS-related agencies were addressed by shifting responsibility to the Planning Department of the Ministry of Agriculture and Forestry. The sector competitiveness interventions were scaled down due to lack of demand and cost recovery mechanisms.

SAFEGUARDS COMPLIANCE

28. The project was assigned an environment category of "C" because the project was likely to have minimal or no adverse environmental (or social) impacts.

FINANCIAL MANAGEMENT AND PROCUREMENT

29. Capacity of the NIU to undertake effective financial management and procurement under World Bank procedures improved over-time. At the initial stages, the NIUs procurement capacity was weak. There were significant initial procurement delays, especially in the trade facilitation and SPS/TBT components of the project. For example, there was a long delay in contracting the Food and Agriculture Organization (FAO) to draft SPS legislation and in the procurement of consultancy services for the Lao Trade Portal. However, the NIU's financial management and procurement capacity improved considerably over time. The World Bank provided advice to strengthen the capacity of the NIU and a full-time finance management and procurement advisor was appointed within the unit.

30. A complaint was forwarded to the Integrity Vice Presidency (INT) but did not lead to an investigation. In 2010, INT received a complaint regarding a contract financed under the project. However, INT did not open an investigation following its review of a complaint related to a contract financed under the project, as the issue pertained more to procurement irregularities than to fraud and corruption.

31. Financial management remained satisfactory throughout the project. According to the last Implementation Status and Results report (March 2013) before project closing, the ratings for both procurement and financial management were "satisfactory" during project implementation. According to the ICR, "the NIU had gained an outstanding record on managing procurement and financial management, and in this regard was considered to be one of the strongest performers in the World Bank portfolio".[14]

4. Achievement of Objectives

32. As discussed previously, according to the grant agreement, the objectives of the Lao PDR Trade Development Facility Project were:

1. "(a) to support the Recipient's aims in poverty reduction and economic development of Lao PDR, by facilitating trade and cross-border movement of goods, and by increasing capacity of the Government to undertake specific tasks related to regional and global economic integration; and
2. (b) to assist the Recipient in implementing the Action Matrix for Trade-Related Assistance approved by the Recipient and donors in September 2006, and achieve the goals set up in the Recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the Recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan."

Objective 1: Support the Recipient's aims in poverty reduction and economic development of Lao PDR

33. The efficacy of this objective is rated as **Substantial**. Achievement of the first intermediate objective—facilitating trade and cross-border movement of goods is rated as modest. Achievement of the second intermediate objective—to increase the capacity of the government to undertake specific tasks related to regional and global economic integration—is rated as substantial. Although not attributable, the achievement of the above two intermediate objectives to some extent may have contributed to economic growth and poverty reduction in Lao PDR. Lao PDR saw steady economic growth over the past decade, with GDP growing by 7.7 percent a year in 2007-2016, exceeding that of Vietnam (6 percent) and Cambodia (6.6 percent) (see para 2). However, Lao PDR's high economic growth has been accompanied by a less than proportionate decline in poverty, as well as rising inequality (see para 3).[15]

Intermediate Objective 1: Facilitating Trade and Cross-Border Movement of Goods.

34. The first intermediate objective of the project was to help facilitate trade and cross-border movement of goods and services. Based on the project's results framework (figure 3), the following three components supported this objective: (a) improving trade facilitation; (b) strengthening SPS and TBT; and (c) improving export competitiveness and the business environment. The following three outcome indicators were identified: (i) growth in non-resource exports; (ii) growth in trade in services; and (iii) improved scores on objective measures of trade facilitation.

OUTPUTS

A. Improving Trade Facilitation

35. A national trade strategy was formulated and adopted in 2011. In 2009-11, the project played a central role in helping the Ministry of Industry and Commerce develop the *National Trade Facilitation Strategic Plan, 2011-2015.*[16] The strategy was adopted in July 2011 and sought to "raise import-export competitiveness by simplifying trade procedures so that they are easy, transparent, speedy, and standardized" (Lao PDR 2011). Its main elements were to: (i) mainstream trade facilitation across all line ministries; (ii) simplify, harmonize, and modernize trade and customs procedures; (iii) implement WTO, ASEAN, and Greater

Mekong Subregion commitments; (iv) develop private sector capacity to trade efficiently in compliance with rules and regulations; (v) provide the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures; and (vi) create a national trade facilitation body. The plan was a result of a broad consultative process to build consensus among multiple agencies with border-related functions on the direction of future trade facilitation policy and reflected a more focused and comprehensive effort to facilitate trade than previously existed. The project also financed a detailed roadmap for process simplification and harmonization among non-customs border agencies in March 2013 that set out a program of work needed to restructure business processes among non-customs border agencies. The roadmap was expected to be financed under the follow-on Second Trade Development Facility project.

36. A permanent trade secretariat was established in 2010, although after WTO accession, its effectiveness declined. With World Bank support under the project, a permanent National Trade Facilitation Secretariat (NTFS), was created in 2010 to support development and implementation of trade facilitation reforms. The NTFS was chaired by the Vice-Minister of Industry and Commerce, with the Head of Customs as deputy-chair, and provided a forum for the various agencies with border-related functions to discuss and make decisions on reforms. Its objective was to foster trade facilitation by simplifying, standardizing, and harmonizing trade procedures. The NTSF also provided a channel to engage the private sector in the reform process. The NTFS represented a substantial improvement in trade facilitation coordination at the time and played a key role in helping Lao PDR attain WTO accession in 2013. According to a 2016 World Bank review, "the NTFS brought all stakeholders together under one umbrella in an unprecedented manner and its creation represented a major milestone in the evolution of Lao trade reforms"[17] However, by 2017, the Trade Facilitation Secretariat only met once a year and was unable to provide effective guidance or operational support to implementing the trade facilitation agenda. The Department of Import and Export, which has operational responsibility, has lacked the authority to ensure compliance from other line departments.[18]

37. The Lao PDR Trade Portal was launched in June 2012. Work on creating the Lao PDR Trade Portal began in mid-2011 and it was completed a year later. The process involved identifying the trade-related regulations and procedures from all concerned agencies; aligning regulations and eliminating contradictory aspects; formalizing some procedures for which no formal regulation had existed; and reformulating regulations so that they were easily understood and could be published. The portal, *www.laotradeportal.gov.la* went online in June 2012 and now is the official repository for all trade-related laws, regulations, tariffs, licensing requirements, and measures for Lao PDR. Creation of the Trade Portal addressed a key private sector concern that the lack of transparency in border-related procedures and laws gave rise to informal payments, arbitrary decisions, and delays. It also fulfilled WTO and ASEAN commitments to reduce barriers to entry and improve trade transparency and predictability for the private sector. At the end of the project in 2013, the site was receiving 500 visits per day. In January-October 2017, the site had 69,000 visits or an average of 230 hits a day, suggesting continued utility of the site.[19]

B. Strengthening of Frameworks for SPS and TBT

38. Several legal and regulatory measures on SPS issues initiated under the project helped Lao PDR meet the requirements for WTO accession. The project financed a FAO review of all existing SPS legal instruments and an assessment of their compliance with international obligations and standards. An interagency SPS Risk Evaluation Group was also established. Several legislative amendments and new drafts that incorporated international standards were developed. A total of 15 pieces of legislation were produced and four texts were approved during the project period. These included a decision on food inspection; a decree on implementing the Law on Plant Protection; a decree on animal movement control; and a decree on animal disease control and prevention. These measures helped Lao PDR meet the SPS requirements for its 2013 accession to the WTO.

39. However, comprehensive SPS legislation was not enacted until 2017. The SPS-related measures under the project took the form of ad-hoc measures needed to meet WTO accession requirements. As a result, a range of other areas needed for Lao PDR to fully comply with WTO SPS principles were left unaddressed.[20] Follow-up work on this was subsequently supported by an Asian Development Bank (ADB) project as well as the follow-on Second Trade Development Facility. In 2017, a comprehensive Law on Plant Protection and Quarantine (Amended) was approved. The law specifies principles, regulations, and measures to administer and monitor plant protection and quarantine-related works to eliminate the spread of domestic pests and the spread of pests from other countries into Lao PDR and from Lao PDR to other countries. According to government officials, the next steps that will occur in 2018-2019 involve preparing guidelines and operating procedures, obtaining equipment, and training relevant officials. The law is then expected to be rolled out and enforced in 2020-2022.

40. A TBT gaps assessment was completed under the project as planned. At the time of project approval, the TBT regulatory framework legislation in Lao PDR was still based on principles of a planned rather than market economy and the degree to which the framework fell short of WTO accession requirements was unclear. The project financed a comprehensive review of the existing TBT regulatory framework in 2010. The review found that government agencies did not have the resources and competencies necessary to meet international standards or obligations under multinational agreements.[21] Government metrology and calibration testing laboratories did not meet international standards, thus requiring testing abroad that added significantly to costs. An action plan to implement reforms was developed. Implementation progress under the project was constrained by the late start-up of SPS and TBT legal and regulatory reforms components and delays in selecting consultants. At project completion, financing was being arranged from other sources to support implementation of the action plan.

OUTCOME

41. There was timely progress in implementing many aspects of the 2011-2015 Trade Facilitation Strategy. A review of the 2011-15 Trade Facilitation Strategy developed under the project found that good progress was made in implementing some aspects of the strategy, including simplification of customs procedures, provision of equipment and facilities for

border operations, implementation of WTO and ASEAN commitments, and creation of a national trade facilitation body.[22] Key achievements included the creation and amendment of 35 legal documents; improvements on both the customs side of border-related processes through implementation of the automated system for customs data (ASYCUDA) and non-customs side (through rationalization of regulations and implementation of the Lao Trade Portal); and strengthening of capacity related to trade facilitation in both the public and private sectors. The number of agencies present at border points was reduced from 13 in 2007 to three (customs, immigration, and the department of plant and animal quarantine). Introduction of risk management inspection, coordinated border management, post clearance audit, and advance rulings further streamlined border operations. These measures resulted in average customs clearance times dropping from 17.9 hours in 2010 to 11.2 hours in 2012 and to 6.5 hours in 2016. The mean import, export, and transit non-customs clearance times were reduced from 5 days in 2008 to 2.9 days in 2012.

42. However, a range of obstacles persist that add to the time and costs of trading. Although border clearance times, particularly customs clearance, have substantially improved, the burden of processing documents such as import licenses, certificates, permits, and quality approvals remains very high. According to the 2018 Doing Business report, total time to import was 230 hours in Lao PDR, compared to 140 in Cambodia and 132 in Vietnam. Of the 230 hours, however, only 14 hours were for border clearance and the rest was for document processing. Similarly, the total time to export was 228 hours, of which just 12 hours were for border clearance and the rest for document processing.[23] As of 2016, moreover, there continued to be a cumbersome import licensing regime as well as import taxes and fees other than custom duties that raised the time and cost of cross border trade.[24] Import licenses and quota restrictions covered about 34 percent of the total imports. Para-tariff fees associated with import licenses were estimated to equal 5.4 percent of the value of the goods. Lack of clarity in the process also caused delays and gave rise to informal payment opportunities. There are also reports that while the immigration, customs, and quarantine departments are the only official border agencies, other agencies carry out unofficial enforcement through roadside checks that involve informal payments and cause delays.[25] The government has recognized these obstacles and developed a roadmap to reduce the time and cost of trading to bring them in line with regional countries.[26]

43. As of 2017, the SPS and TBT frameworks still had substantial weaknesses. The project activities related to SPS and TBT issues were to finance gap assessments and action plans in these areas, while financing and implementation was expected to be conducted after the project. The broad indicators adopted in the results matrix far exceeded the influence of these activities in themselves and therefore attribution of outcomes to project activities is not realistic.[27] According to an ADB assessment, there were still substantial shortcomings in the SPS framework as of 2017. Various endemic livestock diseases impeded formal trade; incidences of food-borne and waterborne diseases were higher in Lao PDR than other Southeast Asian countries; inadequate SPS capacities inhibited formal, higher value agricultural trade; and plant and animal pests and diseases affected the productivity and incomes of farmers.[28] According to the ADB assessment, continuing weaknesses include lack of SPS awareness and education, particularly on farms; poor regulation of farmers and processors; lack of surveillance and monitoring; lack of laboratory capacity; and poor response capacity. According to the government, there are no specific SPS measures being

implemented in Lao PDR now. Importers are advised to seek guidance from the relevant department at the Ministry of Agriculture and Forestry and the Ministry of Health to determine whether any specific prohibitions are in place at the time of import.[29]

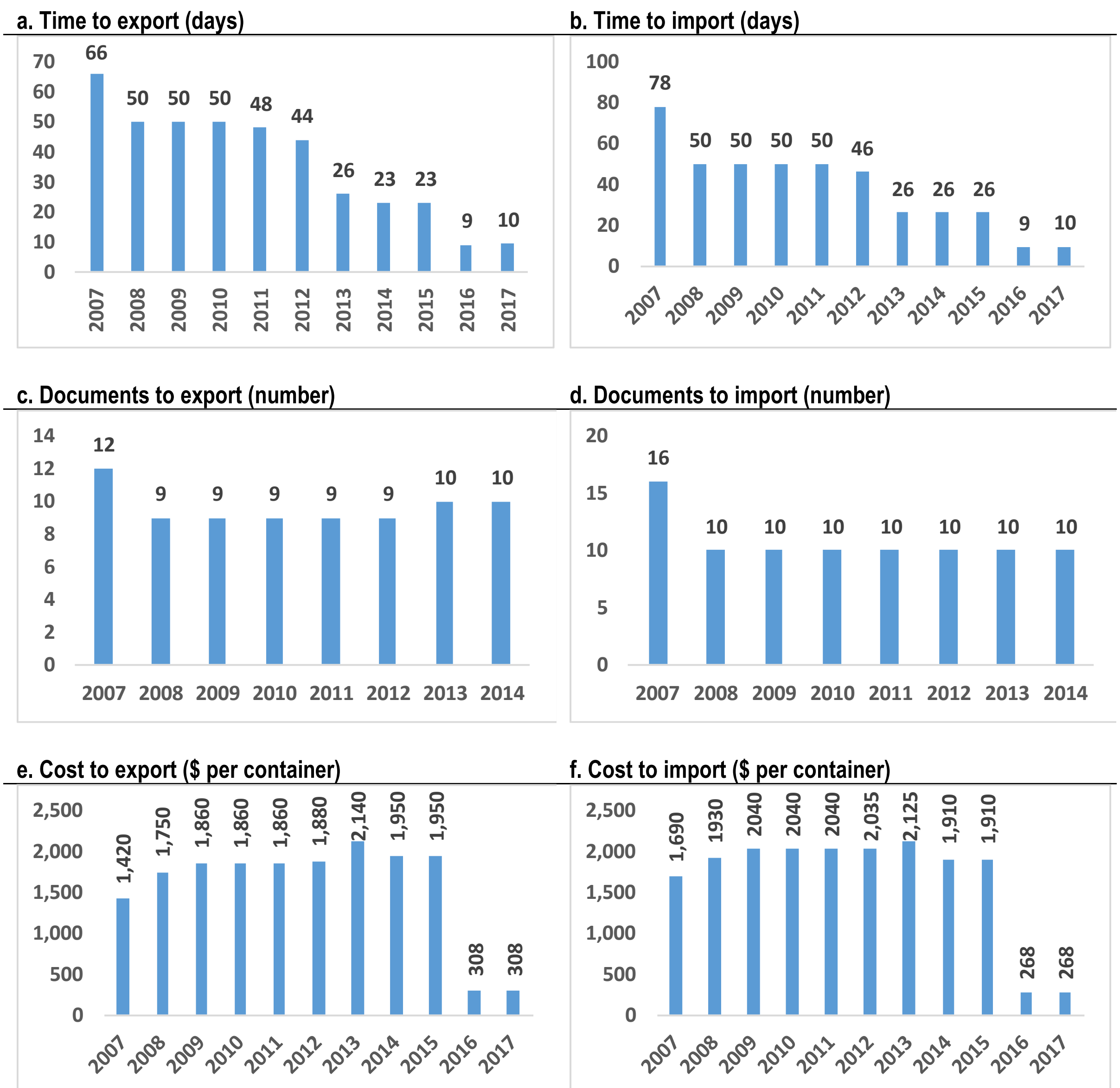
44. Overall trade facilitation indicators have shown uneven progress over the decade. The proportion of firms that reported that customs/trade was a "severe" constraint initially rose from 6.8 percent in 2008 to 12.4 percent in 2012 and then improved to 7.6 percent in 2016.[30] According to the 2016 Enabling Trade Index published by the World Economic Forum, Lao PDR improved seven places in rank on the "Efficiency and Transparency of Border Administration" indicator, from 100 in 2014 to 93 in 2016.[31] The Doing Business report indicates that the cost to export in Lao PDR increased from $1,420 in 2007 to $1,880 in 2012 and then dropped to $308 in 2016 and 2017, while the cost to import increased from $1,690 in 2007 to $2,035 in 2012 and then dropped to $268 in 2016 and 2017.[32] According to the Organization for Economic Co-operation and Development's (OECD) trade facilitation indicators, Lao PDR compares poorly with other countries in the region. Lao PDR's 2017 composite score was 7.6 compared to 15 in Vietnam, and 10 in Cambodia. However, the indicators show that performance in Lao PDR improved between 2015 and 2017 with respect to information availability, involvement of the trade community, appeal procedures, fees, documents, and automation.[33] Lao PDR's rankings in the Logistics Performance Index (LPI) initially improved between 2008 and 2012 but then worsened since 2012.[34] Its overall LPI rank improved from 117 in 2007 to 109 in 2012 but then worsened sharply to 152 in 2016 compared to Vietnam's rank of 64 and Cambodia's rank of 73 in 2016. However, according to both World Bank and government officials, the validity of the 2016 indicator may be in question due to a very small sample size of respondents.

45. Trade indicators have shown some improvement, but Lao PDR still lags behind regional countries. Lao PDR's trade indicators (which are driven by a range of factors beyond the trade facilitation measures influenced by the project) have shown some improvements over the last decade. Exports of goods and services grew an average of 11.6 percent in 2007-2016, compared to 11.1 percent in Cambodia and 11.1 percent in Vietnam.[35] Exports increased from an average of 34 percent of GDP in 2007-2012 to 37 percent in 2013-2016. However, average exports to GDP in 2007-2016 at 36 percent remained substantially below that of Cambodia (59 percent) and Vietnam (79 percent). In terms of openness, trade to GDP in Lao PDR increased from an average of 83 percent in 2007-2012 to 92 percent in 2013-2016. Again, however, the average of 87 percent trade to GDP ratio in 2007-2016 was substantially lower than the average of 124 in Cambodia and 161 percent in Vietnam. Non-resource exports increased by 42 percent between 2008 and 2012. Of note is the apparent extensive informal border trade between Lao PDR and neighboring countries that remains unreported. According to a recent International Monetary Fund (IMF) report, exports could be underreported by 8 to 50 percent, and imports underreported by 30 to 70 percent.[36]

46. The project was one of a range of other donor-supported initiatives that sought to help improve trade facilitation and competitiveness at the time of project appraisal. Over the 2008-13 implementation period, Lao PDR became more integrated into the regional and international economy as measured by increases in trade in goods and services. While significant barriers to trade persisted after the project, several intermediate steps to trade facilitation improved through increased transparency and time savings through the creation

of the Lao Trade Portal; improved integration into the regional and multilateral trading systems; and increased aid-for-trade management capacity. During implementation of the project, other on-going development partner supported initiatives included the Enhanced Integrated Framework Trust Fund; GIZ support for integration into regional markets; USAID assistance to the Bilateral Trade Agreement and the WTO accession process; ADB's support for SPS implementation; and Swiss/UN Trade Cluster funding to enhance sustainable tourism, clean production, and export capacity.[37] In addition, the World Bank was also supporting trade reforms through the parallel Customs and Trade Facilitation Project as well as a series of development policy operations.

Figure 4. Improvements in Trading across Borders in Lao PDR



Source: World Bank. Doing Business 2007-2017. Washington, DC: World Bank.

47. The Lao Trade Portal has had demonstration effects and been replicated in countries across the world. According to World Bank staff, the Lao Trade Portal was the first online trade portal to be implemented in a least developed country. The government initially shared the Lao Trade Portal software with Myanmar through a bilateral agreement. The World Bank subsequently developed a generic software platform to accelerate the implementation timeline for trade portals in other developing countries and allow countries to focus on rationalizing legislation and processes and data collection rather than on software development. It has subsequently been implemented or is being planned with World Bank and International Finance Corporation support in Cambodia, Botswana, Lesotho, Vietnam, Malawi, Nepal, Jamaica, Sri Lanka, and Mongolia.[38] The World Bank has presented the software platform and implementation experience at numerous international and regional forums including the WTO, as part of its contribution to the WTO Aid for Trade Review process. The World Bank's software platform allows developing countries to fully comply with Article 1 of the WTO Trade Facilitation Agreement that came into force in February 2017. The same software platform is being used to develop Trade in Services Portals, that was recently launched in Lao PDR. The following are some of the key factors of success of the Lao Trade Portal:

- Design: The function of a trade portal was not only to make information available online, but to organize the data logically to facilitate access. This involved a complicated process of documenting all steps and mapping them out externally (for users) and internally (to obtain approval);
- Awareness Campaigns (such as brochure, TV and radio, YouTube, CDs, T-shirts, Facebook, workshops, etc.): These played a significant role in increasing use of the trade portal;
- Collaboration: The roles of the Trade Facilitation Secretariat in bringing key ministries around the table was an essential element in the success of the trade portal; and
- Enforcement: The Prime Minister's decree was a crucial step as it obliged all ministries to collaborate, share information, and respond to queries.

48. The efficacy of the project in contributing to facilitating the trade and cross-border movement of goods is rated **Modest**. The project achieved all its expected outputs including: (i) implementation of the Lao Trade Portal that has been replicated in other countries; (ii) formulation of a National Trade Facilitation Strategy and Action Plan; (iii) establishment of a National Trade Facilitation Secretariat; and (iv) completion of gap assessments in the SPS and TBT legal and regulatory framework, as planned. Overall, the project's achievements contributed to good progress in implementing many aspects of the 2011-2015 Trade Facilitation Strategy and some trade facilitation indicators improved by the end of the project. However, momentum slowed after WTO accession. Continuing obstacles persist that add to the time and costs of trading, and as of 2017, the SPS and TBT frameworks still had substantial weaknesses. In recent years, some of the trade facilitation indicators, especially the LPI have worsened. The efficacy of the project in contributing to this objective is rated **Modest**.

Intermediate Objective 2: Increasing Government Capacity Related to Regional and Global Economic Integration

49. The second intermediate objective was to help the government increase its capacity to undertake specific tasks related to regional and global economic integration. Based on the results framework (figure 3), the following two components of the project were linked to this objective: (i) Capacity Building, Trade Policy, Trade Agreements and Global Opportunities; and (ii) Strengthening of the National Implementing Unit. There were no outcome indicators associated with this component.

OUTPUTS

A. Building Capacity for Trade Policy, Trade Agreements, and Global Opportunities

50. A range of activities supported the final phase of Lao PDR's WTO accession. The project financed a negotiation team of five fulltime staff members including a full-time lawyer; supported five WTO working party negotiations and bilateral negotiations with key working party members; and helped draft legal texts in key areas such as SPS that were required for WTO accession. The project also financed several accession impact analyses in various sub-sectors, including professional services (law, accountancy, and engineering), distribution services (wholesale, retail, and franchising), and financial services (insurance). At its latter stages, the project also supported several ASEAN integration activities, including analysis on preference utilization and market access, overlapping agreements, and a business guide towards ASEAN opportunities. This component received the highest funding, representing 30 percent of the total cost at closure.

51. The government's in-house trade-related research capacity improved. The project helped strengthen the government's capacity to undertake research in trade-related activities through support for the Economic Research Institute for Trade (ERIT). The institute began to produce several research outputs including the Lao Trade Research Digest. It also developed an advanced trade policy, competitiveness and management course for MoIC staff in partnership with the Estey Centre for Law and Economics in International Trade, Canada. Between 2008 and 2012, ERIT organized some 80 training courses with 1,500 participants. Among training courses financed by the project, 85 percent of training participants rated their training as useful for their work. ERIT is becoming recognized in the region and has established relations with other research institutions in Vietnam, Japan, Korea, and the International Institute for Trade and Development and the Mekong Institute in Thailand. Under the follow-on project TDF2, 84 officials from public and private sector organizations attended executive and middle management development programs for trade facilitation, with 90 percent of attendees completing the trainings successfully, demonstrating an understanding of trade facilitation issues. At present, ERIT has about 45 staff, including eight full time researchers. However, research capacity is constrained by the lack of incentives that can be offered to outside researchers because of payment limitations by the Ministry of Finance.

52. However, there was less progress in areas such as mainstreaming the trade facilitation agenda in line ministries. Notwithstanding progress on aligning and publishing regulations on

the Trade Portal, the line ministries did not subsequently develop action plans, targets, budget plans, or implementation measures to meet trade facilitation objectives and service charters with guaranteed time frames in the clearance of exports and imports.[39] Coordination among line departments was a weak area of implementation of the National Trade Facilitation Strategic Plan. Moreover, the Trade Facilitation Secretariat only met once a year and therefore was unable to provide effective guidance or operational support to implement the trade facilitation agenda. The Department of Import and Export, which has operational responsibility, lacked the authority to ensure compliance from other line departments. An effective mechanism for regularly engaging the private sector on trade facilitation initiatives taken by various line departments has also not been established.

B. Strengthening of the National Implementing Unit

53. The government's capacity to manage trade-related reforms was substantially improved. In retrospect, establishing a National Implementation Unit within a line ministry was warranted given the government's limited ability to attract relevant expertise under its civil service norms. At the time of project approval, development assistance for trade reform in Lao PDR was characterized by severe fragmentation with many small projects, and significant overlaps and gaps. Very few development partner projects channeled resources through the government, resulting in limited capacity development as well as ownership. The project helped the NIU gain the necessary skills to manage a large multi-sectoral reform program. Measures taken under the project included: (i) a full-time procurement advisor was recruited for one year as planned, after which the advisor's services were available part-time; (ii) a full-time financial management advisor was in place throughout the project's implementation period; and (iii) NIU staff were provided training courses by the World Bank and advice from World Bank procurement and financial management specialists in Bangkok and Vientiane. As a result, the NIU developed substantial procurement and financial management capacity. By project closing, the NIU had grown considerably in terms of number of staff as well as full and part-time national consultants. Going forward, the sustainability of the NIU in the absence of external project financing will have to be addressed.

OUTCOME

54. Lao PDR became a member of the WTO in February 2013, culminating a 15-year negotiation and preparation process. The WTO accession package was ratified by the Lao National Assembly in December 2012 and Lao PDR became the 158th member of the WTO in February 2013. The project effectively supported final negotiations that led to Lao PDR's accession to the WTO in 2013. Lao PDR's accession was the result of 15 years of negotiations and preparatory work. Multiple development partners, including ADB, AusAid, the European Union, GIZ, the Japan International Cooperation Agency, Swiss State Secretariat for Economic Affairs (SECO), UN agencies, and USAID supported various aspects of the government's WTO accession efforts. The TDF project, however, played a significant role in strengthening the government's core negotiating capacity in the final stages of the process as well as helped meet a range of final requirements for WTO accession.

55. The government's capacity to manage trade-related reforms was substantially improved. Strengthened capacity in trade-related areas was demonstrated by the government's lead role in preparing the 2012 DTIS update. The DTIS was led by the government with support and inputs from the World Bank, in sharp contrast to the 2006 DTIS that was fully prepared by the World Bank. The 2012 DTIS formed the basis of the government's trade and integration strategy in 2012-17. The exercise illustrates the extent to which in-house skills and capacity in trade-related areas evolved in 2008-12, in large part due to the activities of the project. According to the World Bank, Lao PDR was the first Least Developed Country (LDC) to complete a DTIS "in-house."[40] Because of increased capacity in the NIU, development partners enhanced their Aid for Trade financial support. Commitments from existing donors (AusAID, EC, and GIZ) increased and new donors including the German, Irish, and U.S. aid agencies joined the multi-donor trust fund that supported the follow-on Second Trade Development Facility. NIU management of Aid-for-Trade resources rose from 11 percent of total trade-related technical assistance before the start of the TDF to about 72 percent by the end of the project.

56. The efficacy of the project in contributing to increased government capacity to undertake specific tasks related to regional and global economic integration is rated **Substantial**. A range of activities supported the final phase of Lao PDR's WTO accession, and Lao PDR became a member of the WTO in 2013. These included enabling a team of fulltime staff members in the MoIC to conduct negotiations; supporting five working party negotiations and bilateral negotiations with working party members; completion of several accession impact analyses in various sub-sectors; and drafting legal texts needed for WTO accession. At project completion, the government's capacity to manage a large multi-sectoral reform program had substantially improved. Strengthened capacity in trade-related areas was demonstrated by the government's lead role in preparing the 2012 DTIS update, in sharp contrast to the 2006 DTIS that was fully prepared by the World Bank. The project also supported improvements in the government's in-house trade-related research capacity. However, there was less progress in mainstreaming the trade facilitation agenda in line ministries. On this basis, the efficacy of the project in contributing to this objective is rated as **Substantial**.

Objective 2: Assist Government Implement the 2006 Action Matrix for Trade-Related Assistance

57. The components of the project very closely mirrored the format of the DTIS Action Matrix. The second objective of the project was to assist the government's implementation of the Action Matrix for Trade-Related Assistance that was approved by the government and donors in September 2006. As stated previously, objectives 1 and 3 of the project were a subset of objective 2 (see para 10). The project was specifically set up to implement the Action Matrix for Trade-Related Assistance approved by the recipient and donors in September 2006. Therefore, the two intermediate objectives (of facilitating trade and cross-border movement of goods; and of increasing the government's capacity to undertake specific tasks related to regional and global economic integration) under objective 1 as well as objective 3 (increasing growth and export competitiveness) were identified in the DTIS Action Matrix.

58. Overall, the efficacy of this objective is rated as **Substantial.** Efficacy in the achievement of first objective was **Substantial**. The project supported the recipient's aims in poverty reduction and the economic development of Lao PDR by facilitating trade and cross-border movement of goods and increasing the government's capacity to undertake specific tasks related to regional and global economic integration. As discussed below, efficacy in the achievement of the third objective—to achieve the goals set up in the recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan—was **Modest**.

Objective 3: To support the government's medium-term strategy for increasing growth and export competitiveness

59. The third objective sought to support the government's medium-term export competitiveness strategy. The third objective of the project was to achieve the goals set up in the recipient's medium-term strategy for increasing growth and export competitiveness, as reflected in the recipient's Poverty Reduction Strategy and the National Socio-Economic Development Plan.

60. The Garment Skills Development Center (GSDC) contributed to improving skills in the garment sector. The project financed a series of sector competitiveness studies, followed by pilot implementation of sub-projects in selected sectors. The GSDC was established in 2011 and operates under the supervision of the Association of Lao Garment Industries. Its main goal is to raise the productivity of human resources in the garment industry by providing high quality technical and managerial training in garment manufacturing. The GSDC trained 556 people under the project in 2011-13 and subsequently trained an additional 787 people in 2013-17 under subsequent projects. The main courses delivered included sewing operator principles, sewing supervisor principles, quality control, and pattern making. According to a World Bank assessment, results have shown a direct link between line-level productivity and short-course training provided to workers on basic line management skills, industrial engineering, and motivation.[41] The review suggested that the productivity of production lines improved by 48 percent, overall productivity rose by 18 percent, and supervisor's performance improved by 43 percent.

61. However, the sustainability of the GSDC in the absence of donor funding is in question due to difficulties in recovering operational costs. At present, its costs are estimated to be $90,000 a year, while its cost-recovery income from trainee fees is $15,000 a year. The GSDC remains dependent on donor funding to meet the balance of its expenses. To date it has not attracted funding from the garment industry itself. To enhance its sustainability going forward, more contributions from garment factories is likely to be warranted.

62. The expected productivity gains from interventions in other sectors fell short of expectations and were also of questionable sustainability. In the handicrafts sub-sector, the project financed the annual Lao Handicrafts Festival for several years. Training was also provided to handicrafts firms to improve access to markets through better use of e-commerce. However, the impact of these measures on increased sales or competitiveness was unclear and the Handicrafts Festival did not become financially self-sufficient. An assessment to link

local agribusiness (vegetable) producers to the tourism sector in Luang Prabang was completed and pilot activities were commenced with funding from other donors. An export facilitation/phytosanitary testing laboratory was established to support improved export market access for vegetables based on analytical work on agribusiness in the south of the country. Activities in the secondary wood processing sub-sector were scaled back given insufficient demand from the private sector. In each of these interventions, however, there were concerns as to their longer-term sustainability in the absence of external donor funding and whether private sector demand was being met. The follow-up operation dropped these components and moved away from sectoral competitiveness interventions.

63. Achievement of this objective is rated as **Modest.** While non-resource exports increased by 42 percent between 2008 and 2012, this cannot be attributed to the project. The only contributions from the project under the export competitiveness component was through the skills development program in the garments sector. The project made an effective contribution to skills development in the garments sector, However, there were limited achievements in other sectors. On this basis, this objective is rated as **Modest**.

5. Efficiency

64. The efficiency of the project is rated **Substantial**. Neither the PAD nor the ICR computed the economic or financial rate of return for the project. At the same time, there was a delay of 14 months between project appraisal and project effectiveness mainly due to start-up delays associated with the establishment of the multi-donor trust fund, such as signing of donor administrative documents, signing of the grant agreement, and so on. During project implementation, there were considerable delays in the recruitment of consultants to draft SPS legislation and for the Lao Trade Portal. The total project cost increased by 11 percent from $6.8 million at project approval in November 2007 to $7.6 million in March 2013. Also, the project was extended by 11 months from the original closing date of February 2012 to the revised closing date of March 2013.

65. However, at the time of closing, the project achieved key outcomes, including strengthening the capacity of the NIU and the establishment of the Lao Trade Portal that was replicated in several other countries. To some extent the Trade Portal contributed to trade facilitation because the Portal helped Lao PDR comply with WTO and ASEAN standards, and the creation of the Portal addressed a key private sector concern that the lack of transparency in border-related procedures and laws gave rise to informal payments, arbitrary decisions, and delays. Also, to some extent the increased capacity of the government contributed to trade facilitation because strengthened capacity in trade-related areas was demonstrated by the government's lead role in preparing the 2012 DTIS update. Because of increased capacity in the NIU, development partners enhanced their Aid for Trade financial support. Overall, efficiency of the project is rated as Substantial.

6. Ratings

Outcome

66. The development outcome of the project is rated as **Satisfactory**. This rating is derived from a combination of the following ratings: (i) Relevance of objectives is rated High and relevance of design is rated Modest; (ii) Efficacy of the first objective (supporting the recipient's aims in poverty reduction and economic development by facilitating trade and cross-border movement of goods and increasing government capacity related to regional and global economic integration) is rated Substantial; efficacy of the second objective (assisting the government's implementation of the 2006 Action Matrix for Trade-Related Assistance) is rated Substantial; and efficacy of the third objective (supporting the government's medium-term strategy for increasing growth and export competitiveness) is rated Modest; and (iii) the efficiency is rated Substantial. Together, these ratings lead to an overall outcome rating of **Satisfactory.**

Risk to Development Outcome

67. Although progress on the trade facilitation agenda was undermined by the loss of momentum after WTO accession, strong underlying government ownership of the agenda supports continued progress in the future. Progress on the trade facilitation agenda initially waned after WTO accession in 2012. The Trade Facilitation Secretariat met only once a year and was unable to guide the process effectively. Implementation of the 2012-17 Trade Facilitation Strategy was undermined by continuing issues in inter-agency coordination and the inability to generate an effective public-private sector dialogue on trade facilitation issues. There are reports that some agencies set up road checkpoints near the border to collect additional fees, undermining the reduction of agencies at the border. At the same time, the government has shown strong underlying ownership of the trade facilitation agenda. The new 2017 Trade Facilitation Road Map recognizes the constraints to further progress and presents a broad series of measures to address them and advance the trade facilitation agenda.[42] For example, the Trade Facilitation Secretariat will be required to meet once a quarter; a new oversight body for trade facilitation reforms will be established; trade facilitation units in line ministries will be established; and unwarranted roadside checks will be eliminated. In addition, the government's commitment to implementing all the measures under the WTO's Trade Facilitation Agreement as well as commitments under ASEAN and bilateral trade agreements also strongly support further progress on trade reforms.

68. Trade-related capacity development is likely to be sustained although full integration of the NIU into the government will have to be addressed. Under the project, trade-related external aid was increasingly managed by the government through the NIU that was strengthened under the project. The NIU has emerged as a capable unit and has managed all trade-related aid, including the follow-on Second Trade Development Project. However, it remains dependent on full-time local consultants that are paid outside normal government pay scales from donor-financed projects. Efforts have been made to increasingly integrate the NIU with the civil service and the NIU has an increasing proportion of staff from the MoIC. Such efforts are likely to be needed to sustain the NIUs capacity in the absence of donor-

funded remuneration. With the approval of comprehensive SPS legislation in 2017, it is likely that further advances will be made in ensuring Lao PDR's compliance with international SPS standards. The Trade Portal has now been operational for over five years and its underlying value has been demonstrated by its replication in other countries. However, there continue to be challenges to make sure that the Trade Portal is continually updated with the latest information from all relevant agencies. The government has continued to strengthen its in-house research and training capacity and ERIT is now increasingly recognized and linked to other research institutions in the region.

69. The sustainability of the Garment Skills Development Center is in question due to difficulties in recovering operational costs. At present, the GSDC's costs are estimated to be $90,000 a year, while its cost-recovery income from trainee fees is about $15,000 a year. The GSDC remains dependent on donor funding to meet the balance of its expenses. To date it has not attracted funding from the garment industry itself. The sustainability of the GSDC is likely to depend on its ability to cover its operating costs from sources other than donor financing. To enhance its sustainability going forward, more contributions from garment factories is warranted.

70. The risk to development outcome is rated as **Moderate.** Several issues may undermine the sustainability of achievements under the project. These include the waning of momentum on the trade facilitation agenda after WTO accession; the inability to ensure inter-ministerial coordination and effective private sector dialogue; and the inability to ensure contributions to the garment training center from garment manufacturers. In addition, ensuring the functioning and capacity of the NIU in the absence of external project financing needs to be addressed. At the same time, the strong government ownership of the trade reform agenda; participation in WTO, ASEAN and bilateral trade agreements; the recent adoption of a comprehensive trade facilitation strategy for 2017-22; and increased in-house trade-related capacity, are all developments that support the consolidation of achievements to date and further progress in advancing the trade facilitation agenda. On this basis, the risk to development outcome is rated as **Moderate**.

World Bank Performance

QUALITY AT ENTRY

71. The strategic relevance of the project was **High.** The objectives and components of the project were fully aligned with the Action Matrix for Trade-Related Assistance prepared by the government, which, in turn, was aligned with the 2006 DTIS prepared by the World Bank, with government inputs. The project component related to increasing export competitiveness and the business environment was aligned with the government's 2007 National Socio-Economic Plan, which sought to improve export competitiveness and increase non-resource exports and economic growth. Furthermore, there was strong support and contributions from various donors (such as AusAid, EC, and GIZ) which led to the establishment of the Multi-Donor Trust Fund Trade Development Facility that this project also funded. The rational for World Bank involvement included: (i) prior country-level analytical work, including the preparation of the DTIS on behalf of the government; (ii) considerable experience in trade-related lending activities in Lao PDR and elsewhere in the

region; and (iii) close links of the project to the World Bank Group's country assistance strategy objectives to improve competitiveness and connectivity.

72. The project was designed in parallel with another IDA-financed project that supported customs reform and the two projects benefited from sharing of information and resources. The Lao PDR Customs and Trade Facilitation Project (P101750) was designed and implemented in parallel to this project, enabling both information sharing and efficiency gain between the two projects. The task team lead, financial management, and procurement staff worked on the design of both projects. At the time of preparation of this project, there were no systematic World Bank guidelines for preparation of projects financed with recipient executed trust funds. Since formal preparation of a PAD was not required, the project team prepared a modified PAD, although it did not include a results framework. It was only at the time of project restructuring in January 2012, about 14 months prior to project closing, that a results framework was added to the project design. However, the final outcomes—growth in non-resource exports; growth in trade in services; and improved scores on objective measures of trade facilitation—were too broad to attribute to this project. Also, outcomes were not defined for the second objective of the project related to capacity building.

73. The government's limited capacity to implement the project was acknowledged and appropriate mitigation measures were included in the project's design. At the time of project appraisal, the NIU did not have adequate capacity to undertake procurement under the World Bank's procurement procedures. Lao PDR's financial management capacity for externally-funded projects was also weak. These issues were acknowledged, and appropriate mitigation measures were included in the project design and carried out during project implementation—for example, a full-time procurement advisor was on board for a period of one year after which the advisor's services were available on a part-time basis; and a full-time financial management advisor was in place throughout the implementation period.

74. Lack of economic and financial analyses for the project suggests insufficient attention to "value-for-money" of this project.

75. Overall, quality at entry is rated as **Satisfactory** due to minor shortcomings in the identification, preparation and apprasaila of the project..

QUALITY OF SUPERVISION

76. The adequacy of supervision inputs and processes was substantial. Project supervision missions were conducted jointly with other development partners of the multi-donor trust fund. In addition, during the joint TDF/Enhanced Integrated Framework supervision missions, representatives from non-TDF members such as USAID were invited to ensure that their projects complemented the project's activities. The locally-based World Bank project team supported the NIU on day-to-day operations of the project. According to the NIU, advice from World Bank staff based locally and in Bangkok was instrumental in helping build capacity. There was continuity of the project team because the task team lead and trade economist were involved in the project from effectiveness until project closing. World Bank staff presence in the field played a key role in facilitating implementation of the

project. The project allocated additional funding at project restructuring to build the NIU's capacity and to speed up Lao PDR's accession process to the WTO.

77. Focus on development impact, especially in achieving export competitiveness in handicraft and wood processing sectors, was weak.

78. The quality of World Bank supervision is rated as **Satisfactory**. Together, these lead to an overall World Bank Performance rating of **Satisfactory**.

Borrower Performance

Government Performance

79. The government's ownership of and commitment to achieve the development objectives of the project were strong. Initially, there were challenges in terms of coordination between the two main stakeholders of the project: the MoIC, which was responsible for technical implementation of the project; and the Ministry of Finance, which was responsible for management of the designated account or funds for the project. However, coordination improved over time and the government followed all the covenants in the grant agreement. The government's strong commitment is evident from the fact that Lao's trade agenda is now completely owned and controlled by the government, which initially used to be defined by the external development partners. The government's pursuit of regional and global trade agreements provided important incentives for reform. Pursuit of membership in WTO and regional and bilateral trade agreements strongly supported progress on the trade facilitation agenda over the period. The agreements generally required reciprocal actions, including increased transparency and commitments to specific trade facilitation policies.

80. The establishment of the National Trade Facilitation Secretariat enabled the government to bring the various border agencies together and decide on what procedures should be streamlined and simplified. The number of agencies at the border was reduced to only three (Customs, Immigration, and Quarantine). After WTO accession, however, the National Trade Facilitation Secretariat met only once a year and it was unable to effectively fulfill its function of shepherding the trade reform agenda. This is being addressed by the recently adopted National Trade Facilitation Roadmap for 2017-2022 that will create an oversight body and require the NTFS to meet once a quarter.

81. Trade reform champions in the government were instrumental in achieving progress under the project. During the 2008-12 period, when substantial progress was made in the run up to WTO accession, the Minister of Industry and Commerce adopted a "hands off" approach and entrusted the Deputy Minister who was a trade reform champion to drive the reform process.[43] The ministry adopted a tolerance for risk-taking and "trial-and-error" and "learning-by-doing" approaches. The then Deputy Minister of Industry and Trade (who is the current Minister) also led the government-managed 2012 DTIS Update. The Ministry also developed a cadre of younger, overseas-educated staff that subsequently emerged to provide technical and leadership ability in the trade reform process. According to the World Bank, the NIU grew from "a very small, relatively inexperienced team … into a highly capable, ambitious, and motivated group."[44]

82. Government performance is rated as **Satisfactory** due to the factors mentioned above.

IMPLEMENTING AGENCY PERFORMANCE

83. The NIU's capacity to manage trade-related reforms substantially improved during the project. Initially, the readiness for implementation was weak because the NIU did not have adequate capacity on procurement and financial management. This was mainly because the project was significantly larger and more complex in nature than any previous Aid for Trade project in Lao PDR. However, the NIU's confidence grew during the implementation period due to its "learning-by-doing" approach. By the time of project closing, there was substantial progress in the capacity of the NIU in terms of improvements in procurement and financial management, and in the management of Aid for Trade program. For example, the DTIS, which was initially prepared by the World Bank in 2006, was updated in-house within the MoIC in 2012. Also, the confidence of donors in the NIU's capacity to manage Aid for Trade projects increased, as indicated by the increased commitments from existing donors and the addition of new donors to the Trade Development Facility. The NIU was converted into the Foreign Aid Division within MoIC' s Planning and Corporation department, and is presently not only managing the resources of the Trade Development Facility multi-donor trust fund, but is also providing other trade related support to the MoIC and is gradually moving from a project-based approach to a program-based approach.

84. Implementing agency performance is rated **Highly Satisfactory**. Together, these lead to an overall Borrower Performance Rating of **Satisfactory**.

Monitoring and Evaluation

85. Design: The project contained a relevant set of intermediate indicators, although outcome indicators were too broad. The intermediate results indicators were well defined and adequate to capture the contributions of the project's components/activities and achievement of outputs and intermediate outcomes. The baselines and targets were defined for all the indicators. However, the three outcome level indicators—growth in non-resource exports; growth in trade in services; and improved scores on objective measures of trade facilitation—were too broad. It is, therefore, difficult to attribute the outcome level results to the contributions of the project. Also, although growth in trade in services over the period was mostly driven by growth in tourism, the project did not make any contributions in the tourism sector.[45] Therefore, this outcome indicator was not relevant to the project. Also, there was no outcome indicator to measure the second intermediate objective of increasing government capacity related to regional and global economic integration.

86. Implementation: Monitoring of intermediate outcome indicators was satisfactory. The outcome results were measured using data from various sources, including UN Comtrade, world development indicator, and the Logistics Performance Index. The intermediate indicators were also tracked by different departments within the MoIC, including the Department of Import and Export, ERIT, and the NIU that were responsible for implementing different activities. The monitoring and evaluation system was enhanced by the establishment of a results framework for trade facilitation measures under the follow-on Second Trade Development Facility project. The NIU strengthened its monitoring capacity,

including hiring a monitoring specialist. The government's current Trade Facilitation Roadmap strategy has established clear monitoring indicators including the World Bank's Doing Business indicators and OECD's Trade Facilitation Indicators.

87. Utilization: Monitoring enabled some mid-course adjustments, although some of the indicators were too broad to be meaningful. There is evidence of communication of M&E findings to the various stakeholders involved in the project, enabling them to make strategic decisions. For example, the project's intermediate indicators were used in the reports that were discussed in the steering committee meetings, held every six months. During these meetings, the steering committee would review progress made during the past six months and prepare the work program for the next six months. However, the data on final outcomes was too broad to be attributable to this project. For example, the growth in non-resource exports cannot be fully attributed to this project because the only contributions from the project under export competitiveness component was the establishment of the Garment Skills Development Center.

88. Together, these lead to an overall project M&E rating of **Modest**.

7. Lessons

89. **Early engagement with the government: Appropriate analytic work can lay the basis for sound project design and enhance commitment of the government.** Prior to project approval, the World Bank had engaged with the government on trade-related issues and prepared a DTIS. Following the DTIS report, the government prepared an Action Matrix that outlined priority areas where trade-related technical assistance would be needed. The project was highly relevant to the government's priorities because it was created to help implement the government's DTIS Action Matrix.

90. **Attribution issues: The final outcomes in a results framework need to be specific and attributable to the project.** It is difficult to attribute the outcomes of relatively smaller projects to broadly defined outcomes at the country level. Efforts should be made to design project-level outcome indicators so that they are directly relevant to the specific activities of the project.

91. **Simple project design: In the context of low institutional capacity, simple project design with fewer components may enhance the focus of a project and the likelihood of full implementation**. In addition to trade facilitation, the project included a component related to export competitiveness and the business environment. Although the project did contribute towards skills development in the garments sector, it did not make any major contributions in other non-resource sectors such as handicraft, wood processing, etc. These components may have been better suited to another project, with broader policy-related components, allowing this project to focus more narrowly on trade facilitation issues.

92. **Capacity building: In a limited capacity environment, a "learning-by-doing" approach can be effective in building project management capacity**. At the time of project approval, the implementing agency, NIU, had limited capacity on procurement and financial management. However, the NIU's confidence grew during the implementation

period mainly due to a "learning-by-doing" approach. This approach was based on: (i) a full-time procurement advisor attached to the NIU during the initial period; (ii) a full-time financial management advisor in place throughout the implementation period; (iii) training and advice provided by World Bank procurement and financial management specialists based in Bangkok and Vientiane; (iv) continuity on the part of the World Bank team, with the team lead and trade economist remaining in place from project effectiveness until closing, allowing for key relationships to be developed and institutional memory retained.

93. **Political commitment: Accession to a major regional or global agreement such as WTO can serve as a strong incentive for reforms and ensure political commitment**. The project helped implement several reforms that were part of Lao PDR's WTO and ASEAN membership commitments. For example, the Lao Trade Portal helped Lao PDR comply with WTO and ASEAN standards that require member countries to make their trade related regulations publicly available and easily accessible. Similarly, progress on improving the SPS legal and regulatory framework was driven by the need for WTO compliance. Accession and compliance requirements of multilateral agreements provided a strong impetus for many of the reforms that were supported by the project.

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[1] GNI per capita, Atlas method (current US$). World Bank Data

[2] World Bank, *East Asia and Pacific Economic Update: Reducing Vulnerabilities*, October 2016

[3] World Bank, *East Asia and Pacific Economic Update: Adjusting to a Changing World*, April 2015

[4] See World Bank, Lao PDR - *Challenges in Promoting more Inclusive Growth and Shared Prosperity*, 2016

[5] World Bank, *DTIS,* 2006

[6] World Bank, Doing Business 2017

[7] World Bank, Building Export Competitiveness in Lao PDR, 2006

[8] World Bank, Building Export Competitiveness in Lao PDR, 2006

[9] The Integrated Framework (later the Enhanced Integrated Framework) is a global multi-donor initiative aiming to facilitate the effective participation of Least Developed Countries in the multilateral trading system. The program, which is operated out of the WTO Secretariat in Geneva, was established by the International Monetary Fund, the International Trade Centre, the United Nations Conference on Trade and Development, the United Nations Development Program and the World Bank. It provides a coordinating framework in support of aid-for-trade in Least Developed Countries. See https://www.enhancedif.org/en/country-profile/lao-pdr

[10] In early 2012, Germany joined the multi-donor trust fund by making a commitment of EUR 0.28 million.

[11] *Source:* Multi-Donor Trust Fund for Trade Development Facility, Grant Agreement between Lao PDR and IDA, (p. 4).

[12] Customs operations in Lao PDR were already being rationalized and automated through the introduction of an automated systems for customs data (ASYCUDA) financed by a parallel World Bank project—Lao PDR Customs and Trade Facilitation project.

[13] See PAD (p. 40 and 41). Issues in the tourism sector were addressed by the Lao National Tourism Authority in close collaboration with business associations (Lao Hotel and Restaurant Association and Lao Association of Travel Agents) and with strong support from the donor community (including the Asian Development Bank, New Zealand Aid, Grand Duchy of Luxembourg, etc.).

[14] ICR p. 17

[15] World Bank, *East Asia and Pacific Economic Update: Reducing Vulnerabilities*, October 2016

[16] http://www.laotradeportal.gov.la/kcfinder/upload/files/TF%20Strategic%20Plan%202011-2015-Eng.pdf.

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[26] Government of Lao PDR, *Trade Facilitation Road Map of Lao PDR for 2017-2022*, Ministry of Industry & Commerce Trade Facilitation Secretariat, 2017.

[27] As stated in the ICR, "*Some outcomes are very difficult to attribute to particular factors. For example, regulation and trained staff are only part of the factors that affect competitiveness. For most of the project activities no baseline data are available to be used in later outcome evaluations*".

[28] Asian Development Bank, Additional Financing: Report and Recommendation of the President: Trade Facilitation: Improved Sanitary and Phytosanitary Handling in Greater Mekong Sub-Region Trade Project, September 2017.

[29] http://www.laotradeportal.gov.la/index.php?r=site/display&id=132#q24.

[30] World Bank, *Investment Climate Assessment*, various years.

[31] World Economic Forum, The Global Enabling Trade Report 2016, A joint publication of the World Economic Forum and the Global Alliance for Trade Facilitation, 2016.

[32] There was a change in methodology in the 2016 Doing Business Report. The case study underlying the trading across borders indicators was changed to increase its relevance. For each economy the export product and partner are now determined based on the economy's comparative advantage, the import product is auto parts, and the import partner is selected based on which economy has the highest trade value in that product. Inland transport costs dropped from $1350 for both imports and exports in 2015 to US$150 in 2016 and inland transport times were reduced from 3 days in 2015 to 2 hours in 2016.

[33] OECD, Trade facilitation indicators, http://www.oecd.org/trade/facilitation/indicators.htm

[34] World Bank. Logistics Performance Index, various years.

[35] World Bank Open Data.

[36] According to a recent IMF review, there is considerable underreporting of trade data in Lao PDR, particularly regarding trade with neighboring countries such as Thailand, China, and Vietnam. According to the 2017 IMF review, exports could be underreported by 8 to 50 percent, while imports could be underreported by 30 to 70 percent, and the trade deficit could be 20 percent to 280 percent higher. On the export side, underreporting is concentrated in wood and wood products, which could be the result of a persistent illegal logging trade. See IMF, *Lao PDR: Assessing the Quality of Trade Statistics*, 2017.

[37] Lord, Montague, Trade Development Facility Evaluation, presented to the National Implementation Unit, Ministry of Industry and Commerce, 2013.

[38] Specific World Bank Group–supported projects include the Cambodia Trade Development Support Program (P109648), Botswana Trade Facilitation (P154931), Lesotho RSA Customs Collaboration (P125780), Vietnam Trade Facilitation (P156831), Malawi Growth and Competitiveness (P151674), and Nepal-India Regional Trade and Transport Project (P144335).

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[43] World Bank, *Lao PDR Trade Reform Story*, 2016

[44] World Bank, *Lao PDR Trade Reform Story*, 2016

[45] According to the project team, the project did support diagnostic work and provide negotiations in service related sectors such as insurance, professional services and on telecoms.

Appendix A. Basic Data Sheet

LAO PDR TRADE DEVELOPMENT FACILITY PROJECT (P106165) (CREDIT TF-91201)

Table A.1. Key Project Data ($, million)

Category	Appraisal Estimate	Actual or Current Estimate	Actual as Percentage of Appraisal Estimate
Total project costs	6.82	7.60	112.00
Loan amount	0.00	0.00	0.00
Cofinancing	6.82	7.60	112.00
Cancellation	n.a.	n.a.	n.a.

Table A.2. Cumulative Estimated and Actual Disbursements

Category	FY09	FY10	FY11	FY12	FY13	FY14
Appraisal estimate (US$ millions)	0.30	2.00	2.30	2.00	0.20	0.00
Actual (US$ millions)	0.30	0.80	1.80	2.20	2.60	0.19
Actual as percent of appraisal	100.0	40.0	78.0	110.0	130.0	19
Date of final disbursement:						09/25/2013

Table A.3. Project Dates

Category	Original	Actual
Concept review	n.a.	n.a.
Appraisal	n.a.	10/22/2007
Board approval	n.a.	11/16/2007
Effectiveness	n.a.	12/11/2008
Restructurings	n.a.	01/13/2012
Closing date	02/28/2012	03/31/2013

Table A.4. Staff Time and Cost[a]

	Staff Time and Cost (World Bank budget only)	
Stage of Project Cycle	**Staff Weeks** (number)	**$, thousands** (including travel and consultant costs)
Lending/Supervision/ICR	0	0.00
FY08	6.2	22.70
FY09	72.1	194.00
FY10	52.7	240.20
FY11	62.6	267.00
FY12	48.9	232.30
FY13	35.1	152.00
Total	278.2	1,108.20

a. Staff time and cost includes both BB and World Bank–executed trust fund resources (from TF091202 and TF094840) provided as part of the Multi-Donor Trust Fund to finance enhanced implementation support in a low-capacity environment and broader donor-coordination activities. These resources became available only when the project was prepared and the Multi-Donor Trust Fund was established.

Table A.5. Other Project Data

Borrower/Executing Agency

Follow-on Operations

Operation	**Credit Number**	**Amount ($, millions)**	**Board Date**
Lao PDR: Second Trade Development Facility Project (P130512)	TF-014189	15.45 million	4 December 2012

Table A.6. Task Team Members

Name	**Title[a] (at time of appraisal and closure, respectively)**	**Unit**	**Responsibility or Specialty**
Lending			
James Adams	Vice President	EAPVP	Vice President for East Asia and Pacific Region
Ian Porter	Country Director	Cambodia	Country Director
Vikram Nehru	Sector Director	EACTF	Sector Director
Patchamuthu Illangovan	Country Manager	Cambodia	Country Manager
Mathew Verghis	Lead Economist	EAPPREM	Lead Economist
Ekaterina Vostroknutova	Task Team Leader	EAPPREM	Task Team Leader

Name	Title[a] (at time of appraisal and closure, respectively)	Unit	Responsibility or Specialty
Supervision/ICR			
Axel van Trotsenberg	Vice President	EAPVP	Vice President for East Asia and Pacific Region
Annette Dixon	Country Director	Lao PDR	Country Director
Mathew Verghis	Sector Manager	EAPPREM	Sector Manager
Richard Record	Project Team Leader	EAPPREM	Project Team Leader
Richard Record	ICR Team Leader	EAPPREM	ICR Team Leader
Luc De Wulf	ICR Primary Author	Consultant, EAPPREM	ICR Primary Author

Note: ICR = Implementation Completion and Results Report.
[a]Title is at time of project appraisal and project closure, respectively.

Appendix B. Borrower Comments

NO COMMENTS WERE RECEIVED FROM THE BORROWER.