

**Speaking note for H.E. Khemmani PHOLSENA,  
Vice Minister of the Ministry of Industry and Commerce (MoIC)  
On the EIF workshop, 9 July 2009 in Geneva, Switzerland**

**Support from bilateral in-country donors, including locally managed trade basket funds and direct budget support**

The Chairperson, distinguished guests, ladies and gentlemen...

The 6<sup>th</sup> National Social and Economic Development Plan (NSEDP) of Lao PDR, lays out the overall trade strategy, targets and tasks for the government. The Ministry of Industry and Commerce (MOIC) is the lead agency in overseeing the implementation of the Lao Trade Strategy as laid out in the NSEDP. Lao PDR joined the integrated Framework (IF) in 2004 and has since been an active member of the IF process. The MOIC has used the IF process to harness donor and government efforts in implementing the NSEDP.

The MOIC has prepared a number of key documents, which flesh out in detail the required policy reforms and accompanying TRA required for implementing the NSEDP Trade Sector Strategy. The National Export Strategy (NES) and the Integrated Framework Diagnostic Trade Integration Study (DTIS) are two main frameworks put together by the MOIC to guide the implementation of the NSEDP Trade Strategy.

The NES is a cluster study, which covers the following sectors namely - tourism, garments, medicinal herbs, organic (agricultural) products, silk, handicrafts and wood products.

The Diagnostic Trade Integration Study's (DTIS) and Action Matrix were validated during the 12<sup>th</sup> September 2006 validation workshop, following stakeholder consultations. The DTIS identified five priority areas for development assistance for Lao PDR which are: export competitiveness, trade facilitation, business environment, trade policy and trade opportunity for the poor.

After the validation of the DTIS, the first milestone achieved by the MOIC in 2007 was accessing the IF Window II funding of USD 1 million. IF Window II funds were designed to kick-start the implementation of projects identified under the Action Matrix.

- The IF process has provided the Government, Private Sector and Development Partners with a unique opportunity to rally around a common goal i.e. of 'stimulating economic growth through promoting trade integration and exports oriented growth'.
- Over the last two years, the MOIC and Development Partners have work on three fronts quite effectively, these are: (1) Policy Reforms Agenda and WTO accession process, (2) Process and Institutional reforms, (3) Strategy for the Implementation of Trade Related Projects. These are all contributed to the implementation of the NSEDP Trade Strategy.

The success of the IF Process in Laos can be attributed to the MOIC and the Development Partners progress in the following main areas:

1. Strengthening the institutional framework for coordinating Trade Related Assistance (TRA) i.e. the National Integrated Framework Governance Structure (NIFGS);
2. Mobilizing substantial Official Development Assistance (ODA) through the set up of a multi-donor trust fund, the Trade Development Facility and other sources of bilateral and multilateral funding;
3. Moving to greater reliance on Government procurement, financial management and accountability systems
4. Stronger Government/development Partner coordination

Two projects which have support IF process and implementation of trade agenda for the Lao Government are the Trade Development Facility (TDF) and Poverty Reduction Support Operation (PRSO).

The establishment of the TDF is considered the 2<sup>nd</sup> IF milestone in Lao PDR. On 8 August 2008, the Government of Lao PDR signed the Grant Agreement for the TDF. The TDF is a multi-donor trust fund, which aims at facilitating trade and cross-border movement of goods and builds the capacity of the Government to implement its regional and global economic integration and trade reform agenda. These activities in turn support the GOL's overarching goal of poverty reduction and economic development, as reflected in the National Socio-Economic Development Plan (NSEDP). The overarching outcomes pursued are:

- Better trading environment, with simplified bureaucratic procedures including in customs;
- Improved legal and regulatory framework;
- Enhanced general capacity of line ministries and agencies involved in the trade sector;
- Improved private sector's capacity to compete in the international market;
- More effective participation in bilateral and multilateral negotiations;
- Increased competitiveness of Lao PDR products and contribute to the poverty reduction.

The TDF is composed of two trust funds, (i) A Government executed child trust funds of approximately 6.8 million US\$ and (ii) A Bank executed child TF approximately 1.9 million US\$ which supports a Vientiane based and externally recruited donor secretariat (TDF World Bank Facilitation Team) and finances technical and supervision missions and analytical studies. The main contributors to the TDF are the European Commission (4.2 million Euro) and AusAID (3.05 AUD).

In addition, we are moving towards budget support, which is the Poverty Reduction Support Operation (PRSO). The PRSO supports a number of trade-related reforms, namely measures to reduce trade barriers and implement international and regional agreements include:

- (1) revising Customs law and developing relevant implementing regulations and guidelines,
- (2) developing and implementing a national trade-facilitation action plan aimed at promoting simplification, harmonization, transparency and automation in customs and other border procedures.

The way forwards for the TDF is to build block for a trade Sector Wide Approach (SWAp). The trade SWAp in Laos is currently in the development stage and has entered the early implementation stage. To move deeper into the Implementation stage of a Trade SWAp, the MOIC and Donors will need to move towards a joint programming exercise in the area of Trade, which should be anchored in an updated trade strategy framework for Laos.

**Thank you**