This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the financing of the annual action programme in favour of the Asia region for 2018 part 2

Action Document for the ASEAN Regional Integration Support – Lao PDR Trade-Related Assistance (ARISE Plus – Lao PDR)

<table>
<thead>
<tr>
<th>1. Title/basic act/CRIS number</th>
<th>ASEAN Regional Integration Support – Lao PDR Trade-Related Assistance (ARISE Plus – Lao PDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CRIS number: ACA/2018/039-213 financed under Development Co-operation Instrument</td>
</tr>
</tbody>
</table>

2. Zone benefiting from the action/location

| Lao PDR                                                                 | The action shall be carried out at the following location: Lao PDR with some activities in ASEAN and EU. The project team will be based in Vientiane. |

3. Programming document

| Addendum to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020¹ (RIP) |

4. Sector of concentration/thematic area

| Focal sector 1 (ASEAN): Connectivity through Sustainable and Inclusive Economic Integration and Trade | DEV. Aid: YES |

5. Amounts concerned

<table>
<thead>
<tr>
<th>Total estimated cost: EUR 5,017,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of EU budget contribution EUR 5,000,000</td>
</tr>
<tr>
<td>This Action is financed through joint co-financing by:</td>
</tr>
<tr>
<td>- International Trade Centre (ITC) for an amount of EUR 17,000</td>
</tr>
</tbody>
</table>

6. Aid modality(ies) & implementation modality(ies)

| Project Modality |
| Indirect Management by an International Organisation (International Trade Centre - ITC) |
| Direct management – procurement of services |

7 a) DAC code(s)

| 33110 Trade policy and administrative management (Main code – 25%) |
| 33120 Trade Facilitation (25%) |
| 32130 SME Development (25%) |
| 25010 Business support services and institutions (25%) |

b) Main Delivery Channel

| 1000 Public Sector Institutions |

8. Markers (from CRIS DAC form)

<table>
<thead>
<tr>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Main objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Expected to be approved by July 2018.
governance
Aid to environment X
Gender equality (including Women In Development) X
Trade Development X
Reproductive, Maternal, New born and child health X

RIO Convention markers
<table>
<thead>
<tr>
<th>Biological diversity</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Main objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combat desertification</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change adaptation</td>
<td>X</td>
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</tr>
</tbody>
</table>

9. Global Public Goods and Challenges (GPGC) thematic flagships
The Forest Law Enforcement, Governance and Trade (FLEGT) Flagship Initiative

10. SDGs
Main: SDG 8 Decent Work and Economic growth
Secondary: SDG 9 Industry, Innovation and Infrastructure; SDG 5 Gender Equality; SDG 12 Responsible Consumption and Production

SUMMARY
Lao PDR is a lower middle-income country within the Association of South East Asian Nations (ASEAN), aiming to graduate from the Least Developed Country status in 2020. The vulnerability of its economy, highly dependent on hydro-power and mining, is one of the biggest challenges it faces for sustainable development.

ARISE+ Lao PDR is the national Lao component of the regional ARISE+ programme supporting regional economic integration under focal sector 1 of the 2014-2020 Multiannual Indicative Programme for Asia. In line with the new European Consensus on Development “Prosperity” chapter and its focus on inclusive and sustainable growth and jobs, it supports the Government of Lao PDR to reap the benefits of regional integration in line with multilateral trade frameworks such as the WTO Agreement on Trade Facilitation (TFA).

ARISE+ Lao PDR is the four-year National Lao component of the regional ARISE+ programme with a total budget of EUR 5,017,000. The Overall Objective is to promote inclusive economic growth, increased climate change resilience, mitigation of vulnerability (especially due to the dependence on a limited number of sectors and markets) and job creation in Lao PDR. The Specific Objectives are: a) to improve the business environment in targeted sectors with a focus on regional economic integration (ASEAN); and b) to increase trade and participation in global value-chains in targeted sectors.

The Expected Results are:
1. Increased regional economic integration by addressing specific constraints in targeted sectors through support for the implementation of measures contained in the ASEAN Trade in Goods Agreement (ATIGA) and other commitments under the ASEAN Economic Community Blueprint 2025;
2. Increased awareness on trade preferences for exports, including to the European Union, with greater use of Everything But Arms (EBA), and on the requirements for placing products
on the EU market; advanced preparation of Lao PDR to shift to a new trade preference scheme (post-EBA).

3. Strengthened support services (especially for smallholders and SMEs, with a focus on women), reduction of supply-side constraints, and trade and investment promotion in targeted sectors (e.g. wood processing and agro-based products).

1 CONTEXT

1.1 Country context

The Lao People’s Democratic Republic (Lao PDR) is a lower middle-income country within the Association of South East Asian Nations (ASEAN). It is a sparsely populated land-locked country with a population of 6.9 million (2016) and a Gross Domestic Product (GDP) per capita of USD 2,150 (2016). Lao PDR is also a least-developed country (LDC). GDP per capita in Lao PDR is the third lowest of all ASEAN countries after Myanmar and Cambodia. Its GDP per capita is 3% of that of Singapore, 26% of that of Thailand, 52% of that of Philippines, and 71% of that of Vietnam.

Despite its LDC status, from which it aspires to graduate in 2020, Lao PDR has made significant progress in the last decades. Since 1986, it has gradually introduced reform measures to transform the country from central planning to a market economy. Lao PDR became a member of the Association of Southeast Asia Nations (ASEAN) in 1997 and completed the accession to the World Trade Organisation (WTO) in early 2013. The reform program has resulted in remarkable economic performance since the 1990s, with real GDP growth at more than 7% per year, until 2014. The growth performance also brought about impressive progress in reducing poverty. The share of the population below the national poverty line decreased from 46% in 1992 to 23.2% in 2013. Additional economic reforms are programmed and they are expected to further shift the country towards greater market orientation through further liberalisation of the economy, creating an enabling environment for the private sector to operate and to stimulate trade and investment in the country. Lao PDR has the overall ambition to accelerate economic and social development to graduate Lao PDR from LDC status. Yet Lao PDR’s weakest indicator is precisely the one related to Economic Vulnerability Index (EVI).\(^2\)

Lao PDR continues to integrate more closely into the rapidly growing regional economy through the implementation of trade commitments both multilaterally and within ASEAN, particularly within the ASEAN Economic Community (AEC) that entered into force at the end of 2015 and the AEC Blueprint 2025 that provides fresh impetus for regional economic integration through the maintenance of low tariffs, and improved physical infrastructure and connectivity with neighbours. This has resulted in strong growth in cross-border flows of goods, services and investment. Around 72% of Lao PDR’s external trade is with its neighbouring countries. However, much of this has been driven by the growing external appetite for its natural resources, which entails serious risks with respect to the sustainability of the country’s long-term development. The country’s economy is also more volatile and susceptible to external shocks, which are driven by commodity price movements, and not suited to generate the job and income creation that is needed to benefit a significant proportion of Lao PDR’s population. The same challenges remain today. Lao PDR’s growth

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\(^2\) In the last UN Committee for Development Policy review (in 2015), the Economic Vulnerability Index was 36.2 (88% of threshold), while the Human Assets Index was at 60.8 (92% of the threshold) and the Gross National Income (GNI) per capita was USD 10 short of the USD 1,242 threshold.
declined in 2016 to 6.9% from 7.4% in 2015 and 7.8% in 2014. Lao PDR has reached a point where it needs additional investments in new sectors and overall diversification of its economy.

In order to reach this objective, fundamental structural reforms are still required. The 8th National Socio-economic Development Plan (NSED) 2016-2020 itself highlights the gaps that exist in several interrelated policy areas as well as the lack of capacity in government to appreciate and manage such interrelationships. It is important to achieve the rule of law and good governance, a favourable business environment, diversification of an economy that is currently highly dependent on hydro-power and mining, more effective regional and international integration, improved education, adequate mind-set, towards investment facilitation and private sector development, and more adequate physical and services infrastructure. Increased recognition and attention to women’s participation in the economy is also important, as highlighted in the EU’s 2016 Gender Analysis of Lao PDR (75% of Lao women are currently part of the workforce).

1.1.1 Public Policy Assessment and EU Policy Framework

Lao PDR’s governmental policy on trade and investment is clearly laid out in the 8th NSED 2016-2020 and is entirely in line with the goals of the AEC Blueprint 2025 and the EU’s trade policy towards the ASEAN region and Lao PDR.

The Lao PDR Government’s current strategy is the natural follow-up of the policy it has been pursuing in the last years and which has culminated in the Lao PDR’s accession to the WTO and participation in the AEC. In particular, the 8th NSED 2016-2020 identifies as priority activities for regional and international integration the necessity to “maximize opportunity for market expansion both within and outside the country. Open up competition in the processing industry and trade service sectors by determining the niche products of the country by industry area; create a variety of goods and also prepare legislation, rules and laws to facilitate trade”. In addition, the Lao PDR’s Vision 2030 and the 8th NSED 2016-2020 reiterate the Government’s instructions to “ensure that continued economic growth with quality and macro stability is achieved … ensure sustainable development … strengthen human resource capacity by improving workforce skills … and actively continue widening international cooperation with ownership in various forms in the benefit-to-all orientation, enhancing favourable conditions for regional and international integration”. Finally, the Ten-Year Development Strategy (2016-2025) mandates the adoption of strategies aiming at a “good governance system under the effective rule of law” and at “industrialization and modernization”.

The ARISE+ Lao PDR project contributes to the implementation of the Regional Multiannual Indicative Programme Asia (MIP Asia) 2014-2020, which serves as the main framework for EU regional cooperation in Asia. The main initiative under this specific objective is the regional ARISE+ Programme, of which ARISE+ Lao PDR is the national component, focusing on trade in goods under the framework of the AEC Blueprint 2025. The overall objective of the AEC Blueprint 2025 is the further integration of the ASEAN Member States and the establishment of the right regulatory and policy environments fostering investments and trade, alongside increased efficiency in regional supply chains. The AEC Blueprint 2025 provides a solid basis for trade related technical assistance in the region, and ARISE+ Lao PDR contributes to its main priorities by addressing specific regulatory constraints in the implementation of ATIGA and other AEC Blueprint 2025 commitments.
The EU’s new European Consensus on Development aims, amongst others, at supporting prosperity, inclusive and sustainable growth and jobs, and puts emphasis on sustainable public and private investment as drivers for sustainable development. The EU’s specific policies on Trade and the Private Sector, to which this Action fully aligns, are: i) "A Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" (COM(2014) 263); and ii) the updated EU Aid for Trade Strategy) (COM(2017) 667). EU’s policy towards Lao PDR and the ASEAN region specifically is to foster regional integration of all ASEAN members, which could be conducive to an EU-ASEAN FTA. Thanks to its LDC status, Lao PDR currently benefits from the ‘Everything but Arms’ (EBA) initiative of the EU, which grants duty-free market access to the EU for all goods, but arms and ammunitions, originating in Lao PDR. This preferential trade regime remains mostly unused. From the moment Lao PDR formally graduates from LDC status (2024 at the earliest), goods originating in Lao PDR will no longer be eligible under the EBA regime but could still benefit from preferential trade measures under either a future region-to-region FTA or the GSP+ scheme. For Lao PDR to be able to keep a high level of trade preferences, the country should switch from EBA immediately to GSP+, which is subject to the ratification and effective implementation of 27 international conventions in the field of human rights, labour rights, environment and good governance. The GSP+ application process requires careful preparation. ARISE+ Lao PDR fully aligns and supports the above EU policy framework.

With respect to sustainable forestry management and timber legality, the on-going negotiations for an EU-Lao Voluntary Partnership Agreement on FLEGT and the EU Timber Regulation provide for the framework of EU support in this area, adhering as closely as possible to the principle of Free, Prior and Informed Consent enshrined in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), i.e. a rights-based approach to minority ethnic groups when administering land concessions.

1.1.2 Stakeholder analysis

The Lao administration – The main Ministry concerned by the project is the Ministry of Industry and Commerce (MoIC), within which the Department of Planning and Co-operation (DPC) has the responsibility to co-ordinate technical assistance provided to the Ministry. A National Implementation Unit (NIU) supports the DPC and serves as the implementing government agency for the ongoing Trade Development Facility-2 programme, and the ongoing Trade-Related Assistance programme co-funded by the EU with other donors and implemented by the World Bank under a Multi-Donor Trust Fund, with activities ending in September 2018. The Foreign Trade Policy Department (FTPD) within the MoIC is in charge of ASEAN and WTO integration and serves as the focal point of several technical assistance projects. The Department of SME Promotion (DOSMEP) is responsible for the development and promotion of the Lao SME Development Plan, spanning productivity and innovation, access to finance, business development services, access to markets, business environment for SMEs, entrepreneurship creation and tax exemptions for SMEs. The Department of Trade Promotion (DTP) is tasked with supporting market information and development for priority export sectors. The Department of Import and Export houses the Trade Facilitation Division (which also hosts the Trade Facilitation Secretariat), with the Department of Foreign Trade dealing with transport, export, customs, NTMs and the implementation of the trade facilitation action plan/roadmap. MoIC is aware of the challenges and constraints the country is facing, including a worsening rank (from #139 of 190 countries in 2017 to #141 in 2018) according to the World Bank Ease of Doing Business survey. It also understands well the potential
positive benefit of technical assistance, and co-operates fully with donors in programming and the implementation of technical assistance activities.

In addition to the MoIC, other line ministries will be involved, especially for activities pertaining to the establishment of a business-enabling environment and increased trade and participation in global value-chains. These include the Ministry of Agriculture and Forestry (for wood-based products and agro-based products), the Ministry of Planning and Investment, the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Finance and its Customs Department, the Ministry of Science and Technology and its Standards Department, the Ministry of Health, and the Prime Minister's Office. Other specific stakeholders in the Government will include a wide range of government-specialised agencies in the capital, the provinces and the districts – including the PoIC or Provincial Offices of Industry and Commerce linked to MoIC.

The private sector – Both foreign and local business associations in Lao PDR are relatively weak and their ability to advocate and provide services to private sector operators is limited. The Lao National Chamber of Commerce and Industry is the main organisation representing the private sector and has access to the Lao government at the highest level. Most sectoral business associations are inactive, with some exceptions such as the Lao Furniture Association (with 4 staff and 90 members), who have an opportunity to develop with the recent ban on non- and semi-processed wood exports (Order No. 15/PM). The European Chamber of Commerce and Industry to Lao PDR (EuroCham-Lao PDR), supported by the EU under an ICI+ funded project, was established in 2011 and is developing an advocacy role for European businesses in Lao PDR. Its capacity to participate in policy dialogue with the Government of Lao PDR is increasing, working closely with the Lao National Chamber of Commerce and Industry (LNCCI), and should be further exploited under the project.

Development partners – Australia (DFAT), the EU, Germany (GIZ), Trade and Entrepreneurship Development, Ireland (Irish AID), the World Bank, USA (USAID), are co-financing partners for the TDF-2, administered under a Multi-Donor Trust Fund by the World Bank, scheduled to end in 2018. The USAID-funded Lao PDR-United States International and ASEAN Integration (LUNA I and II) project has been operating since December 2007. GIZ has implemented the Regional Economic Integration of Lao PDR into ASEAN, Trade and Entrepreneurship Development (RELATED) project since 2014, with a second phase agreed in 2017, which will run until 2019 (with a sectoral focus on tourism, transport and logistics, coffee and cross-cutting work on developing institutional capacities to deliver integration). UNCTAD supported the “Train For Trade” project to build the capacities of Cambodia and Lao PDR, in the fields of international trade, investment, competition policies, trade and environment, and trade facilitation from 2003 to 2011.

From 2014 to 2017, the International Trade Centre (ITC) implemented the “Enhancing sustainable tourism, clean production and export capacity in Lao PDR” project funded by the Secretariat for Economic Affairs (SECO) SECO as one of four UN Cluster agencies. Lao PDR is also one of the six beneficiary countries of ITC’s “Enhancing Export Capacities of Asian LDCs for Intra-Regional Trade”, running from 2014 to 2018, supporting Lao PDR’ SME export competitiveness to China. ITC also provided support to the WTO accession process as part of the “LDC fostering business support to the WTO assess in process programme” from 2010 to 2014.
Within the Commission, DEVCO, TRADE, TAXUD, and the EEAS and its Delegations in Vientiane, Bangkok and Jakarta are stakeholders of the regional ARISE+ programme and will be closely involved in the implementation, together with EU Member States.

1.1.3 Priority areas for support/problem analysis

Lao PDR faces two major challenges and constraints that condition its ability to achieve inclusive economic growth, mitigate vulnerability and create jobs: 1) the inability to implement international commitments, and exploit the trade opportunities that derive from these commitments, including regional economic integration; and 2) the lack of economic and trade diversification, and related lack of investment in sectors other than hydropower and mining. The two are interrelated, and clearly highlighted in Lao PDR’s government strategy, diagnostics studies done by the World Bank and OECD, the mid-term evaluation of the ongoing Trade Development Facility 2 (TDF-2) project, other development partners and research institutes. Addressing these challenges is also in line with, and complementary to, the AEC Blueprint 2025 and technical assistance provided under the regional ARISE+ programme.

Priority areas for support and problem analysis in view of these constraints are as follows:

First priority area: regional economic integration

Lao PDR acceded to the WTO in 2013, ratified the WTO Agreement on Trade Facilitation (TFA) in September 2015, and participates in the ASEAN Economic Community (AEC), launched at the end of 2015 with full implementation in 2025 as a target date. Most AEC disciplines for trade facilitation are, mutatis mutandis, the same as in the TFA. The expected benefits of regional economic integration are recognised in the 8th NSEDP 2016-2020 and supported by development partners.

Key commitments made under the ASEAN Trade in Goods Agreement (ATIGA) are in line with the strategic measures listed in section A.1. of the AEC Blueprint 2025 for trade in goods. Lao PDR is a signatory to the ATIGA. A better understanding of current implementation progress and the challenges faced would help Lao PDR to leverage the economic integration process to improve the business environment and increase participation in international value chains.

Lao PDR has continued to slip in the overall World Bank Ease of Doing Business Index, including for the Trading across borders category, where it ranks 124 in 2018 out of 190 economies. Major bottlenecks identified in a World Bank Non-Tariff Measures (NTMs) survey include the number of documents to be submitted for border control and inspection purposes, discretionary decision-making processes, lack of co-ordination between agencies involved in the enforcement of border measures, stringent regulations, etc. Regulations affecting business need to be streamlined and major trade bottlenecks addressed. Technical assistance is required to analyse gaps and address selected issues, including but not limited to

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3 Lao PDR has notified Category A, B and C commitments. A trade information portal and a National Trade Facilitation Committee have been established. A roadmap to implement the Trade Facilitation Agreement has been drafted, with specific action plans for the 36 implementation measures. The private sector will also need to be trained to comply with trade requirements, which will support transition towards formal trade. Much of this work will be covered by the Multi-Donor Trust Fund (TDF-2 and its successor programme).
the support to the definition of policies, drafting, streamlining and implementation of regulations and procedures, adoption and application of product standards, enhancement of conformity assessment capacities, and any other NTMs that impede fair cross-border trade.

Second priority area: benefitting from trade opportunities, particularly with the EU

Lao PDR only accounts for a small portion of the trade flow between the EU and ASEAN. This partly relates to distance, and the high transport and logistics costs the country faces, combined with a lack of awareness of the existing trade opportunities in particular under the EBA (as well as Lao PDR’s limited supply capacity, product diversity, lack of compliance capacity with quality-related regulations, standards and market requirements, and NTMs that further add to export costs). A greater integration into regional value chains, including where local content is sufficient to qualify for EBA, should also benefit Lao PDR.

In order to fully exploit these opportunities, it will be crucial to increase the awareness about the trade preferences and the requirements for placing products on the EU market in sectors for which Lao PDR has some comparative advantage. Support to prepare Lao PDR to smoothly shift to the GSP+ preferential trade regime should also be provided.

Third priority area: participation in global value chains

Achieving inclusive economic growth and job creation requires Lao PDR to diversify its current economy base and compete in regional and global markets and value chains. Lao PDR remains heavily dependent on a few economic sectors (notably mining and hydro-power). Support to targeted sectors (e.g. wood-based and agro-based products) can reduce such dependence. Wood-based products (including primary and secondary processing into pulp, plywood, other engineered wood products, construction materials, and furniture) and agro-based products (including organic, ‘clean’ and fair-trade products and geographical indications) notably offer significant potential for pro-poor development and employment creation in terms of production (the cultivation and supply of raw materials) and downstream processing with increased value added, especially among SMEs. Both sectors can positively impact the environment (e.g., organic and climate mitigation farming methods, good agricultural practices, timber legality systems and sustainable forest management and plantation practices) and contribute to enhanced gender balance, women’s empowerment, smallholders, minorities, and disadvantaged ethnic groups (e.g. with respect to land rights and forestry concessions), in accordance with the priorities identified in the European Joint Indicative Programming 2016-2020 Document for Lao PDR, the new European Consensus on Development, and other good practices enshrined in the UN framework on Business and Human Rights and UNDRIP, amongst others).

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4 2016 exports from Lao to the EU were EUR 235 million (out of total Lao exports of EUR 4 billion) according to EU figures (i.e., around 5% of total Lao exports), composed of 27% agriculture products and 73% industrial products, mainly textiles (67%). Total exports from the EU to Laos were EUR 118 million, consisting of 9% agricultural and 91% industrial products. The country therefore enjoys a modest trade surplus with the EU. The top five export markets for Lao PDR according to World Bank data for 2016 were China, Thailand, Vietnam, India and Japan i.e., ASEAN or the ASEAN+6 countries negotiating the Regional Comprehensive Economic Partnership (RCEP), with sometimes lower quality requirements.
Diversifying an economy requires investments in upgraded production, skills and capacities, institutional support to trade and investment support institutions (TISIs)⁵, consolidation of existing clusters of activities, and the identification and development of new sectors. Public policies and regulations need to ensure that inputs (materials, labour, capital) are available and managed sustainably, and that market entry costs and risks are kept low. Investment can act as a multiplier of economic growth.

The ARISE+ Lao PDR project should help to address supply-side constraints, strengthen support services and promote trade and investment (especially smallholders and SMEs, with a focus on women) in targeted sectors. This can be done through a value chain approach, looking both at domestic factors and access to key export markets.

On the investment side, despite the recent adoption of the revised law on investment promotion, which aims to implement the “One-Stop-Shop Service”, there appears to be limited co-ordination between ministries, and between national, provincial and local authorities, with the risk of duplication and contradiction, and reduced regulatory predictability and legal certainty. Investment promotion materials and activities are scarce.

2  RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political interest for reforms slows down or the prioritisation of reforms changes.</td>
<td>L/M</td>
<td>The recent publication of the 8th NSEDP 2016-2020 and discussions held with the various ministries and departments in the Lao PDR do not suggest this is imminent. The risk may be mitigated through high-level EU policy dialogue with the Government of Lao PDR and advocacy of European private sector (ECCIL) under the framework of the Lao Business Forum.</td>
</tr>
<tr>
<td>Corruption prevents the efficient allocation of public resources in the pursuit of the reforms.</td>
<td>M</td>
<td>The project will promote transparency through policy dialogue. Increase transparency will also be addressed through the Economic Governance Project (CRIS No. 039-159) and EU Budget Support operations</td>
</tr>
<tr>
<td>There is insufficient the Government of Lao PDR's and private sector commitment to sustainable forest management, use of legal timber and effective enforcement of timber traceability.</td>
<td>M</td>
<td>The project will support the adoption of the Timber Legality Assurance System (TILAS) and principles therein, and support wood-processing SMEs that have timber verification and control systems in place. The ARISE+ Lao PDR will also narrow down the scope of intervention on wood-based products during the inception phase to mitigate the risk.</td>
</tr>
<tr>
<td>The lack of freedom of association and assembly in Lao PDR might</td>
<td>L</td>
<td>Business is relatively well organised and represented in the targeted sectors, however</td>
</tr>
</tbody>
</table>

⁵ Trade promotion organisations, chambers of commerce, sector associations, enterprise development agencies, supply chain management organizations and others.
negatively impact economic and trade activities. | social groups (including ethnic minorities) are not. Stakeholder policy dialogues will be organised to consider the social and environmental impacts of sectoral policies. The multi-stakeholder process established through the FLEGT VPA is contributing to this in the wood sector.

The Government of Lao PDR’s practice is inconsistent and unclear with respect to land rights and land concessions, with continued cases of land grabbing and forced evictions | M | The project will promote the use of FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forest in the Context of National Food Security (VGGT) and its principles and standards covering all forms of tenure (public, private, communal, indigenous, customary, and informal). The right to land for indigenous peoples (with non-ethnic Lao PDR comprising half the national population) should be promoted through policy dialogue in line with rights-based approaches to development and the 8th NSEDP.

Vested interests exist in the Lao PDR and may derail the reform process | M | The problem is acknowledged at the highest levels of Government, notably in the transport and forestry sectors. Open public-private dialogue is necessary, with the project contributing to research, consultation and awareness raising to ensure the national economic interest is fully considered.

There is limited transparency among Government agencies, which affects inter-ministerial and inter-agency cooperation necessary for the implementation of project activities | M | The problem is recognised by the Minister of Industry and Commerce, who is determined to resolve the issue and improve inter-ministry and intra-departmental communication. The Project Review Committee is expected to play an active role supported by the project’s technical assistance TA).

Brain drain from the public to the private sector due to low salaries in the government sector, and as wage rate differences become wider | L | This is considered a largely external factor. However, the project will advocate for the empowerment of public officials and capacity building for career development.

Weak absorptive capacity of beneficiary institutions | M | This can be mitigated over time through embedded expertise, use of joint teams of international and local experts, and longer project delivery periods, and through the careful joint programming of activities.

Weak business intermediaries and a lack of capital and access to credit in the private sector may affect its ability to invest in standards, machinery and equipment required to penetrate | H/M | The project will work to strengthen industry and business associations. Access to finance is expected to improve with support from other programmes, but could remain a constraint to private sector participation. The Risk level is expected to vary from H to M.
regional and global supply chains depending on the Government of Lao PDR's commitment to establishing an investment-friendly enabling environment.

Labour productivity is generally low in Lao PDR

H Only adequate education and on-the-job training (which can be supported under the project) within competitive international firms can solve this risk, which remains high in Lao PDR. The project will seek synergies with other ongoing support related to skills development and industrial productivity training. i.e. Technical and Vocational Education Training Programme (TVET).

Assumptions

The ARISE+ Lao PDR project is grounded on the following key assumptions:

1. WTO commitments beyond LDC graduation 2020 are maintained and trade facilitation and service delivery to private sectors continue to grow.
2. The regional economic integration process (AEC 2025) maintains its current momentum and the Government of Lao PDR is determined to ensure good faith implementation of its ASEAN commitments.
3. Public sector capacity continues to increase.
4. Development partner co-ordination continues at current levels with active collaboration among the various agencies involved.
5. Support on Trade-related Technical Assistance (TRTA) among development partners in Lao PDR are continued and ensure coherence, complementarity and efficiency.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Development partners have substantial experience with Trade Related Technical Assistance (TRTA) in Lao PDR through mainly the TDF programme financed by a Multi-Donor Trust Fund, managed by the World Bank and the bilateral assistance provided by GIZ to the Foreign Trade Policy Department of the MoIC. The Mid-Term Evaluation (MTE) of the TDF-2 project and a World Bank appraisal document provide useful insights on the lessons learnt through the implementation of the TDF. In relevant part, the following considerations should be factored in during the implementation of the ARISE+ Lao PDR programme:

• It is important for a project team to be well embedded within the Government of Lao PDR. Support from a distance, or ad hoc support, are not sufficient to ensure the long-term capacity building needed, particularly within the MoIC;

• A generic approach may lead to actions that are too detached from concrete outcomes and the interests of the intended beneficiaries. Special attention needs to be paid to the programming of activities and their sequencing to reach measurable, sustainable results;

• The project team must possess sufficient analytical capacities to be able to adequately program and monitor activities; and
Full completion of each activity must be ensured. For instance, support to drafting a law may not be sufficient, as implementing regulations and enforcement, both at national and provincial level, are needed for the results to be achieved.

3.2 Complementarity, synergy and donor co-ordination

Several trade assistance programmes are being, or look poised to be, implemented in Lao PDR by other development partners in parallel to the ARISE+ Lao PDR project.

In primis, several TRTA development partners contribute to a Multi-Donor Trust Fund, managed by the World Bank and implemented by a National Implementation Unit (NIU) under the Department of Planning and Cooperation (DPC) of the MoIC. The NIU is also the Focal Point of the Enhanced Integrated Framework (EIF) and implements the “Second Lao PDR Trade Development Facility” (TDF-2) Project, which is scheduled to end in 2018 (Cris No. 023-127). This project, which is jointly financed by the EU, Germany, Ireland, the US, Australia, and the World Bank, aims to support the implementation of Lao PDR’s trade and integration priorities outlined in the 2012 Diagnostic Trade Integration Study, or DTIS roadmap. In particular, it targets improved competitiveness and diversification in non-resource-based sectors. The formulation exercise for the next phase of work is currently ongoing, with no direct overlap with activities under the proposed ARISE+ Lao PDR project.

Other trade and investment projects are implemented by Government agencies other than the NIU, and subject to the oversight of the MoIC’s DPC through their own project steering committees. Those most closely related to scope of ARISE+ Lao PDR are as follows:

- The “Lao PDR-US International and ASEAN Integration Project” (LUNA II) is supported by the Government of the United States of America, acting through the US Agency for International Development (USAID) and aims to support effective and equitable implementation of trade agreements, new laws and regulations at both national and provincial levels, by means of institutional development and building competitive capacities within both the public and the private sectors, thus contributing to the overall improvement of the enabling environment for trade and investment;

- The “Regional Economic Integration of Lao PDR into ASEAN, Trade and Entrepreneurship Development” (RELATED) Project, is supported by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The project has recently been extended to a second phase and aims to help Lao PDR successfully manage the regional economic integration process, improve the regulatory and procedural framework for regional trade and investment, and enable the private sector to benefit from the AEC; and

- The “Support to the Lao EU-FLEGT Process” (ProFLEGT) Project is also supported by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ. ProFLEGT primarily provides assistance to Lao line agencies in managing the national FLEGT process and in negotiating the Voluntary Partnership Agreement (VPA) with the EU, building capacity for government agencies, civil society organisations, academic stakeholders and timber processing at local and national levels, including the elaboration of a timber legality assurance system.

Finally, it should be underlined that complementarity, synergy and co-ordination must be systematically sought and achieved between the ARISE+ Lao PDR project and the ARISE+
Regional Programme implemented at the ASEAN level by a project team based at the ASEAN Secretariat in Jakarta. The ARISE+ Lao PDR project is framed within the EU’s regional support envelope, with the national and regional programmes expected to pursue the same objectives in line with the AEC Blueprint 2025. The ARISE+ Lao PDR project is therefore complementary to the regional programme (most notably with respect to results 1 and 3, where the chosen sectors are ASEAN priorities also). Synergies will also be exploited by sharing with RELATED the results of the ATIGA gap assessment, and linking this to GIZ work on the (higher level) AEC Blueprint Consolidated Strategic Action Plan (CSAP) 2015-2016.

Finally, there are other initiatives, such as the complementary programmes being designed by the EU in the areas of Rule of Law (2017) and Education (2018) under the bilateral assistance to Lao PDR, and Partnership Instrument projects, such as that on EU Action on Responsible Supply Chains in Asia, and the SWITCH Asia II programme (incorporating projects on product design for sustainability, environmental management in SMEs, eco-labelling, and sustainable rattan production (forestry products), which offer project synergies.

### 3.3 Cross-cutting issues

The importance of addressing and mainstreaming crosscutting issues of gender, labour, environmental protection and pro-poor development is recognised by the Government of Lao PDR as part of its 8th NSEDP 2016-2020. This is addressed by the ARISE+ Lao PDR project through the targeting of sectors for technical assistance that would have greatest positive impact on the above, such as agro-based products and wood-based products, and the way this support is delivered. The project will also contribute to the promotion of the rule of law, the pursuit of good governance and an enhanced business environment in the targeted sectors. Moreover, this action will endeavour to reinforce the dialogue on implementation of SDGs at bilateral level and in the context of the ASEAN-EU Dialogue on Sustainable Development: Towards Achieving the Sustainable Development Goals.

**Climate change and environment**

Environmental mainstreaming will be especially important for the third priority area (participation in global value chains).

Lao PDR recognises the strong link between economic development, sustainability and the need to mainstream environmental considerations, including action on climate change into its development plans (Lao Nationally Determined Contribution NDC). Lao PDR has been recognised as one of the most vulnerable countries to climate change and its impacts due to its particularly high dependence on climate sensitive natural resources and low adaptive capacity.

The frequency and intensity of climate related hazards such as droughts and floods are expected to increase in the future, so Lao PDR must also urgently take steps to build its resilience by enhancing its adaptation efforts across all sectors. In addition, the environmental factors such as forest management or agriculture practices can either exacerbate or reduce impacts of natural disasters so they must therefore be wisely managed. Capacity building activities to address supply side constraints to trade in agricultural products should therefore include a focus on building the sector’s adaptation and mitigation capacity.
Furthermore, a positive environmental impact should result from the promotion and adoption of standards requiring the use of sustainable inputs for downstream processing (timber traceability and chain of custody, sustainable forestry practices, good agricultural practices, ‘clean’ food and organic farming). Adverse environmental impacts can also be expected if not managed properly. Compliance with international (e.g. FSC/PEFC) and European (e.g. FLEGT) best practices in this area will promote sustainable production and trade in forest-based resources. The environmental dimensions of European standards and market access requirements also form part of the second priority area (benefitting from trade opportunities, particularly with the EU).

Social

For each of the focal sectors, the focus will be on working with smallholders and SMEs and strengthening support services (with a focus on women), with a view to developing productive and processing capacity that creates jobs and leads to more inclusive economic growth and mitigation of vulnerability. Worker safety and protection will be promoted under the second and third priority areas. Synergies will be sought with the Partnership Instrument project on EU Action on Responsible Supply Chains in Asia (jointly implemented by the ILO and OECD), and work with the wood-processing industry and related Ministries (i.e., MoIC, Ministry of Agriculture and Forestry (MAF) and the Ministry of Natural Resources and Environment (MoNRE) promote a rights-based approach to forestry concessions, including the rights of minority ethnic groups.

Gender

Gender indicators included in the NSEDP 2016-2020 include the number of women business owners, gender equality in employment, gender equality in training and education all of which can be factored into activities undertaken with ARISE+ Lao PDR project funding, building on the work of the Lao Women’s Union (LWU) in promoting laws on developing and protecting women such as the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW). Within government, female participation (numbers of representatives or officials) tends to recede from national to provincial and local levels; whilst a review of trade liberalisation and its impact on gender equality conducted by the European Parliament in 2015 found that women have benefitted from trade opening globally. The project will develop local and sector strategies to promote gender balance, given the focus on targeted sectors such as agro-based products and upstream plantation timber cultivation, and seek to improve living conditions in rural areas where the women live in the worse conditions.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The Overall Objective is to promote inclusive economic growth, increased climate change resilience, mitigation of vulnerability (especially due to dependence on a limited number of sectors and markets) and job creation in Lao PDR.

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The Specific Objectives are: a) to improve the business environment in targeted sectors with a focus on regional economic integration (ASEAN); and b) to increase trade and participation in global value-chains in targeted sectors.

ARISE+ Lao PDR will seek to achieve the following results:

Result 1: Increased regional economic integration by addressing specific constraints in targeted sectors through support for the implementation of measures contained in the ASEAN Trade in Goods Agreement (ATIGA) and other commitments under the ASEAN Economic Community Blueprint 2025.

Result 2: Increased awareness on trade preferences for exports, including to the European Union, with greater use of Everything But Arms (EBA), and on the requirements for placing products on the EU market; advanced preparation of Lao PDR to shift to a new trade preference scheme (post-EBA).

Result 3: Strengthened support services (especially for smallholders and SMEs, with a focus on women), reduction of supply-side constraints, and trade and investment promotion in targeted sectors (e.g. wood processing and agro-based products). 7

This project is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8 “Decent Work and Economic Growth” 8 but also promotes progress towards Goal 1 “No Poverty” and Goal 12 “Responsible Consumption and Production”. This does not imply a commitment by Lao PDR benefitting from this project.

4.2 Main activities

A set of expected results and indicative associated activities are presented below:

Result 1
Increased regional economic integration by addressing specific constraints in targeted sectors through support for implementation of measures contained in the ASEAN Trade in Goods Agreement (ATIGA) and other commitments under the ASEAN Economic Community Blueprint 2025.

Indicative activities:
- Conduct a gap analysis of ATIGA implementation in Lao PDR.
- Review the outcomes of the gap analysis with the Government of Lao PDR and the private sector and agree specific trade measures to be addressed (with a focus on trade facilitation and NTMs in targeted sectors).
- Provide technical assistance and capacity building for the resolution of selected issues e.g. support for the definition of policies, the drafting, streamlining and implementation of regulations and procedures, the adoption and application of product standards, of

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7 Targeted agro-based products may include organic, ‘clean’ and fair-trade products and geographical indications (GIs).
8 In particular SDG 8 targets 8.1, 8.2, 8.3, 8.4 and 8.a.
environmental and social standards, enhancement of conformity assessment capacities, etc.  

**Result 2**  
**Increased awareness on trade preferences for exports**, including to the European Union, with greater use of Everything But Arms (EBA), and on the requirements for placing products on the EU market; advanced preparation of Lao PDR to shift to a new trade preference scheme (post-EBA).

Indicative activities:
- Conduct a simple time-series review of trade and investment with the EU (including, where available, use of the EBA) and the challenges facing men and women exporters with respect to the EU market.
- Develop a general EBA business guide (presentation of the scheme, preferences and requirements).
- Develop online and offline awareness raising materials and tools on EU quality related market requirements and standards for the priority sectors.
- Develop a pool of national quality champions, both men and women, and organise sensitization events in cooperation with local institutions.
- Develop additional materials on market access for targeted sectors (based on the above trade and investment review), i.e. the requirements for placing specific products on the EU market, environmental and social standards.
- Develop materials and awareness raising on additional opportunities related to the production of environmental goods (such as certified organic and fair trade products).
- Organise an awareness raising campaign presenting and explaining the EBA scheme.
- Provide technical assistance for the preparation of Lao graduation from LDC status and a post-EBA situation through awareness raising on the requirements for GSP+ status (to include parliamentarians) and other alternatives for continued preferential market access to the EU.
- Develop a practical online export curriculum to support private sector exports.

**Result 3**  
**Strengthened support services** (especially for smallholders and SMEs, with a focus on women), reduction of supply-side constraints, and trade and investment promotion in targeted sectors (e.g. wood processing and agro-based products).

Indicative activities:
- Confirm targeted sectors (such as processed-wood and specialty agro-food products) in inception phase, conducting in-depth market access studies, and review, update and support monitoring of the Government of Lao PDR sector trade strategies and roadmaps for targeted sectors in a participative approach, identifying gaps for export development at the enterprise and policy levels.
- Review the quality and availability of statistical data (production, employment, trade and investment statistics, including gender indicators) and work with the relevant authorities.

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Although examples of measures to be addressed include those listed under the Lao Trade Portal e.g. taxes, charges and fees on the transport and export of products in targeted sectors, quality and time-based limitations on trade in these products and/or licencing requirements, as well as pro-integration measures linked to food safety, product standards and conformity assessment, product-specific rules of origin (ROO), etc.  

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9 Examples of measures to be addressed include those listed under the Lao Trade Portal e.g. taxes, charges and fees on the transport and export of products in targeted sectors, quality and time-based limitations on trade in these products and/or licencing requirements, as well as pro-integration measures linked to food safety, product standards and conformity assessment, product-specific rules of origin (ROO), etc.
(e.g. the Ministry of Industry and Commerce) to strengthen data collection and statistical production capacities.

- Building on already existing sector roadmaps, develop in a participative approach sector export strategies that identify supply-side (production and processing capacity) constraints and remedial actions, to be implemented with support under the project and from other development partners, with a balance of men- and women-led firms.
- Promote the predictable supply of legal timber, working with other development partners (e.g. GIZ ProFLEGT) to incentivise sustainable land management and establish clear rules.10
- Provide technical assistance to men- and women-led SMEs in targeted sectors to develop market linkages with regional and European markets and support trade fair participation, market missions and business-to-business (B2B) activities.
- Develop national training and advisory support capacities in quality management, including quality assurance, productivity, pollution control and waste reduction, developing a quality culture in men and women-led SMEs and food safety and packaging.
- Promote investment in the targeted sectors (e.g. through effective application of incentives, fast-track approvals of FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certified companies/projects, and the development of investment promotion materials and investment guides).
- Promote increased adoption of environmental and social standards to men- and women-led SMEs in targeted sectors.

4.3 Intervention logic

The progressive integration of Lao PDR into regional value chains within the ASEAN Economic Community and related trade agreements with neighbouring Asian countries can generate significant growth, increase exports and create employment opportunities in non-resource sectors. Exports to the EU under the existing EBA scheme can also be expanded. ARISE+ Lao PDR will help Lao PDR take advantage of these opportunities by improving the business environment in specific sectors, with a focus on regional economic integration and trade and investment to and from the EU, and by productive capacity, addressing supply-side constraints, business competitiveness and investment in these sectors. Together, these activities will contribute to the overall objective of inclusive economic growth, mitigation of vulnerability (especially due to the dependence on few sectors and markets) and job creation.

The ARISE+ Lao PDR project will assist the Government of Lao PDR, through the Ministry of Industry and Commerce and other competent ministries, departments and agencies, as well as the private sector. The project provides for an equitable mix of activities between the two categories of stakeholders and beneficiaries. Blending opportunities for investment in development projects with climate change objectives and enhancement of the business

10 Key measures include: the establishment of clear land-use rules and the effective designation and management of forest areas, including the allocation and establishment of concessions (certified to international standards) as a sustainable source of raw materials; the strengthening of national and provincial systems for land tenure and rules governing plantation certificates (especially plantation areas on community lands regulated by Village Cooperation Agreements, approved by district authorities and supported by ministerial decrees); and exempting certified sustainable wood (especially plantation wood) and output from FSC/PEFC approved sawmills with effective chain of custody from the 2016 Decree No. 15 ban (Order on Enhancing Strictness on the Management and Inspection of Timber Exploitation, Timber Movement and Timber Business No. 15/PM dated 13 May 2016).
environment (e.g. investments in efficient and green technologies) may also be considered in relation to targeted productive sectors.

Under result 1, ARISE+ Lao PDR will assist Lao PDR to further integrate with its ASEAN partners. This will be achieved primarily by helping Lao PDR to identify and address ATIGA commitments it has yet to implement, and obligations under the AEC Blueprint 2025 that need to be prioritised, with a focus on trade facilitation measures and the streamlining of NTMs (removing NTMs that act as non-tariff barriers and impede trade and investment in specific sectors). The objectives and results pursued under this component will be synergetic to those under components 2 and 3, maximizing the returns. Co-ordination will also be promoted with the regional ARISE+ programme in Jakarta.

Under result 2, the project will strengthen awareness in the business community in Lao PDR of the preferential trade opportunities that exist under the EBA scheme and work with business and government to improve export performance to the EU, and prepare for the country’s graduation from its current LDC status and alternative preferential regimes (GSP, GSP+ and/or FTA) available post-EBA. Analysis will be done to identify areas for support considering Lao PDR’s comparative advantage and constraints that inhibit EU market access. Business guides and other awareness and capacity development tools will be deployed to ensure producers and traders better understand the EU market, its product quality requirements and consumer preferences. Work will be conducted at central and provincial levels, strengthening TISIs and private sector organisations or companies.

Under result 3, ARISE+ Lao PDR will help Lao PDR to increase trade and participation in global value-chains with a focus on targeted sectors selected on the basis of their potential contribution to inclusive economic growth, mitigation of vulnerability (due to dependence on few sectors and markets), and to enhance gender balance and women’s empowerment and job creation. Examples of such sectors are processed-wood products and agro-food products, which also have the merit of being ASEAN priority integration sectors (mutually reinforcing result area 1) and priority sectors under the Lao national export strategy. Risks related to EU support in targeted productive sectors will be mitigated by carefully narrowing down the scope of intervention during the inception phase. The project will help Lao PDR address supply-side constraints, strengthen support services, enhance the investment climate, and support trade and investment promotion. In-depth production, policy and trade studies will be done on how best to harness the potential of targeted sectors, and measures supported to secure pro-poor, climate-friendly growth.

Close co-ordination will be ensured with other development partners’ TRTA projects in the targeted sectors, particularly with respect to legality (including chain of custody approaches) and sustainable land management, as well the improvement of product quality, design and conformity with international standards, organic and climate resilient farming methods, and the promotion of organic certification, geographical indications and good agricultural practices where relevant. Increased productive capacity and improved regulatory regimes in the sectors targeted by the technical assistance will together boost exports, translate into job creation and poverty reduction, and include a focus on gender.
5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented is 66 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation\(^\text{11}\).

5.3.1 Indirect management with an international organisation

This action may be implemented in indirect management with the International Trade Centre. This implementation entails the provision of technical assistance for the project as outlined above.

The proposed option for implementation is preferred because:

- The International Trade Centre (ITC) is an international organisation specialising in providing trade-related technical assistance and has all the expertise required for the delivery of the results expected under this project.
- ITC is the only development agency that is fully dedicated to connecting small and medium-sized enterprises (SMEs) to global markets through (1) providing trade and market intelligence; (2) building a conducive business environment; (3) strengthening trade and investment support institutions; (4) connecting to international value chains; (5) promoting and mainstreaming inclusive and green trade; and (6) supporting regional integration and South-South links.
- Furthermore, ITC has implemented a large number of EU-funded projects in the past and has been chosen recently by the EU as the implementing agency for similar projects in Afghanistan, Sri Lanka and Bhutan. As a joint UN/WTO agency, ITC’s mandate combines a focus on expanding trade opportunities with the aim of fostering sustainable development.

The entrusted entity would carry out the following budget implementation tasks: grant contracts, procurement, notably signature and execution of the resulting procurement contracts, including the acceptance of deliverables, carrying out payments and recovering funds unduly paid.

The entrusted international organisation is currently undergoing ex-ante assessment. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free co-operation, the international organisation can be entrusted with budget implementation tasks under indirect management.

If negotiations with the above-mentioned entrusted entity fail, this action may be implemented in direct management in accordance with the implementation modalities identified in section the section below.

5.3.2 Changes from indirect to direct management mode due to exceptional circumstances (one alternative second option)

If indirect management with ITC is not possible due to circumstances outside of the Commission's control, the alternative implementation modality is direct management through a call for tenders to award one technical assistance contract as followed for the regional and other national ARISE+ projects.

5.3.3 Procurement (direct management)

<table>
<thead>
<tr>
<th>Subject in generic terms, if possible</th>
<th>Type (works, supplies, services)</th>
<th>Indicative number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance</td>
<td>Service</td>
<td>1</td>
<td>Q1 of 2019</td>
</tr>
</tbody>
</table>

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.
5.5 Indicative budget

<table>
<thead>
<tr>
<th>Description</th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third-party contribution (amount in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.1 – Indirect management with an international organisation (including communication and visibility)</td>
<td>4,850,000</td>
<td>17,000</td>
</tr>
<tr>
<td>5.8 and 5.9 – Evaluation and Audit</td>
<td>150,000</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>5,000,000</td>
<td>17,000</td>
</tr>
</tbody>
</table>

5.6 Organisational set-up and responsibilities

The project will establish project office in Vientiane with resident staff, both international and national, embedded where possible within the MoIC.

A Project Review Committee (PRC) will be established with responsibility for guiding the project and for approving work plans at the technical level. The PRC will meet twice a year and ad hoc, as required. The secretariat of the PRC will be the responsibility of the ITC project team. The PRC shall be made up of at least:

- A representative from MoIC at DG or DDG levels (Chair)
- A representative from the EU Delegation to Lao PDR at Head of Delegation or Head of Cooperation level (co-Chair)
- Representatives from the relative departments and agencies operating within MoIC (including but not limited to the National Implementation Unit (NIU), the Foreign Trade Policy Department (FTPD), the Department of SME Promotion (DOSMEP), the Department of Trade Promotion (DTP), the Department of Import and Export (and its Trade Facilitation Division / Trade Facilitation Secretariat), and the Department of Foreign Trade Policy.
- A representative from the Ministry of Agriculture and Forestry
- A representative from the Ministry of Science and Technology
- A representative from the Ministry of Planning and Investment
- A representative from the Ministry of Finance
- A representative from the Ministry of Natural Resources and Environment
- Other relevant stakeholders, including LNCCI, business associations and EuroCham-Lao PDR, as well as EU Member States or other donors may be invited.

The PRC will report to the Programme Executive Committee (PEC)\(^{12}\) in Lao PDR, which will serve as the Steering Committee for the ARISE+ Lao PDR project, as part of efforts to integrate trade related technical assistance into a programme-based approach. The PEC will meet once a year, during which annual project implementation reports and detailed work plans will be presented for review and endorsement.

The PRC will promote co-ordination with ARISE+ Regional Coordination Committee and ensure timely exchange of information and best practices. Work programmes will be prepared in consultation with the regional project. An annual ARISE+ Regional Coordination Committee for the entire ARISE+ Programme may be considered, with the participation of EU Delegations.

\(^{12}\) Note that the PEC is a programme-level steering committee and supervises the implementation of a number of donor financed projects beyond ARISE+ Laos. Membership varies depending on the purpose for which a particular PEC meeting is convened.
5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this end, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. The baseline data will be established at the inception, and the final values at the end of the project. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the project will look back at four consecutive phases of trade assistance delivery in a context of strengthened trade relations between the EU and Lao PDR.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2020 and 2022.
5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services could be concluded under a framework contract in 2022.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. Approximately EUR 100,000 will be allocated for this purpose under the indicative budget line 5.3 - Indirect management with an international organization (ITC).

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
### APPENDIX - INDICATIVE LOGFRAME MATRIX – ARISE + LAO PDR (DCI-ASIE/2018/039-213)

The activities, the expected outputs and all the indicators, targets and baselines included in the Logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative Logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines</th>
<th>Targets&lt;sup&gt;13&lt;/sup&gt;</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Overall objective (Impact)** | 11. GNI per capita | I1. GNI per capita at US$ 2,159 in 2016 | I1. GNI per capita at or higher than US$ 2,520 by 2021 | - UNCTAD LDC Report  
- WB and ITC Data  
- ASEAN Stats-IMTS and FDIS databases  
- Lao official statistics  
- ILO surveys  
- Project surveys and reports | |
| 12. GDP growth | I2. 7% p.a. in 2015 | | I2. Average of not less than 7.5% p.a. | |
| 15. Number of jobs created | I5. Labour force 3.8 million (2015 est.); no baseline available for specific sectors | | I15. Increase in employment in sectors covered (tbd) | |
|  |  | I1. GNI per capita at or higher than US$ 2,520 by 2021 | | |
|  | | I2. Average of not less than 7.5% p.a. | | |
|  | | I3. Gini Coefficients in 2020 improved for Lao PDR, Urban and Rural | | |
|  | | | I4. Level required for graduation from LDC status by 2020 | |

<sup>13</sup> 2020 is end of SEDP programming period. 2022 is end of project
Specific objectives

| a. | to improve the business environment in targeted sectors with a focus on regional economic integration (ASEAN); | 16. Annual growth and contribution to GDP of specific sectors | I6. Annual growth and contribution to GDP of specific sectors | • UNCTAD LDC Report | Idem

| b. | to increase trade and participation in global value-chains in targeted sectors | 17. Value of intra-ASEAN exports (in USD) | I7. Value of intra-ASEAN exports (in USD) | WB and ITC Data | The regional economic integration process (AEC 2025) maintains its current momentum and the Government of Lao PDR is determined to ensure good faith implementation of its ASEAN commitments

|  |  | I8. Value of exports to the EU and other partners | I8. Value of exports to the EU and other partners | ASEAN Stats-IMTS and FDIS databases | The commitment to reform from the Ministries responsible for shaping trade and investment policies and practices continues to hold with support from the Lao Prime Minister (including measures to effectively enhance the management of forestry, timber businesses, timber exploitation, timber industry and the sale-purchase of timber such as Order No. 15/PM)

|  |  | I9. Value of FDI inflows from ASEAN and EU | I9. Value of FDI inflows from ASEAN and EU | Lao official statistics | Two baseline indicators per output have been established:

|  | b. | I10. Number of ATIGA commitments identified, agreed and implemented with the support of this Action. | I10. Number of ATIGA commitments identified, agreed and implemented with the support of this Action. | I10. Systematic review of compliance with ATIGA commitments carried out (2019) | Idem

|  |  | I11. Number of AEC Blueprint 2025 gaps identified, agreed and implemented with the support of this Action. | I11. Number of AEC Blueprint 2025 gaps identified, agreed and implemented with the support of this Action. | I11. Reduction of gaps in AEC Blueprint implementation to include at least 5 measures (2022) | Commitment on the part of Lao PDR public and private institutions to (i) nominate suitable staff to participate in technical assistance and training, (ii) secure tenure of relevant staff and (iii) follow up on studies, trainings and implement actions as required

|  |  | I12. Number of ASEAN/national standards harmonised with the support of this Action. | I12. Number of ASEAN/national standards harmonised with the support of this Action. | I12. At least 10 standards harmonised (2022) | Availability of time and resources of key public and private institutions to engage in analysis, consultations, drafting of relevant documents, training/advisory/ information activities, and participation to all required events and activities

|  |  | I13. Number of policy makers/private sector | I13. Number of policy makers/private sector | I13. 200 (at least 50 women) | 2020 is end of SEDP programming period. 2022 is end of project

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14 2020 is end of SEDP programming period. 2022 is end of project
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<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
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<th>Targets(^{14})</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
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<tr>
<td>2. Increased awareness on trade preferences for exports, including to the European Union, with greater use of Everything But Arms (EBA), and on the requirements for placing products on the EU market; advanced preparation of Lao PDR to shift to a new trade preference scheme (post-EBA).</td>
<td>I15. Use of EBA to access EU markets (in % evolution of trade to EU using EBA) I16. Benefits of the EBA scheme understood by all relevant public and private sector stakeholders I17. Key quality related market requirements and standards for the priority sectors clearly understood by enterprises and relevant institutions.</td>
<td>I15. To be defined in inception phase (2017) I16. 0 awareness raising activities on the EBA scheme organised, 0 stakeholders reached, EBA not known or understood (2017) I17. 0 awareness raising activities on EU and regional quality requirements organised, 0 stakeholders reached, EU quality requirements not known or understood</td>
<td>I15. 10% increase (2022) I16. At least 10 awareness raising activities on EBA organised, including all relevant public and private sector stakeholders (of which at least ¼ of stakeholders represented by women) (2022) I17. At least 10 quality champions established and 10 awareness raising activities on EU and regional quality requirements organised, all relevant public and private sector stakeholders reached (2022). Online tool with information and guidance related to regional and EU quality</td>
<td>EU and Lao official trade data Trade surveys Project reports Participant surveys</td>
<td>Idem Beneficiary institutions and private sector organizations have the necessary absorption capacities and political will to apply the skills provided through the project Sufficient numbers of entrepreneurs are ready and willing to benefit from the assistance provided</td>
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<td>Results chain</td>
<td>Indicators</td>
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<td>Targets&lt;sup&gt;4&lt;/sup&gt;</td>
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<td>3. Strengthened support services (especially for smallholders and SMEs, with a focus on women), reduction of supply-side constraints, and trade and investment promotion in targeted sectors (e.g. wood processing and agro-based products).</td>
<td>I18. Options for future preferential access to the EU market assessed and future approach agreed</td>
<td>I18. 0 awareness raising sessions on future market access, and options not assessed</td>
<td>I18. At least 5 activities on future options organised, all relevant public and private sector stakeholders reached (2022). Future preferential market access options assessed (2020). Future preferential market access options agreed (2022).</td>
<td>EU and Lao official trade data Trade surveys Project reports Participant surveys Reports from DOSMEP</td>
<td>Idem</td>
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<td></td>
<td>I19. Value and number of domestic and foreign investments</td>
<td></td>
<td>I19. 10% increase (2022)</td>
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<tr>
<td></td>
<td>I20. Percentage contribution of SMEs’ to national exports</td>
<td></td>
<td>I20. 20% increases in participating SMEs output and exports, with monitoring data disaggregated by gender (2022)</td>
<td></td>
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<td>I21. Contribution of SMEs to national employment</td>
<td></td>
<td>I21. 10% increase in participating SMEs employment (2022) disaggregated for gender. At least 100 SMEs in each sector supported (2022) with a target of gender balance and monitoring data disaggregated by gender</td>
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<td>I22. Number of Market studies completed</td>
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<td>I22. 4</td>
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<td>I23. Number of Sector export strategies updated</td>
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<td></td>
<td>I24. Number of wood processing companies supported with training on TLAS, design and technology and quality management (disaggregated by sex of training participant)</td>
<td>I24. 0</td>
<td>I23. 2</td>
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<td>I25. Number of agro-based companies and suppliers reporting enhanced competitiveness as a result of training and/advisory support in areas such as standards compliance, climate resilience, quality management and marketing (disaggregated by sex of training participant),</td>
<td>I25. 0</td>
<td>I24. At least 25 (assuming total number of SMEs the project works with directly is 50) enterprises reporting enhanced competitiveness through TLAS, design and technology training</td>
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<td>I26. Number of enterprises reporting improved international competitiveness as a result of the project’s support (disaggregated by sex of training participant).</td>
<td>I26. 0</td>
<td>I25. At least 120 (assuming total number of SMEs the project works with directly is 200)</td>
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<td>I27. Percentile share of enterprises supported by this Action that are owned, operated and controlled by women reporting improved</td>
<td>I27. 0</td>
<td>I26. 100 (at least ¼ represented by women)</td>
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<td>international competitiveness as a result of the project’s support</td>
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