# Management Response

# Mid-term Review of The Lao PDR Competitiveness and Trade project

Lao PDR Competitiveness and Trade (LCT) Project is a multi-donor program administered by the World Bank and implemented by the National Implementation Unit (NIU) of Ministry of Industry and Commerce (MoIC) in Lao PDR. LCT was designed for the period January 2019- December 2022 with funding from Australia (AUD 4.5 million), USAID (USD 3 million from September 2019), Irish Aid (EUR 360,000) and a World Bank IDA loan (USD 10 million). Responding to the COVID impact on the Lao economy, DFAT provided additional funding AUD 1 million in June 2020 (as part of the Humanitarian and Health COVID-19 Response in Laos Program). This brings the total contribution of DFAT to LCT to AUD 5.5 million. LCT was designed using lessons learned and outcomes from the previous Trade Development Facility Phases I & II (TDF I & II) (2007-2013). The objective of the LCT project is to simplify the business regulations, facilitate trade and improve firm competitiveness.

LCT has four pillars, including A) Improving Business Environment; B) Facilitating Trade and Connecting to Markets; C)Improving Firm-Level Competitiveness and D) Supporting Better and More Inclusive Policies.

At the end of 2020, LCT had reached to its mid-term point. Stakeholders agreed to conduct a mid-term review and commit additional financing in early February 2021. This mid-term review mission had two objectives 1) to assess progress made and any needed changes and 2) identify priority areas for additional financing.

Summary of management response

DFAT accepts the Mid-term Review findings and agrees with the majority of the recommendations. The World Bank has developed an action plan that outlines steps to remedy program performance and implement recommendations. The key recommendations are to improve MOIC communications and IT capacity, extend the services of the Business Assistance Facility to the provinces, and continue to build capacity on gender. Next steps will be allocating additional financing to scale up the existing components and address the issues from the finding from MTR. The additional financing means the Bank has already requested a two year no-cost extension until the end of 2024. At the time of writing, DFAT was seeking permission to remain committed to the project until its completion.

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| Recommendation | Response  *[Select one, delete others]* | Explanation | Action plan | Timeframe  *[If practical, please specify timeframe here]* |
| Recommendation 1: Increasing cooperation between Department of Enterprise Registration Management (DERM) and Department of Tax in adopting a unique business ID and IT system integration and interoperability. | Agree | Several business registration procedures regarding taxation (orientation seminar, activation of TIN at tax authority) are no longer paper-based but the private sector reports that they are still required in practice. | The newly created Starting a Business Task Force (SB Task Force) provides the necessary mechanism for inter-ministerial coordination and reform deepening. The SB Task Force will create and adopt an action-plan with clear and time-bound actions as well as commit to systematic reporting on progress to ensure accountability. DFAT has followed the progress through the LCT implementation support missions. | On-going |
| Recommendation 2 Improving communication of reform of business registration procedures to the private sector and provincial and district level implementing agencies as paramount to change perceptions about reforms. | Agree in part | Some of local business registration authorities have not complied with the reformed business registration procedures and still practice the former procedures. DFAT strongly agrees to improve the communication of reform to private sector and local business registration authorities. However, DFAT has encouraged GoL to improve the monitoring mechanism as well to ensure that the reform have been practiced nationwide. | Department of Enterprise Registration Management (DERM) will conduct the dissemination workshop for the private sector and all local business registration authorities. DFAT provided advice on improving monitoring mechanism and will follow up through the project implementation support mission. | On-going |
| Recommendation 3  The MTR mission advised MOIC to update content of operating licenses portal and promote its use by the public and private sector. | Agree | The operating licenses portal is managed by the ICT Division of DERM. The portal is an important solution to reduce risks related to COVID-19. | DERM will assign, within the project team, a dedicated non-ICT staff familiar with regulatory procedures to this task. DERM/MOIC to issue guidelines for managing and updating the licensing portal. In the medium term, MOIC will propose to government to consider the establishment of a centralized authority to coordinate broader licensing reforms. | From 30 April 2021 until the end of the project |
| Recommendation 4  Investment Promotion Department (IPD) in collaboration with DERM should proactively supports broader reform agenda beyond its own, especially operating licensing reform which will be undertaken by line ministries. | Agree in part | The Ministry of Planning and Investment (MPI) has progressed Doing Business (DB) reforms; improved coordination, monitoring and reporting mechanisms; and involved the private sector. However, progress is still constrained by a combination of lack of technical expertise; no effective monitoring mechanism within the secretariat; and lack of ownership from Implementation Agencies (IAs) in charge of each area. | The Prime Minister’s Office will strengthen the monitoring and supervision of Prime Minister (PM) Order 02 and 03 and work closely with relevant secretariats. IPD will develop key performance indicators (KPI) to monitor PM Order No. 02 implementation which could enhance accountability. In addition, better communication on the DB reform agenda to the private sector and public in Vientiane Capital would support effective implementation. | From 30 June 2021 until the end of the project |
| Recommendation 5  Business Assistance Facility (BAF) should improve its outreach strategy to reach outside of Vientiane groups and zones with less access. | Agree | The firms in Vientiane Capital have advantage on accessing to business advisory and the matching grants from BAF. The outreach can be improved by determining the clear quota for the firms outside Vientiane Capital. | DFAT provided additional financing (AUD 1 million) to LCT to assist Lao PDR on economic recovery including private sector due to COVID-19 impact. In addition, USAID will also provide additional fund. As a result, the targeted BAF supporting firms will be increased from 300 firms to 500 firms. BAF will expand its outreach strategy to reach outside of Vientiane to groups and zones with less access. The Vientiane Post will work with the contract branch to extend the LCT project period. | From April 2021 until the end of the project |
| Recommendation 6  National Implementation Unit (NIU) should take the lead in the reform monitoring and incentivise Implementing Agencies (IAs) by reporting to senior management on their progress and publicising achievement more publicly | Agree | As the project transitions from 2 years of planning to execution, the role of the NIU is shifting from managing inputs and budget to managing outputs and their implementation. This implies more quality assurance of outputs as well as close monitoring of IAs work plans. | The NIU will hire an M&E consultant to ensure smooth implementation of agreed action plans as well as leverage consultants and WB team technical advice | On-going |
| Recommendation 7  Improving communication and information sharing between the NIU and gender focal points, through regular coordination calls, a dedicated WhatsApp group, periodic brainstorming sessions etc | Agree | Ownership and technical capacity on gender remain low within NIU and IAs, so it is important to set up the regular information sharing among stakeholders concerned. | The LCT project will prepare a comprehensive gender capacity building plan targeting both NIU staff and IAs with the consideration of regular training and awareness-raising session by experts. | From April 2021 until the end of the project |
| Recommendation 8  The LCT project should allocate some budget which can be accessed by the Lao Business Forum (LBF) and its technical working groups, to fund the data and analytical work studies | Agree | The traction gained by the Lao National Chamber of Commerce and Industry (LNCCI) offers the project a real opportunity to leverage the private sector through the LBF and accelerate business and trade reforms. What the LBF and LNCCI need is robust data and studies by national and international experts to back-up the issues they raise. | In alignment with LBF preparation processes, further collaborative efforts are needed to raise LNCCI/LBF secretariat’s engagement in researching, analysing and articulating high priority trade facilitation issues for National Trade Facilitation Committee consideration and action. | From 30 May until the end of the project |