

**INTEGRATED SAFEGUARDS DATA SHEET  
APPRAISAL STAGE**

Report No.: ISDSA1224

Date ISDS Prepared/Updated: 03-Sep-2012

**I. BASIC INFORMATION**

**1. Basic Project Data**

<b>Country:</b>	Lao People's Democratic Republic	<b>Project ID:</b>	P130512
<b>Project Name:</b>	Lao PDR Second Trade Development Facility Project (P130512)		
<b>Task Team Leader:</b>	Richard James Lowden Reco		
<b>Estimated Appraisal Date:</b>	10-Sep-2012	<b>Estimated Board Date:</b>	04-Dec-2012
<b>Managing Unit:</b>	EASPT	<b>Lending Instrument:</b>	Technical Assistance Loan
<b>Sector:</b>	General industry and trade sector (50%), Other domestic and international trade (25%), Public administration- Industry and trade (25 %)		
<b>Theme:</b>	Trade facilitation and market access (30%), Regional integration (25%), Export development and competitiveness (25%), Legal institutions for a market economy (10%), Other Private Sector Development (10%)		
<b>Financing (In USD Million)</b>			
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
IDA Grant			4.00
Trust Funds			9.00
Total			13.00
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	Yes		

**2. Project Objectives**

The proposed project development objective is to support the implementation of government's trade and integration priorities outlined in the 2012 DTIS Action Matrix/Roadmap, and in particular to contribute to improved competitiveness and diversification, focusing outside the natural resource sectors.

**3. Project Description**

The proposed operation is a follow-on to the First Trade Development Facility (TDF-1), with a

deepened focus on addressing the binding constraints to increased Lao integration into the regional and multilateral trading system. A highly selective approach has been taken with the identification of activities to be financed under the project, with a reduced scope allowing for a fuller engagement in selected areas. A number of feasible activities have been excluded from the project to ensure a focused operation with transactions costs minimized to the extent possible. The proposed project has three main clusters as summarized below.

#### (A) TRADE FACILITATION, TRADE POLICY AND REGULATIONS

This builds on the success of trade facilitation and trade policy activities under TDF-1, and will consist of a number of inter-related activities aimed at improving transparency, predictability and lowering associated compliance costs for traders. International evidence strongly suggests that high costs of trade act as a major brake on investment, particularly in the type of diversified trade that has greatest potential to facilitate equitable growth, generate jobs and reduce poverty.

Trade facilitation activities will focus primarily on improving inter-agency coordination and supporting the adoption of modern risk based approaches to managing regulatory compliance in non-customs agencies, including reform of non-tariff measures. Investments financed under this component will be closely linked to and complement broader customs reform and modernization efforts including the ongoing Customs and Trade Facilitation Project, and the proposed Lao National Single Window Support Program, financed by the World Bank.

The trade policy aspect of the project will focus on the provision of essential and continued technical assistance in support of WTO accession related efforts, but progressively shifting to a “beyond WTO” agenda focused on effective implementation of goods and services commitments at both the WTO and ASEAN levels, including a strong emphasis on private sector engagement.

##### Component A1: Trade facilitation support

This will include three main subcomponents building on results achieved under TDF-1, with activities focusing on (i) trade facilitation secretariat and action plan implementation support; (ii) capacity building for middle to senior managers in trade related agencies; and (iii) trade portal support and development.

##### Component A2: Non tariff measures review and rationalization

The proposed non tariff measures (NTM) activities similarly build on ongoing government efforts to streamline, simplify and harmonize non-customs border agency processes. Activities will include (i) making information transparent and available; (ii) reviewing and streamlining domestic NTMs; and (iii) assessing NTMs faced by Lao exporters.

##### Component A3: Trade in services

Lao PDR has undertaken, and will continue to undertake, a number of reforms aimed at reforming and liberalizing the economy, including on services trade. This component will complement these efforts by strengthening the governance of the regulatory environment affecting services trade. Activities will include (i) improving general understanding through services regulatory assessments; and, (ii) improving access to services regulations.

##### Component A4: Trade in goods

This component will support the main challenges associated with implementation of WTO obligations, effective participation in ASEAN, and taking full advantage of trade opportunities made

available by participation in the multilateral and regional trading system. This will require new arrangements for conducting trade policy, including improved inter-ministerial coordination to ensure trade policy coherence and private sector participation. Activities will focus on (i) strengthening trade policy coordination mechanisms; (ii) disseminating commitments; (iii) building capacity on trade remedies; and (iv) further strengthening the legal framework for sanitary and phytosanitary measures.

## (B) DIVERSIFICATION AND COMPETITIVENESS

This includes a new set of activities aiming to support improved private sector capacity to compete in international markets, focusing on the non natural resources sectors. Activities will adopt a “Making Markets Work Better for the Poor” approach, in order to facilitate more effective participation of small and medium sized enterprises in the international economy, pro-poor growth and support to women’s economic empowerment.

### Component B1: Business assistance unit

The objective of this component is to support individual firms in building their skills and experience, so as to become more competitive internationally. The intention is not only that firms in Lao PDR be able to export more, but also that those selling in the domestic market be able to compete more effectively against imports, particularly with the coming of the ASEAN economic community. Activities will include (i) direct consulting services advising individual firms on business growth plans; (ii) matching grants to assist individual firms financially in purchasing specialized business development services in support of growth plans; and (iii) rigorous impact evaluation of services provided.

### Component B2: Skills and productivity

Building on activities in the garments sector under TDF-1, as well as the wider experience of the “Better Work/Better Factories” approach, this component will aim to improve productivity, competitiveness and labor standards focusing on the garments manufacturing sector, an industry where the vast majority of workers are female. Activities will include (i) a factory standards improvement scheme; and (ii) the transition of the Garment Skills Development Centre towards financial and operational independence.

## (C) MAINSTREAMING AID-FOR-TRADE

This will provide for support to the next generation of Lao PDR’s “aid-for-trade” governance framework as part of efforts to move to a full program based approach for trade and private sector development.

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

Building stronger technical capacity on trade and private sector development policy within MoIC is a key objective of TDF-2, to support more effective implementation of activities not just financed under TDF-2, but more widely as part of a movement towards a program based approach. This component will include further capacity investments in the NIU, including support to its role as secretariat to the Trade and Private Sector Development Working Group.

### Component C2: DTIS action matrix/roadmap challenge facility

A challenge facility will be established making resources available to support implementation of

smaller priority activities identified within the DTIS action matrix/roadmap on a demand-driven basis. Resources will not be pre-identified under this component, but will remain available to support pro-poor activities proposed on an ongoing basis.

#### Component C3: Research and policy analysis

Building on successful activities under TDF-1, the objective of this component will be to support improved trade and private sector development policy formulation, and better measurement of the impact of policy. Activities will include investments in (i) research methodology and capacity building; and (ii) a research facility to commission high quality policy relevant research.

#### **4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

#### **5. Environmental and Social Safeguards Specialists**

Satoshi Ishihara (EASTS)

<b>6. Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/ BP 4.01	No	No safeguard policies are triggered.
Natural Habitats OP/BP 4.04	No	No safeguard policies are triggered.
Forests OP/BP 4.36	No	No safeguard policies are triggered.
Pest Management OP 4.09	No	No safeguard policies are triggered.
Physical Cultural Resources OP/ BP 4.11	No	No safeguard policies are triggered.
Indigenous Peoples OP/BP 4.10	No	No safeguard policies are triggered.
Involuntary Resettlement OP/BP 4.12	No	No safeguard policies are triggered.
Safety of Dams OP/BP 4.37	No	No safeguard policies are triggered.
Projects on International Waterways OP/BP 7.50	No	No safeguard policies are triggered.
Projects in Disputed Areas OP/BP 7.60	No	No safeguard policies are triggered.

## **II. Key Safeguard Policy Issues and Their Management**

### **A. Summary of Key Safeguard Issues**

<p><b>1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p>
<p>The Project does not have any safeguard issues since it will only finance consulting services, goods, training and workshops. The project will not finance any civil works or any other activities</p>

that will have environmental implications. Given the nature of the project it also has no impact on social safeguards such as Involuntary Resettlement and Indigenous Peoples.
<b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b>
None foreseen.
<b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b>
Not applicable.
<b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b>
Not applicable.
<b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>
Not applicable.

### ***B. Disclosure Requirements Date***

<b>Technical Assistance Project</b>
For a TA project which will finance the preparation of a specific safeguards instrument, please indicate type of document disclosed, if any.
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>

### ***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

<b>The World Bank Policy on Disclosure of Information</b>			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ]	No [ ]	NA [ × ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ ]	No [ ]	NA [ × ]
<b>All Safeguard Policies</b>			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ]	No [ ]	NA [ × ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ]	No [ ]	NA [ × ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ]	No [ ]	NA [ × ]

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input checked="" type="checkbox"/> ]
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### III. APPROVALS

Task Team Leader:	Richard James Lowden Reco	
<b><i>Approved By</i></b>		
Sector Manager:	Name: Mathew A. Verghis (SM)	Date: 11-Sep-2012