

# "Global Financial Crisis, Export-Led Growth and Aid for Trade: Focus on the ASEAN Experience"

## Session 6 : Mainstreaming Trade into National Development Strategies

### Remarks by Minister Nam Viyaketh, Minister of Industry and Commerce, Lao People's Democratic Republic

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The concept of Mainstreaming Trade remains one of the most widely discussed concepts in the area of Trade Policy. Whilst there is a general consensus on its importance, there is no single way to approach the mainstreaming of Trade in government national development policies. The MOIC has approached the mainstreaming of Trade mainstreaming at three levels – (i) Policy Level, (ii) Institutional (Structures and Systems) and (iii) government-donor relations. I will now describe what has been the MOIC approach at each level:

#### **Policy Level:**

The 6<sup>th</sup> National Socioeconomic Development Plan (NSEDP 2006 - 2010), which is the main framework for national development in Laos, aims at leveraging trade as one of its many catalyst for growth. The NSEDP recognizes the importance of trade and international integration as a gateway to economic growth and poverty alleviation. The main pillars of the trade and export led strategy for Laos' are

- (i) Expansion and diversification of markets and strengthening position in existing markets
- (ii) Increasing market access and
- (iii) Product diversification and quality improvements.

Current status of the NSDEP and way forward:

- The 6th NSEDP (2006-10) is currently in its fourth year of implementation.
- A mid-term review, of the current NSEDP was undertaken in September 2008. The MOIC prepared in consultation with the IF Donor Facilitator a review of the trade sector, which fed into the review process.
- In the meantime, the MOIC is preparing to embark on the preparation of the 7th NSEDP Trade and Private Sector Development Strategy. The NSEDP VII will be approved by the National Assembly in July 2010. Preparations will take place though 3 steps:

Step 1: Trade Sector Brief - The MOIC/FTPD is currently preparing a brief which will be discussed internally

Step 2: Preparation of Sector Profile which will be discussed and validated though extensive consultation process with GOL/PS and DP. Draft Sector Profiles is to be ready by October 2009.

Step 3: NSEDP VII Plan Write-Up Analytical Report submitted by April 2010.

- The update of DTIS will be prepared in tandem with the 7th NSEDP Trade Strategy.

The NSEDP we see as the starting point – however national policy is only useful when successfully implemented. This is a major challenge for LDCs like Laos, which has weak institutions and resource both human and capital constraints. Our next step was to set up the Structures and Systems for formulation and implementation of Trade Policies.

#### **Institutional Level**

Based on the overall trade strategy, targets and tasks laid out in the 6<sup>th</sup> NSEDP, the Ministry of Industry and Commerce (MOIC) has elaborated a number of key documents, which fleshes out in detail the required policy reforms, and accompanying Trade Related Assistance required for implementing the NSEDP Trade Sector Strategy namely: (i) The National Export Strategy (NES) and (ii) The Diagnostic Trade Integration Study (DTIS)

The MOIC has used the IF process to further refined the 6<sup>th</sup> NSEDP trade implementation strategy. Through the IF process the MOIC has set up mechanisms (Structure and Systems) for effective management and coordination of Trade Related Assistance (TRA) and Trade policy formulation - the National Integrated Framework Governance Structure (NIFGS):

- This Governance Structure is built on the Lao IF Secretariat.
- It is a multi-agency entity, which coordinates TRA channeled through the MOIC.
- It aims to reduce transaction costs, foster ownership and homegrown capacities and improve the aid absorption capacity of government agencies and departments involved in implementing the GOL Trade Strategy.
- Within this Structure the MOIC a National Implementation Unit in charge of overseeing AFT and having as overall mandate of aligning, coordinating and harmonizing AFT.
- MOIC is gradually moving to using Government financial and procurement systems

### **Government-donor relations**

The third level of engagement is Government and DP level. It is essential that Government and Development Partners include trade-related issues in systematic policy dialogue. For this reason the MOIC has been actively engaged in the Round Table Meeting Process. This is the key platform in Laos where Government and Donor Policy Dialogue takes place. In order to be actively involved in the process, the MOIC has set up under the Macro economic and Private Sector Working Group a "Sub Group" i. e the Trade and Private Sector Development Subgroup.

This Subgroup was launched in November 2008 and a 2nd meeting was held in 19 May 2009.

- The objective of this TPSDSG is to ensure coordinated policy dialogue and coordinated response on key sectoral issues between the Government and Development Partners.
- The TPSDSG will provide a mechanism for the Government and Development Partners to engage more effectively in joint planning and area of prioritization, as well as establishing common ground for possible joint implementation of activities and program-based approaches.
- Speed up implementation of Trade reform and more effectively coordinated Official Development Aid (ODA) is essential in economic downturn that we are facing.

Over the last two years, the MOIC and Development Partners have work on three fronts quite effectively: All of the above have played a key role in supporting the MOIC's implement the NSEDP Trade Strategy: (i) Policy Reforms Agenda and WTO accession process; (ii) Process and Institutional reforms; (iii) Strategy for the Implementation of Trade Related Projects. The progress achieved in pushing forward the Lao Trade Policy Agenda can be attributed to the Ministry of Industry and Commerce and the Development Partners progress in the following main areas:

- (i) Strengthening the institutional framework for coordinating Trade Related Assistance (TRA) i.e. NIFGS;
- (ii) Mobilizing substantial ODA through the set up of a multi-donor trust fund, the Trade Development facility and other sources of bilateral and multilateral funding;
- (iii) Moving to greater reliance on Government financial management and accountability systems
- (iv) Stronger Government/development Partner coordination

The MOIC has been recipient to increasing amount of Aft over the last 5 years. At the project level, the MOIC has a number of flagship AFT projects currently under implementation. The

Trade Development Facility, a multidonor trust fund financed by AusAID and the EC is now into the first six months of implementation. In the area of SME development, the Small and Medium Enterprise Promotion Development Organization (SMEPDO) has been actively implementing the EC-SME development programme in conjunction with the ADB and with key stakeholders such as the LNCCI and other key business associations. GTZ's Human Resource Development for Market Economy Programme (HRD-ME Programme), which is in its 2<sup>nd</sup> Phase, continues to provide support to small and medium businesses, focusing on meso and micro level interventions. The Ministry is also working very closely with Japan/JICA on a feasibility study for an industrial zone, including export-processing zone, in Vientiane area. This will come as an addition to the existing support, which the GOL has been receiving, from JICA, and JBIC for the industrial development in Savanakhet. The Lao BTA/WTO project, which is running for the 2nd year, supports the GOL with the implementation of its commits under US-Lao bilateral Trade Agreement and AFTA, as well as with WTO accession negotiations. Our UN Partners UNIDO, ITC, and UNCTAD are currently discussing with the Swiss Cooperation the set up of a joint UN programme under the Aid for Trade Agenda. At the global level, the Enhanced Integrated Framework is up and running. The MOIC will be submitting a second draft of the Tier I Proposal to the EIF Executive Board in Geneva at the end of the month.

Mainstreaming trade and raising the profile of trade for LDCs is key to ensuring that the Asia Pacific region is able to weather the global economic downturn and for our countries to resume steadily on our growth paths.