

SUMMARY

Annual Action Programme 2018 Part II in favour of the Asia region to be financed from the general budget of the Union

1. Identification

Budget heading	21.020200
Total cost	EUR 13 000 000 of EU contribution Total indicative amount of co-financing: 17 000 EUR
Basic act	Regulation N° 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a Financing Instrument for Development Cooperation (OJ L 77, 15.3.2014, p. 44–76) Regulation (EU) No 236/2014 of 11 March 2014

2. Regional background

The Asia regional multi-annual indicative programme (RIP) covers a politically and socio-economically diverse region, comprising least developed countries, as well as some of the world's most dynamic economies and societies, emerging global actors and evolving regional cooperation structures. Asia and the Pacific accounted for 40.9% of the global GDP in 2016, up from 29.4% in 2000 with steady annual GDP growth rates of above 5%. 60% of global economic growth comes from Asia, and Asia is the EU's largest regional trading partner.

Nonetheless, Asia still accounts for more than half of the world's poor, the regional disparities among the Asian countries are substantial and the fast pace of economic growth is often achieved at the cost of inadequate social, labour and environmental standards. Enhancing inclusive and sustainable economic and trade integration and connectivity in the Asia region is essential to achieving further poverty reduction and sustainable development.

The Southeast Asia region, under the regional integration framework of the Association of Southeast Asia Nations (ASEAN), has undergone a remarkable development over the past decades. However, the per capita GNI of the richest ASEAN country is still 26 times that of the poorest. Promoting and facilitating trade can serve as an important driver of growth and poverty reduction, assisting the poorer countries of the region in catching up and fostering sustainable and inclusive regional integration.

3. Summary of the Action Programme

1) Background:

The "Annual Action Programme 2018 Part II in favour of the Asia region" (hereafter referred to as "the AAP") will provide **trade-related assistance support** to **Myanmar** and **Laos**, two least developed countries of ASEAN.

The two country projects – "ASEAN Regional Integration Support – Myanmar Trade-Related Assistance (**ARISE Plus – Myanmar**)" and "ASEAN Regional Integration Support – Lao PDR Trade-Related Assistance (**ARISE Plus – Lao PDR**)" – are part of the broader regional-level ARISE Plus programme supporting sustainable economic and trade integration in ASEAN.

The country projects are designed in a way to respond to individual country-specific needs and priorities. At the same time, they are aligned with the broader ASEAN-level policy priorities and commitments in this area, and are designed in complementarity with the regional EU support to ASEAN economic and trade integration.

2) Cooperation related policy of beneficiary country:

Both projects are fully aligned with **ASEAN's own regional strategic and policy agenda**, including the 2015 *ASEAN Community Vision 2025*, the *ASEAN Economic Community (AEC) Blueprint 2025*, the *ASEAN Trade Facilitation Framework*, the *ASEAN Trade in Goods Agreement*, the *ASEAN Framework Agreement on Services* and the *ASEAN Strategic Action Plan for SME Development 2016-2025*.

Each project is also in line with the **policy frameworks at national level** and key national policy priorities. In the case of Myanmar, the project is aligned with the *Myanmar Economic Policy*, *National Export Strategy* (2015), *Private Sector Development Framework* (2016), *Diagnostic Trade and Integration Strategy* (2016), *Myanmar Sustainable Development Plan* (2018) and the *National Strategic Plan for the Advancement of Women* (2013–2022). The project for Laos is consistent with the 8th *National Socio-Economic Development Plan* (2016–2020) and the *Ten-Year Development Strategy* (2016-2025).

3) Coherence with the programming documents:

The proposed AAP actions are responding to the **new European Consensus on Development** which commits that “*the EU and its Member States will promote and facilitate trade and investment in developing countries in support of sustainable development. The EU will continue to promote trade as a key driver of growth and poverty reduction in developing countries*”. The Consensus furthermore underlines that the EU will help make developing countries more business-friendly and contribute to improving conditions for economic activity by promoting better policies and regulatory environment, better business environments, new business models and greater government capacity.

The two actions correspond to priority sectors identified in the **Regional Indicative Programme for Asia 2014-2020** ("Asia RIP"), both prior and after the adoption of the parallel Mid-Term Review (MTR). In the pre-MTR regional programme, support to ASEAN was identified as priority under the sector "*Regional Integration*" of the Asia RIP. Under Regional Integration, the heading 1.2.1 - "*Regional Integration in South-East Asia*" foresees "*Connectivity through sustainable and inclusive economic integration and trade*" as one of the three focal areas for cooperation with ASEAN. In the post-MTR regional programme, the actions are covered under the first sector 'Prosperity – Jobs and Growth' and in particular the first specific objective within this sector to contribute to 'improved connectivity through sustainable and inclusive economic integration and trade in ASEAN'.

4) Identified actions:

Annex 1 - ASEAN Regional Integration Support – Myanmar Trade-Related Assistance (ARISE Plus – Myanmar)

The **overall objective** is inclusive and sustainable trade growth in Myanmar.

The **specific objective** is to increase trade diversification and integration, regionally (ASEAN) and internationally (EU and global markets).

Annex 2 - ASEAN Regional Integration Support – Lao PDR Trade-Related Assistance (ARISE Plus – Lao PDR)

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.

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

3) Expected results:

Annex 1 - ARISE Plus – Myanmar

The expected results are:

- (i) strengthened capacities of the private sector, notably Micro, Small and Medium-Sized Enterprises (MSMEs), to exploit the business opportunities offered by the ASEAN single economic space, the EU and global markets, with a focus on a market-led and gender-inclusive value chain approach;
- (ii) improved Sanitary and Phytosanitary (SPS) regulatory control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains; and
- (iii) strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing Non-Tariff Barriers (NTBs) along the selected value chains.

Annex 2 - ARISE Plus – Lao PDR

The expected results are:

- (i) 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;
- (i) 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); and
- (ii) 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).

4) Past EU assistance and lessons learnt:

Annex 1 - ARISE Plus – Myanmar

The Mid-Term Evaluation (MTE) of the ongoing EU Trade Development Programme (TDP) in Myanmar showed that among the overall outputs, SPS and trade promotion appeared to show substantial progress in terms of delivery, while the activities under the components of trade policy, trade facilitation and national quality infrastructure have been more modest due to substantial delays. The MTE suggested to provide a greater emphasis on the SME sector and a more explicit value-chain approach, especially in the sector of processed food. The MTE insisted on the importance to plan the involvement and participation of the private sector in the project's identification and delivery of activities. It was also indicated that in the TDP, the training of trainers approach, which included hands on training in the field, was effective. All these recommendations have been fully taken on board in the design of the new ARISE Plus programme, both in the selection of priority areas of focus, as well as in the design of activities along all the three foreseen output areas.

Annex 2 - ARISE Plus – Lao PDR

The Mid-Term Evaluation (MTE) of the ongoing EU-supported TDF-2 in Laos (Trade Development Fund – TDF, a Multi-Donor Trust Fund managed by the World Bank) and a World Bank appraisal document on implementation of the TDF underlined the importance for a project team to be well embedded within the Government. Support from a distance or *ad hoc* support is not sufficient to ensure the long-term capacity building needed. Special attention needs to be paid to designing activities with a view of reaching measurable results and adequate monitoring of activities. Also, the evaluations underlined that a full completion of activities must be ensured (e.g. 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). These evaluations are being taken on board for the implementation of the new ARISE Plus programme.

5) Complementary actions/donor coordination:

Both proposed ARISE Plus national actions are building upon experience with past bilateral trade-related assistance actions in the two countries and will be complementary with the ongoing EU bilateral support engagement in the relevant bilateral focal sector areas (e.g. agriculture/aquaculture/fisheries/rule of law).

Both ARISE Plus national interventions are part of the broader ARISE Plus regional project supporting ASEAN economic and trade integration. Close inter-linkages and coordination will be ensured between the regional level ARISE Plus project (2017-2022) and the parallel support at country levels, including through mechanisms such as annual ARISE Plus regional steering committee which is currently being set up.

Close coordination will also be ensured with the relevant Partnership Instrument activities that will be implemented in the ASEAN region during the same period, as well as strong synergies with the work of the relevant line DGs (notably TRADE, GROW, SANTE, TAXUD and ENV). Regular in-country donor coordination is also taking place with EU Member States and other donors in the related sectors.

4. Communication and visibility

Both actions described in this document have a visibility and communication component and allocated budgets to ensure the related activities. Communication and visibility plans of the actions will be elaborated at the start of their implementation.

5. Cost and financing

ARISE Plus Myanmar	EUR 8 000 000
ARISE Plus Laos	EUR 5 000 000



EN

This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2018 part II in favour of the Asia region

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

1. Title/basic act/ CRIS number	ASEAN Regional Integration Support – Myanmar Trade-Related Assistance (ARISE Plus – Myanmar) CRIS number: ACA/2018/040-047 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Myanmar The action will be carried out at the following location: mainly Nay Pyi Taw and Yangon, Myanmar, with some activities taking place in other parts of Myanmar where Micro Small and Medium Enterprises (MSMEs), producers and regional institutions are located (notably Mandalay)	
3. Programming document	Addendum to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 ¹ (RIP)	
4. Sector of concentration/ thematic area	Connectivity through Sustainable and Inclusive Economic Integration and Trade	DEV. Aid: YES ₂
5. Amounts concerned	Total estimated cost: EUR 8 million Total amount of EU budget contribution: EUR 8 million	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with an International Organization (International Trade Centre - ITC)	
7 a) DAC code(s)	33110 Trade policy and administrative management 33120 Trade Facilitation 33130 Regional Trade Agreement 32130 SME Development 33181 Trade education/training 16062 Statistics	
b) Main Delivery	45001 World Trade Organisation - International Trade Centre	

¹ Expected to be approved by July 2018.

² Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

Channel				
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women in Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC)	<ul style="list-style-type: none"> Trade integration for green and inclusive growth Switch to green 			
10. SDGs	Main: SDG 8; Secondary: SDG 5, 10, 12, and 16			

SUMMARY	
<p>Myanmar's emergence from sanctions in 2013 has left the country with a major deficit in its trade infrastructure and with complex, antiquated trade policies and laws that needed upgrading. The European Union (EU) has been an active development partner since the easing of sanctions and has invested heavily in building capacity, transparency and streamlining policies. Myanmar remains one of the lowest ranked countries in the region with respect to most trade governance and performance indicators. As a result, Myanmar's private sector, in particular Micro, Small and Medium-Sized Enterprises (MSMEs), face significant challenges in being competitive and integrating in regional and global value chains. Further efforts to build trade competitiveness will be critical to address pending challenges in poverty reduction and inclusiveness.</p> <p>ARISE Plus Myanmar aims to contribute to inclusive and sustainable growth. It will support greater connectivity and economic integration between Myanmar and the rest of the world, focusing on the Association of Southeast Asian Nations (ASEAN) in line with the ASEAN Economic Community (AEC) Blueprint 2025. It is the national Myanmar component of the ARISE Plus regional Programme and will consolidate and enhance the results already achieved with past and on-going EU trade related technical assistance programmes.</p> <p>The overall objective is inclusive and sustainable trade growth in Myanmar. The specific objective (outcome) is to increase trade diversification and integration, regionally (ASEAN) and internationally (EU and global markets).</p> <p>The expected results (outputs) are:</p> <ol style="list-style-type: none"> 1. Strengthened capacities of the private sector, notably MSMEs, to exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach. 2. Improved Sanitary and Phytosanitary Measures (SPS) regulatory, control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains. 	

3. Strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (World Trade Organisation - WTO, EU) commitments and addressing non-tariff barriers (NTBs) along value chains.

Implementation of Output 1 will determine the actions proposed in Outputs 2 and 3 by building the capacity of the private sector, especially MSMEs, to benefit from policy and regulatory reforms as well as institutional strengthening.

CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Since the beginning of Myanmar's political transition in 2011, growth figures have overall been impressive. Foreign direct investment has more than doubled since 2013/2014 and until 2015 economic growth hovered above 7 % per annum. The Government of Myanmar has embarked on a series of political and economic reforms in order to re-engage with the international community and carry out market-based policies. It has sought to improve the business climate, liberalise foreign exchange controls, open up to trade, encourage foreign investment, and reinforce its financial sector. It has removed export license requirements for about 4,000 products, allowed for increased foreign ownership in some sectors and has established special economic zones. Further economic reforms would likely shift the country towards greater market efficiency.

A democratically elected governing coalition led by Daw Aung San Suu Kyi took office in April 2016, consolidating the country's resolve to achieve modernisation and economic growth. A 12-Point Outline of Economic Policy (2016-2020) has been presented alongside a Private Sector Development (PSD) Framework and Action Plan, together with other policy documents and strategies adopted after the 2016 elections (see below). Implementation has been slow however and the government has been criticised for lack of tangible progress on its economic agenda. Economic growth forecast has recently been lowered and Myanmar has not improved its ranking on the World Bank *Doing Business Index* (the country is placed 171 of 190 in the ranking for 2018).

The Government has a stated determination to pursue reforms while paying additional attention to sustainability, equity, balance in society and the rule of law. A new Investment law was adopted on 18 October 2016, further liberalising investments and providing additional incentives to foreign direct investment. A recent escalation of violence in Rakhine state since August 2017 had forced over 700 000 persons to flee into neighbouring Bangladesh. The events have had a serious impact on the international image of Myanmar and its government. These events have already impacted the economy negatively. Business confidence is down and key sectors such as tourism have seen rapid declines in sales.

Other challenges include continued armed conflicts in other parts of the country. These issues may undermine (and compromise results from) the pro-reform agenda of the government.

Myanmar continues to integrate more closely into the rapidly growing regional economy through the implementation of trade commitments both multilaterally and within the Association of Southeast Asian Nations (ASEAN). Around 78% of Myanmar's external trade is with its neighbouring countries, including China and India. Natural resources dominate exports, but much of these exports do not benefit either the government or the Myanmar population; especially mining and logging are dominated by actors with connections to the rampant crony capitalism. Increased public control over natural resources would greatly increase government revenue, but also require tangible progress in complex areas such as peace, transparency and democratic control over the armed forces.

In order to improve Myanmar's overall competitiveness, fundamental structural reforms are required. Myanmar's existing policy documents and strategies highlight the gaps that exist in several interrelated policy areas, as well as the lack of capacity in government to appreciate and manage such interrelationships. MSMEs are particularly affected by the lack of transparency and enforcement in the regulatory regime, and struggle with increasingly complex regulations and standards (including export processes, technical measures, and registration).

It is important to better foster the rule of law and good governance, a favourable business environment, more effective regional and international integration, improved education, and more adequate physical and services infrastructure.

Furthermore, in order to resolve the still remaining important gender disparities in employability and work conditions, it is important to promote inclusive and/or equitable growth and job creation in export oriented sectors, and, in line with the government's own strategy, help diversify the economy to more added value and productive industries. This should result in additional opportunities for women to enter the labour market, access better paid jobs, and improved working conditions. There is a priority to address women businesses' barriers to integrate into export value chains, as well as to support women entrepreneurs associations. Furthermore, investments in upgraded enterprises, moving up the value chain and increasing exports, should lead to improved environmental standards and quality, better working conditions for labour and higher salaries for all women and men workers. *Inclusive growth* is essential in this context. All these aspects have been strongly highlighted by country partners as well as business and sector associations during the project formulation mission. They are also part of the ten year National Strategic Plan which targets the key areas that affect women's lives, and indicates practical ways to address the issues that Myanmar women are experiencing.

1.1.1 Public Policy Assessment and EU Policy Framework

National Level - On 29 July 2016, the Government of Myanmar presented its 12-point Outline of Economic Policy. In its strategy, the government pledges to support competition and a dynamic private sector. It seeks to obtain a market-oriented system in every sector, cut unnecessary red tape, dilute the power of monopolies, reform State-owned enterprises, and expand access to credit. The government is also determined to help small and medium size enterprises by improving the business environment in Myanmar and identify the means to take advantage of the opportunities created by the ASEAN and beyond. The plan has however been criticized for being insufficient, and has so far been poorly implemented. Fundamental reforms of the Myanmar economy would require tangible progress in areas such as infrastructure development, energy, education and the rule of law, to mention a few examples. Progress in these key areas is however slow.

The Ministry of Commerce (MOC) adopted in March 2015 a National Export Strategy (NES), with the technical assistance of ITC. The NES sets out a five-year roadmap for Myanmar's sustainable development through trade. Seven sectors were identified with potential for increasing exports: 1. textiles and garments, 2. forestry products, 3. beans, pulses and oil seeds, 4. rice, 5. fisheries, 6. rubber, and 7. tourism.

In March 2016, the Government published the Private Sector Development Framework and Action Plan (PSDF) with the support of the ADB. The PSDF proposes an action plan to achieve the objective to create a dynamic and competitive private sector and "*expand businesses that contribute to market-led economic growth*". The PSDF insists on the need to improve the legal and regulatory environment, ensure access to finance, promote trade and investment, restructure the State's role in business enterprises and service delivery and build Myanmar's human capital base. It provides a comprehensive diagnosis of the problems the private sector faces in the country and actions to overcome them and "*achieve parity with ASEAN neighbours*".

The NES and PSDF were followed in June 2016 by the Diagnostic Trade and Integration Strategy (DTIS). The DTIS was prepared by the World Bank under the guidance of the Trade Coordination Unit (TCU) and the Department of Trade (DOT) of the MOC, and in consultation with stakeholders and development partners. The DTIS highlights the need to maintain the momentum of the reform agenda towards greater trade openness, while ensuring a fairer distribution of the gains of trade for the most vulnerable communities. It also underscores the need for the country to further diversify its economy by boosting services, developing labour intensive sectors like garment and by modernising the agricultural sector in a sustainable manner, away from the over-reliance on natural resources.

In October 2016, the Department of Trade Promotion and Consumer Affairs adopted a Master Plan for Establishment of Myanmar Trade Promotion Organization – MYANTRADE.

Finally, among the most recent strategy documents the Government of Myanmar adopted, is the new draft "*Myanmar Sustainable Development Plan*" and "*Development Assistance Policy*", issued in March 2018, as well as a Medium Term Programme (MTP) for Coordinated Aid-For-Trade Resource Mobilization and Delivery. The Sustainable Development Plan aims to serve as a framework for integrating environmental considerations into future national development. The Development Assistance Policy defines the policy framework which shall guide the delivery of development assistance, together with the procedures that streamline the identification, design, negotiation, approval, and implementation of initiatives funded in part or in whole by development assistance. The MTP was elaborated under the auspices of the MOC, building on the NES, PSDF and DTIS, and was adopted in February 2017. The MTP sets out an Action Plan to implement the country's core national development and economic growth strategies; the priority list counts 5 potential areas, namely services, e-commerce, cross-border trade processes, tourism/horticulture and food safety.

The "*National Strategic Plan for the Advancement of Women (2013–2022)*" is based on the 12 Priority Areas of the Beijing Platform for Action and the principles of the Convention on the Elimination of All Forms of Discrimination against Women, to which Myanmar became a signatory in 1997. It proposes a gender agenda through inter-ministerial collaboration and gender mainstreaming into sectoral policies, plans, and programmes.

ASEAN Level - Through the above-mentioned policies, the Government of Myanmar confirms it is increasingly aware of the need to further integrate its economy within the region and take advantage of the opportunities that regional trade, and particularly ASEAN, create for its enterprises. This objective is perfectly in line with the existing ASEAN Strategies. In this regard, the new AEC Blueprint 2025, which the ASEAN Economic Ministers (AEM) and AEC Councils endorsed on 6 February 2017, confirms the ASEAN States' priorities to further integrate and establish the right regulatory and policy environment, fostering investments and trade, alongside the efficiency of regional supply chains. Simplified rules of origin and trade facilitation predominantly feature in the new AEC Blueprint 2025, in support of the 2016 ASEAN Trade Facilitation Framework (ATFF).

The AEM and AEC Councils also endorsed the 2025 Consolidated Strategic Action Plan (CSAP) on 6 February 2017. In addition, the ASEAN Strategic Action Plan for SME Development 2016-2025 integrates the need for an enhanced policy and regulatory environment and increased domestic exports. Finally, the ASEAN Trade in Goods Agreement (ATIGA) Gaps Assessment Report, concluded in 2016, provides a comprehensive matrix relative to the commitments made by Myanmar in 2010 as a signatory to the ATIGA. The report identifies implementing gaps in relation to more than 30 articles of the ATIGA and it lists practical and policy recommendations for Myanmar to consider, and the related technical assistance requirements.

The ASEAN Framework Agreement on Services was signed in 1996, calls for the progressive improvement in Market Access, and ensures National Treatment for services suppliers in ASEAN, with a view to extending beyond commitments taken at the WTO under GATS. The AEC Blueprint 2025 further calls on deeper services integration. Under the Blueprint, Member States are negotiating an ASEAN Trade in Services Agreement (ATISA), moving from a positive list approach to a negative list approach for scheduling commitments.

Myanmar is an active member of the ASEAN Committee on Women and the ASEAN Commission on Protection and Promotion of the Rights of Women and Children.

Given the above regional context, ARISE Plus Myanmar naturally ties the national priorities with the objectives of regional integration and the strategies pursued at the ASEAN level.

EU level - The EU reinstated the GSP programme in favour of Myanmar in 2013, which mainly resulted in growth of garment exports to the EU. EU Aid for Trade Assistance to Myanmar includes the Trade Development Programme (TDP), implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (2014-2018; EUR 10 million). The TDP encompasses four components, namely (1) trade policy and promotion; (2) trade facilitation; (3) SPS and food safety; and (4) national quality infrastructure.

The EU's policy towards Myanmar and the ASEAN region is laid out in a Joint Communication to the EU Council and the Parliament "*Elements for an EU strategy vis-à-vis Myanmar/Burma: A Special Partnership for Democracy, Peace and Prosperity*", dated 1 June 2016 (JOIN(2016) 24 final). The Communication confirms the EU's priority to develop the rule of law and to "*work with the new government in a regional context, especially on ASEAN integration*". The Communication also indicates the need to prepare for negotiations on a Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) in the forestry sector, and an Investment Protection Agreement with the EU. It also calls for the implementation of the AEC Blueprint 2025.

The EU's overall diplomacy towards Myanmar, and generally its development partners, is to promote peace, protect human rights, and encourage democracy, prosperity and the rule of law. It is also to foster sustainable and inclusive growth, gender equity and improved labour rights. Since ARISE Plus, Myanmar is dedicated to investment promotion in diversified sectors, to ASEAN integration, job creation and the improvement of the regulatory framework. This is well in line with the EU's priorities in the ASEAN region and the overall orientation of the European Economic Diplomacy for which Myanmar is a case study: helping Myanmar reintegrate into the regional and the global economy will benefit European companies seeking a more open, transparent Myanmar and a level playing field for trade and investments in the country.

The EU has on numerous occasions expressed serious concern regarding the tragic developments in Rakhine State. There is growing evidence that security forces have been engaged in serious abuse of human rights. Myanmar is not cooperating fully with key UN human rights actors, as requested by international partners such as the EU. This situation could have direct consequences with regards to Myanmar's Everything but Arms beneficiary status.

This Action is in line with EU "*Gender Equality Policy (GAP II 2016-2020)*". It is particularly relevant to the thematic priority "Economic and Social Empowerment", objectives 14 & 15.

This Action is also in line with the updated "*EU Aid for Trade Strategy*" as well as the EU Communication on "*A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*". In that regard, criteria for supporting private sector actors will be defined, including development impact, additionality, neutrality, shared interest and co-financing, demonstration effect and adherence to social, environmental and fiscal standards.

WTO level - Myanmar is a founding Member of the WTO. It accepted the Trade Facilitation Agreement (TFA) on 16 December 2015. The TFA was concluded at the WTO's 2013 Bali Ministerial Conference, and contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues, and provisions for technical assistance and capacity building.

1.1.2 Stakeholder analysis

This Action Document reflects the content of consultations carried out with a wide range of stakeholders. Relevant gender-specific capacities and stakeholders are integrated into the analysis.

The Public Sector - The primary direct beneficiary will be the MoC which is in charge of the country's trade policy, trade promotion and ASEAN agenda for both trade in goods and services. Other line Ministries which will benefit from trainings and capacity building include the Ministry of Planning and Finance (MOPF), the Ministry of Industry (MOI) and the Ministry of Agriculture, Livestock and Irrigation (MOALI), the Ministry of Health and Sport, and its Food and Drug Administration (FDA), the Central Statistical Organization (CSO) and Myanmar Customs, under the MOPF, the Ministry of Education, Department of Research and Innovation. Most public institutions in Myanmar suffer from a lack of financial and human resources, as well as uneven coordination, vertically and horizontally. However, experience gained by international organisations engaged with the public sector confirmed the high potential for results and lasting impact, when a firm commitment from public stakeholders and their leaders is received to dedicate the necessary resources – in

particular human resources – to the implementation of proposed actions. The MOC has been granted a far more ambitious portfolio, which includes regional integration and services, which was hitherto within the purview of the Ministry of Transport and MOPF. Given the MOC and other line ministries' current level of development and institutional limitations, the complex and multi-layer regional integration processes risks to increase coordination challenges for Myanmar and poses a threat to the integration process. Regarding gender, public sector organisations have not mainstreamed gender equality in their organisational structure. While many women are employed in ministries and occupy important professional and technical positions, they seldom make it to the higher levels of the hierarchy. Raising gender equality in public administration is consistent with the National Strategic Plan for the Advancement of Women (2013–2022).

The Private Sector - It is a direct beneficiary of the action; the AEC 2025 places a new emphasis on enhancing the contribution of MSMEs to development and on developing private sector outreach. Despite the existence of national-level mechanisms for consultation between the government and the private sector (i.e. the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI) and other associations), private sector engagement in the ASEAN processes is weak, and there is a lack of awareness about the benefits and opportunities of regional economic integration. International Chambers, such as Euro-Cham have provided an effective vehicle for attracting investors, and disseminating market information. For the private sector to get involved in the ASEAN regional processes, skills have to be built to engage in a productive dialogue with the Government and regional partners, supply-side capacities and business linkages with regional and international markets. This needs to be done following an integrated value chain approach, involving gender-relevant stakeholders and incorporating gender-sensitive value chain analysis and implementation. The project will work with UMFCCI and its member associations.

Civil Society Organizations - They will be important project partners for advocacy and monitoring of outcomes of trade and investment policy, including representation of stakeholders, and to improve data gathering, analysis and research on informal trade, as well as social and environmental impacts. They also work with the private sector, which is a direct beneficiary of the Action. Civil society organizations, including for example associations of women entrepreneurs and women traders, can also facilitate the social dialogue within the country, and the understanding of the added value of trade openness for combating poverty, both regional and international, by the population. These organisations can make the link to a wider audience, to promote the project and its results, thereby increasing impact and visibility of the project itself and the EU as the donor.

Development Partners – The Asian Development Bank (ADB), World Bank, United Nations Conference on Trade and Development (UNCTAD), the International Labour Organisation (ILO), the International Trade Centre (ITC), the EU, Germany (GIZ), Korea (KOICA), the Dutch Centre for the Promotion of Imports from developing countries (CBI), the Japanese Japan International Cooperation Agency (JICA), the United Kingdom (DFID), and the U.S. Agency for International Development (USAID) have been providing Trade-Related Assistance since the easing of sanctions (and some even earlier). Most partners will be designing new programmes in 2019-2020. Details of donors' programmes are provided in the donor Matrix. Within the **European Commission**, the Directorate-General for International Cooperation and Development (DG DEVCO), the Directorate-General for Trade (DG TRADE), the Directorate-General for Health and Food Safety (DG SANTE), the Directorate General for Taxation and Customs (DG TAXUD), and the European External Action Service (EEAS) with its Delegations in Bangkok and in Jakarta are also stakeholders of the programme and will be closely involved in the implementation of the programme, together with EU Member States. In 2016, the ADB, the United Nations Development Programme (UNDP), United Nations Fund for Population Activities (UNFPA), and UN Women worked together with the Department of Social Welfare under the Ministry of Social Welfare, Relief and Resettlement to produce an extensive situation analysis on “Gender Equality and Women’s Rights in Myanmar”.

Representatives of all stakeholders listed above were consulted during the identification and formulation phases. A final workshop, which took place in Yangon on 8 December 2017 and gathered more than 40 representatives from the public and private sector, confirmed the overall endorsement of the identification and formulation analysis as well as the orientation of the project.

1.1.3 Priority areas for support/problem analysis

Following almost 60 years of isolation, Myanmar presents a wide and complex situation where a plurality of problems should be addressed in order to modernise internal and external trade: outdated regulatory frameworks, inadequate standards, reduced capacities in both private and public sectors, limited access to credit and modern technologies, low productivity and minimum transport network amongst others. Prioritisation of actions will be aligned to the Medium-Term Plan, with a focus on diversifying the economy, meeting ASEAN connectivity objectives, supporting the upcoming regional ARISE Plus programme, contributing to building capacity for implementing regional commitments, and strengthening the private sector's participation in ASEAN. The priority areas have been identified based on lessons from the TDP and past EU trade programmes in Myanmar, the AEC 2025 Consolidated Strategic Action Plan (adopted in February 2017), existing and forecasted donor interventions, the resources earmarked and the need for emphasizing inclusiveness, gender equity, connectivity and sustainability. This prioritisation has led to three critical areas of support:

- a) Strengthen the capacities of the private sector, notably Micro, Small and Medium-Sized Enterprises (MSMEs), including those led by women, engagement, capacities and preparedness for exploiting the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach.
- b) Improve the SPS regulatory control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains.
- c) Strengthen trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains.

From a gender equity perspective, two sets of issues are of particular interest in support of better trade integration:

1. Gender disparities in employability and work conditions;
2. Disadvantages faced by women-owned MSMEs.

Trade has contributed to increased female participation in waged labour through the creation of jobs in export-oriented manufacturing sectors (in particular garment and footwear industry). However:

- a. Employment created is largely in low skilled, low paid jobs;
- b. Only certain export sectors such as garments are 'regulated' with regard to labour standards, and in several export industries living and working conditions remain inadequate;
- c. Female employees are often not aware of their rights, such as maternity leave, and are more exposed to informality.

The Action is expected to indirectly support the promotion of equitable and inclusive growth and job creation in export-oriented sectors, and in line with Government strategy, help diversify the economy to more added value and productive industries. This should result in additional opportunities for women to enter the labour market and access better paid jobs. In addition, the Project will contribute to increased transparency of trade rules potentially addressing women businesses' barriers to integrate into export value chains. The Action will also support business associations' capacity for advocacy, including women entrepreneurs associations.

1. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
There is overall limited transparency in all Government agencies, which affects inter-ministerial and inter-agency cooperation, which is necessary for the implementation of the project activities and ensuring sustainability.	H	The Minister of Commerce is determined to resolve the issue and improve intra-ministry and intra-department communication: a steering committee for this and possibly other trade development initiatives will contribute to more effective reporting and transparency among institutions and agencies.
Weak absorption capacity of beneficiary institutions.	H	The project takes into account the available capacities (including for gender analysis of trade and investment policies and actions). Strengthening donor coordination mechanisms, under leadership by country institutions, and division of labour will contribute to avoid conflicting messages, and improve the absorption capacity. The project will use the train the trainer approach based on the below-explained lessons learned.
The lack of capital and access to credit in the private sector may affect its ability to invest in standards, machinery and equipment which may be required in regional and global supply chains.	M	Access to finance is expected to improve through value chain approach support by other programmes, e.g. the Livelihoods and Food Security Trust Fund (LIFT), DaNa Facility, etc.), but will likely remain a certain constraint to private sector participation
Political risks: Humanitarian crisis and serious human rights violations in Rakhine State. Continued clashes in several ethnic states, including Kachin and North Shan States. Lack of democratic control over the armed forces. These challenges jeopardise the democratic transition and the overall functioning of the civilian government.	H	The ongoing crisis in Rakhine State attracts global attention. Mitigating measures include political dialogue, action in multilateral fora and possible measures under EU's trade and development policy. As part of this Action, the possible impact of the evolving political and humanitarian situation on the project outcome and outputs will be closely monitored.
Despite all good intentions noted in the 12 Point Outline of Economic Policy, NES, PSDF and MTD, the Government and the top public officials do not proactively pursue the reforms.	M	The project will be centrally managed and will incorporate a high degree of flexibility to adapt to a potentially changing institutional framework. In addition, working not only with public institutions, but also with private organisations, incl. in the steering committee will also mitigate this risk.
Limited dialogue among the public and private sector and vested interests exist in Myanmar and may derail reform process.	M/H	An opened, structured and supported public-private dialogue is necessary, with significant consultation (and awareness raising), in order to ensure that the interests of all are considered (including women's interests and priorities). The project, while coordinating with specific coordination mechanisms recently created like the Task Force for Trade and Business Promotion, the Myanmar Business Forum (MBF) and the PSD Working Group, could facilitate open dialogue and exchange.
Poor labour conditions among the developing value chains and lack of management skills among SOE delay the action's intended outcomes and future impact	M	Conduct an extensive analysis of the intended value chains before final selection, to focus on those with best potential. Engage with SOE management to secure commitment to

		continuous learning.
There aren't a sufficient number of men and women entrepreneurs, which are ready and willing to engage in trade, despite improvements made to the trade policy implementation	M	Awareness events on benefits of trade, enterprise support, and the multiplier effects from observing those that benefit from internationalising their operations, should encourage more entrepreneurs to become engaged in international trade.
Assumptions		
ARISE Plus – Myanmar is grounded on key assumptions:		
<ol style="list-style-type: none"> 1. The process of regional integration maintains its momentum and Myanmar Government is determined to ensure good faith implementation of its ASEAN and WTO commitments. 2. The commitment towards the reform process from the Ministries involved in trade and investment policy continues to hold. 3. The public sector can retain and motivate staff. 4. The Government gradually increases budget and resources towards SPS compliance, education, health, gender awareness and equity, and other development areas to reflect its commitment towards a long-term sustainable and inclusive development strategy. 5. Increased effectiveness of coordination between government and development partners in Myanmar. 		

2. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

2.1 Lessons learnt

The Mid-Term Evaluation (MTE) of the TDP provides useful lessons learnt. The overall assessment of the EU's trade intervention through the TDP was rated as satisfactory. Among the overall outputs, SPS and trade promotion appeared to show substantial progress in terms of delivery, while the activities under the components of trade policy, trade facilitation and National Quality Infrastructure (NQI) have been more modest due to substantial delays. The delays were caused by the beneficiary's limited capacity for absorption, the recent change of government, and challenges at the implementation level.

The MTE insisted on the importance to plan the involvement and participation of the private sector in the project's identification and delivery of activities. Liaison with the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI) or its member associations such as the Myanmar Agri-food Processors and Exporters Association (MFAPEA) or the Myanmar Fisheries Processors and Exporters Association (MFPEA) will be ensured.

The MTE suggested that absorption difficulties of the project were due in part to the overstretched capacity of beneficiary institutions, particularly where multiple donors are supporting the same institutions albeit with complementary projects. The MTE considered that in the TDP, the training of trainers (ToT) approach, which included hands on training in the field was effective, likely more effective than what could have been achieved in a classroom training. Such ToT will feature throughout the design of the Action's activities.

The MTE also highlighted the positive impact of leveraging on the experience of a partner, who already had the experience in project implementation in Myanmar. In this case, it was GIZ as well as Expertise France (subcontracted by GIZ for the SPS/Food Safety component of TDP). However, it is also important to ensure retention of the key experts and work with national experts when possible. As indicated in the MTE, personnel issues contributed to a difficult startup of the TDP.

Regarding substance, the MTE suggested to provide a greater emphasis on the SME sector and a more explicit value-chain approach, especially in the sector of processed food. Regarding trade facilitation, it stressed the importance to keep building confidence between the MoC and Customs. The value-chain approach will be integrated specifically under Output 1 activities and linked to the activities throughout Outputs 2 and 3. This approach will incorporate a gender dimension, from the value-chain assessment stage, through the analysis of the role of women along the value chain. Value-chain

support activities will take into account the impact on women at all stages, and the involvement of women in project activities will be reported according to the project's logical framework (through gender-disaggregated data), as much as possible.

In conclusion, the lessons learned from the TDP show that SPS and trade promotion areas showed substantial progress, while the work on trade policy was less satisfactory with delays linked to, in particular, absorption capacity. A larger part of the support under this Action will therefore focus on the areas where concrete outputs and progress can be made i.e. outputs 1 and 2 on trade promotion, MSME support and building value chains as well as on quality and food safety; while somewhat less on trade policy strengthening (output 3).

Two other EU projects target private sector development: SMART and EuroCham. The first one, **SMART**, currently works with around 200 factories operating in the sector of apparel, to strengthen their social and environmental performances. It also encompasses trainings in areas such as safety and management, undertakes audits and raises awareness on energy efficiency management and chemical management programmes. SMART has been helpful for companies to adopt Corporate Social Responsibility (CSR) strategies and policies within their operations, and to comply with demands of the EU and US markets. SMART has recorded many successes and has promoted safer and cleaner business processes. The second one, **Eurocham** – the European Chamber of Commerce - enjoys strong government relations, access to large investors, and qualified technical teams. Eurocham has been successful in linking European and Myanmar companies, as well as informing European companies interested in green field investments. Eurocham also provides business environment feedback to the Government from its members (through an annual compilation of issues and suggested strategies for removing obstacles). Eurocham has a private sector driven agenda with strong connections to public policy makers and as such would be a pivotal partner for this Action. Both actions, extremely positive in terms of impact, raise concerns with regards to long/medium term sustainability and reconfirm the need to link selected value chains to the European private sector, eager to import quality products produced according to best practices and international standards, as it has been proved particularly challenging to gain interest of local buyers not interested in CSR.

2.2 Complementarity, synergy and donor coordination

The Arise Plus - Myanmar project is part of the ARISE Plus programme, the regional component which will be implemented roughly during the same period (2016-2022). The ARISE Plus regional programme and Arise Plus - Myanmar pursue the same objectives connected with the AEC Blueprint 2025. Existing complementary projects include:

- **Aquaculture and agricultural value chains**, including the LIFT multi-donor trust fund, DG SANTE / Better Training for Safer Food / EU-funded TA on Official Controls of fish and fishery products and green mung beans; Myanmar Sustainable Aquaculture Programme (MYSAP) 2017-20 funded by EU and Germany; Sustainable Coastal Fisheries Support Program 2017-20 funded by DANIDA; Promotion of Agri-food Value Chain Development, Small Farm Modernization and Rural Livelihoods in Myanmar implemented by USAID; ITC improves food safety and compliance with SPS measures to increase export revenues in the oilseeds value chain in Myanmar funded by the WTO Standards and Trade Development Facility (STDF).
- **Trade facilitation** efforts (Greater Mekong Sub-Region (GMS) project by the ADB, IFC/World Bank Group, and Myanmar Automated Cargo Clearance System by JICA.
- **Policy formulation and implementation** support, including Strengthening Policy Development to Meet Millennium Development Goals Project (UNDG); PSD by GIZ; Enhanced Integrated Framework (EIF) tier 2 projects to support MOC negotiation of trade in services,
- **SME Support**, including the United Nations Industrial Development Organization (UNIDO) 'Fostering pro-poor and inclusive Micro Small and Medium Sized Enterprises (MSME) development in Myanmar', 2013-16, PSD project by GIZ, ITC oilseeds value chain and inclusive tourism projects funded by STDF and The Netherlands, and SWITCH-Asia support for SMEs implementing SCP (e.g. current projects on textiles).

ARISE Plus Myanmar will be implemented through the Aid for Trade Co-ordination Mechanism headed by the MOC (aid for trade coordination unit), the Government's Development Assistance Coordination Unit (DACU) and the Job Creation Sector Coordination Group (which now replaces the Trade Sector Working Group) chaired by MoC, of which EU and ITC are members. The Action will also coordinate with various Working Groups and Task Forces which are chaired by the Minister of Commerce, including the Task Force for Trade and Business Promotion, MBF and the PSD Cooperation Partners Group.

2.3 Cross-cutting issues

ARISE Plus Myanmar will have the indirect effect of lifting persons out of poverty, as past economic performance suggests that trade expansion is a powerful engine for decent job creation. There is also evidence that trade integration can contribute to women's economic empowerment through the creation of jobs in export-oriented manufacturing sectors. The focus on increasing transparency and simplification of regulations will notably address disadvantages faced more intensely by women owned businesses. Positive impacts on climate change mitigation and sustainable environment are expected through the adoption and implementation of better standards, efficient technology and better enforcement for the production and trade of sustainable goods and services. ARISE Plus Myanmar will also be very relevant to good governance and anti-corruption through the strengthening of institutional capacities, improved regulatory practices and transparency.

The experience of other countries also indicates that the equitable trickle down of trade integration cannot be taken for granted. Trade expansion in Myanmar often takes place through informal channels, and inconsistencies or malpractices at the border can lead to unfair trade conditions for smaller actors, including women traders. ARISE Plus Myanmar will include support for connecting Government trade policy with issues such as gender equality, environmental sustainability, and labour standards.

In relation to gender issues, the proposed action will integrate elements of the new EU Gender Action Plan 2 (GAP II) on gender equality and women empowerment. Particular focus will be placed on GAP II's Objective 14 "Access to decent work for women of all ages" and Objective 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship. A selection of indicators linked to GAP II is integrated in the final proposed action logical framework matrix, and will be confirmed during the project's inception (see also Annex f3).

3. DESCRIPTION OF THE ACTION

4.1 Objectives/results

ARISE Plus Myanmar contributes primarily to the progressive achievement of the 12 Point Outline of Economic Policy, the NES, the PSDF, the MTP and the ASEAN AEC Blueprint 2025. The **overall objective** is inclusive and sustainable trade growth in Myanmar. The **specific objective** (outcome) is to increase trade diversification and integration, regionally (ASEAN) and internationally (EU and global markets). The expected results (outputs) are (i) strengthened capacities of the private sector, notably MSMEs, to exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach; (ii) improved SPS regulatory control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains; and (iii) strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains.

The priority areas have been identified based on the problem analysis above, lessons from the TDP and past EU trade programmes in Myanmar, consultations with the Government, the AEC 2025 Consolidated Strategic Action Plan (adopted in February 2017), existing and forecasted donor interventions, and the need for emphasizing inclusiveness, gender equity, connectivity and

sustainability in the intervention of the ARISE Plus. The need to facilitate high-level trade diplomacy between the EU and Myanmar was also considered. This prioritization has led to three outputs:

Output 1 – Support to MSMEs focusing on a market-led and gender-inclusive value chain approach. It is suggested that these activities focus on 2 specific non-extractive value chains for maximum results and impact, and in line with the lessons learned described in section 3.1. The detailed sectors/value chains will be identified during the project inception. This would build on EU support provided to Myanmar over the last years through TDP. This output should focus on capacity building and raising awareness of rights and opportunities for the private sector, and facilitating business synergies at regional level. Specific activities to create business linkages for Myanmar MSMEs in ASEAN/regional and international markets, with focus on the EU market, will be included in order to link-up with the project-specific objective and impact.

Output 2 - Food Safety and Quality compliance. This output will focus on ensuring the development and enforcement of an effective SPS regulatory control system in compliance with ASEAN and international standards. The output will focus on sensitising and building common understanding of the technical requirements between institutions and operators from farmers to processors, to exporters. The output will build on the achievements of TDP, particularly with respect to the implementation of the National Residue Monitoring Plan and improving the testing, control and monitoring of foods safety measures.

Output 3 - Trade policy formulation and implementation. The output will focus on the development and effective implementation of laws and regulations and their compliance in key areas covered by the ASEAN and the WTO. Proposed activities will be directly linked to the specific value chains supported under Output 1. They will support the efforts of the MSMEs to better take advantage of the opportunities offered by the ASEAN and the WTO, through business advocacy and public-private dialogue to integrate MSME's endeavours in global and regional markets into policy making and implementation. Updating Myanmar's archaic legislation and assisting in the implementation of adopted laws are precursors for the rule of law in the field and has thus intrinsic links to European Economic Diplomacy in the country.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8 “Decent Work and Economic Growth”, but also promotes progress towards Goals 5 “Gender Equality”, 9 “Industry, Innovation and Infrastructure” and 10 “Reduced Inequalities”. This does not imply a commitment by the Government of Myanmar benefiting from this programme.

4.2 Main activities

The activities listed below are indicative and will be fine-tuned during the inception phase - also based on the progress achieved by TDP in 2018.

In accordance with the EU Development Cooperation Instrument (DCI) Regulation (233/2014) Article 16, 8 ASEAN Member States (Cambodia, Indonesia, Lao PDR, Myanmar, Malaysia, the Philippines, Thailand and Viet Nam) are direct project beneficiaries, while the 2 other ASEAN Member States (Singapore and Brunei Darussalam) are entitled to travel and per diem allowance for their essential participation in some of the activities of this action.

Output 1 – Support to MSMEs in selected value chains.

This output will constitute the backbone of the entire project (with approx. 45% of the total budget). All project activities will heavily rely on the initial selection of 2 value chains. The following value chains have been identified during the formulation mission: horticulture, fishery, oilseeds, honey, coffee and tea. Activities could include:

- Review (including in a gender sensitive way) and complete analyses of the shortcomings, capacity gaps and bottlenecks at the MSME and producer level along the selected value chains;

- Train private sector stakeholders on global and regional market access opportunities;
- Provide customized training/coaching/mentoring on export and business management, how to build a business plan, understanding target markets and buyers' requirements and procedures, with particular focus on building the export and management capacity of women entrepreneurs;
- Develop marketing function of the business in terms of promotion, design, labelling; this includes sales and negotiations (with possible reference to "Made in Myanmar" and Geographical Indications) as well as online marketing/digital technologies when appropriate;
- Develop packaging skills in line with market requirements;
- Extend the helpdesk functions of MYANTRADE to other markets than the EU;
- Inform informal operators on the benefits of registration and formalization of their business;
- Build market linkages through Business to Business (B2B) events and trade fairs; and
- Create awareness and inform the private sector on sustainability, the need and benefits of compliance with labour and environmental standards, green technology, and private standards.

The above activities will be carried out taking into account the gender dimension.

Output 2: Improved SPS rules and procedures, food safety and quality compliance and implementation in line with international and regional/ASEAN commitments

The inception phase will confirm the progress made under TDP in 2018 and fine-tune the project activities which will depend on the selected supply chains and could include (with an allocation of resources equal to approximately 30% of the total amount) the following activities:

- Design and conduct awareness-raising campaigns for policy makers, public and private sectors and the general public on the importance of standards, quality, technical regulations and SPS measures and quality (materials, sensitisation events);
- Improve access to information on standards, technical regulations and SPS measures and quality for target markets for the selected value chains and user-friendly explanation (bulletins, guides, online information, directory of services in Myanmar);
- Review and strengthen the SPS Regulatory framework (in accordance with its programme priorities), if a selected supply chain concerns food products;
- Strengthen food testing and calibration laboratory(ies) in support of the selected value chains and their network of laboratories, by undertaking gap assessments, providing technical assistance to selected laboratories for the implementation of ISO 17025 and for the preparation for accreditation covering selected test parameters;
- Design gender sensitive training curricula and conduct training and coaching programmes on food hygiene and safety (i.e. Good Agricultural Practices (GAP)/ Good Aquacultural Practices (GAqP), Good Hygiene Practices (GHP), Hazard Analysis and Critical Control Points (HACCP), ISO 22000) through ToT for the selected value chains and build a pool of advisers/counsellors;
- Design gender sensitive training curricula and conduct training and coaching programmes on food processing technology (i.e. freezing, chilling, storage, packaging, smoking, drying, etc.) and quality improvement (processes, waste reduction, etc.) through ToT for the selected value chains for institutions and MSMEs and build a pool of advisers/counsellors;

- Set up a network of experts on quality, SPS and promote their services. A database of such experts (women and men) will be created and will be made available to MSMEs and other interested parties;
- Set up and operationalise a mechanism for screening, disseminating and responding to notifications on new or changing SPS measures with involvement of the private sector;
- Provide advisory support services to establish the national Rapid Alert System for Food and Feed (RASFF) and integrate them into the ASEAN RASFF (ARASFF); and
- Facilitate coordination and participation in regional and international SPS related ASEAN and International Standard Setting work (i.e. ASEAN Working groups; Codex).

Output 3: Trade policy formulation and implementation strengthened for meeting international and regional commitments and addressing NTBs along value chains

As is the case for Output 2, activities will depend on the selected value chains and the final content of the approved Work Plan. A number of cross-cutting activities will be conducted, since they contribute to the establishment of the public service capacities and business environment that is required to support enterprises in the selected value-chains. Activities include (budget allocation approximately 25%):

- Address NTBs at the output level by carrying out Business Process Analysis (BPA) of the export procedures with the private sector/exporters to map out as-is export processes, and prioritize the reforms required to ensure efficient export processes in the value chains selected under output 1 and focusing on the EU and ASEAN markets; formulating policy recommendations to eliminate/reduce the most trade restrictive barriers; validating the recommendations with relevant stakeholders; building business advocacy skills and empower key business organizations incl. women organizations to inform trade policy making and implementation;
- Address the gaps identified to comply with ATIGA – based on the ATIGA gap assessment, by defining a strategic action plan/roadmap for a structured and coordinated implementation with roles and responsibilities of the various line ministries; disseminate/create awareness within relevant Ministries; defining and supporting the set-up of a monitoring system for the domestication of ASEAN rules (in conjunction with other implementing partners); and
- Provide advisory support on trade policy priority issues – including empowerment of the MOC to take the lead on those issues, including ASEAN-related portfolios which will fall under the MOC's responsibility as of 2018; elaboration of an Action Plan to eliminate the shortcomings related to inter-ministerial coordination at policy making levels; update/expansion of the trade portal; negotiation of trade in services (in complement/coordination with the EIF Tier 2 project); assistance in the publication of clear guidelines on trade and customs procedures/regulations in the ASEAN National Trade Repository (ATR); and facilitating dialogue events between decision-makers in the EU and Myanmar, both on the political level and among private actors.

This output will support the EU-Myanmar trade and investment relations and remain consistent with the European Economic Diplomacy objective and principles.

4.3 Intervention Logic

The ARISE Plus Myanmar project will provide assistance to both the Government and the private sector through an equitable mix of activities between the two categories of stakeholders and specific

focus on MSMEs. In all outputs, activities will support the effectiveness and efficiency of the selected value chains. In this regard, the intervention logic will be characterised by a bottom-up approach, in which actions will be identified based on the market needs of the economic operators in the selected supply chains, and address policy matters that directly impede the competitiveness or access to markets of the operators in the value chains. This approach is supposed to better ensure the multiplication of investments to add value in Myanmar in the selected chains, as well as to ensure higher inclusiveness of the support through the selection of sectors in which gender equality and support to vulnerable groups are considered. The resources dedicated to the Action have been drawn up based on the relative risks associated with the implementation of the Activity, with a desire to reduce resources targeted at high-risk activities identified in "2 Risks and Assumptions", particularly concerning policy making institutions and the lessons learnt in previous programmes (TDP). More precisely, it has been considered that the previous TDP budget – excluding EUR 2 million allocated to procurement of equipment – amounts to EUR 8 million for a four years implementation period. On this basis of the current needs and the absorption capacity, the ARISE Plus Myanmar scope and timeframe have been defined. The Action will focus on two value chains, with view to maximising impact and value for money, rather than being spread too thinly across a number of sectors.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

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 60 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 operation³.

5.3.1 Indirect management with an International Organization (ITC UNCTAD/WTO)

This action may be implemented in indirect management with the International Trade Centre (ITC UNCTAD/WTO) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the delivery of the technical assistance services provided under the project. This implementation is justified because of the following reasons:

ITC is the joint agency of the World Trade Organization and the United Nations. Established in 1964, ITC is the only development agency that is fully dedicated to supporting the internationalization of MSMEs which are proven to be major job creators and engines of inclusive growth. In 1973, the United Nations Economic and Social Council (ECOSOC) resolution appoints ITC as "the focal point for technical assistance and cooperation activities in the export promotion field within the United Nations system of assistance to developing countries". Since its inception, ITC has been working with MSMEs to improve their competitiveness and use trade as a lever of growth and employment.

³ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

MSMEs are the backbone of the economy, creating sustainable jobs especially for women and youth. Globally, small businesses represent more than 90% of all enterprises and over 70% of jobs. In order to achieve sustained growth and jobs, ITC helps MSMEs to connect to, and move up in regional and international value chains with products and services that meet market standards. To support a more inclusive distribution of development gains, ITC works with women, youth, and marginalized groups in developing countries to empower them through entrepreneurship and business skills that provide gateways to jobs and enterprise creation. It targets sectors that provide employment opportunities at scale for these groups, and helps them benefit from international trade and investment opportunities.

In its over 50 years of operation, ITC has developed a depth of experience operating coherently at all levels from trade policy to practice: ITC has a strong track record of connecting MSMEs in developing countries to value chains, building sustainable market linkages and delivering positive development outcomes. ITC's distinctive feature is to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels.

ITC currently provides support to several countries in the region. ITC's main strengths lie in its private sector focus, pool of internal and external expertise as well as large network of trade and business actors. ITC was instrumental in the formulation and management of the implementation of the NES. ITC manages and implements sector value chain and SPS/food safety projects in Myanmar in the oilseeds and tourism sectors, works on trade and inclusiveness themes and enjoys positive contacts with the MOC. ITC has two field offices in Myanmar and plans to open one in Yangon and/or Nay Pyi Taw for this project. It has managed trade-related technical assistance TRTA projects in several ASEAN countries and LDCs, and has expertise in coordinating and implementing EU-funded projects. ITC's experience in ASEAN countries and LDCs highlighted the importance of maintaining and managing close dialogue with the EU offices in countries as well as with the country partners, Government and the private sector, for strong ownership and buy-in. ITC has expressed interest to manage and implement the project. ITC would carry out the following budget-implementation tasks: launching and evaluation of calls for tenders, acting as contracting authority concluding and managing contacts, carrying out payments. In light of the above, this is the preferred option of the EU Delegation to Myanmar.

ITC delivers integrated solutions around a core set of six focus areas, two of which are "Supporting regional economic integration and South-South links" and "Promoting and mainstreaming inclusive trade". The Empowering Women to Trade Programme contributes to the economic empowerment of women by increasing the participation in trade of women-owned businesses from developing countries, raising the value of the international business they transact and diversifying the markets they access. ITC in 2015 launched SheTrades, a wide-ranging initiative to empower women economically through greater integration in global trade and investment.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures, and awarding, signing and executing the resulting procurement contracts and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. 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 cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 9(2)(a) of Regulation (EU) No 236/2014; the Commission decides that natural and legal persons from the following countries having traditional economic, trade or

geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.

In accordance with Article 8(3) of Regulation (EU) No 236/2014 and with regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries, territories or regions shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.

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

	EU contribution (amount in EUR)	Indicative third party contribution
5.3.1 - Indirect management with an international organization (ITC)	7 900 000	0
5.8 - Evaluation, 5.9 - Audit	100 000	0
Total	8 000 000	0

5.6 Organisational set-up and responsibilities

The modalities of implementation will respect the principles of aid effectiveness in terms of ownership by the final beneficiary and alignment on national policies e.g. thorough joint planning and steering of project implementation.

ITC will facilitate the set-up of a Project Steering Committee (PSC) to ensure governance and ownership over the Action. The Committee will be composed of senior representatives of the MOC and other relevant line Ministries, private sector representatives as well as representatives of the EU, to ensure effective leadership and ownership - including private sector participation. Detailed Terms of Reference (TORs) of the PSC shall be elaborated at the outset of the project by ITC in full coordination with the EU and MoC.

For the day-to-day coordination throughout the implementation of the Action, ITC will establish a project office and representation in Nay Pyi Taw and/or Yangon within the premises of the MOC.

It is foreseen that the project will coordinate closely with the Aid for Trade Coordination Unit, recently established in the MOC, and report to the Development Assistance Coordination Unit (DACU). ITC will make every attempt to not establish unnecessary parallel structures, but rather rely on the existing government staff, civil society and management systems, providing technical assistance when needed in order to improve performance, quality and absorption capacity.

In addition, working groups involving public and private country partner organizations relevant to each project output will contribute to define the annual project work plans and monitor the progress of activities according to country priorities, and in coordination with other development partners' programmes and initiatives.

5.7 Performance monitoring and reporting

Performance monitoring and reporting arrangements will be specified in the Delegation Agreement between the international organisation and the EU.

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 aim, 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. 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. 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.

Some of the project baseline data will be collected by ITC together with country partners during the project inception phase, as indicated in the logical framework.

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 nature of the action, a final evaluation will be carried via independent consultants contracted by the Commission. ITC will in addition carry out a mid-term review to assess the overall progress and appropriate implementation of the project, and to provide recommendations for the remaining duration of the project. The Consultant who will conduct the mid-term review will be contracted by ITC. In line with OECD-Development Assistance Committee (OECD-DAC) criteria, the mid-term review will mainly focus on relevance, effectiveness, efficiency, potential impact, and sustainability of the project. It will integrate cross-cutting dimensions including gender equality.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this will be one of the first EU bilateral Actions focusing on Agricultural value chains development in Myanmar, hence it will be particularly relevant to assess whether this approach will have been successful in identifying and removing regulatory framework bottlenecks with consequent modernization of the business environment.

The Commission shall inform the implementing partner at least 45 days in advance of the dates foreseen for the final evaluation mission. 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, a contract for evaluation services shall be concluded under a framework contract during the last semester of project implementation.

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 shall be concluded under a framework contract in the second half of project implementation.

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 "5.3.1 - *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 EU External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

ANNEX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the Logframe matrix are indicative and will be revised during the project formulation 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.

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Overall objective: Impact	Inclusive and sustainable trade growth in Myanmar	<p>a. Share of trade to GDP (Percentage) ** (EU RF L1 30)</p> <p>b. Proportion of the selected value chains in Myanmar exports to ASEAN and international (EU) markets</p> <p>c. Incomes of beneficiary stakeholders (manufacturers and exporters) –(sex disaggregated) in the selected value chains (SDG 5.1)</p>	<p>a. Trade to GDP: 42.8% (2016)</p> <p>b. Data to be collected during project inception</p> <p>c. Data to be collected during project inception</p>	<p>a. Increase to reach 60% (2022-2023)</p> <p>b. To be confirmed during project inception</p> <p>c. 20% increase in income (2022-2023)</p>	<p>a. COMTRADE and Customs data</p> <p>b. ASEAN stats: ASEAN International Merchandise Trade Statistics Database, IMTS databases</p> <p>c. Baseline and final surveys to be commissioned by the project</p>	

Specific objective (outcome)	Increase trade diversification and integration, regionally and internationally	<p>d. Number of business transactions to ASEAN and international markets in the selected value chains</p> <p>e. Number of MSMEs - of which men / women-owned - reporting improved competitiveness as a result of the Action</p> <p>f. Number of export markets in ASEAN and EU to which new sales have been made</p>	<p>d. Data to be collected during project inception</p> <p>e. 0</p> <p>f. 0</p>	<p>d. 15% increase</p> <p>e. 200 MSMEs (tbc during inception phase)</p> <p>f. 5 new export markets</p>	<p>d. Sales statistics of exporters/producers, evaluation/feedback forms</p> <p>e. Value chain analyses, project surveys and mission reports, questionnaires, reports</p> <p>f. Mission reports, questionnaires, project surveys</p>	<p>The process of regional integration maintains its momentum and Myanmar Government is determined to ensure good faith implementation of its ASEAN commitments (AEC Blueprint 2025) and to fully cooperate to further the ASEAN objectives.</p> <p>Myanmar Government is determined to entirely implement the country's WTO commitments</p>
	Output 1 Strengthened capacities of the private sector - notably Micro, Small and Medium-Sized Enterprises (MSMEs)- to	1.1 Number of MSMEs - of which those managed by women and employing a majority of women – in selected	1.1. 0	1.1. 500 MSMEs (of which those managed by women to be specified during	1.1 Questionnaire and Surveys, progress reports, reports from trade associations, including women's	Availability of resources (human and financial) of target beneficiaries in the selected value chains to engage and follow-up on

	exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on market-led and gender-inclusive value chain approach	<p>value chains reporting improved knowledge of trade opportunities (ASEAN, EU, global).</p> <p>1.2 Number of MSMEs – of which those managed by women and employing a majority of women – in the selected sectors trained/coached on business formalization, management, marketing, digital technologies, packaging, labour and environmental standards (ILO/OECD) in line with market requirements</p> <p>1.3 Number of MSMEs - of which those managed by women and employing a majority of women – in the selected value chains which participated in trade fairs and/or B2B events</p> <p>1.4 Number of private sector organizations/associations in the selected value chains reporting improved capacities to support MSMEs</p>	<p>1.2 0</p> <p>1.3 0</p> <p>1.4 0</p>	<p>the project inception phase)</p> <p>1.2 500 MSMEs (of which those managed by women to be specified during the project inception phase)</p> <p>1.3 100 MSMEs (of which those managed by women to be specified during the project inception phase)</p> <p>1.4 5 organizations</p>	<p>networks of entrepreneurs</p> <p>1.2 Meeting minutes and/or reports, mission and event reports, training attendance sheets,</p> <p>1.3 Event reports, feedback/evaluation forms from participants, list of visitors/buyers met, correspondence with buyers</p> <p>1.4 Surveys, questionnaires, interviews and evaluations</p>	<p>project activities</p>
	Output 2 Improved SPS regulatory control systems and quality	2.1 Number of national standards (including product standards),	2.1 Data to be collected during inception phase	2.1 At least 7 procedures / guidelines developed /, national	2.1 MOC trade data and reports, ASEAN monitoring reports,	<p>Same as above</p> <p>Institutions employ</p>

	compliance of MSMS in line with ASEAN and international commitments, with a focus on selected value chains	technical regulations and SPS measures adopted by producers and exporters for selected value chains aligned with ASEAN and/or international standards	2.2 0	standards/ technical regulations and SPS measures aligned with ASEAN and/or international standards	Progress Reports, Myanmar gazettes, copies of the standards	required human resources and monitors their performance
		2.2 Number of stakeholders (disaggregated by sex) sensitised on quality, technical requirements, SPS measures	2.3 0	2.2 At least 500 stakeholders sensitized	2.2 Training materials, curricula, list of courses delivered and evaluated by participants	Laboratories and institutions assisted are able to sustain their operations
		2.3 Number of inspection/food testing/certification bodies, and extension services offering improved certification and testing services for MSMEs	2.4 0	2.3 12	2.3 Reports from bodies and institutions, evaluations and mission reports	Laboratories and institutions have the required staff, building and budget for operation
		2.4 Number of SPS officers sensitised and trained on ATIGA SPS chapters (disaggregated by sex) * RIP	2.5 0	2.4 10	2.4 Training and coaching attendance sheets and feedback forms	
		2.5 Number of MSMEs – of which those managed by women and/or employing a majority of women – in selected value chains (including primary producers groups) trained/coached on quality, food safety,		2.5 At least 30 MSMEs	2.5 Training and coaching attendance sheets and feedback forms	

		production				
	Output 3 Strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains	<p>3.1 Status of action plan/roadmap to address the identified gaps and comply with ATIGA</p> <p>3.2 Number of recommendations, including those that are gender sensitive, produced to improve the business environment incl. trade facilitation related policies, strategies and regulations, elimination of NTBs</p> <p>3.3 Number of trade-related policy position papers, with the support of this Action, prepared by non-state actors, including number of gender and trade papers drafted by women and women's organisations</p> <p>3.4 Number of participants in dialogues/meetings/trainings - of which number of women and MSME representatives organized by the Action (disaggregated by sex)</p>	<p>3.1 No plan</p> <p>3.2 Data to be collected during the inception phase</p> <p>3.3 0</p> <p>3.4 0</p>	<p>3.1 1 action plan/roadmap prepared</p> <p>3.2 10 recommendations</p> <p>3.3 8 position papers</p> <p>3.4 400 participants</p>	<p>3.1 ASEAN Reports (ASEAN Integration Monitoring Directorate (AIMD)), roadmap document, meeting reports</p> <p>3.2 Private sector surveys World Bank and ADB Business Surveys, Task forces and working group reports on trade, PPD event reports, project mission reports</p> <p>3.3 Mission and event reports, position papers, reports from trade and private sector associations</p> <p>3.4 Participants' lists and feedback forms, event reports</p> <p>3.5 Mission reports,</p>	<p>Myanmar Government remains committed to reforms as stated in its 12 Point Outline of Economic Policy, NED, PSDF and MTP</p> <p>The commitment towards the reform process from the Ministries involved in trade and investment policy continues to hold.</p> <p>The PSD and taskforces set-up by the MOC remain in place and operational</p> <p>Absorption capacities within private sector institutions and business associations for applying business advocacy skills</p>

		3.5 Number of advisory support services (technical recommendations, revisions of documents, etc.) provided to the MoC and other line ministries for trade policy making, implementation and monitoring and the management of trade relationships with ASEAN and EU * RIP	3.5 0	3.5 16 advisory services	evaluation forms	
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This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2018 Part II in favour of the Asia region

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

1. Title/basic act/ CRIS number	ASEAN Regional Integration Support – Lao PDR Trade-Related Assistance (ARISE Plus – Lao PDR) CRIS number: ACA/2018/039-213 financed under Development Co-operation Instrument			
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 2014-2020 ¹ (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	Total estimated cost: EUR 5,017, 000 Total amount of EU budget contribution EUR 5,000,000 This Action is financed through joint co-financing by: - International Trade Centre (ITC) for an amount of EUR 17, 000			
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)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good		X	

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	Not targeted	Significant objective	Main objective
	Biological diversity	X		
	Combat desertification	X		
	Climate change mitigation	X		
	Climate change adaptation		X	
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).

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 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.

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.

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 2015³, 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 NSDP 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 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.

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).

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.⁴ 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).

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

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.

⁵ Trade promotion organisations, chambers of commerce, sector associations, enterprise development agencies, supply chain management organizations and others.

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

Risks	Risk level (H/M/L)	Mitigating measures
Political interest for reforms slows down or the prioritisation of reforms changes.	L/M	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.
Corruption prevents the efficient allocation of public resources in the pursuit of the reforms.	M	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
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.	M	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.
The lack of freedom of association and assembly in Lao PDR might negatively impact economic and trade activities.	L	Business is relatively well organised and represented in the targeted sectors, however 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	M	The project will promote the use of FAO Voluntary Guidelines on the Responsible

with respect to land rights and land concessions, with continued cases of land grabbing and forced evictions		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 8 th 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 co-operation 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 regional and global supply chains	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 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		
<p>The ARISE+ Lao PDR project is grounded on the following key assumptions:</p> <ol style="list-style-type: none"> 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.⁶ 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.

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.

⁶ The EU's Trade Policy: from Gender-Blind to Gender-Sensitive? European Parliament, 2015.

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 environmental and social standards, enhancement of conformity assessment capacities, etc.⁹

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:

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.

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.

- 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 (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 rules¹⁰.

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

- 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 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, maximising 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

(Order on Enhancing Strictness on the Management and Inspection of Timber Exploitation, Timber Movement and Timber Business No. 15/PM dated 13 May 2016).

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, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

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 operation¹¹.

5.3.1 Indirect management with an international organisation

This action may be implemented in indirect management with the International Trade Centre in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. 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 the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. 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.

¹¹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

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.

Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	Service	1	Q1 of 2019

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

	EU contribution (amount in EUR)	Indicative third-party contribution (amount in EUR)
5.3 – Indirect management with an international organisation (including communication and visibility)	4,850,000	17,000
5.8 and 5.9 – Evaluation and Audit	150,000	0
Totals	5,000,000	17,000

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.

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

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.

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 II - 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.

	Results chain	Indicators	Baselines	Targets ¹³	Sources and means of verification	Assumptions
Overall objective (Impact)	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.	I1. GNI per capita I2. GDP growth I3. Gini coefficients I4. Economic vulnerability index – general I5. Number of jobs created	I1. GNI per capita at US\$ 2,159 in 2016 I2. 7% p.a. in 2015 I3. Gini coefficients estimated for Lao PDR, Urban and Rural in 2013 (0.36, 0.38 and 0.33) I4. 37.1 in 2014 I5. Labour force 3.8 million (2015 est.); no baseline available for specific sectors	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 Ii5. Increase in employment in sectors covered (tbd)	<ul style="list-style-type: none"> ▪ UNCTAD LDC Report ▪ WB and ITC Data ▪ ASEAN Stats-IMTS and FDIS databases ▪ Lao official statistics ▪ ILO surveys ▪ Project surveys and reports 	

¹³ 2020 is end of SEDP programming period. 2022 is end of project

Specific objectives (Outcomes)	a. to improve the business environment in targeted sectors with a focus on regional economic integration (ASEAN);.	I6. Annual growth and contribution to GDP of specific sectors	I6. Tbc; no baselines available for specific sectors	I6. Growth in supported sectors exceeds that of economy/exports/ FDI as a whole by 2022	<ul style="list-style-type: none"> UNCTAD LDC Report WB and ITC Data ASEAN Stats-IMTS and FDIS databases Lao official statistics ILO surveys Project surveys and reports UNCTAD FDI database 	<p>Idem</p> <p>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</p> <p>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)</p>
	b. to increase trade and participation in global value-chains in targeted sectors	I7. Value of intra-ASEAN exports (in USD)	I7. Exports of goods and services 11,91% of GDP (2015)	I7. NSEDP average annual contribution of non-resource sectors by 2020		
		I8. Value of exports to the EU and other partners	I8. 1.2 billion US\$	I8. 10% increase in EU trade using EBA preferences by 2022		
		I9. Value of FDI inflows from ASEAN and EU	I9. 2,700 US\$ (stock per capita) in 2016	I9. 10% increase in FDI inflows in 2 sectors		

	Results chain	Indicators	Baselines	Targets ¹⁴	Sources and means of verification	Assumptions
Outputs	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.	I10. Number of ATIGA commitments identified, agreed and implemented with the support of this Action.	I10. no review of compliance with ATIGA commitments in place	I10. Systematic review of compliance with ATIGA commitments carried out (2019)	ASEAN reports (where available) Project reports	<p>Idem</p> <p>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</p> <p>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</p>
		I11. Number of AEC Blueprint 2025 gaps identified, agreed and implemented with the support of this Action.	I11. 0	I11. Reduction of gaps in AEC Blueprint implementation to include at least 5 measures (2022)		
		I12. Number of ASEAN/national standards harmonised with the support of this Action.	I12. No monitoring mechanism in place (2017)	I12. At least 10 standards harmonised (2022)		
		I13. Number of policy makers/private sector	I13. 0	I13. 200 (at least 50 women)		

¹⁴ 2020 is end of SEDP programming period. 2022 is end of project

	Results chain	Indicators	Baselines	Targets ¹⁴	Sources and means of verification	Assumptions
		<p>representatives with increased knowledge by pre and post trainings on trade policy/trade facilitation/quality related issues.</p> <p>I14. Number of conformity assessment bodies strengthened</p>	I14.0	I14. Minimum of 2 conformity assessment bodies strengthened		
	<p>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).</p>	<p>I15. Use of EBA to access EU markets (in % evolution of trade to EU using EBA)</p> <p>I16. Benefits of the EBA scheme understood by all relevant public and private sector stakeholders</p> <p>I17. Key quality related market requirements and standards for the priority sectors clearly understood by enterprises and relevant institutions.</p>	<p>I15. To be defined in inception phase (2017)</p> <p>I16. 0 awareness raising activities on the EBA scheme organised, 0 stakeholders reached, EBA not known or understood (2017)</p> <p>I17. 0 awareness raising activities on EU and regional quality requirements organised, 0 stakeholders reached, EU quality requirements not known or understood</p>	<p>I15. 10% increase (2022)</p> <p>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)</p> <p>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</p>	<p>EU and Lao official trade data</p> <p>Trade surveys</p> <p>Project reports</p> <p>Participant surveys</p>	<p>Idem</p> <p>Beneficiary institutions and private sector organizations have the necessary absorption capacities and political will to apply the skills provided through the project</p> <p>Sufficient numbers of entrepreneurs are ready and willing to benefit from the assistance provided</p>

	Results chain	Indicators	Baselines	Targets ¹⁴	Sources and means of verification	Assumptions
		I18. Options for future preferential access to the EU market assessed and future approach agreed	I18. 0 awareness raising sessions on future market access, and options not assessed	requirements operational (2020) 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) .		
	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).	I19. Value and number of domestic and foreign investments I20. Percentage contribution of SMEs' to national exports I21. Contribution of SMEs to national employment I22. Number of Market studies completed I23. Number of Sector export strategies updated	I19. Exports of goods and services: 11,91% of GDP in 2015 I20. Baseline to be defined at inception phase I21. Baseline to be defined at inception phase I22. 0 I23. 0	I19. 10% increase (2022) I20. 20% increases in participating SMEs output and exports, with monitoring data disaggregated by gender (2022) 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 I22. 4	EU and Lao official trade data Trade surveys Project reports Participant surveys Reports from DOSMEP	Idem

	Results chain	Indicators	Baselines	Targets ¹⁴	Sources and means of verification	Assumptions
		<p>I24. Number of wood processing companies supported with training on TLAS, design and technology and quality management (disaggregated by sex of training participant)</p> <p>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),</p> <p>I26. Number of enterprises reporting improved international competitiveness as a result of the project's support (disaggregated by sex of training participant).</p> <p>I27. Percentile share of enterprises supported by this Action that are owned, operated and controlled by women reporting improved</p>	<p>I24. 0</p> <p>I25. 0</p> <p>I26. 0</p> <p>I27. 0</p>	<p>I23. 2</p> <p>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</p> <p>I25. At least 120 (assuming total number of SMEs the project works with directly is 200)</p> <p>I26. 100 (at least ¼ represented by women)</p> <p>I27. 40%</p>		

	Results chain	Indicators	Baselines	Targets ¹⁴	Sources and means of verification	Assumptions
		international competitiveness as a result of the project's support				