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**The role of the services economy and
trade in structural transformation and inclusive development**

by
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Session 3: Services Policies and Regulations for Structural Transformation
Case of Lao PDR

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1. **Overview:** Lao PDR has successfully sustained annual growth rates in excess of 7 per cent over the past decade. In fact, the World Economic Forum has forecasted Lao PDR among top-10 fastest growing countries in 2017. Key drivers of this growth are services (tourism in particular), hydropower, construction and the food processing sectors. The economic structural reform has been shifting along the industrialization and modernization directions, which has resulted in a reduced proportion of the agriculture sector and increased proportions of the industry and service sectors in the GDP. Services have been growing faster than the economy itself with the former expanding by 9 per cent. The contribution of services to the Lao economy has increased steadily over the past three decades. According to the World Bank, World Development Indicators 2017, the figures rose from 24.3 per cent in 1990 to 38.2 per cent in 2000 and 48.0 per cent in 2016.
2. **Services Sector Liberalization:** The services sector of the country was liberalized upon its accession to the World Trade Organization (WTO) in 2013. Lao PDR made high quality commitments for 79 sub-sectors in 10 sectors, including 16 sub-sectors in communications services and 17 sub-sectors in financial services.
3. **Governance and Institutional Setting on Services Trade:** In the Lao PDR, as in most countries, policies related to trade and investment in services are covered by multiple institutions. Different ministries and agencies have jurisdiction over different sectors and mode of supply. For instance, while the Ministry of Industry and Commerce has a broad mandate on trade matters, including international negotiations, the Bank of the Lao PDR is the regulatory body for financial institutions such as banks and Ministry of Posts and Telecommunications and Ministry of Science and Technology are charged with regulation and oversight over the telecommunications and ITC services. Nevertheless, there is a significant level of coordination between these line ministries or agencies and the

Ministry of Industry and Commerce with formal mechanisms for consulting and upgrading on negotiating development.

4. **Rule-making Procedures:** Great efforts have been made to effectively respond to regulatory challenges and to strengthen regulatory quality. These include the promulgation of Law on Making Legislation which provides clear guidance on making laws and rules, and mandates stakeholder consultations prior to regulatory change. The Law which governs the regulatory process as a whole represents a strong step in the right direction. It mandates that the process of developing and amending the law should be transparent, open and benefit from cooperation with relevant sectors. It confirms the rights of foreign and domestic individuals and entities to provide comments and requires the ministry or entity leading the regulatory change process to post draft legislation on a website or print media or other means. A 60-day window is provided for interested parties to make comments. In addition, the Law definitively indicates the steps to be followed by ministries and agencies as they engage in the reform process, and that a regulatory impact assessment (RIA) should be conducted.
5. **Transparency:** Private sector feedback has consistently highlighted difficulties in accessing laws and regulations and the lack of clarity of their substantial requirements as hindrances to both the establishment and operation of services suppliers. Main laws are readily available on the websites of many government agencies as well as on that of the National Assembly. However, few Ministries or agencies provide a comprehensive catalogue of the most recent version of laws related to their sector.
6. **Actions Taken:** To overcome these challenges, Lao PDR has concentrated its efforts at creating effective regulatory regimes to drive trade and investment in its service industries. Key to the creation of such a regime is the systematic implementation of trade commitments while seeking to ensure that legislation is coherent and unambiguous. Improvements in the governance framework are to strongly complement the establishment of an efficient services regime. In particular, ease of access to business legislation and intra-government coordination on trade policy formulation and implementation promise to deliver significant dividends in terms of stimulating trade and attracting additional investment.
7. In this regard, Lao PDR is implementing the Second Trade Development Facility (TDF-2), a multi donor program financed by Australia, the European Union, Germany, Ireland, USAID, and the World Bank with a view to improve trade and private sector development in the country. The project is composed of three main clusters: (1) trade facilitation, trade policy and regulations; (2) diversification and competitiveness; and (3) mainstreaming aid for trade.
8. The cluster on trade facilitation, trade policy and regulations focuses on the provision of essential and continued technical assistance in support of the

effective implementation of goods and services commitments at both the WTO and ASEAN levels, including a strong emphasis on private sector engagement. More specifically, its objective is to complement Lao PDR's efforts to liberalize the economy by strengthening the governance of the regulatory environment affecting trade in goods and services through: (i) the improvement in understanding of trade in goods and services; (ii) the provision of greater access to and transparency of goods and services regulations; and (iii) the enhancement of trade performance in key goods and services sectors.

9. The trade in services sub-component includes several elements related to the regulation and governance of the services sector, with activities grouped into two main areas: (i) enhancing regulatory capacity in services trade; and (ii) improving access to services regulations.
10. Some progress has been made in implementation of the project. For instance, in the area of enhancing regulatory capacity in services trade, in particular in the telecommunications services, a Prime Minister Decree No. 109/PM was promulgated on 27 March 2017 to establish the framework for the creation of the Independent Telecommunication Regulatory Authority. Furthermore, relevant regulations were drafted in relation to the four types of telecommunication licenses and other regulations were enacted to regulate various aspects of the ICT sector. At the same time, a telecommunication law is being revised to bring it into compliance with international practice. In the area of improving access to services regulations, Lao PDR is currently in the process of establishing a Services Trade and Investment Portal (STIP) aimed at having a central virtual information centre that facilitates access to all regulations in the services sector, thus allowing services providers and government officials to gain a clear understanding of the regulatory framework that applies to the services sector.
11. Last, but not least, Lao PDR is interested to further discuss about Services Policy Review within the framework of UNCTAD.