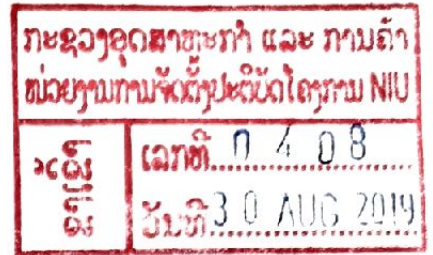




ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ  
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນະຖາວອນ



ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ  
ກົມການນຳເຂົ້າ ແລະ ສົ່ງອອກ

4 3 6 7 - - -

ເລກທີ...../ກຂອ.ພອຄ

ນະຄອນຫຼວງວຽງຈັນ, ວັນທີ 30 ສິງຫາ 2019

- ຮຽນ: - ທ່ານ ລັດຖະມົນຕີ ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ (ປະທານຄະນະຊີ້ນຳແຜນງານ ໂຄງການຊ່ວຍເຫຼືອລ້າຫຼາຍຝ່າຍເພື່ອພັດທະນາການຄ້າ PEC);
- ທ່ານ ຮອງລັດຖະມົນຕີ ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ;
  - ໂດຍຜ່ານ ທ່ານ ຫົວໜ້າ ກົມແຜນການ ແລະ ການຮ່ວມມື.
- ເລື່ອງ: ຂໍອະນຸມັດນຳໃຊ້ທຶນສະໜັບສະໜູນໂຄງການຍ່ອຍ (Challenge Facility) ຂອງ LCT ເພື່ອຈັດຕັ້ງປະຕິບັດໂຄງການທີ່ສະເໜີໂດຍກົມພາສີ, ກະຊວງການເງິນ

- ອີງຕາມຂໍ້ຕົກລົງວ່າດ້ວຍການແຕ່ງຕັ້ງຄະນະຄຸ້ມຄອງ ແລະ ຈັດຕັ້ງປະຕິບັດໂຄງການສົ່ງເສີມຄວາມສາມາດໃນການແຂ່ງຂັນ ແລະ ການຄ້າ ຂອງ ສປປ ລາວ ສະບັບເລກທີ 0358/ອຄ.ກຜຮ, ລົງວັນທີ 26 ມີນາ 2018;
- ອີງຕາມຂໍ້ຕົກລົງວ່າດ້ວຍການຄຸ້ມຄອງ ແລະ ນຳໃຊ້ການຊ່ວຍເຫຼືອທາງການ ເພື່ອພັດທະນາໃນຂະແໜງອຸດສາຫະກຳ-ການຄ້າ ແລະ ພາກເອກະຊົນ (ODA) ສະບັບເລກທີ 1998/ອຄ.ກຜຮ, ລົງວັນທີ 31 ຕຸລາ 2016;
- ອີງຕາມສັນຍາໂຄງການສົ່ງເສີມຄວາມສາມາດໃນການແຂ່ງຂັນ ແລະ ການຄ້າ ຂອງ ສປປ ລາວ ສະບັບເລກທີ 6318 – LA, ລົງວັນທີ 31 ຕຸລາ 2018.
- ອີງຕາມການຄົ້ນຄວ້າເຫັນດີຂອງກົມພາສີ ຮ່ວມກັບຜູ້ໃຫ້ທຶນ;

ກົມການນຳເຂົ້າ ແລະ ສົ່ງອອກ ໃນນາມເປັນຜູ້ຈັດຕັ້ງປະຕິບັດ ເລົ່າຄຳທີ B1 ແລະ B2 ຂອງໂຄງການສົ່ງເສີມຄວາມສາມາດໃນການແຂ່ງຂັນ ແລະ ການຄ້າ, ຂໍຖືເປັນກຽດຮຽນມາຍັງທ່ານ ເພື່ອພິຈາລະນາອະນຸມັດທຶນສະໜັບສະໜູນໂຄງການຍ່ອຍ (Challenge Facility-CF) ຈຳນວນ 01 ໂຄງການ ທີ່ກົມພາສີ ໄດ້ສະເໜີມາ ຊຶ່ງໄດ້ຜ່ານການປຶກສາຫາລືຮ່ວມກັນ ແລະ ໄດ້ຮັບການເຫັນດີຈາກ ບັນດາຜູ້ໃຫ້ທຶນແລ້ວ, ລາຍລະອຽດມີດັ່ງນີ້:

**ຊື່ໂຄງການ: Improving Customs Clearance through WTO-TFA implementation**

ເປົ້າໝາຍຂອງໂຄງການ: ມີ 4 ເປົ້າໝາຍຫຼັກຄື: 1) ການນຳໃຊ້ມາດຕະຖານພາສີສາກົນ; 2) ການປັບປຸງຂັ້ນຕອນການແຈ້ງພາສີ; 3) ການບໍລິຫານຄວາມສ່ຽງ ແລະ ການຮ່ວມມືຂອງຂະແໜງການທີ່ກ່ຽວຂ້ອງປະຈຳດ່ານ; 4) ການສ້າງຂີດຄວາມສາມາດ.

ກິດຈະກຳຫຼັກຂອງໂຄງການ:

1. ຈັດຈ້າງຊ່ຽວຊານຕ່າງປະເທດ ເພື່ອພັດທະນາຂັ້ນຕອນ ແລະ ມາດຕະຖານການແຈ້ງພາສີ ເຊັ່ນ: ການແຈ້ງລ່ວງໜ້າ, ຂັ້ນຕອນການທົດສອບ, ການນຳໃຊ້ມາດຕະຖານສາກົນ, ການທົບທວນລະບຽບການ ແລະ ຂໍ້ຮຽກຮ້ອງດ້ານເອກະສານ, ການຈັດສົ່ງດ່ວນ, ຜູ້ປະກອບການເອອີໂອ ແລະ ການຄ້າຜ່ານແດນແບບເສລີ.
2. ຈັດຈ້າງຊ່ຽວຊານຕ່າງປະເທດ ເພື່ອພັດທະນາການບໍລິຫານຄວາມສ່ຽງ, ການກວດສອບຄົ້ນຫຼັງ ແລະ ການເພີ່ມທະວີການຮ່ວມມືລະຫວ່າງຂະແໜງການທີ່ກ່ຽວຂ້ອງປະຈຳດ່ານ.
3. ຈັດຈ້າງຊ່ຽວຊານ ພາຍໃນເພື່ອຊ່ວຍວຽກຊ່ຽວຊານຕ່າງປະເທດ
4. ການປັບປຸງລະບຽບການຂອງພາສີ ແລະ ການສ້າງຂີດຄວາມສາມາດໃຫ້ແກ່ເຈົ້າໜ້າທີ່ພາສີ ແລະ ຂະແໜງການທີ່ກ່ຽວຂ້ອງປະຈຳດ່ານ.

ພາກສ່ວນຈັດຕັ້ງປະຕິບັດ: ກົມພາສີ, ກະຊວງການເງິນ

ໄລຍະເວລາ: 01 ຕຸລາ 2019 – 31 ທັນວາ 2020

ງົບປະມານ: 500,000 ໂດລາສະຫະລັດ

ດັ່ງນັ້ນ, ຈຶ່ງຮຽນລາຍງານມາຍັງທ່ານເພື່ອ ໃຫ້ທົດຊີ້ນຳ ແລະ ອະນຸມັດຕາມທາງຄວນດ້ວຍ. ກ

ອະນຸມັດ:

ທ່ານ ລັດຖະມົນຕີ ກະຊວງ ອຄ



ນ ເຂັມມະນີ ພິນເສນາ

ຍິ່ງຍິນ:

ທ່ານ ຮອງລັດຖະມົນຕີ (ຜູ້ຊີ້ນຳກົມ ຜຮ), ກະຊວງ ອຄ

ສ. ພິນ

ຄຳເຫັນ

ທ່ານ ຫົວໜ້າກົມແຜນການ ແລະ ການຮ່ວມມື, ກະຊວງ ອຄ

ສ. ພິນ

ຫົວໜ້າກົມ



ສຸລິຍິນ ພິລາຈິງ

# Lao Customs Department's Proposal for Challenge Facility Funding

(Under the Lao PDR's Competitiveness & Trade Project)

<b>Section 1: Summary Page</b>	
<b><i>Project title:</i></b>	<b>Improving Customs Clearance through WTO-TFA implementation</b>
<b><i>Implementing agency:</i></b>	Department of Imports & Exports, Ministry of Industry & Commerce, Government of Lao PDR
<b><i>Beneficiary:</i></b>	Lao Customs Department, Ministry of Finance, Government of Lao PDR
<b><i>Location:</i></b>	Vientiane and other stations across Lao PDR
<b><i>Project duration:</i></b>	15 months (1 October 2019 - 31 December 2020)
<b><i>End of project:</i></b>	31 December 2020
<b><i>Total project cost:</i></b>	US\$ 500,000
<b><i>Challenge fund funding sought:</i></b>	US\$ 500,000
<b><i>Other sources of funding:</i></b>	None

## Section 2: Project Description

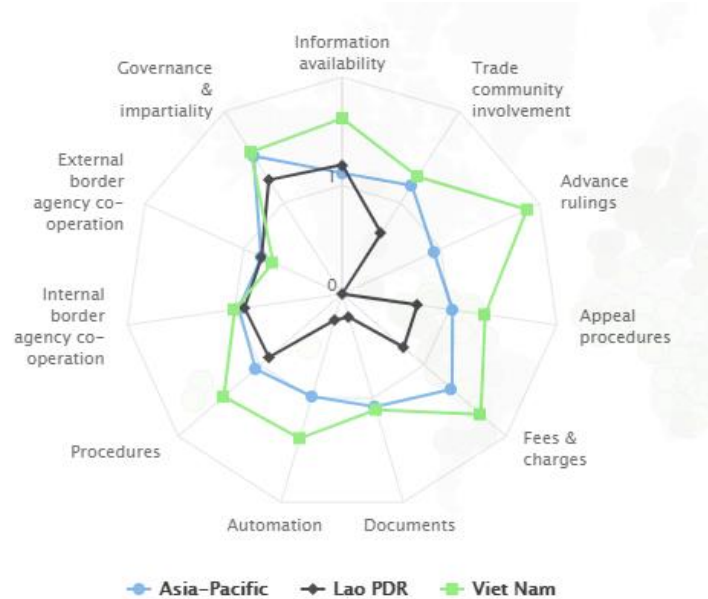
**2.1 What are the main objectives of the proposed project?**

To expedite Customs clearance and control by Category C implementing measures of the Trade Facilitation Agreement (TFA)

**2.2 What are the specific issues to be addressed within those main objectives**

Customs clearance in Lao PDR still falls behind the average performance of Asia Pacific region and its neighbouring countries. Some improvements have been made in the areas of information availability, involvement of the trade community, appeal procedures, fees and charges, documents (i.e. Single Administrative Document (SAD), and automation (i.e. use of ASYCUDA). However, it still needs to reduce lengthy processes of documentary requirements and border compliance for imports and exports.

*Figure 1 Lao PDR's performance (latest available year) in 2017*



Note: Highest score is two and it refers to as the best performance that can be achieved.) Source: Office of Economic Cooperation and Development (OECD)<sup>1</sup>

<sup>1</sup> <http://www.oecd.org/trade/topics/trade-facilitation/>

	<p>The weak performance is driven particularly by burdensome documentation requirements, i.e. non-tariff measures. According to the 2019 Doing Business Report, border compliance took about 9 hrs in 2017 (excluding clearance time by quarantine and food safety agencies). Main reasons for the clearance delays are the lack of integrated risk management practices and inconsistent application of border procedures and formalities by customs and border agencies from one border post to another.</p> <p>Lao PDR formally accepted the WTO’s Trade Facilitation (TFA) on September 29, 2015. Lao PDR was the 18<sup>th</sup> WTO member and was the only second LDC that ratified the WTO TFA. WTO TFA presents a good opportunity for Lao PDR to improve operational processes and follow international standards and measures for border compliance as well as regulatory control. Lao PDR has so far only met 21 percent of the TFA provisions in its implementation commitments. It has pledged to another 11.8 percent by December 2020 and 67.2 percent<sup>2</sup> in the future without definitive dates, requiring technical assistances from the donor community.</p> <p>Under this LCTP-funded Trade Facilitation Agreement Challenge Facility (TFA-CF) proposal, Lao Customs Department (LCD) aims to meet a total of 10 TFA measures, which Lao PDR committed to implement and has designated under ‘Category C’. They are as follows:</p> <ol style="list-style-type: none"> <li>1. Advance rulings (Article 3)</li> <li>2. Opportunity for second test (Article 5.3)</li> <li>3. Use of international standards (Article 10.3)</li> <li>4. Review of formalities and documentation requirements (Article 10.1)</li> <li>5. Expedited shipments (Article 7.8)</li> <li>6. Trade facilitation measures for authorized operators (Article 7.7)</li> <li>7. Freedom of transit (Article 11)</li> <li>8. Risk management (Article 7.4)</li> <li>9. Border agency cooperation (Article 8)</li> <li>10. Post-clearance audit (Article 7.5)</li> </ol>
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<sup>2</sup> Lao PDR’s remaining measures of TFA implementation commitments include advance ruling, test procedures, electronic payment, risk management, PCA, average release times, AEO, expedited shipments, perishable goods, border agency cooperation, formalities, acceptance of authenticated copies, use of international standards (RKC), single window, common border procedures, rejected goods, transit (national and international transit) and Customs cooperation.

Based on the variety of actions required, LCD plans to follow a three-pronged approach for implementing the above 10 Category C measures. The three-pronged approach clusters these priority actions of Customs reforms into three main components: (A) Customs Standards Adoption; (B) Customs Clearance Improvement; and (C) Risk Management and Inter-Border Agency Cooperation.

### **Component A: International Customs Standards Adoption**

This component aims to draft and adopt international standards in the Lao Customs Law and regulations. These TFA measures are those Category C provisions which require changes in legislative & regulatory framework, where revision of the Lao Customs Law and related regulations to fully align them with the TFA provisions, such as advance rulings, opportunity for second test and for complying with other international standards, like WCO's Revised Kyoto Convention and SAFE Framework of Standards. These measures include **Advance Rulings, Test Procedures,** and the **Use of International Standards.**

1. **Advance Rulings-** While LCD has already established an authority for Advance Rulings in 2016, the scheme is confined to giving rulings on classification and country of origin only. Important areas of valuation and the entitlement to duty relief or exemption regime are out of its purview. These are to be added to the scheme vide suitable amendment of the customs law to align it with the TFA provisions. Further, the validity period of the rulings, which is just one year under the law also needs to be extended to a minimum of two years as per the ASEAN decision. Hence, the existing provisions (Article 28) of the Customs law are to be amended for expanding the scope of the Advance Rulings as mentioned above. It will enhance customs department's transparency and predictability, which will encourage trade and investment.
2. **Test Procedures-** As per the TFA, an option for second test be provided if the results of the first test are adverse and are contested by the importer. Besides, the department should consider the results

of the second test while making a decision about the clearance of goods. The Lao Customs law need to be amended to allow an opportunity of the second test. In fact, it does not even have a provision for drawl of samples for testing. Hence, the law needs suitable amendment to meet the TFA requirements.

3. **Use of International Standards-** With accession to the Revised Kyoto Convention (RKC) in 2016, Lao PDR is legally obliged to follow RKC Standards within three years of accession and the Transitional Standards in five years. Hence, in order to make itself RKC compliant as per the above timeframe, it needs to immediately conduct a gap assessment and initiate steps to simplify & harmonize the Customs Law and procedures accordingly. Similarly, it also needs to align the Customs Law with WCO's SAFE Standards to Secure & Facilitate Global Trade.

Some of the important standards of RKC are deferred duty payment, refund and drawback, which have already been identified under the past gap assessment and would be inserted in the Lao Customs Law. The procedures are important to the operation of the AEO program. As per the existing law, traders declaring goods to Customs for import have to pay duties and taxes due for each individual import transaction. Depending on the volume of import and the payment method, this can potentially increase the amount of bank charges, as these are charged not only on the amount but also per individual transaction. This additional cost and the administrative handling of each payment increases the cost of trading. Deferred payment of duty and taxes allows traders who have a significant volume of import declarations per month, in particular authorized traders and Customs brokers, to increase the efficiency of payment handling and to reduce the bank charges associated with duty and tax payments. Likewise, the Lao Customs Law also lacks a provision on Customs refund or drawback and Lao PDR has not been able to implement a proper customs regime on imports for re-export, except for using the masterplan list mechanism that is more challenging for traders.

All these legislative changes will enable LCD to move towards greater trade facilitation and control in compliance with the best international practices. For this purpose, it will need an international TA for 6 months, who will review the Customs law & regulations and draft suitable revisions in

them. This task has to be taken up on priority to ensure revision of Customs' law in tune with the LCD's action plan submitted to the Government.

### **Component B: Customs Clearance Improvement**

This Component aims to establish the Centralized Processing Centres (CPC) and to focus on **Review of Formalities and Documentation Requirements, Expedited Shipments** and Trade Facilitation Measures for **Authorized Operators** and **Freedom of Transit**. These measures mainly require procedural and operational changes and they can be carried out by Lao Customs Department independently, i.e. without involving any other agency. Considering the required urgency, these activities will be initiated with the help of the current International Customs & Trade Consultant and will be carried forward by the TA engaged for legislative revision under Component A. This will also help in efficient utilization of resources and optimization of efforts.

4. **Review of Formalities and Documentation-** Under review of formalities & documentation requirements, LCD intends to move processing of customs declarations from border offices to the Centralized Processing Centers (CPCs) at its provincial offices. While border staff will still conduct inspection and physical examination of goods, they will no longer be responsible for processing of customs declarations in terms of classification, valuation and duty determination which will be done in the CPCs. This will result in freeing up the border staff and saving resources for other specialized work, like PCA etc. CPCs will also initiate accepting fully electronic declarations for processing, without requiring hardcopy submissions.
5. **Expedited Shipments-** Suitable procedures and operational guidelines need be developed for simplified processing of expedited shipments in line with the TFA measure. Currently, the facility is being allowed for post parcels, but rules and procedures need be developed to cover expedited shipments coming by air, particularly those above the threshold of the *de minimis* and where duty may have to be paid. It is an extremely useful TFA



measure required for urgent life-saving medicines and emergency spares etc.

6. **Authorized Operators-** LCD has already started a scheme of Authorized Economic Operators (AEOs), but it is not being used by the trade. It is viewed as too control-oriented without offering much incentive or facility to AEOs. Hence, it needs to be modified to make it attractive enough for the trade to avail of its benefits. A pilot program of the scheme is being supported by the WB IFC at present under which AEO scheme will be launched in September 2019. However, to carry forward the program, the scheme requires adequate capacity building of the customs staff, particularly for validation of applicants as AEOs, and advising them for taking planned action to comply with the laid down requirements. Some of these (6) officials may be sent on study tour to South Korea, where AEO scheme has been functioning effectively.
7. **Freedom of Transit-** In order to ensure seamless transit of goods and the trucks/lorries carrying them, the ASEAN member states are required to implement ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and ASEAN Customs Transit System (ACTS). Lao PDR therefore needs to develop suitable customs procedures, which allow smooth transit across Lao territory without compromising customs control. This will lower the trading cost and increase intra-regional trade. Further, considering that Lao-China railway line is to start from 2021, which will also connect to Thailand, it is of utmost importance that special procedures are developed to facilitate transit traffic by rail, as well as through multi-modal means of transport well in time before rail-line becomes operational.

**Component C: Risk Management and Inter-Border Agency Cooperation.**

This component aims to establish an integrated risk management framework by incorporating risk inputs from other government agencies (OGA) that include Plant and Animal Quarantine, and Food and Drug departments, to promote border agency cooperation and to strengthen post

clearance audit (PCA). The activities will focus on (i) review and drafting SOPs for constructing composite risk profiles and operationalization of an integrated risk management framework; (ii) develop a common framework for enabling joint border inspection, based on the integrated risk management framework and (iii) strengthening PCA operation and methodologies to allow a robust Customs audit and reduce workloads of Centralized Processing Centres (CPCs) and inspection at the border checkpoints.

8. **Risk Management-** A risk management system has been in place in the Lao Customs Department. However, it needs to be strengthened as examination percentage is still pretty high and border examinations do not get desired results. Besides, LCD should incorporate the risk inputs received from OGAs for applying them in the its own selectivity module for developing an integrated risk management framework. It would require providing ASYCUDA access to OGAs for allowing them to provide their inputs and also use them in joint examination at the borders using composite risk profiles. These steps would lead to reduced percentage of examination thereby allowing the border inspectors to focus on high risk consignments.
9. **Border Agency Cooperation-** Vide a recent order (No. 558/2018) the Prime Minister, has curtailed the presence of government agencies at the borders. While this is an important initiative, it may not have the desired impact on its own, unless a common national framework of coordinated border management (CBM) is developed by the border agencies with detailed guidelines and Memoranda of Understanding (MOUs) for greater cooperation. Use of Lao Customs' ASYCUDA system by these other government agencies (OGAs) for an integrated risk management framework and joint border examinations are the essential steps to improve the efficiency of border clearance processes. LCD will carry out its related activities in collaboration with these OGAs, like FDD and DOA. Hence, the international TA engaged by Customs for risk management and border cooperation will pool in his efforts with the TAs engaged by these OGAs for

	<p>this purpose, which will save cost and synergize efforts.</p> <p><b>10. Post-Clearance Audit-</b> Customs has been following Post Clearance Audit since 2007, when comprehensive instructions were issued in this regard by the Prime Minister’s Office (No. 362/PM). These provisions were further strengthened in 2011, which prescribed traders to maintain their customs declarations and supporting documents for three years and produce all their accounts when asked by customs. However, functioning of PCA in Lao Customs has turned into an asset verification exercise rather than any comprehensive scrutiny of trader’s own accounts and commercial records. Hence, it needs qualitative upgradation, including capacity building of the staff for making them more effective.</p> <p><b>D. Capacity building-</b>  Number of training workshops and field visits will need be organized and officials may have to travel to border offices and provinces for this purpose. These details have been provided in the cost-table attached to the CF proposal. Further, officials may also have to travel to a foreign country (Korea or Japan) on field study and hence a budgetary provision to this effect has also been kept in the cost-table.</p>
<p><i>2.3 What activities exactly is the Challenge Facility being asked to fund?</i></p>	<p>Based on the above approach, the TFA CF Proposal will finance two international experts to help LCD in meeting above objectives.</p> <p>The first expert will cover revision of Customs legislation and procedures as described under Component (A) and (B) below. The second expert will cover activities under Component (C), i.e. strengthening of risk management mechanism, border cooperation and PCA, which need to be carried out in synch with other border agencies.</p> <p><b>(I) International Consultant on Customs Standards &amp; Procedures</b> (for 12 months) will help LCD in the revision of the Customs law and regulations to align them with WTO TFA measures and other international standards. His scope of work will include following activities:</p>

	<ol style="list-style-type: none"> <li>1. <b>Advance Rulings-</b> To draft suitable amendment of Lao Customs Law and regulations to expand the scope of Advance Rulings, especially to include issues relating to valuation &amp; duty exemptions and to build requisite capacity in LCD- International TA for 1 month</li>   <li>2. <b>Test Procedures-</b> To draft provisions in the Lao Customs law to provide opportunity for <b>second test</b>, including the provision for drawl of samples- International TA for 1 month</li>   <li>3. <b>Use of International Standards-</b> To review and suggest amendment of the Lao Customs Laws to align it with other <b>international standards</b>, such as the WCO's Revised Kyoto Convention (RKC) and SAFE Framework of Standards. This exercise will also help LCD to meet its planned commitment for undertaking a revision of law in 2020. - International TA for 4 months.</li>   <li>4. <b>Review of formalities and documentation requirements-</b> In order to improve efficiency in assessment of customs declarations, LCD proposes to move their processing from border offices to the Centralized Processing Centers (CPCs) in seven provinces, where LCD has its provincial offices. The TA will be needed to revise customs procedures for this purpose. With this centralized processing at these seven hubs, number of officers engaged in assessing customs declarations will be reduced, freeing up officials for PCA and other tasks. CPCs will also initiate accepting completely electronic declarations, without hardcopy submissions. - International TA for 2 months</li>   <li>5. <b>Expedited shipments-</b> To help LCD in developing procedures and operational guidelines for fast track processing of expedited shipments, like courier parcels etc. arriving by air- International TA for 1 month</li>   <li>6. <b>Authorized Economic Operators (AEO)-</b> In continuation with the ongoing support provided by WB-IFC, under which AEO pilot program is going to be launched in September 2019, the AEO scheme</li> </ol>
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will be further reviewed to suggest revisions to make it attractive to trade and to build required capacity in the LCD - International TA for 1 month

7. **Freedom of Transit-** To help LCD in facilitating transit of goods and transport by drafting suitable operating procedures to implement ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT), ASEAN Customs Transit System (ACTS) and other such agreements. It is particularly important to also develop suitable transit procedures to cover the multimodal movement of goods, including that by rail that is scheduled to start sometime in 2021- International TA for 2 months

**(II) International Consultant on Risk Management and Post-Clearance Audit** (for 8 months) will be responsible for strengthening the risk management and PCA processes in customs in collaboration with other agencies:

8. **Risk Management-** To help LCD in building a comprehensive risk management system in collaboration with other border agencies and in developing integrated risk profiles using their inputs in the customs selectivity module. Customs being the custodian of ASYCUDA, it will play a leading role in developing composite risk profiles using the risk inputs of other agencies and this expert will extend requisite help to those other agencies in establishing their respective risk management units- International TA for 3 months.
9. **Border Agency Cooperation-** To evolve a common framework of border management in collaboration with other agencies for conducting joint inspection at the border. Special procedures also need to be developed for clearance of perishables (like fresh fruits & vegetables and fisheries) on priority. Further, clearance procedures also need be developed for import and export by rail in collaboration with other border agencies, since Lao-China railway is going to start soon- International TA for 2 months.
10. **Post-Clearance Audit-** To help LCD in conducting gap assessment, revision of Customs rules & regulations, and building required capacity to

	<p>strengthen the Post-Clearance Audit operations in LCD- International TA for 3 months.</p> <p>To implement the aforementioned activities efficiently, two individual international consultants will be hired on urgent basis, one for 12 months and another one for 8 months.</p> <p>In addition, one national consultant will also be hired for 12 months to assist the international consultants with the translation of documents, /interpretation of discussions in meeting and presentations in training workshops etc.</p> <p>Specific provisions are proposed for organizing capacity building workshops in provinces and at the Vientiane capital. Further provision has also been made for field visits of officials and the consultants for these activities. Suitable allocation has also been proposed for undertaking study visit outside the country for studying the best practices in AEOs.</p> <p>Adoption and implementation of the revised procedures and regulations will require sharing of inputs among existing consultants and the new experts hired to guide operational and technical changes in border clearance formalities. Further, activities on risk management and physical inspection across agencies will also need to be synchronized with related activities carried out by other border agencies, like FDD, DOA and DOLF etc.</p>
<p><b>2.4 What results can be expected and how to they relate to the objectives in point 2.1 above?</b></p> <p><i>List the specific outputs the project seeks to achieve, the expected outcomes to measure the achievement of project and expected impact produced by the project interventions</i></p>	<p><b><u>Specific Outputs</u></b></p> <ol style="list-style-type: none"> <li>1. Customs Law revised to expand the scope of Advance Rulings to also cover valuation and duty exemptions.</li> <li>2. Provisions made in customs law to allow an opportunity for second test to the importer if the results of the first test are found adverse and he appeals for a second test.</li> <li>3. Lao customs law and regulations aligned with international standards and best practices.</li> <li>4. Centralized Processing Centers established and started at 2-3 locations to assess customs declaration with greater efficiency.</li> </ol>

5. Special procedure developed for fast track clearance of expedited shipments arriving by air.
6. AEO scheme upgraded to make it consistent with the international standards (SAFE Framework of Standards to Secure and Facilitate Trade) and more attractive to traders.
7. Simplified customs procedures developed for seamless transit of goods across ASEAN by road, rail, and multi-modal means of transport
8. A comprehensive Risk Management system evolved using ASYCUDA system in collaboration with other border agencies, like quarantine and food & drugs
9. A common national framework of border agency cooperation implemented to enable joint inspection and reporting through ASYCUDA system by customs and other border agencies
10. PCA operations strengthened & staff trained with modern auditing techniques and approach for more effective customs control through post-control inspections and audit.
11. Capacity building done of staff members engaged in implementing aforesaid measures.

**Expected Outcomes & Impact**

1. The number of Category C measures of the TFA implemented by the LCD are increased by 60 percent of all TFA measures.
2. Greater facilities to the Authorized Operators reducing their clearance time and formalities encouraging voluntary compliance.
3. Faster clearance of transit cargo and carriers from ASEAN countries.
4. Percentage of shipments for examination (red lane consignments) decreased from 100% to 50%
5. Faster clearance and greater control at the borders, which will be respectively measured by indicators like, reduction in the average border clearance time

	(through TRS surveys) and increase in detection of non-compliance (from ASYCUDA reports).
<b>2.5 What is the Implementing Agency's role in the area to be addressed by the proposed project?</b>	As the secretariat of the TFS, the main entity steering the trade facilitation agenda in the country, DIMEX is mandated to develop and implement the trade facilitation strategy of the government. The actual implementation of these project activities however will be done by the Lao Customs Department.
<b>2.6 DTIS Update Trade Private Sector Development Roadmap context: is the project part of a broader strategy?</b>	The project plays a crucial role in implementation of the TF Road Map which aims to improve the country's trade competitiveness contributing to an increased trade and investment needed for a sustained and inclusive economic growth targeted under the 8 <sup>th</sup> National Socio-Economic Development Plan.
<b>2.7 Are there any efforts being undertaken by the Implementing Agency, other government agencies, domestic stakeholders, bilateral or multilateral development partners to address the issues identified in point 2.2 above? Are other sources of funding available?</b>	<p>Measures designated under Category C of the Trade Facilitation Agreement are to be implemented by 2022 under the TF Road Map and all the concerned departments are trying to implement them to meet the country's obligations under the WTO Trade Facilitation Agreement.</p> <p>Customs has also been implementing some projects with the support of ADB, JICA, USAID and IMF. However, their support will not be available during the period for any project activity proposed herein.</p> <p>The project support under this proposal is sought only for those activities which are not covered by any other donor and the only funding source available is through the World Bank's upcoming project on Trade &amp; Competitiveness.</p>
<b>Section 3: Project risks / obstacles and risk mitigation measures</b>	
<b>3.1 Describe the risks and obstacles during project preparation and implementation. Explain mitigating measures.</b>	<p>Some of the prominent risks and their mitigating measures are as below:</p> <ol style="list-style-type: none"> <li>1. A considerable risk is the non-availability of adequate staff required for capacity building and</li> </ol>



	<p>implementation of various activities under the project. Mitigation: Staff will be spared for undergoing these trainings for building adequate capacity in the department</p> <p>2. Retention of the trained staff is another challenge with the low salaries in the Government. Mitigation: Larger number of staff will be covered under the training workshops so that their availability is not affected even if some of them leave the department</p> <p>3. Lack of support and willingness of OGAs for developing integrated risk management framework and new border management model Mitigation: The proposal for integrated risk management and new model of border management will be presented to the National Trade Facilitation Committee for approval before their implementation to be accepted as a national strategy</p> <p>4. Inadequate buy-in from the private sector for availing additional facilities offered Mitigation: Awareness generation of private sector will also be carried out by involving them in various training workshops, which will also help in getting their validation in support of implementation of various measures</p>
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## Section 4: Monitoring and evaluation

<p><b>4.1 Identify indicators, outputs and outcomes which can be monitored before, during and after project implementation. eg:</b></p> <p><b>Outputs:</b>  <i># of research/studies conducted</i>  <i># of national sector strategies developed</i>  <i># of regulations/guidelines developed</i></p> <p><b>Outcomes:</b>  <i># of findings/recommendations implemented</i>  <i># of strategies approved</i></p>	<p><b>Output Indicators:</b>  Outputs and outcomes of various activities outlined in this proposal will be measured through the performance indicators. These have been kept to a select few which can be measured for any effective monitoring. Consequently, specific outputs, like laws revised or procedures developed and implemented by LCD will be reported to the TFS/NTFC through regular quarterly reports submitted through DIMEX. For the performance targets, special ASYCUDA reports will be generated by LCD.</p> <p>For instance, the performance targets, like the reduction in examination percentage from 100% to 50% will be measured through ASYCUDA reports every quarter.</p> <p>Similarly, increase in detection of non-compliance through risk-based examination will also be ascertained from</p>
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<p><i># of regulations/guidelines approved</i></p>	<p>ASYCUDA reports generated from its selectivity module every quarter.</p> <p>LCD will generate regular ASYCUDA reports on these performance indicators and provide them to TFS/NTFC every quarter through DIMEX.</p> <p><b>Outcome Indicators:</b>  The Project Development Objectives are to simplify business regulations, facilitate trade, and improve firm-level competitiveness. There are two intermediate results indicator for Pillar B2, which specifically relate to Customs. One of them is the average time to clear imports, exports, and transit from a baseline of 9.40 hours to 8 hours as intermediate target (by 2020) and 6 hours as end target (by 2023). In order to achieve this target, LCD undertakes to reduce average clearance time by 10% every year. This will be ascertained through ASYCUDA reports every quarter and will also be validated by annual TRS surveys conducted by the LCD for performance evaluation.</p> <p>The other intermediate results indicator is the percentage commitments under the Trade Facilitation Agreement implemented. Through this CF proposal, LCD aims to implement 10 TFA measures by 2021, which constitute about 59% of Category C measures, which is close to the project target. As mentioned above under the output indicators, this target will be confirmed through validation by the TFS.</p> <p>Scores of the Trading Across Borders under the WB’s Ease of Doing Business studies, particularly relating to the time and cost of imports and exports in Lao PDR will also be used as key performance indicators for measuring the outcome of these project activities on an annual basis.</p>
<p><b>Section 5: Project implementation arrangements</b></p>	
<p><i>5.1 Describe project implementation entity</i></p>	<p>Project implementation in LCD will be undertaken by the <b>Customs Procedure &amp; Trade Facilitation Unit</b> set up in Lao Customs Department recently under the Legislative Division. Head of this Unit will be solely responsible for monitoring the implementation of Customs DAP, reporting</p>

	its progress and conducting performance review, besides coordination with other line departments, private sector and other stakeholders for implementation of the TF Road Map.
<b>5.2 Describe internal supervision arrangements</b>	Customs Procedure & Trade Facilitation Unit will be calling for regular monthly reports from various divisions & units seeking details on their key indicators. Performance of the divisions/units will also be assessed through frequent field visits & inspections. On receipt of the information from the field formations, the Unit will be consolidating and submitting its report to the DG for necessary direction. It will also be sharing this quarterly progress report with the DIMEX/TFS.
<b>5.3 Describe reporting line</b>	Head of the Customs Procedure & Trade Facilitation Unit will be reporting to the Head of the Legislative Unit, who in turn will report to the DG bringing out special issues impinging on the implementation of TFA's Category C measures.

## Section 6: Implementation Schedule

<b>Activity</b>	<b>Budget (US\$)</b>	<b>Expected start date</b>	<b>Expected completion date</b>
<i>Hiring of international and national consultants</i>	<i>Cost of international TA has been calculated @ US\$20,000 per month as a lump-sum rate</i>	1 October 2019	30 November 2019 (Mobilization from January 2020)
<b>(I) International Consultant on Customs Standards &amp; Procedural Changes</b>			
To review and amend Lao Customs Law to expand the scope of Advance Ruling to include issues relating to valuation & duty exemptions and to build	20,000	1 January 2020	31 January 2020

requisite capacity in Lao customs department- ITA for 1 month			
To draft provisions in the Lao Customs law to provide opportunity for second test, including the provision for drawl of samples- ITA for 1 month	20,000	1 February 2020	29 February 2020
To review Customs laws and procedures and aligning them to international standards, like RKC, TFA (including opportunity for second test, deferred payment, refund, and drawback etc.) – ITA for 3 months	60,000	1 March 2020	30 May 2020
To draft procedures and help LCD in setting up suitable arrangement for establishing centralized processing centers at three locations- ITA for 3 months	60,000	1 June 2020	31 August 2020
Help LCD in developing procedures for fast track processing of expedited shipments arriving by air- ITA for 1 month	20,000	1 September 2020	30 September 2020
To examine the AEO scheme in operation in Lao PDR, and to suggest revisions required therein as well as to build capacity of LCD and the private sector for availing of the facilities offered- ITA for 1 month	20,000	1 October 2020	31 October 2020
To draft suitable operating procedures for customs for implementing the ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT) and ASEAN Customs Transit System (ACTS) especially covering transit by rail,	40,000	1 November 2020	31 December 2020

road or multimodal means of transport- ITA for 2 months			
<b>(II) International Consultant on Risk Management &amp; Post Clearance Audit)</b>			
To help build a comprehensive risk management system in collaboration with other border agencies and in developing integrated risk profiles using their inputs for the customs selectivity module. This expert will also coordinate with the TAs of other agencies in establishing their respective risk management- ITA for 3 months	60,000	1 January 2020	31 March 2020
To evolve a common national framework for border cooperation in collaboration with other agencies and cross-border cooperation for one-stop/Single-stop inspection- ITA for 2 months	40,000	1 April 2020	31 May 2020
To help LCD in conducting gap assessment, revision of Customs rules & regulations, and build capacity to strengthen PCA operations- ITA for 3 months	60,000	1 June 2020	31 August 2020
<b>(III) National Consultant</b> Engaging a national consultant to assist international TAs (For 12 months, calculated @ US\$2,500)	30,000	1 January 2020	31 December 2020
<b>(IV) Training Workshops</b> Organizing training workshops for capacity building of LCD personnel and awareness generation of private sector on various TFA measures being implemented under the proposal (participation of ladies will be encouraged in training and gender segregated numbers reported)	30,000	1 October 2019	31 December 2020

<b>(V) Field visits</b> In-country field visits of officials and consultants to provinces and border posts in connection with the implementation of various measures proposed	20,000	1 January 2020	31 December 2020
<b>(VI) Foreign study tour</b> Foreign tour to Korea (for six officials, with at least one lady officer) to study best practices in AEO program	20,000	1 January 2020	31 December 2020
<b>Total cost</b>	<b>US\$ 500,000</b>	<b>1 October 2019</b>	<b>31 December 2020</b>