

LAO PEOPLE’S DEMOCRATIC REPUBLIC
AIDE MEMOIRE
Implementation Support Mission for the Customs and Trade Facilitation Project
 April 19-25, 2017 in Vientiane Capital, Lao PDR

June 1, 2017

KEY PROJECT INFORMATION			
Project Number	P101750	Board approval date	June 17, 2008
Project closing date	June 30, 2017	Disbursement as of May 26, 2017	US\$ 10.845 million
Total Grant Amount	US\$12.5 million	Grant number	H4030-LA/H8430-LA

I. INTRODUCTION

A World Bank Group mission¹ carried out a project implementation support mission for the Customs and Trade Facilitation Project (CTFP) in Vientiane Capital during April 19-25, 2017. The key mission objectives were to: (1) review and document overall project implementation focusing on overall progress toward the achievement of the Project Development Objective (PDO) and related performance indicators; (2) conduct ex-post procurement reviews of procurement contracts; (3) conduct post transaction reviews of financial transactions; (4) conduct a field visit to Thanaleng Customs Checkpoints; and (5) Assess the sustainability of the Customs automated system and related infrastructure investments made under the project and the project’s contribution to supporting the Lao Customs Department’s (LCD) ongoing reform and modernization process.

1. The team would like to express its sincere thanks to Mr. Bounpaseuth SIKOUNLABOUT (Acting Director General, LCD) and senior staff for their guidance and cooperation during the mission. The mission would also like to express its thanks to senior officials and customs officers at Thanaleng Customs Checkpoint and Friendship Bridge 1 Customs Checkpoint, and members of the Project Implementation Unit for their assistance and support during the mission.

2. This Aide Memoire details the mission findings and agreed next steps related to implementation of all activities in CTFP. According to the World Bank's Access to Information Policy, Aide Memoires are to be publicly disclosed unless otherwise indicated by counterparts. The disclosure of the Aide Memoire was discussed and agreed to during the mission with LCD representatives.

II. OVERALL IMPLEMENTATION STATUS AND MANAGEMENT PRIORITIES

3. **Implementation Status.** There is been good progress in Project Implementation to contribute towards the PDO. As of May 26, 2017, the overall project disbursement stands at 86.76% of the total grant of US\$12.5 million; of which the additional financing grant US\$6.5 million has reached a disbursement level of 75.67%. LCD successfully completed most agreed actions identified during the last mission. This project closing date is on June 30, 2017.

Implementation Progress. Key progress include that the Automated System for Customs Data World system (ASYCUDA World) continues to run in a stable and reliable manner. The system was also

The mission consisted of Konesawang Nghardsaysone (Trade Economist and Task Team Leader), Gerard McLinden (Lead Private Sector Specialist), Ramesh Siva (Lead e-Government Specialist), Mombert Hoppe (Senior Trade Economist), Siriphone Vanitsaveth (Financial Management Specialist), Souksavanh Sombounkhanh (Program Assistant, EACLF), Latharo Lor (Procurement Specialist), and Alina Phonvisay (Program Assistant, EACLF).

rolled out to 3 additional customs checkpoints in 2017 and this brought 24 checkpoints in total to run live with the ASYCUDA World system, achieving the targets at the project design. In addition, LCD rolled out SmartTax to more ASYCUDA World installed checkpoints to facilitate the payment of customs duties and fees with direct link to National Treasury. There are now 18 checkpoints with SmartTax running live. The disaster recovery solution for ASYCUDA to the Thanaleng site has now been completed and is fully operational. To ensure business continuity, the installed back-up generators are also running reliably at major checkpoints to ensure no disruption in the event of a power outage. The mission was encouraged by significant progress made to date on the two large technical assistance contracts: (1) Customs Training Center Development Program; and (2) Customs Capacity Enhancement Program. The training curriculum and learning materials were designed and delivered in December 2016. Three-week training of trainer's sessions has now been conducted for 18 senior customs officials. Training topics include customs valuation, classification, post clearance audit (PCA)/risk management and CITES related issues. Significant progress has also been made with completion of design and implementation of Lao PDR's Authorized Economic Operator regime (AEO) (to be known initially in Lao PDR as the Customs Accredited Client Program). The program is expected to be formally launched in June 2017, initially on a pilot basis, with five large firms participating in the scheme. Likewise, a guideline on customs administrative review was prepared and is being finalized to address gaps and existing legislative provisions and to identify the issues and procedural steps needed to ensure effective. The necessary enabling procedures (forms, procedures, SOPs, scope, etc.) have been prepared to implement the appeal regime.

4. **Key Areas of Attention.** With one month to go before the closing date of the project on June 30, 2017, there is an urgent need for LCD to accelerate disbursement against the deliverables that have been submitted and accepted. All project activities must be completed by the closing date of June 30, 2017 and only payment processing may proceed beyond this date. In this respect, there are some urgent tasks that the LCD needs to complete before the closing date. LCD needs to follow up urgently with UNCTAD to complete some important pending tasks as specified in Paragraph 7. In addition, the draft Strategic ICT Plan needs to be adopted with adequate allocation of ASYCUDA User Fee funds to maintain the ASYCUDA World system, further development and hardware replacement beyond the project closes in June 2017 (in Paragraph 10). Likewise, LCD needs to accelerate the establishment of the National Committee on AEO to be chaired by Vice Minister of Finance and the issuance of AEO Implementing Instruction by the Deputy Prime Minister/Minister of Finance to enable the pilot of the AEO program in June 2017. A proposed Table of Agreed Actions is prepared in Annex 3.

III. STATUS OF PROJECT COMPONENTS

5. CTFP is financed by the International Development Association (IDA) with a total grant of US\$ 12.5 million, of which US\$6 million (effective on October 20, 2008 and closed in December 31, 2013) and an additional financing of US\$6.5 million (effective on May 28, 2013 and will close on June 30, 2017). CTFP is implemented by LCD of the Ministry of Finance. The PDO is to facilitate trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures to eliminate duplication and redundancy, reduce transactions costs and time to clear goods, and increase transparency and accountability. CTFP has two components: (a) Automation Support (including implementation of ASYCUDA World); and, (b) Organizational Development (including customs modernization support).

Component A: Automation Support (including Implementation of ASYCUDA World)

6. **This component has satisfactorily achieved key results in contributing to the PDO.** The ASYCUDA system upgrade was completed successfully in April 2016. The system was also rolled out to 3 additional customs checkpoints in 2017 of which there are in total now 24 checkpoints completely running live with the ASYCUDA World system (see **Annex 5**). The system continues to run in a stable and reliable manner. In addition, LCD added on SmartTax to facilitate the payment of customs duties and fees with direct link to National Treasury for ASYCUDA installed checkpoints. There are now 18 checkpoints with SmartTax running live (see **Annex 5**). The disaster recovery solution for ASYCUDA to the Thanaleng site has now been completed and is fully operational. To ensure business continuity, the installed back-up generators are also running reliable in major checkpoints to ensure no disruption when there may be incidence of power outage.

7. **ASYCUDA implementation, support and maintenance (A1).** The support and maintenance contract with UNCTAD was signed in March 2015 and became effective in June 2015. This contract will remain in effect until June 2017. Most required maintenance and some development work has been completed under this contract. There however remains some important work that UNCTAD has agreed to undertake, but has not completed. This would include:

- (a) Fiscal year change (to take effect on 1/1/2018);
- (b) Resolution of Lao font issues within the translation tool;
- (c) Ability to view the ‘Commercial description of goods’ field within the ACDD, to support the implementation of the valuation module;
- (d) Ensure the latest E-Payment webservice module is working, and is not reliant on a SoWeb activation key, as this can no longer be obtained from StrategyObject; and,
- (e) Install Manifest lodgment webservice, and ensure it is not reliant on a SoWeb activation key.

8. Given the less than 2 months left in the UNCTAD Contract, the mission would strongly recommend that LCD management immediately contact UNCTAD and agree on a timeline and a work plan to complete the remaining work within the contract period.

9. **ASYCUDA and Lao National Single Window Interface.** Little progress has been made in establishing a working connection between the two systems. The mission was informed that Bureau-Veritas Lao has been occupied in re-architecting and re-developing their LNSW solution.

10. **Strategic ICT capability development (A4).** The international ICT advisor continues to work on a part-time basis until the project closes in June 2017. Significant support has been provided by the advisor to build an effective in house capability to strategically manage all ICT investments and ensure a reliable and stable operational environment. The ICT staff of LCD has been trained and coached to have appropriate professional knowledge and disciplines necessarily to support the long term operation and strategic management. Under the advice of the advisor, ICT Division has developed a Strategic ICT Sustainability Plan (see **Annex 9**) on sustainability and business continuity for LCD to maintain and manage its ICT infrastructure and knowledge. This strategic plan was presented to the mission team and it is recommended that the strategic plan be adopted soon before the project closing to ensure that LCD has a solid framework to ensure ICT infrastructure sustainability and business continuity. The ASYCUDA user fee collected by LCD shall be used to implement this strategic plan beyond the project closing in June 2017. In addition, the local ICT support consultants delivered a helpdesk on asset management and shared point platform to ensure an effective and collaborative support of the ASYCUDA back-stopping team from the LCD HQ to the checkpoints. Customs officers can enquire or submit ticket in the platform to demand support from the back-up team on routine issues related to ASYCUDA system. The platform not only helps to track the requests but also alert the back-up team

of the high priority nature of each request for solutions. LCD has collected the IT asset database for the help desk and synchronize the work flows and collaboration between divisions in LCD.

11. **Disaster Recovery Center and Business Continuity (A5).** The disaster recovery solution for ASYCUDA to the Thanaleng site has been completed and has been fully operational for more than a year.

12. **ASYCUDA User Fee Account.** During the previous mission, the WB team had requested the financial statements for the ASYCUDA User Fee Account. These statements have been provided. The balance remains low and there were no expenditure categories reported (see **Annex 4**). It was also reported that the account has not set aside an appropriate amount to finance ASYCUDA system hardware replacement as well as maintenance and support. The mission is requesting LCD management to ensure a significant amount of the ASYCUDA User Fees collected be set aside to implement the strategic plan for ASYCUDA sustainability and business continuity of the system. The establishment of the ASYCUDA User Fee by the Minister of Finance was included as a Legal Covenant to ensure that there is adequate funding set aside to cover maintenance and support of the ASYCUDA system and ensure system sustainability and business continuity.

13. **Back-up generators.** All back-up generators financed under the project have been installed and are fully operational. The mission, however, urges LCD management to ensure that a routine maintenance schedule is developed, implemented and adhered to. LCD Headquarters and 14 sites of high volume of trade to ensure that the ASYCUDA World kiosks and customs clearance facilities can now be operated without disruption to provide service for the trading community. Prior to the back-up generator installation in these customs sites, the duration of a typical electrical outage was reported at around 2-3 hours with a frequency of approximately 2-3 times per month. Power outage in Lao PDR remains a persistent issue during monsoon season and depending on geographical locations, especially mountainous and remote areas where electrical connection infrastructure remains poor. The average number of outages per month declined from 1-2 times in 2012 to 0.9 in 2016, however, the duration of a typical electrical outage was still reported to be persistent at 3.3 hours in the latest 2016 Enterprise Survey of the World Bank Group.

14. **Trade Statistics.** For many years, development of accurate trade statistics has been an issue for the LCD. With the majority of trade now going through ASYCUDA, there is sufficient data available to compile very accurate trade statistics. Following a series of urgent requests for assistance from LCD management, analytical models have been built using both the UN SITC(v3) standard, and the EU sponsored BEC (Broad Economic Categories) standards. The statistics have been divided into four different reports: import, export, transit and import for re-export. The reporting can be further broken down by checkpoint, date range, commodity types etc. Work is progressing to develop accurate revenue forecasting trends using the 'least squares' linear regression calculations. The accuracy of this will be backtested shortly using previous years of actual data.

Component B: Organizational Development (including Customs Modernization Support)

15. **Progress on Component B has been satisfactory with key outputs and results for the two large technical assistance projects delivered and accepted by LCD management.** As reported in the August 2016 mission Aide Memoire, a Time Release Study was completed by the contracted consultancy firm in July 2016 and indicated that average customs clearance time at key border crossing points has fallen from 17:54 hours in 2009 to 6.30 hours in 2016. The reduction in clearance time has been achieved not only due to the use of the ASYCUDA World system in 24 checkpoints but also as a

result of increased capacity in LCD staff to adopt improved and streamlined customs procedures. The latter is complex and crucial to drive meaningful changes and reforms. During the mission, LCD reported a range of reforms to import, export and transit customs clearance procedures. The first recent set of reforms was the new streamlined procedure that cuts down the steps from 5 to 4 for imports and 4 to 3 for exports since March 1, 2017 across the country. Following this new customs procedure, new reforms are underway to allow for lodgment of manifest and declaration information in advance of cargo arrival and a major reduction in clearance time is expected while improving the targeting of high risk cargo as a new set of risk profiles is now being piloted at the testing environment. These improvements have been facilitated by major enhancements made to the ASYCUDA system financed by the project.

16. **Modern customs practices and WTO agreement requirements (B1).** Two of three activities in this subcomponent were minimally implemented due to the depreciation loss of the project grant in United States dollar term as the grant was signed in Special Drawing Rights (SDR). The continuous depreciation of SDR against US dollar caused a loss of about US\$500,000. These two activities (1) customs valuation support database and (2) risk management support software were included in LCD's efforts to implement (1) ASYCUDA Customs Valuation Module and (2) Selectivity Module, respectively. Instead of an electronic customs valuation support database, LCD decided to manually build a spreadsheet valuation database that periodically produces an updated Tariff Specific Code (TSC) for value risk assessment in the customs valuation module in the ASYCUDA World System. In respect of risk management support software, it also uses the selectivity module for managing risks at the checkpoints. The risk management operation (risk registers, profiling, analysis, treatment and targeting processes) is still compiled manually before making changes to the selectivity in ASYCUDA. An enhancement of risk registers/recording was made by LCD during January and March 2017 to activate the Inspection Act in ASYCUDA World with automated fraudulent and violation reference codes and resolution measures to assist the customs assessors to record inspection results and facilitate both documentary and physical inspection processes. An effective use of the Inspection Act will allow risk management and intelligence unit to identify broad and specific risks at the transactional level to inform the risk profiling and targeting over time.

17. **Time Release Study (TRS).** LCD's in-house knowledge and capacity on TRS has been built up at the end of the project. There have been three TRSs conducted by LCD, in 2009, 2012, and 2016. A final TRS survey is being conducted prior to the end of the project and will be completed in June 2017. Further reductions are expected to be realized as recently implemented reforms on new streamlined customs clearance procedures and enhancements to the ASYCUDA World system begin to impact on field operations. Work is also progressing to automate the TRS process using ASYCUDA World automated time stamps to ensure that up to date data on clearance times can be obtained in real time and published periodically on the LCD website and the Lao Trade Information Portal (aka. Lao Trade Portal at <http://www.laotradeportal.gov.la>). While the system currently measures time from declaration submission to clearance it cannot currently measure truck arrival at the border and the time it takes to lodge appropriate documentation. This limitation will be resolved when the electronic manifest module is implemented in the coming months. While system development has been completed full implementation of the module can only proceed following installation of a new firewall which will allow for secure on-line submission of relevant data to Customs.

18. **Training Center Development (B2).** The Training Center Development Program is designed to strengthen the LCD's human resource development capabilities and provide an ongoing capacity for the LCD to deliver just in time technical training for officials. Accepted deliverables to date include a human resource development strategy, the preparation of a comprehensive training curriculum,

preparation of a suite of relevant modularized training materials, and most recently, the training of trainers. In addition, work is progressing on the translation of selected modules of the WCO's e-learning program including modules covering risk management, post clearance audit, customs valuation, CITES, and cooperative border management. To date approximately 50% of materials have been translated, however, it is expected translation will be completed prior to the end of the project. Once translation is completed, the LCD will be able to offer a facility for just in time training in key technical areas for staff physically located outside the Vientiane city area. Feedback on the quality of the training materials developed under the project has been positive with officials noting that it is the first time many Customs staff have been exposed to professionally prepared and delivered technical training courses. While satisfied with progress on the training center development program the mission stressed that early attention needs to be paid to deploying the officials that participated in the training of trainer courses to deliver training. The mission noted that experience elsewhere strongly suggested skills acquired through such programs but not immediately used were soon lost. The mission also recommended that the LCD take advantage of its WCO membership to request the assistance of a WCO e-learning specialist to visit Vientiane to ensure the e-learning program is well integrated into the wider training curriculum and forms an important part of the overall training and staff development plan.

Legal framework implementation support (B3). The gap assessment of the customs legal framework was completed in February 2017 and a validation workshop was conducted by the legal advisor in March 2017. Key gaps in the current Customs Law include no provision for a refund of duties collected incorrectly; some provisions in question still lack the desired clarity; implementing decrees and regulations have not defined the required principles and policies firmly and clearly; and official instructions are often employed on an *ad hoc* basis. These weaknesses are addressed in the gap assessment report of more than 800 pages and it states the basis of a series of amendments to the legal framework necessary to ensure compliance with the provisions of the WCO's RKC, the WTO's TFA and ASEAN Customs Agreement. Lao PDR ratified its accession to the WCO's RKC in July 2016 and accepted WTO TFA on September 29, 2015. WTO TFA entered into force on February 22, 2017. The report also presents key priority areas in the existing customs legal framework for legal and regulatory development by providing provision by provision reviews to help guide LCD to close the gaps of the legal framework and enforcement. LCD is establishing a law drafting committee and expects to launch a revision of the Lao PDR's Law on Customs in 2018-2019. A revised draft of Lao Customs Law is expected to be submitted to the National Assembly in 2018 and expected to come into force in 2019.

19. Customs Capacity Enhancement (aka. Change Management and Strategic Planning (B4)) and Capacity Building in Core Customs Disciplines (B5) and The LCD Customs Capacity Enhancement Program is a major technical assistance consultancy designed to support the implementation and further development of a range of modern approaches to customs administration consistent with WTO² and WCO³ standards. It includes six core components: risk management and intelligence; compliance improvement and Authorized Economic Operators (AEO); communication and change management; performance monitoring and client service standards; administrative appeals; and integrity and anti-corruption. During the mission the team met with the key LCD counterparts responsible for each of the content areas to discuss the quality and relevance of contract deliverables and the progressive implementation of their key recommendations. The mission also took advantage of the in-country presence of the consultant responsible for supporting the enhancement of the LCD's risk management and intelligence capabilities.

² WTO refers to World Trade Organization in Geneva, Switzerland.

³ WCO refers to World Customs Organization in Brussel, Belgium.

20. *Compliance Improvement and AEO.* The mission was encouraged by the significant progress made to date, particularly with design and implementation of Lao PDR's Authorized Economic Operator regime (to be known initially in Lao PDR as the Customs Accredited Client Program). The program is expected to be formally launched in June 2017, initially on a pilot basis, with five large firms participating in the scheme. Work is now progressing on issuing an appropriate Ministerial Decree and Implementation Instructions, finalizing MoUs with the participating firms, and the establishment of a National AEO Steering Committee under the Chairmanship of the Vice Minister of Finance. Once implemented, participating firms will be able to take advantage of simplified reporting requirements as well as consolidated declarations and associated duty deferment arrangements⁴. The pilot scheme will be reviewed after six months of operation and will be progressively opened to additional firms that are able to demonstrate they meet the required criteria for participation. Expansion of the scheme is, however, heavily dependent on the LCD enhancing its Post Clearance Audit capabilities to cope with the increase in workload and complexity associated with assessing firm eligibility and monitoring compliance. Likewise, some changes to the ASYCUDA system will need to be made to ensure promised benefits are available to participating firms. Given its potentially large impact on the trading community the mission stressed the importance of a fully effective change management and communication strategy to both prepare firms participating in the pilot and to effectively manage the expectations of firms not involved initially.

21. *Change Management and Communication.* In connection to the AEO program implementation, the mission highlighted the need for the LCD to fully implement the recommendations provided by the change management and communication specialist in the change management and communications strategy, particularly the need to establish a formal mechanism for regular dialogue with the trading community. The mission recommended that such a communication and cooperation mechanism could be established in close cooperation with the National Trade Facilitation Secretariat (Chaired by the Minister of Commerce) as the Secretariat has a clear mandate to improve public/private dialogue on trade facilitation related matters.

22. *Performance Monitoring and Client Service Standards.* The consultant completed the report on performance monitoring framework and it was accepted by LCD. The report includes elements of a sound performance management framework appropriate to the needs of the LCD and a series of prerequisites, objectives, quantifiable targets, KPIs, as well as some core principles that should be followed. To illustrate how such a framework would work in practice the consultant prepared an example of a monthly performance monitoring framework that would be appropriate for the LCD. The framework identified strategic objectives, responsible divisions, quantifiable targets, KPIs, milestones, baseline values, performance outcome expected, and current status areas. The framework was discussed with key counterparts and fully presented to and discussed with the LCD executive and project management team in February 2017. The mission team was informed that the framework is being incorporated into the five strategic plan from 2017-2022. The consultant has collected information on client service from LCD for analysis and will provide recommendation based on international best practice in his report. The draft report on client service standards is also being finalized by the consultant and will be submitted to LCD by end of April 2017.

23. *Risk Management and Intelligence.* During the mission, meetings were held with LCD officials overseeing the risk management and intelligence component as well as the specialist international consultant supporting this work. The consultant has identified several challenges to the adoption of international standards including the current organizational structure and the lack of a structured

⁴ Dependent on Ministry of Finance approval which has not yet been confirmed.

process for information collection, analysis, reporting and dissemination as well as the lack of an automated tool to store and maintain intelligence records. While the ASYCUDA system provides a basic selectivity capacity it is currently underutilized and records on inspection results have not been recorded in the system. Previous results are therefore not used effectively to inform future risk profiles. This situation has recently been addressed by enhancements to the ASYCUDA world system which now provides for all inspection results to be recorded in the system. Specific staff instructions have also been prepared and issued to formally require inspection officials to record results. In addition to completing an assessment of the current situation, the consultant has conducted risk management awareness training sessions for over 120 LCD staff to ensure key operational personnel share a sound understanding of basic risk management theory and practice and have a sound understanding of the potential contribution of intelligence to customs operations. Further more advanced training sessions will be conducted in the next months for risk management and intelligence staff. The training conducted to date has been well received and feedback from participants has been positive. The consultant has also reviewed the requirements for ICT support for both research and analysis and intelligence support. In this effort he is working closely with the project's international ICT Advisor to identify requirements that can be supported in the long term by the LCD's ICT team. The consultant is now working with LCD staff to improve and expand risk profiles to better target high risk cargo and reduce time consuming inspections of low risk cargo.

24. The mission reviewed the consultant's written deliverables and suggested a number of enhancements that would improve their immediate relevance and assist LCD officials to fully implement all key recommendations. In particular, the mission recommended that the risk management strategy be restructured and enhanced by the inclusion of a full implementation action plan. The mission noted that work has been completed on user requirements and technical specifications for potential ICT systems to support the LCD's risk management and intelligence work and the consultant's recommendation for the LCD to explore the feasibility of installing the WCO's "n-CEN" intelligence support system offered to WCO member administrations. While not familiar with the functionality offered by the WCO system the mission recommends LCD officials make contact with the WCO to explore the possibility of acquiring the system including appropriate training in its use. The mission also agrees with the consultant's recommendation that the LCD obtain a small number of user licenses for the "QlikView" system currently being used by the project's international ICT advisor which provides a powerful research and analysis tool at a relatively low cost and can draw on operational data available via the ASYCUDA World system.

25. *Administrative Appeals.* The international consultant engaged to develop a framework and implementation strategy for administrative appeals has conducted two visits to identify current gaps and existing legislative provisions and to identify the issues and procedural steps needed to ensure effective implementation of the Ministry of Finance's decision⁵ to adopt a three stage administrative appeals process. Stage one involves an initial review by the LCD at checkpoint level, stage two involves a Ministry of Finance review, and stage three involves a judicial review of decisions. The consultant has also provided advice on the development of the necessary enabling procedures (forms, procedures, SOPs, scope, etc.) to implement the appeal regime. The consultant's deliverables have now been accepted by LCD management and implementation guidelines are currently being finalized. One outstanding issue that remains to be resolved is the legal procedures for refunding duties previously paid in the event of a successful appeal against an uplift in duty or fine is imposed by the LCD. The current Customs legal framework does not provide provision for a refund of duties collected incorrectly.

⁵ Ministerial Instruction on Customs Administrative review, May 31, 2016 which establishes principles, regulations and procedures.

The mission offered a number of suggestions on how this issue could be resolved including the use of tax credits to offset future tax or duty collections.

26. Ultimately, a more permanent solution will be included in a proposed revision of the Lao Customs Law to be submitted to the national assembly in 2018 and expected to come into force in 2019. The revision of the Customs law to be submitted to the National Assembly will draw heavily on detailed work performed by the international legal advisor engaged under the project. The legal advisor has submitted a detailed report consisting of over 800 pages of analysis and has made recommendations on amendments needed to ensure compliance with the provisions of the WCO's RKC and the WTO's TFA. Lao PDR ratified its accession to the WCO's RKC in July 2016 and to the WTO TFA in September 2015.

27. *Customs Integrity and Anti-Corruption.* While consultant deliverables under the integrity and anti-corruption component have been reviewed previously, the mission was able to undertake a detailed review of the draft code of conduct and ethics developed and submitted by the international consultant in recent months. The mission noted that the draft code is generally consistent with the WCO's Arusha Declaration on Integrity in Customs and model code of ethics and conduct as well as the principles underpinning the UN Code of Conduct for Public Officials. While satisfied with the draft code, the mission made several recommendations for amendments to better customize it to the needs and operating environment of LCD officials. In particular, the mission recommends that the Code add additional specificities in regards to reporting requirements for officials.

28. *Visit to Thanaleng and Friendship Bridge 1 Customs Offices.* On 21 April, 2017 the mission visited Thanaleng Customs Office to review project equipment procurements including those associated with the ASYCUDA Disaster Recovery Center and backup electricity generator. The mission also used the visit to review operation of the Inspection Act enhancements made to the ASYCUDA system (described above). The system is operating effectively and based on the inspection report example reviewed by the mission and feedback from inspection officials seems to have been implemented successfully. During the visit the mission noted that while appropriate access security had been installed (including fingerprint readers on access doors and Customs Officials Only signage) there appeared to be very little attention paid to actually controlling access by the trading community. Private sector traders seemed to have unescorted access to what would normally be regarded as secure processing areas. The mission therefore recommends that additional attention be paid to enforcing appropriate security and public access disciplines.

29. *Sustainability of reforms.* While progress against the PDO has been solid and a wide range of reforms in line with international standards have now been achieved, there are several areas where additional implementation support and advice will be required in the period immediately following project closure. These include: 1) full and effective implementation of the AEO scheme and related training for post clearance audit officials; 2) capacity building for risk management and intelligence; 3) ICT systems and infrastructure sustainability; and (4) revision of the Lao Customs Law. All of these areas are separate but interdependent, and all relate specifically to full and effective implementation of the WTO Trade Facilitation Agreement. As such, the mission has held preliminary discussions with the Global Trade team in the Trade and Competitiveness Global Practice to determine whether Lao PDR would be eligible to receive grant funds from the Trade Facilitation Support Program (TFSP). The mission was advised that Lao PDR is eligible for a TFSP grant and that the LCD may consider preparing and submitting a formal request through the Lao PDR World Bank Group office.

IV. RESULTS FRAME WORK & MONITORING AND EVALUATION

30. Project has made a good progress toward achieving PDO. The project has made significant results toward project indicators in achieving the PDO. The PDO is to facilitate trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures to eliminate duplication and redundancy, reduce transaction costs and time to clear goods, and transparency and accountability. Four PDO indicators were designed to capturing improvement in efficiency and effectiveness of customs administration. As reported in the previous Aide Memoire, the first PDO Indicator was achieved at 6.4 hours, exceeding the indicator target of 7.4 hours at the end of the project by reduction in mean import, export and transit clearance times for commercial shipments. Likewise, the project also achieved the second PDO Indicator of which the target was to reduce the number of steps to clear commercial shipments to 4 for imports and 3 for exports. LCD adopted a new streamlined customs procedure that cut clearance steps from 5 to 4 for imports and 4 to 3 for exports in February 2017 and was effective as of March 1, 2017 across the country (see **Annex 7A-7C**).

31. The third PDO Indicator focuses on customs effectiveness that targets to increase the ratio of detections over inspection by customs to 2.9. During the mission, LCD reported that there was no reliable information or records that could report on progress of this indicator. Inspection results were entered manually to the SAD hardcopies at time of carrying out physical inspections, resulting in huge difficulty to retrieve the detection ratio across all border checkpoints. The recent customization of the Inspection Act allows for customs inspectors to enter detection information or inspection results as well as record inspector's resolution measures electronically into the ASYCUDA World system making detection information easily retrievable. To address the issue of unavailability of reliable records, a proxy measurement of risk management capacity has been used to report on the Indicator. LCD has used risk management since 2013 to facilitate low risk cargos but target high risk ones across borders. The selectivity data of the risk management has shown that customs declarations that are subject to full physical inspections have declined to 46 percent in 2017 from 50 percent in 2015, 60 percent in 2013 and 100 percent in 2012 at time of piloting the ASYCUDA World system. The reduction in full physical inspections has demonstrated improvements in customs effectiveness over time which largely relied on risk registers, analysis, profiling and targeting.

32. Lastly, the fourth PDO Indicator also focuses on customs effectiveness that aims to increase client perception of customs performance and integrity as measured by the World Bank's Logistics Performance Index (LPI). As the latest LPI report was already captured in the Aide Memoire of August 2016 and there is no new LPI data available during this mission, like the third PDO Indicator, Enabling Trade Index⁶ (ETI) has been used as a proxy measurement to capture the progress of this indicator. As measured by ETI, Lao PDR improved 7 points in ranks on the indicator of "Efficiency and Transparency of Border Administration" from 100 in 2014 to 93 in November 2016. Likewise, this measure is also in line with the perception measurement under the 2016 World Bank Enterprise Survey for Lao PDR. The firm perception under the Enterprise Survey shows that there was only 7.6 percent of firms in 2016, dropping from 12.4 percent in 2012, that identified customs and trade regulations as a major constraint.

V. FIDUCIARY

33. **Procurement.** The overall procurement performance remains "**Satisfactory**". The mission reviewed the progress of procurement work for the project. All procurement packages were completed

⁶ EPI was published in November 2016 by the World Economic Forum.

as per approved procurement plan and all goods were completely delivered to the project. The mission also conducted a procurement ex-post review for the procurement packages which were procured by project at FY 17. There are no major issues found during the review and the letter of procurement ex-post review finding will be sent to the project.

34. **Financial Management.** The overall financial management performance remains “**Moderately Satisfactory**”. Although IFRs have been submitted regularly and timely, the FY16 audit report was submitted after the due date. The issue regarding the whereabouts of a project vehicle remained unresolved. This is a serious issue requiring immediate action. Assets purchased should be use for the project’s purpose and remained at and for the use of the project until the project closes. Disbursement is still low at approximately 75.67% of the total allocation. The mission team also identified a few weaknesses in internal controls, namely (1) missing supporting documents for certain transactions. LCD needs to provide those documents otherwise they will become ineligible for financing; (2) incomplete and inaccurate information reported in the fixed asset register (FAR). Current cash and bank balances is also low (US\$0.03); this could result in fund shortages hindering the smooth implementation of the project. Therefore, application for replenishment to the DA should be submitted regularly to ensure fund sufficiency.

35. **Disbursement.** Disbursement of CTFP-AF grant of US\$6.5 million as of May 29, 2017 is 75.67% (up by 19.67% from the August 2016 mission). Disbursement is still considered low since the project only has about 1 month to closure. Based on information provided by LCD, the project is expected to disburse approximately US\$1.4 million in the next few months, which would bring disbursement to approximately 95-100% of total allocation. We also noted that current cash and bank balances is low. Last replenishment to the Designated Account was made in January 2017. Certain withdrawal applications were also not completed properly resulting in delay in processing and thus delaying payment to suppliers/service providers. It was also noted that significant time was taken to review and approve withdrawal applications. We urge LCD to ensure that withdrawal applications are prepared with complete and correct information and also work closely with the External Finance Department to speed up the approval of the application given the limited remaining time to disburse project funds. All activities/services/goods must be completed/rendered/delivered prior to the closing date for expenditure to be eligible for financing. Expenditure relating to consulting services, except for audit services, cannot be incurred after the project closing date. Same applies to operating cost. All expenditure incurred before the closing date, including advance to UNCTAD, must be documented before the disbursement deadline date by October 31, 2017. At present, advance to UNCTAD amounting to US\$0.08 million remained to be documented.

36. **External audit and findings from audit.** The FY16 audit report and management letter were submitted after the due date. A number of issues raised by the auditors in the previous year remained unresolved, in particular the issue relating to the whereabouts of a project vehicle. This issue needs to be resolved urgently. During the mission’s visit to Thanaleng checkpoint, the mission team noted that FAR was not updated with complete and accurate information, certain asset items were not labelled with inventory numbers, certain broken and damaged items were still reported as in good condition and certain items were moved to other locations but not reported in the FAR. The mission team recommends that LCD arrange to carry out final count of project assets in accordance with the Ministry of Finance Regulation No.2695/MOF on Financial Management of ODA and update the asset register accordingly. This should be completed before project closing.

37. *Financial reporting.* Submission of the Interim unaudited financial report is up to date and have been submitted timely. There remained two IFRs to be submitted i.e. for the quarters ended March 2017 and June 2017 respectively.
38. *Transaction review.* A sample of transactions was selected for review. Summary of our findings and recommendations are as follows:
- a) Missing supporting documents for certain transactions. Supporting document was eventually provided; however, expenditure amounting to 66,560,000 Kip remained unsupported. It was agreed that the LCD will provide the missing supporting documents by May 12, 2017. If additional documents cannot be provided, the amount shall be refunded to the project designated account; and,
 - b) Justification for selection of venue for training or workshop that is not the lowest quote was not documented. This is a repeated issue from previous reviews. Documentation of the justification is to ensure that the selection has been done properly with due regard to economy and transparency.

VI. CONCLUSION

39. The project has made significant progress toward project indicators in achieving the PDO. Component A has satisfactorily achieved key results in contributing to the PDO. The ASYCUDA system was also rolled out to 3 additional customs checkpoints in 2017 and this brought 24 checkpoints in total to run live with the ASYCUDA World system, achieving the targets at the project design. In addition, LCD rolled out SmartTax to more ASYCUDA World installed checkpoints to facilitate the payment of customs duties and fees with direct link to National Treasury. There are now 18 checkpoints with SmartTax running live. Component B has also been satisfactory with key outputs and results. The mission was encouraged by significant progress made to date on the two large technical assistances (1) Customs Training Center Development Program and (2) Customs Capacity Enhancement Program. However, there is an urgent need for LCD to accelerate the disbursement pace against the deliverables that have been submitted and accepted. There are only one month toward the closing date June 30, 2017.

40. Noting the strong results made to date, LCD was requesting during the mission for additional support to ensure sustainability of reforms especially 1) full and effective implementation of the AEO scheme and related training for post clearance audit officials; 2) capacity building for risk management and intelligence; 3) ICT systems and infrastructure sustainability; and (4) revision of the Lao Customs Law. These areas are critical to ensure further impact of customs modernization that has been achieved over the lifetime of CTFP.

41. The Implementation Completion and Status Report (ICR) mission is agreed with Lao Customs Department during July 3-14, 2017.

ANNEX 1. List of government officials and stakeholders met during the mission

No.	Name	Position	Organization
1	Mr. Bounpaseuth Sikounlabout	Acting Director General, LCD/Project Leader	MOF
2	Mr. Vongkhamheng Vongthachak	Deputy Director General, LCD	MOF
3	Mr. Angkhansada Muangkham	Deputy Director General, EFD	MOF
4	Mr. Anousak Sisa-ad	Deputy Director of ICT and Planning Division, LCD	MOF
5	Mr. Thanomsit Khaophibane	Deputy Director of Legislation Division, LCD	MOF
6	Mr. Sompasong Amphaengphai	Deputy Director of Customs Procedures, LCD	MOF
7	Mr. Phoukhong Ouanlamany	Project Analyst, CTFP, LCD	MOF
8	Ms. Anisara Sombounkhan	Deputy Director of International Cooperation Division, LCD	MOF
9	Mr. Sanya Khamson	Deputy Director of International Cooperation Division, LCD	MOF
10	Mr. Souksavanh Bouapha	Deputy Director of Organization, Administration and Training Division, LCD	MOF
11	Mr. Sengsavanh Phouangmanichanh	Deputy Director of Post Clearance Audit Division, LCD	MOF
12	Mr. Ketmany Sivongsa	Financial Management Officer, CTFP, LCD	MOF
13	Mme. Thongdy Southichak	National Customs Regulation Specialist, LCD	MOF
14	Mr. Sengphet Thanongsakd	National Procurement Consultant, CTFP, LCD	MOF
15	Ms. Boualian	Deputy Director of Custom inspection and anti-smuggling division, LCD	MOF
16	Mr. Phasith Phetlitmany	Deputy Director of Division, LCD	MOF
17	Mr. Bouavang Atanaphone	Deputy Chief of Thanaleng Customs Checkpoint	MOF
18	Mr. Sengsavanh Phouangmanichanh	Deputy Director of Post Clearance Audit Division, Lao Customs Department.	MOF
19	Mr. Vongvanpheng Phoumsavanh	Chief of Lao-Thai Friendship Bridge 1 Customs Checkpoint, Vientiane Capital	MOF
20	Mr. Soutchay Inthavong	Deputy Chief of Lao-Thai Friendship Bridge 1 Customs Checkpoint, Vientiane Capital	MOF
21	Phonsavanh Thammassith	Head of Unit, Legislation Division, LCD	
22	Mr. Sengphet Sourichack	Deputy Chief of Inspection Unit	MOF
23	Ms. Bouasavanh Viphasouk	Deputy Head of unit, Wattai International Airport, LCD	MOF
24	Mr. Michael Squirrel	International ICT Advisor, ICT and Planning Division, LCD	MOF
25	Ms. Phonethipha Sensoulintha	Assistant to Customs Advisory Team	MOF
26	Mr. Pakaysith Vannavong	Assistant to LCD	MOF
27	Mr. Frans Hartman	Risk Management and Intelligence Specialist	QI-BIVAC

ANNEX 2. List of Mission Team Members

1. Konesawang Nghardsaysone, Trade Economist and Task Team Leader (GTCDR)
2. Gerard McLinden, Lead Specialist (GTCDR)
3. Ramesh Siva, Lead Information Specialist (GTIDR)
4. Mombert Hoppe, Senior Trade Economist (GTCDR)
5. Siriphone Vanitsaveth, Financial Management Specialist (GGODR)
6. Saysi Sayaseng, Financial Management Consultant (GGODR)
7. Kingfa Si Oudomphan, Financial Management Consultant (GGODR)
8. Souksavanh Sombounkhanh, Program Assistant (EACLF)
9. Latharo Lor, Procurement Specialist (GGODR).
10. Alina Phonvisay, Program Assistant (EACLF)

ANNEX 3. Final Table of Agreed Actions as of April 25, 2017—Mission Wrap-Up

TABLE OF AGREED ACTIONS				
Action	Responsible entity	Proposed timeline	Comments	Status
Component A				
1. Send a reminding letter to UNCTAD to complete the pending priority tasks	LCD Acting DG	April 28, 2017 Agreed	The pending tasks are important to ensure LCD can launch the manifest, webservices and e-payment.	Completed
2. Adopt the strategic IT plan for sustainability and business continuity	LCD Acting DG	June 15, 2017 agreed	ASYCUDA System hardware needs to be replaced and maintenance services are required. ASYCUDA User Fees were collected to cover the costs of a sustainability and business continuity of the system.	In progress
3. Establish routine schedules of maintenance for the back-up generators	LCD Division ICT and Organizational Division	June 15, 2017 agreed	To ensure that the back-up generators are stable and reliable when there are power outages.	In Progress
Component B				
4. Establish the National Steering Committee on AEO	Minister of Finance/DG of LCD	May 15, 2017 Agreed	National Committee for AEO will enable the consultations on AEO instructions	Completed
5. Study tour on AEO to Thailand	DG of LCD	Mid-June 2017 Agreed		In progress
6. Approve the MOF Instruction on AEO implementation including the streamlined customs procedures including deferred payment and periodical consolidated declarations for AEO companies	Minister of Finance/DG of LCD	June 20, 2017 Agreed	AEO instruction will enable the pilot of the AEO Scheme	In progress
7. Sign MOU with four companies/Launching ceremony	DG of LCD	June 20-25, 2017 Agreed at least one company		Not due yet

8.	Sign the LCD guideline on customs administrative appeals to implement the MOF Instruction	DG of LCD	June 15, 2017 Agreed	The guideline will enable the implementation of administrative appeals mechanism. Tax Credit Letter may need to be discussed as part of the guideline to offset refund as the refund mechanism is constrained by the legal framework.	Ongoing
9.	Embed the new set of risk profiles into the ASYCUDA selectivity operation	DG of LCD/ICT Division/PCA	June 15, 2017 Agreed.	To ensure better targeting of high risk cargos	Ongoing
10.	Adopt the new ethical Code of Conduct for LCD staff	DG of LCD	June 15, 2017 Agreed.	To establish a practical framework to measure staff performance.	Ongoing
11.	Submit the draft TRS report to LCD	LCD	June 30, 2017 Agreed.		Not due yet
12.	Prepare a final completion report for CTFP	LCD/PIU	June 30, 2017 Agreed	To close the project.	Not due yet
Fiduciary					
13.	Provide information to the World Bank team of the whereabouts of the project vehicle (registration No.8998)	LCD	May 12, 2017 Agreed.		Completed
14.	Provide additional supporting documents for the following transactions: Invoice/receipt in support for accommodation cost in Bangkok for ICT training Oct- Nov 2016 – 66,560,000 Kip	LCD	May 12, 2017 Agreed		Completed
15.	Arrange to carry out final count of project asset for all 24 checkpoints and LCD HQs	LCD	June 15, 2017 Agreed		Ongoing
16.	Submit IFR for the quarter ended March 31, 2017	LCD	May 15, 2017 Agreed		Completed
17.	Submit IFR for the quarter ended June 30, 2017	LCD	August 15, 2017 Agreed		Not due yet

18.	Submit the final withdrawal application	LCD	October 31, 2017 (the application should arrive the World Bank Manila office by this date) Agreed		
19.	Submit final project audit report and management letter	LCD	December 31, 2017 Agreed		
20.	Follow up with UNCTAD on utilization report	LCD	Regularly		Ongoing

ANNEX 4. Financial Statement of ASYCUDA User Fee as of November 18, 2016.

No.	Fiscal Year	Revenues (LAK)	Expenses (LAK)	Balance (LAK)
1	2	3	4	=3-4
1	2012-2013	14,981,814,000	15,997,375,986	(1,015,561,986)
2	2013-2014	17,011,877,891	12,003,920,768	5,007,957,123
3	2014-2015	19,461,224,860	23,746,584,096	(4,285,359,236)
4	2015-2016	21,345,363,583	19,753,862,300	1,591,501,283
	ລວມ	72,800,280,334	71,501,743,150	1,298,537,184
USD Equivalence		Revenues (US\$)	Expenses (US\$)	Balance (US\$)
1	2	3	4	=3-4
1	2012-2013	1,827,050	1,950,900	(123,849)
2	2013-2014	2,074,619	1,463,893	610,726
3	2014-2015	2,373,320	2,895,925	(522,605)
4	2015-2016	2,603,093	2,409,008	194,086
	Total	8,878,083	8,719,725	158,358

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ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນະຖາວອນ

ກົມພາສີ

ພະແນກຈັດຕັ້ງ, ບໍລິຫານ ແລະ ສັດທະນາບຸກຄະລາກອນ

00270

ເລກທີ: ກພສ.ຈ.ບຍ

ນະຄອນຫຼວງວຽງຈັນ, ລົງວັນທີ: 18 NOV 2016

ສະຫຼຸບ ລາຍຮັບ-ລາຍຈ່າຍ ເງິນຄ່າບໍລິການຄຸ້ມຄອງຂໍ້ມູນການແຈ້ງພາສີ

(ສິກປີ 2012-2013 ; 2013-2014 ; 2014-2015 ; 2015-2016)

ລ/ດ	ສິກປີ	ລາຍຮັບ	ລາຍຈ່າຍ	ຜາຍເຫດ
1	2	3	4	5
1	2012-2013	14,981,814,000	15,997,375,986	
2	2013-2014	17,011,877,891	12,003,920,768	
3	2014-2015	19,461,224,860	23,746,584,096	
4	2015-2016	21,345,363,583	19,753,862,300	
	ລວມ	72,800,280,334	71,501,743,150	

ສິວໜ້າພະແນກຈັດຕັ້ງ, ບໍລິຫານ ແລະ ສັດທະນາບຸກຄະລາກອນ



ໜ່ວຍງານການເງິນ

(Signature)

ຜູ້ສະຫຼຸບ

(Signature)

ANNEX 5. List of International Customs Checkpoints⁷ with live operation of the ASYCUDA World System and SmartTax

No.	Checkpoints	Date of rollout completion	Network Connection Mode	SmartTax Rollout in 2015
1	Boten (LuangNamtha)	2012	Fibre	Yes
2	Namphao (Bolikhamsay)	2012	Fibre	Yes
3	Thanaleng Customs (Vientiane Capital)	2011	Fibre	Yes
4	Friendship Bridge 2 (Savannakhet)	2012	Fibre	Yes
5	Friendship Bridge 3 (Khammuan)	2012	Fibre	Yes
6	Friendship Bridge 4 (Bokeo)	2012	Fibre	Yes
7	Vangtao (Champasack)	2012	Fibre	Yes
8	Dansavanh (Savannakhet)	2012	Fibre	Yes
9	Namheuang (Xayabouly)	2012	Fibre	Yes
10	Namsouay (Houaphanh)	2012	Fibre	
11	Wattay International Airport (Vientiane Capital)	2012	Fibre	Yes
12	Phoukeu (Attapeu)	9-Feb-15	Fibre	Yes
13	Naphao (Khammouan)	11-Feb-15	Fibre	Yes
14	Paksan (Bolikhamsay)	18-Feb-15	Fibre	Yes
15	Namkan (Xiengkhouang)	1-Mar-15	Fibre	Yes
16	Namngern (Xayabouly)	2-Mar-15	Fibre	Yes
17	Nongnokkhen (Champasack)	1-Apr-15	Internet 3G	
18	Phoudou (Xayabouly)	2-Apr-15	Internet 3G	Yes
19	Pahang (Houaphanh)	6-May-15	Internet 3G	
20	Banmom (Bokeo)	7-May-15	Internet 3G	
21	Panghok (Phongsaly)	18-May-15	Internet 3G	
22	Savanh Logistics Park (Savannakhet)	2016	Fibre	Yes
23	Thanaleng Container Yard Warehouse (Vientiane Capital)	2016	Fibre	
24	Friendship Bridge 1 (Vientiane Capital)	2016	Fibre	Yes

⁷ Pakse and LuangPrabang International Airports are not deployed with the system because of limited volume of trade.

ANNEX 6A. List of the second lot of back-up generator sites

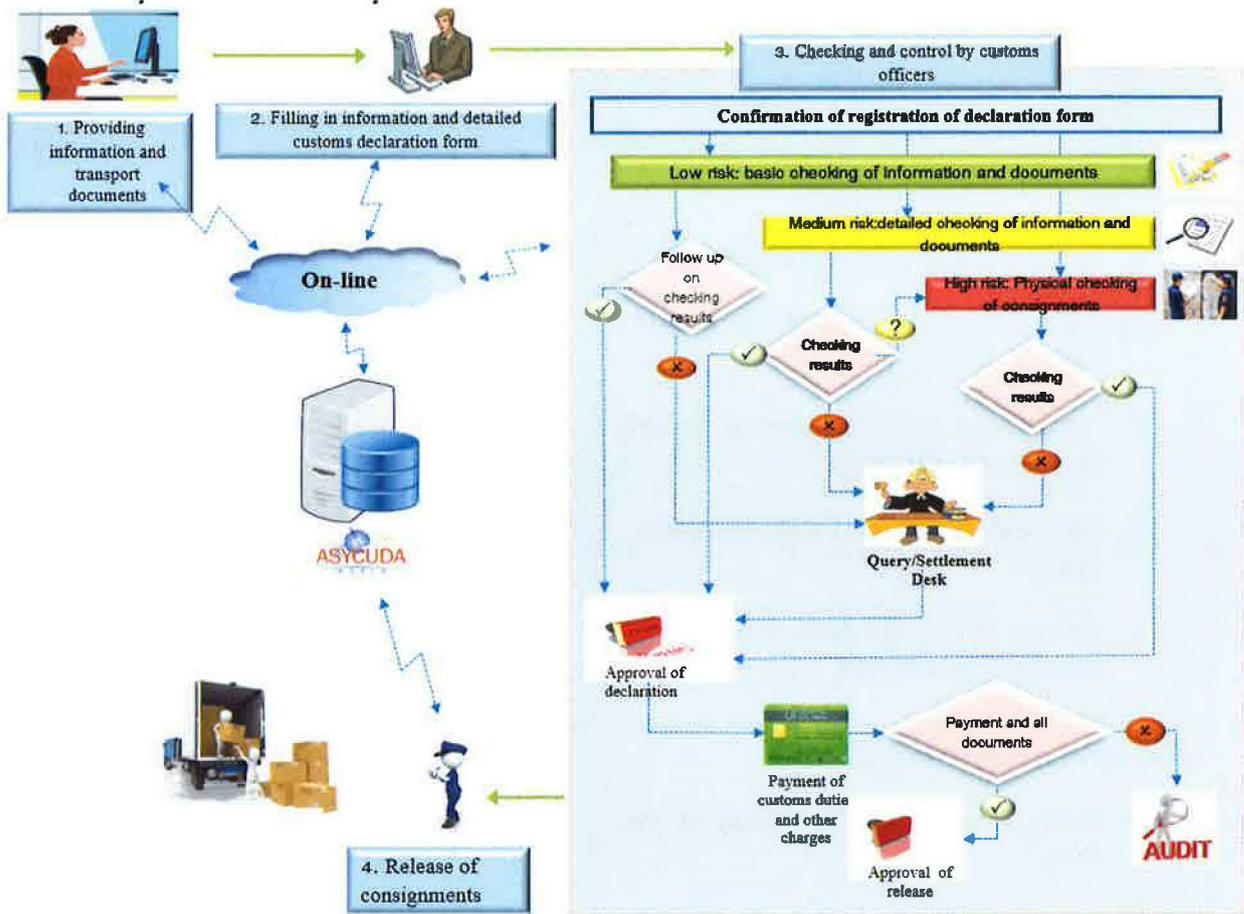
No.	List of Sites	Power Capacity	Date of Completion
1	Customs Department, Vientiane Capital	66 kVA	21-Oct-2016
2	Wattay International Airport, Vientiane Capital	33 kVA	21-Oct-2016
3	Namsoy Border, Houaphanh	66 kVA	25-Oct-2016
4	Declaration Control Building, Namphao Border, Bolikhamxay	33 kVA	20-Oct-2016
5	Vehicle/Passenger Checking Building, Namphao Border, Bolikhamxay	12 kVA	20-Oct-2016
6	Vehicle/Passenger Checking Building, Dansavanh Border, Savannakhet	12 kVA	18-Oct-2016
7	Declaration Building, Friendship Bridge II, Savannakhet	66 kVA	18-Oct-2016
8	Vehicle/Passenger Checking and Warehouse Control Building, Friendship Bridge II, Savannakhet	12 kVA	18-Oct-2016
9	Vehicle/Passenger Checking Building, Vangtao Border, Champasack	12 kVA	14-Oct-2016
10	Customs Office, Friendship Bridge I Checkpoint, Hatsayfong District, Vientiane Capital	110 kVA	November 2014
11	Boten Customs Checkpoint, Ban Boten, Luang Namtha District, Luang Namtha Province	33 kVA	November 2014
12	Boten Warehouse, Ban Boten, Luang Namtha District, Luang Namtha Province	66 kVA	November 2014
13	Customs Dansavanh Checkpoint, Ban Dansavanh, Xepon District, Savannakhet Province	130 kVA	November 2014
14	Customs Namheuang Checkpoint, Ban Chomphet, Kenthao District, Xayabouly Province	33 kVA	November 2014
15	Customs Vangtao Checkpoint, Ban Vangtao, Phonthong District, Champasack Province	66 kVA	November 2014

ANNEX 7A. Streamlined Customs Procedures

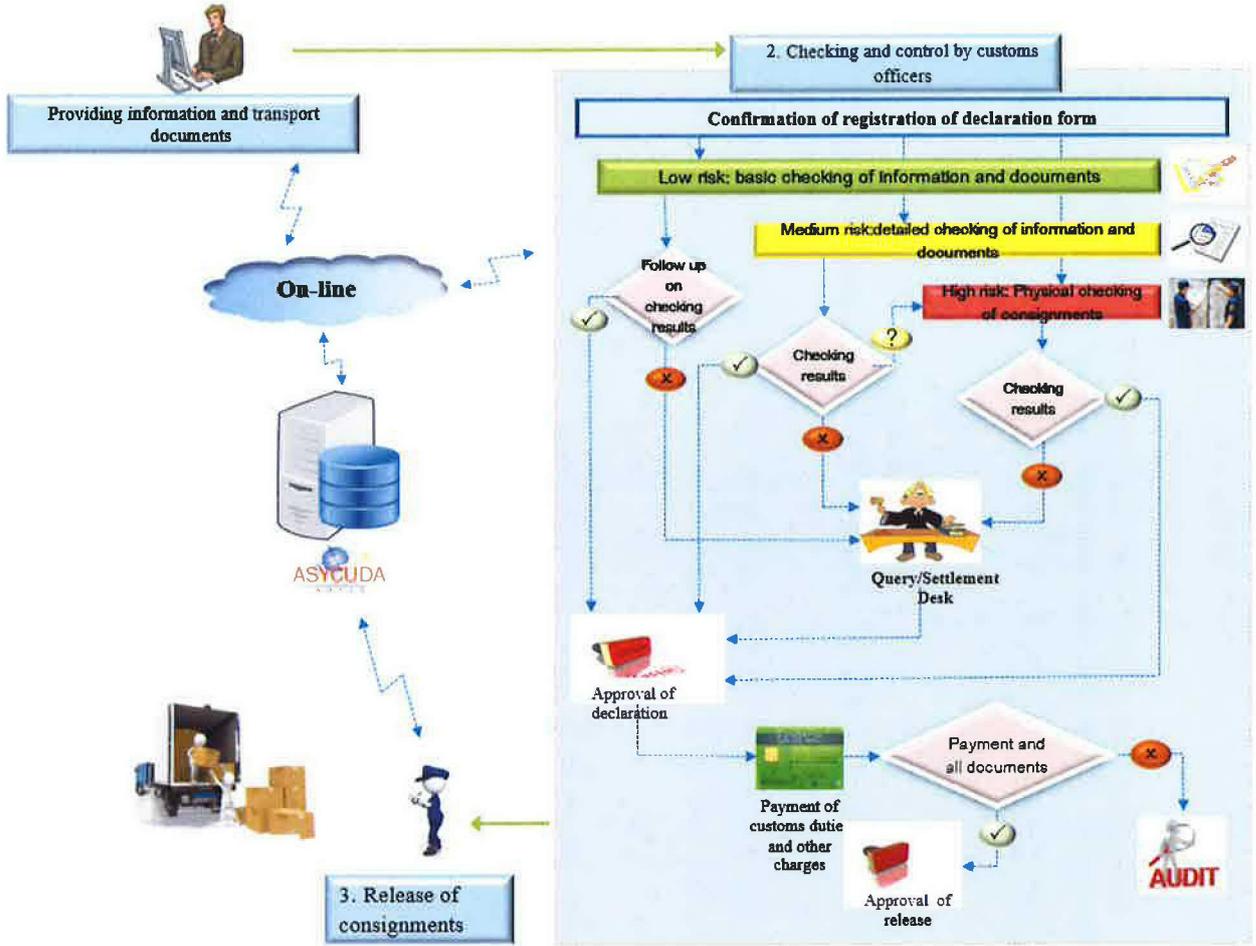
Old Customs Procedure (LCD Guideline # 10503)	New Streamline customs procedure (LCD Guideline # 00097, Effective as of March 1, 2017)
<p><i>Old import customs procedure</i></p> <ol style="list-style-type: none"> 1. Submission of transport document 2. Filling detailed data in the declaration form 3. Acceptance of declaration and control by customs officers 4. Payment of customs duties and other charges 5. Release of consignments from customs checkpoints 	<p><i>New import customs procedure</i></p> <ol style="list-style-type: none"> 1. Submission of transport document 2. Filling detailed data and detailed declaration documents 3. Inspection and control by customs officers 4. Release of consignments from customs checkpoints
<p><i>Old export customs procedure</i></p> <ol style="list-style-type: none"> 1. Filling detailed data in the declaration form 2. Acceptance of declaration and control by customs officers 3. Payment of customs duties and other charges 4. Release of consignments from customs checkpoints 	<p><i>New export customs procedure</i></p> <ol style="list-style-type: none"> 1. Filling detailed data and detailed declaration documents 2. Inspection and control by customs officers 3. Release of consignments from customs checkpoints

Source: LCD

Annex 7B. Streamlined Customs Procedure for Imports



Annex 7C. Streamlined Customs Procedure for Export



ANNEX 8. Attached an update to the Result Framework

Project Development Objective (PDO): To facilitate trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures to eliminate duplication and redundancy, reduce transactions costs and time to clear goods, and increase transparency and accountability.

PDO Level Results Indicators	Core	UOM ⁸	Baseline Origin Project Start (2009)	Progress To Date (2012)	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2013	2014	2015	2016	2017				
1. Reduction in mean import, export and transit clearance times for commercial shipments by 10 percent per year.	<input type="checkbox"/>	Hours	17.9	11.2	10.1	9.1	8.2	7.4	7.4	Every 1-2 years	Time Release Survey (TRS)	LCD	Reduction in mean time to clear imports of 34% during 2009-12
				Actual	No data	No data	No data	6.5	6.5				
2. Reduction in the number of steps to clear commercial shipments by 25 percent.	<input type="checkbox"/>	Number of steps	9 / 7 (import / export)	5 / 4	5 / 4	4 / 3	4 / 3	4 / 3	4 / 3	Every 1-2 years	LCD regulations	LCD	Reduction in number of steps to import from 9 to 5 and to export from 7 to 4 during 2009-12
				Actual	5 / 4	5 / 4	5 / 4	5 / 4	5 / 4	4 / 3			
3. Increase in the ratio of detections/inspections by 10 percent per year [based on available ASYCUDA	<input type="checkbox"/>	%	N/A	1.2	1.5	1.9	2.3	2.9	2.9	Annual	ASYCUDA	LCD	Indicator of increased use and effectiveness of customs risk

⁸ UOM = Unit of Measurement.

data and reports for the purposes of customs control].			Actual	No data	0.88 ⁹	0.91 ¹⁰	No data ¹¹			management reports		management and ASYCUDA selectivity
[Proxy Measurement: the percentage of SAD subject to physical inspections decreases]			100	60	52	50	46	46	Annual	LCD report on selectivity data	LCD	No reliable information or records are available to report on progress of this indicator. Inspection results were entered manually to the SAD hardcopies at time of carrying out physical inspections, resulting in huge difficulty to retrieve the detection ratio across all border checkpoints.
4. Increase in client perceptions of customs performance and integrity	<input type="checkbox"/>	Index	2.08	2.5	2.6	2.7	2.8	2.8		Logistics Performance	WB	Sustained improvements in performance as

⁹ The ratio was calculated based on the selectivity data (October 2013-March 2014) from the Lao Customs Department

¹⁰ The ratio was calculated based on the selectivity data (Nov 2014 – July 2015) from the Lao Customs Department.

¹¹ Data on customs detections are not currently retrievable by the system recording. Currently, a reporting system is prepared to retrieve the detection data from the ASYCUDA system.

as measured by World Bank survey results by 25 percent.			Actual	No data	2.45	No data	1.84	1.84	Every 2-3 years	Index (LPI)	measured by the LPI. Next LPI to be issued in 2016
[Proxy measurement: Rank of Export Performance Index on Efficiency and Transparency of Border Administration]					100	100	77	77			Proxy measurement was used to report on the progress of the PDO Indicator 4 as there are no latest data available under LPI.
Intermediate Results and Indicators											
Intermediate Results Indicators	Core	UOM	Baseline	Progress To Date (2012)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2013	2014	2015				
Intermediate Result 1: Improved customs processes and procedures.											
1. Full acceptance of electronic data submission for customs declaration procedures by the end of 2013	<input type="checkbox"/>	Text	Not initiated	Partially completed			Partially completed	Partially completed		Progress reports	Partially completed.

Intermediate Result 2: Improved ICT infrastructure which supports the implementation of the new customs processes and procedures and is sustainable and reliable.											
2. Prototype developed and accepted by government	<input type="checkbox"/>	Text	Not initiated	Completed							
3. Accepted prototype validated at pilot site	<input type="checkbox"/>	Text	Not initiated	Completed						Partially completed	
4. Prototype replicated at remaining checkpoint sites	<input type="checkbox"/>	Text	Not initiated	Planned 11 checkpoint completed							
5. Integrated ICT system is in place by 2011, pilot completed and reviewed by 2012, and fully operational in all	<input type="checkbox"/>	Text	Not initiated	Original 11 checked point						Completed: Roll out at 10 out of 12 checkpoints	

Annex 9 Draft Strategic ICT Sustainability Plan (Prepared by ICT and Planning Division, LCD)

[Draft] Strategic ICT Sustainability Plan for Lao Customs Department

Introduction

The plan below details the recommended steps that the LCD can take to ensure sustainability of their ICT services and take advantage of the significant growth and reform opportunities that are being implemented by the senior management team at the present time. At the time of writing, ASYCUDA and related services are relatively stable and generally meeting the basic/ immediate needs of the LCD. This period of relative stability should not be taken for granted however. To sustain operations, the LCD must make continual investments in their IT to ensure service delivery and business continuity. The LCD is now 100% reliant on IT to conduct their operations. Any significant disruption to this service would be both embarrassing to the Government, and significantly affect revenue collection; and thus proactive measures must be taken to address any emerging issues before they become serious.

Strategic Objectives

The objectives of the plan outlined below are twofold: i) to maintain basic business operations over the long term, and ii) to continue and enhance the LCD's business process reform agenda, in co-operation with the trading community to further streamline operations, meet international obligations, and improve risk management and revenue collection.

Recurrent IT Costs – Summary

To maintain existing ICT services for the LCD, it is estimated that USD \$1,229,500 is required. This amount does not cover introducing new systems, processes or initiatives, but merely sustains the LCD's existing investment in the ASYCUDA system and related services.

This 1.229M in recurrent costs is broken down into two key areas; namely USD 817,000 to cover replacement and renewal of all ICT equipment, and the recurrent costs of maintaining the LCD network using ETL and Lao Telekom service providers (Component 1). USD 412,000 is allocated to cover local staff and professional services required to sustain operations. (Component 2).

A more detailed explanation of each of these two components is detailed below.

Component 1 – Equipment Costs

Based on an installed base of approximately 650 computers and 400 printers across the country, it is imperative that the LCD replace this equipment approximately every 5 years to reduce the risk of hardware failures. The majority of computer and printers deployed at the checkpoints have been procured by the CTFP and a number of these are due for replacement. USD \$249,500 should be set aside each year to replace broken or obsolete client computers and printers. Significant costs savings could be generated through the centralised procurement of printer toner cartridges, rather than each checkpoint being responsible for managing their own ICT procurement. If such a measure was instigated, a further USD \$120,000 should be allocated for replacement of printer toner by HQ across the organisation. The servers currently hosting the ASYCUDA system are quite new, and will not require replacement for at least another 4 years. There are however, some key ancillary equipment that requires urgent replacement, including

critical data backup systems. A budget of \$98,000 should be set aside each year to replace obsolete server infrastructure located in both the HQ and Thanaleng datacentres, including for FY 2017.

The network links to each border checkpoint and the HQ internet connections are both vital components of the ASYCUDA service. The LCD should set aside USD \$240,000 for Lao Telekom network links, and a further USD \$75,000 per year to fund the critical HQ internet connections. All of the above costs have been further broken down in a detailed spreadsheet that accurately calculates the recurrent costs of IT for the LCD.

Component 2 – ICT Professional Services

We estimate that seven full-time local IT staff are required to provide an adequate level of support service across HQ and major checkpoints. The total costs to employ the required local staff are estimated at approximately USD 62,000 per year. In addition, it is expected that the LCD will need to contract additional professional services from the private sector on an ad-hoc basis to help manage and maintain the ASYCUDA system and related core infrastructure, as the availability of the key skills required to maintain Customs ICT services are extremely scarce in Lao PDR; and indeed the region as a whole. To further build local skills to administer and maintain the installed base of IT services, it is recommended that an annual budget of USD \$60,000 be allocated for formal technical training, so that the LCD can steadily reduce their dependence on contracted services.

From a professional services perspective, it is estimated that contracting the skills required to further refine, manage and maintain the ASYCUDA system will be the most costly item, as the technical and functional skills required to modify the system are virtually non-existent in Asia-Pacific region, and those skills that do exist are largely contracted by UNCTAD. Buying those resources directly from UNCTAD is very expensive and service delivery by UNCTAD has been poor to date. It is recommended that the LCD look at the possibility of contracting ASYCUDA technical services from outside of UNCTAD where possible. It is estimated that approximately USD 150,000 per year should be allocated to direct ASYCUDA technical and functional changes, as required by the organisation.

Complementary to; and in addition to core ASYCUDA support services, the LCD will also require professional services on an ad-hoc basis to manage and maintain their server and network infrastructure as these skills are significantly different to those required to administer and make changes to the ASYCUDA system. In addition, as further initiatives are rolled out throughout the organisation, the IT services need to be configured and provisioned to manage those reforms; particularly with respect to implementation of manifest, e-payment, single window, ASEAN Transit System, risk management reforms, case management, various analytics, Human Resource Management reforms etc. It is recommended that a further USD \$200,000 per year be allocated to cover the professional services costs of assisting the LCD team to manage and administer their ICT, and assist in implementing the anticipated significant pipeline of future work.

Upcoming Capital Costs

ASEAN Transit System

It is understood that the ASEAN Transit System is likely to be introduced to Laos in 2017/18. It is each member countries responsibility to produce hardware to host the ASEAN transit system. With this in mind, a minimum USD \$150,000 should be budgeted to meet the hardware costs of hosting the Lao instance of the ASEAN Transit System. Note: that the ATS requires significantly more sophisticated hardware than the ASYCUDA system and a high level of professional services to install and configure. The figure quoted

above does is for equipment only, and does not include any professional services costs for installation and configuration of procured equipment.

Ongoing Customs Procedure Reforms

Phase 1 of the key Customs Procedure Reform project is now largely completed. Phases 2 and 3 require some additional investments in IT for them to come to fruition. These additional investments include:

- i) Deploying flatbed document scanners at major checkpoints so that declarants can scan and upload permits/ certificates etc. as attachments to their declaration. This is an interim step pending the introduction of the (delayed) Lao National Single Window. Required works: rebuild 30% of ASYCUDA workstations from Linux to MS Windows 10 operating system, procure a basic flat-bed scanner for each upgraded workstation, and install anti-virus software on each workstation. Estimated Cost: USD \$15,000 plus travel and local staff costs.
- ii) Deploy barcode scanners for all ASYCUDA workstations so that electronic copies of declarations, manifests, exit notes etc. can be retrieved and processed quickly and accurately. Required works: rebuild some ASYCUDA workstations from Linux to MS Windows 10 operating system. Procure handheld USB barcode scanners. Install anti-virus software on each workstation. (USD 10 per year). Ensure checkpoints commence printing declarations/ manifests etc. on standard A4 paper. Watermarked paper could be procured if document security concerns arise (Electronic document should be considered the authoritative source, NOT the paper document.) Estimated Cost: USD \$18,000
- iii) Cover major Checkpoints and inspection sheds with Industrial grade WiFi connected to the Customs network. Provide robust tablet PC's with stylus for physical inspectors so that they can view an electronic record of the declaration and/ or manifest whilst completing an inspection. Furthermore, they will be able to complete the 'inspection act' and receive the next cargo inspection assignment without returning to their office. The reduced requirement for inspectors to transit between the secure inspections sheds and their office should reduce the likelihood of contact with declarants and improve inspection rates. The benefits also assume a basic level of physical checkpoint security is enforced. (Component of risk management as mentioned above). Estimated cost (across 6 major checkpoints) USD \$30,000.

AEO Program

Introduction of the AEO program will require some significant changes to the ASYCUDA Customs system. Some funds should be set aside to cover any ad-hoc professional services required to configure the system to meet the changed business process required of the AEO program. \$30,000 should be allocated for ad-hoc ICT professional services related to introduction of AEO program.

Administrative Appeals

It is anticipated that the LCD will require a simple case management system to assist in the process of conducting administrative appeals. A case will likely be made shortly to trial this approach. Approximately USD \$12,000 should be set aside to cover these costs.

Risk Management

The risk management and PCA teams do not have the necessary tools to conduct even rudimentary post clearance declaration screening operations. This lack of capacity is costing the LCD a fortune in lost revenue. To deliver the necessary analytical tools to the PCA team to allow them to identify specific and major instances of revenue loss will cost the LCD approximately USD \$90,000. In addition, when manifests are introduced in Phase 2 of the Customs reforms, a further \$80,000 would be required to update the tools to identify and flag risks using combined manifest and declaration information. Although these costs appear high at first glance, it is forecast that if the PCS take affirmative action against even 10% of the issues of

non-compliance identified, the LCD should expect to collect approximately an additional USD \$5.5 million in revenue each month. Consequently the projected payback period resulting from the introduction of these tools is measured in days.

Lao National Single Window

The Lao National Single Window Project is currently going through a period of slow progress, however it is anticipated that by approximately September 2017, the BIVAC team will be ready to discuss integration of Single Window with Lao Customs systems. This is a significant piece of work, and will require careful design, implementation and testing to ensure success and minimise disruption to existing Customs operations. Depending on negotiations and ‘risk sharing’ between the Government and BIVAC, a budget of USD 100,000 should be set aside to assist with completing this important project.

Human Resource Management

It is understood that the LCD is very keen to better manage their large pool of skilled resources deployed across the country. Discussions have already been held in relation to introducing a Human Resource Management system to help manage and co-ordinate the activities of over 1000 Customs staff. Once a set of requirements are received from the Administration Division, a requirements specification can be developed that can then be tendered out to the regional IT market so that a commercial HR system can be procured and configured to meet the needs of the LCD.

Summary

Both recurrent and capital costs discussed above have been summarised in the table below:

Recurrent Costs – Component 1

Task	Cost Estimate
Replace old computers and printers	\$249,500
Printing Costs	\$120,000
	\$98,000
Replacing obsolete server and network infrastructure	
Maintain network links (Lao Telekom)	\$240,000
Maintain network links (ETL)	\$75,000
Maintain fast network link to Thanaleng	\$35,000
Total	\$817,500

Recurrent Costs – Component 2

Task	Cost Estimate
Salaries and benefits for 7 current LCD staff	\$62,000
ASYCUDA Support Services	\$150,000
Other Professional Services	\$200,000
Technical Training	\$60,000
Total	\$472,000

Recurrent Costs grand total: **USD \$1,289,500.** (LAK 10,082 million)

Capital Cost Estimate – Next 12 months

Task	Cost Estimate	
ASEAN Transit System	\$150,000	Equipment only
Customs Procedure Reforms	\$63,000	
AEO Program	\$30,000	
Administrative Appeals	\$12,000	
Risk Management/ Additional Revenue capture	\$170,000	Assuming both Phase 1 and 2 implemented
Lao National Single Window Integration	\$100,000	
Re-cable network at Thanaleng and FB 1. Move equipment to new datacentre	\$70,000	
Human Resource Management	-	Awaiting set of draft functional requirements from Administration Division
Total	\$595,000	

Capital Costs grand total: **USD 595,000** (LAK 4,879 million)

The current ASYCUDA usage fees collected by the LCD is sufficient to cover both the capital and recurrent costs to maintain existing ICT systems and expand the operations and functionality to meet the LCD's reform agenda.

