

**Lao People’s Democratic Republic**  
**LAO PDR COMPETITIVENESS AND TRADE PROJECT (P164813)**  
**First Implementation Support Mission**  
*May 27 - 31, 2019*

**AIDE MEMOIRE**

**I. INTRODUCTION**

1. The First Implementation Support Mission for the Lao PDR Competitiveness and Trade Project (LCTP) took place in Vientiane, Lao PDR between May 27-31, 2019. The Project is co-funded by the World Bank, Australia, and Ireland. The mission team was led by Mr. Mombert Hoppe (Senior Economist and Task Team Leader) and included technical staff from the World Bank as well as representatives from Australia/DFAT. A full list of mission members is provided in Annex 1.

2. The team would like to express its gratitude to H.E. Mme. Khemmani Pholsena (Minister of Industry and Commerce) for her leadership and guidance. The team would also like to sincerely thank Mr. Sirisamphanh Vorachith (Director General, Department of Planning and Cooperation) and all the members of the many departments who kindly met with and invested significant time in working with the mission team, prior to and during the mission period (for a full list see Annex 1).

3. In accordance with the mission announcement letter dated May 6, 2019, the purpose of the implementation support mission was to provide technical support, and review overall project implementation with a focus on the preparation of Challenge Facility proposals as well as procurement and fiduciary management performance.

4. The Aide Memoire, which was discussed during a wrap-up meeting on May 30, 2019. In line with the World Bank’s Access to Information policy, the government agreed that the Aide Memoire would be publicly disclosed.

**II. PROJECT DATA**

**Table 1: Key Project Data and Ratings**

<b>Key Project Data as of May 30, 2019</b>			
Original Project Amount	USD 13 million	Committed funds	USD 3.5 million
Total Disbursement	USD 0.7 million	Disbursement IDA	USD 0.7 million
Disbursement in FY	USD 0.7 million	Disbursement Grant	USD 0 million
Effectiveness Date	December 10, 2018	Closing Date	December 31, 2022

**III. IMPLEMENTATION PROGRESS AND KEY FINDINGS**

5. Overall implementation progress has been strong with all major procurement packages completed or about to be completed. Significant reforms to improve the business environment have been undertaken by the Department of Enterprise Registration and Management (DERM) with other reforms under way. However, to date no Challenge Facility (CF) proposal (either under component A3 or B2) has been

approved and the mission urged the Government to speed up the preparation and approval of such proposals.

### *Pillar A: Improving the Business Environment*

#### *Component A1: Making it Easier to Start a Business*

6. **Progress under component A1 has been very strong. The mission team was impressed with the strong leadership DERM is taking in** implementing PM Order 02 related to Starting a Business. With support during project preparation, the transition period, and initial project implementation, DERM moved from an ex-ante to an ex-post company registration process following approval of Ministerial Decision No. 0023 (January 9, 2019). Companies now no longer need approval from line Ministries before registering as enterprises, which has reduced the time to register a business to less than 10 working days on average. Also, the integration of enterprise and tax registration databases with real time connection allows DERM to generate Tax Identification Number (TIN) at the time of issuing Enterprise Registration Certificates (ERC) and 5,376 of ERCs with embedded TIN were issued nationwide since the reform in November 2018. DERM also changed some internal processes and removed documentary requirements. As a result, DERM expects the time to register a business to fall from 174 to 40 days across all involved agencies. For businesses that do not require operating licenses, DERM stated that the time to register takes only 1-2 working days within DERM. However, the mission team could not obtain detailed data to verify these claims.

7. **DERM has been working with other agencies to address additional challenges in registering a business,** in particular the i) approval for content of company name signage has been eliminated by the Ministry of Information, Culture, and Tourism; ii) the separate tax registration is no longer required and a separate TIN certificate has been eliminated; iii) tax authorities made the tax orientation seminar non-mandatory, offering it as taxpayer training and knowledge sharing; iv) the company seal can now be produced and registered in provinces as well (taking less than 5 working days). DERM also worked with Ministry of Labor to reduce the time for registering worker for social security from 7 to 1-2 working days, addressed in the Ministerial Instruction No. 1206/MoL (April 24, 2019). Work on other issues continues but has not yet been completed, including a significant reform effort of making the company seal optional. The team encouraged government to swiftly implement this reform.

8. **To ensure effective implementation of the new enterprise registration process, DERM has conducted implementation monitoring through a regular follow-up with its provincial and district enterprise registry offices and has provided comprehensive and hand-on trainings with project support since the first quarter of 2019.** 18 provincial and 108 district enterprise registry offices received training to implement new practice. The remaining 40 districts in 8 provinces such as Bokeo, Vientiane, and Luang Prabang have not been trained and are not able to issue a new ERC yet. DERM plans to complete the staff training and publish dissemination for enterprise registration material, implementing guidelines and the 2018 statistic year book, expected to be completed by June 2019. The project will continue to provide support towards organizing the staff training based on approved budget in the workplan. In addition, DERM reported that 23 districts in 7 provinces are lacking some required equipment and requested support. The teams agreed to discuss this further after the mission.

9. **A full-time coordinator for DERM to support components A1 and A2 was onboard in late April, with the contract for the firm to support the work under component A1 being negotiated.** The mission recommended DERM to explore the impact of the new registration process from a gender lens by collecting relevant data and increase awareness of benefits of new registration to women-led business which DERM agrees to.

### *Component A2: Streamlining of and Publishing Operating Licenses*

10. **Good progress has also been made with procurement processes under component A2, with the firm to support DERM and the Investment Promotion Department (IPD) at MPI in streamlining 30 priority licenses selected.** In the meantime, DERM has reviewed more than 170 business activities and classified them (and associated operating licenses) in risk categories as a starting point of the operating licenses review planned under this component. The DG of DERM commented that sectoral operating licensing reform will complement and support the moving from ex-ante to ex-post registration. IPD also expressed continued strong support for this reform agenda, which DERM and IPD will have to jointly implement with support from the contractor.

### *Component A3: Supporting Broader Business Reforms*

11. **The DB Reform Secretariat under IPD leadership is functioning well and the PM Office set up a Secretariat to support the process as well.** To strengthen reform institutional structure, the Prime Minister appointed his Deputy Prime Minister (DPM) to supervise the implementation of PM Order 02 and annual socio-economic development plan, as well as appointed one Deputy Minister of relevant ministries to join the supporting Secretariat to the DPM (April 2019). The Secretariat at the Prime Ministers' Office prepares input on DB issues for Cabinet meetings and will work closely with the Secretariat at IPD. At the more technical level, the Secretariat at IPD and holds regular meetings with designated representatives from line ministries and updates information through WhatsApp groups. Monthly reform progress is reported to the DPM through the DPM-PM meeting as well as the monthly government meeting. DB reform has been acknowledged as a national reform priority with close monitored by the Party as well as the National Assembly. This is very encouraging signal to move reform forward effectively. Two full-time national consultants have been on Board since early May (supporting IPD for components A2 and A3), with the selection for the part-time international consultant being under evaluation process. The consultant is expected to be onboard in July 2019.

12. **The mission urged IPD to further strengthen reform coordination** in terms of reform monitoring and result collection, reform communication. It would be important, with support from the consultants hired under this component, to deepen technical discussion with working groups where progress has been slow. The mission also suggested to put particular efforts on working groups where demand to implement reforms is already well established to create demonstration effects from initial reforms that could be implemented quickly.

13. **As no Challenge Facility proposal has been approved yet, the mission recommended IPD to strengthen support to line departments in finalizing proposals.** Two CF proposals for Resolving Insolvency and Enforcing Contract were prepared by the Ministry of Justice (MOJ) and the Supreme Court (SC) with assistance from World Bank Group experts. Reviewing them and submitting them to the PEC for approval would be a priority to generate results under this component quickly. The mission team stressed that a challenge remains the unclear division of responsibilities between the two agencies on the implementation of the proposals. While MOJ was appointed to lead Resolving Insolvency and Enforcing Contract reforms, several reform activities for both indicators are under the responsibility of the SC. Before submitting the proposals to IPD in mid-June, it will be important for MOJ and SC to agree on a clear division of responsibilities over proposal implementation. Other CF proposals for Getting Credit and Protecting Minority are less advanced and are likely to require revision of laws (Enterprise Law, Secured Transaction Provision under the Civil Code, Bankruptcy Law), while some reforms under BOL responsibilities (Corporate Governance, Security Law, Credit Information Bureau) have already been undertaken.

## *Pillar B: Facilitating Trade and Connecting to Markets*

### *Component B1: Support of the National Trade Facilitation Committee*

14. **Trade facilitation is receiving increased attention and gained stronger support from the Prime Minister's Office, the Ministry of Industry and Commerce and other line Ministries.** Building on the Doing Business Reform Decision by the Prime Minister, the Prime Minister issued in December 2018 a new decree on border checkpoints and airport checkpoints to clarify roles and responsibilities, limiting the presence of border agencies and promote inter-border agency cooperation including joint border inspection. The number of border agencies are now limited to only Customs, Immigration and Quarantine (including food safety). Under this new Decree, agencies that are not listed (including the Department of Standard and Metrology) shall withdraw their border presences. To accelerate the implementation of the Decree, the Government would need to implement a cut-off date for unlisted agencies to withdraw from the border checkpoints.

15. **The Trade Facilitation Secretariat was upgraded to National Trade Facilitation Committee (NTFC) in July 2018 and is now fully operating being chaired by Deputy Prime Minister Sonexay Siphandone.** The first NTFC was conducted on April 3, 2019 in Vientiane and finalized a Prime Minister's draft order on facilitation of imports, exports, transits and imports for re-export and national movement of goods in Lao PDR. The draft PM Order, which details the implementation of the 2018 Decree mentioned above, is now pending Prime Minister's approval which is expected by early July 2019. It aims to reduce time taken for documentary compliance steps, promote joint border inspection by Customs and Quarantine and to remove unnecessary road-side checks by maintaining only controls by the traffic police, weighbridge and the mobile Customs anti-smuggling team. Over the past five months, more than five technical working groups were held, excluding those in support of the LBF processes. Technical working groups take place in between the NTFC meetings, the next of which is scheduled for December 2019.

16. **The NTFC secretariat at the Department of Import and Export (DIMEX) is now fully staffed except for the national private sector coordinator who resigned.** Two international experts ((i) an international customs and trade advisor and (ii) an international trade regulation advisor) were fully on board since April 2019. These two advisors have played important roles in providing advocacies to the NTFC and filling capacity gaps by providing training to DIMEX and line departments. The national private sector coordinator who had been on board also during the transition period resigned, and a replacement is being selected. NIU was urged to ensure that the new coordinator will be on board by the end of June 2019.

17. **It was agreed to defer the first time-release study (TRS) to mid-2020 because Customs already conducted a TRS in January 2019 without project support.** This TRS included the border clearance time of non-customs border agencies but it did not include the time taken for issuing permit, certification and registration before imports and exports. The TRS report will be published by the end of July 2019. The mission suggested that the next TRS should expand to include time taken for issuing permits, certificates and registration for imports and exports. However, the TRS methodology may have to be adapted to the regulatory agencies' context and processes. This can be a task of the NTFC to address in the coming months.

### *Component B2: Trade Facilitation Agreement (TFA) Challenge Facility*

18. **While policy changes through various orders, decisions and decrees are improving the regulatory framework, operational gaps in practices of implementing the TFA remain.** The TFA Challenge Facility presents a good opportunity for border and regulatory

agencies to improve operational processes in its commitments to implement the TFA. Lao PDR has so far only implemented 21 percent of the TFA provisions. It has pledged to another 11.8 percent by December 2020 and 67.2 percent in the future without definitive dates. The mission confirmed that Customs Department, Food and Drug Department, Department of Agriculture are now finalizing three proposals to be submitted to the PEC for funding under the TFA Challenge Facility by June 15, 2019. Broad priorities for these border agencies are (i) to make border clearance changes through reduction in physical inspection with the use of a risk management framework and promote joint border inspection; (ii) to strengthen post clearance audit (PCA) for Customs and post market surveillance and inspection for quarantine and food safety agencies; and (iii) to make regulatory changes to reduce transaction time and departmental decision-making processes for documentary compliance. In this respect, Customs has already included 17 remaining TFA measures for technical support by the LCTP (see Annex). Many of the measures remain for Customs to reflect in the Lao Customs Law, establish clear procedures and regulations for implementation. Customs Department plans to revise the Customs Law by the end of 2020 to adopt some of the remaining measures. There are a number of measures that can be adopted at the level of regulations and procedures.

**19. Implementation of TFA measures needs to be closely monitored and perceptions of the trading community need to be captured on the measures that are in place and being implemented.** Monitoring should not be just to quantify the number of measures enacted by the authorities in satisfying the WTO TFA implementation commitments. During the mission, both DGs of Customs Department and DIMEX supported this suggestion. The mission recommended that LNCCI should lead this activity and report the findings in the NTFC meeting. Funding a feedback loop mechanism through a rapid survey or feedback provision could be funded under component B1 and would allow to strengthen the working partnership between DIMEX and the LNCCI.

### *Pillar C: Improving Firm-Level Competitiveness*

**20. The Business Assistance Facility (BAF) Contractor has made excellent progress in establishing this Facility.** All staff members are in place. The BAF office has been established at LNCCI. Although, at the time of the Mission, the team had only been operational for 18 days, contacts had been made with over 80 associations, chambers and potential clients, including associations and referral points with a particular emphasis on women in business. There is already a pipeline of would-be grant recipients. The team will be visiting commercial centers in the north and south of Lao PDR during the week of June 3<sup>rd</sup>. Work is progressing well on the BAF website and the BAF portal. The Contractor aims to use the portal for as many reporting, monitoring and administrative tasks as possible. The BAF team that has been assembled is well qualified, and clearly strongly motivated.

21. The Mission spent time with the BAF team and went through the provisions of the BAF manual in detail. The Mission urged the BAF Team Leader to call for an initial meeting of the BAF Task Force soon, and he agreed to call for this initial meeting in late June or early July. The formal launch date for BAF will be in late July. The Mission worked with the BAF team on the new version of the BAF Letter of Agreement. A draft has been agreed between the Mission and the BAF team.

22. The Mission discussed with stakeholders the tax issue that had been a problem for the original BAF under TDF-2. Both the BAF team and NIU are confident that the arrangements now in place will operate efficiently and cause minimal additional work for BAF clients. The Mission urges both parties to ensure that whatever tax information is required by the Ministry of Finance is fully captured within the BAF Claim Form. As to whether there remains a

continuing problem regarding tax will only become clear when the first Replenishment Claim is submitted by NIU, expected around October.

#### *Pillar D: Supporting better and more inclusive policies*

##### *Component D1: Project Management and Coordination*

23. **The NIU team is fully on board as outlined in the PAD.** Staff include a project director, a project manager, and technical and fiduciary staff. They are responsible for coordinating the preparation of the Annual Work Plans and Budgets, reviewing and proposing for endorsement proposals under the Challenge Facility; and overseeing procurement and financial management arrangements. The primary role and responsibility of technical implementing agencies and agencies is to provide technical inputs and deliver on the output(s) of their respective component(s) as agreed in the annual work plans. The NIU also provides advisory, support services and training to all implementing agencies on procurement matters. Based on lessons learned from TDF-2, national coordinators have been hired to coordinate with all implementing agencies to obtain more timely technical inputs. In the NIU, there are one part-time international procurement consultant, two national procurement consultants (Officer and Assistant levels) under the supervision of a government officer. The procurement unit is also responsible to manage and monitor the signed contracts.

24. **The NIU continues to coordinate the Trade and Private Sector Working Group (TPSWG), with Australia replacing Germany as one co-chair.** The next TPSWG meeting is planned for June 6.

##### *Component D2: Improving Policy Making and Transparency*

25. **Preparations for the first study funded under this component are under way as a firm is preparing technical proposal to support MOIC in the preparation of the 2019 Trade Policy Review.** Six consulting firms were interested to support the Trade Policy Review Process and contract negotiations with the first ranked firm are ongoing. They are expected to be completed by mid-June. The NIU and World Bank team discussed opportunities for additional studies during the mission and identified as potential study funded under the component a more detailed analysis of the barriers that women-led enterprises face in Lao PDR.

26. **While MOIC has shared initial drafts of plans to transition to and maintain sustainability of the Lao Trade Portal and Lao Services Portal, they require more work.** The mission encouraged the Government to ensure such feasible and realistic plans can be finalized by August 30, 2019, allowing the project continue funding both portals until the end of 2020, the agreed end-date of support to both portals under the LCTP.

##### *Component D3: Supporting Public Private Dialogue*

27. **LNCCI has made good progress on dialogue with relevant government agencies to address 22 priority issues raised at the 11<sup>th</sup> Lao Business Forum (LBF).** Three issues (VAT on commercial bank services, printing house regulation, and access to import-export data) were solved completely, four issues (internet excise tax, VAT on transit goods, import master list for investment promotion, and access to public procurement information) are expected to be solved before the LBF 12<sup>th</sup>, and six remain in process of discussion. LNCCI claimed that issue identification needs to be prioritized and focused so only three out of nine unsolved issues will be included in the issue package for LBF 12<sup>th</sup>, the remaining six issues will be dropped because of no issue leaders. The mission stressed that such dropped issues should continue to be monitored to demonstrate the LBF efforts in effectuating change. The LBF 12<sup>th</sup> is currently scheduled to be held in October. The issue identification process for LBF 12<sup>th</sup> has started in March 2019 and is expected to be complete by the end of June 2019.

28. **LBF actively reaches out to small, region, start-up and women-led enterprises by including in the working groups the Women Business Association, Youth Entrepreneurs' Association, the SME group, and key foreign chambers of commerce.** The number of women-led enterprise participating in working group discussions increases from 25 percent in 2018 to 39 percent in 2019 on average. According to the LBF Secretariat, the LBF process indicates that most issues faced by women-led enterprises are similar to those men-owned enterprises face. Publication of LBF information has been improved through publishing resolution of LBF 11<sup>th</sup> on LNCCI website. Issue submission online is an important channel to increase inclusiveness for those disadvantage groups of entrepreneurs who could not be able to participate in the LBF process. The mission suggested to update information on issues resolved frequently as well as upload to the new LNCCI website any measures taken by the government to address LBF issues. Issue status should be presented in a user-friendly format with color or showing chart to make it easier for tracking. LBF Secretariat will provide training on public private dialogue mechanism to three northern Provincial Chambers of Industrial and Commerce in early June 2019.

29. **The LBF Secretariat is now fully staffed with a coordinator and an administrative assistant since the end of February 2019.** Also, one full-time inclusiveness consultant and experienced researcher was onboard at the same time.

### *Gender*

30. **The mission team held meetings with various project counterparts to discuss gender issues under the project.** Stakeholders included Food and Drug Department, DERM, BAF Team, Lao Business Women Association, National Commission for the Advancement for Women, Mothers and Children (NCAWMC), and LNCCI – an ad-hoc brainstorming meeting on gender focus and mainstreaming was also held with the participation of WBG officials, NIU members, and BAF team members, among others. The discussions aimed at gathering information on trade, competitiveness and business environment challenges faced by women-led enterprises in Lao PDR and to initiate a stakeholder dialogue process related to options for gender-specific activities that could be supported by LCTP to respond to those constraints.

31. **While general constraints affecting women traders in Lao PDR are broadly understood, the mission team found that details on such challenges and reliable evidence remains limited and a first task of the gender advisor will be to assess the gender dimension of the project in detail and to prepare a gender strategy and action plan.** The gender strategy and action plan to effectively address gender issues will be a first deliverable to inform the project. Institutional gender expertise in implementing agencies also is low with the notable exceptions of the BAF team and of LNCCI, which are both equipped with gender experts.

32. **To kick-start more specific gender work, it was agreed that the NIU gender advisor will meet individually with senior representatives of all key implementing agencies to discuss options for gender mainstreaming into relevant project components and activities that could be included in the action plan.** More specifically, it was agreed that a) outreach activities (and related dissemination materials) developed to raise awareness on simplified business registration procedures and on streamlined operating licenses incorporate a gender dimension; b) options will be explored to progressively mainstream trade & gender issues into the discussions of Trade Facilitation, gender could be included as a non-binding criterion used for evaluation of proposals received under the TFA Challenge Facility – and the NIU Gender Advisor will be invited to join the TFA Challenge Facility evaluation committee; c) the advisor would be available to support the BAF team in outreach and potential engagements; and d) the advisor would work with relevant members of the LNCCI team to design solutions aimed at

increasing the share of retained issues raised by women in Lao Business Forum's working groups and to support LNCCI in ensuring that expanded geographic participation in the LBF will be inclusive vis-à-vis women-led businesses operating at provincial level.

**33. It was also agreed that the NIU Gender Advisor will work on the design and subsequent delivery of a series of capacity building activities on gender targeting NIU members.** At a later stage this would be expanded to other implementing agencies with the aim of progressively strengthening gender institutional capacity within those institutions. She would also identify options for a gender diagnostic, study or similar analytical effort, aimed at expanding the current base of knowledge and evidence available on gender-specific trade, competitiveness and business environment constraints affecting women-led enterprises in Lao PDR. The gender expert will also work with the M&E specialist in designing relevant monitoring indicators to support the LCTP Results Framework as shadow indicators.

### *Procurement*

**34. As of May 2019, twenty-one procurement packages with committed amount of USD 3,450,884 has been signed,** including one large BAF contract of the contract amount of USD 1.5 million which was signed on April 25, 2019. This good progress was the result of (i) advance procurements carried out from the project appraisal stage; (ii) a number of project individual consultants continued hiring from the TDF2. In the procurement plan, there are 3 goods and 36 consulting firm/individual consultant packages with total value of USD7 million, including three large value consulting firm packages which have been processing well as planned. Three goods shopping packages and hiring IT firm to maintain websites LTP, LSP and ECOO using direct selection method were 3-4 months behind schedule. NIU informed the mission that there are some additional new procurement packages required, e.g. external audit firm and project assistant. It is agreed that the updated procurement plan will be submitted in STEP for Bank's no objection by June 30, 2019 after PRC meeting and approval. As the number of applications has recently been low in a number of cases, the mission recommended that NIU consider using additional, innovative, ways to circulate advertisements for consultant contracts. The mission team also encouraged the NIU to review the way procurement processes are processed internally and communicated with other implementing agencies and explore ways to keep improving these processes and information flow.

**35. Overall progress has been implemented broadly according to the plan but there is a room for improvement on the quality of the procurement submitted documents.** Although the selection process of TA activities seems to be processing well, the mission expressed concern of the frequent mistakes and quality of the procurement related documents submitted for the Bank's no objection which resulted in unnecessary returns for corrections.

**36. The mission also noted that a key mitigation measure outlined in the Project Appraisal Document (PAD) has not yet been implemented.** It foresees the 'NIU to assign at least one full time officer to work with the Bank and the international procurement advisor to build in-house procurement capacity within the Ministry.' The mission reminded NIU to look into the possibility to assign a full-time government staff to work and reduce the current procurement workload of national consultant and get on-the-job training at the unit. The status will be assessed during the next mission.

### *Financial Management and Disbursements*

**37. As of May 30, 2019, the total disbursement for the project is SDR 0.68 million or 9% of the SDR 7.2 million credit under IDA 6318.** There are no disbursements to date for Grant TF0A9747. With the signing of TF0A9747 on April 29, 2019 by LAO PDR, the project can set up the financing percentage between loan and grant proceeds for project expenses once

the World Bank receives the Legal Opinion from Government. As such, the NIU needs to revisit the approved Annual Work Plan and Budget (AWPB) and obtain Bank NOL for the revised financing percentage of eligible expenditures. FM performance is on track. A finance officer was assigned to the project and the FM manual was already adopted for the project. There are no overdue financial reports to date. The first interim financial report will still be due for submission on August 15, 2019.

### Results

38. **The mission team was informed that the national M&E consultant is now fully on Board.** The project started less than six month ago and limited new data has become available in the absence of the M&E consultant. To ensure NIU can use the M&E framework for close monitoring of outcomes and results, it was agreed that NIU would prepare strategy note on how to effectively implement the M&E (including if feasible the collection of additional, higher frequency data such as a real-time analysis of the time it takes to issue ERCs) in the coming months with support from the M&E consultant. A results framework with updated data will be included in the Aide Memoire of the next Implementation Support Mission.

### NEXT STEPS AND AGREED ACTIONS

39. **To accelerate implementation of the project, the priority actions outlined in Table 2 were agreed.** The next implementation support mission will visit Vientiane in mid-October. It was further agreed that the NIU, DIMEX, and IPD would intensify the efforts to work with implementing agencies to finalize and approve additional Challenge Facility proposals (beyond those listed in the table below) by September 15.

**Table 2: Summary of Agreed Actions**

	Actions	Responsible	Due Date
<b>Pillar A</b>			
1	Resolving Insolvency Challenge Facility proposal submitted to PEC	MOJ, SC, MPI	June 30
2	Establish effective working mechanism for component A2 between DERM, IPD, and the contractor	DERM, IPD, NIU	July 15
<b>Pillar B</b>			
1	National Private Sector Coordinator replaced	NIU, DIMEX	July 15
2	Food and Drugs Department Challenge Facility proposal submitted to PEC	FDD, DIMEX	June 30
3	Customs Department Challenge Facility proposal submitted to PEC	Customs, DIMEX	June 30
<b>Pillar C</b>			
1	Finalize and submit for NOL BAF Letter of Agreement	NIU	June 30
2	Hold initial meeting of BAF Task Force	NIU	July 15
<b>Pillar D</b>			
1	Submit revised procurement plan	NIU	June 30
2	Prepare strategy note on how to effectively implement M&E	NIU	July 31
3	Realistic and acceptable sustainability and transition plans for the LTP and LSP prepared by MOIC	NIU, DIMEX, DFTP	August 30
4	NIU to finalize draft Gender Strategy and Gender Action Plan (including literature review)	NIU Gender Advisor	August 15
5	NIU to finalize draft outline of gender training course for NIU members	NIU Gender Advisor	July 31

6	Operationalize Grant account and submit for NOL revised workplan with for the revised financing percentage of eligible expenditures	NIU	June 30
7	Submit first IFR	NIU	August 15

**Table 3: Status of Agreements from the previous AM (key issues at appraisal stage)**

	<b>Action</b>	<b>Responsible</b>	<b>Due Date</b>	<b>Status</b>
1	Finalize BAF manual	NIU	August 15	Completed
2	Draft CF guidelines	NIU	August 15	Completed

**Annexes:**

Annex 1: List of officials met and composition of WB team

Annex 2: Agreed areas of focus for Challenge Facility Proposals

## ANNEX 1: List of mission team members and officials met during the mission

### *List of mission Team:*

1. Mombert Hoppe (Senior Economist and Task Team Leader)
2. Konesawang Nghardsaysone (Trade Economist)
3. Khampao Nanthavong (Private Sector Specialist)
4. Vonglatda Omany (Senior Financial Sector Specialist)
5. Vidaovanh Phounvixay (Financial Sector Analyst)
6. Sirirat Sirijaratwong (Senior Procurement Specialist)
7. Aisha de Guzman (Financial Management Analyst)
8. Andrew Singer (Consultant)
9. Carmine Soprano (Consultant)
10. Phet Udom Mainolath (Program Assistant)
11. From Australia: Lisa Mortimer (Second Secretary), Soulivanh Souksavath (Program Manager) and Hannah Lee (Gender Equality and Disability Inclusion Specialist)

### *Officials met during the mission:*

Ministry/Agency	Department/Unit	Name	Title
Ministry of Industry and Commerce	Department of Planning and Cooperation (DPC)	Mr. Phouvieng Phongsa	Deputy Director General
		Mr. Sengxay Phousinghoa	Senior Advisor
		Mr. Chansouk Insouvanh	Gender Advisor
		Ms. Nitnida Phongsavath	Trade Officer
		Ms. Vanida Vongmountha	Project Analyst
		Ms. Vanlaty Siphom	Procurement Officer
		Ms. Thippaphone Vongsay	Trade Analyst
		Ms. Pinphakone Xayavong	Trade Analyst
		Ms. Nittaya Munekitirath	Trade Analyst
		Ms. Lattanaphone Vongsouthi	Director of NIU Division
		Mr. Phonexay Soukkaseum	M&E Consultant
	Ms. Thongsavanh Tansely	Finance Specialist	
	Department of Import and export (DIMEX)	Mr. Khambay Sithirajvongsa	Director General
		Dr. Keomorakoth Sidlakone	Deputy Director General
		Mr. Sonemala Nouanthasing	Deputy Director of Trade Facilitation Division
		Mr. Vilayvong Southanilazay	Deputy Head of Division
		Mr. Paul Schmidt	Consultant
		Mr. Shahid Meezan	Consultant
	Department of Enterprise Registration Management (DERM)	Mr. Khambay Sithirajvongsa	Deputy Director of Division
		Mrs. Chiangkham Thongpaseuth	Deputy Director General
		Ms. Vongpadith Vongsavath	Director of Division
		Mr. Oudon Phouthabandith	Director of Division
		Mr. Yoikham Aphayalath	Director of Division
Mr. Soulisak Malavong		Coordinator	
Mr. Phakpaseuth Lopangkao		Technical Officer	
Mr. Soulikham Chengsavang			
Ministry of Finance	Department of Tax	Mr. Vileth Kinnavong	Director
		Mr. Vilaphan Phomsouvanh	

Ministry/Agency	Department/Unit	Name	Title
<b>Ministry of Health</b>	Department of Food and Drug	Mrs. Viengxay Vansilalom	Deputy Director General
		Dr. Sivilay Naphaivong	Director of Division
		Mrs. Phoxay Sisomvang	Official
		Ms. Souksomkhouane Chanthamat	Deputy Director of Admin Division
<b>Ministry of Planning and Investment</b>	Department of Investment Promotion	Mr. Phonexay Vilaysack	Deputy Director General
		Ms. Sengdeun Sayasone	Director of Division
		Ms. Souphaphone Saignaleuth	Deputy Director of Division
		Daodueamkhan Novasinh	Coordinator
		Mr. Santi Sayarath	National Consultant
<b>Prime Minister's Office</b>	GRD	Mr. Soulivong	
		Mme. Virasaty Sombounkhan	Deputy Director General
		Ms. Linda Thanvilay	Technical Officer
		Ms. Phonethip Viraphondet	Deputy Chief of Division
<b>Ministry of Science and Technology</b>	Department of Standardization and Metrology	Ms. Phiengphachan	Deputy Chief of Political Division
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		Ms. Davanh Thepphasene	Deputy Head of Research Dept.
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		Ms. Sounaly Sommany	Technical Officer
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<b>Ministry of Public Security</b>	Census Management and Grass roots Development Department	Mrs. Phonesavanh Phonepaseuth	Deputy of Division
		Colonel Mr. Houmphanh Phetbounmy	Deputy Director General
<b>Ministry of Information, Culture and Tourism</b>	Department of Public Culture	Mr. Bounthavy	
		Dr. Viengphone Soukhavong	Director of Division
<b>Ministry of Labour and Social Welfare</b>	National Social Security Fund	Ms. Bouahome Phommachan	Deputy Director
		Ms. Tair Phenglavanh	Director of Division
<b>LWU</b>		Ms. Chansada Phonethip	Director of Secretariat for National Commission for the Advancement of Women-Mother and Child in Lao PDR
		Ms. Sommai Phommounvong	Director of Advancement of Women and Mother and Child Division
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## ANNEX 2: Agreed areas of focus for Challenge Facility Proposals

### TFA Challenge Facility:

**Customs Department.** The draft TFA CF proposal includes (i) re-engineering of customs clearance processes at borders through establishment of centralized clearance service centers in all seven customs regions in the country, (ii) an integrated risk management approach for all border agencies to promote border agency cooperation for joint border compliance and inspection, and (iii) implementation of remaining measures<sup>1</sup> of the TFA. It expects that the CF proposal will be submitted to DIMEX for review and comments by June 8, 2019 and submitted to PEC by June 15, 2019.

With recent use of electronic payment through commercial banks and the use of ASYCUDA, the Customs Department plans to make significant operational changes in Customs clearance at borders. The role of Customs clearance at border will transition from the current manual based to an online customs clearance in ASYCUDA. Customs duty and fee charges are now remitted through the commercial banks. With funding from the CF proposal, the Customs Department will transition to a situation where it maintains only border functions of inspection and warehouse management at the border while Customs clearance and passenger control units will be grouped and stationed into centralized customs clearance centers. These centers will perform electronic customs clearance in ASYCUDA and transmit release order and or inspection if required to the inspection unit and warehouse unit for border compliance. The CF will support the establishment of the centers (no infrastructure), preparation of SOPs and operationalization of the centers (including capacity building).

An integrated risk management approach will be included in the proposal and introduced for all border agencies to facilitate border compliance. Customs Department agreed that other agencies (plant and animal quarantine, food and drug) will be given access to the ASYCUDA selectivity operation for border compliance inspection. With support from the Customs CF proposal, these agencies will be supported to build joint risk profiles and to be trained for using the system. The agencies will be responsible for having workstations and standard operating procedures to perform these risk-based inspections. Customs Department will be responsible for aggregating an integrated risk management framework, leading risk management reforms, and providing risk management and ASYCUDA training for other agencies. At the end, the joint risk profiles will be integrated into a common risk management framework for all border agencies.

Implementation of many remaining TFA measures will require inclusion of relevant provisions in the Lao Customs Law and establishment of clear procedures and regulations for implementation. It expects that Customs will include these measures in the upcoming revision of the Lao Customs Law and in drafting standard operating procedures (SOPs).

**Food and Drug Department.** The TFA CF proposal still requires some improvements and would need to differentiate between risk categorization by Codex requirement for registration and obtaining permits, as well as an introduction of an integrated risk management to select

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<sup>1</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 copies (scanned copies), use of international standards (RKC), single window, common border procedures, rejected goods, transit (national and international transit) and Customs cooperation.

high risk goods for inspection at border. Based on detailed technical discussions, the mission team suggested that the proposal consider the following areas in more detail:

- (i) An introduction of risk management to its border inspection aims at reduction of physical inspection but better targeting most high-risk goods. Risk categories of food safety emergencies should be revised and well defined. Only the category of high risks goods with food safety concerns on a particular type of hazards (e.g. chemical, microbiological, physical) may be monitored at the border and routed through red channel for physical inspection by using a composite risk profile. Risk profiling for inspection must be aligned with Customs and Quarantine in terms of approach and selection for inspection. The proposal could include capacity building for Food and Drug inspectors to perform risk-based inspection at border through the use of ASYCUDA selectivity operation. This component will require not only preparation of SOP, training and operationalization of the selectivity use but also some basic computers, rapid detection tools to perform fast inspection and sample taking before submitting to lab testing. The proposal will not include any lab accessories and equipment.
- (ii) Making regulatory changes to simplify documentary requirements and decision-making processes for high risk goods categorized by Codex requirements. The selection of the goods for regulatory changes must be based on defined criteria. Capacity building may be included for staff who are performing regulatory certification and administering issuance of import and export permits. Post market entry surveillance and inspection should be strengthened to reduce the unnecessary requirement of border control. TFA CF proposal will be submitted to DIMEX by June 8, and PEC by June 15, 2019.

***Department of Agriculture.*** The TFA CF proposal has included priority areas on improvement in capacity of and an introduction of risk management for quarantine inspection at the border. However, the mission recommended that the proposal should also include post market-entry surveillance and inspection in the market to reduce any unnecessary requirements of border controls. The DOA's TFA CF Proposal will include:

- (i) Introduction of risk management to its border inspection aims at reduction of physical inspection but better targeting most high-risk goods. Currently, IPPC/NPPC risk categorization is used to identify goods for physical inspection and the CF proposal will assist DOA to move towards a system where this risk categorization will be used to identify shipments for document checks/verification at border (yellow channel, rather than red channel). The proposal would also support alignment of risk profiling with Customs and Quarantine in terms of approach and how shipments are selected. Quarantine inspectors will be trained on risk profiling and perform risk-based inspection at border and given access to and use ASYCUDA selectivity operation. This component will require not only preparation of SOP, training and operationalization of the selectivity use but also some basic computers, rapid detection tools to perform fast inspection and to select sample before submitting to lab testing. The proposal will not include any lab accessories and equipment. DOA aims to target five main checkpoints: FB1 (Vientiane Capital), Boten (Luang Namtha), Vangtao (Champasack, Namhuang (Xayaboury) and Houysai (Bokeo). DOA confirmed that it would work with Customs to include a revision of procedures for perishable goods to ensure immediate release of perishable goods at borders.
- (ii) Making regulatory changes to high risk goods based on IPPC/NPPC risk category by simplifying documentary requirements and decision-making processes. The selection of the goods for regulatory changes must be based on defined criteria. Capacity building may be included for staff who are performing product registration and administering issuance of import and export permits. Post market entry surveillance and inspection should be strengthened to reduce the unnecessary requirements of border control by the agency. TFA CF proposal will be submitted to DIMEX by June 8, and PEC by June 15, 2019.

***Department of Import and Export.*** The draft DIMEX proposal was discussed and currently contains the following areas for support. More discussions and work will be required to ensure the various elements of the proposal will be more clearly internally connected and the expected results be presented more clearly:

1. Introduction of an electronic trade statistics by using some basic ICT platform to integrate with ASYCUDA system to produce two main statistics: international trade statistics and NTM monitoring reports of goods imported and exported using permits, registration and so on.
2. An enhancement of the E-CO to incorporate the use of electronic payment. With the launch of the LNSW on May 24, 2019, an electronic payment option is in place for LNSW fee. E-CO is a back-office documentary management system for DIMEX that will exchange with LNSW for complying with ASW implementation. The mission was informed that the Government of Lao PDR has secured some financial support from NIDA to support the integration work. For enhancement of E-CO, it will be useful that E-CO System eliminates all physical signature requirements as well as manually cash-based payment of fees and charges. The enhancement should be completed before the rollout of the system to lesser provinces that are in waiting.
3. Operationalizing Provincial Trade Facilitation Sub-Committee. The establishment of these committees at the provincial level has gained momentums in their cooperation with the central level as well as within-province collaboration. Some funding will be allocated for capacity building and consultations on emerging issues on trade facilitation in the provinces.
4. DIMEX confirmed that it will continue to include import permits for rice, automobile parts and diamond (precious stones) for possible removal, streamlining and simplification. It will need to work closely with DODT, DOIH within MOIC and others on these regulations.
5. More work on this TFA CF proposal will be required before submitting it to PEC.

***Department of Standard and Metrology.*** The mission suggested that the current draft TFA CF proposal needs to shift from border compliance improvement toward a behind-border conformity compliance program. With the PM's decision, DSM is in the process of withdrawing its border operation to focus more on market demand for conformity assessment. The mission recommended that DSM will focus on third party conformity assessment and compliance program based on market demand and risk-based approach. The funding would assist DSM to prepare SOPs and strengthen its methodologies to enforce standard and quality compliance for imported goods. DSM could cooperate with border agencies to provide required risk profiles in the risk management framework for border compliance performed by CIQ. Furthermore, DSM will change their approach to managing risks by better classifying risks in line with evidence and focus inspections and certification on high-risk goods. This may require regulatory changes to simplify and streamline their requirements for registration of products and import permits. It is expected that DSM will submit its TFA proposal to DIMEX by June 15, 2019 and possibly to the PEC by the end of June or early July 2019.