



**LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

# **Trade Facilitation Road Map of Lao PDR for 2017-2022**

**Ministry of Industry & Commerce**

**Trade Facilitation Secretariat**

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## ACRONYMS

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ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEO	Authorized Economic Operators or Authorized Operators
AFAFGIT	ASEAN Framework Agreement on Facilitating Goods in Transit
ASEAN	Association of South East Asian Nations
ASYCUDA	Automated System for Customs Data
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
BPA	Business Process Analysis
CBTA	Cross Border Transport Agreement
DIMEX	Department of Import & Export
DTIS	Diagnostic Trade Integration Study
DTF	Distance to Frontier score under EDB study
E-COO	Electronic Country of Origin scheme
EDB	Ease of Doing Business
ESCAP	Economic & Social Commission for Asia & the Pacific
ETI	Enabling Trade Index evolved by WEF
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
KPI	Key Performance Indicator
LAK	Lao Kip
LCD	Lao Customs Department
LTP	Lao Trade Portal
MOIC	Ministry of Industry & Commerce
NCTPSD	National Committee for Trade & Private Sector Development

NSW	National Single Window
NTM	Non-Tariff Measure
OECD	Organization for Economic Cooperation & Development
PDR	People's Democratic Republic
RIA	Regulatory Impact Assessment
SME	Small & Medium Enterprises
STFI	Seamless Trade Facilitation Indicators
TAB	Trading Across Borders
TBT	Technical Barriers to Trade
TF	Trade Facilitation
TFA	Trade Facilitation Agreement
TFI	Trade Facilitation Indicators
TFS	Trade Facilitation Secretariat
TFSP	Trade Facilitation Strategic Plan
TIU	Trade Facilitation Implementation Unit in line departments
TRS	Time Release Study
WB	The World Bank
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

# Trade Facilitation Road Map of Lao PDR for 2017-2022

## Executive Summary

ASEAN region has witnessed a tremendous growth in their exports in the last 5 years and Lao PDR too has made a significant increase in exports. However, looking at the ratio of exports to GDP, Lao PDR still remains way behind most of its neighbors with the size of merchandise trade as percentage of GDP being barely 54% of GDP, as compared to 126% in Thailand, 127% in Cambodia and 178% in Vietnam<sup>1</sup>. However, it also indicates that there is a vast potential available to be tapped and an investment on trade facilitation measures can bring in rich dividends by expanding trade.

Lao PDR has been following a trade facilitation agenda ever since its transition to market economy in 1990s, but a focused approach towards trade facilitation started only in 2011 with the adoption of a comprehensive Trade Facilitation Strategic Plan (TFSP) for 2011-15, which recognized trade facilitation as an engine of growth. The primary objectives of the Strategic Plan were to simplify border procedures and to reduce the cost of trading in order to enhance trade competitiveness. The TFSP aimed to achieve these objectives by following six strategic measures, which included mainstreaming trade facilitation across line ministries, simplification of trade & customs procedures, implementing WTO, ASEAN and GMS commitments, building private sector capacity and creating a national trade facilitation body.

A review of the Trade Facilitation Strategic Plan of 2011-15 shows overall positive results as majority of the strategic measures set out in the Plan were substantially met, which included simplification of customs procedures, provision of equipment & facilities and the creation of a national trade facilitation body. The remaining measures also made appreciable impact and put together contributed to appreciable reduction in clearance time for exports and imports.

Customs procedures improved significantly with the automation of customs offices all over the country and introduction of risk management in inspection to enable focusing of resources on high-risk cargo designated to the red channel. These measures along with other initiatives, like coordinated border management, post clearance audit, advance rulings and provision of appeal etc. have resulted in quicker customs clearance with average clearance time in customs coming down from eleven and half hours in 2012 to six and a half hours in 2016. However, improvement of procedures by non-customs agencies remains a challenge.

Similarly, notable progress was also made in meeting various commitments under WTO, ASEAN and GMS, which included signing of TFA in 2015 and signing of various agreements and protocols under the Cross Border Transport Agreement (CBTA). Successful launch of Single Stop Inspection (SSI) at Dansavanh-Lao Bao crossing point on Vietnam border under CBTA is another significant achievement as part of GMS commitment.

Further, as far as creation of a national trade facilitation body is concerned, the Trade Facilitation Secretariat (TFS) set up in 2010 as a nodal organization for trade facilitation work in the country continues to play a steering role to follow trade facilitation mandate since then. However, it was able to meet only once in a year, leaving the day-to-day monitoring work of TFSP to the Department of Import & Export (DIMEX),

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<sup>1</sup> Data from the World Integrated Trade Solution, World Bank, 2015

which was meant to provide only secretarial support to TFS and had been assigned no authority for any steering or monitoring role on behalf of TFS.

An assessment of the TFSP's performance targets also reflects positive results. For example, the merchandise exports in the country grew by an impressive 125% between 2011 and 2016. Secondly, there was clear reduction in number of documents, time and cost to export and import as evident from the improvement in cross border trading parameters of Ease of Doing Business reports of this period. The progress however seems to be stagnating off late, as evident from their latest reports.

Evidently, these improvements have been largely confined to border procedures, where average clearance time has come down appreciably, but the time taken on documentary compliance, like getting certificates, permits and other quality approvals etc. for non-tariff measures (NTMs) is much longer. Review of these NTMs therefore must be carried out objectively in a time-bound manner to determine their utility and in case they need be retained, the line departments responsible must be asked to expedite documentary compliance and reduce the overall time taken to export or import. It therefore requires a more effective monitoring of objectives and timelines with a planned approach and greater coordination with the line departments to push trade facilitation agenda in a concerted manner.

Further, the capacity building of private sector has also been a weak area in the past as the efforts were limited to holding sporadic workshops with the private sector. There was no established forum for regular interaction and dialogue, especially for collaborating with them at the operational level while implementing various trade facilitation measures. Private sector partners need to be engaged by all the line departments in implementing trade facilitation measures as they can identify local challenges and opportunities to enhance logistical and commercial links to global value chains and help deliver full social and economic potential of trade facilitation measures. The Road Map proposes a working mechanism for collaboration between the TFS and the Lao Business Forum for having an effective dialogue with the private sector.

The country has made considerable enhancement in border and road infrastructure during this period and it is believed that the focus of efforts should now be on raising the efficiency of delivery to take advantage of the improved infrastructure. Accordingly, the Trade Facilitation Road Map for 2017-22 seeks to address gap areas, like inadequate coordination with line departments, weak communication with provincial offices, poor coordination with the private sector and reduction of NTMs. The new structure envisaged under the Road Map encourages ownership, accountability and enhanced engagement with the stakeholders, which are prerequisites for successful delivery of any program.

The Road Map for 2017-2022 recommends seven strategic measures, which include developing an institutional mechanism to improve coordination with line departments and strengthening the governance structure at the sub-national level. It also proposes active collaboration with the private sector in implementing trade facilitation measures and emphasizes on cross border cooperation & regional integration. It takes up the challenge of implementing all the measures listed under WTO's Trade Facilitation Agreement in an accelerated time bound manner to cut down the cost of trading to its utmost potential. Besides, it also warrants a time-bound assessment of the existing NTMs to remove those that are not required and streamline the remaining ones. The Road Map also prescribes some priority measures, such as extension of working hours at major border crossings, elimination of unwanted roadside checks, single point payment, publication of Service Charters by all line departments for time bound delivery of



services and establishment of national single window, which will have immediate bearing on bringing down time and cost of trading.

Based on the varied performance indicators in vogue for measuring trade facilitation, the Road Map suggests an eclectic mix of key performance indicators (KPIs), like outcome indicators of Trading Across Border parameters of the World Bank's Ease of Doing Business studies along with the input indicators (Trade Facilitation Indicators) developed by the OECD. These two sets of KPIs will allow effective monitoring of the progress towards various milestones and targets set out in the Road Map. Monitoring will also be supplemented by the regular time-release data from the Customs. A comprehensive table is also attached describing different activities proposed under the Road Map with their specific timelines and an overall phased implementation schedule.

A revised arrangement with strengthened governance structure has also been included in the Road Map for effective coordination with line departments and their provincial offices for implementing the Road Map. The proposals for technical resources needed for implementing the TF Road Map are expected to be met through the TDF-2 funds in the initial period until DIMEX is able to mobilize required funds under government budget or with the support from the development partners.

## I. Introduction

In the last five years, Lao PDR has seen a steady growth of 7.9% per year on average despite many challenges in the global economy. The economic growth is accompanied with significant increase in the trade during this period. For instance, exports rose over twofold from US\$ 1.44 billion in 2011-12 to US\$ 3.25 billion in 2015-16<sup>2</sup>. Imports also increased from US\$ 2.32 billion in 2010-11 to US\$ 4 billion in 2015-16. Among many factors contributing to this impressive growth, was the Trade Facilitation Strategic Plan of 2011-15, under which a focused approach was followed for bringing down the time and cost of trading.

The Eighth National Socio-Economic Development Plan document for 2016-20 aims to double the per capita income by 2020 and make this growth inclusive to graduate from the LDC category by the end of the Plan<sup>3</sup>. Country's geography and connectivity pose a special challenge as all the provinces are sharing borders with a neighboring country and are physically closer to cities in the neighboring countries than its own urban centers or the capital city. Hence, development in any part of the country has to take the external context into account. It means that the country has to focus on facilitating trade across borders for better integration within the region and even beyond to attract foreign investments<sup>4</sup>.

In the neighborhood, Vietnam has shown a tremendous growth in the last few decades, attracting investments from the world over. Several companies have moved their production from China to Vietnam, which include big corporates, like Adidas, Intel, Microsoft, Nike and Samsung<sup>5</sup>. Apart from the low wages, an important factor for attracting FDIs in Vietnam has been an excellent trade environment there. During 2011-2015, exports in Vietnam increased from US\$ 96.9 billion to US\$ 162 billion<sup>6</sup>.

Similarly, Cambodian economy has also been performing very well with impressive growth in exports, particularly in garment sector. During 2011-2015, its overall exports grew from US\$ 5 billion to US\$ 8.54 billion<sup>7</sup>. Percentage share of exports in GDP of these economies has been quite high, going up to 160% in case of Thailand, 130% in Vietnam and 129% in Cambodia, whereas it has been barely 68% in case of Lao PDR<sup>8</sup>. It implies a vast potential for export growth in the country, which could be exploited by enhancing trading environment through trade facilitation.

While trade facilitation has been part of the Lao PDR's agenda ever since its decision to transition to market economy in early 1990s, a focused approach towards trade facilitation started only in 2011 with the adoption of a comprehensive Trade Facilitation Strategic Plan (TFSP) for 2011-15. It recognized trade facilitation as an engine of growth and as one of the essential factors contributing to the achievement of national socio-economic goals, particularly to graduate from the list of least developed country by 2020.

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<sup>2</sup> As per data furnished by the General Affairs Division, DIMEX, Ministry of Industry & Commerce, Lao PDR (Chart at Annex-I may be referred for details).

<sup>3</sup> 8th Five-Year National Socio-Economic Development Plan of Lao PDR for 2016-2020. June 2016.

<sup>4</sup> Lao PDR at the Crossroads: Industrial Development Strategies 2016-2030; ERIA, Jakarta, July 2016.

<sup>5</sup> Vietnam, Cambodia & Laos Expected to Drive Growth in Asia; Translate Media. <https://www.translatemedia.com/us/blog-usa/vietnam-cambodia-laos-expected-drive-growth-asia/>

<sup>6</sup> World Integrated Trade Solution, World Bank; 2016.

<sup>7</sup> World Integrated Trade Solution, World Bank; 2016.

<sup>8</sup> ASEAN Services Integration Report, 2015.

TF Strategic Plan provided a guiding framework for trade facilitation in the country and recommended a six-pronged strategy for trade facilitation., TFSP aimed to increase the volume of cross border, transit trade by 10% every year, and increase the value of exports by 18% per year. TFSP successfully implemented many of the strategic measures and met the exports target as the value of export trade in the country went up by as much as 124% during 2011-15.

Further, import licenses and quota restrictions continue to be applied in Lao PDR on as many as 34% of the total imports slowing down their clearances and adding to their import cost. In addition, there are lot many other non-tariff measures (NTMs), such as quality certification or conformity to standards, which are attracted to the import of most of the products. They all add to delays and cost of trading and need to be addressed on priority for making headway in trade facilitation.

Finally, with the signing of the WTO's Trade Facilitation Agreement (TFA), which has taken effect from 22 Feb 2017, Lao PDR is committed to implement the trade facilitation measures prescribed thereunder within a specific timeframe. While the Agreement provides great deal of flexibility for LDCs, the fact remains that in order to improve the trade competitiveness of the country, TFA measures need be implemented as quickly as possible.

## II. Background

The Government of Lao PDR adopted country's Trade Facilitation Strategic Plan for the period 2011-15 on 18 July 2011. The primary objectives of the Strategic Plan were as below:

- To make international trade and customs procedures simple and easy; and
- To reduce the cost of trading in order to enhance its effectiveness and competitiveness of business

In order to meet the above objectives, the Plan had recommended following six strategic measures:

1. Mainstream Trade Facilitation across line ministries
2. Simplification, harmonization and modernization of trade and customs procedures
3. Implement WTO, ASEAN and GMS commitments
4. Develop private sector capacity to trade efficiently in compliance with rules and regulations
5. Provide the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures
6. Create a national trade facilitation body

The review shows overall positive results as half of the strategic measures set out in the Plan were substantially met, which included simplification of customs procedures, provision of equipment & facilities, implementation of WTO, ASEAN & GMS commitments and creation of national trade facilitation body. Progress was also made in meeting other strategic measures, like mainstreaming of trade facilitation across the line ministries and development of private sector capacity. However, they have remained limited due to various constraints and challenges.

Customs and border procedures have significantly improved<sup>9</sup>, particularly with the automation of customs processing under ASYCUDA (Automated System for Customs Data) and introduction of risk management regime. With automation, traders or their shipping agents can file their customs declarations electronically, which are assessed within few hours. As per the Time Release Study (TRS) conducted in 2016 by the Lao Customs Department<sup>10</sup>, the average clearance time of imports is six and a half hours, which is a significant drop from the average clearance time of eleven and a half hours in 2012. Besides the measures taken by LCD towards trade facilitation, improvement in border procedures has been a combined result of efforts made under GMS and ASEAN initiatives, particularly under the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Framework Agreement for the Facilitation of Goods in Transit (AFAFGIT), and free flow of goods is a key requirement of the AEC.

Lao Customs Department (LCD) has been actively pursuing simplification and harmonization of customs procedures in the preparation towards Lao PDR's accession to the Revised Kyoto Convention (RKC), which culminated in June 2016. It brought in legislative changes to provide required framework for implementing various reforms based on the international standards laid down under RKC, such as computerized clearance processes, provision of advance rulings and appellate mechanism, introducing risk

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<sup>9</sup> Lao PDR Trade & Transport Facilitation Assessment. Poverty Reduction and Economic Management Sector Department, East Asia and Pacific Region, The World Bank. April 2014.

<sup>10</sup> The 2016 Time Release Study (TRS) was conducted by Lao Customs Department with the help of an international company, Emerging Markets Co. (EMC). Their preliminary findings were informally shared by the Customs, but the report is yet to be published.

management and starting post-clearance audit etc<sup>11</sup>. Other line departments have also taken steps towards improving trade procedures as part of the ASEAN and GMS commitments. For example, Department of Transport has been working on transport facilitation in GMS countries under the Cross-Border Transport Agreement (CBTA), though the progress has been slow despite signing of plethora of bilateral agreements.

The Department of Transport has also been supporting establishment of Single Stop Inspection (SSI) at the two major border crossings in cooperation with the customs, immigration and department of plant and animal quarantine. The facility at Dansavanh-Lao Bao crossing point on Vietnam border has already become operational and the other one at Savannakhet-Mukdahan on Thailand border is awaiting equipment and infrastructure provision for starting the same. This is a radical step as it involves full support and cooperation of the counterpart agencies of the neighboring country and needs a comprehensive Memorandum of Undertaking for collaboration at the operational level. The facility being a first of its kind for both the countries will take some more time before it evolves into a seamless border coordination arrangement it has been set out to become.

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<sup>11</sup> Lao Customs plans to launch a scheme of authorized economic operators (AEO) from September 2017

### III. Context Analysis and Current Situation

In fact, the required road infrastructure and border facilities for trade facilitation have greatly improved in the last few years under various multilateral and bilateral initiatives. This has been achieved particularly under the GMS scheme of transforming transport corridors into transnational economic corridors, wherein facilities were developed on major routes connecting key cities and ports in the GMS countries. Development of major highways along these transport corridors identified under GMS and various friendship bridges in Laos PDR has been a result of these efforts with the support of development partners, notably Australia and Japan. In addition, many border facilities and roads were developed under bilateral support from the neighboring countries like PRC, Thailand and Vietnam. Hence, substantial progress was made during the period as per TFSP's strategic measure on provision of equipment and infrastructure for efficient administration of customs and trade procedures at borders. In fact, GMS has also been supporting various trade facilitation initiatives on building enabling policy environment to facilitate cross-border trade, investment and economic cooperation.

Another notable achievement, which needs special mention here, is the establishment of Lao Trade Portal (LTP) in 2012. It provides comprehensive information, including laws, procedures and documentation relating to import, export and transit. Availability of this crucial information on electronic portal has been of great value to the international supply chain in planning and organizing their operations in Lao PDR. However, there is plenty of scope for improvement of the content and presentation style on the Portal to make it up-to-date and exporter centric.

While the list of achievements of TFSP has been quite impressive, there are many areas where action has not been of desired level or the results have not been up to the expectations. The areas where action expected from the line departments was found wanting, relate to the improvement of border procedures and documentation by non-customs agencies, which often ascribe it to the lack of resources. The fact remains that TFSP has not been very successful in mainstreaming trade facilitation agenda in these line departments as no action plans, targets, budget plans or implementation measures were developed by these line departments to meet the trade facilitation objectives, nor were any service charters evolved outlining guaranteed time frames regarding clearance of exports and imports. Some of them were not regular in coordination meetings and many of them did not apprise of the progress made or even respond to issues raised on trade facilitation agenda. Clearly, coordination among line departments was also a weak area of TFSP implementation despite the fact that it was considered for special attention as an important obstacle under the TFSP.

The Trade Facilitation Secretariat (TFS), which was set up as a nodal organization on trade facilitation issues was responsible for steering the activities outlined under the TFSP. Since TFS could meet only once a year, it was not able to provide any operational level supervision of TFSP implementation during the yearlong interregnum in between the meetings. The Department of Import & Export (DIMEX), which was providing secretarial support to TFS, was clearly not in a position to monitor other line departments. Being a sister department, DIMEX had no authority or appetite to act or even report on the lack of response or non-compliance from other line departments. Result was that TFS could not ensure that the line departments prepared vision documents, service charters and action plans on trade facilitation and whether such action plans, if prepared were actually aligned to the overall objectives and time lines envisaged in the TFSP.

Further, while DIMEX organized few workshops on trade facilitation inviting officers of line departments from provinces, there was no presence of officials from their departmental headquarters in these workshops as these were exclusively meant for provincial officers. Similar workshops and coordination meetings were also held with the representatives of the line departments in the center, i.e. at the Vientiane capital, which did not involve officials from provinces. This left a wide gap in intra-departmental communication.

In absence of this intra-departmental communication, provincial offices of many line departments followed varying practices and on occasions even levied differing fees and service charges. This was rather evident in the review and assessment of NTMs.

Capacity development of the private sector was another area that lacked support from most of the line departments. There was no platform built for meeting the private sector regularly to generate awareness on trade facilitation initiatives taken by various line departments. Meetings of Lao Business Forum (LBF) were also rare and they were not meant for capacity development. DIMEX and some other line departments did organize sporadic meetings and workshops for private sector partners, but they hardly made any discernible impact on their capacity development. Lack of participation or even indifference of private sector to various initiatives, like advance ruling, appeals and electronic certificate of origin scheme (e-COO) is a reflection of this absence of partnership.

As mentioned above, TFSP also emphasized on implementing international commitments under WTO, ASEAN and GMS. Prompt ratification of the WTO's Trade Facilitation Agreement (TFA) by Lao PDR, much before its neighbors and many other LDCs is a result of its specific inclusion in the TFSP's strategic measure. It was also a natural corollary of the country's accession to the WTO in 2013, for which efforts were started long ago. Economic integration therefore was on the country's agenda even if it was not so mentioned in the TFSP as such. It was nevertheless being followed under ASEAN and GMS commitments and was highlighted in the DTIS update of 2012, which reaffirmed the need to leverage economic integration as a driver for improving business and investment regime. Accession to WTO and the ASEAN endeavor to build a common economic community helped in evolving the country's strategy of economic growth through greater integration with the world economy.

With its phased tariff liberalization programme under ASEAN Free Trade Agreement (AFTA)<sup>12</sup>, ASEAN was successful in removing tariff barriers in the region and under the ASEAN economic community (AEC), concerted efforts are on to convert the entire region into a large market and production base, where goods and services could move across without any hindrance. This was facilitated by the signing of umbrella agreements, like ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Framework Agreement for the Facilitation of Goods in Transit (AFAFGIT), which were supplemented by several bilateral agreements with the member countries outlining detailed procedures and protocols for movement of goods and vehicles.

The Cross Border Transport Agreement (CBTA) under GMS initiative also complemented these efforts, especially to facilitate movement of vehicles and drivers. Ministry of Transport being the focal point for CBTA has been steering the efforts on its implementation. CBTA has 20 annexes and protocols detailing provisions for cross border movement of vehicles, persons, transit traffic rights, guarantees and bonds etc. and not all of them have been signed by the members. The progress under CBTA has been slow though, due to reluctance of many member countries in allowing transport operators of other countries on technical

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<sup>12</sup> Followed by the liberalization schedule under ASEAN Trade in Goods Agreement (ATIGA) since 2010

grounds. These are being resolved through bilateral agreements, MRAs and private sector engagements, which helped in working out an arrangement for guarantees of the transit cargo.

One notable achievement of CBTA has been the successful development of Single Stop Inspection (SSI) facility in 2016 at the Dan Savanh- Lao Bao crossing on Vietnam border, which provides for inspection of cross border cargo at one single stop by the agencies of both the countries, thereby obviating the necessity of its stoppage for inspection on both sides of the border and saving time in border clearance. Similar facility is also being developed at the Savannakhet-Mukdahan crossing on Thailand border, for which bilateral agreement has been worked out and it is awaiting provision of requisite equipment and infrastructure there.

GMS has provided a great deal of support in terms of building required infrastructure of roads and bridges in the country, which has greatly helped in trade facilitation. Some of these infrastructures has been a result of joint efforts at multilateral and bilateral assistance under GMS, such as the Third Friendship Bridge at Nakhon-Thakhek crossing on Thai border built with the assistance of Thai Government in 2011 and the Fourth Friendship Bridge at Chiang Khai- Ban Houayxay crossing in Bokeo province built with the help of Thai, Chinese and ADB assistance in 2013. The infrastructure developed also included development of modern facilities for customs and other border agencies. These infrastructure and logistics development greatly helped in facilitating movement of cargo on the key transport corridors and improving connectivity of Lao PDR with the neighboring ports resulting in the reduction in time and cost of trading.

### 3.1 Non- Tariff Measures

Despite these efforts however, some areas remain big impediments to trade facilitation in Lao PDR. For example, country's score on the cross-border parameters, such as time to export or import under various indicators, like the World Bank's Ease of Doing Business or the World Economic Forum's Enabling Trade Index is quite high, which adversely affect the country's global rankings. In the latest report of Ease of Doing Business<sup>13</sup>, total average time to export was 228 hours, of which only 12 hours were used on border clearance, whereas the remaining 216 hours were required for documentary compliance. Similarly, out of a total time of 230 hours taken to import, barely 12 hours were spent on border clearance, whereas the remaining 218 hours were taken on documentary compliance, which involved getting import licenses, certificates, permits and quality approvals etc.

As per a recent study conducted by the World Bank on the incidence of Non-Tariff Measures impacting the trade in Lao PDR,<sup>14</sup> automatic and non-automatic licenses cover around 34% of the imports by value and in terms of just the license fees charged, they are equivalent to ad-valorem tariff of 5.4%, which is well above the regional and world averages. The trading cost goes up further if the time and resources spent on obtaining these licenses are added to the fees. The study also states that since the procedures and timelines to grant licenses are not well communicated, it results in avoidable delays and scope of corruption. Further, often the fees associated with the imposition of NTMs are quite high as they are being used by the Ministries to generate revenue for financing their own expenses, oblivious to their adverse impact on raising the cost of the product to the final consumers.

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<sup>13</sup> Table at **Annex-II** may be referred for details

<sup>14</sup> A Comparative Overview of the Incidence of Non-Tariff Measures on Trade in Lao PDR; Report No. AUS9097; The World Bank, February 2016



In terms of a preliminary review done in 2016, there are as many as 253 NTMs identified in the country, which form significant barriers to trade. About 25% of these were classified as technical measures, 17% as SPS measures and 22% related to exports, thereby leaving out a significant proportion to licensing and price control measures. While not all of them are unwarranted and need to be eliminated, it is important that a time-bound review of NTMs be carried out to determine which of the NTMs are barriers to trade and must be removed. Clearly, many of the licensing requirements and quota allocations will have to go after these reviews. Even if some NTMs are retained, they need to be rationalized and the process of their enforcement need to be streamlined and made transparent to reduce the cost and unpredictability, which creates opportunities for corruption. Government set up a Sub-working Group on NTMs in August 2016 under the Trade Facilitation Secretariat (TFS) in the Ministry of Industry & Commerce. DG DIMEX is heading the Sub-working Group, which has technical focal points from various line departments as members, besides several representatives from the private sector.

### 3.2 Other Challenges

Briefly, TFSP succeeded on various indicators, but efforts need to continue on many others. As per a latest analytical study carried out by the ADB<sup>15</sup>, the focus should be on efficiently utilizing the enhanced border infrastructure in the country. Some of these key challenges are flagged below, which need to be addressed in the future Road Map.

- (i) **Lack of coordination among concerned agencies:** Lack of coordination among line departments was a major challenge raised in the TFSP, but it remains a concern even now. In fact, problem is worse in provinces, where there are hardly any meetings among the line departments. Further, even in the center, some departments remain indifferent to invitations for meetings or correspondence on trade facilitation issues.
- (ii) **Implementation of legislation by different agencies not aligned:** Absence of integration in implementation by line departments was another obstacle listed under TFSP, which continues to be a challenge even now. Besides, there is divergence in practice at regional level too. However, it was unreasonable to expect alignment of action by different departments, in absence of specific action plans at the departmental level in line with the overall objectives of the Strategic Plan.
- (iii) **Document inspection checkpoints remain many and collection of fees overlaps:** These are some of the nagging areas causing unwarranted delays and avoidable costs to the supply chain, which need to be tackled in a targeted manner, as there are many vested interests involved. This area requires priority treatment to improve trade competitiveness.
- (iv) **Lack of collaboration with the private sector:** It is noticed that there is no regular platform where line departments can interact with the private sector to share their plans, address their concerns and seek their support in implementing various trade facilitation measures. This is particularly lacking in the provinces and therefore, there is a need to build mechanism to allow active collaboration with the private sector partners in implementing the TF Road Map.

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<sup>15</sup> 'Knowledge Development Support for Southeast Asia Study on GMS Logistics'; ADB Technical Assistance Consultant's Report; Project Number TA 8977-REG; October 2016.

- (v) **Weak monitoring mechanism:** In order to implement the strategic plan, an effective monitoring mechanism was needed, but the TFS with its infrequent meetings was not able to provide that role and steer the implementation of the Strategic Plan.
- (vi) **Lack of transparency and predictability:** While border procedures have improved, line departments have been taking lot of time in granting various approvals for import and export. Most of the departments have not publicly displayed their detailed procedures and documentary requirement, which leads to lack of accountability in processing of applications for licenses and other approvals.
- (vii) **Limited duration of clearance at border crossings:** The major crossings in the country are open for 16 hours, i.e. from 6 am in the morning to 10 pm in the evening. However, clearance of cargo only takes place from 8 am to 5 pm, including the lunch break, which means that the time available for clearance is quite limited. Demand for extension of working hours at the border crossings has been made by the logistics companies and articulated through the Lao National Chamber of Commerce & Industry.
- (viii) **Roadside checks by different agencies:** While number of border agencies has been restricted to only three, i.e. Immigration, Customs and Quarantine, other agencies carry out their enforcement through roadside checks. There is often allegation of facilitation payments at these roadside checks.<sup>16</sup> These multiple roadside checks cause unnecessary delays and defeat the very purpose of restricting the number of border agencies.
- (ix) **Multiplicity of payments:** Another grievance raised by the trade is about the multiple points of payments relating to imports & exports. For instance, payment of inspection fees or test charges by various departments has to be made at their respective offices, which requires traders to visit different offices for making these payments causing delay.
- (x) **Absence of electronic payment facility:** Currently, facility of electronic payments is provided only for paying customs duties, taxes and customs fees at 17 crossings only, which warrants traders to make provision for payments of duty and other charges in cash at other crossings/offices often leading to avoidable delays.

In view of the above assessment, it is evident that the new Trade Facilitation Road Map needs to focus on certain specific areas, such as improving coordination by strengthening governance structure both in the center as well as in provinces; better planning by preparation of departmental action plans aligned to the TF road map and monitored by TFS (and by the TFS extension offices in provinces); elimination of unwarranted NTMs; simplification of procedures in non-customs agencies; extending clearance time at the border crossings, providing facilities for one-point payment and, putting a stop to multiple inspections from diverse agencies. These measures will also contribute to the improvement of the overall performance in terms of reduction in documentation, time and cost for clearance of exports and imports, resulting in increased transit traffic and exports.

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<sup>16</sup> Knowledge Development Support for Southeast Asia Study on GMS Logistics', ADB Technical Assistance Consultant's Report, Project Number: TA 8977-REG, Asian Development Bank, October 2016

## IV. Vision Statement

The Trade Facilitation Road Map for 2017-22 will simplify and streamline clearance procedures improving the service delivery. The focus of the Road Map will be on improving the trade competitiveness of the country by substantially reducing the time (by 50%) and cost (by 30% at least) of trading to bring them at par with the leading economies in the neighborhood and to allow seamless integration of the Lao PDR economy with the region. The target is to raise the country's score on the WB's Trading Across Border parameters in double digits, taking it from the current rank of 120 to below 100 or better. This will lead to improved trade and consequent economic growth of the country, contributing to its quick graduation from the LDC status.

While focusing on improving the trade competitiveness, the objective is to improve the business environment as a whole. The strategy to be followed will be to drastically reduce non-tariff measures and effectively implement various trade facilitation measures on priority. This will include full implementation of the WTO's Trade Facilitation Agreement on accelerated timeframe, as it has the potential to decrease the cost of trading by as much as 19%. This will be achieved with improved coordination, especially at the sub-national level, and in close collaboration with the private sector partners, to ensure that the benefits of trade facilitation measures reach them as intended.

Considering the above vision statement and the continuing challenges, the TF Road Map will be proposing various strategic measures to be taken in an accelerated time-bound manner. Some of these measures are derived from a review of the erstwhile Strategic Plan, particularly taking in view the continuing challenges. In addition, gains made in the last two decades of liberalization and economic integration under ASEAN and GMS initiatives need to be consolidated further.

## V. Strategic Measures

Considering the challenges and gap areas mentioned above, the new Road Map would have following seven strategic measures:

### 5.1 Developing institutional mechanism for effective coordination among line departments

In order to ensure an effective coordination among the line departments for efficient delivery of trade facilitation measures, a special organizational structure must be developed that will cater to the line departments in following trade facilitation agenda. It is proposed to set up a Trade Facilitation Implementation Unit (TIU) in all the line departments to provide ownership and accountability of trade facilitation with a designated set of officials in every line department. The TIU will be working directly under respective DG and will consist of Director, Deputy Director level officers and a Specialist from the concerned department<sup>17</sup>. The TIU will be responsible for all the trade facilitation work, including preparation of a Departmental Action Plan (DAP) in line with the TF Road Map and will seek TFS approval thereon. TFS will render technical assistance to the key departments to help them prepare this DAP.

Further, the Government is considering to set up a National Committee for Trade and Private Sector Development (NCTPSD) under the stewardship of the Prime Minister, and to bring the TFS (renamed as the Trade Facilitation Sub-committee) thereunder. This is going to be an important development as it will provide a strong political leadership to the trade facilitation issues. The Road Map therefore must be submitted to the National Committee for approval in order to gain the traction of the highest political authority in its implementation.

The NCTPSD is slated to meet once in six months. It is therefore imperative that the Trade Facilitation Sub-committee (TFS) has a higher frequency of meetings and meets at least once in a quarter. This increased periodicity of TFS meetings is essential for effective monitoring of TF Road Map. Hence, the terms of reference of the Sub-committee/TFS may be suitably revised to increase the meeting frequency. The Sub-Committee, like the TFS in the past, will continue to be catered by DIMEX, which will need to have the existing level of technical assistance continued with the support from the World Bank project or under any other international program during the period of implementation of the Road Map.

### 5.2 Strengthening governance structure at sub-national level for improved communication, monitoring and implementation of the trade facilitation measures

The 8th Five-Year National Socio-Economic Development Plan of Lao PDR for 2016-2020 observed that the coordination within and between sectors and provinces along the vertical lines is a key to achieving the national objective. Hence, there is a strong need to bolster the communication mechanism with the provinces to improve implementation and delivery of various trade facilitation initiatives. For this purpose therefore, it is proposed to create a sub-national governance structure comprising of an Extension office of the TFS in every province.

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<sup>17</sup> Constitution of TIU is not through additional recruitment, but only by devolving special responsibilities to the existing staff in the department.

The Provincial TFS office will be responsible for implementation and monitoring of all the TF measures in the province and would meet regularly, once in six months, unless required earlier for any urgent issue. It will consist of all the provincial focal points of different line departments and will be chaired by the Vice Governor of the province. It will also have representatives from the Provincial Chamber of Commerce & Industry and other trade associations in the province. The director of the Trade & Industry department in the province will act as the Deputy Chair of the TFS Extension Office of the province and will be responsible for organizing regular meetings and preparation of required presentations, agenda etc. He will also be responsible for sending regular reports to TFS reflecting the progress made on TF issues after the meeting and escalate any issue needing intervention of the TFS. As the deputy head of the TFS Extension Office in the province, Director of the Trade & Industry department in the province will ensure regular meetings and communication with the central TFS, DIMEX and other line departments in the province on TF issues, particularly regarding the implementation of the TF Road Map.

### **5.3 Cross-border cooperation and regional integration**

Cross border cooperation is an important prerequisite of efficient border administration and entails exchange of trade data (between both sides of customs and other border agencies) at the operational level, i.e. description, quantity and value of imports, exports and transit to help in hastening their assessment and clearance. It also involves joint inspection of cargo and other procedural issues concerning transit and trade through that particular border crossing. While bilateral cooperation agreements have already been signed, which provide overarching legal framework for cross-border bilateral cooperation, comprehensive MOUs need be signed with all the neighboring countries to facilitate cooperation at the functional level. These MOUs must also aim to extend the clearance hours by customs & other agencies at the border crossings and synchronize them with an objective of providing extended clearance facilities on all the major crossings.

Global integration and connectivity remain the key words under both the Government's development vision for 2030 and 10-Year Socio-Economic Development Strategy for 2016-25. In translating the above vision and strategy for development, the 8<sup>th</sup> Five-Year Plan for 2016-2020 has identified regional and international cooperation and integration as key outputs (Outcome 1, Output 7) for achieving a sustained economic growth. It specifically prescribes for development of appropriate legal framework to facilitate trade<sup>18</sup>.

Many trade and transit issues are already being addressed under AEC and GMS commitments, which will pave the way for deepening of regional integration. However, these measures need to be accelerated. As a commitment under GMS programme, the Single Stop Inspection must be operationalized at Savannakhet-Mukdahan border crossing by 2017 as the groundwork has already been completed. Similarly, as a commitment under AEC, ASEAN Single Window should be operationalized by 2018. Operationalization of ASEAN Single Window will enhance exchange of data at the operational level, which will help in effective assessment and faster clearance of cross border goods.

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<sup>18</sup> 8<sup>th</sup> Five-Year National Socio-Economic Development Plan for 2016-2020; Ministry of Planning & Investment, Lao PDR; 2016 (pp 101-105).

#### **5.4 Collaboration with the private sector**

Since private sector is an important beneficiary of trade facilitation measures, it is imperative to involve them in implementing TF measures. They can identify local challenges and opportunities to enhance logistical and commercial links to global value chains and help in delivery of the full social and economic potential of trade facilitation measures. As per the WTO's Report on World Trade, active engagement of local private sector stakeholders, like the national chamber of commerce & industry and business associations etc. was the second most reported success factor mentioned in the success stories on trade facilitation received by WTO<sup>19</sup>. Collaboration of private sector partners may be in the form of generating awareness about these initiatives and building their capacity to enable them to take advantage of these measures. Further, as beneficiaries of these TF measures, private sector also is the best placed for validation of various measures undertaken by the line departments. For instance, if it is claimed that the Category A measures under TFA have been implemented, private sector's endorsement will authenticate the veracity of such claims. A mechanism need be evolved by TFS in collaboration with the Lao National Chamber of Commerce & Industry (LNCCI) or the concerned business associations for validating implementation of TF measures. This is equally important to be carried out in provinces too. The proposal of involving the Provincial Chambers of Commerce & Industry in the TFS Extension offices in provinces is meant to engage the private sector partners fully.

In addition, collaborative arrangement need be evolved to enable the TFS to report the progress and accompanied challenges of implementing the TF Road Map to the Lao Business Forum (LBF), and seek their intervention wherever required to facilitate its implementation. As a first step, TFS must share its quarterly progress reports with the LBF and should invite LBF representative in all its meetings. LBF, in turn should also be requested to ensure that it takes up specific issues relating to the implementation of the TF Road Map referred by the TFS or other partners for discussion in all its meetings (both of LBF & of its Steering Committee) and extends necessary support, if so warranted. These mechanisms will ensure an effective dialogue on TF issues between the government partners and the private sector organizations.

#### **5.5 Priority measures, like publication of Service Charters, establishment of National Single Window, issue of enabling regulations for digital signatures, centralization of payments and one-stop inspections etc.**

In order to bring transparency and predictability in the functioning of line departments, it is essential that they publish the details of documents required, fees payable and standard procedure to be followed for various services, like issuing licenses, permits, quality approvals etc. The line departments should publish these on their websites, as well as on Lao Trade Portal (LTP), so that public is well aware of the requirements and the entire process of compliance. In addition, they must also prepare and publish Service Charters committing to the service standard and duration they would be taking for offering these services. Once these Service Charters are published, they will also bind their officials to commit to these service standards and would ensure that processing does not take an indefinite time.

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<sup>19</sup> Speeding Up Trade: Benefits & Challenges of Implementing the WTO Trade Facilitation Agreement. World Trade Report 2015, WTO.

The present practice of obtaining clearances from other line departments before filing customs declarations does not allow documentation of time spent on these clearances. As a result, the automated system used by the Lao Customs is unable to capture the time taken on compliance of the rules & regulations enforced by other departments, such as the Food & Drugs Department or the Department of Transport. Clearances of other departments are obtained prior to the submission of customs declaration and hence are not recorded in ASYCUDA. Nor are they taken into account in the time-release studies conducted by the Customs. Often these involve submission of information and documents at multiple times (in different offices) causing avoidable delays and duplication, which can be addressed by using National Single Window<sup>20</sup>.

As mentioned above, country has a large gamut of rules and regulations (including non-tariff measures) relating to imports, exports and transit, which are enforced by different departments. Hence, anyone engaged in the process is required to deal with various departments to comply with those rules and regulations, furnishing required information and documents at multiple times. This causes inefficiencies and delays, which can be addressed by having a single platform that combines their information and documentation requirements and allows their submission only at one time. It also provides their processing and clearance from the same single platform or window without the need to run to different departments for compliance. Given its impact on reduction of time and transaction costs of trading, establishment of National Single Window is a key measure listed in the WTO's Trade Facilitation Agreement and requires to be implemented on priority.

Lao Customs Department (LCD), in collaboration with the Department of Import & Export and the Department of Transport has been implementing a pilot of Lao National Single Window for clearance of vehicles. It allows electronic submission of license applications by importers and their processing by DIMEX using the Single Window platform linked with the Customs, which receives the licenses electronically before providing their final clearance. The scheme is trying to also include banks for payments and further aims to link the single window platform with the ASYCUDA World, the automated system used by the LCD for capture and processing of customs declarations. Considering frequent complaints of delay in clearance caused on issues relating to technical and Sanitary & Phytosanitary Standards (SPS), it is proposed to fast track operationalization of National Single Window pilot and its further roll out to include the Department of Plant & Animal Quarantine, Department of Livestock & Fisheries, Food & Drugs Department, Department of Transport and the Department of Standards & Metrology. This will also ensure that the total time taken on clearance of any export or import consignment is entered in the system and is clearly documented, making the concerned line departments accountable for the delay caused.

While Lao Customs Department has computerized its declaration processing, which allows filing of customs declarations electronically, it still requires a paper submission of declaration and supporting documents as the electronic transactions are not yet legally enforceable. A comprehensive law on e-transactions was promulgated in Lao PDR way back in 2013, but cannot be fully implemented in absence of supporting technical regulations. These enabling regulations

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<sup>20</sup> As per the UNECE Guidelines, Single Window is an electronic process in which trade and transport companies are able to submit standardized information and documents to comply with the import, export and transit-related regulatory requirements.

should be developed by the Ministry of Science & Technology within 2017, as a priority measure to ensure that electronic forms of licenses and certificates of origin could be issued with digital signatures.

Further, LNCCI has reported a pernicious practice of roadside checks and inspections of international cargo by various agencies, like Traffic Police, Transport Department, Forest Department and Governor's office etc. and at every stop, often payments are to be made for getting through. It not only adds to the cost of trading but also causes delays and uncertainties. LNCCI has requested for putting a stop to these checks and allow only 'One Stop Inspection' at the customs office. It has also suggested to create a 'One Point Payment' facility since there are many types of payments, like quality/chemical test fees, transportation fees, road usage charges etc., which are required to be paid at different offices, besides customs duties, taxes and VAT which are payable at the Customs and for which facilities exist to pay through the Smart Tax Cards.

Further, in order to centralize payment of all fees and charges on imports exports and transit, arrangements may be worked out by the line departments with the banks on priority, so that the bank counters on border crossings may also accept other charges and fees payable to other departments for quality test, chemical test etc. One-point payment of these fees and charges will prevent traders from unnecessary running around to different offices. Banks can also be requested to accept payment of these fees and other charges electronically or through smart cards as is being done for the payment of customs duties.

## **5.6 Review of Non-Tariff Measures (NTMs) for their drastic reduction and streamlining compliance procedures**

There are as many as 253 NTMs identified in the country, of which a large number relate to licensing requirements and quantitative restrictions. Some of them require unnecessary documentation and payment of fees that add to the time and cost of trading. Therefore, in order to reduce the time and cost of imports and exports, these NTMs must be reviewed on utmost priority and unwarranted NTMs be eliminated.

A fixed time frame is proposed under the Road Map for completing these reviews of key NTMs in a phased manner during 2017-18 and their elimination or streamlining by 2018, as per the recommendations of these reviews. A target of 22 major NTM reviews is prescribed for completion by August 2018 and to act upon their recommendations by the end of 2018. This will also be consistent with the timeframe of NTM review and elimination set out under the ASEAN Trade in Goods Agreement (ATIGA) and would help in meeting the country's obligations thereunder, which prescribes elimination of unwarranted NTMs in three tranches, latest by 2018<sup>21</sup>. It is essential that these assessments be done objectively, therefore NTM reviews should be monitored by an independent/autonomous agency reporting to the office of the Prime Minister/ Deputy Prime Minister. Line departments should also review the impact of new measures/regulations, which may be introduced in future so that their adverse effect on trade, if any may be mitigated.

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<sup>21</sup> Chapter IV of ATIGA prescribes review of NTMs and elimination of Non-Tariff Barriers (NTBs) in three tranches. As per Article 42 of ATIGA, Cambodia, Lao PDR, Myanmar & Vietnam shall eliminate these NTBs in three tranches by 2013, 2014 and 2015, with flexibilities up to 2018.



## 5.7 Full implementation of TFA in an accelerated time-bound manner

WTO's Trade Facilitation Agreement (TFA) provides a comprehensive framework for reducing trading costs and improving trade competitiveness based on the best global practices. A unique quality of the Agreement is that while it lists out all the key trade facilitation measures, it leaves the option of selecting their sequence and timelines to the countries themselves, as per their own priorities and capabilities in a convenient timeframe. As per the Special & Differential provisions contained in the WTO TFA, specific timelines have been prescribed for implementing various trade facilitation measures as per their categorization by a developing country or an LDC. According to these provisions, an LDC member has to implement Category A measures within a year of the TFA's entry into force. Category B measures are to be implemented in a transition time, i.e. within 3-5 years as per the timelines committed by the member country. Similarly, Category C measures are to be implemented in that transitional period once adequate arrangements have been made in collaboration with the development partners for technical assistance and capacity building needed<sup>22</sup>. Therefore, there is enough time for their implementation and the earliest time line prescribed is for implementing Category A measures within a year from TFA's entry into force. Considering that the TFA has entered into force from 22 February 2017, Lao PDR will have time until 21 February 2018 to implement them. However, the TF Road Map proposes to implement them by the end of 2017 itself.

Having recognized the flexibility of timelines under the TFA, it must be emphasized here that there is no scope for complacency in a situation where every country in the world is engaged in trade facilitation and is following similar set of targets and benchmarks to move ahead. In a race where globalization has removed all barriers, no country can afford to relax and be left behind. Therefore, these TFA measures need be implemented as soon as possible, irrespective of the flexible timeframe available under the WTO provisions.

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<sup>22</sup> Details of the WTO's Trade Facilitation Agreement (TFA) along with its SDT provisions and their timelines have been provided in the **Annex-III**

## **VI. Targets and Milestones**

As mentioned above, an all-round concerted effort is needed to meet the intended goals quickly; otherwise, the economy is reaching a plateau when the impact of efforts is not yielding desired results of trade facilitation. There must be a greater push and expediency for the trade facilitation measures to reduce the cost and time of trading to help the country attract more investments and achieve faster economic growth. Therefore, certain measures, like prohibiting roadside checks, centralizing all payments related to exports and imports and establishment of Single Windows need to be taken up on priority basis to obtain quick results. Similarly, action also needs to be prioritized for completing the reviews of NTMs to eliminate the unwarranted ones or streamline the remaining ones in terms of the recommendations of these assessments. As per various recommendations discussed above, targets and milestones proposed under the Trade Facilitation Road Map for 2017-22 are as below:

### **6.1 Input Targets (Activities Planned)**

These input targets are effective in monitoring the trade facilitation activities planned, particularly to ensure that they are implemented as per the period envisaged under the Road Map.

#### **6.1.1 Increasing the meeting frequency of the TFS for close monitoring of the Road Map implementation**

The Trade Facilitation Secretariat (TFS) or the newly proposed Sub-Committee on Trade Facilitation responsible for monitoring the implementation of the trade facilitation strategy has been meeting only once a year, leaving this responsibility to DIMEX during rest of the year. In order to ensure effective monitoring of Road Map implementation the TFS must meet at least once in a quarter. This will also be appropriate as the National Committee for Trade and Private Sector Development (NCTPSD), to which the TFS will be reporting, is to meet every six months. Terms of Reference of the TFS (or the Sub-Committee on Trade Facilitation), should therefore be amended accordingly and the revised monitoring mechanism should be in place latest by September 2017.

#### **6.1.2 Creation of Trade Facilitation Implementation Units in Line Departments**

The Road Map envisages creation of a Trade Facilitation Implementation Unit (TIU) in every line department in order to ensure implementation and effective monitoring, of TF Road Map. This monitoring structure must be in place in all the line departments latest by November 2017 to help in developing the Departmental TF Action Plan consistent with the Road Map and ensuring its timely implementation. TIU will also be instrumental in collecting required data from the field formations on key indicators to help in performance measurement and impact evaluation. Its immediate setting up is essential for rolling out the Road Map in every department.

#### **6.1.3 Setting up TFS Extension offices in provinces**

In order to provide close coordination among the line departments in provinces, the Road Map proposes to set up extension offices of TFS in every province, which will comprise of all the TF provincial focal points of the line departments and prominent members of the private sector partners in provinces Provincial TFS office will be responsible for implementation and monitoring of all the TF measures in the province and would meet regularly, once in six months, unless required earlier for any urgent issue. It will consist of all the regional focal points of different line departments and will be chaired by the Vice Governor of the province with the provincial head of the Trade & Industry department as the deputy chair of the TFS

Extension Office. It will also have representatives from the Provincial Chamber of Commerce & Industry and other local trade associations. The TFS Extension offices should be set up by December 2017.

#### **6.1.4 Extension of clearance hours at border crossings**

In view of persistent demand from the trade, the Road Map also proposes to extend the clearance hours at all the major crossings so that working hours of border crossings could be utilized to their maximum. Customs need to explore and develop suitable mechanism to provide clearance facilities for the entire duration for which their offices remain open on the border crossings. While clearance hours on busy crossings, like Savannakhet-Mukdahan and Khammouane may be considered for extension in consultation with other agencies, Lao Customs Department should undertake feasibility studies to explore the possibility of extension of working hours at other major crossings, particularly to examine if the traffic trends justify their cost-effectiveness. This should be completed by 2017 end. The current practice of batch-wise clearance, which limits the clearance hours, need be changed for optimal utilization of border clearance facilities.

#### **6.1.5 Completing reviews of Non-Tariff Measures (NTMs) and acting on their recommendations**

Reviews of at least 11 major NTMs must be completed by 2017 end, which will include at least two each from the key line departments, like the Department of Agriculture, Department of Livestock & Fisheries, Food & Drugs Department, Department of Transport, Department of Standardization & Metrology, Department of Mines and the Department of Import & Export. An equal number of NTM reviews must also be carried out in 2018 (by August). In order to ensure objectivity, these NTM reviews should be carried out under an autonomous body and not by the departments concerned. By 2018, the unwarranted NTMs should be removed or the procedures streamlined and made transparent as per the recommendations of these reviews. Further, the fees charged on the NTMs must also be rationalized to make them commensurate to the actual cost of administering those NTMs. Reviews of remaining NTMs must be completed by 2020 and their recommendations be met by 2022, for which all concerned departments must prepare specific action plans and share them with the Sub-working Group on NTMs by 2017 end.

#### **6.1.6 Publication of detailed procedures and Service Charters for various services**

In order to bring transparency and predictability of their operations, all line departments must publish detailed procedures (and process maps) to be followed, fees to be paid and documents needed from the clients/customers for obtaining various licenses, permits, certificates and approvals. The departments must also publish Service Charters committing delivery of various services within a specified period. The procedures should be published on their websites as well as on the LTP (in collaboration with DIMEX, which is maintaining the LTP) with a Service Charter giving clear commitment for standard of services offered and officials must ensure to provide the service to their customers/clients as per the standards and timelines provided in the Service Charter. Each line department must publish these Service Charters by 2017 end.

#### **6.1.7 Curbing unwarranted roadside checks and Ensuring One Stop Inspections**

As discussed above, roadside checks must be curbed to reduce unwanted interference by various enforcement agencies not present at the border. Physical inspection of import or export goods must take place only in the customs area and that too before they are allowed clearance. No further inspections are to be allowed after clearance, unless in exceptional circumstances with the express permission from the

provincial heads of the concerned department and in consultation with customs. A decree from the President/Prime Minister's office may be issued for eliminating all unwarranted roadside checks. All the line departments should work together and evolve a joint procedure for One Stop Inspection so that it is operationalized by January 2018.

#### **6.1.8 Centralizing all payments related to exports and imports at one point through electronic payment**

Payment of duties, taxes, fees and all other charges levied by different departments relating to import, export or transit should be centralized by 2018. An all-round effort may also be made by line departments to explore the feasibility of allowing payment of their fees and charges electronically as is being done for the payment of customs duties and fees at the 18 border crossings currently. Customs should extend the facility of e-payment to all the remaining border crossings too.

#### **6.1.9 Development of technical regulations on electronic transactions and digital signatures**

TFS to follow up with the Ministry of Science & Technology to ensure that the long awaited supplementary regulations required for implementing the National Law on Electronic Transactions (promulgated in 2013) are issued by 2017. This will open the door for use of digital signatures and recognizing other electronic transactions, which will facilitate development of e-commerce in the country.

#### **6.1.10 Setting up National Single Window (NSW)**

The current pilot of the National Single Window (NSW) is slated for completion by 2018. Based on the success of this pilot, NSW may be rolled out in a phased manner, with its establishment involving 5 major departments (Customs, DIMEX, Transport, FDD and Livestock & Fisheries) by 2019 and with the remaining ones by 2020. Further, in order to ensure that trade facilitation related aspects of single window are fully covered, it is imperative that the private sector is fully engaged in its implementation and operation and hence, TFS must involve the Lao Business Forum in the governance arrangements of the NSW system, especially while finalizing SW procedures, operational structure, linkages or other governance issues.

#### **6.1.11 Inclusion of Exporters in the Authorized Economic Operators (AEO) program**

The AEO program being launched by the Lao Customs Department must also include at least 10 exporters by 2018 (target may be kept as 20 exporters by 2020) to enable them to enjoy priority treatment. However, looking at their limited capacity and resources, a special scheme may be launched for providing requisite assistance to these exporters to raise their capacity and equip them with the required provisions for documentation & supply chain security to qualify for AEO selection.

#### **6.1.12 Operationalizing ASEAN Single Window**

Once NSW is established, the next step should be to connect it to the ASEAN Single Window. In fact, it can start even earlier as soon as the Single Window platform gets functional. ASEAN Single Window has started limited exchange of data (involving Form D relating to Country of Origin) in its pilot phase, but it must be operationalized by 2018 to ensure exchange of trade information as per the template agreed under ASEAN framework.

### **6.1.13 Full implementation of TFA measures**

According to a recent report of OECD<sup>23</sup>, full implementation of TFA would reduce trade costs for Lao PDR by 19.7%, the second largest potential trade cost reduction among ASEAN countries. The report points out that reforms with the greatest overall benefits in terms of trade cost reduction for the ASEAN as a whole, are in the areas of streamlining of procedures (3.8%), automation (3.2%), simplification and harmonization of trade documents (3%), information availability (2.4%), advance rulings (2.1%), and fees and charges (1.1%). The Road Map targets full implementation of the TFA by 2020 (excepting few Category C measures needing technical assistance and capacity building). The Category C measures, which require technical assistance and capacity building support from the development partners will be implemented by 2022, subject to availability of adequate donor assistance for this purpose. The activities envisaged and the timelines of various milestones relating to TFA implementation are as below:

#### ***(a) Implementation of all Category A measures by 2017***

All measures listed<sup>24</sup> in the Category A of the TFA are to be implemented within 2017. They include the following:

- (i) Publication of trade related information in fair and easily accessible manner (Article 1)
- (ii) Availability of trade related information on the internet (Article 1)
- (iii) Notifications of above details to the WTO Committee (Article 1)
- (iv) Designation of Enquiry Points by line departments to provide trade related information (Article 1)
- (v) Provision for appeal and review for grievance redressal, in case trader is not satisfied with a decision of customs or other border agency (Article 4)
- (vi) Notification needed for any additional check or documentary requirement or procedure to enable trader to be prepared for enhanced controls or inspections (Article 5)
- (vii) Detention of goods to be promptly notified to the carrier/importer/exporter (Article 5)
- (viii) Fees & charges for customs processing to be limited to the approximate cost of services (Article 6)
- (ix) Facility of advance lodging of documents for pre-arrival processing (Article 7)
- (x) Provision for movement of import goods within the country under customs control (Article 9)
- (xi) No insistence on pre-shipment inspection (Article 10)
- (xii) Use of customs brokers not to be mandatory and to be regulated (Article 10)
- (xiii) Temporary admission of goods to be allowed for inward/outward processing (Article 10)

While many of these measures have been implemented, validation of all claims of implementation should be got done through the private sector partners, LNCCI in particular.

#### ***(b) Shifting of measures from Category C to B by 2017***

Some of the measures need immediate attention. For instance, as per a study of OECD<sup>25</sup>, harmonization and simplification of documents have the strongest impact on increasing trade flows in low-income countries. These trade facilitation measures were assigned in Category C considering the technical

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<sup>23</sup> OECD. (2015). OECD Trade Facilitation Indicators: Moving ASEAN Forward. OECD.

<sup>24</sup> Relevant Article of the TFA is mentioned in parenthesis after brief description of the measure in the above list

<sup>25</sup> OECD. (2012). *Trade Facilitation Indicators: The Potential Impact of Trade Facilitation on Developing Countries' Trade*. Paris

assistance and capacity building envisaged for implementing them across various agencies. However, given the importance in terms of its impact on reduction in cost of trading, there is a strong case for shifting many of them from Category C to Category B.

Customs and other departments have suggested moving many measures from Category C to B, based on their readiness to implement them<sup>26</sup>. These measures included establishment and publication of average release and clearance times, acceptance of copies, provision of national single window, common border procedures and uniform documentation requirements, rejected goods and customs cooperation. This exercise must be completed quickly and latest by 2017 end to enable their notification to WTO by 21 February 2018.

*(c) Implementation of all Category B measures by 2018*

Based on the self-assessment and mutual consultations, all the line departments need to work out the tentative time that will be required for implementing Category B measures. Based on this information provided by the line departments, WTO will be notified the indicative dates for implementation of Category B measures by 21 February 2018. These measures should be implemented along with their validation from the private sector partners by 2018 end. The measures<sup>27</sup> designated by Lao PDR in Category B of the TFA are as below:

- (i) Opportunity to comment and information before entry into force (Article 2)
- (ii) Provision of consultation with the stakeholders, i.e. traders & brokers (Article 2)
- (iii) General discipline on fees and charges imposed to be followed (Article 6)
- (iv) Penalty disciplines (Article 6)
- (v) Provision for electronic payment (Article 7)
- (vi) Separation of release of goods prior to final determination of duties, taxes and charges (Article 7)
- (vii) Provision for release of perishable goods within shortest possible time or their storage (Article 7)

*(d) Implementation of all Category C measures by 2022*

Through self-assessment and mutual consultations, all the line departments need to assess their level of compliance and ascertain the requirement for technical assistance and capacity building support needed for implementing category C measures. Some of these may be shifted to category B and therefore will follow the timelines applicable to Category B. In case, any support of WTO or other development partners is needed for technical assistance or capacity building for implementing any Category C measure, proposals will be prepared for discussion with the development partners. This should ideally be completed by 2018 so that the arrangements worked out with the development partners for necessary support could be conveyed to the WTO by 21 February 2019 and work could be started for their implementation soon to finish latest by 2022. List of measures<sup>28</sup> designated by Lao PDR in Category C of TFA is as below:

- (i) Advance rulings (Article 3)

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<sup>26</sup> Customs and many line departments agreed to moving many measures from Category C to B. during a TF consultation meeting held with them on 14 December 2016

<sup>27</sup> Relevant Article of the TFA is mentioned in parenthesis after brief description of the measure in the above list

<sup>28</sup> Relevant Article of the TFA is mentioned in parenthesis after brief description of the measure in the above list

- (ii) Opportunity for second test (Article 5)
- (iii) Risk management (Article 7)
- (iv) Post-clearance audit (Article 7)
- (v) Establishment and publication of average release time (Article 7)
- (vi) Trade facilitation measures for authorized operators (Article 7)
- (vii) Expedited shipments (Article 7)
- (viii) Border agency cooperation (Article 8)
- (ix) Review of formalities and documentation requirements (Article 10)
- (x) Acceptance of copies of supporting documents (Article 10)
- (xi) Use of international standards (Article 10)
- (xii) Single window (Article 10)
- (xiii) Common border procedures and uniform documentation requirements (Article 10)
- (xiv) Provision of reshipment of rejected (non-compliant) goods (Article 10)
- (xv) Freedom of transit (Article 11)
- (xvi) Customs cooperation (Article 12)

## 6.2 Outcome Targets

The outcome indicators will provide the impact assessment of various trade facilitation measures and are useful in course correction midstream, if outcomes aimed at are not discernible. They are widely used for measuring improvement in trade competitiveness as they provide true test of trade facilitation measures in terms of delivering the intended benefits. Some of these key outcome targets identified for accurate measure of the Road Map's performance in terms of improvement in their effectiveness and efficiency are as below:

### 6.2.1 Reducing the time of exports and imports by 50%

As per the 2014 report of the WB's Ease of Doing Business, average time taken on completing various formalities for exports in the country is 228 hours<sup>29</sup>, which includes predominant time spent on documentary compliance. Taking this baseline of existing 228 hours needed for exports, the target of the Road Map is to reduce it by 50%, i.e. to 114 hours by 2022. This can be easily achieved with the elimination of unwarranted NTMs, streamlining of procedures for remaining NTMs and taking other priority measures envisaged under the Road Map, besides implementing the TFA. Similarly, the time taken on import formalities is to be reduced by 50% from the existing average of 230 hours<sup>30</sup> to 115 hours by 2022.

### 6.2.2 Cutting the cost of exports and imports by 30%

Average cost of exports is to be cut down by 30% by 2022 from the existing levels of USD 308 for exports and USD 268 for imports per container<sup>31</sup>. The target under Road Map will therefore be to bring down the average cost in case of exports to USD 216 and that of imports to USD 188 by 2022. With the streamlining of procedures and rationalization of fee structure, cost of exports will come down significantly. It will be greatly aided by establishment of national single window and streamlining of NTMs relating to exports,

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<sup>29</sup> As per the WB's Ease of Doing Business report of 2016

<sup>30</sup> As per the WB's Ease of Doing Business report of 2016

<sup>31</sup> As per the WB's Ease of Doing Business report of 2016

particularly of minerals and agricultural products. Reduction in the cost of trading will reflect in greater efficiency of trading procedures obtained from the Road Map implementation.

### **6.2.3 Reducing the number of export and import documents by 30%**

The number of documents needed for exports and imports is to be reduced by 30% by 2022. This is also achievable with the streamlining of various clearance procedures and the establishment of the National Single Window, where information can be captured at one platform and shared electronically among all the concerned departments without necessitating any duplication. This will be further helped with the exchange of information with counterparts in neighboring countries, once the ASEAN single window becomes operational.

### **6.2.4 Raising the country's rank on Trading Across Border parameters in double digit**

With reduction in the time and cost of export and import, the Road Map aims to raise the country's ranking on the World Bank's parameters of Trading Across Border in two digits, i.e. 99 or better, which will be around the current levels of the neighboring economies like China, Vietnam and Cambodia.



## **VII. Implementation Phases**

The Trade Facilitation Road Map for 2017-2022 will be implemented in the following four phases:

### **7.1 Kick-off Phase (August 2017-February 2018)**

The first phase will be from August to December 2017 and will involve getting the requisite approvals of the Trade Facilitation Road Map for 2017-22. On approval of the TF Road Map, immediate action will be taken for setting up TIUs in line departments, designation of provincial focal points & preparation of Departmental Action Plan for TF implementation by the line departments in consonance with the Road Map timelines and setting up TFS extension offices in provinces.

In brief, this phase will involve starting the ground work for implementing the Road Map, including the establishment of the required change management structure (TF Implementation Units) in the line departments and completing self-assessment by all line departments, particularly for determining timelines for implementing Category B measures. It will also entail building coordination mechanism with the Lao Business Forum for greater engagement of private sector partners in implementing the Road Map.

Further, it will also include preparation of Service Charters and their publication on LTP & departmental websites by all line departments. Lastly, this phase will also see full implementation of Category A measures of the TFA.

### **7.2 Short Term Phase (March- December 2018)**

This phase will be from January to December 2018, wherein all urgent activities need be completed. It will include completing the reviews of 11 more major NTMs and taking compliance action on their recommendations.

This phase will also involve implementation of priority measures listed in the Road Map (like issue of decree eliminating unwarranted roadside checkpoints and inspections, One-point payment, operationalizing Single Stop Inspection facility at Savannakhet-Mukdahan crossing on Thai border and issue of technical regulations for implementing National e-transaction Law, etc.). The time-bound activities during this phase will entail conveying to the WTO by 21 February 2018 the indicative timelines for implementing Category B measures and the list of measures designated under Category C. This will presuppose finalizing what measures are to move from Category C to Category B, and their indicative timelines for similar reporting to the WTO. This phase will also include implementation of Category B Measures.

In addition, this phase will also involve preparation of draft proposals for technical assistance and capacity building of the line departments for implementing Category C measures and getting sponsorship from development partners in order to notify WTO about the arrangements made for their implementation.

### **7.3 Medium Term Phase (January -December 2019)**

Key tasks of this phase will include validation of Category B measures by the private sector and implementation of the some priority measures of Category C, like inclusion of exporters in AEO program, operationalizing National Single Window & ASEAN Single Window and further streamlining of border procedures making them more transparent and efficient. In addition, this phase will also involve review of

the remaining NTMs and acting upon the recommendations of these reviews, which will entail elimination of many NTMs and streamlining of procedures and rationalizing their fee structures. These will directly impact the time and cost of trading and will improve country's ranking under various TF indicators.

Further, the phase will also emphasize on holding workshops and training sessions for capacity building of line departments, including in provinces for implementation of various TF measures under the Road Map. It will also entail organizing regular consultations and workshops for capacity building of the private sector partners their greater engagement in Road Map implementation.

#### **7.4 Long Term Phase (January 2020-December 2022)**

This phase will involve implementation of all the remaining measures of Category C latest by 2022, but preferably by 2020 and getting them validated by the private sector partners and donors. Since Category C measures will require support from development partners for technical assistance and capacity building of concerned departments, greater monitoring will be needed to ensure that the support needed is mobilized and the measures are implemented in time.

It will also include mid-term and final evaluations of the Road Map and preparation of the new TF strategy for the future. The exercise of the mid-term evaluation of the Road Map must start at the beginning of 2020 itself, so that there is adequate time to collect data for assessing the achievements and preparing proposals for revision of timelines and other additional emphasis or course corrections, if so warranted in the evaluation.

The Final evaluation must start towards the end of 2021 so that the findings are available latest by March 2022. This will provide adequate time to draft the new Trade Facilitation strategy for the future (i.e. for 2023-27) and seek requisite approvals well in time. A trade facilitation specialist may be engaged to help in the impact evaluations of the Road Map and drafting of the new trade facilitation strategy.

## VIII. Implementation Schedule under Trade Facilitation Road Map for 2017-2022

Table of the 2017-2022 Trade Facilitation Road Map (Strategic Plan) is given below with detailed description of activities, timeframe and responsible agencies for their implementation:

Strategic Measures	Sl. No.	Tasks	Timeframe	Responsible Agencies
Preparatory Work	1	Obtaining requisite approval of the Trade Facilitation Road Map for 2017-2022	July-Aug 2017	DIMEX
<b>Developing institutional mechanism for effective coordination with line departments</b>	2	Increasing the meeting frequency of TFS/Sub-Committee on Trade Facilitation to once a quarter	Dec 2017	MOIC
	3	Setting up Trade Facilitation Implementation Unit (TIU) in each line department	Jan 2018	All line departments
	4	Preparation of Departmental Action Plan (DAP) on Trade Facilitation by each line department to implement TFSP and obtaining the approval of DAP by TFS	2018	All line departments
<b>Strengthening governance structure at sub-national level for improved communication, monitoring and implementation of the trade facilitation measures</b>	5	Designating Trade Facilitation Focal Points in provincial offices by all the line departments	Jan 2018	All line departments
	6	Setting up TFS Extension Office in each province	Feb 2018	DIMEX in consultation with the governors of respective provinces
<b>Priority measures for improving service standards, simplification of border procedures, like Extended working hours, One Stop Inspection, One Point Payment and Establishment of National Single Window</b>	7	Publication of detailed procedures, documentary requirements and Service Charter committing standard and time of service delivery on LTP and the respective websites of line departments	2017	All key line departments in cooperation of DIMEX
	8	Extending clearance hours at Thanaleng on pilot basis and conducting feasibility studies to explore extension of working hours at other major crossings, whether the traffic trends justify their cost-effectiveness	2018	Lao Customs Department (LCD)
	9	Issue of decree to curb unwarranted roadside checkpoints & inspections outside the customs area,	2018	Line Departments

		and preparation of uniform procedures for launching One Stop Inspection for exports and imports.		in cooperation with LCD and DIMEX
	10	Centralizing payment of all duties, taxes, fees and other import and export charges at Customs offices and extending facility of Smart Tax Card payments	2018	Line Departments in cooperation with LCD and DIMEX
	11	Inclusion of at least 10 exporters in the Authorized Economic Operators program and 20 exporters by 2020	2018	LCD
	12	Setting up National Single Window with 5 key departments by 2019; with 10 departments by 2020; and with other line departments by 2022	2019	LCD in cooperation with all line departments and DIMEX
<b>Elimination of unwarranted NTMs,</b>	13	Completion of Reviews of 22 major NTMs	Sept 2018	DIMEX and other line departments
	14	Elimination 10 unwarranted NTMs and streamlining of procedures & rationalizing fee structure of major NTMs as per the recommendations of NTM reviews	Dec 2018	All concerned line departments
	15	Completion of reviews for the remaining NTMs	2020	All line departments
	16	Taking action to further reduce NTMs or further streamline their procedures	2022	All line departments
<b>Cross-border cooperation and regional integration</b>	17	Operationalizing Single Stop Inspection facility at Savannakhet-Mukdahan crossing on Thai border	2018	LCD
	18	Issue of technical regulations for implementing the National E-transaction Law	2018	Ministry of Science & Technology
	19	Operationalizing ASEAN Single Window	2018	LCD
<b>Collaboration with the Private Sector</b>	20	Regular meetings with the private sector partners, including LNCCI, at least once in a quarter	2017-22	All line departments

	21	Organizing Capacity Building Workshops on TF for the Private sector in the capital and provinces both	2017-22	DIMEX
	22	Seeking validation from the private sector partners, for measures implemented under TF Road Map	2017-22	All line departments
<b>Full implementation of TFA in a quick time-bound manner</b>	23	Completion of Self-assessment for Category B and C Measures	2017	All line departments
	24	Completion of self-assessment for ascertaining quantum of support needed for technical assistance and capacity building for implementing Category C measures	Feb 2018	All line departments
	25	Implementation of Category A measures	Feb 2018	All line departments
	26	Shifting of selected Category C measures to Category B	2018	All line departments
	27	Develop the implementation plan identifying technical assistance and capacity building needed for implementation of Category C measures	2018	DIMEX in consultation with line departments and private sector
	28	Preparation of proposals and discussions with the development partners for seeking their support on technical assistance and capacity building for implementing Category C measures	2018	DIMEX in consultation with all line departments
	29	Notifying WTO about arrangements made with development partners on technical assistance and capacity building for implementing Category C measures	2018	DIMEX
	30	Implementation of Category B measures with the validation of implementation of Category B measures by the line sectors	Time frame will be set after the consultation with line sectors	All line departments
	31	Implementation of Category C measures with the validation of implementation of Category C measures from line sectors	2022	All line departments

<b>Evaluation and the Next TF Plan</b>	32	Mid-term evaluation of the Road Map	June 2020	DIMEX in consultation with line departments and private sector
	33	Meeting to discuss Mid-term Evaluation Report	July 2020	All line departments
	34	Final Evaluation of the Road Map	March 2022	DIMEX in consultation with line departments and private sector
	35	Preparation and approval of the next TF Plan	2022	DIMEX in consultation with line departments and private sector

## IX. Monitoring, Reporting & Evaluation

It is important for the success of any plan that a robust system of monitoring and reporting is put in place so that progress of the plan can be monitored diligently and course correction can be undertaken if so required. Further, in order to make a realistic appraisal of its performance, it is also equally important that the indicators selected are reliable and are able to measure the performance targets accurately. With this perspective, the Road Map is examining some key performance indicators used by the international community for measuring trade facilitation and will identify the most effective indicators with appropriate mechanism for monitoring and evaluation of the Road Map.

### 9.1 Monitoring

Varied indicators are being used by international institutions for monitoring the progress of trade facilitation programmes and to identify gaps to help countries in focusing their attention for plugging them. Some of the prominent indicators frequently used for measuring the impact of trade facilitation reforms are the Trading Across Borders (TAB) indicators under the Ease of Doing Business (EDB) studies compiled by the WB and the Trade Facilitation Indicators (TFI) developed by the OECD. The Road Map will analyze the country's trade facilitation performance using these two sets of indicators. It would also incorporate the trade facilitation indicators being developed by ASEAN, once they are finalized and adopted by the ASEAN member States.<sup>32</sup> The specific parameters for measuring the performance of Road Map progress under these indicators are as below<sup>33</sup>:

#### (a) Trading Across Border Parameters under WB's Ease of Doing Business Studies

The relevant Trading Across Border (TAB) parameters include the time and cost for (1) documentary compliance and (2) border compliance for imports and exports, which constitute reliable indicators for measuring the impact of the TF measures carried out under the Road Map, as they are based on the independent studies conducted by the World Bank every year. TFS will be relying on the outcome indicators, like time and cost of imports and exports as per the data of the WB's Ease of Doing Business Reports released every year. The information provided in the 2016 reports<sup>34</sup> may be taken as the baseline for performance measurement of the Road Map. In addition, the outcome of trade facilitation measures will also be directly determined from their impact on the customs clearance time, for which the Lao Customs Department will be requested to share the average clearance time data (captured by ASYCUDA) in their quarterly progress reports for regular monitoring.

#### (b) Trade Facilitation Indicators of OECD

OECD developed its Trade Facilitation Indicators (TFIs) specifically for measuring the performance of trade facilitation activities. They closely follow different measures listed under Section I of the TFA and their progress is captured every two years based on the information available in public domain, and the data captured through questionnaires from the private sector & the government and validated by country delegations in OECD and WTO meetings. They are like ticking the relevant boxes for each measure and are easy to use for monitoring the progress of implementation over a length of time. In fact, OECD's web

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<sup>32</sup> ASEAN is in the process of developing its own indicators for measuring the progress of trade facilitation among the member states. These are termed as seamless trade facilitation indicators (STFIs) and are yet to be adopted.

<sup>33</sup> Details of these indicators are provided at **Annex IV**.

<sup>34</sup> Termed 2017 reports actually, which were released in October 2016

based interactive TFI simulators are excellent tools to evaluate policy options on TF issues for prioritizing various measures. Existing scores of OECD TFIs based on their last survey may be taken as the baseline for future comparisons and performance measurement of Road Map progress. They also provide comparative analysis of TFA progress region-wise and are good tools to compare the progress with similarly placed economies. A comparative study of TFI indicators with other countries in the region reveals Lao PDR's composite score of barely 7.436 in comparison to Thailand's 17.757, Vietnam's 14.392 and Indonesia's 14.31 based on various trade facilitation measures undertaken by them. It indicates that Lao PDR needs to make extensive efforts to reach the level of these countries in the region<sup>35</sup>. OECD's TFIs are therefore the most appropriate indicators for monitoring the inputs, i.e. implementation of different trade facilitation activities. They are specifically targeting various measures identified under the TFA and will be very effective in monitoring the Road Map implementation. DIMEX will collect the required information needed for the OECD TFIs from all the line departments through their progress reports every quarter and will feed them into the OECD simulator for calculating countrywide score, which will provide a comparable picture of the implementation progress of the Road Map. DIMEX will develop appropriate format of quarterly progress reports to collect required information from the line departments as per these performance indicators.

## 9.2 Reporting

In addition to these external indicators, reports on which are available at best once in a year, quarterly reports from line departments are warranted for regular internal monitoring. Therefore, quarterly reporting on the progress of implementing TF Road Map is prescribed for each line department and TIUs are obliged to seek information from field formations including the provinces to compile these progress reports to be sent to TFS at the end of every quarter. These will be further consolidated and submitted to TFS by DIMEX, flagging specific issues for their attention and intervention. Format of these reports will be devised by DIMEX based on the variables under the two KPIs selected above for Road Map's monitoring. In addition, clearance data (or time-release data) from ASYCUDA should also be obtained from the Lao Customs department in their quarterly reports for measuring the impact of Road Map implementation on clearance time. This data is readily available with reliable regularity and is widely used for performance measurement of trade facilitation programs world over.

DIMEX will also be responsible to report issues of delay or deviance from the prescribed timelines in the Road Map. For the sake of transparency and greater awareness, copies of these quarterly reports should also be shared with all the line departments and private sector partners and should be uploaded on the DIMEX website for ready reference on the ongoing status of the progress.

## 9.3 Evaluation

A mid-term evaluation of the Road Map must be initiated in the beginning of the 2020, which must be completed latest by April 2020 for suggesting any mid-stream course correction and revision of timelines, if so warranted.

The final evaluation of the Road Map will have to start towards the end of 2021 so that the evaluation report is available by March 2022. It would then allow adequate time for preparation and approval of the new strategic plan for 2023 onwards. The review of the Road Map will be using various indicators

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<sup>35</sup> OECD's TFI Simulator; [http://sim.oecd.org/Simulator.ashx?lang=En&ds=TFI&d1c=lmi\\_a&d2c=lao&mc=12:1](http://sim.oecd.org/Simulator.ashx?lang=En&ds=TFI&d1c=lmi_a&d2c=lao&mc=12:1)



outlined above both for inputs and outcomes to measure the success of the Road Map. These mid-term and final evaluations should be started well in time and be carried out in close coordination with the TFS, line departments, private sector partners and the World Bank.

## X. Governance Structure

TFS was set up in Oct 2010 as a nodal organization of the country on trade facilitation. It was also expected to monitor TFSP 2011-15 and will continue to be responsible for steering and monitoring the Trade Facilitation Road Map for 2017-2022. TFS is headed by the Minister of Industry & Commerce and beside her, consists of DGs of DIMEX, LCD, Department of Transport and Department of Agriculture (Plant & Animal Quarantine Division) as vice-heads and DGs of the other concerned line departments as members. DIMEX provides secretarial support to the TFS and on its behalf coordinates with all the line departments and compiles the required updates and status reports.

As mentioned already, a new monitoring structure is under active consideration of the government for trade facilitation. It involves setting up a National Committee for Trade and Private Sector Development (NCTPSD) under the stewardship of the Prime Minister, which inter alia is also entrusted to provide guidance on the implementation of the national trade facilitation strategy. The TFS is proposed to be re-named as the Trade Facilitation Sub-committee, which will be headed by the Minister of Industry & Commerce and will report to the NCTPSD directly. Establishment of NCTPSD is going to be an important development as it will provide a strong political leadership to the trade facilitation agenda.

The National Committee on Trade & Public Sector Development as well as the Trade Facilitation Sub-committee, both are slated to meet once in six months to review the performance of implementation of the TF Road Map. However, it is proposed that the Trade Facilitation Sub-committee (new name of TFS) must meet more frequently (once a quarter) for effective monitoring and to instill a sense of urgency among the line departments for implementing the Road Map as per the timelines prescribed.

Further, in absence of any dedicated structure for trade facilitation in the line departments, there is no focus or continuity of action on trade facilitation in line departments. Their priorities are determined as per the needs of their diverse responsibilities, where trade facilitation may not always be on top of the agenda. Hence, under the change management plan, a Trade Facilitation Implementation Unit (TIU) is proposed to be set up in each line Department, under the respective DGs, for effective monitoring of implementation of the TF Road Map. This unit may consist of 2-3 officials of the levels of Director, Deputy Director, Specialist and Assistant, who may be entrusted to work as members of the TIU.

TIU may be delegated the task of initiating and coordinating action for implementation of the TF Road Map in the department. It should also be preparing specific action plans in accordance with the timelines prescribed under the Road Map for implementation of various measures prescribed therein. This Departmental Action Plan (DAP) should be approved by the TFS to ensure that it is in accordance with the TF Road Map and is geared to meet the targets set thereunder. TFS will provide requisite technical assistance in preparation and approval of these DAPs. TIU should be submitting quarterly reports to their respective DG and through him/her to the TFS, apprising them the progress of TF Road Map implementation in the department against the timelines prescribed in the Departmental Action Plan.

Further, specific arrangements must be made to ensure that the implementation of TF Road Map is carried out in the field formations equally effectively. For this purpose, every line department will need to designate a TF focal point in each provincial office, whose responsibility will be to ensure that the Departmental Action Plan for TF Road Map implementation is executed as per the timelines prescribed therein. The provincial focal point could be the provincial director/head or his deputy. A TF progress report will be sent

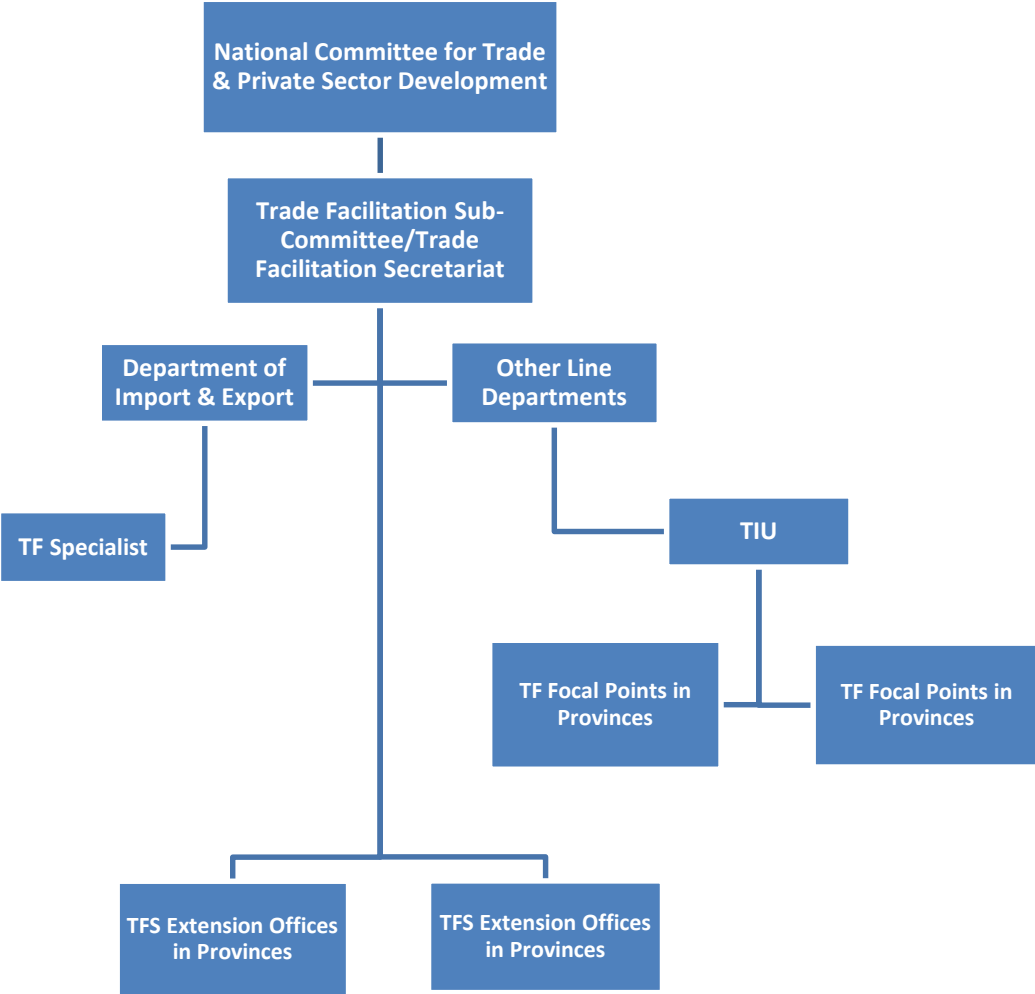
by this provincial focal point to the TIU every quarter, for consolidation and submission to their respective DG and the TFS.

It is also proposed to set up extension offices of TFS in provinces, which will comprise of all the TF provincial focal points of the line departments and prominent members of the private sector partners in provinces. Vice Governor of the province will be chairing the TFS Extension Office, while the Director of Trade & Industry Department in the province will act as the Deputy Chair and his office will provide required space and secretarial support to the TFS extension office. The Ministry of Industry & Commerce should seek additional funds to provide budgetary support for TFS functioning.

In order to involve private sector partners in TFA implementation, it is important that regular meetings be held with them at the central as well as provincial level. It requires intensive efforts to generate awareness about the TF measures, particularly in provinces. Quarterly workshops should be held with the private sector organizations in Vientiane capital for mobilizing their support and collaboration in implementation of the TF Road Map. Similar exercise also needs to be carried out at the provincial level for engaging the private sector in the field. Periodic meetings of TFS Extension offices in provinces should also be held at least once in a quarter with all the line departments and private sector partners in the province. Besides taking stock of the efforts being made and assess the progress of TFA implementation against the targets set under the departmental action plan, these meetings will also help in involving the private sector in implementation of the Road Map.

In addition, composition of TFS should be changed to include an office bearer of the Lao Business Forum as its member, so that there is a permanent representation of the private sector in TFS deliberations. Until the change in its composition, TFS should co-opt an office bearer of the Lao Business Forum and invite him/her to all its meetings.. This two-way collaboration will ensure information sharing and effective dialogue between the government and the private sector in the implementation of the TF Road Map.

# Organogram of the Road Map Implementation Structure



## **XI. Resource Mobilization**

The success of the TF Road Map is dependent upon the continued support of the government to commit required resources. This includes allocating additional responsibility in line departments for undertaking TF Road Map implementation, including establishment of TF Implementation Units (TIUs) in all the line departments and provision of required equipment and infrastructure. Government will also have to ensure adequate funds with the DIMEX, both at the center and in provinces to hold regular meetings of TFS and its extension offices.

It also depends on the active collaboration of private sector partners in implementation of various measures and getting their validation that the required benefits under the measure are to their satisfaction. It also presupposes that the line departments will provide the enhanced capacity and resources needed for implementation of the Road Map. This would necessitate adequate staffing and capacity building in all the line departments. Finally, it also assumes that the WTO and other donors will extend necessary support in terms of providing technical assistance and capacity building of line departments requiring that support in implementing Category C measures. Implementation of Category C measures as per the proposed timelines are therefore dependent upon the availability of requisite funds and technical support from the development partners.

TDF-2 resources may be requested for supporting DIMEX and TFS in implementation of the Road Map to the extent possible and until government allocates specific budget for this purpose. This means continuation of existing support and commitment to DIMEX and TFS. TDF-2 assistance is crucial for galvanizing the trade facilitation efforts during the initial phases of the implementation, during which time DIMEX and other line departments must mobilize their resources to obtain additional funding for the implementation of TF Road Map for the next five years. Efforts should also be made to get the support of development partners as much as possible for implementing the Road Map, particularly the Category C measures.

While the TDF-2 support is requested only for a short-term interim purpose, for the long term, TFS needs to explore requisite budgetary support from the government for the implementation of the Road Map. Adequacy of resources is a prerequisite of ensuring effective implementation of the Road Map in the next five years.

## **XII. Conclusion**

The Trade Facilitation Road Map developed for 2017-2022 is essentially a continuation of the earlier trade facilitation strategy as it follows the same approach and objectives. The difference however is in the focus and priority as the new TF Road Map emphasizes on improving mechanisms for better delivery of trade facilitation measures to get them implemented uniformly across the country and ensure that the intended benefits reach the private sector to their satisfaction. Setting up TF Implementation Unit in each line department, preparation of Departmental TF Action Plan in line with the Road Map and TFS extension offices in provinces will ensure that the Road Map is implemented and monitored as per the agreed timelines.

The Road Map is following a phased approach allocating adequate time for groundwork and setting up requisite implementation mechanism. However, certain selected measures, like elimination of roadside checks and allowing one point payment for all duties, taxes and fees using the Smart Tax Card will be taken up on priority for reducing corruption and unpredictability in border processes. These ‘quick fixes’ are meant to decrease cost of trading and improve transparency of border processes to raise country’s global ranking on the trade facilitation indicators.

Considering that the substantial part of cost and time is spent on documentary compliance relating to Non-Tariff Measures, the Road Map is emphasizing on reviews of key NTMs on priority. This is expected to ensure that the unwarranted NTMs are eliminated and remaining ones streamlined with rationalized fee structures, as per the recommendations made in their reviews, in a phased and time-bound manner.

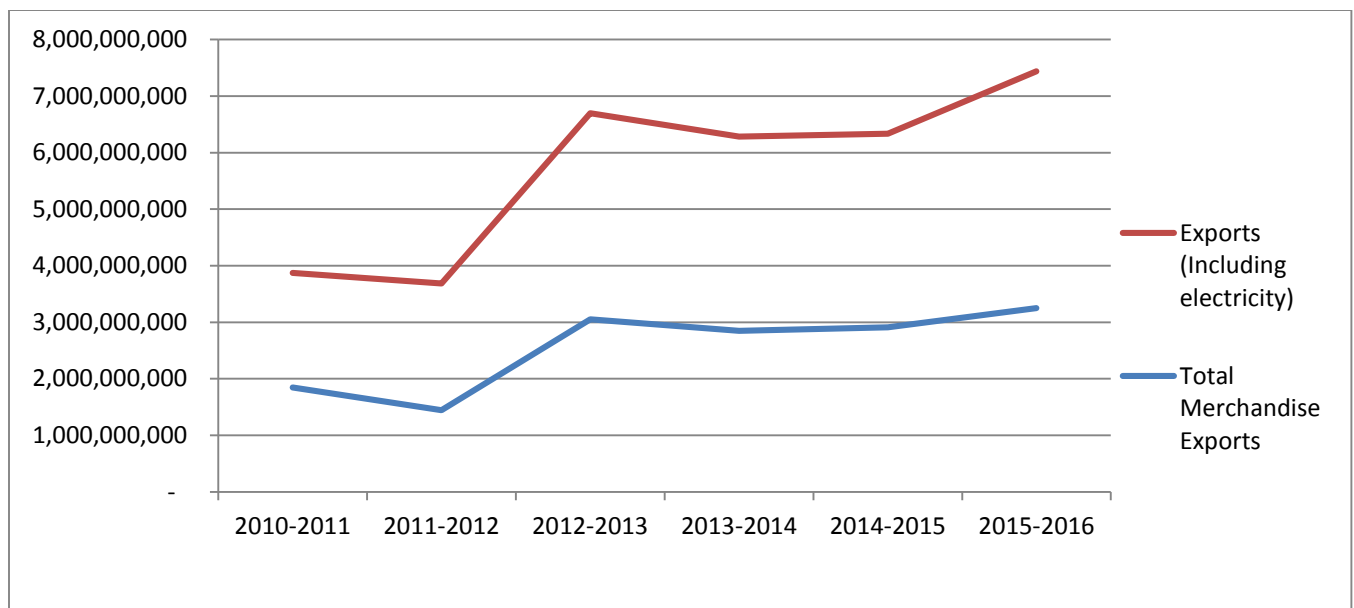
The Road Map emphasizes on active collaboration with the private sector in implementation and validation of trade facilitation measures to ensure that the measures yield their intended benefits to the trade. It also provides scope for mid-stream course correction in case the feedback received from the private sector partners is negative and it is realized that the measure initiated by the department needs a modified approach. Active engagement of private sector will also help in their capacity development and will enable them to take full advantage of the scheme launched. For instance, the facility of Advance Rulings started by Lao Customs Department is not being used by the private sector, as they have not quite appreciated the utility of this facility.

Further, with enhanced cross-border cooperation, the Road Map aims to launch Single Stop joint inspections and allow seamless transit, which will facilitate cross border movement of goods and bring down the cost and time of clearance. Establishment of Single Windows at both the national and ASEAN levels, which would cut down documentation, would also contribute to reduction in time required for documentary compliance.

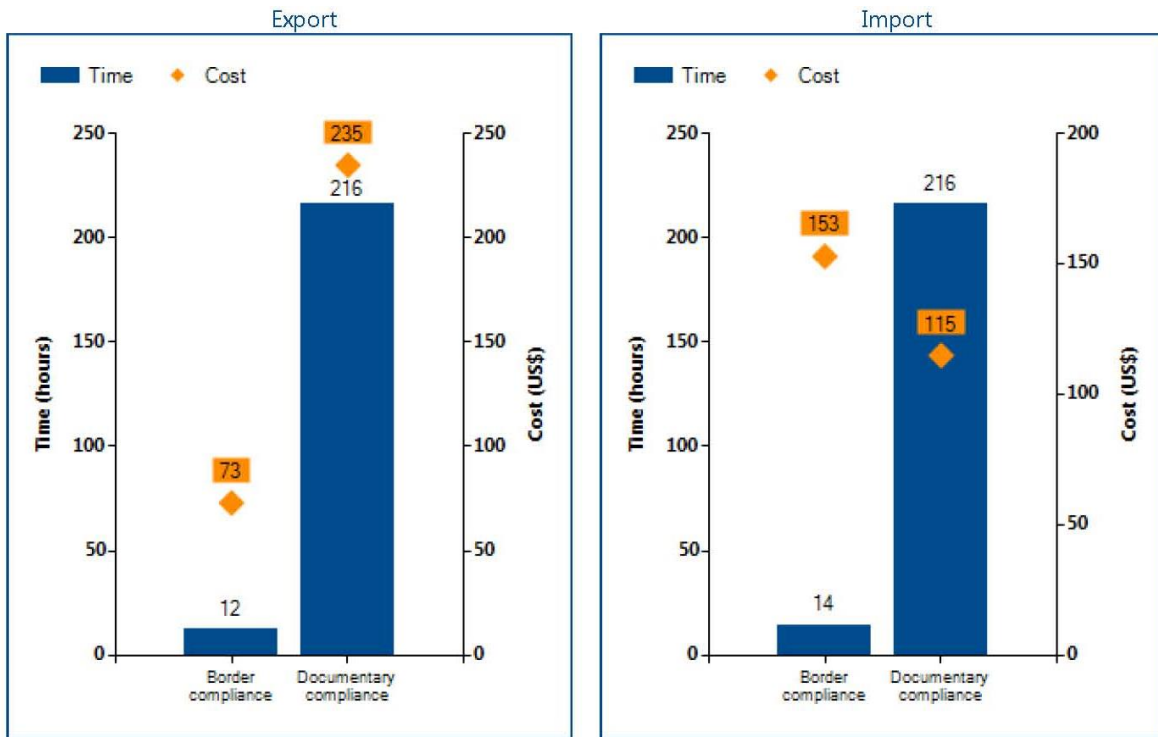
Finally, with full implementation of the Trade Facilitation Agreement on accelerated timeframe under the Road Map, Lao PDR will be able to improve country’s trade competitiveness to attract increased trade and investment needed to graduate from LDC status as aimed under the 8<sup>th</sup> National Socio-Economic Development Plan of the country.

Table showing Growth in Value of Exports of Lao PDR during 2010-2016 (In US\$)

Years	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Exports (Including Electricity)	2,027,145,36 0	2,241,996,37 7	3,645,857,41 5	3,433,709,66 9	3,422,276,99 6	<i>4,191,258,528</i>
Merchandise Exports	1,846,853,77 0	1,442,361,38 8	3,052,534,50 6	2,850,285,96 8	2,911,208,70 4	3,250,519,131



Summary of Trading Across Border (Ease of Doing Business) Data for Lao PDR for 2016



Source: Doing Business database.



## WTO's Trade Facilitation Agreement (TFA)

Ratification of the WTO's Trade Facilitation Agreement (TFA) by Lao PDR in September 2015 was an important step towards international cooperation and economic integration. The Agreement provides a comprehensive blueprint for trade facilitation and obligates upon the member countries to take specific trade facilitation measures in a time-bound manner. Given their capacity and resource constraints, these timelines under the TFA are however slightly relaxed for the countries falling in LDC category. Section II of the TFA deals with the special and differential treatment (SDT) for developing countries and LDCs. These SDT provisions for LDCs give them one full year for implementing the Category A measures from the date when TFA enters into force. They also provide additional transition period for commitments regarding Category B and C measures. The Agreement has entered into force from 22 February 2017 on ratification by 2/3rd of the existing members of the WTO.

The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It sets out measures for effective cooperation between customs and other authorities on trade facilitation and customs compliance. It also offers provisions for technical assistance and capacity building needed for the purpose. According to a recent report of OECD<sup>36</sup>, full implementation of TFA would reduce trade costs for Lao PDR by 19.7%, the second largest potential trade cost reduction for ASEAN member countries. The report points out that reforms with the greatest overall benefits in terms of trade cost reduction for the ASEAN as a whole, are in the areas of streamlining of procedures (3.8%), automation (3.2%), simplification and harmonization of trade documents (3%), information availability (2.4%), advance rulings (2.1%), and fees and charges (1.1%).

In view of the constraints of capacity and resource availability, TFA provides developing countries and LDCs flexibility of timelines in implementing these measures. These special provisions are given under Section II of the Agreement and are referred to as Special and Differential Treatment (SDT) provisions. They allow LDCs to categorize these TFA measures under three different categories, A, B and C as per the country's readiness and capability to implement them. Designation of these measures under different categories is completely left to the countries themselves. While Category A measures are required to be implemented within a year of TFA's entry into force (by 21 February 2018), transition time is provided for implementing other measures listed under Categories B and C. Of these, an indicative timeline for implementing Category B measures must be conveyed to the WTO within a year of TFA entering into force, i.e. by 21 February 2018. The definitive dates of their implementation need to be confirmed later in another two years' time.

In case of Category C measures, where LDCs may require technical assistance or capacity building support, TFA provides for a longer timeframe of implementation. As per the provisions of TFA, the LDC members should notify to WTO the measures assigned under Category C after one year of TFA's entry into force (i.e. by 21 February 2018) and within a year of this notification, they should inform the details of capacity building assistance and support needed for implementing these measures. Indicative timelines for their implementation should be conveyed to WTO in two years thereof after arranging for the requisite technical

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<sup>36</sup> OECD. (2015). *OECD Trade Facilitation Indicators: Moving ASEAN Forward*. OECD.

assistance and support from WTO and other international partners. These timelines may be extended at the request of LDCs, if the LDC member country finds any difficulty in meeting them.

13 measures have been notified by Lao PDR to the WTO as Category A measures, which are due for implementation by 21 February 2018. In addition, 7 measures have been identified as Category B and further 16 as Category C (list of measures under different categories is placed at **Annexure-IV below**). Government has to take pro-active steps to ensure that the Category A measures are implemented expeditiously to enable it to focus on Category B and C measures, which are more daunting and require greater level of efforts.

Category A measures identified by Lao PDR are those trade facilitation (TF) measures, which are supposed to be already in force or are expected to be implemented soon without much difficulty. A quick review of these measures carried out recently along with the implementing partners has revealed that some of these measures are still incomplete and action remains for their full implementation. For instance, not all the relevant information for international trade has been put up on the internet. Many of the notifications, including on fees payable are yet to be put up on the website by MOPWT and some other agencies leading to divergent practices in provinces. Similarly, designation of enquiry points by concerned departments has only been done at the Ministry level and that too has not been widely disseminated or even shared on the Lao Trade Portal.

Implementation of Category B measures, which are next in priority (after Category A) allows some additional time for implementation. However, WTO needs to be notified by 21 February 2018, the indicative dates by which these measures will be implemented. Determination of these indicative dates for implementation will depend upon completion of the self-assessment by line departments about the quantum of efforts needed and the availability of resources. Line departments must complete this assessment quickly and share the indicative timelines of implementation for notifying to WTO.

Similar self-assessment from line department is also awaited for Category C measures, some of which may need provision of equipment, infrastructure, additional staffing or capacity. These may require additional resources and support from donor community. The TFA provides an assurance of support to LDCs on technical assistance and capacity development required for implementing these Category C measures. However, these requirements are to be discussed with development partners for their support and the arrangement effected is to be shared with WTO with tentative timelines. The time frame prescribed for notifying Category C measures to WTO is again a year of TFA's entry into force, i.e. by 21 February 2018. However, TFA provides another year therefrom for sharing the arrangement made for their implementation. Self-assessment from line departments is still awaited for deciding quantum of support that may be required and is being pursued. In fact, this assessment will also determine which all measures in Category C can be implemented independently without any donor assistance so that they could be considered for moving to Category B. Notwithstanding the extended timeframe available for implementing Category B and C measures, it is proposed to meet them quickly, i.e. Category B by 2018 and Category C by 2022 latest.

## Details of the Key Performance Indicators used in the Road Map

### (a) Trading Across Borders (TAB) under Ease of Doing Business (EDB)

Ease of Doing Business (EDB) studies are conducted by the WB annually using certain quantitative indicators on business regulations, which actually manifest the impact of various trade facilitation efforts and provide a fairly reliable guide to measure the progress vis-à-vis other countries. These studies contain various parameters, including the Trading across Border (TAB) parameter, which measures the time and cost for (1) documentary compliance, (2) border compliance, and (3) domestic transport. In measuring export procedures, these calculations are done based on the data collected with regard to the product of comparative advantage for each economy (Copper & its articles, in case of Lao PDR), whereas for import procedures, the study conducted is in relation to auto parts, which are the most common products of imports world over. It will also help in monitoring the impact of the Road Map, if the time and cost involved in clearances of these two commodities are periodically studied by the TFS as test cases.

Hence, a comparative study of the rankings and scores of the country on TAB parameters provides a fair picture of the trading environment in the country and the specific areas with low scores, which are to be addressed. As per the TAB reports of 2016, Lao PDR ratings as compared to other countries in the region are as below:

#### *Ratings in 2016<sup>37</sup>*

Countries	TAB Ranking (Out of 190)	TAB Score	No. of Export Documents	Time to Export (hours)	Cost to Export (In USD)	No. of Import Documents	Time to Import (hours)	Cost to Import (in USD)
Thailand	56	84.1	n/a	62	320	n/a	54	276
Malaysia	60	82.38	n/a	58	366	n/a	82	381
Vietnam	93	69.92	n/a	108	448	n/a	138	575
China	96	69.13	n/a	47.1	607	n/a	158	948
Cambodia	102	67.28	n/a	180	475	n/a	140	360
Indonesia	108	65.87	n/a	114.6	393	n/a	232.3	547
Lao PDR	120	62.98	8	228	308	8	230	268
Regional Average	(Asia & Pacific)	68.08	n/a	128	534	n/a	144	564

The current Distance to Frontier (DTF) score of 62.98 on TAB for Lao PDR may be taken as baseline to judge its future progress in comparison. The country should be aiming to reach at regional average level of TAB score of around 68.08 in 2 years' time, which may catapult it to around 100<sup>th</sup> rank in TAB criteria. By 2022, however, it should aim to reach the levels of Thailand and Malaysia, i.e. TAB score climbing up in the range of 80. These benchmarks have to be read along with the reduction in cost and time of trading, particularly of exports. Of the 228 hours taken on exports<sup>38</sup>, border compliance (which includes customs clearance etc.) takes only 12 hours, whereas the remaining time (i.e. 216 hours) is spent on documentary compliance for exports, which involves other paper work, like getting certificates, permits and other quality approvals etc. The focus area of trade facilitation therefore has to be on reducing time and cost involved in

<sup>38</sup> Summary of Trading Across Border data under Ease of Doing Business Report of 2017 is placed as **Annex-V**

documentary compliance, which can be achieved by reducing NTMs, through use of single window and streamlining of procedures & standardization of documents. If the time to export and import is reduced from the current level of 228-230 hours by 50%, the country's ranking in TAB will go down below 100, i.e. somewhere in the vicinity of China and Cambodia, which is doable by reducing the time taken on documentary compliance, mostly relating to requirements under NTMs.

### **(b) OECD's Trade Facilitation Indicators (TFI)**

The trade facilitation indicators of Organization for Economic Cooperation & Development (OECD) are specifically designed to monitor the implementation of TFA and are very effective in tracking the implementation of specific measures. They use as many as 97 variables grouped under 16 indicators, which broadly correspond to various Articles in the TFA. The indicators follow a multiple binary system of scoring ranging from 0-2, where zero is assigned to nil progress and two to the above threshold performance<sup>39</sup>. In simple words, these are like boxes, indicating progress of various trade facilitation measures under the TFA.

These TFIs will be particularly effective in monitoring the progress of TFA implementation as they cover the entire range of trade facilitation measures, including information availability, discipline on fees & charges, streamlining of border procedures, automation, bilateral cooperation and use of risk management, advance rulings, appeal procedures & transit guarantees etc. Based on these estimates of TFIs by OECD, governments can prioritize action on trade facilitation measures and seek requisite support of WTO for technical assistance and capacity building in gap areas.

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<sup>39</sup> World Trade Report 2015: Speeding up Trade: Benefits and Challenges of Implementing the WTO Trade Facilitation Agreement; WTO

## Category-wise Measures under the Trade Facilitation Agreement (TFA), Lao PDR

Category A			Category B			Category C		
Sl. No.	Articles of WTO TFA	Measures	Sl. No.	Articles of WTO TFA	Measures	Sl. No.	Articles of WTO TFA	Measures
1	1.1	Publication	1	2.1	Opportunity to comment and information before entry into force	1	3	Advance rulings
2	1.2	Information available through internet	2	2.2	Consultations	2	5.3	Test procedures
3	1.3	Enquiry points	3	6.1	General disciplines on fees and charges imposed on or in connection with importation and exportation	3	7.4	Risk management
4	1.4	Notification	4	6.3	Penalty disciplines	4	7.5	Post-clearance audit
5	4	Procedures for appeal or review	5	7.2	Electronic payment	5	7.6	Establishment and publication of average release times
6	5.1	Notifications for enhanced controls or inspections	6	7.3	Separation of release from final determination of customs duties, taxes, fees and charges	6	7.7	Trade facilitation measures for authorized operators
7	5.2	Detention	7	7.9	Perishable goods	7	7.8	Expedited shipments
8	6.2	Specific disciplines on fees and charges for customs processing imposed on or in connection with importation and exportation				8	8	Border agency cooperation
9	7.1	Pre-arrival processing				9	10.1	Formalities and documentation requirements
10	9	Movement of goods intended for import under customs control				10	10.2	Acceptance of copies

11	10.5	Pre-shipment inspection
12	10.6	Use of customs brokers
13	10.9	Temporary admission of goods and inward and outward processing

11	10.3	Use of international standards
12	10.4	Single window
13	10.7	Common border procedures and uniform documentation requirements
14	10.8	Rejected goods
15	11	Freedom of transit
16	12	Customs cooperation