

**Trade Facilitation Strategic Plan for Lao PDR (2011-2015)**

**Ministry of Industry and Commerce**

**Supported by the Trade Development Facility,**

**Vientiane Capital, March 2011**



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



**Government of Lao PDR**

**Ref no. 213/GOL**

**Vientiane Capital, dated 18/07/2011**

**Decree on  
The adoption and enforcement of  
the strategic Plan for trade facilitation of Lao PDR from 2011-2015**

- Pursuant to the law on government of Lao PDR no. 02/NA, dated 06<sup>th</sup> May 2003;
- Pursuant to the agreement/consensus at the ordinary government meeting in April 2011 dated 25-26<sup>th</sup> April 2011;
- Pursuant to a proposed letter of the Ministry of Industry and Commerce no. 1278/MOIC, dated 7<sup>th</sup> July 2011.

**The government of Lao PDR issues a decree:**

- Article 1: The strategic plan of trade facilitation of Lao PDR from 2011-2015 is adopted and enforced.
- Article 2: The Ministry of Industry and Commerce is assigned to take a leading role in coordinating with the relevant agencies whose tasks are related to trade facilitation at the central and local level in order to enhance and implement the strategy effectively. It is required that a precise implementing timeframe is set and the implementation progress is frequently reported to the government.
- Article 3: Ministries, Agencies equivalent to Ministry, provinces, Vientiane Capital and all relevant sectors shall acknowledge, cooperate and jointly implement the strategic plan and this decree strictly and effectively.
- Article 4: This decree shall be enforced from the date of signing.

On behalf of the Lao government  
Prime Minister  
(Sealed and signed)

Thongsing Thammavong.

## Preface

The eighth party congress laid out the target for Lao PDR to graduate from the Least Developed Countries in 2020. To accomplish such a target the ninth party congress emphasized improving efficiency of the public administration by focusing on improving laws and public administration regulations, for example attention will be paid to improving laws and executive regulations and making public administration more transparent. A facilitated environment for legal, policy, and service shall be created to limit barriers especially obstructive licensing procedures. This is to encourage both local and foreign enterprises to operate their business in Lao PDR.

Based on the eighth party congress resolution, the implementation decree of the socio-economic development plan, the government budget plan of 2009-2010 and 2010-2011, and the direction of the development plan of the strategic plan for the industry and commerce sector development of Lao PDR from 2011 to 2020, the Ministry of Industry and Commerce takes a leading role in collaborating with concerned agencies related to trade facilitation in order to create the strategic plan for trade facilitation from 2011-2015 to be in line with the socio-economic development status of Lao PDR. It shall also be used as a reference for relevant agencies at central and local level. This is to ensure harmonization, raising of import-export competitiveness by simplifying trade procedures so that they are easy, transparent, speedy, and standardized. Import-export permits procedures that directly and indirectly affect business operation shall be reduced. These shall generally contribute to the national socio-economic development. In particular they shall help to steadily improve the living conditions of the people.

The trade facilitation strategy of 2011-2015 was studied and written with a wide contribution of representatives from relevant agencies and national and international experts. Meetings and seminars were organized to open the floor for discussion and comments with respect to policy and technical aspects before adopting it.

In the trade facilitation strategy (2011-2015) there are visions, overall targets, objectives, specific targets and six strategies of the trade facilitation strategy that involve the creation of a coordination mechanism, improvement of laws and regulations related to international trade and customs, capacity building for both public and private sectors on trade issues, and the improvement of infrastructure to create a facilitated environment for trade.

This strategy was drafted for the first time. It is relatively comprehensive, inclusive and elaborate in practice to facilitate trade. Therefore, there might be some issues that are not suitable for the actual situation of our society at present. However, the preparing committee has been working closely with both local and foreign officials and experts in materializing such documents into practice. A responsible committee will be established to analyze, summarize, and evaluate the implementation and to obtain feedback by compiling comments from relevant agencies in each period. Therefore the contents of this strategy are compacted, all-encompassing, complete and relevant to the reality of Lao PDR.

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# Strategic Plan Trade Facilitation of Lao PDR (2011-2015)

## I. Overview of trade facilitation in Lao PDR

The 8<sup>th</sup> Party Congress set goals for Lao PDR to graduate from Least Developed Country by 2020 and to have political stability as well as to ensure security and social order. The national economy continues to grow and hence Laotians' living standard will be triply improved. Strong national economic foundation has strong composition of agriculture-forestry attached closely with industry and trade and services that are proportional, solid, and able to integrate regionally and internationally. Furthermore, it calls for more effective public management to ensure that national development can meet the goals set and its potentials focusing on improving legal framework and public management regulations. In particular attention will be paid to improving economic related laws and regulations to be in line with actual circumstances and market mechanisms. Public administration and management's regulations have been improved to be more transparent. The legal environment, policies and service provisions are further facilitated to minimize barriers, in particular to address time and lengthy processes when considering licenses issuance to induce domestic and foreign producers and enterprises.

In the National Socio-Economic Development Plan, and the implementation plan of the National Socio-Economic Development plan and the State budget plan for fiscal year 2009-2010 and 2010-2011, the government assigned the Ministry of Industry and Commerce to ensure that exports will be significantly increased. It has to take a leading role in collaborating with concerned agencies to improve legislation related to import and export as well as transit trade, re-export, and border trade in order to make them more simplified and streamlined.

Trade, the main 'chain' of the national economic system, has been a significant contributor to the reform process. During the past 5 years, 2006-2010, total export reached USD 4.84 billion. In comparison to the 5 year plan it has increased by 39.3%. On average it has increased 22.57% annually. During the same period, the total value of imports has reached USD 5.41 billion. In comparison to the 5 year plan it has increased by 20.11%. On average it has increased 12.25% annually. Trade facilitation is one of the important and essential factors contributing to the accomplishment of the national socio-economic goals particularly to graduate from the list of least developed country by 2020.

In responding to the Party and government's policies and the National Socio-Economic Development Plan the government has to focus on effective macro-management through such a development as the Direction Plan. Therefore, a comprehensive and harmonious Strategy Plan and Action Plan are needed to move toward the same direction aiming to contribute to the overall national socio-economic development and improve the livelihoods of the citizens.

### 1. Implication and Importance

Trade Facilitation is about making international trade procedures simple and easy to comply with. Trade facilitation is not a new topic and is generally borne out of the desire to reduce any trade inhibiting regulatory burden suffered by businesses – sometimes also referred to as '*red-tape*'. The nature of red-tape in trade can be manifold and generally relates to how trade and customs procedures are administered and applied, including associated technologies and enforcement

practices. The subsequent trade **compliance cost**, which the concept of trade facilitation seeks to overcome, tends to have multiple facets and usually relates to the direct costs of submitting information to the authorities (for example the time and effort required to fill-in and submit a trade declaration, or the costs associated with inspection and clearance at the border). Indirect costs for businesses can be equally significant, if not greater, and relates to missed business opportunities and the lack of business competitiveness

## **2. Government of Lao PDR's policy toward trade facilitation**

In Lao PDR a number of studies have been conducted to evaluate the current trade environment faced by Lao PDR based businesses. They are used by the Government of Lao PDR as a basis to continuously improve business climate by formulating some policies such as: trade and the contribution of trade to GDP, trade for poverty reduction and economic development. They have made fundamental contribution in the National Socio-Economic Development Plan of Lao PDR. In addition, trade is also regarded as an engine of growth to achieve the Millennium Development Goal in 2015 and to graduate from the list of least developed country by 2020.

Trade facilitation will reduce trade costs related to import and export procedures. However, trade encompasses more than the territory of one country, hence, trade facilitation must be harmoniously implemented at different policy levels, such as: national policy, bilateral, regional, and international trade policy. In international cooperation, Lao PDR has made commitments to trade facilitation. Many commitments must be met within the next 2-3 years. Agreements and policies related to trade facilitation are outlined in detail as follows:

### **2.1 At the national policy level**

In the past, the Government of Lao PDR drafted and endorsed several legislations related to trade including the Customs Law (Amended) No. 05/NA dated May 20<sup>th</sup>, 2005 in alignment with the regulations and principles of WTO; origins of imports and exports goods Decree No. 228/PM dated April 22<sup>nd</sup>, 2010; import permits issuance Decree No. 180/PM dated July 7<sup>th</sup>, 2010; Notification to withdraw 15 government agencies from the international border checkpoint (immigration, customs, trade, food and drug, prevention of the spread of diseases, treasury, health, insurance, drug control, post, tourism, forestry, taxation, foreign relations, communication and transportation) reduced to 3 main units: customs, immigration, and quarantine. At present, concerned ministries have issued several decrees that are compact and compliant with WTO's principles, including: Decree on import and export of goods; amended list of controlled and managed goods for import and export. Furthermore, the Government of Lao PDR is continuously working on improving legislations, and is investing in new infrastructure to facilitate trade and will gradually move towards a single windows service for cross-border trade and single window system management based on risks assessment as a tool for more effective management.

The Lao government has undertaken a series of specific trade facilitation motivated reform projects. They include: the Sanitary and Phytosanitary (SPS) Capacity Building Programme under the support of the Trade Development Facility, Customs and trade facilitation project by creating Automated Systems for Customs Data: ASYCUDA, Lao PDR Trade Portal Project, and the Development of a logistic park. Each of these projects is likely to yield significant benefits to stimulate economic growth as a whole through the implementation of Trade Facilitation.

## **2.2 At the bilateral and regional policy level**

The Lao government firmly adopts a foreign relation policy with all countries around the world and takes part in multilateral organizations in various forms. The government ties up political and diplomatic relations with economic cooperation in order to create an external environment conducive to the national socio-economic development. That is to integrate the national economy into the global system in order to eradicate barriers to trade by:

Becoming a signatory to the ASEAN Free Trade Agreement, ASEAN Community framework 2015, and ASEAN single windows service by 2012, which contain specific obligations on trade facilitation.

Becoming a signatory to a goods in transit Agreement together with its neighboring countries and the Agreement on cross border transport facilitation of goods and passengers in the Greater Mekong Sub-region which will be fully implemented in 2015.

Becoming a signatory to Trade Facilitation Agreements under the framework of Asia-Pacific Trade Agreement/APTA.

Becoming a signatory to bilateral trade agreements with 18 countries.

In addition, Lao PDR has been preparing for WTO accession negotiations and has to negotiate under the GATT agreement, in which several provisions are related to trade facilitation particularly Article V: freedom of transit; Article VIII: fees and procedures relating to imports and exports; and Article X: trade administration.

## **3 Coordination mechanism of the work related to trade facilitation**

The Government of Lao PDR has issued a Decree on the establishment and operation of the National Committee for Economic Integration No. 118/PM dated July 11<sup>th</sup>, 2008. The committee is chaired by the Deputy Prime Minister, the Minister of Foreign Affairs, and the Minister of Industry and Commerce is a vice chair. The Committee also has 27 members who are at minister and vice minister level. The key role of the committee is to serve the government and Prime Minister in coordinating, identifying directions, and developing strategic plans relating to trade negotiations and international economic integration to ensure harmonization and promptness in supervising the implementation of international trade integration projects.

In addition, the Government of Lao PDR has also issued Decree No. 03/PM dated January 28<sup>th</sup>, 2002 regarding the organization and operations of the National Transport Committee to implement transport facilitation under the chairmanship of the Minister of Public Works and Transportation. The Vice Minister of Industry and Commerce is a vice chair, and there are also members from concerned sectors.

At the same time, the Trade Facilitation Secretariat was established. The secretariat will be a focal point accountable for following up with trade facilitation works and coordinating policies and measures on trade facilitation in Lao PDR.

## **4 Trade and Customs Procedures in Lao PDR**

The implementation of trade and customs procedures in Lao PDR in general requires advance planning and good coordination within the supply chain, because the majority of trade procedures do not only involve filling in forms or documents, but in some cases also require permits from many ministries, among others: the Ministry of Industry and Commerce, the Ministry of

Finance (Customs Department), the Ministry of Public Works and Transport, the Ministry of Investment and Planning, the Ministry of Agriculture and Forestry, and the Ministry of Public Health. In particular, customs regulations are based on the Amended Customs Law, No. 05/NA dated May 20<sup>th</sup>, 2005; an implementation decree of Customs Law, No. 362/PM dated October 19<sup>th</sup>, 2007; and Guidance of the Minister of Finance No. 0491/MOF, dated March 12, 2009 regarding the implementation of the Law and the implementation decree of the Customs Law.

Regulations on import and export management are primarily based on Decree No. 114/PM dated May 06<sup>th</sup>, 2011 regarding the import and export of goods; Decree No. 180/PM dated July 7<sup>th</sup>, 2009 regarding import permits procedures; Notification of the Ministry of Industry and Commerce No. 0826/MOIC.DIMEX dated May 03<sup>rd</sup>, 2011 regarding automatic and Non-automatic import-export licenses; and Decree No. 228/PM dated April 22<sup>nd</sup>, 2010 regarding Origins of goods for import and export. Goods to import into and export from Lao PDR are classified into 3 categories: (1) General goods not under the list of controlled or prohibited goods for import and export, (2) Goods requiring import and export permits, (3) prohibited goods for import and export. Those goods are under the control of the concerned ministries. Apart from the internal procedures of Lao PDR mentioned above, an actual importation and exportation shall follow the regulations of the importing country, exporting country, and transit countries as illustrated in Annex 1.

#### **4.1 Import procedures:**

The import of general dutiable goods into Lao PDR may take around 4 to 5 days. Before moving goods into Lao PDR there are several procedures as illustrated in Annex 2. Importers have to spend 1 to 2 days to compile import documents that consist of a request, invoice, manifest, import permit, enterprise registration certificate, tax registration certificate. Furthermore, it shall take ½ to 1 day to submit verification of payment through the bank prior to customs declaration at the border checkpoints. Customs duties-excise tax, and warehouse fees must be settled before moving goods from warehouse-that might take ½ to 1 day.

Annex 3 illustrates import declaration procedures at the customs checkpoints including the average time taken for such procedures. The import declaration at the customs checkpoint consists of 3 steps. The importer must follow the regulations of each step which could take time, particularly the preparation for import that shall take on average 1 to 6 days in processing import documents.

Annex 4 illustrates an overview of necessary documents needed to obtain an import permit which shows that there are still many time consuming processes for issuing an import permit.

The aforementioned issues only illustrate the import procedures of Lao PDR. They do not show export procedures of the exporting country or the transit procedures of the transit countries. These procedures also take time and accumulate additional cost. At present, the business sectors consider that some challenges have been solved satisfactorily such as: the transit of goods through Thailand could take 3 to 5 days as long as all required documents are complete. However, the business sectors still request the public sector to continue improving the procedures related to international trade to be more simplified and streamlined.

#### **4.2 Export procedures:**

The export from Lao PDR is as complex as the import. The export has to be operated through an authorized import-export company. Based on the actual experience of the business sector, these companies charge a service fee of around 3% of the total CIF value. In principle, all documents can



be considered by a responsible authority within 1 day, as illustrated in Annex 5. The process of requesting a permit remains difficult and time consuming, especially goods under export control such as: diamonds, minerals, seeds, breeding animals and other products of animal origin, wooden products, forestry products, and other products. The exportation of such goods shall be accompanied by the following documents: Certificate of Origin to request preferential treatment (Generalized System of Preference: GSP), CITES Certificate, wood packing certificate, certificate of application of medical fumigation to destroy viruses and insects, animal health certificate, Phytosanitary certificate, non-toxic certificate, marks of dangerous goods, and declaration document of materials or productions.

## 5 Remaining obstacles

The Government of Lao PDR, in particular agencies involved in trade facilitation, have endeavored to improve legislation related to import and export to be more simplified, timely and internationally compliant. However, the business sector calls for continued improvement of the import and export legislation and procedures in Lao PDR because there are still many procedures for processing import-export documents and they also take a significant amount of time. Overall the remaining obstacles related to trade facilitation of Lao PDR could be summarized as follows:

- Lack of coordination among concerned agencies leading to poor harmonization in terms of issuance and implementation of laws and regulations relating to trade and customs.
- The implementation of legislation by different agencies is not aligned and is not as integrated as it should be.
- The improvement of import and export regulations to be in line with international agreements and conventions that Lao PDR is a party to is important for economic integration. However, such work is still slow given limited numbers and knowledge of staff.
- Document inspection checkpoint remains many, and collection of fees still overlaps.
- Goods exported from Lao PDR to third countries and imported to Lao PDR from third countries are subject to procedures of transit countries such: Thailand, Vietnam, and China, which are found to be time consuming.
- Implementation of legislations of countries that Lao PDR imports from and exports to remains difficult.
- Lack of trade and customs information center through electronic system to disseminate legislations relating to permit requests and import/export declarations.
- Lack of IT system and modern equipments for document declaration, collecting customs duties and tax, and reporting of customs revenue.

## II. Trade Facilitation Strategies

### 1. Vision

The final objective of Trade Facilitation is to ensure Lao PDR's business competitiveness in overseas market, to attract more foreign investment, to effectively manage Import – Export procedures, to increase national revenue, and to fulfill trade commitments in the region and internationally, to transform Laos from a Landlocked to a Landlinked country, to improve the trade environment to ensure transparency, standardization, safety, stability and sustainability through systematically simple, predictable and harmonized processes.

## 2. Objectives

The **primary trade facilitation objectives** in supporting trade led growth are:

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

## 3. Principles

In order to meet these two objectives mentioned above, Trade Facilitation Strategies must be developed according to several guiding principles as follows:

### *3.1 Work towards simplifying, harmonising, standardising and modernising international trade and customs procedures. In particular by:*

- eliminating unnecessary costs and duplication in the administration of trade and customs procedures, including the rationalization of document and information requirements;
- speeding up administrative and inspection practices
- enabling the use of information technology to facilitate trade;
- aligning governmental control and administrative practices with the requirements of the business community;
- applying rules and procedures in a fair and consistent manner

### *3.2 Implement best practice trade facilitation measures that are based on:*

- Policies of the Government of Lao PDR;
- Consultation with private and public stakeholders; and
- International recommendations and practices.

### *3.3 Work with neighbouring countries to improve and reduce the cost of cross-border and transit procedures with the aim of transforming Laos from a Landlocked to a Landlinked country.*

### *3.4 Implement international, regional, sub-regional and bilateral trade facilitation commitments.*

### *3.5 Help Lao PDR based business take full advantage of bilateral, regional and international trade agreements.*

### *3.6 Ensure that trade and customs related rules and procedures are:*

- in proportion [correct relation] to the risk against which they seek to protect;
- clear and easy to understand;
- Published and easily accessible to the wider public.

### *3.7 Fees and service charged shall be aligned with Lao Law.*

## 4. Trade facilitation strategy

Trade facilitation strategy consists of 6 primary strategies as following:

### **Strategic Measure 1: Mainstream Trade Facilitation across line ministries**

It is the various line ministries (and departments) that are responsible for developing and applying the majority of international trade regulatory procedures in Lao PDR. Principal ministries are: the

Ministry of Industry and Commerce<sup>1</sup>, the Ministry of Finance<sup>2</sup>, and the the Ministry of Public Works and Transport<sup>3</sup>, the Ministry of Agriculture and Forestry, the Ministry of Health, the Ministry of Planning and Investment amongst others.

To ensure trade facilitation objectives are met, trade facilitation needs to become a key consideration in the policy making of relevant ministries and agencies. To this end, the relevant ministries and departments need to be able to understand trade facilitation concepts and ideas precisely.

Each relevant government ministry and agency that has a stake in controlling or applying trade and customs procedures should:

- ⇒ Develop an action plan to ensure trade facilitation objectives are met; and
- ⇒ Develop a customer service charter outlining guaranteed time frames in which the Ministry/Department shall apply controls and procedures<sup>4</sup> especially Import – Export document declaration.
- ⇒ Coordinate with related ministries or agencies to ensure that trade and customs related rules and procedures are applied consistently and fairly across Lao PDR
- ⇒ Ideally each of the relevant ministries and departments will appoint at least one trade facilitation “champion” with expertise in the technical application of trade and customs procedures as well as their implications for the wider private sector community and the Lao PDR economy at large to work in the Trade Facilitation Secretariat. The Trade facilitation champions shall:
  - provide technical help on trade facilitation related matters to colleagues within their ministry or department
  - help coordinate any projects with trade facilitation elements across the Lao machinery of government
  - participate in the working groups of the Trade Facilitation Secretariat
- ⇒ All relevant ministries and departments should meet periodically (for example four times per year) to provide colleagues with updates about their trade facilitation related activity, review strategic objectives and coordinate the implementation of trade facilitation measures. Such meetings shall also seek to coordinate national, bi-lateral, regional and international trade facilitation initiatives.
- ⇒ Work collaboratively with the private sector and learn from their experienced operational frustrations and costs to business.
- ⇒ Develop the necessary technical understanding about Trade Facilitation objectives in practice for government official in related ministries or department by providing training, seminars, international exchanges for example the World Customs Organization (WCO), the United Nations Centre for Trade Facilitation and Electronic Business (UN CEFAC) and Nations Economic and Social Commission for Asia and Pacific (UN ESCAP) and other international organizations.

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<sup>1</sup> For example: policy responsibilities for business and trade competitiveness, trade policy and trade negotiations (bilateral, regional and multilateral); and executive responsibilities for trade procedures, including import and export licensing as well as the Certificate of Origin

<sup>2</sup> Policy and executive responsibilities for the administration and enforcement of customs procedures

<sup>3</sup>Policy responsibilities for transport procedures, transit infrastructure and in part transit procedures

<sup>4</sup> For example a service guarantee stating that declarations will be processed within 24hours or 8 working hours

## **Strategic Measure 2: Simplification, Harmonization and Modernization of trade and customs procedures**

The aim of simplifying, harmonizing and modernizing trade and customs procedures lies at the heart of any trade facilitation definition. Thus, it is necessary to develop the right policies that support international trade for Lao business:

- ⇒ The Trade Facilitation Secretariat shall continuously review the current trade environment in consultation with public and private stakeholders. This work shall include:
  - the production of periodic diagnostic exercises and studies such as Import and Export related procedures.
  - Set trade and customs policy reform priorities.
- ⇒ Improve international border checkpoint and cross border checkpoints and fee collection booths in an appropriate manner
- ⇒ Improve the standard of the frontline border structure and service in Lao PDR for example by improving border management and its regulations, developing new policies about border control and management, improving the offices of frontline border agencies and transforming declaration procedures through a single administrative form.
- ⇒ Improve regulations related to international trade to ensure that they are pursued with vigour at the bi-lateral, regional and international policy bodies of which Laos is a member.
- ⇒ Reform international trade control to be simple, transparent, modern and harmonized.
- ⇒ Relevant ministries and departments shall implement the recommendations put forward by the National Trade Facilitation Body
- ⇒ Relevant ministries and departments shall ensure that ongoing reform initiatives such as the Automated System for Customs Data (ASYCUDA) project and the “Sanitary and Phytosanitary Standards Management Action Plan for Capacity Building” yield meaningful trade facilitation benefits

## **Strategic Measure 3: Implement WTO, ASEAN and GMS commitments**

Trade facilitation is a cornerstone of ASEAN and GMS trade policy. It is also a significant agenda item within WTO negotiations.

At the **ASEAN** level commitments include the ASEAN Free Trade Agreement, the ASEAN Community Framework (by 2015) and the commitment towards establishing interoperable National Single Window systems across ASEAN by 2012. Within the **Greater Mekong Sub-region (GMS)** context commitments relate to the specific details set out in the Cross-border Trade Agreements by 2015 which has recently entered the implementation phase. At the Regional level, Laos is also involved in Trade Facilitation commitments under the Asia Pacific Trade Agreement (APTA). At the **bilateral level** there are a further 18 trade agreements in place. Each of these can potentially be expanded to address the primary trade facilitation objectives set out in this strategy document. At the Multilateral level, Trade facilitation negotiations at the **WTO** currently focus on GATT Articles V, VIII and X. These articles address the Freedom of Transit, Fees and Formalities, and Publication and Administration of Trade Regulations respectively.

Ministries and departments involved in Lao PDR’s trade facilitation **negotiations** shall aim to achieve the following primary objectives:

- A significant reduction in transit costs;

- work towards simpler and easier trade and customs procedures to overcome the non-tariff barriers in Lao PDR's major export markets; and
  - solicit donor funds to help underpin trade capacity building in Lao PDR
- ⇒ The Trade Facilitation Secretariat shall:
- provide technical support and expertise to relevant line ministries where requested – for example when drafting Lao PDR's position on specific trade facilitation measures that are under negotiation at bilateral level, within GMS, ASEAN and at international level;
  - help line ministries solicit relevant donor funds where appropriate

#### **Strategic Measure 4: Develop private sector capacity to trade efficiently in compliance with rules and regulations**

One of the key problems for Lao businesses is that they are unfamiliar with international trade procedures. They do not know how to trade and are highly dependent on the advice provided by their agents and freight forwarders. Having such a limited understanding about those procedures leads to a costly mistakes

Thus, there is a high demand for general “how to” guides; detailed information about the technicalities of trade compliance operations in Lao PDR as well as international. Relevant line ministries shall:

- ⇒ Develop a Lao Trade Information Portal containing easy to understand Trade and Customs information and easily accessible. Much of this information should also be made available as printed publications as well;
- ⇒ set-up an information and advice center to provide information about trade procedures and trade compliance operation in Lao PDR as well as internationally through the Trade Information Portal, organizing seminars and technical and rational trainings for the Import and Export business sectors ;
- ⇒ Develop a information dissemination plan which may include the Trade Information Portal project, but should also include printed publications, travelling road shows ;
- ⇒ Develop an education and training strategy to ensure that future generations have advanced skills in trade and trade compliance operations.

#### **Strategic Measure 5: Provide the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures**

The effective and efficient administration of trade and customs procedures requires officials to have access to the right equipment and facilities to support their trade facilitation implementation. Requirements can be extensive and include, for example: reliable electricity and internet access, testing and inspection facilities, buildings and office space, vehicles, and much more. Safeguarding access to the right equipment and facilities is the responsibility of individual line ministries. However, where equipment and facilities are inappropriate and jeopardize the efficient administration of trade and customs procedures, it can easily become a trade facilitation issue – for example the absence of laboratory facilities or qualified veterinarians makes it almost impossible for Lao PDR based business to export products of animal origin to key export markets. Similarly, a

national single window system is unlikely to be functional if electricity, computing and internet access is unreliable. Related ministries and departments shall:

- ⇒ Line ministries shall work with the Trade Facilitation Secretariat to identify where equipment and facilities are inadequate to meet trade facilitation objectives;
- ⇒ Seek to solicit appropriate funds from Lao PDR's government and/or the wider donor community for equipment to be used in international trade administration;
- ⇒ Improve basic infrastructure to be up-to-date, for example Information Technology: IT, inspection facilities, laboratory facilities, office space, vehicles and much more;
- ⇒ Line ministries shall explore with the National Trade Facilitation Body whether existing infrastructure can be better utilized. For example inspection facilities could be better utilized if customs legislation allowed for a risk-based control regime.

### **Strategic Measure 6: create a national trade facilitation body**

The establishment of a trade facilitation Secretariat is essential in order to establish a coordination mechanism and bring public and private sector stakeholders together to address trade facilitation problems arising in international trade operations and to support Lao PDR's ongoing trade facilitation efforts and guidance toward trade facilitation.

The purpose of Lao PDR's National Trade Facilitation Body shall be to:

- ⇒ Review and provide comments on policies, strategies, master plans, laws, acts, decrees, decision, regulations, agreements, bilateral commitments, within sub-region, region and multilateral level that related to inland movement of goods, import – export and transit procedures;
- ⇒ Act as a focal point coordinating with line ministries, agencies equivalent to ministry, public and private sectors, central and provinces level, international organizations to agree on best practice in international trade facilitation;
- ⇒ improve procedures and systems of products movement, Import and Export, transit through research and studies in order to ensure an alignment of Laos's commitments;
- ⇒ Provide training to build up government officials and traders' capacity and understanding about regulations, information, conventions about trade facilitation that Laos is committed to.

The trade facilitation Secretariat shall be situated under the National Steering Committee for Economic Integration which is chaired by the vice prime minister, minister of Foreign Affairs. The Trade Facilitation Secretariat shall be chaired by the vice minister of Industry and Commerce and its members shall consist of Director general and Deputy Director General level from line ministries related to trade facilitation. The key ministries involved are the Ministry for Industry and Commerce and its Department for Imports and Exports, the Ministry of Finance and its Customs Department, and the Ministry of Public Works and Transport and its Department for Transport , the Ministry of Agriculture and Forestry, the Ministry of Health, the Ministry of Foreign Affairs, the Ministry of Defense, the Ministry of Planning and Investment, the Bank of Lao PDR, the Ministry of Technology and Science; the Ministry of post – Telecommunication and communication, and the Chamber of Commerce. The office of the Trade Facilitation Secretariat is located at the Ministry of Industry and Commerce and has a dedicated full-time secretariat and work stream specific working groups to ensure that its working plan is implemented as set. The secretariat also performs a coordination mechanism in bringing public and private sector

stakeholders together to discuss and find solutions related to Import and Export operation by reporting to the National Steering Committee for Economic Integration.

### III. Action Plan and expected outcomes

#### 1. Implementation plan

Ref.	Task	Time Frame
1	Continuous establishing the Trade Facilitation Secretariat. Each of the relevant ministries and departments will appoint at least one trade facilitation “champion” with expertise in the technical application of trade and customs procedures to work in the Trade Facilitation Secretariat in order to help the private sector to trade effectively in compliance with trade and customs rules and regulations.	By 2011
2	All government stakeholders to formally adopt and implement the Strategic Objectives and Guiding Principle set out in this document	By October 2011
3	Each government ministry or department that has a stake in controlling or applying trade procedures should develop: <ol style="list-style-type: none"> <li>1. a short summarizing vision statement about how it intends to meet trade facilitation objectives;</li> <li>2. a customer service charter outlining: <ul style="list-style-type: none"> <li>- guaranteed time frames in which the Ministry/Department shall apply controls and procedures</li> <li>- specify where relevant information for traders to be compliant can be found; and</li> <li>- where and how any disputes about correct compliance practice can be settled</li> </ul> </li> <li>3. a plan to ensure that rules and procedures are applied consistently and fairly across Lao PDR.</li> </ol>	By 2011 - 2012
4	Each of the relevant ministries and departments will appoint at least one trade facilitation “champion” with expertise in the technical application of trade and customs procedures to work in the Trade Facilitation Secretariat in order to help the private sector to trade effectively in compliance with trade and customs rules and regulations.	By April 2011
5	⇒ Improve the standard of the frontline border structure and services in Lao PDR for example by improving border management and its regulations, developing new policies about border control and management, improving the offices of frontline border agencies and transforming declaration procedures at a single entry point.	Continuously

6	All relevant ministries and departments should meet periodically to provide colleagues with updates about their trade facilitation related activities, review strategic objectives and coordinate the implementation of trade facilitation measures.	At least four times per year
7	All relevant ministries should conduct a skills audit to identify whether trade facilitation related expertise is sufficient or not. Inadequacies are to be reported to the Ministry of Industry and Commerce in order to help find solutions to skill shortages (e.g. training)	Continuously
8	The Trade Facilitation Secretariat shall review the current trade environment in consultation with public and private stakeholders. This work includes the production of an Action List with practical reform recommendations and reform priorities	Continuously
9	Relevant ministries and departments shall implement the recommendations put forward by the Trade Facilitation Secretariat	Continuously
10	Implementation of ASYCUDA in consultation with the public and private sectors.	2013
11	Implementation of the Lao Trade Portal in consultation with the public and private sectors.	By June 2012
12	The primary ministries and departments involved in Lao PDR's trade facilitation negotiations shall consult with the Trade Facilitation Secretariat whenever: <ul style="list-style-type: none"> <li>• <b>preparing</b> their positions on trade facilitation in bilateral, regional and multilateral trade negotiations</li> <li>• <b>implementing</b> negotiation outcomes and commitments</li> </ul>	Continuously
13	Public sector stakeholders shall appoint at least one trade facilitation "champion" with expertise in the technical application of trade and customs procedures as well as their implications for the wider private sector community and the Lao PDR economy at large.	2011 - 2015
14	The Trade Facilitation Secretariat shall set-up a telephone help service for general enquires	2012
15	The Trade Facilitation Secretariat shall develop an information dissemination plan	2011 - 2015
16	Line ministries shall establish whether they have adequate facilities and equipment to administer trade and customs procedures efficiently and in line with trade facilitation objectives	2011 - 2015
17	Trade facilitation strategy to be reviewed	Two years'time
18	Repeat Customs Time Release Study	Annually

## 2. Performance targets:

Ref.	Measure	Time Frame
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1	Implement WTO accession's negotiation outcomes and commitments for example reforming trade regulations	2011 - 2015
2	Increase total cross-border and transit volume by 10% per year	Every year
3	Increase SME's growth rate in GDP by 12% per year	2011 - 2015
4	Ensure that governmental control and administrative practices related to Import and Export are effective, transparent, verifiable and accessible on a periodic basis	2011 - 2015
5	Reduce total transit compliance costs according to the real cost of each period	2011 - 2015
6	Reduce the number of unnecessary documents by 30%	2013
7	Reduce the number of unnecessary documents by 70%	2015
8	Ensure that all import and export processes can be conducted within 2 working hours (for border declaration)	2015
9	Increase the value of Exports by 18% per year	2011 - 2015

### 3. What will success look like?

1. Lao PDR will be a landlinked country, taking full advantage of its proximity to its neighbouring countries
2. Transit procedures through neighbouring countries will no longer incur any significant cost penalties
3. Lao PDR based businesses will be able to take informed decisions about importing or exporting goods (with access to all required information about rules and procedures)
4. Frontline border agencies will have transformed themselves into service orientated organizations, helping businesses to be compliant in the most efficient manner
5. Controls will be risk based and compliant with international best practice
6. The volume of document requirements and trade procedures will be significantly reduced or automated
7. Businesses in Lao PDR will be able to manage their trade and customs compliance operations in all of the ASEAN member states using the National Single Window system
8. Lao PDR will be an emerging economy, providing an attractive location for foreign direct investors thanks to efficient trade and Customs procedures and reasonable administrative costs.

## IV. Implementing measures

To materialize the directions and objectives defined in this Strategy and the action plan of trade facilitation, all concerned agencies shall closely coordinate in accordance to their responsibility as follows:

1. The Ministry of Industry and Commerce and the Trade Facilitation Secretariat shall collaborate with concerned agencies to disseminate the Trade Facilitation Strategy and Action Plan.
2. The Ministry of Industry and Commerce shall collaborate with concerned agencies to continue implementing the Decision regarding the organization and operation of the Trade Facilitation Secretariat.

3. The Ministry of Industry and Commerce shall coordinate and cooperate with concerned agencies, local administration, and development partners both local and international to attract financial and technical support for the implementation of the Trade Facilitation Strategy and Action Plan.
4. Concerned ministries and agencies shall, according to this strategy, establish their own action plan, activities, targets, budget plan, and implementation measures.
5. The International Economic Integration Committee shall collaborate with the Ministry of Industry and Commerce and concerned agencies in providing directions, monitor, and evaluate the implementation of the trade facilitation strategy and action plan in accordance with its specified role.
6. Funding sources for implementing this strategy come from state budget, contributions from the private sector, domestic and international organizations, grants, loans, and foreign investment.
7. For the realization of objectives of this strategy, the cooperation of all concerned agencies is requested. Hence, it is requested that they should have a work plan, financial plan, human resource plan, implementation measures along with good coordination among concerned ministries and agencies.

Annex 1

**Figure 1: Examples of Trade and Customs Procedures that can apply to Imports into Lao PDR**

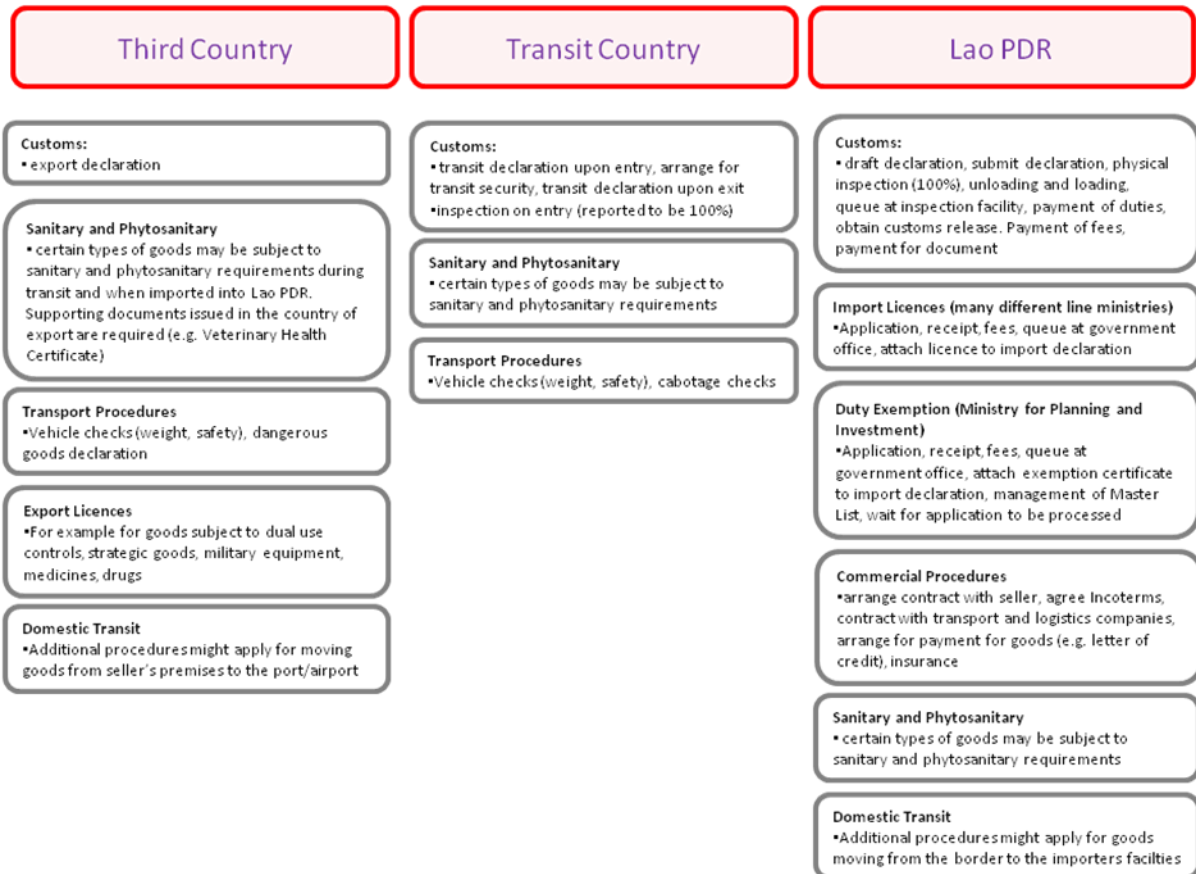


Figure 2: Examples of Trade and Customs Procedures that can apply to Exports from Lao PDR

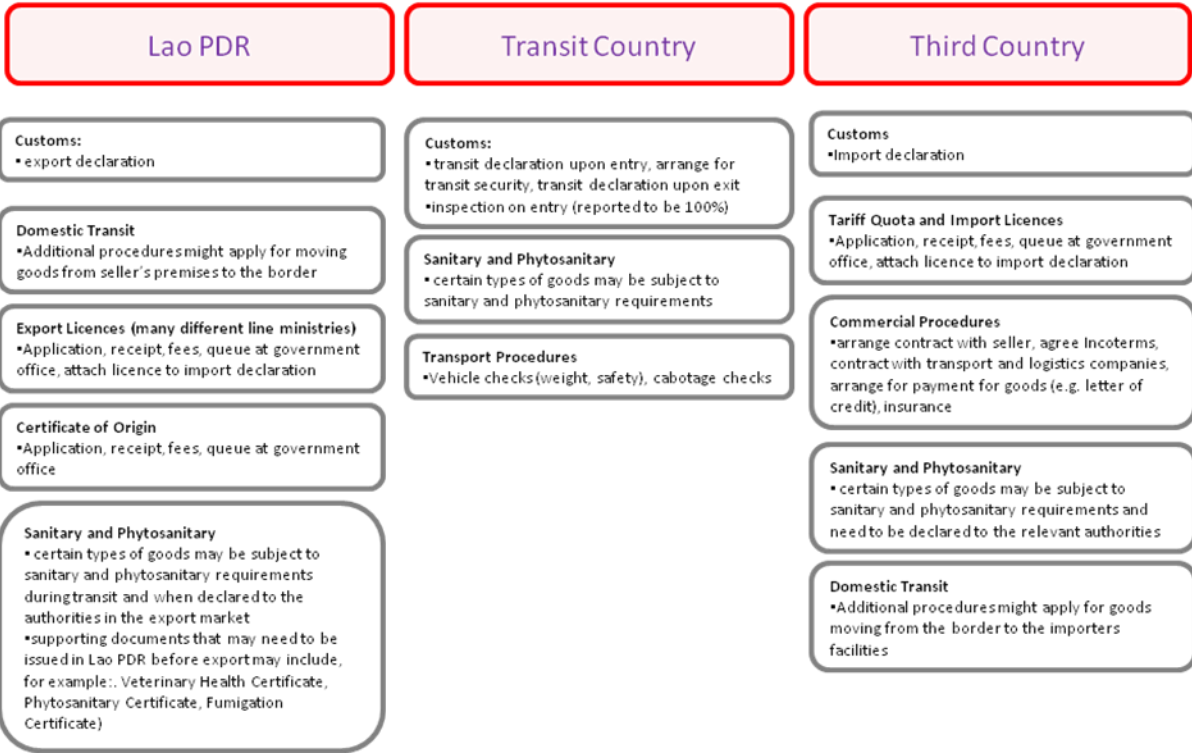
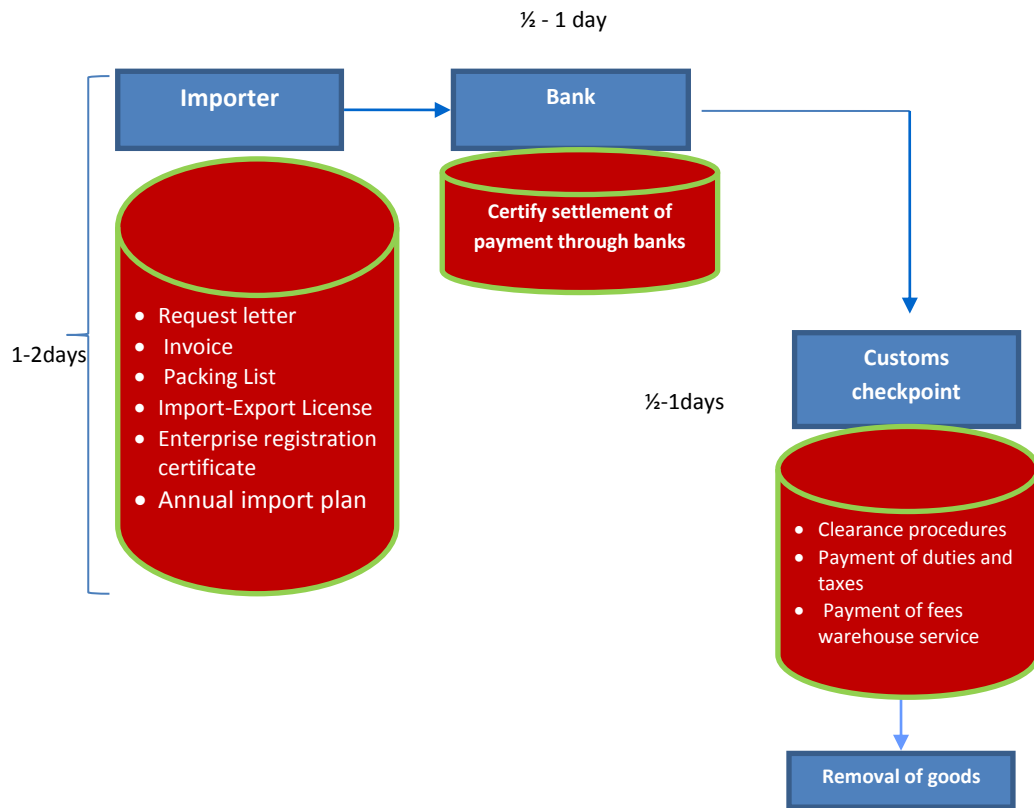
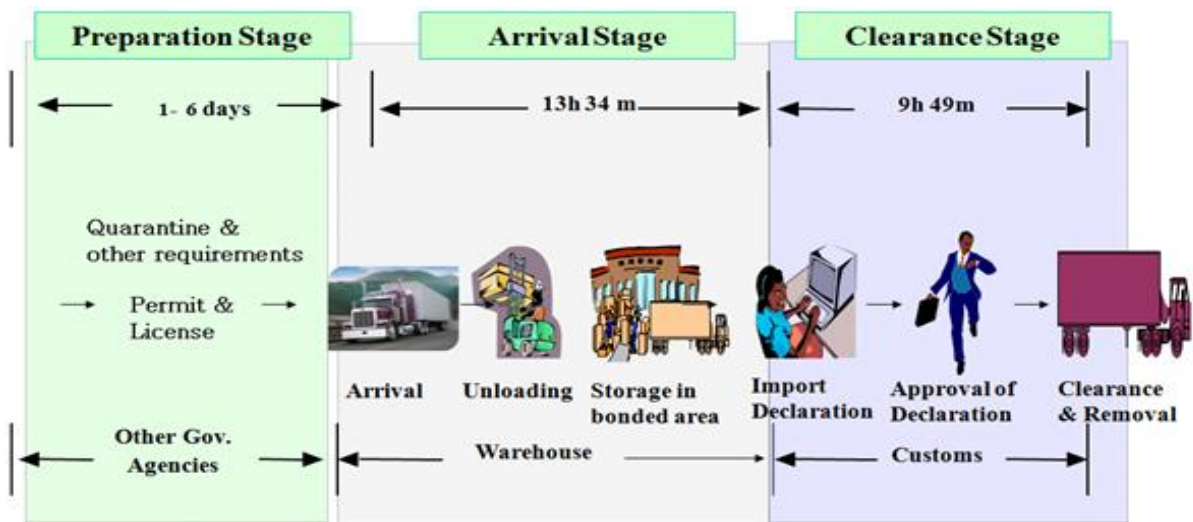


Figure 3: Import Procedures for Normal Dutiable Goods



Source: World Bank (2009) "Time Release Study"

Figure 4: Mean time of Key Import Clearance steps (in hours)



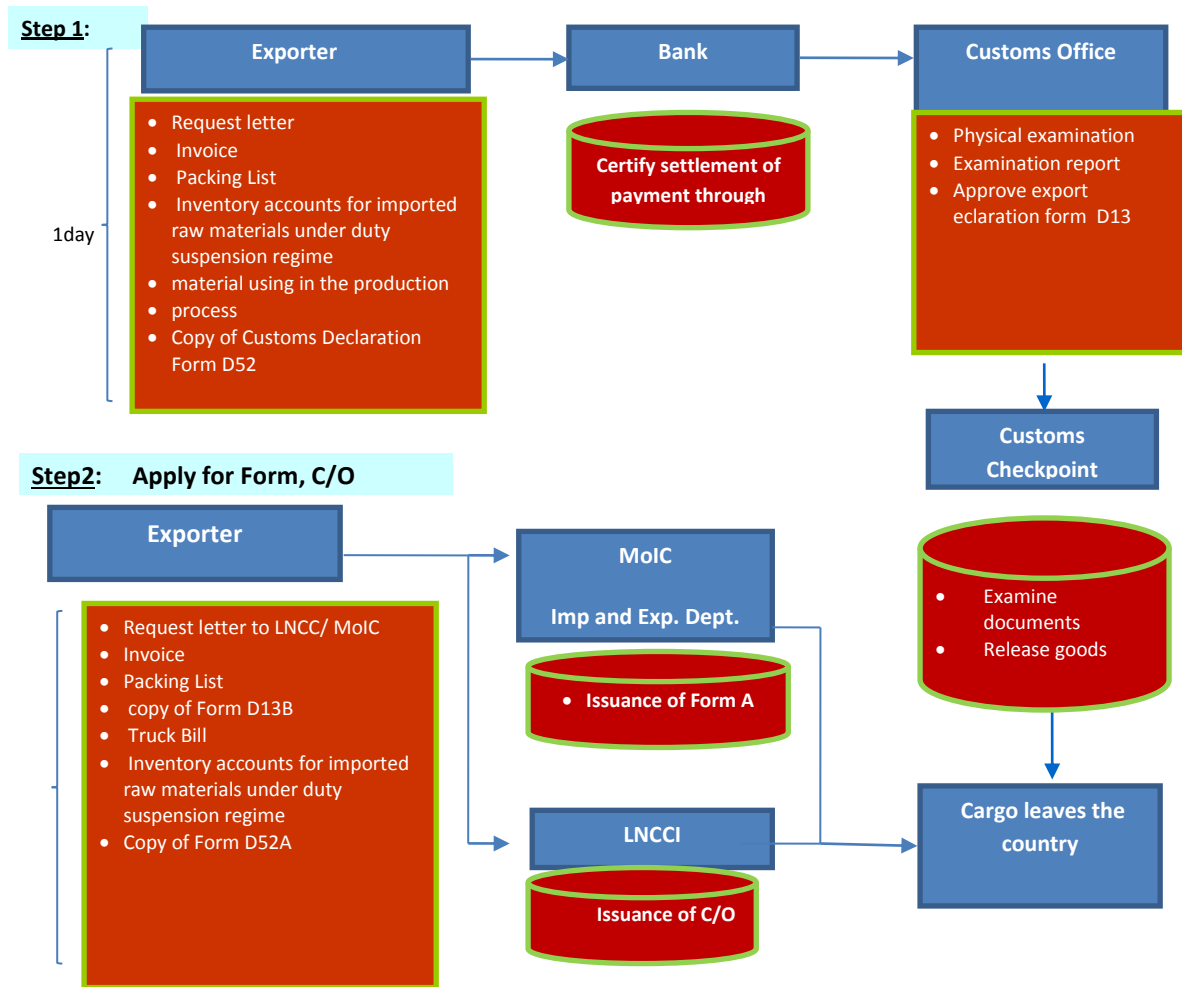
Source: World Bank (2009) "Time Release Study"

Figure 6: Summary of Document that Might be Required for Importation into Lao PDR

<p><b>Import Documents:</b></p> <ol style="list-style-type: none"> <li>1. Company's Letter to Custom Office</li> <li>2. Purchase Order</li> <li>3. Custom Declaration Form</li> <li>4. Bank Attestation of Payment Term</li> <li>5. Invoice or Packing List</li> <li>6. Copy of company's License</li> </ol>	<p><b>Additional documents where goods are duty exempt:</b></p> <ul style="list-style-type: none"> <li>• Approval of Plan and Investment Committee</li> <li>• Import Permission from Lines Ministries</li> <li>• Attestation of Tax and Duty Exemption</li> <li>• Request for the importation</li> <li>• Importation permit</li> <li>• Bank Attestation of Payment Terms</li> <li>• Cost statement and working process form</li> <li>• Technical and Registration Permit</li> <li>• Guarantee's Contract for Tax Exemption</li> <li>• Guarantee's Contract for Temporary Import</li> <li>• Duty and Tax Exemption Permit</li> <li>• Approval from Ministry of Defense</li> <li>• Relocation permit</li> </ul>
<p><b>Additional Import License Requirements apply for the following goods:</b></p> <p>Petrol and gas; Vehicles and parts for assembling, vehicles of any type other than bicycles and ploughing machinery; Diamonds; Cement; Steel; Fresh or frozen meat, fish; Canned fruit; Milk products; Prepared food, including canned foods; Colouring and preserving products for foods; Sugar substitutes; Beverages; Food seasoning products, including soy sauce; Human medicines; Animal medicines; Animals and animals for breeding; All raw and semi manufactured products used in manufacturing; Fertilizers and pesticides; Video cassettes, CDs, movies etc.; Computer games; Sculptures and paintings; Sporting guns; Chemicals; Gold and silver ingots; Telephone, fax, and telecommunications equipment</p>	

(Source: compilation from the DTIS and Time Release Study)

Figure 7: Export Process for General Goods



Source: World Bank (2009) "Time Release Study"