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**GRANT NUMBER H403-LA**

# **Financing Agreement**

**(Customs and Trade Facilitation Project)**

**between**

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 25, 2008**

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**GRANT NUMBER H403-LA**

**FINANCING AGREEMENT**

AGREEMENT dated July 25, 2008, entered into between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million seven hundred thousand Special Drawing Rights (SDR 3,700,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Finance in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV —EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) the Recipient has established the Steering Committee referred to in Section I A 1 of Schedule 2 to this Agreement;
  - (b) the Recipient has established the Customs Reform and Modernization Team referred to in Section I A 2 of Schedule 2 to this Agreement; and
  - (c) the Association has received a written confirmation from the Recipient that it will establish a user fee for the WTO compatible ASYCUDA system and that whole of the revenue from the user fee will be escrowed for hardware and software maintenance and operation costs and future development and expansion of the said system.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Recipient's Minister of Finance.

5.02. The Recipient's Address is:

Ministry of Finance  
23 Singha Road  
Nongbone Village  
Saysettha District  
Vientiane, Lao PDR

Facsimile: 856-21-412142 or 856-21-412417

5.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By: /s/ Viengthong Siphandone

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian C. Porter

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to facilitate trade by improving the efficiency and effectiveness of customs administration and simplifying customs procedures to eliminate duplication and redundancy, reduce transaction costs and time to clear goods, and increase transparency and accountability. The Project consists of the following parts:

#### **Part A: Implementation of ASYCUDA**

1. Installation of ASYCUDA

Provision of technical assistance, training and goods support to the Recipient to install and implement the ASYCUDA system in the Customs Department headquarters, regional customs offices, and in international border checkpoints.

2. Preparation of Customs Department to receive ASYCUDA

Provision of goods and incremental operating costs to the Recipient for improvement of the Customs Department regional offices, and international border checkpoints to prepare them for the installation of the ASYCUDA system.

3. LCD IT Center strengthening

Provision of technical assistance, training and goods to the Customs Department staff, to staff of other relevant agencies, and relevant stakeholders on the use and maintenance of the ASYCUDA system.

#### **Part B: Customs Modernization Support**

1. Modern Customs Practices and WTO Agreement Requirements

Provision of technical assistance, training and goods to assist the Recipient to develop and implement, *inter alia*, (a) modern customs procedures in line with the WTO agreement requirements; (b) a compliance improvement and management strategy; (c) a post clearance audit system; (d) an integrity and anti-corruption strategy; (e) an advance ruling system; (f) an intelligence and risk management unit; (g) a client service charter; and (h) an administrative appeals regime.

2. Project Assistance

Provision of technical assistance, training and goods to assist the Recipient in the implementation of modern approaches to customs administration, change management support, and Project management.

**SCHEDULE 2****Project Execution**Section I. **Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall establish and maintain, throughout the period of implementation of the Project, a Project Steering Committee with representation (of representatives from the Recipient including the Department of Statistics, the MOIC and the BOL, and from the private sector), mandate, terms of reference and composition satisfactory to the Association to, *inter alia*, provide oversight in the implementation of the Project.
2. The Recipient shall establish and maintain, throughout the period of implementation of the Project, a Customs Reform and Modernization Team chaired by Deputy Director General of the Customs Department, to be provided with sufficient resources and competent staff in adequate numbers, which will be responsible for the day to day implementation of the Project; the mandate, terms of reference and composition of such committee shall be satisfactory to the Association.
3. The Recipient shall maintain, throughout the period of implementation of the Project, the Public Financial Management Strengthening Unit, with sufficient resources and competent staff in adequate numbers; and responsible for the provision of financial and procurement support to the Customs Reform and Modernization Team.
4. The Recipient shall:
  - (a) by December 15, 2008, sign the ASYCUDA Contract;
  - (b) cause the Customs Department to furnish to the Association semi-annual reports on the results of monitoring and evaluation activities, by December 31 and June 30 every year, starting in December 2008;
  - (c) by March 31, 2010, implement a WTO compatible ASYCUDA System User Fee;
  - (d) by December 2011, cause the Customs Department to carry out a midterm review of the progress made in implementing the Project; and

- (e) ensure that funds collected through the ASYCUDA System User Fee are allocated for the operation and maintenance costs of the ASYCUDA system.

**B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. The Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

- 1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding subject to the procedures listed in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) Least-Cost Selection
(b) Selection Based on Consultant's Qualifications
(c) Single Source Selection
(d) Individual Consultants
(e) Individual Consultants selected on a sole source basis

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, Consultants’ Services, Training and Workshops and Incremental Operating Costs for the Project	3,700,000	100%
<b>TOTAL AMOUNT</b>	<u>3,700,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2013.

**ANNEX  
to  
SCHEDULE 2**

**National Competitive Bidding Procedures**

1. Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers contractors and their subcontractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
2. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be provided to all bidders who submitted bids.
3. The Recipient shall publish the following information on contract award on a free or open access website when it becomes operational or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bid were rejected and the reasons for rejection; (e) name of the winning bidder, contract price, explanation if it is different than bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.
4. The eligibility of bidders shall be as defined under section I of the Bank's Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Bank in October 2006; accordingly, a firm or individual previously declared ineligible by the Association based on determination by the Association that this firm or individual has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices shall be declared ineligible to be awarded a contract financed by Association.
5. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Recipient, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, an Association-financed contract.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “ASYCUDA” means the Automated System for Customs Data, of which ASYCUDA World is the latest version, developed by UNCTAD, which covers most foreign trade procedures; it handles manifests and customs declarations, accounting procedures, transit and suspense procedures and generates trade data that can be used for statistical and economic analysis.
3. “ASYCUDA Contract” means the contract to be signed between the Recipient and the UNCTAD for the provision of ASYCUDA World.
4. “ASYCUDA System User Fee” means the fee calculated on the basis of direct ASYCUDA costs as well as non ASYCUDA costs associated with the processing of import, export, and transit declarations consistent with WTO rules.
5. “BOL” means the Bank of Lao PDR and any successor thereto.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “Customs Department” and the acronym “LCD” mean the Recipient’s Customs Department within the MOF and any successor thereto.
9. “Department of Statistics” means the Recipient’s Department of Statistics within the Ministry of Planning and Investment and any successor thereto.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Incremental Operating Costs” means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including consumable materials and supplies (including office supplies), communications, translation services, mass media and printing services, vehicle rental, operation and maintenance, fuel costs,

charges for the opening and operation of bank accounts required for the Project, postage and handling, and travel, lodging and per diems, but excluding salaries of officials of the Recipient's civil service.

12. "LCD IT Center" means the Customs Department Information Technology Center and any successor thereto.
13. "MOF" means the Recipient's Ministry of Finance and any successor thereto.
14. "MOIC" means the Recipient's Ministry of Industry and Commerce and any successor thereto.
15. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
16. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 5, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. "Training and Workshops" means training, workshops and study tours conducted in the territory of the Recipient and abroad, including purchase and publication of materials, rental of facilities, course fees, and travel, accommodation and subsistence of trainees.
18. "UNCTAD" means the United Nations Conference for Trade and Development.
19. "WTO" means the World Trade Organization.