

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has been the largest source of development finance for the Lao People's Democratic Republic (Lao PDR). Under the Greater Mekong Subregion (GMS) Program, ADB supports the Lao PDR's engagement with its neighbors to stimulate trade and investment. Sanitary and phytosanitary (SPS) reform and modernization are part of the ongoing GMS trade facilitation agenda. The Lao PDR has a strong agricultural base, but potential export markets remain untapped. For instance, the Lao PDR only received approval in 2015 to export rice to the People's Republic of China (PRC) despite their common border. Regarding non-food agricultural products, rubber and wood make up over 50% of total exports for the Lao PDR.

2. ADB has provided regional capacity development technical assistance (TA 8732)<sup>1</sup> and a regional loan<sup>2</sup> to enhance the capacity to manage and implement SPS, to facilitate the trade of agricultural and food products in the GMS. The main bilateral and multilateral partners in agriculture trade facilitation, particularly SPS, include the World Bank, the United States Agency for International Development (USAID), the Food and Agricultural Organization (FAO) of the United Nations, and the Enhanced Integrated Framework multi-development partner program.<sup>3</sup> ADB coordinates closely with these partners to ensure that its assistance does not duplicate their efforts.

3. **Capacity development and regulatory framework.** ADB has conducted regional workshops on modernizing SPS measures, encouraging information exchange, fostering concerted efforts among GMS countries, and promoting the adoption of SPS international standards and best practices. ADB's project supports the strengthening of institutions and operational and management capacities in Cambodia and the Lao PDR for operating cost-effective SPS systems that facilitate trade and protect health. The World Bank's second Trade Development Facility Project supports improvement of the trade and business environment. To date, it has helped improve the regulatory environment governing the movement of goods in selected sectors, including agricultural trade. The Lao PDR–US International and ASEAN Integration (LUNA) II initiative by USAID supports the Lao PDR in complying with multilateral and regional trade agreements. In SPS, the USAID project assists in developing food legislation and dissemination of ASEAN requirements. The FAO provides TA in various areas, aligned with the country programming framework developed jointly by the government and the FAO. The framework outlines the FAO's programme priorities for 2016–2021 with four country outcomes: (i) fostering agricultural production and rural development; (ii) improved food security and nutrition; (iii) protecting and enhancing forest and other ecosystems; and (iv) improving the capacity to respond to food and agricultural threats and emergencies and the impact of climate change. The Enhanced Integrated Framework supports Lao PDR authorities in strengthening the national quality infrastructure and industrial statistics—increasing the quality, safety, and reliability of Lao PDR products and services.

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<sup>1</sup> ADB. 2012. *Improving Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade*. Manila

<sup>2</sup> ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loans, Grant, and Technical Assistance to the Kingdom of Cambodia and the Lao People's Democratic Republic: Trade Facilitation: Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade Project*. Manila.

<sup>3</sup> The Enhanced Integrated Framework Trust Fund consists of the contributions of 23 donors. It was set up in 1997 at the World Trade Organization.

### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Regional Cooperation and Integration (Trade and Industry)</b>			
ADB	Improved Sanitary and Phytosanitary Handling in Greater Mekong Subregion Trade Project: Lao PDR and Cambodia	2012–2017	25.87 (L)
ADB	Improving Sanitary and Phytosanitary Handling in Greater Mekong Subregion	2012–2017	0.5 (G)
EIF Tier 2	Strengthening National Quality Infrastructure and Industrial Statistics in the Lao PDR	2013–2016	2.5 (G)
USAID	Lao PDR-US International and ASEAN Integration (LUNA) II	2014–ongoing	8.9 (G)
World Bank	Second Trade Development Facility Project	2011–2016	2.5 (G)
<b>Agriculture</b>			
FAO	Regional Rice Initiative: Curriculum review, consolidation and results assessment for expansion of Save and Grow Farmers Field Schools in Lao PDR	2016–2017	0.096 (G)
FAO	Building Policy Capacity Towards Sustainable Livestock Sector Development	2015–2017	0.42 (G)
FAO	Small-Scale Farmer Inclusion in Organic Agriculture Development through Participatory Guarantee Systems	2015–2017	0.36 (G)
FAO	Pesticide Risk Reduction in the South East Asia	2007–2018	14.4 (G)
FAO	Promotion of Rural Development through Development of Geographical Indications at Regional Level in Asia	2013–2017	1.7 (G)
FAO	Sustaining and Enhancing the Momentum for Innovation and Learning around the System of Rice Intensification in the Lower Mekong River Basin	2014–2018	1.2 (G)
FAO	Capacity Development for Agricultural Innovation Systems	2015–2018	2.8 (G)
FAO	Support for Establishment of the Centre for Agricultural Economics and Markets in the Ministry of Agriculture and Forestry	2016–2018	0.03 (G)
FAO	Development of an Information and Communication Technology Strategy for Ministry of Agriculture and Forestry	2015–2016	0.036 (G)
FAO	Regional Rice Initiative: Formulation of the Globally Important Agricultural Heritage System for Rice-Fish Farming System in Southern Lao PDR	2016–2016	0.045 (G)
FAO	Mainstreaming Agro-Biodiversity in Lao PDR's Agricultural Policies, Plans and Programs	2012–2016	0.88 (G)
FAO	European Union FAO Forest Law Enforcement, Governance and Trade Program	2015–2020	0.9 (G)
FAO	Immediate technical assistance to strengthen emergency preparedness for Highly Pathogenic Avian Influenza	2014–2019	0.41 (G)

ADB = Asian Development Bank, EIF = Enhanced Integrated Framework, FAO = Food and Agricultural Organization of the United Nations, G = grant, L = loan, Lao PDR = Lao People's Democratic Republic, USAID = United States Agency for International Development.

Source: Asian Development Bank.

## B. Institutional Arrangements and Processes for Development Coordination

4. An increasingly effective mechanism for aid coordination is the Asia-Pacific Trade Facilitation Forum, initiated by ADB and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in 2009 and convened annually since then. The forum

brings together development partners, beneficiaries, and private sector practitioners to exchange information, share experience, and disseminate best practice.

5. The project team examined TA provided by development partners and the Lao PDR in the three SPS areas of plant health, animal health, and food safety to avoid redundant investments. Further aid coordination will be essential to support the Lao PDR in establishing a regulatory framework, and enhancing and updating staff capacity to ensure that the benefits from investments are maximized by complementary improvements in administration and processes. ADB consulted directly with each development partner involved in SPS projects in the Lao PDR on the project design, since the formal development coordination mechanisms are weak.

6. Coordination and cooperation among GMS countries in SPS capacity development is essential. So far, coordination has been achieved through ad hoc regional expert meetings to exchange information. Given the increasing importance of SPS in the GMS, a more effective coordination mechanism in SPS is needed as a regional platform to address issues of common interest and promote concerted reforms and modernization in SPS systems.

### **C. Achievements and Issues**

7. GMS countries have identified SPS as one of the operational priority areas for optimizing trade and development. Toward this, ADB has identified the essential SPS issues that need to be resolved to meet the development needs of the GMS and formulated a GMS action plan for 2010–2015 SPS initiatives. As part of its national development plan, the Lao PDR is implementing the Strategy for Agricultural Development, 2011–2020, which features SPS heavily.<sup>4</sup> Donors have provided significant TA to support these national and regional initiatives. The sustainability of these TA projects is unclear given the lack of broader capacity and government operational funding to make good use of improved human skills, equipment, and legislation.

8. The project, in consultation with other development partners, will support increased agri-food trade and improved protection of human, animal, and plant health in the Lao PDR as well as for its trading partners.

### **D. Summary and Recommendations**

9. To address the policy environment within which the proposed project will be implemented, continued cooperation with development partners in the provision of TA to support policy reform is critical. To expand agri-food trade regionally, further investments in SPS facilities will be needed, particularly in GMS countries. Continued collaboration and coordination with development partners is imperative to ensure that the Lao PDR derives maximum benefit from externally funded initiatives.

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<sup>4</sup> Government of Lao PDR. 2010. *Lao PDR Agriculture Development Strategy 2011–2020*. Vientiane.