



OVERVIEW OF SPS NEEDS AND ASSISTANCE IN LAO PDR

Background paper
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A. OVERVIEW OF SPS SITUATION

1. SPS issues were identified as high priority in the DTIS validated in September 2006. According to health statistics reported by the World Bank, food-borne and water-borne diseases are the major cause of morbidity in the general population. Dysentery, typhoid, hepatitis A, E.coli, salmonella and vibrio cholera are all hazards in the food supply. A particular issue relates to intestinal helminth and fluke infections related to consumption of raw or undercooked fish. The prevalence of contaminants in foodstuffs and misuse of agro-chemicals represents also a threat not only to domestic consumers, but also to export opportunities.

2. Animal husbandry of buffalo, pigs, poultry and cattle is a growing sector, but hampered by a variety of different diseases. Anthrax, haemorrhagic septicaemia, black leg disease, classical swine fever (CSF), Newcastle disease and various parasites all inflict production losses. Lao PDR is one of seven Southeast Asian countries where foot and mouth disease (FMD) is endemic. In January 2004, highly pathogenic avian influenza (HPAI) was also reported. Since that time, a further ten outbreaks of HPAI have been reported in poultry and a total of two human fatalities have occurred. Control of animal diseases is hampered by Lao PDR's position as a major transit corridor for livestock trade between Cambodia, China, Thailand and Viet Nam and the impracticality of implementing quarantine measures at frontiers given porous borders and scarce human and budgetary resources to run these facilities. Efforts to control diseases through vaccination are also hampered by difficulties in establishing movement controls, the general weakness of national veterinary services and the cost of instituting such campaigns. The animal disease status of Lao PDR severely limits its opportunities for formal livestock and meat trade. In practice, what trade that does take place is mostly on an informal basis through porous border regions.

3. Food and water-borne diseases, the prevalence of contaminants in foodstuffs and misuse of agro-chemicals represent a threat not only to domestic consumers, but also to export opportunities. At present, these are latent threats. Fish exports are a good example. At present, regional exports of fish are small or take place on an informal basis. Expansion of Laotian fish exports to higher value raw fish products will be increasingly called into question or subjected to costly sub-deep freezing treatments if the general sanitary (and in particular the trematode) situation stays the same. Thus the current sanitary situation acts as a potential brake on future growth.

4. Overall, Lao PDR lacks a functioning SPS management system. It has insufficient ability to assess the situation on plant pests, animal diseases and food hazards and to provide basic data on these hazards for trading partners. It has very little ability to control agro-chemicals and imported genetic material. The components of the SPS management system – regulatory and institutional frameworks, standards, diagnostic capacity, surveillance and inspection and quarantine – still have major gaps and are not sufficiently connected. This forms a threat to sustainable growth of exports and imports. While significant potential exists to promote production of high-value horticultural products and export-oriented agriculture, this is seriously constrained by a general lack of awareness among producers, government and the private sector about good agricultural practices (GAPs), good hygiene practices (GHPs), good manufacturing practices (GMPs) and quality assurance schemes (e.g. HACCP), and inadequate capacity to implement such schemes. Moreover, the food safety situation in the country is very poor, and productivity of crops and livestock is negatively affected by insufficiently controlled pests and diseases.

5. An absolute priority is to get the basics of the system right. This requires not only additional donor support, but raising awareness among political leaders that more government resources are needed for building and operating an effective SPS system. Integration into the global trading system through WTO membership and implementation of ASEAN Free Trade Area (AFTA) commitments represent an opportunity to create the necessary awareness.

6. Fundamental constraints still exist in the SPS system in Lao PDR, the components of the SPS management system – institutional capability, regulations and standards, diagnostic capacity, surveillance, inspection and quarantine – are still not in place. This is particularly the case in the food safety and plant health sectors which have received relatively less focus in donor attention. A further need exists to promote the adoption of GAPs, GHPs, GMPs and quality assurance schemes among exporters as a means to enhance access to international markets, particularly for high-value horticultural products. Furthermore, there are still major gaps in the capability to collect and evaluate basic data on pests, diseases and food hazards and to conduct basic risk management.

7. The following SPS capacity building needs were identified as a result of the work undertaken by the STDF within the framework of Aid for Trade related activities (see STDF activities below):

- **Assistance in the accelerated drive for WTO membership.** Information and training has been provided on the WTO SPS Agreement to senior officials in the Ministries of Industry and Commerce (MOIC), Agriculture and Forestry (MAF), Health (MOH) and the National Science and Technology Authority (NSTA) in preparation for WTO accession. However, among middle rank managers and specialists in these ministries and in the provinces (who are responsible for SPS implementation) there is still little awareness about the implications of WTO membership. It is recommended that a major in-country training event for middle-level management and specialists in MAF, MOH, NSTA and provinces be provided on WTO accession. This training should build on the Cambodian and Vietnamese experiences of accession. As part of this training, focused help should be given to make the SPS/TBT Enquiry Point operational.
- **Efforts to control endemic animal diseases have no "easy fix".** In addition to the economic losses in terms of animal productivity and market access forgone, the continued prevalence of these diseases may create difficulties in implementing aspects of the GMS Cross-Border Transport Agreement, particularly in respect of the facilitation of transit trade. It would appear appropriate thus that this issue be addressed in forthcoming support projects. Addressing the underlying disease situation will require sustained long-term investment and technical assistance programmes designed at a regional level. In this regard, the SEAFMD programme is a model that deserves further study for possible broader application for other diseases.
- **Assistance to increase awareness about, and facilitate the implementation of relevant international standards, GAPs, GHPs and GMPs.** To complement the above support for WTO membership, assistance is also required to ensure that government departments, producers and the domestic private sector are knowledgeable about national, international and regional regulations and standards related to food safety and quality, and that the required institutional framework and human resources are in place to facilitate the effective application of good agricultural, hygiene and manufacturing practices.
- **Assistance in surveillance of food-borne hazards, pests and diseases.** A project is required that would help with the design and implementation of surveillance and data collection on the most important pests, diseases and food hazards, assist in the evaluation and sharing of data, in particular with trading partners. A second stage to such a project would focus on using the data to establish risk-based management systems for food safety, plant health and animal health risks.
- **Assistance in training and development of academic/vocational training in the SPS area.** Training of staff and specialists is crucial for building a viable SPS system. The current skilled labour shortage is also a constraint which reduces the absorptive capacity of the country for SPS technical cooperation. In part this constraint is caused by an absence of academic and vocational training opportunities in Lao PDR. Thus as part of a training

programme for Laotian officials, consideration should be given to the development of academic and vocational training courses in the SPS area. This would help in delivering training opportunities which are in-country and on-the-job.

B. OVERVIEW OF SPS-RELATED TECHNICAL COOPERATION

8. Information on donor assistance to Lao PDR in the SPS area was compiled during the field research undertaken in preparation for the Aid for Trade events organized by the STDF for the GMS region. The results obtained indicated a significant increase in SPS assistance provided to Lao PDR during the period 2001-2006. Table 1 below gives an overview of SPS assistance received in the period 2001-2006. The data showed that the country benefited from 14 country projects (valued at about US\$24m).

Table 1: Direct SPS assistance received by Lao PDR (2001-2006)

Number of projects		Value of Projects	(US\$'000)
Food safety	1	Food safety	750
Animal health	4	Animal health	7,056
Plant health	0	Plant health	0
HPAI	4	HPAI	12,295
General	5	General	3,815
Total	14	Total	23,916

9. Significant donor support has been provided for animal disease control, led by efforts to control HPAI, including the World Bank HPAI Control and Preparedness project (2006-2009, total value of US\$ 13.56m), a project funded by Germany to build capacity at Grass-roots Level to Control Avian Influenza (2006-2009, US\$3.2m) as well as a US-funded project to strengthen emergency preparedness for HPAI (2006-2009, US\$2,284,990). Animal disease control projects other than AI currently under implementation include support by the Australia on Classical Swine Fever and FMD (2003-2008, valued at US\$414,000) and ADB-IFAD on livestock in the northern region (2007-2013, total value of US\$18.4m).

10. Lao PDR is a member of the IF. In September 2006, a National Workshop took place to validate the DTIS, in which SPS constraints figured highly. To help turn the DTIS priority areas into action, a multi-donor trust fund, the Trade Development Facility (TDF), has been established. This trust fund is managed by the World Bank and includes an SPS component (total value of US\$1.77m) that consists primarily of strengthening the SPS institutional, legal and regulatory framework, promoting the private sector and developing risk-based SPS management. Further funding is expected to be added to the TDF in the coming years. Additional financing should also become available through the enhancement of the IF.

11. Other trade related ongoing projects include World Bank support for trade facilitation and export development (2008-2011, total value of US\$1.77m) and the EC funded project aiming at enhancing the capacity of Lao PDR to integrate into regional and international trade systems through developing national capacity in the fields of standards, quality, metrology, accreditation, conformity assessment principles and best practices (2004-2008, US\$621,000).

12. As for Cambodia, the GMS Cross-Border Transport Agreement is a driver for additional assistance to Lao PDR. The World Bank and ADB are considering a lending project with a SPS component to assist implementation of the Cross-Border Transport Agreement.

13. As a member of ASEAN, Lao PDR has benefited and is currently benefiting from all the regional technical assistance programmes detailed for Cambodia (Annex II).

14. One particular constraint is the low absorptive capacity of Lao PDR for technical cooperation. The establishment and maintenance of a fully functioning SPS system will require long-term commitment from both the Government and donor agencies. In the World Bank Action Plan, a strong argument was made that due to the limited human and financial resources available, it was important that additional funding should be selectively applied, include efforts by the private sector, and be effectively prioritized. It was recommended that major investments in diagnostics, inspection and surveillance should be sequenced and delayed for a second phase of capacity building.

C. STDF ACTIVITIES IN LAO PDR

15. In March-May 2008, a country survey was conducted in Lao PDR to identify outstanding needs of SPS technical assistance which are not covered by on-going or planned programmes. The survey consisted in a review of all existing evaluation of the SPS system in Lao PDR and an extensive field research to identify on-going activities and outstanding gaps. The field survey involved interaction with all stakeholders in the country to assess the remaining constraints to be solved and to establish a list of priority needs to be used for mobilisation of future Aid for Trade resources. The results obtained were presented in a balance sheet outlining the needs and the corresponding donor response and highlighting the needs still to be addressed. The balance sheet was validated once at country level in the presence of representatives from various institutions involved in SPS management and of representatives from donor agencies active in the country. A second validation and further refining of the balance sheet took place during the regional workshop organized by the STDF on “Mobilizing Aid for Trade for SPS related technical assistance in the Greater Mekong Sub-region” in Phnom Penh, Cambodia on 21-22 May 2008.

16. The STDF is currently funding a project preparation grant to assist the Department of Agriculture in designing a project aiming at setting up legislative and institutional infrastructure for the implementation of GAP. A LaoGAP scheme will be created and tested on pilot crops. Certification and inspection bodies will be established to enforce the new regulatory framework.