

**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**AGRICULTURE AND NATURAL RESOURCES  
SECTOR NEEDS ASSESSMENT**

**(TA: 4843-LAO)**

**INCEPTION REPORT**

**MARCH 26th, 2007**

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## ACRONYMS AND ABBREVIATIONS

ADTA	Advisory Technical Assistance
AFD	Agence Française de Développement
ANR	Agriculture And Natural Resources
CIAT	International Centre for Tropical Agriculture
CIRAD	Agriculture Research Centre for International Development
EU	European Union
FAO	Food and Agriculture Organisation
GOL	Government of Lao PDR
GTZ	Gesellschaft fur Technische Zusammenarbeit
IRRI	International Rice Research Institute
IUCN	International Union for the Conservation of Nature
JICA	Japanese International Cooperation Agency
MAF	Ministry of Agriculture and Forestry
ME	Ministry of Education
MIC	Ministry of Industry and Commerce
NAFES	National Agriculture and Forestry Extension Service
NAFRI	National Agriculture and Forestry Research Institute
NLMA	National Land Management Authority
NTFP	Non-timber forest products
NRDS	Northern Region Development Strategy
NUOL	National University of Lao PDR
OEM	Operations Evaluation Mission (ADB-SAPE)
SAPE	Sector Assistance Program Evaluation
SDP	Smallholder Development Project
SIDA	Swedish International Development Assistance
SNV	Netherlands Development Organization
WB	World Bank
WFP	World Food Programme

## 1. Introduction

This document is the Inception Report for the Agriculture And Natural Resources Sector Needs Assessment (TA: 4843-LAO).

An Inception Mission for Phase I of the TA visited Vientiane from February 25<sup>th</sup> to March 19<sup>th</sup>. The mission comprised Mr. Ahsan Tayyab (ADB Project Officer), Mr. Keith Ward (Phase I Team Leader), and Mr. John Schiller (Institutions Specialist).

## 1. Background To Technical Assistance

The Advisory Technical assistance (ADTA) originates directly from an evaluation of ADB's policy- and project-based lending to the Lao ANR sector since the late 1980s and which was completed in early 2006<sup>1</sup>. That work found that the achievement of development impact in the sector had been partial. The evaluation concluded, *inter alia*, that ADB and GOL should jointly re-assess ADB's role as a lender to the sector, and – if further assistance was to be provided in future – develop a more strategic approach than previously.

Development of such a strategic approach is the purpose of this ANR needs assessment. Specifically, the TA is expected to deliver an integrated policy and investment framework within which contingent future ADB investments/interventions can be located. This framework is expected to be focused on well-defined, high-impact interventions and prioritized investment opportunities to intensify, diversify, and commercialize agriculture wherever feasible.

The TA paper<sup>2</sup> anticipated that the technical assistance would be conducted in two main phases, and would be completed by end-2007. During Phase I, the intention was primarily to

- Review existing and past ANR strategies, and current donor support to the sector
- Identify key ANR opportunities that may need investment to overcome existing constraints
- Discuss rural development strategy issues with Provincial governments, farmer groups, traders/processors etc
- Identify capacity development and skills transfer needs within ANR, and
- Identify technical and policy thematic areas for further in-depth study in Phase II.

Since the completion of the Sector Assistance Program Evaluation (SAPE) and the subsequent preparation of the technical assistance paper, the Ministry Of Agriculture And Forestry (MAF) has continued development of strategic planning for ANR and the incorporation of this in the recent National Socioeconomic Development Plan (2006-2010), Agence Française de Développement (AFD) has begun<sup>3</sup> an intensive

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<sup>1</sup> This was the Sector Assistance Program Evaluation (SAPE). 'Sector Assistance Program Evaluation for the Agriculture and Natural Resources Sector in the Lao People's Democratic Republic' – Operations Evaluation Department, December 2005. The SAPE identified a wide range of operational and implementation issues associated with ADB's ANR portfolio in Lao PDR over a sixteen-year period. Further issues associated with current ADB projects in ANR will be covered in the course of this TA.

<sup>2</sup> Technical Assistance Project Number 0105 September 2006 (Lao People's Democratic Republic: Agriculture and Natural Resources Sector Needs Assessment)

<sup>3</sup> Studies have been produced in 12 thematic areas and 10 more are in preparation

process within MAF of learning from past experience (*capitalisation*) in ANR, and numerous other multilateral and bilateral donors have been active in various ANR subsectors and on specific area-based projects.

There is also a notably increasing level of activity in coordination among donor agencies within Lao PDR, including within the ANR sector. Following the 'Vientiane Declaration' of 2006, a series of eight joint GOL/donor working groups were set up on a sectoral basis. (Only three of these are presently active; the other 5 have yet to convene). MAF and AFD jointly chair a 'Donor Working Group On Agriculture', which has constituent sub-working groups (e.g., on irrigation, on agribusiness and forestry). Many of these sub-working groups have yet to get fully going, but they do provide a forum for exchange of information, if not yet the essential dialogue and dynamism needed to promote genuine coordination.

In addition to these developments within ANR-related institutions, largely externally-driven pressures to increase commercialization of smallholder- and plantation-based agricultural development in the lowlands and sloping lands of Lao PDR have very greatly increased in the last two years, to the point where they now represent an unprecedented challenge to natural resources planning and management within the country.

As is now discussed in more detail, these and other significant factors have influenced the proposed scope and content of the TA, as well as its proposed implementation arrangements and overall Workplan.

### **3. Recent Developments In The Lao ANR Sector: An Overview**

#### *The Commercialization of Agriculture*

The most single notable feature of the ANR sector in Laos at present is the emergence of smallholder- and concession-based commercial farming arrangements. The main types of these commercial (as opposed to subsistence) arrangements include

- contract farming; a relatively traditional system where smallholders retain control over their own land but are supplied with inputs such as seed, fertilizer etc and agree to deliver primary produce at a set price, typically for further processing outside the country and often organized by foreign or joint venture partners. Farmers may be contracted individually or in groups, and the support of local provincial and district authorities (including PAFEOs and DAFEOs) may be enlisted by entrepreneurs who pay for their services through direct hire to help facilitate such arrangements, and
- area plantations or land concessions, where foreign and joint venture partners are leased relatively large areas of land (typically by provincial authorities) for commercial-scale growing of arable crops or for commercial forestry. In these situations, contractors may use their own processing and transport equipment, and often import their own labor.

Under the former arrangement smallholders participate and some value addition remains in Laos. With the latter, most value addition is exported and smallholders tend not to participate. The former can be a positive driver of growth; the latter may become a pernicious supply chain.

Various kinds of contract farming arrangements have long been evident along the Mekong Flatlands adjacent to Thailand, with Lao smallholders essentially delivering primary produce to fruits and vegetable wet markets and/or juicing and canning plants in Thoulakhom District of Vientiane province (e.g., by the well-established Lao Agro Industries Company; this company exports some \$2 million of value added products annually to Europe and Viet Nam). Other contract farming arrangements may involve different crops and destinations; as some examples - a company contracting-farming Japanese rice for export (Lao-Arrowny), a soybean contract grower and potential oil producer (Wilaikul), a small-scale producer of preserves, juices, canned goods, sweets etc (Lao Farmer Products) for export to Europe.

Relatively large-scale investments from Thailand into specific crops have occurred on periodic bases – e.g., maize - on the part of the CP group - but have not generally been sustained. The only large scale investment from Thailand in process at present is from the Mitr Phol Sugar Company, who would like to produce raw materials for ethanol in Savannakhet.<sup>4</sup> The CP group has never invested in Laos because of the uncertain business environment; at present. The case of the CP group (the classic regional agribusiness enterprise) is instructive: they have invested no funds in Lao ANR - their main contribution is enter into contract purchasing agreements with Thai traders for maize. The only CP operation currently functioning in Lao PDR is the procurement of 100,000 tons from maize from Sayabouri. The other maize operation is 70,000 tons from Oudomxay, procured through Chinese brokers by an animal feed producer in Yunnan. CP buys maize on contract from Thai traders, who in turn buy on contract from Lao traders, also buying on contract from Lao farmers.

ADB, primarily through the operations of the Smallholder Development Project (SDP), has also sought to facilitate and promote such arrangements in recent years. The purpose of SDP Project is to establish sustainable smallholder commercial agriculture and associated agribusinesses in Vientiane, Savannakhet, Khammouane, and Champassak provinces.

The larger-scale area concession-based arrangements are more recent developments, and many involve Chinese (and Vietnamese, and also Indian, e.g., the Birla Company) public and private bodies<sup>5</sup>. Viet Nam has had a long historical involvement in coffee in Laos, especially in the south on the Bolovens Plateau. The opening of Lao to ASEAN investment in particular also tends to mean that regional investors now go directly to Provinces rather than via central authorities. Concessionaires operate directly through provincial authorities and pay nominal official rents of \$2/ha<sup>6</sup>.

Numerous reports appear in the 'Vientiane Times' about proposed or actual investments (rubber, cassava, eucalyptus) in a variety of provinces on a regular basis. At the present time, there is a strong impression that 'land grabbing' is occurring all over the country, with Chinese planting rubber in the North, Vietnamese planting rubber and coffee in the south, Thais wanting land for sugar, the Koreans

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<sup>4</sup> This project illustrates some of the problems that can affect investors in Lao PDR. The original plan called for a proposed investment of \$162 million to produce sugarcane on 100,000 hectares and to install irrigation works and four primary processing factories. The area allocated to Mitr Phol was reduced arbitrarily to 10,000 ha (6,000 irrigable). This reduction in land area has caused the company to delay or postpone its infrastructural investments because the yield from 6,000 ha cannot supply the factory with enough raw materials to operate at full capacity. The Lao PDR is on the verge of imposing the penalty on the delayed investment, even though it was the government which reduced the land allocation and the number of participating farmers

<sup>5</sup> Again, ADB has played a role in this kind of plantation-based agriculture and forestry, and prepared a project aimed at establishing a 'Lao Plantation Authority' to help define and manage policy in this area, although ultimately the project was not taken forward to implementation.

<sup>6</sup> They also generally pay much larger additional "fee" to secure the concessions in the first place.

wanting farmers to plant *Jatropha* for bio-diesel fuel, and several pulp and paper companies wanting land for fast -growing wood fiber plantations.

Land seems to be given to applicants on a 'first come, first served' and highest paying basis without any consideration as to either the economic impact on food security or the possibility that opportunities for a more rewarding investment are excluded once land has been committed; i.e., there seems to be little or no land capability assessment to determine as far as possible the optimum investment. In such circumstances there is a clear risk that poor communities are generally left out, because many of the foreign investors prefer to bring in their own labor rather than employ locals, who in any case may not be too interested in wage labor unless it is integrated with their own agricultural calendar.

As regards Chinese investments in particular, Oudomxay province now (2006) exports 90% of its primary cash crop, corn, to China. Cornfields cover 13,000 hectares (against only 3,000 hectares in 1996), and are forecast to produce 100,000 tons this year. In some cases the 'Chinese model' differs markedly from historical Thai and Vietnamese arrangements – the Chinese will buy surpluses of corn from farmers which have been produced on an un-contracted basis, dry the produce and take across the border into Yunnan. (China has recently been changing its tariff structures to facilitate increasing imports of primary produce from the region). Chinese investors have also signed 15-year contracts to buy sugarcane covering 40,000 hectares and cassava on 60,000 hectares in Luang Nam Tha, with an incentive that if production of each staple hits 1 million tons by 2008, they promise US\$3 million in investment for new processing factories and a research center. Formal Chinese investments in plantations, farms, factories and markets in 197 officially approved projects were worth \$401 million, including 20 valued at \$39.5 million from October 2004 to May 2005. These kinds of developments have overtaken the ANR and other planning embodied in (for example) the Northern Region Development Strategy.

Chinese firms are also moving into rubber plantations as far south as Vientiane province, where the Junnan Power Biological Products Group is planning to spend \$15 million to lease 2,500 hectares for rubber and build a processing factory.

The intention here is not to itemize all the various commercial and concessionaire farming arrangements which are emerging, but to identify a number of issues which stem from them and which have major implications for the ANR sector.

Among the major issues are the following:

- The distribution of the benefits which are created in these commercial arrangements between Lao smallholders and foreign investors are presently not well documented or understood, and the long-term implications for poverty reduction, sustainability of farming practices, gender and ethnic relations, relationships between lowland and upland areas (e.g., through labor migration) are unclear. Contract farming arrangements are generally unclear because there is no contract enforcement in Laos, and this is fundamentally a governance issue which transcends the ANR sector alone
- As a corollary of this, the development of GOL and MAF policy towards such commercial arrangements is currently ambiguous and underdeveloped; for example, provincial authorities (with very restricted technical capacities in landuse planning and administration) typically grant long-term land use concessions without adequate consideration (e.g., in the form of feasibility or

appraisal analyses) regarding financial and environmental sustainability from smallholders' point of view, and the high level of provincial autonomy in decision-making means that MAF planning (e.g., for national rice self-sufficiency) can be undermined by provinces pursuing non-food crop-oriented objectives.

- The scale and speed of commercial arrangements (and especially the investment from China) threatens to compromise or undermine existing strategic initiatives (e.g., the Northern Region Development Strategy, the Strategic Vision For Agriculture etc). In these kinds of strategies, for example, MAF's primary role was about providing technical services to encourage and promote such investments, about identifying products (including niche products and NTFPs) and getting them to market. Now, however, 'the market' has largely come to Laos, and MAF should be moving towards the role of facilitator and regulator of such market-based interventions, rather than pursuing production targets for particular crops and trying to provide a range of services to farmers (many of which can be provided by the private sector in future)
- These kinds of commercial arrangements highlight many of the governance issues in Lao ANR, including who determines access to natural resources (notably land, and thereby the status of State-province relations) and also the problems associated with encouraging value-addition within Lao (as opposed to export of primary produce). Unless and until the rule of law establishes and adequately protects property rights, the nature of many investments in Lao ANR will remain relatively short-term (and thus potentially environmentally-damaging), non-transparent (and thus benefiting foreign and non-poor interests), and relatively restricted in terms of domestic employment- and wealth-creation, and
- Finally (and of interest from ADB's point of view) one other point which is instructive to consider in the current context vis-à-vis ADB's role in the ANR sector is that it is increasingly the case that ADB and other donors are now competing not just with other public/aid donors as sources of development financing but also with this increasing flow of private capital. Certain GOL agencies and the Provinces may well prefer to deal with less safeguard-oriented investors rather than the bureaucratic aid-driven processes<sup>7 8</sup>

There would seem to be a *prima facie* case to support MAF (and other GOL agencies at district, provincial and central levels) in order to update its policy/strategy and operational mandate in these new circumstances in order to confront the challenges of intensifying ANR commercialization and an ever-increasing move from traditional

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<sup>7</sup> Both ADB and AFD have recently had instances where potential investment projects were prepared but ultimately not implemented because GOL had access to comparable private sector alternatives

<sup>8</sup> This is likely to increase as moneyed interests, particularly from China, of the region converge on Laos to snap up natural resources at bargain prices. Cambodia is a good example of the "China card" phenomenon. There have been a number of donor projects refused by the Cambodian Government when China offered to provide funding without any attached conditionalities. It may be a matter of time before Laos also plays its "China card". After the long delay in approving the Nam Theuan Hydropower Project, Laos has moved quickly to embrace totally private projects financed by foreign consortia without any environmental and socio-economic safeguards. The first of these is the 650 WM Nam Ngum project funded by a consortia of Thai investors. There are no resettlement plans or environmental impact assessments. With the emergence of robust regional economies, the ability of donors to influence governments and ensure safeguards may well decline relatively in the short, near and long term.



self-sufficiency and relative isolation to commodification and marketization of the sector.

If MAF does not address these issues of a rapidly-changing sector political economy, it risks its role being undermined by other agencies (public and private, domestic and foreign) and the ANR sector becoming largely dismembered as neighboring countries' spheres of influence increase (most obviously China in the north of Laos, Thailand along the Mekong lowlands, and Viet Nam in the east and south of the country). *There is no greater challenge than for future policy and investment interventions to fully address these new circumstances.*

### *Institutional Developments In Lao ANR*

There are four main recent institutional developments within the Lao ANR sector which also impact the current TA.

Firstly is the role of other donors in Lao ANR. AFD has recently become a much more major and long-term partner to MAF than hitherto (i.e., at the time of the SAPE and of the TA paper preparation). This has mainly become operationalized via their '*capitalisation*' program and direct support to MAF budget items (e.g., the Information Centre, project application points in Champasack, Sayabouri and Xieng Khounag Provinces). The '*capitalisation*' process is essentially a similar exercise to the ADB SAPE, and is based on a review of the historical performance of a number of AFD and other donor projects in ANR. AFD now have various areas of focus within ANR, including a forthcoming major sector diagnosis study of irrigation (and especially the implications and consequences of the large-scale publicly-funded expansion of lowland irrigation in the 1990s) and also work in three discrete areas of coffee value chains (mainly in Champassak), commercial agriculture (primarily Xayaboury), and also non-tillage agro-ecology (Sayabouri and Xieng Khouang). AFD is also planning to enter the agribusiness sector in the near future.

In addition, a wide range of other donors is active in Lao ANR at present. Many are producing materials which can be assimilated and consolidated under the current TA rather than requiring ADB to support new work. For example, in 2006 World Bank produced a '*Lao PDR: Rural and Agriculture Sector Issues Paper*' which could be built upon (e.g., as regards its governance and commercial farming aspects) to support improved strategic thinking. World Bank is also expected to undertake a major study of upland agriculture issues in 2007; again, this is something which should be accommodated rather than replicated. The forthcoming AFD irrigation study has previously been mentioned, the ongoing UNDP governance programs' experiences can also be captured; CIAT livestock knowledge, IRRI rice background, SDC extension experience, and SIDA forestry studies etc, all provide examples where individual agencies' continuing workstreams could potentially feed in to the TA framework.

Secondly, following changes in higher levels of the government during the second half of 2006, there has since followed a period of internal assessment and change within many ministries of the government of Lao PDR. This period of change (at both political and technical levels) is still ongoing within MAF<sup>9</sup>. The consequences of this can be felt in terms of high levels of uncertainty in most senior administrative positions within the different agencies that come under MAF administrative control.

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<sup>9</sup> As of mid-March 2007 the Permanent Secretary post and several other senior staff positions have just been re-assigned

This uncertainty has, in turn, affected the ability of relevant agencies to focus on the major recent developments in ANR.

Thirdly, there are ongoing changes to the formal institutional set-up within Lao ANR. One of these concerns the recent establishment of the Lao National Land Management Authority (NLMA). Established by a Prime Ministerial degree in 2004 and set up in 2005, the NLMA has been mandated as the national authority responsible for land management and land use planning at all levels – national, regional, provincial, district, sub-district, village and household. Another change concerns the anticipated establishment of an umbrella/integrated water resources management agency ('Water And Environment Agency'); ADB TA resources have been identified to support this institution (following on from experiences in projects such as Nam Ngum River Basin Development Sector Project), although the exact role of this agency is unclear at present.

Lastly, there is an increasingly sophisticated process of donor coordination in ANR (and across other sectors) through various working groups, and - as this represents a major source of both goodwill and technical knowledge to Lao ANR (especially in view of some of the challenges just described, above) - it offers a resource which can be exploited and built upon for the TA. As was mentioned at the start of the report, MAF and AFD jointly chair a 'Donor Working Group On Agriculture'. A 'Sub-working group on Farmers and Agribusiness' is presently manifest through an online discussion group ('LaoFAB' – Lao Farmers And Agribusiness), and another sub-working group is active as regards irrigation.

Also, according to MAF, some 're-grouping' of like-minded donors has been apparent within ANR coordination activities recently, and this can give focus and imperative to the present TA.

#### **4. Implications For Scope And Implementation Of TA**

The recent developments just outlined have implications for the scope and implementation of the TA.

In terms of scope, firstly and most fundamentally it is apparent that the need to assist MAF/Lao PDR to develop a revised strategy for the ANR sector as a whole is more urgent than previously. Under TA resources in 1999, ADB had previously assisted the development of the 'Strategic Vision For The Agriculture Sector' (and this has remained the principal strategic ANR document until the present day). The opportunity now exists for ADB to re-capture ownership of strategic thinking in Lao ANR if work can be undertaken to refine, update and re-contextualize ANR strategic thinking in the light of the ongoing, externally-driven commercial developments described above.

Strategic-level support to MAF might be regarded as potentially extremely timely here if it can help strengthen their ability to deal with provinces (who have authority for land disbursements yet not the technical nor administrative capacity to ensure that smallholder welfare is assured), other GOL agencies (whose agreement and positive participation is often needed for MAF to promote reform in ANR operations – and most especially with respect to improving governance conditions), and relatively large-scale investors (who are increasingly aggressive in scale and scope). This level of strategic thinking should be the umbrella under which the various thematic/technical areas of work (see below) are all grouped, and which should ultimately guide future ADB investments.

Secondly, the scope of the work commissioned under the TA should also in part be defined by what other donors are already doing in the sector. Some examples of the interests and specializations of various agencies were just outlined, and it would seem sensible for the TA to capitalize on this by developing processes such that ongoing work can feed into the developing policy and investment framework.

Lastly, in terms of expected technical scope of work under the TA, in order to assist MAF in dealing with the 'new commercialism' of ANR, support to technical capacity-building and wider governance topics are likely to figure quite significantly in any eventual ADB lending program.

The developments just itemized have implications for how the TA is to be implemented. In short, the TA

- Is likely to need to embrace more deep strategic ANR-wide and political economy issues than might have been originally expected
- Will need to take account of ongoing institutional change in MAF and other agencies, and include a greater capability to review institutional performance and capacity-building needs than might have been initially anticipated, and
- Should accommodate in a fairly formal and rigorous way the ongoing work by other agencies, such that a range of comparative advantages across different technical areas are captured.

In each of these aspects, allowing enough time for full engagement of, and ownership by, MAF of the implementation processes and their final outputs will be critical to success, and this has largely governed the design of the proposed Workplan for Phase I.

In this last regard, it may be useful to briefly review the experience of the 1999 'Strategic Vision' TA, which in several respects is a comparable and parallel exercise to the current TA and which the Operations Evaluation Mission (OEM) producing the SAPE identified as the most successful of all ADB TAs to date. (The overall OEM rating was 'highly successful').

The text box, below, summarizes key points:

### **1999 TA to Produce ‘Strategic Vision For The Agriculture Sector’: Some Lessons For Implementing The Current TA**

The objectives of the TA were to (i) assist the Government in reviewing the existing agriculture sector development plan; and (ii) develop an appropriate agriculture development strategy that prioritizes areas suitable for investment, including possibly for ADB financing.

The TA scope included (i) reviewing MAF’s role in managing agriculture and natural resources (ANR), (ii) assisting MAF to prepare a strategy and revise existing ANR development plans, (iii) assessing MAF’s capacity to implement and manage the strategy, and (iv) making recommendations regarding provision of sustainable and cost-effective rural finance.

The major output of the strategy study was the Strategic Vision for the Agriculture Sector (1999). This document was innovative in discussing the dynamics of transformation that was happening in ANR and the Lao PDR’s strategic location in the region (i.e., ‘landlinked’ instead of landlocked), and in identifying the flatland/sloping land development dichotomy (leading to proposals for different development strategies for the Mekong flatlands and sloping lands).

The TA developed 7 thematic approaches, linked to existing Lao PDR programs (defined in terms of policies, strategies, programs, and outputs). The TA placed its recommendations in the context of MAF reorganization (e.g., in relation to decentralization and bottom-up planning).

The TA was assessed as highly relevant to the country’s development strategy and the transition to a market-based economy. Unlike all previous papers produced under various TAs, the Strategic Vision for the Agriculture Sector (1999) had high government ownership. The consultant operated as facilitator and catalyst rather than manager of the entire process.

The TA was highly effective. It underwent 15 drafts - the TA scope and resources were extended to support this process of close engagement with the counterparts. The length and depth of the strategy formulation, while not anticipated at the onset, was a constructive and useful engagement that has resulted in a much wider understanding of strategic issues.

The TA delivery was efficient, emphasizing stakeholder participation and ownership by the Government. The outcomes of the TA have become major features of the national ANR sector strategy. The basic strategic themes of the 1999 Strategic Vision for the Agriculture Sector were later incorporated and embodied into the National Growth and Poverty Eradication Strategy 6 years later (2003–2004), and the subsequent National Socioeconomic Development Plan (2006-2010).

The major lessons from this experience in relation to the current TA (which has obvious parallels of sector scope, changing institutional context and objectives of identifying investment opportunities) might be taken as follows:

- In order to achieve any sort of significant or sustained impact from TA investment a high level of GOL/MAF ownership of both process and output is essential
- Obtaining this ownership in the Lao context requires close engagement of counterparts, and adequate time and resources to support this process, and
- Strategic-level thinking about the ANR sector can be addressed successfully through such a modality, including in situations of institutional change.

## 5. Identification Of Thematic Areas For Phase I

The Inception Phase of the current TA comprised a widely consultative scoping exercise, during which MAF and ANR agencies (e.g., NAFRI, NAFES) plus the donor community were extensively canvassed on the objectives, scope and implementation of the TA<sup>10</sup>. In particular, a donors' meeting was held at Lao Resident Mission on March 1<sup>st</sup> which introduced the purpose, scope and expected outputs of the TA, and presented a possible list of thematic areas designed to prompt discussion among the donor community and identify major existing areas of work which need not be covered by new work.

The original TA paper had envisaged that during Phase I a number of critical themes for in-depth study in Phase would be identified by the international and domestic consultants on the basis of interaction with MAF and other GOL agencies etc, plus field trips to meet provincial authorities and private sector traders, processors, contractors etc. However, during the Inception period it was quickly apparent that a primary need was to interact with MAF and ANR agencies plus the donor community in Vientiane to understand current developments in ANR and absorb the scope of existing work across a range of topics.

Given the level of interest expressed in the current TA (especially so in view of its perceived strategic nature at a critical time for the ANR sector) and the opportunities presented by increased donor coordination (including the prevalence of on-line communications/discussion forums etc), plus the desirability of maximizing MAF ownership, it was decided to identify a range of themes for subsequent study which could be collectively agreed and developed as both desirable and necessary to complement existing (largely donor-driven) work. The list of thematic areas in the table therefore deliberately excludes topics already being covered in depth by other agencies' studies (e.g. upland agriculture by World Bank, irrigation by AFD etc).

Following completion of all thematic papers (presently expected in September 2007), a subset would be chosen (subject to further modification and based on individual and collective complementarity and an identifiable contribution towards a coherent policy and investment framework, etc) for detailed work under the current TA. ADB's resources will thus be used at this stage to focus more sharply on key topics and will seek to exploit its own areas of comparative advantage.

The following table therefore summarizes the range and scope of the major thematic areas to be defined in Phase I which have resulted from this process<sup>11</sup>. It also identifies which institutions may be expected to be the main partner agents to drive the work. Agencies listed in **bold** are identified as having the most natural skill sets to address the respective themes and / or are those which have already given the strongest indication of willingness to take the lead. Where ADB is listed in bold, the particular theme is expected to be fundamental to the development of the integrated policy and investment framework and the TA may initiate work in these areas immediately after the May 'Initiation' meeting (see Workplan for Phase I).

The sixteen thematic areas are presented in four main groups: (i) Strategic Sector Policy Issues, (ii) Regional Cooperation And Trade-Related Initiatives, (iii) Specific Agriculture Development Opportunities, and (iv) ANR Sector Capacity-Building.

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<sup>10</sup> A full list of persons and institutions contacted during the Inception period is contained at Appendix 1.

<sup>11</sup> Several of the themes are relatively unspecified at present, and further refinement is expected prior to their distribution to respective lead agencies.

**Table 1: Identification Of Thematic Areas For Development In Phase I**

Thematic Area	Rationale / Outline Content	Likely Partner Agencies
<b>A. Strategic Sector Policy Issues</b>		
<p><b>1 Refining The GOL ‘Strategic Vision for the Agricultural Sector’</b></p> <p><b>(And The ‘Northern Region Development Strategy’)</b></p>	<p>The original version of the Strategic Vision was formulated in 1999 and has guided ANR policy-making ever since. However, there is now a need to re-visit the strategy in view of intensifying commercial pressures in the lowlands, institutional decentralization and increasing autonomy of the provinces, and increasing technical knowledge about prevailing agro-ecological conditions. The intention would be to re-contextualize the Strategic Vision in order to refine MAF tactics to achieve original ANR objectives and to identify and define MAF’s role as a facilitator for market forces (in line with GOL poverty-reduction and other social objectives) rather than full-scale service provider.</p> <p>There is a similar, but less urgent need to revisit the NRDS for similar reasons, including specifically the scale of investment into the region from China.</p> <p><i>(NB. The 1999 version of the ‘Strategic Vision’ was originally available only in English. It is recommended that a Lao language translation of the revised document be arranged. Because of the relatively small size of the Lao vocabulary this should be done with great care)</i></p>	<p>MAF; <b>ADB</b></p>
<p><b>2 Review of Contract Farming and Plantation Agriculture (including forestry)</b></p>	<p>One of the more recent and rapid changes in the agricultural sector of Laos (primarily in lowland areas) relates to developments in contract farming, sustainable plantation agriculture and concession agriculture. This change is externally-driven, being in response to production demands and specific interventions from those countries immediately bordering Laos – notably China, but also Thailand and Viet Nam. The medium- to longer-term implications for Laos in terms of poverty-reduction objectives, the safeguarding of interests and rights of rural communities and individuals, and the management of natural resources/physical environment in areas where these developments are taking place, is largely unknown.</p> <p>Study in this area would aim to catalogue and review recent large-scale contract farming and concession/plantation arrangements, identify principles of ‘good practice’ for land management/access and benefits sharing (between Lao smallholders and foreign enterprises), and help GOL (through MAF) to develop policy towards such foreign investment management in the ANR sector. Opportunities to require/promote value adding under such arrangements would also be examined</p>	<p>MAF; <b>ADB:</b> SIDA JICA</p>

Thematic Area	Rationale / Outline Content	Likely Partner Agencies
<p><b>3 Medium Term Food Security Policy for Laos; Self-Sufficiency in Rice Production to 2020 And Implications For Other Crops</b></p>	<p>It is estimated that by 2020 Laos will need to produce an additional 1 million tons of rice annually above current levels of domestic production to meet national consumption requirements (population will be over 7 million by that time). This increased production will have to take place within the context of both long-term moves to more sustainable forms of agriculture in the rainfed uplands (reducing rainfed upland rice cultivation in this environment) and also the cropping of more profitable non-rice crops in the dry-season irrigated environment.</p> <p>There will therefore have to be an increased reliance on the wet-season lowland cropping environment where current rice yields are relatively low and where there is a reluctance by smallholder producers to invest in inputs (particularly fertilizer) on account of abiotic production constraints (especially drought). Without changes in the way rice is produced in this wet-season lowland environment, Laos could potentially return to a situation of chronic national rice deficits.</p> <p>Options for reducing the risks associated with wet-season lowland cropping need to be clearly identified (in terms of research, extension, marketing, micro-credit, etc), and the policy of trying to increase rice production in this way examined in terms of national costs (i.e., other cropping opportunities foregone) and benefits so that the strategic implications for the ANR sector are made clear and so this policy can be fully accounted for in MAF long-term planning.</p>	<p>MAF (including NAFRI and NAFES); <b>IRRI</b>; WFP; ADB</p>
<p><b>4 Microfinance and rural credit</b></p>	<p>Currently less than 3% of agricultural producers actually access microfinance from the recognized financial sector. There are, however, examples of where the availability of microfinance through both the private and public sectors is working at both provincial (Sayabouly and Oudomxay) and community levels.</p> <p>Such successful examples of microfinance services need to be documented/studied and replicated, perhaps using the sub-district level service units that are being established nationally as the basis for extension and related services. The development of the microfinance sector should focus on servicing the finance and credit needs of both agricultural producers and related agricultural businesses.</p>	<p>Micro-finance Unit of Central Bank; National Economic Research Institute in Committee for Planning and Investment (CPI); <b>SNV; Concern Worldwide;</b> GTZ</p>

Thematic Area	Rationale / Outline Content	Likely Partner Agencies
<p><b>5 Promoting Sustainable (or 'Conservation') Agricultural Development</b></p>	<p>Development of sector-wide practices for the proper integration of all agricultural practices in the different production environments, with the dual objectives of both sustainability and conservation.</p> <p>The focus of the study would be cropping and other agricultural practices (including livestock production, plantation agriculture, contract farming, in the upland environment, but would also link with agricultural practices in some lowland environment situations. For example, improving the rice production in the mountain paddy environment in northern Laos, allows farmers in the adjoining upland areas to focus on other forms of agriculture which might be potentially more sustainable.</p>	<p>MAF; CIRAD; IRRI CIAT; SIDA</p>
<p><b>6 ANR Governance Review</b></p>	<p>Among governance concerns in Lao PDR ANR are corruption and its consequences, deficiencies and inconsistencies in the legislative framework and its implementation (so to be able to manage common property natural resources on a sustainable basis), unsupervised and largely unaccountable SOEs, and particular policies which appear significantly biased against the interests of certain sections of the rural poor (especially ethnic minorities).</p> <p>The study will build upon work done under the SAPE, and review the history of ADB, other donor and private sector ANR projects and investments (of a range of sizes) to explicitly identify and document the particular governance issues which have affected implementation performance and levels of investment in production and processing. The respective roles of the central authorities and provinces will be explained, and of individual GOL agencies involved in ANR. Clear investment, policy and institutional reform measures to address the identified issues will be explained. The likely consequences for governance in ANR of increasing regional investment will be considered.</p>	<p>MAF; ADB</p>
<p><b>7 ANR Public Expenditure Review</b></p>	<p>Public expenditure management in Lao ANR is extremely weak (capital spending predominates, the centre has little control in ensuring expenditures at provincial level meet national priorities etc) and more resources must be made available for provincial administrative budgets – most importantly so as to help establish a sustainable, non donor-driven extension service.</p> <p>The review will identify ways to rationalize and better manage ANR public expenditures and recommend how to mainstream funding for extension</p>	<p>MAF; ADB; WB</p>



Thematic Area	Rationale / Outline Content	Likely Partner Agencies
<b>B. Regional Cooperation and Trade-Related Initiatives</b>		
<b>8</b>	<p><b>Strategic Review of the Lao ANR Sector in a Regional Context</b></p> <p>Lao ANR is structurally undeveloped, institutionally weak, technically impoverished, small in scale relative to investing countries, infrastructurally-challenged and generally disadvantaged in dealing with regional and global investors. While there are increasing flows of investment into Lao ANR, the consequences are not necessarily entirely benign.</p> <p>The study will involve a SWOT-based identification of opportunities and threats to Lao ANR in reference to the GMS, AFTA, ACMECS and WTO environments, and make recommendations for technical, policy and/or institutional changes covering MAF and other agencies dealing with ANR trade (e.g., Ministry Of Industry and Commerce)</p> <p>This will include analysis of the micro and macro indicators of the country's international competitiveness in ANR, and identification of selected areas/products where the country could focus and develop its domestic, regional and international markets. (This will provide integrative links to the review of the Strategic Vision (thematic area 1), support the work on contract farming (thematic area 2), motivate sustainable development for income generating activities of the rural poor (thematic area 5), and help identify non-traditional crops to be promoted (thematic area 11).</p>	MAF; Ministry of Industry and Commerce (MIC), Dept of Foreign Trade Policy; European Union (EU); IFAD; <b>ADB</b> ;
<b>9<sup>12</sup></b>	<p><b>Support to the ANR Sector for WTO Accession</b></p> <p>Design of technical and institutional support to prepare MAF and the ANR sector more generally, for WTO accession post-2008. Lao has begun WTO</p> <p>Comprehensive identification of needs to enable Lao to accede to WTO status (including the meeting of SPS standards, documentary and customs requirements, staff training and capacity-building needs, physical hardware/laboratory equipment to meet certification standards – e.g., at NAFRI, etc)</p>	MAF; NAFRI; MIC; EU; <b>ADB</b>

<sup>12</sup> These two thematic areas (i.e., 8 and 9) may be best addressed through one piece of work

Thematic Area	Rationale / Outline Content	Likely Partner Agencies	
<b>C. Specific Agricultural Development Initiatives</b>			
<b>10</b>	<b>Livestock and Animal Feeds Development</b>	Identification of support needed for the smallholder livestock and animal feeds industries. This is likely to include identifying viable forage-based interventions for larger ruminants, livelihood support to communities in upland areas, and identification of ways to promote value adding within Lao PDR.	MAF; <b>CIAT</b>
<b>11</b>	<b>Non-traditional Crops Development</b>	Investigation of ways to maximize the potential of non-traditional crops in Laos (e.g. NTFPs and biofuels).  NTFPs (e.g., mushrooms, paper mulberry, rattan, bamboo, honey, herbs and medicinal plants etc) can provide significant livelihood opportunities for communities in upland areas. How to identify and access opportunities on a relatively large yet sustainable and equitable basis in the context of decreasing rice planting and diminishing swidden practices is emerging as an imperative if upland areas are not to become ever more disadvantaged.  In the lowlands the challenge is to help promote and establish suitable developments in large scale non-traditional crops (e.g., soya, sugar) including for possible biofuels applications. Learning from the Smallholder Development Project and other experiences in this regard would be useful.	MAF (NAFRI); NUOL Faculty of Forestry); SNV
<b>12</b>	<b>National Biodiversity Conservation/Utilization And Environmental Status Review</b>	Laos has become increasingly well known for its natural bio-diversity (of crops, other plants, animals, fish and insects - both beneficial and pests). This reflects a combination of diversity of its environments, both natural and agricultural, the origins of its ethnic diversity, and the history of its agriculture (including relatively low levels of pesticide use during the 'green revolution').  The long-term conservation of this bio-diversity is vital both for Laos and for world bio-diversity more generally. Opportunities for Laos to utilize and exploit this bio-diversity need to be identified and developed within the framework of a long-term ANR strategy. Threats to Lao PDR's biodiversity and environmental conditions through increasing trade, investment and physical integration with neighboring economies will be identified, and strategies to maintain Lao status as relatively 'organic'/chemical-free production environment will be identified	MAF; UNDP FAO; SDC; IRRI

Thematic Area	Rationale / Outline Content	Likely Partner Agencies	
<b>D. ANR Sector Capacity-Building</b>			
13	<b>MAF Capacity Building</b>	<p>Analysis of extent to which current ANR sector institutional architecture (i.e., MAF, NAFES, NAFRI, other ANR-related agencies etc) meets needs of increasingly export-oriented and internally-fragmented production systems. Identification of appropriate roles for MAF and other agencies, and development of MAF/ANR sector-wide capacity building program, linked to findings in other thematic areas.</p> <p>This work should include the incorporation of anticipated ADB TAs (one for MAF and one for the new 'water and environment; institution) and include measures to improve public expenditure performance (along lines outlined in recent World Bank 'ANR issues' paper)</p>	MAF; SIDA; ADB; WB
14	<b>Development of the National Land Management Authority (NLMA)</b>	<p>Established by a Prime Ministerial degree in 2004 and set up in 2005, the NLMA has been established as the national authority responsible for land management and land use planning at all levels – national, regional, provincial, district, sub-district, village and household. The mandate of the NLMA also relates to how land is used in other sectors, including agriculture in all its forms (including forestry and plantation cropping), conservation, mining, tourism, communications and transportation, etc. It is responsible for land zoning, and land and related natural resource conservation management from the national to community (village) levels. The NLMA will also have responsibility for land use rights at all levels (including contract farming and smallholder production) and land titling.</p> <p>The rapid development of the NLMA is critical to all aspects of land use and agricultural development, including infrastructure development relating to irrigation. Identification of capacity-building, technical training and other support needs will be the content of this study.</p>	NLMA; IUCN; <b>ADB</b>

	Thematic Area	Rationale / Outline Content	Likely Partner Agencies
15	<b>Human Resource Development Needs of the National (LEA) and Private Sector Extension Mechanisms (agribusinesses and farmer-to-farmer)</b>	<p>The role of the national extension service and private sector extension mechanisms in assisting bringing about change in the welfare of rural communities and households is widely acknowledged, as is the fact that technologies are now available in many agricultural disciplines in Laos that - if adopted by smallholder producers - are capable of generating higher levels of productivity and incomes on a sustainable basis. However, to achieve this, there is an urgent need to provide government staff within the national extension staff with the necessary skills (both technical and managerial) to fulfill their role within the revamped national extension service.</p> <p>There is a parallel need to examine the role and support to farmers provided by private sector extension mechanisms.</p> <p>The study will provide the outline of a comprehensive capacity development plan for the national extension service as well as for private sector mechanisms.</p>	MAF - (NAFES); <b>SDC</b> CIAT ADB
16	<b>Agricultural Education Institution Development</b>	<p>Capacity within MAF (and other GOL institutions) is determined to a large degree by the educational institutions within the country. At post-secondary level this is determined by the quality of education available through the National University of Laos (NUOL), regional agricultural colleges and other technical institutions. The upgrading of the quality of studies provided through these institutions in turn determines the level of knowledge and skills of personnel recruited to government and other agencies at national and regional levels.</p> <p>Study in this area will relate to ways of identifying capacity-building and technical training to upgrade individual skills, taught technical and vocational programs etc in agriculture education institutions to support the implementation of ANR programs and policies</p>	MAF; ME <b>SIDA; SDC;</b> AusAID

The intention of each paper is essentially (i) to document the current situation, (ii) define needs, and then (iii) identify initiatives to address the needs. The thematic papers would be prepared to a broadly common format and length (say 2-4 pages Executive Summary, followed by 10-20 pages of text), and aim to address the following major headings:

- Current status of the situation (e.g., strategy and policy-making, contract farming, rice self-sufficiency) or subsector (e.g., livestock, non-traditional crops), sub-regional context
- Major needs and issues which need to be addressed in further study
- Scope of work, methodologies etc
- Relationships to overall sector planning, State-province relations and the private sector
- Potential public and private investment opportunities, and
- Sources of information to be accessed.

The identification of these thematic areas has also been informed by the Greater Mekong Subregion Economic Cooperation Program 'Strategic Framework for Subregional Cooperation in Agriculture, 2006–2010', where emerging issues across all GMS' countries' ANR sectors are being dealt with by coordinated approaches.

Some of the main issues being tackled by the GMS Strategic Framework and their relationship to thematic areas in the current TA are summarized in the following table:

**Table 2: GMS Strategic Framework For Subregional Cooperation in Agriculture And ANR Sector Needs Assessment Thematic Areas Linkages**

<b>GMS 'Strategic Framework for Subregional Cooperation in Agriculture': Main Issues</b>	<b>Relevant Thematic Area From Current TA</b>
New cross-border links	8,9
New policies, regulations, and incentives	1,6,7
New capacity needs at all levels	13,14,15,16
New crop choices	5,10,11,12
New ways of effective engagement with smallholders	2,15

Finally, it may also be noted that any agencies not presently identified in the table may either contribute to one or more existing themes or contribute existing work by the end of August.

## **6. Phase I Workplan: Processes And Outputs**

With the completion of the Inception Report at end of March will follow a general agreement between ADB and MAF on the process for the completion of Phase I of the TA. The main features of the Phase I Workplan can be summarized as follows:

- *Until mid-April*, MAF (in consultation with other GOL agencies and the donor community) may continue to refine the existing thematic area outlines presented in the previous table.
- *Before Lao New Year* (mid-April), MAF will distribute the (finalized) thematic area outlines to members of the 'Joint Donor Working Group', and make preliminary identification of potential lead agencies/Lao counterparts

- *During April*, ADB international consultants will further develop the thematic outlines from the above table into short background papers to prepare for the May ‘Thematic Area Initiation Meeting’
- *In mid-May*, MAF – with ADB support - will convene a meeting of the ‘Joint Donor Working Group’ and other interested parties<sup>13</sup>. This meeting – the ‘**Thematic Area Initiation Meeting**’ will identify the particular organizations and specific personnel who will be responsible for further development of the respective themes. Each thematic area will have a lead donor/international agency and counterpart Lao institution/agency
- *During June and July* the lead organizations will themselves manage a process of dialog and interaction with any other international and Lao agencies who are interested in the particular theme, with a view to addressing the issues described in the thematic area headings (above)<sup>14</sup>. Electronic contact will be established and maintained with international Phase I TA consultants throughout this period on a weekly basis
- In part dependent on the outcome of the Thematic Area Initiation Meeting and the extent of agreement regarding the themes and their allocation among various agencies, *ADB will simultaneously begin work on ‘Priority ANR Technical and Policy Themes’* which are likely to be fundamental to the development of the eventual integrated policy and investment framework and/or where no obvious lead agency already exists, and including those themes in which ADB is highlighted in **bold** in the table (i.e., 1, 2, 6, 7, 8, 9, 14)<sup>15</sup>.
- *During August*, ADB international consultants and MAF will collate the thematic papers from the lead agencies and circulate for review to all members of the Joint Donor Working Group and to relevant Lao authorities
- *In early September*, MAF – with ADB support - will convene a series of ‘**Finalization Forums**’. These may be anticipated to last a half-day per theme, involve any interested parties (Lao agencies, donors, NGOs etc)<sup>16</sup> and result in the thematic paper being finalized to the previously agreed format (by a *rappporteur*, being either the Lao counterpart or staff from lead donor agency responsible for each theme)
- *Following completion of the thematic papers*, detailed and highly focused work will begin in some of these areas. The intention will be to have a range of themes which make technical sense within the context of delivering an integrated policy and investment framework. This work will be combined with that already ongoing under the ‘Priority Policy And Technical Themes’.

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<sup>13</sup> ADB staff and international consultants will attend this meeting

<sup>14</sup> The lead agency may of course make use of the existing donor sub-working groups, but the process described here for the current TA is separate to any ongoing work

<sup>15</sup> These ‘Priority Technical And Policy Themes’ are as follows: Refining The GOL ‘Strategic Vision for the Agricultural Sector’, (And The ‘Northern Region Development Strategy’), Review of Contract Farming and Plantation Agriculture (including forestry), ANR Governance Review, ANR Public Expenditure Review, Strategic Review of the Lao ANR Sector in a Regional Context, Support to ANR Sector for WTO Accession, Development of the National Land Management Authority (NLMA)

<sup>16</sup> ADB staff and international consultants will attend this meeting

Overall, this is a somewhat lengthier and broader process than the TA paper had originally envisaged for Phase I, but the anticipated outcome is likely to be both more domestically-owned and internationally-agreed; in fact, the Workplan has been predicated on the three principles of

- Allowing sufficient time for genuine MAF engagement, and thereby local ownership
- Exploiting the mechanisms of donor community interaction to ensure substantial harmonization, and
- Applying sufficient ADB TA resources to drive the process and ensure a timely outcome in line with the TA design.

The overall consequence for the TA timeframe as a whole incorporating this schedule for Phase I is that it would be completed in Spring 2008 rather by the end of 2007.

The Workplan for Phase I is summarized in the following chart.

### Phase I Workplan

Month	March				April				May				June				July				August				September			
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Continue to refine themes (MAF/GOL/donors)																												
Distribute themes (MAF)																												
Preparation of theme background papers (international consultants)																												
Thematic Area Initiation Meeting (MAF, with ADB support)																												
Dialogue and interaction on thematic areas (lead agencies to manage; liaison with international consultants)																												
Priority ANR Technical And Policy Themes' (ADB)																												
Collate thematic area material, circulate to JDWG (international consultants/MAF)																												
Finalization Forums (MAF, with ADB support)																												
Detailed/focused work begins in agreed areas (Phase II)																												



## **7. Consultant TOR And Outputs For Phase I**

### *Rural Sector Economist/Team Leader*

- Prepare short 'background papers' on all thematic areas 1,2,3,4,6,7,8,9,10,13 and 14 by end-April
- Attend 'Thematic Areas Initiation Meeting' in mid-May: assist with allocation of themes among donor community/counterpart Lao agencies; establish mechanism for regular reporting and updating on progress with donor-led thematic papers (as above) throughout June and July; write-up minutes/outputs from meeting
- Develop TOR for work on 'Priority ANR Technical and Policy Themes' (May)
- Based on review of recent ANR project experiences, Identify implementation issues affecting ADB ANR projects
- Weekly follow-up and dialog with lead donor agencies on assigned thematic areas (June and July)
- Provide background materials and inputs to 'Priority ANR Technical and Policy Themes' work once started (August onwards)
- Collate thematic papers, compile into summary document and circulate to donors prior to 'Finalization Forums' (August)
- Develop format for Finalization Forums, manage process of thematic papers' finalization (September)
- Develop Workplan for Phase II (September)

Expected level of effort is 2-3 weeks in Lao PDR in May, 2-3 weeks in Lao PDR late-August/September, 1 month home office.

### *International Institutions Specialist*

- Prepare short 'background papers' on thematic areas 5, 11, 12, 15, and 16 by end-April
- Attend 'Thematic Areas Initiation Meeting' in mid-May: assist with allocation of themes among donor community/counterpart Lao agencies; establish mechanism for regular reporting and updating on progress with donor-led thematic papers throughout June and July; assist in write-up of minutes/outputs from meeting
- Weekly follow-up and dialog with lead donor agencies on assigned thematic areas, numbered as above (June and July)
- Collate thematic papers, compile into summary document and circulate to donors prior to 'Finalization Forums' (August)
- Attend Finalization Forums, manage process of thematic papers' finalization - numbers as above (September)

Expected level of effort is 1 week in Lao in May (to attend Thematic Areas Initiation Meeting), 1 week in September (to attend relevant Finalization Forums), 1 week home office.

### *Domestic Consultants:*

Domestic consultant resources have been mobilized to collect/collate gender-related materials which will support cross-cutting analysis for all thematic areas. Previously-allocated but so far unused domestic consultant resources for Phase I will be applied to support the 'Priority ANR Technical And Policy Themes'.

## **8. Phase II Outline Workplan**

Phase II work will essentially comprise in-depth studies grouped around the agreed thematic areas which have been developed in Phase I, and from the ongoing work under the 'Priority ANR Technical And Policy Themes' work in Phase I.

The various thematic areas will be integrated into a coherent policy and investment framework, under the over-arching integrative umbrella of a revisited ANR Strategic Vision.

Each thematic area may be expected to be addressed by an international consultant (1-3 months of time) and one or more domestic consultants.

The coverage of detailed work in the various thematic areas must involve considerable interaction with both the provinces and the private sector. For this to happen, some kinds of regional workshops or open for a may be conducted – say in each of 3 regions (i.e., the north, south, and central – each comprising 5-7 provinces) with an opening and concluding event each perhaps?

The Workplan for Phase II will be developed in detail following the 'Finalization Forums' in September.

The TA would conclude with a national-level workshop to present and discuss the TA findings.

## Appendix 1:

**Table Of Key Persons And Institutions Contacted in Inception Phase,  
And Major Discussion Points Covered**

Person / Institution	Main Discussion Points
<p><b>Agence Francaise de Développement (AFD)</b></p> <p><b>Jean-Clause PIREs – Charge de mission</b> <b>Zacharie Machali – Charge d’études</b></p>	<ul style="list-style-type: none"> <li>• History of AFD projects, and move to more programmatic approach.</li> <li>• Background to ongoing ‘capitalisation’ program, and explanation of current areas of interest (upland agriculture in Pongsaly province; maize production and marketing in Xayabouly, coffee production in Champassak province)</li> <li>• Upcoming irrigation subsector diagnostic study</li> <li>• General possibilities for collaboration on ANR sector needs assessment.</li> </ul>
<p><b>World Bank</b></p> <p><b>Mr William Rex (Lead Country Officer)</b> <b>Mr Vayetano L. Casado (Research Analyst, Operations)</b> <b>Dr Toru Konishi, Senior Economist, Rural and Natural Resources Unit, East Asia and Pacific Region</b></p>	<ul style="list-style-type: none"> <li>• Background to donor coordination/aid effectiveness and sectoral planning</li> <li>• Progress of capacity-building within MAF</li> <li>• Issue for Lao ANR now was on how to manage investment rather than how to attract it</li> <li>• Public expenditure management issues</li> <li>• Irrigation remained key area, and multilaterals were able to play stronger role than bilateral agencies</li> </ul>
<p><b>National Agriculture And Forestry Extension Service (Nafes)</b></p> <p><b>Mr Anonh Khamhoung Director General, NAFES</b></p>	<ul style="list-style-type: none"> <li>• need to better integrate all components of the agricultural sector (crops, livestock, fisheries, horticulture, etc) in the national extension approach, with the integration to also be reflected at sub-district level</li> <li>• explanation of development of village clusters and associated extension approach</li> <li>• major constraints within NAFES were defined as: (a) inadequate capacity of good managers at all levels – there is an urgent need for this to be addressed in support for capacity building; (b) coordination and cooperation remain a problem</li> </ul>
<p><b>MAF</b></p> <p><b>Dr Pouang Parisak, Permanent Secretary, OPS</b></p> <p><b>Mr Xaypladeth Choulamany, Deputy Permanent Secretary, OPS</b></p> <p><b>Mr Soudchay Nhouyvamsvong, Cooperation and Investment Unit, OPS</b></p>	<ul style="list-style-type: none"> <li>• Background to Vientiane Declaration, Action Plan and donor harmonization/coordination, and ‘Donor Working Group’ in ANR</li> <li>• Broad ANR vision remains same as in Strategic Vision, but some tactical refinement may be desirable</li> <li>• Shift to area-based (vs. sector-based) planning</li> <li>• Importance of landuse planning and mapping</li> <li>• Background to institutional changes (including National Land Management Authority and ‘water and environment’ institution)</li> </ul>
<p><b>CIAT – International Center for Tropical Agriculture</b></p> <p><b>Dr Rod Lefroy, Regional Coordinator of CIAT in Asia</b></p>	<ul style="list-style-type: none"> <li>• Most past research and development relating to livestock production has had an emphasis on animal health and animal breeding. Little attention has usually been given to the dual area of animal feeds/feeding. This latter area is the main focus of CIAT’s activities</li> <li>• Recent ‘market pull’ rather than ‘technology push’ is the basis of the recent increase in momentum of current livestock production initiatives – increased emphasis on commercialization and livestock role in livelihoods</li> </ul>

Person / Institution	Main Discussion Points
<p><b>National Agriculture And Forestry Research Institute (Nafri)</b></p> <p><b>Dr Bounthong Bouahom, Director General, NAFRI</b></p>	<ul style="list-style-type: none"> <li>• Laos in transition to commodification, but technical and institutional weakness of NAFRI (need to improve outreach)</li> <li>• Long-term national rice production strategy, and role of uplands in this if rice areas decline there</li> <li>• Importance of post-harvest issues – and relative neglect by donors/agencies</li> <li>• A specific institutional development need of NAFRI to meet future needs is the development of a planned ‘Policy Research Center’ within NAFRI. ) The need for assistance relating to this center was indicated in two areas: (a) Human resource development; and (b) Operational procedures development</li> <li>• Increasing Importance of landuse planning</li> </ul>
<p><b>International Rice Research Institute</b></p> <p><b>Dr Gary Jahn, IRRI Rep (and Coordinator for Greater Mekong Subregion)</b></p> <p><b>Dr Benjamin Samson, Agronomist, Crop and Environmental Sciences Division</b></p> <p><b>Dr Walter Roder, Agronomist, International Potato Center (CIP)</b></p>	<ul style="list-style-type: none"> <li>• Need for clear strategy regarding national rice needs and for policies to meet determined targets</li> <li>• The opportunities for improving rice productivity in the upland environment (based on improved varieties and improved, more sustainable production systems), together with improving yields and production in the montane lowlands (lowland environments at high elevation) were also highlighted</li> <li>• The general areas of post-harvest processing and reductions in post-harvest losses (storage, pest damage, etc), were highlighted as areas needing research and commercial attention in the ongoing rice research program.</li> </ul>
<p><b>Lao Extension For Agriculture Project (LEAP)</b></p> <p><b>Dr Andrew Bartlett, Chief Technical Advisor, LEAP</b></p>	<ul style="list-style-type: none"> <li>• Background to LEAP and recent developments in extension (including clustering)</li> <li>• Importance of credit to link with extension/new technology</li> <li>• Implications of commercial farming developments for extension</li> </ul>
<p><b>Capacity Building for Gender Mainstreaming in Agriculture Project (MAF)</b></p> <p><b>Dr Peter Stevens Coordinator, Development Assistance Projects, ENSIS (CSIRO and SCION, and Team Leader/Institutional Development and Planning Specialist</b></p>	<ul style="list-style-type: none"> <li>• Gender issues in MAF, at central, Provincial and village levels – how to make more gender–responsive?</li> </ul>
<p><b>MAF – (OPS)</b></p> <p><b>Mr Xaypladeth Choulamany, Deputy Permanent Secretary</b></p> <p><b>Mr Soudchay Nhouyvamsvong, Cooperation and Investment Unit, OPS</b></p> <p><b>Mr Xaysongkhame Phimmasone, Studies and Legal Affairs Office, OPS</b></p>	<ul style="list-style-type: none"> <li>• General consensus of agreement for many of the thematic areas tentatively identified as the focus of future ADB attention. (subject to Permanent Secretary’s comments)</li> <li>• General agreement was indicated for the proposed cancellation of consultation visits to provinces as originally scheduled for the workplan for the latter two weeks of the first four weeks of the ADB sector review exercise. Rather, it was agreed that the focus of the initial activities should focus on consultations with Lao government and various donor and development agencies, on the thematic areas proposed for further study, and the most appropriate mechanisms to ensure that the sector review was fully consultative.</li> </ul>

Person / Institution	Main Discussion Points
<p><b>National Land Management Authority (NLMA)</b></p> <p><b>Mr Chanthaviphone Inthavong, Director, Center of Land and Natural Resource Research and Information</b></p> <p><b>Mr Bountieng Sanaxonh, Head of Division of Rural Land Use Planning</b></p> <p><b>Mr Vongdeuane Vongsiharath, DDG Department of Land Use Planning and Development</b></p> <p><b>Dr Palikone Thalongsongchanh, Center for Research Information on Land and Natural Resources (CRILNR)</b></p> <p><b>Mr Boun-Nhong Pathammavong, Head of Division of Training and Promotion, CRILNR</b></p> <p><b>Mr Bountieng Sanaxonh, Head of Division of Rural Land Use Planning</b></p> <p><b>Ms Bouakhan Sulivanh, Head of Division,</b></p> <p><b>Mr Gary Oughton – Consultant</b></p>	<ul style="list-style-type: none"> <li>• Background to NLMA purpose and establishment</li> <li>• Established by a Prime Ministerial degree in 2004 and set up in 2005, the NLMA was established as the national authority responsible for land management and land use planning at all levels – national, regional, provincial, district, sub-district, village and household.</li> <li>• The mandate of the NLMA relates to how land is used in all other sectors, including agriculture in all its forms (including forestry and plantation cropping), conservation, mining, tourism, communications and transportation, etc. It is responsible for land zoning, and land and water conservation management from the national to community (village) levels.</li> <li>• The NLMA was established on to address the problem of incorrect land use in the past, when there was no land zoning or land use classification. The NLMA will also have responsibility for land use rights at all levels (including contract farming and smallholder production) and land titling.</li> <li>• The rapid development of the NLMA is critical to all aspects of land use and agricultural development, including infrastructure development relating to irrigation. Donor assistance is urgently needed to facilitate this institutional level development.</li> </ul>
<p><b>FAO</b></p> <p><b>Dr Rebecca Host-Maksen (Acting Rep, FAO)(and Food Security &amp; Agricultural Development Specialist)</b></p> <p><b>Ms Vu Thanh Tu Anh, Program Associate-Agricultural Biodiversity</b></p>	<ul style="list-style-type: none"> <li>• Full agreement on the proposed use of the Donor Working Group for the formulation of detail of potential development needs of Laos in the proposed Thematic areas; proposed scheduling of activities (with proposed meeting of the Donor Working Group for early May, would allow participation of the new FAO representative who is scheduled to take up his appointment in late March; recommended that more time (up to 2 months) be allowed for the development of review papers in each thematic area for potential development</li> <li>• Biodiversity issues</li> </ul>
<p><b>Ministry Of Industry and Commerce (MC)</b></p>	<ul style="list-style-type: none"> <li>• The objective of this meeting related to the proposed thematic area on 'Support for WTO Accession'. However, a representative of the Foreign Trade Policy Department indicated that all staff of the department were currently in Geneva for a high-level meeting relating to the WTO.</li> </ul>

<b>Person / Institution</b>	<b>Main Discussion Points</b>
<b>Embassy of Sweden/SIDA</b>  <b>Mr Jorgen C. Persson, Counsellor. Ms Lisbet Bostrand, First Secretary</b>	<ul style="list-style-type: none"> <li>• Background to forestry and NLMA issues, SIDA involvement at NAFRI</li> <li>• Importance of non-MAF institutions (e.g., Ministry of Commerce for WTO work)</li> </ul> Identification of thematic areas for possible SIDA involvement
<b>CIRAD</b>  <b>Dr Andre Chabanne, Regional Organiser for South East Asia, Department of Annual Crops</b>  <b>Dr Florent Tivet, Agronomist, Department of Annual Crops</b>	<ul style="list-style-type: none"> <li>• Discussions centred around the proposed thematic areas - - willingness for CIRAD to be potential cooperative leader within the thematic area 'Sustainable Agricultural Development'; reported that CIRAD was also involved with the general thematic area 'Biodiversity Conservation and Utilization', together with the National University of Laos (NUOL); indicated a need for the ADB ANR sector review to proceed at a pace that would allow the involvement of other donors and development agencies; and, strong support was indicated in relation to the need for the upgrading of the agricultural and technologies in Laos (together with relevant faculties within the National University of Laos) on account of the fact that staff that join MAFF (national, provincial and district) are graduates of these institutions. Argument advanced that the better the curricula of these institutions, then the more likely that the staff will have the required background knowledge to undertake the work expected of them on recruitment.</li> </ul>
<b>SDC – Swiss Agency for Development and Cooperation</b>  <b>Dr Barbara Boni, First Secretary, Development and Cooperation,</b>	<ul style="list-style-type: none"> <li>• Discussions centred around the proposed thematic areas : when considering the sector working groups within the donor working group, consideration needs to be given to the potential involvement of some NGO organization when considering some of the thematic areas being nominated for attention in the MAF/ADB ANS sector needs assessment; possible GTZ and JICA involvement in thematic areas would be suitable, strong support for investment in agriculture education institutions</li> <li>• SDC involvement in upland areas – complement to WB</li> </ul>
<b>AusAID (Australian Development Assistance)</b>  <b>Mr Michael Hassett, First Secretary, Development Cooperation Section, Australian Embassy</b>	<ul style="list-style-type: none"> <li>• Health and education were main areas of AusAID support to Lao, but in the area of post-secondary agricultural education, there would be potential for AusAID support (particularly for training/human resource development initiatives) through the Australian leadership fellowship awards)</li> </ul>
<b>SNV</b>  <b>Dr Joost Floppes, Senior Advisor, NTFPs,</b>  <b>Mr Souvanpheng Phommasane, NTFPS Marketing Training Advisor</b>	<ul style="list-style-type: none"> <li>• Interest in NTFPs and marketing thereof</li> <li>• The LaoTrade Promotion Center was also recommended for inclusion in any marketing related studies on the NTFPs and related crops</li> <li>• SNV reports having found stronger interest and a willingness to cooperate on NTFP related studies within NUOL than with NAFRI.</li> </ul>
<b>Other meetings held with Concern Worldwide (credit/microfinance), WFP (rice strategy), John Connell/CIAT (extension)</b>	

**DONORS' MEETING LAO RESIDENT MISSION, VIENTIANE**

**ADB:**  
**Peter Logan – Senior Project Implementation Specialist (Vientiane)**  
**Ahsan Tayyab, ADB (Manila)**  
**Dr John Schiller, ADB Consultant, ANR Sector Needs Assessment**  
**Ms Theonakhet Saphakdy, Gender Consultant, ADB ANR Sector Needs Assessment**

**UNDP**  
**Dr Juha-Pekka Snakin: Unit Manager/Environment Specialist, Environment Unit**

**WORLD BANK**  
**Dr Toru Konishi, Senior Economist, Rural Development and National Resources Unit, East Asia and Pacific Region**

**AFD**  
**Mr Etienne weittelier, Chief of AFD, Laos**  
**Mr Zacharie Mechali, Charge d'etudes**

**CIRAD**  
**Dr Andre Chabanne, Regional Organizer for South East Asia, Research Unit UPR/SCV**  
**Dr Florent Tivet, Agronomist, Annual Crops Department (based at NAFRI)**

**IRRI**  
**Dr Gary Jahn, IRRI Representative for Laos, and IRRI Coordinator for Greater Mekong Subregion**

**CIAT**  
**Dr Rod Lefroy, CIAT Regional Coordinator in Asia**

**SIDA**  
**Ms Lisbet Bostrand, First Secretary, Embassy of Sweden (SIDA)**

**SNV**  
**Ms Cecelia Keizer, Director SNV for Laos and Cambodia**

**Project Technical Advisors:**

**Dr Steven Shepley, Lao Consulting Group**  
**Dr Andrew Bartlett, Chief Technical Advisor, Laos Extension for Agriculture Project (LEAP)**  
**Mr John Connell,**  
**Dr Charles Alton, Livelihoods and Marketing Extension Specialist, Nam Ngum River Basin Development Sector Project**  
**Mr Gary Oughton, Resources Management Advisor, ECOLAO**

- Introduction to TA purpose and scope
- Background to donor groups, and problems affecting inactivity to date
- The Working Groups have been used mainly for sharing information rather than finding resolutions to problems. It was suggested hat the ADB initiative for ANR might service as the basis for re-vitalizing the working groups and to get them beyond just sharing of information.
- It was noted that for some of the thematic areas tentatively identified for further study in the ANR Sector Needs Assessment, they do not necessarily relate just to the operations of MAF (an example being the new National Land Management Authority - NLMA - which falls under the Prime Minister's Office) It was also acknowledged that the operations of the NLMA impinge on many aspects of agriculture and natural resources, and for this reason, support for the development of this agency to fulfill its mandate needs serious consideration within the ANR Sector Needs Assessment.
- Other proposed thematic areas of study not specifically referred to at the Donor Group Meeting, but for which organisations outside of MAF have a substantial responsibility include: (i) the Ministry of Commerce in the area of regional trade and WTO related issues; (ii) the Ministry of Education in relation to 'Capacity Building' (specifically in relation to the upgrading of degree programs within relevant faculties of the National University of Laos, graduates from which then enter key institutions of government responsible for ANR sectors within Laos).

## Appendix 2: Revised Design And Monitoring Framework

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Rural economic growth and market integration</p>	<p>Increased agriculture production and value added, increased rural incomes, reduced rural poverty, and narrowed regional inequality and rural-urban gap</p>	<p>National and provincial government statistics</p> <p>Reports of Asian Development Bank (ADB), World Bank, and other funding agencies</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• GOL is willing and able to improve provincial governance structure to implement investments efficiently and effectively</li> <li>• ADB remains consistent in its lending strategy throughout the country strategy program period and is able to provide enough funds to make a meaningful impact</li> </ul> <p><b>Risks</b></p> <p>Economic growth in neighbouring countries remains strong</p>
<p><b>Outcome Integrated policy and investment framework for the ANR sector (including identified national and provincial investment priorities, plus policy, technical and capacity-building measures to improve governance and sectoral institutional performance)</b></p>	<p>Fully costed and time-bound ADB investment program (policy and spatially-differentiated investments) harmonized with donors and GOL priorities being implemented</p> <p>Common indicators established as GOL policy for improvement in the enabling environment and ANR governance (e.g., levels of internal and international non-tariff barriers, time taken in business licensing, access to technical and financial services)</p> <p>Public-private partnerships identified for value addition and policies/investments undertaken</p> <p>Identified innovations in research and extension services implemented</p>	<p>National and provincial statistics</p> <p>Joint funding agency–Government reviews</p> <p>Private sector–led assessments</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Other donors and government can agree consistent investment priorities</li> <li>• Recommendations on policy and institutional improvements are acceptable to all key government stakeholders, including provinces</li> <li>• Recommended policy and institutional framework package is realistic and implementable within the program period and within the skills level of implementers</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Overly complex policy and institutional package is prepared</li> <li>• Government commitment to support investment priorities and required changes in policies is lacking</li> <li>• Physical investment components are implemented inefficiently</li> </ul>



<p><b>Outputs</b> Agriculture and rural development priorities of provinces and national Government confirmed</p> <p>Policy and regulatory measures for facilitating an enabling environment for agriculture growth established</p> <p>Optimum points of intervention for ADB policy assistance and investment identified</p> <p>Overall scope of policy and investments identified</p> <p>Program elements (policy and institutional framework) prepared</p>	<p>Inception Report accepted by MAF</p> <p>Thematic Area Initiation Working Group Meeting convened</p> <p>Thematic Area papers prepared and agreed by end of Phase I</p> <p>Finalization Forum for Thematic Area papers to mark end of Phase I</p> <p>Field trips, regional/provincial workshops etc in Phase II</p> <p>Preparation of package of policy and institutional measures at the end of phase 2 as scheduled</p>	<p>Consultants' reports (including Inception)</p> <p>ADB review missions</p> <p>Thematic Working Groups proceedings</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Study design and work plan are adequate</li> <li>• There is cooperation in data and information gathering</li> <li>• Provinces cooperate in and take ownership of review and analysis of current conditions</li> <li>• Government coordination between agencies and between the provincial and central levels is effective</li> <li>• All stakeholders participate fully in consultative process</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• MAF capacity is weak and over-burdened with donor interaction</li> <li>• Donor consultative process is weak or incomplete</li> <li>• Policy and investment package ultimately is not endorsed by the provinces</li> </ul>
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**Activities with Milestones**

- 1.1 Mobilization of consultants
- 1.2 Inception Report (March 2007)
- 1.3 Thematic Areas Initiation Meeting (May 2007)
- 1.3 Finalization Forums (September 2007)
- 1.4 Preparation of the policy and investment package/DFR (Spring 2008)

**Inputs \$'000**

ADB [750.0]  
Government [140.0]