



TRADE DEVELOPMENT FACILITY

SCOPING STUDY ON CROSS-BORDER

AGRIBUSINESS IN LAO PDR:

FOCUS ON CHAMPASAK PROVINCE

FINAL REPORT

31 AUGUST 2009

PREPARED FOR THE WORLD BANK
AND DEPARTMENT OF PRODUCTION AND TRADE PROMOTION

MINISTRY OF INDUSTRY AND COMMERCE

VIENTIANE, LAO PDR

Economic development in our country is based on a market mechanism towards socialism. Accordingly, it requires acceleration in upgrading the efficiency of state management to ensure development towards the set target and consistent with the potentials of our country. In doing so, first of all, we will have to urgently improve the legal system and state management regulations such as attentively improving the laws and regulations relevant to the economy according to objective law and market mechanisms; improving administrative regulations and State management transparency; eliminating the remnants and traces of the old mechanism; creating environments in legal, policy and services sectors attractive and conducive to entrepreneurs within the country and abroad, both small-medium and large-sized entrepreneurs; removing impediments, for instance the procedural bottlenecks aimed at delaying the decision-making process. The state must concentrate on the discharge of macro-management function in an effective manner, such as drawing up direction plans, monitoring, managing the macro-balance of the national economic system, enhancing capacity in financial management such as expenditure and revenue, controlling inflation and prices, promoting the expansion of trade and services to rural and remote areas as a complimentary factor in addressing poverty, gradually systemising the comprehensive domestic market as a factor in vividly stimulating business production and enabling the transformation of property into capital. At the same time, import-export management capacity will be enhanced, the export of raw resources will be reduced toward a complete stop, the export of finished products will increase, the mechanisms and regulations, facilitating rapid and smooth circulation of goods, will be created with capability to integrate with neighbouring and others. To be proactive in preparing necessary requirements to fully participate in the ASEAN Free Trade Area, in doing so ensuring that our nation's interests and those of our partners are guaranteed proportionately. To continue preparing to accede to the WTO, which is conceded as factor to free our country from underdevelopment and enable our country to integrate into the world economy.

From the Political Report of the 8th Party Congress delivered by President Khamtay Siphandone, March 2006

“The southern region is strategically located in two “development triangles” , namely the Vietnam-Laos-Cambodia triangle and the Laos- Thailand-Cambodia triangle . It is also situated on the southern Southeast Asian economic corridor road. There is plenty of untapped natural potential in this part of the country , namely land on the Bolovens plateaux and others that can be used for agriculture and forestry development and potential in fisheries . The south also has potential in mineral resources, hydropower and others. In the next five years, our goal is to enrich the south in economic development and in tourism that ensures its integration with the rest of the region . Therefore, the development focus in the southern region is to develop integrated agriculture and agricultural processing industries , integrated forestry development industries in the triangle and quadrangle areas on a large scale for the purpose of producing food items for trade. This includes raising cattle, buffalos, pigs, industrial tree plantations that have large markets (including plants such as coffee, tea, rubber, agarwood, vegetables and fruits). We will continue to develop infrastructure such as Routes 18, 15, and 16 that open the country to Vietnam. We will develop transport that serves production and tourism including transit transportation linking Thailand and Vietnam”

Economic Report to the 8th Party Congress by Deputy Prime Minister & President of the Committee for Planning and Investment, Dr Thongloun Sisoulith

March 2006

PREFACE

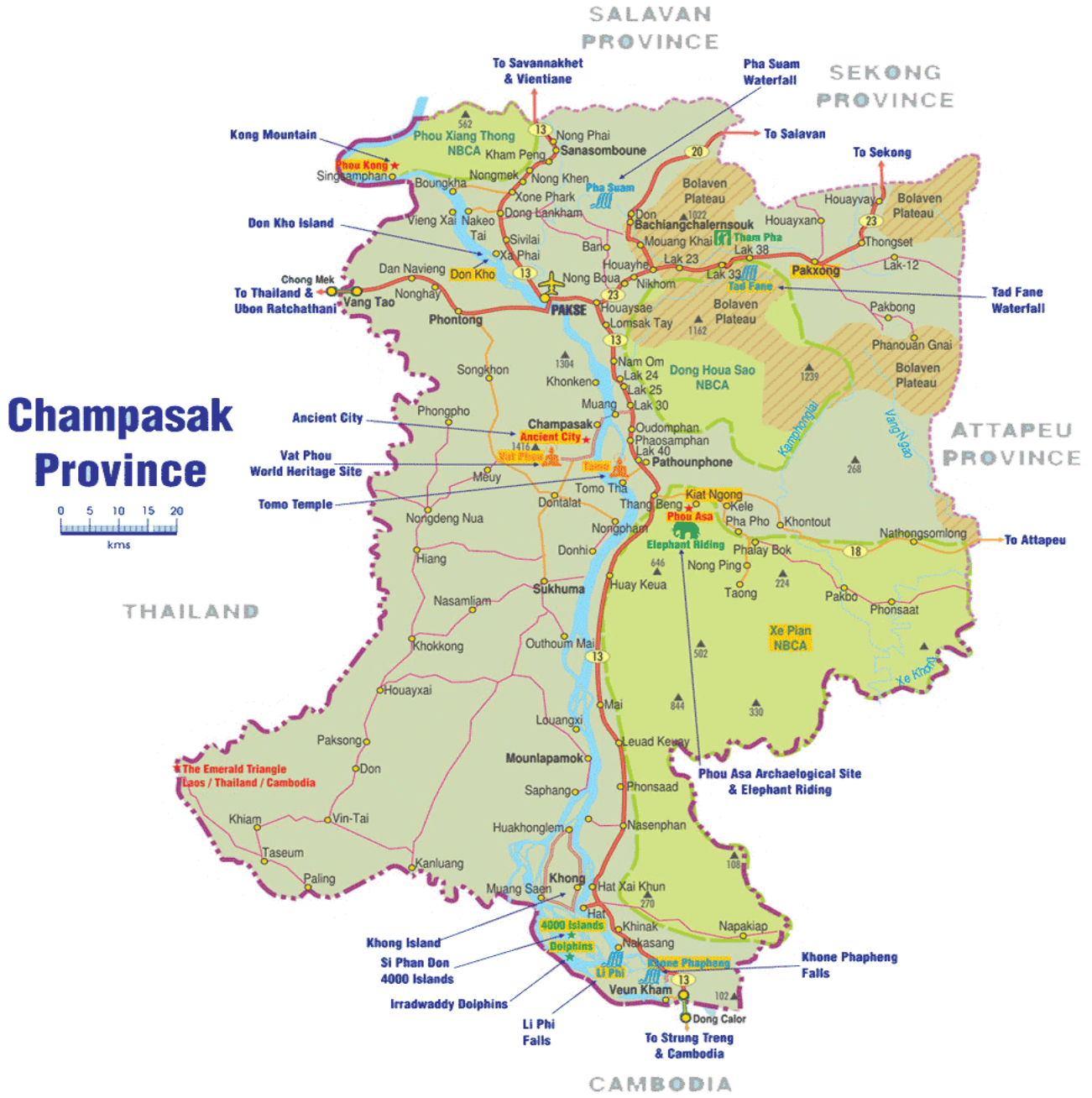
The *Scoping Study on Cross-border Agribusiness in Lao PDR: Focus on Champasak Province* was financed by the Trade Development Facility, a multi-donor trust fund to support trade and investment – financed by the European Commission and the Government of Australia, and administered by the World Bank. The Trade Development Facility is implemented by the Lao Ministry of Industry and Commerce. The Study was undertaken by Anthony M. Zola, a consultant to the World Bank between 31 May and 31 August 2009.

The Study presents a description of the current situation related to agribusiness investment in Champasak Province and export of food and agricultural products to neighboring countries. The reader is advised that the trade development and investment momentum in Champasak Province is highly dynamic and is changing almost daily. Thus, the report captures the situation as it existed in June-August 2009.

The mission received significant support from the World Bank Office in Vientiane, Lao PDR, the Department of Production and Trade Promotion, the Ministry of Industry and Commerce, and provincial and district officials in Champasak Province. Numerous traders and representatives of the business community in Champasak also were very generous with their time. Administrative arrangements, travel logistics, and appointments with the numerous people contacted in the course of the assignment were all handled with expertise by the staff at the World Bank Office and the Department of Production and Trade Promotion. The author wishes to express his sincere appreciation to everyone involved throughout the mission.

Anthony M. Zola
Vientiane
31 August 2009

MAP OF CHAMPASAK PROVINCE, LAO PDR



LIST OF ABBREVIATIONS, ACRONYMS, AND CONVERSION RATES

ACMECS	:	Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy
ADB	:	Asian Development Bank
AFD	:	Agence Française de Développement
AGPC	:	Association des Groupements de Producteurs de Café du Plateaux des Bolovens
AISP	:	ASEAN Integration of Preference
ANR	:	agriculture and natural resources
APB	:	Agriculture Promotion Bank
ASEAN	:	Association of Southeast Asian Nations
CBTA	:	Cross-Border Transport Agreement (GMS)
CLMV	:	Cambodia, Lao PDR, Myanmar, and Vietnam
DAFO	:	District agriculture and forestry office
DICO	:	District industry and commerce office
DPTP	:	Department of Production and Trade Promotion
FAO	:	Food and Agriculture Organization of the United Nations
FY	:	Fiscal year (1 October to 30 September)
GOL	:	Government of Lao PDR
GTZ	:	German technical cooperation agency
IFAD	:	International Fund for Agricultural Development
ITC	:	International Trade Centre
LEAP	:	Laos Extension for Agriculture Project
MAF	:	Ministry of Agriculture and Forestry
MOIC	:	Ministry of Industry and Commerce
MOU	:	Memorandum of understanding
MPDF	:	Mekong Project Development Facility
NTFP	:	Non-timber forest products
PAFO	:	Provincial agriculture and forestry office
PICO	:	Provincial industry and commerce office
PPPD	:	Provincial Public Private Dialogue
PPTA	:	Project preparation technical assistance (for the ADB)
SPS	:	Sanitary and phyto-sanitary
TDF	:	Trade Development Facility
TOR	:	Terms of reference
UNCTAD	:	United Nations Conference on Trade and Development
UNDP	:	United Nations Development Programme
UNESCAP	:	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	:	United Nations Industrial Development Organization
US\$:	United States dollar
WTO	:	World Trade Organization

Conversion Rates

August 2009

8,486 Lao kip = US\$1.00
249 Lao kip = 1.00 Thai baht

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EXECUTIVE SUMMARY:

SCOPING STUDY ON CROSS-BORDER AGRIBUSINESS IN LAO PDR: FOCUS ON CHAMPASAK PROVINCE

The *Scoping Study on Cross-border Agribusiness in Lao PDR: Focus on Champasak Province* was undertaken to draw attention to the dynamic nature of agricultural commodity trading and agribusiness development in southern Lao PDR. The study focuses on the alignment between trade, investment, and agricultural development in Champasak Province and other provinces in Southern Lao PDR, and the market pull factor in Ubon Ratchathani Province, Thailand.

The Study is based on a review of recent literature analyzing agribusiness and agricultural exports in Lao PDR, and two official visits to Champasak Province, from which institutional constraints to cross-border trade and potential solutions agribusiness and agricultural trade development are offered.

The key constraints to agribusiness development are placed in three categories and include:

- Production constraints:
 - For the most part, farmers practice natural agriculture and produce sub-standard food and agricultural products.
 - Most farmers cultivate a monocrop of rice during the main planting season to ensure food security, with little crop diversification.
 - Most farmers lack secure land tenure resulting in poor management of land and soils.
- Business constraints:
 - The granting of land concessions to agribusiness investors is an important GOL policy mechanism for promoting agribusiness development. However, land management policies, laws, and regulations remain imprecise, untested in courts, and lightly enforced.
 - Agro-enterprises generally are small; banking and financial services are weak; and labor productivity is low.
- Trade constraints:
 - Most entrepreneurs and producers have little understanding of domestic, regional, and global markets.
 - Export-oriented enterprises are constrained by decentralized trade rules resulting in time-consuming official procedures, technical formalities, unimpeded collection of ad hoc fees, and high transaction costs.
 - Notwithstanding significant recent investments in transport infrastructure in Lao PDR, poor market infrastructure and logistics are significant constraints to cross-border trade.

Provincial authorities have invested significant time and effort promoting Champasak's strategic market location and comparative agro-ecological advantage in the Greater Mekong Subregion. As a result, cross-border trade and agribusiness have expanded; the value of agricultural commodities exported to Thailand has increased significantly, from US\$2.4 million in 2005, to US\$9.2 in 2008. This figure is expected to continue to increase following the execution of AFTA in January 2010. The ACMECS program initiated by the Thai Government in 2004 provided the basis for trade expansion by applying a zero tariff rate on imports to Thailand of selected food and agricultural products produced under contract farming arrangements. The products were specified in an annual Memorandum of Understanding (MOU) between officials from Champasak and Ubon Ratchathani provinces, and participating agribusiness enterprises. The MOU fostered the systemization of agricultural trade and cross-border sourcing of raw materials for processing, between the two

provinces. Lao producers have benefited from secure access to cross-border markets in Thailand; while Thai traders and agro-processors benefited by securing a consistent source of satisfactory quality agricultural commodities from Champasak.

The Champasak-Ubon Ratchathani trade alignment is emerging as a dynamic agro-industrial cluster in the GMS region. Selected trade performance indicators could be formulated and applied to better measure future trade development and associated impacts, including:

- Trade and market access profiles for selected crops;
- Export / import performance of Champasak Province;
- Collection and analysis of export prices for all food and agricultural products produced in Champasak Province for export;
- Trade competitive index to identify the most conducive trade outlet for food and agricultural products produced in the southern region, consisting of a Trade-Enabling Environment Index; Productive Resource Index; and, an Infrastructure Index linked to improving trade logistics; and,
- Trade and development index linked to quantitative indications and an analytical framework to identify the impacts of provincial trade policies in terms of human development.

Recommended policy actions include:

- Adjustment of cross-border trade policies to be more inclusive by formulating and applying indicators to measure trade dynamics.
- Adopting a supply chain analysis approach to agribusiness development that would identify weak links as well as cross-border trade and investment opportunities.
- Intensify support for development of human and institutional resources to harmonize SPS inspection procedures with key trade partners.
- Review and update trade infrastructure development plans in light of emerging changes in trade relations among neighboring countries, taking into consideration impacts from the East-West Economic Corridor and the full implementation of AFTA.

Recommended potential interventions include:

- Additional scoping studies on cross-border agricultural commodity trade and agribusiness development in border provinces.
- Initiate contract farming pilot projects in all regions within the framework of AFTA and similar cross-border trade agreements.
- Development of ASEAN Industrial Estates in designated industrial development zones at major border crossings.
- Creation of a cell-phone-based Lao Agricultural Marketing Information System (LAMIS).
- Implementation of the Champasak Trade Modernization Project (Champa-TMOP) over a two year period as a model for moderate, sequenced, and sustainable trade development.

Scoping Study on Cross-border Agribusiness in Lao PDR: Focus on Champasak Province

1. INTRODUCTION

1. The current rapid expansion of contract farming and plantation- and concession-based agricultural development in Lao PDR is, with the exception of coffee, largely foreign-driven: mainly by investors from neighboring countries. Although the lowland areas have been the principal target of investment to date, expansion into upland areas, such as the Bolovens Plateaux in Champasack Province, also is increasing.

2. A regional agricultural marketing and agribusiness development specialist (Mr. Anthony M. Zola) was engaged by the World Bank for 30 days between 25 May and 31 August 2009, to undertake a scoping study on cross-border agribusiness in Lao PDR, concentrating on Champasak Province. The terms of reference for the consultant are presented as **Attachment 1**. The assessment was undertaken with support from the World Bank and Department of Production and Trade Promotion (DPTP), Ministry of Industry and Commerce (MOIC), as part of a multi-donor funded process administered by the World Bank through the Trade Development Facility (TDF).

3. The scoping exercise may result in one or more interventions that would support institutional capacity strengthening of concerned public sector and business organizations at the central, provincial, and district levels, to facilitate cross-border investment and agricultural integration, with the potential of being a key driver of export growth.

4. In this context, Section 2 of the report presents the methodology for collecting data that was analyzed to complete the study as well as the agricultural trade and investment issues pursued in the course of the data collection in Champasak. Section 3 summarizes the desk review of existing analytical work on agribusiness and agricultural exports that appears in Attachment 4, including constraints to development of agribusiness in Lao PDR. Section 4 discusses specific constraints to agribusiness in Lao PDR, drawing extensively on primary data collected during field visits in June and August 2009, as well as from reports prepared by international organizations and trade and investment specialists. Section 5 summarizes the efforts of Champasak provincial authorities to facilitate cross-border investment in agribusiness. This section also includes a discussion of projects implemented under the Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) and implications for agribusiness development in Champasak. Section 6 recommends interventions and policy actions to further support cross-border agribusiness development in Lao PDR. Finally, a project concept document is attached that presents ideas and options for a trade development project.

2. METHODOLOGY

5. The methodology used by the consultant to review existing analytical work on agribusiness and agricultural exports, including key constraints to development in Lao PDR consisted of (i) a review of documents related to contract farming, agricultural concession management, and agribusiness development in southern Laos; (ii) a search and review of documents posted on the Internet-based Google website ‘LaoFAB’ (<http://groups.google.com/group/laofab?hl=en>); (iii) an Internet-based search of recent media coverage of crossborder trade issues between Thailand and Lao PDR; and, (iv) a review of documents, books, reports, studies, and conference proceedings made available through the Internet, including documents from the World Bank, ADB, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), United Nations Conference on Trade and Development (UNCTAD), World Trade Organization (WTO), Food and Agriculture Organization of the United Nations (FAO), International Trade Centre (ITC), and other international organizations. A list of references is presented as **Attachment 10**.

6. The consultant undertook two field missions to Champasak Province: on 31 May to 7 June 2009; and, on 10-12 August 2009, to research the efforts of Champasak provincial authorities to facilitate cross-border investment in agribusiness. Representatives from the World Bank, DPTP, and MOIC participated in the field mission in June. A representative of the Provincial Industry and Commerce Office (PICO) accompanied the consultant in August. The detailed schedule for the two missions is presented as **Attachment 2**. In addition to provincial and district officials, meetings were held with representatives of producer groups, trade and marketing groups, private enterprises, and technical assistance specialists. A list of persons met during the field missions is presented as **Attachment 3**.

7. In the course of the meetings, issues related to the following agricultural trade and investment topics were discussed:

- Plans to promote agribusiness in Champasak Province;
- Implementation of the Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS);
- Implementation of the 5th memorandum of understanding (MOU) between Champasak and Ubon Ratchathani provinces;
- Domestic, regional, and international trade data for Champasak;
- Domestic, regional, and international agribusiness investment data in Champasak;
- Production and area of food and agricultural products in Champasak;
- Ministry of Agriculture and Forestry (MAF) and the provincial agriculture and forestry office’s (PAFO) plans to build links to agribusiness;
- Plans for crop diversification;
- Plans for industrial development and special economic or trade zones;
- Land issues linked to facilitating agribusiness trade and investment in Champasak;
- Credit availability for smallholder production of agricultural commodities for export;
- Trade logistics issues;
- Issues related to implementation of the ASEAN Free Trade Area (AFTA) and,
- Documentation required and processing of documents for exporting food and agricultural products from Lao PDR.

8. In formulating recommendations for feasible interventions and required policy actions necessary to support cross-border agribusiness development in Lao PDR that are included in this report, the consultant made use of contributions from the following sources:

- Impressions provided by World Bank, MOIC, and DPTP counterparts who participated in the field mission in Champasak;

- Ideas, suggestions, and inputs from provincial and district officials, representatives of the business sector and producer and trade organizations; and,
- Documents from the Champasak Provincial Planning and Investment Office.

3. SUMMARY OF A BRIEF DESK REVIEW OF EXISTING ANALYTICAL WORK ON AGRIBUSINESS AND AGRICULTURAL EXPORTS, INCLUDING KEY CONSTRAINTS TO DEVELOPMENT IN LAO PDR

9. The results of the review of existing analytical work on agribusiness and agricultural exports, including key constraints to development in Lao PDR, are presented in **Attachment 4**. A synopsis of the most important analytical documents is presented below.

3.1 EXISTING ANALYTICAL WORK ON AGRIBUSINESS

10. The World Bank's *Diagnostic Trade Integration Study* (November 2006) is likely the most valuable macro-level analytical document that examines issues related to challenges and opportunities for trade in Lao PDR. Two documents prepared by an ADB funded technical advisory team for the *Agriculture and Natural Resources Sector Needs Assessment* (Fraser and Zola, May 2008) provide an up-to-date perspective focused on agribusiness development and agricultural commodity trading in the five southern provinces. These reports include a discussion of institutional constraints and potential solutions to the expansion of agribusiness and agricultural trade. In addition, they provide an examination of procedures for granting agricultural land concessions to investors, agricultural land management issues, and contract farming arrangements, with implications for trade and agribusiness investment in the region.

3.2 EXISTING ANALYTICAL WORK ON AGRICULTURAL EXPORTS

11. The World Bank's *Diagnostic Trade Integration Study* (November 2006) once again is likely the most valuable resource document in that it addresses building export competitiveness. It examines issues related to Customs procedures and logistics for agricultural exports, and the urgent need to upgrade Lao sanitary and phytosanitary (SPS) procedures to meet international standards. Two additional documents prepared for the ADB funded technical advisory team for the *Agriculture and Natural Resources Sector Needs Assessment* (Chapman and Lord, May 2008) provide detailed analyses of agricultural commercialization, food and agricultural products for export, and domestic marketing opportunities. Recommendations are made for promoting the commercial production of new crops and improving existing commercial crop production systems using Champasak province as a model approach. In the Rockefeller Foundation supported *Study on Enhancing Upland Food Security and Crossborder Agricultural Production Supply Chains in the GMS*, Zola et al. examined a selection of new and uncommon crops in which upland areas of the GMS have a comparative advantage, some of which are already being traded across borders in the region. These include traditional upland crops such as hemp, sesame, cotton, and castor bean; tree crops such as styrax (for benzoin), cinnamon, and gum Arabica; non-timber forest products such as medicinal herbs and cardamom; and, organic temperate vegetable crops.

4. KEY CONSTRAINTS TO AGRIBUSINESS DEVELOPMENT IN LAO PDR

12. The key constraints to agribusiness development in Lao PDR discussed below were identified in the course of the June and August 2009 field missions to Champasack Province. They are presented in the context of the documents reviewed above and other reports and studies prepared or examined by the consultant. A list of references used to prepare this report is presented as **Attachment 10**. The key constraints to agribusiness development are examined from three perspectives, namely: (i) production; (ii) business; and, (iii) trade.

4.1 PRODUCTION CONSTRAINTS

13. The production-based impediments to agribusiness development are characterized primarily by farmers continuing to use traditional agricultural practices; an emphasis on household rice self-sufficiency; and, a weak agricultural land tenure system.

14. Natural production of food and agricultural products: Most rural households have little or no experience with modern agriculture technologies, including using improved seed varieties, chemical or bio-fertilizers, or pesticides. Instead, agricultural production is natural; with farmers using indigenous seed varieties; applying little or no soil additives; and, using no pesticides. Nor do farmers have easy access to information about alternative production techniques and basic agricultural production inputs (i.e., quality seeds, irrigation water, credit, bio-pesticides, organic fertilizers). The low level of education of most farmers also is an obstacle to training. Weak extension services hinder the provision of advice on diversified cropping, commercialized agriculture, agribusiness, farm management, post-harvest handling, marketing, food technology, livestock varieties, or animal health. As a result, both productivity and product quality are inferior; in most cases significantly below standards required by regional agro-processors, presenting a serious constraint to agribusiness development.

15. Rice security and monocropping: Traditional farming systems emphasize wet season rice production to achieve rice self-sufficiency, with minimal crop diversification. A secondary priority is to accumulate livestock, the most important farm asset after land and a harvested crop. Any remaining human and capital resources are used for gathering non-timber forest products (NTFPs), fishing, and hunting to supplement household food supply and generate cash. Off-farm income is derived most often from selling household labor services. Vegetables for family consumption are generally cultivated during the cool season using residual soil moisture and / or water remaining in seasonal ponds or streams. However, all family resources focus primarily on producing rice during the wet season and, if irrigation is available, also during the dry season (usually for sale). As a result, most rural households depend on a rice monocrop. There is little or no significant interest --- nor time, labor, or capital resources --- in any other on-farm activity. The use of available resources to produce rice is an important constraint to development of mixed farming systems that could produce raw materials for agro-processing.

16. Slow progress of formal land tenure security: The 1997 Land Law recognizes the transfer and inheritance of land use rights, but not title. In flatland areas ownership rights have gradually been formalized. Related to weak agricultural credit and financing services, land ownership and property rights continue to evolve. Although a national land titling program is underway, the current focus is chiefly on land in urban and peri-urban areas. More systematic land administration in rural areas will be introduced in the future. In the interim, most farm households are unable to use their land --- their most valued asset --- to mobilize capital to

invest in on-farm and production-based activities. In some locations, land continues to be community property and is allocated by the State, based on village needs. Farmers can be allocated up to one hectare of paddy land per farm laborer, three hectares for commercial crops, three hectares for fruit trees, and 15 hectares for livestock production. The combination of small plots of land, restrictions on consolidation, and common property ownership impedes commercialization of the agricultural sector. Land outside village areas is largely unallocated which leads to ambiguities as these are areas in which shifting cultivation typically takes place. Most recently, the GOL has granted land concessions on large areas of unallocated land, removing it as a potential site for rice production and source of NTFPs.



PHOTO 1: Taniyama-Siam Okra Plantation

Taniyama-Siam Okra Plantation, Thateng District, Sekong Province: The 62 hectare land concession produces okra for export to Japan via Champasak's Vang Tao border crossing with Thailand. The okra is processed on-site and sent to Japan via air freight through the Bangkok International Airport. The distance from Thateng to Bangkok via Paksé is about 900 kilometers.

4.2 BUSINESS CONSTRAINTS

17. The main business-related impediments to agribusiness development are characterized primarily by a confusing policy, regulatory, and legal framework; the small scale of private enterprise; weak financial services; and, low labor productivity.

18. Policy, regulatory, and legal framework: The granting of land concessions to agribusiness investors has emerged as an important GOL policy mechanism for promoting agribusiness development. However, the governance framework of the authorization process and organizing smallholder-based contract farming operations is complex and is an impediment to developing sustainable commercialized agriculture. As a result of the GOL's decentralization policies since 1986, provincial governments rather than central authorities are responsible for: (i) authorizing company registrations and investment licenses; (ii) firm-level inspections; and, (iii) allocating land-use rights and an enterprise's access to other resources. The only exceptions are some very large or politically sensitive business ventures that require authorization at the national level.¹ A summary description of the concession authorization

¹ World Bank, Building Export Competitiveness in Laos, A Summary Report, East Asia PREM, March 2006, p. 28.

procedure is presented in **Attachment 5**. As currently organized, the land concession system is administered through several different laws, decrees, and government agencies, resulting in a complex web of rules, regulations, procedures, and fees that dissuade any but the most tenacious and wealthy investors, and provide opportunities for corruption. High transaction costs, extra-legal surcharges, and facilitation fees are not unusual.

19. The less than fully transparent policy and regulatory framework and weak law enforcement hinder private enterprise development, as contracts, property rights, tax provisions and other fundamentals lack assurance:²

- *Business registration and licensing procedures are cumbersome, time consuming and discretionary*, reflecting a control and micro-management mindset; business registration nominally takes up to 45-60 days in Lao PDR. A similar process takes only about 7 days in Vietnam (see **Attachment 6** for a summary).
- *Complications in structuring a business*: Almost all tax-registered business in Lao PDR are sole-traders, reflecting the complicated registration procedures and lack of awareness about other legal options (limited liability and public companies).
- Amendments to the Electricity Law are needed to facilitate private enterprise in providing rural electricity; governance concerning forestry is particularly weak.
- *Difficulties in the trade regime*: Import tariff exemptions and quantitative restrictions are applied in a non-transparent manner, complicating trade and business development; and, non-formal barriers imposed by neighboring countries are a serious impediment.
- *Discretionary application of the tax law, frequently through negotiations*: Advance payment of taxes often is required by provincial governments during periods of cash shortages.

20. Small scale of private enterprise: The scale of most domestic private enterprise is geared to the small size of the domestic market and low purchasing power of the population. Particular impediments to growth of small firms include the lack of access to capital and to market information. The costs of meeting licensing and other requirements are relatively higher for small enterprises.³

21. Weak financial services: The banking sector continues to be very weak, especially in rural areas where few people have access to financial services. In addition, the Bankruptcy Law and the Secured Transaction Law are difficult to enforce, hence banks are reluctant to lend to private enterprises. Export credit is generally not available, hampering growth of trade.

22. Low labor productivity: Although labor costs in Lao PDR are relatively very low, this advantage is undermined by low labor productivity by international and regional standards. The 2008 updated Human Development Report⁴ reports that in 2006 the combined primary, secondary, and tertiary gross enrolment ratio was 59.6 percent (compared to 114.2 percent for Australia and 58.7 percent for Cambodia). The ethnic diversity of the people poses language and other problems impeding education and skills-training. The adult illiteracy rate (ages 15 and older; 2007) is 73.18 percent (compared to 76.32 and 91.90 percent in Cambodia and Malaysia, respectively), and the labor force has on average less than 5 years of education. Graduates of vocational schools and university are few.

² ADB and Committee for Planning and Cooperation, *Northern Regional Development Strategy*, Volume 6, Business and Private Sector Development Strategy, Vientiane, Lao PDR, March 2004.

³ ADB and Committee for Planning and Cooperation, *Northern Regional Development Strategy*, Volume 6, Business and Private Sector Development Strategy, Vientiane, Lao PDR, March 2004.

⁴ UNDP, *Human Development Report*, Update 2008, United Nations, New York, 2009.



PHOTO 2: MEKONG RIVER FERRY AND GABBAGE AT FARMGATE

Mekong River ferry boats crossing from Veng Kham, Champasak to Cambodia in southern Champasak Province.

Cabbage producers on the Bolovens Plateaux selling produce for export at the farmgate.

*All stakeholders asserted that **LOGISTICS** is the principal constraint to expanding trade of food and agricultural products from Champasak.*

4.3 TRADE CONSTRAINTS

23. The principal trade obstacles to agribusiness development are characterized by inexperience among entrepreneurs and producers in accessing markets; institutional constraints on export diversification and growth; decentralized authority for trade; and, logistical issues.

24. Market-related issues: Both entrepreneurs and producers have an inadequate understanding of domestic, regional, and global markets. Lao producers almost universally cultivate and harvest the same crops at the same time, corresponding with traditional practices and changing seasons. An important impact is that large volumes of the same unprocessed food and agricultural products saturate small local markets and many regional markets simultaneously, driving down prices. This local decline in commodity prices is repeated annually, serving as a disincentive for farmers to diversify their cropping system. In fact, the unstructured nature of local and regional markets provides few incentives for farmers to invest additional time, labor, or capital in post-harvest handling or value-added processing at the farm or household level. For the most part crops are sold to itinerant traders or in indiscriminating local markets. An important outcome is that trade officials in neighboring countries periodically impose trade restrictions on Lao products, including import quotas on vegetables and field crops and other non-tariff trade barriers; to control the seasonal flow of selected Lao commodities. These actions contravene agreements and understandings among trade authorities (e.g., the 5th MOU signed between Champasak [Lao PDR] and Ubon Ratchathani [Thailand] provinces). In addition, trade continues to be hampered by various levies and fees by both Lao and neighboring country border authorities. These transaction costs seriously impede trade with China, Viet Nam, and Thailand. Only since 2002 has the Thai Government supported ACMECS program promoted the formation of Lao-Thai joint ventures for contract farming of selected food and agriculture products; initiating a more

systematic approach to border trade and resolving tariff and logistical constraints to agribusiness and market development.

25. In terms of interacting with domestic, regional, and global markets, most Lao entrepreneurs and commodity traders are as traditional as their producer counterparts. They lack awareness of modern, transparent, market-based ways of doing business. They prefer to purchase raw materials at the farmgate and perhaps carry out some post-harvest value-added processing (drying, cleaning, sorting, grading, etc.) that will supplement their small trade margin. Agribusiness entrepreneurs generally lack a long-term vision. They are motivated more by short-term gains from traditional trading. Entrepreneurs also lack sound investment projects for agribusiness expansion or value-added processing. Only a small number of agro-processing facilities exist in Lao PDR. These exceptions are found in selected sectors, namely coffee (e.g., Dao Heung, Sinouk, and the Association des Groupements de Producteurs de Café du Plateau des Bolovens [AGPC], in Champasak); and, fruit and vegetable processing (e.g., Lao Agro Industry, Vientiane Province; and, Lao Farmers' Products Company, Vientiane Capital).

26. Institutional constraints on export diversification and growth: Agribusiness, like agricultural production is impacted by □ insecure property rights and an inefficient financial system that inhibit the accumulation and use of capital. The development of value-added processing facilities also is inhibited by a regulatory system built on control and fee extractions rather than facilitation; restrictions on trade through licensing regulations; and, generally weak institutional and fiscal management capacity.⁵

27. The efficiency of agribusiness and export-oriented enterprises also is impacted by institutional constraints linked to time-consuming official procedures and technical formalities. Exporters of food and agricultural products from Champasak are obligated to abide by a complex set of rules and regulations, consisting of several sets of forms required to export their commodities. Although the forms are not difficult to complete or unusually detailed, several different departments, offices, and individuals must be contacted in person; a process that usually requires three to four days to complete (sometimes longer, depending upon the availability of 'competent' [i.e., legal] authorities and the level of surcharge that an exporter is willing to pay). **Figure 1** presents a flow chart for the processing of export forms, using coffee as an example.

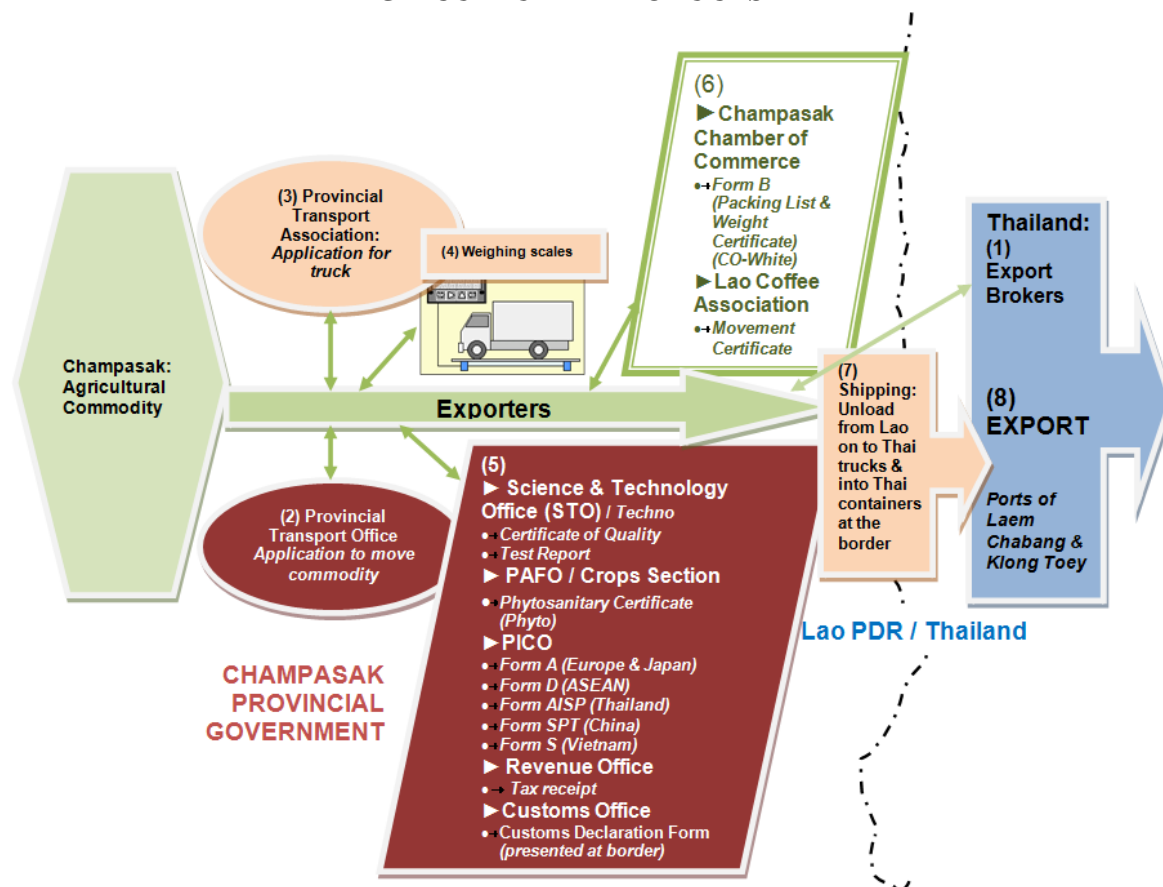


PHOTO 3

Photos of the Vang Tao (Lao PDR) – Chong Mek (Thailand) border crossing, located about 100 kilometers from agricultural commodity production sites on the Bolovens Plateaux in Pakxong District, Champasak Province, and about 700 kilometers by road from Chong Mek to Bangkok International Airport.

⁵ World Bank, Diagnostic Trade Integration Study (DTIS), Building Export Competitiveness in Laos, Summary Report, East Asia PREM, November 2006.

DIAGRAM 1: SUPPLY CHAIN AND DOCUMENT FLOW CHART FOR AGRICULTURAL PRODUCTS



In addition, **Table 1** presents the forms required for agricultural exports (coffee and most other crops), including the agency responsible for each form, costs of the forms, and the number of days required for their processing. Note that the numbers in parentheses () in column 1 correspond to the numbers in **Figure 1** above. Copies of these required forms are presented in **Attachment 12**.

28. Agricultural commodity traders report that the process of obtaining and processing all required forms usually takes from three to four days, but can take up to seven days if authorized officials are absent and/or a weekend is included. Traders generally agree that completing and processing the forms is not unnecessarily complex or difficult; but persistence is required. Some traders reported hiring a shipping company to handle all paperwork for exporting commodities. Surcharges (both formal and informal) and unofficial fees are often imposed for faster service. Although such fees increase transaction costs, they are not unexpected or particularly excessive; and, are considered a cost of conducting business.

Lao PDR / Thailand

29. Traders reported that obtaining the phytosanitary certificate (*phyto*), issued by the Provincial Agriculture (Crops) Section, proved most challenging. The certificate requires the name and signature of a legally competent official who is authorized to sign and issue the certificate. Although more than one officer is designated as legally competent, the name of the officer physically present is required on the form. However, since the Crops Section must inspect the shipment -- which takes time -- the specified individual may be unavailable by the time the form reaches his desk for signature. Should this occur, the forms must be prepared a second time; with the name of the replacement officer who is physically present and is legally competent to sign the form.

Table 1: Forms required for most agricultural exports

Form / Communication		Responsible Organization	Cost	Processing Time
1	2	3	4	5
(1)	Communications between Lao exporters and Thai export brokers at a Thai port regarding shipping times and volumes of a commodity to be exported; usually facsimile.	Licensed Lao exporter and registered Thai export broker.	Cost of communications.	Immediate
(2)	Letter from the exporter to the Provincial Transport Office requesting permission for a truck to move a commodity.	Provincial Transport Office	No cost	Immediate
(3)	Letter from the exporter to the Provincial Transport Association requesting rental of a (registered and insured) truck to move a commodity.	Provincial Transport Association	<ul style="list-style-type: none"> • Cost of truck rental; moving 1 container of coffee to Bangkok is 9.73 million kip or 39,000 baht or US\$1,145 • 20,000 kip / ton for laborers on Lao side and 20,000 kip / ton for laborers on the Thai side of the border 	Immediate
(4)	Weight certificate issued for the weight of the truck.	Weighing station at 2 locations.	10,000 kip	Immediate
(5)	GOL issued export forms:			
	<ul style="list-style-type: none"> • Certificate of Quality 	STO / Techno	400,000 kip per shipment	Immediate
	<ul style="list-style-type: none"> • Test Report 	STO / Techno	(1 container)	
	<ul style="list-style-type: none"> • Phytosanitary Certificate 	PAFO / Phyto	400,000 kip per shipment (1 container)	Immediate to up to 3 days; depends on presence of legally competent official.
	<ul style="list-style-type: none"> • Form A (Europe, Japan) 	PICO	25,000 kip per shipment	Immediate
	<ul style="list-style-type: none"> • Form D (ASEAN) 	PICO	% of value: <ul style="list-style-type: none"> • US\$1.00-\$10,000 = 40,000 kip • \$10,001-\$40,000 = 60,000 kip • \$40,001-\$60,000 = 80,000 kip • \$61,000 and above = 100,000 kip 	Immediate
	<ul style="list-style-type: none"> • Form AISP (Thailand) 	PICO	25,000 kip per shipment	Immediate
	<ul style="list-style-type: none"> • Form SPT (China) 	PICO	25,000 kip per shipment	Immediate
	<ul style="list-style-type: none"> • Form S (Vietnam) 	PICO	25,000 kip per shipment	Immediate
	<ul style="list-style-type: none"> • Tax receipt 	Pay to: <ul style="list-style-type: none"> • Village chief, or • Inspection point, or • Revenue Office 	Payment of tax: <ul style="list-style-type: none"> • 200 kip/kg, or • 300 kip/kg, or • 200 kip / kg 	Immediate

	• Customs Declaration Form	Customs Office	35% of value of commodity x 5%	Immediate
(6)	Export forms issued by business associations			
	• Form B (Packing List & Weight Certificate; also referred to as “CO-White”)	Champasak Chamber of Commerce	1,300 kip / ton	3 days
			Surcharge: 20,000 kip	2 work days
			Surcharge: 30,000 kip	1.5 work days
			Surcharge: 40,000 kip	1 work day
			Surcharge: 50,000 kip	Immediate
	• Coffee movement certificate	Lao Coffee Association	20 kip / kg	Immediate
(7)				

Note that the numbers in parentheses () in column 1 correspond to the numbers in **Figure 1** above.

30. **Decentralized authority for trade:** Administrative decentralization that began in 1986 also decentralized authority for trade. Based on an already weak institutional capacity, the result has been confusion, with overlapping responsibilities of central and provincial governments, making it complex for traders and investors to do business in Lao PDR. Important factors include:⁶

- Unclear and poorly communicated government policy toward the business sector and lack of coordination among line ministries in policy making;
- High cost of power, transport, telecommunications, and other critical services;
- Excessive and unnecessary regulation of ongoing business operations;
- Institutional orientation toward control rather than facilitation by the tax and trade administration systems;
- Difficult access to land and its limited use as collateral for debt;
- A weak legal system to support investment, enterprise establishment, contract enforcement, and commercial transactions;
- Insufficient intellectual property rights protection for both domestic and foreign investors; and,
- Rigid labor regulations.

31. In addition, provincial and border authorities have little knowledge or understanding of the terms and conditions of various trade agreements administered through the World Trade Organization (WTO), ASEAN Free Trade Area (AFTA), and the China-ASEAN Free Trade Area (CAFTA). This institutional lack of knowledge leads to significant trade regime uncertainties. A matrix that compares selected aspects of ACMECS, AFTA, and WTO is presented as **Attachment 11**.

32. **Logistics:** The mountainous terrain in most areas of the country and poor market access road network, together with cross-border trade impediments with neighboring countries, has meant high transport costs and fragmented markets. The generally poor condition of the road network results in high rates of damage to both trucks and cargo. Trucking monopolies in Thailand and rent-seeking by Customs and other officials (including business “tycoons”) throughout the region add to the costs of transit and trade. Agribusiness development also is constrained by the limited number of international-level cross-border points and facilities and

⁶ World Bank, Diagnostic Trade Integration Study (DTIS), Building Export Competitiveness in Laos, Summary Report, East Asia PREM, November 2006.

officials qualified to verify sanitary and phyto-sanitary (SPS) standards, mandatory under WTO regulations.

33. Trade infrastructure, including banking and financing services at cross-border trade locations are limited or non-existent. Storage facilities for agricultural products in rural areas and particularly at cross-border locations are limited, inadequate, or lacking. Notwithstanding the conclusion of the Greater Mekong Subregion (GMS) Cross-border Transit Agreement (CBTA) and other cross-border trade and transit agreements: (i) Thai owners of containers do not allow empty containers to be transported into Champasak Province for loading, mostly fearing that they will not be returned; (ii) Lao products are obligated to be loaded on to Lao trucks in Laos, incurring labor costs; and, unloaded on to Thai trucks or into a Thai container on the Thai side of the frontier, incurring labor costs for a second time. Further, the weighing of vehicles and products being traded continues to be an issue; with Lao and Thai scales not being equally calibrated.

34. Notwithstanding the significant investments in road and transport infrastructure in Lao PDR over the past 30 years, several roads, including some strategic to expanding agricultural trade and investment in southern Lao PDR, require upgrading. As a result of the development of various east-west and north-south regional economic corridors, development patterns and trade dynamics have changed, while plans to upgrade infrastructure that have been prepared for an era of pre-trade liberalization and pre-economic corridor, remain static. The Ubon Ratchathani Chamber of Commerce pointed out to the study team a vision for trade and business development in the southern northeastern region of Thailand and southern Lao PDR. This vision includes a new 'Lower East-West Corridor' that links northeastern Thailand and northern Cambodia, through Champasak, Saravan, Sekong, Attapeu provinces of Lao PDR, to Da Nang and other ports on the coast of Vietnam. Given the potential to develop mining, tourism, and agro-industries in southern Laos, and the comparative advantage of the Bolovens Plateaux for expanding temperate climate agricultural production, the infrastructure aspects of this vision are well worth considering.



PHOTO 4: LAO-THAI BORDER AT VANG TAO, PHONTHONG DISTRICT, CHAMPASAK

Logistics complexities at the Lao-Thai border at Vang Tao, Phonthong District, Champasak Province: Produce must be transferred from Lao trucks to Thai trucks before being shipped to Thai markets. Such transfers waste much time and double the cost of labor required to load, unload, and re-load trucks.



PHOTO 5: ECONOMIC CIRCLE IN INDOCHINA (THAI-LAOS-CAMBODIA)

Since 2004, the Ubon Ratchathani and Champasak Chambers of Commerce have annually participated in negotiations organized by their respective provincial commerce offices on cross-border trade of a growing list of food and agricultural products produced under contract farming arrangements between Lao and Thai agro-enterprises. The results of the negotiations are documented in an MOU signed by the Ubon Ratchathani and Champasak provincial governors. Members of the Ubon Ratchathani Chamber of Commerce have a high level of awareness of the strategic location of their region. This is reflected in a map produced by the Ubon Chamber (left) projecting their vision of future transport developments leading to shorter distances to ocean ports for the export of fresh and processed agricultural commodities.

5. REVIEW OF EFFORTS BY CHAMPASAK PROVINCIAL AUTHORITIES TO FACILITATE CROSS-BORDER INVESTMENT IN AGRIBUSINESS

5.1 CENTRAL GOVERNMENT LEVEL

35. At the central government level, authorities have taken the lead to modify cross-border interactions in support of additional investment in agribusiness. The GOL⁷ has streamlined the number of border agencies to only three: customs, immigration and quarantine; thus removing trade officials from border check points (MOIC Order No. 0453/MOIC, 26 March, 2007). In addition, single-stop inspection has been operational at the Lao Bao - Dansavanh border crossing under the GMS Cross-Border Transport Agreement initiative since June 2005; and, at the Mukdahan – Savannakhet crossing since early 2007. A Lao International Freight Forwarder Association (LIFFA) was established by Ministerial decree No. 4149/MCTPC, 13 December 2001, to guide development of the freight transport industry. Two new transit transport corridors are operational, namely Route 8 from Paksane, Lao PDR to Cua Lo Port, Vinh, Vietnam; and, Route 9 from Vientiane to Danang Port, Vietnam. Competition was initiated for goods transport operators between Lao PDR and Thailand on 1 March 2004. MOIC also reports that Customs procedures, formalities and documents have been simplified and unnecessary inspections eliminated. As a result, transit and transport costs have been reduced by some 20 to 30 percent. Further, the GOL has proposed six additional border crossings for inclusion in the GMS CBTA.

5.2 PROVINCIAL GOVERNMENT LEVEL

5.2.1 PROMOTION OF INVESTMENT OPPORTUNITIES IN CHAMPASAK

36. Provincial authorities in Champasak have received support from GTZ and the Centre for International Migration and Development (CIM) in preparing documentation that promotes investment opportunities in the province. The well-prepared and attractive brochure reports⁸ that 184 projects have been approved with a value of US\$391 million. Priority areas of investment are agriculture, tourism, manufacturing, and services. A new commercial area is being developed in Paksé city, at the Lao Nippon Friendship Bridge. A second large-scale commercial development is underway at the Lao-Thai border at the Vang Tao – Chong Mek border crossing. In 2006, the provincial Department for Planning and Investment established a ‘one stop shop service unit’ to facilitate the investment approval process, resulting in investment licenses being issued within 15 days. The positive investment environment has resulted in significant increases in agribusiness investments, totaling nearly US\$100 million between 2000 and 2008, with more than half that total coming in fiscal year, 2006-2007 (FY2007). The Provincial Public Private Dialogue (PPPD) was recently initiated with donor support and has been institutionalized to facilitate the dialogue between business and government. Three industrial zones covering an area of 2,284 ha have been designated and

⁷ Economic Research Institute for Trade (ERIT), Ministry of Industry and Commerce (MOIC), Vientiane, Lao PDR, presentation by Xaysomphet Norasingh at the *Regional Policy Forum on Trade Facilitation and SMEs in Times of Crisis*, Beijing, China, 20-22 May 2009.

⁸ Champasak Provincial Department of Planning and Investment, *Investment Opportunities in Laos: Champasak Province*, 2009.

are being developed. **Table 2** presents the highest priority projects for investment in the agriculture sector, and the preferred locations for each category.

Table 2: Priority Foreign Direct Investment Projects in the Agriculture Sector

No.	Agriculture and Forestry	Location / District
1.	Organic farm plantations	Pakxong and Bachiengchareunsouk
2.	Aquaculture, fish production	Khong
3.	Cattle production, pasture management	Mounlapamok
4.	Biofuel crops, sugar cane, oil palm, cassava	4 western districts
5.	Livestock production and aquaculture	10 districts
6.	Commercial vegetable production	10 districts
7.	Coffee plantations	Pakxong

37. Other agribusiness related manufacturing projects also are proposed; these are presented in **Attachment 7**.

5.2.2 MEMORANDUM OF UNDERSTANDING BETWEEN CHAMPASAK AND UBON RATCHATHANI PROVINCES

38. The Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) was launched by the Thai Government in 2003. The program is an outcome of the Association of Southeast Asian Nations' (ASEAN) Integration System of Preference (AISP) initiative aimed at narrowing the development gap between ASEAN's original member countries and the newest members (Cambodia, Lao PDR, Myanmar, and Vietnam or CLMV). The AISP was introduced in 2002 as a unilateral and voluntary tariff reduction to hasten the CLMV's integration into the mainstream of global and regional markets for goods and services. Some 300 items are covered by the AISP.

39. ACMECS has emerged as an important Thai Government policy instrument for simultaneously implementing the AISP and promoting bilateral trade and investment between Thailand and CLMV. ACMECS provides the policy framework for contract farming that has emerged as the principal mechanism for sourcing agricultural raw materials from farmers in selected border areas of CLMV, for processing by Thai agroindustries. Additional information on ACMECS is presented in **Attachment 8**.

40. The Ubon Ratchathani provincial commerce office formulated a contract farming project in 2004 to operate within the ACMECS framework. The project is consistent with the AISP and operates under a memorandum of understanding (MOU) negotiated annually between interested Lao and Thai companies that have registered with their respective provincial commerce offices. The MOU essentially serves as an umbrella agreement acknowledged by provincial government authorities under which Lao and Thai companies record the results of their trade negotiations, specifying the terms and conditions for trading a range of food and agricultural products. In total, five MOUs have been concluded between Champasak and Ubon Ratchathani provinces between 2005 and 2009.

- As explained by provincial authorities: A two-tiered meeting is held annually, at which Lao and Thai provincial commerce officials conduct a policy level dialogue to review and resolve trade issues between the two provinces. Simultaneously, registered Lao and Thai trading companies negotiate trade terms for a list of food and agricultural products for the next year. During both discourses, problems that arose during the past year are reviewed; measures for resolving problems are discussed; proposals for new initiatives are reviewed; a list of agricultural products to be traded under the contract farming project during the next year is formulated; and, the terms and conditions for importing those products into Thailand, including floor prices, are established.

- In Champasak Province the Provincial Industry and Commerce Office (PICO) serves as the host organization. In Ubon Ratchathani Province, Thailand, the Provincial Commerce Office coordinates the program.

41. The broad objective of the MOU, facilitating trade in food and agricultural products between Lao PDR and Thailand, has been achieved. Less immediate objectives of the MOU also are being realized, namely:

- Achieving selected policy objectives of the Lao and Thai governments, specifically related to implementing AISP.
- Achieving GOL agricultural development policy goals related to the following:
 - Increasing the agriculture and forestry GDP growth rate;
 - Developing and supplying a diversity of agricultural raw materials to the industrial and services sectors for value-added processing and consumption, respectively;
 - Increasing the export share of agriculture and forestry products;
 - Organizing production and establishing economic structures at the grassroots level; namely, farmer production and marketing groups;
 - Strengthening farmer groups to enable the production of raw materials for local and regional markets and processing; and,
 - Formulating relevant procedures for systematized production of agricultural products for export; namely, contract farming.
- Achieving Thai Government foreign agricultural policy goals related to the following:
 - Sourcing large quantities of low cost raw materials regionally for value-added processing in Thailand, demonstrating Thailand's interest in supporting agricultural development in neighboring least developed countries;
 - Expanding regional cross-border trade in agricultural commodities linked to raw material needs of Thai agro-processors;
 - Sourcing of food and agricultural imports from neighboring countries where commodities can be purchased in Thai baht, thus reducing the need to utilize non-baht currencies to settle trade transactions;
 - Demonstrating Thailand's effective implementation of the AISP to meet ASEAN policy objectives;
 - Creating on-farm income generating opportunities in neighboring countries as alternative livelihood options that contribute to poverty alleviation and preventing poor farmers from migrating to seek economic opportunities in Thailand; and,
 - Maximizing the use of infrastructure developed to facilitate regional cross-border trade.
- Providing a formal framework for trade relations between the two provinces.
- Registering cross-border trading companies with provincial commerce authorities.
- Keeping provincial commerce officials informed about cross-border trade activities.
- Specifying and limiting crops to be imported into Thailand at zero tariffs.
- Establishing floor prices for selected crops in advance, thus providing Lao farmers and traders with benchmark prices for crops included in the MOU.

42. Each MOU stipulates the number of agricultural products to be included in the contract farming project. Eight products were listed in 2005, increasing to ten in 2006; eleven in 2007; and, nine in 2008. In 2009, under the 5th MOU, the list of crops of interest to the Thai companies for contract farming was increased to 25. **Table 3** presents the crops included in the 2009 MOU.

Table 3: 25 Crops Covered in the 5th MOU between Champasak and Ubon Ratchathani Provinces, 2009

1. Cabbage	14. Mustard greens
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2. Bananas	15. Lettuce
3. Tamarind	16. Carrots
4. Chinese cabbage	17. Sweet peas
5. Cotton	18. Asparagus
6. Kapok seed	19. Chili peppers
7. Job's tears	20. Tomatoes
8. Soybeans	21. Ash gourd or wax gourd
9. Fodder maize	22. Mushrooms
10. Castor bean	23. Strawberries
11. Sweet radish	24. Avocado
12. Ginger	25. Turnips
13. Groundnuts (peanuts)	ADD: zero import tariff rate was incentive

43. To qualify for the contract farming program, the registered, participating Thai firm is obligated to provide seed as credit in kind, to its Lao counterpart company that is handed-over to farmers for planting. This arrangement fulfills the GOL's definition of contract farming using the '2+3' approach, wherein farmers provide land and labor ('2'), while the investors provide technology, credit, and market access ('3'). The seed supplied by the Thai firms is expected to be high quality (i.e., industry-best technology). In most cases Lao farmers already are familiar with the promoted crop: thus technical training is not always required. Some of the participating companies (Lao and Thai) also provide chemical fertilizer on credit. The Lao firms facilitate the entire contract farming process on the Lao side: channeling the inputs (seed and fertilizer) to Lao farmers. The Thai companies provide credit financing and market access. If the promoted crop requires technical training, that too is provided by the Thai company.



PHOTO 6: PHONGSAVANH BANK

The recently established Phongsavanh Bank is promoting itself as a full-service international bank, with modern branches throughout Lao PDR. A branch was opened in Paksé in March 2009 to support the expansion of agricultural production and contract farming. It recently was granted authorization by the Bank of Thailand to open a branch in Ubon Ratchathani Province to provide full-service banking to Thai and Lao cross-border traders. The bank also is collaborating with a Thai agribusiness to finance a contract farming project in Pakxong District for the production of green (bell, sweet) peppers for export to Thailand.

44. In 2008, the contract farming project was expanded to include Saravan and Sekong provinces. Fourteen crops were authorized under the ACMECS arrangements for each of the provinces, with three companies in Saravan and two companies in Sekong signing trade contracts with Thai companies. Most of the crops are essentially the same as those for Champasak Province.

45. In addition to the contract farming project, the Ubon Ratchathani provincial commerce office operates a business matching project that promotes trade and investment between Lao and Thai companies. The 5th MOU 2009 lists 15 categories of products and 24 activities that qualify for Thai Government trade promotion incentives, presented in **Table 4**. The business matching project also expands the coverage of investment promotion to include Saravan and Sekong provinces.

Table 4: Business Categories Promoted by the Ubon Ratchathani Provincial Commerce Office for Joint Ventures with Lao Investors	
1. Construction materials	9. Agricultural production inputs
2. Tourism	10. Consumer goods
3. Hotels	11. Fresh and dried foods
4. Cosmetics	12. Health and medical facilities
5. Spas / Massage facilities	13. Equipment / air conditioning
6. Restaurants	14. Furniture
7. Vehicle repair and maintenance	15. Interior decorating
8. Agricultural equipment	

46. Each MOU lists the Lao and Thai companies that have registered with their respective provincial commerce office to participate in the contract farming and cross-border trading program. The 5th MOU (2009) lists four Lao companies based in Champasak that are participating in the contract farming project, namely:

- Pakxong Development Enterprise Export-Import
- Bolovens Plateaux Trade Development Company
- Société Lao Import-Export (provincial enterprise)
- Seng Arthit Development Company (Lao-Thai joint venture)

47. The four participating Thai counterpart companies (sole-proprietorships registered in Thailand) that provide trade financing, credit in kind to farmers, and market access were identified by the names of their owners, namely:

- Mr. Teu
- Mrs. Vannapha
- Mrs. Chit Khanthong
- Mrs. Phet Loy

5.2.3 CENTRAL MARKET AT PAKXONG DISTRICT, CHAMPASAK PROVINCE

48. Soon after the first MOU for contract farming was signed in 2005, an ‘ad hoc market’ was established by Thai buyers a few kilometers from the Lao-Thai border near the village of Ban Vang Tao, Phonthong District, Champasak Province. This facility has been operating as a logistical point of transfer of commodities from Lao to Thai transporters. In addition, many farmers from Pakxong District travel (100 kilometers) to sell their produce to Thai buyers at this trading center. A more detailed description of this market facility is presented below (*Lead crops: Cabbage and Chinese cabbage*).

49. To facilitate the marketing process for farmers and local traders, a new central market was constructed in 2007-8 in Pakxong District, by the Asian Development Bank (ADB) supported Smallholder Development Project. The GOL, through the Pakxong District Industry and Commerce Office (DICO) facilitates production and marketing arrangements for participating enterprises and farmers through this market. The DICO plays a role as an arbitrator among the key stakeholders; supervisor of the district-level state enterprise that manages the central market at Pakxong, where trading will take place in the future; coordinator with farmer production and management groups organized by the ADB supported Smallholder Development Project to produce crops for export; and, liaison with other GOL agencies at the district level. A more detailed description of the operations at the Pakxong central market is presented as **Attachment 9**.



PHOTO 7: CENTRAL MARKET AT PAKXONG DISTRICT

The recently completed central market at Pakxong District, Champasak Province. Pakxong District commerce officials are working with local agro-enterprises to develop this market as a wholesale market for food and agricultural commodities produced by smallholder farmers on the Bolovens Plateaux. The plan is for products to be shipped to Thailand and Vietnam from this market.

50. The manager of the district level enterprise created to administer the Pakxong Central Market has demonstrated the important role that a knowledgeable, effective, and reliable official can play in supporting and facilitating trade development. He is eager to know about trade and market developments and serves as a channel of information for public officials, entrepreneurs, traders, and producers. He is an important liaison between the local government and business, keeping everyone informed of frequently changing circumstances. He also is a strategic thinker, understanding the unique trade opportunities available to producers on the Bolovens Plateaux and pursuing a trade development agenda that responds to those opportunities.

5.2.4 PROMOTION OF AGRICULTURAL EXPORTS FROM CHAMPASAK PROVINCE

51. Data provided on the contract farming project by the Champasak PICO presented on **Table 5** indicate a significant increase in the value of food and agricultural exports to Ubon Ratchathani between 2005 and 2008.

Year	Value of Agricultural Exports
2005	2.4
2006	2.8
2007	5.9
2008	9.2

Source: Champasak Provincial Industry and Commerce Office, June 2009.

52. Between 2005, when the 1st MOU was signed, and 2008, when the 4th MOU was operational, the value of agricultural exports from Champasak to Ubon Ratchathani increased more than 280 percent, from US\$2.4 to \$9.2 million.

53. The PICO reports that while the value of all exports from Champasak Province in 2008 increased from US\$47 million in 2007, to \$49 million in 2008, the value of agricultural exports decreased to \$39 million, from \$47 million in 2007. The decrease is reportedly a

result of lower coffee prices during 2008. Other products (specifically shoes) exported to Europe had a value of approximately \$10 million. The breakdown of the value of agricultural exports is presented on **Table 6**.

Commodity	Year / Value		+/- % Change
	2007	2008	
Coffee	31	23	-25
Vegetables (unprocessed)	6	9	+50
Wood	10	7	-30
Total	47	39	-17

Note: Figures have been rounded.

Source: Champasak Provincial Industry and Commerce Office, June 2009.

54. It is very likely that the demand for food and agricultural products from the Bolovens Plateaux will continue to expand with the implementation of AFTA in 2010. Likely in response to the continued liberalization of trade relations among ASEAN member countries and in anticipation of expanded regional trade, a new Lao banking corporation, the Phongsavanh Bank (see photo above), was registered in Lao PDR in 2007. The bank recently opened a large, modern branch in Paksé. Bank representatives have signed a MOU with Pakxong District trade officials and have made available US\$1 million in credit to support the production of bell peppers (*Capsicum annuum*)⁹ on the Bolovens Plateaux. Further to discussions with the Phongsavanh Bank in Champasak (August 2009), bank managers pointed out that they were collaborating with a Thai company (STB Agency Ltd., Part., Northern Region Agricultural Product-Central Market Chiangmai Province) to promote the production of bell peppers by farmers in Pakxong District. To date 68 smallholder farmers are participating as members of joint-liability credit groups, also providing collateral in the form of land documents to the bank (e.g., land occupancy or land use right documents endorsed by village chiefs). Financial support is provided in the form of credit in kind in three phases to 2011. Since the Phongsavanh Bank's program was launched earlier in 2009, it is too early to comment on its results.

55. **Brief discussion of microfinance:** The Phongsavanh Bank is one of the first commercial banks in Lao PDR to organize and operate a bank supported crop production program. Although the GOL's Agriculture Promotion Bank (APB) was established to operate such programs, and was a pioneer in providing credit to smallholder farmers in the 1990s and early 2000s, institutional interference seriously hampered bank operations since its launching. Numerous studies and successful programs highlight the important role of microfinance, short-term production credit, and small loans to micro-enterprises in alleviating poverty.

- A 2008 study by **Kongpasa Sengsourivong**, examining microfinance from village-based savings and loan projects, conducted in six villages during 2005 - 2006, in a semi-urban area of Lao PDR, points to positive outcomes including increases in house value, household livestock production income, household agriculture production income, household rental expenses, and household education expenses. The results from this study illustrate that savings group participation has large positive and significant effects on all of these outcomes, except household agriculture production income. Essentially, the participation in a savings group can increase household assets, household income from self-employment activities, and support the education of children.¹⁰

⁹ Sometimes also referred to as green peppers or sweet peppers.

¹⁰ Sengsourivong, Kongpasa. The Impact of Microfinance on Household Welfare: Case Study of a Savings Group in Lao PDR. Vientiane: EBIT Consultancy Co., Ltd., 2008.

- Similarly, a recent study¹¹ was undertaken by the World Bank on the impacts of the **Thailand Village and Urban Revolving Fund (Village Fund)** on household expenditure, income, and assets. Financing of the Village Fund was from the disbursement of \$2 billion to locally-run committees in almost all of Thailand's 74,000 villages and more than 4,500 urban communities in 2001. By May 2005, the committees had lent a total of about \$8 billion, with an average loan of \$466. The World Bank's evaluation reveals that participants had 1.9 percent more income, 3.3 percent more expenditure, and about 5 percent more ownership of durable goods than non-participants.
- Finally, the **Grameen Bank (GB)**¹² in Bangladesh provides credit to the poor who have no collateral. The Grameen Bank's system is based on mutual trust, accountability, participation and creativity. As of July 2009, it has 7.93 million borrowers, 97 percent of whom are women. With 2,558 branches, GB provides services in 84,573 villages, covering more than 100 percent of the total villages in Bangladesh. The GB stopped accepting donor funds in 1995 and has been profitably self-sustaining since 1992. The cumulative amount disbursed since 1983 is more than US\$8.27 billion; with a rate of recovery ration of 97.89 percent. The average loan size for a micro-enterprise is \$361.32. The GB is recognized internationally as the most successful micro-finance programs aimed at alleviating poverty of the poorest people.
- Efforts of the **Phongsavanh Bank**, discussed above, are building on the lessons learned from these successful micro-finance interventions.

56. The MOU between Champasak and Ubon Ratchathani clearly has been important to both the Lao and Thai. Specifically, **the Lao** have benefitted in several ways, namely:

- With access to Thai markets assured, agricultural production in Champasak and Saravan provinces has been intensified. Lao farmers have responded to the contract farming project in large numbers to meet the needs of Thai markets: at times beyond what Thai outlets can absorb. On-farm smallholder income likely has increased and poverty can be expected to be reduced.
- Having a larger number of farmers participate in contract farming has contributed to agricultural diversification, increased agricultural incomes and the production of commercial crops, while reducing poverty; increased the use of improved seeds and plant material, and created on-farm income generating opportunities: all important agricultural policy goals of the GOL.
- Planning of agricultural production and commodity marketing have been facilitated significantly with the knowledge that Thai traders have agreed in principle to pay a minimum or floor price for selected products (i.e., cabbage and Chinese cabbage). The floor price mechanism is not 100 percent reliable, but it has functioned as intended most of the time.
- Lao farmers are exposed to enforcement of quality standards (i.e., number of bananas on a hand and number of hands on a stem) and introduced to sanitary and phytosanitary (SPS) standards. Their level of awareness of maintaining product quality and linkage to prices has been raised significantly.
- The Ubon Ratchathani business matching and contract farming projects encompassed in the 5th MOU define mechanisms that provide a credible role for the public sector. Through the contract farming project, exporting agricultural products from Lao PDR has been systematized, providing an opportunity for the GOL to play a more constructive role in promoting cross-border agricultural trade and agribusiness investment.

57. Although Lao and Thai entrepreneurs have traded food and agricultural products for many decades, the dealings were largely informal. Ubon Ratchathani's contract farming

¹¹ Boonperm, Jirawan, Jonathan Haughton, Shahidur R. Khandker. Does the Village Fund Matter in Thailand? Policy Research Working Paper 5011. Washington: World Bank, July 2009.

¹² Grameen Bank. Accessed on 23 August 2009, www.grameen-info.org

project has provided an opportunity for the Thai Government to more formally engage local traders and to systematize cross-border commerce: perhaps for the first time ever. The most important incentive used to promote participation by local Thai entrepreneurs is the zero tariff rates on selected imported agricultural commodities produced through the contract farming project in Lao PDR (and all CLMV countries). Although ASEAN member countries agreed to establish the ASEAN Free Trade Area (AFTA) in 1992, which will result in zero tariff rates on agricultural products imported from any ASEAN member country in 2010 (except for food and agricultural products imported into the CLMV), Thai firms participating in ACMECS essentially have been operating under such an arrangement since 2005. Thai buyers and Lao (and Cambodian and Myanmar) producers have had a head-start on formal execution of the AFTA zero tariff rates and should now be able to anticipate and more easily resolve potential difficulties. As a result of several years of experience with cross-border trade, they have become familiar with official procedures, business practices, and potential logistic bottlenecks. With the full execution of AFTA by Thailand in January 2010, it is likely that cross-border contract farming will expand to take even greater advantage of the agro-ecological potential and comparative advantage of Lao PDR to produce a diversity of high value food and agricultural products, including niche market and organic commodities, non-timber forest products, and natural crop and livestock products. In any case, the ACMECS zero tariff mechanism will become redundant.

58. The Ubon Ratchathani provincial commerce office sees the following benefits from the annual MOU:

- Strengthened economic relations between Thailand and Lao PDR, specifically between Ubon Ratchathani and Champasak provinces.
- Enhanced trade opportunities and strengthened institutional capacity to conduct cross-border trade.
- Creation of trade clusters and networks between Thai and Lao entrepreneurs and traders.
- Reduced labor migration from Lao PDR and the need to budget for services to economic migrants.
- Creation of a positive attitude toward and a positive image of Thailand and Ubon Ratchathani Province.
- Reduction of any distrust that may detract from Thailand's sincere efforts to be of assistance.

59. In summary, the MOU has contributed significantly toward systematizing cross-border trade. It has fostered a greater awareness of the existence of international trade procedures among inexperienced and uninformed provincial and district officials. In addition, it has introduced these officials to business-oriented contract farming arrangements and official border clearance procedures, as well as highlighting the complexities of trade logistics. The imminent enforcement of SPS standards and WTO agreements on Lao producers, entrepreneurs, and traders by Thailand (in 2010), and eventually by Vietnam and China, will require significant additional investment in strengthening the capacity of Lao human resources, institutions, and infrastructure to better administer cross-border trade systems. The alternative may be for Laos to be marginalized by key actors in global supply chains.

60. ACMECS has provided an official framework for the five MOUs. The MOUs designate specific roles, responsibilities, duties, and obligations for which each stakeholder – public and private sectors and producers -- is held accountable. The annual policy dialogue and technical meetings between Champasak and Ubon Ratchathani provide an opportunity to review and evaluate the strengths, weaknesses, threats, and opportunities of cross-border trade arrangements over the past year and to examine proposals for resolving those issues. The MOU documents the results of the dialogue and establishes the framework for trade relations for the next twelve months. It is therefore important as a tool to manage trade relations and to facilitate the administration of cross-border trade relations.

5.3 CONTRACT FARMING VS. THE GENTLEMEN'S AGREEMENT

61. It should be noted here that in most locations where contract farming arrangements are operated in Champasak Province, traders and agro-processors do not have formal written contracts with producers. Instead, the producer-buyer relationship is based on trust. This form of 'social contract farming' is referred to by the Ubon Ratchathani provincial commerce office as a 'gentlemen's agreement'. The 'gentlemen's agreement' has been used by Lao and Thai cross-border traders for decades. In many cases traders on both sides of the border are part of an extended family or are friends who have been doing business for several generations. Given the similarity in culture, traditions, customs, social norms, and business practices between Lao and Thai people, particularly in border provinces, verbal contracts based on trust have been the norm; written contracts have been the exception.

62. In light of the increased complexity of regional and global trading systems, the functionality of the 'gentlemen's agreement' gradually will be more limited. The emerging global trade paradigm is one that requires transparency and accountability by all stakeholders; arrangements that can be monitored through supply side audits; and, the maintenance of standards of good corporate and official governance, as well as rigorous enforcement of SPS standards. It is not likely that 'gentlemen's agreements' can withstand the level of monitoring required by these complex standards; standards that are executed as normal procedures in most developed areas of the world. By not adopting these standards, Lao producers and traders risk having their food and agricultural products rejected by enterprises operating in global supply chains.

63. ACMECS has been useful in initiating the process of (i) systematizing cross-border contract farming, namely assigning responsibilities to key stakeholders; and, (ii) establishing procedures for cross-border trading of commodities from producers participating in contract farming projects. It may be possible to use the imminent (1 January 2010) AFTA trading system to further develop cross-border trading procedures to the next level; including requiring traders and agro-processors to have written contracts with producers or farmer groups or associations. The GOL (at some level of administration) likely would have an important role to play in the arbitration and enforcement of such contracts.

5.3.1 AGRIBUSINESS NETWORKING: CABBAGE

64. The ACMECS supported contract farming project and accompanying of MOUs have focused primarily on producing and trading fruit and vegetable crops sourced in Champasak and adjacent provinces (Saravan and Sekong). The agro-ecological conditions on the Bolovens Plateaux are favorable for producing cabbage and Chinese cabbage (*Brassica campestris var Pekinensis*; that require cooler temperatures to thrive) the year round, as well as Arabica coffee. Cabbage and Chinese cabbage were first introduced to Lao producers by Thai traders who aimed to meet seasonal shortages of both crops in Thai markets. Soon, Thai consumers expressed a preference for the better tasting Lao cabbage, which is less contaminated with toxic pesticides than Thai products, and consumer demand increased. As a result of subsequent price increases, a larger number of Lao smallholder farmers began to produce both crops. Through Ubon Ratchathani's contract farming project, participating Thai traders have supplied seeds, fertilizer, and some pesticides as credit in kind to individual farmers and farmer groups; sometimes, but not always through Lao traders. Eventually, 38 farmer production and marketing groups were organized through the ADB supported Smallholder Development to produce cabbage and Chinese cabbage under contract to Lao and Thai traders. Some have written contracts, but most do not.

65. At harvest time, individual farmers or farmer group representatives transport the produce for sale at the Lao-Thai border crossing at Ban Vang Tao, Phonthong District, Champasak Province; located some 100 kilometers from the production areas in Pakxong District.

Initially trading took place at the border crossing itself, but as a result of the increased volumes and space required to handle the commodities, local Lao officials and Thai traders negotiated moving the sales and transshipment point to a suitable location some 5-6 kilometers inside Champasak province. This market operates from about 04.00 to 08.00 hours each morning. Although the market is administered by Phonthong District officials, the simple thatched roof pavilions were constructed by the three principal traders that purchase at and ship from this transshipment point. Produce (cabbage and Chinese cabbage from Pakxong, and bananas from Lao Ngam District, Saravan Province) are unloaded from Lao trucks and trailers pulled by hand-tractors; weighed; recorded; sorted; peeled; and, packaged (in plastic bags) for shipment using Thai trucks to outlets throughout Thailand. This market *cum* logistics facility operates under the supervision of Phonthong District officials, who are responsible for security and sanitation, for which they collect a fee from the Thai traders.

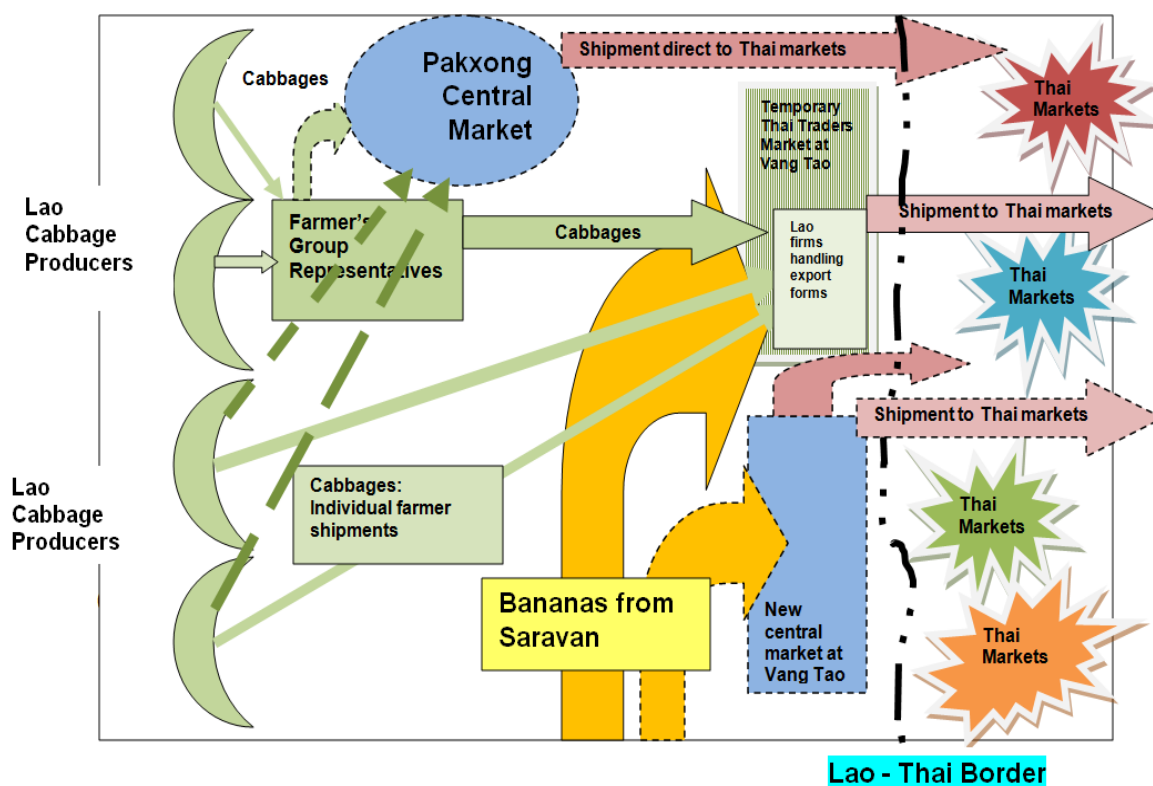
66. The Pakxong District Agriculture and Forestry Office (DAFO) has reorganized the 38 farmer production and management groups, originally formed by the ADB supported Smallholder Development Project to produce cabbage and Chinese cabbage for export, into two farmer associations. These enlarged groups are being registered with the Pakxong District commerce and agriculture authorities, thus enabling them to qualify for agricultural production loans from various state banks.

Characteristics of the cabbages supply chain

67. An indicative supply chain analysis for cabbage and Chinese cabbage produced in Pakxong District is presented on **Diagram 1**. The supply chain consists of producers of cabbage and Chinese cabbage in and around Pakxong District selling to traders, either directly or through a farmer's group representative. Many farmers transport their cabbages to the temporary sales and transshipment point near the border village of Vang Tao. Similarly, bananas are shipped from Lao Ngam and other districts in Saravan Province for sale to Thai traders at the same temporary market. It is estimated that some 40-50 tons of farm produce are shipped through this market daily. Lao trucks and trailers pulled by hand tractors laden with produce arrive all night. When the Thai buyers arrive in the early morning, the produce is unloaded, recorded, processed, and re-loaded on to Thai trucks for shipment to Thai markets.

DIAGRAM 2: INDICATIVE SUPPLY CHAIN FOR CABBAGES AT THE LAO-THAI BORDER AT VANG TAO, CHAMPASAK

(Note: Dotted line (-----) indicates future situation.)



68. The principal actors that operate at the Vang Tao market include:

- Lao producers delivering their cabbages or bananas

69. The principal actors that operate at the Vang Tao market include:

- Lao producers delivering their cabbages or bananas
- Producer representatives delivering commodities
- Collectors delivering commodities
- 3 principal Thai buyers
- Lao and Thai truck drivers
- Lao daily laborers
- District fee collectors

70. Thai trucks that ship commodities to Thai markets are expected to be registered and issued with a decal (sticker) that indicate that it is carrying produce being imported from Lao PDR to Thailand under the ACMECS supported contract farming program. This marker is purchased from the DICO by each trucker (cost: 500 baht; reimbursable from the Thai buying agent) and displayed on the windshield. Many of the decals were observed either to be photocopies or to have been sun-bleached and faded.



**PHOTO 8: CABBAGE MAKE-SHIFT
LAO-THAI BORDER MARKET**

Cabbages produced under the contract farming project supported by the ACMECS framework being unloaded from Lao trucks and re-loaded on to Thai trucks at the make-shift Lao-Thai border market at Ban Vang Tao, Phonthong District, Champasak Province.

Commodity prices

71. Based on data collected at the Vang Tao market on 16 July 2009, the prices for the three principal commodities traded at the Vang Tao market are presented on **Table 7**.

Table 7: Price analysis of the principal commodities traded at the Vang Tao Market (16 July 2009)

Location	Price per kilogram (244 Lao kip = 1 Thai baht) (8,695 Lao kip = US\$1.00)			
	Lao kip		Thai baht	US dollar
		% change		
Cabbage				
– Farmgate: Pakxong District	700		2.90	0.08
– Vang Tao market	768	9.7	3.00	0.09
– Thailand	895 to 1,151	14.2 – 33.3	3.50 to 4.50	0.11 to 0.14
Chinese cabbage				
– Farmgate: Pakxong District	800		3.28	0.10
– Vang Tao market	854	6.3	3.50	0.09
– Thailand	1,279	33.2	5.00	0.15
Bananas				
– Farmgate: Lao Ngam District	12,000		49.18	1.44
– Vang Tao market	12,792	6.2	50.00	1.53
– Thailand	15,350	16.7	60.00	1.84

72. Based on a preliminary analysis, the price differential between the farmgate price of cabbages and bananas and the price at the Vang Tao transshipment market appears to be small; ranging between 6.2 percent for bananas to 9.7 percent for cabbage. The mark up between the Vang Tao market and Thai markets is relatively greater, ranging for 16.7 percent for bananas to 33.3 percent for cabbage. It is likely that the significant price difference reflects transaction costs incurred by traders in the course of cross-border operations. Such costs are said to include fees for rental and maintenance of the Vang Tao market; parking fees for trucks, and overtime pay and per diem for district personnel who collect taxes, maintain security, and supervise cleanliness; immigration and Customs documentation for Thai trucks and truck drivers; overtime charges, entry-exit taxes, parking, and other miscellaneous expenses at the Thai and Lao border check points; fees for Customs documentation for the commodities; and, assorted gratuities, surcharges, contributions, facilitation charges, and other formal and informal payments that are required to ensure that goods and people flow smoothly.

5.3.2 AGRIBUSINESS NETWORKING: COFFEE

73. Coffee is the largest agricultural export from Lao PDR. Currently an estimated 23,000 families depend on coffee production for a livelihood. For the most part, these producers sell to some 29 companies that are members of the Association of Coffee Exporters, which sells over 10,000 tons of Lao coffee abroad every year,¹³ comprising about 3 percent of Lao exports.¹⁴ Coffee production areas in Laos in 2007 covered some 45,000 ha, with 99 percent derived from the south and the majority on the Bolovens Plateaux and in Pakxong District, Champasack Province (from 400 m.a.s.l. to 1400 m.a.s.l.).¹⁵ The principal varieties produced are Arabica and upland robusta (globally unique). In April 2008, the local price of parchment coffee was 20,000 kip / kg and an estimated 10,000 tons was exported from the region in 2007, with a market value of about US\$22.9 million.

74. Many coffee farmers participate in contract farming arrangements with local well-known traders and processors. They often sell all or a portion of their crop in advance, while it is still on the bush, for which they receive a significantly lower price, which serves as the interest on the (loan) advance payment.¹⁶ They are then obligated to sell their coffee to these buyers at harvest.

75. The Association des Groupements de Producteurs de Café du Plateaux des Bolovens (AGPC), not yet a member of the Coffee Exporters Association, was organized in November 2006 through the Point d'Application des Boloven (PAB) with support from the GOL and Agence Française de Développement (AFD). The PAB has made significant progress toward launching Lao coffee as a global brand. For example, AGPC's coffee recently was granted both 'Fair Trade' and 'Certified Organic' status by European certifying organizations and is being marketed in Europe. AGPC's membership consists of 51 producer groups (2,725 families), located in 84 coffee producing villages in three districts of Champasack, Saravane, & Sekong provinces. They produce Arabica coffee on 3,300 ha and robusta coffee on 16,000 ha located on the Bolovens Plateaux (1,100-1,300 m.a.s.l.). Membership fees are 100,000 kip per producer group per year and 20,000 kip per producer per year. Investment in the project has been US\$25,000 per group (or per village; not including technical assistance). The

¹³ Tea & Coffee Asia, *A Romance with Café Lao*, 2007.

¹⁴ Lord, Montague, Draft of Partial Report: Formulation of ANR Sector Loan, Annex on Trade & Investment, TA 4843-LAO, ADB & Ministry of Agriculture & Forestry, March 2008.

¹⁵ Keith Chapman, PPTA-4843 (LAO): Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Annex: Agronomy, Draft Report, March 2008, p. 18.

¹⁶ Personal communication with Mr. Will Thomason, investor in the Jhai Coffee Foundation Cooperative, 9 February 2008.

AGPC's objective is to make coffee producers self-sufficient by introducing collective wet mills. The PAB project has plans to obtain a geographic indicator (GI) for coffee sourced on the Bolovens Plateaux to establish an 'origin' for the coffee.



**PHOTO 9:
AGPC'S BURLAP BAG
FOR
COFFEE EXPORTS**

Burlap bags of the type used to export certified Lao Arabica coffee to Europe. The coffee is produced by members of the AGPC (Lao coffee producers association) in three districts on the Bolovens Plateaux.

76. The AGPC operates through a network of village representatives and officers of each member group. These units are supported by 14 coffee technicians paid by the association (currently supported by the PAB project). In the longer-term, the AGPC aims to resolve the two most serious problems: securing markets for quality Lao coffee; and, identifying sources of credit for use by its members. It also hopes to be able to negotiate higher prices for its members by ensuring volumes and guaranteeing the quality of coffee being sold through the association. Currently, the services provided by the association include:

- Surveying the production of coffee each season to determine the volume that members can be expected to provide for marketing through the association;
- Regulating the quality of coffee being provided to buyers by groups and their members;
- Negotiating prices and signing contracts with buyers on behalf of AGPC members;
- Monitoring international coffee prices and marketing trends and disseminating this information to members; and,
- Linking farmers to technical advice and advanced coffee production and processing techniques.

77. Although the institutional capacity and strength of such commodity associations has yet to be conclusively tested, provincial authorities and investors are keenly interested in having them play a greater role in coordinating production with farmers. AGPC members have benefited by moving up the coffee value chain. By adopting improved production technologies, farmers have increased the productivity of their coffee trees, a farm asset. By processing their raw coffee using the wet mills, they are able to add value to their assets and to create wealth, thus alleviating poverty. Working as a group, AGPC members have been economically empowered and are in a better position to negotiate with buyers than they were when they were selling raw coffee beans as individual growers.

5.3.3 AGRIBUSINESS NETWORKING: THE JAPANESE CONNECTION

78. The Taniyama Siam-Advance Agro Company is a Thailand-Japan joint venture located in Thateng District, Sekong Province. The Taniyama Siam Company has had a successful joint venture in Thailand for the production and export of vegetables to Japan for several years before deciding to expand their program to more fertile land in Lao PDR. Taniyama Siam took over the Advance Agro investment in Lao PDR in May 2007, investing approximately

US\$1.88 - \$2.19 million in a 62 ha 30 year land concession. Currently, the company is cultivating okra (*Abelmoschus esculentus*) on the land, which is processed at a small facility located at the site. The okra is processed, packaged, and chilled prior to export to Japan, via the cross-border check point at Vang Tao and Bangkok International Airport. The facility currently processes approximately 500 kilograms of okra daily. The commodity is not organic but integrated pest management (IPM) technology and reduced application of pesticides is employed. The operation utilizes about 200 local laborers and 85 Lao technicians regularly. The target is to raise production to 2.5 tons per year to meet standing orders from Japan of one ton per day.

79. According to the project managers, the local laborers have become increasingly capable okra producers and are able to work without the intensive level of supervision that was required when the project began. The company is planning to expand okra production through contract farming with local farmers using the laborers trained at the project, using the ‘2+3’ approach.¹⁷ This also will allow the company to use the land concession to experiment with other crops, including asparagus and carrots; for export to the Japanese market.

80. This model demonstrates how a relatively small investment was effective in developing a product previously unknown in Laos: okra, which has a niche market in Japan. Some of the critical factors for success would likely include:

- Previous experience of the company with large-scale okra production in Thailand;
- Facility in obtaining a land concession in an area with fertile soils;
- Satisfactory road infrastructure to facilitate the transport of processed okra from Thateng District to the international airport in Bangkok; and,
- Japanese and Thai technical assistance was available for a reasonable period to train Lao laborers to cultivate a crop previously unknown to them.

81. Although the model is relatively self-contained, it provides a vision of future plantation-style agricultural production, Lao style; with on-site or local value-added processing for export, linked to producers trained in advanced agricultural production techniques by private agribusiness. Farmers who are trained in producing one or more crops at a land concession (or on land rented from local farmers who are then trained and paid to work their own land as company workers¹⁸) soon realize that they are able to earn more by producing a crop under contract to a company than working as a daily laborer. The straightforward Taniyama-Siam model has the potential to be replicated successfully elsewhere in Lao PDR.



**PHOTO 10
OKRA PLANTATION AND
FACILITIES**

¹⁷ The ‘2+3’ approach means that farmers provide land and labor (‘2’) while the investor provides credit, technology, and market access (‘3’).

¹⁸ This model is used successfully by the Lao Agro Industry Company to produce sweet corn for export from Thoulakhom District, Vientiane Province)



The land, facilities, and okra crop of the Japanese-Thai joint venture, Taniyama-Siam Co., Ltd from Thailand. This Thailand based firm expanded its production to Thateng District, Sekong Province, in 2007. The small okra processing facility can package 50 tons per day. Current production is sufficient to process 2.5 tons per day. The company has plans to diversify into other crops and to encourage plantation workers to become contract farmers.

5.4 MEASURING TRADE DYNAMICS

82. Cross-border trade of food and agricultural products in the Champasak-Ubon Ratchathani agroindustrial alignment is likely to continue to grow, particularly considering the execution of AFTA in January 2010. It is anticipated that an increasing number of Thai (as well as Vietnamese and perhaps Cambodian) traders, investors, and agro-processors will take advantage of AFTA's zero tariff rate to seek sources of raw materials and scarce products from Lao sources. In addition to strengthening the collection of cross-border trade statistics at the various Customs check-points and provincial trade performance, additional indicators could be adopted by the Champasak PICO to better measure the dynamism of trade development, including:

- **Trade and market access profiles** for selected crops: In the case of Champasak, these crops could include coffee, cabbages and Chinese cabbage, bananas, peanuts, soybeans, and green (bell or sweet) peppers.
- **Export/import performance** of Champasak Province: A comparison between export figures for food and agricultural products produced in Champasak Province with agricultural production inputs used by farmers in the province.
- **Export prices**: Data could be collected on export prices for all food and agricultural products produced in Champasak Province for export, as well as the overall value. The data presented in a time series format should be analyzed to identify export market growth, product performance, and trends that reflect export market preferences.
- **Trade competitive index**: A trade competitive index could be established for Champasak Province to identify the most conducive trade outlet for food and agricultural products produced in the southern region. This index could consist of several sub-indices including: a **Trade-Enabling Environment Index**, reflecting the economic and local institutional environment's conduciveness to trade; a **Productive Resource Index**, measuring the availability of direct inputs to production, such as land and labor; and, an **Infrastructure Index**, measuring the availability of indirect inputs that enable the movement of goods and services, including transport networks, energy infrastructure, and communication networks.

- ***Trade and development index:*** A trade and development index could be formulated for Champasak Province on a pilot basis (for application later to other border provinces) to provide a quantitative indication and an analytical framework to identify the impacts of provincial trade and development policies in terms of maximizing benefits and minimizing costs from trade liberalization and globalization. The impacts of trade would be measured in terms of human development (based on the Millennium Development Goals) as well as health expenditures per capita, domestic credit to agriculture and agribusiness, access to water, electricity, and education; access to standard (Basel 2) banking services, and gender development statistics.

6. RECOMMENDATIONS OF FEASIBLE INTERVENTIONS AND REQUIRED POLICY ACTIONS NECESSARY TO SUPPORT CROSS-BORDER AGRIBUSINESS DEVELOPMENT IN LAO PDR

6.1 RECOMMENDED POLICY ACTIONS

83. **The GOL should adjust cross-border trade policies to be more inclusive;** thereby ensuring that trade contributes both to economic growth and balanced social development. This can be achieved through the implementation of policies that protect intellectual property rights, enforce labor and environmental standards, and further liberalize the service sector. Specific indicators used to measure the dynamics of trade liberalization and globalization should be adopted (see *Measuring Trade Dynamics* above).

84. **The GOL should adopt a supply chain analysis approach to agribusiness development that would identify weak links as well as trade and investment opportunities in cross-border agricultural production supply chains.** Policy objectives would include improving the organization and management of cross-border trade; supporting more systematic contract farming arrangements between smallholder farmers and regional agribusiness; improved management and dissemination of market information; and, a clear role for government in monitoring and evaluation of commercial agricultural development arrangements (i.e., contract farming and agricultural concessions).

85. **The GOL should intensify support for the development of human and institutional resources to harmonize SPS inspection procedures with key trade partners.** Crossborder sanitary and phytosanitary (SPS) procedures should be applied more effectively to domestic production to ensure raw material traceability and accountability in existing and expanding supply chains. Rigorous application of SPS standards to Lao food and agricultural products would enhance the quality of Lao products leading to the development of a quality Lao brand in global markets. In this regard, the GOL should take the lead in mobilizing resources to engage agribusiness leaders and concerned business associations to become familiar with SPS issues and the need to harmonize Lao food safety regulations with WTO standards. A series of high-profile regional meetings and technical workshops should be organized to inform and instruct agro-processors and traders about SPS requirements, procedures, and documentation.

86. **The GOL should schedule a comprehensive review of trade infrastructure facilities in light of emerging changes in trade relations among neighboring countries; to take into consideration economic and trade impacts from the East-West Economic Corridor and the full implementation of AFTA in January 2010.** Consideration should be given to upgrading strategic trade roads in southern Lao PDR, specifically roads that would facilitate trade with Cambodia and Vietnam; and, roads that would stimulate investments in small- and medium-scale agro-processing enterprises. Funding for infrastructure investments should be sought from strategic trade partners who have vested interests in developing the trade facilitating infrastructure in Lao PDR.

6.2 POTENTIAL INTERVENTIONS

87. **Undertake additional scoping studies on cross-border agricultural commodity trade and agribusiness development in border provinces with high priority for accelerated investment and growth.** The criteria for selection of locations for the scoping studies (similar to this one for Champasak) could include the following: (i) trade development

priorities of the GOL; (ii) intensity of interest by regional and international investors; (iii) the level of completion of transportation and market infrastructure (i.e., preparedness for accelerated trade development); and, (iii) willingness (based on commitment and level of awareness) of provincial officials --- namely, senior provincial administrators, planning and investment officials, agriculture and forestry officials, and industry and commerce officials --- to collaborate, in an effort to facilitate cross-border trade and investment. In applying these criteria, it is recommended that a scoping study for Savannakhet Province be given high priority. Subsequent scoping studies also could be considered for Attapeu, Bokeo, Khammouane, Luang Namtha, Xayabouli, and Xieng Khouang.

88. Initiate contract farming pilot projects in all regions of Lao PDR within the framework of AFTA and similar agreements (with China), using Champasak Province as a model, with a carefully defined role for government. The development objective of the intervention would be to upgrade the technical capacity of Lao smallholder farmers to systematically produce a diversity of high quality raw materials on a continuous and dependable basis. This would be achieved by (i) effectively linking smallholder farmer production and marketing groups to domestic and regional agro-processors through contract farming; (ii) opening access to regional markets for Lao food and agricultural products; and, (iii) transferring industry-best technologies and best practices to Lao farmers to ensure that SPS standards are met. This intervention would contribute to achieving policy objectives related to establishing a steady supply of agricultural raw materials for domestic processing industries and to increase the export share of agriculture and forestry products to 30 percent of total exports (approximately US\$1 billion) by 2010.

89. Development of ASEAN Industrial Estates in designated industrial development zones at major border crossings, using Champasak Province as a functional model. The GOL could designate ‘preferred development zones’ in selected areas near border crossing points wherein a one-stop service for processing of all aspects of business registration and trade and investment services would be available to investors. The objective would be to overcome the cumbersome, time consuming, and discretionary procedures currently in use. The industrial estates would be created around existing industrial clusters (e.g., Beer Lao in Champasak Province), to attract small- and medium-scale support enterprises as well as additional large-scale investments. To promote investment in the ‘preferred development zones’, an ASEAN road-show would be staged in Kunming, Hanoi, Ho Chi Minh City, Bangkok, and Singapore, with the objective of promoting agribusiness trade and investment opportunities in selected areas of Lao PDR. The project would contribute to achieving policy objectives related to development of border areas with neighboring countries; supporting and promoting Lao enterprises and entrepreneurs to undertake international business; elimination of constraints to full participation in the World Trade Organization and AFTA; establishment of industrial processing that uses agricultural and forestry products; and, promotion of production for export and transit trade.

90. Creation of a cell-phone-based Lao Agricultural Marketing Information System (LAMIS) that would facilitate access to market information for smallholder producers and SMEs. The objective of this intervention would be to promote economic empowerment among smallholder farmers and SME through increased access to market information by way of contact with domestic and regional traders and contract farming organizations. The intervention would build on the existing Agricultural Marketing Information System (AMIS) at the Department of Production and Trade Promotion, supported by a loan from the Asian Development Bank. The existing system that focuses on agricultural commodity prices would be strengthened and expanded to include information related to quality and bio-safety standards that comply with ASEAN and WTO procedures and principles. Price information from major regional agricultural markets (e.g., Bangkok, Ho Chi Minh City, Singapore) also could be added.

6.3 INDICATIVE SUGGESTION FOR POSSIBLE TDF FINANCIAL INTERVENTIONS

91. **Champasak Trade Modernization Project (Champa-TMOP):** A new trade dynamic is emerging in the GMS. Accelerated cross-border trade between Champasak and Ubon Ratchathani and emergence of a synergistic alignment is evidence of this transformation. Local agribusiness organizations, producer associations, agro-industries, and research and financing institutions are rapidly expanding their knowledge-base. Chinese, Thai, and Vietnamese agro-enterprises increasingly realize the multiple benefits of the agro-ecological and strategic location of the Champasak–Ubon Ratchathani corridor when compared to elsewhere in the GMS. While significant potential and opportunity exist in the area and provide the necessary pull factors for expanded growth, equally essential push factors from the public sector are generally weak. The proposed Champa-TMOP, presented as **Attachment 13**, would redress the threats to trade modernization and the engagement with global supply chains feared by government and business sectors.

92. The **long-term development objective** of the Champa-TMOP is to create an enabling environment for expanding the trade of agricultural commodities produced in Southern Lao PDR. The proposed project would have **three components**, namely: (i) installation of science-based quality control laboratories and professional inspection procedures; (ii) implementation of a quality standards awareness program; and, (iii) development of an agroindustrial cluster. The principal actors would include, but not be limited to, MOIC, DPTP, Champasak PICO, Champasak University, Ubon Ratchathani University, and one or more agro-enterprises currently active in the production and processing of food and agricultural products from Champasak Province.

93. The principal **outcomes** from the project would include:

- Modernization of the trading system for food and agricultural products from Champasak.
- Champasak-based agribusiness enterprises would be engaged with global supply chains.
- Officials, entrepreneurs, and producers have a better understanding of international trade.
- The awareness of food and agricultural commodity quality standards and trends in international bio-safety requirements trade will be raised among officials, traders, entrepreneurs, students, and producers.

94. MOIC would be the **executing agency** of the project, and DPTP and Champasak PICO would be the **implementing agencies**. A **project steering committee** would provide policy guidance and a Champasak based **implementation committee** and a **project management unit** would have responsibility for implementing project activities over a two year period (24 months). An indicative budget for the project is estimated at US\$132,300.

LIST OF ATTACHMENTS

- Attachment 1: Terms of Reference of the Consultant
 Attachment 2: Itinerary for missions to Champasak, 31 May-7 June and 10-12 August 2009
 Attachment 3: List of persons met during missions to Champasak
 Attachment 4: Results of the review of existing analytical work on agribusiness and agricultural exports
 Attachment 5: Summary description of the concession authorization procedure
 Attachment 6: Business registration and licensing procedures
 Attachment 7: Agribusiness related investment projects proposed for Champasak
 Attachment 8: Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS)
 Attachment 9: Description of the Pakxong District Central Market Operations
 Attachment 10: List of references
 Attachment 11: Comparison of selected key concerns of ACMECS, AFTA, and WTO agreements
 Attachment 12: Export trade forms
 Attachment 13: Proposed project concept: Champasak Trade Modernization Project (Champa-TMOP)



Photos of an increasing number of agricultural products produced in Southern Lao PDR being exported through Champasak Province.

ATTACHMENT 1:

BASIC CONCEPT / TERMS OF REFERENCE FOR A SCOPING STUDY ON CROSS-BORDER AGRIBUSINESS IN LAO PDR

OBJECTIVE

The key objective of this assignment is to investigate recent efforts in Champassak province to facilitate cross-border agribusiness investments and to assess the potential that such arrangements have to generate exports, employment and income generating activities in the Lao PDR. The consultant should seek to identify the obstacles to facilitating cross-border agribusiness investments, and gauge the institutional efforts and results that have been achieved in this area by the local authorities in Champassak.

SPECIFIC TASKS

The consultant is expected to carry out the following activities:

- 1) Conduct a brief desk review of existing analytical work on agribusiness and agricultural exports, including key constraints to development, in Lao PDR.
- 2) Investigate and review the efforts by the provincial authorities in Champassak to facilitate cross-border investment in agribusiness.
- 3) Prepare a draft report to present recommendations of feasible interventions and required policy actions necessary to support cross-border agribusiness development in Lao PDR.
- 4) Organize a dissemination workshop to present the draft report for critical review.
- 5) Revise and submit a final report.

Additional specific tasks (Draft – August 4, 2009)

In order to gather additional information to fulfilling the above objective, the consultant will perform additional tasks arising from his previous assignment. These specific tasks are to:

- Draft a concept note for raising private sector awareness of sanitary and phytosanitary standards in agricultural production and how to scale up into private sector SPS intervention on vegetable production in Champasak province (an annex to the final report.)
- Provide additional review on the processes, times and requirements of detailed procedures, forms and paperwork that are required to export agro products, where the forms can be obtained and how much each costs, including particularly different costs for ACMECS, ASEAN Form D, AISP, and under the Memorandum of Understanding with Ubonratchathani province, Kingdom of Thailand.
- Provide a brief assessment of the possible impacts of the ACMECS framework, Thailand's upcoming AFTA commitment starting from January 1, 2010, and Lao PDR's ongoing WTO accession negotiation, on agribusiness development, focusing on the case of Champasak province.
- Finalize and submit a final report.

DELIVERABLES

Draft and final reports of no more than 20 pages (excluding annexes), with clear and specific recommendations for policy and for feasible interventions. The target audience for this study is the World Bank Vientiane Office, and the Ministry of Industry and Commerce (National Implementation Unit and Department of Production and Trade Promotion).

ANTICIPATED INPUTS

The expected duration of service is 20 days.

REPORTING

The consultant will work closely with the PREM cluster staff in the World Bank Lao Country Office, and will report to Richard Record, Trade Specialist.

ATTACHMENT 2:
ITINERARY FOR MISSIONS TO CHAMPASAK
31 MAY-7 JUNE AND 10-12 AUGUST 2009

Agribusiness Scoping Mission to Champasak Province, Lao PDR
31 May to 7 June 2009

Participants:

Mr. Anthony M. Zola, Lead Researcher and Agribusiness Development Specialist
 Mr. Richard Record, Trade Specialist, World Bank / Trade Development Facility
 Mr. Konesawang Nghardsaysone, World Bank / Trade Analyst
 Mr. Khampanh Sengthongkham, Deputy Director General, Department of Production and Trade Promotion
 Mr. Sysangkhom Khotnhotha, Department of Production and Trade Promotion
 Mr. Somvixay Vongthirath, Department of Production and Trade Promotion
 Ms Pinphakone Xayavong, Department of Production and Trade Promotion
 Ms. Vilayvanh Bounleuth, National Implementation Unit, Ministry of Industry and Commerce

Day	Date	Activity	Remarks
1	Sunday, 31 May	Afternoon: Zola travels by air from Bangkok to Ubon Ratchathane and by road to Paksé, Lao PDR.	Thai Airways TG022, lv Bangkok at 1340 hours; arr Ubon at 14.45 hours; travel by road to Paksé. Zola stays at Seng Aroun Hotel, Paksé, tel. +856-21-216-906
2	Monday, 1 June	Morning: 0900 hours: Meeting with Deputy Director of Champasak Province Industry and Commerce Office (PICO). 12.00 hours: Lunch in Paksé. Afternoon: 13.30 hours: Meeting with Deputy Director of Provincial Agriculture and Forestry Office (PAFO). 16.00 hours: Team Wrap-up Meeting; impressions of the day.	Agenda for PICO: Discussion on trade and investment in Champasak, including plans to promote agribusiness and incentives for regional investors. Review of implementation of ACMECS. Discuss implementation of 5 th MOU between Champasak and Ubon Ratchathane. Obtain detailed data on domestic, regional, and international trade through Champasak customs check points. Obtain detailed data on domestic, regional, and international foreign investors in Champasak. Agenda for PAFO: Discussion on agribusiness investments in Champasak. Obtain data on production and area of food and agricultural products produced and those produced for specifically for export. Discuss MAF and PAFO plans to build links to agribusiness. Discuss any crop diversification program.
3	Tuesday, 2 June	Morning: 0900 hours: Meeting with Mr. Sutsamonh Thongchaleun, Deputy Chief, Planning Division, PAFO, Champasak; to discuss availability of land in Champasak Province for plantations and concessions. 10.30 hours: Meeting with Mr. Bounsay Saphangthong, Deputy Director, Champasak Provincial Land Management Agency (PLMA)	Agenda for discussion with PLMA: Discuss plans for industrial development zones. Discuss plans for special trade zones at Thai

		<p>12.00 hours: Lunch in Paksé. Afternoon: 13.30 hours: Meeting with Mr. Viengkham Sinsanguouane, Administrator, Lao Coffee Exporters Association, and selected members, to discuss trade issues. 15.30 hours: Meeting with Mr. Chansamone Lomany, General Manager of AGPC, to discuss coffee trade issues. 17.00 hours: Team Wrap-up Meeting; impressions of the day.</p>	<p>and Cambodian borders. Discuss land classification for agricultural and agribusiness development. Other land related issues linked to facilitating agribusiness trade and investment in Champasak.</p>
4	Wednesday, 3 June	<p>Morning: 08.30 hours: Meeting with Mr. Chinda Vongsouly, President, Champasak Chamber of Commerce and Industry and selected members, to discuss agricultural trade issues. 09.30 hours: Mr. Bounmee Khamphihoun, Chief, Investment Section, Provincial Planning and Investment Office, to discuss plans for development of industrial estates and special economic zones. 10.30 hours: Meeting with Mr. Mr. Xamlath Boulath, Chief, Tax Section, Finance Division, to discuss issues related to taxation procedures for agricultural exports. 12.00 hours: Lunch in Paksé. Afternoon: 13.30 hours: Meeting with Lao Import-Export Company, Paksé; to discuss export procedures. 15.30 hours: Meeting with Seng Arthit Development Company, Phonthong District; to discuss trade with Thailand. 17.00 hours: Team Wrap-up Meeting; impressions of the day</p>	
5	Thursday, 4 June	<p>Morning: 07.00 hours: Travel to Ban Vang Tao, Phontong District, Lao-Thai border, to observe market activities. 08.00 hours: Travel to Ubon Ratchathanee, Thailand. 10.00 hours: Meet Mr. Richard Record and others from World Bank, traveling to Ubon Ratchathanee from Khon Kaen. 10.30 hours: Meeting with Ubon Ratchathanee Provincial Commerce Office, to discuss trade issues with Champasak. 12.00 hours: Lunch in Ubon Ratchathanee. Afternoon: 13.30 hours: Meet with the President of the Ubon Chamber of Commerce and selected members, in Ubon; tel. +66 45 243-603. 15.00 hours: Visit to wholesale market, Ubon Ratchathanee. 16.30 hours: Travel to Paksé.</p>	
6	Friday, 5 June	<p>Morning: 08.30 hours: Meeting with Mr. Bertrand Salee, Technical Advisor/Coffee Expert, PAB, in Paksé to discuss trade issues related to coffee; Office Telephone : 031-214-126. 09.30 hours: Travel to Pakxong District.</p>	

		<p>10.30 hours: Meet with Director, Pakxong District Industry and Commerce Office and Director, Pakxong District Agriculture and Forestry Office; and, Mr. Bountieng, Director, Phouphieng Bolovens Development Company, to discuss trading activities and issues related to trading food and agricultural products.</p> <p>12.00 hours: Travel to Thateng District, Sekong Province.</p> <p>12.45 hours: Lunch in Thateng.</p> <p>Afternoon:</p> <p>13.30 hours: Visit to Taniyama-Siam Company, Thateng District, Sekong Province.</p> <p>14.30 hours: Meet with Director, Thateng District Industry and Commerce Office, Thateng District, Sekong Province; to discuss agribusiness investments in the district and trade issues.</p> <p>15.00 hours: Travel to Xeset Hydropower Project, Lao Ngam District, Saravan Province.</p> <p>15.30 hours: Team Wrap-up Meeting at Tadlo Lodge, Xeset Hydropower Project. Discussion of next steps.</p> <p>17.30 hours: Travel to Paksé.</p>	
7	Saturday, 6 June	<p>Morning:</p> <p>09.00-12.00 hours: Visit to potential sites for the Study Workshop</p> <p>Afternoon:</p> <p>World Bank officials travel back to Vientiane.</p> <p>Zola: Report preparation</p>	
8	Sunday, 7 June	<p>Morning:</p> <p>DPTP officials travel to Vientiane.</p> <p>Zola travels to Bangkok.</p>	<p>Lao Airlines, QV522, lv Paksé 11.45 hours; arr Vientiane 13.00 hours; & QV415, lv Vientiane 16.40 hours; arr Bangkok 18.00 hours.</p>

**Scoping Study on Cross-border Agribusiness in Lao PDR
World Bank & Department of Production and Trade Promotion
Ministry of Industry and Commerce**

Itinerary

**Fact-finding Mission to Champasak Province, Lao PDR
10-12 August 2009**

Participants:

1. Mr. Anthony M. Zola, Lead Researcher and Agribusiness Development Specialist
2. Mr. Phaitoun Ietsomesouk, Technician, Champasak Provincial Industry and Commerce Office, Paksé

Day	Date	Activity	Remarks
	Monday, 10 August	<p>Morning:</p> <p>Review of draft report and comments from Paksé workshop held on 23 July 2009.</p> <p>Afternoon:</p> <p>Zola travels by air from Bangkok to Ubon Ratchathani.</p> <p>15.30 hours: Meeting with representatives of the Food Science Department, Faculty of Agriculture, and others concerned at Ubon Ratchathani University, Thailand</p> <p>Proposed Agenda for Meeting at Ubon</p>	<p>Thai Airways TG022, lv Bangkok at 1340 hours; arr Ubon at 14.45 hours</p> <p>Contact: Professor Michael D. Hare, Ubon Forage Seeds, Faculty of Agriculture, Ubon Ratchathani University,</p>

		<p>Ratchathani University Introductions by Dr. Michael Hare. Welcome to Mr. Zola by a University Representative. Brief summary of the Trade Development Facility study on cross-border trade between Champasak and Ubon Ratchathani provinces by Mr. Zola. Briefing on the faculty, staff, and research and academic priorities of the Department of Food Science of Ubon Ratchathani University by a University Representative. Including a description of any initiatives with the public and private sectors related to food safety and sanitary and phytosanitary (SPS) standards.</p>	<p>Ubon Ratchathani 34190, THAILAND (66) 081 879 6263</p>
		<p>17.00 hours: Zola travels by road to Paksé, Lao PDR.</p>	<p>Zola stays at Seng Aroun Hotel, Paksé, tel. +856-21-216-906</p>
	Tuesday, 11 August	<p>Morning: 0900 hours: Meeting with Mr. Somboun Vongkhamla, Deputy Director, Industry and Commerce Division, Provincial Industry and Commerce Office (PICO), Paksé, 1030 hours: Meeting with Mr. Champa Khamsouksay, Director, Provincial Planning and Investment Office, cell phone: 202-550-0678, to discuss plans for development of agribusiness clusters in Champasak. Afternoon: 13.00 hours: Meeting with Mr. Chongkao Surathathaom, Technician, Product Inspection Unit, Science and Technology Division, Paksé 13.30 hours: Meeting with Mr. Viengkham Sinsanguoane, Administrator, Lao Coffee Association, Paksé, Champasak; Office: 031 212 644; to discuss export procedures for coffee. 15.30 hours: Meeting with Mrs. Kinphakone Nhouyvanisavong, Chief of Cabinet, Lao Chamber of Commerce and Industry, Paksé, Champasak, Office: 031 254 339; to discuss forms related to exporting agricultural commodities from Champasak Province.</p>	<p>GOL Counterpart: Mr. Paitoun, 020 5277772 Agenda for PICO: Discuss forms and paperwork requirements required to export agro products - in particular the different costs for ACMECS, ASEAN Form D, AISP and under the MoU with Ubon. Review the different requirements, processes, times, where the forms are obtained, and how much they each cost. Zola stays at Seng Aroun Hotel, Paksé, tel. +856-21-216-906</p>
	Wednesday, 12 August	<p>Morning: 08.00 hours: Meeting with Mr. Chansamone Lomany, General Manager, AGPC; discuss coffee export procedures. Office telephone : 031-214-126 09.00 hours: Meeting with Mr. Kham Douangchem, Agricultural Product Development Co., Ltd., tel: 031.213585; to discuss trade issues related to the export of vegetables from Champasak Province. 10.00 hours: Meeting with Mr. Vanitja Sayasane, Branch Manager, and Mr. Viengvilay Sayalath, Credit Manager, Phongsavanh Bank, Paksé, to discuss agricultural credit issues. 10.30 hours: Travel to Savannakhet. Afternoon: 15.00 hours: Flight from Savannakhet to Vientiane.</p>	<p>QV202, Lv ZVK 15.00 hours; Arr VTE 17.30 hours Zola stays at Hotel Khamvongsa, Ban Vat Chanthaboury, tel. 021-223-257</p>
	Thursday, 13 August	<p>Morning: Report preparation.</p>	

		10.30 hours: Meeting with DPTP/TDF team, DPTP, Vientiane; review findings from field visit. Afternoon: Report preparation 16.30 hours: Meeting with TDF team at World Bank, Vientiane; review findings from field visit..	
	Friday, 14 August	Morning: Report preparation. Afternoon: Report preparation. 16.00 hours: Travel from Vientiane to Udonthanee, Thailand 20.00 hours: Travel from Udonthanee to Bangkok.	TG015, Lv UTH 20.00 hours; Arr BKK 21.00 hours

ATTACHMENT 3:
LIST OF PERSONS MET

Date	Name / Position	Principal Contact
Mission to Champasak: 31 May – 7 June 2009		
1 June	Mr. Saythong Xayavong, Chief Industry and Commerce Division Provincial Industry and Commerce Office Paksé, Champasak	Office: 031 251 550
	Mr. Sukan, Technician Industry and Commerce Division Provincial Industry and Commerce Office Paksé, Champasak	Office: 031 251 550
	Mr. Suksavanh Vilayvong, Technician Industry and Commerce Division Provincial Industry and Commerce Office Paksé, Champasak	Cell phone: 020-773-6009
	Mr. Saly Siriphokha, Deputy Director Provincial Agriculture and Forestry Office Paksé, Champasak	Office: 031 212 259
	Mrs. Kiphakone Nhouyvanisavong, Chief of Cabinet, Lao Chamber of Commerce and Industry, Paksé, Champasak	Office: 031 254 339
2 June	Mr. Somlit Vilavong, Deputy Chief, Cabinet Office, Provincial Agriculture and Forestry Office, Paksé, Champasak	Office: 031 212 234
	Mr. Soutsamonh Thongchaleun Chief, Planning Division, Provincial Agriculture and Forestry Office, Paksé, Champasak	Office: 031 212 259
	Mr. Bounsay Saphangthong, Deputy Director Provincial Land Management Organization Paksé, Champasak	Office: 031 251 967
	Mr. Viengkham Sinsanguoane, Administrator Lao Coffee Association, Paksé, Champasak	Office: 031 212 644
	Mr. Bounthientham Nouanpaseuth, Manager Agro Lao Import Export, Ltd. Bachieng District, Champasak	Cell phone: 020 404 1555
	Mr. Chansamone Laomany, General Manager Association des Groupements de Producteurs de Café du Plateau des Bolovens (AGPC) Paksé, Champasak	Office: 031-214 126 Email: lomanyc@yahoo.fr
3 June	Mr. Chinda Vongsouly, President Champasak Province Chamber of Commerce and Industry, Paksé, Champasak	Office: 031 254 339 Email: cbfgroup@laotel.com
	Mr. Bounmee Khamphioun, Chief Investment Section, Provincial Planning and Investment Office, Paksé, Champasak	Cell phone: 020 563 4003

Date	Name / Position	Principal Contact
Mission to Champasak: 31 May – 7 June 2009		
	Mr. Xamlath Boulath, Chief, Tax Section, Finance Division, Paksé, Champasak	
	Mr. Hounla Manichanh, Manager Societe Lao Import-Export, Paksé, Champasak	Office: 031 212 337
3 June	Mr. Ekasak Phoumvama, Factory Manager Seng Arthit Development Co. Ltd. Km. 12 Village, Route 10, Phonthong District Champasak	Cell phone: 020 226 0231
	Mr. Khamla Sengmany, Production Manager Seng Arthit Development Co. Ltd. Km. 12 Village, Route 10, Phonthong District Champasak	Cell phone: 020 543 3216
4 June	Mr. Kitikorn Klin-song, Assistant Director Provincial Office of Commercial Affairs Ubon Ratchathani, Thailand	Office: 045 244 771
	Mr. Chavalit Ongkavanit, Advisor to the President, Ubon Chamber of Commerce 23 Promthep Road, Nai Muang, Muang District, Ubon Ratchathani	Office: 045 243 603 Email: ongkavanit@hotmail.com
	Mrs. Maliwan Chaisongkram, Vice President Ubon Chamber of Commerce 23 Promthep Road, Nai Muang, Muang District, Ubon Ratchathani	Office: 045 243 603 Email: y.s.g@tahi.com
	Mr. Somchai Surapat, Managing Director Ubon Takerng Tour Co., Ltd. 425 Promraj Road, Nai Muang, Muang District, Ubon Ratchathani	Office: 045 242 400 Email: tkubon@yahoo.com
5 June	Mr. Bertrand Sallee, Technical Advisor/Coffee Expert, PAB-PCADR Project, Paksé, Champasak	Office: 031 214 126
	Mr. Bounphone Bounnalath, Manager Pakxong Central Market Enterprise Pakxong District, Champasak	Cell phone: 020 527 3251
	Mr. Khanty Mouisengmany, Director, District Industry and Commerce Office, Pakxong District, Champasak	Cell phone: 020 982 0634
	Mr. Thavone Maothai, Deputy Director, District Agriculture and Forestry Office, Pakxong District, Champasak	Cell phone: 020 583 4215
	Mr. Bountieng Thansaphang, Director, Bolovens Plateaux Trade Development Company, Pakxong District, Champasak	Office: 031 214 244 Cell phone: 020 583 5305
	Mr. Soukan Chansipaseut, Director, District Industry and Commerce Office, Thateng District, Sekong Province	Cell phone: 020 667 4898
	Mr. Santi Kaewnaha, Administrative Manager, Taniyama Siam / Advance Agro Farm, Thateng District, Sekong Province	Cell phone: 020 553 8864

Date	Name / Position	Principal Contact
Fact-finding Mission to Champasak: 10-12 August 2009		
10 August	Assoc. Prof. Dr. Watcharapong Wattanakul Dean, Faculty of Agriculture, Ubon Ratchathani University, Ubon Ratchathani, Thailand	Office tel.: +66-45-353 559

	Assoc. Prof. Dr. Worapong Suriyapat, Consultant, Faculty of Agriculture, Ubon Ratchathani University, Ubon Ratchathani, Thailand	Office tel.: +66-45-353 516
	Dr. Michael Hare, Ubon Forage Seeds, Faculty of Agriculture, Ubon Ratchathani University, Ubon Ratchathani, Thailand	Office tel.: +66-45 353 506
11 August	Mr. Somboun Vongkhamla, Deputy Director, Industry and Commerce Division, Provincial Industry and Commerce Office (PICO), Paksé	Office tel.: 031 212 227
	Mr. Champa Khamsouksay, Director, Provincial Planning and Investment Office, Paksé	Cell phone: 020 550-0678
	Mr. Bounyong Sounthone, Deputy Chief, Promotion Investment Sector, Provincial Planning and Investment Office, Paksé	Office tel.: 031 212 542
	Mr. Chongkao Surathathaom, Technician, Product Inspection Unit (Techno), Science and Technology Division, Paksé	
	Mr. Viengkham Sinsanguoane, Administrator, Lao Coffee Association, Paksé	Office tel.: 031 212 644
	Mrs. Kinphakone Nhouyvanisavong, Chief of Cabinet, Lao Chamber of Commerce and Industry, Paksé	Office tel.: 031 254 339
12 August	Mr. Chansamone Lomany, General Manager, Association des Groupements de Producteurs de Café du Plateaux des Bolovens (AGPC)	Office tel. : 031 214 126
	Mr. Kham Douangchem, Manager, Agricultural Product Development Co., Ltd.,	Office tel.: 031 213 585
	Mr. Vanitja Sayasane, Branch Manager, and Mr. Viengvilay Sayalath, Credit Manager, Phongsavanh Bank, Paksé	Office tel.: 031 260 311 and 031 260 277

ATTACHMENT 4:
**RESULTS OF A BRIEF DESK REVIEW OF EXISTING ANALYTICAL WORK
ON AGRIBUSINESS AND AGRICULTURAL EXPORTS, INCLUDING KEY
CONSTRAINTS TO DEVELOPMENT
IN LAO PDR**

1. Existing analytical work on agribusiness

Alastair Fraser, Natural Resources Management Specialist: ADB, PPTA-4843 (LAO): *Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Main Report: Proposed Sector Development Program*; Draft Report, May 2008.

This report is the main or integrative report for a technical assistance study undertaken for MAF and supported by ADB. The report serves as the basis for the recently initiated *Sustainable Natural Resource Management and Productivity Enhancement Project* supported by the ADB and International Fund for Agricultural Development (IFAD). The Project addresses institutional and capacity building requirements to enable improved management of the sector on a sustainable basis while contributing to the Government's overall objectives of enhancing agricultural productivity, promoting commercialization of agriculture, and protecting the country's natural resources. Project outputs are expected to consist of (i) capacity built in sector management, (ii) investment in resource management and productivity enhancement, and (iii) an effective project management structure.

David Fullbrook, *Contract Farming in Lao PDR: Cases and Questions*: Produced by the Laos Extension for Agriculture Project (LEAP) for the Government-Donor Sub Working Group on Farmers and Agribusiness, October 2007.

This report, prepared for MAF by the Government-Donor Sub-Working Group on Farmers and Agribusiness (SWGAB), contains an analysis of case studies that illustrate different types of agribusiness interventions in Lao PDR. The report draws on the experience and opinions of local actors: traders and investors, district officials and development workers, and farmers. Two case studies are from Champasak Province, namely: contract farming of coffee production; and, contract farming of vegetables for export.

World Bank, East Asia PREM: *Diagnostic Trade Integration Study: Building Export Competitiveness in Laos, Summary Report*, November 2006.

This report examines in significant detail the challenges and opportunities to trade for Lao PDR; reducing the costs of engaging in international trade; addressing institutional challenges to doing business; and, putting in place mechanisms to overcome the key constraints to improving the competitiveness of Lao products.

Anthony M. Zola, Contract Farming and Plantations Specialist: ADB PPTA-4843 (LAO): *Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Annex: Contract Farming & Plantations: A Preliminary Assessment of Contract Farming Arrangements and Plantations in the Agriculture and Natural Resources Sector of Southern Lao PDR*, Draft Report, May 2008.

This report consists of a summary typology of a range of regional and international investments in the agriculture and natural resources (ANR) sector in southern Lao PDR; a description of emerging trade and investment trends based on an analysis of these investments; a summary of the current situation with respect to contract farming and concession-based agriculture: ANR sector governance implications of current and future investments in the absence of procedural and policy changes; proposed principles for good

practice for provincial and central authorities towards ANR investments in future; and, proposals for policy, procedural, and investment requirements to promote good practice and strengthen MAF planning and management of foreign investments in the medium-term.

Anthony Zola, Contract Farming and Plantations Specialist: *Synopsis of Contract Farming in Selected Areas of the GMS: A Focus on Cambodia and Lao PDR*, May 2007.

The report examines recent progress of contract farming for export in Lao PDR and Cambodia, with an emphasis on the potential for expanding contract farming and factors that constrain more rapid expansion. The report proposes policy and institutional changes for both countries and neighbor countries to enhance the impact of contract farming on farmers and the economy. The report also explores private sector participation in Lao agriculture for both export and domestic markets.

2. Existing analytical work on agricultural exports

ADB, *Performance Evaluation Report, Lao People's Democratic Republic and Socialist Republic of Viet Nam: Greater Mekong Subregion: East–West Corridor Project* (Project Number: PPE: LAO-29271/VIE-32105, Loan Numbers: 1727-LAO(SF) and 1728-VIE(SF), December 2008.

Among the lessons learned from the evaluation are the following: full regional benefits of the Project will be realized only after the Cross-Border Transport Agreement (CBTA) has been ratified and implemented to strengthen project achievements; for the Lao PDR to benefit fully from the road and transport facilitation project, it will require complementary investments and capacity development and it needs to attract labor-intensive agro-industries and activities, and to further identify key imports and exports where it has comparative advantage; and, road improvement is not sufficient to trigger investments from the private sector, but policy and institutional changes are necessary to encourage private sector activities in production and services. In addition, the Project opened up markets and enhanced consumer choices through (i) cheaper prices, and (ii) product availability and diversity. Improved connectivity along the corridor also helped form surplus areas of production, which resulted in changes in the livelihood and living standards of local residents. However, the depth of project impact varied with each household's access to productive resources and the adoption of appropriate technology.

ADB and Committee for Planning and Cooperation, *Northern Regional Development Strategy*, Vientiane, Lao PDR, March 2004.

The study formulated a plan of action for development of the nine northern provinces of Lao PDR in eight volumes that builds on the GOL's Socio-Economic Development Plans (to 2005, 2010, and 2020) and the National Growth and Poverty Eradication Strategy (NGPES). Three volumes are of particular interest, namely: Volume 2, Agriculture, Forestry, and Environmental Development Strategies; Volume 5, Trade and Tourism Development Strategy; and, Volume 6, Business and Private Sector Development Strategy.

K.R. Chapman, Agronomist: ADB, PPTA-4843 (LAO): *Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Annex: Agronomy*; Draft Report, March 2008.

This agronomy report focuses on the Government of Lao PDR (GOL) priority of commercial production of crops including plantation farming and contract farming with the aim to establish a process for commercial production of new crops and improving existing commercial crop production systems using Champasak province as the model approach. Champasak was selected for the following reasons:

- The most opportunities exist for potential commercialisation of high value-added industrial and horticultural crops based on the agro-ecology, as well as lowland and upland rainfed rice based systems;

- Plantation concessions have been developed with large areas of smallholder coffee and plantation coffee; domesticated production of non-timber forest products (NTFPs); protected forest areas; and, industrial tree plantations;
- Road links provide good access to Vietnam, Thailand, and Cambodia, for exports to those countries and overseas markets, and provide the most opportunities for high value-added commercialization.
- Champasak districts have the most data on current land use, updated in 2006, the recent satellite imagery and agro-ecological and topographic data needed to identify new crops and enterprises.
- Several recent marketing studies are available for horticultural crops (Vernon, 2005) and studies on industrial crops for development (Chapman, 2001). The province already exports some of these high value products.
- Champasak already has production of cash crops such as maize, soybean, cassava, peanuts, for contract farming enterprises.

Montague Lord, Trade Specialist: ADB, PPTA-4843 (LAO): *Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Annex: Trade and Investment*; Draft Report, May 2008.

The report focuses on trade and investment related-activities of the ANR Sector Development Program. A strategy for trade and investment is proposed that adopts existing value chain models and other available tools to identify specific key ANR product-related activities with a long-term comparative advantage in the domestic, regional and world markets. A detailed analysis is presented of product commercialization and export and domestic market opportunities, as well as the associated product development support that is needed in each of the identified activities. Products with ‘World Market Import Growth, measured by the income elasticity of import demand, and divided into high growth product markets include: avocados, ginger, chili, spices, palm oil, coffee, sugarcane, and coconuts. Products with ‘Domestic Production Opportunities’ with links to agro-processing by micro- and small enterprises and small- and medium-scale enterprises (SME) that feed into global value chains include avocados, ginger, chili, spices, palm oil, coffee, peaches, cinnamon, nutmeg, cardamom, peppers, rubber, bananas, and tea. Market Prospects, measured over the medium to long-term, are favorable for avocados, ginger, chili, spices, nutmeg, cardamom, peppers, sugarcane, cashew, kiwi, and pomelos.

Anthony M. Zola, Development Economist and Lead Researcher, Fraser, A., Forester, Aungsumalin, S., Economist, Sudsawasd, S. Social Specialist, and Sciortino, R., Editor, *Study on Enhancing Upland Food Security and Crossborder Agricultural Production Supply Chains in the GMS*, Rockefeller Foundation and MIDAS Agronomics Co., Ltd., Bangkok, March 2008.

This research paper uses a case study approach to analyse market-oriented upland agricultural and rural development interventions in the GMS. The report concludes that the following are critical factors for success:

- Links to domestic and regional markets
- Dependable technical assistance at the farm level
- Familiarity with activities being introduced
- Linkages to food security and quality of life
- Access to natural resources
- Role for business

The study also discusses the comparative advantages of upland areas of the GMS and identifies and reviews several new or under-utilized crops that could be promoted in those areas, including:

Traditional Upland Crops			
Hemp	White Sesame	Cotton	Castor bean
Tree Crops			
Styrax (for benzoin)	Cinnamon	Gum Arabica	
Non-timber forest products			

Medicinal herbs Cardamom

Biofuel Crops

Jatropha

Organic Crops

Temperate climate vegetables

World Bank, Diagnostic Trade Integration Study (DTIS), *Building Export Competitiveness in Laos, Summary Report*, East Asia PREM, November 2006.

The report examines the opportunities and strengths of several sectors including tourism, light manufacturing, and agricultural products. The role of the GOL in promoting export competitiveness is examined, with recommendations for facilitating trade with European, North American, Japanese, East Asian and ASEAN markets. Issues related to streamlining Customs, logistics, and sanitary and phyto-sanitary (SPS) procedures are addressed. Finally, the report proposes several recommendations for creating an enabling environment for investment in the sectors reviewed.

APPENDIX 5:
SUMMARY OF GOVERNANCE AND PROCEDURES
FOR OBTAINING AGRICULTURAL LAND CONCESSIONS¹⁹

1. The GOL declared a moratorium on the granting of new land concessions in May 2007. This action was taken to allow the GOL to review its policies and procedures for granting large-scale land concessions. It is likely that the principal reason for this suspension order is the inadequate implementation of laws and policies by government agencies and officials. Hanssen states that there has been a lack of capacity within State organizations and a ‘perceived’ lack of incentives for local level officials to implement rules and regulations properly.²⁰

2. Discussions with PAFO and DAFO personnel confirm that existing procedures designate different levels of government to grant land concessions of various sizes, namely:

3. Provincial governors have the authority to allocate land up to 100 ha. Although district chiefs have the legal right to allocate only up to 3 ha, they can do this in multiple amounts. In practice, provincial authorities empower district chiefs to allocate up to 100 ha, also in multiple amounts.

4. Land concessions of up to 10,000 ha can be approved by MAF at the central government level, while areas exceeding 10,000 ha must be authorized by the National Assembly.

5. Hanssen reports that ‘these regulations...seem to be largely ignored, with some concessions of thousands of hectares granted by provincial authorities.’²¹ In breaking the rules, it appears that provincial officials are not willing to relinquish authority over, and benefits from, the granting of large land concessions, to authorities at the national level.

6. Information on rules, regulations, and procedures for granting land concessions obtained from field interviews of PAFO and DAFO personnel in the southern provinces were generally consistent. Procedures have changed recently, as a result of the creation of offices of the National Land Management Agency (NLMA) at the central, provincial, and district levels. As recently as 2006 investors could apply for land concessions directly with provincial governors and district chiefs, who would then coordinate with PAFO and DAFO, respectively, to conduct land surveys in areas identified as suitable for concessions. A business development and investment plan would be prepared and submitted to the provincial or district planning and investment department for consideration and forwarded to the provincial governor or district chief for final approval. Current procedures however, require that investors interested in obtaining land concessions first contact the provincial or district office of the NLMA. Suitable land is identified and PAFO and DAFO staff are mobilized to undertake an on-site land survey, with the participation of representatives of local villagers. A survey report and

¹⁹ Anthony M. Zola, Contract Farming and Plantations Specialist: ADB PPTA-4843 (LAO): “Agriculture and Natural Resources Sector Needs Assessment, Phase 2, Annex: Contract Farming & Plantations: A Preliminary Assessment of Contract Farming Arrangements and Plantations in the Agriculture and Natural Resources Sector of Southern Lao PDR,” Draft Report, Asian Development Bank, May 2008.

²⁰ Cor. H. Hanssen. “Lao land concessions, development for the people?” at the International Conference on Poverty Reduction and Forests: Tenure, Market, and Policy Reforms. Regional Community Forestry Training (RECOFT) Center for Asia and Pacific, Bangkok, 3-7 September 2007, p. 1.

²¹ *Ibid.*, p. 8.

business development proposal is prepared and submitted to the district chief and provincial governor for consideration and final approval.

- The 100 ha limit on granting land concessions by provincial governors remains unchanged. Often governors approve 100 ha to allow the concessionaire to demonstrate his genuine interest in investing, after which he can return to request additional land.
- The role of DAFO in the land survey process is to consult with villagers regarding the availability of land in the community. The role of PAFO is to determine the status, suitability, and capability of the land identified. No forest lands are available for land concessions.

7. PAFO and DAFO personnel also point out that there are weaknesses in the current system.

- Occasionally investors apply for a land concession directly to central government officials without first contacting provincial officials. Similarly, at times investors contact the provincial governor directly, who authorizes a concession. If the request for a concession (usually large) is approved, the concerned provincial and local government officials are obligated to make land available. The PAFO and DAFO offices are nearly always the last to know about land allocation for concessions, but are duty-bound to identify land and undertake ground surveys.
- It should be pointed out that investors are eager to obtain documentation approving land concessions for submission to banks and financial institutions to support loan requests.
- Provincial and district governments sometimes are shareholders in land concession operations. In some such cases, shares in the projects are provided as payment for facilitating the investment process.

8. Laws are often broken. For example, the amended Law on Promoting Investment (2004) says that a foreign investor cannot employ more than 10 percent of foreign workers in its labor force. However, large foreign land-based investments in the south and in the north often import labor from neighboring countries well beyond the stipulated limit.

**ATTACHMENT 6:
REGISTRATION REQUIREMENTS FOR
A STANDARDIZED COMPANY IN LAO PDR**

(Legal Form: Private Limited Liability Company)

No.	Procedure	Time to Complete	Cost to Complete
1	Apply for operational license	30 days	No charge
2	Pick up a company registration	1 day	30,000 kip
3	Obtain the declaration of sentencing (Form No. 3) from the Lao court.	3 days	10,000 kip
4	Register the company with the Enterprise Registration Office of the Domestic Commerce Department of the Ministry of Industry and Commerce and obtain an enterprise registration certificate	7-10 days	20,000 to 2 million kip
5	Obtain approval to make a sign indicating the company name	5 days	10,000 kip
6	Register with the Financial Department for taxes.	2 days	25,000 kip (application form) + 150,000 kip (tax certificate)
7	Make a company seal	45 days	120,000 kip for Lao language and 123,000 kip for Lao and other languages
8	Register the workers for social security	7 days	no charge
	Total	Maximum: 103 days Minimum: 100 days	

Source: Doing Business website; accessed on 28 June 2009.

**ATTACHMENT 7:
 AGRIBUSINESS RELATED MANUFACTURING PROJECTS
 PROPOSED FOR CHAMPASAK PROVINCE**

No.	Manufacturing / Agribusiness	Location / District
1.	Coffee processing	Industrial zone
2.	Fruit processing	Industrial zone
3.	Rubber processing	Industrial zone
4.	Cashew nut processing	Industrial zone
5.	Bio-fertilizer production	Industrial zone
6.	Animal feed factory	Industrial zone
7.	Paper processing	Sanasomboun
8.	Vegetable oil mill	Sanasomboun
9.	Cassava flour processing	Pathoumphon
10.	Bio-ethanol / bio-diesel factory	Sanasomboun
11.	Vermicelli production	Industrial zone
12.	Fruit juice factory	Industrial zone
13.	Banana processing	Bachiengchaleunsouk
14.	Pickled vegetable processing	Pakxong
15.	Meat and fish processing	Industrial zone (Km 16)

Source: Champasak Provincial Department of Planning and Investment, *Investment Opportunities in Laos: Champasak Province*, 2009.

ATTACHMENT 8:

AYERWADDI - CHAO PHRAYA - MEKONG

ECONOMIC COOPERATION STRATEGY

ACMECS: The Thai Government's Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) Plan of Action was launched in 2003. It has emerged as the principal policy mechanism for promoting bilateral trade and investment between Thailand and Cambodia, Laos, Myanmar, and Vietnam. Investment in the form of contract farming has been the major vehicle for producing food and agricultural raw materials by farmers in selected border areas of Cambodia, Lao PDR and Myanmar, encouraged specifically for importation and use by Thai agroindustries.

Initially five areas were designated for the promotion of contract farming by Thai companies registered with Thai provincial authorities in border areas adjacent to Cambodia, Laos, and Myanmar. Discussions at subsequent ACMECS meetings resulted in new areas being designated (with others likely to be added later), expanding the number of areas currently to seven, namely:

Sakeo Province, Thailand & Banteay Meanchey Province, Cambodia
Nakhon Phanom Province, Thailand & Khammouane Province, Lao PDR
Mukdahan Province, Thailand & Savannakhet Province, Lao PDR
Chiangrai Province, Thailand & Bokeo Province, Lao PDR
Chiangrai Province, Thailand & Tachilek, Myanmar
Ubon Ratchathani Province, Thailand & Champasak Province, Lao PDR
Tak Province, Thailand & Mawlamyine, Myanmar

Other areas being considered for inclusion in the future include:

Nan Province, Thailand & Xayaboury Province, Lao PDR
Loei Province, Thailand & Xayaboury Province, Lao PDR

In the context of ACMECS, the provinces of primary interest for this study include Mukdahan Province, Thailand and Savannakhet Province, Lao PDR; and, Ubon Ratchathani Province, Thailand and Champasak Province, Lao PDR.

The ACMECS Plan of Action identifies specific food and agricultural products for contract farming in neighboring countries. Originally these included soybeans, maize, groundnuts (peanuts), cashew nuts, castor beans, potatoes, and livestock. Subsequent meetings of ACMECS (i.e., the First Meeting of the Sectoral Working Group on Agricultural and Industrial Cooperation under ACMECS, October 2005) agreed to add crops to the original list. As a result, in Myanmar the list of contract farming crops now includes rubber, tropical fruit, and bio-fuel crops (such as sugar cane and oil palm). In Cambodia, the list was expanded to include tropical fruit and Eucalyptus trees; while in Lao PDR, the list of crops for contract farming remained unchanged.

Priority initiatives that have emerged among ACMEC member countries include: (i) collaborative research and development of potential food and agro-industrial crops; (ii) strengthening and harmonizing sanitary and phytosanitary (SPS) standards for food crops and livestock; (iii) promoting investments in value-added processing of food crops; (iv) joint ventures for the production of hybrid maize seed, vegetables, and flowers; and, (v) technical assistance and farmer training courses on field crops, potatoes, and cashew nuts. To this end, proposals have been formulated for feasibility studies to establish national accreditation boards, including the creation of verification centers, and for enhancing cooperation between

the standards bodies of each of the ACMECS group of countries. Initiatives to harmonize quality control measures and enforce SPS standards also would benefit agro-processors in China and Vietnam.

China-ASEAN Trade in Goods Agreement: This agreement is likely to have a greater impact on cross-border contract farming enterprises in the northern uplands than in the south. However, several Chinese firms also have been granted concessions in the southern provinces. It is likely that some of this investment has been stimulated by the signing of the China-ASEAN Trade in Goods (TIG) Agreement signed in July 2005. The TIG Agreement is as a significant step towards forming a China-ASEAN Free Trade Area (CAFTA) by 2010. CAFTA would be the world's third largest free trade area after the EU and NAFTA, with a combined population of 1.8 billion and GDP exceeding US\$2 trillion. The CAFTA-TIG Agreement covers tariff-lines representing more than 95 percent of China-ASEAN trade, which grew annually by 23 percent from 1997-2005 to reach US\$130.5 billion.²² As part of the Early Harvest Program (EHP) under the TIG, tariffs on about 600 agricultural products have been reduced, including those on aquatic products, fruits and vegetables, and live animals, as well as meat and edible meat offal, fish, dairy produce, other animal products, live trees, and edible vegetables, fruit, and nuts. All tariff rates on these products were brought down to zero in 2006.²³

Subsequent to signing the TIG Agreement, China exchanged letters with Cambodia, Laos, and Myanmar on 11 December 2005 approving special and preferential tariff treatment on several categories of goods exported to China. Effective 1 January 2006, a preferential policy was applied to 83 categories of goods from Cambodia, 91 from Lao PDR, and 87 from Myanmar. This is in addition to preferential tariff treatment for 335 categories of goods imported from Cambodia, 239 from Laos, and 133 from Myanmar²⁴ provided since 1 January 2004.

Although the central government in China has declared zero-tariff on approximately 600 agricultural raw material imports from Laos,²⁵ it continues to impose a 20 percent tariff on rubber imported from Laos; a principal contract farming crop being promoted by Chinese investors, traders, and rubber processors throughout the country.

The TIG Agreement and the special and preferential tariff treatment for Lao products is not specifically aimed at promoting contract farming. However, the ability to export from Laos a broad range of agricultural raw materials to China with zero import tariffs serves as an incentive for Chinese traders, investors, and agro-processors to source raw materials through contract farming arrangements.

Thailand's zero-tariff on selected agricultural imports: In addition to mechanisms established through ACMECS, support from the Thai Government to promote cross-border contract farming has included the elimination of tariffs on selected agricultural raw materials imported from neighboring countries (specifically imports that may be consumed in Thailand or elsewhere). Ten crops were placed on this list in 2006 and an eleventh was added in 2007, namely:

- | | |
|----------------|-------------------------|
| 1) Potatoes | 6) Job's tears |
| 2) Sweet maize | 7) Soybeans |
| 3) Field maize | 8) Groundnuts (peanuts) |

²² China-ASEAN Free Trade Area and Implications for Hong Kong as a Trade Hub Hongkong Trade Development Council, 29 June 2006

²³ Minister Bo Xilai Answering Questions of the Press on China-ASEAN FTA, Ministry of Commerce of China, 10 August 2006.

²⁴ China View, 11 December 2005, www.chinaview.cn, accessed on 25 March 2007.

²⁵ Personal communication with Lao Ministry of Agriculture and Forestry, February, 2007.

- 4) Mungbeans
- 5) Cashew nuts

- 9) Castor beans
- 10) Eucalyptus wood
- 11) Sesame (added in 2007)

Customs reform: In addition to the regional development framework and incentives provided by the ACMECS, CAFTA, EHP, and TIG Agreement, customs reform within the GMS is facilitating the expansion of cross-border contract farming arrangements. The GMS Business Forum²⁶ has prepared a ‘Customs Code Comparison’ that summarizes regulations and procedures for the imports and exports of each GMS country. GMS member countries have adopted the *Harmonized Commodity Description and Customs Coding System* that serves as a classifying procedure for goods entering through customs as imports and leaving as exports. Ninety-seven chapters cover all commodities that are traded among GMS member countries. Customs reform and harmonization of trade regulations are important elements in the trade liberalization process and contribute to facilitating trade, investment, cross-border contract farming initiatives, and the movement of raw materials for processing among ACMECS member countries.

²⁶ GMS Business Forum & Directory, Customs Code Comparison, at www.gmsbizforum.com accessed on 25 March 2007.

ATTACHMENT 9:
CASE STUDY: PAKXONG DISTRICT CENTRAL
MARKET OPERATIONS, CHAMPASAK PROVINCE²⁷

1. In Pakxong District, Champasak Province, a wholesale market has operated since 2006. It was initiated through the Ayerwaddi - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS), a Thai Government initiative for promoting contract farming among neighboring countries with the specific aim of providing raw materials to Thai agroindustries. To date, ten Lao companies and four Thai companies that traditionally have traded at the Champasak (Lao PDR) – Ubon Ratchathanee (Thailand) border (at Vang Tao) have registered with Thai and Lao authorities to purchase agricultural products at the Pakxong wholesale market, which has been operational since June 2007. Upgrading of the Pakxong wholesale market facility is underway with support from the ADB financed Smallholder Development Project and is expected to be completed in May 2008.

2. Before the wholesale market concept was operational, farmers were obligated to transport their produce (mostly cabbages and bananas) to the Lao-Thai border at Vang Tao-Chong Mek, a distance of more than 100 km from the Pakxong District town. Farmers had no advance knowledge of the price they would receive for their produce, nor were they sure that they would be able to sell their crops. Often they were obligated to ‘dump’ their produce.

3. The Pakxong MMG was established to administer the wholesale market. It is registered with Pakxong District officials. To cover the operational costs of the market fees are collected from users. A schedule of fees has been established as follows:

Wholesale Market User	Fees Paid
<ul style="list-style-type: none"> Farmer: fee for sanitary maintenance of market facility & tax waiver certificate Trader: fees for market administration, <i>central fund for production promotion</i>, & commodity movement tax (paid to the District Finance Office) 	<ul style="list-style-type: none"> Delivery fee for a 2-3 ton truck = 3,000 kip Delivery fee for a 5-7 ton truck = 5,000 kip <p>Total fee: 14 kip / kg, broken down as follows:</p> <ul style="list-style-type: none"> Administration costs = 7.79 kip / kg Production promotion fund = 5.00 kip / kg Commodity movement tax = 1.25 kip / kg

4. The MMG is providing the following services through the wholesale market:

- A local primary market venue for smallholder farmers on the Bolovens Plateaux; saving farmers a 100 km (each way) trip to the Lao-Thai border;
- Issuing of the “ASEAN Integration of Preference” (AISP) Form to Thai traders, allowing tax free movement of produce from Laos to Thailand;
- Certification of weights and measures; later to be upgraded to include inspection and certification of quality;
- A sanitary area where traders and farmers can conduct trade;
- Booths for Lao and Thai traders to purchase food and agricultural products from farmers and sell agricultural production inputs to farmers;
- Identifying, screening, and registering of Thai companies (and enterprises of other nationalities) interested in purchasing produce from producer groups in Pakxong District (and neighboring districts); and,

²⁷ Prepared for the ADB supported Agriculture and Natural Resources Sector Assessment, May 2008.
Trade Development Facility – Cross-border Agribusiness Study

- Support for DAFO staff to promote crop production in response to the needs of local and regional traders, using the production promotion fund.
5. The formation of trading joint ventures between Lao and Thai traders has been facilitated by the Pakxong wholesale market enabling Thai traders to operate more easily. In the past, Lao traders and transporters operated as middlemen for the Thai traders based at the border at Vang Tao-Chong Mek. As a result of working more closely at the wholesale market, these relationships have been formalized and four joint venture companies are now registered at the district level. The Lao partners take responsibility for the administrative paperwork required by district officials and for transporting the raw materials to the Thai border. The Thai traders, working out of the same booth as their Lao partners (at the wholesale market), handle the purchasing, weighing, measuring, grading, and packing of the produce; as well as all financial transactions, including cash payments and allocation of credit (in kind; if any) to producers.
 6. Informal contract farming is taking place through the wholesale market facility. Thai traders who have purchased produce from Lao farmers at the Lao-Thai border for many years continue to trade with the same farmers through the wholesale market. DAFO and District Industry and Commerce Office (DICO) staff report that Thai traders provide credit in kind to approximately 30 percent of the Lao farmers trading at the wholesale market; in the form of seeds, chemical fertilizer, and pesticides. There are no written contracts but the arrangements are organized on trust between the two parties that has developed over many years of trading.
 7. Linked to the Pakxong District wholesale market and also supported by the Smallholder Development Project, DAFO has organized 23 producer groups currently producing coffee, cabbage, Chinese cabbage, and bananas that utilize the wholesale market. Other crops that can be marketed through this facility in the 2008-2009 season include castor beans, maize, and ginger.
 8. DAFO and DICO staff point out that the wholesale market system has several weaknesses as it currently functions, namely:
 - The role of Lao traders has changed. Lao entrepreneurs are no longer traders but act as shipping agents for the Thai traders.
 - When market prices fall (in Thailand), Lao traders have insufficient cash to intervene and pay a previously agreed minimum price to farmers for their produce.
 - A producer revolving fund is needed to purchase seed and fertilizer in bulk at lower prices that can be passed on to Lao farmers.
 - MMG staff lack transportation to follow up on production promotion funds and provide administrative tasks related to operating the wholesale market.
 - The wholesale market lacks cool store facilities for fresh produce to enable price hedging.
 - The MMG (and DAFO and DICO) lacks the knowledge and capacity to undertake certification of produce (for SPS, bio-safety, organic certification, fair trade certification, etc.) being sold to Thai traders.
 - Not all producers and producer groups are trading with Thai traders through the wholesale market. AISP certificates were issued for 7,000 tons of produce shipped to Thailand in 2007; whereas, as of November 2007, 12,000 tons of produce had been shipped to Thailand from Pakxong District (figures are based on collection of district commodity movement tax at Kilometer 28, on Route 16E, between Pakxong and Paksé).
 9. Benefits from wholesale market operations include the following:
 - Exports to Thailand from Pakxong District have increased (no figures were available).
 - The provincial officials at Ubon Ratchathane assist with negotiations with Thai companies that trade at the wholesale market when requested by Lao authorities.

- Thai trading companies tend to cheat less, particularly since the MMG is responsible for administering standards for weights and measures at the wholesale market.

ATTACHMENT 10:

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ATTACHMENT 11:

COMPARISON OF SELECTED KEY CONCERNS OF ACMECS,²⁸ AFTA,²⁹ AND WTO³⁰ AGREEMENTS

Selected key concerns	ACMECS	AFTA	WTO ³¹
Membership	Cambodia, Lao PDR, Myanmar, Vietnam, Thailand	10 ASEAN member countries	<ul style="list-style-type: none"> • 153 members and 30 observer members. • Cambodia, Myanmar, Thailand, and Vietnam are WTO members. Lao PDR is an observer; currently negotiating membership.
Tariffs	<ul style="list-style-type: none"> • Zero import tariff rates for selected agricultural commodities (25 in 2009) produced under contract farming by CLMV. • Crops selected for zero import tariff rates negotiated by private sector representatives in border provinces. 	<p>Zero import tariff rate for member countries on all products applies to:</p> <ul style="list-style-type: none"> • ASEAN-6 on 1 January 2010 (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand).³² • CLMV: zero import tariff rates phased in: 2013, 2014, 2015, 2018. 	<ul style="list-style-type: none"> • Each WTO Member has a “schedule” of tariff concessions covering all agricultural products. • Replacement of agriculture-specific non-tariff measures with a tariff providing an equivalent level of protection. • The schedule sets out for each individual agricultural product, the maximum tariff that can be applied on imports into the member country concerned.
Non-tariff barriers (NTBs)	<ul style="list-style-type: none"> • Quality preferred by Thai trader is negotiated among trading enterprises and included in each MOU. • Lao producers and exports must accept standards agreed to in the annual MOU. 	NTBs are classified into 3 boxes	
		Box	Treatment
		Green	NTBs can be retained.
		Red	NTB must be eliminated.
		Amber	Elimination of NTBs is subject to negotiations.
			<ul style="list-style-type: none"> • Article 4.2 of the Agreement on Agriculture prohibits the use of agriculture-specific non-tariff measures. • Such measures include quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing procedures, voluntary export restraint agreements, and non-tariff measures maintained through state-trading enterprises. • Certain non-tariff import restrictions are allowed, specifically those consistent with the Agreement on the Application of Sanitary and Phytosanitary Measures, the Agreement on

²⁸ ACMECS = Ayerwaddy – Chao Phraya – Mekong Economic Cooperation Strategy

²⁹ AFTA = ASEAN Free Trade Area

³⁰ WTO = World Trade Organization

³¹ Source: WTO website accessed on 22 August 2009; www.wto.org (trade topics/agriculture/market access)

³² Except for limited Sensitive and Highly Sensitive Unprocessed Agricultural Products.

			Technical Barriers to Trade , or other general, non-agriculture-specific WTO provisions.
MOUs between border provinces.	<ul style="list-style-type: none"> • Annual MOU between Thai border provinces for contract farming and business matching for promoted investments. • MOU established a floor price for selected agricultural commodities. • Trading enterprises are registered with provincial commerce offices. • Terms and conditions of contract farming arrangements are disclosed. 	<ul style="list-style-type: none"> • No mechanisms yet devised to facilitate cross-border trade. • In August 2009, the Thai Government was studying a proposal to continue the annual MOU mechanism. In place of establishing a floor price for selected crops, the MOUs would instead focus on minimum quality standards for selected crops. 	<ul style="list-style-type: none"> • No MOU required. Trade is regulated by WTO rules. • Makes agricultural market access conditions more transparent, predictable, and competitive. • Strengthens links between national and international agricultural markets. • Markets guide scarce resources into their most productive uses, within agricultural sector and economy-wide. • The special safeguard provisions for agricultural products allow imposing additional tariffs where certain criteria are met. The criteria involve either a specified surge in imports (volume trigger), or, on a shipment by shipment basis, a fall of the import price below a specified reference price (price trigger). This could be applied by China, Thailand, and Vietnam when they feel it is justified. • Developing countries agreed to cut tariffs on agricultural products 24 percent to be implemented over ten years following membership.
Benefits to Lao PDR	<ul style="list-style-type: none"> • Regulated contract farming and co-production arrangements. • Farmers engaged in contract farming with secure market access and increased incomes from agriculture. • Systematized trade; use of formal trade channels; trade is regularized. • Border areas are transformed into zones of economic growth. • Trade statistics are collected. • Infrastructure development in response to expanded trade opportunities. 	<ul style="list-style-type: none"> • Adoption of ASEAN Harmonised Tariff Nomenclature (AHTN). • Duty exemptions on food and agricultural products. • Increased intra-regional trade and investment and improved resource allocation within the region. • Higher income per capita and economic welfare and greater economic resilience for the Lao economy. • AFTA will facilitate specialization on the basis of comparative advantage, technology transfer among businesses, and improved resource pricing and management. 	<p>Benefits to producers and traders:</p> <ul style="list-style-type: none"> • Greater and more-secure transit rights protected by an independent WTO dispute settlement body for resolving transit disputes; • Greater, more secure, and less-discriminatory market access globally for exports; • Availability of legal mechanism for resolving bilateral trade disputes; and, • Greater discipline on the GOL to practice sound economic policies and avoid responding to special consideration by interest-groups.

	<ul style="list-style-type: none"> • CBTA, Single-stop Inspection, One-stop Service 	<ul style="list-style-type: none"> • Lower prices for imported products leading to increased real consumption and (potentially) investment. • Increases in imports and a larger trade deficit. • Increased exports to Thailand and other countries.³³ 	<p>Benefits to the country:</p> <ul style="list-style-type: none"> • Better allocation of national resources toward industries with the strongest comparative advantage; • Introduction and adoption of new technologies from interacting more with the rest of the world; • Greater flexibility, via trade, for dealing with shocks such as natural disasters; and, • Less wasteful rent-seeking lobbying activities by groups seeking GOL assistance and protection.
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³³ KYOPHILAVONG, Phouphet. Analyzing the effect of AFTA on Lao economy: Macroeconomic model approach. Vientiane: National University of Lao PDR, 2004.

ATTACHMENT 12:

AGRICULTURAL COMMODITY EXPORT DOCUMENTATION

List of Export Forms:

- Invoice
- Authorization to Release Transport Vehicle
- Phytosanitary Certificate
- Certificate of Quality Control
- Test Report
- Receipt from Provincial Revenue Division: Export Tax on Coffee (2 forms)
- Customs Declaration
- Packing List and Weight Notes
- Coffee Movement Tax: Lao Coffee Association (2 forms)
- Form A: GSP form for Europe, Japan, Australia, etc.
- Form AISP: ASEAN form for Thailand
- Form D: For ASEAN countries
- Form S: For Vietnam
- Form SPT: For China

1. INVOICE



DAO HEUANG IMPORT-EXPORT COMPANY
 242-247 Road No.13,Thaluang,Pakse, Champasack,Province Lao PDR
 Tel: +856 31 212250,212254-5 213805 Fax :+856 31 212438

INVOICE

BUYER/CONSIGNEE MS: DOUTOR COFFEE CO.,
 21-6 Takase-cho, Funabashi-shi
 Chiba, 273-0014 Japan
 Phone : 047-433-9931

Invoice No	E: 051 / DH
Date	03/06/2009

Shipped per : TRUCKS
 Shipped from :Laos in transit via Phiboon ,bangkok - Thailand to KOBE , JAPAN
 Place of Loading : Pakse Champasack Province,Lao PDR

DESCRIPTION OF GOODS	QUANTITY		UNIT PRICE (USD/MT)	AMOUNT (USD)
	GROSS	NET		
	MTS	MTS	FOB BKK (Thailand)	
Laos Arabica Coffee Beans (Grade 2 = 300 Bags)	18.210	18.000	1,200.00	21,600.00
Packing In new jute bags of about 60 Kgs net weight each				
TOTAL :	18.210	18.000		21,600.00

Country of Original : LAO P.D.R
 Total Quantity : EIGHTEEN METRIC TONS ONLY.
 Total Amount : USD TWENTY ONE THOUSAND AND SIX HUNDRED ONLY.
BENEFICIAL BANK: Banque Pour Le Commerce Exterieur Lao, Pakse Champasack Branch Lao P.D.R
ACCOUNT NAME: Dao Hueang Import-Export Co., Ltd
ACCOUNT NUMBER: 040.01.4526008.00001-5

DAOHEUANG IMPORT-EXPORT COMPANY
MANAGER



2. AUTHORIZATION TO RELEASE TRANSPORT VEHICLE

ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ

-----000-----

ພະແນກ ຍ.ທ.ຂ
ປະຈຳແຂວງຈຳປາສັກ
ຫ້ອງການຂົນສົ່ງ

ເລກທີ 1188 ຂປ
ລົງວັນທີ 4.6.09

ໃບອະນຸຍາດປ່ອຍລົດ

-ອີງໃບສະເໜີເລກທີ... 107 ລົງວັນທີ... 4 - 6 - 09
ໄລຍະທາງ... 50 ກິໂລແມັດ

ຜ່ານການກວດກາດ້ານເອກະສານລົດແລ້ວ, ຫົວໜ້າຫ້ອງການຂົນສົ່ງເຫັນດີ.

ເຊິ່ງແມ່ນ... ປະຈຳແຂວງຈຳປາສັກ ເປັນຜູ້ຕ່າງໜ້ານຳຂະບວນລົດ
ຈຳນວນ... 04 ຄັນ,ບໍລິມາດ... 36 ກິໂລແມັດ

ລ/ດ	ຊື່ຜູ້ຂັບລົດ	ທະບຽນລົດ	ຍີ່ຫໍ້	ຈຳນວນ		ນ້ຳໜັກສິນຄ້າ	ລາຄາຂົນສົ່ງ	ເລກທີໃບແລ່ນລົດ	ເລກປັ້ນລົດໃບຜ່ານແດນ
				ເຟົາ	ລີ້				
1	ທ. 702	0122	3 ລີ	3	10	9.000	600.000	124/09	15.054
2	ທ. 121	0121	3 ລີ	3	10	9.000	600.000	119/09	15.100
3	ທ. 102	0021	3 ລີ	3	10	12.000	800.000	118/09	15.078
4	ທ. 110	0148	ລົດເຂີນ	2	6	6.000	800.000	511/09	15.544
10									
11									
12									
13									
14									
15									
	ລວມ	04 ຄັນ							



ບຸນວິໄນ ພົມວິໄນ
Consulate BANVONGSA



04.609

ວັນທີ 4-6-09 ຕົງວັນທີ 4.6.09



ບຸນຊ້ວຍ ຜັນຕິຍະວິງ

3. PHYTOSANITARY CERTIFICATE



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

MINISTRY OF AGRICULTURE AND FORESTRY
DEPARTMENT OF AGRICULTURE

ORIGINAL

PHYTOSANITARY CERTIFICATE

No. 548.CPS

From : Plant Protection Organization of LAO PEOPLE'S DEMOCRATIC REPUBLIC		To : Plant Protection Organization(s) of JAPAN
I. DESCRIPTION OF CONSIGNMENT		
Name and address of exporter		Declared name and address of consignee
DAO HEUANG IMPORT- EXPORT COMPANY 242- 247 ROAD NO. 13, THALUANG PAKSE, CHAMPASACK PROVINCE, LAO P.D.R		DOUTOR COFFEE CO., 21-6 TAKASE-CHO, FUNABASHI-SHI, CHIBA, 273-0014 JAPAN PHONE : 047- 433-9931.
Number and description of packages		Distinguishing marks
300 BAGS		LAOS ARABICA COFFEE GRADE 2 MAY 09 SHIPMENT
Place of Origin	Declared means of conveyance	Declared point of entry
LAO PDR	BY ROAD, SEA	KOBE
Name of produce and quantity declared		Botanical name of plants
LAOS ARABICA COFFEE BEANS Gross Weight: 18210 KG(S) Net Weight: 18000 KG(S)		<i>Coffea arabica L.</i>
This is to certify that the plant and plant products or other regulated articles described herein have been inspected and /or tested according to appropriate official procedures and are considered to be free from the quarantine pests specified by the importing contracting party and to conform with the current phytosanitary requirements of the importing contracting party, including those for regulated non-quarantine pests.		
II. ADDITIONAL DECLARATION		
NIL		
III. DISINFESTATION AND / OR DISINFECTION TREATMENT		
Treatment Date: NIL		Treatment: NIL
Chemical (Active ingredients): NIL		Duration & Temperature: NIL
Concentration: NIL		Additional Information: NIL
Date Inspected: 04/06/2009		Name and Signature of Authorized Officer
Date Issued: 04/06/2009		<i>[Signature]</i>
Place of Issue: CHAMPASACK/PAFSO		MR. XAYTHONGYOTH NAMMAVONGSA AGRICULTURE SECTION OF CHAMPASACK

Department of Agriculture, P.O.Box 811, Vientiane, Lao PDR. Tel: (856) 21 412350 Fax: (856) 21 412349

4. CERTIFICATE OF QUALITY CONTROL



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
 LAO PEOPLE'S DEMOCRATIC REPUBLIC
 ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ
 PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY
 ສາສາສາສາສາສາສາສາສາສາສາສາ

ແຂວງຈໍາປາສັກ
 Champasack Province
 ພະແນກວິທະຍາສາດ ແລະ ເຕັກໂນໂລຊີ
 Sciences & Technology Department
 Tel & Fax: 856-31 254154

ໃບຢັ້ງຢືນກວດກາຄຸນນະພາບ
 CERTIFICATE OF QUALITY CONTROL
 NO. /STD

ພະແນກວິທະຍາສາດ ແລະ ເຕັກໂນໂລຊີ ແຂວງ
 PROVINCIAL SCIENCES AND TECHNOLOGY DEPARTMENT

ໄດ້ອອກໃບຢັ້ງຢືນສະບັບນີ້ໃຫ້ແກ່ (HAS ISSUED THIS CERTIFICATE TO):

ທີ່ຢູ່ (ADDRESS):
 Tel :
 ສັນຍາເລກທີ (CONTRACT NO):
 ຊະນິດສິນຄ້າ (GOODS):
 ເຄື່ອງໝາຍການຄ້າ (TRADEMARK).....
 ບ່ອນກວດກາ (TEST UNIT): SCIENCES & TECHNOLOGY DEPARTMENT
 ວັນກວດກາ (CONTROL DATE):
 ສົ່ງໄປປະເທດ (DESTINATION):
 ຈຳນວນ (QUANTITY): 74.400 KGS (1.240 BAGS)
 ເອກະສານອ້າງອີງ (REFERENCE): LAO STANDARD FOR GREEN COFFEE BEENS 1-92
 ຈັດປະເພດ (GRADE): PASSED.

ໃບຢັ້ງຢືນກວດກາຄຸນນະພາບສະບັບນີ້ ໃຊ້ສະເພາະກັບຈຳນວນສິນຄ້າ ທີ່ໄດ້ຜ່ານການກວດກາເທົ່ານັ້ນ.
 THIS CERTIFICATE OF QUALITY CONTROL IS VALLID ONLY FOR THE TESTED QUANTITY
 OF GOODS.

ປາກເຊ, ວັນທີ : PAKSE, DATE.....

ຫົວໜ້າພະແນກວິທະຍາສາດ ແລະ ເຕັກໂນໂລຊີ ແຂວງ
 DIRECTOR OF SCIENCES & TECHNOLOGY DEPARTMENT

5. TEST REPORT



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
 LAO PEOPLE'S DEMOCRATIC REPUBLIC
 ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ
 PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY
 ຄ

ແຂວງຈໍາປາສັກ
 Champasack Province
 ພະແນກວິທະຍາສາດ ແລະ ເຕັກໂນໂລຊີ
 Sciences & Technology Department
 Tel & Fax: 856-31 254154

ໃບຮັບຮອງການກວດສອບ
 TEST REPORT

- ອີງຕາມໃບຄໍາຮ້ອງເລກທີ (ACCORDING TO THE APPLICATION No):
- ບໍລິສັດ (COMPANY):
- ທີ່ຢູ່ (ADDRESS):
- Tel :
- ສັນຍາເລກທີ (CONTRACT NO):
- ຊະນິດສິນຄ້າ (GOODS):
- ສິ່ງໄປປະເທດ (DESTINATION):
- ການຫໍ່ຫຸ້ມ(ນ້ຳໜັກສຸດທິ) PACKING(NET): GROSS:
- ຈໍານວນ (QUANTITY):

NO.	ລາຍການ DESCRIPTION	RESULT	REMARK
1	ຄວາມຊຸ່ມ MOISTURE	%	limited 7-14 %
2	ສິ່ງແປກປອມ FOREIGN	%	1 %
3	ເມັດເສຍ BLACK BROKEN BEANS	%	8 %
4	ຄວາມຕິດຕໍ່ຂອງຂະໜາດ EXCELSA		

ປາກເຊ, ວັນທີ : PAKSE, DATE.....

ຫົວໜ້າຂະແໜງຊັບສິນທາງປັນຍາ ມາດຕະຖານ ແລະ ວັດແທກ
 Chief of Intellectual Property, Standardization and Metrology Section

6. RECEIPT FROM PROVINCIAL REVENUE DIVISION: PROFIT TAX/EXPORT TAX ON COFFEE (2 FORMS)

A. RECEIPT OF PROFIT TAX PAYMENT

ກົມຊ່ວຍສາອາກອນ
 ຫ້ອງການ ສ່ວຍສາອາກອນ
 ເລກປະຈຳຕົວວິສາຫະກິດ
 ຫ້ອງວິສາຫະກິດ : 97
 ໄລຍະມອບອາກອນ : 311

Nº13515409 ໃບຮັບເງິນ ກີບ 23 000 000

ໄດ້ຮັບເງິນຈາກ ປ. ອາກອນຂອງ ຈຳນວນ 91000000 ວິນເຊີ ມາ

ເນື້ອໃນລາຍຮັບ	ຈຳນວນເງິນ	ທີ່
0.00	23.000.000	ປ/ຍ
00000000	1	ວັນທີ 28.3.08
ລວມເງິນ	23.000.000	ຜັບເງິນ

- ປະເພດອາກອນ :
- ອາກອນກຳໄລນິຕິຍຸກຄົນ 7/1100
 - ອາກອນລາຍໄດ້ ຈາກເງິນບັນເທີນກຳໄລ
 - ອາກອນຕໍ່ສຸດ,
 - ອາກອນຊົມໃຊ້
 - ອາກອນລາຍໄດ້ຈາກເງິນເດືອນ,
 - ຄ່າທຳນຽມຂັ້ນທະບຽນ,
 - ຄ່າທຳນຽມທາງ,
 - ຄ່າທຳນຽມຕ່າງໆ,
 - ອື່ນໆ, (ລວມທັງຄ່າບັບໃໝ)
 - ກວດກາ
 - ອ.ກ.ດ ຈາກສິດຂະສິດຍຸກຄົນ
 - ອ.ກ.ດ ຈາກການໃຫ້ເຊົ່າ
 - ອາກອນລາຍໄດ້ຕາມລະບອບມອບເໝົາ

ວັນທີໄດ້ຮັບເງິນຈາກອາກອນ ຫລື ທີ່ໄດ້ຈ່າຍ : 28/3/08

- ຕະຫຼິບາຍເນື້ອ ໃນການຊຳລະ
- ສະເໜີໃຫ້ໃສ່ເຄື່ອງຫມາຍ "X" ຢູ່ຕໍ່ໜ້າຂອງເນື້ອ ໃນການຊຳລະທີ່ກ່ຽວຂ້ອງ
1. ການຊຳລະເງິນອາກອນຕາມປົກກະຕິ
 2. ການຊຳລະເງິນອາກອນລ່ວງໜ້າ (ການຊຳລະເງິນອາກອນກ່ອນການຍື່ນ ໃບແຈ້ງເສງອາກອນ),
 3. ການຊຳລະເງິນອາກອນຂອງໄລຍະຜ່ານມາ (ເດືອນ ຫລື ງວດທີ່ຜ່ານມາ),
 4. ການຊຳລະເງິນອາກອນຕາມບົດບັນທຶກການກວດກາຍື່ນຊື່, ຖ້າເປັນໄປໄດ້ນຳໃຫ້ຂຽນເລກທີຂອງໃບສັ່ງມອບເງິນອາກອນໃສ່ນຳ
 5. ການຊຳລະເງິນອາກອນຄ້າງຽມມອບ,
 6. ການຊຳລະເງິນອາກອນຈາກການນຳເຂົ້າ / ສົ່ງອອກ
 7. ການຊຳລະເງິນອາກອນຈາກການນຳເຂົ້າ / ສົ່ງອອກ
 8. ການຊຳລະເງິນອາກອນຈາກໃບສັ່ງມອບເງິນອາກອນ, -ເລກທີໃບສັ່ງມອບເງິນອາກອນ: 229/56

9007 SJA

ຈຳນວນເງິນທີ່ໄດ້ຊຳລະ ໃຫ້ຄັງເງິນ :
 ວັນທີທີ່ໄດ້ຊຳລະ ໃຫ້ຄັງເງິນ : ລາຍເຊັນຂອງພະນັກງານຄັງເງິນ,
 ເລກທີໃບຮັບເງິນ

13515409

B. RECORD OF COMMODITY EXPORTS

ສາທາລະນະລັດ ຫວຽດນາມເຊັດ
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ທະນາຄານຊາດ

ໃບກຳກັບເຄື່ອນຍ້າຍສິນຄ້າອອກ

ສູນຄວບເຮືອງ ຂາອອກ-ຂາເຂົ້າ
 ຊື່ບໍລິສັດ ຫຼື ບຸກຄົນ: _____ ເລກປະຈຳຕົວວິສາຫະກິດ: _____
 ທີ່ຢູ່: _____ ນະຄອນລາຍ: _____ ເລກບັນທຶກ: _____
 ຂະແໜງວິຊາຊີບ: _____ ການປຸກ: _____ ມາດຕະການ: _____
 ໄດ້ເຄື່ອນຍ້າຍສິນຄ້າຈາກ: _____ ໄປສູ່: _____

ສາທາລະນະລັດ ຫວຽດນາມເຊັດ
 ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ທະນາຄານຊາດ

ເລກບັນທຶກ: _____
 ວັນທີ: _____

ລ	ຊະນິດສິນຄ້າ	ຈຳນວນ	ນ້ຳໜັກ ຫຼື ບໍລິມາດ	ຕົ້ນທຶນ ປາກສາງ	ສິນເບື້ອງ ໃນກຸ້ວ	ມູນຄ່າຂາຍຂະ ຕິດຈິງ	ສິນເກິດ ສິນເກິດ	ອາກອນກຳໄລ ຕັ້ງແຕ່
01	ຫມ້າກາກາປ່າ	8	76.800			92.928 \$	23.040.000ກີບ	23.040.000ກີບ
	ລວມ							23.040.000ກີບ

ໃບຮັບເງິນເລກທີ: 13515409 ວັນທີ: 28/3/06

ບົດໝົດທ້ອງຖານ: _____ ທີ່: _____ ວັນທີ: 28/03/2006


ບົດໝົດທ້ອງຖານຄຸ້ມຄອງ: _____ ພະນັກງານກວດກາຄິດໄລ່: _____


ຫາຍຂອກ
ເອກະຊານໂປຣເຊກອບ
ຖານເທື່ອແມ່ນ 04 ຊົດ

ຫາຍຂອກ
ເອກະຊານໂປຣເຊກອບ
ຖານເທື່ອແມ່ນ 04 ຊົດ


7. CUSTOMS DECLARATION FORM

ຫ້ນຕີພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ
 ໂບແຈ້ງພາສີເປັນລາຍລະອຽດ
 CUSTOMS DECLARATION FORM





 ເລກຜ່ານຈຳນວນຄູດ 1 6 1

2. ຊື່ແລະທີ່ຢູ່ຕຳແໜ່ງຂອງ ບລສິດ ດາວເຮືອງ ຂ້າອອກ-ຂ້າຂ້າ		1. ລະບອບພາສີ 0 0		ເລກລະຫັດດ່ານພາສີ 1 6 1	
3. ນັ້ນໜັກລວມ (ກວ) 36.420		ໂບແຈ້ງເລກທີ: 000459		ວັນທີ: 05/06/2009	
4. ຈຳນວນສະນິດສິນຄ້າ 1 ລາຍການ		5. ຈຳນວນເກັບທີ່ທັງໝົດ 600 ສອງ			
6. ຊື່ແລະທີ່ຢູ່ຕຳແໜ່ງຂອງນັກເຂົ້າ		7. ຜູ້ຮັບສິນຄ້າຕົວຈິງ ປະເທດຍຸນປຸນ			
8. ຊື່ແລະທີ່ຢູ່ຕຳແໜ່ງຂອງອົງການແຈ້ງພາສີທີ່ຜູ້ຕຳແໜ່ງພາສີ ທີ່ໄດ້ຮັບບອນໝາຍເປັນລາຍລະອຽດອັກສອນ		9. ປະເທດສິນຄ້າສິນຄ້າເຂົ້າສິນຄ້າ ຍຸນປຸນ		10. ປຸງພູດທະບຽນວິສາຫະກິດ ຄູນ 1	
11. ບ່ອນບອນສິນຄ້າ ວັງເຕີ້		12. ມູນຄ່າລວມໃນອິນເວຍ ສະກຸນເງິນ 48.600 \$			
13. ມູນຄ່າລວມໃນອິນເວຍ ເປັນເງິນກີບ 415.530.000		14. ລາຄາສິນຄ້າ(FOB)ເປັນເງິນຕາ(ບໍ່ເຂົ້າສິນຄ້າ) 48.600 \$			
15. ລາຄາສິນຄ້າ(FOB)ເປັນເງິນກີບ(ບໍ່ເຂົ້າສິນຄ້າ) 415.530.000		16. ຮັດຕາແລກປ່ຽນ ໃນວັນທີ 8.550ກີບ/\$			
17. ວິທີສິນຄ້າ		18. ບ່ອນສິນຄ້າສິນຄ້າຂົນສົ່ງ ປາກເຊ ລາວ		19. ບ່ອນສິນຄ້າສິນຄ້າສົ່ງອອກ ປະເທດຍຸນປຸນ	
20. ດ່ານພາສີນຳສິນຄ້າເຂົ້າ/ອອກ 16.1		21. ລະບອບສາຍ		22. ຂໍ້ມູນທາງດ້ານທະນາຄານແລະການເງິນ ວິທີສະສາຍ	
23. ເອກະສານປະກອບ 1,2,4,7		24. ເຄື່ອງໝາຍແລະເລກໝາຍຂັ້ນສິນຄ້າ ຕູ້ບັນຈຸສິນຄ້າເລກທີ: 60 ກິໂລ/ສອງ ຈຳນວນທີ່ບໍ່ສິນຄ້າ: 600 ສອງ ລາຍການສິນຄ້າ: ໜາກກາດຝຣັ່ນອຍ		25. ລາດັບສິນຄ້າຕາມເປີ 01	
				26. ເລກລະຫັດສິນຄ້າ 0901.11.10	
				27. ເລກລະຫັດລະບອບພາສີ	
				28. ປະເທດຕົ້ນກຳເນີດ/ປາຍທາງ ລາວ	
				29. ເຂດເສດຖະກິດ ອາຊຽນ	
				30. ເລກລະຫັດວິທີແຈ້ງ	
		31. ນັ້ນໜັກລວມ (ກວ) 36.420		32. ນັ້ນໜັກຈິງ (ກວ) 36.000	
		33. ລາຄາສິນຄ້າ(FOB)ເປັນເງິນຕາ 48.600 \$		34. ລາຄາສິນຄ້າ(FOB)ເປັນເງິນກີບ 415.530.000	
		35. ຕຳລິນສິ່ງ (ກີບ)		36. ຕຳປະກັນໄພ (ກີບ)	
		37. ຕຳທຳມູນອື່ນໆ (ກີບ)		38. ມູນຄ່າແຈ້ງພາສີ (ກີບ) 415.530.000	
		39. ຄົວໜ່ວຍສະຖິຕິ ໂຕນ			
40. ປະເພດພາສີ/ອາກອນ		ອັດຕາ		ຕຳໜ່ວຍ/ອາກອນ	
ຟາສີ		5%		20.776.500ກີບ	
				ຍົກເວັ້ນ	
				ລວມ	
				20.776.500ກີບ	
41. ໂບແຈ້ງບຸກຄົນນຳເຂົ້າສິນຄ້າເລກທີ: ກະສັກກຳເລກທີ 548,549 /04.06.09 ວັນທີ: 05/06/2009		42. ໂບແຈ້ງສິນຄ້າເລກທີ: ວັນທີ:			
ຜູ້ເຂົ້າ: ນ.ເຕບລອງ ລິດດັງ		ຜູ້ຮັບເງິນເລກທີ:		ວັນທີ:	
ລະອຽດ ສະບັບ: ແມ່ນຖືກອອກຈາກສິນຄ້າເປັນຈິງທຸກປະການຈາກເອກະສານດັບສະບັບ.		ໂບຕ໌ປະກັນຈາກທະນາຄານ ລວມເປັນເງິນ:		ວັນທີ:	
		ປະເພດພາສີ / ອາກອນ		ຕຳໜ່ວຍ / ອາກອນທີ່ໃຫ້	
		ຟາສີ		20.776.500 ກີບ	
				ຍົກເວັ້ນ	
		ລວມທັງ		20.776.500 ກີບ	

8. PACKING LIST AND WEIGHT NOTES

A. COMPANY FORM

DAO HEUANG IMPORT-EXPORT COMPANY
 242-247 Road No.13,Thaluang,Pakse, Champasack,Province Lao PDR
 Tel: +856 31 212250,212254-5 213805 Fax :+856 31 212438

PACKING LIST & WEIGHT NOTES

BUYER/CONSIGNEE MO: DOUTOR COFFEE CO.,
 21-6 Takase-cho, Funabashi-shi,
 Chiba, 273-0014 Japan
 Phone : 047-433-9931

Invoice No	E: 051 / DH
Date	03/06/2009

Shipped per : TRUCKS

Shipped from :Laos in transit via Phiboon ,bangkok - Thailand to KOBE , JAPAN

Place of Loading : Pakse Champasack Province,Lao PDR

Shipping Marks and Number of Bags	Description of Goods	Numbers of Package	Gross Weight	Net Weight
LAOS ARABICA COFFEE GRADE 2 MAY 09 SHIPMENT	Laos Arabica Coffee Beans (Grade 2 = 300 Bags) Packing In new jute bags of about 60 Kgs net weight each	300 BAGS	18,210Kg	18,000Kg

Total Net Weight : EIGHTEEN THOUSAND KILOS ONLY.

Total Gross Weight : EIGHTEEN THOUSAND TWO HUNDRED AND TEN KILOS ONLY.

Total of Bags: THREE HUNDRED BAGS ONLY.

DAOHEUANG IMPORT-EXPORT COMPANY
 MANAGER



ນາຍົກ ສິດ ສິດ
 ນາຍົກ ສິດ ສິດ
 ນາຍົກ ສິດ ສິດ

B. CERTIFICATE FROM THE CHAMBER OF COMMERCE AND INDUSTRY



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Chamber of Commerce & Industry
Champasak Province
Tel/Fax: (856-31) 212349

PACKING List
and
Weight certificate

No. 6351 /CCIC

Date:.....

- o Name of Shipper:.....
- o Shipped From:.....
- o No: Truck:.....

No	Packages	Description of goods	Quantity	Weight (Kilos)	
				Net	gross

MANAGER

INSPECTOR

9. COFFEE MOVEMENT TAX: LAO COFFEE ASSOCIATION (2 FORMS)



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ



ສະມາຄົມກາເຟລາວ

ເລກທີ 176 / ສກຟລ

Lao Coffee Association

ໃບຮັບເງິນ

Tel : 856 - 31 - 212644

Fax : 856 - 31 - 212644

- ຮັບຈາກບໍລິສັດ :
ຄ່າຕ່າງກາເຟ ຄ່າທຳນຽມປະຈຳປີ ຄ່າສະໝັກເປັນສະມາຊິກ ອື່ນໆ

- ມູນຄ່າເປັນຕົວເລກ: 19.700.000,00 X : 270.000 X

- ມູນຄ່າເປັນຕົວໜັງສື:

ດັ່ງນັ້ນ ທາງສະມາຄົມກາເຟລາວ ຈຶ່ງໄດ້ອອກໃບຮັບເງິນສະບັບນີ້ ໄວ້ເພື່ອເປັນຫຼັກຖານ.

ບາກເຊ, ວັນທີ 6/8/2014

ຫົວໜ້າຫ້ອງການສະມາຄົມ

ຜູ້ມອບ

ບັນຊີ - ການເງິນ

10. COFFEE MOVEMENT TAX: LAO COFFEE ASSOCIATION (2 FORMS)



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
ສັນຕິພາບ ເອກະລາດ ປະຊາທິປະໄຕ ເອກະພາບ ວັດທະນາຖາວອນ



ສະມາຄົມກາເຟລາວ
Lao Coffee Association
Tel : 856 - 31 - 212644
Fax : 856 - 31 - 212644

ເລກທີ 166/ສກຟລ

ໃບຢັ້ງຢືນ

(ການເຄື່ອນຍ້າຍກາເຟ)

ຊຸບລິສັດ :
ຊື່ອຳນວຍການບໍລິສັດ :
ສຳນັກງານຕັ້ງຢູ່ບ້ານ : ເມືອງ ແຂວງ

ລາຍລະອຽດກາເຟທີ່ເຄື່ອນຍ້າຍ

1. ກາເຟກາງ (ROBUSTA) ຈຳນວນ ເປົ່າ ງລະ ກິໂລ (Kg)
 - ນ້ຳໜັກລວມ (Gross weight) ກິໂລ (Kg)
 - ນ້ຳໜັກສຸດທິ (Net weight) ກິໂລ (Kg)
2. ກາເຟນ້ອຍ (ARABICA) ຈຳນວນ : 300 ເປົ່າ ງລະ 60 ກິໂລ (Kg)
 - ນ້ຳໜັກລວມ (Gross weight) ກິໂລ (Kg)
 - ນ້ຳໜັກສຸດທິ (Net weight) ກິໂລ (Kg)
3. ກາເຟມຶກ (EXCELSA) ຈຳນວນ ເປົ່າ ງລະ ກິໂລ (Kg)
 - ນ້ຳໜັກລວມ (Gross weight) ກິໂລ (Kg)
 - ນ້ຳໜັກສຸດທິ (Net weight) ກິໂລ (Kg)
4. ກາເຟຂົ້ວ / ກາເຟສຳເລັດຮູບ (ROASTED / INSTANT COFFEE)
 - ນ້ຳໜັກລວມ (Gross weight) ກິໂລ (Kg)
 - ນ້ຳໜັກສຸດທິ (Net weight) ກິໂລ (Kg)

ສິ່ງອອກປາຍທາງ : JAPAN ອິນວອຍເລກທີ : 059
ອາຍຸໃບຢັ້ງຢືນ : 07.05
ເຈົ້າໜ້າທີ່ກວດພົບ ກະລຸນາໃຫ້ຄວາມສະດວກດ້ວຍ.
ໃບຮັບເງິນເລກທີ 170 ລົງວັນທີ 6/8/09

ປາກເຊ, ວັນທີ : 6/8/09
ບັນຊີ - ການເງິນ
5 ຫົວໜ້າຫ້ອງການສະມາຄົມ


11. FORM A: GSP FORM FOR EUROPE, JAPAN, AUSTRALIA, ETC.
A. BLANK FORM

ORIGINAL


1. Goods consigned from (exporter's business name, address, country)		Reference No.			
2. Goods consigned to (consignee's name, address, country)		GENERALIZED SYSTEM OF PREFERENCES CERTIFICATE OF ORIGIN (Combined declaration and certificate) FORM A Issued in LAO PEOPLE'S DEMOCRATIC REPUBLIC <small>See notes overleaf</small>			
3. Means of transport and route (as far as known)		4. For official use			
5. Item number	6. Marks and numbers of packages	7. Number and kind of packages; description of goods	8. Origin criterion (see notes overleaf)	9. Gross weight or other quantity	10. Number and date of invoices
11. Certification It is hereby certified, on the basis of control carried out, that the Declaration by the exporter is correct Ministry of Industry and Commerce Industry and Trade Service Champasack Province Place and date, signature and stamp of certifying authority			12. Declaration by the exporter The undersigned hereby declares that the above details and statements are correct; that all the goods were produced in LAO P.D.R. (country) and that they comply with the origin requirements specified for those goods in the Generalized System of Preferences for goods exported to (Importing country) Champasack Place and date, signature of authorized signatory		

L 000785

B. SAMPLE OF USED FORM



ORIGINAL

1. Goods consigned from (exporter's business name, address, country) DADHEUANG IMPORT-EXPORT COMPANY LIMITED 247-247 ROAD No13, THALUANG PAKSE, CHAMPASACK, LAO P.D.R. TEL: 856-31-212250; FAX: 856-31-212438		Reference No. 916006097		
2. Goods consigned to (consignee's name, address, country) DOHJON COFFEE CO., 21-5 Takase Chu, Fujino, Chiba-shi, Chiba, 273-0014 Japan. Phone: 047-433-9931		GENERALIZED SYSTEM OF PREFERENCES CERTIFICATE OF ORIGIN (Combined declaration and certificate) FORM A Issued in: LAO PEOPLE'S DEMOCRATIC REPUBLIC <i>See notes overleaf</i>		
3. Means of transport and route (as far as known) FROM: PAKSE, CHAMPASACK, LAO P.D.R. VIA BANGKOK THAILAND BY TRUCKS AND TO KOBE, JAPAN BY SEA		4. For official use		
6. Item number 01	8. Marks and numbers of packages 300 BAGS LAOS ARABICA COFFEE GRADE 2 MAY 08 SHIPMENT	7. Number and kind of packages, description of goods 18 METRIC TONS OF LAOS-ARABICA COFFEE BEANS (GRADE 2 - 300 BAGS) - PACKING IN NEW JUTE BAG OF ABOUT 60-KGS NET EACH. TOTAL THREE HUNDRED BAGS ONLY. (300 BAGS ONLY)*** EIGHTEEN THOUSAND KILOS ONLY. (18,000 KGS)***	9. Gross weight or other quantity 18,210.00 KGS NET WEIGHT 18,000.00 KGS	10. Number and date of invoices No. E051/DH Date: 03/06/2009
11. Certification It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.  Ministry of Industry and Commerce Industry and Trade Service 05 JUN 2009 Mr. Sambourne VONGKHAMLA Champasack Province Place and date, signature and stamp of certifying authority		12. Declaration by the exporter The undersigned hereby declares that the above details and statements are correct; that all the goods were produced in LAOS (country) and that they comply with the origin requirements specified for those goods in the Generalized System of Preferences for goods exported to JAPAN (importing country) KOBE, JAPAN 03/06/2009 Champasack Dadheuang LIDDANT Place and date, signature of authorized signatory		

12. FORM AISP: ASEAN FORM FOR THAILAND

ORIGINAL

1. Goods consigned from (Exporter's name, address, country)			Reference No. ASEAN INTEGRATION SYSTEM OF PREFERENCES CERTIFICATE OF ORIGIN (Combined Declaration and Certificate) FORM AISP-Thailand Issued in (Country) See Overleaf Notes		
2. Goods consigned to (Consignee's name, address, country)					
3. Means of transport and route (as far as known) Departure date Vessel's name / Aircraft etc. Port of Discharge			4. For Official Use <input type="checkbox"/> Preferential Treatment Given Under ASEAN Integration System of Preferences <input type="checkbox"/> Preferential Treatment Not Given (Please State reason/s) Signature of Authorised Signatory of Thailand		
5. Item number	6. Marks and numbers on packages	7. Number and type of packages, description of goods (including quantity where appropriate and HS number of Thailand)	8. Origin criterion (See Overleaf Notes)	9. Gross weight or other quantity and value (FOB)	10. Number and date of invoices
			1) Material % 2) Labor % 3) Overhead % 4) Profit % Total		
			1) Material % 2) Labor % 3) Overhead % 4) Profit % Total		
11. Declaration by the exporter The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in (Country) and that they comply with the origin requirements specified for these goods in the ASEAN Integration System of Preferences for the goods exported to Thailand Place and date, signature of authorised signatory			12. Certification It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. Place and date, signature and stamp of certifying authority Tel no. : Fax no. :		

13. FORM D: FOR ASEAN COUNTRIES

Original

1. Goods consigned from (Exporter's business name, address, country)		Reference No. ASEAN COMMON EFFECTIVE PREFERENTIAL TARIFF / ASEAN INDUSTRIAL COOPERATION SCHEME CERTIFICATE OF ORIGIN (Combined Declaration and Certificate) FORM D Issued in <u>LAO PEOPLE'S DEMOCRATIC REPUBLIC</u> (Country) See Overleaf Notes			
2. Goods consigned to (Consignee's name, address, country)					
3. Means of transport and route (as far as known) Departure date Vessel's name / Aircraft etc. Port of discharge		4. For Official Use <input type="checkbox"/> Preferential Treatment Given Under ASEAN Common Effective Preferential Tariff Scheme <input type="checkbox"/> Preferential Treatment Given Under ASEAN Industrial Cooperation Scheme <input type="checkbox"/> Preferential Treatment Not Given (Please state reason/s) ----- Signature of Authorised Signatory of the Importing Country			
5. Item number	6. Marks and numbers on packages	7. Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing country)	8. Origin criterion (see Notes overleaf)	9. Gross weight or other quantity and value (FOB)	10. Number and date of invoices
11. Declaration by the exporter The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in <u>LAO P.D.R</u> (Country) and that they comply with the origin requirements specified for these goods in the ASEAN Common Effective Preferential Tariff Scheme for the goods exported to ----- (Importing Country) ----- Place and date, signature of authorised signatory			12. Certification It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. Champasak, ----- Place and date, signature and stamp of certifying authority		
13. <input type="checkbox"/> Third-Country Invoicing <input type="checkbox"/> Exhibition <input type="checkbox"/> Accumulation <input type="checkbox"/> De Minimis <input type="checkbox"/> Back-to-Back CO <input type="checkbox"/> Issued Retroactively <input type="checkbox"/> Partial Cumulation					

L 000862

14. FORM S: FOR VIETNAM

ORIGINA

1. Goods consigned from (Exporter's business name, address, country)		Reference No. CERTIFICATE OF ORIGIN LAO P.D.R. AND S.R. OF VIETNAM (Combined Declaration and Certificate) FORM S Issued in Lao P.D.R. See Notes Overleaf			
2. Goods consigned to (Consignee's name, address, country)		4. For Official Use <input type="checkbox"/> Preferential Treatment Given Under LAO-VIETNAM Preferential Tariff <input type="checkbox"/> Preferential Treatment Not Given (Please state reason/s)			
3. Means of transport and route (as far as known) Departure date Truck's Reg. No./Flight No etc. Place of Discharge/ Place of Entry		Signature of Authorised Signatory of the Importing Country			
5. Item number	6. Marks and numbers on packages	7. Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing country)	8. Origin criterion (see Notes overleaf)	9. Gross weight or other quantity and value (FOB)	10. Number and date of invoice
11. Declaration by the exporter The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in _____ (LAO P.D.R) and that they comply with the origin requirements specified for these goods in the LAO-VIETNAM Preferential Tariff for the goods exported to _____ (S.R. OF VIETNAM) _____ Place and date, signature of authorised signatory			12. Certification It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. _____ Place and date, signature and stamp of certifying authority		

L 004282

15. FORM SPT: FOR CHINA



ORIGINAL

1. Goods consigned from (exporter's business name, address, country)		Reference No.			
2. Goods consigned to (consignee's name, address, country)		SPECIAL AND PREFERENTIAL TARIFF TREATMENT FOR CLM CERTIFICATE OF ORIGIN (Combined declaration and certificate) FORM SPT Issued in Lao P.D.R.			
3. Means of transport and route (as far as known)		4. For official Use			
Departure date Vessel's name/Aircraft etc. Port of Discharge		Special and Preferential Tariff Treatment granted by the People's Republic of China to CLM Signature of Authorised Signatory of China			
5. Item number	6. Marks and numbers of packages	7. Number and Type of packages; description of goods (including quantity where appropriate and HS Number of China)	8. Origin criterion (see overleaf notes)	9. Gross weight or other quantity and Value (FOB)	10. Number and date of invoice
11. Declaration by the exporter			12. Certification		
The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in (Country) and that they comply with the origin requirements specified for these goods in the Special and Preferential Tariff Treatment for the goods exported to China Place and date, signature of authorised signatory			It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct. Place and date, signature and stamp of certifying authority		

ATTACHMENT 13:

PROPOSED PROJECT CONCEPT:

CHAMPASAK TRADE MODERNIZATION PROJECT (CHAMPA-TMOP)

BACKGROUND

A new trade dynamic is emerging in the Greater Mekong Subregion, and the accelerated cross-border trade registered in the Champasak-Ubon Ratchathani alignment is evidence of this transformation. The *Scoping Study on Cross-border Agribusiness in Lao PDR: Focus on Champasak Province*, financed by the Trade Development Facility, a multi-donor trust fund to support trade and investment, and the Lao Ministry of Industry and Commerce, and administered by the World Bank, documented the current acceleration of cross-border trade in food and agricultural products from Champasak to neighbor-country markets. The study revealed that trade is developing at a pace that exceeds the capacity of local, provincial, and central levels of government to effectively administer normal trade supervision functions. As a result, government institutions are perceived as obstructing rather than facilitating trade development, with serious negative implications for upstream and downstream activities. Only through trade modernization and increased awareness of the sophistication and complexity of global supply chains, can Lao institutions and organizations, as well as the Lao people, share in the financial, economic, social, and environmental benefits that can be derived from expanded trade.

RATIONALE

The trade-led economic growth cluster emerging in the area surrounding Champasak Province, Lao PDR and Ubon Ratchathani Province, Thailand is strategically positioned in the Greater Mekong Subregion (GMS) to demonstrate an advanced model for cross-border agricultural trade and agribusiness investment linked to global markets. Trade and investment-related business organizations, producer associations, agro-industries, and research and financing institutions have recently been established and are developing at an accelerated pace, when compared to other areas of the GMS. At the same time, this dynamic development is constrained by poor market infrastructure, outdated and cumbersome trade procedures, and a serious lack of understanding of global marketing dynamics and good management practices. While vision and commitment, sound projects and leadership, and potential and opportunity all exist in some abundance in the area and provide the necessary pull factors for expanded growth; the equally essential push factor is weakened by vested interests, rent-seeking, and generally weak governance. The proposed project would address the weaknesses and threats to trade modernization and engagement with global supply chains feared by the Lao government and business sectors. The project also would make available to key government officials, business leaders, and progressive producers the means to engage in international trade in a moderate, sequenced, and sustainable manner.

OBJECTIVES

The **long-term development objective** of the proposed project is to create an enabling environment for expanding the trade of agricultural commodities produced in Southern Lao PDR. As has been demonstrated in other regions of Lao PDR, trade is an important pull factor to promoting production of a mass volume of raw materials sufficient to support expansion of agro-processing, similar to the agro-industrial cluster emerging in the Champasak-Ubon Ratchathani area. Achieving this objective would contribute toward the broader national goal of establishing a Lao brand that global retailers and consumers recognize and that represents natural and biologically safe food and agricultural products.

Essential to achieving the long-term objective are several **immediate objectives** to be realized by the proposed project, namely:

- ***The facilities and human resources currently used to certify quality control and sanitary and phytosanitary standards in Champasak Province will have been significantly upgraded and inspection processes streamlined.*** Science-based trade increasingly dominates as a principal driver of access to global supply chains, particularly for in the case of food and agricultural products.
- ***The awareness of food and agricultural commodity quality standards and trends in international bio-safety requirements for expanding cross-border and regional trade will be significantly raised among Champasak-based government officials, traders, agro-processors, business and agricultural students, and leading producers.*** International standards for agricultural practices, food safety, and enforcement of bio-safety standards are no longer dependent on rules and regulations legislated by national governments. Transnational consumer groups, international retail and wholesale food associations, and multinational trading and processing corporations now set their own standards, often more rigorous than national standards. These standards dominate global supply chains.
- ***The foundation for an agro-industrial cluster will have been established in Champasak Province.*** Domestic and cross-border agribusiness investment is expanding in the Champasak – Ubon Ratchathani corridor linked to increasing cross-border and regional trade. Critical elements of an agro-industrial cluster are emerging that require support to ensure they mature in a measured and sustainable manner.

OUTPUTS

Installation and operation of one science-based laboratory to conduct quality control, sanitary, and phytosanitary tests. The laboratory would be established as a public-private partnership.

- Certificates of quality ('techno') and phytosanitary certificates ('phyto') will be issued by the same laboratory, to streamline professional inspection procedures.
- 10-12 science and technology, and agriculture (crops) officials, and company technicians will be trained, certified, accredited, and audited by a not-for-profit certification and accreditation organization or an internationally recognized survey and inspection company.
- A pilot project would be initiated to introduce Internet-based document management of export procedures.

A quality standards awareness outreach program would be operated from the Champasak PICO with support from a team of technical assistance specialists.

- Technical specialists would consist of food technology specialists from Champasak University and Ubon Ratchathani University and appropriate non-profit organizations.
- The quality awareness program would include awareness raising among key actors in cross-border and regional trade on such issues as: SPS standards, Global GAP, FAO Codex, FAO GAP, etc.
- 6-8 technical meetings would be organized by the Champasak PICO over one year, with support from the technical specialists, to provide on-site orientation and training to members of trade, production, and export associations in Paksé and at individual companies, as well as for independent traders, commodity aggregators, and product consolidators.

The basis for a cross-border agro-industrial cluster will be established in Champasak Province.

- Pre-feasibility studies will be completed for the three industrial zones designated by the Champasak Province Division of Planning and Investment (DPI). The studies will include soil and land surveys to determine the most suitable crops to be cultivated in the area; to be linked to agro-industrial investments.
- A series of monthly cross-border technical meetings will be held over one year (12 meetings) to promote interaction and networking among key participants in the Champasak-Ubon Ratchathani agro-industrial cluster.

OUTCOMES

The trading system for food and agricultural products from Champasak Province would be modernized.

Champasak-based agribusiness enterprises would be engaged with global supply chains.

Key government officials, business leaders, and progressive producers would have a better understanding about how to engage in international trade in a moderate, sequenced, and sustainable manner.

The awareness of food and agricultural commodity quality standards and trends in international bio-safety requirements for expanding cross-border and regional trade will be significantly raised among Champasak-based government officials, traders, agro-processors, business and agricultural students, and leading producers.

ACTIVITIES

Installation of science-based quality control laboratories and professional inspection procedures:

- To reinforce the basis for science-based trade in line with the GOL's 6th National Social and Economic Development Plan, 2006-2010, the project would provide support for a public-private partnership to upgrade local laboratories to certify quality and sanitary and phytosanitary standards of agricultural commodities. Modern, international standard laboratory facilities and quality testing equipment could be installed at one or more locations (e.g., Lao Coffee Exporters Association, Pakxong Development Enterprise Export-Import Co., Ltd.) to guarantee the safety of Lao products.
- An internationally recognized survey-inspection company or a not-for-profit organization would train technicians from government and business as certified and accredited agricultural commodity surveyors and inspectors. Once certified, these technicians would be audited by the same accrediting organization to ensure continuous professional inspection of food and agricultural exports from Lao PDR through Champasak. Fraudulent inspectors would lose their accreditation and be black-listed internationally.
- To contribute toward simplifying logistical constraints, certified technicians from government and enterprises would work side-by-side to handle export documentation and facilitate the inspection of commodities for export.
- A pilot project would streamline the processing of required export forms and introduce Internet-based document management of export procedures.

Quality standards awareness program:

- The project would provide support for technical assistance based at the Champasak PICO to coordinate and operate a food safety, quality control, and sanitary standards outreach program aimed at raising the awareness and training of key local actors in the agricultural commodity supply chain. The outreach program would draw on resources from nearby Ubon Ratchathani University's Faculty of Agriculture, Department of

Food Technology, through an existing MOU with Champasak University, to train professors and lecturers as trainers.

- The project would support other food and bio-safety training and awareness raising activities with special courses for members of trade, production, and export associations in Paksé and at individual companies, as well as for independent traders, commodity aggregators, and product consolidators.

Agro-industrial and agricultural trade cluster development:

- The project would support a platform for the Champasak PICO and DPI to collaborate with the Champasak Chamber of Commerce and the Ubon Ratchathani Chamber of Commerce, as well as Ubon Ratchathani University, to create networks and mechanisms to foster, maintain, and strengthen inter-dependent linkages that would provide the foundation of a cross-border agro-industrial cluster.
- The PICO and DPI also would conduct necessary pre-feasibility studies and land surveys to reinforce the basis for the Champasak Province's industrial zone development plan; or, alternatively, to relocate existing designated industrial zones, to incorporate recently established large and medium industries (e.g., Lao Brewery Company, Lao Soft Drink Bottlers Company, Dao Heuang Coffee Processing Company).

IMPLEMENTATION ARRANGEMENTS

The **executing agency** of the proposed project would be the Ministry of Industry and Commerce (MOIC) operating through the National Implementation Unit (NIU). The Department of Production and Trade Promotion (DPTP) would be the **implementing agency**, working in collaboration with the Champasak Provincial Industry and Commerce Office (PICO).

The **Project Steering Committee** (PSC) at the Central Government level would be the principal policy making unit of the project. The PSC could include representatives from the following agencies and organizations:

- i) Vice Minister of Industry and Commerce, Chairman
- ii) Vice Governor of Champasak Province, Vice Chairman
- iii) Director, Department of Production and Trade Promotion, Secretary and Member
- iv) Deputy Director, Department of Production and Trade Promotion, Assistant Secretary and Member
- v) Deputy Director, National Implementation Unit, Ministry of Industry and Commerce, Assistant Secretary and Member
- vi) Deputy Director, Department of External Finance Relations, Ministry of Finance
- vii) Deputy Director, Department of Customs, Ministry of Finance
- viii) Director, Champasak Provincial Industry and Commerce Office, Member
- ix) Deputy Director, Department of Planning, Ministry of Agriculture and Forestry, Member
- x) Deputy Director, Department of Agriculture, Ministry of Agriculture and Forestry, Member
- xi) Deputy Director, Department of Intellectual Property and Inspection Certification, Science and Technology Agency, Member
- xii) Vice Chairman, Lao Agro Producers and Processors Association, Lao National Chamber of Commerce and Industry, Member
- xiii) Vice Chairman, Champasak Chamber of Commerce and Industry, Member

A **Project Implementation Committee** (PIC) would be established at the provincial level to provide regular guidance to the project manager and the PMU. The PIC has an important

responsibility to advise, assist, guide, and intervene to support the project manager and the PMU to overcome administrative, institutional, and governance obstacles to project implementation. The PIC would meet monthly, but special meetings could be convened at any time to address urgent matters. The PIC could be comprised of representatives from the following agencies and organizations:

- i) Vice Governor, Champasak Province, Chairman
- ii) Director, Champasak Provincial Planning and Investment Office, 1st Vice Chairman
- iii) Director, Champasak Provincial Industry and Commerce Office, 2nd Vice Chairman, Secretary, and Member
- iv) Deputy Director, Champasak Customs Office, Member
- v) Deputy Director, Champasak Provincial Agriculture and Forestry Office, Member
- vi) Deputy Director, Champasak Provincial Science and Technology Office, Member
- vii) Chairman, Champasak Chamber of Commerce and Industry, Member
- viii) Chairman (or Executive Director) Lao Coffee Exporters Association, Member
- ix) Dean, Faculty of Agriculture, Champasak University, Member
- x) Project Manager, Champasak Trade Modernization Project, Assistant Secretary and Member

A PMU would be created at PICO in Champasak responsible for daily implementation of the project. A small (two person) Project Management Unit (PMU) would be established at DPTP in Vientiane, mostly to serve as a liaison office with DPTP, MOIC, and the NIU. All PMU personnel in Champasak and Vientiane would be contract personnel.

The project manager would reside in Champasak and be based at the Champasak PICO. He/She would have significant experience as a planner and team leader and take direct responsibility for the *Agro-industrial and agricultural trade cluster development* component of the project. The 1st assistant project manager also would be based at the PMU in Champasak and would be directly responsible for the *Quality standards awareness program* and the *Agro-industrial and agricultural trade cluster development* components.

The PMU staff in Champasak would include the following personnel: an information and communications technology (ICT) specialist to assist with computer equipment at the PMU and at the quality control laboratory, and to guide the Internet-based export processing pilot project; a secretariat (2 people) to support administrative work at the PMU and for the technical assistance teams; and, a financial officer who would be responsible for assisting the project manager with all budgeting, financial planning, bookkeeping, and accounting tasks. The PMU in Vientiane would be based at DPTP and include two local contract personnel, namely: (i) the 2nd assistant project manager serving as a coordinator and liaison officer with DPTP, MOIC, and NIU; and, (ii) an administrative / secretarial assistant with ICT qualifications.

DURATION

The project would be implemented over a period of 24 months.

RISKS

The risk of project failure in Lao PDR is significant. More importantly is that the GOL provides no funds to support project initiated activities following completion of the project. Thus, the proposed project is designed to institutionalize project objectives, in an attempt to

achieve self-sustainability whenever possible. Nevertheless, potential risks are foreseen and are summarized below.

Risks related to installation of science-based quality control laboratories and professional inspection procedures:

- The GOL has a strong policy to adopt innovation and science-based technologies as enunciated in the 6th National Social and Economic Development Plan, 2006-2010. However, government budget funds are not available to support science-based approaches to development. The proposed project will be a test whether officials are willing to relinquish their customary powers to more science-based innovations. The transition will not be easy and the risk of non-compliance to stated policy will be high.
- The GOL's policy does not recognize public-private partnerships. Therefore, the proposal to modernize trade by facilitating the processing of exports and streamlining procedures through a collaborative arrangement between officials responsible for quality certification and phytosanitary certification, and enterprise-based technicians, has a high potential to fail.
- Officials currently responsible for inspections and issuing quality control certificates are likely to resent being audited following training and certification as accredited survey inspectors.
- Although some GOL officials have been introduced to Internet-based processing of forms, computer literacy among mid-level and senior officials is not high. There is a high risk that they will take strong exception to any attempts at e-government related to issuing and processing of export trade forms.

Risks related to the quality standards awareness program:

- As a result of traditional mistrust between Lao and Thai people, the participation of Thai professors and lecturers from Ubon Ratchathani University may not be acceptable to Lao staff at Champasak University. If the Ubon Ratchathani University specialists do not speak the Isan dialect of Lao, and only speak Thai, Lao trainees may not be interested in learning from them.
- Although training of entrepreneurs on issues related to food safety and SPS standards can be offered, there is no guarantee that the learning will be applied.

Risks related to agro-industrial and agricultural trade cluster development:

- The concept of agro-industrial and agribusiness trade clusters will be a new concept to nearly all project stakeholders in both Champasak and Ubon Ratchathani. Unless leadership by very senior GOL officials is forthcoming, introduction and development of the concept is at risk of failing.

Indicative Budget

The indicative budget for the proposed project is presented on **Table 1** below.

Table 1: Indicative budget for 24 months: Champa-TMOP

Unit: US\$

Component	Foreign Exchange	Local Currency	Total Cost
Base Costs:			
1. Installation of science-based quality control laboratories and professional inspection procedures	40,000	10,000	50,000
2. Quality standards awareness program	30,000	5,000	35,000

3. Agro-industrial and agricultural trade cluster development	30,000	5,000	35,000
4. Project Management / PMU	40,000	10,000	50,000
Sub-total a	100,000	20,000	120,000
Contingencies:			
• Physical Contingencies (5%)	5,000	1,000	6,000
• Price Contingencies (5%)	5,250	1,050	6,300
Sub-total b	10,250	2,050	12,300
Total Project Costs	110,250	22,050	132,300
Percentage	83%	17%	100%